2021 HANSSEM
SUSTAINABILITY REPORT

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2021 Hanssem Sustainability Management Report

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1 INTRODUCTION



CEO Message

2020 Highlights

HANSSEM at a Glance

Business Portfolio

CEO MESSAGE

Dear stakeholders, and respectful shareholders, customers, partners, employees, and local communities, who give warm advice to and show valued interest in Hanssem,

The COVID-19 pandemic, which has continued since 2019, has brought unprecedented crises and changes in all sectors, including the economy, society, and the environment, and has changed our daily lives at a rattling pace.

Reflection and introspection that the same things should not be repeated have led to an active movement to create a sustainable and better future, rapidly spreading it across borders and communities.

The global community reached a consensus that sustainable management is a paradigm that can slow the pace of climate change and prevent crises such as the COVID-19 pandemic and adopted it as a common solution. In Korea, consensus has been formed to recognize sustainable growth efforts as an essential factor.

Recognizing the importance of sustainable management, Hanssem has been reflecting it in its management strategy since 2019. The core value of win-win management pursued by Hanssem is to move forward together with stakeholders, caring for its neighborhood and in retrospect, even if it slows down the growth a bit, rather than sprinting while looking mainly forward as we have done so far.

Hanssem marked its 50th anniversary last year, and this year we took up a new challenge to become a company that contributes to a better future by setting sustainable strategies and goals. As this is a more meaningful time than ever, we plan to internalize sustainability management and implement innovation strategies in earnest.

We are committed to building an unparalleled sustainability management system for Hanssem by internalizing sustainability management.

Firstly, Hanssem has expanded and strengthened the existing environment and safety council through the ESG Committee. Led by the C-level management, implementation status of ESG environment, safety and health strategy and tasks are being examined on a weekly basis, and we plan to gradually expand the role of the Committee.

In addition, although the company is not subject to the carbon emissions trading system (ETS), Hanssem has established a company-wide energy management system to manage and reduce carbon emissions in order to preemptively respond to climate change and fulfill its responsibilities in advancing the goal of carbon neutrality by 2050.

Through this, we will inspect the energy consumption status on a monthly basis and disclose it on a regular basis, and expand the subject and scope of inspection to our partners. In addition, Hanssem plans to implement tasks that the company can carry out to solve climate changes, such as converting company transportation into eco-friendly vehicles, using renewable energy, and creating forests.

Secondly, Hanssem has enacted the Human Rights and Labor Management Declaration, reflecting the stakeholders' human rights management philosophy. Hanssem will further strengthen comprehensive human rights and ethical management encompassing win-win cooperation with partners such as agencies, logistics, installation companies, and vendors, and supply chain management. In addition, the company plans to faithfully carry out meaningful activities to realize social values as a sustainable company.

Thirdly, Hanssem has built a foundation for internalizing ESG management. From 2020, Hanssem has concretized the management system led by a head of division for each Division and has made the Strategic Planning Office strengthen its review and support from a perspective of ESG management in order to achieve individual innovation goals. To this end, Hanssem is also revamping its personnel evaluation and resource development systems.

Fourthly, Hanssem has concentrated on strategies to strengthen the competitiveness and secure capabilities of each Division. The company will strengthen its competitiveness in the online market which shows rapid growth leading changes in overall consumption trends, and secure core capabilities for each Division based on differentiated home renovation services that incorporate digital technologies.

Fifthly, Hanssem has reorganized its corporate governance for ESG management. Hanssem changed its existing full-time auditor system to the audit committee system in order to enhance management transparency and efficiency by strengthening the roles of monitoring and control of the internal auditing body. At the same time — to expand the role of the top decision-making body for transparent management — the company has created new subcommittees under the BOD, such as the Compensation Committee, Nomination Committee for Outside Directors, Investment Review Committee, and ESG Committee.

Through the ESG Committee, the company will manage non-financial risks, establish sustainability management strategies, and periodically review and supplement the progress in practical tasks and expand the public disclosure of related information.

Lastly, Hanssem has pursued innovation strategies to strengthen risk management across the financial and non-financial sectors. The company will establish a foundation for market expansion beyond the domestic market and take the lead in fulfilling the role of a global corporate citizen by raising corporate credibility through the seamless implementation of its strategies.

Dear Stakeholders, The key factors to achieving sustainable management are creating environmental and social values — as well as enhancing economic performance and establishing corporate governance to realize sustainable growth with stakeholders

> “Hanssem is committed to establishing its own and unique sustainability management system by internalizing ESG management.”

For sustainability management, Hanssem will not separate social values from business performance, but rather develop through the efforts to incorporate various sustainable values into management policies of the company. The environment, society, and corporate governance can no longer be considered only as non-financial values that are less important than financial values.

Going forward, Hanssem will become a global company that has a positive impact on stakeholders through activities and communication to spread a sustainable management mindset, and one that further contributes to human development by improving the living environment. We truly appreciate the unwavering support and interest of our stakeholders. Thank you!

July 2021
Kang Seung-soo (CEO & Chairman)



2020 HIGHLIGHTS

Strengthening the Environmental, Safety, and Quality-Assurance System

Three-step Environment, Safety and Quality Assurance System/
Research project on indoor air quality

Family-friendly company certification

December 2020

Rated "Excellent" in the Mutual growth index

The only company (in the chemical industry sector)

KOLAS Accredited by KOLAS

Expanding collaboration with large corporations

Business Agreement with Samsung Electronics
Expanding the Lotte distribution network
L.POINT partnership

Eco-friendly management

Expanding the Electronic Shape Label
Expanding the use of paper bags
Expanding the use of recycled packaging materials

Emergency aid for

the COVID-19 pandemic and flood damage

Ministry of Employment and Labor

Deploying Flexible work Campaign

Introducing smart kiosks

Win-win non-face-to-face counseling system for large stores

Climate change

Establishing a management system
Company-wide energy and carbon emissions

Composing six subcommittees under the Board of Directors including the Audit committee and the ESG Committee

Strengthening ESG governance

Strengthening the competitiveness of installations

Establishing the Installation Academy (2021~)

HANSSEM at a Glance

COMPANY PROFILE - "Hanssem designs sustainable space." Hanssem seeks to expand its global competitiveness in the residential environment sector, and strives to become one of the global top-500 companies. To this end, we must achieve three mid-term management goals.

Firstly, we will exceed KRW 10 trillion in sales in the domestic market.
Securing 30% market share will give us a stable and concrete foundation for becoming a global leader. In order to surpass KRW 10 trillion in sales in the domestic market, we will develop a total home-interiors package comprising construction materials, kitchens, furniture, and household goods for both online and offline stores.

Secondly, we will establish a system needed to manage sales of KRW 10 trillion in the domestic market and KRW 100 trillion in global sales.
In order to achieve sales of KRW 10 trillion in the domestic market and KRW 100 trillion in global sales, we need a management system that can handle the growth. That is why we will consolidate the Strategic Planning Team. We will build an advanced management system that can support the expanded scale, business area, and market.

Third, we will build a success model for globalization.
Combining our online capabilities with our capabilities accumulated at home and abroad on remodeling packages and localizing it customized to each overseas market, we plan to complete successful business models for the global markets, including China, the United States, Japan, and Southeast Asia.

[Main Business Category]

Kitchen / Construction Materials
Kitchen, bathroom, window, floor, door, wallpaper, lighting, etc.

Interior Furniture
Bed frame, mattress, built-in closet, wardrobe, dresser, vanity, sofa, sideboard, dining table, chair, desk, bookcase, small furniture, accessories, fabric, etc.

[Distribution Channels]
Design park, Rehaus agencies (renovation), Interior agencies, Kitchen Bach agencies (Kitchen & Bath), Rehaus partners, online shopping malls, and B2B sales to construction companies

[Target Markets]
Home interiors for newlywed couples, new home, children's room, renovated home, replacement, and gifts

Date of establishment
*Registration of incorporation; September 1973
September 1970

CEO
Seung-Soo Kang

ESG grade
B+
Excellent in Mutual growth index

Address of head office
144 Beonnyeong 2-ro, Danwon-gu, Ansan-si Gyeonggi-do, Republic of Korea

Net income
KRW 66.8 billion

Revenue
KRW 2,067.4 billion

Operating profit
KRW 93.1 billion

Number of employees
2,495 persons

Business sectors
Rehaus/Online/Kitchen Bach/B2B/ Interior Business Divisions

Organization composition
Seven Offices and 5 Business Divisions

COMPANY OVERVIEW

VISION HOUSE

Vision
World-leading company in the residence-environment sector
- A company that offers design that goes beyond East and West.
- A company leading the digital transformation of the interior industry
- A company that nurtures top-class managers

2021 Management Approaches
- Achieve domestic sales of KRW 10 trillion by securing core capabilities in each Business Division
- Establish a management system for a company of KRW 10 trillion in sales by strengthening the Strategic Planning Team
- Lay the foundation for globalization

Mid Term Goal
- Achieve KRW 10 billion in domestic sales
- Build a system for a company of 10 trillion domestic sales and 100 trillion global sales
- Complete success models for globalization

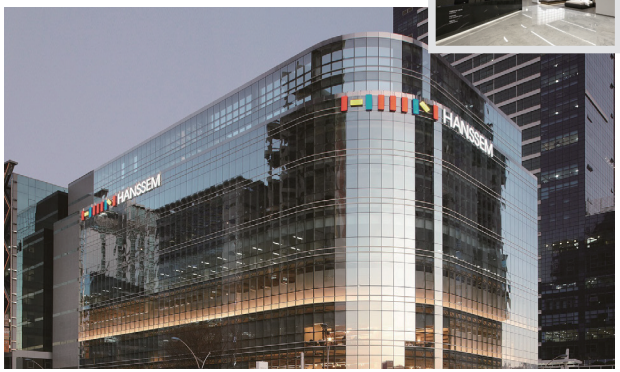
Long Term Goal
- Top 500 corporations worldwide

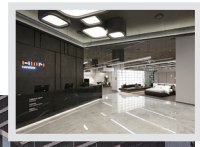
Hanssem Value System Diagram



HANSSEM at a Glance

HISTORY







1970-**1999**

Jan. 1997 Started the interior business, Opened design park showroom (1st store) in Bangbae, Seoul
Mar. 1996 Established subsidiary in China
Oct. 1992 Completed Plant 3
Apr. 1991 Established subsidiary in Japan
Purchased office building in Bangbae-dong, Seoul
Nov. 1989 Introduced free kitchen design service (developed HANCAD)
Nov. 1986 Established a U.S. subsidiary
Sep. 1970 Established Hanssem

2000-**2014**

Sep. 2014 Sponsored 2014 Incheon Asian Game (2014 Incheon Asian Para Games)
Aug. Launched as.hanssem.com (after-service website)
Jan. Annual revenue (2013) exceeded KRW 1 trillion
Dec. 2013 Achieved 2013 annual revenue of KRW 1 trillion (based on K-IFRS)
Nov. Launched Hanssem membership
Sep. Launched Oido distribution center
Feb. 2008 Opened Hanssem Mall, a vertical portal specializing in interior design
Oct. 2007 Launched Hanssem ik (interior kitchen)
Jan. 2006 Launched KITCHENBACH, a premium kitchen brand "(KITCHENBACH)"
June 2004 Opened DBEW Design Center
July 2002 Listed on Korea Stock Exchange

2015-**2020**

Nov. 2020 Opening of Hanssem Design Park in Ansung Starfield
July. Acquired KOLAS accreditation for Life Environment Technology Research Center
Apr. Opened Hanssem Design Park in Giheung
Jan. Opened Hanssem Design Park in Jeonju
Nov. 2019 Inauguration of Chairman Kang, Seung-soo
May. Renewal opening of Life Environment Technology Research Center (Organization/Function/Equipment)
Feb. 2018 Opened Hanssem Design Park in Yongsan I'Park
Jan. 2018 Signed Agreement for Official Sponsorship of 2018 Pyeongchang Winter Olympics in Furniture Category
Dec. 2017 Moved into Sangam new office building
Aug. Opened Hanssem Design Park in Goyang Starfield
Sep. 2016 Opened Hanssem Design Park in Hanam Starfield
Opened Integrated Hanssem Mall (mall.hanssem.com)





HANSSEM at a Glance

BUSINESS NETWORK

Hanssem is advancing into overseas markets with its independent brand competitiveness centered on subsidiaries in China, the United States, and Japan.

Domestic manufacturing/logistics **2/20** stores

Domestic design parks **15** parks

Overseas corporation **7** subsidiaries

Overseas manufacturing/logistics **5** stores

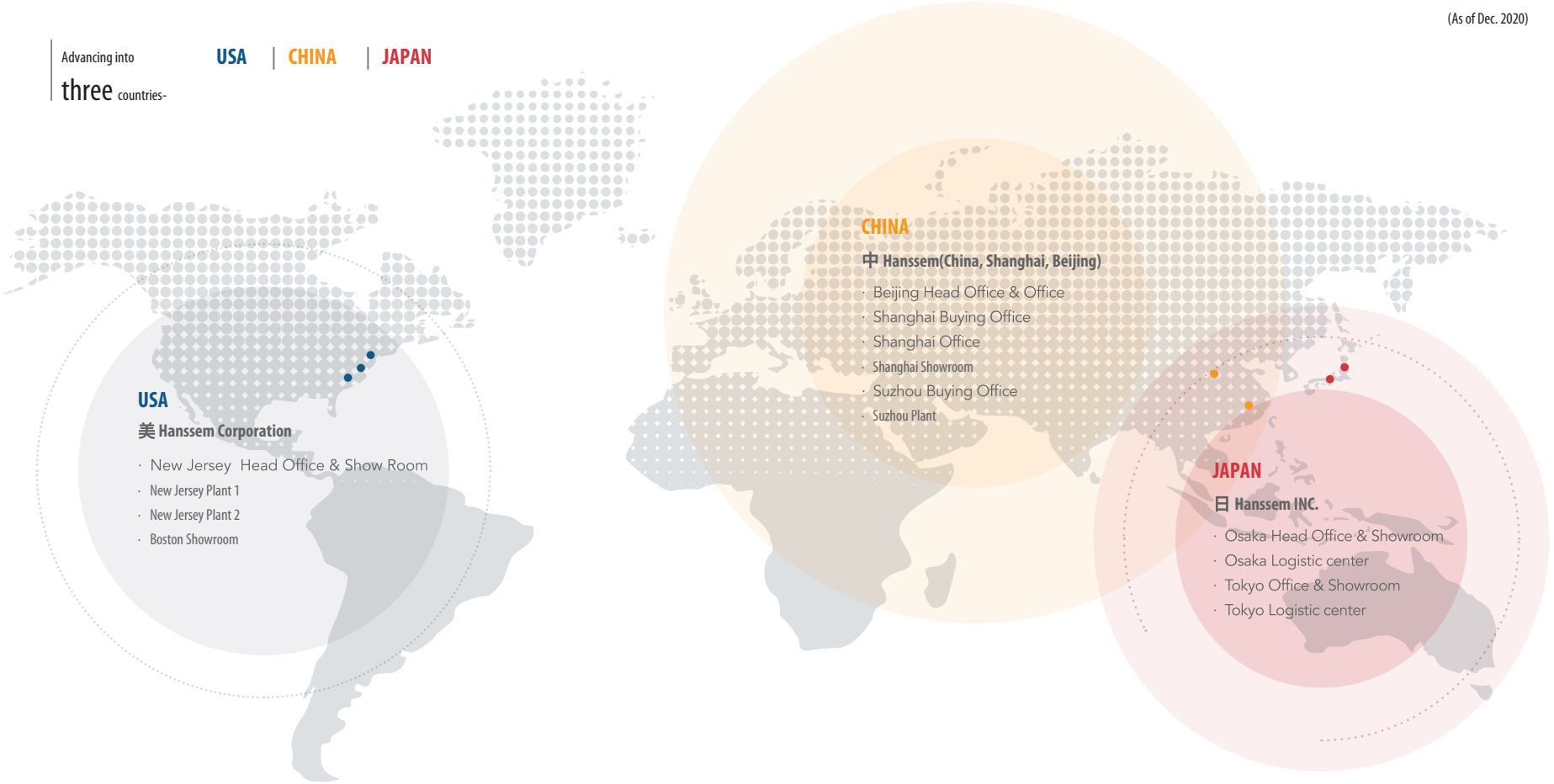
Showroom/office **13**

Local subsidiaries **3** (in China, the USA and Japan)

No. of employees in overseas corporations **251** persons

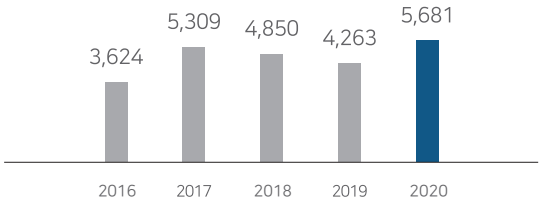
(As of Dec. 2020)

Advancing into **three** countries- USA | CHINA | JAPAN



BUSINESS
Portfolio

Revenue of Rehaus Business Division (Unit: KRW 100 million)

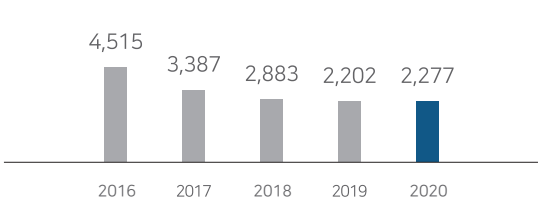


Rehaus



The Rehaus Business Division that offers a lifestyle package is providing a one-stop service — from spatial package product planning to consultation, survey, design, estimate, installation, and after-sales service — as a business model which changes the paradigm of the interior industry. In 2020, increase in the demand for home decoration due to environmental and lifestyle changes caused by the COVID-19 pandemic resulted in a 25% increase of the Business Division year-on-year. In 2021, we are carrying out an innovative business strategy that combines offline and online services in order to build the world's best interior solutions. In particular, with the introduction of the PKG Total System Rehaus solution, the company gains customer trust through accurate consultation/survey/estimation/supervision/happy call services. In addition, we will further enhance our brand competitiveness by strengthening the policies for win-win cooperation with agencies, such as strengthening competitiveness in installation system, O4O (Online for Offline) platform, and completing a nationwide network of 50 showrooms. Moreover, Hanssem is strengthening product competitiveness and differentiation with upgraded package portfolio through Kitchen Bach package and collaboration with large companies. In particular, the customized 3D experience with Big Data-based Home Planner 2.0 VR allows customers to see the completed image of renovation in advance.

Revenue of Kitchen Bach Business Division (Unit: KRW 100 million)



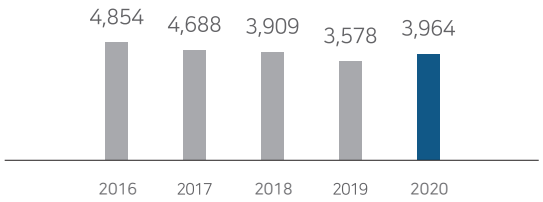
Kitchen Bach (Kitchen & Bath)



Since the foundation of Hanssem, the Kitchen Bach Division has been the representative Business Division of the company, specializing in the sales of kitchen and bathroom products. It has continued to grow through large showrooms located in major commercial areas, home shopping channels, and online sales channels.
In particular, to achieve the goal of becoming a division with KRW 1 trillion in sales, Kitchen and Bach is further making progress via online/offline channels. Offline showrooms are expanding the VR (virtual reality) contents through O2O (Online to Offline) linkage with marketplaces, and becoming the channel that provides spatial solution for customers' experience.
In the online sector, we will expand interaction with customers by activating B2B (Business to Business) channels in addition to the existing B2C (Business to Consumer) channels and expanding networking with other interior retailers. Moreover, we are expanding our market share in the kitchen, bath, and storage areas by supplementing and strengthening market competitiveness of products in each area.

* As the sales started to be reflected in the books based on the IR of each Business Division from 2020, the sales volume of some Business Divisions increased compared to the numbers reflected in the Sustainability Management Report of the previous year.
(Sales of installation sector are distributed to each division due to spin-off of Hanssem Service)

Revenue of Interior Furniture Business Division (Unit: KRW 100 million)



Interior Furniture

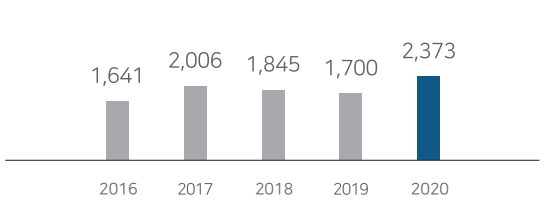


The Interior Furniture Business Division was launched as an interior business in 1997 and by 2001 dominated the largest market share in the home market in 2001, representing the Korean furniture market until now. It has ranked No. 1 in the National Brand Competitiveness Index (NBCI) in the home furniture category for 13 consecutive years, being evaluated as an outstanding brand in the home furniture market.

Since the start of our furniture business in 1997, a series of flagship showrooms (design parks) opened in large shopping malls, expanding the business. We opened more stores in Goheung and Ansung Starfields in 2020, and we are operating 15 design parks nationwide as of 2021.

Design park not only sells furniture and household goods, but offers home remodeling-related interior packages, providing exceptional seasonal displays. It has evolved into a full-service interior company that offers professional package consultation and total home-interior solutions.

Revenue of Online Business Division (Unit: KRW 100 million)



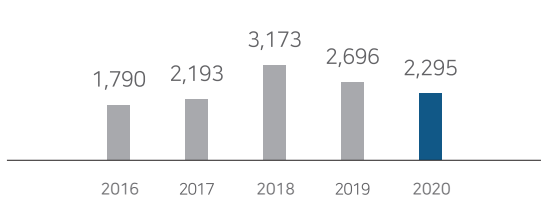
Online Business



The Online Business Division has shown steady growth since its launch in February 2008. Until 2014, by applying the existing business model to the online division, we achieved the 1st stage of our main strategy for growth. Since 2015, we started to expand distribution, launched bestselling items and developed an exclusive product category for the online market to continue the rapid growth. In 2019, we reorganized UX/UI* and enhanced the internal capabilities in operating the data-based mall in order to respond to the market environment with increasing dependence on mobile devices. In 2020, we achieved remarkable growth compared to 2019 through the opening of 3D technology-based home idea contents and intensive online sales of premium furniture and kitchen/bathroom installation products (020), which were consumed primarily through offline channels. We will be continuing with this strategy in 2021. For the upcoming post-COVID-19 era, we will actively employ 3D technologies like VR & AR to bring a spatial experience equivalent to the offline experience. In addition, we plan to introduce data-based home interior consultation service and customized promotions this year. Our endeavors to lay the foundation for a specialized lifestyle commerce platform will continue in earnest in 2021.

*UX (User Experience), UI (User Interface)

Revenue of B2B Division (Unit: KRW 100 million)



B2B



The size of the B2B market had been affected by the continued reduction in new supplies of housing units since 2015. Nevertheless, it is gradually recovering its sales. In particular, with the announcement of a massive new apartment supply plan, including 300,000 units in the 3rd new city, it seems that the growth of the B2B Division is anticipated. In order to grow into a Business Division with KRW 1 trillion in sales, the B2B Division will expand its brand power by expanding the interior installation materials markets. Currently, we are proposing premium products for the redevelopment and reconstruction associations and town houses. In order to meet the needs of increasing single-person households, we have designed a package that includes all finishing materials for home appliances, windows, and floors, in addition to furniture for small apartments. We will also improve the installation method of using drywall for wet floor and create adaptable design for new functions of bathrooms.

In addition, we will gain trust from construction companies and customers through the continuous innovation in logistics, installation, and quality by the B2B Division. We will further improve service quality to go beyond just being the best in the market, but to the level of superior excellence.

2 MATERIAL FOCUS ISSUES

TOPIC 1.
Business Value Creation

TOPIC 2.
Social Value Creation

TOPIC 3.
Environmental Value Creation

TOPIC 3 Environmental Value Creation

TOPIC 2 Social Value Creation

TOPIC 1 Business Value Creation

MATERIAL FOCUS ISSUES

2 MATERIAL FOCUS ISSUES

TOPIC 1.

Business Value Creation

Business Innovation

Distribution Competitiveness "Nurturing Human Resources"

The flagship store business has been actively striving to enhance store competitiveness by releasing products which can bring monthly sales of 10,000 sets both online and offline, and enhancing the display and promotional activities. We will continue to improve the expertise of salespersons, who "design the lifestyle of customers by providing services and package space solutions" in 2021.

Interior furniture division runs about 80 franchise-type retail/distribution stores in the targeted metropolitan and regional business areas in Korea. In addition, we have been supporting our agencies since 2016 and expanding showrooms to the size of design park stores. In this way, we intend to overcome the spatial limitations of the existing stores and present more products and spaces to our customers. In addition, we offer sales opportunities to agencies at the showrooms in large stores for mutual growth.

In 2021, we will work to improve customer satisfaction and trust to be equipped with unrivalled store competitiveness and sales competitiveness by trading area focusing on training sales experts for each product and space.

Product Competitiveness "Linking Online-Offline"

We are striving to secure superior product and unrivaled price competitiveness by focusing on differentiated design and quality enhancement in order to lead the rapidly growing online market. In particular, we are creating synergy effects by developing products both for online (Hanssem Mall) and offline sales.



Strategy to Reinforce Online and Offline Competitiveness

Customers visiting Hanssem Mall	Customers visiting Offline Stores	• Activating product reviews • Reducing paper use by introducing Electronic Shape Label and QR codes, and enhancing O2O (Online to Offline) conversion • Strengthening competitiveness by differentiating store displays and expanding store space
Nurturing Vendors	Developing products and strengthening competitiveness	• Recomposing category by material and developing key vendors

Hanssem Mall Business Strategy

Hanssem Mall has become a brand mall with annual sales of KRW 300 billion and Hanssem as well as various small and medium-sized business partners are selling products through Hanssem Mall. Hanssem aims to develop Hanssem Mall as Korea's best specialized lifestyle platform with 10 million unique visitors (UV) per month. To this end, we plan to implement two strategies such as strengthening platform capabilities and strengthening commerce capabilities.

Strengthening Platform Capabilities

Launch of "MY HOME IDEA" Service

As the best specialized lifestyle platform in Korea, Hanssem Mall has secured competitiveness in three areas — and above all it is competitiveness that Hanssem Mall can boast is the "MY HOME IDEA" service. A customer who wants to decorate his or her home according to lifestyle and taste, but lacks the experience and knowledge can refer to reviews uploaded on various blogs or Internet Cafe, online housewarming on social network, etc. through Internet searches. Hanssem is preparing new levels of service beyond this. The first is an innovative technology that provides a means to visualize what customers want to see through high-quality 3D technologies like VR & AR. The second is professional design and self-design service. It is a service that connects 2,000 space experts and customers so that the space experts can propose a space that meets the customized needs of each customer. Expertise that Hanssem has accumulated over 50 years has equipped it such differentiated service competitiveness. The "My Home Idea" will enable Hanssem Mall to establish itself as a must-visit specialized lifestyle platform for anyone who wants to decorate their home

Digital Logistics Innovation

Hanssem has secured the capability to deliver and install furniture quickly and accurately across the country based on its 50-year long installation network. In particular, in the rapidly changing digital era, customers' needs have become more diversified and segmented. Hanssem Mall has started a digital logistics innovation that can maintain differentiated competitiveness in the market in line with such change. In 2019, we launched a "tomorrow delivery" service that delivers items on the next day after purchase for some representative items such as Sam and Sam Kids items, and in 2020, we expanded the items available for tomorrow delivery to 35% of our products. Going forward, Hanssem will continue the logistics innovation based on digital technologies.

Mid- to Long-Term Logistics Innovation Strategy

1 Establishing a digital logistics system that can show the process of delivery and installation at a glance

2 Introducing Chatbot System to improve customer experience of purchasing items

3 Providing world-class delivery and installation services such as dawn delivery, holiday delivery, and night delivery

4 Establishing a system that can combine all products purchased at Hanssem Mall and deliver as parcel

5 Providing logistics service equivalent to service provided for our own products

2 MATERIAL FOCUS ISSUES

Advancing Search/Recommendation Services

In the online space where numerous products and images are provided, customers want to be recommended items tailored to their individual needs. This requires data in the four areas of product, content, expert, and customer to be collected and analyzed in one place and then utilized. Hanssem Mall has established a system to provide the most accurate search service and customized recommendation service. Furthermore, we plan to provide a service that connects interior experts who can design and install items at Hanssem's quality satisfying the customer's needs.

Strengthening Commerce Capabilities

Developing Representative Products in Household Goods Sectors

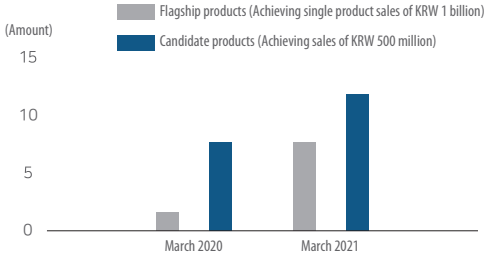
From the commerce perspective, the first strategy to achieve 10 million UVs (unique visitors) at Hanssem Mall is to strengthen the competitiveness in household goods sectors. Compared to furniture, household goods have a shorter purchase cycle with repeated purchases and much larger prospective customers. Accordingly, for Hanssem Mall, we are developing differentiated core products that instantly pop up in our minds when we think of "Hanssem" so that it not only leads to revenue but also induces customers.

In March 2021, the dish-drying rack became the representative product with sales of KRW 1 billion for the first time in household goods sectors, driving actual sales and attracting customers at Hanssem Mall. Going forward, we will expand our representative products by converting external distributors to the flagship stores.

Expanding PB Furniture and Differentiating Service

The biggest competitiveness of Hanssem Mall is Private Brand (PB) furniture. In particular, Sam and Sam Kids are our flagship products that have led the online furniture market for the past 10 years. Increase in core products such as Sam and Sam Kids have led to more frequent visits of furniture buyers. Therefore, we are implementing a detailed strategy to double the size of our representative products. As of March 2020, only four representative products achieved sales of KRW 1 billion, but that number increased to seven in March 2021. The number of products with sales of KRW 500 million, which can be called representative product candidates, also increased from 7 to 12. As such, we will funnel efforts to strengthen the services that only Hanssem can provide, such as adding a new product lineup to the existing core product brands, providing a two-week free use experience for sofa, a mattress home care package (PKG) service, and next-day delivery.

Sales trend of flagship products and candidate products at Hanssem Mall (Unit: KRW 100 million)



Strengthening O2O-linked Marketing

The remodeling market, which has developed mainly in the offline sector, is accelerating its transition to the online market due to the COVID-19 pandemic. In order to lead this transition, Hanssem Mall plans to provide a community platform where customers can meet offline stores and experts. This will allow customers to check the experts' portfolio at Hanssem Mall and entrust consultation, design, and installation to the experts they choose.

Expanding Win-win Logistics Infrastructure

Advancing into Logistics Business and Strengthening Collaboration

Hanssem plans to secure competitiveness in logistics and import cost in major business divisions by establishing mid- to long-term strategies to expand and strengthen the logistics base. In addition, we will expand our logistics bases and build automation facilities to strengthen our competitiveness in the cargo transportation business field, and will expand support for technology development of SMEs and win-win policies for our partners in the transportation field.

Busan Logistics Center

Construction of the Busan Logistics Center is scheduled to begin in July 2021 on a total floor area of 11,000 pyeong with a three-store building on a site of 12,000 pyeong, and the construction will be completed in the second half of 2022. The logistics center will also be used as an inventory storage center and it is expected to secure competitiveness in import costs compared to Incheon Port by using Busan Port as a foothold for imports. In addition, we plan to enhance our competitiveness in cargo transportation and courier service by expanding our "tomorrow delivery" service nationwide.

Logistics Automation

Furniture parts are bulky and heavy and tend to be difficult to handle with commonly used equipment. Hanssem seeks to install sorting automation equipment to prevent workers' fatigue due to heavy and bulky objects and safety accidents between jobs. We plan to introduce equipment by entering into conditional development contracts with domestic small and medium-sized logistics equipment manufacturers, and further expand win-win policies such as support for technology development of SMEs.

Expanding Logistics Base

Four centers in the metropolitan area

- Plant 1 Kitchen Center at Jonam-dong, Siheung
- Plant 5 Furniture Center at Jeongwang-dong, Siheung
- Sihwa Industrial Complex Online Center
- Sihwa MTV Complex Sofa Center

Nine Regional Bases

Operating bases in Yangsan, Daegu, Ulsan, Changwon, Gwangju, Jeonju, Daejeon, Wonju, and Jeju

Expanding Bases in the Metropolitan Area from 2021 to 2022

- 1st | Yangju
- 2nd | Dong-gu, Ilsan
- 3rd | Yongin

Expanding Regional Bases from 2021 to 2022

- Plan to expand to Cheonan/Asan, Chooncheon, Gangneung, Pohang and Gwangyang

Win-win Support Policy

Providing low-interest loan support to private transport service operators

The system where Hanssem provides the installment payment guarantee program to support the purchase of vehicles with a loan of 3.5% or less interest rate

Roadmap to Establish Logistics Infrastructure

Category	2020	2021	2022	2023
Company-wide sales	KRW 1.9 trillion	KRW 2.3 trillion	KRW 2.5 trillion	KRW 3.0 trillion
Logistics center	25,000 pyeong	27,000 pyeong	40,000 pyeong	42,000 pyeong
Unloading workers	342 people	392 people	405 people	460 people
Delivery vehicles (1 ton vehicles)	650 units	700 units	750 units	900 units

2 MATERIAL FOCUS ISSUES

TOPIC 2.
Social Value Creation

Creating Social Value through Strategic Social Contribution

Hanssem is carrying out continuous strategic activities with the goal of "contributing to the advancement of human society by improving the residential environment." In addition, Hanssem expands strategic activities to various fields to fulfill its corporate social responsibility. We increase the meaning and value of product support through the participation of employees, and donations are provided to the places where they are needed to maximize the effect of win-win growth. In particular, Hanssem stipulates the regulation on evaluation and rewards for volunteers to induce voluntary participation of employees. Furthermore, we plan to conduct volunteer activities specialized in each department in order to enhance the effectiveness of volunteer activities.

Expanding Supports for Partners

Hanssem has grown based on a win-win business structure that develops together through cooperation with agencies, vendors, and diverse partners in installations, and logistics sectors. Such partners are also major stakeholders of Hanssem. We have been pursuing various mutual growth policies such as expansion of win-win stores, cash payment for goods supplied, creation of a win-win fund, support for fee, support for recruitment and training, technology and facility support, etc. based on the management philosophy of "Becoming company that grows together with agencies and partners." As a result, we were also ranked as "excellent" in the evaluation of the mutual growth index in 2020. From 2021, we plan to significantly expand our win-win policies as follows: In order to support the growth of agencies and establish a fair trade culture, we will ▲reduce the burden of fee payment through the introduction of "fixed fee" at 26 large stores for win-win growth; ▲expand the opportunities for start-up agencies in the early stage of business to open stores at the large stores and support fees; and ▲establish and operate a grievance report center for agencies via the Hanssem website.

As of 2020

Making cash payments for goods supplied
KRW 50 billion

Creating additional win-win fund to support low-interest loans for partners and agencies
KRW 10 billion (2019: KRW 18 billion)

Support Base

So far, social contribution of Hanssem has mainly targeted individual underprivileged households. However, from 2021, we have expanded it to support bases used for many people such as temporary housing facilities for the vulnerable (Mapo Housing) and the Fire Station. This is Hanssem's social contribution strategy that can provide direct and indirect benefits to more beneficiaries, instead of limiting the targets to the members of one family.

Date	Contents	Number of persons	Hours	Remarks
September 2020	**COVID-19 Pandemic** Mask-making	30 people	90 hours	Donating 330 masks and strings
February 2021	**Environment** Sprouting acorns	101 people	505 hours	303 acorn trees
March 2021	**Community Sharing** Drawing non-face-to-face wall painting	89 people	178 hours	120 wall paintings

Activities to Create Social Value for Employees

Through the employee volunteer activities, we help our neighbors and the surrounding environment, and share a variety of experiences related to the environment and sharing, such as carbon offsetting, ecological activities, and resource donation. In particular, from 2021, we plan to regularly plan volunteer activities specialized in each department, and select and award our employees with excellent social contribution with a high level of participation. Winners will be selected based on activity participation rate in the first half and quantitative and qualitative evaluation in the second half.

Residential Improvement Project

Hanssem provides furniture to single-parent families in local communities (Mapo, Siheung, and Ansan) near its business site. In addition, as a sponsor of the donation program operated by "KBS," we support interior decoration and furniture for low-income families across the country.

Providing Emergency Support for CIVID-19 Pandemic · Flood Damage Recovery

Hanssem has joined the emergency support for the people, who are suffering from national disasters such as the COVID-19 pandemic and summer flood damage, as well as firefighters, medical staff, and frontline workers in order to fulfill its corporate social responsibility,



Residential Improvement Project for Single-parent Family in Mapo



Residential Improvement Project for Donation Program operated by KBS



Support for Preventive Measures for COVID-19

Emergency Support for COVID-19 (March 2020)		
Donations	Donated KRW 1 billion (Community Chest of Korea), Beautiful Store, 800 senior citizens in tenement (jjokbang) villages in the Daegu/Gyeongbuk area, 110 local children's centers, 2,000 children from low-income families, and provided support for frontline workers against the COVID-19 pandemic	Assisted 2,800 persons in 110 locations
Win-Win	Reduced 100% of rent for win-win standard store agencies in Daegu-Gyeongbuk, and 50% for other areas	-
Logistics	Supported logistics vehicles in Daegu/Gyeongbuk area using Hanssem infrastructure <Hanssem Emergency Logistics Support Group>	10 installation engineers
Household goods	Delivered COVID-19 kits (Single-parent families in Mapo-gu, Dawon Girls Baseball Team)	140 kits
Government Ministries	Donated blankets, pads, etc. due to lack of supplies in locations where patients await transfer	Conveyed 1,230 goods
	Supported antidote for outdoor disinfection (National Fire Agency)	500 liters
Quarantine	Provided Hanssem home care quarantine support (Holt Children's Service, Eastern Social Welfare Society, etc.)	-
Furniture	Donated furniture such as beds, sofas, and dining tables for medical staff (Daegu Medical Center, Dongsan Hospital)	182 items of furniture 100 bedding sets

Emergency support for flood-affected areas (August 2020)		
Donations	Signed agreements with large, small and medium-sized enterprises and the Agricultural and Fishery Cooperation Foundation to contribute to the "Agricultural and Fishing Villages Collaborative Cooperation Fund" and contributed KRW 500 million	-
Remodeling	Supported remodeling for flood-affected people (in Hongcheon, Chuncheon, Gangwon-do)	Seven households
Furniture	Supplied furniture to 12 small businesses affected by flood damage (In Chuncheon, Gangwon-do)	62 sets
Household goods	Delivered hygienic household goods such as bedding sets, toothbrushes and tableware sterilizers to residents in flood-affected areas (555 households in Chuncheon, Gangwon-do, 300 households in Hadong, Gyeongnam)	2,310 pieces 855 households
Quarantine	Provided Hanssem home care quarantine support (Hwagae Market, Hadong, Gyeongnam)	268 stores
Win-win donation	Purchased agricultural products from flood-affected farms, produced packages for the Lunar New Year holiday, and delivered to the underprivileged in the local communities (600 households in Mapo in Seoul, 650 households in Siheung in Gyeonggi-do, and 450 households in Ansan in Gyeonggi-do)	1,700 households

2 MATERIAL FOCUS ISSUES

TOPIC 3.

Environmental Value Creation

Establishing a Company-wide Energy-Management System

As climate change has been identified as one of the main culprits of the COVID-19 pandemic, carbon neutrality has emerged as the biggest issue worldwide. Hanssem intends to directly reduce carbon emissions or to engage in activities offsetting the carbon in the atmosphere in earnest to join forces in achieving the goal of Net-Zero by 2050, a common goal of the global village.

Energy-Reduction Efforts

Hanssem has set a goal of reducing energy by 10% compared to the previous year, centering on the Manufacturing Business Division, and has continued efforts to reduce energy use by improving facilities such as shortening the idle time of mechanical facilities, and campaigning for improving inefficient operation and management of air conditioners and office equipment. As a result, we were able to reduce annual energy consumption by 5.1% and 9.6% for two years from 2017 to 2019.

The Sangam office building installed blinds (shades), replaced LED bulbs, and automatically turned off lights outside of working hours to increase thermal efficiency and reduce power consumption. As such, we are spreading the energy-saving culture to our employees through energy-saving activities that employees can practice in their daily lives.

Measuring Greenhouse Gas and Establishing Energy Management System

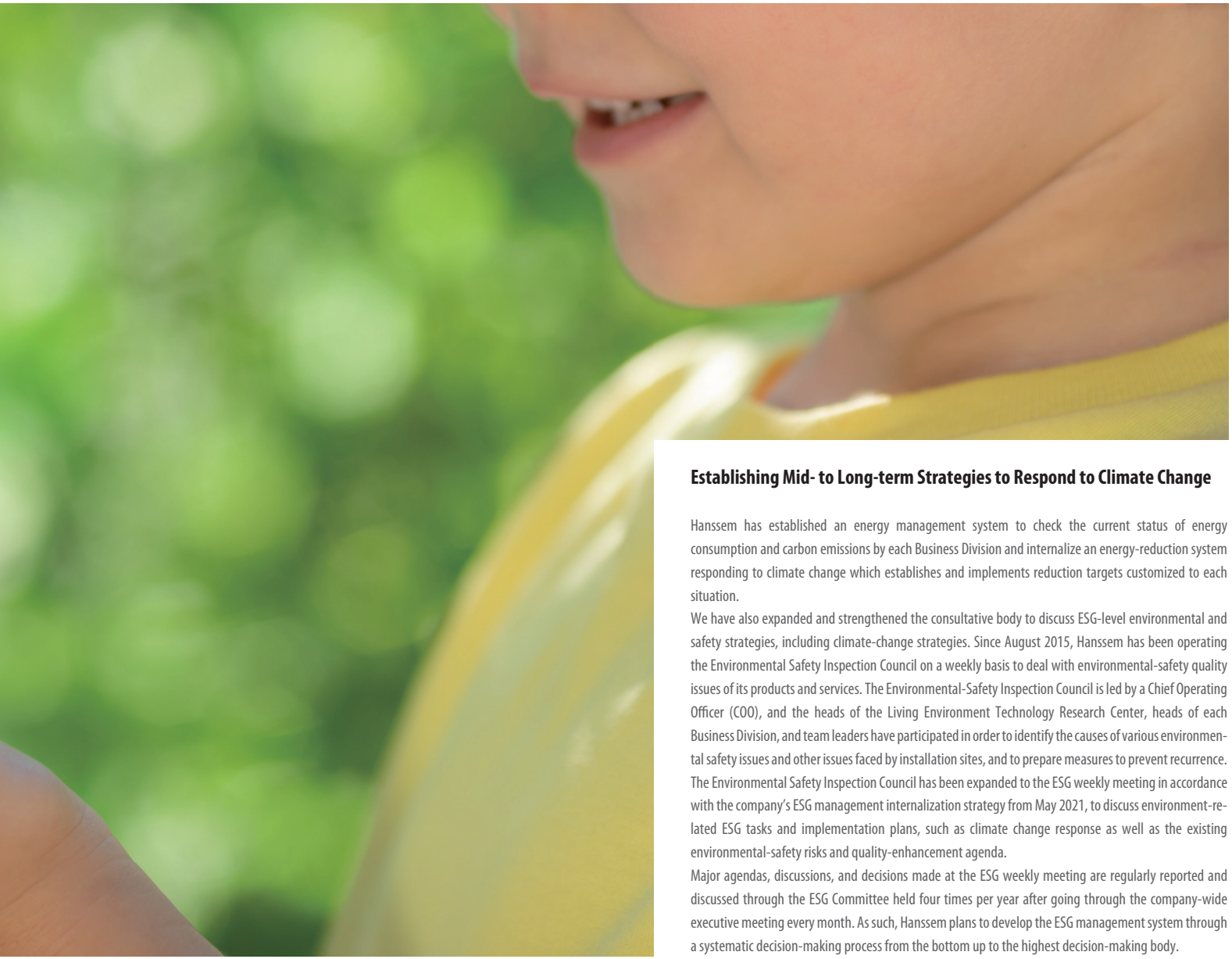
In order to preemptively respond to climate change, Hanssem has started building a company-wide energy management system since the end of 2000. Although Hanssem is not regulated by the greenhouse gas emissions-trading system, it has established and implemented mid-to long-term climate change response strategies step-by-step in order to establish and internalize the ESG management system.

The energy management system has been set up to understand the current status, which is the most basic step in responding to climate change. It is a system that measures the carbon generated from the energy sources generating carbon, such as business sites and commercial vehicles of Hanssem.

This will allow us to measure and record carbon emissions every month, establish a reduction strategy, and implement major tasks.

In addition to this, we have been instilling a culture of expanding employee engagement activities for carbon offsets to respond to the climate change crisis — by implementing policies to reduce carbon emissions, such as raising tree seedlings in a non-face-to-face way in which employees participate, and the “One company, One Forest Making Campaign” of Mapo-gu.





Establishing Mid- to Long-term Strategies to Respond to Climate Change

Hanssem has established an energy management system to check the current status of energy consumption and carbon emissions by each Business Division and internalize an energy-reduction system responding to climate change which establishes and implements reduction targets customized to each situation.

We have also expanded and strengthened the consultative body to discuss ESG-level environmental and safety strategies, including climate-change strategies. Since August 2015, Hanssem has been operating the Environmental Safety Inspection Council on a weekly basis to deal with environmental-safety quality issues of its products and services. The Environmental-Safety Inspection Council is led by a Chief Operating Officer (COO), and the heads of the Living Environment Technology Research Center, heads of each Business Division, and team leaders have participated in order to identify the causes of various environmental safety issues and other issues faced by installation sites, and to prepare measures to prevent recurrence. The Environmental Safety Inspection Council has been expanded to the ESG weekly meeting in accordance with the company's ESG management internalization strategy from May 2021, to discuss environment-related ESG tasks and implementation plans, such as climate change response as well as the existing environmental-safety risks and quality-enhancement agenda.

Major agendas, discussions, and decisions made at the ESG weekly meeting are regularly reported and discussed through the ESG Committee held four times per year after going through the company-wide executive meeting every month. As such, Hanssem plans to develop the ESG management system through a systematic decision-making process from the bottom up to the highest decision-making body.

2 MATERIAL FOCUS ISSUES

HANSSEM

3 SUSTAINABILITY OVERVIEW



Sustainability Management Strategy

Risk Management

Expert Communication

Stakeholders' Engagement

Materiality Analysis

Sustainability Management Strategy

Vision and Strategic System

ESG Management Strategy

Hanssem plans to strengthen its ESG management competitiveness based on sustainable values. In particular, we will establish an "H-ESG" process that expands and develops sustainable management by implementing detailed mid- to long-term strategies by designating environmental safety, fair management, inclusion and win-win growth as ESG goals for each sector.

ESG Management Vision and Goal

Vision — Global Leading Company in Sustainable Management

Sector-wise Goal and Detailed Strategy

Environment/ Safety

Eco-friendly and Safety Management
- Energy saving/ recycling
- Response to climate change/ improvement of indoor air quality
- Innovation of product environmental safety
- Exploring and supporting eco-friendly/ recycling ideas

Fair Management

Establishment of Corporate Governance for Advanced Process
- Increase in net profit by revitalizing the capital market by enhancing stakeholders' trust
- Active reflection of domestic/global governance needs

Inclusion and Win-win

Reinforcement of Social Responsibility and Creation of Customer Value
- Sustainable environmental improvement
- Supporting financial independence
- Expansion of employee social contributions
- Win-win Fund/ Win-win Platform
- Strengthening the consumer protection system

① Establishing sustainable corporate governance
② Internalizing sustainable management
③ Enhancing eco-friendly cost and material efficiency
④ Reinforcing compliance and ethical management
⑤ Establishing a sustainable corporate culture
⑥ Expand policies for mutual growth with partners



KCGS ESG Rating

2018	2019	2020
B	B+	B+

Major Achievement in Sustainability Management

KCGS ESG Evaluation

Hanssem was graded B+ in KCGS (Korean Corporate Governance) ESG evaluation in 2020. We are ranked in the top 28% out of the 908 companies that were evaluated. ESG evaluation is conducted to determine whether a company's business activities consider various stakeholders such as society, environment, and employees, partners, shareholders, and customers; and the transparency and fairness of management and financial structure of the company.

Analyzing three-year rating from 2018 to 2020

The result of analyzing Hanssem's ESG ratings for the past three years shows that the rating in the social sector increased by two places, while the environmental rating increased by one place, while corporate governance fell by one place.

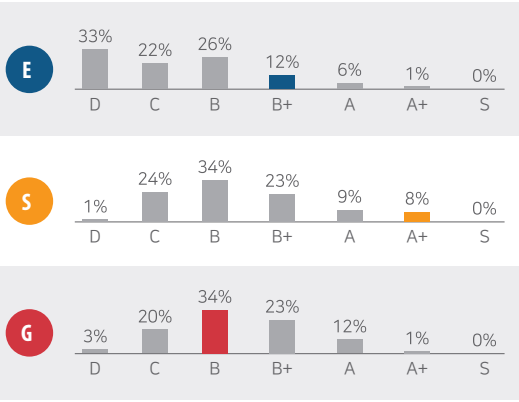
Analyzing three-year rating from 2018 to 2020

Evaluation year	2018	2019	2020	
Integrated grade	B	B+	B+	
Environment	B	B	B+	▲[1]
Society	B	B+	A+	▲[2]
Corporate Governance	B	B+	B	▼[1]

2020 Class Distribution by Sector Status

The rating distribution graph shows the level of Hanssem's ESG rating by each sector compared to all companies subjected to the evaluation. The colored graph shows the current rating of Hanssem.

Current Rating in Each Sector in 2020

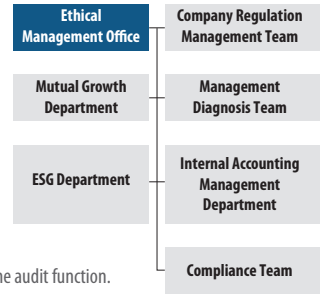


Risk Management

Integrated Risk Management System

Establishment of the Audit Committee

Hanssem established the Audit Committee at the 48th General Shareholders' Meeting in March 2021. The Audit Committee consists of experts from finance and accounting sectors to ensure the independence and expertise of the audit function.



As of June 30, 2021

Establishing Ethical Management Office

The existing Audit Office was reorganized as an Ethical Management Office in April 2021. The Ethical Management Office consists of three teams — the Compliance Team, Management Diagnosis Team, and Company Regulation Management Team — and three departments, namely, the ESG Department, Mutual Growth Department and Internal Accounting Management Department.

Establishment of the ESG Committee

In May 2021, the ESG Committee was organized under the supervision of Board of Directors to expand the role of the highest decision-making body, and to establish and implement ESG management-related strategies, decision-making and risk management activities.

Operating COO-led Regular Meeting

Meetings hosted by the COO for each sector are held to manage financial and non-financial risks on a regular basis. From May 2021, the existing environment and safety council has been changed into an ESG weekly meeting to internalize ESG management.



Risk Management Governance

The Management Diagnosis Team is reducing inefficiencies and preventing accidents inside the company through the use of a preemptive risk management system and strategic internal audit. In addition, excellent human resources from each Business Division are rotated to the Management Diagnosis Team to nurture core human resources. The Company Regulation Management Team was established in February 2020 to establish the corporate regulations. Through this, we have clarified the workflow of the company and significantly lowered the possibility that the accidents might happen. The Mutual Growth Department checks for unfair trade by inspecting written documents on subcontracts and Voice Of Customer (VOC) activities.

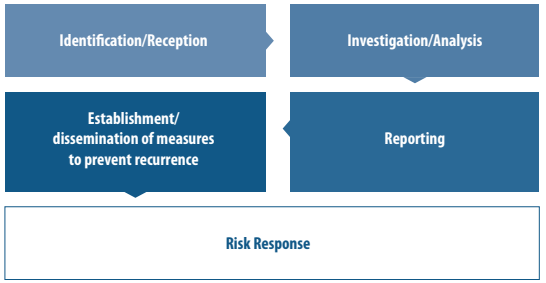
Operating Communication Channel

Hanssem is actively utilizing internal and external communication channels to identify risks at an early stage, establish a fair trade culture and strengthen protection of consumer rights and interests. The Voice of the Heart, the hotline, is the channel for listening to employees' opinions and they are the device for company-wide risk management. We are operating the Cyber Audit Office as a channel for communication with agencies, partners, and consumers.

Risk Response Process

Marking the 50th anniversary, Hanssem has established a mid- to long-term vision and a roadmap for the next 50 years. One of the ways to implement such roadmap is to carry out active activities to reduce risks caused by uncertainty. We are required to respond quickly to unpredictable crises such as the COVID-19 pandemic and the constantly fluctuating domestic and international economy. The Ethical Management Office, Consumer Protection Office, Corporate Culture Committee, and ESG Committee are focused on such activities to preemptively respond to crisis. This becomes the driving force behind the sustainable growth of Hanssem.

Risk Response Process



Monitoring Risks

Establishment of the Internal Accounting Management System

Securing the reliability and transparency of accounting information has become an important corporate value in accordance with the changes in the internal accounting management system. Hanssem has been conducting design evaluation and operational evaluation according to the annual plan through the internal accounting management TF every year, and has reduced the financial risks through the repeated control activities and evaluations. In June 2021, the Internal Accounting Management Department was formed as a dedicated department.

Risk Management

Internal Control Inspection Activities

The Ethical Management Office conducts internal control inspection activities every month in order to block company-wide risks in advance. The Ethical Management Office enhances the effectiveness and efficiency of internal control inspection activities by creating inspection activity manuals together with each field manager. The results of the inspection activities are shared through regular meetings, and the field managers come up with the countermeasures for issues to be supplemented to prevent recurrence of the issues.

VOC

The Ethical Management Office periodically visits agencies and partners to hear opinions from the field. The Office identifies the causes of risks, such as win-win cooperation with agencies and partners, product unit price, and claim costs, and takes appropriate measures against each risk.



Countermeasures for Each Risk

Category	Major risks	Countermeasures
Risks at Production and Installation Sites	• Safety accidents • Field work accidents	• Safety emergency response manual for production and logistics plants • Six Sigma quality management
Environmental and Health Risks	• Environmental regulatory issues	• Eco-friendly product (E0) policy • Monitoring of domestic environmental laws and regulations
PR Risks	• Misrepresentation, exaggerated reporting • Brand image • Frontline workers management	• Accurate fact-finding and media response • Strengthening brand image through product differentiation and customer satisfaction • Education of frontline workers working at the customer interaction point
Government Policy, Market Risks	• Real estate policy • Intensified market competition	• Market demand forecast according to real estate development policy • Exploration of new markets and maximization of customer satisfaction • Strengthening online/mobile platform business • Implementation of smart home business through the introduction of IoT technology
IT Risks	• Information security • DT (Digital Transformation)	• Information security training for employees, periodic security check activities • Reinforcement of O2O customer visiting through the use of AI, systematic accumulation and utilization of DB • Construction process management through construction material package ERP2.0
Finance, Accounting, Tax Risks	• Raw material price fluctuations • Exchange rate fluctuations • Accounting errors, internal control accidents • Revised tax law	• Securing target cost ratio through cost innovation and securing price competitiveness • Monitoring foreign exchange risk with domestic and foreign financial institutions • Setting three lines of block and conducting internal control activities • Reinforcement of internal accounting management system • Reflecting the revised tax law after reviewing it, and educating the persons in charge
HR/ Labor Risks	• Compliance with the Labor Standards Act • Harassment in the workplace	• Observation of the 52-hour workweek system and active utilization of the flexible working system • Preparation of periodic education and reporting channels, and conducting sexual grievance deliberation committee activities
Legal Risks	• Corporate governance (Commercial Act) • Fair trade (Fair Trade Act)	• Transparent transaction structure with affiliates and monitoring • Conducting activities to prevent unfair trade in transactions with partners

Expert Communication

Holding Expert Meetings

Hanssem held a meeting to collect opinions from experts in the field of ESG to discuss the direction that the company should pursue in the process of faithfully implementing ESG management and in the midst of economic, social, and environmental changes at home and abroad. At the meeting with experts in each field, overall ESG strategy and activities of Hanssem and the development plan of the Sustainability Management Report were discussed, and the opinions collected at the meeting will be reflected in the ESG strategy and operation of Hanssem after going through internal deliberation.

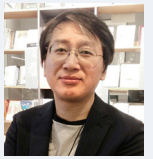
Date	March 17, 2021
Venue	Non-face-to-face Zoom meetings
Attendees	Oh Deok-gyo, Researcher at Korean Corporate Governance Service (KCGS) Lee Eun-kyung, Director at UNGC Network Korea Oh Wan-jin, General Manager at Korea Commission for Corporate Partnership Lee Jong-oh, Secretary General of Korea Sustainability Investing Forum Kim Seong-cheon, Head of Competition and Consumer Law Research Institute

Oh Deok-gyo, Researcher at Korean Corporate Governance Service (KCGS)



Recently, there has been a growing demand for eco-friendly consumer products. In line with this, Hanssem needs to internalize the concept of recycled products or reuse of products. In addition, Hanssem needs to establish a long-term goal or investment plan, draw up a roadmap, and make an action plan. Although Hanssem is classified as a retailer rather than a furniture manufacturer, I hope Hanssem will faithfully implement environmental management activities and pollutant management activities in consideration of the environmental impact of the front and rear value chains, and will pursue high-level ESG management through much stricter level of eco-friendly quality and safety quality management.

Lee Jong-oh, Secretary General of Korea Sustainability Investing Forum



As investment activities considering ESG have been strengthened, climate change issues are getting the most attention as important issue in corporate management. Hanssem is not a company that emits a lot of greenhouse gases, but since climate is a global issue as well as an individual, corporate and national issue, Hanssem needs to respond responsibly to climate change issues through voluntary disclosure of information through CDP or CDP Forest. Consumers are also changing their consumption attitudes to buy eco-friendly products or products from companies that respond to climate change. This can be considered as a transition risk* that may arise resulting from climate change, and it is important for the company to strategically respond to it and turn it into an opportunity factor.

* Transition risk:
Risk factor which may arise from the policy countermeasures to climate change

Oh Wan-jin, General Manager at Korea Commission for Corporate Partnership



It seems important for Hanssem to strengthen its mutual growth capabilities to secure sustainability. Since sales of most of Hanssem's products occur at the road shops, mutual growth with road shops is essential for Hanssem to grow. Hanssem has to standardize equipment and installation processes, and provide installation training periodically to enhance sustainability between the head office and the road shops. In addition, it is my opinion that Hanssem can further strengthen its capability in the environmental field by improving and replacing non-environmental parts of the existing businesses, applying such improvement to the field, and investing preemptively despite the high initial costs.

Lee Eun-kyung, Director at UNGC Network Korea



The consumer goods industry should secure sustainability throughout the supply chain, from raw materials to disposal and agency issues. Beyond just providing sustainable services and products to consumers, the company should propose lifestyle options to consumers. In addition, since the impact of customer interaction is very large, human rights and ethical issues are inevitable. A high level of response to these issues is required not only in Korea, but also in the countries where Hanssem is doing business. Accordingly, it is recommended that Hanssem should identify the management status of potential risks in the supply chain including internal employees, and take preventative measures on a regular basis.

Kim Seong-cheon, Head of Competition and Consumer Law Research Institute



Hanssem should preemptively respond to consumer issues, fair trade in the supply chain, and environmental issues to become the ESG leader. I ask the company to actively practice Universal Design in relation to consumer issues. Furthermore, the company can become a more attractive brand if it develops sustainable products that consider consumption, A/S, and disposal, and offers customers sustainable consumption and sustainable life choices that consider the environment. I hope that Hanssem will actively pursue management activities that consider the health of consumers and employees, families and the planet, just as global furniture distributors have done — and that the company can secure sustainability throughout society through collaboration with social enterprises handing resource circulation and climate change, and venture companies.

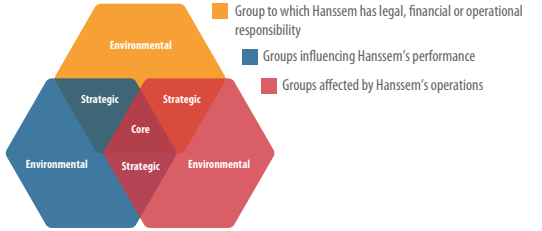
Stakeholders' Engagement

Stakeholders

Selection of Stakeholders

Hanssem classifies its stakeholders into three groups — key stakeholders, strategic stakeholders, and other stakeholders — according to the legal, financial, and operational responsibilities and impact, which are the stakeholder classification criteria presented by ISO 26000. Key stakeholders including customers, shareholders and investors, partners such as agencies, employees, and local communities, governments and competent authorities have been the driving force behind Hanssem's growth and are also the creators of sustainable values that Hanssem will pursue. Hanssem operates communication channels for each stakeholder, and we are strengthening communication with stakeholders by conducting a survey on the company's sustainability management every year from 2021. Going forward, Hanssem will continue to communicate with and build a strong relationship of trust with customers to meet the needs and expectations of a wide range of stakeholders.

Mapping & Grouping of Stakeholders



Category	Definition	Stakeholder group
Key stakeholders	Essential for corporate survival	Employees, customers, shareholders and investors
Strategic stakeholders	Essential to company in responding to specific issues	Government and competent authorities, local communities, and business partners
Other stakeholders	Stakeholders other than key and strategic stakeholders	Media, NPOs, the socially disadvantaged, peer group, research institutes and experts

Operation Status of Communication Channel by each Stakeholder Group

Category	Stakeholder	Issue of interest	Communication channels and cycles		Response activities
Internal	Employees (including trade union)	• Employee welfare • Corporate culture • Communication • Company vision and goals	① Top-down, Bottom-up, horizontal communication channels ② Good Workplace Council ③ Corporate Culture Committee ④ Stakeholder Survey	① Regularly ② Every month ③ Once a year	**"Hotline, the Voice of Heart"** In-house intranet anonymous channel **"Good Workplace Council"** Holding monthly regular meetings **"Corporate Culture Committee"** It is under the direct supervision of the CEO participated by labor-management and external advisory groups
External	Customers	• Product and service consultation • AS • BS	① Contact Center ② Homepage(website) ③ Online portal ④ Consumer Zero-Complaints Deliberation Committee ⑤ Stakeholder Survey	① Regularly ② Quarterly ③ Once a year	**"Consumer Zero-Complaints Deliberation Committee"** As a joint consulting body consisting of the Consumer Protection Office and each Department, the Committee deliberates on consumer damage relief cases and discusses system improvement and education plans to prevent consumer complaints.
	Shareholders and Investors	• Transparent Management	① General meeting of shareholders ② Board of Directors ③ Stakeholder Surveys	① Regularly ② Quarterly	**"The Board of Directors and Six Subcommittees"** Audit Committee, ESG Committee, Compensation Committee, Nomination Committee for Outside Directors, Related Party Transaction Committee, Investment Review Committee
	Government and Competent Authorities	• Mutual growth • Social Responsibility • Environmental safety • Management issues	① Environmental Safety Advisory Committee ② Stakeholder survey	① Regularly ② Quarterly	**"Environmental Safety Advisory Committee"** It consists of internal and external experts to discuss major environmental and safety policies.
	Partners	• Win-win cooperation • Fair trade	① Subcontract Deliberation Committee ② Stakeholder survey	① Regularly ② Quarterly	**"Subcontract Deliberation Committee"** It deliberates on adequacy in selecting and cancelling partners, complaint handling, listening to opinions, and sanctions related to violations.
	Local Community	• Mutual growth • Social Responsibility • Employees volunteering	① Stakeholder Survey	① Once a year	It implements corporate social responsibility based on sustainable management and collects opinions on improvement measures.

Materiality Analysis

Materiality Analysis Process

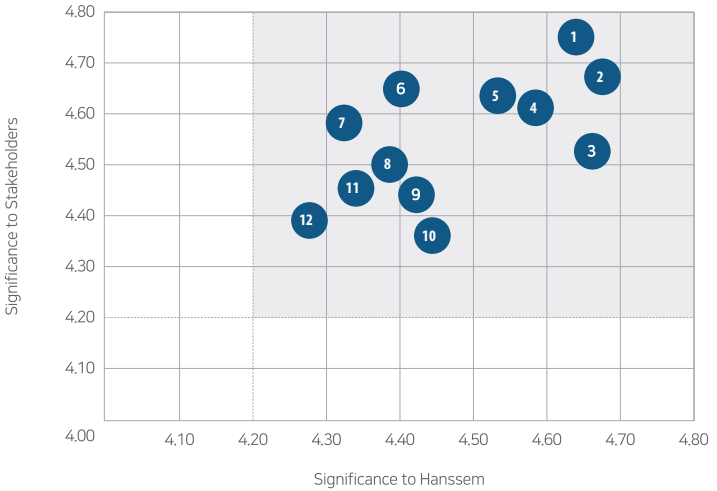
Hanssem conducted a materiality assessment to identify the various expectations and interests of internal and external stakeholders and to identify sustainability management issues that affect management activities of the company. Based on the evaluation criteria presented by GRI Standards and the method presented by ISO 26000, we determined the priority of the issues through the stages of material issue selection, relevance and materiality assessment, and validation verification, and the activities and performance of Hanssem are transparently disclosed through the report.

Steps	1. Derivation of issue pool	2. Relevance assessment	3. Significance assessment	4. Validation verification
Effects	- Identify aspects and topics that have a significant impact on society	- Evaluate whether various issues are relevant to the company	- Priority identification of which information should be disclosed in the report among selected issues	- Priority identification of which information should be disclosed in the report among selected issues
Methods	- Media, data research, etc. considering all activities, products, services, and relationships of the company	- Evaluation of conformity with the evaluation criteria selected according to ISO 26000	- Quantitative evaluation by preparing a questionnaire on a 5-point scale - Regulating application of weightage from internal/external perspectives	- Adding, deleting, or changing priorities of important issues as needed
Implementation Results	- Identifying 52 issue pools including analysis of international standards such as SASB, MSCI evaluation index, review of important issues in the same industry, etc.	- Selecting 23 issues out of 52 issues	- Selecting 12 material issues through the analysis of survey conducted with 247 internal and external stakeholders	- Making adjustments in consideration of internal strategic direction, etc.

Materiality Analysis Results

Stakeholders evaluated materiality of various sustainability issues faced by Hanssem, and analyzed the priority of the issues, selecting a total of 12 top issues, including three issues in environment sectors, three issues in economic sectors, and six issues in social sectors. In 2020, the top material issues selected by employees and stakeholders for Hanssem's sustainability management include "Reinforcement of product quality," "Ethics and legal compliance," "Integrated risk management," and "Enhancement of customer satisfaction." Environmental issues were newly added in 2020, such as eco-friendly product development, packaging and product environmental impact management, occupational safety and health, information and data security, and corporate governance. Compared to the previous year's Materiality Analysis results, the importance of issues related to product quality and safety, enhancement of customer satisfaction, and risk management increased while the importance of issues related to employees decreased. This report contains detailed information on each material issue, and also includes additional information deemed necessary for stakeholders in addition to the issues with high priority.

Matrix of Materiality Analysis Results



Sector	Issue	GRI Standards Topic	Reporting boundary	Page
Society	Reinforcement of product quality (product safety, etc.)	GRI 416 Customer Health and Safety	Internal	48, 49
Economy	Ethics and Legal Compliance	GRI 205 Anti-Corruption	Internal/External	82, 83
Economy	Integrated Risk Management	-	Internal	26, 27
Society	Enhancement of Customer Satisfaction	GRI 417 Marketing and Labeling	Internal	46, 47
Environment	Eco-friendly Products Research and Development	-	Internal	40, 42, 43
Environment	Product Environmental Impact Management	GRI 305 Air Pollution Emissions GRI 306 Wastewater and Waste	Internal	36, 37, 38, 39, 40, 41
Environment	Eco-friendly Product Packaging	-	Internal/External	40
Society	Business Site Safety and Health Management	GRI 403 Occupational Safety and Health	Internal/External	56, 57, 58, 59
Society	Supply Chain Sustainability Management	-	Internal	70, 71
Society	Attraction, retention and development of human resource	Attraction and Retention of GRI 401 Resource GRI 404 Employee Training and Education	Internal	53, 54, 55
Society	Personal Information Protection and Cyber Security	GRI 418 Customer Personal Information Protection (Privacy)	Internal	84
Economy	Enhancement of Transparency and Independence of Corporate Governance	-	Internal	80, 81

4 ESG PERFORMANCE

01 **ENVIRONMENTAL**

Environmental Management
Environmental Management Implementation System
Minimization of Environmental Impact
Eco-friendly R&D

02 **SOCIETY**

Customer Satisfaction Management
Enhancement of Customer Satisfaction
Reinforcement of Product Quality

Human Resource Management
Human Rights and Diversity
Nurturing Human Resource
Safety and Health
Work-life Balance

Win-win Management
Mutual Growth with Partners
Sustainable Supply Chain

Local Community Engagement
Strategic Social Contribution
Local Community Engagement Activities

03 **GOVERNANCE**

Corporate Governance
Ethical Management (Compliance)
Information Security



01 ENVIRONMENTAL

Environmental Management

Environmental Management Implementation System
Minimization of Environmental Impact
Eco-friendly R&D

MANAGEMENT APPROACH

CONTEXT

Issues to be resolved for sustainable environment such as response to climate change to achieve carbon neutrality by 2050 — as well as reduction of hazardous substances and plastics, and resource circulation — are global challenges that go beyond national boundaries. Hanssem actively supports global guidelines for responding to climate change, reducing hazardous substances, and recycling resources, and incorporates them in its environmental management strategy. In particular, as a company that creates "space," Hanssem prioritizes environmental friendliness and safety and health and continues to conduct to provide healthy and clean materials, products and services.

OUR STRATEGY

Hanssem manages indoor air quality for renovated spaces. We are using products that meet our strict eco-friendly standards not only for furniture, but also for basic construction materials used in unrevealed spaces. In addition, we are securing thorough environmental safety for all products and materials used in indoor spaces through a process that manages the entire process from direct procurement/quality, to assurance/logistics, and installation.

Major environmental and safety issues are discussed every week at the company-wide Environmental Safety Inspection Council led by the COO, and from 2021, it has been expanded to the ESG weekly meeting to discuss ways to internalize existing environmental and safety issues into ESG management. In addition, we are implementing a mid-to long-term strategy by establishing a company-wide energy management system in order to response to climate change and recycle the resource. Going forward, Hanssem will continue to actively support global guidelines for a sustainable environment, reflect them in our management strategies, and implement them.

2020 KEY PERFORMANCE

Hanssem Life Environment Technology Research Center was accredited as an internationally accredited testing institute by the Korea Laboratory Accreditation Scheme (KOLAS) under the Korean Agency for Technology and Standards, in July 2020.

Additional Revenue of Manufacturing Business Division generated from Recycling of Waste Steam

KRW 910 million in 2018 KRW 850 million in 2019 KRW 931 million in 2020

Eco-friendly Raw Material Purchase Amount and Costs Incurred in 2020

288,430㎥ | KRW 64.1 billion

NEXTPLAN

2021: Establishment of greenhouse gas reduction goals and yearly implementation plans in response to climate change, including carbon neutrality in 2030

Environmental Management Implementation System

Environmental Policies and Systems

Establishing and Operating Environmental Management Governance

Hanssem operates the Hanssem Life Environment Technology Research Center, an environmental safety research and development think tank, to strengthen the environmental safety of its products and services. The manufacturing headquarters, which manufactures Hanssem's products, has continuously strengthened and increased investments in environmental improvement such as process improvement, greenhouse gas reduction, energy saving, work environment improvement, and environmental preservation.

Environmental Safety Inspection Council

Since August 2015, Hanssem has been holding the Environmental Safety Inspection Council to discuss company-wide environmental, safety and quality issues presided over by the COO every week. The environmental safety council handles major issues such as product-safety accidents, environmental safety quality improvement, management of installation site, analysis of causes of external risks and establishment of countermeasures against reoccurrence, establishment of company-wide environmental safety system and training system. From May 2021, the company has changed the Environmental Safety Inspection Council into the ESG weekly meeting to reinforce environmental safety quality by internalizing ESG management, and review strategies for responding to existing environmental safety issues and preventing recurrence from the ESG perspective. Major contents of the meeting, decision-making, and request for support are submitted as the agenda of the company-wide executive meeting once a month and regular reports are made through the ESG Board of Directors meeting hosted by the CEO semiannually.

Certification of ISO 140001 Environmental Management System

Hanssem has been continuously renewing ISO 14001, an international environmental management standard, since the company obtained it in 2006 for "production of household kitchen facilities." In addition, in 2017, we acquired certification for the new ISO 14001: 2015 environmental management system. Based on this, we conduct on-site environmental audits to evaluate potential environmental risks and the operating status of the company-wide Environmental Management System (EMS).


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(주)한샘 제조본부
KSA
한국표준협회

Eco-friendly Materials* Expansion Policy

Hanssem has developed functional wallpaper that absorbs harmful substances to improve indoor air quality. Furthermore, we are expanding the supply of eco-friendly basic construction materials (materials used in unrevealed areas). Hanssem has established internal standards** for the management of hazardous substances of construction materials such as finishing materials used for remodeling construction (plywood, cement, silicone, urethane foam, gypsum board, etc.), and has expanded the procurement/verification/delivery/installation of eco-friendly materials nationwide since July 2021.

* Eco-friendly materials: Materials that have lowered the emission of harmful substances such as formaldehyde, and have been externally or internally verified with standard of E0 and HB (healthy building material mark) superior grade or higher. ** Internal standard of functional products and materials that can reduce harmful substances: Eco-label certification or HB mark superior grade or higher.

Environmental Management Policies

Hanssem	considers the environment as a key element in its business strategy
Hanssem	establishes its environmental management system based on ISO 14001
Hanssem	strengthens the competencies of all employees in environmental management
Hanssem	fulfills its corporate social responsibility by minimizing the emission of pollutants
Hanssem	recognizes the finiteness of resource energy, and continues its efforts to create an environment for the next generation
Hanssem	actively participates in local environmental improvement and environmental preservation activities together with local residents and other stakeholders
Hanssem	continuously implements environmental improvement activities in the entire process from production, distribution, and use, to disposal



Environmental Management Implementation System

Best Practices

Environmental Safety Advisory Committee

Operating External Environment Safety Advisory Group

The Environmental Safety Advisory Committee has continued its activities to improve eco-friendly products and spaces through a quarterly committee meeting. Hanssem is advised by external experts on product environmental safety verification standards and processes, product environmental safety inspections and supplementary requirements, and has actively recognized the issues and taken measures to ensure reliability in the product safety.

The Environmental Safety Advisory Committee, which is composed of government-affiliated organizations, research institutes, and experts in each field, such as universities, held its launching ceremony on February 20, 2020. At the meetings held in July and August in 2020, we listened to the opinions of advisors from each field on the adequacy of our hazardous substance management standards, which are twice as high as the legal regulations regarding indoor air quality service for Hanssem package installation, and environmental safety at installation sites. Since then, we have prepared the improvement measures to discuss with relevant departments at the company-wide environmental and safety meeting hosted by the COO, and reflected in our products and services.



February 20, 2020

> We are continuing our activities to improve eco-friendly products and eco-friendly spaces.

Best Practices

Business Agreement for Indoor Air Quality Improvement

Pursuing Strategic Collaboration for Indoor Environment-related R&D

Hanssem has entered into a strategic business agreement with KOTITI Testing & Research Institute and the Korea Society for Indoor Environment to improve the indoor environment of residential spaces. The agreement we signed has allowed us to focus on research tasks and R&D to establish standards related to the indoor environment, such as management of indoor air quality in remodeled area, and quality control of materials and products.

By signing the agreement, each contracting party can prevent damage such as sick house syndrome that may occur due to new furniture or remodeling construction and create healthier and more comfortable living spaces through cooperation using their own technology, human resources, and test facilities.





May 17, 2021

> We have entered into a strategic business agreement with KOTITI Testing & Research Institute and Korea Society for Indoor Environment to improve the indoor environment of residential spaces.

Minimization of Environmental Impact

Greenhouse Gas Management

Greenhouse Gas Reduction Strategy System

From the second half of 2020, Hanssem has been discussing climate change response strategies by forming a task force with short-term and mid- to long-term relevant departments centered on the ESG Department that establishes and plans ESG strategies. In particular, although Hanssem is not regulated by the greenhouse gas emissions trading system, it established a company-wide energy management system in the first half of 2021 to understand greenhouse gas emissions and its current status by each sector, and has continued to carry out activities to reduce and offset carbon emissions.

In addition to this, we analyze domestic and international trends surrounding ESG, and established and reflected short-term, and mid- to long-term goals, strategies, and detailed initiatives.

Greenhouse Gas Reduction Activities

The manufacturing headquarters of Hanssem has continuously reinforced its investments in environmental improvement such as process improvement, greenhouse gas reduction, energy saving, work environment improvement, and environmental preservation.

In 2017, we made KRW 2.5 billion of environmental investment in an incineration boiler, and built a facility to incinerate the final waste generated in the manufacturing process and recycle the steam produced in this process. Thanks to such investment, we generated additional revenues of KRW 610 million in 2017, KRW 910 million in 2018, KRW 850 million in 2019, and KRW 9.3 billion in 2020.

Greenhouse Gas Emission Management

Hanssem established a company-wide energy management system in the first half of 2021 to identify the current status of greenhouse gas emissions, and formulated a mid- to long-term climate change response strategy based on the result. In particular, the manufacturing headquarters monitors and manages energy consumption by site, building, and energy source in real-time for systematic energy consumption management. In addition, we are operating a program to improve employees' awareness of energy saving in order to raise company-wide awareness for energy-use efficiency and energy reduction.



GHG Emissions in 2020

(Unit: tCO2eq)

Category	Bangbae and Sangam office buildings (management support, general affairs)	Stores and Business Divisions (RH/INT/B2B/Home Care)	Logistics/AS	R&D Center	Manufacturing plants (3, 4)
Direct discharge	1,707		397		
Indirect emissions	2,957	5,835	1,089	219	8,584
Total	4,664	5,835	1,486	219	8,584

Minimization of Environmental Impact



Efficient Use of Resources

Stable Procurement of Raw Materials

Hanssem procures eco-friendly materials that meet legal standards from the world's best vendors in order to preemptively respond to strict environmental regulations and protect consumers' health. We use eco-friendly E013 level PB (Particle Board) and we procure the products from overseas and domestic vendors at a ratio of 7:3 for stable acquisition of raw materials.

Only 40% of the total PB consumed in Korea is supplied by domestic producers, and the remaining 60% is dependent on imports. Hanssem deploys a supply chain diversification policy to ensure stable raw material procurement. Since 2015, the portion of overseas procurement has been expanded, and as of 2020, overseas procurement accounts for 80% of the total raw material purchases. Due to the nature of raw materials, the Southeast Asian markets, which have abundant raw materials, are our main suppliers. In particular, we have identified key and main suppliers, mainly in Thailand, Malaysia, and Indonesia, and maintained partnerships to supply raw materials in a stable manner. We are also supplied the remaining 20% of raw materials from domestic suppliers by signing contracts every quarter.

In recent years, as the quantity of raw material to be purchased is also expected to grow in the long term in line with the growth in sales, we are striving to find new suppliers of raw materials in Europe, South America, and China, and we have concentrated our energy on building partnerships for mid-to-long-term transaction relationships rather than on short-term transactions.

Eco-friendly Raw Materials Procurement

Hanssem manufactures products using eco-friendly raw materials in accordance with its environmental safety policies such as consumer-safety policy and in compliance with laws and regulations such as health-friendly housing construction standards and the Special Act on the Safety of Children's Products. In particular, since 2016, we have expanded to all products d the application of E0 level materials, which have now been limited to children's products.

We are complying with the laws and regulations related to eco-friendly products and using eco-friendly raw materials even for bonding laminated products. In 2021, pursuant to the Special Act on the Safety of Children's Products and the Electrical Appliance and Consumer Products Safety Control Act, the use of phthalate plasticizer DBP (DOP) was stopped and replaced with an eco-friendly plasticizer (ATBC-based).

Strict Raw-Materials Procurement

Hanssem has established and observed strict raw-material supply chain management standards. Suppliers in our supply chain produce eco-friendly raw materials that satisfy the requirements such as bending strength, density, and screw-holding — as well as formaldehyde concentration, to comply with E0-level standards according to Hanssem's own standards, which are stricter than KS standards. Hanssem Life Environment Technology Research Center supports the LOT unit (basic contract unit) quality test of all raw materials. We are collecting quality data, such as test reports and peculiarity, and keeping track of records.

Raw materials delivered to the warehouse go through the LOT quality tests for checking the composition, surface, and bending quality of all materials. In addition to Hanssem's internal testing, raw materials are undergoing duplication tests by national accreditation agencies (Korea Conformity Laboratories [KCL], and the Korea Forestry Promotion Institute) to ensure perfect quality. Raw material suppliers that fail to meet Hanssem's standards cannot continue domestic supply, and we return the materials to the suppliers. As per overseas suppliers, we are inspecting the quality through regular visits to local companies and video conferences.

Responsible Raw Materials Procurement

Hanssem enters into long-term contracts by selecting suppliers of raw materials that comply with eco-friendly raw material procurement policies. As such, we are building a sustainable supply chain through responsible raw material procurement as well as a stable supply of raw materials. Hanssem procures raw materials by signing a long-term contract with the No. 1 PB (Particle Board) CAPA supplier (METRO. Ply) in Thailand, as well as domestic manufacturers such as Dongwha Group and Sungchang Enterprise, and we are continuing the contractual relationship with Thai and Malaysian companies (Vanachai, Siam Riso, Heveaboard, etc.) which are certified by KS (Korea Standard), implementing responsible procurement policies.

Minimization of Environmental Impact

Environmental Management

Water Resources Management

Water Use and Recycling

Hanssem is equipped with an incineration boiler facility that incinerates final waste wood that is not available for recycling in the Manufacturing Business Division and uses it as energy. In particular, all the steam (water vapor) generated from the incineration boiler and discharged into the atmosphere is recycled and sold to GS E&R combined heat and power plants, which has reduced the water use rate to 85%.

Wastewater and Water-Pollution Management

As part of the product manufacturing processes, wastewater is generated. In order to more thoroughly prevent and manage environmental pollution accidents that may occur due to wastewater, we entrust 100% of the generated wastewater to an approved and specialized wastewater treatment company. Hanssem Manufacturing Business Division generates approximately six tons of wastewater per year.

Air-Pollution Management

Air-pollutant Management

On February 24, 2017, Hanssem Manufacturing Business Division and Gyeonggi Provincial Office signed an agreement to voluntarily reduce fine dust generated from business sites on a large scale. As a result, emissions of air pollutants such as nitrogen oxides, sulfur oxides, etc., including dust, which are essential items to be implemented, were reduced by 25% to 15.5 tons in 2020, from 20.7 tons in 2019, through a real-time disclosure of air pollutants using an automatic chimney-measuring device, minimization of emissions during the period when a lot of fine dust is generated, voluntary reduction in operation when fine dust warning is issued, and improvement of prevention facilities.

Efforts to Reduce Air Pollutants

Hanssem will expand its efforts to reduce air pollutants, including fine dust, and continue its voluntary efforts for a sustainable environment, such as improving air quality to protect public health and resolving related civil complaints.

Waste Management

Emissions of Air Pollutants (Unit: tons)

Category	2018	2019	2020
Nitrogen oxide (Nox)	17.727	19.273	13.912
Sulfur oxide (Sox)	1.036	0.949	1.031
Dust (TSP)	0.553	0.491	0.550
Total sum	19.317	20.712	15.493

※ Scope of business site: Manufacturing Business Division (Plants 3 and 4)

Main Activities to Reduce Air Pollutants

Air-pollutant prevention facility
Investing KRW 170 million: 20 years

- **Incineration boiler** — Real-time disclosure of air pollutant data
- **Generation of fine dust** — Minimization of emissions during the period when a lot of fine dust is generated
- **Voluntary reduction in operation** — when fine dust warning is issued
- **Improvement of prevention facilities** — Replacing catalyst/Increasing amount of chemical input

Increase in Waste Recycling

Hanssem is further strengthening its efforts to reduce the generation of waste in accordance with the Framework Act on Resource Circulation, in order to suppress and minimize the generation of waste that can cause environmental pollution through landfill or incineration. In particular, we are strengthening waste management through strict separate collection, treatment, storage and recycling of waste by applying strict separate disposal standards for wastes discharged from the business sites. In January 2018, the Framework Act on Resource Circulation was promulgated, and the "waste disposal charge" system was introduced to economically induce the reduction of incineration and landfill that cause air and soil pollution. As such, Hanssem has participated in the national effort to transform into a resource recycling society, paying waste disposal charge for waste incinerated or landfilled. In particular, steady waste management activities conducted on site to reduce the amount of waste incinerated and landfilled have increased the waste recycling rate from 30% in 2019 to 40% in 2020.

On-site Waste Management Activities

1. Managing waste discharge through the "Allbaro" system
2. Recycling wastes which were incinerated and landfilled
3. Reducing generation of waste through separate disposal and collection campaigns

Current Status of Waste Discharge (Unit: tons)

Category	2018	2019	2020
Recycling of Waste	3,365	2,554	3,648
Incineration and Landfilling of Waste	13,270	8,495	8,717
Total sum	16,635	11,049	12,365

※ Scope of business site: Manufacturing Business Division (Plants 3 and 4)

Minimization of Environmental Impact

Energy-Management System

Hanssem manages energy used in large facilities such as Sangam and Bangbae office buildings, manufacturing business division, logistics centers, and design parks, as well as research centers.

The Manufacturing Business Division, which consumes a lot of energy, aims to reduce energy consumption by 10% year on year, and power consumption, efficiency and greenhouse gas emissions are managed through the management system of Korea Electric Power Corporation (KEPCO). In the first half of 2021, we plan to establish a company-wide energy management system and set up strategies for energy reduction and mid-to long-term climate change response through real-time management of energy consumption such as electricity, gas, and fossil fuels at business sites, and calculation of greenhouse gas emissions.

Energy Saving Activities

Hanssem manages energy-consumption by site, building, and energy source through real-time monitoring for systematic energy consumption management. In addition, we are operating various programs such as campaigns to improve energy-use efficiency and reduce energy-use for employees, aiming at raising employees' awareness of energy use efficiency and energy-consumption reduction.

Greenhouse Gas Emission and Energy Consumption in 2020

Total Emissions of GHG
(Direct + Indirect Emissions)
20,790 tCO2eq

Amount Converted to Energy
(Direct + Indirect Emissions)
416 TJ

Direct Emissions
(Scope 1)
2,104 tCO2eq

Internal Indirect Emissions of Electricity, etc.
(Scope 2)
18,686 tCO2eq

Renewable/Unused Thermal Energy

Hanssem Manufacturing Business Division incinerates scrap wood, which is difficult to be recycled, using an incineration boiler. The steam energy generated in this process is recycled for internal heating, etc., which contributes to reducing carbon emissions from the use of fossil fuels for heating.

The remaining steam is recycled and sold to GS E&R combined heat and power plant (a collective energy supplier under the government's energy use rationalization policy), generating profits. In particular, recycling of steam also brings an effect of reducing water consumption by up to 85%.

Chemical-Substance Management

Hanssem introduced a product hazardous substance verification test in 2016, and is currently applying the environmental safety quality standards to all product groups. In addition, Hanssem applies its own verification standards and its integrated management process throughout the entire process for the amount of harmful substances emitted — from adhesives to finishing materials and finished products by product and space. We are continuously updating it by comprehensively analyzing relevant legal standards, voluntary certification, domestic and international accidents/recall cases, and social issues, and we also verify and manage it with the goal of achieving "zero environmental and safety accidents."

The environmental safety-quality verification system is a stringent product management system that prevents products that fail to pass Hanssem's self-verification standards from being released on the market. We verify not only raw materials, but also subsidiary materials considering legal standards, eco-friendly certification standards, and consumers' living environments from the product-planning stage. Verification goes through three stages: raw material verification, finished product verification, and indoor air quality inspection in the space after installation of the product. In particular, we inspect formaldehyde, which is a representative harmful substance that causes sick house syndrome, volatile organic compounds (VOCs) that can cause skin irritation or respiratory diseases, and carcinogens such as radon and heavy metals are inspected according to its own standards (E0), which are stronger than the legal standard (E1) or recommended standards before releasing products. A unique serial number (S/N) is assigned to each product and thoroughly managed in order to prevent products that exceed the standards from being distributed by any chance.

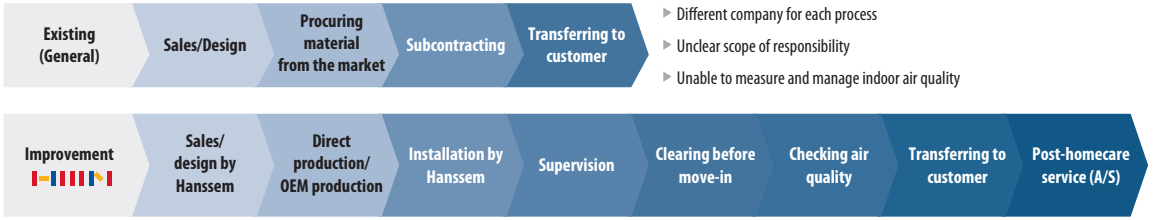
Hanssem's Self Certification Standard

Hanssem applies standards two to 10 times stronger than the legal standards for each product group, and when a new product is launched, we allocate an "Environmental Safety Certification Number" only to the product which satisfies its own standards. Only products that have been given this certification number can be registered as products of Hanssem.

Hanssem's Integrated Management Process

Hanssem has established and operated an eco-friendly residential space verification process that presents a standard for total home interior package that manages the entire process from sales and design, to installation and post management after move-in. Space management requires integrated management of all materials, products, construction methods, professional manpower, and manuals used in the space.

Integrated Management Process



Minimization of Environmental Impact

Research on Indoor Air Quality and Performance

Strengthening standards for management of hazardous substances for furniture and building materials

Hanssem has strengthened safety standards for all furniture and building materials. We are managing the total volatile organic compound (TVOC) emissions at a standard that is 10 times stronger than the legal standards, going beyond the formaldehyde emission level of E0, taking the lead in improving the living environment of consumers.

Improving indoor air-quality level by 30% in the remodeled area compared to the previous year

Hanssem Life Environment Technology Research Center, a KOLAS accredited test center, collects indoor air directly from the remodeled installation site, conducts analysis in detail, and monitors the verification process to prevent the causes of problems in advance. In addition, the Center verifies the remodeling materials and raw materials and improves the process to reduce the emission of substances that cause sick-house syndrome such as formaldehyde and volatile organic compound, which improved indoor air quality by 30%.

Signing business agreement to improve indoor environment

We have signed business agreements with the Korea Indoor Environment Association and KOTITI Testing & Research Institute for a strategic response to product hazardous substance management and indoor air-quality management, and carried out various indoor environment improvement activities such as R&D, institutionalization, and standard setting.

Eco-friendly Management Activities

Strengthening environmental-safety quality-management process for new products

From 2020, Hanssem has been inspecting the packaging materials and the amount to be used of all products before launching new products. The synthetic resin packaging materials used went through a review process to replace them with recyclable materials, and the growth rate of synthetic resin used decreased compared to the sales growth rate.

Research Status of Indoor Air Quality

1 Operating our own environment/safety/quality standards that are stronger than laws and regulations (Operating self-certification system)

1. Legal minimum guidelines
2. Different standards for each relevant administrative agency
3. Enforcement of regulations on finished products/construction deadlines (Lack of regulation and enforcement of hazardous substances in raw material)

2 Using eco-friendly products for all raw materials, subsidiary materials and products

→ Material: HB mark superior grade or higher/ Product: Eco label certification level

1. Building materials/interior construction materials, furniture core finishing materials
2. Eradicating exposure to raw material (Finishing 6 sides)
3. Seven plasticizers /Eight heavy metals excluded

3 Controlling and managing materials and construction methods used for interior construction

→ Internal development and production of materials used and direct construction

1. Using approved materials
3. Operating a dedicated installation organization
2. Applying eco-friendly construction method
4. Operating construction supervision organization

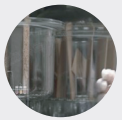
4 Managing indoor air quality management at the construction site

1. Operating stricter our own standards compared to legal standards
2. Carrying out construction using approved material/ construction method
3. Managing input amount by material
4. Managing input of process/finish supervisor
5. Inspecting air quality between processes and after completion of construction
6. Adding care service

Three-Step Environment Safety and Quality Inspection System

Step 1 | Raw material verification

- Managing LOT of raw material formaldehyde emission at the level "E0" or higher
- Disposing of material if it fails to meet the standards



Step 2 | Finished product verification

- Running state test of furniture and building materials finished product
- Blocking the source of harmful substances that may be generated during the manufacturing process (Adhesive, surface material, and subsidiary materials are all satisfying the eco label certification level)



Step 3 | Installation site verification

- Managing all materials/subsidiary materials used during construction at the level of E0, HB mark superior grade or higher
- Measuring/verifying indoor air quality by a professional researcher after completing the construction



Using and Marking Recycling Packaging Material

Hanssem has declared its participation in a campaign to reduce the use of plastics that are used for products and packaging materials in order to counter climate change. Accordingly, the plastic bags provided in the store are sequentially changed to recyclable paper bags, and an Electronic Shape Label (ESL) is introduced to replace a paper price tag. We plan to acquire eco-label certification for currently used packaging material in 2021 and expand the use of eco-friendly packaging materials to more than 20% of total packaging material by 2022. Packaging materials for the mattress can be reused about 100 times, which contributes to the reduction of waste generation, and all the paper packaging materials are collected and recycled.

In addition, starting with the design parks in Ansung Starfield, we introduced the ESL, expanding zero-use of paper price-tags and POP. The ESL allows customers to get product details through a QR code without using paper. In particular, we plan to gradually expand the stores applied the ESL as we can immediately correct and respond to issues such as price discount by being connected with Wi-Fi.

Minimization of Environmental Impact

Environment Education

Hanssem has established an internal verification process and has provided company-wide training as environmental regulations on electrical and electronic products such as Restriction of Hazardous Substances Directive (RoHS) and European Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) are strengthened. To this end, we have implemented training for the Hanssem's organization in collaboration with an external professional organization. We introduced XRF (component analysis) equipment to preemptively respond to RoHS regulations, and we are firstly conducting verification of heavy metal in the stage of new product development and regular verification of operating products. As such, we plan to improve the verification process in collaboration with relevant professional agencies to reduce the time required for product development by promptly responding to material improvement and to prevent any delays in the launch of new products resulting from the strengthened standards. Compulsory education for environmental safety councils is conducted at least once a month, and environmental safety education for working-level employees is conducted more than once a quarter.

Environment Investment

Hanssem has acquired KOLAS accreditation for 19 items in the chemical field for the development of products for indoor environment as well as eco-friendly products. We have invested KRW 60 million in testing and calibration of test facilities and instruments and supplementation of facilities, and invested KRW 20 million as sample costs to verify indoor environment contamination of hazardous substances for products in operation. In addition, Hanssem improved packaging materials that are easy to recycle in accordance with the enforcement of the Act on the Promotion of Saving and Recycling of Resources and the waste disposal charge system for products and packaging materials using plastics, and invested KRW 560 million as environmental improvement costs. At the same time, we have invested KRW 820 million in external tests and certifications to enhance the eco-friendliness and reduce harmfulness of products in order to implement eco-friendly policies for products and indoor spaces.

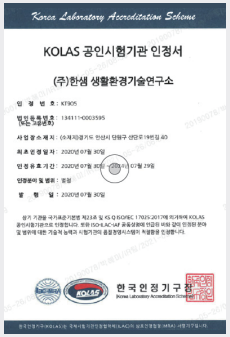


Best Practices

Acquiring KOLAS Accreditation

Only in the Industry (in the chemical sector)

Hanssem Life Environment Technology Research Center was recognized as an internationally accredited testing center by the Korea Laboratory Accreditation Scheme (KOLAS), under the Korean Agency for Technology and Standards, in July 2020. KOLAS accreditation certifies internationally accredited testing capabilities in the relevant field. Hanssem has been recognized for its testing capabilities in the chemical fields including 19 tests related to "indoor and other environments" in 2020. We want to be reborn as the only KOLAS-accredited testing center in the chemical and mechanics fields while trying to acquire accreditation in the mechanics field, such as raw materials (PB, MDF, and PW), sinks for household, and cabinets in 2021.


Korea Laboratory Accreditation Scheme

KOLAS 공인시험기관 인정서

(주)한샘 생활환경기술연구소

Major Accreditation Test

- Emissions of formaldehyde and volatile organic compounds from furniture and building interior materials
- Indoor air-quality measurement
- Indoor air-quality process test

Eco-friendly R&D

Environmental Management R&D

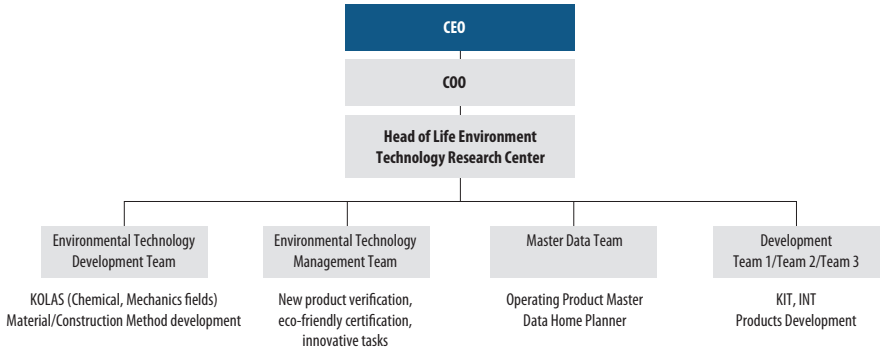
Life Environment Technology Research Center

Vision

World-class Residential Environment Research/Test/ Development center

Core Competencies

- Residential Environment/Safety Assurance
- New Technology, Patent Development
- Best-selling Product Development



Hanssem Life Environment Technology Research Center is an accredited testing centered accredited by KOLAS.

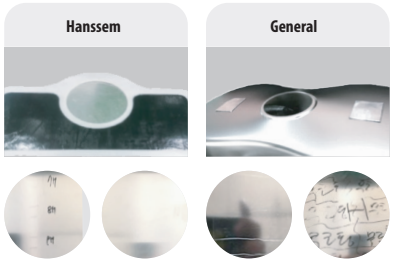
Major Research Field

Life Environment Technology Research Center

R&D | Environment / Safety Management | Home IOT | Sample Production | Test Assurance | System Operation | Certification

Direction of R&D Strategies

Development of Functional Sink Bowl



Advantages of Hanssem special embossed ceramic coating finish

- **Antibacterial Function** — Bacterial Reduction Rate of 99.8%
- **Improved Staining Resistance** — Boasting Excellent Surface Cleaning Power reducing the Amount of Detergent
- **Excellent Surface Hardness** — 9H Level of Pencil Hardness (Competitors" uncoated sink bowl: 2H level)
- **Noise / Splashing** — A Half Level of General Product

Developing Korea's First Safety-Detection Sensor which can Detect Safety Accident of Closet Furniture

We reduced the occurrence of safety accidents by detecting any signs in advance using the accumulated data patterns detected by sensors by applying IoT (Internet of Things) technology to the product. This has ensured customer safety and reduced potential losses for the company. In addition, we have improved customer-service quality and expanded interactive points with customers through the B/S ("Before Service") process. In addition, we have improved work-efficiency by increasing synergy effects by linking with relevant systems. We have also improved the installation method through data analysis and reasoning, and optimized product differentiation and customer safety management by reflecting it in the product development process.

1. Occurrence of situation events
2. Making control center push notification
3. Checking the corresponding sensor coverage
4. Monitoring and diagnosing type
5. Checking customer information
6. Connecting to B/S consultation
7. Conducting on-site inspection, diagnosing abnormal causes
8. Saving diagnostic results

Eco-friendly R&D

Patent and Intellectual Property Rights

Kitchen Knives Sterilization Block Using Ultraviolet LED



If a used knife is washed in water and stored without removing water, bacteria can grow on the blade depending on the management status. Hanssem has developed and obtained a patent for a block that uses UV LED to sterilize kitchen knives.

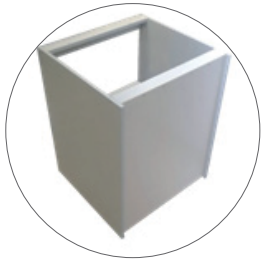
Modular cooling and heating mattress using micro heating element and hot water pipe



It is a modular mattress that can be detached and can be easily replaced, and washed to keep it clean. The temperature can be controlled with a pad equipped with a micro-heating element on one side, and a cooling material is applied on the other side to provide a comfortable sleeping space all year round.

Developing Living Environment Improvement Technology

Four-side Finished and ABS Edge Finished

General	Hanssem
	
Front (one side)-side Only Finished (PVC Edge)	Four-side Finished (ABS Edge)

In general, hazardous substances are emitted intensively (more than 70%) from the cut-end section. Therefore, if only the front side (edge of one side or the exposed area) is finished, harmful substances generated from the inner material will be emitted intact, and moisture may penetrate and cause mold and insects. In addition, moisture can cause material rot, which can cause catastrophic structural and safety deficiencies. However, if all four sides are finished with eco-friendly ABS edge, harmful substances can be reduced by 90%. The ABS edge used by Hanssem is an eco-friendly material, which is three times stronger in deformation than general PVC (polyvinyl chloride) and has excellent blocking power against harmful substances.

Best Practices

"E0"
Disclosure of Environment and Safety Information

Hanssem transparently discloses hazardous substances test results of its products to customers through its sustainability management website. Customers and other stakeholders can verify the reliability of verification of new product to be launched and regular product, and product safety.



02 SOCIAL

Customer Satisfaction Management

- Customer Satisfaction
- Reinforcement of Product Quality



MANAGEMENT APPROACH

CONTEXT

Regarding sustainability management, product-quality means not only the needs, satisfaction, and convenience of the product itself, but also environmental safety throughout the manufacturing process of the product. This is because, completion of a single product requires procurement of raw materials, design, R&D for quality enhancement, and selection of manufacturing partners, sales agencies, employees and customers. And this is directly related to customer satisfaction. This process, not only connects customers, but also various stakeholders such as employees, partners and agencies that manufacture products.

OUR STRATEGY

Hanssem strictly manages product quality through an innovative quality-management system, "Six Sigma," which brings the defective rate close to zero, continuous renewal of ISO 9001 and 14001 certification, and new product quality verification process in order to strengthen its product quality. After the product is sold, we communicates with customers through the contact center, website, and major online portals, analyzes the cause of the quality problem, and reflects it in the manufacturing and verification process to improve after-sales service (A/S).

2020 KEY PERFORMANCE

- Establishment of "Consumer Protection Office" in 2020 – Reception and handling of customer's complaints and requests → Improvement of process → Dedicated to preventing recurrence
- Acquired "Excellent Product Satisfying the Standards of Private Sector" certification from K-BIZ in June 2020 (in the household sink sector)
- Conducted voluntary large-scale recall in 2020
- Conducted Kitchen Bach "visiting service" from 2019 – Conducted pre-inspections for Kitchen Bach customers three times over three years

Three-year Customer Satisfaction Level from 2018 to 2020

84% in 2018 88% in 2019 87% in 2020

NEXT PLAN

Hanssem established the "Consumer Zero-Complaints Deliberation Committee" in 2021. This is a quarterly meeting in which relevant internal departments participate. After reviewing and deliberating all damage relief cases submitted to the Korea Consumer Agency, the Committee discusses activities to analyze the causes, improve the system to prevent reoccurrence, and education. In this way, we will prevent damage to our stakeholders including customers, partners, and agencies in advance by improving product quality and the fundamental cause of the process that caused customer dissatisfaction.

Customer Satisfaction

Customer Satisfaction Policy and Activities

CS policy and Organization in Charge

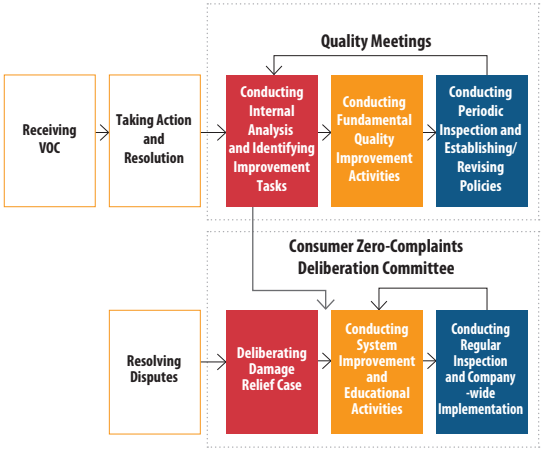
Hanssem has selected "Six Sigma quality and annual rate of 50% service innovation" as one of the mid-term innovation tasks for the Strategic Planning Office, and operated a customer-oriented quality management system to realize it. Organizations in charge of customer satisfaction include the C/S Department which is responsible for in-house quality management supervising the quality meeting under the C/S Office, and the Customer Protection Department which organizes Consumer Zero-Complaints Deliberation Committee meeting to handle customer disputes, prevent customer damage and protect consumer rights and interests.

Operating Quality Meetings

The CS Department, which organizes the quality meeting, analyzes customers' VOCs received every day and aggregates the company's quality indicators. Based on this, it derives improvement tasks for quality and service improvement to realize customer satisfaction, and reaches agreement on quarterly key performance indicators and set quality management policies through a meeting hosted by the head of the Strategic Planning Office. To this end, it reviews quality activities and issues through weekly quality meetings, and implements key issues so that it can be immediately reflected.

Consumer Zero-Complaints Deliberation Committee

The Customer Protection Department discusses customer complaints and requests received through various channels with relevant departments to analyze and deal with the causes, report the results, and establish and implement measures to prevent recurrence. In particular, it supervises the "Consumer Zero-Complaints Deliberation Committee," which deliberates on damage relief cases submitted to the Korea Consumer Agency to prevent damage or complaints of consumers in advance and protect their rights and interests. The Consumer Zero-Complaints Deliberation Committee was established to protect customers' rights and interests and fulfill corporate social responsibilities. The Committee consists of one chairperson (head of the Consumer Protection Office) and 19 members from each division (team leader from as sales, installation, purchase, and quality divisions) who have been granted the decision-making authority from the head of each division (department). The Committee deliberates on all damage-relief cases submitted to the Consumer Agency, and looks into measures such as system



improvement and educational activities to prevent customer damage in advance. The first meeting was held on April 14, 2021, and it is planned to be held on a quarterly basis.

Operating Sub-Committee Meetings

Areas to focus on strategically are discussed at the sub-committee meetings organized by each organization in charge. The sub-committee elects core tasks for field recovery implementation and fundamental improvement of each case, focusing on customers' complaint, and the sub-committees check the achievement of the tasks through a weekly meeting hosted by the management.

Voice of Customers (VOC) Management

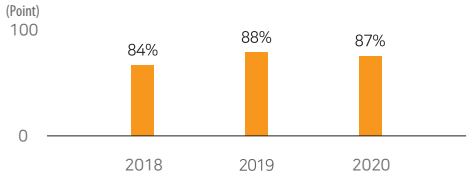
Hanssem collects voice of customers (VOC) through various channels such as contact centers, homepages, and major online portal services. Customer complaints reported in this process are promptly delivered to the business units in each division, such as sales, installation, and A/S, to take countermeasures.

Name of Meeting	Hosting Organization (organization in charge)	The Key Challenge
Package VOC Task Force	Head of Rehaus Business Division (Rehaus Quality Team)	• Discussion of improvement tasks centered on customer complaints, and inspection of recovery results • Standardization and formulation of customer satisfaction models for comprehensive remodeling work

Customer Satisfaction Management

Hanssem conducts a comprehensive survey of customer satisfaction with the construction through monitoring seven days after the installation of product. According to the survey result, items with low satisfaction-level are reviewed at the package VOC Task Force meeting hosted by the head of Rehaus Business Division to come up with the measures to prevent recurrence.

Customer Satisfaction Survey Result Status (Unit: 100%, points)



Recall

Hanssem preemptively screened products that are likely to cause serious physical or property harm to customers, reports them to the Korea Agency for Technology and Standards, and officially recalls them. On April 24, 2020, we voluntarily announced and implemented recall for some sink door products manufactured and sold using the lapping method (adhesion of the original surface material).

Recall Status

Number	Product name	Type of recall	Publication date
3	Furniture (sink)	Voluntary recall	April 24, 2020.
2	Momoro drawers (4 tiers)	Recommendation	May 11, 2017.
1	Vacuum blender Ozen	Voluntary recall	October 31, 2016.

* Source of information on recall: Safety Korea (https://www.safetykorea.kr)

Customer Satisfaction

Customer Satisfaction Program

On/Offline Communication Channel

Hanssem operates various online and offline communication channels. We expose 100 pieces of contents per month through social networking to provide information so that customers can get inspiration for home decoration and renovation.

Online Business Division

In addition to Hanssem Mall, we are communicating with customers through various communication channels. We are operating Naver Blog, YouTube channel, and Facebook which are the company-wide official channels as well as Instagram and Kakao Plus Friends channels. We are communicating with our customers and stakeholders by attracting supporters and customers who will experience our new products earlier than other people and responding to the customers' Q&A through the various communication channels.

Implementing BS

Hanssem analyzes voice of customers (VOC), identifies the target items to be resolved preemptively before any inconvenience occurs to the customer, and provides a "visiting service (Before Service)" to solve the problem fundamentally.

BS Status

Number	Service system	Contents	Effective date
3	BS within one month of package	Completing the remodeling construction Providing customer care service within one month (Instructions for use, quality check, etc.)	January 11, 2021. ~
2	BS for Sleeping code heating pad	Heating pad for some products Free replacement of parts due to malfunctioning of the part	December 23, 2020. ~ February 28, 2021.
1	Kitchen Bach Visiting Service	Three times in three years after purchasing Kitchen Bach Providing pre-checking service (Six major items such as water supply and hardware)	April 1, 2019. ~

040 (Online for Offline) Platform

Integrated Marketing

Hanssem provides services connecting online and offline services so that customers can conveniently identify trends and receive consultations. We have a system that receives application for consultation and quickly distributes them to offline stores so that the customers who want to visit the store and receive offline consultation can get responses through HappyCall. Customers who apply for offline store visits online are guided to the most suitable store they can visit.

Consumer Fair Trade Policies

Customer Dispute Management

If a customer experiences inconvenience or damage while using its products, Hanssem applies a fair and objective resolution process in accordance with the current laws and regulations regulating the interior remodeling market. In addition, we are operating the Consumer Protection Department, specialized in consumer damage relief, to resolve various disputes, prevent customer damage in advance, and internalize a system related to customer satisfaction within the company. In principle, consumer disputes are resolved based on the civil law, which takes a lot of money and time in general. In the case of acute disputes arising from customer complaints, such as disputes over defects or disagreement on the contents of contract, the Consumer Protection Department firstly seeks prompt and amicable resolution from the customer's point of view prior to proceeding with the civil litigation that may cause secondary inconvenience to customers. For this, we refer to cases of dispute mediation decisions made by the Dispute Resolution Committee of the Korea Consumer Agency.

Administrative Rules on Consumer Disputes

Number	Category	Name	Competent authorities	Last revision date
1	Laws and regulations	Framework Act on the Construction Industry	Ministry of Land, Infrastructure and Transport	January 21, 2021.
2	System	Criteria for the Settlement of Consumer Disputes	Fair Trade Commission	May 25, 2021.

Leading the Market Trends

Analysis of Market Trends in "Trend Presentation"

Hanssem holds trend presentations twice a year. Every year, before the spring and fall seasons, we analyze trends that cover everything from lifestyle to remodeling by reflecting customer needs and related trends for home decoration and residential culture. We reflect such trends in our space and products, and hold trend presentations for customers. The space and interior trends presented by Hanssem are uploaded on YouTube, etc. in an easy-to-understand video. It boasts viewers of over two million and 1,200 customers participating in the event. Consumers are increasingly interested in the space and interior trends proposed by Hanssem.

Since 2019, due to the COVID-19 pandemic, we have held trend presentations through YouTube live broadcasts, and from 2021, it will be converted to an online trend presentation event so that more customers can easily access interior trends.

Developing Products Reflecting Market Trend

Hanssem periodically conducts home interior research to grasp the trends quickly. We conduct large-scale research on a quarterly basis and monthly online surveys to collect and analyze customers' opinions, thoughts, and needs for space. The data gathered through such constant communication are reflected in the products and services that form the space of Hanssem. This becomes the foundation for building our unique spatial trend led by Hanssem. In recent years, as the speed of change is accelerating led by the Internet, etc., the culture of embracing trends is also growing fast. Hanssem will deliver necessary information to customers faster through large-scale research and customer analyses.

Reinforcement of Product Quality

Quality-Management System

Quality-Management Policy

Hanssem is committed to ensuring thorough quality management, production and development of new products based on its Customer Satisfaction Management philosophy to realize the highest quality and highest customer satisfaction. To this end, we are striving to supply the world's best products with "WORLD-BEST ELEMENT" through the production of the Six Sigma quality-based eco-friendly products. Hanssem Manufacturing Business Division has acquired ISO 9001 (Quality Management System Certification)/14001 (Environmental Management System Certification) since 2006 to innovatively improve the Six Sigma quality management system, which it has continuously improved over the past several years. Since then, we are operating a quality management system that matches international standards through regular follow-up and renewal examination to produce the world's best products. In addition, since 2000, we have acquired "Excellent Product Satisfying the Standards of Private Sector" certification for household sink (SPS-KHFC 001-0438) from K-BIZ, and we are continuing our thorough quality assurance through regular product inspection and plant inspection. In addition, the Manufacturing Business Division establishes a quality management system for customer satisfaction based on the requirements of ISO and standard of private sector, and all employees are implementing all the contents stipulated in the quality manual and complying with responsibilities, accountabilities and authorities to maintain the quality management system through continuous improvement activities.

Quality Verification Process

Hanssem manages new products according to a strict shipment process. The quality-assurance process for new products is a key system for preventing quality accidents and improving productivity. Together with the Hanssem Life Environment Technology Research Center, we are providing 100% prior guarantee in all areas of materials, construction methods, processes, and tests (environmental and mechanics). We strive to release products that satisfy our customers by establishing clear quality goals that reflect the needs of customers, from the product planning stage, and checking the conformity of quality level through warranty testing, assembly evaluation, commercial production inspection, and three-month monitoring.

Reinforcement of Quality Competency

Hanssem Manufacturing Business Division has established a Six Sigma-based quality management system and is nurturing in-house quality experts to strengthen quality according to customer requirements and changes in usage environment. We strive to nurture Six Sigma Belt (GB_Green Belt/BB_Black Belt/MBB_Master Black Belt) resources in order to internalize the quality-management activities of the office workers and secure sustainability through Six Sigma consulting provided by the Korean Standards Association. We carry out Six Sigma tasks for quality by identifying strategic KPIs and process-related tasks for each Division. In particular, we are conducting "quality circle" activities at the production site through consultation on circle, encouraging all members to participate, and we are continuously implementing quality-improvement activities using QC (quality control) techniques. In addition, through a system to boost motivation such as in-house presentations and excellent improvement cases, all employees are encouraged to strive to improve quality-competitiveness with an active attitude and commitment to improve quality.

Manufacturing Quality Inspection Process

1 **Inspection for Inbound Materials**
Quality Assurance and Inspection for inbound raw/subsidiary materials

2 **Process Inspection**
Quality assurance and inspection of products between production processes, monitoring of facility/work standard, 4M change verification

3 **Prior Shipment Inspection**
Before moving to the distribution center, sampling test of finished product is conducted and monitoring of warehouse and storage products are carried out.

Quality Management · Environmental Management Certification

Hanssem is continuously improving the quality and safety of its products, and we are proving it through various certifications.





Reinforcement of Product Quality





Quality Improvement Activities

Quality and Safety Improvement Program

Hanssem Manufacturing Business Division carries out innovation activities in all areas such as quality and productivity-improvement and cost reduction. It operates a total of 13 circles, and holds in-house presentation contests aiming at maximizing the performance of innovation activities and spreading best practices. The excellent circles participate in the national presentation contest.

In 2020, it was cancelled due to the COVID-19 pandemic, but in March 2019 we held an in-house circle presentation contest, and in August, the "BEST Study" team participated in the national presentation contest in the win-win cooperation sector, and was awarded a bronze medal for its presentation. The theme was "Reduction of the nonconforming product rate by improving the flush panel molding process." In January 2021, the circle activities and training, which were postponed due to the COVID-19 pandemic, were reorganized and a launching ceremony was held with the goal of achieving the quality Six Sigma in 2021, and the circles have continued their activities.

Quality-Management by Overseas Corporations


증 서

The Manufacturing Business Division has continued its efforts for standardization such as disseminating domestic quality regulations and work processes so that overseas corporations (Subsidiaries in Japan) can establish a quality assurance system on the same level as in Korea. We have dispatched experts working at the headquarters to establish an assurance system that reflects local characteristics, and we are monitoring the operation status on a regular basis.

We are directly involved in the process of selecting quality KPIs and goal setting of the overseas corporations to enhance implementation power, and report the achievement rate to the management every month. In addition, we are sharing excellent domestic improvement cases to nurture local problem-solving experts and enhance quality improvement capabilities. In particular, we are launching new products and finalizing the product lineup by continuously improving the specifications of Japanese subsidiary and sharing the opinion of local sales staff on evaluation of new product sample. In addition, we are actively providing after-sales service by stockpiling data on product A/S.

Operating Status of Thirteen Groups Under the Circle System

Three Door Teams
- Kitchen door group
- Storage door group
- KB group

Two Study Room Teams
- Study room group
- Molding group

Four Body Teams
- Kitchen body group
- Storage rack group
- Packing group
- Cutting group

Four Support Departments
- Purchasing Team 2 (Partners)
- Logistics group
- Public service group
- Inspection Team



02 SOCIAL

Human Resource Management

- Human Rights and Diversity
- Nurturing Human Resource
- Safety and Health
- Work-life Balance



MANAGEMENT APPROACH

CONTEXT

Human resources are the most basic component required for a company's sustainability management. Although ICT technology is rapidly developing, the subject of all innovation is "people." In addition, appropriate recruitment, nurturing, and management of human resource determine how quickly and appropriately a company can respond to change, innovation, and development as well as prevent, and respond to crises. Furthermore, a company should make every effort to manage safety and health of business sites for sustainable human resource management.

OUR STRATEGY

Hanssem conducts periodic training for all employees from new employees and team-leader candidates and managers based on the fundamental philosophy of human resource development of "All human resources have the qualities and capabilities to be nurtured as the management." In addition, we are actively supporting our members to access online and offline (external) training on various skills and work-related contents, including foreign languages, for their self-development. And, we recruit female employees, with more than 30% of new employees hired every year in order to attract female talents.

2020 KEY PERFORMANCE

Conducting Gender Sensitivity Training in 2020

More than **50** times (Including online and offline trainings)

Innovating Personnel Evaluation System

Reflecting in **KPI** and **OKR**

Nurturing In-house Instructor for Gender Sensitivity

Total of **13** persons completed the course

Nurturing Female Talent

Expanding numbers of

newly hired female managers

NEXT PLAN

Reinforcement of human rights and ethics management by establishing "Hanssem Human Right and Labor Management Declaration," and expanding activities to increase stakeholders' awareness in 2021

Respect for Human Right and Diversity

Human Rights Management

Respect for Human Rights Policy

Hanssem supports international principles on human rights and labor, such as the United Nations (UN) and the International Labor Organization (ILO), and complies with relevant laws and regulations based on its top priority of respecting the dignity of all human beings. Accordingly, we have enacted the "Hanssem Human Rights and Labor Management Declaration" based on the human rights and labor-oriented management philosophy. Hanssem will comply with our Human Rights and Labor Management Declaration, respect the human rights of various stakeholders and strive to prevent their rights from being infringed.

Internalizing Human Rights Management Culture

Hanssem provides various human rights education and training for its employees and partners to prevent all forms of forced labor and raise awareness of human rights and respect for diversity. In particular, we are conducting education on gender sensitivity to increase the sensitivity of our employees as well as statutory compulsory education such as prevention of sexual harassment and perception about the disabled. The education and training is provided to all Hanssem employees, both online and offline.

Hanssem Human Rights and Labor Management Declaration

Article 1 | Protection of Human Rights

All members should be respected as individual human being, enjoy freedom and rights, and be fully protected for their fundamental rights.

Article 2 | Protection of Fundamental Rights of Labor

Rights of all members guaranteed by the Constitution and labor-related laws should be protected. In addition, they have the right to receive equal remuneration for equal work in accordance with national labor-related laws and regulations and the ILO.

Article 3 | Prohibition of Forced Labor

Members should not be subjected to inhumane treatment, punishment, or discrimination, including forced labor and human trafficking, and have the right to liberty and personal security.

Article 4 | Prohibition of Child labor, and Under-Age Workers

The company should not tolerate any form of child labor. In addition, in the case of internships, training and apprenticeships for minors, they should be excluded from high-risk work and night work, and labor-related laws should be strictly applied.

Article 5 | Reinforcement of Members Welfare

The company should expand and operate the in-house welfare system that reflects the diversity of its members, including family-friendliness and maternity protection, and all members have the right to be guaranteed welfare without discrimination.

Article 6 | Respect for Diversity and Non-Discrimination

No employees should be discriminated against based on their origin, race, region (nationality), gender, religion, age, disability, etc., and the right to work in an optimal, safe and healthy environment should be protected.

Article 7 | Protection of Stakeholders' Human Rights

The company should strive to uphold the international principles of human rights and labor of stakeholders in direct and indirect cooperation and business relationships such as manufacturers, partners, agencies, customers, and local communities.

Article 8 | Guarantee of Stakeholders' Freedom of Expression

The company should guarantee and support the stakeholders' freedom of expression, and members" freedom of and rights to peaceful assembly and association.

Article 9 | Protection of Personal Information of Stakeholders

The company should collect only a minimum amount of information in order to strictly protect the personal information of stakeholders, and thoroughly manage the information security system so that it is not leaked to the outside.

Article 10 | Management of Supply Chain

The company should contribute to the expansion of human rights and labor management and the procurement of eco-friendly raw materials through supply chain management of business partners in cooperative relationship.

※ Hanssem supports and respects universal international norms for the protection of human rights and labor rights, such as the United Nations Universal Declaration of Human Rights and the International Labor Organization (ILO) Convention, and based on this, we enact Hanssem Human Rights and Labor Management Declaration.

Respect for Human Rights and Diversity

Resource Recruitment and Nurturing

Diversity Respect Open Recruitment

Hanssem is regularly hiring local high school graduates. We are operating a system under which we registered as practice enterprise for high school students, conduct field experience study, and hire a significant number of students after their graduation. In addition, we are directly hiring and operating a team of disabled athletes in three sports, namely, table tennis, tennis, and bowling, and sustaining an open recruitment system.

Securing and Cultivating Female Talent

In recent years, more than 30% of new hires of the company are female. In 2020, female talents accounted for 43% of new employees.

In particular, Hanssem is actively supporting its female resources so that they can realize work-life balance at home in order to create a living environment where work and life can be balanced.

We are supporting female workers by operating not only shortened working hours and leave allowances during pregnancy and childbirth, but also in-house daycare center in Sangam and Bangbae office buildings to ease their burden of childcare. As a result, the female workers' rate of returning to work after parental leave has reached 95%. The ratio of female executives is also increasing. There was one female executive in 2019, but as of June 2021, there are six female executives as the company newly appointed two new female executives in January 2020. The company announces such policy to all employees every year when announcing promotions, increasing the company-wide consensus on its policy of fostering female executives.

Fair Evaluation and Compensation

Fair Evaluation

Hanssem's evaluation system consists of performance evaluation and competency evaluation. As per performance evaluation, we have established the "Hanssem PP" system, which introduces the KPI concept and Google's OKR concept.

The "Hanssem PP" system is a performance management system that allows members to perform the tasks of higher-position members together and independently challenge innovation tasks. In addition, we have introduced a competency evaluation system for team members in addition to those in position to complement the evaluation system in such a way that the performance and potential of employees can be evaluated together.

Reasonable Compensation

Hanssem is nurturing executives and managers by establishing a culture that provides open opportunities regardless of academic background or origin, and compensates them based on ability and performance. Compensation is given based on "Hanssem PP," which is the standard for judging performance and competency of each staff member. "Hanssem PP" is established at the beginning of every quarter by reflecting the opinions of each team leader and head of division. After that, at the end of the quarter, the achievement rate of PP established is reflected in the personnel evaluation. As such, according to the reasonable standards based on the achievement rate of the "Hanssem PP" goal, compensation including incentives and awarding to excellent employees are given on the monthly and quarterly basis to motivate employees.



Human Resources Development

Human Resources Development System

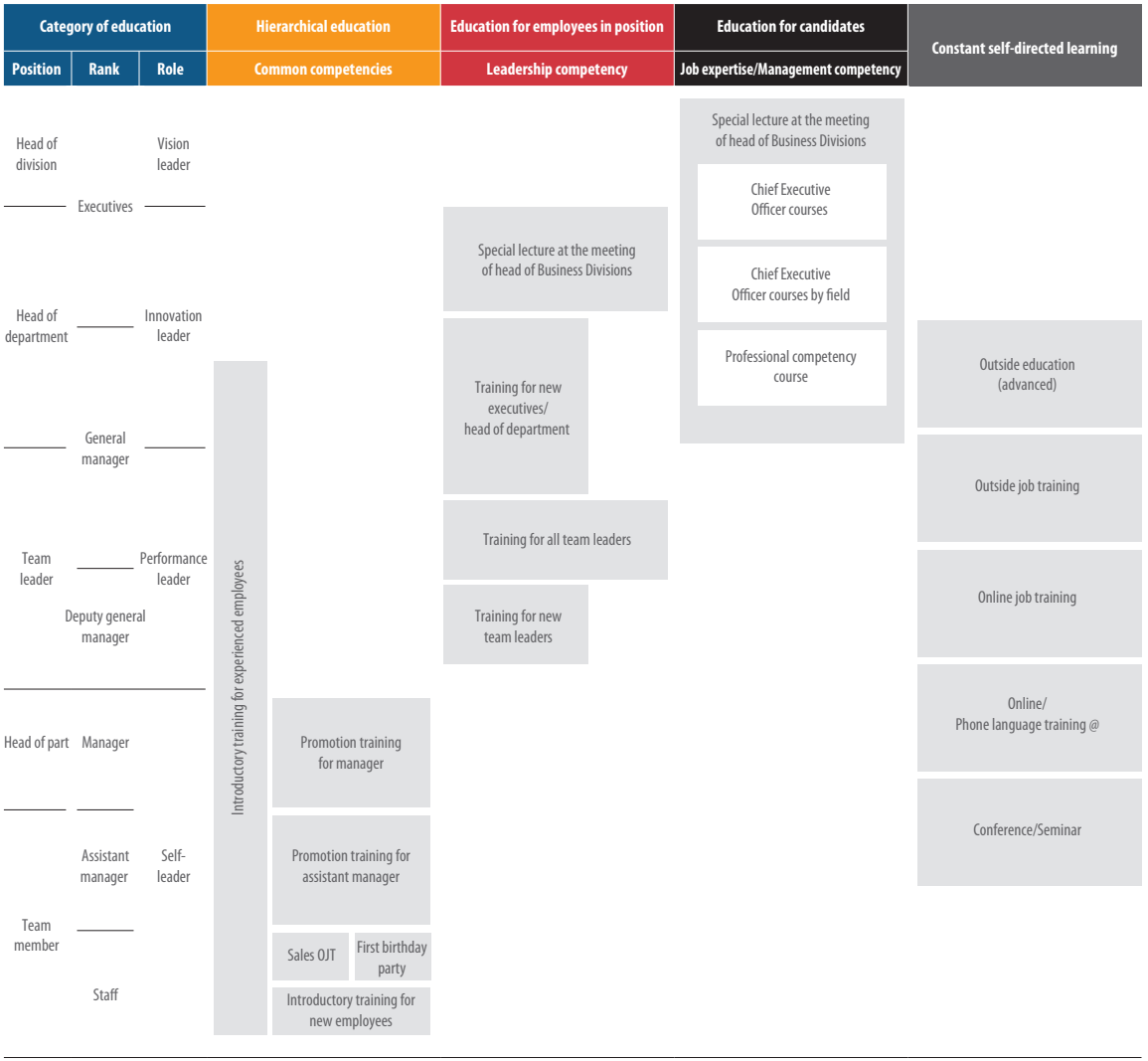
Human Resources Development Strategy

Hanssem conducts education tailored to each rank and position, considering its fundamental philosophy of human resource development that "All human resources have the qualities and capabilities to be nurtured as the management" as the core value.

All employees should set up a PP for performance management. For "Hanssem PP," employees should establish indicators from the three perspectives of financial performance, customer satisfaction, and human resource development, and set performance goals in three stages of S, A, and B.

The PP is established at the beginning of each quarter through agreement with the team leader and the head of division, and at the end of each quarter, the performance is reflected in the personnel evaluation based on the evaluation of PP. Employees who have recorded outstanding PP achievement are rewarded with incentive and commendation for outstanding employees on the quarterly and monthly basis to boost their morale.

Education system: Education framework



Human Resource Development

Human Resource Development Program

Education by Rank

Hanssem defines the role of a leader by position and rank, and conducts training to develop competencies of the leaders. From 2019, we have expanded the training for leader candidates in each team centered on 214 team leader candidates through a total of three sessions.

In addition, we are actively supporting them to participate in external training courses and conferences so that they can quickly adapt to rapidly changing trends.

Education by Position

Hanssem provides systematic training through a step-by-step human resource development program. First of all, introductory training for new employees helps new employees to understand the history, the present, future directions, and the core values of Hanssem. In particular, the management, from the top management to the heads of each Business Division, gives lectures and participates in training for new employees. New employees who have completed introductory training are provided with sales OJT training so that they can directly experience Hanssem's customer satisfaction process and enhance their understanding of the business.

If an employee is promoted to the assistant manager after four years, we encourage the employees to challenge to become the management by making the employee set future roadmaps and participate in training for those who are promoted, as a middle manager and a top expert in the job. This allows us to build a network between each Business Division and create synergy through communication. If the employee is promoted from assistant manager to manager, the employee will be provided with promotion training, which is a full-fledged process to become a team leader, and he/she go through the process of securing leadership as a team leader.

Global-Competence Reinforcement Education

Hanssem provides online foreign language training every month for employees who will join its efforts to advance to become a global company. As a Hanssem employee, anyone can apply for the course, and the company supports them to more actively strengthen their global capabilities.by managing the attendance status of employees who have applied for training.

In particular, we are supporting various types of training programs to help employees who have duties that frequently use foreign languages strengthen their work competencies effectively, such as online as well as phone foreign language and offline classes.

Retirement Support Program

Since 2019, Hanssem has been operating a program to support start-ups for retired sales staff (Territory Representative: TR) affiliated with Hanssem Rehaus Business Division. Employees who have worked for more than two years as a TR at the Rehaus are subject to the program. Even if the employee does not own a private store, he/she can open and operate Rehaus agencies or work as sales staff in a standard store operated by Hanssem for win-win cooperation. In addition, when running agency, we are supporting the independence of retirees through various motivational systems such as discount of exhibition furniture, support for recruitment and training of RD (Rehaus Designer) to help them to stand on their own.

Infrastructure Expansion for Online Education

Hanssem has been improving and expanding its online education infrastructure for non-face-to-face education due to the COVID-19 pandemic. Hanssem has integrated online education sites that had been scattered across each site, and built and introduced an integrated online education site in June 2020.

In particular, by integrating online education site at this time, we have secured a platform for not only all Hanssem employees, but also all employees who have grown with Hanssem to be trained in the same environment. Hanssem plans to continue building an infrastructure that can replace offline training with online education as necessary. At the same time, we plan to enhance the quality of educational contents, and expand and operate the online education infrastructure so that all employees and partners can easily and friendly access to education and develop their competencies.

Education-Competency Performance Evaluation

Hanssem evaluates educational performance in two ways in order to supplement and develop it into an effective educational program that is helpful in the fields. Firstly, we are evaluating the education satisfaction, which evaluates the quality of instructors, educational contents, and its operation in order to evaluate and improve it. As of 2019, Hanssem's education satisfaction rating is 9.3 points out of 10 on average, indicating high satisfaction level.

The second indicator is the evaluation of education recommendation, a survey conceived and conducted by NPS, a customer satisfaction survey company. Through the evaluation of education recommendation, employees diagnose whether the education has been of practical help to their work and whether they are willing to recommend it to their colleagues.

Safety and Health

Safety and Health Management System

Safety and Health Risk Management

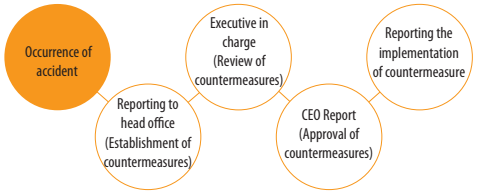
Hanssem has established, inspected, and managed preemptive management and prompt reporting and action systems with the highest priority on preventing safety and health risks at the business sites. Through the business site risk factor management process, safety management agency (safety, health) and departments in charge conduct self-inspections on all business sites (87 sites) every month, and inspection matters and results of action taken are discussed at the regular meetings of the Occupational Safety and Health Committee every month. After that, at the next meeting, we check whether measures have been taken for the issues pointed out in the previous month, the management status, and we reflect the risk factors in the annual risk assessment to manage them.

In particular, when a dangerous issues or potential risk factors are detected, or when a risk of causing a potential injury or disease is found, we suspend the work and report it to the supervisor and the department designated to the business site (anonymous report if necessary), consider and take action for improvement. Starting work is prohibited until the improvement is made.

Investigation Process related to Occupational Safety



Management Reporting System



※ Window for report (Common): The Voice of the Heart (anonymous), messenger and mail through intranet

Safety and Health Rules

Hanssem has enacted safety and health management regulations to improve the quality of life of workers and to maintain and enhance safety and health.

Establishment of Safety and Health Management Regulations

1. Matters concerning the safety and health management organization and duties
2. Matters concerning safety and health education
3. Matters concerning the safety management of the workplace
4. Matters concerning health management in the workplace;
5. Matters concerning investigation on accident and establishment of countermeasures
6. Other matters concerning safety and health

Operation of Occupational Safety and Health Committee

Hanssem operates the Occupational Safety and Health Committee for successful enforcement of the Industrial Safety and Health Act and accident prevention, and the Committee conducts safety and health improvement activities through deliberation and resolution on safety and health issues.

Composition of Committee	• Chairman: Choi Choel-jin, Managing Director • Members: Employees' representative, nine members appointed by the employees' representative, safety manager, health manager, nine members appointed by the representative
Committee Meeting Cycle	• Once a month

Main Content

1. Matters concerning the establishment of an industrial accident prevention plan for a business site
2. Matters concerning the preparation and change of safety and health management regulations
3. Matters concerning education on safety and health
4. Matters concerning the inspection and improvement of the working environment, such as measurement of the working environment
5. Matters concerning health management, such as medical checkup of workers
6. Other matters necessary to maintain and improve the safety and health of workers at the relevant business site

Operation of the Safety and Health Council for Subcontract

Hanssem has established and operated a the Safety and Health Council for Subcontract centering on the Logistics Business Division to prevent and improve safety and health risks in the logistics subcontractors according to the Industrial Safety and Health Act. In particular, in 2021, we plan to reinforce safety and health accident risk-prevention policies customized to the characteristics of each business site by deploying management experts from relevant sector in each business site, such as safety and health.

Composition of Committee	• Chairperson: Manager in charge of safety and health at a business site • Members: Contractors and subcontractors
Committee Meeting Cycle	• Once a month

Main Contents

1. Determining work start time
2. How to communicate between jobs or workplaces
3. How to evacuate when there is a risk of disaster
4. Matters concerning the implementation of risk assessment at the workplace pursuant to Article 36 of the Act
5. Coordination of communication methods and work processes between the employer and the contractor or between the contractors

Safety and Health

Strengthening Safety and Health

Promoting a Safety and Health Culture

Hanssem and its employees are striving to ensure smooth enforcement of Korea's Occupational Safety and Health Act, the prevention of industrial accidents, and the creation of a pleasant and good work environment. To this end, the company established a safety and health management goal with the goal of achieving "zero safety accidents" in 2019, and we adopted an autonomous safety-inspection system for each business site to raise the level of safety awareness of employees, led by the person in charge of safety and health.

In 2020, we established an accident prevention system with the assistance of a consulting service provided by a professional agency. In addition to this, we took active steps to improve our ability to respond to accidents by improving our emergency response capabilities in order to minimize damage by quickly responding to accidents that may occur.

Strategies and Systems to Promote the Culture of Safety and Health

1. Managing safety inspection at all business sites
2. Sharing inspection results and reporting on actions taken with business sites
3. Conducting and opening collective education at headquarters for managers and supervisors
4. Establishing a reward and punishment system for safety activities at business sites

Autonomous Safety Inspections at Business Sites

In 2019, Hanssem established an Autonomous Safety Inspection System for business sites, and focused its efforts on raising the level of safety awareness of persons in charge of safety and health at each business site. In 2020, we established an accident prevention system with the assistance of a consulting service provided by a professional agency.

With the development of the Autonomous Safety Inspection System for business sites in 2019, each business site registers its autonomous safety inspection results. Under the Autonomous Safety Inspection System, each business site checks 77 autonomous safety inspection items on a daily/weekly/monthly/quarterly basis, led by a person in charge of safety and health appointed by each business site. By setting a goal of preventing safety accidents as a priority, any risk factor detected during the inspection is immediately improved and corrected.

Since April 2020, Hanssem has conducted a full inspection through an external agency to further strengthen the safety inspection at its business sites.

Autonomous Safety Inspection for Business Sites

1. Preparing and managing daily safety checklists at the business sites
2. Holding safety-awareness meetings before starting work (TBM activity)



Inspection by Professional Safety and Health Agency

Hanssem conducts business site safety inspections once or twice per month through a consulting service supplied by a professional safety and health agency, and takes countermeasures to improve the detected risk factors according to the advice of experts.

Inspections by a Professional Agency

1. Safety Inspection – Institute for Health and Safety (SHAI)

→ Inspecting 87 business sites

→ Conducting inspection once per month (81 business sites)

→ Conducting inspection twice per month (6 business sites)

2. Health Inspection – Jeonghae Institute of Occupational Health, Training Center

→ Conducting inspection once per month (6 business sites)

Risk Assessment (Precise safety diagnosis)

In particular, Hanssem conducts a risk assessment through a professional safety and health agency once per year for important business sites* and prepares and manages a risk assessment report. This allows us to take measures to prevent safety accidents according to the occurrence probability and seriousness and improve safety and health.

In addition, we operate a hearing-protection program to prevent health disorders among our employees working at business sites with high risk of noise generation, such as manufacturing plants. We measure the noise levels of machinery and equipment on a regular basis and take measures such as installing sound absorbing devices and improving facilities. We minimize the risks of hearing loss of employees, and increase satisfaction with the working environment by improving the efficiency of the equipment through tightened inspection of hearing protection equipment.

Safety and Health

Furthermore, we are applying a Clean Cool Supply System that can quickly discharge the accumulated high-temperature air in order to prevent febrile diseases and maintain pleasant air quality at business sites.

* Important business sites: Manufacturing and logistics CDC, flagship stores, office buildings, etc.

Logistics Equipment Safety Management Guidelines

Hanssem operates safety guidelines that apply reinforced safety beyond the legal safety guidelines for logistics equipment. The company produces and distributes the guidelines, conducts monthly safety inspections, and tracks and manages the findings and results of action taken.

In particular, the work environment safety for forklifts, which have a high risk of serious accidents, is specially managed. In this regard, Hanssem has developed a mobile safety inspection system for forklifts, and conducted maintenance based on the system linked to mechanical equipment.

Special Management for Prevention of Serious Forklift Accidents
- Mobile safety inspection system for forklift

1. Maintenance based on data linked to the mechanisms
2. Application of safety guidelines that are stronger than legal guidelines to all forklifts (Speed limiter, visual alarm, etc.)
3. Regular special safety and health education for forklift operators

Safety Education and Training

Hanssem provides education and training for employees of its partners in manufacturing and logistics companies, and affiliate companies with various safety and health education contents. We have developed field-oriented contents such as 10-minute safety and health education and VR safety and health education to prevent safety accidents.





Employee safety and health status

Category	Unit	2018	2019	2020
Number of incidents of occupational injuries	Case (%)	20	10	10
Number and incidence of deaths due to work-related accidents	Case (%)	0	0	0
Occupational Illness Frequency Rate (OIFR)*	%	0	0	0
Number of deaths resulting from work-related diseases	Persons	0	0	0
Loss Time Injuries Frequency Rate (LTIFR)*	%	3	2	2
No. of loss time cases	Cases	20	10	10
Total working hours	Hours	5,697,720	5,007,184	5,009,960
Number of employees subscribed to Workmen's Accident Compensation Insurance	Persons	2,902	2,532	2,495

* Formula: Cases/200,000 work hours

Safety Education Course

1. Regular safety education: Three hours or more per each quarter (online)
2. Education when hiring: Eight hours training (to be provided when hiring)
3. Education when changing job sheet: Two hours or more (upon occurrence)
4. Special safety education: 2 hours or more (upon occurrence)
5. Basic safety training for construction industry: Four hours or more (upon occurrence)
6. Education for supervisor: 16 hours per year

Safety Education Courses

Hanssem provides regular health checkups, psychological health support, and theme-specific campaigns such as safety/health/firefighting, and consulting from professional agencies to upgrade alert level against and raise awareness of safety and health of employees by improving responsiveness and building capacities.

In particular, we support a health checkup for all employees once per year and operate an in-house counseling program for psychological health of employees. Between 2019 and the first half of 2020, training was not conducted due to the COVID-19 pandemic, but from the second half of 2020, we resumed and periodically conducted safety/health/firefighting training once per quarter.

Operating Emergency Response System

Hanssem has set up a list of first responders among the relevant departments, and established an emergency response operation process regarding reporting to and roles of those in charge and the management in preparation for safety and health-related emergencies such as fire and various disasters. In normal times, emergency response training is conducted to improve the employees' accident response ability. Upon the occurrence of accidents, emergency measures are taken following the emergency response training and reports are made to the headquarters, executives in charge, and management according to the list of first responders established in advance. Thereafter, investigations are conducted on the disaster, followed by the establishment and implementation of countermeasures, and establishment of plans to prevent recurrence.

In 2021, Hanssem is producing an emergency response system operation manual with such contents, and we plan to use it to strengthen our employees' safety and health emergency response capabilities.

Response to COVID-19

COVID-19 Response Strategies

In March 2020, the damage caused by the COVID-19 pandemic increased significantly, and mainly in Daegu and Gyeongsangbuk-do. Hanssem donated KRW 1 billion for emergency aid related to COVID-19 and reduced 100% of agency rent for win-win type standard stores in Daegu and Gyeongsangbuk-do, and 50% in other areas. In addition, we organized an emergency logistics support group to support the transportation of relief supplies. This was our social contribution utilizing our logistics infrastructure established in the local community.

Hotline for COVID-19

The COVID-19 pandemic, which has devastated the world, has restricted social and economic activities and caused enormous damage. Hanssem has provided various kinds of support at the company level to protect employees, consumers and local communities. Hanssem strives to establish countermeasures to prevent the spread of COVID-19 while holding meetings to respond to COVID-19, and operating a hotline for departments in charge of COVID-19 responses.

Measures to Protect Employees from the COVID-19 Pandemic

Hanssem takes measures to block the inflow and spread of COVID-19 disease in business sites and stores in order to protect the health of its employees. In addition to periodic disinfection of business sites and flagship stores run by the headquarters, Hanssem supports quarantine of road shops of agencies in line with the social distancing level and always traces the movement of and contact with COVID-19 patients and installed partitions in the conference rooms and education centers so that the employees and visitors can feel safe. In addition, we have implemented preemptive measures to prevent transmission including body temperature checks for employees and visitors visiting and leaving the premises, and stores; restrictions on going in and out from the office buildings; making the wearing of masks obligatory for all employees while working; and the provision of masks to customer- service employees and employees who are in frequent contact with external stakeholders. In addition, we restricted overseas business trips for employees and supported the costs of returning to their home, and self-quarantine for expatriates and their families. Moreover, we are supporting preemptive test and quarantine measures as soon as employees and their family members show any symptoms or the possibility of contact with COVID-19 patients are confirmed. The company has strived to create business sites where not only a person concerned but also his/her colleagues can work safely by allowing the person to take official holidays or to work at home. In particular, as part of the efforts to respond to COVID-19, we introduced a system that manages time and attendance and supports video conferencing and telecommuting, and expanded online education in line with the social distancing levels, which have drawn public attention.

COVID-19 Response Activities



The "Hanssem Emergency Logistics Support Group" composed of 10 construction engineers of Hanssem urgently transported relief supplies collected at "Daegu Stadium" from all over the country to local hospitals, public health centers, and community treatment centers.



We have delivered 140 COVID-19 kits to single-parent families in Mapo-gu and the Dawon Girls Baseball Team, which has suspended its activities due to the COVID-19 pandemic. The kits donated consist of pot sets, tumblers, containers, masks, and other daily necessities produced by Hanssem.



Hanssem donated a total of 1,230 items, including comforter sets, pads, and blankets, to provide on-site supplies for firefighters. In addition, we provided 500 liters of disinfectant for outdoor disinfection, which was not easy to procure.



The social disparities in creating safe residential spaces have widened considerably due to the prolonged COVID-19 pandemic. Hanssem supported the quarantine centering on bases such as Holt Children's Service Inc. and Eastern Social Welfare Society, which are centers for the underprivileged.

Work-Life Balance

Labor-Management Culture of Trust

Hanssem's Labor-Management Culture

Hanssem seeks to become a brand loved and admired by consumers by breaking down the barriers among peers in the company by creating "a place to work." To this end, we have established the "Hanssem Human Rights and Labor Management Declaration" based on the UN's Universal Declaration on Human Rights (UDHR), and the International Labor Organization (ILO).

The "Hanssem Human Rights and Labor Management Declaration" stipulates the protection of basic labor rights of employees, prohibition of discrimination in any form, and respect for diversity.

Operating Labor-Management Council

Important agendas for employees who have not joined the trade union are deliberated and resolved through a labor-management council once per quarter. Employees' representatives of the Labor-Management Council are elected through direct and secret voting to secure representation. The employees' representatives consist of three persons, who meet various members on site every month to actively listen to grievances and receive suggestions from the employees. Grievances and suggestions received through such consultations are submitted to the labor-management council once per quarter to be handled as major agenda items and are actively reflected when introducing systems or establishing policies of the company.

Union Membership Status

The current labor union of Hanssem was established in 1980 (Union representative: Lee Seong-young) and it has been affiliated with the Metal Employees Union under the Federation of Korean Trade Unions (FKTU). We sign a collective agreement related to the welfare of union members once every two years and a wage agreement once per year. Hanssem has not experienced labor strikes in its business sites that have remained free of disputes, and has amicably concluded agreements through mutually respecting negotiation by making concessions to each other. As of December 31, 2020, the total number of employees of Hanssem is 2,479, of which 230 plant employees or about 9.3% are subject to the collective agreement.



Work-Life Balance

Changes in the Ways We Work

Pursuing Work-Life Balance

Hanssem had introduced and operated a working system that is suitable for the work environment of each job. Indoor service employees can use the selective working hour system which allows employees to arbitrarily determine their commuting time according to their respective workstyle and lifestyle. The employees can flexibly start and end work within the standard working time range from 8:00 to 10:00, and from 15:00 to 17:00. If the employees only meet the requirement of the six-hour general working hours per day, the employees can freely adjust the remaining time according to their work schedule.

Store sales staff can use flexible working hours and the flexi-time work system to flexibly respond to business issues such as the main customer visiting hours of the day and customer concentration during peak seasons of the store, while minimizing the total working hours so that each employee can strike a balance between work and personal life in a harmonious way. Outdoor service employees are subject to the deemed working hour system and on-site commute system. As we apply the working hour system suitable for outdoor service, where it is difficult for employees to accurately calculate all or part of their working time or manage the work on holidays due to the nature of works to the on-site work, employees can minimize unnecessary return to the office and use their time efficiently, and can also adjust work hours at their discretion.

Family-Friendly Management

Hanssem actively promotes and supports various systems to establish the nation's highest level of maternity protection system and nurture a family-friendly corporate culture. We award welfare points to both male and female employees to celebrate pregnancy, and female employees can enjoy two hours of reduced work per day (six hours work per day) during the entire period of pregnancy without any wage deduction.

Since the beginning of 2020 when the urgent situation arose due to the outbreak of COVID-19, we have allowed the expectant female employees to work from home, placing top priority on the protection of the health of expectant women and their fetuses. In addition, all Hanssem employees are entitled to use one additional year of parental leave in addition to the legal parental leave period, and they are supported through the reduced working hours system and family care leave system. Hanssem Sangam and Bangbae office buildings operate an in-house daycare center to provide high-quality childcare service and education to the children of employees.

Communication with Employees

We are operating diverse types of communication channels (both top-down and bottom-up) for smooth communication with our employees, and we plan to expand it to horizontal communication channels. Top-down communication utilizes the in-house intranet system to provide information on best performance cases, the company's major issues, and important events every month, so that employees can better understand the company's policies. Bottom-up communication operates a total of three channels, classified according to characteristics, such as online/offline and anonymous/real name.

First is "Hotline," a channel where employees can anonymously suggest opinions and receive quick feedback through the intranet, and second is "Voice of the Heart," an anonymous channel installed in the restrooms of major offices and stores to eliminate the anxiety of personal disclosure, and the last channel is "Good Workplace Council," a channel that selects representatives of each department to collect feedback from employees, such as colleagues, and deliver their opinions to the company. Since 2018, Good Workplace Council has selected and operated 10 to 40 employees with excellent communication skills for each department every year, and held a regular monthly meeting to discuss major issues. As such, the Good Workplace Council is used as main channel to collect opinion from employees.



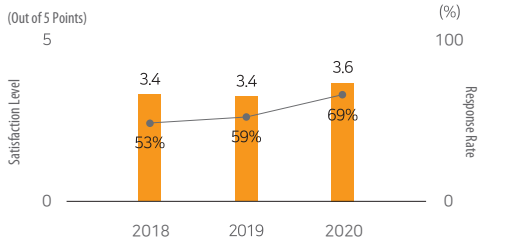
Good Workplace Council

Promoting Corporate Culture

Hanssem has established and operated the Corporate Culture Committee directly under the supervision of the CEO, which consists of HR innovation, gender equality, and mutual growth subcommittees in order to improve corporate culture and build a corporate culture of mutual respect. The Corporate Culture Committee, which has been in operation since November 2017, is composed of six external advisors, three employees' representatives, and three subcommittee chairpersons, and it has strived to build and improve the system based on the balanced viewpoint of the labor and management as well as the external experts. Publication of the Gender Sensitivity Manual is the representative achievement of the Committee.

In addition, since 2015, Hanssem has conducted an organizational culture diagnosis to check the overall HR system, gender equality, communication, and leadership at least once per year in order to improve the organizational culture. This will enable us to not only introduce a system that reflects the opinions of employees, but also verify the effectiveness and satisfaction resulting from the system's introduction. For example, we have improved our organizational culture satisfaction score from 3.4 points in 2019, to 3.6 points in 2020 — thanks to the in-house messenger, which has been created to promote internal communication and to separate work and life after work, which has been consistently suggested.

Corporate Culture Diagnosis Satisfaction Level



Work-life Balance

Employee Welfare

Employee Health Management

Hanssem provides support for general health checkups every year through a specialized medical center for the health management of its employees. We strive to protect the right to health of our employees by classifying the health checkup service level (assistant manager or below; manager or higher) in consideration of age and years of service. In addition, we encourage employees to lead a healthy life by arranging monthly meetings with medical staff for employees with special health problems identified through health checkups, etc.

In addition, in order to reduce the burden of additional medical expenses, we are partially supporting the annual incomes of employees and their immediate family members for medical expenses incurred in emergency situations such as surgery, hospitalization, and visiting emergency rooms, through the employee association.





Welfare Program

Flexible Benefit Plan

Since 2014, Hanssem has been operating the welfare point system, a Cafeteria Benefits Plan. The welfare point system reflects the increasingly diversified demands of employees and allows employees to use the points for various welfare programs they need — such as physical training, school expenses, medical expenses, and use of resorts.

The welfare points granted can be used like cash on the Internet, and upon issuance of a specific card, the employees can freely use the points in all offline stores except for restricted industries.

Status of Welfare Point Issuance and Usage Over Three Years

Category	2018	2019	2020
Number of	32,385	10,498	9,500
Allocated points (Unit: 100 million points) cases where welfare points were allocated	28	26	24
Number of uses	58,270	60,369	59,335
Usage Amount (Unit: KRW 100 million)	27	26	23

※ Allocation: Total sum of welfare points paid once per quarter per employee

※ Number of uses: Converting the total welfare points used in the current year into an amount of money (1 point = KRW 1)

In-house Clubs

Hanssem started to support in-house club activities in earnest from 2015 as part of employee benefits. The club system was adopted for the purpose of strengthening communication through networking among employees of various departments in the company and supporting the healthy leisure activities of employees. As of 2021, about 50 clubs that meet the diverse needs of our employees including ball sports such as soccer/basketball/baseball/tennis as well as flower arranging, chorus, volunteer activities and handcrafts are registered throughout the company.

In addition to the club day designated on the second Friday of every month, employees can participate in the club activities at all times of the month, and the company supports the budget of the clubs in proportion to the number of active members each month to instill a club activity culture in the company. After the outbreak of the COVID-19 pandemic, which started in 2020, Hanssem supports the non-face-to-face club activities using video and video conferencing channels, thereby continuously supporting employees' internal communication and healthy leisure life.



Club Sports Event in 2019

Support for Tuition, Childcare Expenses and Condolences Money

Employees with children are provided with a small amount of tuition for their children every quarter. Employees receive support for the portion of tuition fees required for child rearing and schooling for the entire educational life cycle, from elementary school to college.

Employees who are taking care of infants and children before entering elementary school are paid childcare expenses of KRW 100,000 per child per month for the period from childbirth to the year before entering elementary school. In addition, Hanssem provides congratulations money, items, flowers, and leave allowances for employees' marriage, childbirth, training, and condolences. With respect to the congratulation and condolence money, in addition to the amount provided by the company, we additionally operate a mutual aid-type social support system for employees who have joined the employee association.

02 SOCIAL

Win-win Management

- Mutual Growth with Partners
- Sustainable Supply Chain



MANAGEMENT APPROACH

CONTEXT

Sustainable growth is influenced by mutual growth with various partners. Hanssem is establishing cooperative relationships with various stakeholders — from vendors, to logistics and construction companies, and distributors — based on the total home interior manufacturing and distribution business. Recognizing that win-win management with partners is essential to develop into a global company beyond being Korea's No. 1 furniture manufacturer, we established the Win-Win Growth Team in March 2017. The Win-Win Growth Team was reorganized as an organization under the Ethics Management Office (formerly Audit Office) to ensure the independence of work, and we are playing the role that we can fulfill from an objective point of view for win-win growth with partners regardless of sales, and profit and loss.

2020 KEY PERFORMANCE

Organized by Fair Trade Commission in 2020

"Superior" grade | **Evaluation on Implementation of Fair Trade Agreement**

Organized by Korea Commission for Corporate Partnership in 2020

"Superior" grade | **Comprehensive Evaluation of Win-Win Index**

Rise by two grades year on year

+Second grade

OUR STRATEGY

Hanssem monitors whether the Purchasing Team complies with the Subcontracting Act on a monthly basis, such as conclusion of written documents and unreasonable reduction in price. Upon detecting any violations, we prepare an accident report or propose disciplinary actions according to the complementary measures and severity of violation. In addition, we hold a subcontracting deliberation committee meeting every month and report related matters on the selection of new partners, suspension of transactions, adjustment of delivery unit price, and the results of written inspections.

NEXT PLAN

- Organized by Fair Trade Commission in 2021: Evaluation on Implementation of Fair Trade Agreement– "Best" grade
- Organized by Korea Commission for Corporate Partnership in 2021: Comprehensive Evaluation of Wi-win Index – "Best" grade

Mutual Growth with Partners

Mutual growth Implementation System

Status of Hanssem Partners

Partners of Hanssem are largely divided into purchasing vendors, which are supply chains, and agencies that are distribution networks. Purchasing vendors can be mainly divided into kitchen (equipment), interior (household goods), building materials (bath, flooring, door, window, lighting, wallpaper), B2B, and other companies (processing, etc.), and Hanssem has about 600 major vendors.
Agencies, which are the distribution networks, can be largely divided into Rehaus, Kitchen, and interior agencies, and the number of agencies is about 800. As such, Hanssem has been closely cooperating with various partners in various fields and is continuously growing based on this.

Mutual Growth Policy

Hanssem is conducting the following duties for win-win management with partners.

① Establishing the Four Agendas of Fair Trade recommended by the Fair Trade Commission
② Checking observation of payment deadline, violation of Subcontracting Act, and compliance with the contract
③ Reporting major items to be checked to Deliberation Committee for Subcontract Transactions
④ Reviewing special instructions of the chairperson of Deliberation Committee for Subcontract Transactions
⑤ Education the person in charge of purchase on Four Agenda of Fair Trade recommended by the Fair Trade Commission, Subcontracting Act, and unfair practices, etc.
⑥ Collecting feedback from partners (VOC, survey, etc.)
⑦ Operating a win-win fund with a total amount of KRW 28 billion
⑧ Carrying out overall matters for win-win cooperation with other partners

Department in Charge of Mutual Growth

The Ethics Management Office (formerly Audit Office) consists of the Mutual Growth Department, ESG Department, Internal Accounting Management Department, Compliance Team, and Management Diagnosis Team, mainly supporting the subcontractors and handling works for win-win.
After the Mutual Growth Team was established in March 2017, the name of the team was changed to the Mutual Growth Department which is directly under the supervision of the Ethics Management Office, following the organizational reorganization in June 2021. The Mutual Growth Department first checks compliance with related laws such as the Subcontracting Act to protect our partners, and strives to communicate with partners by visiting them and listening to their difficulties and suggestions.

Win-Win Index

Since 2017, Hanssem has been evaluated for implementation of a fair trade agreement by the Fair Trade Commission and a comprehensive win-win index by the Korea Commission for Corporate Partnership. To this end, a Mutual Growth Team was established, and the head of the Ethics Management Office was evaluated for his/her performance after being designated as an officer in charge.



Mutual Growth with Partners

The evaluation score has been raised every year, and in 2020, the Team received "Best" grades from both organizations. Currently, we have signed fair trade agreements with more than 100 first-tier suppliers, and we are striving to protect our suppliers and partners by incorporating provisions on compliance with the Four Agenda of Fair Trade, conclusion and implementation of fair agreement, prevention of violations of laws and compliance with the laws in the fair trade agreement.



Program to Strengthen and Support Partners' Competitiveness

Financial Support for Partners

Operating the Win-Win Fund

Hanssem is operating the Win-Win Fund, which allows its partners to obtain loans at lower interest rates than existing loans in order to support the smooth cash flow of partners. We operated Win-Win Funds 1 and 2 with a total of KRW 18 billion in cooperation with IBK.

In 2020, we have launched and operated a new Win-Win Fund 3 worth KRW 10 billion through cooperation with Hana Bank in order to expand and strengthen support for our partners who are experiencing financial difficulties due to the COVID-19 pandemic

Win-Win Fund Operation Status (as of December 31, 2020)

Category	Win-Win Fund 1	Win-Win Fund 2	Win-Win Fund 3
Target	Purchase	Agency	Purchase
Total amount in operation (Contribution amount)	KRW 15 billion	KRW 3 billion	KRW 10 billion
Benefits	Lowered loan interest rate	Lowered loan interest rate	Lowered loan interest rate
Use	25 companies	19 companies	New in 2020
Usage amount	KRW 12 billion	KRW 730 million	New in 2020

Operating Win-Win Payment System

The win-win payment system is a system that allows subcontractors to cash out early on the credit of large corporations even before the settlement date, while being paid the money on the settlement date pre-determined. In particular, as the bank cannot exercise its right to claim reimbursement against the trading company, the subcontractors can be guaranteed the stability of payment collection regardless of the bankruptcy or management deterioration of companies in higher positions.

Hanssem signed an agreement with Shinhan Bank in 2020 to introduce the win-win payment system, and now Hanssem applies the win-win payment system to the second-tier suppliers as well as the first-tier suppliers.

Contributing Investment for Mutual Growth

As the Enforcement Decree of the Industrial Accident Compensation Insurance Act was amended in July 2018, the agencies were obliged to purchase industrial accident insurance for the entire construction regardless of size of construction amount. In this regard, Hanssem provides support for agencies to purchase insurance through contributions to the Large, Medium and Small Enterprises and Agriculture and Fishery Cooperation Foundation to encourage agencies to purchase insurance and to alleviate their economic burden.

Considering difficulties of agencies in directly reporting the insurance, such as cost, we have adopted a support system so that agencies can be advised by two labor law firms. In June 2020, we completed the reimbursement of employment and industrial accident insurance premium paid by the agencies in 2019.

To this end, we donated KRW 800 million to the Large, Medium and Small Enterprises and Agricultural and Fishery Cooperation Foundation in 2020, and we plan to donate KRW 1 billion in order to continue to support agents for purchasing insurance.

Supporting Partners for Employee Benefits

We support our partners to use the same promotional products operated by Phoenix Hotels & Resorts for Hanssem employees.

Support for Partners' Technology/Consulting

Hanssem provides technical consulting support for quality/material/construction engineering methods to partners based on KOLAS-accredited technology and the testing facilities of Hanssem Life Environment Technology Research Center. In 2020, we supported toxic substance analysis worth KRW 50 million and research lab personnel to partners in a total of 35 cases and made an average of 23% improvement.

In addition, we analyze, distribute and educate the enacted and revised contents of various regulatory items every month to make partners maintain the product quality management system.

Mutual Growth with Partners

Support for Partners' Education and Management

Hanssem provides direct and indirect support for the smooth management of its partners for win-win growth together with them.

① Upon request of partners, we provide advance payment after going through the internal deliberation. In particular, in 2020, partners were often under financial hardship due to the COVID-19 pandemic, so we provided a total of KRW 1.9 billion in advance payment to seven partners.

② We are providing support for partners to strengthen their technological capabilities utilizing our manpower and know-how. Hanssem Life Environment Technology Research Center visits partners to provide consulting for continuous quality improvement, and supports testing before releasing the products at its own laboratory.

* We have provided ethics and human rights education such as education on labor issues, subcontract and win-win payment system, fair technology and protection, education to improve consumers' awareness of safety, and gender sensitivity until 2019, but in 2020, the education was not provided due to COVID-19.

Support for Win-Win with Agencies, Small Businesses and Consumers

Hanssem operates a win-win support system for agencies for the purposes of supporting their growth and establishing a fair trade culture.

We reduced the burden of fee payment of more than half Rehaus stores by converting the commission policy to "fixed fee" system at 26 large stores for win-win growth. In addition, we have expanded the support for startup agencies and established the new Agency Complaint Center.

For win-win growth with small business owners, we support the small business owners to sell their products on our online mall, Hanssem Mall, and we plan to expand our investments to help small business transform into digital. In addition, we exempt small business owners' fees when entering our mall and support their digital transformation.

In accordance with our corporate philosophy of putting customer satisfaction first, we value prompt complaint handling and prevention of recurrence. To this end, in January 2020, we established a dedicated organization, the Consumer Protection Office. From 2021, we are operating the new "Consumer Zero-Complaints Deliberation Committee" to strengthen the response system.

Best Practices

SMEs

System to Strengthen Win-Win Cooperation

- **"Startup Agency Support System" - Support for commercialization for agency owners in the early stage**

  10% of the quota for each large store and win-win store are allocated to the startup agency owners, and support is provided for 50% of the commission.

- **Agency Complaint Center**

  A window is established on the Hanssem's corporate website to receive reports and provide prompt relief for damages incurred by agencies due to the unfair acts.

- **Consumer Zero-Complaints Deliberation Committee**

  A consultative body in which the head of each Business Division such as purchasing, development, construction, and manufacturing gathers together led by the Consumer Protection Office, an organization dedicated to customer satisfaction, to discuss the causes of customer complaints and measures to prevent recurrence.

Best Practices

Expanding Cooperative Win-Win Stores of Large Distributors

(KB, Rehaus, etc.)

- **Expansion of Rehouse win-win large stores***
  - Number of win-win large stores as of 2020 nationwide: 26 stores
  - Opening Giheung Living Power Center, Homeplus Cheonan branch, and store in Anseong Starfield 2020
  - Planning to have 50 standard stores opened in complex distribution mall nationwide by the second half of 2021
  - Expanding interaction with customers at the home interior stores where customers can experience shopping and new lifestyle by expanding collaboration stores with retailers such as department stores and marts in Seoul/Metropolitan areas and regional bases.

- **Win-Win Large Stores specializing in Kitchen & Bath (KB)***
  - Expanding collaboration with large retailers such as Lotte Mall and Homeplus
  - Hanssem Kitchen & Bath at Lotte Mall Eunpyeong Branch, Hanssem Kitchen & Bath Special Hall at Lotte Mart Gwanggyo Branch, Hanssem Kitchen & Bath Homeplus at Centum City Branch, etc., in 2020
  - Expanding stores to Lotte Department Store Pohang Branch, Yeongdeungpo Branch, Busan Lotte Gwangbok Branch, etc. in 2021.

* Win-Win Large Store: a representative win-win system of Hanssem in which the headquarters directly rent a large store to allow customers to experience furniture and interiors, supporting agency owners to conduct business activities.



Mutual Growth with Partners

Communication with Partners

Process of Handling Partners' Grievance

Hanssem operates various channels for communication with its partners.

① We conduct a survey on the overall transaction relationships of the previous year once per year. The survey results are accumulated annually to analyze improved and insufficient items, and reflect them in our future mutual growth business plans.

② We conduct VOC (Voice of Customer) for 30~50 partners every year. We listen directly to partners' difficulties and suggestions, which are difficult to understand over the phone or in writing, and come up with measures to improve in consultation with the relevant departments. This has enabled us to come up with practical support plans through direct communication, such as proposing a win-win fund operated by Hanssem to our partners who have had difficulties in management due to cost burdens and currency fluctuations.

③ When a partner wants to suggest its opinion anonymously, the partner can use the Cyber Audit Office on the website of "Hanssem.com." Partners who are aware of our employees' unjust actions, unfair business practices, and corruption may report anonymously to the Cyber Audit Office, and the Ethics Management Office conducts investigation on the matter reported. For matters reported through the above channels, we conduct fact-finding investigations according to the first report of the head of the Ethics Management Office, and then report it to them Subcontract Deliberation Committee, and suggest disciplinary action according to the results of the investigation. In particular, acts of violating the various laws, such as the Subcontracting Act, or inappropriate actions by employees are subject to severe disciplinary action based on the principle of zero tolerance.

Meeting with Partners

In 2020, we were only able to hold one meeting with our partners due to the COVID-19 pandemic, but in principle, we are regularly holding the meeting on a quarterly or semi-annual basis. At the meeting held in 2020, the performance of the first half and plans for the second half were shared, and major issues of each partner were discussed with a Q&A session.

Status of Meeting with Partners held in 2020

Quarterly meeting	Target	Contents
3rd quarter	26 building material suppliers	Sharing first-half performance and plans for the second half, discussing major issues followed by a Q&A session



Sustainable Supply Chain

Management of Partners' Fair Trade

Supply-Chain Sustainability Policies

Hanssem has grown through close cooperation with various supply chains such as agencies and product and raw material purchasing vendors. In this regard, ethical management is required to be included in the contracts to prevent various risks such as unfairness in determining the delivery price and selection process, violation of laws, and product quality. Hanssem has adopted the "Regulations for Establishment and Operation of the Internal Deliberation Committee for Subcontract Transactions" in order to establish a sustainable subcontract transaction order, and use it as principles for transparency and fairness in selecting and operating partners. Upon occurrence of any events for transaction suspension, we prevent disputes under the Monopoly Regulation and Fair Trade Act through the process defined in the "Guidelines for Fair Suspension of Trade With Vendors." We use the standard form of subcontract agreement for the furniture manufacturing industry recommended by the Fair Trade Commission in accordance with Article 3-2 of the "Fair Transactions in Subcontracting Act." Among them, we are complying with the principle of protection of intellectual property rights of partners through the provisions on intellectual property rights (Article 39) and prohibition of requests to provide technical data (Article 40). In addition, we request the partners to engage in ethical management by recommending them to fulfill the contract based on good faith, to comply with Hanssem's special terms and conditions for ethical practice, and to comply with Ethics Charter of Hanssem Employees (Commitment of Hanssem Employees).

Selection of Partners

Hanssem has established "Regulations for Fair Selection (Registration) of Partners" and used it as principles for transparency and fairness in selecting and operating partners. This is a policy to establish a fair and sustainable subcontracting transaction order. If there is a reason to suspend the transaction, we prevent disputes under the Monopoly Regulation and Fair Trade Act in compliance with the process defined in the "Guidelines for Fair Suspension of Trade With Vendors."

Evaluation of Partners (Due diligence, Diagnosis, etc.)

Hanssem has established a fair evaluation system for its partners and evaluated them on a quarterly basis to identify the matters to be improved. Specific evaluation items include whether partners strive to reduce defects in various products, whether partners strive to improve specifications in order to enhance their own competitiveness, or whether partners strive to prevent PL-related accidents that can cause damage to customers. Based on the evaluation results, we provide advice and consulting to partners who have deficiencies in order to continuously supplement them.

Creating Fair Trade Culture

Hanssem has established the Four Agendas of Fair Trade recommended by the Fair Trade Commission, posted them on its website ('Hanssem.com'), abided by such provisions in all transactions with partners, and strived to create a fair trade culture.

Four Agendas of Fair Trade

① **Regulations for Signing the Appropriate Agreement for Win-Win Cooperation between Large, Medium and Small Enterprises**
Hanssem seeks to allow SMEs lacking bargaining power to fairly and properly reflect their own interests in concluding agreements with Hanssem, and to prevent Hanssem from abusing its superior bargaining power in transactions with the SMEs and undermining the principle of freedom of contract in order to establish reasonable and fair transaction practices.

② **Regulations for Fair Selection (Registration) of Partners**
Hanssem seeks to establish a fair subcontracting transaction order by strengthening transparency and fairness in the partner selection and operation process.

③ **Regulations for Establishment and Operation of the Internal Deliberation Committee for Subcontract Transactions**
The Hanssem Internal Deliberation Committee deliberates the fairness and legality of contract transactions in advance to establish a fair subcontract transaction order.

④ **Regulations for matters regarding appropriate issuance and preservation of documents in subcontract transactions**
Hanssem seeks to clearly recognize the issuance and preservation of documents in the process of concluding subcontract transactions, thereby smoothly fulfilling the obligations to exercise rights, and thereby spreading an appropriate culture of written document preparation.

Fair Trade Education Status

Hanssem conducts internal control education for all employees from new hires to sales staff to raise awareness of fair trade through law-abiding and ethical management. Through such anti-corruption education, we share the types of abnormal and anti-corruption behaviors such as embezzlement that can occur by job and position, as well as past accidents and penal provisions for violations of related laws. The purpose of this education is to make Hanssem employees engage in fair and transparent management activities based on win-win growth.
In addition, through anti-corruption education, we maintain the soundness of the organization and prevent external risks that may arise from partners and customers in advance. We raise internal awareness through a strict punishment and disciplinary policy for irregularities in order to reduce the wrong decision that may occur in the process of making policies by any chance.

Management of Supply Chain Risks

Supply Chain Risks Management Policy

Hanssem classifies the vendor pool into core, main, and general vendors according to the purchased product group to manage any risks in the supply chain, so that even if there is a problem with the core vendor which raises concerns over delivery disruption, the main and general vendors can replace supply and demand.
We evaluate the quality (accident in same-day delivery/free AS/ PL accident), cost competitiveness, and delivery time of all vendors every month, and take measures such as request for improvement, volume control, and company change for "worst" vendor, which received the lowest evaluation score. For core items, we are managing the external risks through the operation of domestic and overseas vendors.
We regularly check the soundness of corporate financial statements of new sourcing vendors or existing core and major vendors once a year through evaluation agencies such as Nice Information Service Co., Ltd. and Korea Enterprise Data. We verify the durability of products and the environmental quality of materials through periodic sampling tests in accordance with our quality and environmental safety standards, and verify the quality of goods delivered to and shipped from warehouses through open-cell inspection every day.

Sustainable Supply Chain

SPECIAL PAGE

Raw Materials (Lumber) Supply Chain

Hanssem imports PB (Particle Board), the main raw material for wooden furniture, from major Southeast Asian countries such as Thailand and Malaysia. In addition, we continue to purchase a certain amount of PB and MDF (Medium Density Fiber-board) from domestic suppliers. We are sourcing 80% of the total volume of raw materials from Southeast Asian countries, and among them, PB from Thailand accounts for the highest portion (90%).

When selecting a supplier of raw materials, we consider diverse requirements for selecting the sourcing companies, such as production capacity and quality control capabilities, sustainable supply, and price competitiveness. As of 2020, there are a total of seven major raw material suppliers, including four companies in Thailand, one company in Malaysia, and two companies in Korea. These companies are ranked in the top class in each country in terms of market production capacity, and they can guarantee stable supply based on mass production capabilities and meet the product quality standards demanded by Hanssem.

In addition, we are steadily securing price competitiveness through long-term business contracts such as quarterly and semi-annual contracts. Hanssem stores and operates safety stocks of more than one month in a domestic bonded warehouse after purchasing products from these manufacturers. Products are shipped out on a daily basis by item and standard according to the production order of the Manufacturing Business Division. Raw materials stored in the bonded warehouse are shipped out to outsourcing molding companies including Hanssem Plants 3 and 4 according to production order plan established on a monthly, weekly, and daily basis. The raw materials shipped out go through primary processing such as surface finishing, and are made into products through processes such as cutting, edge, boring, and packaging according to the specifications of each product.



We hold meetings with the representative directors of partners every quarter to provide training on labor issues and Hanssem's business plans, and we listen to any grievances from partners to come up with the solution in advance.

Identification and Analysis of Risks in Supply Chain

Hanssem holds meetings with the representative directors of partners every quarter to identify and analyze risks in supply chain. We provide education on the matters necessary for the operation of vendors, such as education on mutual growth, education on labor law and quality education by quality associations. The participants can freely discuss difficulties of each vendor with Hanssem management, and the matters identified are reviewed by the relevant Department to find solutions.

Based on the vendor evaluation, we seek to understand the current status of the vendor through the competency evaluation, due diligence, and periodic interview with the representative director of the vendor, and we make our quality department support or provide consulting to the partners so that they can secure product competitiveness through process improvement and productivity improvement.

Inspection and Improvement of Supply Chain

Recognizing that vendor quality is a core competency, Hanssem practices customer satisfaction management by monitoring quality of various products. We conduct sampling tests during warehousing and shipment at Hanssem Logistics Warehouse, and when any defects are found, we carry out the entire inspection for all products to prevent defective products from being delivered to consumers.

Stipulation and Sharing of the Code of Ethics

Hanssem prohibits bribery and unfair trade with partners through "Commitment of Hanssem Employees," an internal code of ethics, and provides guidelines for establishing a sustainable business relationship between Hanssem and its partners.

Principles of Fair Trade with Competitors

Hanssem stipulates that the acts of unfairly excluding competitors or enticing customers, restricting raw material vendors from selling the raw materials to competitors, and fixing prices with competitors fall under the unfair activities and prohibits such acts through "Commitment of Hanssem Employees."

02 SOCIAL

Local Community Engagement

- Strategic Social Contribution
- Local Community Engagement Activities



MANAGEMENT APPROACH

CONTEXT

The local community is an entity directly and closely influenced by enterprise. Hanssem seeks to have a positive impact on the local community by discovering various collaborations based on main philosophy of win-win with the local community. We implement a win-win policy by providing emergency support to stakeholders such as firefighters and partners as well as the local community.

OUR STRATEGY

In 2020, Hanssem conducted a residential environment improvement project for single-parent families in Mapo, Seoul, Ansan, and Siheung in Gyeonggi where Hanssem has major business sites. In particular, we provided emergency support and fee reduction to the severely damaged areas, the underprivileged, small businesses, agencies, medical staff, and firefighters damaged by the national disasters such as the COVID-19 pandemic and flood damage in summer last year.

NEXT PLAN

1. Expanding employees' social service
2. Practicing sustainable social responsibility
   - Expanding beneficiaries through support for base rather than one-time support (supports for facility improvement of Fire Station, local children's center, Mapo housing, etc.)
   - Expanding eco-friendly volunteer activities such as forest conservation, tree planting, and collecting (plogging)
3. Acquiring certification for contribution to local community

2020 KEY PERFORMANCE

Total amount of social contribution made in 2020

KRW **2.63** billion



Number of households enjoying the local community residential environment improvement project

41 households



Emergency support for COVID-19
(Local community, and fee reduction for agencies)

KRW **1.65** billion



Support for flood damage

KRW **450** million

Strategic Social Contribution

Social Contribution Implementation System

Social Contribution Implementation Direction

Hanssem has been carrying out activities to fulfill its corporate social roles based on the four main goals for 2020 including improvement of the residential environment, support for emotional independence, emergency support, and expansion of employees' volunteer activities.

In particular, a residential environment improvement project was implemented for the underprivileged in Mapo, Siheung, Ansan in collaboration with a TV program operated by KBS in accordance with the company's philosophy of "Contributing to the advancement of human society by improving the residential environment." Support for emotional independence aims to improve awareness and support independence for single-parent families from the underprivileged, and we have conducted video contests in cooperation with the Holt Children's Service, and sponsored cultural activities for the Dawon Youth Baseball Team.

We also provided emergency support for regions severely affected by disasters such as the COVID-19 pandemic and floods, the underprivileged, and organizations in need of emergency support. In 2020, Hanssem provided support to the Daegu area, firefighters, medical staff as well as residents in flood-affected areas, and small businesses in the local markets.

Employees' volunteer activities are carried out to further enhance the value of social contribution by fulfilling our corporate social responsibilities together with employees. In 2020, it was difficult for us to carry out the activities due to COVID-19, but in 2021, we plan to create various monthly programs and prepare a motivational plan to encourage the participation of employees.

In particular, from 2021, we plan to change our goal to pursue sustainable social values such as voluntary win-win growth, support for a base where various people can benefit and ecological activities participated with employees rather than limiting our support to one-time donations and support. As such, we are expanding the activities with high-efficiency.

Four Main Goals of Social Contribution and Achievement in 2021

Hanssem — Pursuing Sustainable Social Values

1 Improvement of residential environment
- Mapo, Siheung, Ansan
- "Accompanying," a program operated by KBS (National program)

2 Realizing social values through the supports for base
- Improving facility of Fire Station
- Mapo Housing

3 Expanding the realization of social contribution values by employees
- Expanding activities such as environmental protection and talent donation
- Diversity such as non-face-to-face activities, and field participation, etc.
- Awarding Hanssem employees for excellent social contribution in the first and second half of the year

4 Emergency support for national disaster
- Emergency support for COVID-19, recovery from flood damage, etc.

In-house Volunteer Groups

Hanssem has been operating Han Ultari, an in-house volunteer group, since 2001. We have been working with local communities to improve the residential environment of our neighbors, such as the residence of the descendants of the independence fighters, and the local children's center. Starting from 2021, we plan to expand it to employees' volunteer activities that can utilize talent of each employee for all Business Divisions and employees, instead of limiting it to club activities. At the same time, we are constantly practicing sharing through Volunteer Day of every month and non-face-to-face volunteer activities suitable for the era of COVID-19.



(From top left) Employees' volunteer activities, "Accompanying" a TV program operated by KBS, New Year's agricultural products delivery ceremony in flood-affected areas, Residential environment improvement-relief supplies delivery ceremony in flood-affected areas in Ansan and Chuncheon

Local Community Engagement Activities

Social Contribution Projects

Residential Environment Improvement Project

The residential environment improvement project is part of Hanssem's social contribution activities that have been steadily continued to this day since Hanssem has participated in the Habitat-led "Building a House of Love" project in 2005 and supported kitchen furniture for a total of 68 households in eight regions across the country. Since 2015, we had provided support through our in-house club activities, and in 2020, we supported 77 households only for one year. As of the end of 2020, the total number of beneficiaries has exceeded 461 households. Hanssem has main business sites in Mapo-gu, Seoul, Siheung-si, and Ansan-si, Gyeonggi-do, where we have continuously supported furniture and household items necessary for low-income single-parent families and grandparent-grandchild families every month. In addition, we have been the sponsors of "Accompanying," a TV program operated by KBS, and supported the furniture necessary for low income families in remote areas and islands.

"Accompanying" in Mapo-gu, Siheung-si, and Ansan-si
Supported **68** households

One person per household
Deploying **68** installation engineers

Five on average
Supported **385** furniture

Four hours on average
Provided support for
308 hours

Support for Single Parent Families

In 2019, Hanssem published a book for children titled "Clover Story, One and Four" as an art work created by participants of self-help groups for female family head organized by Daejeon Clover (single-parent, single-mother shelter). All 500 copies of the first edition published in 2019 were sold out, and Hanssem supported additional printing costs for the second printing in 2020, and all proceeds were used to support the operation of single mother facilities and living expenses. In addition, 111 employees of Hanssem had donated a total of KRW 7,585,000 for ten months from February to December 2019 under the theme of "Hanssem x Holt, a Good Good Mom." The donation was delivered to low-income single-parent families for emergency childcare expenses.

Employees
Participated by **111** people

Donation
KRW **7,585,000**

Use for emergency childcare expenses
Four households

Support for Children and Youth



Hanssem supports the operation of the "Dawon Youth Baseball Team" established by the Dawon Cultural Welfare Foundation, which consisted of children from single-parent families, and supports baseball training and various activities. In 2020, we sponsored a daily necessities kit consisting of Hanssem household goods and masks for single-parent families in Mapo-gu and families of Dawon Baseball Team members who are under economic difficulties due to the COVID-19 pandemic, and supported "Hanssem Home Care" to single-parent mother and child protection facilities across the country. In addition, we improved the facility environment of the Dawon Cultural Welfare Foundation so that the children can be educated in a better environment.

Employees' Volunteer Activities

Hanssem will operate and plan continuous employees' volunteer activities to instill it as part of our corporate culture. In 2020, a total of 30 employees participated in non-face-to-face mask-making activities due to COVID-19, and delivered 300 cotton masks and mask strip making kits single-parent families. In addition, in February 2021, as many as 101 employees applied to participate in the sprouting acorns activities. Employees planted the grown acorn buds in person at Noeul Park in Mapo-gu, Seoul. In March 2021, a total of 89 employees participated in a non-face-to-face wall painting activity. The completed wall painting was donated to the Mapo-gu Regional Children's Center.





Local Community Engagement Activities

Support for the Disabled



In 2001, Hanssem started supporting the disabled through employees' volunteer activities at and sponsorship to the "Saebit Missionary for the Blind." Since 2016, we have been operating the "Hanssem Sports Team for the Disabled," by entering into an official employment contract with 32 amateur athletes of the ParaSports Gyeonggi together with the Gyeonggi branch of the Korea Employment Agency for Persons with Disabilities. In 2019, we hosted friendly matches and meetings between Hanssem employees and athletes of the Sports Team for the Disabled by sport, such as bowling and table tennis, to provide a regular communication channel. In 2020, we opened a standard business site for employment of the disabled, which sells the households goods of Hanssem at a discount in Ansan, Gyeonggi-do, and employs about 10 disabled people. In November 2020, we held an online bazaar by donating 495 goods of six items to the Mokgam Social Welfare Center.

Awareness Improvement Campaign



Hanssem held a video contest with the Holt Children's Service under the theme of improving awareness of single parent families from 2019 to 2020. The prize money and the Minister of Gender Equality and Family's prize were awarded to the winners, and the work winning the prize were posted on Hanssem's official YouTube channel to improve public awareness. In addition, we conducted a campaign to donate KRW 1,000 per view based on the number of viewers of video uploaded to the YouTube of the Holt Children's Service in order to spread positive awareness of single-parent families.

Support for Local Community

Since 2019, Hanssem has entered into a business agreement with the Fire Department, etc. and continued to provide various forms of support, including price discount for the promotion of the welfare of former and incumbent firefighters, support for economic independence, and improvement of the residential environment. In 2020, we provided blankets and daily necessities to firefighters who were tired of working hard while transporting patients in the field during the COVID-19 pandemic period. In addition, we donated 500 liters of disinfectant for outdoor disinfection, which was difficult to procure. Moreover, starting from the Seobinggo 119 Safety Center in Yongsan, Seoul in August, we have improved the environment of the 119 Safety Center every month and the residential environment of the bereaved families of the firefighters who are injured or died while on duty

Completed **six** centers in 2020

Completed residence for families in 2020 **eight**

Direct benefits: Number of remodeling center users

Ninety-two people in total

Thirty-one family members in total

Indirect benefits: the number of households in the combined jurisdiction of six centers

55,060 households in total | Total number of people: **137,487** people



Before and after of restaurant remodeling construction of Duam 119 Safety Center in Gwangju

Emergency Support for Flood Damage

In August 2020, the continued typhoons and torrential rain caused flood damage in various places. Hanssem signed an agreement with the Large, Medium and Small Enterprises and Agriculture and Fishery Cooperation Foundation and launched the Rural Cooperation Fund in order to actively join forces in overcoming national disasters.

In addition, we supported remodeling construction for seven families in the Gangwon area, where it is difficult to enjoy daily life due to flood damage. In addition to the remodeling, we strengthened the safety of the house by conducting basic construction such as electricity, cement, and wood materials.

In addition, we provided furniture, etc. to small business owners in 12 stores in Chuncheon affected by flood damage. For residents in other flood-affected areas, we provided bedding and household goods to 555 households in Chuncheon, Gangwon-do and 300 households in Hadong, Gyeongnam, and sterilization household items for health and hygiene amid floods and the COVID-19 pandemic.

We provided Hanssem home care quarantine support for 268 stores in the Hwagae Market, Hadong, Gyeongnam, which were severely affected by flood damage. In addition, we produced a total of 1,700 boxes of agricultural products for the Lunar New Year by purchasing agricultural products from flood-affected farms. The agricultural products boxes were delivered to the underprivileged in the local communities that are conducting social contribution activities with Hanssem to improve residential environments (600 households in Mapo-gu, Seoul, 650 households in Siheung, and 450 households in Ansan, Gyeonggi-do,).



Hanssem home care quarantine support in the Hwagae Market

Local Community Engagement Activities



Hanssem home care quarantine support in the Hwagae Market, Gyeongnam

Supported **268** stores for quarantine



Purchasing agricultural products from flood-affected farms and delivering the agricultural products boxes

1,700 boxes in total

600 households in Mapo, Seoul | 650 households in Siheung, | 450 households in Ansan, Gyeonggi-do



Household goods in Chuncheon, Gangwon-do

555 households

Household goods in Hadong, Gyeongnam (2,310 household goods)

300 households





Remodeling for flood-affected residents

Seven households

Supporting for furniture- provided 62 sets to small business owners

12 stores





03 GOVERNANCE

Corporate Governance

Ethical Management (Compliance)

Information Security

MANAGEMENT APPROACH

CONTEXT

Hanssem recognizes that transparent and independent governance, compliance, ethics, and personal information protection are essential factors required for the sustainability of all business activities of Hanssem, including financial and non-financial factors. This is to prevent various stakeholders, including investors, customers who purchase products and services as well as partners, employees, and local communities from suffering from damage caused by internal and external risks of the company, and to establish a system that fundamentally causes no problems.

OUR STRATEGY

Hanssem established the Audit Committee to strengthen monitoring and control functions of the internal audit organization. In addition, subcommittees were newly established under the Board of Directors to expand the role of the highest decision-making body and to enhance transparency and efficiency in overall management, including financial and non-financial sectors. In addition, we are operating various programs such as whistleblower protection, VOC, and grievance handling programs in order to reinforce ethical and human rights management such as compliance, anti-corruption, and labor rights.

2020 KEY PERFORMANCE

KCGS ESG Evaluation

B+ Hybrid grade

Ethical management education hour

39 hours

Dividends

KRW 22.4 billion

NEXT PLAN

- In 2021, activities of six subcommittees under the Board of Directors (Audit Committee, Compensation Committee, Nomination Committee for Outside Directors, Related Party Transaction Committee, Investment Review Committee, and ESG Committee) were disclosed on the website of the company.
- Expanding disclosure on ESG and governance structure (Hanssem is not obliged to disclose them as a company whose assets are less than KRW 2 trillion)

Corporate Governance

Composition and Rights of Shareholders

Building sound corporate governance is essential in securing the trust of all stakeholders and conducting responsible management. Hanssem has strived to enhance key values such as independence, transparency, expertise, and diversity by recognizing corporate governance as a core element of sustainability management. In addition, recognizing the importance of stakeholders' engagement for the sustainable growth of the company, we are expanding communication with various stakeholders.

Hanssem holds a general meeting of shareholders once per year, and we notify the resolution of the Board of Directors passed regarding the convocation of the general meeting of shareholders four weeks before the ordinary general meeting of shareholders, and deliberation agendas two weeks before the ordinary general meeting of shareholders through the resolution of the Board of Directors. Detailed information on major business matters and general meeting of shareholders is provided through the Electronic Disclosure System (Data Analysis, Retrieval and Transfer System: DART) of the Financial Supervisory Service and the convening notice sent to domestic shareholders by mail. In addition, we are strengthening the sustainability management through ESG evaluation. ESG evaluation is an evaluation conducted by the Korea Corporate Governance Service (KCGS) under the Korea Exchange on the environmental (E), social (S), and governance (G) areas of a company every year to judge whether a company carry out management activities in consideration of environment, society and interest of employees and customers as well as the transparency of management and financial structure.

Stock ownership status (Record date: December 31, 2020, Unit: shares)

Category	Name of shareholder	Number of shares owned	Shareholding ratio
Shareholder owning 5% or more of shares	Cho Chang-gul	3,635,180	15.45%
	TETON CAPITAL PARTNERS, L.P.	1,985,072	8.43%
	National Pension Service	1,629,446	6.92%
	Hanssem DBEW Research Foundation	1,300,000	5.52%
Employee Stock Ownership Association		7,950	0.03%

Board of Directors

Operation of Board of Directors

The Board of Directors, as the highest decision-making body of Hanssem, makes important decisions about the company, such as establishing business goals for the interests of the company and shareholders in accordance with relevant laws and regulations and BOD operation regulations. Hanssem posts information such as the company's Articles of Incorporation and major resolutions of the Board of Directors on the company's website, and regularly discloses information related to the Board of Directors, which we are obligatory to be disclosed in accordance with laws and regulations, on the Electronic Disclosure System (DART) of the Financial Supervisory Service.

Composition of the Board of Directors

Our Board of Directors consists of no less than three but no more than nine directors in accordance with Article 33 of the Articles of Incorporation. As of March 2021, Hanssem's Board of Directors consists of five internal directors and three external directors. (Refer to the detailed BOD composition table)

Independence and Diversity of BOD

Directors of the company are appointed by a resolution at the ordinary general meeting of shareholders, and the Board of Directors has now three outside directors appointed to strengthen the independence of the Board. In particular, when appointing outside directors, outside director candidates who are recommended after undergoing strict review on qualification set forth in the applicable laws including the Commercial Act, as well as expertise and independence of the candidates required for performing the duties of directors are appointed at the general meeting of shareholders. In addition, the company recommends the candidates firstly considering careers and expertise of the candidates so that the Board of Directors can represent various stakeholders and support business activities and decision-making that considers social values.

BOD Composition (As of March 2021)

Category	Name	Age	Career
Inside director	Cho Chang-gul	Born in 1939 (age 82)	Current) Honorary Chairman of Hanssem, Chairman of the Board of Directors
	Kang Seung-soo	Born in 1965 (age 56)	Current) Chairman and CEO of Hanssem, Former) Legal Counsel at Korean Air
	Lee Young-shik	Born in 1959 (age 62)	Current) Vice Chairman of Hanssem, Former) Saedong Accounting Firm
	Ahn Heung-guk	Born in 1964 (age 57)	Current) President of Hanssem
	Choi Cheol-jin	Born in 1970 (age 51)	Current) Managing Director of Hanssem, Former) EY Accounting Firm
Outside director	Shin Tae-gyun	Born in 1959 (age 62)	Current) Honorary Chair Professor of The State University of New York Korea and President of the Korean Educational Development Institute Former) Samsung Human Resources Development Institute
	Jeon Jae-hoon	Born in 1956 (age 65)	Current) Certified Public Accountant at Daejoo Accounting Firm, Director at United Cultural Foundation Former) Worked at EY Accounting Firm (EY) (Vice President)
	Park Jong-heon	Born in 1968 (age 53)	Current) Industrial Engineering Professor at Seoul National University Former) Assistant Professor at Pennsylvania State University, School of Information Sciences and Technology

Corporate Governance

Board Activities

The Board of Directors of Hanssem holds ordinary board meetings to approve quarterly financial statements, and convenes an ordinary general meeting of shareholders every year and extraordinary board meetings whenever the need arises. A board meeting is convened by each director in accordance with Article 43-1 of the Articles of Incorporation, and the director who convenes the board meeting shall convey the convening notice to each director seven days before the date of the meeting. In 2020, Hanssem held six board meetings to deliberate and resolve a total of 16 agenda items. Resolutions of the Board of Directors are made with the attendance of a majority of directors and the consent of a majority of the directors present in accordance with Article 44 of the Articles of Incorporation. All or part of the directors may make a resolution by means of remote communication that transmits and receives voices so that all the directors can hear at the same time without attending the meeting in person in accordance with Article 391 of the Commercial Act. The directors who attend the meeting by such means are considered to be present at the meeting in person. In addition, directors who have a special interest in the resolutions of the Board of Directors are prohibited from exercising the voting rights to systematically block the occurrence of conflicts of interest.

BOD performance evaluation and compensation

Directors are paid the basic salary combined with incentives linked to the organization's management performance with the approval of the Board of Directors within the remuneration ceiling approved at the general meeting of shareholders in accordance with Article 388 of the Commercial Act and the company's Articles of Incorporation.
The remuneration of directors is determined within a certain range by evaluating indicators consisting of the previous year's financial performance of the company, implementation of the company's mid- to long-term expectations, leadership, and the contribution to the company. Outside directors are not paid the remuneration based on performance evaluation result to ensure their independence.

Board Operation Status (As of December 31 of each year)

Category		2018	2019	2020
Number of agendas (cases)		5	21	16
Number of board meetings (times)		3	9	6
Attendance rate (%)	Inside director	95	91	100
	Outside director	88	89	100

Remuneration for Board of Directors (Unit: in KRW 1million, as of December 2020)

Category	Number of directors	Total amount paid	Average per person
Registered directors	5	3,998	800
Outside directors	2	83	41
Audit Committee Member (Established in March 2021)	3	-	-
Auditor (in 2020)	1	249	249

Composition and Operation Status of Subcommittees under the Board of Directors (As of June 2021)

Subcommittee	Main duties	Composition
Audit Committee	Supervision of company's business and accounting audits, etc.	1 inside director 2 outside directors
ESG Committee	Review of company's ESG strategy, risk management policy, regulations, etc.	Two inside directors Two outside directors
Compensation Committee	Remuneration for registered directors, auditors and other employees	Two inside directors One outside director
Nomination Committee for Outside Directors	Recommendation and evaluation of nomination of outside directors	One inside director Two outside directors
Relate Party Transaction Committee	Review of basic transaction policies between the firm and the affiliated party	Two inside directors One outside director
Investment Review Committee	Review of important investment for management	One inside director Two outside directors



Ethical Management

Ethical Management System

Hanssem has established regulations for proper ethical management in line with the rapidly changing social environment and policies that demand a high level of corporate ethics. The "Commitment of Hanssem Employees" published in 2016 contains the 10 commitments for ethical management concerning achievement of individual goals, keeping promises to customers, mutual respect of employees, mutual growth with partners, and implementation of transparent management. The Commitment emphasizes the need to practice good management that can be morally respected, beyond abiding by the laws and principles. Related information is posted on the Intranet and website (Hanssem.com) of the company so that anyone can easily access it and read and comply with it.

Ethics Charter of Hanssem Employees

Hanssem has established and published the "Commitment of Hanssem Employees" in book form that contains the 10 commitments that all employees should be aware of in order to enhance the ethical awareness of employees and to emphasize ethical management.

Commitment of Hanssem Employees

① **Pursuit of Jeongdo (Right-way)** - We challenge stretched goals and pursue right-way.

② **Integrity** - We keep our promises to our customers.

③ **Customer Safety** - We put the safety of our customers first.

④ **Field-Centered** - We realize customer satisfaction through the achievement and reward of front-line workers centered on field works.

⑤ **Respect for Dignity** - We respect the dignity and values of our employees.

⑥ **Mutual Growth** - We pursue mutual growth with our partners based on trust.

⑦ **Transparent Management** - We protect investors through transparent management.

⑧ **Compliance** - We comply with laws and regulations and respect local culture.

⑨ **Sustainability** - We realize sustainable growth through environmental protection and resource conservation.

⑩ **Contribution to Humanity** - We contribute to human society by improving the residential environment.



Diagnosis and Improvement of Ethical Management

The Ethics Management Office, which is responsible for ethical management of Hanssem, investigates relevant incidents and sets up measures to prevent recurrence. Measures to prevent recurrence are effective in preventing occurrence not only for the same incident but also for different types of incidents through diagnosis and improvement of ethical management. We plan to increase the number of measures to diagnose our ethical management by continuously establishing measures to prevent recurrence and checking the implementation of the measures.

Among them, the Management Diagnosis Team investigates internal corruption and improves the company's processes. As a preventive activity, it carries out internal control activities every month to reduce the risk of accidents across the company. In addition, the Team is involved in the internal accounting management system to enhance the accuracy and transparency of the accounting books.

The Compliance Team plays the role of safety net to minimize legal risks and maintain transparency in corporate governance. In particular, it reviews contracts of each Business Division to identify and prevent potential problems which may arise in the contract relationship in advance, and resolve litigation and disputes that arise early and effectively, thereby eliminating the legal risks of the company. The Company Regulation Management Team was organized in February 2020 to establish company's regulations. In particular, Hanssem is reorganizing its systems and regulations as part of an effort to establish a Business Division-wise responsible management system. The Company Regulation Management Team communicates with each Business Division at the center. The Mutual Growth Department supports sub-contractors and other win-win work. In this regard, it takes the lead in ethical management through regular VOC activities and by hosting meetings with partners.



Internalization of Ethical Management Culture

Ethical Management Education

Hanssem conducts education on internal control at least twice per month to strengthen ethical management under the supervision of the Ethics Management Office. Regular internal control education is provided for team leaders and new employees across the company while providing irregular education for sales departments. Through the internal control education, we share various cases such as accidents that have occurred in the past and irregularities such as abnormal business practices and measures to prevent recurrence in order to spread ethical management principles that Hanssem employees should comply with.

At the same time, Hanssem raises employees' awareness of ethics and human rights, such as awareness of discrimination based on gender that may occur during work, awareness of disabilities and being considerate, through sexual harassment prevention education in workplace and education to improve awareness of the disabled, which are mandatory trainings by law. In particular, in addition to this, we have prepared and operated various programs to enhance the gender sensitivity of our employees, such as requiring all employees to complete gender-sensitive education and selecting and nurturing in-house instructors on gender sensitivity every year.

Education on Human Rights and Ethics in 2020

Name of course	Subject of education (persons)	Number of persons completed the course (persons)	Completion rate (%)
Hanssem gender sensitivity education in 2020	2,133	2,133	100
Personal information protection (Privacy) and information security	2,133	2,133	100
TOON to prevent sexual harassment, Creating a healthy workplace	2,133	2,133	100
TOON to improve awareness of the disabled in the workplace, Creating an open workplace	2,133	2,133	100

Monitoring Ethical Management

The Hanssem Management Diagnosis Team identifies items with a high probability of occurrence in each Business Division and conducts internal control activities. The internal control activities have the effect of reducing the risk of accidents with the primary monitoring performed by the person in charge of each Business Division and secondary monitoring performed by the audit department. In addition, we collect accident reports on accidents that occur throughout the company. As for the accidents with high frequency, we identify the cause of the accident, and explore and implement the improvement measures.

Channel for Reporting Ethical Violation

The Cyber Audit Office of Hanssem is a channel through which all stakeholders of Hanssem, including employees, agencies, partners, and consumers, can actively express their opinions. A person in charge of the Cyber Audit Office within the Audit Team checks the received reports every day and provides feedback in a short time. The Cyber Audit Office is being actively utilized to receive and process more than 100 reports every year.

In addition, there are whistleblowing programs such as Voice of the Heart, an offline reporting window where employees can report anonymously, and the Hotline, a reporting window where employees can report through the company's intranet. These whistleblowing programs are reviewed by a dedicated department that gives feedback, and anonymity of reporters is guaranteed in accordance with internal regulations.

Ethical Management Reports and Actions

Category	Unit	2018	2019	2020
Number of reports received	Case	82 cases (May-)	184	129 cases (Internal/External Cyber Audit Office)
Number of actions and disciplinary actions taken for unethical behavior		22	22	12

Information Security

Strengthening Personal Information Protection and Cyber Security

Information Protection Management System

Hanssem has acquired ISMS (Information Security Management System) certification in accordance with Article 47 "Certification of Information Security Management System" of the Act on Promotion of Information and Communications Network Utilization and Information Protection, Etc. Since then, we have undergone annual audits to maintain the certification, and strengthened the security level in all areas, including establishment and operation of an information security management system, and measures for management, physical, and technical protection. After relocating the Internet Data Center (IDC) in 2018, we underwent the first ISMS audit and we have improved the risk management and process. In accordance with the renewal review schedule, we manage evidence and conduct simulated examinations. As such, we are managing the information security management system certification.

Requirements for ISMS Certification

A person meeting the standards prescribed by Presidential Decree, whose annual sales, tax revenue, or any similar is at least KRW 150 billion, whose sales of the sector of information and communications services of the previous year is at least KRW 10 billion, or whose average number of daily users over the past three months is at least one million, shall receive the certification.

Certification Scope

It is defined by being divided into the organizational scope, business scope, information infrastructure scope, and physical scope, including the workplace for online service operation, the number of operating personnel, and information assets (tangible and intangible information assets).

Organizational scope

Department for Informatization

Online Business Division

Planning office

Business scope

Website

Hanssem Mall

Hanssem.com.

Infrastructure scope

Server/ Network/ Security system/ APP/ 15 items including personal computer

Physical scope

Server room at Sangam office building, IDC at Bundang, etc.

Information Protection System

Personal information is collected at a minimum level within legal grounds. We establish process from collection to storage, use, and destruction, and encrypt the information to manage safety as the top priority. Collected personal information is destroyed as soon as the purpose of use is achieved, and inspection is carried out through a personal information search solution. We are provided with security control services to prevent threats of security breaches such as personal information leakage and forgery, and we are constantly monitoring breach attempts. In the event of an accident by any chance, the customer is immediately notified of the occurrence, and a process to minimize damage has been established and is being implemented.

Information Protection and Cyber Security Policy

Hanssem defines confidentiality, integrity, and availability of information as basic concepts to prevent damage, falsification, and leakage of information that may occur during creation, storage, processing, transmission, and reception of information.
We also implement an appropriate level of controls, including specific policies, guidelines, procedures, organizational structures and software functions to protect information. All employees are responsible for information protection, and to this end, audits are conducted to ensure that all employees are aware of and comply with the company regulations related to information protection.

Education and Training on Information Protection

We have established and implemented information protection education and promotion plan for our employees and partners' employees every year. Training on malicious mail and work environment inspection are conducted every year to prevent PC malicious code infection and data leakage.

Check list

Implementation plan	Frequency
· Checking personal desks (confidential documents, internal documents, diaries, etc.) · Checking business PC when leaving work or moving away from work (screen saver, screen lock, PC off, etc.)	Twice per year
· Checking consulting desk in the store · Documents and contracts that contain customer information and personal information, etc.	
· Conducting training for malicious mail for all employees to prevent ransomware and malicious code infection	

Status of Information Security Education

Category		Unit	2018	2019	2020
Employees	Education hour	Hour (s)	12	12	12
	Number of people trained	Persons	2,282	2,148	2,133



5 APPENDIX

Financial Performance

ESG DATA

ISO 26000 Assessment Report

Independent Assurance Statement

GRI Content & ISO 26000 Index

Global Initiative

Membership Status and Domestic and Overseas Business Sites

About this Report

Financial Performance

Summary of Consolidated Statement of Financial Position

(Unit: KRW)

Category	46th (2018)	47th (2019)	48th (2020)
Assets			
Current assets	439,783,524,495	478,670,833, 491	520,897,791,205
Cash and cash equivalents	81,882,702,362	144,506,704,186	105,730,217,965
Trade and other receivables	111,717,583,952	95,515,902,528	75,584,043,000
Other current financial assets	161,024,450,879	137,871,428,057	230,241,518,864
Other current assets	18,395,163,059	18,899,524,100	24,709,292,476
Income tax assets	90,807,241	76,787,669	218,062,314
Inventories	66,672,817,002	81,800,486,951	84,414,656,586
Non-current assets held for sale			
Non-current assets	500,366,367,333	723,967,143,112	708,611,969,983
Investment in subsidiaries and affiliated companies	29,325,929,099	167,859,815	
Tangible assets	259,887,146,909	491,349,901,932	461,253,331,335
Investment in real estate	95,142,352,039	97,050,060,663	119,026,813,928
Intangible assets	21,738,498,877	47,997,513,190	39,359,443,593
Other non-current financial assets	62,239,096,949	76,403,110,160	70,774,248,953
Other non-current assets	21,549,052,421	8,454,793,388	9,040,299,014
Deferred income taxes asset	10,484,291,039	2,543,903,964	9,157,833,160
Total assets	**940,149,891,828**	**1,202,637,976,603**	**1,229,509,761,188**
Liabilities			
Current liabilities	299,904,683,175	407,327,091,501	439,531,877,947
Non-current liabilities	65,778,106,079	182,011,615,631	161,076,220,295
Total liabilities	**365,682,789,254**	**589,338,707,132**	**600,608,098,242**
Equity			
Capital	23,533,928,000	23,533,928,000	23,533,928,000
Capital surplus	38,097,439,100	38,228,731,689	38,228,731,689
Other elements of capital	155,115,636,295	162,823,827,057	192,158,836,752
Retained earnings	667,865,099,172	694,459,028,639	738,328,630,000
Net Income Attributable to Controlling Interests	574,380,829,977	593,397,861,271	607,932,452,937
Net Income Attributable to Non-Controlling Interests	86,272,597	19,901,408,200	20,969,210,009
Total equity	**574,467,102,574**	**613,299,269,471**	**628,901,662,946**
Total equity and liabilities	**940,149,891,828**	**1,202,637,976,603**	**1,229,509,761,188**
Number of companies included in the consolidated statement	7	9	9

※ The above Summary of Consolidated Statement of Financial Position has been prepared in accordance with the Korean International Financial Reporting Standards (K-IFRS).

Summary of Consolidated Income Statement

(Unit: KRW)

Category	46th	47th	48th
Revenue	1,928,463,279,284	1,698,372,284,996	2,067,468,662,697
COGS	1,416,652,352,065	1,224,850,418,790	1,525,159,297,360
Gross profit	511,810,927,219	473,521,866,206	542,309,365,337
SG&A expenses	453,220,951,729	417,451,455,726	447,962,840,877
Operating profit	56,033,229,266	55,771,809,993	93,106,900,590
Equity method gains	2,648,267,220	1,936,243,582	(177,069,837)
Other gains	77,814,432,323	27,021,163,662	21,937,243, 470
Other expenses	13, 435,042,628	10,997,994,960	19,464,594,416
Interest income	2,276,263,379	9,187,818,985	7,595,976,816
Other amortization expenses	640,838,311	207,106,959	(67,319,787)
Financial income	2,729,253,223	99,494,965	87,328,003
Financial costs	2,722,947,292	8,352,851,039	7,662,636,455
Income before income tax	124,702,617,180	74,458,578,229	95,490,467,958
Corporate tax expense	34,745,580,006	31,743,696,334	28,649,876,105
Net income	89,957,037,174	42,714,881,895	66,840,591,853
Net Income Attributable to Controlling Interests	89,970,077,434	42,723, 443, 445	65,073, 401,850
Net Income Attributable to Non-Controlling Interests	(13,040,260)	(8,561,550)	1,767,190,003
Other comprehensive income	(1,950,821,980)	5,035,479,570	546,178,252
Total comprehensive income	88,006,215,194	47,750,361,465	67,386,770,105
Net Income Attributable to Controlling Interests	88,019,255,454	47,758,923,015	65,635,268,296
Net Income Attributable to Non-Controlling Interests	(13,040,260)	(8,561,550)	1,751,501,809
Basic earnings per share	5,103	2,423	3,766

ESG DATA

Economic Highlights

Credit Rating (Corporate Bond)

(Unit: Rating)

Category	2018 (commercial paper rating)	2019 (ICR)	2020 (ICR)
National Information & Credit Evaluation -	-	-	-
Korea Rating	A1 (06.29. 2018~06.30.2019)	A1 (06.29.2018~06.30.2019)	-
NICE Investors Service	AA- (06.05.2019~06.04.2020)	AA- (06.17.2019~06.17.2020)	-

Sales of Domestic and Overseas Business Sites

(Unit: KRW 1,000)

Category	2018	2019	2020
Domestic business sales	1,895,836,487	1,700,529,600	2,181,099,986
Overseas business sales	55,531,602	49,855,503	46,265,636
Consolidation adjustment	(22,904,810)	(52,012,818)	(159,896,959)
Sum	1,928,463,279	1,698,372,285	2,069,468,663

Distribution of Economic Value

(Unit: KRW 100 million)

Category		2016	2017	2018	2019	2020
Shareholders and investors	Dividends and Interest	199	212	212	212	224
Government	Corporate tax	426	423	347	317	286
Employees	Wages and welfare, retirement pension	1,523	1,595	1,641	1,514	1,632
Local community	Investment in local community	-	7.7	7.9	101.7	26.3
Partners	Support for purchase and win-win programs	-	-		180	100

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Environmental Highlights

Management of Environmental Impact

Category		Unit	2018	2019	2020
Air pollution management	NOx	Ton	17.73	19.27	13.91
	SOx		1.04	0.95	1.03
	Dust		0.55	0.5	0.55
	NOx average emission concentration	ppm	68	64	39
	SOx average emission concentration	ppm	2.8	2.3	1.9
	Dust average emission concentration	mg/m3	4.3	3.3	3.3
Water and wastewater management	**Total usage**	Ton	168	140	168
	Recycling amount		158.27	129.51	161.88
	Discharge amount		9.73	10.49	6.12
Waste and power generation by-products management	General waste	Ton	16,624.93	11,048.96	12,365.21
	Designated waste		65.86	61.58	34.39
	Total amount of waste		16,690.79	11,110.54	12,399.6
	Amount of waste disposal (landfill + incineration)		13,269.96	8,494.95	8,716.65
	Recycling amount		3,364.97	2,554.01	3,648.56
	recycling rate	%	20.1	22.9	29.4

Water consumption

Category	Unit	2018	2019	2020
Water usage	Ton	97,219	93,804	98,639

* Reporting scope: Manufacturing Business Division (Plants 3 and 4)

Greenhouse Gas Emissions in 2020

Category		Unit
Total amount of greenhouse gas emissions (direct emissions + indirect emissions)	20,790	tCO2eq
Energy conversion amount (direct emission + indirect emission)	416	TJ
Basic Information		
Direct emissions (Scope 1)	2,104	tCO2eq
Internal indirect emissions such as electricity (Scope 2)	18,686	tCO2eq

GHG Emissions by Business Division (Unit: tCO2eq)

Category	Bangbae and Sangam office buildings (Management Support, General Affairs)	Stores and Business Divisions (RH/INT/B2B/Home Care)	Logistics/AS	R&D Center	Manufacturing plant (3 and 4)
Direct emissions	1,707		397		
Indirect emissions	2,957	5,835	1,089	219	8,584
Sum	4,664	5,835	1,486	219	8,584

* Category and scope of the report: total of 140 business sites including △Sangam/ Bangbae office buildings △Stores and Business Divisions △Logistics/AS △R&D center △Manufacturing Business Division, etc.

Compliance with Environmental Laws and Regulations

Category	Unit	2018	2019	2020
Amount of fines and number of non-monetary sanctions imposed due to violations of environmental laws and regulations (No non-monetary sanctions)	Case	1	2	1
Total amount of fines imposed due to violation of environmental laws and regulations	KRW 10,000	40	320	160

ESG DATA

Status of Eco-friendly Raw Material Procurement

Category	Unit	2018	2019	2020
Purchase quantity of eco-friendly raw materials	Cubic (㎥)	299,480	249,780	288,430
Cost of purchasing eco-friendly raw materials	KRW 100 million	692	563	641

R&D investment

Category	Unit	2018	2019	2020
R&D expenses	KRW 1million	19,970	19,619	13,789
R&D Ratio to Sales	%	1.55	1.81	1.05

※ Note: Correction reflected as R&D expenses in the Annual Report

Status of Intellectual Property Rights

Category	Unit	2018	2019	2020
Application	Number of cases	5	2	1
Registration		-	4	2
Sum		5	6	3

Green Certification Acquisition Status

Category	Unit	2018	2019	2020
Number of green certifications*	Number	-	20	11

* Status of environmental labels effective as of June 2021: 14 labels for windows and doors (3 labels for wallpaper expired in December 2020)

Status Environmental Education

Category	Unit	2018	2019	2,020
Number of people educated	Persons	-	40	40
Education hours	Hour (s)	-	26	32

Environmental Expenditure and Investment Scale

Category	Unit	2018	2019	2020
Environmental protection cost (Manufacturing Business Division + R&D Center)*	KRW 1 million	-	638	818

* Calculation details: 1. EcoAS (Producer) 2 EcoAS (Seller) 3. Waste charge system 4. Waste disposal charge system 5. Extended producer responsibility (EPR)

ESG DATA

Social Highlights

Status of Domestic Employees

(Unit: persons, %)

Category		2017	2018	2019	2020
Total number of employees* (Unit: persons)		3,049	2,902	2,532	2,495
Gender	Male (persons, ratio)	2,046(68.2)	1,949(68.1)	1,672(66.7)	1,680(67.3)
	Female (persons, ratio)	956(31.8)	914(31.9)	836(33.3)	815(33.7)
New Hirings	Male (persons, ratio)	683(66.2)	342(74.8)	183(64)	293(65)
	Female (persons, ratio)	349(33.8)	115(25.2)	103(36)	158(35)
	The disabled	54(5.2)	47(10.2)	44(15.3)	30(6.6)
	High school graduate	140(13.5)	34(7.4)	12(4.2)	40(9)
Turnover/Retired Person	Male (person, ratio)	521(67.5)	455(73.6)	458(72.1)	325(65)
	Female (person, ratio)	251(32.5)	163(26.4)	177(27.9)	176(35)
	Voluntary turnover rate	669(86.6)	528(85.4)	542(85.3)	341(68)
Employment Type**	Full-time	2,790(91.5)	2,822(97.2)	2,493(98.5)	2,446(98)
	Non-regular worker	212(6.9)	41(1.4)	39(1.5)	49(2)
	The disabled	54(1.8)	47(1.6)	44(1.7)	30(1.2)
	Nationality (Non-Korean employees)	2(0.1)	3(0.1)	2(0.1)	21(0.8)
	High school graduates	326(10.9)	312(10.9)	289(11.4)	243(9.7)
Rank***	Executives	39(1.3)	36(1.2)	36(1.4)	47(1.9)
	Manager and higher	352(11.7)	398(14)	441(17.6)	468(18.7)
	Assistant manager and below	2,611(87)	2,429(84.8)	2,031(81)	1,980(79.4)
Age***	In their 20s (person, ratio)	1,347(44.9)	1,080(37.7)	717(28.6)	358(14.3)
	In their 30s (person, ratio)	1,146(38.2)	1,251(43.7)	1,260(50.2)	1,428(57.2)
	In their 40s (person, ratio)	390(13)	387(13.5)	389(15.5)	520(20.9)
	Over 50s (person, ratio)	119(4)	145(5.1)	142(5.7)	189(7.6)
Overseas Employees	The U.S.	9(0.3)	10(0.3)	10(0.4)	9(0.4)
	China	36(1.2)	27(0.9)	12(0.5)	8(0.3)
	Japan	2(0.1)	2(0.1)	2(0.1)	2(0.1)
	Others	-	-	-	-

* Total number of employees: Including domestic and overseas employees and registered executives

** Employment type: The number and ratio of employees by employment type from 2017 to 2018 are calculated excluding overseas employees.

*** Rank/Age: The number and ratio of employees by rank/age category in 2017, 2018, and 2019 are calculated excluding overseas employees.

ESG DATA

Employee Diversity

(Unit: persons, %)

Category			2018	2019	2020
Female leadership	Rank	Ratio of female employees among all employees	32	33	33.7
		Ratio of female employees among all managers*	21.9	22	21.9
	Employment type	Ratio of female employees among contract workers	36.6	33.3	36.7
		Ratio of female employees among full-time employees	31.7	33.2	32.5
Others		Foreigners (person, ratio)	3(0.1)	2(0.1)	21(0.8)
		Veterans' staff (person, ratio)	13(0.4)	15(0.5)	16(0.6)
		The disabled (person, ratio)	47(1.6)	44(1.7)	30(1.2)

* Manager: Manager level or higher

Status of Use of Parental and Maternity Leave

(Unit: persons, %)

Category		2018	2019	2020
Number of persons eligible for reinstatement after parental leave (A)	Male	6	15	4
	Female	31	34	43
Number of employees returning to work after parental leave (B)	Male	3	14	4
	Female	31	31	41
Return to work rate (=B/A*100)	Male	50	93.3	100
	Female	100	91.2	95
Number of people returning to work after parental leave in the previous reporting period (C)	Male	1	3	12
	Female	25	32	28
Number of employees worked for 12 months after returning to work after parental leave in the year (D)	Male	1	2	10
	Female	22	27	25
Retention rate after parental leave (=D/C*100)	Male	100	67	83
	Female	88	84	89
Number of employees on maternity leaves		28	31	29

ESG DATA

Employee safety and health status

Category	Unit	2018	2019	2020
Number of incidence of occupational injuries	Case	20	10	10
Number and incidence of deaths due to work-related accidents	Case	0	0	0
Occupational Illness Frequency Rate (OIFR)	%	0	0	0
Number of deaths resulting from work-related diseases	Persons	0	0	0
Loss Time Injuries Frequency Rate (LTIFR)*	%	3	2	2
No. of loss of time cases	Case	20	10	10
Total working hours	Hours	5,697,720	5,007,184	5,009,960
Number of employees subscribed to Workmen's Accident Compensation Insurance	Persons	2,902	2,532	2,495

* Lost-Time Injuries Frequency Rate - number/million working hours

Status of Collective Bargaining Application

Category	Unit	2018	2019	2020
Number of employees applied by collective bargaining	Persons	247	222	230
Ratio of employees applied by collective bargaining	%	9	9	9.3
Number of persons subscribed to membership	Persons	226	219	227
Group membership rate	%	91.4	98.6	98.6

Status of Using Annual Leave and Flexible Working System

Category	Unit	2018	2019	2020
Number of days of annual leave	Day	26,286.25	29,686.5	23,853.25
Rate of use of flexible working system	%	86	86	85

Status of Pension Support

(Unit: persons)

Category	2018	2019	2020
Number of subscribers (DB)	2,902	2,532	2,495

ESG DATA

Starting salary for New Employee

Category		Unit	2018	2019	2020
Starting salary for New Employee	Male	KRW 1 million	4,100	4,100	4,100
	Female		3,900	3,900	3,900
Ratio to the minimum wage Ratio of starting salary for new employees	Male	%	217	196	190
	Female		207	186	181

Status of Employee Education*

Category		Unit	2018	2019	2020
Total number of persons educated	Male	Persons	1,856	1,654	1,583
	Female		925	870	893
Education hours per person	Male	Hour	31	27	33
	Female		37	29	32
Education cost per person	Male	KRW	232,622	167,361	122,312
	Female		230,205	188,360	153,272
Number of trainees by rank	Executive level	Persons	44	33	46
	Manager or higher		417	452	480
	Assistant manager or below		2,320	2,039	1,950
Number of trainees by rank	Executive level	% **	88	72	94
	Manager or higher		93	91	96
	Assistant manager or below		87	87	93
Education cost by position	Executive level	KRW	133,988,649	18,735,429	34,448,354
	Manager or higher		81,671,295	103,208,969	64,467,499
	Assistant manager or below		429,026,801	318,742,744	231,575,732
Education hours by rank	Executive level	Hour	1,546	739	1,684
	Manager or higher		13,061	17,543	16,740
	Assistant manager or below		77,138	52,410	62,054

* Total number of employees (including employees on contract) ** Number of people who have been trained at least once in 2020 / Number of employees serving the company in 2020

Status Human Rights Education - Gender Sensitivity Education*

Category	Unit	2018	2019	2020
Total education hours	Hours	1	One hour per batch	1
Number of persons educated	Persons, ratio (%)	2,660(98)	2,307(98.8)	2,133(97.4)

* Except for statutory compulsory education, only the persons educated online is counted in 2021

Status of Fair Trade Education - Internal Control Training

Category	Unit	2018	2019	2020
Number of employees	Persons	-	318	470
Hours	Hours	-	467	477

Status of Social Contribution Investment *

Category		Unit	2018	2019	2020
Social welfare investment ratio		%	0.35	0.57	0.15
Social contribution project	Total amount of social contribution**	KRW 100 million	8	101.7	26.3
	COVID-19		-	-	16.6
	Support for flood damage		-	-	4.5
	Improvement of residential environment/ employees' engagement		-	-	1.2
Social contribution participation hours (company-wide)		Hours	1,651	795	90
Number of people participating in social contribution (company-wide)		Persons	504	551	30

* Charitable Donation, Community Investment, Commercial Initiatives are not distinguished ** Total social contribution amount: social contribution expenses, donations, etc. (win-win fund is included in the total social contribution amount of 2019)

Status of In-house Volunteer Group Activities

Category	Unit	2018	2019	2020
Number of participants	Persons	504	551	30
Participation time	Hours	1,651	795	90
Average participation time per person	Hours	3.2	1.4	3

ISO 26000 Assessment Report

Assessment Standard

The Korean Standards Association has developed a checklist for assessing social responsibility implementation level in accordance with ISO 26000, an international standard for social responsibility, as part of the service delegated by the Korea Agency for Technology and Standards. This Assessment report is the result of assessing Hanssem's sustainability management process and achievement by seven key topics according to the diagnosis checklist developed by the Korean Standards Association.

Scope of Assessment

The Korean Standards Association (KSA) has assessed the process of realizing Hanssem's social responsibility and its implementation performance. To this end, KSA has assessed Hanssem's mid- to long-term strategies and activities, stakeholders' engagement, and CSR activities.

Assessment Method

The KSA carried out the following activities to gather relevant evidence based on the ISO 26000 implementation level assessment criteria:

- Review of internal data on sustainability management activities and performance of Hanssem
- Interviews with persons in charge of sustainability management issues of Hanssem

I. Assessment Results by ISO 26000 Social Responsibility Process

Hanssem has inspected the social responsibility management process inspection and assessed its implementation ability for social responsibility based on ISO 26000, the international standard for social responsibility, in order to respond to the increasing demands of society for corporate social responsibility. Hanssem has established mid- to long-term detailed strategies by setting up environmental safety, fair management, inclusion and win-win as its ESG goals for each field to practice ESG management. In particular, it is highly evaluated that the company has broken down ESG-related tasks for each department, tracked the status of progress in each tasks on a quarterly basis, and regularly reported ESG and social responsibility activities and performance to the Board of Directors.

II. Assessment Results of ISO 26000: Seven key topics

Organizational Governance

The Board of Directors is reported on ESG-related strategies, directions, and performance. Although the Board of Directors periodically reviews ESG goals, implementation status and performance, it is not incorporating and applying the social responsibility principle to decision-making and execution. And it is also highly appreciated that the ESG Committee was established under the Board of Directors, and the governance system through which the company deliberates on company-wide ESG strategies, risk management policies, and regulations through the ESG Committee was established in 2021. Going forward, Hanssem is recommended to operate the decisions made by the Board of Directors and ESG Committee in a way that they can affect the ESG activities and performance across the organization.

Human Rights

It was confirmed that in 2021, Hanssem established the "Hanssem Human Rights and Labor Management Declaration" and supports international principles on human rights and labor such as the United Nations (UN) and the International Labor Organization (ILO) and complies with related laws and regulations. In particular, the establishment and operation of the Corporate Culture Committee, publication of a manual on gender sensitivity, and regular human rights education are evaluated as encouraging activities. Going forward, the company needs to conduct human rights impact assessments not only for Hanssem but also for partners and agencies to improve the deficiencies and enhance the effectiveness of the human rights violation remedy system.

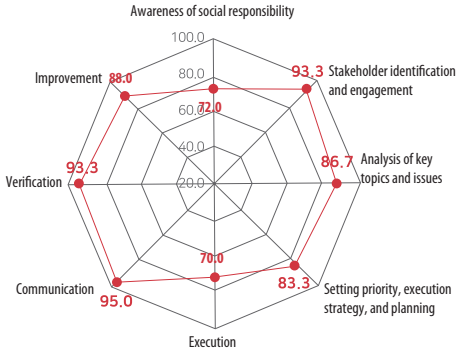
Labor Practices

Labor practices of Hanssem were evaluated as excellent in all sectors. In 2020 and 2021, respectively, safety and health issues not only for its employees, but also for customers, partners, and agencies have become the important issues due to the COVID-19 pandemic. Hanssem is highly evaluated for implementing safety and health rules and provides education and training for the employees of partners such as manufacturing/logistics/affiliate companies through various safety and health education contents. Going forward, the company is recommended to prepare realistic action plans to minimize business accidents and safety accidents for vulnerable groups and employees of partners, and to strive to improve their welfare and working environment.

Environment

Hanssem has continuously managed and improved the environmental management system through the acquisition of ISO 14001 certification and follow-up management, and it has actively minimized the environmental impact of an organization and proactively responded to climate change through the

Social Responsibility Process Assessment Result



Awareness of social responsibility	Review of the current status of the organization based on the commitment of the management
Stakeholder identification and engagement	Review of stakeholders' interests and requirements, and establishment of engagement strategies
Analysis of key topics and issues	Preparation of issue list by reviewing issues and analyzing internal capabilities of the organization
Setting priority, execution strategy, and planning	Establishment of priorities, goals, and action plans for issues to be improved and managed in consideration of organizational capabilities
Execution	Implementation of strategies, visions, goals and action plans, and periodic monitoring of social responsibility performance
Communication	Communication with stakeholders by preparing performance reports
Verification	Activities and reporting to enhance the credibility of performance
Improvement	Periodical review of performance to make it lead to continued improvement

ISO 26000 Assessment Report

efforts such as hazardous chemical management, establishment of greenhouse gas inventory, and operation of a company-wide energy management system. Going forward, it is recommended that Hanssem pay more attention to preventing violations of environmental laws and regulations, recognize the importance of protecting the natural environment, biodiversity, and restoration of natural habitats around its business sites, and conduct company-wide activities for coexistence with nature and other creatures. .

Fair Operating Practices

It was confirmed that Hanssem has declared its commitment to ethical management and anti-corruption to all stakeholders through its website, and that it is operating a commendation system for those who report anti-corruption-related incidents. It is highly appreciated that Hanssem strives to protect its partners by signing fair trade agreements with about 100 first- tier suppliers and including provisions on compliance with the four agenda, signing and implementation of fair contracts, prevention of violations of laws, and compliance with laws in the fair trade agreement. Hanssem is recommended to expand the scope of sustainable management activities by establishing standards that consider social responsibility issues when selecting partners.

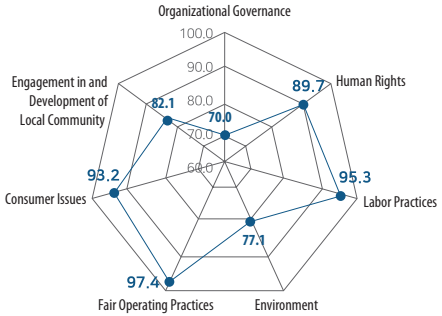
Consumer Issues

Hanssem has enhanced customer satisfaction by operating a quality counsel, the C/S Department in charge of internal quality management, and the Consumer Protection Department which supervises the Consumer Zero-Complaints Deliberation Committee for receiving customer complaints report and conducting before service (BS) under the C/S Office. In addition, the company displays product-related information on the packaging to provide accurate and factual information to consumers, operates a voluntary recall system, transparently disclosing the recall status in the sustainability report. Going forward, the company is recommended to secure customer trust by regularly conducting sustainable consumption education for agencies, sales staff, general consumers, and local communities, and by continuously expanding the coverage of product life expectancy guarantees.

Development of Local Community

It was confirmed that Hanssem consults and discusses major projects with the local governments such as district offices and city halls when conducting housing improvement projects in order to seek win-win cooperation with the local community. Hanssem carries out various local community contribution projects that reflect the characteristics of its business, and operates a system that recognizes volunteer works of employees conducted during working hours as working hours to promote volunteer activities of employees. Hanssem is recommended to overcome the difficulties in engaging in local communities which are limited due to COVID-19 and to strike quantitative and qualitative balance of community engagement activities through communication with internal and external stakeholders.

Social Responsibility Performance Assessment Result



Organizational Governance	Activities that respect the principle of social responsibility and integrate them into existing systems, policies and practices
Human Rights	Activities that respect, protect, comply with and realize human rights within the organization and within the influence of the organization
Labor Practices	Policies and practices that affect the working environment of employees within the organization and for partners
Environment	Activities that take an integrated approach in consideration of the decision of organization and meaning of its activities to reduce the organization's impact on the environment
Fair Operating Practices	Activities that pay attention to ethical behavior in transactions between the organization and other organizations, such as partners and suppliers
Consumer Issues	Activities that protect the consumer's rights such as consumer education, fair and transparent marketing information and contracts, and promotion of sustainable consumption
Engagement in and Development of Local Community	Activities that recognize and respect the rights of local communities and strive to maximize their support and opportunities

III. Conclusion of Assessment

According to ISO 26000 level assessment result, Hanssem achieved SR level 4, with a total score of 870 points, including 306 out of 360 points for process and 564 out of 640 points for performance. Hanssem is highly aware of its social responsibility and shares its sustainability management activities and performance with internal and external stakeholders through various communication channels. Going forward, it is expected that Hanssem will integrate its ESG vision and strategy with stakeholders' opinions to become a company that has a positive impact on society through sincere ESG management practices.

As a special agency established in 1962 in accordance with the Korean Industrial Standardization Act, the Korean Standards Association (KSA) has fulfilled its role as an intellectual service provider of distributing and spreading industrial standards, quality management, sustainability management, and KS-ISO Certification to the companies. In particular, the KSA contributes to the sustainable development of our society as a domestic secretariat of ISO 26000, GRI-designated educational agency, AA1000 verification agency, Korea Sustainability Index (KSI) operating agency, UN CDM operating agency, and greenhouse gas emission-trading scheme verification agency.

July 2021

Kang Myung-soo, KSA Chairman & CEO

Independent Assurance Statement

Foreword

The Korea Standards Association (hereinafter, the "Assurer") was commissioned to perform an independent audit on "Hanssem's Sustainability Report 2021" (hereinafter, the "Report"). The Assurer has provided an independent opinion based on a review of the data contained in the Report prepared by Hanssem (hereinafter, the "Company"), and all the statements and performance data included in the Report are the responsibility of the Company.

Independence

The Assurer, as an independent assurance body, has no professional interest in the Company other than in providing this third-party assurance on the Report, and the Assurer is not related to the Company in any way that may undermine its independence or cause a conflict of interest.

Assurance Standards

The Assurer has verified the inclusiveness, compliance with the principles of materiality, responsiveness and impact, and reliability of the data disclosed in the Report at the "moderate" level in accordance with the AA1000AS v3 Assurance Standard, and the GRI Standards have also been applied in the verification process.

Type and Scope

The Assurer conducted (the) Type 2 verification according to AA1000AS v3 Assurance Standard, which means that the audit assessed the accuracy and reliability of the Company's statements and performance data provided in the Report. The verification scope is from January 1, 2020, to December 31, 2020 and the assurance focused on systems and activities including policies and goals, businesses and programs, standards, and achievements of the Company's sustainability management. In addition, the financial audit was conducted on environmental and societal data and economic performance in a broad sense. The Verification of stakeholder engagement was limited to a review of the Company's materiality test process.

Methodology

The Assurer has collected data, information, and evidence by using the following method.

- Review and analyze media coverage on the Company's sustainability management
- Investigate issues of sustainability reporting selected by the Assurer in consultation with the Company
- Review systems and processes that were used in improving the performance of sustainability management and preparing the Report
- Crosscheck between the financial performance data in the Report and the data in the Assurer' report on the Company's financial statements and disclosures
- Examine internal documents and basic data through on-site verification

Results and Opinions [Principles & Process]

The Assurer has reviewed the content of the draft Report and offered its opinions, and the Report has been revised accordingly. The Assurer has not found any material errors or inappropriate statements regarding the content of this Report. The Assurer offers the following opinions on "Hanssem's Sustainability Report 2021."

Inclusiveness

Did the Company include stakeholders in the process of strategically responding to issues of sustainability management?

The Assurer has verified that the Company is aware of the importance of stakeholder participation and is striving to establish a process that will increase their participation. The Company has identified its employees, customers, shareholders and investors, government and competent authorities, partners and local communities, etc. as stakeholder groups in accordance with stakeholder classification standard of ISO 26000. The Assurer has verified that the Company possesses communication channels for each stakeholder group and is collecting different opinions through those channels.

Materiality

Did the Company include material information that can assist stakeholders to make informed decisions?

The Assurer finds that the Company has neither omitted nor excluded any material information that stakeholders need to know. We have confirmed that the Company conducted a materiality test on the key issues that were identified in the analysis of the internal and external environment(s) and prepared the Report based on the results of the analysis

Responsiveness

Did the Company respond to the demands and interests of stakeholders?

The Assurer has verified that the Company is properly responding to the demands and interests of its stakeholders by reflecting the opinions collected from stakeholders (them) on the Report. The Assurer has found no evidence that the Company's responses to material issues involving stakeholders were (have been) misrepresented or misstated in the Report.

Impact

Does the Company appropriately monitor its impact on the stakeholders?

The Assurer has verified that the Company is monitoring and assessing its impact on the stakeholders by conducting an enhanced verification of its standard business activities. Furthermore, it has been verified that the Company appropriately publishes its findings in the Report.

Independent Assurance Statement

Review of Disclosure of GRI Standards

The Assurer has verified that the Report was written in accordance with the Core Option of the GRI Standards. Based on the documents provided by the Company, the Assurer has verified that the Report complies with the requirements specified in the indices of the Universal Standards and the Topic-specific Standards.

Universal Standards

The Assurer has verified that the Report complied(s) with the requirements of the Universal Standards of Core Option, and (has) reviewed the following indices:

102-1 to 102-13 (Organization Profile), 102-14 to 102-15 (Strategy),

102-16 to 102-17 (Ethics and Integrity), 102-18 and 102-35 (Governance),

102-40 to 102-44 (Stakeholder Participation),

102-45 to 102-56 (Reporting Practice), 103 (Management Approach)

Topic-specific Standards

The Assurer has verified the detailed items on the material topic identified through the process of determining the reporting items and reviewed the following indices.
201-1, 205-2, 205-3, 302-1, 305-1, 305-2, 305-7, 306-2, 401-2, 401-3, 402-1, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 404-1, 404-2, 413-1, 416-2, 417-2, 417-3, 418-1

As an special agency established in 1962 in accordance with the Korean Industrial Standardization Act, the Korean Standards Association (KSA) has fulfilled its role as intellectual service provider of distributing and spreading industrial standards, quality management, sustainability management, and KS-ISO Certification to the companies. In particular, the KSA contributes to the sustainable development of our society as a domestic secretariat of ISO 26000, GRI-designated educational agency, AA1000 verification agency, Korea Sustainability Index (KSI) operating agency, UN CDM operating agency, and greenhouse gas emission trading scheme verification agency.

Opinions and Recommendations [Performance /Issues]

The Assurer offers the following proposal to implement strategies in sustainability management in response to the issues with coherence at the organizational level.

Economic Performance

Hanssem shared economic activities and performances with stakeholders by publishing a sustainability report since last year. And Hanssem has been engaged in remodeling business which manufactures, distributes kitchen furniture and provides total home interior packages such as interior furniture, etc., as Korea's largest interior distribution company. In addition, despite the national crisis caused by COVID-19, the company renovated the Hanssem Mall and strengthened the online distribution network by introducing "Naemam" delivery service in line with the demands for the non-face-to-face era, thereby maintaining the growing trend by achieving KRW 2 trillion in sales. The Assurer recommends Hanssem maintain transparent management based on continuous management innovation and reliability of accounting information in order to achieve its corporate vision of "Becoming the world's best company in the residential environment sector."

Environment

Hanssem recognized the impact of its business activities on the environment, society, and economy, and published the Sustainability Report in line with global environmental trends. As part of our social responsibility, Hanssem has collected and disclosed environmental indicators, which are positively evaluated as it shows improved data. In particular, the voluntary establishment of a system for monitoring energy consumption and greenhouse gas emissions is evaluated the greatest achievement of the company, since managing indicators can lead to the reduction of environmental pollution. Going forward, Hanssem is recommended to expand and include the indicators on the raw materials used and the procurement of raw materials related to hazardous substances in products in major management targets, and to establish goals and performance management systems for each issue.

Social

Marking its 50th anniversary, Hanssem has been publishing a report to communicate its performance in corporate social responsibility with stakeholders since 2020. The second Report published in 2021 contains corporate governance established to internalize ESG and the newly established Hanssem Human Rights and Labor Management Declaration, showing Hanssem's solid commitment for sustainable management. As various stakeholders at home and abroad are highly interested in ESG performance management through sustainability management, Hanssem needs to strive to advance ESG performance management going beyond building a foundation for ESG management. It is recommended to establish a company-wide management system to set strategies, mid-to long-term goals, and key performance indicators (KPIs) for material issues for each ESG area, and to systematically manage the performance and goal achievement rate by each indicator and report it to stakeholders.

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July 2021
Kang Myung-soo, KSA Chairman & CEO

GRI Content & ISO 26000 Index

Universal Standards

GRI 102: General Disclosure in 2016				
Disclosures			ISO 26000	Page
Organization Profile	102-1	Organization name	6.3.10 / 6.4.1-6.4.5 / 6.8.5 / 7.8	7
	102-2	Activities, main brand, product and service		7, 10-11
	102-3	Location of the headquarters		7
	102-4	Location of business sites		9, 100
	102-5	Organization ownership and legal form		80
	102-6	Market area		9
	102-7	Size of organization		7, 9-11
	102-8	Information on employees and workers		91-93
	102-9	Organization supply chain		66
	102-10	Major changes to the organization and supply chain		N/A
	102-11	Approach or principle related to prevention		26-27
	102-12	External initiative		99
	102-13	Memberships subscribed		100
strategy	102-14	Statement of top decision maker	4.7 / 6.2 / 7.4.2	4-5
Ethics and integrity	102-16	Values, principles, standards and code of conduct of organization	4.4 / 6.6.3 / 7.7.5	82, Website
	102-17	Ethics related consulting and complaint handling system		82-83
Governance	102-18	Governance structure	6.2 / 7.4.3	80-81
Stakeholder engagement	102-40	List of stakeholder groups	5.3 / 6.2 / 6.7	29
	102-41	Collective bargaining agreement		92
	102-42	Identification and selection of stakeholders		29
	102-43	Stakeholder participation method		28-30
	102-44	Core topics and issues of interests suggested by stakeholder participation		29-30
Reporting practices	102-45	List of entities included in the organizations' consolidated financial statements	5.2 / 7.3.2 / 7.3.3 / 7.3.4	86
	102-46	Definitions of reported contents and boundary of topic		30
	102-47	List of material topics		30
	102-48	Correction of information included in the previous report		Indication of relevant page
	102-49	Change to major material topic and boundary of topic		30
	102-50	Reporting period	7.5.3 / 7.6.2	About This Report
	102-51	The most recent date when the report was published		About This Report
	102-52	Reporting period		About This Report
	102-53	Contact detail for any question on the report		About This Report
	102-54	Reporting method under the GRI Standards		About This Report
	102-55	GRI Content Index		98
	102-56	External verification		96-97

Topic-specific Standards

GRI 200: Economic Topics				
Topic	Disclosures		ISO 26000	Page
GRI 103 Management Approach 2016	103-1~3	Management Approach		14-17
GRI 201: Economy 2016	201-1	Generation and distribution of direct economic value	6.8.1-6.8. / 6.8.3 / 6.8.7 / 6.8.9	87
GRI 103 Management Approach 2016	103-1~3	Management Approach		79
GRI 205: Anti-Corruption 2016	205-2	Notice and training on anti-corruption policies and procedures	6.6.1-6.6.2 / 6.6.3 / 6.6.6	83
	205-3	Identified corruption cases and actions taken		83

GRI 300: Environment Topics				
GRI 103 Management Approach 2016	103-1~3	Management Approach		33
GRI 305: Emissions 2016	302-1	Energy consumption within the organization	6.5.4	39
	302-4	Reduction of energy consumption	6.5.4-5	39
GRI 103 Management Approach 2016	103-1~3	Management Approach		33
GRI 305: Emissions 2016	305-1	Direct greenhouse gas emissions (Scope 1)	6.5.5	88
	305-2	Indirect greenhouse gas emissions (Scope 2)		88
	305-5	Reduction of greenhouse gas emissions		36
	305-7	NOx, SOx and other significant air pollutant emissions	6.5.3	88
GRI 103 Management Approach 2016	103-1~3	Management Approach		33
GRI 306: Wastewater and waste 2016	306-1	Wastewater discharge and water quality by final discharge site	6.5.3-4	88
	306-2	Waste amount by type and treatment method	6.5.3	88
	306-3	Serious outflow	6.5.3	N/A

GRI 400: Social Topics				
GRI 103 Management Approach 2016	103-1~3	Management Approach		51
GRI 401: Employment 2016	401-2	Welfare benefits provided only to full-time employees	6.4.4 / 6.8.7	63
	401-3	Parental leave	6.4.4	91
GRI 103 Management Approach 2016	103-1~3	Management Approach		51
GRI 403: Occupation safety and health 2018	403-1	Occupation safety and health management system	6.4.6	56
	403-2	Risk identification, risk assessment, incident investigation	6.4.6 / 6.8.8	56
	403-3	Occupation safety and health services	6.4.6	57
	403-4	Employee engagement, consultation and communication on occupational safety and health	6.4.6 / 6.8.8	56
	403-5	Occupational safety and health education and training	6.4.6	58-59
	403-6	Promotion of member health	6.4.6	63
	403-7	Prevention and mitigation of occupation safety and health impacts directly linked with business	6.4.6	56, 57-58
	403-8	Workers subject to occupation safety and health management system	6.4.6	56
GRI 103 Management Approach 2016	103-1~3	Management Approach		51
GRI 404: Training and education 2016	404-1	Average hour of training for one worker in a year	6.4.7	93
	404-2	Program for strengthening of workers' capabilities and management of career	6.4.7 / 6.8.5	54-55
GRI 103 Management Approach 2016	103-1~3	Management Approach		73
GRI 413: Local community 2016	413-1	Status of local community engagement, impact assessment and operation of development program	6.3.9 / 6.5.1-6.5.2 / 6.5.3 / 6.8	74-77
GRI 103 Management Approach 2016	103-1~3	Management Approach		45
GRI 416: Customer health and safety	416-2	Violation of regulations on health and safety impact of products and services	6.7.4	N/A
GRI 103 Management Approach 2016	103-1, 2, 3	Management Approach		45
GRI 417: Marketing and labeling 2016	417-2	Violation of Law related to product and service information and labeling and voluntary violation of regulation	4.6 / 6.7.1-6.7.5 / 6.7.9	N/A
	417-3	Number of cases violating the regulations on marketing communications such as advertisements, promotions, and sponsorships	4.6 / 6.7.1-6.7.3	N/A
GRI 103 Management Approach 2016	103-1, 2, 3	Management Approach		84
GRI 418: Protection of customer's personal information 2016	418-1	Number of complaints related to the violation of rules on the protection of customers' private information, and loss of customers' information	6.7.1-6.7.2 / 6.7.7	N/A

Global Initiative

Our impact on the SDGs

Hanssem takes part in the implementation of the UN Sustainable Development Goals (UN SDGs) adopted by the UN General Assembly in August 2015. The international community has presented 17 SDGs goals and specific targets to achieve the basic SDGs by 2030, with the goal of pursuing social and environmental values and achieving inclusive economic growth, which are broadly reflected in the management activities as basic principles of sustainability management.

As a global corporate citizen, Hanssem has selected SDGs that are directly or indirectly related to its business activities. And we are reflecting them in the sustainable management strategies and implementing it through internalization in order to contribute to the achievement of those goals.



Policy for each UN SDGs and Performance

SDGs	Our Approach
Goal 3. Ensure healthy lives and promote well-being for all at all ages	Hanssem strictly manages hazardous chemicals in its products and services to protect the health of its customers. In addition, Hanssem does not spare any efforts to provide physical and mental supports to its employees so that they can work in a healthy and pleasant environment. - Support health check-up for employees once a year
Goal 5. Achieve gender equality and empower all women and girls	Hanssem guarantees equal participation in management activities, welfare, and the creation of a working environment for female employees, and actively supports nurturing of female managers. - Conducted R&D program to nurture female talents in 2020 - Fostering female team leaders and future executive candidates
Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Hanssem manages the supply chain and raw materials, and seeks to improve the welfare of employees, strengthen their capabilities, and expand win-win growth with partners for sustainable consumption and production. - Expand win-win stores, and create win-win fund - Support the establishment of facilities to enhance the production efficiency of partners
Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	Hanssem manages raw materials and supports stakeholders, including partners, to apply better technology in products through technology development in order to maintain reasonable product prices for stakeholders. - Support verification of the environmental safety of partner products
Goal 10. Reduce inequality within and among countries	Hanssem provides equal opportunities. We do not discriminate for any reason, such as gender, race, ethnicity, nationality, religion, marital status, disability, or social status, not only for employees but also for new hires. - Hire full-time employees (converted non-regular employees to full-time employees in 2018)
Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable	Hanssem has continued to provide support for the safe and pleasant improvement of the residential environment of the vulnerable in the local community. In addition, we are expanding our positive influence through the base supports for official residence of firefighters and emergency shelters responsible for safety. - Support Fire Department, and conduct Mapo housing, and residential environment improvement project for the underprivileged
Goal 12. Ensure sustainable consumption and production patterns	Hanssem actively pursues reduction of plastic usage, recycling, and resource circulation in the manufacturing and consumption process. - Gradually abolish use of plastic bags, and expand the electronic price tags - Expand the waste resource recycling
Goal 13. Take urgent action to combat climate change and its impacts	Hanssem will participate in various activities to move toward a carbon-neutral society through the establishment of an energy management system, and establish and implement mid- to long-term carbon reduction strategies. - Establish greenhouse gas inventory - Expand carbon footprint - Establish and implement 2030 mid-to long-term climate change response strategy

Membership Status and Domestic and Overseas Business Sites

Membership Status

Korea Electrical Products Safety Association

Korea Furniture Association

Hosted by Korea Association of Smart Home Smart Interior Forum

Korea Chamber of Commerce and Industry (Seoul Chamber of Commerce and Industry)

Ansan Chamber of Commerce and Industry

The Federation of Korean Industries

Federation of Middle Market Enterprises of Korea

Domestic/Overseas Business Sites Network

Hanssem Sangam
Hanssem Bldg., 179 Seongam-ro, Mapo-gu, Seoul, Republic of Korea
Tel : 02-6470-3114
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DBEW Design Center
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Fax : +82-2-742-2111

Overseas Network

CHINA
BEIJING HANSSEM INTERIOR CO., LTD.

Beijing Corporation
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Hanssem (Shanghai) Home Furnishings Co.,Ltd.

Shanghai Sales Corporation
22F, KaiKai Building, 888 Wanhangdu Road, Jing`An District, Shanghaiqu, Shanghai, China

Shanghai Showroom
Second floor 2-20, First floor 1-19, Changning Road No.88, Changning District, Shanghai

HANSSEM(CHINA)
INTERIOR CO.,LTD

Production Corporation, Suzhou, China
Wangjiang Road No.109, Gongyeyuan District, Suzhou, Jiangsu

U.S.A
Hanssem Corporation

New Jersey U.S. Headquarters Office & Showroom
20 Kilmer Road, Edison, New Jersey, 08817

New Jersey Plant 1
20 Kilmer Road, Edison, New Jersey, 08817

New Jersey Plant 2
155 Helen Street, South Plainfield, New Jersey, 07080

Boston Showroom
577 Worcester St, Natick, Massachusetts, 01760

JAPAN
Hanssem Inc.

OSAKA Distribution Center
1F Toei building, 2-2-7 Koraibashi, Chuo-ku, Osaka

OSAKA Distribution Center
OSAKAFU OSAKASHI SUMINOEKU SINKITAJIMA 5-3-4

Tokyo Distribution Center
3F Kobayashi Building, 8-19-1 Nishishinjuku, Shinjuku-ku,Tokyo

Tokyo Distribution Center
SAITAMAKEN YASHIOSI OOAZAHACHIJO 4058

Domestic Network

Plants

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Regional Offices

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About This Report

This Report is the second Sustainability Report published by Hanssem to establish the sustainability management system that the company pursues and to share its social responsibility and performances with stakeholders.
This Report contains the economic, environmental and social values that Hanssem has created through its businesses.

Reporting Standards	GRI Standard(Core Option)
Scope of the Report	Headquarters and domestic business sites, overseas business sites (some of the performances)
Boundary of the Report	Hanssem
Period of the Report	From Jan.1, 2020 to Dec. 31, 2020 (Some of the activities and performance continued in 2021)
Report Cycle	Every year (Previous Report: in July 2020)
Report Assurance	Korea Standards Association
Publisher	Hanssem Strategic Planning Office ESG Department Hanssem Bldg., 179 Seongam-ro, Mapo-gu, Seoul, Republic of Korea
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