









**2022** LOTTE HIMART  
Sustainability Report

2022 LOTTE HIMART  
SUSTAINABILITY REPORT

# About This Report



-  Introduction
-  ESG Fundamentals
-  Environmental
-  Social
-  Governance
-  Appendix

The LOTTE HIMART Sustainability Report 2022 is the third sustainability report of LOTTE HIMART and contains the ESG management strategies, activities, achievements, and goals. Based on the ESG Mission that “LOTTE HIMART provides sustainable lives and values for all shareholders,” we are undertaking various tasks for environmental (E), social (S), and governance (G) sectors. We will continue to publish annual sustainability reports and transparently talk about our ESG management with our shareholders.

Reporting Standards	GRI Standards 2021
Reporting Boundaries	LOTTE HIMART headquarters, nationwide branches, stores, and distribution centers
Reporting Period	Jan. 01, 2022 – Dec. 31, 2022 (Partially includes achievements in the first half of 2023)
Reporting Cycle	Once a year
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This report has been published in interactive PDF, which allows the viewer to go to the relevant pages and websites.

# TABLE OF CONTENTS

-  Introduction
-  ESG Fundamentals
-  Environmental
-  Social
-  Governance
-  Appendix

## Introduction

- 04 CEO Message
- 05 About LOTTE HIMART

## ESG Fundamentals

- 12 ESG Management System
- 14 Expansion of the ESG Management Culture
- 15 Contribution to Achieving UN SDGs
- 17 Stakeholder Engagement
- 18 Double Materiality Assessment
- 20 Material Issue Management Method
- 22 2022 ESG Highlights

## Environmental

- 24 Environmental Management Growth
  - ESG Management System
  - Expansion of Eco-Friendly Culture
- 28 Eco-Friendly Products and Services
  - Eco-Friendly Products
  - Eco-Friendly Services
- 31 Contribution to Closed-Loop Recycling
  - Waste Generation Reduction
- 34 Response to Climate Change
  - TCFD Report
  - Energy and Greenhouse Gas Management

## Social

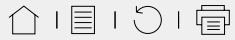
- 43 Customer Satisfaction Improvement
  - Customer Satisfaction
  - Differentiated After-Sales Service
  - Product Quality Management
- 49 Sustainable Partner Management
  - Partner Selection and Evaluation
  - ESG Risk Management for Partners
  - Mutual Growth with Partners
- 56 Talent Management
  - Talent Recruitment
  - Fostering Talent and Building Employee Competency
  - Fair Performance Assessment and Compensation
  - Employee Welfare
  - Respect for Human Rights
  - Sound Corporate Culture
- 67 Workplace Safety
  - Safety and Health System
  - Accident Prevention for Safety and Health
  - Occupational Health and Safety Education
  - Employee Healthcare System
- 72 Contribution to Local Communities
  - Social Contribution System
  - A World of Happy Mothers and Children
  - Creation of a Sharing Culture
- 75 Information Protection and Data Security
  - Information Security and Data Security Systems
  - Personal Information Security
  - Activities to Reinforce Information and Data Security

## Governance

- 79 Sound Governance
  - BOD Composition
  - BOD Operation/Committees under the BOD/Reinforcing BOD Competency
  - BOD Remuneration and Evaluation
- 83 Protection of Shareholder Rights
  - Protection of Shareholder Rights
  - Issued Stocks and Shareholder Composition
- 84 Ethics and Compliance Management
  - Ethics and Compliance Management System
  - LOTTE HIMART Rules of Ethical Conduct
  - Various Report and Reporting Channels
- 87 Risk Management
  - Risk Management System
  - Internal Control over Financial Reporting

## Appendix

- 90 Quantitative Performance Indicators
- 99 GRI Content Index
- 103 TCFD Index
- 104 SASB Index
- 105 Major Awards and Membership Status
- 106 Third-Party Assurance Report



**Introduction**

**CEO Message**

About LOTTE HIMART

**ESG Fundamentals**

**Environmental**

**Social**

**Governance**

**Appendix**

# CEO Message

“  
By practicing authentic ESG management  
and continuing to discover valuable activities  
that fully showcase our capabilities, we plan  
to keep doing everything we can to create  
a company where all stakeholders, including  
customers, employees, and partners,  
can grow together.  
”



Dear stakeholders, This is a message from Chang-Hee Nam, the CEO of LOTTE HIMART.

As the #1 distributor of home appliances in Korea, LOTTE HIMART operates the largest number of stores nationwide. We know that this position is one that carries with it a great deal of responsibility, and we are devoted to providing our customers with home appliances that can become core parts of their family homes. At LOTTE HIMART we practice ethical management based on our transparent and healthy system of corporate governance. We work diligently to fulfill the responsibilities we have to our environment and society as part of our effort to create future value for both our customers and shareholders.

The year of 2022 saw a pandemic-induced global recession that brought with it persistent business difficulties. But even in the midst of this crisis, we managed to improve our internal competence, procure drivers for sustainable growth, and ultimately eke out a more competitive spot in the market.

We also brought our ESG Committee, which was first formed in September of 2021, into full swing to plan and carry out ESG-oriented tasks for the year of 2022. To contribute to the creation of a sustainable environment, we ran an active collection service for discarded appliances, developed private-brand products made from eco-friendly materials, and shifted our focus toward sustainable products such as those with high energy-efficiency. Based on the LOTTE HIMART Charter for Human Rights Management, which was first published in May of 2022, we at LOTTE HIMART strive to create a happy work environment by improving safety management at business sites and fostering a corporate culture that respects employee diversity. In addition, we provide ESG support for our partnering SME manufacturers and distributors as we work toward achieving mutual growth alongside them.

Our goal is to transform into a “total care” company built on a strong sense of responsibility that includes managing customers’ products across their entire lifecycles, encompassing purchase, disposal, and recycling. We provide a myriad of services including home appliance cleaning, house cleaning, repair, relocation, installation, reselling, and free disposal, all of which will minimize the negative impacts of our products on the environment and help us achieve sustainable growth with the support of our customers.

By practicing authentic ESG management and continuing to discover valuable activities that fully showcase our capabilities, we plan to keep doing everything we can to create a company where all stakeholders, including customers, employees, and partners, can grow together.

We hope you’ll stick with us and help us in our efforts to grow into a more sustainable LOTTE HIMART.  
Thank you.

June 2023  
CEO Chang Hee Nam



**Introduction**

CEO Message  
**About LOTTE HIMART**

ESG Fundamentals

Environmental

Social

Governance

Appendix

# About LOTTE HIMART

## Business Overview

### Home & lifestyle retailer to add pleasure and value to customers' lifestyles with smart products and service

LOTTE HIMART, Korea's No.1 home appliance supplier, has been dominating the domestic home appliance market as a category killer that offers a diverse range of global products. With over 400 retail stores nationwide and an online store, we provide a wider selection of products than any of our competitors in Korea. We sell more than 1,300 brands, including domestic ones such as Samsung Electronics and LG Electronics, as well as international manufacturers like Dyson and Electrolux. Moreover, we're at the forefront of sourcing brands from all around the world, offering consumers opportunities to experience various overseas brands. In these rapidly evolving times and environments, we aim to develop into a company that provides lifestyle suggestions for customers, enabling them to lead convenient and pleasant lives.

### Company Overview and Key Financial Performance

(As of December 2022)

<b>Company name</b>	LOTTE HIMART Co., Ltd.	<b>Total assets</b>	KRW 2,464.2 billion
<b>Type of business</b>	Wholesale and retail of home appliances	<b>Sales</b>	KRW 3,336.8 billion
<b>CEO</b>	Chang Hee Nam	<b>No. of employees<sup>1)</sup></b>	3,383
<b>Headquarters</b>	LOTTE HIMART Building, 156, Samseong-ro, Gangnam-gu, Seoul, Republic of Korea	<b>Domestic Credit Rating<sup>2)</sup></b>	AA-

1) The number of permanent and temporary employees, excluding part-time employees

2) NICE Information Service, Korea Investors Service (KIS), Korea Ratings





Recognized as the Most Loved Brand in Korea\*

**12** consecutive years



Recognized as the Most Trusted Brand in Korea\*

**13** consecutive years



Premium Brand Index\*

**10** consecutive years

\* As of 2022

# About LOTTE HIMART

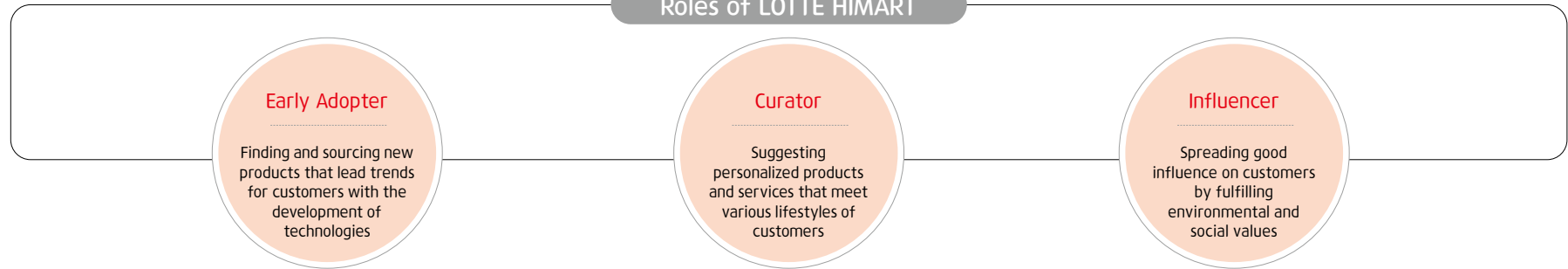
## Our Vision and Core Values

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.

Vision

**Home & lifestyle retailer to add pleasure and value to customers’ lifestyles with smart products and service**

### Roles of LOTTE HIMART



Business Policy



Core Values

### BEYOND CUSTOMER EXPECTATION

LOTTE's core values demonstrate the mindset and behavior required for our employees to achieve our mission and vision.

<b>CHALLENGE</b>	We focus on the essence of work and achieve higher-level goals through constant challenges.	<b>RESPECT</b>	We aim for a community based on trust by respecting different opinions, communicating, and respecting principles.	<b>ORIGINALITY</b>	We develop inimitable originality by quickly responding to changes and show boundless cooperation and out-of-the-box innovation.
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**Introduction**

CEO Message  
**About LOTTE HIMART**

**ESG Fundamentals**

**Environmental**

**Social**

**Governance**

**Appendix**

# About LOTTE HIMART

## 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

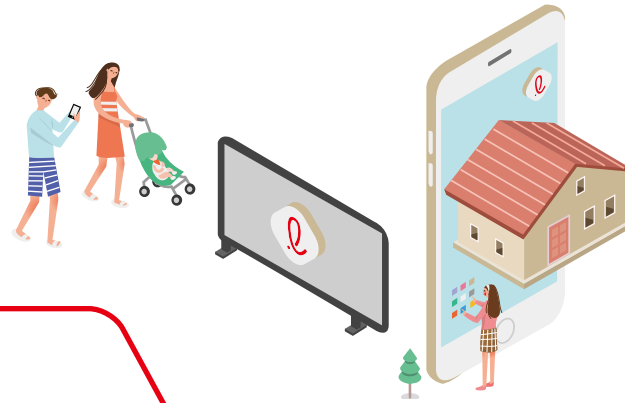
**2002. 10**  
Won the Korea Advertising Awards for Opera Ads

**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

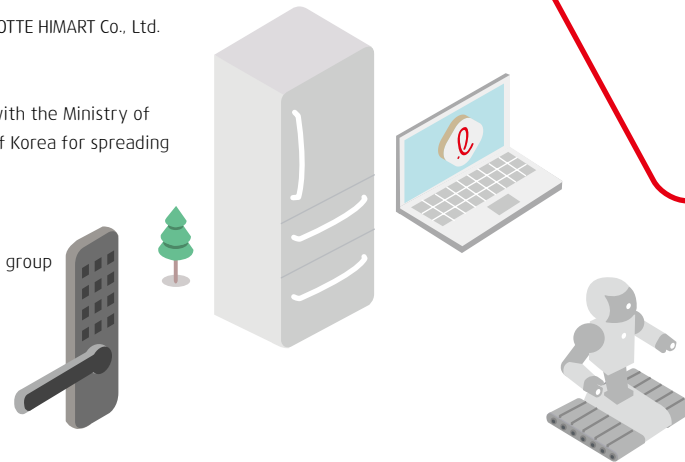
**2010. 12**  
Reached KRW 3 trillion of sales for the first time in the electronic distribution industry

**2011. 06**  
Listed on the stock market

**2012. 11**  
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. 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

### 2015~2019

**2020. 01**  
Opened "Mega-Store," an 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. 12**  
Published the first sustainability report, "For Your Family"

**2022. 07**  
Ranked as No. 1 for 10 consecutive years in the Premium Brand Index (KS-PBI) by Korean Standards Association

**2022. 12**  
Selected as a "Company with Excellent Governance" by the Korean Institute of Corporate Governance and Sustainability

### 2020~





**Introduction**

CEO Message  
**About LOTTE HIMART**

**ESG Fundamentals**

**Environmental**

**Social**

**Governance**

**Appendix**

# About LOTTE HIMART

## Private Brand and Services

### HIMADE

HIMADE is LOTTE HIMART's private brand that has achieved an annual average growth rate of over 20% since its launch in 2016. It directly handles product planning, development, quality assurance, and management, and has been working with excellent partners in Korea and abroad to launch a range of products. Having started with approximately 30 items in 2016, HIMADE has developed home appliances that reflect the various lifestyles of customers and now offers over 300 types of products, including televisions, refrigerators, air conditioners, massage chairs, kimchi refrigerators, kitchen appliances, and laptops. It will continue to launch reasonably-priced appliances with essential functions, increasing its market share.

### Homecare Service

With its professional workforce and equipment, Homecare Service provides an all-in-one home service for customers to enjoy healthy lifestyles using their home appliances and in their living spaces. The Homecare CS Master visits customers' houses in person, offering maintenance service for their home appliances as well as living items like mattresses and range hoods. Reflecting different consumer needs, it has also launched more detailed, customized services like Regular Care Service, Move-in Inspection, and Home Appliance Careship.

## HIMADE

Made by 롯데하이마트







**Introduction**

CEO Message  
**About LOTTE HIMART**

ESG Fundamentals

Environmental

Social

Governance

Appendix

# About LOTTE HIMART

## Sales Channels

### Stores

As of December 2022, we are operating 400 stores across the nation, satisfying different consumer needs and offering a customized shopping environment. In line with the changing consumption trend and commercial district, our stores allow visitors to experience premium home appliances as well as a range of entertainment and activities. We have also been running the Mega Store, an experience-oriented store packed with facilities, and, when necessary, carry out the closing or merging of stores for efficient management.

	<p><b>Road Shop</b> Standard HIMART stores focusing on home appliances</p>
<p><b>Mart Branch</b> IT and MD based on home appliances and characteristics of the mart</p>	
	<p><b>Mega Store</b> Dedicated areas for key brands, enhanced experience-based MD, and expanded our range of products</p>

### Online Store

LOTTE HIMART online store offers a variety of services and content, serving as a platform where we interact and transact with customers. To meet the varying needs of consumers, we've expanded our catalog by adding new product categories such as furniture and living items. Moreover, our online store is equipped with its own distribution centers as well as an exceptional delivery service, and its platforms like Hi Homes and Heart ON TV provide a joyful shopping experience through diverse content.

#### Major Content of Our Online Store

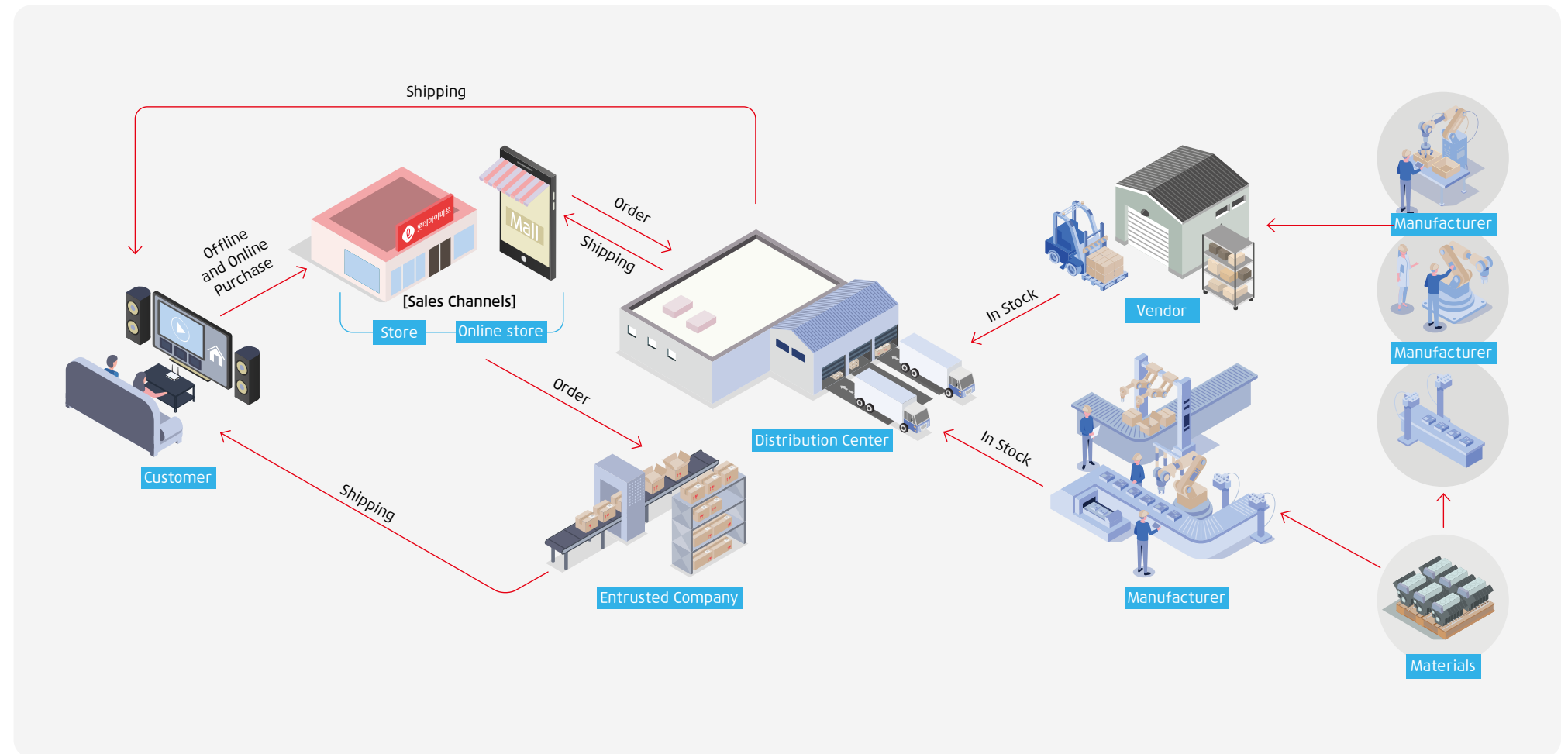
 <p><b>Hi Homes</b> An exclusive service center that provides shopping experiences and home living related services through customer participatory content</p>	 <p><b>Home Interior</b> A platform that provides interior information (e.g. interior cases and construction portfolios) and construction counseling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

# About LOTTE HIMART

## Value Chain of LOTTE HIMART

Through all stages of our value chain, including manufacturing, distribution, and store operation, we strive to minimize our negative impacts on the environment and society while expanding positive ones. Home appliances distributed by LOTTE HIMART are mostly warehoused through manufacturers or distribution companies (vendors) and then delivered to customers upon receiving orders from sales channels. In the case of the online store, products are sometimes directly shipped to the customer from entrusted companies.




 Introduction

 **ESG Fundamentals**

- ESG Management System
- Expansion of the ESG Management Culture
- Contribution to Achieving UN SDGs
- Stakeholder Engagement
- Double Materiality Assessment
- Material Issue Management Method
- 2022 ESG Highlights

 Environmental

 Social

 Governance

 Appendix



# ESG FUNDAMENTALS

<b>12</b>	ESG Management System
<b>14</b>	Expansion of the ESG Management Culture
<b>15</b>	Contribution to Achieving UN SDGs
<b>17</b>	Stakeholder Engagement
<b>18</b>	Double Materiality Assessment
<b>20</b>	Material Issue Management Method
<b>22</b>	2022 ESG Highlights

# ESG Management System

Introduction

**ESG Fundamentals**

**ESG Management System**

- Expansion of the ESG Management Culture
- Contribution to Achieving UN SDGs
- Stakeholder Engagement
- Double Materiality Assessment
- Material Issue Management Method
- 2022 ESG Highlights

Environmental

Social

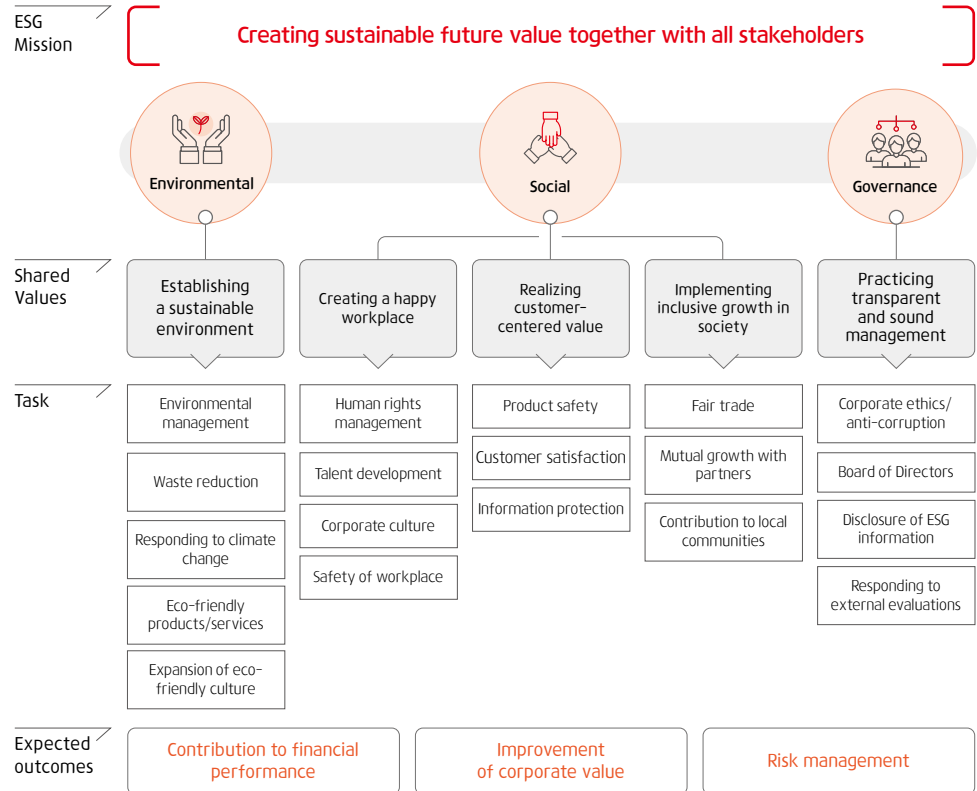
Governance

Appendix

## ESG Strategy System

In 2021, we established the organization structure for ESG management, followed by the formulation and implementation of ESG-oriented tasks in 2022, reinforcing our ESG management competency. With the aim of providing sustainable lives and values for all our shareholders, from customers and employees to partners, we chose 5 shared values: establishing a sustainable environment, creating a happy workplace, realizing customer-centered value, implementing inclusive growth in society, and practicing transparent and sound management. We also defined and are carrying out 19 tasks to achieve these values.

### ESG Strategy System



## MESSAGE

### ESG Committee Chairman's Message



ESG initiatives for a sustainable environment, a strong sense of social responsibility, and changes and innovations in governance have emerged as part of the new paradigm of corporate management. Today, a company is required to focus on ESG management to respond to the demands of its customers, partners, employees, and other shareholders. At LOTTE HIMART, ESG has always been at the center of our business philosophy as we actively endeavor to procure new growth engines and create value that will last long into the future. Our Board of Directors (BOD) and ESG Committee have systematically formulated ESG strategies and put specifically tailored tasks into action, already yielding meaningful results. The ESG Committee will remain committed to practicing ESG management as we believe that it is the path to the mutual growth of LOTTE HIMART and our shareholders as well as a sustainable future.

June 2023  
ESG Committee Chairman Hee-ok Lee

# ESG Management System

Introduction

**ESG Fundamentals**

## ESG Management System

- Expansion of the ESG Management Culture
- Contribution to Achieving UN SDGs
- Stakeholder Engagement
- Double Materiality Assessment
- Material Issue Management Method
- 2022 ESG Highlights

Environmental

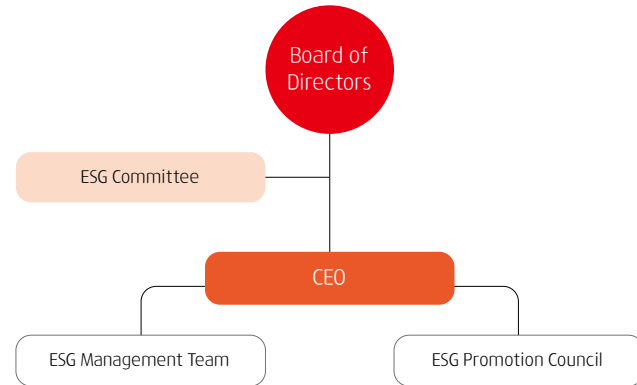
Social

Governance

Appendix

## ESG Management Organization

### ESG Management Structure



### ESG Committee

LOTTE HIMART founded the ESG Committee in September 2021 with the aim of implementing enterprise-wide ESG management. It consists of 2 external directors and 1 internal director, and the Chairperson was appointed from the external directors to ensure independence and objectivity. The ESG Committee reviews and approves the company's key decisions related to the environment, society, and governance while also managing non-financial risks. In addition, it reviews ESG strategies and direction, deliberates the relevant achievements and plans, then reports the results to the BOD.

In 2022, the Committee held 8 meetings in total to review and vote on material issues regarding the environment, society, and governance, as well as annual ESG plans for 2022. The committee also examined and reported on the achievements and plans of ESG management to the BOD.

### ESG Committee Meetings in 2022

No.	Date	Agenda
1	Feb. 07	• Reporting on the direction of ESG strategies
2	Feb. 28	• ESG-oriented management plans for 2023
3	Apr. 07	• Establishing anti-corruption/ethical management policies
4	May 25	• Establishing Human Rights Management • ESG trends among leading distribution companies in Korea and abroad
5	Jun. 23	• Revising the information protection policy      • Publishing the sustainability report
6	Jul. 21	• Enhancing employee education      • The status of customer service management
7	Aug. 04	• Eco-friendly product management and corresponding mid-to-long-term goals • Carbon emission management at the distribution stage and corresponding mid-to-long-term goals
8	Oct. 20	• Reporting on the roadmap for mid-to-long-term reduction of carbon emissions

### ESG Management Team

The ESG Management Team analyzes ESG-related requirements from shareholders and internal and external environments to manage risks and define ESG-oriented tasks. Furthermore, it regularly inspects relevant teams' activities and achievements regarding the ESG tasks, while ensuring the discussion of key issues through the ESG Committee. In 2022, the team conducted various education activities and campaigns to spread ESG management culture and raise awareness on ESG among employees.

### ESG Promotion Council

In 2022, LOTTE HIMART defined key tasks for enhancing ESG competency and began operating the ESG Promotion Council led by the leaders of the relevant teams to carry out the tasks. This has allowed the sharing of ESG strategies and cooperation, leading to advanced ESG management. The council set up detailed strategies for each task, such as planning eco-friendly product management, developing a human rights management policy, and revising the compliance policy, whose progress and achievements were assessed in monthly council meetings. The council's plans and achievements were discussed by the ESG Promotion Council, and the approved issues were then reported to the BOD.

# Expansion of the ESG Management Culture

- Introduction
- ESG Fundamentals**
- ESG Management System
- Expansion of the ESG Management Culture**
- Contribution to Achieving UN SDGs
- Stakeholder Engagement
- Double Materiality Assessment
- Material Issue Management Method
- 2022 ESG Highlights

- Environmental
- Social
- Governance
- Appendix

We can reinforce our ESG management only when all our employees recognize its necessity and direction. To help understand and raise awareness of ESG across the organization, we regularly conduct education and campaigns through various channels, including mobile education platforms, the internal portal, and emails.

## ESG Action Plan

To help employees recognize the necessity and strategic direction of ESG management and participate in the process, we have announced the 2022 LOTTE HIMART ESG Action Plan and declared the implementation of ESG with all employees.

## ESG Education

In 2022, we provided ESG education customized for each department. Those working at the offices of the headquarters and branches took online lectures to learn about not only the concept and necessity of ESG management but creative ways to apply ESG factors to their work. Sales employees attended two education sessions on our eco-friendly products and services in September and November 2022 through our mobile education platform.

## ESG Information Sharing

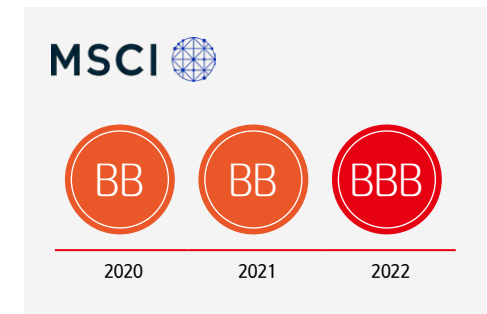
We send out a biweekly ESG newsletter called "LOTTE HIMART ESG Focus," which contains information related to ESG, to induce interest and build a consensus for ESG. With the belief that the leaders must change for our ESG management to gain momentum, we are now also sending "ESG Upgrade," an informative magazine, to the team leaders, executives, and directors every two weeks.

## ESG Action Campaigns

Every month, we choose a timely topic and launch a campaign that encourages employees to take action. On Mar. 22, 2022, a water conservation campaign was conducted to commemorate World Water Day. We promote energy-saving campaigns in summer and winter, proposing practical initiatives that employees can experience in their daily lives, with the aim of promoting active participation within the workplace.

## ESG Ratings

We've earned an A rating for the fifth consecutive year in the 2022 evaluation of the Korea Institute of Corporate Governance and Sustainability. In particular, the active risk monitoring by the BOD and the Committee's independent structure and exemplary management were highly recognized, winning us the Company with Excellent Governance certification.



# Contribution to Achieving UN SDGs

Introduction

ESG Fundamentals

- ESG Management System
- Expansion of the ESG Management Culture
- Contribution to Achieving UN SDGs**
- Stakeholder Engagement
- Double Materiality Assessment
- Material Issue Management Method
- 2022 ESG Highlights

Environmental






Social

Governance

Appendix

## UN SDGs Activities of LOTTE HIMART








We strive to contribute to the Sustainable Development Goals (SDGs) adopted at the 70th United Nations General Assembly in September 2015. With the motto of "Leave no one behind," the UN SDGs consist of 17 goals and 169 targets to be reached by 2030 for sustainable development of the economy, society, and environment. In our efforts to facilitate sustainable development, we embedded the UN SDGs in our ESG management and achieved 12 out of the 17 goals in 2022.

UN SDGs	UN SDGs Targets	Key Activities	Key Achievements
 <b>Goal 1.</b> No Poverty	1.3 Implement appropriate social protection systems and measures, and achieve a practical expansion of the coverage of vulnerable groups	<ul style="list-style-type: none"> <li>• Launched the "Three for Happiness" campaign, which sponsors and supports children raised by grandparents</li> <li>• Sent good-luck gifts for sponsored children who have been discharged from welfare facilities</li> <li>• Supported child abuse victims with voluntary donation from employees</li> </ul>	<ul style="list-style-type: none"> <li>• Donations raised for underprivileged children in 2022: KRW 180 million</li> <li>• No. of sponsored children legally discharged from welfare facilities in 2022: 39 beneficiaries</li> <li>• Amount of funds provided for child abuse victims: KRW 50 million</li> </ul>
 <b>Goal 3.</b> Good Health and Well-Being	3.4 Promote mental health and well-being through prevention and treatment	<ul style="list-style-type: none"> <li>• Provided a regular medical checkup service for employees</li> <li>• Operated HI-MIND, a personalized counseling program</li> <li>• Offered the app "Mindling" for employees' mental health management</li> </ul>	<ul style="list-style-type: none"> <li>• No. of medical checkup recipients: 4,528 (Including employees' family members)</li> <li>• HI-MIND counselling program: 12 participants, 25 counselling sessions</li> </ul>
 <b>Goal 4.</b> Quality Education	4.1 Ensure that all girls and boys complete free, equitable, and quality primary and secondary education leading to effective learning outcomes	<ul style="list-style-type: none"> <li>• Organized "Hi-Science Concert &amp; Science Class," where children can learn about scientific principles</li> </ul>	<ul style="list-style-type: none"> <li>• No. of beneficiaries of "Hi-Science Concert &amp; Science Class" in 2022: 981</li> </ul>
	4.4 Substantially increase the number of adults who have relevant skills, including technical and vocational skills, for decent jobs	<ul style="list-style-type: none"> <li>• Conducted the CS-master education for reinforcing service and competency</li> <li>• Operated the commissioned academy program to foster talent</li> <li>• Offered interview and job placement services for prospective retirees</li> <li>• Introduced the curator certification system to foster sales experts</li> </ul>	<ul style="list-style-type: none"> <li>• No. of employees who completed the commissioned academy program in 2022: 20</li> <li>• No. of sessions for the job placement service in 2022: 10</li> <li>• No. of employees who earned the curator certification: 15</li> </ul>
 <b>Goal 5.</b> Gender Equality	4.7 Ensure that all learners acquire the knowledge and skills needed to promote sustainable development through education	<ul style="list-style-type: none"> <li>• Took part in the E-Circularity School project to hold lectures on closed-loop recycling of electronic goods for middle and high school students</li> <li>• Provided ESG consulting for partners</li> </ul>	<ul style="list-style-type: none"> <li>• No. of schools that hosted close-loop recycling lectures: 9</li> <li>• No. of partners that received ESG consulting in 2022: 20</li> </ul>
	5.5 Ensure women's full and effective participation and equal opportunities for leadership in decision-making	<ul style="list-style-type: none"> <li>• Employed more female talent</li> </ul>	<ul style="list-style-type: none"> <li>• Proportion of female talent in 2022: 38.2%</li> </ul>
 <b>Goal 7.</b> Affordable and clean energy	7.1 Ensure universal access to modern energy services	<ul style="list-style-type: none"> <li>• Donated eco-friendly solar lanterns called "Solami" to Banh duc Elementary School in Vietnam.</li> </ul>	<ul style="list-style-type: none"> <li>• No. of eco-friendly solar lanterns donated in 2022: 100</li> </ul>
	7.3 Increase the improvement rate in energy efficiency	<ul style="list-style-type: none"> <li>• Replaced 6,378 lights at stores with high-efficiency LED lights</li> </ul>	<ul style="list-style-type: none"> <li>• Amount of power consumption reduced by switching to LED lights 845 kWh (About 39% less than before)</li> </ul>

# Contribution to Achieving UN SDGs

- Introduction
- ESG Fundamentals
- ESG Management System
- Expansion of the ESG Management Culture
- Contribution to Achieving UN SDGs
- Stakeholder Engagement
- Double Materiality Assessment
- Material Issue Management Method
- 2022 ESG Highlights

- Environmental
- Social
- Governance
- Appendix

UN SDGs	UN SDGs Targets	Key Activities	Key Achievements
 <b>Goal 8.</b> Decent Work and Economic Growth	8.3 Promote development-oriented policies that encourage the formalization and growth of micro-, small- and medium-sized enterprises	<ul style="list-style-type: none"> <li>Operated dedicated spaces where consumers can try innovative products of SMEs and startup companies</li> <li>Sponsored partnering SEMs' participation in IFA 2022 in Germany to help them pioneer new market channels overseas</li> <li>Held "Heart Live: SG's ESG" to support SME partners and small business owners</li> </ul>	<ul style="list-style-type: none"> <li>No. of Innovative Product Experience Zone launched in 2022: 5</li> <li>No. of products showcased in Innovative Product Experience Zone: 68</li> <li>No. of partners that attended IFA 2022: 15</li> </ul>
 <b>Goal 9.</b> Industry, Innovation and Infrastructure	9.1 Develop reliable, sustainable, and quality infrastructure to support economic development and human well-being  9.4 Upgrade industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes	<ul style="list-style-type: none"> <li>Opened a superspeed charging station for electric vehicles (EVs) using the Vanadium Ion Battery Energy Storage System (VIB ESS).</li> <li>HIMADE, a private brand of LOTTE HIMART, launched an eco-friendly kettle</li> <li>Expanded the use of eco-friendly packaging materials</li> </ul>	<ul style="list-style-type: none"> <li>Started operating a superspeed charging station for EVs at the Apgujeong store</li> <li>Materials used for HIMADE's eco-friendly kettle: PCR, 50% recycled environmentally-friendly plastics</li> <li>No. of products that used eco-friendly packaging materials in 2022: 118</li> </ul>
 <b>Goal 10.</b> Reduce Inequalities	10.2 Empower and promote the social and economic inclusion of all, irrespective of origin, sex, disability or other status	<ul style="list-style-type: none"> <li>Job-competency-oriented recruitment for diversity and equality</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of employees with disabilities in 2022: 3.41%</li> </ul>
 <b>Goal 12.</b> Sustainable Consumption and Production	12.5 Substantially reduce waste generation through prevention, reduction, recycling, and reuse	<ul style="list-style-type: none"> <li>Established a public-private collection system for waste home appliances</li> <li>Launched HI-Sugeohama, a project for collecting waste home appliances in local communities</li> <li>Conducted a zero-waste campaign to reduce the use of disposable goods</li> <li>Reinforced the management of scrap paper collection boxes in stores</li> <li>Offered a delivery-waste collection service</li> </ul>	<ul style="list-style-type: none"> <li>No. of waste home appliances collected in 2022: 30,707 tons</li> <li>Amount of waste recycled in 2022: 4,277 tons</li> </ul>
 <b>Goal 13.</b> Climate Action	13.2 Integrate climate change measures into strategies and planning	<ul style="list-style-type: none"> <li>Built the Net-Zero Strategy roadmap to achieve 2040 Net-Zero</li> <li>Operated store parking lots as shared parking through collaboration with a car-sharing company, in order to reduce carbon emissions</li> </ul>	<ul style="list-style-type: none"> <li>Carbon emissions reduced by running parking lots for shared cars: About 50 tons</li> </ul>
 <b>Goal 15.</b> Life on Land	15.1 Ensure the conservation and sustainable use of terrestrial and inland freshwater ecosystems	<ul style="list-style-type: none"> <li>Hosted a plogging event with customers</li> </ul>	<ul style="list-style-type: none"> <li>No. of plogging event participants: About 50</li> </ul>
 <b>Goal 16.</b> Peace, Justice, and Strong Institutions	16.5 Substantially reduce corruption and bribery in all their forms	<ul style="list-style-type: none"> <li>Conducted a compliance program and in-house fair trade education</li> <li>Reinforced the ethics and compliance system</li> <li>Carried out internal and external surveys on ethical management and identified what needs to be improved</li> <li>Operated a channel for employees and partners to report unethical actions</li> </ul>	<ul style="list-style-type: none"> <li>No. of education sessions on fair trade: 2</li> <li>Total score of ethics diagnosis of partners in 2022: 96.8</li> </ul>



# Stakeholder Engagement

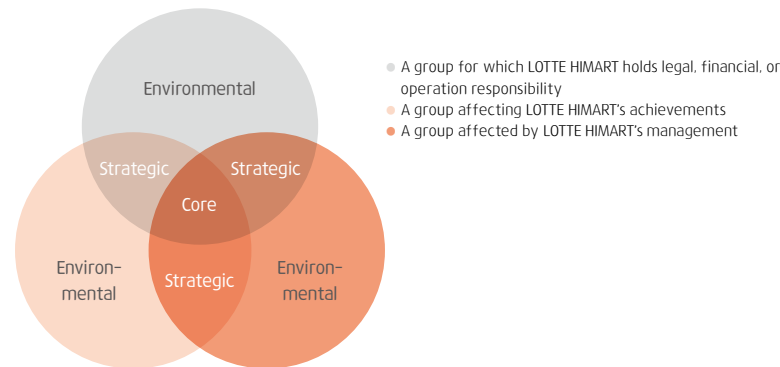
- Introduction
- ESG Fundamentals**
- ESG Management System
- Expansion of the ESG Management Culture
- Contribution to Achieving UN SDGs
- Stakeholder Engagement**
- Double Materiality Assessment
- Material Issue Management Method
- 2022 ESG Highlights

- Environmental
- Social
- Governance
- Appendix

## LOTTE HIMART Stakeholder Engagement Policy

We recognize the importance of communicating with our stakeholders for sustainable management and are strongly committed to meeting their expectations. In accordance with the criteria proposed by ISO 26000, we categorize our stakeholders based on their legal, financial, and operation responsibility and influence, dividing them into three types: core stakeholders, strategic stakeholders, and environmental stakeholders. Our key shareholders include employees, customers, partners, government, and government-related organizations, stakeholders, investors, and local communities. To ensure authentic interactions with our key stakeholders, we are operating communication channels both online and offline considering the characteristics of each stakeholder group, whose interested issues and opinions are then reflected in our management activities. We will continue to sincerely communicate with our stakeholders to maintain a healthy, trusting relationship.

### Mapping & Grouping of Stakeholders



Category	Definition	Stakeholder Group
Core Stakeholders	Stakeholders essential for the company's survival	Employees, customers, partners
Strategic Stakeholders	Stakeholders essential for the company to respond to certain issues	Government, government-related organizations, shareholders, investors, and local communities
Environmental Stakeholders	Those other than core or strategic stakeholders	Media, socially disadvantaged, peer groups, experts

\* Key stakeholders: Core and strategic shareholders

### Communication channels and key issues by key stakeholder groups

	Key Issue	Communication Channel	Action Taken
<b>Employees</b>	<ul style="list-style-type: none"> <li>Welfare benefits for employees</li> <li>Taking the opinions from field workers</li> <li>Suggesting and sharing work ideas</li> <li>Respecting human rights</li> </ul>	<ul style="list-style-type: none"> <li>Labor-Management Committee (quarterly)</li> <li>Junior Board (quarterly)</li> <li>Intranet (regular)</li> <li>Grievance handling center (regular)</li> </ul>	<ul style="list-style-type: none"> <li>Operated welfare programs for work-life balance</li> <li>Strengthened communication with employees</li> <li>Opened a reporting center for human rights violations</li> </ul>
<b>Customer</b>	<ul style="list-style-type: none"> <li>Customer-oriented products and services</li> <li>Respecting customer opinions</li> <li>Improving customer engagement</li> <li>Personal-data protection</li> <li>Product and store information</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction survey (for every purchase)</li> <li>VOC channels - stores, customer service center, online bulletin board (regular)</li> </ul>	<ul style="list-style-type: none"> <li>Reinforced products and services reflecting customer opinions</li> <li>Created a manual for handling customer complaints</li> <li>Strengthened data security</li> </ul>
<b>Partners</b>	<ul style="list-style-type: none"> <li>Financial/educational support</li> <li>Stronger mutual cooperation</li> <li>More sales channels</li> </ul>	<ul style="list-style-type: none"> <li>Outreach meetings (regular)</li> <li>Mutual growth meetings (every year)</li> </ul>	<ul style="list-style-type: none"> <li>Provided financial support (e.g. mutual growth funds)</li> <li>Helped develop skills (e.g. mutual growth academy, consulting service)</li> <li>Expanded online/offline sales channels</li> </ul>
<b>Government and government-related agencies</b>	<ul style="list-style-type: none"> <li>Discussions on compliance with environmental laws and relevant issues (e.g. waste home appliance collection)</li> <li>Social contribution</li> </ul>	<ul style="list-style-type: none"> <li>Public hearing from Ministry of Environment and Environment Corporation (quarterly)</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with environment-related laws</li> <li>Established a public-private collection system for waste home appliances</li> <li>Collected waste home appliances in local communities</li> </ul>
<b>Shareholders and Investors</b>	<ul style="list-style-type: none"> <li>Transparent disclosure of information</li> <li>Corporate value improvement</li> <li>Sound governance</li> <li>Risk management</li> </ul>	<ul style="list-style-type: none"> <li>Regular shareholders' meeting</li> <li>Temporary shareholders' meeting (irregular)</li> <li>Publicly available data (regular)</li> <li>Domestic NDR (quarterly)</li> <li>Company briefings (irregular)</li> </ul>	<ul style="list-style-type: none"> <li>Transparent disclosure of management</li> <li>Reinforced risk management process</li> </ul>
<b>Local Communities</b>	<ul style="list-style-type: none"> <li>Expanding social contribution</li> <li>Mutual growth with local communities</li> </ul>	<ul style="list-style-type: none"> <li>Charlotte Volunteer Group (regular)</li> <li>Sponsorships for children raised by grandparents (regular)</li> </ul>	<ul style="list-style-type: none"> <li>Developed and executed social contribution programs</li> </ul>

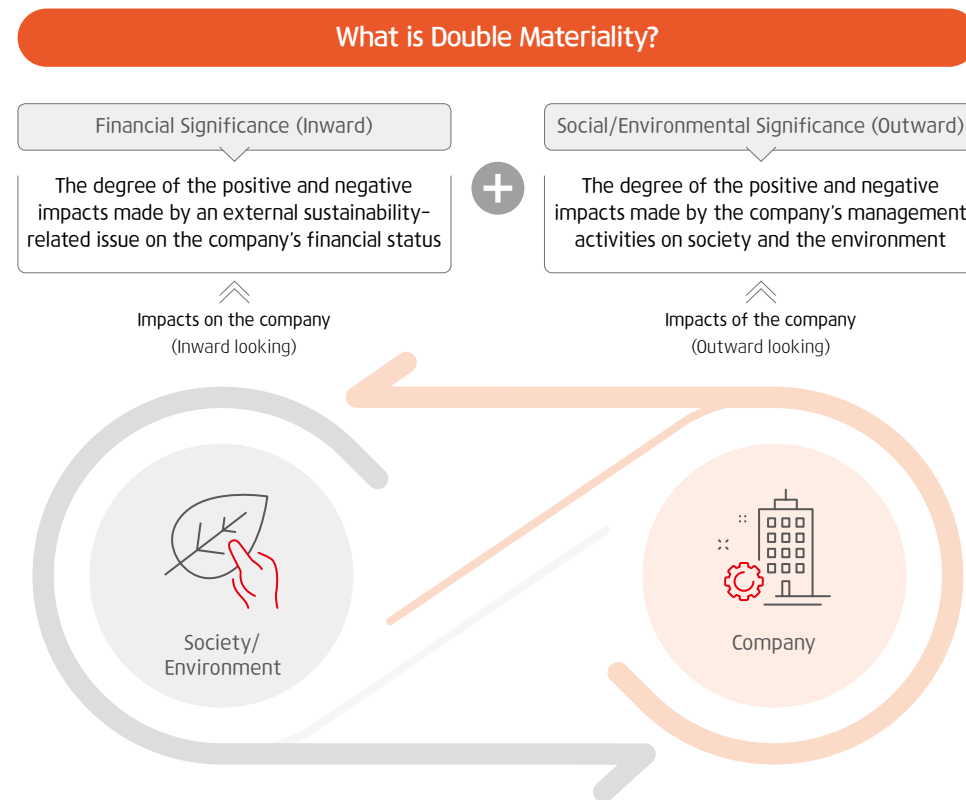
# Double Materiality Assessment

- Introduction
- ESG Fundamentals**
- ESG Management System
- Expansion of the ESG Management Culture
- Contribution to Achieving UN SDGs
- Stakeholder Engagement
- Double Materiality Assessment**
- Material Issue Management Method
- 2022 ESG Highlights

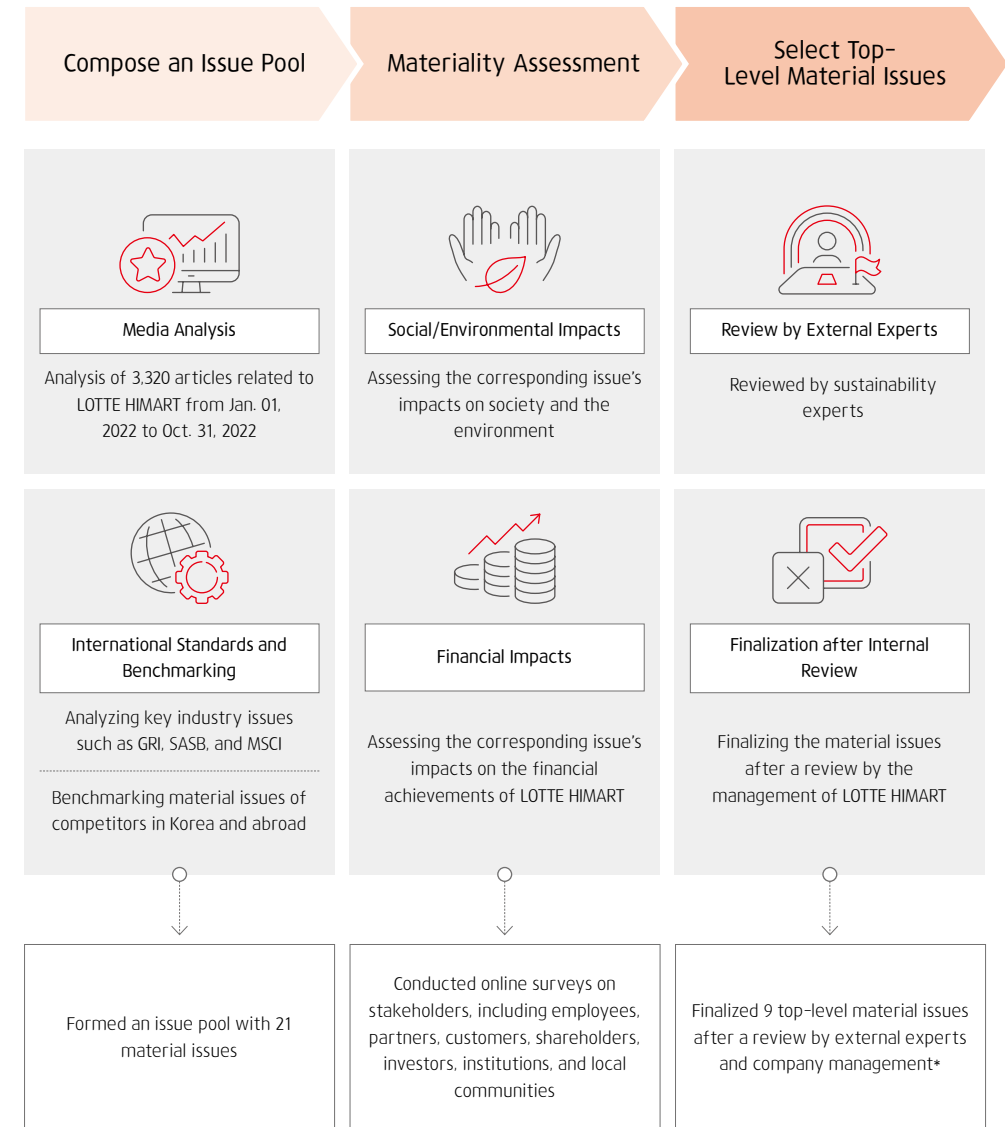
- Environmental
- Social
- Governance
- Appendix

## Materiality Assessment Overview

We conduct a materiality assessment every year to identify key issues in the ESG sector and transparently communicate with stakeholders. For Sustainability Report 2022, we performed a double materiality assessment, which has emerged as a key concept in non-financial disclosure standards across the world. A double materiality assessment considers the impact materiality and financial materiality of social and environmental factors when assessing a company's key sustainability issues. This approach has allowed us to collect opinions from stakeholders and identify top-level material issues, based on which we composed the content of this report. Through this process, we aimed to deliver relevant information and communicate with stakeholders.



## Materiality Assessment Process



\* The ESG Committee and BOD review the process and results of the materiality assessment every year

# Double Materiality Assessment

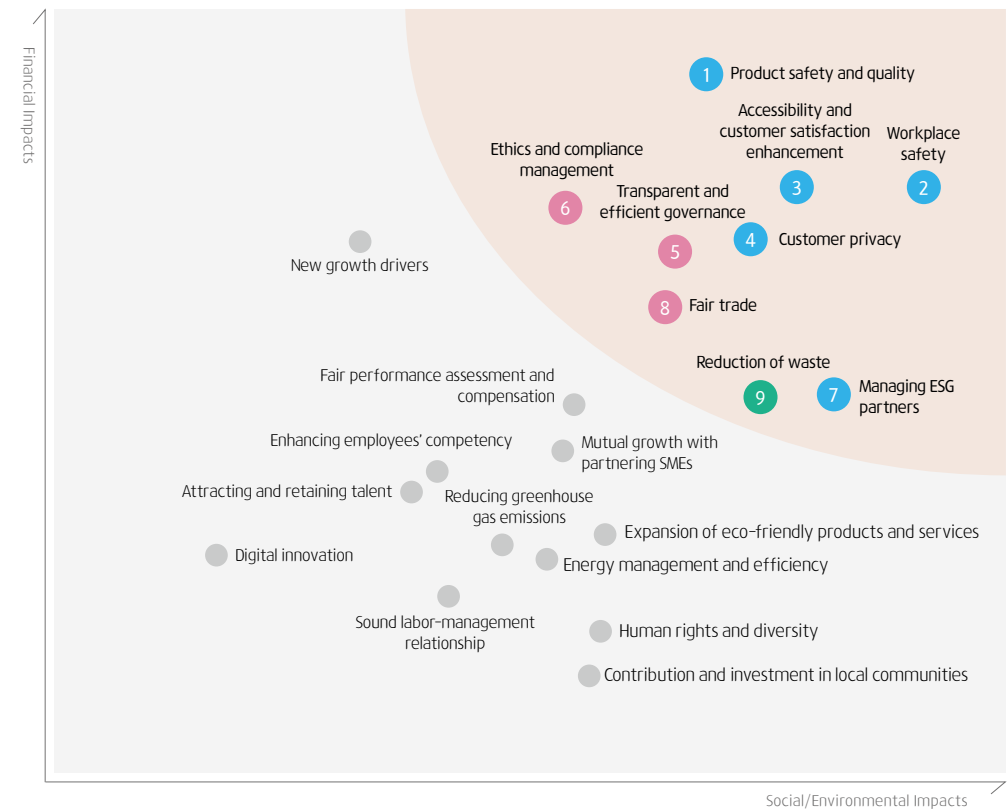
## Double Materiality Assessment Results

9 out of the 21 issues were selected as the top-level material issues after validating the effectiveness of materiality impact of social/environmental and financial materiality. LOTTE HIMART's ESG activities and achievements for each issue are transparently disclosed throughout this report.



No.	Top-Level Material Issue	Compared to 2021	GRI Content Index
1	Product safety and quality	▲ 4	GRI 416
2	Workplace safety	New	GRI 403
3	Accessibility and customer satisfaction enhancement	▲ 4	Non-GRI
4	Customer privacy	▼ 4	GRI 418
5	Transparent and efficient governance	▼ 1	Non-GRI
6	Ethics and compliance management	▼ 3	GRI 205
7	Managing ESG partners	New	GRI 308, 414
8	Fair trade	New	GRI 206
9	Reduction of waste	▼ 7	GRI 306

Double Materiality Assessment Matrix



Introduction

**ESG Fundamentals**

- ESG Management System
- Expansion of the ESG Management Culture
- Contribution to Achieving UN SDGs
- Stakeholder Engagement
- Double Materiality Assessment**
- Material Issue Management Method
- 2022 ESG Highlights

Environmental



Social

Governance

Appendix





# Material Issue Management Method

- |
- |
- |
- Introduction
- ESG Fundamentals**
- ESG Management System
- Expansion of the ESG Management Culture
- Contribution to Achieving UN SDGs
- Stakeholder Engagement
- Double Materiality Assessment
- Material Issue Management Method**
- 2022 ESG Highlights
- Environmental
- Social
- Governance
- Appendix

Category	Context & Our Approach	Key Performance	Next Plans
 <b>Product safety and quality</b>	<p>Product safety and quality are key competitiveness that directly affects the company's achievements and also are the most important factors of ESG management. LOTTE HIMART carefully inspects and manages all products and services to ensure their safety and quality. In particular, our PB products undergo over 7 types of tests per stage for a thorough inspection of performance, safety, and potential danger.</p>	<ul style="list-style-type: none"> <li>Introduced safety-certification-data management system for PB products (Computerized management of required certification data such as KC, electromagnetic waves, energy efficiency, and manuals)</li> <li>Provided quality management support for partners</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced the defect analysis system to improve the quality of PB products</li> <li>Reinforced the product quality inspection process</li> </ul>
 <b>Workplace safety</b>	<p>Workplace safety is receiving a growing amount of attention in society, alongside the reinforced regulations related to occupational safety and health, such as the Serious Accidents Punishment Act. In our efforts to create a safe workplace, we identify and eliminate in advance risk factors that might lead to accidents, while establishing a voluntary safety management system in our business sites through the Safety Inspection Day campaign, risk assessment, and so forth. Furthermore, we are reinforcing the relevant training so that all our employees care for their safety and comply with safety rules.</p>	<ul style="list-style-type: none"> <li>Reinforced the safety inspection process in all business sites</li> <li>Held Occupational Safety and Health Committee meetings every quarter</li> <li>Conducted the Safety Inspection Day campaign every month</li> <li>Conducted pre-construction on-site safety assessment</li> <li>Carried out risk assessment in all business sites</li> <li>Placed a safety manager in every region</li> <li>Operated the Safe Master certification system</li> </ul>	<ul style="list-style-type: none"> <li>Inspecting and improving high-risk factors</li> <li>Conducting training sessions customized for each business site through the Safety Training Month campaign</li> <li>Broadening the Safe Master system (managers → all employees)</li> <li>Expanding safety training programs for employees</li> </ul>
 <b>Accessibility and customer satisfaction enhancement</b>	<p>Customer-oriented management is an essential element of business strategies since customer satisfaction affects the company's brand value. The rapid changes in trends also require corporations to continuously reinforce their capacity to meet customers' expectations. As reflected in our core values, "Beyond Customer Expectation: Not satisfied with merely meeting customer needs, we create value that exceeds customer expectations." LOTTE HIMART places the utmost priority on customer satisfaction throughout the customer journey, from product and service development and marketing to after-sales service. In particular, we are committed to diversifying products and stores, reinforcing installation/shipping services, providing professional consultation, and expanding potential customer contact points.</p>	<ul style="list-style-type: none"> <li>Provided customer service education for all employees</li> <li>Conducted customer service competency assessment twice a year</li> <li>Monitored all stores without prior warning to inspect customer service and improve shortcomings</li> <li>Launched claim-prevention activities through VOC analysis and sharing the relevant cases</li> <li>Provided kindness education for installation engineers every month</li> <li>Offered installation education upon every product launch</li> </ul>	<ul style="list-style-type: none"> <li>Improving the VOC processing system for faster resolution</li> <li>Revising the customer satisfaction survey to collect in-depth opinions</li> <li>Improving customer service by providing consultation for stores</li> </ul>
 <b>Customer Privacy</b>	<p>The recent advances in cyber attacks are threatening the company's reliability as well as sustainable management. In response to such threats to information protection, LOTTE HIMART is continuously reinforcing the relevant management system and has formulated preventive and responsive measures for accidents. We earned and are maintaining the Information Security Management System (ISMS) certification, and as a result of conducting regular training on the issue, our employees have a high level of security awareness overall.</p>	<ul style="list-style-type: none"> <li>Disclosed the obligation to protect information</li> <li>Established internal/external inspection systems</li> <li>Raised awareness on information protection (Security News, Information Security Day event)</li> <li>Adhered to the Personal Information Protection Act and other relevant regulations</li> </ul>	<ul style="list-style-type: none"> <li>Reinforcing site and partner inspection</li> <li>Improving the monitoring process</li> <li>Designing personalized education on information protection</li> </ul>
 <b>Transparent and Efficient Governance</b>	<p>As establishing a sound governance system leads to successful management of the company, an increasing number of stakeholders are showing interest in governance and its assessment. For transparent and efficient governance, our BOD places importance on expertise and independence at all times, from recommending director candidates to the management and evaluation of the Board.</p>	<ul style="list-style-type: none"> <li>Appointed 1 female external director</li> <li>Ensured the separate election of 1 Audit Committee member</li> <li>Appointed all committee chairpersons in the BOD from external directors</li> </ul>	<ul style="list-style-type: none"> <li>Managing the BOD based on exemplary standards</li> <li>Reinforcing the BOD evaluation</li> <li>Appointing all committee members from external directors</li> </ul>

# Material Issue Management Method

- |
- |
- |
- Introduction
- ESG Fundamentals**
- ESG Management System
- Expansion of the ESG Management Culture
- Contribution to Achieving UN SDGs
- Stakeholder Engagement
- Double Materiality Assessment
- Material Issue Management Method**
- 2022 ESG Highlights
- Environmental
- Social
- Governance
- Appendix

Category	Context & Our Approach	Key Performance	Next Plans
 <b>Ethics and compliance management</b>	<p>In modern society, ethics and compliance management enhance corporate value and play a key role in its continued growth. A company's success no more solely depends on its achievements, and it's becoming more and more important to gain social trust in the aspect of ethical awareness. To keep up with this change, we are reinforcing the ethics and compliance system by emphasizing "transparent management" in our efforts to realize our vision to be a "home &amp; lifestyle retailer to add pleasure and value to customers' lifestyles with smart products and service." By choosing law-abiding conduct and socially acceptable ethical standards, we take the lead in gaining unwavering trust from customers, partners, employees, and other stakeholders.</p>	<ul style="list-style-type: none"> <li>• Conducted regular/special audits and took measures for unethical conduct that was identified</li> <li>• Operated and improved data monitoring system to prevent underhand sales activities</li> <li>• Raised ethical awareness of employees through offline/online education</li> </ul>	<ul style="list-style-type: none"> <li>• Improving enterprise-wide sales and audit processes</li> <li>• Analyzing major accident types to develop a prevention system, remove blind spots in data inspection, and prevent high-risk accidents</li> <li>• Expanding education recipients to non-executive employees to build a stronger consensus about ethical management</li> </ul>
 <b>Managing ESG partners</b>	<p>Changes in the global management environment and the increasing need for partner-related risk management have prompted companies worldwide to strengthen their partners' ESG, as evident in the legislation of supply chain due diligence in EU countries. Since the products and services of LOTTE HIMART are provided to customers through our SME partners, we have been actively working to manage their ESG. In particular, in our efforts to reinforce our partners' ESG competency, we launched the ESG support project, where we develop customized ESG indices for them to meet the global ESG management requirement standards and share advice for improving work sites.</p>	<ul style="list-style-type: none"> <li>• Conducted management and prevention activities for key partners (Serious Accidents Punishment Act, labor laws, etc.)</li> <li>• Managed partners' ESG risks related to the environment, labor, safety, ethics, etc.</li> <li>• Developed ESG index for partners and distributed ESG guidelines</li> <li>• Held online ESG education (completed by 70 companies)</li> <li>• Attracted investors for partners and reinforced their fund-raising competency</li> </ul>	<ul style="list-style-type: none"> <li>• Providing ESG education for more partners</li> <li>• Expanding partner consultation (Aiming to earn the Outstanding ESG certification from the National Commission for Corporate Partnership)</li> </ul>
 <b>Fair Trade</b>	<p>Performing fair trade is a prerequisite for a company to gain the trust of partners, customers, shareholders, and investors. With the aim of growing together with our diverse partners, we have strengthened fairness and transparency in our trade and are fully committed to preventing unfair practices that may occur during the trading process. To this end, we've introduced and are actively running the Compliance Program (CP), through which we conduct regular education on fair trade and established a regular monitoring system. In addition, all our employees have now pledged to compliance.</p>	<ul style="list-style-type: none"> <li>• Operated a systematic education program on fair trade                             <ul style="list-style-type: none"> <li>- Regular education session for all employees (at least once a year)</li> <li>- Special education for each position (throughout the year)</li> </ul> </li> <li>• Distributed management guide on internal trade and conducted monitoring</li> <li>• Monitored fair-trade issues at all times</li> <li>• Operated the fair-trade reporting center</li> </ul>	<ul style="list-style-type: none"> <li>• Revising the fair-trade guide and systemizing the education program for employees</li> <li>• Reinforcing site visits and monitoring of computerized systems (headquarters/stores)</li> <li>• Expanding fair trade campaigns</li> </ul>
 <b>Reduction of waste</b>	<p>The increased online purchases due to COVID-19 have led to rapid growth in waste, destroying the environment and threatening even our living places and health. The heavy metals contained in e-waste in particular present health hazards, while mining rare metals for electronic goods leads to serious environmental destruction and violation of children's human rights. In response to this, as a home appliance retailer, we offer a free collection service for waste home appliances with the aim of reducing e-waste. We collect waste home appliances of all sizes free of charge and dispose of them following an eco-friendly procedure. In addition, we immediately collect all packaging waste, such as cardboard and polystyrene, during the shipping and installation process, recycling and disposing of them for closed-loop recycling. We will continue to maintain and expand this cycle of waste management and circulation.</p>	<ul style="list-style-type: none"> <li>• Established a public-private collection system for waste home appliances</li> <li>• Launched the waste electronics collection campaign</li> <li>• Developed a management and circulation cycle for shipping/installation waste. (Waste collected by the CS Master → Sent to the local distribution center → recycling partners)</li> </ul>	<ul style="list-style-type: none"> <li>• Reinforcing waste home appliance collection</li> <li>• Maintaining and expanding the cycle of waste management and circulation</li> </ul>

# 2022 ESG Highlights

Introduction

**ESG Fundamentals**

- ESG Management System
- Expansion of the ESG Management Culture
- Contribution to Achieving UN SDGs
- Stakeholder Engagement
- Double Materiality Assessment
- Material Issue Management Method
- 2022 ESG Highlights**

Environmental

Social

Governance

Appendix



**Launch of Eco-Friendly  
PB Products**



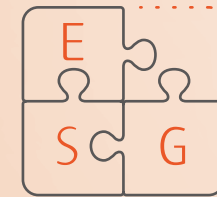
**Charter for Human  
Rights Management**



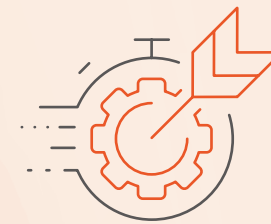
**Reinforcement of  
Information Protection  
Policy**



**Selected as a "Company with  
Excellent Governance"**  
by the Korean Institute  
of Corporate Governance and Sustainability



**ESG Support Projects for  
Partners**



**Full Operation of ESG  
Committee**


 Introduction

 ESG Fundamentals

 **Environmental**

Environmental Management Growth  
Eco-Friendly Products and Services  
Contribution to Closed-Loop Recycling  
Response to Climate Change

 Social

 Governance

 Appendix



# ENVIRONMENTAL

- 24** Environmental Management Growth
  - ESG Management System
  - Expansion of Eco-Friendly Culture
- 28** Eco-Friendly Products and Services
  - Eco-Friendly Products
  - Eco-Friendly Services
- 31** Contribution to Closed-Loop Recycling
  - Waste Generation Reduction
- 34** Response to Climate Change
  - TCFD Report
  - Energy and Greenhouse Gas Management

# Environmental Management Growth

- Introduction
- ESG Fundamentals
- Environmental**
- Environmental Management Growth
  - Eco-Friendly Products and Services
  - Contribution to Closed-Loop Recycling
  - Response to Climate Change
- Social
- Governance
- Appendix

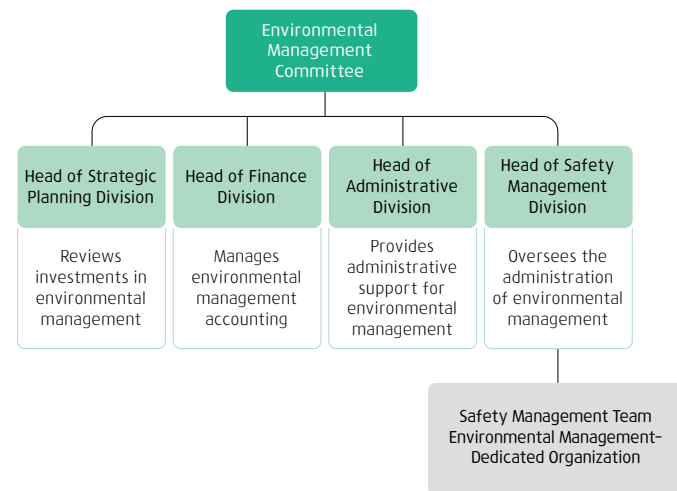
## Environmental Management System

### Environmental Management Committee

We are actively pursuing effective environmental management through the operation of our Environmental Management Committee. With the CEO as the Committee Chairperson and each department's executives as committee members, it strives to make prompt decisions on the relevant issues and efficiently put them into practice.

The Environmental Management Committee places the utmost priority on the environment in the enterprise-wide decision-making process and sets out strategies and direction for environmental management. In addition, the Committee regularly evaluates our achievements in environmental management, providing full support for its systematic operation.

Furthermore, issues and achievements discussed in the Environmental Management Committee are regularly reviewed and managed also by the BOD.



### Environmental Management-Dedicated Organization

Our Safety Management team specializes in reducing environmental impacts and executing environmental management. In collaboration with the relevant departments, it develops eco-friendly goals and plans in order to systemize our environmental management system and enhance performance.

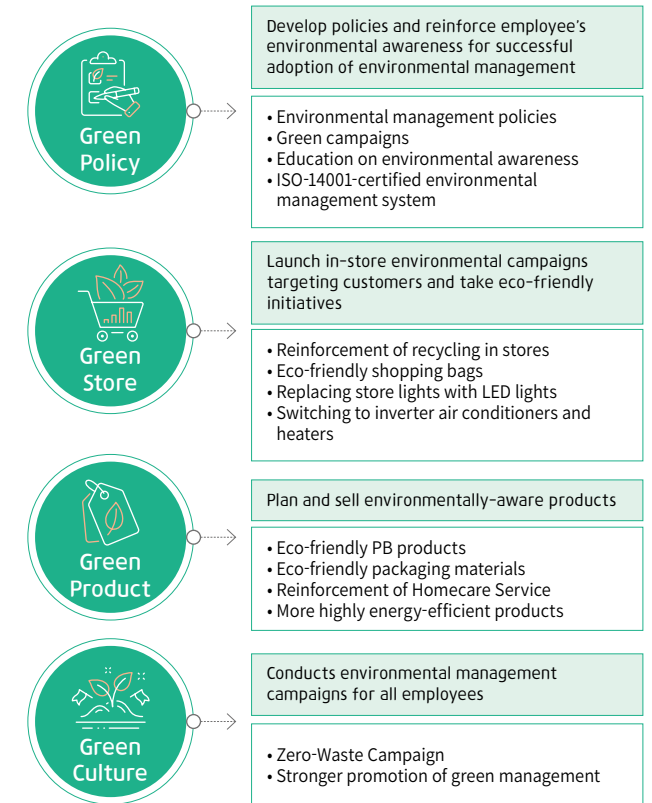
### ISO 14001 Environmental Management System Certification

We acquired the ISO 14001 certification in August 2021, the environmental management system of the highest level developed by the International Organization for Standardization (ISO), and are continuously improving our environmental management system to maintain this certification. This has allowed us to establish an internal process for identifying and assessing major environmental risks and opportunities and conduct the environmental management system in all business sites.

### Environmental Management Strategies

Established in March 2021, our 4-Green promotional strategy has now become even more advanced. It sets out detailed tasks for each of our 4 environmental tasks: policy, store, products, and culture. Additionally, we conduct regular achievement evaluations.

#### The 4-Green Promotional Strategy





# Environmental Management Growth

- |
- |
- |
- Introduction
- ESG Fundamentals
- Environmental**
- Environmental Management Growth
  - Eco-Friendly Products and Services
  - Contribution to Closed-Loop Recycling
  - Response to Climate Change
- Social
- Governance
- Appendix

## Environmental Management Policy

Since developing the environmental management policy in 2021, we've embodied environmental awareness across our activities, taking the lead in realizing environmental management.

The policy enables us to not just share our visions and plans for environmental management with employees but also to encourage them to come up with their own solutions and evaluate their performances.

Furthermore, we spare no effort in providing full support for our partners to participate in environmental management, not limited to our company alone. We believe such efforts will uphold the value of mutual growth and continue to build sustainable partnerships.

**Environmental Management Policy**

We strive to practice green management with employees, customers, and partners, to minimize our impact on the environment and efficiently consume energy, with the aim of sustainable development.

- All employees aim to reduce their energy consumption and impacts on the environment by performing their respective roles in environmental management regarding the environment and energy.
- We fulfill our social duties related to environmental protection and diligently comply with domestic laws as a sustainable company.
- We develop green goals and action plans and assess the relevant achievements for continuous improvement.
- We provide material resources required for green management and operate a systematic management system to improve our achievements.
- We share our guidelines and offer program-related assistance for our partners to help them participate in green management, pursuing mutual growth with them and responsible management.
- We efficiently reduce the amount of resources and energy consumed in sales activities and strive to purchase, distribute, and manufacture eco-friendly products.

## Environmental Management Information System

We joined the Environmental Management Information System (EMIS) in 2022, openly sharing verified data about our environmental management. By disclosing reliable environmental information, the EMIS aims to hold active discussions on the issue with the public and promote environmental management across society. In December 2022, we disclosed 13 types of environmental management information, including energy consumption and the amount of recycled waste. Starting with our first public disclosure in 2022, we plan to voluntarily disclose the status of our investments in renewable energy and greenhouse gas reduction, and enhance our reliability and transparency. In addition, the disclosure scope will be expanded to include distribution centers and sales sites, not just headquarters. We will remain committed to reinforcing our environmental performance and investment through transparent information management.

## Responsive Strategies for Major Environmental Issues

Under the direction of our executives, we identify and assess in advance major environmental risks and opportunities that may have a great impact on our management, which are then regularly reviewed and controlled by the BOD. We have selected climate change, closed-loop recycling, harmful-substance management, and water resources management as the major environmental issues, integrating them into our enterprise-wide activities to take strategic actions.

Major Environmental Issues	Risks	Opportunities	Mid-to-long-term Goals	Responsive Strategies
Climate Change	<ul style="list-style-type: none"> <li>• Increased energy costs</li> <li>• Recovery costs and business losses in the event of a natural disaster</li> <li>• Increased investment costs for greenhouse-gas-reduction equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Increased sales of seasonal products such as air conditioners, air purifiers, and dryers</li> <li>• Boosting sales by focusing on selling highly energy-efficient products</li> <li>• Reduction of mid-to-long-term energy costs by using equipment with high energy efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Achieving Net-Zero (2040)</li> </ul>	<ul style="list-style-type: none"> <li>• Launch of energy-saving campaigns</li> <li>• Regular natural disaster response training and risk assessment</li> <li>• Promotions to reinforce accessibility of eco-friendly products through eco-friendly special sales</li> </ul>
Closed-loop Recycling	<ul style="list-style-type: none"> <li>• Increased costs for recycling waste home appliances</li> <li>• Increased costs for waste disposal</li> </ul>	<ul style="list-style-type: none"> <li>• Increased potential customers and sales through waste home appliance collection</li> <li>• Improved customer satisfaction by providing a free collection service for waste home appliances</li> <li>• Establishing green brand image</li> <li>• Reduced costs by reusing waste (cardboard, plastics, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Collecting at least 45% of waste home appliances</li> <li>• Recycling 100% of waste</li> </ul>	<ul style="list-style-type: none"> <li>• Concluding E-Cycle Governance MOU</li> <li>• Launch waste electronics collection campaign</li> <li>• Reinforcing the MOT for waste home appliance collection</li> <li>• Reduction of waste through zero-waste campaigns</li> <li>• Cost reduction through an integrated waste management system</li> </ul>
Harmful Substance Management	<ul style="list-style-type: none"> <li>• Brand image damage and environmental recovery costs due to the leakage of harmful substances</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive environmental management by preventing the leakage of harmful substances</li> </ul>	<ul style="list-style-type: none"> <li>• 0 leakage of harmful substance</li> </ul>	<ul style="list-style-type: none"> <li>• Regular inspections of equipment to prevent the leakage of harmful substances</li> </ul>
Water Resources Management	<ul style="list-style-type: none"> <li>• Increased water usage costs</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced mid-to-long-term costs by using water-saving equipment</li> </ul>	<ul style="list-style-type: none"> <li>• 5% reduction in water usage intensity*</li> </ul>	<ul style="list-style-type: none"> <li>• Enforcement of water-saving campaigns</li> <li>• Water-saving equipment</li> </ul>
Environmental Laws and Regulations	<ul style="list-style-type: none"> <li>• Brand image damage in the event of a violation</li> <li>• Fines imposed in the event of a violation</li> </ul>	<ul style="list-style-type: none"> <li>• Reinforced environmental management</li> <li>• Prevention of brand image damage and legal risks due to violations</li> </ul>	<ul style="list-style-type: none"> <li>• 0 legal violation</li> </ul>	<ul style="list-style-type: none"> <li>• Self-inspections and regular verifications by external organizations</li> </ul>

\* Not managed because our impact on the quality of discharged water is very limited.

# Environmental Management Growth

- Introduction
- ESG Fundamentals
- Environmental**
- Social
- Governance
- Appendix

## Expansion of Eco-Friendly Culture

### Eco-Friendly Campaigns with Employees

We carry out a range of eco-friendly campaigns to raise employees' environmental awareness and facilitate enterprise-wide environmental management. We provide various eco-friendly ideas every month that can be practiced in both work and daily life through campaigns such as water and electricity saving to promote environmental awareness.

#### Monthly Eco-Friendly Campaigns in 2022

February	Reducing digital carbon footprints
March	Saving water in daily life
April	Reducing paper usage
May	Switching from paper to mobile receipts
June	Understanding waste home appliance collection
July	Saving electric energy
August	Reinforcing waste home appliance collection
September	Smart ways to use home appliances
October	Using home appliances with the first-grade energy efficiency rating
November	Saving in everyday life: Slim down your energy bills
December	Eco-friendly photo contest

### Environmental Education with Employees

We provided environmental education for employees to raise their awareness of environmental issues and encourage them to participate in eco-friendly activities with customers in their daily lives and work sites. In September and November 2022, we provided mobile environmental education to our sales employees to help them better understand our eco-friendly products and services. We also aimed to promote eco-friendly consumption by guiding customers on environmental protection when they inquire about our products and services.

#### Mobile Environmental Education for Sales Employees in 2022

No. of employees who completed the education: **2,401**

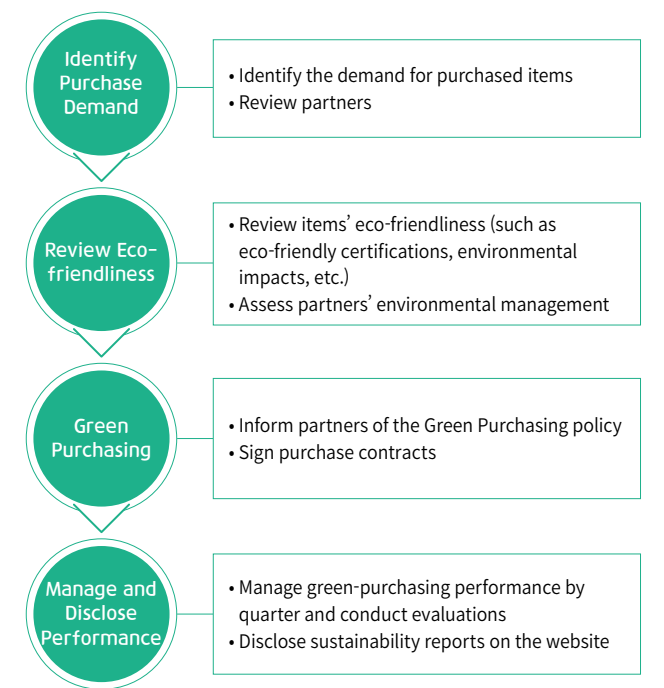
Education completion rate: **92.2%**



### Eco-Friendly Purchase Policy

We are committed to prioritizing eco-friendly products in the purchasing process. In particular, we have created and implemented a "Green Purchasing policy" that takes into account environmental factors throughout the purchasing process, such as selecting materials with minimal environmental pollution, identifying appropriate purchase quantities to minimize waste, and choosing suppliers that offer eco-friendly services.

#### Eco-Friendly Purchasing (Green Purchasing) Process



# Environmental Management Growth

- Introduction
- ESG Fundamentals
- Environmental**
- Environmental Management Growth
  - Eco-Friendly Products and Services
  - Contribution to Closed-Loop Recycling
  - Response to Climate Change
- Social
- Governance
- Appendix

## Eco-Friendly Campaigns with Customers

To promote eco-friendly culture, we organized a plogging event (an activity that involves jogging while picking up litter) with customers on Sept. 24, 2022. Over 50 customers and employees ran and walked together cleaning the road and areas near the stream. Participants used plogging kits consisting of bags, tongs, gloves, and sports towels to collect litter. We were able to successfully conclude the event with active participation from the environmentally-conscious millennials and Gen Z, who have a keen interest in environmental movements.

## Environmental Education for Middle and High School Students

We took part in E-Circularity School, a pilot project organized by the Korea Electronics Recycling Cooperative (E-Circularity Governance), holding lectures on the closed-loop recycling of home appliances in 9 schools located in Seoul.

The E-Circularity School is a project that provides education to improve awareness of closed-loop recycling and environmental protection by directly visiting middle and high schools that wish to have lectures. It is a meaningful program that is aimed at students who are the leaders of the future. Participating in this project allowed us to advocate the importance of recycling home appliances in environmental conservation and introduce our closed-loop recycling activities as well as waste home appliance collection service to students.



## Green Consumption – ESG Alliance Activities

On Dec. 08, 2021, we held a signing ceremony for the green consumption-ESG alliance MOU joined by 24 organizations including consumer groups, distributors, card companies, and banks, to facilitate green consumption and production. This alliance invites corporations and consumers to participate in carbon neutrality and green transformation by encouraging more products to earn the environmental label (Korea Eco-Label), the most notable institutional basis for green consumption. In 2022, we participated in a discussion forum hosted by the Ministry of Environment and the Korea Environmental Industry & Technology Institute as part of this alliance's activities. We discussed plans to expand the sale of eco-friendly products and engaged in discussions on issues related to eco-label certifications for home appliances, as well as issues related to environmental labeling and advertisement management, such as greenwashing. Furthermore, on Nov. 01-31, 2022, we organized the "Eco-Friendly Home Appliances Special Sales" through an online themed space (Nov. 01-31) and an offline event (Nov. 18-21) as part of the Green Consumption Week event organized by the Ministry of Environment.

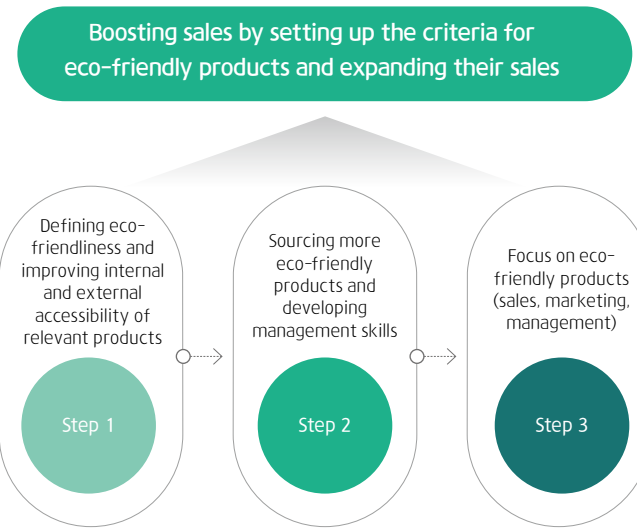


# Eco-Friendly Products and Services

- Introduction
- ESG Fundamentals
- Environmental**
- Social
- Governance
- Appendix

## Eco-Friendly Products

### Roadmap for Managing Eco-Friendly Products



### Performance of Eco-Friendly Products

Category	Sales			No. of Product Types
	2020	2021	2022	
Total	1,257.9 billion	1,039 billion	708.8 billion	789
High-efficiency energy products	1,210.5 billion	1,028.3 billion	695.5 billion	637
Eco-Label certified products	45.8 billion	7 billion	7.9 billion	69
Eco-friendly products	1.7 billion	3.8 billion	5.4 billion	83

\* The Korea Eco Label currently cannot be applied to products produced overseas, as it requires certification of production equipment. For this reason, we plan to reinforce our partner networks to help them earn the certification.  
 \* Our definitions of an eco-friendly product ㉠ Eco-Label certified products ㉡ High-efficiency energy products ㉢ External certified products (awarded by external organizations related to environmental protection), ㉣ Environmentally friendly products (products that use recycled materials, eco-friendly materials, etc.)

### Launch of Eco-Friendly PB Products

In May 2022, our private brand HIMADE launched an eco-friendly electric kettle. The eco-friendly electric kettle is made using PCR 50% Recycled eco-friendly plastic developed by LOTTE Chemical for both the interior and exterior. PCR material is a recycled material made by processing actual discarded plastic and re-entering it into the production process of finished products. By using this material, waste generation can be reduced. HIMADE's eco-friendly kettle not only prevents creating unnecessary waste, but also contributes to reducing the amount of carbon emitted by producing new materials.



### Online Themed Space for Eco-Friendly Products

LOTTE HIMART operates an online eco-friendly product-themed space through the online store. We provide convenience for customers to easily shop for eco-friendly products and participate in environmental protection by categorizing various eco-friendly products according to their type, such as High-Efficiency Appliances, Eco-Label Certification, and Eco-Friendly. In addition, we provide a range of support to encourage customers to purchase home appliances with high energy efficiency ratings. Participating in the Korea Electric Power Corporation (KEPCO)'s project that offers grants for those purchasing high-efficiency home appliances, we reimburse 10% of the cost when customers prove the purchase of high-efficiency products belonging to one of the 11 eligible categories, including refrigerators, air-conditioners, and washing machines. We will continue to expand the sales of home appliances with high energy efficiency in both online and offline stores.

Online Themed Space for Eco-Friendly Products




Online Themed Space


# Eco-Friendly Products and Services

- | | |


---

-  Introduction

---

-  ESG Fundamentals


---

-  **Environmental**


---

- Environmental Management Growth
- Eco-Friendly Products and Services**
- Contribution to Closed-Loop Recycling
- Response to Climate Change


---

-  Social

---

-  Governance

---

-  Appendix

## Eco-Friendly Services

### Homecare Service

The Homecare Service provides an all-in-one home service for a healthy lifestyle. Our experts clean and maintain customers' home appliances and living spaces using advanced equipment. The cleaning service uses eco-friendly products that have been certified by national certification agencies as safe for human use.

Regular cleaning helps extend the product's lifespan, contributing to reducing waste home appliances in the long run. Customers can apply for the Homecare Service in our 400 nationwide stores or through our call center, website, or partners. We will continue to innovate the service to practice environmental protection with our customers.

### Home Appliance Careship

Home Appliance Careship allows customers to extend the warranty period of their purchased product while also applying for its maintenance service. It applies to 11 types of home appliances and involves regular visits to offer after-sales services like disassembling and cleaning the product and replacing its consumables. In particular, it is especially helpful for customers who purchased appliances that are hard to maintain, such as washing machines and air purifiers, whose lifespan can be extended by cleaning the interior and exterior of home appliances. This eventually forms a virtuous cycle that reduces the number of waste home appliances.

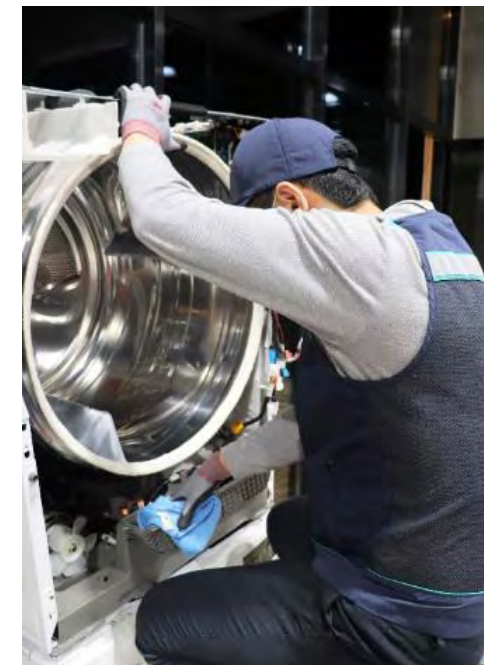
The service's sales have been rapidly increasing since 2021, and we plan to expand the service scope in the future to contribute to resource circulation.

### Self Care Warranty

The Self Care Warranty is an EW (Extended Warranty) insurance product that extends the manufacturer's warranty repair period for up to 5 years when purchasing home appliances. It provides broad coverage of repair costs for 16 product types based on the product's price.

Since it reimburses the actual repair cost by extending the home appliance's warranty period, the Self Care Warranty helps prevent malfunctioning products from being thrown away, thereby reducing waste to a great extent.

Since its release in 2021, 75,000 customers have signed up for the service in 2022, and we plan to expand the service to include insurance that covers even damages in 2023.



# Eco-Friendly Products and Services

- |
- |
- |
- Introduction
- ESG Fundamentals
- Environmental**
- Environmental Management Growth
- Eco-Friendly Products and Services**
- Contribution to Closed-Loop Recycling
- Response to Climate Change
- Social
- Governance
- Appendix

## Reinstallation Service

LOTTE HIMART offers a home appliance reinstallation service<sup>1)</sup> to encourage extended use of home appliances.

We help customers move and reinstall products, from bulky and heavy ones to appliances that require expertise or skills, such as wall-mounted TVs and air conditioners. As a result, we can provide a better customer experience and extend products' lifespans, encouraging the reuse of home appliances for environmental protection.

1) Reinstallation service: A service where installation experts visit customers' homes to move and reinstall products they have been using to a different location.

## Electronic Price Tags and Mobile Receipts

We operate electronic price tags in all of our stores, which reduces unnecessary paper waste that occurs when using traditional acrylic price tags. Through the computerization of product information, we are able to update prices in real-time and eliminate the inconvenience of managing replacements due to price fluctuations.

In addition, the adoption of mobile receipts since October 2018 has helped us use less amount of paper for environmental protection and save the relevant costs. As for customers, it alleviates their inconvenience in storing receipts and reduces the risk of personal information leakage from discarded receipts.

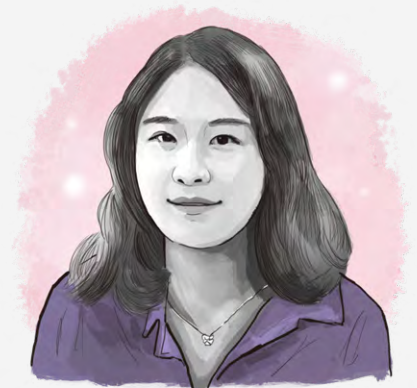
### Stakeholder Interview | Customer

LOTTE HIMART's great number of stores make it highly accessible, and the fact that it shares its point system with other LOTTE brands makes it the most convenient place to buy appliances from. Also, I can use the Homecare Service to easily clean my air conditioner or washing machine, which helps ensure that I can use the products I've purchased for longer, which is nice because it allows me to avoid spending money on new products while also being environmentally friendly. If I ever need to dispose of a home appliance, LOTTE HIMART can collect and dispose of it for me free of charge, which is very helpful in terms of protecting the environment.

As more and more customers want to participate in eco-friendly consumption, I hope LOTTE HIMART will actively display and promote the products that have been rated #1 in energy efficiency or have used environmentally friendly materials and that they will reward customers who purchase such products to encourage eco-friendly consumption.

LOTTE HIMART Customer  
**Sun-Young Jang**

“  
I'm really happy that I can use my home appliances longer thanks to the Homecare Service.  
”



# Contribution to Closed-Loop Recycling

- Introduction
- ESG Fundamentals
- Environmental**
- Environmental Management Growth
- Eco-Friendly Products and Services
- Contribution to Closed-Loop Recycling**
- Response to Climate Change
- Social
- Governance
- Appendix

## Waste Generation Reduction

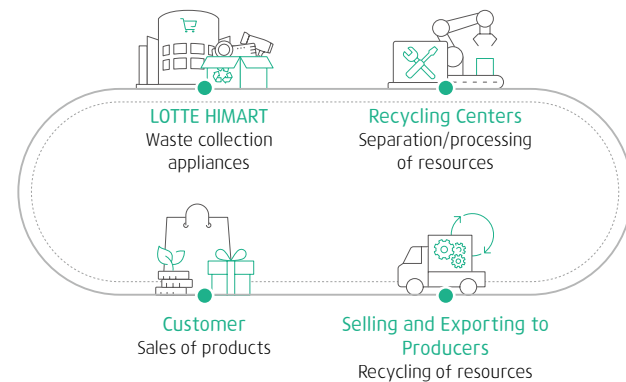
### Waste Home Appliance Collection

LOTTE HIMART offers a free service for collecting large home appliances that are difficult for customers to dispose of when installing or receiving new products. Our CS Masters collect these waste home appliances and dispose of them according to eco-friendly procedures. Moreover, in December 2019, we registered all of our branches across Korea as "small waste home appliance collection sites" on the Recycled Resource Information Center website to help with the disposal of small- and medium-sized home appliances. To reduce the number of wasted mobile phones, we have also installed MINTIT (an AI-based mobile phone buyback ATM) in all of our 257 stores in Korea.

Number of Waste Home Appliances Collected in 2022

Category	2020	2021	2022
Collected No.	37,528	36,640	30,707

### Waste Home Appliance Collection/Treatment Procedure



### Public-Private Collection System for Waste Home Appliances

We signed an MOU with the Korea Environment Corporation, the Korea Electronics Recycling Cooperative (E-Circular Governance<sup>1)</sup>, and private companies to improve the public-private MOU collection system for small waste home appliances and take the lead in closed-loop recycling. As a result, LOTTE HIMART is performing tasks such as collecting and handing over e-waste and electronic equipment, installing and operating small e-waste and electronic equipment collection boxes in offline stores, and providing guidance and promotion on the separate collection of e-waste and electronic equipment when selling products. Going forward, we will continue to utilize the infrastructure of our nationwide stores to actively operate waste home appliance collection boxes and make efforts to contribute to the environment and society.

<sup>1)</sup> Korea Electronics Recycling Cooperative (E-Circularity Governance): A non-profit organization established to conduct research and development for enhancing eco-friendly recycling technology and the collection of e-waste pursuant to Article 21 of the Enforcement Decree of the Act on Resource Circulation of Electrical and Electronic Equipment and Vehicles

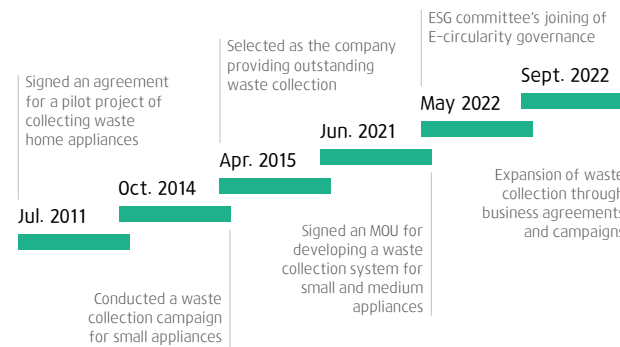
### Efforts to Educate Employees on Waste Home Appliance Collection

LOTTE HIMART made efforts in 2022 to raise awareness and build consensus among all employees regarding waste home appliance collection.

In May 2022, we provided education to our branch employees so that they could inform customers about the collection of waste home appliances and register the relevant data on the computer. In August 2022, we conducted an ESG action campaign for our employees to raise their understanding of waste home appliance collection.

In May 2022, we also signed an agreement with our distribution partners to practice ESG and establish a closed-loop recycling system. This effort aims to promote the collection of waste home appliances through appropriate procedures and prevent their illegal disposal.

### Journey to Establishing a Waste Home Appliance Collection System (Key Milestones in Waste Home Appliance Collection)



# Contribution to Closed-Loop Recycling

- Introduction
- ESG Fundamentals
- Environmental**
- Social
- Governance
- Appendix

## Waste Reduction Policy and Goal

LOTTE HIMART takes the lead in environmental management by minimizing unnecessary waste generation and promoting recycling to activate resource circulation.

With the goal of 100% waste recycling, employees participate in the zero waste campaign to reduce unnecessary paper and disposable product usage, and they strengthen the management of waste collection bins in stores. We continue to maintain close cooperation with recycling partners to actively practice waste recycling of paper boxes, plastics, and other waste generated by sales.

All general waste generated from LOTTE HIMART, including cardboard and polystyrene, is collected and recycled by recycling companies.

Waste Management in 2022

Category	2020	2021	2022
Amount generated (Tons)	4,589	4,889	4,277
Amount recycled (Tons)	4,589	4,889	4,277
Recycling rate (%)	100	100	100



Waste Management Goal

Recycling rate of **100%**

## Waste Collection and Recycling System

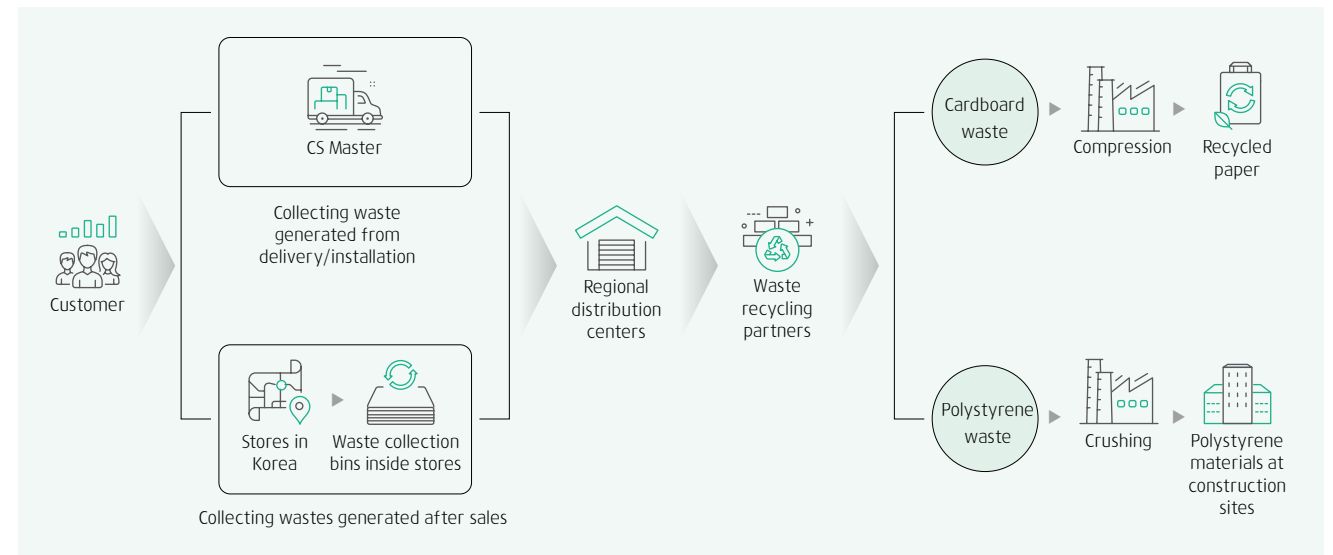
### Collecting Shipping Waste

LOTTE HIMART collects packaging materials that are generated during delivery at the same time as the delivery. In particular, large home appliances come with bulky and heavy packaging, making it harder for customers to dispose of them themselves. Therefore, our installation experts collect all waste upon shipping and installing a product, and the collected waste is then transferred to recycling partners through our nationwide distribution centers for eco-friendly recycling and disposal.

### Recycling Waste through Recycling Partners

We have developed a resource circularity system where cardboard and polystyrene used for protecting home appliances are effectively collected and recycled after shipping. This process is achieved through our stores around the country, distribution networks, and close cooperation with our partners. All waste collected from our in-store waste collection bins and the shipping process is delivered to recycling partners through regional distributional centers, then reused as recycled paper or polystyrene materials at construction sites.

Waste Recycling System Using Nationwide Network







# Contribution to Closed-Loop Recycling

- | | |


---

-  Introduction

---

-  ESG Fundamentals


---

-  **Environmental**


---

- Environmental Management Growth
- Eco-Friendly Products and Services
- Contribution to Closed-Loop Recycling**
- Response to Climate Change


---

-  Social

---

-  Governance

---

-  Appendix

## HI-Sugeohama (Collection of Waste Home Appliances in Local Communities)

Small and medium home appliances commonly get mixed with plastic without being properly recycled.

In order to improve this environmental issue and increase awareness and participation in recycling small and medium home appliances, we planned and executed the HI-Sugeohama project from Oct. 13 - Dec. 31, 2022.

This involved collecting appliances from three districts of Seoul, Nowon-gu, Songpa-gu, and Youngdeungpo-gu, by visiting popular areas like community service centers, large apartment complexes, and subway stations.

Residents placed the small and medium-sized appliances that they no longer used outside their homes on the day the collection truck arrived. Then, we collected the waste appliances and exchanged them for daily necessities such as toothbrushes, reusable grocery bags, soap, and dish sponges. Those who have difficulty moving, such as seniors, disabled individuals, and pregnant women, could apply for home pickup.

Furthermore, the project's staff consisted of people who need vocational support, including those with career gaps or low income, contributing to increased employment opportunities and mutual growth.

### Stakeholder Interview | Government and Government-Related Agencies

The Korea Electronics Recycling Cooperative (E-Circularity Governance) is collaborating with LOTTE HIMART to collect discarded home appliances and transfer them to environmentally friendly recycling companies. Using its 400 stores and 12 distribution centers located all across the country, LOTTE HIMART is actively collecting e-waste and making significant contributions to Korea's resource circulation in ways such as collecting old products when shipping new ones, installing waste collection boxes in stores, and more. LOTTE HIMART is an exemplary company that is dedicated to providing education on the resource circulation of electronic products.

and I hope it will actively promote these projects and methods of e-waste disposal so that more people can participate in such activities. Additionally, I hope LOTTE HIMART will expand the scope of their campaigns and educational programs to raise awareness about the resource circulation of electronic goods.

Korea Electronics Recycling Cooperative  
Section Chief **Jung-Mo Yang**



“  
LOTTE HIMART is an outstanding company that is making significant contributions to Korea's resource circulation by actively participating in the collection of e-waste.  
”

### Key Achievements of HI-Sugeohama

Amount of Waste Collected

**2,332** kg

No. of Users

**742**

No. of Jobs Created

**6**

# Response to Climate Change

## TCFD Report

Climate anomalies such as unprecedented heat waves, heavy rains, and droughts are occurring more frequently and on a larger scale worldwide today. Such climate change is becoming a real threat to survival that cannot be delayed any longer, and a time that requires thorough action.

LOTTE HIMART is actively participating in the international society's global efforts to overcome the climate change and striving to faithfully comply with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

We are committed to achieving our goal of 2040 Net-Zero to overcome climate change and achieve sustainable development, and to contribute to creating a society where future generations can live in a cleaner environment.

\* TCFD (Task Force on Financial Disclosure): Founded by the Financial Stability Board under G20 in 2015, it encourages companies to disclose their climate-change-related financial information to help internal and external stakeholders including investors to make more informed decisions.

Introduction

ESG Fundamentals

**Environmental**

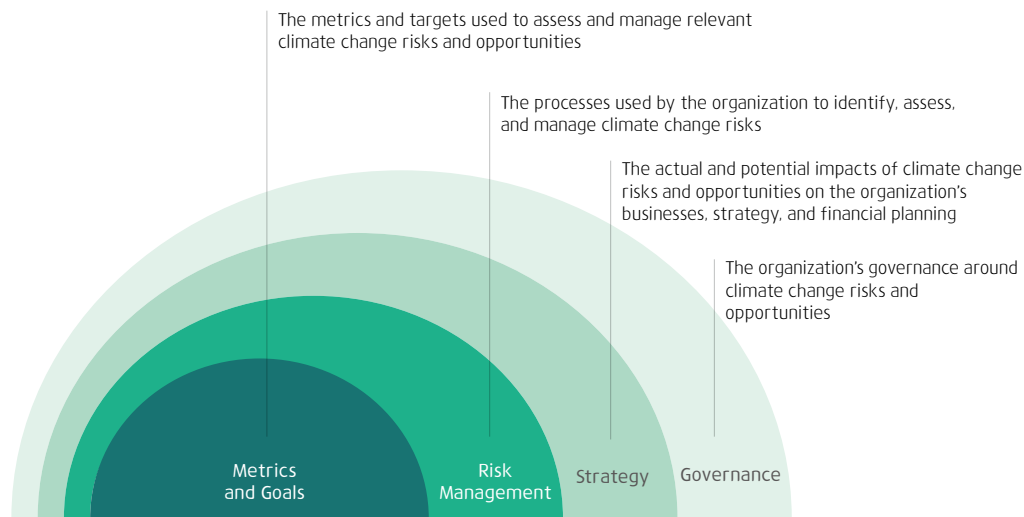
- Environmental Management Growth
- Eco-Friendly Products and Services
- Contribution to Closed-Loop Recycling
- Response to Climate Change**

Social

Governance

Appendix

### Key elements of TCFD recommendations



### LOTTE HIMART TCFD Report Summary

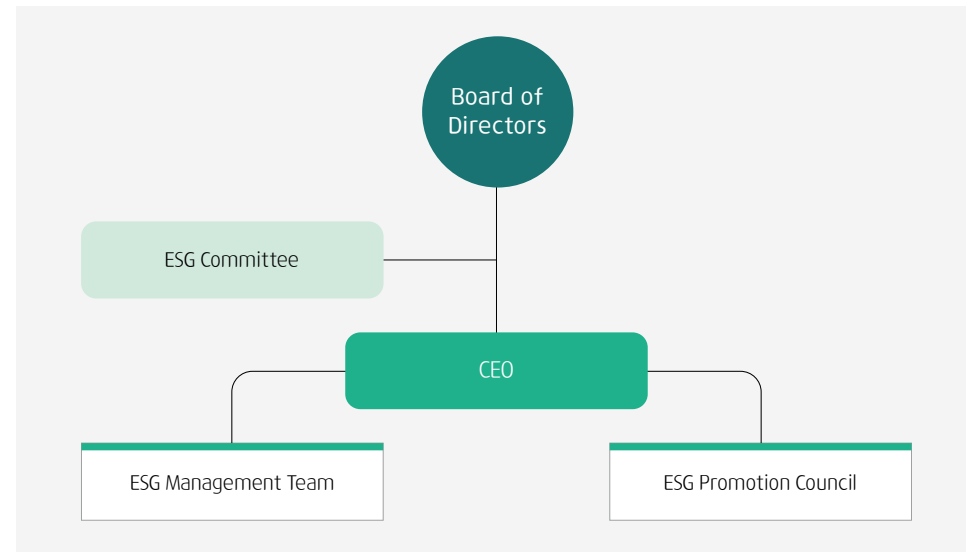
<b>Governance</b>	LOTTE HIMART has established the ESG committee under its BOD to manage and oversee environmental areas, including climate change response. Recognizing the impact of climate change on the overall business as well as society and the environment, our management continues to manage the relevant risks and opportunities of climate change.
<b>Strategy</b>	We categorize climate change risks and opportunities by period (short, mid, and long term) based on the 1.5°C scenario to analyze the impact of climate change on our business. Accordingly, we have developed and implemented the 2040 Net-Zero roadmap.
<b>Risk Management</b>	We integrated our environmental management system certification (ISO 14001) into the enterprise-wide risk management system to identify and assess major climate- and environment-related risks and opportunities.
<b>Metrics and Goals</b>	We assess climate change risks and opportunities based on greenhouse emissions (Scope 1, 2, 3) and implement a roadmap aiming to achieve 2040 Net-Zero.

# Response to Climate Change

## TCFD Report – Governance

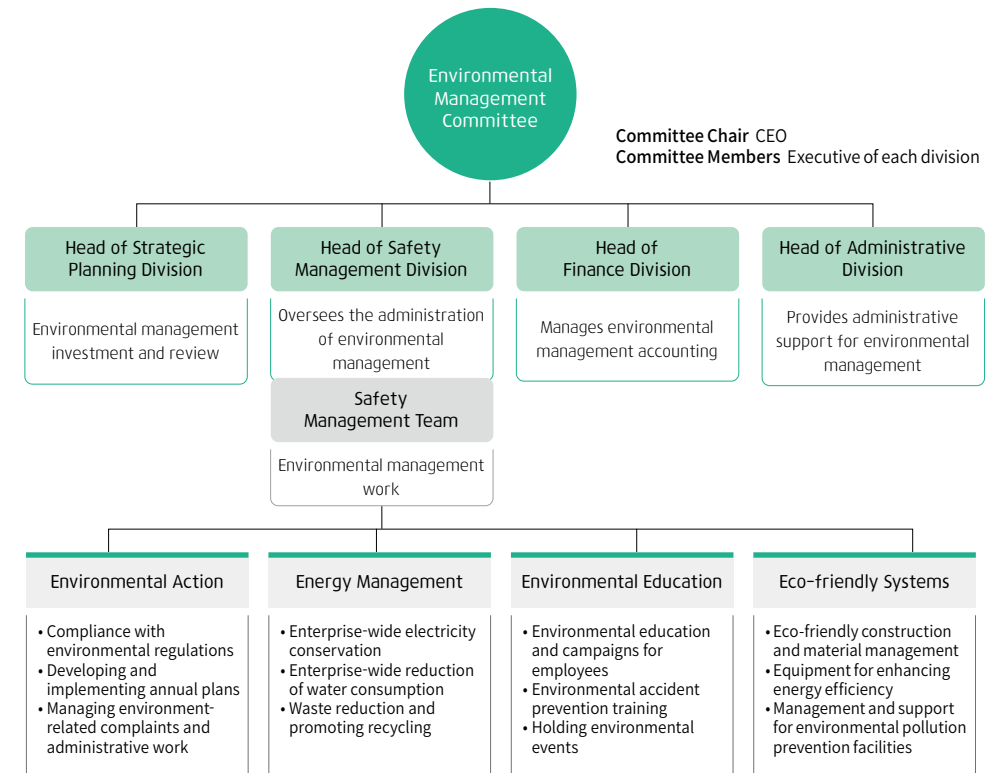
### BOD's Management of Climate Change Risks and Opportunities

With the foundation of the ESG Committee under the BOD in September 2021, we fully established the ESG Management Organization. The ESG Committee, our overarching decision-making body responsible for ESG management, develops ESG strategies and policies, as well as manages and oversees relevant achievements. LOTTE HIMART is managing the environmental area, including climate change, as one of the main focus areas within the ESG committee of its BOD. The ESG committee has held an annual regular meeting since 2022 and convenes a temporary meeting when required. The discussed results and key climate-related issues, risks, and opportunities are reported to the BOD.



### Managements' Roles in Climate Change

LOTTE HIMART's management is aware that climate change issues have a significant impact on the overall business as well as society and environmental aspects. As such, we are continuously managing the risks and opportunities associated with climate change. More specifically, the CEO administers the Environmental Management Committee as the Committee Chairperson, reinforcing our environmental management. With the goal of achieving 2040 Net-Zero, the Environmental Management Committee establishes rules related to climate change and reducing the environmental impacts of our business sites and decides on the overall direction of environmental management.



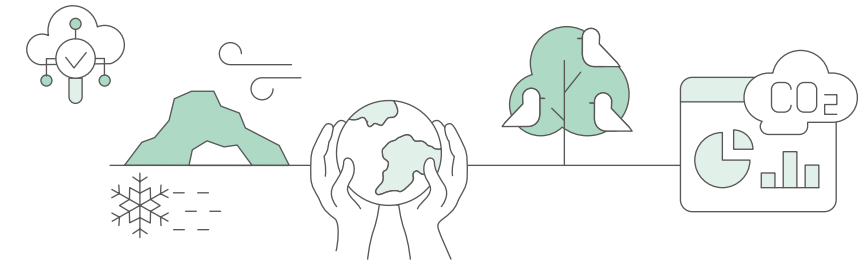
# Response to Climate Change

- | | |
- Introduction
- ESG Fundamentals
- Environmental**
  - Environmental Management Growth
  - Eco-Friendly Products and Services
  - Contribution to Closed-Loop Recycling
  - Response to Climate Change**
- Social
- Governance
- Appendix

## TCFD Report – Strategy

### Responsive Strategy for Climate Scenarios

The 6th Assessment Report by IPCC, which gathers the scientific knowledge of experts from around the world on climate change, states that we must limit the temperature rise to 1.5°C compared to pre-industrial levels by 2100. According to the report, there is no doubt that climate change has been caused by human impacts, and the temperature increase will exceed 1.5°C before 2040 with the current level of greenhouse gas emissions. It also warns that the surface temperature of the Earth rose by 1.1°C from 2011 to 2020 compared to pre-industrial levels and that once the temperature increase exceeds 1.5°C, we will suffer an unprecedented climate disaster. In response to this 1.5°C climate scenario, we developed 2 routes (reactive route and proactive route) and 7 risks and opportunities (policy, technology, laws, market, reputation, acute, and chronic) to analyze its impact and formulate responsive strategies.



Proactive Route

Reactive Route

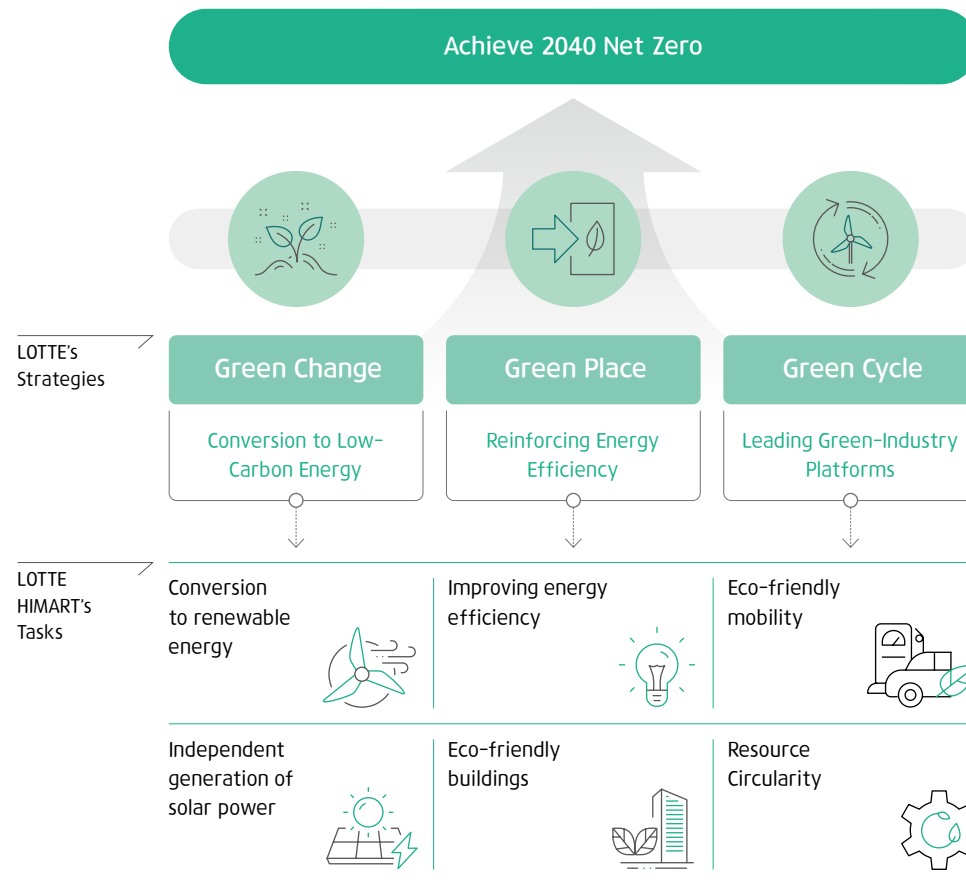
<b>Description</b>	<p>A proactive route refers to responsive actions that aim to actively prevent climate change by employing every available means. The first responsive action for a company to take is reducing greenhouse gas emissions.</p> <ul style="list-style-type: none"> <li>• Implementing proactive, continuous regulations from now</li> <li>• Actively changing ways of living from now</li> </ul>	<p>A reactive route refers to adaptive actions related to how we will deal with climate-related problems assuming their continued existence. A company can take adaptive actions by developing plans for temperature increases, water scarcity, food shortage, energy price increases, and so forth.</p> <ul style="list-style-type: none"> <li>• Impose gradual regulation until 2030, then switch to active regulations</li> <li>• Consider social tendency until 2030, then implement rapid changes</li> </ul>
<b>Responsive Strategies</b>	<p>LOTTE HIMART is taking various initiatives to reduce carbon emissions. To improve energy efficiency in business sites, we are replacing outdated LED lights and cooling/heating equipment. We are also making efforts to promote eco-friendly consumption through the development of eco-friendly PB products and eco-friendly special sales. Furthermore, we are considering a plan to convert our business and delivery vehicles to EVs.</p>	<p>LOTTE HIMART plans a mid-to-long-term conversion to low-carbon energy in line with our goal of 2040 Net-Zero. We plan to expand the transition to renewable energy by gradually adopting PPA contracts and purchasing REC certification. In addition, we are considering building a solar self-generation system, mainly in distribution centers, to produce and use renewable energy directly.</p>

# Response to Climate Change

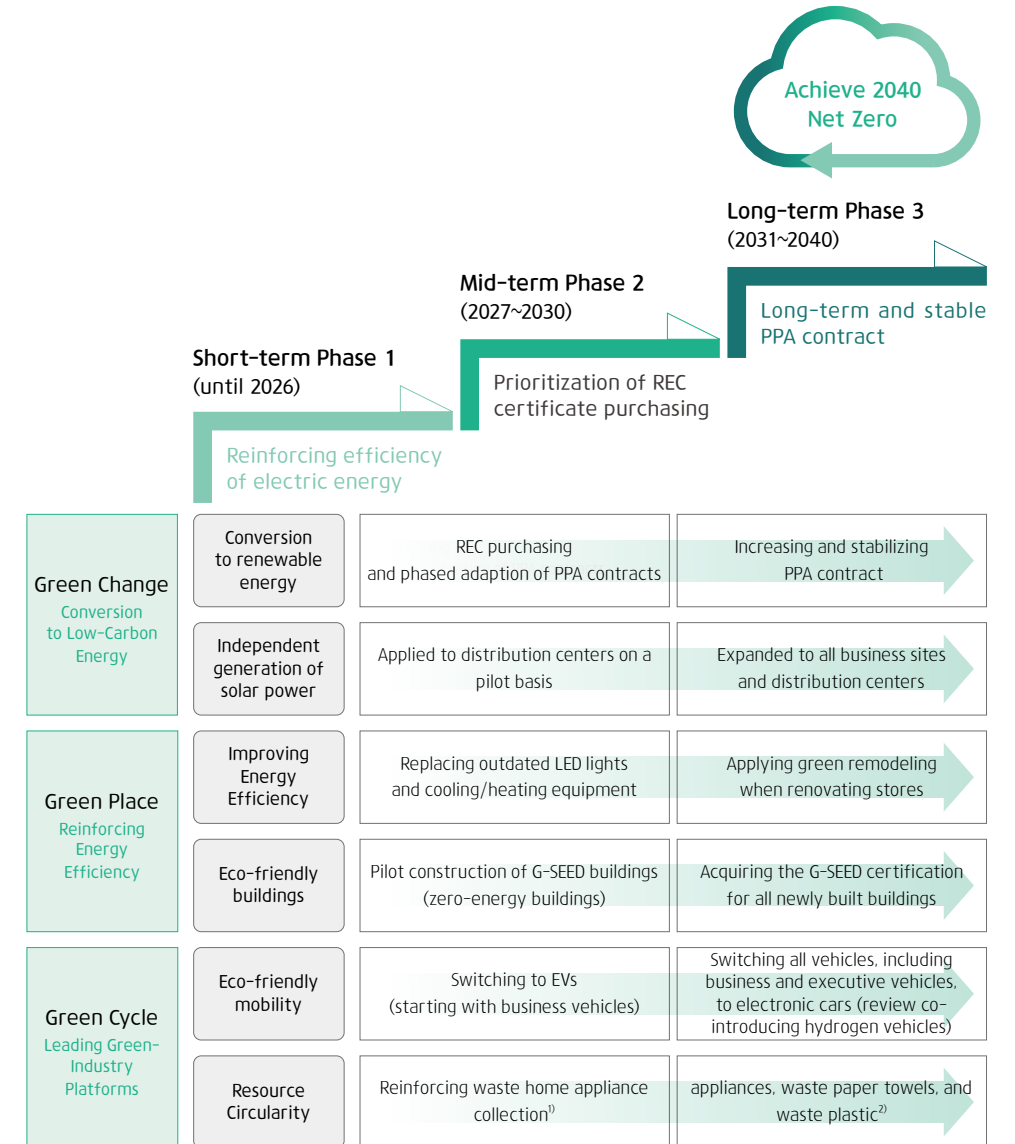
- Introduction
- ESG Fundamentals
- Environmental**
- Environmental Management Growth
- Eco-Friendly Products and Services
- Contribution to Closed-Loop Recycling
- Response to Climate Change**
- Social
- Governance
- Appendix

## 2040 Net-Zero Strategy

LOTTE HIMART has set up detailed tasks and is implementing them under 3 main strategies, namely "Green Change" (Conversion to low-carbon energy), "Green Place" (Reinforcing energy efficiency), and "Green Cycle" (leading green industry platforms), with the goal of achieving 2040 Net-Zero.









## Roadmap for Net-Zero Strategy



1) Since 2019, we have been collecting small and medium-sized waste home appliances and installing phone-buying machines in 257 stores  
 2) LOTTE signed an MOU with Yuhan Kimberly (September 2022)

# Response to Climate Change

## Financial Impacts and Response Strategies for Climate Change Risks and Opportunities

-  Introduction
-  ESG Fundamentals
-  **Environmental**
  - Environmental Management Growth
  - Eco-Friendly Products and Services
  - Contribution to Closed-Loop Recycling
  - Response to Climate Change**
-  Social
-  Governance
-  Appendix

	Climate Change Risks and Opportunities		Classification	Financial Impacts of Climate Change Risks	Financial Impacts of Climate Change Opportunities	Responsive Strategies
	Risk and Opportunity Conversion	Policy/Regulation	Strengthening environmental regulations	Short-term	<ul style="list-style-type: none"> <li>Operational risks due to failure in responding to new policies.</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing the competitiveness of environmental management through preemptive response to new policies</li> </ul>
Technology		Switching to low-carbon technology	Long-term	<ul style="list-style-type: none"> <li>Increased costs of facility investments to reduce greenhouse gas emissions</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of greenhouse gas emissions and energy costs</li> <li>Signing supply contracts for renewable energy and reduced costs for participating in electricity generation projects and power consumption</li> </ul>	<ul style="list-style-type: none"> <li>Switching to renewable energy (PPA contract, REC purchasing)</li> <li>Pilot construction of G-SEED buildings (zero-energy)</li> <li>Installation of independent solar generators in distribution centers</li> <li>Replacement of LED lights and outdated cooling/heating equipment</li> </ul>
Law		Risk of litigation	Short-term	<ul style="list-style-type: none"> <li>Decline in corporate image due to failure to comply with laws</li> </ul>	<ul style="list-style-type: none"> <li>Improving the competitiveness of environmental management by preemptively responding to environmental laws</li> </ul>	<ul style="list-style-type: none"> <li>Occasional monitoring of violations and disclosure of actions taken</li> </ul>
Market		Changes in customer preferences	Mid-term	<ul style="list-style-type: none"> <li>Customer dissatisfaction due to unmet expectations for eco-friendly products</li> <li>Reduced sales of products with low energy-efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Increased loyal customers by providing more eco-friendly products</li> <li>Boosting sales by focusing on selling highly energy-efficient products</li> </ul>	<ul style="list-style-type: none"> <li>Reinforcing accessibility to eco-friendly products through relevant promotions</li> <li>Adopting MOT that provides information on the environmental friendliness of products during product consultation</li> </ul>
Reputation		Failing to meet market expectations	Long-term	<ul style="list-style-type: none"> <li>Decreased sales and investment due to declining reputation</li> </ul>	<ul style="list-style-type: none"> <li>Reinforced green brand image through active practice of environmental management</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of environment-related social contribution activities</li> <li>Disclosure of the environmental achievements of the Net Zero 2040 roadmap</li> </ul>
Physical Risks and Opportunity		Acute	Abnormal weather conditions such as storms and floods	Short-term	<ul style="list-style-type: none"> <li>Increased cost of facility investments to prevent natural disaster</li> <li>Recovery costs and business losses in the event of a disaster</li> </ul>	<ul style="list-style-type: none"> <li>Resolving mid-to-long-term risks through installing natural disaster prevention facilities</li> <li>Increased purchases of home appliances due to damage caused by natural disasters</li> </ul>
	Chronic	Extreme weather Variation	Long-term	<ul style="list-style-type: none"> <li>Increased energy costs due to the operation of heating and cooling facilities</li> </ul>	<ul style="list-style-type: none"> <li>Increased sales of seasonal products such as air conditioners, air purifiers, and dryers</li> </ul>	<ul style="list-style-type: none"> <li>Providing guidelines for flexible power consumption by time period</li> <li>Launch of energy-saving campaigns</li> </ul>

# Response to Climate Change

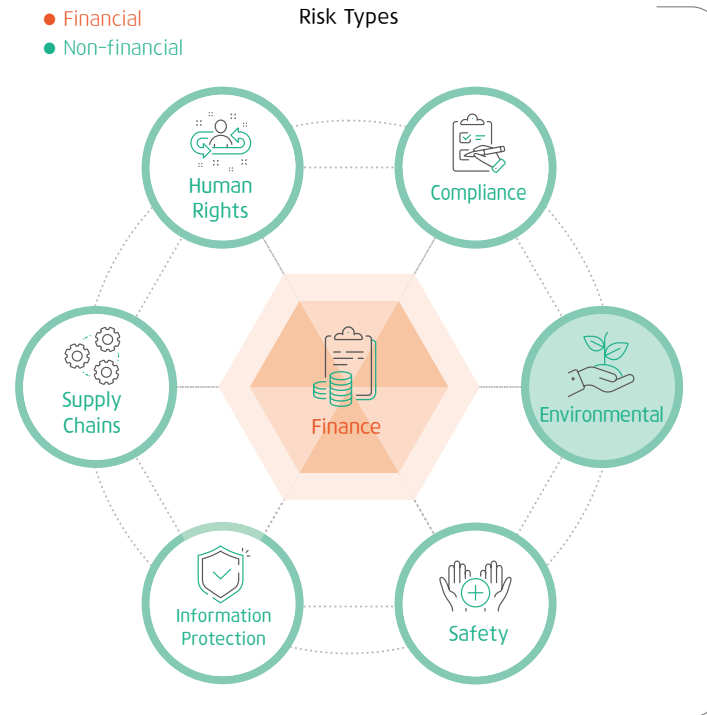
## TCFD Report – Risk Management

### Climate Change Risk Management System

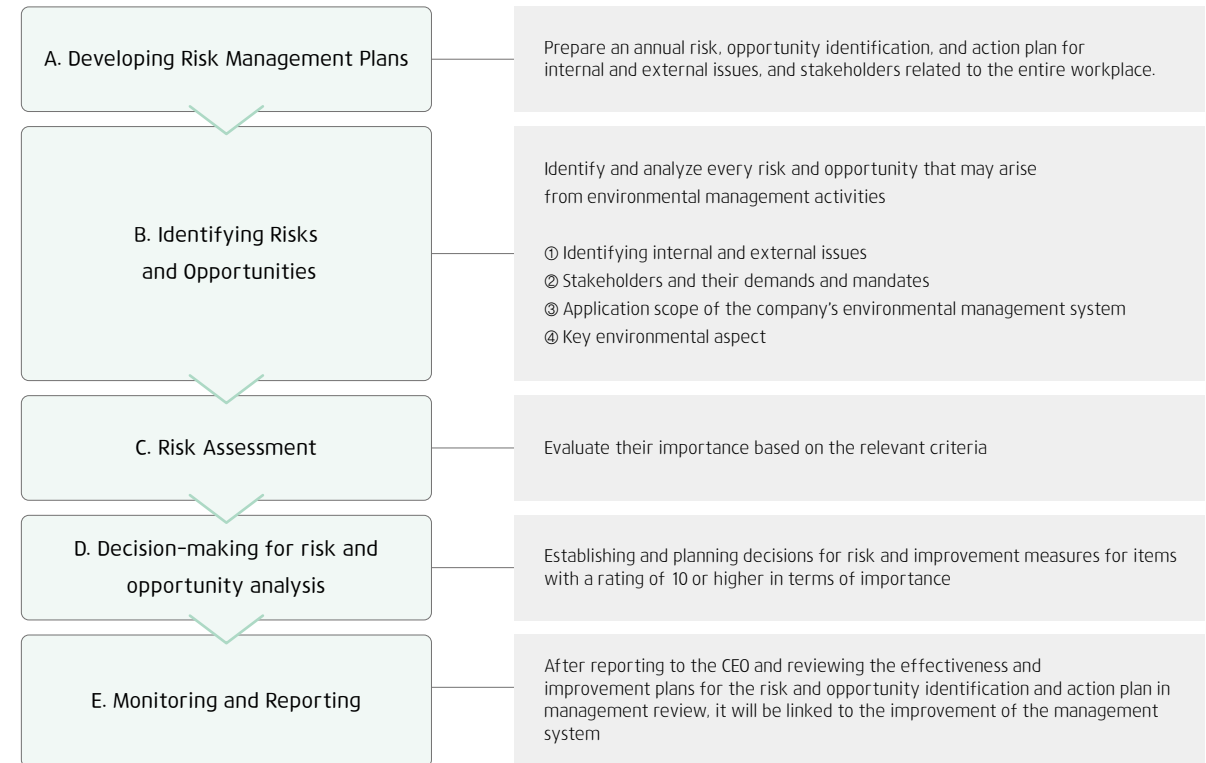
We have integrated our environmental management system certification (ISO 14001) into the enterprise-wide risk management system, building an internal process where major climate- and environment-related risks and opportunities are identified and assessed. In addition, we appoint and manage employees in charge of the environment at each distribution center and branch to fulfill environmental management and evaluate their performance once a year. This has allowed us to manage our environmental risks in a more systematic way.

- Introduction
- ESG Fundamentals
- Environmental**
- Environmental Management Growth
- Eco-Friendly Products and Services
- Contribution to Closed-Loop Recycling
- Response to Climate Change**
- Social
- Governance
- Appendix

### Enterprise-wide Risk Management System



### Procedure of Managing Environmental Issues and Risk (ISO 14001)



# Response to Climate Change

## TCFD Report - Metrix and Goals (Net-Zero Roadmap)

LOTTE HIMART has established and is implementing a roadmap to achieve 2040 Net-Zero as its goal. To evaluate and manage climate change risks and opportunities, greenhouse gas emissions (Scope 1, 2, 3) are used as metrics. We aim to reduce carbon emissions by 35% by 2030 compared to 2018 levels and achieve carbon neutrality by 2040.

- Introduction
- ESG Fundamentals
- Environmental**
  - Environmental Management Growth
  - Eco-Friendly Products and Services
  - Contribution to Closed-Loop Recycling
  - Response to Climate Change**
- Social
- Governance
- Appendix

Greenhouse Gas Emissions (Unit: tCO<sub>2</sub>-eq)

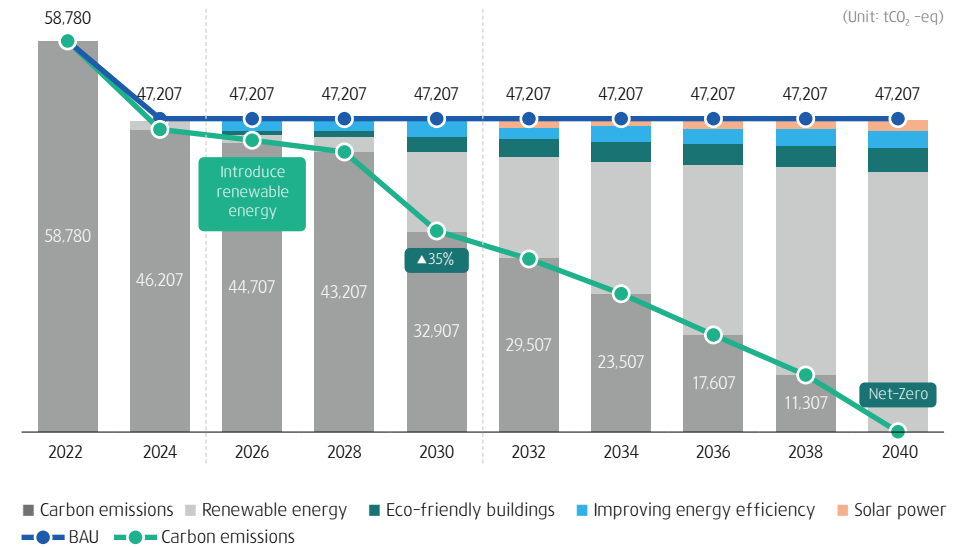
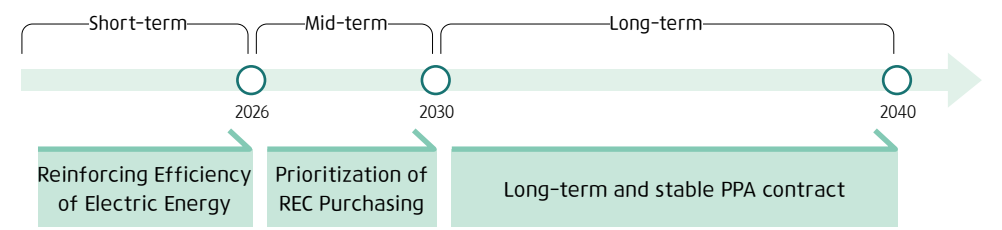
Category	2020	2021	2022	2022 Goal	BAL	Goal Achieved
Greenhouse gas emissions in total	49,439	50,757	58,780	49,742 (Excluding Scope 3)	▲238	
Direct emissions Scope 1 • Gasoline (business vehicles) • City gas	368	785	625	372	24	○
Indirect emissions Scope 2 • Electric power	49,070	50,377	49,108	49,369	▲261	
Indirect emissions Scope 3 • Diesel (transportation vehicles)	-	-	9,276	-	-	-

Energy consumption (Unit: TJ)

Category	2020	2021	2022	2022 Goal	BAL	Goal Achieved
Total consumption	999	1,025	1,135	1,005 (Excluding Scope 3)	▲5	
Direct emissions Scope 1 • Gasoline (business vehicles) • City gas	6	7	7	7	-	○
Indirect emissions Scope 2 • Electric power	992	1,019	993	998	▲5	
Indirect emissions Scope 3 • Diesel (transportation vehicles)	-	-	135	-	-	-

※ Calculation method of greenhouse gas emissions: We followed the IPCC guidelines and converted fuel consumption to heat (self-verification)  
 - Gasoline (t): 87.864t[Fuel consumption]×30.1[Heat]×19.7[Carbon emission factor]×44/12=417tCO<sub>2</sub>-eq  
 - Diesel (t): 3,567.300t[Fuel consumption]×35.3[Heat]×20.1[Carbon emission factor]×44/12=9,276tCO<sub>2</sub>-eq  
 - City gas (Nm<sup>3</sup>): 95,086Nm<sup>3</sup>[Fuel consumption]×38.5[Heat]×15.2[Carbon emission factor]×44/12=207tCO<sub>2</sub>-eq  
 - Electric energy (kWh): 103,451,003kWh[Power consumption]×0.4747[Carbon emission factor]÷1,000=49,108tCO<sub>2</sub>-eq [The amount of power used was based on the KEPCO Power Planner (smart power measuring infrastructure), and we used average values for mart and rented branches with no electric meters]  
 ※ Calculation Scope: Headquarters, distribution centers, branches, stores  
 ※ No usage of renewable energy  
 ※ No external assurance of emissions trading system or goal management as required by the Ministry of Environment  
 ※ Calculation scope of Scope 1: Fuel consumption of business vehicles, heaters and restaurants at headquarters, LOTTE Resort Sokcho  
 Calculation scope of Scope 2: Electric energy consumption in business sites (including headquarters, branches, stores, and distribution centers)  
 Calculation scope of Scope 3: Fuel consumption of transportation vehicles (self-verification)  
 Calculation method of Scope 3: The distance traveled was measured using GPS devices. The energy consumption for Scope 3 was calculated using fuel consumption estimated based on the average mileage (We introduced a system to measure the distance traveled by transportation vehicles in March 2022. The data excludes 2020 and 2021.)

Net-Zero Scenario



※ BAU: Business As Usual (amount of carbon expected to be emitted if no reduction measures are taken)  
 ※ PPA: Power Purchase Agreement (a long-term contract signed between generation companies and corporations through KEPCO)  
 ※ REC: Renewable Energy Certificate (1 REC is issued when 1 MWh of power is generated)



# Response to Climate Change

- Introduction
- ESG Fundamentals
- Environmental**
- Environmental Management Growth
- Eco-Friendly Products and Services
- Contribution to Closed-Loop Recycling
- Response to Climate Change**
- Social
- Governance
- Appendix

## Energy and Greenhouse Gas Management

### Reinforced Greenhouse Gas Management in Distribution

LOTTE HIMART has been measuring the greenhouse gas emissions of our delivery vehicles since March 2022. We measure the distance traveled by delivery vehicles operated by our distribution partners through a mobile app, and this data is used to calculate the energy consumption for the estimation of carbon emissions. We included the carbon emissions of delivery vehicles in our greenhouse gas measurement scope (Scope 3) for higher accuracy of data.

During delivery, we use TMS\* program to calculate the optimal route and operate the vehicles accordingly, reducing unnecessary carbon emissions. Furthermore, we replaced diesel forklifts in distribution centers with electric ones, contributing to reducing carbon emissions. Currently, 87 electric forklifts are in operation, and the remaining 18 diesel forklifts will also be gradually replaced.

We will continue to manage greenhouse gas emitted from the distribution process. In addition, we also plan to gradually switch to electric delivery vehicles in the future to reduce carbon emissions.

\* TMS: Transportation Management System

### Opening of Superspeed Charging Stations

LOTTE HIMART opened a superspeed charging station called "Charger 5" that uses Vanadium Ion Battery Energy Storage System (VIB ESS) at our Apgujeong branch in June 2022. The VIB ESS is highly fire-resistant and has a power output of 200kW, which is four times larger than other superspeed charging stations, meaning it can fully charge general EVs in just 20 minutes.

To install and operate this charging equipment, we formed a consortium with Standard Energy and LOTTE Chemical and obtained sandbox permission regarding the relevant regulations in November 2021. We will support the commercialization of the VIB ESS through a testing period of 1 year in our continued efforts to build EV facilities.

### Store LED Lighting Replacement Project

In 2022, we replaced all 6,000 outdated LED lights in 63 stores located within LOTTE Marts with high-efficiency LED lights. Through this effort, we were able to reduce power consumption by approximately 35%, from 1,593 kWh to 1,032 kWh per year, and improve store brightness by over 63%, from the original 800 Lux to 1,300 Lux.

\* Energy reduction through the replacement of LED lights (Business period: November 2021 - June 2022) - Before: 70W, 60W, 50W → After: 38W/Before: 56W, 42W → After: 27W  
- Total: 6,378  
- Based on an annual lighting time of 4,092 hours

### Reducing Carbon Emissions by Utilizing Parking Lots in Stores

LOTTE HIMART is making efforts to indirectly reduce pollutants and greenhouse gas emissions by collaborating with Socar, a leading car-sharing platform. Starting from the end of 2022, we have been operating vacant parking spaces in over 140 stores nationwide as Socar Zones to provide mobility convenience through car sharing.

One shared car has the effect of reducing 8.5 cars and reduces 0.27 tons of carbon emissions. We expect our adoption of Socar Zones to reduce more than 50 tons of carbon emissions by 2023. We will expand their installation to more stores to contribute to reducing carbon emissions.



Charging station

| | |

 Introduction

 ESG Fundamentals

 Environmental

 **Social**

- Customer Satisfaction Improvement
- Sustainable Partner Management
- Talent Management
- Workplace Safety
- Contribution to Local Communities
- Information Protection and Data Security

 Governance

 Appendix



# SOCIAL

**43** **Customer Satisfaction Improvement**  
 - Customer Satisfaction  
 - Differentiated After-Sales Service  
 - Product Quality Management

**49** **Sustainable Partner Management**  
 - Partner Selection and Evaluation  
 - ESG Risk Management for Partners  
 - Mutual Growth with Partners

**56** **Talent Management**  
 - Talent Recruitment  
 - Fostering Talent and Building Employee Competency  
 - Fair Performance Assessment and Compensation  
 - Employee Welfare  
 - Respect for Human Rights  
 - Sound Corporate Culture

**67** **Workplace Safety**  
 - Safety and Health System  
 - Accident Prevention for Safety and Health  
 - Occupational Health and Safety Education  
 - Employee Healthcare System

**72** **Contribution to Local Communities**  
 - Social Contribution System  
 - A World of Happy Mothers and Children  
 - Creation of a Sharing Culture

**75** **Information Protection and Data Security**  
 - Information Security and Data Security Systems  
 - Personal Information Security  
 - Activities to Reinforce Information and Data Security

# Customer Satisfaction Improvement

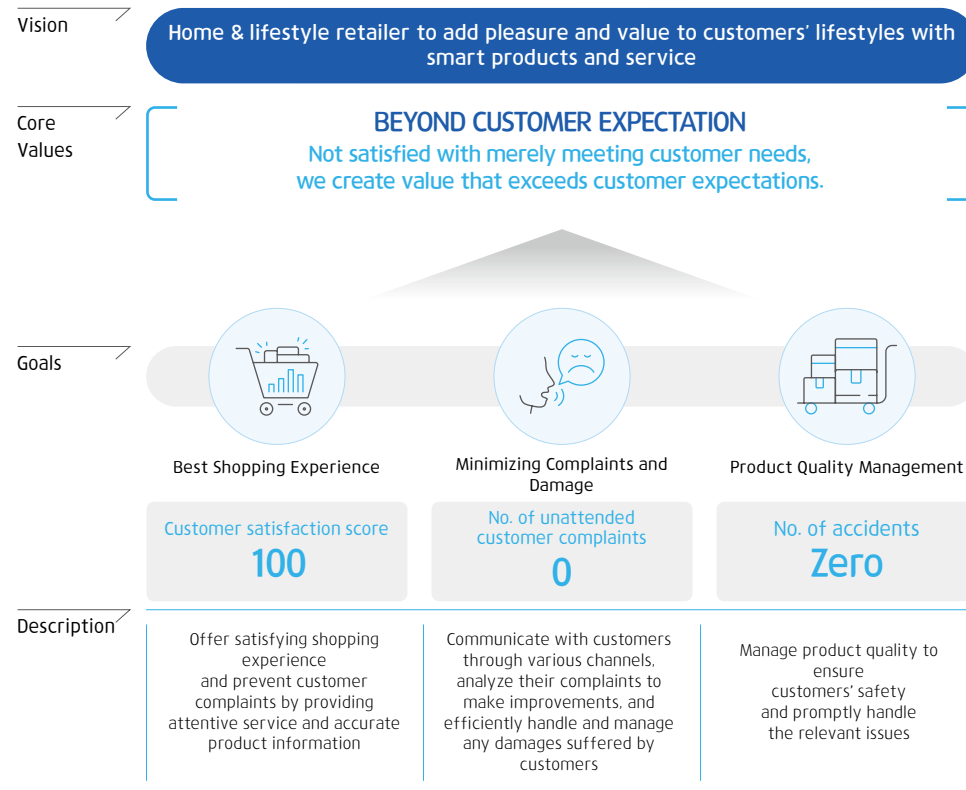
- Introduction
- ESG Fundamentals
- Environmental
- Social
- Customer Satisfaction Improvement**
  - Sustainable Partner Management
  - Talent Management
  - Workplace Safety
  - Contribution to Local Communities
  - Information Protection and Data Security
- Governance
- Appendix

## Customer Satisfaction

### Customer-Oriented Management Strategies

Placing the utmost priority on customer-oriented management strategies, LOTTE HIMART strives to protect customer interest and provide the best shopping experience.

Our comprehensive CS education and management allow us to improve customer service and satisfaction so that customers can enjoy a comfortable shopping environment. Moreover, we offer a wide range of learning opportunities for sales employees where they can acquire accurate, advanced knowledge of products.



### Risk Management for Violations of Customer Interest

We identify possible risk factors that may arise throughout the shopping journey and take necessary actions to improve them.

We listen to our customers' evaluations and opinions through ongoing satisfaction surveys, and use mystery shoppers at random times to quickly identify and improve any areas of inadequate customer service at each store. In addition, we reported the status of our customer-oriented management policy and improvement plans to the ESG Committee in June 2022.

#### Risk Management for Violations of Customer Interest

	Store	Product	Purchase	Shipping
<b>Risk Identification</b>	<ul style="list-style-type: none"> <li>• Check customer service</li> <li>• Check security of customer information</li> <li>• Check store safety</li> </ul>	<ul style="list-style-type: none"> <li>• Preliminary inspection of product information</li> <li>• Proactive management of potentially harmful products</li> <li>• Quality management of PB products</li> </ul>	<ul style="list-style-type: none"> <li>• Check customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Check installation satisfaction</li> </ul>
<b>Improvement Measures</b>	<ul style="list-style-type: none"> <li>- Coaching for each stores</li> <li>- Manual established for handling customer complaints</li> <li>- Development of a damage compensation process</li> <li>- Frequent safety checks in business stores</li> </ul>	<ul style="list-style-type: none"> <li>- Faulty product collection system</li> <li>- Product recall management</li> </ul>	<ul style="list-style-type: none"> <li>- System enhancement</li> <li>- Individual coaching for employees</li> </ul>	<ul style="list-style-type: none"> <li>- Education on product installation</li> <li>- Education on customer service</li> </ul>

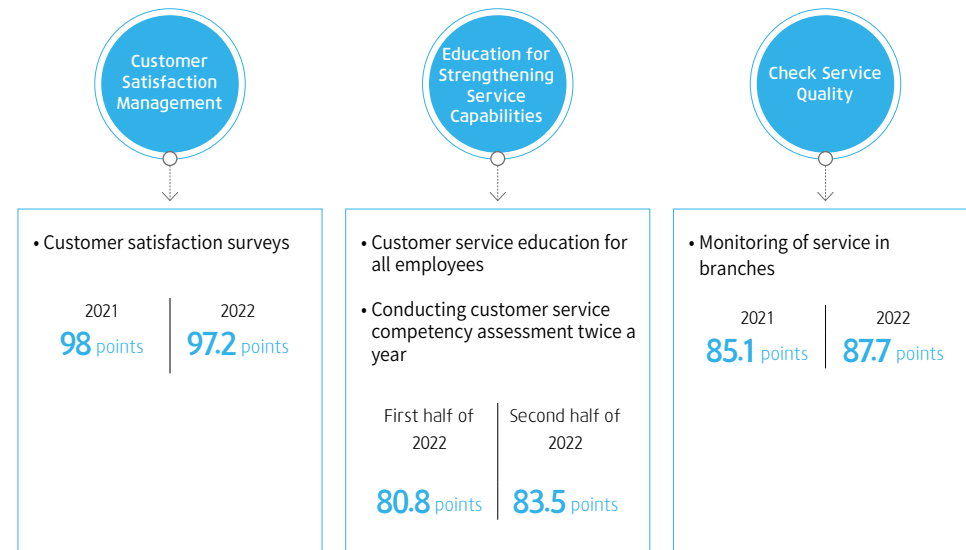
# Customer Satisfaction Improvement

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Customer Satisfaction Improvement**
  - Sustainable Partner Management
  - Talent Management
  - Workplace Safety
  - Contribution to Local Communities
  - Information Protection and Data Security
- Governance
- Appendix

## Manual Established for Handling Customer Complaints

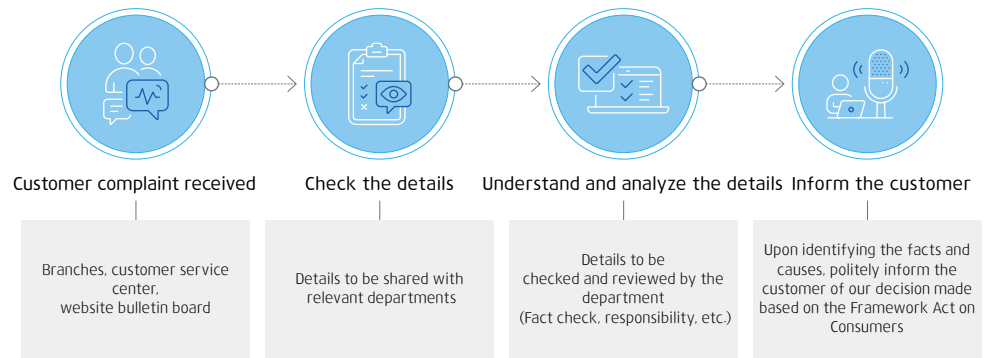
To efficiently resolve customer complaints, we have created a manual and conducted education on responding to unsatisfied customers. The education covers topics such as how to identify and handle different types of complaints, enabling employees to deal with a range of situations and strengthen their customer response skills. Additionally, we analyze the causes of the most frequently raised complaints and develop preventive measures while also sharing relevant cases for continuous improvement.

## Programs for Customer Satisfaction Improvement

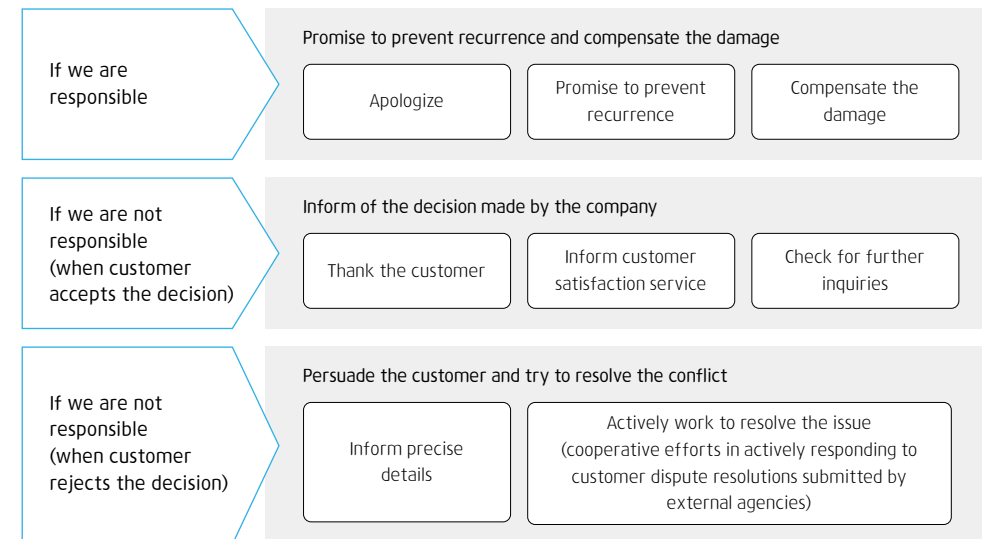


## Damage Compensation Process for Customers

Customer complaints are handled based on a fair procedure and the Framework Act on Consumers.



## Notification for Customers in the Event of Damage



# Customer Satisfaction Improvement

Introduction

ESG Fundamentals

Environmental

Social

## Customer Satisfaction Improvement

- Sustainable Partner Management
- Talent Management
- Workplace Safety
- Contribution to Local Communities
- Information Protection and Data Security

Governance

Appendix

## Customer-Oriented Shipping and Installation

The keys to our customer service are the quick delivery service based on our nationwide logistics network and the free installation service by our team of experts (CS Masters).

By utilizing a direct purchase structure<sup>1)</sup> through 14 nationwide distribution centers, we are able to ensure stable distribution and inventory management, bringing us closer to satisfying our customers through various delivery services such as same-day delivery<sup>2)</sup> and next-day delivery<sup>3)</sup>.

Furthermore, equipped with our own logistics system, we can handle not only order reception and delivery but also installation, thereby securing a competitive edge in distribution. We further reinforced our service in February 2022 by enabling customers to change the shipping date using the notification message sent in advance.

- 1) Direct purchasing: A system where we directly purchase and take responsibility for products we distribute
- 2) Same-day delivery: Service that delivers on the same day if purchased before 1 PM.
- 3) Next-day delivery: Service that delivers the next day if purchased today.



Pop-up notification of same-day delivery



Notification of changed delivery date

## Enhancing CS Master Service Quality and Installation Competency

To enhance the service quality of our CS Master, we are conducting education through an external company that specializes in customer service. In 2022, education sessions were held by 4 CS instructors from HRD Korea who specialized in distributions.

We also invited 13 instructors specializing in home appliance installation to provide education on products and installation techniques for CS Masters. In 2022, various education sessions were held, including new product education, basic installation education by item, and maintenance education for CS Masters.

Category	Details
Distribution employees education	<ul style="list-style-type: none"> <li>• Basic customer service skills and mindset (telephone skills, conversation skills, etc.)</li> <li>• Review of customer service MOT<sup>1)</sup> (appointments, after-sales information, etc.)</li> <li>• Installation-related customer response (points to emphasize during installation/explanation)</li> </ul>
On-site installation monitoring	<ul style="list-style-type: none"> <li>• Checking compliance with customer service MOT and identifying points of improvement in customer service</li> <li>• Examining aspects superior and inferior to competitors</li> </ul>
Coaching education	<ul style="list-style-type: none"> <li>• CS Clinic sessions for employees with low customer satisfaction scores</li> <li>• Content about exemplary cases</li> </ul>
Content creation/distribution	<ul style="list-style-type: none"> <li>• Creating videos for CS education and updating teaching materials</li> <li>• Learning from CS letter/claim cases</li> </ul>

Category	Details
Manager education	<ul style="list-style-type: none"> <li>• Basic customer service and telephone skills (store employees)</li> <li>• Refresh education</li> </ul>
New product education	<ul style="list-style-type: none"> <li>• Education conducted by technical instructors from manufacturers.</li> <li>• Education on new product installation</li> <li>• Preventing installation complaints</li> </ul>
Basic installation education by items	<ul style="list-style-type: none"> <li>• Key points in the installation process and instructions for use.</li> <li>• Cases of complaints and how to handle them</li> <li>• Sharing installation expertise for difficult installations</li> </ul>
Maintenance education for CS Masters	<ul style="list-style-type: none"> <li>• Review of installation processes by product</li> <li>• Using tools and materials</li> <li>• Cases of complaints and how to prevent them</li> </ul>

1) Moment of Truth (MOT): Customer service script



# Customer Satisfaction Improvement

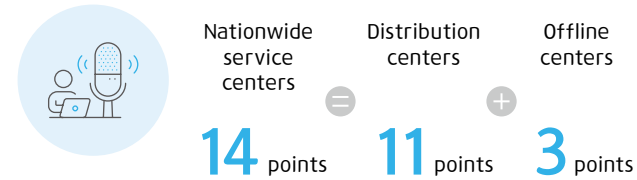
- Introduction
- ESG Fundamentals
- Environmental
- Social

## Differentiated After-Sales Service

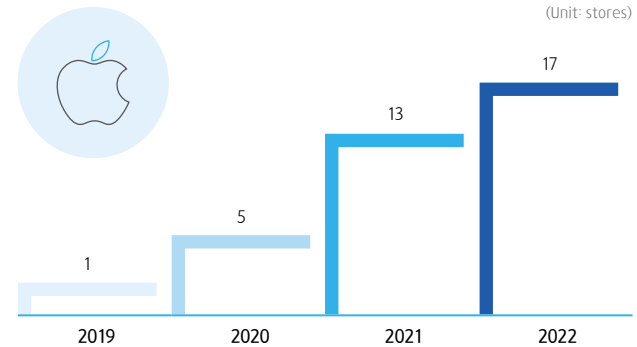
### Expansion of Service Center Infrastructure

LOTTE HIMART is expanding our service center infrastructure to maximize customer convenience through service improvements. In addition to having our own after-sales service for small and medium-sized home appliances, we are increasing the number of Apple Authorized Service Providers in our stores to reach out to new customers. Considering that the elderly customer base may not be familiar with online platforms, we are improving offline after-sale services to ensure that they can receive services without difficulty. In this way, we will remain committed to establishing more contact points with customers by reinforcing service center infrastructure.

#### Service Centers



#### Apple Authorized Service Providers



### After-Sales Video Consulting

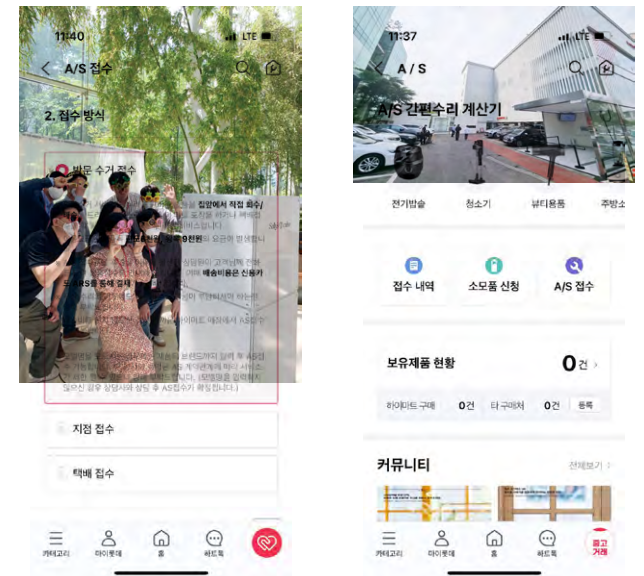
The traditional after-sales consulting based on telephones had shortcomings in that it was difficult for customers to understand the symptom and cause of the malfunction themselves. To address this, LOTTE HIMART now offers an after-sales video consultation service that allows customers to visually explain the symptoms and repair scope of the product through video call. Upon the product's arrival at the service center, the CS Master inspects it and provides the customers with details like the cause of malfunction, repair details, costs, and things to note through the video consultation. Through this service, customers can directly see the causes of the product malfunction, repair details, and precautions, thereby building trust and confidence in the service they receive.

### After-Sales Service Mobile App

LOTTE HIMART is establishing a mobile after-sale platform to improve customer access to after-sale services. Through this platform, customers can anticipate the expected cost of repairing the product they want to have fixed and can monitor the repair process. This provides customers with the trust they need to use the service.

The app also offers a collection service for small-sized home appliances in which the CS Master visits the customer's house, collects the malfunctioning product, and delivers it back to the customer after repair. In November 2022, we made further improvements to this service by introducing the "bulk collection" service. This new service allows customers to apply for the collection of 2 malfunctioning appliances at once, with no additional cost for a single round-trip collection.

There are currently 48 types of products available for collection, including rice cookers, vacuum cleaners, and electric shavers, and we plan to provide the service for more products and further develop its features.



# Customer Satisfaction Improvement

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Customer Satisfaction Improvement**
  - Sustainable Partner Management
  - Talent Management
  - Workplace Safety
  - Contribution to Local Communities
  - Information Protection and Data Security
- Governance
- Appendix

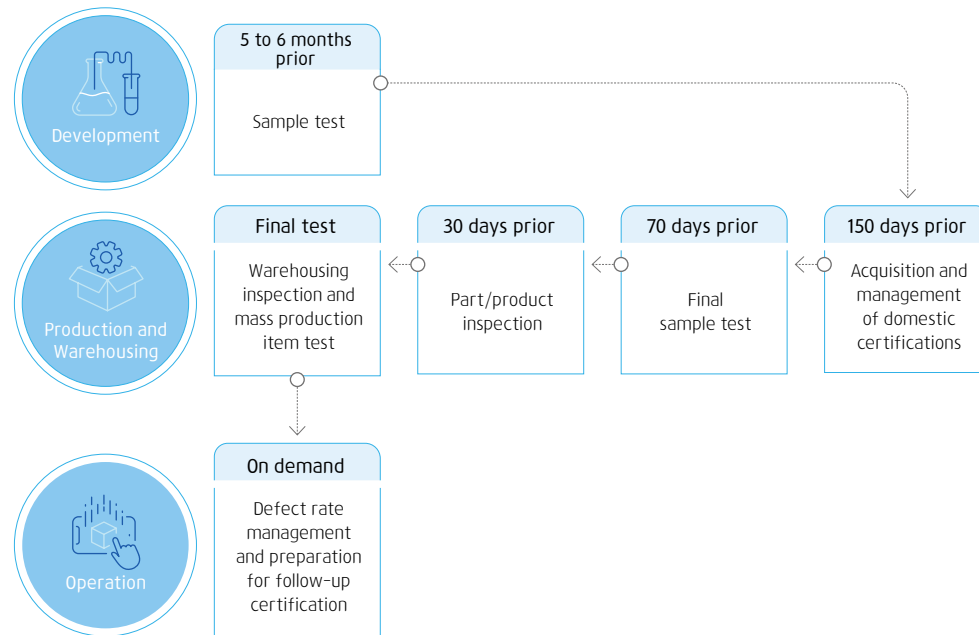
## Product Quality Management

### Quality Management of Private Brand (PB) Products

We have developed quality management processes for all stages of PB product development (planning, development, production, and operation) to ensure quality and safety.

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 reviews. Following the product launch, we inspect the defect rate monthly and request improvement to the manufacturer. For continuous quality management, we also annually check the uniformity of KC-certified parts and whether the energy efficiency requirements are met.

#### Quality Management Process for PB Products



### Testing Product Quality and Safety

Given the nature of home appliances that provide convenience in consumers' daily lives, thorough quality and safety checks are essential to ensure that users can use them without any worries.

Our Chang-dong store has a quality test lab where we can test more than 7 items, including products' electricity consumption, temperature increase, leakage current, withstanding voltage, performance, and fire and electric-shock risks. This allows us to thoroughly inspect the performance, stability, and potential hazards of our PB products. Our quality testing lab is equipped with measuring devices such as digital power meters, variacs, digital loggers, and withstanding voltage testers. Our quality management professionals inspect the quality of each product at every stage of development, production, and operation of PB products. We plan to introduce more equipment, such as grade testers, and install a test corner to obtain more accurate data and create an environment that enables precise measurement. In the case of large-sized products like refrigerators and televisions, for which we cannot conduct independent testing, we examine the manufacturer's quality management rules and perform thorough on-site inspections in distribution centers.

For products directly imported from overseas factories, we ensure their quality by only importing and distributing products that have been inspected and certified by global testing and certification agencies such as Bureau Veritas and TUV Rheinland. Our quality control experts inspect the products at the local production facilities, and only the products that pass inspection are imported.



Quality test lab



Top: Measuring electricity consumption.  
Bottom: Measuring a part's temperature

# Customer Satisfaction Improvement

Introduction

ESG Fundamentals

Environmental

Social

## Customer Satisfaction Improvement

- Sustainable Partner Management
- Talent Management
- Workplace Safety
- Contribution to Local Communities
- Information Protection and Data Security

Governance

Appendix

## Quality Crisis Response System

When an issue is found in PB products, LOTTE HIMART takes immediate measures to analyze the cause and make improvements. In the event of an accident, we collect the relevant product and launch an investigation identifying the cause, which is then reported to the manufacturer and responsible department for further discussions on preventing recurrence. Our system also involves tracking the product's performance even after the necessary improvement has been made. All PB products are covered by Product Liability Insurance, which helps us handle unpredictable accidents.

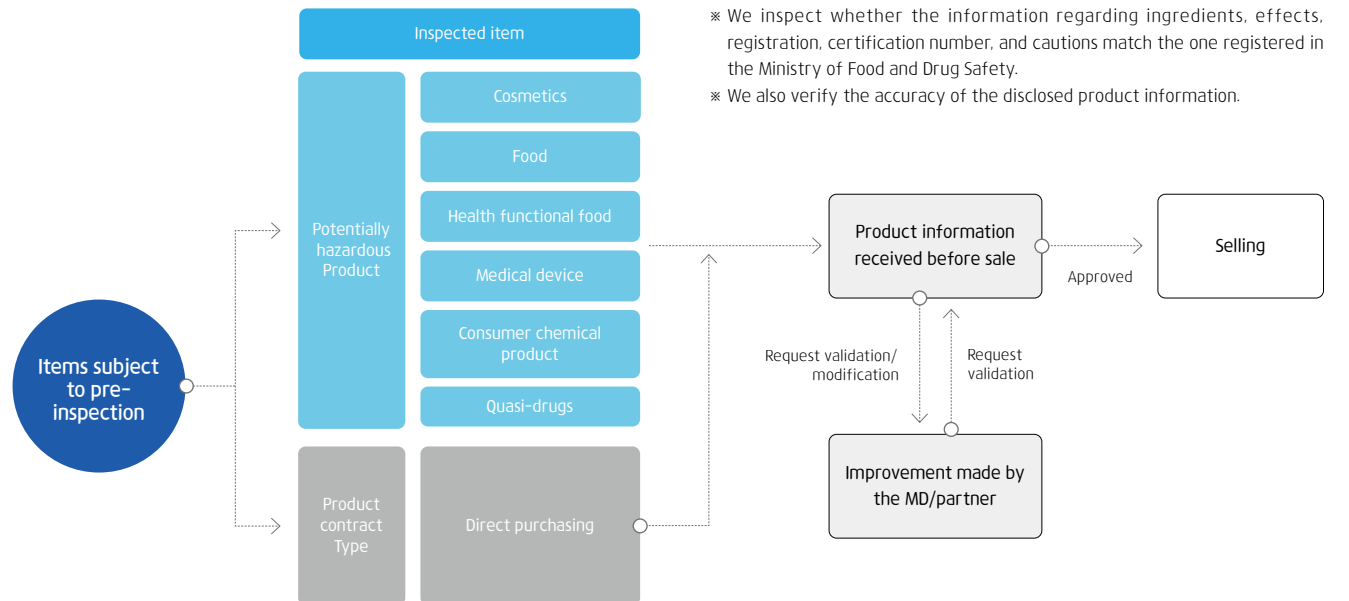
## Strategies for Defective Product Management

LOTTE HIMART strives to improve our after-sales service and minimize faulty products so that we can provide high-quality, safe PB products for our customers. In accordance with the Compensation Criteria for Consumer's Damages, products found to be defective within the quality warranty period can be exchanged, returned, or repaired for free. The service centers located in nationwide stores also allow us to offer product repair service even after the warranty period. We extract and analyze the defect rate based on our after-sales service data every month. For products with a high defect rate, we conduct a separate quality check at our test laboratory to thoroughly analyze the cause of defects. We continuously strive to improve product quality by proposing structural improvements and parts replacement to our partners aimed at enhancing the product's durability.

## Supporting Partners' Quality Management

In our efforts to achieve mutual growth, we provide consulting to small-business partners on product quality management. Once our partners select non-PB products for which they wish to receive quality improvement consulting, we inspect the selected products at our LOTTE HIMART quality testing lab. After testing the product's structure, safety, and parts uniformity, we provide a comprehensive report. Based on this report, we proceed with product quality improvement consulting to help enhance the quality of our partner's products. In addition, we also offer advice on certification acquisition methods necessary for the development of partner products.

## Quality Management Process for PB Products





# Sustainable Partner Management

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Customer Satisfaction Improvement
- Sustainable Partner Management**
- Talent Management
- Workplace Safety
- Contribution to Local Communities
- Information Protection and Data Security
- Governance
- Appendix

## Partner Selection and Evaluation

### Our Partners

We have built close cooperative relationships with 1,277 home appliance suppliers<sup>1)</sup> who are setting trends in the market with the competitive pricing and quality of their products. LOTTE HIMART provides products to customers through direct purchases from our partners. This helps to alleviate the burden of purchasing home appliances for customers, while promoting quick remuneration and mutual growth with our partners. We aim to continuously strengthen our partnership through such cooperation.

1) 1,277 partners: 2022 direct purchase standards

### Partner Selection and Evaluation Process

LOTTE HIMART is expanding its partnership with manufacturers who directly produce domestic and international home appliances, and importers who operate excellent brands to strengthen its product offerings. Our partner selection is based on an objective internal procedure where we carefully examine the company profile and product proposal for a prompt evaluation and decision-making process. Through this, we are quickly introducing our partner's latest products to customers at competitive prices. In addition, to promote our LOTTE HIMART partners' ESG management practices, we plan to expand support for their sustainable management by conducting ESG evaluations organized by our partners on issues such as labor/human rights, ethical management, environmental protection, and safety and health, which will enhance the stability of our products.

## ESG Risk Management for Partners

### Compliance Program (CP)<sup>1)</sup>

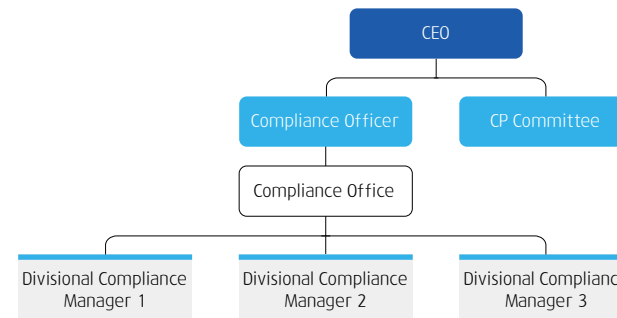
The CP is an internal legal compliance system that companies establish and operate to comply with fair trade regulations. LOTTE HIMART has been implementing and operating a compliance program since 2016, which meets all 8 essential requirements<sup>2)</sup> of the program, to ensure compliance with fair trade regulations.

1) Abbreviation of Compliance Program

2) To meet the requirements for the introduction of a CP, companies must establish and implement CP standards and procedures, have the voluntary compliance intention and support of the CEO, appoint a CP compliance manager, produce and use a compliance manual, provide continuous and systematic compliance education, establish an internal monitoring system, impose sanctions on employees who violate fair trade regulations, and evaluate effectiveness and take corrective action.

### Dedicated CP Organization

LOTTE HIMART has established an organization dedicated to the effective management of CP. The compliance officer, who is in charge of the overall CP, is appointed through the BOD to ensure clear responsibilities and authorities. Through each department responsible for compliance, the officer oversees the establishment of basic policies and sanction standards, conducts education and inspections to prevent illegal activities in advance, and supervises the deliberation of sanctions for any violations.



### Compliance with Fair Trade

We prescribe the fair trade compliance principle according to the company's trade environment and constantly provide education on the 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.

#### The Fair Trade of Conduct for LOTTE HIMART

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

### Internal Education on Fair Trade

LOTTE HIMART conducts enterprise-wide education on fair trade with the aim of preventing unfair treatment of partners and spreading a fair trade culture across the company. We have revised and distributed guidelines on the interpretation of the Fair Trade Act and practical guidance that employees can easily understand and apply in their work. In addition, we conduct regular education sessions at least once every half year, as well as ongoing education for employees in different positions, to ensure that they are properly educated on these matters.

# Sustainable Partner Management

Introduction

ESG Fundamentals

Environmental

Social

- Customer Satisfaction Improvement
- Sustainable Partner Management**
- Talent Management
- Workplace Safety
- Contribution to Local Communities
- Information Protection and Data Security

Governance

Appendix

## ESG Support Projects for Partners

In June 2021, LOTTE HIMART became the first company in the distribution industry to sign an MOU with the win-win growth commission to carry out partner ESG support projects, providing support to help partners meet the global ESG management standards. Through the development of customized ESG indices and guidelines, ESG education and competency assessments, field inspections and consulting support, LOTTE HIMART was able to enhance partners' understanding of ESG and strengthen their ESG risk management capabilities.

Going forward, LOTTE HIMART will continue to expand its participation in ESG support projects with partners, update partner ESG guidelines, and support ESG initiatives for partners to enhance its ESG management capabilities and strive to become a true business partner for co-prosperity.

### Activities to Support Partners' ESG



Partners receiving ESG education

### Stakeholder Interview | Employee

This year marks my 20th year since joining LOTTE HIMART in 2003. LOTTE HIMART is a mass merchandiser and category killer that specializes in the sales of home appliances, offering products from over 5,000 brands of various sizes. Pursuing cooperation and mutual growth with SMEs is extremely important to LOTTE HIMART, and that's why we are actively engaged in providing support and carrying out activities such as continual meetings, promotions, and trade fairs. As part of our effort to practice eco-friendly management, we have launched a waste appliance collection service, a marketplace for second-hand appliances, and our Homecare Service while also making a number of administrative changes that have given way to a whole new environment at our business sites, such as switching to electric business cards and receipts and adopting LED lights. I hope that LOTTE HIMART will continue to work toward achieving mutual growth with SME partners and establishing a transparent environmental management system, and I also hope that we discover new opportunities for growth that will allow us to strengthen our competitiveness in the market and improve our corporate value in the long term

LOTTE HIMART Tenant Team  
Team Leader Kwangho Choi

“  
I hope that LOTTE HIMART will continue to work toward achieving mutual growth with SME partners and establishing a transparent environmental management system.  
”



# Sustainable Partner Management

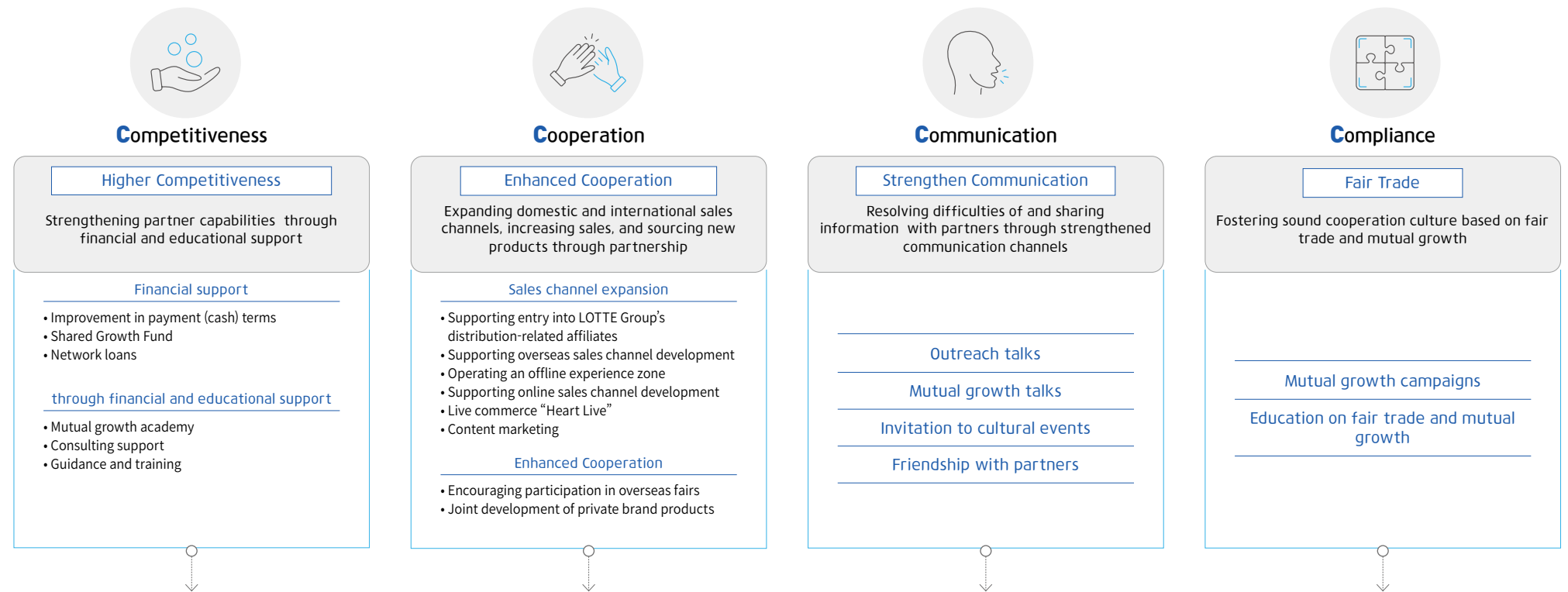
## Collective Cooperation with Partnerships

### Organization and Strategies Dedicated to Mutual Growth

LOTTE HIMART operates various mutual growth programs through a dedicated organization for mutual growth partnerships. Through the 4C Mutual Growth Scheme, we aim to enhance our partners' competitiveness, cooperation, communication, and fair trade.

Through mutual growth activities, we support our partners' sales growth through our nationwide logistics network and strive to connect their excellent products and technologies to acquire new customers. In the future, we plan to support our partners' capacity building and growth through close cooperation with them.

#### 4C Mutual Growth Scheme



Sustainable growth through cooperation with partners

- Introduction
- ESG Fundamentals
- Environmental
- Social
  - Customer Satisfaction Improvement
  - Sustainable Partner Management**
  - Talent Management
  - Workplace Safety
  - Contribution to Local Communities
  - Information Protection and Data Security
- Governance
- Appendix

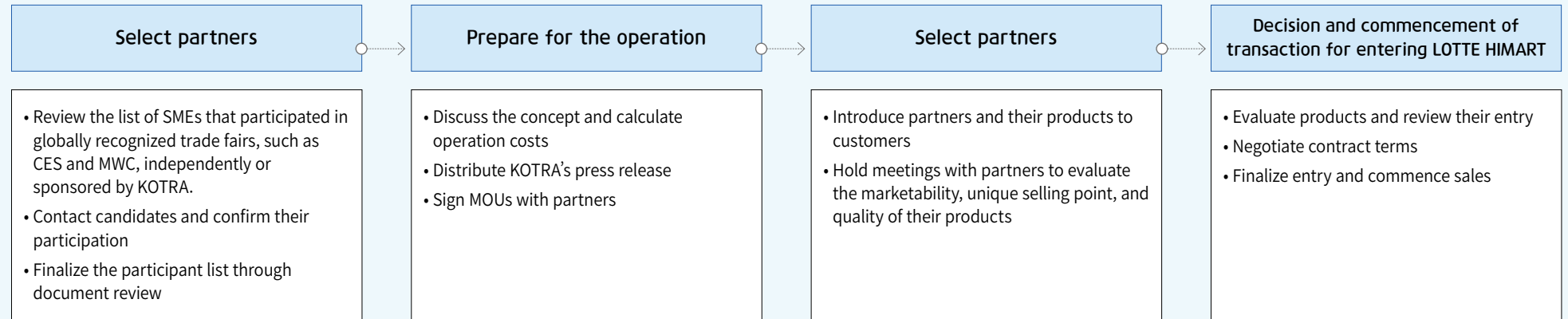
- Introduction
- ESG Fundamentals
- Environmental
- Social
  - Customer Satisfaction Improvement
  - Sustainable Partner Management**
  - Talent Management
  - Workplace Safety
  - Contribution to Local Communities
  - Information Protection and Data Security
- Governance
- Appendix

# Operate Innovative Product Experience Zone for SMEs/Start-ups

For our partnering SMEs and start-up companies, we have teamed up with KOTRA to operate Innovative Product Experience Zone affiliated with Korea Product Exhibitions overseas. We display products submitted and awarded at renowned global trade fairs, such as CES and MWC, at the Innovative Product Experience Zone in our LOTTE HIMART World Tower branch, inviting customers to try the innovative products of SMEs and start-up companies. In addition, to promote mutual growth with partners, our MDs hold meetings with companies participating in Innovative Product Experience Zone, offering them opportunities to sell their products in LOTTE HIMART stores and sharing knowledge on pioneering new marketing channels, thus promoting mutual growth.

We have operated 5 Innovative Product Experience Zones from April 2021 to September 2022, and 26 of the 68 displayed products are now available for purchase in our sales channels. In February 2023, we launched the 6th Innovative Product Experience Zone, facilitating the growth of over 20 partners and reinforcing our competitiveness by introducing innovative products.

## Operational Process of Innovative Product Experience Zone



Innovative Product Experience Zones


## Sourced Participating Companies for Innovative Product Experience Zones

	Global Exposition	Participating Products	Sourced Products for LOTTE HIMART
	Total	68	26
1	CES 2021	20	11
2	MWC 2021	10	5
3	CES 2022	13	3
4	MWC 2022	9	3
5	IFA 2022	16	4


# Sustainable Partner Management

- | | |


---

-  Introduction


---

-  ESG Fundamentals

---

-  Environmental


---

-  Social


---

- Customer Satisfaction Improvement
- Sustainable Partner Management**
- Talent Management
- Workplace Safety
- Contribution to Local Communities
- Information Protection and Data Security

---

-  Governance

---

-  Appendix

## Mutual Growth with Partners

### Consulting

To enhance the business efficiency and capabilities of our SME partners, we operate a consulting program. This program provides ESG consulting, quality improvement consulting, and big data consulting, etc. As part of the partner ESG support project with the win-win growth commission, we offer customized ESG consulting and cover the costs for safety, environment, labor, human rights, and fair trade, etc. In 2022, a total of 20 partners received ESG consulting, resulting in enhanced ESG capabilities.

We have also operated a monthly quality-consulting program since November 2021, helping our SME partners enhance the quality of their products. This allows us to identify desired improvements in their products and share with them our knowledge of quality management.

In addition, considering how the COVID-19 pandemic has reshaped consumption patterns and consumer behavior, and to meet the growing need for wider adoption of big-data-based service, we are providing free consulting on big data for selected partners. The partner companies selected as business targets receive consulting on their data analysis capabilities necessary for securing new and potential customers, and establish new marketing strategies based on big data. In 2022, a total of 26 partner companies participated in the big data consulting program and received support.

### Educational Support

#### Mutual Growth Academy

We have operated the Mutual Growth Academy since 2016, providing various education programs for our partners' employees to develop their competencies. The Academy offers over 200 online courses on subjects like management and languages, offline courses affiliated with external agencies, and special lectures by guest instructors, with all costs being covered by LOTTE HIMART.

Special Online Lecture

Marketing Strategies for the Post-COVID-19 Era

We organized a special online lecture to help employees of our partnering SMEs develop their skills. Delivered by Professor Yong-Gu Seo, the lecture discussed marketing strategies for the post-COVID-19 era and was attended by 59 employees from 17 partners.

We were able to provide education that was helpful to our partners even during the COVID-19 pandemic by providing relevant books and special online lectures.



### Financial Support

#### Improvement of payment terms and early payments

To reduce the financial burden of SME partners and to help them manage their funds smoothly, we are paying the full amount of the product price in cash. Furthermore, we pay SME partners who have signed a fair trade agreement the full product price in cash within 10 days. We also support our partners by providing advance payment of the product price before traditional Korean holidays, such as Lunar New Year and Thanksgiving Day, every year. This helps them to focus on sourcing and improving product quality.


#### 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 2.82%. We also help our SME partners take out loans more conveniently through our network loan scheme.


# Sustainable Partner Management

- | | |


---

-  Introduction


---

-  ESG Fundamentals

---

-  Environmental


---

-  Social


---

- Customer Satisfaction Improvement
- Sustainable Partner Management**
- Talent Management
- Workplace Safety
- Contribution to Local Communities
- Information Protection and Data Security

---

-  Governance

---

-  Appendix

## Sales Support and Stronger Cooperation

### Support for Discovering New Overseas Sales Channels

We participated in IFA Berlin 2022, a home appliance trade show, with 15 selected SME partners who wished to submit their products to discover new sales channels overseas. On Sep. 04, 2022, in local German time, we set up a LOTTE-Korea Brand Expo booth at IFA 2022 and showcased over 50 products from 6 LOTTE Group retail companies (HIMART, Home Shopping, department stores, marts, duty-free stores, and Korea Seven). We displayed the products of our SME partners in a showroom format in 7 sections within an integrated exhibition booth, featuring living room, kitchen, and dressing room, etc. In addition to home appliances, we also exhibited living and beauty products that complement home appliances, presenting the products in a natural and realistic way, showing customers how they can be used in their own living environments. Furthermore, we created promotional contents to enable visitors or buyers to easily access information about the participating companies and products. We attached QR codes to each product to promote the contents.



### Supporting Online Sales Channel

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 customers.

### Joint Development of PB Products with SME Partners

LOTTE HIMART has openly recruited SMEs to participate in the private brand (PB) product development through Fanfandaero, a website operated by the Small and Medium Business Distribution Center. This initiative aims to enhance customer satisfaction by offering high-quality PB products while also assisting SMEs in exploring additional sales channels. In 2022, we held a recruitment for partners to participate in the development of summer appliances such as fans and circulators, and made efforts to introduce new appliances in summer. 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.

### Heart Live: ESG

"Heart Live: 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 Lacuzin's low-sugar rice cooker, PePe's pet dry room, and Miro's humidifier. The show also provides customers with good opportunities to buy products at low prices. As for partners' sales expansion, we plan broadcast content and invite experts from partners and show hosts to appear on the show and introduce products through live commerce.



A screenshot from Heart Live

# Sustainable Partner Management

- | | |

---

- Introduction

---

- ESG Fundamentals

---

- Environmental

---

- Social

---

- Customer Satisfaction Improvement
- Sustainable Partner Management**
- Talent Management
- Workplace Safety
- Contribution to Local Communities
- Information Protection and Data Security

---

- Governance

---

- Appendix

## Other Support Activities

### Home appliance review website, HI-SELECT

We have opened and are operating the HI-SELECT website, which specializes in reviewing domestic outstanding partners' small- and medium-sized home appliances. Thanks to HI-SELECT, SME partners' products, which used to be advertised only in technical magazines, can now be introduced to general consumers, offering them a wider range of choices in purchasing home appliances. Our MDs directly select outstanding partners based on criteria like the features and designs of their products and help produce and manage professional reviews containing important information for customers. It also provides product reviews by users and quality photographs, allowing relatively unknown partners to promote their products. It is a quarterly magazine and was published 4 times in 2022.



### Home Appliance Reviews on HI-SELECT



### Air Conditioner Cleaning Service

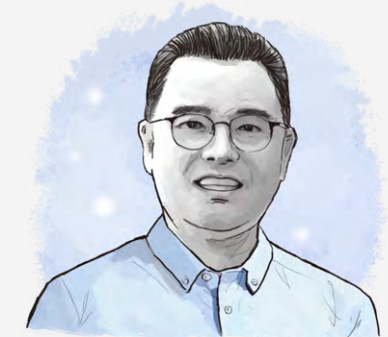
As part of our support for the welfare of our SME partners, we provided an air conditioner cleaning project affiliated with the Homecare Service to encourage the return to daily life amid the COVID-19 pandemic. This project supports summer home appliances by providing air conditioner cleaning services to over 30 SME partners, and we plan to continue this project in the future to benefit even more partners.

### Stakeholder Interview | Partner

Kespion became a LOTTE HIMART vendor in 2021 after developing an air purifier that was effective against COVID-19. As an SME partner, we consider LOTTE HIMART an ideal distributor for pursuing mutual growth due to its immense presence across the nation with over 400 stores. Recently, LOTTE HIMART launched a PB brand called HIMADE that collaborates with SME partners to produce and sell products, and the brand power of LOTTE HIMART has been a great help in enabling those SME partners to achieve far greater sales. However, the home appliance market is dominated by the products of large corporations, and as a result, most of the display space is dedicated to them while the products of SMEs are relegated to corners. This is a bit disappointing, and I hope that LOTTE HIMART will provide more tailored support to the SME partners that are doing business within it.

Kespion, a partner company  
Department Head Yong Kim

**“**  
**LOTTE HIMART is an ideal distributor with whom SME partners like us can pursue mutual growth.**  
**”**

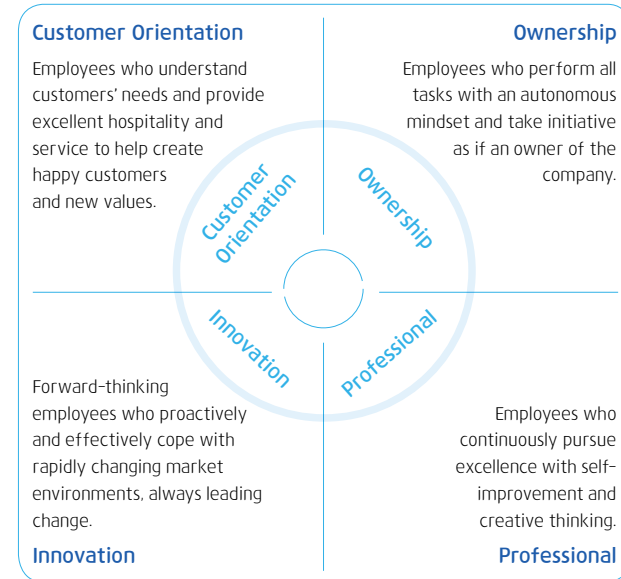


# Talent Management

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Customer Satisfaction Improvement
- Sustainable Partner Management
- Talent Management**
- Workplace Safety
- Contribution to Local Communities
- Information Protection and Data Security
- Governance
- Appendix

## Talent Recruitment

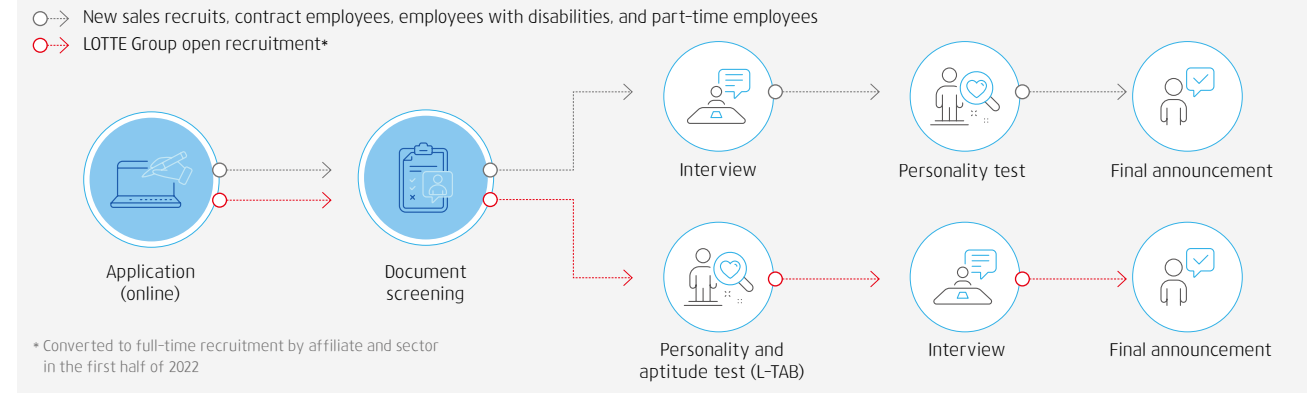
### Desired Talents of LOTTE HIMART



### Recruiting Human Resources Specializing in Distribution

To secure excellent talent specializing in distribution, we operate a transparent and fair recruitment process under the principles of "respect for diversity" and "open recruitment." The recruitment process consists of document screening, a personality and aptitude test (L-TAB), and interviews with managers and executives. In addition to job competency, an applicant is comprehensively assessed in terms of their 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. In 2022, we focused on recruiting experienced employees in all job categories who can immediately take part in practical work processes, securing highly experienced distribution talent.

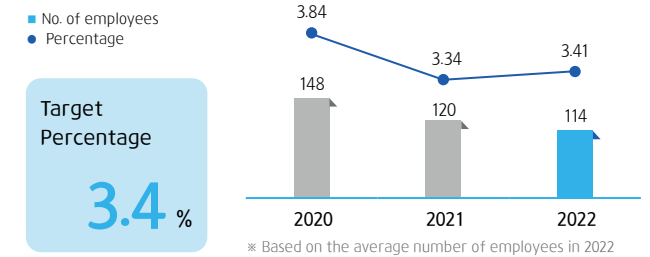
### Recruitment Process



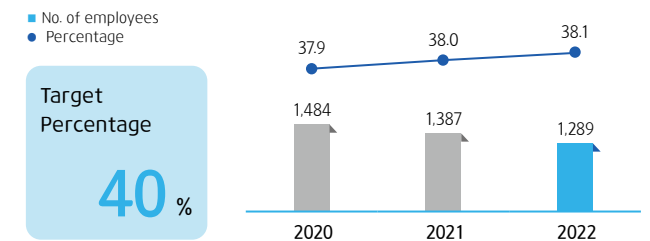
### Diverse and Fair Talent Recruitment

We select applicants based on their job competencies without discrimination against gender or disability. For patriots, veterans, 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. In 2022, the employment rate of persons with disabilities was 3.41%, which exceeded the mandatory employment rate of 3.1% by 0.31%. We have also striven to provide high quality jobs, such as by expanding employment by region when recruiting for sales positions at branches.

#### Recruitment of Employees with Disabilities



#### Recruitment of Employees with Disabilities Status of Female Talent Personnel



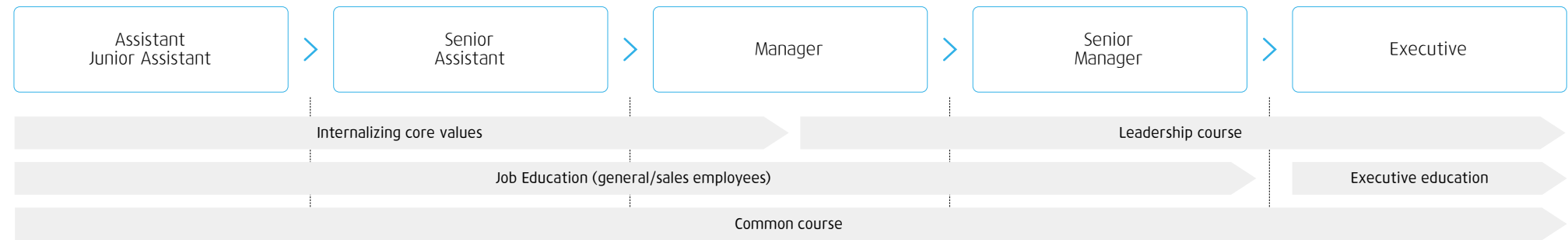


# Talent Management

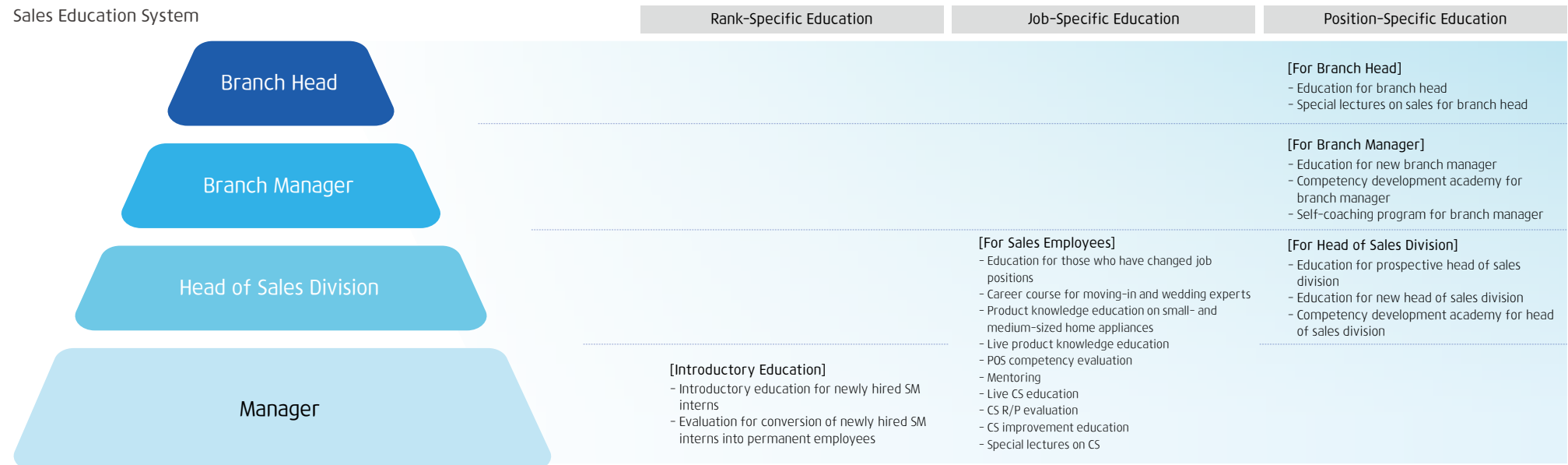
## Developing Talent and Building Employee Competency

### Employee Talent Development System

To foster the future leaders of digital distribution, we provide education on internalizing core values and job education programs for strengthening management competency, practical work skills, and leadership.



### Sales Education System



- Introduction
- ESG Fundamentals
- Environmental
- Social
- Customer Satisfaction Improvement
- Sustainable Partner Management
- Talent Management**
- Workplace Safety
- Contribution to Local Communities
- Information Protection and Data Security
- Governance
- Appendix

# Talent Management

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Governance
- Appendix

## 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, we operate education programs tailored to each level and position, including professional product education, while sales employees undergo education and evaluation related to the data processing system. We also support employees' competency building, self-development, and degree acquisition through our commissioned academy program, available for all employees.

**Commissioned Academy Program**

We operate a commissioned academy program as part of our efforts to expand employees' educational opportunities and help them in self-development and degree 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)

2020	17
2021	28
2022	20

## Educational Programs by Position and Rank

LOTTE HIMART operates an educational course for all employees based on their life cycles according to their ranks/positions. Through customized education, we aim to develop individual capabilities of employees and increase their work engagement. The education consists of an introductory course for new interns, a course for prospective position holders (prospective branch manager and head of sales division), a course for new position holders (new branch manager and head of sales division), and a refresh course for branch managers (branch head, competency development academy for branch manager and head of sales division). In addition, we support the growth of newly hired sales employees by operating the Rookie Manager Development Course, which includes mentoring programs and monthly workshops.



Special lectures on sales for branch heads

## 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 quality consulting services. We are making efforts to enhance the competitiveness of all our branches through a monthly sharing of outstanding cases and videos from our headquarters and by organizing role-playing (R/P) competitions\* in which employees themselves can participate. Furthermore, we aim at improving customer satisfaction through systematic CS education, diagnosis, and assessment, thus improving service quality from customers' perspectives.

\* Roleplay competition: A competition where employees role-play the entire sales process, including welcoming customers, selling products, and seeing them off




CS R/P evaluation


# Talent Management

- | | |


---

-  Introduction


---

-  ESG Fundamentals

---

-  Environmental


---

-  **Social**


---

- Customer Satisfaction Improvement
- Sustainable Partner Management
- Talent Management**
- Workplace Safety
- Contribution to Local Communities
- Information Protection and Data Security

---

-  Governance

---

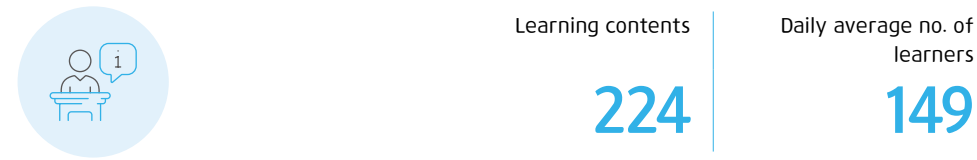
-  Appendix

## Developing Talent and Building Employee Competency

### Self-Directed Learning Channel, "Touch Class"

Touch Class, our 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.

#### Overview of Touch Class in 2022



### Curator Qualification System

We strive to keep motivating our sales experts, who determine the competitiveness of stores, and provide differentiated customer experience in our offline stores. In 2022, we established and operated the Curator Qualification System to cultivate sales experts who can curate products tailored to customers' needs and provide customized consultations. Employees preparing to obtain the qualification can also take the Career Course for Moving-In and Wedding Experts, while those who have been qualified as curators are given benefits like extra points in performance evaluations and awards, which leads to career development and growth of individual employees.

### Talent Developing 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 perform POS work\*, a job previously handled by female employees, in order to develop multi-skilled employees. Additionally, we have created an environment where sales employees can maintain a continuous interest in and learning of POS machines by conducting Random POS Competency Evaluations for sales employees. For those who lack proficiency in POS, we provide support to supplement their POS competency through additional education.

\* POS work: Receiving and registering sales; conducting promotional activities; managing cash, credit, and shipping

### Prospective Retiree Assistance System

We interview prospective retirees and provide them with job placement services to help them adapt to life after retirement. This program, which includes 5 one-on-one consulting sessions and 10 job suggestions, allows us to assist our retirees in making a living and to improve their human rights. We have also launched an outplacement education\* in 2023 for employees under the wage peak system, providing a three-year-long education course for them to plan their retired life.

\* Outplacement education: A service that provides education for employees who involuntarily leave their jobs, to help them find new jobs or start their own businesses.

# Talent Management

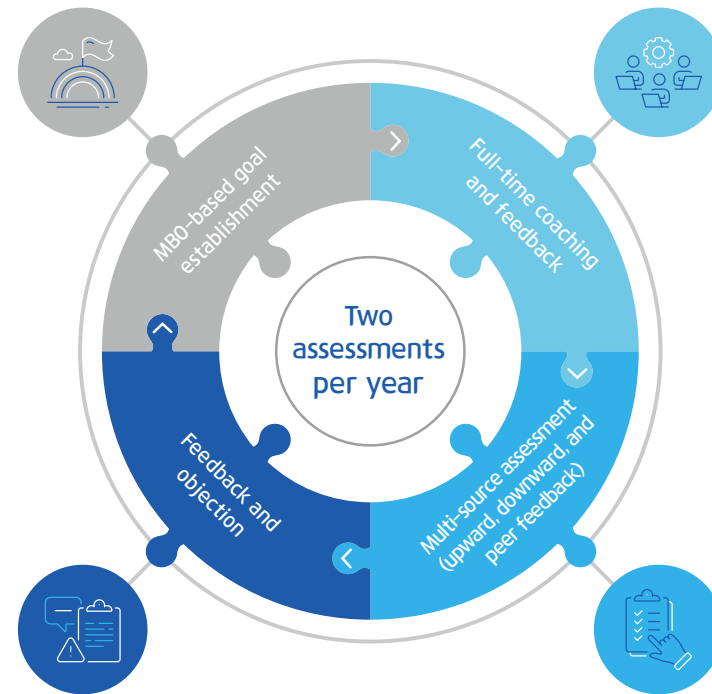
- Introduction
- ESG Fundamentals
- Environmental
- Social
- Customer Satisfaction Improvement
- Sustainable Partner Management
- Talent Management**
- Workplace Safety
- Contribution to Local Communities
- Information Protection and Data Security
- Governance
- Appendix

## Fair Performance Assessment and Compensation

### Performance Assessment System

We operate a fair performance assessment and compensation system so as to ensure that employees receive reasonable assessments of and fair compensation for their work performances. The performance assessment is conducted once each in the first and second halves of the year and divided into an MBO-based individual performance assessment and the qualitative assessment of potential capacity, value, etc. In 2015, we introduced an advanced HR assessment system comprising upward feedback, objection system, interim interview, and peer feedback. By promoting effective performance assessment, we aim to motivate our employees and increase their productivity.

### Sales Education 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 a peer feedback system where employees assess job competency and work attitude of their colleagues, providing an opportunity for personal growth based on assessment and feedback 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 they are in charge of. 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.

#### What is MBO?



MBO (Management by Objective) is a goal-oriented performance management system that reinforces the connection between organizational and individual goals for higher productivity. Through the process of goal agreement, reasonable goal setting is achieved between managers and their subordinates, and a quantified outcome based on the goals can ensure fairness in performance assessments. In addition, detailed goals are set through official interim interviews in the processes of goal establishment and assessment to further improve employee's work engagement.

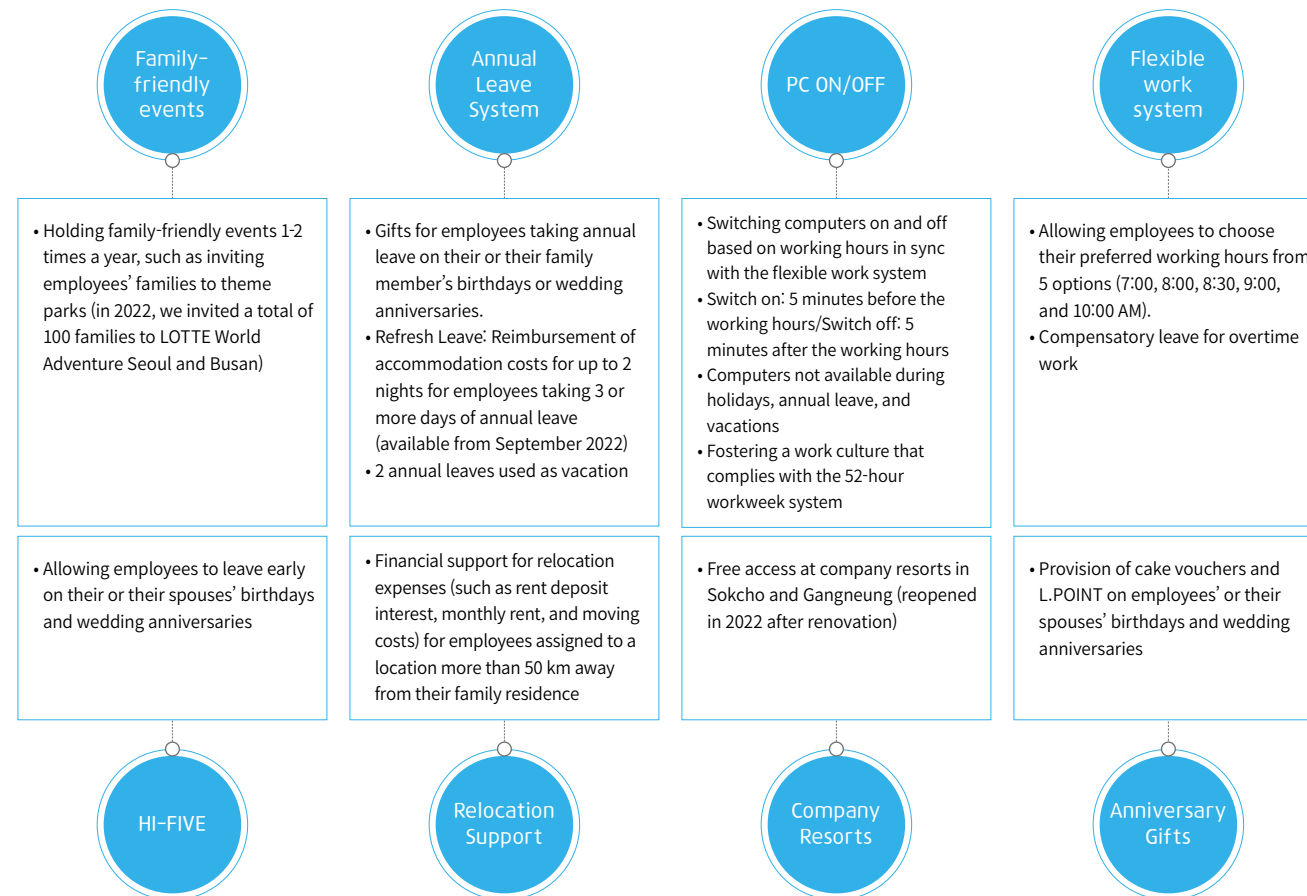
# Talent Management

## Employee Welfare

### Work-Life Balance

We offer a range of programs like family-friendly events and the annual leave system to help employees improve their work engagement by achieving work-life balance.

#### Regular Education on Human Rights LOTTE HIMART Welfare Program



A family-friendly event held at LOTTE World Adventure Busan in 2022



A company resort (renovated in 2022)

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Governance
- Appendix

# Talent Management

- Introduction
- ESG Fundamentals
- Environmental
- Social**
- Governance
- Appendix

## Respect for Human Rights

### LOTTE HIMART Human Rights Management

We have established LOTTE HIMART Charter for Human Rights Management to practice humanism by respecting the human rights of our members and stakeholders and to eliminate the risk of human rights violations.

The Charter is applied to every LOTTE HIMART employee, who in turn follows the Charter in their treatment of not only their fellow company members but also all stakeholders they meet for work, including partners' employees and customers.

LOTTE HIMART Human Rights Management			
<b>Chapter 1: General Provisions</b>	- Objective - Standard	- Scope of application - LOTTE HIMART's obligation	
<b>Chapter 2: Principles of Respect for Human Rights</b>	- 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 - Freedom of association - Power of representation - Right of sexual self-determination - Information security	- Protection of human rights of customers - Protection of human rights of local residents - Management of supply chain - Unlisted matters
<b>Chapter 3: Grievance Handling</b>	- Operation of grievance handling channel - Subjects of grievance handling	- Process of grievance handling - Procedure and method	- Confidentiality
<b>Chapter 4: Establishment of Human Rights Management System</b>	- Establishment of human rights management plan - Department in charge of human rights management	- Support for partners - Representative's report	
<b>Chapter 5: Supplementary Rules</b>	- Application		

### Labor Rights Policy for Employees

Respecting internationally-recognized laws and principles on human rights, we protect and improve the rights of our internal and external stakeholders and strive to protect victims by providing appropriate remedies. Our ultimate goal is to fulfill our responsibilities as a key member of society by fostering a human-rights-oriented corporate culture.

Our human rights system is based on and strictly adheres to the relevant international and domestic standards and guidelines, including the Universal Declaration of Human Rights, UN Global Compact, OECD Guidelines for Multinational Enterprise, ILO Fundamental Conventions, NHRC's human rights management manual for public institutions, and the Guidelines for Human Rights Management.

### Human-Rights Risk Management System

We ensure that all employees and stakeholders can report human rights violations through our Human Rights Violation Reporting Center and anonymous reporting channel. The submitted reports are then investigated by the Ethic Management Team and Corporate Culture Team so that mitigation measures can be taken for the relevant risk. In addition, our regional corporate culture improvement managers, Corporate Culture Team, and Ethic Management Team perform regular on-site inspections to check whether the improvement has been made and its effectiveness while also identifying additional risk factors related to human rights. No human rights violations were reported to our Human Rights Violation Report Center in 2022.

# Talent Management

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Customer Satisfaction Improvement
- Sustainable Partner Management
- Talent Management**
- Workplace Safety
- Contribution to Local Communities
- Information Protection and Data Security
- Governance
- Appendix

## Human Rights Training for Employees

We provide 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. Our regional corporate culture improvement managers visit branches to conduct human rights education for employees, focusing on the prevention of human rights risks.

### Regular Education on Human Rights

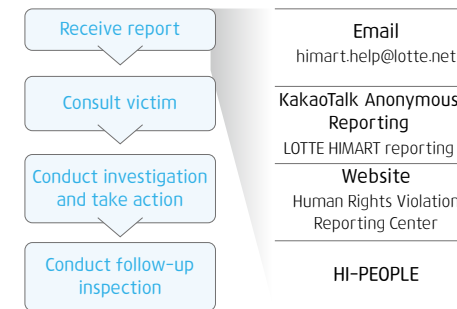
	Workplace Bullying Prevention	Workplace Sexual Harassment Prevention	Improving Disability Awareness
<b>Objective</b>	Preventing employees' physical and mental suffering and degradation in work environments	Protecting employees' rights of sexual self-determination and preventing degradation in the relevant work environments	Creating stable work environments for employees with disabilities
<b>Operation</b>	Once a year (Second half of the year)	At least once a year (First half of the year)	Once a year (First half of the year)
<b>Targets</b>	All employees	All employees	All employees
<b>Other</b>	Distribution of prevention guidelines	Distribution of sexual harassment newsletters	On-site education

\* Additional education is conducted whenever necessary.

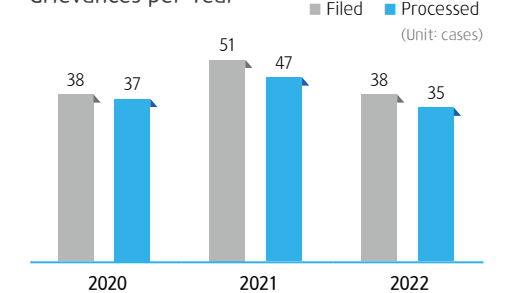
## Grievance Handling System

We operate a grievance handling system to prevent and actively respond to human rights violations in the company. For successful grievance handling, we have consultants specializing in women (3 in-house attorneys) and grievance consultants (3 from the Corporate Culture Team, including 1 in-house labor attorney). Employees can report grievances through various channels, and the filed grievances are handled with fairness according to a strict security procedure. We also ensure that the issue is regularly inspected and managed even after measures have been taken. Our regional corporate culture improvement managers have reinforced the preventive measures and follow-up process of grievances since 2021. This has allowed us to proactively manage and prevent grievance cases on business sites, leading to a decrease in the number of reported grievances in 2022.

### Grievance Handling Process



### No. of Submitted/Processed Grievances per Year



\* Unprocessed cases: Cases whose details are unclear due to anonymous reports

## Human Rights Violation Reporting Center

We have established and operated a Human Rights Violation Reporting Center on our website to enable our internal members and all other stakeholders, including employees of partners and customers, to report human rights violations and receive the relevant support. We ensure the confidentiality of submitted reports and put substantial efforts into preventing secondary harassment. The received reports are handled and investigated with objectivity, based on clear proofs and evidences. No cases were reported to our Human Rights Violation Report Center in 2022, and those related to issues other than human rights were shared with and processed by the relevant departments. We plan to launch an enterprise-wide human rights impact assessment for more active prevention of and response to human rights violations.

# Talent Management

## Sound Corporate Culture

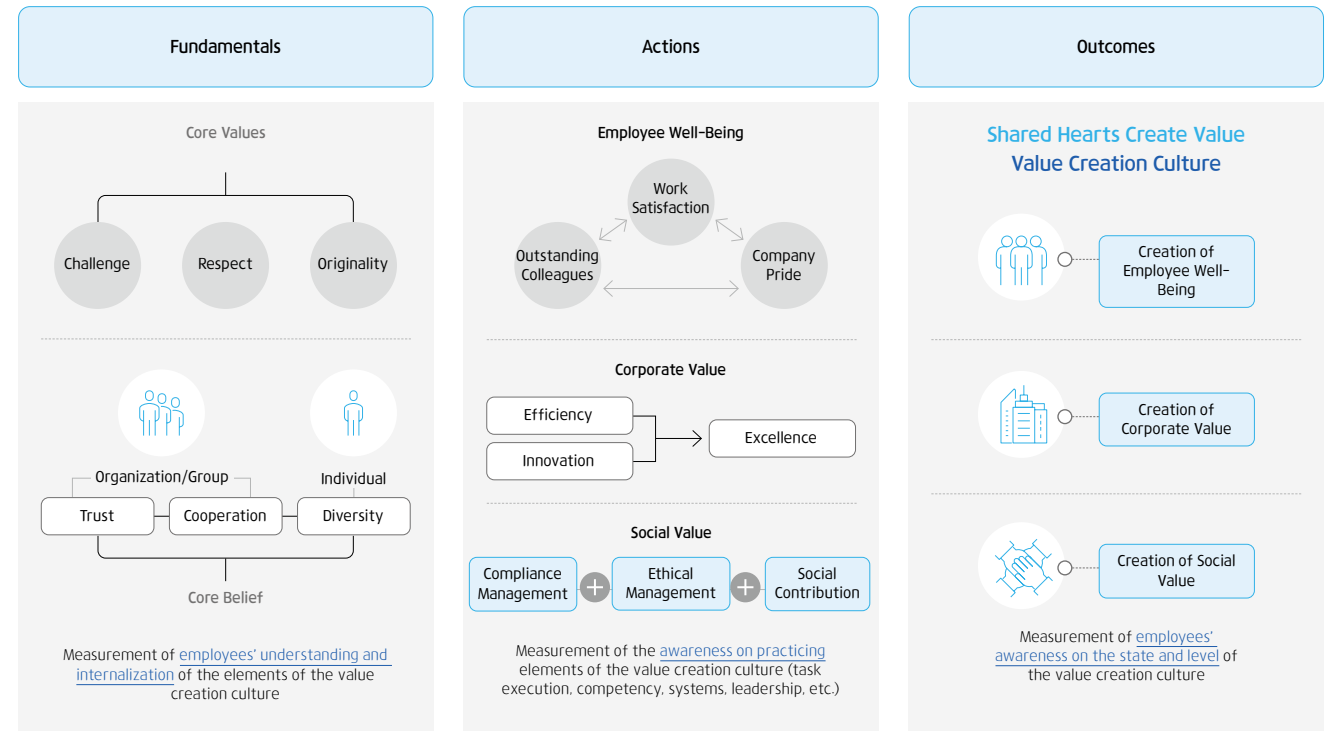
### Improvements in Corporate Culture

LOTTE HIMART has been holding an employee awareness improvement campaign to guarantee employees' work and life balance. In 2022, we strengthened our efforts to promote mutual respect among employees, such as campaigns to improve honorific titles and promote respectful dialogue and phone etiquette. Employees were informed of monthly campaigns through work messages and mobile notifications. We also actively promoted the campaigns across business sites to ensure that employees are well aware of them.

### Corporate Culture Diagnosis

LOTTE HIMART conducts a quarterly internal corporate culture diagnosis and once a year. LOTTE Group evaluates our value creation culture. This diagnosis aims to identify employees' awareness and the state of value creation culture and take appropriate action for improvement. The value creation culture diagnosis is a survey targeting all employees, with questions about employee well-being, corporate value, and social value. Through value creation culture diagnosis and internal corporate culture diagnosis, LOTTE HIMART identify areas in need of improvement and strives to make practical improvement.

### Value Creation Culture Diagnosis



- Introduction
- ESG Fundamentals
- Environmental
- Social**
- Customer Satisfaction Improvement
- Sustainable Partner Management
- Talent Management**
- Workplace Safety
- Contribution to Local Communities
- Information Protection and Data Security
- Governance
- Appendix



# Talent Management

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Customer Satisfaction Improvement
- Sustainable Partner Management
- Talent Management**
- Workplace Safety
- Contribution to Local Communities
- Information Protection and Data Security

## Compliment Echo

Compliment echo aims to promote mutual respect among the HQ and branches, motivating employees by encouraging them to compliment and cheer for each other. Recipients of compliment echo are determined based on cooperative skills and business etiquette. They're selected among store employees in odd-numbered months, and among the HQ and branch employees in even-numbered months. They receive messages of encouragement and award certificates from their division heads, which are also published across the company for inspiration purposes.



## Employee Support Event

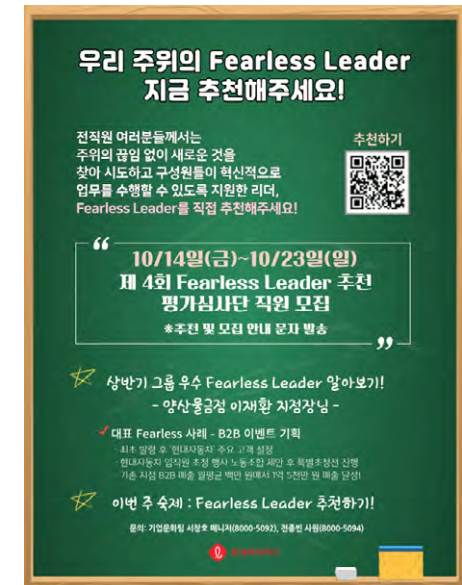
To celebrate our company's founding anniversary in April 2022, we ran an event where employees who uploaded a congratulatory message for the anniversary, a message to support their colleagues, and an improvement plan for their team's corporate culture in the form of a video to the Corporate Culture Team's social media account would receive a snack box as a reward.

We also installed a photo booth at the lounge in our Daechi branch in May to uplift employees amidst the COVID-19 pandemic, which prevented them from doing group activities with their colleagues. Employees took "Life's Four Cuts" photos with their fellow employees and used them to make message cards for each other. Event participants could also enter a draw to win hamburger vouchers, relieving their work tension and stress.



## Fearless Leader

Fearless Leader is a program in which an innovative leader is selected based on empathetic leadership among members. All employees recommend a leader (manager, executives) through a mobile phone survey, after which a screening group composed of 5 junior board directors evaluates, selects and awards the Fearless Leader. In 2022, we selected 1 Fearless Leaders, one per half year.



# Talent Management

- Introduction
- ESG Fundamentals
- Environmental
- Social**
- Governance
- Appendix

## Listening to Employees' Opinions

For the company's development, LOTTE HIMART operates a range of communication channels to encourage active communication among employees and pay close attention to employees' opinions. In addition to the "Let's Talk" and bulletin boards on our website, we also launched a campaign in 2022 where the CEO communicated with employees. The CEO held meetings with employees to listen to their opinions and carry out improvement activities, traveling across the country. In addition, we communicate directly with employees every month through a junior board representing the millennials and Gen Z, actively listening to their honest opinions and conducting various events.

### On-site Talks with the CEO

Since March 2022, the CEO has visited business sites to communicate with employees and listen to their opinions and hardships, striving to build a mutual understanding between the labor and management. Talk participants, who were selected among applicants based on their job ranks and gender as well as diversity, discussed with the CEO over 200 issues, such as improving the sales environment and product policies, in 16 branches. Suggestions made during the talks were shared throughout the company for immediate application.

### Junior Board

The Junior Board, which is the CEO's hot line communication group, consists of up to 5 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 meeting with the CEO, the members convey employees' opinions obtained from site visits and select various topics every month to propose new ideas and perspectives.

## Labor-Management Communication

We strive to achieve labor-management cooperation through an inclusive, communicative culture. We operate the Labor-Management Committee on a quarterly basis to enhance work efficiency, identify major risks related to labor practice, and improve the work environment. The Labor-Management Committee is composed of 10 members, including 5 labor representatives and 5 management representatives, who discuss various topics such as working conditions and welfare. It especially focuses on hardships experienced in workplaces, aiming to become a workplace-oriented committee. The Committee convenes once a quarter, or four times a year, and strives to facilitate labor-management communication and create an employee-friendly work environment.



# Workplace Safety

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Customer Satisfaction Improvement
- Sustainable Partner Management
- Talent Management
- Workplace Safety**
- Contribution to Local Communities
- Information Protection and Data Security
- Governance
- Appendix

## Safety and Health System

With the goal of having zero industrial accidents, we have established a safety and health system based on 27 articles of the relevant laws, including the Occupational Safety and Health Act, the Electrical Safety Control Act, and the Framework Act on Firefighting Services. The safety and health management system is applied to all employees within the entire workplace as well as to all partner companies that have contractual relationships with us.

We have also formed an organization dedicated to reinforcing the safety and health system for the establishment and execution of relevant management plans. To prevent accidents, we have appointed regional safety managers and conduct inspections on all business sites at least twice a year based on the same standards. We have also created and distributed our own safety management manual to ensure consistent safety management. Meanwhile, employees are being education through a practice-oriented education system to acquire and practice proper safety management standards. The company also operates a Safety and Health Committee, a mutual cooperation program, and a VR experience zones, and supports partner companies' safety management activities.

**Safety and Health Policy**

All employees of LOTTE HIMART actively participate in and practice the safety and health policy based on the core value of respecting life, striving to provide healthy, comfortable lives for all stakeholders, including workers and customers.

- 01 Place top priority on safety and health: All our policies shall place the utmost priority on safety and health.
- 02 Establish an accident prevention culture: Establish and mitigate potential risk factors in all business sites to foster a culture that proactively prevents dangerous situations.
- 03 Promote employees' active participation: Provide continuous assistance to employees and promote their active participation for the company's safety and health environmental improvement.
- 04 Establish a swift response system: Establish an accurate and swift emergency response system through continuous education
- 05 Comply with laws and regulations: Strictly comply with internal and external laws and regulations in relation to safety and health.

## Development and Operation of Safety Manual

We have developed 3 types of safety manuals for employees, construction sites, and facilities. All the manuals are revised every year to reflect the latest regulations regarding firefighting, electricity, architecture, etc.

<b>Safety Manual</b>	Safety rules to be followed by employees
<b>Construction Site Manual</b>	Safety rules to be followed by partners during construction work
<b>LOTTE HIMART Safety Standards (LHSS)</b>	Facility safety standards to be followed during construction such as new/relocation, renovation, and maintenance

## Occupational Health and Safety Committee

Pursuant to the Occupational Health and Safety Act, our Occupational Health and Safety Committee consists of an equal number of employer and employees. Convening once a quarter, the Occupational Health and Safety Committee reviews and makes decisions regarding prevention policies and educating with the goal of having zero industrial accidents. The Occupational Health and Safety Committee activities and key issues and risks related to safety and health are annually reported to the BOD alongside the relevant management plans.

## Response to Serious Accidents Punishment Act

We operate the following safety and health system to prevent the occurrence of serious accidents.

Category	Description
01	Preparing enterprise-wide safety regulations and manuals
02	Placing a safety manger in every region
03	Safety inspections: Conducting enterprise-wide safety inspections and mitigating 100% of risk factors (twice a year)
04	Conducting period- and issue-specific inspections
05	Assessing and resolving risks on all business sites
06	Operating Occupational Health and Safety Committee
07	Providing regular safety and health education for employees, managers, and supervisors
08	Inspecting the safety of workers and the state of facilities in construction sites
09	Conducting accident prevention campaigns and training
10	Operating the Safe Master system (to foster safety experts)

Our workers comply with standards and procedures that allow them to stop their work in the event of a serious accident or immediate danger. All employees, managers, and supervisors working on our business sites have the right to stop their work and evacuate from the site if facing an imminent threat to their safety. Our safety and health managers do not give unfair treatment, such as punishment, to employees who stopped their work due to reasonable causes. In such an occasion, we prevent the occurrence of similar situations by eliminating relevant risk factors and developing preventive measures. If necessary, we improve our safety and health system to ensure employee safety across business sites.

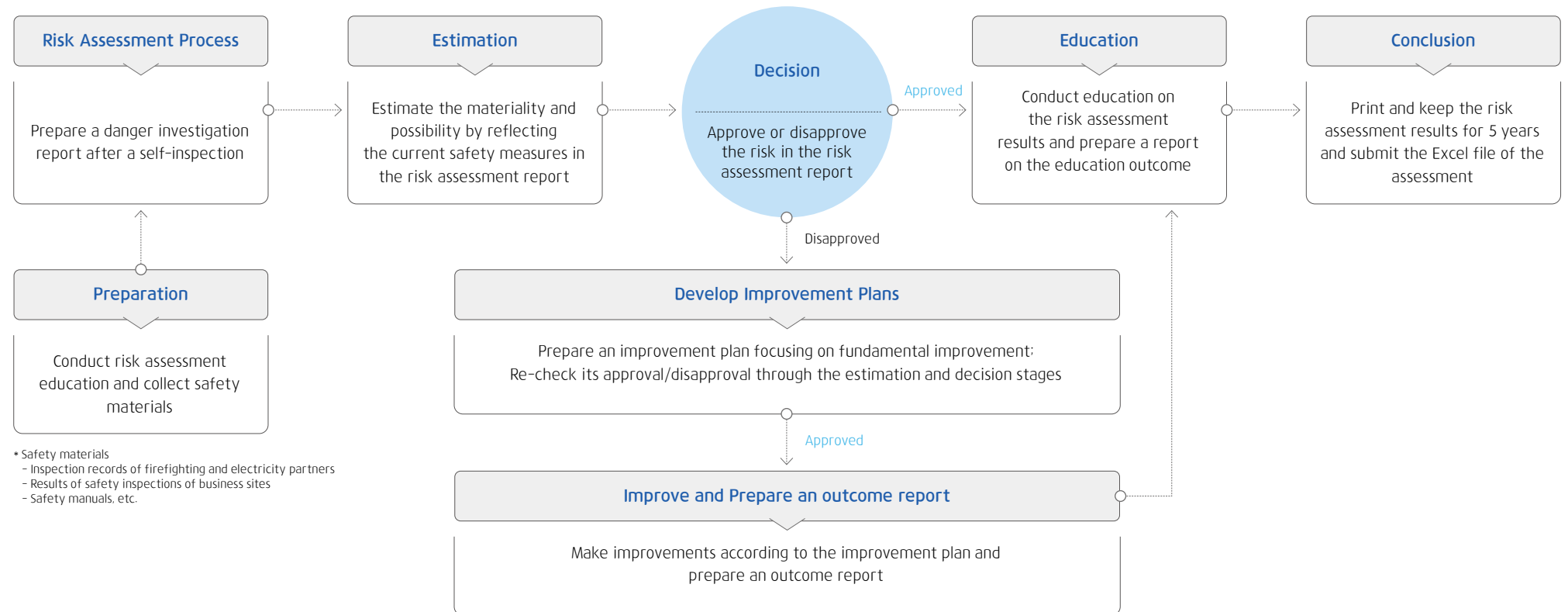
# Workplace Safety

## Accident Prevention for Safety and Health

### Risk Assessment

A risk assessment requires the company to identify and mitigate its risks using a quantitative approach rather than relying on experiences and senses. Every manager and supervisor of our business sites receive education on risk assessments, and we discover risk factors that may cause accidents by conducting safety inspections and listening to employees' opinions. We are making every effort to create a safe workplace by implementing 100% corrective measures to address the identified risk factors.

#### Risk Assessment Process



- Introduction
- ESG Fundamentals
- Environmental
- Social
- Customer Satisfaction Improvement
- Sustainable Partner Management
- Talent Management
- Workplace Safety**
- Contribution to Local Communities
- Information Protection and Data Security
- Governance
- Appendix

# Workplace Safety

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Customer Satisfaction Improvement
- Sustainable Partner Management
- Talent Management
- Workplace Safety**
- Contribution to Local Communities
- Information Protection and Data Security
- Governance
- Appendix

## Inspections for Accident Prevention

### Safety Inspection at Branches and Distribution Centers

We perform safety inspections on all business sites at least twice a year. Our regional safety managers, each with expertise in different fields including firefighting and electricity, visit business sites to identify and eliminate risk factors that may lead to accidents like fire and electric shocks.

Category	Inspected Items
Regular Inspection	<ul style="list-style-type: none"> <li>① Damage and deformation in firefighting facilities</li> <li>② Improvement of vulnerable areas, including the pump rooms, electrical rooms, and rear areas of the TV section</li> <li>③ Compliance with LOTTE HIMART Safety Standards, etc.</li> </ul>
Paper Recycling Bins	<ul style="list-style-type: none"> <li>① Cleanliness of paper recycling bins and areas around the store</li> <li>② Intensive inspection of fire-prone areas</li> </ul>
Themed Inspection	<ul style="list-style-type: none"> <li>① Winter: inspect frozen and burst pipes, fire</li> <li>② Summer: inspect wind and rain damage, electrical equipment</li> </ul>

### Construction Site Inspection

We evaluate partners' compliance with safety rules in construction sites and impose penalties on those who fail to meet the requirements.

We visit the sites at least 3 times a week to check their adherence to safety rules as well as whether they conduct independent risk assessments and establish and follow safety plans.

### Safety Inspections for Partners

We manage partners' qualifications as our suppliers by evaluating the safety levels of those who perform potentially hazardous work, such as construction, cleaning, and the maintenance and repair of equipment. Partners who score below 70 cannot take part in bids for the next 1 year.

## Appointment of Safety Managers 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. Since 2022, however, we have placed in every area a safety manager with safety-related certifications, who carries out on-site safety inspections as well as training to prevent accidents and actively communicate with branches.

## Healthcare

We installed a health service room and hired a healthcare manager at the HQ in 2021 to reinforce our healthcare services for employees, including health checkups and checkup management.

We strive not only to prevent talent losses due to health issues but also to improve the quality of life for our employees by tracking and managing individuals who show abnormal results in the annual checkups conducted once a year through interviews. In particular, healthcare managers visit workplaces to conduct face-to-face consultations with employees in high-risk groups who are already aware of or have developed diseases. We also continuously monitor noise, dust, and other factors that may exist in workplaces and make efforts to create a comfortable work environment through workplace measurements.

## Safety and Health of Partners

LOTTE HIMART works with 13 partners to manage distribution centers and operate shipping and installation services. We provide a wide range of support to ensure the safety of partners working in our distribution centers.

### Support Activities to Provide Safe Work Environments for Partners

<b>Distribution center safety manual and guidelines</b>	We are providing response guides and checklists for potential risk factors that may arise during storage and installation-related tasks, in order to promote safety awareness among partner company employees and ensure thorough accident prevention measures are taken.
<b>Support for fire safety management plans and firefighting inspections</b>	As a company engaged in logistics warehousing, we are supporting our partner companies in the preparation, inspection, management, and submission of fire safety management plans in accordance with the requirement for the operation and management of fire safety management plans starting in June 2022.
<b>Risk assessment guidelines and support</b>	We inspect potential risk factors on partners' business sites and perform maintenance and repair activities based on the results, ensuring safe work environments.
<b>Sewage and wastewater treatment facilities</b>	We manage the quality of wastewater generated from car-washing, as well as the quality of water in septic tanks and storage tanks on our business sites, in order to maintain a cleaner environment. We also perform regular cleaning of sewage and wastewater treatment facilities to improve the quality and sanitation of the water to be discharged.
<b>Prevention, control of pests, and rodents</b>	We support prevention and control of pests, rodents, and spiders in storage and perform monthly sanitary inspections for storage, offices, restaurants, etc. to create hygienic work environments.

# Workplace Safety

- Introduction
- ESG Fundamentals
- Environmental
- Social

## Occupational Health and Safety Education

LOTTE HIMART provides online health and safety education for all employees. In addition, each store conducts special education and fire drills conducted by our Firefighting Team on the day of monthly safety inspections. A safety education month is also operated, including education on accident prevention and response such as CPR, electricity/fire safety, and other job-specific risks.



### Safe Master Certification System

To cultivate internal safety experts, we operate the “Safe Master” qualification system every year. The Safe Master is a certification system that has obtained certification from the Human Resources Development Service of Korea, and it consists of a written and practical test on 5 subjects: safety management, occupational safety, firefighting, electricity, and first aid. It evaluates safety checks and emergency response capabilities. Currently, 758 Safe Masters are active nationwide, and we plan to expand the Safe Master qualification to all employees in the future to enhance professional expertise and awareness of safety.

### Safety Inspection Day

Every second Wednesday of the month is designated as the Safety Inspection Day, where all business sites conduct their own safety inspections and focus on specific seasonal or issue-specific risks.

#### Inspections Conducted on the Safety Inspection Day

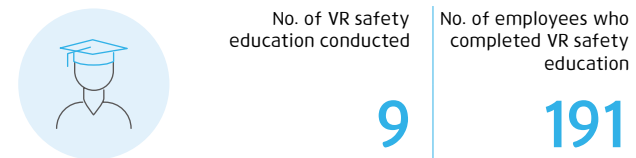
Month	Topic	Description	Inspected Factor
January	Fire	Overload	Inspection of extension cords plugged together
February	Fire	Overload	Inspection of direct-fired heaters
March	Falling	Ladders	Inspection of compliance with ladder safety standards
April	Fire	Short circuit and overload	Inspection of outdoor units of air conditioners and heaters
May	Electric shock	Short circuit	Inspection of rain and wind resistance of panel boards
June	Wind and rain damage	Flooding	Inspection and maintenance of leakage
July	Wind and rain damage	Flooding	Inspection and maintenance of leakage
August	Falling	Ladders	Inspection of compliance with ladder safety standards
September	Fire	Receivers, etc.	Inspection of abnormality in firefighting equipment
October	Fire	Smoking	Inspection of paper recycling bins and smoking areas
November	Fire and overload	Overload	Inspection of extension cords plugged together
December	Cold wave	Cold wave	Inspection of freezing factors for firefighting equipment, etc.



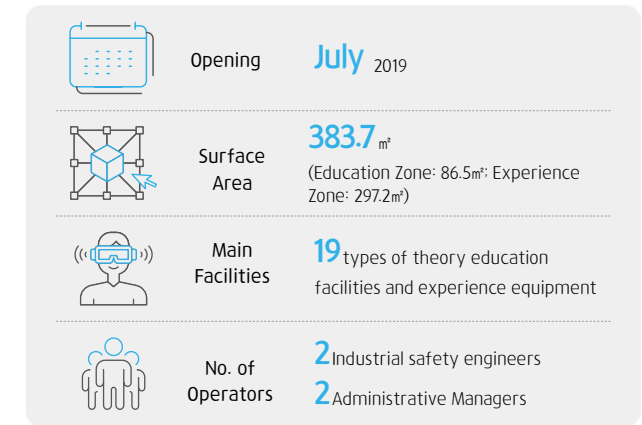
### VR Safety Education Center

LOTTE HIMART operates a VR safety education center to provide safety education on storage management and installation work. The VR safety education enables employees to experience accidents themselves, leading to enhanced safety awareness. Furthermore, we also ensure that our employees fully understand safety rules to improve their response skills and create safe work environments.

#### VR Education in 2022



#### Overview of VR Safety Education Center



# Workplace Safety

- Introduction
- ESG Fundamentals
- Environmental
- Social**
- Governance
- Appendix

## Employee Healthcare System

LOTTE HIMART recognizes that healthy employees are essential to healthy families, companies, and society. As such, we have established various healthcare systems for the physical and mental well-being of our employees.

### Health Checkups

We ensure 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. Employees holding positions of branch manager or higher and employees aged 40 years or older can receive health checkups with their spouse or 1 immediate member. Providing this type of support allows us to create healthy and happy work environments. In addition, our office building in Daechi-dong is equipped with a health service room run by a healthcare manager who provides consulting on checkup results and other health issues.

	Checkup I	Checkup II	Premium Checkup
Targets	<ul style="list-style-type: none"> <li>Employee</li> <li>Employee holding position of SA or lower and aged below 40</li> </ul>	<ul style="list-style-type: none"> <li>Employee and 1 family member</li> <li>Employee holding position M or higher and aged 40 or older</li> </ul>	<ul style="list-style-type: none"> <li>Employee and 1 family member</li> <li>Aged 50 or older</li> </ul>
Checkup Items	Basic checkup + optional checkup (CT scan and ultrasonography)	Basic checkup + optional checkup (CT scan, ultrasonography, and colonoscopy)	Basic checkup + specialized optional checkup (CT scan, ultrasonography, colonoscopy, and MRI)

### Group Accident Insurance

We conduct group insurance enrollment for all employees every year, providing comprehensive coverage including actual expenses, in order to enhance compensation in case of accidents.

### HI-MIND Therapy Program

HI-MIND is an employee support service provided by LOTTE HIMART, which offers customized counseling services based on the overall stress level of our employees. 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 COVID-19, 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.

### Employee mental care "Mindling" Program

To promote the mental health of our employees, we give away vouchers for Mindling, a mental health care program, to randomly selected winners every month. Mindling is a program that provides customized healing solutions through online psychological tests. Through this program, we identify the mental concerns that are causing difficulties for our employees and provide care to help them move towards a healthy and balanced life.

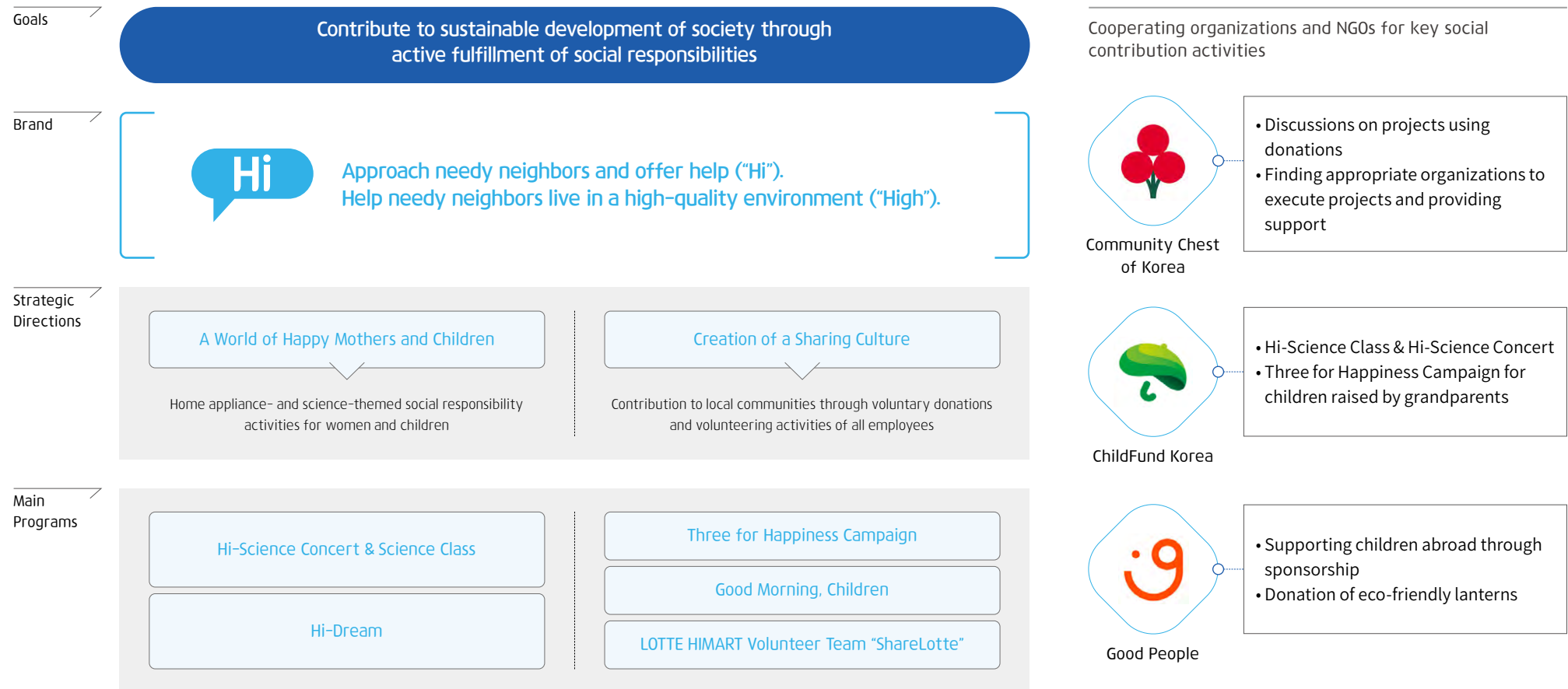
# Contribution to Local Communities

- Introduction
- ESG Fundamentals
- Environmental
- Social**
- Customer Satisfaction Improvement
- Sustainable Partner Management
- Talent Management
- Workplace Safety
- Contribution to Local Communities**
- Information Protection and Data Security
- Governance
- Appendix

## Social Contribution System

### Directivity of Social Contributions and Goals

LOTTE HIMART has selected women and children as its main target for social contribution projects. Furthermore, we are actively pursuing business projects that can leverage our internal capabilities, with home appliances as the foundation of our business. We strive to involve our employees more proactively, so that these projects are not just led by the company, but are built collaboratively with our employees.





# Contribution to Local Communities

- Introduction
- ESG Fundamentals
- Environmental
- Social**
- Governance
- Appendix

## A World of Happy Mothers and Children

### Hi-Science Concert & Science Class

Hi-Science Concert & Science Class is a representative social contribution program of LOTTE HIMART, which has been held annually since 2018. It is a science education program that utilizes electronic products to help children learn about scientific principles in a fun way.

The Hi-Science Class holds science classes at local children's centers in local communities to provide educational opportunities for underprivileged children who lack access to science education. The teachers in the science class are recruited among women with career gaps, providing them with job opportunities.

Moreover, the Hi-Science Concert is open to all children nationwide, providing them with a fun experience through science.

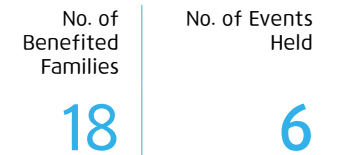
#### Hi-Science Concert & Science Class (2022)



### Hi-Dream

Hi-Dream is a social contribution program created by combining the brand of LOTTE Group's social contribution brand of "A comfortable world for mothers" and "help mothers and children get closer to their dreams." The program collects stories about the dreams of mothers and their children and gifts them with home appliances necessary for achieving those dreams. The program is conducted 6 times a year.

#### Hi-Dream in 2022



### Stakeholder Interview | Local Community

LOTTE HIMART has been an outstanding partner with whom we have conducted social contribution activities and provided support for 18 years since 2005. Not many corporations in Korea have shown such continuous support for children and adolescents, and I think this highlights the sincerity of LOTTE HIMART. Especially notable is the fact that the company's longest-running project, sponsorship for children raised by their grandparents, has benefited more than 1,500 children and goes as far as providing tailored, long-term support until the children become financially self-sufficient. Recently, LOTTE HIMART has also launched a social contribution campaign related to its field of business: Hi-Science Concert is a talk show that teaches children about the scientific principles behind home appliances and recycling waste appliances, encouraging them to develop scientific curiosity. Considering the fact that LOTTE HIMART distributes products and conducts business in stores all across the nation, I think it is extremely important for the company to develop and engage with its local communities. I hope LOTTE HIMART continues to make contributions to and invest in local communities and that more of its stakeholders learn about the socially responsible side of the company.

ChildFund Korea, Sharing Business Team, Seoul 3 Group  
Section Head Young-Yi Lee

“  
LOTTE HIMART is an outstanding company that has conducted social contribution activities aimed at children and adolescents for the past 18 years.  
”



- Introduction
- ESG Fundamentals
- Environmental
- Social**
- Customer Satisfaction Improvement
- Sustainable Partner Management
- Talent Management
- Workplace Safety
- Contribution to Local Communities**
- Information Protection and Data Security
- Governance
- Appendix

# Contribution to Local Communities

## Promoting a Culture of Sharing

### Three for Happiness Campaign

Since 2006, we have implemented the "Three for Happiness Campaign" annually for children raised by grandparents. The increase in the number of divorced families has resulted in many children being raised by their grandparents, who are at risk of being in a social blind spot. To help them have a brighter, happier future, we make continuous efforts, such as providing monthly donations. 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.

#### Overview of Three for Happiness Campaign

No. of beneficiaries (2006 - 2022)	No. of sponsored children	Donations for underprivileged children
<b>1,521</b>	<b>200</b>	<b>KRW 180 million</b>

#### Gifts for Independent Living of Adolescents

According to the Child Welfare Act, protection ends when a child turns 18 years old in childcare facilities, group homes, and foster families. LOTTE HIMART has provided 39 children raised by grandparents, whose protection ends when they turn into adults in 2022, with household appliances worth KRW 18 million, such as tablet PCs, rice cookers, and vacuum cleaners, as a gift to support their social independence.

### Good Morning, Children

LOTTE HIMART has been sponsoring 100 students of Banh Duc Elementary School in Vietnam through regular support, and has formed an overseas partnership to help them continue their education stably.

In addition, more than 110 employee volunteers have produced eco-friendly solar lanterns called "Solami" through online volunteering activities and donated them with hand sanitizers to prevent COVID-19. Eco-friendly solar lanterns can protect the health and life of underprivileged children from fire risks and respiratory diseases caused by kerosene lamps, and can also improve the educational environment for children studying in poor conditions.

#### Overview of Good Morning, Children

No. of sponsored children	Volunteer hours of our employees
<b>100</b>	<b>120</b> hours

### Supporting Abused Children

LOTTE HIMART has been providing financial support to children who have suffered from abuse since 2021. The funding for this activity is being operated by voluntary donations from our employees. In 2022, a total of KRW 50 million was raised. Approximately KRW 30 million of the total funding has been delivered to 6 shelters and 10 foster homes that require urgent support for children who have suffered from abuse. The delivered funds are being used to provide daily necessities for the children, such as childcare expenses, living expenses, psychological therapy fees, legal expenses, and to create a stable nurturing environment for children who have suffered from abuse.

#### Support for Abused Children

No. of beneficiaries	Donations made
<b>40</b>	<b>KRW 50 million</b>

# Information Protection and Data Security

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Customer Satisfaction Improvement
- Sustainable Partner Management
- Talent Management
- Workplace Safety
- Contribution to Local Communities
- Information Protection and Data Security**

- Governance
- Appendix

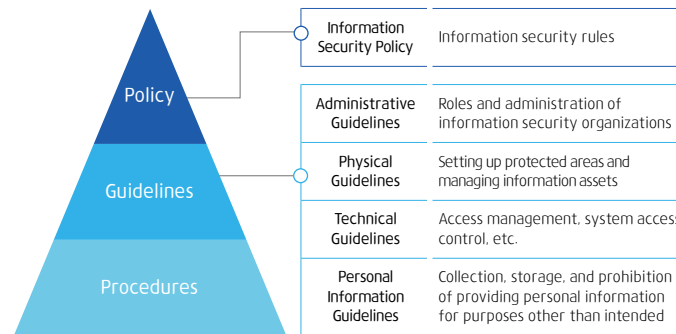
## Information Security and Data Security Systems

### Information Security Policy and Guidelines

For systematic protection and management of information, we have established an information security policy prescribing relevant management rules and 4 guidelines (Administrative, Physical, Technical, and Personal Information) on information security. This policy and guidelines apply to all our employees and partners as well as all our business sites, including stores, distribution centers, and the online store. In addition, they are annually revised under the CEO's approval to reflect the latest laws and systems, changes in internal and external environments, and IT and business trends, which allows us to proactively respond to a range of security risks. All employees can access our information security policy and guidelines on the intranet anytime.

#### Goals and Performances for Information Security

Description	Goals	2022 Performances
Reinforcing information security	0 cases of violations or security incidents	0 case
Protecting customer information	0 case of leakages, thefts, or losses	0 case



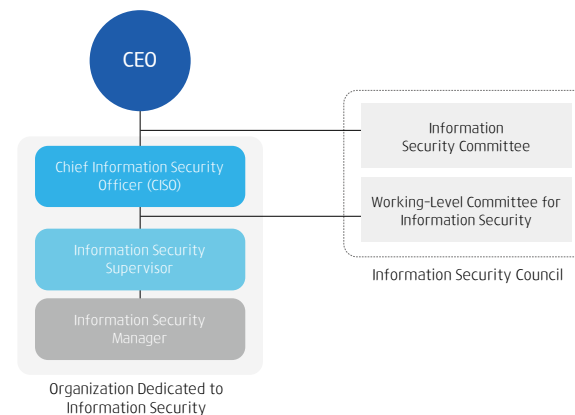
### Information Security Organization

Pursuant to the Act on Promotion of Information and Communications Network Utilization and Information Security, we have a designated Chief Information Security Officer (CISO) with more than 5 years of experience in information technology and set up an organization dedicated to information security.

For effective management and supervision of information security activities, we also operate the Information Security Council, which consists of an Information Security Committee and a Working-Level Committee for Information Security.

Composed by executives, the Information Security Committee makes decisions on work and policies regarding information security to establish an enterprise-wide security system and discusses the current status and tasks of information security.

The Working-Level Committee for Information Security comprises the team leaders and managers of departments concerning administrative, physical, technical, and personal information guidelines on information security. They share security issues and accident cases to ensure a proactive response to the changing work environments.



### ISMS Certification

We obtained the ISMS (Information Security Management System) certification through the initial evaluation in 2015 and have been maintaining the certification through regular reviews every year until 2022.

- A system where the Korea Internet & Security Agency or other certification agencies certify that a company's measures activities for information security meet the certification standards
- Certified Area: Online store management
- Validity Period: Jan. 19, 2022 - Jan. 18, 2025

# Information Protection and Data Security

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Customer Satisfaction Improvement
- Sustainable Partner Management
- Talent Management
- Workplace Safety
- Contribution to Local Communities
- Information Protection and Data Security**
- Governance
- Appendix

## Personal Information Security

Recognizing the importance of privacy protection, LOTTE HIMART has established a personal information management system in our efforts to safeguard customers' data. Pursuant to the Personal Information Protection Act, our privacy policy aims to protect the personal information of customers and promptly and effectively resolve relevant grievances. Customers can view the details of the policy on our online store and website anytime. In 2022, zero cases of personal information leakages, thefts, or losses were identified.

### Key Details of Personal Information Protection Act

We process and possess users' personal information only for the period prescribed in the relevant laws or the period with which the user has agreed when we collected their information. We destroy personal information without delay (within 5 days) once the retention period expires or when we no longer need it for reasons such as having achieved our purpose.

When collecting personal information, we notify the user of the collected items, collection purposes, the retention period, etc., and the collected information is used only for the stated purposes. In addition, we provide the information to third parties only with the customer's consent or when the relevant laws allow us to do so. We share customer information with third-party sources only when the customer agrees to do so, which is an optional choice.

Customers have the right to exercise their rights to access, correct, delete, and request to stop processing their personal information at any time. If customers request their rights through our customer support center or Personal Information Team, it will be promptly processed at any time.

### On-Site Inspections of Personal Information Management

To prevent security incidents, we regularly perform on-site inspections of information security in our external offices and business sites. We also annually inspect companies entrusted with the handling of personal information to ensure the safe management of our customers' and employees' privacy.

## Activities to Reinforce Information and Data Security

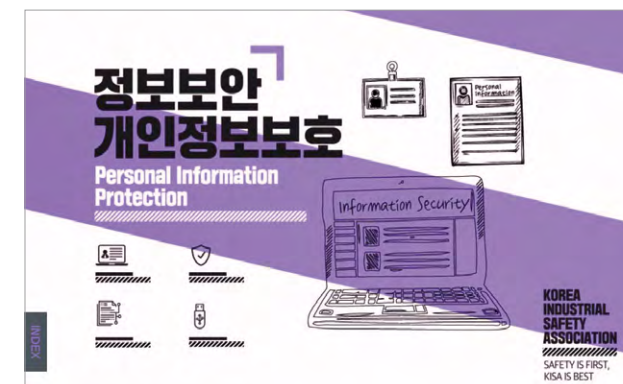
### Raising Awareness on Information Security

#### Information Security Day

To raise employees' awareness of security, we have designated the first Monday of each month as Information Security Day. We are promoting various activities on a monthly basis such as self-inspections of information security, education on personal information, document relocation and destruction. In addition, we publish a monthly security newsletter to share the latest security incidents and issues with our employees.

#### Information Security Education

All our employees, including permanent and contracted workers in the HQ and branches, receive education on information security. We also require newly hired employees, including those in sales and delivery, to complete information security education. In addition, we ask our employees once a year to sign digital agreements committing to information security, striving to raise their awareness of information security.



Personal information security education materials for employees



# Information Protection and Data Security

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Customer Satisfaction Improvement
- Sustainable Partner Management
- Talent Management
- Workplace Safety
- Contribution to Local Communities
- Information Protection and Data Security**
- Governance
- Appendix

## Mock Training for Security Incidents

### Mock Training on Disaster Recovery

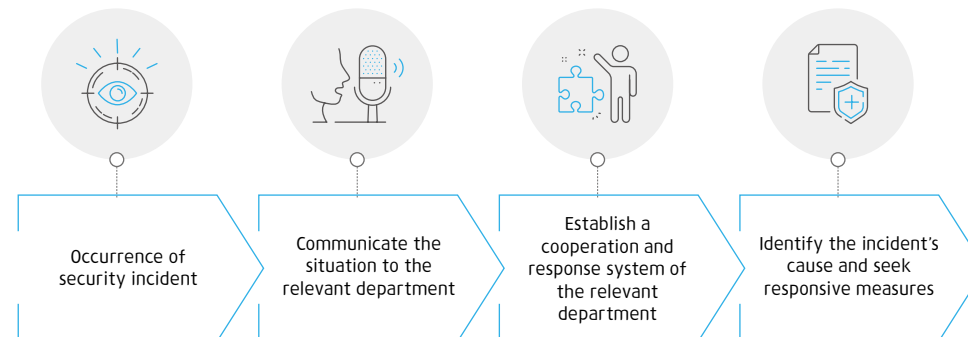
LOTTE HIMART has established and operates a disaster recovery system by analyzing the scope of damage and business impact of each system in preparation for IT disasters. We conduct quarterly disaster recovery mock trainings to prepare for potential disasters and ensure that our systems can operate normally in case of any disaster.

### Mock Training on Virus Emails

In response to the growing number of cyber attacks using virus emails, we provide employees with quarterly mock training on handling viruses in emails. We send mock virus training emails to our employees and classify those who click the link or attachment as infected individuals for further management.

## Response Procedure for Security Incidents

To respond to various forms of attacks, we have established and operated an intrusion incident response system. Once a security incident is detected, the situation is communicated to the relevant department to seek cooperation and then to LOTTE Group's information security portal, which alerts the Computer Emergency Response Team (CERT) to conduct a prompt analysis of the cause and circumstances. The incident analysis allows us to identify what caused the incident and take measures to prevent its reoccurrence.



## Group Audits of Information Security

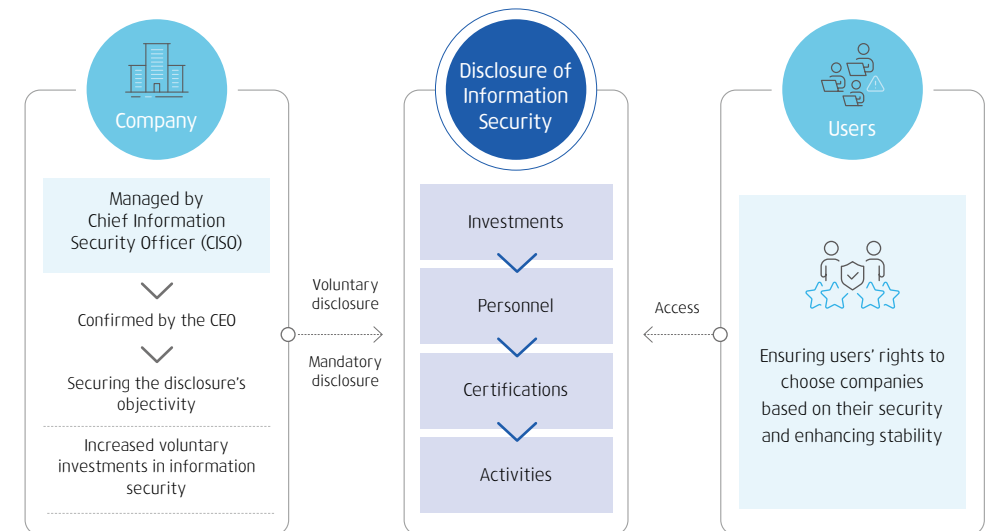
LOTTE HIMART conducts an annual group audit conducted by the LOTTE Group Information Security Committee to check compliance with information security policies and the relevant compliance risks. The group audits diagnose 4 areas: Administrative, Physical, Technical, and Personal Information. We manage and execute the resulting tasks to reinforce the level and system of information security across the company.

We also conduct themed inspections reflecting the latest security issues, such as cloud and online technology, for a proactive response against security threats and the prevention of information data risks.

## Disclosure of Information Security

Following the amendment of the Act on The Promotion of Information Security Industry, we disclosed the status of our information security to ensure users' rights to know and promote relevant investment.

We strive to enable stakeholders to understand the information security investments and activities of LOTTE HIMART by disclosing information related to the status of information security investments, information security personnel, certifications and assessments, and information security activities.



Introduction

ESG Fundamentals

Environmental

Social

**Governance**

- Sound Governance
- Protection of Shareholder Rights
- Ethics and Compliance Management
- Risk Management

Appendix



# GOVERNANCE

**79** Sound Governance

- BOD Composition
- BOD Operation/Committees under the BOD/Reinforcing BOD Competency
- BOD Remuneration and Evaluation

**83** Protection of Shareholder Rights

- Protection of Shareholder Rights
- Issued Stocks and Shareholder Composition

**84** Ethics and Compliance Management

- Ethics and Compliance Management System
- LOTTE HIMART Rules of Ethical Conduct
- Various Report and Reporting Channels

**87** Risk Management

- Risk Management System
- Internal Control over Financial Reporting

# Sound Governance

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Governance**
- Sound Governance
  - Protection of Shareholder Rights
  - Ethics and Compliance Management
  - Risk Management
- Appendix

## BOD Composition

Our BOD, the highest decision-making body of LOTTE HIMART, consists of a total of 8 members (3 internal directors and 5 external directors), and is responsible for making decisions on the company's basic management policies and important matters. Pursuant to the Commercial Act of Korea, which requires that at least 3 directors, including a majority of external directors, be appointed, and in 2022, 1 female external director was appointed.

To facilitate rapid decision-making and efficient organizational operations, the CEO was legally elected as the chairperson of the BOD in accordance with internal regulations, holding both positions concurrently. In accordance with Article 31 of the Articles of Incorporation, the BOD is convened by the chairperson of the BOD and meets at least once every quarter. Special meetings 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 9 of the BOD Regulations, are based on attendance by a majority of the directors and voting by a majority of the attending directors. In addition, directors with special interests are restricted from exercising voting rights to prevent potential conflicts of interest.

### BOD Composition

Category	Name	Gender	Date of Birth	Term of Office	Responsibilities (Position)	Experience
Internal Director	Young-Keun Hwang	Male	January 1967	March 2019 – 2023 (Reappointed)	<ul style="list-style-type: none"> <li>• CEO</li> <li>• Chair of the BOD</li> </ul>	<ul style="list-style-type: none"> <li>- Current CEO of LOTTE HIMART</li> <li>- Former head of the LOTTE HIMART Sales Group (Managing Director)</li> <li>- Former head of the LOTTE HIMART Sales MD Group (Managing Director)</li> </ul>
	Jung-O Maeng	Male	February 1968	March 2021 – 2023	<ul style="list-style-type: none"> <li>• Head of MD Group</li> <li>• Member of the ESG Committee</li> </ul>	<ul style="list-style-type: none"> <li>- Current head of the LOTTE HIMART MD Group (Senior Vice President)</li> <li>- Former head of the LOTTE HIMART SCM Division (Senior Vice President)</li> <li>- Former head of the LOTTE HIMART Financial Division (Vice President)</li> </ul>
	Sang-Yoon Park	Male	October 1971	March 2022 – 2024	<ul style="list-style-type: none"> <li>• Head of Finance Division</li> </ul>	<ul style="list-style-type: none"> <li>- Current head of the LOTTE HIMART Finance Division</li> <li>- Former manager of LOTTE Corporation Finance &amp; Innovation Office's Team 1</li> <li>- Former head of the LOTTE Data Communication Finance Division</li> </ul>

(As of December 2022)

Category	Name	Gender	Date of Birth	Term of Office	Responsibilities (Position)	Experience
External Director	Hee-Ok Lee	Male	August 1960	March 2020 – 2024 (Reappointed)	<ul style="list-style-type: none"> <li>• Chairperson of the ESG Committee</li> <li>• Member of the Transparent Management Committee</li> <li>• Member of the Nomination Committee</li> </ul>	<ul style="list-style-type: none"> <li>- Current vice president of the Korean Political Science Association</li> <li>- Current vice president of the Korea-China Amity Association</li> <li>- Current non-executive director of the Sejong Institute</li> <li>- Current president of Sungkyun Institute of China Studies, Sungkyunkwan University</li> <li>- Current Professor at Sungkyunkwan University Department of Political Science and Diplomacy</li> </ul>
	Chun-Soon Kim	Male	May 1963	March 2020 – 2024 (Reappointed)	<ul style="list-style-type: none"> <li>• Chairperson of the Remuneration Committee</li> <li>• Member of the Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>- Current chairperson of the National Gambling Control Commission</li> <li>- Current member of the Ministry of Economy and Finance's Public Enterprise Management Evaluation Team</li> <li>- Current special vice president of Soonchunhyang University</li> <li>- Former head of the Budget Analysis Department, National Assembly Budget Office</li> <li>- Former senior member of the Special Committee on Budget and Accounts</li> </ul>
	Do-Jin Jung	Male	January 1969	March 2020 – 2024 (Reappointed)	<ul style="list-style-type: none"> <li>• Chairperson of the Audit Committee</li> <li>• Member of the ESG Committee</li> <li>• Member of the Remuneration Committee</li> </ul>	<ul style="list-style-type: none"> <li>- Current private member of Korea Exchange</li> <li>- Current professor at Chung-Ang University Business School</li> <li>- Former member of the International Public Sector Accounting Standards Board</li> <li>- Former president of the Korea Institute of Public Finance</li> <li>- Former review committee member of the Financial Services Commission</li> </ul>
	Won-Sang Yoo	Male	October 1970	March 2020 – 2024 (Reappointed)	<ul style="list-style-type: none"> <li>• Chairperson of the Transparent Management Committee</li> <li>• Member of the Remuneration Committee</li> <li>• Member of the Nomination Committee</li> </ul>	<ul style="list-style-type: none"> <li>- Current professor at Korea University Business School</li> <li>- Current director of the Korean Society of Consumer Studies</li> <li>- Current vice president of the Korea Distribution Association</li> <li>- Current vice president of the Korean Marketing Association</li> </ul>
	He-Ri Choi	Female	April 1965	March 2022 – 2024	<ul style="list-style-type: none"> <li>• Chairperson of the Nomination Committee</li> <li>• Member of the Audit Committee</li> <li>• Member of the Transparent Management Committee</li> </ul>	<ul style="list-style-type: none"> <li>- Current lawyer at the Sanji Law Firm</li> <li>- Former standing member of the National Human Rights Commission of Korea</li> <li>- Former standing member of the Mediation Committee at the Seoul Court Conciliation Center</li> </ul>

# Sound Governance

## Expertise, Independence, and Diversity of the BOD

The members of our BOD are appointed considering the expertise, independence, and diversity of candidates and according to a fair procedure.

**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.

**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, starting in 2022, we have appointed external directors as the chairpersons of the 5 committees within the BOD to ensure transparency and independence.

**Diversity:** LOTTE HIMART does not discriminate by age, gender, or place of origin when appointing directors

## Appointing Directors

To ensure fair and transparent appointment of external directors, LOTTE HIMART manages a list of candidates through the Nomination Committee and confirms the candidates to be recommended at the general shareholders' meeting. When selecting candidates, the company considers various factors such as expertise, independence, and diversity.

The candidates nominated by the Committee are appointed as directors through the resolution at the general shareholders' meeting. Directors serve a term of 2 years and may be reappointed depending on their performance. The term of office for reappointed directors is 2 years.

Candidates for internal directors are recommended by the BOD based on the evaluation of experience, skills, integrity, etc., and their appointments are finalized through the resolution at the general shareholders' meeting.

## Competencies of the BOD Members

Evaluated Item	Internal Directors			External Directors					Percentage
	Young-Keun Hwang	Jung-O Maeng	Sang-Yoon Park	Hee-Ok Lee	Chun-Soon Kim	Do-Jin Jung	Won-Sang Yoo	He-Ri Choi	
Leadership	○	○	○	○	○	○	○	○	100%
- CEO Experience	○								12.5%
- CFO Experience		○	○						25.0%
Finance/Accounting		○	○		○	○			50.0%
Risk Management	○	○	○	○	○	○	○	○	100%
Global Business				○					12.5%
ESG				○		○	○		37.5%
Marketing/PR	○						○		25.0%
Law/Regulation					○			○	25.0%
Appointed Year	2019	2021	2022	2020	2020	2020	2020	2022	Average length of terms: 2 years and 3 months
Independence				○	○	○	○	○	Independence 62.5%
Age	56	55	52	63	60	54	53	58	Average age: 56.4
Gender	Male	Male	Male	Male	Male	Male	Male	Female	Percentage of female directors: 12.5%

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Governance**
- Sound Governance
  - Protection of Shareholder Rights
  - Ethics and Compliance Management
  - Risk Management
- Appendix



# Sound Governance

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Governance**

## Sound Governance

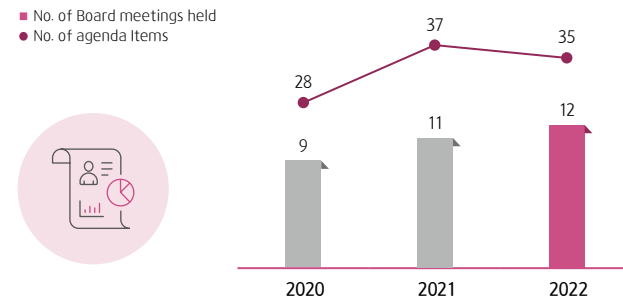
- Protection of Shareholder Rights
- Ethics and Compliance Management
- Risk Management

## Appendix

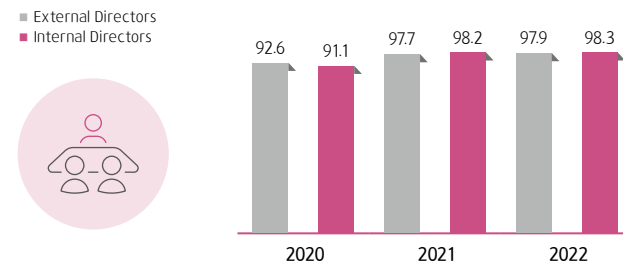
### BOD Operation

Our BOD holds 6 regular Board meetings for agenda items such as the yearly approval of financial statements and convening the general shareholders' meeting, in addition to special meetings held whenever the need arises. In 2022, the BOD held 6 regular meetings and 6 special meetings, during which a total of 35 agenda items were voted on and reported on.

#### BOD Operations



#### Attendance Rates of Board Meetings (%)



### Committees Under the BOD

We operate a total of 5 committees within the BOD: The Audit Committee, ESG Committee, Transparent Management Committee, Remuneration Committee, and Nomination Committee.

Each committee is composed of experts with the appropriate skills and knowledge for their respective purposes, in order to increase the professionalism of decision-making and is operated with the participation of external directors.

Since 2022, we have ensured that the Committee Chairpersons are appointed only from among external directors and that all committees except the ESG Committee are composed solely of external directors, in our efforts to reinforce their independence.

### Reinforcing BOD Competency

We provide education for our external directors to reinforce their expertise. In addition, LOTTE HIMART conducts on-site board meetings to enhance the expertise of the BOD and their understanding of the business. In 2022, they visited our Apgujeong branch to observe the latest trends in home appliances and the EV charging station.

#### Committees under the BOD

Committee	Roles	Composition	No. of Committee meetings held in 2022
Audit Committee	Conducts audits of work-related matters and directors' performing of roles	Chairperson: Do-Jin Jung Members: Chun-Soon Kim, He-Ri Choi	5
ESG Committee	Reviews and approves ESG management strategies and major execution plans	Chairperson: Hee-Ok Lee Members: Do-Jin Jung, Jung-O Maeng	8
Transparent Management Committee	Reviews and approves the appropriateness of transactions, donations, sponsorships, etc. with people in special relationships	Chairperson: Won-Sang Yoo Members: Hee-Ok Lee, He-Ri Choi	5
Remuneration Committee	Makes decisions on and approves matters related to remuneration and compensation of directors (both internal and external)	Chairperson: Chun-Soon Kim Members: Do-Jin Jung, Won-Sang Yoo	2
Nomination Committee	Nominates and approves external director candidates to be approved at the general shareholders' meeting	Chairperson: He-Ri Choi Members: Hee-Ok Lee, Won-Sang Yoo	1

# Sound Governance

| | |

Introduction

ESG Fundamentals

Environmental

Social

**Governance**

**Sound Governance**

- Protection of Shareholder Rights
- Ethics and Compliance Management
- Risk Management

Appendix

## BOD Remuneration and Evaluation

Our BOD remuneration system receives annual inspections from an independent remuneration committee consisting solely of external directors. The remuneration of directors is conducted considering the responsibilities, risks, and time required to perform their roles and does not exceed the remuneration limit resolved and approved at the general shareholders' meeting.

### Evaluation and Remuneration of External Directors

LOTTE HIMART operates a separate compensation policy and does not link the evaluation and compensation of external directors to avoid the possibility of compromising their independence. The remuneration of external directors is determined taking into account the level of legal responsibility and risk, and considering the level of remuneration in the same industry.

### Evaluation and Remuneration of Internal Directors

The remuneration of internal directors is determined by considering factors such as the human resource management regulations, the level of contribution and expertise of the executives in their roles. This calculation is used to determine their base pay. Bonuses are determined by reflecting financial and non-financial indicators. Financial indicators include operating profit, sales target achievement rates, etc., while non-financial indicators utilize compliance management and customer satisfaction indices.

### BOD Evaluation

LOTTE HIMART conducts an annual BOD evaluation to support the board in establishing itself as an oversight body for the company's important decision-making body and management. The BOD evaluation consists of role and responsibility of the BOD, the structure of the BOD, the operation of the BOD, and committees within the BOD, and it evaluates a total of 26 detailed items. The board evaluation is conducted anonymously and the results are compiled and analyzed by the General Administration Team responsible for the board's work. The BOD members share their opinions freely and in-depth about the evaluation results, and based on the identified areas for improvement, they establish and reflect on measures to operate the BOD in a sound and efficient manner.

### Amount of Remuneration of Directors in 2022

Category	No. of Persons	Total Amount Paid
Internal Directors	3	KRW 983 million
External directors (excluding the Audit Committee)	2	KRW 132 million
Audit Committee	3	KRW 183 million

\* Total amount as of late 2022

### Percentage of Compensation of CEO to Employees in 2022

(Unit: KRW 100 million)

Total Remuneration for CEO	Employee Remuneration (Median)	Times
4.1	0.5	7.5

\* The median of employee remuneration was calculated excluding the CEO's.

### Percentage of Compensation Increase of CEO to Employees in 2022

Total Remuneration Increase Rate for CEO	Employee Remuneration Growth (Median)	Times
▲ 3.6	▲ 3.1	▲ 1.1

# Protection of Shareholder Rights

| | |

Introduction

ESG Fundamentals

Environmental

Social

**Governance**

Sound Governance

**Protection of Shareholder Rights**

Ethics and Compliance Management

Risk Management

Appendix

## Protection of Shareholder Rights

### e-Voting System

To support shareholders' exercise of their voting rights, LOTTE HIMART has introduced and operated an e-Voting system since the regular general shareholders' meeting in 2016. This allows shareholders to electrically exercise their voting rights without having to attend the general shareholders' meeting in person, leading to the reinforcement of their rights. In particular, in 2022, 876,000 shares (3.8% of shares with voting rights) were exercised through the e-Voting system, an increase of 857,000 shares compared to the previous year.

### Dispersal Program of General Shareholders' Meeting

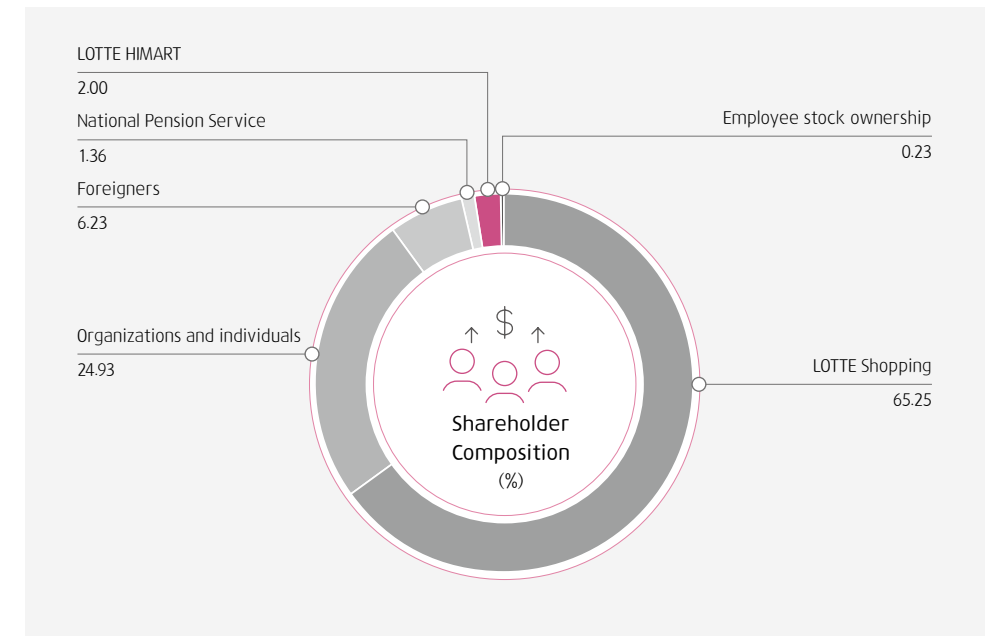
Starting from 2022, LOTTE HIMART has participated in the Voluntary Dispersal of General Shareholders' Meetings Program by the Korea Listed Companies Association to enhance the participation of minor shareholders in the general shareholders' meetings. To assist minor shareholders in exercising their rights, we avoid holding the general shareholders' meeting on the concentrated date in March when many listed companies hold their meetings. In 2023, we plan to continue our participation in the shareholders' meeting dispersal program to support the exercise of rights by minor shareholders.

### Communication with Shareholders

LOTTE HIMART discloses all information necessary for our shareholders on our website and the Data Analysis, Retrieval, and Transfer System (DART) in a timely and clear manner. We also hold non-deal roadshows (NDRs) and IR meetings for our key institutional investors.

## Issued Stocks and Shareholder Composition

As of Dec. 31, 2022, LOTTE HIMART has issued 23,607,712 common shares, which adopt a single voting rights system based on the one-share-one-vote principle. Our largest shareholder is LOTTE Shopping, with the equity ratio of 65.25%.



# Ethics and Compliance Management

| | |

Introduction

ESG Fundamentals

Environmental

Social

**Governance**

- Sound Governance
- Protection of Shareholder Rights
- Ethics and Compliance Management**
- Risk Management

Appendix

## Ethics and Compliance Management System

To realize our vision to be a “Home & Lifestyle Retailer to add pleasure and value to customer’s lifestyles with smart products and services,” LOTTE HIMART is reinforcing our ethics and compliance system by focusing on “transparent management.”

More specifically, we acquired the ISO 37001<sup>1)</sup> certification for anti-corruption management systems in September 2018, practicing ethical management that satisfies international standards. We have been renewing the certification since the initial acquisition, with all our CEO, BOD, and employees taking initiative to prevent corruption and bribery.

Moreover, we updated our legal management policy with the approval of the BOD on Apr. 07, 2022. The new clauses added prohibit money laundering and the collection of expedited fees, and formalize regulations related to third-party relationships to prevent bribery and ensure legal compliance.

To comply with anti-corruption and legal regulations, the scope of prohibition against illegal solicitation has been expanded, including condolence expenses, reflecting the revised provisions of the Improper Solicitation and Graft Act implemented since June 2022.

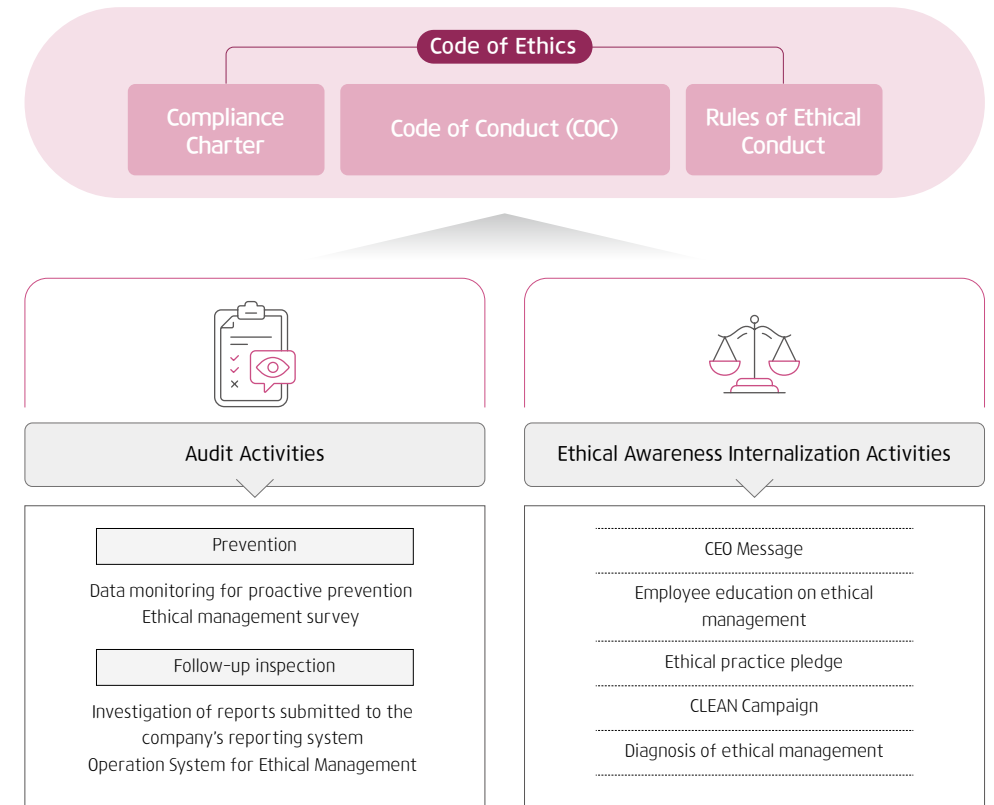
Our Ethic Management Team, an organization dedicated to ensuring ethical management, reports directly to the CEO and is operated independently.

They conduct audit activities to improve the data monitoring system for preventing unethical actions, and campaigns such as providing ethics education for employees and collecting employees’ ethics practice pledges to raise awareness of ethics.

Moreover, in the event of major issues related to anti-corruption and compliance, they report to the Audit Committee on a quarterly basis and take appropriate measures.

1) Anti-corruption management system (ISO 37001): An international standards certification enacted by the International Organization for Standardization (ISO) in 2016 to assess a company’s anti-corruption infrastructure, such as executives’ leadership, work procedure, and the operation of the anti-corruption system

## Ethical Management Operating System



# Ethics and Compliance Management

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Governance**
- Sound Governance
- Protection of Shareholder Rights
- Ethics and Compliance Management**
- Risk Management

Appendix

## LOTTE HIMART Rules of Ethical Conduct

LOTTE HIMART provides our employees with guidelines for ethical behavior through the Rules of Ethical Conduct, which sets standards for proper behavior and value judgments. Based on the LOTTE HIMART Code of Conduct, established in 2015, the guidelines prohibit workplace bullying, sexual harassment, and unfair trade practices with partners, as well as corruption, improper solicitation, internal trading, and honest marketing. They reflect various domestic and international legal and ethical requirements.

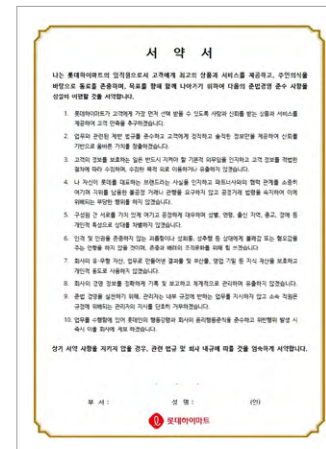
### Overview of Rules of Ethical Conduct\*

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

\* Partial excerpt from LOTTE HIMART Rules of Ethical Conduct

## Ethics Practice Pledges of Employees and Partners

LOTTE HIMART employees conduct an annual ethical pledge according to the topic-specific (customer trust, employee trust, partner trust, shareholder trust, and social trust) Rules of Ethical Conduct and Code of Conduct. This allows us to remind them of the judging criteria for practicing ethical management and encourage them to take initiative. In 2022, all our employees made the pledge, continuing from the past years. Furthermore, all partners doing business with LOTTE HIMART are required to sign an agreement on fair trade and compliance at the time of the contract, demanding that all partners comply with our anti-corruption policy.



LOTTE HIMART's pledge to practice ethics

## Audit Activities and Actions Taken

The Ethic Management Team conducts regular and special audits once a year on ethical standards and anti-corruption policies. In 2022, it inspected issues such as abnormal sales, transactions with suppliers, and payment means. For unethical conduct detected, it took necessary measures like disciplinary actions and the redemption of company losses. These audit activities allow us to assess employees' compliance with not only the relevant laws but our Code of Ethics and improve our systems to prevent the occurrence of similar incidents. The Team reports its activities and plans to the Audit Committee under the BOD on a quarterly basis.

## Ethics Assessment

We conduct ethical management surveys on employees and partners once a year to ask about their ethical management, fair trade, provision of money/valuables, entertainment, and convenience, and other desired improvements. This enables us to assess the status of our ethical management with objectivity and communicate the points of improvement to the relevant departments.

In 2022, the ethics assessment of ethics for our partners was carried out by an external agency in the form of an online survey. Through the survey that includes evaluations of ethical management such as the presence of abusive behavior and the acceptance of bribes, fair transactions, and employee friendliness, we have identified areas for improvement. In 2022, our overall satisfaction score was 96.8 out of 100, which is a high score, but we identified areas that need improvement, such as delays in the processing time between team members.

# Ethics and Compliance Management

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Governance**
- Appendix

## Various Report and Reporting Channels

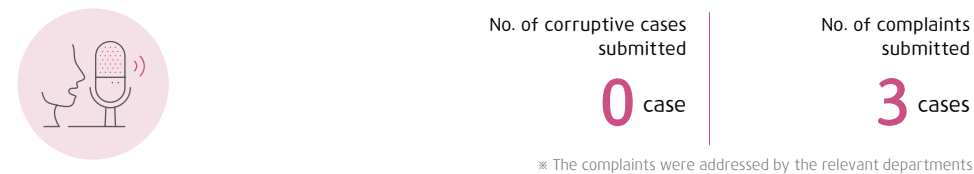
LOTTE HIMART operates a range of reports and reporting channels and ensures their accessibility and validity to promote a sound corporate culture and ethical management. All the channels support the anonymous submission of reports, and the corruption reporting center on our website allows anyone to report unethical conduct, such as improper practices and corruption. In addition, we receive reports through Ethics Hotline (a phone line) and emails. Our anonymous mobile channel, which was created in 2021 for internal use, has also been in active operation.

LOTTE HIMART has set up a dedicated reporting channel for unethical behavior for partner companies within the "Hiweb" partner product management system, contributing to the establishment of fair trade practices with partner companies. All reported cases are strictly protected according to the Informant Protection regulations, and the informant and reported content are managed strictly as confidential information by the Ethic Management Team.

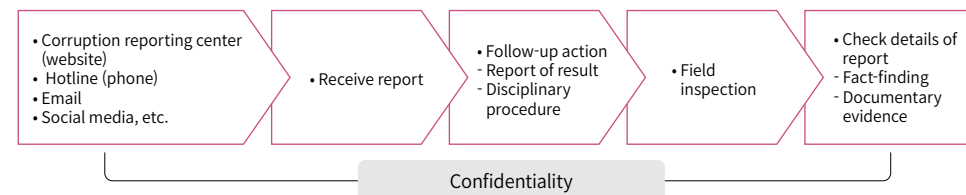
We operate reporting channels under the provision that anyone who becomes aware of the identity of the informant or the contents of the report, whether by chance or in the course of duty, should not disclose the informant or the contents of the report, nor engage in any inquiry about the informant.

※ The corruption reporting center is operated by the Ethics Management Team and receives reports of unethical conduct, such as corruptive practices, abuse and misuse of company assets, and receipt of money/valuables, entertainment, or convenience.

### Operation of the Reports and Reporting Channel for Partners in 2022



### Reporting Procedure



## Ethics Education and Campaigns

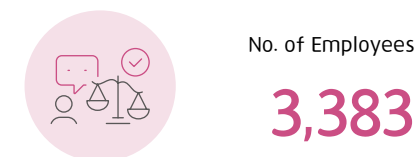
LOTTE HIMART conducts education and campaigns to encourage employees to internalize ethical awareness.

Among ethics management education, online education is provided to all employees, and ethics management education is provided to executives, focusing on the theme of store operation management and major accident cases through the Accident Prevention System.

Furthermore, the job-specific ethical management education for newly appointed and staff employees covers ethical ways to make decisions and communicating incidents, with the topic of "practicing ethical management by theme." In particular, the ethical management education for staff employees is provided for not only permanent but also contracted and dispatched employees, providing equal opportunities to understand the LOTTE MART's basics and principles of sustainable development.

In addition, LOTTE HIMART is conducting ethical campaigns to establish a culture of voluntarily complying with ethical norms. We distribute posters to all employees periodically to enhance their awareness of ethical practices, such as proper inventory management and building trust with partners, customers, and employees. During major holidays such as Lunar New Year and Korean Thanksgiving Day, we conduct a campaign to promote the culture of refraining from giving or receiving gifts to ensure that it resonates with all internal and external stakeholders

### Ethical Management Education in 2022



Ethics campaign poster







# Risk Management

## Risk Management System

LOTTE HIMART classifies internal and external risks that may arise in business operations into financial and non-financial risks, and has established a comprehensive risk management process to establish a systematic risk management framework. The working-level department identifies and evaluate detailed risk factors tailored to each department's tasks, and through consultation with the ESG Management Team, extract key risk management challenges for major









The ESG Committee sets risk management tasks as agenda items and conducts in-depth discussions on risk management activities. The approved agenda items and key issues are reported to the BOD by the ESG committee

The ESG Committee formalizes the matters related to risk management tasks for review and approval, and supervises risk management activities, such as approving and verifying risk management policies, according to the operating regulations.

-  Introduction
-  ESG Fundamentals
-  Environmental
-  Social
-  **Governance**
-  Appendix

- Sound Governance
- Protection of Shareholder Rights
- Ethics and Compliance Management
- Risk Management**

### Risk Management by Type

	Risk Types	Risk Impacts	Responsive Strategies
Financial	 Finance	• Financial risks related to liquidity, credit, interest rates, exchange rates, etc.	• Establish mid- to long-term fund management plans • Monitor capital markets in Korea and abroad
	 Environment	• Environmental pollution due to climate change, legal sanctions, and cost risks due to reinforced environmental regulations	• Reduce energy consumption and increase equipment using renewable energy • Enhance resource circularity activities • Launch more eco-friendly products and services
	 Safety	• Losses and legal risks due to the occurrence of fire and accidents on business sites	• Strengthen safety management systems on business sites • Conduct regular safety inspections and reinforce employee education
Non-Financial	 Information Protection	• Customer information leakages/damages and other security incidents	• Strengthen the information security system • Conduct continuous education for employees
	 Supply Chains	• Reputational damage and financial impacts due to partners' ESG risks	• Develop and distribute Code of Conduct for partners • Provide ESG consulting for partners
	 Human Rights	• Employee rights violations and talent leakages	• Reinforce the management of human rights risks and conduct employment education • Enhance employee education • Establish fair evaluation and compensation systems
	 Consumer Interest	• Legal risks and damages to the company image due to the violations of consumer interest	• Reinforce the resolution process of consumer issues and complaints • Operate a program managing customer service satisfaction
	 Compliance	• Sanctions imposed due to violating social or economic regulations • Damages to the company image and financial risks due to violating regulations and malicious reports	• Reinforce the management and monitoring systems • Conduct awareness-raising education and campaigns

# Risk Management

Introduction

ESG Fundamentals

Environmental

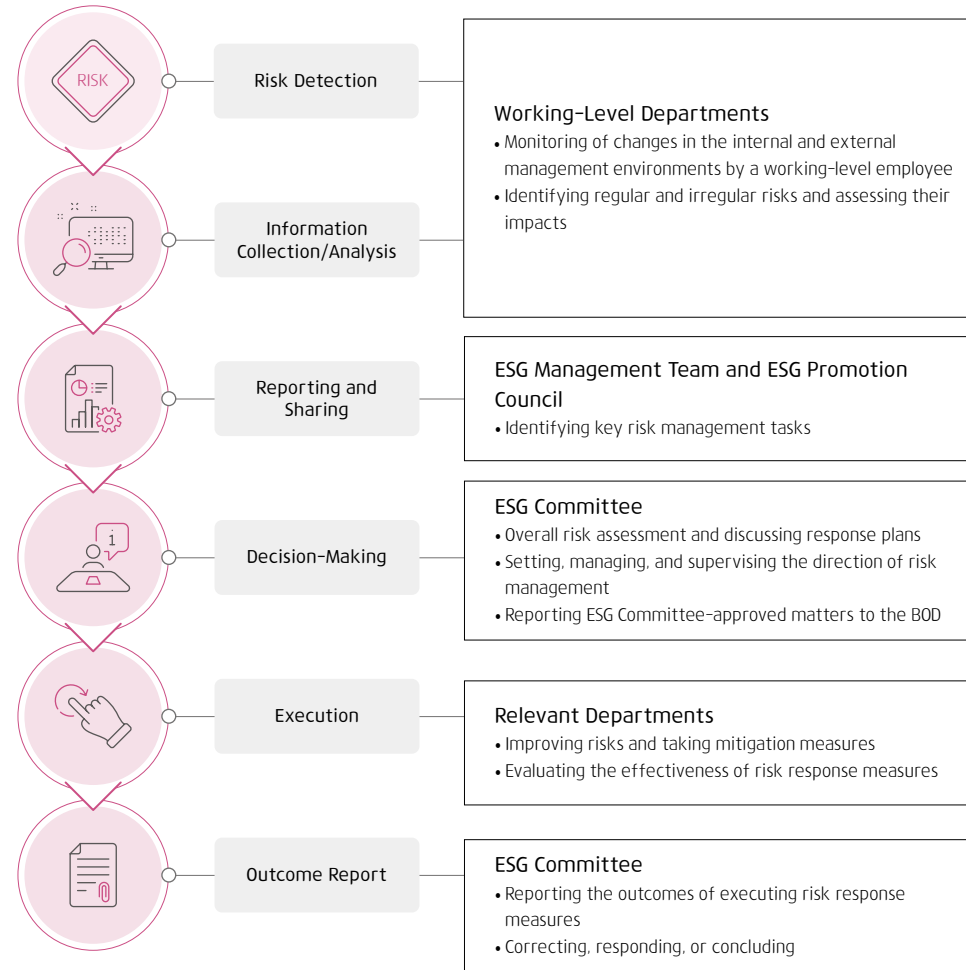
Social

**Governance**

- Sound Governance
- Protection of Shareholder Rights
- Ethics and Compliance Management
- Risk Management**

Appendix

## Risk Management Process



## Internal Control over Financial Reporting

To ensure the reliability of LOTTE HIMART's accounting information and prevent fraud and corruption, we have established and operated an Internal Control over Financial Reporting (ICFR) in accordance with Article 8 of the Act on External Audit of Stock Companies (hereinafter referred to as the "External Audit Law"), and has a dedicated organization in charge of operating it.

In addition, we evaluate the operational status of our ICFR every fiscal year and report the results to the BOD and at the general shareholders' meeting.

In 2022, our Audit Committee determined that the ICFR was effectively designed and operated, and concluded that there were no additional issues or violations.

In addition, the external auditor, Deloitte Anjin LLC & Deloitte Consulting LLC, has evaluated that our ICFR is effectively designed and operated from the perspective of importance according to the Conceptual Framework for Design and Operation of Internal Control over Financial Reporting.

### ICFR Evaluation Results

Fiscal Year	Company	Audit Committee	External Auditor
2020	Appropriate	Appropriate	Appropriate
2021	Appropriate	Appropriate	Appropriate
2022	Appropriate	Appropriate	Appropriate




| | |

 Introduction

 ESG Fundamentals

 Environmental

 Social

 Governance

 Appendix

- Quantitative Performance Indicators
- GRI Content Index
- TCFD Index
- SASB Index
- Major Awards and Membership Status
- Third-Party Assurance Report

# APPENDIX

<b>90</b>	Quantitative Performance Indicators
<b>99</b>	Content Index
<b>103</b>	TCFD Index
<b>104</b>	SASB Index
<b>105</b>	Major Awards and Membership Status
<b>106</b>	Third-Party Assurance Report

# Quantitative Performance Indicators

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Governance
- Appendix

## Environmental

### Energy and Greenhouse Gas Emissions\*

Category	Unit	2020	2021	2022
<b>Energy consumption within the organization</b>				
Fossil fuel consumption	GJ	6,451	6,697	6,907
Electric power consumption	GJ	992,364	1,018,792	993,130
Energy consumption within the organization	GJ	998,814	1,025,489	1,000,037
<b>Energy consumption outside the organization</b>				
Fossil fuel consumption	GJ	N/A	N/A	134,800
Electric power consumption	GJ	N/A	N/A	134,800
<b>Energy basic unit</b>				
Fossil fuel basic unit	GJ/KRW 100 million	0.16	0.17	0.21
Electric power basic unit	GJ/KRW 100 million	24.49	26.33	29.76
Total energy basic unit	GJ/KRW 100 million	24.65	26.50	29.57
Direct greenhouse emissions (Scope 1)	tCO <sub>2</sub> -eq	368	380	396
Indirect greenhouse emissions (Scope 2)	tCO <sub>2</sub> -eq	49,070	50,377	49,108
Other indirect greenhouse emissions (Scope 3)	tCO <sub>2</sub> -eq	N/A	N/A	9,276
<b>Greenhouse gas emissions intensity</b>				
Scope 1 basic unit	tCO <sub>2</sub> -eq/KRW 100 million	0.01	0.01	0.01
Scope 2 basic unit	tCO <sub>2</sub> -eq/KRW 100 million	1.12	1.30	1.47
Scope 3 basic unit	tCO <sub>2</sub> -eq/KRW 100 million	N/A	N/A	0.28

\* Calculation method of greenhouse gas emissions: We followed the IPCC guidelines and converted fuel consumption to heat (self-verification)  
 - Gasoline (l):  $878.6392[\text{Fuel consumption}] \times 30.1[\text{Heat}] \times 19.7[\text{Carbon emission factor}] \times 44/12 = 417\text{tCO}_2\text{-eq}$   
 - Diesel (l):  $3,567.3000[\text{Fuel consumption}] \times 35.3[\text{Heat}] \times 20.1[\text{Carbon emission factor}] \times 44/12 = 9,276\text{tCO}_2\text{-eq}$   
 - City gas (Nm<sup>3</sup>):  $95.086\text{Nm}^3[\text{Fuel consumption}] \times 38.5[\text{Heat}] \times 15.2[\text{Carbon emission factor}] \times 44/12 = 207\text{tCO}_2\text{-eq}$   
 - Electric energy (kWh):  $103,451.003\text{kWh}[\text{Power consumption}] \times 0.4747[\text{Carbon emission factor}] \div 1,000 = 49,108\text{tCO}_2\text{-eq}$  [The amount of power used was based on the KEPCO Power Planner (smart power measuring infrastructure), and we used average values for mart and rented branches with no electric meters]  
 \* Calculation Scope: Headquarters, distribution centers, branches, stores  
 \* No usage of renewable energy  
 \* No external assurance of emissions trading system or goal management as required by the Ministry of Environment  
 \* Calculation scope of Scope 1: Fuel consumption of business vehicles, heaters and restaurants at headquarters, LOTTE Resort Sokcho  
 Calculation scope of Scope 2: Electric energy consumption in business sites (including headquarters, branches, stores, and distribution centers)  
 Calculation scope of Scope 3: Fuel consumption of transportation vehicles (self-verification)  
 Calculation method of Scope 3: The distance traveled was measured using GPS devices. The energy consumption for Scope 3 was calculated using fuel consumption estimated based on the average mileage (We introduced a system to measure the distance traveled by transportation vehicles in March 2022. The data excludes 2020 and 2021: the total number of transportation vehicles is 1,299)

### Amount of Reduced Energy Consumption

Category	Unit	2020	2021	2022
Amount of electric power reduction*	kWh	N/A	33,211	530,886

\* Energy reduction through the replacement of LED lights: Business period: November 2021 - June 2022. Before: 70W, 60W, 50W - After: 38W/ Before: 56W, 42W - After: 27W (Total amount: 6,378: Based on the running time of 480 hours in 2021 and 3,648 hours in 2022)

### Water

Category	Unit	2020	2021	2022
Industrial water consumption*	Tons	472,101	423,797	398,781

\* Calculation: Total water bill expenses by year/average water rate of K-water (KRW 719): includes the HQ, branches, distribution centers, and some stores

### Waste

Category	Unit	2020	2021	2022
<b>Waste generation*</b>				
Amount of general waste generated	Tons	4,589	4,889	4,277
<b>Waste recycling**</b>				
Amount of general waste recycled (processed by an external agency)	Tons	4,589	4,889	4,277
<b>Incineration and landfill of waste***</b>				
Incineration and landfill (processed by an external agency)	Tons	0	0	0

\* Calculation Scope: Total amount of waste generated in the course of delivery or from distribution centers, such as polystyrene and cardboard (the data may differ from the amount of waste generated in the HQ we disclose on the Environmental Management Information System).  
 \*\* All waste, including cardboard and polystyrene, is collected by a recycling company  
 \*\*\* No incineration or landfill of waste occurs, as all waste is recycled by a recycling company

# Quantitative Performance Indicators

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Governance
- Appendix

---

**Quantitative Performance Indicators**

- GRI Content Index
- TCFD Index
- SASB Index
- Major Awards and Membership Status
- Third-Party Assurance Report

## Environmental Investment and Eco-friendly Products

Category	Unit	2020	2021	2022
Total amount of environmental investment*	KRW 100 million	6.42	7.12	4.95
Revenue of products whose eco-friendliness and social sustainability have been certified by a third party**	KRW 1 million	0	0	43.2

\* Includes the replacement of LED lights  
 \*\* Revenue of the eco-friendly PB product (launched in May 2022, generated from May to December 2022)

## Supplier Environmental Assessment

Category	Unit	2020	2021	2022
No. of new suppliers screened using environmental criteria*	Suppliers	0	0	0
Percentage of new suppliers screened using environmental criteria	%	0	0	0
<b>Negative environmental impacts of the supply chain and actions taken</b>				
No. of partners whose environmental impacts have been assessed	Partners	0	27	20
No. of partners confirmed to have negative environmental impacts	Partners	0	0	0

\* New partners have not received environmental impact assessments

## Social

### Employees

Category	Unit	2020	2021	2022
Total no. of employees*	Persons	3,915	3,650	3,383
Male	Persons	2,431	2,263	2,094
Female	Persons	1,484	1,387	1,289
Full-time employees	Persons	3,840	3,532	3,317
Male	Persons	2,417	2,206	2,072
Female	Persons	1,423	1,326	1,245
Temporary employees	Persons	34	87	34
Male	Persons	6	56	12
Female	Persons	28	31	22
Part-time employees	Persons	41	31	32
Male	Persons	8	1	10
Female	Persons	33	30	22
Employees not affiliated with the company (subcontracted employees)**	Persons	323	319	243
Male	Persons	101	107	77
Female	Persons	222	212	166







\* The total number of employees excludes part-time employees and those not affiliated with the company [permanent and temporary employees (fixed-term employees)]  
 \*\* LOTTE HIMART does not have any non-guaranteed hours employees who do not have a fixed work schedule

### Collective Agreement

Category	Unit	2020	2021	2022
No. of employees subject to collective agreements*	Persons	3,915	3,650	3,383
Percentage of employees to whom the results of collective agreements are applied	%	100	100	100
No. of employees eligible to join the labor union**	Persons	N/A	N/A	N/A
No. of employees who have joined the labor union***	Persons	N/A	N/A	N/A

\* In the event of a collective agreement, it only applies to labor union members, but since it includes the establishment, modification, and other contents of systems that are advantageous to workers, it is applied to all employees.  
 \*\* LOTTE HIMART has 2 labor unions and negotiates with the designated representative union and the labor-management council through window unification. In 2024, it is planned to conduct negotiations with the representative union and collective agreement. The scope of union membership is free, excluding employees in employer departments as defined by relevant laws.  
 \*\*\* Number of labor union members is confidential and cannot be disclosed

# Quantitative Performance Indicators

-  Introduction
-  ESG Fundamentals
-  Environmental
-  Social
-  Governance
-  Appendix

## Percentage of Entry-Level Wage to Minimum Wage\*

Category	Unit	2020	2021	2022
Wage of newly hired employees (Male)	KRW 1 million	30	30	34
Wage of newly hired employees (Female)	KRW 1 million	29	29	33
Percentage of entry-level wage to minimum wage (Male)	%	142	137	151
Percentage of entry-level wage to minimum wage (Female)	%	136	134	146

\* Based on year-end employment criteria (including sales and office employees; excluding part-time contracted employees and experienced employees; and excluding bonuses)  
 - Base pay: Standard pay (basic pay+position allowance, etc./performance: excluding overtime and other allowances)  
 - No. of newly hired employees: No. of year-end employees among those who joined the company in the corresponding year (excluding part-time contracted employees and experienced employees)  
 - Wage of newly hired employees: Standard annual wage (standard pay+performance-based incentives+overtime allowance: excluding bonuses and other allowances)  
 - Percentage of entry-level wage to minimum wage: Percentage of starting wage to minimum annual wage\*  
 (Minimum annual wage in 2022: KRW 22,973,280/minimum annual wage in 2021: KRW 21,869,760/minimum annual wage in 2020: KRW 21,543,720 \* Based on the amount submitted as the wage of newly hired employees)

## Procurement Practices

Category	Unit	2020	2021	2022
Amount of direct purchases from partners	KRW 100 million	36,078	36,866	30,552
Percentage of direct purchases from partners	%	100	100	100

## Supply Chain

Category	Unit	2020	2021	2022
No. of partners	Partners	1,465	1,534	1,277
Financial support for partners	KRW 100 million	1,065	960	751
Shared Growth Fund	KRW 100 million	500	500	500
Payment condition improvements	KRW 100 million	0	0	0
Early payment of liabilities before holidays	KRW 100 million	565	460	251
No. of partners assessed for ESG risks	Partners	0	27	20

## Supplier Social Assessment







Category	Unit	2020	2021	2022
Percentage of new suppliers screened using social impact criteria during the supplier selection process*	%	0	0	0
No. of partners who received social-impact-related assessments	Partners	0	27	20
No. of partners confirmed to have negative social impacts	Partners	0	0	0
Percentage of partners who have agreed to make improvements according to the results of social impact assessments	%	0	0	0
No. of partners whose contracts were canceled according to the results of social impact assessments	Partners	0	0	0

\* New partners have not received social impact assessments

## Recruitment

Category	Unit	2020	2021	2022
No. of newly hired employees by age				
Under 30	Persons	55	66	59
30 to 50	Persons	57	57	45
50 or older	Persons	26	18	19
Percentages of newly hired employees by age				
Under 30	%	40	47	48
30 to 50	%	41	40	37
50 or older	%	19	13	15
No. of newly hired employees by gender				
Male	Persons	78	79	52
Female	Persons	60	62	71
No. of newly hired employees by gender				
Male	%	57	56	42
Female	%	43	44	58

# Quantitative Performance Indicators

-  Introduction
-  ESG Fundamentals
-  Environmental
-  Social
-  Governance
-  Appendix

## Employee Turnover

Category	Unit	2020	2021	2022
Total no. of employee turnover	Persons	320	394	463
Voluntary turnover	Persons	252	319	346
Total turnover percentage	%	6.7	8.9	11.8
Voluntary turnover percentage	%	5.9	7.9	9.4
No. of employee turnover and retirees by age				
Under 30	Persons	158	139	128
30 to 50	Persons	120	210	300
50 or older	Persons	42	45	35
Percentage of employee turnover and retirees by age				
Under 30	%	49.4	35.3	27.6
30 to 50	%	37.5	53.3	64.8
50 or older	%	13.1	11.4	7.6
No. of employee turnover and retirees by gender				
Male	Persons	195	238	258
Female	Persons	125	156	205
Percentage of employee turnover and retirees by gender				
Male	%	60.9	60.4	55.7
Female	%	39.1	39.6	44.3

## Parental and Maternity Leave

Category	Unit	2020	2021	2022
No. of employees eligible for parental leave*	Persons	181	203	180
Male	Persons	121	130	99
Female	Persons	60	73	81
No. of employees who took parental leave	Persons	178	210	194
Male	Persons	113	134	120
Female	Persons	65	76	74
No. of employees who returned to work after parental leave (A)	Persons	184	187	179
Male	Persons	103	123	101
Female	Persons	81	64	78







Category	Unit	2020	2021	2022
No. of employees eligible to return to work after parental leave (B)	Persons	199	193	191
Male	Persons	107	132	111
Female	Persons	92	61	80
No. of employees who worked for at least 12 months after returning from parental leave (C)	Persons	205	169	169
Male	Persons	121	93	112
Female	Persons	84	76	57
No. of employees who worked for at least 12 months after returning from parental leave (C)	Persons	214	184	187
Male	Persons	144	103	123
Female	Persons	70	81	64
Percentage of employees who returned to work after parental leave (A/Bx100)	%	92.5	96.9	93.7
Male	%	96.3	93.2	91.0
Female	%	88.0	104.9	97.5
Percentage of employees who worked for at least 12 months after returning from parental leave (C/Bx100)	%	103.0	87.6	88.5
Male	%	113.1	70.5	100.9
Female	%	91.3	124.6	71.3
No. of employees who took maternity leave	Persons	129	144	130
Male	Persons	68	77	62
Female	Persons	61	67	68

\* Employees eligible for parental leave  
 - Male: Ⓞ No. of employees who did not use parental leave among the children born the previous year + Ⓜ No. of employees who had children in the current year  
 - Female: No. of employees who took maternity leave between the end of the last year and the end of the current year  
 - Definition of year-end: until October

## Employees Covered by Occupational Health and Safety Management System

Category	Unit	2020	2021	2022
No. of applicable employees	Persons	3,915	3,650	3,383
Percentage of applicable employees	%	100	100	100
No. of employees other than those applicable	Persons	N/A	N/A	N/A
Percentage of employees other than those applicable	%	100	100	100

# Quantitative Performance Indicators

-  Introduction
-  ESG Fundamentals
-  Environmental
-  Social
-  Governance
-  Appendix

---

**Quantitative Performance Indicators**

- GRI Content Index
- TCFD Index
- SASB Index
- Major Awards and Membership Status
- Third-Party Assurance Report

## Work-related injuries (Occupational Injury)

Category	Unit	2020	2021	2022
<b>Employees</b>				
No. of occupational injuries*	Cases	3	2	2
Injury rate**	%	0.12	0.09	0.10
No. of fatalities due to occupational injuries	Cases	0	0	0
Fatality rate due to occupational injuries	%	0	0	0
No. of serious accidents (excluding deaths)	Cases	0	0	0
Serious-accident rate (excluding deaths)	%	0	0	0
<b>Employees of partners</b>				
No. of occupational injuries***	Cases	1	0	1
Injury rate****	%	0.03	0	0.04
No. of fatalities due to occupational injuries	Cases	0	0	0
Fatality rate due to occupational injuries	%	0	0	0
No. of serious accidents (excluding deaths)	Cases	1	0	0
Serious-accident rate (excluding deaths)	%	0.068	0	0

\* No. of reports submitted to the Industrial Accident Compensation Insurance of Korea Worker's Compensation & Welfare Service: Correction of the 2020 Sustainability Report for the previous year, changing the total number of industrial injuries from 2 to 3

\*\* Industrial injury rate = no. of injured employees/no. of employees eligible for the Industrial Accident Compensation Insurance ×100

\*\*\* No. of occupational injuries in partner companies

\*\*\*\* Occupational injury rate = no. of injured employees/no. of employees eligible for the Industrial Accident Compensation Insurance ×100

## Work-related ill health (Occupational Disease)

Category	Unit	2020	2021	2022
<b>Employees</b>				
No. of deaths*	Cases	0	0	0
No. of diseases (including deaths)	Cases	0	0	0
<b>Employees of partners</b>				
No. of deaths**	Cases	0	0	0
No. of diseases (including deaths)	Cases	0	0	0

\* No. of reports submitted to the Industrial Accident Compensation Insurance of Korea Worker's Compensation & Welfare Service

\*\* No. of deaths in partner companies

## Occupational Health and Safety Education

Category	Unit	2020	2021	2022
No. of employees who've completed legally required education	Persons	3,523	3,405	3,298
No. of employees who received manager-and-supervisor education*	Persons	471	447	422

\* Branch managers and distribution center managers

## Training and Education

Category	Unit	2020	2021	2022
<b>Average education hours per employee*</b>				
Male	Hours	56.3	59.7	61.4
Female	Hours	43.6	43.5	46.9
No. of employees who participated in education programs	Persons (including duplicates)	20,903	46,883	41,602
Total education costs	KRW 1 million	2,216	2,126	2,101
Average education cost per employee	KRW 1,000	569	584	622
<b>Percentage of employees who received regular performance assessments**</b>				
Male	%	98.8	99.0	97.1
Female	%	89.2	89.9	88.4
Permanent	%	95.9	96.1	94.5

\* Due to changes in internal management standards, some of the data on education hours per employee has been changed compared to the previous year's report.







\*\* Excluding employees who took leave for 45 days or longer

## Employee Composition by Type

Category	Unit	2020	2021	2022
<b>Percentages by gender</b>				
Male	%	61.9	61.9	61.8
Female	%	38.1	38.1	38.2
<b>Percentages by age</b>				
Under 30	%	26.9	21.4	16.5
30 to 50	%	68.2	72.9	76.5
50 or older	%	4.9	5.7	7.0
<b>Percentages by job*</b>				
Sales	%	76.5	73.6	73.1
General	%	19.9	20.4	21.5

\* Employees excluded: employees on parental leave, labor union members, etc.

# Quantitative Performance Indicators

-  Introduction
-  ESG Fundamentals
-  Environmental
-  Social
-  Governance
-  Appendix

## Diversity and Equal Opportunities

Category	Unit	2020	2021	2022
<b>No. of female managers</b>	Persons	80	82	84
Percentage of female managers	%	7.3	7.7	8.4
<b>No. of female executives</b>	Persons	0	0	0
Percentage of female executives	%	0.0	0.0	0.0
<b>No. of employees with disabilities</b>	Persons	148	120	114
Percentage of employees with disabilities	%	3.84	3.34	3.41
<b>No. of newly hired employees with disabilities</b>	Persons	30	21	28
Percentage of newly hired employees with disabilities*	%	21.7	14.9	22.8
<b>No. of veteran employees</b>	Persons	28	22	20
Percentage of veteran employees	%	0.7	0.6	0.6

\* No. of employees with disabilities hired compared to the total number of employees hired

## Wage

Category	Unit	2020	2021	2022
<b>Percentage of base pay and remuneration between female and male employees</b>				
Percentage of base pay between female and male employees*	%	84	85	86
Percentage of bonuses between female and male employees**	%	75	73	77
Percentage of base pay between female and male sales employees***	%	94	94	94
Percentage of bonuses between female and male general employees**	%	88	87	89
Percentage of base pay between female and male general employees***	%	79	81	83
Percentage of bonuses between female and male general employees	%	66	67	70
<b>Average hourly wage of employees</b>	KRW	20,357	20,695	21,317
<b>Percentage of employees eligible for annual bonuses</b>	%	97	97	97

\* Based on year-end incumbent (excluding part-time contracted employees and experienced employees; excluding bonuses)

\*\* Based on year-end incumbent of the corresponding year

\*\*\* Based on year-end incumbent of the corresponding year (excluding contracted employees and bonuses)

## Anti-Discrimination

Category	Unit	2020	2021	2022
<b>No. of discrimination incidents and actions taken*</b>	Cases	0	0	0

\* Our company defines gender and disability discrimination as discriminatory incidents, and there have been no incidents reported through our grievance handling channel, Human Rights Violation Reporting Center, etc., regarding such matters.

## Human Rights Education

Category	Unit	2020	2021	2022
<b>Education hours per employee</b>	Hours	3	3	3
<b>No. of employees who completed human rights training</b>	Persons	3,993	3,545	3,298
<b>No. of security personnel who received human rights education*</b>	Persons	12	12	12
Percentage of security personnel who received human rights education*	%	100	100	100

\* Security personnel affiliated with subcontractors received separate human rights education from the subcontractors

## Customer Satisfaction

Category	Unit	2020	2021	2022
<b>Customer satisfaction*</b>	Points	98.4	98.0	97.2
<b>No. of submitted customer opinions and complaints**</b>	Cases	2,849	1,205	1,237
<b>No. of processed customer opinions and complaints***</b>	Cases	2,812	1,186	1,233

\* Dropped by an average of 1.5 points compared to the previous version due to item revision in August 2021

\*\* No. of submitted complaints

\*\*\* No. of processed complaints

# Quantitative Performance Indicators

| | |

Introduction

ESG Fundamentals

Environmental

Social

Governance

Appendix

## Quantitative Performance Indicators

- GRI Content Index
- TCFD Index
- SASB Index
- Major Awards and Membership Status
- Third-Party Assurance Report

## Customer Health and Safety

Category	Unit	2020	2021	2022
No. of cases where fines or penalties were imposed due to violating health and safety regulations on products and services	Cases	0	0	0
No. of cases where warnings were imposed due to violating health and safety regulations on products and services	Cases	0	0	0
No. of cases where internal health and safety regulations on products and services were violated	Cases	0	0	0

## Product and Service Labeling

Category	Unit	2020	2021	2022
Violations of laws and self-regulatory rules regarding product/service information and labeling	Cases	0	0	0
Violations of regulations and self-regulatory rules regarding marketing communications, including ads, promotions, and sponsorships	Cases	0	0	0

## Personal Information Security

Category	Unit	2020	2021	2022
No. of complaints received from outside parties and substantiated by the company	Cases	1	0	0
No. of complaints raised by regulating organizations	Cases	0	0	0
No. of customer information leaks, thefts, and losses	Cases	0	0	0
Percentage of Personal Identification Information (PII) leaks	%	0	0	0
No. of customers whose personal information was leaked	Persons	0	0	0
Frequency of information security policy and system audits	Times	2	2	2

## Governance

### BOD Operation

Category	Unit	2020	2021	2022
No. of Board meetings held	Times	9	11	12
Attendance rate of Board meetings	%	91.8	97.9	98.1
Internal Directors	%	92.6	97.7	97.9
External Directors	%	91.1	98.2	98.3
No. of external directors with low attendance rates (below 75%)	Persons	1	0	0
Discussed agenda items	Cases	28	37	35
No. of agenda items which external directors voted against or proposed amendments	Cases	0	0	0
Minimum notice period before the Board meetings		7 days	7 days	7 days

### BOD Composition

Category	Unit	2020	2021	2022
<b>Internal Directors</b>				
No. of internal directors	Persons	2	3	3
Percentage of internal directors in the BOD	%	28.6	37.5	37.5
No. of female internal directors	Persons	0	0	0
No. of internal directors with expertise	Persons	2	3	3
<b>External Directors</b>				
No. of internal directors	Persons	5	5	5
Percentage of internal directors in the BOD	%	71.4	62.5	62.5
No. of internal directors with expertise	Persons	5	5	5
No. of female executives who are not major shareholders or related parties among registered executives	Persons	0	0	1



# Quantitative Performance Indicators

- | | |
- Introduction
- ESG Fundamentals
- Environmental
- Social
- Governance
- Appendix
- Quantitative Performance Indicators**
- GRI Content Index
- TCFD Index
- SASB Index
- Major Awards and Membership Status
- Third-Party Assurance Report

## Governance Composition by Category

Category	Unit	2020	2021	2022
Composition percentages by gender				
Male	%	100	100	87.5
Female	%	0	0	12.5
Composition percentages by age				
Under 30	%	0	0	0
30 to 50	%	0	0	0
50 or older	%	100	100	100

## Notifications and Education Regarding Anti-corruption Policies and Procedures

Category	Unit	2020	2021	2022
No. of BOD members who received notifications or education	Persons	1	3	5
Percentage of BOD members who received notifications or education	%	20	60	100
No. of employees who received notifications or training*	Persons	3,915	3,650	3,383
Percentages of employees who received notifications or training**	%	100	100	100

\* partially changed, as the number of employees who received anti-corruption notifications or education was counted this year instead of counting the number of employees who received anti-corruption education like last year  
 \*\* Percentage of employees who pledged to anti-corruption and ethical management

## Anti-corruption Risk Management

Category	Unit	2020	2021	2022
No. of unit organizations assessed for bribery risks*	Organizations	120	124	148
Percentage of unit organizations assessed for bribery risks	%	24.0	26.2	33.3
No. of confirmed cases of bribery	Cases	0	0	0
No. of cases where employees were dismissed or disciplined	Cases	0	0	0
No. of cases where partner contracts were canceled or not renewed due to bribery	Cases	0	0	0

\* In accordance with the operation of ISO 37001 anti-corruption management system, bribery risks are assessed, and the types of major bribery risks are identified (2022 assessment target: 54 departments in the HQ and 94 sales departments were assessed in 2022)

## Anti-Competitive Behavior

Category	Unit	2020	2021	2022
No. of legal actions taken following anti-competitive behaviors or violation of monopoly regulations*	Cases	0	1	0
No. of fines, sanctions, and warnings received from financial authorities due to mis-selling	Cases	0	0	0

\* Cases of large-scale distribution law violations resulting in fines imposed in 2021

## Compliance with Laws and Regulations

Category	Unit	2020	2021	2022
No. of cases of non-compliance with laws and regulations within the reporting period				
Total cases	Cases	0	0	0
Fines	KRW	0	0	0
No. of cases of non-compliance with laws and regulations within the previous reporting period				
Total cases	Cases	0	1	0
Fines	KRW 100 million	0	10	0

\* Cases of large-scale distribution law violations resulting in fines imposed in 2021 (improper use of promotion costs, imposing disadvantages, and not signing sales incentive agreements: Correction order and fine of KRW 1 billion imposed: A administrative litigation currently in progress)

# Quantitative Performance Indicators

- | | |
- Introduction
- ESG Fundamentals
- Environmental
- Social
- Governance
- Appendix

## Protection of Shareholder Rights

Category	Unit	2020	2021	2022
No. of IR meetings	Times	4	4	4

## Political Donations\*

Category	Unit	2020	2021	2022
By country	KRW	0	0	0
By recipient/beneficiary	KRW	0	0	0
Total amount of political donations	KRW	0	0	0

\* Under Article 31 of the Political Fund Act, political fund donations to political parties and specific politicians are prohibited

### Quantitative Performance Indicators

- GRI Content Index
- TCFD Index
- SASB Index
- Major Awards and Membership Status
- Third-Party Assurance Report

## Financial Data

Category	Unit	2020	2021	2022
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Summary				
Current assets	KRW 1 million	988,777	682,918	658,470
Non-current assets	KRW 1 million	2,360,414	2,260,627	1,805,749
<b>Total assets</b>	KRW 1 million	3,349,190	2,943,545	2,464,219
Current liabilities	KRW 1 million	845,840	575,563	763,904
Non-current assets	KRW 1 million	577,396	540,624	405,019
<b>Total assets</b>	KRW 1 million	1,423,236	1,116,187	1,168,923
<b>Total equity</b>	KRW 1 million	1,925,954	1,827,358	1,295,297
<b>Total liabilities and equity</b>	KRW 1 million	3,349,190	2,943,545	2,464,219

Income Statement Summary				
Sales	KRW 1 million	4,051,729	3,869,749	3,336,821
Sales costs	KRW 1 million	3,045,272	2,937,030	2,578,116
Total sales profits	KRW 1 million	1,006,457	932,719	758,705
Selling, general, and administrative expenses	KRW 1 million	845,381	825,884	810,717
Operating income (loss)	KRW 1 million	161,076	106,835	(52,011)
Net income before tax (loss)	KRW 1 million	64,999	(33,458)	(557,697)
Income tax expenses	KRW 1 million	36,277	23,994	(29,806)
Net income	KRW 1 million	28,721	(57,452)	(527,891)

Allocated Economic Values				
Employees (wages and bonuses)	KRW 1 million	195,489	193,964	185,649
Employees (welfare benefits)	KRW 1 million	41,081	39,545	40,138
Shareholders (dividends and interests)	KRW 1 million	39,255	40,343	37,801
Government and public institutions (corporate income taxes)	KRW 1 million	36,277	23,994	(29,806)
Government and public institutions (fines)	KRW 1 million	1,044	56	109
Local communities (investments in social contribution)	KRW 1 million	2,020	2,720	2,190

# GRI Content Index

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Governance
- Appendix

Quantitative Performance Indicators

**GRI Content Index**

- TCFD Index
- SASB Index
- Major Awards and Membership Status
- Third-Party Assurance Report

## General Report

### GRI 2: General Report 2021

Disclosure	Page and Comments
2-1	Organization details 5
2-2	Entities included in the organization's sustainability report 2
2-3	Reporting period, frequency, and contact point 2
2-4	Restatements of information
2-5	External assurance 106~108
2-6	Activities, value chain, and other business relationships 10
2-7	Employees 5, 91
2-8	Workers who are not employees 91
2-9	Governance structure and composition 79
2-10	Nomination and selection of the highest governance body 79-80: p.48 in Corporate Governance Report 2021
2-11	Chair of the highest governance body 79: p.44 Corporate Governance Report 2021
2-12	Role of the highest governance body in overseeing the management of impacts 13, 81

Disclosure	Page and Comments
2-13	Delegation of responsibility for managing impacts 13
2-14	Role of the highest governance body in sustainability reporting 13, 18
2-15	Conflicts of interest 79: p.53-55 in Corporate Governance Report 2021
2-16	Communication of critical concerns 13, 18
2-17	Collective knowledge of the highest governance body 14, 81
2-18	Evaluation of the performance of the highest governance body 82: p.59 in Corporate Governance Report 2021
2-19	Remuneration policies 82
2-20	Process to determine remuneration 82: p.69 in Corporate Governance Report 2021
2-21	Annual total compensation percentage 82
2-22	Statement on sustainable development strategy 4, 12
2-23	Policy commitments 62
2-24	Embedding policy commitments 62~63
2-25	Processes to remediate negative impacts 63, 86
2-26	Mechanisms for seeking advice and raising concerns 63, 86
2-27	Compliance with laws and regulations 98
2-28	Membership associations (initiatives) 105
2-29	Approach to stakeholder engagement 17
2-30	Collective bargaining agreements 91

# GRI Content Index

| | |

-  Introduction
-  ESG Fundamentals
-  Environmental
-  Social
-  Governance
-  Appendix

Quantitative Performance Indicators

**GRI Content Index**

- TCFD Index
- SASB Index
- Major Awards and Membership Status
- Third-Party Assurance Report

## Material Issues

### GRI 3: Material Issues 2021

Disclosure		Page
3-1	Process to determine material topics	18~19
3-2	List of material topics	19~21

### Economic Performance

Disclosure		Page and Comments
201-1	Direct economic value generated and distributed	98
201-2	Financial implications, other risks, and opportunities due to climate change	38, 103
201-3	Defined benefit plan obligations and other retirement plans	<p>Operation of retirement pension system (defined benefit and individual retirement pension) for 100% permanent employees(excluding those who worked less than 1 year as of the year-end)</p> <ul style="list-style-type: none"> <li>• Retirement pension management: Covered by general funds, additional payment and reserve calculation will be made after calculating the standard reserve fund (maximum estimated retirement allowance obligation for defined benefit, based on December 2022 estimation of 1.821 billion won)</li> <li>• Eligibility for retirement allowances: Mandatory for all</li> </ul>

### Market Presence

Disclosure		Page
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	92

### Indirect Economic Impacts

Disclosure		Page
203-1	Infrastructure investments and services supported	72~74
203-2	Significant indirect economic impacts	72~74

### Procurement Practices

Disclosure		Page
204-1	Proportion of spending on local suppliers	92

### Anti-corruption

Disclosure		Page
205-1	Operations assessed for risks related to corruption	97
205-2	Communication and training about anti-corruption policies and procedures	97
205-3	Confirmed incidents of corruption and actions taken	97

### Anti-Competitive Behavior

Disclosure		Page
3-3	Management of material topics	21
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	97

### Tax

Disclosure		Page
207-4	Country-by-country reporting	98

### Energy

Disclosure		Page
302-1	Energy consumption within the organization	40, 90
302-2	Energy consumption outside of the organization	40, 90
302-3	Energy intensity	90
302-4	Reduction of energy consumption	41, 90

### Water

Disclosure		Page
303-5	Water consumption	90

# GRI Content Index

| | |

 Introduction

 ESG Fundamentals

 Environmental

 Social

 Governance

 Appendix

Quantitative Performance Indicators

**GRI Content Index**

TCFD Index

SASB Index

Major Awards and Membership Status

Third-Party Assurance Report

## Emissions

Disclosure		Page
305-1	Direct (Scope 1) GHG emissions	40, 90
305-2	Energy indirect (Scope 2) GHG emissions	40, 90
305-3	Other indirect (Scope 3) GHG emissions	40, 90
305-4	GHG emissions intensity	40, 90
305-5	Reduction of GHG emissions	40~41

## Waste

Disclosure		Page
3-3	Management of material topics	21
306-1	Waste generation and significant waste-related impacts	21, 31~33
306-2	Management of significant waste-related impacts	21, 31~33
306-3	Waste generated	90
306-4	Waste diverted from disposal	90
306-5	Waste directed to disposal	90

## Supplier Environmental Assessment

Disclosure		Page
3-3	Management of material topics	21
308-1	New suppliers that were screened using environmental criteria	91
308-2	Negative environmental impacts in the supply chain and actions taken	50, 91

## Employment

Disclosure		Page
401-1	New employee hires and employee turnover	92~93
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	61
401-3	Parental leave	93

## Labor/Management Relations

Disclosure		Comments
402-1	Minimum notice periods regarding operational changes	Notice of termination 50 days in advance in case of dismissal for operational reasons

## Occupational Health and Safety

Disclosure		Page
3-3	Management of material topics	20
403-1	Occupational health and safety management system	67
403-2	Hazard identification, risk assessment, and incident investigation	67~68
403-3	Occupational health services	67, 69~71
403-4	Employee participation, consultation, and communication on occupational health and safety	67~70
403-5	Worker training on occupational health and safety	70, 94
403-6	Promotion of worker health	69, 71
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	67~68, 69
403-8	Workers covered by an occupational health and safety management system	67, 93
403-9	Work-related injuries	94
403-10	Work-related ill health	94

## Training and Education


Disclosure		Page
404-1	Average hours of training per year per employee	94
404-2	Programs for upgrading employee skills and transition assistance programs	57~58
404-3	Percentage of employees receiving regular performance and career development reviews	94

## Diversity and Equal Opportunity

Disclosure		Page
405-1	Diversity of governance bodies and employees	56, 94, 97
405-2	Ratio of basic salary and remuneration of women and men	95

# GRI Content Index

| | |

-  Introduction
-  ESG Fundamentals
-  Environmental
-  Social
-  Governance
-  Appendix

Quantitative Performance Indicators

**GRI Content Index**

- TCFD Index
- SASB Index
- Major Awards and Membership Status
- Third-Party Assurance Report

## Non Discrimination

Disclosure		Page
406-1	Incidents of discrimination and corrective actions taken	95

## Security Practices

Disclosure		Page
410-1	Security personnel trained in human rights policies or procedures	95

## Local Communities

Disclosure		Page
413-1	Operation with local community engagement, impact assessments, and development programs	72~74

## Supplier Social Assessment

Disclosure		Page
3-3	Management of material topics	21
414-1	New suppliers that were screened using social criteria	92
414-2	Negative social impacts in the supply chain and actions taken	92

## Public Policy

Disclosure		Page
415-1	Political contributions	98

## Customer Health and Safety

Disclosure		Page
3-3	Management of material topics	20
416-1	Assessment of the health and safety impacts of product and service categories	47~48
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	96







## Marketing and Labeling

Disclosure		Page and Comments
417-1	Requirements for product and service information and labeling	- Relevant regulations include the Electrical Appliances and Consumer Products Safety Control Guideline: Electrical appliances and consumer products must be labeled with the standards such as safety certifications  - PB products (HIMADE) are inspected for all products, and there are no violations
417-2	Incidents of non-compliance concerning product and service information and labeling	96
417-3	Incidents of non-compliance concerning marketing communications	96

## Customer Privacy

Disclosure		Page
3-3	Management of material topics	20
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	75~76, 96

# TCFD Index

-  Introduction
-  ESG Fundamentals
-  Environmental
-  Social
-  Governance
-  Appendix

---

- Quantitative Performance Indicators
- GRI Content Index
- TCFD Index**
- SASB Index
- Major Awards and Membership Status
- Third-Party Assurance Report

	TCFD Recommendations	Page	CDP Indicators
Governance	a. Describe the board's Privacy oversight of climate change risks and opportunities	34~35	C1.1b
	b. Describe management's role in assessing and managing climate-related risks and opportunities	35	C1.2, C1.2a
Strategy	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	38	2.1a, C2.3, C2.3a, C2.4, C2.4a
	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	37~38	C2.3a, C2.4a, C3.1, C3.2b, C3.3, C3.4
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	36~38	C3.2, C3.2b
Risk Management	a. Describe the organization's processes for identifying and assessing climate-related risks.	39	C2.1, C2.2, C2.2a
	b. Describe the organization's processes for managing climate-related risks.	39	C2.1, C2.2
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	39	C2.1, C2.2
Metrics and Emission Targets	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	40	C4.2, C4.2a
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	40	C6.1, C6.3, C6.5
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	40	C4.1, C4.1a, C4.2a

# 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 and Accounting Metrics

Material Topic	Accounting Metrics	Page and Response	Code
Energy Management in Retail & Distribution	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable energy	90	CG-MR-130a.1
Data Security	Description of management approach to identifying and addressing data security risks	75-76	CG-MR-230a.1
	(1) Number of data security breaches, (2) percentage involving customers' personally identifiable information (PII), (3) number of customers affected	96	CG-MR-230a.2
Fair Labor Practices	(1) Average hourly wage (2) percentage of in-store employees earning minimum wage, by region	95	CG-MR-310a.1
	(1) Voluntary and (2) involuntary employee turnover rate for in-store employees	93	CG-MR-310a.2
	Amount of legal and regulatory fines and settlements associated with labor law violations	98	CG-MR-310a.3
Workforce Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees	56, 94, 97	CG-MR-330a.1
	Amount of legal and regulatory fines and settlements associated with employment discrimination	N/A	CG-MR-330a.2
Product Sourcing, Packaging & Marketing	Revenue from products third-party certified to environmental and/or social sustainability standards	KRW 43.2 million Revenue from the eco-friendly PB product (launched in May 2022, generated from May to December 2022)	CG-MR-410a.1
	Description of processes to assess and manage risks and/or hazards associated with chemicals in products	25, 47	CG-MR-410a.2
	Description of strategies to reduce the environmental impact of packaging	31-33	CG-MR-410a.3







## Activity Metrics

Accounting Metrics	Page and Response	Code
Number of: (1) stores and (2) distribution centers	391 stores, 14 distribution centers	CG-MR-000.A
Total area of: (1) stores and (2) distribution centers	Stores: 509,068m <sup>2</sup> Distribution centers: 521,805m <sup>2</sup>	CG-MR-000.B

- Introduction
- ESG Fundamentals
- Environmental
- Social
- Governance
- Appendix
  - Quantitative Performance Indicators
  - GRI Content Index
  - TCFD Index
  - SASB Index**
  - Major Awards and Membership Status
  - Third-Party Assurance Report



# Major Awards and Membership Status

- | | |
-  Introduction
-  ESG Fundamentals
-  Environmental
-  Social
-  Governance
-  Appendix
- Quantitative Performance Indicators
- GRI Content Index
- TCFD Index
- SASB Index
- Major Awards and Membership Status**
- Third-Party Assurance Report

## Major Awards

Date	Award	Organizers	Remarks
January 2022	The Most Trusted Brand Award	Digital Chosun	14 years in a row (As of 2023)
April 2022	The Most Loved Brand in Korea	Chosun Biz	
April 2022	KOREA-National Brand Awards	New York Festival	8 years in a row
July 2022	Premium Brand Index (KS-PBI)	Korea Standards Association	10 years in a row
October 2022	Highest Brand of the Year	Brandstock	
December 2022	Highest Brand of the Year	Brandstock	19th place in 2022

## Contributors to the Report

Eui-Jin Kang	Hwa-Shil Kim	Seong-Ho Shin	Yeon-Kyung Lee	Min-Kyung Jung
Sang-Hyuk Kim	Hee-Young Moon	Kwang-Ryeol Yoon	Yeon-Kwang Lee	Woong-Jin Jung
Ji-Won Kim	Su-Jin Park	Sang-Hoon Yoon	Woo-Jae Lee	Yu-Jin Jung
Bin Kim	Yoon-Jung Park	Seong-Joong Yoon	Woo-Je Lee	Ji-Hee Jung
Chae-Rin Kim	Jong-Hyuk Park	Ji-Won Yoon	Eun-Kyung Lee	Jung-Hoon Choi
Hyung-Ju Kim	Chang-Ho Seo	Ki-Hyuk Lee	Jong-Won Jeon	Jong-Chun Choi
Hwa-Shil Kim	Seong-Ho Shin	Nam-Kyung Lee	Na-Jin Jung	Jong-Hyun Han

## Membership Status

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

# Third-Party Assurance Report


| | |

 Introduction

 ESG Fundamentals

 Environmental

 Social

 Governance

 Appendix

Quantitative Performance Indicators

GRI Content Index

TCFD Index

SASB Index

Major Awards and Membership Status

**Third-Party Assurance Report**

## To: The Stakeholders of LOTTE HIMART Co., Ltd

### Introduction and Objectives of Work

BSI Group Korea (hereinafter “the Assurer”) was requested to verify LOTTE HIMART 2023 Sustainability Report (hereinafter “the Report”). This assurance statement applies only to the relevant information included in the scope of the assurance. LOTTE HIMART Co., Ltd is solely responsible for all information and assertion contained in the Report. The responsibility of the Assurer is to provide LOTTE HIMART Co., Ltd Management with independent assurance statement based on its expert opinions by applying the verification methodology for the specified assurance scope. It is also to provide the information to all stakeholders of LOTTE HIMART Co., Ltd.

### Standards and Levels

This assurance was based on the AA1000AS (Assurance Standard) v3 (2020) Assurance Standard and confirmed that the Report was prepared in accordance with the GRI Standards, the international standards guidelines of sustainability reports. In accordance with the AA1000 AS, the assurance level was Moderate Level, and conducted against Type 1 to confirm compliance with the four principles of the AA1000 AP (AccountAbility Principles) 2018 and the Type 2 assurance that verified the quality and reliability of the information disclosed in the report. Type 2 was limitedly verified against the topic standards below, based on the data and information provided by the reporting organization.

- **GRI Topic-specific Standards:** 205-1, 205-2, 205-3, 206-1, 306-3, 306-4, 306-5, 308-2, 403-5, 403-8, 403-9, 403-10, 414-2, 416-1, 416-2, 418-1

### Scope

The scope of assurance applied to the Report is as follows:

- Report contents during the period from January 1st to December 31st 2022 included in the report, some datas included 2023.
- Major assesstion included in the report, such as sustainability management policies and strategies, goals, projects, and performance, and the report contents related to material issues determined as a result of materiality assessment.
- Appropriateness and consistency of processes and systems for data collection, analysis and review

### The following contents were not included in the scope of assurance.

- Financial information in Appendix
- Index items related to other international standards and initiatives other than the GRI
- Other related additional information such as the website, business annual report.

### Methodology

As a part of its independent assurance, the Assurer has used the methodology developed for relevant evidence collection in order to comply with the verification criteria and to reduce errors in reporting. The Assurer has performed the following activities:

- Review of the system for sustainability management strategy process and implementation
- Review of materiality issue analysis process and prioritization by reviewing materiality issue analysis process and verifying the results
- Review of the evidence to support the material issues through interviews with senior managers with responsibility for them
- Verification of data generation, collection and reporting for each performance index

# Third-Party Assurance Report

- |
- |
- |
- Introduction
- ESG Fundamentals
- Environmental
- Social
- Governance
- Appendix

---

- Quantitative Performance Indicators
- GRI Content Index
- TCFD Index
- SASB Index
- Major Awards and Membership Status
- Third-Party Assurance Report**

## Limitation

The Assurer performed limited verification for a limited period based on the data provided by the reporting organization. It implies that no significant errors were found during the verification process, and that there are limitations related to the inevitable risks that may exist. The Assurer does not provide assurance for possible future impacts that cannot be predicted or verified during the verification process and any additional aspects related thereto.

## Assurance Opinion

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

- The information and data included in the Report are accurate and reliable and the Assurer cannot point out any substantial aspects of material with mistake or misstatement.
- The report is prepared in accordance with the GRI Standards. (Reporting in accordance with the GRI standards)
- The assurance opinions on the four principles presented in the AA1000 AP (2018) are as follows.

## AA1000 AP (2018)

### Inclusivity: Stakeholder Engagement and Opinion

LOTTE HIMART Co., Ltd defined employee, customer, partners, government/government related agencies, shareholders/investors and local communities as key stakeholders groups, and operated communication channels for each stakeholder group for engagement. LOTTE HIMART Co., Ltd reflected key issues drawn through stakeholder channels in sustainability management decisions and disclosed the process in the Report.

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

LOTTE HIMART Co., Ltd established the strategy related to sustainability management and established the process to derive reporting issues. LOTTE HIMART Co., Ltd identified financial and social/environmental impacts and derived 9 material issues based on the analysis of media research, benchmarking global advanced companies in its field, and analysis of major global initiatives related to sustainability.

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

LOTTE HIMART Co., Ltd established the management process for material issues determined by the materiality assessment, implemented a response plan for each issue to appropriately respond to the derived core issues that reflects the expectations of stakeholders. LOTTE HIMART Co., Ltd disclosed the process including policy, indicator, activity and response performance on material issues in the Report.

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

LOTTE HIMART Co., Ltd established the process to identify and evaluate the impact on organizations and stakeholders related to material issues. LOTTE HIMART Co., Ltd used impacts, risk and opportunity factor analysis results for material issues to make decisions to develop response strategies for each issue, and disclosed the process in the Report.


## Key areas for ongoing development

- It may be helpful to disclose specific roles and responsibilities of departments, consultative bodies and decision-making bodies related to ESG, and ESG plans and performance evaluation criteria to advance the sustainability management system.
- It may be helpful to disclose specificity of the process of material assessment and criteria for financial impact and environmental/social impact of material assessment to advance the sustainability management system.

# Third-Party Assurance Report

| | |

 Introduction

 ESG Fundamentals

 Environmental

 Social

 Governance

 Appendix

Quantitative Performance Indicators

GRI Content Index

TCFD Index

SASB Index

Major Awards and Membership Status

**Third-Party Assurance Report**

## Statement of independence and competence

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

## Evaluation against GRI 'In Accordance' Criteria

The Assurer confirmed that the Report was prepared in accordance with the GRI Standards and the disclosures related to the following Universal Standards and Topic Standards Indicators based on the data provided by LOTTE HIMART Co., Ltd, the sector standard was not applied.

### [Universal Standards]

2-1 to 2-5 (The organization and its reporting practices), 2-6 to 2-8 (Activities and workers), 2-9 to 2-21 (Governance), 2-22 to 2-28 (Strategy, policies and practices), 2-29 to 2-30 (Stakeholder engagement), 3-1 to 3-3 (Material Topics Disclosures)

### [Topic Standards]

201-1~3, 202-1, 203-1~2, 204-1, 205-1~3, 206-1, 207-4, 302-1~4, 303-5, 305-1~5, 306-1~5, 308-1~2, 401-1~3, 402-1, 403-1~10, 404-1~3, 405-1~2, 406-1, 410-1, 413-1, 414-1~2, 415-1, 416-1~2, 417-1~3, 418-1



5 Apr 2023

S. H. Lim / BSI Group Korea, Managing Director



**2022 LOTTE HIMART SUSTAINABILITY REPORT**

THIS REPORT IS AVAILABLE AS A PDF FILE ON THE WEBSITE OF LOTTE HIMART.

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