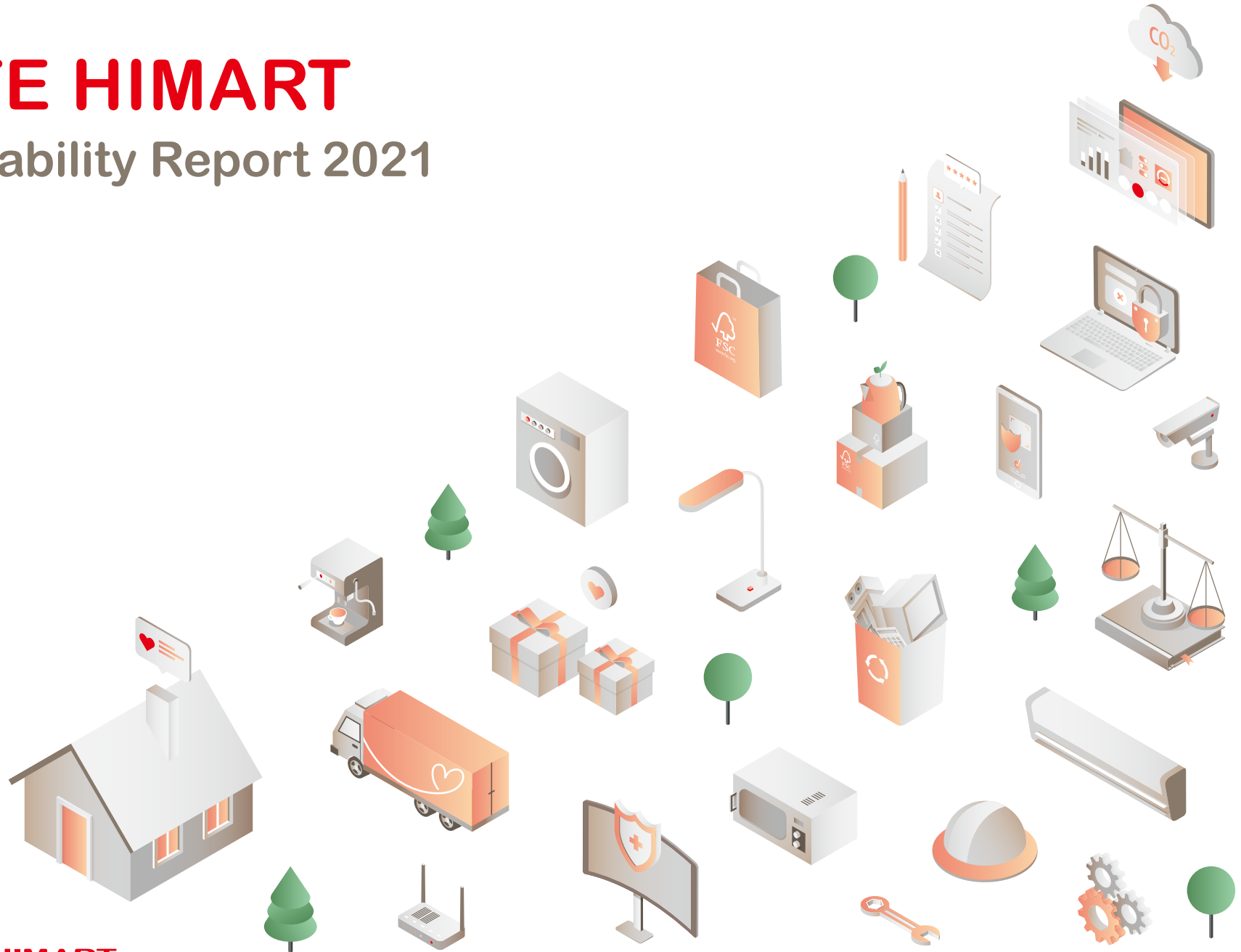


LOTTE HIMART

Sustainability Report 2021



About This Report

Overview

The LOTTE HIMART Sustainability Report 2021 is the second sustainability report of LOTTE HIMART, aiming to introduce the detailed activities and efforts for each sector of environmental, social and governance (ESG) to achieve sustainable management. We will transparently inform our mid to-long-term ESG management strategies and consequent activities and performances to our stakeholders each year.

Principles of writing the report

This report has been written to meet the Core option of Global Reporting Initiative (GRI) Standards, which are the global reporting guidelines for sustainable management, SASB standards and contains various activities to achieve the UN's Sustainable Development Goals (SDGs).

Reporting period

This report covers activities from January 2021 to December 2021, and some contents include our major achievements in the first half of 2022. For quantitative performance, the figures from 2019 to 2021 are provided in order to guide you with the changing trends.

Reporting boundaries

LOTTE HIMART headquarters and nationwide branches, stores, distribution centers

Report assurance

This report was verified by Control Union Korea, an independent third-party verification agency, to ensure the credibility and transparency of the report. Verification results can be found in the Third-party Assurance Statement of Appendix.

Inquiry

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CEO Message



“ Through bold changes and innovation, we will overcome the crisis and leap forward as a trend leader. ”

From the COVID-19 pandemic to the endemic, the market environment and consumer trends have drastically changed over the past two years. In particular, the domestic home appliance retail market is facing fierce competition both online and offline. As LOTTE Hi-Mart has constantly evolved and grown into a steadfast leader in the Korean home appliance retail industry, we will go all out to overcome this crisis and use it as an opportunity to take another leap forward as follows:

Customer-oriented store

LOTTE Hi-Mart always puts customers first from consultation to sales and after-sales service. In an effort to strengthen the content that will attract customers to our stores, we are diversifying brands and adopting new concepts that reflect diverse lifestyles such as furniture and living. In addition, we reflect customer needs and the latest trends in product sourcing, and bring new changes to private-brand (PB) products by taking into account customer opinions from the product development stage.

Happy workplace

For the happiness of our employees, we need to create a flexible organizational culture. For effective and direct communication at the workplace, LOTTE Hi-Mart operates various communication channels including a bulletin board so that employees can freely share and embrace opinions. We also hold branch support events and thank-you relays to create a work environment where employees respect

and support each other through encouragement and praise. We will continue to build an organizational culture that always values the happiness of our employees.

Fulfilling social responsibility through ESG management

LOTTE Hi-Mart is carrying out various environmental, social, and governance (ESG) activities. Led by the ESG Committee launched in 2021 under the Board of Directors, we are strengthening ESG management, such as collecting waste appliances for resource circulation and providing ESG consulting for partners. Furthermore, we strive to systematically manage employee compliance and ethics to reduce corporate management risks.

LOTTE Hi-Mart will continue to grow through constant innovation and challenges to keep up with changes in the post-COVID era. We appreciate your interest and advice in the journey of LOTTE Hi-Mart to become a company loved by all members of society.

Thank you.

June 2022

CEO **Hwang Young-Keun**

ESG Committee Chairman's Message

Since corporate management activities are subject to numerous laws and regulations, our stakeholders consider ESG issues such as ethical principles, fairness and safety as core values for corporate growth. In September 2021, LOTTE Hi-Mart officially launched the ESG Committee, the highest decision-making body overseeing ESG management, declaring company-wide ESG management with the focus on the following three ESG activities.

Building eco-friendly culture

In 2021, we announced our environmental management policy that includes the direction of eco-friendly policy for all sales activities of LOTTE Hi-Mart. We also expanded the ongoing campaign to collect small and medium-sized home appliances since 2019 to all regions in 2021, collecting more home appliance waste compared to the previous year. As part of our efforts to reduce greenhouse gas emissions, we are also working to better respond to climate change in our daily lives, such as improving air conditioning and energy efficiency in our stores.

Support for local communities and partners

We also provide home appliances to neighbors in need and carry out social contribution activities for women and children with the theme of science, such as offering virtual science classes. In addition, we have continued to engage in shared growth activities such as providing consulting and financial support in an effort to strengthen partners' business capabilities. In 2021, we participated in

an ESG consulting project for partners over eight months, including ESG assessment and training and due diligence, to promote ESG management culture across the entire value chain.

Ensuring compliance at all workplaces

To ensure compliance management that meets international standards, LOTTE Hi-Mart acquired ISO 37001 certification, an international standard for anti-bribery management systems, in 2018. We are looking to internalize ethical management based on a systematic system, and achieve compliance by managing possible ethical risks at all workplaces through ethics management training and campaigns, as well as assessment of partner ethics.

The 2021 Sustainability Report covers the system, activities, and achievements of LOTTE Hi-Mart's ESG management. We plan to publish a sustainability report every year to transparently disclose our ESG activities to stakeholders. We ask for your continued interest and encouragement so that LOTTE Hi-Mart can become a sustainable and transparent company.

Thank you.

June 2022

ESG Committee Chairman

Lee Hee-ok

이희옥

“ We will focus our capabilities on the value of ESG in all of our businesses. ”



Business Overview

About LOTTE HIMART

Since its foundation in 2000, LOTTE HIMART has been leading the domestic home appliances market as the number one category killer¹⁾ store specializing in home appliances. We operate 430 nationwide stores and online stores, which collectively handle about 5,000 global brands. We are also asserting our position as the best home appliance distributor through private brand products and differentiated shipping and customer services.

1) category Killer: A retailer specializing in selected items such as electronics

General information

(As of December 2021)

| | |
|-----------------------|---|
| Company name | LOTTE HIMART Co., Ltd. |
| Type of business | Wholesale and retail of home appliances |
| CEO | Hwang Young Keun |
| Date of establishment | 1987 |
| Headquarters | LOTTE HIMART Building, 156, Samseong-ro, Gangnam-gu, Seoul, Republic of Korea |

| | |
|------------------------|--|
| No. of employees | 3,650 |
| Total assets | KRW 2,943.5 billion |
| Operating income | KRW 106,835 million |
| Domestic Credit Rating | AA- Korea Investors Service (KIS), NICE, Korea Ratings |

LOTTE HIMART headquarters





Recognized as the Most Loved Brand in Korea*

11 consecutive years



Recognized as the Most Trusted Brand in Korea*

12 consecutive years



Premium Brand Index*

9 consecutive years

* As of the end of 2021

Our history

2000–2009

2000. 01

- Founded HIMART Co., Ltd.: Established a network of 200 directly managed nationwide stores
- A 1-day delivery system across the country

2000. 07

Online store: Opened www.e-himart.co.kr

2002. 10

Won the Korea Advertising Awards for Opera Ads

2003. 05

Opened an HQ managed service center

2004. 12

Korea's first electronic distributor to introduce the point-of-sale (POS) system

2005. 06

Industry's first internal certification system "Sales Master" officially acknowledged by the Ministry of Employment and Labor

2009. 11

Selected as excellent service quality company at the National Quality Management Convention, received citation by the Minister of Knowledge Economy of Korea

2010–2014

2010. 12

Reached KRW 3 trillion of sales for the first time in the electronic distribution industry

2011. 06

Listed on the stock market

2012. 11

Launching ceremony of LOTTE HIMART (Changed company name to LOTTE HIMART Co., Ltd.)

2013. 07

Signed business agreement with the Ministry of Trade, Industry and Energy of Korea for spreading highly efficient electronics

2014. 04

Launched a HIMART volunteer group

2015–2019

2015. 03

Selected as top 100 companies for creating jobs by the Ministry of Employment and Labor of Korea

2015. 12

Acquired "Family-friendly Company Certification" from the Ministry of Gender Equality and Family of Korea

2017. 06

Opened online-exclusive logistics center

2018. 01

Opened 'Omni-store' A type of store combined with online and offline content where customers can experience products sold online in a complex cultural space

2020–

2020. 01

Opened "Mega-Store" Ultra-large scale experience-type store offering an extensive range of products and services to meet customers' diverse needs

2020. 06

Awarded the "Most Loved Brand in Korea" by Chosun Biz for 10 years in a row

2021. 06

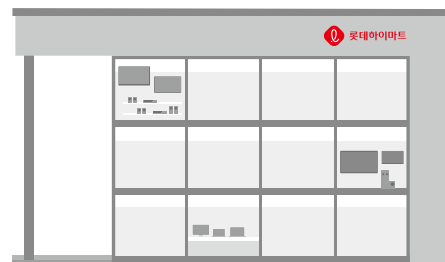
Held the agreement ceremony for the "ESG support project for partners" jointly with the National Commission for Corporate Partnership.

2021. 09

Established the ESG Committee under the Board of Directors.

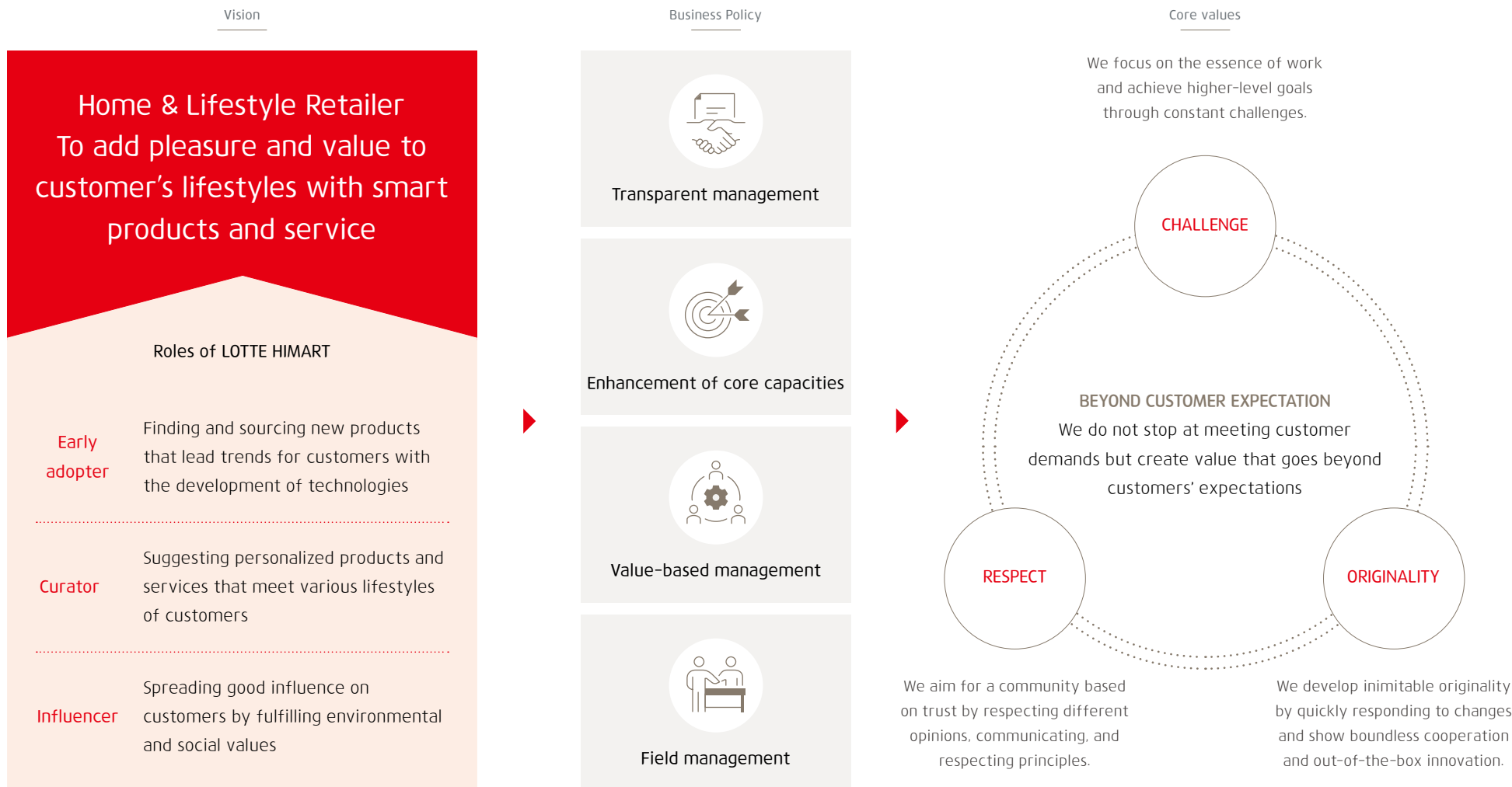
2021. 12

Published the first sustainability report "For Your Family"



Our vision and core values

LOTTE HIMART has been pursuing the happiness of customers and a better future for humanity ever since its foundation in 2000. Under the slogan of "For Your Family: LOTTE HIMART that shares the best moments of your family," we pursue the three core values, which are: **Challenge, Respect, and Originality**. We strive to surpass the expectations of customers and become a home and lifestyle retailer that adds pleasure and value to customers' lifestyles with smart products and services.



Our brands and business fields

Service brands

HIMADE

HIMADE is LOTTE HIMART's private brand¹⁾ that achieved continuous growth of an annual average rate of 23% from its launch in 2016 to 2021. HIMADE products are produced in cooperation with expert manufacturers, and the product line is expanding to small appliances such as hair dryers and fans, large appliances such as TVs and refrigerators, and IT products such as desktops and laptops to meet the different needs and lifestyles of consumers.

HIMADE launched four sub-brands in April 2021 and provides products according to each brand's concept. The company has introduced around 280 staple items to date through a strategy that offers products equivalent to competitive products at lower prices and higher quality products at the same price range. In addition, HIMADE has launched new products that are suitable to new lifestyles, such as the 'Camcnic' (Camping + Picnic) series, the Pet Electronic Appliance series, and the IoT series, and plans to expand its eco-friendly private brand product line with the increasing interest in green products.

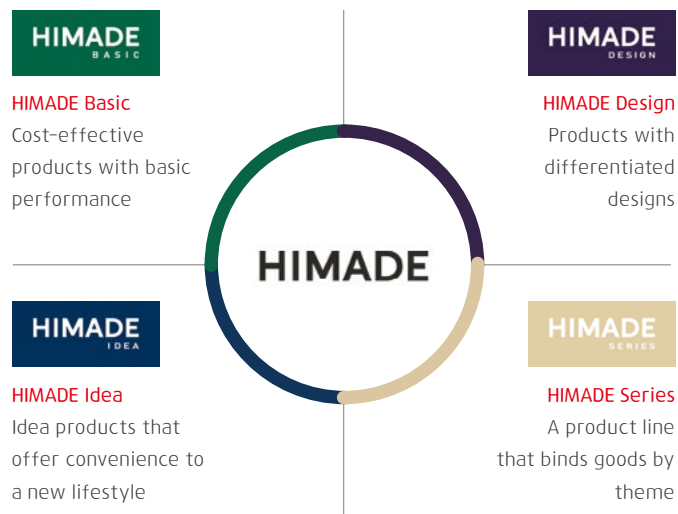
1) Refers to house products made by a distributor.

Home Care Service

Home Care Service is an aftercare service that offers cleaning and management of home appliances and living spaces through professional workforce and equipment. For home appliances, a customer satisfaction (CS) master²⁾ who has completed special cleaning training visits homes to sterilize and clean 19 appliances etc. that require continued maintenance, ranging from washing machines to air conditioners and air purifiers. Furthermore, the service includes 26 residential care items such as mattress cleaning, move-in cleaning, and bug screen installation.

2) A professional technician who completed professional training for appliance delivery and installation.

Sub-brands of HIMADE



Employees displaying the HIMADE Series products



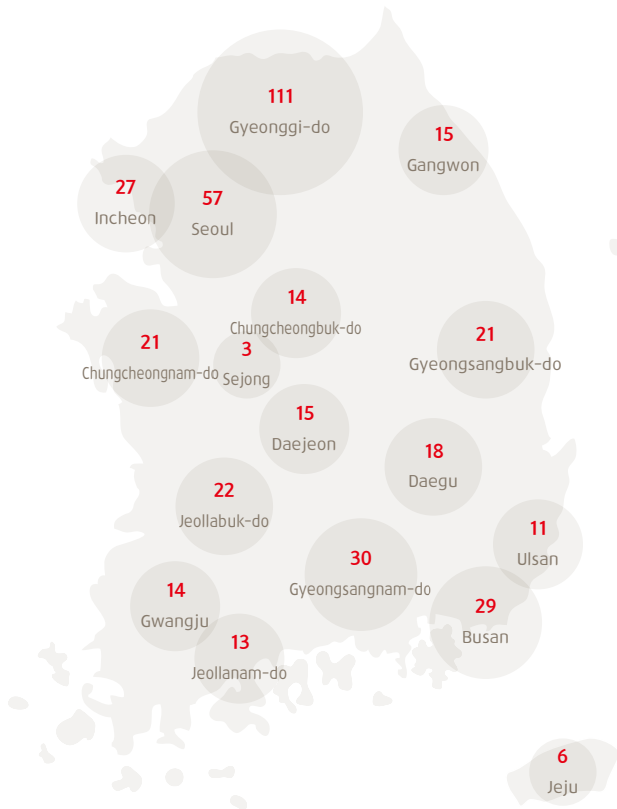
PR material for Home Care Service

Stores

LOTTE HIMART is diversifying stores for enhanced competitiveness to meet the rapidly changing demands and lifestyles of customers.

Stores nationwide

(As of December 2021)



◀ **Omni-Store**

Introduction of Lifestyles

A place for various lifestyles and cultures where online and offline meets



◀ **Mega-Store**

Mega Collective

A novel space that offers everything from A to Z where unprecedented experiences gather

▲ **Premium**









Salon De Noble

A space that delivers differentiated brand value for customers to rest and enjoy inside a department store

Online store

LOTTE HIMART online store finally taken its current form after the initial opening in 2000 and the renewal in 2015. We opened an online-exclusive logistics center in June 2017 to aim for effective online shipping and the reinforcement of the online-based distribution and sales of appliances. Our online store plays a role as the main communication channel for customers and the base for key businesses. We are continuously reforming our online store by hosting various events and exhibitions and adding digital innovations such as an AR layout service for enhanced customer satisfaction. We actively utilize our online store to make it a home appliance distribution platform that encompasses both online and offline.

Major contents of our online store

| | | | |
|---|---|--|---|
|  <p>Hi Homes</p> <p>An exclusive service center that provides shopping experiences and home living related services through customer participatory content</p> |  <p>Home Interior</p> <p>A platform that provides interior information (e.g. interior cases and construction portfolios) and construction counseling brokerage services</p> |  <p>Heart Live</p> <p>A mobile broadcasting platform for selling all sorts of products (new, trending, exclusive) through live broadcasting content</p> |  <p>Heart ON TV</p> <p>A video content platform that provides and sells product information through product review, home appliances fairytale, etc.</p> |
|  <p>Heart Market</p> <p>A platform that connects secondhand transactions between individuals and sells displayed products, inventory, and additional services</p> |  <p>AR/VR*</p> <p>A platform that maximizes customer experience and encourages customer participation through new technologies</p> |  <p>After-Sales app</p> <p>A platform that assists customers with after-sales service requests, cost estimate, purchasing parts and product maintenance information</p> |  <p>Video Consulting Service</p> <p>A remote consulting platform where customers can get real-time consulting on product testing or customized consulting through a video chat with an expert</p> |

* Augmented reality (AR): Offers virtual product layout features Virtual reality (VR): Offers residence tour content with an online 360-degree tour



LOTTE HIMART On-line Shopping Mall

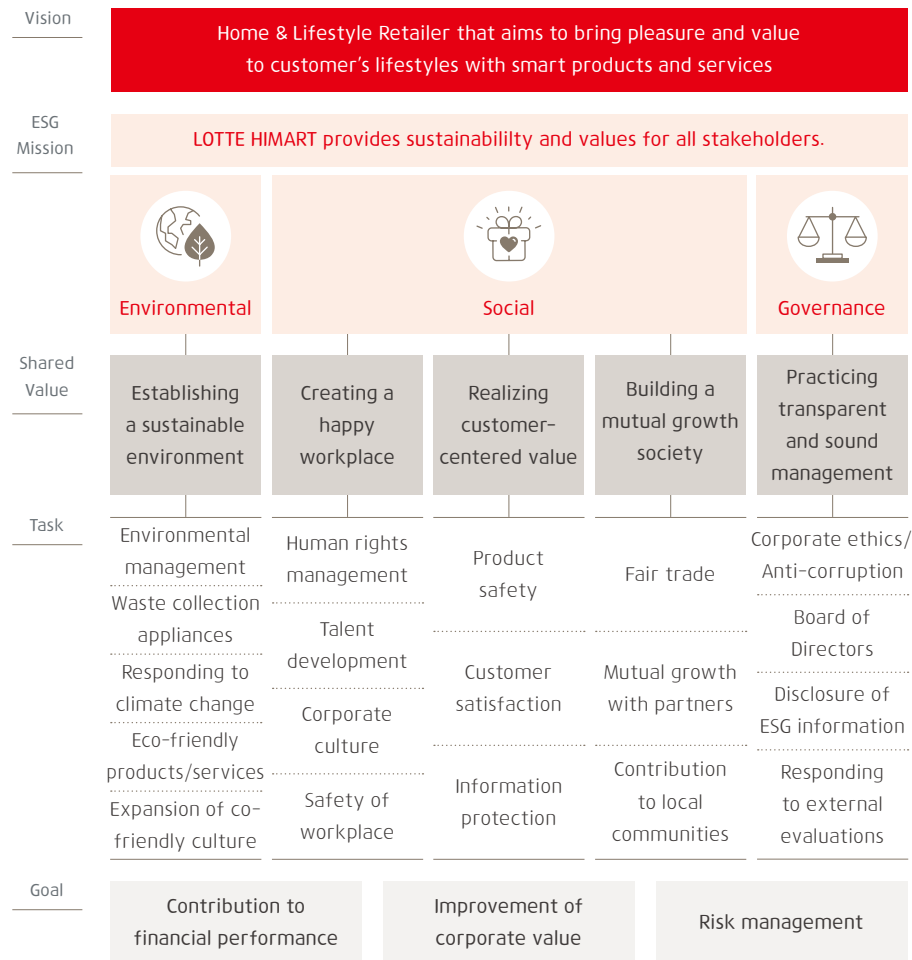


AR Virtual Platform Service

Our ESG Strategy

LOTTE HIMART formulated ESG management strategies for sustainable management activities. We actively promote ESG management activities such as green management, social responsibilities, and governance improvement for the happiness of all stakeholders. We will continue to take the lead in substantial and genuine ESG management activities for the soundness of all people and a better future.

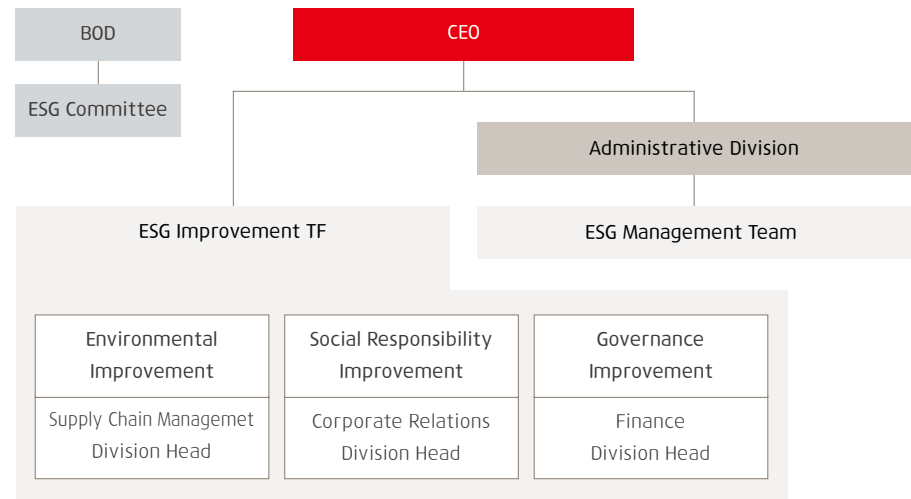
ESG Strategy System



ESG management-dedicated organization

LOTTE HIMART formed an ESG improvement task force in February 2021 and a dedicated ESG management team in June 2021. We also established the ESG promotion organization system by launching an ESG Committee under the board of directors (BOD) in September 2021. Our ESG Committee is the top decision-making organization that supervises ESG management, establishes policies, and manages the performance. The environmental area including response to climate change is one of the ESG Committee's main focuses. The Committee will hold a regular meeting once a year beginning 2022 and convene an extraordinary meeting when necessary, after which the discussed result will be reported to the Board of Directors.

Structure of the ESG management organization



ESG management promotion plan



Expansion of the ESG Management Culture

The prerequisite of sustainable ESG management is that employees understand the necessity, key policies, and strategic direction of ESG management and fulfill them in their overall work. Centering on genuine ESG management, LOTTE HIMART seeks to become a company appreciated by all stakeholders, including partners, consumers, and investors, beyond the simple enhancement of the brand image. For this, we educate and train our employees to increase their understanding of ESG management. We are encouraging their participation through various platforms, aiming to raise the overall awareness of ESG within the organization. In addition, we publicly announced the 2022 LOTTE HIMART ESG Action Plan in order to share our ESG management direction with all our employees and to strengthen our ESG executive faculty, and all employees signed the plan.

KCGS 한국기업지배구조원
ESG management evaluation by the Korea Corporate Governance Service (KCGS)
Rated **A** for 4 years in a row

ESG leaders' education

LOTTE HIMART carried out awareness education for all employees, branch managers, and team leaders to establish pathways for the sustainability of our ESG management. To increase the understanding of the theoretic perspective and direction of ESG, we invited an expert (independent director) to lead education once a month from April 2021.

Enterprise-wide ESG education

Consensus-making and participation of all employees are essential for effective ESG management. LOTTE HIMART conducted ESG education twice from May to June of 2021 to change the awareness of all employees and share the ESG directivity of the company. We saw a high participation rate in "Touch Class," a mobile education platform that focuses on enhancing the understanding of

2021 KCGS ESG evaluation rating

Integrated Rating **A**

Environmental **A** | Social **A+** | Governance **A**

the necessity of ESG management, environmental/social responsibilities of a company, and promotional strategies of green campaigns.

Provision of ESG information

We publish our biweekly ESG newsletter LOTTEE HIMART ESG FOCUS in order to provide employees with ESG-related information and stimulate their interest in ESG. Through our ESG FOCUS, we introduce ESG trends and other companies' excellent practices, and provide our own ESG-related information. The monthly company magazine also has a special space for conveying relevant ESG information to our employees.

롯데하이마트
'22년 롯데하이마트 ESG Action Plan

롯데하이마트는 지속가능한 사회를 위한 사회-환경적 책임 경영의 필요성을 인식하고 미래 가치 창출을 위해 다음과 같이 ESG 경영을 실천하겠습니다.

- 다 음 -

우리는 친환경 경영 활동을 통해 고객과 미래 세대를 위한 "Green U Smile"의 가치를 실현하겠습니다.

1. 친환경 제품과 서비스를 제공하여 고객의 친환경 가치 실현에 기여하겠습니다.
2. 폐기물 수거와 같은 자원순환 활동을 지속하여 환경오염 최소화를 위해 노력하겠습니다.
3. 기후변화에 대응하기 위한 탄소배출 감축 활동과 친환경 문화를 확산에 힘쓰겠습니다.

실현 배시 친환경 상품 개발, 폐기물 회수, 에너지 사용 절약, 물일회용품 사용 최소화 등

우리는 모든 이해관계자의 행복을 위해 신뢰와 배려를 바탕으로 사회적 책임을 다하겠습니다.

1. 고객의 건강하고 스마트한 라이프 스타일을 위한 고객충실경영을 실천하겠습니다.
2. 구성원간 존중과 배려의 문화를 바탕으로 즐겁고 포용적인 일터를 만들겠습니다.
3. 파트너사 및 지역사회의 소통하며 상생의 가치를 실현하겠습니다.

실현 배시 안전한 영업환경 조성, 기업문화 개선, 중소 우수 파트너사 발굴, 맞춤형 판매 행사활동 등

우리는 준법경영의 원칙을 준수하고, 건전한 지배구조를 확립하여 기업의 신뢰를 구축하겠습니다.

1. 법의 분실에 충실한 ESG 경영을 추진하여 지속가능한 발전을 위해 노력하겠습니다.
2. 주주의 권익을 보호하고 장려하고 투명한 경영 활동을 실천하겠습니다.
3. 높은 윤리준수로 건전한 기업문화 조성에 앞장서겠습니다.

실현 배시 공평거래 원칙 준수, 파트너사 상호 존중, 지속가능경영보고서 발간, 기업 정보 공개 등

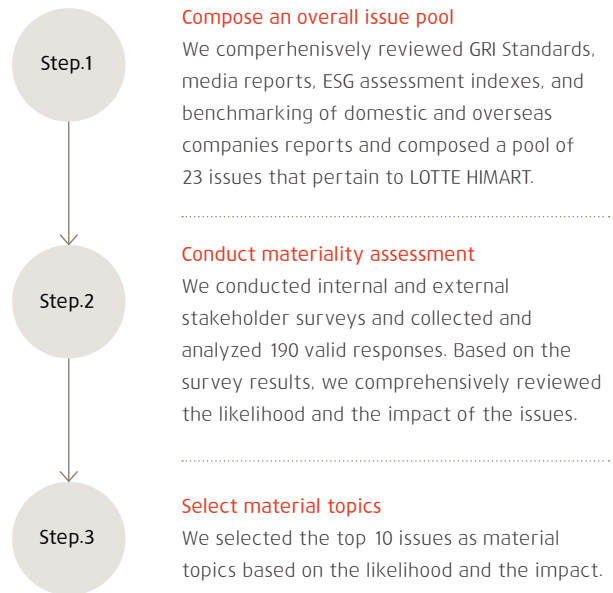
상기 내용과 같이 ESG 경영 실천을 위해 최선의 노력을 다 할 것을 다짐합니다.

LOTTE HIMART's ESG Action Plan

Materiality Assessment

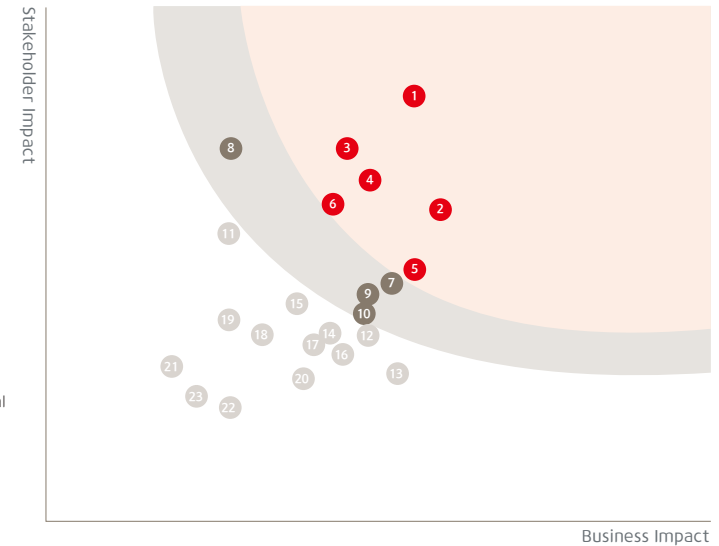
LOTTE HIMART conducted a materiality assessment according to GRI Standards for ESG management disclosure. Assessment is carried out by comprehensively considering internal and external stakeholder surveys, media report analyses, benchmarking of domestic and overseas companies, global sustainable management standards, and assessment indexes. We will conduct a materiality assessment each year to identify “material issues” selected by stakeholders and check the results and strategies of ESG management for improvement and reinforcement.

Materiality assessment process



- High | Key Response Area
 - Middle | Strategic Response Area
 - Low | Mid- to Long-term Response Area
- | | |
|---|--|
| 1 Customer privacy | 11 Workplace safety |
| 2 Waste reduction | 12 Social contribution |
| 3 Ethical management | 13 Employee rights protection |
| 4 Transparent and effective governance | 14 Sound transaction practices |
| 5 Product safety and quality | 15 Contribution to regional development |
| 6 Saving environmental resources | 16 ESG risk management in supply chain |
| 7 Customer satisfaction and access/convenience | 17 Employee diversity and inclusion |
| 8 Sound labor-management relationship | 18 Development of experts |
| 9 Mutual growth with small and medium enterprise (SME) partners | 19 Work and life balance |
| 10 Green products and services | 20 Prevention of environmental pollution |
| Reduction of GHG emissions | 21 Digital innovation |
| | 22 Protection of stockholder rights |

Materiality matrix



ESG priority

| Material topics | | | |
|-----------------|--------------------|---|----------------|
| Rank | Category | Topics | Page |
| 1 | Customer/community | Customer privacy | 37~38p |
| 2 | Environmental | Waste reduction | 28~33p |
| 3 | Governance | Ethical management | 78~79p |
| 4 | Governance | Transparent and effective governance | 75~77p |
| 5 | Customer/community | Product safety and quality | 40~45p |
| 6 | Environmental | Saving environmental resources | 23~27, 34~35p |
| 7 | Customer/community | Customer satisfaction and access/convenience | 18~19p, 40~45p |
| 8 | Employees | Sound labor-management relationship | 48~49p |
| 9 | Customer/community | Mutual growth with small and medium enterprise (SME) partners | 20, 60~67p |
| 10 | Environmental | Green products and services | 20~33p |

LOTTE HIMART'S UN SDGs

LOTTE HIMART conducted a survey to identify the awareness of stakeholders on UN SDGs that the company should participate in and pursue. As a result, the top goal we must participate in and pursue is Goal 8 “Decent work and economic growth.” Our plan is to advance our ESG management strategies and contribute to resolving social issues by linking our ESG management strategies with UN SDGs.

Top 5 UN SDGs selected by stakeholders



Goal 8.

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- Listed in the 100 Best Workplaces in Korea (2016)
- Selected the Best Workplace for Women
- Increased ratio of new recruits and female employees
- Increased the employment ratio of vulnerable groups, flextime workers, and persons with disabilities



Goal 12.

Ensure sustainable consumption and production patterns

- Volunteering campaign for upcycling uniform wastes
- Nationwide campaign for collecting small and medium waste appliances
- Campaigns participated by employees



Goal 1.

End poverty in all its forms everywhere

- Delivered fund for school admissions of children raised by grandparents
- Delivered gifts to support children who were legally discharged from welfare facilities
- Delivered personal sanitation kits and cooling/heating appliances for single elderly households in farming and fishing villages



Goal 5.

Achieve gender equality and empower all women and girls

- Carried out “Hi-Dream!” project for working mothers
- Offered “Female sales leadership course”
- Provided personalized education for female field managers









Goal 9.

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

- Contributed to technical and industrial development through mutual growth programs
- Provided consulting to partners in the fields of distribution, marketing, management, manufacturing, and technology
- Mutual growth academy (capacity building of partners' employees)




Stakeholder Engagement

Communication channels by stakeholder type

| | | |
|--|---|---|
|  <p>Employees</p> |  <p>Customers</p> |  <p>Government and government-related agencies</p> |
| <p>Key issue</p> <ul style="list-style-type: none"> • Improvements in employee benefits • Communication across generations • Taking the opinions from field workers • Suggesting and sharing work ideas • Sharing news inside/outside the company | <p>Key issue</p> <ul style="list-style-type: none"> • Service quality survey • Operating stores, informing customers about products | <p>Key issue</p> <ul style="list-style-type: none"> • Consultations on environmental issues (waste home appliance recovery committee) • Social contribution |
| <p>Channel</p> <ul style="list-style-type: none"> • Labor-Management Committee (every quarter) • Junior Board • Change Agent • Corporate culture newspaper (every month) • Intranet (at all times) | <p>Channel</p> <ul style="list-style-type: none"> • Customer satisfaction surveys (at all times, targeting customers who bought LOTTE HIMART products) • VOC channel | <p>Channel</p> <ul style="list-style-type: none"> • Public hearings with the Ministry of Environment and the Korea Environment Corporation (every quarter) • Comprehensive Support Center for the Elderly Living Alone (under the Ministry of Health and Welfare, once a year) |
|  <p>Stockholders and investors</p> |  <p>Partners</p> |  <p>Local communities</p> |
| <p>Key issue</p> <ul style="list-style-type: none"> • Transparent information disclosure • Improvements in financial integrity and corporate value | <p>Key issue</p> <ul style="list-style-type: none"> • Mutual growth | <p>Key issue</p> <ul style="list-style-type: none"> • Social contribution |
| <p>Channel</p> <ul style="list-style-type: none"> • General shareholders' meeting • Extraordinary shareholders' meeting • Public announcements (at all times) • Non-deal roadshows (NDRs) in Korea (every quarter) • Corporate briefings (on demand) | <p>Channel</p> <ul style="list-style-type: none"> • Outreach meetings (at all times) • Mutual growth meetings | <p>Channel</p> <ul style="list-style-type: none"> • Charlotte Volunteer Group (at all times) • Sponsorships for children raised by grandparents (at all times) |

Stakeholder survey on ESG management

In 2021, LOTTE HIMART conducted a stakeholder survey on ESG management to hear out their expectations on the company and set our directivity. Focusing on stakeholder opinions, we aim to review our ESG management strategies and make further improvements.

| | |
|---|---|
|  <p>E</p> | <ul style="list-style-type: none"> • Offer benefits to customers who used or bought LOTTE HIMART services or products in order to create more green products • Reduce environmental waste by reselling displayed or refunded products • Use green delivery vehicles (hydrogen or electric) • Reduce the number of single-use promotional materials, including flyers, single-use banners, point-of-purchase advertising materials, and printouts for overall reduction of waste generated inside the workplace and minimization of packing materials • Waste home appliance recovery and more installation of collection boxes |
|  <p>S</p> | <ul style="list-style-type: none"> • Activate win-win and mutual growth programs for partners • Activate CS enhancement programs to improve customer satisfaction • Engage in more activities for promoting the company's social contribution activities and ESG management • Develop female managers and ensure diversified and systematized employee training programs • Enhance the efficacy of company systems (e.g. PC On/Off system, work-from-home system) and ensure their continuous management |
|  <p>G</p> | <ul style="list-style-type: none"> • Pursue impressive enterprise-wide ESG campaigns • Formulate corporate sustainability strategy for the mid-to long-term (10 to 20 years) • Assess ESG management performance and carry out post-management • Engage in ESG management activities that are not for show-offs but activities that satisfy both the company and society |

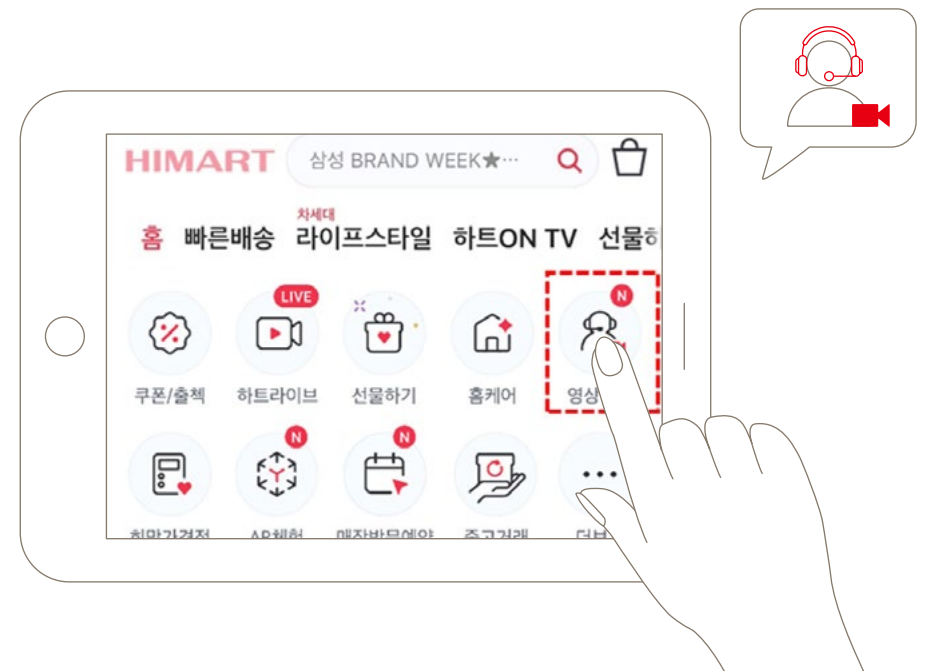
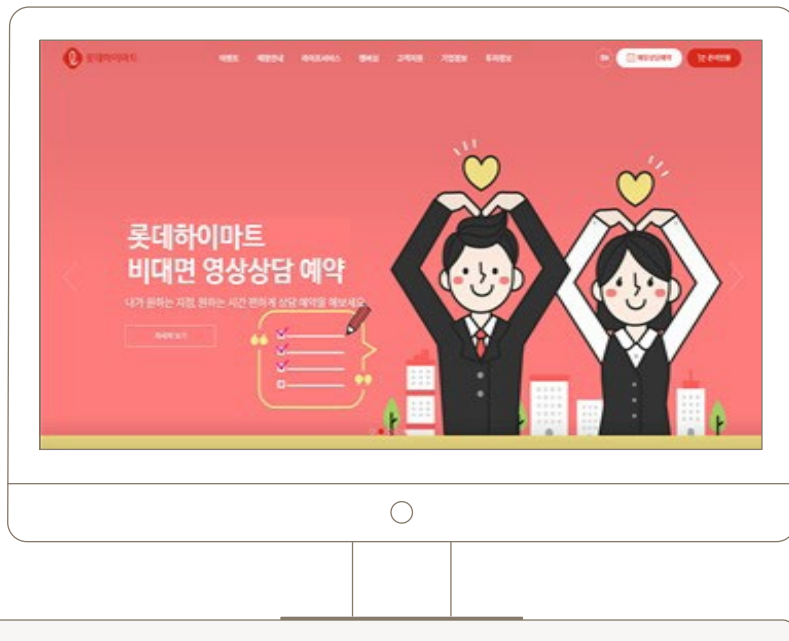
CREATING CUSTOMER VALUE

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| Heart Market, a Safe Second-hand Transaction Platform | 19 |
| ESG Support Projects for Our Partners | 20 |
| Response Activities to Overcome COVID-19 | 21 |

Online & Off-line Video Consultation Service

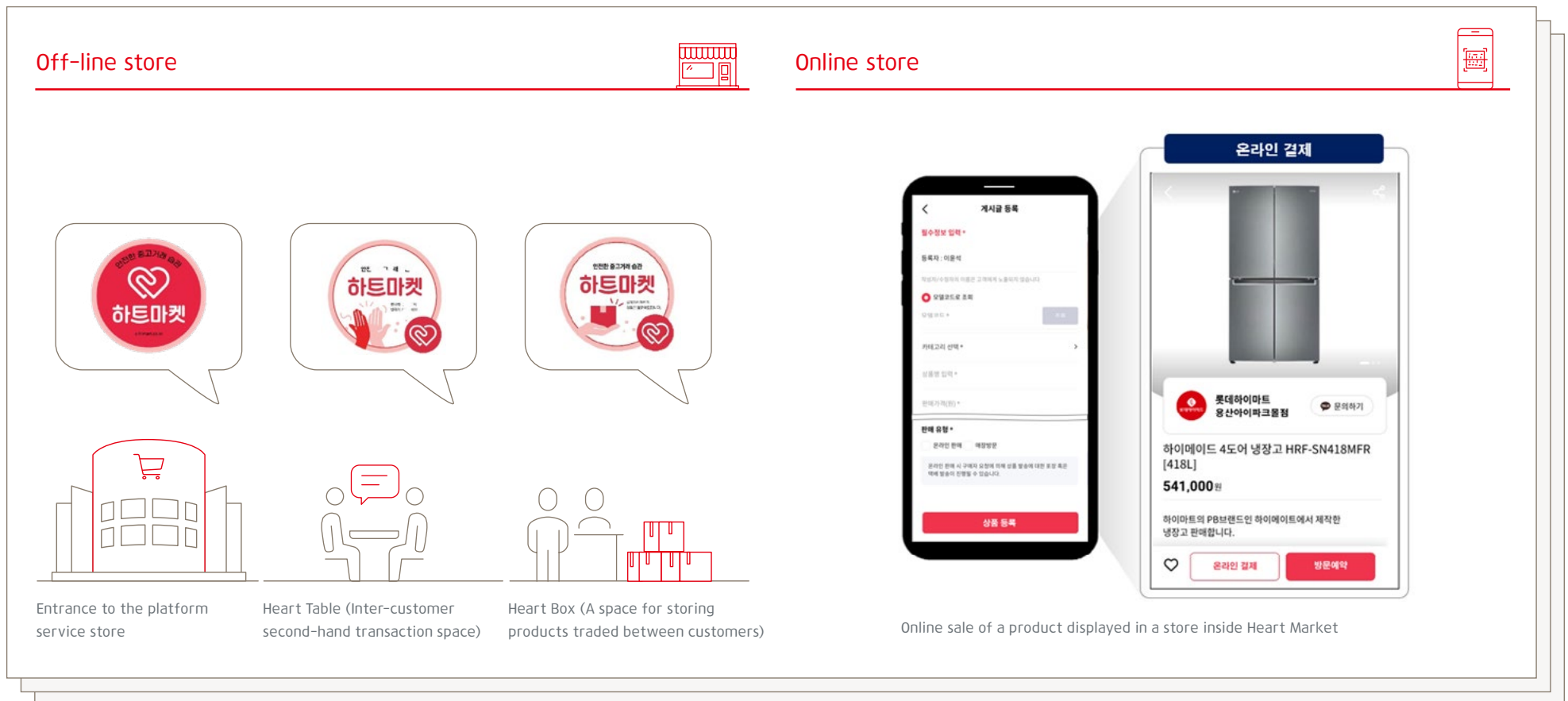
Through digital transformation (DT), LOTTE HITMART aims to provide convenient online and offline shopping experiences that allow all our customers to search and purchase products with a simple payment system and receive our after-sales services easily. As well as launching the after-sales service video consultation service in October 2021, we adopted the Contact-free Video Consultation Service, whereby consultants specializing in home appliances and working in our shops speak contact-free in real time to customers who cannot visit a shop. Both our off-line and online stores have provided this service since September 2021. Customers of our online shopping mall can also receive a professional consultation service related to a product in real time. Thus, when a customer finds a brand product he or she wants to buy from our online shopping mall and selects a video consultation, he or she will be connected with one of our professional consultants in real time, who will explain the characteristics and strong points of the product and how to use it with the assistance of various materials. LOTTE HIMART will endeavor to offer the best boundary-free shopping experience to our customers by expanding the number of brands and products covered by our online shopping mall contact-free video consultation service.

Online shopping mall video consultation service screen



Heart Market, a Safe Second-hand Transaction Platform

In 2020, while the COVID-19 pandemic weakened customer confidence, the size of the second-hand market grew significantly and the use of second-hand transaction platforms led to a new market paradigm. Accordingly, LOTTE HIMART launched its own safe second-hand transaction platform, called "Heart Market", to provide a differentiated service through its 430 off-line stores and by connecting with online and off-line stores. At Heart Market, customers can join our online shopping mall membership to engage in direct exchanges of second-hand products, and they can also find and purchase our off-line store's displayed products, which are not easily found online. In addition, we also operate the "Heart Table" where customers can visit a store to trade around a dealing space (table), and the Heart Box, where sellers and buyers can trade second-hand items without visiting a store or worrying about face-to-face transactions.



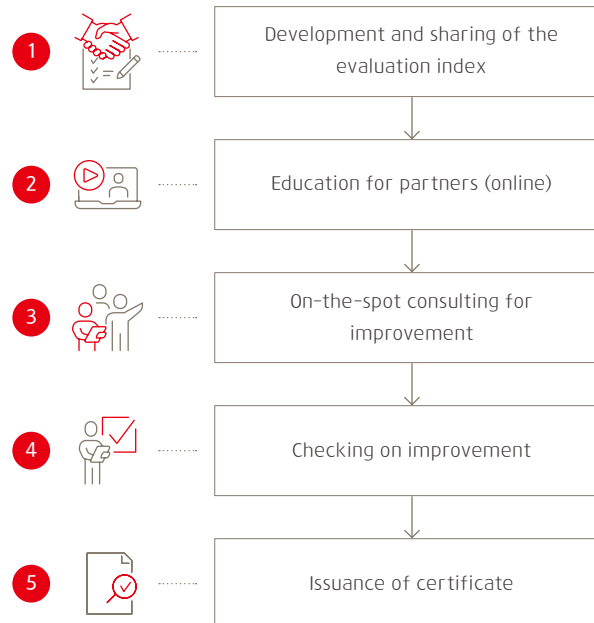
ESG Support Projects for Our Partners

As the global business environment is rapidly changing and the need for partner-related risk management is increasing all around the world, the situation requires a company's ESG management of its business partners, such as legislation of supply chain due diligence based on the EU's countries (regulations/laws). As such, LOTTE HIMART participates in ESG support projects for its partners in order to strengthen their ESG capability, has developed a customized ESG index corresponding to the global ESG management requirement standard, and is guiding them to improve their workplaces. After signing the agreement for the "ESG support project for partners" with the National Commission for Corporate Partnerships for the first time in the Korean distribution industry in June 2021, LOTTE HIMART carried out education on risk management and improvement, developed the ESG index, and provided worksite improvement consulting for selected partner companies for eight months from July 2021 to February 2022. We also issued the certificate and held a signboard hanging ceremony for partners selected as excellent companies by an on-the-spot inspection, while giving the others another chance to achieve their improvement goals through an additional application. We will continue making efforts to reinforce our partners' capabilities and grow together with them as a real business partner by helping them to understand ESG management and manage their risks, while expanding the number of partners participating in the project, and updating the ESG guidelines to support their ESG management.

Operation of Partner ESG Support Project

| | |
|---|---|
| <p>Development of the customized index</p> | <ul style="list-style-type: none"> • Deriving LOTTE HIMART's customized index for partners of diverse business types. • Developing ESG guidelines which can be applied to improve SMEs' worksites. |
| <p>Education and capability diagnosis</p> | <ul style="list-style-type: none"> • Performing collective/online education. • Preparing each partner's capability diagnosis (self-diagnosis) index and responding to it. |
| <p>On-the-spot inspection (consulting)</p> | <ul style="list-style-type: none"> • Performing on-the-spot diagnosis of, and providing improvement consulting for, our partners. • Checking their improvements, preparing the consulting result report and informing them. |

Procedure of the Partner Support Project



ESG Guideline Education for Partner Companies (online lecture)

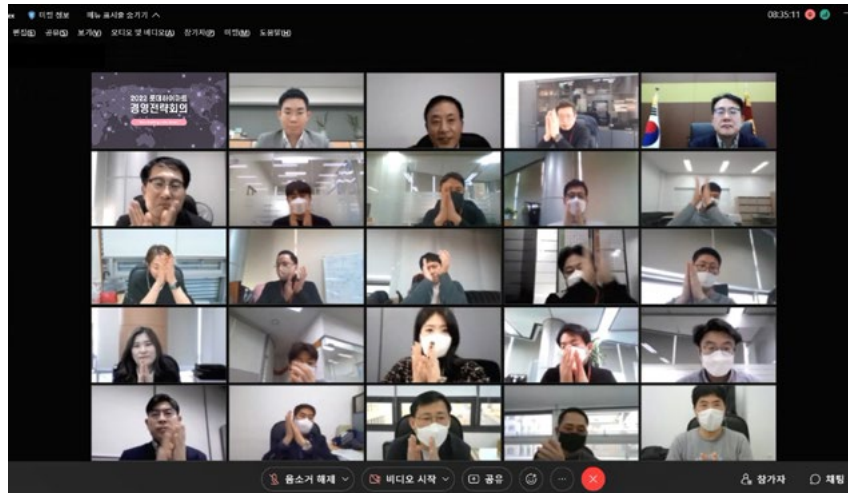
Response Activities to Overcome COVID-19

LOTTE HIMART has carried out various support activities during the ongoing COVID-19 crisis as our top priority is the health of all our customers, employees, and stakeholders.

Employees



While observing the quarantine guidelines, LOTTE HIMART employees contributed to preventing the internal spread of COVID-19 through strict personal sanitation control. We vitalized working from home for employees and switched all our meetings and presentation sessions to contact-free mode. We offered "COVID-19 vaccine vacations" to guarantee our employees' right to rest and to encourage them to get vaccinated.



Expansion of web meetings and video conferences

Customers



In order to protect our visiting customers from COVID infection, we established an exclusive COVID-19 response organization at the HQ and the Business HQ from 2020 to deal with the pandemic and share information on emergency situations with each other immediately. All employees wear a facial mask in our stores, which are equipped with a hand sanitizer for the safety of customers and employees. In addition, we have installed screens on our POS machines to communicate with customers at stores, creating a safe store environment.



Installation of protective screens on POS machines and customer service desks

| | |
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| Environmental management | 23 |
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Environmental



Environmental Management



UN SDGs



BACKGROUND

The human race is faced with a global environmental pollution and climate change crisis caused by the excessive use of fossil fuels and wastes generated in the process of rapid urbanization. Governments around the world are setting goals for reducing GHG emissions and reinforcing regulations on the discharge of environmental pollutants. Accordingly, companies are required to improve their management systems and establish improvement strategies with the aim of preserving the environment.

APPROACH

LOTTE HIMART also joins in the global efforts to reduce the damage caused by climate change and environmental pollution. We established the environmental management system at the international level by acquiring the ISO 14001 certification, while establishing an environmentally-friendly management organization, policy, and promotion plan. We aim to become a company that can create new values in order to achieve the coexistence of society and corporations even amid the environmental crisis by carrying out various environmentally-friendly campaigns and activities with the participation of our employees, such as enterprise-wide environmental education, the collection of waste home appliances, and the donation of unused items.

ACTIVITIES



Environmental management-dedicated organization
→ 24 page



Acquired ISO 14001, an international certification for environmental management systems
→ 25 page



Employee donations of unused items
→ 27 page

Environmental management System

Environmental Management Committee Structure



* Response to environmental changes, energy management, environmental education, and eco-friendly system operations are handled by the safety management team, which is the department dedicated to environmental management.

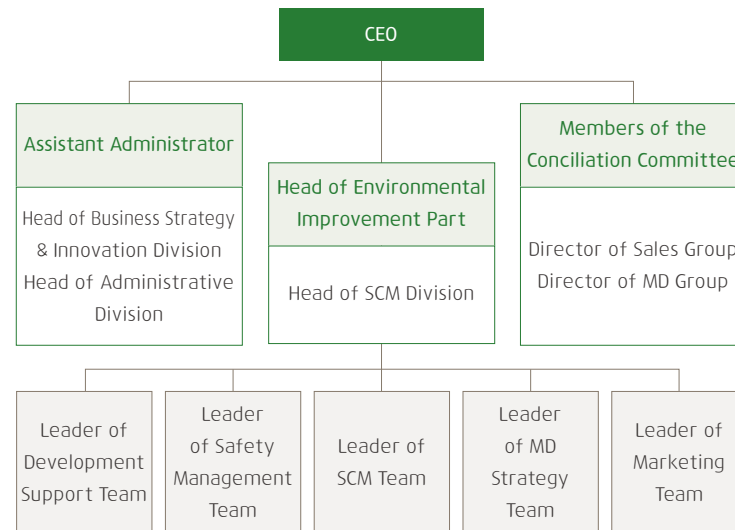
Environmental Management Committee

LOTTE HIMART operates the Environmental Management Committee within the BOD to strengthen environmental management competence. The Environmental Management Committee enacts regulations for reducing environmental impact in all business sites and determines the overall direction of environmental management. As a chairman of the Environmental Management Committee, CEO manages and supervises risks and opportunities related to climate change, such as establishing middle to long term target of GHG reduction and making a decision on investing major GHG reduction projects.

New working group specializing in environmental management

With the increasing responsibilities regarding environmental impact in the private sector, LOTTE HIMART established a working group specializing in environmental management in February 2021. The new environmental improvement part within ESG Improvement TF¹⁾ establishes detailed policies to secure green competitiveness and shares them throughout the company. In addition, it supervises

ESG Improvement TF Environmental Improvement Part structure



the overall matters related to environmental management such as promoting enterprise-wide campaigns, concluding business agreements with related organizations, and acquiring environmental certifications.

1) Task force, a temporary group operated to achieve specific business goals.

Environmental management slogan

LOTTE HIMART created an environmental management slogan to instill social responsibilities and the purpose and direction of "green campaigns" in employees and declare our will of action externally. Meaning the smiles of society and the company, Green U Smile is LOTTE HIMART's promise for performing green management to fulfill social responsibilities while creating the value of coexistence.

Meaning of our slogan



Example of use of green shopping bags/eco-bags

The 4-Green promotional strategy

LOTTE HIMART strives to implement green management by establishing action plans in the four fields (policy, store, product, and culture) for the continuous and successful settlement of green management. We declared the environmental management policy on March 18, 2021 and proclaimed our will to fulfill environmental management and social responsibilities. Our environmental management policy includes the directivity of eco-friendly plans in the entire process of sales activities including compliance with environmental laws and regulations, supporting green management of partners, and vitalization of purchasing, distributing and manufacturing green products.

The 4-Green Strategy

| | |
|--|--|
| <p style="text-align: center;">Green-Policy</p> <ul style="list-style-type: none"> Establishing an environmental management policy Certification of environmental management system | <p style="text-align: center;">Green-Store</p> <ul style="list-style-type: none"> Promoting campaigns targeting customers Fulfilling green at business sites |
| <p style="text-align: center;">Green-Product</p> <ul style="list-style-type: none"> Planning and expanding sales of green products Strengthening green services | <p style="text-align: center;">Green-Culture</p> <ul style="list-style-type: none"> Spreading an environmental management Culture Enterprise-wide Green campaigns |



Environmental management policy keywords

Our environmental management policy

| | | | |
|---|--|---|--|
| <p style="text-align: center;">Employees</p> | <p>All employees shall strive to reduce the environmental impact and protect the environment through energy-saving measures.</p> | <p style="text-align: center;">Overall management activities</p> | <ul style="list-style-type: none"> Establishing green goals and action plans Continuous improvement through the assessment of environmental management performance Operating a methodical management system and improving performance Providing physical resources required for green management Improving the resource/energy usage required in the process of sales activities Contributing to purchase, distribution, and manufacturing of green products |
| <p style="text-align: center;">Partners</p> | <p>LOTTE HIMART shall share its company policies, continuously maintain a win-win relationship through support programs, and perform responsible management for partners to participate in green environmental management.</p> | | |

Acquisition of ISO 14001 certification

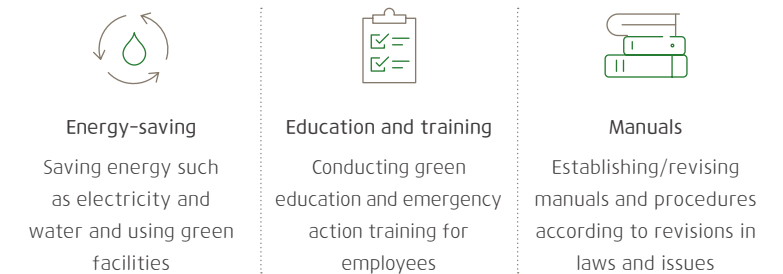
LOTTE HIMART acquired international standard ISO 14001¹⁾ certification for its environmental management system on August 17, 2021. With this certification, we established an internal environmental management system that meets international standards. In addition, we appoint and manage employees in charge of the environment at each logistics center and branch to fulfill environmental management and evaluate their performance once a year. We, as a home appliance distributor, promise our stakeholders to effectively manage environmental risks and conduct various green management activities.

1) ISO 14001 is an international certification for environmental management established by the International Organization for Standardization (ISO), which assesses and certifies the application of environmental management in companies' management policies and the establishment and execution history of detailed goals.



Environmental management system (ISO 14001) certification award ceremony

Key operational details of ISO 14001



Environmental management education system

Education on environmental management

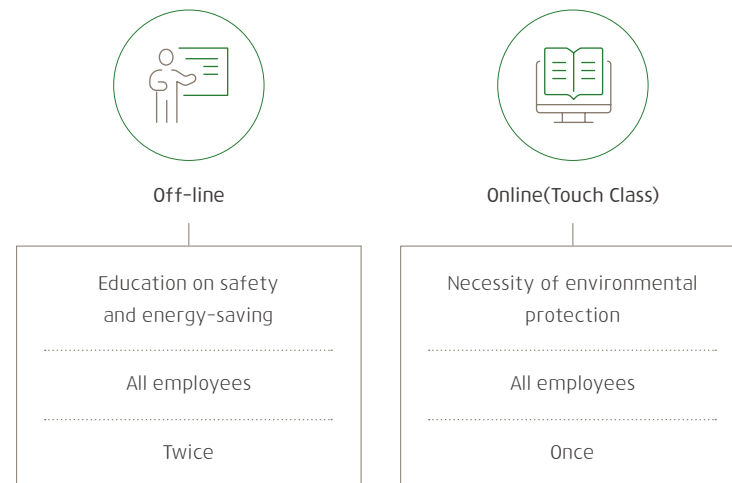
LOTTE HIMART conducted stepwise education for all employees to become familiar with the company's strategic direction and its details and apply them to work as the key agent of environmental management. All employees at about 430 stores in Korea received education through various media, including online video lectures, mobile, and paper. We conduct regular mock trainings for strengthening employees' capabilities of responding to environmental violations. Furthermore, we carried out surveys, created a slogan, and uploaded different video materials about green activities to our website in the first half of 2021 to lead the participation of employees in environmental management.

Education on the collection of discarded home appliances

For effective implementation of the nationwide campaign for collecting small and medium waste appliances¹⁾, LOTTE HIMART offered educational programs related to the collection of waste appliances for all employees at LOTTE HIMART stores. Employees led the successful campaign by learning about the procedure for collecting waste home appliances and displaying the collection boxes inside stores. We also make an effort to spread green management culture by making and distributing PR videos to promote the campaign and guide users.

1) LOTTE HIMART's public/private joint waste home appliance collection campaign carried out from July to August of 2021.

Environmental Education Programs*



* As of 2021



Collection of used electronic devices

Green activities by employees

Eco-friendly Campaign for Employees

LOTTE HIMART carries out various campaigns for employees to participate in enterprise-wide environmental management and fulfill energy savings and environmental protection in their daily lives.

Zero-waste campaign

A zero-waste campaign is a waste reduction activity, which can be carried out by employees at offices during mealtimes or break times. Employees reduce plastic wastes by using team eco-bags when receiving and returning lunch meals and use personal tumblers to reduce disposable cups.

Green Day

We run Green Day all year round to save energy by reducing standby power. Every Friday, all employees of the headquarters and branches turn off the power of the power strips to effectively reduce standby power and save energy.



Internal PR materials for zero-waste campaign and Green Day

HIGHLIGHT

Employee donations of unused items

Launched in 2021, LOTTE HIMART employees' participated in our "Good Cycling" donation campaign, a sustainable ESG campaign designed to create jobs for the disabled and protect the environment by recycling resources. In 2021, employees donated unused items to Good Will Stores¹⁾ that pay salaries to employees with disabilities with the profits from the sale of the donated items. We aim to create jobs to ensure the complete independence of disabled persons, rather than simply making a one-time donation, by providing sustainable employment for the disabled and protecting the environment. The donation of 1,352 items (about 2/3 were clothes) was effective in protecting the environment through the recycling of resources. In addition, our inventory donations were given to 13 Good Will Stores, thereby contributing to the financial independence of 272 employees with disabilities.

1) A secondhand retailer operated by the disabled. It supports the financial independence of the disabled persons and increases employment of the disabled by providing opportunities for them to build a career in retail distribution and sales.

Environmental protection effect through employees' donations



Greenhouse gas reduction

7,436kg of CO₂ emissions*



Plantation of pine trees

1,127 pines**



Water saving

3,650,400L***

* Total donation amount x 5.5kg of CO₂ (CO₂ emissions per polyester T-shirt)

** Reduction of CO₂(kg) ÷ 6.6 through item donation (resource recycling)

*** Total donation amount x 2,700L (amount of water required to make one T-shirt)

Advancing Resource Circularity



UN SDGs



BACKGROUND

Closed-loop recycling refers to the act of reducing the environmental impact by suppressing waste generation and adequately recycling or treating wastes. As contactless consumption has increased due to the COVID-19 pandemic, the global generation of waste from disposables and packing materials has also increased rapidly, with the result that the importance of reducing waste generation and recycling is being stressed. As global citizens are increasingly paying attention to zero waste with the aim of creating a waste-free society along with changes in consumers' perception of the environmental-friendliness of products, companies are required to take social responsibility for closed-loop recycling activities such as minimizing pollutants from the product production stage.

APPROACH

LOTTE HIMART strives to prevent the waste of resources and reduce wastes generated throughout the distribution and sales processes by establishing a virtuous closed-loop recycling system in collaboration with its nationwide network of stores, distribution centers, and partner companies. We revitalize recycling and minimize waste generation in different ways, such as by using eco-friendly packing materials in private brand products, extending the service life of our products through customer services and Home Appliance Careship, and collecting small discarded home appliances. In addition, we are collaborating with distribution companies and banks in the government's efforts to activate Green Consumption in order to sell products certified with the environmental label (Korea Eco Label), and organize eco-friendly product exhibitions.

ACTIVITIES



Signed public-private MOU for collecting waste electrical and electronic products

→ 31 page



Nationwide campaign for collecting small and medium waste appliances

→ 32 page



Plan to activate Green Consumption

→ 33 page

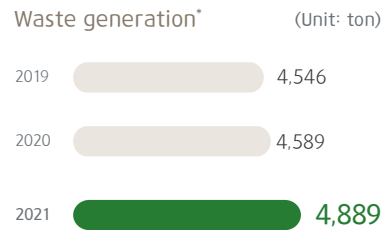
Reduction of waste generation at business sites

General waste collection and recycling system

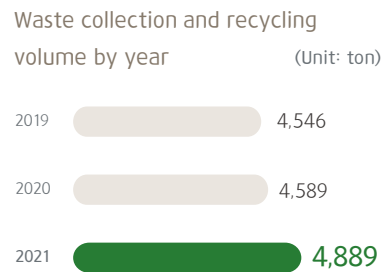
LOTTE HIMART has built a virtuous closed-loop recycling that effectively collects and recycles delivery wastes, such as cardboards and polystyrene, used to protect home appliances. Our virtuous closed-loop recycling is made possible through close collaboration between the nationwide networks of LOTTE HIMART stores and distribution centers, and partners. All wastes collected in scrap paper collection boxes in our stores or during delivery are handed over to recycling partners via regional distribution centers. They are recycled into recycled paper or polystyrene materials for construction.

CS masters for collecting shipping wastes

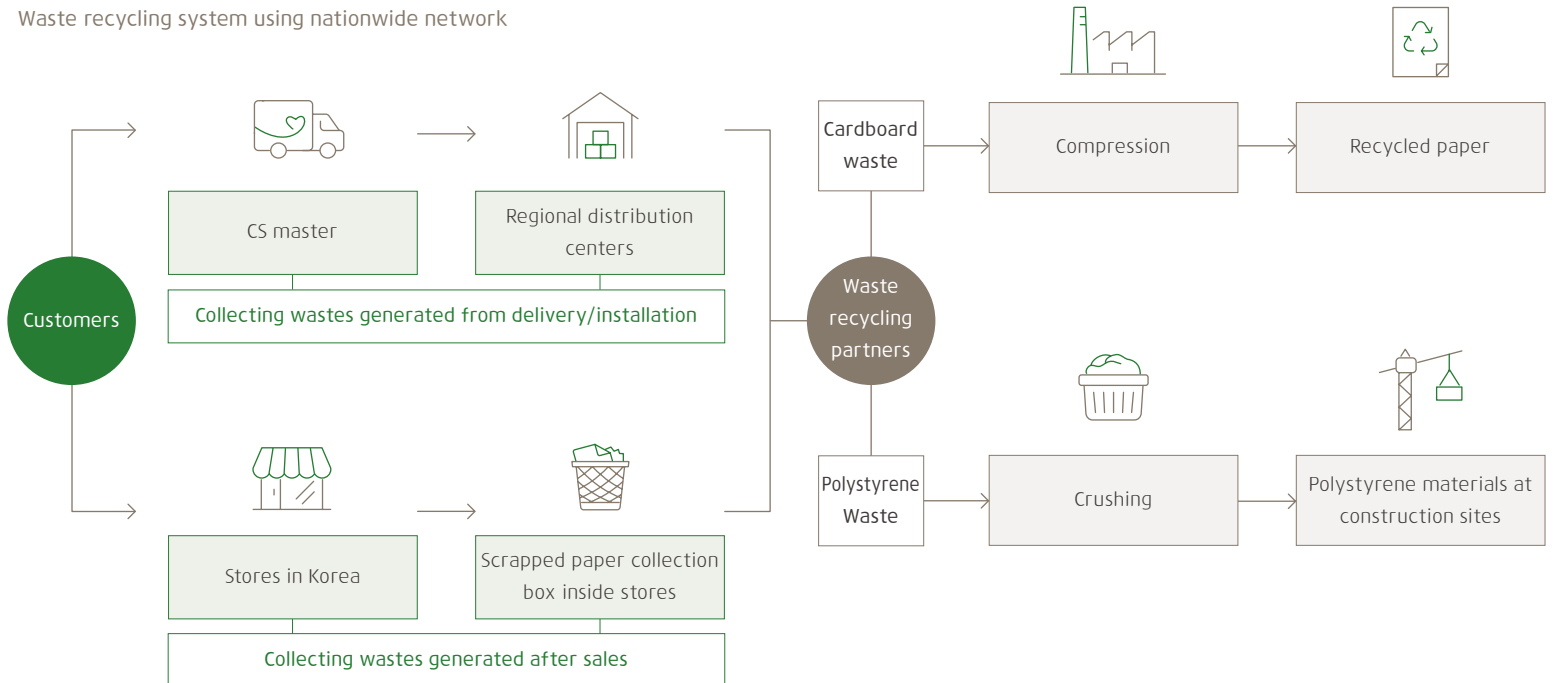
LOTTE HIMART collects wastes generated during product shipping upon delivery. Particularly, customers have a difficult time throwing away the packing material for large-sized home appliances because of their size and weight. Accordingly, we collect all packing wastes for home appliances shipped and installed by CS masters. The collected packing materials and shipping wastes are handed over to recycling partners via the nationwide distribution network for recycling and green treatment.



* General waste



* All of the generated waste collected by external recycling vendors



Home Appliance Careship service¹⁾

LOTTE HIMART is contributing to the extension of the product service life and reduction of wastes by expanding the Home Appliance Careship service. Through the service, customers can enjoy the cleaning of the inside and outside of home appliances that are difficult to care for such as washing machines and air purifiers. The extension of the product lifecycle guaranteed by this service can reduce the waste rate of home appliances and lead to a virtuous cycle. We are taking the lead in creating green value together with our customers through innovative customer service.

1) LOTTE HIMART's product management service that provides cleaning of home appliances purchased by customers and extension of after-sales service period.

Waste electronics recovery system

LOTTE HIMART provides a free service for collecting large size waste home appliances that are difficult for customers to dispose of upon installation or shipment of the new product. Waste home appliances collected by our CS masters are decomposed and disposed of according to environment-friendly procedures. In addition, we registered all branches in Korea at the Resource Recycling Information Center website as "small waste home appliance collection sites" in December 2019 to help discharge small and medium size home appliances. We also installed MINTIT—an automated teller machine that buys used mobile phones based on artificial intelligence—in all of our 257 stores in Korea to reduce the number of waste phones.

Extending product service life through after-sales service

LOTTE HIMART's Home Appliance Careship service and differentiated after-sales service help customers to use products for a longer period of time. Our after-sales service is available at LOTTE HIMART stores nationwide and on the mobile app. We offer official services for many brands other than the products distributed by LOTTE HIMART. Through the expanded after-sales service, our customers can extend the service life of products while reducing unnecessary consumption and waste generation.

Reinstallation service

LOTTE HIMART offers a home appliance reinstallation service to encourage extended use of home appliances. We help customers move and reinstall the products, from bulky and heavy ones to appliances that require expertise or skills, such as wall-mounted TVs and air conditioners. We intend to improve customer convenience and contribute to extending product life.





Electronic price tags and receipts

LOTTE HIMART introduced electronic price tags at all its stores from 2017 to 2019, and has been issuing electronic receipts to prevent unnecessary waste of paper since October 2018. The previous acrylic price tags involved frequent replacements due to changes in product specs and prices, resulting to high expenses. Also, paper receipts had a huge environmental impact due to the difficulty in recycling the chemical-coated paper. By using electronic price tags, however, we update product information in real-time, and we have been issuing electronic receipts. Based on this scheme, we reduce the waste of resources and increase work efficiency.

Increased use of green packing materials

LOTTE HIMART reduces waste disposals by saving packing materials and increasing the use of green packing materials. Our private brand HIMADE changed its main packaging material, replacing coated boxes with boxes made from green materials. As of December 2021, the green packaging material is being used with 107 items. We are considering applying green packaging materials to all our private brand models products within three years. In addition, we have increased the use of paper packing tape and buffers for online-exclusive products and replaced shopping bags for store customers with a green material.

Use of green packing materials

| Before | After |
|---|---|
| HIMADE | |
|  |  |
| Online shipping and packing | |
|  |  |

HIGHLIGHT

Public-private MOU for collecting waste electrical and electronic products



Signed for Public-private MOU

On June 18, 2021, LOTTE HIMART signed an MOU with Korea Environment Corporation and Korea Electronics Recycling Cooperative (KERC) to revitalize the collection and recycling of waste home appliances. Based on the agreement, LOTTE HIMART

contributed to the formation of a virtuous closed-loop recycling structure by building a waste electrical and electronic product collection system. From August 2022, we plan to conduct promotions and giveaway events at all LOTTE HIMART stores in a bid to revitalize the collection of small waste home appliances. In addition, we will expand the number of collectable items from just 50 to include all waste home appliances in order to establish a more extensive collection system.

Details of public-private MOU for closed-loop recycling

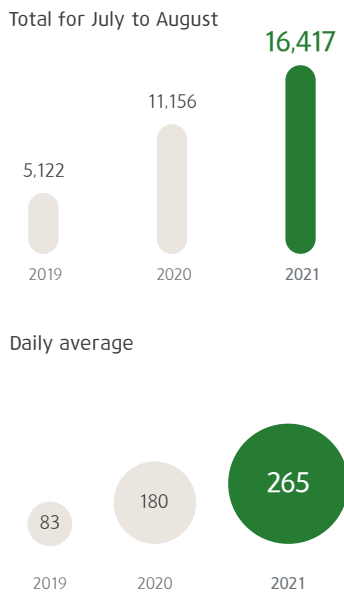
| | |
|--------------------------------------|--|
| LOTTE HIMART | <ul style="list-style-type: none"> • Creating infrastructure to collect small and medium waste home appliances • Rewarding customers who discharge waste home appliances |
| Korea Environment Corporation | <ul style="list-style-type: none"> • Operating and managing demonstration campaigns for collecting small and medium waste home appliances • Promoting demonstration campaigns and disseminating press release materials |
| KERC | <ul style="list-style-type: none"> • Providing promotional materials and giveaways for the small and medium size waste home appliance collection campaign • Recycling and monitoring the handed-over waste home appliances |

Nationwide campaign for collecting small and medium waste appliances

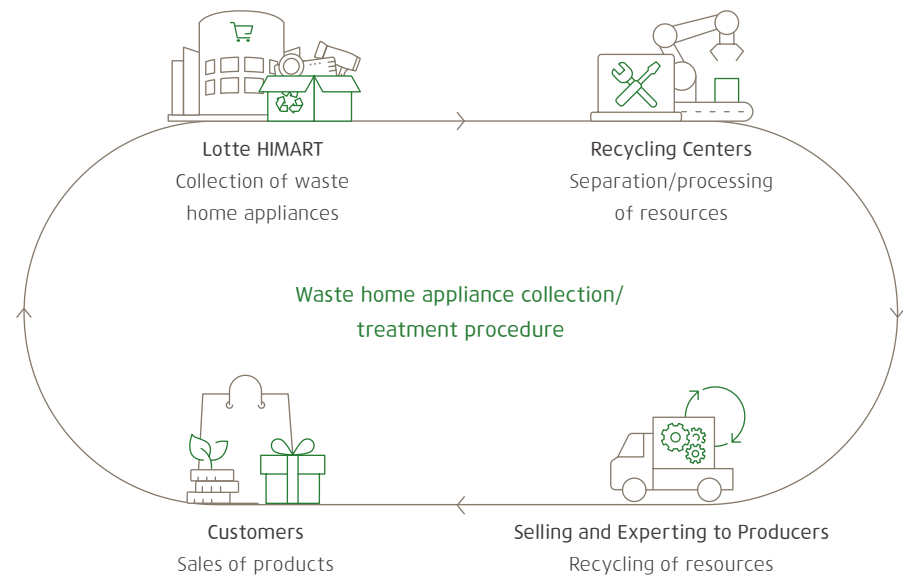
In December 2019, LOTTE HIMART registered all branches of our HIMART stores as "collection site for small waste home appliances" on the Resource Recycling Information Center website. We installed collection boxes at stores to encourage the collection of small, medium, and large size waste home appliances. Moreover, a nationwide collection campaign was conducted for two months, starting in July 2021. This campaign was publicized to help store visitors and other customers discharge small and medium waste home appliances. We offered benefits to customers to increase the participation rate, such as gift and eco-bag giveaways through mileage points and raffles. We educated all our employees and publicized the campaign internally and externally. As a result, we collected 5,261 items more than the previous year, and 85 items per day more than the previous year.

Furthermore, we made unsparing efforts to reduce wastes generated throughout the campaign. Wooden collection boxes were used instead of plastics to collect waste home appliances at stores, and eco-bags were made of used banners. In particular, we partnered with the upcycling company Touch4Good to make waste banner eco-bags. The bags became more meaningful by delivering messages to protect endangered species. Acknowledged for the consistent efforts to revitalize the recovery of waste home appliances, LOTTE HIMART was selected as an "excellent company for recovering waste electronics" in 2014 by KERC. Besides participating in the formation of a virtuous closed-loop recycling by recovering waste home appliances, we will conduct diverse environment-friendly campaigns involving government agencies, partners, customers, and employees.

Result of collecting small/medium home appliances by year
(Unit: appliance)



Promotional video of the nationwide campaign to collect small and medium-size waste appliances



Encouraging sustainable consumption

Selling highly energy-efficient home appliances

The highly energy-efficient home appliance refund project¹⁾ is a system in which the government refunds 10% of the price for high-efficiency products so that consumers can have better access. This project strives to protect the environment by saving energy and promote the manufacture and consumption of highly energy-efficient products. Starting in 2016, LOTTE HIMART provided consulting on highly energy-efficient products. In 2021, we endeavored to promote and participate in the refund project by offering additional benefits including mileage points to customers who purchase targeted products.

1) Conducted by the Ministry of Trade, Industry and Energy of Korea to expand the scope from low-income classes and multi-child families to the entire country, aiming to facilitate consumption amid the COVID-19 pandemic in 2020.

HIGHLIGHT

Green Consumption Activation Plan

In December 2021, LOTTE HIMART signed the green consumption-ESG alliance MOU to activate green consumption supervised by the Ministry Environment together with distribution companies, banks, and card companies. We are expanding the number of stores (exclusive stores) which stock products certified with the Korea Eco Label²⁾ as well as holding discount and point benefit events in order to vitalize incentives and promote the purchase of products certified with the Korea Eco Label from our online shopping mall.

In addition, we hosted the 'Green Products³⁾ Selection' promotion together with the Korea Green Purchasing Network in 2021. LOTTE HIMART sold the awarded green products, which were announced on August 12, 2021, at its online and offline stores from September, by holding promotional events with point benefits and provision. At our offline stores, we attached the tag "Green Product of the Year" on 105 products among the green product selection, while our online stores ran a special exhibition of green products and eco-friendly products.

- 2) The Korea Eco Label is a certification given to a product whose environmental efficiency has been improved compared to other products of the same kind, in order to provide customers with environmental information on the product and encourage companies to develop and produce eco-friendly products.
- 3) The Best Green products are selected based on the results of an evaluation of their environmental improvement effect by experts and consumers.



Green Consumption Business Agreement and the poster of the Special Exhibition titled "This Year's Green Products"

Response to Climate Change



BACKGROUND

According to the Paris Agreement concluded in November 2016, the participating countries have set their national specific emissions targets. The Republic of Korea aims to realize carbon neutrality by 2050 and reduce its CO2 emission by 40% of the total amount recorded in 2018 by 2030 in order to respond to climate change. As the roles and responsibilities regarding climate change of companies as members of society are being stressed, many companies have declared the goal of achieving carbon neutrality and are strengthening their management and disclosing information about their GHG emissions and energy consumption.

APPROACH

LOTTE HIMART aims to meet such expectations for corporate responsibility to respond to climate change. Accordingly, we have set our GHG reduction goals and are replacing our lighting systems and air conditioners with LED lighting systems and highly-efficient inverter air conditioners to increase the energy efficiency of our stores and distribution centers. In addition, we will achieve sustainable development through communication and cooperation by disclosing the outcomes of our climate change response activities to stakeholders in a transparent way.

ACTIVITIES



Energy reduction through LED light replacement project
→ 35 page



Preventing power overload through efficient cooling and heating
→ 35 page



Reducing GHG emissions each year
→ 35 page

Energy use and GHG emissions



Replacing store LED lights

Light replacement project

LOTTE HIMART is replacing the lighting facilities of all stores and distribution centers with highly efficient LED lights to improve energy efficiency. The light replacement project that began in 2016 is carried out by analyzing the business value and selecting the target stores each year. We standardized the installation of LED lights for new/renewed stores to achieve the efficiency of lighting at all business sites. We also purchased additional LED lights with the fund obtained from the Korea Electric Power Corporation (KEPCO) efficiency improvement project¹⁾ and replaced 246,000 old lights with new LED lights at a total of 318 stores (as of the end of 2021); thus achieving energy reduction. In addition, as part of the ESCO²⁾ project carried out from October 2021, we will have replaced 6,489 old LED lights with highly efficient LEDs at 64 stores by the first half of 2022 in order to reduce electricity consumption by 35% from 1,593 kWh to 1,032 kWh per year.

- 1) Project that provides support funds to individuals and companies replacing general lighting equipment with LEDs of energy efficiency rating 1.
- 2) Energy Service Company, a project where an energy service company invests in energy efficiency facilities and reclaims savings in energy costs to return investment.

Reducing power usage through the efficiency of cooling/heating

As air conditioners are greatly affecting electricity consumption along with lighting facilities. In 2021, LOTTE HIMART replaced 71 old electric coolers and heaters at 48 stores and distribution centers in Korea with highly efficient inverter coolers and heaters.

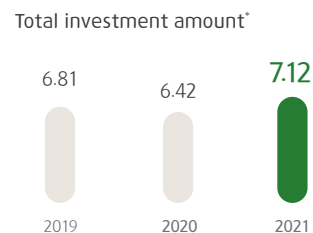
We also carry out activities related to the efficient use of cooling and heating each year to save energy. We conducted an enterprise-wide campaign for maintaining moderate indoor temperatures as part of our efforts to save electricity costs. We reduced the power usage during peak hours in summer and winter with high energy consumption and prevented power overload.

Reducing GHG emissions

LOTTE HIMART intends to reduce energy consumption through enterprise-wide campaigns. We will take stepwise measures, such as installing energy consumption measurement systems and preventing over-installation of electrical equipment. In addition, we are studying plans to introduce PPAs³⁾ to use the renewables generation at our stores, or to install generators on the rooftops of our distribution centers. Furthermore, we disclose annual measurements of our electricity/water consumption and GHG emissions on our official website as part of our effort to minimize our environmental impact. From 2022, we plan to reinforce our transparency by making announcements in the EnvInfo System, a website operated by the Korea Environmental Industry & Technology Institute (under the Ministry of Environment).

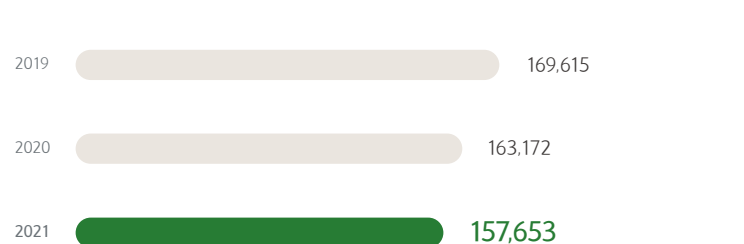
- 3) Power Purchase Agreement: A contract between a renewable energy generation company and the Korean Electric Power Corporation to trade electricity.

Environmental Investment cost
(Unit: KRW 100 million)

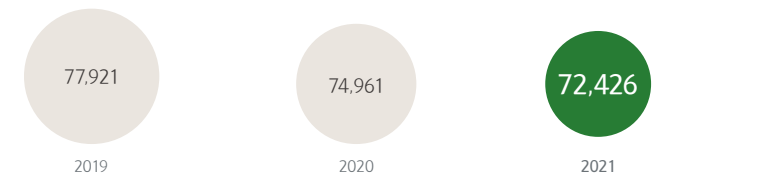


* Including replacement of LEDs

Energy consumption
(Unit: MWh)



GHG emissions* (Scope 2)**
(Unit: tCO₂eq)



* Indirect (Scope 2) emissions, includes some data from the headquarters, branches, distribution centers, and sales offices.

** Scope 1 emissions are minimal within the retail industry. We plan to collect and report scope 1 data in due course.

** Electricity consumption converted to GHG emissions based on energy conversion metrics provided in the Energy law Enforcement Decree (kWh→ 9.6MJ).

| | |
|---|----|
| Information Security | 37 |
| Customer Satisfaction | 40 |
| Creating a Happy Organizational Culture | 46 |
| Mutual Growth | 60 |
| Social Contribution | 68 |

Social



Information Security



UN SDGs



BACKGROUND

While data related to personal information constitute a key asset of companies that create added value, in tandem with the development of data utilization services such as Big Data and A.I., damages caused by personal information leaks, thefts, and misuses are increasing significantly. As much of a problem in itself, information security incidents can negatively affect the image of a company and lower its credibility. As such major companies are becoming increasingly aware of the importance of personal information protection and the related risks, and are preparing their security systems by analyzing the vulnerable points and conducting simulation training to prevent the kinds of damages caused by personal information leakages.

APPROACH

LOTTE HIMART has established an internal information security system and secured various measures for the prevention of and response to incidents in the entire process of customers' personal information collection, use, and destruction. We operate the Information Protection Council under the CEO's direct management and transparently disclose the scope and purpose of customers' personal information collection and use according to the legal criteria. In addition, to prevent damages to the company and its partners and stakeholders due to personal information leakages, we have established a high-level information security management system (ISMS) to reinforce our security, and have also obtained the relevant certification. In order to maintain company-wide security awareness at a high level and strengthen our information security capability, we conduct continuous education, campaigns, security incident response training, and regular inspections.

ACTIVITIES



Status of personal
information security
incidents
→ 38 page



Education on
information security
→ 39 page




Security incident
response procedure
→ 39 page


Information security system

Status of personal information security incidents


(As of 2021)

 Leakage/theft of corporate data/ personal information

0 cases

 Leakage/theft of customers' personal information

0 cases

 Information protection-related complaints

0 cases

Information Protection Committee Structure



Information security organization

LOTTE HIMART organized the Information Protection Council. The council establishes a company-wide security system through such activities as decision-making and consultation for information security-related operations. In addition, the Information Protection Committee, which comprises of executives, examines the company's information security status and decides important policies. The Working-level Committee for Information Protection is an organization consisting of team leaders and managers. The committee arranges joint response by individual divisions and shares incident cases and trends. Furthermore, to prevent personal information incidents including leakages, we have formed the CRM(Customer Relationship Management) Team and the Information Security Team.

Information security regulations

LOTTE HIMART aims to maintain zero occurrences of informational security leaks and conforms to our information security regulations and guidelines in compliance with the ISMS¹⁾. We also update the regulations and guidelines according to the latest LOTTE Group regulations and amendments of the Personal Information Protection Act and its Enforcement Decree. In particular, we reflect the results of examination under the ISMS certification system, which requires annual renewal. Recently, we have entirely reformed the regulations by reorganizing the system into one regulation and four guidelines on Administrative, physical, technical, and personal information to create a coherent regulation system for the group. We also share the annually revised internal policy related to personal information protection with all employees.

1) Information Security Management System: ISMS is a system to certify a company's information security management system by inspecting its compliance with the criteria (certification reviewed annually).

Establishing our information security system

LOTTE HIMART established an integrated account management solution to prevent security incidents. The integrated account management solution automates the functions of granting and retrieving permissions upon personnel appointment under the business and security systems according to the relevant policies. While manual and automatic systems were concurrently used and the accounts were managed one by one in the past, this solution minimizes errors caused by data omissions, delays, or management leaks. In addition, we increased the internal security level by strengthening the server access and operational control and completing system improvement according to the amendment of the law.

ISMS certification

Since the acquisition of the ISMS certification in 2015 according to Article 47 of the Act on Promotion of Information and Communications Network Utilization and Information Protection, LOTTE HIMART has been maintaining and continuously improving the information asset management system in compliance with the certification. We strengthened our internal security based on the ISMS and, through administrative, physical, technical, and personnel security management, we improved our awareness of not only information security but also customers' privacy protection.

Conducting on-site inspections of personal information security

LOTTE HIMART conducts regular inspections organized by the group's Information Protection Committee, including internal on-site inspections and inspections of our partners' information protection systems in order to prevent personal information incidents including leakages and theft. In 2021, we conducted personal information inspections of 59 stores to reinforce the level of information security at all our business sites. In 2022, we are conducting quarterly self-inspections for all of our 420 stores nationwide, and plan to inspect 80 stores directly from our headquarters.

Information security competency

Internalizing information security awareness

Information security day

LOTTE HIMART holds the Information Security Day on Monday in the first week of each month to encourage our employees to perform various security operations. In response, our employees engage in activities that help increase the company's information security capabilities, such as destroying customer information documents, receiving compulsory education (on privacy protection), and participating in a survey on information security awareness.

Education on information security

LOTTE HIMART has improved the company-wide security awareness level by providing online/offline education on information security to all employees on an occasional basis. In particular, we ensured that not only new hires but also interns and CS masters internalize the security guidelines when performing their individual duties. We also improved employees' accessibility to education through Touch Class¹⁾, a distance learning website.

1) LOTTE HIMART's mobile education platform

Education on information protection, 2021



No. of training sessions

19



All employees received the education

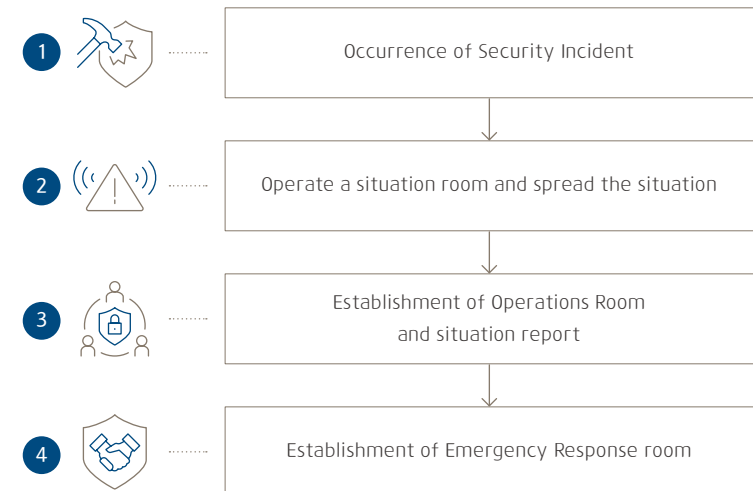
3,486 employees

Security incident response training and diagnosis²⁾

LOTTE HIMART provides quarterly information security training to all employees for the purpose of security incident prevention. After sending simulated malicious emails to employees, we track down the records of infection by checking whether they have clicked any of the malicious links or attachments. In this way, we assess employees' security awareness level. In addition, we conduct field inspections twice a month targeting each stores, and quarterly for our headquarters and regional offices. We also maintain an excellent information security level by utilizing regular diagnosis means, such as security inspection through our internal accounting control and audit and the Group-level security assessment.

2) Training and information security level diagnosis are led by the LOTTE Group Information Protection Committee.

Security incident response procedure



Customer Satisfaction



UN SDGs



BACKGROUND

Customer satisfaction is an essential business strategy that is closely connected with corporate brand value. Amid the prolonged COVID-19 pandemic and profound changes in consumer trends focusing on non-financial values, companies must strengthen their customer satisfaction capability. In particular, the scope and areas of customer satisfaction, which are applied to corporate business activities, are gradually being extended towards not only improving shared values for all stakeholders, including customers and employees, but also towards maximizing shareholder profit.

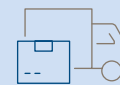
APPROACH

Under the slogan of “For Your Family: LOTTE HIMART that shares the best moments of your family,” LOTTE HIMART promotes the satisfaction of customer needs as the highest value throughout the journey, from product and service development to marketing and after-sales service. As part of our efforts to further boost customer satisfaction, we are focusing on diversifying our products and services, expanding off-line stores, securing our online and off-line stores logistics network, strengthening our installation and delivery services, and improving our product quality management. Furthermore, we are increasing contact points with potential customers through improved accessibility.

ACTIVITIES



Customer Satisfaction (CS) management
→ 41 page



After-sales visiting collection service
→ 44 page



Product quality management
→ 45 page

Customer Satisfaction

Customer satisfaction strategy

Having set customer satisfaction as the highest priority management strategy, LOTTE HIMART has established and is promoting a range of policies to improve customer value. As a result of the efforts made so far, we were able to maintain our position as the No. 1 brand in

the premium brand index for nine consecutive years in 2021. We will continue dedicating efforts to become a company that leads the future of the home appliance market based on the customer-oriented distribution platform.

HIGHLIGHT

Customer Satisfaction Management

To ensure the success of stores specializing in electronic products, a friendly and professional consulting service covering a wide range of products and a wide price range is an essential element. LOTTE HIMART has improved its customer service quality and management in order to surprise and please its customers based its comprehensive customer satisfaction education.

Employee education on customer satisfaction

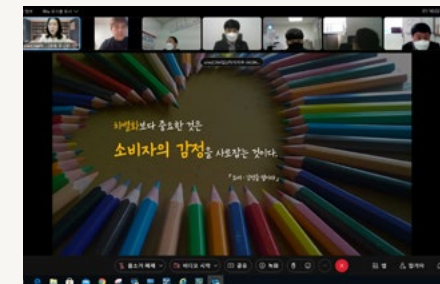
Despite the many difficulties posed by the spread of COVID-19, we have provided contact-less video education on customer service to all our employees, as well as evaluating CS R/P and sharing the relevant cases.

We provide customer satisfaction education to all employees on a half-yearly basis. The first half includes communal education based on the CS mindset, and the provision of a customer service manual, while the second half consists of specialized education for each job position including empathic interactions with customers and a method of questioning designed to improve customer satisfaction.

In addition, for the CS R/P evaluation, a CS lecturer visits a store to conduct an evaluation of sales and managers. The evaluation is carried out every half year, and a CS lecturer evaluates the overall customer service capability throughout the customer journey and provides on-site coaching and improvement training targeting insufficiencies. We regularly distribute a collection of CS letters and VOC cases to our stores and share various cases and customer opinions related to customer service from offline stores with them.

CS quality inspection/management

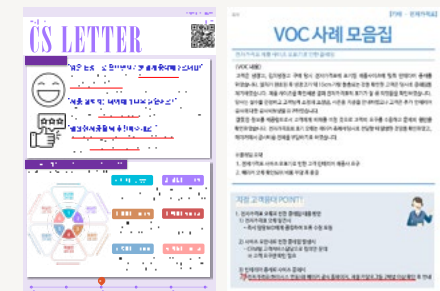
We conduct the service quality diagnosis to reinforce our CS capability. We examine sales fields from the customers' standpoint by considering the customer journey of customers who use our stores, and send a mystery shopper to conduct occasional on-site inspections. After reviewing the strong and weak points, we reflect our findings in our education and improve the weak points promptly.



CS video education



CS R/P evaluation



CS letters and a collection of VOC cases



Awarded the Most Trusted Brand in Korea by Digital Chosun

12 consecutive years



Selected as the Premium Brand Index (KS-PBI) in 2021 by the Korean Standards Association

9 consecutive years

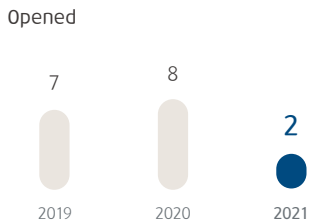
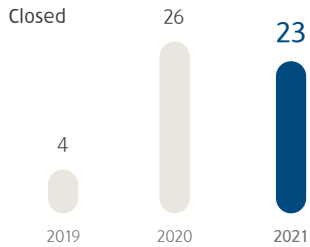


Collection of complaint cases

Preparing guidelines for responding to customer complaints

LOTTE HIMART developed a customer complaint manual in order to strengthen friendly service capacity and efficiently handle customer complaints. Put to effect in July 2021, this manual clarifies complaint types, handling process, and compensation criteria by complaint type so as to help employees appropriately respond to various situations. In addition, we strive to ensure appropriate customer response with consideration given to the differences in standpoints between customers and employees by providing education on the skills and effective method of responding to complaining customers and building a collection of complaint cases.

Store operation efficiency improvement (Unit: No. of stores)



Strengthening distribution and sales competency

Brand diversification

As a "category killer" specializing in home appliances, LOTTE HIMART assists customers in purchasing products of various brands by comparing their performances and prices. As of 2021, we sell approximately 5,000 brands. Carrying products of various brands, ranging from global brands and those of large enterprises such as Samsung Electronics and LG Electronics, to the brands of small and medium enterprises (SMEs) in Korea and private brands, we are widening customers' product choices.

Offline store diversification

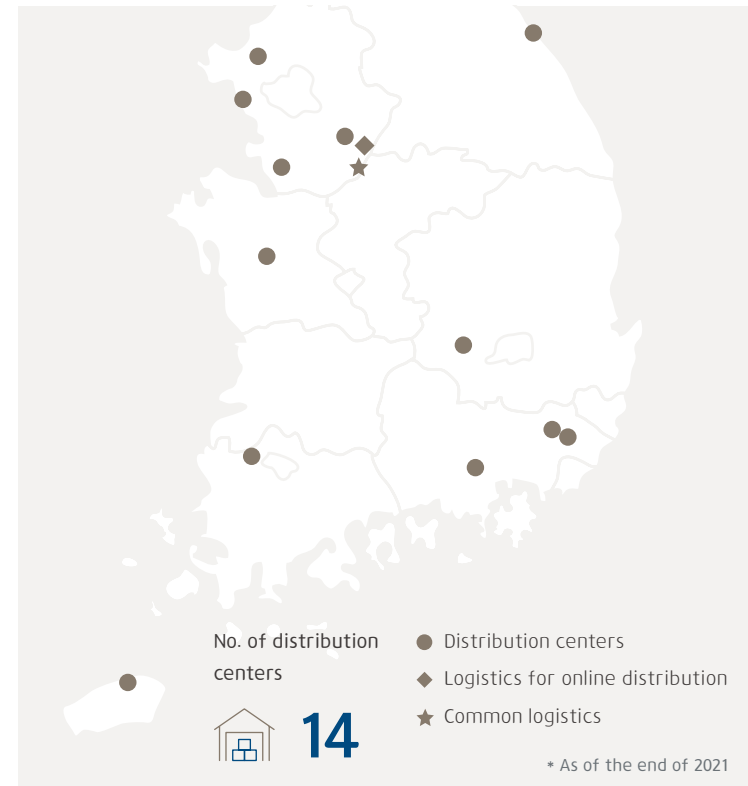
As of 2021, LOTTE HIMART runs 427 offline stores across the country. In 2021, we improved the efficiency of our offline store operations by closing down inefficient stores, actively promoting the integration of stores within the same commercial district, and increasing the number of large-scale stores with excellent competitiveness. In addition, we diversified our offline stores and opened the Mega Store, an ultra-large-scale experience-type store, by reflecting changing customer needs.

Nationwide logistics network

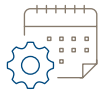
LOTTE HIMART operates a total of 14 distribution centers¹⁾ in Korea. All stores, distribution centers, and service centers located around the country are operated under direct management and specialized in home appliance products. The result of a customer satisfaction survey on delivery/installation service conducted in the second half of 2021 indicated "swift and accurate product delivery without damage" as one of the company's strengths. We also opened a logistics center dedicated to online distribution in 2017, thus providing delivery service for both online and offline channels.

1) As of 2021

LOTTE HIMART nationwide logistics network



Delivery/ installation service



Average monthly installations

Approx. **190,000***

* As of December 2021

Offering a range of delivery/installation services

The cores of LOTTE HIMART's customer service are quick delivery using our nationwide logistics network and free installation service provided by our team of experts. With a total of five customized delivery services, which are: (1) Same-day Delivery, (2) Smart Pick, (3) Two-hour Quick Delivery, (4) Premium Delivery, and (5) Designated Delivery Date, we provide convenient home appliance shopping experience. We are capable of stable product release and inventory management based on the direct purchase structure¹⁾ using 14 distribution centers across the country (1 logistics center for online distribution). Furthermore, we handle not only order reception and delivery with our logistics system but also installation, thereby securing a competitive edge in distribution. Since February 2021, we have been sending our customers an alarm text one day prior to delivery which allows them to change the delivery date directly.






1) A system to store pre-purchased products at an internal logistics center, offering advantages in terms of quick and convenient inventory tracking and delivery schedule coordination.

Strengthening the installation expertise of CS masters

With CS masters, our professional delivery and installation personnel, LOTTE HIMART ensures safe and convenient product delivery and installation service. CS masters are an important element for our customer satisfaction improvement. As of 2021, we have a total of 2,715 CS masters to provide pre/after-sale customer services For Home Care Service, of which importance is increasing as of late, the role of CS masters has also become crucial. Accordingly, we plan to expand professional human resources. In March 2021, we opened an education center for home appliance installation on a scale of approximately 220 m² where we can provide systematic CS master education. We expect that the center, which enables integrated practical training for home appliances, air conditioners, and Home Care Service, will contribute to strengthening the installation expertise of our CS masters.

We provide various education programs with our CS lecturers and installation specialists, such as service mindset education, CS master education for new team managers, air conditioner CS master license education, Master's CS master repair and maintenance education, and new home appliance education, in order to boost customer satisfaction and improve installation quality.

Our delivery/installation service

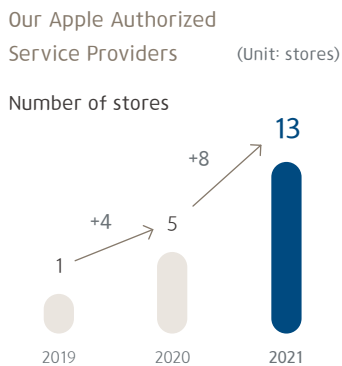
| | | | |
|---|--|--|---|
|  Same-day Delivery | <ul style="list-style-type: none"> • Delivery and installation on the day of order • Direct delivery from nationwide 11 distribution centers |  Smart Pick | <ul style="list-style-type: none"> • Customer purchasing product online and picking it up from a nearby LOTTE HIMART, 7-Eleven, or LOTTERIA store |
|  Two-hour Quick Delivery | <ul style="list-style-type: none"> • Deliver to the preferred place within 2 hours after purchase • Quick delivery driver location can be checked during delivery |  Premium Delivery | <ul style="list-style-type: none"> • Installation service by the top-quality experts' team • Delivery on desired date • Consulting service designed exclusively for Premium Delivery customers • Additional customer benefits |
|  Designated Delivery Date* | <ul style="list-style-type: none"> • Free delivery and installation across the country on designated date. • The alarm text service allowing a customer to change the delivery date (from Feb. 24, 2021) | | |

* Including weekends and public holidays, excluding logistics center off days



Practical education on installation

Differentiated after-sales service



Expanding our service center infrastructure

LOTTE HIMART focuses on decreasing the average product repair period and increasing customer contact points through expanded service center infrastructure. In addition to our after-sales service for small and medium-sized home appliances, we are increasing the number of Apple Authorized Service Providers as our efforts to expand contact point with new customers. Moreover, we maximize customer convenience through service improvement, such as improving offline after-sales service to ensure convenient service use by senior customers who are not familiar with an online platform.

After-sales service video consulting

It used to be difficult to accurately identify the symptoms and causes of product failures through over-the-phone consulting for aftersales service. To solve this inconvenience, LOTTE HIMART started video consulting for after-sales service in December 2020, thus strengthening contact-less services and improving customer convenience amid the spread of COVID-19. When a product arrives at a service center for after-sales service, a CS master inspects the product and starts video consulting with the customer. This process ensures that the customer is directly provided with information and explanations about the cause of failure, repair details, and instructions. We expect that the video consulting service will contribute to improving customer trust and satisfaction.

After-sales visiting collection service

We provide an after-sales service in which our CS master visits a customer's house to collect a small home appliance that needs to be repaired, and later returns the repaired product to the customer. Our customers can call the LOTTE HIMART call center or some 430 stores to ask for our collection service and receive our after-sales service conveniently without having to visit a store or use a delivery service.

Mobile after-sales service platform

In December 2019, LOTTE HIMART established a mobile platform for aftersales service. Customers can use the platform to estimate the repair cost and check the repair process. There also has an after-sales service community where customers can share information about a range of products, including how to manage or store a product. As measures to improve customer convenience, we offer a number of methods through which customers can leave the products for after-sales service, such as visiting LOTTE HIMART branches, using delivery service, or handing the products to CS masters visiting customers in person. Currently, the aftersales service can be requested through a mobile application for 48 items, including rice cookers, vacuum cleaners, and electric shavers. Our plans include increasing the number of items and adding various new functions to enhance customer satisfaction.



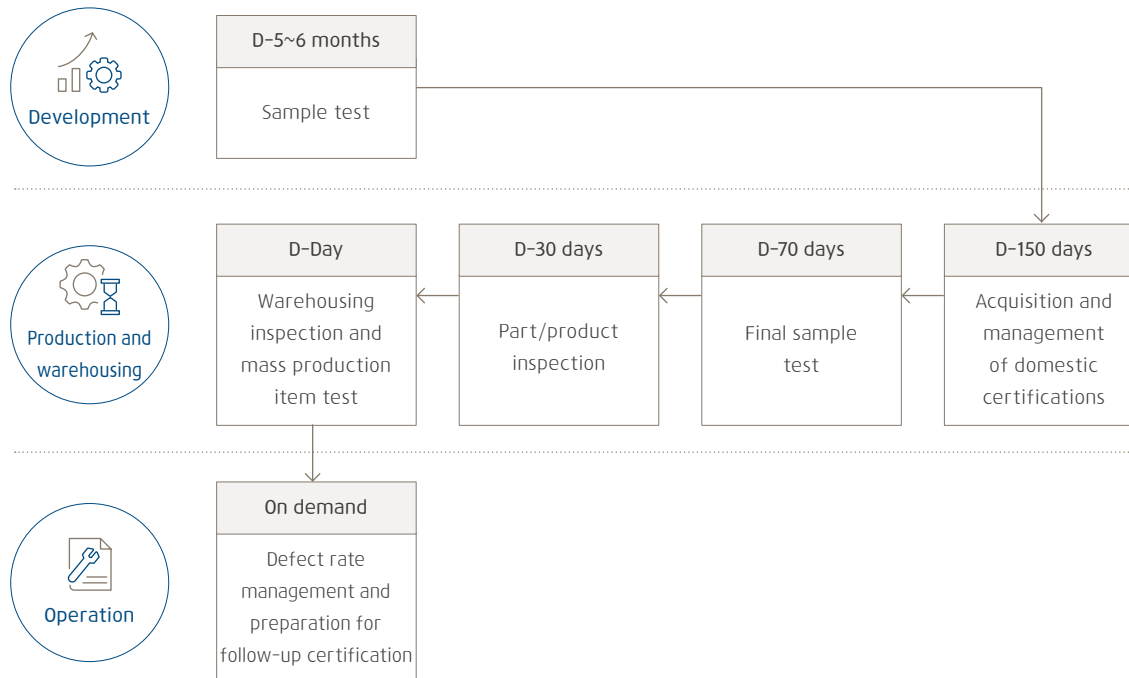
After-sales visiting collection service

Product quality management

Quality control for private brand products

In order to provide high-quality private brand products to customers, LOTTE HIMART adopted a six-step quality control system covering the entire process, from product planning to launching and operation. At the development stage, we select a manufacturer that meets the criteria of a sample test conducted at our quality test lab. Then, up until product launch, we secure product reliability by obtaining domestic certifications, such as the Korea Certificate (KC) and safety and energy efficiency certifications, and repeating performance review. Following product launch, we inspect defect rate monthly and request improvement to the manufacturer. We also dedicate the utmost effort to follow-up management by checking uniformity of the KC-certified parts and conformance and the energy efficiency requirement once a year.

Six-step quality control for private brand products



Product quality and safety tests

For quality and safety control of overseas sourcing products, LOTTE HIMART requests foreign quality control organizations for product quality tests. Randomly selected samples are checked for defects in product performance and exterior. An inspection report is managed following the test. In addition, we implement strict quality control on our private brand products. The products are checked for external defects, such as defective finish, smudges, or scratches on the surface, risk of burn during product use, and functional defects, and the defects are eliminated to secure excellent product quality and safety.

Operation of the quality test lab

Reinforcing the quality management of private brand products requires a wide space in which to conduct a variety of quality tests. Therefore, we expanded our quality test lab in Chang-dong from 14.8m² to 28.7m² in 2021, so we can now carry out not only tests on electricity consumption and current measurement, but also electric shocks and fire risks, as well as inspections of product structures and interior parts. The lab is equipped with nine quality testing facilities, and we have reinforced its quality tests and expanded its quality test items to cut costs on external outsourcing fees for quality control tests, if such cases arise.



Quality test on private brand products

Creating a Happy Organizational Culture



UN SDGs



BACKGROUND

Employees' happiness and constructive corporate culture are core elements of a company's productivity improvement and growth. Employee engagement can be increased when employees are provided opportunities for personal development and an adequate reimbursement within a safe and happy workplace. In addition, a company can secure competent talents with ease when employees understand and share the company's core values based on a healthy organization culture.

APPROACH

LOTTE HIMART runs various support systems designed to create a satisfying workplace for employees based on respect for human rights and health and safety management and to assist employees with their personal growth. We recruit exceptional talents through a fair and transparent employment process, and foster our employees into distribution experts through systematic and practical on-the-job training. We also operate a performance-based assessment and compensation system, run campaigns to improve our corporate culture, and provide various internal communication channels. To continue on the core value of our slogan, "For Your Family," we strive to create a family-friendly organizational culture and ensure employees' work and life balance.

ACTIVITIES



Expanding equal employment opportunities
→ 47 page



Responding to the Serious Accidents Punishment Act
→ 51 page



Improving our corporate culture
→ 57 page

Equal employment opportunity

Recruiting human resources specializing in distribution

To secure excellent talents specializing in distribution, LOTTE HIMART operates a transparent and fair recruitment process under the principles of “respect for diversity” and “open recruitment.” The recruitment process consists of document review, L-TAB¹⁾ personality and aptitude test, and interviews with managers and executives. In addition to job competency, an applicant is comprehensively assessed in terms of his or her personality, value, and development potential. In addition, under the full-time application system, applications are received even without a recruitment notice when vacancies occur in a division or for a job in order to ensure greater opportunities and convenience for applicants.

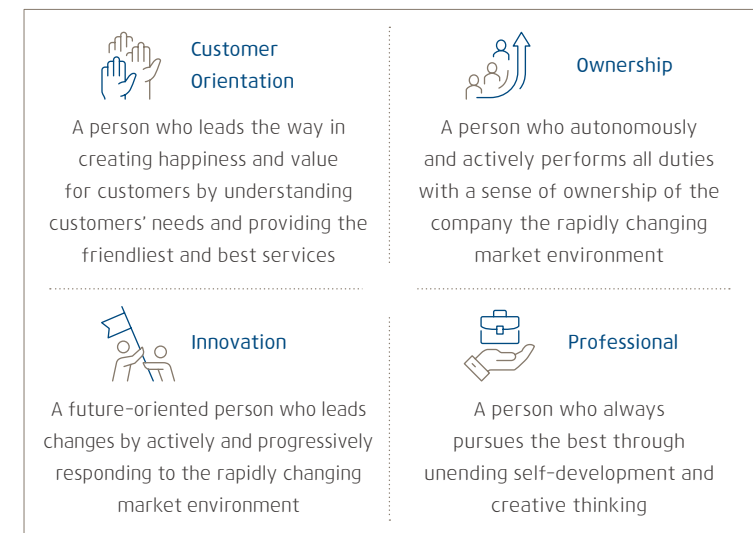
1) LOTTE Talent Assessment Battery: LOTTE Group's personality and aptitude test

Equal employment opportunity

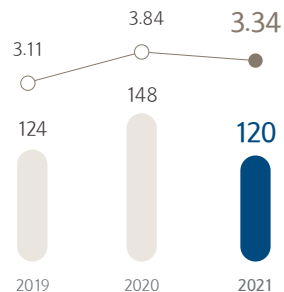
LOTTE HIMART selects applicants based on their job competencies without discrimination against gender or disability. For patriots and veteran and foreign applicants, we guarantee equity based on the policy for preferential treatment according to the applicable laws, thus guaranteeing job opportunities to a wider range of applicants. We strive to attract both new and experienced talents irrelevant of

gender. As of 2021, a total of 1,387 female employees are working in LOTTE HIMART, accounting for 37.9% of the entire workforce. In 2021, the employment rate of persons with disabilities was 3.34%, which exceeded the mandatory employment rate of 3.10% by 0.24%. We have also striven to provide high quality jobs, such as by expanding employment by region when recruiting for sales positions at branches.

Desired talents of LOTTE HIMART



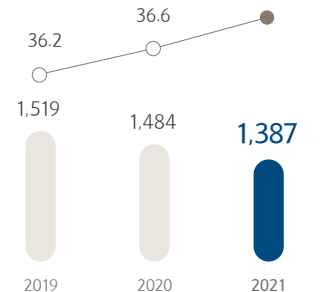
Recruitment of employees with disabilities (Unit: persons, %)



* Based on average yearly data

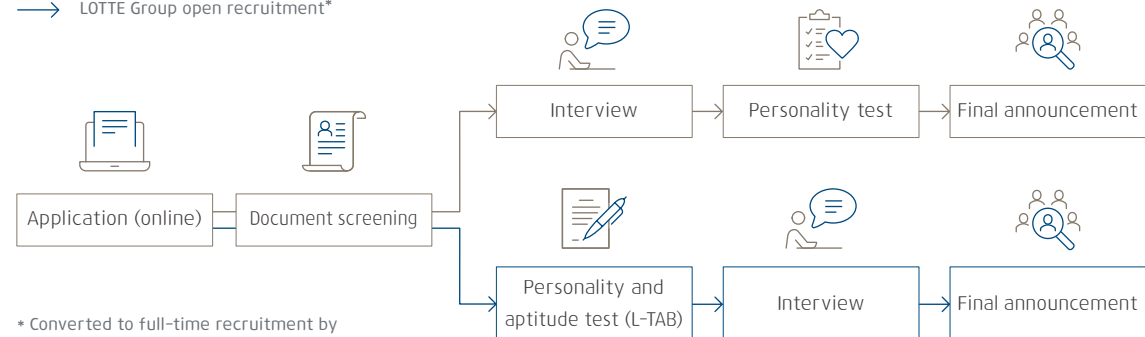
** Calculation: full-time employee with disabilities / full-time employees

Ratio of female employees (Unit: persons, %)



Our recruitment process

→ New hires for Sales department/contract work/persons with disabilities/part-time work
 → LOTTE Group open recruitment*



* Converted to full-time recruitment by affiliate and sector in the first half of 2021

Human Rights & Labor management

LOTTE HIMART Charter for Human Rights Management

Respect for human rights is a corporation's basic responsibility as a member of society. LOTTE HIMART enacted and began enforcing its charter for human rights management in May 2022 to eliminate the risk of human rights violations involving its employees and stakeholders that can arise in the course of its business operations.

LOTTE HIMART Charter for Human Rights Management

| | | |
|---|--|---|
| Chapter 1. General provisions | <ul style="list-style-type: none"> Objective Standard | <ul style="list-style-type: none"> Scope of application LOTTE HIMART's obligation |
| Chapter 2. Principles of respect for human rights | <ul style="list-style-type: none"> Equal status Compliance with laws No discrimination Prohibition of assault and forced labor Prohibition of child labor Guarantee of a person's status Protection of women and boys No harassment Health and safety | <ul style="list-style-type: none"> Freedom of association Power of representation Right of sexual self-determination Information protection Protection of human rights of customers Protection of human rights of local residents Management of supply chain Unlisted matters |
| Chapter 3. Grievance handling | <ul style="list-style-type: none"> Operation of grievance handling channel Subjects of grievance handling Process of grievance handling | <ul style="list-style-type: none"> Procedure and method Confidentiality |
| Chapter 4. Establishment of human rights management system | <ul style="list-style-type: none"> Establishment of human rights management plan Department in charge of human rights management | <ul style="list-style-type: none"> Support for partners Representative's report |
| Chapter 5. Supplementary rules | <ul style="list-style-type: none"> Application | |

Human rights education for employees

LOTTE HIMART provides human rights education as part of our measures to prevent human rights violations and improve employees' awareness of human rights. All employees are provided with online education at least once a year in addition to human rights violation prevention guidelines. Aside from the mandatory education, our employees internalize a high level of human rights awareness by receiving education on human rights that consist of programs on prevention of workplace bullying, workplace sexual harassment, and improvement of disability awareness. Furthermore, we have designated a corporate culture improvement manager for each region, who provides education on human rights for team leaders and employees at each store and inspects the status of human rights.



Poster on the prevention of bullying in the workplace

Human rights education programs

| Sexual harassment at the workplace | Workplace bullying | Improving disability awareness |
|------------------------------------|--------------------|--------------------------------|
| At least once per year | Once per year | Once per year |
| Distributing prevention guidelines | On-site inspection | Outreach education |

Labor-management culture oriented towards communication

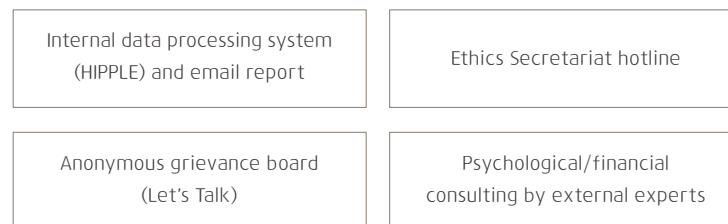
Under the slogan, “For Your Family,” LOTTE HIMART pursues the culture of harmony between labor and management based on love for families and communication. We place the highest priority on labor-management communication focusing on inclusive labor-management culture in order to increase work efficiency and improve the work environment through quarterly Labor-Management Committee meetings.

With a total of ten members—five each representing the labor and the management—our Labor-Management Committee deliberates on various subjects ranging from working conditions to welfare benefits. In particular, it aims to intensively discuss and handle difficulties experienced in the work sites. Through regular Labor-Management Committee meetings, LOTTE HIMART strives to promote communication between labor and management and create an employee-friendly work environment. In particular, in 2021, we established a labor-management communication system to prevent and respond to potential confusion caused by the spread of COVID-19, and discussed a suitable guideline suitable together based on the government’s COVID-19 policy and applied it to all our business sites.

Prospective retiree assistance system

LOTTE HIMART interviews prospective retirees and provides them with job placement services in order to help them adapt to life after retirement. We assist with the practical living of prospective retirees by holding five one-on-one consulting sessions with them

Grievance handling system

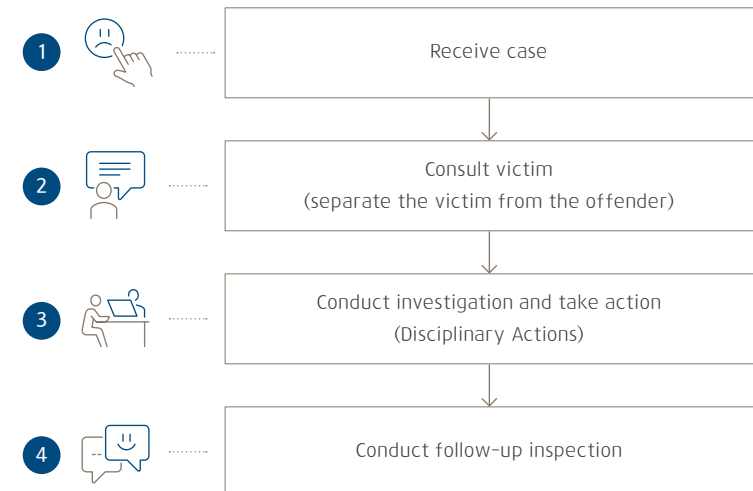


and providing them with job placement services ten times, thereby leading the way in improving human rights.

Grievance handling system

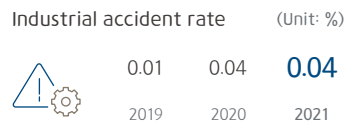
LOTTE HIMART actively responds to human rights violation cases occurring inside the company at the same time as creating a healthy organizational culture through an employee grievance handling system. For successful grievance handling, we have consultants specializing in women (one in-house attorney) and grievance consultants (three from the Corporate Culture Team, including one in-house labor attorney). Grievance-related reports are received via our data processing system (HIPPLE) or hotline. Identities of informants and details of consultation are kept strictly confidential according to the security procedures. In addition, the received grievance and human rights violation-related reports are swiftly and fairly handled within five days. As of 2021, grievances are received in advance and resolved by the local corporate culture improvement staff, and any actions taken are managed even after each case is closed through a follow-up process.

Grievance handling procedure



Workplace safety and health

No. of accidents by year*



* Industrial accident rate announced by the Ministry of Employment and Labor in 2021: 0.57%

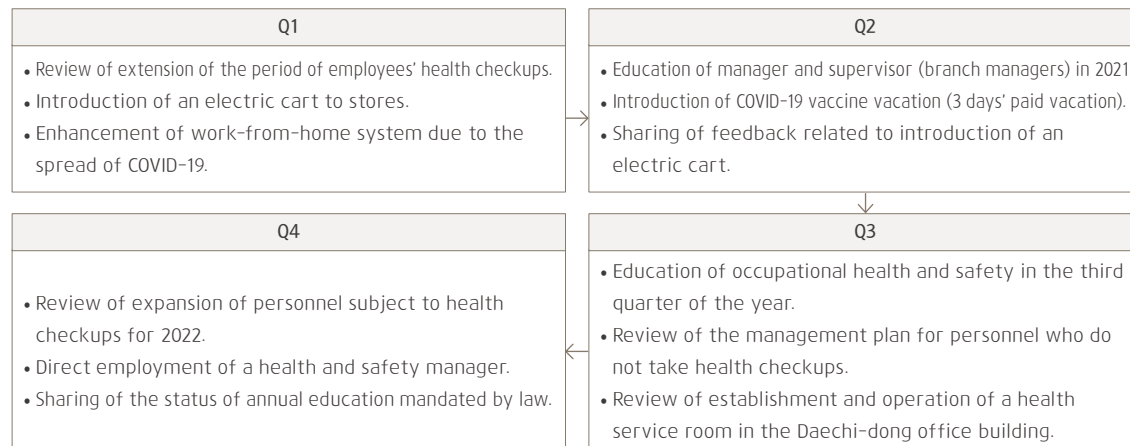
Safety and health system

LOTTE HIMART sets safety and health of all stakeholders, including employees and customers, as the highest value and aims to maintain zero occurrences of occupational accidents. According to the Occupational Safety and Health Act, we convene quarterly Occupational Safety and Health Committee meetings to deliberate on and share the status of various activities performed for workplace safety and health. In addition, through consignment from Korean Industrial Health Association, we appoint safety and health experts to supervise and continuously manage company-wide industrial accident prevention activities. As a result, we were able to establish an effective safety and health system.

Occupational Health and Safety Committee

LOTTE HIMART's Occupational Health and Safety Committee is organized under the Occupational Health and Safety Act, and is composed of eight members, four each representing the employees and the employer. With the goal of "zero industrial accidents," we hold quarterly committee meetings to deliberate and decide on policies and educational plans for preventing industrial accidents.

Occupational Safety and Health Committee agendas in 2021



Occupational health and safety education

LOTTE HIMART conducts health and safety education for all employees on a quarterly basis (more than 3 hours) in accordance with Article 29 of the Occupational Health and Safety Act. Branch managers receive additional manager and supervisor education once a year (more than 16 hours per year). In 2021, we improved the contents of the occupational health and safety education and increased the percentage of responsive type education (quiz) to increase the educational effect.



LOTTE HIMART Safety and Health Policy

- ① Place top priority on safety and health
Decide the Company's key policies by preferentially considering safety and health
- ② Establish an accident prevention culture
Establish the culture of risk prevention by discovering and improving potential risk factors in all business sites
- ③ Promote employees' active participation
Provide continuous assistance to employees and promote their active participation for the Company's safety and health environmental improvement
- ④ Establish a swift response system
Establish an accurate and swift emergency response system through continuous education and training
- ⑤ Comply with laws and regulations
Strictly comply with internal and external laws and regulations in relation to safety and health

Preventing safety and health-related accidents

Inspections for accident prevention

LOTTE HIMART prevents damages caused by accidents and natural disasters in all business sites through route inspection by safety and health managers.

Safety inspection at branches and distribution centers

According to the characteristics of distribution and sales business that focuses on direct purchase, LOTTE HIMART stores and distribution centers are exposed to the risk of accidents in the course of product loading and transfer. Also, vulnerable areas with a risk of fires, such as paper recycling bins of business sites that are visited by many and unspecified persons, require special management. Accordingly, we preemptively respond to accidents by inspecting the operating status of firefighting and electrical facilities and preventing fires at paper recycling bins of stores and distribution centers.

Construction site inspection

LOTTE HIMART conducts inspections as frequently as necessary in order to guarantee the safety of construction and field workers engaged in construction/renovation or branch maintenance works. Our safety inspections are conducted by the safety management team at least once a week, by the branch office once to twice a week, and by the branch three times a day. In particular, the three basic rules for construction sites—use of personal protective equipment, no smoking, fall prevention—are specified in the written pledge, and those who do not comply with the rules are strictly punished.

Appointment of a safety manager for each area

In the past, only the HQ conducted safety inspections by visiting all business sites (stores and distribution centers) throughout the country, leaving potential safety blind spots undetected. For closer safety control, we divide our sites into six areas in the country and assign a safety manager to each area. Each safety manager is mainly in charge of performing on-site safety inspections to prevent safety-related

accidents. Thanks to this initiative, the number of inspected facilities has been greatly increased from 40 to 150 per month.

Safety Inspection Day

We have designated the second Wednesday of each month as “Safety Inspection Day” in order to conduct safety inspections at each business site to discover and improve risk factors. The HQ selects the top risk factor for each business site and we focus on eliminating it every month. In addition, a fire drill is jointly carried out by the branch stores and the safety management team.

Safety manual

LOTTE HIMART operates its own safety and risk management manual considering the characteristics of business sites. The manual contains emergency reporting system and response procedures, pre-safety inspection details, and actions to be taken in case of a fire or accident. In 2021, we added guidelines related to infectious diseases to prevent the spread of COVID-19. As such, we are dedicated to actively responding to employees' safety.

Responding to the Serious Accidents Punishment Act

The Serious Accidents Punishment Act came into effect on January 27, 2022. Responding to this Act, LOTTE HIMART runs the system to check health and safety and report its results regularly through regularization of the health and safety management system in order to prevent serious accidents (serious industrial accidents¹⁾ and serious civil accidents²⁾). In 2021, we conducted a risk evaluation of all our business sites, and formed a group to take exclusive charge of safety planning and inspection in order to deal with the Serious Accidents Punishment Act.

- 1) Accidents that may occur to an employee or employer while carrying out work including outsourcing and service jobs.
- 2) Accidents that may occur to a user or citizen while using a product or service provided by LOTTE HIMART.



Poster for Safety Inspection Day

Employee health promotion system

LOTTE HIMART recognizes that workplace health is essential for the health of families, a company, and society. To meet this criterion, we established several health promotion systems to protect employees' physical and mental health.

Health checkups

LOTTE HIMART ensures that all employees receive general health checkups once a year. Those with checkup results indicating particular findings are arranged to receive periodic inspections. We make efforts to not only prevent business losses caused by employees' health, but also improve workers' quality of life. All our employees received health checkups over the course of five months in 2021. Those eligible for the checkup now include employees holding positions of branch manager or higher, employees aged 40 years or older, and their spouses. LOTTE HIMART is leading the way in creating a healthy and pleasant workplace. In 2021, we established a health service room in the office building in Daechi-dong, Seoul and recruited a health care manager (nurse) to enhance employees' health care and checkup management.

Group casualty insurance

Each year, LOTTE HIMART takes out group insurance for incumbent employees. With comprehensive insurance coverage, the scope of accident compensation has been strengthened.

Support for customer service workers

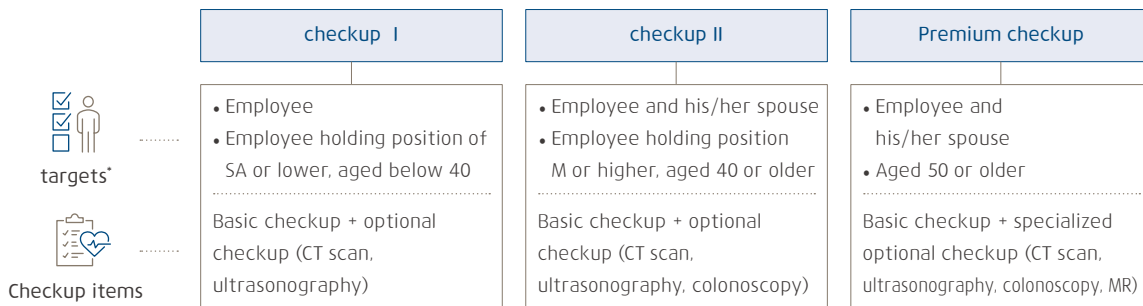
Considering the characteristics of business to involve frequent customer response, LOTTE HIMART prepared various support systems for customer service workers. We developed and distributed a manual for handling blacklisted consumers to help in effective service by customer service workers. We also produced point-of-purchase displays for worker protection as a practical support for protecting the workers' rights and interests.

Operation of HI-MIND therapy program

As part of LOTTE HIMART's EAPs¹⁾, HI-MIND offers customized counseling service according to employees' overall stress levels. This free counseling service is provided by external consultants on not only work-related areas but also personal psychology, family, and legal issues. Counseling is provided in person or over the phone. Although face-to-face services were restricted due to the COVID-19 situation in 2021, our HI-MIND program contributed to improving individual employees' quality of life and work productivity. Furthermore, we continue to provide a counselling service for high-risk group employees to improve their situation in cooperation with a professional counseling organization.

1) Employee Assistance Program

General health checkups



SA and M are the terms of LOTTE HIMART's rank system and respectively refer to senior assistant and manager.



Health Service Room in the office in Daechi-dong, Seoul.



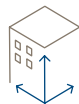
HI-MIND promotional material

Safe Master system

LOTTE HIMART's certified safety manager system ensures safety and health at business sites. Safe Master is industry's first qualification system certified by Human Resources Development Service of Korea. This system has a goal of developing professional human resources for facility management, such as firefighting and electrical facilities, safety education, and fire response. In particular, in 2021, due to the COVID-19 situation, we conducted a contact-free, customized individual evaluation to identify risk factors at the branch where each employee applying for the certification works, and came up with improvement measures. The Safe Master certification must be renewed through a retest three years after its acquisition. As of December 2021, we have a total of 1,241 Safe Masters. We will strive to improve the safety awareness and expertise of all employees by expanding our Safe Master system.

VR safety experience and education center

In July 2019, LOTTE HIMART opened a VR safety experience and education center of the largest scale in the distribution industry at Icheon Logistics Center in Gyeonggi-do. In November 2020, the center met all three criteria (facility, human resources, and equipment) and thus obtained official recognition as a "safety experience and education center" from the Korea Occupational Safety and Health Agency. The VR education center offers virtual situations of five types of logistics operations with high risk of accident, such as forklift operation, elevated work, and driving on the road. Through exposure to these situations, participants can build safety awareness. The educational programs provided enable our CS masters to adhere to safety rules and thus provide high-quality delivery service. We dedicate efforts to establishing safety awareness internally and externally by providing educational opportunities to employees as well as partners.



Largest facility in the industry

Approx. **400** m², the largest in the industry



Number of H&S education participants

About **650** employees



Expected perspective view of the safety belt experience

Building employee competency

Developing distribution experts

LOTTE HIMART's distribution experts course can be divided largely into job competency development and career development programs. The job competency development program consists of "education for sales competency building," which is aimed at product learning and sales capacity improvement, and "CS competency education," which is aimed at improving customer response capacity. As for the career development program, the "female sales leader course" is operated to educate and develop female leaders by position and rank, while sales employees undergo education and evaluation related to the data processing system. We also support employees' individual competency building, self-development, and degree acquisition through our commissioned academy program. With diverse and systematic educational programs, we are taking the lead in developing distribution experts who can provide the best services and value to customers.

Educational programs by position and rank

LOTTE HIMART operates life-cycle educational courses for all employees by position, from new interns and position holders to managers. The education consists of an introductory course for new interns, a course for prospective position holders (prospective branch managers and heads of sales divisions), a course for new position holders (new branch heads, branch managers, and heads of sales divisions), and a refresh course for branch managers. To expand the number of female managers, we are also implementing nurturing programs for female leaders, such as female leader mentorship, sales mentoring, and female sales leader courses. There are a total of 92 female managers, which account for 13.4% of total managers. We support employees' competency building and enhance their work immersion by providing our employees with education customized to their respective positions and ranks.

Customer-oriented education

LOTTE HIMART fosters competent human resources to help customers experience consistent and high-quality services at all branches. Our employees share and learn about exemplary cases and receive product education in order to assist them in recommending the best products to customers through exceptional consulting services. We endeavor to improve the sales competitiveness of all branches by holding role-play competitions where employees participate in person in addition to a special video education on success cases organized by the headquarters. We aim at improving customer satisfaction through systematic CS education, diagnosis, and assessment, thus improving service quality from customers' perspectives.

Employee education in 2021



Average no. of education hours per employee

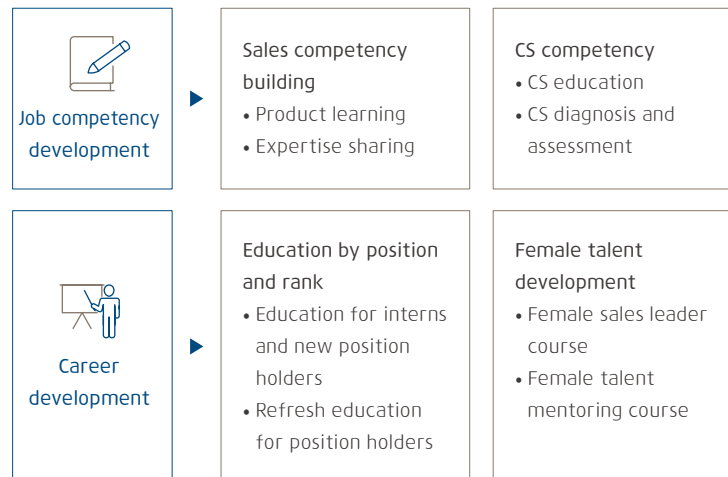
28.6 hours



Investment in education in 2021

KRW **2,219** million

Our talent development system



Operation of Touch Class in 2021



Learning content

236 sessions



Daily average number of learners

403 persons

Mentoring for female sales employees in 2021



Mentoring for female sales employees

36 persons

Self-directed learning channel, "Touch Class"

LOTTE HIMART's Touch Class, a mobile-based educational platform, assists employees' self-directed learning and competency development. The channel offers a wide range of educational content, from job-related and mandatory education to information about company events and trend education. It assists in convenient education of employees at all times. In particular, "Subscription for Fun" program is an educational event through which employees can improve their humanities knowledge and learn about job trends. Through applications and a lottery system every month, employees are selected to offer them subscriptions to a reading platform or a mental care platform, contributing to employees' convenient self-directed learning using a mobile app.

Talent fostering program based on gender equality

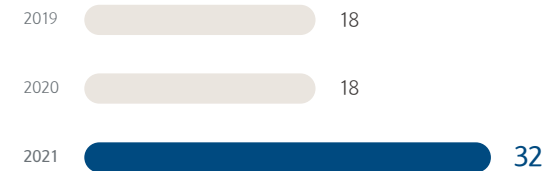
We operate an education course centered on gender equality to reduce gender-specific job classification. Since July 2020, we have been operating cashier-free stores at all our branches to reduce gender division according to job types, and teach male employees to operate POS machines, a job previously handled by female employees, in order to develop talented employees for LOTTE HIMART. The mentoring for female sales employees is a 15-week-long education program in which a female mentor and a female mentee form a group in order to build a female talents' network and to transmit sales know-how from mentor to mentee. This program is designed to help female sales employees adapt to their job and pursue their personal growth in accordance with the personnel management policy. Thanks to our efforts, we were able to increase the sales capabilities of our female employees, increasing their total sales by 44% per employee in 2021.

Commissioned academy program

LOTTE HIMART operates a commissioned academy program as part of its efforts to expand employees' educational opportunities and help them in self-development and Master of Business Administration acquisition. This program serves as a means for employees to achieve self-development and growth as core talents of the company. Starting with the associate degree course with Myongji College and Yeungjin University in 2016, we introduced a bachelor's degree course in 2017 through partnerships with Kyunghee University, Chungnam National University, and Dong-a University. Our commissioned academy program helps employees obtain degrees at discounted tuitions.

Degree acquisition by year

(unit: persons)



Fair performance assessment and compensation

Performance assessment and compensation system

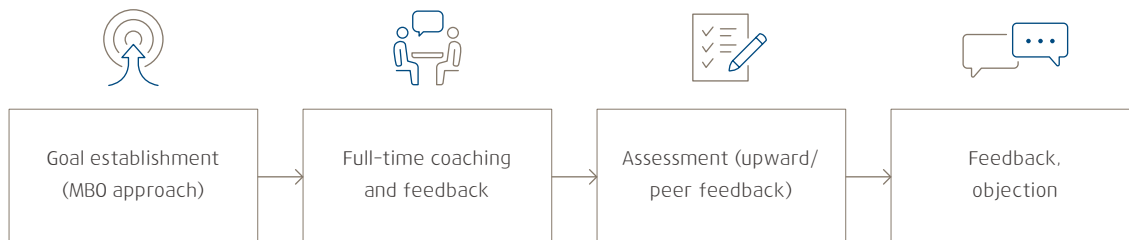
LOTTE HIMART operates a fair performance assessment and compensation system so as to ensure that employees receive reasonable assessment of and fair compensation for their work performances. The performance assessment is conducted once each in the first and second halves of the year. The results of MBO-based individual performance assessment and qualitative competency assessment, such as about potential capacity and value, are reflected by 50% each. In 2015, we introduced an advanced HR assessment system comprising of upward feedback, objection system, interim interview, and peer feedback. By promoting effective performance assessment, we aim to motivate our employees and increase their productivity.

MBO system

MBO¹⁾ system is a goal-oriented performance management system that can contribute to productivity improvement by strengthening the link between organizational and individual goals. Based on this system, we set a reasonable goal between the manager and derive indexed results, thereby securing fairness in performance assessment. In addition, detailed goals are set through official interim interviews in the processes of goal establishment and assessment to further improve employees' level of immersion in their work.

1) Management by Objective

Our performance management system



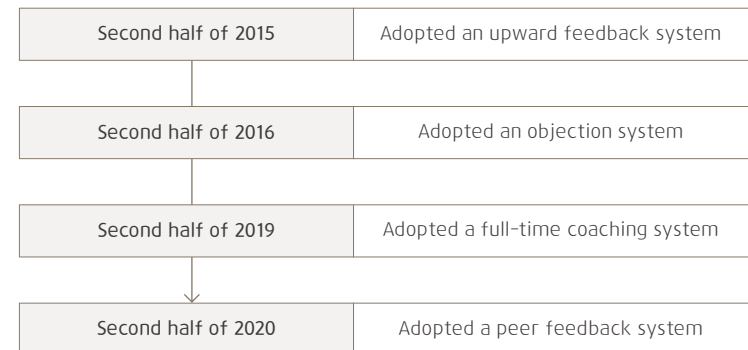
360-degree feedback system

LOTTE HIMART's multi-source mutual performance assessment system improves the organizational efficiency and fairness of assessment. We conducted labor competency assessment through upward and downward feedback between positions and thus enhanced employees' productivity. In 2020, we introduced the peer feedback system for employees to assess job competency and work attitude of one another. Our 360-degree feedback system provides employees with an opportunity for personal growth based on assessment and feedbacks among division members and between divisions.

Rational wage and compensation system

LOTTE HIMART's wage system is designed to create a satisfying workplace based on not only compensation for performance but also differentiated bonus payment according to roles and responsibilities. For branch heads and managers, we pay out position allowances differentially according to the scale of the region and store in charge. Team leaders and managers are also provided with differentiated position allowances in order to promote productivity improvement. We also expanded the scope of our salary peak system under the goal of contributing to employment stabilization for older workers and also job creation.

Key changes in our assessment system



Employee happiness

Improvements in corporate culture

Since the second half of 2018, LOTTE HIMART has been holding an employee awareness improvement campaign to guarantee employees' work and life balance. The campaign is aimed at improving employees' awareness of various areas including work efficiency improvement by abolishing unnecessary operations, preventing work for extended hours, and leaving work on time. Information about the campaign is provided weekly over the phone and mobile notifications.

Realization of a corporate culture based on mutual respect and communication

LOTTE HIMART operates the Thank You Relay event between the HQ and branch offices, holds the branch support event, and selects a "Fearless Leader" to improve its organizational culture.

Operation of the Thank You Relay Event

We operate the Thank You Relay Event to spread a culture of mutual respect between the HQ, branch offices and stores, and to increase mutual understanding and encouragement in order to boost employees' motivation for work. Based on excellence in cooperation and business manners and colleagues' recommendations, we select persons entitled to participate in the Thank You Relay event from

among employees from stores in odd-numbered months and from among employees at the HQ/branch offices in even-numbered months. The selected persons will receive a message of encouragement and an award certificate of award from their division head, and the awardee's spring message will be published at all our business sites.

Branch Support Event

We ran the Coffee Truck Event to support and encourage our on-site sales employees on a monthly basis from August to November 2021. We randomly selected four branch offices and delivered 200 drinks in total for each selected branch office. When visiting the office, our junior board of directors listened to employees' opinions in order to improve the work environment.

Fearless Leader

Conducted six times a year, the Fearless Leader is a program in which an innovative leader is selected based on empathic leadership among members. All employees recommend a leader (manager, executives) through a mobile phone survey, after which a screening group composed of five junior board directors evaluates, selects and awards the Fearless Leader.



Promotional material for LOTTE HIMART's corporate culture improvement campaign



Encouragement event for sales employees



Fearless Leader selection poster

HIGHLIGHT

Various internal communication channels

LOTTE HIMART operates various internal communication channels including the Newsletter, Trend Talk, Dynamite Project, and Ideal Message Board, which is anonymous, in order to promote communication with employees, receive suggestions, and help employees to derive work improvement ideas.

LOTTE HIMART Newsletter

Our newsletter shares employees' stories, information on exemplary stores, and news about rewards to highly performing employees. Various kinds of work-related information and knowledge are also shared here.

Trend Talk

Our Trend Talk is a communication channel designed to help Millennials and Generation Z employees (born between 1981 and 2010) and assistant managers to cultivate their insight by freely sharing their ideas and domestic and international current trends. In 2021, two sessions of Trend Talk were carried out.

Ideal Message Board

Our anonymous "Ideal" message board is a communication channel through which our employees propose and share their ideas about the production of HIMART character or new store concepts. The board has 20 posts a month on average and 2.7 comments, and major ideas are used to improve internal works. In addition, we give participating employees various prizes such as Best Participant, Best Issue Idea, and Early Bird.

Dynamite Project

Through the Dynamite Project, employees propose LOTTE HIMART improvement plans or ideas for new projects individually or by forming a team regardless of their affiliation and rank. The first group started in 2020, followed by the second, third, and fourth groups in 2021. The project operation team, which is a TF team affiliated with the CEO, selects one topic related to store improvement, and work and operation improvements, and establishes the project implementation plan. The award is given by selecting the best team through two evaluations (by team managers and executives) and the winning team's project result is used for improving our work process.

Operation of Junior Board

The Junior Board, which is the CEO's hot line communication group, consists of up to five assistant managers (Senior Assistants) as of April 2021. The members of the Junior Board hold a conference with the CEO once a month, and post the Leader's Message including the results of the conference. During the conference with the CEO, the members convey employees' opinions obtained from site visits, and select various topics every month to propose new ideas and perspectives.



LOTTE HIMART Newsletter



Trend Talk was held using Metaverse in the first year of 2021



Presentation material produced by the Dynamite Project TF team

Work environment with a healthy work-life balance

To create a family-friendly corporate culture in line with the slogan, "For Your Family," LOTTE HIMART supports various systems ranging from the annual leave system for family activation to events held by inviting employees' families. We also provide various systems including a flexible work system to guarantee a healthy "work-life balance" for our employees.

Family-friendly work environment

We also operate an in-house childcare center for employees with children. With our family-friendly system recognized, we were certified as a family-friendly company by the Ministry of Gender Equality and Family in 2015. In 2018, we were the first in the industry to obtain the certification again. The certification has been maintained until 2021. As such, we will solidify our status as a family-friendly company by expanding our support systems for the employees and their families.



Family-friendly company certification



Event to encourage employees' families

Annual leave system for family activation

LOTTE HIMART recommends employees' active use of annual leave on their birthdays, birthdays of spouses, wedding anniversaries, and special days of their parents and children. We provide employees with gifts when they take annual leave on these special occasions.

Family Encouragement Event

LOTTE HIMART holds the "family month encouragement event" for all employees to convey appreciation to our employees' families to increase their commitment to work, relieve their work stress, and encourage the practice of family love.

Expanded implementation of PC-On/Off system

LOTTE HIMART has been continuously expanding the scope of the PC-On/Off system since its implementation in September 2017. To comply with the prescribed work hours, we control the power on/off status of employees' PCs by entering the time at which employees start and end work in our system. For employees on annual leave/vacation/day off, the respective PC is blocked to guarantee their personal life.

Flexible work system

LOTTE HIMART started the 52-hour work week system in March 2018. With the aim of further strengthening the system, we operate both a flexible work system and a compensatory leave system for overtime work.

Mutual Growth



UN SDGs



BACKGROUND

In the global management environment, a company should produce outcomes through mutual cooperation by building a horizontal relationship with its partners, who are also its business companions. In addition, the practice of fair trade based on mutual growth and confidence helps to prevent large enterprises from monopolizing the market and mitigate market polarization, thereby enabling the company to share values with external stakeholders as well as partnering SMEs. Therefore, cooperation and fair trade are social responsibilities of a company for realizing social justice.

APPROACH

LOTTE HIMART's products and services are provided to customers through SME partners with which the company is maintaining close relationships. Recognizing the importance of SME partners, we run various programs to strengthen our partners. We have formed a mutual growth and cooperation organization to establish our mutual growth strategy, recruit SMEs to develop mutual growth brand products together, and support our partners' efforts to expand their sales channels through our excellent online and offline distribution networks. In addition, we actively support our partners' innovation and technological improvement by helping them build their employees' capacity, and encourage partners' environmental management by providing environmental performance evaluation and safety education through the partnership in the environmental and safety areas. Recently, we began participating in the partner ESG support project in an effort to lead the spreading of sustainable management culture among partners.

ACTIVITIES



Partners' Quality Management

→ 63 page



Business agreement with KOTRA to promote mutual cooperation

→ 63 page



2021 Innovative Product Experience Zone

→ 63 page

Partnerships

Our partners

LOTTE HIMART has established close relationships for mutual growth with 1,513¹⁾ partners providing commodities and services essential for the company's business, such as home appliance makers and logistics service providers. Our partners' employees conduct various operations at stores and distribution centers ranging from inventory management, customer handling, and delivery to after-sales service and sales.

1) Based on closing in 2021

Mutual growth-dedicated organization

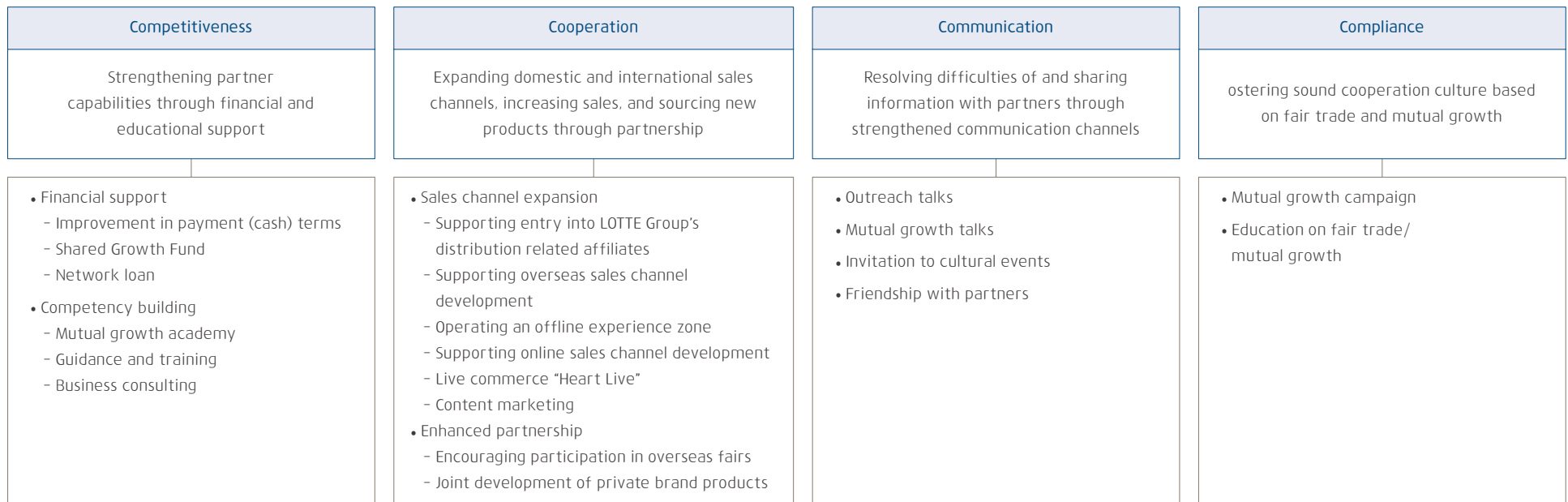
LOTTE HIMART further expanded mutual growth activities with partners by installing an organization dedicated to mutual growth in

2016. To date, we are operating a number of mutual growth programs in our Mutual Growth Cell to grow along with our partners.

Mutual growth promotion strategy

LOTTE HIMART intends to form partnerships with and strengthen the competitiveness of partners by implementing the 4C scheme. Our nationwide distribution network helps our partners achieve sales growth and this, in turn, leads to partners' product and technology innovation and customer creation for LOTTE HIMART. We will continuously cooperate with our partners to not only promote their capacity building and growth but also secure their competitiveness based on our sound cooperative network.

4C mutual growth scheme



Sustainable growth through cooperation with partners

Building partner competency



Consulting costs (cumulative)

KRW **692** million

Mutual growth academy operation in 2021 (cumulative)

Online

About 200 courses on business administration, job competency, language proficiency, etc.

Supported 1,234 trainees from 531 partners

Offline

Accounting, finance, marketing, logistics, etc.

Supported 355 trainees from 249 partners

Consulting

Since 2021, LOTTE HIMART has been providing consulting to its SME partners to help them improve their project efficiency. The consulting service consists of an ESG support project, which provides customized consulting and covers the cost of their safety and environment, labor and human rights, fair trade, and Big Data consulting. We also provide partners with Big Data consulting free of charge due to changes in consumption patterns and customer preferences caused by COVID-19, and due to the necessity of expanding big data-based services. We establish a new marketing strategy for selected partner companies based on big data, and provide consulting on their data analysis capability, which is required for securing new and potential customers. In 2021, 33 partner companies participated in and received the consulting service.

Mutual growth academy

Employee capacity building is essential for partners' sustainable growth and innovation. LOTTE HIMART has been operating "mutual growth academy" since 2016 to provide SME partners with a range of educational programs. The education consists of approximately 200 online lectures on business administration and language, offline courses provided through external institutions, and lectures by external experts. The entire educational expenses are covered by LOTTE HIMART.

Financial support

Improvement of payment terms

LOTTE HIMART pays the entire product cost in cash in order to reduce the financial burden of SME partners and assist their successful fund management. In addition, we improved the payment terms for SME partners with which we had entered into the fair trade agreement. The system was expanded in 2021 to target a total of 356 partners. We also pay product costs in advance before the New Year's Day and Chuseok holidays. We make sure that our partners focus on product sourcing and quality improvement.

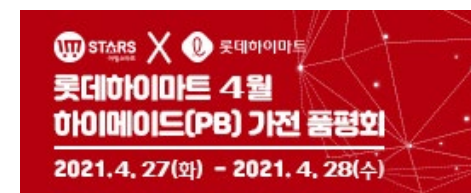
Financial solutions

LOTTE HIMART provides various financial solutions to ensure the partners' successful fund management. Through the Shared Growth Fund raised to a scale of KRW 50 billion jointly with Industrial Bank of Korea, our partners are given preferential interest rates when taking out bank loans. Our SME partners receive such benefits as loan interest reduction based on a preferential interest rate lower than the market rate by at least 0.65%p. We also help our SME partners take out loans more conveniently through our network loan scheme.

Invitation to SME partners for the joint development of private brand products

LOTTE HIMART invited SME partners to participate in the private brand product development under the goal of increasing customer satisfaction through a variety of competitive private brand products and expanding partners' sales routes. In the first half of 2021, we developed winter products, such as heaters, humidifiers, and electric blankets, together with the participating partners and released new products in winter. We also received product ideas with differentiated functions and designs in order to develop products of the highest quality and technological power. The selected partners launched products following discussions on the development schedule and change of specifications. We also considered the greenness of our products that we reviewed the application of GP¹⁾, a green packaging design certification, to all private brand products.

1) GP, Green Packaging Certification

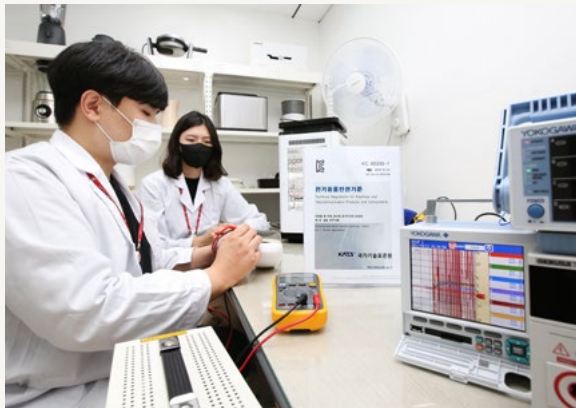


PB Products Competitive Show

HIGHLIGHT

Partners' Quality Management

Since November 2021, LOTTE HIMART has been providing the consulting support program for SME partners on a monthly basis to improve their product quality. As part of our mutual growth activities, we examine our partners' quality improvements and transfer our quality management know-how to them.



Partners' product quality consulting

Business agreement with KOTRA to promote mutual cooperation

LOTTE HIMART signed a business agreement to promote mutual cooperation with KOTRA (Korea Trade-Investment Promotion Agency) in August 2021. Under this agreement, we will expand and operate an experience hall related to Korea Product Exhibitions overseas together with KOTRA. All companies participating in the exhibition hall, including SMEs and start-ups, will have an opportunity to move into LOTTE HIMART and to share know-how on developing sales channels in Korea, in order to promote mutual growth.



Business agreement with KOTRA

Innovative Product Experience Zone

We display the excellent products exhibited at world-renowned fairs and expos including CES and Mobile World Congress (MWC) at our Innovative Product Experience Zone, which is located in the LOTTE HIMART World Tower Branch, so that customers can directly experience them. As of January 2022, 43 innovative products were displayed, 29 products of which were put on sale through the LOTTE HIMART sales channels. After the end of the exhibition at our Experience Zone, the product planner and an applicable product company decide whether or not to enter the LOTTE HIMART stores.



Innovative Product Experience Zone

Sales channel expansion of partners

'LOTTE HIMART live commerce, "Heart Live"*

Streaming count
 **10** in total

Cumulative viewer count
 **Approx. 66,000**

Cumulative sales on the day of streaming
 **Approx. KRW 89 million**

* During live stream in 2021

Supporting online sales channel development

Online sales continue to increase in the home appliances market in Korea and abroad. As a result, online sales channel development has become an essential part of SME partners' competitiveness. With an aim to expand SME partners' sales channels, LOTTE HIMART performs a wide range of activities, including product promotion through live commerce and special sales on our online store. Through monthly special sales under the theme of mutual growth, our SME partners showcase the products they wish to show to customers. We will continue strengthening our role as a distribution and sales platform provider that connects SME partners of outstanding technological power and high-quality products with consumers.

Heart Live: "SG's ESG" to support the development of SME partners' sales channels

"Heart Live: SG's ESG" is LOTTE HIMART's differentiated support program for SME partners and small business owners. The project has been carried out through Heart Live since September 2020 and is aimed at assisting in the sales channel expansion of small business owners and partners that are experiencing difficulties due to COVID-19. Heart Live is a live commerce show that starts at 6 in the evening every Monday, Wednesday, and Friday on LOTTE HIMART mobile app. This is a platform where our SME partners can promote their products and increase their sales. Key products showcased through Heart Live include Seoul Electronics' compact refrigerator (Belle), Gyeongan Global's treadmill (Home Trekking), and Venta Korea's humidifier (Air Washer). The show is also a good opportunity for customers to buy excellent products at low prices.

As for partners' sales expansion, LOTTE HIMART planned broadcasting content and invited experts from partners and professional show hosts to appear on the show and introduce the products. We endeavor to support SME partners' sales channel expansion and improve customer satisfaction at the same time.

Details of support for online sales channel development

| | |
|----------------------|--|
| Special online sales | Separate page on the LOTTE HIMART online store for SME partners (mutual growth-themed special sales) |
| Live commerce | Promoting and increasing the sales of partners' products on Heart Live |
| Content marketing | Supporting sales expansion using content such as product recommendation, promotion of partners' brands, and virtual product layouts (AR) on LOTTE HIMART app |



Heart Live: SG's ESG

Communication with partners

Communication programs

LOTTE HIMART holds talks, exchange events, and cultural events with a goal to achieve sustainable mutual growth by maintaining close communication with SME partners. Despite difficulties posed by the spread of COVID-19 in 2021, our efforts continued to strengthen our cooperative relationships with partners. In addition to the "Outreach talks" and "contact-free mutual growth talks" for enhanced communication with partners, we organized various exchange activities including invitation to cultural events, in order to improve the quality of life of partners' employees and activate exchange among employees of LOTTE HIMART and partners.

Cultural support and exchange programs

LOTTE HIMART invites the employees and families of SME partners to cultural events, thus contributing to improving the quality of life of partners' employees. In 2021, there were restrictions on holding cultural events with partners such as visits to baseball games and performances, due to COVID-19. Thus, we are currently focusing on book donations. We hope to resume our cultural events in the near future.

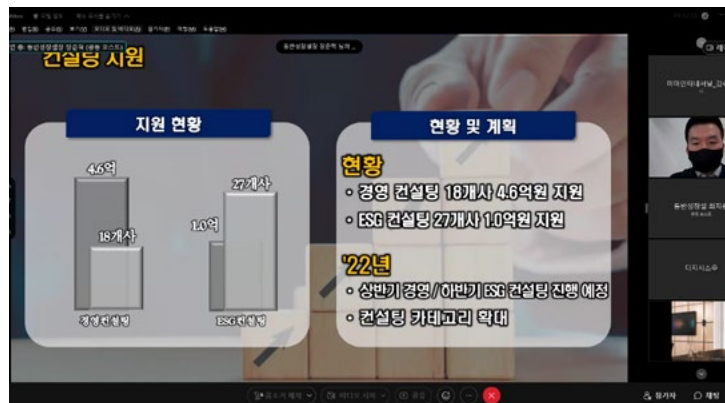
Meetings

LOTTE HIMART holds talks with SME partners in order to understand and resolve their needs and difficulties. Outreach talks, where we visit our partners in person, are aimed at promoting the company's mutual growth programs, as well as understanding and improving on partners' difficulties. As for the mutual growth talks, which are held once a year, this program is organized with a goal to not only activate exchange among employees between LOTTE HIMART and partners, but also share and collect opinions about business directivity for the following year. Also in 2021, the off-line mutual growth talks were canceled due to COVID-19, but in December 2021, we held the online talk to share the following year's business directions and exchange ideas and communicate with each other.

Ethics assessment

Each year, LOTTE HIMART commissions an ethics assessment of its partners by an external institution. The ethics assessment is conducted via an online survey in order to identify areas requiring improvement based on an assessment of such areas of ethical management as power overuse, acceptance of bribes, etc., trade satisfaction including fair trade, and employees' level of friendliness. In 2021, the overall score obtained was 6.1 points (out of 7), which is relatively high. However, certain improvements were found to be necessary, such as promoting better communication and simplifying the trading procedure.

Communication programs



Online meetings*

* The event was held in compliance with COVID-19 regulations

* Not held due to COVID-19

Fair trade

Compliance program (CP)

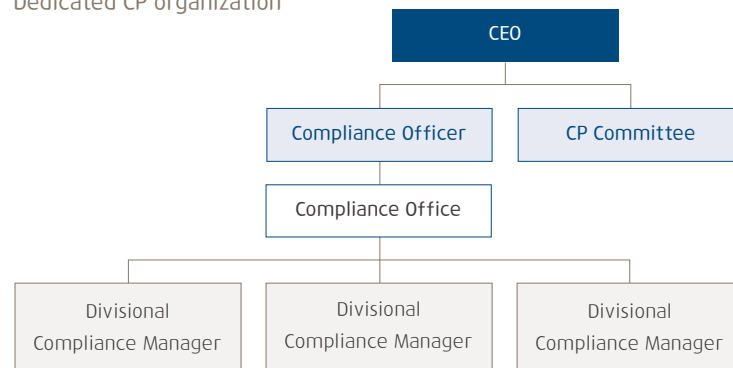
CP is an internal compliance system of a company operated to comply with fair trade laws. Having met all of the eight compulsory requirements¹⁾ for CP, LOTTE HIMART has been operating the CP since 2016.

- 1) These are the requirements that a company needs to meet in order to obtain recognition for its introduction of a CP. They include:
- Establishment/performance of CP standards and procedures
 - CEO's support for compliance
 - Appointment of CP officers
 - Production and use of a compliance handbook
 - Performance of continuous and systematic compliance education
 - Establishment of an internal monitoring system
 - Imposition of sanctions on employees who violate the fair trade regulations
 - Evaluation of efficiency and improvement measures

Dedicated CP organization

LOTTE HIMART operates a dedicated CP organization according to the regulations of the Fair Trade Commission of Korea. A compliance officer is appointed by the BOD so that he or she can be assigned with a clear set of responsibilities and authority. The head of Legal & Compliance Division was appointed as our compliance officer. The dedicated CP organization sets the basic policy and punishment criteria, provides CP education, conducts inspections to prevent violations, and supervises deliberation for punishment on violation cases.

Dedicated CP organization



Principle of fair trade compliance

LOTTE HIMART prescribes the fair trade compliance principle according to the company's trade environment. We constantly provide education on the compliance principle to employees, intending to establish a culture of transparent and fair trade. In addition, we publish the principle on our website, encouraging our partners to join us in fostering a fair trade culture when consulting for entry into our stores.

In-house fair trade education

LOTTE HIMART continuously educates employees on the necessity and method for practicing fair trade compliance by revising statutory interpretation of the Monopoly Regulation and Fair Trade Act and work guidelines. During the education program conducted in 2021, we provided fair trade education for persons in charge once every six months and made sure that our employees complied with the fair trade laws and regulations in the field.

LOTTE HIMART Rule of Conduct for Fair Trade

- One. We shall not exchange or consult about product information with our competitors.
- One. We shall not abuse the position of LOTTE HIMART on transaction partners.
- One. We shall set the reasonable cost sharing criteria with our partners before holding sales promotional events.
- One. We shall not demand economic benefits to our partners.
- One. We shall clearly notify product information and transaction standards to our customers.
- One. We shall actively and voluntarily dedicate the utmost effort to practicing and implementing all of the above.

CSR management in supply chain

Environmental risk management

LOTTE HIMART performs various activities to minimize the environmental impact exerted by partners by building environmental and safety-related partnerships.

Hazardous chemicals management

For the safe management of hazardous chemicals and the prevention of leakages, LOTTE HIMART ensures that its partners undergo regular education and inspections. We conduct joint inspection activities with partners that handle electricity or firefighting for the purpose of improving the management system and preventing the discharge of insulating oil and other harmful substances. For each logistics center, we specify the types and maximum allowable quantities of harmful substances that can be handled and recommend them to attach an MSDS¹⁾. At the same time, we inspect the handled chemicals at least twice a year. We spare no effort to reduce environmental impacts through continuous education and monitoring.

1) Material Safety Data Sheet

Environmental/Safety education and partner talks

LOTTE HIMART holds annual talks and education sessions on safety and environment with partners that have the possibility to discharge environmentally harmful substances. The talk is aimed at sharing the necessity of and method for pollutant discharge prevention and also identifying the environmental pollution risk factors by partner, thus preparing the necessary support plans. Since the outbreak of the COVID-19 pandemic, we have replaced the talks with continuous communication and the dispatch of official documents.

Partners' environmental performance assessment and management system

We conduct an environmental performance assessment of our partners as part of their ESG support project, which includes the development of a customized ESG index and relevant consulting for our partners. In the environmental area of the ESG index, the topics of climate change response, energy saving, and the establishment of environmental goals were derived through an analysis of the global ESG index. Respective analysis results were utilized in the development of our partners' ESG index. LOTTE HIMART encourages partners' voluntary participation in environmental management by assessing their environmental performance and offering them benefits based on the results, through our consulting service.



Environmental/Safety education and partner talks

Social Contribution



UN SDGs



BACKGROUND

A company is required to create financial outcomes throughout its management activities, and also to play the role to build a socially and environmentally sustainable business model. It has been proven that a company sincerely fulfilling its social responsibilities has the ability to improve its brand value, increase profits, receive investments, and, ultimately, enjoy greater economic benefits. Although companies are experiencing difficulties in promoting their social contribution programs due to the social distancing policy caused by COVID-19, they continue to support vulnerable social groups and carry out educational support activities. Therefore, many companies are striving to fulfill their responsibilities in the legal and ethical areas in addition to the economic area, sharing the profits they have gained from society and thus creating new values.

APPROACH

LOTTE HIMART is fulfilling its social responsibilities by conducting social contribution activities together with professional organizations and NGOs as well as providing financial support to local neighbors in need, according to the characteristics of its business. Our Charlotte Volunteer Group, composed of employees, has been performing voluntary activities in Korea ever since the company's foundation. We have also been developing and implementing a range of social contribution programs including Hi, Dream!, providing air conditioners to elderly people who live alone, and publishing electronic books for the visually impaired. Recognizing our social responsibilities and roles as a company that contributes to society, we will continue spreading the culture of sharing for mutual growth with our local communities through a range of activities with sincerity.

ACTIVITIES



Hi, Dream!
→ 70 page



Hi Science Concert &
Science Class
→ 71 page



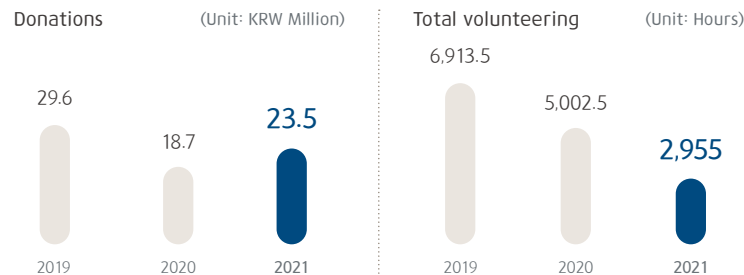
Social Contribution
Activities to Overcome
COVID-19
→ 73 page

Social contribution system

Directivity of social contributions

LOTTE HIMART performs social contribution activities targeting people in all walks of life by keeping attention to neighbors in need. Our ultimate goal is to help them live in a better environment. Centering on economic support and educational activities, which are based on the characteristics of selling home appliances, we promote social contribution that provides substantial assistance to local communities when facing difficulties. We also organize in-house volunteering programs in order to instill the culture of sharing among employees. Our employees across the country perform volunteering activities in April each year, the month in which we celebrate our foundation anniversary. We also strive to maximize the effect of social contribution by cooperating with a variety of NGOs, including organizations specializing in social contribution.

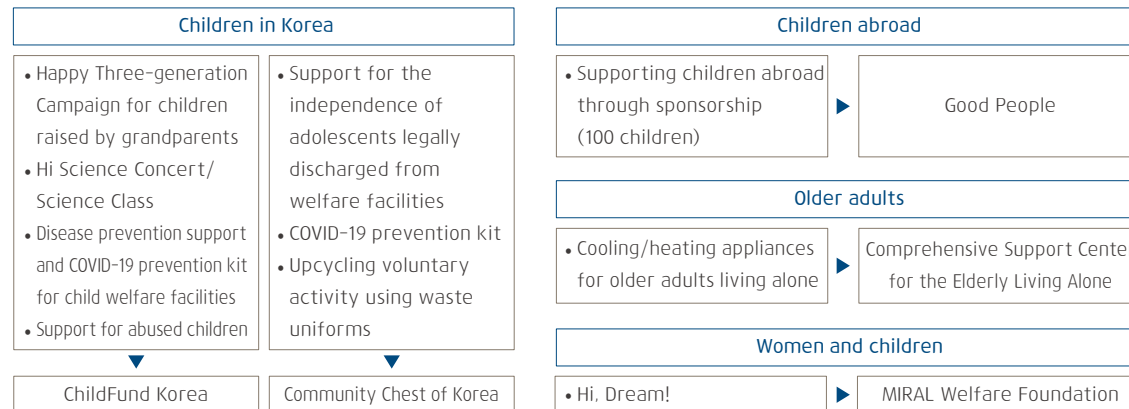
Social contributions



Hi

"Say 'Hi' first to the neighbors in need. Help the neighbors live in a 'high' quality environment."

Cooperating organizations and NGOs for key social contribution activities



Charlotte Volunteer Group

With a goal of continuously spreading the culture of sharing both internally and externally, LOTTE HIMART has been operating Charlotte Volunteer Group since 2014. With around 4,000 employees working at the headquarters and 427 stores in Korea, the group is dedicated to helping neighbors in need, such as underprivileged children and the elderly in local communities.

Volunteer activities in 2021



Science class of the Charlotte Volunteer Group at a child welfare facility

Social contribution activities

Hi, Dream!

As one of LOTTE HIMART's social contribution programs, Hi, Dream! is aimed at support the dreams of working moms and their children. This is a program of giving out electronic appliances to those who share their stories about how hard they have tried to fulfill their dreams. Held six times a year, three sessions of the program supports the dreams of both moms and their children. The other three sessions help working moms to achieve their dreams after receiving their child's letter about their dreams. In 2021, with the budget raised through employees' voluntary donations, we delivered electronic appliances worth approximately KRW 66 million to 18 households. The stories of three of these households' can be found on YouTube¹⁾.

1) https://youtu.be/pnzl6-UA_7A



No. of households benefiting from the program

18



Amount

KRW **68** million



A tablet PC donated to a family through the Hi, Dream! Project



No. of households benefiting from the program

500



Amount

KRW **22** million



Heaters donated to elders living alone

Cooling/heating appliances for older adults living alone

LOTTE HIMART has been donating home appliances for older adults living alone since 2014. Senior citizens are more susceptible to thermal diseases due to weak body temperature regulation function. To contribute to helping elderly people who live alone prepare for both heat and cold waves, we provided fans to 200 households in 15 regions across the country in the summer of 2021 and delivered heaters to 300 households in 15 rural regions in the winter of the same year. We also distributed COVID-19 sanitation kits in order to prevent the spread of the virus. We are continuing with our efforts to carry out social contribution activities centering on the characteristics of our business, by helping out elderly people who live alone and who are neglected by the welfare services within their respective local communities.

Hi Science Concert & Science Class

The Hi Science Concert & Science Class aims to teach children the scientific principles applied to home appliances in fun ways using electronic products. With the aim of creating a world where there is no learning gap between rich and poor, the “Hi Science Concert” in which all children can participate, and the “Hi Science Class” which targets children from the neglected class are designed to help children learn about science in an easy and interesting way by using some of the electronic appliances that we use in our everyday life. In order to continue our social contribution activities despite COVID-19, we carried out the contact-free online Hi Science Concert & Science Class twice a year during the summer and winter vacation periods.



Cumulative number of participants

2,089 students



Amount of education provided

4 sessions



Online Hi Science Concert & Science Class

Happy Three-generation Campaign

Since 2006, LOTTE HIMART has been implementing the Happy Three-generation Campaign annually for children raised by grandparents. The campaign is to provide economic support to children living with their grandparents through employees' voluntary donation. The targets are given monthly donations and gifts for school entrance. Also, we provide home appliances, such as rice cookers and tablet PCs, to adolescents legally discharged from welfare facilities¹⁾ to assist them in adapting to society. Having donated KRW 215.08 million to a total of 220 children and adolescents in 2021, we are committed to practicing and spreading the culture of sharing.

1) Adolescents in Korea are discharged from welfare facilities as they reach the age of 18 years according to the Child Welfare Act.



Cumulative number of beneficiaries

1,488



Cumulative amount of donations (as of December 2021)

KRW 9.6 billion



LOTTE HIMART donated electronic products to support the independent living of adolescents legally discharged from welfare facilities

Voluntary work for producing electronic books for the visually impaired

LOTTE HIMART's employees engaged in voluntary work across the country throughout April 2021 in celebration of the company's 21st anniversary. The activities included the production of electronic books for visually impaired people who could not go out easily due to the COVID-19 pandemic. Some 560 employees from the HQ and branch offices participated in the activity, which was conducted in a contact-free online form. As a result, 145 books including books recommended for young readers and best sellers were made into electronic books and donated to the online library for the visually impaired. These electronic books are available via a mobile app and can be read on an enlarged screen, as an audio recording, or be downloaded as a file for reading in braille.



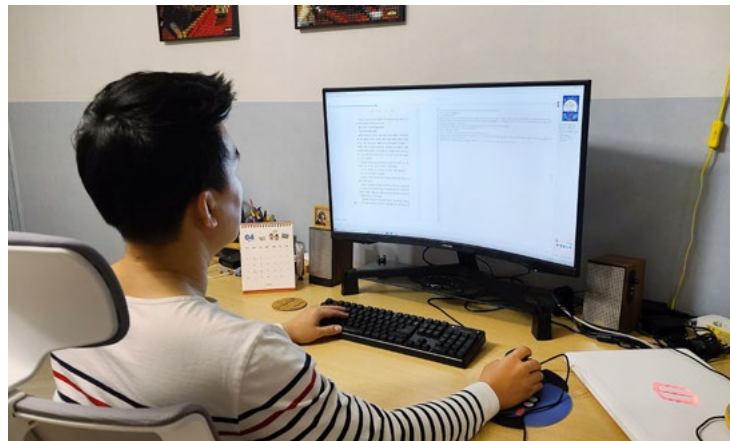
No. of participating employees

560



Amount

KRW **12** million



Voluntary work for producing electronic books for the visually impaired

Donation of eco-friendly lanterns to overseas children through a sponsorship program

LOTTE HIMART donated solar panel lanterns to underprivileged children in an energy-poor country. This sponsorship program was designed to help 100 children of Van Duc Elementary School in Vietnam, for which our employees produced eco-friendly solar lanterns ("Solami") through contact-free voluntary work. A lantern making kit and a hand sanitizer kit (300 in total) were delivered to the homes of 110 volunteers.



No. of participating employees

110



Amount

KRW **137.4** million



Donation of eco-friendly lanterns to overseas children through a sponsorship program

HIGHLIGHT

Social contribution activities to overcome COVID-19

Safe Box for poorly-fed children during the COVID-19 pandemic

LOTTE HIMART presented Safe Boxes worth around KRW 30 million to 600 children in six regions who were in care blind spots due to COVID-19. A Safe Box, prepared by employee donations in order to support children's safe and healthy daily life, consists of home meal replacement products, nutritious snacks, beef bone soup, beef porridge, Ramyeon, instant food products, masks, hand sanitizer, etc. This program was designed to support children who were poorly-fed due to the closure of local welfare centers and children's centers due to the spread of COVID-19 in January 2021, and the winter school vacation, and some 600 kits were delivered to underfed children from low-income families around the country in cooperation with ChildFund Korea.



SAFE BOX kits donated to poorly-fed children during the COVID-19 pandemic

Support for foster homes and shelters for abused children

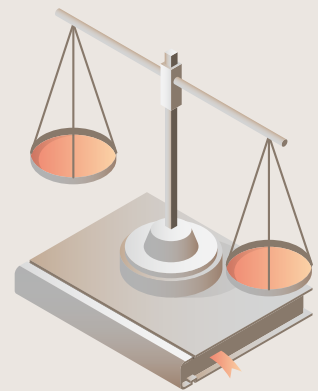
The number of child abuse cases has increased sharply because children's domestic isolation has intensified due to the decline in social exchanges during the COVID-19 pandemic. LOTTE HIMART donated approximately KRW 50 million to children's shelters and foster homes to support treatment and protection for abused children. The donation was delivered to five shelters and eighteen foster homes to help them build a stable fostering environment for abused children. The five child protection institutions (shelters) in Daegu, Gangwon-do, East Gangwon, Jeollanam-do, and Gwangju (among 76 institutions in the country) used the donated money to purchase children's daily necessities, while the eight foster homes used it to cover childcare costs, life stabilization costs, psychotherapy fees, and legal fees. LOTTE HIMART endeavors to protect children through the social safety net by supporting them effectively.

Foster care independence fund

According to the Child Welfare Act, when a child subject to protection reaches 18 years of age, he/she needs to leave the care institution. As sudden independence can be a disturbing event for a child, he or she may encounter many difficulties related to finance, psychology, housing, crime, and social prejudice before becoming fully and stably independent. In 2021, as a mid- to long-term program, LOTTE HIMART supported young adults who are leaving their institution in this difficult time in their search for employment through its foster care independence fund of KRW 10 million, which is divided into monthly payments over one year. According to our later contacts with the recipients, this fund program helped them to become independent and improved their life satisfaction as they were able to find work.

Governance

| | |
|--------------------|----|
| Governance | 75 |
| Shareholder Rights | 77 |
| Compliance | 78 |
| Risk Management | 80 |



Governance

BOD composition and operation

As the highest decision-making body, the BOD resolves the company's basic management policies and crucial matters. The board comprises of nine directors in total—four inside and five outside. In 2022, one female external director was appointed. The BOD complies with the Commercial Act of Korea, which prescribes for the BOD to comprise of at least three directors and a majority of the directors to be external directors. In accordance with Article 31 of the Articles of Incorporation, the BOD meetings are convened quarterly by the chairperson. Special meetings¹⁾ are held and operated as necessary, and the BOD

resolutions, unless specified otherwise and as prescribed in Article 32 of the Articles of Incorporation and Article 7 of the BOD Regulations, are based on attendance by a majority of the directors and voting by a majority of the attending directors. Directors that have special interests are restricted in exercising their voting rights for the sake of systematically preventing the risk of conflict of interest. In 2021, nine regular meetings and two special meetings were held, and a total of 37 agenda items were resolved and reported.

1) Special meetings are held when an urgent issue such as the appointment of executives and the acquisition of treasury stock need to be deliberated.

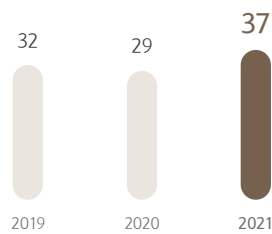
BOD Composition

(As of March 2022)

| Name | Gender | Position | Experience | Term of office |
|------------------|--------|--|---|---------------------------------|
| Hwang Young-Keun | Male | <ul style="list-style-type: none"> CEO Chair of the BOD | <ul style="list-style-type: none"> Current CEO of LOTTE HIMART (managing director) Former head of the LOTTE HIMART Sales MD Group Former head of the LOTTE HIMART Sales Group Former head of the LOTTE HIMART Home Appliances Division | March 29, 2019 – March 19, 2023 |
| Maeng Jung-0 | Male | <ul style="list-style-type: none"> Internal director Head of MD Group | <ul style="list-style-type: none"> Current head of the LOTTE HIMART MD Group Former head of the LOTTE HIMART Financial Division Former head of the LOTTE HIMART SCM Division Former head of the LOTTE HIMART Accounting Team | March 19, 2021 – March 19, 2023 |
| Ha Yeong-Su | Male | <ul style="list-style-type: none"> Internal director Head of Sales Group | <ul style="list-style-type: none"> Current head of the LOTTE HIMART Sales Group Former head of the LOTTE HIMART MD Strategy Division Former head of the LOTTE HIMART Marketing Division Former head of the LOTTE HIMART Product Development Division | March 19, 2021 – March 19, 2023 |
| Park Sang-Yoon | Male | <ul style="list-style-type: none"> Internal director Head of Finance Division | <ul style="list-style-type: none"> Current head of the LOTTE HIMART Finance Division Former Manager of Lotte Corporation Finance & Innovation Office's Team 1 Former Manager of Lotte Group Policy Division's Finance Team 1 Former head of the Lotte Data Communication Finance Division | March 22, 2022 – March 22, 2024 |
| Kim Chun-Soon | Male | <ul style="list-style-type: none"> External director Chairperson of the Remuneration Committee | <ul style="list-style-type: none"> Current special vice president of Soonchunhyang University Current chairperson of the National Gambling Control Commission Current member of the Ministry of Economy and Finance's Public Enterprise Management Evaluation Team Current member of the Policy Advisory Committee of the Board of Audit and Inspection of Korea Current chairperson of the editorial board of Journal of Parliamentary Research (KCI) Former Head of the budget analysis department, National Assembly Budget Office | March 27, 2020 – March 22, 2024 |
| Lee Hee-Ok | Male | <ul style="list-style-type: none"> External director Chairperson of the ESG Committee | <ul style="list-style-type: none"> Current president of Sungkyun Institute of China Studies, Sungkyunkwan University Current vice-chairman of the Korea-China Amity Association Current professor at Sungkyunkwan University Department of Political Science and Diplomacy Current vice-chairman of the Korean Political Science Association Current non-executive director of the Sejong Institute | March 27, 2020 – March 22, 2024 |
| Jung Do-Jin | Male | <ul style="list-style-type: none"> External director Chairperson of the Audit Committee | <ul style="list-style-type: none"> Current professor at Chung-Ang University Business School Former member of the International Public Sector Accounting Standards Board Former president of the Korea Institute of Public Finance Former Review Committee member of the Financial Services Commission Current private member of Korea Exchange | March 27, 2020 – March 22, 2024 |
| Yoo Won-Sang | Male | <ul style="list-style-type: none"> External director Chairperson of the Transparent Management Committee | <ul style="list-style-type: none"> Current professor at Korea University Business School Current director of the Korea Distribution Association Former vice president of Korea University Business School Current director of the Korean Marketing Association Current director of the Korean Society of Consumer Studies | March 27, 2020 – March 22, 2024 |
| Choi He-ri | Female | <ul style="list-style-type: none"> External director Chairperson of the Nomination Committee | <ul style="list-style-type: none"> Current lawyer at the Sanji Law Firm Former standing member of the National Human Rights Commission of Korea Former standing member of the mediation committee at the Seoul Court Conciliation Center Former lawyer at the Barun Law LLC | March 22, 2022 – March 22, 2024 |

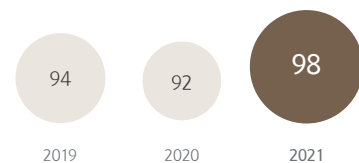
BOD operation

Agenda items discussed (Unit: items)



Attendance rate

(Unit: %)



Appointing directors

Internal directors are appointed at the general shareholders’ meeting, which complies with Article 382 of the Commercial Act. The BOD nominates candidates by assessing their experiences, abilities, and integrity and makes final decisions through resolution. External directors, on the other hand, are appointed through the BOD resolution among those with a wide range of practical experiences and professional knowledge in the related fields, such as finance, law, and accounting. The candidates are nominated by the Nomination Committee. The term of directors is two years and reappointment is decided according to the directors’ performances. Same term of office applies for the reappointment.

BOD Expertise

Persons with a wide range of practical experiences and professional knowledge in the related fields, such as finance, law, and accounting, are appointed as directors. LOTTE HIMART promotes the BOD expertise through installation of committees. Each committee is organized with experts who have experiences and knowledge suitable for the purpose of the committee installation to increase the level of expertise in the decision-making process. In addition, as the majority of directors are constituted of external directors, we offer educational programs conducted by external experts at least once a year to strengthen external directors’ expertise. Supporting organizations within the company (such as the General Administration Team) also assist the professional operations of external directors.

Transparency and independence

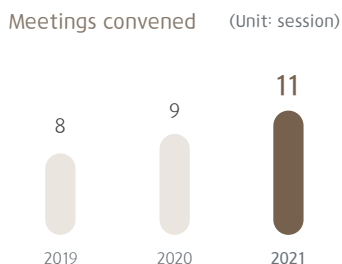
Pursuant to Article 26 of the Articles of Incorporation, a majority of the BOD members are appointed as external directors in order to ensure the BOD’s independence from the management and controlling shareholders. In particular, all members of the BOD committees—which are the Audit Committee, the Transparent Management Committee, and the Remuneration Committee—comprise of external directors. Through appointment of external directors that have no substantial interests with the company, LOTTE HIMART secures transparency and independence of the BOD. In addition, we disclose corporate information through faithful fulfillment of the disclosure requirements, such as regular reports and prompt disclosure, and we do not preferentially treat or discriminate against specific persons in relation to the scope and/or time of corporate information disclosure.

Audit body

The LOTTE HIMART Audit Committee only comprises of external directors to ensure independent performance of audit operations from the controlling shareholders. To secure the body’s expertise, at least one member is appointed as an accounting or financial expert. In addition, we conduct education on internal control over financial reporting (ICFR) to further strengthen the company’s audit body. Supporting organizations, including our Accounting Team, supports audit operations.

Committees under the BOD

| Committee | Role | Members |
|----------------------------------|--|---|
| ESG Committee | <ul style="list-style-type: none"> • Manage ESG risks and opportunities • Deliberate necessary matters for ESG policies and activities | <ul style="list-style-type: none"> • Lee Hee-Ok, (chairperson), Jung Do-Jin, Maeng Jung-O • 1 internal director, 2 external directors |
| Audit Committee | <ul style="list-style-type: none"> • Review accounting documents, such as financial statements, and procedures and results of audit conducted by accounting firms | <ul style="list-style-type: none"> • Jung Do-Jin (chairperson), Kim Chun-soon, Choi Heri • 3 external directors |
| Nomination Committee | <ul style="list-style-type: none"> • Nominate candidates for external directors | <ul style="list-style-type: none"> • Choi Heri, (chairperson), Lee Hee-Ok, Yoo Won-Sang • 3 external directors |
| Transparent Management Committee | <ul style="list-style-type: none"> • Review/approve large-scale internal transactions and report the results to the BOD | <ul style="list-style-type: none"> • Yoo Won-Sang (chairperson), Lee Hee-Ok, Choi He-Ri • 3 external directors |
| Remuneration Committee | <ul style="list-style-type: none"> • Estimate performance-based remuneration amounts for executives and establish/revise remuneration criteria | <ul style="list-style-type: none"> • Kim Chun-Soon (chairperson), Jung Do-Jin, Yoo Won-Sang • 3 external directors |



Outside auditor

An independent external auditor conducts a regular audit to secure the fairness and transparency of LOTTE HIMART's accounting information. In December 2021, we changed our external auditor from Samjong KPMG to Deloitte Anjin LLC & Deloitte Consulting LLC in accordance with the periodic designation system of external auditors of the Securities & Futures Commission. In 2021, we received the audit opinion of Samjong KPMG, which was shown as "appropriate."

BOD evaluation and remuneration

External directors are objectively evaluated in terms of their contribution to the BOD, influence, expertise, and commitment. In addition, the directors' fulfillment of the responsibilities required by the statute and LOTTE HIMART rules and regulations is regularly reviewed to support their successful implementation of the role to keep the management in check. The Remuneration Committee estimates performance-based remuneration amounts for executives and establishes and revises the remuneration

criteria. Remuneration is paid out within an amount approved at the general shareholders' meeting according to the remuneration regulations for executives with consideration given to the executives' positions and management performances. Compensation for registered directors comprises of the basic annual salary and variable pay according to the remuneration regulations for executives. The amount of variable pay is determined through comprehensive assessment of standard and nonstandard indicators.

Remuneration of executives (Unit: No. of Persons, KRW 1,000 / As of December 31, 2021)

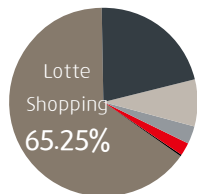
| Classification | No. of people | Total amount of remuneration | Average amount of remuneration per person |
|--------------------------------|---------------|------------------------------|---|
| Internal director* | 4 | 1,062,170 | 354,057 |
| External director | 2 | 132,000 | 66,000 |
| Members of the Audit Committee | 3 | 216,000 | 72,000 |

* The number of people includes one director without remuneration, who resigned on November 30, 2021, and the average amount of remuneration person is divided into 3 people (except the director without remuneration).

Shareholder rights

Shareholders

(Based on the register of shareholders as of the end of December 2021)



- Institutions and individuals 21.41%
- Foreigners 7.82%
- National Pension Service 3.29%
- LOTTE HIMART 2.00%
- Employee stock ownership 0.23%

Protecting shareholder rights

In order to assist shareholders in exercising their voting rights after sufficiently reviewing the agenda, we notified the details of our general shareholders' meeting to our shareholders three weeks before the meeting, which was held on February 28th, 2022. LOTTE HIMART holds general shareholders' meeting once a year. In 2021 and 2022, we held BOD meetings by avoiding the dates on which general shareholders' meetings are concentrated to encourage shareholders to participate in the meetings and express their opinions as much as possible. In addition, we have been paying out cash dividends annually over the last three years as part of our shareholder return policy. When one-off factors are removed, the average dividend payout ratio between 2017 and 2021 is 28.4%. Our dividend policy and shareholder return policy are transparently disclosed in the Articles of Incorporation and through corporate disclosures.

Purchase of treasury stocks

In May 2021, in order to increase shareholder value, we carried out the company-wide purchase of treasury stocks for the first time since our foundation. We purchased 472,000 treasury stocks using an in-house buying method, which were worth approx. KRW 18.5 billion, covering 2% of the stocks issued.

e-Voting

To guarantee minority shareholders' voting right, LOTTE HIMART has been implementing an e-voting system since 2016. The e-voting system enables shareholders to exercise their voting rights by electronic means, such as the internet, without having to be physically present in general shareholders' meetings.

Stocks issued and shareholders

As of December 31, 2021 LOTTE HIMART has issued 23,607,712 common stocks since its listing on the stock market in June 2011. LOTTE SHOPPING is the largest shareholder with the equity ratio of 65.25%.

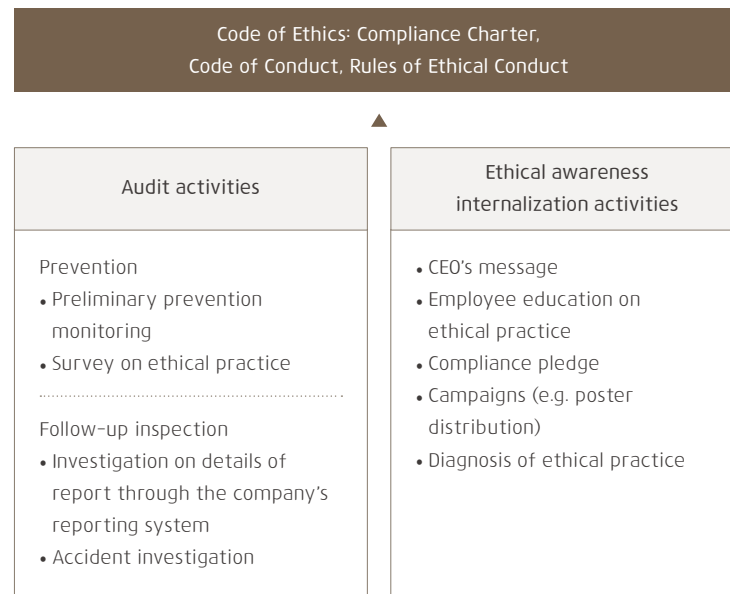
Compliance

Ethical management system

Having obtained the certification for anti-bribery management systems (ISO 37001)¹⁾, LOTTE HIMART promotes compliance according to the international standard. Our Ethic Management Team takes charge of the company's ethical management. With a goal to increase ethical awareness within the organization, the team provides ethics education, collects the employees' ethics practice pledge, and shares the CEO's message for compliance. Externally, the Ethic Management Team promotes Clean campaign and conducts a survey on ethical management of partners. In 2021, we strengthened our ethical practice by installing a channel for reporting unethical conducts within the company and of partners.

1) ISO 37001 is an international certification established by the ISO in 2016. It is aimed at assessing a company's anti-bribery infrastructure, such as the management's leadership and operating procedures, as well as anti-bribery system establishment and operation.

Ethical practice system



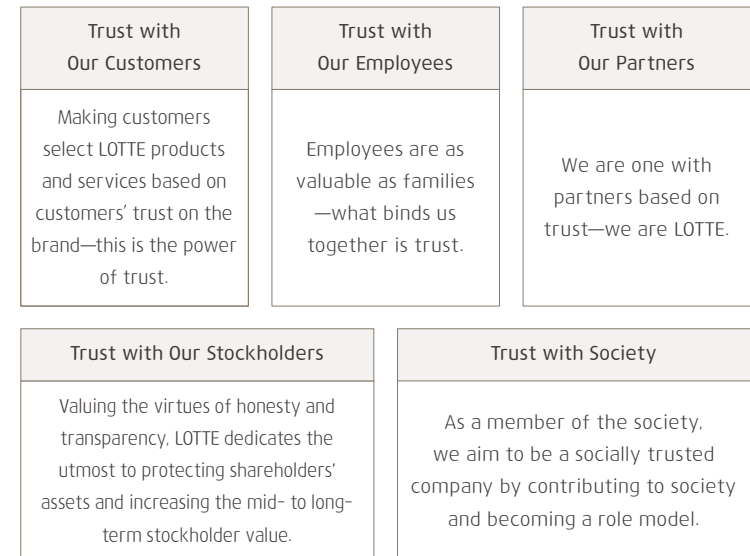
Audit and ethics monitoring

The Ethic Management Team conducts regular and special audits to inspect the company's compliance with the accounting regulations and the Code of Ethics. In addition, the Ethic Management Team evaluates the level of ethical management practiced by the company through surveys on ethical practice, fair trade, acceptance of bribes, and other requests to be improved, targeting both employees and partners.

Amendment of the compliance management policy

On April 7th, 2022, we have amended the compliance management policy with the approval from the Board. The amended policy includes newly established clauses on the prohibition of money laundering, bribery and the stipulation of third party management. The scope of the amended clauses on the prohibition of bribery was expanded to include the prohibition of illegal solicitations and tributary/celebration fees in response to the Improper Solicitation and Graft Act, due to be fully implemented from June 2022.

LOTTE HIMART Code of Conduct





Number of employees who completed ethics education*

2,924

* As of 2021



LOTTE HIMART's pledge to practice ethics



Ethical campaign poster

Rules of Ethical Conduct, Code of Conduct, and ethics practice pledge

LOTTE HIMART provides the Rules of Ethical Conduct and the Code of Conduct as the yardstick for employees' ideal conducts and value judgment. In addition, we collect ethics practice pledge for each topic of the Code of Conduct (e.g. trust of customers, trust of employees) as part of our efforts to draw attention to and increase practice of the codes.

Ethics education and campaigns

LOTTE HIMART enhances employees' compliance awareness through ethics education and campaigns. Ethics education is divided into online education targeting all employees and education for persons holding positions (managers). In particular, ethics education for new managers is provided at all times according to their positions through cooperation with the relevant divisions so as to prevent any blind spots in education. We also strive to raise our employees' compliance awareness by holding monthly ethics campaigns including the campaign for compliance with the principles of the Code of Conduct. In order to increase the effects and encourage the participation of our employees and those of our partners, campaigns are organized according to monthly situations, such as a campaign to ban exchanges of gifts in the months in which the Seollal and Chuseok holidays fall.

Rules of ethical conduct*

| Article | Details |
|---------|--|
| 4 | Creation of customer trust |
| 7 | Compliance |
| 11 | Fair transaction |
| 13 | Prohibition of improper solicitation |
| 14 | Prohibition of unethical conduct to partners |
| 19 | Environmental protection |
| 21 | Respect for diversity |
| 23 | Safety control and accident prevention |

* Excerpt from LOTTE HIMART Rules of Ethical Conduct

Strengthening the effectiveness of and accessibility to the reporting channels

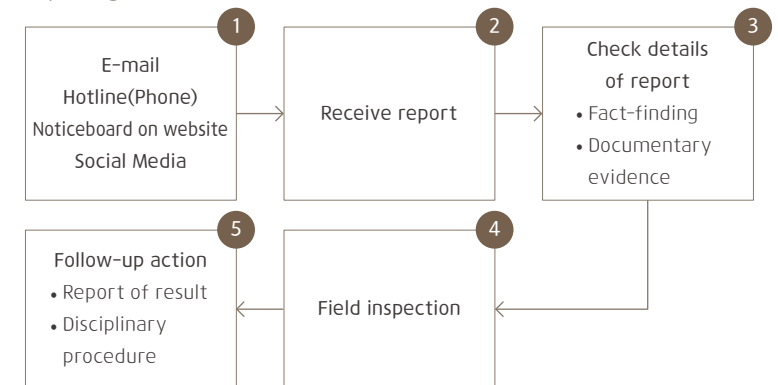
LOTTE HIMART is strengthening the effectiveness of and accessibility to a range of reporting channels, aiming to establish a sound corporate culture. We ensure that anyone can report unethical conducts by accessing the reporting channel on our website. To increase the effectiveness of the reporting system, we guarantee privacy protection of informants and confidential investigation, and also transparently disclose the reporting and handling results to the persons concerned. In 2021, we opened a reporting channel for partners on Hiweb¹⁾ in order to establish fair trade order for partners. In addition, we installed a mobile reporting channel for internal use, and thus strengthened accessibility to the reporting system.

1) LOTTE HIMART's partner product management system



Kakao Talk reporting channel

Reporting Procedure



Risk Management

Risk management by type

LOTTE HIMART categorizes hazards identified throughout management activities into financial and non-financial types and establishes handling plans for major risks of each type. For financial risks, we focus on managing liquidity, credit, and interest rate-related risks. We are also preparing response strategies for foreign exchange and capital risks, which are the risks of low likelihood. As for non-financial risks, we pay particular attention to managing risks caused by accidents that concern customers and privacy protection-related risks. We also respond to the risks that are related to data processing system failure, compliance, and external corporate reputation.

Our risk management system

LOTTE HIMART has established a management system in response to various financial and non-financial risks arising from changes in the external environment. Risks are systematically analyzed and managed by divisions in charge of each risk type. When a risk occurs, we operated a risk management TF, which is organized with the relevant departments. Depending on the accident type, the head of the risk management TF handles overall risk management operations, including the establishment of risk handling actions and support operations, and makes daily reports to the CEO until the situation is finalized.

Internal control over financial reporting

Internal control over financial reporting (ICFR) is a system established within a company for the purpose of securing the reliability of accounting information prepared and disclosed according to the corporate accounting standards and of preventing corruption. Pursuant to Article 8 of the Act on External Audit of Stock Companies, LOTTE HIMART operates an ICFR system, as well as an organization dedicated to the system operation. According to Article 8(5) of the same Act, the members of the Audit Committee shall evaluate the operational status of the ICFR in each business year and report the results at the general shareholders' meeting, in addition to BOD and Audit Committee

Risk Management TFT structure




meetings. Article 8(7) of the Act also states that an outside auditor shall conduct an audit on the company's ICFR and state his or her opinion on audit findings in the audit report.

Analysis of climate change risk and opportunity factors

| | Climate Change risks and opportunities | Financial impacts of climate change risks and opportunities |
|------------------------------------|---|--|
| Transition risks and opportunities | Policy/ Regulation | Operational risks due to failure in responding to new policies. → Enhancing the competitiveness of environmental management through preemptive response to new policies. |
| | Strengthening environmental regulations | |
| | Technology | Increased costs of facility investments to reduce greenhouse gas emissions. → Reduction of workplace greenhouse gas emissions and energy costs → Reduction of energy costs through the use of renewable energy |
| | Switching to low-carbon technology | |
| Transition risks and opportunities | Law | Decline in corporate image due to failure to comply with the law → Improving the competitiveness of environmental management by preemptively responding to environmental laws. |
| | Risk of litigation | |
| | Market | Unable to meet the customers' preferences for eco-friendly products → Securing loyal customers through increasing eco-friendly SKU |
| Physical risks and opportunities | Changes in customer preferences | |
| | Reputation | Decreased sales and investment due to declining reputation → Enhancing the corporate image as an eco-friendly company through practicing environmental management. |
| | Failing to meet market expectations | |
| | Acute | Increased cost of facility investments to prevent natural disaster → Resolving mid-to-long term risks through natural disaster prevention facilities |
| | Abnormal weather conditions such as storms and floods | |
| Physical risks and opportunities | Chronic | Increased energy costs due to the operation of heating and cooling facilities → Increased sales of seasonal products such as air conditioners, air purifiers, and dryers. |
| | Extreme weather variation | |

Response by risk type

| Classification | Risk type | Details | Response strategy |
|--|--|--|---|
|  <p>Financial risks</p> | <p>Liquidity risk</p> | <ul style="list-style-type: none"> • Setback in active response to economic and environmental changes due to failure in securing asset liquidity | <ul style="list-style-type: none"> • Establish mid- to long-term fund management plan, etc. • Monitor any delay in financial asset recovery and prepare measures for recovery • Reduce high-interest borrowings and improve short/long-term borrowing structures • Monitor domestic and international interest rate trends, etc. • Minimize uncertainty and profit/loss change caused by exchange rate fluctuation • Monitor financial ratios and take improvement actions |
| | <p>Credit risk</p> | <ul style="list-style-type: none"> • Financial loss caused by non-fulfillment of contractual obligations by transaction counterpart or customer in the course of transaction or investment activities | |
| | <p>Interest rate risk</p> | <ul style="list-style-type: none"> • Negative impact on net interest income due to interest rate fluctuation | |
| | <p>Other (foreign exchange/ capital risk)</p> | <ul style="list-style-type: none"> • Loss caused by exchange rate fluctuation at overseas direct sourcing expansion or overseas market entry • Capital depletion and increased burden of business loss due to weakening of capital structure integrity and financial stability | |
|  <p>Non-financial risks</p> | <p>Climate change and environment pollution</p> | <ul style="list-style-type: none"> • Severe environmental pollution caused by environmental disruption due to the discharge of wastes • GHG emissions increased owing to the excessive use of energy | <ul style="list-style-type: none"> • Operate various circularity campaigns such as collection of waste home appliances • Implement high efficiency appliances • Expand green products and services • Share and report the situation across the company • Check and respond to press coverage of accident • Take emergency action for damaged facility and support recovery • Support the insurance procedure and take follow-up actions • Estimate cybercrime and systemic damages upon occurrence of personal information leak • Operate online/offline call centers and respond to customers • Formulate sales-related handling plan and estimate the amount of systemic damage • Operate offline call centers, handle claims, and respond to service operations • Provide education and perform promotional activities to strengthen awareness • Establish and operate a management/monitoring system |
| | <p>Fires and safety-related accidents</p> | <ul style="list-style-type: none"> • Facility damage and personnel injury caused by fires or accidents at branch/logistics center | |
| | <p>Information protection</p> | <ul style="list-style-type: none"> • Damage caused by customer information loss/theft | |
| | <p>System failure</p> | <ul style="list-style-type: none"> • Setback in sales and delivery-related operations due to failure in data processing systems | |
| <p>Other (Compliance, external reputation)</p> | <ul style="list-style-type: none"> • Financial loss resulting from fines/penalties caused by socioeconomic violations • Damage to corporate reputation due to violation of regulations and distorted reports | | |

APPENDIX

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Data Center

Financial data

Consolidated statement of financial position

(Unit: KRW million)

| Category | 2019 | 2020 | 2021 |
|--|-----------|-----------|-----------|
| Total assets | 3,107,565 | 3,349,190 | 2,943,545 |
| Current assets | 715,664 | 988,777 | 682,918 |
| Non-current assets | 2,391,901 | 2,360,413 | 2,260,627 |
| Total liabilities | 1,185,666 | 1,423,236 | 1,116,187 |
| Current liabilities | 589,513 | 845,840 | 575,563 |
| Non-current liabilities | 596,153 | 577,396 | 540,624 |
| Total equity | 1,921,899 | 1,925,954 | 1,827,358 |
| Paid-in capital | 1,163,253 | 1,163,254 | 1,163,254 |
| Other components of equity | 10,459 | 10,460 | (8,201) |
| Accumulated other comprehensive income | (187) | (187) | (187) |
| Retained earnings | 748,372 | 752,427 | 672,492 |
| Total equity and liabilities | 3,107,565 | 3,349,190 | 2,943,545 |

Consolidated income statement

(Unit: KRW million)

| Category | 2019 | 2020 | 2021 |
|--|-----------|-----------|-----------|
| Sales | 4,026,464 | 4,051,729 | 3,869,749 |
| Profit on sales | 1,000,701 | 1,006,457 | 932,719 |
| Selling, general and administrative expenses | 890,845 | 845,281 | 825,938 |
| Operating income | 109,857 | 161,076 | 106,835 |
| Other income | 2,885 | 8,905 | 23,634 |
| Other expenses | 182,936 | 87,909 | 150,124 |
| Financial income | 0 | 25 | 0 |
| Financial expenses | 20,833 | 23,260 | 18,955 |
| Net income before tax | -83,913 | 64,999 | (33,458) |
| Income tax expenses | 15,995 | 36,277 | 23,994 |
| Net income | -99,907 | 28,721 | (57,452) |

Environmental data

Environmental management

| Category | Unit | 2019 | 2020 | 2021 |
|--|-----------------|------|-------|-------|
| Employees who participated in environmental education* | Persons | - | 3,968 | 3,650 |
| Green investment** | KRW 100 million | 6.81 | 6.42 | 7.12 |

* Education not conducted in 2019. Education provided to all employees in 2020, 2021

** Expenditure on green products and services

Waste generation

| Category | Unit | 2019 | 2020 | 2021 |
|-------------------------|------|-------|-------|-------|
| Total waste generation* | ton | 4,546 | 4,589 | 4,889 |

* Amount of waste generated in the course of delivery or from distribution centers, such as polystyrene and cardboards

Waste treatment

| Category | Unit | 2019 | 2020 | 2021 |
|------------------------|------|-------|-------|-------|
| Total waste treatment* | ton | 4,546 | 4,589 | 4,889 |
| Recycled waste** | ton | 4,546 | 4,589 | 4,889 |
| Incineration | ton | 0 | 0 | 0 |
| Landfill | ton | 0 | 0 | 0 |

* All waste treated by external recycle vendors

** All waste recycled

Water consumption

| Category | Unit | 2019 | 2020 | 2021 |
|--------------------|------|---------|---------|---------|
| Water consumption* | ton | 461,591 | 459,324 | 412,328 |

* Calculation: Total water bill expenses by year / average water rate of K-water (KRW 719)

* Includes headquarters, branches, distribution centers, and some stores (340 in 2019, 343 in 2020, 342 in 2021)

* Industrial use

Energy use

| Category | Unit | 2019 | 2020 | 2021 |
|---------------------------|------|---------|---------|---------|
| Total energy consumption* | MWh | 169,615 | 163,172 | 157,653 |
| Electricity | MWh | 169,615 | 163,172 | 157,653 |

* Calculation: Total electric bill expenses by year / average of high-pressure power A value (KRW 92.1) in "monthly electric rates" included in the basic supply agreement of the Korea Electric Power Corporation

* Includes headquarters, branches, distribution centers, and some stores (363 in 2019, 269 in 2020, 368 in 2021)

GHG emissions*

| Category | Unit | 2019 | 2020 | 2021 |
|--------------------------------|---------------------------------------|--------|--------|--------|
| Total GHG emissions(Scope 2)** | tCO ₂ -eq | 77,921 | 74,961 | 72,426 |
| Emissions intensity | tCO ₂ -eq /KRW 100 million | 1.94 | 1.85 | 1.87 |

* Electricity consumption converted to GHG emissions based on energy conversion metrics provided in the Energy law Enforcement Decree (kWh→ 9.6MJ)

* Scope 1 emissions are minimal within the retail industry. We plan to collect and report scope 1 data in due course

** Decrease in 2021 emissions from electricity conservation measures

Environmental Compliance

| Category | Unit | 2019 | 2020 | 2021 |
|---|-------|------|------|------|
| Violation of environmental laws and regulations | Cases | - | - | - |

Social data

Employee information

| Category | Unit | 2019 | 2020 | 2021 |
|--|---------|-------|-------|-------|
| Total number of employees | Persons | 4,075 | 3,915 | 3,650 |
| Total number of permanent employees | Persons | 4,010 | 3,849 | 3,540 |
| Male | Persons | 2,521 | 2,417 | 2,206 |
| Female | Persons | 1,489 | 1,432 | 1,334 |
| Ratio of female employees | % | 37.1 | 37.2 | 37.7 |
| Total number of temporary employees | Persons | 65 | 66 | 110 |
| Male | Persons | 35 | 14 | 57 |
| Female | Persons | 30 | 52 | 53 |
| Ratio of temporary employees | % | 1.6 | 1.7 | 3.0 |
| Total number of female employees | Persons | 1,519 | 1,484 | 1,387 |
| Ratio of female employees | % | 36.2 | 36.6 | 37.9 |
| Total number of employees in offshore operations | Persons | 0 | 0 | 0 |

New hires

| Category | Unit | 2019 | 2020 | 2021 |
|---|---------|------|------|------|
| Number of new hires (Female) | Persons | 137 | 59 | 62 |
| Ratio of new hires (Female)* | % | 39 | 55 | 44 |
| Number of new hires (Male) | Persons | 216 | 49 | 79 |
| Ratio of new hires (Male)* | % | 61 | 45 | 56 |
| Number of new hires from Vulnerable groups (People with disabilities, veterans, etc.) | Persons | 45 | 30 | 21 |

* Calculation: (Number of new hires by gender/Total number of new hires as of the end of reporting year) x 100

Employee retention

| Category | Unit | 2019 | 2020 | 2021 |
|-----------------------------------|---------|------------------|------------------|-------------------|
| Total number of employee turnover | Persons | 347 | 307 | 382 |
| Voluntary turnover | Persons | 301 | 251 | 319 |
| Involuntary turnover | Persons | 46 | 56 | 63 |
| Employee turnover ratio* | % | 0.7 | 0.7 | 0.9 |
| Voluntary turnover | % | 0.6 | 0.5 | 0.7 |
| Involuntary turnover** | % | 0.1 | 0.1 | 0.1 |
| Average employee tenure | Year | 7 years 7 months | 8 years 7 months | 9 years 6 months |
| Male | Year | 8 years 6 months | 9 years 5 months | 10 years 4 months |
| Female | Year | 6 years 3 months | 7 years 3 months | 8 years 4 months |

* Calculation: (Number of employees who left the organization in the reporting year / total number of employees as of the end of the reporting year/ 12(months)) x 100

** Calculation: (Number of employees who left the organization in the reporting year due to dismissal, contract expiration, death, dismissal, or retirement / total number of employees as of the end of the reporting year) x 100

Employee remuneration

| Category | Unit | 2019 | 2020 | 2021 |
|--|------|-------------|-------------|-------------|
| Average base pay (Female executives)* | KRW | 0 | 270,000,000 | 0 |
| Average base pay(Male executives)* | KRW | 251,000,000 | 237,000,000 | 233,000,000 |
| Average base pay (Female managers)** | KRW | 39,810,000 | 39,876,000 | 42,512,500 |
| Average base pay(Male managers)** | KRW | 39,795,774 | 39,107,384 | 39,435,752 |
| Average base pay (Female associates)*** | KRW | 30,402,556 | 31,679,447 | 33,733,437 |
| Average base pay(Male associates)*** | KRW | 39,109,191 | 39,818,555 | 41,703,062 |
| Average Base Pay for Females Against Average Base Pay for Males*** | % | 86 | 84 | 85 |
| Average hourly wage of employees*** | KRW | 20,173 | 20,357 | 20,695 |
| Ratio of employees applicable for performance-based incentives | % | 97 | 97 | 97 |

* Based on incumbency in the respective year (excluding those who left the organization in January), no data in 2019 and 2021 when there were no female executives.

** Based on the incumbent as of the end of the respective year (team managers, branch managers/ heads, etc.)(excludes bonuses).

*** Based on the incumbent as of the end of the respective year (excludes bonuses).

Parental leave

| Category | Unit | 2019 | 2020 | 2021 |
|--|---------|-------|------|-------|
| Total number of employees eligible for parental leave | Persons | 219 | 181 | 203 |
| Male | Persons | 135 | 121 | 130 |
| Female | Persons | 84 | 60 | 73 |
| Total number of employees who took parental leave* | Persons | 210 | 178 | 210 |
| Male | Persons | 126 | 113 | 134 |
| Female | Persons | 84 | 65 | 76 |
| Total number of employees who took maternity leave | Persons | 131 | 150 | 166 |
| Male | Persons | 47 | 89 | 99 |
| Female | Persons | 84 | 61 | 67 |
| Total number of employees that returned to work in the reporting period after parental leave ended | Persons | 222 | 184 | 187 |
| Male | Persons | 131 | 103 | 123 |
| Female | Persons | 91 | 81 | 64 |
| Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work | Persons | 227 | 205 | 169 |
| Male | Persons | 150 | 121 | 93 |
| Female | Persons | 77 | 84 | 76 |
| Return to work ratio of employees that took parental leave (Male)** | % | 96.3 | 81.7 | 108.8 |
| Return to work ratio of employees that took parental leave (Female)** | % | 113.8 | 96.4 | 98.5 |
| Retention rate of employees that took parental leave (Male)*** | % | 92.0 | 92.4 | 90.3 |
| Retention rate of employees that took parental leave (Female)*** | % | 80.2 | 92.3 | 93.8 |

* Employees who took leave in the previous year is also included in the 2021 data

** Calculation: (Number of employees who returned to work in the reporting year / number of employees who took parental leave in the previous year) x 100

*** Calculation: (Number of employees who held their positions for 12 months after returning to work in the reporting year/number of employees who returned to work in the previous year) x 100)

Labor union

| Category | Unit | 2019 | 2020 | 2021 |
|--|------|------|------|------|
| Ratio of employees under collective agreements | % | 100 | 100 | 100 |

* Data includes only employees of Lotte Himart for distribution centers

Employee diversity

| Category | Unit | 2019 | 2020 | 2021 |
|---|---------|------|------|------|
| Number of female employees in management positions | Persons | 77 | 84 | 90 |
| Ratio of female employees in management positions | % | 10.9 | 12.1 | 13.2 |
| Number of female employees in executive-level positions | Persons | 0 | 1 | 0 |
| Ratio of female employees in executive-level positions* | % | 0 | 5.6 | 0 |
| Number of employees with disabilities** | Persons | 124 | 148 | 120 |
| Ratio of employees with disabilities*** | % | 3.11 | 3.84 | 3.34 |
| Number of veteran employees | Persons | 29 | 28 | 22 |
| Ratio of veteran employees | % | 0.7 | 0.7 | 0.6 |

* Calculation : Number of female executives / Total number of executives

** Total number of employees with disabilities within the workforce

*** Calculation: Number of full-time employees with disabilities/ Total number of full-time employees

Employees by employment category

| Category | Unit | 2019 | 2020 | 2021 |
|-------------------------|---------|------|------|------|
| Temporary employees | Persons | 65 | 34 | 87 |
| Part-time employees | Persons | 35 | 41 | 31 |
| Dispatched employees | Persons | 228 | 192 | 190 |
| Subcontracted employees | Persons | 181 | 131 | 129 |

Employee training

| Category | Unit | 2019 | 2020 | 2021 |
|---|-------------|---------|---------|---------|
| Total number of employees participating in training programs* | Persons | 71,322 | 239,732 | 255,979 |
| Total training hours | Hours | 207,568 | 289,378 | 100,944 |
| Average training hours per employee** | Hours | 54.3 | 78.7 | 28.6 |
| Total training costs | KRW million | 3,857 | 2,254 | 2,219 |
| Average training costs per employee*** | KRW million | 1.01 | 0.61 | 0.63 |
| Ratio of employees who received employee performance appraisals | % | 100 | 100 | 100 |

* In-house education curriculum, excluding external education programs

** 1) Calculation : Sum of all training hours (training hours by education category x number of respective participants) / Total number of permanent employees. Includes external and in-house training programs

2) Average training hours and training cost per employee is identical for male and female employees

*** Calculation: Total training costs(company-wide education + divisional education) / Total number of permanent employees

Occupational health and safety

| Category | Unit | 2019 | 2020 | 2021 |
|--|---------|-------|-------|-------|
| Occupational accident rate | % | 0.01 | 0.04 | 0.04 |
| Number of occupational accidents | Cases | 1 | 2 | 2 |
| Fatalities | Persons | 0 | 0 | 0 |
| Number of employees who received mandatory occupational health and safety education | Persons | 3,547 | 3,523 | 3,405 |
| Number of employees who received occupational health and safety education for management supervisors | Persons | 423 | 471 | 447 |
| LTIR* | - | 0.02 | 0.04 | 0.04 |

* Calculation: Total number of recordable accidents (of Lotte Himart's workforce) / Total hours worked (of Lotte Himart's workforce) X 200,000

Human rights education

| Category | Unit | 2019 | 2020 | 2021 |
|--|---------|-------|-------|-------|
| Average human rights education hours per employee | Hours | 3 | 3 | 3 |
| Total number of employees participating in human rights education* | Persons | 4,013 | 3,993 | 3,780 |

* Data coverage: All employees of Lotte Himart

Social contribution

| Category | Unit | 2019 | 2020 | 2021 |
|---|-----------------|---------|---------|---------|
| Total expenditure for social contribution* | KRW 100 million | 29.6 | 18.7 | 25.8 |
| Total number of employees participating in CSR activities** | Persons | 1,388 | 1,563 | 1,054 |
| Ratio of employees participating in CSR activities*** | % | 34.1 | 39.9 | 28.9 |
| Total number of hours spent on CSR activities**** | Hours | 6,913.5 | 5,002.5 | 2,955.0 |

* Cash and in-kind, donations made from CSR departments according to SAP system

** Includes multiple counts

*** Calculation: (Total number of employees participating in CSR / Total number of employees). Employees with one or more hours of CSR record included.

**** Total hours of all CSR participants, including multiple counts

Supply chain

| Category | Unit | 2019 | 2020 | 2021 |
|---|-------------|---------|---------|---------|
| Total number of suppliers* | Number | 1,454 | 1,603 | 1,513 |
| Number of crucial suppliers | Number | 37 | 38 | 49 |
| Sales ratio of crucial partners | % | 92.4 | 92.1 | 83.5 |
| Ratio of payment made to crucial partners out of total supplier costs | % | 93.9 | 92.7 | 94.2 |
| Financial support for suppliers | KRW million | 317,176 | 336,838 | 314,430 |
| Shared growth fund | KRW million | 32,942 | 27,916 | 37,018 |
| Payment condition improvements** | KRW million | 251,234 | 252,422 | 231,389 |
| Early payment of liabilities before holidays | KRW million | 33,000 | 56,500 | 46,023 |
| Total number of suppliers assessed for ESG risks | Number | 0 | 0 | 27 |

* Number of suppliers of which financial transactions were made

** Decrease in 2021 numbers due to deceased sales of suppliers and changes in procurement procedures.

Customer satisfaction

| Category | Unit | 2019 | 2020 | 2021 |
|---|--------|-------|-------|-------|
| Customer satisfaction survey results* | Points | 93.6 | 98.4 | 98 |
| Number of customer opinions and complaints received | Cases | 4,684 | 4,516 | 4,180 |
| Number of customer opinions and complaints handled | Cases | 4,684 | 4,516 | 4,180 |

* 2019 survey: Conducted for sales of 100,000 KRW above

2020~2021 survey: Conducted separate surveys for sales below 500,000 KRW and 500,000KRW above

Customer health and safety

| Category | Unit | 2019 | 2020 | 2021 |
|---|-------|------|------|------|
| Total number of fines/penalties due to non-compliance of customer health and safety regulations | Cases | 0 | 0 | 0 |
| Total number of warnings due to non-compliance of customer health and safety regulations | Cases | 0 | 0 | 0 |

Customer privacy

| Category | Unit | 2019 | 2020 | 2021 |
|---|---------|-------------|-------------|-------------|
| Total number of substantiated complaints received concerning breaches of customer privacy received from outside parties and substantiated by the organization | Cases | 0 | 1 | 0 |
| Total number of substantiated complaints received concerning breaches of customer privacy received from regulatory bodies | Cases | 0 | 0 | 0 |
| Total number of identified leaks, thefts, or losses of customer data | Cases | 0 | 0 | 0 |
| Ratio of Personal Identification Information (PLL) leaks | % | 0 | 0 | 0 |
| Number of customers whose personal information has been leaked | Persons | 0 | 0 | 0 |
| Frequency of information security policy and system audits | - | Half-yearly | Half-yearly | Half-yearly |

Governance data

BoD composition*

| Category | Unit | 2019 | 2020 | 2021 |
|--|---------|------|------|------|
| Number of internal directors | Persons | 4 | 2 | 3 |
| Ratio of internal directors | % | 45 | 29 | 38 |
| Number of female internal directors | Persons | 0 | 0 | 0 |
| Number of internal directors with expertise | Persons | 4 | 2 | 3 |
| Number of external directors | Persons | 5 | 5 | 5 |
| Ratio of external directors within the BoD | % | 55 | 71 | 63 |
| Number of external directors with expertise | Persons | 5 | 5 | 5 |
| Ratio of female directors within the BoD | % | 0 | 0 | 0 |
| Number of female directors who is not the majority shareholder or does not have special relations with the company | Persons | 0 | 0 | 0 |

* The numbers of internal directors in 2020 are as of the end of 2020. The figure is shown as "2", smaller than the current number of internal directors, which is "4".

BoD operation

| Category | Unit | 2019 | 2020 | 2021 |
|---|-------------|---------|---------|---------|
| BoD meetings held | Number | 8 | 9 | 11 |
| Average attendance rate | % | 94 | 92 | 98 |
| Number of external directors with an attendance rate lower than 75% | Persons | 0 | 0 | 0 |
| Number of meeting agendas discussed | Number | 32 | 29 | 37 |
| Agendas of which external directors voted against or proposed amendments | Number | 0 | 0 | 0 |
| Nomination committee meetings held | Number | 1 | 2 | 0 |
| Remuneration committee meetings held | Number | 2 | 4 | 3 |
| Audit committee meetings held | Number | 5 | 7 | 5 |
| Ratio of payments made to the external auditor for non-audit activities in regard to audit fees | % | 0 | 9 | 19 |
| Total transactions made with affiliates/subsidiaries | KRW million | 145,621 | 152,914 | 156,041 |
| Minimum notice period before BoD meetings | Days | 7 | 7 | 7 |

Anti-corruption

| Category | Unit | 2019 | 2020 | 2021 |
|---|---------|-------|-------|-------|
| Number of corruption cases* | Number | 0 | 0 | 0 |
| Number of employees who received anti-corruption education** | Persons | 1,348 | 2,496 | 2,924 |
| Ratio of employees who signed compliance to anti-corruption and ethical management pledges*** | % | 100 | 100 | 100 |
| Number of suppliers in which anti-corruption policies have been shared**** | Number | 1,163 | 1,279 | 1,591 |
| Ratio of suppliers in which anti-corruption policies have been shared | % | 100 | 100 | 100 |

* In reaction to the previous CEO's corruption convictions, Lotte Himart has implemented ISO 37001 certifications, ethical education, ethical pledges and ethical management systems

** 2019 education conducted virtually. 2020, 2021 education conducted online

*** All employees pledge compliance to Anti-corruption and ethical management each year

**** Number of partners which have signed the "Agreement on fair trade and compliance"

Socioeconomic compliance

| Category | Unit | 2019 | 2020 | 2021 |
|--|-------|------|------|------|
| Number of legal actions taken following anti-competitive behaviors or violation of monopoly regulations* | Cases | 0 | 1 | 0 |
| Number of fines, sanctions, and warnings received from financial authorities due to mis-sellings | Cases | 0 | 0 | 0 |

* 2020 data includes legal actions with the Korean Fair Trade Commission

Economic value allocation

| Category | Unit | 2019 | 2020 | 2021 |
|--|-----------------|--------|--------|--------|
| Stakeholders (Dividend) | KRW million | 23,608 | 28,329 | 23,136 |
| Employees (Wages and bonuses)* | KRW million | 2,013 | 1,955 | 1,940 |
| Employees (Welfare benefits)** | KRW million | 481 | 411 | 396 |
| Employees (Retirement benefits)*** | KRW million | 41 | 56 | 102 |
| Government and public institutions (Corporate income tax and other public charges) | KRW million | 21,994 | 34,187 | 30,441 |
| Local community (Social contribution)**** | KRW 100 million | 31.9 | 19.8 | 27 |

* Accounts for employees at the end of the reporting year

** Accounts for sales and management costs according to the annual business report

*** Accounts for beneficiaries of DB programs and non-IRP retirees

**** Accounts for all costs categorized as donation on the SAP system (including monthly donations of KRW 1 million made to the 'KMDA' since 2019)

Protection of shareholder rights

| Category | Unit | 2019 | 2020 | 2021 |
|-----------------------|--------|------|------|------|
| Number of IR meetings | Number | 4 | 4 | 4 |

GRI Content Index

Universal Standards

| Section | Disclosure | | Reporting page and contents | Assurance | ISO 26000 |
|------------------------|------------|--|-----------------------------|-----------|--|
| Organizational Profile | 102-1 | Name of the organization | 6p | ● | 6.3.10/ 6.4.1-6.4.2/ 6.4.3/6.4.4/ 6.4.5/6.8.5/ 7.8 |
| | 102-2 | Activities, brands, products and services | 9~11p | ● | |
| | 102-3 | Location of headquarters | 6p | ● | |
| | 102-4 | Location of operations | 6, 10, 42p | ● | |
| | 102-5 | Ownership and legal form | 6p | ● | |
| | 102-6 | Markets served | 6p | ● | |
| | 102-7 | Scale of the organization | 6, 10, 42p | ● | |
| | 102-8 | Information on employees and other workers | 6, 75p | ● | |
| | 102-9 | Supply chain | 87p | ● | |
| | 102-10 | Significant changes to the organization and its supply chain | 12, 87p | ● | |
| | 102-11 | Precautionary principle or approach | 81p | ● | |
| | 102-12 | External initiatives | 98p | ● | |
| | 102-13 | Membership of associations | 98p | ● | |
| Strategy | 102-14 | Statement from senior decision-maker | 4p | ● | 4.7/6.2/ |
| | 102-15 | Statement from senior decision-maker | 81p | ● | 7.4.2 |
| Ethics and integrity | 102-16 | Values, principles, standards, and norms of behavior | 8p | ● | 4.4/6.6.3 |
| | 102-17 | Mechanisms for advice and concerns about ethics | 48~49, 65p | ● | |

| Section | Disclosure | | Reporting page and contents | Assurance | ISO 26000 |
|------------------------|--------------------|---|-----------------------------|-----------|---------------------------|
| Governance | 102-18 | Governance structure | 75, 77p | ● | 6.2/7.4.3/ 7.7.5 |
| | 102-22 | Composition of the highest governance body and its committees | 76p | ● | |
| | 102-23 | Chair of the highest governance body | 75p | ● | |
| | 102-28 | Evaluating the highest governance body's performance | 77p | ● | |
| | 102-36 | Process for determining remuneration | 77p | ● | |
| Stakeholder engagement | 102-40 | List of stakeholder groups | 16p | ● | 5.3 |
| | 102-41 | Collective bargaining agreements | 86p | ● | |
| | 102-42 | Identifying and selecting stakeholders | 16p | ● | |
| | 102-43 | Approach to stakeholder engagement | 16p | ● | |
| | 102-44 | Key topics and concerns raised | 15~16p | ● | |
| Reporting practice | 102-45 | Entities included in the consolidated financial statements | Annual report, 7p | ● | 5.2/7.3.2/ 7.3.3/7.3.4 |
| | 102-46 | Defining report content and topic Boundaries | About This Report | ● | |
| | 102-47 | List of material topics | 14p | ● | |
| | 102-48 | Restatements of information | - | ● | |
| | 102-49 | Changes in reporting | - | ● | |
| | 102-50 | Reporting period | About This Report | ● | 7.5.3/7.6.2 |
| | 102-51 | Date of most recent report | About This Report | ● | |
| | 102-52 | Reporting cycle | About This Report | ● | |
| | 102-53 | Contact point for questions regarding the report | About This Report | ● | |
| | 102-54 | Claims of reporting in accordance with the GRI Standards | About This Report | ● | |
| | 102-55 | GRI Content Index | 90-94p | ● | |
| 102-56 | External assurance | Third party assurance statement | ● | | |

Topic-specific Disclosures

| Section | Disclosure | | Reporting page and contents | Assurance | ISO 26000 |
|--|------------|--|-----------------------------|-----------|-----------------------|
| Topic 1: Customer privacy | | | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | 37p | ● | - |
| | 103-2 | The management approach and its components | | ● | |
| | 103-3 | Evaluation of the management approach | | ● | |
| Customer privacy | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | 37~38p | ● | 6.7.1-6.7.2/6.7.7 |
| Topic 2: Waste reduction | | | | | |
| GRI 103: Management Approach 2020 | 103-1 | Explanation of the material topic and its Boundary | 28p | ● | - |
| | 103-2 | The management approach and its components | | ● | |
| | 103-3 | Evaluation of the management approach | | ● | |
| Waste | 306-3 | Waste generated | 84p | ● | 6.5.3 |
| Topic 3: Ethical management | | | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | 4, 78~79p | ● | - |
| | 103-2 | The management approach and its components | | ● | |
| | 103-3 | Evaluation of the management approach | | ● | |
| Anti-corruption | 205-2 | Communication and training about anti-corruption policies and procedures | 78-79p | ● | 6.6.1-6.6.2/6.6.3 |
| | 205-3 | Confirmed incidents of corruption and actions taken | 78-79p | ● | |
| Topic 4: Transparent and effective governance | | | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | 75~77p | ● | - |
| | 103-2 | The management approach and its components | | ● | |
| | 103-3 | Evaluation of the management approach | | ● | |
| Governance | 102-22 | Composition of the highest governance body and its committees | 75p | ● | 6.2/7.4.3/7.7.5 |
| | 102-24 | Nominating and selecting the highest governance body | 76p | ● | |
| | 102-28 | Evaluating the highest governance body's performance | 77p | ● | |
| | 102-36 | Process for determining remuneration | 77, 89p | ● | |
| Socioeconomic compliance | 419-1 | Non-compliance with laws and regulations in the social and economic area | 89p | ● | 4.6/6.7.1-6.7.2/6.7.6 |

| Section | Disclosure | | Reporting page and contents | Assurance | ISO 26000 |
|--|------------|--|-----------------------------|-----------|--|
| Topic 5: Product safety and quality | | | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | 44~45p, 88p | ● | - |
| | 103-2 | The management approach and its components | | ● | |
| | 103-3 | Evaluation of the management approach | | ● | |
| Consumer health and safety | 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | 88p | ● | 4.6/6.7.1-6.7.2/6.7.4/6.7.5/6.8.8 |
| Topic 6: Saving environmental costs | | | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | 29~33p | ● | - |
| | 103-2 | The management approach and its components | | ● | |
| | 103-3 | Evaluation of the management approach | | ● | |
| Energy | 302-1 | Energy consumption within the organization | 35, 84p | ● | 6.5.4 |
| Topic 7: Customer satisfaction and access/convenience | | | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | 41~45p | ● | - |
| | 103-2 | The management approach and its components | | ● | |
| | 103-3 | Evaluation of the management approach | | ● | |
| Stakeholder engagement | 102-44 | Key topics and concerns raised | 15~16p | ● | 5.3 |
| - | - | Customer satisfaction surveys | 87p | ● | |
| Topic 8: Sound labor-management relationship | | | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | 48~49p | ● | - |
| | 103-2 | The management approach and its components | | ● | |
| | 103-3 | Evaluation of the management approach | | ● | |
| Stakeholder engagement | 102-41 | Collective bargaining agreements | 86p | ● | 5.3 |
| Freedom of association and collective bargaining | 407-1 | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 48p | ● | 6.3.3/6.3.4/6.3.5/6.3.8/6.3.10/6.4.5/6.6.6 |

| Section | Disclosure | | Reporting page and contents | Assurance | ISO 26000 |
|--|------------|--|-----------------------------|-----------|-----------------------------------|
| Topic 9: Mutual growth with small and medium enterprise(SME) partners | | | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | 60~67p | ● | - |
| | 103-2 | The management approach and its components | | ● | |
| | 103-3 | Evaluation of the management approach | | ● | |
| Procurement practices | 204-1 | Proportion of spending on local suppliers | 87p | ● | 6.4.3/6.6.6/ 6.8.1-6.8.2/6.8.7 |
| Topic 10: Green products and services | | | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | 31-33p | ● | - |
| | 103-2 | The management approach and its components | | ● | |
| | 103-3 | Evaluation of the management approach | | ● | |
| Materials | 301-3 | Reclaimed products and their packaging materials | 31p | ● | 6.5.4 |
| - | - | Green investments | 35p | ● | - |
| Other non-material topics | | | | | |
| Emissions | 305-2 | Energy indirect (Scope 2) GHG emissions | 84p | ● | 6.5.5 |
| Occupational health and safety | 403-9 | Work-related injuries | 87p | ● | 6.4.6 |
| Human rights assessment | 412-2 | Employee training on human rights policies or procedures | 87p | ● | 6.3.5 |
| Employment | 401-3 | Parental leave | 86p | ● | 6.4.4 |

SASB Index

SASB (Sustainability Accounting Standards Board) Standards are standards developed by the Sustainability Accounting Standards Board. They help companies disclose financially-material sustainability information to investors according to a total of 77 industry specific standards. LOTTE HIMART reports according to the standards of the "Multiline and Specialty Retailers & Distributors" industry where our business model applies.

Sustainability Disclosure Topics & Accounting Metrics

| Topic | Code | Accounting metric | Reporting page and contents |
|--|--------------|--|-----------------------------|
| Energy Management in Retail & Distribution | CG-MR-103a.1 | (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable | 84p |
| Data Security | CG-MR-230a.1 | Description of approach to identifying and addressing data security risks | 80~81p |
| | CG-MR-230a.2 | (1) Number of data breaches, (2) percentage involving personally identifiable information(PII), (3) number of customers affected | 88p |
| Labor Practices | CG-MR-310a.1 | ((1) Average hourly wage and (2) percentage of in-store employees earning minimum wage, by region | 85p |
| | CG-MR-310a.2 | (1) Average hourly wage and (2) percentage of in-store employees earning minimum wage, by region | 85p |
| | CG-MR-310a.3 | Total amount of monetary losses as a result of legal proceedings associated with labor law violations | 89p |
| Workforce Diversity & Inclusion | CG-MR-330a.1 | (1) Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees | 86p |
| | CG-MR-330a.2 | Total amount of monetary losses as a result of legal proceedings associated with employment discrimination | - |
| Product Sourcing, Packaging & Marketing | CG-MR-410a.1 | Revenue from products third-party certified to environmental and/or social sustainability standards | 84p |
| | CG-MR-410a.2 | Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products | 45p |
| | CG-MR-410a.3 | Discussion of strategies to reduce the environmental impact of packaging | 31p |

Activity metrics

| Activity metrics | Code | Reporting page and contents |
|--|-------------|---|
| Number of: (1) retail locations and (2) distribution centers | CG-MR-000.A | (1) Stores: 427 (2) Distribution centers: 14 |
| Total area of: (1) retail space and (2) distribution centers | CG-MR-000.B | (1) Stores: Unable to measure (2) Distribution centers: 521.805m ² |

Third Party Assurance Statement

Control Union Certifications B.V. (hereafter Control Union) was commissioned by Lotte Himart Co., Ltd. (hereafter, Lotte Himart) to conduct an independent assurance of 2021 Lotte Himart Sustainability Report (hereafter, the report).

The information in the report is the exclusive responsibility of Lotte Himart. Control Union was not involved in the preparation of any material included in this document.

The responsibility of Control Union is to express an opinion concerning the information including graphs, tables and statements included in the report, within the assurance scope mentioned below, with the purpose to inform all the Interested parties.

Assurance Scope

The assurance engagement has been planned and performed in accordance with AA1000AS v3 and the assurance criteria below to a “Moderate level of assurance” where the scope was a Type 2 engagement. The report is developed using the Global Reporting Initiative (GRI) standards. The assurance process involves evaluation of adherence to the AA1000 AccountAbility Principles of Inclusivity, Materiality, Responsiveness and Impact. Confirming that the report is in accordance with GRI Standards and evaluating the accuracy and reliability of data and information for only the indicators listed below:

- GRI 102: General Disclosures
- Material Topic 1, Customer Privacy: GRI 103-1~3, GRI 418-1
- Material Topic 2, Reduction of Waste: GRI 103-1~3, GRI 306-3
- Material Topic 3, Ethical Management: GRI 103-1~3, GRI 205-2~3
- Material Topic 4, Transparency and Efficiency of the Governance: GRI 103-1~3, 419-1
- Material Topic 5, Safety and Quality Control: GRI 103-1~3, GRI 416-2
- Material Topic 6, Environment and Resource Saving: GRI 103-1~3, GRI 302-1
- Material Topic 7, Accessibility and Customer Satisfaction Enhancement: GRI 103-1~3, GRI 102-44
- Material Topic 8, Labor-management Relations: GRI 103-1~3, GRI 102-41, GRI 407-1
- Material Topic 9, Win-win relations with Partners: GRI 103-1~3, GRI 102-41, GRI 204-1
- Material Topic 10, Eco-friendly Products and Services: GRI 103-1~3, GRI 301-3
- Other Topic, Emissions GRI 305-2, Occupational Health and Safety GRI 403-9, Human Rights Assessment GRI 412-2, Employment GRI 401-3

INCLUSIVITY

Engagement with stakeholders in the report development process and their involvement in organizational decision making.

Lotte Himart has defined the stakeholders by dividing them into executives and employees, customers, partner companies, shareholders, investors, local society, government and reflects their opinions in decision-making. The verification team did not find any important stakeholder groups excluded from the process of communicating with stakeholders through labor-management council, junior board, change agent, officer for corporate culture, newsletter (monthly), intranet (regular), customer satisfaction survey (regular), VOC channel, public hearing from Ministry of Environment and Environment Corporation (quarterly), comprehensive support center for seniors living alone (yearly), regular/temporary shareholders' meeting, publicly available data, domestic NDR (quarterly), company briefing (irregular), visiting meetings (regular), shared growth meeting, Charlotte Volunteer Corps (regular), alliances with grandparents-children family (regular).

MATERIALITY

Identification of issues in the report that are relevant and significant to the organization's stakeholders, the presence of and the extent to which these material issues are disclosed in the report. Lotte Himart identified the material issues using the stakeholder communication channel and their own materiality assessment process. The outcome is a materiality matrix which shows personal information protection for customers' privacy as the most prioritized topic by the stakeholders of Lotte Himart. Lotte Himart has documented their approach for protecting customer's privacy and tracing the records which related to customer information.

RESPONSIVENESS

Acting on stakeholder issues and provision of feedback through decisions, actions, performance and communication. In order to establish an ESG-friendly management system, Lotte Himart has established a system that allows transparent communication with stakeholders by connecting and expanding the distributed activity values of each ESG field to the ESG management platform. It was also confirmed that they were communicating with various stakeholders through corporate value reflecting non-financial performance.

IMPACT

Monitoring, measurement and providing accountability for how the actions of the organization affect the economy, the environment, society, stakeholders or the organization itself. Lotte Himart is making every effort to convert into eco-friendly projects such as operation of environmental management committee and dedicated organization, declaration of environmental management slogan 4-green, acquisition of ISO14001 certification, environmental management education, education on collection of waste appliances, eco-friendly activities for employees, establishment of resource circulation system, extension of product lifespan, relocation installation service, e-receipt for the goal of minimizing environmental impact. In particular, Lotte Himart is pursuing continuous R&D and technological innovation for customer satisfaction enhancement and protection of customer privacy and for the transition to a carbon-neutral society based on its unique technology, such as online platform for second hand market, remote consultation, AR, and Augmented Reality and Virtual Reality, etc. In addition, it was confirmed that Lotte Himart is striving to develop the local economy through the Charlotte Volunteer Corps which has been actively working with employees since its inception, Hi-dream for mom's comfort, support for cooling/heating appliances for the elderly living alone, e-book production for the visually impaired, etc. As a result, it was confirmed that Lotte Himart is making effort to a positive impact on the local community.

Level of Assurance

The level of Assurance is used to determine the depth of detail that an assurance provider uses to identify if there are material errors, omissions or misstatements. The level of assurance for the report is moderate.

Methodology

- Review of internal and external documentary evidence presented by Lotte Himart
- Review of approach to data collection at company level
- Audit of data presented in the Report including a detailed review of a sample of data
- Review of a selection of internal performance documents

Independence and quality control

Control Union is accredited according to ISO 17021-1:2015/ISO 17065:2012 covering our global scope and operations. This includes the need to maintain a comprehensive

system of quality control including documented policies and procedures on compliance to ethical and legal requirements as well as objectivity throughout our operations. The auditors were selected appropriately based on our internal qualifications, training and experience. It is also reviewed by management to ensure that the applied approach and assurance are strictly followed and operated transparently.

Conclusions

Based on our moderate assurance process, nothing has come to our attention that causes us to believe that the scope (subject matter) as detailed above and presented in the report is not presented fairly in accordance with the criteria. Hence, our work confirms that the information included in the report is reliable and objective and is presented clearly and understandably.

We provide the following recommendations to the extent that it does not affect the results of the assurance:

Lotte Himart is one of the largest company in Korea, that possesses nation-wide supply/ logistics/sales network in the home appliance retail market. In the process of verifying the report, it was confirmed that issues such as customer privacy, reduction of waste, ethical management, transparency and efficiency of the governance, safety and quality control, environment and resource saving, accessibility and customer satisfaction enhancement, labor-management relations, win-win relations with partners, eco-friendly products and services are sufficiently important. It was also confirmed, as consumer retail company related to home appliances in Korea, that it is strengthening community-based social contribution activities.

However, 'the 2021 Lotte Himart Sustainability Report' is the second sustainability report of Lotte Himart. It is necessary to accumulate, manage, and report related data to respond to impact measurement, internalization of ESG management, and ESG-related performance reporting issues that will be more emphasized in the future. In addition, it is necessary to steadily publish the sustainability reports to track and manage Lotte Himart's ESG performance.



Program manager **Jon Heinrichs**
2 June, 2022

Memberships & Awards

Memberships

| Organization | Date Joined |
|--|-------------|
| Korea Chamber of Commerce and industry | 1999 |
| Korea International Trade Association | 1999 |
| Korea Enterprises Federation | 2015 |
| Korea Advertisers Association | 2001 |
| Korea Listed Companies Association | 2011 |
| Korea Investor Relations Service | 2012 |
| Korea Electronics Recycling Cooperative | 2012 |
| Korea Packaging Recycling Cooperative | 2016 |
| Korea Online Shopping Association(KOLSA) | 2017 |
| Korea Construction Engineers Association | 2018 |
| Korea Mobile Distributors Association | 2019 |

Awards

| Date | Award | Awarded by | Remarks |
|---------------|--|-----------------------------|-------------------|
| January 2021 | The Most Trusted Brand Award | Digital Chosun | 12 years in a row |
| April 2021 | National Brand Award | JoongAng Ilbo | 6 years in a row |
| May 2021 | The Most Loved Brand in Korea | Chosun Biz | 11 years in a row |
| July 2021 | No. 1 in the Premium Brand Index (electronics stores category) | Korea Standards Association | 9 years in a row |
| November 2021 | No. 1 in the Highest Brand of the Year category | Brand stock | 7 years in a row |



LOTTE HIMART Sustainability Report 2021

This report is available as a PDF file on the website of LOTTE HIMART.

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