



BEAUTIFUL

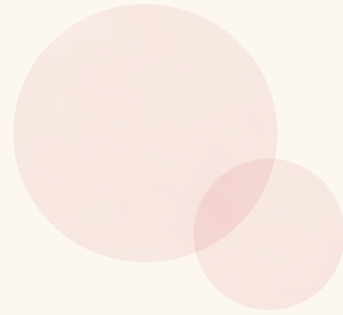


HEALTHY



REFRESHING

FOR PEOPLE AND THE PLANET



# About This Report

## Report Overview

LG H&H has published its annual ESG Report since 2009 to share its sustainability management activities. With the 12th ESG Report, the “2020 LG HOUSEHOLD & HEALTH CARE ESG REPORT,” we intend to disclose the company’s annual performance and activities transparently, collect stakeholder feedback, and use the report as a communication channel that reflects this feedback in the company’s management activities.

## Reporting Period and Scope

The reporting period of this report is from January 1, 2020 to December 31, 2020, and the report partially contains data for the past three years from 2018 for the purpose of trend analysis. Certain data includes data from 2021, depending on its timeliness and importance. The scope of this report encompasses LG H&H headquarters and its domestic and overseas subsidiaries, including Coca-Cola Beverage and HAITAI htb. When the reporting scope is different or if there exist any changes in the reporting data, separate indications stating so have been made.

\* LG H&H merged with The Face Shop, CNP Cosmetics (2020.11)

## Reporting Standards and Principles

We have prepared this report based on the Core Option of the GRI (Global Reporting Initiative) Standards, an international sustainability reporting standard. In addition, we have taken into account other indicators such as the SASB (Sustainability Accounting Standards Board) Standard, the Ten Principles of UNGC (United Nations Global Compact), and the UN SDGs (United Nations Sustainable Development Goals).

## Report Assurance

To increase the internal and external reliability of the report, we commissioned third-party verification to BSI, a professional verification agency, to ensure the reliability and fairness of the creation process, public data, and content. The detailed assurance statement is included in the Appendix.

## Inquiries

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

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# CEO Message

**Dear Valued LG H&H Stakeholders,  
I would like to express our sincere gratitude for your  
warm affection and generous support.**

The COVID-19 pandemic and strict lockdown have caused severe economic contraction of economic activity and an economic recession whose scale has surpassed the global financial crisis. The shock on the real economy continues to this day. Despite the unfavorable business environment, we have minimized the crisis by striving to comply with all principles in our cosmetics business, and made great progress in major markets such as China and the U.S. In household goods and beverages business, we have quickly responded to new demands and focused on digital capabilities to achieve growth. Experts predict that this year's global economy will be a "Long and Winding Road." The uncertain global economic outlook and consumer sentiment appear to worsen as the COVID-19 pandemic is prolonged. I believe, however, that we can overcome this unprecedented crisis when we face the challenges head on and work together. We will create more value based on what we learn from our customers, as well as on LG H&H's potential accumulated so far. We are now facing the demands of a new era. Despite finding ourselves amidst i an uncertain environment that changes every moment, this will be a year in which we carefully prepare for the future and boldly challenge ourselves.



### We will speed up our global business expansion by responding swiftly to rapidly changing trends.

Despite the unprecedented hardships due to the COVID-19 pandemic, it is also true that new opportunities amidst this crisis. Interest in health and immunity in the U.S. and Europe has never been higher, while, with the advent of the “Untact” era, changes in the existing distribution paradigm are also accelerating. In line with these trends, we will kick off the overseas expansion of our major brands with global trends such as Clean Beauty and Derma Cosmetics. In the field of color cosmetics, we will utilize the assets of our representative luxury line while launching a new brand to strengthen our competitiveness. In addition, we will strengthen our overseas business by increasing the proportion of non-face-to-face business in China, Japan, and the U.S. In China, we will further bolster our competitiveness in online channels that account for more than 50% of the cosmetics market. In Japan, which focuses on mail-order sales, we will accelerate our business growth through expansion of our cosmetics business. In the U.S., following the turnaround of our AVON business performance, we will do our best to gain market share by expanding our cosmetics products.

### We will build a strong foundation as our company grows.

In 2017, LG H&H launched the Consumer Reassurance Center, which integrates organizations such as quality, environment/safety, purchasing, supply chain management (SCM), customer service (CS), and logistics for the first time in Korea. Since its establishment, the center has played a role as a control tower for customer value activities so far. This year, we will build and expand our RQM (Reassurance Quality Management System) to enable our products to achieve consistent quality levels at domestic and overseas manufacturing sites. By doing so, we will improve product quality, the foundation of customer trust, to a global level. To reinforce the response to customer pain points, we will expand the management scope to the customer contact points of distributors. We will further expand the Pain Point management process at a global level, not only in Korea but also in China, Japan, and the U.S.

### We will secure LG H&H's competitiveness in order to identify evolving customers accurately and preemptively respond to changes in the market.

The big trends currently shaping the market make it difficult to predict small changes and movements also taking place. At first glance, smart consumption by consumers may seem unstable and irregular. However, it is constantly evolving with its own order and regularity. Through continuous communication and research on the external environment, we will further enhance our own capabilities and competitiveness to identify the signs of various environmental changes and respond to them. While strengthening the execution power of live commerce familiar to the MZ generation and upgrading digital marketing capabilities through active collaboration with Naver, we will strive to maximize customer value and advance business methods. To accomplish this, we will steadily prepare, following our concrete and feasible vision for digitization.

### In the face of crisis, the pace of change must increase.

In today's rapidly changing environment, a sense of complacency based on the belief that yesterday's correct answers and perspective will continue to remain valid, is the starting point of a company's downfall. As opposed to an outdated organization that has stopped evolving, we will become one capable of spontaneous regeneration and overcoming crisis in the midst of rapid changes. We are striving to become a dynamic company that seeks change by breaking away from the familiar in order to gain a competitive advantage over those who try to maintain the status quo.

Recently, investors have demanded environmental, social and governance initiatives to be integrated into management strategies and those efforts to be disclosed. LG H&H, as a global leader in sustainability, will continue to comply with the 10 principles set forth by the UN Global Compact, and create a better future by pursuing corporate social responsibility with unparalleled vigor.

The current times have shown us health is more important than ever. We wish all of LG H&H's stakeholders peace and good health, and ask for your continued support and encouragement.

Thank you.

August 2021  
CEO & Vice Chairman **Suk Cha**

차석웅

# Company Overview

Since its foundation in 1947, under the vision to become the “best life-style company that helps our customers realize their beauty and dreams”, LG H&H is committed to pursuing the realization of a beautiful, healthy, and refreshing life for our customers. With our headquarters in Gwanghwamun, Seoul, Korea, our overseas subsidiaries are located in China, Japan, Vietnam, Taiwan, the United States, and Canada. We strive to bring differentiated value to our customers in a wide range of areas such as product manufacturing, packaging, business practices, marketing strategies, and sales methods.

## Company Profile

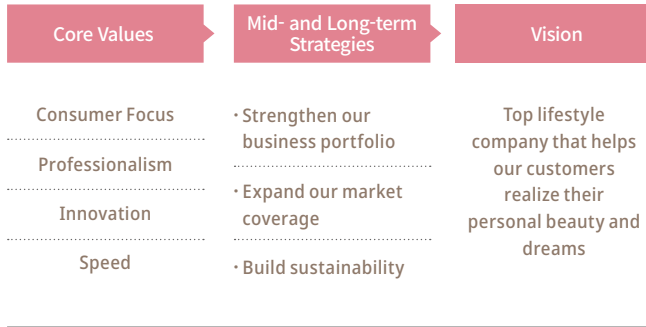
<b>Company Name</b>	LG Household & Health Care Ltd.
<b>Address</b>	LG Gwanghwamun Building, 58, Saemunan-ro, Jongno-gu, Seoul, South Korea
<b>Foundation</b>	January 1947
<b>CEO</b>	Suk Cha
<b>Business Type</b>	Cosmetics, Household Goods, Beverages
<b>Number of Employees</b>	7,744

## Global Network

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



Mid-and Long-term Strategies



Major Domestic and Overseas Subsidiaries

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

Overseas Subsidiaries	Location (HQ)	Share(%)
LG Household & Health Care Trading (Shanghai)	China	100
Beijing LG Household Chemical	China	78
Hangzhou LG Cosmetics	China	100
LG Household & Health Care Cosmetics R&D (Shanghai) Co., Ltd.	China	100
THE FACE SHOP (Shanghai) Co., Ltd	China	100
Avon Manufacturing(Guangzhou), Ltd.	China	100
Ginza Stefany Inc.	Japan	100
Everlife Co., Ltd.	Japan	100
Toiletry Japan Inc.	Japan	70
FMG & Mission Co., Ltd.	Japan	100
Live & Life Co., Ltd.	Japan	100
Fleuve Beaute Inc.	Japan	100
Everlifeagency Co., Ltd.	Japan	100
LG H&H Tokyo R&D Center Inc.	Japan	100
LG Vina Cosmetics Company Limited	Vietnam	60
LG H&H USA Inc.	U.S.	100
New Avon Company	U.S.	100
LG Household & Health Care(Taiwan) Ltd.	Taiwan	100
Everlife H&B Co., Ltd.	Taiwan	100
LG Household & Health Care(Thailand) Limited	Thailand	100
LG H&H HK LIMITED	Hong Kong	100
TFS Singapore Private Limited	Singapore	100
The Avon Company Canada Limited	Canada	100
LG HOUSEHOLD & HEALTH CARE MALAYSIA SDN. BHD.	Malaysia	100

Domestic Business Sites

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

# Business Overview



BEAUTY Division

## BEAUTIFUL

LG H&H pursues the realization of a beautiful life and develops products that meet the needs of customers. We will increase our competitiveness in the cosmetics business to promote global premium brands and accelerate the successful expansion of business in the overseas markets with a safe landing in the Americas, thereby becoming a global company beyond Asia.

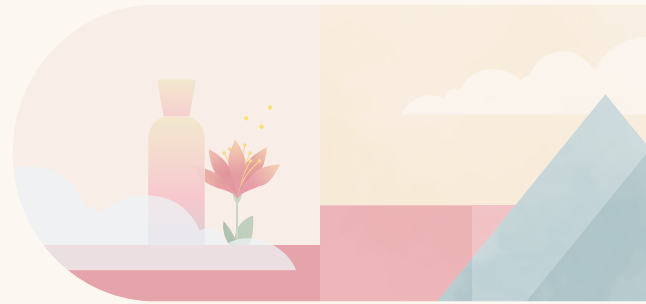
### Su:m37°

A cosmetic brand featuring naturally fermented ingredients which comfortably and effectively enhance the skin's natural beauty

**100%** Korean and Chinese consumers satisfied with products

Consumer market research company: Global Research, Inc.  
Target: 100 Korean and Chinese women aged 20-49  
Period: July 31, 2020-August 6, 2020

- Best anti-aging brand at the Cosmo Beauty Awards 2020 (Su:m37°)
- ELLE Editor's Pick of 2020 (Summa Elixir Essence)
- Best anti-aging essence at the 2020 Allure Readers' Choice Awards (Summa Elixir Essence)



### Human research

Experienced skin that glowed from every angle\*

**100%**

Experienced improvement of skin elasticity\*\*

**80%**

Luminous elastic essence that changes in

**7** days

\*Testing Institute: Ellead Co., Ltd./ Period: August 3, 2020-August 14, 2020 (Forehead, the area under the eyes, and left cheek area only)/ No. of people tested: 31 women aged 20-60

\*\*Testing Institute: Korea Institute of Dermatological Sciences/ Period: July 28, 2020-August 25, 2020/ No. of people tested: 35 women aged 30-60





O HUI

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

**98.8%** Women from 4 countries experienced improvement of skin condition

4 countries: Korea, China, U.S., and Vietnam, A total of 80 people/ used 7 days/ Research Institute: SEOWOO& Company

- A luxury anti-aging essence that contains 100 million prebiotic ingredients in one bottle to give the skin its own natural glow
- Ranked top in the anti-aging essence at the 2020 Lotte MVG Pick No.1 by Avenuel



LIVE YOUR DREAM CHANGE YOUR LIFE



The History of Whoo

Premium royal brand that combines the secret royal court's beauty formula for queens with modern science

**1st** Place in the beauty category

**1st** Place in the skincare category for 2 consecutive years

Based on the performance during the Gwang-Gunje period announced by T-mall in 2020

Belif

Clean beauty cosmetic product made with the belief of integrity and truth based on the British 150-year tradition of herbal secrets and philosophy

**No.1** in the premium moisturizing cream market for 4 consecutive years

Survey data from Kantar; September 12, 2016-September 6, 2020



OUR BRANDS



su:m37°

O HUI

belif

BEYOND

THE FACE SHOP

ISA KNOX

VONIN



tunage



LACVERT



CNP COSMETICS



VDL

The saga of



# Business Overview



HOME CARE AND DAILY BEAUTY Division

## HEALTHY

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

### Dr.Groot

Specialized brand for hair loss with the highest repurchase rate, chosen by people who used the product

**No.1** for the repurchase rate in the hair loss care shampoo category\*     **No.1** sales in the hair loss care shampoo category in 2020\*\*

\*Nielsen consumer panel data; selecting 3,000 target households nationwide; data from panels constantly participating from September 2017 to September 2019; based on hair loss care shampoo and conditioner

\*\*Survey data from Nielsen; package products included; based on total accumulated sales from January 2020 to December 2020; based on hair loss care shampoo and conditioner

Cumulative sales of **11 million units**

Based on cumulative sales in accounting as of February 2021



### TECH

No.1 laundry detergent brand in the Korean market

Laundry Detergent Brands

**No.1** for 12 consecutive years



PERIOE

PERIOE, a dental expert in our daily lives  
A leading comprehensive oral health care brand in Korea

**No.1** for 35 consecutive year

Survey data from Nielsen, domestic market

Selected as an innovative new product in East Asia

Survey data from Nielsen



FOR YOUR HEALTHY LIFE



Veilment

Premium body skincare brand that improves skin by simply showering

Achieved **10** million units in global sales

Based on cumulative sales in accounting as of February 2021

Elastine

Elastine brings the benefits of skincare to your hair  
Total hair care brand

**No.1** for 17 consecutive years

2004-2020, survey data from Nielsen, domestic market

Allure's Best of Beauty Award Winners

PropoliThera Anti-Aging Care Shampoo for Dry and Damaged Hair, selected as a winner in the 2019 Moisturizing Shampoo category



Our Brands



## Business Overview



REFRESHMENT Division

# REFRESHING

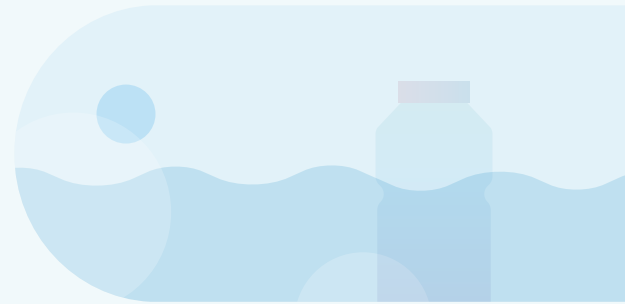
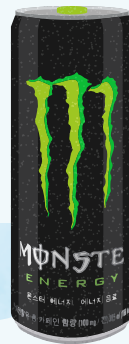
LG H&H is committed to adding vitality to our customers' lives with a variety of beverage brands including Coca-Cola Beverage, Minute Maid, and Powerade.

### Monster Energy

Energy drink brand launched in the United States with growing global popularity

**No.1** in energy drink sales in Korea

Sales data from Nielsen, as of 2020



### GangWon PyeongChangSoo

Mineral water brand that offers the true purity of water

Official mineral water of the 2018 PyeongChang Winter Olympics



Coca-Cola

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

**No.1** in the global market

Category of carbonated soft drinks based on Euromonitor International 2020

**6<sup>th</sup>** most influential brand in the global market

Brand value worth USD 56.9 billion based on 2020 Interbrand data



FOR YOUR REFRESHING LIFE



Powerade & Toretta

Sports drink with electrolytes for good health and quick hydration

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



Guronsan Vermont

Invigorating drink brand with 58 years of tradition

since **1963**



OUR BRANDS



# Economic Value Creation

## LG H&H Financial Performance

### Performance Highlights

Despite a sharp decline in economic activity due to the COVID-19 pandemic, LG H&H has made great progress in major markets such as China and the U.S. while responding swiftly to consumer needs. The company subsequently achieved record-high performance with sales of KRW 7.8445 trillion, up 2.1% year-on-year, and operating profits of KRW 1.2209 trillion, up 3.8% year-on-year.

### 2020 Business Performance

Despite the global economic slowdown and fall in consumption after the COVID-19 pandemic hit in early 2020, we achieved our best performance in history once again and first place in the cosmetic business in domestic market, following the household goods and beverage business.

### Sales

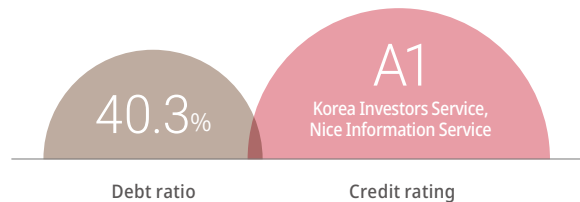


### Operating Profits



### Debt Ratio and Credit Rating

(As of December 2020)



## Beauty Division



### 2020 Business Performance

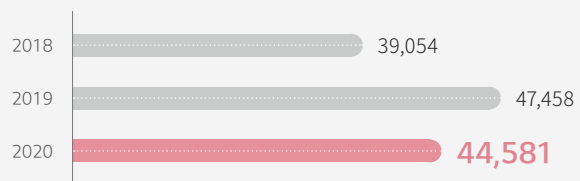
Although the cosmetics market suffered a significant negative growth due to store shutdowns and a sharp drop in domestic tourists, we made great progress with our brand power and product strength, thus achieving first place in domestic cosmetics (based on sales/operating profits) for the first time since the company's foundation. In China, despite the impact of COVID-19, we achieved KRW 1 trillion in cosmetics sales by focusing on digital channels.

### 2021 Business Plan

In order to become Asia's No.1 cosmetic brand, we will focus our capabilities on non-face-to-face channels based on Korea, China, and Japan. We will increase our market competitiveness by launching products that reflect trends such as Clean Beauty & Derma Cosmetics. In addition, we will continue to expand our business in North America with AVON USA, which has successfully turned a profit following its acquisition in 2019.

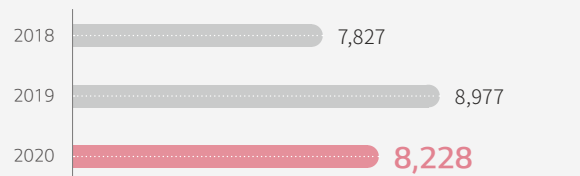
### Sales

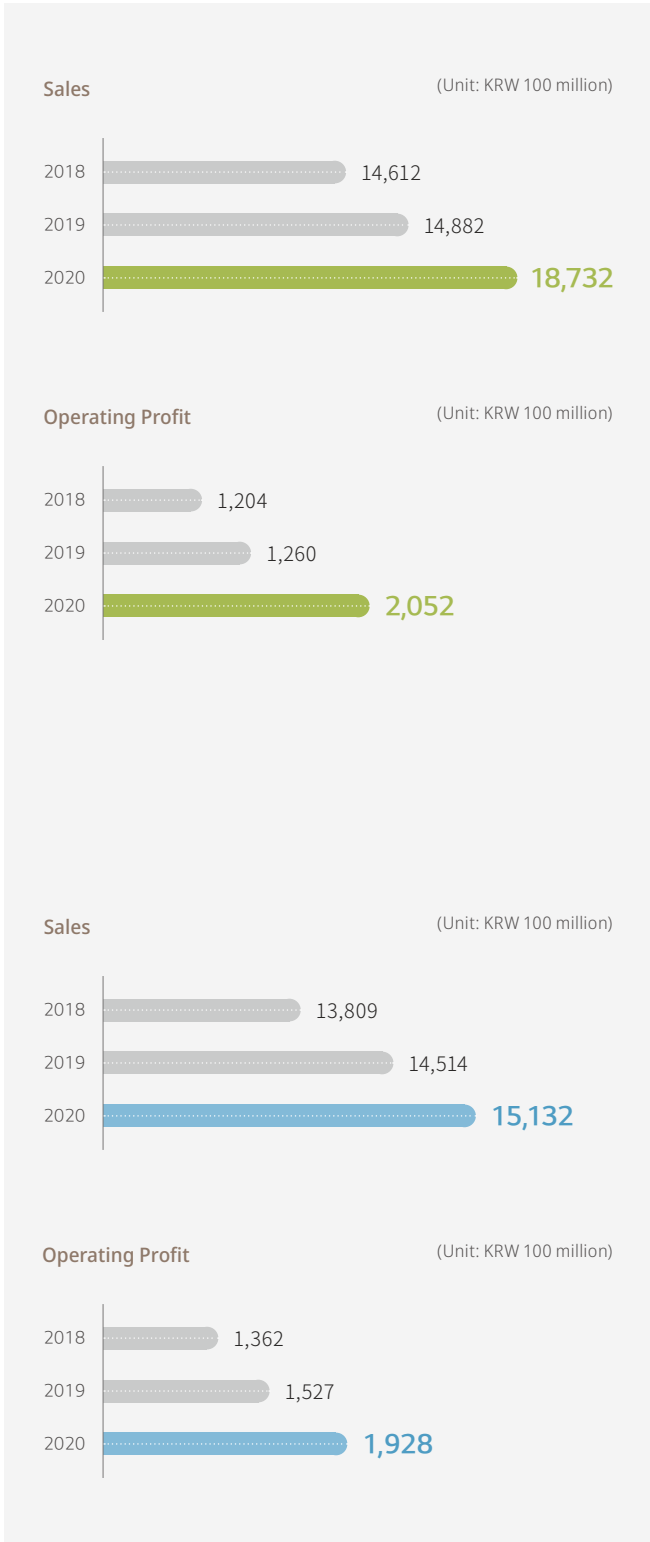
(Unit: KRW 100 million)



### Operating Profit

(Unit: KRW 100 million)





Home Care and Daily Beauty Division



2020 Business Performance

We responded to COVID-19 more quickly and effectively, supplying related products such as masks to the market in a timely manner. In our digital channels, we strengthened our position as No.1 in Korea by turning crisis into opportunity through active marketing activities with direct malls and brand stores. In addition, we strengthened our product portfolio and laid the foundation for global business expansion through the acquisition of the business rights for Physiogel and Reach in the North American and European markets.

2021 Business Plan

We will obtain the top position in the domestic market by differentiating our core brands and strengthening our digital business capabilities. Moreover, we will actively expand our business scope and global sales in the North American and European markets, as well as in the Asian market, through the revitalization of Physiogel and Reach.

Refreshment Division



2020 Business Performance

Despite difficult business conditions such as limited external activities and the longest rainy season in the peak summer season, we strengthened our market competitiveness. We accomplished this by focusing on carbonated products, subsequently recording a record-high performance with sales of KRW 1.5132 trillion, up 4% year-on-year, and operating profits of KRW 192.8 billion, up 26% year-on-year.

2021 Business Plan

We will actively respond to market trends by launching products that reflect customer needs and strengthen our brand portfolio to hold the No.1 market position. In addition, we will strengthen our operational capabilities so that we can achieve the best safety, environment, quality level that meets more sensitive consumer needs.



01



# Sustainability Commitments



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ESG Mid- and Long-Term  
Strategy & Roadmap

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Develop Products with  
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Improve  
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Diversifying the  
Product Portfolio

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Strengthening Social  
Contribution Activities

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Establish a Sustainable  
Supply Chain

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Providing a Good Work  
Environment

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Facilitate the Circulation  
of Resources

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Leading the Response to  
Climate Change

# ESG Mid- and Long-Term Strategy & Roadmap

LG H&H is striving to become a company that achieves sustainable growth with its ESG vision in order to become the “most sustainable FMCG\* company”. We present four mid- and long-term goals and nine challenges from the perspectives of governance, products, society, and environment to provide better value for life to our stakeholders, which include our customers, the environment, suppliers, local communities, and employees. Based on our mid- and long-term ESG strategies, we are also carrying out a variety of programs to meet the UN SDGs, our common challenges across the globe.

\* FMCG: Fast Moving Consumer Goods



The most sustainable FMCG company

VISION

Category	Challenges	Key Performance Indicators*
<b>Governance</b>	<b>Establish ESG governance</b>	Organize and operate the ESG committee Strengthen the diversity and expertise of internal and external directors
<b>Products</b>	<b>Develop products with social value</b>	Select mid- and long-term challenges and conduct research to reduce the company's impact on the environment and enhance the safety and health of customers (by 2025)  Develop leading technologies and products through open innovation, including cooperation with other organizations and local communities (by 2025)
	<b>Improve product safety</b>	Operate and establish a process of Customer Value Innovation based on the Reliable Quality Management (RQM) system for each product life-cycle (Design, mass production, distribution, and response to consumers by 2022) Secure world-class evaluation capabilities and build reliable operation in relation to safety verification (by 2022) Establish a supply chain operating system that responds to the future of Informatization, Intelligence, and Automation based on the customer-centric PEOS <sup>1)</sup> platform (by 2023) Secure global business capabilities of LG H&H's Zero-Defect Safety Quality Certification (by 2024)
	<b>Diversify product portfolio</b>	Achieve KRW 2.63 trillion in sales through continuous expansion of overseas business (by 2023)

1) PEOS: Paperless Enterprise Operation System



Slogan

Beautiful, Healthy, Refreshing for people and the planet








Strategic Direction

- Establish a sustainable operating system
- Improve corporate social responsibility
- Spread social and environmental value products
- Expand communication with stakeholders



Category of Initiatives





- Jeong-Do management
- Environment and safety management
- Win-win growth
- Customer satisfaction
- Employee value
- Social contribution

2020 Performance	Relevant SDGs
<ul style="list-style-type: none"> <li>- Step-by-step preparation for the organization and operation of the ESG committee</li> <li>- Established the ESG committee (April 2021)</li> </ul>	
<ul style="list-style-type: none"> <li>- Launched the Hempharmx brand with clean beauty ingredients that are attracting attention in the global market (low irritation, vegan certification, increased ease of recycling)</li> <li>- Acquisition and product extension of Physiogel, which is free from synthetic fragrances or artificial colors with biomimetic technology</li> <li>- Explored beauty tips inherited from the Chinese imperial family through analysis of ancient Chinese (Tang) literature in collaboration with the Cosmetics Research Center at Beijing Technology and Business University</li> <li>- Signed an agreement for R&amp;D with European royal herb experts for the brand globalization, explored 80 beauty tips from the West</li> </ul>	  
<ul style="list-style-type: none"> <li>- Reflected Good Distribution Practice (GDP) in the Agreement and established quality inspection process to improve distribution quality, targeting beverage business partners</li> <li>- Achieved the approval of KOLAS and review the expansion of evaluation items</li> <li>- Established a design, development, and additional operation plan for PEOS Platform at Cheongju Beauty/TP factory</li> <li>- Conducted a Safety Quality Diagnosis for 14 business sites</li> </ul>	 
<p>Achieved KRW 2.31 trillion in overseas sales</p>	

\* Change in some of the detailed goals according to the performance of each year

Category	Challenges	Key Performance Indicators*
Society	<b>Strengthen social contribution activities</b>	<p>Achieve cumulative 280 beneficiaries of social advancement such as job creation for women (by 2025)</p> <p>Constantly increase values through the post-management of program participant</p> <p>As a habit improvement convergence education program for teenagers, the Borrowed Earth School education channel diversified and a total 100,400 beneficiaries<sup>3)</sup> targeted (by 2025)</p> <p>Shiny PERIOE, a health musical for children, expanded across the country with 242,290 beneficiaries<sup>4)</sup> targeted (by 2025)</p>
	<b>Establish a sustainable supply chain</b>	<p>Achieve a higher grade of the Safe Quality Certification<sup>5)</sup> with cumulative 660 suppliers (by 2025)</p> <p>Provide suppliers with technical support<sup>5)</sup> (1,811 cases, cumulative, by 2025)</p> <p>Provide suppliers with financial support<sup>5)</sup> (KRW 310.2 billion, cumulative, by 2025)</p> <p>Minimize risks by enhancing suppliers' capabilities for CSR</p> <p>Provide consultation service to bolster overseas suppliers and explore potential suppliers</p> <p>Expand the purchase of sustainable palm oil (RSPO)</p>
	<b>Provide a good work environment</b>	<p>Enhance employee engagement (by 2025)</p> <p>Establish a global training framework (by 2025)</p> <p>Build global leadership (by 2025)</p> <p>Achieve 28% of female managers (by 2023)</p>
Environment	<b>Facilitate the circulation of resources</b>	<p>Achieve KRW 510.0 billion in sales of green products with the use of eco-labeling (by 2025)</p> <p>Achieve 200 tons of recycled plastics (by 2025)</p> <p>Achieve 50% clean beauty products among new clean beauty brands (by 2025)</p> <p>Achieve 1.46 tons/product-ton of water intensity (by 2025)</p> <p>50% reduction of restricted substances<sup>6)</sup> (by 2025)</p>
	<b>Lead the response to climate change</b>	<p>Achieve 0.069 tCO<sub>2</sub>e/product-ton of GHG emissions intensity (by 2025)</p> <p>Prepare for a carbon-neutral future</p> <p>Improve energy efficiency with constant investment, including the improvement of facilities in business sites and replacement of deteriorating equipment</p>

1) Natural Beauty Creator: A beauty creator training program for women on a career break  
 2) Nabeauties: Beauty creator alumni  
 3) Borrowed Earth School: cumulative data since 2014  
 4) Shiny PERIOE: cumulative data since 2004  
 5) The safe quality assessment for suppliers consists of cumulative data from 2019. The technical/financial support goals and achievements are cumulative data from 2017  
 6) Decamethylcyclotrisiloxane(D5), Dodecamethylcyclohexasiloxane(D6) in the Annex XVII of REACH Regulation

2020 Performance	Relevant SDGs
<p>Selected 35 people for the 3<sup>rd</sup> term of Natural Beauty Creator<sup>1)</sup> (accumulated 101)</p> <p>Opened an online café for the 1<sup>st</sup>/2<sup>nd</sup> term of Nabeauties<sup>2)</sup></p> <ul style="list-style-type: none"> <li>- The Borrowed Earth School YouTube live streaming opened as a new online education channel</li> <li>- 52,668 cumulative participants in 2020 (10,222 participants in 2020 alone)</li> </ul> <p>227,291 cumulative participants in 2020 (2,301 participants in 2020 alone)</p>	
<ul style="list-style-type: none"> <li>- Achieved cumulative results of 176 cases in 2020 (84 results in 2020 alone)</li> <li>- Specified the Safe Quality Certification with suppliers (Issuance of certificates and incentives in categories such as Safe Surprise/Safe Satisfaction/Safe Practice)</li> </ul> <p>Achieved cumulative results of 756 cases in 2020 (199 results in 2020 alone)</p> <p>Achieved cumulative results of KRW 140.09 billion in 2020 (KRW 40.88 billion in 2020 alone)</p> <p>Identified CSR risks for suppliers and conducted consulting for the suppliers (outsourced external consulting firms) and improvement progress monitoring</p> <p>Established the safe quality assessment system for new overseas partners (outsourced diagnosis company), plan to conduct assessment from 2021</p> <ul style="list-style-type: none"> <li>- Set up purchasing policy for the purchase of sustainable raw materials</li> <li>- Gradually strengthened the percentage of sustainable palm oil purchases</li> </ul>	
<p>Achieved an average of 79 points in employee engagement assessment</p> <ul style="list-style-type: none"> <li>- 1:1 English Coaching Class with a native teacher: 41 participants</li> <li>- GEC (Global Expertise Course) designed to enhance employees' capabilities for global business: 16 participants</li> <li>- GECC (Global Expertise Course China) designed to enhance employees' capabilities for Chinese business: 13 participants</li> <li>- Global MBA: 3 participants</li> </ul> <p>LG H&amp;H Global Internship Program (N-Task) participants: 5 people / Period: September 2020 to present</p> <p>Achieved 26.1% of female managers (up 1.1% over 2019)</p>	
<ul style="list-style-type: none"> <li>- Achieved KRW 454.3 billion in sales of green products</li> <li>- 208 eco-labeling (194 environmental labels, 7 low-carbon products, 7 carbon footprints)</li> <li>- Achieved 50 tons of recycled plastics (PCR PET)</li> <li>- Gradually increased the use of recycled plastics step-by-step</li> </ul> <p>Strengthened clean beauty elements (tips, container, ethical factors) of clean beauty products such as Physiogel, Belif, Beyond and The Face Shop</p> <p>1.50 tons/product-ton</p> <ul style="list-style-type: none"> <li>- Reduced the use of restricted substances by 4.5%</li> <li>- No use of restricted substances in new cleansing products (makeup remover, shampoo, conditioner, foam, etc.)</li> </ul> <p>Achieved 0.065 tCO<sub>2</sub>e/product-ton</p> <p>Review application plans for utilization of renewable energy (hydrogen, solar power)</p> <p>Invested KRW 391 million</p>	

\* Change in some of the detailed goals according to the performance of each year

# 01

## Develop Products with Social Value

There is a growing awareness that companies need to create social and environmental values across the value chain in which they operate. LG H&H pursues new values through products and development with socio-environmental values that fully consider health, the environment, and the local community.

### Goals



Select mid- and long-term challenges and conduct research to reduce the company's impact on the environment and enhance the safety and health of customers (by 2025)
















Develop leading technologies and products through open innovation, including cooperation with other organizations and local communities (by 2025)



### Products with Socio-environmental Values

We promote products with socio-environmental values from the perspectives of three categories – customer, society, and environment. To achieve this, we must fully consider the safety and health of customers, social benefits, and alleviation of environmental impact. Our sales of products with socio-environmental values reached KRW 1.3216 trillion in 2020, accounting for 17% of our total sales.

<p>Safety and Health of Customers</p> 	 <p>Improved safety ReEn Dr.Groot</p>	 <p>Organic BEYOND True Eco</p>	 <p>Low-sugar TORETA</p>	 <p>Enhanced nutrients Babience</p>
<p>Alleviation of Environmental Impact</p> 	 <p>Water protection Jayeonpong</p>	 <p>Waste reduction Saffron</p>	 <p>Energy saving Coca-Cola</p>	 <p>Label-free Seagram 450ml</p>
<p>Social Benefits</p> 	 <p>Created through cooperation with local communities GangWon PyeongChangSoo</p>		 <p>Created through cooperation with local communities Yehwadam Revitalizing Line</p>	

## The Spread of Korean Beauty

### Collaboration Between the Saga of Xiu and Golden Treasure

The Saga of Xiu, a natural herbal medicine cosmetics brand, conveys its value by reinterpreting Korean tradition in a modern way. In 2020, we launched a Golden Treasure Edition product that re-highlights the excellence and beauty of metal crafts in the Silla Dynasty of Korea, a period when golden relics were a symbol of traditional wealth. The Golden Treasure Edition shares the beauty culture of the modern nobility that inherits the beauty of Silla, which in turn aids in the culture of this Korean dynasty flourishing at both home and abroad.



### A Guide to Beautiful Royal Court Culture

The History of Whoo, a brand aimed at sharing Korea's beautiful royal court culture, both protects and promotes the royal heritage of Korea. Since 2015, we have carried out the Royal Court Culture Campaign to preserve and spread the beauty of Korean palaces, and held various programs such as exhibitions, fashion shows, and photo exhibitions that reproduce queenly elegance in order to convey the intrinsic value and beauty of the court culture. In addition, we release the Hwanyu Imperial Set every year as a new product, which inherits the beauty and value of the court art by recreating traditional craft techniques in collaboration with court artists. In 2020, we also cooperated with Ipsajang Artisan Choi Gyo-Jun (Seoul Intangible Cultural Property No. 36) on a metal box on which the auspicious appearance of the phoenix was engraved by tapping more than 90,000 strings of gold and silver threads as a way of expressing elaborate beauty.



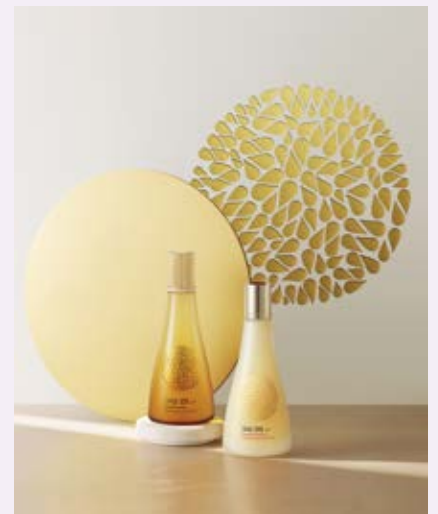
### The Most Korean-style Brand, Sooryehan

Sooryehan, a Korean medicine-based beauty brand that has reinterpreted the secret of traditional herbal medicine in a modern way, is committed to promoting the glorious beauty and craftsmanship of Korea, to domestic and international customers. In 2020, while upgrading Sooryehan's best-selling "GINSENG Essence<sup>AD</sup>," we launched a beautiful container design with delicate details inspired by the metal craft technology of the Silla era. This product has earned a strong response from customers by delivering the beauty of Korea and the value of craftsmanship to domestic and international markets.



### Cultural and Artistic Cooperation

Su:m37° is a natural fermentation cosmetics brand that offers beautiful changes to the skin with naturally fermented ingredients that are safe and effective. Since its launch in 2007, Su:m37° has established itself as a representative fermentation cosmetics brand and grown as a global brand. The brand has carried out art collaborations with artists every year to promote the beauty of Korean art at home and abroad. In 2020, we collaborated with artist Baek Jin on a contemporary reinterpretation of ceramic art, and launched the Su:m37° Golden Moon Edition product based on the theme of a golden full moon.



## Open Innovation

### Case Capacity Building for Dermatology Using Korean Medicine

As traditional Korean medicine through open innovation has been adopted into the products of The History of Whoo, a leading royal cosmetic brand. The History of Whoo has earned overwhelming responses from middle-aged female customers concerned with aging skin and recorded KRW 2.6115 trillion in sales in 2020.



#### 2003~2005

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

#### 2006~2016

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

#### 2017

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

#### 2018

In 2018, we cooperated with the Useful Plant Resources Center at the Korea National Arboretum to develop a technology to propagate Korean medicine raw materials that depend on imports in Korea. This technology development is expected to further increase the reliability of products by enabling domestic production of raw materials that depended on imports. We also established and donated R&D facilities worth KRW 200 million for in-depth technology development and cooperation with the Korea National Arboretum.

#### 2019

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

#### 2020

In 2020, in collaboration with the Cosmetics Research Center at Beijing Technology and Business University, we analyzed ancient documents of the Tang Dynasty with its rich record of beauty tips of the Chinese imperial family, explored more than 800 Tang Dynasty imperial beauty tips, and established Chinese dermatological theories. To secure the base technology for the Whoo brand to leap forward as a global brand, we signed an agreement for R&D with European royal herb experts and discovered more than 80 Western royal beauty methods and tips.



**Case** Global Herb Research Association

We operate the Global Herb Research Association with medical herbalists in the UK and Canada. The Global Herb Research Association aims to establish a growth engine for its natural brand by conducting research on foreign ancient books and records from abroad and developing new concepts and effective ingredients. In addition, we plan to run an herb farm with sustainable operation methods.



**Case** Naver Red Week

Through "Naver Red Week," an integrated online event which all brands of LG H&H Beauty, HDB, and Refreshment divisions engage in, we are intensively promoting various brands and benefits for one week and maximizing the influx of customers. We aim to develop Naver as a major online channel to immediately secure sales and activate brand stores in mid- to long-term.



**Case** Customized Hair Dye Dispensing System

We jointly developed LG CHI COLOR MASTER, a customized hair dye dispensing system, with Farouk Systems, a hair company located in the U.S. This system combines 12 cartridges to realize customized colors through 30,000 advices according to the customer's hair colors and conditions, and shop and stylist needs. We are discussing the installation of this system at Fantastic Sams, a hair shop chain in the U.S., and are considering launching in Canada, South America, and Europe in the future.



## Clean Beauty Products

### Case Hempharmx Hair & Body Care

A clean beauty trend that prioritizes the impact on people, animals and the global environment is spreading around the world. Hempharmx is a hair & body care brand containing hemp seed oil, which is gaining attention as an eco-friendly product. It minimizes the decomposition of omega 3 and 6 components by a cold compression method that does not apply heat to the raw materials, and is certified as “excellent” grade in the German Derma Test and the Vegetarian Society of the UK, based on its hypoallergenic formula. In addition, we applied the Smart Easy Cap, which is easy to recycle.



### Case PERIOE Hempharmx Toothbrush

Hempharmx toothbrush is an eco-friendly toothbrush that uses PLA (Poly Lactic Acid: an eco-friendly resin made from raw materials extracted from corn starch) that is naturally biodegradable to reduce the amount of plastic waste. In order to avoid damaging the gums even with strong brushing, fine and feather hair (special fine hair) processed with the thickness of the tip within 0.01mm are used.

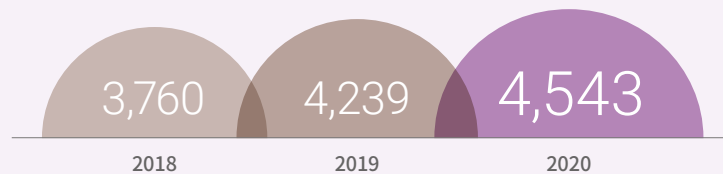
## Reduction of Environmental Impact through Products

### Retention of CFP Labeling and Eco-Label Certifications

LG H&H provide consumers with information on improving the environmental properties of products with eco-label certifications. The Eco-Label System is a certification system aimed at encouraging companies to develop and manufacture eco-friendly products to voluntarily improve the environment. We have received and retained the Eco-Label Certification for our powder laundry detergents, dishwashing liquid detergents, multi-cleaners, and air freshener. We also participate in the CFP Labeling System (carbon footprint, low-carbon products), which requires the quantitative marking of the environmental impact across the entire process of production.

Total Sales

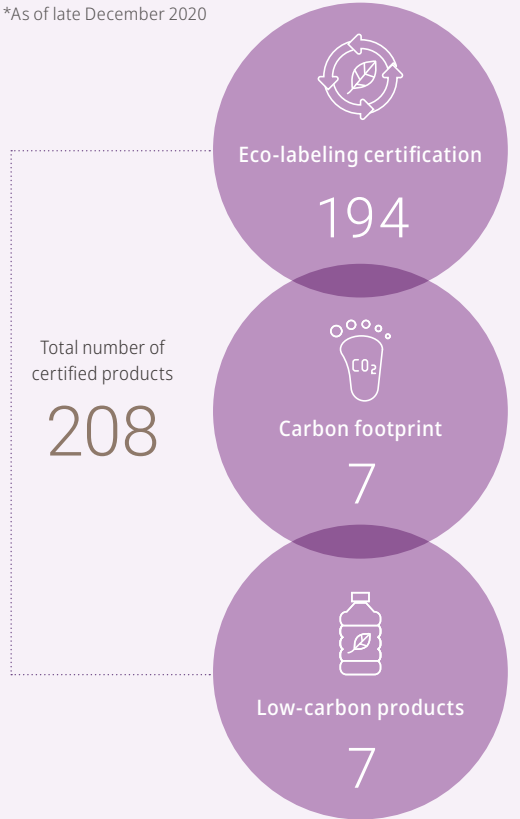
(Unit: KRW 100 million)





Certified Products

\*As of late December 2020



**Case** Reduction of Carbon Emissions from Products\*

LG H&H has obtained and retained the low-carbon certification for its Jayeonpong products, our major dishwashing detergents. We have also maintained the low-carbon certification for Coca-Cola products (500 mL and 1.5L) and GangWon PyeongChangSoo (2L), our major beverage brand products. With these certified products, we reduced GHG emissions by 636,112 tons in 2020.



\*Calculation: Reduced emissions x Number of bottles sold

## Reinforcement of the Capabilities of Suppliers

### Joint Development of Technology with Suppliers

Since 2013, LG H&H has held a technology proposal fair for suppliers to seek excellent technologies or ideas owned by suppliers, applying such findings to products, and thus enhancing the sales of both companies. The technology proposal fair is a place where the suppliers can communicate directly with relevant divisions such as the marketing, sales, and R&D divisions. We then discuss the direction for future development about new products or development concepts and ideas by presenting a variety of proposals and exhibitions for raw materials, subsidiary materials and products. For selected items, we support joint development by providing purchase guarantee development funds to ease the burden of the development cost for suppliers. We then apply their developed products to our new products, contributing to expanding the domestic sales of our suppliers. In 2020, due to the COVID-19 outbreak, we held an online-based non-face-to-face technology proposal fair. In 2021, we also plan to operate a non-face-to-face technology proposal fair and listen to more ideas and proposals from suppliers.

	<b>Technology Proposal Fair Performance</b>	2018 06 Number of Fairs	2019 06 Number of Fairs	2020 03 Number of Fairs	
		<b>Selected Suppliers</b>	2018 22 Company	2019 19 Company	2020 16 Company
			<b>Amount of New Sales</b>	2018 39.4 KRW 100 million	2019 22.3 KRW 100 million

### Case Su:m37° Water-full Enriched Ampoule

Small-capacity cosmetic containers have the benefit of applicable anywhere because they are easy to carry, but the disadvantage that it is difficult to pump a consistent amount of the content. LG H&H has developed a new type of ampoule container with its supplier, Jinhan, and filed a joint patent application for technology that pumps a consistent amount from small-capacity containers and prevents leakage. LG H&H applied this container to the Su:m37° Water-full Enriched Ampoule container and launched it in April 2020, with plans to continue supporting productization through joint development with its suppliers in the future.



## Safe Products for Consumers

### Case ReEn Secret for Black Hair

In general, regular hair dyes may cause allergies and irritation to the scalp due to their main ingredients, oxidation dyes and hydrogen peroxide. ReEn Secret for Black Hair is a non-oxidizing hair dye that contains panthenol, which protects the scalp and has a soothing effect, instead of oxidizing dyes and allergens.



### Case Airwasher Daily Shield Alpha Anti-Droplet KF-AD Mask

Since Airwasher Daily Shield Alpha Anti-Droplet KF-AD Mask is composed of two layers of soft lining and electrostatic SMS non-woven fabric, which results in a cooler and lighter fit than conventional masks with a three-layer structure. We reviewed the safety and effectiveness by the Ministry of Food and Drug Safety for the new electrostatic non-woven fabric and obtained a quasi-drug product license for an anti-droplet mask. In addition, we can expect to reduce waste by reducing the weight of non-woven fabric used in masks.

## Consumer Health Improvement Products

### Case Fiji Viru-X Liquid Laundry Detergent

Fiji Viru-X Liquid Laundry Detergent removes 99.9% of contamination, bacteria, and even the COVID-19 virus. The strong penetration of 7 types of power enzymes effectively removes stains, while plant-derived antibacterial ingredients remove bacterial viruses that cause various diseases. In addition, the antibacterial effect lasts 24 hours after washing, so clothes feel more pleasant and hygienic.



### Case Saffron Care Fresh Expert Fiber Deodorant

This product is a fiber deodorant that contains green tea extract, persimmon leaf extract, cypress tree extract, and patented deodorant fragrance to prevent the peculiar odor caused by hormones and maintain a fresh scent. It has anti-bacterial and anti-static functions, which have been tested for use on skin.



### Case Life Garden, Nokyoungwon Fermented Extract

Life Garden, Nokyoungwon Fermented Extract is a product made by adding the extract from New Zealand velvet antler with 8 plant ingredients such as Angelica, Peony, and Ogapi, and fermented antler extract powder for convenient consumption. It contains velvet antler from freely grazing deer, which are thoroughly controlled by the New Zealand government, and a mixed plant extract concentrate developed by traditional research.



### Case Su:m37° Water-full Line

Su:m37° Water-full Line moisturizes skin with aqua perm enhanced by adding Ewha yeast ingredients\*. Ewha yeast is a pure cultured yeast made with a 600-year-old Ewha grain fermentation technique and has deep nutrition.

\*Ewha yeast soluble extract



### Case Ache Helper Hempharmx Toothpaste

When the tooth dentin is exposed, external irritation causes immediate aching symptoms. Hempharmx toothpaste is an ingredient of LG Household & Health Care's patented technology, which suppresses nerve irritation and forms a protective film on the damaged area to alleviate aches and prevent symptoms. Premium hemp seed oil is also added for a soft feel is suitable for cold and sensitive teeth.

# 02

## Improve Product Safety

Ensuring product safety is crucial for companies manufacturing consumer goods, and this requires strict criteria for the use of raw materials and processes. LG H&H systematically manages risks throughout the entire process by using a Life-Cycle safe quality process from product development to use.

### Goals

	Operate and establish a process of Customer Value Innovation based on the Reliable Quality Management (RQM) system for each product life-cycle (Design, mass production, distribution, and response to consumers by 2022)		Secure world-class evaluation capabilities and build reliable operation in relation to safety verification (by 2022)
	Establish a supply chain operating system that responds to the future of Informatization, Intelligence, and Automation based on the customer-centric PEOS <sup>1)</sup> platform (by 2023)		Secure global business capabilities of LG H&H's Zero-Defect Safety Quality Certification (by 2024)



1) PEOS: Paperless Enterprise Operation System

### Management System for Building Trust with Consumers

#### Consumer Reassurance Center

In 2017, LG H&H launched the Consumer Reassurance Center, which specializes in managing the quality of the entire process from product development to consumer use, and the center has been continuously pursuing product quality management so that consumers can use them with confidence. In 2020, we focused on customers' pain points<sup>2)</sup> to identify aspects of products that require improvement from their perspective, becoming a leading company that increases customer satisfaction. In 2021, we will grow into a consumer-centered company that provides real value to customers by optimizing the entire process, including design, mass production, distribution, and consumer response, from a customer perspective.

2) Pain Point: Unmet customer demands or complaints about products

#### Operation of the Safe Quality Certification System

LG H&H operates a safety quality certification system every year. In the first half of the year, we conduct a certification audit that issues a certificate, and in the second half of the year, we conduct an implementation assessment on the matters identified during the certification audit. We prevent the recurrence of the same problem by implementing inspection in the second half of the year. In addition, we promote continuous improvement through benchmarking between our business divisions by identifying best practices for each business division. In 2020, we conducted self-document diagnosis (March to June) in the first half of the year due to the COVID-19 pandemic. In the second half of the year, each of our 14 business sites underwent inspection (September to October). Through the diagnosis, we identified a total of 770 improvement tasks and conducted monthly implementation inspections to define 47 best practices. We then shared these findings with other business sites to achieve horizontal development.

#### Case Enhance Microplastics Management

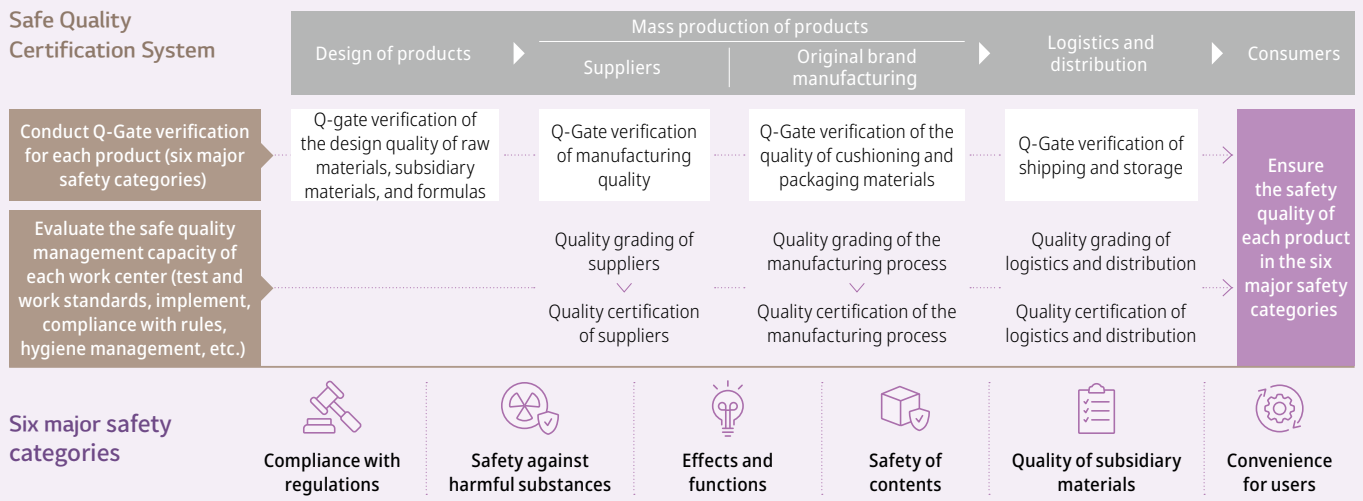
The impact of microplastics in plastic beverage containers on human health has become a social issue, along with the increase in inquiries from consumers. To this end, we conducted a safe quality diagnosis at the beverage business site. From this diagnosis, we confirmed that our facility fundamentally blocks the generation of microplastics throughout the entire process, but we need to reinforce dust collection facilities that are involved in the transport of plastic caps and containers. LG H&H has further improved dust collection facilities to dramatically increase the efficiency of removing plastic particles. We also established a preemptive response system by regularly requesting external analysis agencies to verify whether microplastics are detected.

Consumer Reassurance Center Activities

Core Tasks	Major Activities			Plan for 2021
	Index	2019	2020	
Secure safety quality in the six major safety categories	Apply the Safe Quality Certification Assessment System	Tested 14 business sites	Tested 14 business sites	<ul style="list-style-type: none"> <li>Establish systematization and management of improvement tasks for customers' pain points using CPPM<sup>1)</sup> system</li> <li>Spread the safe quality certification system to our production/partner companies</li> <li>Expand the safety quality certification system in the design/distribution stage</li> </ul>
	Conduct the Q-gate verification for new materials, subsidiary materials, and formula	100%	100%	
Reduce waste and loss and upgrade the work process	Comply with competitive SKU <sup>2)</sup> operation rules	Managed profit and loss by SKU		<ul style="list-style-type: none"> <li>Build and spread the PEOS Platform</li> <li>Run a system for developing DX(Digital Transformation) professionals focusing on education, training, and innovative projects</li> <li>Improve manual work and perform core tasks by securing RPA (software robot) self-executing power</li> <li>Focus on DX projects to identify and improve work innovation tasks</li> <li>Comply with SKU operation rules for evaluation of contribution to management performance</li> </ul>
	Implement tasks to upgrade the work process	Implemented 174 tasks	Implemented 275 tasks	
	Implement tasks to reduce waste and loss	Implemented 107 tasks	Implemented 132 tasks	
Operate the management system to prevent risk factors	Analyze the safety of harmful substances in advance	26,363 types	21,058 types	<ul style="list-style-type: none"> <li>Establish and operate internal management standards beyond the legal standards</li> <li>Implement environmental safety innovation tasks to build zero-defect business sites</li> <li>Expand monitoring system for locations with high risk (A/B)</li> <li>Conduct self-inspection of production/logistics sites, cross-inspection between business sites, external specialized agency diagnosis</li> </ul>
	Monitor safety covers for operational parts of equipment	Inspected and managed 11,170 locations	Inspected and managed 11,418 locations	
	Identify and improve harmful substances	Identified and improved 14,312 cases	Identified and improved 28,029 cases	
	Conduct cross diagnoses of safety and environment through self-diagnosis and diagnosis by a specialized agency	Identified and improved 1,129 cases	Identified and improved 1,230 cases	
Promote carbon neutral activities / Operate ESG promotion system	Develop eco-friendly packaging materials			<ul style="list-style-type: none"> <li>Operate ESG promotion system</li> <li>Develop eco-friendly packaging structure design and improve recycling grade</li> <li>Build a supply system to reuse packaging materials</li> <li>Improve and develop a process to reduce power and fuel consumption</li> <li>Review the promotion of renewable energy alternatives</li> </ul>
	Replace with eco-friendly energy			
	Build a recycling eco-system			

1) CPPM: Customer Pain Point Management  
 2) SKU: Stock Keeping Unit

Safe Quality Certification System



### Safe Quality Diagnosis

Enhanced quality management of suppliers is an essential part of ensuring a safe quality standard at a global level. LG H&H conducts safety quality certification activities for suppliers so that they maintain their quality and ethics at levels that exceed laws and regulations. These activities also minimize blind spots in regard to quality.

In 2020, we evaluated the establishment of standards, awareness of standards, and execution by using the safety quality certification assessment table for 110 major suppliers with a relatively high proportion of purchases. In this environment of prolonged non-face-to-face contact, 40 suppliers were evaluated by external agencies to ensure the objectivity of the existing safety quality certification assessment activities and to reflect external opinions for improvements.

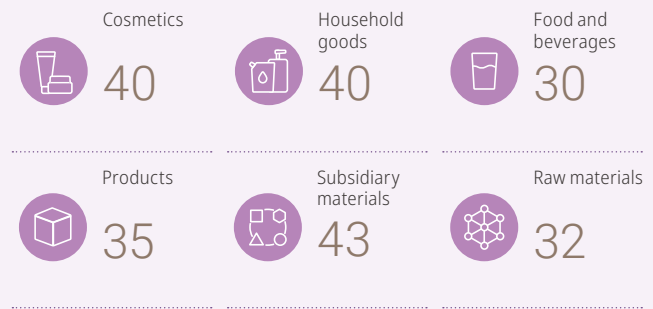
As a result of the safe quality certification assessment, we have identified 1,425 improvement tasks and established improvement plans for each supplier to provide follow-up services. In addition, the technical support team for suppliers actively participates in the pilot test for mass production of a new product performed by our suppliers. By doing so, they ensure quality and safety in advance to verify and supplement work/inspection standards at an early stage. This team is also carrying out systematic activities to ensure safe quality and respond to crises, including fundamental recurrence prevention measures. For efficient diagnosis in this non-face-to-face environment due to COVID-19, we conducted self-diagnosis, diagnosis by external agencies, and a diagnosis visit to suppliers by the technical support team. We also provide incentives for suppliers that have obtained the highest results in assessment and certification, and have implemented a system that serves as a model for other suppliers.

### Strict Procedure from Raw Material Selection to Product Development

LG H&H applies its strict procedure, the Product Safety Management Regulations, for the product development and registration of new raw materials. The G&RA, an organization dedicated to reviewing domestic and overseas laws and regulations under the Research Institute, reviews and judges whether raw materials to be used for product development and products under development comply with domestic and overseas laws and regulations in advance. As a result of the review, a risk assessment that predicts the possibility of harm to the human body due to the use of the product, primary skin irritation patch test, and cytotoxicity (for raw materials) test are performed by the Safety Research Lab under the Safety Assessment Division. Harmful substances are then verified at the Harmful Substances Analysis Lab. Materials that received approval across all processes are registered, and the products in development then proceed to the new product development procedure.

### Suppliers Subject to the Safe Quality Certification Assessment

(Unit: Company)



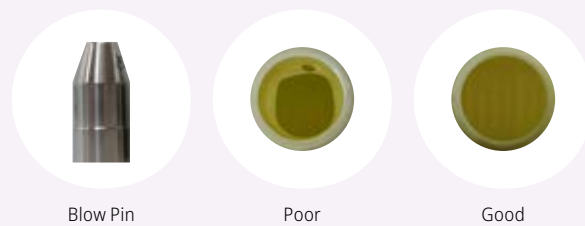
\* For top 80% suppliers of purchases

### Case Improved Container Inlet Molding Defects

In general, liquid fabric softeners are put in plastic containers made of PE (polypropylene). However, if a molding defect occurs inside the container inlet, the facility is stopped due to the overflowing of content from containers during the filling process.

The defects in the molding of subsidiary material inlets are mostly caused by parts called Blow Pins, but our suppliers lacked the necessary technology to address this issue. To resolve this, LG H&H provided support to enable suppliers to standardize structures and standards to improve these chronic molding defects.

After implementing this improvement, subsidiary materials suppliers reduced the defect rate and improved their delivery time, while charging suppliers have improved productivity through fewer facility failures.



Blow Pin

Poor

Good



**World-class Safety Assessment**

LG H&H is striving to acquire world-class evaluation capabilities in the safety assessment sector due to exports of its products to China, Japan, the U.S., Europe, Canada, ASEAN countries, and Taiwan. We currently conduct risk assessments in accordance with the risk assessment guidelines of domestic and overseas regulatory agencies and carry out toxicity testing with cells according to the OECD Guidelines for Alternative Animal Testing Methods. We plan to conduct harmful substance testing at the internationally accredited testing institution, and we are expanding to all products by adopting the global standard ISO, United States Pharmacopeia (USP), and European Pharmacopoeia (EP) to ensure the microbial safety for our products and raw materials.

**Exclusion of the Use of Hazardous Substances**

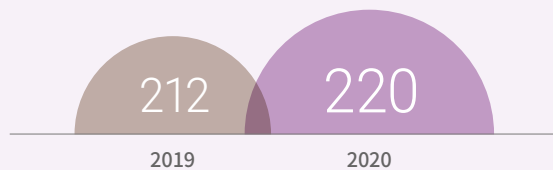
LG H&H provides accurate verification data of harmful substances from raw materials to finished products in the Harmful Substance Analysis Lab under the Safety Assessment Division, which is an organization dedicated to safety assessment. For high-risk products, we have established and operated "management standards for each product type" to verify harmful substances twice a year or for every single lot. We also conduct preliminary verification of harmful substances with potential issues by monitoring domestic and overseas safety and regulation issues to proactively respond to external issues. We also strive to achieve "zero harmful substance risk" by refraining from the use of harmful substances that are prohibited for use by law, as well as potentially harmful substances identified in our risk verification. In 2020, we obtained the KOLAS certification to build global reliability. We plan to provide our test certification for products exported overseas by increasing the number of verification items of harmful substances in the next two years.

Certified by: KOLAS<sup>1)</sup> (TESTING NO. KT 923)



1)KOLAS (Korea Laboratory Accreditation Scheme): A government organization that establishes the national standard system, etc. and grants the qualification as an internationally accredited testing institution (for 4 years) upon passing verification of items/equipment, manpower, test environment, etc. based on ISO/IEC 17025 (general requirements for the competence of testing and calibration laboratories)

Assessment Items of Harmful Substances \* (Unit: Number)



\* Assessment items of harmful substances is selected every year in consultation with relevant departments for harmful substances that have been an issue at home and abroad or harmful substances with potential issues  
 \* Harmful substances of the same category, such as phthalates, are marked as one

Status of Investment related to Product Safety (Unit: KRW 100 million)

Category	2019	2020
Safety/Harmful Substance Assessment	Unknown substance analyzer and others (KRW 1.1 billion)	Genetic testing equipment and others (KRW 730 million)
Packaging Research	3D CT scanner and others (KRW 100 million)	Testing environment improvement and others (KRW 110 million)
Quality control	Lot system improvement and others (KRW 1.48 billion)	Foreign particle scanning analyzer and others (KRW 2.52 billion)
<b>Total</b>	<b>26.1</b>	<b>33.9</b>

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

Category	2019	2020
Cosmetics	14,052	9,617
Household goods	9,989	9,038
Food and beverages	2,322	2,403
<b>Total</b>	<b>26,363</b>	<b>21,058</b>

\* Conduct total inspection of the first products manufactured (A-lot) each year, expanding the scope of harmful substance assessment to include the company's products, ODM products, and products manufactured overseas  
 \* The decrease in the number of samples for harmful substance assessments is considered to be SKU rationalization

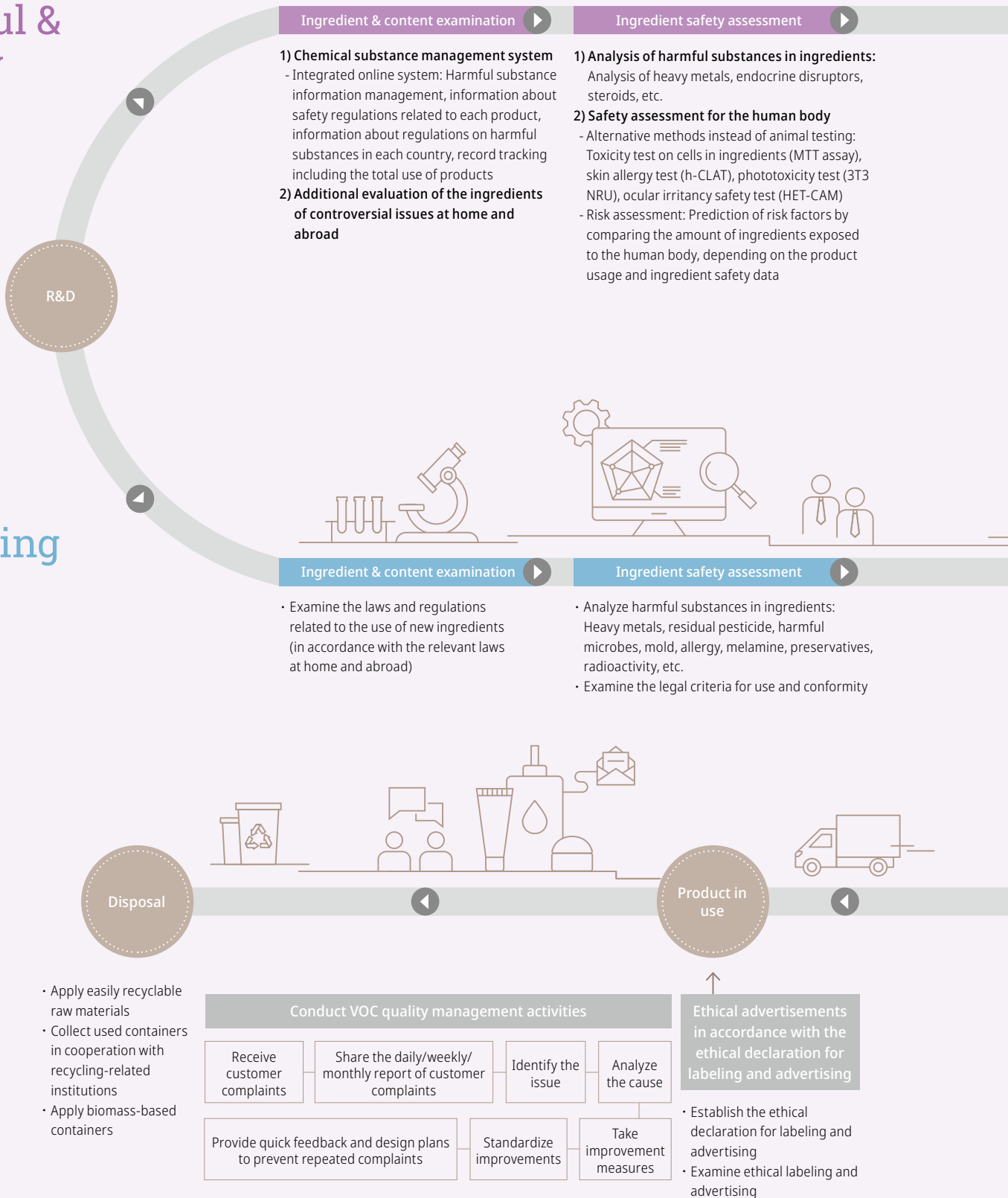
**Usage of Harmful Substance Analysis Equipment**

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

# Safe Quality Management Process Over the Product Life-Cycle

Beautiful & Healthy

Refreshing

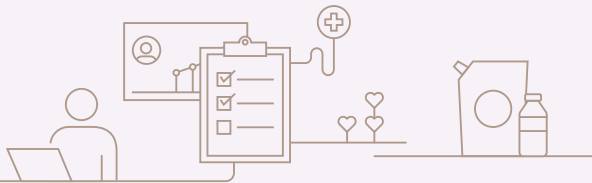


**Content assessment and examination of compliance with regulations**

- Analyze harmful substances in product content: Examine the relevant laws and regulations
- Internal primary skin irritation test (Human Patch Test)
- Primary skin irritation test by an external clinical test institution (Human Patch Test)
- Repeated Open Application Test (ROAT)
- Sting test
- User Test

**New category risk check**  
Examine four categories including technology, regulations, safety, and consumers (R&D, Consumer Reassurance Center)

**Higher safety for products targeting babies and children**  
Observe the guidelines for products targeting babies and children: Product safety design principles, stricter internal list of safe raw materials, final product safety assessment



**Packaging assessment**

- Analyze harmful substances in packaging
- Examine and check the safety of the packaging structure and shape: Prevent babies from swallowing small parts or suffering injuries
- Examine the relevant laws and regulations: Acts related to chemical substances, resource recycling, packaging methods, etc
- Verify the safety and usability of packaging

**Packaging assessment**

- Analyze harmful substances in packaging: Heavy metals, endocrine disruptors, microbes, harmful coloring, etc.
- Examine and check the safety of packaging structure and shape: Prevent babies from swallowing small parts or being injured and avoid external foreign substances from entering, etc.
- Examine the relevant laws and regulations: Acts related to chemical substances, resource recycling, packaging methods, etc., analysis of harmful substances in raw materials

**BEAUTIFUL & HEALTHY**

- **Conduct inspections on each lot**
  - Quality and harmfulness test
  - Quality test on warehoused raw/subsidiary materials
  - Quality test in each phase of the process
  - Quality and harmfulness test on finished products
- **Conduct a progress test over a certain period of time**
  - Quality assurance acknowledged by consumers, Product usability, etc

**R&D final evaluation**

**Purchase**

**Evaluate new commodities**

- Purchase only products that pass the assessment for the Safe Quality Certification

**Evaluate raw materials and packaging materials to be purchased**

- Apply the contract of responsibility for harmful substances
- Ingredients: Examine the required quantity, and purity, and conduct the harmful substance test
- Packaging: Examine the exterior, weight, and performance, and conduct the harmful substance test
- Acquire the relevant certifications for each ingredient: Country of origin, organic products, the origin of ingredients, etc.
- Prove the safety of problematic substances: Six major heavy metals, controversial minerals, etc.
- Inspection of suppliers

**Incoming Inspection**

**Production (LG H&H, OEM, ODM)**

**OEM and ODM**

- **Provide technical support and inspect suppliers**
  - Verify the compliance of regulations and quality standards
  - Support 6-Sigma quality innovation activities

**REFRESHING**

- **Manage products in accordance with the HACCP certification system**
  - Safety and harmfulness analysis of ingredients, process management, etc.
- **Manage the product self-analysis system**
  - Ingredient quality, preliminary examination of influential factors, substance test, nutrient analysis, etc.
- **Quality control**
  - Preliminary monitoring of distribution quality, sensory tests, quality check on warehoused/ finished products, regular harmfulness analysis

**Logistics**

**Manage the quality of storage and transport**

- Prevent damage to products, comply with the load standards, manage the FIFO (first in, first out) according to the expiration date, etc.

**Apply the proper management method for each product**

- Temperature, humidity, pest control, etc.

**Quality check before the product launch**

**Finished product check**

**Check the 5S activities**

- Check on Seiri (Arrangement), Seiton (In Order), Seisoh (Cleaning), Seiketsu (Neat), and Shitsuke (Well Bred) once in a week

**Conduct regular education programs for safety and fire prevention**

# 03

## Diversifying the Product Portfolio

The spread of COVID-19 brought crisis to the global beauty industry, but also provided the potential to seek out new opportunities such as diversifying distribution channels with a focus on non-face-to-face consumption. LG H&H is strengthening its digital beauty platform and enhancing customer value and competitiveness by developing new services using fourth industrial revolution technologies.

### Goals



Achieve KRW 2.63 trillion in sales through continuous expansion of overseas business (by 2023)

Global Business Sales (Unit: KRW 100 million)

2018	2019	2020
18,459	25,088	23,088

### Major Activities in Overseas Business

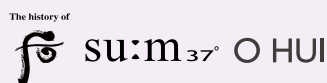
#### China

In the global market impacted by the COVID-19 pandemic, we actively engage in major online channel events for The History of Whoo, focusing on Cheongidan and Whoo Bichup Self-Generating Anti-Aging Essence. We also strengthened our positioning as a luxury brand with the renewal of Su:m37's Secret Essence and the launch of O HUI's The First Geniture Sym-Micro Essence. In addition, we are solidifying our market position for premium household goods and preparing for the launch of the Physiogel brand in China in 2021. Meanwhile, we are presenting products such as Himalayan Pink Salt Toothpaste and Lien Yungo Shampoo at online events.



### Major Brands

Cosmetics



Home and personal care



## Japan

In the Japan market, which is focused on mail orders, we have seen an increase in the sales of Isa Know, Be-Kojun, and Alucheruche through effective advertising operations, and activated the sales of dietary supplements such as Kojun Kiwami and Nomikotae green juice. Based on the consistent sales of Reach, we launched the PropoliThera brand and expanded our product lineup for household goods such as toothpaste, toothbrushes, and dental floss. In addition, we are preparing for the sales of our newly acquired Derma cosmetics brand, Physiogel.



### Major Brands

Cosmetics



Home and personal care



## Southeast Asia

In the current tough market environment caused by COVID-19, in which there is limited access to retail stores and significantly reduced customer's external activities, we focused on expanding online distribution channels for Southeast Asia business. To this end, we are striving to reach customers through mobile live broadcasting events and delivery service at The History of Whoo shops of department stores and Nature Collection stores. Furthermore, we are entering the Southeast Asian derma cosmetics market with our newly acquired brand, Physiogel.



### Major Brands

Cosmetics



Home and personal care



Major Activities in Overseas Business

# North America and Europe

LG H&H's true herb cosmetic brand Belif continues to consolidate its position in North America. It expanded its reach in the United States by entering 440 Sephora stores located in major cities such as New York, Boston, San Francisco, and Los Angeles. In particular, we spurred growth by entering Ulta Beauty, one of the largest beauty distribution channels in the U.S. with over 1,200 stores across the country. Also, we are expanding online market centered on Amazon.



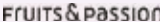
Meanwhile, luxury brands such as Su:m37° and OHUI opened a luxury flagship store, Whoo in Vancouver, Canada to expand the North American market, providing a space where customers experience the essence of our luxury brands for the first time in North America.

Upon acquiring Avon in North America in 2019, we leveraged the distribution network and business infrastructure of Avon with approximately 250,000 employees across the United States, Canada, and Puerto Rico. We are building a solid foundation for growth by upgrading our existing low-cost, product-centered Avon portfolio to premium products and introducing innovative Korean cosmetics and personal



care products that are optimized and tailored for local tastes. In particular, we introduced the Avon Digital Catalog in 2020, which enables product experience and ordering via mobile, thus expanding the customer base to the MZ generation, which is familiar with digital technologies and strengthening our online and offline base.

In addition, in 2020, we acquired the North American business rights of Physiogel, a derma cosmetics brand, and started its sales in the U.S. from the fourth quarter. By doing so, we are laying the foundation to develop Physiogel into a global derma cosmetics brand.

Major Brands in Europe	Major Brands in the United States	Major Brands in Canada
Cosmetics	Cosmetics	Cosmetics
	 The history of 	 

## Digital Transformation

### Enhancement of Digital Transformation Capabilities

With the rapidly emerging digital-oriented consumer channels due to the COVID-19 pandemic, LG H&H is striving to actively communicate with online customers online via social media and live commerce. In this rapidly changing digital environment, we are able to respond flexibly as a project-based organization and provide training for employees such as coding and creation of digital content.

In 2020, we provided Python and R training, which consists of hands-on courses from the basics of coding languages to practical work. Furthermore, we provide our employees with opportunities to participate in the digital tech college course at our training center, LG Leadership Academy, to enhance their digital transformation capacity and practical work efficiency.

#### Case Gene-based Customized Product Development

Human genetic information remains constant throughout life and affects a variety of body characteristics, including race, skin color, male pattern hair loss, and BMI<sup>1)</sup>. LG H&H and MiGenstory, a genetic analysis service organization, are researching the skin and health of Korean people by using the genetic data of about 50,000 people secured in the database. Based on this data, we will be able to diagnose the customer's gene type and develop customized efficacy ingredients and products.

1) BMI (Body Mass Index): One of the measures of obesity, the weight in kilograms divided by height in meters squared

#### Case Development of Lipstick Prediction Model Algorithm

In 2020, we developed an AI (artificial intelligence) algorithm that recommends lipstick colors in collaboration with the Color Research Institute and the CDO<sup>2)</sup> organization. This technology learns and predicts the right color for the target by using the accumulated data provided by the Color Research Institute. In this way, LG H&H intends to create new business value through data analysis and linkage with technologies of the fourth industrial revolution and utilize it in a wide range of areas such as R&D, quality & safety, and Jeong-Do management.

2) CDO: Chief Digital Officer



#### Case OHUI The First Geniture Sym-Micro Essence

The First Geniture Sym-Micro Essence is a product line that applies microbiome technology which contains seven kinds of prebiotics and probiotics that improve tired and imbalanced skin caused by changes in the environment. Featuring the stabilized high-content elastomer and outstanding non-slip property, this product has been tested for its skin barrier-improving, hydrating, and gloss-providing effect.

## Microbiome Technology

### Skin Microbiome-Based Anti-Aging Technology

The skin microbiome is a microbial ecology that lives in symbiosis in the skin. Skin abnormalities occur when the skin microbiome becomes imbalanced. LG H&H has developed microbiome technology to develop safe products that have lasting effects through organic harmony of the microbiome, rather than simple skincare that solely supplies skin ingredients. We applied the skin microbiome-based anti-aging technology to 16 products of our own brands such as Su:m37°, OHUI, and Dr.Groot.

#### Case Dr.Groot Microbiome Genesique 7

The Dr.Groot Microbiome Genesique 7 is a product line that improves the weakened scalp of hair loss consumers with 7 kinds of Pre-biotics and Para-biotics<sup>3)</sup> such as lactic acid bacteria fermentation solution and yeast extract. We also launched ampoule treatment products to improve the hair health of those who are losing their hair.

3) Para-biotics: Dead cell



# 04

## Strengthening Social Contribution Activities

Companies are required to not only to create financial profit but also demonstrate responsible actions as a corporate citizen. To meet this social demand, LG H&H creates jobs and supports the growth of beauty influencers through a program that nurtures natural beauty creators by harnessing the business's characteristics.

### Goals

	<p>Achieve cumulative 280 beneficiaries of social advancement such as job creation for women (by 2025)</p>		<p>As a habit improvement convergence education program for teenagers, the Borrowed Earth School education channel diversified and a total 100,400 beneficiaries<sup>1)</sup> targeted (by 2025)</p>	
	<p>Constantly increase values through the post-management of program participant</p>		<p>Shiny PERIOE, a health musical for children, expanded across the country with 242,290 beneficiaries<sup>2)</sup> targeted (by 2025)</p>	

1) Borrowed Earth School: cumulative data since 2014  
 2) Shiny PERIOE: cumulative data since 2004

### “Natural Beauty Creator” Training

#### Reflect Business Trends in the Era of Fourth Industrial Revolution

The Training Course for the 3rd-term Natural Beauty Creators in 2020, reflects the business trends in the Era of the Fourth Industrial Revolution such as digital marketing and V-commerce, focusing on the development of professional beauty influencers by providing them with basic and practical training. The basic training was carried out for 10 weeks with experts in the fields of beauty, environment, and video, putting the focus of the training on the development of qualifications and competencies in the new trends in beauty industry, eco-friendly lifestyle, and content planning and production methods. The practical training includes copyright training, training necessary for practical work, and channel mentoring by management experts.

#### Audition and Selection

In 2020, we selected beauty creators from among men for the first time, providing growth opportunities for male beauty influencers. More than 300 applicants of various backgrounds, including a job seeker who had been frustrated by barriers to employment, women with a career who dedicated to marriage, childbirth, and child care, and a male beauty creator applicant, applied for the 3rd term. We conducted non-face-to-face video interviews for 110 candidates who passed the document screening. Then, we selected 29 female and 6 male beauty creators who passed the 8:1 competition through the final screening as the 3rd-term natural beauty creators.







**Creator's experience with Nabeauties**  
**The 2nd-term Natural Beauty Creator, Sora Ahn**  
**Channel Name: GRAIN**



When I looked at the announcement of the 2nd-term Natural Beauty Creator recruitment, I thought, "That's what I want!" I believed this was my chance to learn everything as a creator and grow into a professional. The video planning and editing skills that I learned in the curriculum and my mission experiences in collaboration with LG H&H's products served as a solid foundation to run my channel. I was also able to work harder, thanks to the support of the Nabeauties members. I am also thankful that my newly created channel is working well since I created a new channel after receiving personal consulting when I was a member of the 2nd-term Natural Beauty Creator class.

“ In Nabeauties, I attended lectures on the environment as well as beauty, and I think these lectures had a good influence on me. In the future, I want to become a creator who can have a positive influence based on my experiences as a natural beauty creator. ”

**Non-face-to-face Training Course**

With the prolonged social distancing due to COVID-19, we have conducted all training courses for the 3rd-term Natural Beauty Creator using Zoom. We also conduct group training and mission activities to complement physical limitations of non-face-to-face training. In addition, we have formed the Nabeauties Mentor Group to help reduce dropouts and operated an online cafe to build bonds between participants and ensure that training goes smoothly for them.

**1:1 Strength Coaching Program**

We updated the 3rd-term curriculum with new training items such as coaching for individual creators' strengths and speech training. We provided 1:1 personalized coaching so that participants can identify their unique talents (TOP5 strengths) through online diagnosis and use them in creator video production and activities.

**Mission Accomplishment League with Beauty & Environment-related Themes**

We provide the participants with the opportunity to participate in LG H&H Beauty Promotion events and also offer them diverse experiences as beauty influencers through various missions. Those who excelled in their missions are given rewards as well as support for online channel advertisement, filming devices, marketing with brand promotions, and the opportunity to sign a model contract.



# 05

## Establish a Sustainable Supply Chain

The organic connection with various suppliers in the supply chain demands that the company manage the ESG aspect of the supply chain to secure its sustainability. To this end, LG H&H minimizes relevant risks through the supply chain CSR assessment, which also includes on-site inspections and provides support for our suppliers to enhance their CSR capabilities.

### Goals

 <p>Achieve a higher grade of the Safe Quality Certification<sup>1)</sup> with cumulative 660 suppliers (by 2025)</p>	 <p>Provide suppliers with technical support<sup>1)</sup> (1,811 cases, cumulative, by 2025)</p>	 <p>Provide suppliers with financial support<sup>1)</sup> (KRW 310.2 billion, cumulative, by 2025)</p>
 <p>Minimize risks by enhancing suppliers' capabilities for CSR</p>	 <p>Provide consultation service to bolster overseas suppliers and explore potential suppliers</p>	 <p>Expand the purchase of sustainable palm oil (RSPO)</p>



<sup>1)</sup> The safe quality assessment for suppliers consists of cumulative data from 2019  
The technical/financial support goals and achievements are cumulative data from 2017

### Assessment System of Suppliers' CSR

LG H&H conducts the assessment of the CSR elements, which are potential risks to suppliers, to build a sustainable supply chain. In 2020, due to the COVID-19 crisis, we developed an online assessment system to conduct non-face-to-face CSR assessments to help suppliers reinforce their CSR capabilities.

#### Assessment Targets

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

#### Assessment Criteria

LG H&H conducts an overall assessment when selecting new suppliers for raw and subsidiary materials and products and when deciding whether to retain partnerships with existing suppliers. Potential suppliers should undergo the Safe Quality Certification Assessment and CSR Assessment. They are only allowed to register as suppliers and begin trading with the company if they score 550 or more out of 1,000 points in the former assess-

ment and 75 or more from 100 points in the latter assessment. In terms of existing suppliers, we introduced the Safe Quality Certification System. Both LG H&H and suppliers work to achieve a higher grade every year, aiming to reach the World Best grade. We separated the category of CSR from the overall assessment, and warn any supplier that fails to gain 75 points or over. If such a supplier does not improve the aspect in question, then we terminate the business relationship with the company under the revised procurement policy. This puts more weight on the importance of the CSR assessment.

Current Status of Suppliers (Unit: Company)

Total number of suppliers		759
Tier 1	Suppliers	646
	Core suppliers	86
Tier 2 or higher	Suppliers	113
	Core suppliers	45

\*Non-consolidated

## Conduct Suppliers' CSR Assessment

### Safe Quality Certification System for Suppliers<sup>1)</sup>

LG H&H developed the Safe Quality Certification System by applying stricter criteria than relevant regulations to create products that consumers can use without concerns. The Safe Quality Certification System evaluates the companies' compliance with the work standards of 4Ms (Man, Material, Machine, Method) in six major categories of compliance with regulations, safety against harmful substances, effect and performance of products, the safety of content, quality of subsidiary materials, and convenience for users. In 2020, we conducted a safety quality assessment for 113 companies among key suppliers and new suppliers and awarded nameplates to the two companies selected for their outstanding safety practice. In addition, we have established a global network assessment system to expand the scope of safe quality assessment to overseas suppliers, and we plan to conduct it for new overseas suppliers from 2021.

1) Based on a 1,000-point scale, it is categorized into a Safe Surprise (850 points or more), a Safe Satisfaction (750 - 849 points), and a Safe Practice (650 - 749 points)

### Management Direction of Suppliers

	Quality (Safety)	Deadline	PDS <sup>2)</sup> performance	Credit rating
Aspects to be managed with priority	Quality and safety-related factors, including violations of harmful substance regulations and guidelines	Meeting the deadline based on the initial supply request date	Synergy from cooperation, including new ideas and proposals for new technologies	Financial stability based on the result of credit rating
	Technological capacity, sustainability, field management			
From the perspective of ESG	Grade of Safe Quality Certification	Upgrade the average level of CSR and expand the scope of management		
	Expand the scope of application of the Safe Quality Certification System for suppliers to prevent quality issues	Identify the overall CSR activities of suppliers, including the perspectives of environment, labor and human rights, ethics, and safety, and strengthen their CSR competitiveness		

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

### Assessing the CSR of Suppliers

LG H&H has established a code of conduct for suppliers with 28 items in four categories, including labor and human rights, environment, safety, fair transaction, and personal information protection, which are part of their corporate social responsibilities. This code of conduct is available on the website of the procurement system. In addition, we visit our suppliers based on its annual schedule to check their potential CSR risks, and reflect them in the comprehensive evaluation of suppliers to reduce risks so that major suppliers increase their interest in CSR and comply with it. In 2020, we conducted a web-based non-face-to-face CSR assessment for a total of 190 suppliers. As a result, in relation to human rights and environmental safety, we have recommended improvement and established improvement plans for 23 suppliers that are classified as high-risk groups.

### Third-party CSR Inspection

LG H&H conducts a third-party inspection every year to increase the expertise and objectivity of CSR assessment and to provide new information and improvements related to CSR. In 2020, we selected 10 of our suppliers classified as high-risk groups through CSR assessment and conducted a third-party inspection through video conference in accordance with the guidelines for preventing the spread of COVID-19. We then provided the results report of the inspection to all suppliers. Suppliers establish improvement plans based on this results report and manage potential and risk factors.

### Results of assessment on CSR of suppliers

(Unit: Company)

Category	2020	
Tier 1	Suppliers that underwent CSR assessment	138
	-Self-assessment <sup>3)</sup>	138
	-On-site assessment <sup>4)</sup>	No assessment conducted due to COVID-19
	Suppliers with higher CSR risks <sup>5)</sup>	10 <sup>6)</sup>
	Third-party inspection <sup>7)</sup>	10
Tier 2 or higher	Suppliers that underwent CSR assessment	52
	Suppliers with higher CSR risks	13 <sup>6)</sup>

\*Non-consolidated

3) Self-assessment: Online CSR self-assessment conducted for 181 existing suppliers (131 in Korea, 50 in other countries) and 9 new suppliers

4) On-site assessment: Due diligence assessment to check whether the workplace has implemented assessment items

5) Suppliers with higher CSR risks: Suppliers classified as high-risk groups, as a result of assessment using a total of 41 assessment indicators (12 labor rights, 12 environment, 8 safety and health, 4 ethical management, and 5 other items) to check potential CSR risks (those with less than 30 points out of 100 in total)

6) In 2020, the CSR assessment was conducted with a higher standard than the previous year due to an enhancement of assessment indicators

7) Third-party inspection: Third-party inspection involving external experts

### Case Human Rights Protection Activities across the Supply Chain (RSPO)

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

# 06

## Providing a Good Work Environment

An organizational culture that respects employees' human rights and supports their growth is the key element of sustainability. LG H&H recognizes human rights-based management as the most important factor in a company's success and creates a good working environment by providing training courses to enhance employees' capacity and engagement.

### Goals

 Enhance employee engagement (by 2025)	 Establish a global training framework (by 2025)
 Build global leadership (by 2025)	 Achieve 28% of female managers (by 2023)




### Human Rights Management

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

### Capacity Building of Employees

#### Development of Global Experts

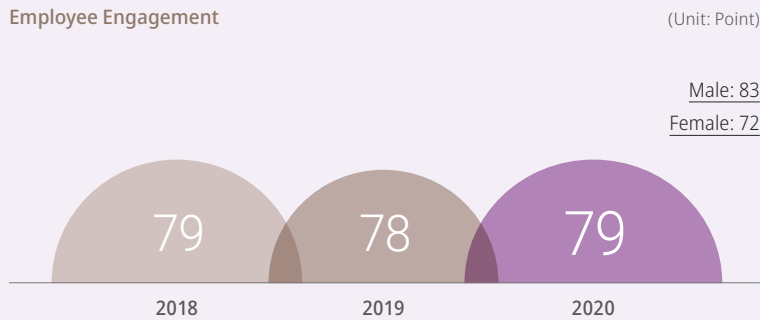
LG H&H runs a variety of global human resource development courses to nurture human talent equipped with capabilities for global business. We have a one-on-one English course with a native teacher, aimed at enhancing employees' capabilities for global business as well as language skills. Our GEC (English)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

### Global Training in 2020

-  English coaching class  
**41** Persons
-  GEC (Global Expertise Course)  
**16** Persons
-  Global MBA  
**3** Persons
-  GECC(Global Expertise Course in Chinese)  
**13** Persons

**E-Learning Courses**

We have a wide range of e-learning courses for employees so that they can participate in training programs at the right time. “L-lemon,” which is for employees in charge of sales and sales promotion, provides 1,055 education programs regarding industry trends, products, and sales skills to enable employees to keep up with the rapidly changing FMCG industry. “E-Academy” is for all employees and provides 1,190 education programs related to foreign language, leadership, humanities and liberal arts, and specialized jobs. In addition, we updated the digital transformation course to help employees to be well aware of changes in trends. We are also expanding e-learning by offering these courses to the family members of our employees for the sake of further developing the learning culture.



**Work Engagement Program**

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

**Diversity in the Workplace**

**Best Workplaces for Women**

LG H&H leads the corporate culture where the capabilities of employees are acknowledged based on performance, regardless of gender. For instance, we appointed two female employees with global sense and expertise, including a local female leader in her 30s, as new executives at the end of 2020, following the appointment of the youngest female executive in the previous year. We are also establishing an organizational culture that allows people to work in harmony, regardless of gender, by retaining the “Best Family-Friendly Management certification” granted by the Ministry of Gender Equality and Family for 8 consecutive years. In addition, we create a working environment where employees can relieve the burden of pregnancy and childcare, such as operating a daycare center in the company and the family care leave system and allowing employees to apply for maternity and parental leave without hesitation and to work from home for urgent child care. To be specific, maternity leave of 90 days (120 days for twins) is provided, along with an additional system where those suffering from diagnosed pregnancy complications including threat of miscarriage are allowed to take paid sick leave for up to a month. Those taking high-cost fertility treatment are offered financial support in addition to the government subsidy (KRW 1.5 million per round of a fresh embryo transfer during in-vitro fertilization, up to four times, KRW 6 million of support in total). One-year parental leave and the one-year reduced working hour system for child rearing (for those with children under 8 or second graders or younger) are allowed for all employees regardless of gender. As a company that produces daily consumer goods such as cosmetics, home and personal care products, and beverages, we actively develop female employees who have an outstanding business sense. As of the end of 2020, female workers account for 53.1% of the total number of employees. We are constantly improving related systems so that our talent can pursue work-life balance, and we also provide opportunities for re-employment for female employees on career breaks due to marriage or child care.

**Ratio of Female Managers for Each Position** (Unit: %)

Category	ratio
All managers <sup>1)</sup>	26.1
Junior managers <sup>2)</sup>	45.1
Executives	18.6
Managers in revenue-generating divisions <sup>3)</sup>	22.6
STEM-related managers <sup>4)</sup>	37.1

\*Non-consolidated

- 1) Assistant managers(Lv.1)-Executives
- 2) Assistant managers(Lv.1)
- 3) Leaders(Lv.2) or higher positions for marketing and sales divisions
- 4) STEM(Science, Technology, Engineering, Math): Leaders(Lv.2) or higher positions for R&D, production, quality, environment and safety divisions

## Human Rights Impact Assessment

LG H&H conducts human rights monitoring and due diligence at domestic and overseas business sites and major suppliers every year. In 2020, we conducted the first survey on human rights to figure out the experiences of direct and indirect human rights violations of our employees. As a result of the survey, no serious human rights violations were found in our domestic business sites. For areas that are partially inadequate and need improvement, we have established an action plan and implemented improvement activities. In addition, we found potential risks from our suppliers, such as official guidelines for the prevention of sexual harassment were not met, and official documentation on migrants hiring was inadequate. We have established improvement tasks for suppliers where potential risks are found, and plan to continuously monitor whether or not to improve.

## Impact Assessment Result and Remedial Measures for Human Rights

Category	Human Rights Issues	Impact Assessment Method	Result and Remedial Measures in 2020
Employees	Non-compliance with the behavioral code for employees	Cyber SINMUNGO	<ul style="list-style-type: none"> <li>Received 40 cases of reports related to employee issues (36 cases processed, 4 cases proven to be false)</li> <li>Operated the report reward system and the whistleblower protection system</li> </ul>
	Sexual harassment and workplace harassment	Top Dignity Survey	<ul style="list-style-type: none"> <li>Result of the Top Dignity Survey in 2020</li> <li>- Serious issues: N/A - Potential issues: N/A</li> <li>Conducted education programs for the top dignity corporate culture</li> <li>Operated the counseling center for harassment issues and distributed the guidelines</li> </ul>
	Stress of employees	LG Way Survey	<ul style="list-style-type: none"> <li>Result of the LG Way Survey in 2020: 79 points from the employee engagement assessment</li> <li>Provided special lectures for employees handling emotional labor, established and distributed emotional labor guidelines</li> <li>Operated the psychotherapy counseling center where an expert works once a week</li> </ul>
	Industrial accidents caused by negligence at business sites	Safety diagnosis of business sites Health checkup of employees	<ul style="list-style-type: none"> <li>Conducted the safety diagnosis (electricity/fire fighting, etc.) through an external agency at 4 business sites and 127 external suppliers and implemented improvement measures</li> <li>Conducted a safety diagnosis at 14 business sites and 69 logistics centers, and implemented improvement measures (non-face-to-face diagnosis at logistics centers)</li> </ul>
Suppliers	Production and supply process of palm oil	RSPO Certification	<ul style="list-style-type: none"> <li>Retained the RSPO Segregation Certification in business sites in Ulsan and Onsan</li> <li>Established sustainable raw material purchasing policy</li> </ul>
	Labor rights issues of suppliers' employees	CSR assessment of suppliers	<ul style="list-style-type: none"> <li>Conducted the CSR Assessment for suppliers</li> <li>- Conducted the online CSR assessment for 138 Tier 1 suppliers and 52 Tier 2 (or other) suppliers</li> <li>Carried out improvement tasks for suppliers with high risks, including 10 Tier 1 suppliers and 13 Tier 2 (or other) suppliers</li> </ul>
	Damages from unfair transactions (unreasonable demands, etc.)	Cyber SINMUNGO Bribery Report System	<ul style="list-style-type: none"> <li>Received 18 cases of grievance from suppliers</li> <li>Promoted a "No gift-giving&amp;taking" campaign among LG H&amp;H employees</li> </ul>
Customers	Protection of customers' personal information	Security check of personal information (LG H&H and suppliers) Mock hacking of personal information	<ul style="list-style-type: none"> <li>Conducted inspections for 50 suppliers handling personal information to minimize risk factors and implemented improvement measures</li> <li>Detected vulnerabilities in personal information handling for 219 systems</li> </ul>
	Damage to customers (product safety, etc.)	Voice of Customers (VOC)	<ul style="list-style-type: none"> <li>Achieved 4.67 points in consumer counseling satisfaction result of 2020 (out of 5 points)</li> <li>Implemented the intensive claim management system to share issues with relevant departments within 30 minutes after receiving VOCs and visit the customer within a day</li> </ul>
	Local community	Entry of vulnerable groups into society (people with disabilities, women, senior citizens, etc.)	Vulnerable groups

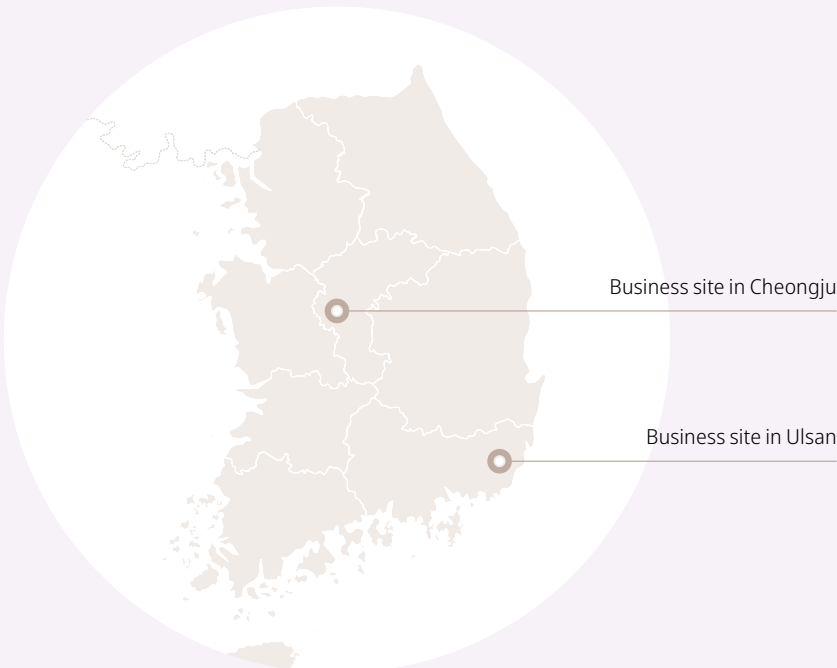
**Human Rights Due Diligence<sup>1)</sup> Process**

In accordance with global standards such as the UN Due Diligence Guidelines and the OECD Guidelines for Multinational Enterprises, LG H&H conducts due diligence in phases to identify the current conditions and aspects for improvement, implement improvement measures, conduct monitoring, and communicate with external stakeholders about the progress. We carried out Step 2 of this due diligence in 2020 to explore potential improvement by identifying the current conditions.

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

**Case** Due Diligence at Domestic Business Sites

In 2020, we conducted a human rights survey for LG H&H employees to identify related issues and conducted non-face-to-face due diligence at the Ulsan and Cheongju business sites. Due diligence is aimed at managing risks related to labor and human rights to operate business sites following global guidelines. We carried out self-inspection on a total of 96 inspection indicators, including the establishment of a human rights management system, non-discrimination of workers, and guarantee of freedom of association and collective bargaining, and conducted interviews with workers identified as those who are vulnerable to human rights abuses. For matters that need improvement, we established action plans and shared relevant laws and regulations so that business sites could proactively manage potential human rights risks. For aspects that required improvement, we planned appropriate actions and shared relevant laws and regulations so that business sites could proactively manage potential human rights risks. LG H&H will constantly monitor the progress of improvement and establish a systematic management system for the impact on human rights and relevant risks in the future.



# 07

## Facilitate the Circulation of Resources

Along with increased demand for corporate social responsibility to solve the environmental issues caused by packaging waste, especially waste plastics, LG H&H aims to contribute to the establishment of a circular economy for plastic by promoting green packaging that demonstrates improved container weight, material, and recyclability.

### Goals

- Achieve KRW 510.0 billion in sales of green products with the use of eco-labeling (by 2025)
- Use 200 tons of recycled plastics (by 2025)
- 50% reduction of restricted substances<sup>1)</sup> (by 2025)
- Achieve 50% clean beauty products among new clean beauty brands (by 2025)
- Achieve 1.46 tons/product-ton of water intensity (by 2025)

**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**    **13 CLIMATE ACTION**

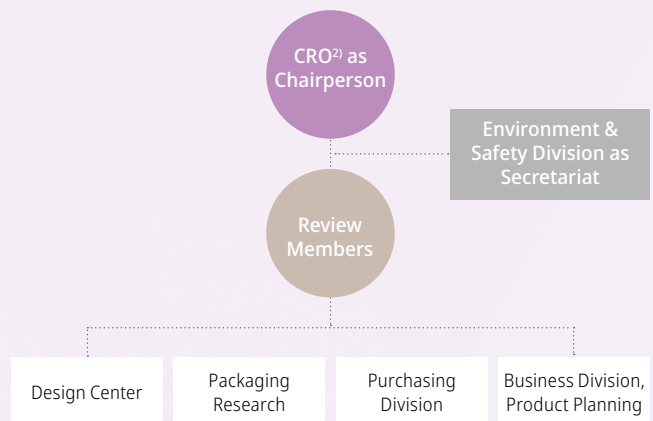
1) Decamethylcyclopentasiloxane(D5), Dodecamethylcyclohexasiloxane(D6) in the Annex XVII of REACH Regulation

### Endeavor to Reduce the Environmental Impact of Product Packaging Materials

#### Green Product Review Committee

LG H&H operates the Green Product Review Committee on a company-wide level to realize sustainable green packaging. With the CRO as its chairperson, the committee is composed of the design, packaging research, purchasing, business division, and product planning departments, and is primarily run by the environment and safety team. The committee carries out activities from the pre-development stage, proposing green packaging and suggesting and reviewing green level issues. To proactively comply with rapidly-changing packaging policies, the committee shares relevant information, establishes policies, and applies the policies in products. In 2020, through the operation of the Green Product Review Committee, we conducted activities to minimize product containers, improve materials, and increase the recyclability of our packaging. We reduced the weight of containers by applying a stepped tray to the set products, changed the container material from PET to PP(Polypropylene) or HDPE(High Density Polyethylene), and reduced the amount and cost of packaging waste by implementing improvement tasks to enhance recyclability.

#### Green Product Review Committee



2) CRO: Chief Risk Management Officer



### Green Packaging System

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

#### Case Label-Free Seagram Soda Bottles

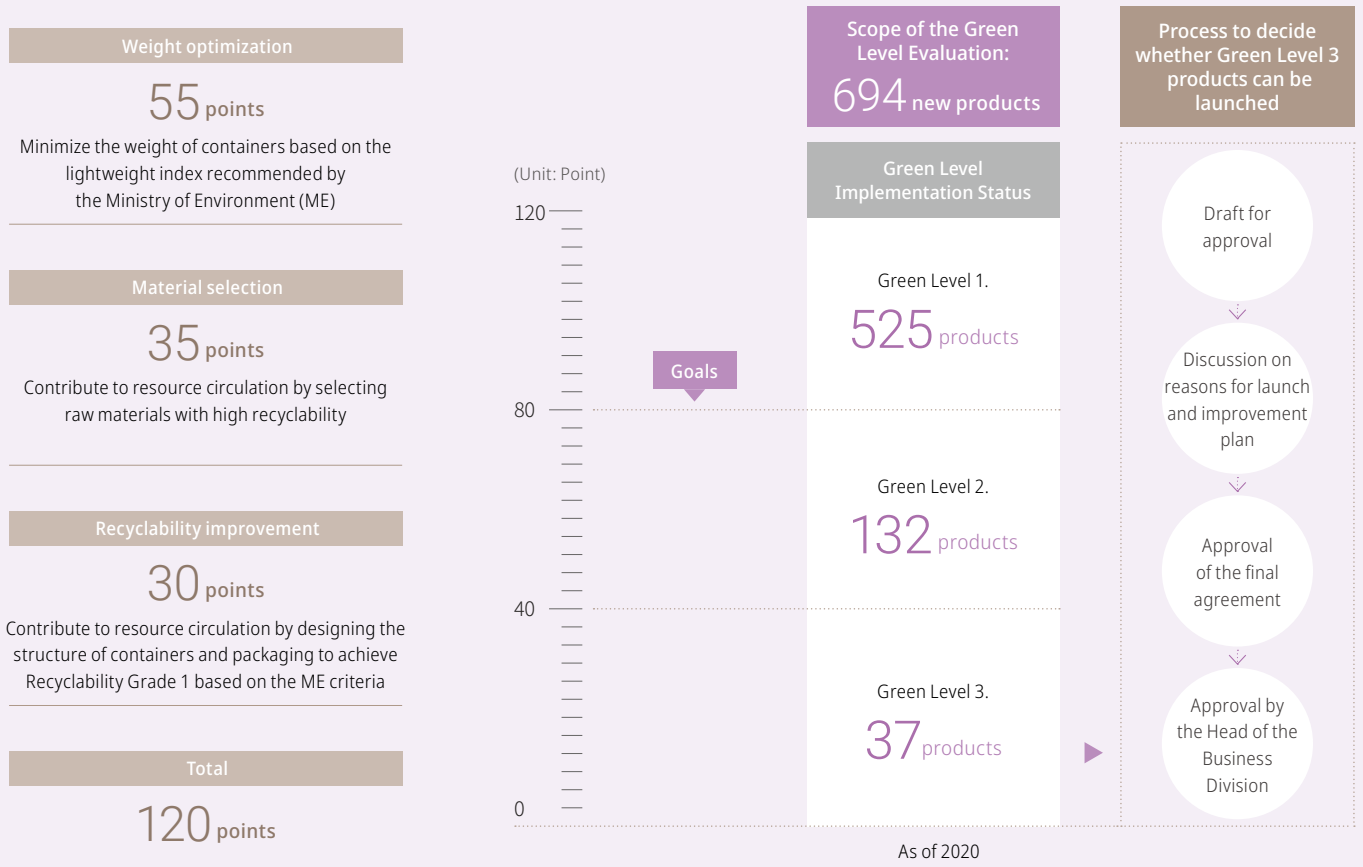
The first label-free soda bottle in Korea improves recyclability for the separate waste discharging practice by eliminating the hassle of removing labels. In addition, the volume of raw plastic materials used in the PET bottle production stage is reduced.



#### Case Resource Circulation of Cosmetic Containers

We have established a resource circulation system for cosmetic containers to promote the resource circulation of cosmetic containers that are difficult to recycle and to create an upcycling ecosystem. With this system, consumers receive certain mileage points when returning empty containers to a store. The collected containers are then processed by a recycling company and LG H&H repurchases the recycled resin.

### Green Packaging Assessment Status in 2020



### Green Packaging System for Efficient Use of Resources

LG H&H operates the Green Packaging Guide, a unique rating scale created by LG H&H, which evaluates the eco-friendliness of products by assessing their weight, volume, materials, and the recyclability of packaging materials. We also carry out activities to promote resource circulation, such as container weight reduction, packaging material improvement, and recyclability improvement according to the newly partially revised assessment system for ease of recycling. In addition, to reduce the use of new petroleum-based materials, we plan to increase the proportion of natural substances added and recycled materials used.

**Case** Happy Whale Liquid Detergent 600g

LG H&H has reviewed expanding the use of eco-friendly raw materials using natural ingredients when manufacturing containers to reduce carbon emissions from manufacturing and disposal. In 2020, for a laundry detergent for export to Japan, we reduced carbon emissions by 20% based for plastic used in containers by applying BIO PET materials that use 30% of ingredients extracted from sugar cane. We are currently conducting eco-friendly certification by the Japan Bioplastics Association.



Carbon emissions compared to petroleum-based materials

↓ 20%

### Use of Recycled Packaging Materials in 2020



Metal cans

250 ton

Recycling rate

100%



Glass bottles

2,914 ton

Recycling rate

87%



Synthetic resin packaging materials<sup>1)</sup>

20,075 ton

Recycling rate

83.7%

1) 20,718 tons in 2019 (recycling rate of 79.0%),  
20,463 tons in 2018 (recycling rate of 77.2%),  
22,106 tons in 2017 (recycling rate of 76.5%)



Use of petroleum-based materials

↓ 14.9 tons

**Case** Simplified AURA Fabric Softener 1L+1L Package

Polybags used for packaging allow for the easy transport of products. However, the packaging method must be simplified since it is often discarded immediately after purchase by consumers. In 2020, LG H&H implemented an easy-to-use packaging plan that replaces polybags by using a strip-shaped shrink film that strongly binds two containers together, thereby reducing the use of petroleum-based materials by 14.9 tons per year.



**Case** Improving Recyclability of PET Containers

In 2020, it became mandatory to dispose of transparent plastic bottles separately to maximize the recyclability of PET bottles and prevent the mixing of heterogeneous raw materials. In addition, labels or pumps that are difficult to separate require improvements. LG H&H changed the materials of containers with pump dispensers to PP or HDPE to improve separation and recyclability, and also reduced the recycling charges.

**Case** Optimizing Pongpong 13.7L Horse Bucket Capacity

The high-capacity horse bucket-sized Pongpong, which is sold primarily for business use, uses a large amount of plastic to withstand its heavy loads. We have explored capacity optimization to reduce plastic usage and partially improved the structure to facilitate a better load distribution for container molding, maintaining the strength of the container while reducing the container weight by 20g. In this way, we were able to reduce the use of petroleum-based materials by 2 tons per year.



**Case** Simplifying Packaging Specifications for Dr.Groot Ampoule Treatment

We have redesigned our hair ampoule product, changing to a pointed cap from the existing short cap to enhance user convenience and reduce its environmental impact. We have reduced manufacturing cost by integrating the separately provided applicator, and decreased the use of petroleum-based materials by 2.6 tons per year.



**Case** Optimizing the Packaging for Jun Ji-Hyun's Goddess Hair Texture Set

In general, a comprehensive gift set is designed with optimal specifications according to the type of packaging and the type of components. In the case of packaging sets with large variations in thickness and dimensions between components, LG H&H has stacked the products in a stepped design and ultimately reduced the packaging volume. Through these efforts, we have been able to reduce the use of PET resin by 0.9 tons per year compared to the existing flat layout.

# 08

## Leading the Response to Climate Change

As the stakeholders' interest in the issue of climate change increases globally, consumers are demanding companies to actively respond to the climate crisis. LG H&H is responding to climate change by improving the energy efficiency of its facilities and equipment and is striving to realize a low-carbon society by expanding the use of renewable energy.

### Goals



Achieve 0.069 tCO<sub>2</sub>e/product-ton of GHG emissions intensity (by 2025)



Prepare for a carbon-neutral future



Improve energy efficiency through constant investment, including the improvement of facilities in business sites and the replacement of deteriorating equipment



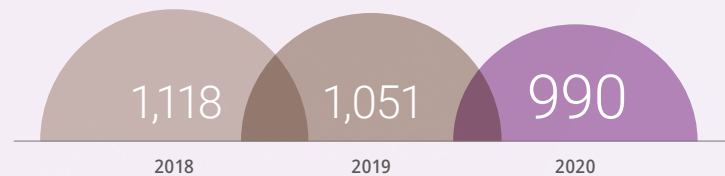
### Energy and GHGs

#### Energy Consumption

LG H&H has established a plan for reducing GHG emissions and energy consumption, while making constant investments to introduce high-efficiency facilities and to increase the efficiency of the equipment. In our business site in Yeosu, for example, we have implemented energy-saving activities through PET process cooler and warmer energy substitution, reducing the use of LNG by 20,401Nm<sup>3</sup>. In addition, in our business site in Cheongju, we replaced lighting fixtures in the warehouse and cosmetics manufacturing room with high-efficiency LEDs, thereby reducing power consumption by 28,634kWh.

Energy Consumption

(Unit: TJ)

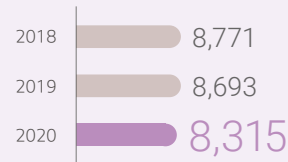


\*Non-consolidated

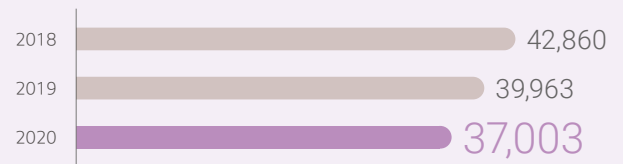
**GHG Emissions**

LG H&H has established the GHG inventory and the energy management system to respond to climate change. As our energy use in the manufacturing process is relatively low, LG H&H as a corporate body, except Ulsan Plant, is not subject to the energy target management system under Article 42 of the Framework Act On Low Carbon, Green Growth. Since 2005, we have been systematically controlling our energy use and GHG emissions across all our business sites, using the GHG inventory and the climate change response system for domestic and overseas business sites, as well as ensuring the transparency and objectivity of our emissions data through a third-party assessment. In Yeosu Plant, for instance, we reduced 45 tons of CO<sub>2</sub>e by implementing energy-saving activities through PET process cooler and warmer energy substitution. Moreover, in Cheongju Plant, we have cut energy use by diagnosing steam traps and adjusting transformer taps, thereby reducing GHG emissions by 13 tons of CO<sub>2</sub>e.

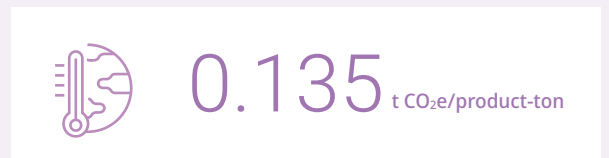
**Direct GHG Emissions (Scope 1)** (Unit: tCO<sub>2</sub>e)



**Indirect GHG Emissions (Scope 2)** (Unit: tCO<sub>2</sub>e)



**Target 2025 GHG Emissions**



\*Non-consolidated

**Energy Reduction Activities**

Category	Description	Reduction benefits	Energy reduction (GJ)	GHG emissions reduction (tCO <sub>2</sub> e)	Business site
<b>Energy demand control</b>	BE-Project packaging facility and distribution line installation work	Electricity 27,712 kWh	266	13	Cheongju
	PET-1 cooler ↔ PET warmer energy substitution	LNG 20,401 Nm <sup>3</sup>	889	45	Yeosu
	Improved energy efficiency through waste recovery of CAN3 line	LNG 170,558 Nm <sup>3</sup>	720	720	Cheonan
	Replaced with high-efficiency LED lamp	Electricity 215,134 kWh	2,065	100	Cheonan

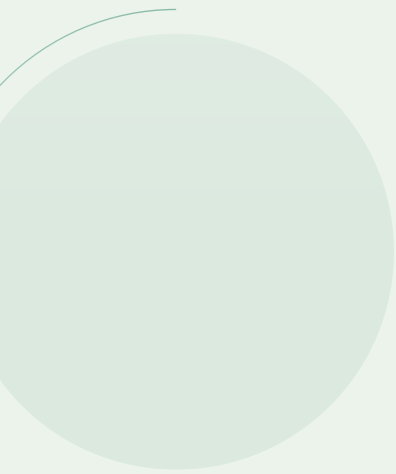
\* Calculated in accordance with the guidelines for GHG and energy target management and operation, etc.



02 /

# Sustainability Management





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56  
Employee  
Value

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60  
Customer  
Satisfaction

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64  
Social  
Contribution

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68  
Environment and  
Safety Management

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76  
Win-win  
Growth

# Employee Value

## Management Approach

The core of a sustainable organization is to build a culture that respects the diversity of employees and supports individual growth. Advanced companies provide fair performance evaluation and compensation, various programs to develop employees' job competency, and a healthy work-life balance.

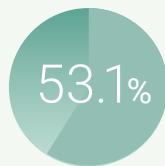
Based on the management philosophy of respect for humanity, LG H&H implements non-discriminatory recruitment and a performance-based compensation system. We support the development of each employee through various programs, internalize an organizational culture of mutual respect and communication, and build a creative work environment.



Statutory quota rate for employees with disabilities



Ratio of female employees



E-Academy course



1,190 cases

Agendas for the employees' committee



121 cases

Training expense per employee



KRW 839 thousand





## Diversity of Employees

### Development of Human Resources for Leading Business in the Future

LG H&H strives to secure talented employees with a global sense and growth potential to continue to grow as a global consumer goods company, based on its firm position as Number One in the domestic market. To provide unique value to customers with differentiated brands and products and lead the market, we are focusing on securing marketers with creative and entrepreneurial personalities and R&D talent who will continue to innovate future technologies. Due to the accelerating changes in the distribution environment in the non-face-to-face era, we are also striving to strengthen our internal capabilities by securing experts in the digital field who can lead digital transformation. By doing this, we are not only strengthening our existing business areas but also laying a firm foundation for sustainable growth through various attempts in new areas. We provide the talent we secure with experiences and opportunities to grow on their own. We foster them through work and support them to cultivate entrepreneurial competencies and qualities through the HR system, which handles processes such as promotion by selection based on performance and the process of developing key talent.

### Diversity of Employees with Global Competence

LG H&H is strengthening its position in the domestic market and rapidly expanding its global business to China, Japan, and the U.S. in order to enter the top 5 in Asia following the achievement of the No.1 position in Korea. To this end, we operate a project-based global internship program focusing on key positions such as marketing and R&D to secure talented employees with a global sense of understanding and language skills and conduct recommended recruitment for excellent overseas talent. For internal employees, we operate a variety of global training programs such as Global MBA courses, short-term overseas dispatch, and Chinese/Japanese business conversation courses, and provide various opportunities necessary for overseas business execution, such as working at overseas business-related departments and building project experiences.

### Recruitment of Socially-vulnerable Groups

LG H&H runs Bright World, a sheltered workplace for people with disabilities, to contribute to revitalizing employment for people with disabilities who are disadvantaged. As of 2020, 70 out of 100 workers at Bright World have disabilities, 58 of them severe, and are doing work related to the cafeteria, café, car washing, cleaning, and packaging cosmetics. In 2020, we expanded the range of services to valet parking at the Cheongju plant and a cafe at LG H&H's Gwanghwamun headquarters. In 2021, we plan to open a store and a cafe at the LG Cheongju Technopolis plant. LG H&H has provided a life independence education program in collaboration with the Chungcheongbuk-do Office of Education so that workers with disabilities can pursue economic independence and self-reliance in their daily lives. In addition, we participated in the campaign designed to overcome COVID-19 led by the Korea Employment Agency for Persons with Disabilities, contributing to improving awareness so that jobs for people with disabilities can be maintained during these difficult times. For this initiative, we were awarded the Grand Prize at the Contest for Best Practices of Education for Disability Awareness in the Workplace hosted by the Ministry of Employment.



### CASE | Rehiring of Retired Employees

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



Awarded the Grand Prize in the Contest for the Best Practices of Education for Disability Awareness in the Workplace

Corporate Culture

Top Dignity Corporate Culture

In order to create a corporate culture with respect and compassion, LG H&H is emphasizing the “Top Dignity” of employees. With the aim of establishing a healthy and sound corporate culture with employees’ awareness and behavior suitable for the top company, we are striving to build a culture of zero workplace harassment and sexual harassment and respect for diversity (workplace with non-Korean employees and people with disabilities). We have provided Top Dignity training for all employees every year since 2012 and also provided all employees with online training in 2020. In particular, as the statutory requirements for sexual harassment and awareness improvement training for people with disabilities have been strengthened in May 2018, we provide additional online training every year for all employees on that subject. In addition, we provide training for a smart work style with the application of digital transformation and support the development of a healthy culture by providing specific guidelines for the behavior of leaders and employees related to the organizational culture, such as work-life balance. We are striving to create the Top Dignity culture in line with the trend of the times by actively reflecting hot topics such as ESG management and the MZ generation.

Work-life Balance

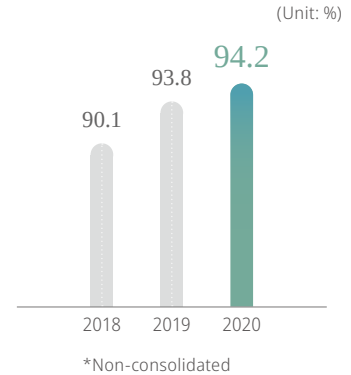
LG H&H continues to develop a culture where employees can choose between the flexible working hour system and the staggered working hour system, depending on the characteristics of their jobs, so that they can concentrate on their work during working hours and focus on their personal life after work. We implement the flexible time system in which employees may choose to start work between 7:00 a.m. and 9:00 a.m., and leave the office between 4:00 p.m. and 6:00 p.m. so that each employee feels free to select the time when they can concentrate on their work. We also play a song to encourage employees to leave the office on time, and also run the company-wide simultaneous vacation system, a monthly or biweekly system where all employees can take a day off without worrying about troubling others. In 2018, we established the “2-hours off system,” where employees take two hours off on urgent personal matter, such as going to the hospital, public offices, or the bank or deal with child care affairs during the work day. In 2020, we introduced the system promoting the use of annual paid leave, thus encouraging employees to use all their paid leave days so they can have enough time to recharge.

Due to the COVID-19 pandemic, we have implemented a work-from-home system to reduce risk and take care of family members. From March 2020, as the beginning of the pandemic, we have implemented the work-from-home system at all times for employees who need to work from home for reasons such as pregnant women, underlying medical conditions, childcare, etc., to minimize personal health and vacancy at home. We implemented a company-wide, work-from-home system every Friday to alleviate concerns regarding infectious diseases caused by gathering in crowds at the office or while commuting to and from work. During the epidemic peak outbreak with a large number of confirmed cases nationwide, we also implemented a rotational work-from-home system at an enterprise-wide level so that more than 50% of all employees can take turns working from home. We currently have the only system to work from home due to the COVID-19 situation. Through this case, we have confirmed the advantages and suitability of the work-from-home system, and we plan to review if necessary how to continue applying it after the COVID-19 issue ends.

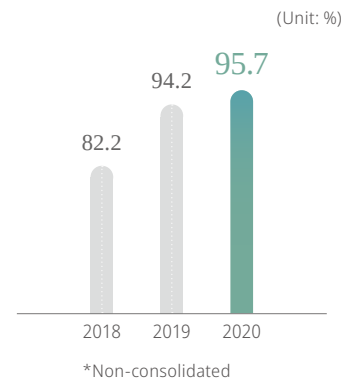
Recruitment of Robot “R Part Leader” for Smart Work

In order to reduce unnecessary simple and repetitive tasks, and to help employees focus on more valuable work, we have introduced and operated the software robot, “R part leader” since 2018. R part leader learns the business processes that humans handle with computers and performs standardized and repetitive PC tasks instead. The robot creates Excel data, searches and inputs data in the computer system, and transmits work results by sending e-mail so that the person in charge can check only the final results and make a quick decision. Currently, a total of 10 R part leaders are officially registered as personnel and perform 316 tasks, which is equivalent to the amount of work for which a total of 313 employees need to spend 44,108 hours per year. In particular, it focuses on sales business that require a lot of manual work, such as reporting sales performance and order processing, so that sales personnel can focus on their work.

Ratio of Employees Who Returned from Parental Leave



Ratio of Employees Who Had a Full One-Year Parental Leave



Software Robot, R Part Leader

### Establishment of Platform and Improvement of Working Environment to Enhance Work Engagement

We have supported employees to improve their work competency and engage in non-face-to-face situations with LG Learning Center, a cloud-based educational video content platform. We provide live lectures and employ teaching methods that enable learners to interact with instructors, and currently have about 450 content items. In addition, by replacing about 1,000 seats of office furniture at the Gwanghwamun headquarters, we have expanded the area of use per person from 9.1m<sup>2</sup> to 10.1m<sup>2</sup>, improving the working environment so that employees can engage in their work in a pleasant environment. We also launched “2scape,” an in-house café with affordable prices for members, and which internalizes the value of ESG by recommending the use of tumblers in the café.

### Operation of Internal Communication Channel, LG H&H TV

In order to improve communication between employees, we operate a YouTube channel, LG H&H TV. This channel is a window through which employees from various age groups and positions, from the MZ generation to executives, can share their stories and demonstrate their creative ideas and capabilities. We are discovering brand-new content such as “Anguish Receipt Box,” which shares the concerns of colleagues and seeks solutions, “Company News Weekly,” which quickly conveys various in-house news, and “Dignity of Complaints,” that identifies and resolves inconveniences in the company’s life. As of the end of 2020, it recorded 2,371 subscribers, 9.7 thousand hours of viewing time, and 224 thousand views.

### Employees’ Committee

We operate the Employees’ Committee to help young employees build leadership and express their opinions to management. The committee consists of a total of 82 members and 10 representatives and conducts organizational cultural activities tailored to the characteristics of each business unit. We also share major company issues at company-wide meetings 2-3 times a year and help the young generations cultivate their insights through special lectures by topic. The Employees’ Committee regularly communicates with executives through “Meet the Executive” and holds in-depth Q&A sessions to share managers’ perspectives and management status, thus narrowing the gap in perception between the top and bottom to reflect the opinions of employees in management activities.



YouTube channel, LG H&H TV

## Labor-Management Relations

LG H&H aims to establish reasonable labor-management relations in compliance with laws and principles, and build a culture of respect based on communication through various channels between the management and employees. We are sharing the management performance and direction to provide customer value as a top priority amid the COVID-19 crisis, and have established various communication channels such as the labor-management council meeting, company meeting, company-wide and divisional Employees’ Committee and “What If I” Board. These channels improve the working environment and allows employees to focus on their work. In addition, we operate a YouTube channel that goes beyond the boundaries of positions and generations through interactive communication and continue to support the EAP (Employee Assistance Program) to provide psychological support for various problems that may occur at work and home.

### EAP (Employee Assistance Program)

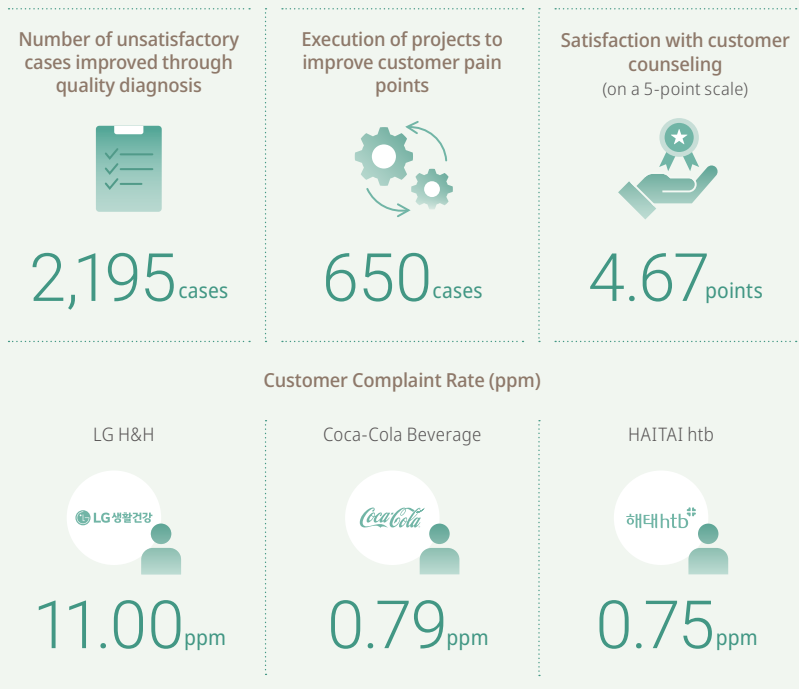
LG H&H operates EAP to prevent employees from becoming psychologically anxious, and to help them stably engage in their work. This program is designed to help workers solve various problems that negatively affect job satisfaction or productivity. Through the program, employees can receive counseling on various issues such as communication within an organization, empowerment, workplace harassment, lifestyle management, marital and child-related concerns, personality diagnosis, and emotional problems, as well as job stress. Employees’ family members can also participate in this program. To receive counseling, they can designate a counseling location by making a reservation in advance, and we also have a counseling center in the business site. Although there is still social prejudices against counseling, counseling about relationships with families is increasing as people spend more time at home due to COVID-19. We are currently conducting in-person counseling, but as the COVID-19 pandemic continues, we plan to expand it to non-face-to-face counseling such as video and phone counseling and provide additional counseling opportunities to employees’ families.

# Customer Satisfaction

## Management Approach

Brand value is accumulated by identifying rapidly changing customer needs and providing products and services that meet expectations. The production of safe and healthy products and improvement of factors that make consumers feel unsatisfied leads to improved customer satisfaction.

LG H&H identifies consumer's pain points and uses them to improve product and service quality to maximize customer satisfaction. We continue various efforts for customer-focused management, such as rapid and professional customer communication and improved service accessibility.



Reduction of Customer Complaints (Pain Point)



**CASE | Changed Container to Minimize the Remaining Amount of Pumping Toothpaste**

Pumping Toothpaste is a product that makes it easier to dispense the toothpaste without too much effort in squeezing the toothpaste from the tube. It is a soft gel type that creates a rich foam without adding water. The existing container had a triangular shape, which didn't allow all toothpaste to be used. Last year, however, the design of the container was changed to an inverted triangle to minimize the remaining amount.



**CASE | Development of Laundry Detergent that Eliminates Viruses, Fiji Viru-X**

The spread of COVID-19 has made consumers more aware of the need to maintain hygiene. Our consumers expressed their opinion that laundry detergents that kill viruses are needed. In response to their requests, we launched Fiji Viru-X, a laundry detergent that removes not only stains but also bacteria and viruses. It has been proven effective in killing more than 99.9% of 13 viruses and bacteria based on the evaluation of an external testing agency.



**CASE | Changed Colors of PET Bottles for Beverages and Improved Labeling**

After identifying the problem of the many unrecyclable PET bottles, we changed colored PET bottles to colorless bottles that are easy to recycle. Representative products include Sprite, Seagram Sparkling Water, Kin Cider, and Minute Maid Aloe. In addition, we are making efforts to improve the eco-friendliness of packaging with the application of a perforated line and thermal-alkali separated adhesives<sup>1)</sup> and label-free packaging to increase the ease of use in separating labels from PET containers.

1) Thermal-alkali separated adhesives: Easily separated by reacting to a constant temperature (85 - 90°C) of washing water for recycled products and sodium hydroxide (2%)



**CASE | Changed the Material and Decorative Part of the Cap for Sooryehan CheonSam Sanghwang Eye Cream**

Sooryehan CheonSam Sanghwang Eye Cream has a screw cap structure, which is opened by holding the decorative part of the cap with the thumb and index finger and turning the cap. In this case, it was confirmed that the decorative part of the cap could not withstand external force and would break. As a result, we reinforced the thickness of the decorative part so that consumers can prevent injuries such as cuts caused by broken decorations when using the product.



Enhance Customer Communication

System Improvement

In order to improve the evaluation method of monitoring company recording calls conducted for some customers, we introduced a customer satisfaction survey based on Kakao Talk Notifications to collect information about customer satisfaction in real time. We conducted a satisfaction survey for each of the six consultation situations, and achieved a 21.5% response rate compared to sending the survey and 4.67 points in 2020. For the same customer who called again within 1 day after receiving customer service, we automatically connect the previous customer service advisor as the first priority, thus reducing unnecessary time for customers to repeat the same content, and improving the system so that the advisor can take the lead in solving problems. We also added a function to easily switch between company call centers distributed by function, shortening the customer's waiting time and providing services in specialized fields.

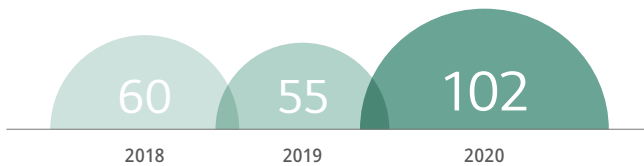
Customer Service

We increased the convenience of accessing customer service through mobile devices to meet the changing needs of customers. When searching for the company on the Naver app, we added a "one shot on call" button to call the customer center and improved the design so that the customer center can be accessed from the mobile website's main screen. In addition, we extended customer service hours to provide uninterrupted service, even during lunchtime.

Exemplary Cases of Customer Service

We identify customer complaints, suggestions, or inquiries that are deemed to require improvement through Valuable VOCs, and improve the selected topics in cooperation with related departments in the company. In addition, we provide additional Happy Calls to customers who rated their satisfaction levels as 2 points or less out of 5 and those who expressed narrative opinions in the customer satisfaction survey through Kakao Talk Notifications to further listen to the voices of customers. For customers who selected inconvenient service via telephone ARS in a satisfaction survey, we connect professional advisors with extensive experience as the first priority to ensure smooth response and quick resolution.

Number of shared cases of customer suggestions (annual) (Unit: Times)



\*Non-consolidated

Customer Value Creation



CASE | PERIOE Biogen Toothpaste

PERIOE Biogen toothpaste is a bad breath care product that effectively controls the cause of halitosis and manages bad breath. It has the effect of reducing bad breath for 12 hours from evening to morning, and uses an inverted squeezing container to minimize the residual amount left in the container. In particular, we applied a smart sanitary cap to use it neatly so that customers can squeeze as much toothpaste as they want without touching the toothbrush.



CASE | Jayeongpong, Dishwashing Detergent Spray

We have launched a dishwashing detergent spray that remove contamination that are difficult to reach or are reluctant to touch. As there is a growing demand for eliminating contaminants due to increased use of air fryers and blenders, we have developed a convenient and quick way to wash dirty dishes such as frying pans and pots. It has the ability to remove grease and tough dirt and can remove contamination by simply spraying the dishes with the product.



**CASE | Clean Beauty Derma Cosmetics, Physiogel**

Physiogel is a derma cosmetics brand that originated in Germany and has been highly recognized in Europe and Asia for over 165 years. BioMimic Technology, developed through conventional moisturizer know-how from Physiogel, contains safe ingredients similar to the skin's lipid layers. As the product has been proven not only to moisturize skin and strengthen skin barriers, but has also passed hypoallergenic and non-comedogenic tests, it has been developed as clean beauty derma cosmetics so that consumers can use it with confidence, even on sensitive skin.



**CASE | PERIOE Thera-White**

Thera-White, a teeth whitening product series, consists of a product that applies gel or covers teeth with a gel according to the customer's usage environment, a product that emits LED light to maximize efficacy, and a patch-type product that is easily attached to the tooth surface. We continue our product research and development that make teeth whitening quick and convenient, such as using whitening ingredients used in dental clinics.



**CASE | Elastine PropoliThera Aloe Shampoo**

Elastine PropoliThera Aloe prevents hair damage due to heat by using heat-active technology that protects moisture loss by combining hair with nutrients, such as Australia's premium propolis, and Jeju's premium clean aloe. It is a product that provides a refreshing sense of moisture to dry and rough hair, especially for customers who use heating tools, thus keeping hair healthy.



# Social Contribution

## Management Approach

Companies are creating social value through strategic social contribution activities that avoid one-time contributions and reflect the characteristics of the company. Companies can also contribute to international efforts to advance toward becoming a sustainable society through social contribution activities in connection with the UN Sustainable Development Goals (UN SDGs).

Under the social contribution vision of "Beautiful Dreaming", LG H&H continues to perform social contribution activities targeting the relatively vulnerable, such as women, children, and people with disabilities. In 2020, we conducted positive activities for the local economy, such as providing rental fees for affiliated stores to overcome COVID-19 and creating direct and indirect employment for retirees and people with disabilities.



<p>Total number of Borrowed Earth School participants</p>  <p>Accumulated <b>52,668</b> persons</p>	<p>Total number of PERIOE Kids School and Musical participants</p>  <p>Accumulated <b>227,291</b> persons</p>	<p>Beautiful Sharing Bags provided to</p>  <p><b>4,600</b> households</p>
<p>Number of beneficiaries</p>  <p><b>52,693</b> persons</p>	<p>Investment in social contribution activities</p>  <p>About KRW <b>35.7</b> billion</p>	<p>Employees / hours involved in voluntary work <small>*Cumulative between 2019 and 2020</small></p>  <p><b>888</b> persons / <b>9,145</b> hours</p>





**Social Contribution System**

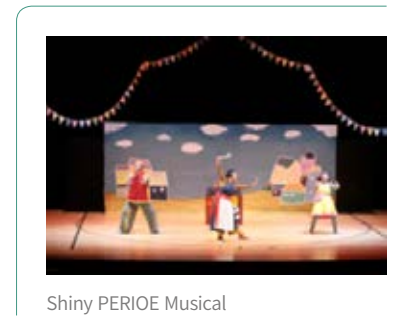
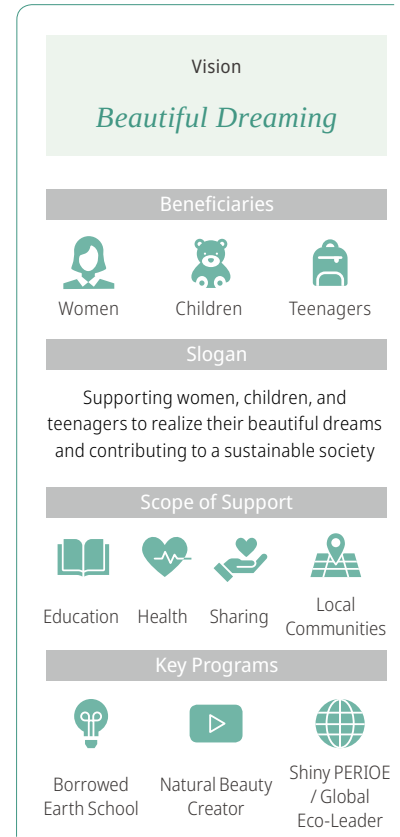
LG H&H contributes to society by taking action, based on a healthy civic spirit. Our social contribution activities correspond with the direction of our business aimed at helping customers lead beautiful, healthy, and refreshing lives, and focusing on support for women and teenagers. We try to double the effect of such activities through the selection and concentration strategy in choosing beneficiaries and partnerships with specialized organizations, rather than simply giving one-time donations. LG H&H will continue to make positive changes in local communities by conducting social contribution activities with a strong link to its business. LG H&H's social contribution programs correspond to our business direction and are targeted at our major customers, including women and teenagers.

First of all, we provide high-quality education and training programs for millennials, who are our potential customers, thereby creating brand values and increasing their loyalty to LG H&H. Second, we contribute to enhancing the quality of life for women, who are our key customers, particularly socially vulnerable ones with career breaks and the disadvantaged. Through these efforts, we expect to tackle a range of social issues while simultaneously increasing business profit. Last but not least, our eco-friendly campaign programs encourage consumers to participate in environmental protection activities and establish eco-friendly brand images. These programs help to boost the economic values of our business as well as public interests and fulfill our social responsibilities.

**Shiny PERIOE**

A Musical about Children's Health, "Shiny PERIOE" is the first of its kind in this industry. This initiative combines healthy habit education, required for children for their oral health and hygiene, with cultural and art content such as a musical, targeting those aged 3 to 8 (5 to 10 under the Korean age system). Kids need to learn good lifestyle basics in their childhood, and their habits learned in this period may serve as the foundation for their behavior throughout their lifetime. Children need to learn how to maintain good oral health and hygiene. Therefore, we have organized the musical so that children can improve and practice healthy and correct oral hygiene lifestyle habits while watching musicals. The performance, in which the main character Bom experiences various festivals of different countries, including China, France, and Mexico, attracts children's interest and delivers information about hygiene, such as good toothbrushing habits, the importance of hand washing, and good coughing manners, in a way that children can easily understand.

Shiny PERIOE has been performed at a total of 106 children's education organizations, local children's centers, local cultural and art centers, and public health centers since 2017, spreading good toothbrushing habits to more than 14,400 children. We provided a high-quality cultural experience for children, in which they enjoyed dance, food and songs from many different countries through performance. Two family sing-along songs, "PERIOE Toothbrush Song" and "PERIOE Hand-Washing Song", were inserted to help them naturally understand the importance of basic lifestyle habits. Starting from PERIOE Kids School in 2004, and we have been continuing social contribution activities related to oral health for a total about 230 thousand children by 2020.



Shiny PERIOE Musical

**PERIOE Kids School**

2,603 Times  
212,924 children



\* Accumulated Data, from 2004

**Shiny PERIOE Musical**

106 Times  
14,367 children



\* Accumulated Data, from 2017

### Borrowed Earth School

The “Borrowed Earth School,” one of LG H&H’s major social contribution activities, is the country’s first convergent training program aimed at promoting desirable daily habits that everyone can develop, but are almost never deliberately learned and helping participants to shape their dreams and careers. The program is conducted in cooperation with the environmental NGO Ecomom Korea. In order to promote good habits among teenagers, we signed an MOU with the Ministry of Education and local education offices to facilitate the Free Semester System. In 2020, it was reorganized into live classes (online content) under the supervision of Ewha Womans University and Korea University of Science and Technology to suit a non-face-to-face learning environment. Due to social distancing during the COVID-19 pandemic, live classes and non-face-to-face online classes focusing on reinforcement of collaborative learning and communication were implemented rather than in-person visits.

### Teacher Consultants

In order to consolidate the connection between the courses of the Borrowed Earth School and the Free Semester System and for the subjects to reflect the trends in the educational sector, we appointed the 3rd-term teacher consultants composed of in-service teachers. We collected various ideas from the teacher consultants about marketing subjects and class evaluation questionnaires to help develop the Borrowed Earth School into a more creative education program.

### Global Eco-Leader

In 2014, LG H&H commenced “Global Eco-Leader,” a program that promotes good daily habits and greater awareness about the environment among teenagers in cooperation with the Ministry of Environment and environmental education NGO Ecomom Korea. We signed an MOU with Ecomom Korea and UNEP (United Nations Environment Programme), an international environmental organization, to provide global environmental education programs. Under the slogan “My Little Habits Change the World,” this one-year environmental education program trains teenage Eco-Leaders who can lead a sustainable society. The program has cultivated a total of 2,791 Eco-Leaders to date. It helps participants become global leaders in the future by encouraging them to end bad habits and drive meaningful changes at home and school and even in local communities. In 2020, 129 Eco-Leaders made up of elementary, middle, and high-school students, and 27 Eco-Mentors made up of university students, and 1,200 participants via social media worked together to create <Life for the Earth, Brand for the Earth> under the theme of Zero Waste. Through this program, we take a closer look at consumer life in person, which is the main cause of climate change. The younger generations research eco-friendly products to develop a brand for the earth and suggest solutions to government agencies, companies, and media from the perspective of youth. In addition, we published the first eco-life magazine <Eco Habit> for the youth in Korea, which contains activities such as branding for the earth, the Zero Waste challenge, and writing problem-solving letters.

### Beautiful Store

Since we signed an MOU with Beautiful Store in 2005, we have jointly conducted various events for the socially vulnerable. We donated goods provided by our employees, such as old clothes and toys, as well as our products, and used the profits from such events to help the disadvantaged. In 2020, we were unable to visit the site in person due to social distancing during the COVID-19 pandemic. However, we donated essential home and personal care necessities and cosmetics to Beautiful Stores, and delivered goods to share the warmth of our hearts with around 4,600 underprivileged neighborhoods nationwide, including grandparents and senior citizens and elderly living alone.

### Certification of 2020 Excellent Organization for Cultural and Arts Sponsorship

LG H&H was certified as the 2020 Excellent Organization for Cultural and Arts Sponsorship for the first time among LG affiliates. Companies and public institutions that are exemplary of sponsoring cultural arts are certified as “Excellent Organizations for Cultural Sponsorship” by the Ministry of Culture, Sports, and Tourism every year, encouraging the creation of a sustainable culture and arts ecosystem by activating strategic partnerships between companies and arts organizations. LG H&H has been recognized for its contributions to the health and beauty of people by expanding emotional communication and the social contribution areas of the local communities, such as children’s health musicals, popularization of Korean traditional music and campaign for court culture through a collaboration with Mecenat and an environmental film festival.



Online Class for Borrowed Earth School



Global Eco Leaders’ UN Online General Assembly



Certification of 2020 Excellent Organization for Cultural and Arts Sponsorship

**Support for Overcoming COVID-19 Pandemic**

**Monthly Rent Assistance for Affiliated Stores**

The social distancing policy due to the COVID-19 pandemic has hit all industrial sectors of business, and subsequently, sales of cosmetics affiliated stores plummeted. Some affiliated stores received loans for monthly rent and living expenses. As a result, LG H&H provided 50% of monthly rent in cash two times in March and July 2020 to contribute to overcoming of the crisis for affiliated stores. The emergency support of KRW 1.13 billion has provided practical help in the operation of affiliated stores and laid the foundation for long-term partnerships.

**Donation of Basic Necessities for the Vulnerable to Disaster**

LG H&H has donated products worth KRW 7.2 billion, including personal hygiene products such as toothpaste and toothbrushes, and beverages to people vulnerable to disaster in the Daegu and Gyeongbuk regions, which have been declared special disaster zones. In addition, we provided small bottles of water, a portable toiletries bag, and disinfectant products for free every week during March for medical staff fighting against the COVID-19 pandemic. We also provided basic necessities and cosmetics to 650 centers that perform personalized care services for the elderly.

**Support Vulnerable Women**

**Customized Assistant Device Support for Disabled Women**

In 2020, LG H&H launched a new social contribution activity “Wing for Women with Disabilities” that provides customized assistant device to women with disabilities in their daily life, helping them participate in society in collaboration with the Beautiful Foundation and the Gyeonggi-do Rehabilitation Engineering Service Research Support Center. We selected 27 women with physical disabilities, brain lesions, and visual impairments in the metropolitan area and provided customized assistive devices worth at least KRW 5 million and usage training for each individual. The assistant devices are categorized into social participation type and child-care type. For social participation types, we have provided vehicle boarding and driving assistance devices, standing wheelchairs, and computer assist devices. For child-care types, we provided wheelchair-combined strollers, height-adjustable sinks, and automatic milk powder makers. LG H&H aims to fulfill its social responsibility to support the comfortable daily life of women with disabilities through the “Wing for Disabled Women” program, to resolve social prejudice through social participation and child care, and to help them enjoy a better quality of life.

**Health Medical Examination Support Project for Single-Parent Female Heads**

LG H&H has supported single-parent female heads of family with health medical examination with voluntary donations from employees every year since 2005. LG H&H's Happy Smile Fund, which was created in part from employees' monthly salary and the company's 1:1 matching fund, exceeded KRW 2.2 billion accumulated at the end of 2019, and provided health medical examination and surgery opportunities to about 4,000 single female parents.

**Production of Anti-bacterial Braille Sticker for the Visually Impaired**

LG H&H has been distributing braille stickers for visually impaired consumers with the Korea Disabled Consumers Association and Community Chest of Korea since 2019. In 2020, we produced 13,500 anti-bacterial braille stickers, especially in consideration of the COVID-19 pandemic, and distributed stickers that can be attached to children's products, sunscreen, and hair products based on opinions collected from consumers with visual impairments. Through these efforts, we have contributed to the safe and independent consumer life of the visually impaired.

**Emergency Support for Suppliers to Overcome COVID-19 Pandemic**

(Unit: KRW 100 million)

Beneficiaries	Amount
Cosmetics affiliated stores (monthly rent support)	11.3
Cosmetics affiliated stores (monthly rent support)	9.2
Cosmetics visit sales & service centers (labor cost support)	3
Home and personal care affiliated stores (labor cost support)	1.6
Beverage affiliated stores (Shared growth incentive support)	3.2
Beverage affiliated stores (Labor cost support)	3.2
<b>Total</b>	<b>32</b>



Customized assistant device support business - Wing for Women with Disabilities



Business agreement for dissemination of anti-bacterial braille stickers for the visually impaired

# Environment and Safety Management

## Management Approach

LG H&H is investing in building eco-friendly facilities and R&D to minimize our environmental impact across the value chain. Furthermore, to create a safe working environment, we have reorganized our safety and health management system and are conducting on-site safety training to cultivate safety awareness amongst both our employees and our suppliers' employees.

LG H&H recognizes that the production process of products may have a direct or indirect impact on the environment and manages company-wide environmental risks such as energy efficiency improvement, waste reduction, and chemical substance control with a dedicated organization. We are creating an environment-friendly and safe working environment with various programs for the safety of our employees and our suppliers' employees, as well as for physical and mental health.



**Environment and Safety Management System**

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

**Organizational Structure of the Environment and Safety Division**

**Exclusive staff under the division**

Environment and safety planning, green packaging, chemical substances, labeling & DFM, process safety, health improvement, occupational injury prevention







**Environment and Safety Team at each business site**

Cheongju Plant, Ulsan Plant, Coca-Cola Beverage, HAITAI htb



**Logistics, Environment, and Safety Support Team**

**Mid- and Long-term Roadmap for Environment and Safety Management**

Category	KPI	Performance in 2020	Targets for 2021	Targets for 2025
 <b>Zero-accident</b>	Number of industrial accidents	21	0	0
	Key risk indicator	28,029	High Risk (A/B Grade) 100% monitoring rate	30,000
	Number of near miss incidents	7,724 cases	100% improvement	Detect and improve 3 cases per person
 <b>Green management</b>	Sales of green products [KRW 100 million]	4,543	4,700	5,100
	GHG emission intensity [tCO <sub>2</sub> e/product-ton] *Non-consolidated	0.122	0.131 <sup>1)</sup>	0.135
	Wastewater intensity [ton/product-ton] *Non-consolidated	0.273	0.278 <sup>1)</sup>	0.275
	Water intensity [ton/product-ton] *Non-consolidated	1.50	1.49	1.46
	Waste intensity [kg/product-ton] * Non-consolidated	17.77	16.96	15.64
	NOx emissions [kg/product-ton] (Ulsan, Daejeon) *Non-consolidated	6.478	6.348	5.856
 <b>System</b>	EHS system use rate	Expand application of TP <sup>2)</sup>	Establish two stages of DFM <sup>3)</sup>	Establish three stages of DFM
	Rate of ISO certification maintained (at 14 business sites)	89%	89%	93%
 <b>Chemical substances</b>	Registration of existing chemical substances	Signed an agreement for chemical substances over 1,000 tons (16 types)	Complete the registration of 16 types of chemical substances	Sign an agreement for chemical substances over 10 tons

1) Expected to increase in intensity due to Cheongju TP Plant, the merging of TFS Incheon/Yongin Logistics, the acquisition of wastewater treatment facility at Onsan Plant  
 2) TP: Production sites located in Cheongju Technopolis industrial complex  
 3) DFM: Defect Free Management system

## Water

### Water Management

In 2020, LG H&H used 17% less water resources than the previous year. Production output decreased by 8%, reducing the water intensity by approximately 9%. We are striving to reduce our water consumption and improve efficiency in the use of water resources. At the Ulsan Plant, water consumption decreased by 51% compared to the previous year due to the discontinuation of the sorbitol production process.

To further reduce water consumption, our business sites continue to manage the amount of water use for each purpose, find appropriate usages for recycled water, and develop improvement measures for areas that require high water consumption.

At the Yeosu Plant of Coca-Cola Beverage, we have installed RO (Reverse Osmosis) facilities to reuse RO concentrate in a bid to reduce water use, saving 17,385 tons of water annually through the warmer/cooler substitution improvement work. In addition, at the Gwangju Plant, the final washing water for RGB (Returnable Glass Bottle) washers is recycled as washing water for RGB boxes.

### Risk Management of Water Resources

Coca-Cola Beverage and HAITAI htb, whose raw materials account for more than 80% of water, have been conducting raw water vulnerability assessment every five years since 2012. We manage the sustainability of water resources by evaluating the supply chain of raw water, concerns over raw water, water quality, national water supply and protection policies, and future prospects through raw water vulnerability assessment. We also conduct an Aqueduct Assessment by the World Resources Institute (WRI) at all our business sites to identify and manage current and future water stress at our business sites.

### Water Consumption (Unit: Ton)

2018	645,337
2019	666,127
2020	555,420
	*Non-consolidated

### Water Intensity (Unit: Ton/product-ton)

2018	1.44
2019	1.65
2020	1.50
Target 2025	1.46
	*Non-consolidated

## Wastewater

### Wastewater Management

Cheongju Plant improved the wastewater treatment process by installing an integrated wastewater treatment plant at the point of the TP plant's establishment. Yeosu Plant and Gwangju Plant of Coca-Cola Beverage have installed non-point source pollutants reduction facilities to prevent leakage of non-point source pollutants to the outside. Moreover, at the Yangsang Plant, we have built a real-time monitoring system for wastewater treatment facilities. At the Gwangju Plant, we have built a monitoring system that controls DO (Dissolved Oxygen), pH (Potential of Hydrogen), and MLSS (Mixed Liquor Suspended Solid) in the aeration tank in real-time to enhance our wastewater treatment control abilities. At the Iksan Plant of HAITAI htb, we have installed an automatic antifoaming agent to prevent wastewater spillage.

### Amount of Discharged Wastewater

LG H&H is striving to improve its facilities and thus reduce the amount of wastewater discharged from its sources. In 2020, the discontinuation of the sorbitol production process at the Ulsan Plant resulted in a decrease in wastewater generation, with a 18% reduction in wastewater intensity. Going forward, we will strengthen our management activities and strive to minimize wastewater.

### Discharged Wastewater (Unit: Ton)

2018	131,096
2019	134,398
2020	101,243
	*Non-consolidated

### Wastewater Intensity (Unit: Ton/product-ton)

2018	0.29
2019	0.33
2020	0.27
Target 2025	0.28
	*Non-consolidated

**Waste**

**Waste Management**

We conduct various activities at each business site to reduce waste from our facilities. In 2020, at the Cheonan Plant and Iksan 2 Plant of HAITAI htb, we reduced the amount of waste generated by enhancing the dehydrator to improve the moisture content of wastewater sludge. At the Cheonan Plant, PET compactors have been installed to improve the waste treatment plant environment and treatment efficiency. At the Onsan Plant, we have established a designated waste treatment process, such as segmenting waste classification criteria and providing training for the reduction of waste generation.

**Waste Discharge**

At the Cheongju Plant, the waste discharge intensity was 16.1Kg/product-ton due to the disposal of disused items in 2019, but it decreased to 14.8Kg/product-ton in 2020. At the Ulsan plant, the sorbitol production process with low waste intensity was discontinued and the production of liquid detergent decreased, increasing the waste discharge intensity from 22Kg/product-ton in 2019 to 27.7Kg/product-ton in 2020. As a result, the waste intensity increased from 17.66Kg/product-ton in 2019 to 17.77Kg/product-ton in 2020.

**Chemical Substances**

**Enhancing the Chemical Substance Management System**

We have completed the registration of about 360 existing chemical substances exceeding one ton that we manufacture and import every year, thereby fulfilling our duty to pre-register existing chemical substances under the Act on Registration, Evaluation, Etc. of Chemicals. We will also expand the registration of chemical substances through the consultative group for joint registration of existing chemical substances.

For 16 types of existing chemical substances manufactured and imported over 1,000 tons per year that are required to be registered by 2021, we have established a registration obligation fulfillment system by joining the Joint Registration Consortium for the Existing Chemical Substances. In addition, we have registered six chemical substances that are exported to Europe in EU REACH in response to global chemical substance regulations.

**Odor Control**

Iksan Plant has replaced the activated carbon of its odor prevention facility to comply with standards for odor generation. We will manage odors through continuous control of emission sources and prevention facilities.

**Discharged Waste** (Unit: Ton)

2018	6,641
2019	7,134
2020	6,589

\*Non-consolidated

**Waste Intensity** (Unit: Kg/product-ton)

2018	14.79
2019	17.66
2020	17.77
Target 2025	15.64

\*Non-consolidated

**Industrial Safety and Prevention Activities**

**Safety and Health Management Certifications**

We undergo annual safety and health management assessments conducted by an independent professional agency to meet the international standards for safety and health systems and comply with relevant procedures and regulations. We disclose the information regarding safety and health management certification on our website to provide distinctive products and services from an environment that all stakeholders can trust with confidence.

**Application of 14 Standard Work Processes for Sales/Logistics**

We manage legal risks in sales/logistics through documents for managing 14 standard work processes designated in accordance with the Occupational Safety and Health Act, and continuously revise and implement these documents in line with the revision of related laws. In addition, we are establishing an autonomous safety and health system through self-inspections by each sales/logistics management supervisor once a month for safety and health activities in business sites.

**Environmental Management and Safety and Health Management Certifications**

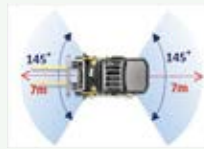
(Unit: Business site)

Category	Certification	Number of certified business sites
Environmental management	ISO 14001	13(76%, including business sites in Beijing and Vietnam)
Safety and health management	OHSAS 18001	11(65%)
	ISO 45001	1(6%, Iksan Plant 2)

**CASE | Securing Advanced Safety Technology for Forklifts and Pedestrian Corridors**



In order to prevent forklift accidents in business sites and logistics centers, we are promoting the introduction of a human body detection system that detects the human body in the front and rear and alerts the forklift driver and nearby personnel. In addition, we have coated forklift wheels and forks with fluorescence to make them more visible, and have separated the forklift driving path and pedestrian passage to prevent collisions, ensuring the safety of our workers and sharing it with the company.



Scope of detection



Human body detection system



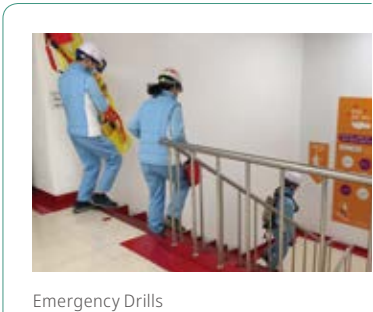
**Emergency Response**

**Establishing an Emergency Response System**

LG H&H has established the emergency response process to quickly deal with accidents that may occur at our business sites. For emergency responses, we are constantly revising our manuals to minimize harm to human workers and to measure the rate of successful sub-five minute evacuation in five minutes to improve the response system. In addition, we have established an emergency response committee, classified accidents by type (negligent accident, fire or explosion, and leakage of pollutants, etc.) and severity, and prepared detailed response scenarios, thereby strengthening our emergency response capacity for the environment and safety. Moving forward, we strive to prevent accidents while systematically responding to unexpected emergencies to minimize harm and swiftly return to normal operations.

**Emergency Drills**

LG H&H has established emergency response scenarios in preparation for safety and environmental accidents and conducts emergency drills for all business sites to strengthen our emergency response abilities such as wearing protective gear, initial response, and on-site disaster prevention activities. Moreover, we have produced best practice videos for emergency drills and simulate various safety and environmental accident scenarios in addition to the emergency drills scenario, we are thereby striving to minimize human and material damage by responding accurately and promptly in the event of an environmental safety accident.



Emergency Drills

**Emergency Response Process**

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

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

## Health Enhancement

### Psychological Counseling Center

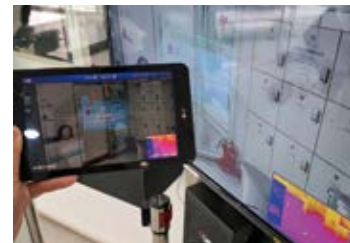
We operate the internal and external psychological counseling centers to help employees eliminate stress and conflicts with other people that hinder their emotional stability so as to improve their quality of life. In 2020, we introduced non-face-to-face video psychological counseling to prevent the risk of face-to-face due to the COVID-19 pandemic. In this way, we create an environment where employees receive counseling anytime, anywhere, and provide more stable counseling so that employees can focus on work and life, based on a sense of psychological stability. In addition, through the prevention of “corona blues” caused by the COVID-19 pandemic and the provision of psychological counseling in case our employees and their families experience challenging situations (contracting COVID-19, self-isolation, etc.), we have laid the foundation for psychological support that helps to resolve deprivation and difficulties. We will continue to operate a crisis management counseling program for the health of our employees and their families in consideration of the prolonged pandemic crisis.

### Employee Health Campaign with Red Circle Week Event

The Red Circle Week event, which commenced in 2018, was conducted at a total of 10 business sites, including three sites newly added in 2020. In order to promote behavioral changes for the implementation of preventative rules on cerebrovascular and cardiovascular diseases and the increasingly important culture of “self-health care” during the current infectious disease crisis, we used non-face-to-face methods – due to the COVID-19 pandemic – to carry a variety of programs that are held in the first week of September every year. Through an online Heart Racing Quiz on the theme of Knowing the Number of Blood-Vessels, prizes were delivered to 200 participants. The Heart Racing Coloring Book Challenge received a great response since it enables the whole family to engage in the program at home. The “Health Happiness I Found” contest, which was held for the first time this year, encourages employees to submit their stories of overcoming cerebral and cardiovascular diseases and slogans for the prevention of diseases. The contest was an opportunity to improve awareness about the prevention of cerebral and cardiovascular disease by enabling employees to rethink the importance of early detection and health management through actual cases of success.

### COVID-19 Pandemic Quarantine Activities

We are actively carrying out quarantine activities to block the influx of the COVID-19 pandemic, which is popular around the world, into the business sites and prevent its spread. We have established step-by-step countermeasures and rules, distributed non-contact thermometers, masks, and disinfection-related items at each business site, and carried out infection prevention activities through regular quarantine and disinfection. We have also established emergency response scenarios so that immediate and appropriate actions can be taken in the event of an infectious disease outbreak. In addition, we are making efforts to minimize blind spots to prevent infectious diseases through education and continuous promotion of infection prevention rules. Through these efforts, employees can work in a safer and healthier workplace in rapidly changing environment due to the COVID-19 pandemic.



COVID-19 Pandemic Quarantine Activities

## Eco-friendly Logistics and Logistics Centers

### Advancement of the Logistics System

We are optimizing the operation that enables efficient support to provide fast and accurate logistics services. In particular, we have carried out activities to reduce inactive and stagnant inventory to improve the efficiency of logistics center operation. We have monitored weekly performance, and established reduction plans with related departments, reducing it to 74% compared to the end of 2019. In terms of optimization of our logistics bases, we have improved efficiency by integrating logistics bases in Uijeongbu/Guri, Seosan/Cheonan, and Mokpo/Gwangju.

### Enhancement of Negligent Accidents Mitigation Accidents

We are continuously strengthening safety accident prevention activities to operate a safe logistics center. With the introduction of dangerous place rating management system at each logistics center, we are reinforcing improvement and management measures by identifying even small elements of risk factors at distribution sites, and managing about 4,000 dangerous places. In particular, we have installed speed control, seat belt interlock and rear warning lights for the safety management of forklifts, which is a representative risk factor in the field. We have also conducted testing to introduce a new technology, a human body detection system. In addition, we have removed the factors leading to safety accidents by changing the layout and adjusting the work process in order to separate the traffic line between the forklift and people at each distribution center.

### Enhancement of Logistics Efficiency to Minimize Environmental Loads

We have enhanced our activities to shorten the transportation route through improvement of the logistics process with particular improvement of our direct delivery rate to producers. We have identified product categories and distribution channels for which direct delivery is possible through detailed analysis of order data. We improved the direct delivery rate by 35% compared to the previous year and minimized the environmental load in collaboration with related departments. To improve the transportation efficiency of commercial vehicles, we are carrying out activities such as enlargement of vehicles, shortening of transportation routes, optimization of distribution center areas, and linked transportation.

### Effectiveness of Eco-friendly Logistics

(Unit: KRW 100 million)

Category	Cost reduction
Improved operational process of logistics centers	17.0
Shortened transport distances and larger vehicles	14.9
Increased delivery efficiency	12.9
Total	44.8




# Win-win Growth

## Management Approach

Enterprises and its suppliers are building a partnership for mutual development and cooperation beyond short-term business relationships. LG H&H provides substantial support, such as financial and technical support and market development, to comply with fair trade and order and to increase the competitiveness of its suppliers.

Pursuing its vision of win-win growth to become “Korea's best leading company for win-win growth”, LG H&H strives to build fair and transparent trading relationships and conducts various shared growth cooperation activities such as financial support, technology consulting, and welfare benefits for supplier employees to this end. In addition, we will work to improve practical problems in the supply chain and build trust through communication with suppliers on a regular basis.



<p>Support for Smart Factory</p>  <p>9 companies</p>	<p>Win-win growth index</p>  <p>First Class for 6 consecutive years</p>	<p>Financial support for Win-win growth</p>  <p>KRW 40.88 billion</p>
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**Fair Opportunity**

**Fair Opportunities for Participation**

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

**Report of Unfair Transactions and Operation of Communication Channels**

In order to become a clean and transparent company that pursues fair competition and fulfills its social responsibilities, LG H&H receives reports about unfair transactions during business with suppliers. Any grievance, opinion, or unfair treatment can be reported through the Jeong-Do Management Cyber SINMUNGO on our website. In 2020, we received 12 reports and provided feedback in 29 days on average. In addition, we try to expand communication with suppliers through the Open Forum in the company-wide integrated procurement system to improve work practices and receive suggestions regarding win-win growth.

**Sales Growth**

**Domestic Market–Technology Proposal Fair**

We hold a Technology Proposal Fair six times a year to help suppliers freely propose and commercialize their technologies. This event has evolved into a leading sales expansion channel, through which suppliers can shorten the duration from idea proposal to the commercialization stage and receive financial support. LG H&H actively reviews presented technologies and supports suppliers to commercialize and bolster their technologies. In 2020, we made new transactions worth KRW 8.661 billion with about 80 items from 40 suppliers. In particular, new items such as antibacterial films related to disinfection for preventing COVID-19 have been at the center of attention.

**Overseas Market–Participation in International Beauty Fairs**

We support suppliers to participate in various international beauty fairs to globalize the Korean cosmetic industry with a focus on K-beauty. Since 2013, we have assisted suppliers to enter into the overseas market. From 2018, we have been hosting consulting fairs with our overseas subsidiaries to help suppliers make actual sales. In 2020, due to the COVID-19 pandemic, we provided an opportunity for 5 suppliers to participate in the online K-Beauty Expo hosted by KINTEX instead of an offline exhibition. Suppliers were able to benefit from promotional opportunities and conduct purchase consultations with foreign buyers through the online platform. LG H&H plans to continuously help suppliers take advantage of new trends in the global cosmetic market and build their capabilities.

**CASE | Consulting for Suppliers**



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

**Vision and Strategic System for Win-win Growth**



## Technical and Human Resource Support

### Support for Technical Consulting

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

### Support Consulting for Productivity Improvement

We have operated external professional consulting to support our suppliers’ smart factory construction in the long term since 2014. In 2020, the productivity of 9 suppliers was improved through innovation partnerships and consulting for industrial innovation movements, resulting in a total financial effect worth KRW 1.18 billion.

### Support for Suppliers to Obtain Management System Certifications

We helped our suppliers to establish and acquire the certification for safety and health management (ISO 45001). In 2020, we conducted consulting for the establishment of a technology protection system for suppliers targeting three companies as a detailed business of innovation partnership consulting by reflecting the issue of technology takeover prevention and has resulted in financial benefits worth more than KRW 300 million from the establishment of basic security regulations to the installation of software such as security patches.

#### Status of Support for Suppliers in 2020

Item	2020 Performance
Support for new product production	187 Times
Support for development and engineering supervision cost	2 Times
3D & Printing support	3 Times
Win-win cooperation program	7 Times

## Financial Support

### Payment in Cash for Subcontractors

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

### Early Payment for Suppliers before National Holidays

We make early payments before national holidays for the smooth financing of suppliers. In particular, in 2020, we paid early payments during the month of April and encouraged our Tier 2 suppliers and those of other tiers to make early payments to overcome the prolonged COVID-19 pandemic. In 2020, we paid KRW 41.4 billion before the New Year’s Holiday (2 times), KRW 42.1 billion before the Korean Thanksgiving Day (2 times), and KRW 72.8 billion for overcoming the COVID-19 pandemic (3 times).

### Shared Growth Payment System

LG H&H has the Shared Growth Payment System, in which Tier 2 suppliers and those at other tiers can also be paid under the same conditions. Without the right of recourse, the system has an advantage of reducing burdens of security or risks of series of bankruptcy for suppliers, thus reducing financial expenses when utilizing bill discounts. In 2020, shared growth payments worth KRW 321.8 billion were made for Tier 1 suppliers, as well as KRW 15 billion for Tier 2 suppliers..

### Financial Support (Shared Growth Cooperation Fund) System

LG H&H operates the Shared Growth Cooperation Fund, a loan system worth KRW 41 billion, to support suppliers through a 1:1.5 matching system with financial institutions to support the technology development and investment of business partners KRW 26.2 billion of loans have been made as of the end of 2020.

**Welfare Benefits**

**Education for Suppliers' Employees and their Families**

We provide e-learning, mobile learning and book learning opportunities for employees of suppliers to help them upgrade their work and language skills, thus contributing to enhancing the competitiveness of our suppliers. These opportunities for learning are also provided to their families. From 2013, we have been inviting the children of the employees of suppliers to the "Teenager Summer Camp" as part of the "Borrowed Earth School", our representative social contribution activity, to provide them with opportunities to learn good daily habits through various programs and grow as global citizens.

**Improvement of the Work Environment of Suppliers**

We allow the employees of suppliers to use our employee welfare mall, where they can purchase products under the same conditions as LG H&H employees. In 2020, we've seen 302 cases of the employee welfare mall being used by employees of our suppliers.

E-learning and book learning provided exclusively for suppliers

865 persons



Number of uses of employee welfare mall

302 cases  
KRW 239.42 million



**Support for Tier 2 and Other Suppliers**

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

**Open Communication**

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

**Communication Channel for Suppliers**

Category	Win-win Growth Review Committee of Suppliers <sup>1)</sup>	CEO Academy <sup>2)</sup>	Competitiveness Reinforcement Workshop <sup>2)</sup>
Frequency	Quarterly	Annually	Annually
Content	Deliberate subcontracts and win-win growth issues	Share win-win growth issues and the procurement policy	Share win-win growth issues and the procurement policy
Members	2 non-executive personnel 5 representatives of suppliers 3 LGHH internal committee members	132 supplier representatives	132 supplier employees

1) Proceeded online to prevent the spread of COVID-19

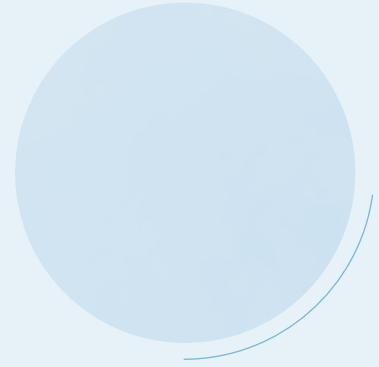
2) In order to prevent the spread of COVID-19, individual workshops were integrated into one and conducted online

**CASE | Support Fire Accident Prevention Consulting for Suppliers**



When a fire accident occurred at a supplier's company in August 2020, LG H&H provided all-round support for damage recovery. First, we paid KRW 3 billion in advance for transactions that had yet to be delivered, allowed the supplier to lend an additional KRW 1 billion from the Shared Growth Cooperation Fund, and extended the repayment period of interest-free loans by one year.

In the wake of the 2020 fire accident, we provided fire accident prevention consulting without cost to 127 major suppliers. We invested more than KRW 260 million in project expenses to share a checklist for self-inspection in the field of occupational safety and health and firefighting, air, waste, chemicals, etc. and enhanced fire prevention and safety work expertise through safety manager training for each supplier.



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# Governance







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## Governance

### Board of Directors (BOD)

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

company's performance. No independent director may hold more than two mandates in order to guarantee their expertise and loyalty. In order to prevent conflicts of interest, the voting rights of any director who has an interest in a certain agenda is limited pursuant to the Commercial Act and the BOD regulations. Regular meetings of the BOD are held according to the annual plan, with additional meetings convened for pressing matters that require immediate decisions. In 2020, a total of 7 meetings were held, with the attendance rate of independent directors at 100%.

### BOD Members

\*As of March 2021

Category	Name	Year of initial appointment	Position	Career fields
Inside Directors	Suk Cha	2005	CEO, Chairperson of BOD	-
	Hong-Gi Kim	2019	Director	-
Non-executive Director	Bum-Jong Ha	2019	Director, member of the Independent Directors Nomination Committee	· Expertise in industry-related finance · 2013-2015: Vice President, Finance, LG Chem
Independent Directors	Jae-Wook Kim	2017	Director, member of the Audit Committee, member of the Independent Directors Nomination Committee	· Marketing channel and e-commerce · Supply chain management in the cosmetics industry
	Tae-Hui Lee	2019	Director, chairperson of the Audit Committee	· Capital market accounting · Regulated market accounting
	Sang-Hun Kim	2019	Director, member of the Audit Committee	· High-tech marketing · Marketing management in the cosmetics industry
	Gi-Yeong Kim	2020	Director, member of the Independent Directors Nomination Committee	· M&A, fair trade, legal expertise in the fields of cosmetics, food, medicine and medical devices

### Meetings of the BOD and Subcommittees

Committee	Number of meetings	Attendance rate	Major decisions in 2020
BOD	7	100%	- Approved participation in paid-in capital increase to LG H&H America - Approved acquisition of business rights in Asia and North America of the brand "Physiogel" - Approved purchase of wastewater treatment plant at LG Hausys Onsan Plant
Audit Committee	5	100%	- Approved the 2019 assessment of the Internal Accounting Control System - Approved the evaluation of operation status of internal monitoring system
Independent Directors Nomination Committee	1	100%	- Appointed the chairperson of the Independent Directors Nomination Committee - Approved the recommended candidate of an independent director

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

### Audit Committee

The Audit Committee operates in accordance with the Commercial Act as well as the Financial Investment Services and Capital Markets Act. The Committee is comprised of three independent directors with no special relationships with LG H&H to ensure their independence. One of the members must be an expert in accounting, independently performing the role of overseeing the internal audit plans and executing auditing affairs. The Committee has the right to request business reports from the BOD or examine the assets of the company for auditing purposes if necessary. It can also seek expert consultation at the company's expense. In 2020, the Committee held 5 meetings with a 100% attendance rate.

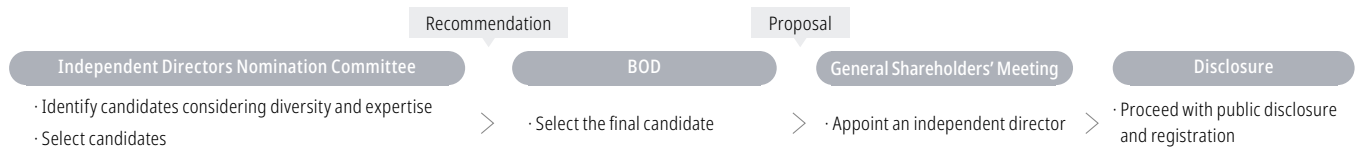
### Remuneration Policy for Directors and the Audit Committee

Remunerations for directors are paid in a combination of a set base salary which is defined by the limit approved at the general shareholders' meeting and bonus based on the performance of the company. The remunerations for independent directors and members of the Audit Committee are provided within the directors' remuneration limit with approval of the BOD. Annual bonuses are provided within a certain limit in accordance with the Special Bonus Regulations set by the BOD. The BOD evaluates financial indicators such as the previous year's sales, operating income, and operating profit to sales ratio, as well as relative metrics including the company's competitiveness within the industry, the importance of its global businesses, and market share to calculate the incentive. CEO remuneration in 2020 was KRW 3,873 million. (The average remuneration of employees excluding the CEO: KRW 76 million)

### Independent Directors Nomination Committee

LG H&H operates the Independent Directors Nomination Committee to recommend candidates for independent directors. This subcommittee of the BOD nominates candidates for independent directors by considering their expertise in the financial, environmental and social sectors with respect to diversity factors such as gender, race, or national origin. The subcommittee selects and recommends candidates, and the final candidate is decided by the BOD and appointed as an independent director in the general meeting of shareholders. The Independent Directors Nomination Committee consists of three members—two independent directors holding a majority and one non-executive director—ensuring fairness and independence in the operation of the subcommittee and appointment of independent directors.

#### Nomination Process of Independent Directors



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

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

- 1 Any director, executive officer, or employee of the company currently involved in the company management, or a director, audit officer, executive officer, or employee of the company who has served as a senior managing director within the past two years
- 2 The largest shareholder, his/her spouse, lineal ascendant, or descendant
- 3 If the largest shareholder is a corporation, any director, audit officer, executive officer, or employee of the corporation
- 4 A spouse, lineal ascendant or descendant of any director, audit officer, or executive officer
- 5 Any director, audit officer, executive officer, or employee of the company's parent company or subsidiary
- 6 Any director, audit officer, executive officer, or employee of a corporation that is a partner, supplier, significant customer or has an important stake in the company
- 7 Any director, audit officer, executive officer, or employee of another corporation at which a current director, executive officer, or employee of the company serves as a director or an executive officer
- 8 Any director, executive officer, or audit officer of two or more companies in addition to the company
- 9 A person who violated laws and regulations and was removed or dismissed from his/her position within the past two years
- 10 A person whose balance from transactions with the company is KRW 100 million or over (except typical transactions with the relevant listed company occurring in accordance with the terms and conditions, which is specified in Article 2-1 of the Act on the Regulation of Terms and Conditions)
- 11 Any director who has been a partner or employee of the company's outside auditor during the past three years
- 12 Any director who has any other conflict of interest that the board itself determines to mean they cannot be considered independent

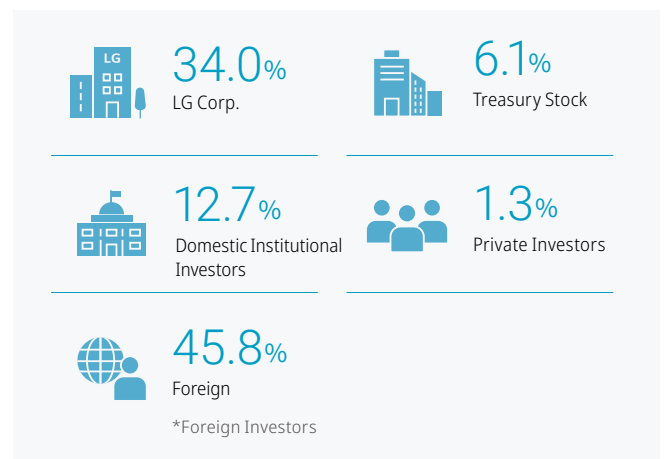
### ESG Governance System

LG H&H established the ESG Committee in 2021 to reflect corporate non-financial factors such as environmental safety, customer value, and governance in management activities and to strengthen ESG execution. The ESG Committee under the board of directors, which is the top decision-making body for sustainability management, made up of the CEO and all independent directors, will lead enterprise ESG activities in close collaboration with the management and working groups.



### Shareholders

Major shareholders of LG H&H are as follows. For the executive ownership, CEO Suk Cha (10,000 preferred shares), executive director Yeon-Hee Choi (330 preferred shares) and executive director Woo-Kyung Lee (220 common shares) are reported in the business report.

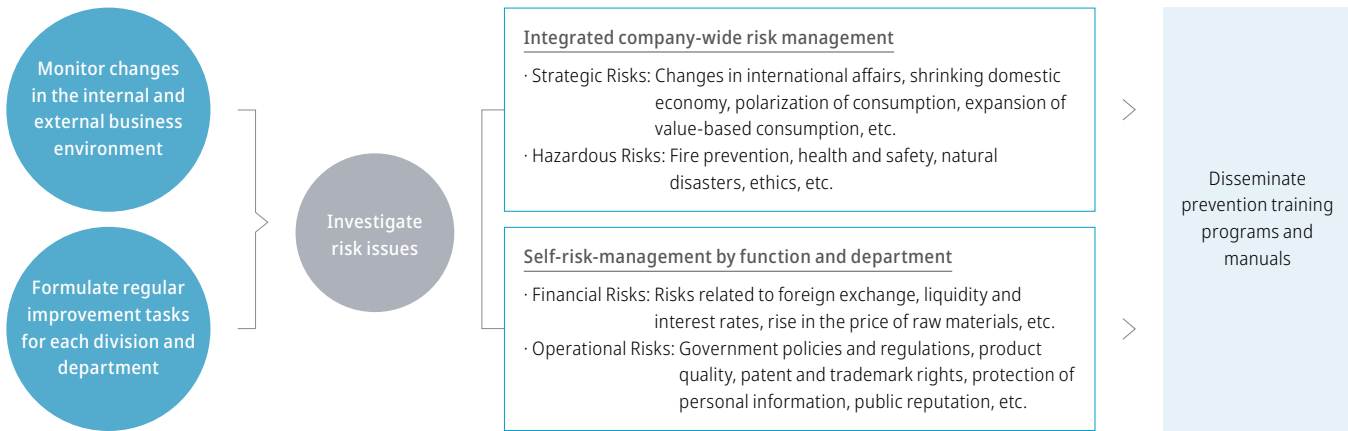


## Risk Management

### Integrated Risk Management Process

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

#### Integrated Risk Management Process\*



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

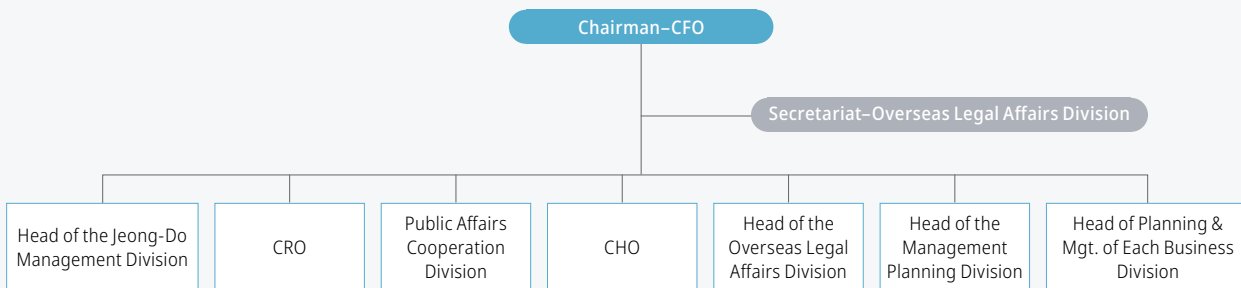
### Compliance Committee

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

### Preventive Management Committee

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

#### Organizational Chart of the Compliance Committee

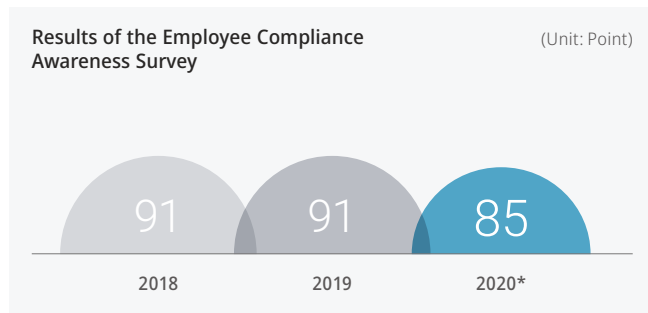


**Compliance Risk Management**

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

**Compliance Newsletter**

LG H&H publishes and distributes bimonthly newsletters to keep employees abreast of key trends and changes in domestic and overseas regulations as well as newly amended polices and regulations that are relevant to our employees' work. In 2020, our newsletters shared information about the revision of the Personal Information Protection Act, the overview of the Environmental Law, the cases of the Improper Solicitation and Graft Act, the revision of guidelines on investigation into markings and advertising (guidelines on investigation into markings and advertising regarding recommendation and guarantee), legislative trends of class action and punitive damages, the concept of seal and the sealing process, etc. We will establish a culture where adheres to the highest level of compliance by regularly communicating with our employees in regard to policies and amended regulations.



\* Changes due to the advancement of the method for calculating employee compliance awareness

**Compliance with Fair Trade Standards**

LG H&H operates a willing compliance program for each field every year to establish a corporate culture with fair and lawful business practices.

In 2020, we reorganized our partner sales system across the company to eradicate the abuse of authority and unfair practices of large companies against SMEs. In this way, we have strengthened the management independence of dealers and affiliated store operators, and eliminated the possibility of unnecessary reading of management information.

Meanwhile, we have been running a campaign to continuously spread the culture of fair trade in subcontracting transactions. In 2020 specifically, we conducted training for all employees to eradicate technology theft and misuse from SMEs and reminded key departments of the importance of complying with laws and regulations through inspections.

In particular, in the face of an unprecedented management crisis due to the COVID-19 pandemic in 2020, we are continuing to pursue more thorough fair trade voluntary compliance activities to prevent unilateral decision-making.

In addition, we are actively responding to “back advertisements” in relation to review advertisements in the form of product reviews using social media influencers, which has become a social issue recently. By doing this, we manage to prevent the production of posts that are not appropriate for display, even if they are only advertisements, or those that provide inappropriate expressions, which can mislead consumers. We are completely fulfilling our obligations to comply with legal matters by distributing a “correct social media advertisement manual” and a “working-level checklist” and monitoring the company’s social media advertisements.

### Internal Accounting Control System

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

#### Internal Control Assessment of Overseas Subsidiaries

In order to ensure the reliability of consolidated financial statements, LG H&H is improving the internal accounting control system for local subsidiaries in Shanghai, Beijing, and Guangzhou, China, and conducted additional internal control assessments for overseas subsidiaries in Vietnam and Taiwan.

#### Assessment Results of the Internal Accounting Control System

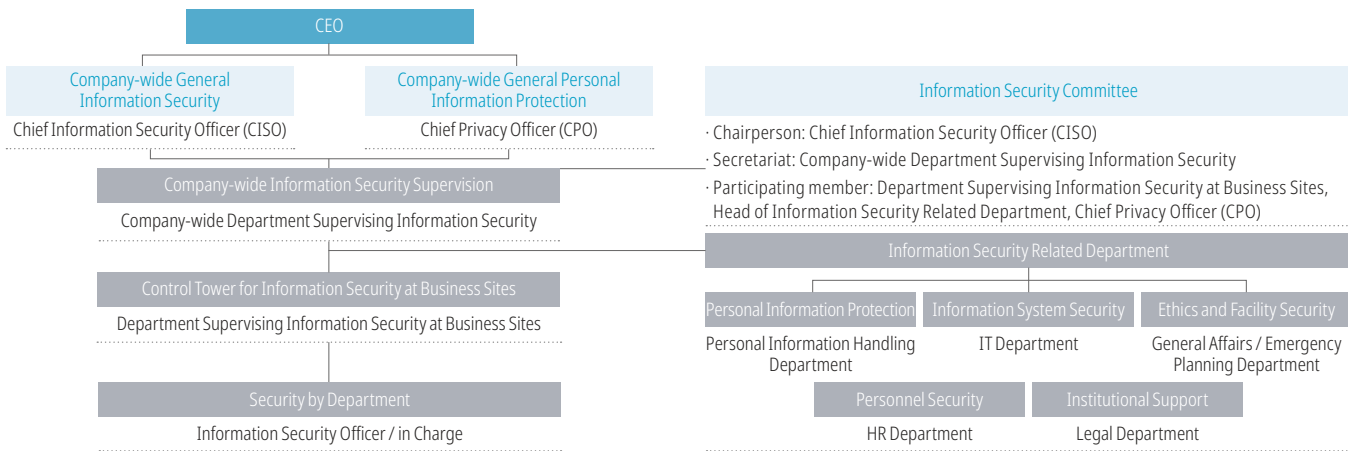
According to the results of the assessment, LG H&H found that all control activities had been operated exactly as designed without any issues. In addition, we underwent a third-party assessment by an external auditor (Ernst & Young Korea). The auditor stated that LG H&H's Internal Accounting Control System had been effectively designed and managed from the perspective of significance as of December 31, 2020.

### Personal Information Protection

#### Personal Information Management System

We systematically manage personal information (including personal image information) that is handled by LG H&H and its subsidiaries to prevent personal information from being lost, stolen, leaked, altered, damaged, or misused. The regulation applies to LG H&H and its subsidiaries, internal employees and suppliers, and other external company employees handling personal information. LG H&H regards personal information protection as a major legal risk and carries out monitoring and response activities by including it in the operational risk area of the Enterprise Integrated Risk Management System. Personal information protection is overseen by the Chief Privacy Officer and hosted by the Department Supervising Information Security, and related training and supervision are conducted so that each responsible department and supplier can safely manage personal information. We conduct internal audits at least once a year to check compliance with the internal management plan under the supervision of the Department Supervising Information Security. The violation of privacy policy and guidelines will be subject to disciplinary action in accordance with the company rules, and depending on the case, a complaint may be reported to the responsible authority. In addition, in the event of property loss or damage to the company's image, the company may be held responsible for all civil and criminal responsibilities.

### Personal Information and Information Security Organization



### Personal Information Management System

Scope	Category	Solutions	2020 Performance
Headquarters ..... Consigned companies	<b>Prevention of leakage</b> · Leakage from internal sources · Hacking and malicious codes	<b>Operate security solutions to prevent leakage accidents</b> · Avoid leakage from internal sources, hacking and malicious codes · Protect the IT infrastructure and conduct integrated monitoring on information leakages	· Expanded the application of laptop security solutions at large supermarkets and road shops · Checked source vulnerability and built vulnerability management system · Conducted a mock hacking on 219 systems and checked vulnerabilities
Retail stores ..... Franchises/agencies ..... Overseas subsidiaries			
	<b>Compliance with regulations</b> · Personal Information Protection Act · Act on Promotion of Information and Communications Network Utilization and Information Protection, etc. · Overseas privacy laws	<b>Comply with regulations on personal information protection</b> · Institute operational and technical protection measures concerning the life cycle of personal information (collection > use > storage > provision > disposal) · Follow personal information protection guidelines for overseas subsidiaries	· Analyzed the personal information processing flow for 28 personal information processing systems · Acquired certification in accordance with the new standards for ISMS

**Structure and Operation of Personal Information and Information Security Organization**

Personal information protection is overseen by the Chief Privacy Officer and supervised by the Department Supervising Information Security, and related training and supervision are conducted so that each responsible department and supplier can safely manage personal information.

**Tax Payment Policy**

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

**Disclosure of Tax Payment Records**

We provide corporate tax information in the audit report publicly disclosed on DART (Data Analysis, Retrieval and Transfer System), which is operated by the Financial Supervisory Service (dart.fss.or.kr). Any detailed informa-

tion is shared with various stakeholders. We disclose the standards for calculating corporate tax expenses, deferred tax assets, liabilities, the details of corporate tax expenses, and tax rates in the financial statement and annotations in the audit report.

**Tax Deduction & Exemption System**

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

**Fulfillment of Overseas Tax Payment Obligations**

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

**Emerging Risks**

Risk	Growing demand for biodiversity management in the supply chain	Changes in distribution channels and consumer purchasing behavior
Risk Impact	<ul style="list-style-type: none"> <li>· It is estimated that 83% of wild mammals and about half of plant species have gone extinct due to humanity, and biodiversity is declining faster than it has at any other time in human history. (Source: The Global Risks Report 2020 by World Economic Forum (2020))</li> <li>· The movement to conserve and recognize biodiversity, forests, and the natural environment as 'natural capital' and the corporate responsibility for this are emphasized. In particular, management of the entire corporate value chain including the supply chain is required.</li> <li>· Stakeholders' interest in the disclosure of corporate natural capital (Taskforce on Nature-related Financial Disclosures) and biodiversity strategies is increasing.</li> </ul>	<ul style="list-style-type: none"> <li>· The online market continues to grow, while the offline market is going backwards and its share is decreasing.</li> <li>· In 2020, the domestic online market recorded KRW 161 trillion in sales, a 19% increase compared to 2019. In 2021, this trend will continue and the proportion of online distribution in the retail market is expected to exceed 45%. (Source: December 2020 and Annual Online Shopping Trends by Statistics Korea (2021))</li> <li>· Changes in distribution channels are expected to go through an unfinished pandemic period and accelerate in an unpredictable direction.</li> </ul>
Need for Response	<ul style="list-style-type: none"> <li>· Changes in investor and consumer behavior increase preference for sustainable products.</li> <li>· There is a growing possibility that legislation for the disclosure of non-financial information such as TNFD or a code of conduct that companies must comply with will act as a trade barrier in the future.</li> <li>· Risks and costs can be reduced by making preemptive responses, and the use of ESG information by financial institutions and investors can serve as an opportunity for companies to raise capital.</li> </ul>	<ul style="list-style-type: none"> <li>· Although dependence on large online retailers in the form of open markets and shop-in-shops is increasing, blind spots such as high fees, policy volatility, intensifying competition, and non-sharing of data can have a negative effect on mid- to long-term profitability and can also be linked to the corporate reputation.</li> <li>· Changes in the importance of each sales channels lead to the need for employee relocation and re-education.</li> <li>· Companies failed to forecast demand due to lack of customer data, and had difficulty in sophisticated customer communication.</li> </ul>
Response Activities	<ul style="list-style-type: none"> <li>· We recognize that reckless procurement of palm oil can lead to global forest degradation and loss of biodiversity. We obtained RSPO membership and business certification (Ulsan, Onsan), and set goals for the gradual expansion of sustainable palm oil proportions.</li> <li>· We establish a sustainable purchasing policy and consider the potential impact on the environment and society when selecting key raw materials.</li> <li>· We manage negative environmental effects and natural capital data in the supply chain through regular CSR assessment and due diligence for suppliers, and encourage suppliers to implement sustainable purchasing policies.</li> </ul>	<ul style="list-style-type: none"> <li>· We strengthen brand stores by fostering major portals as online channels such as "Naver Red Week", an integrated online event with all brands of Beauty, HDB, and Refreshment divisions.</li> <li>· We provide practical trainings such as coding and digital content production for employees, and support for digital Tech Univ. courses.</li> <li>· We improve customer access convenience with mobile customer service and create a new direct dialing function from Naver app or mobile homepage.</li> </ul>

## Jeong-Do Management

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

### LG WAY and Jeong-Do Management

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

### Jeong-Do Management Division

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



## Code of Ethics

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

### Contents of the Code of Ethics

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

### Win the Excellence Award for Anti-Corruption at the BIS Summit 2021

BIS (Business Integrity Society), a project which was launched in 2019 to encourage joint efforts with companies, the National Assembly, and government agencies to prevent corruption, is jointly operated by the UN Global Compact Network Korea and the Korea Sustainability Investing Forum (KoSIF). LG H&H was selected as an excellent anti-corruption company in 2021 in recognition of its efforts to take the lead in conducting anti-corruption activities.



**Written Pledge for Jeong-Do Management**

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

Number of participants of Jeong-Do Management Pledge and Online Training (as of January 2021) **8,183 participants** (100% of employees)

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

We operate Cyber SINMUNGO, a corruption reporting system for accusations of unfair and unjust behaviors that violate LG’s code of ethics. We carry out preliminary and on-site investigations first. If the report is proved to be true, we take follow-up measures, including disciplinary

actions, work process improvement, and Jeong-Do Management education to create a transparent and fair corporate culture. We also try to eradicate misconduct and wrongdoing by running a reward system for informants and protecting whistleblowers to facilitate the reporting system.

**Bribery Report System**

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

**Voluntary Compliance with Jeong-Do Management Principles**

All of LG H&H’s executive directors and the heads of divisions are taking the lead in practicing Jeong-Do Management, communicating with employees about the significance of Jeong-Do Management through face-to-face meetings such as video conferences or one-on-one interviews, and making efforts to identify and prevent risks that may occur within the organization. To this end, they discuss necessary matters with employees and voluntarily improve related systems to create a work environment where employees are not exposed to risky situations. We create an open environment where leaders and members can figure out and discuss the same topic, as well as share directions for improvement, which has a positive effect of increasing trust among members.

**Reported Cases and Progress of Disciplinary Actions\***

\*Subsidiaries included, as of 2020

**Reported Cases by Stakeholder Group** (Unit: Case)

Category	2018	2019	2020
Customer complaints	2	7	5
Grievances of suppliers	20	20	18
Reports (company, employees)	56	76	40

**Reported Cases** (Unit: Case) **Disciplinary Actions** (Unit: Case)

Category	cases	Category	cases
Number of reported cases	40	Total number of reprimanded employees	55
Number of handled cases	36	Light penalties	14
Number of false reports	4	Severe disciplinary action	41

\*No disciplinary action against executive directors, No cases of discrimination against employees

**Disciplinary Actions by Reason** (Unit: Case)

Grounds for disciplinary actions	Number of cases
Manipulation of documents and calculations	7
Bribery	0
Unfair equity participation of suppliers	0
Embezzlement and misuse of the assets of the company	4
Unfair transactions (collusion)	6
Information leakage	2
Sexual harassment and bullying in the workplace	7
Others	29

**Reaching Out to Employees for Jeong-Do Management**

The Jeong-Do Management division continues to conduct on-site support activities so that employees can autonomously practice Jeong-Do Management. Throughout 2020, we held a Jeong-Do Management meeting for 26 new executive directors and the heads of divisions and promoted the Jeong-Do Management in the field by responding to inquiries about Jeong-Do Management dilemma, grievances and requests for support and establishing improvement measures. In order to enhance understanding of Jeong-Do Management, we created a culture to discuss and improve work processes that need improvement first in the field. The Jeong-Do Management Division then provides various and field-friendly content using character-based stories, such as “Jeong-Do Management Web Drama” and “Jeonglissam.”

**Jeong-Do Management Activities in Overseas Subsidiaries**

With the expansion of overseas business, we have designated the staff in charge of Jeong-Do Management at our overseas subsidiaries to perform relevant activities in an autonomous manner. In 2020, we conducted online workshops for Jeong-Do Management for Chinese and Japanese subsidiaries to share Jeong-Do management issues and information about activities for each business site in consideration of the global business environment. We also help the corporations to carry out activities to make Jeong-Do management a part of life.

## Materiality Test

### Materiality Test

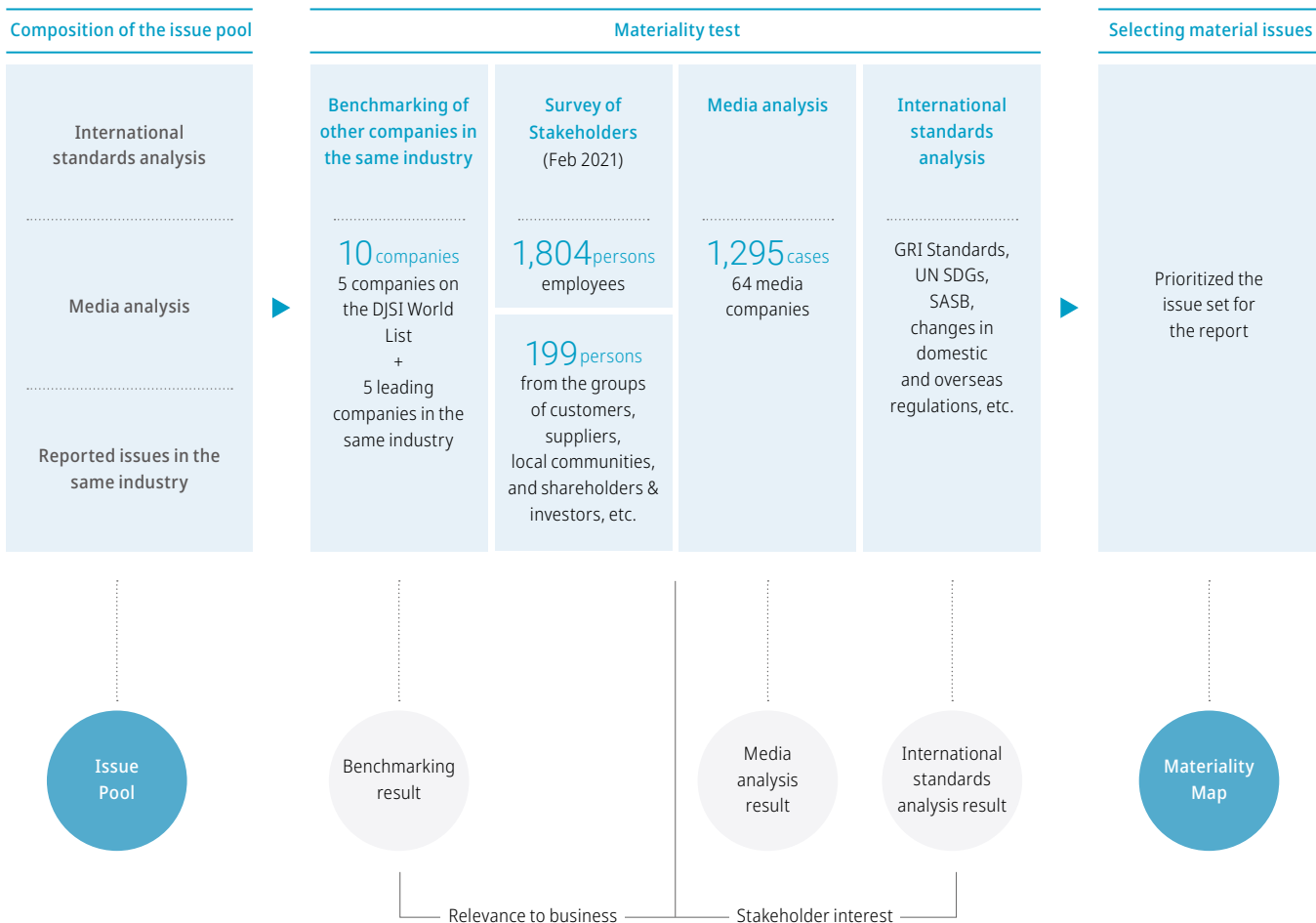
LG H&H undertakes an annual materiality test to analyze the relevance and significance of its products and activities regarding various sustainability management issues. We report issues that should be considered high priority.

### Materiality Test Process

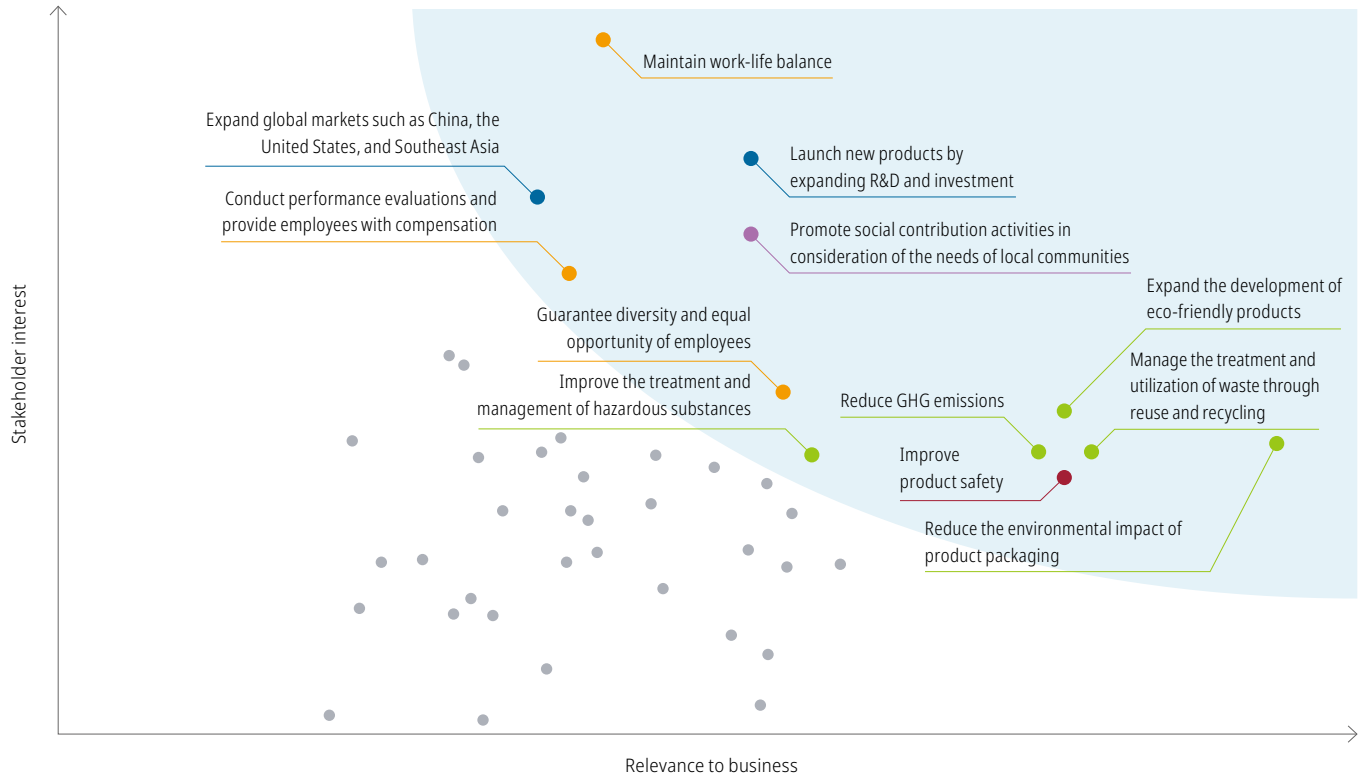
LG H&H examines economic, social, and environmental issues to find material issues that may affect the company's business. We took into account the degree of stakeholder interest in the issue and the impact of the issue on the business to identify material issues. We manage a pool of issues by examining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

### Selection of Material Issues

We identified material issues by comprehensively considering the analysis result regarding benchmarking of other companies in the same industry, surveys of stakeholders, and analysis of media and international standards. As a result of analyzing the subject of benchmarking, we identified reduction of greenhouse gas emissions, efforts to reduce the environmental impact of product packaging, and ensuring diversity of human resources and equal opportunities as common issues in the industry. The media analysis result finds that there have been a large number of articles about global market expansion, R&D, and investment expansion in China, the United States, and Southeast Asia. As a result of the stakeholder survey, we could see a high significance of several themes including efforts to reduce the environmental impact of product packaging materials, work and life balance, and enhancement of product safety. We selected a total of 12 issues as material issues taking into account business relevance and stakeholder interests.



### Materiality Map



### Material Issues

	Material Issue	Page	GRI Topic
Employee value	● Maintain work-life balance*	44-47, 56-59	405-1
	● Guarantee diversity and equal opportunity of employees		406-1
	● Conduct performance evaluations and provide employees with compensation*		
Customer satisfaction	● Improve product safety*	30-35, 60-63	416-1
Social contribution	● Promote social contribution activities in consideration of the needs of local communities	40-41, 64-67	413-1
Environmental safety management	● Reduce the environmental impact of product packaging*	48-53, 68-75	305-1
	● Expand the development of eco-friendly products*		305-2
	● Manage the treatment and utilization of waste through reuse and recycling*		305-3
	● Reduce GHG emissions*		306-2
	● Improve the treatment and management of hazardous substances*		
Other general management	● Launch new products by expanding R&D and investment*	6-13, 36-39	-
	● Expand global markets such as China, the United States, and Southeast Asia		

\*Material issues of the previous year

#### Key issues of the Beauty, Home care & Daily Beauty Division

Fair recruitment, development and fostering of human resources

#### Key issues of the Refreshment Division

Fair recruitment, development and fostering of human resources  
 Efforts to reduce water consumption and protection of water resources by destination  
 Enhancement of the safety and health of employees

## Stakeholder Engagement

### Stakeholder Engagement

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

### Stakeholder Engagement Channels

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

\*For LG H&H cosmetic products only

Key activities: Conducting feedback surveys of products and services

Communication issues: Customer service, personal information protection, marketing, product quality, customer safety

Employees	
Communication Channel	Frequency
Intranet and grievance-handling programs	Always
Idea Innovation i-30	Always
Company newsletters	6 times/year
Company meeting	Quarterly
Satisfaction surveys of employees	Annually
CSR surveys of employees	Annually
Employees Committee	Quarterly
Sales and sales promotion group meeting by position	Quarterly
Labor-management Committee at each business site	Quarterly
Employees' meeting in each division	Annually

Key activities: Conducting opinion surveys regarding management strategies and implementation

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

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

Key activities: Engaging in the strategic decision-making process related to businesses

Communication issues: Sharing of information about business management, investment, protection of the interests of shareholders

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

Key activities: Promoting win-win growth for co-existence with suppliers

Communication issues: Co-existence, industrial safety and health, changes in government policies, fair trade, Jeong-Do management

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

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

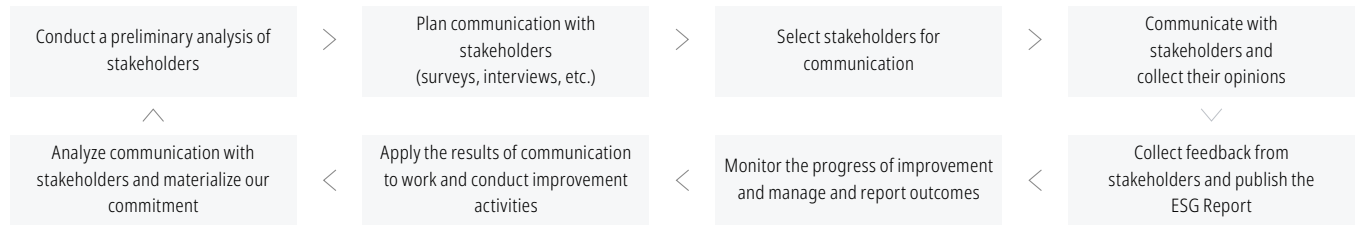
Communication issues: Disclosure of business management status, environment protection, contribution to local communities, job creation, social contribution

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

Key activities: Participating in the decision-making process related to government policies

Communication issues: Changes in government policies, compliance with laws and regulations, trends in each industry and local government

**Stakeholder Engagement Process**



**Stakeholder Interest and Expectations**

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

**Panel Discussion**

LG H&H conducts panel discussions to identify the expectations of experts in each field and reflect them in ESG activities. In 2020, we held two in-depth meetings with the themes of climate change-related initiatives, GHGs reduction policies, and gender diversity to reinforce women's capacity in the organization. These meetings were conducted by video conference due to the COVID-19 pandemic. We will embrace the perspectives of experts and stakeholders to enhance our ESG activities.

**CASE | Panel Discussion in 2020 - "Gender Diversity"**

**Gender Diversity**

In December 2020, we held a panel meeting with related experts on the theme of gender diversity and discussed domestic and international policy trends for reinforcing women's capabilities and measures to increase the diversity of members of LG H&H. In this meeting, we had the opportunity to check the status of employee diversity in terms of manager category compared to new recruitment, and to seek new direction and motivation for promoting women's leadership.

**KEY AGENDAS**

- 1 Global trends of promoting gender diversity
- 2 Women's policy trends in Korea and gender equality systems and guidelines in companies
- 3 Discussion on the establishment of strategies and policy programs to reinforce women's capabilities

External Expert	Company	Description
Jae-kyu Jeong, Senior Research Fellow	KCGS (Korea Corporate Governance Service)	Activities and achievements for improving female leadership by government, private enterprises, and institutional investors
Joo-geun Park, CEO	CEO Score	Seeking ways to spread gender diversity in corporate organizations
Suran Lee, Team Leader	UN Global Compact Network Korea	Target Gender Equality (TGE) program and global initiative trends

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# Appendix





96	98	101	106
Economic Performance	Environmental Performance	Social Performance	GRI Standards Index
109	113	115	
UNGC-TCFD-SASB	Independent Assurance Statement	GHG Emissions Verification Statement	

## Economic Performance

### Financial Statement

(Unit: KRW million)

Category	LG H&H [Consolidated]		LG H&H [Non-consolidated]		Coca-Cola Beverage [Consolidated]		HAITAI htb [Separate]	
	2019	2020	2019	2020	2019	2020	2019	2020
<b>I. Current assets</b>	<b>2,163,075</b>	<b>1,982,769</b>	<b>1,009,794</b>	<b>892,926</b>	<b>326,120</b>	<b>255,857</b>	<b>85,566</b>	<b>80,862</b>
Cash and cash equivalents	647,104	434,105	261,567	78,790	123,323	53,487	1,381	7,148
Short-term financial instruments	72,263	58,537	16,900	17,400	30,000	20,000	-	-
Accounts and notes receivables	611,045	585,565	360,286	334,885	105,485	114,903	2,472	28,618
Other bonds	34,606	52,227	19,429	43,875	4,592	1,951	2,472	2,392
Inventories	746,323	808,966	338,257	401,986	60,184	63,169	49,512	41,986
Investments in subsidiaries	-	-	-	-	-	-	-	-
Non-current assets as held for sale	-	-	-	-	-	-	-	-
Other current financial assets	1,090	374	995	248	-	-	-	85
Other current assets	50,644	42,996	12,359	15,742	2,536	2,346	564	632
<b>II. Non-current assets</b>	<b>4,330,595</b>	<b>4,818,647</b>	<b>3,083,981</b>	<b>3,668,006</b>	<b>548,534</b>	<b>629,189</b>	<b>336,385</b>	<b>333,194</b>
Long-term financial instruments	24	20	12	11	6	6	-	-
Other long-term bonds	80,180	50,354	34,467	28,764	7,502	6,950	5,177	5,099
Available-for-sale financial assets	-	-	-	-	344	344	-	-
Severance pay assets	-	-	-	-	-	-	-	-
Stocks for subsidiaries	-	-	1,839,229	1,484,976	-	-	-	-
Stocks for affiliates and joint companies	56,559	59,999	9,633	9,633	-	-	-	-
Deferred tax assets	37,442	38,750	42,528	-	6,563	4,455	-	-
Property	2,036,045	2,329,834	927,590	1,133,245	503,483	592,915	324,149	322,918
Right-of-use assets	273,157	219,793	26,744	27,608	18,161	13,662	4,490	3,928
Investments in properties	42,239	24,760	37,068	22,714	1,412	1,364	1,395	241
Goodwill	-	-	-	-	-	-	-	-
Intangible assets	1,787,314	2,063,443	153,251	930,916	10,839	9,378	1,088	1,007
Net defined benefit assets	-	-	-	-	-	-	-	-
Other non-current financial assets	9,467	9,768	9,104	9,270	-	-	86	-
Other non-current assets	8,168	21,927	4,355	20,868	225	115	-	-
<b>Total assets</b>	<b>6,493,670</b>	<b>6,801,416</b>	<b>4,093,775</b>	<b>4,560,931</b>	<b>874,654</b>	<b>885,046</b>	<b>421,951</b>	<b>414,056</b>
<b>I. Current liabilities</b>	<b>1,771,204</b>	<b>1,479,724</b>	<b>793,017</b>	<b>670,223</b>	<b>175,491</b>	<b>168,233</b>	<b>120,555</b>	<b>101,671</b>
<b>II. Non-current liabilities</b>	<b>485,378</b>	<b>472,496</b>	<b>36,391</b>	<b>97,234</b>	<b>36,312</b>	<b>26,540</b>	<b>42,339</b>	<b>46,755</b>
<b>Total liabilities</b>	<b>2,256,582</b>	<b>1,952,220</b>	<b>829,408</b>	<b>767,457</b>	<b>211,802</b>	<b>194,773</b>	<b>162,894</b>	<b>148,427</b>
Capital stock	88,589	88,589	88,589	88,589	25,000	25,000	87,737	87,737
Capital surplus	97,326	97,326	97,326	97,326	22,527	22,527	153,702	153,702
Retained earnings	4,174,882	4,805,404	3,151,084	3,585,019	615,661	643,082	18,145	24,717
Accumulated other comprehensive income	-96,636	-124,123	-2,004	-2,331	-337	-337	-	-
Other reserves	-117,427	-111,217	-70,628	24,872	-	-	-526	-526
Non-controlling interests equity	90,354	93,216	-	-	-	-	-	-
<b>Total capital</b>	<b>4,237,088</b>	<b>4,849,196</b>	<b>3,264,367</b>	<b>3,793,474</b>	<b>662,852</b>	<b>690,272</b>	<b>259,057</b>	<b>265,630</b>

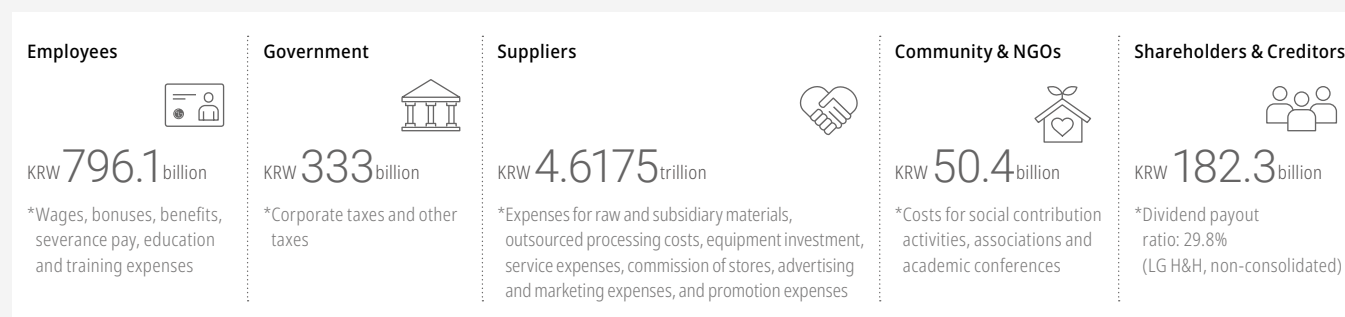


## Income Statement

(Unit: KRW million)

Category	LG H&H [Consolidated]		LG H&H [Non-consolidated]		Coca-Cola Beverage [Consolidated]		HAITAI htb [Separate]	
	2019	2020	2019	2020	2019	2020	2019	2020
Sales revenue	7,685,424	7,844,506	4,536,976	4,418,257	1,266,919	1,338,724	386,731	373,659
Cost of sales	2,917,246	2,962,931	1,695,356	1,745,494	764,129	793,597	281,225	272,564
Gross profit or loss	4,768,178	4,881,576	2,841,620	2,672,763	502,790	545,126	105,507	101,095
Selling and administrative expenses	3,591,767	3,660,711	1,982,261	1,887,154	361,626	360,775	94,467	92,375
Restructuring expenses	-	-	-	-	-	-	-	-
Operating income	1,176,411	1,220,865	859,358	785,609	141,164	184,352	11,040	8,720
Financial income	17,086	15,435	37,304	144,199	1,204	1,043	247	90
Financial expenses	17,773	21,617	14,627	7,695	411	273	1,422	1,067
Other non-operating profit and loss	-90,563	-100,633	-40,425	-74,935	-5,689	-3,692	-307	2,655
Profit and loss relevant to equity method	6,920	7,024	-	-	-	-	-	-
Net income before corporate taxes expenses	1,092,081	1,121,074	841,611	847,179	136,268	181,430	9,558	10,397
Corporate tax	303,908	307,973	218,743	228,740	40,677	36,104	6,795	3,314
Net income for an accounting period	788,173	813,101	622,868	618,439	95,591	145,325	2,762	7,083

## Domestic/Overseas Economic Value Distribution (based on domestic company and subsidiaries in China and Japan as of 2020)



## Corporate Tax Expense

Region	Unit	Sales	Operating profit	Corporate tax expense
Korea	KRW 100 million	69,579	10,116	2,774
China	KRW 100 million	11,389	1,198	357
Vietnam	KRW 100 million	293	6	1
United States	KRW 100 million	4,599	259	5
Taiwan	KRW 100 million	464	22	2
Japan	KRW 100 million	4,510	620	81
Others <sup>1)</sup> (Consolidated adjustment)	KRW 100 million	-12,389	-12	-181
Total	KRW 100 million	78,445	12,209	3,039

1) Amount is adjusted, taking consideration of internal transactions with subsidiaries subject to consolidated accounting and unrealized profit and loss

Tax Amount and Tax Rates<sup>2)</sup>

Category	Unit	2018	2019	2020	Average
Earnings before Tax	KRW 100 million	9,560	10,921	11,211	-
Reported Taxes	KRW 100 million	2,322	2,828	2,993	-
Reported Tax Rate	%	24.3	25.9	26.7	25.6
Cash Taxes Paid	KRW 100 million	2,637	3,039	3,080	-
Cash Tax Rate	%	27.6	27.8	27.5	27.6

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

## Environmental Performance

### Major Environmental Index

Category		Domestic					
		Company/ subsidiary	Unit	2018	2019	2020	
Production volume		LG H&H	Ton	449,005	403,993	370,751	
		Coca-Cola Beverage	Ton	676,307	725,358	724,807	
		HAITAI htb	Ton	527,858	549,426	543,247	
		Total	Ton	1,653,170	1,678,776	1,638,805	
Energy	Consumption	LG H&H	TJ	1,118	1,023	991 <sup>1)</sup>	
	Intensity		GJ/product-ton	2.489	2.532	2.671	
	Consumption	Coca-Cola Beverage	TJ	887	902	867 <sup>2)</sup>	
	Intensity		GJ/product-ton	1.311	1.244	1.196	
	Consumption	HAITAI htb	TJ	640	729	676 <sup>3)</sup>	
	Intensity		GJ/product-ton	1.212	1.328	1.244	
	Consumption	Total	TJ	2,645	2,655	2,533	
	Intensity		GJ/product-ton	1.599	1.581	1.546	
	GHG <sup>4)</sup>	Emissions	LG H&H	tCO <sub>2</sub> e	51,631	48,654	45,314
		Intensity		tCO <sub>2</sub> e /product-ton	0.115	0.120	0.122
Emissions		Coca-Cola Beverage	tCO <sub>2</sub> e	46,436	46,938	44,514	
Intensity			tCO <sub>2</sub> e /product-ton	0.069	0.065	0.061	
Emissions		HAITAI htb	tCO <sub>2</sub> e	35,345	36,191	36,246	
Intensity			tCO <sub>2</sub> e /product-ton	0.067	0.066	0.067	
Emissions		Total	tCO <sub>2</sub> e	133,413	131,791	126,074	
Intensity			tCO <sub>2</sub> e /product-ton	0.081	0.079	0.077	
Water		Consumption	LG H&H	Ton	645,337	666,127	555,420
		Intensity		Ton/product-ton	1.437	1.649	1.498
	Consumption	Coca-Cola Beverage	Ton	1,698,814	1,879,051	1,726,739	
	Intensity		Ton/product-ton	2.512	2.591	2.382	
	Consumption	HAITAI htb	Ton	1,127,026	1,262,758	1,217,063	
	Intensity		Ton/product-ton	2.135	2.298	2.240	
	Consumption	Total	Ton	3,471,177	3,807,935	3,499,222	
	Intensity		Ton/product-ton	2.100	2.268	2.135	
	Waste water	Emissions	LG H&H	Ton	131,096	134,398	101,243
		Intensity		Ton/product-ton	0.292	0.333	0.273
Emissions		Coca-Cola Beverage	Ton	926,066	997,235	938,682	
Intensity			Ton/product-ton	1.369	1.375	1.295	
Emissions		HAITAI htb	Ton	577,474	622,160	612,031	
Intensity			Ton/product-ton	1.094	1.132	1.127	
Emissions		Total	Ton	1,634,635	1,753,793	1,651,956	
Intensity			Ton/product-ton	0.989	1.045	1.008	

Category		Domestic					
		Company/ subsidiary	Unit	2018	2019	2020	
COD	Total amount	LG H&H	Ton	39.0	42.5	10.1	
	Intensity		kg/product-ton	0.087	0.105	0.027	
	Total amount	Coca-Cola Beverage	Ton	14.7	8.9	6.9	
	Intensity		kg/product-ton	0.022	0.012	0.009	
	Total amount	HAITAI htb	Ton	11.6	24.2	21.0	
	Intensity		kg/product-ton	0.022	0.044	0.039	
	Total amount	Total	Ton	65.3	75.6	38.0	
	Intensity		kg/product-ton	0.039	0.045	0.023	
	Waste	Total amount	LG H&H	Ton	6,641	7,134	6,589
Intensity			kg/product-ton	14.790	17.658	17.771	
Total amount		Coca-Cola Beverage	Ton	8,123	6,261	6,542	
Intensity			kg/product-ton	12.011	8.631	9.025	
Total amount		HAITAI htb	Ton	5,939	7,275	14,142	
Intensity			kg/product-ton	11.252	13.240	26.032	
Total amount		Total	Ton	20,703	20,669	27,272	
Intensity			kg/product-ton	12.523	12.312	16.642	
NO <sub>x</sub> <sup>5)</sup>		Emissions	LG H&H	Ton	1.976	1.678	6.478
		Intensity		kg/product-ton	-	-	-
	Emissions	Coca-Cola Beverage	Ton	-	-	6.451	
	Intensity		kg/product-ton	-	-	-	
	Emissions	HAITAI htb	Ton	-	-	5.997	
	Intensity		kg/product-ton	-	-	-	
	Emissions	Total	Ton	-	-	18.926	
	Intensity		kg/product-ton	-	-	-	

1) Electricity: 560TJ, Steam: 268TJ, Other fuels: 163TJ

2) Electricity: 496TJ, other fuels: 371TJ

3) Electricity: 381TJ, other fuels: 294TJ

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

5) Voluntary management is carried out

Category	Overseas					
	Company/ subsidiary	Unit	2018	2019	2020	
Production volume	Beijing, China	Ton	8,421	9,628	9,444	
	Hangzhou, China <sup>1)</sup>	Ton	569	-	-	
	Dong Nai, Vietnam	Ton	1,970	2,160	1,721	
	Guangzhou, China <sup>2)</sup>	Ton	-	-	7,832	
	Total	Ton	10,960	11,788	18,997	
Energy	Consumption	Beijing, China	TJ	22.1	24.0	22.1
	Intensity		GJ/product-ton	2.626	2.495	2.339
	Consumption	Hangzhou, China	TJ	4.7	-	-
	Intensity		GJ/product-ton	8.336	-	-
	Consumption	Dong Nai, Vietnam	TJ	13.1	13.6	13.1
	Intensity		GJ/product-ton	6.673	6.298	7.634
	Consumption	Guangzhou, China	TJ	-	-	61.4
	Intensity		GJ/product-ton	-	-	7.837
	Consumption	Total	TJ	39.9	37.6	96.6
	Intensity		GJ/product-ton	3.714	3.190	5.086
GHG <sup>3)</sup>	Emissions	Beijing, China	tCO <sub>2</sub> e	1,146	1,244	1,145
	Intensity		tCO <sub>2</sub> e/product-ton	0.136	0.129	0.121
	Emissions	Hangzhou, China	tCO <sub>2</sub> e	819	-	-
	Intensity		tCO <sub>2</sub> e/product-ton	1.439	-	-
	Emissions	Dong Nai, Vietnam	tCO <sub>2</sub> e	686	623	581
	Intensity		tCO <sub>2</sub> e/product-ton	0.348	0.288	0.337
	Emissions	Guangzhou, China	tCO <sub>2</sub> e	-	-	8,340
	Intensity		tCO <sub>2</sub> e/product-ton	-	-	1.065
	Emissions	Total	tCO <sub>2</sub> e	2,650	1,867	10,065
	Intensity		tCO <sub>2</sub> e/product-ton	0.246	0.158	0.530
Water	Consumption	Beijing, China	Ton	15,047	19,973	20,257
	Intensity		Ton/product-ton	1.787	2.074	2.145
	Consumption	Hangzhou, China	Ton	5,339	-	-
	Intensity		Ton/product-ton	9.382	-	-
	Consumption	Dong Nai, Vietnam	Ton	32,947	31,566	27,572
	Intensity		Ton/product-ton	16.722	14.613	16.023
	Consumption	Guangzhou, China	Ton	-	-	131,014
	Intensity		Ton/product-ton	-	-	16.728
	Consumption	Total	Ton	53,333	51,539	178,843
	Intensity		Ton/product-ton	4.866	4.372	9.414

Category	Overseas					
	Company/ subsidiary	Unit	2018	2019	2020	
Waste water	Emissions	Beijing, China	Ton	10,966	14,746	14,997
	Intensity		Ton/product-ton	1.302	1.532	1.588
	Emissions	Hangzhou, China	Ton	2,606	-	-
	Intensity		Ton/product-ton	4.580	-	-
	Emissions	Dong Nai, Vietnam	Ton	26,357	25,253	22,434
	Intensity		Ton/product-ton	13.377	11.691	13.037
	Emissions	Guangzhou, China	Ton	-	-	87,114
	Intensity		Ton/product-ton	-	-	11.123
	Emissions	Total	Ton	39,929	39,999	124,545
	Intensity		Ton/product-ton	3.707	3.393	6.556
COD	Total amount	Beijing, China	Ton	0.63	0.15	0.33
	Intensity		kg/product-ton	0.074	0.015	0.035
	Total amount	Hangzhou, China	Ton	0.52	-	-
	Intensity		kg/product-ton	0.916	-	-
	Total amount	Dong Nai, Vietnam	Ton	2.00	1.82	1.23
	Intensity		kg/product-ton	1.017	0.842	0.717
	Total amount	Guangzhou, China	Ton	-	-	1.89
	Intensity		kg/product-ton	-	-	0.242
	Total amount	Total	Ton	3.15	1.97	3.46
	Intensity		kg/product-ton	0.292	0.167	0.182
Waste	Total amount	Beijing, China	Ton	186	298	259
	Intensity		kg/product-ton	22.030	30.952	27.424
	Total amount	Hangzhou, China	Ton	24	-	-
	Intensity		kg/product-ton	41.297	-	-
	Total amount	Dong Nai, Vietnam	Ton	53	215	113
	Intensity		kg/product-ton	26.690	99.550	65.667
	Total amount	Guangzhou, China	Ton	-	-	331
	Intensity		kg/product-ton	-	-	42.287
	Total amount	Total	Ton	263	513	703
	Intensity		kg/product-ton	23.996	43.519	37.016

- 1) Stopped production at Hangzhou factory in China from 2019
- 2) Acquired the Guangzhou factory in China in 2019
- 3) The data were calculated based on the management guidelines for the target of GHG emissions and energy consumption

## Water Recycling

Company/subsidiary	Category	Unit	2018	2019	2020
LG H&H	Amount of recycled water	Ton	29,380	25,279	23,795
	Recycling rate	%	4.6	3.8	4.3
Coca-Cola Beverage	Amount of recycled water	Ton	132,203	148,354	113,887
	Recycling rate	%	7.8	7.9	6.6
HAITAI htb	Amount of recycled water	Ton	26,697	17,855	13,820
	Recycling rate	%	2.4	1.4	1.1

## Waste Treatment in 2020

Category	Unit	LG H&H	Coca-Cola Beverage	HAITAI htb	Total	
Designated waste	Amount of recycled waste	Ton	2,655.5	21.7	4.9	2,682.1
	Amount of incinerated waste	Ton	730.5	22.5	253.7	1,006.7
	Amount of buried waste	Ton	7.5	5.4	0	12.9
	Others	Ton	221.9	0	0	221.9
	Total amount	Ton	3,615.4	49.7	258.6	3,923.6
General waste	Amount of recycled waste	Ton	1,774.9	6,441.4	7,157.8	15,374.1
	Amount of incinerated waste	Ton	1,108.3	50.6	6,627.0	7,785.9
	Amount of buried waste	Ton	15.1	0	4.5	19.7
	Others	Ton	75.0	0	94.1	169.1
	Total amount	Ton	2,973.3	6,492.0	13,883.4	23,348.7

## Expenses for Environmental Protection in 2020

Category	Unit	LG H&H	Coca-Cola Beverage	HAITAI htb	Total
Environmental investment	KRW million	2,255	4,804	14,408	21,467
Environmental expenses	KRW million	4,939	1,507	7,277	13,724

## Amount of Water Intake<sup>1)</sup> by Source in 2020

Category	Unit	LG H&H	Coca-Cola Beverage	HAITAI htb	Total
Water supply <sup>2)</sup>	Ton	357,202	1,485,569	986,522	2,829,293
Groundwater	Ton	185,110	164,400	230,541	580,051
River water	Ton	13,108	76,770	-	89,878
Total amount	Ton	555,420	1,726,739	1,217,063	3,499,222

1) Domestic business sites are located in areas with low water stress index by WRI (World Resources Institute)

2) Water supply includes water used for industrial and residential purposes

## Amount of Recycled Containers

Category	Unit	2018	2019	2020
LG H&H	Ton	18,022	19,006	18,990
Coca-Cola Beverage	Ton	44,730	46,413	47,062
HAITAI htb	Ton	11,392	11,674	9,938
Total amount	Ton	74,144	77,093	75,989

## Social Performance

### Total Employees<sup>1)</sup>

#### Status of Employees at Domestic Corporation<sup>2)</sup>

Category	Unit	2018	2019	2020
Total	Person	8,104	8,002	7,744
Gender	Male	5,201	5,166	5,086
	Female	2,903	2,836	2,658

#### Status of Employees at Overseas Subsidiaries<sup>3)</sup>

Unit	Total	China	Japan	Vietnam	Taiwan	North America	Other countries <sup>4)</sup>
Person	2,840	859	498	395	347	306	435

1) Breakdown by country basis: Republic of Korea(73%), China(8%), Japan(5%), Vietnam(4%), Other countries(10%)

2) Not including 2,840 employees at overseas subsidiaries

3) The data is based on full-time employees

4) Singapore, Malaysia, and Thailand subsidiaries

### Detailed Status of Employees

Company/ subsidiary	Category	Unit	2018	2019	2020	
LG H&H	Total	Person	4,514	4,569	4,640	
	Gender	Male	Person	1,999	2,026	2,174
		Female	Person	2,515	2,543	2,466
	Employment type	Permanent	Person	4,332	4,373	4,577
		Temporary	Person	182	196	63
	Job category	Office work	Person	2,355	2,442	2,658
		Manufacturing	Person	745	747	783
		Sales	Person	1,414	1,380	1,199
	Diversity	Disabled	Person	32	30	35
		Veterans	Person	68	67	69
Foreigners		Person	29	38	24	
Coca-Cola Beverage	Total	Person	2,333	2,350	2,310	
	Gender	Male	Person	2,208	2,225	2,188
		Female	Person	125	125	122
	Employment type	Permanent	Person	2,052	2,050	2,032
		Temporary	Person	281	300	278
	Job category	Office work	Person	493	484	470
		Manufacturing	Person	296	303	298
		Sales	Person	1,544	1,563	1,542
	Diversity	Disabled	Person	52	53	53
		Veterans	Person	61	61	57
Foreigners		Person	0	0	0	

Company/ subsidiary	Category	Unit	2018	2019	2020	
HAITAI htb	Total	Person	827	833	794	
	Gender	Male	Person	761	761	724
		Female	Person	66	72	70
	Employment type	Permanent	Person	764	763	737
		Temporary	Person	63	70	57
	Job category	Office work	Person	241	241	236
		Manufacturing	Person	252	272	270
		Sales	Person	334	320	288
	Diversity	Disabled	Person	17	17	17
		Veterans	Person	7	9	10
Foreigners		Person	0	0	0	

### Internal Hires

Category	Unit	2018	2019	2020
Percentage of internal hires <sup>5)</sup>	%	83.3	81.4	80.7

5) Percentage of open positions filled by internal candidates (internal hires)

**Employee Education & Training**

Company/ subsidiary	Category	Unit	2018	2019	2020
LG H&H	No. of participants	Person	40,013	50,506	42,473
	Training hours per employee	Hour	59	63	52
	Training expense per employee	KRW	1,202,902	1,278,086	838,746
Coca-Cola Beverage	No. of participants	Person	21,196	12,304	14,721
	Training hours per employee	Hour	22	37	23
	Training expense per employee	KRW	72,663	120,274	130,224
HAITAI htb	No. of participants	Person	10,077	3,159	10,713
	Training hours per employee	Hour	28	21	43
	Training expense per employee	KRW	160,988	242,794	125,879

**Parental Leave**

Company/ subsidiary	Category	Unit	2018	2019	2020
LG H&H	Ratio of employees who returned to work from parental leave	%	154/171	182/194	196/208
	Ratio of employees who took one full year of parental leave	%	125/152	161/171	111/116
Coca-Cola Beverage	Ratio of employees who returned to work from parental leave	%	3/3	6/6	5/5
	Ratio of employees who took one full year of parental leave	%	3/4	3/3	5/6
HAITAI htb	Ratio of employees who returned to work from parental leave	%	3/3	4/7	1/2
	Ratio of employees who took one full year of parental leave	%	5/7	3/3	3/3

**Job Creation<sup>1)</sup> in 2020**

Category	Unit	LG H&H	Coca-Cola Beverage	HAITAI htb
Male	Person	49	24	8
Female	Person	40	2	1
Total	Person	89	26	9

1) The data is based on the number of permanent employees and the number of employees converted into a permanent position

**Turnover<sup>2)</sup> in 2020**

Category	Unit	LG H&H <sup>3)</sup>	Coca-Cola Beverage	HAITAI htb
Male	Person	28	3	23
Female	Person	83	0	3
Total	Person	111	3	26

2) The data is based on the voluntary turnover of permanent employees

3) Voluntary turnover rates of permanent employees: 2.4%

**Labor Union Membership Rate<sup>4)</sup>**

Category	Unit	2018	2019	2020
LG H&H	%	31.3	34.1	35.9
Coca-Cola Beverage	%	98.2	98.5	98.1
HAITAI htb	%	77.6	79.8	81.9

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

Industrial Accidents<sup>1)</sup>

Company/ subsidiary	Category	Unit	2018	2019	2020	
LG H&H	No. of cases	Male	Cases	4	1	5
		Female	Cases	3	2	2
		Subtotal	Cases	7	3	7
	Accident rate	Male	%	0.20	0.05	0.23
		Female	%	0.12	0.08	0.08
		Subtotal	%	0.16	0.07	0.15
Coca-Cola Beverage	No. of cases	Male	Cases	13	9	11
		Female	Cases	0	0	0
		Subtotal	Cases	13	9	11
	Accident rate	Male	%	0.59	0.40	0.50
		Female	%	0	0	0
		Subtotal	%	0.56	0.38	0.48
HAITAI htb	No. of cases	Male	Cases	3	2	3
		Female	Cases	1	1	0
		Subtotal	Cases	4	3	3
	Accident rate	Male	%	0.39	0.26	0.41
		Female	%	1.52	1.39	0
		Subtotal	%	0.48	0.36	0.38

1) Zero deaths in 2018-2020, The scope of in-house contractors included

## Lost-Time Injuries Frequency Rate (LTIFR)

Company/subsidiary	Category	Unit	2018	2019	2020
LG H&H	Employees	Case/M work-hour	0.75	0.32	0.73
	In-house suppliers	Case/M work-hour	0.56	0.49	0.48
Coca-Cola Beverage	Employees	Case/M work-hour	2.68	1.84	2.29
HAITAI htb	Employees	Case/M work-hour	2.33	1.73	1.82

## Occupational Illness Frequency Rate (OIFR)

Company/subsidiary	Unit	2018	2019	2020
LG H&H	Case/M work-hour	0.00	0.00	0.00
Coca-Cola Beverage	Case/M work-hour	0.00	0.00	0.00
HAITAI htb	Case/M work-hour	0.00	0.00	0.00

Supply Chain Spending Analysis<sup>2)</sup> in 2020

Country	Purchase amount (KRW 100 M)	Ratio (%)
Korea	24,176	91.0
China	762	2.9
Japan	299	1.1
Other Asian countries	653	2.5
Europe	298	1.1
North America	356	1.3
South America	15	0.1
Oceania	18	0.1

2) Purchase amount of raw materials, subsidiary materials, and products

## Number of Suppliers in 2020

Business Division	Type	No. of suppliers (Company)
Beauty	Products	161
	Raw materials	375
	Subsidiary materials	205
Home Care & Daily Beauty	Products	161
	Raw materials	266
	Subsidiary materials	153
Refreshment	Products	42
	Raw materials	168
	Subsidiary materials	50

Performance and Goals with Suppliers<sup>1)</sup>

Category	Achieve a higher grade of the Safe Quality Certification	Number of cases of technical support	Amount of financial support
2018	Stabilize the Safe Quality Certification system of suppliers	360 cases (accumulated)	KRW 67.78 billion (accumulated)
2019	Number of suppliers: 92	557 cases (accumulated)	KRW 99.21 billion (accumulated)
2020	Number of suppliers (accumulated): 176	756 cases (accumulated)	KRW 140.09 billion (accumulated)
2025 Goals	Number of suppliers (accumulated): 660	1,811 cases (accumulated)	KRW 310.2 billion (accumulated)

1) The safe quality assessment for suppliers consists of cumulative data from 2019. The technical/financial support goals and achievements are cumulative data from 2017

Results of self-assessment on CSR of suppliers<sup>2)</sup> in 2020

Assessment score (Unit: points out of 100)		Major deficiencies (Unit: %)			
Area	Average score	Area	Issue	Major deficiencies	Ratio of target suppliers
Labor & Human Rights	76.1	Labor & Human Rights	Humane treatment	No formal guidelines on sexual harassment prevention	29
			Prohibition of forced labor	No explicit prohibition on storage of ID cards, visas, and passports when hiring foreigners/immigrants (No 'forced labor' found)	68
Environment	97.2		Anti-discrimination	No explicit prohibition on anti-discrimination based on gender, disability, race or origin in employment and promotion (No 'discrimination' found)	28
Safety & Health	69.2		Freedom of association	Insufficient management of Labor-Management Committee	40
Ethical Management	99.4	Safety & Health	Safety and Health	Insufficient operation of the Human Rights and Health Committee within the safety and health management regulations	56
Management System	95.0				Insufficient implementation of regular risk assessment at business sites

2) Non-consolidated / Online self-assessment of CSR conducted for 181 existing suppliers (131 domestic, 50 overseas) and 9 new suppliers

Social Contribution Investment and Volunteer Work Hours<sup>3)</sup>

Category		Unit	2018	2019	2020
Social contribution investment	Total	KRW million	22,140	26,566	35,662
	Cash	KRW million	6,287	7,645	18,159
	Investment in kind	KRW million	15,852	18,921	17,503
Indirect cost		KRW million	882	1,065	912
Volunteer work	Hours	Hour	6,834	7,318	1,895 <sup>4)</sup>
	Monetary value	KRW	-	-	69,239,510 <sup>5)</sup>

3) Non-consolidated

4) Reduced volunteer hours due to COVID-19 pandemic and social distancing

5) Calculated based on the average salary per employee

Customer satisfaction<sup>6)</sup> (Percentage of satisfied clients)

Category	Unit	2017	2018	2019	2020
Percentage of satisfied clients	%	84.1	84.7	86.3	87.9

6) NPS (Net Promoter Score) measured by adding "Belief" in 2020, targeting representative brands "O HUI", "Whoo" and "Su:m37°" by 2019



## Product recall

Category	Unit	2017	2018	2019	2020
Number of product lines for which products were recalled	Cases	0	0	0	0

## Contribution to Associations & Organizations<sup>1)</sup>

(Unit: KRW)

(Unit: KRW)

Amount of contribution	2017	2018	2019	2020	Major associations	Amount of contribution in 2020
Total annual amount of contribution	710,945,837	710,953,604	712,529,772	753,327,600	Korea Cosmetic Association	169,050,000
					Korea Health Supplements Association	12,000,000
					Korea Foods Industry Association	8,160,000
					Korea Products Safety Association	4,000,000
					Korea Industrial Safety Association	1,008,000

1) In accordance with the Political Funds Act and the instructions of LG H&H's Code of Ethics, any donation or sponsorship using the company's assets and budget for political purposes is strictly prohibited. We neither conducted lobbying activities nor provided sponsorship for local political campaigns and political donations from 2016 to 2020.

## Major Associations and Initiatives

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

## Major External Assessments and Awards

Category	Award	Institution for assessment/award
2020 Win-win Growth Index	Selected best company for 6 consecutive years	Korean Commission for Corporate Partnership
Dow Jones Sustainability Index	Listed in DJSI World for 3 consecutive years	S&P Dow Jones Indices / RobecoSAM / KPC
Dow Jones Sustainability Index	Listed in DJSI Asia-Pacific for 11 consecutive years	S&P Dow Jones Indices / RobecoSAM / KPC
The 2020 Top Breakthrough Innovations in FMCG for East Asia by Nielsen	Selected Himalaya Pink Salt Toothpaste	Nielsen
2020 Asia Consumer Awards	Awarded special prize	Asia Economy
57th Trade Day Commemoration Ceremony	Awarded one-billion-dollar export tower	Ministry of Trade, Industry and Energy / Korea International Trade Association
2021 Business Integrity Society	Awarded anti-corruption excellence company	UN Global Compact Network Korea / Korea Sustainability Investing Forum (KoSIF)

## Management System Certifications

Category	ISO14001	ISO9001	OHSAS18001	ISO45001	KOSHA18001	HACCP	KS	Green Company	FSSC22000
LG H&H	Cheongju, Ulsan, Onsan, Beijing, Vietnam	Cheongju, Ulsan, Onsan, Naju, Vietnam, Guangzhou (AVON)	Beijing, Guangzhou (AVON)	Cheongju, Naju	Ulsan		Cheongju, Ulsan	Ulsan, Cheongju	
Coca-Cola Beverage	Yeosu, Yangsan, Gwangju	Yeosu, Yangsan, Gwangju		Yeosu, Yangsan, Gwangju		Yeosu, Yangsan, Gwangju		Gwangju	Yeosu, Yangsan, Gwangju
HAITAI htb	Cheonan, Pyeongchang, Cheorwon, Iksan	Cheonan, Pyeongchang, Cheorwon		Cheonan, Pyeongchang, Cheorwon, Iksan		Cheonan, Iksan		Cheonan	Cheonan, Pyeongchang, Cheorwon, Iksan

## GRI Standards Index

Universal Standards (GRI 100)				
Topic	Index	Indicators	Page	Remarks
Organizational Profile	102-1	Name of the organization	About This Report	
	102-2	Activities, brands, products, and services	8-13	
	102-3	Location of headquarters	6	
	102-4	Location of operations	6-7	
	102-5	Ownership and legal form	83	
	102-6	Markets served	6-15	
	102-7	Scale of the organization	6-7	
	102-8	Information on employees and other workers	101	Total number of in-house suppliers employees: 2,020 employees (as of the end of 2020)
	102-9	Supply chain	42-43, 103	
	102-10	Significant changes to the organization and its supply chain	-	· LG H&H merged with The Face Shop, CNP Cosmetics · No significant changes in the supply chain
	102-11	Precautionary principle or approach	84-87	
	102-12	External initiatives	105	
	Strategy	102-13	Membership of associations	105
102-14		Statement from senior decision-maker	4-5	
102-15		Key impacts, risks, and opportunities	84-87, 110-111	
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	88	
	102-17	Mechanisms for advice and concerns about ethics	89	
Governance	102-18	Governance structure	82-83	
	102-22	Composition of the highest governance body and its committees	82-83	
	102-23	Chair of the highest governance body	82	
	102-24	Nominating and selecting the highest governance body	82-83	
	102-25	Conflicts of interest	83	
	102-31	Review of economic, environmental, and social topics	83	
	102-32	Highest governance body's role in sustainability reporting	83	
	102-35	Remuneration policies	82	
	102-36	Process for determining remuneration	82	In accordance with operating standards of compensation system (differentially applied according to inflation rate, compensation policy, position and individual evaluation)
Stakeholder Engagement	102-40	List of stakeholder groups	92	
	102-41	Collective bargaining agreements	102	General matters with no special conditions apply to all employees
	102-42	Identifying and selecting stakeholders	92	
	102-43	Approach to stakeholder engagement	92-93	
	102-44	Key topics and concerns raised	90-93	
Reporting Practice	102-45	Entities included in the consolidated financial statements	Business Report	
	102-46	Defining report content and topic Boundaries	90-91	
	102-47	List of material topics	91	

\* The business report is available in the DART electronic disclosure system (<http://dart.fss.or.kr/dsaf001/main.do?rcpNo=20210311001010>)

### Universal Standards (GRI 100)

Topic	Index	Indicators	Page	Remarks
Reporting Practice	102-48	Restatements of information	About This Report	Changed the criteria for calculating employee compliance
	102-49	Changes in reporting		
	102-50	Reporting period		
	102-51	Date of most recent report	-	July 2020
	102-52	Reporting cycle		
	102-53	Contact point for questions regarding the report	About This Report	
	102-54	Claims of reporting in accordance with the GRI Standards		
	102-55	GRI content index	106-108	
	102-56	External assurance	112-113	
Management Approach	103-1	Explanation of the material topic and its boundary		
	103-2	The management approach and its components	56, 60, 64, 68, 76	
	103-3	Evaluation of the management approach		

### Topic-specific Standards - Economic Disclosures (GRI 200)

Topic	Index	Indicators	Page	Remarks
Economic Performance	201-1	Direct economic value generated and distributed	14-15, 96-97	
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	40-41, 64-67	
	203-2	Significant indirect economic impacts	64	
Procurement impacts	204-1	Proportion of spending on local suppliers	103	
Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	88-89	
	205-3	Confirmed incidents of corruption and actions taken	88-89	
Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Business Report	

### Topic-specific Standards - Environmental Disclosures (GRI 300)

Topic	Index	Indicators	Page	Remarks
Energy	302-1	Energy consumption within the organization	98-99	Plan to expand the use of renewable energy in the future
	302-3	Energy intensity	98-99	
Water	303-3	Water discontinuation	70, 100, 112	
	303-4	Water discharge	98-99	
	303-5	Water consumption	98-99	
Emissions	305-1	Direct (Scope 1) GHG emissions	115-117	
	305-2	Energy indirect (Scope 2) GHG emissions	115-117	
	305-3	Other indirect (Scope 3) GHG emissions	115-117	
	305-4	GHG emissions intensity	98-99	
	305-5	Reduction of GHG emissions	52-53	
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	98	SOx and other major air emissions are not subject to control

### Topic-specific Standards - Environmental Disclosures (GRI 300)

Topic	Index	Indicators	Page	Remarks
Effluents and Waste	306-2	Waste by type and disposal method	98-100	
	306-3	Significant spills	-	No significant spills
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	-	Business Report
Supplier Environmental Assessment	308-2	Negative environmental impacts in the supply chain and actions taken	42-43	Check the environmental impact through assessment on CSR of suppliers

### Topic-specific Standards - Social Disclosures (GRI 400)

Topic	Index	Indicators	Page	Remarks
Employment	401-1	New employee hires and employee turnover	102	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	44-45, 58-59	
	401-3	Parental leave	58, 102	
Labor/Management Relations	402-1	Minimum notice periods regarding operational changes	59	
Occupational Health and Safety	403-1	Occupational health and safety management system	69	
	403-6	Promotion of worker health	74	
	403-9	Work-related injuries	103	
	403-10	Work-related ill health	103	
Training and Education	404-1	Average hours of training per year for each employee	102	
	404-2	Programs for upgrading employee skills and transition assistance program	44-45, 57	
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	82, 101	· See the Annual Report on Corporate Governance · Below 30 yrs(18.7%), 30-50 yrs(68.2%), Over 50 yrs(13.1%)
	405-2	Ratio of basic salary and remuneration of women to men	-	No difference in basic salary for men and women
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	46	
Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	43, 46	Check that there is no child labor or forced labor through assessment on CSR of suppliers
Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk of incidents of forced or compulsory labor	43, 46	
Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	46-47	
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	40-41, 64-67	
Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	42-43	
	414-2	Negative social impacts in the supply chain and actions taken	42-43	
Public Policy	415-1	Political contributions	105	
Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	30-35	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	No significant incidents
Marketing and Labeling	417-2	Incidents of non-compliance concerning product and service information and labeling	-	No significant incidents
	417-3	Incidents of non-compliance concerning marketing communications	-	No significant incidents
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	No significant incidents
Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	-	Business Report

\* The business report is available in the DART electronic disclosure system (<http://dart.fss.or.kr/dsaf001/main.do?rcpNo=20210311001010>)

## UNGC

### UNGC Communication on Progress

As LG H&H joined the UNGC (Global Compact) in 2012, our company has reinforced voluntary efforts to comply with 10 major principles in 4 major sectors including human rights, labor, environment, and anti-corruption.

	Aspects	LG H&H system and policy	Relevant activities	Page
<b>Human rights</b>				
Principle 1.	Businesses should support and respect the protection of internationally proclaimed human rights,	· Human rights policy · Code of Ethics Chapter 1. Responsibilities and Duties for Customers 1. Respecting Customers	LG H&H prohibits gender/background discrimination, forced labor, etc., and respects human rights of individual employees.	44-45, 88
Principle 2.	Businesses should make sure that they are not complicit in human rights abuses.	· Code of Ethics Chapter 5. Responsibilities for Executives and Employees 2. Fair Treatment		88
<b>Labor</b>				
Principle 3.	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,	· Human rights policy · Know-how for Operating the Labor Management Council · Code of Ethics Chapter 5. Responsibilities for Executives and Employees 1. Respecting Human Beings 2. Fair Treatment	LG H&H continuously makes extensive efforts to train employees into autonomous and creative talented people.	44-45, 56-59
Principle 4.	Businesses should eliminate all forms of forced and compulsory labor,			
Principle 5.	Businesses should effectively abolish child labor,			
Principle 6.	Businesses should eliminate discrimination in respect of employment and occupation.			
<b>Environment</b>				
Principle 7.	Businesses should support a precautionary approach to environmental challenges,	· Code of Conduct for Suppliers · Code of Ethics Chapter 6. Responsibilities for the Country and Society 4. Environmental Protection - Policy on Environmental Health and Safety - Regulations on Environmental Management	LG H&H continues to carry out activities, enhancing environmental value by considering environmental impacts on the supply chain by business activities.	48-53, 68-75
Principle 8.	Businesses should undertake initiatives to promote greater environmental responsibility,			
Principle 9.	Businesses should encourage the development and diffusion of environmentally friendly technologies.			
<b>Anti-corruption</b>				
Principle 10.	Businesses should work against corruption in all its forms, including extortion and bribery.	· Code of Ethics Chapter 2. Fair Competition 2. Legal Compliance Chapter 4. Basic Ethics for Executives and Employees 4. Fair Implementation of Work	LG H&H, based on JeongDo Management, engages in ethical business activities and fair trade with its suppliers.	82-89

## TCFD

### TCFD Disclosure

As part of its systematic response to climate change, LG H&H continuously monitors both global and regional climate change and their impact on companies by pivoting efforts on the ESG Committee under the Board of Directors. Taking into account the potential financial impact of climate change risk, we are implementing the recommendations of TCFD established by the FSB to disclose the risks and opportunities as follows.

TCFD Recommendations	LG H&H's Responses
<b>Governance</b> a) Board of Director's supervision of climate-related risks and opportunities b) Top management's role in assessing and managing climate-related risks and opportunities	LG H&H's final responsibility and decision-making authority regarding climate change is led by the ESG Committee under the Board of Directors. The ESG Committee is held every half year to review and discuss greenhouse gas emissions, greenhouse gas reduction targets, and investment decisions required for reduction. LG H&H operates an integrated risk management system that reflects business characteristics and strategies to prevent and manage potential risks that may arise in the company's overall business activities. Climate change is classified and managed as a risk that affects sales due to its connection with government policies and regulations, brand image, and reputation.
<b>Strategy</b> a) Short-term, mid-term, and long-term climate-related risks and opportunities	LG H&H recognizes the government's tightening of greenhouse gas emission regulations and disclosure obligations as a risk factor in the short term. In the mid- to long-term, we perceive risk factors in the increase in investment costs due to the transition to low-carbon products and technologies, a decrease in investment, and damage to our reputation due to insufficient response to climate change. Physical risks include the occurrence of natural disasters due to unusual weather phenomena such as cyclones and floods. Climate-related opportunities for LG H&H include the development of eco-friendly products and services, the introduction of green eco-packaging systems, and the development of eco-friendly bioplastics.
b) The effects that risks and opportunities exert on LG H&H's business, strategy, and financial plan	1) As the demand for eco-friendly and low-carbon products increases, the market share of products that do not meet this demand will decrease. The resulting decrease in sales could have a significant impact, potentially leading to the overall production decline of LG H&H. 2) The amount of energy required for the manufacturing process is relatively small. In this light, LG H&H is not subject to the target management system, while the Ulsan plant alone is included in the greenhouse gas and energy target management system. Energy costs may rise in the future due to an increase in energy prices and the introduction of a green pricing plan among others. Accordingly, all of our business sites are discovering and implementing energy efficiency activities and are actively participating in the government's implementation of 2050 Net-Zero.
c) LG H&H's resilience	3) Climate change affects the entire value chain, from raw materials to production. If negative issues related to greenhouse gases occur in the supply chain, we must suspend our business relationship with the specific supplier, which may increase costs. Accordingly, LG H&H manages greenhouse gas emissions and major environmental issues through its annual assessment of CSR-based supply chain performance. 4) Physical risks caused by severe weather phenomena such as heavy rain, heat waves, typhoons, sea level rise, and fine dust, that directly damage business sites, factories, and production facilities, may diminish LG H&H's capital, labor, and productivity, and cause facility restoration costs. Accordingly, LG H&H plans to identify the exposure to climate-related risks, focusing on the locations of production sites in the future. 5) Through research and development on eco-friendly and low-carbon products, companies create a competitive advantage in the market. The resulting increase in sales can be linked to new R&D investment opportunities for developing eco-friendly products. Accordingly, LG H&H is working to reduce unnecessary packaging and greenhouse gas emissions by expanding its research on clean beauty products with eco-friendly and low-carbon prescriptions. As for eco-friendly packaging materials, we are promoting policies to reduce packaging containers, using recycled bioplastics, and adding refill stations from the perspective of the 4R's (Reduce, Reuse, Recycle, Reverse Collect).

TCFD Recommendations		LG H&H's Responses
<b>Risk Management</b>	a) Process for identifying and assessing climate-related risks	LG H&H identifies and manages organizational risks related to the greenhouse gas and energy target management system. We calculate greenhouse gas emissions for production, logistics and research centers, identify risks, and conduct annual greenhouse gas verification. When risks are identified, an investment plan for outdated facilities is established, and technology reviews are conducted on investments in high-efficiency facilities and renewable energy in collaboration with the facility technology, production, and logistics divisions.
	b) Process for managing climate-related risk	
	c) Method to integrate the process for identifying, assessing, and managing climate-related risks into corporate-level risk management	LG H&H identifies climate-related risks and opportunities through the integrated risk management system every year and reports the results to the ESG Committee on a semi-annual basis. Potential risks are classified into four categories of strategic, hazardous, financial, and operational risks, and the relevant departments or the company as a whole respond to and monitor the risk factors depending on the nature of the risk.
<b>Metrics and Targets</b>	a) Disclosure of indicators used to manage climate-related risks and opportunities	Indicators such as greenhouse gas emissions, greenhouse gas emission intensity, and energy consumption are used. The environment and safety division under the CRO voluntarily sets new performance indicators for greenhouse gas reduction every year. The CEO pays quarterly incentives when performance goals such as CO <sub>2</sub> emission reduction and cost reduction are achieved. For all employees in the production and logistics sector, the climate-related KPIs such as energy reduction goals are reflected in their year-end performance evaluations, with the evaluation results leading to individual incentives. The 'CAP Leader' award is given to employees who have achieved climate-related KPIs.
	b) Disclosure of Scope 1, Scope 2, and Scope 3 GHG emissions and related risks	Greenhouse gas emission data is disclosed annually through the ESG Report (pp.115-117) and the CDP response.
	c) Goals adopted to manage climate-related risks and opportunities	LG H&H has a medium-term greenhouse gas emission intensity target, which is disclosed in the ESG Report (p.53).

## SASB

## Sustainability Accounting Standards Board Index

LG H&H intends to report the sustainability information contained in the ESG report in connection with the sustainability disclosure topics and accounting metrics of the U.S. Sustainability Accounting Standards Boards (SASB). The sustainability index for the household and personal products sector is only applied to LG H&H. The sustainability index for non-alcoholic beverages sector is only applied to Coca-Cola Beverages and HAITAI htb.

Topic	Accounting Metric	CODE	Page	Remarks
<b>Household &amp; Personal Products Sustainability Accounting Standard</b>				
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	CG-HP-140a.1	100	Domestic business sites are located in areas with low water stress index by WRI (World Resources Institute)
	Description of water management risks and discussion of strategies and practices to mitigate those risks	CG-HP-140a.2	70	
Product Environmental, Health, and Safety Performance	Revenue from products that contain REACH substances of very high concern (SVHC)	CG-HP-250a.1	48	
	Revenue from products that contain substances on the California DTSC Candidate Chemicals List	CG-HP-250a.2	48	
	Discussion of process to identify and manage emerging materials and chemicals of concern	CG-HP-250a.3	33	
	Revenue from products designed with green chemistry principles	CG-HP-250a.4	69	
Packaging Life Cycle Management	(1) Total weight of packaging, (2) percentage made from recycled and/or renewable materials, and (3) percentage that is recyclable, reusable, and/or compostable	CG-HP-410a.1	50	
	Discussion of strategies to reduce the environmental impact of packaging throughout its life cycle	CG-HP-410a.2	48-51	
Environmental & Social Impacts of Palm Oil Supply Chain	Amount of palm oil sourced, percentage certified through the Roundtable on Sustainable Palm Oil (RSPO) supply chains as (a) Identity Preserved, (b) Segregated, (c) Mass Balance, or (d) Book & Claim	CG-HP-430a.1	43	
<b>Non-Alcoholic Beverages Sustainability Accounting Standard</b>				
Energy Management	(1) Operational energy consumed, (2) percentage grid electricity, (3) percentage renewable	FB-NB-130a.1	98-99	
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	FB-NB-140a.1	100	Domestic business sites are located in areas with low water stress index by WRI (World Resources Institute)
Health & Nutrition	Revenue from (1) zero- and low-calorie, (2) no-added-sugar, and (3) artificially sweetened beverages	FB-NB-260a.1	22	
	Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers	FB-NB-260a.2	34-35	
Product Labeling & Marketing	Number of incidents of non-compliance with industry or regulatory labeling and/or marketing codes	FB-NB-270a.3	108	
	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labeling practices	FB-NB-270a.4		
Packaging Life Cycle Management	(1) Total weight of packaging, (2) percentage made from recycled and/or renewable materials, and (3) percentage that is recyclable, reusable, and/or compostable	FB-NB-410a.1	50	
	Discussion of strategies to reduce the environmental impact of packaging throughout its life cycle	FB-NB-410a.2	48-51	



## Independent Assurance Statement

To: The Stakeholders of LG Household & Health Care Co., Ltd.

### Introduction and objectives of work

BSI Group Korea (hereinafter “the Assurer”) was asked to verify LG Household & Health Care Co., Ltd.’s ‘2020 ESG Report’ (hereinafter “the Report”). This assurance statement applies only to the relevant information contained in the scope of the assurance. LG Household & Health Care Co., Ltd. is solely responsible for all information and assertion contained in the report. The responsibility of the assurer is to provide independent assurance statement with expert opinions to LG Household & Health Care’s executives by applying the verification methodology and to provide this information to all stakeholders of LG Household & Health Care.

### Assurance Standards and Levels

This assurance was based on the AA1000AS v3 (2020) Assurance Standard and confirmed that the report is prepared in accordance with the Core Option of GRI Standards. The assurance level was based on the Type 1 that confirmed compliance with the four principles of AA1000 AP (2018) in accordance with the AA1000 AS and the Type 2 assurance that verified the quality and reliability of the information disclosed in the report. Type 2 was verified for energy consumption, water consumption, quantity of waste treatment, direct GHG emissions (Scope 1), indirect GHG emissions (Scope 2), Nitrogen Oxides (NOx) emissions, ratio of basic salary and remuneration of women to men, fatalities as a result of work-related injury and Lost Time Injury Frequency Rate (LTIFR) among GRI Topic-specific Standards for domestic operations.

### Scope of Assurance

The scope of assurance applied to this report is as follows;

- Based on the period from January 1st to December 31st, 2020 included in the report
- Appropriateness and consistency of processes and systems for data collection, analysis and review
- Major assertion included in the report such as sustainability management policies, strategies, objectives, business and performance
- Information related to material issues determined as a result of materiality assessment
- The following items were not included in this assurance
  - Financial information, UNGC Communication on Progress, SASB Index and TCFD Disclosures included in the report appendix
  - Other related additional information such as the website presented in the report

### Methodology

As part of its independent assurance, the assurer has used the methodology developed to collect relevant evidence to comply with the verification criteria and to reduce errors in the reporting, and has performed the following activities;

- To determine verification priorities, review of materiality issue analysis process and verification of the results
- System review for sustainability strategy process and implementation
- Review the evidence to support the material issues through interviews with senior managers with responsibility for them
- Verification of data generation, collection and reporting for each performance index

### Assurance Opinion

On the basis of our methodology and the activities described above, it is our opinion that

- The information and data included in 2020 LG Household & Health Care ESG Report are accurate and reliable and the assurer cannot point out any substantial aspects of material with mistake or misstatement.
- The report was prepared according to the Core option of the GRI Standards.
- The assurance opinion on the four principles presented by the AA1000 AP (2018) is as follows.

### AA1000 AP (2018)

#### Inclusivity: Stakeholder Engagement and Opinion

LG Household & Health Care has a stakeholder engagement process in which key stakeholders such as executives and employees, customers, suppliers, local communities, government, shareholders and investors and public institutions participate. It was confirmed that key stakeholders’ expectations and various opinions are collected and the drawn agenda is reflected in mid to long-term strategy and decision-making on sustainability management.

#### Materiality: Identification and reporting of material sustainability topics

LG Household & Health Care identified global issues including the UN SDGs (Sustainable Development Goals) and issues raised by international organizations and non-profit organizations, and conducted industry issue analysis, media research, and stakeholder survey to derive economic, social, and environmental material reporting issues related to sustainability management, and determined priorities by measuring social interest and evaluating business impact, and reported a total of 12 material sustainability management topics.

**Responsiveness: Responding to material sustainability topics and related impacts**

LG Household & Health Care has established the mid to long-term ESG strategy and roadmap under the ESG vision of 'the best sustainable FMCG (FAST MOVING CONSUMER GOODS) company' to appropriately respond to identified material topics in a way that reflects stakeholders' expectations. In accordance with the mid to long term ESG strategy and roadmap, LG Household & Health Care established and implemented response strategies and detailed targets for each material topic, and disclosed detailed response activities and performance through '2020 Performance Table'.

**Impact: Impact of an organization's activities and material sustainability topics on the organization and stakeholders**

LG Household & Health Care implemented the process to identify and evaluate the impact on organizations and stakeholders related to material topics. LG Household & Health Care has implemented ESG strategies and detailed targets by reflecting the impacts derived by corporate governance, product, social and environmental sectors, which are indicators of the mid to long term ESG strategy and roadmap.

**Key areas for ongoing development**

To the extent that the results of the verification are not affected, the following comments were made.

- In order to identify material issues, it is necessary to include a wider range of sustainability themes in the pool, and when selecting material topics, it is necessary to increase the proportion of external stakeholders so that issues with high social interest can be selected.
- Although the impact on organizations and stakeholders related to material topics is identified in terms of financial and reputational, it is recommended to include a means to measure potential impacts, including environmental and social impacts.

**Statement of independence and competence**

The assurer is an independent professional institution that specializes in quality, health, safety, social and environmental management with almost 120 years history in providing independent assurance services. No member of the assurance team has a business relationship with LG Household & Health Care. The assurer have conducted this verification independently, and there has been no conflict of interest. All assurers who participated in the assurance have qualifications as AA1000AS assurer, have a lot of assurance experience, and understand the BSI Group's assurance standard methodology.

**Evaluation against GRI 'In Accordance' Criteria**

The assurer confirmed that this report was prepared in accordance with the GRI Standards Core Option and the disclosures related to the following Universal Standards and Topic-specific Standards Indicators based on the data provided by LG Household & Health Care.

**[Universal Standards]**

Organizational Profile 102-1~13/ Strategy 102-14~15/ Ethics and Integrity 102-16~17/ Governance 102-18, 102-22~25, 102-31~32, 102-35~36/ Stakeholder Engagement 102-40~44/ Reporting practice 102-45~56/ Management Approach 103-1~3

**[Topic-specific Standards]**

- Economic: 201-1, 203-1~2, 204-1, 205-2~3, 206-1
- Environmental: 302-1, 302-3, 303-3~5, 305-1~5, 305-7, 306-2~3, 307-1, 308-2
- Social: 401-1~3, 402-1, 403-1, 403-6, 403-9~10, 404-1~2, 405-1~2, 406-1, 408-1, 409-1, 412-1, 413-1, 414-1~2, 415-1, 416-1~2, 417-2~3, 418-1, 419-1

7 June 2021

K. S. Song / BSI Group Korea, Managing Director



## Verification Statement on 2020 Greenhouse Gas & Energy Inventory Report (LG Household & Health Care)

### Introduction

Korean Foundation for Quality (hereinafter 'KFQ') has been engaged by 『LG Household & Health Care』 to independently verify its 2020 Greenhouse Gas Emission & Energy Consumption Report (hereinafter 'GHG Inventory').

### Verification Scope & Standard

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

### Verification Procedure

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

### Consideration and Limitation

Accuracy and completeness of emission data reported in the 'GHG Inventory' are subject to inherent limitations due to their nature and the methodology used in determining, calculating and estimating such data.

### Conclusion/Opinion

Based on verification process according to the ISO 14064-3, KFQ obtained reasonable basis to express the following conclusion on the 2020 Company GHG Inventory. As a result of materiality assessment on 2020 Greenhouse Gas Emission of entire business places, material discrepancy is less than the criteria of 5% for the organization who emits less than 500,000 tCO<sub>2</sub>-eq/yr in accordance with the requirements of the 'Greenhouse Gas and Energy Target Management Scheme'.

### 2020 Greenhouse Gas Emissions of 『LG Household & Health Care』

Division	GHG Emissions (tCO <sub>2</sub> -eq)				
	Direct Emissions (Scope1)	Indirect Emissions (Scope2)	Scope1 + Scope2	All other Indirect Emissions (Scope3)	Scope1 + Scope2 + Scope3
Ulsan	6,612.449	12,194.035	18,806	575.520	19,382
Chungju	127.665	10,851.347	10,979	2,678.174	13,657
Onsan	1,339.534	5,503.070	6,842	125.826	6,968
Naju	-	1,020.207	1,020	46.948	1,067
Daejeon technical institute	89.020	546.887	635	24.378	659
Logistics	97.775	1,873.608	1,971	0.000	1,971
Magok SP	48.480	5,013.367	5,061	193.024	5,254
<b>Total</b>	<b>8,314.923</b>	<b>37,002.521</b>	<b>45,314</b>	<b>3,643.871</b>	<b>48,955</b>

\* The above GHG emissions are cut in units of integer for each business site, and a difference of less than ±1 tCO<sub>2</sub>eq from the actual value of the system may occur.

\* Scope3 : Commuter bus, Waste disposal

May 25<sup>th</sup>, 2021

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

*Ji Young Song*

## Verification Statement on 2020 Greenhouse Gas & Energy Inventory Report (Coca-Cola Beverage Company)

### Introduction

Korean Foundation for Quality (hereinafter 'KFQ') has been engaged by 『Coca-Cola Beverage Company』 to independently verify its 2020 Greenhouse Gas Emission & Energy Consumption Report (hereinafter 'GHG Inventory').

### Verification Scope & Standard

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

### Verification Procedure

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

### Consideration and Limitation

Accuracy and completeness of emission data reported in the 'GHG Inventory' are subject to inherent limitations due to their nature and the methodology used in determining, calculating and estimating such data.

### Conclusion/Opinion

Based on verification process according to the ISO 14064-3, KFQ obtained reasonable basis to express the following conclusion on the 2020 Company GHG Inventory. As a result of materiality assessment on 2020 Greenhouse Gas Emission of entire business places, material discrepancy is less than the criteria of 5% for the organization who emits less than 500,000 tCO<sub>2</sub>-eq/yr in accordance with the requirements of the 'Greenhouse Gas and Energy Target Management Scheme'.

### 2020 Greenhouse Gas Emissions of 『Coca-Cola Beverage Company』

Division	GHG Emissions (tCO <sub>2</sub> -eq)				
	Direct Emissions (Scope1)	Indirect Emissions (Scope2)	Scope1 + Scope2	All other Indirect Emissions (Scope3)	Scope1 + Scope2 + Scope3
Yeoju	8,566.958	11,652.740	20,219	67.661	20,286
Gwangju	1,741.072	4,225.996	5,967	24.785	5,991
Yongsan	2,762.154	6,206.700	8,968	20.038	8,988
Logistics	7,338.120	2,020.087	9,358	-	9,358
<b>Total</b>	<b>20,408.304</b>	<b>24,105.523</b>	<b>44,514</b>	<b>112.484</b>	<b>44,623</b>

\* The above GHG emissions are cut in units of integer for each business site, and a difference of less than ±1 tCO<sub>2</sub>eq from the actual value of the system may occur.

\* Scope3 : Waste disposal

May 25<sup>th</sup>, 2021

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

*Ji Young Song*

## Verification Statement on 2020 Greenhouse Gas & Energy Inventory Report (HAITAI htb Co., Ltd.)

### Introduction

Korean Foundation for Quality (hereinafter 'KFQ') has been engaged by 『HAITAI htb』 to independently verify its 2020 Greenhouse Gas Emission & Energy Consumption Report (hereinafter 'GHG Inventory').

### Verification Scope & Standard

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

### Verification Procedure

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

### Consideration and Limitation

Accuracy and completeness of emission data reported in the 'GHG Inventory' are subject to inherent limitations due to their nature and the methodology used in determining, calculating and estimating such data.

### Conclusion/Opinion

Based on verification process according to the ISO 14064-3, KFQ obtained reasonable basis to express the following conclusion on the 2020 Company GHG Inventory. As a result of materiality assessment on 2020 Greenhouse Gas Emission of entire business places, material discrepancy is less than the criteria of 5% for the organization who emits less than 500,000 tCO<sub>2</sub>-eq/yr in accordance with the requirements of the 'Greenhouse Gas and Energy Target Management Scheme'.

### 2020 Greenhouse Gas Emissions of 『HAITAI htb』

Division	GHG Emissions (tCO <sub>2</sub> -eq)				
	Direct Emissions (Scope1)	Indirect Emissions (Scope2)	Scope1 + Scope2	All other Indirect Emissions (Scope3)	Scope1 + Scope2 + Scope3
Cheonan	14,792.334	10,003.124	24,795	300.850	25,095
Pyeong chang	62.747	5,356.773	5,419	-	5,419
Cheolwon	4.708	1,117.026	1,121	-	1,121
Iksan 1	896.712	631.895	1,528	2.511	1,530
Iksan 2	488.937	994.406	1,483	98.044	1,581
Logistics	1,489.228	411.353	1,900	-	1,900
<b>Total</b>	<b>17,734.666</b>	<b>18,514.577</b>	<b>36,246</b>	<b>401.405</b>	<b>36,646</b>

\* The above GHG emissions are cut in units of integer for each business site, and a difference of less than ±1 tCO<sub>2</sub>eq from the actual value of the system may occur.

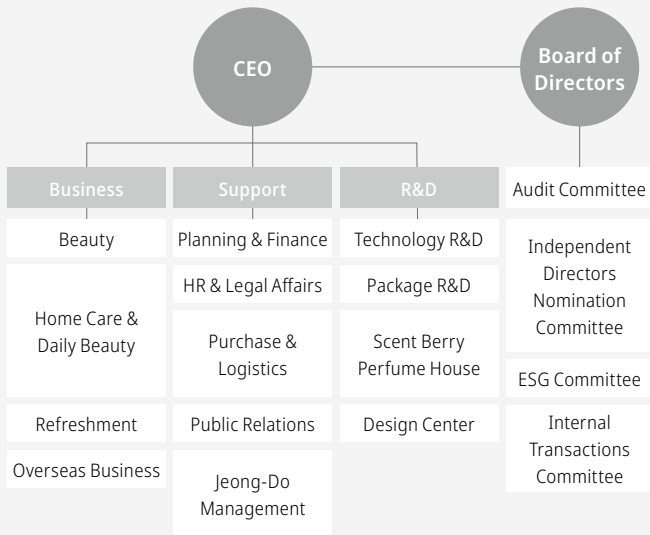
\* Scope3 : Waste disposal

May 25<sup>th</sup>, 2021

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

*Ji Young Song*

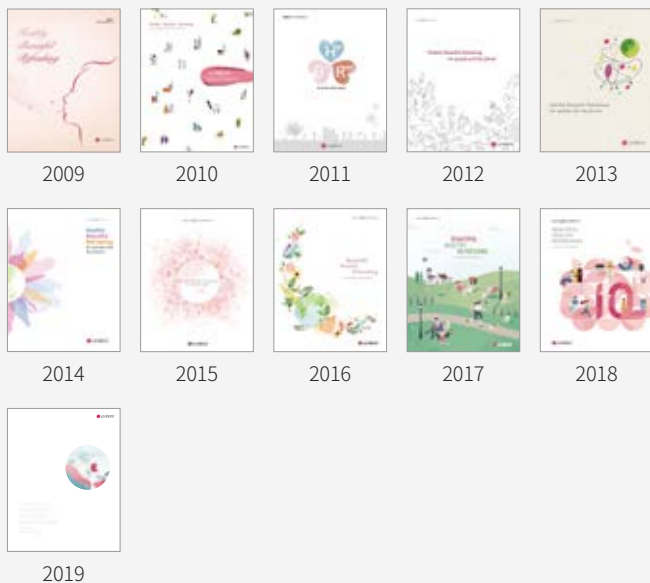
### Organizational Chart



### Committee

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>CSR Committee</li> <li>Compliance Committee</li> <li>Green Product Review Committee</li> <li>Preventive Management Committee</li> <li>Safety Ethics Committee</li> </ul> | <ul style="list-style-type: none"> <li>CCM(Consumer Centered Management) Operation Committee</li> <li>Subcontract Internal Deliberation Committee</li> <li>Win-win Growth Review Committee</li> </ul> |
|---|---|

### Cover History



# 2020 LG HOUSEHOLD & HEALTH CARE ESG REPORT

Member of  
**Dow Jones  
Sustainability Indices**  
Powered by the S&P Global CSA



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