

2023 LOTTE HIMART SUSTAINABILITY REPORT

2023 LOTTE HIMART Sustainability Report



Introduction

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

About This Report

Marking the fourth year since the launch of the LOTTE HIMART Sustainability Report, we continue to share our journey towards sustainable growth. The report serves as a testament to our ESG management strategies, and our goals, activities, and strides in the economic, societal, and environmental domains. With a firm commitment to bringing sustainable life and value to all stakeholders, we have embarked on numerous initiatives across the E, S, and G sectors, propelling us towards full-fledged ESG management. As we move forward, we pledge to maintain our tradition of releasing a yearly sustainability report, providing a transparent view of our sustainable growth strategies and ESG management approach in a timely manner.

Reporting Framework	GRI Standards 2021
Reporting Boundaries	LOTTE HIMART headquarters, branches, stores, and distribution centers
Reporting Period	January 1, 2023 ~ December 31, 2023 (Some key performances from the first year of 2024 included)
Reporting Cycle	Once a year
Data Assurance	KPMG Samjong Accounting Corp.
Issued by	LOTTE HIMART
Date of Issuance	June 2024
Contact	LOTTE HIMART External Relations Team, LOTTE HIMART Building, 156, Samseong-ro, Gangnam-gu, Seoul, Republic of Korea • Tel.: 02-2050-5082 • E-mail: himart.esg@lotte.net • Website: https://company.himart.co.kr/



This report is published in an interactive PDF format that includes links to related pages or websites.

Introduction

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

TABLE OF CONTENTS

INTRODUCTION

CEO Message	04
LOTTE HIMART at a Glance	05

SPECIAL REPORT

HIMART Care	11
-------------	----

ESG MANAGEMENT

ESG Management System	17
ESG Management Activities	19
ESG Risk Management	22
Materiality Assessment	24

ENVIRONMENTAL

Environmental Management	29
Green Initiatives	34
Climate Action	37
GHG Emissions Reduction	43



SOCIAL

Customer Satisfaction Enhancement	46
Product Quality Management	50
Sustainable Partner Management	52
Talent Attraction and Retention	59
Human Rights Management	70
Safe Workplace	73
Contribution to Local Communities	80
Information Protection and Data Security	83



GOVERNANCE

Transparent and Efficient Governance	89
Ethics and Compliance Management	98



ESG FACTBOOK

ESG Data	102
GRI Index	110
SASB Index	113
Awards and Memberships	114
Third-Party Assurance Statement	115

Introduction

▶ CEO Message

LOTTE HIMART at a Glance

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

CEO Message

"With sincerity, LOTTE HIMART will drive ESG strategies that align with our business approach to make strides towards sustainable growth."



Endowed with an immense responsibility and a strong sense of duty, LOTTE HIMART stands as a premier distributor of home appliances in Korea. We are unwavering in our commitment to bringing convenience to our customers' lives and infusing a breath of fresh lifestyle through a diverse range of home appliances. Another focus of ours is to fulfill our environmental and societal responsibilities, shaping a better future for both customers and shareholders.

Navigating through the uncertainties of the global economy and the challenging external and internal business landscapes in 2023, LOTTE HIMART made progress driven by transformations and innovation. Stakeholders' unwavering support and encouragement were key drivers of our growth. We deeply appreciate all stakeholders for their contributions.

We have formulated ESG strategies that align with our business strategies, along with concrete action plans. We hold a deep sense of responsibility for our environmental impact throughout the entire process, from the point of product purchase by customers, to product use, and finally to disposal. We care for every stage of a customer's home appliance lifecycle. This commitment has led to the launch of 'HIMART Care.' This is a suite of services including cleaning, replacement, repair, and extended warranty, enabling customers to use their home appliances in a cleaner and more durable way. This also contributes to minimizing environmental impacts. Moving forward, we will invest in various dimensions of Lifelong Care technology, thereby bolstering our capacity through multifaceted efforts such as expanding eligible items for the service, product development, and relevant education.

With approximately 330 stores nationwide, LOTTE HIMART ensures creating safe store environments for both our customers and

employees, with a focus on preventive inspections and safety education and training. In 2023, we obtained ISO 45001, a global standard for occupational safety and health management systems, which marked the completion of the establishment of our safety and health system throughout the company.

Furthermore, LOTTE HIMART has built robust relationships with numerous partners involved in product manufacturing and distribution. We are of the firm conviction that the competencies of our partners are intertwined with our own competitiveness, and we have extended a variety of practical support to our partners, such as the Shared Growth Fund for SMEs. Notably, we have aided small- and medium-sized partners in their ESG management to promote shared growth.

Going forward, grounded in strict ethical guidelines and compliance management, we will uphold our solid governance and boost communication with stakeholders. We commit to genuine ESG management to make strides towards constant growth and development alongside all stakeholders, including customers, employees, and partners. To achieve this, we will strengthen our fundamentals while focusing on continuous transformation and innovation, fulfilling our social responsibility, and thereby evolving into a company that truly deserves respect.

Once more, I express my deep gratitude for your enduring interest and support, and look forward to your ongoing advice and support as we navigate our path towards sustainable growth.

June 2024
CEO Chang Hee Nam

Introduction

CEO Message
▶ LOTTE HIMART at a Glance

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

LOTTE HIMART at a Glance

Company Overview

Specialists in Lifelong Customer Care, and Guidance and Sales for Home Appliance Lifespan

With a network of approximately 330 stores and a comprehensive online shopping site (www.e-himart.co.kr), our portfolio includes an impressive 1,300 brands sourced globally, providing our customers with a diverse selection to compare and choose from. And this enables us to established ourselves as a dominant force in Korea's home appliance sector, earning us the reputation, category killer. Recently, we have been advancing our cleaning, repair, and installation services while launching new services such as mobile damage insurance and home appliance replacement. This demonstrates our commitment to enhancing our care services tailored to the purchased product lifecycle. In addition, we operate our own 11 distribution centers, which contribute to the optimization of nationwide delivery service. All these combined efforts have put LOTTE HIMART on the path towards becoming a company providing 'Lifetime Care for Your Home Appliance', offering enhanced services that match the lifecycle of customer products, going beyond just being a home appliance seller.

▶ Company Profile and Key Achievements

(As of December 31, 2023)

Company name	LOTTE HIMART Co., Ltd	Total assets	KRW 2.4 trillion
Business type	Wholesale and retail of home appliances	Sales	KRW 2.6 trillion
CEO	Chang Hee Nam	No. of employees	2,893
HQ location	LOTTE HIMART Building, 156, Samseong-ro, Gangnam-gu, Seoul, Republic of Korea	Domestic credit rating	A+ (KOREA INVESTORS SERVICE)

▶ Key Awards

Recognized as the Most Loved Brand in Korea

14 consecutive years
(May 2024)

Recognized as the Most Trusted Brand in Korea

15 consecutive years
(January 2024)

Premium Brand Index

11 consecutive years
(November 2023)



▶ ESG Ratings

Korea Institute of Corporate Governance and Sustainability

Overall ESG Evaluation Rating

MSCI ESG Ratings

Introduction

CEO Message

▶ LOTTE HIMART at a Glance

Special Report

ESG Management

Environmental

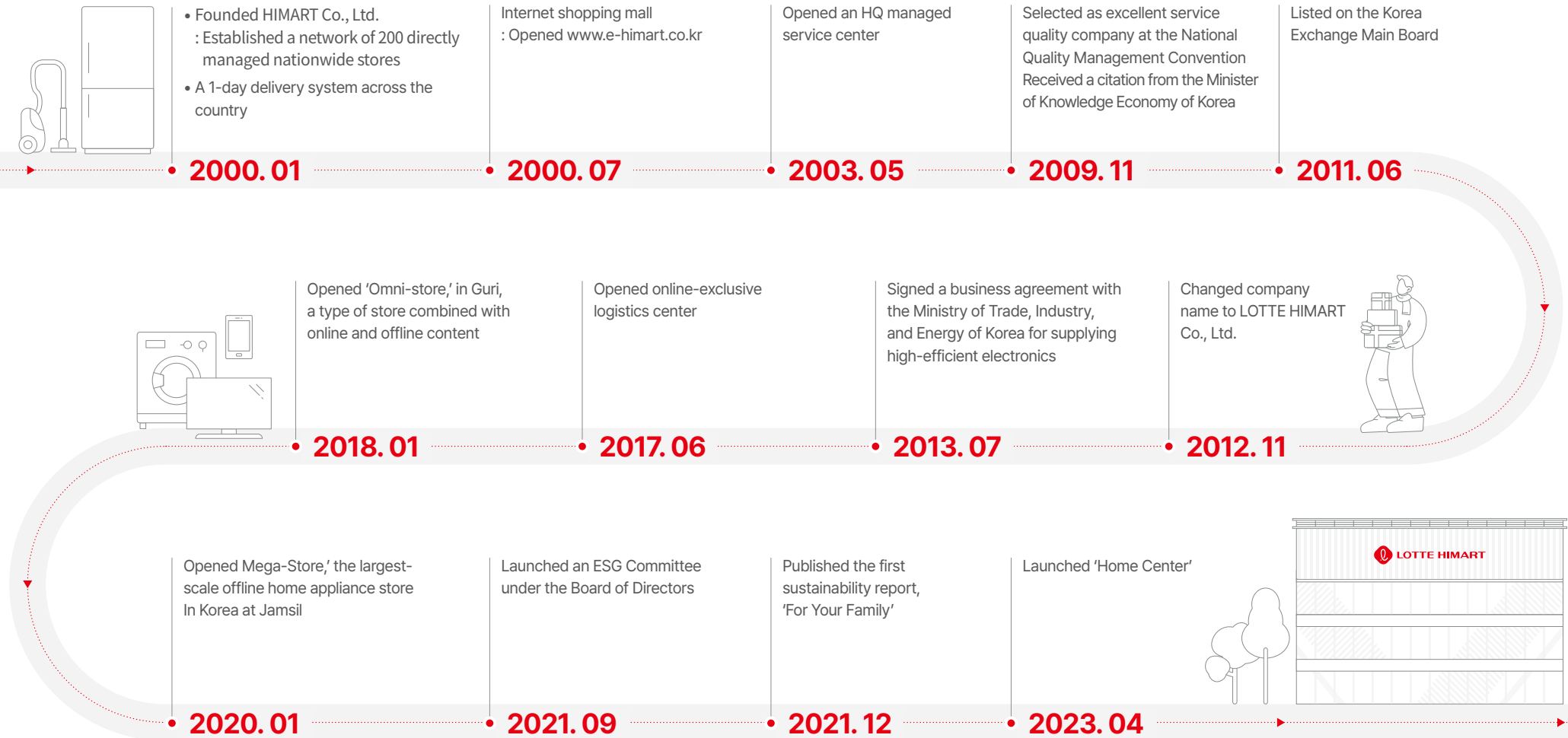
Social

Governance

ESG Factbook

LOTTE HIMART at a Glance

Our Key Milestones



Introduction

CEO Message

▶ LOTTE HIMART at a Glance

Special Report

ESG Management

Environmental

Social

Governance

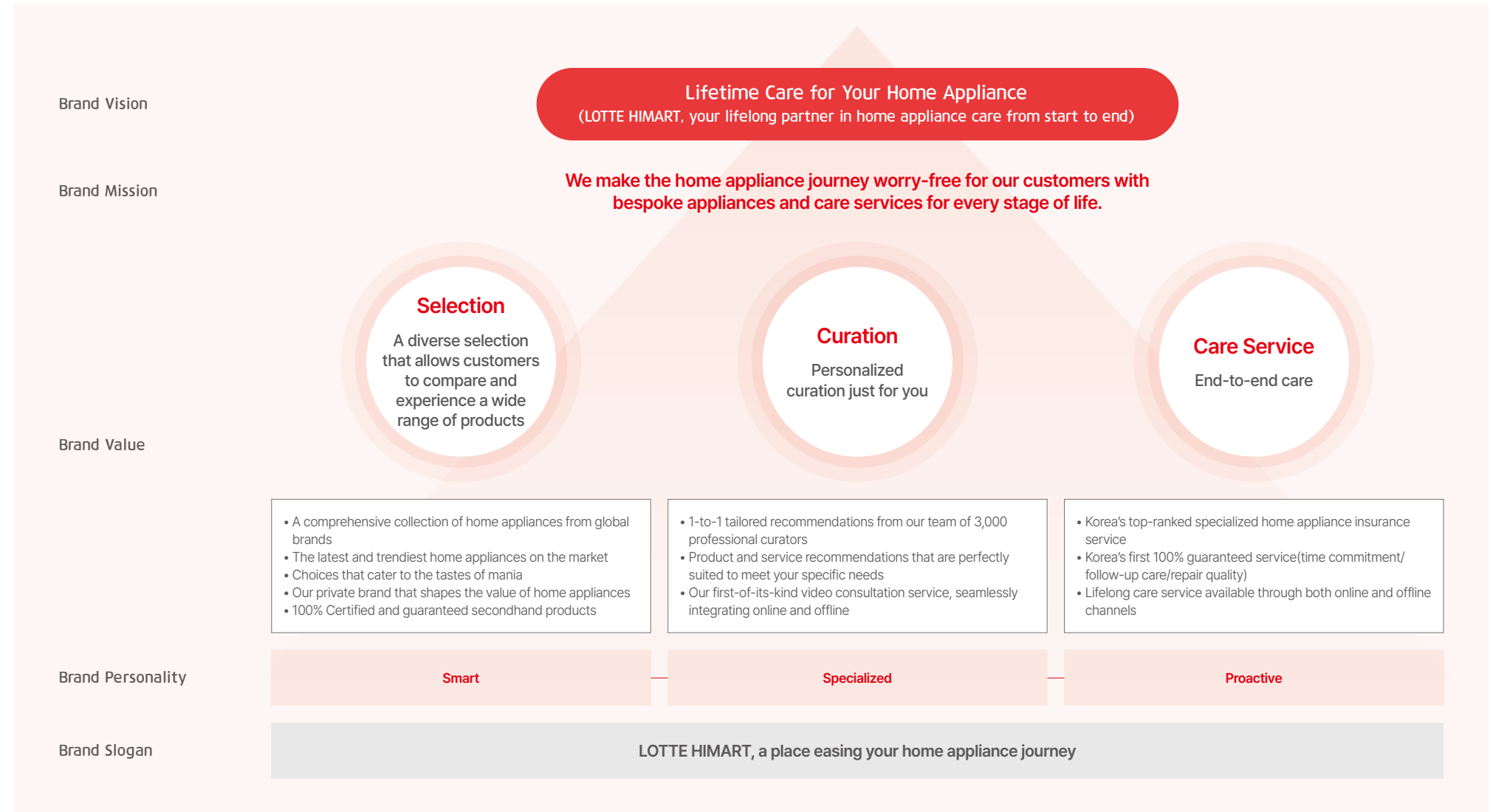
ESG Factbook

LOTTE HIMART

Sustainability Report 2023

LOTTE HIMART at a Glance

Vision



Introduction

CEO Message

▶ LOTTE HIMART at a Glance

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

LOTTE HIMART at a Glance

Sales Channels

Stores

LOTTE HIMART operates approximately 330 stores, each featuring a customized shopping environment tailored to our customers' diverse needs. Customers can enjoy high-quality electronics consultations that meet their needs of customers by region, keep up with evolving consumption trends, and compare products from both domestic and overseas brands. And our Home Center provides lifelong care services. LOTTE HIMART stores are transforming into destinations that customers want to visit, thanks to our special products, spaces, and services.



Home Appliance Experience

Experience-focused stores where a wide variety of household appliances are at your fingertips to explore and try out



Comparison & Purchase

A broad selection of products, from top domestic to global brands, allowing customers to compare and make the best purchase decision



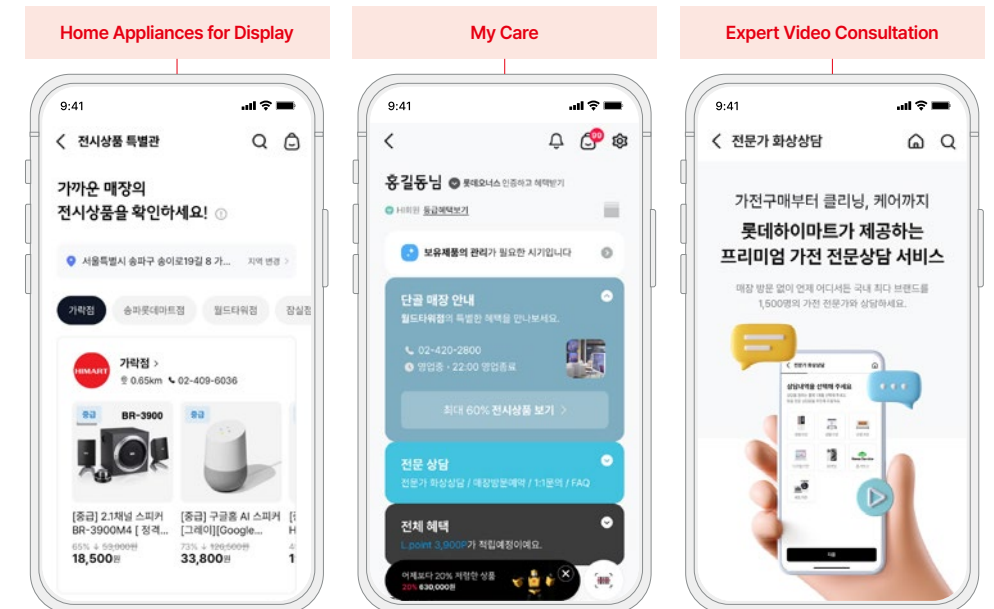
Home Service

A variety of home services, including home care, electronics maintenance, and repair, all as part of our commitment to providing lifelong care for our customers

Online Store

Our online shopping mall strives to provide customer experiences on par with those of offline stores. It features distinguished products and services such as home service, set products, and our private brand. We have also rolled out the largest-scale special exhibition of display products that houses the greatest number of brands in Korea. 'My Care' allows us to check the history of consultations and purchases made at offline stores, which we use to communicate with customers. Furthermore, we have a new service in the pipeline for lifelong care services for customers. This service recommends needed products and required services based on the products we have at an opportune time. In addition, we offer 'Expert Video Consultation,' an integrated online and offline customized consultation service provided by our professional team of curators nationwide.

— LOTTE HIMART Online Shopping Mall



Introduction

CEO Message

▶ LOTTE HIMART at a Glance

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

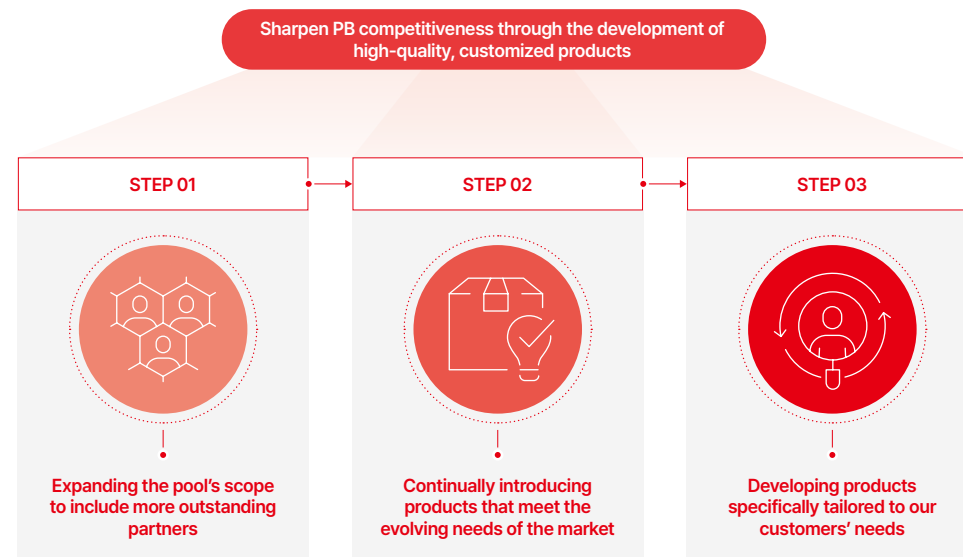
LOTTE HIMART at a Glance

Private Brand (PB) Products

HIMADE

Since the launch of our private brand, HIMADE, in 2016, it has made remarkable progress with an average growth rate of 20% per year. We take care of every stage of brand operation, from product development and quality assurance to mass production and operation. With the principles of rational prices and high quality at the heart of the brand, we have unveiled various products in collaboration with excellent partners both locally and overseas. As of now, with a focus on the 'young-minded small family,' HIMADE aims to develop customized products and renew existing outstanding products, thereby sharpening the competitiveness of our PB products. These efforts, combined with sales records and know-how on PB product development, led to the launch of the Single One Refrigerator, which is tailored to the needs of 1-2 person households, in May 2024. In the years ahead, we will strive to enhance the competitiveness of our PB products through the development of a wide range of products that cater to customers' needs.

▶ LOTTE HIMART Strategies for PB



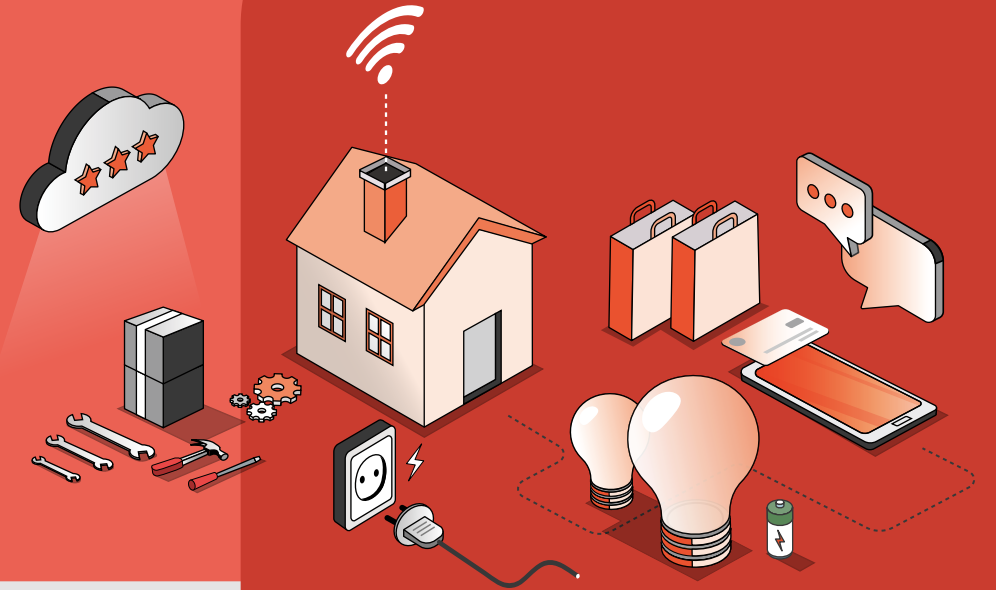
HIMADE Single One Refrigerator



HIMADE TV

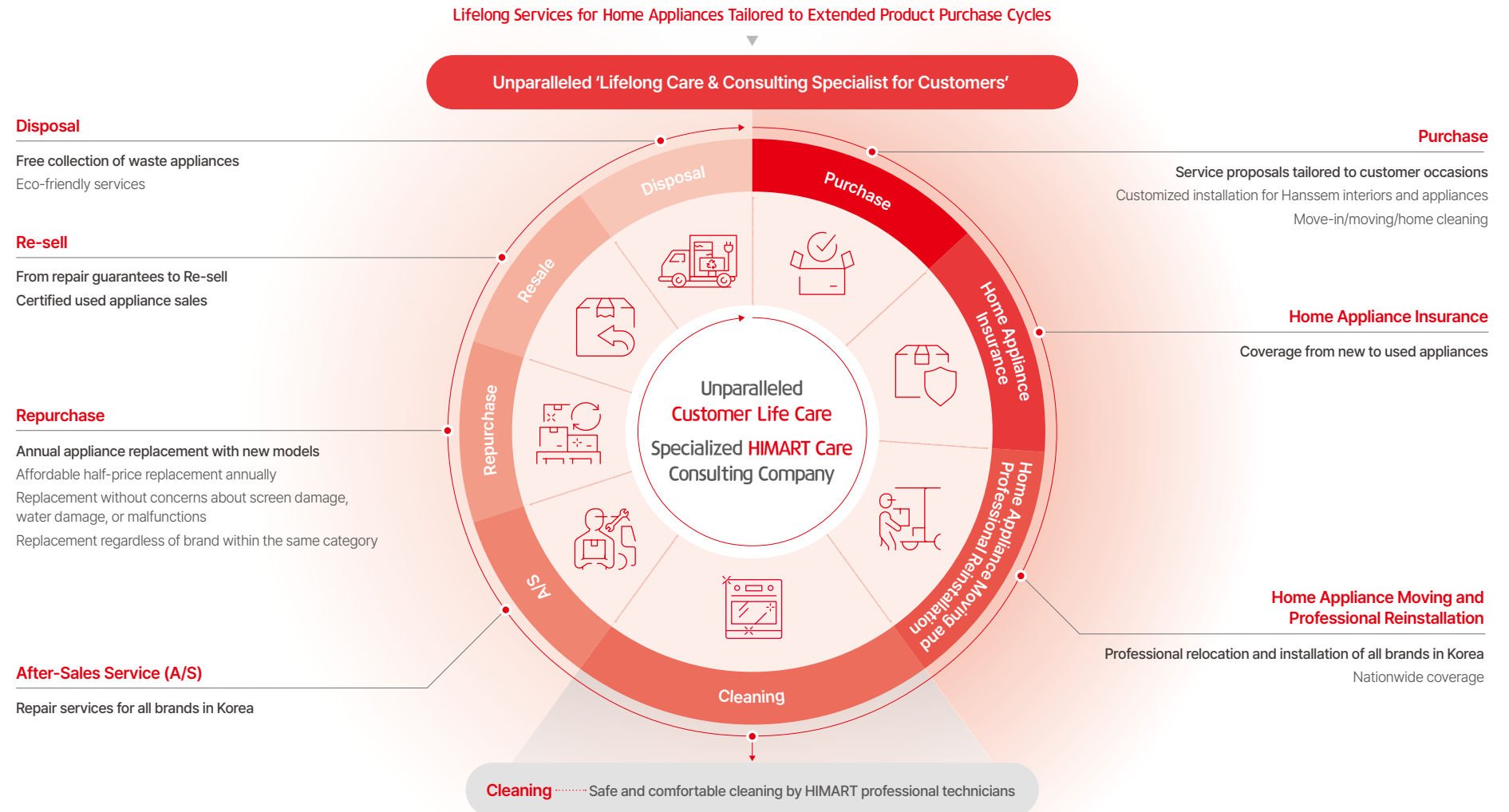
Special Report

11 HIMART Care



HIMART Care

LOTTE HIMART has evolved into a lifelong care company for home appliances with an objective to provide customized services for every stage of the product lifecycle, from purchase and installation to repair, cleaning, Re-sell, and disposal. Home appliances typically have a long purchase cycle from the initial purchase to repurchase. Accordingly, HIMART Care pursues the transformation from one-time sales consultations to lifelong customer care consultations, offering tailored services at each stage of the long product purchase cycle. Through our services, customers can enjoy a more convenient and comfortable home appliance experience.



Introduction

Special Report

▶ HIMART Care

ESG Management

Environmental

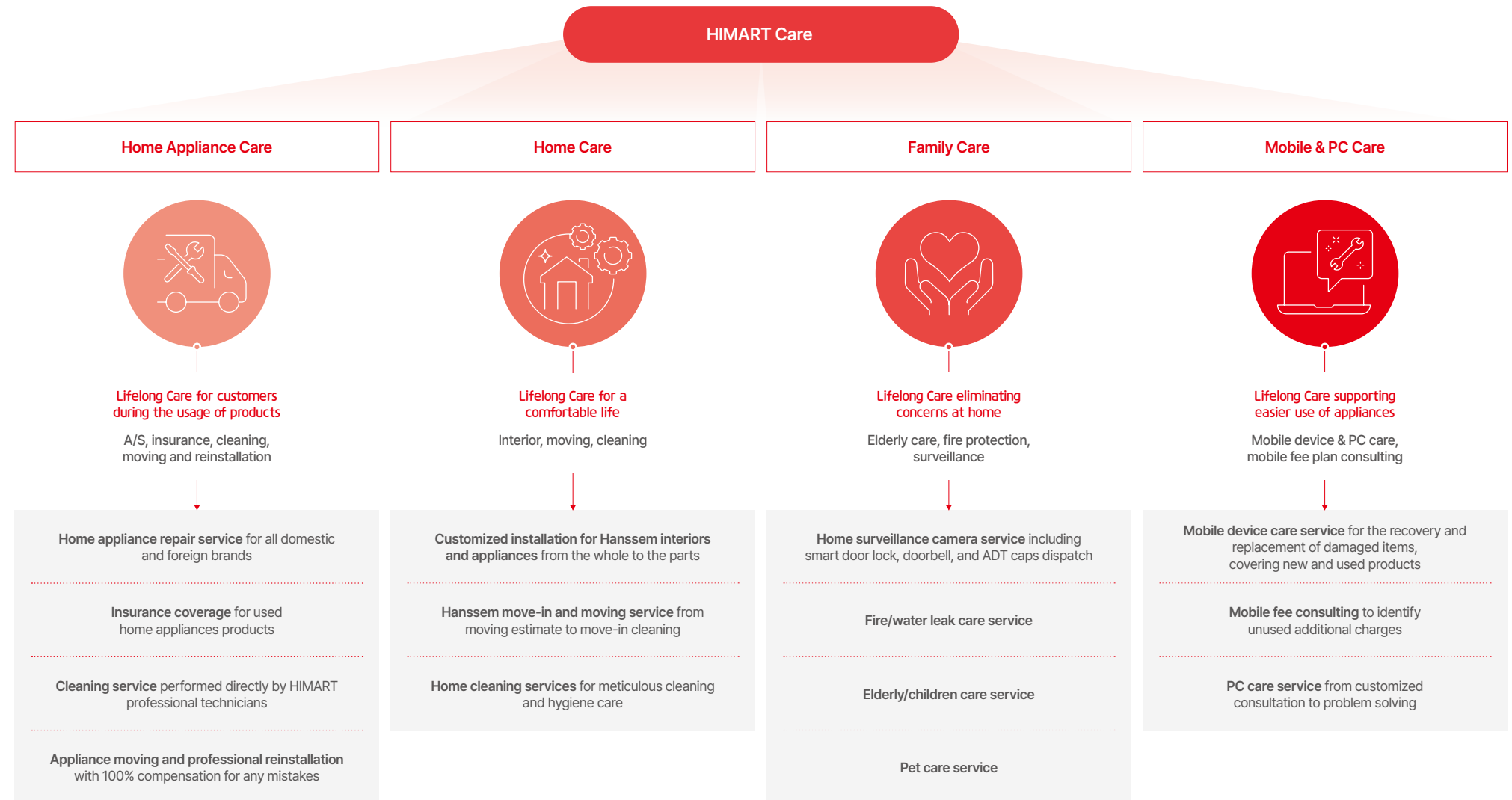
Social

Governance

ESG Factbook

HIMART Care

Product Classification for HIMART Care Service



Introduction

Special Report

▶ HIMART Care

ESG Management

Environmental

Social

Governance

ESG Factbook

HIMART Care

HIMART Care Service

Home Appliance Care

Home Appliance Repair

Our repair services are officially certified by over 170 domestic and overseas manufacturers. By operating around 330 stores nationwide and HIMART shopping mall, we have streamlined the repair request process to enhance customer accessibility, while ensuring excellent repair services through the presence of professional engineers with an average of over 10 years of experience on site. In 2024, we are continuously expanding our repair items and brands, including IT products like ASUS and HP as well as kitchen and home appliances like Roborock and Shark.



Home appliance repair



Certification of Repair Service for Its Carbon Reduction Effect - Participation in Voluntary Carbon Market ☒

Our repair service extends the life cycle of electronic products and cuts down on carbon emissions by minimizing the need for producing new products, which would otherwise be necessary if repairs were not conducted. We utilize POPLÉ, a domestic voluntary carbon trading platform, to quantitatively measure the carbon reduction impact of our repair services, calculate their environmental value, and prepare for the issuance of carbon credits through taking the steps to receive certification by a professional organization. Unlike the Compliance Carbon Market (scheduled for July 2024), which operates under strict regulatory requirements, the Voluntary Carbon Market allows companies and institutions to voluntarily participate, driven by social responsibility and environmental protection. There is an increasing global demand for this market for carbon neutrality and RE100 implementation. Going forward, we plan to expand the scope of services certified with carbon reduction beginning with repair services, thereby contributing to carbon neutrality and environmental management.

Home Appliance Insurance

Our home appliance insurance covers a wide range of products, from ranging from newly purchased items to those already in use at home. This includes extended warranty for home appliances, mobile device damage insurance, repair cost compensation insurance for used appliances, and mobile device damage insurance for used devices. Additionally, we offer the only appliance replacement service in Korea, allowing customers to replace their home appliances with new ones. These services address various inconveniences that may arise during the use of home appliances, ensuring that customers can use their products with peace of mind for a longer period of time.



Home appliance insurance

Introduction

Special Report

▶ HIMART Care

ESG Management

Environmental

Social

Governance

ESG Factbook

HIMART Care

Home Appliance Cleaning

Our home appliance cleaning service, directly provided by our professional technicians, disassembles and cleans household appliances that are closely related to health. Through this cleaning service, we protect our customers' health and extend the lifespan of the products, thereby contributing to eco-friendly management. Our professional CS masters use specialized cleaning equipment and safe, eco-friendly certified cleaning products to deliver the highest quality service.

Home Appliance Moving and Professional Reinstallation

Our home appliance moving and professional reinstallation service, offering 100% compensation even for minor mistakes, allows customers to keep using their electronic products by offering relocation and reinstallation services.

We support the professional relocation and installation of large and heavy home appliances, wall-mounted TVs requiring specialized equipment and skills, no-drill TV installations, air conditioners, and more. This improves customer convenience, prolongs the lifespan of products, and supports eco-friendly practices through the reuse of home appliances.



Home appliance cleaning

HOME Care

Hanssem Interior, Move-in, and Moving

We provide comprehensive interior services through our partnership with Hanssem, a leading brand in residential spaces. Our one-stop services cover everything from full installations to specific areas, encompassing storage, closets, dressing rooms, doors, interior doors, studies, children's rooms, kitchens, and bathrooms, in addition to services for moving and move-in, from moving estimates to move-in cleaning. We also provide a variety of services in regard to residential space, including the installation of noise-reducing mats, custom closets, countertop coating, bathroom grout installation, toilet/sink replacement, and fine dust-proof screen replacement.

Home Cleaning

We provide meticulous cleaning and hygiene services, including mattress cleaning, kitchen hood cleaning, and drain odor prevention, to improve our customers' living environments and convenience. Through these services, we offer home cleaning solutions that allow customers to access essential services with ease and convenience in their daily lives.



Hanssem interior, move-in, and moving service

Introduction

Special Report

▶ HIMART Care

ESG Management

Environmental

Social

Governance

ESG Factbook

HIMART Care

Home Center

'Home Center' Realizing Home Total Care Service Business

Our 'Home Center' is a crucial business that identifies new value from the customer purchase cycle, playing a role of a customer-friendly service center that can proactively connect home appliance life care. With a differentiated strategy of providing customized services at customer contact points, Home Center is leading the customer lock-in. This entails recommending, explaining, and facilitating the purchase of intangible service products associated with home appliances for customers who purchase such appliances, thereby enabling them to experience our Home Total Care Service.

Nurturing Professionals

'Home Center Leader,' HR Strategy to Focus on Customer Touch Point

'Home Center Leader' plays a role of supervising the overall operation of home total care services at the foremost customer contact point. The Center Leader plays a pivotal role in enhancing our service quality by actively listening to customer feedback on-site, providing prompt services, and overseeing the entire process from service strategy planning to execution.

Cultivating Smart Multi-talented CS Master through Specialized Cleaning Training for Installation Technicians

We put quality of service first in home appliance cleaning. In 2024, we established a specialized cleaning training center at the distribution center in Gongju, where we provide systematic cleaning training for CS Masters responsible for home appliance installation. Through the training, we aim to cultivate talents who are capable of providing 'one-stop service' encompassing both appliance installation and cleaning.

Interview



We will take full responsibility for all services related to home and appliances, from start to finish.

Center leader at Iksan LOTTE Mart Branch,
Seong Cheon Ko

Hello. I am the first Center Leader of Home Center, Seong Cheon Ko.

LOTTE HIMART's Home Center is a professional service center to guide a home total care service at the foremost customer touch point. Home Center provides various services that LOTTE HIMART can exclusively provide across all stages of the product lifecycle for customers. We help customers use their home appliances in a cleaner condition and for a longer period, which also increases their visits to our stores and contributes to our revenue growth.

The most rewarding moment in my work as a Center Leader is when customers are satisfied with our service and make purchases again. Last year, a customer who received our air conditioner cleaning service was so pleased that they returned to the store before the summer to get the service again. Hearing this brought me great satisfaction as a Center Leader.

As the first Center Leader of LOTTE HIMART, I will strive to become a leader with even more professional capabilities. At Home Center, we will make efforts to provide the best service to satisfy our customers and offer a service that encourages customers to return. Thank you.

ESG Management

- 17 ESG Management System
- 19 ESG Management Activities
- 22 ESG Risk Management
- 24 Materiality Assessment



ESG Management System

Governance

ESG Committee

LOTTE HIMART has operated an ESG Committee under the Board of Directors to carry out company-wide ESG management. The ESG Committee, consisting of three external directors with both independence and expertise, reviews and approves major corporate decisions related to environmental, social, and governance issues, and manages key non-financial risks. Furthermore, it evaluates the sustainability management strategy and direction, reviews related performance and plans, and reports the findings to the board. In 2023, the ESG Committee convened a total of seven meetings, reviewing and resolving 9 agenda items involving environmental, social, and governance matters.

▶ ESG Committee Meetings in 2023

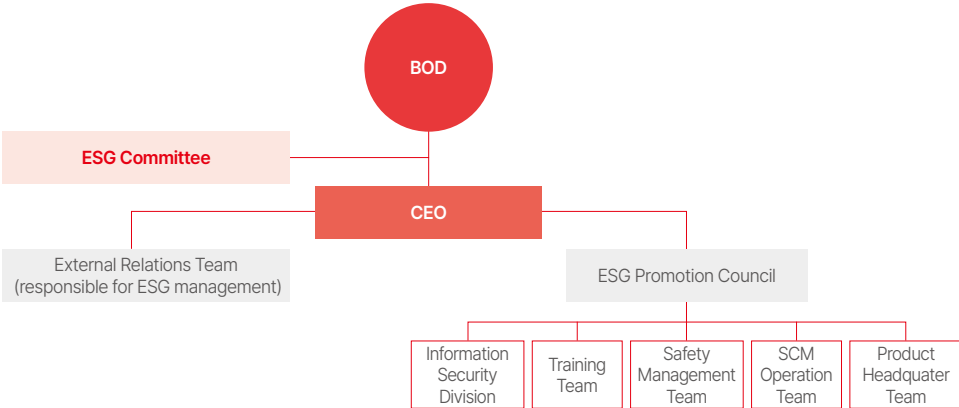
Agenda item	Date of reporting	Attendance rate
• 2023 ESG operation plan (draft)	1 st (Feb. 2023)	100%
• Progress on the publication of the 2023 Sustainability Report	2 nd (Apr. 2023)	100%
• Report on supplier ESG risk management plan	3 rd (Jun. 2023)	100%
• Status and plans for information security operations	4 th (Jul. 2023)	100%
• Status and plans for eco-friendly product operations • Implementation status of employee training system enhancement • Human rights impact assessment and human rights risk management plan	5 th (Aug. 2023)	100%
• Management of carbon emissions in logistics and establishment of mid- to long-term goals	6 th (Oct. 2023)	100%
• Report on ESG evaluation results by the Korea Institute of Corporate Governance and Sustainability (KCGS)	7 th (dec. 2023)	100%

Organizations Dedicated to ESG

External Relations Team (responsible for ESG management), as the dedicated ESG organization within the company, analyzes stakeholder ESG requirements and internal and external environments to manage ESG risks and select key ESG initiatives. Additionally, it conducts reviews of the activities and performance of ESG projects carried out by relevant departments on a regular basis and reports significant issues to the ESG Committee. In 2023, the team undertook a range of activities, including addressing internal and external ESG evaluations and information disclosures, overseeing the execution of key management tasks for 2023, and carrying out training programs and campaigns to raise employees' awareness of ESG.

ESG Promotion Council

In 2023, we selected key initiatives for sharpening our ESG capabilities and established the ESG Promotion Council, led by working-level team leaders from relevant departments, with an aim to drive these initiatives. Through this council, we share and collaborate on ESG management strategies to strengthen the company's ESG management. We developed detailed action plans for each initiative, such as establishing eco-friendly product operation plans, formulating human rights management policies, and revising compliance management policies. We held monthly council meetings to review the progress and performance of each initiative. The plans and performances established by the ESG Promotion Council were discussed by the ESG Committee. Then, the approved items were reported to the Board of Directors.



Introduction

Special Report

ESG Management

▶ ESG Management System

ESG Management Activities

ESG Risk Management

Materiality Assessment

Environmental

Social

Governance

ESG Factbook

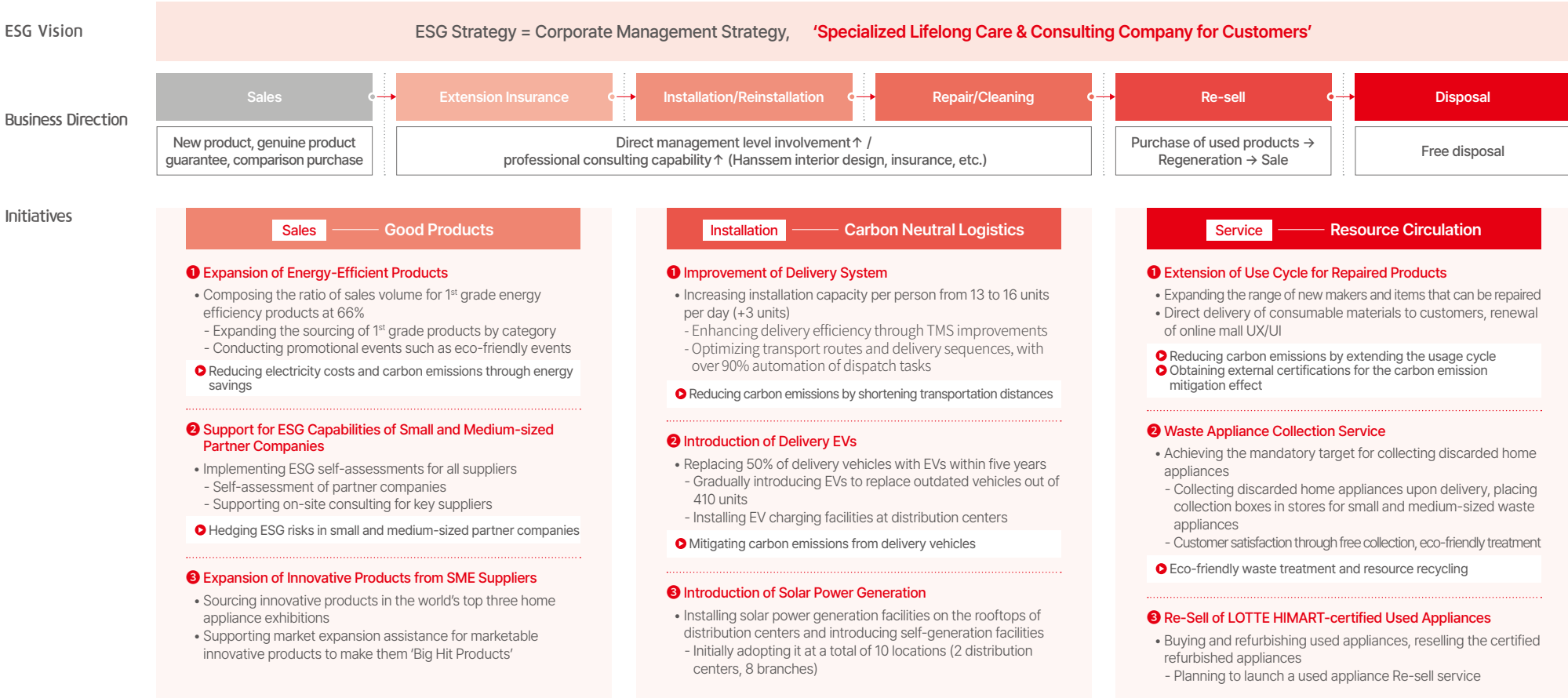
ESG Management System

Strategy

Promoting ESG Strategy

LOTTE HIMART has set its new management strategy as 'Specialized Lifelong Care & Consulting Company for Customers,' and formulated our ESG strategy to align our management strategy with ESG. With an aim to create sustainable value at every stage from product sales and use to disposal, we have identified three key issues – quality products, logistics carbon neutrality, and resource recycling – and selected 9 initiatives to achieve these goals.

▶ ESG Strategy System



Introduction

Special Report

ESG Management

- ESG Management System
- ▶ ESG Management Activities
- ESG Risk Management
- Materiality Assessment

Environmental

Social

Governance

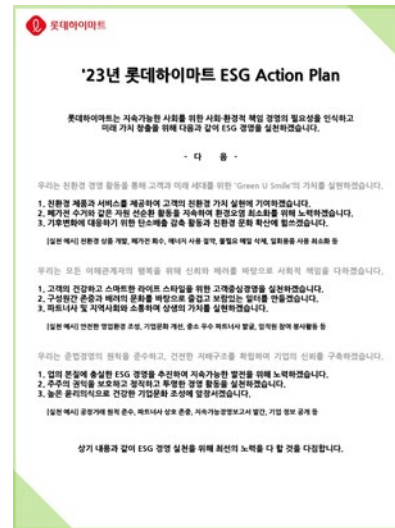
ESG Factbook

ESG Management Activities

Dissemination of ESG Management Culture

ESG Action plan

LOTTE HIMART announced its ESG Action Plan with an aim to foster an understanding among its employees of the need for ESG management and strategic directions, encouraging them to integrate ESG practices into their daily duties, and all employees signed the ESG Action Plan.



ESG Training

We provided ESG training for all employees. Through the quarterly training courses via mobile education platform, we conveyed the concept and necessity of ESG management to our employees.

▶ ESG Training Status

Training month	Training details
March 2023	Concept and importance of ESG
June 2023	Resource circulation of electronic products
September 2023	ESG disclosure trends and response strategies
December 2023	3-year ESG performance of LOTTE HIMART

ESG Newsletter: ESG ON

With an aim to foster employee interest in ESG and build consensus, we distribute an ESG newsletter named 'LOTTE HIMART ESG ON' containing relevant information biweekly, twice a month.



ESG Management Activities

Our Contribution to Achieving UN SDGs

LOTTE HIMART is committed to achieving the Sustainable Development Goals (SDGs) that were adopted at the 70th UN Sustainable Development Summit in 2015. In line with the principle of ‘No One Left Behind,’ the UN SDGs consist of 17 goals and 169 specific targets to be accomplished by 2030 across economic, societal, and environmental dimensions. LOTTE HIMART has been putting ESG management into action in alignment with the UN SDGs, thereby actively contributing to 11 out of the 17 goals.

UN SDGs	UN SDGs Targets	Key Activities	Key Achievements
Goal 1. No Poverty	1.3 Implement appropriate social protection systems and measures, and achieve a practical expansion of the coverage of vulnerable groups	- Launched ‘Three Generations of Happiness Campaign,’ which sponsors children raised by grandparents - Initiated a campaign called ‘One Meal for All’ aims at providing meal expenses for children in need during their growth period	- KRW 190 million sponsorship for marginalized children in 2023 - KRW 30 million spent in the campaign ‘One Meal for All’
Goal 3. Good Health and Well-Being	3.4 Promote mental health and well-being through prevention and treatment	- Provided regular medical checkups for employees - Operated a personalized counseling program, HI-MIND	- No. of medical checkup recipients 3,730 individuals (family members included) - HI-MIND counseling program: 10 users and 22 counseling sessions
Goal 4. Quality Education	4.1 Ensure that all girls and boys complete free, equitable, and quality primary and secondary education leading to effective learning outcomes	Operated ‘Hi-Science Concert & Science Class,’ where children can learn scientific principles	No. of ‘Hi-Science Concert & Science Class’ beneficiaries in 2023: 650
Goal 4. Quality Education	4.4 Substantially increase the number of adults who have relevant skills, including technical and vocational skills, for decent jobs	- Provided CS Master education to sharpen services and capabilities - Run the commissioned academy program for talent cultivation - Offered interview and job placement services for prospective retirees - Introduced the curator certification system to nurture professional sales force	- No. of employees who acquired degrees in 2023: 12 - Job placement services provided for employees due for retirement in 2023
Goal 4. Quality Education	4.7 Ensure that all learners acquire the knowledge and skills needed to promote sustainable development through education	- Joined the E-Circularity School project to give lectures on resource circulation of electronics to middle and high school students - Assisted our partners with ESG consulting services	- No. of schools provided with resource circulation lectures: 10 - No. of partners provided with ESG consulting: 20
Goal 5. Gender Equality	5.5 Ensure women's full and effective participation and equal opportunities for leadership in decision-making	Hired female talent	Ratio of female talents in 2023: 36.6%
Goal 7. Affordable and clean energy	7.3 Increase the improvement rate in energy efficiency	- Replaced all lights at stores with high-efficient LEDs - Replaced outdated cooling and heating systems at stores with inverter-type cooling and heating systems	- Power consumption reduction through the replacement with LEDs: 24,090kWh (275 units) - Power consumption reduction through the replacement with inverter-type cooling and heating systems: 256,230kWh (13 units)

ESG Management Activities

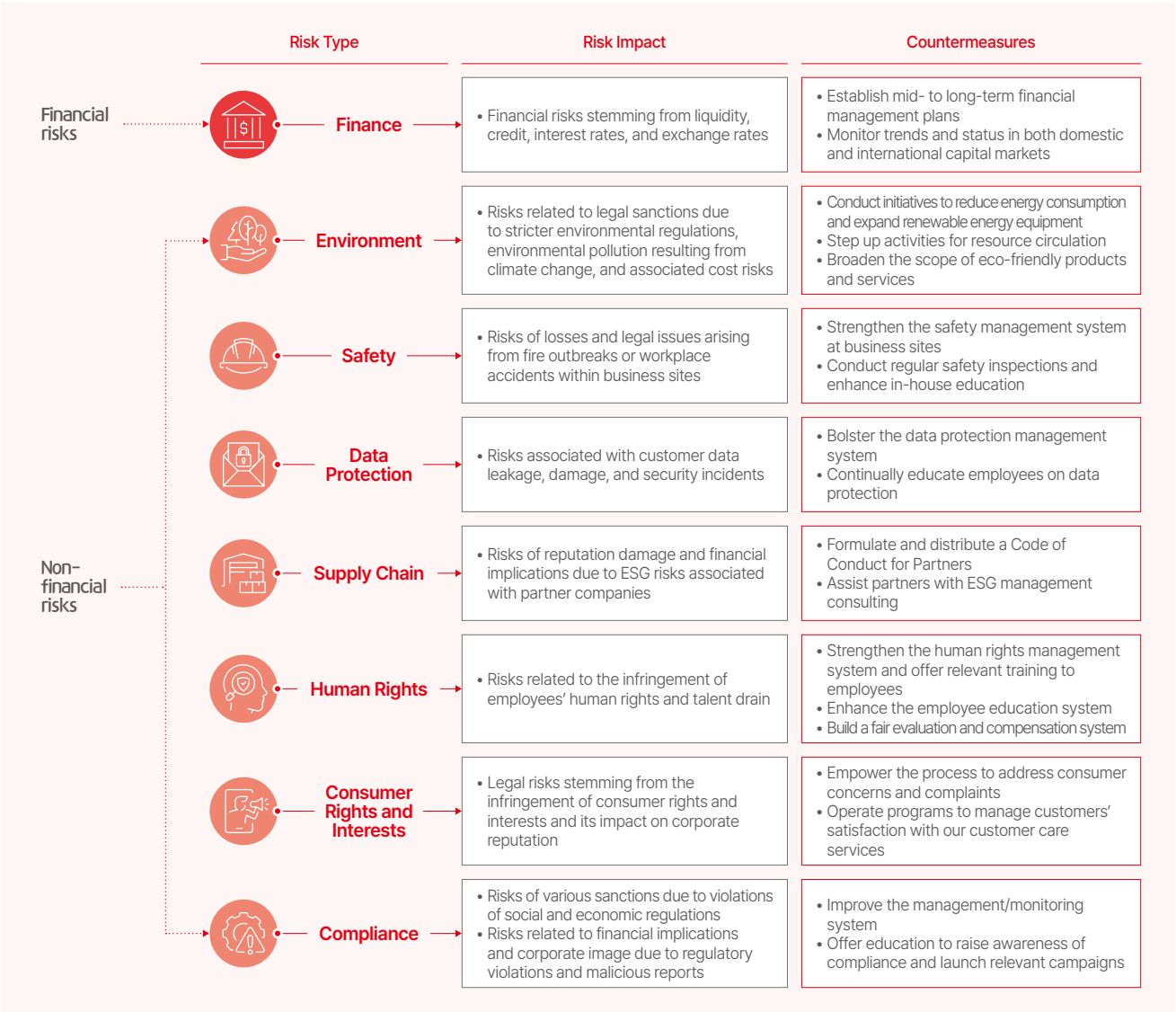
UN SDGs	UN SDGs Targets	Key Activities	Key Achievements
Goal 8. Decent Work and Economic Growth 	8.3 Promote development-oriented policies that encourage the formalization and growth of micro-, small- and medium-sized enterprises	- Operated the Innovate Product Experience Zone where consumers can experience products of SMEs and startups - Assisted SMEs in expanding their presence into overseas markets - Held 'Heart Live' promotional events to help SME partners and small business owners	- No. of companies that participated in the Innovate Product Experience Zone: 19, and following their participation, 15 companies offered spaces from us - No. of companies that attended the overseas expo: 9 - Heart Live conducted 34 times, with attendance from 21 SME partners
Goal 9. 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	- Operated a superspeed charging station for electric vehicles (EVs) using the Vanadium Ion Battery Energy Storage System (VIB ESS) - Expanded the use of eco-friendly packaging materials - Increased the sales of green products	- LOTTE HIMART Apgujeong store equipped itself with a superspeed charging station * A total of four stores outfitted with EV charging stations - No. of products using eco-friendly packaging materials in 2023: 107 - Ratio of energy-efficient products sold: 61.6% (843,000 units)
Goal 10. Reduce Inequalities 	10.2 Empower and promote the social and economic inclusion of all, irrespective of origin, sex, disability or other status	Ensured job-competency-oriented recruitment for diversity and equality	Rate of employees with disabilities in 2023: 3.3%
Goal 12. Sustainable Consumption and Production 	12.5 Substantially reduce waste generation through prevention, reduction, recycling, and reuse	- Established a public-private collection system for waste home appliances - Conducted a zero-waste campaign to lower single-use product use - Tightened the management of scrap paper collection boxes in stores - Offered a delivery-waste collection service	- Amount of waste home appliances collected in 2023: 23,652 tons - Amount of waste recycled in 2023: 3,709 tons
Goal 13. Climate Action 	13.2 Integrate climate change measures into strategies and planning	- Established a roadmap for implementing strategies to reach net-zero by 2040 - Collaborated with a car-sharing company to operate our store parking lots as shared parking lots, aiming to reduce carbon emissions	Carbon reductions through the operation of parking spaces for shared cars: approximately 50 tons
Goal 16. Peace, Justice, and Strong Institutions 	16.5 Substantially reduce corruption and bribery in all their forms	- Conducted a compliance program and provided in-house fair trade education - Ramp up our ethical and compliance management - Carried out internal and external surveys on ethical management, and derived areas that need improvement - Operated a channel for employees and partners to report unethical actions	- Fair trade education (on-site position holders: 5 times - Total score of ethics diagnosis of partners in 2023: 96.3

ESG Risk Management

Risk Management System

LOTTE HIMART has categorized both external and internal risks that could emerge from business operations into financial and non-financial risks. We have established a risk management process, laying the foundation for systematic risk management. The responsible departments identify and evaluate risks specific to their operations. For key risks, management tasks are derived through discussions with the External Cooperation Team (responsible for ESG management). Risk management agendas are presented to the ESG Committee for in-depth discussions on risk management activities. The approved agenda items and key concerns are then reported to the Board of Directors. The ESG Committee clearly outlines the deliberation on risk management affairs and their approval in the operational regulations, carrying out risk management tasks such as verifying and approving risk management policies.

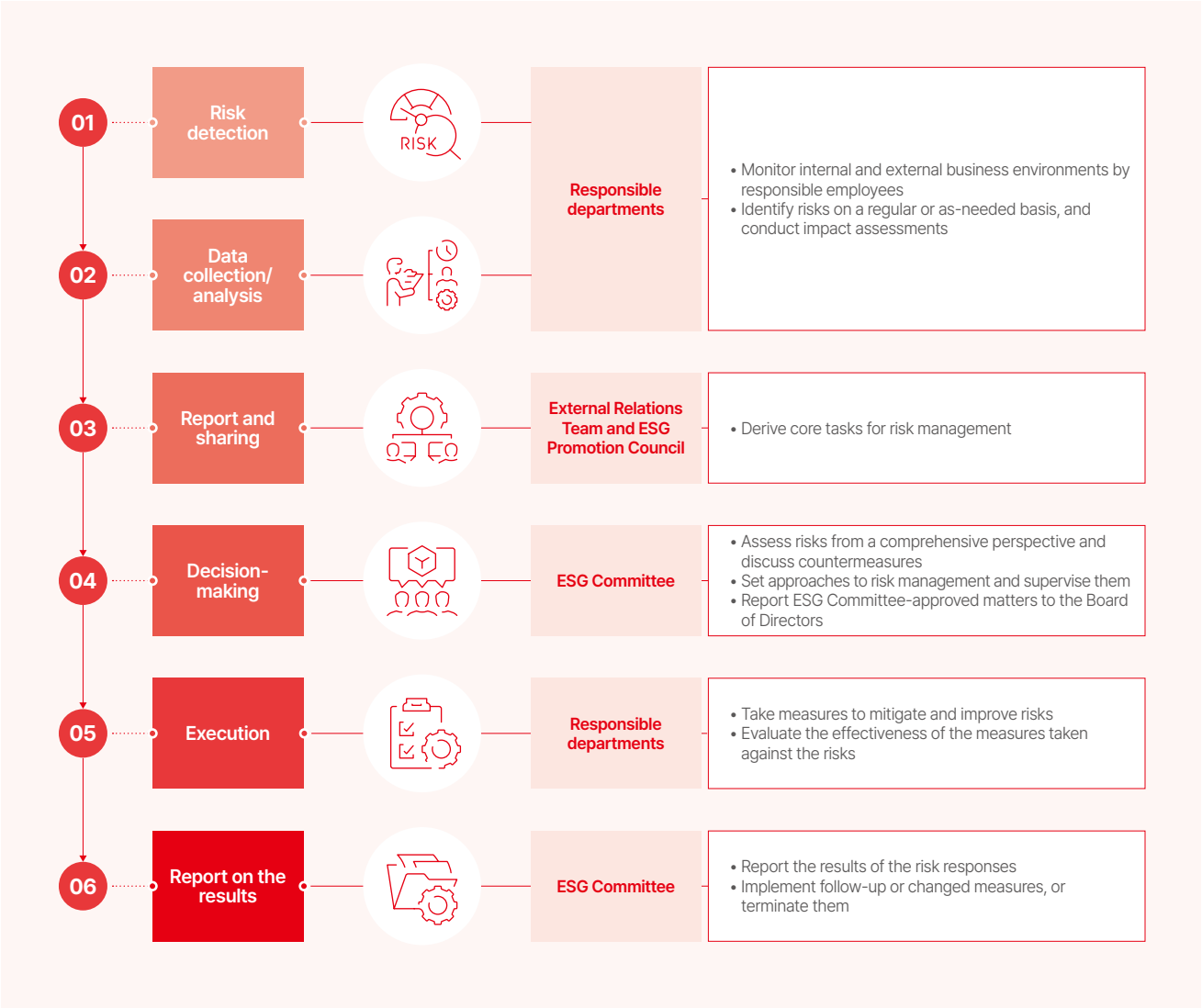
Management Tailored to Risk Type



ESG Risk Management

Risk Management Process

LOTTE HIMART has established a risk management process, along with a reporting process, to ensure systematic risk management. As part of this process, ESG-related risks and their countermeasures are reported to the ESG Committee under the Board of Directors, thereby solidifying the fundamentals of our risk management. The responsible departments identify and evaluate risks specific to their functions and discuss with the External Relations Team to determine core tasks for managing these risks. Agenda items related to risk management are presented to the ESG Committee for in-depth discussions. Approved agenda items and key pending issues are reported to the Board of Directors. For core risks, mitigation and improvement measures are taken in collaboration with relevant departments. The effectiveness of these measures is then evaluated and monitored.



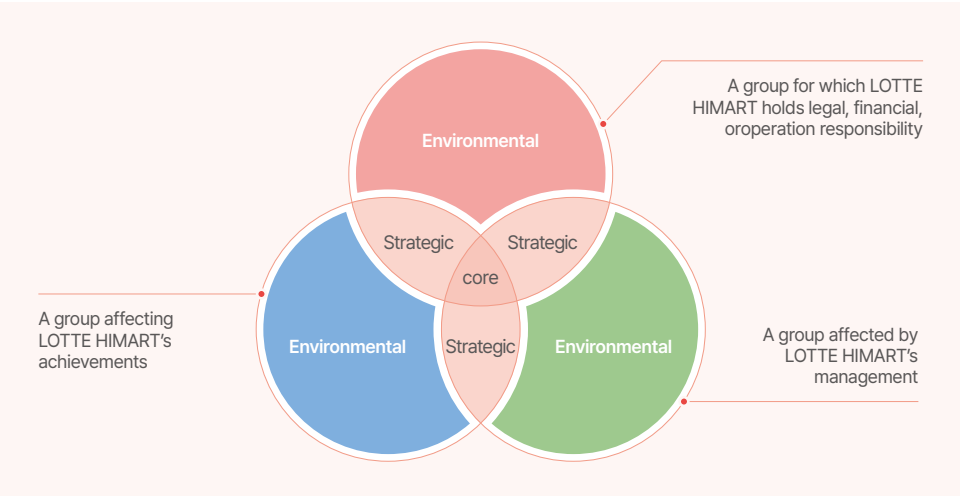
Materiality Assessment

Stakeholder Engagement

Selection of Our Stakeholder Groups

LOTTE HIMART recognizes the importance of communication with stakeholders for sustainable management, making active efforts to meet their expectations and interests. In accordance with the stakeholder classification criteria outlined in ISO 26000, we classify stakeholders into three categories: key stakeholders, strategic stakeholders, and other stakeholders, based on their legal, financial, and operational responsibilities, as well as their impact. We define employees, customers, partner companies, government and related agencies, shareholders and investors, and the local community as the main stakeholder groups.

▶ Stakeholder Mapping & Grouping



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
Other Stakeholders	Those other than core or strategic stakeholders	Media, socially disadvantaged, peer groups, experts

Stakeholder Engagement

We operate online and offline communication channels tailored to the characteristics of each stakeholder group to facilitate genuine communication with main stakeholders. Furthermore, we actively consider their interests and opinions, integrating them into our management practices. Looking ahead, we will keep fostering sincere communication with our stakeholders to maintain robust and trustworthy relationships.

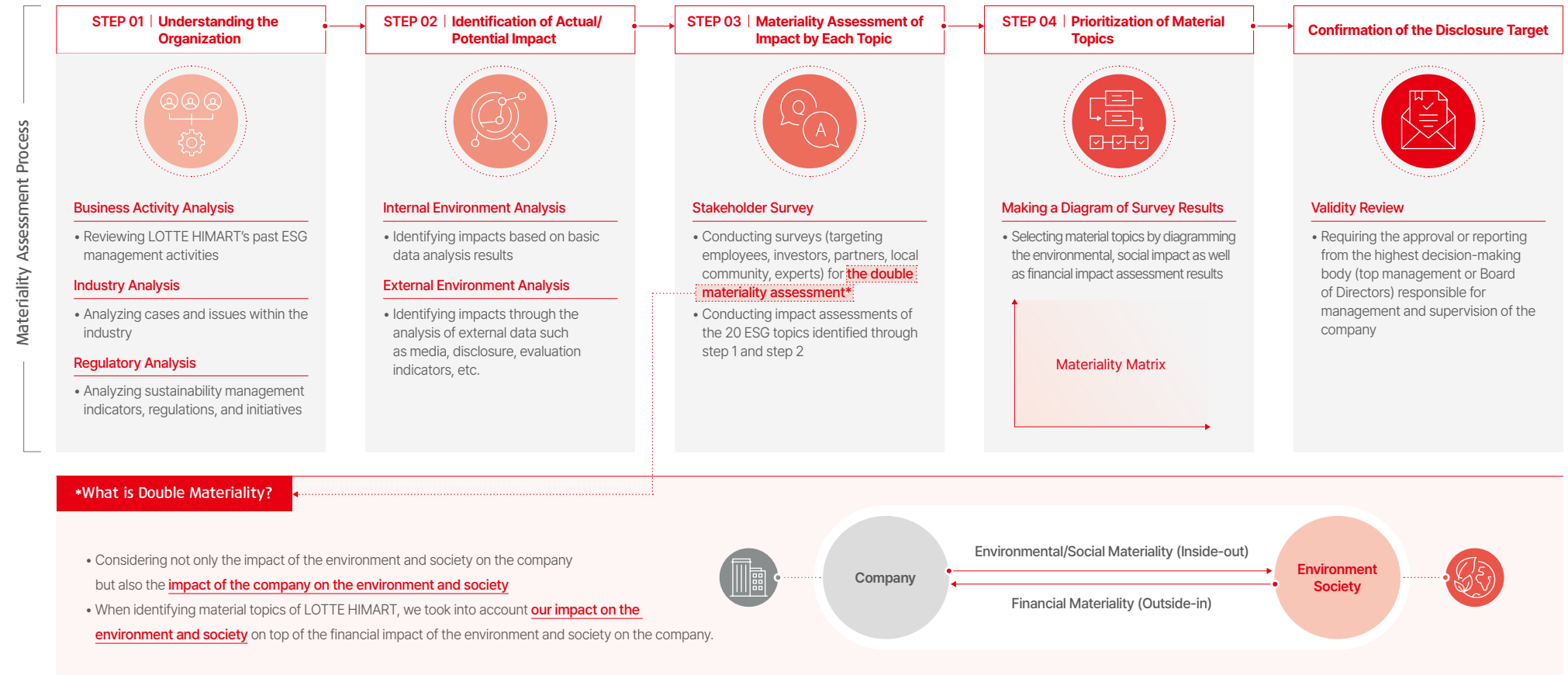
Stakeholders	Interests	Communication channels	Response activities
Employees	- Welfare benefits for employees - Taking the opinions from field workers - Suggesting and sharing work ideas - Respecting human rights	- Labor-Management Committee (quarterly) - Junior Board (quarterly) - Intranet (regular) - Grievance handling center (regular)	- Operated welfare programs for work-life balance - Strengthened communication with employees - Opened a reporting center for human rights violations
Customers	- Customer-oriented products and services - Respecting customer opinions - Improving customer engagement - Personal-data protection - Product and store information	- Customer satisfaction survey (for every purchase) - VOC channels (stores, customer service center, webpage bulletin board)	- Reinforced products and services reflecting customer opinions - Created a manual for handling customer complaints - Strengthened data security
Partner companies	- Financial/educational support - Stronger mutual cooperation - More sales channels	- Outreach meetings (regular) - Mutual growth meetings (every year)	- Provided financial support (e.g. mutual growth funds) - Helped develop skills (e.g. mutual growth academy, consulting service) - Expanded online/offline sales channels
Government and Government-related agencies	- Discussions on compliance with environmental laws and relevant issues (e.g. waste home appliance collection) - Social contribution	Public hearing from Ministry of Environment and Environment Corporation (quarterly)	- Compliance with environment-related laws - Established a public-private collection system for waste home appliances - Collected waste home appliances in local communities
Shareholders and Investors	- Transparent disclosure of information - Corporate value improvement - Sound governance - Risk management	- Regular shareholders' meeting - Temporary shareholders' meeting (irregular) - Publicly available data (regular) - Domestic NDR (quarterly) - Company briefings (irregular)	- Transparent disclosure of management - Reinforced risk management process
Local Communities	- Expanding social contribution - Mutual growth with local communities	- Charlotte Volunteer Group (regular) - Sponsorships for children raised by grandparents (regular)	Developed and executed social contribution programs

Materiality Assessment

Materiality Assessment Process

Materiality Assessment Overview

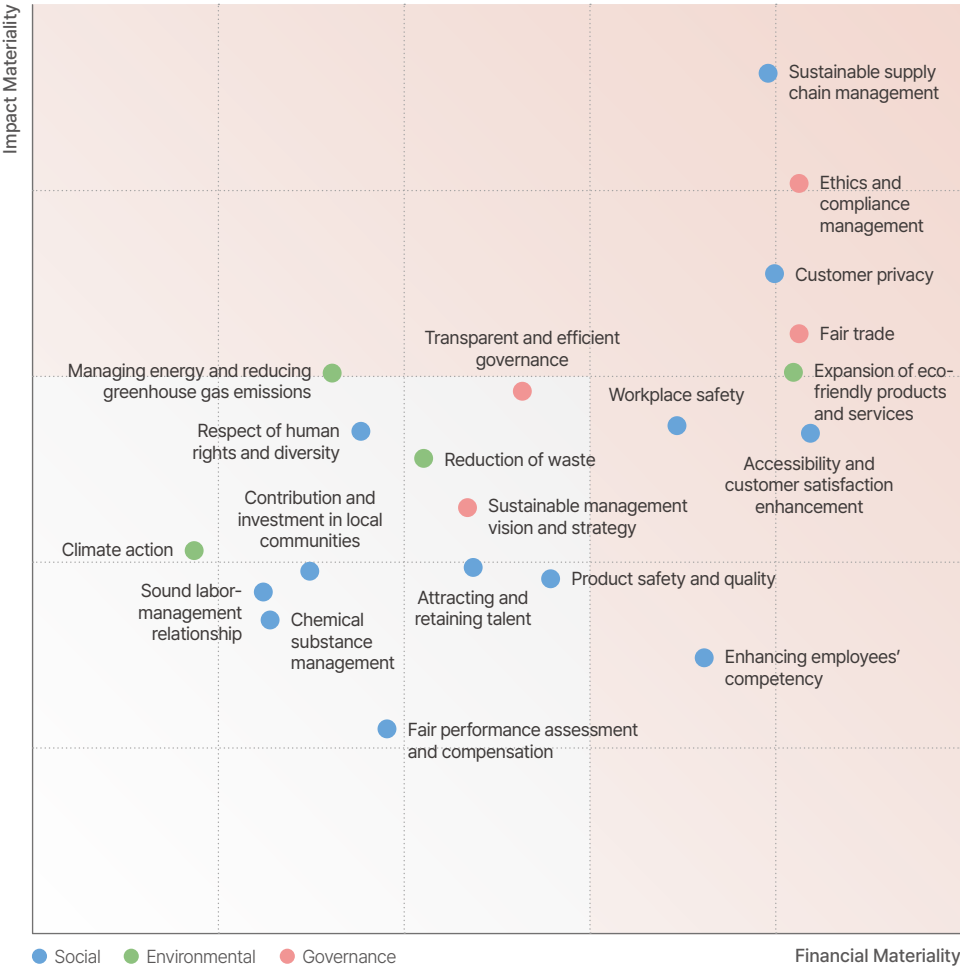
We annually conduct a materiality assessment to identify key issues in the field of sustainable management and to communicate transparently with our stakeholders. For the materiality assessment, we analyzed our organization and internal and external environments, which led to the identification of 20 priority topics related to sustainable management. Subsequently, through stakeholder surveys and various impact assessment procedures, we identified the issues that require our focused management. Since 2022, we adopted the concept of 'double materiality' in selecting material issues for the materiality assessment with an aim to consider even the corporate impact made on the environment and society.



Materiality Assessment

Materiality Assessment Results

We selected a total of 8 material topics out of 20 sustainable management topics in consideration of both perspectives: financial materiality and environmental/social materiality.



Area	Material Topics	Relevant GRI
Environmental	Expansion of eco-friendly products and services	GRI 205
Social	Workplace safety	GRI 403
	Accessibility and customer satisfaction enhancement	GRI 416
	Customer privacy	GRI 418
	Enhancing employees' competency	GRI 404
	Sustainable supply chain management	GRI 308, 414
Governance	Ethics and compliance management	GRI 205
	Fair trade	GRI 206

Topics changed from the previous year	Change	Reason for the change
Expansion of eco-friendly products and services	Added	Planning to expand the lineup and activities related to eco-friendly products and services
Enhancing employees' competency	Added	Planning to establish and operate various educational systems to enhance employee capabilities, including the nurturing of 'Curators'
Reduction of waste	Excluded	Considering that our waste generation is relatively less than other companies of similar size, with a lower proportion of hazardous waste
Transparent and efficient governance	Excluded	Providing sufficient information through the Governance Report
Product safety and quality	Excluded	Having low proportion of directly manufactured items or PB products

Materiality Assessment

Material Issue Management Method

LOTTE HIMART identified the company’s activities related to the material issues selected through the materiality assessment on the environment and society. Additionally, we have undertaken a range of management activities to mitigate negative impacts and elevate positive ones.

Material topic	Details	Our major activities
 Expansion of eco-friendly products and services	Systems and activities for conducting research, development, and marketing considering the environmental impact of products and services	• Establishment and operation of a roadmap for eco-friendly products • Activities to reduce waste generated in the company and the local community
 Workplace safety	Setting up management systems and conducting related activities for safety and health prevention and compliance with related regulations	• Establishment of a safety and health management system and ISO 45001 certification acquisition • Prevention and control of safety and health accidents through risk assessments • Occupational safety and health training for employees and partners • Employee health promotion programs: support for employee health check-ups, etc.
 Accessibility and customer satisfaction enhancement	Performing management strategies, management processes for customer rights infringement risk, and related activities to raise customer satisfaction	• Establishment of a customer satisfaction management system • Customer satisfaction surveys and follow-up management • Establishment of delivery and compensation processes for customer satisfaction
 Customer privacy	Performing risk management, and activities to handle cases of data leakage, customer information security regulation compliance, and complaints through information protection policies and dedicated organizations	• Establishment of an information security management system and ISMS certification acquisition • Establishment and operation of a privacy policy • Internal and partner audits to improve the level of information security inspections • Training and campaigns to raise awareness of information protection within the company
 Enhancing employees’ competency	Operating employee capability development programs and diversifying training for employees	• Establishment and enhancement of a talent development system • Development and operation of the Curator nurturing system • Operation of various online and offline employee training channels
 Sustainable supply chain management	Conducting supply chain risk management and related activities through ESG evaluations of partner companies Carrying out shared growth activities with partner companies	• Establishment and operation of management systems for partner companies • Development and application of Code of Conduct for Partners • Promotion of ESG evaluations of partner companies and ESG support activities
 Ethics and compliance management	Developing the Code of Ethics and the Codes of Conduct to meet global initiative requirements, establishing ethical management systems, operating related programs	• Establishment of anti-corruption and ethical management systems and ISO 37001 certification acquisition • Implementation of anti-corruption and ethical management activities, including ethics training and audits
 Fair trade	Managing detection and action status of anti-competitive and anti-monopoly practices and operating fair trade training programs	• Establishment and operation of a fair trade compliance program system and related committees • Training on relevant laws and procedures, such as the Act on Fair Transactions in Large Franchise and Retail Business • Operation of a reporting center and execution of response procedures

Environmental

- 29 Environmental Management
- 34 Green Initiatives
- 37 Climate Action
- 43 GHG Emissions Reduction



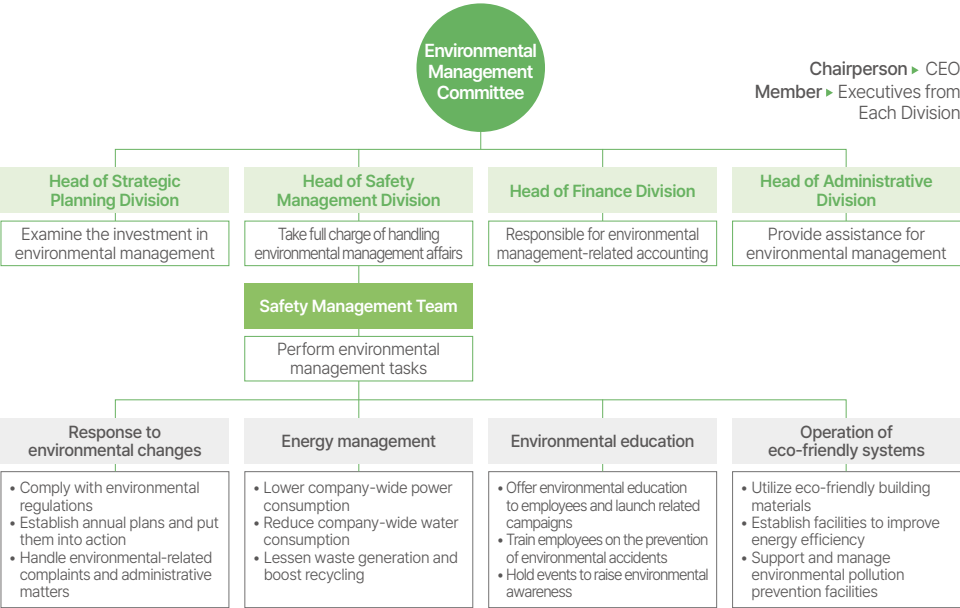
Environmental Management

Environmental Management System

Governance for Environmental Management

At LOTTE HIMART, the Environmental Management Committee serves as a central organization for effective environmental management, with the CEO assuming the role of Committee Chairperson and executives from each division serving as members. This structure facilitates swift and effective decision-making. Placing the environment at the heart of its operations, the committee sets approaches and strategies for environmental management. It also provides full support to ensure systematic management through regular assessments of the performance of the environmental management system. The Board of Directors regularly reviews environmental issues and achievements discussed at the committee meetings. The Safety Management Team, operating under the Environmental Management Committee, addresses environmental management affairs in full. It sets environmental management goals, implements tasks to mitigate environmental impact, and ensures the smooth operation of environmental management in cooperation with the responsible departments.

▶ Organizational Structure for Environmental Management



Environmental Management Policy

With the aim of instilling an environmentally-conscious approach across all aspects of our business operations, we have formulated our policy on environmental management comprised of six principles focusing on minimizing environmental impact and improving energy efficiency, which has guided us in our business operations. These policies enable us to deliver environmentally-friendly management in collaboration with our employees, customers, and partners, to promote our efforts towards sustainable growth, and to share our vision and plans for environmental management. Additionally, these policies serve as a standard from which we derive measures to improve our environmental management. We conduct performance evaluations based on the achievement rate against our goals. Our efforts also extend to our partners, engaging them in environmental management. Through all these multifaceted efforts, we aim to bring life to shared growth and constantly solidify sustainable partnerships.

2023 Environmental Management Policy

- ▶ 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

Strategies for Environmental Management

As part of our concrete environmental management strategic framework, we have established 4-Green strategies to ramp up our operations. These strategies focus on four key areas: policy, store, product, and culture. We have defined and assigned specific tasks to each area and regularly evaluate their performance.

> 4-Green Strategies



Environmental Management Goals

To ensure a well-structured approach to environmental management, we have established quantitative environmental goals and monitored our progress towards these objectives. As part of this process, the Safety Management Team defines environmental management goals across four key areas: reduction in energy consumption, carbon mitigation, fostering environmental awareness, and promoting self-driven environmental management. These goals are set at achievable levels, based on trends observed over the past three years, and are then reviewed by the team. This review process involves discussions with the departments responsible for the final establishment of these goals. In 2023, our objectives were defined across four dimensions: reducing energy use, mitigating carbon emissions, embedding environmental awareness, and ensuring autonomous environmental management.

> 2023 Environmental Management Goals

Goals in 2023		Achievements in 2023
	Reducing energy consumption	A 2% reduction in power consumption (compared to the previous year) Achieved (A 9.7% reduction)
	Mitigating carbon emissions	A 2% reduction in GHG emissions (compared to the previous year) Achieved (A 9.7% reduction)
	Embedding environmental awareness	Over 90% completion rate for environmental education Achieved (90.8% completion rate)
	Ensuring autonomous environmental management	Zero violations of environmental laws Achieved

Introduction

Special Report

ESG Management

Environmental

▶ Environmental Management

Green Initiatives

Climate Action

GHG Emissions Reduction

Social

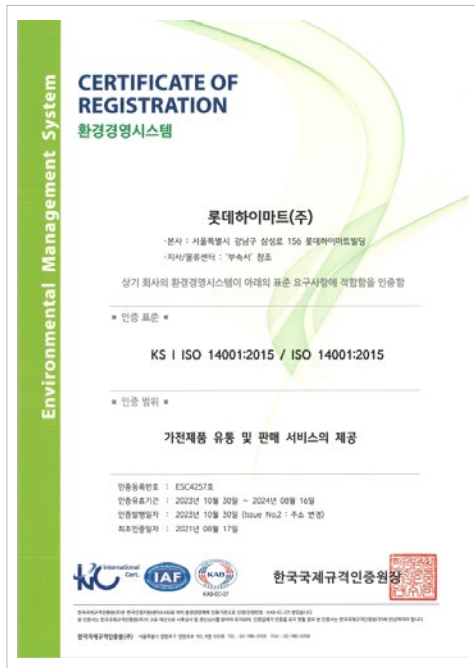
Governance

ESG Factbook

Environmental Management

Environmental Management Certification

After first acquiring the ISO 14001 certification in August 2021, LOTTE HIMART has undergone regular assessments from the International Organization for Standardization (ISO) and successfully renewed the certification in 2023. The ISO is an independent and professional international institute that sets standards across a diverse range of sectors. Furthermore, ISO 14001 represents the highest global standard set by the ISO for environmental management systems. Leveraging the ISO 14001 certification, we have intensified our efforts to elevate our environmental management system to the next level. This is clearly evidenced by the establishment of an internal process to identify and evaluate key environmental risks and opportunities, as well as the implementation of environmental management across all our business sites.



Environmental Management Initiatives

Launch of Our New Slogan - Green U Smile

We have adopted our environmental management slogan, 'Green U Smile,' which is a clear manifestation of our unwavering commitment to fulfilling our social responsibilities and integrating the purposes and direction of our eco-friendly management, 'green campaign' into the company. 'Green U Smile' represents our steadfast promise to implement eco-friendly management practices in order to fulfill our social responsibilities towards shareholders, customers, and employees, thereby unlocking the value of symbiosis through cooperation between the community and companies, thereby bringing a smile to all.

▶ Green U Smile Slogan



Employee Environmental Education

LOTTE HIMART has implemented environmental education for employees to enhance their understanding of environmental issues and engage them in on-site green initiatives with customers. On a quarterly basis, we provide mobile environmental education to our on-site sales force. The aim is to elevate their understanding of our eco-friendly products and services and encourage them to highlight the 'environmental protection' aspects of our products and services during customer consultations, thereby promoting eco-friendly consumption.

Employees subject to education	No. of recipients	Completion rate
2,893 (all employees)	2,627	90.8%

Introduction

Special Report

ESG Management

Environmental

▶ Environmental Management

Green Initiatives

Climate Action

GHG Emissions Reduction

Social

Governance

ESG Factbook

Environmental Management

Green Consumption – ESG Alliance

On December 8, 2021, LOTTE HIMART held a ceremony to sign and launch the green consumption-ESG Alliance with 24 institutions, including consumer organizations, distributors, credit card companies, and banks, with the purpose to promote green consumption and production. The green consumption-ESG Alliance is an agreement aimed at increasing the number of products with the Eco-Label, a representative institutional foundation for green consumption. The goal is to stimulate the green transition and engage both companies and consumers in this effort.

As part of the alliance's activities, we attended a meeting held by the Ministry of Environment and the Korean Environmental Industry & Technology Institute. During the meeting, discussions were held on measures to expand the sales of green products from distributors, issues related to Eco-Label, and the management of environmental advertisements, such as greenwashing. In addition, we operated the Green Consumption Week event sponsored by the Ministry of Environment for the month of June 2023 and held the 'Eco-friendly Home Appliance Exhibition' through our online theme hall and offline channel.

E-Circularity School for Resource Circulation Education

LOTTE HIMART joined the 'E-Circularity' trial project organized by E-Cycle Governance (formerly known as the Korea Electronics Recycling Cooperative). As part of this project, we provided lectures on electronic resource circulation to 10 schools in Seoul. The E-Circularity School is an on-site education project that visits middle and high schools interested in learning about resource circulation, with the aim of raising their awareness of environmental protection. The primary target of this project is our future leaders, the students, which adds even more significance to this initiative. Participation in this project allowed us to educate students about the importance of resource circulation of home appliances for environmental protection, and also to introduce our resource circulation activities, Home Center service, and waste home appliance collection service.

Eco-friendly Campaigns Attended by Employees

A variety of green campaigns are being carried out to raise environmental awareness among employees and engage the entire company in environmental management. These campaigns, which include water and power saving initiatives, vary on a monthly basis. They present various green ideas that can be incorporated into our daily routines or work.

▶ 2023 Monthly Green Campaign

Feb. Use mobile receipts instead of paper	Mar. Conserve paper through smart work practices	Apr. Implement paper-saving practices in daily life
May. Use tumblers instead of paper cups	Jun. Clean air conditioners to save energy	Jul. Conserve energy during the summer
Aug. Foster a culture of smart work	Sep. Promote resource circulation (Home Center service/waste home appliance collection)	Oct. Reduce digital carbon footprints
Nov. Challenge for zero single-use product use	Dec. Conserve energy during the winter	



Environmental Management

Environmental Risk Management

Under the leadership of top management, the financial implications of key environmental risks and opportunities that could significantly impact our business operations are identified and evaluated in advance. The Board of Directors regularly reviews these to ensure seamless management. We consider climate change, resource circulation, hazardous substance management, and water resource management as our primary environmental issues. These are integrated into our company-wide management approach to strategically respond to them.

▶ Evaluating Risks and Responses to Critical Environmental Issues

Key environmental issues	Risks	Opportunities	Shor-term goals (by 2025)	Mid-term goals (by 2030)	Long-term goals (by 2040)	Countermeasures
Climate change	- Escalating energy expenses - Restoration costs and sales losses due to natural disasters - Increased investment in GHG reduction facilities	- Sales increases from seasonal products, such as air conditioners, air purifiers, and dryers - Sales growth due to strategies focusing on high energy-efficient products - Mid- to long-term energy cost savings through energy-efficient facilities	A 10% reduction compared to the level of 2018 (base year for carbon mitigation)	A 35% reduction compared to the level of 2018 (base year for carbon mitigation)	Net-zero (by 2040)	- Conduct energy saving campaigns - Regularly execute drills to respond to natural disasters and perform risk assessments - Provide customers with greater access to eco-friendly products through environmentally friendly exhibitions - Sign Power Purchase Agreements (PPAs) to supply renewable energy - Establish solar power generation facilities
Resource circulation	- Rising recycling costs for waste home appliances - Growing costs for waste disposal	- Potential customers secured and sales increase through the collection of waste home appliances - Improved customer satisfaction through free collection of waste home appliances - Eco-friendly corporate image established - Cost saving through direct recycling of waste (paper boxes/plastic, etc.)	- Over 35% of waste home appliance collection rate 100% waste recycling rate	- Over 40% of waste home appliance collection rate 100% waste recycling rate	- Over 45% of waste home appliance collection rate 100% waste recycling rate	- Sign an MOU with E-Cycle Governance - Carry out a campaign to collect waste home appliances - Activate waste home appliance MOT - Reduce waste generation through the zero-waste campaign - Lower disposal costs through the integrated waste disposal management system
Toxic substance management	- Damage to corporate reputation from toxic substance leaks - Environmental restoration expenses due to toxic substance leaks	Enhanced competitiveness in environmental management by preventing the leakage of toxic substances	Zero toxic substance leakage	Zero toxic substance leakage	Zero toxic substance leakage	Frequently inspect for the prevention of toxic substance
Water resource management	Growing costs of water use	Reduction in costs over the mid- to long-term through the introduction of water saving equipment	A 3% reduction in water use intensity	A 4% reduction in water use intensity	A 5% reduction in water use intensity	- Conduct water saving campaigns - Adopt water saving facilities
Environmental regulations	- Damage to corporate image from environmental law violations - Penalties due to legal breaches	- Reinforced foundation for environmental management - Elimination of risks related to undermined image or fines incurred due to the violation	Zero legal breaches	Zero legal breaches	Zero legal breaches	Conduct self-checks and regular external inspections

Green Initiatives

Eco-friendly Products

Roadmap for Our Eco-friendly Product Portfolio

LOTTE HIMART has developed a roadmap for its eco-friendly product portfolio, which clearly demonstrates its commitment to the systematic operation of green products. To this end, the first step was to define eco-friendly products as those labeled with the Eco-Label, environmentally friendly products, and high-efficiency products. Next, we expanded the range of eco-friendly products sourced while monitoring and managing the progress on a regular basis, aiming at increasing the proportion of eco-friendly products sold. Another focus of ours is on various marketing actions to promote the sales of eco-friendly products.

▶ Roadmap for Eco-friendly Product Operation

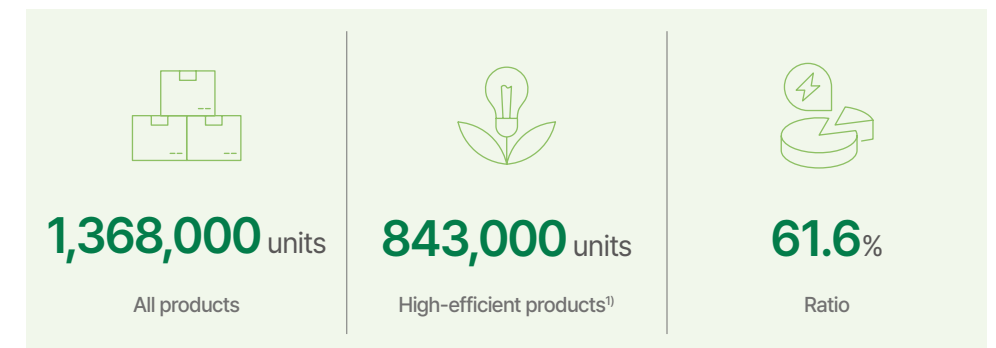


Curating an Eco-friendly Product Exhibition

With the objective of promoting a culture of green consumption and encouraging customers to contribute to environmental protection by purchasing various eco-friendly products, such as high energy-efficient products, we have organized exhibitions dedicated to eco-friendly products. Aiming for 60% of sales from products with higher energy ratings, we have offered various incentives to customers who purchase high-efficiency home appliances as part of our efforts to boost sales. Participating in a project driven by the Korea Electric Power Corporation to provide financial assistance for the purchase of high-efficiency electronics, we have supported customers by offering a 10% rebate on the purchase amount when they buy energy-efficient products. In 2023, the proportion of energy-efficient products out of total sales accounted for 61.6%, a 28.9%p increase from the previous year. Going forward, we remain committed to leading the way in energy saving and efficiency through the identification and sales of energy-efficient products.



▶ Sales from Energy High-Efficient Products



1) High-efficiency products: These are products categorized as high-efficiency (rating 1) in accordance with the efficiency management system operated by the Korea Energy Agency. Exception: Stand air conditioners: rated 1 to 3/general washing machines: rated 1 to 2/wired vacuum cleaners: rated 1 to 3

Introduction

Special Report

ESG Management

Environmental

Environmental Management

▶ Green Initiatives

Climate Action

GHG Emissions Reduction

Social

Governance

ESG Factbook

Green Initiatives

Waste Generation Mitigation

Waste Home Appliance Collection

LOTTE HIMART provides a free-of-charge service to collect large-sized waste home appliances that are difficult for customers to dispose of when installing or delivering a new product. The waste electronics collected by the CS Masters from homes are dismantled and disposed of in accordance with eco-friendly procedures. Furthermore, we signed an MOU with the Korea Environment Corporation, E-Cycle Governance¹⁾, and private enterprises on 'public-private small-sized waste home appliance collection system improvement' as part of our efforts to help consumers dispose of medium to large-sized waste home appliances. Accordingly, we have registered all LOTTE HIMART stores as 'collection points for small waste home appliances' within the site of the Korea Resource Circulation Information Center. In addition, we have equipped all our 292 stores nationwide with MINTIT (AI-based mobile phone buyback ATM), which is a clear demonstration of resource circulation of electronics.

1) This is a non-profit organization established with the purpose of researching and developing technologies for the improvement of waste electronic and electrical product collection and eco-friendly recycling, in accordance with Article 21 of the Act on the Resource Circulation of Electrical and Electronic Equipment.



Collection box for small- and medium-sized waste home appliances

Taking Advantage of Electronic Price Tags and Mobile Receipts

The use of electronic price tags at all our stores has contributed to reducing unnecessary paper waste associated with the use of acrylic price tags. The computerization of product information updates also reduces the inconvenience caused by replacements due to price changes. Starting from October 2018, we have issued mobile receipts, which has resulted in a reduction in paper use and subsequent environmental protection. This also removes the inconvenience for customers in terms of storing receipts and eliminates the risks of personal data leakage incurred in the first place when disposing of receipts.



Expanding the Use of Eco-friendly Packaging Materials

At LOTTE HIMART, we are making concerted efforts to reduce waste generation by conserving packaging materials and expanding the use of green packaging materials. This includes replacing the coated boxes used for our PB product 'HIMADE' with boxes made of environmentally friendly materials. As of December 2023, a total of 107 items are packaged with green materials. Additionally, when sending and packaging online-exclusive products, we have increased the use of paper tapes and paper-based cushioning materials while also using eco-friendly materials for shopping bags for our offline customers. Our eco-friendly shopping bags have obtained 100% FSC certification, which ensures that the forest resources used for their manufacturing are responsibly sourced.



Green Initiatives

Delivery and Store Waste Management

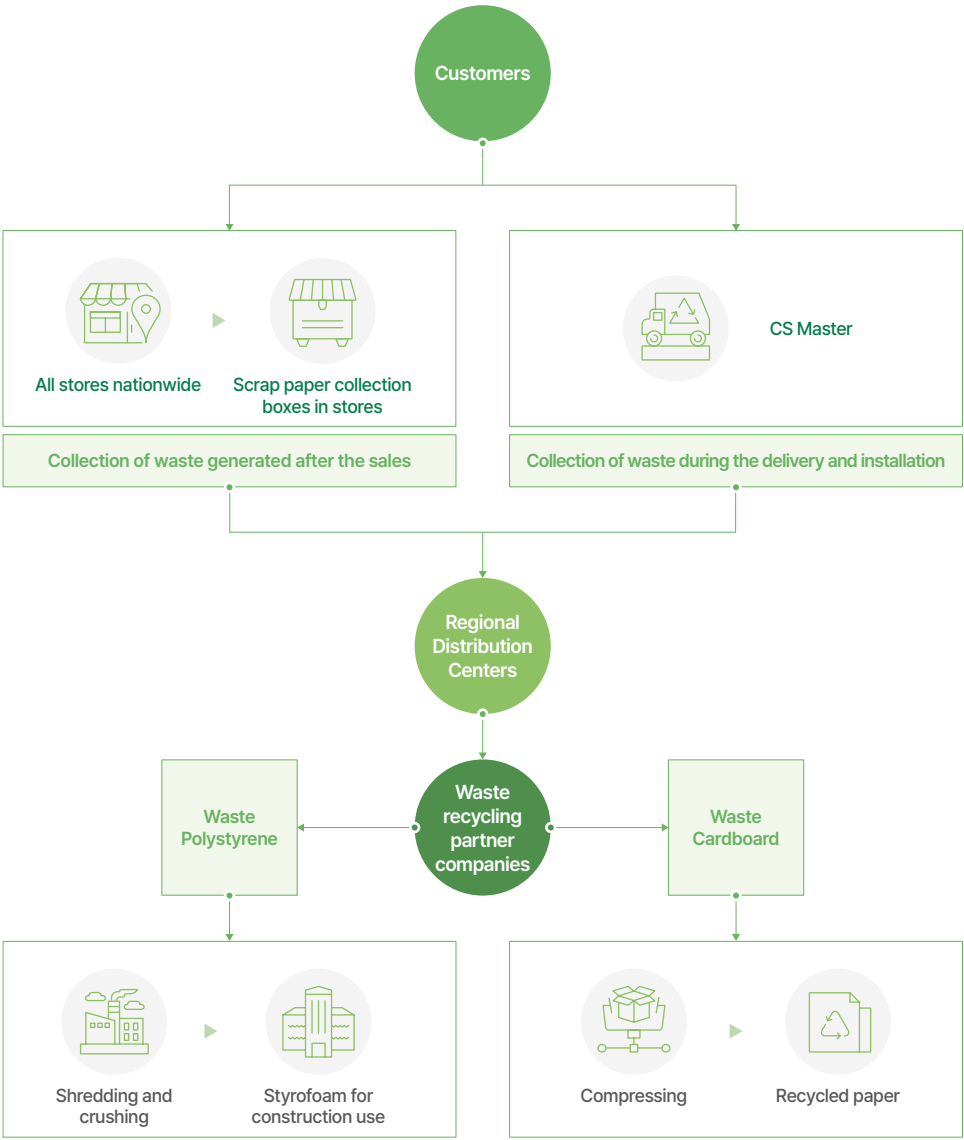
LOTTE HIMART has established a virtuous resource circulation system where boxes and Styrofoam used to protect home appliances during delivery are efficiently collected and recycled. The successful operation of this system is made possible through close cooperation with all our nationwide stores, distribution centers, and partners. Waste generated during the delivery and installation of electronics is promptly collected while waste generated after sales at stores is gathered through scrap paper collection boxes. All the collected waste is sent through a regional distribution center to be transferred to recycling partners. Then, they are recycled as recycled paper or construction-grade Styrofoam.

▶ Waste Recycling Records

(Unit: ton)

Category	Generation	Recycling	Recycling rate
Waste boxes	2,958	2,958	100%
Waste Styrofoam	751	751	100%
Total	3,709	3,709	100%

▶ Waste Recycling System



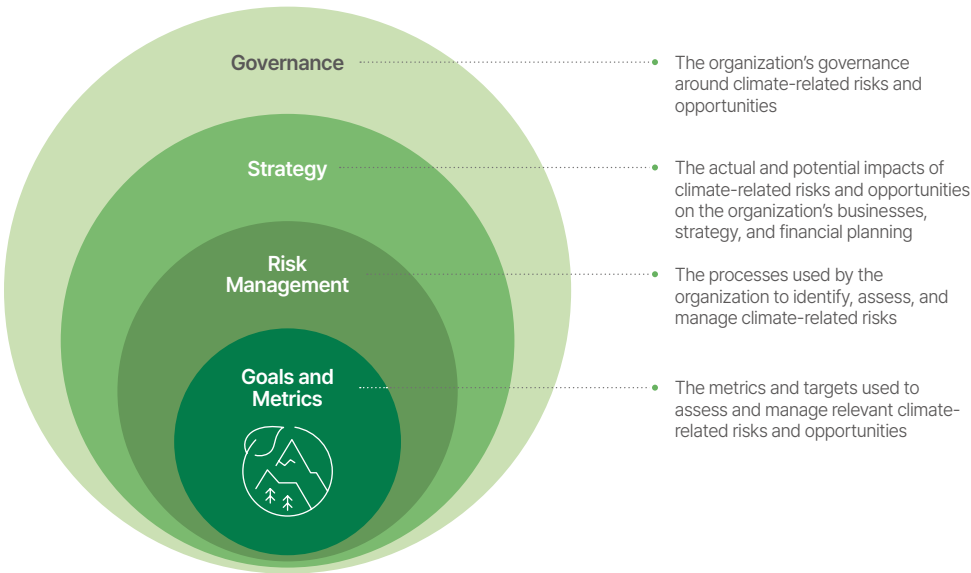
Climate Action

TCFD Disclosure

TCFD Overview

Today, the world is witnessing an increased frequency and scale of unprecedented heatwaves, heavy rains, and droughts. This climate change is no longer a threat we can postpone addressing, and it is rather a survival threat that requires thorough action. Against this backdrop, we are committed to actively participating in the global efforts of the international community to overcome the climate crisis. As part of this commitment, we strive to faithfully implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). By achieving our goal of '2040 Net-Zero,' we aim to overcome the climate crisis, achieve sustainable development, and contribute to creating a society where future generations can live in a cleaner environment.

▶ Key Elements of TCFD Recommendations



Management's Responsibilities

Our management recognizes that climate change significantly impacts our overall business as well as the external social and environmental landscape. Consequently, we continuously manage the risks and opportunities associated with climate change. More specifically, the CEO administers the Environmental Management Committee as the Chairperson of the committee, reinforcing our environmental management. With the goal of achieving 2040 Net-Zero, the Environmental Management Committee formulates regulations related to climate change and the reduction of environmental impacts at all of our business sites, and determines the overarching direction of our environmental management strategy.

ESG Committee

LOTTE HIMART manages climate change response as a key issue in the environmental sector. Since 2021, we have been operating the ESG Committee under the Board of Directors. The ESG Committee is the highest decision-making body overseeing ESG management, establishing ESG management strategies and policies, and supervising various ESG performances. The committee is composed of directors who have in-depth expertise in ESG issues, thereby effectively conducting risk assessments and formulating strategies related to the climate crisis. Additionally, the committee holds annual meetings on various climate change-related risks and opportunities, such as identifying environmental risk factors within the supply chain, expanding eco-friendly products, transitioning delivery vehicles to EVs, and improving delivery systems to mitigate carbon emissions. The committee also convenes ad-hoc meetings if necessary while reporting the outcomes to the board.

▶ ESG Committee Activities in 2023

Agenda items	Details	Date of reporting	Attendance rate
Introduction of ESG supply chain evaluation	Identification of environmental risk factors within the supply chain	4 th (Jul. 2023)	100%
Expansion of eco-friendly products	Discussion on carbon reduction measures through the expansion of eco-friendly products	5 th (Aug. 2023)	100%
Carbon reduction in logistics	Reduction of carbon emissions through the expansion of delivery EVs and improvement of delivery systems	6 th (Oct. 2023)	100%

Climate Action

Company-wide Risk Management System

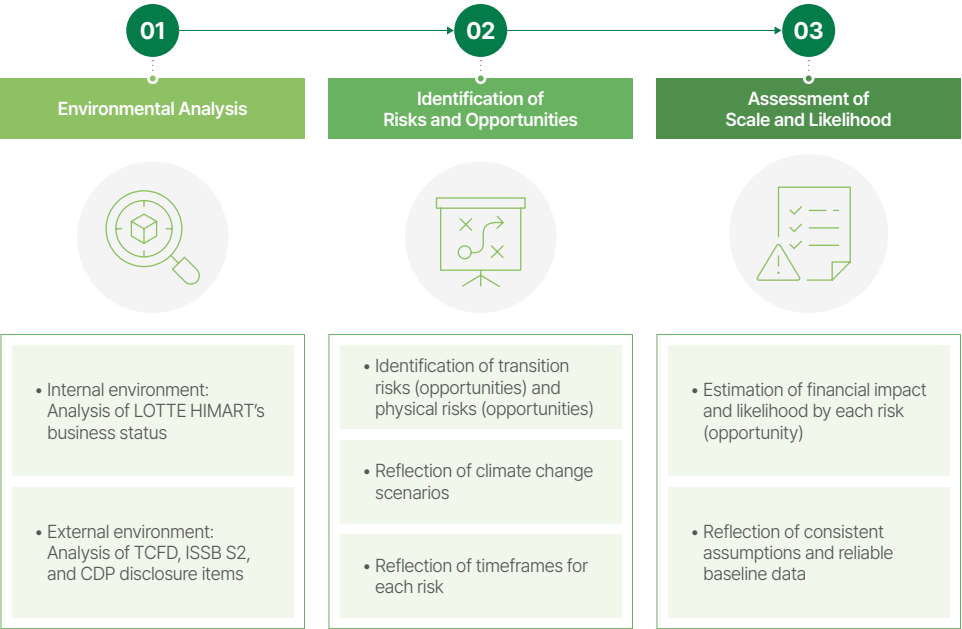
LOTTE HIMART has established and operated internal processes that can identify and assess major environmental risks and opportunities in conjunction with the company-wide integrated risk management system based on ISO 14001 certification (environmental management system). Besides, we appoint and manage employees in charge of the environment at each distribution center and branch to fulfill environmental management and evaluate their performance once a year. We strive to implement optimal solutions by continuously controlling and addressing the identified risk factors.

▶ Management Process for Environmental Issues and Risks (ISO 14001)



Climate Change Risk Management System

▶ Climate Change Risk Identification and Assessment System

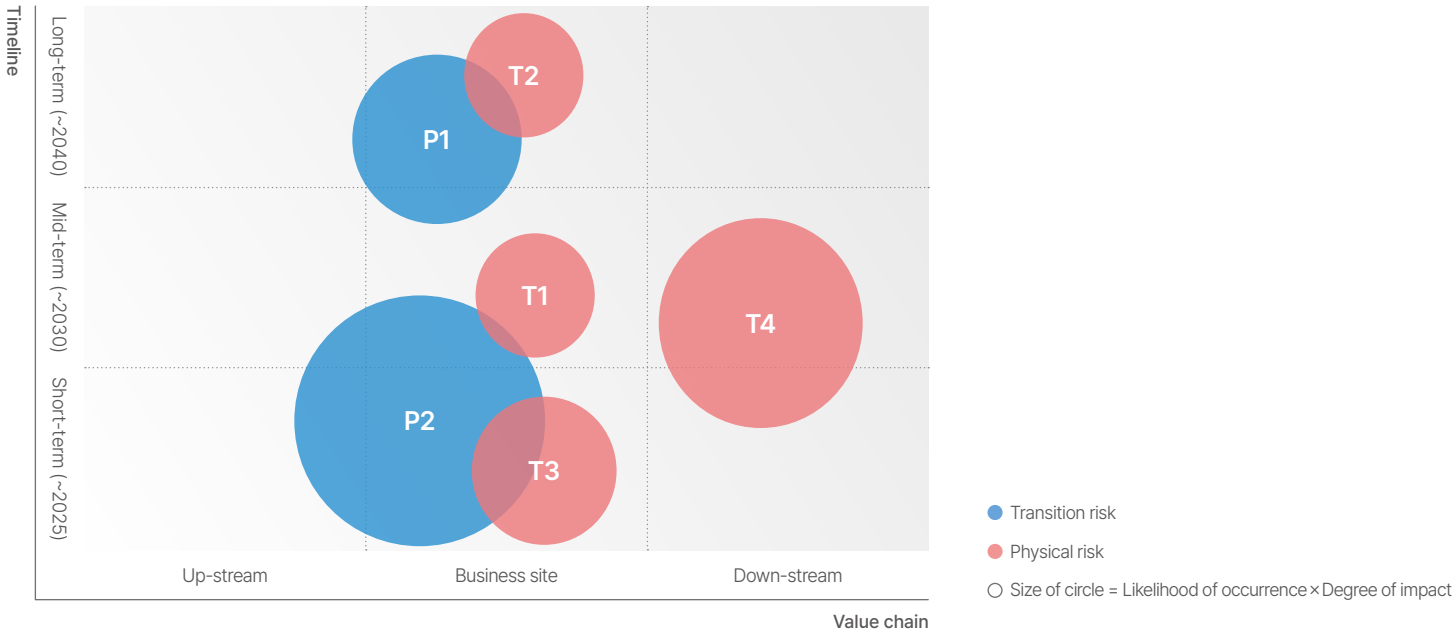


▶ Classification of Climate Risks

Risk type	Description	Related scenarios
Transition risk	Impacts of policy and regulatory changes, technological advancements, market shifts, and reputational effects due to climate change	* SSP 1-2.6 IPCC 6th Assessment Report Scenario (1.8°C increase by 2040)
Physical risk	Acute and chronic risks to business infrastructure resulting from extreme weather events and intensified climate anomalies caused by climate change	* RCP 2.6 IPCC 5th Assessment Report Scenario (1.3°C increase by 2040)

Climate Action

Climate Change Risk Analysis



Summary of Climate Change Risks

Type	No	Risk	Description	Likelihood	Impact
Physical risk	P1	Rising costs for preventing extreme weather and natural disasters	• The frequency of extreme weather events such as typhoons and floods is rising caused by global warming, leading to higher facility investment costs for prevention and increased recovery costs and business losses when disasters occur.	MID	MID
	P2	Rising energy costs for operating heating and cooling systems	• As climate change leads to more days of extreme weather (heatwaves, cold waves), the use of heating and cooling systems increases, resulting in higher electricity demand, and rising energy costs.	HIGH	HIGH
Transition risk	T1	Growing business risks due to non-compliance with strengthened environmental regulations	• Failure to comply with environmental regulations can lead to sanctions, resulting in the suspension of sales of related products and services, thereby reducing operating profits.	LOW	MID
	T2	Increased facility investment costs for GHG reduction due to adoption and transition to low-carbon technologies	• Costs incur for PPA contracts and solar facility investments for the transition to renewable energy.	MID	LOW
	T3	Increased likelihood of lawsuits due to non-compliance with laws, leading to a decline in corporate image	• Violations of environmental laws can result in litigation costs and sales losses due to a decline in corporate image.	LOW	HIGH
	T4	Decreased sales of low energy efficiency products owing to changes in customer preferences	• If customer expectations for eco-friendly products are not met, it can lead to a decline in reputation and sales, particularly for products with low energy efficiency.	MID	HIGH

Introduction

Special Report

ESG Management

Environmental

Environmental Management

Green Initiatives

▶ Climate Action

GHG Emissions Reduction

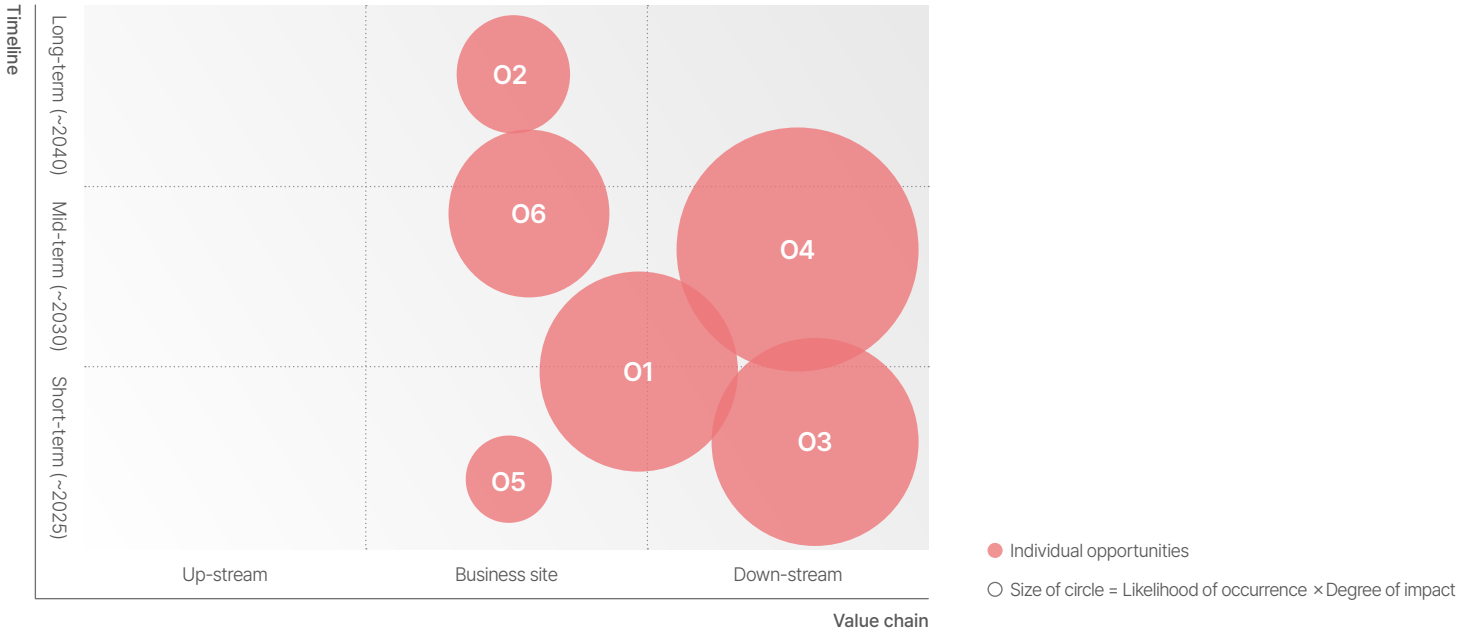
Social

Governance

ESG Factbook

Climate Action

Analysis of Climate Change Opportunities



> Summary of Climate Change Opportunities

Type	No	Opportunity	Description	Likelihood	Impact
Resource efficiency	O1	Reduction of GHG emissions and energy costs by using high-efficiency equipment and eco-friendly energy in stores	Enhancing the energy efficiency of facilities in stores and distribution centers, and procuring energy, including electricity and fuel, from renewable sources to reduce GHG emissions and save energy costs	MID	HIGH
Energy source	O2	Reduction of electricity costs by concluding renewable energy supply contracts and joining power generation projects	Transitioning from fossil energy to renewable energy through PPA contracts to mitigate GHG emissions and cut down energy costs in response to continuously rising power prices	MID	LOW
Market	O3	Increase in eco-friendly product sales and customer loyalty through the expansion of green and high-efficiency products	Contributing to the rise in sales by meeting customer needs for eco-friendly consumption with products made from green materials, high-efficiency energy products, and products with Eco- Labels	MID	HIGH
	O4	Increase in seasonal product sales due to extreme weather	Expanding sales of seasonal products, such as air conditioners due to an increase in heatwave days, and air purifiers and dryers due to an increase in fine dust caused by global warming	HIGH	HIGH
Resilience	O5	Reinforcement of environmental management competitive edge through proactive compliance with environmental laws	Reducing the potential for environmental litigation costs and fines by proactively complying with environmental laws and strengthening eco-friendly marketing	LOW	LOW
	O6	Mitigation of long-term risks through disaster prevention facilities	Reducing repair and replacement costs for facilities that may be damaged by disasters, such as typhoons and floods, by upgrading buildings and facilities vulnerable to extreme natural disasters and taking various preventive measures	MID	MID

Introduction

Special Report

ESG Management

Environmental

Environmental Management
Green Initiatives
▶ Climate Action
GHG Emissions Reduction

Social

Governance

ESG Factbook

Climate Action

Financial Impact from Climate-related Risks and Opportunities and Our Response Strategy

Climate-related risks and opportunities		Type	Financial impact of climate-related risks	Financial impact of climate-related opportunities	Our response strategy
Policy/Legal	Strengthening environmental regulations	Short-term	Operational risks due to failure in responding to new policies	Enhancing the competitiveness of environmental management through preemptive response to new policies	- Regular monitoring of trends in environmental regulations - Preemptive implementation of Scope 3 emissions
Technology	Switching to low-carbon technology	Long-term	Increased costs of facility investments to reduce greenhouse gas emissions	- Reduction of greenhouse gas emissions and energy costs - Signing supply contracts for renewable energy and reduced costs for participating in electricity generation projects and power consumption	- Switching to renewable energy (PPA contract, REC purchasing) - Pilot construction of G-SEED buildings (zero-energy) - Installation of independent solar generators in distribution centers - Replacement of LED lights and outdated cooling/heating equipment
Law	Risk of litigation	Short-term	Decline in corporate image due to failure to comply with laws	Improving the competitiveness of environmental management by preemptively responding to environmental laws	Occasional monitoring of violations and disclosure of actions taken
Market	Changes in customer preferences	Mid-term	- Customer dissatisfaction due to unmet expectations for eco-friendly products - Reduced sales of products with low energy-efficiency	- Increased loyal customers by providing more eco-friendly products - Boosting sales by focusing on selling highly energy-efficient products	- Reinforcing accessibility to eco-friendly products through relevant promotions - Adopting MOT that provides information on the environmental friendliness of products during
Reputation	Failing to meet market expectations	Long-term	Decreased sales and investment due to declining reputation	Reinforced green brand image through active practice of environmental management	- Expansion of environment-related social contribution activities - Disclosure of the environmental achievements of the Net Zero 2040 roadmap
Acute	Abnormal weather conditions such as storms and floods	Short-term	- Increased cost of facility investments to prevent natural disaster - Recovery costs and business losses in the event of a disaster	- Resolving mid-to-long-term risks through installing natural disaster prevention facilities - Increased purchases of home appliances due to damage caused by natural disasters	- Occasional equipment inspections to prevent losses resulting from natural disasters - Natural disaster prevention training - Regular performance of natural disaster risk assessments
Chronic	Extreme weather Variation	Long-term	Increased energy costs due to the operation of heating and cooling facilities	Increased sales of seasonal products such as air conditioners, air purifiers, and dryers	- Providing guidelines for flexible power consumption by time period - Launch of energy-saving campaigns

Introduction

Special Report

ESG Management

Environmental

Environmental Management

Green Initiatives

▶ Climate Action

GHG Emissions Reduction

Social

Governance

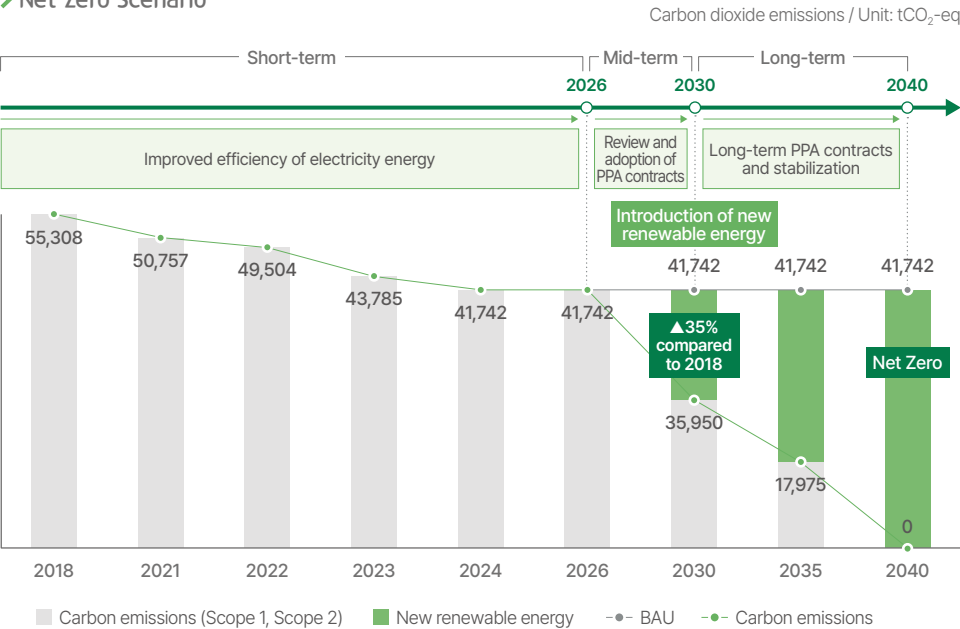
ESG Factbook

Climate Action

Targets and Metrics

LOTTE HIMART has set up and implemented a roadmap with an objective of achieving Net Zero by 2040. We have set GHG emissions (Scope 1, 2, 3) as indicators to evaluate and manage climate-related risks and opportunities, calculated in accordance with IPCC guidelines, while planning to ensure the reliability of our GHG emissions measurements through the third-party verification. According to our mid-term roadmap, we aim to cut down on carbon emissions (Scope 1, 2) by 35% by 2030 compared to 2018 levels, focusing on ‘voluntary carbon reduction projects.’ We will optimize logistics activities through improvements in the delivery system and raise the proportion of renewable energy by purchasing REC certificates. As part of our long-term roadmap, our plan is to secure a stable supply of renewable energy and achieve Net Zero by 2040 through PPA contracts to purchase power from KEPCO’s solar facilities and by building our own solar facilities.

▶ Net Zero Scenario



* BAU: Business As Usual (estimated emissions if carbon reduction measures are not implemented)
* PPA: Power Purchase Agreement (a long-term electricity trading contract between a company and a power producer, brokered by Korea Electric Power Corporation (KEPCO))
* Scope 1+Scope 2: Based on Scope 1 and Scope 2 emissions

▶ GHG Emissions

(Unit: tCO ₂ -eq)						
Category		2018 (base year)	2021	2022	2023	2023 goal
Total emissions		55,308	50,757	58,780	51,895	57,605
Scope 1	Business vehicles and city gas	396	380	396	379	388
Scope 2	Electricity	54,912	50,377	49,108	43,406	48,126
Scope 3	Delivery vehicle	-	-	9,276	8,110	9,091
Intensity (Scope 1+2)	Intensity per KRW 100 million sales	1.34	1.31	1.48	1.68	1.45
		Emissions compared with the goal				
		▼5,710 (▼9.9%)				
		▼9 (▼2.2%)				
		▼4,720 (▼9.8%)				
		▼981 (▼10.8%)				
		▲0.23 (▲15.4%)				

- * Potential risks from Scope 1, 2, and 3 emissions
- Scope 1: Gasoline, the primary fuel for business vehicles, is a representative fossil fuel. A significant amount of carbon dioxide is emitted during both the production and use of gasoline. Additionally, the natural gas (LNG) used in company cafeterias and resorts also emits carbon dioxide during its use.
 - Scope 2: About 30% of domestic electricity production comes from coal-fired power plants, which emit a large amount of carbon dioxide during the electricity generation process.
 - Scope 3: Diesel, the primary fuel for delivery vehicles, is a representative fossil fuel, and a significant amount of carbon dioxide is emitted during both the production and use of diesel.

▶ Energy Consumption

(Unit: GJ)						
Category		2018 (base year)	2021	2022	2023	2023 goal
Total energy consumption		1,117,410	1,025,489	1,000,037	884,447	980,036
Intensity ¹⁾		2717	26.50	29.97	33.89	29.37
		Consumption compared with the goal				
		▼95,589 (▼9.8%)				
		▲4.51 (▲15.4%)				

1) Intensity per KRW 100 million sales

GHG Emissions Reduction

GHG Reduction in Logistics

Delivery System Improvement

LOTTE HIMART plans to improve its delivery system to mitigate GHG emissions during the logistics stage. Our delivery system will be improved in two main directions, ‘optimization of delivery routes’ and ‘efficiency of dispatch operations’. For the optimization of delivery routes, we plan to improve from the current straight-line distance-based delivery route setting method to a delivery route setting based on actual driving routes identified through the transportation management system. This will prevent inefficiencies caused by discrepancies between actual and expected driving routes and reduce unnecessary carbon emissions. In addition, by considering the delivery time requested by customers when setting delivery routes, we will assign delivery orders to prevent arbitrary changes to delivery routes and manage delivery schedules efficiently by pre-assigning deliveries three days in advance. For the efficiency of dispatch operations, we plan to implement an automated dispatch system that utilizes optimal delivery zones, replacing the current practice of manual adjustments within each zone following regional dispatch. Through this effort, we will streamline the time needed to create dispatch plans and significantly enhance the automation of dispatch operations.

Category	As-Is	To-Be	Effect
Realistic travel distance	• Straight-line distance	• Actual driving route	• Reduced travel distance
Redesign of dispatch logic	• Confirmation of dispatch through the transportation management system • Outbound instructions and product pick-up through the warehouse management system	• Initial dispatch through the transportation management system • Identification of delays and cancellations in advance through Happy Calls with customers • Secondary dispatch and confirmation through the transportation management system • Outbound instructions and product pick-up through the warehouse management system	• Reduction of forklift usage time and GHG emissions by decreasing the travel distance and volume of delivery vehicles • Identification of delays and cancellations in advance

Increased Adoption of EVs

We have selected the transition to eco-friendly EVs for delivery as one of our key ESG initiatives, and we are systematically working to reduce GHG emissions during the logistics stage. In collaboration with our logistics partners, we have set goals for the transition to EVs, implementing various

efforts to achieve these goals. We provide awareness training for delivery drivers to continuously inform them of the fuel cost savings and environmental benefits of EVs. Additionally, with an aim to facilitate the use of EVs, we are reviewing to install EV charging facilities at six distribution centers nationwide. We are currently assessing the status in 2024 for these installations. Within the distribution center, we are contributing to GHG reduction by replacing diesel forklifts with electric ones. As of the end of 2023, we are operating 87 electric forklifts and plan to gradually replace 18 diesel forklifts with electric ones. Furthermore, we plan to transition delivery vehicles to electric ones in the future to further mitigate carbon emissions. The transition to EVs is expected to save KRW 180,000 monthly for 1-ton vehicles and KRW 580,000 monthly for 2.5-ton vehicles.

▶ EV Ownership Status in 2023

Category	Delivery vehicles	Forklifts	Total
Total no. of vehicles	456	105	561
No. of EVs	6	87	93
Ownership ratio	1.3%	82.9%	16.6%

▶ Transition Plan for EVs for Delivery Vehicles

Category	2024	2025	2026	2027
Total no. of vehicles	456	456	456	456
No. of 1-ton EVs	17	33	50	66
No. of 2.5-ton EVs	-	54	105	157
Replacement rate ¹⁾	3.7%	18.9%	34.0%	48.9%
Logistics-related carbon emissions (Unit: tCO ₂ -eq)	8,723	7,911	7,092	6,290

1) Replacement rate = Total no. of EVs/Total no. of delivery vehicles
We plan to re-establish our transition plan with an assumption that 2.5-ton electric trucks are commercialized in 2025, and in the case of the time when 2.5-ton electric trucks are commercialized.

Introduction

Special Report

ESG Management

Environmental

Environmental Management

Green Initiatives

Climate Action

▶ GHG Emissions Reduction

Social

Governance

ESG Factbook

GHG Emissions Reduction

GHG Reduction at Business Sites

Replacement to LED Lighting at Stores

LOTTE HIMART is contributing to GHG reduction by installing energy-efficient LED lighting in our stores. High-efficiency LED lighting improves energy efficiency by 38% compared to conventional lighting. At our HIMART Sujin branch, which reopened in 2023, we installed a total of 275 energy-efficient LED lights, cutting down on annual GHG emissions by around 11.4 tCO₂ compared to using general lighting.



Efforts for Higher Efficiency in Cooling and Heating System

We replace outdated electric heating and cooling systems in our stores with high-efficiency inverter systems, thereby contributing to GHG mitigation. Inverter systems improve energy efficiency by 35% compared to electric-type systems. In 2023, we replaced 13 heating and cooling units in 11 stores, reducing annual GHG emissions by a total of 121.6 tCO₂.

GHG Mitigation in Local Communities

Reduction of Indirect Emissions through Collaboration on Car-sharing Services

We make efforts to indirectly reduce pollutants and GHG emissions by collaborating with Socar, a leading car-sharing platform. We are utilizing the idle parking spaces in over 140 of our stores nationwide as Socar Zones to provide convenient car-sharing services. Each shared vehicle has the effect of reducing the need for 8.5 private vehicles and can cut carbon emissions by 0.27 tons annually. Our operation of Socar Zones resulted in a reduction of about 50 tons of carbon emissions in 2023. Going forward, we will continue to expand the number of stores operating Socar Zones to further our efforts in reducing carbon emissions.

Installation of Ultra-fast EV Charging Facilities

We are expanding EV charging facilities in our store parking lots to raise convenience for EV users while contributing to reducing GHG emissions. Currently, we have installed and operated EV charging facilities at four locations, including the Daechi branch. In June 2022, we opened the ultra-fast EV charging facility 'Charger5' at the Apgujeong branch, utilizing the Vanadium Ion Battery Energy Storage System (VIB ESS). The VIB ESS boasts a low fire risk and an instantaneous output of nearly 200 kW, which is four times that of conventional ultra-fast charging facilities. This allows a typical EV to be fully charged in only 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.

Social

- 46 Customer Satisfaction Enhancement
- 50 Product Quality Management
- 52 Sustainable Partner Management
- 59 Talent Attraction and Retention
- 70 Human Rights Management
- 73 Safe Workplace
- 80 Contribution to Local Communities
- 83 Information Protection and Data Security



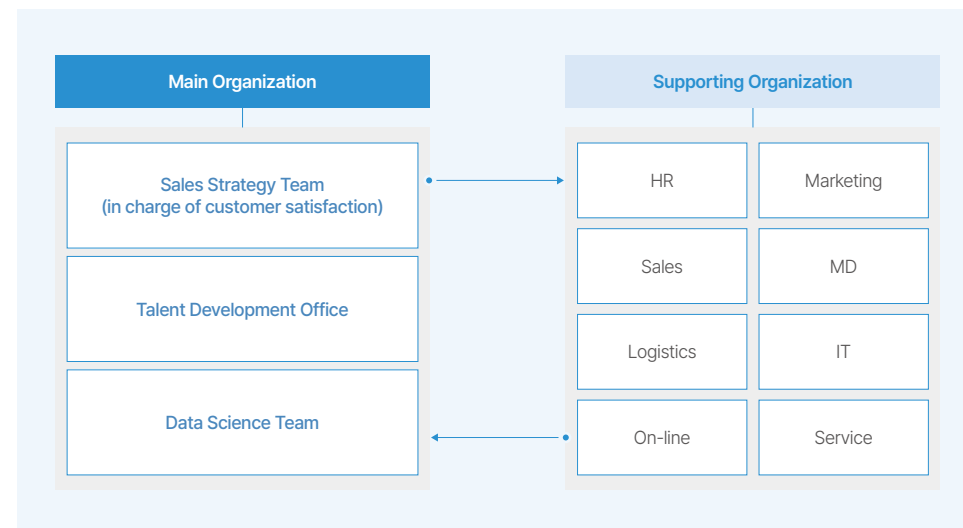
Customer Satisfaction Enhancement

Customer Satisfaction Management System

Customer Satisfaction Management Organizational Structure

In order to achieve customer satisfaction management goals and effectively respond to the voice of customers, we have established and are operating a dedicated organization for customer satisfaction. Such organizations include the Sales Strategy Team in charge of customer satisfaction and Talent Development Office, and relevant departments also support customer satisfaction management. The Sales Strategy Team performs various duties to improve customer satisfaction and resolve convenience of customers internally and externally by establishing company-wide customer satisfaction management strategies, managing and monitoring customer satisfaction, and promptly handling the VOC. The Talent Development Office fosters 'Curators,' specialized consultants that provide products and services tailored to customers' needs for their entire lifetime, and the Data Science Team establishes a lifelong care management system for customers based on the customer life cycle data.

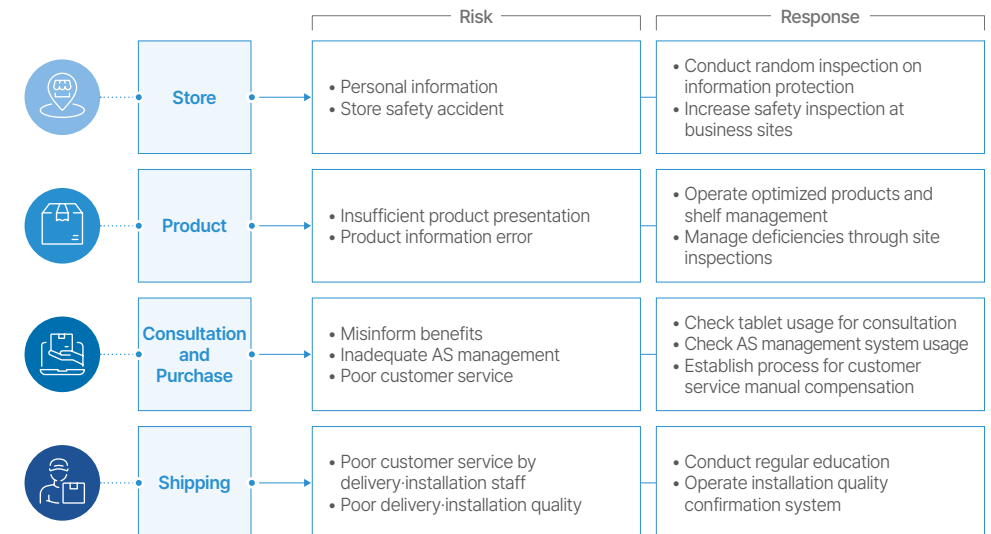
▶ Customer Satisfaction Management Organizational Structure



Risk Management for Customer Satisfaction

LOTTE HIMART carries out inspections and improvement activities on risk factors that may arise throughout the customer's shopping journey. We listen to our customers' opinions by conducting customer satisfaction surveys regarding the entire process of purchasing and using home appliances and services. In addition, we conduct store inspections without prior notice to identify shortcomings in customer service, periodically report to management on risk-causing items and improvement plans, and ensure prompt improvements.

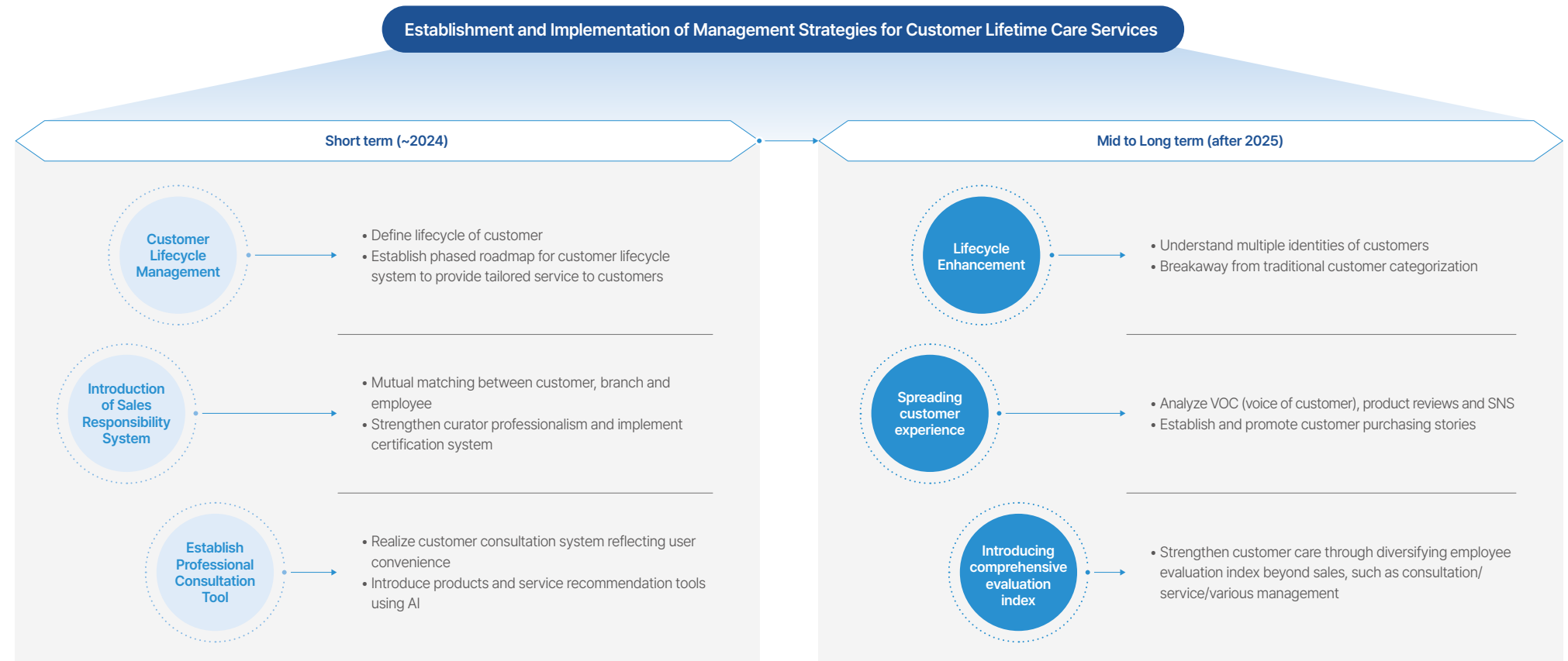
▶ Customer Satisfaction Management Risk and Response



Customer Satisfaction Enhancement

Customer Satisfaction Management Strategy

We have prioritized customer satisfaction as our foremost objective and established short-term and mid-to long-term strategies to enhance customer rights protection and satisfaction. In the short-term, we will define customer lifecycle and analyze purchasing patterns to provide personalized consultation services tailored to individual needs at the product purchasing stage. Following the purchase, we plan to offer a life care service, including installation, repair, disposal and replacement according to the customers' needs. Furthermore, we will foster 'Curators,' experts with professional knowledge on products and services, who will provide tailored recommendations to customers throughout the lifecycle. We will also develop customer-friendly consultation tools to provide online and offline integrated consultation, which can ensure consistent professional quality service. We aim to enhance customer lifecycle management in the mid-to long-term perspective, include customer satisfaction factors in the employee evaluations, and continue to practice customer satisfaction management through various efforts.



Introduction

Special Report

ESG Management

Environmental

Social

- ▶ Customer Satisfaction Enhancement
- Product Quality Management
- Sustainable Partner Management
- Talent Attraction and Retention
- Human Rights Management
- Safe Workplace
- Contribution to Local Communities
- Information Protection and Data Security

Governance

ESG Factbook

Customer Satisfaction Enhancement

Customer Satisfaction Management Activities

Customer Satisfaction Survey

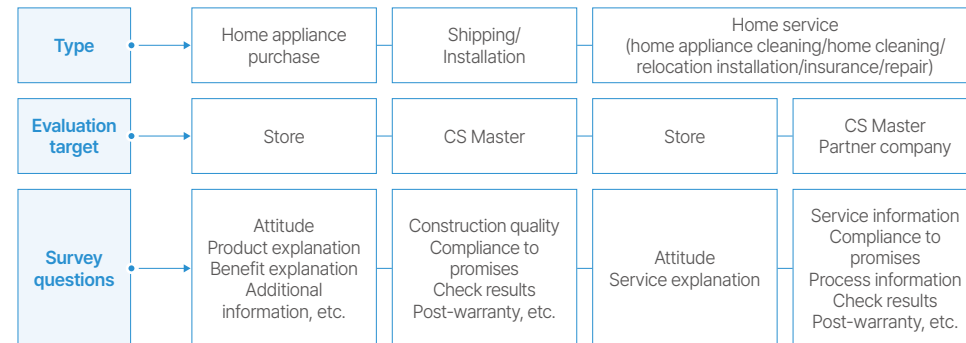
We conduct customer satisfaction surveys to listen to our customers' opinions on our products and services and provide better experience to them. In November 2023, we subdivided the customer satisfaction survey from 4 to 7 sectors and improved the evaluation questions and scales. When designing satisfaction evaluation questions, we analyzed previous VOC (Voice of Customer) to reflect customer opinions. By conducting customer satisfaction assessments throughout the entire lifecycle of purchasing, using, and disposing of home appliances, we gather customer opinions and identify needs for improvement. In the 2023 survey for 7 divisions (home appliance purchase, shipping and installation, appliance cleaning, repair, home cleaning, relocation installation, and insurance), we recorded an overall score of 4.74 points (based on November to December 2023 data).

▶ 2023 Customer Satisfaction Survey Index by Sector (based on November to December 2023)

Home appliance purchase	Shipping/Installation	Appliance cleaning	Home cleaning	Relocation installation	Insurance	Repair
4.77	4.85	4.76	4.45	4.78	4.81	4.44

※ Based on a 5-point scale

▶ Customer Satisfaction Survey System



Cases on Reflection of Customer Satisfaction Survey Results

There were numerous customer complaints because advance phone calls from installation engineers were made on the morning of the delivery day for product delivery and installation, which led to dissatisfaction with the schedule. Many customers requested to receive advance notification the day before delivery through our customer service center. To address these customer inconveniences, starting from July 2023, we have improved the delivery system so that the next day's logistics deadline is advanced from 21:00 to 17:30, enabling customers to be informed the day before delivery. Additionally, to reduce customer complaints regarding insufficient explanations of our home service products and to facilitate clear understanding of our service, we have produced the 'Home Service Customer Handbook' since December 2023. We use visual materials from the handbook during customer consultations to provide information such as product purchases, installation procedures, and other details, helping customers to better understand our services and products.



Home Service Customer Handbook (sample)

Introduction

Special Report

ESG Management

Environmental

Social

- ▶ Customer Satisfaction Enhancement
- Product Quality Management
- Sustainable Partner Management
- Talent Attraction and Retention
- Human Rights Management
- Safe Workplace
- Contribution to Local Communities
- Information Protection and Data Security

Governance

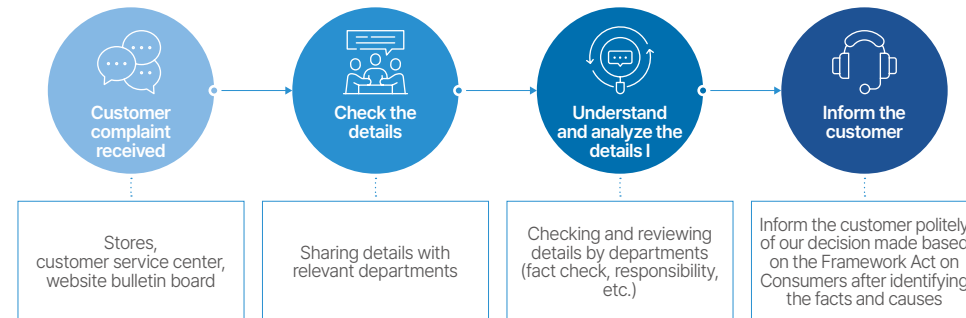
ESG Factbook

Customer Satisfaction Enhancement

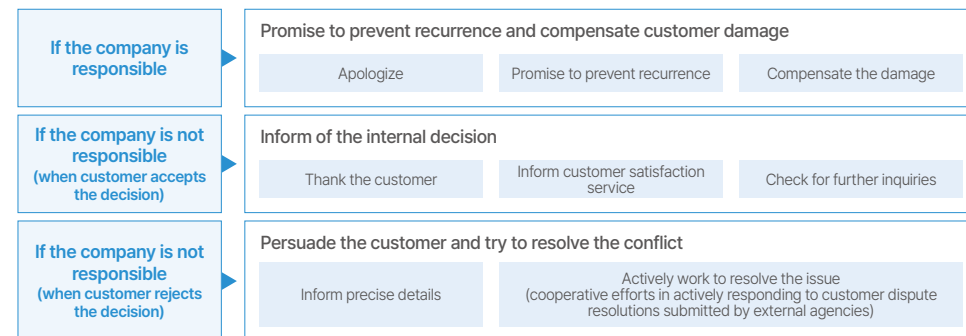
Damage Compensation Process for Customers

We receive complaints through nationwide offline stores as well as our customer service center and online website. In the event of a customer complaint, we follow fair internal procedures and comply with the Framework Act on Consumers, and the manual for handling customer complaints is openly accessible on our website. When receiving a customer complaint (concerning product or installation defects, delivery delay, or incidents within our stores, etc.), we share the details with relevant departments. After the relevant department reviews the matter, we will inform the customer of our decision based on the Framework Act on Consumers and strive to prevent recurrence in the future.

▶ Customer Complaint Handling Manual



▶ Notification for Customers in the Event of Damage



Customer-centric Delivery Service

The core of our customer service is the delivery utilizing a nationwide logistics network and complimentary installation services by our professional installation team (CS Masters). By using 11 nationwide distribution centers we directly procure products and take responsibility through a direct-purchase structure, ensuring stable distribution and inventory management. We are able to offer various delivery services such as Smart Pick¹⁾, quick delivery within 2 hours after purchase, and options to select desired delivery dates, which are all aimed at enhancing customer satisfaction. We strengthen our distribution competitiveness by providing ordering, delivery, and installation through our own logistics system. Additionally, we endeavor to improve customer convenience by sending pre-delivery notification messages, enabling them to change their delivery dates directly.

1) Smart Pick: Service where customers can pick up products purchased online at their store of preference

In particular, our home all round solution service implements a 100% guarantee on appointment times for home appliance cleaning, home cleaning, relocation installation, and repair reception, so that our customers can save time and use services with peace of mind. For serviced products, home appliance cleaning and relocation installation are covered by a 1-year warranty on repair costs. Furthermore, we do not charge additional fees for home cleaning services, and we guarantee repair quality for 90 days after repair.

100% Guarantee on Appointment Times

Product Quality Management

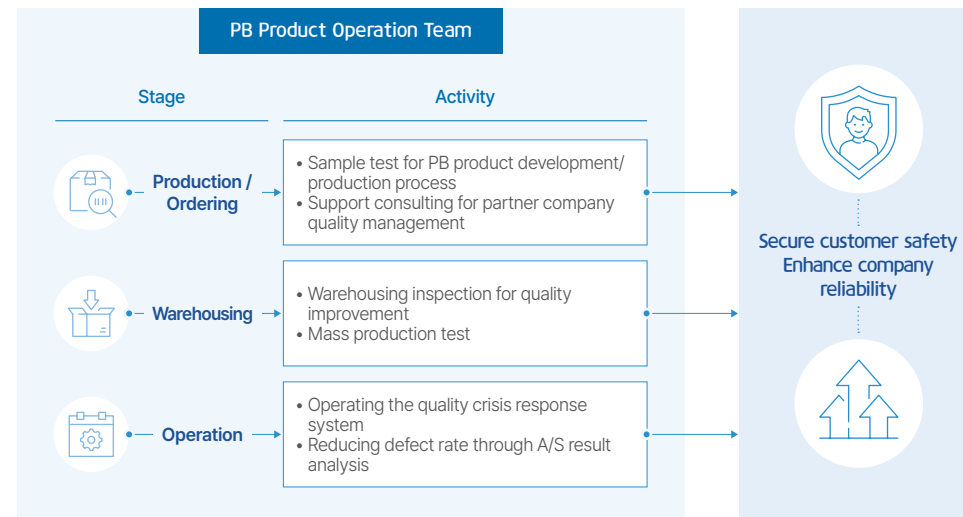
Product Quality Management System

Product Quality Management Organizational Structure

We have established and are operating a quality check process centered on the PB Product Operation Team for all stages from development, production, operation and post management to ensure product quality and safety.

At the product development and production stage, we select a product that meets the standards through sample tests conducted at our quality test lab. Products that pass the sample test undergo repeated performance testing, and then we secure product reliability by obtaining domestic certifications such as the Korea Certificate (KC) and safety and energy efficiency certifications. We carry out various tests to complete quality review before the product launch, and following the product launch, we inspect the defect rate every month and request improvements on the detected defects to the manufacturer. We also annually check the uniformity of KC-certified parts and whether the energy efficiency requirements are met, and strive to operate an effective quality crisis response system by providing regular feedback on A/S results.

▶ Product Quality Management System



Product Quality Risk Management

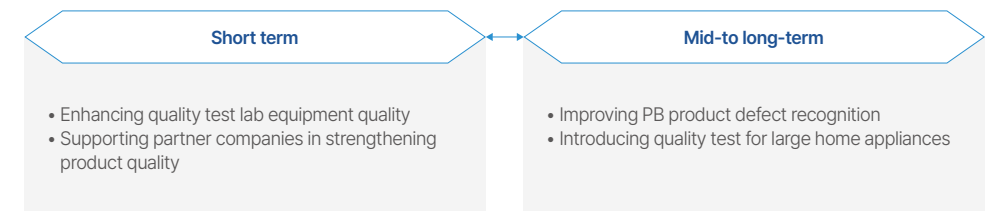
We have established and are operating a prevention and post-management process for risk management regarding quality.

We are making efforts to enhance product quality by suggesting structural improvements, part replacements to partner companies to increase product durability and stability during product verification. For products that completed verification, we carry out re-inspection on the product before sales and check if the product precaution information is consistent with the information on certifications, such as KC. In addition, we control the process from product development, planning, to launch, based on the manufacturer's data accumulated through product verification.

After sales, we promptly respond to product issues, analyze the causes, and apply improvement measures. When an incident is notified, we recall the product to check the cause and verify the incident, notify the manufacturer and relevant departments and discuss preventive measures. Our system also tracks the product's performance after the improvement has been made to prevent recurrence. Also, all PB products are covered by Product Liability Insurance to respond to unpredictable incidents, and we offer exchanges, refunds, and free repair for defects occurred within the warranty period according to consumer dispute resolution standards. We conduct separate quality inspections on products with high defect rate, based on the A/S data, accurately analyze the cause and prevent recurrence of defects.

Product Quality Management Strategy

We have established and are operating a detailed short term/mid-to long-term strategies to manage and enhance quality.



Introduction

Special Report

ESG Management

Environmental

Social

Customer Satisfaction Enhancement

▶ Product Quality Management

Sustainable Partner Management

Talent Attraction and Retention

Human Rights Management

Safe Workplace

Contribution to Local Communities

Information Protection and Data Security

Governance

ESG Factbook

Product Quality Management

Product Quality Management Activities

Product Quality Safety Test

A product cannot be considered good quality if the customer is not satisfied with it. Even if the defect occurs one in a million products, the product is 100% defective for the customer who experiences such defect. Therefore, safety inspections are required for home appliances, which provide convenience in daily life, to ensure the safe use of customers.

Our Chang-dong office building operates a quality test lab where we can carry out more than 26 types of tests, including electricity consumption, temperature increase, leakage current, withstanding voltage, performance, and fire and electric-shock risks. We thoroughly inspect the performance, stability, and user convenience of our PB products. The quality test lab is equipped with measuring devices such as digital power meters, slidacs, digital loggers, and withstanding voltage testers. There are 2 quality management professionals that inspect the quality of each product at every stage of development, production, and operation of PB products.



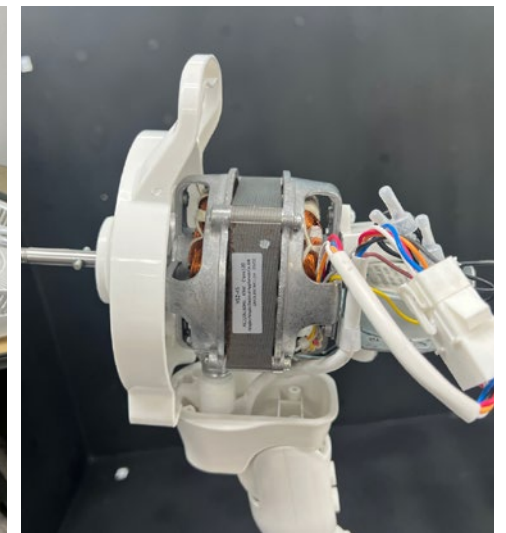
Quality test lab

In the future, we plan to increase accuracy by introducing more equipment that enables 3D measurements and harmful substance analysis.

Additionally, for large-sized products such as refrigerators and televisions that are difficult to test ourselves, we examine the manufacturer's quality management rules and perform thorough on-site inspections in warehouses. 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 (BV) and TUV Rheinland.



Fan safety certification test



Introduction

Special Report

ESG Management

Environmental

Social

Customer Satisfaction Enhancement

Product Quality Management

▶ Sustainable Partner Management

Talent Attraction and Retention

Human Rights Management

Safe Workplace

Contribution to Local Communities

Information Protection and Data Security

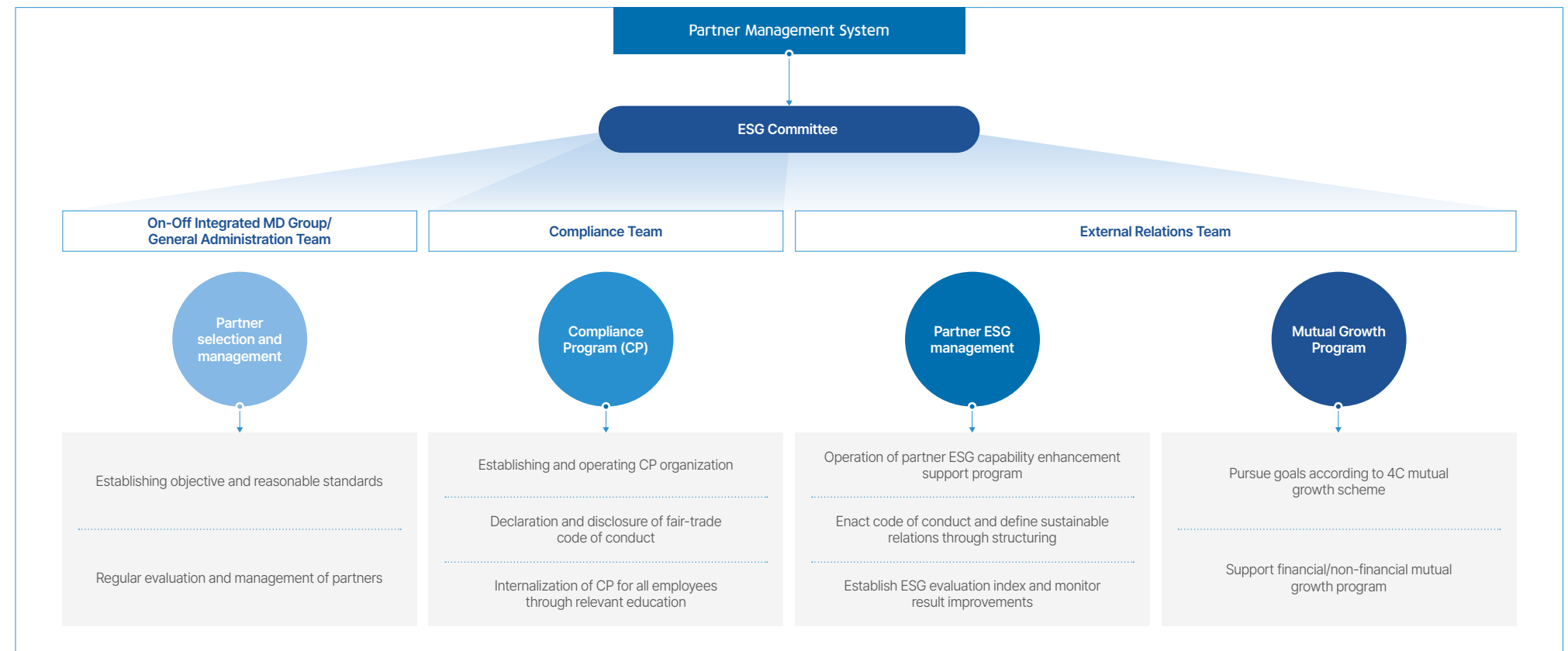
Governance

ESG Factbook

Sustainable Partner Management

Partner Management System

We are promoting sustainable and shared growth with our partners by signing contracts with various partners within the supply chain and carrying out transactions with them, and we have implemented a partner management system to manage risks and opportunities arising from the partners. In the partner selection stage, the On-Off Integrated Product Group and the General Administration Team chooses the partners based on objective and reasonable standards. We conduct systematic management by providing benefits to outstanding partners and limiting bidding for partners that do not meet the standards through regular monitoring and post-evaluation. The Compliance Team reviews contracts so that LOTTE HIMART and partners comply with the fair-trade code of conduct and provides compliance program (CP) education to internalize legal and ethical compliance for all employees. The External Relations Team spares no effort in supporting partners to enhance competitiveness through various approaches including ESG management, finance, and education.



Sustainable Partner Management

Compliance Program

Compliance Program System

Compliance program (CP)¹⁾ 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.

To meet the requirements for the introduction of a compliance program, 8 essential requirements²⁾ including the support and intention of the CEO is needed, and our program meets all the requirements.

We have established a dedicated organization for the effective management of the compliance program. The Compliance Officer, who is in charge of the overall CP, is appointed through the Board of Directors to ensure clear responsibilities and authorities, and currently the Head of Administration Division is appointed as the Compliance Officer. The Compliance Officer not only explains basic policies and sanction standards to each organization responsible for compliance, conducts education and inspections to prevent illegal activities in advance, but also supervises the deliberation of sanctions for violations.

[LOTTE HIMART Fair-trade Compliance Principles](#)

1) 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 officer, publish and utilize a compliance manual, conduct 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.

Fair-trade Code of Conduct

To establish a culture of transparent and 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. In addition, we publish the principles on our website, encouraging our partners to join us in creating a fair-trade culture when consulting for entry into our stores.

Identifying and Managing Risks

We identify risks with the possibility of unfair-trade and unfair competition as follows, and control and manage them through activities such as system computerization and comprehensive investigations.

Risk	Response/management activities	Effectiveness evaluation
Contract management	Computerization of contract system	Conclude contracts in a timely manner and fulfil obligations
Overall transactions	Investigation conducted once a half-year	Inspect operation status and raise working-level awareness

▶ Dedicated CP Organization



Introduction

Special Report

ESG Management

Environmental

Social

- Customer Satisfaction Enhancement
- Product Quality Management
- ▶ Sustainable Partner Management
- Talent Attraction and Retention
- Human Rights Management
- Safe Workplace
- Contribution to Local Communities
- Information Protection and Data Security

Governance

ESG Factbook

Sustainable Partner Management

Compliance Program Activities

Fair-trade Education

We conduct education on fair-trade for all employees 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 guidelines that employees can easily understand and apply in their work. We conduct regular education sessions at least once every half year as well as ongoing education for employees by positions. In 2023, we conducted 5 fair-trade education sessions for sales employees focusing on subjects related to display advertising and fair-trade with partners. We also provided education on major regulatory issues and compliance issues related to fair-trade in the distribution industry for MDs, and distributed guidelines regarding product contracts and promotion operations more than 8 times.

▶ Fair-trade Education for Sales Employees in 2023

Title	Date	Details	No. of employees who completed the education	Completion rate
Education for new store managers	March and August 2023	Act on Fair Labeling and Advertising, response to store incidents	20 persons	95%
Education for all store managers	September 2023	Regarding refunds	350 persons	100%
Education for sub store managers	April and October 2023	Regarding consumer disputes	27 persons	100%

Spreading the Will to Comply with Fair-trade

To encourage compliance with fair-trade regulations and promote the will to comply with fair-trade, we send out letters from the CEO to each partner company. In 2023, we expressed the determination to prohibit unfair refunds and encouraged active reporting through reporting channels for unfair practices.

CEO Message

Dear LOTTE HIMART executives and employees,

I hope this month of May is a time to express love and gratitude to your families.

At LOTTE HIMART, not only are our employees considered as family, but our 'customers' and 'partners' are as well. Celebrating Family Month, let's take this opportunity to reflect on whether we are upholding our principles with our family.

First, please prioritize fair-trade as the utmost value in dealing with partners.

We and our partners are one team working towards the same goal. We should cherish our cooperative relationships with all our partners and treat them fairly and equitably.

- Do not unfairly return products or demand management information from the partners. Treat all partners fairly, regardless of their size. In particular, pay attention to smaller sized partners and actively support them so they can grow quickly.
- Do not misuse our trading position to impose unfair-trade conditions or practices on our partners.

Second, customer information should be managed according to strict standards and procedures.

While we can bear the damages from leakage of the company's trade secrets, the damage caused by the leakage of customer information directly affects our customers who trust us and can result in severe losses for the company.

- Any act of indiscriminately collecting customer personal information may be subject to punishment. Make sure that only the minimum necessary information is collected according to set procedures.
- Customer information can only be used within the scope of the purpose and should be handled only by authorized employees for business purposes.

The trust we receive from our 'customers' and 'partners' is our competitive edge. Let's create a HIMART that adheres to the basics and principles together.

Thank you.

CEO of LOTTE HIMART, Chang Hee Nam

Introduction

Special Report

ESG Management

Environmental

Social

Customer Satisfaction Enhancement
Product Quality Management
▶ Sustainable Partner Management
Talent Attraction and Retention
Human Rights Management
Safe Workplace
Contribution to Local Communities
Information Protection and Data Security

Governance

ESG Factbook

Sustainable Partner Management

CP Committee

The CP Committee is a committee that operates and manages the compliance program. The CP Committee of LOTTE HIMART establishes an ongoing compliance management system by preventing unfair practices in advance and recurrence. In September 2023, the 11th CP Committee meeting was held, and we reported the results of the investigation regarding fair-trade and implemented system improvement measures to minimize risks based on the results of the report.

▶ Main Agenda of the 11th CP Committee Meeting

Date	Category	Main Agenda
2023.09.11	11th CP Committee Meeting	• 2023 first half report on compliance program activities • 2023 first half report on fair-trade results • 2023 second half report on compliance program operation plan and action

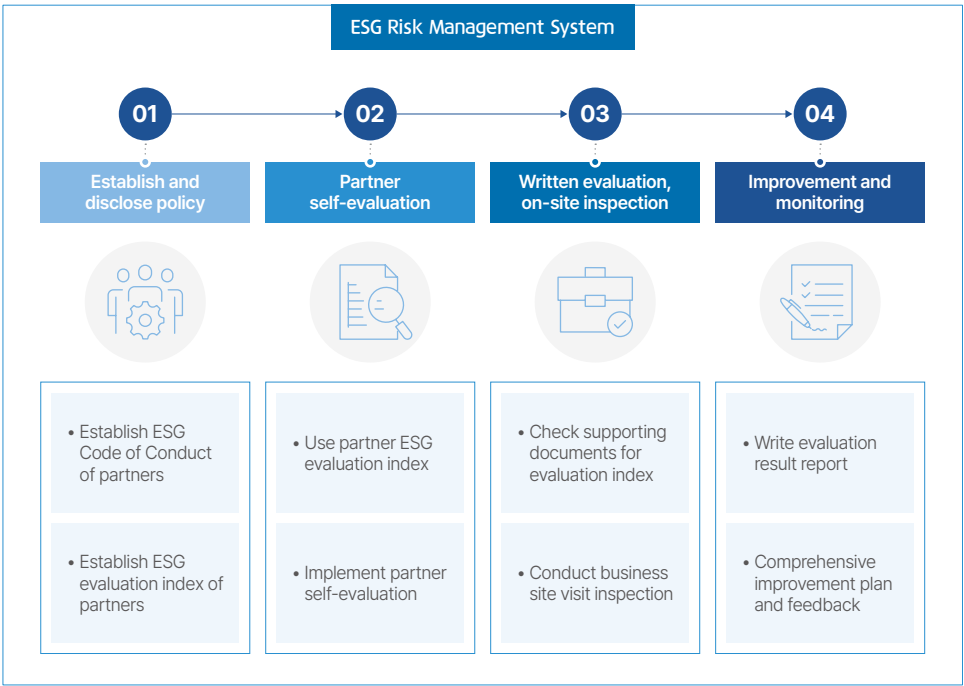
Operation of the Fair-trade Reporting Center

We operate a Fair-trade Reporting Center where not only members of the company but also third parties including partners can seek consultation and report violations such as breaches of the Fair-Trade Act and unfair trade practices. The center can be accessed freely via LOTTE HIMART homepage, and the details of consultation as well as the identity of the consultee are kept confidential and strictly protected. Matters reported to the center are directly received by the Compliance Team and corrective measures are taken after confirming the facts.

ESG Management for Partners

Partner ESG Management System

As LOTTE HIMART closely engage with various partners, the ESG capabilities of our partners have a significant impact on our business operations and external evaluation, and this influence is expected to expand gradually. Accordingly, we have established a ESG management system for partners to promote the spread of ESG management culture by presenting ESG performance standards and requiring compliance with them.



Sustainable Partner Management

ESG Code of Conduct for Partners

We established the ESG Code of Conduct for partners in August 2023. This code was shared with all partners of LOTTE HIMART, and aims to strengthen ESG capability of partners and prevent supply chain ESG risks that may arise from partners in advance. We have reflected global guidelines such as the UN Universal Declaration of Human Rights and Fundamental Conventions of the ILO to establish a code of conduct that can be recognized internally and externally. We also require partners to include an agreement to comply with the code of conduct for partners upon new and additional contracts. The ESG Code of Conduct for Partners is disclosed on Hiweb, the partner webpage, as well as the official website of LOTTE HIMART.

> Composition of Code of Conduct for Partners

Composition	Main Content
Environmental Protection	Compliance with environmental regulations, response to climate crisis, resource circulation, air pollution, water resources, hazardous chemicals
Respect for Human Rights	Labor laws, non-discrimination, wages/welfare, working hours, humanitarian treatment, freedom of association, protection of underage workers, prohibition of forced labor
Safety Management	Safety management regulations, safety diagnosis status, establishment of safety management system, safety education
Compliance and Ethical Management	Prohibition of illegal profits, transparency of management, prevention of unfair trade, subcontracting management, protection of personal information, protection of intellectual property rights, reporting system
Management System	Sustainable management system, risk management process

ESG Evaluation for Partners

We conduct partner ESG self-evaluation to enhance our partners' ESG capabilities and manage supply chain ESG risks. We have incorporated our unique elements into the self-evaluation evaluation for partners, as well as the code of conduct for partners and relevant regulations of each area. By creating a checklist that reflects the unique elements such as first-class energy consumption efficiency product composition, product installation safety environment inspection process, and logistics vehicle operation inspection, we encourage partners to self-assess their ESG status, derive improvement points, and practically apply the improvements into their business operations.

> Composition of Partner Evaluation Index

Composition	Main Content
Environmental Protection	① Energy-efficient product composition, ② Using environmental-friendly packaging, ③ Product waste management
Respect for Human Rights	① Labor and human rights violations, ② Compliance with worker wage laws
Safety Management	① Safety management manual and training, ② Installation safety inspection, ③ Safety inspection on logistics vehicle
Compliance and Ethical Management	① Ethical-related violation, ② Compliance with intellectual property rights and trade secrets

> Partner Self-diagnosis Results

Base year: 2023년



191 companies

No. of partners subject to evaluation



70/100 points

Average points

Introduction

Special Report

ESG Management

Environmental

Social

Customer Satisfaction Enhancement
Product Quality Management
▶ Sustainable Partner Management
Talent Attraction and Retention
Human Rights Management
Safe Workplace
Contribution to Local Communities
Information Protection and Data Security

Governance

ESG Factbook

Sustainable Partner Management

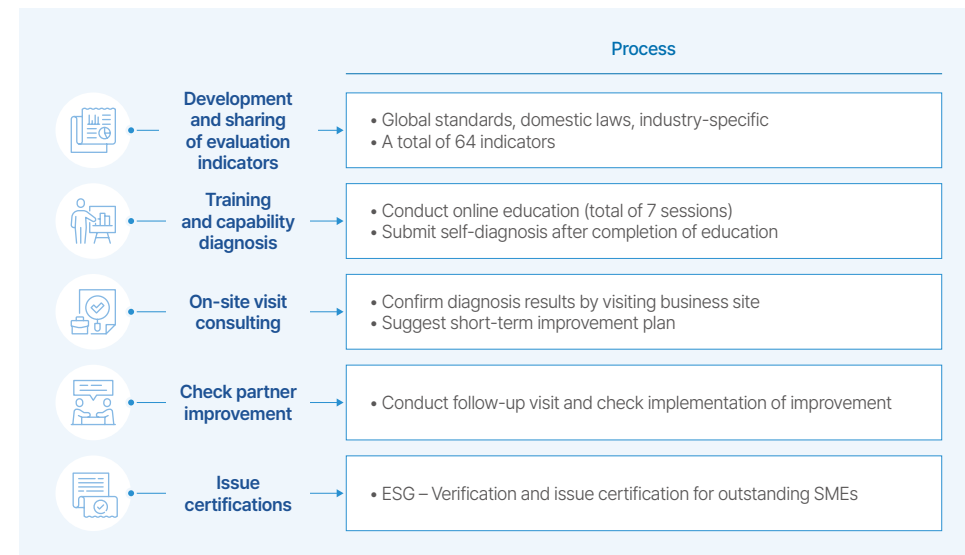
ESG Support Projects for Partners

We operate ESG support projects to manage and prevent ESG risks for SME partner companies. In June 2021, we became the first company in the distribution industry to sign an MOU with the National Commission for Corporate Partnership, and we concluded an MOU again in October 2023 and implemented ESG support projects for partners.

We are also providing support to help SME partners meet the global ESG management standards through the ESG support projects. Through the development of customized ESG indicators and guidelines, ESG education and competency assessments, field inspections and consulting support, we were able to enhance partners' understanding of ESG and strengthen their ESG risk management capabilities. We also selected and issued certificates for outstanding SMEs among the participants in the support project and provided benefits for financial transactions.

LOTTE HIMART will continue to strengthen the ESG capability of partners by expanding the number of partners participating in ESG support projects, distributing and updating partner ESG guidelines. We will strive to support our partners so that they can grow together with us as true business partners.

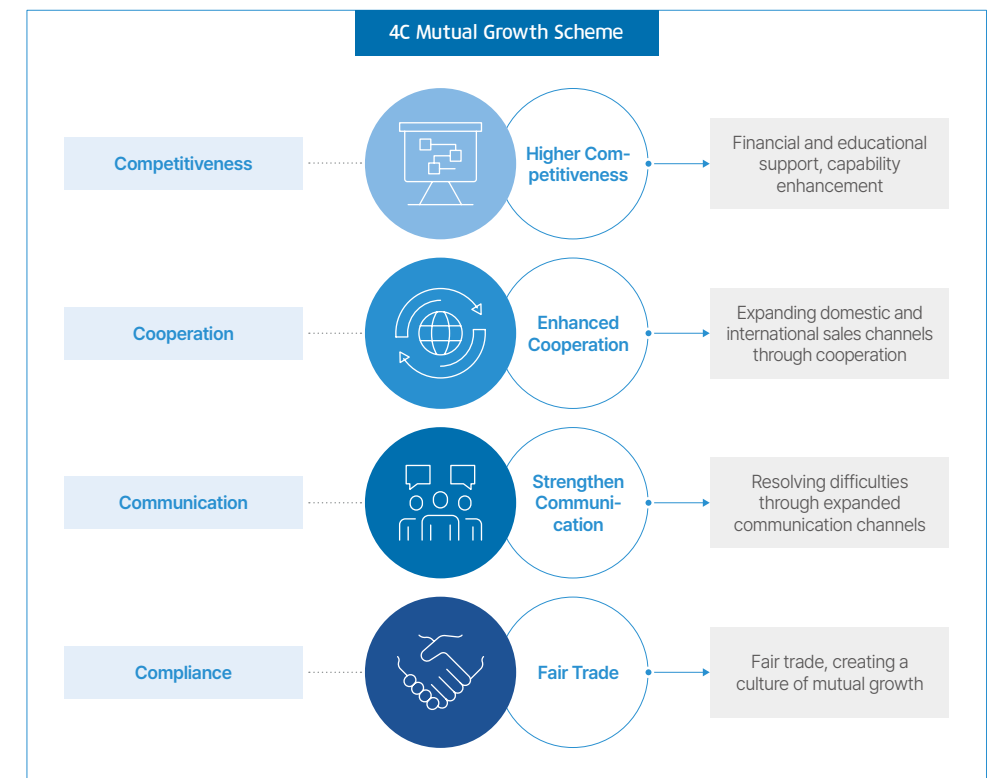
▶ Process for ESG Support Project for Partners



Mutual Growth with Partners

4C Mutual Growth Implementing System

We implement the 4C strategy led by the External Relations Team, which is a dedicated organization for the mutual growth of partners, and aims to enhance partner competitiveness, strengthen cooperation and communication with partners, and promote fair trade. Through operating various mutual growth programs and leveraging our nationwide distribution network, we support the revenue growth of our partners. We endeavor to connect excellent products and technologies of partners with the effect of creating customers. We plan to support our partners' capacity building and growth through close cooperation with them.



Introduction

Special Report

ESG Management

Environmental

Social

Customer Satisfaction Enhancement
Product Quality Management
▶ Sustainable Partner Management
Talent Attraction and Retention
Human Rights Management
Safe Workplace
Contribution to Local Communities
Information Protection and Data Security

Governance

ESG Factbook

Sustainable Partner Management

Mutual Growth Activities

Operation of Innovative Product Experience Zone

We are operating an innovative product experience zone for SMEs and startups in collaboration with KOTRA and Korea Product Exhibitions overseas. By displaying 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, we invite customers to try the innovative products of SMEs and start-ups. In addition, our MDs hold meetings with companies participating in the Innovative Product Experience Zone, offering them opportunities to sell their products in LOTTE HIMART stores and sharing knowledge on pioneering new domestic channels, thus to promote mutual growth.

We have operated 6 Innovative Product Experience Zones from April 2021 to February 2023, and at the 6th Innovative Product Experience Zone, we exhibited a total of 19 products, including 8 products that received innovative awards at the CES 2023. These were efforts to provide opportunities for SMEs to expand their sales channels and increase our competitiveness.



Mutual Growth Academy

We have been operating the Mutual Growth Academy since 2016 to enhance the capabilities of partner company employees, providing various education programs. The programs include about 200 online courses on subjects such as management and languages, offline courses affiliated with external agencies, and special lectures by guest instructors, with all costs being covered by LOTTE HIMART.

Financial Support Program

To alleviate the financial burden of SME partners and to help them manage their funds smoothly, we pay the full amount of the product price in cash. In addition, 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 every year, such as Lunar New Year and Thanksgiving Day, to help them focus on sourcing and improving product quality. Furthermore, we provide various financial solutions to support the stable management foundations of partners. Through the Shared Growth Fund raised to a scale of KRW 50 billion jointly with the Industrial Bank of Korea, our partners are given preferential interest rates when taking out bank loans. Specifically, we offer a preferential interest rate of over 2.82%p for loans by SME partners. We also help our SME partners take out bank loans more conveniently based on their delivery payments, through our network loan scheme.

Introduction

Special Report

ESG Management

Environmental

Social

Customer Satisfaction Enhancement

Product Quality Management

Sustainable Partner Management

▶ Talent Attraction and Retention

Human Rights Management

Safe Workplace

Contribution to Local Communities

Information Protection and Data Security

Governance

ESG Factbook

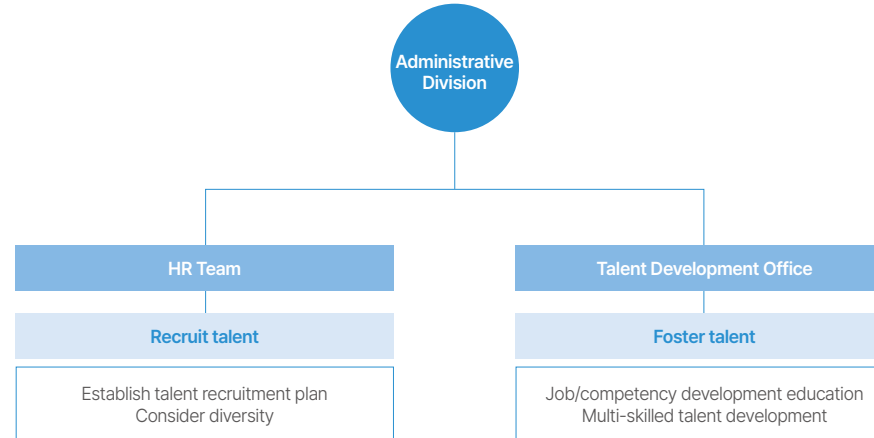
Talent Attraction and Retention

Human Resources Management

Human Resources Management Organizational Structure

We operate various development programs to recruit talents with knowledge and qualities as corporate citizens and to enhance job expertise. These activities are carried out centered on the HR Team and Talent Development Office within the Management Support Division. The HR Team establishes a recruitment plan and selects talents by considering diversity and fairness according to the plan. The Talent Development Office conducts various job training and capacity building programs to foster talent and strengthen capabilities.

▶ LOTTE HIMART Human Resources Management Organizational Chart

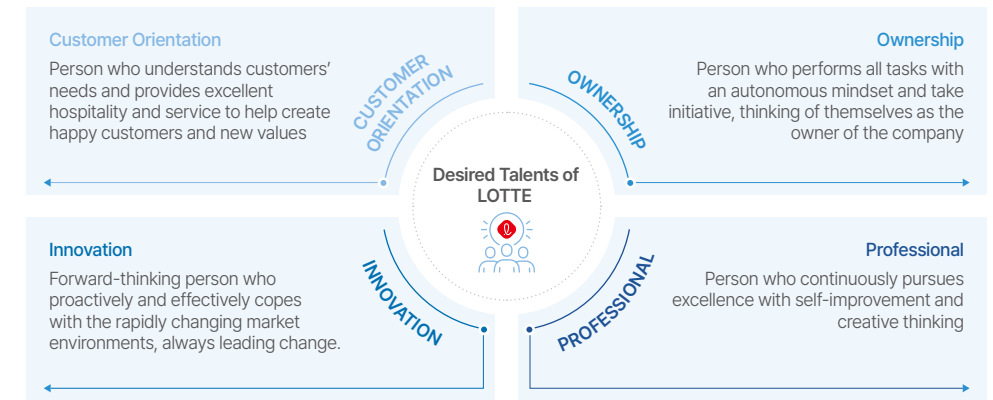


Talent Recruitment System

Talent Recruitment

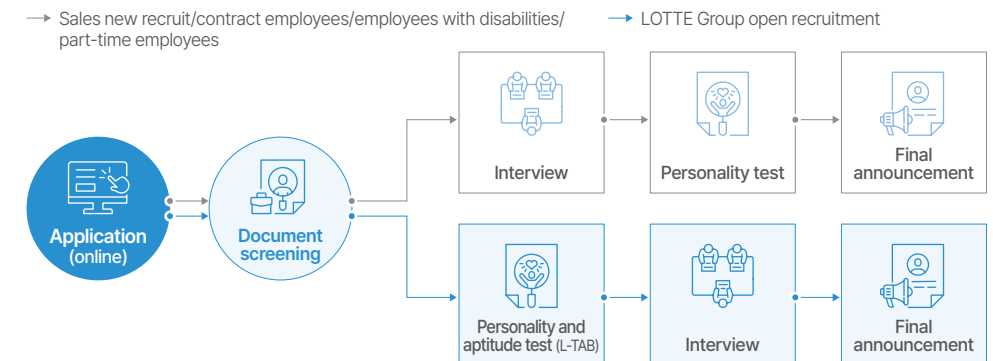
Desired Talents of LOTTE HIMART

As Korea's No.1 home appliance store, we are recruiting outstanding talents who meet our ideals for continuous growth.



Talent Recruitment Process

LOTTE HIMART recruits excellent talents through the systematic recruitment process.

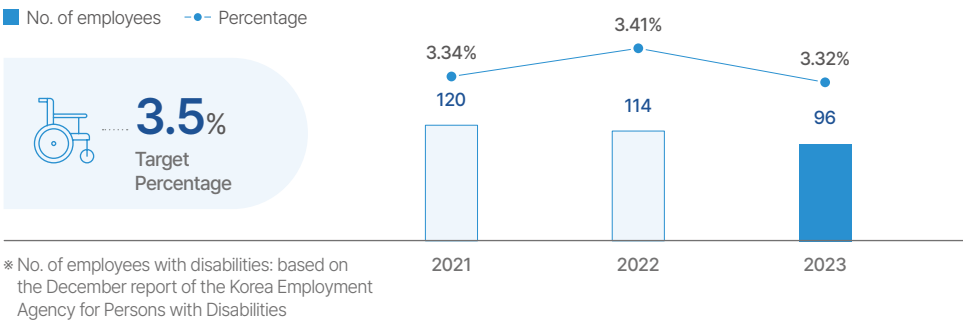


Talent Attraction and Retention

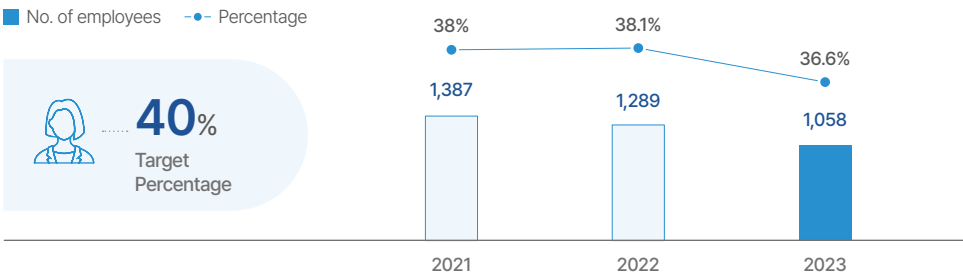
Diverse and Fair Talent Recruitment

We select applicants based on their job competencies without discrimination against gender or disability when recruiting employees. Based on relevant laws, we give preferential treatment to those with disabilities and veterans, and do not collect information regarding marital status or family relations during the recruitment stage to ensure fair recruitment practice. For veterans and foreign nationals, we guarantee equity based on the policy for preferential treatment according to the applicable laws. To enhance workforce diversity, we established goals to achieve at least 3.5% employment of people with disabilities and more than 40% employment of female talents by 2025. In 2023, the employment rate of persons with disabilities was 3.32%, exceeding the mandatory employment rate of 3.1%. Additionally, we consider diversity and fairness when selecting talents, such as by expanding employment by region when recruiting for sales positions at branches.

▶ Recruitment of Employees with Disabilities



▶ Employment Status of Female Talent



Talent Recruitment Activities

Diversification of Talent Acquisition Channels

To increase competitiveness and efficiency of the organization within the rapidly changing market environment, we are transitioning to a job-centered talent recruitment system and at the same time we are striving to recruit excellent talent in the fields of distribution and home appliances through various talent recruitment routes.

Recruiting New Employees

We actively utilize rolling recruitment for hiring new employees to secure adequate talents in a timely manner. We also took part in the LOTTE Group's university recruitment fair in the first half of 2024 and promoted LOTTE HIMART's vision, culture, recruitment process by directly communicating with students preparing for employment.

Recruiting Experienced Employees

Recruiting experienced employees has an advantage in selecting tailored talents who are equipped with expertise and qualifications needed for the business strategy. They not only hold experience and knowledge of the field but also have deep understanding of the network within the industry and market, which become valuable when discovering new business opportunities or establishing market strategies. Additionally, their new perspectives can bring about changes in the existing thinking process or work process, which thus can facilitate innovation of the company and present a new direction for sustainable growth.

Talent Attraction and Retention

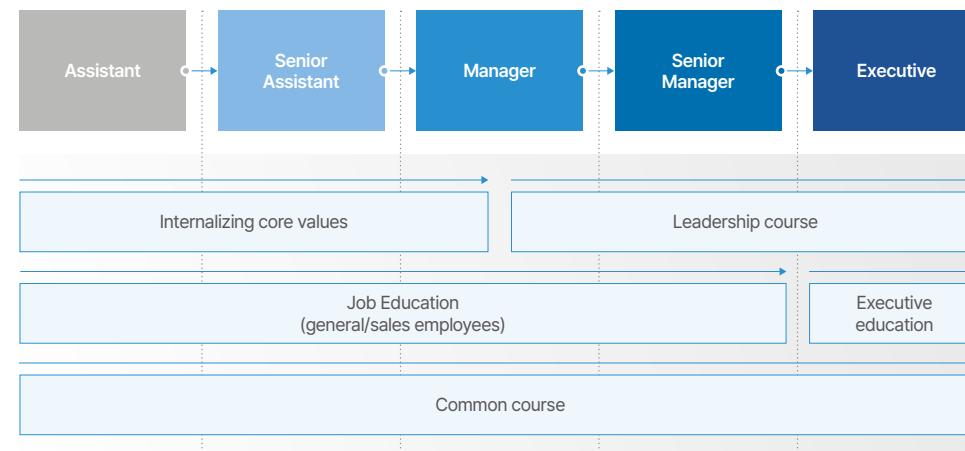
Talent Development System

Talent Development System and Advancement

LOTTE HIMART Talent Development Office establishes and operates a talent development system, and provides tailored education according to the positions and roles of employees. To internalize core values when new sales employees join the company, we conduct introductory education for newly hired SM interns, and we enhance job expertise of our employees through various job training programs, including the curator training course, system development education, new product education, and POS training course.

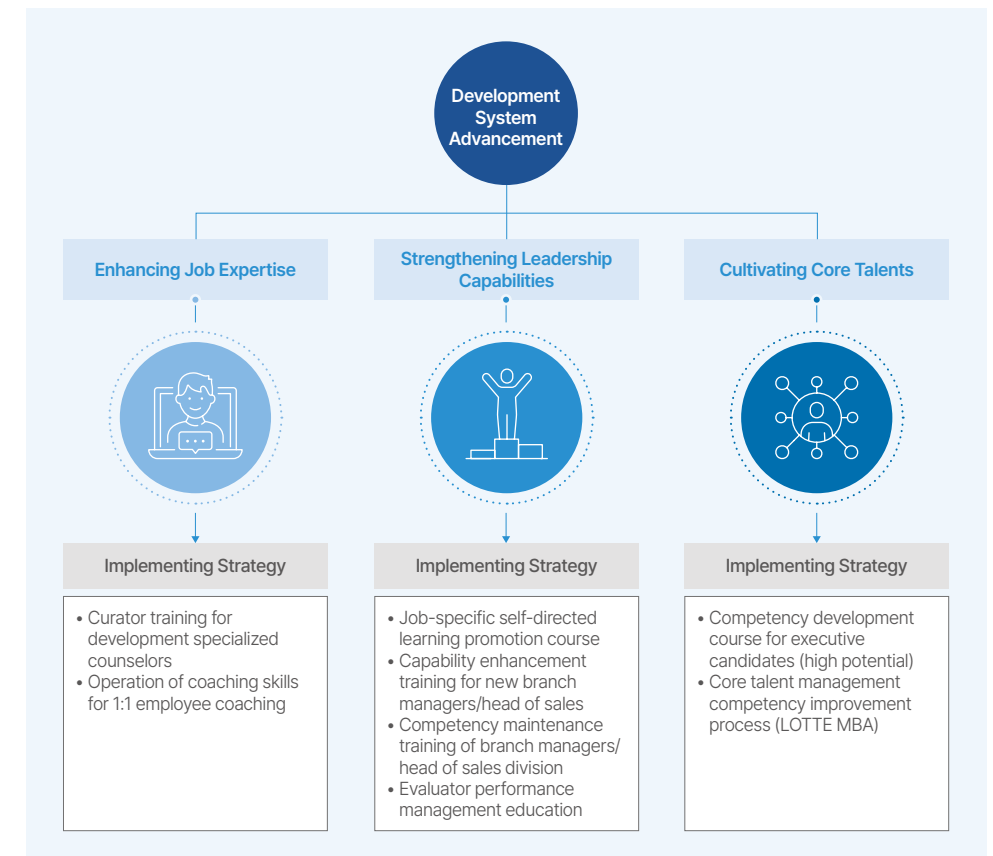
We provide leadership training programs through education for new branch managers and prospective heads of sales division to help them smoothly adapt to their new roles. We also offer programs for executives such as ACP (for promoted executives), ECP (for new executives), and the Leaders Forum (regular training for executives), to reinforce the leadership of management executives. In addition, we provide education materials for all employees every month through platforms such as Touch Class, Easy Learning, and Acropolis, and conduct mandatory legal training, including education for workplace sexual harassment prevention and disability awareness improvement.

Employee Talent Development System



Furthermore, we are advancing our development system in terms of enhancing job expertise, strengthening leadership capabilities, and cultivating core talents. This is operated through each implementation strategy for these matters, and thus, we are practicing talent development.

Implementation Strategies for Talent Development System Advancement



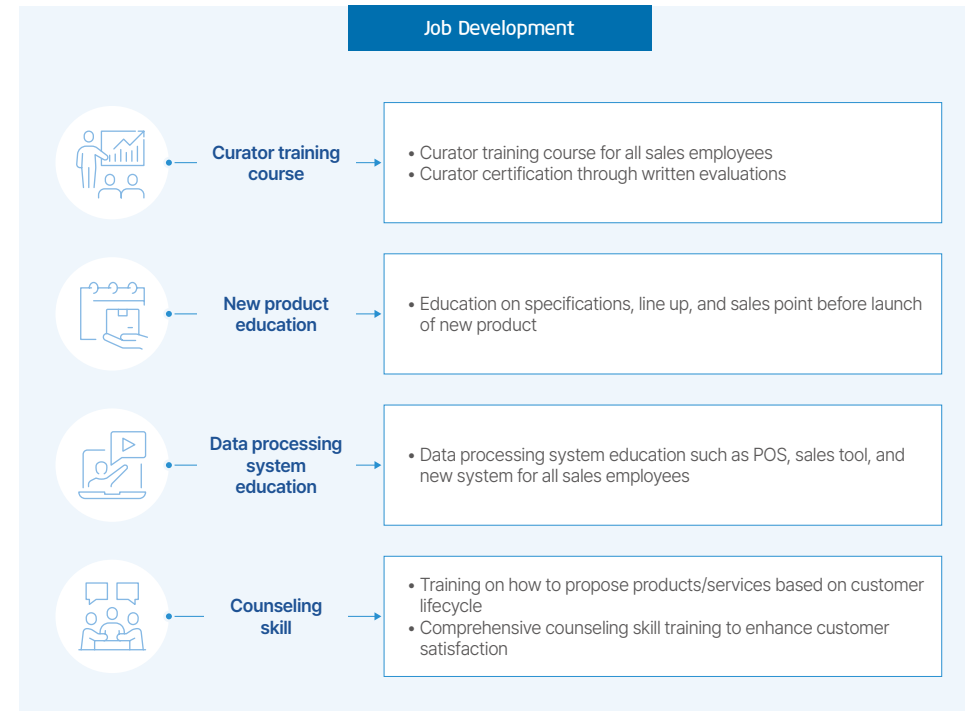
Talent Attraction and Retention

Talent Development Activities

Capability Development Program for Employees

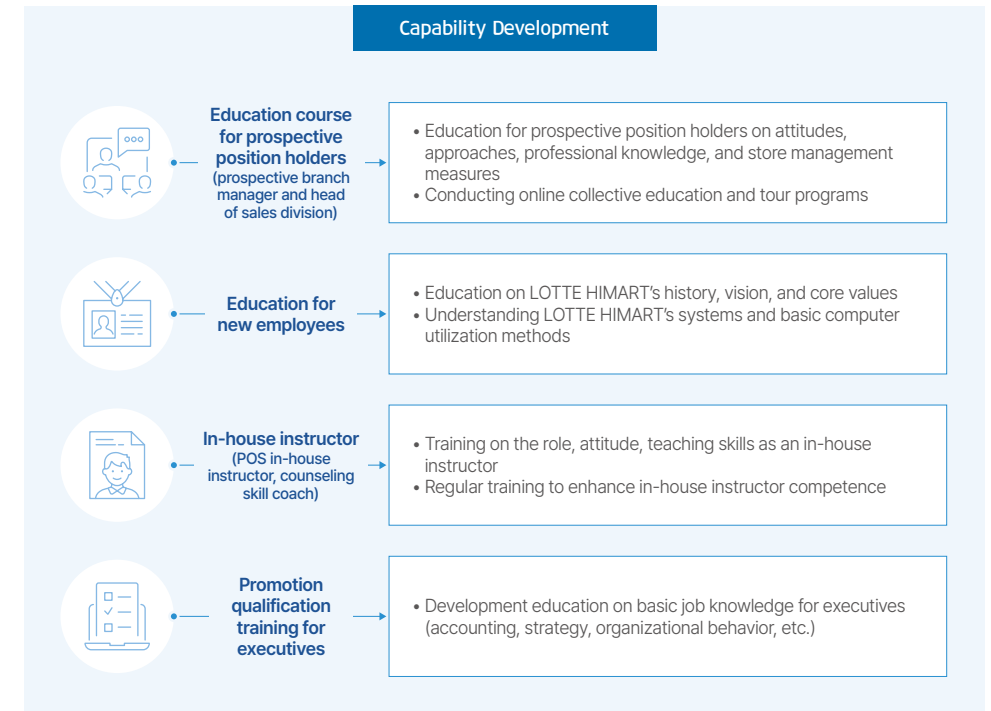
Customer-Oriented Education

We foster 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 customers in recommending the best products through quality consulting services. We are making efforts to enhance customer satisfaction by organizing roleplaying (R/P) evaluations and strengthening the capability for comprehensive counseling.



Fostering Distribution Experts

Our course to foster distribution experts 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 coaching counseling skills to improve customer counseling capacity. As for the career development program, we operate education programs and evaluations by position. We also support employees' competency building, self-development, and degree acquisition through our commissioned academy program, available for all employees.



Talent Attraction and Retention

Fostering Curators

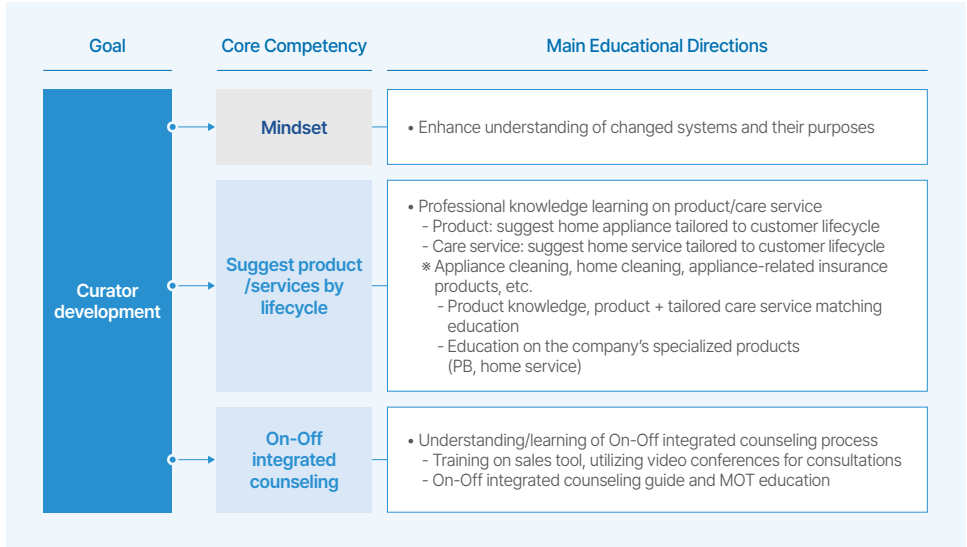
A 'Curator' is a consulting expert who has specialized knowledge of products and services and can provide tailored recommendations to customers based on their lifecycle. In accordance with the direction of fostering counseling experts, the Curator training course curriculum is conducted in 3 stages, introductory, regular, and improvement. Participants will be certified as a 'Curator' after evaluation and when certain standards are met. The course will be carried out quarterly in 2024. We support sales employees to develop into the best counseling experts in the domestic home appliance industry through a step-by-step curriculum and evaluation.

We also operate a coaching system by selecting individuals with outstanding consultation skills as 'consultation skills coaches' to ensure effective Curator training. The 'consultation skills coach' is an on the job training professional leader who educates all employees on the competencies to become a Curator and enables organizational goals. We select the best talent among the field employees as the 'consultation skills coach,' to provide quality counseling and customized suggestions for each customer lifecycle.

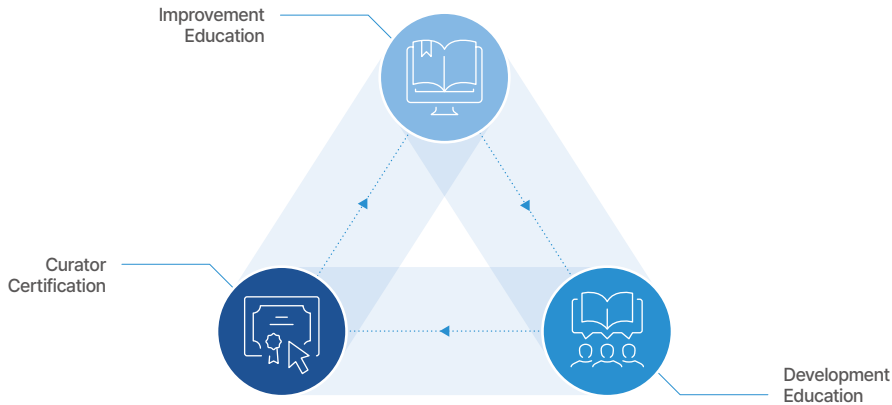
Curator Curriculum

Category		Curator Curriculum		
		Introductory education	Regular education	Improvement education
Target		All employees (including branch managers)	All persons in charge	Employees who need improvement based on training test results
Timeline	1	Nov - Feb	Mar - Apr	May
	2	-	May - Jun	July
	3	-	Sep - Oct	October
	4	-	Nov - Dec	December
Method		• Non-face-to-face education	• Non-face-to-face education+learning evaluation	• Non-face-to-face education+learning evaluation • 1:1 face-to-face education

Curator Development Training Roadmap



Curator Certification System



Introduction

Special Report

ESG Management

Environmental

Social

Customer Satisfaction Enhancement
Product Quality Management
Sustainable Partner Management
▶ Talent Attraction and Retention
Human Rights Management
Safe Workplace
Contribution to Local Communities
Information Protection and Data Security

Governance

ESG Factbook

Talent Attraction and Retention

Self-directed Learning Channel, Touch Class

We operate a mobile-based educational platform 'Touch Class' to support self-directed learning and competence development of employees. We guide employees in self-directed learning through 'My Company' on Acropolis, the LOTTE Group's learning channel. Touch Class contains various content, including job-specific training, mandatory legal education as well as company events and trend education. Employees can conveniently access learning videos on new products and other product-related information anytime, anywhere through 'My Company.'

Computerized Education Program

We are applying latest technologies into our specialized counseling tool, 'Sales Tool,' and internal computerized systems. System development education is conducted regularly every month for employees to smoothly adapt to the changing computer system. In addition, we support employees to learn how to use the Sales Tool by producing video tutorials, making the material available for them to learn repeatedly anytime and anywhere.

Prospective Retiree Assistance System

Through a consignment contract with a specialized training agency for job change, we provide realistic support so that prospective retirees can establish future plans and relieve anxiety, by providing career planning education, job search and employment-linked programs. By conducting 1:1 face-to-face consultation with counselors, we identify the needs for re-employment activities, career alternatives, and life planning support. With this information, we provide job referral service that match the interests for re-employment. As a result, we provided re-employment support programs for a total of 11 voluntary retirees in 2023.

Commissioned Academy Program

We operate a commissioned academy program as part of our efforts to expand employees' educational opportunities and support their 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. In 2023, a total of 12 people obtained their degrees through this program.



LOTTE HIMART Education Program

Introduction

Special Report

ESG Management

Environmental

Social

Customer Satisfaction Enhancement

Product Quality Management

Sustainable Partner Management

▶ Talent Attraction and Retention

Human Rights Management

Safe Workplace

Contribution to Local Communities

Information Protection and Data Security

Governance

ESG Factbook

Talent Attraction and Retention

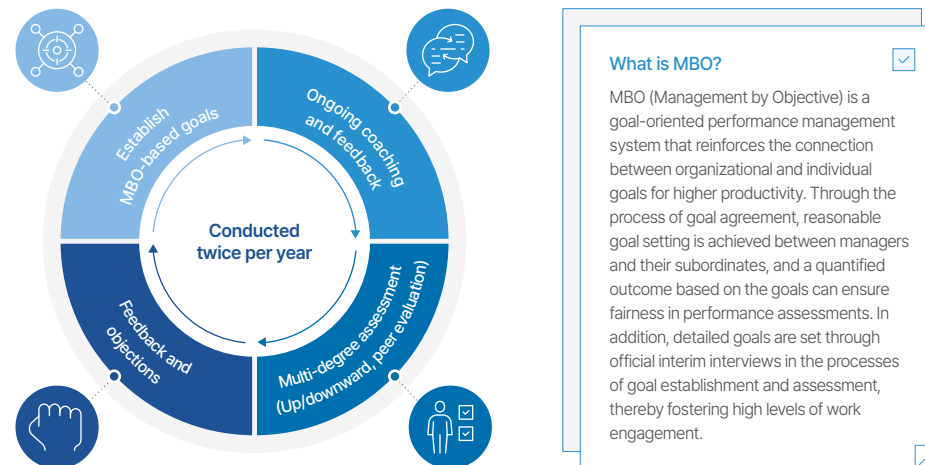
Performance Assessment and Compensation Framework

Performance Assessment and Compensation 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. Based on the MBO system, the performance assessment is conducted for all employees, including contract workers in the first and second half of each year, and consists of two main areas which are the team and individual performance assessment and job competency, and qualitative competency evaluation such as values. We also strengthen communication within the organization and promote performance improvement through advanced HR evaluation systems such as interim interviews, objection systems, and a 360-degree multi-faceted evaluation.

LOTTE HIMART's wage system is designed to create a proud workplace by rewarding different performance-based bonuses and providing differentiated allowances based on roles and responsibilities. Branch managers receive differentiated allowance based on the size of their respective stores. We also provide differentiated position allowances for regional managers, team leaders and managers to promote productivity.

▶ Performance Assessment System



360-Degree Multi-Assessment

We conduct a 360-degree multi-assessment policy to comprehensively evaluate individual and team performance, and to support improvement and development. Employee productivity is enhanced through labor competency assessment through upward and downward feedback between positions. We also reinforce collaboration and communication within and between departments through peer evaluations to achieve organizational performance enhancement.

Interim Interview

We implement an interim interview system to enhance employee communication. Through the L-listen, superiors and their subordinates are able to continuously exchange coaching and feedback on performance and capabilities. This allows employees to identify strengths and areas for improvement, and thereby enhance organizational efficiency.

Objection System

In order to ensure fair performance assessment and protect the rights of employees, we have implemented a system for those who believe there are differences between their accomplishments and their assessment results to file objections. We inform all employees about the procedures and deadlines for filing objections after announcing the results of the first and second half assessment results. Employees are able to directly apply to the HR department without obtaining approval from their superiors. During the initial interview, we determine the acceptance of the objection and for those not accepted, we hold an assessment deliberation committee to ensure fairness and transparency, and promote opinion diversity within the organization.

Introduction

Special Report

ESG Management

Environmental

Social

Customer Satisfaction Enhancement
Product Quality Management
Sustainable Partner Management
▶ Talent Attraction and Retention
Human Rights Management
Safe Workplace
Contribution to Local Communities
Information Protection and Data Security

Governance

ESG Factbook

Talent Attraction and Retention

Employee Welfare

Work and Life Balance

By establishing employee welfare policies, we operate various programs such as the flexible work system to help all members of the organization, including contract workers, achieve work-life balance and work more enthusiastically

▶ LOTTE HIMART Welfare Programs

1

Flexible work system

- Allowing employees to choose their preferred working hours from 5 options (7:00, 8:00, 8:30, 9:00, and 10:00 AM).
- Compensatory leave for overtime work

2

PC ON/OFF

- Switching computers on and off based on working hours in sync with the flexible work system
- Switch on: 5 minutes before the working hours/ Switch off: 5 minutes after the working hours
- Computers not available during holidays, annual leave, and vacations
- Fostering a work culture that complies with the 52-hour workweek system

3

Annual leave system

- Gifts for employees taking annual leave on their or their family member's birthdays or wedding anniversaries.
- Refresh Leave: Reimbursement of accommodation costs for up to 2 nights for employees taking 3 or more days of annual leave
- 2 annual leaves used as vacation

4

Family-friendly events

- Holding family-friendly events 1-2 times a year, such as inviting employees' families to theme parks

5

HI-FIVE

- Allowing employees to leave early on their or their spouses' birthdays and wedding anniversaries

6

Company resorts

- Free access at company resorts in Sokcho and Gangneung

7

Anniversary gifts

- Provision of cake vouchers and L.POINT on employees' or their spouses' birthdays and wedding anniversaries

8

Relocation support

- Financial support for relocation expenses (such as rent deposit interest, monthly rent, and moving costs) for employees assigned to a location more than 50 km away from their family residence

9

Holiday gifts

- Delivering gifts to employees' home or workplace during holidays such as Lunar New Year and Chuseok

Talent Attraction and Retention

Corporate Culture System

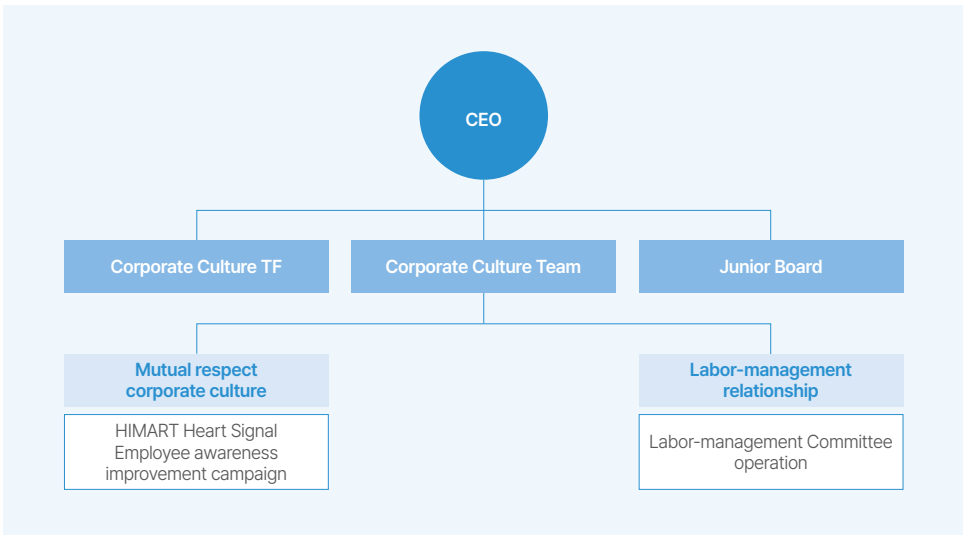
Organizational Structure for a Sound Corporate Culture

LOTTE HIMART's Corporate Culture Team establishes a corporate culture that is employee-centered and based on mutual respect. The team carries out activities to improve corporate culture, foster a cooperative labor-management relationship, and support effective communication so that voices from the field can be delivered to management.

Task Force for Corporate Culture

We operate a Task Force (TF) for corporate culture directly under the CEO. Employees are selected taking into account the diversity in duties, positions, ranks, and gender. Based on the results of the value creation culture diagnosis, the members establish and implement specific change initiatives. The TF meets monthly to establish tasks and collaborates with relevant departments to improve corporate culture.

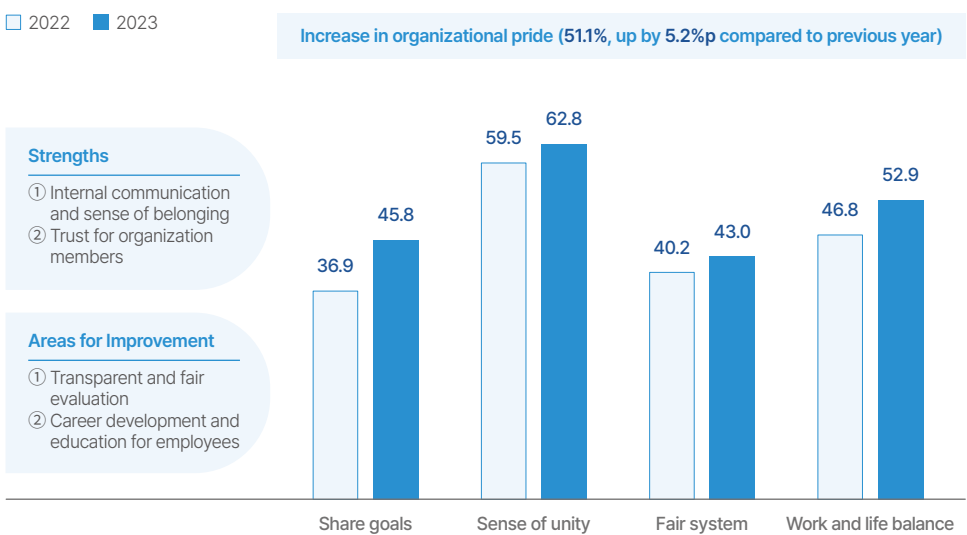
▶ Corporate Culture Management Organizational Structure



Corporate Culture Diagnosis

To collect various opinions from employees and improve corporate culture, we conduct quarterly internal corporate culture diagnosis and also implement a value creation culture diagnosis by LOTTE Group once a year. This includes surveys on happiness, corporate values, and social values of all LOTTE HIMART employees. Through these diagnoses, we identify areas that need improvement and strive to make practical improvements. In 2023, we achieved an increase of 1.2 points compared to 2022 through various activities for the improvement of corporate culture.

▶ Value Creation Culture Diagnosis Results



Introduction

Special Report

ESG Management

Environmental

Social

Customer Satisfaction Enhancement

Product Quality Management

Sustainable Partner Management

▶ Talent Attraction and Retention

Human Rights Management

Safe Workplace

Contribution to Local Communities

Information Protection and Data Security

Governance

ESG Factbook

LOTTE HIMART

Sustainability Report 2023

Talent Attraction and Retention

Corporate Culture Improvement Activities

Member-Centered Corporate Culture

Family-friendly Company Certification

In 2015, LOTTE HIMART was the first in the industry to acquire the family-friendly company certification from the Ministry of Gender Equality and Family of Korea, and have maintained the certification for 9 consecutive years. We have established an excellent family-friendly management system and operate family-friendly policies to support employees' work and life balance, as well as contributing to enhancing national competitiveness.

Junior Board

The Junior Board, which is the CEO's hot line communication group, consists of up to 6 assistant managers (Senior Assistants) as of 2023. Junior Board members hold a meeting with the CEO once a month, and post the results through the Leader's Message. The members deliver opinions of employees obtained from site visits and select various topics every month to propose new ideas and perspectives during the meeting.

Fearless Leader

Fearless Leader is a program that selects innovative leaders based on empathic leadership among members. All employees recommend a leader (manager, executives) through a mobile phone survey, and a screening group composed of 5 junior board directors evaluates, selects and awards the Fearless Leader. In 2023, starting from the second quarter, a total of 3 Fearless Leaders were selected, one per each quarter.

Corporate Culture of Mutual Respect

HIMART Heart Signal

Starting from 2023, we have prepared a system on our company website where employees can send hearts to their colleagues to express gratitude. We also increased employee engagement by awarding employees and departments who receive the most hearts. Through this, we are able to create an atmosphere of mutual appreciation.

Employee Awareness Improvement Campaign

We conduct monthly awareness improvement campaigns focused on fundamental aspects such as honorific title usage, using annual leave, phone etiquette, and eradicating sexual harassment in the workplace.

Labor-Management Relations of Cooperation and Win-win

We operate the Labor-Management Committee on a quarterly basis to achieve labor-management cooperation through an inclusive, communicative culture. Through the committee, we enhance work efficiency, preemptively identify major risks related to labor practice, and improve the work environment. The Labor-Management Committee is composed of 6 labor representatives and 6 management representatives. Various topics such as working conditions and welfare benefits are discussed, especially focusing on challenges in the workplace. In 2023, 4 regular and ad-hoc meeting were held, covering various topics related to working environment and other relevant issues.

Introduction

Special Report

ESG Management

Environmental

Social

Customer Satisfaction Enhancement

Product Quality Management

Sustainable Partner Management

▶ Talent Attraction and Retention

Human Rights Management

Safe Workplace

Contribution to Local Communities

Information Protection and Data Security

Governance

ESG Factbook

Talent Attraction and Retention

Special interview



Our strength begins with communication.

LOTTE HIMART Corporate Culture Team
Jong Bin Jeon (SA)

I consider the year 2023 to have been a year where communication among members of our organization was at its peak. The CEO conducted quarterly Heart Talk (face-to-face and non-face-to-face) meetings, personally meeting with employees to share the vision and direction of the company. I believe that this enabled all employees, including me, to clearly understand the meaning and purpose of individual work

In addition, our team organized monthly Hope Day events with relevant departments to break down barriers between positions and ranks, and provide refreshment to employees who are tired from work. Employees who seemed awkward at first, showed smiles they had never shown during work while engaging in various games and prize draws. Through this time of communication, it brought about a sense of unity among HIMART members, where we pursued a common goal.

For an organization to function organically, I believe that organizational strength and great synergy can emerge from two-way communication rather than from one-way communication. The Corporate Culture Team will continue to strive to create an organizational culture that embraces various opinions and creates synergy. Please join us all together! Thank you very much.



Hope day event



Heart Talk

Introduction

Special Report

ESG Management

Environmental

Social

Customer Satisfaction Enhancement

Product Quality Management

Sustainable Partner Management

Talent Attraction and Retention

▶ Human Rights Management

Safe Workplace

Contribution to Local Communities

Information Protection and Data Security

Governance

ESG Factbook

Human Rights Management

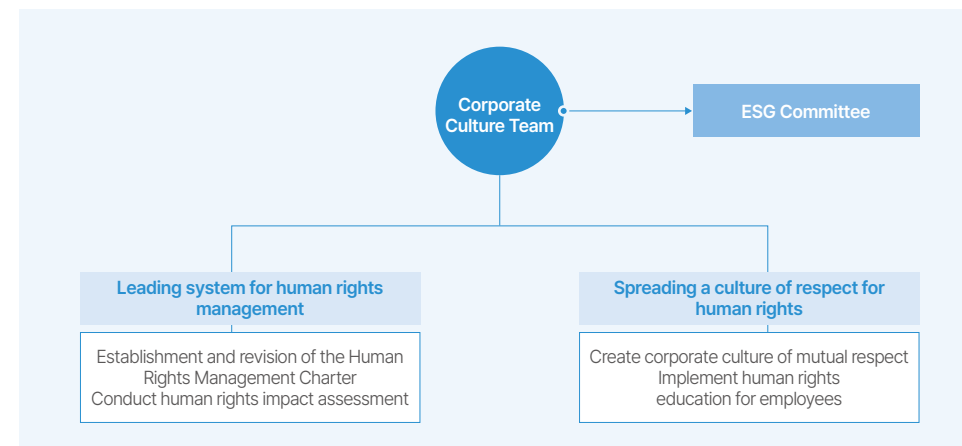
Human Rights Management System

Organizational System

We promote company-wide human rights management centered on the Corporate Culture Team, which is a department dedicated to human rights management. The Team established the Human Rights Management Charter, providing clear guidelines for all internal and external stakeholders of LOTTE HIMART to practice human rights management, and set up the implementation plan accordingly.

When human rights-related risks are identified, reports are received regarding the victim's damages and investigation is carried out based on the principles of confidentiality and victim protection. If the investigation results require disciplinary review, the Personnel Committee conducts the review and measures are implemented to protect the victim and prevent recurrence. Human rights risks are specified in the ESG Committee regulations and reviewed at the board level. In addition, we conducted human rights management policy education for all employees in November 2023, and raised awareness on human rights among employees through a human rights management campaign.

▶ Human Rights Management Organizational Structure

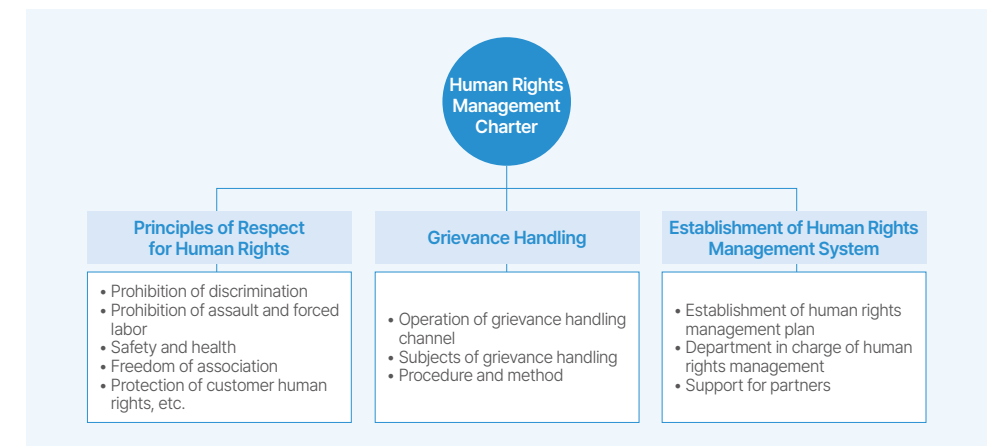


Human Rights Management Charter

We have established and are implementing the Human Rights Management Charter to respect the human rights of our members and all other stakeholders in accordance with humanism, and to eliminate risks of human rights violations that may occur during business operations. This Charter is applied to all of our employees, and employees comply with the Charter not only with internal members but also with partner company employees, customers, and other stakeholders. Respecting internationally-recognized laws and principles on human rights, we protect and promote the rights of our internal and external stakeholders, including vulnerable groups such as employees under the age of 18 and women. When related issues arise, we provide appropriate remedies to protect victims and we fulfill our social responsibility as a key member of the society by establishing a corporate culture that respects human rights. Our human rights system is based on and strictly adheres to relevant international and domestic standards and guidelines, including the Universal Declaration of Human Rights, UN Global Compact, OECD Guidelines for Multinational Enterprises, ILO Fundamental Conventions, Guidelines on Human Rights Management for Public Institutions (NHRC), and the Human Rights Management Guidelines (Ministry of Justice).

[LOTTE HIMART Human Rights Management Charter](#)

▶ LOTTE HIMART Human Rights Management Charter



Introduction

Special Report

ESG Management

Environmental

Social

- Customer Satisfaction Enhancement
- Product Quality Management
- Sustainable Partner Management
- Talent Attraction and Retention
- ▶ Human Rights Management
- Safe Workplace
- Contribution to Local Communities
- Information Protection and Data Security

Governance

ESG Factbook

Human Rights Management

Risk Management

Human Rights Impact Assessment and Future Plans

By conducting a human rights impact assessment from July to August 2023, we are striving to identify and manage human rights risks through investigating, predicting, and assessing the impacts on human rights. We conducted the assessment based on the human rights impact indicators of the Korean Management Registrar, evaluating a total of 220 indicators across 9 categories with employees from 9 relevant departments for each indicator.

▶ Human Rights Impact Assessment Implementation Items

Category	Details	No. of items/ No. of indicators
Human rights management system and remedial procedures	Reliability and effectiveness of company and human rights system	12/56
Prohibition of child labor and forced labor	Prohibition of child employment and coercive forms of labor	4/24
Guarantee freedom of unity and association	Guarantee of freedom to form and engage in labor unions	4/24
Non-discrimination in employment	Prevent discrimination against race, religion, disability, gender, etc.	8/35
Responsible supply chain management	Maintain business relationship that does not infringe on human rights	4/16
Industrial safety and health	Implement measures to ensure occupational health and safety	6/22
Guarantee of environmental rights	Efforts to prevent environmental pollution and global warming	4/17
Protection of local resident human rights	Protect human rights of local residents of areas where the business site is located	2/6
Protection of customer human rights	Ensure safety of products and protect various customer rights and interests	4/20

As a result, we achieved 100% positive response rate in 6 categories including non-discrimination in employment, industrial safety and health, and protection of customer human rights. We attained a high level of evaluation scores with an average positive response rate of 91%, excluding non-applicable indicators related to overseas operations.

However, areas for improvement have been identified, such as the absence of a Human Rights Management Committee within the human rights management system and remedial procedures, lack of monitoring procedures for partner companies' human rights protection status in the responsible supply chain management category, and absence of procedures for addressing human rights violations by partner companies.

Regarding the areas identified for improvement, we will establish and operate a Human Rights Management Committee composed of relevant departments of our company, employee representatives, and external experts such as labor firms. We will sign agreements on compliance with the partner company's Code of Conduct when entering into a new or extended contracts, and if violations by partners are identified, we will investigate the violation and take relevant measures for improvement.

We will conduct human rights education for employees annually to identify and prevent potential human rights risks in the future, and plan to measure the changes in awareness. We will continue to strengthen activities to create mutual understanding and enhance the internalization of a culture respecting human rights to advance our human rights management. Additionally, we will evaluate members' awareness of key human rights management areas and the effectiveness of the system through annual human rights impact assessments, and identify and improve the issues.

Human Rights Management Activities

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 (4 from the Corporate Culture Team, including 1 in-house labor attorney). Employees can report grievances through various channels, and the reported 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. Moreover, we have reinforced preventive activities through the employee in charge of corporate culture, and by establishing a follow-up management process, grievances that arise from the field are managed in advance. In 2023, the number of handled grievances through the grievance handling system was 48 cases. All reports were handled according to the internal procedures, including caution and disciplinary action, and measures were taken to prevent recurrence.

Introduction

Special Report

ESG Management

Environmental

Social

Customer Satisfaction Enhancement
Product Quality Management
Sustainable Partner Management
Talent Attraction and Retention
▶ Human Rights Management
Safe Workplace
Contribution to Local Communities
Information Protection and Data Security

Governance

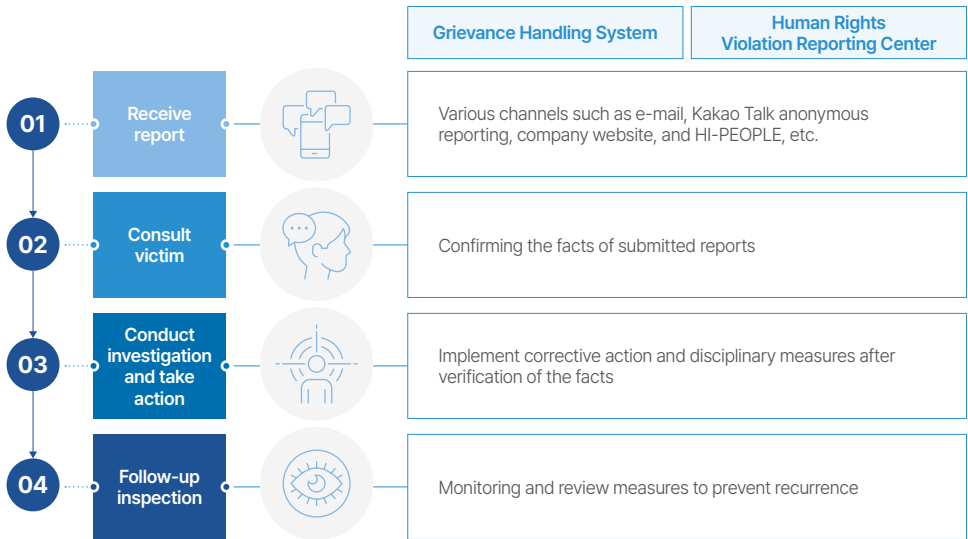
ESG Factbook

Human Rights Management

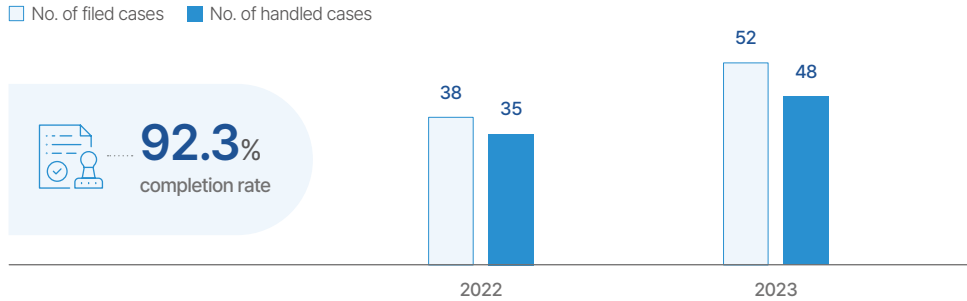
Human Rights Violation Reporting Center

We have launched and are operating a human rights violation reporting center on our website to ensure that not only our members, but also employees of partner companies, customers, and everyone else we come into contact during business operations can promptly report human rights abuse cases and receive appropriate measures. We guarantee the confidentiality of the report and pay special attention to prevent secondary damages. The processing of the reports, such as investigations, is conducted objectively, focusing on clear evidence. In 2023, there were no cases reported on human rights violations through the reporting center. In the event of a human rights violation report, we confirm the facts, implement corrective actions, and conduct internal disciplinary actions if needed. We also establish measures to prevent recurrence and perform continuous monitoring. Separately, cases that are not related to human rights issues are forwarded to the relevant departments for processing.

▶ Grievance Handling and Human Rights Violations Reporting Process



▶ No. of Submitted/Handled Grievances



Human Rights Education for Employees

LOTTE HIMART conducts human rights education for all employees, including contract workers, to prevent human rights violation incidents and enhance awareness. Online education sessions and distributing prevention guides are carried out once a year to all employees. Through education programs with topics related to workplace bullying, sexual harassment, and improving awareness of the disabled, we are not only fulfilling the legal education obligations for employees but also are internalizing a high level of human rights awareness. Additionally, through the in-house online learning channel (Touch Class), we re-educate the human rights management charter and make it available for continuous access.

▶ Regular Education on Human Rights

Category	Human rights management policy	Workplace bullying prevention	Workplace sexual harassment prevention	Improving disability awareness
Objective	Internalization of the human rights management charter and promotion of the human rights violation reporting center	Prevention of physical and mental suffering of employees and deterioration of working environment	Protection of employees' rights of sexual self-determination and prevention of related deterioration of working environment	Creation of stable work environments for employees with disabilities
Operation	Once a year	Once a year	Once a year	Once a year
Targets	All employees	All employees	All employees	All employees
Other	On-line education (Touch Class)	Distribution of prevention guidelines	Distribution of prevention guidelines	On-line education

* Additional education on human rights is conducted as needed.

Safe Workplace

Safety and Health Management System

With the goal of having zero industrial accidents, we have established a safety and health system based relevant laws, including the Occupational Safety and Health Act, the Electrical Safety Control Act, and the Framework Act on Firefighting Services. This system is applied to all employees within the entire workplace, including pregnant women, old and weak, and those with disabilities, 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. We have also created and distributed our own safety management manual to ensure consistent safety management. Meanwhile, we provide practice-oriented education for our employees to acquire and practice proper safety management standards. We are also supporting the safety management activities of partners, such as by operating VR experience zones.

Safety and Health Management Policy

LOTTE HIMART Safety and Health Management Policy

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

- ① Place top priority on safety and health: All our policies shall place the utmost priority on safety and health.
- ② Establish an accident prevention culture: Establish and mitigate potential risk factors in all business sites to foster a culture that proactively prevents dangerous situations.
- ③ Promote employees' active participation: Provide continuous assistance to employees and promote their active participation for the company's safety and health environmental improvement.
- ④ Establish a swift response system: Establish an accurate and swift emergency response system through continuous education
- ⑤ Comply with laws and regulations: Strictly comply with internal and external laws and regulations in relation to safety and health.

Safety and Health Management Organizational Structure

We have established and are operating a safety and health management system under the leadership of the Chief Safety and Health Officer, and the Safety and Health Committee is convened monthly to ensure collaboration among relevant departments. Each division head, under the Chief Safety and Health Officer, supports related tasks, and the Safety Management Team of the headquarters handles operation of safety and health management. The Safety Management Team is composed of those in charge of safety planning and safety operations, and their main responsibilities are prevention of serious accidents, management of safety and health management system, risk assessment, and site inspections.

▶ Safety and Health Management Organizational Chart



Occupational Health and Safety Committee

The Occupational Health and Safety Committee meeting is held every quarter, composed of an equal number of user and worker representatives. The committee regularly reviews and discusses safety and health-related issues, such as policies on industrial accident prevention and education plans on safety and health. Some of the Occupational Health and Safety Committee's agenda will be submitted to become agenda items to report to the board, and these items receive board approval once a year. The results of the committee meeting are transparently disclosed through the in-house intranet available for all employees to access.

Introduction

Special Report

ESG Management

Environmental

Social

Customer Satisfaction Enhancement
Product Quality Management
Sustainable Partner Management
Talent Attraction and Retention
Human Rights Management
▶ Safe Workplace
Contribution to Local Communities
Information Protection and Data Security

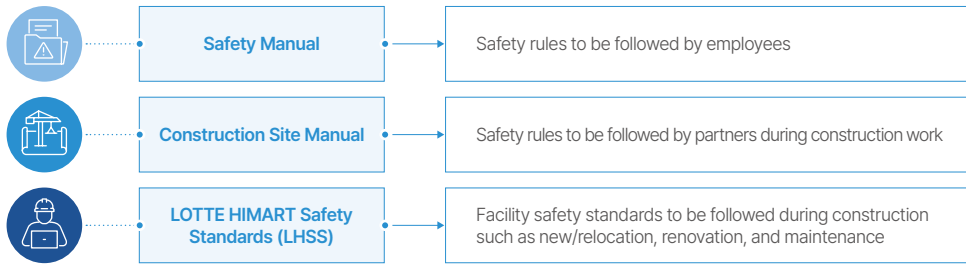
Governance

ESG Factbook

Safe Workplace

Development and Operation of Safety Manual

By classifying and defining the safety management manual design standards based on the Occupational Health and Safety Act, we strive to secure safety in the workplace from the design stage. We also reflect the latest regulations on firefighting, electricity, and architecture through revising the safety management standards twice a year. We produce and distribute safety management manuals for all workplaces to practice safety management with the same standards, and we update the safety management manual for all business sites regarding risk factors identified through safety inspections, which are carried out twice a year.



Safety and Health Management System Certification

We acquired the ISO 45001 certification in 2023. ISO 45001 is an international standard for industrial health and safety management system for employee safety. Through ISO 45001 certification, we implement our responsibilities regarding safety and health of stakeholders, including our employees, and also expect that it will help us achieve our safety and health goals by upgrading the safety and health system and overall process. We will continuously renew the ISO 45001 certification, maintain the safety and health management system to meet global standards, and promote safety and health management for employees.



ISO 45001 certificate

▶ LOTTE HIMART Safety and Health Certification Status

Category	Status
No. of target workplaces ¹⁾	22
No. of workplaces that acquired certification ¹⁾	22
Certification rate	100%
Certification valid period	December 4, 2023~December 3, 2026

1) Certified workplaces: headquarters, 11 distribution centers, 10 branches

Response to Serious Accidents Punishment Act

We strictly manage workplace safety and health to provide a safe working environment to all members, and establish and operate a systematic safety and health system in order to achieve zero accidents in the business sites. All employees comply with the standards and procedures for suspending hazardous work and have the right to stop such work and evacuate the workplace in the event of a hazard. The Chief Safety and Health Officer does not impose unfavorable treatment on employees when a reasonable reason is recognized for such suspension of work. Afterward, we prevent recurrence of similar cases through eliminated risk factors and preparing measures for prevention, and also strengthen the safety of all workers by improving the safety and health management system.

▶ Safety and Health System to Prevent Serious Accidents

Category	Details	Category	Details
①	Preparing company-wide safety regulations and manuals	⑥	Operating Occupational Safety and Health Committee
②	Placing a safety manger in every region	⑦	Providing regular safety and health education for employees and supervisors
③	Conducting company-wide safety inspections and improving 100% of risk factors (twice a year)	⑧	Inspecting the safety of workers and the state of facilities in construction sites
④	Conducting period and issue-specific inspections	⑨	Conducting accident prevention campaigns and training
⑤	Assessing and resolving risks on all business sites	⑩	Operating the Safe Master system (to foster safety experts)

Introduction

Special Report

ESG Management

Environmental

Social

Customer Satisfaction Enhancement
Product Quality Management
Sustainable Partner Management
Talent Attraction and Retention
Human Rights Management
▶ Safe Workplace
Contribution to Local Communities
Information Protection and Data Security

Governance

ESG Factbook

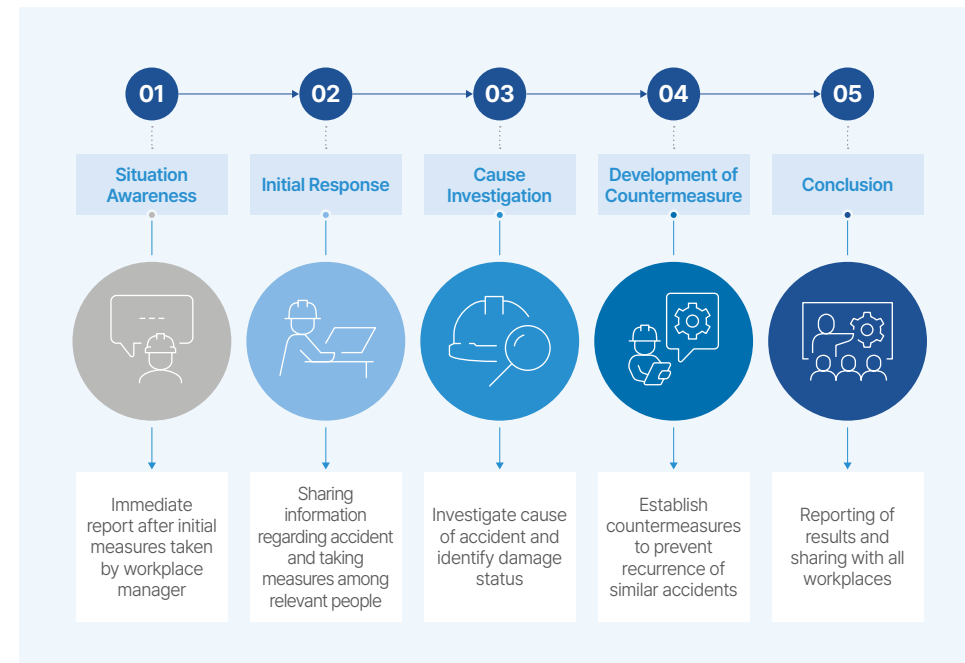
Safe Workplace

Accident Response Process

We have established and are operating an accident response process for all business sites and employees. This process consists of 5 stages: situation awareness, initial response, investigate cause, development of countermeasure, and conclusion.

In addition, to quickly respond to emergencies such as accidents or natural disasters, we develop and evaluate emergency scenarios and conduct education and training for emergency response at least once a month. The Chief Safety and Health Officer, along with the Safety Management Team, oversees and manages all tasks related to emergency situations, and conducts training for all employees to prevent recurrence.

▶ Accident Process Flow Chart



Special interview



Ensuring a healthy workplace for the body and mind

LOTTE HIMART Safety Management Team
Gyu Ri Kim (Junior Assistant)

Recently, social interest in the field of safety and health has been increasing. In light of this, safety management tasks play an important role in protecting workers' physical and mental health, responding to various regulatory changes, and providing a safe working environment.

The Safety Management Team operates a safety and health management system with the goal of achieving 'ZERO industrial accidents' to ensure the safety of employees and customers. By acquiring ISO 45001 certification, we have further developed our safety and health system and related processes, and we are strengthening communication with the field by listening to workers' opinions. Additionally, we regularly operate safety and health councils and joint inspections with our partners to maintain a close, cooperative relationship.

In 2023, thanks to the active cooperation and support of all our employees, LOTTE HIMART was honored to receive the Grand Prize in the safety management evaluation among LOTTE Group's affiliates. Through continuous improvement activities, we will do our best to make LOTTE HIMART a workplace where we can work healthily both physically and mentally, beyond preventing safety accidents.



Safety Management
Grand Prize

Introduction

Special Report

ESG Management

Environmental

Social

Customer Satisfaction Enhancement
Product Quality Management
Sustainable Partner Management
Talent Attraction and Retention
Human Rights Management
▶ Safe Workplace
Contribution to Local Communities
Information Protection and Data Security

Governance

ESG Factbook

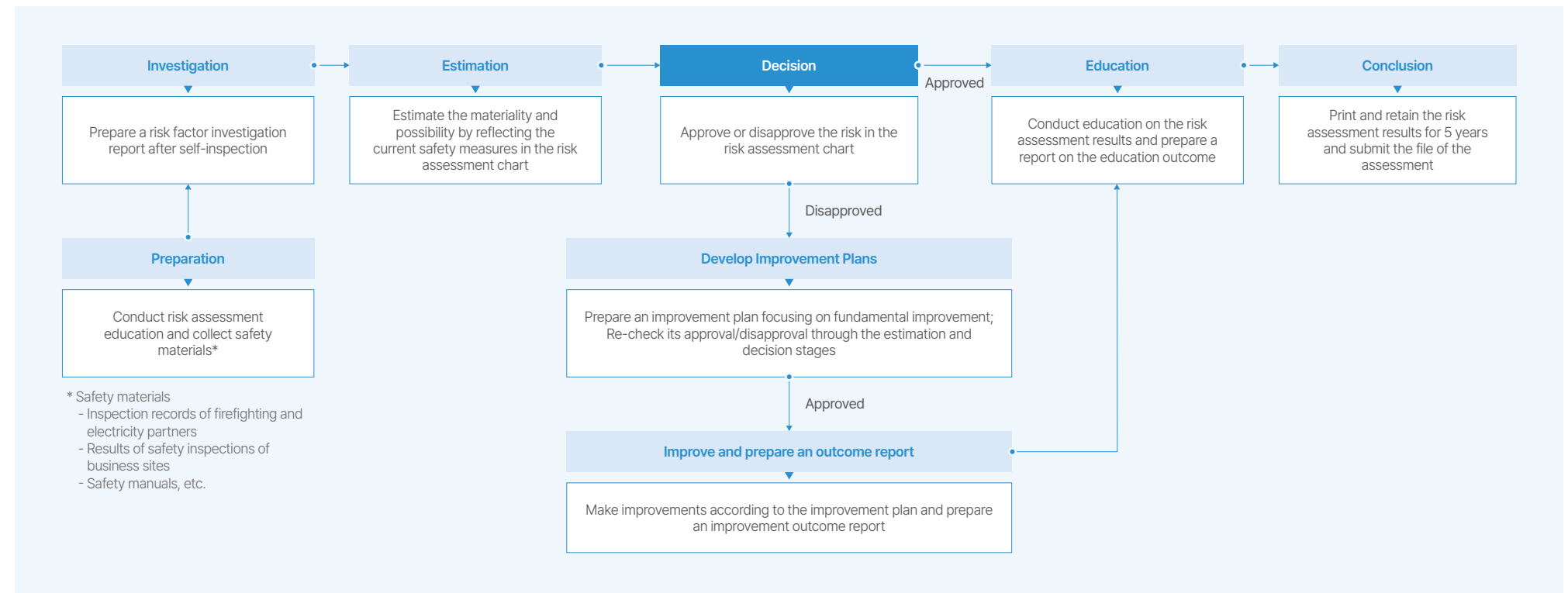
Safe Workplace

Risk Management

Risk Assessment

To manage safety and health risks, we conduct risk assessments with the participation of all employees of all business sites at least once a year. The risk assessment is an activity where the workplace identifies risk factors and makes improvements, and can be considered as the core of safety accident prevention system under the Serious Accidents Punishment Act and Occupational Safety and Health Act. We identify risks through inspections and listening to workers' opinions, and carry out improvement measures for identified risk factors to mitigate risks related to safety and health. By regularly reviewing and discussing the appropriateness and effectiveness of the risk assessment results once a half year, we also check key risk factors, areas in need of investment, and recurrences. Through management review, we transparently disclose the deliberated agenda items and discussion results on the in-house intranet.

▶ Risk Assessment Process



Safe Workplace

Safety and Health Activities

Safety and Health Prevention and Management

Appointment of Safety Managers for Each Area

We place a safety manager with safety-related certifications for each area. They conduct inspections by visiting business sites (stores/distribution centers) throughout the country as well as training to prevent accidents to minimize potential safety blind spots undetected and actively communicate with the field.

Employee Healthcare

We strengthen our healthcare services for employees, including health checkups and follow-up management, by operating a health service room at the headquarters, staffed with a healthcare manager. We carry out comprehensive health checkups once a year, and also track and manage those who received abnormalities in their results through interviews to prevent work loss and enhance the quality of workers' lives. In particular, the healthcare manager conducts face-to-face consultations with those who already are suffering from diseases or are in high-risk groups. In addition, we are continuously monitoring noise and dust, which can occur in the working environment, and strive to create a comfortable work environment through workplace measurements.

Safety and Health Management of Partners

We perform various support activities to create a safe workplace environment of partners. Through the monthly Safety and Health Committee meetings, we promptly share and address safety management status and legal issues and make improvements. For high-risk tasks and key facility management such as firefighting and electricity, we organize meetings with our partners at least once a year to actively support and address difficulties or areas requiring improvement. In addition, we provide supplies and educational material when necessary for fire safety training conducted by our partners, making efforts to maintain a cooperative relationship with them. Furthermore, we evaluate the safety level of partners implementing dangerous tasks such as construction, facility management, and maintenance, to manage the eligible supply and demand of partners. For partners below the standard score will receive penalties for a certain period of time.

Inspections for Safety Accident Prevention

We conduct safety inspections for all business site at least twice a year. The regional safety manager, who are experts in each field such as firefighting and electricity, visits the sites, identifies and eliminates risk factors that may cause safety accidents including fire or electric shock. We also conduct safety inspections for construction sites more than 3 times per week, and evaluate the compliance of safety rules of partners. Partner companies are checked for conducting their own risk assessment, developing safety plans and its compliance, and for the partners who are found to be lacking in these areas will be subject to penalties.

Supporting Partners in Creating a Safe and Comfortable Working Environment		
Safety and Health Committee	Partner Meetings	Partner Joint Inspection
Regularly hold partners' safety and health committee once a month, and conduct fire safety education and provide training supplies to minimize damage in the event of fire or safety accident	Conduct partner meetings at least once a month on crucial facility management and high-risk tasks, and actively support areas requiring improvement that were identified through the meetings	Assess safety level for partners conducting risk tasks and check compliance with safety and health through regular on-site inspections
Providing Safety Management Manuals and Guide for Distribution Centers	Managing Fire Safety Plans and Supporting Fire Inspection	Providing Guide and Support for Risk Assessment Guide
Providing response guides and checklists for potential risk factors that may arise during performance of tasks	Supporting our partner companies in the preparation, inspection, management, and submission of fire safety management plans	Conduct inspection on potential risk factors on partners' business sites and perform maintenance based on the results
Managing Wastewater Treatment Facilities	Implementing Pest Control/Disinfection/Rodents Control	Providing Rest Facilities for Partners
Water quality management of wastewater, clarifiers/storage tanks through wastewater treatment facility cleaning	Support prevention and control of pests, rodents, and spiders in storage and perform monthly sanitary inspections for storages, offices, restaurants, etc.	Providing rest facilities above the standards required by the Occupational Safety and Health Act (heating and cooling facilities, drinking water, shower facilities, etc.)

Introduction

Special Report

ESG Management

Environmental

Social

- Customer Satisfaction Enhancement
- Product Quality Management
- Sustainable Partner Management
- Talent Attraction and Retention
- Human Rights Management
- ▶ Safe Workplace
- Contribution to Local Communities
- Information Protection and Data Security

Governance

ESG Factbook

Safe Workplace

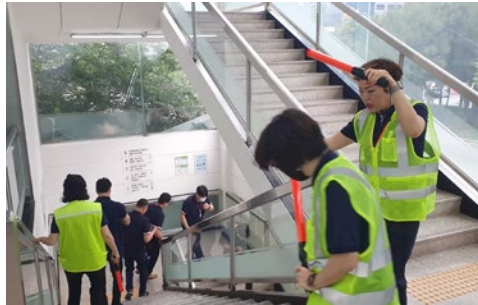
Occupational Health and Safety Education

Safety and Health Education for Employees

We provide regular health and safety education to enhance our employees' level of safety awareness. We also conduct fire and earthquake drills on the safety inspection day every month. By operating a safety education month, we conduct education on accident prevention and response including CPR and electricity and fire safety. In addition, we are also carrying out training to foster internal auditors in relevant departments for the continuous maintenance of ISO 45001.

▶ Safety and Health Education for Employees

Frequency	Target	Details
As needed	All employees	Dissemination of accident cases, education of prevention measures, training on seasonal risk factors (fire prevention, storm and flood disasters, etc.)
Monthly	All employees	Fire and earthquake drills
Quarterly	Business site managers	Safety management education
	Other employees	Occupational safety and health education
Semi-annually	Managers	Manager training
	Department safety managers	ISO 45001 internal audit education
Annually	Position holders	Improvement of safety management awareness education



Safe Master Certification System

To cultivate internal safety experts equipped with proper safety knowledge and practices, we operate the 'SAFE MASTER' certification program. The 'Safe Master' certification exam, the first in the industry to obtain certification from the Human Resources Development Service of Korea, consists of writing and practical tests on four subjects including safety and health/firefighting/electricity/and first aid, and evaluates the safety management and response capabilities upon emergencies. From 2023, we expanded the target for this system to include all employees in order to enhance expertise and awareness on safety. As of 2023, 960 safe masters are active nationwide, and we plan to conduct education for all employees so that everyone can be equipped with the knowledge and expertise in safety and health.

Safety Inspection Day

We designated the first day of each month as the Safety Inspection Day, during which each business site conducts self-inspections on safety. We also select and manage top risks related to seasons and issues. Additionally, we conduct risk assessments for each store to preemptively address potential risk of safety accidents.



Introduction

Special Report

ESG Management

Environmental

Social

Customer Satisfaction Enhancement
Product Quality Management
Sustainable Partner Management
Talent Attraction and Retention
Human Rights Management
▶ Safe Workplace
Contribution to Local Communities
Information Protection and Data Security

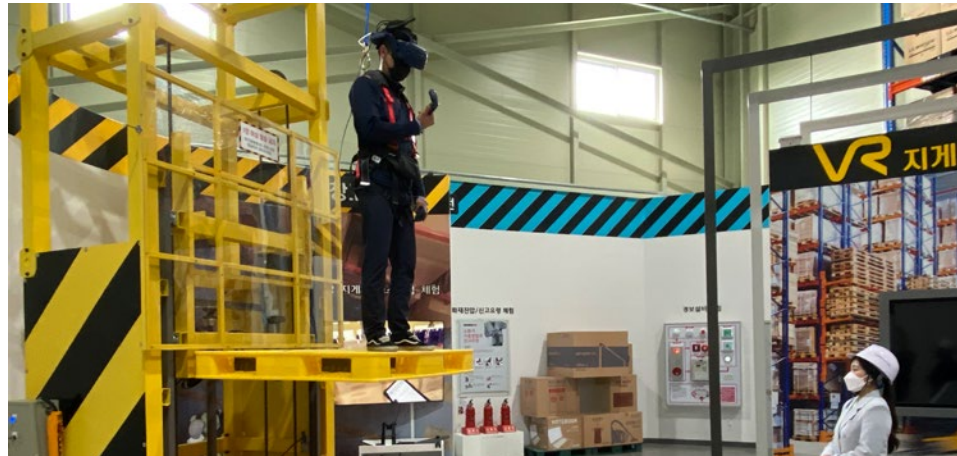
Governance

ESG Factbook

Safe Workplace

VR Safety Experience Training

To prevent safety accidents that may arise during the course of product distribution and installation, we operate a VR safety experience training center. The VR safety training 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 Safety Experience Training Status

Base year: 2023



Employee Healthcare System

We recognize 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.

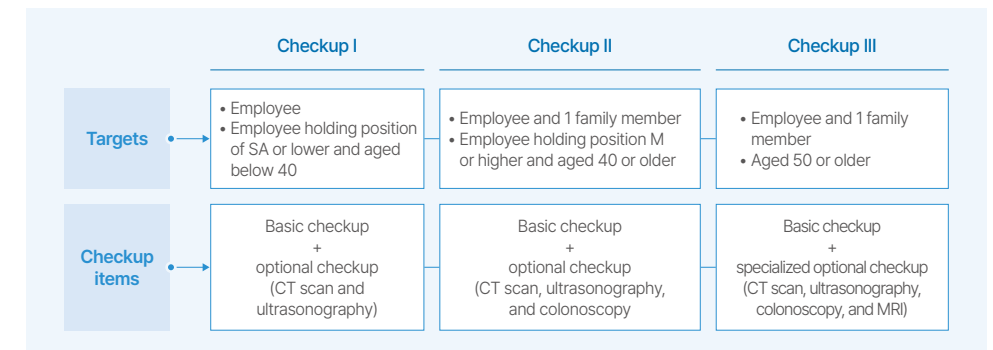
HI-MIND Personalized Counseling Program

HI-MIND is an employee support service provided by LOTTE HIMART, which offers customized counseling services based on the overall stress levels of our employees. This free counseling service is provided by external consultants on not only work-related areas but also personal psychology, family matters, and legal issues. Furthermore, we are enhancing cooperation with professional counseling agencies to continuously provide support for high-risk group employees to improve their situations.

Health Checkups for Employees

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, and for employees at high risk with progressing illness, a healthcare manager will provide face-to-face counseling sessions by visiting their workplace. Moreover, we are expanding our support for 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 family member. In addition, our office building in Daechi-dong is equipped with a health service room staffed with a healthcare manager who provides consulting on checkup results and other health issues.

▶ Health Checkup Types for Employees

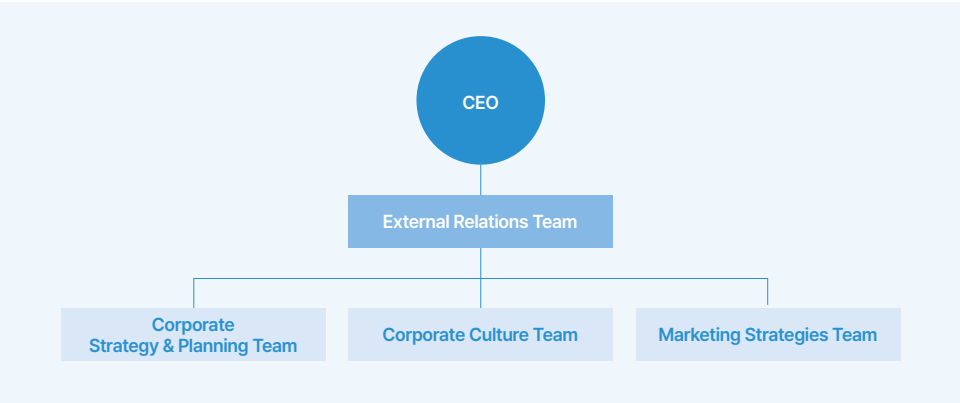


Contribution to Local Communities

Social Contribution System

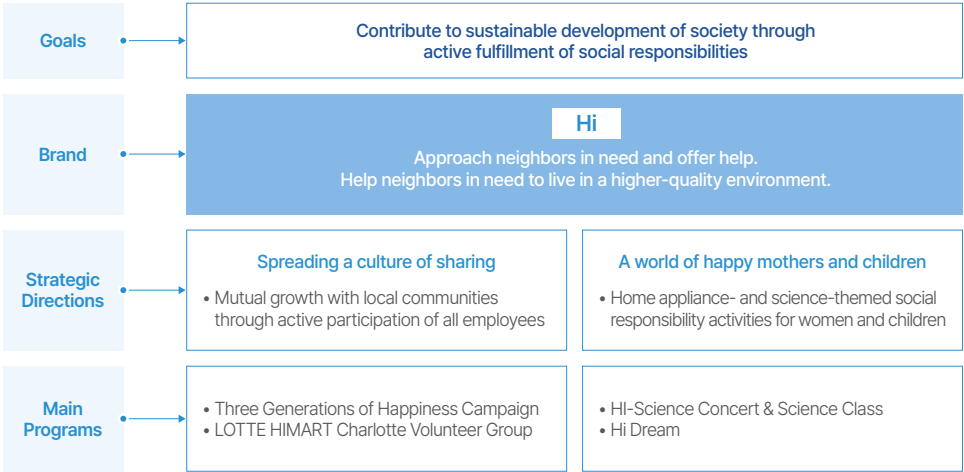
Social Contribution Organization

Social contribution activities are carried out through the External Relations Team, a dedicated team for social contribution. The team sets goals and directions for such activities, with the aim to contribute to sustainable social development through fulfilling corporate social responsibility. We conduct various social contribution activities with the Charlotte Volunteer Group, composed of employees, and also run a donation program supported by both the company and the employees. In addition, the outcomes of our social contribution achievements are regularly reported to and monitored by management.



Social Contribution Direction and Goals

We have selected women and children as our main targets for social contribution projects and are focusing on planning projects that demonstrate our internal capabilities under the theme of home-appliances and science. In order to carry out social contribution activities that create high social value, we review methods to measure the value of each activity, and manage the value created for some activities. Furthermore, we strive to create a culture of voluntary local community engagement by enabling our employees to take the lead in these activities.



2023 Main Performance in Social Contribution Activities

(Unit: KRW million)

Activity	Investment	Achievements	Performance measurement criteria
Three Generations of Happiness Campaign	190	190	Based on beneficiary expenditure savings (in-kind spending)
Hi Dream	28	28	Based on beneficiary expenditure savings (in-kind spending)
Super Blue Marathon	3.5	6	Based on beneficiary expenditure savings (in-kind spending)

Contribution to Local Communities

Social Contribution Activities

Promoting a Culture of Sharing

Three Generations of Happiness Campaign

We have been implementing the ‘Three Generations of Happiness Campaign’ since 2006, a project that regularly supports families where children are raised by grandparents. We support a brighter tomorrow for the children by connecting children with their grandparents. This campaign, where employees voluntarily make donations, supports financial assistance and also provides monthly sponsorship to children who live with their grandparents without parents.

Overview of Three Generations of Happiness Campaign

No. of beneficiaries (2006~2023, accumulated)	No. of annually sponsored children	Donations for underprivileged children (2006~2023)
1,721	200	KRW 770 million

Three Generations of Happiness Campaign Mid-to Long-term Plan

Category	2024	2025	2026
No. of events	6 times	6 times	6 times
No. of sponsored children	200	200	200

Happiness Index of Beneficiaries

Category	2021	2022
Elementary and middle school students	7.67	7.74
High school students	6.79	6.85

※ Happiness index: data for 2023 currently under calculation

Group Home Food Expenses Support (One Meal for All)

We initiated a project to support ‘Group Home,’ a children welfare facility that provides living conditions and protection to children in need of separate protection due to lack of such conditions. Our ‘One Meal for All’ project is designed to support growing children, especially during times when ‘Group Home’ support is urgent due to rapidly increasing living and public utility costs. The sponsored children were able to have healthy meals, by purchasing groceries and dining out with the supported finances.

Overview of One Meal for All

Beneficiary Group Homes	No. of support provided	Donations
10	6 times	KRW 30 million

Charlotte Volunteer Group

The ‘Charlotte Volunteer Group,’ composed of employees, promote the culture of sharing. In 2023, they participated in volunteer activities such as making 10 thousand portions of Kimchi, donating hand-knitted scarves, and sponsoring heating costs through the ‘heart temperature 37 degrees campaign.’ Our volunteers steadily practice in volunteer activities for the marginalized group.

Organizations and NGOs in Collaboration

We carry out social contribution activities with the cooperation of various organizations. For organizations that work together with us is the Community Chest of Korea, which conduct activities for love of the neighborhood through joint fundraising, ChildFund Korea, dedicated to the happy growth of children, and Good People, an international NGO supporting marginalized areas both domestically and abroad.

- Customer Satisfaction Enhancement
- Product Quality Management
- Sustainable Partner Management
- Talent Attraction and Retention
- Human Rights Management
- Safe Workplace
- ▶ Contribution to Local Communities
- Information Protection and Data Security

Contribution to Local Communities

A World of Happy Mothers and Children

Hi-Science Concert & Science Class

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

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 of 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 fun experience through science.

> Overview on Hi-Science Concert & Science Class

From 2018 to 2023 (accumulated total)



> Mid-to long-term Operation Plan

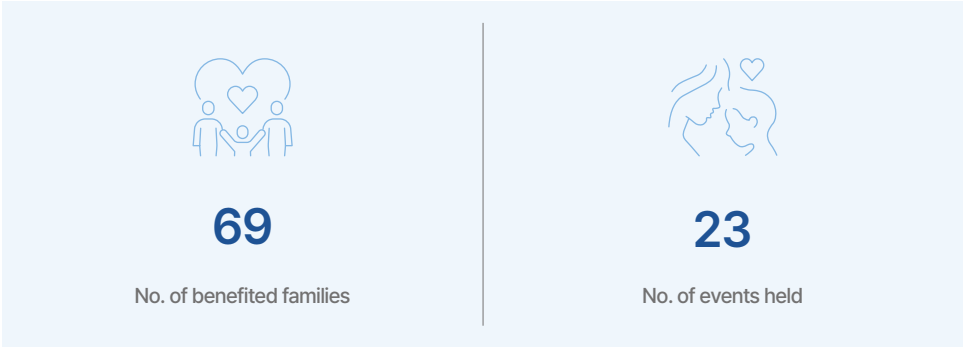
Category	2024	2025	2026
No. of operations	3 times	6 times	6 times
No. of participating children	600	1,300	1,300

Hi Dream

Hi-Dream is a social contribution program created by combining the brand of LOTTE Group's social contribution brand of 'comfortable moms' and 'helping mothers and children get closer to their dreams.' The program receives stories from mothers and children about their dreams and gifts them with home appliances necessary for achieving those dreams. In 2023, the program was conducted twice a year.

> Overview on Hi Dream

Accumulated from 2018 to 2023



Hi Science Concert

Information Protection and Data Security

Information Protection and Data Security Framework

Information Security Organizational Structure

LOTTE HIMART appoints a Chief Information Security Officer (CISO) with over 5 years of experience in information security and technology roles, fulfilling the legally mandated qualifications, to effectively oversee and manage information protection activities. We operate the Information Security Council, comprising the Information Security Committee and Working-Level Committee. The Information Security Committee appoints department heads responsible for personal information, technical security, personnel security, and physical security as members, ensuring decisions on information security policies, guidelines, and process adjustments align with evolving internal and external security landscapes. The Information Security Working-Level Committee enhances corporate information security by facilitating trend sharing and issue resolution among personnel accountable for personal information, technical security, personnel security, and physical security.

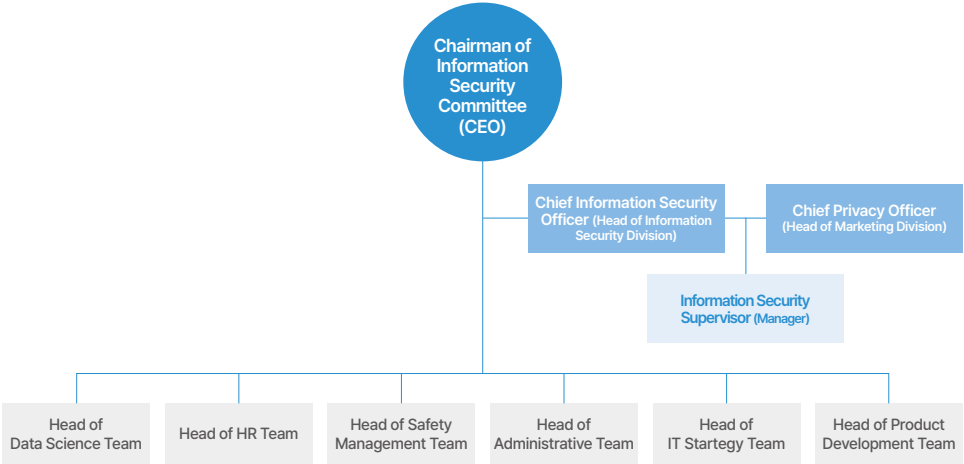
Roles and Responsibilities of Information Security Organizations

Information Security Committee	Information Security Working-Level Committee
- Chairman: CEO - Vice Chairman: Chief Information Security Officer (CISO)¹⁾, Chief Privacy Officer (CPO)²⁾ - Members: Information Security Officers from each division - Secretary: Information Security Supervisor	- Chairman: Chief Information Security Officer (CISO)¹⁾ - Members: (Personal) Information Security Managers from each department - Secretary: Information Security Supervisor

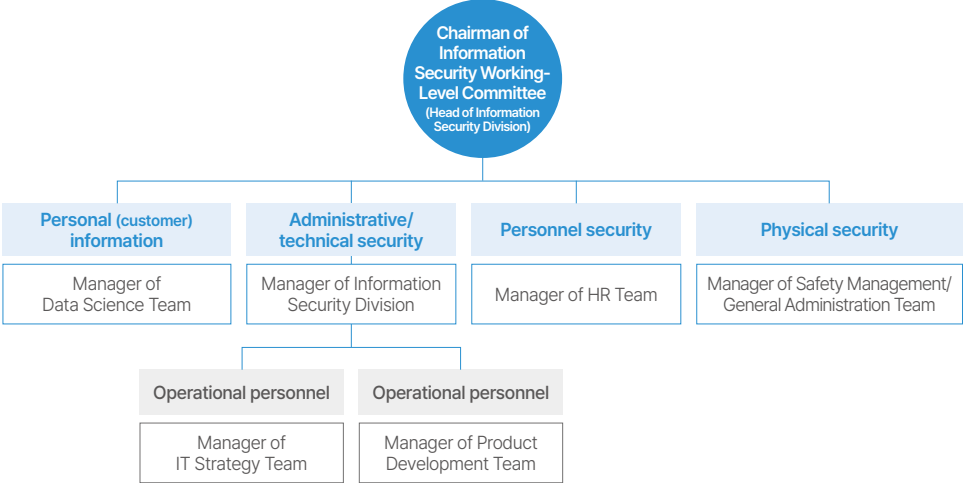
1) CISO: Chief Information Security Officer
2) CPO: Chief Privacy Officer

Category	Key Roles and Responsibilities
Chief Information Security Officer (CISO)	Overseeing and supervising all information security activities
Organization dedicated to information security	Providing active support by outlining clear directions for comprehensive information security, fostering employee participation, assigning responsibilities, and conducting regular reviews
Information Security Committee	Deliberation and making decisions on company-wide information security issues
Information Security Working-Level Committee	Trend sharing and issue resolution and opinion exchanges and coordination among Information Security Managers from each department

Information Security Committee



Information Security Working-Level Committee



Information Protection and Data Security

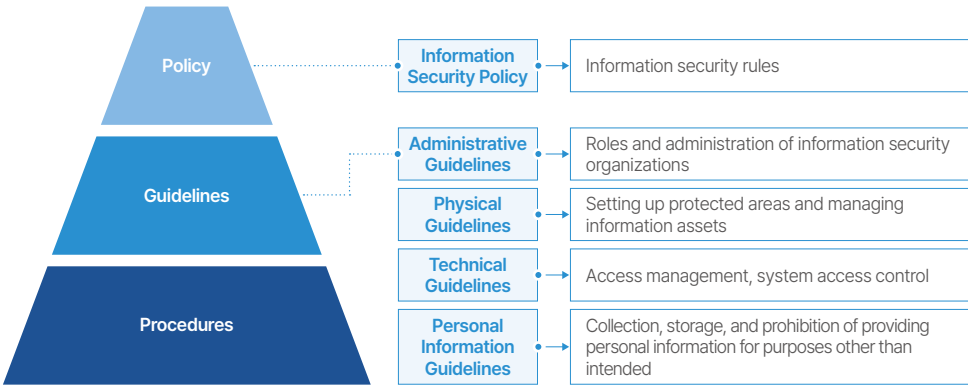
Information Security Policy and Strategy

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 upon deliberation of Information Security Committee and the CEO's approval to reflect the latest laws and systems, changes in internal and external environments, and IT and business trends. We transparently disclose revised information security policies and guidelines through employee training and our intranet. Additionally, we actively address various security risks through regular inspections and monitoring. When deficiencies or areas for improvement are identified, enhancements are made following deliberation by the Information Security Committee.



Information Security Policy Framework



With the goal of achieving 'zero customer information leaks and security incidents,' we ensure legal compliance, enhance information security inspections, improve security solutions, and elevate employee awareness. Our information security and data protection strategies are tailored to each specific objective and are led by our dedicated information security organization, executed according to an annual plan with collaboration from relevant departments. By identifying and proactively addressing potential technological, artificial, and environmental risks in a timely manner, we are continuously enhancing our information protection and data security measures.

Targets And Strategies of Information Protection and Data Security

Target	Specific objective	Strategy
Customer information leaks and security incidents Zero	Ensuring legal compliance	- Information security disclosure - ISMS certification - Revision of information security policies/guidelines
	Enhancing information security inspections	- Specific categorization of on-site information security inspection items - Inspection of personal information outsourcing partners
	Improving security solutions	- Review and update of security policies - Regular inspection and upgrades
	Elevating employee awareness	- Enhancement of mock training - Strengthening information protection activities

Target and Performance of Information Security

Category	2023 Performance
Customer information protection	Zero leaks/thefts/losses
Enhancing information security	Zero violations and security incidents

Introduction

Special Report

ESG Management

Environmental

Social

- Customer Satisfaction Enhancement
- Product Quality Management
- Sustainable Partner Management
- Talent Attraction and Retention
- Human Rights Management
- Safe Workplace
- Contribution to Local Communities
- ▶ Information Protection and Data Security

Governance

ESG Factbook

Information Protection and Data Security

Information Protection Management System Certification

We obtained ISMS (Information Security Management System) certification through the initial evaluation in 2015 and have maintained this certification and enhanced our information security levels through annual audits conducted by an independent third party. The ISMS certification, awarded by the Korea Internet & Security Agency, verifies that a series of measures and activities for information protection comply with the standards set by the Act on Promotion of Information and Communications Network Utilization and Information Protection. The certification covers 16 requirements for establishing and operating an information security management system and 64 requirements for information security measures. In November 2023, we completed the renewal of the ISMS certification for all eight relevant application systems.



- Scope of certification: Management of online shopping mall
- Certification institution: Korea Internet & Security Agency (KISA)
- Period validity: Jan.19, 2022 - Jan. 18, 2025

Personal Information Security

Privacy Policy

Personal information processed by LOTTE HIMART is not used for purposes other than those for which it was collected, and if the usage purpose changes, separate consent is obtained. We process and retain personal information only within the period agreed upon by the customer. When personal information becomes unnecessary due to expiration of the retention period or achievement of processing purposes, it is disposed within five days. When personal information is provided by a third party, we ensure that the third party has obtained the data subject's consent for the provision to LOTTE HIMART within the agreed scope. Customer personal information is used solely for the purposes stated in the LOTTE HIMART Privacy Policy and is not rented, sold, or provided free of charge to third parties unless the customer consents, specific laws dictate otherwise, or a product defect necessitates a manufacturer recall. Customers have the right to access, modify, delete, or suspend the processing of their personal information at any time, exercising their privacy rights as required.

[LOTTE HIMART Privacy Policy](#)

Reinforcing Information Protection and Data Security

Enhancing System Security

Establishing EDR Solutions for PC Security

Endpoint Detection and Response (EDR) is a next-generation security solution offering integrated endpoint monitoring. It enables real-time analysis, control of PCs, and blocking of infected endpoints. Additionally, it includes antivirus capabilities that detect and update against malware, effectively addressing even newly discovered threats. In August 2023, we successfully implemented the EDR solution across all company PCs and continue to strive for enhanced security system performance.

Information Protection and Data Security

Enhancing Information Security Inspection

Strengthening Information Security Inspection for Branches

We are developing an information security inspection system, tightening inspection measures with quarterly self-assessments for each organizational unit, verified by our dedicated information security team. In 2023, we completed on-site due diligence for information security at 70% of our branches. By developing a self-assessment system for information security in 2024, we aim to achieve 100% inspection coverage for all departments at both the headquarters and branch levels.

Partner Information Security Management

In compliance with Article 26, Paragraph 4 of the Personal Information Protection Act, we conduct annual information security inspections for our personal information outsourcing partners. These inspections evaluate 11 key areas, including management, personnel, physical, and technical security, to ensure that appropriate systems are in place and functioning effectively. In 2023, we achieved a 100% inspection rate by completing audits for all 850 outsourcing partners. The 2023 inspections highlighted the need for improved monitoring of subcontracting activities. Accordingly, in 2024, we plan to conduct a comprehensive review of subcontracting practices within the overall information protection management processes of our outsourcing partners.

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.

Raising Internal Information Security Awareness

Strengthening Mock Training

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 biannual disaster recovery mock trainings to prepare for potential disasters and ensure that our systems can operate normally in case of any disaster.

Information Security Day

Aiming 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

Education on Information Security

All our employees, including contracted workers at the headquarters and branches, receive comprehensive education on information security alongside annual personal information protection training. Newly hired employees are required to complete information security training, and all employees participate in online training annually. Additionally, we conduct in-person training sessions for new employees and newly appointed Branch Heads and Heads of Sales Divisions.

▶ Status of Information Security Education (As of the end of 2023)

Target scope	Completion rate (%)	No. of targeted employees	No. of completed employees
All employees (including contracted workers)	100%	2,893 employees	2,893 employees

Introduction

Special Report

ESG Management

Environmental

Social

Customer Satisfaction Enhancement
 Product Quality Management
 Sustainable Partner Management
 Talent Attraction and Retention
 Human Rights Management
 Safe Workplace
 Contribution to Local Communities
 ▶ Information Protection and Data Security

Governance

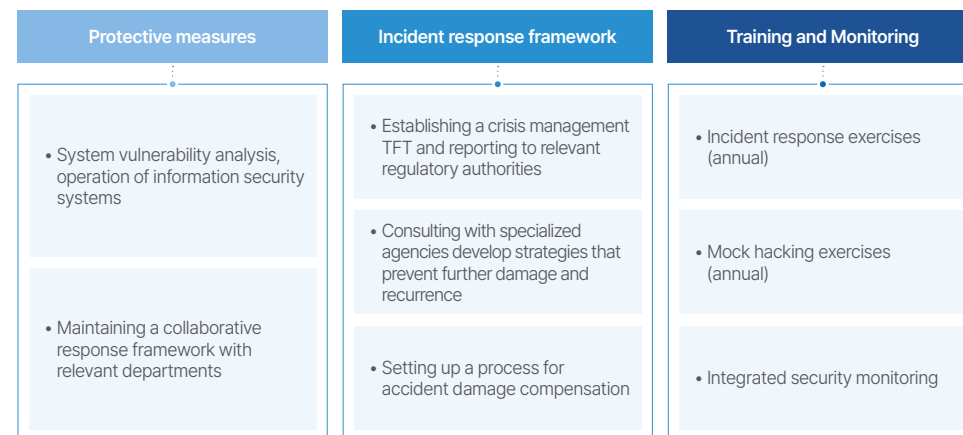
ESG Factbook

Information Protection and Data Security

Security Incident Response System

At LOTTE HIMART, we maintain a robust security incident response system designed to swiftly address and minimize the impact of personal information breaches and data leaks. When an incident occurs, we categorize its severity into levels ranging from 'alert' (highest) to 'caution' and 'attention' based on predefined regulations, with tailored response organization and procedures for each type. To preemptively identify and prevent information security breaches, we have formulated protective measures and conduct regular training and monitoring. Our proactive approach includes conducting vulnerability analysis of our information security systems and maintaining a collaborative response framework with relevant departments. We also conduct annual mock virus email training and other incident response exercises to ensure preparedness. Through integrated security monitoring, we are equipped to respond promptly to potential security incidents. In addition to these preventive measures, in the event of a security breach or data leak, we establish a crisis management TFT and report the incident to relevant regulatory authorities. We consult with specialized agencies to develop strategies that prevent further damage and recurrence, and we establish compensation procedures for affected individuals. This comprehensive strategy ensures an effective response to cybersecurity threats.

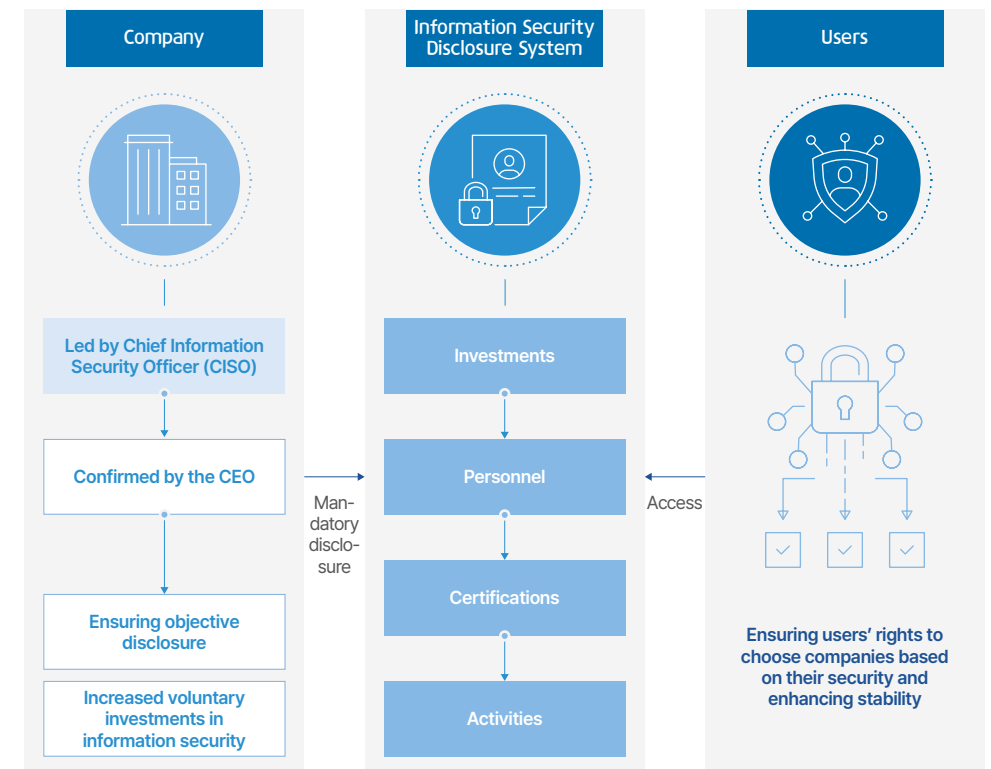
▶ Preventive and Response Measures for Security Incidents



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.

▶ Information Security Disclosure System



Governance

- 89 Transparent and Efficient Governance
- 98 Ethics and Compliance Management



Transparent and Efficient Governance

LOTTE HIMART discloses a comprehensive account of management and board responsibilities through its annual Corporate Governance Report. To protect shareholder rights, we introduced electronic voting in 2016 and developed a mid- to long-term shareholder return policy to increase shareholder value. In line with the standards set by the Commercial Act and related laws, we have codified internal regulations within our Articles of Incorporation to guarantee the fundamental rights of shareholders.

Shareholders

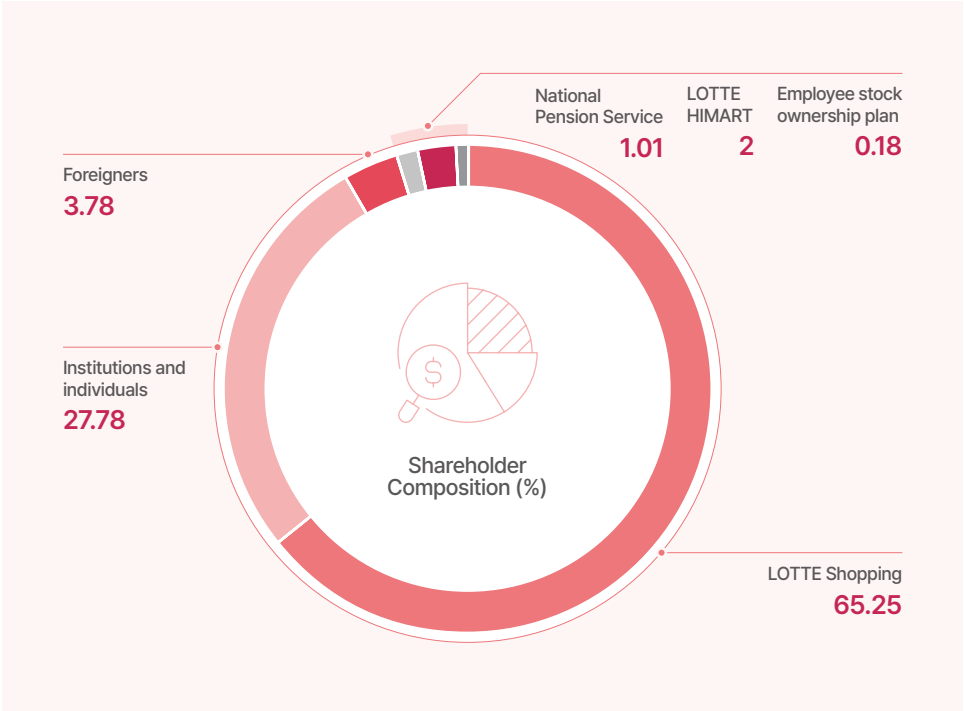
Stocks and Capital Structure

As of December 31, 2023, LOTTE HIMART has issued a total of 23,607,712 shares, all of which are common stock. The largest shareholder is LOTTE Shopping, holding 65.25% of the shares. Additionally, we own 472,000 treasury shares (2%), which do not carry voting rights. To motivate our employees, we operate an employee stock ownership plan, with the Employee Stock Ownership Association holding 44,016 shares as of the end of 2023.

> Stock Types and Voting Rights

(Unit: Share)			
Category	Type	No.	Note
Total no. of issued stocks	Common stock	23,607,712	-
Shares without voting rights	Common stock	472,000	Treasury shares
Shares with voting rights	Common stock	23,135,712	-

(As of Dec. 31, 2023)



Transparent and Efficient Governance

Protection of Shareholder Rights

Notice of General Meeting of Shareholders

LOTTE HIMART ensures that shareholders are informed in advance about the venue, agenda, and date of the general meeting of shareholders, providing sufficient time for review and consideration of agenda items. We formally resolve and announce the convening of the general meeting four weeks prior to the scheduled date.

e-Voting System

To facilitate shareholders' easy exercise of their voting rights, LOTTE HIMART implemented and has been operating an e-Voting system since the regular general shareholders' meeting in 2016. In 2024, 422,432 shares (1.83% of shares with voting rights) were voted using the e-Voting system at the regular general shareholders' meeting in March.

Strategic Choice of Shareholders' Meeting Date

To enhance the participation of minority shareholders in general shareholders' meetings, LOTTE HIMART avoids scheduling its meetings on the concentrated dates in March when many listed companies hold their meetings. In 2024, we organized the general shareholders' meeting in March, carefully selecting a date that is not congested with other shareholders' meetings. This decision aims to improve convenience for all shareholders and facilitate easier exercise of rights, particularly for minority shareholders.

Proxy Solicitation System for Exercising Voting Rights

We ensure the effective exercise of voting rights by engaging the Korea Securities Depository for proxy solicitation and providing individual notification to shareholders holding more than 1% of the shares.

▶ Status of General Shareholders' Meeting

Category	37 th shareholders' meeting	36 th shareholders' meeting	35 th shareholders' meeting
Business year	2023	2022	2021
Concentration date of regular shareholders' meeting	2024.03.22	2023.03.24	2022.03.25
	2024.03.27	2023.03.30	2022.03.30
	2024.03.29	2023.03.31	2022.03.31
Date of regular shareholders' meeting	2024.03.25	2023.03.27	2022.03.22
Avoidance of concentration date for regular shareholders' meeting	Yes	Yes	Yes
Conduct of postal voting	No	No	No
Conduct of e-Voting	Yes	Yes	Yes
Proxy solicitation for voting rights	Yes	Yes	Yes

Shareholder Return Policy

We strive to enhance shareholder value through measures such as year-end dividend distributions, ensuring that the rise in corporate worth directly benefits shareholders. Since 2017, dividend calculations have excluded one-time losses like impairment of operating rights, aiming for a dividend payout ratio of approximately 30% based on annual net profits.

Business year	Stock types	Cash dividend		
		Dividend per share ¹⁾	Total dividend	Dividend yield ²⁾
2023	Common stock	KRW 300	KRW 6.9 billion	2.9%
2022	Common stock	KRW 300	KRW 6.9 billion	2.3%
2021	Common stock	KRW 1,000	KRW 23.1 billion	3.9%

1) Dividend per share refers to the total amount paid per share annually

2) Dividend yield refers to the ratio of the dividend per share to arithmetic average price of the closing price formed in the exchange market during the week immediately preceding the two trading days before the shareholder registration closing date

Transparent and Efficient Governance

Management

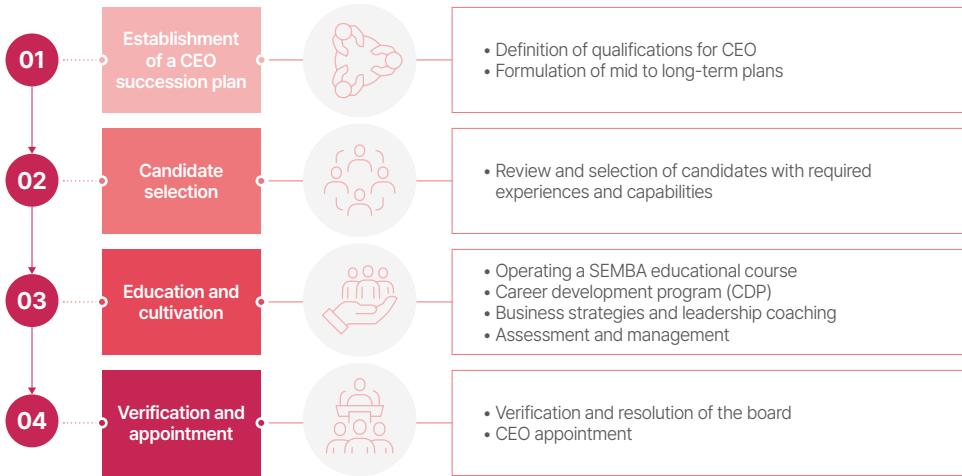
Management and Succession Policy

Our management is comprised of experts from various fields under the vision of ‘Lifetime Care for Your Home Appliance’ (LOTTE HIMART, your lifelong partner in home appliance care from start to finish).

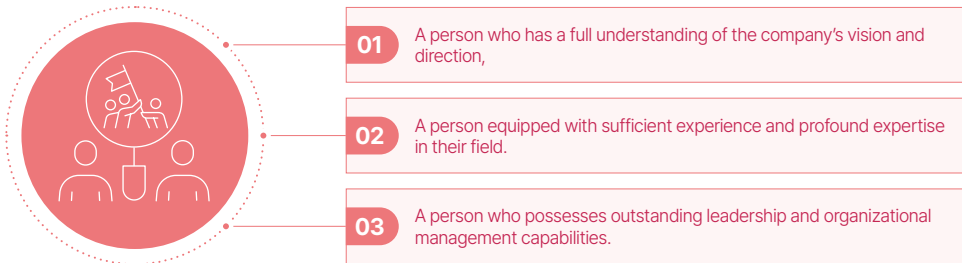
CEO Succession Policy

In 2023, we formulated ‘regulations on CEO succession’ to strategically identify and nurture candidates who possess the necessary capabilities and qualities for the CEO role. According to these regulations, the HR Team evaluates candidates with the requisite experience and capabilities for CEO succession. They are then cultivated through various educational programs, including the SEMBA educational program, management strategy coaching, leadership training, and career development programs, as well as systematic assessments with the aim to help them enhance their macroscopic perspective and thinking and to build the necessary capacity. The Board of Directors is tasked with verifying the candidates to ensure they possess the capabilities and qualities required for future management. Upon succession, the candidates for the CEO position are recommended to the board. The candidate with the required experience and capabilities for the CEO role is then appointed as the CEO through a resolution at the board. When the CEO passes away, the order of acting duties is decided by the Board of Directors, as stated in the regulations. When the CEO retires, the candidate recommended by the board prepares for succession before being appointed as an internal director, thereby ensuring the stability of management.

> CEO Succession Process



> Qualifications for CEO



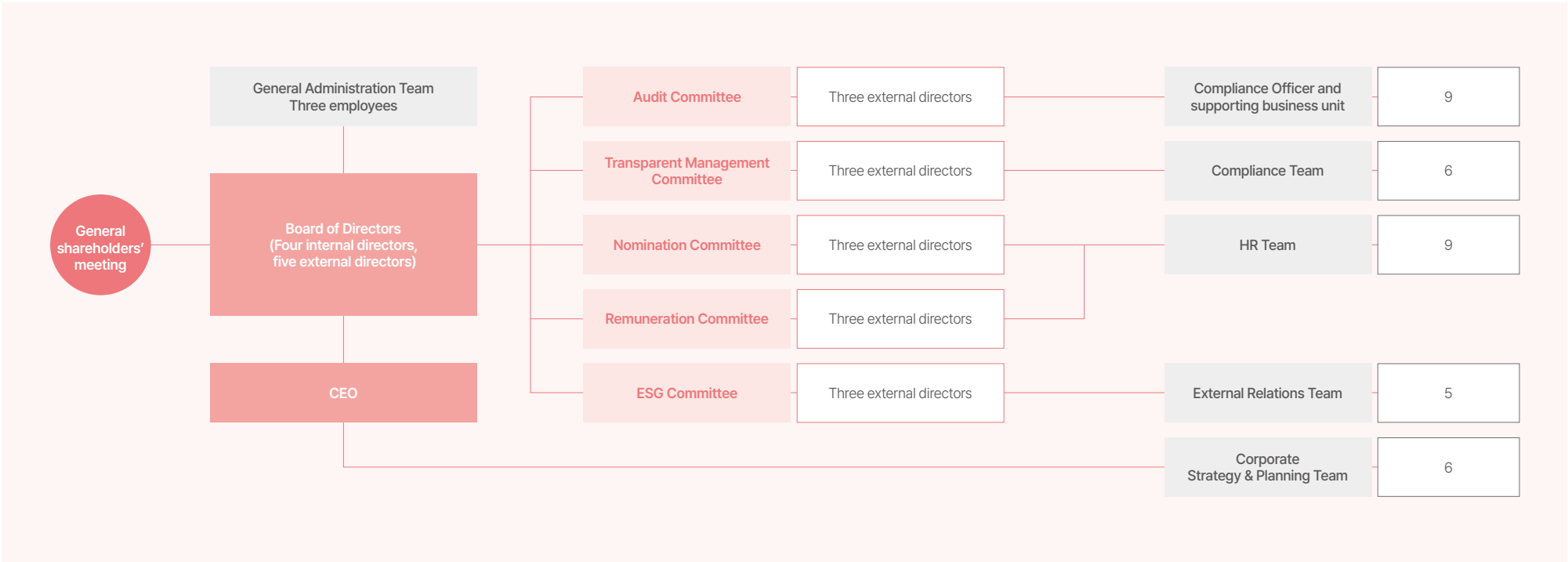
Transparent and Efficient Governance

Sound Governance Composition and Operation

Board Composition

Our Board of Directors consists of a total of nine directors, including four internal directors and five external directors (one of whom is a female), meeting the requirements of the Commercial Act. All of them possess capabilities across various sectors and qualifications, and do not have any financial interest in LOTTE HIMART, which enables independent decision-making. The Board of Directors, the top decision-making body, functions as a supervisor to oversee the job performance of management, and resolves crucial matters regarding basic policies for business management and business progress. To ensure professional execution of duties by the board, related departments, such as the General Administration Team or HR Team, play a supporting role by providing the required information and resources.

> Governance Structure



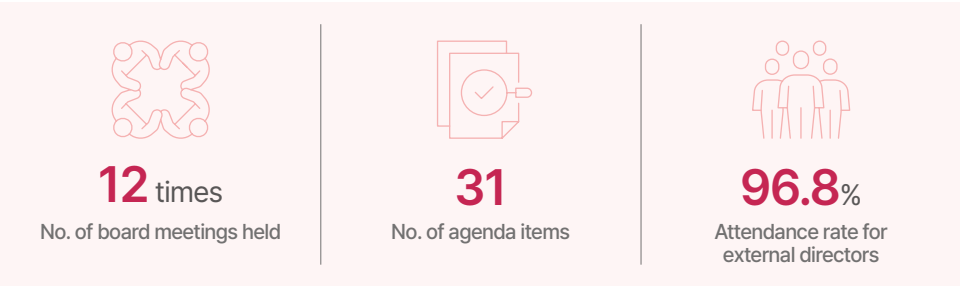
* As of March 2024

Transparent and Efficient Governance

Board of Directors Operation

The Board of Directors holds quarterly board meetings chaired by the Chairperson of the board in accordance with Article 31 of the Articles of Incorporation, and in cases of urgent matters, special board meetings are held. The board meeting is constituted with the attendance of a majority of the current directors, and resolutions are passed with the approval of a majority of the attending directors. On top of that, agenda items discussed at the board meetings are recorded and managed in the minutes. The exercise of voting rights by individuals with specific interests in board resolutions is restricted to ensure that no individual gains or suffers undue advantage.

▶ Board Operation Status in 2023



Board Expertise

We appoint experts with extensive knowledge and experience in areas essential to company management, such as finance, accounting, law, and risk management, as our directors of the board. As of March 2024, at the regular shareholders' meeting, the Board of Directors consists of a total of nine internal and external directors, each with different areas of expertise. Additionally, we offer a variety of training programs to further sharpen the expertise of the board members.

▶ Training for Board and Committee Members

Training	Details	Attendance rate of external directors
LOTTE Group's Future	Raise the understanding of the Group and share future strategies	80.0%
LOTTE HIMART On-site Board Meeting	Introduce branches with a new concept and Home Center as well as 'Home Total Care Service, a customer lifelong care built on the customer life care process	100.0%

▶ Major Agenda Items Approved and Reported at BOD in 2023

No.	Date of meeting	Major agenda items
1	2023.02.07	- Approval of the 36th financial statements and Business Report - Approval of the 2023 business plan (draft) and budget - Approval of the 2023 safety/health operations plan - Changes to Compliance Officers, etc. - Approval of LOTTE Shopping service transactions in 2023 - Report on ESG Committee approvals - Report on the operation status of the internal accounting control system in 2022
2	2023.03.03	- Convening of the 36th general shareholders meeting - Amendments to the Board of Directors and committee regulations - Report on the evaluation of the internal accounting control system by the Audit Committee - Report on Transparent Management Committee approvals
3	2023.03.27	- Appointment of the Chairperson of the board - Appointment of the CEO - Appointment of Chairpersons within the board and committees - Report on Remuneration Committee approvals
4	2023.04.20	Report on the 2023 store operation plan
5	2023.05.04	- Report on the 2023 Q1 financial statements - Report on Transparent Management Committee approvals
6	2023.06.22	- Report on the publication of the Sustainability Report - Report on real estate development business registration
7	2023.07.20	- Report on the 2023 semi-annual financial statements - Report on the new store format operations plan (draft)
8	2023.08.30	- Report on the management review of the anti-bribery management system (ISO 37001) - Report on the PB promotion plan
9	2023.09.21	- Approval of LOTTE Shopping service transactions related to online reorganization - Report on the results of the Fair Trade CP Operation Committee - Report on the total care service establishment plan (draft)
10	2023.10.19	- Report on the 2024 business plan - Report on the 2023 Q3 financial statements
11	2023.12.06	Report on personnel matters such as promotion, appointment, dismissal, transfer, and appointment/dismissal of advisors
12	2023.12.28	Report on Transparent Management Committee approvals

Introduction

Special Report

ESG Management

Environmental

Social

Governance

▶ Transparent and Efficient Governance
Ethics and Compliance Management

ESG Factbook

Transparent and Efficient Governance

▶ Board Skill-matrix

		Internal directors				External directors				
		Chang Hee Nam	Jin Sung Kim	Byung Chul Moon	Sang Yoon Park	Il Joo Kim	Jin Young Kim	Kang Soo Lee	Dae Sik Hong	He Ri Choi
Expertise	CEO experience	●								
	CFO experience				●					
	Finance/accounting				●		●	●		
	Risk management	●	●	●	●	●	●	●	●	●
	Global business	●	●			●				
	ESG					●	●	●		
	Marketing/PR	●		●		●				
	Law/regulations			●			●		●	●
First appointed date		2023.03.27	2024.03.25	2023.03.27	2022.03.22	2024.03.25	2024.03.25	2024.03.25	2024.03.25	2022.03.22
Date of birth		1966	1972	1971	1971	1967	1964	1968	1965	1965
Gender		Male	Male	Male	Male	Male	Male	Male	Male	Female
Roles		CEO	Head of Human Resources Innovation Division, Lotte Distribution Group HQ	Head of Integrated Product Division, On-Off	Head of Finance Division	Chairperson of the ESG Committee	Chairperson of the Nomination Committee	Chairperson of the Audit Committee	Chairperson of the Transparent Management Committee	Chairperson of the Remuneration Committee
Career background		Former) CEO of Super Business Division, Lotte Shopping	Former) Head of HR Innovation Department of Mart Business Division, Lotte Shopping	Former) Head of Home Appliances Division, LOTTE HIMART	Former) Team leader of Finance & Innovation Office's Team 1, LOTTE Corporation	Former) Head of Global Marketing Center, LG Electronics	Current) Director of the Economic Research Institute, Korea University	Current) Deputy Representative, Dasan Accounting Corporation	Current) Professor at the Law School, Sogang University	Current) lawyer at the Sanji Law Firm

Transparent and Efficient Governance

Board Independence

The majority of the Board of Directors consists of independent external directors selected through the Nomination Committee to ensure accountability in management oversight and foster independent decision-making within the board. These external directors lead and operate the board’s management system.

Senior External Director System

In March 2024, to ensure independence of external director, we have launched Senior External Director System. Senior External Director System allows us to keep appropriate balance and mutual checks within the board by selecting senior external director, who represents external directors. Many companies currently have or are considering adopting this system, where an inside director serves as the chairman of the board. Senior external director has the authority to convene and preside over meetings of the board of external directors, request support for the efficient operation of the board, and assist in enhancing the responsibilities of external directors. In March 2024, we elected director He Ri Choi as the senior external director following a consultation with the five external directors, and we are now operating the related system accordingly.

Board Diversity

We pursue the board’s diversity in gender, experience, and nationality. With diverse perspectives and experiences, we strive to respond flexibly to changes in the management environment. Accordingly, we appointed one female external director in March 2022. Moving forward, we will appoint directors based on their expertise and responsibilities, regardless of gender or other criteria.

Board Performance Evaluation

LOTTE HIMART annually evaluates the Board of Directors on five categories, including the role and responsibility of the board, the structure of the board, the operation of the board, and the committees within the board, covering a total of 26 detailed items. Along with the board performance evaluation, we also conduct an annual performance evaluation of the committees, focusing on regulation compliance, independence, and expertise.

Internal Director Evaluation

We annually assess internal directors by sector, using both financial and non-financial indicators. Financial indicators include operating profit and sales target achievement rates, while non-financial indicators cover ESG performance and regulatory compliance. Notably, 30% of the CEO’s KPIs are based on ESG management-related metrics.

> CEO’s KPI (ESG Management Items)

Environment	Measure and manage upstream/downstream carbon intensity
Society	Occupational safety and health, enhancing ethics management, strengthening employee education systems, supply chain ESG risks management, data protection operation management
Governance	Activate the ESG Committee
Others	Advance ESG disclosure

External Director Evaluation

The evaluation of external directors is conducted objectively based on four criteria: their contribution to the board, influence, professionalism, and proactivity. We regularly review whether external directors have adequately fulfilled their roles and responsibilities as required by laws and internal regulations, and this comprehensive evaluation is finalized annually.

Transparent and Efficient Governance

Board Remuneration

The Remuneration Committee, consisting entirely of external directors, enacts and revises the remuneration standards for board members, monitors the board’s remuneration system, and decides on remuneration payments. Directors’ remuneration is determined by considering the responsibilities, risks, and time required to perform their roles and does not exceed the remuneration limit approved at the general shareholders’ meeting.

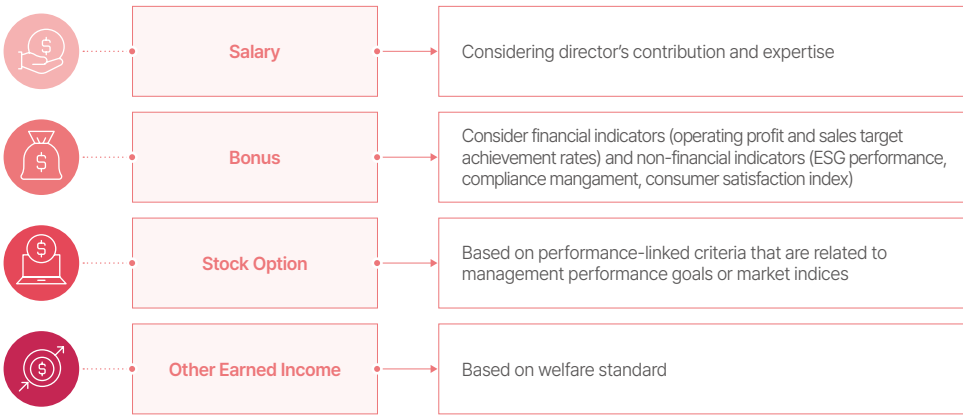
Internal Director Remuneration

The remuneration for internal directors is determined based on a base salary and bonuses. The base salary is set according to HR management regulations, their contribution, and expertise, while the bonuses reflect their performance evaluation results.

External Director Remuneration

To safeguard the independence of external directors, LOTTE HIMART does not link evaluation with compensation. The fair remuneration amount is determined based on the external directors’ legal accountability and the company’s size.

▶ Criteria for Determining Remuneration of Internal Directors



Committees Under the BOD

LOTTE HIMART has established committees under the board to enhance the professionalism of decision-making. We operate a total of 5 committees: the Audit Committee, Transparent Management Committee, Nomination Committee, Remuneration Committee, and ESG Committee. Each committee is comprised solely of external directors, including both members and chairpersons, to ensure independence. Additionally, these committees include experts with the necessary skills and knowledge relevant to their respective functions.

▶ Roles and Composition of Each Committee

Committee	Key Role	Category	Name
Audit Committee	Audit of the company's accounting and operations Other tasks related to the company's audit	External director	Kang Soo Lee (Chairperson)
		External director	Jin Young Kim
		External director	He Ri Choi
Transparent Management Committee	Review and approval of large-scale internal transactions and reporting to the board of directors	External director	Dae Sik Hong (Chairperson)
		External director	Il Joo Kim
		External director	He-Ri Choi
Nomination Committee	Recommendation of candidates for external directors to be appointed at the general shareholders' meeting	External director	Jin Young Kim (Chairperson)
		External director	Il Joo Kim
		External director	Dae Sik Hong
Remuneration Committee	Establishment and revision of criteria for executive performance-based compensation and payment	External director	He Ri Choi (Chairperson)
		External director	Kang Soo Lee
		External director	Dae Sik Hong
ESG Committee	Establishment of ESG management strategies and policies Deliberation and approval of ESG management implementation plans	External director	Il Joo Kim (Chairperson)
		External director	Jin Young Kim
		External director	Kang Soo Lee

Transparent and Efficient Governance

Audit Committee

LOTTE HIMART operates the Audit Committee in accordance with the committee's operation regulations, appointing three external directors to ensure that the committee can fulfill its role and responsibilities independently. Furthermore, the company has secured the committee's expertise by including professionals with profound experience in accounting or finance fields. We specify the qualifications for audit committee members in Article 7 of the committee's operation regulations to secure professional audit committee members. When selecting audit committee candidates, we review whether they are legal, accounting, or financial experts and provide necessary training for performing audit duties. In 2023, we offered training on issues related to internal accounting management systems and the role of the audit committee.

> Audit Committee Composition

Composition			Key Role	Note
Position	Category	Name		
Chairperson	External Director	Kang Soo Lee	- Executive Director at the Samjong KPMG Accounting Firm (2000~2017) - Auditor at the Park Young Educational Foundation (2016~2019) - Vice President at the Dasan Accounting Corporation (DAC) (2017~ present)	Expert in accounting
Committee Member	External Director	Jin Young Kim	- Invited Research Fellow, Institute for Research on Labor and Employment (Germany) (2007) - Visiting Professor, University of California, Berkeley - Professor, Department of Economics, College of Political Science and Economics at Korea University (2008~present) - Research Fellow, Institute for the Study of Labor (IZA), Germany (2014~present) - Director, Institute of Economic Research at Korea University (2023~present) - Dean, Graduate School of Labor Studies at Korea University (2024~present)	-
Committee Member	External Director	He Ri Choi	- Judge, Seoul Central District Court (1994~1996) - Judge, Seoul Family Court (1996~1998) - Lawyer, Barun Law Firm (1998~2008) - Lawyer, Korean Government Legal Service (KGLS) (2008~2009) - Lawyer, Barun Law Firm (2009~2015) - Standing member of the Mediation Committee, Seoul Court Conciliation Center (2015~2016) - Standing member, National Human Rights Commission of Korea (2016~2020) - Lawyer, Sanji Law Firm (2022~present)	-

In addition to overseeing internal audit tasks, the Audit Committee carries out responsibilities to ensure proper corporate governance and accounting transparency. Responsibilities include approving the appointment of external auditors, reviewing and approving the annual operational inspection plan of the internal audit team—a key supporting organization of the committee—and evaluating the operation of the internal accounting management system. Furthermore, the Audit Committee receives quarterly reports on internal audit activities from the Ethics Management Team and reviews and approves future internal audit plans. Compliance officers, the supporting organization, and the internal accounting team assist the Audit Committee. The committee also has the right to seek expert assistance at the company's expense.

External Auditor

LOTTE HIMART regularly undergoes audits by independent external auditors to ensure transparency and fairness of accounting information. When appointing external auditors, the Audit Committee thoroughly evaluates the size, audit capability, independence, and industry expertise. We review the audit details and quality in meetings with the Audit Committee.

> Audit Opinion

Fiscal year	Auditor	Audit Opinion	Note
37th (2023)	Deloitte Korea	Appropriate	None
36th (2022)	Deloitte Korea	Appropriate	None
35th (2021)	Samjong KPMG Accounting Firm	Appropriate	None

Introduction

Special Report

ESG Management

Environmental

Social

Governance

Transparent and Efficient Governance

▶ Ethics and Compliance Management

ESG Factbook

Ethics and Compliance Management

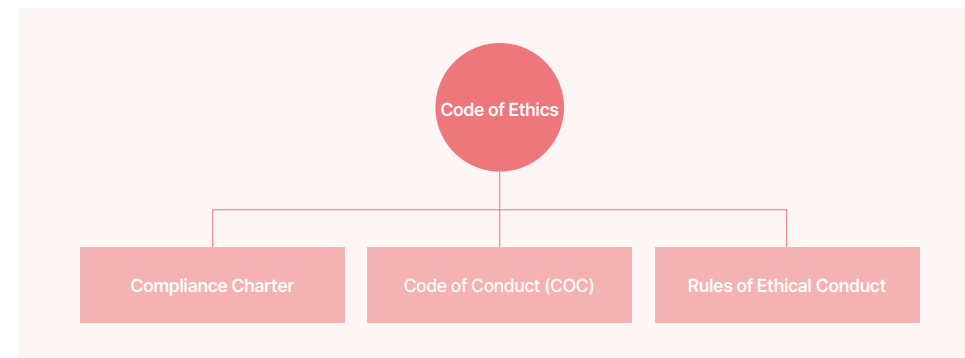
Ethics and Compliance Management

Management System to Realize Ethics Management

LOTTE HIMART has established the Rules of Ethical Conduct to manage and operate an Ethics and Compliance Management System, which applies uniformly to all employees and partners. Based on the LOTTE HIMART Code of Conduct established in 2015, these guidelines prohibit workplace bullying, sexual harassment, and unfair trade practices with partners. They align with various domestic and international legal and ethical standards. Additionally, we require all business sites and partners to adhere to our company's anti-corruption policies and operate an anti-bribery management system aimed at preventing the acceptance of bribes. In 2022, we revised our anti-bribery and compliance management guidelines, disclosing and adding measures such as prohibiting money laundering and the collection of expedited fees.

🔗 — LOTTE HIMART Anti-bribery and Compliance Management Guidelines

> Ethics Management Operation System



Anti-Corruption and Ethics Management Organizations

LOTTE HIMART operates Ethic Management Team and Compliance Team to promote anti-corruption and ethics and compliance management. Head of the department overseeing ethics management, reporting directly to the CEO, ensures independence and authority of the ethics management organization and its employees.

The Ethics Management Team performs various tasks including internal audit operations, institutional improvements, ethics education and campaign activities to enhance ethical awareness among employees, and data monitoring systems improvements to prevent unethical behavior. Additionally, on a quarterly basis, the team reports key issues related to anti-corruption and compliance, internal audit activities, and future internal audit plans to the Audit Committee under the board and take relevant actions.

Our Compliance Team, a supporting organization under the Transparent Management Committee, supports ISO 37001 certification, monitors fair trade practices, and educates employee to prevent legal violation risks.

Transparent Management Committee

LOTTE HIMART has established the Transparent Management Committee to enhance transparency in corporate governance through the establishment of a Fair Trade Compliance System. We review and deliberate internal transactions based on relevant regulations to identify directors who are capable of contributing to the company's compliance management. These directors are appointed at the general shareholders' meeting. Upon board resolution, we appoint these individuals as members of the Transparent Management Committee. In 2023, the Transparent Management Committee convened a total of 7 meetings to directly review issues related to the company's internal transactions. The Transparent Management Committee holds the authority to: 1) Review and approve large-scale negotiated contracts between subsidiaries, 2) Request necessary information for deliberation, 3) Request information on internal transactions status between subsidiaries except agenda items put before consideration 4) Recommend improvement measures and assume responsibility for its activities. Going forward, the Transparent Management Committee will play a key role in achieving a transparent business operation by a pre-deliberation process on significant issues where conflicts of interest may arise.

Ethics and Compliance Management

Ethics and Compliance Management Activities

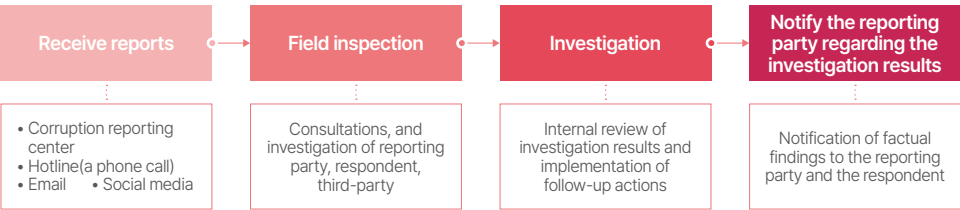
Activities for Enhancing Ethics Management

Operation of Reporting channel for Ethics Management

LOTTE HIMART operates multiple reporting channels to solidify ethical management culture and promote awareness of ethics management. On our website, we provide a corruption reporting center where both internal and external individuals can report unethical behavior. Reports can be submitted via the Ethics Hotline (phone line) or through email. Additionally, we have established a dedicated reporting channel for partners to report unethical behavior, contributing to the establishment of fair trading practices with our partners. All reports can be submitted anonymously, and they are thoroughly managed as confidential information by the Ethics Management Team to completely protect the informants' identity and the content of the report. Furthermore, we strictly adhere to the principles of whistleblower protection according to 'Informant Protection Regulations.' Upon receiving a report, after obtaining consent, we fairly investigate the case in accordance with the Rules of Ethical Conduct. In 2023, there were a total of 2 reports, all of which were handled and resolved following internal procedures with a 100% completion rate.



▶ Reports Handling Process



▶ Reports and Reporting Channel Operation Status in 2023

Corruptive Cases		Compliants of Partners	
Submitted	Resolved	Submitted	Resolved
2	2	-	-

ISO 37001 Certification

In 2018, LOTTE HIMART obtained ISO 37001 certification to advance the anti-bribery management system. Every three years, we undergo independent renewal audits by a third-party and passes annual follow-up audits to maintain certification. Each year, we also analyze companywide corruption risks, establish control objectives, in pursuit of striving to mitigate corruption risks while enhancing awareness among our employees. ISO 37001 is an international standard for anti-bribery management systems established by the International Organization for Standardization (ISO). It is a global certification which evaluates corporate anti-bribery infrastructure, including the establishment, implementation, maintenance, and improvement of anti-corruption measures.

Ethics Training

LOTTE HIMART provides online and offline training programs for all employees including part-time and contracted workers. The education is focused on store operation management and major accident cases through the accident prevention system, allowing us to internalize ethics management in various procedures. For new hires in each role, we educate them on 'practicing ethical management by themes' such as dissemination of accident case studies. Specifically, the anti-corruption and ethics training for staff employees, including contracted and dispatched workers, was offered for all employees. In 2023, a total of 2,893 employees (100% of the employees) completed the training. With these efforts, all employees had the opportunity to understand the basics and principles of our ethical management.

Ethics and Compliance Management

Ethics Audit

The Ethic Management Team conducts regular audits once a year on ethical standards and anti-corruption policies for all business sites, and special audits are also conducted if needed. The Ethic Management Team conducts ethical audits in accordance with Articles 3 and 5 of the Ethics Management Operation Regulations. According to Articles 9 and 11 of the Ethics Management Operating Regulations, the Ethics Management Team must report the investigation findings to the CEO within a specified period after the audit is completed. In cases of serious violations, they refer the matter to the Personnel Committee, improve systems, correct violations, and take corrective actions.

▶ Ethics Audit Status in 2023

Category	Status
Total no. of business sites	394 (48 teams, 10 branches, and 336 stores)
No. of business sites assessed for corruption risks	394
Rate of business sites assessed for corruption risks	100%

▶ Code of Ethics Violation Status and Actions Taken in 2023

Category	No. of cases	Results
No. of Code of Ethics violation cases	25	
No. of actions taken due to violations of the Code of Ethics	25	4 terminations, 2 suspensions, 18 salary reductions, and 1 reprimand

Emphasis of Compliance Management for Partners

LOTTE HIMART executes an annual internal and external ethics management survey for all employees and partners. This survey covers topics such as ethical management, anti-corruption, fair trade compliance, and other areas for improvement. This process allows us to objectively asses our ethical management standards and communicate improvement areas to relevant departments for follow-up actions. In 2023, the ethics evaluation for partner companies was conducted through an online survey by an external agency. The overall ethics management score for 2023 was 96.3 points, indicating a high level of understanding and compliance with ethical management among employees, as well as a strong commitment to practicing ethical principles and values. Areas needing improvement were shared with relevant departments and addressed accordingly. 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.

Ethical Practice Pledges

LOTTE HIMART requires employees to annually pledge their commitment to five key ethical themes: customers' trust, employees' trust, partners' trust, shareholders' trust, and society's trust. These pledges are based on the Rules of Ethical Conduct and the Code of Conduct. Through this process, we remind employees of the standards for ethical behavior and value judgments, thereby enhancing their commitment to ethical practices. In 2023, 100% of all employees completed their ethical pledges.

Introduction

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

ESG Data

GRI Index

SASB Index

Awards and Memberships

Third-Party Assurance Statement

ESG Factbook

- 102 ESG Data
- 110 GRI Index
- 113 SASB Index
- 114 Awards and Memberships
- 115 Third-Party Assurance Statement

ESG Data

Environment

Energy Consumption

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
Energy consumption ¹⁾	Energy consumption within the organization	Fossil fuel consumption	GJ	6,697	6,907	6,632
		Power consumption		1,018,792	993,130	877,815
		Total energy consumption within the organization		1,025,489	1,000,037	884,447
	Energy consumption outside the organization	Fossil fuel consumption		-	134,844	117,885
		Total energy consumption outside the organization		-	134,844	117,885
		Total energy consumption		1,025,489	1,134,881	1,002,332
Energy intensity ¹⁾	Fossil fuel energy intensity	GJ/KRW 100 million	0.17	0.21	0.25	
	Power intensity		26.33	29.76	33.63	
	Total energy intensity		26.50	29.97	33.89	

1) It does not include renewable energy use.

GHG Emissions

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
GHG emission ¹⁾	GHG emissions ²⁾	Scope 1 emissions	tCO ₂ eq	380	396	379
		Scope 2 emissions		50,377	49,108	43,406
		Scope 3 emissions		N/A	9,276	8,110
	GHG emission intensity ³⁾	Scope 1 intensity	tCO ₂ eq/ KRW 100 million	0.01	0.01	0.01
		Scope 2 intensity		1.30	1.47	1.66
		Scope 3 intensity		0.00	0.28	0.31

1) The following matters pertain to the calculation of GHG emissions.
① GHG calculation method: Fuel consumption converted as heat (voluntary verification)
- Gasoline (ℓ): 82,769ℓ [fuel consumption] × 30.1 [heat] × 19.7 [carbon emission factor] × 44/12 = 180 tCO₂-eq
- Citi gas (Nm³): 92,505Nm³ [fuel consumption] × 38.5 [heat] × 15.2 [carbon emission factor] × 44/12 = 199 tCO₂-eq
- Electricity (kWh): 91,439,064kWh [fuel consumption] × 0.47 [carbon emission factor] ÷ 1,000 = 43,406 tCO₂-eq
- Diesel (ℓ): 3,118,662ℓ [fuel consumption] × 35.3 [heat] × 20.1 [carbon emission factor] × 44/12 = 8,110 tCO₂-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]
② Scope for calculation: Headquarters/distribution centers/branches/stores
③ There is no external verification in place to meet the requirements of the Ministry of Environment, such as the Emissions Trading Scheme or Greenhouse Gas Management System

2) The scope for Scope 1~3 calculation is as follows.
① Scope 1 calculation scope: Fuel consumption of business vehicles, heaters and restaurants at headquarters, LOTTE Resort Sokcho
② Scope 2 calculation scope: Electric energy consumption in business sites (including headquarters, branches, stores, and distribution centers)
③ Scope 3 calculation scope: Fuel consumption of transportation vehicles
④ Scope 3 calculation method: 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 2021.)

3) The intensity was calculated based on the consolidated sales.

Introduction

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

- ▶ ESG Data
- GRI Index
- SASB Index
- Awards and Memberships
- Third-Party Assurance Statement

ESG Data

Waste Generation and Disposal

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
Waste management ¹⁾	Waste generation	General waste	Tons	4,889	4,277	3,709
		Designated waste		-	-	-
		Total		4,889	4,277	3,709
	Waste disposal ²⁾	Recycling (by specialized recycling companies)		4,889	4,277	3,709
		Total disposal		4,889	4,277	3,709

1) Scope for waste calculation: The total amount of waste from distribution centers and deliveries, which includes Styrofoam and boxes. There is a disparity between this data and the data disclosed in the 'ENV-INFO System.'

2) We do not have any waste that goes into incineration and landfills, as all of our waste is recycled by recycling companies.

Environmental Management

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
Environmental management indicator	Sales from products whose ecofriendliness and social sustainability have been certified by a third party ¹⁾	Total sales	KRW million	-	44.5	36.4

1) Sales from eco-friendly PB products (launched in May 2022, sales from May 2022 to December 2023). There is a disparity from the data provided in the 2022 Sustainability Report due to the changes in sales calculation standards.)

Society

Employee Composition

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
All employees ¹⁾	Headcount	Male	Persons	2,263	2,094	1,835
	Headcount	Female		1,387	1,289	1,058
	Headcount	Total		3,650	3,383	2,893
Temporary employees	Headcount	Male		56	12	-
	Headcount	Female		31	22	3
	Headcount	Total		87	34	3
Full-time employees	Headcount	Male		2,206	2,072	1,827
	Headcount	Female		1,326	1,245	1,042
	Headcount	Total		3,532	3,317	2,869
Part-time employees	Headcount	Male		1	10	8
	Headcount	Female		30	22	13
	Headcount	Total		31	32	21

1) LOTTE HIMART does not have any non-guaranteed hours employees who do not have a fixed work schedule.

External Workforce Status

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
Employees who do not belong to us within our business sites (dispatched workers)	Headcount	Male	Persons	107	77	51
		Female		212	166	95
		Total		319	243	146

ESG Data

Collective Agreement

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
No. of employees subject to collective agreements ¹⁾	Eligible employees		Persons	3,650	3,383	2,893
	Membership rate		%	100	100	100

1) In the event of a collective agreement, it primarily applies to labor union members. However, since it includes the establishment, modification, and other aspects of systems that are advantageous to workers, it is applied to all employees.

Pay and Wages

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
Average pay ¹⁾	Executive base pay ²⁾	Male	KRW million	192	219	219
		Female		-	54	71
	Base pay of employees in managerial position ³⁾	Male		60	61	80
		Female		42	43	56
	Base pay of employees in non-managerial position ⁴⁾	Male		40	41	55
		Female		33	35	46
Average hourly wage	All employees		KRW 1,000	21	21	23
Ratio of entry-level wage ¹⁾	Wage of newly hired employees ⁵⁾	Male	KRW million	30	34	-
		Female		29	33	32
	Percentage of entry-level wage to minimum wage ⁶⁾	Male	%	137	151	-
		Female		134	146	131

1) Standard wage (standard pay+performance-based incentives+overtime allowance; excluding bonuses and other allowances), based on based on the end-of-year employees or executives.
2) Executives: Non-registered executives, registered executives, and external directors
3) Managerial position: General office workers+branch heads
4) Non-managerial position: Sales force
5) Wage of newly hired employees: Standard annual wage (standard pay+performance-based incentives+overtime allowance; excluding bonuses and other allowances), as of the end of 2023, we did not have any new male hires, so an entry-level wage was not calculated.
6) Percentage of entry-level wage to minimum wage: Percentage of starting wage to minimum annual wage (Minimum annual wage in 2023: KRW 24,126,960/Minimum annual wage in 2022: KRW 22,973,280/Minimum annual wage in 2021: KRW 21,869,760)

Recruitment, Retention, and Retirement

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
Recruitment	No. of newly hired employees by age	Under 30	Persons	66	59	60
		30 to 49		57	45	34
		50 or older		18	19	10
	No. of newly hired employees by gender	Male		79	52	38
		Female		62	71	66
Turnover and retirement	Voluntary turnover	Total no. of voluntary turnover	%	319	346	297
		Total no. of non-voluntary turnover		75	117	164
		Voluntary turnover percentage		7.90	9.40	8.78
		Non-voluntary turnover		1.00	2.40	5.47
	No. of employee turnover and retirees by age	Under 30	Persons	139	128	90
		30 to 49		210	300	331
		50 or older		45	35	44
	No. of employee turnover and retirees by gender	Male		238	258	250
		Female		156	205	215
Retention	Average years of service	Total	Month, year	About 9 years and 6 months	About 10 years and 7 months	About 11 years and 7 months
		Male		About 10 years and 4 months	About 11 years and 6 months	About 12 years and 5 months
		Female		About 8 years and 4 months	About 9 years and 3 months	About 10 years and 4 months

Introduction

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

- ▶ ESG Data
- GRI Index
- SASB Index
- Awards and Memberships
- Third-Party Assurance Statement

ESG Data

Family-friendly Management

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
Childcare leave	No. of eligible employees ¹⁾	Male		130	99	64
		Female		73	81	72
	No. of employees on childcare leave	Male		134	120	87
		Female		76	74	73
	No. of employees returning to work from the leave (A)	Male		123	101	91
		Female		64	78	67
	No. of employees subject to returning to work from the leave (B)	Male	Persons	132	111	91
		Female		61	80	92
	No. of employees who worked for at least 12 months after returning from the leave (C) ²⁾	Male		93	112	91
		Female		76	57	54
	No. of employees returning to work from the leave in the previous reporting period (D)	Male		103	123	101
		Female		81	64	78
	Rate of employees returning to work from the leave (A/B)	Male		93.2	91.0	100.0
		Female		104.9	97.5	72.8
	Rate of employees who have worked for 12 months after the return (C/D)	Male	%	90.3	91.1	90.1
		Female		93.8	89.1	69.2
Childbirth leave	No. of employees on childbirth leave	Male	Persons	77	62	51
		Female		67	68	54

1) Calculation criteria
① Male: Number of people who did not take childcare leave among the number of children born in the previous year+number of children born this year
② Female: Number of people who took childbirth leave from the end of the previous year to October of this year

Occupational Safety and Health

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
Occupational safety and health management system	Total	No. of eligible employees	Persons	3,650	3,383	2,893
		Rate of eligible employees	%	91.96	93.30	95.20
	Systems receiving an internal audit	No. of eligible employees	Persons	3,650	3,383	2,893
		Rate of eligible employees	%	91.96	93.30	95.20
Work-related injuries	Systems receiving an external audit	No. of eligible employees	Persons	3,650	3,383	2,893
		Rate of eligible employees	%	91.96	93.30	95.20
	No. of occupational injuries	Employees		2	2	5
		Individuals who are not our employees		-	1	2
	No. of fatalities due to occupational injuries	Employees	Persons	-	-	-
		Individuals who are not our employees		-	-	1
	No. of serious accidents	Employees		-	-	-
		Individuals who are not our employees		-	-	-
	Total working hours	Employees	시간	7,592,000	7,036,640	6,017,440
		Individuals who are not our employees		783,464	596,808	358,576
	Rate of occupational accidents ¹⁾	Employees		0.05	0.06	0.17
		Individuals who are not our employees		-	0.34	1.12
	Rate of fatalities due to occupational injuries	Employees	%	-	-	-
		Individuals who are not our employees		-	-	0.56
Diseases (Work-related diseases) ²⁾	Rate of serious accidents	Employees		-	-	-
		Individuals who are not our employees		-	-	-
	No. of fatalities	Employees ³⁾		-	-	-
		Individuals who are not our employees		-	-	-
Education on occupational safety and health	No. of diseases	Employees	Persons	-	-	-
		Individuals who are not our employees		-	-	1
	Statutory education	No. of employees who completed the education		3,405	3,298	2,712
		Education for supervisors		447	422	398

1) Occupational accident rate = (No. of injured workers/working hours of workers subject to industrial accident insurance)*200,000
2) Musculoskeletal disorders and mental illnesses derived from work-related stress
3) No. of reports to the occupational health and safety insurance of the Korea Workers' Compensation & Welfare Service

Introduction

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

- ▶ ESG Data
- GRI Index
- SASB Index
- Awards and Memberships
- Third-Party Assurance Statement

ESG Data

Training and Education

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
Educational hours ¹⁾	Average educational hours per employee (total)		Hours	25	27	24
	Average educational hours per employee (by gender)	Male		30	31	24
		Female		18	22	22
	Average educational hours per employee (by age)	Under 30		12	18	16
		30 to 49		29	30	25
		50 or older		46	37	29
Educational expenses	Average education hours per employee (diversity)	Employees with disabilities	KRW million	-	-	-
	Total educational expenses	National veterans		35	34	24
				0.04	0.04	0.06
Regular assessments of job performance and career development ²⁾	Rate of employees receiving regular assessments (total)		%	95.0	92.6	95.1
	Rate of employees receiving regular assessments (by gender)	Male		95.9	94.6	96.8
		Female		93.6	89.1	92.1
	Rate of employees receiving regular assessments (by age)	Under 30		93.4	85.5	93.7
		30 to 49		96.5	94.9	96.0
		50 or older		82.9	89.5	89.4
	Rate of employees receiving regular assessments (diversity)	Employees with disabilities		69.4	63.3	71.9
		National veterans		90.9	95.0	100.0

1) It has been calculated based on the group integrated online educational (EZ-learning)
2) Excluding employees who took leave for 45 days or longer

Diversity and Equal Opportunities

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
Employee composition	Female employees	No. of female employees	Persons	1,387	1,289	1,058
		Ratio of female employees	%	38.07	38.17	36.50
	Disabled employees	No. of female employees	Persons	120	114	96
		Ratio of female employees	%	3.3	3.4	3.3
	Veteran employees	No. of female employees	Persons	22	20	15
		Ratio of female employees	%	0.60	0.59	0.52
Recruitment	New female hires	No. of new female hires	Persons	62	71	66
		Ratio of new female hires to the total	%	44	58	63
	New disabled hires	No. of new disabled hires	Persons	21	28	8
		Ratio of new disabled hires to the total	%	14.89	22.76	17.39
Managerial position ¹⁾	Female managers	No. of female managers	Persons	82	84	73
		Ratio of female to all managers	%	7.7	8.4	6.9
Board status	Female directors	No. of female directors	Persons	-	1	1
		Ratio of female to all directors	%	-	12.5	12.5

1) Female employees who hold positions defined by the company
Positions: External employees/branch heads/office leaders/team leaders/managers/CMD/sales heads/service center heads

Human Rights

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
Human rights education	No of employees who completed human rights education	No. of employees	Persons	3,545	3,298	2,839
		No. of security staff ¹⁾		12	12	7
	Rate of employees who completed human rights education	Rate of security staff ¹⁾	%	100	100	100
Prohibition of discrimination ²⁾	Hours of human rights education	Educational hours per employee	Hours	3	3	2
		No. of discrimination cases	Cases	0	0	0

1) Security personnel affiliated with subcontractors received separate human rights education from the subcontractors
2) We have defined discrimination cases to include those based on gender and disability status.

Introduction

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

- ▶ ESG Data
- GRI Index
- SASB Index
- Awards and Memberships
- Third-Party Assurance Statement

ESG Data

Customer Satisfaction

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
Customer satisfaction	Process to handle customers' opinions and complaints	No. of reported cases	Cases	1,205	1,237	1,487
		No. of cases addressed		1,186	1,233	1,487

Supply Chain Sustainability

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
Procurement practices	Partner status	No. of partner companies	Count	1,534	1,277	1,640
	No. of domestic partners	Purchasing amount	KRW 100 million	36,694	30,318	21,989
		Ratio of domestic purchasing amount to the total ¹⁾	%	99.5	99.2	99.2
Supplier assessment	ESG assessment	No. of suppliers receiving the assessment	Count	27	20	20
	Environmental impact assessment	No. of suppliers receiving the assessment		27	20	20
		No. of suppliers verified to have negative impacts		-	-	-
	Social impact assessment	No. of suppliers receiving the assessment		27	20	20
		No. of suppliers verified to have negative impacts		-	-	-
Assistance for partners	Financial assistance	Total amount	KRW 100 million	960	751	543
		Shared Growth Fund		500	500	500
		Payment condition improvement		-	-	-
		Early payments before holidays		460	251	43

1) The calculation method of the ratio has been changed from the one disclosed in the sustainability report for the previous period.

Data Protection

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
Customer information leaks, thefts, and losses	No. of leaks	Total	Cases	-	-	-
		Externally reported cases		-	-	-
		Complaints raised by regulating organizations		-	-	-
	No. of customers whose personal information was leaked	No. of customers related leaks	Persons	-	-	-
	Leaks of Personal Identifiable Information (PPI)	Ratio of leaks	%	-	-	-
Data security policy	Audit on the data security system	Frequency of audits conducted for the year	Times	2	2	2

Introduction

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

- ▶ ESG Data
- GRI Index
- SASB Index
- Awards and Memberships
- Third-Party Assurance Statement

ESG Data

Governance

Board of Directors

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
Board composition	No of board members	Internal director	Persons	3	3	3
		External director		5	5	5
	Board composition ratio	Internal director	%	37.5	37.5	37.5
		External director		62.5	62.5	62.5
Board operation	Board meetings convened	No. of meetings convened	Times	11	12	12
		Total attendance rate	%	97.9	98.1	95.7
	Board attendance	Internal director attendance rate		97.7	97.9	91.7
		External director attendance rate		98.2	98.3	96.7
		Total agenda items		37	35	31
	Board agenda	Agenda items which external directors voted against or proposed amendments	Cases	-	-	-
		Notification of board convocation		7	7	7
	Notification of board convocation	Minimum notice period before the board meetings	Days	7	7	7

Shareholders

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
Protection of shareholders' rights	Data disclosure	No of presentations held	Times	4	4	4

Fair Trade

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
Anti-corruption risk management	Organization conducting the assessment	No. of organizations assessed for bribery risks	Organizations	124	148	73
		Rate of organizations assessed for bribery risks	%	26.2	33.3	18.5
Notification and completion of anti-corruption education	Board of Directors	No. of board members	Persons	3	5	-
	Employees	No. of employees		3,650	3,383	2,893
	Partners	Ratio of employees	%	100	100	100
		No. of partners	Persons	-	1,673	1,150
		Rate of partners	%	-	100	100
Corruption cases	Confirmed cases	No. of cases	Cases	-	-	-
	Measures taken	No. of employees punished		-	-	-
		No. of partner contracts terminated or not renewed		-	-	-
Anti-competitive behavior	Legal action	No. of actions taken		1	-	-
	Action taken by financial authorities (fines, sanctions, warnings)	No. of actions taken		-	-	-

Compliance

Prime category	Secondary category	Tertiary category	Unit	2021	2022	2023
Compliance status	Non-compliance cases ¹⁾	No. of cases	Persons	1	-	-
		Fines incurred by the non-compliance	KRW 100 million	10	-	-

1) The large-scale distribution law violations resulted in fines imposed in 2021 (improper use of promotion costs, imposing disadvantages, and failure to deliver sales incentive agreements, resulting in a correction order and a fine of KRW 1 billion; the administrative litigation related to these violations has been completed)

Introduction

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

- ▶ ESG Data
- GRI Index
- SASB Index
- Awards and Memberships
- Third-Party Assurance Statement

ESG Data

Financial Data

Statement of Financial Position (Unit: KRW million)

Category	2021	2022	2023
Assets			
Current assets	682,918	658,470	660,763
Non-current assets	2,260,627	1,805,749	1,709,918
Total assets	2,943,545	2,464,219	2,370,681
Liabilities			
Current liabilities	575,563	763,904	714,777
Non-current liabilities	540,624	405,019	406,113
Total liabilities	1,116,187	1,168,923	1,120,891
Equity			
Total equity	1,827,358	1,295,297	1,249,790
Total liabilities and equity	2,943,545	2,464,219	2,370,681

Income Statement (Unit: KRW million)

Category	2021	2022	2023
Sales	3,869,749	3,336,821	2,610,137
Sales costs	2,937,030	2,578,116	1,931,981
Total sales profits	932,719	758,705	678,156
Selling, general, and administrative expenses	825,884	810,717	669,933
Operating income (loss)	106,835	(52,011)	8,223
Net income before tax (loss)	(33,458)	(557,697)	(30,128)
Income tax expenses	23,994	(29,806)	5,241
Net income	(57,452)	(527,891)	(35,369)

Economic Value Distribution (Unit: KRW million)

Category	Sub-category	2021	2022	2023
Employees	Wages and bonuses	193,964	185,649	173,138
	Welfare benefits	39,545	40,138	32,019
Shareholders and investors	Dividends and interests	40,343	37,801	33,474
Government and public institutions	Corporate tax	23,994	(29,806)	5,241
	Fines	56	109	48
Local communities	Investments in social contribution	2,720	2,190	495

Introduction

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

ESG Data

▶ GRI Index

SASB Index

Awards and Memberships

Third-Party Assurance Statement

GRI Index

Scope of Application

LOTTE HIMART publishes its Sustainability Report for the period from January 1, 2023, to December 31, 2023, in compliance with the GRI Standards 2021. We have adhered to the 9 requirements stipulated in GRI 1 (2021). At the time of this report’s publication, no sector standard relevant to our industry had been released, so no specific sector standard has been applied. For significant issues during our 2023 reporting period, please refer to the 'Materiality Assessment' section of the report.

General Disclosures

	Disclosure	Page	Remarks
2-1	Organizational details	5	
2-2	Entities included in the organization's sustainability reporting	2, 5	
2-3	Reporting period, frequency and contact point	2	
2-4	Restatements of information	103, 107	
2-5	External assurance	115~116	
2-6	Activities, value chain and other business relationships	5	
2-7	Employees	5, 103	
2-8	Workers who are not employees	103	
2-9	Governance structure and composition	92	
2-10	Nomination and selection of the highest governance body	95	
2-11	Chair of the highest governance body	93,95	
2-12	Role of the highest governance body in overseeing the management of impacts	92	
2-13	Delegation of responsibility for managing impacts	17	
2-14	Role of the highest governance body in sustainability reporting	17, 25	
2-15	Conflicts of interest	96	

	Disclosure	Page	Remarks
2-16	Communication of critical concerns	22~23	
2-17	Collective knowledge of the highest governance body	93	
2-18	Evaluation of the performance of the highest governance body	95	
2-19	Remuneration policies	96	
2-20	Process to determine remuneration	96	
2-21	Annual total compensation ratio	Business Report	
2-22	Statement on sustainable development strategy	4	
2-23	Policy commitments	18	
2-24	Embedding policy commitments	19~20	
2-25	Processes to remediate negative impacts	22~23, 99~100, 71~72	
2-26	Mechanisms for seeking advice and raising concerns	67~68	
2-27	Compliance with laws and regulations	108	
2-28	Membership associations	114	
2-29	Approach to stakeholder engagement	24	
2-30	Collective bargaining agreements	104	

Introduction

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

- ESG Data
 - GRI Index
- SASB Index
- Awards and Memberships
- Third-Party Assurance Statement

GRI Index

Material topics

Disclosure		Page	Remarks (including the reasons for non-reporting)
3-1	Process to determine material topics	25	
3-2	List of material topics	26	
3-3	Management of material topics	27	

Topic standards

Material Topics

Disclosure		Page	Remarks (including the reasons for non-reporting)
GRI 205: Anti-corruption			
205-1	Operations assessed for risks related to corruption	100, 108	
205-2	Communication and training about anti-corruption policies and procedures	99~100, 108	
205-3	Confirmed incidents of corruption and actions taken	100, 108	
GRI 206: Anti-competitive Behavior			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	108	
GRI 308: Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria	56, 107	
308-2	Negative environmental impacts in the supply chain and actions taken	56, 107	

Disclosure		Page	Remarks (including the reasons for non-reporting)
GRI 403: Occupational Health and Safety			
403-1	Occupational health and safety management system	73~74	
403-2	Hazard identification, risk assessment, and incident investigation	75, 76	
403-3	Occupational health services	79	
403-4	Employee participation, consultation, and communication on occupational health and safety	73, 77	
403-5	Worker training on occupational health and safety	78~79, 105	
403-6	Promotion of worker health	75, 77	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	77	
403-8	Workers covered by an occupational health and safety management system	73, 105	
403-9	Work-related injuries	105	
403-10	Work-related ill health	105	
GRI 404: Training and Education			
404-1	Average hours of training per year per employee	106	
404-2	Programs for upgrading employee skills and transition assistance programs	61~63	
404-3	Percentage of employees receiving regular performance and career development reviews	106	
GRI 414: Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria	56, 107	
414-2	Negative social impacts in the supply chain and actions taken	56, 107	
GRI 418: Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	107	

Introduction

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

- ESG Data
 - GRI Index
- SASB Index
- Awards and Memberships
- Third-Party Assurance Statement

GRI Index

General Topics

Disclosure		Page	Remarks
GRI 201: Economic Performance			
201-1	Direct economic value generated and distributed (EVG&D)	109	
201-2	Financial implications and other risks and opportunities due to climate change	37~41	
GRI 202: Market Presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	104	
GRI 203: Indirect Economic Impacts			
203-1	Infrastructure investments and services supported	81~82	
203-2	Significant indirect economic impacts	80	
GRI 204: Procurement Practices			
204-1	Proportion of spending on local suppliers	107	
GRI 301: Materials			
301-3	Reclaimed products and their packaging materials	35	
GRI 302: Energy			
302-1	Energy consumption within the organization	42, 102	
302-2	Energy consumption outside of the organization	102	
302-3	Energy intensity	42, 102	
302-4	Reduction of energy consumption	42	
302-5	Reductions in energy requirements of products and services	42	
GRI 305: Emissions			
305-1	Direct (Scope 1) GHG emissions	42, 102	
305-2	Energy indirect (Scope 2) GHG emissions	42, 102	
305-3	Other indirect (Scope 3) GHG emissions	42, 102	
305-4	GHG emissions intensity	42, 102	
305-5	Reduction of GHG emissions	42	

Disclosure		Page	Remarks
GRI 306: Waste			
306-2	Management of significant waste-related impacts	34~35	
306-3	Waste generated	35, 103	
306-4	Waste diverted from disposal	35, 103	
306-5	Waste directed to disposal	35, 103	
GRI 401: Employment			
401-1	New employee hires and employee turnover	104	
401-2	Benefits provided to full-time employees that are not provided to temporary or parttime employees	66	
401-3	Parental leave	105	
GRI 405: Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	60, 95, 103,106	
405-2	Ratio of basic salary and remuneration of women to men	104	
GRI 406: Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	106	
GRI 410: Security Practices			
410-1	Security personnel trained in human rights policies or procedures	106	

Introduction

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

- ESG Data
- GRI Index
- ▶ SASB Index
- Awards and Memberships
- Third-Party Assurance Statement

SASB Index

The Sustainability Accounting Standards Board (SASB) is a set of sustainability accounting standards established by the U.S. Sustainability Accounting Standards Board, which recommends disclosures in financial areas based on 77 industry-specific standards that reflect the characteristics of each industry. LOTTE HIMART has reported its data in accordance with the Multiline and Specialty Retailers & Distributors standard pertaining to the retail industry.

Sustainability Disclosure Topics & Accounting Metrics

Material Topic	Accounting Metric	Page/Response	Code
Energy Management in Retail & Distribution	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable energy	102	CG-MR-130a.1
Data Security	Description of management approach to identifying and addressing data security risks	83~87	CG-MR-230a.1
	(1) Number of data security breaches, (2) percentage involving customers' personally identifiable information (PII), (3) number of customers affected	107	CG-MR-230a.2
Labor Practices	(1) Average hourly wage (2) percentage of in-store employees earning minimum wage, by region	104	CG-MR-310a.1
	(1) Voluntary and (2) involuntary employee turnover rate for in-store employees	104	CG-MR-310a.2
	Amount of legal and regulatory fines and settlements associated with labor law violations	No cases of labor law violations	CG-MR-310a.3
	Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees	103, 106	CG-MR-330a.1
Workforce Diversity & Inclusion	Amount of legal and regulatory fines and settlements associated with employment discrimination	No cases of employment discrimination	CG-MR-330a.2
Product Sourcing, Packaging & Marketing	Revenue from products third-party certified to environmental and/or social sustainability standards	103	CG-MR-410a.1
	Description of processes to assess and manage risks and/or hazards associated with chemicals in products	33, 50	CG-MR-410a.2
	Description of strategies to reduce the environmental impact of packaging	34~35, 36	CG-MR-410a.3

Activity Metrics

Disclosure	Page/Response	Code
Number of: (1) stores and (2) distribution centers	(1) Stores: 336 (2) Distribution centers: 11	CG-MR-000.A
Total area of: (1) stores and (2) distribution centers	(1) Stores: 468,299m ² (2) Distribution centers: 521,805m ²	CG-MR-000.B

Introduction

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

- ESG Data
- GRI Index
- SASB Index
- ▶ Awards and Memberships
- Third-Party Assurance Statement

Awards and Memberships

Major Awards

Date	Award	Host	Remarks
November 2023	Premium Brand Index	Brandstock	11 consecutive years
April 2023	Grand Prize at the Most Loved Brand in Korea	Chosun Biz	14 consecutive years
January 2024	Grand Prize at the Most Trusted Brand by Consumers	Digital Chosun	15 consecutive years

Membership Status

Organization	Year of Membership
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
E-Cycle 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

Introduction

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

ESG Data

GRI Index

SASB Index

Awards and Memberships

▶ Third-Party Assurance Statement

Third-Party Assurance Statement

Independent Assurance Statement for LOTTE HIMART Co., Ltd.'s Sustainability Report

To the Board of Directors of LOTTE HIMART Co., Ltd.

We were engaged by LOTTE HIMART Co., Ltd. ("Company") to provide a limited assurance on the information included 'LOTTE HIMART Sustainability Report 2023' ("Report") for the year ended December 31, 2023. The work of scope covers subject matter information from January 1, 2023 to December 31, 2023, and significant issues till the issuance date of this limited assurance report.

Subject Matter information

We have performed assurance procedures on the sustainability information included in the attached Report ("Sustainability Information"). Our assurance procedures do not extend to Sustainability Information related to the previous period, including images, audio files, and embedded videos.

Criteria Used as the Basis of Preparation

The criteria used as the basis of preparation includes GRI standards issued by the Global Reporting Initiative.

The absence of a commonly used generally accepted reporting framework or a significant body of established practice on which to draw to evaluate and measure Sustainability Information allows for different, but acceptable, measurement techniques that can affect comparability between entities and over time. Consequently, the Sustainability Information needs to be read and understood together with criteria as the basis of preparation which the Company has used to prepare the Sustainability Information.

Our Conclusion

Based on the procedures we have performed as described under the 'Summary of the work we performed as the basis for our assurance conclusion' and the evidence we have obtained, nothing has come to our attention that causes us to believe that Company's Sustainability Information included in the report for the year ended December 31, 2023 is not prepared, in all material respects, in accordance with the criteria used.

As we have not performed assurance procedures on Sustainability Information related to the previous period, including images, audio files, and embedded videos, we do not express an assurance conclusion regarding them.

Inherent Limitations

Sustainability Information includes forward-looking information such as climate-related scenarios that is subject to inherent uncertainty because of incomplete scientific and economic knowledge about the likelihood, timing or effect of possible future impacts.

Company's Responsibilities

The management of the Company are responsible for selecting and establishing suitable criteria for preparing the Sustainability Information, considering applicable regulations related to sustainability reporting. They are also responsible for designing, implementing, and maintaining internal controls over information relevant to the preparation of the Sustainability Information that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

We are responsible for planning and performing the engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error, forming as independent conclusion, based on the procedures we have performed and the evidence we have obtained, and reporting our conclusion to the management of the Company. As we are engaged to form an independent conclusion on the Sustainability Information as prepared by management, we are not permitted to be involved in the preparation of the Sustainability Information as doing so may compromise our independence.

Introduction

Special Report

ESG Management

Environmental

Social

Governance

ESG Factbook

ESG Data

GRI Index

SASB Index

Awards and Memberships

▶ Third-Party Assurance Statement

LOTTE HIMART

Sustainability Report 2023

Third-Party Assurance Statement

Assurance Standards Applied

We have performed a limited assurance engagement in accordance with ISAE 3000 (Assurance Engagements Other than Audits or Reviews of Historical Financial Information) issued by the International Auditing and Assurance Standards Board ("IAASB").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Summary of the Work we Performed as the Basis for our Assurance Conclusion

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the Sustainability Information is likely to arise. The procedures we performed were based on our professional judgment. In carrying out our limited assurance engagement on the Sustainability Information, we:

- Reviewed whether the Sustainability Information was prepared in accordance with the criteria used as a basis for its preparation
- Established whether the financial information included in the Report was appropriately extracted from the audited financial statements of the Company
- Verified the process for selecting material issues considering the Company's key stakeholders
- Performed analytical procedures on the material issues identified by the Company and reviewed significant differences by questioning the Company's responsible personnel or obtaining relevant evidence
- Performed interviews with the responsible personnel who have the responsibility for providing entity-level data for the Report to verify the Company's processes and systems related to the preparation of Sustainability Information
- Reviewed the overall presentation and disclosure of Sustainability Information

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Therefore, since we may not be aware of all significant matters that can only be identified through reasonable assurance procedures, we do not provide reasonable assurance regarding whether the Company's Sustainability Information has been prepared in accordance with the Reporting Framework from the perspective of materiality.

Use of this Assurance Report

This assurance report has been prepared for the Directors of the Company for the purpose of providing an assurance conclusion on the Subject Matter Information and may not be suitable for any other purposes. We disclaim that any assumption of responsibility for any reliance on this assurance report, to any person other than the Directors of the Company, or any other purpose than that for which it was prepared.


KPMG Samjong Accounting Corp.

152 Teheran-ro, Gangnam-gu, Seoul, South Korea,

June 18, 2024

