For your Family

LOTTE HIMART Sustainability Report 2020



About This Report

Overview

LOTTE HIMART Sustainability Report 2020 is the first sustainability report of LOTTE HIMART, aiming to introduce the detailed activities and efforts for each sector of environmental, social and governance (ESG) to achieve sustainable management. We will transparently inform our midto-long-term ESG management strategies and consequent activities and performances to our stakeholders each year.

Principles of writing the report

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

Reporting period

This report covers activities from January 2020 to June 2021, and some contents include major achievements of the latter half of 2021. For quantitative performance, 3-year figures from 2018 to 2020 are provided in order to guide you with the changing trends.

Reporting boundaries

LOTTE HIMART headquarters and nationwide branches, stores, logistics centers

Report assurance

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

Inquiry

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Contents

Overview

04 CEO Message

06 Business Overview

12 ESG Strategy

14 Materiality Assessment

Beyond Customer Expectation

18 Creating Customer ValueOnline and Offline

20 Closed-loop Recycling for Environmental Commitments

22 Mutual Growth based on Trust and Communication

24 Outreach Activities to Overcome COVID-19

Challenge Environmental

28 Environmental Management

33 Circular Economy

39 Response to Climate Change

Respect Social

42 Data Security

45 Customer Satisfaction

51 Our People

64 Mutual Growth

73 Hi Social Contribution

Originality Governance

80 Governance

82 Shareholder Rights

83 Compliance

85 Risk Management

Appendix

88 Data Center

94 GRI Content Index

99 SASB Index

100 Third-party Assurance Statement

102 Memberships & Awards

CEO Message



Dear Beloved Stakeholders,

I would like to extend my deepest gratitude
for your support and faith in LOTTE HIMART.

"

As CEO, I am pleased to share the social and environmental efforts and performance of LOTTE HIMART through the publication of the first Sustainability report.

2020 was a year of unprecedented crisis due to the unforeseen global pandemic brought on by COVID-19. In Korea, production and consumption activities contracted considerably, resulting in not only economic stagnation but also various changes and hardship in everyday life. In addition to the COVID-19 pandemic, extreme weather caused by climate change prompted rapid changes to the national government's policies on safety, health and the environment. As a result, the roles and responsibilities of enterprises as members of society are being further emphasized.

Despite the difficult management environment, LOTTE HIMART sought growth opportunities, working tirelessly to achieve structural improvements based on the passion and dedication of its employees. As a result of our continuous efforts to raise the efficiency of our offline retail business and enrich the content for our online stores, we were able to maintain stable sales performance. Moreover, further spurring our ESG management efforts, we solidified our position as Korea's leading home appliance retailer.

RESPECT

5

LOTTE HIMART will always consider the environment.

Since the signing of a memorandum of understanding with the Korea Environment Corporation and the Korea Electronics Recycling Cooperative in 2015, we have shown active participation in the collection of waste home appliances. In 2021, we obtained ISO 14001 certification, an international standard for environmental management systems, laying the foundation for more systematic environmental management practices. Based on the foundation, LOTTE HIMART will further expand the application of eco-friendly packaging materials and accelerate the development of an eco-friendly product line for its own brand "HIMADE" as part of our efforts to strengthen eco-friendliness in our products and services and to redefine ourselves as an eco-friendly company.

LOTTE HIMART will faithfully fulfill its social responsibilities.

In 2020, we carried out differentiated social contribution activities associated with our business areas, such as providing home appliances to vulnerable groups affected by the COVID-19 pandemic and holding an online version of "Mobile Hi Science Class," one of our iconic social contribution programs. We will take the lead in fostering a culture of fair trade by strengthening the relationships with our partners based on mutual trust and cooperation. We will also together achieve shared growth through consulting, training, and sales channel support programs.

LOTTE HIMART will continue to engage in genuine and sincere ESG management practices based on sound corporate governance.

In 2018, we obtained ISO 37001, an international standard for anticorruption management systems, and we have since been promoting compliance management that conforms to the standard. For more systematic ESG management, we launched an ESG committee in September 2021 and take part in supporting the ESG projects of our partners in order to spread the ESG management culture. We will stay committed to leading ESG management based on sound governance.

We will take the initiative in spreading ESG culture together with our customers while practicing ESG management based on our unique corporate characteristics. I hope this Sustainability report, which is to be published annually following the first publication this year, will assist you in providing LOTTE HIMART with advice and support as we dedicate our efforts to grow as a sustainable enterprise.

Thank you.



Business Overview

About LOTTE HIMART

Since its foundation in 2000, LOTTE HIMART has been leading the domestic home appliances market as the number one category killer¹⁾ store specializing in home appliances. We operate 450 nationwide stores and online stores, handling about 5,000 global brands. We are also asserting our position as the best home appliance distributor through private brand products and differentiated shipping and customer services.

1) A retailer specializing in selected items such as electronics



Awarded the Most Loved brand in Korea*

10 years in a row



Awarded the Most Trusted

Brand in Korea*

11 years in a row



Premium Brand Index*

8 years in a row

* As of 2020

General information

Company name LOTTE HIMART Co., Ltd.

Type of Wholesale and retail of home appliances

CEO Hwang Young Keun

(As of December 2020)

Date of establishment	1987
Headquarters	LOTTE HIMART Building,
	156, Samseong-ro,
	Gangnam-gu, Seoul,
	Republic of Korea

No. of employees

3,915

Total assets

KRW **3,349.2** billion

Operating income

KRW 161,076 million

Domestic Credit Rating

A1
Korea Investors Service

AA-NICE AA-

Korea Ratings

LOTTE HIMART headquarters

7

Our history

January 2000

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

July 2000

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

October 2002

Won the Korea Advertising Awards for Opera Ads

May 2003

OVERVIEW

Opened an HQmanaged service center

December 2004

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

June 2005

CHALLENGE

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



July 2013

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

November 2012

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

June 2011

Listed on the stock market

December 2010

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

November 2009

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



April 2014

Launched a HIMART volunteer group

March 2015

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

December 2015

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

June 2017

Opened online-exclusive logistics center

January 2018

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

January 2020

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



Our vision and core values

LOTTE HIMART has been pursuing the happiness of customers and a better future for humanity ever since its foundation in 2000.

Under the slogan of "For Your Family: LOTTE HIMART that shares the best moments of your family," we pursue the three core values, which are: **Challenge**, **Respect**, and **Originality**.

We strive to surpass the expectations of customers and become a home and lifestyle retailer that adds pleasure and value to customers' lifestyles with smart products and services.

Vision

Home & Lifestyle Retailer

To add pleasure and value to customer's lifestyles

with smart products and service

Roles of LOTTE HIMART

Early adopter

Finding and sourcing new products that lead trends for customers with the development of technologies

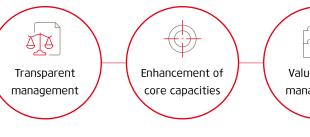
Curator

Suggesting personalized products and services that meet various lifestyles of customers

Influencer

Spreading good influence on customers by fulfilling environmental and social values









BEYOND CUSTOMER EXPECTATION

We do not stop at meeting customer demands but create value that goes beyond customers' expectations.

CHALLENGE

We focus on the essence of work and achieve higher-level goals through constant challenges.

RESPECT

We aim for a community based on trust by respecting different opinions, communicating, and respecting principles.

ORIGINALITY

We develop inimitable originality by quickly responding to changes and show boundless cooperation and out-of-the-box innovation.



CHALLENGE

9

Our brands and business fields

Service brands

HIMADE

HIMADE is LOTTE HIMART's private brand²⁾ that achieved continuous growth of an annual average of 22% from launching in 2016 to 2020. HIMADE products are produced in cooperation with expert manufacturers, and the product line is expanding to small appliances such as hair dryers and fans, large appliances such as TVs and refrigerators, and IT products such as desktops and laptops to meet the different needs and lifestyles of consumers.

HIMADE launched four sub-brands in April 2021 and provides products according to each brand's concept. The company introduced around 200 staple items to date through a strategy that offers products equivalent to competitive products at lower prices and higher quality products at the same price range. In addition, HIMADE plans to expand its eco-friendly private brand product line with the increasing interest in green products.

2) Refers to house products made by a distributor.

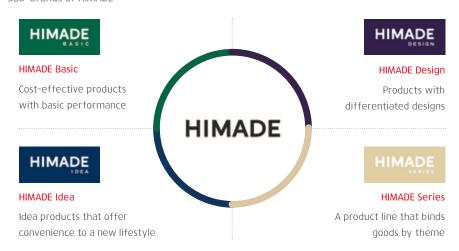
Home Care Service

Home Care Service is an aftercare service that offers cleaning and management of home appliances and living spaces through professional workforce and equipment. For home appliances, a customer satisfaction (CS) master³⁾ who completed special cleaning training visits homes to sterilize and clean 15 items that require continued maintenance, ranging from washing machines to air conditioner and air purifiers. Furthermore, the service includes 22 residence care items such as mattress cleaning, move-in cleaning, and bug screen installation.

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



Sub-brands of HIMADE





Employees showing the HIMADE Series products



PR material for Home Care Service

Stores

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



Omni-Store

Introduction of Lifestyles

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



Mega-Store

Mega Collective

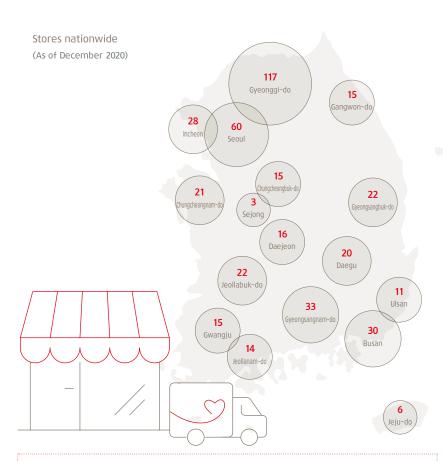
A novel space that offers everything from A to Z where unprecedented experiences gather



Premium

Salon De Noble

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







German Design Award 2021

Special Mention* award

* Regarded one of the top awards, LOTTE HIMART was awarded Special Mention in the Excellent Communications Design-Brand Identity category

11

Online store

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

Major contents of our online store



Hi Homes

An exclusive service center that provides shopping experiences and home livingrelated services through customerparticipatory content



Home interior

A platform that provides interior information (e.g. interior cases and construction portfolios) and construction counseling brokerage services



Heart Live

A mobile broadcasting platform for selling all sorts of products (new, trending, exclusive) through live broadcasting content



HeartON TV

A video content platform that provides and sells product information through product review, home appliances fairytale, etc.



HeartMarket

A platform that connects secondhand transactions between individuals and sells displayed products, inventory, and additional services



AR/VR*

A platform that maximizes customer experience and encourages customer participation through new technologies



After-sales app

A platform that assists customers with after-sales service requests, cost estimate, purchasing parts and product maintenance information.



Video consulting service

A remote consulting platform where customers can get real-time consulting on product testing or customized consulting through a video chat with an expert









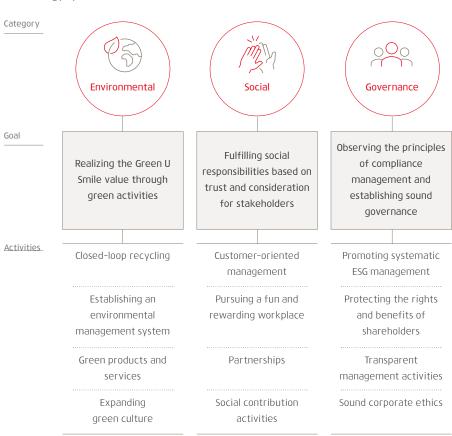


LOTTE HIMART online-exclusive logistics center in Icheon, Korea

Our ESG strategy

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

ESG strategy system



ESG management-dedicated organization

LOTTE HIMART organized an ESG improvement task force and a dedicated ESG team during the first half of 2021. We also established the ESG promotion organization system by launching an ESG committee under the board of directors (BOD) in September. Our ESG Committee is the top decision-making organization that supervises ESG management, establishes policies, and manages the performance.

Structure of the ESG management-dedicated organization



ESG management promotion plan



13

Strengthening our ESG competency

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



ESG management evaluation by the Korea Corporate Governance Service (KCGS)

Rated A for 4 years in a row

2020 KCGS ESG evaluation rating



Virtuous cycle structure of ESG management



ESG leaders' education⁴⁾

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

4) Conducted contact-less using video materials to prevent the spread of COVID-19.

ESG awareness education for all employees

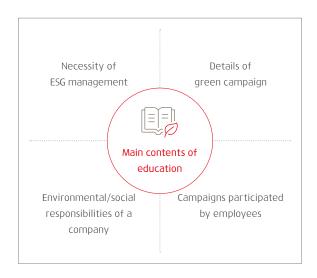
CHALLENGE

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

5) LOTTE HIMART's mobile education platform



ESG awareness education through Touch Class



Materiality Assessment

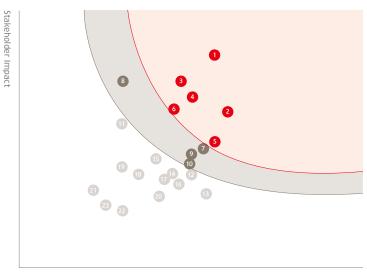
LOTTE HIMART conducted a materiality assessment according to GRI Standards for ESG management disclosure. Assessment is carried out by comprehensively considering internal and external stakeholder surveys, media report analyses, benchmarking of domestic and overseas companies, global sustainable management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

Materiality assessment process

Compose an overall issue pool	We comprehensively reviewed GRI standards, media reports, ESG assessment indexes, and benchmarking of domestic and overseas companies reports and composed a pool of 23 issues that pertain to LOTTE HIMART.		
Conduct materiality assessment	We conducted internal and external stakeholder surveys and collected and analyzed 190 valid responses. Based on the survey results, we comprehensively reviewed the likelihood and the impact of the risks.		
Select material topics	We selected the top 10 issues as material topics based on the likelihood and the impact.		

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

Materiality matrix



Business Impact

ESG priority

	Material topics			
Rank	Category	Category	Page	
1	Customer/community	Customer privacy	42~43p	
2	Environmental	Waste reduction	33~38p	
3	Governance	Ethical management	83~84p	
4	Governance	Transparent and effective governance	80~82p	
5	Customer/community	Product safety and quality	45~50p	
6	Environmental	Saving environmental resources	28~32p, 39~40p	
7	Customer/community	Customer satisfaction and access/convenience	18~19p, 45~50p	
8	Employees	Sound labor-management relationship	53~54p	
9	Customer/community	Mutual growth with small and medium enterprise (SME) partners	64~72p	
10	Environmental	Green products and services	34~38p	

15

CHALLENGE

ERVIEW

LOTTE HIMART'S UN SDGs

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

Top 5 UN SDGs selected by stakeholders

SDGs



Goal 8.

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



Goal 12.

Ensure sustainable consumption and production patterns



Goal 1.

End poverty in all its forms everywhere



Goal 5.

Achieve gender equality and empower all women and girls



Goal 9.

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

Our activities

- Listed in the 100 Best Workplaces in Korea (2016)
- Selected the Best Workplace for Women
- Increased ratio of new recruits and female employees
- Increased the employment ratio of vulnerable groups, flextime workers, and persons with disabilities
- Volunteering campaign for upcycling uniform wastes
- Nationwide campaign for collecting small and medium waste appliances
- · Campaigns participated by employees
- Delivered fund for school admissions of children raised by grandparents
- Delivered gifts to support children who were legally discharged from welfare facilities
- Delivered personal sanitation kits and cooling/heating appliances for single elderly households in farming and fishing villages
- Carried out "Hi-Dream!" project for working mothers
- Offered "Female sales leadership course"
- Provided personalized education for female field managers
- Contributed to technical and industrial development through mutual growth programs
- Provided consulting to partners in the fields of distribution, marketing, management, manufacturing, and technology
- Mutual growth academy (capacity building of partners' employees)

Stakeholder Engagement

Communication channels by stakeholder type

Stakeholder



Employees



Customers



Government and governmentrelated agencies



Stockholders and investors



Partners



Local communities

Key issue

- Improvements in employee benefitsCommunication across generations
- Taking the opinions from field workers
- Suggesting and sharing work ideas
- Sharing news inside/outside the company
- Service quality survey
- Operating stores, informing customers about products
- Consultations on environmental issues (waste home appliance recovery committee)
- Social contribution
- Transparent information disclosure
- Improvements in financial integrity and corporate value
- Mutual growth
- Social contribution

Channel

- Labor-Management Committee (every quarter)
- Junior Board
- Change Agent
- Corporate culture newspaper (every month)
- Intranet (at all times)
- Customer satisfaction surveys (at all times, targeting customers who bought LOTTE HIMART products)
- VOC channel
- Public hearings with the Ministry of Environment and the Korea Environment Corporation (every quarter)
- Comprehensive Support Center for the Elderly Living Alone (under the Ministry of Health and Welfare, once a year)
- General shareholders' meeting
- Extraordinary shareholders' meeting
- Public announcements (at all times)
- Non-deal roadshows (NDRs) in Korea (every quarter)
- Corporate briefings (on demand)
- Outreach meetings (at all times)
- Mutual growth meetings
- Charlotte Volunteer Group (at all times)
- Sponsorships for children raised by grandparents (at all times)

Stakeholder survey on ESG management

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



E

- Offer benefits to customers who used or bought LOTTE HIMART services or products in order to create more green products
- Reduce environmental waste by reselling displayed or refunded products
- Use green delivery vehicles (hydrogen or electric)
- Reduce the number of single-use promotional materials, including flyers, single-use banners, point-of-purchase advertising materials, and printouts for overall reduction of waste generated inside the workplace and minimization of packing materials
- Waste home appliance recovery and more installation of collection boxes



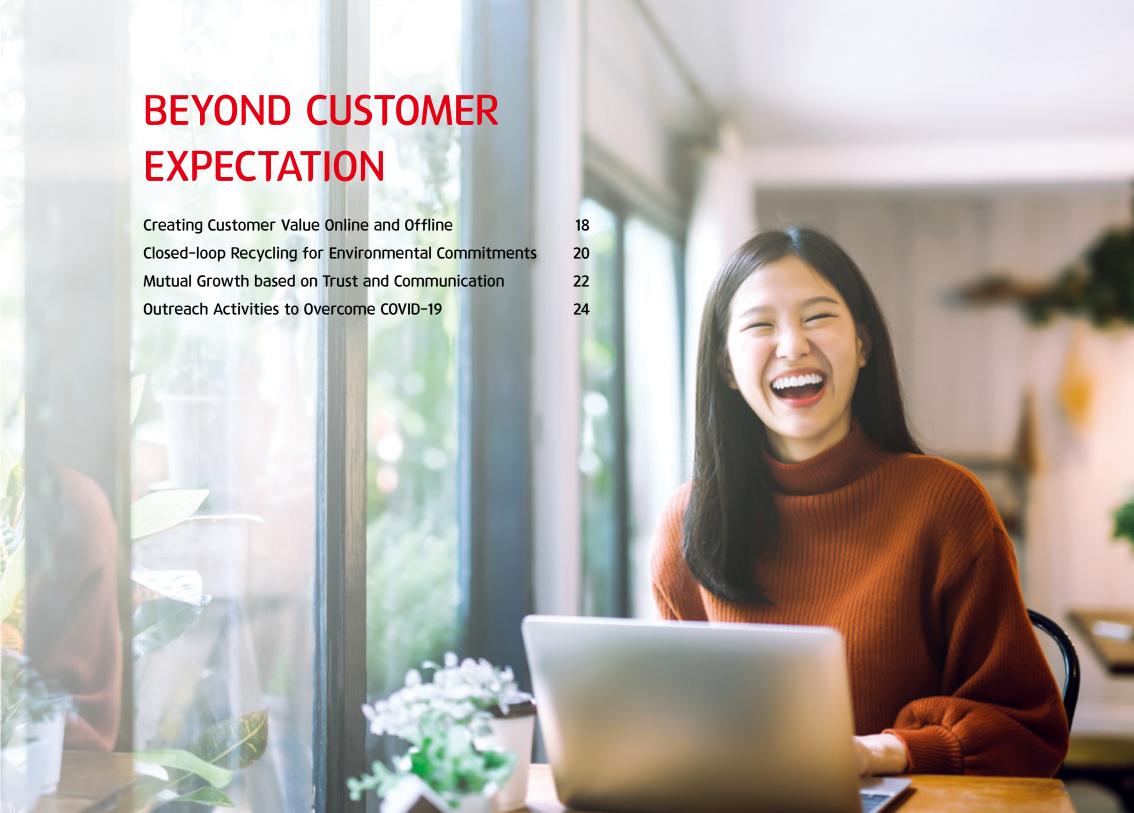
S

- Activate win-win and mutual growth programs for partners
- Activate CS enhancement programs to improve customer satisfaction
- Engage in more activities for promoting the company's social contribution activities and ESG management
- Develop female mangers and ensure diversified and systematized employee training programs
- Enhance the efficacy of company systems (e.g. PC On/Off system, work-from-home system) and ensure their continuous management



G

- Pursue impressive enterprise-wide ESG campaigns
- Formulate corporate sustainability strategy for the mid-to long-term (10 to 20 years)
- Assess ESG management performance and carry out post-management
- Engage in ESG management activities that are not for show-offs but activities that satisfy both the company and society



Creating Customer Value Online and Offline

Online



October 2018

Hi Homes

A platform for recommending products and leading purchases through participatory two-way communication channels on a mobile application

Offline



April 2020

Live commerce

Launched two live commerce platforms: "Heart Live" for real-time communication and sales through live broadcasting and "HeartON TV" platform where product guide and reviews are shared

June 2020

friendly consulting.

well as those who have difficulty visiting a store.

VR/AR services

VR/AR services let customers take a tour around the Mega Store and design product layouts using VR and AR

October 2020

After-sales service video consulting

Friendly consulting service with CS masters via video instead of phone call

January 2018

Omni Store

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

October 2020

Advanced sales tools

The sales tools enable smart counseling by utilizing apartment floor plans and customer's product installation information

June 2021

HIMADE Island

Opened LOTTE HIMART private brand showroom inside a metaverse game

October 2020

Online and mobile-based shopping has emerged as a new paradigm in the overall distribution industry with the spread of

contact-less culture arising from the COVID-19 pandemic in 2020. Paying attention to the accessibility of online platforms, LOTTE

HIMART strives to provide product and service information through various contents to customers who seek convenience as

Since launching the online store in 2015, we have been offering the best shopping experience through an "omnichannel service" that combines the benefits of online and offline. In 2020, we successfully raised sales figures and customer value by combining the convenience of online shopping and the advantages of offline stores such as product demonstrations and

Visit and consulting reservation

A service that offers customized consulting based on the reserved visits to stores and customer's needs

September 2021

Offline, contact-less video consulting

One-on-one video consulting with offline consultants at prearranged time to eliminate the need for customers to visit stores



CHALLENGE

LOTTE HIMART Lee Seok-yeong, leader of the New **Business Strategy Team**



OVERVIEW

The LOTTE HIMART New Business Strategy Team takes the responsibility of establishing and implementing mid- to longterm strategies for the company's sustainability. To faithfully play our roles, we collect information about domestic and international trends and share it across the company (Trend Report, Trend Talk) while striving to listen to employees' ideas (Dynamite TF, The Strange Noticeboard). In addition, we are developing and testing sales tool advancement plans, video consulting techniques, and customer behavior data in order to apply DT within the company. We also continuously engage in affiliations and investments in relation to new services and business items.

Q. The importance of DT¹⁾ is being emphasized in the distribution industry, and LOTTE HIMART is also focusing on DT enhancement. Please explain about LOTTE HIMART'S DT.

LOTTE HIMART recognized the importance of DT earlier on and has been preparing for it. We not only opened Omni Store, a store to integrate online and offline channels, but also started sales tool, a smart customer consulting service, visit and consulting reservation service to offer customized experience for customers, and video consulting where customers can get consulting from offline consultants without having to visit stores. Recently, we are working on a project to collect customer behavior data and using it in merchandise development and promotion.

1) Digital transformation: Innovation in the traditional business operation methods and services by applying digital technologies, such as Internet of things, cloud computing, and artificial intelligence to all business areas.

Q In terms of customer value creation, which LOTTE HIMART's DT innovation services has been the most successful, and what are its special features?

We believe the video consulting service is producing the best performance in customer value creation. Video consulting is largely divided into three. First is contact-less video consulting. Customers can get not only one-on-one video consulting from offline consultants through booking without having to visit the stores in person, but also check the product features, colors, etc. through the video. Second is online video consulting. Here, customers get one-on-one real-time video consulting about products via our app. Third is video after-sales consulting. With this service, customers are provided with explanations about the products being repaired and also check the repair status on the video. These video consulting services are still at an early phase. Once activated, however, we believe they will be very useful in terms of customers' choice and use of time.

Q. What is your team's plan for the future?

As explained earlier, the New Business Strategy Team will continue dedicating efforts for LOTTE HIMART's sustainability. At the same time, we are investing in the Startup Fund managed by LOTTE VENTURES. We will not only seek ways to achieve shared growth by increasing investment and thus expanding direct collaboration, but also contribute to advancement of LOTTE HIMART as a social enterprise by considering the ecofriendly competency of the investment targets. In addition, we will test concept stores according to the latest trend to create stores capable of providing new customer value. For this, we will strengthen our communication channels where we can share our ideas.



Closed-loop Recycling for Environmental Commitments

Electronics distributors in Korea are mandated to collect a certain percentage of waste appliances and packing materials of new products according to the Act on Resource Circulation of Electrical and Electronic Equipment and Vehicles. LOTTE HIMART was selected as the "excellent company for recovering waste electronics" by the Korea Electronics Recycling Cooperative (KERC) in 2014 for faithfully fulfilling EPR²⁾ since 2011. To settle difficulties faced by consumers in disposing of home appliances, we partnered with a public organization and established a system for collecting waste home appliances for free and disposing waste home appliances at stores. Furthermore, we are fulfilling our responsibility regarding waste disposal by taking the lead in reprocessing and recycling collected and delivered wastes with our recycling partners.

For closed-loop recycling, we collect customers' old products free of charge when delivering and installing a large home appliance. We are continuously making efforts to fundamentally prevent waste generation by supporting the long-use of products through our Home Appliance Careship for cleaning and maintenance of products and our after-sales service.

2) Extended producer responsibility

A nationwide campaign for collecting small and medium waste appliances



Selected by KERC in 2014

Excellent company

for recovering waste electronics

Approximately **570,000** waste home appliances collected in 2020



CHALLENGE

Q. Please tell us about the Korea Electronics Recycling Cooperative.

OVERVIEW

The Korea Electronics Recycling Cooperative (KERC) is a nonprofit charitable corporation. KERC strives to lead manufacturers and sellers of electrical and electronic products with extended recycling responsibility to fulfill their obligation to collect and recycle waste products in a greener, more practical, and healthier way by actively participating in the government's closed-loop recycling policy, thus ultimately creating a closed-loop recycling society.

Q. What is the role of KERC in closed-loop recycling?

It is difficult for individual manufacturers and distributors to fulfill the obligation of recycling. So, they join KERC and pay their shares of expenses as members. KERC executes collection and recycling operations using the fund, and the performance is quantitatively digitized so that the benefits are returned to the member companies.

Q. KERC established a cooperation system with LOTTE HIMART by entering into the "public-private MOU for collecting waste electrical and electronic products" in June 2021. What synergy did you get from this agreement?

Through the MOU, LOTTE HIMART has shown its strong commitment and dedication and become a good example to other member companies. In particular, it holds symbolic significance that LOTTE HIMART provides its stores as nationwide collection points for waste electronics, forming an infrastructure for sharing between KERC and the member companies. ESG management LOTTE HIMART can promote by itself may be limited. However, the company's effort to lead green management as Korea's largest electronics distributor produces enormous ripple effects to other producers.

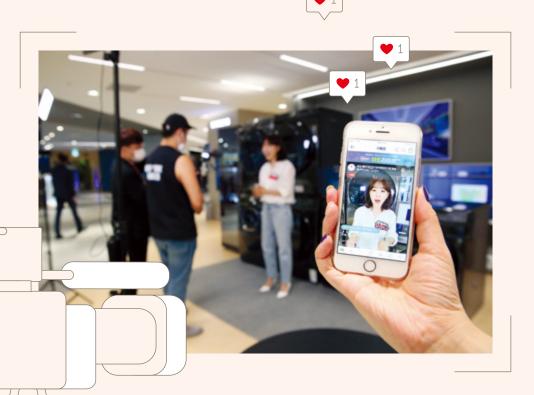
What are your expectations for LOTTE HIMART as a partner?

What we experienced through our partnership with LOTTE HIMART is that, rather than setting up an ambitious yet farfetching plan, starting with something closer to us as if sowing seeds could have a good and positive influence across the country. As for our expectations, we hope this influence will also benefit other distributors in the industry. Also, we look forward to continued communication and cooperation so as to ensure successful collection of even the small-sized products, such as wireless earphones, that have not been collected effectively so far.



Mutual Growth based on Trust and Communication

LOTTE HIMART strives to grow together with SME partners and introduce diverse and outstanding products to customers. We are breaking away from the typical form of support programs and combining our strengths to expand the sales channels for partners.

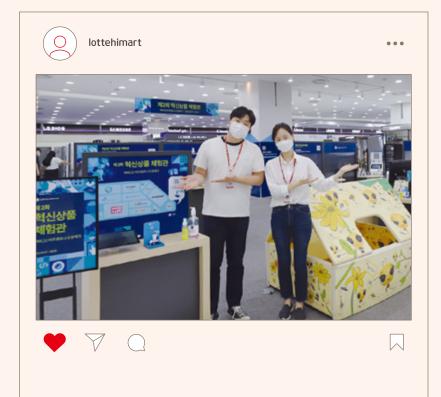


#Heart Live: Together Project

Together Project is a project for supporting the expansion of a sales channel for SME partners and small business owners using "Heart Live," the real-time mobile platform of HIMART. This is a type of live commerce where outstanding SME partners can promote and sell their products, leading to an increase in sales and higher customer satisfaction.

#2021 Innovative Product Experience Zone

The Innovative Product Experience Zone was planned to showcase the excellent products of Korean companies exhibited at global home appliance/ electronics shows. This provides an opportunity for Korean startups and SMEs to expand their sales channels. The event targeted companies that were selected among participants of CES 2021 and the 2021 Mobile World Congress through merchandising directors. By providing a chance for outstanding companies to move into LOTTE HIMART, we expect to expand the sales channels of SMEs and startups.



CHALLENGE

Please tell us about your company and your flagship products.

OVERVIEW

3i is a startup established in January 2017. Our key product is Pivo. The product uses auto-tracking technology, which tracks and photographs a moving target in various angles without requiring expensive equipment or personnel.

How did your partnership with LOTTE HIMART began?

We had an opportunity to exhibit Pivo at the Mobile World Congress 2021³⁾. Following the exhibition, LOTTE HIMART and the Korea Trade-Investment Promotion Agency contacted us. Pivo was then selected for display at the "Innovative Product Experience Zone" in LOTTE HIMART World Tower branch in Korea. With the favorable reviews from LOTTE HIMART merchandisers and consumers. Pivo has been placed on sale at LOTTE HIMART stores.

3) The world's largest exposition for mobile industry and conference held in Barcelona, Spain, every February

Q. What was the best thing about being selected as LOTTE HIMART's partner?

For Pivo, users can best understand the strengths of this product by experiencing it in person rather than reading the manual online. However, as we had mainly been selling it online in overseas markets, we had no offline channel, which made Pivo unfamiliar to consumers in Korea. Fortunately, we were given an opportunity to exhibit Pivo at the Innovative Product Experience Zone in April 2021. It was a zone where consumers could experience our product in person, and through this, we were able to approach domestic consumers a lot closer. In addition, LOTTE HIMART shared with us their expertise on offline product display and marketing and also the partner network. Their huge support enabled us to enter the offline market far more effortlessly.

As a partner, what are your expectations for LOTTE HIMART's SME partnership project, and do you think it needs any improvement?

It would not be easy for a large enterprise like LOTTE HIMART to enter into partnerships with and actively support SMEs. As much as so, we believe the partnership project is a great opportunity for both LOTTE HIMART and SMEs. We hope this project will open the opportunity to discover and publicize innovative products and strive for shared growth with SMEs as LOTTE HIMART's business partners based on communication and cooperation rather than stopping at a one-off event.



Outreach Activities to Overcome COVID-19

The worldwide spread of COVID-19 brought out changes of varying sizes throughout our society in addition to individual life. Amid such a crisis, LOTTE HIMART continues to support its customers, employees, partners, and communities to overcome COVID-19, prioritizing healthcare for everyone.

Business site



Employees

While observing the quarantine guidelines, LOTTE HIMART prevented the internal and external spread of COVID-19 through strict personal sanitation control. All our meetings and presentation sessions were switched to contact-less and some employees were encouraged to work from home to prevent the further spread of the virus. Employees with symptoms were immediately returned home and granted paid leave. We encouraged employees to get vaccinated and offered "COVID-19 vaccine vacations" to guarantee their right to rest.



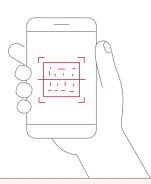
Body temperature measurement at headquarters entrance

Customers

LOTTE HIMART introduced the electronic access list and OR check-in at-all business sites to prevent customers from suffering damage caused by COVID-19. We formed an exclusive COVID-19 response organization in January 2020 when the virus began to spread rapidly, thus enabling immediate sharing of circumstances and systematic responses. In particular, COVID-19 manuals were published and distributed to the headquarters and branches. We also made efforts to ensure the safety of employees and customers, installing screens on POS machines at stores.



Stepwise COVID-19 response guideline

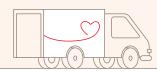












Suppliers



OVERVIEW

LOTTE HIMART provided quarantine support for SME partners and partners whom we engage in mutual growth. As a result of providing free quarantine services to SME partners that have limitations in implementing telecommuting, the total amount of quarantine services provided reached KRW 20 million at approx. 100 business sites. This guaranteed a safer working environment for partners' employees.

Quarantine support for partners

Community



Quarantine and sanitation kits for vulnerable groups

CHALLENGE

LOTTE HIMART disinfected 100 child welfare facilities nationwide, where there are children vulnerable to poor immunity. In addition, we provided sanitation kits to vulnerable groups experiencing hardships from COVID-19 in Daegu and Gyeongsangbuk-do in March and April 2020. In June, we sent out electric fans worth KRW 12 million and about 200 COVID-19 sanitation kits to 200 households of seniors living alone, who were exposed to the sweltering summer heat due to the closure of senior shelters.



Quarantine at regional children's centers



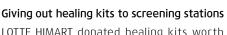








Community



In celebration of the 20th anniversary of LOTTE HIMART in April 2020, the Charlotte Volunteer Group made sanitation kits for children of underprivileged families around the country. Employees volunteered in this contact-less program by making sanitation kits comprising three items: a filter-replaceable cloth mask, hand sanitizer, and hand wash. Partnering with ChildFund Korea, we delivered around 600 sanitation kits to children of underprivileged families exposed to a poor hygiene environment.

LOTTE HIMART donated healing kits worth KRW 12 million in September 2020 to screening stations. This was to encourage medical staff who have been working intensively for a long period of time, even during national holidays, to stop the proliferation of COVID-19. The healing kits, which comprised a neck and shoulder massager, a massage gun, red ginseng, and Korean sweets, were provided to the medical staff at 10 stations nationwide, including Seoul, Busan, and Jeollanam-do.





Donation of COVID-19 sanitation kits to children of underprivileged families

Donation of healing kits to COVID-19 screening stations



Environmental Management





UN SDG9



BACKGROUND

The human race has enjoyed numerous social and economic benefits from industrialization but now faces a worldwide crisis caused by environmental pollution and climate change. In particular, the social responsibilities in the private sector against environmental destruction are increasing due to fossil fuels used and various wastes generated in the process of manufacturing and distribution. Governments around the world are setting goals for reducing GHG emissions, which is the main cause of climate change, and reinforcing regulations on the discharge of environmental pollutants.

APPROACH

LOTTE HIMART also joins in the global efforts to reduce the damage caused by climate change and environmental pollution. We established the environmental management system at an international level by acquiring ISO 14001 certification, and we are solidifying the foundation for environmental management through enterprise-wide education and campaigns. We aim to become a company that can create new value in the environmental crisis by carrying out various activities with employees who have high awareness of environmental management.

ACTIVITIES



Environmental management-dedicated organization

→ 29 page



Acquired ISO 14001, an international certification for environmental management systems

→ 30 page



Enterprise-wide Green campaigns

→ 32 page

Environmental Management Committee

LOTTE HIMART operates the Environmental Management Committee within the BOD to strengthen environmental management competence. The Environmental Management Committee enacts regulations for reducing environmental impact in all business sites and determines the overall direction of environmental management.

OVERVIEW

New working group specializing in environmental management

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

them throughout the company. In addition, it supervises the overall matters related to environmental management such as promoting enterprise—wide campaigns, concluding business agreements with related organizations, and acquiring environmental certifications.

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

Environmental management slogan

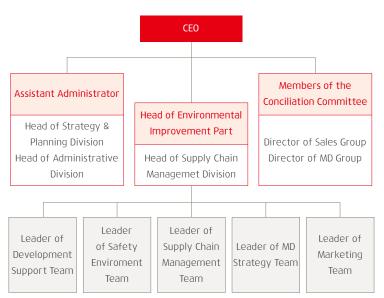
LOTTE HIMART created an environmental management slogan to instill social responsibilities and the purpose and direction of "green campaigns" in employees and declare our will of action externally.

Meaning the smiles of society and the company, Green U Smile is LOTTE HIMART's promise for performing green management to fulfill social responsibilities while creating the value of coexistence.

Environmental Management Committee structure



ESG Improvement TF Environmental Improvement Part structure







Case of applying green shopping bags/eco-bags

The 4-Green promotional strategy

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

The 4-Green strategy





Environmental management policy keywords

Our environmental management policy

Employees

All employees shall strive to reduce the environmental impact and protect the environment through energy-saving measures.

Partners

LOTTE HIMART shall share its company policies, continuously maintain a win-win relationship through support programs, and perform responsible management for partners to participate in green environmental management.

Overall management activities

- Establishing green goals and action plans
- Continuous improvement through the assessment of environmental management performance
- Operating a methodical management system and improving performance
- Providing resources required for green management
- Improving the resource/energy usage required in the process of sales activities
- Purchase, distribution, and manufacturing of green products

HIGHLIGHT

Acquisition of ISO 14001 certification

LOTTE HIMART acquired international standard ISO 14001²⁾ certification for its environmental management system on August 17, 2021. With this certification, we established an internal environmental management system that meets international standards. In addition, we appoint and manage employees in charge of the environment at each logistics center and branch to fulfill environmental management and evaluate their performance once a year. We, as a home appliance distributor, promise our stakeholders to effectively manage environmental risks and conduct various green management activities.

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



Environmental management system (ISO 14001) certification award

Key operational details of ISO 14001



Energy-saving
Saving energy such
as electricity and
water and using green
facilities



Education and training
Conducting green
education and
emergency action
training for employees



Manuals
Establishing/revising
manuals and procedures
according to revisions in
laws and issues

31

Environmental management education

Education on environmental management

LOTTE HIMART conducted stepwise education for all employees to become familiar with the company's strategic direction and its details and apply them to work as the key agent of environmental management. Education was carried out on all employees at 450 stores in Korea using various media, including online video lectures, mobile, and paper. We conduct regular mock trainings for strengthening employees' capabilities of responding to environmental violations. Furthermore, we carried out surveys, created a slogan, and uploaded different video materials about green activities to our website in the first half of 2021 to lead the participation of employees in environmental management.

OVERVIEW

Education on the collection of waste home appliances

RESPECT

For effective implementation of the nationwide campaign for collecting small and medium waste appliances³⁾, LOTTE HIMART offered educational programs related to the collection of waste appliances for all employees at LOTTE HIMART stores. Employees led the successful campaign by learning about the procedure for collecting waste home appliances and displaying the collection boxes inside stores. We also make an effort to spread green management culture by making and distributing PR videos to promote the campaign and guide users.

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

Environmental education programs*



^{*} As of 2020 performance



Education on waste home appliance collection

Green activities by employees

Volunteering campaign for upcycling uniform wastes

LOTTE HIMART employees carried out upcycling volunteer activities to save resources, minimize the occurrence of wastes, and raise environmental susceptibility. Employees upcycled waste uniforms generated from design change and delivered them to vulnerable classes. We also made eco-bags with a message of environmental protection using leftover leather and delivered them to sponsored children abroad. LOTTE HIMART will continue to perform diverse green volunteer activities.

Donating unused items by employees

LOTTE HIMART increased the utility of unused products and fulfilled our social responsibilities by donating unused items or second-hand products by employees. Together with our employees, we donated the unused items and the company's home appliances to Good Will Stores⁴⁾. The donated items are sold at Good Will Stores operated by the disabled, and the incurred profits are used for projects supporting the disabled, leading our efforts for environmental protection and the welfare of the disabled.

4) A secondhand retailer operated by the disabled. It supports the financial independence of the disabled and expands the employment of the disabled by providing an opportunity for them to build a career in retail distribution and sales.

HIGHLIGHT

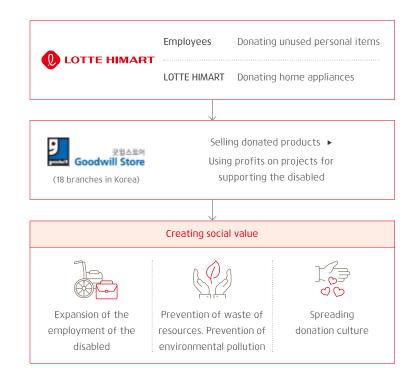
Green campaigns with employees

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

- ① Zero-waste campaign: A zero-waste campaign is a waste reduction activity, which can be carried out by employees at offices during mealtimes or break times. Employees reduce plastic wastes by using team eco-bags when receiving and returning lunch meals and use personal tumblers to reduce disposable cups.
- ② Green Day: We run Green Day all year round to save energy by reducing standby power. Every Friday, all employees of the headquarters and branches turn off the power of the power strips to effectively reduce standby power and save energy.



Internal PR materials for zero-waste campaign and Green Day



Circular Economy





UN SDGs



BACKGROUND

Closed-loop recycling refers to the act of reducing the environmental impact by suppressing waste generation and adequately recycling or treating wastes. As contactless activities are recommended during the COVID-19 pandemic, the global generation of wastes from disposables and packing materials is increasing rapidly. Hence, the importance of reducing waste generation and recycling is being stressed. Korea introduced the EPR system in 2003 to oblige companies to recycle a certain amount of materials. Consumers are increasingly paying attention to the environment-friendliness of products, and companies are strongly encouraged to voluntarily participate in the efforts to reduce various wastes like plastics.

APPROACH -

LOTTE HIMART strives to prevent the waste of resources and reduce wastes generated throughout the distribution and sales processes by establishing a virtuous closed-loop recycling. We revitalize recycling and minimize waste generation in different ways, such as through the improvement of packing materials for private brand products, collection of wastes generated at stores and during shipping, and extension of the product service life through customer service and Home Appliance Careship. Moreover, we collaborate with public institutions and partners to take part in the government's efforts to reduce wastes, forming a system for recovering and recycling waste home appliances. All our business sites implemented electronic price tags and the electronic receipt system. We engage in various activities to reduce wastes throughout our business operations.

ACTIVITIES



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

→ 37 page



Nationwide campaign for collecting small and medium waste appliances



Selling highly energyefficient products

→ 38 page

Waste management

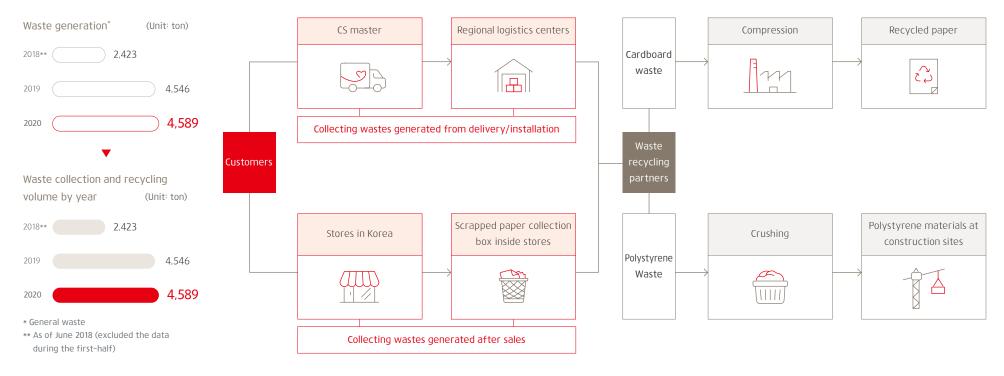
General waste collection and recycling system

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

CS masters for collecting shipping wastes

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

Waste recycling system using nationwide network



OVERVIEW

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

Extending product service life through after-sales service

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

Reinstallation service

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

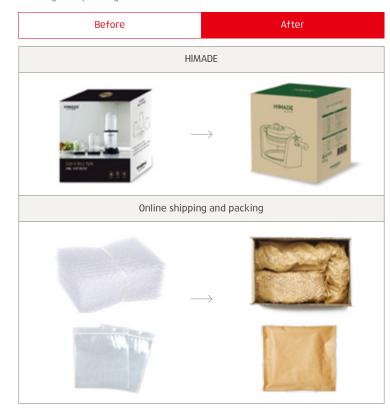
Home Appliance Careship service

LOTTE HIMART is contributing to the extension of the product service life and reduction of wastes by expanding the Home Appliance Careship service⁵⁾. Through the service, customers can enjoy the cleaning of the inside and outside of home appliances that are difficult to care for such as washing machines and air purifiers. The extension of the product lifecycle guaranteed by this service can reduce the waste rate of home appliances and lead to a virtuous cycle. We are taking the lead in creating green value together with our customers through innovative customer service.

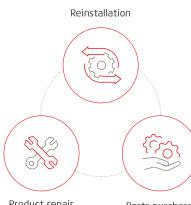
Increased use of green packing materials

LOTTE HIMART reduces waste disposals by saving packing materials and increasing the use of green packing materials. Our private brand HIMADE changed its packing material from a coated box to a green material box. As of June 2021, the green packing material is being used for 61 items. We are considering applying green packing materials to all our private brand models within three years. In addition, we increased the use of paper packing tapes and buffers for online-exclusive products and replaced shopping bags for store customers with a green material.

Use of green packing materials



Service areas



Product repair

Parts purchase

Electronic price tags and receipts

LOTTE HIMART has introduced electronic price tags at all stores in 2018 and has been issuing electronic receipts to prevent the unnecessary waste of paper. The previous acrylic price tags were frequently replaced due to changes in product specs and prices, resulting to high expenses. Also, paper receipts were hard to recycle due to its chemical-coating. By using electronic price tags, however, we update product information in real-time, and we have been issuing electronic receipts at LOTTE HIMART stores nationwide. Based on this scheme, we reduce the waste of resources and increase work efficiency.



Issuance of electronic receipts

Waste home appliance collection service

LOTTE HIMART provides a free service for collecting large size waste home appliances that are difficult for customers to dispose of upon installation or shipment of the new product. Waste home appliances collected by our CS masters are decomposed and disposed of according to environment-friendly procedures. In addition, we registered all branches in Korea at the Resource Recycling Information Center website as "small waste home appliance collection sites" in December 2019 to help discharge small and medium size home appliances. We also installed MINTIT—an automated teller machine that buys used mobile phones based on artificial intelligence—in 241 stores in Korea to reduce the number of waste phones.

Public-private MOU for collecting waste electrical and electronic products

On June 18, 2021, LOTTE HIMART signed an MOU with Korea Environment Corporation and Korea Electronics Recycling Cooperative (KERC) to revitalize the collection and recycling of waste home appliances. Based on the agreement, LOTTE HIMART contributed to the formation of a virtuous closed-loop recycling structure by building a waste electrical and electronic product collection system. We will work with the Korean government to resolve the waste treatment problem that causes environmental contamination.

Details of public-private MOU for closed-loop recycling

LOTTE HIMART

- Creating infrastructure to collect small and medium waste home appliances
- Rewarding customers who discharge waste home appliances

Korea Environment Corporation

- Operating and managing demonstration campaigns for collecting small and medium waste home appliances
- Promoting demonstration campaigns and disseminating press release materials

KERC

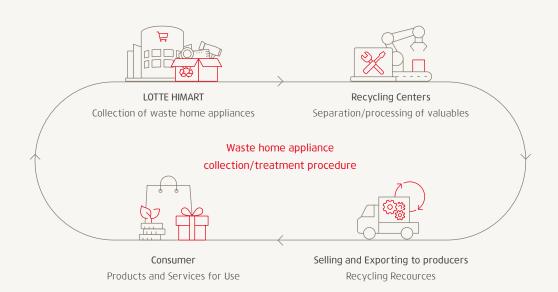
- Providing promotional materials and giveaways for the small and medium size waste home appliance collection campaign
- Recycling and monitoring the handedover waste home appliances



Signing ceremony of publicprivate MOU for collecting waste electrical and electronic products BEYOND CUSTOMER EXPECTATION

Nationwide campaign for collecting small and medium waste appliances

LOTTE HIMART registered all branches on the Resource Recycling Information Center website as "small waste home appliance collection sites" in December 2019 and installed collection boxes at stores to encourage the collection of small, medium, and large size waste home appliances. Moreover, a nationwide collection campaign was conducted for two months, starting in July 2021. This campaign was publicized to help store visitors and other customers discharge small and medium waste home appliances. We offered benefits to customers to increase the participation rate, such as gift and eco-bag giveaways through mileage points and raffles. We educated all our employees and publicized the campaign internally and externally. With our efforts, we collected 6,034 pieces of appliance year-over-year, which is 97 in average per day. Furthermore, we made unsparing efforts to reduce wastes generated throughout the campaign. Wooden collection boxes were used instead of plastics to collect waste home appliances at stores, and eco-bags were made of used banners. In particular, we partnered with the upcycling company Touch4Good to make waste banner eco-bags. The bags became more meaningful by delivering messages to protect endangered species. Acknowledged for the consistent efforts to revitalize the recovery of waste home appliances, LOTTE HIMART was selected as an "excellent company for recovering waste electronics" in 2014 by KERC. Besides participating in the formation of a virtuous closed-loop recycling by recovering waste home appliances, we will conduct diverse environment-friendly campaigns involving government agencies, partners, customers, and employees.



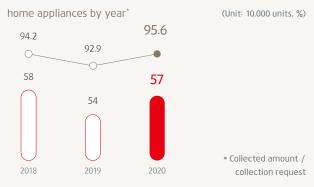


Promotion video of the nationwide campaign for collecting small and medium waste appliances

Collection outcome year-over-year (Unit: appliance)



Collected amount and rate of collected waste



Encouraging Sustainable consumption

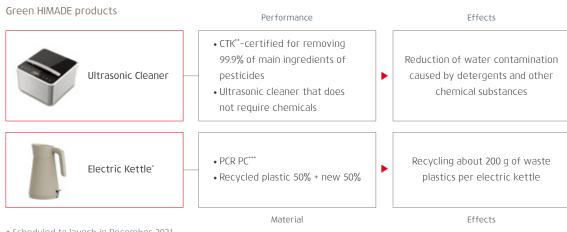
Green HIMADE products

LOTTE HIMART creates environmental value through products by reinforcing the performance of private brand products and the environment-friendliness of materials. An ultrasonic cleaner released in June 2021 is able to clean small dishware, fruits, and food ingredients using ultrasonic waves instead of detergents. This product targets customers who are highly interested in personal hygiene and environment-friendliness. An electric kettle model under development is expected to recycle about 200 g of waste plastics per product by replacing 50% of its materials with recycled plastics. Besides satisfying customer requirements, LOTTE HIMART expands the development of green private brand products to practice environmental management through its unique business model.

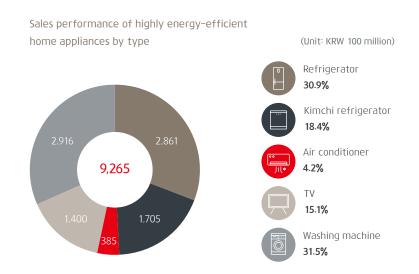
Selling highly energy-efficient home appliances

The highly energy-efficient home appliance refund project⁶ is a system in which the government refunds 10% of the price for high-efficiency products so that consumers can have better access. This project strives to protect the environment by saving energy and promote the manufacture and consumption of highly energy-efficient products. Starting in 2016, LOTTE HIMART provided consulting on highly energyefficient products. In 2022, we endeavored to promote and participate in the refund project by offering additional benefits like mileage points for customers purchasing target products.

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



- * Scheduled to launch in December 2021
- ** A safety and certification institute for testing agricultural chemicals remaining in products.
- *** Post-consumer recycled polycarbonate is a kind of engineering plastic made by recovering/recycling discarded plastics. It has excellent transparency, heat resistance, and durability.



OVERVIEW

RESPECT

Response to Climate Change





UN SDGs



BACKGROUND

Climate change is a global phenomenon caused by global warming due to the rapid increase in the use of fossil fuels with industrialization. It refers to the appearance of abnormal climatic conditions like exceptional heat, drought, and flood. The international society attempted to reduce the damage from climate change through the Kyoto Protocol in 1997 and the Paris Agreement in November 2016. Each nation has declared carbon neutrality to reduce GHG emissions. Accordingly, the roles and responsibilities of companies regarding climate change as members of society are being stressed.

APPROACH

LOTTE HIMART aims to meet such expectations for corporate responsibility to respond to climate change. Accordingly, we set up GHG reduction goals and increased the energy efficiency of stores. We will accomplish sustainable development through communication and cooperation by disclosing related outcomes to stakeholders in a transparent way.

ACTIVITIES



Energy reduction through LED light replacement project

→ 40 page



Preventing power overload through efficient cooling and heating

→ 40 page



Reducing GHG emissions each year

→ 40 page

Energy use and GHG emissions

Light replacement project

LOTTE HIMART is replacing the lighting facilities of all stores and logistics centers with highly efficient LED lights to improve energy efficiency. The light replacement project that began in 2016 is carried out by analyzing the business value and selecting the target stores each year. We standardized the installation of LED lights for new/renewed stores to achieve the efficiency of lighting at all business sites. We also purchased additional LED lights with the fund obtained from the Korea Electric Power Corporation (KEPCO) efficiency improvement project⁷⁷ and installed them at 328 stores in total (as of 2020), achieving over 4% reduction of energy annually.

7) Project that provides support funds to individuals and companies that replace general lighting equipment with LEDs of energy efficiency rating 1.

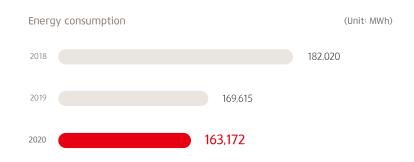


Replacing store LED lights

Environmental investment cost (Unit: KRW 100 million) Total investment amount*



^{*} Including replacement of LED



Reducing power usage through the efficiency of cooling/heating

In 2020, LOTTE HIMART replaced old electric coolers and heaters at 28 stores and logistics centers in Korea with highly efficient inverter coolers and heaters. We also carry out activities related to the efficient use of cooling and heating each year to save energy. We conducted an enterprise-wide campaign for maintaining moderate indoor temperatures as part of our efforts to save electricity costs. We reduced the power usage during peak hours in summer and winter with high energy consumption and prevented power overload.

Reducing GHG emissions

LOTTE HIMART intends to reduce energy consumption through enterprise-wide campaigns. We will take stepwise measures, such as installing energy consumption measurement systems and preventing over-installation of electrical equipment. In addition, we disclose our efforts to preserve the environment, outcomes, and the electricity/water usage and GHG emissions measured annually on our official website. Our plans for 2022 include making announcements in the Env-Info System, a website operated by the Korea Environmental Industry & Technology Institute (under the Ministry of Environment), and enhance our transparency. We plan to become a green home appliance distributor by continuing our transparent communications with stakeholders.



Indirect (Scope 2) emissions, include some data from the headquarters, branches, logistics centers, and sales offices.



Data Security





BACKGROUND

With the advent of Industry 4.0, all sorts of data, including personal information, are highly evaluated as an asset with which a company can create different values. On the other hand, as the scope and areas of personal information expand, damages caused by personal information leaks, thefts, and misuses are further increasing. As a result, the importance of privacy protection and the company' roles and responsibilities for it are being emphasized.

APPROACH

LOTTE HIMART has established an internal information security system and secured various measures for the prevention of and response to incidents in the entire process of customers' personal information collection, use, and destruction. We operate the Information Protection Council under the CEO's direct management and transparently disclose the scope and purpose of customers' personal information collection and use according to the legal criteria. In addition, to prevent damages inflicted on the company and all stakeholders caused by personal information leakage, we established a high-level information security management system (ISMS) and also obtained the relevant certification. We are keeping the company-wide security awareness at a high level through continuous education, campaigns, and regular inspections.

ACTIVITIES



Status of personal information security incidents

→ 43 page



Education on information security

→ 44 page



Security incident response procedure

→ 44 page

Information security system

Information security organization

For effective management and supervision of overall information security activities, LOTTE HIMART organized the Information Protection Council. The council establishes a company-wide security system through such activities as decision-making and consultation for information security-related operations. In addition, the Information Protection Committee, which comprises of executives, examines the company's information security status and decides important policies. The Working-level Committee for Information Protection is an organization consisting of team leaders and managers. The committee arranges joint response by individual divisions and shares incident cases and trends. Through the Information Protection Council, LOTTE HIMART intends to continuously improve the company's internal security level.

Information security regulations

LOTTE HIMART conforms to our information security regulations and quidelines in compliance with the ISMS¹⁾. We also update the regulations and guidelines according to the latest LOTTE Group regulations and amendments of the Personal Information Protection Act and its Enforcement Decree. In particular, we reflect the results of examination under the ISMS certification system, which requires annual renewal. Recently, we prepared cloud security and contact-less operational security guidelines.

1) ISMS is a system to certify a company's information security management system by inspecting its compliance with the criteria (certification renewed once a year).

Information Protection Committee structure



Establishing our information security system

RESPECT

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

ISMS certification

Since the acquisition of the ISMS certification in 2015 according to Article 47 of the Act on Promotion of Information and Communications Network Utilization and Information Protection, LOTTE HIMART has been maintaining and continuously improving the information asset management system in compliance with the certification. We strengthened our internal security based on the ISMS and, through administrative, physical, technical, and personnel security management, we improved our awareness of not only information security but also customers' privacy protection. In addition, we conduct regular inspections and internal field inspections led by LOTTE Group's Information Protection Committee and examine the information security of partners so as to strengthen information security in all business sites.

Status of personal information security incidents

Customers' personal

information

Corporate data/ personal information leaks and thefts

O case

leaks and thefts Ocase.

Information

protection-related complaints

(as of June 30, 2021)

1 case

Information security competency



Notice on Information Security Day

Education on information protection in 2020



Total training sessions

18



Number of employees with education

3,716 employees

Internalizing information security awareness

With a goal to improve employees' security awareness and strengthen their practical security capabilities, LOTTE HIMART organizes and provides information security-related events and education for employees. Through the monthly "Information Security Day" events and the non-regular "education on information security." we routinize security operations and internalize security awareness within the organization.

Information Security Day

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

Education on information security

LOTTE HIMART has improved the company-wide security awareness level by providing online/offline education on information security to all employees. In particular, we ensured that not only new hires but also interns and CS masters follow the security guidelines when performing their individual duties. We also improved employees' accessibility to education through Touch Class²⁾, a distance learning website.

2) LOTTE HIMART's mobile education platform



목 차
1, 보안 이슈 - 열웨어용시Aware)
2. CCTV 보안
1) 판매지에 설정
2) 관매지에 설정
2) 관매지에 설정
2) 관매지에 설정
4) 영상정보보관 기간

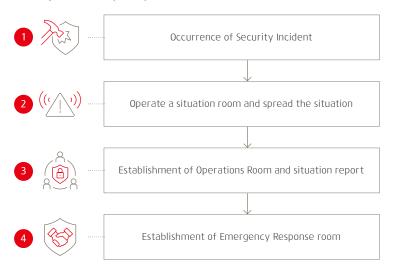
Educational material sample

Security incident response training and diagnosis³⁾

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

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

Security incident response procedure







BACKGROUND

Customer satisfaction is one of the management strategies that pursue customer satisfaction as the highest management goal. As the impact of corporate brand value on customer satisfaction is increasing as of late based on the company's ESG management and non-financial performances, a company is required to make efforts in all directions for customer satisfaction. In particular, the scope and areas of customer satisfaction are expanding towards not only maximizing shareholder profit through improved customer satisfaction, but also improving shared values for all stakeholders, including customers, employees, and partners.

APPROACH -

Under the slogan of "For Your Family: LOTTE HIMART that shares the best moments of your family," LOTTE HIMART promotes customer satisfaction as the highest value throughout the journey, from product and service development to marketing and after-sales service. As part of our efforts to improve customer satisfaction, we focus on diversifying products and services, expanding offline stores, and strengthening our online store. Furthermore, we are increasing contact points with potential customers through improved accessibility

ACTIVITIES



Diversification of installation and delivery services

→ 48 page



After-sales service video consulting

→ 49 page



Guaranteeing product safety and friendly service

→ 50 page

Customer satisfaction

Customer satisfaction strategy

Having set customer satisfaction as the highest priority management strategy, LOTTE HIMART has established and is promoting a range of policies to improve customer value. As a result of the efforts so far, we maintained the position as the No. 1 brand in the service quality index for six years in a row in 2020. We will continue dedicating efforts to become a company that leads the future of the home appliance market based on the customer-oriented distribution platform.

Education on customer satisfaction

For the success of stores specializing in electronic products, friendly and professional consulting service about products of a wide price range is an essential element. LOTTE HIMART promotes customer service quality improvement and management to surprise customers based on thorough customer satisfaction education and operation. We provide standardized customer service with our systematic training programs. Despite difficulties posed by the spread of COVID-19 in 2020, we provided contact-less video education on customer service to all employees. As such, we are focusing on continuous customer satisfaction education for employees. In addition, we examine sales fields from customers' standpoint by considering the journey of customers using our stores and strive to improve on insufficiencies through coaching and education.

Strengthening distribution and sales competency

Brand diversification

As a category killer⁴⁾ specializing in home appliances, LOTTE HIMART holds strength in assisting customers to purchase products of various brands by comparing their performances and prices. For further improvement to our advantage, we continuously expand the brands we are handling. As of 2020, we operate approximately 5,000 brands. Carrying products of various brands, which range from global brands and those of large enterprises, such as Samsung Electronics and LG Electronics, to the brands of small and medium enterprises (SMEs) in Korea and private brand, we are widening customers' product choices.

4) A retailer specializing in selected items such as electronics



Korean Service Quality Index 2020, Korea Management
Association Consulting Customer contact point category

Selected as the NO. 1

brand for **6** consecutive years



Korean Standard Service Quality Index 2020, Korean Standards Association Electronic products store category

Selected as the NO. 1

brand for 3 consecutive years

OVERVIEW

distribution

* As of the end of 2020

Offline store diversification

As of 2020, 448 LOTTE HIMART stores located across the country are providing customers with product purchasing experiences. Unlike our online store, offline stores offer an opportunity for customers to purchase products after trying them out in person. In addition to store accessibility, LOTTE HIMART is committed to providing pleasant shopping experience through various measures, such as by securing convenient parking space and wide store area. In 2020, we promoted to improve the efficiency of offline store operation by closing down inefficient stores, actively promoting integration of stores within the same commercial district, and increasing the number of large-scale stores with excellent competitiveness. In addition, we diversify offline stores—such as to open Mega Store, an ultra large-scale experience-type store—by reflecting the changing customer needs.

Store operation efficiency improvement (Unit: stores) Closed 26

Opened

2018



2019

2020

Omni Store



An online and offline-integrated store where customers can search and order products other than those on display using a kiosk or a tablet PC installed in offline stores

Mega Store



- Ultra-large scale experience-type store opened in 2020 • Store with a scale of at least approximately 1,650
- m2 comprising of a cafe, Camping Zone, Oneperson Media Zone, and Interior Zone, offering an extensive range of products and services to meet customers' diverse needs

Premium Store



- Store with increased focus on premium products
- Provides high-quality products and services to achieve customer satisfaction and offering a cafe and a lounge as spaces of culture and relaxation where customers can take a rest during shopping

Nationwide logistics network

CHALLENGE

LOTTE HIMART operates a total of 14 logistics centers⁵⁾ in Korea. All stores, logistics centers, and service centers located around the country are operated under direct management and specialized in home appliance products. The result of a customer satisfaction survey on delivery/ installation service conducted in the second half of 2020 indicated "swift and accurate product delivery without damage" as one of the company's strengths. We also opened a logistics center dedicated to online distribution in 2017, thus providing delivery service for both online and offline channels.

5) As of 2020

Our nationwide logistics network



Delivery/ installation service



Average monthly installations

Арргох.

190,000

* As of December 2020

Offering a range of delivery/installation services

The cores of LOTTE HIMART's customer service are quick delivery using our nationwide logistics network and free installation service provided by our team of experts.

With a total of five customized delivery services, which are: (1) Sameday Delivery, (2) Smart Pick (3) Two-hour Quick Delivery, (4) Premium Delivery, and (5) Designated Delivery Date, we provide convenient home appliance shopping experience. We are capable of stable product release and inventory management based on the direct purchase structure⁶⁾ using 14 logistics centers across the country (1 logistics center for online distribution). We strive to achieve greater customer satisfaction by offering diverse delivery services. Furthermore, we handle not only order reception and delivery with our logistics system but also installation, thereby securing a competitive edge in distribution.

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

Strengthening the installation expertise of CS masters

With CS masters, our professional delivery and installation personnel, LOTTE HIMART ensures safe and convenient product delivery and installation service. CS masters are an important element for our customer satisfaction improvement. As of 2020, we have a total of 2,940 CS masters to provide pre/after-sale customer services. For Home Care Service, of which importance is increasing as of late, the role of CS masters has also become crucial. Accordingly, we plan to expand professional human resources. In March 2021, we opened an education center for home appliance installation on a scale of approximately 220 m2 where we can provide systematic CS master education. We expect that the center, which enables integrated practical training for home appliances, air conditioners, and Home Care Service, will contribute to strengthening the installation expertise of our CS masters.

Our delivery/installation service



- Delivery and installation on the day of order
- Direct delivery from nationwide 11 logistics centers



• Customer purchasing product online and picking it up from a nearby LOTTE HIMART, 7-Eleven, or LOTTERIA store



• Customer purchasing product online and picking it up from a nearby LOTTE HIMART, 7-Eleven, or LOTTERIA store



• Free delivery and installation across the country on designated date



Delivery

- Installation service by the top-quality experts team
- Delivery on desired date
- Consulting service designed exclusively for Premium Delivery customers
- · Additional customer benefits



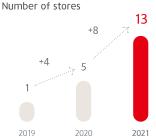
Practical education on installation

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

BEYOND CUSTOMER EXPECTATION







Expanding our service center infrastructure

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

After-sales service video consulting

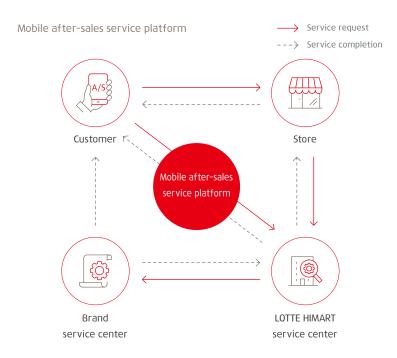
It used to be difficult to accurately identify the symptoms and causes of product failures through over-the-phone consulting for aftersales service. To solve this inconvenience, LOTTE HIMART started video consulting for after-sales service in December 2020, thus strengthening contact-less services and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



LOTTE HIMART face-to-face service center

Mobile after-sales service platform

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

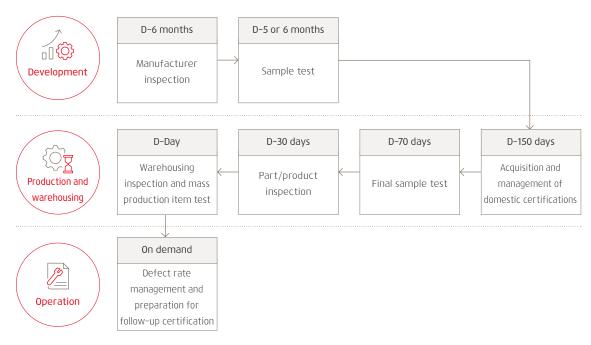


Product and service quality control

Quality control for private brand products

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

Seven-step quality control for private brand products



Product quality and safety tests

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

Preparing guidelines for responding to customer complaints

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







Collection of complaint cases

Our People







UN SDGs



BACKGROUND

Employees' happiness and constructive corporate culture are core elements of a company's productivity improvement and growth. Employees develop a high level of immersion in their work when provided with a safe and pleasant work environment, sufficient resting for personal life, and opportunities for personal growth. In addition, when employees understand and agree with the company's core values, a healthy organizational culture is created and this, in turn, enables the company to secure more excellent talents.

APPROACH

LOTTE HIMART formulates various supporting systems to create a satisfying workplace for employees and assist in employees' personal growth. Through systematic and practical on-the-job training, employees grow to distribution experts. Our online/offline and commissioned educational programs also help employees achieve personal development. We recruit exceptional talents by eradicating discrimination in our recruitment process and conducting performance-based assessment and compensation. To continue on the core value of our slogan, "For Your Family," we strive to create a family-friendly organizational culture and ensure employees' work and life balance.

ACTIVITIES



Expanding equal employment opportunity

→ 52 page



VR safety experience and education center

→ 58 page



Self-directed learning channel, "Touch Class"

 \rightarrow 60 page

Equal employment opportunity

Recruiting human resources specializing in distribution

To secure excellent talents specializing in distribution, LOTTE HIMART operates a transparent and fair recruitment process under the principles of "respect for diversity" and "open recruitment." The recruitment process consists of document review, L-TAB⁷⁾ personality and aptitude test, and interviews with managers and executives. In addition to job competency, an applicant is comprehensively assessed in terms of his or her personality, value, and development potential. In addition, under the full-time application system, applications are received even without a recruitment notice when vacancies occur in a division or for a job in order to ensure greater opportunities and convenience for applicants.

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

Equal employment opportunity

LOTTE HIMART selects applicants based on their job competencies without discrimination against gender or disability. For patriots and veteran and foreign applicants, we guarantee equity based on the policy for preferential treatment according to the applicable laws, thus guaranteeing job opportunities to a wider range of applicants. In 2020, the employment rate of persons with disabilities was 3.88%, which exceeded the mandatory employment rate of 3.10% by 0.78%. We have also striven to provide high-quality jobs, such as by expanding employment by region when recruiting for sales positions at branches.

Desired talent of LOTTE HIMART



Customer Orientation

A person who leads the way in creating happiness and value for customers by understanding customers' needs and providing the friendliest and best services



Ownership

A person who autonomously and actively performs all duties with a sense of ownership of the company the rapidly changing market environment



Innovation

A future-oriented person who leads changes by actively and progressively responding to the rapidly changing market environment

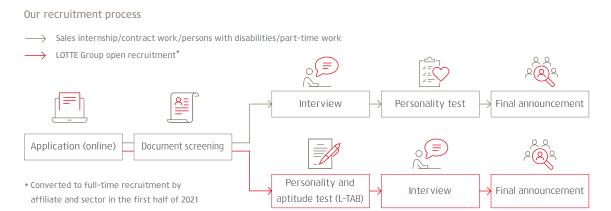


Professional

A person who always pursues the best through unending self-development and creative thinking







53

Human rights & Labor management

Our human rights policy

LOTTE HIMART's employment rule and HR management regulations include the principles for protection of employees' human rights and prevention of discrimination. According to the principles, our employees are not discriminated against gender in not only education, job assignment, and promotion, but also retirement, resignation, and dismissal. In terms of employment, we maintain fairness by implementing open competition and providing preferential treatment to those that are subject to employment assistance. We strive for human rights protection and the prohibition of discrimination both internally and externally.

OVERVIEW

Human rights education for employees

LOTTE HIMART provides human rights education as part of our measures to prevent human rights violations and improve employees' awareness of human rights. All employees are provided with online education at least once a year in addition to human rights violation prevention guidelines. Aside from the mandatory education, our employees internalize a high level of human rights awareness by receiving education on human rights that consist of programs on prevention of workplace bullying, workplace sexual harassment, and improvement of disability awareness.

LOTTE HIMART Human Rights Policy*

Article 39, Chapter X of the Employment Rule (Basic Principles)

- ① The Company shall not discriminate against employees based on their gender in education, job assignment, and promotion.
- ② The Company shall not discriminate against employees based on their gender in retirement, resignation, and dismissal

Article 20, Chapter III of the HR Management Regulations (Principle of Recruitment)

① Employees shall be, in principle, recruited through the examination of open competition.

Recruitment notice

[Those subject to employment assistance preferentially selected according to the Fair Hiring Procedure Act]

* Extracted from each internal regulations

Human rights education programs

Sexual harassment at the workplace	Workplace bullying	Improving disability awareness
At least once a year	Once a year	Once a year
Distributing prevention guidelines	Distributing letters	Outreach education



Workplace bullying prevention poster

Labor-management culture oriented towards communication

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

With a total of ten members—five each representing the labor and the management—our Labor-Management Committee deliberates on various subjects ranging from working conditions to welfare benefits. In particular, it aims to intensively discuss and handle difficulties experienced in the work sites. Through regular Labor-Management Committee meetings, LOTTE HIMART strives to promote communication between labor and management and create an employee-friendly work environment.

Prospective retiree assistance system

LOTTE HIMART interviews prospective retirees and provides them with job placement services in order to help them adapt to life after retirement. We assist in the practical living of prospective retirees by holding one-on-one consulting sessions five times and providing job placement services ten times, thereby leading the way in improving human rights.

Our grievance handling system

Internal data processing system
(HIPPLE) and email report

Anonymous grievance board
(Let's Talk)

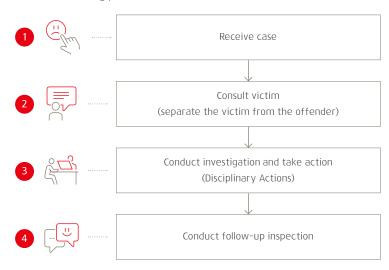
Ethics Secretariat
hotline

Psychological/financial
consulting by external experts

Grievance handling system

LOTTE HIMART actively responds to human rights violation cases occurring inside the company at the same time as creating a healthy organizational culture through an employee grievance handling system. For successful grievance handling, we have consultants specializing in women (two in-house attorneys) and grievance consultants (three from the Employee Welfare Team, including one in-house labor attorney). Grievance-related reports are received via our data processing system (HIPPLE) or hotline. Identities of informants and details of consultation are kept strictly confidential according to the security procedures. In addition, the received grievance and human rights violation-related reports are swiftly and fairly handled within five days, and the details of the actions taken are continuously inspected and managed even after the case is closed.

Grievance handling procedure



CHALLENGE

55 **APPENDIX**

Workplace safety and health

Safety and health system

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

OVERVIEW

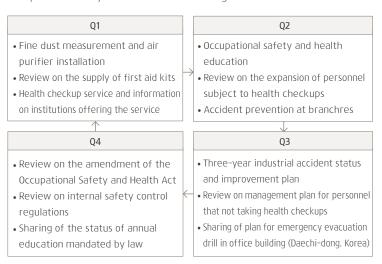
Occupational Safety and Health Committee

LOTTE HIMART's Occupational Safety and Health Committee is organized under the Occupational Safety and Health Act with ten members, five each representing the employees and the employer. With the goal of "zero industrial accident," we hold quarterly committee meetings to deliberate on and decide policies and educational plans that prevent various industrial accidents.

Occupational Safety and Health Committee agenda in 2020

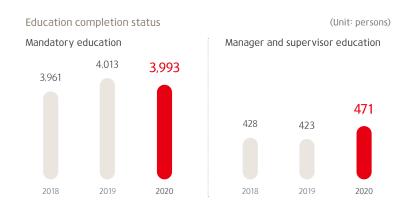


* Industrial accident rate announced by the Ministry of Employment and Labor in 2020: 0.57%



Occupational safety and health education

LOTTE HIMART offers occupational safety and health education once every quarter to all employees in accordance with Article 31 of the Occupational Safety and Health Act. Branch managers receive additional manager and supervisor education once a year.



LOTTE HIMART Safety and Health Policy

① Place top priority on safety and health

Decide the Company's key policies by preferentially considering safety and health

② Establish an accident prevention culture

Establish the culture of risk prevention by discovering and improving potential risk factors in all business sites

③ Promote employees' active participation

Provide continuous assistance to employees and promote their active participation for the Company's safety and health environmental improvement

Establish an accurate and swift emergency response system through continuous education and training

S Comply with laws and regulations

Strictly comply with internal and external laws and regulations in relation to safety and health

Preventing safety and health-related accidents



Inspection of facilities at business sites through visitation

Monthly average of

40 facilities

Inspections for accident prevention

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

Safety inspection at branches and logistics centers

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

Construction site inspection

LOTTE HIMART conducts inspections as frequently as necessary in order to guarantee the safety of construction and field workers engaged in construction/renovation or branch maintenance works. In particular, the three basic rules for construction sites—use of personal protective equipment, no smoking, fall prevention—are specified in the written pledge, and those who do not comply with the rules are strictly punished.

Oil spill training at logistics centers

LOTTE HIMART held an accident response drill in 2020 as part of our efforts to minimize damage on business sites and the local community caused by oil spills at logistics centers. We inspected the environmental accident scenarios and response organization systems of our logistics centers and set an example for accident response at logistics centers in Korea. We also conduct inspections on various facilities as the risk of damage in business sites is amplifying due to natural phenomena such as storms, floods, and cold waves caused by climate change.

Accident prevention campaign

In order to reinforce the safety of workers who are constantly exposed to the risk of accidents during transport of large-size electronic products, LOTTE HIMART holds an accident prevention campaign on a weekly basis. Our aim is to create a safe workplace by ensuring that all workers understand the safe working rules to not only prevent but also improve company-wide safety awareness.

Safety manual

LOTTE HIMART operates its own safety and risk management manual considering the characteristics of business sites. The manual contains emergency reporting system and response procedures, pre-safety inspection details, and actions to be taken in case of a fire or accident. In 2020, we added guidelines related to infectious diseases to prevent the spread of COVID-19. As such, We are dedicated to actively responding to employees' safety.



Company-wide campaign for musculoskeletal disorder prevention



Our risk management manual

57

Employee health promotion system

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

OVERVIEW

BEYOND CUSTOMER EXPECTATION

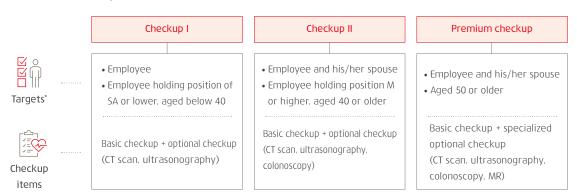
Health checkups

LOTTE HIMART ensures that all employees receive general health checkups once a year. Those with checkup results indicating particular findings are arranged to receive periodic inspections. We make efforts to not only prevent business losses caused by employees' health, but also improve workers' quality of life. All our employees received health checkups over the course of four months in 2020. Those eligible for the checkup now include employees holding positions of branch manager or higher, employees aged 40 years or older, and their spouses. LOTTE HIMART is leading the way in creating a healthy and pleasant workplace.

accident compensation has been strengthened.

Group casualty insurance Each year, LOTTE HIMART takes out group insurance for incumbent employees. With comprehensive insurance coverage, the scope of

General health checkups



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

Support for customer service workers

CHALLENGE

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

Support for customer service workers

As part of LOTTE HIMART'S EAPs⁸⁾, HI-MIND offers customized counseling service according to employees' overall stress levels. This free counseling service is provided by external consultants on not only work-related areas but also personal psychology, family, and legal issues. Counseling is provided in person or over the phone. Although face-to-face services were restricted due to the COVID-19 situation in 2020, our HI-MIND program contributed to improving individual employees' quality of life and work productivity.

8) Employee Assistance Program



CS employee protection campaign poster



HI-MIND promotional material

Safe Master system

LOTTE HIMART's certified safety manager system ensures safety and health at business sites. Safe Master is industry's first qualification system certified by Human Resources Development Service of Korea. This system has a goal of developing professional human resources for facility management, such as firefighting and electrical facilities, safety education, and fire response. According to changes in the criteria in 2021, not only new branch managers and heads of sales divisions but also anyone wishing to obtain the certification can apply once a year. The Safe Master certification must be renewed through a retest three years after acquisition. As of June 2021, we own a total of 1,013 Safe Masters. We will strive to improve the safety awareness and expertise of all employees by expanding our Safe Master system.



Safe Master practical test

HIGHLIGHT

VR safety experience and education center

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



Largest facility in the industry

Approximately **400**m² in size, the largest in the industry



Accomodation capability

About **2,800** employees*

* All logistics center employees



CS masters participating in VR safety experience and education



Safety experience and education certificate awarding ceremony

CHALLENGE

Building employee competency

Developing distribution experts

LOTTE HIMART's distribution experts course can be divided largely into job competency development and career development programs. The job competency development program consists of "education for sales competency building," which is aimed at product learning and sales capacity improvement, and "CS⁹⁾ competency education," which is aimed at improving customer response capacity. As for the career development program, "female sales leader course" is operated to educate and develop female leaders by position and rank. We also support employees' individual competency building, self-development, and degree acquisition through our commissioned academy program. With diverse and systematic educational programs, we are taking the lead in developing distribution experts who can provide the best services and value to customers.

OVERVIEW

9) Customer Service,

Educational programs by position and rank

LOTTE HIMART operates life-cycle educational courses for all employees by position, from new interns and position holders to managers. The education consists of an introductory course for new interns, a course for prospective position holders (prospective branch managers and heads of sales divisions), a course for new position holders (new branch heads, branch managers, and heads of sales divisions), and a refresh course for branch managers. We support employees' competency building and enhance their work immersion by providing our employees with education customized to their respective positions and ranks.

Customer-oriented education

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

Employee education in 2020



Average education hours per employee

78.7 hours



Investment in education in 2020

KRW 2,254 million

Our talent development system



Sales competency building

- Product learning
- Expertise sharing

CS competency

- CS education
- CS diagnosis and assessment



Education by position and rank

- Education for interns and new position holders
- Refresh education for position holders

Female talent development

- Female sales leader course
- Female talent mentoring course



2nd Role Play Competition in 2021

Touch Class operation in 2020



Learning content

163 sessions



Daily average number of learners

427 persons

Self-directed learning channel, "Touch Class"

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

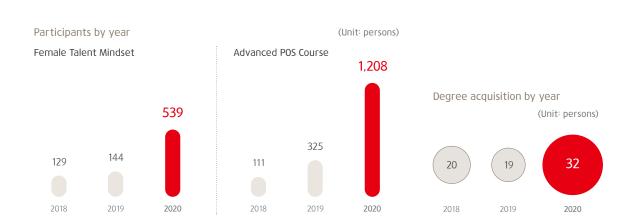
Education based on gender equality

LOTTE HIMART operates an educational course based on gender equality to encourage male employees to operate POS machines, which has been previously handled by female employees. Since July 2020, we have been operating cashier-free stores at all branches to reduce gender division for job types. We also intend to develop talented employees. We operate "Female Talent Mindset," an educational program for conversion to sales positions targeting female employees, and "Advanced POS

Course," an educational program for data processing system targeting male employees. Female Talent Mindset covers information on support systems for female talents and sales/product education. This course helps female employees adapt to and grow in sales positions according to changes in the company's HR management policy. The course on data processing system enables male employees to operate POS machines, which was previously the job of female employees.

Commissioned academy program

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





Commencement ceremony at Kyunghee University (February 2019)*

* Commencement ceremony not held in 2020 due to COVID-19

Fair performance assessment and compensation

Performance assessment and compensation system

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

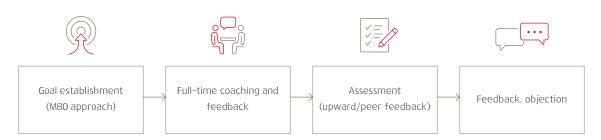
OVERVIEW

MB0¹⁰⁾system

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

10) Management by objective

Our performance management system



360-degree feedback system

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

Rational wage and compensation system

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

Key changes in our assessment system



Employee happiness

Improvements in corporate culture

LOTTE HIMART implements a number of policies through organizational culture improvement, ensuring a pleasant and enjoyable workplace for employees.

Corporate culture improvement campaign

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

Support for social clubs

LOTTE HIMART's social clubs are provided with quarterly subsidies to encourage our employees to enjoy their hobbies and create a joyful workplace. As of 2020, 35 clubs for seven types of sports, including fishing, trekking, and ball sports, are in operation.

Internal communication channels

LOTTE HIMART's "Let's Talk" is an anonymous noticeboard that activates employee communication, receives suggestions, and helps employees derive work improvement ideas. In addition, our newsletters spread employees' stories, exemplary cases of stores, and news about rewards to highly performing employees. Various work-related information and knowledge are also shared here.

One-day classes

LOTTE HIMART opens one-day classes monthly targeting employees who wish to participate in the programs. These classes encourage employees to communicate and build close relationships with one another and relieve work stress. We also share information about one-day classes and employees' interviews in our newsletters. We support employees' various activities to help them improve their quality of life.







LOTTE HIMART newsletter



One-day classes introduced in the newsletter

63

OVERVIEW

Family-friendly work environment

To create a family-friendly corporate culture in line with the slogan, "For Your Family," LOTTE HIMART supports various systems ranging from the annual leave system for family activation to events held by inviting employees' families. We also operate an in-house childcare center for employees with children. With our family-friendly system recognized, we were certified as a family-friendly company by the Ministry of Gender Equality and Family in 2015. In 2018, we were the first in the industry to obtain the certification again. The certification has been maintained until 2020. As such, we will solidity our status as a familyfriendly company by expanding our support systems for the employees and their families.

Annual leave system for family activation

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

Hi-Five Day



Employees leave work

at **5** p.m.

on their birthdays or birthdays of spouses and wedding anniversaries



Family-friendly company certification acquired in 2015

Annual leave system for family activation



Birthday, wedding anniversary, 60th birthday, 70th birthday, 80th birthday, and day of passing of parent/grand parent (both paternal and maternal)

LOTTERIA gift package

LOTTERIA

gift package

Love for childrent

Graduation, school entrance, birthday, one-hundredth day celebration, first birthday, school/ kindergarten event, open class at school, joining military service

2 LOTTERIA burger vouchers



Birthday of employee/ spouse, wedding anniversary, birthday/anniversary of girlfriend/boyfriend, friend's wedding

Healing time with family

Tour for parents or family trip for at least two days using annual leave

50% discount on condominium charges (two nights per year), free access to company facilities (in Sokcho/ Gangneung-si)

Work and life balance

Expansion of branch off days and reduction of open hours

LOTTE HIMART has been expanding the branch off-day system since its introduction in March 2018. The off-day expansion has not only contributed to improving employees' quality of life, but also enabled us to complete our preliminary response to the government's 52-hour workweek system. In addition, we have been reducing the open hours of road shops since September 2018. Based on such measures, we are strengthening our systems to guarantee employees' personal life after work.

Expanded implementation of PC-On/Off system

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

Flexible work system

LOTTE HIMART started the 52-hour workweek system in March 2018. Intending to further strengthen the system, we implement a flexible work system and a compensatory leave system for overtime work.

Mutual Growth





UN SDGs



BACKGROUND

In the global management environment, a company cannot produce outcomes with its abilities alone. Cooperation with partners is necessary to secure network competitiveness. In addition, the practice of mutual growth and fair trade leads to alleviating large enterprises' market monopoly and polarization and thus enables a company to share values with external stakeholders, such as partnering SMEs and local communities. Therefore, cooperation and fair trade are social responsibilities of a company for realizing social justice.

APPROACH

LOTTE HIMART's products and services are provided to customers through SME partners with which the company is maintaining close relationships. Recognizing the importance of SME partners, we support our partners to expand their sales channels through our excellent online and offline distribution networks. In addition, we actively support our partners' innovation and technological improvement by helping them build their employees' capacity. Recently, we are participating in the partner ESG support project in an effort to lead the spreading of sustainable management culture among partners.

ACTIVITIES



Minister of SMEs and Startups Award

→ 67 page



Support for sales channel expansion through Heart Live "Together Project"

→ 68 page



Partner ESG support

→ 72 page

Partnerships

Our partners

LOTTE HIMART has established close relationships for mutual growth with 1,603¹¹⁾ partners providing commodities and services essential for the company's business, such as home appliance makers and logistics service providers. Our partners' employees conduct various operations at stores and logistics centers ranging from inventory management, customer handling, and delivery to after-sales service and sales.

OVERVIEW

11) Based on closing in 2020

Mutual growth-dedicated organization

LOTTE HIMART further expanded mutual growth activities with partners by installing an organization dedicated to mutual growth in 2016. To date, we are operating a number of mutual growth programs in our Mutual Growth Cell to grow along with our partners.

Mutual growth promotion strategy

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

4C mutual growth scheme

Competitiveness

Strengthening partner capabilities through financial and educational support

- Financial support
- Improvement in payment (cash) terms
- Shared Growth Fund
- Network loan
- Competency building
- Mutual growth academy

 \blacksquare

- Consulting

Cooperation

Expanding domestic and international sales channels, increasing sales, and sourcing new products through partnership

- Sales channel expansion
- Supporting entry into LOTTE Group's distribution-related affiliates
- Supporting overseas sales channel development
- Operating an offline experience center
- Supporting online sales channel development
- Live commerce "Heart Live"
- Content marketing
- Enhanced partnership
- Encouraging participation in overseas fairs
- Joint development of private brand products

Communication

Resolving difficulties of and sharing information with partners through strengthened communication channels

- Outreach talks
- Mutual growth talks
- Invitation to cultural events
- Friendship with partners

Compliance

Fostering sound cooperation culture based on fair trade and mutual growth

- Mutual growth campaign
- Education on fair trade/mutual growth



Mutual Growth Week 2020, "small, medium, and large enterprise mutual growth fund category"

Minister of SMEs and Startups Award

Building partner competency



Cumulative consulting cost since 2017

KRW

460 million

Consulting

LOTTE HIMART has been providing SME partners with consulting since 2017 to help improve their productivity and strengthen competency. Through this program, our partners receive customized consulting service by professional consultants in a variety of fields ranging from distribution and marketing to business administration, manufacturing, and technology. LOTTE HIMART makes up for the entire consulting cost. As of 2020, a total of 18 partners have received our consulting program.

Mutual growth academy

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

Financial support

Improvement of payment terms

LOTTE HIMART pays the entire product cost in cash in order to reduce the financial burden of SME partners and assist their successful fund management. In addition, we improved the payment terms for SME partners with which we had entered into the fair trade agreement. The system was expanded in 2020 to target a total of 305 partners. We also pay product costs in advance before the New Year's Day and Chuseok holidays. We make sure that our partners focus on product sourcing and quality improvement.

Financial solutions

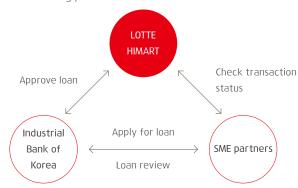
LOTTE HIMART provides various financial solutions to ensure the partners' successful fund management. Through the Shared Growth Fund raised to a scale of KRW 50 billion jointly with Industrial Bank of Korea, our partners are given preferential interest rates when taking out bank loans. Our SME partners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

Mutual growth academy operation in 2020





Shared Growth Funding procedure



OVERVIEW

Award for meritorious service for the mutual growth of small, medium, and large enterprises_Mutual growth fund_ Minister of SMEs and Startups Award

In 2020, LOTTE HIMART won the Minister of SMEs and Startups Award in the "small, medium, and large enterprise mutual growth fund" category. This award is presented to a group or an individual that has contributed a fund for the purpose of improving SME partners' competitiveness and reducing gaps between companies. With the effort to perform various activities for mutual growth and cooperation recognized, LOTTE HIMART won the award. In particular, we were highly evaluated in terms of our continuous contribution to SME partners' competency improvement through investment in and management of the mutual growth fund. We will continue dedicating our effort to achieving sustainable growth by discovering programs that can substantially support our partners' growth and increasing synergy with the partners.



Award ceremony for meritorious service in mutual growth in Mutual Growth Week

Invitation to SME partners for joint private brand product development

LOTTE HIMART invited SME partners to participate in the private brand product development under the goal of increasing customer satisfaction through a variety of competitive private brand products and expanding partners' sales routes. In the first half of 2021, we developed winter products, such as heaters, humidifiers, and electric blankets, together with the participating partners and released new products in winter. We also received product ideas with differentiated functions and designs in order to develop products of the highest quality and technological power. The selected partners launched products following discussions on the development schedule and change of specifications. We also considered the greenness of our products that we reviewed the application of GP¹²⁾, a green packaging design certification, to all private brand products.

12) Green Packaging certification



Sales channel expansion of partners

Supporting online sales channel development

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

Details of support for online sales channel development

Separate page on the LOTTE HIMART online store for SME partners (mutual growth-themed special sales)

Live commerce

Promoting and increasing the sales of partners' products on Heart Live

Content marketing

Supporting sales expansion using content such as product recommendation, promotion of partners' brands, and

virtual product layouts (AR) on LOTTE HIMART app

HIGHLIGHT

Heart Live "Together Project" to support sales channel development of SME partners

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

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

LOTTE HIMART live commerce, "Heart Live"*



Streaming count





Cumulative viewer count

Approx. **40,000**



Cumulative sales on the day of streaming

Approx. KRW 75 million

* During live stream



69

Communication with partners

Communication programs

LOTTE HIMART holds talks, exchange events, and cultural events with a goal to achieve sustainable mutual growth by maintaining close communication with SME partners. Despite difficulties posed by the spread of COVID-19 in 2020, our efforts continued to strengthen our cooperative relationships with partners. In addition to the "Outreach talks" and "mutual growth talks" for enhanced communication with partners, we organized various exchange activities including invitation to cultural events, in order to improve the quality of life of partners' employees and activate exchange among employees of LOTTE HIMART and partners.

OVERVIEW

Cultural support and exchange programs

LOTTE HIMART invites the employees and families of SME partners to cultural events, thus contributing to improving the quality of life of partners' employees. We organized events that promoted communication and exchange with partners, such as annual visits to baseball games, performances, and a trekking day.

Communication programs



Outreach talks

Mutual growth talks*

Friendship with partners*

Invitation to cultural events

* Not held due to COVID-19





Outreach talks*

* The event was held in compliance with the COVID-19 rules.

Talks

LOTTE HIMART holds talks with SME partners in order to understand and resolve their needs and difficulties. Outreach talks, where we visit our partners in person, are aimed at promoting the company's mutual growth programs, as well as understanding and improving on partners' difficulties. As for the mutual growth talks, which are held once a year, this program is organized with a goal to not only activate exchange among employees between LOTTE HIMART and partners, but also share and collect opinions about business directivity for the following year. In 2020, the number of Outreach talks was reduced and the mutual growth talks were canceled due to COVID-19. However, LOTTE HIMART will continue holding talks with partners on a regular basis in order to maintain our organic relationships.

Ethics assessment

Each year, LOTTE HIMART conducts ethics assessments on partners through an external institution. The assessment is aimed at examining LOTTE HIMART's ethics awareness and seeking ways to strengthen mutual growth with partners. The ethics assessment is conducted in the order of an online survey and an in-depth interview. We derive areas requiring improvement based on assessing the four categories: ethical management, fair trade, communication, and inefficiency and power overuse. In 2020, the overall score was 95 points, which is relatively higher. However, improvement was found to be necessary in terms of communication and power overuse.

Fair trade

Compliance program (CP)

CP is an internal compliance system of a company operated to comply with fair trade laws. Having met all of the eight compulsory requirements¹³⁾ for CP, LOTTE HIMART has been operating the CP since 2016.

13) These are requirements a company needs to meet in order to obtain recognition for the CP introduction. The requirements include appointment of a compliance officer, production and use of compliance handbook, and establishment of an internal monitoring system.

Dedicated CP organization

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

Principle of fair trade compliance

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

In-house fair trade education

LOTTE HIMART continuously educates employees on the necessity and method for practicing fair trade compliance by revising statutory interpretation of the Monopoly Regulation and Fair Trade Act and work guidelines. In 2020, we provided fair trade education once every six months and made sure that our employees practiced fair trade compliance in the field.

Mutual growth performance in 2020



Mutual growth index

"Excellent"

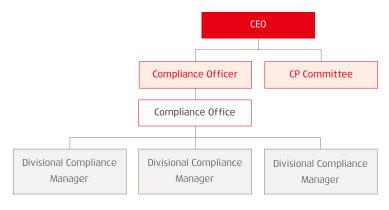
for 2 years in a row



K-SDGs Mutual Growth Award

3 years in a row

Dedicated CP organization



LOTTE HIMART Rule of Conduct for Fair Trade

One. We shall not exchange or consult about product information with our competitors.

Two. We shall not abuse the position of LOTTE HIMART on transaction partners.

Three. We shall set the reasonable cost sharing criteria with our partners before holding sales promotional events.

Four. We shall not demand economic benefits to our partners.

Five. We shall clearly notify product information and transaction standards to our customers.

Six. We shall actively and voluntarily dedicate the utmost effort to practicing and implementing all of the above.

CSR management in supply chain

Environmental risk management

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

Hazardous chemicals management

For the safe management and leakage prevention of hazardous chemicals. LOTTE HIMART ensures partners get regular education and inspections. We conduct joint inspection activities with partners that handle electricity or firefighting for the purpose of improving the management system and preventing discharge of insulating oil and other harmful substances. For each logistics center, we specify the types and maximum allowable quantities of handling harmful substances and recommend them to attach MSDS¹⁴⁾. At the same time, we inspect the handled chemicals at least twice a year. We spare no effort to reduce environmental impact through continuous education and monitoring.

14) Material safety data sheet

Safety and environmental education talk

LOTTE HIMART holds an annual safety and environmental education talk with partners that have the possibility to discharge environmentally harmful substances. The talk is aimed at sharing the necessity of and method for pollutant discharge prevention and also identifying the environmental pollution risk factors by partner, thus preparing the necessary support plans.

Environmental performance assessment and management system

LOTTE HIMART encourages partners' voluntary participation in environmental management by assessing their environmental performance and offering benefits based on the assessment results. According to the safety inspection and environmental performance monitoring results, our partners are provided various benefits ranging from contract extension to educational support and presentation of a plaque of appreciation. Through this system of identifying rooms for improvement, we encourage our partners to dedicate a greater effort to environmental management.



Safety and environmental education talk

HIGHLIGHT

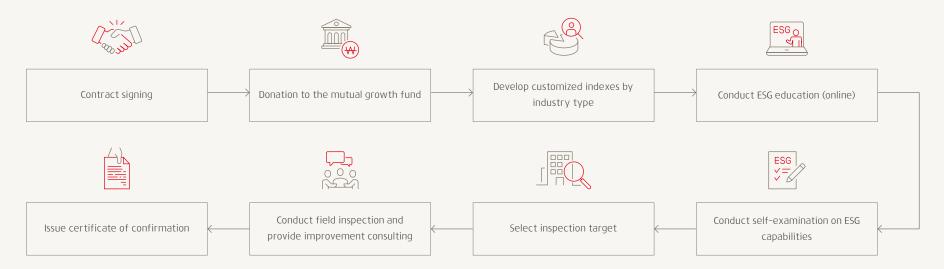
Partner ESG support

In June 2021, LOTTE HIMART entered into an agreement for partner ESG support with Korea Commission for Corporate Partnership under the goal of improving the ESG capabilities of SME partners. The partner ESG support project is aimed at helping SME partners experiencing difficulties in ESG response due to lack of budget and human resources establish an ESG management system and strengthen their ESG capabilities through our supporting activities. LOTTE HIMART implemented this project targeting partners that wish to improve their ESG management system in the areas of safety, environment, labor, and human rights among those related to product manufacturing, logistics, and Home Care Service. The participating partners receive ESG education for their employees and conduct a self-examination based on the ESG assessment index customized to the distribution industry. Then, based on the results, around 20 highly performing partners are selected for field inspection and consulting. Through this agreement, we will not only strengthen our ESG management competency but also establish a sustainable supply chain by improving our partners' ESG capabilities. We will strive to fulfill our social responsibilities together with our partners.



Partner ESG support agreement ceremony

Process of the ESG support project



APPENDIX

Hi Social Contribution















BACKGROUND

A company is required to fulfill its responsibilities concerning the impact it exerts on the stakeholders and society through management activities, and also to play the role to build a socially and environmentally sustainable business model. It has been proven that a company sincerely fulfilling its social responsibilities has the ability to improve its brand value, increase profits, receive investments, and, ultimately, enjoy greater economic benefits. Therefore, many companies are striving to fulfill their responsibilities in the legal and ethical areas in addition to economic, sharing profits they have gained from society and thus creating new values.

APPROACH

LOTTE HIMART is fulfilling social responsibilities through sharing activities and direct and indirect donations based on the employees' active participation as well as social contribution activities according to the characteristics of its business. Our Charlotte Volunteer Group, consisting of employees, has been actively performing voluntary activities in Korea since the company foundation. We have also been developing and implementing a range of social contribution programs, including Hi Science Class, Hi Science Concert, and Hi, Dream! Recognizing our responsibilities and roles as a company that contributes to society, we will continue spreading the culture of sharing through a range of activities.

ACTIVITIES



Hi. Dream!

→ 75 page



Hi Science Concert & Science Class

→ 76 page



Social contribution activities to overcome COVID-19

→ 78 page

Social contribution system

Directivity of social contributions

LOTTE HIMART performs social contribution activities targeting people in all walks of life by keeping attention to neighbors in need. Our ultimate goal is to help them live in a better environment. Centering on economic support and educational activities, which are based on the characteristics of selling home appliances, we promote social contribution that provides substantial assistance to local communities when facing difficulties.

We also organize in-house volunteering programs in order to instill the culture of sharing among employees. Our employees across the country perform volunteering activities in April each year, the month in which

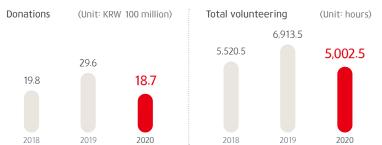
we celebrate our foundation anniversary. We also strive to maximize the effect of social contribution by cooperating with a variety of NGOs, including organizations specializing in social contribution.

Charlotte Volunteer Group

With a goal of continuously spreading the culture of sharing both internally and externally, LOTTE HIMART has been operating Charlotte Volunteer Group since 2014. With around 4,000 employees working at the headquarters and 448 stores in Korea, the group is dedicated to helping neighbors in need, such as neglected children and older adults in local communities.



Social contributions



Volunteering activities in 2020



Number of participating employees

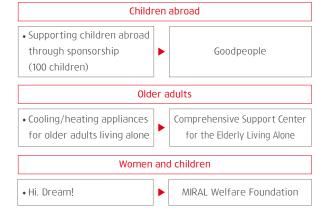
(Unit: persons)

Number of beneficiaries

1,563

Cooperating organizations and NGOs for key social contribution activities

Children in Korea • Happy Three-generation Support for the independence of Campaign for children raised by grandparents adolescents legally • Hi Science Concert discharged from /Science Class welfare facilities • Disease prevention support • COVID-19 prevention kit and COVID-19 prevention kit for child welfare facilities ChildFund Korea Community Chest of Korea





Charlotte Volunteer Group's Science Class at a child welfare facility

Social contribution activities

Hi, Dream!

As one of LOTTE HIMART's social contribution programs, Hi, Dream! is aimed at support the dreams of working moms and their children.

OVERVIEW

This is a program of giving out electronic appliances to those who share their stories about how hard they have tried to fulfill their dreams. We present an oven to a mom wishing to become a chef or a coffee machine to a child dreaming to be a barista. We root for the dreams of people who never give up. In 2020, with the budget raised through employees' voluntary donation, we delivered electronic appliances worth approximately KRW 44 million to 17 households.





Amount



An oven donated to a family through the Hi, Dream! project

Cooling/heating appliances for older adults living alone

LOTTE HIMART has been donating home appliances for older adults living alone since 2014. Senior citizens are more susceptible to thermal diseases due to weak body temperature regulation function. To contribute to helping home-alone older adults prepare for the heat and cold waves, we provided fans to 200 households in ten regions across the country in the summer of 2020 and delivered heating items to 360 households in rural regions in the winter of the same year. We also distributed COVID-19 sanitation kits in order to prevent the spread of the virus. Our efforts continue to carry out social contribution activities centering on the characteristics of our business, helping out homealone older adults that are neglected from welfare services within the respective local communities.





Amount

KRW 36 million

560



Cooling appliances donated to older adults living alone

Hi Science Concert & Science Class

LOTTE HIMART's science education programs utilize electronic products to help children develop interest in and continue nurturing their dreams about science. "Hi Science Concert." which can be participated by all children, and "Hi Science Class," which targets children from the neglected class, help children learn about science in an easy and interesting way by using electronic appliances that we use in everyday life. Here, children learn about sound and the principles of speakers and also build speakers by themselves. Such interesting content of the programs further enhanced the educational effect. To continue on our social contribution amid the COVID-19 pandemic, we held the Hi Science Class event face-to-face in January 2020 and the Hi Science Concert & Science Class online in the second half of the year.

Happy Three-generation Campaign

Since 2006, LOTTE HIMART has been implementing the Happy Threegeneration Campaign annually for children raised by grandparents.

The campaign is to provide economic support to children living with their grandparents through employees' voluntary donation. The targets are given monthly donations and gifts for school entrance. Also, we provide home appliances, such as rice cookers and tablet PCs, to adolescents legally discharged from welfare facilities¹⁵⁾ to assist them in adapting to society. Having donated KRW 217.62 million to a total of 220 children and adolescents in 2020, we are committed to practicing and thus spreading the culture of sharing.

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



Number of participants

About **550** students



Total number of education provided

3 sessions



Cumulative number of children/adolescents who were benefited from the campaign



Cumulative donation
amount (as of February 2021)

KRW **9.1** billion

⁵ 1,451



Online Hi Science Concert & Science Class



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

OVERVIEW

Volunteering to make COVID-19 sanitation kits

Celebrating LOTTE HIMART's 20th anniversary since foundation, our employees performed nationwide volunteering for the entire month of April. The employees made sanitation kits comprising of filter-replaceable cloth masks, hand sanitizers, and a hand wash for children from low-income families in Korea. The kits were made in a contact-less manner in clean environments. Partnering with ChildFund Korea, we delivered around 600 sanitation kits to children of underprivileged families exposed to a poor hygiene environment.

Volunteering to make learning support kit

LOTTE HIMART provided educational kits to guarantee the educational rights of children abroad. 445 employees used leftover leather to make about 200 sets of stationery items worth KRW 12 million comprising of a pencil case and an eco-bag. The stationery kits were delivered to around 100 children studying at Hosanna Gardens Academy in Mikameni, Kenya, where we built a local library, and also to 100 sponsored children in Vietnam. By carrying out this project, we contributed to guaranteeing quality education, one of SDGs promoted by the international community.



Number of employees who participated

Арргох. **630**

Amount

.... 17



Number of employees who participated

445



Amount

KRW 12 million



Three-item COVID-19 sanitation kit made by LOTTE HIMART employees



Volunteering program of making learning support kit for neglected children abroad

HIGHLIGHT

Social contribution activities to overcome COVID-19

"Healing sanitation kit for the mind" to encourage communication of people with hearing loss

LOTTE HIMART delivered a "Healing sanitation kit for the mind" which includes clear masks to assist in the communication of people with hearing loss. Masks, which have become one of the daily essentials due to the COVID-19 pandemic, interfere in the communication of people with hearing loss as they have to read the lips when communicating. To resolve the difficulty, we delivered clear masks to 100 people with hearing loss. We also supplied hand sanitizers and natural soap-making kits as part of our practical support to people with hearing loss experiencing difficulties due to COVID-19.

Healing kits to medical staff at COVID-19 screening stations during Chuseok holidays

LOTTE HIMART distributed healing kits to medical personnel who could not leave screening stations fighting against COVID-19 even during the holiday period. In addition to neck and shoulder massagers and massage guns to help medical staff relieve fatigue after working extended hours in a poor environment, we donated snack kits comprising of Korean sweets and red ginseng to put them in the holiday spirit. With heartfelt gratitude, the items for medical personnel fighting against COVID-19 at the forefront were delivered to ten medical facilities across the country, including Seoul, Busan, and Jeollanam-do Province.



Donating clear masks to people with hearing loss



Donating healing kits to medical staff at COVID-19 screening stations

Fighting COVID-19 together with low-income vulnerable classes, child welfare facilities and SME partners

In March 2020 when COVID-19 was spreading at a fast rate, LOTTE HIMART provided COVID-19 prevention kits and disease prevention support to low-income vulnerable classes, child welfare facilities, and SME partners. The COVID-19 prevention kits—comprised of hand sanitizers, a hand cleanser, and masks, which are necessary for personal hygiene—were handed out to 200 low-income households that are in difficult positions for purchasing masks. In addition, professional disinfection agencies helped us in preventing the spread of disease in 100 child welfare centers across the country, including local children centers and orphanages. We also offered free disinfection service to around 200 of our SME partners and those with which we entered into a mutual growth agreement. We preferentially provided support to Daegu and the Gyeongsangbuk-do region, which were particularly at high-level risk at the time.



Disinfecting a child welfare center



Governance

BOD composition and operation

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

chairperson. Special meetings are held and operated as necessary, and the BOD resolutions, unless specified otherwise and as prescribed in Article 32 of the Articles of Incorporation and Article 7 of the BOD Regulations, are based on attendance by a majority of the directors and voting by a majority of the attending directors. Directors that have special interests are restricted in exercising their voting rights for the sake of systematically preventing the risk of conflict of interest. In 2020, seven regular meetings and two special meetings were held, and a total of nine items were resolved and reported.

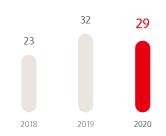
BOD composition

(As of June 30, 2021)

Name	Name Gender Position		Experi	ience	Term of office
Hwang Young Keun	Male	• CEO • Chair of the BOD	Current CEO of LOTTE HIMART (managing director) Former head of the LOTTE HIMART Sales Group	 Former head of the LOTTE HIMART Product Group Former head of the LOTTE HIMART Home Appliance Division 	March 29, 2019 - March 19, 2023
Chung Bu Ok	Male	Inside director Chairperson of the Nomination Committee	Current head of the LOTTE CORPORATION HR Innovation Division (vice president) Former head of the LOTTE CHEMICAL Polymer Business Group	Former head of the LOTTE CHEMICAL SM/BTX Department Former head of the Honam Petrochemical Corporation HR Division	March 29, 2019 - March 19, 2023
Maeng Jung 0	Male	Inside director Head of Product Group	Current head of the LOTTE HIMART Product Group Former head of the LOTTE HIMART Supply Chain Managemet Division	• Former head of the LOTTE HIMART Finance Division • Former head of the LOTTE HIMART Accounting Team	March 19, 2021 - March 19, 2023
Ha Yeong Su	Male	• Inside director • Head of Sales Group	Current head of the LOTTE HIMART Sales Group Former head of the LOTTE HIMART Marketing Division	 Former head of the LOTTE HIMART MD Strategy Division Former head of the LOTTE HIMART Product Development Division 	March 19, 2021 - March 19, 2023
Sung Nack Song	Male	• Outside director • Chairperson of the Audit Committee	Current lawyer at Jiheon Law Firm Former president of the Judicial Research and Training Institute	• Former chief judge of Suwon District Court	March 27, 2020 - March 27, 2022
Kim Chun- soon	Male	Outside director Chairperson of the Remuneration Committee	Current special vice president of Soonchunhyang University Current chairperson of the National Gambling Control Commission	Former chief of the National Assembly Budget Office Former senior expert member of the Special Committee on Budget and Accounts	March 27, 2020 - March 27, 2022
Lee Hee-ok	Male	Outside director Chairperson of the Transparent Management Committee	Current president of Sungkyun Institute of China Studies, Sungkyunkwan University Current professor at Sungkyunkwan University Department of Political Science and Diplomacy	 Former president of the Korean Association for Contemporary Chinese Studies Former vice president of the Korean Political Science Association 	March 27, 2020 - March 27, 2022
Jung Do-jin	Male	Outside director	Current professor at Chung-Ang University Business School Current private member of Korea Exchange	 Former president of the Korea Institute of Public Finance Former Review Committee member of the Financial Services Commission 	March 27, 2020 - March 27, 2022
Yoo Weon Sang	Male	Outside director	 Current professor at Korea University Business School Current director of the Korean Marketing Association Current director of the Korea Distribution Association 	Current director of the Korean Society of Consumer Studies Former vice president of Korea University Business School	March 27, 2020 - March 27, 2022

BOD operation

Agenda items discussed (Unit: items)



Attendance rate

94 94 92

(Unit: %)

81

CHALLENGE

Appointing directors

Inside directors are appointed at the general shareholders' meeting, which complies with Article 382 of the Commercial Act. The BOD nominates candidates by assessing their experiences, abilities, and integrity and makes final decisions through resolution.

Outside directors, on the other hand, are appointed through the BOD resolution among those with a wide range of practical experiences and professional knowledge in the related fields, such as finance, law, and accounting. The candidates are nominated by the Nomination Committee. The term of directors is two years and reappointment is decided according to the directors' performances. Same term of office applies for the reappointment.



Education provided to outside directors in 2020

BOD Expertise

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

Transparency and independence

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

Audit body

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

Meetings convened (Unit: sessions)



Outside auditor

An independent outside auditor conducts regular audit to secure fairness and transparency of LOTTE HIMART's accounting information. In December 2020, we appointed Samjong KPMG as our outside auditor, and their audit opinion was shown as "appropriate."

Committees under the BOD

Committee	Role	Members
ESG Committee	• Improve sustainability management and corporate value by practicing ESG management	Jung Do-jin (chairperson),Lee Hee-ok, Maeng Jung O1 inside director, 2 outside directors
Audit Committee	Review accounting documents, procedures and results of audit conducted by accounting firms	Sung Nack Song (chairperson), Kim Chun-soon, Jung Do-jin 3 outside directors
Nomination Committee	Nominate candidates for outside directors	Chung Bu Ok (chairperson), Lee Hee-ok, Yoo Weon Sang 1 inside director, 2 outside directors
Transparent Management Committee	Review/approve large-scale internal transactions and report the results to the BOD	Lee Hee-ok (chairperson), Sung Nack Song, Yoo Weon Sang 3 outside directors
Remuneration Committee	Estimate performance-based remuneration amounts for executives and establish/revise remuneration criteria	Kim Chun-soon (chairperson), Jung Do-jin, Yoo Weon Sang 3 outside directors

BOD evaluation and remuneration

Outside directors are objectively evaluated in terms of their contribution to the BOD, influence, expertise, and commitment. In addition, the directors' fulfillment of the responsibilities required by the statute and LOTTE HIMART rules and regulations is regularly reviewed to support their successful implementation of the role to keep the management in check. The Remuneration Committee estimates performance-based remuneration amounts for executives and establishes and revises the remuneration criteria. Remuneration is paid out within an amount approved at the general shareholders' meeting according to the remuneration regulations for executives with consideration given to the executives' positions and management performances. Compensation for registered executives comprises of the basic annual salary and variable pay according to the remuneration regulations for executives. The amount of variable pay is determined through comprehensive assessment of standard and nonstandard indicators.

Remuneration of executives*

(Unit: KRW 1,000)

Classification	Recipients	Total remuneration	Average remuneration per person
Inside director	4	1,073,070	268,267
Outside director	2	133,834	66,917
Members of the Audit Committee	3	201,373	67,124

^{*} As of January 1 to December 31, 2020

Shareholder Rights

Protecting shareholder rights

Details of a general shareholders' meeting are notified by at least two weeks prior to the meeting in order to assist shareholders in exercising their voting rights after sufficiently reviewing the agenda. LOTTE HIMART holds general shareholders' meeting once a year. In 2021, we held BOD meetings by avoiding the dates on which general shareholders' meetings are concentrated to encourage shareholders to participate in

the meetings and express their opinions as much as possible. In addition, we have been paying out cash dividends annually over the last three years as part of our shareholder return policy. We have been striving to keep the dividend payout ratio¹⁾ at 30% since 2018. Our dividend policy and shareholder return policy are transparently disclosed in the Articles of Incorporation and through corporate disclosures.

1) Dividend payout ratio = (Dividend / net profit) x 100

e-Voting

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

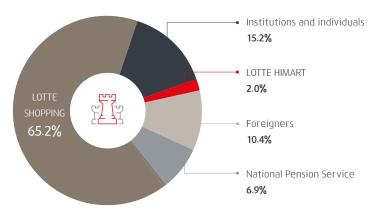
OVERVIEW

Stocks issued and shareholders

Since stock market listing in June 2011, LOTTE HIMART has issued 23,607,712 common stocks as of June 30, 2021. LOTTE SHOPPING is the largest shareholder with the equity ratio of 65.3%.



(based on the register of shareholders as of June 30, 2021)



Compliance

Ethical management system

Having obtained the certification for anti-bribery management systems (ISO 37001)²⁾, LOTTE HIMART promotes compliance according to the international standard. Our Ethical Management Team takes charge of the company's ethical management. With a goal to increase ethical awareness within the organization, the team provides ethics education, collects the employees' ethics practice pledge, and shares the CEO's message for compliance. Externally, the Ethical Management Team promotes Clean campaign and conducts a survey on ethical management of partners. In 2020, we strengthened our ethical practice by installing a channel for reporting unethical conducts within the company and of partners.

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

Ethical practice system

Code of Ethics: Compliance Charter, Code of Conduct, Rules of Ethical Conduct

Audit activities

Prevention

- Accident prevention data monitoring
- Survey on ethical practice

Follow-up inspection

- Investigation on details of report through the company's reporting system
- Accident investigation (monetary, inventory, etc.)

Ethical awareness internalization activities

- CEO's message
- Employee education on ethical practice
- Compliance pledge
- Campaigns (e.g. poster distribution)
- Diagnosis of ethical practice



Number of employees who completed ethics education*

2,469

* As of 2020



LOTTE HIMART ethics practice pledge



Fair trade campaign poster

Audit and ethics monitoring

The Ethical Management Team conducts regular and special audits to inspect the company's compliance with accounting regulations and the Code of Ethics. The team carries out all sorts of audit activities, ranging from recruitment process inspection to inspection on the corporate credit card use and field inspection. In addition, the Ethical Management Team evaluates the level of ethical management practiced by the company through surveys on ethical practice targeting the employees and partners.

LOTTE HIMART Code of Conduct



Trust with Our Customers

Making customers select LOTTE products and services based on customers' trust on the brand—this is the power of trust.



Trust with Our Employees

Employees are as valuable as families
—what binds us together is trust.



Trust with Our Partners

We are one with partners based on trust—we are LOTTE.



Trust with Our Stockholders

Valuing the virtues of honesty and transparency, LOTTE dedicates the utmost to protecting shareholders' assets and increasing the mid- to long -term stockholder value.



Trust with Society

We are one with partners based on trust—we are LOTTE.

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

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

Ethics education and campaigns

LOTTE HIMART enhances employees' compliance awareness through ethics education and campaigns. Ethics education is divided into online education targeting all employees and education for persons holding positions (managers). In particular, ethics education for new managers is provided at all times according to their positions through cooperation with the relevant divisions so as to prevent any blind spots in education. We also strive to establish employees' compliance awareness by holding monthly ethics campaigns (e.g. campaign for compliance with the principles of the Code of Conduct, campaign to ban monetary transactions among employees). In order to increase effects and encourage employees' participation, campaigns are organized according to monthly situations, such as a campaign to ban exchange of gifts in a month of the Lunar New Year's Day or Chuseok holidays.

Rules of Ethical Conduct*

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

* Extract from LOTTE HIMART Rules of Ethical Conduct

RESPECT

Hiweb, reporting channel for partners

Strengthening the effectiveness of and accessibility to the reporting channels

LOTTE HIMART is strengthening the effectiveness of and accessibility to a range of reporting channels, aiming to establish a sound corporate culture. We ensure that anyone can report unethical conducts by accessing the reporting channel on our website. To increase the effectiveness of the reporting system, we guarantee privacy protection of informants and confidential investigation, and also transparently disclose the reporting and handling results to the persons concerned. In 2021, we opened a reporting channel for partners on Hiweb³⁾ in order to establish fair trade order for partners. In addition, we installed a mobile reporting channel for internal use, and thus strengthened accessibility to the reporting system.

3) LOTTE HIMART's partner product management system.

Reporting procedure E-mail Hotline (phone) Noticeboard on website Social media Follow-up action • Report of result • Disciplinary procedure • Receive report • Fact-finding • Documentary evidence Field inspection

Risk Management

Risk management by type

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

Our risk management system

LOTTE HIMART has established a management system in response to various financial and non-financial risks arising from changes in the external environment. Risks are systematically analyzed and managed by divisions in charge of each risk type. When a risk occurs, we operated a risk management TF, which is organized with the relevant

departments. Depending on the accident type, the head of the risk management TF handles overall risk management operations, including the establishment of risk handling actions and support operations, and makes daily reports to the CEO until the situation is finalized.

Internal control over financial reporting

Internal control over financial reporting (ICFR) is a system established within a company for the purpose of securing the reliability of accounting information prepared and disclosed according to the corporate accounting standards and of preventing corruption. Pursuant to Article 8 of the Act on External Audit of Stock Companies, LOTTE HIMART operates an ICFR system, as well as an organization dedicated to the system operation. According to Article 8(5) of the same Act, the members of the Audit Committee shall evaluate the operational status of the ICFR in each business year and report the results at the general shareholders' meeting, in addition to BOD and Audit Committee meetings. Article 8(7) of the Act also states that an outside auditor shall conduct an audit on the company's ICFR and state his or her opinion on audit findings in the audit report.

Response by risk type

Classification Risk type Details Response strategy • Setback in active response to economic and • Establish mid- to long-term fund management plan, etc. Liquidity environmental changes due to failure in securing risk asset liquidity • Financial loss caused by non-fulfillment of contractual • Monitor any delay in financial asset recovery and prepare Credit obligations by transaction counterpart or customer in measures for recovery гisk the course of transaction or investment activities • Negative impact on net interest income due to • Reduce high-interest borrowings and improve short/long-**Financial** Interest interest rate fluctuation term borrowing structures risks rate risk • Monitor domestic and international interest rate trends, etc. • Loss caused by exchange rate fluctuation at overseas • Minimize uncertainty and profit/loss change caused by direct sourcing expansion or overseas market entry exchange rate fluctuation 0ther • Capital depletion and increased burden of business • Monitor financial ratios and take improvement actions (Foreign exchange risk, Capital risk) loss due to weakening of capital structure integrity and financial stability • Facility damage and personnel injury caused by fires • Share and report the situation across the company or accidents at branch/logistics center Fires and • Check and respond to press coverage of accident safety-related • Take emergency action for damaged facility and support accidents • Support the insurance procedure and take follow-up actions • Damage caused by customer information loss/theft • Estimate cybercrime and systemic damages upon Information occurrence of personal information leak protection • Operate online/offline call centers and respond to customers Non-financial • Setback in sales and delivery-related operations due • Formulate sales-related handling plan and estimate the risks System to failure in data processing systems amount of systemic damage failure • Operate offline call centers, handle claims, and respond to service operations • Financial loss resulting from fines/penalties caused • Provide education and perform promotional activities to 0ther by socioeconomic violations strengthen awareness (Compliance, • Damage to corporate reputation due to violation of • Establish and operate a management/monitoring system External reputation) regulations and distorted reports

APPENDIX

Data Center	88
GRI Content Index	94
SASB Index	99
Third-party Assurance Statement	100
Memberships & Awards	102

Data Center

Financial Highlights

Consolidated statement of financial position

(Unit: KRW million)

Particulars	2018	2019	2020
Total assets	3,117,064	3,107,565	3,349,190
Current assets	915,423	715,664	988,777
Non-current assets	2,201,641	2,391,901	2,360,413
Total liabilities	1,055,205	1,185,666	1,423,236
Current liabilities	538,120	589,513	845,840
Non-current liabilities	517,085	596,153	577,396
Total equity	2,061,859	1,921,899	1,925,954
Paid-in capital	1,163,253	1,163,253	1,163,253
Other components of equity	10,459	10,459	10,459
Accumulated other comprehensive income	(187)	(187)	(187)
Retained earnings	888,332	748,372	752,427
Total liabilities and equity	3,117,064	3,107,565	3,349,190

Consolidated income statement

(Unit: KRW million)

Particulars	2018	2019	2020
Sales	4,112,678	4,026,464	4,051,729
Profit on sales	1,072,906	1,000,701	1,006,457
Selling, general and administrative expenses	886,434	890,845	845,281
Operating income	186,481	109,857	161,076
Other income	4,422	2,885	8,905
Other expenses	56,417	182,936	87,909
Financial income	0	0	24
Financial expenses	16,794	20,833	23,260
Net income before income tax	126,902	-83,913	64,999
Income tax expenses	41,439	15,995	36,277
Net income	85,463	-99,907	28,721

CHALLENGE

Environmental

Environmental management

Item	Unit	2018	2019	2020
Number of employees who received environmental educationt*	persons	-	_	3,968
Environmental investment cost**	KRW 100 million	4.83	6.81	6.42

- * Education not conducted in 2018 and 2019, provided to all employees in May 2020
- ** Spenditure on green products and services included

Waste generation

Item	Unit	2018	2019	2020
Total waste generated*	tons	2,423	4,546	4,589

^{*} Amount of waste generated in the course of delivery or from logistics centers, such as polystyrene and cardboards

Waste treatment

Item	Unit	2018	2019	2020
Total waste treated	tons	2,423	4,546	4,589
Amount of waste recycled*	tons	2,423	4,546	4,589
Incineration	tons	0	0	0
Landfill	tons	0	0	0
Other	tons	0	0	0

^{*} Total amount of waste recycled

Water consumption

Item	Unit	2018	2019	2020
Water consumption*	tons	491,757	461,591	459,324

- * Calculation: Total water bill expenses by year / average water rate of K-water (KRW 739)
- * Includes headquarters, branches, logistics centers, and some stores (337 in 2018, 340 in 2019, 343 in 2020)

Energy use

Item	Unit	2018	2019	2020
Total energy consumed*	MWh	182,020	169,615	163,172
Electricity	MWh	182,020	169,615	163,172

- * Calculation: Total electric bill expenses by year / average of high-pressure power A value (KRW 87.6) in "monthly electric rates" included in the basic supply agreement of the Korea Electric Power Corporation
- * Includes headquarters, branches, logistics centers, and some stores (354 in 2018, 363 in 2019, 369 in 2020)

GHG emissions*

Item	Unit	2018	2019	2020
Total GHG emissions (Scope 2)	tco ₂ -eq	83,620	77,921	74,961

^{*} Electricity consumption converted to GHG emissions

Social

Employees

Item	Unit	2018	2019	2020
Total number of workers	persons	4,112	4,110	3,915
Total number of full-time female works	persons	1,464	1,489	1,432
Total number of non-permanent female workers	persons	67	30	52
Total number of full-time male workers	persons	2,408	2,521	2,417
Total number of non-permanent male workers	persons	137	35	14

New hires

Item	Unit	2018	2019	2020
Number of new female workers	persons	301	137	59
Ratio of new female workers	%	41	39	55
Number of new male workers	persons	428	216	49
Ratio of new male workers	%	59	61	45
Recruitment of the socially disadvantaged (persons with disabilities, patriots and veterans)	persons	31	45	30

Employee retention

Item	Unit	2018	2019	2020
Total turnover rate*	%	1.0	0.7	0.7
Voluntary turnover rate	%	0.8	0.6	0.5
Involuntary turnover rate**	%	0.2	0.1	0.1
Average years of continuous service (approx.)	_	7 years	7 years and 7 months	8 years and 7 months
Average years of continuous service of male workers (approx.)	_	7 years and 9 months	8 years and 6 months	9 years and 5 months
Average years of continuous service of female (approx.)	_	5 years and 6 months		7 years and 3 month

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

Wage

Item	Unit	2018	2019	2020
Average base pay for female executives*	KRW	-	-	270,000,000
Average base pay for male executive*	KRW	254,000,000	251,000,000	237,000,000
Average base pay for female managers**	KRW	39,490,500	39,810,000	39,876,000
Average base pay for male managers**	KRW	39,278,085	39,795,774	39,107,384
Average base pay of female workers in non-management positions***	KRW	29,717,230	30,402,556	31,679,447
Average base pay of male workers in non- management positions***	KRW	37,989,538	39,109,191	39,818,555
Average hourly pay of workers***	KRW	19,482	20,173	20,357

- * Based on incumbency in the respective year (excluding those who left the organization in January), no data in 2018 and 2019 when there were no female executives.
- ** Based on the incumbent as of the end of the respective year (team managers, branch managers/heads, etc.) (excludes bonuses).
- *** Based on the incumbent as of the end of the respective year (excludes bonuses).

OVERVIEW

Item	Unit	2018	2019	2020
Number of employees eligible for parental leave (male)	persons	188	135	121
Number of employees eligible for parental leave (female)	persons	85	84	60
Number of employees who used or are on parental leave (male)	persons	136	126	113
Number of employees who used or are on parental leave (female)	persons	80	84	65
Number of employees who returned to work after parental leave (male)	persons	163	131	103
Number of employees who returned to work after parental leave (female)	persons	96	91	81
Number of employees holding position for 12 months after return to work from parental leave (male)	persons	150	121	93
Number of employees holding position for 12 months after return to work from parental leave (female)	persons	77	84	76
Rate of return to work after parental leave (male)*	%	185.2	96.3	81.7
Rate of return to work after parental leave (female)*	%	110.3	113.8	96.4
Retention rate after return to work (male)**	%	92.0	74.2	71.0
Retention rate after return to work (female)**	%	80.2	87.5	83.5

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

Labor union

Item	Unit	2018	2019	2020
Ratio of collective bargaining agreement application	%	100	100	100

Employee diversity

Item	Unit	2018	2019	2020
Total number of female managers	persons	43	52	56
Total ratio of female managers	%	6.6	7.7	8.3
Number of female executives	persons	0	0	1
Ratio of female managers to total executives	%	-	-	5.6
Number of employees with disabilities	persons	117	127	145
Ratio of employees with disabilities to total employee	%	2.8	3.1	3.7
Number of patriot and veteran employees	persons	8	10	11
Ratio of patriot and veteran employees to total employees	%	0.2	0.2	0.3

Human resource development*

Item	Unit	2018	2019	2020
Total hours of employee training	hours	223,322	207,568	289,378
Total cost of employee training	KRW million	3,811	3,857	2,254
Average training hours per employee	hours	57.7	54.3	78.7
Average cost of training per employee	KRW	984,030	1,008,043	613,084

^{*} Figures for the average training cost and hours per employee are the same regardless of gender.

Safety and health

Item	Unit	2018	2019	2020
Industrial accident rate	%	0.04	0.01	0.04
Number of accidents	cases	2	1	2
Fatalities	persons	0	0	0

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

Human rights education

Item	Unit	2018	2019	2020
Total hours of education on human rights	hours	1	3	3
Number of persons who completed human rights-related courses*	persons	3,961	4,013	3,993

^{*} Eligibility: All employees

Social contribution

Item	단위	2018	2019	2020
Donation for social contribution*	KRW 100 million	19.8	29.6	18.7
Number of employees who participated in social contribution activities*	persons	1,264	1,388	1,563
Total hours spent on social contribution activities	hours	5,520.5	6,913.5	5,002.5

^{*} Cash and in-kind

Supply chain

Item	Unit	2018	2019	2020
Number of partners	companies	1,214	1,454	1,603
Number of crucial partners	companies	37	37	38
Sales ratio of crucial partners	%	92.1	92.4	92.1
Rate of payment to crucial partners out of total purchase cost	%	93.8	93.9	92.7
Amount of financial support to partners	KRW million	284,296	317,176	336,838
Shared Growth Fund	KRW million	39,496	32,942	27,916
Payment condition improvement	KRW million	224,800	251,234	252,422
Early payment of product price before holidays	KRW million	20,000	33,000	56,500

Customer satisfaction

Item	Unit	2018	2019	2020
Customer satisfaction survey*	points	92.9	93.6	98.4
Number of customer opinions and complaints received	cases	6,790	4,684	4,516
Number of customer opinions and complaints handled	cases	6,790	4,684	4,516

^{* 2018:} Happy Call until February, changed to notification type in March, satisfaction survey conducted on small and large items

2020: Satisfaction survey on amounts over and below KRW 500,000

Customer safety and health

Item	Unit	2018	2019	2020
Number of cases where fine or punishment was imposed due to violation of product/service safety and health laws and regulations	cases	0	0	0
Number of cases where warning was issued due to violation of product/service safety and health laws and regulations	cases	0	0	0

Customer privacy

Item	Unit	2018	2019	2020
Number of complaints raised by external stakeholders due to violation of customer privacy and internally verified by the organization	cases	0	0	1
Number of complaints raised by regulatory institutions due to violation of customer privacy	cases	0	0	0
Number of customer information leaks, thefts, and losses	cases	0	0	0

^{**} Includes overlapping personnel

^{2019:} Satisfaction survey on sales over KRW 100,000

OVERVIEW

CHALLENGE

Item	Unit	2018	2019	2020
Number of inside directors	persons	4	4	2
Percentage of inside directors	%	50	45	29
Number of female inside directors	persons	0	0	0
Number of inside directors with expertise	persons	4	4	2
Number of outside directors	persons	4	5	5
Percentage of outside directors	%	50	55	71
Number of outside directors with expertise	persons	4	5	5

^{*} The numbers of inside directors and inside directors with expertise in 2020 are as of the end of 2020. The figure is shown as "2", which is smaller than the current number of inside directors, which is "4".

BOD operation

Item	Unit	2018	2019	2020
Meetings convened	sessions	9	8	9
Average attendance rate	%	94	94	92
Agenda items discussed	items	23	32	29

Anti-corruption

Item	Unit	2018	2019	2020
Number of workers who received education on anti-corruption*	persons	1,067	1,348	2,496
Percentage of workers who pledged to comply with anti-corruption and ethical management"	%	100	100	100
Number of partners with which anti- corruption policy has been shared***	companies	755	1,163	1,279
Percentage of partners with which anti- corruption policy has been shared	%	100	100	100

^{*} Contact-less education in 2018 and 2019, online education in 2020

Corruption cases

Item	Unit	2018	2019	2020
Number of corruption cases	cases	0	0	0

Socioeconomic violations

Item	Unit	2018	2019	2020
Number of legal actions taken in relation to anti-competitive behavior or violation of monopoly regulation laws	cases	0	0	1
Number of fines, sanctions, and warnings received from financial authorities due to incomplete sales	cases	0	0	0

Economic value allocation

Item	Unit	2018	2019	2020
Stockholders (dividend)	KRW million	40,133	23,608	28,329
Employees (wage and bonus)	KRW million	1,820	2,013	1,955
Employees (welfare benefits)	KRW million	456	481	411
Employees (severance pay)	KRW million	63	41	56
Government and public institutions (corporate income tax and public utilities charge)	KRW million	41,415	21,994	34,187
Local community (investment in social contribution)	KRW 100 million	21.2	31.9	19.8

^{**} Anti-corruption and ethical management pledge by all employees each year

^{***} Number of partners with which contract has been signed ("Agreement on fair trade and compliance" required)

GRI Content Index

Universal Standards

Section	Disclosure		Reporting page and contents	Assurance	ISO 26000
	102-1	Name of the organization	6p	•	
	102-2	Activities, brands, products and services	9~11p	•	
	102-3	Location of headquarters	6р	•	
	102-4	Location of operations	6р	•	
	102-5	Ownership and legal form	6р	•	
	102-6	Markets served	6р	•	
	102-7	Scale of the organization	6р	•	6.3.10/ 6.4.1-6.4.2/
Organizational Profile	102-8	Information on employees and other workers	6р	•	6.4.3/6.4.4/
	102-9	Supply chain	Home appliance manufacturers (LOTTE HIMART suppliers), logistics partners in charge of inventory management/product shipping in logistics centers, and after-sales service partners	•	6.4.5/6.8.5/ 7.8
	102-10	Significant changes to the organization and its supply chain	11p	•	
	102-11	Precautionary principle or approach	85~86p	•	
	102-12	External initiatives	Appendix, Memberships & Awards	•	
	102-13	Membership of associations	Appendix, Memberships & Awards	•	
Strategy	102-14	Statement from senior decision-maker	4~5p	•	4.7/6.2/
	102-15	Key impacts, risks, and opportunities	85~86p	•	7.4.2
Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	8p	•	11/662
Ethics and integrity	102-17	Mechanisms for advice and concerns about ethics	54p, 84p	•	4.4/6.6.3

Section	Disclosure		Reporting page and contents	Assurance	ISO 26000	
	102-18	Governance structure	80p	•		
	102-22	Composition of the highest governance body and its committees	80~81p	•		
Governance	102-23	Chair of the highest governance body	80p	•	6.2/7.4.3/	
	102-28	Evaluating the highest governance body's performance	82p	•		
	102-36	Process for determining remuneration	82p	•		
	102-40	List of stakeholder groups	16p	•		
	102-41	Collective bargaining agreements	91p	•		
Stakeholder engagement	102-42	Identifying and selecting stakeholders	16p	•	5.3	
	102-43	Approach to stakeholder engagement	16p	•		
	102-44	Key topics and concerns raised	14~15p	•		
	102-45	Entities included in the consolidated financial statements	5p	•		
	102-46	Defining report content and topic Boundaries	14~15p	•		
	102-47	List of material topics	15p	•	5.2/7.3.2/ 7.3.3/7.3.4	
	102-48	Restatements of information	-	•	7.5.5/ 7.5.4	
	102-49	Changes in reporting	-	•		
Dan antina annatina	102-50	Reporting period	About This Report	•		
Reporting practice	102-51	Date of most recent report	About This Report	•		
	102-52	Reporting cycle	About This Report	•		
	102-53	Contact point for questions regarding the report	About This Report	•	7.5.3/7.6.2	
	102-54	Claims of reporting in accordance with the GRI Standards	About This Report	•		
	102-55	GRI Content Index	GRI Content Index	•		
	102-56	External assurance	Third-party Assurance Statement	•		

Topic-specific Disclosures

Section	Disclosure		Reporting page and contents	Assurance	ISO 26000	
Topic 1: Customer privacy						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		•		
	103-2	The management approach and its components	42~44p	•	-	
	103-3	Evaluation of the management approach		•		
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	92p	•	6.7.1-6.7.2/6.7.7	
Topic 2: Waste reduction	'			'		
	103-1	Explanation of the material topic and its Boundary		•		
GRI 103: Management Approach 2016	103-2	The management approach and its components	33~34p	•	-	
Approach 2010	103-3	Evaluation of the management approach		•		
Waste	306-2	Management of significant waste-related impacts	34p	•	6.5.3	
Topic 3: Ethical managemen	i					
	103-1	Explanation of the material topic and its Boundary		•		
GRI 103: Management Approach 2016	103-2	The management approach and its components	83~85p	•	-	
Approden 2010	103-3	Evaluation of the management approach		•		
Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	84p	•	6.6.1-6.6.2/6.6.3	
	205-3	Confirmed incidents of corruption and actions taken	93p	•		
Topic 4: Transparent and eff	ective governan	ce				
	103-1	Explanation of the material topic and its Boundary		•		
GRI 103: Management Approach 2016	103-2	The management approach and its components	80~82p	•	-	
Approach 2010	103-3	Evaluation of the management approach	•			
General Disclosures	102-22	Composition of the highest governance body and its committees	80p	•		
	102-24	Nominating and selecting the highest governance body	81p	•	6.2/7.4.3/7.7.5	
	102-28	Evaluating the highest governance body's performance	82p	•		
	102-36	Process for determining remuneration	82p	•		
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	93p	•	4.6/6.7.1-6.7.2/6.7.6	

Section	Disclosure		Reporting page and contents	Assurance	ISO 26000
Topic 5: Product safety and	quality				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	45~46p, 92p	•	
	103-2	The management approach and its components		•	-
	103-3	Evaluation of the management approach		•	
Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	92p	•	4.6/6.7.1-6.7.2/6.7.4/ 6.7.5/6.8.8
Topic 6: Saving environment	al resources		'	<u> </u>	
	103-1	Explanation of the material topic and its Boundary		•	
GRI 103: Management Approach 2016	103-2	The management approach and its components	28~31p	•	-
Approach 2010	103-3	Evaluation of the management approach		•	
Energy	302-1	Energy consumption within the organization	40p, 89p	•	6.5.4
Topic 7: Customer satisfaction	on and access	/convenience		'	
	103-1	Explanation of the material topic and its Boundary		•	
GRI 103: Management Approach 2016	103-2	The management approach and its components	8~11p, 18~19p, 45~50p, 92p	•	-
Approach 2010	103-3	Evaluation of the management approach		•	
Indirect Economic Impacts	203-2	Significant indirect economic impacts	18~19p, 48~49p	•	6.3.9/6.6.6/6.6.7/ 6.7.8/6.8.1-6.8.2/ 6.8.5/6.8.7/6.8.9
-	-	Customer Satisfaction Survey	92p	•	
Topic 8: Sound labor-manage	ement relatio	nship			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		•	
	103-2	The management approach and its components	16p, 51~52p	•	-
	103-3	Evaluation of the management approach		•	
Stakeholder engagement	102-41	Collective bargaining agreements	91p	•	5.3
Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	53~54p, 71p	•	6.3.3/6.3.4/6.3.5/6.3.8/ 6.3.10/6.4.5/6.6.6

Section	Disclosure		Reporting page and contents	Assurance	ISO 26000
Topic 9: Mutual growth with	small and med	ium enterprise (SME) partners			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		•	
	103-2	The management approach and its components	16p, 64~65p, 69p, 72p	•	
	103-3	Evaluation of the management approach			
Procurement Practices	204-1	Proportion of spending on local suppliers	92p	•	6.4.3/6.6.6/ 6.8.1-6.8.2/6.8.7
Topic 10: Green products an	d services				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary		•	
	103-2	The management approach and its components	16p, 33~38p	•	-
	103-3	Evaluation of the management approach		•	
Materials	301-3	Evaluation of the management approach	89p	•	6.5.4
-	-	Environmental investment cost	89p	•	-
Other Materiality Topics					
Emissions	305-2	Energy indirect (Scope 2) GHG emissions	89p	•	6.5.5
Occupational Health and Safety	403-9	Work-related injuries	91p	•	6.4.6
Human Rights Assessment	412-2	Employee training on human rights policies or procedures	92p	•	6.3.5
Employment	401-3	Parental leave	91p	•	6.4.4

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

Sustainability Disclosure Topics & Accounting Metrics

Торіс	Code	Accounting Metric	Reporting page and contents
Energy Management in Retail & Distribution	CG-MR-103a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	89p
	CG-MR-230a.1	Description of approach to identifying and addressing data security risks	85~86p
Data Security	CG-MR-230a.2	(1) Number of data breaches, (2) percentage involving personally identifiable information(PII), (3) number of customers affected	92p
	CG-MR-310a.1	(1) Average hourly wage and (2) percentage of in-store employees earning minimum wage, by region	90р
Labor Practices	CG-MR-310a.2	(1) Voluntary and (2) involuntary turnover rate for in-store employees	90p
	CG-MR-310a.3	Total amount of monetary losses as a result of legal proceedings associated with labor law violations	93p
Workforce Diversity & Inclusion	CG-MR-330a.1	Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees	91p
WOLKTOICE DIVELSILY & INCIDSION	CG-MR-330a.2	Total amount of monetary losses as a result of legal proceedings associated with employment discrimination	-
	CG-MR-410a.1	Revenue from products third-party certified to environmental and/or social sustainability standards	89p
Product Sourcing, Pakaging & Marketing	CG-MR-410a.2	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	50p
	CG-MR-410a.3	Discussion of strategies to reduce the environmental impact of packaging	35p

Activity Metrics

Activity Metric	Code	Reporting page and contents
Number of: (1) retail locations and (2) distribution centers	CG-MR-000.A	(1) Stores: 448, (2) Distribution Centers: 14
Total area of: (1) retail space and (2) distribution centers	CG-MR-000.B	(1) Stores: unable to measure, (2) Distribution Centers: 521,805m²

INDEPENDENT ASSURANCE STATEMENT

Control Union Certifications was commissioned by LOTTE HIMART Co., Ltd to conduct an independent assurance of 2020 LOTTE HIMART Sustainability Report. The information in the Sustainability Report is the exclusive responsibility of LOTTE HIMART Co., Ltd. Control Union Certifications was not involved in the preparation of any material included in this document. The responsibility of Control Union is to express an opinion concerning the information including graphs, tables and statements included in the Report, within the assurance scope mentioned below, with the purpose to inform all the Interested Parties.

Assurance Scope

The assurance engagement has been planned and performed in accordance with AA1000AS v3 and the assurance criteria below to a "Moderate level of assurance" where the scope was a Type 2 engagement. The sustainability report is developed using the Global Reporting Initiative (GRI) standards. The assurance process involves verification of the following aspects:

INCLUSIVITY

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

LOTTE HIMART has identified stakeholders by dividing them into internal and external stakeholders. Internal stakeholders include their employees, customers, government and related organizations, shareholders/investors, partners and local communities. LOTTE HIMART engages with stakeholders by using Labour-management council, Junior board, Customer satisfaction survey, Regular shareholders' meeting, Temporary shareholders' meeting, and Corporate briefing sessions. The company makes efforts to properly reflect opinions and expectations into its strategies.

MATERIALITY

Identification of issues in the report that are relevant and significant to the organization's stakeholders, the presence of and the extent to which these material issues are disclosed in the report.

LOTTE HIMART identified the material issues using the stakeholder communication channel and their own materiality assessment process. The outcome is a materiality matrix which shows personal information protection for customers' privacy as the most prioritized topic by the stakeholders LOTTE HIMART. LOTTE HIMART has documented their approach for protecting customer's privacy and tracing the records which related to customer information.

RESPONSIVENESS

Acting on stakeholder issues and provision of feedback through decisions, actions, performance and communication.

LOTTE HIMART has set in place an ESG planning & Evaluation TFT and ESG organization and ESG committee under their board of directors who are responsible for managing and establishing ESG strategies and action plans. The verification team found no evidence that LOTTE HIMART's response activities were improperly listed in the report on important stakeholder issues. As a result, LOTTE HIMART addressed all relevant GRI disclosure indicators in their sustainability report.

IMPACT

Monitoring, measurement and providing accountability for how the actions of the organization affect the economy, the environment, society, stakeholders or the organization itself.

LOTTE HIMART has established and operated an organization dedicated to shared growth for win-win cooperation with SMEs, and based on this, it describes efforts such as creating a win-win cooperation fund between large companies and SMEs in this report. In addition, the company has established and implemented social contribution

CHALLENGE

101

strategies such as economic support and education using home appliances based on the characteristics of the company in contact with consumers. As a result, LOTTE HIMART is trying to carry out social contribution activities by reflecting the characteristics of the business and maximize the positive impact on society.

Level of Assurance

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

Methodology

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

Independence and quality control

Control Union Certifications is accredited according to ISO 17021-1:2015/ISO 17065:2012 covering our global scope and operations. This includes the need to maintain a comprehensive system of quality control including documented policies and procedures on compliance to ethical and legal requirements as well as objectivity throughout our operations. The auditors were selected appropriately based on our internal qualifications, training and experience. It is also reviewed by management to ensure that the applied approach and assurance are strictly followed and operated transparently.

Conclusions

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

Hence, our work confirms that the information included in the sustainability report is reliable and objective and is presented clearly and understandably.

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

LOTTE HIMART is the largest home appliance specialty store and the leading company in home appliance distribution market in Korea. In the process of verifying this report, it was confirmed that issues such as customer personal information protection, waste, ethical management, and coexistence of small and medium-sized partners, which are important issues for LOTTE HIMART, are sufficiently important. In addition, as it is a brand familiar to Korean consumers, it could be seen that it is carrying out various social contribution activities. However, it is necessary to establish a clearer management system to respond to stricter environmental laws and regulations. Furthermore, it is necessary to steadily publish sustainability reports to track and manage LOTTE HIMART's ESG performance.





Jon Heinrichs Program Manager 29 November, 2021



Memberships & Awards

Memberships

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

Awards

Date	Award	Awarded by	Remarks
January 2020	The Most Trusted Brand Award	Digital Chosun	
April 2020	Korea Customer Surprise Brand Index	Korea Brand Management Association	
	National Brand Award	JoongAng Ilbo	
May 2020	The Most Loved Brand in Korea	Chosun Biz	
	Korea Good Brand Award	Dong-A Ilbo	
July 2020	Consumer Quality Satisfaction Award	Digital Chosun	
	No. 1 in the Premium Brand Index (electronics stores category)	Korea Standards Association	
October 2020	The Highest Brand of the Year	Brandstock	
January 2021	The Most Trusted Brand Award	Digital Chosun	12 years in a row
April 2021	National Brand Award	JoongAng Ilbo	6 years in a row
May 2021	The Most Loved Brand in Korea	Chosun Biz	11 years in a row
July 2021	No. 1 in the Premium Brand Index (electronics stores category)	Korea Standards Association	9 years in a row



LOTTE HIMART Sustainability Report 2020

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

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