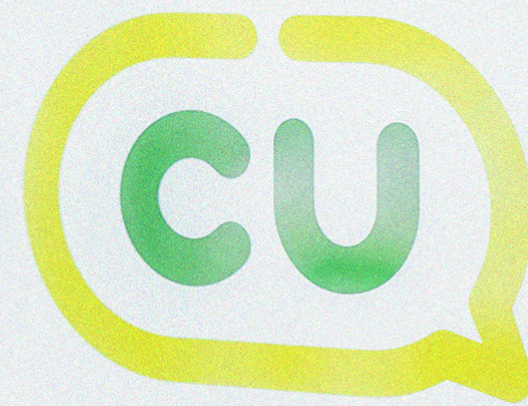


ECO
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자연과 환경을 생각하는 좋은친구

We are Good Friends!

2020-2021 BGF Retail Sustainability Report

BGFretail

ABOUT THIS REPORT

Overview of the Report

This report provides a detailed description of major issues derived from the materiality analysis and activities, performance, goals and progress of the tasks from nine areas selected for the achievement of the ESG management goals. BGF Retail will continue with the annual publication of the Sustainability Report for transparent disclosure and communication of the ESG management activities and performance to our stakeholders.

Reporting Scope

The reporting data have been written with a focus on BGF Retail's ESG management activities and performance and includes data from some of our affiliates. Management performance of each company includes consolidated financial performance and the financial information adopts the Korean International Financial Reporting Standards (K-IRFS). In case there is a restriction on data collection, reporting scope of the information is specified separately in the annotation.

Reporting Period

The official reporting period is in line with the data from the fiscal year, but for some performance, we are including data with dates up to June 2021. For quantitative performance, data of three years from 2018 to 2020 are included. (Financial performance is recorded by the end of 2020 on the consolidated basis)

Reporting Criteria

This report was conducted with reference to the following global guidelines.

- GRI Standard (Core Option)
- ISO26000
- Top Ten Principles of the UN Global Compact
- UN Sustainability Development Goals (UN SDGs)

The Third-Party Assurance

To secure the reliability of the writing process and the overall information of the report, the third-party assurance was completed by Econine, an independent assurance institution, and the errors in some of the data were corrected.

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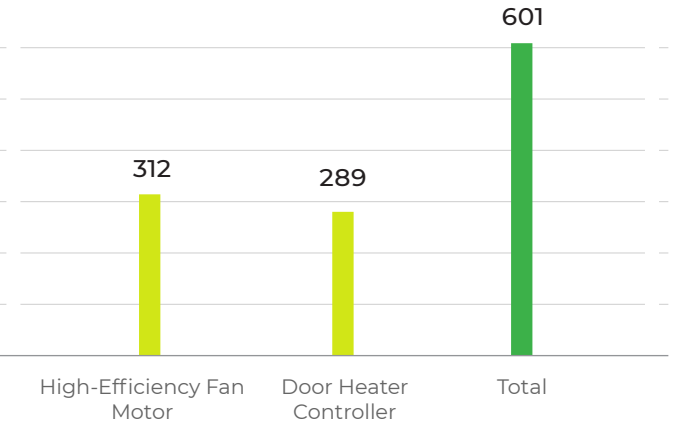
ESG Impact

1

Establishment of a Platform for Eco-Friendly Consumption

‘Green Store,’ an Eco-Friendly Convenience Store
As a test bed for the purpose of minimizing the carbon emission, CU Green Store conducts a variety of tests for energy usage reduction, air quality improvement, waste discharge reduction and greenhouse gas emission reduction to induce the optimal facility solutions commonly applicable to all of the CUs across Korea, and thus contributes to tackling the climate change.

General Stores with the Green Store Eco-Friendly Facility (Store) (As of the first half of 2021)



Korea’s First ‘Green Store’ in the Industry Designated by the Ministry of Environment

‘CU Seocho Green Branch,’ the first green store, was designated as a ‘Green Store’ by the Korea Environmental Industry & Technology Institute under the Ministry of the Environment, in June 2020, for the first time in the industry. Green stores are selected, with a comprehensive evaluation of the sales of green products, eco-friendly operation policies and employee awareness, etc. for businesses that have induced the citizens’ eco-friendly consumption and contributed to the sales of the eco-friendly products on the basis of the enforcement rules of the green product purchase promotion. Meanwhile, facilities that are proven to reduce energy usage are expansively applied in general stores (In the first half of 2021, Door Heater Controllers and BLDC High-Efficiency Motors were applied to 601 general stores).

ESG Impact

2

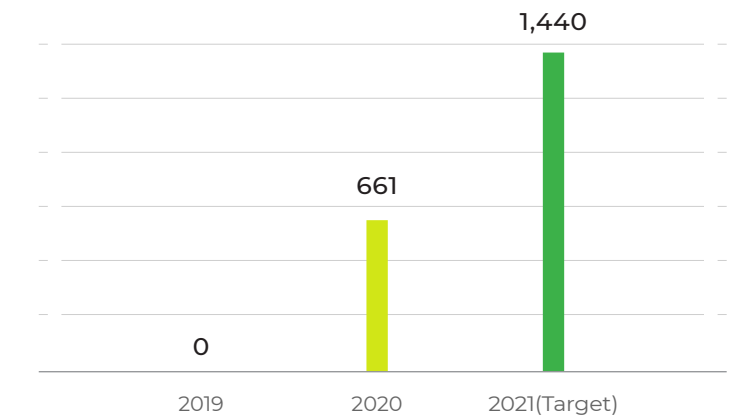
Development of Eco-Friendly Logistics Infrastructure

Production of Eco-Friendly Energy through Solar Power Generation

BGF Retail is engaging in the national eco-friendly energy policy as a response to Climate Change by building a large-scale solar power generation in Jincheon Central Distribution Center, producing and supplying the electricity. Electricity produced by 2,400 solar power modules installed in the roof of the logistics center leads up to 1,200 megawatts (Mwh) per year, which is the amount that can be used by about 1,400 people at home for a year.



Jincheon CDC Solar Energy Generation
Annual Power Generation (Mwh)



Green Logistics

Being the only corporation with the Green Logistics Certification in the convenience store industry in Korea, BGF Retail has been actualizing the energy efficiency by building an inventory system for the estimation of energy usage and carbon emission in the logistics centers across the country (a total of 33 logistics centers with scope 1-3), improving the infrastructure with the installation of LED lighting and eco-fans and practicing the eco-driving of the delivery vehicles.

Green Delivery System

BGF Retail introduced electric delivery vehicles for the first time in the industry. Electric delivery vehicles that do not use carbon fuels reduce annual Carbon emissions by 2 tons, in comparison with motor vehicles, with no emission of fine dust, Carbon Dioxide (CO₂), Nitrogen Oxide (NOx), etc. when driving. BGF Retail is planning on reviewing the step-by-step expansion of electric delivery vehicles through a thorough environmental impact evaluation on them.

ESG Impact

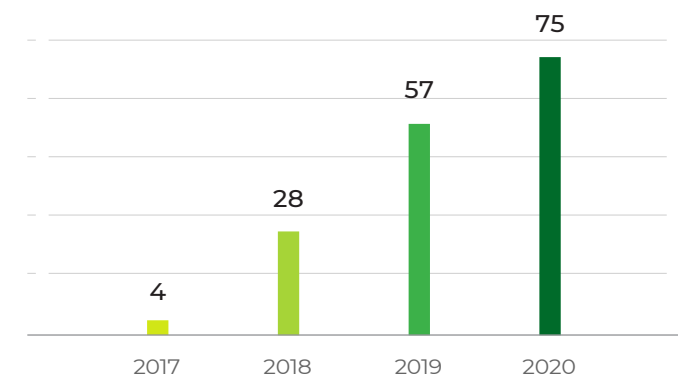
3

Strengthening the Community Safety Net

'iCU,' a Convenience Store Infra-Based Campaign for Finding Missing Children

BGF Retail actively participates in strengthening local communities' children safety net with the use of convenience store's characteristics—of near field hub network and 24 hour-open policy—for prevention and early finding of missing children. In 2020, iCU safely returned a total of 18 children to their caretakers, which is the number decreased by 38 percent compared to the year before which is considered to have been affected by the increase of on-line classes and home-schooling due to COVID-19.

iCU Case (in accumulation) (case)



Activating Observation and Reporting of Child Abuse

BGF Retail focused on the fact that the surveillance and active reporting of the citizens are needed for the fundamental solution to the problem of child abuse, which emerged as a serious social problem in 2020. In this context, we added the child abuse reporting function to the CU's POS emergency reporting system in collaboration with the National Police Agency; Once a CU worker witnesses a scene that arouses suspicion of child abuse, the person can use a checklist to determine the validity of the suspicion and report to the police through the POS system. Also, we conducted a campaign to improve public awareness of the need for the eradication of child abuse crimes through the use of CU, corporate vehicles of the employees and SNS channels.

'See You, Soon,' a Campaign to Find Long-Term Missing Children

BGF Retail has been running a campaign to find long-term missing children in cooperation with various other institutions including Child Rights Agency and other corporations. On account of continuous and omnidirectional content promotion in the efforts of finding missing children, there was a case in which a CU customer discovered her childhood photograph sent from the point of sales (POS) and reunited with the family after 20 years of separation.



ESG Impact

4



COVID-19 Relief
Supplies Aid
(to Korean residents,
quarantine
officials and medical
staff returning from
Wuhan)

masks, groceries,
etc.

27,600



Response to COVID-19

Flexible Expansion of the Business Platform Operation Methods

BGF Retail responds to the COVID-19 pandemic by exerting flexibility for the operation of the business platform, CU. We have introduced a hybrid CU with both manned and unmanned operations based on the philosophy of 'co-existence of human and technology.' Furthermore, we launched 'Tech Friendly CU,' which is a tech-friendly store that combines face recognition technology and IT solutions in line with the non-facial contact consumption trend. Also continually reinforced is the delivery service wherein customers can enjoy CU without having to visit stores, which is the first attempt in the industry to implement the concept of a convenience store that reaches customers.

Preventing COVID-19 Infection of Customers and CU Workers

CU is the largest distribution platform in Korea visited by 4 million customers per day. For the first in the industry, BGF Retail installed droplet barriers, provided hand sanitizers and implemented the next generation POS system with antibacterial treatment in 15,000 CU stores, taking the lead in the prevention of COVID-19 infection for customers and workers.

Strengthening of Non-Contact Communication

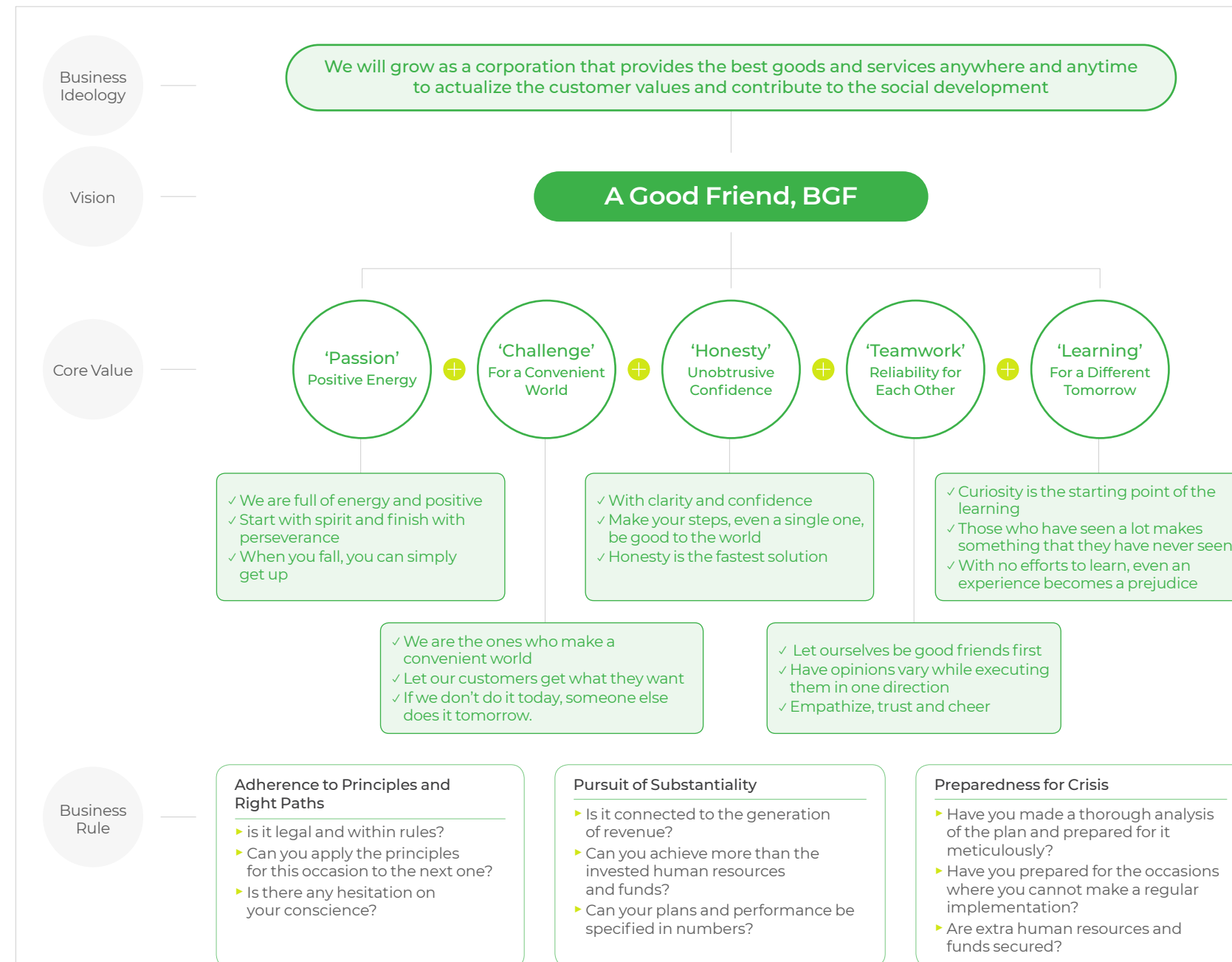
Even amid the social distancing, we are developing online programs to promote solidarity and boost the morale of the members of BGF Retail, as well as providing a flexible working environment such as working from home.

Relief Aid for the People

We aided daily necessities, including 20,000 masks to Korean residents and quarantine officials who returned to Korea from Wuhan, China, due to the outbreak and the rapid spread of COVID-19.

BUSINESS PHILOSOPHY

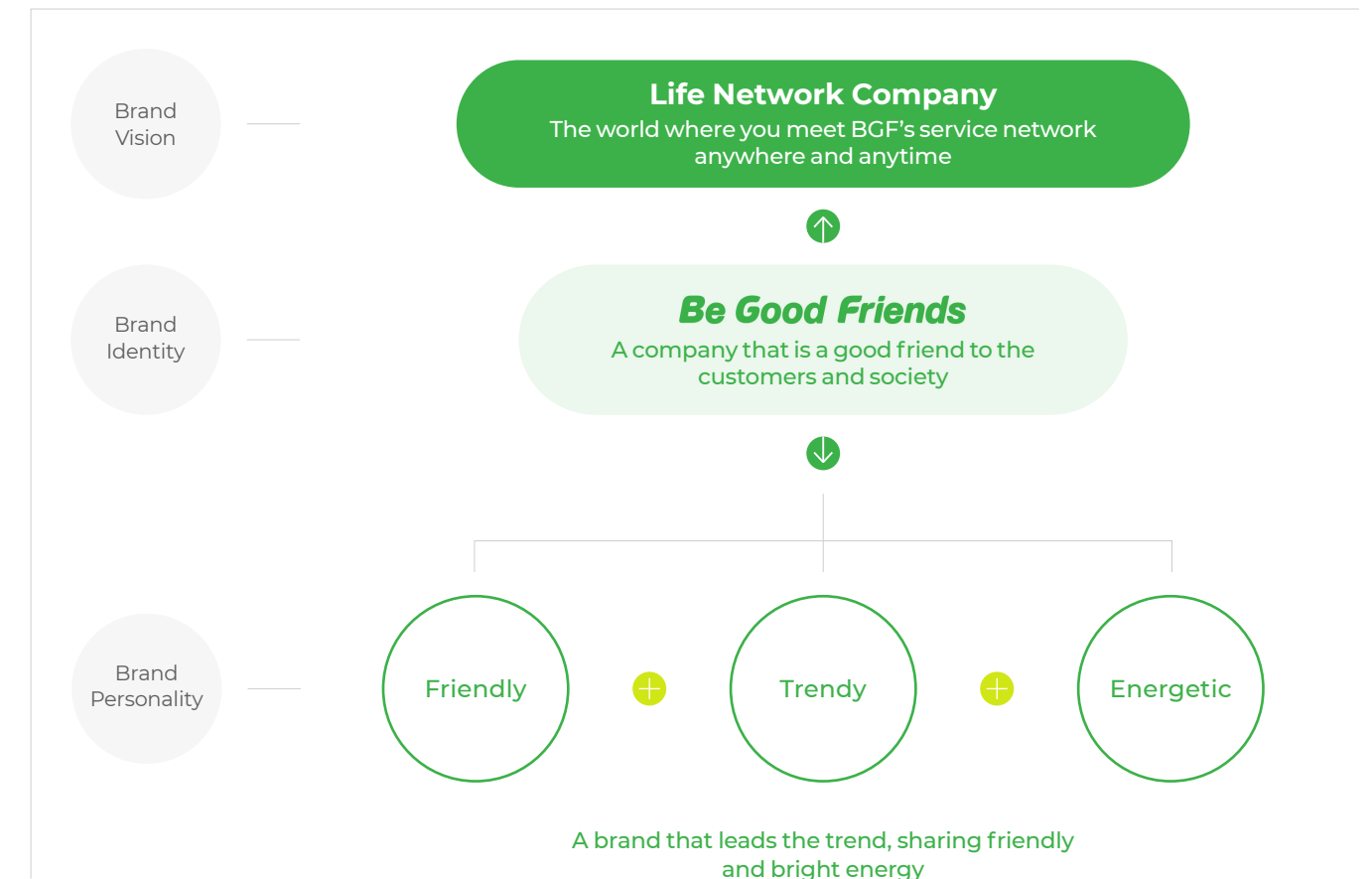
Business Value System



BGF Brand Value System

BGF, a good friend that realizes the service network you can meet anywhere, anytime

BGF endeavors to provide customers convenient daily life and create new values in various business sectors, including distribution, food, service and environment. The corporate identity of 'Be Good Friends' encapsulates our willingness to shape a corporation that is a good friend in the daily life of our customers. With this goal of being a good friend to customers and society, BGF has grown into a company that pursues transparent management, creates future values and fulfills its responsibility.



CEO MESSAGE

“ We ask you to watch the journey of BGF Retail towards
a better future and a better world. ”

We are delighted to introduce the company's business status through the sustainability report to all of our stakeholders who trust and support BGF Retail.

Since last year, the global economy has been going through unprecedented confusion and crisis due to the COVID-19 pandemic. Therefore, seeking the recovery of competitiveness, many domestic and overseas corporations are making endeavors such as bold restructuring, business reorganization and mergers and acquisitions.

Despite such a challenging business environment, BGF Retail has been recording consistent revenue performance of a top-notch level in the industry with the eco-friendly vision to 'Be Good Friends.' Also, by successfully launching convenience stores of quality, we have introduced Korean convenience stores to the world, not stopping with ranking number one in Korea regarding the number of convenience stores we opened. We have achieved the international standard of environmental management system certification, ISO 14001 for the first time in the industry, acquired the comprehensive A rate from the ESG evaluation and was recognized for our sincere efforts and performance.

2021 is the year in which BGF Retail declared the business vision of 'BGF Retail, a good friend to the Earth and society.' We have had intense contemplation of what would enable profit-seeking—which is the fundamental reason for corporate existence—and the journey to a better future and a better world head in the same direction.

As a result, we have established individual goals of nine core areas on the basis of the three main objectives of building an eco-friendly value chain, making an ecosystem for shared growth and supporting healthy and happy life. We will keep on building a sustainable future of BGF Retail based on them.

PLANET _ Establishing Eco-Friendly Value Chain

BGF Retail aims to build an eco-friendly value chain by carrying out the strategic tasks of reducing greenhouse gas emissions, plastic usage, disposable products and waste, and expanding recycling. Please watch the steps of BGF Retail made for tomorrow's Earth.

PARTNER _ Creating Eco-System for Shared Growth

Shared Growth with the franchise stores and partner companies has been considered an essential value since the establishment of BGF Retail. Taking one more step forward, we will expand support for the

vulnerable and extend the public function to develop local communities as we fulfill our social responsibility.

PEOPLE _ Supporting Happy and Healthy Life

In addition to creating a physical and psychological working environment in which employees can work happily, we will try to supply safe and right products only, for the healthy and happy lives of our customers. Also, BGF Retail has supported the ten main principles of the UN Global Compact of human rights, labor rights, environment and anti-corruption, and contributed to the achievement of the UN Sustainable Development Goals.

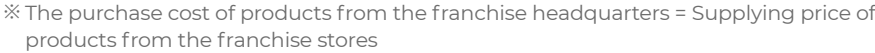
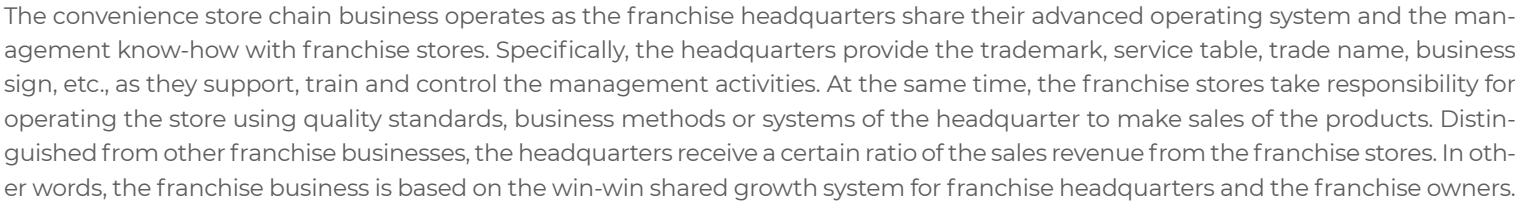
BGF Retail will keep fulfilling the corporate social responsibility that goes beyond the economic profit-seeking. We ask for your encouragement upon BGF Retail's trials as a sustainable corporation to make a better world.

Thank you.

KEON-JUN LEE
CEO of BGF Retail Co., LTD.




BGF Retail operates the convenience store chain business and focuses on the business of franchising the convenience store brand, CU as its main project. Separated from BGF in 2017, the corporation was newly established.



Company Name	BGF Retail Co., LTD.	Credit Rating	AA (NICE D&B Corporation Credit Rating)
Headquarter Location	405 Taeheran-ro, Gangnam-gu, Seoul, Republic of Korea	Employee	2,154 (excluding direct store staff)
CEO	Keon-Jun Lee	Asset (consolidated)	KRW 2.3711 trillion
Foundation	November 1, 2017	Debt (consolidated)	KRW 1.6743 trillion
Main Business	Convenience store chain business	Capital (consolidated)	KRW 696.8 billion
Share	17,283,906 (Gross shares issued)	Capital Stock	17.2 billion won

Company	Industry	Location	Listed or Not
BGF Logis	Logistics and warehouse business	66 on 3rd San Fisheries Unit, Deoksan-eub, Jincheon-gun, Chungbuk, Republic of Korea	Unlisted
BGF Foods	Food manufacturing and distribution business	66 on 3rd San Fisheries Unit, Deoksan-eub, Jincheon-gun, Chungbuk, Republic of Korea	Unlisted
BGF Humannet	Worker dispatch and task entrustment business	2F, Dongkyung Building, 22 Nonhyeon-ro 85-gil, Gangnam-gu, Seoul, Republic of Korea	Unlisted
C-FEX LOGISTIC	Automobile transportation business	64, Mogamaro Park, Icheon-si, Gyeonggi-do, Republic of Korea	Unlisted

Classification	2018	2019	2020
Sales	5,775,862	5,946,068	6,181,269
Operating Income	189,516	196,623	162,204
Net Income	154,187	151,377	122,711

Major Affiliates

**BGFlogis**

BGF Logis provides a 'CVS business-optimized logistics service' that serves the products to all CUs across the country 24 hours, 365 days with stability, using the logistics distribution network throughout the nation.

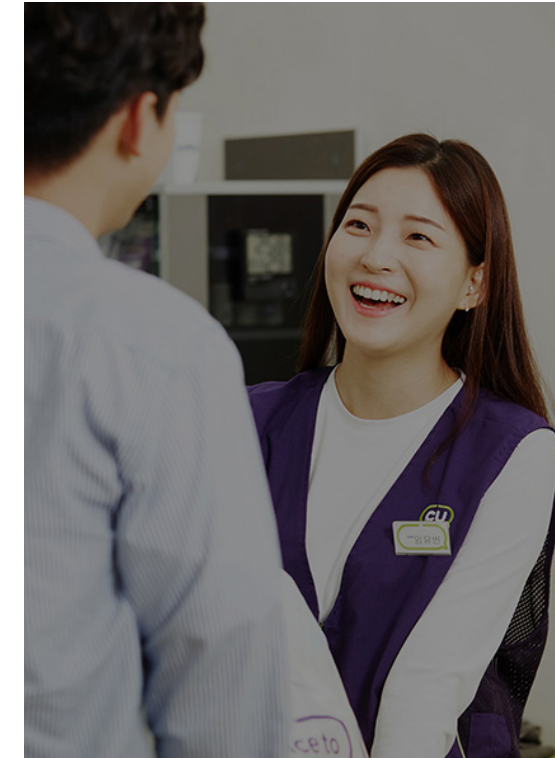
CEO	Sun-Woong Yoo
Adress	66 on 3rd San Fisheries Unit, Deoksan-eub, Jincheon-gun, Chungbuk, Republic of Korea
Foundation	November 15, 1999
Employee	345
Sales	204,386 (KRW million)



BGFfoods

BGF Foods performs the role of control tower for convenient food manufacturing, including R&D and production. It purchases and supplies the raw materials to deliver high-quality food for all CU stores across the country. For safer food manufacturing, BGF Food has built and operated a comprehensive management system for convenience food manufacturing.

CEO	Hee-Tae Park
Address	66 on 3rd San Fisheries Unit, Deoksan-eub, Jincheon-gun, Chungbuk, Republic of Korea
Foundation	January 21, 2008
Employee	62
Sales	96,029 (KRW million)



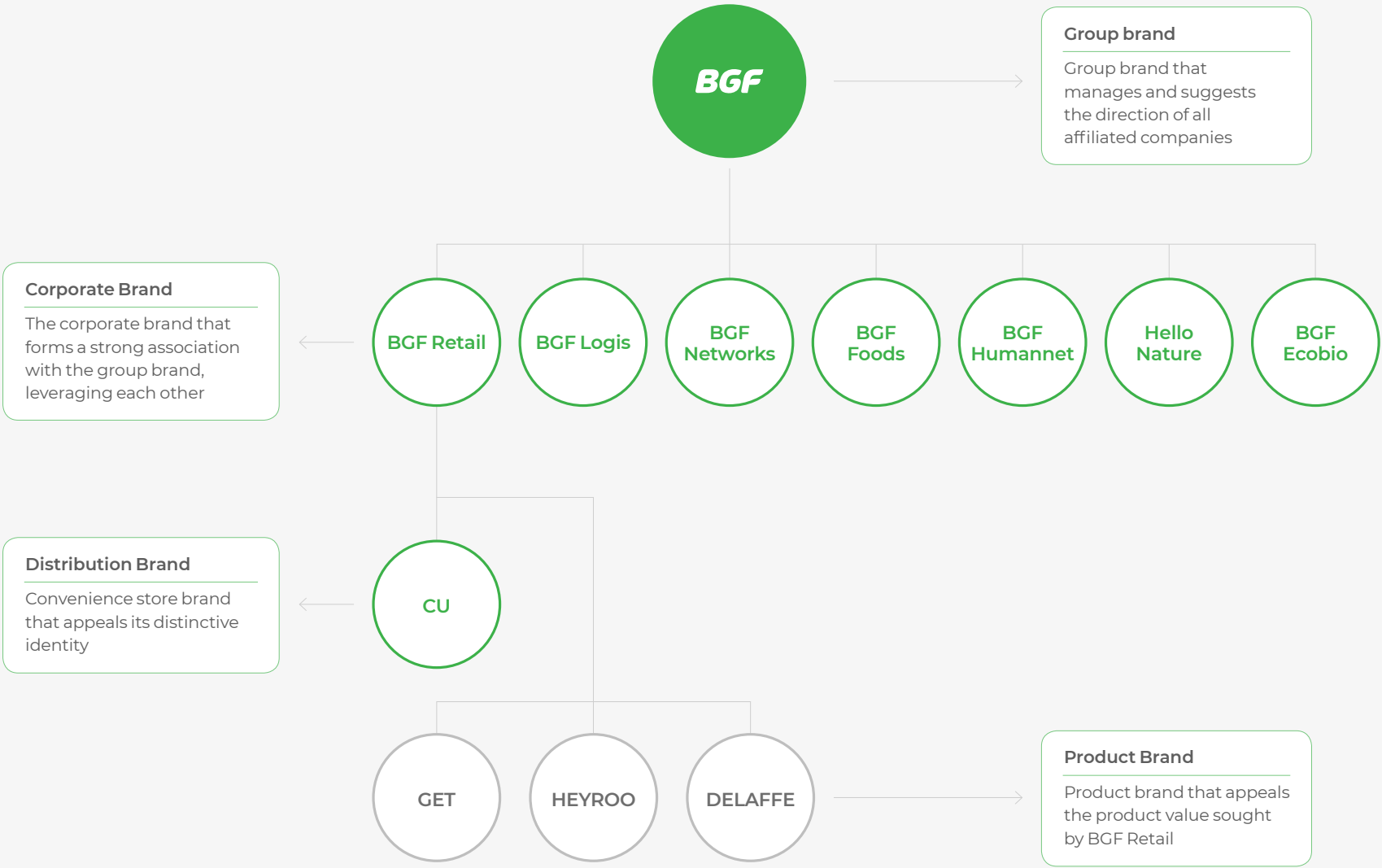
BGFhumannet



BGF Humannet supports the consignment and human resources task operation to improve the efficiency of CU's store management. It provides stable operation support for various stores, including special stores, through a professional store management capacity.

CEO	Young-Chil Kim
Address	2F, 22 Nonhyeon-ro 85-gil, Gangnam-gu, Seoul, Republic of Korea
Foundation	March 18, 2009
Employee	131
Sales	50,263 (KRW million)

Brand Structure and Brands in Operation



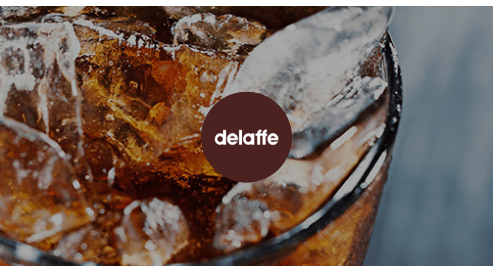
CU has been leading the Korean convenience store market since the opening of Garak Seeyoung Branch (the 1st store) in 1990. For the first time in the industry, we have established a nationwide network, including island areas such as Ulleungdo and Baengnyeongdo. In 2012, we provided the Korean-style convenience store model, achieving brand independence as a brand of Korea. With 120 million customers a month, CU accompanies the customers through the beginning of the day, a moment of rest and the end of the day, always serving new and convenient products and services.



GET, a new coffee culture with reasonable price and high quality

GET presents a new coffee culture where customers can enjoy the original taste of coffee at low cost unbound by time and location.

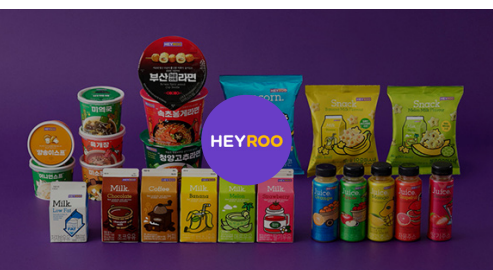
➔ **Brand Category** Coffee, dessert



delaffe, a drink in iced cup adding pleasure to the taste

delaffe provides the experience of convenience and a variety of taste to our customers with cups with ice and drink pouches.

➔ **Brand Category** Iced pouch drink



HEYROO, an integrated PB product that figures the hidden needs of customers

HEYROO is an Integrated PB Brand not including convenient food products, and it meets the customers' needs and provides them a new experience.

➔ **Brand Category** Snack, ramen, ice cream, milk and various other processed food

2020 Business HOT ISSUE

#1. CU, Stretching Overseas

BGF Retail exports the Korean CVS operating system and know-how worldwide through the Master Franchise (MFC) contracts with overseas corporations. In addition, we are exporting PB products and products manufactured by domestic small and medium-sized companies to about ten countries, including Mongolia and Malaysia, by expanding the overseas distribution channels.

Korean-Style Convenience Store



In August 2012, BGF Retail ended the overseas brand license contract and launched the Korean independent brand, 'CU,' tailored for the lifestyle of Korean consumers. Then in 2014, complete brand independence was achieved with the listing in the securities market and disposing of the entire overseas shares. This is considered the first case in the distribution industry history of global distribution to achieve independence by paying loyalty and becoming a franchiser from being a franchisee.

Mongolia

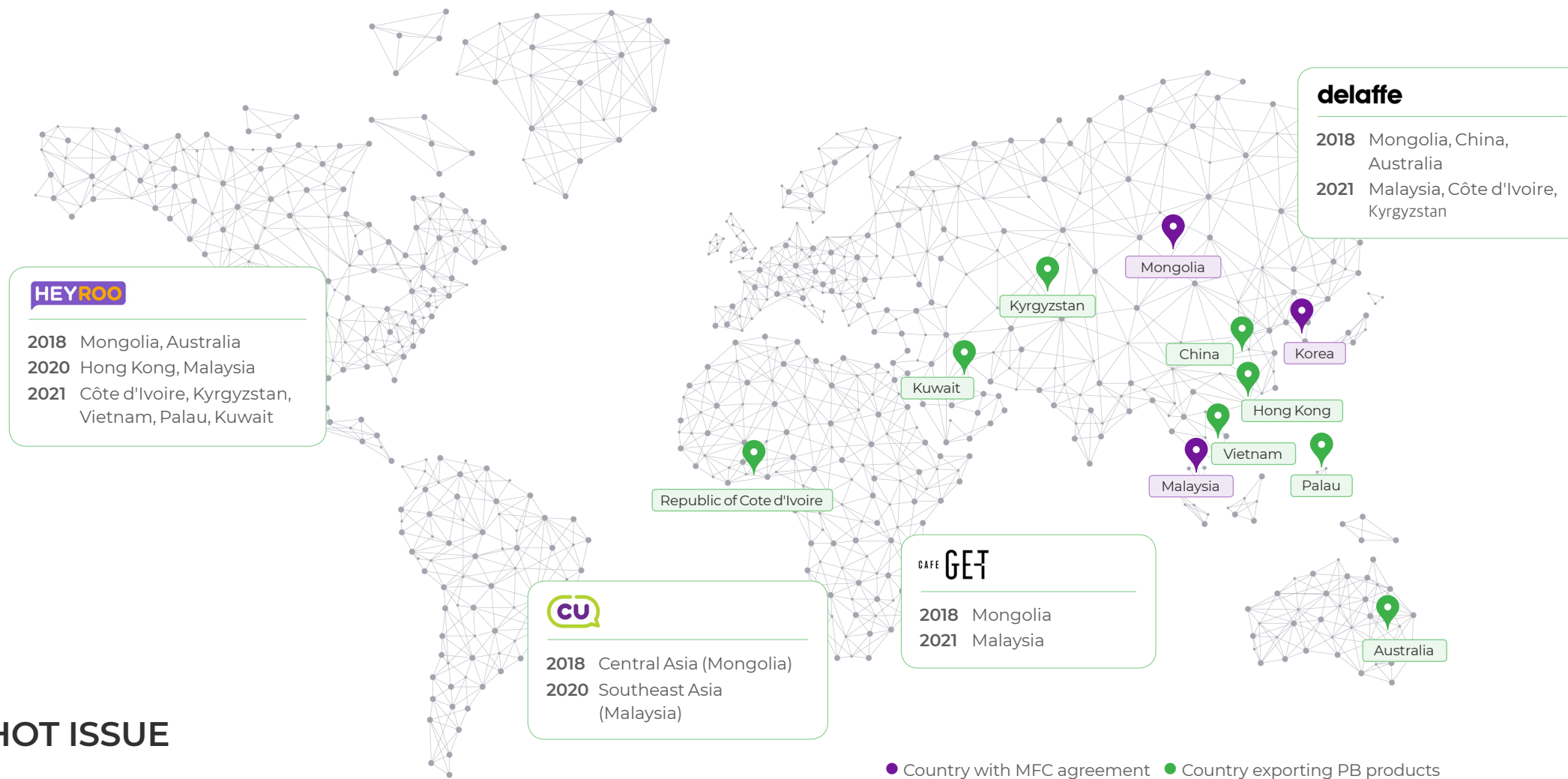


In April 2018, we signed a Master Franchise Contract (MFC) with a Mongolian corporation, Central Express (the distribution company of 'Premium Group,' the largest corporation in Mongolia that dominates mine and wind power generation projects). We opened the first store, Shangrila, and as of June 2021, 127 stores are in operation. CU in Mongolia is settling down as a trendy space for the young Mongolian generation fond of Korean culture.

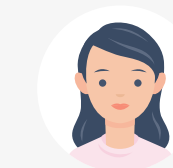
Malaysia



In October 2020, we signed a brand license contract with MYCU, the subsidiary of Malaysian corporation, MynewsHoldings, and opened the first CU in the Malaysian market last March for the first time in the Korean convenience store industry. Out of the sales products sold in 'CU Center Point Branch' of Malaysia, Korean products account for 60 %, and Korean instant foods are sold and spreading K-culture of Korean convenience stores. We have also developed and introduced the 'BGF Retail Global System Exclusive for Overseas Business' to extend the Korean convenience store model and K-IT technology.

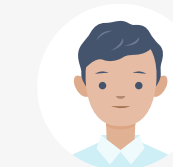


Mini Interview with Stakeholders in Mongolia



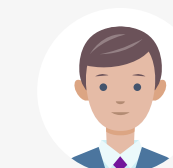
Customer

"It is very convenient as I can purchase goods that I want anytime of the 24 hours."



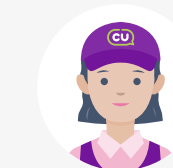
Employee

"It is quickly settling down as a retail channel platform."



Affiliated Company

"Thanks to the know-how of BGF Retail, the business has been launched successfully."



Worker

"More than a thousand customers visit a day, which makes the work enjoyable."

#2. Combinations and Intersections! CU Leads the Trend



Ascending as a Collaborative Restaurant

In collaboration with Daehan Mill and Seven Broy, BGF Retail released the craft Gompyo wheat beer exclusive in the industry, achieving the first place in Korean and imported beer in May 2021. Furthermore, CU has been leading the collaborative product market by collaborating beyond the boundary of sectors, for instance, working with other brands and webtoons, and thus provides freshness and pleasure to customers, including the MZ generation.

Combination of Know-How for Convenient Food and Broadcasting Content!

BGF Retail is participating in producing a food survival program with a new concept that develops food products that can be sold in convenience stores, with the gourmet stars utilizing Korean agricultural and fishery ingredients. The day after the broadcasting, CU convenience stores across the country launch the winner's product. This is the first case in the industry that combines the manufacturing infra of BGF Food central kitchen, know-how of convenient food production and broadcasting content. A total of 26 products have been launched by May 2021 and some of the profit has been provided to support social contribution activities, including supporting starving children.

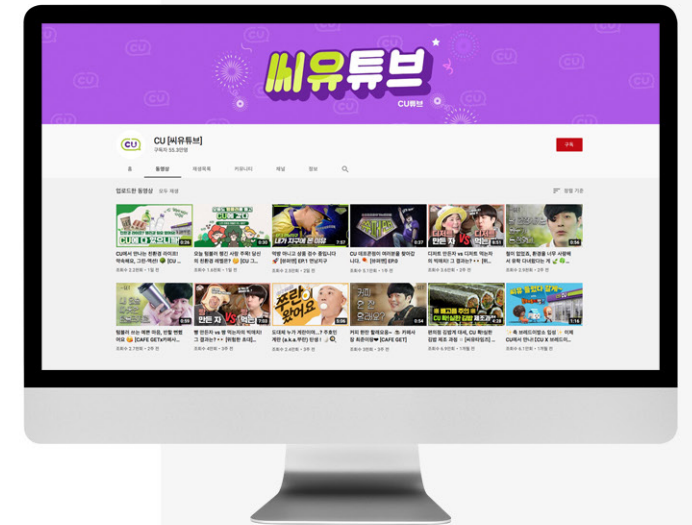
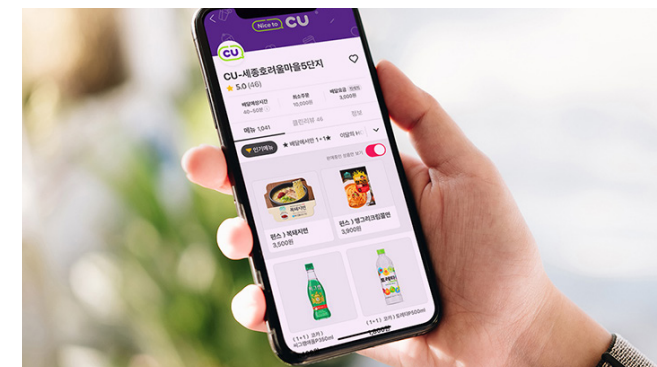


Communicating with the Most Enjoyable Convenience Store Content! CUTube!

CU's official YouTube channel, 'CUTube,' with the most significant number of subscribers in the industry, communicates with different content with the MZ generation by introducing new products and proceeding with Live Broadcasting, CU-exclusive web drama and web novels. With a flexible range of content that freely crosses the boundaries of generations and areas, CU SNS channels (Facebook, Instagram, YouTube and Twitter) currently have more than 1.5 million subscribers and followers.

CU Opens the Era of Delivery!

The CU delivery service started in April 2019 has seen a significant increase following the increase in demand for non-face-to-face purchase service due to COVID-19. CU has established the largest delivery network in the industry through collaboration with the delivery platform and portal companies. As of May 2021, about 7,000 delivery services have been operated across the country. In addition, we are expanding various non-face-to-face purchase services such as walking delivery service, drive-through automobile pickup service and introduction of self-checkouts. CU will continue to provide the convenience that reflects the changing external environment and customer needs.



Subscribers and fans of SNS channels,
including CUTube (person)
(as of the first half of 2021)

1,500,000

Stores with delivery service (store)

7,000



ESG MANAGEMENT

BGF Retail strives to achieve the ESG vision of being ‘good friends with the Earth and society,’ clearly recognizing the expectations of various stakeholders and reflecting those on the company policies in optimizing economic, environmental and social values.



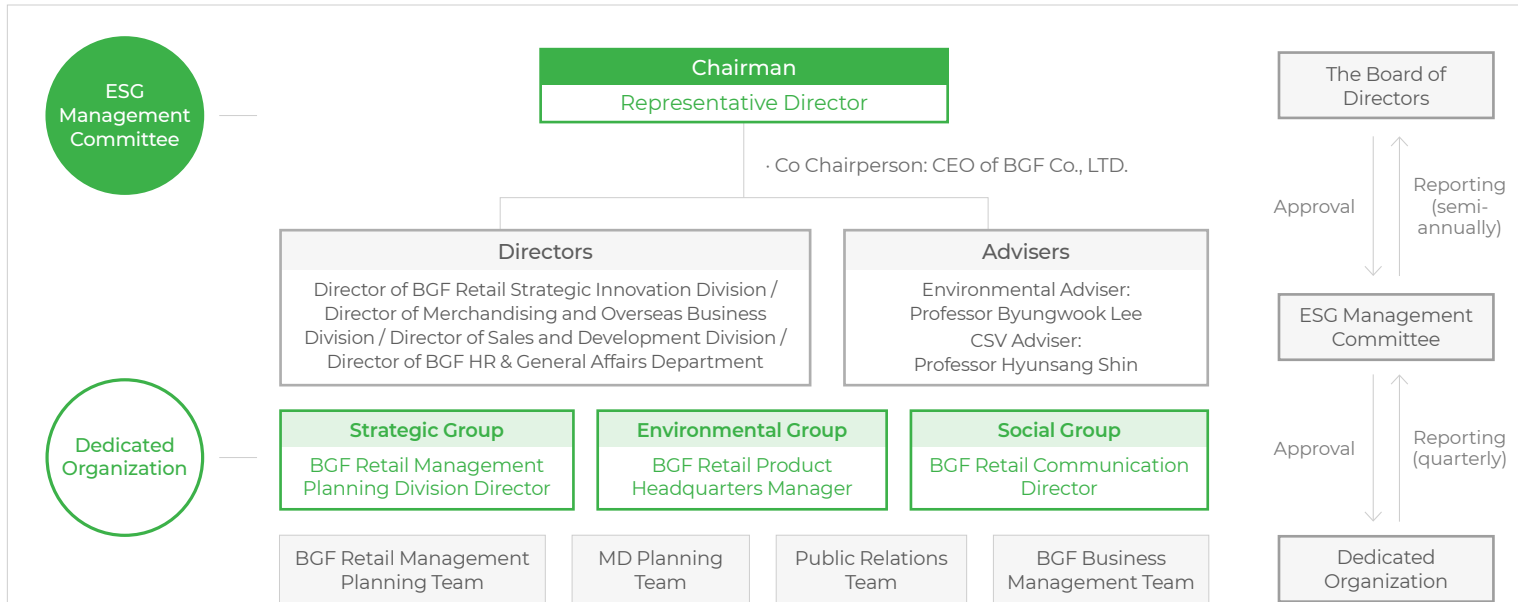
ESG MANAGEMENT GOALS

BGF Retail aims to create integral values that combine economic values—through the optimization of profits and shareholder values—and social values while carrying out the responsibilities as a corporate citizen. Clearly recognizing and reflecting various stakeholders' expectations on the company policy to optimize the economic, environmental and social values, we strive to achieve the ESG vision of being 'good friends with the Earth and society.'

ESG Management Committee

BGF Retail has been operating the ESG Management Committee to lay the foundation for sustainable growth and fulfill corporate social responsibility. ESG Management Committee is an organization that performs the activities in decision-making for the overall ESG management of BGF Retail. The committee consists of dedicated environmental, social and strategic organizations, and its members include environmental and CSV experts.

Organization Chart



Advisory Commissioners Profile

Environment

Professor Byungwook Lee	Former Vice-Minister of Environment (2008-2010) / Chairman of the Korea Institute of Environmental Policy (2011) / Director of the Korea Institute for Environmental Policy Assessment (2011-2014) Current Professor of Industrial Environment at Sejong University Graduate School of Public Policy / Director of the World Wide Fund for Nature (WWF)
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Shared Value Creation

Professor Hyunsang Shin	Current Professor of Business Administration at Hanyang University · Adviser to the Institute of Social Values / Director of the Korean Society of Enterprise Management / Head of the Impact Science Research Center at Hanyang University / Research area: Social innovation, marketing ROI, social enterprise/Social venture (social value management)
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ESG Management Vision System

BGF Retail has established ESG management visions to systematically implement sustainable management that is taking place as a global standard. We are fulfilling environmental and social responsibility in nine key areas to achieve three mid- to long- term goals. We will continue to connect our business with the three mid- and long- term goals of 'establishing eco-friendly value chain (PLANET),' 'creating eco-system for shared growth (PARTNER)' and 'supporting happy and healthy life (PEOPLE)' to shape sustainable development and growth.



Major Initiatives for Sustainable Management

BGF Retail has joined the United Nations Global Compact to support ten principles, including human rights, labor, environment and anti-corruption, fulfilling its responsibility as a member corporation by publishing an annual performance report. We also officially declared the CEO support pledge to achieve the United Nations Sustainability Development Goals (UN SDGs) through the UNGC Korea Association.



Sustainability

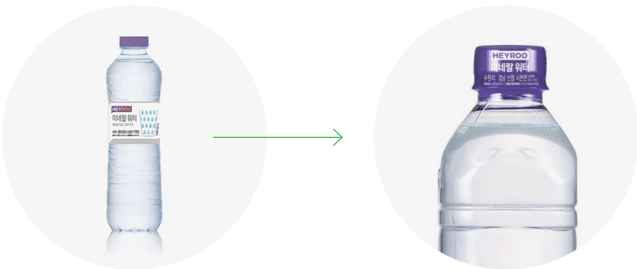
BGF Retail is evaluated each year of its sustainability business by domestic and foreign institutions as a listed company in the securities market. In 2020, we achieved an integrated 'A' level exclusively in the industry from the Korea Corporate Governance Service, the leading evaluation institution in Korea.

Classification	Integrated Level	Environment (E)	Social (S)	Governance (G)
BGF Retail Co., LTD.	A	B+	B+	A

2020 ESG HIGHLIGHTS

¹ PLASTIC LABEL FREE! Annual Plastic Label Waste Reduction of 2.49tons

BGF Retail released the water bottle without a label, 'HEY-ROO Mineral Water (500ml)' for the first time in the industry. A non-labeled water bottle can be discharged simply after removing the label around the cap without the hassle of ripping the label around the bottle for recycling. Hence this product increases the recycling rate of the used pet bottles. With the 54% reduction of plastic vinyl usage compared to previous products, plastic vinyl's expected annual reduction is 2.49 tons (in case average monthly sales of 1.27 million are made). We also made proactive efforts to support the customers' eco-friendly consumption by enabling waste discharge reduction and easy separate discharge of used plastic items by improving eco-friendliness centered on Private Brand (PB) products.



Amount of the Label Area

Before	Modification	Reduction Rate
45*213.5mm	35*125mm	54.5%



² INDUSTRY'S FIRST SOLAR POWER PLANT! Annual Growth of 661Mwh in Electricity Production

As the first in the industry, BGF Retail established a large-scale solar panel development facility using the spare area of Jincheon Central Distribution Center, which is our major business infra, to produce eco-friendly electricity. This project has been operated as a proactive engagement in the pan-governmental 2050 Carbon Neutral Strategy and to increase the social and economic benefits with the additional profits from effective use of resources. Solar power generation has been at work since July 2020, and the electricity production amount produced until the end of 2020 reaches a total of 661Mwh.

The CO₂ reduction effect by conversion to PLA bags and solar panel development equals the annual CO₂ absorption of 1.33 million pine trees in their 30s.

30-year-old pine trees
133,158 trees



³ IMPLEMENTING ECO-FRIENDLY PLA BAGS Plastic Bag Usage Average Monthly Reduction of 89.9tons

Since April 2020, BGF Retail has introduced eco-friendly bags made of Poly Lactic Acid (PLA) for the first time in the industry, currently using them in 15,000 stores, through which we have reduced monthly 89.9 tons of plastic vinyl (as of the first half of 2021). PLA is biodegraded in 180 days in the soil of 58°C. Other than plastic bags, containers-for kimbaps, sandwiches, desserts and processed eggs-and straws are replaceable with PLA materials.



BGF Retail signed the 'Franchise Store Win-Win Agreement' most preemptively in the convenience store industry to strengthen the affiliate partnership and enhance the branch competitiveness.

4 Enhancing Franchisee-Franchise Headquarters Partnership THROUGH THE WIN-WIN AGREEMENT

BGF Retail has been making best endeavors to strengthen the partnership between franchise store and franchise headquarter through support for stable operation of franchisees, signing the 'Franchise Store Win-Win Agreement' most preemptively in the industry. The 2021 Win-Win Agreement signed in December 2020 focuses mainly on providing the store insurance system (freezer and fridge compensation insurance and products responsibility insurance) with no charge to support the franchisees and expanding investment on the labor-management solution for stable operation of the stores. In addition to the branch operation support, we provide the best welfare system in the industry that is featured with win-win benefits that consider the life-cycle of the merchants, including childbirth, child-care, congratulatory events and welfare mall, as well as health care, and make continual expansion of services.

5 Establishing a Tighter Community Safety Net SOLVING SOCIAL PROBLEMS WITH BUSINESS

BGF Retail added the function of child abuse reporting to the POS reporting system to resolve the problems of child abuse that occurred consecutively in 2020. About 100,000 workers at 15,000 CUs across the country serve as citizen observers, watching and reporting suspected cases of child abuse. With the National Police Agency, we have alerted the seriousness of the child abuse problems through BGF Retail's corporate vehicles and CU convenience store cashier monitors and CU's official SNS channels. We also launched the Dodam Dodam Campaign to encourage reporting without hesitation once child abuse is suspected. Also, we awarded the Citizen Award for Safeguarding Children to a citizen who initially spotted, witnessed and helped in earnest with the child abuse case in Changnyeong, South Gyeongsang Province.



6 Enhancing Competitiveness of Local Farmhouses BY EXPANDING THE USAGE OF DOMESTIC RAW MATERIALS

To increase domestic agricultural products demand and vitalization of farmhouses, we signed the local specialty markets expansion and demand promotion agreement and released a series of convenient food, including lunch boxes, sandwiches and triangular kimbap. Also, to help Korean farmhouses going through difficulties due to COVID-19, we continually released products in collaboration with various entertainment shows. We have released 26 kinds of products to promote the consumption of domestic agricultural and fishery products through the TV program, 'Fun-Staurant' by May 2021. Sales profits from these products were used to support starving children and small business owners having difficulties with COVID-19. In addition, we came up with products to secure the sales channel for the local specialty, which plummeted because of storm, flood and COVID-19. With the release of Guryongpo Gwamegi, Chungnam Apple Pie, Woori Ori Duck Decoration Lunchbox, Jeju Yellow Corvina Meal, we have opened a new horizon of the win-win relationship between farms, fishing villages and convenience stores.

7 Expanding Youth Recruitment AMID ECONOMIC CRISIS DUE TO COVID-19

BGF Retail has doubled the corporate-wide recruitment compared to last year to provide more opportunities to youths who are going through difficulties with employment due to COVID-19 and promote the company's future growth. We have increased the recruitment size with recruitments of the first and second half of the year and internship and occasional recruitment. To secure the safety of the candidates, we have operated various contactless employment processes such as non-face-to-face recruitment fair, online-realtime conversation and AI competency inspection through the YouTube platform. In addition, we have diversified the employment process by implementing the STAFF prioritizing system and CU staff employment preparation system, which provide an exemption for excellent staff who have been working at CU, to broaden the opportunities of youths employment.



BGF Retail has been certified CCM five times in a row. We will keep promoting consumer rights and profits as well as customer satisfaction management.

5 Times in a Row

8 Creation of Pleasant Organization Culture

BY ENHANCING UNTACT COMMUNICATION

BGF Retail operates non-face-to-face communication programs such as 'BGF Culture Café,' which is an online culture course that uses the company's online meeting system to teach wine, gardening, calligraphy, etc. and 'BGF Online Get-Together,' which enhances communication among team members. Also, we vie for flexible and unfettered communication culture, for instance, by making 'BGF Good Friends Bulletin Board' that encourages complement culture among employees on the intranet.

9 Strengthening Customer Satisfaction Management

BY ACHIEVING CCM CERTIFICATION FIVE TIMES IN A ROW

BGF Retail provides the best products and services to our customers through the Customer Centered Management (CCM) and Information Safety Management System (ISMS). We were certified of Customer Centered Management five times in a row for the excellent management of customers through: the management of a dedicated consumer service organization, strengthening of VOC monitoring system, the introduction of improvement system for the customer center and others. And hence we are practicing consumer rights protection and customer satisfaction management. In addition, systemized security systems and continuous monitoring are at work to protect customers from information leaks and other dangers.

MATERIALITY ANALYSIS

BGF Retail actively utilized global sustainability initiatives and ESG evaluation systems such as GRI, UN SDGs and UNGC while considering the core sustainability issues of the international sustainable business leading corporates, as we organized issue pools. Also, through media analysis, we reviewed the sustainable management performance of BGF Retail and collected the stakeholder opinions. Materiality analysis is the process of recognizing issues in the economy, environment and social that matter the most to the corporate and stakeholders, through which BGF Retail gains insight on future trends and business risks and opportunities.

Analyzing Fundamental ESG Issues

✔ **Global Guidelines**
GRI, UN SDGs, ISO 26000, UNGC's Ten Principles

✔ **ESG Evaluation Systems**
KCGS, Sustainvest, DJSI


✔ **External Stakeholders**
Media research, survey, advanced global cases

✔ **Internal Promotion Activities**
BGF Retail sustainable management activities ESG Status

➔ Deriving ESG Issue Pool

- 1 Environmentally-friendly packaging
- 2 Supporting sustainable consumption
- 3 Sustainable raw material procurement
- 4 Reducing CO₂ and greenhouse gas emissions
- 5 Waste reduction and recycling activation
- 6 Conservation of the ecosystem and local community
- 7 Providing healthy and safe products
- 8 Safeguarding customer privacy
- 9 Transparent and ethical transactions with partners
- 10 Win-win strategies for affiliate stores
- 11 Respecting and protecting human rights
- 12 Strengthening worker safety and health
- 13 Smooth communication and co-prosperity between labor and management
- 14 Shared growth with small and medium-sized companies
- 15 Improving customer (including the disabled and elderly) accessibility and convenience
- 16 Healthy and ethical corporate governance
- 17 Environmental/social risk management of partner companies
- 18 Contribution to local community development
- 19 Increasing the role of the social safety net
- 20 Protecting and supporting vulnerable social group

➔ Identifying Stakeholders

 **Key Stakeholders**
Customer, franchise store owners, employees, investors

 **Direct Stakeholders**
Partner Company, staff

 **Indirect Stakeholders**
Local community, government, press

* Partner Company: Company that exchanges technology, funds and human resources with us in partnership to provide stable and continuous products and services

➔ Measuring Materiality of Issues

Business Materiality
▶ Business strategy connectivity
▶ Distribution industry issues
▶ Policies and regulation issues

Stakeholder interests
▶ Media analysis
▶ Stakeholder materiality evaluation survey (A total of 2,278 participated)
▶ Survey participation by stakeholders
1 Key stakeholders (2079)
2 Direct stakeholders (156)
3 Indirect stakeholders (43)

Survey Target	Internal/external stakeholders
Investigation Method	Online survey
Survey Content	Priority of importance by issues

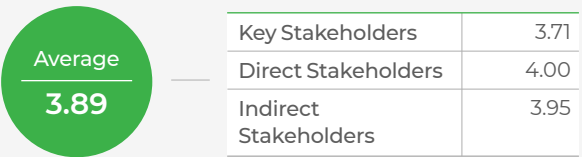
➔ Deriving Key Issues

✔ **Key Issue Selection**
Selecting six key issues in consideration of social influence and business relevance by issues through the survey of internal and external stakeholders

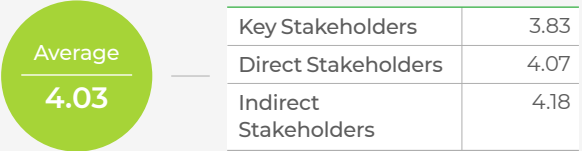
Survey Result on BGF Retail's Social Responsibility Implementation

Survey Period	21.3.9 ~ 3.17
Survey Target	2,278 Key / direct / indirect stakeholders
Evaluation Scale	Out of five

Q1. Do you consider BGF Retail to be a corporation that fulfills its social responsibility?



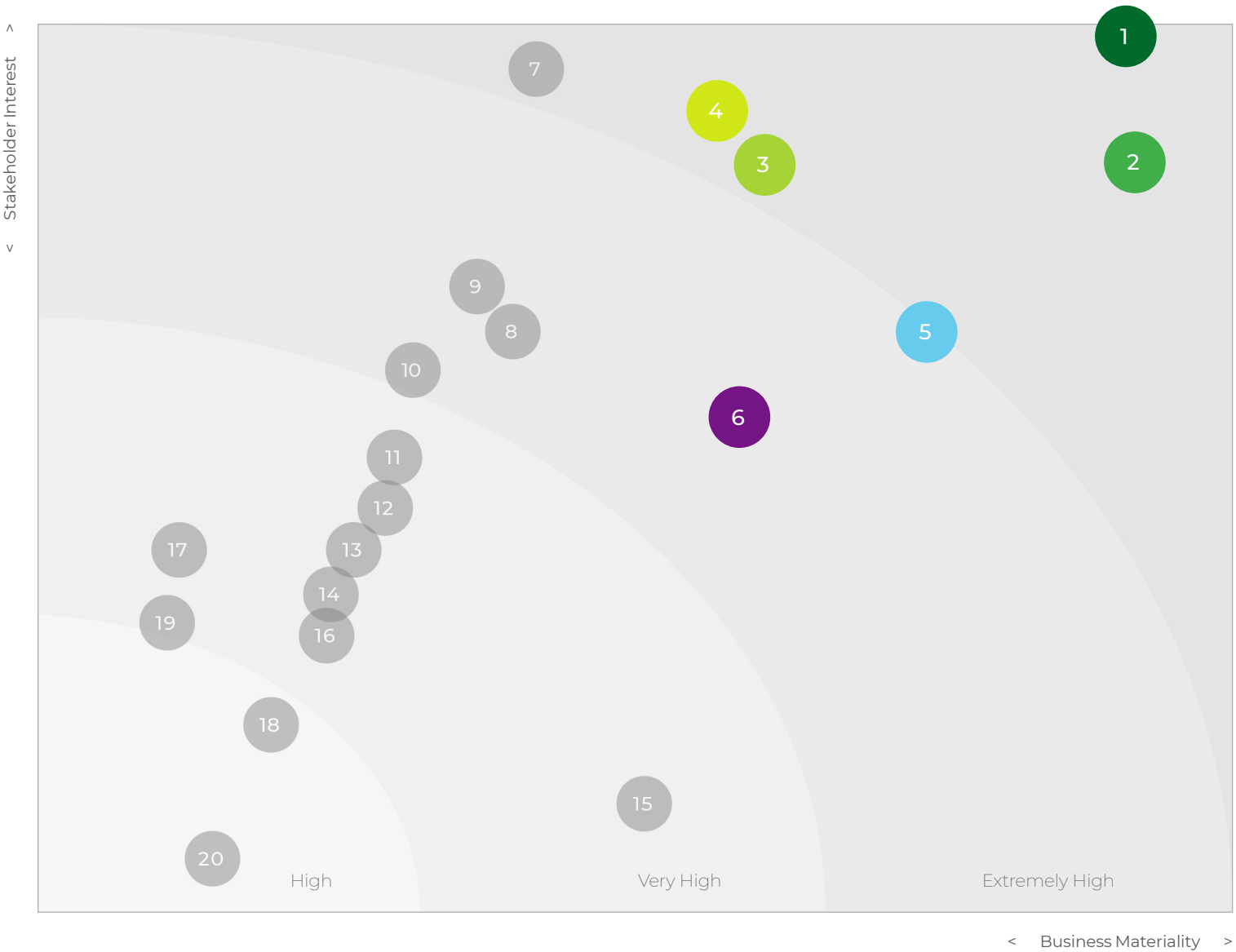
Q2. Do you think that BGF Retail creates social values?



Materiality Analysis Matrix

As a result of measuring the materiality, we have derived six key issues including, 'providing healthy and safe products.' BGF Retail performed the materiality analysis based on the stakeholder interest and business importance to derive key issues. ESG management direction was established based on the Issue pool, including key issues, and targets were designated for the value creation. In addition, we seek to communicate with the stakeholders by reflecting the recognition of the key issues and our reaction to them throughout the entire report in detail.

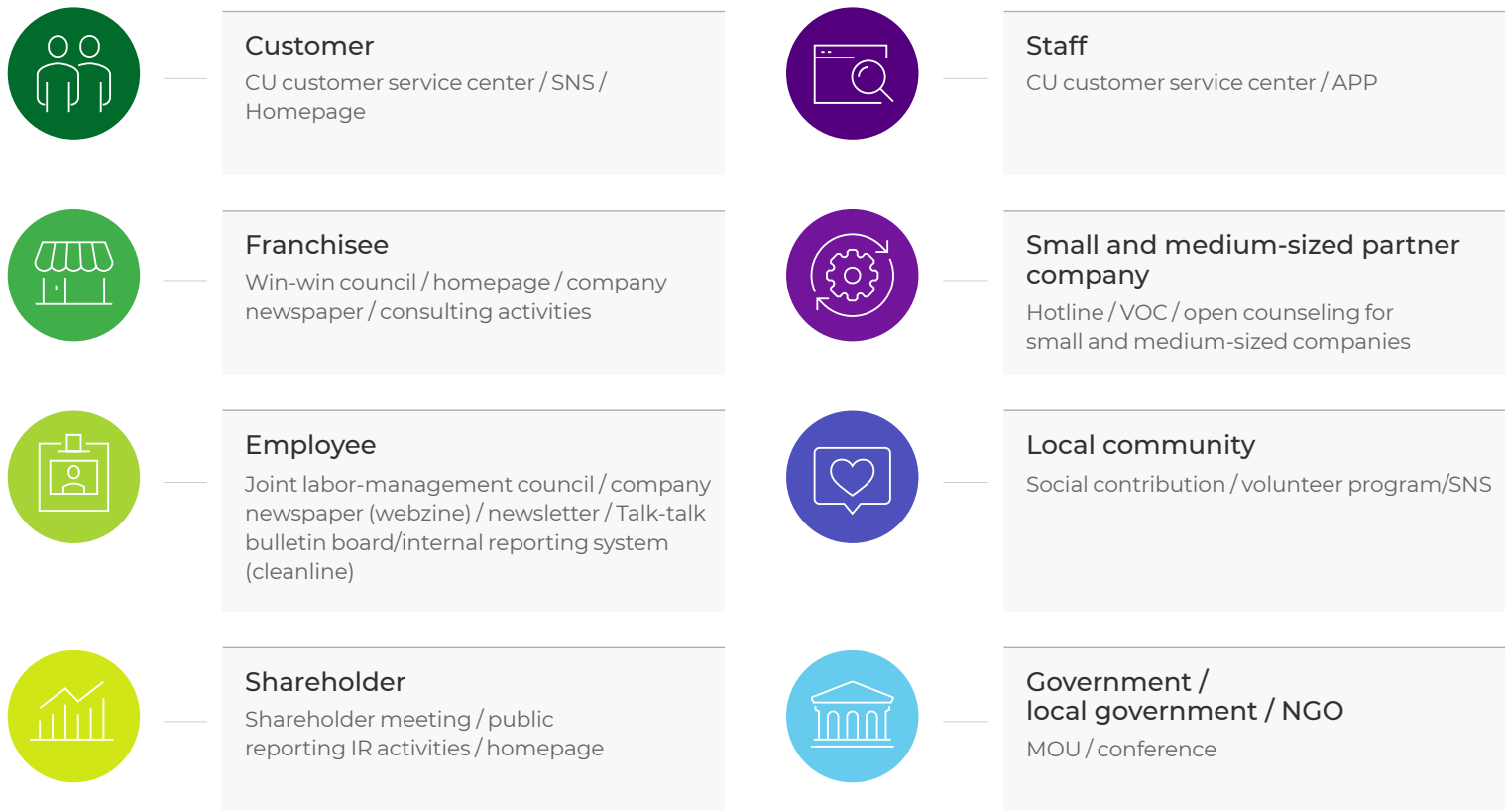
Ranking	Topic	Area	GRI	BGF Retail ESG Strategy	Key Stakeholder	Reporting Page
1	Providing healthy and safe products	Social	416-1	Providing healthy and proper food	Customer	16, 21, 59, 60p
2	Protecting customer privacy	Social	418-1	Protecting individual safety and privacy	customer	17, 21, 57p
3	Transparent and ethical transactions with the Parnter Companies	Social	414-2	Shared growth with franchisee and Parnter Companies	Franchisee, Parnter Companies	16, 21, 24, 25, 39, 41p
4	Win-win with franchisees	Social	414-2	Shared growth with franchisee and Parnter Companies	Franchisee, Parnter Companies	16, 21, 24, 25, 40, 41p
5	Environmentally-friendly packaging	Environment	302-5	Waste reduction and recycling expansion	Customer, investor	15, 21, 33, 34, 37, 60p
6	Respecting and protecting human rights	Social	412-2	Realizing GWP	Customer, investor	17, 21, 40, 53, 57, 58p
					Employee, staff	17, 21, 51, 52, 53, 54, 55, 56p



STAKEHOLDER ENGAGEMENT

BGF Retail identifies the shared development and growth with the stakeholders as important tasks, promoting the management that is stakeholder centered. Accordingly, employees, franchisees, customers, small and medium-sized partner companies, shareholders, government and local communities are defined as key stakeholder groups. We are making efforts to implement communication activities that suit the characteristics by groups and to provide transparent information.

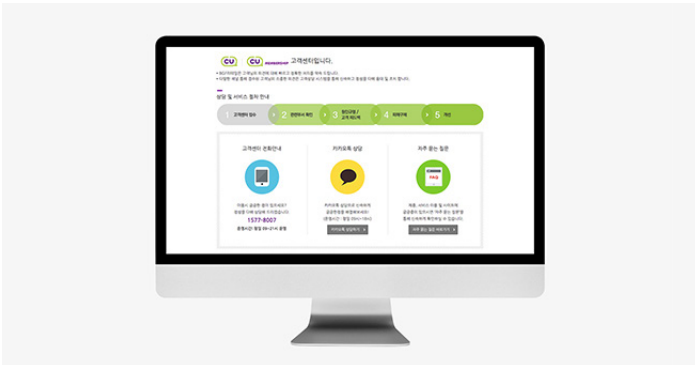
Stakeholder Communication Channel



Operational Status of Major Communication Channels

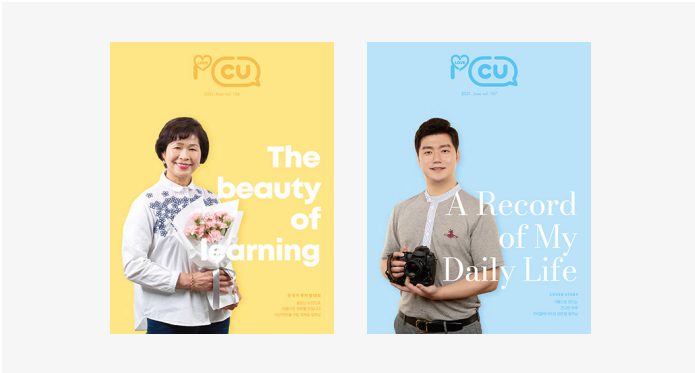
#1 Customer

Homepage and customer service center are operated to handle customer opinions such as customer inquiry, complement and other inquiries



#2 Franchisee

BGF Retail has been publishing the company newspaper, 'I♥CU,' a communication channel between franchisee and staff, since its first publication in August 2012. We are expanding communication with franchisees, our key stakeholders about store operation, new services and other information exchange through the interview.



#3 Small and Medium-Sized Partner Company

BGF Retail has been operating various channels for shared growth and communication with small and medium-sized partner companies. 'Shared growth conference' in which the discussion on shared growth direction and 'Visiting VOC' where we visit our partner companies to listen to difficulties are operated for communication.

#4 Local Community

BGF Retail has been at work for continual communication with the local community, including residents, NPO and the government as we run our social contribution program.



Aewol Friends	Cooperation with the improvement of Jeju area, including the programs of 'Don't Use' and 'Tree-Planting for Hope'
Residents participating in 256 regional self-help centers and projects across the country	Cooperation with 'CU Sprout Store' operation(Regular meetings by regions once a year)
Senior clubs in six cities and counties in Gangwon province	Cooperation with Senior Citizen's Job Project in Gangwon province (always)
Ministry of the Interior and Safety, National Disaster Relief Association, local government and Relief NGO	Consultation on improving the cooperation system for disaster relief (once a year)

UN SDGs GOALS

BGF Retail supports the UN Sustainable Development Goals as a member company of the UNGC and as a corporate citizen. BGF Retail's ESG management goals are interconnected with the UN Sustainable Development Goals (UN SDGs) and we will continue finding and proceeding with social contributions to realize the SDGs.

→ Three Big Goals

Establishing Eco-Friendly Value Chain (PLANET)



Creating Shared-Growth Ecosystem



Supporting Happy and Healthy Life



→ Key Areas

▶ Reducing Greenhouse Gas Emissions

▶ Reducing Disposable Product Usage

▶ Reducing Waste and Expanding Recycling

▶ Shared Growth with Franchisees and Partners

▶ Expanding Support for Vulnerable Groups, Including Children and the Disabled

▶ Supporting Community Development and Expanding Public Function

▶ Realizing GWP (Great Work Place)

▶ Providing Healthy and Right Food

▶ Safeguarding Customer Safety and Privacy

→ 2020

- ▶ Reducing greenhouse gas
 - Reducing greenhouse gas emissions in the office buildings by about 6.1 percent compared with the previous year / - Reducing greenhouse gas emissions from the logistics center by about 1.1% compared with the previous year
- ▶ Establishing the logistics center energy usage and carbon emissions measurement system
- ▶ Operating two Green Stores

- ▶ Changing materials of 13 types, including consumables (plastic → PLA)
 - Reducing monthly plastic usage of 96.06 tons (as of the first half of 2021)
- ▶ Operating a rental shopping bag system

- ▶ Green Save (sales of products with imminent expiration dates) system introduction
- ▶ Food waste dispenser introduction
- ▶ Reducing BGF Food raw-material loss rate and composting

- ▶ Signing Win-Win Agreement with the partner companies
- ▶ Operating franchise/parnter company shared growth program

- ▶ Contributing to early finding of 18 people, including children and dementia patients
- ▶ Employment of 29 people with developmental disabilities (as of the first half of 2021)
- ▶ Providing employment opportunities for 550 people from vulnerable social groups and creating self-reliance fund of KRW 6,218 million

- ▶ Signing agreement to vitalize the sales of local specialties in areas such as Hongcheon-gun, Gangwon-do
- ▶ Emergency relief support for areas struck with disasters (12 cases in total / supplies: 48,186 pieces in total)
- ▶ Volunteer work (683 participants in total)

- ▶ Establishing safety and health management system and operating the Industrial Health Committee
- ▶ Operating non-contact online education and communication program in response to the COVID-19 pandemic

- ▶ First-in-the-industry implementation of the front-marking system of nutrition facts on lunchboxes
- ▶ Expanding release of products with sustainable raw-materials

- ▶ Real time quality safety management system establishment (~2021)
- ▶ SMS Certification
- ▶ Customer Centered Management (CCM) Certification

→ Mid - to Long - Term Goals

- ▶ Applying eco-friendly facilities for CU general franchise stores (~2025)
- ▶ Logistics center high efficiency energy appliance conversion (~2025)
- ▶ Engaging in Carbon Disclosure Project (CDP) (~2023)
- ▶ Environmental impact inventory establishment and environmental impact evaluation (~2025)

- ▶ Marking PB product recycling efficiency grade (~2021)
- ▶ ZERO Plastic Vinyl Usage (~2025)
- ▶ Reducing disposables and plastic usage by 50% (~2025)
- ▶ Converting all convenient food packaging into PLA materials (~2025)
- ▶ Turn all water bottled products (including NB) into non-labeled products (~2025)

- ▶ Having 50% of Green Save system-operating branches (~2022)
- ▶ Expanding food-waste composting to all food manufacturing centers (~2022)
- ▶ Converting all convenience food packaging into PLA materials (~2025)
- ▶ Expanding introduction of CU affiliate stores food waste disposal system (~2022)

- ▶ Achieving 'Best' grade of the shared growth index (~2025)

- ▶ Launching 'iCU Alliance,' an integrated platform for child safety, linked with corporates and organizations (~2025)
- ▶ Creation of annual 2000 jobs for the vulnerable group in employment (~2025)

- ▶ Expanding economic cooperation of farming and fishery villages by region (in continuation)
- ▶ Expanding members volunteer work engagement to eight hours per person

- ▶ Strengthening Managements Respecting Human Rights (Including review of the introduction of human rights impact assessment)

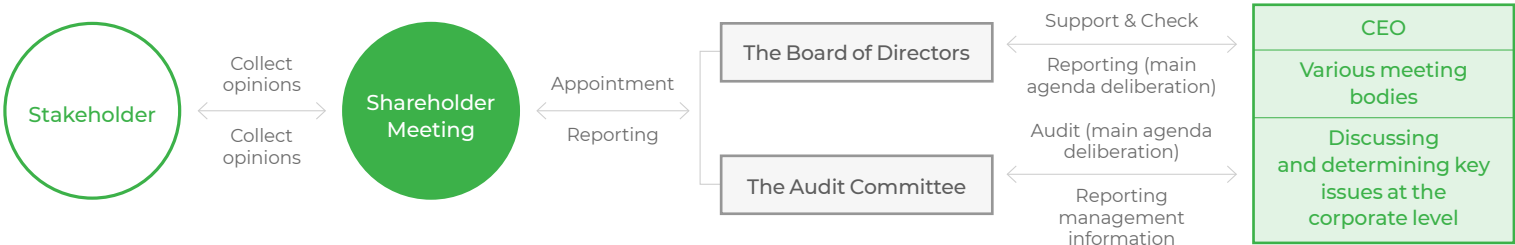
- ▶ Expanding usage of products with raw materials certified of sustainability (~2022)
- ▶ Partner company CSR monitoring and support system establishment (~2023)

- ▶ Cooperative system establishment for safety management of distribution manufacturer quality (~2025)
- ▶ ISMS, Customer-Centered Management (CCM) certification and advancement

GOVERNANCE

Establishing the institutional foundation for proper coordination of internal and external stakeholders, BGF Retail manages the organization system so that executive decisions and work performance at the working level are carried out fairly. We are making continuous efforts to build an advanced governance structure in pursuit of sustainable development, on top of effective and transparent management with the board in the center and optimizing shareholder profits and corporate values.

Governance Decision-Making



Board Composition and Operation

The board of BGF Retail accepts the stakeholder opinions, resolves the decisions made by law or articles of association and the ones that are critical to the basic policy of the corporate management and job performance, in order to assist the proper decision making of the management and at the same time supervise their operation. As of the end of March, the board consists of seven people, including four outside directors, with the status of the board presented in the following chart.

Classification	Name	Area of Expertise	Position	Major Career
Inside Director	Keon-Jun Lee	Overall Business of the Company	Chairman of the Board Director of the Outside Director Candidate Recommendation Committee	(current) CEO of BGF Retail Co., LTD. (before) CEO of BGF Co., LTD.
	Gi-Sung Ahn	Overall Business of the Company	Director of the Internal Transactions Committee	(current) Director of Sales and Development Division at BGF Retail Co., LTD.
Other Non-Executive Director	Jung-Guk Hong	Business Strategy		(current) CEO of BGF Co., LTD. (before) Director of Management Strategy Division at BGF Retail Co., LTD.
Outside Director	Myung-Gwan Han	Legal	Chairman of the Audit Committee	(current) Attorney at Law Firm Right (before) Chief Prosecutor of the Seoul Eastern District Prosecutors' Office
	Young-Chul Lim	Legal / Fair Trade	Chairman of the Outside Director Candidate Recommendation Committee Director of the Internal Transactions Committee	(current) Attorney at Law Firm Sejong (before) Director-General of the Fair Trade Commission
	Nan-Do Kim	Business (Consumption Trend)	Chairman of the Internal Transactions Committee Director of the Audit Committee	(current) Professor of Living Science at Seoul National University (before) Executive Director of the Korea Consumer Association
	Bok-Hyun Baek	Finance / Accounting	Director of the Audit Committee Director of the Outside Director Candidate Recommendation Committee	(current) Professor of Business Administration at Seoul National University (before) Assistant Professor at Florida State University

Holding the Board of Directors	Number of Agendas	Director Attendance Rate
13time	47case	98%

Holding the Internal Transactions Committee	Number of Agendas	Member Attendance Rate
6time	10case	100%

Holding the Audit Committee	Number of Agendas	Member Attendance Rate
7time	13case	100%

Holding the Outside Director Candidate Recommendation Committee	Number of Agendas	Member Attendance Rate
1time	2case	100%

Committee within the Board

BGF Retail operates the Audit Committee, the Outside Director Recommendation Committee and the Internal Transactions Committee within the Board.

Main Roles

Audit Committee

- ▶ Supervision of executives and management's task operation
- ▶ Appointment, change and dismissal of outside auditors
- ▶ Other tasks decided by the article of association or company policy in terms of supervisory tasks

Outside Director Candidate Recommendation Committee

- ▶ Recommendation of candidates for outside directors who would be appointed in the shareholder meeting
- ▶ Validation of outside director candidates
- ▶ Establishment, inspection and complementation of the outside director selection principles

Internal Transactions Committee

- ▶ Examination and approval of internal transactions between affiliates
- ▶ Establishment, inspection and complementation of internal transactions policy

Securing the Board Independence, Expertise and Diversity

The CEO takes responsibility of the Board's chairman through the resolution of the Board to meet the industry-specific requirement of fast decision-making. In accordance with the relevant law and the articles of association, inside directors are selected from candidates who are most appropriate in terms of expertise and leadership, while outside directors are chosen from candidates who are full of experience in the areas of accounting, finance, legal, business (including consumption trend), and fair trade, and can supervise the company's management independently with no interest in the company and the best shareholder. Also, in order not to disturb diversity, gender, race, religion and the region of origin of candidates are not restricted when selecting candidates for outside directors.

The Board Compensation Status

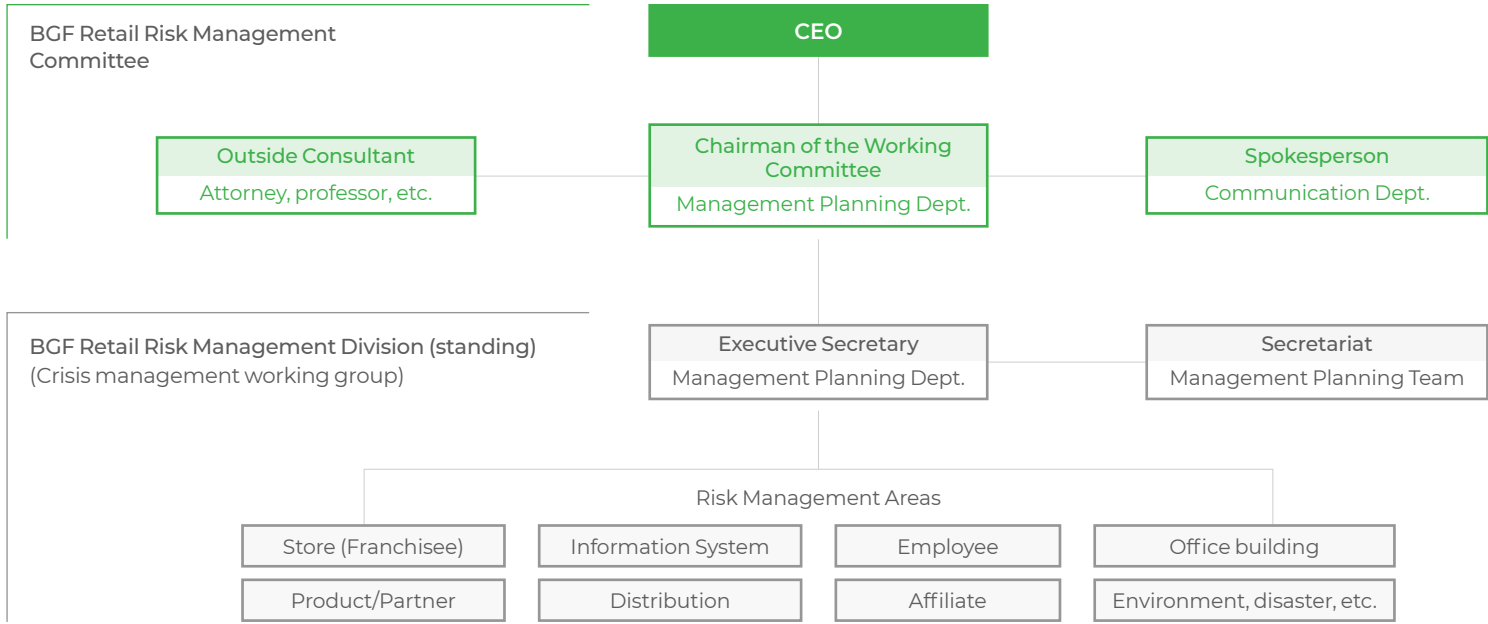
(Unit: KRW million / as of December 31, 2020)

Classification	Member	Amount approved by the shareholder meeting	Total compensation	Average compensation per person
Registered directors (excluding outside directors and Audit Committee members)	2	5,000	3,909	1,955
Outside Director	1		55	55
Audit Committee Member	3		165	55

RISK MANAGEMENT

BGF Retail has defined seven types and 59 risk factors that are tangible and intangible for the proactive identification of financial and non-financial risks that could occur throughout the entire process of the business activities and strives to prevent them in advance and manage them systematically. For this, we clarify the responsibilities and authority of organizations to enable quick information sharing and to fortify response strategies. By providing periodical training, we are strengthening the capacity of the employees to identify and manage the risks when it comes to the risks related to affiliates, environment, disasters, information systems and franchisee stores. With the above risk management system, we aim to minimize the loss from the risks and create sustainable profits.

Risk Managing Organization



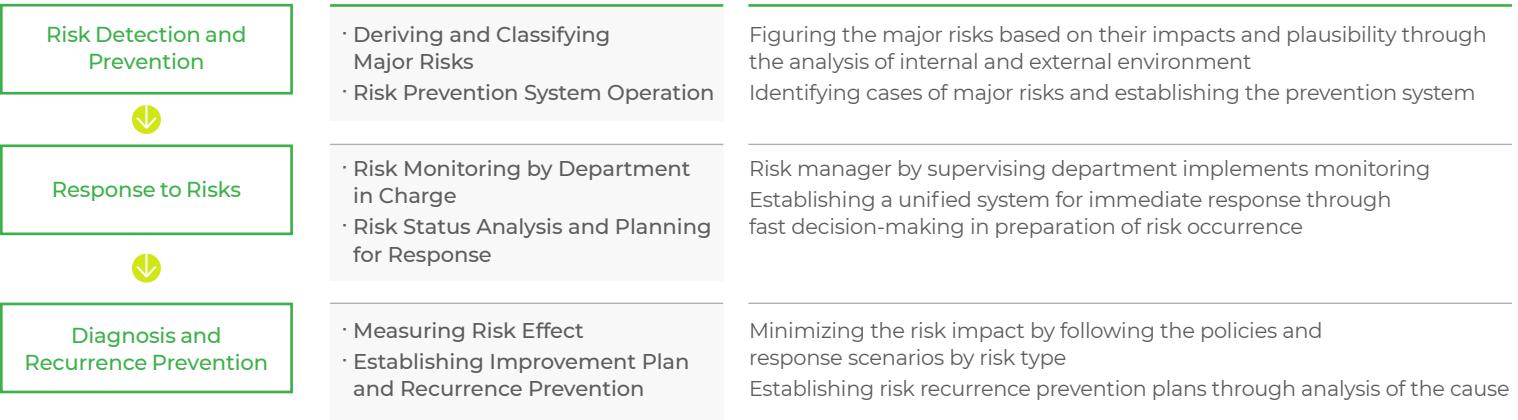
Environmental and Safety Accident Response System

BGF Retail operates response training by risks type such as environmental accidents.



・ Response to step by step scenarios (Steps 1~3)

Risk Management Process



Key Risk Management Areas

BGF Retail strives to minimize the market and credit risks related to financial elements, including liquidity and stock prices. We handle the non-financial risks derived from the risk-identifying process with the dedicated department with expertise in the center. Since 2007, we have established a thorough internal statistics management system to secure the efficiency and credibility of the corporate operation and transparency of the tasks and have been carrying out the task process operation evaluation. The deficiencies and risks found through the internal control evaluation are utilized as opportunities to enhance the tasks and reduce risks, and through the process are achieved: increase in accounting transparency, preparation for the group lawsuit, appropriate review from the external accounting supervisor and ultimately, the increase in trust of the stakeholders.

Classification	Description
ESG Risk	In 2021, we established the ESG Management Committee by upgrading the previous Environmental Committee to proceed with ESG response to environmental and social risks in the order of preventive monitoring, improvement plan establishment and implementation, and periodical reporting. Especially for environment, we organized the ISO14001 TFT organization in 2020 to have periodical environmental impact evaluation, systematically managing environmental risks.
Disaster and Safety Risk	Manuals are prepared to minimize the effects of possible disasters such as fire and earthquake in about 15,000 CU stores across the country, and drills are operated periodically by regional sales management organizations. Also, to minimize damage from crimes, we have implemented facilities with CPTED and reporting system. In particular, to mitigate the risks spread in 2020 due to COVID-19, a response scenario is established and applied to all establishments, including branches, logistics centers and office buildings.
Security Risk	The information security regulation and the Information Protection Committee have been established and operated. With the head of the information system headquarter as the general manager of the information security, we operate regular information protection inspection and improvement activities.
Legal and Ethical Risk	We inspect the possible legal risks ahead of time and improve awareness on ethical management by receiving pledge on ethical management when signing contracts for salaries, as well as providing trainings on anti-grating and fair trade laws.

※ CPTED: Crime Prevention through Environmental Design

ETHICAL MANAGEMENT

With the growing influence of corporations on countries and local communities, awareness of transparent corporate management is increasing. Likewise, we are steering away from the bureaucratic system and moving towards autonomous decision-making and delegations of individuals for policy-making. Hence, ethical awareness among employees is becoming all the more critical. Aiming to grow into a corporation that is trusted and respected by stakeholders through ethical management, BGF Retail is implementing effective and substantial practices. Carried out are the establishment of system and infra, operation of the dedicated ethical management organization and continuous and systematic training & advertisement, based on the CEO’s resolute philosophy. BGF Management Diagnosis Team is in charge of propelling the ethical management of the company by diagnosing its implementation and compliance with the policies through the project diagnosis and supervision activities against subsidiary groups, including BGF Retail. We operate programs for ethical management practice training, preventive activities against corruption, and ethical management establishment. In addition, we provide compliance supervisors to diagnose and manage legal risks at all times to strengthen ethical management.

Ethical Management Major Implementation

- ❶ Declaration of Ethical Management and the three big responsibilities implementation
- ❷ Registration of the KBEI Ethical Management member company (KBEI No.05-25)
- ❸ Joining the UN Global Compact and declaring support for the ten principles
- ❹ Fair Player (Collective Action to Tackle Corruption) pledge
- ❺ Introduction of the autonomous compliance of fair trade and declaration of the compliance management

Ethical Management Principles

BGF Retail promotes the thorough ethical management practice by establishing ‘Seven principles of ethical management’ and ‘Employee Code of Ethics.’

Seven Principles of BGF Retail's Codes of Ethics

- ✓ We provide good products and services at the right time and make our best efforts to meet the needs and expectations of our customers.
- ✓ We prioritize compliance to law and ethics and strictly distinguish public and private affairs while operating tasks.
- ✓ We provide fair opportunities for all of our partner company companies and pursue the shared growth, considering them as strategic business partners.
- ✓ We reject unfair solicitation, do not require or provide money, valuables and entertainment, and take no unfair profits in relationships with all our stakeholders, including affiliate companies and public officials.
- ✓ We do not use the company assets and position to achieve benefits and never engage in unfair behaviors, including embezzlement or misappropriation.
- ✓ We yield stable profits of the company through sound management activities, striving to provide long-term profits as we respect the shareholder rights.
- ✓ We create a clean organizational culture based on mutual trust and respect and strive to improve the employees’ life quality to ensure their composure and richness.

BGF Retail Employee Code of Ethics

- ❶ Adherence to Principles and Right Path

I take the compliance of law and ethics as the prior value and perform the tasks fairly and transparently.
- ❷ Relationship with Stakeholders

I perform tasks based on the work-oriented thoughts, complying with the standards of the tasks
I do not take immoral benefit from stakeholders while at work.
I try my best in carrying out supportive tasks for win-win cooperation with the affiliate stores and companies
- ❸ Information Management

I do not process or leak the information related to partner companies for purposes other than business reasons.
I do not induce misjudgment of supervisors and related departments by manipulating and modulating information.
I provide information based on facts to partner companies and stakeholders.
- ❹ Company Assets and Cost

I do not use the company asset for profit.
I take care of the cost produced during the task operation transparently and in accordance with the standard.

Enhancing Member Awareness of Ethical Management

BGF Retail provides periodic ethical management training, shares different cases for employees’ ethical awareness, and communicates with the employees through communicative measures. Each year, all employees make ethical standards compliance pledge and we have developed and operated online and offline education programs with the importance of ethics education in mind. All employees take on- and offline- education on standards of conduct related to money, entertainment, and congratulatory money based on the ‘Act on the Prohibition of Fraudulent Solicitation and Money’ and the education on corporate ethics and sexual harassment prevention and prohibition of discrimination against the disabled. In particular, for education on anti-grafting law, we provide a guide against the actual violation case and teach employees about the law through a video.

In addition, BGF Retail periodically sends the letter in the name of the CEO to prevent the receipt of bribery, including holiday gifts from stakeholders such as clients. For non-returnable self-reporting items, we send them to an in-house auction and donate them for artificial cochlear implantation of children with hearing impairment in anonymity.

Audit Performance

Following the ‘Internal Audit Regulation,’ BGF Retail establishes a periodical audit plan every year, implements ‘Comprehensive Audit’ that assesses the overall task operation system and the validity of the process to remove problems and recommend improvement plans, and carries out ‘Special Audit’ occasionally.

Ethical Management Education Program and Completion Status of the Members

Category	2020
Employee Ethical Management Education (time)	12
Sexual Harassment Prevention Education (person)	2,233
Harassment in Workplace Education (subject to the person in charge)	273

Ethical Management Practice Campaign Status

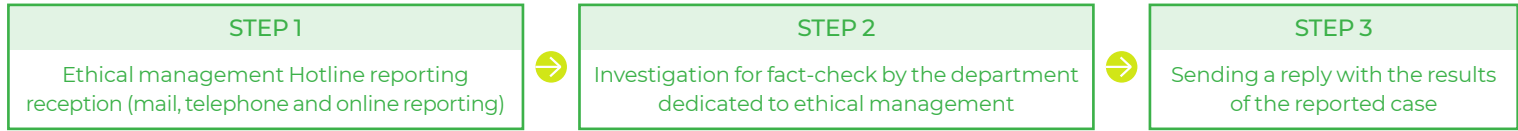
Category	2020
Ethical Management Campaign (case)	2
Internal Reporting System Promotion (case)	4
Ethical Management Practice Campaign (KRW thousand)	3,749

Category	2020
Comprehensive Audit (case)	4
Confirmation Audit (case)	1
Special Audit (case)	12

※ Integrated Standards of BGF Retail and BGF

‘Ethical Management Hot-Line,’ the Violating Behavior Reporting System

Ethical Management Hot-Line is a system for reporting unethical behaviors, including the executives and employees' corruption and malfeasance. We receive the reporting of inappropriate practices in terms of ethical management, and after the reception, the reporter's identity is put in confidentiality. The dedicated department of ethical management proceeds the fact-checking investigation and sends the results in a reply.

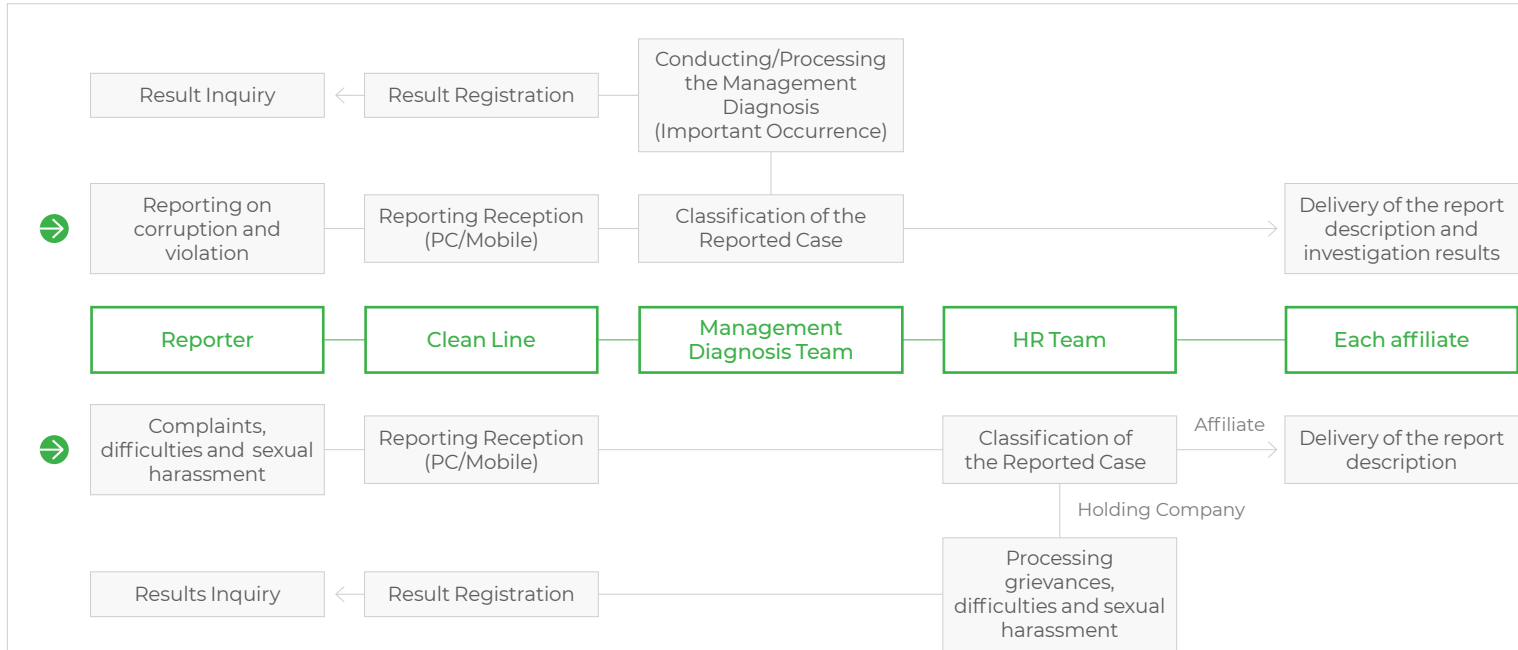


Category	2018	2019	2020
Reporting Reception Status (case)	11	5	5

※ Integrated Criteria of BGF Retail and BGF

‘Clean Line,’ the Internal Reporting System

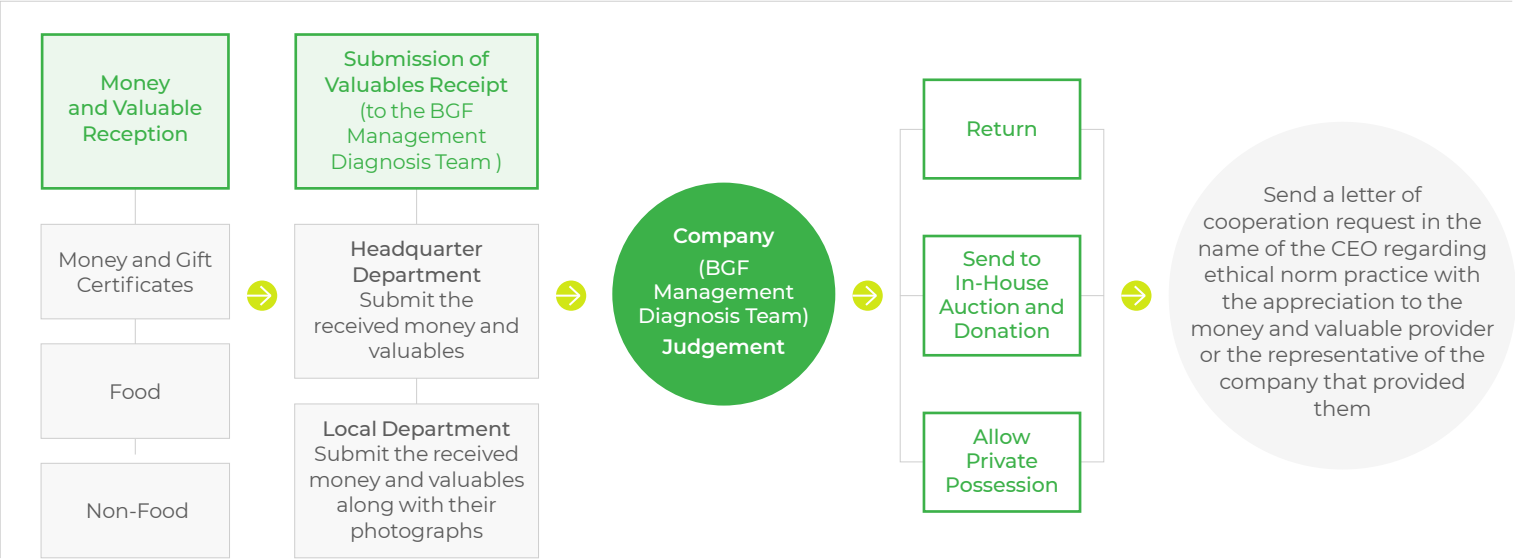
BGF Retail adheres to the ethical management of the company and strives to meet the level of social requirement on corporate ethics. Cleanline uses the internal reporting system of the Korea Business Ethics Institute (KBEI) to guarantee the anonymity of the reporters.



Category	2018	2019	2020
Reporting Reception Status (case)	18	9	9

※ Integrated Criteria of BGF Retail and BGF

Handling Procedures for Money and Valuables Reception





PLANET_

Establishing Eco-Friendly Value Chain

BGF Retail recognizes its responsibility as a corporate citizen and promotes eco-friendly management in the direction of minimizing the Carbon dioxide emissions in the entire process of the business, from production to discharge of a product.



ENVIRONMENTAL MANAGEMENT

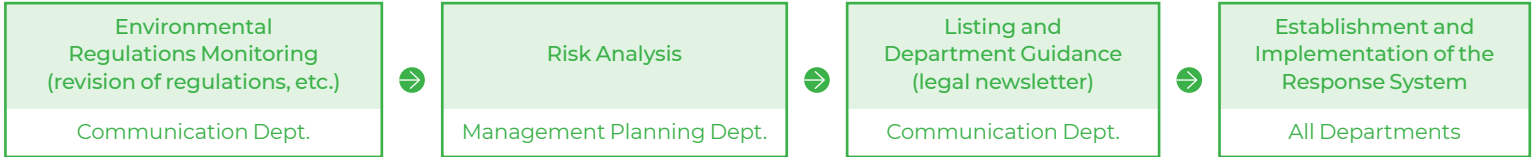
The proactive role of corporations is required globally in response to climate change that threatens the sustainable Earth environment. Therefore, BGF Retail recognizes its social responsibility for the environment and promotes various environmental management activities, including reducing greenhouse gas emissions, strengthening products' eco-friendliness, and reducing waste discharge.

Environmental Management Strategy

BGF Retail establishes the environmental management policies through the group-wide ESG Management Committee and systematically manages to operate the environmental strategies and implementation policies.

Environmental Regulations Management System

BGF Retail establishes and implements the environmental regulation management system for quick response to the fast-changing domestic and foreign logistics environment and the continuation of sustainable environmental management. The environmental regulation management system is implemented through the corporate-wide monitoring and participation, assured by ISO14001 (environmental management system) evaluation every year.



BGF Retail Environmental Policies

BGF Retail contributes to realizing a sustainable society by optimizing the use of products and services contributive to safeguarding the natural environment, based on our corporate ideology.

- ✓ We comply with laws and establish the industry-leading, both international and nationwide, environmental goals.
- ✓ To provide eco-friendly services, we seek continuous innovation in the entire process of our business.
- ✓ As corporate citizens, we proactively work for the environmental improvement of the local community based on our social responsibility.
- ✓ We disclose our information transparently and communicate with stakeholders earnestly.

We prioritize the natural environment in all our business activities to follow these policies.

Environmental Management Organization

BGF Retail's Head of the Management Planning (ESG Strategic Group Leader) and Head of the Merchandising Headquarters (Environmental Management Group Leader) are in charge of establishing corporate-wide environmental strategies and managing the ESG goals. They report the implementation performance to the ESG Management Committee every quarter.

Environmental Management Assurance

BGF Retail achieved ISO14001 Assurance for the first time in the industry. We are decreasing the environmental risks as we check and assess the impacts of our business activities on the environment. Also, we are building organizations and internal processes to actualize effective environmental management and risk management.

Environmental Management Training

BGF Retail provides various environmental training, engaging all employees as the subjects of environmental management, encouraging them to participate in environmental regulations compliance and activities to improve the environment.

Classification	Training Description	Participants
2020	ISO14001 practitioner training	10
	ISO14001 internal examiners training	6
	ISO14001 senior examiners training	2
	Environmental management system and major programs training	All employees / frequently
2021	Dedicated organization of the ESG Management Committee training	30
	Environmental management system and major programs training	All employees / frequently
	ISO14001 internal examiners training	10

2020 Environmental Management Goal and Performance

BGF Retail has established and implemented the environmental goals of ISO14001 considering the entire supply chain in accordance with 2020 environmental management strategic goals (of Product, Place, Logistic and Recycle) and completed the assurance through the follow-up evaluation in May 2021.

2020 Goals	Performance
Reducing 2% usage of resources · Energy reduction target achievement 103.3% achieved	100% Achieved
Environmental product and place establishment · eco friendly store test: two times · eco friendly consumable test on 14 kinds	62.5% Achieved
Environmental assurance achievement and strengthening of internal and external communication · environmental assurance: two times · Strengthening internal and external communication: four times	100% Achieved
100% compliance to environmental law · No violation of environmental law	100% Achieved

2021 Environmental Management Goal

BGF Retail established the main environmental management strategic tasks for 2021 as following. Especially for the establishment of environmental value chain, which is the mid- and long- term goal, we are building the greenhouse gas inventories for main establishments. We will continue with reduction goal establishment and activities by quantitatively identifying the greenhouse gas emissions within the supply chain.

Strategic Tasks	Specific Targets
Reducing greenhouse gas emission	· Establishing greenhouse gas inventory · Reducing greenhouse gas emissions through the use of renewable energy and supplies that are highly energy efficient
Reducing plastic/disposable usage	· By 2025, achieving the zero usage of plastic bags and reducing disposable/plastic usage by 50% · Increasing eco friendly product packaging
Reducing waste and expanding recycling	· Reducing food waste in stores · Increasing the resource recycling rate

※ Since April 2021, we have been building greenhouse gas inventory for main establishments, and by December 21, we will set a reduction target based on the assured quantitative data.

REDUCING GREENHOUSE GAS EMISSIONS

Solar Power Generation

BGF Retail initiated the solar power generation business in response to the issues of continuous resource depletion and environmental pollution by establishing a sustainable supply chain system. Solar energy is an infinite clean energy source that produces electricity without emitting greenhouse gases or causes environmental pollution upon soil and air. It can solve the problem of ecosystem habitat destruction that entails fossil fuel mining.

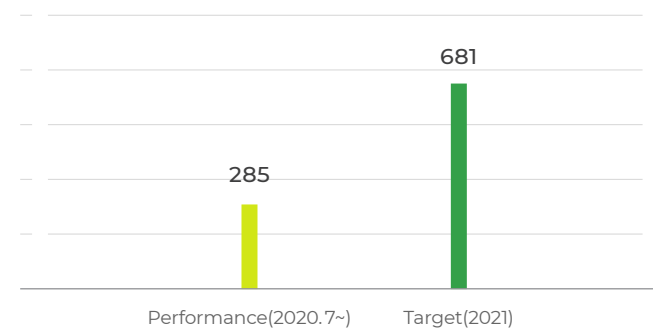


BGF Retail established a large-scale solar energy plant in Jincheon Central Distribution Center in June 2020 to produce and supply electricity, participating in the global eco-friendly energy policy to tackle climate change.

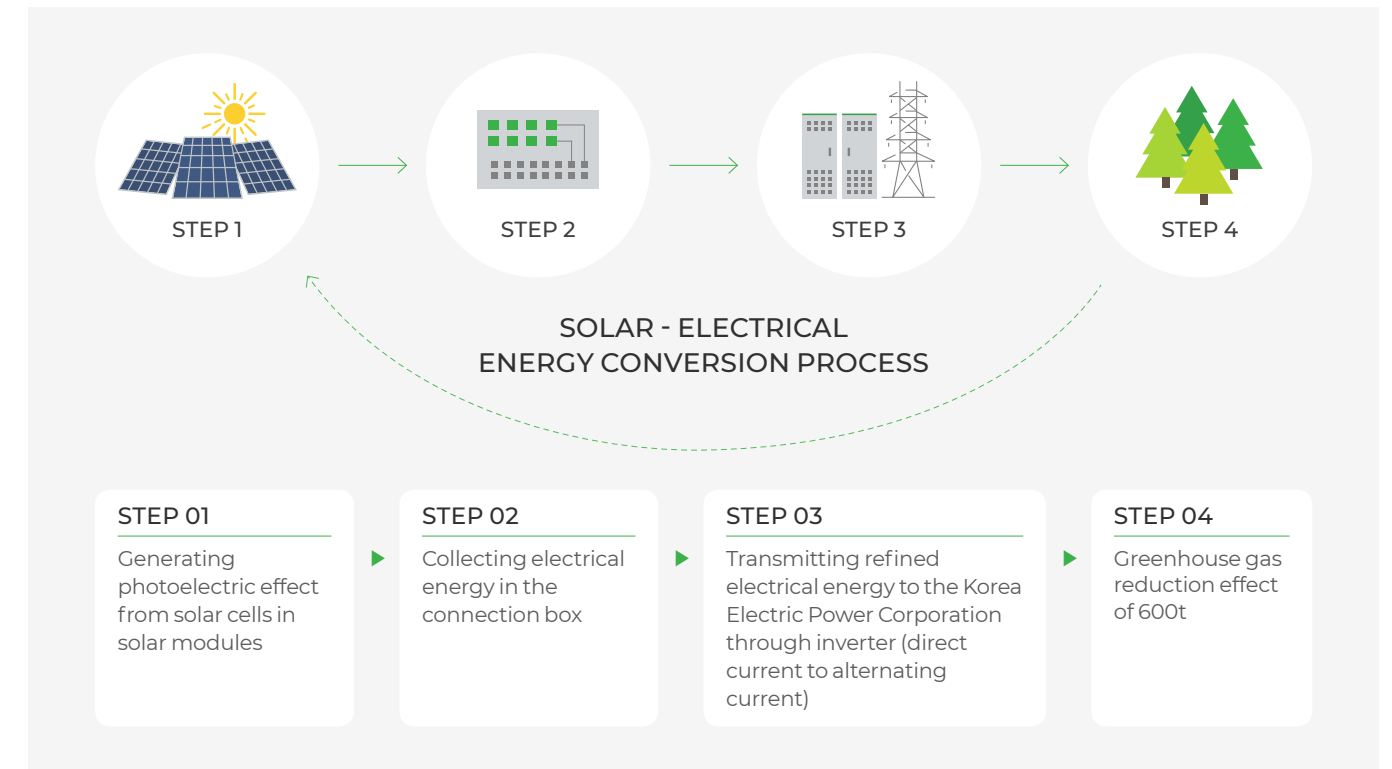
The annual electricity produced by 2,400 solar energy modules installed in the spare area of 9,000m² at the roof of the logistics center equals 1,200Mwh, which is the amount of electricity that could be used by 1,400 people a year for household use. It is turned into products and profits based on System Marginal Price (SMP) and Renewable Energy Certification (REC) standards. While there had been cases of establishing solar energy facilities in establishments such as stores and logistics centers for energy reduction, we are the first in the convenience store industry to own a large-scale generation facility to produce electricity and yield profits. Indeed, 22 generation companies in Korea, including the Korea Electric Power Corporation, purchase solar energy generated from Jincheon CDC through the supply assurance of REC, in compliance with the obligation set in 2020 of having to purchase seven percent of electricity converted to renewable energy. BGF Retail plans to expand the solar energy generation facility in graduation, reviewing the profitability of the solar energy generation and the tackling effect against climate change.

Annual Performance and Targets

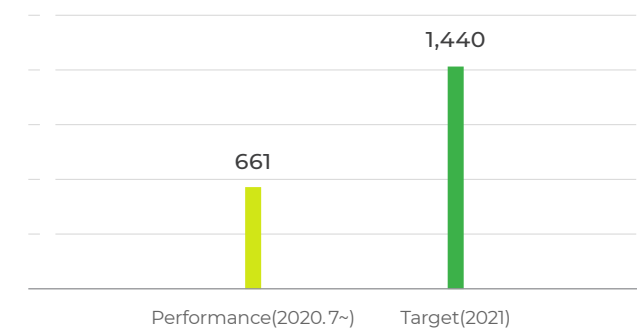
Carbon Dioxide Reduction Effect (tCO₂-eq/year)



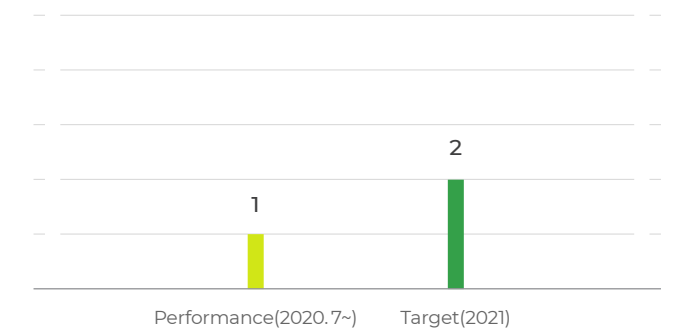
Solar – Electrical Energy Conversion Process



Annual Solar Energy Generation (Mmh)



Solar Energy Generation Facility (place)



※ Solar Energy: Electricity-generating technology based on the principle of photoelectricity, with the conversion of light energy from the Sun into electricity (Source: Renewable Energy Center at Korea Energy Management Corporation)

※ SMP: System Marginal Price (wholesale price applied for the Korea Energy Management Corporation's purchase, depending on monthly power generation)

※ REC: Renewable Energy Certification issued by the Korea Energy Management Corporation (1REC=1MW (1,000KW))

Green Logistics

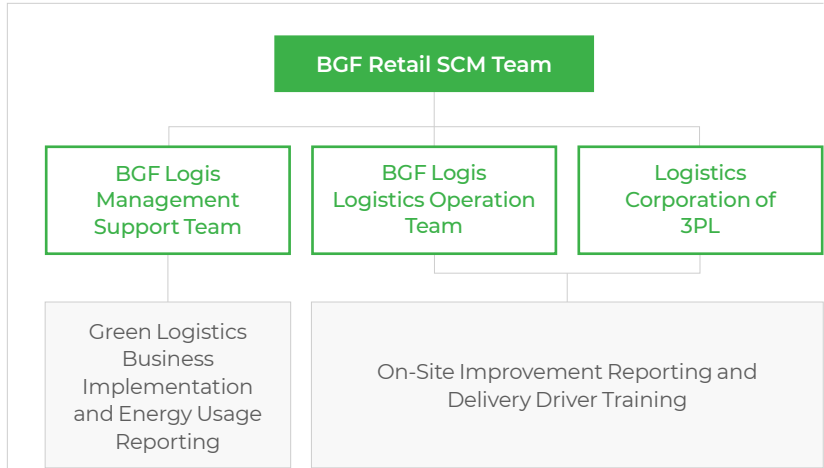
BGF Retail has the optimal logistics system that can stably provide products 24 hours every day to all CU convenience stores across the country, including the island areas.

We are leading the actualization of green logistics by improving infra such as applying delivery vehicle control system, air-spoiler mounting, establishing eco-fan and LED lighting, and introducing eco-drive training and fuel-efficiency incentive system. Also, for logistics operation efficiency and optimization of delivery, we have launched 'Jincheon Central Distribution Center (hereafter would be referred to as Jincheon CDC)' to reduce carbon emission and energy reduction. In 2020, an automation system was developed for energy usage and the process of carbon emission management.

Carbon Dioxide Emissions Reduction with Jincheon CDC Establishment

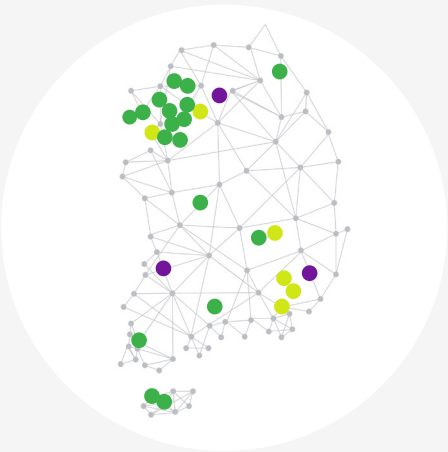
- ▶ Streamlining products that used to be individually distributed to 22 regional distribution centers to Jincheon CDC → Bringing efficiency to the partner company
- ▶ Convenience food manufacturing factory and logistics base integration → Shortening Delivery Route

Dedicated Operation Organization



Management Scope and Level

Green logistics has 33 facilities of room temperature, low temperature and comprehensive logistics center by region and 2,100 delivery vehicles (operated in 100% consignment) in the management scope.



● BGF Logis (own/rent) ● 3PL (own/rent)
● 3PL (consigned)



Delivery Vehicle (car)

2,100



Employee (person)

463



Electric Forklift (car)

185

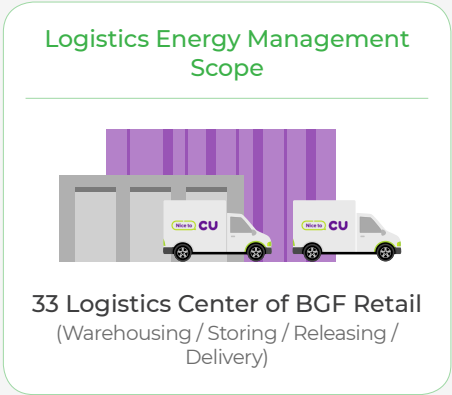


Electric Vehicle (car)

1



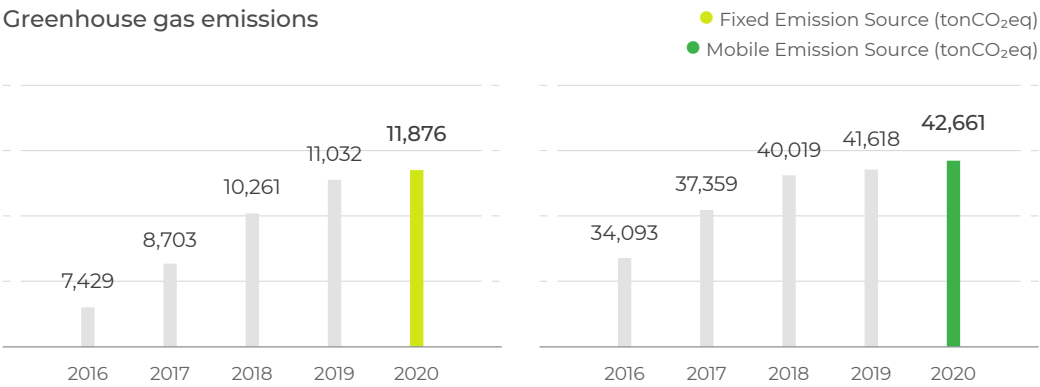
Manufacturer
(Manufacturing/
Delivery)



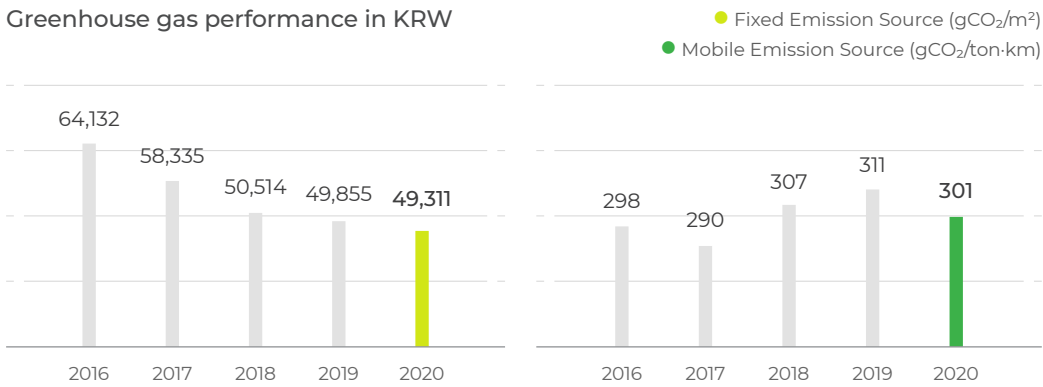
Emission Source	SCOPE. 1	SCOPE. 2	SCOPE. 3
Fixed Combustion (heating oil)	Own/Rent Logistics Center	-	Consignment Logistics Center
Moving Combustion (delivery vehicle)	All Vehicles (100% managed)	-	-
De-drain (cooler, air conditioner refrigerant)	Own/Rent Logistics Center	-	Consignment Logistics Center
Indirect Emission (power usage)	-	Own/Rent Logistics Center	Consignment Logistics Center

2020 Performance

Greenhouse gas emissions



Greenhouse gas performance in KRW





Eco fan increases the energy efficiency in a logistics center by circulating a mass amount of air as a supplementary fan for eco-friendly cooling and heating (with the effect of 50 standing fans per one eco fan).



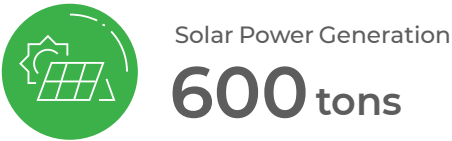
Electric delivery vehicles bring about annual two tons of carbon emissions reduction, compared to the vehicles with internal combustion engines, with no emission of air pollutants such as fine dust, CO₂ and NOx.

Major Achievements

BGF Retail has established four major tasks by keeping track of the entire activities in the logistics process, including logistics center operation, delivery and network. Every year, we develop project assignments with the four main tasks and global industry issues at heart and monitor their implementation, introduction effects, etc.

Classification	Project Assignment	Specification (including the impacts)
Carbon Emissions Reduction Project	▶ Solar Power Plant Installation	▶ Installing solar power plant at Jincheon CDC >Reducing annual carbon emissions of 600 tons (based on the yearly generation of 1,200Mwh)
	▶ Eco-Fan Introduction	▶ Completion of a total of 20 centers (as of June 2021) ▶ Reducing electricity consumption (with the effect of 50 standing-fans per one eco-fan)
	▶ Increasing Eco-Friendly LED Facilities	▶ Reducing the electric consumption amount by installing eco-friendly lightings in a total of 29 centers (as of June 2021)
	▶ Increasing Air-Spoiler	▶ 100% installation (mandatory installation for new cars)
	▶ Electric Delivery Truck Introduction	▶ Introduction and operation of one electronic vehicle ▶ No emission of air pollutants and annual carbon emissions reduction of 2 tons in comparison with internal combustion engine vehicles
Establishing Network	▶ New Logistics Center Establishment	▶ Optimizing delivery network through CDC establishment (driving distance per vehicle ↓)
	▶ Reducing Additional Delivery	▶ Reducing delivery distance by closing the independence center of miscellaneous goods
Foundation-Building Project	▶ Increasing Eco-Friendly Unloading Equipment	▶ Unloading equipment diesel -> contribution to carbon emissions reduction following the electricity exchange
	▶ Next-Generation Logistics System Establishment	▶ Developing automation functions of energy usage, carbon emissions and delivery amount calculation
Campaign and Education	▶ Fuel-Efficiency Incentive System	▶ Preventing inappropriate driving habits and training efficient driving methods (with high fuel efficiency)
	▶ Eco-Drive Training	
	▶ Logistics Firm Periodical Meeting	▶ Holding performance-sharing meetings on energy usage and carbon emissions concurrently

Green Logistics Carbon Emissions Reducing Effect (annual)



2021 Goals

Each year, BGF Retail identifies the major causes of environmental impact produced throughout the logistics center job operation. Goals for 2021 are as following and are currently in pursuit.

- 1 Greenhouse gas inventory installation for all logistics centers
- 2 Re-assurance as a corporation of green logistics practices (December 2021)
- 3 5% reduction of fire inventory generation at the logistics center
- 4 Delivery vehicle fuel-efficiency test (continued)
- 5 Introducing electric truck of 1 ton and testing the efficiency

Excellent Green Logistics Corporation Assurance

BGF Retail has been running annual green logistics replacement projects and campaigns, signing a voluntary agreement on Energy Goals Management System under the Act on Low Carbon Green Growth in December 2021. BGF Retail has been certified as the industry's first green logistics corporation by the Ministry of Land, Infrastructure and Transportation in 2013. Under the logistics policy basic law enforcement rules, we achieved green logistics corporation re-assurance in December 2015 and December 2018.

Winning '2020 Climate Change Grand Award'

In November 2020, BGF Retails won 'The 10th Climate Change Center Grand Leaders' Award,' recognized of the yearly carbon emissioins reduction through the eco-friendly infra conversion of the logistics centers across the country and other responses to climate change.



Green Store

In December 2019, the newly introduced Green Store actualized the city-style environmentally friendly convenience store in line with the concepts of 3R (Reduce, Reuse and Recycle) through the implementation of: Retail Shop Energy Management System (REMS), high-efficiency refrigerated shelves, natural refrigerant refrigerators and outdoor units, air cleaning systems, food processors, interior and operation.

Effect of Eco-Friendly Facility
(compared to the previous facility)

Door Heater Controller: Electric Consumption
97.7%↓

BLDC Motor: Electric Consumption
41.9%↓

Eco-friendly Finishing Materials: Formaldehyde dissipation
66.7%↓

Food Waste Dispenser: Food Waste Discharge
83%↓

Green Store Characteristics



FREE-FLOW, REMS



Insulated Glass, Solar Registrar



Natural Refrigerant Medium



Air Cleaning System



Chemical Reduction Finishing Material



Food Dispenser

Classification	Application Category	Effect (compared to the previous facility) and Characteristics
Energy and Resource Reduction	▶ FREE-FLOW System	▶ Reducing Energy Usage by 8.5%
	▶ Refrigerator Showcase BGDC Motor Introduction	▶ Reducing Energy Consumption by 41.9% (289 branches as of June 2021)
	▶ Beverage Showcase Door Heater Controller Introduction	▶ Reducing Energy Consumption by 97.7% (312 branches as of June 2021)
	▶ Insulated Glass and Ceiling-Type Non-Powered Air Circulation Fan	▶ Increase in Cooling/Heating Efficiency
	▶ REMS (Retail Energy Management System)	▶ Energy Usage Monitoring, Control of Heating and Cooling Unit
	▶ Water-Saving System	▶ 5% Reduction in Water Usage (monthly average of 0.147 ton)
Environmental Hazards Reduction	▶ Natural Refrigerant Outdoor Unit	▶ Reducing Global Warming Potential (GWP) by 99%
	▶ Natural Refrigerant Frozen Food Showcase	▶ Reducing GWP by 99%, Monthly Reduction of 39Kw in Electricity Consumption
	▶ Eco-Friendly Finishing Materials	▶ Strengthening Worker/Customer Health and Safety, 0.81% Reduction of Fine Dust
Waste Reduction	▶ Air Cleaning System	▶ 83% Reduction of Food Waste
Reuse	▶ Food Dispenser	▶ Reusing Discharged Assets of 117 Pieces
Recycling	▶ Repairs and Re-Use of the Closure Pick-Up	▶ Enhancing the Recycling Function in 274 Branches
Biodegradable Eco-Friendly Expendables	▶ Strengthening the Recycling Function of Trash Can	▶ Recycling Function Improvement in 274 Branches
	▶ Application of Biodegradable Materials such as PLA Polybag and Paper Straw, etc.	▶ Reducing Plastic Waste Generation

Application of Energy Reduction Facilities by Year

Classification	2018	2019	2020	2021
Key Facility Change	· Inverter Technology Application (freezing combination/freezing S/C)	· Showcase Three Types of Lightng Change (T5->LED) · Application of Integrated Outdoor Unit (2 units -> 1)	· Natural Refrigerant Application (R290)	· BLDC Motor · Door Heater Controller · Ceiling-Type Non-Powered Air Circulation Fan



Industry's First Green Store Certified by the Ministry of Environment

'Seocho Green Branch,' the No.1 Green Store, has been certified as a 'Green Store' by Korea Environmental Industry & Technology Institute under the Ministry of Environment. The Green Store designation system selects stores that have induced customers' eco-friendly consumption pattern and contributed to vitalizing eco-friendly products.

CU, including Green Stores, contributes to vitalizing the green product usage by expanding sales of the products that minimize the energy and resource input as well as pollutant generation, which include products with environmental labels, great recycling (GR) products, and low carbon certified products.

Green Purchase Policies

- 1 Practice the environmental management visions and policies through the vitalization of green product purchase.
- 2 Minimize the waste of resources and environmental pollution through the vitalization of green product purchases.
- 3 Fulfill corporate social responsibility through the promotion of green product purchase and consumption.



BGF Retail figures out the electricity consumption status through CU Green Stores and conducts facility/appliance tests in the order of high electricity usage. We practice reducing energy use and carbon use by adopting facility/appliance with the confirmed energy reduction effect for general CU franchise stores.



‘Door Heater Controller’ Introduction

We have newly introduced the Door Heater Controller with autonomous heating depending on the temperature and humidity. With the use of the Door Heater Controller, we have reduced the electricity consumption by 97.7% compared to the consumption generated by the previous facility (Door Heater: a device operating 24 hours to prevent the misting on a refrigerator door due to the temperature difference between the indoor and outdoor).

High-Efficiency Fan Motor Replacement

BLDC Motor was introduced to increase the efficiency of fan motors that help with the cool air circulation of the refrigerators that keep lunch boxes and dairy products. According to the Green Store test result, BLDC motors have generated the same cooling effect with only about half of the previous fan motor’s electric power (reducing 41.9%).

Natural Refrigerant Tackling Climate Change

CU conducted the test that converts the chemical refrigerant used for cooling appliances to the natural refrigerant. With the application of natural refrigerants, for frozen food showcase and outdoor air-conditioner units, the energy usage and Global Warming Potential (GWP) reduced by 10% and 9%, respectively.



99%↓

We have changed chemical refrigerant to natural refrigerant, yielding the reducing effect of Global Warming Potential (GWP) by 99%.



High Efficiency Energy Facility Introduction Status
(As of the first half of 2021)

Door Heater Controller

312 stores



BLDC Motor

289 stores

We are expanding general store adoption of facilities with which the energy reduction effect has been verified in Greenstores.

REDUCING PLASTIC/DISPOSABLE USAGE

BGF Retail has established goals of having zero use of plastic bags in CU stores and reducing disposables and plastics by 50% compared to 2020 by 2025, striving to make systematic implementation to meet the goals.



Introducing Eco-Friendly PLA Bag

BGF Retail introduced eco-friendly bags made of Polylactic Acid (PLA) for the first time in the convenience store industry, leading the plastic usage reduction. CU's eco-friendly bags are distributed in all branches after discussion with the CU Franchisee Council since their test introduction for directly managed stores in April 2020. Also, convenience stores operate a reusable rental bag system; customers can rent shopping bags and later get a refund. These efforts contribute to forming an environment of eco-friendly consumption.

Improving the eco-friendliness of products

We have reduced the environmental impact of the packaging by converting the disposables in convenience stores, including convenience food (kimbap and sandwich) containers and

PB ice drink straws, into eco-friendly materials. Also, we have replaced all of the disposables, such as paper cups and paper plates, with products made of eco-friendly foam plastic. According to the presentation document of the government's white bio nurturing strategy, PLA containers can reduce the carbon dioxide emission by half in the production process, in comparison with the plastic, and reduce the cost of the waste discharge as they could be composted in certain conditions.

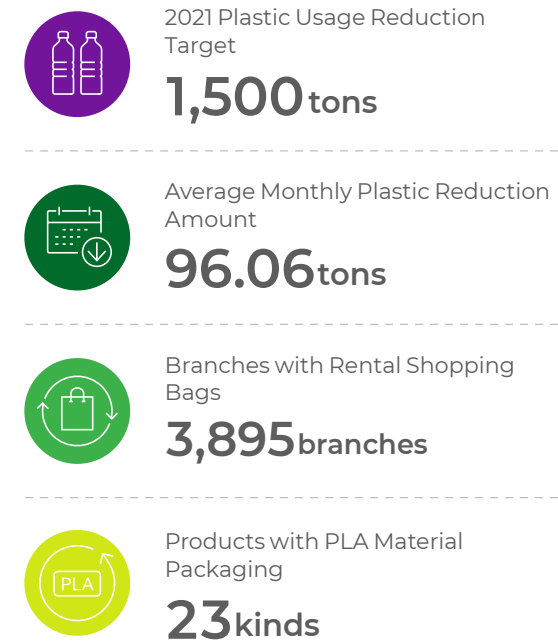


Let's use the eco-friendly paper bag at least three times!

BGF Retail has deployed campaigns that provides eco-friendly paper bags instead of plastic bags in 150 branches of Jeju sightseeing spots since October 2020 in cooperation with corporations within Jeju area. The eco-friendly paper bag is a product made of re-processed regenerative pulp, which is biodegraded in months, with the message of 'Let's use it at least three times' on the outer side of the bag. This campaign has reduced about 1.31 million plastic bag use compared to the previous year by April 2021. The reduction number is expected to increase to about 2.25 million by the end of the campaign.



Major Performance of Plastic/Disposable Usage Reduction (As of the first half of 2021)



'Plastic Bag Use Reduction Campaign' with Customers

We jointly worked with various companies and institutions to launch eco-friendly campaigns. Funds of KRW 20 million collected from customers' voluntary environmental practices was contributed to the plastic reduction project of an environmental organization and for response to climate change.



► Plastic Zero Good Action Campaign

We had a campaign through which 100 won of the environmental fund is donated once a customer brings in a '24365 Eco-Friendly Bag' upcycled with fiber from used plastic and purchases a product. This fund collected by customer contribution was donated to the 'plastic reduction support project' of the World Wildlife Fund (WWF).



► Hello Green Bag Campaign

In July 2020, CU unfolded 'Hello Greenbag'—an eco-friendly good—campaign for 'SOS Climate Action Pro Bono Activity' promoted by the Ministry of Environment and Korea Environmental Industry & Technology Institute. 'Hello Green Bag' is a multi-use cooling bag made of packaging certified as an environmental sign with an eco-bar on the exterior. The environmental fund collected for the cooling bag is donated to the Climate Change Center.



BGF Retail Won the '2020 Republic of Korea Energy Environment Technology Grand Award'

BGF Retail, recognized for the truthful establishment and implementation of eco-friendly business policies such as eco-friendly products, eco-friendly stores and campaigns to reduce fine dust based on CU platform, won the Minister's Award at '2020 Republic of Korea Energy Environment Technology Award.'

WASTE REDUCTION AND RECYCLING EXPANSION

With partner companies, BGF Retail promotes tasks of eco-friendly product package expansion, recycling improvement and reducing convenience store food waste to achieve the goal of 'waste reduction and recycling expansion' in steps. Also, following the direction of the Ministry of Environment, we strive to cultivate eco-friendly waste discharge culture through the convenience store platform with efforts such as non-operation of repackaged product sales and guiding separate discharge of transparent PET bottles.

Releasing Non-Labeled PB Water Bottle

BGF Retail has been reducing the environmental impact of our business by replacing PB water bottle packaging with non-labeled transparent PET bottles. The label area decreased by 54.5%, reflecting mandatory product information on the bottle caps recorded on the previous labels. Also, by enabling instant removal of the label with the opening of the bottle cap, we are supporting the properly separated plastic discharge. In December 2020, BGF Retail signed the 'Transparent PET Separated Removal System PB Operation Agreement' with the Ministry of Environment and the Korea Packaging Recycling Business Credit Union. We continually introduce the 'Transparent PET Bottle Separation Notification Campaign' through the CU branches across the country and SNS.

Marking PB Product Recyclability Grade

CU has been marking the recyclability grade on all PB product wrapping. We fulfill our responsibility to provide information on waste discharge from the production to help customers with eco-friendly consumption and improve resource-circulation culture. In 2020, BGF Retail completed all PB product's packaging material grading with the professional institution, marking PB product grades in order. Also, we plan on upgrading all PB products' recyclability grade to 'Excellent' by 2023.

※ Recyclability grade is based on the Ministry of Environment's 'Rating Standard of Recyclability of Packaging Material'

Reducing Food Waste in the Supply Chain

BGF Retail is striving to reduce food waste with affiliates, including BGF Food. We compost and provide convenience food raw material loss and waste produced in BGF Food Jeonbuk Center to farms. Systematic ingredient management of all food manufacturing centers will take place as our continuous effort with the raw material loss reduction. In addition, CU operates a nationwide 'Green Save Service System' to sell products with close expiration dates or with low sales rates at the price of up to 50% discount. Besides, CU operates 'Lunchbox Reservation Service' that enables customers to pick up products and select the stores and dates to reduce product loss.

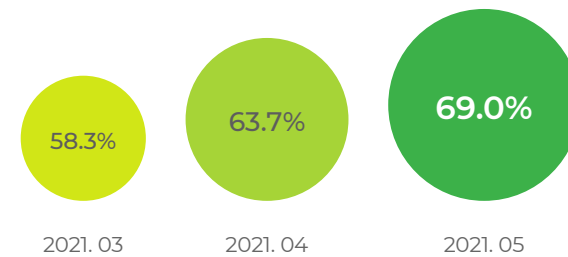
Also, with the eco-friendly stores in their leads, the food dispenser in the convenient store is in test operation, and the result shows an 83% reduction in the food waste volume.

2021 Goal



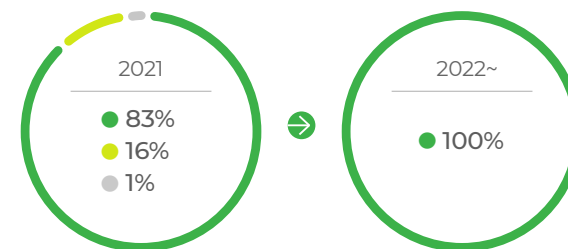
Non-Labeled Water Bottle Sales Expansion Status

In comparison with the entire water bottles of the same size(%)



PB Product Recycling Grade Ratio

● Excellent ● Ordinary ● Difficult



PB Product Packaging Recyclability Grade Marking



54.5%↓

Reflecting the essential marking information that used to be printed in labels on the bottle caps, we reduced the label area by 54.5%.

0.94tons↓

We reduced 0.94 tons of plastic usage compared to the amount produced by the previous label production method (as of the first half of 2021).

ENVIRONMENTAL PROTECTION ACTIVITIES

Creation of the ‘City Forest’ for Forest Restoration and Fine Dust Reduction

BGF Retail strives to create ‘City Forest,’ which is considered an effective way to respond to the global environmental issues of climate change and carbon emission. Engaging in the ‘Raising from Seeds to 100 Forest’ campaign hosted by Noel Park Citizens' Meeting, we have reforested trees, including White Oak trees, Baekdang Trees and Asian Hazel trees in the Noeul Park slope area in Sangam-dong, Seoul to create two city forests (BGF Good Friends' Forest and CU Forest of Coexistence) and manage them through periodical volunteer activities.

Since 2020, we have conducted a non-contact activity titled “Acorn Tree of Hope,” through which households raise acorn seeds into trees and return them to the forest as an alternative to the original activity stopped because of the COVID-19.

The City Forest Effect According to the National Institute of Forest Science Research



- ▶ Nature-friendly climate control function of mitigating average summer afternoon temperature of 3-7℃ and 9-23% humidity by blocking the fine dust movement



- ▶ Function of decreasing air pollutants such as fine dust
 - Decreasing fine dust by 25.6% and ultra-fine dust by 40.9%
 - 1ha of the forest absorbs annual 168 kg of air pollutants including 46kg of fine dust
 - (Platanus basis) Average daily queue absorption of 664 kcal per 1 square meter = equivalent to the effect of running five air conditioners for the area of 49.59 m² for five hours



- ▶ Flood prevention, Prevention of drying by increasing relative humidity



▶ Acorn Tree of Hope



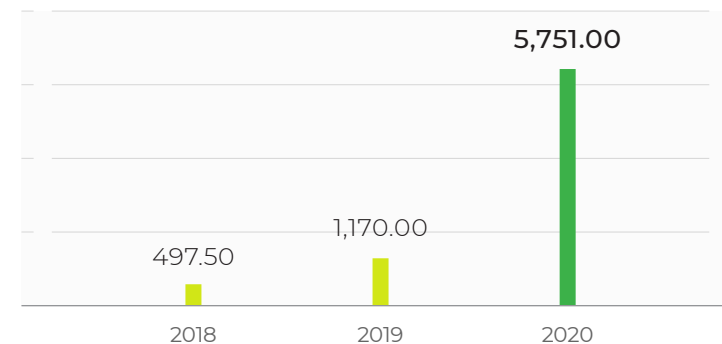
▶ Nationwide Joob King

National Park Ecosystem Protection Activity, ‘Green Campaign’

BGF Retail is providing support for the creation of clean national park environment. About 45 million visitors visit the national park each year, we encourage visitors' voluntary environment purification through linked activities with Green Points of the national park industrial complex. In addition, we have created donation culture by enabling customers to join in the national park environment improvement through anonymous donation of CU points accumulated in the CU APP.

※ Green Point: Point accumulated in accordance with the weight of voluntary collection of trash by visitors of national parks all across the country

National Park Green Campaign Performance (voluntary collection of trash) (kg)



Non-Contact Flogging Voluntary Activities, ‘Joob King’

BGF Retail employees and franchise store owners visited the Marine National Park and collected plastics, launched a campaign for the creation of clean national park. In 2020, we performed the voluntary activity, ‘Nationwide Joob King’ through which participants autonomously collected trash in July to August, due to COVID-19, with a total of 292 participants.



Voluntary Trash Collection of National Park ‘Green Campaign’ (accumulated amount for 3 years)

7,418.5kg

2020 ‘Joob King’ Volunteer Workers

292people

Environmental Purification Effect of 2020 ‘Joob King’ -Trash Collection

413.46kg

Creation of City Forest

2forests

Creating Paperless Forest for the Prevention of Yellow Dust and Desertification

In 2021, BGF Retail signed the ‘Agreement on Non-printing of Credit Card Paper Receipt for Environmental Fund Creation’ with Korea Institute of Environmental Industry Technology and BC Card, creating environmental fund through processing innovation and supporting the forest creation business. Forest creation business is for starting point of desertification that comes to Korea, and aims to resolve the common problem of the entire humanity that follows the climate change and desertification. In 2020, we planted Poplar trees (Populus simonii carr.) at Kubuchi Desert in the Inner Mongolia Autonomous Region in China. In Mongolia, we planted trees, including fruit trees and Chargan in the areas of I-mak in Arkhangai and Som in Ugii Nuur. The total number of trees planted by 2020 is 366,131.



< Before Planting >



< After One Year >



< After Three Years >



< After Five Years >

(Unit: tree)



366,131

BGF Retail planted and grew a total of 366,131 trees by 2020.

In-Company Eco-Friendly Campaign, ‘Be Green Friends’

BGF Retail launched ‘Be Green Friends,’ an eco-friendly campaign with all employees engaged, from May 2020. We established 3L (Less Paper, Less Energy, Less Plastic) Codes of Practice for truthful environmental improvement activities. Also, we encourage sustainable participation by sharing the employee environmental activity results through quarterly newsletter (Green Letter).

Office Building Energy Reduction Performance

Classification	2019	2020	Reduction Rate
Consumables Such as Paper	21,751	15,321	29.6%
Energy Usage	1,457,446	1,374,539	5.7%
Water Usage	8,069	7,806	3.3%

‘Eco-Friendly 3L Campaign’ with 15,000 Franchise Store Participation’

BGF Retail has been operating eco-friendly voluntary activities with franchisee participation from 2020. A total of 478 franchise store owners participated in 2020 with various environmental activities, including forest cultivation and purification of the environment. In 2021, we have had ‘Eco-Friendly 3L Campaign’ for franchise owners to guide activities of ‘proper temperature compliance,’ ‘reducing unnecessary energy usage’ and ‘proper separate discharge.’



Environmental Activities of Local Community Engaging Type

BGF Retail launched a campaign to reduce greenhouse gas jointly with the environmental NGO, ‘Aewol Friends.’ We had eco-friendly activities for the improvement of Jeju’s natural environment, such as ‘Don’t Use Campaign’ that rents eco-bags and paper bags donated by customers for minimization of the plastic bags and ‘Planting Trees of Hope’ in which we planted seedling in a piece of land.

ECO-FRIENDLY MANAGEMENT SUMMARY



Greenhouse Gas Emissions Reduction



Creation of Sustainable Earth

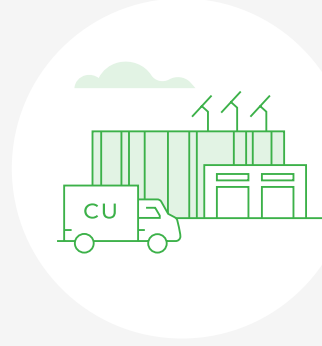
► PURCHASE



Enhancing the ESG Management of Partner Companies

BGF Retail made ESG checklist for the implementation of social and environmental responsibility based on the global sustainable business guidelines, practicing the what's on the list with partner companies, in pursuit of ESG management.

► CONVEYANCE



Optimizing Logistics Network

We established an efficient conveyance operation system among partner companies and RDC Centers by building Jincheon Central Distribution Center. In addition, we are striving to reduce carbon emissions by achieving network efficiency through the maintenance of green logistics.

► LOGISTICS CENTER



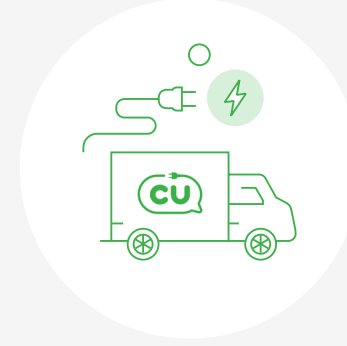
Promoting Logistics Center Energy Efficiency

We are in continuous promotion of logistics center energy efficiency with eco-fan installation, LED replacement and introduction of eco-friendly unloading equipment in centers. We also plan to periodically monitor these works through the energy usage system.

Establishing Solar Power Plant

We produce and supply electricity of 1,200Mwh annually, using spare space of Jincheon Logistics Center.

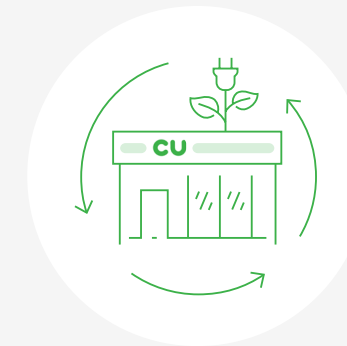
► TRANSPORT



Optimizing Fuel Efficiency

We provide eco-driving education and fuel-efficiency incentive system to improve fuel efficiency through efficient driving. In 2021, we have introduced electric vehicles for test operation.

► SALES



Green Store

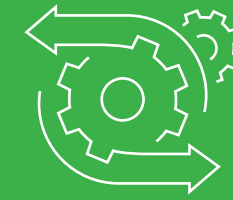
CU runs eco-friendly appliance and facility tests at Green Stores to reduce environmental impacts such as carbon emissions and energy, waste and chemical substance. We have been introducing appliances and facilities with the proven environmental improvement effects in the affiliate branches, in steps.

► DISCHARGE



Improving Eco-Friendliness of Products

We have been improving the product environment by replacing plastic products, packaging materials and disposable products with PLA materials. By June 2021, 23 kinds of items were replaced by PLA materials and the plastic reduction due to this change equals monthly average of 96.06 tons.



PARTNER _ Creating the Shared Growth Ecosystem

BGF Retail takes the lead in the eradication of unfair transactions, including monopoly and inequitable transactions. We strive to create an industrial ecosystem characterized by soundness and coexistence through cooperation with affiliate branches and regional communities.

SHARED GROWTH

Shared Growth with Partner Companies

BGF Retail takes the lead in the eradication of unfair transactions, including monopoly and inequitable transactions.

In the context, we operate ‘Shared Growth Promotion Committee’ to realize sincere and exemplary shared growth with small and medium-sized business partners. The Secretariat, the general shared growth policy voting body, is in charge of establishing mid- and long- term shared growth road map, inspecting quarterly shared growth promotion status, vitalizing interaction with partner companies and developing shared growth programs.

Six Big Strategies Direction to Boost Competency of Partner Companies



Major Programs and Performance

BGF retail helps the partner company improve competitiveness to create a sound corporate ecosystem, seeking shared growth with small and medium-sized partner companies through ▶ financial support for smooth fund management ▶ training support for the empowerment of partner company employees ▶ finding cooperative management tasks to increase profit and secure the market ▶ diversifying communication channels to find a shared growth model and ▶ bolstering partnership through periodical cultural activities. We have been operating 'One Mind Trekking,' an interactive program for communication and exchange with small and medium-sized companies. Also, we hold the 'CU Food Safety Day Event, targeting the partner companies' managers of the production and quality maintenance of products, to provide: ▶ consulting for quality management of PB products manufacturers ▶ instruction and inspection to enhance the competency of the companies whose performance is below the standard and ▶ consulting of the professionals to help with HACCP achievement.

➔ **Smooth Fund Management**

- Win-Win Payment System Operation (introduced in 2015)
- 100% cash for transactions payment and quickening payment date
- Win-Win Fund Operation
- Implementation of Prepayment Before Holiday

➔ **Supporting Profit Increase by Providing Sales Channel**

- Performance sharing corporation certification (December 2014)
- Open Counseling Day for Small and Medium-Sized Companies
- Visiting Purchase Counseling Operation
- Industry's First Shared Growth Mall Introduction and Operation

➔ **Empowering Employees of Partner Companies**

- Providing E-Learning Education / Product Quality and Hygiene Education (once a half-year)
- Management Doctor System (supporting 'Advice on Management Capabilities' linked to the Federation of Korean Industries)

➔ **Finding a Shared Growth Model for Sustainable Development through Multi-Channel Communication**

- Visiting VOC: hearing difficulties and suggestions by visiting the partner company
- Survey Monitoring: diagnosis and improvement of fair trade and the culture of mutual respect

➔ **Periodical Implementation of Cultural Activities**

- One Mind Trekking: active interaction through climbing mountain together
- Special Lecture on Management: Providing a special lecture for the business capacity improvement of the partner company CEO

Category	Unit	2018	2019	2020
E-Learning	Content	2,055 contents	2,055 contents	2,236 contents
Special Lecture on Management	Time	1 time (January)	1 time (January)	1 time (January)
Quality and Hygiene Education	Time	-	2 times (May, October)	2 times (June, October)
Partner Company Counseling	Time	12 times	12 times	10 times
Win-Win Fund Loan Amount	Amount	KRW 6.4 million	KRW 5.77 million	KRW 5.92 million
Prepayment for Holidays	Amount	KRW 38.9 million	KRW 63 million	KRW 20 million
Visiting VOC	Time	36 times	34 times	7 times
	Case	180 cases	170 cases	35 cases
Partner Company Survey Monitoring	Time	2 times	2 times	1 time
	Point	88.9 points	92.8 points	86.9 points
One Mind Trekking	Time	2 times	1 time	Not implemented due to COVID-19
	Number of Companies	134 companies	70 companies	

※ Restriction on visitation and facial contact due to COVID-19 caused a decrease in Visiting VOC performance.



MOU for Entry of Small and Medium-Sized Companies to New Southern Countries (November 19, 2020)

Through the business agreement with Korea International Trade Association, BGF Retail takes the role of product export platform of excellent domestic small and mid-sized companies with difficulties in exporting due to COVID-19, contributing to expanding their product sales market. As of June 2021, about 20 % of products at 127 CUs in Mongolia were from Korea, and 30 Korean small and mid-sized companies indirectly entered the Mongolian market through CU. Many products of small and mid-sized companies are in sales in about ten countries, including China and Australia, through BGF Retail.

Shared Growth with Franchise Stores

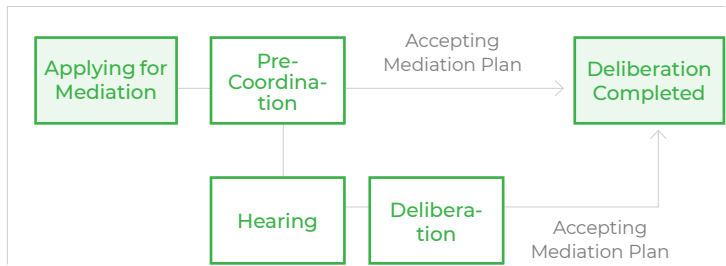
Unlike other franchise businesses, BGF Retail doesn't take distribution margin in the supplying process with the foundation of shared growth of franchise stores and the headquarter, collecting franchise fees from the sales revenue produced from product sales. The franchise headquarter strives to develop blue chip branches and improve the profitability of the existing ones, making various efforts for shared growth development with franchise branches.

Leading the Self-Sustaining Fair-Trade Ecosystem through Autonomous Conflict Mediation

BGF Retail established 'Autonomous Conflict Mediation Center,' the deliberation body for times of conflict between franchise headquarter and franchisees, in July 2013 for the first time in the industry and since been running it. In case a disagreement exists between the franchise business owner and franchise headquarter, in applying regulations and contract articles concerning the franchise business, from the start to the closure, we bring amicable settlement through the internal system and autonomous efforts to create a self-sustaining ecosystem and fair trade order.

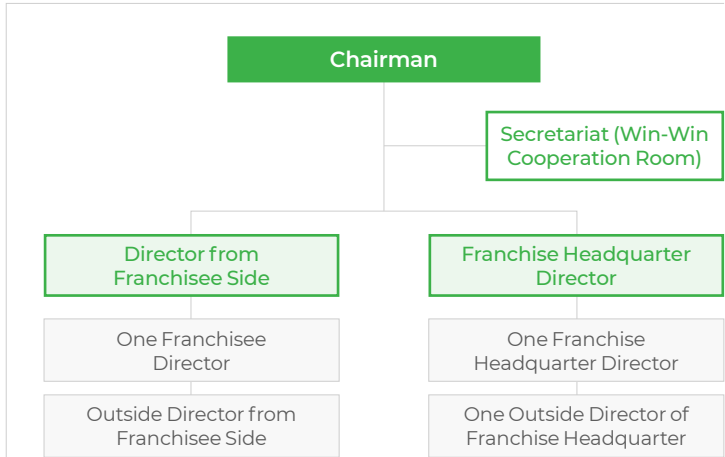
Autonomous Conflict Mediation FLOW

Once a franchise business owner applies for conflict mediation, a certain pre-coordination and hearing process occurs, leading to agreement and resolution. Final conflict resolution is decided through unanimous consent of the Conflict Mediation Committee.



Composition of the Autonomous Conflict Mediation Committee

The Autonomous Conflict Mediation Committee consists of five directors: the director of franchise owners (selected through votes), the director of franchise headquarters (Head of the BGF Retail Sales Development Division) and the outside director. Outside directors are appointed among lawyers or professors of law with conflict mediation experience in affiliate business trade sectors.



Franchise Stores Revenue Improvement Program Operation

BGF Retail provides customized solutions for franchise stores with sluggish revenue due to change in commercial, inexperienced management and aged facility through the 'CU JUMP UP' project. Receiving the application of a branch, BGF Retail dispatches the Win-Win Cooperation Team consisting of professionals from different areas, evaluating the site and providing focused management and consulting by part. For the last five years, 4,500 branches have increased profit through the care of the CU Branch Improvement Program. Even last year, amid the outbreak of COVID-19, about 400 branches participated in yielding an average of 22.9% revenue.

Industry-Leading Win-Win Program for Franchisees



[Read More about Win-Win Programs for Franchisees](#)

BGF Retail has been continuing an effective win-win agreement that helps strengthen the franchise partnership and branch competency since 2017. We run the Central Distribution Center at Jincheon and activate the IoT technology to introduce the next generation POS for all branches around the country ▶ headquarter takes charge of the brand advertisement and branch environment improvement cost ▶ provide long-term operation encouragement money ▶ run comprehensive branch operation support system such as win-win fund. Also, through welfare-mall, corporate condominium support, health check, congratulatory event support, postpartum support, etc., we provide the best win-win programs in the franchise industry. By signing the '2021 Franchise Win-Win Agreement' at the end of 2020, we increased the support system for franchise stores whose business environment has higher instability due to COVID-19, with ▶ reducing and exempting business penalties and ▶ changing business areas. At the same time, we maintained the main points of the 2020 Win-Win Agreement focused on enhancing franchisee rights and benefits.

- ▶ Stable Contract Renewal for Long-Term Stores (more than 10 years)
- ▶ Free Enrollment in Cold, Refrigeration Compensation Insurance and Product Liability Insurance
- ▶ Labor-Management Integrated Solution App, 'Go Home CU'
- ▶ Providing Free Use of Emergency Job Search Service for Short-Term Workers

Strengthening Communication among Franchise Stores

BGF Retail has been communicating with franchise branches through various channels and contents such as videos and company newspapers for efficient transmission of information to promote communication between franchise headquarter and branches and to increase profit. In particular, we have jointly made a franchisee creator system with the franchise headquarter to strengthen communication with customers of the MZ generation in line with the era of one-person media.

Franchisee Creator

- ▶ Convenience Store VLOG Production
- ▶ Branch Management Know-How Disclosure
- ▶ Product and Service Introduction
- ▶ Revealing Episodes of Opening and Operating Business

In addition, we have been holding activities and conferences by divisions with franchise business groups for communication.

(Unit: time)

Classification	2018	2019	2020
Win-Win Council	6	6	3
Autonomous Conflict Mediation Committee	14	7	5

2020 Win-Win Council Main Agenda

Classification	Agenda (Franchisee Request)	Consultation Result
COVID-19	Establishing Response for Branches with Confirmed Patient Visitors and Sales Decrease	Closing Branches Visited by Confirmed Patients Supporting Disposal of Convenient Food, Introducing Droplet Barrier and Assisting Partnership with CESCO
Support for Stable Branch Operation	Processing Japanese Beer in Stock Finding Measures to Reduce Electricity Cost	Support for Return of Low-Rotation Products Support for Reduction of Franchisee Contract Power

Establishing Fair Trade Culture

Fair Trade Autonomous Compliance Program (CP) Operation

BGF Retail operates 'Fair Trade Autonomous Compliance Program (CP)' to comply with the Fair Trade Act and meet the fair and free-market competition order (the program was initiated in 2009, before the corporation split). Also, through the declaration of compliance management, the CEO proclaimed the determination and policies for autonomous compliance. We also distribute the CU handbook and operate the independent reporting center against unfair franchise business transactions. To internalize the culture of fair-trade autonomous compliance, we work on education on compliance, unfair cases of affiliation and law compliance, and internal and external franchise business trends.

2020 CP Education Assessment Result

Target: All employees of BGF Retail Period: from December 16 to 29, 2020

Classification	Correct Answers Ratio	Note
Questions Related to the Franchise Business Act	96.3%	Employees possess high understanding of the Franchise Business Act, related to prohibition of providing false or exaggerated information, prohibition of unfair transactions, etc.
Questions related to the Large Distribution Business Act, the Sub-contracting Act, etc	80.9%	
		Employees generally possess high understanding of the law

Creating Fair Trade Culture with Partners and Rivals

BGF Retail specifies the responsibilities and duties for partner companies in the Code of Ethics. We identify partner companies as strategic companions, respect their physical and intellectual property rights, striving to create fair trade culture in our relationship with all stakeholders, including our rival companies.

- We shall not abuse our superior position against the partner company or force unfair acts upon them. (Article 7 (1) of the Code of Ethics)
- We shall seek mutual growth by providing legal support for the partner company to grow competitively. (Article 8(2) of the Code of Ethics)
- We provide equitable opportunities to all of our partner companies based on the spirit of mutual trust, pursuing shared growth as we identify them as strategic partners for business promotion. (Article 3 of the Code of Ethics)

Compliance

BGF Retail is striving to fulfill the social responsibility as a corporate citizen by promoting fair and transparent task performance and securing sound development of the company and customer trust as of the point we made the declaration of compliant management. In this context, we introduced the 'Fair Trade Autonomous Compliance Program' and operated it on the Seven Principles. We have proliferated fair trade awareness and provided employees with compliance control criteria to minimize and remove the legal risk in advance. In accordance with Article 542-13 of the Commercial Code and Article 18 of the Company's Compliance Control Standards, Compliance Applicant inspects the compliance with the Compliance Control standard, reports to the Board once a year and provides compliance education. In May 2020, the 7th revision of the CU handbook and Fair Trade Record was made, and Communication Manager was appointed as the Autonomous Compliance Manager. Autonomous Compliance Managers are stipulated to be selected through the Board for ensuring clear responsibilities and authority.

BGF Retail Fair Trade Principles (applied for partner companies, consumers, competitors, etc.)

BGF Retail declares autonomous compliance with the fair trade law to eradicate unfair practices in task operation and for fair trade order as below.

- One, we make fair and transparent task performance to prevent unfair transactions in advance.
- One, we establish a fair trade order on the basis of mutual trust with partner companies.
- One, we do not direct, engage in or overlook any behaviors of unfair trade.
- One, we do our best to operate fair trade autonomous compliance programs in exemplary way.
- One, we contribute to the individual and corporate development by striving to establish fair trade culture.

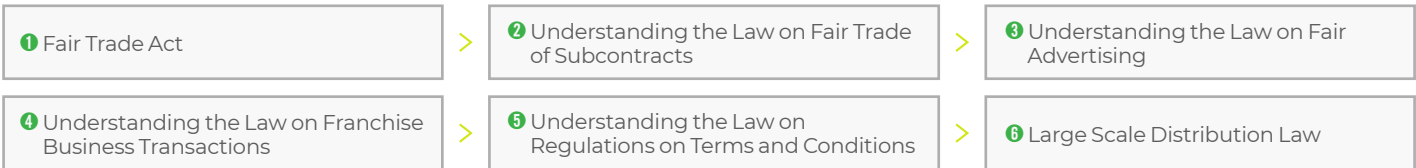
Enhancing Compliance Education for Employees

We provide periodic education on cases of fair trade compliance and inequity in the affiliation and distribution sector, targeting employees in charge of tasks related to partner companies and franchise branches (i.e. SC, SP and MD).

Category	Unit	2018	2019	2020
Education of Cases on Fair Trade Compliance and Inequity	Education Session	14	13	2
	Participant	540	460	108

※ Education performance has decreased compared to the year before with the restriction on face-to-face education due to COVID-19.

Compliance Education Courses



BGF Retail Declaration of Fair Trade Autonomous Compliance

BGF Retail declared its plan for ethical management in 2005, for transparent and righteous corporate management based on distinguished business goals and proclaimed its determination to set examples of fulfilling corporate social responsibility. We have strived for the settlement of fair competition order and sound market economy order internally and externally. But the fundamental objective we seek through the introduction of the Fair Trade Autonomous Compliance Program is not just preventing disadvantage from legal violation; establishing the organizational culture where all employees prioritize customers while operating tasks and build a trustful relationship with the partner companies as they seek fair competition.

We have done so, not just as a slogan, but as we believe that fair transactions practice is the core engine that secures competency of BGF Retail and brings coexistence and development while at the global competition.

All employees shall understand the to-be completed autonomous compliance handbook to prevent disadvantages against customers and the company due to unfair actions. Furthermore, we promise to do our best to develop as an Excellent CSV Corporation that actualizes the values of customers and franchise stores.

SUPPORTING SOCIALLY VULNERABLE GROUPS

Supporting Socioeconomically Vulnerable Groups

BGF Retail has been utilizing the CU business model to support socioeconomically vulnerable groups, including the disabled, elderlies and basic living recipients. In particular, we most preemptively introduced the employment models for vulnerable groups, such as forming affiliation with self-help businesses and employing developmentally disabled staff, with a stable operation to prove the system's effectiveness, actively contributing to spread the programs for employment of the vulnerable groups throughout the industry.

CU Sprout Store

BGF Retail has been running 'CU Sprout Store,' a program to support creating employment for socioeconomically vulnerable groups, including basic living recipients and near-poverty groups, in cooperation with the local self-help centers. Sprout Store is the industry's first CSV (Creating Shared Value) business model linked to self-help business with its basis on the convenience store franchise business, which is BGF Retail's core competency. Hence we support the fundamental independence of socioeconomically vulnerable groups through the promotion of business establishment/employment. Such is a business cooperation model with self-help companies and social enterprises taking a major role of social alternatives in solving various problems of social and economic areas such as inequity and gap between rich and poor. BGF Retail provides the initial start-up funds to



Social Value Creation of Sprout Stores



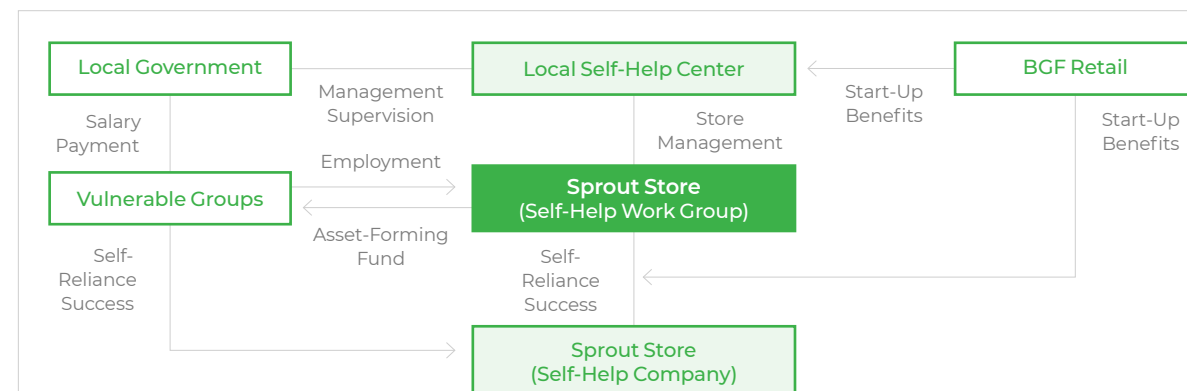
Number of Stores
92 stores



Number of Employment of the Vulnerable (yearly)
About **550** employees



Self-reliance support for the Vulnerable (yearly)
About KRW **6,218** million (yearly)



self-help work groups free of charge and offers the optimal location through analysis of market areas.

CU Together

BGF Retail signed a business agreement with Korea Employment Agency for Persons with Disabilities for the first time in the industry to increase the economic activity participation of developmentally disabled, whose number increase by 7000 each year. We have developed duties for developmentally disabled, employing developmentally disabled trainees for CU stores at special locations, including airports, schools and hospitals. Employed developmentally disabled staff has been performing the tasks of product display and cleaning, and 29 trainees have been working by June 2021.

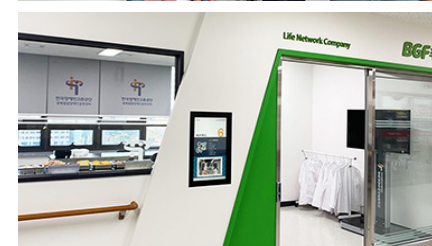
Also, we participate in the installation and operation of occupation experience facilities for the developmentally disabled, for their task-performing skills development, and stable job supply and demand with the regional training centers for the developmentally disabled. Through this support, we provide practical benefits for students with developmental disabilities who are about to graduate high school and search for jobs, helping them with career and aptitude development. Occupational experience training is designed to enable occupational experience in the entire service industry, not to mention the convenience store industry. Since 2019, we have been running additional job training for food manufacturing in conjunction with BGF Food. In 18 regions across the countries are operated CU and BGF Food occupational experience centers.



Developmentally Disabled Trainee Job Analysis Survey
Analyzing CU store job characteristics (product display and clean management of the store) and determining appropriateness through the experience work for developmentally disabled. CU Senior Staff

CU Senior Staff

Since 2008, BGF Retail has signed the business agreement with Korea Labor Force Development Institute for the Aged and operated senior staff system to hire staff with age 60 or more, contribution to the senior employment expansion. Conducting recruitment education of a total of 41 times, we generated 421 education graduates and 169 employed people.



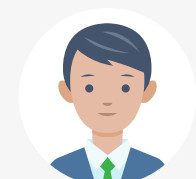
- 1 CU Together Occupational Training Education for the Developmentally Disabled
- 2 CU Occupational Experience Center at Seoul Developmentally Disabled Training Center
- 3 BGF Food Occupational Experience Center at Developmentally Disabled Training Center

CU Together Mini Interview



"While busy with many tasks, I am working happily as the manager is always kind and teaches the work step-by-step. I couldn't express this before, but I would like to use this opportunity to thank the manager Sung-Taek Cho."

Staff Nari Kim (Developmentally Disabled Trainee) / CU Incheon Airport Terminal Branch



"CU Together is evaluated to have assisted the job creation of the developmentally disabled and improved perspective on them in creating a society where disabled and non-abled are happy together. We ask for many supports for BGF Retail's path to be good friends with customers, regional communities, and everyone."

Dae-Sik Byun / HR Team

COMMUNITY SAFETY NET

Establishing Community Safety Net Based on Convenience Store Infra

BGF Retail signed a comprehensive and universal business agreement that includes the existing security-related activities reflecting the traits of the police station and CU as a convenience store (short-distance network and open 24 hours). Resolving social problems based on the business model is one of BGF Retail's specialties as a corporate citizen in terms of shared value creation.



▶ iCU volunteer work of drawing safety mural

Classification	Program	Partner Organization
2009	House Safeguarding Children	National Police Agency
2014	House Safeguarding Women	Seoul Metropolitan Government
2015	BGF Bridge	Ministry of the Interior and Safety
2017	POS Emergency Reporting System(iCU)	National Police Agency

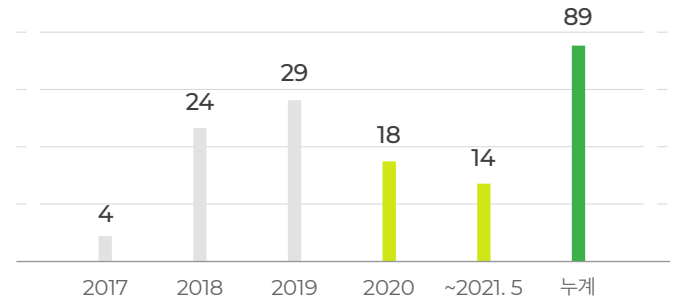
iCU

BGF Retail contributes to preventing missing children and early finding of the children through the iCU campaign. The campaign utilizes the convenience store traits to resolve annually 40,000 cases of social problems, including missing children and child abuse crime cases. iCU is an acronym for 'I Care for you' through which a CU worker enters

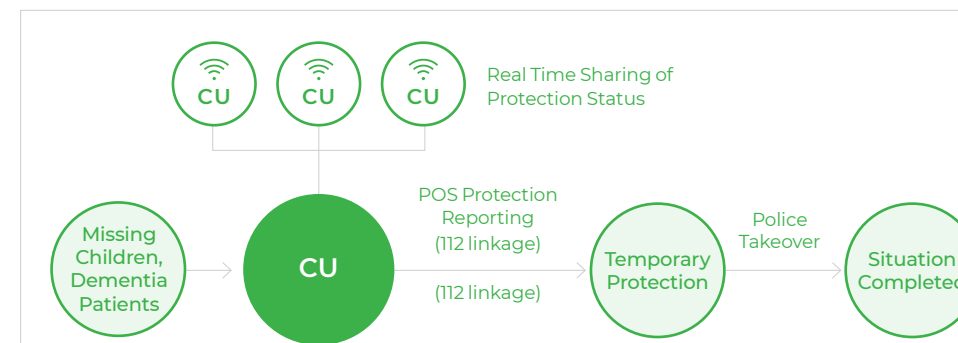
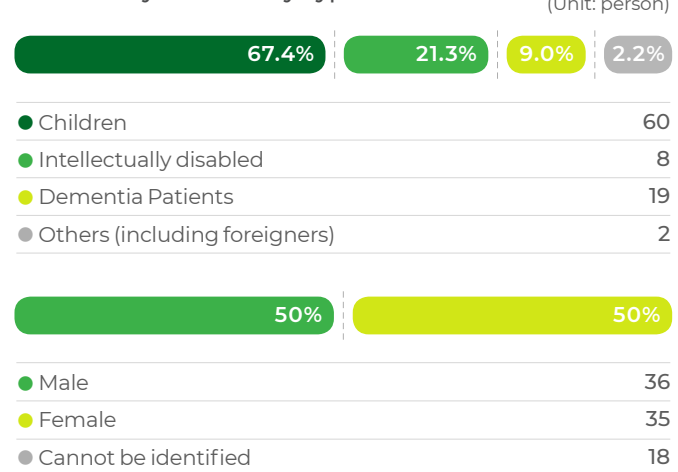
the information of the child's name and attire and other characteristics that are figurable on POS. Then the data is transmitted to the police and CU stores across the country to help spot the missing child more quickly.

Guardians can also figure whether the child they are finding is protected in CU stores just by visiting the closest CU branch. As of the end of May 2021, 89 children, dementia patients and developmentally disabled were safely guided to their guardians. Also, by cooperating with various institutions and corporations such as the national police agency and the child rights assurance agency, we are taking the lead in the campaign for finding long-term missing children.

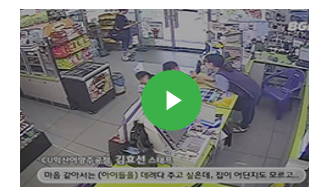
iCU Case Occurrence



iCU Case by Beneficiary Type



Major Cases



- ▶ Time: July 18, 2018. 6:29 PM
- ▶ Location: Iksan, Jeonbuk / CU Iksan Eoyang Jugong Branch
- ▶ Description: Siblings of 3 and 5-year-old chased a car, mistaking it as their father's, losing their way. The father, who realized that the children went missing, searched around, found a police car in front of the CU convenience store and went inside.

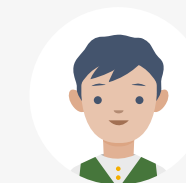


- ▶ Time: January 8, 2020. 3:53 PM
- ▶ Location: Ansan, Gyeonggi / Ansan Shingil World Branch
- ▶ Description: A child got lost in a building, missing each other with the guardian and visited the store for help. Upon the police dispatch, the guardian visited the store, and the child was handed over.



- ▶ Time: April 25, 2018. 8:25 PM
- ▶ Location: Gwanak, Seoul / Gwanak Brown Branch
- ▶ Description: A middle-aged woman with a Grade 2 intellectual disability got lost in an area 30 km away from her residence. The CU worker contacted the welfare center recorded on her certificate of disability but couldn't reach them. Therefore he reported to POS, and the police took over and safely drove the woman to her residence.

iCU Mini Interview



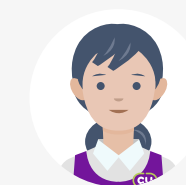
"I thought my mom would be at CU, but she wasn't there and I was scared a lot."

Woo-Jun Lee /
Seven Years Old / Missing Child



"'Is this how I don't get to see my child?' It was a short moment, but all sorts of thoughts came up. I am very relieved as convenience stores all around the places are connected with the police by the system."

Min-Kyung Ahn / Missing Child's Mom

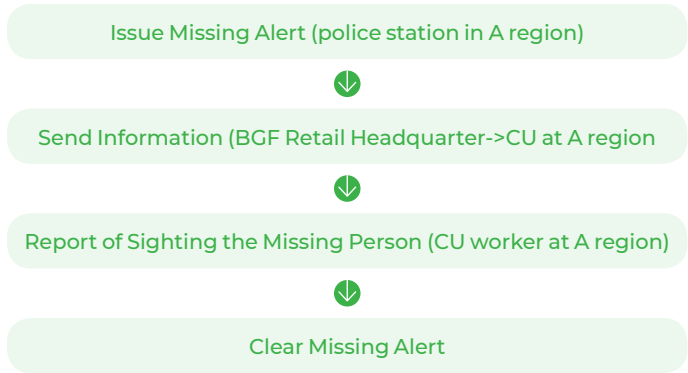


"I expected the parents of the child to come in soon, but as the time passed, I got nervous. After giving candies to children, I remembered the reporting system and reported through the POS. The police came in five minutes and fortunately, the children's dad followed."

Staff Hyo-Sun Kim / CU Iksan Eoyang Jugong Branch

Cooperation on Alert System for Missing

BGF Retail operates the Missing Alert System that sends information of the missing individual to CU franchise stores located near the missing spot when children, intellectually disabled or dementia patient go missing, in cooperation with the Police Agency.



‘See you soon,’ a Campaign to Find Long-Term Missing Children

BGF Retail has launched and operated ‘See you soon,’ a campaign to find long-term missing children in cooperation with various organizations, including the Child Rights Assurance Agency.

Away from the previous method of distributing fliers, we send out information on more than three long-term missing children every month on POS at CUs all across the country. Channels such as an artist’s digital single album jacket, SNS channel, amusement park free pass are utilized for the continual advertisement of the campaign information. In October 2010, there was a case of achievement where a long-term missing child who had been parted from her family for 20 years reunited with the family.

Child Abuse Observation and Reporting Vitalization Campaign

In terms of the child abuse cases that followed consecutively after the prolonged home-care of children due to COVID-19,

BGF Retail focused on the fact that the fundamental solutions for child abuse issue are the citizens’ observation and active reporting in the regional community. Therefore, in May 2020, we added the child abuse reporting function to CU POS Emergency Reporting System, enabling CU workers to decide whether the case they have seen fits the condition of child abuse through the checklist, and report to the police through the POS reporting.

In addition, by utilizing CU stores, employee company cars and SNS channels, CU launched the public awareness campaign to eradicate child abuse crimes.

‘Citizen Award for Child Safety’ for Child-Regional Social Safety Net Expansion

BGF Retail newly founded the Citizen Award for Child Safety to expand the regional child safety net, jointly with the police agency, to award a contributor to child safety activities for safe growth environment establishment and fundamental solution to the social problem of low-birth rate. Also, we make practical contribution to child safety net through the commissioned participation for the public safety system such, for instance, through the establishment of House Safe-guarding Children.

The award for three citizen heroes was made in non-contact way, of visiting award, for prevention of COVID-19.

- Citizen Hero Division: Citizens who set examples with child protection
- Child Safety Division: Child Safety Guard, House Safeguarding Children, iCU Case of Excellence
- Evaluation Criteria: Propriety, efficiency, proactiveness and influential range

Classification	2019	2020
Citizen Hero Division (person)	3	3
Child Safety Division (person)	30	111



- 1 Missing Alert System
- 2 Transmitting Campaign Contents for Long-Term Missing Children
- 3 Child Abuse Prevention Campaign



Watch the Video of the Award Ceremony at the 2020 Citizen Award for Child Safety

Mini Interviews of the Citizen Heroes



“The rain had caused flooding of water to some extent, so I couldn't see the children at all. I just jumped in, thinking that I had to save them.”



“I detected the fire, knocked on my neighbors' doors, telling them to leave and evacuated them.”



“The child had bruises around her eyes. I sensed that she needed help, and stopped by at CU to help relieve her hunger and heal the wound.”

Citizen Heroes Selected by 2020 Citizen Award for Child Safety

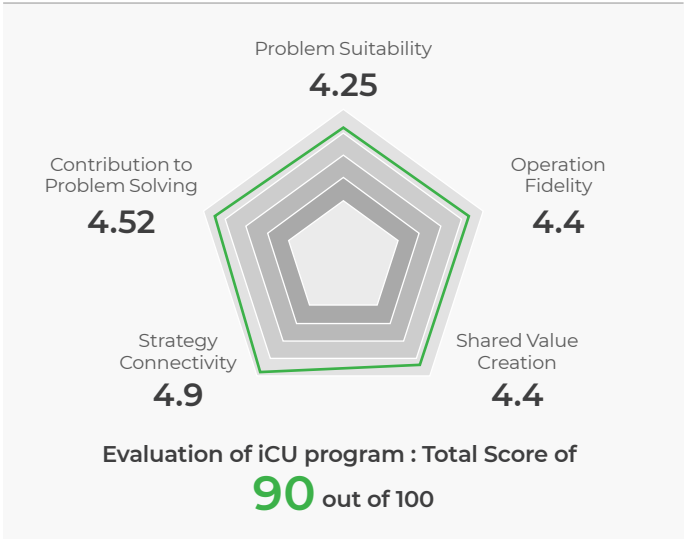
Citizen Hero	Details of Good Deeds
Man-Ho Cho	Witnessed a preschool bus crash accident on a rainy day and jumped into a farm waterway without delay, rescuing children of ages 3-5 one by one.
SongOO*	Found a child suspected of child abuse, reported to the police and visited the nearby CU to help relieve her hunger and with emergency treatment in Changnyeong, Kyungnam.
Family of Chang-Sik Ku	Evacuated 18 neighbors, including a newborn baby, in the event of a fire in Ulsan 's residential and commercial complex.

※ Real Name cannot be provided due to the Whistleblower Protection Act

‘iCU,’ BGF Retail’s Representative Social Contribution Program Program Evaluation and Performance Measurement

BGF Retail conducted qualitative and quantitative evaluation on 'iCU' program designed to prevent missing children, the intellectually disabled, and dementia patients and to find them early on. Qualitative evaluation of the program was conducted by experts on the aspects of 1 suitability of the problem, 2 contribution to problem solving, 3. fidelity of the operation, 4 connectivity to strategy, 5 shared value creation. Quantitative evaluation measured the monetary value of the program using SROI(Social Return In investment), a method of social value measurement. BGF Retail will improve programs and the efficiency in problem solving through continual measurement of quantitative and qualitative performance.

iCU Program Evaluation



iCU Program Evaluation Frame

Problem Suitability	Issue suitability, differentiation, sustainability
Contribution to Problem Solving	Change management, practical problem solving, social benefits
Operational Fidelity	Target mangement, program management, partnership
Connectivity to Strategy	Social contribution strategy participat ion of decision makers, reflection of the industry characteristics
Shared Value Creation	Stake holder i nfluence, contribution to reputation and fame, organizational culture

Expert Opinion

- “ The program is very valuable, with its utilization of 14,000 CU convenience stores across the country as constituents of the so- cial safety net for children. Also, the effectiveness of the program has been verified with the cases of practical success during the execution of the program. Most of all, children’s use of CU in their communities with familiarity and convenience demon- strates the strengths of the corporation and the brand engaging in social contribution activities.

Professor Yeon-Hee Noh / Department of Social Welfare at Catholic University
- “ The existing ‘Safeguard’ programs used to have a limitation in meeting children’s needs, but the iCU program as constituents could be evaluated more positively for making various practical efforts, including promotion to walk in steps with them.

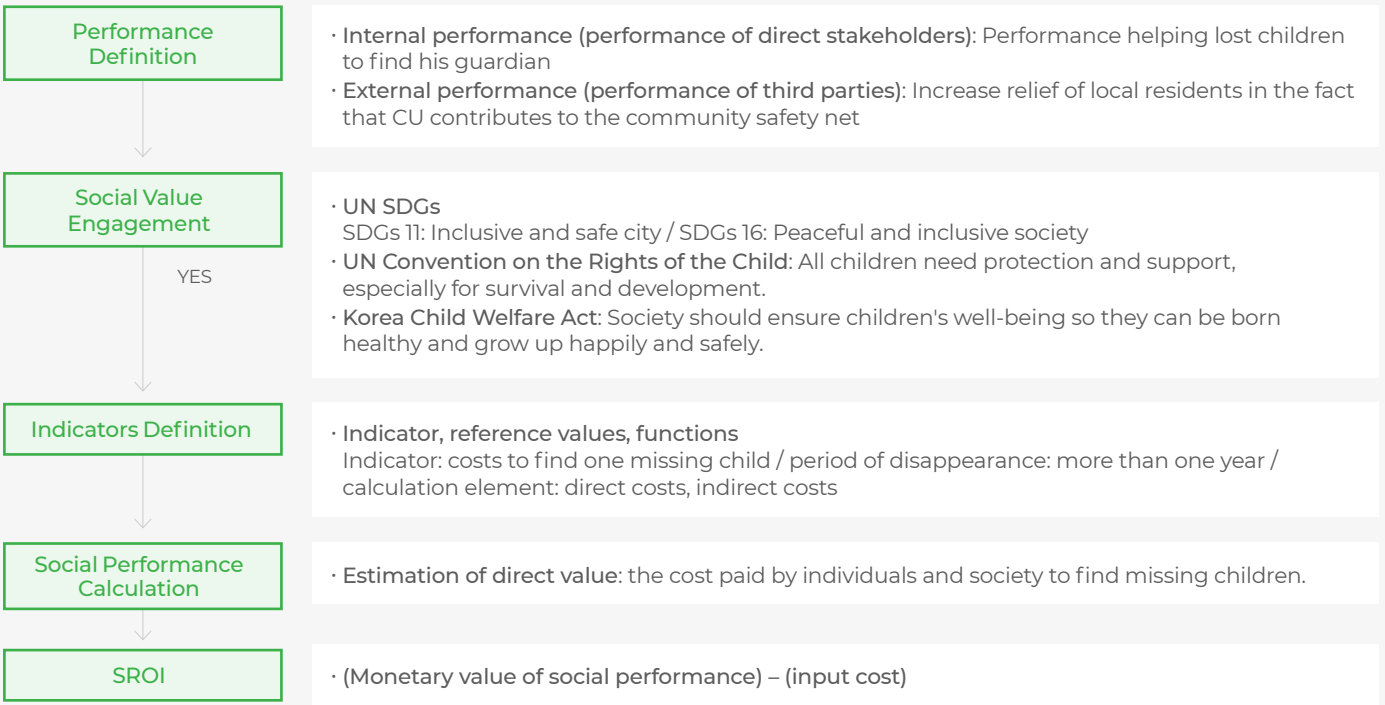
Director Yoon-Jung Choi / Children's Foundation

iCU SROI Measurement

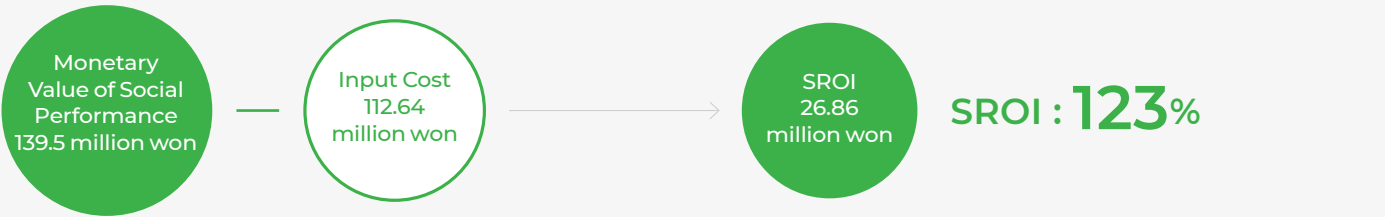
What is SROI?

SROI is a social performance measurement frame developed by the REDF (Roberts Enterprise Development Fund) in the U.S. converting social value to financial value based on stakeholders as compared to resources invested by applying the concept of ROI used in economic domains in a wide range of areas such as society and the environment.

SROI Measurement Process



Evaluation Result



※ Conservative calculation principles applied

EXPANDING PUBLIC FUNCTIONS

Expansion of Public Functions Based on BGF Retail Infrastructure

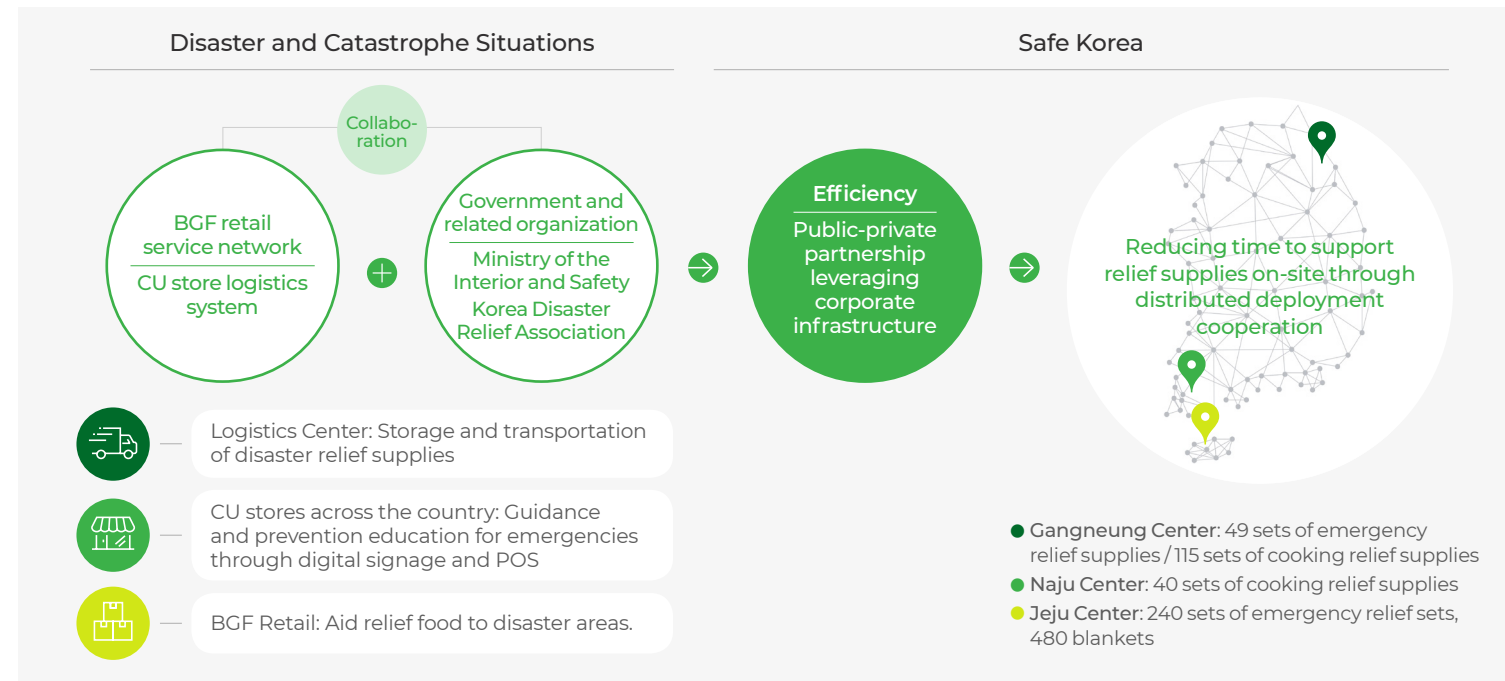
BGF Retail has been developing and operating social contribution programs based on its distribution and logistics infra to contribute to society more effectively as a corporate citizen, in the event of a large-scale natural and social disaster.

BGF Bridge

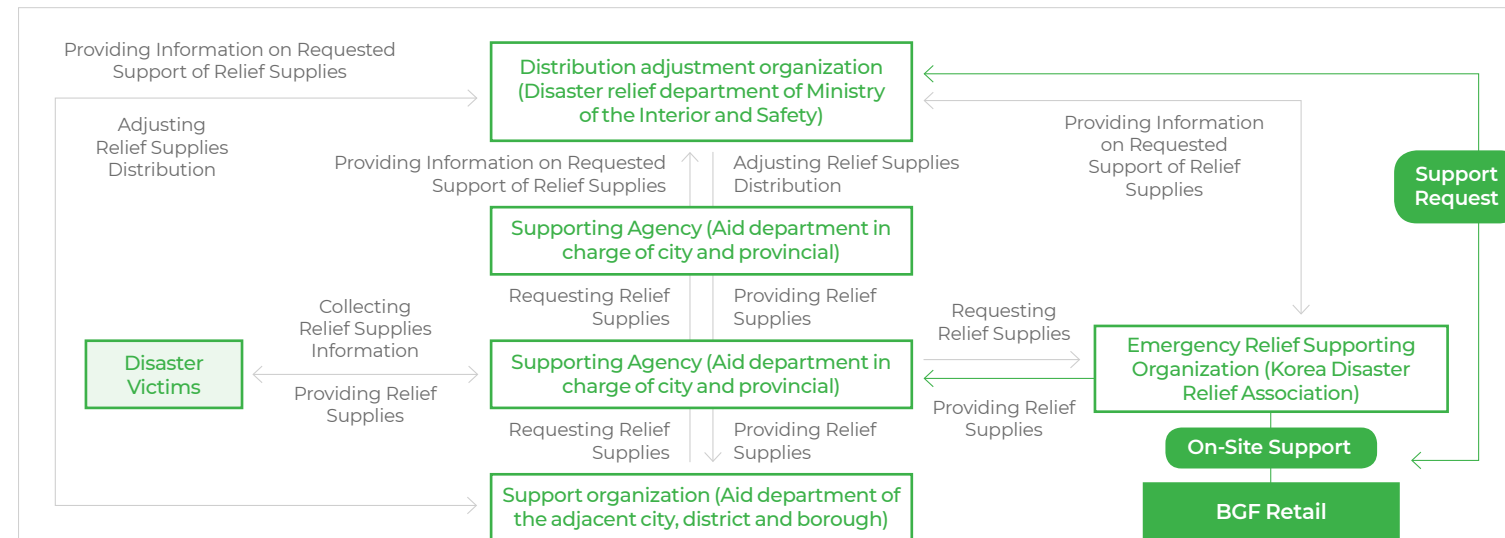
BGF Retail has signed a business agreement with the Ministry of the Interior and Safety and Korea Disaster Relief Association, leading public-private disaster prevention and relief activities for providing a rapid and efficient relief activity in the event of a major disaster. We have been contributing to the development of Korea's disaster relief policies with the promotion of disaster prevention contents and quick provision of relief supplies to victims in disaster areas, and especially through the deployment of emergency relief supplies.



Main Promotions



Process of Emergency Relief Support



Details of emergency relief aid in 2020 (16 cases in total)

Month	Area		Category	Details of aid	
January	Seongdong-gu, Seoul		Snowstorm	Necessities	6,016 pieces
February	Jincheon, Chungbuk		COVID-19	Mask	20,000 pieces
	Icheon, Gyeonggi-do		COVID-19	Necessities	2,000 pieces
July	Yeongdeok, Gyeongbuk		Downpour (flooding)	Necessities	1,008 pieces
	Daejeon		Downpour (flooding)	Necessities	2,512 pieces
August	Icheon, Gyeonggi-do		Downpour (flooding)	Necessities	7,344 pieces
	Chungbuk	Jeungpyeong	Downpour (flooding)	Necessities	1,144 pieces
		Eumseong	Downpour (flooding)	Necessities	336 pieces
		Jincheon	Downpour (flooding)	Necessities	624 pieces
		Jecheon	Downpour (flooding)	Necessities	2,072 Pieces
		Danyang	Downpour (flooding)	Necessities	1,029 pieces
	Honam	Jangsung	Downpour (flooding)	Necessities	1,072 pieces
		Gurye	Downpour (flooding)	Necessities	3,016 pieces
		Suncheon	Downpour (flooding)	Necessities	496 pieces
		Gwangyang	Downpour (flooding)	Necessities	496 pieces
September	Yangyang, Gangwon		Typhoon	Emergency Kit	49EA

Activities Performed to Support the Public's Living Safety Improvement

- ▶ Additional support for relief goods such as disaster relief KITs and cots (2016~)
- ▶ Providing children's safe bag covers to prevent traffic accidents in school zones (2018)
- ▶ Creating children's safety murals (2019~)

SUPPORTING COMMUNITY DEVELOPMENT

Support for Local Farms Enhancing Competency

BGF Retail has been promoting the revitalization of the domestic market and mutual growth with local communities by expanding the purchase of domestic agricultural and fisheries products. Including the 'Win-Win Cooperation Agreement to expand domestic rice consumption' signed with the Agro-Food Cooperation Promotion Headquarters, we support the revitalization of local farm economy by developing products and supporting local festivals using local specialties through 'Commercialization of local specialties and economic cooperation' MOU agreement.



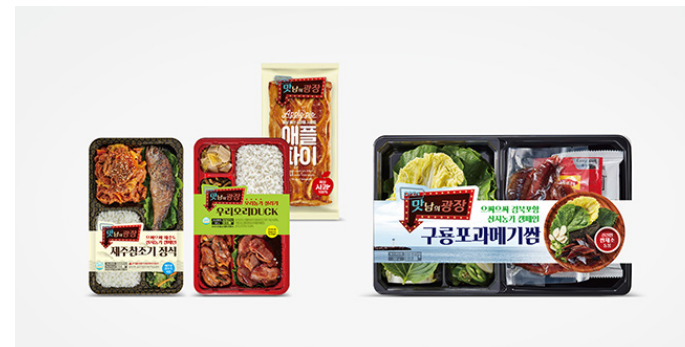
- ▶ Signing MOU agreement for local government's win-win cooperation using local specialties from outstanding area (Gimje in Jeonbuk, Boseong in Jeonnam, Hongcheon in Gangwon, Jeollanam-do, and so on)
- ▶ Contribution to revitalizing rural tourism, including the first collaboration 'Farm Art' between local governments and businesses in Korea.
- ▶ Supporting the revitalization of the local economy, including the promotion of the 'Gimje Horizon Festival'
- ▶ Supporting farmers' profits by expanding domestic rice consumption through simple meals such as lunch box

In addition, we have been releasing PB ramen products using popular Korean specialties like Cheongyang chili pepper, Sokcho red crab, Imsil cheese and Busan fish cake as main ingredients, including Jeju garlic ramen with fresh garlic harvested in the clean Jeju area. As such, BGF Retail has become a large-scale seller of specialties of our agricultural and fishery farmers and has been working more actively for farms suffering from COVID-19 in 2020.

Meanwhile, BGF Retail strives to support domestic farms in connection with public broadcasting programs. The new released program named Convenience Restaurant aired since October 2019 uses our agricultural and fishery products to release new menus developed by stars to CU stores nationwide the day after the broadcast. As of May 21, a total of 26 products, including Korean rice, wheat, milk, chicken and duck have been released, and about 1,800 tons of Korean agricultural and fishery products have been used as of May 21. More than KRW 200 million has been donated for starving children and for COVID-19 fund as of May through the sales of Convenience Restaurant products.



▶ Increasing Convenience Foods with Domestic Raw Materials



Besides, a total of five products were released in connection with the 'Matnam Square' program up to June 21 using local specialties in farming and fishing villages suffering from COVID-19, storm and flood damage, and having difficulty in opening a new market. We have created a good consumption culture saving our farms through product development with CEO Baek Jong-won, contributing to the improvement of local farmers' profit by using 10 tons of apples and 40 tons of duck meat in Chungnam.

Contributing to Regional Economy Vitalization

BGF Retail is participating initiaively in the local currency payment service to provide affordable shopping opportunities for customers tired of COVID-19 and to boost the economy by increasing local consumption. Particularly in May 2020, special discount of local currency events were held to encourage convenient and wholesome use of disaster emergency living expenses paid by local governments to support the vulnerable and boost the domestic market, leading to a virtuous cycle of revitalizing local business consumption.

Usage of Domestic Raw Materials by Product Linked to Local Specialties (Kg)



Series of convenience food with Beolgyo cockles

18tons



Jeju Garlic Ramen

2tons



▶ Foods with Domestic Raw Materials



▶ Development of convenience food series using local specialties

SOCIAL CONTRIBUTION

Businesses today can achieve sustainable development with the support of stakeholders by solving social problems and co-existing with the regional community in harmony through the realization of social values instead of narrowly seeking profits as the sole purpose. Sharing this purview from the beginning of our business, BGF Retail has considered growing together with the regional community as its social responsibility on top of the management ideology to become a corporate contributing to society, striving to practice social contribution activities actually in need. We have been making continuous efforts to shape a happier Korea through communication with stakeholders in recognition of the need for a strategic and sustainable social contribution model to build a trust relationship with the region-

al community, not to mention investment and donations for the regional community. Thus we have been promoting strategic social contribution activities, making good use of the characteristics of our business.

Strategic Direction and Focused Area

BGF Retail has established the strategic direction for social contribution, conjoining the corporate network capacity and social issues to create emotional and economic values beneficial to everyone. We made a comprehensive connection of business characteristics and status, direction for sustainable business promotion and UN Sustainable Development Goals (UNSDGs)

to deploy social contribution. The three key strategic directions for social contribution comprises contribution to social development using the network capacity for the public interests, offering unique values of daily life and pursuit of shared growth with the regional community. We have been taking the lead to resolve social and environmental problems around BGF Retail, with the focused implementation of activities highly related to the strategic direction.

NPO Partnerships Reinforcement

BGF Retail has been strengthening the regional-based shared value creation activities as companies' social contribution paradigms change due to the emphasis on the social responsibility of companies and organizations worldwide and the realization of various social problems in the community. Therefore, BGF Retail strives to promote community contribution activities through cooperation and harmony with residents, non-profit organizations, companies, and governments based on the community, and in particular, strengthens cooperation with various non-profit organizations to promote community donation culture. BGF Retail has been selected by the Ministry of Health and Welfare and the Korea Social Welfare Council as a recognized company for community contribution for two consecutive years.



▶ Visit to cheer for BGF Sound of Love ▶ Beautiful bundle of sharing

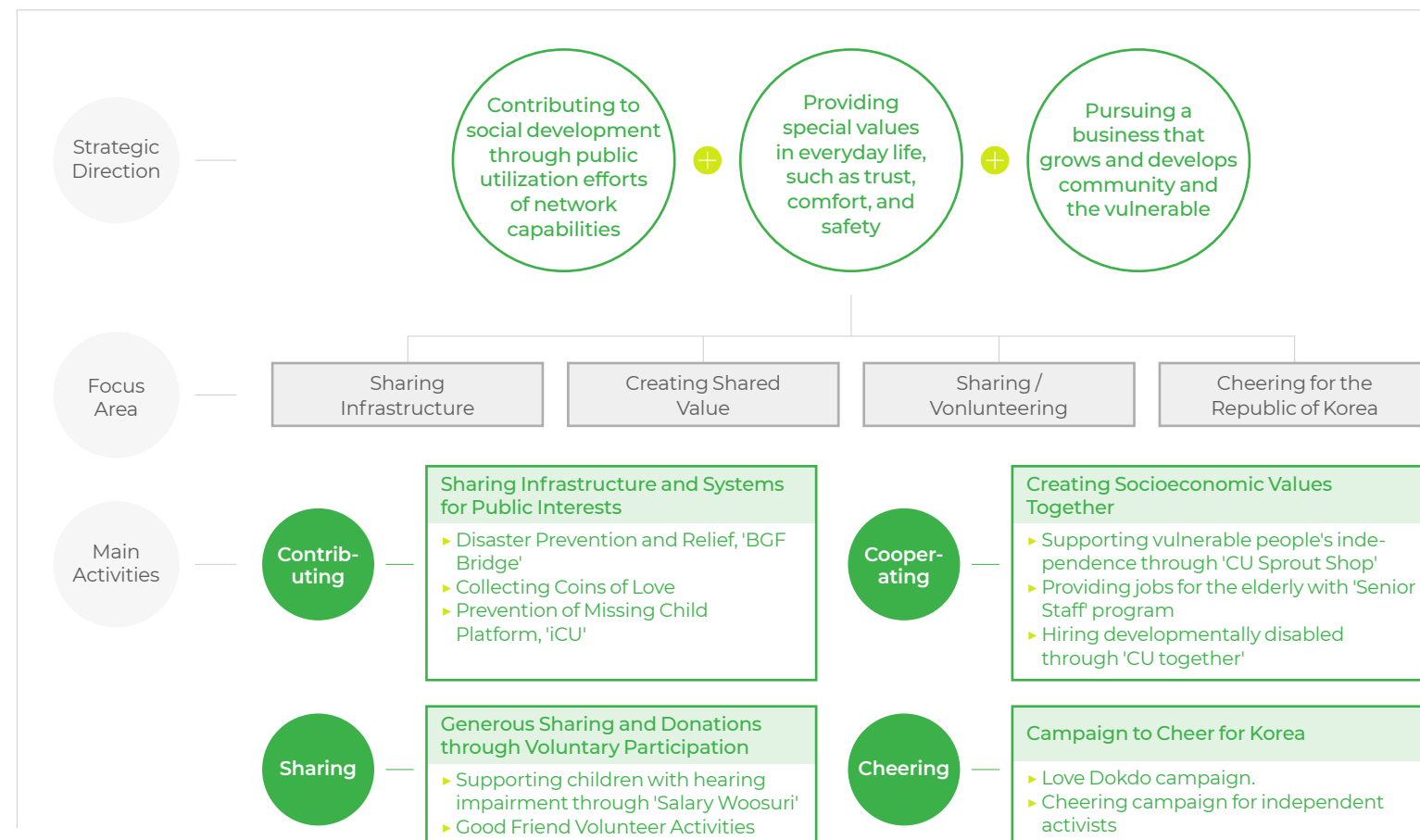
to the board of directors every quarter to ensure transparency and enhance shareholder value.

Creating a Healthy Donation Culture

BGF Retail has established a cooperative system with the Korea Social Welfare Council to support socially and economically vulnerable groups and sharing daily necessities since 2009. We have provided 23 billion won worth of food and household goods as daily necessities to the socially disadvantaged through Food Bank over the past 10 years including 484 million won worth of daily necessities, contributing to the creation of sharing culture by collaborating with social and economic support organization such as Beautiful Store Inc.

The social contribution fund with voluntary participation and composition of executives and employees was began since 2010, and when they donate small changes out of their monthly salary, the company jointly donates the corresponding amount. The social contribution fund made by executives and employees with profits from in-house auction system based on ethical management practices support for hearing-impaired children from low-income families under the name of "BGF Sound Fund of Love". A total of 340 million won was donated, and a total of 42 deaf children were sponsored for cochlear implantations and rehabilitation from 2010 to 2020.

※ As of 2021, the matching grant of BGF employees' small changes donation is being conducted through BGF Welfare Foundation.



Increasing Transparency for Donations Fund

BGF Retail is fully reviewing in advance for all donation activities getting conducted in accordance with the direction of social contribution. In the event of a donation exceeding KRW 5 million per year by institution, it shall be executed with the approval of the "Donation and Sponsorship Review Committee" consisting of key executives, including representative directors with regulations based on the content and amount established and followed. In addition, if a donation worth more than 100 million won is generated, it is executed with the approval of the board of directors and the details of the donation are regularly reported

Major Cases of 2020 CU Angels Awards



Supporting Abused Child

Teated wounds of an abused child, helping the citizen who witnessed the child abuse case, and safely handed over the child to the police.



Voice/Messenger Phishing

Suspicious of a voice phishing crime upon an elderly purchasing a giftcard of KRW 800,000, tried to contact the children of the cutomer and reported to the police, catching the criminal.



Protecting Victims of Dating Violence

Protected an woman who escaped to the store assaulted by her boyfriend and called the police through the POS reporting system.



► Nominating CU Angels

CU Angels

BGF Retail awards CU franchise workers who have exerted a good influence contributing to solving community problems with the prevention of crimes in local communities, like child abuse and voice phishing, as well as finding people in crisis under welfare blind spot like elderly people living alone or poorly-fed children based on 15,000 franchises.

Member Participation in Volunteer Activities

In August 2020, BGF Retail dispatched mobile convenience stores and employee volunteers to Gurye in Jeonnam and Hadong in Gyeongnam where Seomjin River flooded due to heavy rain in the southern part of the country, and we provided snacks to the victims and volunteers working hard on the restoration in the heat wave with masks on.

In addition, BGF Retail helps solve local community problems and delivers sharing through a social service group called "Connection" consisting of executives and employees. Volunteers are participating in various programs such as painting murals for children's safe way to school, environmental cleanup activities to collect plastic waste made from tides, and support energy-vulnerable groups.

We have been conducting untact activities since 2020 after group activities limited due to COVID-19. A total of 693 volunteers participated untact programs such as relay blood donation campaign to solve blood supply problems, weekend meal support program called 'Home delivery meal' based Hello Nature's early morning delivery for poorly-fed children, and plogging challenge named 'King of picking up' participated anywhere in Korea.



► Providing snacks to victims and volunteers



► Mongolian Environment-Friendly Ger Business Convention

Global Social Contribution Activities

BGF Retail supports the improvement of education and residential environment for children in developing countries including Mongolia where CU brand has entered and operated to deal with a global issue of the climate change crisis. The Mongolian Eco-Friendly Ger Support project supports eco-friendly, highly efficient electric heating, and cooking facilities in Ulaanbaatar, Mongolia, reducing heat losses of 500 households and 10 kindergartens in Ger by up to 25%, improving air quality in the region, and increasing awareness of climate change crisis.

A total of four children-friendly libraries (Hoasen, Ayun, Kon Chieng, and Ia Mláh) were built to improve the educational environment of minority children in central Vietnam's Jalai province as a children-friendly library project in Vietnam from 2017 to 2020. In addition to renovation, stakeholder (teachers and parents) conducted education at the same time, and the Vietnamese Ministry of Education decided to spread the CU children-friendly library model throughtout Vietnam.



PEOPLE _ Supporting Happy and Healty Life

To support stakeholders' healthy and happy lives, BGF Retail creates the optimal environment for its members to focus on tasks and provides healthy and proper foods to customers.

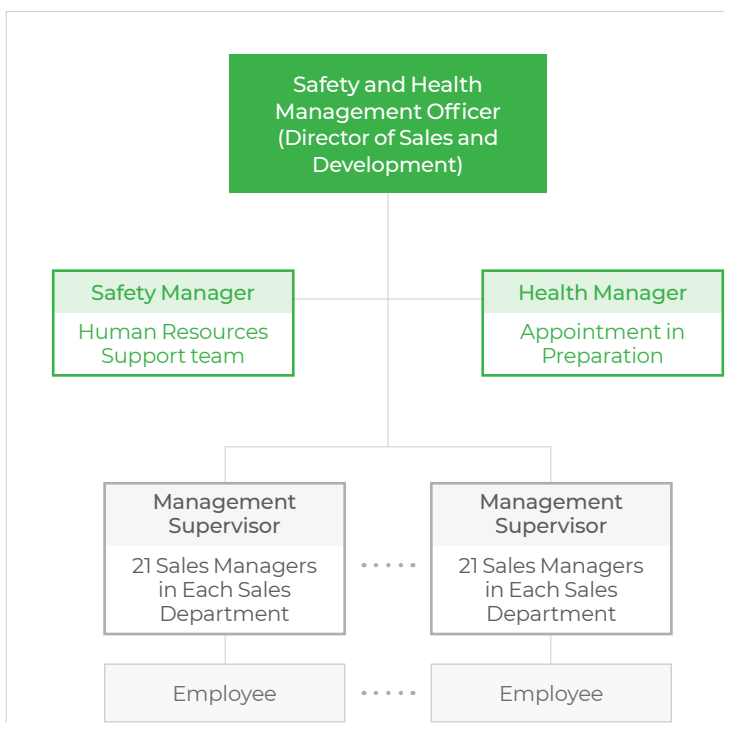
CREATING GWP (GREAT WORK PLACE)

Improving Members' Health and Safety

BGF Retail strives to provide safe working environment for members and prevent industrial disasters. We have organized the Industrial Safety Committee and hold regular meetings every quarter according to the Industrial Safety and Health Act. We appointed safety and health management officers (CSO), management supervisors, and safety managers, establishing and practicing safety and health management policies for the members' safety, health and prevention of industrial accidents.

Health and Safety Organization System

BGF Retail has appointed and designated safety and health management managers, management supervisors, and safety managers in 2020, completing legal training for 21 management supervisors. The Human Resources Support Team of BGF Retail takes charge of safety and health management work.



Industrial Safety and Health Committee

The Industrial Safety and Health Committee deliberates and makes decisions on the safe working environment for members, prevention of industrial accidents, and health management. The members of the Industrial Safety and Health Committee are composed of a total of 10 members including five employer members and five employee members.

Performance of the Industrial Safety and Health Commission

Number of Meetings Held	4
Number of Agenda/Topic	22
Number of Agenda/Topic Execution	22
Training of Management Supervisor	21 People Completed

2020 Key Agendas

Classification	Topic Agenda
The First Quarter	<ul style="list-style-type: none"> Revision/Regulations of Safety and Health Management Designation Management Supervisors and Training Safety and Health Education for Franchisees Precaution of Health Problems for Employees Handling Customer Provide Masks for Employees Conduct Risk Assessment
The Second Quarter	<ul style="list-style-type: none"> Product Contents for Safety and Health Education of Franchisees Establishing Safety and Health Management Policies
The Third Quarter	<ul style="list-style-type: none"> Report on Monitoring Check of Health and Safety Corporation Conducting Safety and Health Education for Franchisees Discussing the prevention of Traffic Accidents
The Fourth Quarter	<ul style="list-style-type: none"> Report on the Implementation of Safety and Health Education for Franchisees Report on the Progress of Regular Risk Assessment Report on the 2021 Board Safety and Health Plan Maintenance on Putting On the Phrase Prohibiting Verbal Abuse to Employees Handling Customers

Industrial Health and Safety Risk Response System

BGF Retail identifies related industrial safety and health risk factors in advance once a year improving industrial safety and health risks based on the results of the assessment.



Performance of Safety and Health Risk Assessment

Classification	Unit	2020
Direct Management Store	Number of Stores Assessed	131
Office	Number of Offices Assessed	28

The industrial accident rate of BGF Retail was 2.09% in 2020, increasing 1.25% from the previous year. The ratio of traffic accidents related to commuting reached 41.82% increasing by 19.09% compared to the previous year. Accordingly, BGF Retail is conducting training on accident prevention including safe driving campaigns for employees.

※ The above ratio is calculated, counting the staff (short-term workers) of CU direct management branches.

Safety and Health Management Policy

Our company shall strive to promote the safety and health of employees and prevent industrial disasters of franchise branches. We do our best to continue with improvement and active support for the faithful implementation of the above.

- 1 We establish necessary plans for safety and health for each member of our company and try our best for the implementation.
- 2 To carry out these matters, our company implements safety and health activities in compliance with the Industrial Safety and Health Act and other related laws.
- 3 Our company and each member take a positive attitude in safety and health activities.
- 4 We shall hear the opinions of employees, Franchise owner and other stakeholders in an open manner in establishing education plans for safety and health activities and supporting the related matters.
- 5 The franchise headquarters and franchise stores shall cooperate with information policies to prevent industrial accidents.

Safety and Health Training

Training for Employees

BGF Retail provides industrial safety and health training once a quarter for all employees.

Mandatory Legal Training	Participants with Training Completion (Person)	
Industrial Safety and Health (Q1)	1,932	8,058
Industrial Safety and Health (Q2)	1,992	
Industrial Safety and Health (Q3)	2,042	
Industrial Safety and Health (Q4)	2,092	

Training for Franchise Store (Franchisee and Staff)

We provide trainings based on 'Safety and Health Manual for Franchisee' through OPC (Store PC) for all franchisees, and the training courses include 'Safe Store Operation,' 'Risk and Safety Measures by Situation,' 'Action Required in Case of industrial accident' and 'Safety and Health-Related Branch Management.'

Member Health Promotion

BGF Retail conducts regular medical checkups on all employees and special health checkups for nighttime staff (period workers) of direct management store before and after their work. Also, we provide guarantees to minimize the risks of various diseases, injuries and accidents, supporting employees with group accident insurance and group injury and disease loss insurance. Additionally, we operate EAP (Employee Assistance Program) for employees (including immediate family members) to relieve their stress.

Psychological Counseling Performance

Classification	2018	2019	2020
Number of Service Receivers	205	132	192
Number of Counseling	783	615	711



▶ Training on Safety and Health Manual for Franchise Branches



▶ EPA (Employee Assistance Program) Operation

Create a Safe Working Environment (CU store)

Creating a Convenience Store Environment Safe from Crime

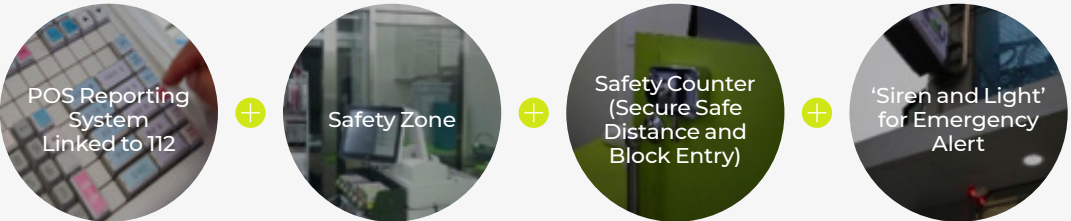
BGF Retail launched the 'Committee for Shaping Safer Convenience Store' that engages the National Police Agency, franchisees, staff and CPTED experts to develop a standard model for the safe convenience store. It greatly increased the 'preventive function against crime and safety accidents' for the first time in the industry. According to the analysis of the National Police Agency, CU Emergency Reporting System has significantly decreased the mistake reporting rate compared to the previous Handaleum System, creating an environment where the police officers could focus on critical accidents. Getting the momentum from this, BGF Retail has contributed to the spread of local safety net with public-private co-operation to the entire convenience store industry. POS Emergency Reporting System is applied to all franchise stores and other CPTED safe convenience store elements are applied according to the branch characteristics, such as region and location.

Category	Number of Stores	Note
POS Reporting System	14,923	Implemented in all branches
Security Counter	1,558	
Emergency Bell	1,583	
Warning Light	1,648	
Safety Protection Zone	242	
Fire Detector	1,151	
Droplet Shield	14,923	Implemented in all branches



Prevention of COVID-19 Infection

BGF Retail has been making efforts to secure safety for customers, franchisees and staff and prevent the spread of infectious disease by installing a droplet barrier in all the 15,000 CU stores for the first time in the industry. We also take preventive measures by sharing the training data of preventive behavior rules such as One Point action tips of confronting infectious disease for franchise owners and workers nationwide. If a confirmed COVID-19 patient visits CU or a CU worker is confirmed to have the Corona virus, the franchise headquarters (BGF Retail) will pay 100% for quarantine and disposal of convenience food (on the day of occurrence and the next day) and the store will be closed complying with the quarantine guidelines.



※ Handalum System: A system automatically connects and reports to the previously registered police station if the receiver of a regular phone is held for more than 7 seconds.
※ Source: National Police Agency

Respect for Human Rights

BGF Retail respects the dignity and rights of all stakeholders—including employees, customers, franchise store owner and partner companies—to pursue happiness. BGF Retail supports the international standard guideline of UN Global Compact Ten Principles regarding human rights and labor. We strive to comply with labor and human rights laws in all of our business areas. To this end, BGF Retail recommends that all stakeholders involved in transactions with us, including our employees, to respect BGF Retail's human rights policies.

BGF Retail Human Rights Management Policy

➡ No Discrimination Allowed

Discrimination shall be prohibited on working conditions such as employment, promotion, education, wages, and benefits on the grounds of nationality, gender, religion, age, and political views of all members, and establishes an organizational culture respecting diversity of executives and employees.

➡ Compliance with Working Conditions

We comply with labor-related laws like working hours, and make efforts to provide work environment for all employees' competence improvement and educational opportunities to improve quality of life.

➡ Humanitarian Treatment

We respect the privacy of executives and employees thoroughly protecting personal information, and do our best to protect customers' personal information collected through management activities.

➡ Prohibition of Forced Labor and Child Labor

We don't force work against employees' free will and prohibit child labor.

➡ Ensuring Freedom of Association and Collective Bargaining

We respect the Labor Relations Act and provide sufficient communication opportunities to all employees.

➡ Assurance of Industrial Safety

We inspect work environment regularly and create a safe and healthy working environment for employees, and make continual efforts to prevent safety accidents, such as prevention of physical and mental risk.

Human Rights Protection

BGF Retail has considered human resources as our best assets, taking the human rights protection of the employees as the foundation of management. Any discrimination against the members' religion, age and gender is prohibited, and the recruitment, placement, promotion, compensation and educational opportunities are reasonably provided according to the individual capacity and performance. The above points are included in our Code of Ethics.

Respect for Humanity from Article 15 of the Code of Ethics, Fair Treatment from Article 16

- ▶ Have faith and affection for employees and treat each individual as independent personality.
- ▶ Provide equal opportunities to employees according to their capability and qualification evaluated based on equitable criteria, providing fair and just compensation.



We handle violation and grievance of human rights management principles through Clean Line reporting center in an objective and neutral way. Any stakeholder who has experience against human rights management or witness it can consult with Clean Line reporting center or consult through the ethical management hotline reporting center on BGF Retail website and request for discontinuing the action. BGF Retail designates human rights impact assessment for identifying human rights risks and systematic improvement of various stakeholders including executives and employees as one of ESG management implementation tasks and reviews in the mid to long term.



Human Rights Management Education Performance

Classification		Content	Participants
Education of Human Rights Management	No Bullying at Work	· How to Manage Members' emotion · Labor Management Point a Person in Charge Must Know	273 people

※ Integrated Criteria for BGF Retail and BGF

BGF Retail provides a wide range of information for applicants to research their aptitude in advance and choose the proper position when recruiting new employees and experienced employees by position. Also, we provide competency-building training to help the employees foster leadership, identifying them as the driving force for growth.

우리의 가치관

좋은 친구답게 일하는 법

공정·에너지 열정	편리한 세상을 위한 도전	구미없이 당당한 정직	서로에게 든든한 팀웍	다른 내일을 위한 학습
에너지 넘치고 강력적인 삶을 살자	우리는 편리한 세상을 만드는 사람이다	투명하고 소신있게	우리부터 서로 좋은 친구	호기심이 배움의 시작이다
시작은 폐기있게, 끝까지 끈기있게	고객이 원하는 걸 되게 하자	한걸음이라도 세상에 이로운 것으로	의견은 다양하게 실행은 한 방향으로	많이 본 사람이 본적 없던 걸 만났다
넘어지면 일어나면 된다	오늘 우리가 안하면 내일 남이 한다	솔직함이 가장 빠른 해결책이다	궁금하고 물어주고 응원하고	배우려 하지 않으면 경험도 편견이 된다

Classification	2018	2019	2020
BGF Retail	215	176	248

BGF Retail has been proceeding with recruitments focused on 'creating local jobs' in 2021. We recruit the regional talents in conjunction with local colleges to mitigate the phenomenon of youth population concentration in the capital area where job opportunities are concentrated.

Classification	2018	2019	2020
Seoul/Capital Area	147	107	148
Gangwon Area	14	14	14
Chungchung Area	10	8	19
Honam Area	10	8	19
Youngnam Area	30	32	43
Jeju Area	4	7	5

In addition to the regular training courses, we operate academic clubs that support employees' autonomous activities and provide educational programs for employees and their immediate families of life-long learning, striving to offer various educational opportunities. Currently, in-company training is converted to online home training due to COVID-19.

Classification	Participants	Training Hours Per Person	Participants Satisfaction
Description	2,290people	38H	4.5 (out of 5)

Classification	2018	2019	2020
Certificate	53	62	56
Language	4	51	66
Academic Club	-	39	11
Great Cyber Convention	-	-	1 (6 people registered)

2020년 하반기
씨춘생 1기 모집
씨아이 근무지역 취업 준비생

In April 2020, BGF Retail founded 'CU Job Seeker System,' with 'CU Job Seeker' referring to an 'applicant who prepares to become a CU staff,' while currently working at CU showing excellent performance. 'CU Job Seekers' work as CU publicists, and once they apply for a sales management position, document screening is exempted for them.

The compensation system was established based on BGF Retail's compensation principles upon performance, role and responsibility, perspective on compensation system operation efficiency, etc. The wage increase is applied differently depending on the individual performance evaluation result, considering inflation, market and competitor wage levels. The initial salary for new college graduates is 189% (as of 2020) compared with the legal minimum wage. We have also operated the organization incentive system under a labor-management agreement to distribute business performance to employees when the company's performance goals are achieved.

Performance Evaluation/Compensation Objection and Handling Process



Pleasant Organizational Culture

BGF Retail has made various trials to create a pleasant work environment through flexible communication and horizontal culture in 2020. We will continue actualizing the happy organizational culture by creating an ideal internal and external environment and the vitalization of the communication among the community members.

➡ Changing the Naming Scheme by Position



We have changed the naming scheme by position for BGF Retail and other affiliate companies to create horizontal culture and encourage flexible communication. The previous five-step scheme (Junior Assistant, Senior Assistant, Junior Manager, Senior Manager, General Manager) is simplified to the three-step scheme (Junior Assistant, Professional and Manager).

➡ Talk-Talk Bulletin Board Operation



We have created a new anonymous communicative bulletin board within the groupware to enhance employee communication. The anonymity-based 'Talk Talk Bulletin Board' made reflecting an employee's idea has been positioning itself as the communication channel among employees with the answer rate of 95% on simple inquires and idea suggestions, leading up to annual 1751 cases of communication.

➡ Strengthening Non-Contact Communication



With the extension of COVID-19, we have developed and operated non-contact programs to improve the internal members' satisfaction at work and activation of communication. 'BGF Culture Cafe' held twice a month through an online video meeting system provides online courses on various topics, including wine, calligraphy, leather craft and perfume. In addition, to strengthen communication among employees of different positions or of the same entrance year, we operate 'BGF Online Get-Together' as an online communication channel, with 140 employees involved so far.

➡ Creating Positive Communication Culture



We have launched the 'Mutual Respect Campaign' to establish a horizontal organizational culture based on mutual respect and consideration among employees. Also, we run a compliment board, 'BGF Good Friends,' to promote a positive communication culture of appreciation, compliment and encouragement, and utilize in-company video content and employee newspaper to contribute to activating employees' communication.

Operation of Labor-Management Consultative Body

BGF Retail operates 'Labor-Management Consultative Body'—employee representative organization—for the creation of win-win labor-management culture. The Labor-Management Consultative Body comprises three consultative bodies of the Company-Wide Council (court-management council), Regional Council (representatives by department) and Council by Department (all non-managerial employees). The Company-Wide Council members are elected through the electronic voting of the employees. Holding a quarterly labor-management council, we strive to create a pleasant and happy workplace and a safe and healthy working environment to improve welfare, business environment, and organizational culture and system.

Labor-Management Council Process



Labor-Management Council Operation Status

(Unit: agenda)

Classification	2018	2019	2020
Number of Agenda for Consultation	14	17	20

2020 Key Agendas

Classification	Agenda	Key Agenda and Consultation Item
Quarter 1	8 Agendas	· Providing Business Vehicles · Dress Autonomy
Quarter 2	5 Agendas	· On-Call Schedule Adjustment
Quarter 3	4 Agendas	· Anonymous Bulletin Board Establishment
Quarter 4	4 Agendas	· Half-Half Leave (Annual Leave) System Introduction

Work and Life Balance

BGF Retail has introduced and operated a family friendly system for ‘work and life balance’ to seek continuous development and healthy growth of the organization. The purpose of such lies in establishing change-leading environment to create a workplace where everyone becomes happy.

Flexible Work System

BGF Retail has introduced a 52-hour workweek system since July 2018, operating flexible work systems such as a selective working hour system and compensation leave system (work hours saving leave system). In 2020, we introduced and used the half-half leave system that had been operated temporarily following the resolution agenda of the labor-management council in the first quarter as a formal system.

➡ Selective Working Hours

A system where employees can select the total amount of daily working hours within the range of 40 hours per week by averaging the settlement period in one month.

➡ Flexible Working Time System

Compensation Leave System	Target	All Employees
	Description	A system that grants 50% extra time as compensatory leave for overtime, night working hours and holiday working hours
Commuting System with Time Difference	Target	Pregnant female employees, male and female employees with a child under the age of eight
	Period	1-3 months
	Work Type	8 AM to 5 PM / 10 AM to 7 PM
Half-HalfLeave System	Target	All Employees
	Description	Two-Hour Annual Leave Available (can come to work at 11 AM or leave at 2 PM when the regular working hour is 9 to 6)

Family-Friendly System

BGF Retail operates maternal protection system and other related systems to relieve employees’ burden of child birth and child rearing, helping them focus on work.

Leave Support System	- Leave Before and After Childbirth (90 days)/ Miscarriage and Stillbirth Leave (up to 10 days) - Spouse Maternity Leave - Infertility Care Leave (three days per year)
Leave Support System	- Parental Leave (up to one year / up to two years for female employees) - Family Care Leave - Infertility Care Leave
Working Hours Reduction Support System	- Claim for Shorter Working Hours for Childcare and Family Care
Maternity and Female Employee Protection System	- Allowing Fertal Examination Time - Protection of Pregnant Female Employees - Health Leave - Paid Feeding Time
Family-Friendly System	- Support for My Child's First Day of School (vacation and gift for children) - Commuting System with Time Difference

Welfare

BGF Retail has various welfare system for the improvement of employees’ life quality, such as support for children’s scholarship, medical expense, group injury insurance, group disease loss insurance, club activity, corporate condominium operation, holiday gifts, regular medical checkups, travel expenses, long-term worker award and encouragement gifts for children. Since 2014, BGF Retail has introduced the Employee Assistance Program (EAP) to help employees resolving various stress they face at home and work, supporting the entire cost. In addition for the employee capacity improvement, we operate self-improvement support system, providing congratulatory money when the employees achieve the task-related certificates, such as fair trade attorney, certified real estate agent, logistics manager, etc. and certified lauguage grades.

Retiree Support Program

BGF Retail operates CU Convenience Store Opening Support System targeting retirees and their families (part of the enrollment fee exempted depending on employees’ working years). In addition, we provide start-up education courses through the BSA education platform, targeting prospective retirees.

Employee Review of Family Invitation Event



“I have joined in the company-related event with my children for the first time since entering the company. I had decided to participate so I could make a good memory for them, and it turned out to be a momentous day. As I work to raise my children better, I hope they grow well and healthy with the memory of today.”

Jae-Hee Lee, Team Manager /
Chungbuk Sales Department Team 8



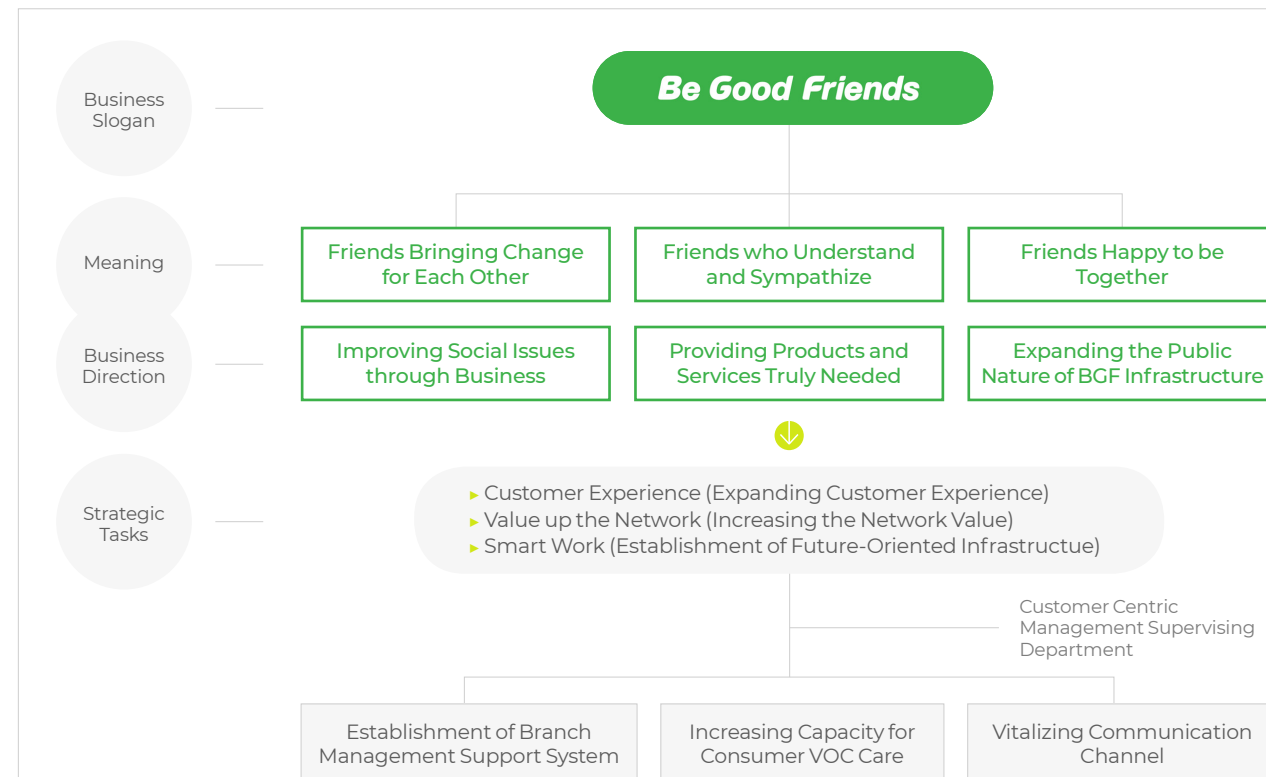
“I did not have much chance to talk about the company at home. Through this event, I could discuss and show my family what the company is like, my work and with whom I work, which I appreciate and find meaningful. It being such a great experience, I am grateful and yet at the same time sorry that I was the only one who had a chance of engagement. Once COVID-19 is gone, I would like more families to come and participate. I was really proud as a father and happy to show my family that I work at a great company.”

Sang-Hoon Shim, Head of the Staff /
Sales Planning Team

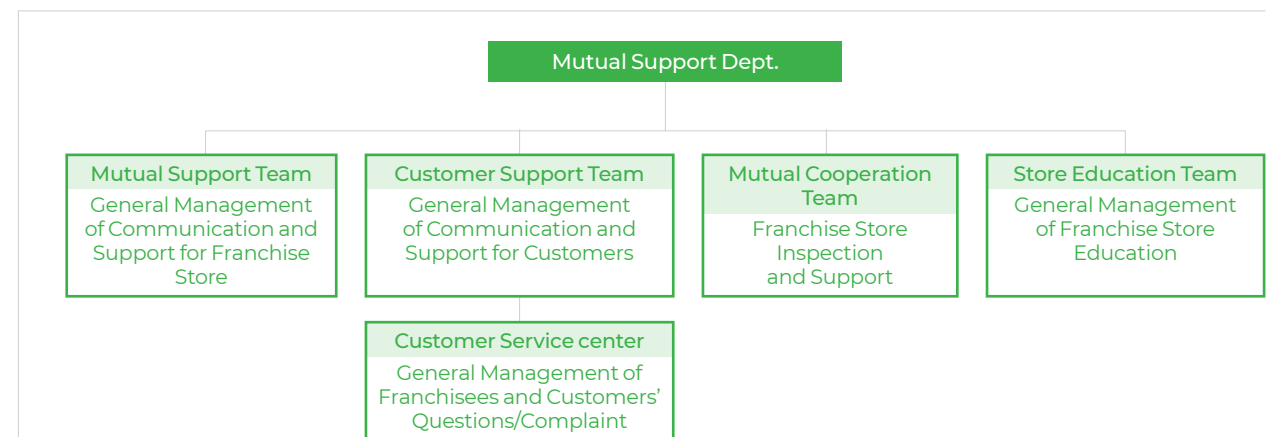


ENHANCING CUSTOMER VALUES

Customer Centered Management Strategy



Customer Centered Management Organization System



Vitalizing Customer-Centered Management Culture

BGF Retail is in pursuit of becoming a leading company in terms of customer satisfaction, with product and service quality improvement through customer-centered management. We are currently reorganizing the system and training employees by launching groups such as CCO (Coexistence Council Officer), CCM Secretariat, and dedicated department (Customer Support Team) to establish CCM culture.

Customer-Centered Management (CCM) Certification

In October 2011, BGF Retail declared the CCM introduction for the first in the industry, obtaining the Customer-Centered Management (CCM) certification organized by the Fair Trade Commission and operated by the Korea Consumer Agency in January 2013. CCM Certification is a system that evaluates and assures corporations of whether they carry out activities from customers' perspectives in planning and selling products and services, gradually improving them. BGF Retail was re-assured in December 2020 for the fifth consecutive year, recognized for **VOC monitoring and strengthened response**, **Preliminary/post management system operation to resolve customer complaint**, **Operation of Customer Center expertise improvement system**, **Environmentally friendly management activities**, and **Providing information and convenience service introduction to improve customer satisfaction**.

Efforts to Increase Customer Satisfaction

BGF Retail complies with the laws related to customer complaints, damage and other related laws (The Framework Act on Consumers, the Act on the Regulation of Terms and Conditions, the Act on the Fairness of Labeling and Advertising, the Act on Installment Transactions, etc.), establishing operation manuals. We preliminarily identify and prevent customer complaints related to products by season through VOC analysis. When a consumer complaint arises, we go through cause identification, damage relief, task operation improvement, etc., of the CU Customer Service Center (Organization dedicated to management: Customer

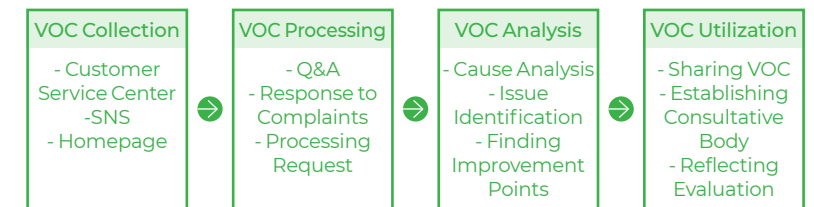
Support Team). Also, we make a conference body to improve customer satisfaction. In June 2021, we introduced the industry's first chatting counseling system based on mobile technology to invite easier and more convenient customer communication with the Customer Center.

CCM Key Activities

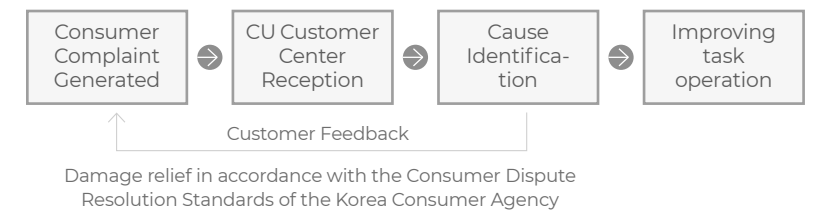
- ▶ Chief Customer Officer (CCO) Appointment
- ▶ Customer Center Counseling Program Development
- ▶ Periodical Education and Evaluation of Customer Centered Management
- ▶ Employee VOC Experience
- ▶ Enhancing VOC Monitoring
- ▶ Enhancing Customer Center Infra
- ▶ CS Campaign Targeting Franchise Store
- ▶ Customer Satisfaction Survey
- ▶ Operational Capacity of Customer Centered Store Diagnosis
- ▶ Customer Center CS Expert Team Operation

The number of claims received through the Customer Center is about 150, with approximately a 97% handling rate.

VOC Process



Consumer Damage Compensation Procedure



Preventing voice phishing damage of customers with thorough consumer-oriented education!

BGF Retail regularly shares the response guide against voice phishing with CU stores. Hence, when a visiting customer is suspected of being damaged by voice phishing, the store owner and staff can help prevent the financial damage to the customer. We continually introduce such cases through our company newspaper.

- ▶ CU Lotte Castle Lake Store Staff who prevented voice phishing damage

PROTECTING CUSTOMER INFORMATION

Policy Operation System for Information Protection

In 2015, BGF Retail designated the Head of the Information Protection in line with Article 45-3 of the Information and Communication Network Act to manage and supervise tasks on information protection, such as establishing and managing the information protection management framework, evaluating and improving the information protection weakness analysis and evaluation and preventing the violation. We appoint the Chief Privacy Officer (CPO) and the personnel in charge of privacy protection to supervise the comprehensive privacy-related tasks operation, damage relief, prevention of leakage and misuse of personal information, protection of personal data, etc. Also, we separately form a dedicated organization for privacy protection and establish regulations and processes related to work for a thorough operation of privacy protection tasks.

Information Protection Management System Certification

In February 2019, BGF Retail obtained the Information Security Management System (ISMS) certification organized by the Ministry of Science and ICT and the Personal Information Protection Committee and operated by the Korea Internet Promotion Agency. ISMS certification scope includes customer information protection management, CU brand homepage, membership homepage and APP, with the systematic performance of activities for



< CU Brand Homepage >

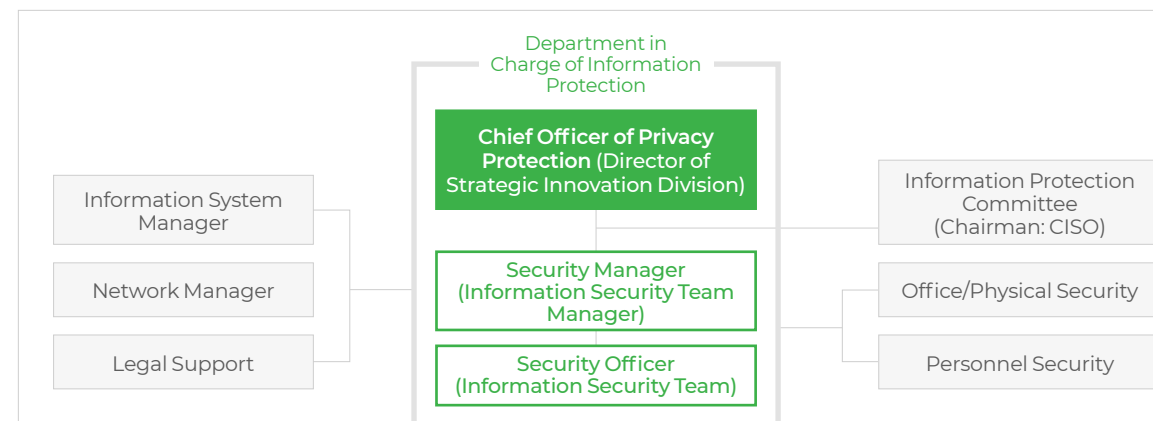


< Pocket CU APP >



< ISMS >

Information Security Organization System



protection against administrative, technical and physical security. Also, we conduct information protection risk evaluation and internal audit each year along with the risk management and weakness improvement activities through system weakness evaluation, service mock-hacking against customers and disaster recovery simulation. With the moving of the data center, we strengthened the security and secured the system stability, reassured of ISMS in 2020. BGF Retail is not required to be certified of ISMS, but we proceed with the autonomous re-assurance each year to strengthen the information protection management system.

Privacy Protection Management System

BGF Retail strictly complies with the step-by-step operation principles in accordance with the private information life-cycle from information collection to disposal, jointly with the external institute of expertise. Following the private information policy guide, we revise the personal information handling policies once a year, immediately reflecting mandated legal changes in managing them.

Privacy Protection Operation System

- ▶ Operation of Private Information Protection Solution (enforcement of monthly encryption of private information)
- ▶ Operation of Server Analysis and Solution for Security System Weakness (personal information storage server protection)
- ▶ Malicious Email Blockage Solution Operation
- ▶ Private Data Alteration System Introduction

Monitoring System Related to Private Data Collection and Utilization

- 1 Mandating encryption of personal information files in the work PC
- 2 Implementing 'Information Protection Inspection Day' on every third Wednesday
- 3 Adjusting personal information retention period to secure audit traceability
- 4 Regular monitoring of personal information handlers
- 5 Providing recommendations and taking action when developing system including personal information

Information Protection Education for Members

To strengthen employee awareness of information security, we provide private information protection and online education on information security once a year for all employees. As well, we increase security awareness through various channels, including Safe Screen. The personnel in charge of information security completes professional training on the latest trends of security and security technology, etc. and monitors the revisions to revise the internal regulations and instructions, striving to comply with the related regulations.

(Unit: person)

Category	2018	2019	2020
Graduates of Information Security Education for Employee	1,999	2,044	2,233

※ Integrated criteria for BGF Retail and BGF

Process for Reaction to Information Security Violation

For the occasion of information violation, we have established and operated the risk management scenario to minimize the damage, through rapid reaction in accordance with the violation grades.



Information Security Performance

(Unit: case)

Category	2018	2019	2020
Cases of Customer Information Leak / Theft / Loss	0	0	0

QUALITY MANAGEMENT

BGF Retail designates the entire process of quality management, from manufacturing, storage, deliveray to sales, as the scope of management. To provide more safe products and services to customers, we conduct periodical quality management test and sales standard test on partner companies, distribution centers and brances, preventing risk factors. We have established and operated consumer safety principles to prioritize consumer safety and healthy as well as to promise continuous quality improvement.

→ Quality Operation of Manufacturing/Production

Supplier Quality Management System

BGF Retail conducts on-site examination of quality and hygiene status for companies willing to be new suppliers to secure products' stability, soundness, and completeness. In the case of the existing suppliers, we divide the review targets into categories of convenience food manufacturing center, PB product manufacturer and NB manufacturer, establishing individual quality management processes and operating them.

Convenience Food Manufacturing Center	- Quality Management Officer Designati on by Convenience Food Manufact uring Center - Operation of Second and Third Screening - Application of Corrective Measures for Improvement
PB Manufacturer	- Periodical quality and hygiene audit once a year (Audit BGF Retail Quality Department (QC Team), External Consigned Audit Agency)
NB Manufacturer	- Conducted in three stages of regular, special and re-examination.

※ HACCP: Hygiene management system to prevent biological, chemical and physical hazards instilled into or polluting foods at each stage from the production of raw materials to the intake of the final consumer

HACCP Certification of Food Manufacturing Center

BGF Retail conducts HACCP screening each year upon all food manufacturing centers through an external screening agency to establish a safe supply chain, blocking hazardous elements in the food manufacturing process in advance. Also, we mandate HACCP certification when selecting a food-related supplier.

Policy to Support Quality Management of Small and Medium-Sized Companies

BGF Retail is in pursuit of shared growth with the small and medium-sized partner companies and quality improvement as we provide ▶ quality management consulting support for PB product manufacturers ▶ Guidance and inspection for companies performing below our standards to improve their competitiveness ▶ Specialist dispatch consulting for HACCP acquisition.

BGF Retail Consumer Safety Principles

BGF Retail will provide products and services of the best quality at any time and location based on the corporate philosophy and spare no effort to actualize customer values.

- 1 We make strict compliance to related laws for products and services quality.
- 2 Prioritizing the health and safety of our customers, we continue with quality improvement throughout the entire supply chain.
- 3 We actively communicate with stakeholders for the best products and service quality.
- 4 We strive for the quality of the best products and services at home and abroad with our suppliers and partner companies.

→ Quality Operation of Storage/Delivery

Periodic Evaluation of Logistics Center

To diagnose as well as manage and improve the hygiene level of the logistics center, we entrust its evaluation to a professional institution. We inspect product quality and safety categories, such as legal compliance, work site hygiene and food treatment status, and delivery vehicle hygiene. For the case of logistics centers with low-temperature, we are reviewing the cold-chain system application in all steps, including refrigerated/frozen products introduction, storage and delivery to stores.

CVO (Commercial Vehicle Operation): Advanced Cargo Transport System

BGF Retail seeks to minimize the risk of product degradation in the delivery process by operating an advanced freight transport system that creates the optimal condition for operation. The system is 100% applied to low-temperature product delivery vehicles, through which we monitor information such as the vehicle location, operation status, in-vehicle condition and temperature every five minutes.

※ Cold Chain System: Low-temperature distribution system that secures the product quality and safety through the maintenance of low temperature when distributing refrigerated/freezing products

→ Operation and Management of Franchise Branches

Franchise Stores Evaluation

We frequently inspect CU stores treating instant cooking products on their compliance with the related laws and regulations in cooking, selling, and storing the products. Also, to improve quality management awareness of franchisees, diagnosis on quality management operation capacity, hygiene education and safety campaign are regularly provided.

Blockage System against Hazardous Product Sales

BGF Retail operates 'Hazardous Products Sales Blockage System' that instantly stops the sales of the identified product in all Stores across the country jointly with the Ministry of Food and Drug Safety.

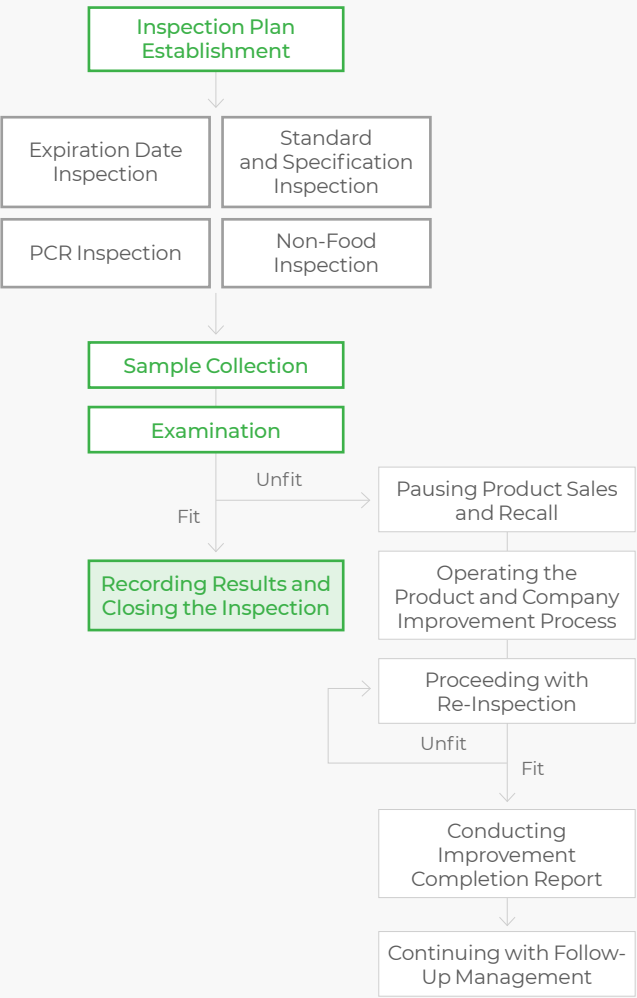
Time-PLU Barcode System (Expiration Date Checking System)

Time-PLU is a system in which POS identifies expired products and blocks their sales, designed for the health and safety of customers. This system was developed and patented by BGF Retail (Patent Registration No.10-0898686)

Product Safety Assessment

BGF Retail conducts a thorough quality management and 130 monthly product safety tests to safeguard customer health and safety and provide the best products and services.

Product Safety Assessment Process



Support for Sustainable Consumption

BGF Retail respects customer values and strives to improve the product supply chain considering the environment and society to create a sustainable consumption system. We promote gradual improvement in the whole process involving products such as raw materials, packaging and discharge, and encourage the partner companies' participation and practice of ESG management.



PB Brand with Environmentally Friendly Ingredients

We have changed the coffee beans of CAFÉ GET (instant brewed coffee PB brand), with annual sales of about 140 million cups of coffee, to eco-friendly and Rainforest Alliance Certified beans since 2019. Also, we have changed disposable cups to those made of kraft material with no fluorescent, preservative and bleach to reduce water pollution. On the surface of the kraft cup, foaming technology is applied to decrease the paper usage for cup holder manufacturing.



Rain Forest Alliance (RFA) Coffee Beans

- ✓ Reduce chemical fertilizer usage to prevent water and soil pollution
- ✓ Preserve wildlife
- ✓ Make proper payment for laborers and operate farms



Vegetarian Product Development and Sales Expansion

BGF Retail has developed and sold vegetarian convenient food series meeting the needs of customers who consider environment and health. Vegetarian food products have nutrients necessary for modern people and are ecofriendly as they produce less carbon emission compared to meat products.

Sustainable Packaging

BGF Retail has converted plastic materials, including straws, plastic bags and containers of kimbap, sandwiches, desserts and processed eggs, to Poly Lactic Acid (PLA) materials. Also, to increase the recycling rate of customers when disposing of product packaging, we induce the proper separate disposal, marking recycling rates on all PB products. We promote the improvement of some of our product packaging with 'hard to recycle grade' through consultation with the manufacturer.



※ Revert: Green Brand with Specialty in Foaming PLA Technology



▶ Marking Sodium Content of PB Product



▶ Frontal Indicator System for Lunch Box



ESG Management with Partner Companies

BGF Retail has established and operated the 'Partner Company ESG Evaluation Checklist' to encourage partner companies autonomous ESG management practice and help with self-diagnosis on environmental and social value management level. The checklist categories are from ISO26000 (international standard upon corporate social responsibility) and comprises of environment, labor, human rights, health and safety, consumer, regional community engagement, etc. All new partner companies are subject to the completion of this checklist.

Partner Company's Management of ESG Risk Evaluation

<p>Environment</p>	<ul style="list-style-type: none"> ▶ Environmental Policies and Goals Establishment ▶ Environmental Education Targeting All Employees ▶ Purchase of Environmental products and Services ▶ Response to Climate Change
<p>Social</p>	<ul style="list-style-type: none"> ▶ Respect and Protection of Human Rights ▶ Health and Safety Activities ▶ Providing Human Rights Education Program ▶ Improving Customer Satisfaction ▶ Social Contribution Activities

FACTBOOK

ESG Management of BGF Retail aims at generating comprehensive values that are the combination of our economic values induced from the optimization of profits and shareholder values and social values that represent our corporate citizenship.

PERFORMANCE INDICES

Key Economic Performance and Financial Value Distribution to Stakeholders

Key Economic Performance (Based on the Consolidated Financial Statements)

Classification	Unit	2018	2019	2020	Note
Asset Status	KRW	1,482,568,536,572	2,172,410,899,706	2,371,169,598,247	
Capital Status	KRW	521,663,029,677	622,595,762,075	696,827,910,319	
Net Income	KRW	154,186,683,020	151,377,053,549	122,711,267,434	
Return on Assets (ROA)	%	10.40	6.97	5.18	
Return on Equity (ROE)	%	29.56	24.31	17.61	

Financial Value Distribution to Stakeholders (Based on the Consolidated Financial Statements)

Classification	Unit	2018	2019	2020	Note
Shareholder and Investor (Dividend)	KRW	17,275,016,000	46,297,040,200	46,642,540,500	
Employee Salary	KRW	139,297,457,106	144,676,386,002	153,934,315,066	
Partner Company	KRW	4,749,348,444,318	4,857,999,119,270	5,120,806,427,081	
Government (Corporate Tax)	KRW	29,362,559,619	51,007,491,609	47,810,302,684	
Local Community (Donation)	KRW	1,051,205,748	1,068,000,072	1,268,295,175	

Customer Value Creation

Classification		Unit	2018	2019	2020	Note
Customer Communication	Consumer Complaint Service	Case (Monthly average)	162(0.012)	150(0.011)	150(0.010)	Based on CU Customer Center Reception. Number in parenthesis indicates monthly case by store
	Reception of Product Launch Suggestion	Case	17	20	19	
Customer Satisfaction	CU Satisfaction Score	Point	-	86.6	86.7	Satisfaction Survey on Visited Stores (constant evaluation through Pocket CU app)
Personal Information Leakage		Case	-	-	-	
Employees with Information Protection Training Completion		Person	1,999	2,044	2,333	

Governance & Risk Management

Classification			Unit	2018	2019	2020	Note
Governance	Board of Directors Operation Performance	Number of BOD Meetings	Session	11	13	13	
		Outside Director Ratio	%	33.3	57.1	66.6	
		Board Attendance	%	100	94.6	98	
	Board Compensation Total	Registered Director	KRW million	1,260	1,574	3,909	Excluding outside directors or Audit Committee directors
		Outside Director	KRW million	51	42	55	Excluding the Audit Committee directors
		Audit Committee Member	KRW million	0	139	165	In March 2019, the Board changed the Full-Time Audit System to the Audit Committee System
		Audit	KRW million	244	45	0	
	Equity Status	Largest Shareholders and Related Parties	%	55.4	55.4	55.3	
		Foreign Equity Ratio	%	34.2	34.0	30.8	
		Domestic Equity Ratio	%	10.4	10.6	13.9	Excluding Equity with Special Relation to the Largest Stakeholder.
Risk Management	Employee Ethical Management Training	BGF/BGF Retail	Session	-	38	12	Excluding mandatory legal education, such as human rights and sexual harassment prevention education
	Internal Control System Operation		Session	21	21	17	Internal control performance conducted by the Internal Control Department
	Ethical Management Hotline Reporting Case		Case	11	5	5	
	Clean Line (Internal Reporting) Case		Case	18	9	9	
	Ethical Management Practice Campaign (Inhouse Auction)		KRW 1000	1,962	1,924	3,749	
	Launching the Risk Management Committee		Session	-	-	-	
	Anti-Corruption and Violation of the Law	BGF Retail	Case	-	-	1	On April 20, an administrative suit was filed against the imposition of a fine (currently ongoing in 2021).

Human Resources Management

Classification				Unit	2018	2019	2020	Note		
Total Employees				Person	2,753	2,641	2,637		※ Including direct branch staff	
	Contract Type	Full-Time		Person	1,998	2,009	2,123			
		Contract		Person	755	632	514	Executives and (Indefinite) Contractors		
	Position	P2 or Below		Person	1,610	1,588	1,614	P2: Below 'Assistant Manager' in the previous rank system	※ Excluding direct branch staff	
		P3 or Above		Person	393	445	526	P3: Above 'General Manager' in the previous rank system		
		Executive		Person	10	13	14			
	Age	Under 18		Person	-	-	-	Based on international age by each year		
		20 to 30		Person	773	714	707			
		30 to 50		Person	1,223	1,304	1,410			
		Above 50		Person	17	28	37			
	Gender	Male		Person	1,972	1,939	1,942	Including direct branch staff		
		Male Employee Ratio		%	71.63	73.42	73.64			
		Female		Person	781	702	695			
		Female Employee Ratio		%	28.37	26.58	26.36			
	Other	Disabled Employee		Person	44	42	46	Full-time and CU Together staff		
		Foreign Employee		Person	-	-	-			
Recruitment		Experienced		Person	10	26	50		※ Excluding direct branch staff	
		Public Recruitment	High School Graduate Recruitment		Person	6	15			-
			College Graduates Recruitment		Person	199	135			198
		Subtotal		Person	215	176	248			
Retiree		Voluntary Resignation		Person	151	143	120			
		Voluntary Resignation Ratio		%	5.48	5.41	4.55			
		Inter-Affiliate Records		Person	23	23	26			
		Expiration of Contract Period		Person	1	1	6			
		Other		Person	1	1	7			
		Subtotal		Person	176	168	159			
Year of Service				Year	1.1	1.9	2.7	※ A new corporation established by human division on November 1, 2017, as the base date for the division ※ See disclosure data/Exclude direct management point staff		

Classification		Unit	2018	2019	2020	Note	
Labor-Management Council Composition		-	Labor-Management Equivalents of More Than Three People	Labor-Management Equivalents of More Than Three People	Labor-Management Equivalents of More Than Three People	Following standards in accordance with the 'Act on the Promotion of Workers' Participation and Cooperation'	
Status of Female Employees by Rank	All Managers	Person	248	272	263	Team Manager level or higher excluding executives	※ Excluding direct branch staff
	Female Managers	Person	4	5	6		
	Percentage of Female Managers among All Managers	%	1.61	1.84	2.28		
	Female Employees with Rank of P3 or Above	Person	11	13	23	P3: Above 'General Manager' in the previous rank system	
	Percentage of Female Employees with Rank of P3 or Above	%	2.80	2.92	4.37		
Status of Female Employees by Contract Type	Full-Time Female Employees	Person	505	501	526		
	Percentage of Female among Full-Time Employees	%	25.28	24.94	24.78		
	Contractual Female Employees	Person	276	201	169	※ Including direct branch staff	
	Percentage of Contractual Female Employees	%	36.56	31.80	32.88		
Percentage of Wages for Women to Men		%	71.0	72.0	74.0	- Wage criteria for workers without a fixed end-of-the-year period except for executives - The total amount of salary is based on the amount specified in the Statement of Earned Income Payment in compliance with Article 20 of the Income Tax Act	

Employee Competency-Building and Welfare

Fostering Talents and Benefits

Classification			Unit	2018	2019	2020	Note
Education for Capacity-Building	Average Training Hour Per Person		H	-	20	38	- BGF/BGF Retail integrated - Increase in self-directed learnings with customized content development for employees
	Satisfaction Score		Point	4.3	4.5	4.5	
Parental Leave	Male		Person	23	28	42	
	Female		Person	51	68	67	
Employees Eligible for Return from Parental Leave	Male		Person	15	10	26	
	Female		Person	15	21	30	
Employees Returning from Parental Leave	Male		Person	10	8	22	
	Female		Person	14	20	22	
Reinstatement Percentage after Parental Leave	Male		%	66.67	80.00	84.62	
	Female		%	93.33	95.24	73.33	
Retirement Pension Subscription Status	Subscription Rate		%	90.76	92.18	89.72	Excluding executives
	Defined Benefit (DB)		Person	1,818	1,874	1,920	
	Defined Contribution (DC)		Person	-	-	-	
Employee Health and Safety	Industrial Accident		Person	12	22	55	Including direct branch staff and traffic accidents during commuting
	Employee Assistance Program (EAP)		Person	205	132	192	BGF/BGF Retail integrated
	Employee Assistance Program (EAP)		Case	783	615	711	

Participation in Regional Communities and Contribution to Development

Classification		Unit	2018	2019	2020	Note
Percentage of Donations to Net Income		%	0.55	0.54	0.78	Donations / Operating profit
	Donations	KRW hundred million	10.5	10.7	12.7	
Employee Participation in Volunteer Work	Number of Participants	Person		104	693	
	Hours of Participation	Hour		440	1,761	

Key Social Contributions

Program	Input Resources		Unit	2018	2019	2020	Note
BGF Bridge	Storage of Relief Supplies	Logistics Cost	KRW million	10	6	6	Estimated amount of conversion
	Promoting Disaster Prevention	Media Advertisement Expense	KRW million	780	720	750	Media cost when applying advertising unit price
		SNS Campaign	KRW million	4	4	4	
	Relief Fund	Donations	KRW million	50	50	50	
Food Sharing of Love		Donations	KRW million	296	353	484	Including non-foods
Collecting Love Coins		Number of Participating Branches	Branch	14,202	13,665	13,076	
		Collected Fund	KRW million	291	286	263	Fund collected by customers, CU franchise stores and employees
		Donation	KRW million	35	-	-	BGF Retail's additional donations
Creating City Forest		Volunteers	Person	-	30	287	
		Donations	KRW million	-	1	2	
Sound of Love		Participants of Wage Fraction System	Person	769	769	786	
		Collected Fund	KRW million	17	16	17	
Joob King		Volunteers	Person	-	44	286	

Environmental Management

Classification			Unit	2018	2019	2020	Note	
Status by Key Indicators	Greenhouse Gas Emissions		Office Building	tCO ₂	861	786	738	
			Logistics Center	tCO ₂	50,282	52,651	54,537	
	Electricity Usage		Office Building	TOE	351	334	315	
			Logistics Center	TOE	18,577	19,497	20,267	Including oil energy usage
	Gas Energy Usage		Office Building	m	71,735	53,595	48,756	
	Water Usage		Office Building	M	8,812	8,069	7,806	
	Waste Emissions		Office Building	L	-	101,000	146,050	
Eco-Friendly Infrastructure Establishment	Solar Power Generation	Installation of Power Plant		Place	0	0	1	Jincheon CDC
		Carbon Emissions Reduction	Jincheon CDC	tCO ₂ – eq/year	0	0	285	New operation in July 2020
		Electric Energy Generation		Mwh	0	0	661	
	Electric Delivery Vehicle Introduction		Electric Vehicle Introduction	Car	-	-	-	Introduction of electric delivery vehicle in 2021
	Green Store		Number of Branches	Branch	-	1	1	
Eco-Friendly Activities	Eco-Friendly Volunteer Work		Number of Participants	Person	-	66	644	Increase in autonomous participation following the conversion to non-contact activities
			Activity Hours	Hour	-	264	1,576	
	Green Campaign		Nationwide	Kg	498	1,170	5,751	Garbage collection in the National Park
	In-Company Resource Usage		Company-Wide	Total		21,751	15,321	Office equipment (i.e. paper) usage
ISO14001 (Environmental Management System)	Number of Acquired Businesses			Business	-	-	1	First achievement of certification in the industry
	Internal Examiner			Person	-	-	6	
Violation of Environmental Regulations				Case	0	0	0	

※ Specification of Environmental Regulation Management Laws: Waste Management Act, Energy Use Rationalization Act, Fire Prevention Act, Firefighting Facility Installation, Maintenance and Safety Management Act, Resource Conservation and Recycling Promotion Act, Resource Circulation Act, National Environment Conservation Act, New Energy and Renewable Energy Development/Usage/Distribution Promotion Act, Notification of Environmental Indication/Advertisement Management System.

Shared Growth

Classification		Unit	2018	2019	2020	Note
e-Learning	Target Suppliers	Company	156	158	148	
	Number of Content	Content	2,055	2,055	2,236	
Open Small and Medium-Sized Business Consultation	Participating Companies	Company	170	161	112	Reduced operations due to COVID-19
	Implementation Number	Session	12	12	10	
Win-Win Fund Creation	Fund Size	KRW 100 million	110	110	110	
	Loan Amount	KRW 100 million	64	57.7	59.2	
Advanced Payments for Holiday	Number of Suppliers	Company	242	287	123	
	Prepaid Amount	KRW 100 million	389	630	200	
Visiting VOC Deployment	Number of Implementation	Company	36	34	7	Reduced operations due to COVID-19
	Opinions Received	Opinion	180	170	35	
Supplier Survey Monitoring	Satisfaction Score	Point	88.9	92.8	86.9	
Franchisee Win-Win Council	Number of Sessions	Session	6	6	3	Reduced operations due to COVID-19
Autonomous Dispute Mediation Committee	Number of Adjustments	Adjustment	14	7	5	
Fair Trade Compliance and Education of Unfair Cases	Number of Education Sessions	Session	14	13	2	Reduced operations due to COVID-19

GRI INDEX

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INITIATIVES / ASSOCIATIONS AND AFFILIATIONS

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UN Global Compact

BGF Co., LTD. and BGF Retail Co., LTD. support and implement the UN Global Compact's ten principles within four major areas of human rights, labor, environment and anti-corruption.



Classification	10 Major Principles	Activities and performance	Page
Human Rights	1. Business should support and respect the protection of internationally proclaimed human rights	Compliance with International Labor Organization (ILO) rules	53
	2. Make sure not to be complicit in human rights abuses	Execution of sexual harassment prevention education Human rights protection provision is included in the contract	53-56
Labor	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,	Compliance with the Labor Standards Act	55
	4. The elimination of all forms of forced and compulsory labor	Operation of Labor Union	53-56
	5. The effective abolition of child labor	Compliance with laws related with child labor and forced labor	53
	6. The elimination of discrimination in respect of employment and occupation	Operation of fair and objective recruitment & hiring process	53-56
	7. Businesses should support a precautionary approach to environmental challenges	Obtaining certification of environmental management system (ISO 14001)	26-37
Environment	8. Undertake initiatives to promote greater environmental responsibility	Management of environmental pollutants emission in workplace	26-37
	9. Encourage the development and diffusion of eco-friendly technologies	Execution of energy efficiency	28-31, 37
	10. Businesses should work against corruption in all its forms, including extortion and bribery	Execution of compliance education for employees	27, 28
Anti-corruption			

Membership of Associations

Membership of External Private Associations

Convenience store industry association	Association of Distribution Society	Federation of Korean Industries	UNCC	Sustainable Management Forum of Korea
Franchise Society of Korea	Korean Association of Distribution Law	Seoul Economist	Seoul Chamber of Commerce and Industry	Korea Crime Prevention Foundation

History of Awards

Month of Award	Award Description	Organizing and Supervising Organization
2020. 05	2020 Korea Energy and Environment Technology Awards Environment Minister Award	Ministry of Environment, Energy and Economy newspaper
2020. 10	Minister of Public Administration and Security Award for Crime Prevention	National Police Agency
2020. 11	Climate Change Grand Leaders Award	Climate Change Center
2020. 12	No.1 in the National Brand Competitiveness Index	Korea Productivity Headquarters
2020. 11	Green Card Merit Award	Ministry of Environment, Korea Environmental Industry & Technology Institute

THIRD PARTY ASSURANCE STATEMENT

Messrs. BGF Retail Co., LTD. Stakeholders

Econine has provided an independent assurance statement in accordance with the scope and criteria of the assurance for the sustainability report conducted by BGF Retail Co., LTD. The assurance was proceeded on the assumption that information provided by BGF Retail Co., LTD. is complete, and BGF Retail Co., LTD. is liable for all the contents in the sustainability report.

Assurance Criteria

- Four main principles of comprehensiveness, responsiveness, importance and impact in accordance with AA 1000 AccountAbility Principles (AA 1000 AP) 2018
- Type 1, Moderate Level of AA1000 Assurance Standard (2008) with Addendum 2018
- GRI Standards Core Option Principles

Assurance Scope and Measure

Econine verified the reliability of contents in this report based on the sampling of sustainability performance from January 1, 2020 to December 31, 2020.

- Consistency with the project report and other disclosure status
- GRI Standards performance interconnected to materiality analysis process and critical issues
- Review of the information consistency and main changes from the previous report
- Inaccurate or unclear information and sentences
- Interviews with internal and external stakeholders who participated in conducting the report

Independence and Eligibility

Econine's performance of the assurance was carried out by professionally qualified personnel in the area of sustainable management in accordance with Econine's code of ethics. Econine does not have any interest that could possibly hinder the independence of the verification of BGF Retail Co., LTD. other than the task of providing the third-party assurance service.

Limitations

The assurance provided in the sustainability report of BGF Retail Co., LTD has a limited level of accuracy in terms of completeness and correspondence that inherently follows in the process of selecting, measuring and assuming the information. BGF Retail Co., LTD. provided the information and supporting data on the company's non-financial performance and Econine does not guarantee the reliability of the original data.

Conclusion

According to the certification results, the sustainability report of BGF Retail Co., LTD. is considered to have secured the ground for Type 1 assurance level of AA 1000 AccountAbility Principles (AA 1000 AP). Also, it is judged to be in alignment with Core Option compliance conditions, with no deviation from material reporting principles.

Inclusiveness

BGF Retail Co., LTD. identifies employees, affiliate branches, customers, small and medium-sized suppliers, shareholders, government, local communities as stakeholders, operating channels that fit the stakeholder traits for them to access the communication platforms and programs to suggest their opinions on sustainable business.

Materiality

BGF Retail Co., LTD. has identified critical sustainability issues for the operation of ESG management. In addition, it has clarified the material issues as it proceeded with the confirmation process of an external expert.

Responsiveness

The sustainability report was conducted around the top ten main issues provided by the materiality analysis, and transparently discloses activities and performance of the overall operation of BGF Retail Co., LTD..

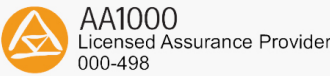
Impact

BGF Retail Co., LTD.'s sustainability management activities and the ensuing impacts--including those on the selected material issues--are described both quantitatively and qualitatively, in line with the global guidelines of GRI Index, SGDs, etc.

Recommendations

BGF Retail Co., LTD. reported 2020 Sustainability business performance and mid- to long- term goals (planning to achieve in 2025) linked to UN SDGs (Sustainable Development Goals). It is expected of the company to further report short-term goals and achievement status to fulfill the mid- to long- term goals in the future, increasing the understanding of the sustainable business goals of the stakeholders with their communication through the report.

July 21, 2021
CEO of Econine **Seo Wook**



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2020-2021 BGF Retail Susntainability Report

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