

2022 HANSSEM SUSTAINABILITY REPORT

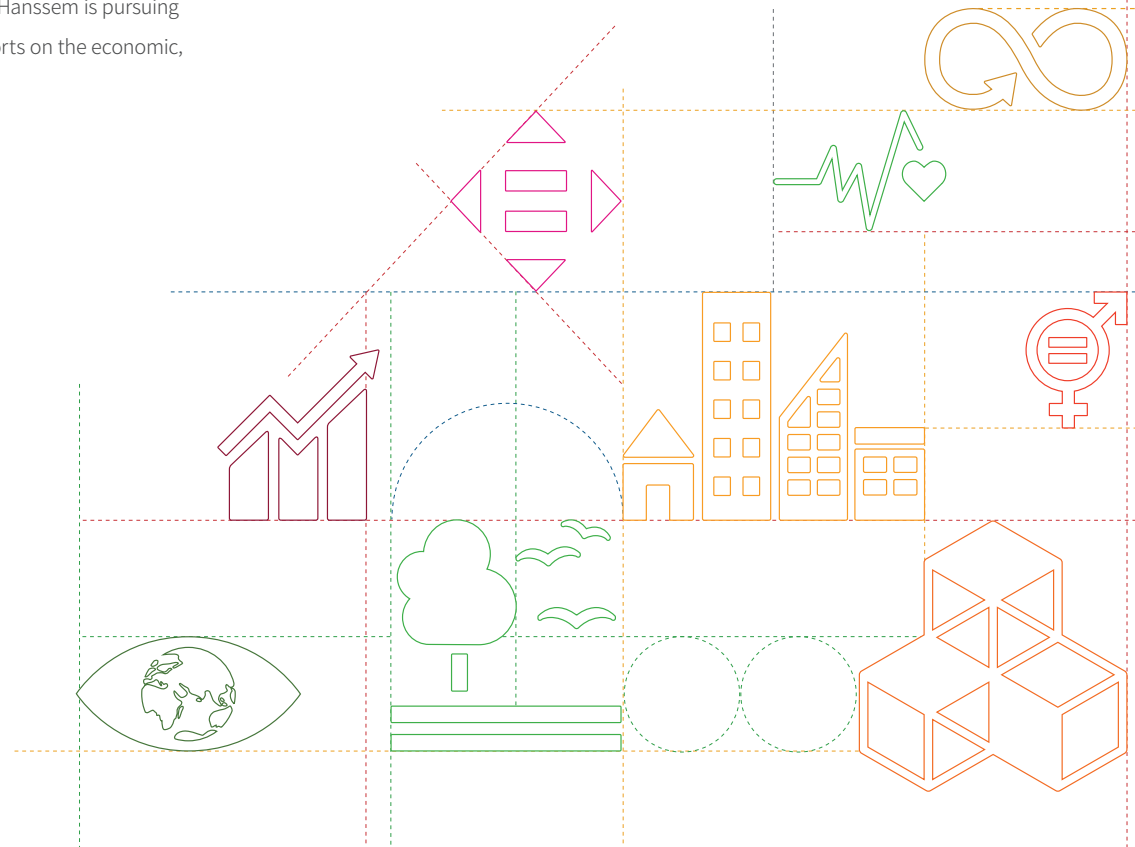


About this report

By internalizing ESG management Hanssem builds its own sustainable management system.

The third report has been published to establish a sustainable management system that Hanssem is pursuing and to share the achievements of social responsibility with stakeholders. This report reports on the economic, environmental and social values that Hanssem creates through business.

Reporting Standards	GRI Standard (Core Option)
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CEO MESSAGE



Hanssem will build its own sustainable management system by internalizing ESG management.

Dear customers, shareholders, employees, partners, and local communities, all of Hanssem's stakeholders.

In the aftermath of the pandemic, China's blockade, and the war between Russia and Ukraine, raw material, oil and logistics costs are skyrocketing like never before. In addition, everyone shares a sense of crisis that future generations will face uncontrollable environmental disasters if climate change due to the abuse of greenhouse gases and fossil fuels is neglected. Accordingly, the sustainable management paradigm is already established as a core strategy of not only governments of each country but also companies. Hanssem also recognizes the importance of sustainable management and has been reflecting it as one of the company's core strategies since 2019.

With the publication of the third sustainability report in 2022, we would like to renew Hanssem's resolve for sustainable management as follows. Since its establishment in 1970, Hanssem has pioneered the brand market with overwhelming product competitiveness and responsible construction for over 50 years. In addition, we are the only company in Korea with comprehensive competitiveness and infrastructure in all areas of home remodeling such as kitchens, windows, bathrooms, floors and doors, as well as home furnishings of dining tables, sofas, home offices, dressing rooms, and daily necessities.

Just as Hanssem has overcome various crises with creativity and innovation and has maintained its No 1. we promise to achieve sustainable management by securing human competitiveness. To this end, the company renews its vision to "To be the greatest in living place" and its mission to "to transform customers' homes into the most desirable space in the world by demonstrating incomparable innovation, professionalism and responsibility"

Hanssem will change from a traditional manufacturing and distribution business to a tech company that organically combines on/offline. Through digital transformation of business models and innovation of construction processes, we will work harder to achieve the best experience for customers, enhance shareholder value for shareholders, and build pride for employees, achieve win-win management through shared growth with partners and become a source of community. In addition, Hanssem will further accelerate the internalization of the sustainability management system.

First, we established a management system centered on the board of directors to keep pace with changes in the major shareholders. The BOD holds at least once a month, and the BOD deliberates and approves the company's core management agenda. Hanssem established 6 committees under the BOD in 2021. For the key agendas, the committee has established a process for in-depth review and deliberation before submitting them to the BOD. In addition, Hanssem appointed all 6 committee chairpersons as outside directors to ensure fairness of the committee.

Second, we established an ESG governance system within the company. To this end, the ESG department was promoted to a department. In addition, the CEO directly hosted the ESG meeting, and appointed C-level executives to be responsible for the environment, society, and governance areas. The ESG support department has established a system to promote/check ESG core tasks once a week, once a month by the CEO, and once a quarter by the ESG committee under the BOD.

Third, we are striving to enhance shareholder value. At the end of 2021, Hanssem announced the "mid/long-term shareholder return policy" to enhance shareholder value. Through this, we promised to maintain the dividend payout ratio at 50% or more from 2022 and implement quarterly dividends. In addition, the electronic voting system is being implemented to promote active shareholders' opinions at the general shareholders' meeting.

Fourth, we are actively participating in international initiatives. Hanssem is taking the lead in establishing a global standard ESG system that corresponds to its status as one of the world's leading home remodeling/home furnishing companies. Hanssem was selected as the UN GRP Excellent Company (AA+), the international eco-friendly certification system of the United Nations in 2021. GHG management has been expanded from Scope 2, which is directly related to Hanssem, to Scope 3, which includes affiliates/partners. Hanssem will join the UNGC in 2022 and faithfully fulfill the corporate social responsibility required by the UN. In addition, we plan to expand the already obtained ISO certification in the environment/quality field to the energy/safety field in the future.

Fifth, Hanssem is striving to develop eco-friendly products. Hanssem has been using E0 grade eco-friendly materials for all of Hanssem's products for a long time. Hanssem is conducting environmental certification of materials and finished products through the "Hanssem Living Environment Technology Institute", the only KOLAS certification institution in Korea in the furniture industry, and plans to establish various management systems to improve indoor air quality. In addition, strict environmental/quality management standards are reflected in product development.

Sixth, Hanssem is conducting continuous contribution activities for the local community. We have been installing and remodeling furniture for the underprivileged in the local community and the 119 Fire Safety Center for several years already. In addition, employees are actively participating in planting trees and caring for park furniture. For these contribution activities, Hanssem was selected as a "local community contribution certified company" by the Ministry of Health and Welfare.

Seventh, Hanssem is pursuing a new labor-management culture and work-life balance with the goal of creating a "space to work in." For horizontal communication between employees, we opened a monthly town hall meeting hosted by the CEO and an A.M.A (Ask Me Anything) bulletin board where anyone can ask questions and receive answers directly from the CEO. In addition, we regularly evaluate and diagnose the organizational culture and work with the "Good Workplace Council" to create a good company to work for.

Eighth, Hanssem is concentrating on shared growth with partners. Recognizing that win-win growth with suppliers is essential to grow into a global company, Hanssem has been operating the Win-Win Growth Committee since 2017, discovering and implementing policies for suppliers.

Dear Stakeholders,

Hanssem has a vision to grow into the world's greatest company in the field of home living. For Hanssem, the greatest company means a respected company that has built a sustainable growth system not only in terms of financial figures, but also in non-financial values such as environmental, social, and governance. All Hanssem employees promise to do their best to achieve this vision. Once again, we ask for your unstinting interest and support for Hanssem. Thank you

August 2022



Representative Executive Officer
Jintae Kim

2021 Highlights



No. 1 in home remodeling industry
26% market share



Acquired UN GRP 'AA+'



Continue strengthening social contribution projects
Expansion of internal and external stakeholder engagement



Mutual Growth Index 'Excellent'
Win-win fund operation Operation of win-win programs for partners, agencies, and small business owners



Preemptive response to climate change
Establishment of Scope3 management system



Family-friendly company certification
Selected by the Ministry of Gender Equality and Family
No. 1 company you want to work for
Selected by EDAILY



Strengthening ESG Governance

Operation of 6 committees within the BOD



Building the industry's best construction capability

Establishment of an organization dedicated to 10,000 people nationwide



Tech - driven service

Competitiveness based on IT technology Home Planner 2.0



KOLAS accreditation

The only furniture industry [Mechanics/Chemical field]



Implement shareholder-friendly policy

Implemented quarterly dividend, introduced electronic voting system, maintained 50% dividend payout ratio

* Implementation in the first half of 2022



No. 1 in household and kitchen furniture by the company most recommended by customers (KNPS)
No. 1 in the household and kitchen furniture sector in the 2021 Customer Satisfaction Index (KCSI)
Korea's Most Admired Company Ranked 1st in Home Furniture Category
Acquired consumer-centered management (CCM) certification

About Us

“Hanssem wants to create the most desirable space in the world”

As an IT (Information Technology)-based ‘living tech company’ that combines online and offline, Hanssem aims to grow into the world’s best company in the residential environment sector.

VISION

To be the greatest
in living space



MISSION

Using unparalleled innovation, expertise and responsibility to transform a customer's home into the world's most desirable place to stay.

Company Profile



Founding date
September **1970**



CEO
Jintae Kim



ESG grade (KCGS)
A



Headquarters location
144, Beonyeong 2-ro,
Danwon-gu, Ansan-si,
Gyeonggi-do



Sales
2,231.2 Billion won



Operating profit
69.3 Billion won



Number of employees
2,567 people



Organization
8 offices, **7** business divisions



* Consolidated basis

History

This is the history of Hanssem, which has led changes in the residential environment since 1970.

1970-1999



- **Sep. 1970** Established Hanssem
- **Nov. 1986** Established a local corporation in the United States
- **Nov. 1989** Introduction of free kitchen design service (HANCAD Development)
- **Apr. 1991** Move-in to Bangbae office building
Established a local subsidiary in Japan
- **Oct. 1992** Completion of Hanssem 3rd Factory (Sihwa)
- **Mar. 1996** Established a local subsidiary in China
- **Jan. 1997** Started interior business, Hanssem Design Park
Opened Bangbae Branch (1st Branch)

2000-2014



- **Jul. 2002** Listed on the Korea Stock Exchange
- **Jun. 2004** DBEW Design Center opened
- **Jan. 2006** Launched a premium kitchen furniture brand 'KITCHENBACH'
- **Oct. 2007** Launched Hanssem ik (interior kitchen)
- **Feb. 2008** Opened Hanssem Mall, a vertical portal specializing in interior design
- **Sep. 2013** Opened Oido Logistics Center
- **Nov. 2013** Launched Hanssem membership
- **Dec. 2013** Achieved KRW 1 trillion in sales in 2013 (based on K-IFRS)
- **Jan. 2014** Achieved 1 trillion won in annual sales (2013)
- **Aug. 2014** Opened Hanssem Service Center site
- **Sep. 2014** 2014 Incheon Asian Games Official Sponsor (2014 Incheon Asian Para Games)

2015-2022



- **Sep. 2016** Opened Hanssem Design Park in Hanam Starfield
Opened Integrated Hanssem Mall (mall.hanssem.com)
- **Dec. 2017** Moved into Sangam new office building
- **Jan. 2018** 2018 Pyeongchang Winter Olympics Official Sponsorship Agreement
- **Feb. 2018** Opened the first ReHouse win-win store, Hanssem Design Park Yongsan IPARK Mall
- **May. 2019** Renewal and opening of Living Environment Technology Research Center (Organization/Function/Facility)
- **Jul. 2020** Acquired KOLAS accreditation for Living Environment Technology Research Center
- **Mar. 2021** Introduction of '3D Real Viewer' at Hanssem Mall online
- **May. 2021** 6 subcommittees within the BOD
- **Sep. 2021** Acquired 'Excellent' grade in the shared growth index
- **Oct. 2021** Launched 'ReHouse Smart Home Package'
- **Dec. 2021** Appointment of new directors and composition of the board of directors
The first digital conversion store
Opened Hanssem Design Park Mapo Store
- **Jan. 2022** Changed the largest shareholder of IMM Private Equity Appointment of CEO Jintae Kim as CEO

Mid/long-term business goals and business strategies

Business goals

Using unparalleled innovation, expertise and responsibility to transform a customer's home into the world's most desirable place to stay

Business strategy

Digital Transformation



Hanssem intends to accelerate the digital transformation in the home remodeling field by combining IT based on competitiveness in logistics, construction and distribution. Hanssem has a vast offline infrastructure and capabilities, including 900 dealerships, 60 large showrooms, 5,000 professional salespeople, and 8,000 construction engineers, and also has 60,000 construction data accumulated in the 3D design program Home Planner. In addition, by upgrading the information search function, which is the core function of the online platform, we plan to build a competitive edge that covers online and offline from consultation, design, construction, and after-sales service.

Construction process innovation



Hanssem plans to reduce the period required for the entire house remodeling project from 10 to 15 days to a maximum of 5 days by 2024. We are innovating and standardizing construction methods that can improve finish quality while reducing construction period, and we will strengthen ERP (Enterprise Resource Planning) system throughout the process, and try to improve satisfaction by reducing complaints during construction such as dust, noise, and vibration.

End-to-End Customer Experience Innovation



Hanssem plans to drive customer experience innovation throughout the home interior. To this end, the CX (Customer Experience) Innovation Headquarters was established by integrating marketing, customer counseling, and consumer protection organizations. It also plans to strengthen standards for quality indicators that monitor customer experience at all times and improve quickly when discovering quality service problems.

Maximize Operational Efficiency



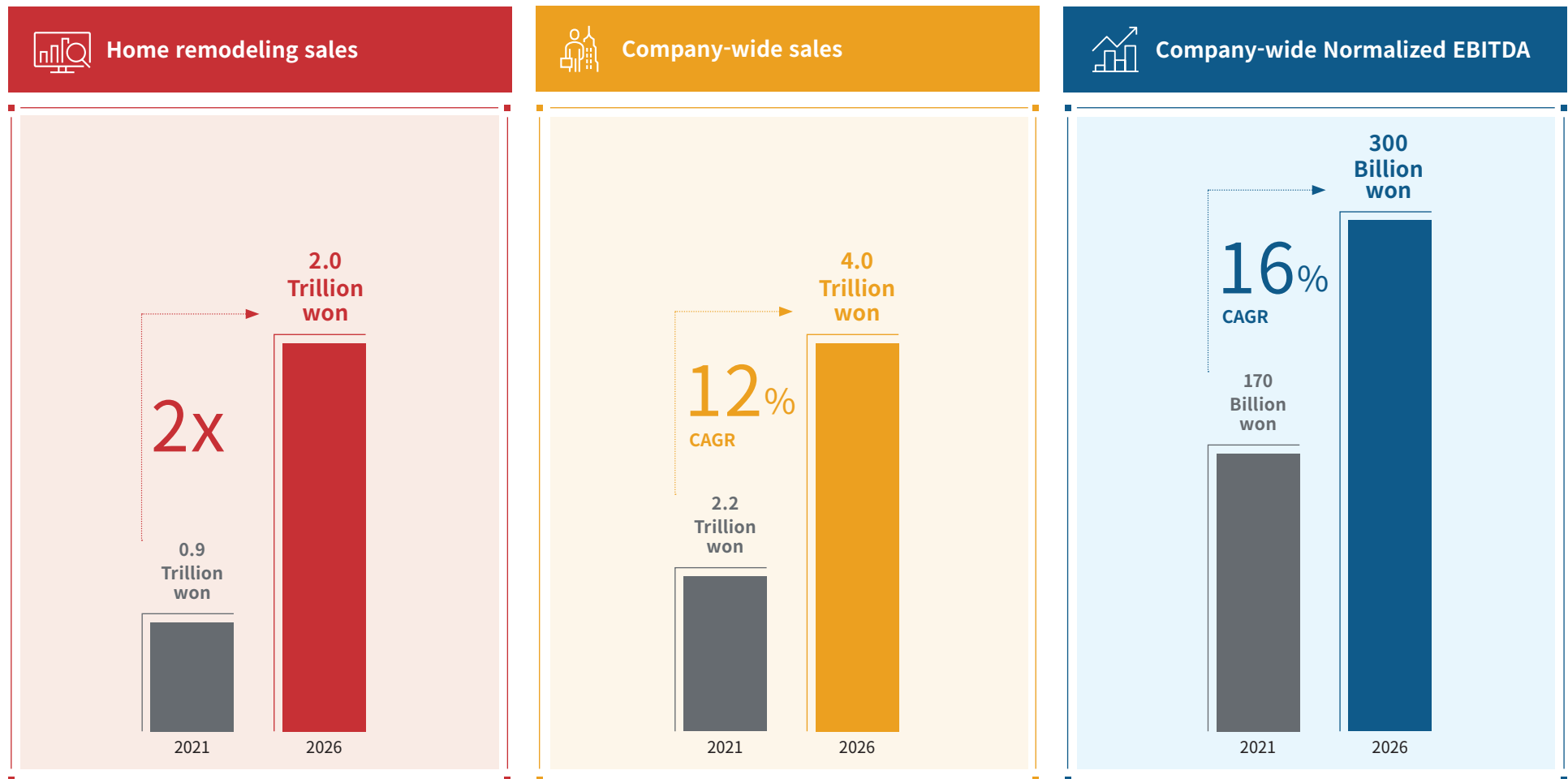
Hanssem is focusing on maximizing operational efficiency in key areas such as sales, Supply Chain Management (SCM) and product development to improve profitability. In addition, we will create sales synergy in all stages of customer consultation, design, quotation, and construction by integrating the ReHouse business division, which was in charge of the Hanssem remodeling business, and the KB (Kitchen & Bath) division, which is the kitchen and bathroom division, into the home remodeling division.

Active search for new business opportunities



Hanssem plans to find new businesses through overseas expansion, smart home, and mergers and acquisitions (M&A). Based on the domestic success model, we plan to promote overseas online home remodeling business and partner with offline home remodeling businesses such as the United States, Japan, China, and Southeast Asia. In addition, we plan to develop a smart home business by introducing a smart home package in which lights, hoods, cooktops, electric beds, and curtains are linked to the IoT (Internet of Things).

Achieve 12% growth in sales and 16% in EBITDA growth by 2026, centering on doubling sales in the home remodeling business



Business Introduction

Home remodeling 

- Growth engine
- High profitability Sales
- Growth rate 17% (2021~2019 CAGR)

Home furnishing 

- Balanced product portfolio
- Additional growth potential centered on products
- Sales growth rate 13% (2021~2019 CAGR)

B2B (Special sales) 

- Order business
- Profitability-focused orders

Subsidiary company (Nexus, Domus) 

- Premium furniture luxury
- Home remodeling, etc. additional growth potential

Main business categories

Kitchen/Building materials

Kitchen, bathroom, window, floor, doors, lights, etc.

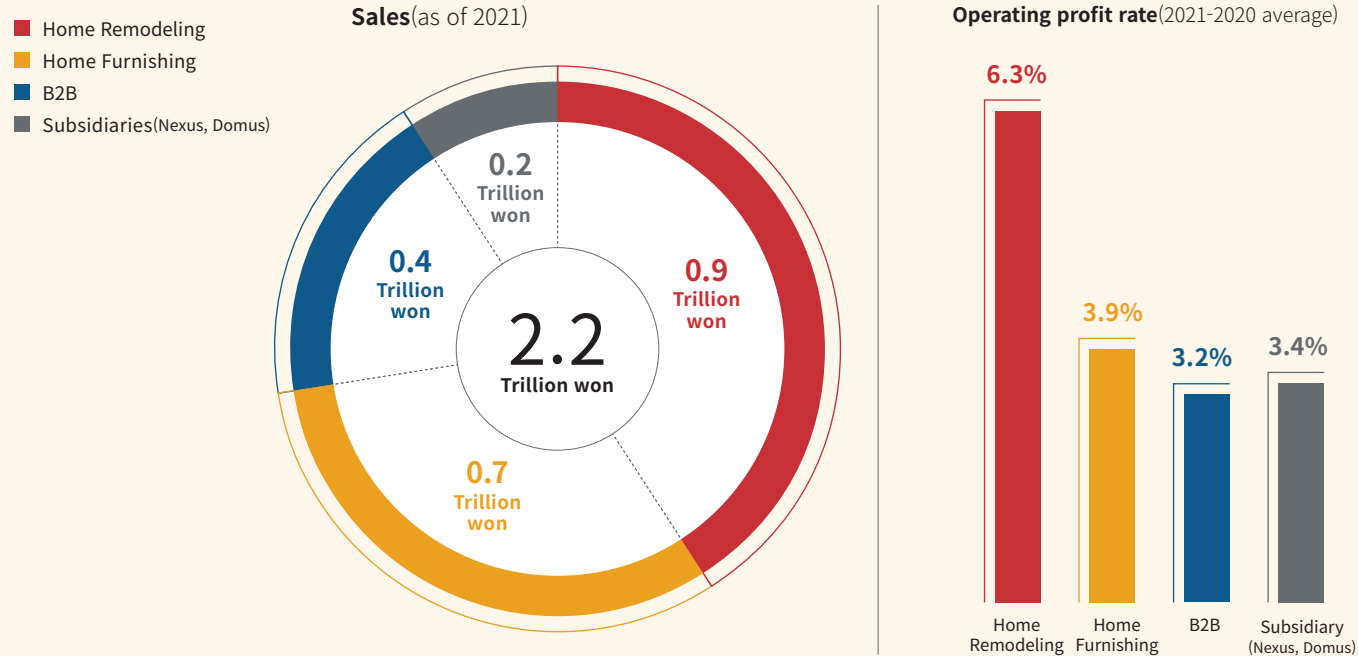
Interior furniture

Beds, mattresses, built-in cabinets, mobile cabinets, dressing room, dressing table, chest of drawers, sofa, living room cabinet, dining table, chair, desk, bookcase, small furniture, household goods, fabric, etc.

Distribution channel

Design Park, Interior Agency, kitchen Dealership, ReHouse Dealership, ReHouse affiliates, construction companies special sale

Headquarters and Major Subsidiaries Performance Trend



Home remodeling



Hanssem has been the dominant player in the domestic kitchen furniture market since 1986. In 2016, Hanssem started the ReHouse business that proposes a whole house space, including a kitchen, bathroom, window, and flooring at once, and Hanssem's share in the interior market is 26% based on the brand market.

To strengthen competitiveness in sales and construction, and to reflect changes in customer demand from single item purchases to package purchases, we have integrated the ReHouse and Kitchenbach projects into the home remodeling division.

Home Remodeling leads the company on enhanced customer service capabilities, including superior product design and industry-leading sales staffing and training systems through design labs, unique 3D design and online design ordering systems, competitive showrooms, and self-construction management competitiveness and differentiated A/S services.

The future home remodeling business aims to expand market share by expanding style package sales, enhance high-end brand image by innovating kitchen & bar sales, complete direct construction system, and diversify distribution through offline large showrooms, online and home shopping channels.

ReHouse



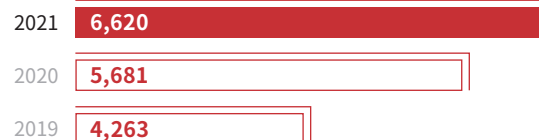
The ReHouse business that supplies lifestyle as a package is a business that can take responsibility for Hanssem's 10 years in the future. As market and customer demand shifts from single-product purchases to package purchases, the ReHouse business headquarters is focusing on expanding remodeling style packages.

ReHouse Business Headquarters has completed the transition of outstanding interior companies (affiliates), continued expansion of premium showrooms nationwide, and direct construction systems. Beyond individual sales of kitchen/dry materials, the sale of the 'ReHouse Style Package', which consists entirely of Hanssem products, increases home remodeling market share and plays a key role in Hanssem's growth.

Through our ReHouse business, we provide total interior solutions that take into account our customers lifestyles and lifecycles, creating space for our homes to be 'the place we want to stay the most in the world'.

Sales of ReHouse Division

(Unit : 100Million Won)



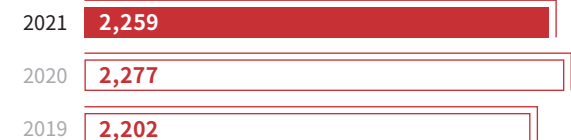
Kitchenbach(Kitchen&Bath)



Kitchenbach is a business specializing in kitchen and bathroom sales and is Hanssem's representative business that began with Hanssem's foundation. It continues to grow through large showrooms centered on core commercial districts, home shopping, and online sales channels. Large showrooms located in key commercial districts across the country provide differentiated customer experience services such as exhibitions, promotions, and VR studios, and increase customer inflows through collaboration with external distribution industries. In addition, we are building an all-round online distribution channel by supplementing the competitiveness of our malls other than the existing home shopping and external general malls. We are also expanding our market share by launching market-leading products and aggressive packaging products in the kitchen, bath, and storage sectors.

Sales of Kitchenbach Business Division

(Unit : 100Million Won)



Home furnishing



Hanssem's home furnishing division was launched as an interior division in 1997 and has become the No. 1 market share in the household furniture sector in 2001 and has represented the domestic furniture market and has been the No. 1 competitive index in the national brand household furniture sector for 15 consecutive years.

The home furnishing sector is divided into offline business and online business. The offline business, which reflects the trend of the market and is turning into a specialized store for total home interior, has improved the competitiveness of the store through continuous exhibition improvement and marketing activities. The online business is providing a product content marketing service optimized for the online business by developing hit products that satisfy customer needs centering on Hanssem Mall, the best home interior shopping mall in Korea, and actively entering Hanssem's offline products and excellent external brands.

Offline



We are operating a direct store business and interior agency business in the home furnishing sector. The direct store (Design Park) business, which started with the launch of the Hanssem Interior Furniture business in 1997, started with the first store in Bangbae in 1998, and as of 2022, a total of 19 direct stores are being operated. Yongsan IPARK Mall, opened in 2018, is a design park that offers not only furniture and household goods, but also interior packages related to home remodeling at once. The Mapo branch, which opened in 2021, configures a lifestyle plan zone that is implemented in the same way as the real

exhibition through VR, provides customized services with 3D consultation design, and provides a space for differentiated customer experience using digital technology. The direct store business, which is changing in response to market trends, creates products that can be sold in 10,000 sets both online and offline, and enhances store competitiveness through continuous display improvement and marketing activities.

In the case of the interior agency business, to target the metropolitan area and local commercial areas. We sell furniture through distribution stores in the form of specialized agencies in each commercial area. In addition, since 2016, we have expanded large exhibition stores in the size of Design Park with support for win-win cooperation with agencies. Through this, we provided an opportunity for agencies to operate in large showrooms to achieve mutual growth between the agency and the head office, and strengthened the package sales service by nurturing space experts at the company level. The interior (offline) business is completing customer satisfaction-based performance based on store competitiveness and sales competitiveness that is one step higher than other brands in the commercial area.

Online

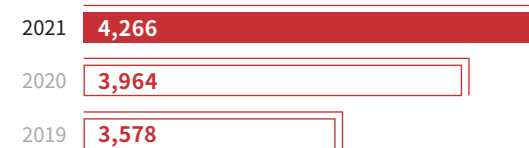


Hanssem entered the online business in February 2008 and continues to grow. By 2014, Hanssem's business model was applied online to achieve first-stage growth, and since 2015, it has continued to grow by expanding distribution and developing market-exclusive products.

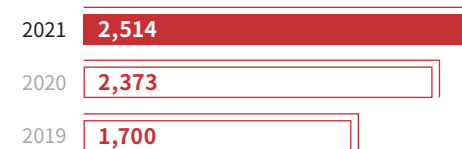
From 2017 to 2018, we improved the quality and service of online products by nurturing MDs and strengthening the process of developing hit products, and expanded categories such as DIY products, small furniture, and daily necessities. The site has grown. In 2020, we focused on providing an integrated customer experience between online and offline by opening home idea content and strengthening O4O, and differentiating services in line with the market trend reorganized through remodeling.

Recently, in response to the market environment in which platform operators' dominance and dependence on mobile are increasing, UX/UI reform suitable for mobile, data-based internal operation capabilities have been strengthened, and video shopping functions have been introduced in response to changes in the mobile environment focused on video. We are striving to meet the growing needs and expectations of our customers, such as attracting high interest.

Sales of Interior Business Division (Unit : 100Million Won)



Sales of Online Business Division (Unit : 100Million Won)



B2B



Special sales



We are a leading company in the new construction, reconstruction, and remodeling market of large-scale apartment complexes. We are supplying kitchen and storage furniture-related products and equipment to high-quality construction companies and contractors, and are preparing to maintain stable growth even in the face of reduced sales volume in the future through the development of Hanssem-Inside. In the changing housing market environment, the Special Sales Division expands the application of interior packages to semi-residential facilities such as hotels and resorts based on differentiated products, design, and logistics and construction know-how and challenges the general construction sector and is growing into a new B2B area specialized in total interior design.

* Hanssem-Inside: Hanssem is responsible for the entire interior process from interior design to construction and post-management of all finishing materials.

Material sales



In addition to raw materials such as PB (Particle Board) and MDF (Medium Density Fiber Board), our company purchases a variety of products used in products such as molded materials

and other glass, hardware, and subsidiary materials, and resells them to domestic furniture companies.

Sales of Special Sales Division (Unit : 100Million won)



Sales of Materials Sales Division (Unit : 100Million won)



Subsidiary company



NEXUS



Hanssem Nexus has been leading the domestic imported furniture industry for the past 30 years with the mission of 'contributing to human development by improving the living environment' and the vision of becoming 'the world's best company in the residential environment sector'. Nexus, which means a sense of bond and solidarity, aims to provide the best value to customers by forming bonds with customers and linking with spaces and interiors. Hanssem Nexus has two business divisions: the B2B business,

which supplies kitchen furniture, etc. to the newly built apartments of famous domestic construction companies, including Samsung Raemian, and the B2C business, which exclusively imports and sells products such as Moltenyi and Dada, the top Italian brands, to consumers.

DOMUS



Hanssem Domus is a subsidiary of Hanssem specialized in the sale of high-end imported furniture. Hanssem Design Park and department stores nationwide (Hyundai, Lotte, Shinsegae, etc.) and two directly managed stores are in operation. Hanssem Domus' biggest competitiveness lies in its reasonable pricing policy with no intermediate distribution margin through exclusive brand contracts with European furniture companies. Based on the imported furniture distribution know-how acquired over the next 20 years, we will lead the domestic imported furniture market by selling packages, expanding the high-priced market, and expanding distribution items such as lighting and fabrics.

Sales of NEXUS (Unit : 100Million Won)



Sales of DOMUS (Unit : 100Million Won)



ESG Management Reinforcement

Hanssem leads the furniture industry by spurring ESG management. In addition to incorporating eco-friendly trends into management, we are also actively promoting win-win partnerships with agencies and partners, and will create a transparent management environment by dramatically improving management transparency and efficiency.

Special Report 1.



ESG Management Strategy

Through awareness of ESG by internal and external stakeholders, ESG trends, and importance assessment through external institutions, Hanssem derives key initiatives for each area and promotes ESG strategies, and through this, it aims to establish an 'H-ESG' roadmap that leads the industry's ESG management. Through the publication of the annual sustainability report,

major activities and performance are disclosed not only to consumers but also to internal and external stakeholders. Going forward, Hanssem intends to develop ESG management competitiveness that creates sustainable values by reflecting global ESG management trends.



ESG Rating

Acquired “Grade A” as a result of KGSC’s 2021 ESG evaluation

Hanssem received ‘A’ in the KCGS integrated rating, an increase of one grade from the previous year, and in particular, the social sector rating was ‘A+’, which was very excellent in social responsibility management. Governance structure was rated ‘A’, which has risen by two ranks compared to the previous year. The environment is B+ as in the previous year, and the company intends to derive practical results by establishing and actively pursuing short-term, mid- and long-term strategies.

Corporate
Governance
Service



Environment



Social



Governance



Acquired “AA grade” as a result of Sustainvest ESG evaluation in 2021

Hanssem obtained ‘AA’, the highest grade in the Sustainvest comprehensive evaluation, and ranked second overall in the durable goods and clothing sectors. In all areas of E/S/G, it received excellent evaluations compared to the sector average. In the environmental sector, we recorded superior scores compared to the sectors in innovation activities and production process, in the social sector, in human resource management and supply chain management, and in the governance sector, we were recognized for our shareholder rights and the composition and activities of the board of directors.

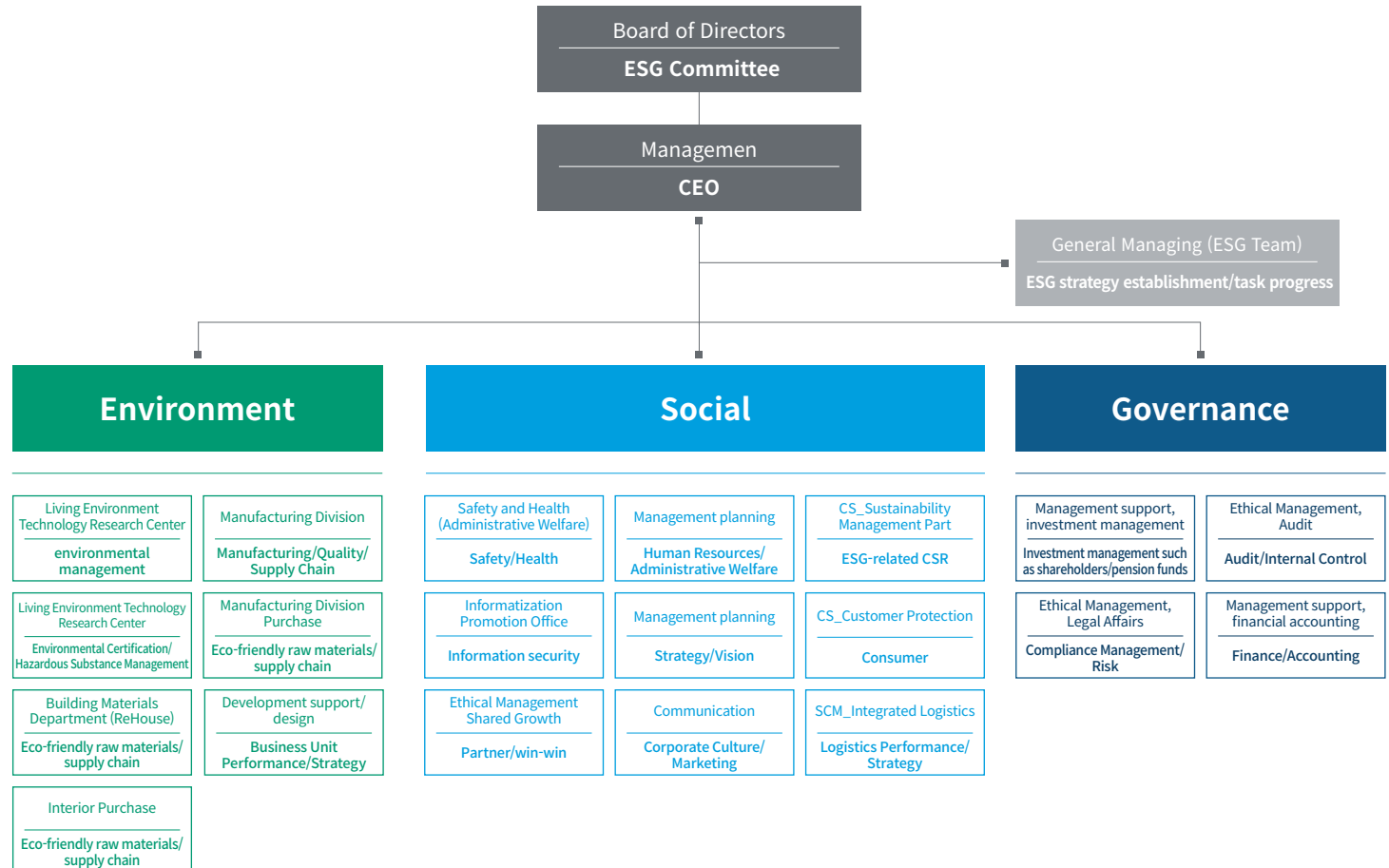


ESG Promotion Organization

ESG Management Organizational System

Recognizing the importance of ESG management strategies, Hanssem established an ESG committee under the BOD in 2021 to establish an organizational system for ESG strategy execution. The ESG Committee, as the highest decision-making body, confirms long-term and short-term ESG management strategies and checks the progress of strategic tasks on a quarterly basis. In addition, an ESG TF organization was established to establish a company-wide ESG management environment.

The ESG TF is a decision-making consultative body in which 'C' level executives in each field participate under the leadership of the CEO. We are discussing overall ESG issues, such as establishing long-term and short-term ESG management strategies and responding to ESG evaluations. In addition, for the efficient operation of the ESG TF, an ESG department was newly established and ESG goals were reflected in the KPIs of related employees, thereby establishing an environment in which the members of the organization and working-level staff can participate more actively.



Digital Transformation

Hanssem is securing new competitiveness through digital transformation that organically connects online and offline. We will provide differentiated experiences to customers and create new customer value by launching an online integrated platform and strengthening our portfolio.

Special Report 2.

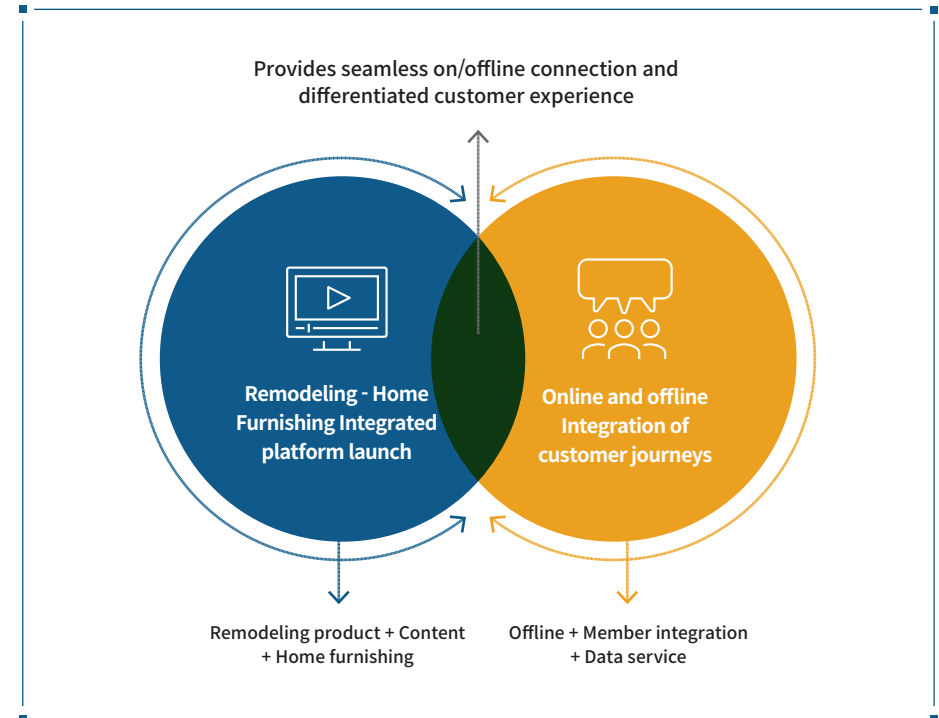


Hanssem Digital Transformation Promotion Direction

Hanssem is promoting the business based on its existing offline remodeling capabilities, such as lifestyle-customized consultation through 3D by a professional counselor, direct construction, supervision by a professional PM, and responsible after-sales service. In addition, through digital transformation that organically connects online and offline, we want to expand the entire process from information discovery to end-to-end services to end-to-end services and create new customer value.

By launching an online platform that integrates remodeling and home furnishing, we will provide services that meet the needs of customers who want to decorate their homes. Unlike the existing platform that provides only the process of information search, the new integrated platform that will provide information throughout the entire remodeling process without on/offline boundaries allows customers to experience differentiated remodeling services.

In the online channel, we will provide a variety of contents necessary for home decoration, including kitchen and bathroom remodeling, as well as furniture and household items, and commerce services specialized in the home furnishing field, giving priority to differentiated customer experience. Offline stores will innovate exhibition, consultation, and construction services so that online experiences are connected offline. For the online and offline integration of customer journeys, member data integration is also carried out in advance. Hanssem will maximize the value of customer experience through digital transformation by continuously upgrading services by analyzing customer responses and markets.



Examples of Digital Transformation Promotion



01

Hanssem Mall Live Commerce, Sam LIVE Remodeling Package Order Doubled

Hanssem launched 'Sam LIVE', a live commerce service at Hanssem Mall in February 2020, and the number of orders for remodeling packages more than doubled in 2021.

'Sam LIVE' broadcast offers not only simple furniture products, but also 'ReHouse Style Package', a remodeling package product from furniture and household items operated by Hanssem to kitchens and bathrooms.

Looking at the remodeling package implemented in the actual model house, we communicate in real time with viewers along with detailed guidance on each space such as the entrance, bathroom, and kitchen. and provides a service that implements the changing appearance of the house in 3D through 'Home Planner 2.0'.

02

3D design, 60,000 cases DB construction

Hanssem introduced the Home Planner 2.0 program and has a home remodeling database (DB) of 60,000 cases. The program is equipped with functions such as comparison consultation before and after interior through 3D rendering, and use of VR. Currently, it is used when salespeople consult (design, estimate), and we plan to expand the application so that customers can use it directly.



03

Opened VR consulting service, Design Park Mapo

Design Park Mapo is a digital smart store that consists of a VR screen and an experience zone. VR screens are installed throughout the store, allowing anyone to easily place furniture virtually. The intuitive UX allows you to move furniture by touching it or change it to a different color or product. There is also an experience zone where you can see and touch real mattresses, sofa leather materials, and wood materials.



Construction process innovation

Hanssem has established a position in the brand home remodeling market with product competitiveness and responsible construction. We will enhance customer satisfaction and secure super-gap competitiveness in the home remodeling business through innovation in the construction process, such as fostering professional construction manpower and establishing a five-day construction system by expanding general contractors.

Special Report 3.



Shorten construction period

Establishment of a 5-day construction system by fostering professional construction manpower and expanding general contractors

In the home remodeling market, construction period is one of the important factors determining customer accessibility. Hanssem has a plan to increase the number of remodeling orders by shortening the construction period, which is a physical and psychological limiting factor for customers. The current delivery time for home remodeling of Hanssem is 10 business days, and we want to secure competitiveness by shortening the delivery time to 5 days by 2024.

To this end, Hanssem plans to nurture construction cooperators with expertise through the operation of the 'Hanssem Construction Academy' and to enable perfect, efficient and prompt construction through high-quality construction personnel. Through Hanssem's field-oriented training system, we will nurture skilled home interior manpower, dispel the controversy over low quality and unqualified qualifications in the existing home remodeling market, and lead the market by deploying high-quality and qualified construction manpower.

In addition, we plan to upgrade the existing contractors that handle only a single process to a general contractor by strengthening their competencies so that they can perform the entire remodeling process. One of the problems with existing construction is the inefficiency of a separate construction organization for each process such as painting, flooring, and electrical work. We will support the development of general contractors by cultivating multi-functional workers for style construction that can simultaneously construct kitchen-bath, floor-lighting, and basic construction multi-functional workers capable of performing integrated demolition, woodworking-electricity, and panel-painting. Through this, we plan to innovate the construction process by expanding the total construction work from only 10 out of 200 construction partners in 2021 to 150 by 2024.



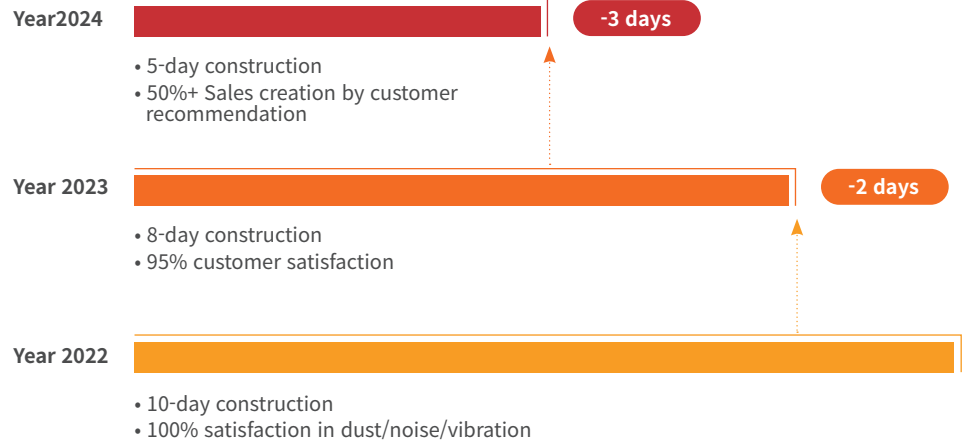
Construction Academy Training Site

Customer Experience Innovation

Achieve 50% of annual creation through customer experience innovation

Hanssem intends to provide customers with an innovative interior experience by developing a customer one-stop monitoring system using the New ERP 2.0 system. By strengthening the enterprise resource management (ERP) system, which is currently built on the three pillars of actual survey-scheduler-supervision, we plan to expand so that customers can easily check the entire process from ordering-delivery-construction-supervision-A/S. The expected. This ERP system will provide customers with an innovative home remodeling experience by making it easier for customers to access information in the interior construction process.

In addition, we plan to introduce and develop specialized equipment that can be used for core processes such as demolition and flooring to solve noise and dust that greatly affect customer satisfaction. Through the introduction of high-efficiency demolition equipment, we plan to establish an environment that can satisfy customers and surrounding communities by establishing a noise-free, vibration-free, and vibration-free construction environment. In addition, we will promote the efficiency of the construction environment through additional equipment innovation such as introducing rolltainers and ladder cars for weight innovation. Through this, Hanssem aims to achieve 95% customer satisfaction and 50% of annual sales by 2023.



ESG Performance



Environment

Social

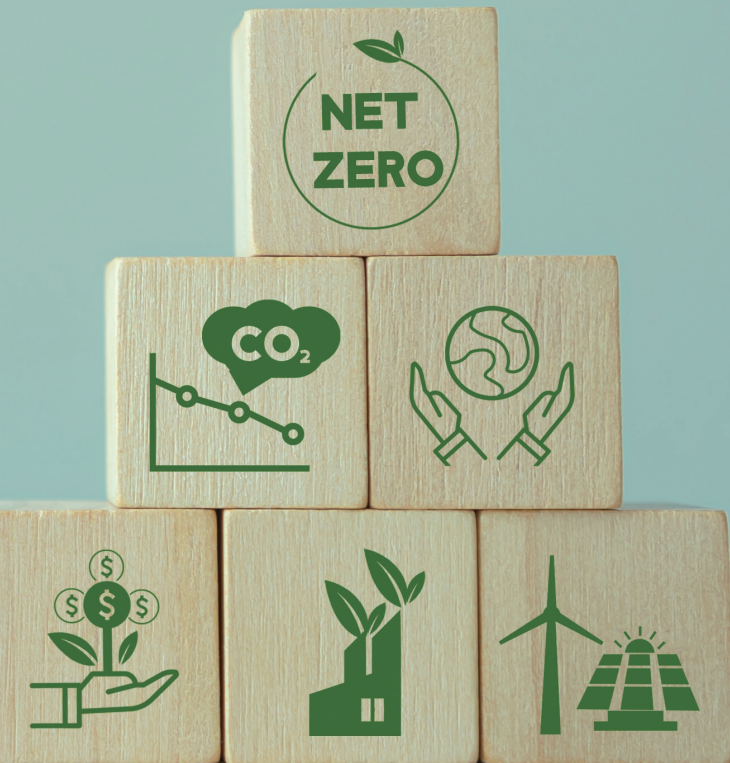
Governance

ENVIRONMENT



Environmental management

Environmental Management Promotion System
Response to climate change
Environmental Impact Management
Environment-friendly R&D



Management Approach

Context

Recently, international environmental regulations related to products have been strengthened in Hanssem's major trading partners such as the EU and China, and global regulations should be actively responded to expand overseas markets. Carbon neutrality among environmental issues must be implemented by our company, and we are promoting product development considering energy efficiency and resource circulation, and establishing eco-friendly policies that meet global standards.

Our Strategy

3-stage verification for eco-friendliness verification and securing the best quality



2021 Key Performance



- Signed KASTI MOU for household sink group standard
- Black Yak-Hanssem K-rPET material product development participation
- 100% implementation of waste qualification treatment

Next Plan

From the residential environment to the global environment, sustainable environmental management for the future

Completion of Hanssem environmental management system by 2025

- Response to climate change (development of alternative energy, alternative fuel for vehicles, development of low-carbon products)
- Eco-friendly social activities (eco-friendly social contribution, environmental education reinforcement, consumer eco-friendly tour)
- Resource circulation (waste reduction, product life extension)

Environmental Management Implementation System

Environmental policy and system

Hanssem is establishing policies and governance for environmental management to actively and quickly respond to climate change occurring around the world.

Environmental Management Policy

Hanssem has established and reinforced company-wide management policies to fulfill its social obligations based on the environmental management system. We are continuously expanding education and investment to raise and strengthen awareness of environmental management among all employees, and we will promote sustainable environmental management from the residential environment to the global environment.



Hanssem Environmental Management Policy

- One. Recognize the environment as a key element of its business strategy.
- One. Establish Hanssem’s environmental management system based on ISO 14001.
- One. Reinforce the competencies of all employees in environmental management.
- One. Fulfill our corporate social responsibility by minimizing the emission of pollutants.
- One. Recognize the finiteness of resource energy, we continue our efforts to create an environment for the next generation.
- One. Thoroughly comply with environmental laws and regulations, and proactively respond to new environmental regulations.
- One. Actively participate in local environmental improvement and environmental preservation activities together with local residents and other stakeholders.
- One. Continuously promote environmental improvement activities in the entire process from production to distribution to disposal.

Establishment and operation of environmental management governance

Since August 2015, Hanssem has been holding the Environmental Safety Inspection Council every week under the supervision of the COO to discuss company-wide environmental, safety and quality issues. The Environmental Safety Council deals with product safety accidents, environmental safety quality improvement tasks, construction site management, external risk cause analysis and re-occurrence prevention countermeasures, company-wide environmental safety system establishment and training system establishment as major agenda items. From May 2021, Hanssem's ESG management has been expanded to the weekly ESG meeting to strengthen the quality of environment and safety through the internalization of ESG management, and strategies to respond to existing environmental safety issues and prevent recurrence are being reviewed at the ESG level. Key decision-making and support requests are made through the ESG TF meeting once a month hosted by the CEO and the ESG committee under the BOD once a quarter.



ISO 14001 Environmental Management System Certification

Expansion of global standard environmental management system certification

Hanssem has been continuously updating since it acquired 'ISO 14001', an international environmental management standard, in 2006 for 'production of household kitchen equipment'. In addition, in 2017, we obtained certification for the newly converted 'ISO 14001: 2015' standard, and based on this, we conduct on-site environmental audits to evaluate potential environmental risks and the status of the company-wide environmental management system (EMS) operation. We plan to expand the scope of certification to the head office and Hanssem Research Center in the future.

ISO 14001 Environmental Management System Certification

Year 2006 **ISO 14001:2004**

Year 2017 **ISO 14001:2015**



Environment
Best Practices



01

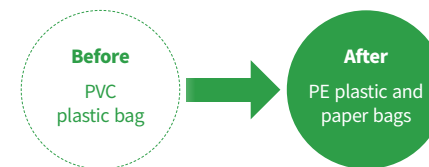
Acquired 'Green Certified GRP' for UN Best Practices

Hanssem is actively responding to climate change by participating in the 'GRP', an eco-friendly best practice certification selected by the UN SDGs (Sustainable Development Goals) Association.

'GRP (Guidelines for Reducing Plastic Waste)' of the UN SDGs is an international eco-friendly certification system that began as a voluntary pledge between the United Nations and the private sector. It is verified against background and 39 global guidelines.

In order to reduce the use of plastics used in products and packaging materials, we used electronic price indicators for POPs used in the store, and changed the PVC plastic bags provided in the stores to the front PE plastic and paper bags.

The second highest in the UN 'GRP' in October 2020, with high scores in reducing the use of plastics such as packaging materials, reducing harmful substances in materials and finishing materials, a mattress with zero greenhouse gas foaming agents, and creating forests for ecological environment conservation. Acquiring an AA+ grade, which is a grade, was recognized for leading eco-friendly activities.



UN SDGs GRP

AA+



02

Hanssem Refurbished Eco-Business

Hanssem is launching a new business that can reduce waste furniture emissions by launching refurbished products using products that were discarded due to simple change of mind or damage during shipping. Refurbished products are products that are difficult to sell normally due to slight damage during production, delivery, and return, or returns due to a simple change of mind. It means products that are graded and sold at a reasonable price. Due to the economic downturn, consumer sentiment is shrinking, customer demand for “cost-effectiveness” products is increasing, and second-hand transactions and refurbishment marketing are appearing, improving the environment and increasing substantial consumption. Hanssem started Eco-Business by operating refurbished products using Hanssem Mall, an online mall, in 2021 to meet such market changes and reduce waste furniture emissions. The refurbishment business, which satisfies both the demands of customers who want cost-effectiveness and greensumers who want eco-friendly consumption, while improving Hanssem's profit structure, is realizing the true meaning of sustainable management. Therefore, in 2022, we plan to expand the refurbished product line to not only sofas but also table items.

Refurbished

2021 Refurbished product launch

03

Green Packaging

In order to reduce disposable packaging materials, Hanssem is practicing green packaging by reducing plastic used for mattress packaging and using recyclable fabric bags.

In the case of competitors, to prevent product damage, double-layer plastic packaging is being carried out. Hanssem reduces the amount of plastic required for hygiene packaging to a minimum and uses additional fabric bags. Fabric bags are not disposable, but are returned to the warehouse and reused by the company, which has the effect of reducing vinyl emissions and practicing resource recycling.

In the future, we plan to change the plastic packaging material used for mattress packaging to renewable naphtha instead of general vinyl. Renewable naphtha is a material that can reduce carbon emissions in the product manufacturing stage by using waste cooking oil instead of petroleum. In addition to the eco-friendliness of the material, it is literally a renewable material that can be recovered after construction and returned to the company for reprocessing and reuse.



Hanssem Mattress Packaging



Other company Mattress Packaging

Response to climate change

Greenhouse gas emission management

In order to preemptively respond to climate change, Hanssem seeks to minimize climate risks by managing direct and indirect greenhouse gas emissions and promoting activities to reduce greenhouse gases.

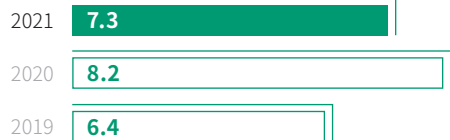
Greenhouse gas reduction strategy system

From the second half of 2020, Hanssem has formed a task force with relevant departments, centered on the ESG department that establishes and plans ESG strategies, to discuss short-term, mid-to-long-term climate change response strategies. Although we are not subject to the greenhouse gas emission trading system, we established a company-wide energy management system in the first half of 2021 to identify greenhouse gas emissions and current status by sector and continue activities to practice carbon neutrality.



Greenhouse gas reduction activities (Unit: 100 Million Won)

Environmental investment cost



Environmental investment revenue



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 based on this, it is materializing a mid-to long-term climate change response strategy. The manufacturing headquarters manages energy consumption by site, building, and energy source through real-time monitoring for systematic energy consumption management. In addition, we are running an energy reduction awareness improvement program for our employees to raise awareness about energy use efficiency and energy consumption reduction across the company.

In addition, from 2021, we are managing greenhouse gas emissions that comply with international standards such as CDP by reinforcing management up to Scope 3 at the partner level. In addition, third-party verification through an external professional organization is conducted to secure reliability, and related information is regularly reported to the ESG conference body.

Greenhouse Gas Emissions in 2021

(Unit : tCO2eq)

Category	Bangbae, Sangam office building (Management support, General affairs)	Stores and business divisions (RH/INT/Special sales)	Logistics/AS	Laboratory	Manufacturing factory(3,4)
Direct emissions	430.47	-	428.60	-	-
Indirect emissions	1,155.16	6,351.56	1,381.17	205.77	8,564.79
Total	1,585.63	6,351.56	1,814.14	205.77	8,564.79

Greenhouse gas reduction activities

Hanssem Manufacturing Headquarters is continuously reinforcing investments for environmental improvement such as process improvement, greenhouse gas reduction, energy saving, work environment improvement, and environmental preservation.

In 2017, we invested KRW 2.5 billion in environmental investment in the incineration boiler and built a facility to incinerate the final waste generated in the manufacturing process and recycle the steam produced in this process. Through these efforts, we generated additional revenue of KRW 610 million in 2017, KRW 910 million in 2018, KRW 850 million in 2019, KRW 930 million in 2020, and KRW 830 million in 2021.

Efficient energy use

Hanssem has established an energy management system with the recognition that in order to build a sustainable society, it must be accompanied by a response to climate change, and is strengthening various energy saving activities and new and renewable energy production activities.



Energy management system

Hanssem manages the energy used in the Sangam and Bangbae office buildings, manufacturing divisions, logistics centers, and large stores such as design parks and research institutes. In the case of manufacturing divisions that consume a lot of energy, we aim to reduce energy consumption by 10% compared to the previous year, and manage electricity consumption, efficiency, and greenhouse gas emissions through the 'iSmart' system of KEPCO.

In the first half of 2021, we established a company-wide energy management system and established and continuously managed energy reduction and mid- to long-term climate change strategies through real-time management of energy consumption, such as electricity, gas, and fossil fuels, and calculation of greenhouse gas emissions.

Energy saving activities

For systematic energy consumption management, Hanssem manages energy consumption by site, building, and energy source through real-time monitoring. To raise company-wide awareness of energy use efficiency and energy consumption reduction, we are running an energy use reduction program for our employees, and we are reducing water consumption by installing and operating an automatic light-off system at lunchtime, water-saving faucets, and water-saving toilets at all business sites. In addition, by encouraging the use of stairs through the Healthy Staircase Campaign, we are saving energy and improving the health of our employees.

Renewable/unutilized thermal energy

Hanssem Manufacturing Division incinerates scrap wood, which is difficult to recycle, through an incineration boiler. The steam energy generated in this process is used for internal heating, etc., reducing the use of fossil fuels for heating.

The steam remaining after use is recycled through the cogeneration plant of GS E&R (GS E&R, a collective energy supplier according to the government's energy use rationalization policy) to generate profits. In addition, the construction of solar power generation facilities using the roof space of the distribution center is in progress, and electric vehicle charging facilities are being built in the office building, factories, and distribution centers.

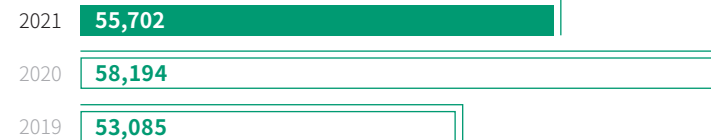
Energy usage

Category	2019	2020	2021
Energy conversion(TJ)	-	416	391
Water usage(TON)	93,804	98,639	89,929

* Third-party verification of greenhouse gas emissions and energy conversion from 2020. Therefore, data for 2019 are excluded.

Renewable/unutilized thermal energy

Sales volume (Ton)



Sales Amount (100 Million Won)



Environmental Impact Management

Responsible Raw Material Procurement Policy

As stakeholder demands for corporate social responsibility increase, Hanssem is promoting responsible purchasing considering environmental impact from the procurement of raw materials as well as the product production process.

Procurement of eco-friendly raw materials

Hanssem manufactures products using eco-friendly raw materials in accordance with Hanssem's environmental safety policy that prioritizes consumer safety as well as compliance with laws such as health-friendly housing construction standards and the Special Act on the Safety of Children's Products. In particular, from 2016, E0 grade materials, which were limited to children's products, have been expanded to all products.

It complies with the regulations on eco-friendly products and uses eco-friendly raw materials to bonds for laminated molded products. In 2021, it stopped using phthalate plasticizers under the Special Act on Safety of Electrical, Electronic and Children's Products.

Environment-friendly raw material procurement status

Category	2019	2020	2021
Purchase of eco-friendly raw materials (cubic m3)	249,780	288,430	263,651
Cost of purchasing eco-friendly raw materials (100 Million Won)	563	641	687

Establishment of strict quality control system

Hanssem has established and complies with strict raw material supply chain management standards. Hanssem's supply chain produces high-quality raw materials with conditions such as flexural strength, density, and nail holding power as well as formaldehyde to meet E0 grade in accordance with Hanssem's own standards, which are stricter than KS standards. Our Living Environment Technology Research Center supports LOT unit (basic contract unit) quality testing of all raw materials, and collects quality data such as test reports and special items and tracks and manages records. Raw materials

received into the warehouse are checked for composition, surface, and quality of all materials through quality tests for each LOT.

In addition to Hanssem's internal testing, it has undergone repeated testing by national certification agencies (KCL_Korea Construction and Living Environment Testing & Research Institute, Forestry Promotion Institute) to ensure perfect quality. In the case of raw material supply chains that do not meet Hanssem's standards, domestic consumption is stopped and returns are taken, and in the case of overseas companies, quality issues are checked through regular visits to local companies and video conferences.

Building a sustainable global supply chain

In order to preemptively respond to stringent environmental regulations and protect consumer health, Hanssem procures eco-friendly materials that meet legal standards through the world's best vendors. We use eco-friendly E0 type 13 grade PB (Particle Board), and we are procurement from overseas and domestic at a ratio of 7:3 for stable raw material procurement. In the domestic PB market, domestic production accounts for only 40% of the total consumption, and the remaining 60% is dependent on imports. Hanssem is implementing a supply chain diversification policy to ensure stable raw material procurement. Since 2015, we have expanded our overseas purchases, and as of 2021, overseas procurement accounts for 82% of the total raw material purchases.

Due to the nature of raw materials, suppliers are concentrated in the Southeast Asian market, which is rich in raw materials, and especially in Thailand, Malaysia, and Indonesia, we have found key and main suppliers to maintain partnerships and receive stable supplies. In the case of domestic companies, the remaining 20% of supplies are supplied through quarterly contracts. Recently, due to sales growth, raw material purchases are expected to expand in the long term, and we are trying to find new raw material buyers such as Europe, South America, and China, and focusing on forming partnerships for mid- to long-term transactions.



Environmental management

Water management

[**Water use and recycling**] Hanssem has its own incineration boiler facility that incinerates the final waste wood that is difficult to recycle in the manufacturing division and uses it as energy. The steam emitted into the atmosphere during the process of heating water through the incineration boiler reduces the amount of wastewater thrown into the sewer, and at the same time, is sold 100% to GS E&R cogeneration plants, helping to generate additional revenue. In addition, in recognition of this water utilization system, the water reduction rate has reached 85%.

[**Increase wastewater recycling**] Wastewater generated in the manufacturing process of some products of Hanssem is 100% consigned through a wastewater treatment company. Hanssem has consistently shown a water recycling rate of over 92%, and as of 2021, 97% of wastewater is recycled, reducing wastewater discharge by about 30% compared to last year.

Increased wastewater recycling (Unit : Ton)

Category	2019	2020	2021
Total water consumption	140	168	140
Recycling amount	129.5	161.9	135.7
Wastewater discharge	10.5	6.1	4.3



Air pollution management

[**Air pollutant management and reduction activities**] Hanssem's manufacturing division and Gyeonggi-do signed a voluntary reduction agreement for large-scale fine dust generation businesses in February 2017. Accordingly, it continuously manages air pollutant emissions such as nitrogen oxide and sulfur oxide, which are essential items such as dust, by monitoring and disclosing air pollutants in real time, minimizing emissions during vulnerable periods of fine dust, voluntarily reducing fine dust warnings, and improving prevention facilities. We will expand our efforts to reduce air pollutants, including fine dust, and continue voluntary efforts for a sustainable environment, such as improving air quality and resolving related complaints.

Air pollutant management and reduction activities (Unit: Ton)

Category	2019	2020	2021
Nitrogen oxide(Nox)	19.27	13.91	14.22
Sulfur oxide(Sox)	0.95	1.03	1.54
Dust(TSP)	0.84	0.96	0.98



Waste management

[**Reduction of waste emission and increase in recycling rate**] In accordance with the Framework Act on Resource Recycling, Hanssem is reinforcing efforts to minimize waste that can cause environmental pollution through landfill or incineration. In particular, for wastes discharged from the site, strict separation standards were applied and the recycling rate of wastes was increased through thorough separate collection, treatment, storage and management activities. Every year, Hanssem participates in national efforts in accordance with the Framework Act on Resource Recycling, and pays a fee for incinerated or landfilled waste. According to the company structure, the amount of waste increases when sales increase, but the amount of waste is reduced by increasing the recycling rate.

In addition, product packaging specifications were changed to reduce waste generated during the construction process. By changing the specification of corrugated cardboard used in the packaging of construction materials, the durability of the packaging was maintained and the amount of paper used was reduced, thereby reducing waste generated after construction and preventing wastage of resources due to excessive packaging.

Waste emission and Recycling Status

Category	2019	2020	2021
General waste (Tons)	11,048	12,365	15,625
Designated waste (Tons)	61	34	30
Total waste (Tons)	11,110	12,399	15,655
Waste Disposal (landfill + incineration) (Tons)	8,494	8,716	8,530
Recycling (Tons)	2,554	3,648	7,094
Recycling rate(%)	22	29	45

Chemical management

Hanssem has strengthened the product hazardous substance verification system implemented in 2016 as an environmental safety assurance system. In addition to raw materials, we have established our own verification standards, which strengthened the amount of harmful substances that can be emitted by products and spaces from adhesives, finishing materials, and finished products to twice as much as the legal regulations.

The environmental safety assurance system refers to Hanssem's product environmental safety quality management system that prevents the release of products that do not pass Hanssem's self-verification standards. From the product planning stage, we establish standards in consideration of legal standards, eco-friendly certification standards, and consumer living environments, and verify both raw materials and subsidiary materials. Verification consists of three steps: raw material verification, finished product verification, and indoor air quality inspection after product installation.

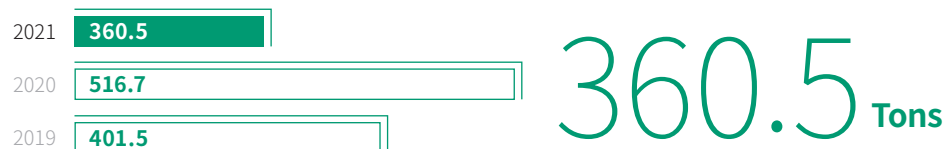
In particular, in order to release the product, foam aldehyde, volatile organic compounds (VOCs) that cause new house syndrome, radon, and heavy metals, which can cause skin irritation or respiratory diseases, must be passed by the law (E1) or the recommended standard (E0). Products that have passed Hanssem's quality standards are given a serial number (S/N) so that only those products can be released.

Use and labeling of recycled packaging

Hanssem actively reflects the standards of the packaging material structure evaluation system enacted by the Ministry of Environment to gradually reduce the use of packaging materials that are difficult to recycle, completely abolish all PVC vinyl used in stores and product packaging, and replace materials (PE, PET).) to improve recycled packaging materials used in household goods. In addition, we are in the process of reducing the amount of waste generated by changing the specifications of paper materials used in packaging materials and promoting the development of packaging materials using waste vinyl.

Usage status of synthetic resin packaging materials

(Unit: Ton)



Examples of packaging material improvement in consideration of circular availability/recyclability

01

Improvement of metal miscellaneous materials

Metal materials that are difficult to select change to a single synthetic resin to increase circulation availability



[Before change] Metal material



[After change] Single synthetic resin change

02

Label improvements

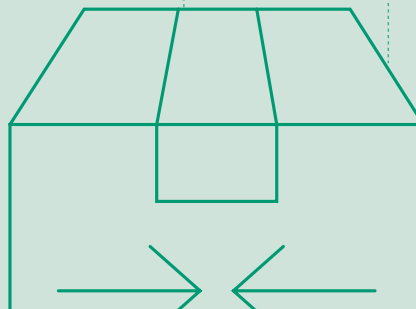
Change of non-separable (adhesive traces are left when label is removed) label to increase separation by material



[After change] Detachable



[Before change] Non-separable



03

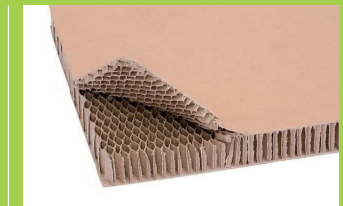
Synthetic resin packaging material → Honeycomb change

Reduction of contribution by changing synthetic resin packaging materials subject to recycling levy to paper packaging materials that are not subject to recycling levy

[After change]



[Before change]



04

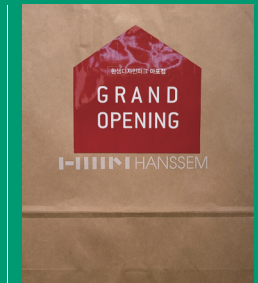
Vinyl Shopping Bag → Change Paper Shopping Bag

Reduction of contribution by changing synthetic resin packaging materials subject to recycling levy to paper packaging materials that are not subject to recycling levy

[After change]



[Before change]





Indoor air quality improvement and performance

[**Reinforcement of management standards for hazardous substances in furniture and building materials**] Hanssem has strengthened safety standards for all furniture and building materials. We are taking the lead in improving the living environment of consumers by managing the total volatile organic compound (TVOC) emission at a standard 10 times stronger than the legal standard, exceeding the formaldehyde emission level of E0.

[**Business agreement for improvement of indoor environment**] Hanssem-KT-KOTITI-Korea Indoor Environment Association entered into a strategic business agreement to prepare research tasks and standards for remodeling indoor air quality management and quality control of materials and products to improve the indoor environment of residential spaces.

In order to prevent damage such as sick house syndrome caused by new furniture and remodeling works, and to live in a comfortable space, we plan to implement efforts to improve the indoor environment by utilizing the technology, human resources, and test facilities of each institution.

Eco-friendly management activities

[**Reinforcement of environmental safety quality management process for new products**] Hanssem subdivides and systematizes the environmental, safety and quality management process for all product groups operated by the company, such as furniture, building materials, and household goods, to check whether the verification contents are supplemented, whether or not to have legal test results, quality labeling, and finishing quality. We check at least twice a month for any problems. Persons in charge of each department, such as MD, CS, purchasing, development, TQM, and research institute, are required to attend the evaluation to increase the reliability of the inspection.

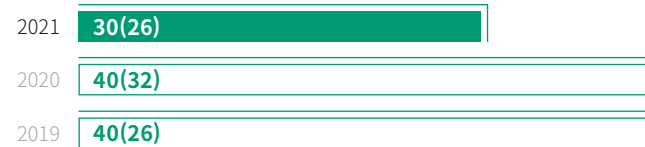


[**Environmental Education**] In accordance with the social distancing policy due to the pandemic, Hanssem is conducting environmental education for its employees by distributing non-face-to-face educational materials. Environment-related materials distributed by external organizations such as the Ministry of Environment and National Institute of Technology and Standards, 《Response Plan for Indoor Air Quality Improvement》, 《Education on Safety Accident Cases》, 《Product Environmental Labeling and Advertising Guidelines》, 《Manual for Handwritten Labeling for Construction Personnel》 We have prepared various environment-related educational materials such as, etc., and are sending distribution instructions and company-wide e-mails to the person in charge of environmental safety designation in the relevant department. In addition, as environmental regulations surrounding electrical and electronic products such as RoHS (Restriction of Hazardous Substances Directive) and REACH (European New Chemical Substance Management System) have been strengthened, Hanssem has established an internal verification process and is conducting company-wide training. To this end, we promoted training for the Hanssem organization through collaboration with an external professional organization.

Environmental education

(Unit: Person, Hour)

■ Training personnel (Training hours)



Hanssem home care service for a healthy and comfortable living environment

Hanssem not only manages indoor air quality, but also provides health care services for each space in the house, such as the kitchen, bath, children's room, and living room. With 50 years of residential environment management know-how, we provide management services to create a healthy and pleasant living environment by removing and preventing harmful substances such as harmful substances, germs, and bacteria.

Removal of harmful substances by space/Prevention and living convenience/Interior improvement

“Healthy and comfortable living environment”



Pest control

Quarantine sterilization care
Pest control



Cleaning service

Move-in/move-out cleaning
Cleaning after interior
Sick house syndrome



Furniture care

Mattress care
Fabric sofa care



Home appliance care

Washing machine care/Air conditioner care
Refrigerator care/Kitchen hood care
Air purifier care/Dehumidifier care



Kitchen care

Sink ceramic coating/Sink ball coating
Refrigerator care/Kitchen hood care
Kitchen remodel



Bath care

Bathroom joint/Bathroom NANO coating
Bathroom renovation

Disclosure of environmental safety information

Hanssem sells products that meet national standards and discloses environmental safety information of Hanssem products to customers through the online mall directly managed by Hanssem. We comply with product information disclosure requirements in accordance with the Children's Product Safety Special Act, Electrical Appliances and Household Products Safety Management Act, and conduct regular inspections so that consumers can safely use the product while using it. Products operated by Hanssem are largely classified into 4 categories (children's products/furniture/household products/device products), and regular inspections are conducted for each category and the results are reflected.

Hanssem strives to increase information accessibility in accordance with the E-Commerce Act to help consumers make rational choices by providing detailed product information through online product pages and to prevent damage to consumers due to lack of information in advance. In addition, all Hanssem products registered in the directly managed online mall must include the E0 material hazard test report and KC certification number.



[Children's product] Supplier conformity
confirmation test report number :
SPOB16-00000392-R1k, SPOB18-00002339K



Environmental investment

Hanssem has acquired KOLAS accreditation for 19 items in the chemical field and 9 items in the dynamics field for the development of indoor environment and eco-friendly products. Verification was completed through investment in inspection and calibration of test facilities and instruments, supplementation of facilities, and verification of indoor environmental contamination of hazardous substances for products in operation. In addition, in accordance with the Resource Recycling Act and the implementation of the waste charge system for products and packaging materials made of plastic, Hanssem improved packaging materials that are easy to recycle and invested KRW 732 million in environmental improvement costs. At the same time, we invested KRW 1.11 billion for external tests and certifications to reduce the eco-friendliness and harmfulness of products to implement eco-friendly policies for products and indoor spaces.

Environmental protection cost

(Unit: Million Won)



732 Million Won

* Calculation details : 1. Environmental guarantee system (producer) 2. Environmental guarantee system (seller) 3. Waste charge system 4. Waste Disposal Fee System 5. Producer Responsible Recycling System

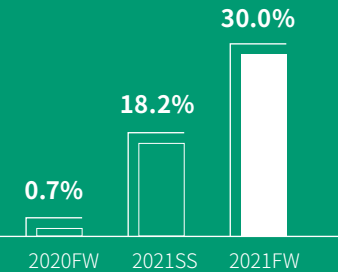
Best Practices

Business agreement with Black Yak for recycling of domestic transparent PET bottle resources

Ratio of domestic PET bottle recycling products in Black Yak clothing products

Target to increase the proportion of domestic PET bottle recycling products by more than 10% per season!

- Succeeded in marketization of recycled plastic bottles in Korea in July 2020 (0.7% of total products)
- Spring/Summer 2021 jackets, T-shirts, pants, etc. expanded (18.2% of total products)
- Introduced recycled filling materials for takeout cups in fall/winter 2021 and expanded all varieties (30.0% of total products)



Eco-friendly figures according to domestic PET bottle recycling(~2021.7)



182 Tons
K-rPET Yarn Usage



Transparent plastic bottle Recycle

Approx. **17.23 million bottles**



Carbon footprint reduction

Approx. **651tons ↓**



Reduce oil use

Approx. **193,400L ↓**

Environment-friendly R&D

VISION

World-class residential environment research/test/development center

CORE COMPETENCIES

Residential Environment/Safety Guarantee | New technology, patent development | Hit product development



Sangam Research Institute

Environmental Safety Management Team

- Product/Service Environment Safety Quality Assurance
- Product/Service Environmental Safety Policy Planning

Development Team 1

- Kitchen product development support
- Storage product development support

Standard Information Team

- Creation and management of product operation standard information
: Sales → Production → Logistics → Construction
- Home planner DB creation and management



Bangbae Lab

Development team 2

- Bedroom product development support
- Storage product development support
- Study/children's room product development support

Development team 3

- Sofa/mattress development support
- Dining table/living room product development support



Ansan Research Institute

Technology Development Team

- Technology development: development of materials, methods, and hardware
- Chemical test :
Raw material desiccator test
Molded material small chamber test
Finished product large chamber test
- Mechanics test :
Product structural strength/safety test
Adhesive quality, rust/corrosion test
Raw material strength, surface material property test



Hanssem Living Environment Technology Research Institute is a KOLAS-accredited testing institute.

※ KOLAS: Korea Laboratory Accreditation Scheme, Korea Accreditation Organization

Major Research Areas of Living Environment Technology Research Center



R&D



Environment /Safety Management



Test Guarantee



Home IoT



System operation



Sample making



Certification

Mechanics test

Physical property test room

- Raw material property test: Flexural strength, peel strength, screw holding force
- Surface material property test: water resistance, stain resistance, scratch resistance, abrasion resistance, etc.

Durability test room

- Furniture: door opening/closing test (opening, sliding), drawer opening/closing test, stability test, etc.
- Table/chair: double load test, vertical/lateral load test, etc.
- Mattress: rolling durability, pressing durability, etc.

Structural Force Lab

- Safety: closet installation strength, fall stability, chair repeated impact test, falling ball impact test, etc.
- Assembly strength: body connection strength, stiffness test, etc.



Physical property test room [Main Building 3F]



Durability Test Room [Annex 1F]



Structural Strength Test Room [Annex 2nd Floor]

Chemical test

- Raw material HCHO emission measurement [Desiccator]
- Measurement of TVOC, HCHO emission of molding materials [Small chamber]
- Measurement of finished product TVOC, HCHO emission [Large chamber]
- Analysis of volatile organic compounds in indoor air
- Measurement of heavy metal content in subsidiary materials

July 2020 KOLAS Accreditation



Desiccator



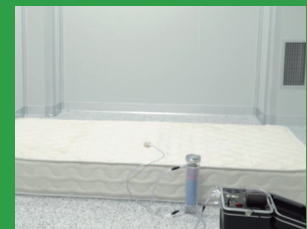
Large chamber



Small chamber



Hazardous Substance Analysis(HPLC/GC-MS/ICP-OES)



Clean room [Radon measurement]

Environmental Management

R&D Major Research Areas



01.

Patent registration for new mattress technology : Black-T spring

We developed a mattress spring inspired by the shock absorber structure of an off-road vehicle and completed the patent acquisition. OT (Oil Tempered) wires, rather than ordinary hard steel wires used as mattress springs, are all enhanced in fatigue, durability and elasticity, reducing off and AS incidence by more than 80% compared to traditional spring designs. By flexibly responding to body curves, the sense of fit also increased, and peak sales reached KRW 2.8 billion in August 2021.



02.

No turning off through the application of the new mattress technology : Inner tufting

Unlike the method that used the existing adhesive method to fix the mattress interior material, it is a method of fixing the mattress interior material by tying it using the same material as a thread. Due to this, the heat generated during use can prevent the adhesives from melting and solidifying after being melted. In addition, unlike the existing one, which felt like a unified form due to the use of adhesive, it can provide a gradual cushioning feeling for each layer, thereby improving the fit. As a result, the mattress applied with the new construction method did not receive any free after-sales service due to shutdown, achieving a defect rate of 0% due to shutdown.

Adhesive (hot melt) method



Adhesives are coagulated, resulting in compression and reduced cushioning

Inner tufting method



No deformation of the filler at all

03.

Temperature control mattress using micro heating element : Heating pad

We have developed a mattress that can control the temperature using a NANO heating chamber including a micro heating element and completed the patent registration. It is machine washable using a material different from the previous one, and it is made in the form of a zipper, so it is easy to separate and replace. In addition, the micro heating element can block the inhabitation of house dust mites, so customers can easily maintain cleanliness and enjoy a comfortable sleeping space.

R&D investment and performance

Sep. 2021 Acquired KOLAS accreditation in the field of mechanics

Hanssem has obtained accreditation for raw materials (PB, MDF, PW), household sinks, and cabinets among wood and related products. As a result, it has been reborn as the only KOLAS accredited testing institute in the field of chemistry and mechanics in the furniture industry by acquiring the mechanics field in 2021 following the chemical field in 2020. Hanssem will do its best to ensure the safety of consumers by being able to guarantee the quality of all products based on international-level reliable testing.

R&D investment

(Unit: Million Won, Person)

■ R&D expenses (Number of researchers)

2021 23,158(58)

2020 13,789(60)

2019 19,619(68)

23,158 Million Won
(58 people)

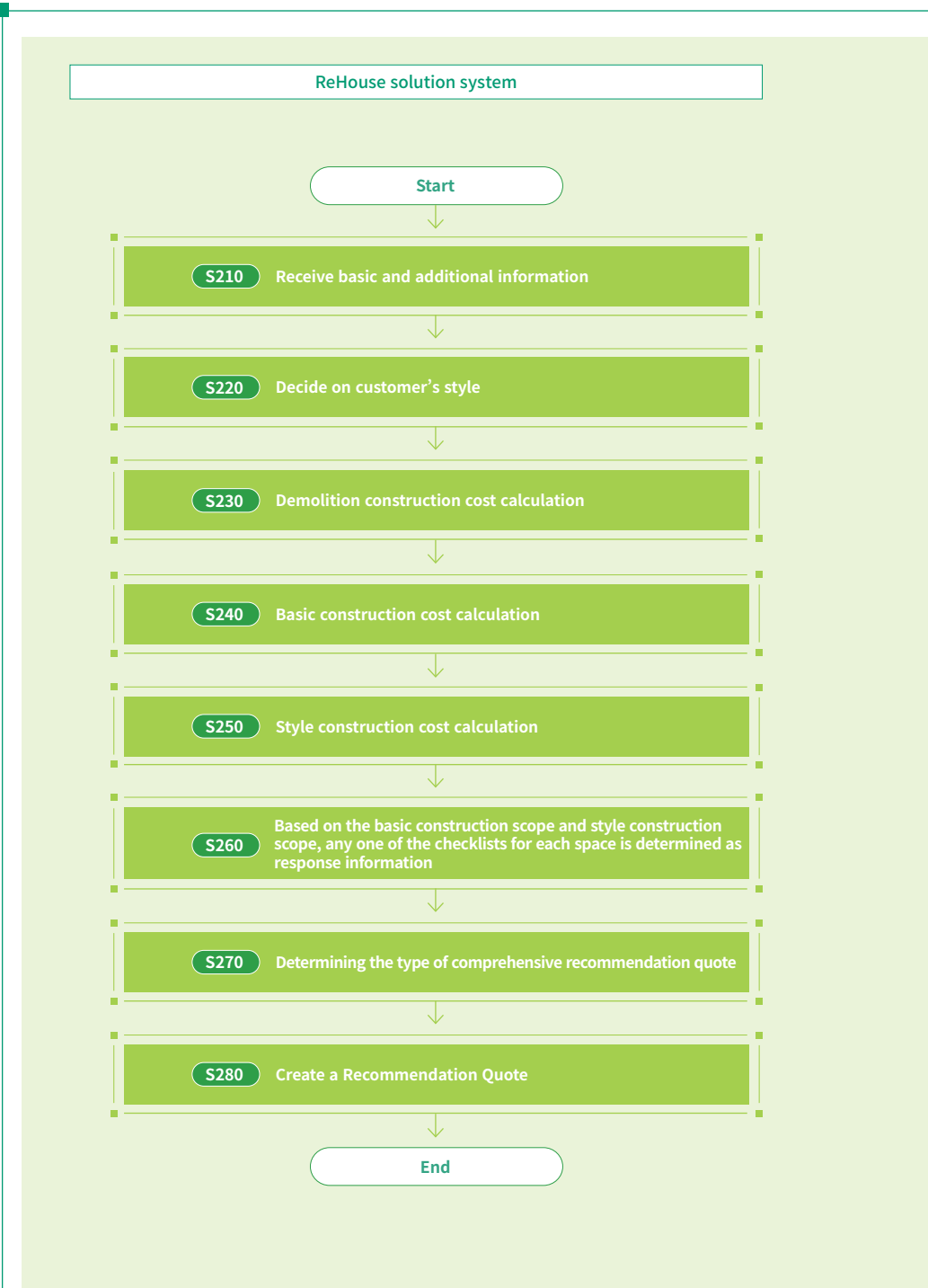


Patents and intellectual property rights

01.

Rehouse solution system patent

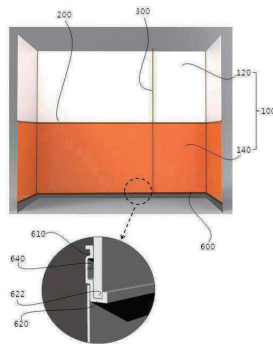
It is a ReHouse solution system that scores responses according to the customer's preferred style response results, suggests a recommended style, extracts the customer's weight during various constructions, and even presents a customized estimate. Before the introduction of this system, it took a considerable amount of time for the company to visit and quote, but after the introduction of the system, it was possible to check the simple estimate through the online homepage to improve reliability and customer convenience.



02.

Bathroom structure patent: Structure of upper and lower panels and moldings

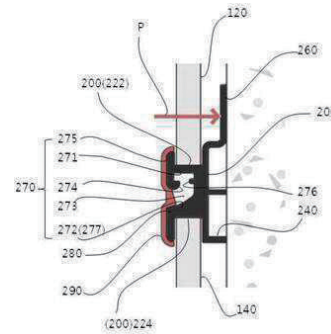
The connection and molding parts have been improved so that the upper and lower panels constituting the bathroom structure can be easily assembled. This improves on-site workability and at the same time increases customer satisfaction by allowing the design of upper and lower panels to be selected according to the user's choice.



03.

Patent for bathroom structure: Free cradle position adjustment

It is designed so that the position of the holder can be moved freely by installing the holder in the part where the upper and lower panels are combined or the hook groove formed when the horizontal molding is removed. By using this, you can freely customize the bathroom space according to your taste or choice.

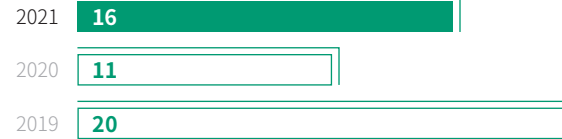


Bathroom



Green certification status

(Unit: Piece)



16 Pieces

Intellectual Property Rights

(Unit: Case)

Category	2019	2020	2021
Application	2	1	5
Registration	4	2	7
Total	6	3	12



SOCIAL



Customer satisfaction management

Customer satisfaction
Reinforcement of product quality

Management Approach

Context

Since its founding in 1970, Hanssem has been firmly steadfast in its number one position in the home furnishings sector and has stood by its customers. Hanssem's customers are not limited to consumers, but include all stakeholders including employees, customers, suppliers/suppliers, shareholders and investors. In order to maintain the trust that Hanssem has built up with various stakeholders, customer satisfaction based on product quality is our top priority. We will continue customer-oriented management from the product development stage to follow-up management so that the customer experience at Hanssem can be maintained satisfactorily.

Our Strategy

Hanssem believes that customer satisfaction begins with excellent product quality. In order to strengthen product quality, Hanssem is committed to the innovation of the 'Six Sigma' quality management system, which brings the product defect rate close to '0', and the ISO 9001, 14001 certification. It is strictly managed through continuous renewal and new product quality verification process. In addition, in order to manage all customer experiences, Hanssem established the CX (Customer Experience) Management Headquarters in March 2022, and is simultaneously conducting customer brand management such as market information exploration and customer relationship management as well as follow-up management.

2021 Key Performance



- In April 2021, held a deliberation committee on consumer complaints
- In December 2021, acquired Consumer Centered Management Certification (CCM)
- In March 2022, the Consumer Protection Office, the integrated marketing team expanded and reorganized, and the CX (Customer Experience) management headquarters was established.

Next Plan

- Reinforcing communication with customers with the goal of zero customer complaints VOC
- Aim to achieve 95% customer satisfaction rate and 50% annual rate to core customers after construction
- ZERO environment and safety accidents
- Target to reduce the free after-sales ratio by 1/100 within one month (4.7% in the fourth quarter of 2021)

Customer satisfaction

Customer Satisfaction Policy and System

Hanssem selected 'End-to-End Customer Experience Innovation' as one of its core business strategies to realize its mid- to long-term business goal of 'turning a customer's home into the most desirable space in the world' and 'Amazing customer experience'. In March 2022, the CX (Customer Experience) Management Headquarters was established to make the brand asset of the company.



CX Customer Experience Management Division

The CX Management Headquarters prioritizes all experiences from the customer's point of view, and for this purpose, the 'Consumer Protection Office' is in charge of in-house quality management, customer damage prevention activities, and handling customer disputes, market information search, customer relationship management, The 'Integrated Marketing Team' is in charge of brand integration and external awareness strengthening activities.

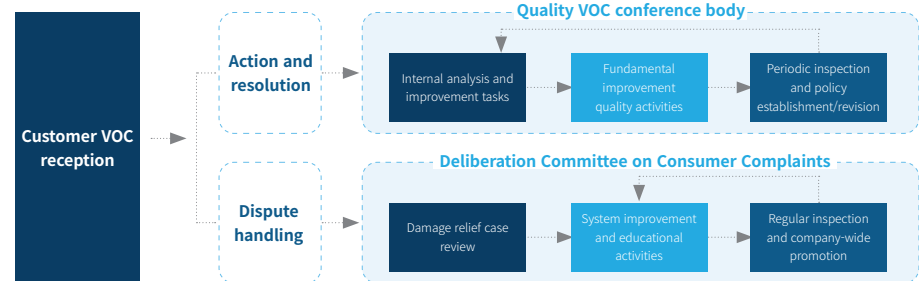
Quality and VOC Conference body

Hanssem collects and analyzes customer VOC and quality data received to the company every day to improve customer experience, converts them into quality indicators, aggregates them, and shares them with the company. Through this, we identify major complaints experienced by customers and their root causes, identify top-priority tasks to resolve, and implement relevant improvement measures. The company conducts discussions on quality and service issues that need to be strategically focused on through regular quality and VOC meetings hosted by the management. The meeting group seeks measures such as system improvement and quality activities to prevent customer damage in advance, focusing on cases of customer discomfort, selects core tasks for fundamental improvement of each problem, and determines whether or not they are achieved and checks performance indicators continuously.

Deliberation Committee on Consumer Complaints

Hanssem discusses customer complaints and requests received through various routes with relevant departments to analyze and deal with the causes, report results, and establish and implement measures to prevent recurrence. In particular, in order to prevent damage or complaints from consumers in advance and to protect their rights and interests, it supervises the 'Consumer Complaints Review Committee' that deliberates on damage relief cases submitted to the Korea Consumer Agency. The Consumer Complaints Review Committee was established to protect customers' rights and interests and fulfill corporate social responsibilities. The committee is composed of one chairperson (head of the Consumer Protection Office) and 19 members from each division (each team leader such as sales, construction, purchasing, and quality) who have been transferred the decision-making authority of the head of each division(department), etc. We deliberate on all damage relief cases received by the company, and seek and implement measures such as system improvement and educational activities to prevent customer damage in advance. It has been operating since the first meeting was held on April 14, 2021, and we aim to achieve 'ZERO' in the case of receiving damage relief from the Korean Consumer Agency in 2022.

CX Management Headquarters



Customer Satisfaction Activities and Performance

Customer Satisfaction Program

[Visiting service] Hanssem operates a visiting service(Before Service) system that analyzes customer VOC and quality data collected across multiple channels to identify service items that should be preemptively taken before customers experience inconvenience and resolve them immediately.

Service system	Contents	Effective date
Kitchenbach visiting service	After purchasing Kitchenbach, 3 years 3 times pre-inspection service provided (6 major items such as water supply and hardware)	2019.04.01.~
Sleeping code heating pad BS	Free replacement of parts due to malfunction of the heating pad of some products	2020.12.23.~ 2021.02.28.
BS within 1 month of package	Providing customer care services within one month of completion of the remodeling general construction site (instructions for use, quality inspection, etc.)	2021.01.11.~

Voice of the Customer (VOC) and Satisfaction Management

Hanssem collects customer voices through various channels such as contact centers, homepages, monitoring surveys, and major online portal services. Customer complaints received in this process are promptly forwarded to the business units in each division, such as sales, construction, and A/S, to take action and manage the handling status. In addition, we are conducting a comprehensive survey on the satisfaction of our customers through direct monitoring 7 days after installation for customers who have received the installation of the product. According to the survey results, for items with low satisfaction, each content is checked, and measures to prevent recurrence are established and implemented promptly.

Category	2019	2020	2021
Customer satisfaction(%)	88%	87%	88%

Consumer Fair Trade Policy

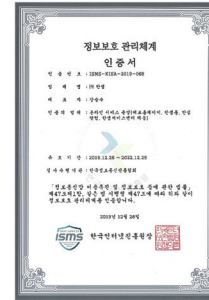
[Customer Dispute Management] If a customer experiences any inconvenience or damage while using its products, Hanssem proceeds with a fair and objective resolution process in accordance with the relevant administrative rules regulating the interior remodeling market. In principle, consumer disputes are resolved through civil affairs, but this usually entails a lot of cost and time. Therefore, prior to civil litigation where customers may experience secondary inconvenience, efforts for quick and amicable resolution from the customer's point of view are prioritized. For this, we refer to cases of dispute mediation decisions of the Korea Consumer Agency Dispute Mediation Committee.

[Recall] Hanssem preemptively selects products that are likely to cause serious physical or property harm to customers, reports them to the National Institute of Technology and Standards, and implements an official recall.

Recall information source: Product Safety Information Center(<https://www.safetykorea.kr>)

Product name	Type of recall	Publication date
Vacuum blender Ozen	Voluntary	2016. 10. 31.
Momoro chest of drawers (4 tiers)	Recommendation	2017. 05. 11.
Furniture (sink)	Voluntary	2020. 04. 24.

Consumer Safety Management



[Safety Accident Prevention] Achieving ZERO chest fall accident: Eight infants and toddlers died in a chest accident abroad, and the safety of the chest of drawers has emerged as a major issue. Since 2016, Hanssem has introduced and is implementing a system that makes it mandatory for drawers to be fixed to the wall. We have established strong safety measures such as refunds for customers who refuse to install wall-mounted installations, and continuously monitor safety issues to maintain ZERO drawer fall accidents since 2019.

[Customer Privacy Policy] Hanssem secures confidentiality, integrity, and availability as the basic concepts to prevent damage, falsification, and leakage of information that may occur during information creation, storage, processing, transmission, and reception. We also have an appropriate range of controls in place to protect information, including specific policies, guidelines, procedures, organizational structures and software functions. All employees are responsible for information protection, and for this purpose, audits are conducted to ensure that all employees are aware of and comply with the company regulations related to information protection. In 2022, we are further strengthening the level of customer personal information security by introducing a safety number to customer numbers exposed to construction cooperators.

Acquired Consumer Centered Management Certification (CCM)



In December 2021, Hanssem obtained the Consumer-Centered Management Certification (CCM) certified by the Fair Trade Commission after evaluating whether all corporate activities are organized and continuously improved from the consumer's point of view. The certification consists of an overall evaluation of customer satisfaction such as the management's interest in consumer-oriented management, the company-wide customer management system, prevention and monitoring of consumer complaints, and customer satisfaction performance. Hanssem was recognized for its customer satisfaction management by acquiring related certifications for the sixth time in 2021.

Strengthening product quality

Quality management system

Hanssem is doing its best for thorough quality management, production and new product development based on the customer impression management philosophy to realize the best quality and best customer satisfaction. We conduct safety and health impact assessment through pre-conformity verification before product launch, and release only products that have passed this test. Even after launch, we conduct regular follow-up verification to ensure quality and consumer safety.

Quality Management Policy

Hanssem Manufacturing Division has acquired ISO 9001 (quality management system certification) and ISO 14001 (environmental management system certification) since 2006 to innovatively improve the Six Sigma quality management system, which has been continuously improved over the past several years. Since then, we are manufacturing the best products by operating a quality management system that meets international standards through regular follow-up and renewal audits. In addition, since 2000, we have acquired the certification of excellent group standard product household sinks (SPS-KHFC 001- 0438), and are continuing thorough quality assurance through regular product and factory inspections from the Korea Housing and Furniture Cooperative Association. In addition, the manufacturing department establishes a quality management system for customer satisfaction based on ISO and group standards, and all executives and employees comply with their responsibilities and authority to maintain the quality management system through continuous improvement activities.

Quality verification process

Hanssem manages new products produced through a strict shipment approval process. The quality assurance process for new products is a key foundation for preventing quality accidents and improving productivity, and we guarantee 100% in advance in all areas of materials, construction methods, processes, and tests (environmental and dynamics) together with the Hanssem Production Environment Technology Research Center.

We strive to release products that satisfy customers by establishing clear quality goals that reflect customer requirements at the product planning stage and checking whether the quality level is met through assurance tests, assembly evaluations, mass production inspections, and 3-month monitoring.



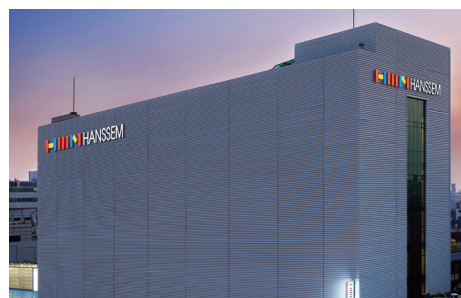
Quality improvement activities

Nurturing quality experts

Hanssem Manufacturing Division has established a Six Sigma quality management system and is nurturing in-house quality experts to enhance quality in response to changes in customer requirements and usage environment. Through the Six Sigma consulting of the Korean Standards Association, the Six Sigma Belt (GB_Green Belt/BB_Black Belt/MBB_Master Black Belt) talent development was conducted to internalize the quality management activities of the office management group and secure sustainability. In addition, we are carrying out quality Six Sigma tasks by deriving strategic KPIs and process-related tasks for each sector. In particular, we are conducting quality circle activities at the production site through circle group consulting, encouraging the participation of all members of the organization and continuously practicing quality improvement activities using QC (quality control) techniques. In addition, by implementing a motivational donation system for in-house presentations and excellent improvement cases, all executives and employees are striving to improve quality competitiveness with active participation and will to improve.

Quality and safety improvement activities

In the manufacturing division of Hanssem, innovation activities are being carried out in all areas, including quality and productivity improvement and cost reduction. A total of 13 circles are operated and internal presentations are held for the purpose of maximizing the performance of innovation activities and disseminating best practices. 2021 was suspended due to COVID-19, but in March 2019, an internal circle presentation contest was held, and in August, the national circle was launched.



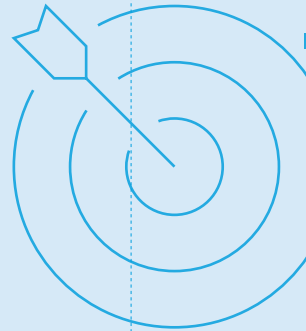
Participating in the win-win cooperation section of the table competition, the 'Best Library' team won a bronze prize under the theme of 'Reducing the nonconforming product rate through improvement of the flush panel molding process'. The initiation ceremony was held to revitalize the circles with the goal of achieving quality Six Sigma by 2022 by reorganizing the circle activities and training that had been delayed due to the corona virus since January 2021.

Overseas subsidiary Quality Management

The Manufacturing Division is continuing standardization work such as disseminating domestic quality regulations and work processes so that overseas subsidiaries (Japanese subsidiaries) can establish a quality assurance system at the same level as in Korea. We have established a guarantee system that reflects local characteristics by dispatching experts from the head office, and we monitor the operation status on a regular basis. In order to enhance execution, we are directly involved in the selection of the corporation's quality KPIs and setting goals, and the achievement rate is reported to the management every month. In addition, we are disseminating best practices in Korea to foster local problem-solving experts and enhance quality improvement capabilities. In particular, we launch new products and confirm the lineup by continuously improving the specifications of our Japanese subsidiary and sharing the opinions of local sales staff to evaluate new products. In addition, we are actively responding to follow-up management by stockpiling A/S products.



Cases of quality improvement in 2021



Kitchen



77% reduction in A/S compared to the previous year due to reduction of all hinge defects and damping malfunctions

- Hinge development from high-pressure damping to low-pressure damping and application of all low-pressure damping hinges from November 2020
- 11% increase in hinge sales

Reduction of marble crack A/S by 36% due to improvement of the reinforcement specification of the lower part of the marble joint

- Feb. 2021 Marble connection part joining manual and SPEC improvement applied
- Additional quality enhancement with improved cooktop pick-up reinforcement (2021.01) and marble single-sided adhesive improvement (2021.07)

Building materials



14% reduction in A/S due to improvement of product defects in floor peeling

- Reduction of peeling defects through unification of steel flooring process management

57% reduction in A/S due to improvement of turning door product defects

- Improvement of constructability by stopping the self-construction of the turning door manufacturer
- Reduced occurrence of defects in construction by operating separately as a professional construction team

Home furnishing

78% reduction in free A/S within one year due to mattress off

- Developed Hanssem's own spring that introduced automobile suspension technology (202.03. Patent/design registration completed)
- Achieved peak sales of KRW 2.8 billion in August 2021 with ZERO off mattresses with new specifications (up 75% from the previous year)



Improvement of table chair structure and quality innovation of vendors

- Structural strength improvement through table & chair design change and wood gluing method change (reduced A/S by 71% compared to the previous year)
- 2020 Worst Vendor Quality Innovation (Fenglian) (87% ↓ from the previous year)
 - ① Hanssem dedicated line/worker arrangement -> Motivation and penalty establishment/execution
 - ② Hanssem exclusive QC arrangement & process environment improvement (5S improvement)

Talent Management

Respect for human rights and diversity

Human resource development

Work-life balance

Management Approach

Context

Hanssem is the only company in the world that can provide total remodeling and home furnishing services. In order to pave a path that no other company has gone before, Hanssem must work with creative and challenging talents. In order to lead the market as the No. 1 company in remodeling and furnishings, excellent human resources who have the right values and passionately immerse themselves in their jobs to achieve results are essential. Our company is making continuous efforts to prevent talent leakage by actively hiring talented people, supporting the growth of employees and improving their work competencies, and cultivating a corporate culture that is in line with the times.

Our Strategy

Talent attraction strategy: We are building an image of a company that can experience a variety of experiences, such as pioneering new markets, generating ideas on our own, and growing by implementing them with the premium of being the number one company in the industry. In addition, we are attracting outstanding talents through active improvement of working spaces.

Spill Prevention Strategy: We are actively preventing the outflow of talent through counter offers, career transition opportunities through in-house public offerings, job competency reinforcement and leadership training, application of various work systems, continuous communication and corporate culture improvement activities.

2021 Key Performance



- In 2021, increase the cost of training for employee competency improvement – 175% increase in training cost per person compared to 2020
- Increase the ratio of female talent recruitment in 2021
- Policy to prevent career interruption due to pregnancy and childcare - 100% return rate of female talents
- Active introduction of flexible working system - 89% of flexible working system application rate

Next Plan

- Successful digital transformation by securing approximately 90 IT personnel
- Reorganization of the evaluation-reward system for a fair personnel system

Respect for human rights and diversity

Human Rights Management

Human Rights Respect Policy

With the dignity of all human beings as the top priority, Hanssem supports international principles on human rights and labor, such as the UN Principles for the Implementation of Business and Human Rights (UNGPs) and the International Labor Organization (ILO) core conventions, and abides by relevant laws and regulations. Accordingly, we comply with the Hanssem Declaration of Human Rights and Labor Management, which is based on a human rights and labor-oriented management philosophy, respect the human rights of various stakeholders, and strive to prevent their rights from being violated.

Internalization of human rights management culture

In addition to statutory compulsory education such as prevention of sexual harassment and improvement of awareness of the disabled, Hanssem conducts gender-sensitive education to increase the sensitivity of its employees. We are conducting online and offline training for all our employees, and we are also expanding separate training to prevent sexual harassment and improve gender sensitivities for employees of affiliates, agency employees, and the president's group. In 2021, we are making efforts to prevent human rights risks within agencies by publishing the [Promise for a place to work] manual to comply with the Labor Standards Act, prevent harassment and sexual harassment in the workplace, and protect customer-facing workers.

Human Rights Education Status

(Unit: Person, %)

Compulsory classes for more than 1 hour per year (excluding duplicate classes)



* Due to the training method and separate training for the person in charge, it is impossible to calculate the exact training time because there are duplicate students. At the time of final counting, completion is managed based on whether one person has taken the course for 1 hour or more, so it is written based on the minimum number.

Hanssem Human Rights and Labor Management Declaration

Article 1 Protection of Human Rights

All members are respected as individual individuals, enjoy freedom and rights, and are fully protected for their fundamental rights.

Article 2 Protection of basic labor rights

All members are protected by the rights guaranteed by the Constitution and labor-related laws. In addition, they have the right to receive equal remuneration for equal work in accordance with the labor relations laws and ILO set by the state.

Article 3 Prohibition of Forced Labor

Members must not be subjected to inhumane treatment, punishment, or discrimination, including forced labor and human trafficking, and have the right to physical freedom and safety.

Article 4 Prohibition of Child Labor, Youth work

The company does not tolerate any form of child labor. In addition, in the case of internships, internships, and apprenticeships for minors, labor-related laws are strictly applied to avoid disadvantages by excluding high-risk work and night work.

Article 5 Strengthening the welfare of members

The company expands and operates 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 without discrimination.

Article 6 Respect for diversity and non-discrimination

All members are protected from discrimination based on origin, race, region (nationality), gender, religion, age, disability, etc., and the right to work in a safe and healthy optimal environment is protected.

Article 7 Protection of Stakeholder Human Rights

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

Article 8 Guarantee of Stakeholder Freedom of Expression

We guarantee and support the rights of stakeholders to freedom of expression and members' freedom of peaceful assembly and association.

Article 9 Protection of personal information of stakeholders

In order to strictly protect the personal information of stakeholders, only a minimum amount of information is collected and the information security system is thoroughly managed so that it is not leaked to the outside.

Article 10 Supply Chain Management

We contribute to the expansion of human rights and labor management and the procurement of environmentally friendly raw materials through supply chain management of business partners in cooperation.

Talent Recruitment and Nurturing

Hanssem respects the diversity of its members, such as gender, race, and disability, as well as the diversity of religion, politics, and values. And the beginning of corporate diversity is to stably establish and realize a reasonable system that does not discriminate in hiring, nurturing, and performance compensation.

Open Recruitment Respecting Diversity

Hanssem is constantly recruiting high school graduates in each region. We are operating a system in which high school students register as a work experience training company, conduct field trips, and hire a significant number of people after graduation. In addition, we provide a wide range of opportunities to applicants through an open recruitment system regardless of academic background, age or gender, and the company has secured diverse talents.

Securing and nurturing female talent

Among Hanssem's new recruits, female talent accounts for 38%. Our company is actively supporting female talents to create a working environment where they can work and live together. In-house daycare centers are operated in Sangam and Bangbae offices to support short-term work and reduce the burden of childcare during pregnancy, childbirth, and this effort is showing results with a high return rate of 95% of female talents on parental leave.

In addition, we have newly appointed two female executives in 2020 and one in 2021, from one female executive in 2019, increasing the ratio to four as of May 2022. This policy is announced to all executives and employees every year when promotion is announced, forming a company-wide consensus on the direction of fostering female executives.



Fair evaluation and compensation

Fair evaluation

Hanssem's evaluation system is designed in such a way that employees can be evaluated according to their performance. Employees establish KPIs (Key Performance Indicators) and are evaluated according to the degree of achievement of the KPIs. When establishing KPIs, the Balanced Score Card (BSC) perspective is applied to establish evaluation items to enhance long-term values such as customers, internal processes, learning and growth, in addition to financial performance. In addition, while checking the KPI performance on a quarterly basis, the person in charge provides feedback on the quarterly performance to the team member so that the team member can know the current status of their performance and the direction for improvement. In the case of the person in charge, a leadership competency evaluation is conducted in addition to the performance evaluation. Based on Hanssem's leadership competency items, we conduct evaluations for our superiors and subordinates, and reflect the results in the HR evaluation score of the person in charge, and use it as a leadership check.

The results of the employee evaluation are directly linked to the wage increase rate and promotion, so that performance-based compensation is activated. In the process of deriving HR evaluation results, the evaluator provides feedback on performance and competency to the evaluator through an evaluation interview, and the evaluator sets the direction for future work performance and career development. From 2022, to further strengthen the fairness of evaluation, we plan to subdivide evaluation grades and implement an objection process and evaluation audit for evaluation results.

Reasonable compensation

Hanssem provides reasonable compensation based on fair evaluation results for its employees. All employees, except for factory production workers, who are hourly paid, operate an annual salary system, and a compensation system is operated based on organizational and individual performance.

In the case of fixed pay (salary), an increase rate is applied according to the results of the personnel evaluation, and in the case of variable pay (performance pay), the pay is differentiated according to the performance of the company/organization/individual. As part of the performance-based pay, in 2022, we plan to introduce a PS (Profit Sharing) system that distributes a certain percentage of the company's excess profits to employees.

In addition, rewards and cases are actively shared with employees, creating a culture of rewarding individuals or organizations for achieving goals for tasks suggested by them. We are establishing a culture of improving work processes and sharing knowledge by regularly rewarding outstanding performers on a quarterly/half-yearly/yearly basis and sharing relevant cases.

Human resource development

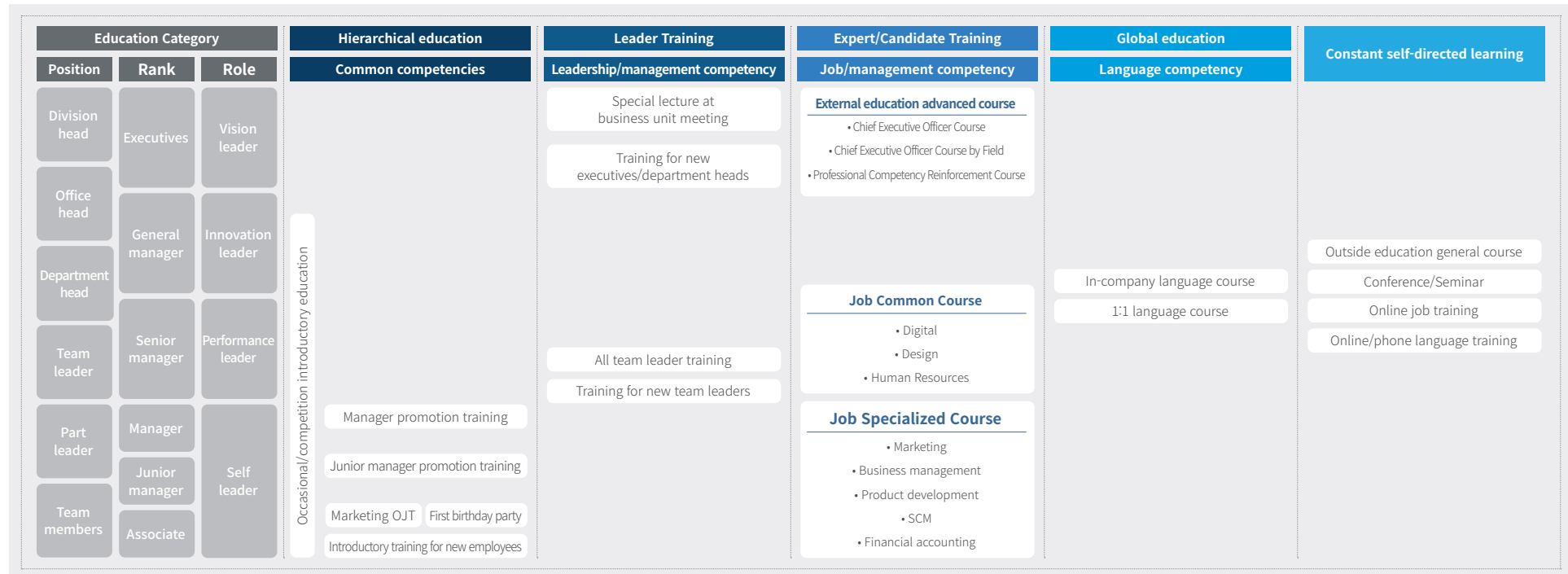
Human Resources Development (HRD) System

Human Resource Development Promotion Strategy

Hanssem operates a talent development system centered on three main axes: common competency, job competency, and leadership capability under the human resource development philosophy that all talented people have the qualities and capabilities to be nurtured as experts or managers in each field.

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Education system diagram



Talent Development Program

Early adaptation of new hires and improvement of organizational commitment

Hanssem operates introductory training for new employees, such as new employees and experienced employees, with the purpose of enhancing their understanding of the company, their sense of belonging, and their self-esteem. All new hires must complete the first online introductory training after joining the company, and after that, they will be able to immerse themselves in the organization and work more through offline group training and OJT. Additionally, the company is helping new hires to soft-land within the organization through mentoring for new employees and in-house networking support activities for experienced employees.

Reinforcement of common competencies by position

Hanssem conducts promotion training for promotions to assistant managers and managers to congratulate them on their promotions and support them to develop the necessary competencies for each position. Training for promoted employees is operated so that they can understand the role of each position and Hanssem's core values, support networking with other departments, and secure the necessary competencies for each position.

Reinforcement of leadership and management competency by position

Hanssem operates a program to support leadership competency according to the Hanssem leadership role model. Through the new team leader training program, we provide workshops, discussions, and training to understand the roles and attitudes of Hanssem team leader and to effectively perform the team leader role. After completing the new team leader training, the new team leader participates in the group coaching program. Through coaching with professional coaches, we are helping to solve leadership issues for each job and grow as a leader. Our team leaders participate in the company-wide team leader training held every year to develop leadership capabilities. Based on the Hanssem leadership competency model, we re-recognize the role of team leaders and support them to grow by repeatedly learning topics such as leadership/performance management and feedback/strategy setting/ team member development. In addition, a special lecture program is operated once a month to improve the management capabilities of the head of department and department head. We invite experts in each field to provide insights that can lead change and innovation. In addition to special lectures, the company supports external networking and strengthens management capabilities through external advanced education courses such as the CEO course or the chief executive officer course for each field.

Reinforcement of job competency by field

Hanssem operates various job training programs both inside and outside the company to improve the job competency of its employees and to nurture in-house job experts. The in-house job training course, which is conducted upon voluntary application by employees, consists of a common job course for cultivating common job competencies and preemptive development of future competencies, and a specialized job course for nurturing basic to advanced competencies for each job step by step. In the 2021 common job course, a training course was operated to develop business skills, from special lectures by subject matter invited by famous speakers to 'Planning Basics', 'Financial Accounting Basics', and 'Smart Working Using Notion'. A total of 460 people in the job-specialized course, first, a training course was opened for marketing positions, and training courses such as 'Marketing Planning/Strategy', 'Performance Marketing', and 'Promotion and Advertising Planning' were operated, and a total of 176 people completed it. In-house job training courses will be continuously expanded in the future. In addition to the in-house job training courses, Hanssem operates an external training support system and an online job training support system to support employees' job competency improvement at all times.

Global Competency Enhancement

Hanssem provides monthly online foreign language training for employees who will grow together in the leap forward into a global company. Any employee of Hanssem can apply, and we support the strengthening of global competency by managing the current status of the employees who have applied for training. In particular, for employees who are in charge of jobs that frequently use foreign languages, we provide various types of training programs to help them strengthen their effective work competencies through online training as well as foreign language training over the phone.

Establishment of online education infrastructure

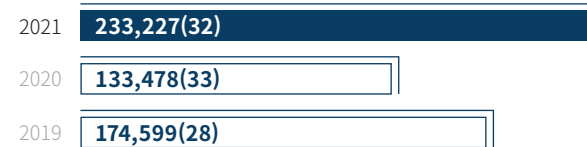
Hanssem is improving and expanding its online education infrastructure for non-face-to-face education due to COVID-19. In June 2020, we integrated online training sites scattered around each site and built an integrated online training site, providing not only Hanssem employees but also all cooperative employees who have grown up with Hanssem as a platform to receive training in the same environment.. More than 1,100 learning contents have been uploaded to the platform, and necessary learning materials are immediately delivered to cooperating employees. Going forward, we plan to expand and operate the online education infrastructure so that all employees and business partners can easily and conveniently access education and improve their competencies by improving the quality of education content.

Employee Education Performance

Employee training status

(Unit: Won, Hour)

■ Education cost per person (training hours per person)



233,227 Won (32Hours)

Work-life balance

Labor-Management Culture of Trust

Hanssem Labor-Management Culture

Hanssem aims to become a brand loved by consumers by breaking down the barriers between generations in the company by creating a 'place to work'. To this end, the 'Hanssem Declaration on Human Rights and Labor Management' was enacted based on the UN Principles for Implementing Business and Human Rights (UNGPs) and the core agreements of the International Labor Organization (ILO). The 'Hanssem Declaration on Human Rights and Labor Management' contains contents that protect the basic labor rights of employees, prohibit any form of discrimination, and respect diversity.

Operation of labor-management council

For employees without a labor union, important agendas are deliberated and resolved through a quarterly labor-management council. Employee representatives of the Labor-Management Council are elected as workers' representatives through direct, secret, and anonymous voting to ensure their representation. The workers' representative consists of three people, and they meet various members on site every month and actively receive grievances and suggestions from the company. The grievances and suggestions received through these grievance consultations are presented as major agenda items at the labor-management council once a quarter and are actively reflected when introducing the company system or establishing policies

The status of union membership

Category	2019	2020	2021
Number of members eligible for union membership (persons)	219	227	253
Number of union members (persons)	219	227	253
Labor union membership rate (%)	100%	100%	100%

※ In the case of Hanssem Labor Union, membership is stipulated in the collective agreement as 'regular production workers'.

Change in the way we work

Pursuing work-life balance

Hanssem introduces and operates a working system that is suitable for each job environment. In the case of part-time workers, we introduced a selective working hour system, allowing individuals to choose their commuting hours voluntarily according to their work style and lifestyle. You can flexibly choose the starting time from 8:00 to 10:00 and leaving from 15:00 to 17:00. If you only meet the six-hour compulsory working hours a day, you can freely adjust the remaining time according to your work schedule. In the case of store sales staff, flexible working hours and staggered commuting systems are applied to respond flexibly to business issues, such as the main daily time of the store and the concentration of customers during the peak season. We minimize the total working hours and operate so that each employee's work and life can be harmoniously balanced. For over-the-counter workers, the deemed working hour system and on-site work/commuting systems are applied. By applying a working hour system suitable for on-site commuting to and from work, which is difficult to manage closely, such as working hours or holidays, due to the nature of the work type, employees can minimize unnecessary return to the office, use their time efficiently, and voluntarily adjust their working hours.



Family-friendly management

Hanssem actively supports and promotes various systems to establish the nation's best maternity protection system and foster a family-friendly corporate culture. Welfare points are paid to both male and female employees as a gift to celebrate family pregnancy, and for female employees, the two-hour shortened work day (6 hours a day) is implemented throughout the entire pregnancy period without any wage deduction. In addition, all Hanssem employees are entitled to one additional year of parental leave in addition to the legal parental leave period.

Hanssem Sangam and Bangbae office buildings operate an in-house daycare center to provide high-quality childcare and education to the children of employees.

Current status of annual leave and flexible working system usage

Category	2019	2020	2021
Number of days of annual leave (the number of days of use per person)	11.76	10.52	11.29
Rate of use of flexible working system(%)	86%	86%	89%



In December 2020, Hanssem was selected as an excellent family-friendly company by the Ministry of Gender Equality and Family. The 'Family-Friendly Certification' is a system that the Ministry of Gender Equality and Family grants certification through screening to companies that are operating exemplary family-friendly systems that allow workers to balance work and family life in harmony.

*Annual leave is based on statutory annual leave and other leave (reward leave, public leave, etc.)

Employee communication

Hanssem strives to build a corporate culture based on mutual respect and trust and fairness by strengthening two-way communication between the company and its employees. The 'Hotline', a real-time suggestion and report receiving channel that has been operating since 2018, has been subdivided by function, and a 'Suggestion' bulletin board that receives work-related suggestions and suggestions from employees, and workplace harassment and internal misconduct can be reported. We operate a separate 'Report reception' channel. Not only individual responses to the contents registered on the 'Suggestion' bulletin board, but also major issues are shared with the company once a month. In 2021, opinions and suggestions such as inquiries regarding the working hour system for front-line sales workers and improvement of the working environment (proposal to expand meeting rooms other than cafes due to COVID-19) were raised through the 'Report reception' channel in 2021. It is shared through the internal bulletin board and reflected in future corporate culture policies. From 2021, we are operating the 'Hanssem Intellectuals' channel as a channel to encourage collective intelligence as well as horizontal communication among employees.

'Hanssem Intellectuals' is a communication channel where any Hanssem employee can raise

questions or publicly register suggestions without any restrictions, and anyone can freely add or respond to comments or replies. From January 2022, 'Town Hall Meetings' are held monthly through online and offline methods to expand direct communication with the CEO in earnest. In town hall meetings, the company's vision and management strategy, methods to innovate customer experience, and business improvement points are freely discussed. We plan to continue to listen to the voices of not only juniors but also front-line salespeople and discuss improvement directions with the CEO. Along with the town hall meeting, we also opened an A.M.A (Ask Me Anything) bulletin board where you can directly ask and receive answers from the CEO. Through the A.M.A bulletin board, any employee can make suggestions and suggestions to the CEO, regardless of the type of question or the severity of the issue, and the CEO directly answers the question. Comments can also be used to raise additional questions or other opinions, which in turn promotes active communication among employees.

Activation of corporate culture

The 'Good Workplace Council', launched in 2018 to make Hanssem a good company to work for, is continuing its vigorous activities in the 4th in 2021 and the 5th in 2022. The Good Workplace Council serves as a channel of communication between employees and the company by selecting one or two junior boards from each division. From 2021, about 20 members of the Good Workplace Council have been receiving grievance counseling, collecting opinions, and receiving suggestions on a monthly basis. There is counseling for their grievances. These consultations are discussed through group discussions and FGI during the monthly meeting, and are actively reflected in practical improvement of working methods.

The company also upgraded the new groupware and in-house messenger as a way to change the way it works, and supplemented inefficiently operated business processes and functional parts. We will continue to innovate in ways that can improve the efficiency of working methods such as mail and approval, document and regulation management, resource reservation, and collaboration tools.

[Organizational culture diagnosis]

Since 2015, Hanssem has conducted an organizational culture diagnosis at least once a year to diagnose and improve the overall status of Hanssem's organizational culture, system, and leadership. In particular, in 2021, we will innovatively upgrade the design of the survey questions and the analysis report to measure 'organizational commitment', which is understood as pride, satisfaction, and will to recommend, and to focus on the vision, organization, process, system, and leadership that affect it. We are diagnosing the current status of the organizational culture in an advanced way, such as analyzing the correlations by identifying satisfaction with the company. As a result of the organizational culture diagnosis conducted in 2021, the positive rate of organizational commitment was 42%, and the 'understanding the vision/strategy' section was found to be at a very high level at 62% as a correlated index affecting this. Other areas related to collaboration, work efficiency, and system innovation are constantly being checked and supplemented as corporate culture improvement tasks.

* Affirmation rate: The ratio of responses with 4 points (yes) and 5 points (very much yes), and it is judged to be a more significant result than a simple rating.

Employee Welfare

Welfare program

[**Selective Welfare System**] Since 2014, Hanssem has been operating the welfare point system, a cafeteria-style welfare system. The welfare point system reflects the increasingly diversified needs of employees and enables employees to select and utilize the necessary ones from among various welfare systems such as physical training expenses, private academy expenses, medical expenses, and use of recreational facilities. It is the system with the highest satisfaction among Hanssem welfare benefits programs.

The paid welfare points can be used like cash on the Internet, and if a separate card is issued, they can be freely used in all offline stores except for restricted industries.

Welfare point issuance scale and usage status

Category	2019	2020	2021
Number of assignments (cases)	10,498	9,500	14,921
Allocated points (100 Million points)	27.35	27.35	27.35
Number of use cases (cases)	60,369	59,335	68,770
Amount used (100 Million Won)	26	23	28

※ Allocation Points: Average value of welfare points paid once a quarter to each employee

※ Usage Amount: Converts the total amount of welfare points used in the current year into an amount (1 point = 1 won)

[**In-house club**] The in-house club, which had been very active in terms of organizational revitalization, was reduced in 2021 due to social distancing due to Corona 19, but as an on-tact club activity, DIY kits were distributed and exchanges continued online. From 2022, due to the easing of social distancing, active club activities are resumed online and offline, including various sports activities, cultural, artistic, and intellectual exchange activities. We plan to prepare events that will enhance a sense of belonging and contribute to social contribution.

[**In-house psychological counseling office**] As the safety and health of employees are becoming a social issue, corporate cultural activities that take care of 'psychological and emotional health' are

also important. Since 2018, Hanssem has been operating the 'Fountain of the Heart', an in-house psychological counseling office, and provides free psychological counseling services to all employees five times a year. From 2022, regular psychological and aptitude tests will be conducted to diagnose the psychological health of employees, while additional activities such as family counseling and stress management workshops will be conducted to provide an environment where people can immerse themselves in work through work-life harmony.

[**Student expenses, childcare expenses, and condolences and condolences support**] Hanssem provides a small amount of childcare expenses to employees with children every quarter. Child education funds are provided from elementary school to college, so it covers a portion of the expenses required for child rearing and schooling for the entire life cycle.

To employees who are taking care of infants and toddlers before entering elementary school, we pay childcare expenses of KRW 100,000 per child per month from childbirth to the year before entering elementary school. In addition, Hanssem provides money for congratulations, congratulations items, flowers, and leave for employees' marriage, childbirth, training, and condolences. In the case of congratulations and condolences, in addition to the part supported by the company, we additionally operate a mutual aid-type social support system for employees who have joined the company and conduct congratulations and condolences together.

Category	Main Content
Child care expenses	Support for childcare expenses of KRW 100,000/month per employee of preschool-age children (Excluding some employees on leave of absence, children from in-house daycare centers, etc.)
Children's tuition	100,000, 200,000, and 300,000 won/quarterly support for each employee's elementary, middle, and high school children. Tuition support of up to KRW 5 million at one time for college student children
Congratulations & Condolences	Marriage, childbirth, sojourn, condolence, pregnancy gift (when you and your spouse are pregnant)
Medical expenses	Expansion of support for employees' own medical expenses by subscribing to group accident insurance in 2022 (Guaranteed loss, cancer diagnosis, treatment, surgery, miscarriage, death, etc.) Spouse/parent/child of employees up to KRW 500,000 for surgery, hospitalization, and emergency room expenses
Health screenings	Support for comprehensive health checkup once a year Additional support for one immediate family member for the position of senior manager or higher
Family day vacation	When using Family Day leave (2 days), 200,000 won in half-yearly vacation allowance is provided
Loan support	As of 2021: Support for loans of up to KRW 100 million for housing sales and Jeonse contracts As of 2022, Hana Bank, Woori Bank's interest rate preferential credit loan support

Safety management

Safety and Health Management

Strengthening safety and health

COVID-19 Response Activities

Management Approach

Context

Hanssem puts the safety of all Hanssem stakeholders, including not only our employees, but also employees of partner companies, and customers, as the top priority, and reflects this in our business strategy to prevent and minimize accidents. In addition, we comply with relevant laws such as the Industrial Safety and Health Act and the Serious Accident Punishment Act, recognize the need for thorough risk management, and recognize the importance of health and life so that everyone can enjoy a happy and safe life.

Our Strategy

For the autonomous prevention of accidents at worksites, Hanssem selects a supervisor for each worksite, conducts daily safety and health inspections, and uploads it to Smart Work for monitoring at the head office. In addition to voluntary safety and health inspections, we are conducting inspections and improvements from a new perspective through external specialized agencies such as the Institute for Health and Safety Promotion, Jeonghae Industrial Health and Hanssem Development. The safety and health team provides a checklist, monitors the compliance of business partners through the safety and health consultative body for each business site, and reinforces training for underperforming companies.

2021 Key Performance



In 2021, the safety and health team, a company-wide health and safety organization, was newly formed, and a safety and health system was established by appointing safety managers, health managers, management managers, and supervisors in accordance with laws and regulations for each business site, and the Occupational Safety and Health Act and the Act on Punishment of Serious Accidents. We are continuously making efforts to comply with company-wide laws and regulations.

In addition, we are removing all preventable risks by expanding consignment inspections of facilities such as construction, electricity, equipment, and firefighting in addition to safety and health. All findings and issues are promptly and strictly improved through monthly company-wide occupational safety and health meetings, and workplace safety is our top priority.

Next Plan

Hanssem's health and safety goal for 2022 is to reduce serious accidents by ZERO and safety accidents by 1/10. Hanssem plans to reduce safety accidents by selecting and improving all high-risk tasks that may cause serious accidents, and establishing and applying improvement plans through accident investigation and cause analysis and reporting for all minor but continuous accidents.

Safety and Health Management

Safety and Health Risk Management

Hanssem has built and operates its own industrial safety and health system. Under the direct control of the Chief Safety Officer (CSO), a safety and health team (dedicated organization) composed of persons who have obtained legal qualifications such as industrial safety engineers or industrial hygiene management engineers has been newly established and operated. The safety and health team continuously checks and improves compliance with the Industrial Safety and Health Act and the Severe Accident Punishment Act through internal audits, etc. Occupational safety risks that may occur in all workplaces such as manufacturing factories, logistics centers, stores, offices, research institutes, special sales, etc. We have a process in place to check factors and report to the Chief Safety Officer (CSO) on a monthly basis for improvement. In the event of an industrial accident, you can report it freely at any time and process it through the industrial accident insurance, and the company takes responsibility for all accidents related to the company, including commuting to and from work as work.

In addition, we have established a reporting procedure for submitting the 1st wired report and 2nd accident report immediately after an industrial safety-related accident occurs to report on human/material accidents that occur in relation to customers, employees, and employees of partner companies. Violation of reporting obligations is referred to the HR Committee, and in case of damage, support matters are decided on a case-by-case basis in consideration of the type of accident and the amount of damage. If there is an imminent risk of an industrial accident during work, anyone can use the 'right to stop work' pursuant to Article 52 of the Industrial Safety and Health Act, and no punishment or unfavorable treatment will be imposed on the worker who uses the 'right to stop work'.

Safety and Health Rules

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

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

Operation of Occupational Safety and Health Committee

In order to establish a safe working environment and promote the health of workers, Hanssem formed the Occupational Safety and Health Committee for workplaces with more than 300 legal employees (Sangam office building, Bangbae office building, and 3/4 factories) it is held quarterly in March/June/September/December. Through the Occupational Safety and Health Committee, we discuss risks that may occur in the workplace and activities to comply with laws and regulations, and we prioritize safety and health of workers and workplaces through continuous communication between labor and management.

- Committee composition : 1 representative from the management side, 1 representative from the labor side (Composed of 3 or more each with the same number of labor-management committee members)
- Committee cycle: once a quarter

Operation of safety and health council for contract business

In order to prevent and improve safety and health risks in the contract business, Hanssem conducts a monthly safety and health consultative body composed of contractors and contractors at the workplaces where suppliers work, centering on each business division. In addition, we are strengthening safety and health accident risk prevention policies that are tailored to the characteristics of our business sites.

- Composition of the council : 1 representative of a contractor, 1 representative of each subcontractor
- Cycle of the council : Once a month (Joint inspection of contractor/supplier: once a quarter)

Best Practices

Establishment of a response system for special laws on serious disasters

- 01. Establishment of an organization dedicated to safety and health**
Established a company-wide safety and health team to review and improve all matters required by the Act on Punishment of Serious Accidents
- 02. Establishment of a system in accordance with the Enforcement Decree of the Serious Accident Punishment Act**
Establish a legal organizational system and process for all matters required by the Enforcement Decree of the Serious Accident Punishment Act
- 03. Safety and Health Internal Audit**
Check whether the matters required by the Serious Accident Punishment Act and the Occupational Safety and Health Act are actually implemented at the workplace at least once a half year and report it to the Chief Safety Officer (CSO) for improvement
- 04. Review and improve law firm adequacy**
The law firm reviews the adequacy of the process of responding to the Serious Accident Punishment Act in detail and improves it.

Strengthening safety and health

Workplace safety prevention

Activation of safety and health culture

In November 2021, Hanssem established an organization dedicated to safety and health and is carrying out activities to prevent safety accidents and foster safety culture awareness. To revitalize the safety and health culture, a Chief Safety Officer (CSO) was appointed and Hanssem's safety and health management policy and goals were declared. Safety and health management policies and goals are posted on the company-wide intranet and are attached to each business site for training.

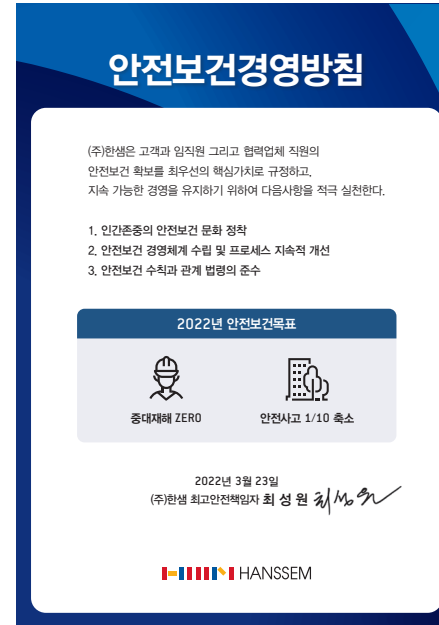
Autonomous safety inspection of the workplace

Hanssem has established an autonomous safety inspection system by designating a supervisor and safety officer for each business site. Supervisors or safety personnel use checklists by industry, such as manufacturing/logistics/service industries, to conduct daily safety and health inspections before work, uploading the inspection results to Intranet-Smartwork, and monitoring and approval by the safety and health team.

Inspection of safety and health specialists

Hanssem conducts monthly workplace safety and health/facility inspections through specialized agencies, and the identified risk factors are improved according to expert consulting. The safety and health team monitors the status of improvement management through weekly risk factor progress management, and reports improvement points for each business site to the CSO through monthly company-wide occupational safety and health meetings.

<p>Safety and Health Inspection - Institute for Health and Safety Promotion</p> <ul style="list-style-type: none"> • Inspection once a month (86 business sites) • Inspection twice a month (1 business site) 	<p>Construction, Electricity, Equipment, Fire Inspection - Hanssem Development</p> <ul style="list-style-type: none"> • Quarterly inspection (87 business sites)
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Safety and Health Management Policy

Risk assessment (precise safety diagnosis)

Hanssem identifies harmful and risk factors at work sites and work processes through a professional safety and health institution once a year for all business sites, and determines by estimating the likelihood and severity of injuries or diseases caused by the harmful and risk factors. We have established measures to reduce risk and are conducting risk assessments. Our executives and employees participate to find practical risks and improvement measures to sequentially improve risks that may occur in the field.

In workplaces that use a lot of machines such as robots, such as manufacturing factories, human body detection sensors are used to prevent stenosis accidents. We check the sensor for abnormalities on a regular basis and take measures, and in case of abnormal operation such as maintenance by turning off the sensor, it is mandatory to use the LOTO lock.

In order to prevent safety accidents, we continuously check and manage the separation of movement lines between equipment and people in workplaces with a lot of transport work, such as logistics workplaces. In addition, we are conducting preventive activities through regular safety training and inspection of equipment such as forklifts.

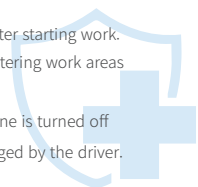
Logistics Equipment Safety Management Guide

Hanssem's logistics center works by limiting workers who have completed qualifications or completed training for all equipment to drivers. During operation, a safe operation route was secured by dividing the equipment movement and worker movement routes. In order to prevent overturning or floating settlement, the ground condition and equipment condition are frequently checked and appropriate measures are taken.

[Equipment work policy]

- Wear personal protective equipment such as a hard hat.
- Observe the speed regulations under 10 km/h.
- No human access while working.
- Only qualified and appointed persons drive.
- Check for any abnormalities in various devices of

- the forklift before, during, and after starting work.
- Workers are prohibited from entering work areas such as loading and unloading.
- When leaving the seat, the engine is turned off and the key is stored and managed by the driver.



Employee health promotion activities

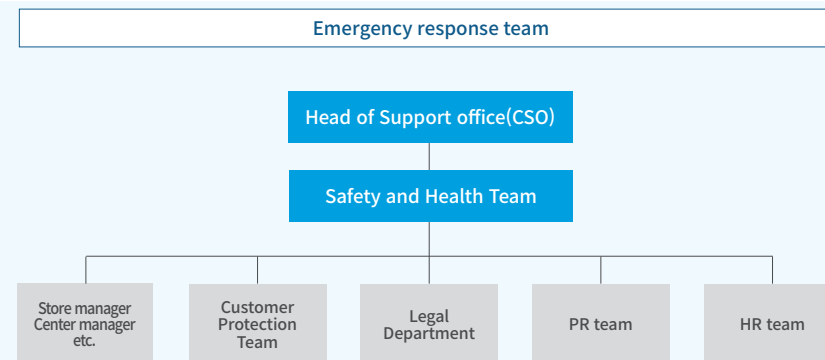
Hanssem operates a health management program for the physical and mental health of its employees. The company operates a psychological counseling office with resident psychological counselors, and appoints those who have obtained health and medical licenses as health managers to prevent diseases, including infectious diseases, manage the work environment, and promote health. Workers who work in simple repetitive tasks and tasks that place an excessive burden on the human body are investigated for harmful factors to the musculoskeletal system, and health disorders are prevented through follow-up management and improvement measures. Workers exposed to hazardous chemicals, noise and dust check the work environment through semi-annual work environment measurement and take improvement measures to create a pleasant work environment. Hanssem supports a health check-up once a year for the health management of its employees, and doctors and nurses visit the workplace every month to provide counseling and education for workers who have abnormal findings as a result of the health check-up to provide follow-up management. In order to increase employees' access to these health promotion activities, Hanssem supports the use of public leave for health checkups, and operates the in-house psychological counseling office to use it during business hours.

Status of employee safety and health

Category	
Manufacturing Division	Burn in hot water during boiler inspection, fingers caught in machinery, ankle sprains while walking
AS	Finger cut during floor replacement work
Etc	Trip over my foot in the dark, sprained my ankle, stumbled and fell while going down from the site, Back pain and ligament damage due to the weight while working on the top plate

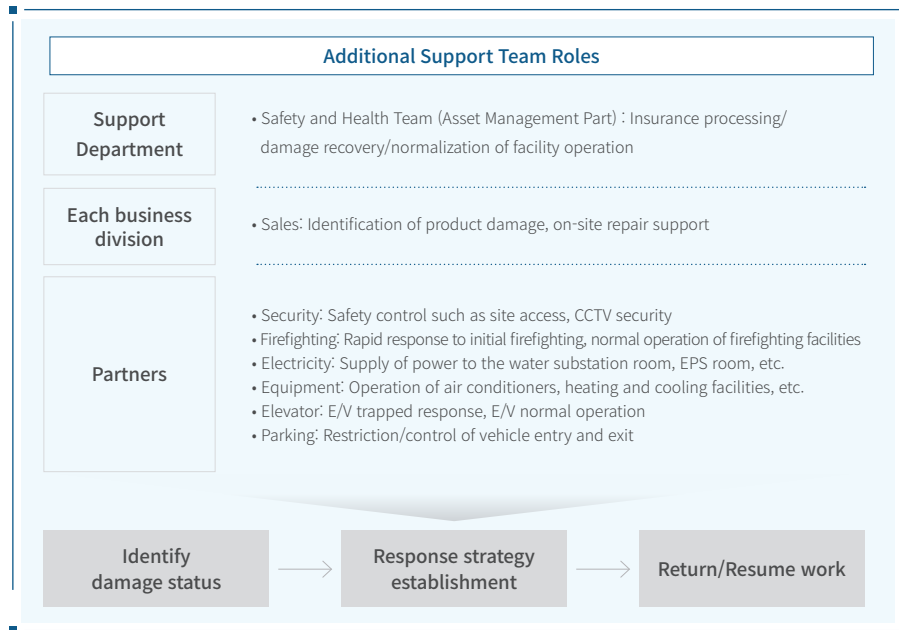
Emergency response system operation

Hanssem established an emergency response plan for all incidents and accidents that may occur in our company, and shared tasks with those in charge of each crisis stage such as fire, earthquake, terrorism, flooding, collapse, and power outage. The Chief Safety Officer (CSO) has established a process to receive immediate reports on all incidents and accidents and to respond with prompt decisions.



* Relevant departments may be included depending on the situation

Support officer	<ul style="list-style-type: none"> • Convocation of emergency response headquarters/general command • Decision-making on whether to resume business • Report to the CEO, each division, strategy office
Safety officer	<ul style="list-style-type: none"> • Identification of employee damage/establishment of response strategy • Internal business report/response to external organizations • Identification of related documents, communication with partners
Customer service officer	<ul style="list-style-type: none"> • Customer Protection Team: Customer Response
Financial officer	<ul style="list-style-type: none"> • Legal Department: Legal review, litigation response
Press officer	<ul style="list-style-type: none"> • Public Relations Team: Response to media organizations
HR team leader	<ul style="list-style-type: none"> • Identifying employee personal information and internal communication • Establishment of response standards for damage compensation



Safety education and emergency evacuation training

Employees receive regular safety training every quarter through Hanssem Eduon, and an online cyber training system has been established for new hires to complete the 8-hour safety training. In addition, safety and health officials such as supervisors, safety managers, and health managers manage records by submitting them to the safety and health team after completing legal job training. In consideration of the pandemic, all 87 business sites continue to conduct education/training to respond and respond immediately in case of emergency such as fire through online firefighting education or firefighting training in connection with the fire department. The Manufacturing Division regularly conducts special safety and health education, regular safety and health education, and supervisory education when new employees are hired and when work is changed. Examples of such training include ‘MSDS and GHS data and safety in handling hazardous substances’, ‘Special training for forklift operation’ is in progress.

Status of employee safety training

	2019	2020	2021
Total training hours (Hours)	53,604	25,521	30,660
Total number of trainees (People)	8,397	8,507	8,933

Supplier safety and health management

Supplier Safety and Health Policy

Hanssem conducts a meeting of the “Safety and Health Consultative Body” consisting of contractors and contractors for workplaces where employees of partner companies work, and conducts tour inspections, consultative bodies, and joint inspections in accordance with laws and regulations. We are also working together to create a safer working environment by listening to the opinions of safety and health workers.

Safety and Health Measures of Contractors

- Safety and Health Council: Once a month
- Joint safety and health inspection: once a quarter
- Circuit inspection: Every day (unification)

Businesses subject to the council

- Offices: 2
- Manufacturing factories, distribution centers: 5
- Hanssem stores: 19

Supplier safety and health inspection

At Hanssem, all workplaces where employees of partner companies reside are inspected using the safety and health team and specialized agencies, and measures are taken and training is provided for any risk factors found.

Supplier safety inspection, guidance and advice

- Safety and Health Promotion Agency: Monthly safety and health inspection and feedback
- Hanssem Development: Feedback after monthly inspection of facilities such as construction, electricity, firefighting, and machinery
- Hanssem Safety and Health Team: Inspection and management, including semi-annual internal audit

Supplier safety training

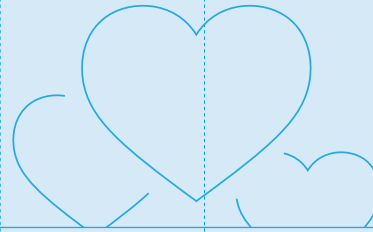
Hanssem Safety and Health Team Special Training

- Education on key preparations for the Occupational Safety and Health Act and the Act on Punishment of Serious Accidents
- Confirm preparations through the safety and health level evaluation of the safety and health council and partner companies

Logistics forklift special safety training

- Information on the classification of forklifts/people in the distribution warehouse
- Occupational Safety and Health Agency Internet Training Center – Forklift Collision Accident Prevention Training

COVID-19 Response Activities



COVID-19 Response Strategy and Organizational System



As the need to strengthen quarantine capabilities grows due to the continuous spread of COVID-19, Hanssem operates a COVID-19 TF team to protect employees, consumers, and the local community, providing various measures and support at the company level. As we hire new health managers, we consider the safety of our employees and customers as our top priority, and at the same time, to minimize the inconvenience caused by COVID-19, we support quarantine of office buildings, distribution centers and stores

in line with social distancing and work from home. I separated the movement lines to prevent the spread of infection in advance. By applying the principles of self-quarantine through PCR testing and epidemiological investigation to suppress the spread of infected people, observance of quarantine rules such as wearing a mask, and social distancing, in the event of a confirmed case, the source of infection is tracked and contacts are quarantined through a rapid epidemiological investigation. During the epidemiological investigation, contacts identified based on the access system and company movement are self-quarantined for the maximum incubation period, and are monitored for suspected COVID-19 symptoms.

In the event of an employee's COVID-19 test or quarantine, etc., we have made efforts to establish a workplace where not only the employee but nearby colleagues can work safely by subsidizing the corona test fee and by taking a public holiday or switching to telecommuting. While monitoring the government's changing distance adjustment measures due to mutations in real time, the company is implementing infectious disease prevention and management in conjunction with national policies, such as changing the internal guidelines for COVID-19 by employees and continuously posting them on the internal bulletin board.

Community Support

Hanssem supported the remodeling of the entire house for 7 families that were difficult to recover due to their circumstances among the families that suffered flood damage due to the longest rainy season last year by utilizing the 'Rural Cooperation Fund', which was donated in 2020. In addition, we provided furniture to 12 small businesses affected by floods in the Chuncheon area, and provided quilt sets and toothbrush sterilizers to 555 families. In Hadong, South Gyeongsang Province, we provided household goods to 300 stores that were damaged by floods, and 268 small business stores were quarantined with 'Hanssem Home Care' to prevent the spread of COVID-19.

Hanssem 'Sharing Hope Volunteer Corps' is carrying out various activities to support the socially vulnerable groups who are having difficulties due to the prolonged spread of COVID-19. We are also fulfilling our corporate social responsibilities, such as donating households to improve the living environment and purchasing agricultural products from flood-affected farms and delivering them to the underprivileged.



Win-win management

Shared Growth with Partners
Sustainable supply chain

Management Approach

Context

Hanssem recognizes that shared growth with partners is essential for our company to grow into a global company. In 2017, a department in charge of shared growth was newly established to make efforts for shared growth. In addition, the department in charge of shared growth was organized as an organization under the Ethics Management Office to represent the position of suppliers independently of the purchasing or finance departments, to periodically conduct internal control (evaluation of compliance and ethics index) and to prevent various risks of violation of laws in advance. In the face of changes in the business environment caused by the pandemic, we and our partners are seeking ways to co-exist and improving the sustainability of our supply chain for growth.

Our Strategy

For win-win growth with business partners and sustainability management of the supply chain, it is a prerequisite that employees performing related tasks comply with laws. Accordingly, our shared growth department monitors monthly whether the purchasing department complies with the subcontracting law, such as whether various documents such as contracts are prepared, whether an unfair reduction is applied, and whether an unfair reduction in unit price is applicable. In addition, to strengthen communication with business partners, we are conducting regular surveys on VOC (Voice Of Customer) activities, overall business relationships, and whether there has been any misconduct by Hanssem employees. In addition, as part of a win-win partnership with business partners, we signed an agreement with IBK and Hana Bank to operate a win-win fund (a low-interest loan program for business partners), and operate various support systems for employee recruitment and technology protection of business partners.

2021 Key Performance



“Excellent” grade in the comprehensive evaluation for shared growth hosted by the Shared Growth Committee in 2021 (2 years in a row)

Next Plan

- “Excellent” rating in the comprehensive evaluation for shared growth hosted by the Committee on Shared Growth in 2022
- “Excellent” rating in the Fair Trade Agreement implementation evaluation conducted by the Fair Trade Commission in 2022

Shared Growth with Partners

Shared Growth Promotion System

Supplier Status

Category	In charge	Purchase amount (Year)	Region	Number of partners	Purchase material
INT Furniture	INT purchasing Team 2	110 billion won	Domestic	39	LAMI, Iron, AL, PL, HW, Electric device, Desk chair
			China	3	
	INT purchasing Team 1	120 billion won	Domestic	16	Mattress, Sofa Dining table (wooden) Sofa, Iron, Ceramic
			Southeast Asia	16	
			China	4	
	Household goods	50 billion won	Domestic	130	Storage, lighting, home appliances, kitchenware Bedding, functional fillings Small furniture Goose down
			Southeast Asia	4	
			China	85	
			Etc	1	

*INT : Interior

Number of building material purchasing partners

Category		Number of companies	Note
Bath	Domestic	46	
	Overseas	7	China(4), Japan(1), India(1), Vietnam(1)
Windows	Domestic	16	
	Overseas		
Door middle door	Domestic	11	
	Overseas		
Floring	Domestic	10	
	Overseas	1	China(1)
Light	Domestic	2	
	Overseas		
Wallpaper	Domestic	2	
	Overseas		
Total		95	

Department in charge of shared growth

In order to ensure the independence of work when implementing the win-win growth policy, a department in charge of win-win growth is set up in the Ethics Management Office (formerly Audit Office) as part of the 'Rules for the establishment of an internal fair trade promotion department at Hanssem Co., Ltd.'. The department in charge of shared growth sets the basic tasks of complying with the four major practices of fair trade and evaluation of the compliance ethics index, and establishes detailed standards to be observed while carrying out purchasing tasks, such as cost reduction operation plans and guidelines for the number of vendors purchasing. We are implementing a win-win growth policy. In addition, by collecting the difficulties and suggestions of suppliers and reflecting them in the win-win growth policy, we are also in charge of co-prosperity with suppliers.

Major activities for shared growth

The Win-Win Growth Department carries out the following tasks for win-win growth and win-win growth with business partners.

- ① Check compliance with win-win growth operation policy
- ② Establishment and revision of the 4 major action items of the Fair Trade Commission
- ③ Check whether the payment deadline has been complied with, whether the contract has been complied with, and whether other subcontracting laws have been violated
- ④ Major items to be checked Subcontract transaction review committee report
- ⑤ Training of purchasing managers in related regulations such as the Subcontracting Act and Fair Trade Commission guidelines
- ⑥ Collecting opinions of partners (VOC, survey, etc.)
- ⑦ Operation of a win-win fund with a total size of KRW 28 billion
- ⑧ Promotion of general matters for win-win cooperation with other partners

Shared Growth Index

Since 2017, Hanssem has been undergoing a comprehensive win-win growth evaluation by the Win-Win Growth Committee and an evaluation on the implementation of a fair trade agreement by the Fair Trade Commission. In the evaluation grade calculated by combining the annual win-win growth comprehensive evaluation and the fair trade agreement implementation evaluation, we achieved an 'excellent' grade for 2 consecutive years in recognition of our efforts to strengthen fair trade and win-win cooperation with our partners. We will strive to achieve the "best" grade by promoting shared growth policies.

Supplier Competitiveness Reinforcement and Support Program

Financial support for business partners

[Operation of Win-Win Fund] To support the smooth flow of funds for suppliers, Hanssem operates the Win-Win Fund, which allows suppliers to obtain loans at lower interest rates than existing loan rates.

It is operated under an agreement with IBK and Hana Bank, and it is one of the win-win support systems that suppliers are most satisfied with in a situation where loan interest rates are continuously rising.

Win-win Fund Operation Status (As of December 31, 2021)

Category	Win-win Fund 1	Win-win Fund 2	Win-win Fund 3
Target	Purchase vendor	Agency	Purchase vendor
Total operating amount	15 billion Won	3 billion won	10 billion won
Key Benefits	Loan interest rate cut	Loan interest rate cut	Loan interest rate cut
Partners to use	15 companies	20companies	9companies
Usage amount	7.74 billion won	0.88 billion won	2.81 billion won



[Operation of Win-Win Payment System] The Win-Win Settlement System is a system that allows sub-contractors to cash early on the credit of large companies even before the settlement date while paying the same amount as before. In particular, as the bank cannot exercise its right to claim reimbursement from the trading company, the subordinate trading company can be guaranteed the stability of payment regardless of the bankruptcy of the parent company or deterioration in management. In 2020, Hanssem signed an agreement with Shinhan Bank to introduce a win-win payment system, and now not only its primary suppliers but also secondary suppliers are using the win-win payment system.

Welfare support for business partners

We are supporting our partners' employees to use them at the same price as Hanssem's employees through special promotions during the peak season operated by Phoenix Hotels & Resorts.

Partner technology/consulting support

In January 2021, Hanssem supported the expansion of facilities for domestic laminate partners in cooperation with 'NanXing', the No. 1 manufacturer of wood processing equipment in China. In October, the facility line was completed, resulting in a 10% improvement in processing costs, and monthly production efficiency checks, interpretation services, and public services are continuously supported.

Management support for business partners

Hanssem provides direct and indirect support for the smooth management of business partners.

① Advance payment support system

When a supplier requests an advance payment for reasons such as purchasing raw materials, investment in facilities, or worsening business conditions, we support it through internal deliberation. In particular, we are strengthening our support for advance payments as many of our partners have been experiencing financial difficulties due to the pandemic in recent years.

② Quality improvement consulting

Based on Hanssem's manpower and know-how, we are providing support for partner companies to strengthen their technological capabilities. Representatively, the Living Environment Technology Research Institute, a KOLAS-accredited testing institute, provides consulting for quality improvement to partner companies, and supports various tests before product launch through its own laboratory.

③ Technical data deposit system

The technical data escrow system is a system to prevent technology leakage or misuse by storing core technical data in a custodial institution (large, small and medium-sized enterprises, agricultural and fishery cooperation foundation). are supporting.

④ Recruitment support system (<https://www.ibkonejob.co.kr/>)

Hanssem will enter into a job recruitment relationship with IBK in 2021, and when a partner hires a Korean full-time employee through IBK's recruitment site 'i-ONE JOB', IBK will pay 500,000 won per employee. We are paying out financial aid to our business partners.

Small business support

For win-win growth with small business owners, Hanssem supports the opening of its online mall, Hanssem Mall, and exempts small business owners from entry fees.

Dealership win-win program

Hanssem operates a win-win support system for agencies to support their growth and establish a fair trade culture. By reorganizing the commission policy of 26 win-win large stores across the country to a 'fee flat rate', more than half of ReHouse's dealerships have reduced their commission burden. In addition, support for startup agencies has been expanded and the agency complaint center has been established to actively listen to and improve the complaints of shop owners.



Partner Communication

Supplier Grievance Process

Hanssem regularly checks the suggestions and difficulties of suppliers through various communication methods and makes every effort to improve them. In the course of communication with business partners, when reports of misconduct by employees are received, anonymity is guaranteed and prompt investigation is conducted to prevent further damage to business partners.

① Survey

Once a year, a survey is conducted on the overall transaction relationship of the previous year, and the results of the survey are accumulated annually to determine whether or not to improve and tasks to be improved. These tasks are reflected in the business plan for shared growth for the year so that they can be resolved promptly. From 2022 onwards, we are striving to further strengthen ethical management by adding the items of employee misconduct toward business partners to the questionnaire.

② VOC(Voice Of Customer)

We are conducting VOC activities from time to time for our partners doing business with Hanssem. VOC, which means “listening to customers,” enables employees from the Ethics Management Office to visit business partners and listen to their opinions in more detail to understand difficulties and suggestions of business partners that are difficult to understand over the phone or in writing. In addition, we guide the various win-win systems operated by Hanssem so that the support needed by our partners can be introduced in a timely manner.

③ Cyber Audit Office

(https://company.hanssem.com/company_info/management_policy/cyber_inspection.do)

If suppliers wish to submit opinions anonymously, they can use the Cyber Audit Office on Hanssem.com website. In addition, it is possible to report unfair trade matters or misconduct such as giving or receiving money or entertainment by Hanssem executives and employees. The audit team promptly investigates the received cases. Severe disciplinary action is imposed according to the zero tolerance principle.

Supplier conference

Hanssem held one official supplier conference in 2021 due to the pandemic issue, and regularly holds one quarterly or semi-annual supplier conference.

Current status of business partners conference in 2021

Sector	Participating partners	Main Content
Furniture	15 partners	Supplier raw material supply and demand plan, reflection review of raw material price increase, listening to suppliers' difficulties
Kitchen	16 partners	Sharing issues related to the change of the largest shareholder of Hanssem Explaining business plans of business partners and listening to their difficulties
Building material	24 partners	Sharing vision/plan with RH Business Headquarters and Building Materials Department Sharing quality innovation plans with excellent partners Discuss issues/suggestions



Sustainable supply chain

Fair Trade with Partners

Supply Chain Sustainability Policy

Hanssem has enacted the 'Four Fair Trade Practices' and posted them on the Hanssem.com website, and is making every effort to create a fair trade culture by observing these practices in all transactions with business partners.

(https://company.hanssem.com/company_info/management_policy/co_growth.do)

① Regulations on desirable contract signing practices for win-win cooperation between large and small businesses

It allows SMEs with insufficient bargaining power to properly reflect their interests in concluding contracts with Hanssem and we seek to establish reasonable and fair trade practices by preventing Hanssem from violating the principle of freedom of contract by abusing its superior bargaining power in transactions with SMEs.

② Regulations on practices for fair selection (registration) of partner companies

Hanssem seeks to establish a fair subcontracting transaction order by strengthening the transparency and fairness of the supplier selection and operation process.

③ Regulations on practical matters for the establishment and operation of the internal deliberation committee for subcontract transactions

The Hanssem Internal Review Committee deliberates on the fairness and legality of subcontract transactions in advance, and seeks to prevent violations of the subcontracting law, such as mediating disputes with suppliers.

④ Regulations on practical matters regarding desirable issuance and preservation of documents in subcontract transactions

Hanssem clearly recognizes the issuance and preservation of documents in the process of concluding subcontracts and transactions, thereby facilitating the fulfillment of obligations to exercise rights, thereby promoting a desirable writing culture.

Sustainable Supplier Selection

Hanssem strives to ensure transparency at the ESG level when registering a new company, and furthermore, by stipulating standards for behaviors that violate the environment and human rights in the company rules, we are creating a sustainable relationship with our partners.

Violations of related laws such as the Subcontracting Act for a certain period of time are checked through the company regulations related to the selection of suppliers, and the selection is made by considering whether they are fulfilling their social responsibilities, such as introducing ethical management and acquiring eco-friendly certifications.



In addition, we are promoting win-win growth with business partners by preventing them from terminating contracts without justifiable reasons or discriminating in opportunities to participate in bids for registered business partners.

Operate fair trade compliance program

Hanssem establishes and voluntarily operates fair trade programs for each target by dividing them into common/purchase/distribution to promote understanding of fair trade laws and to voluntarily comply with them.

Category	Program name	Program Description
Common	Compliance and Ethics Index Evaluation	Define key evaluation items in advance and report to management after periodic inspection
	Communication channel operation	Supplier VOC, survey, cyber audit office, etc.
Purchase	Subcontracting Law Education	Training on subcontracting law for purchasing team and related department managers
	Vendor Shared Growth Operational policy establishment	Establishes cost reduction operation plan and guidelines for the number of purchasers of vendors to stipulate matters that must be observed when transacting with business partners
Distribution	Internal control training	Internal control training for TRs of sales organizations
	Check if there is any abnormality in the bond debt Inquiry statement	In order to check whether the salesperson has made personal collections or embezzlement or unreasonably charged costs to the partner, the finance team checks whether the bond debt inquiry statement received directly from the partner is abnormal.

Education on subcontracting law to foster a culture of fair trade

Every year, Hanssem educates purchasing managers on basic explanations on the subcontracting law and a checklist for working-level workers to keep in mind when purchasing. Since the purchasing manager must have an understanding of the subcontracting law in the process of carrying out related tasks, we are guiding new employees or employees with experience to receive training. In 2021, training was conducted for our employees in the auditorium on the 2nd floor under the supervision of the head of the Ethics Management Office.

Supply Chain Risk Management

Hanssem recognizes the management of risk factors in the supply chain caused by internal and external factors as a very important factor in securing sustainability. Accordingly, quality is managed through continuous monitoring of suppliers, education and support are provided to suppliers where necessary, and supply chain risk management is being carried out.



Supply Chain Risk Management Policy

For supply chain risk management, Hanssem divides suppliers into 'core vendors' / 'main vendors' / 'general vendors' according to product groups. Hanssem evaluates suppliers based on quality (same-day accident/free AS/PL accident), delivery time, and cost competitiveness and supplies competitive products to 'core vendors' by expanding their supply and manages external risks from the supply chain to 'worst vendor' through improvement requests, volume control, and company change.

Supply chain risk identification and analysis

Hanssem holds quarterly conferences with the CEOs of partner companies to identify and analyze supply chain risks. We provide education on the parts necessary for the operation of partner companies, such as education for shared growth, labor law education, and quality education for quality associations. Each company can freely communicate with Hanssem's management of each company's difficulties, and the related departments review the derived contents and suggest solutions.

Supply Chain Inspection and Improvement

Partners in the supply chain of Hanssem recognize that the core competency of Hanssem is quality, and together with Hanssem, we strive to establish quality standards through quality monitoring and improve customer satisfaction management by improving specifications.

Category	Quality (domestic)-1 accident / AS within 6 months						Quality (overseas)-1 accident / AS within 6 months						Cost Reduction
Rating	S	A	B	C	C/L	C/L↓	S	A	B	C	C/L	C/L↓	-
Standard	0.00%	0.00%~0.02%	0.03%~0.10%	0.11%~0.20%	0.21%~0.30%	0.31%~0.39% 0.40%↑:0scores	0.00%	0.00%~0.23%	0.24%~1.00%	1.10%~2.00%	2.10%~3.00%	3.10%~3.90% 4.00%↑:0scores	2.00%
Score	100scores	99~80scores	79~60scores	59~40scores	39~20scores	19~0scores	100scores	99~80scores	79~60scores	59~40scores	39~20scores	19~0scores	1scores
Category	Delivery : D-2 not in stock						Comprehensive evaluation						
Rating	S	A	B	C	C/L	C/L↓	S	A	B	C	C/L	C/L↓	
Standard	0.00%	0.01%~0.20%	0.21%~0.40%	0.41%~0.60%	0.61%~0.80%	0.81~1% 1%↑:0scores	90↑	89~80	79~60	59~40	39~20	20↓	
Score	100scores	99~80scores	79~60scores	59~40scores	39~20scores	19~0scores	More than 90scores	89~80scores	79~60scores	59~40scores	39~20scores	Less than 20scores	

Community Engagement

Strategic Social Contribution
Community Engagement Activities



Management Approach

Context

Hanssem is engaged in the home remodeling business with the mission of contributing to the development of mankind through the improvement of the residential environment. Accordingly, we are conducting social contribution activities to provide a universal space that improves the quality of life with the local community and its members as major stakeholders. We aim to fulfill our social responsibility for coexistence with the local community through various social contribution activities that link our remodeling and home furnishing business with the local community.

Our Strategy

In order to provide universal space that enhances the quality of life, Hanssem conducted a residential environment improvement project for the underprivileged in Mapo, Seoul, and Ansan and Siheung, Gyeonggi Province, where major business sites are located in 2021. In addition, we improved the working and residential environment of firefighters who are dedicated to society, internalizing social contribution responsibilities to all employees, and implementing participatory programs.

2021 Key Performance



- Residential Environment Improvement Project in 2021: Support for 101 Homes
- 2021 firefighting hero support project: 9 119 safety centers/8 support for commerce and industry victims
- Awarded 'Recognized Company for Community Contribution' by the Ministry of Health and Welfare in 2021
- Number of employees participating in social contribution activities in 2021: 646

Next Plan

For Hanssem, which has a nationwide distribution network, the local community can be expanded in a broader sense. Accordingly, we plan to gradually expand the residential environment improvement project, which was focused on the location of major business sites, to provide more vulnerable groups without limiting it to some areas. In addition, we will expand our influence for good by proposing new ways to enjoy a healthy space with eco-friendly materials, going beyond simply providing financial support through furniture support and remodeling.

Strategic Social Contribution

Social Contribution Promotion System

<p>Mission·Vision</p>	<p>Contributing to human development by improving the living environment</p>			
<p>Direction</p>	<p>Contribution to the local community through activities linked to the characteristics of the business</p>			
<p>Detailed execution tasks</p>	<p>[Continuing business] Improvement of residential environment</p>	<p>Employee Engagement & Emergency Support</p>		
	<p>'Dream Start' Ministry of Health and Welfare Child Rights Project [2015.02 ~]</p>	<p>KBS 1TV Accompany [2018.09 ~]</p>	<p>Firefighter Welfare Promotion Project [2019.07 ~]</p>	<p>ESH-linked non-face-to-face DIY in-kind donation</p>
<p>Collaborator</p>	<ul style="list-style-type: none"> •Local governments (Mapo, Siheung, Ansan) •Social Welfare Community Chest •Siheung 1 Pro Welfare Foundation 	<ul style="list-style-type: none"> •Program Producer/Staff •Green Umbrella Children's Foundation 	<ul style="list-style-type: none"> •Fire department •Korea Veterans Firefighters Association 	<ul style="list-style-type: none"> •Non-profit social welfare organization

Social Contribution Promotion Strategy

With the mission of 'contributing to human development through improvement of the living environment', Hanssem is continuing various activities to fulfill its corporate social responsibility. We have set mid-to long-term goals to raise employee pride and awareness of social practices, and are promoting contributions to the local community by selecting activities related to business and characteristics as detailed action tasks.

Recognition of contribution to the local community

As a result of the evaluation according to the Korean-style community contribution recognition system hosted by the Ministry of Health and Welfare in 2021, Hanssem was recognized for its contribution to revitalizing community contribution through cooperation and harmony with residents, non-profit organizations and the government based on the local community. We will contribute to the establishment of a social contribution ecosystem in the local community through efforts and practices to realize social responsibility and values and to solve local community problems.



Community Engagement Activities

01 Residential Environment Improvement Project

Hanssem provides furniture, construction materials, and daily necessities for the underprivileged in the local community based on the products, construction, and logistics that it has built while conducting business in all areas of home living, centering on home remodeling. In response to 'Dream Start', a children's rights project of the Ministry of Health and Welfare, in cooperation with the child welfare departments in Mapo-gu, Seoul, Siheung, Gyeonggi-do, and Ansan, where Hanssem's main business sites are located, we support monthly home furnishing furniture, etc. to low-income single-parent families and grandchildren. In other islands and remote areas, we participate in the 'KBS 1TV Accompany' program as a sponsoring company and continue activities to build a sustainable local welfare community.



101

Home support

Mapo, Siheung, Ansan, Accompany in 2021

567

Hanultari Family

Accumulated (2015.02.-)



[Youtube Channel - Heartwarming] Social Contribution Project Public Relations Archive
<https://www.youtube.com/channel/UCG55BZ1IGTVvkUDGVE66zKw>

02 Fire Hero Support

Since July 2019, Hanssem has been carrying out a project to remodel the 119 safety center and support the households of those who died or died in order to improve the treatment of firefighting families who are dedicated to protecting the lives of the people. Hanssem will work together to provide better public service by recharging firefighters who are exhausted from overwork in a comfortable restaurant and rest area.



9 Places

2021 119 Safety Center

8 Places

A family of those die on the job in 2021



Support for remodeling of safety center in Baekgu 119, Gimje, Jeollabuk-do
 [Youtube Channel - Warm Hanssem] <https://www.youtube.com/watch?v=SCFbmWTCfQU&t=123>

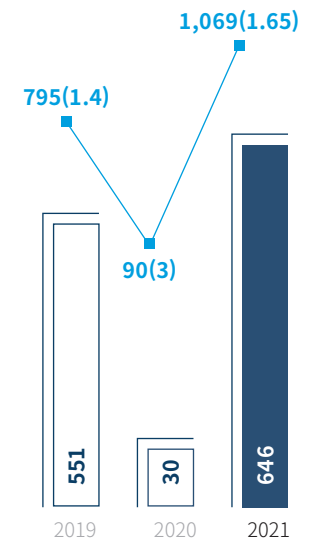
03 Employee Engagement Activities

Hanssem continues to promote employee participatory programs so that all employees can internalize the importance of social responsibility and voluntarily practice it as well as simply donating financial resources. In 2021, considering the situation where face-to-face activities are limited due to the pandemic, we focused on planning and promoting the 'DIY kit production type non-face-to-face program'. 559 Hanssem employees participated in a total of 6 programs and produced 505 acorn buds, 120 tile murals, 100 Braille children's books, and 100 leather book covers. The completed kit items were donated to each non-profit organization along with the participation fund for the activity.

Also, in May 2021, we selected key external activities, signed an agreement for one company, one park planting with the Mapo-gu Office, and held a tree planting event for 100 weeks in Noeul Park in the district, contributing to the improvement of the environment of the local community. In order to encourage employees to continue volunteering, the company awarded the 'Social Contribution Award' in 2021 and provides incentives to participating employees by giving rewards such as Onnuri gift certificates to outstanding social contribution activists.

The status of Employee Participation (Unit: Hour, Person)

- Number of participants
- Participation time (average participation time per person)



*In 2020, social contribution activities of employees were restricted due to COVID-19.



GOVERNANCE



Transparent management

Governance

Ethical management

Integrated risk management



Management Approach

Context

Hanssem recognizes that transparent and sound governance, compliance, ethics, and personal information protection are essential conditions for the sustainability of all Hanssem business activities, including financial and non-financial factors. The Company intends to establish a system to prevent losses that may occur to various stakeholders such as shareholders, customers, business partners, employees, and local communities due to internal and external risks and to prevent risks in advance.

Our Strategy

With the introduction of the executive officer system, the board of directors and executive officers were separated to ensure their independence, and a subcommittee under the board of directors was newly established to strengthen the monitoring and control functions of the internal audit organization and to enhance transparency and efficiency in overall management including financial and non-financial requirements. We are expanding the role of the highest decision-making body. In addition, we are operating various programs such as whistleblower protection, VOC, and grievance handling programs to reinforce ethical and human rights management such as compliance, anti-corruption, and labor rights.

2021 Key Performance



- Introduction of executive officer system (Changing the Articles of Incorporation on December 13, 2021)
- Establishment of committees to strengthen internal transaction and self-transaction control devices (Internal Trade Committee, Compensation Committee, Outside Director Candidate Recommendation Committee, Investment Deliberation Committee, ESG Committee)
- Announcement of mid- to long-term shareholder return policies such as 50% dividend payout ratio and introduction of quarterly dividends

Next Plan

1. Expansion of activities and training to enhance the expertise of outside directors
2. The website of the 6 subcommittees under the BOD (Audit Committee, Internal Trade Committee, Compensation Committee, Outside Director Recommendation Committee, Investment Review Committee, ESG Committee) activities in 2022
3. First disclosure of 2022 Corporate Governance Report (2022.05.31)
4. Communication with shareholders: Sharing mid- to long-term strategic directions by holding 'Analyst Day 2022' (2022.04.15)

Governance

Composition and Rights of Shareholders

Hanssem operates 15 subsidiaries. All major affiliates are unlisted companies. As of March 2022, the number of issued shares is 23,533,928, of which 6,619,910 are treasury shares. As of December 29, 2021, the buyer's status and rights and obligations were transferred to IMM Rose Gold 4 Private Equity according to the stock purchase and sale contract concluded on October 25, 2021 between the IMM Rose Gold 4 Private Equity Joint Venture Company and Chang-Gul Cho and 7 other persons. Heim Co., Ltd. was succeeded from the investment joint venture to Heim Limited, Heim No. 1 Co., Ltd. and Heim No. 2 Co., Ltd., and the largest shareholder is Heim Limited, which owns a 14.54% stake.

Hanssem has made efforts to enhance independence, transparency, professionalism, and diversity by making corporate governance a core element of sustainability management. In addition, we recognize the importance of stakeholder engagement for the sustainable growth of the company and are expanding communication with various stakeholders.

Stock ownership status

(As of the end of March 2022)

Category	Shareholder name	Number of shares owned	Share(%)
5% or more shareholders	Heim Co., Ltd.	3,421,142	14.54
	Heim No.2 Co., Ltd.	2,794,932	11.88
	TETON CAPITAL PARTNERS, L.P	2,260,395	9.6
	National Pension Service	1,933,344	8.22
Our stock ownership association		5,830	0.02

Board of Directors

Board of Directors operation

The Hanssem Board of Directors is the highest decision-making body and makes important decisions about the company, such as establishing business goals for the benefit of the company and shareholders in accordance with relevant laws and regulations and operating regulations. Hanssem publishes

information such as the company's articles of incorporation and major decisions of the board of directors through the company's website, and regularly discloses information related to the board of directors, which is obligated to disclose in accordance with laws and regulations, on the Electronic Disclosure System (DART) of the Financial Supervisory Service. In June 2022, Hanssem conducted audit and ESG training for the board of directors in order to raise the ethical awareness of the board of directors and educate them on anti-corruption policies. After the training session with all 7 directors in attendance, opinions were exchanged to reduce risks and seek sustainable growth from a long-term and short-term perspective.

Board of Directors composition

Hanssem's BOD consists of 3 to 10 directors in accordance with Article 33 of the Articles of Incorporation. As of March 2022, Hanssem's BOD consists of 4 other non-executive directors and 3 outside directors.

The status of BOD Composition

(As of the end of March 2022)

Category	Name	Gender	Year of birth	Responsible work/Major experience
Other non-executive directors	In-Jun Song	Male	1965	Corporate Management/present)IMM Private Equity CEO
	Hae-jun Lee	Male	1973	Corporate Management/present)IMM Private Equity Investment Division Representative
	Jeong-gyun Kim	Male	1977	Corporate Management/present)IMM Private Equity Managing Director
	Jin-woo Park	Male	1984	Corporate Management/present)IMM Private Equity Directorate
Outside director	Jae-yeon Cha	Female	1965	Chairman of the Audit Committee/former)KT estate Executive Vice President of Estate Management Planning
	Sang-taek Kim	Male	1962	Audit committee/present) Seoul Guarantee Insurance Non-standing Management Advisor
	Choon-seok Choi	Male	1960	Audit committee/former) CEO of Lotte Shopping Super Division

Board of Directors Activities

In 2021, Hanssem held 9 BOD meetings to deliberate and decide on a total of 28 agendas. The BOD is operated as a regular BOD held once a quarter and a temporary BOD held as needed. For the efficient operation of the BOD, 'BOD Regulations' are prepared and minutes are recorded at every meeting to record the contents of the BOD. The resolution of the board of directors is decided by the attendance of a majority of directors and the consent of a majority of the directors present, except as otherwise provided by law. The average attendance rate of outside directors of Hanssem BOD in 2021 is 100%.

The status of Board of Directors operation

Category	2019	2020	2021
Number of agendas (cases)	21	16	28
Number of BOD meetings (times)	9	6	9
Attendance rate (%)	Inside director	91	100
	Outside director	89	100

※ June 22, present Board of Directors held a total of 8 times

Independence and diversity of Board of directors

Hanssem elects outside directors through an independent and transparent process. Hanssem recommends candidates for outside directors through a rigorous screening process in consideration of the qualification standards under the Commercial Act and related laws, as well as the professionalism and independence for performing the duties of a director. The appointment of outside directors is decided at the general shareholders' meeting, and the company currently has three outside directors who are socially renowned experts from all walks of life.

At the end of March 2022, Hanssem appointed other non-executive directors as the chairman of the board of directors to strengthen the independence of the board of directors, separated executive officers from the board of directors, and the board of directors represented various interests and considered management activities and opinions in consideration of social values. To support decision-making, we recommend candidates by considering their careers and expertise first when selecting directors.

The status of composition and operation of committees within the BOD (As of the end of March 2022)

Subcommittee	Major role	Composition
Audit committee	Supervision of company business and accounting audits	3 outside directors
ESG Committee	Deliberation of company ESG strategy, risk management policy, regulations, etc.	1 other non-executive director 1 outside director
Compensation Committee	Remuneration for registered directors, auditors and other employee compensation	1 other non-executive director 1 outside director
Outside Director Candidate Recommendation Committee	Recommendation and screening of candidates for outside director	1 Other Non-Executive Directors 3 Outside Directors
Internal Trade Committee	Deliberation of transaction policies and standards between affiliates of the company	1 other non-executive director 1 outside director
Investment Deliberation Committee	Deliberation on important business investment matters	1 other non-executive director 1 outside director

Performance evaluation and compensation of the board of directors

In accordance with Article 388 of the Commercial Act and the Hanssem Articles of Incorporation, within the limit of remuneration approved by the general shareholders' meeting, the basic salary and incentives linked to the organization's management performance are combined and paid upon approval by the board of directors. Remuneration and calculation methods are disclosed in the business report. In the case of outside directors, remuneration based on performance evaluation is not separately paid to ensure their independence.

Remuneration of Board of directors (From January 2022 to the end of March 2022, Unit: Million Won)

Category	Number of person	Total payment	Average per person
Registered Directors (Excluding outside directors and members of the audit committee)	4	-	-
Outside Directors (All Audit Committee Members)	3	44	15



Ethical Management

Ethical Management System

In recent years, ethical management such as 'ESG management', which is based on the premise of 'socially responsible management' of a company, has been emphasized more and more. Now, companies must not only generate profits, but also fulfill social responsibilities ranging from economic, legal, and ethical responsibilities, and create financial and non-financial values for sustainable growth and survival. In line with these policies, Hanssem has enacted the 'Hanssem Commitment' as an internal regulation for proper ethical management. 'Hanssem People's Commitment' is a ten-item for ethical management, which includes the achievement of individual goals, observance of promises with customers, mutual respect among employees, mutual growth with partners, and practice of transparent management. In addition, the 'Hanssem People's Commitment' is posted on the in-house groupware and Hanssem.com website so that anyone can easily access it to check and comply with it.

Ethics Charter

The 10 items of 'Hanssem People's Commitment' that all executives and employees should be aware of in order to improve employees' ethical awareness and emphasize ethical management are as follows.

Hanssem's Commitment for Ethical Management

① Pursuit of precision

Challenge excellence goals and pursuing precision.

② Keep promises

Keep our promises to our customers.

③ Customer safety

Put the safety of our customers first.

④ Field-oriented

Practice customer satisfaction through the achievement and reward of front-line workers.

⑤ Respect for personality

Respect the personality and values of our employees.

⑥ Shared growth

Pursue shared growth with partners based on trust.

⑦ Transparent management

Protect investors by practicing transparent management.

⑧ Legal Compliance

Comply with laws and regulations and respect local culture.

⑨ Sustainable

Realize sustainable growth through environmental protection and resource conservation.

⑩ Contribution to humanity

Contribute to human society by improving the living environment.

Department in charge of ethical management

Hanssem's Ethical Management Office is in charge of establishing a system for ethical management, auditing cases, managing litigation and disputes, reviewing company-wide contracts, and providing legal advice. The Ethics Management Office consists of an audit team and a legal team. Based on the 2022 organizational chart, the audit team consists of an audit department, shared growth department, and internal accounting management department, and the legal team consists of a legal department and company regulations management department. The audit department within the audit team protects the company from losses through internal audits and compliance and ethics index checks and responsible for accident prevention activities through process improvement of the company and the Win-Win Growth department is in charge of fair trade and win-win business with purchasing partners. In addition, the internal accounting management department evaluates the operation status of the internal accounting management system to improve the effectiveness of the internal accounting management system and the accuracy and transparency of the company's financial statements.

The Legal department within the Legal Team identifies all laws that the company must comply with the goal of minimizing company-wide legal risks and checks and educates employees on compliance, diagnose major legal issues in advance, and establish and implement countermeasures. In addition, it provides opinions on legal review of company-wide contracts and legal advice necessary for business, and performs the company's compliance control function by managing litigation and disputes that have arisen. The company regulation department reorganizes the internal regulations and presents the work process and standards to the people in charge of each business division, while also checking whether each business division complies with the regulations.

Ethical management diagnosis and improvement

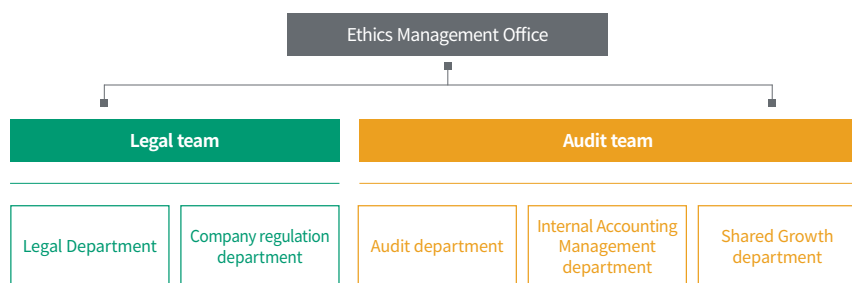
The Hanssem Ethics Management Office aims to establish the best ethical management system in Korea, and the audit team investigates internal irregularities, improves processes, and conducts activities for fair trade with business partners. In particular, the audit team selected and inspected internal control inspection items every month to audit the company's misconduct. We are conducting evaluations for each organization and item. Through this, we aim to create a corporate culture in which all employees of Hanssem can make ethically correct decisions, enhance corporate transparency, and establish a management system through the system and company rules.

The Legal Team performs compliance control functions so that the company can comply with laws and implement business ethics to promote fair and transparent business performance and secure the sound development of the company and customer trust. To this end, we have introduced a compliance ethics index system from 2022 to objectively evaluate compliance with the standards, thereby creating a standard and environment for all our employees to make legal and ethical decisions. Through this, the company can detect and improve legal risks in advance, and seek to raise the awareness of compliance among employees and enhance the trust of investors and consumers.

Result of inspection of internal control activities in 2021

Inspection details	Number of items
Internal control activities in the first half of 2021	89
Internal control activities in the second half of 2021	98

Organizational Chart of Ethics Management Office



Internalization of ethical management culture

Ethical management education

Hanssem conducts internal control training to reinforce ethical management under the supervision of the audit team. We regularly train company-wide team leaders and new employees, and we focus on irregular internal control training for sales divisions with a high risk of accidents.

The internal control training explains past accidents and raises awareness about them, while internalizing Hanssem’s ethical management culture by educating people on how to prevent recurrence and what to do when performing work.

Ethics/Human Rights Education in 2021

Curriculum name	Education target (Persons)	Education completion rate(%)
Internal control training for new sales staff	74	100%
National ReHouse TR Internal Control Training	180	100%

Ethics Reporting Channel

The “Cyber Audit Office” is a channel through which all stakeholders of Hanssem, including employees, agencies, partners, and consumers, can actively express their opinions using the external Internet network and the person in charge of the Cyber Audit Office within the audit team checks the received contents every day and provides feedback as soon as possible. The Cyber Audit Office is so active that anonymity can be guaranteed and more than 100 cases are received and processed every year through active feedback. Through internal audit activities, corruption cases such as embezzlement, undue reduction, extortion of private interests, and negligence in management and supervision were discovered, and disciplinary actions were taken such as reduction of pay, suspension, and dismissal. As a result of non-employee audit activities, it was confirmed that there was no case where contracts with suppliers were terminated or failed to renew due to corruption-related violations. Hanssem is taking thorough pre- and post-action measures to prevent any unfair acts from occurring inside or outside the company. In addition, there are various whistle-blowing programs such as “Voice of the Heart” that can be reported offline and “General Report, Sexual Complaints Report, Workplace Harassment Report, and Anonymous Report” in the in-house groupware. These whistleblowing programs are reviewed by a dedicated department and feedback is provided, and anonymity is guaranteed in accordance with company regulations.

Ethical Management Reports and Actions

Category	Unit	2019	2020	2021
Number of reports received	Case	184	129	174
Number of disciplines		22	12	10

* After conducting an audit, a decision on whether to take disciplinary action or not is made according to the severity of the case. In 10 cases, the case was judged to be serious and disciplinary action was carried out with a reduction in pay or more, while the remaining cases were taken at a warning level.

Tax

Hanssem is contributing to the establishment of an advanced tax payment culture through sincere and transparent tax policies. In compliance with domestic and foreign laws, we are strictly fulfilling our reporting obligations in accordance with relevant laws and regulations, and we are contributing to the national finances through faithful tax payment by complying with the payment deadline. Hanssem continues to diagnose and improve tax risks by pre-checking potential tax risks in the transaction initiation stage and actively reflecting the opinions of external tax experts and tax authorities in the implementation stage. In addition, as part of win-win cooperation and shared growth, we are striving for tax transparency for our customers by subsidizing the tax registration fee of new agencies and providing continuous tax education for agency sales management staff and agency presidents. In addition, as a leading company in the total home interior industry, we are emphasizing the transparency of transactions in the market by regularly sending out notices encouraging sincere tax payment.

Integrated risk management

Establishment of integrated risk management system

<p>Established audit committee</p>	<p>Established Ethics Management Office</p>	<p>Established ESG committee</p>
<p>Hanssem established the Audit Committee at the 48th general shareholders' meeting in March 2021. The audit committee is composed of finance and accounting experts to ensure the independence and professionalism of the audit function.</p>	<p>The existing Audit Office was reorganized as an Ethics Management Office in April 2021. The Ethics Management Office consists of two teams, the legal team and the audit team, and five departments: the legal department, the corporate governance department, the audit department, the internal accounting management department, and the shared growth department.</p>	<p>In May 2021, Hanssem organized the ESG committee under the board of directors to expand the role of the highest decision-making body, establish and promote ESG management-related strategies, and conduct decision-making and risk management activities.</p>

Risk Management Governance

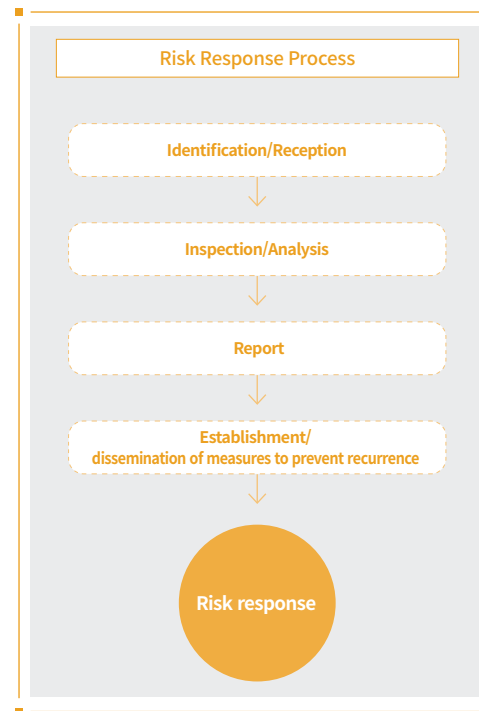
Hanssem's management diagnosis team is working to reduce inefficiencies and prevent accidents through the use of a preemptive risk management system and strategic internal monitoring. In addition, excellent talents from each business division are rotated to the management diagnosis team to nurture core human resources. The company rules management team was established in February 2020 to establish company-wide regulations. Through this, the company-wide workflow was clarified and the possibility of accidents was greatly reduced. The Win-Win Growth Part checks for unfair transactions through written inspections of subcontracts and VOC (Voice of Customer) activities.

Risk Response Process









On the occasion of the 50th anniversary of Hanssem's founding, Hanssem established a mid- to long-term vision and roadmap for the next 50 years, and established a risk response process to reduce risks caused by uncertainty as part of its implementation. The Ethics Management Office, Consumer Protection Office, Corporate Culture Committee, and ESG Committee are preemptively responding to crisis situations so that we can quickly respond to rapidly changing domestic and foreign economic conditions and unpredictable crises such as pandemics.

Risk monitoring

Hanssem has established an internal accounting management system for risk monitoring. Securing the reliability and transparency of accounting information following changes to the internal accounting management system has become an important corporate value. Hanssem conducts design evaluation and operational evaluation according to the annual plan through the internal accounting management TF every year, and reduces financial risks through repeated control activities and evaluations. In June 2021, the Internal Accounting Management Department, a dedicated department, was formed.





Response measures by risk type	
Risk type	Response Strategy (Measures)
 Production and construction site risks <ul style="list-style-type: none"> • Safety accidents • Field work accidents 	<ul style="list-style-type: none"> • Safety Emergency Response Manual for Production and Logistics Plants • Six sigma quality control
 Environmental and health risks <ul style="list-style-type: none"> • Environmental Regulatory Issues 	<ul style="list-style-type: none"> • Eco-friendly product (E0) policy • Monitoring of domestic environmental laws and regulations
 PR risk <ul style="list-style-type: none"> • Misreporting, exaggeration reporting • Brand image • Frontline worker management 	<ul style="list-style-type: none"> • Accurate fact-finding and media response • Strengthening brand image through product differentiation and customer satisfaction • Education of front-line workers working on customer-facing scores
 Government policy, market risk <ul style="list-style-type: none"> • Real Estate Policy • Intensifying market competition 	<ul style="list-style-type: none"> • Prediction of market demand according to real estate development policy • Developing new markets and maximizing customer satisfaction • Strengthen online/mobile platform business • Smart home business promotion through the introduction of IoT technology
 IT Risk <ul style="list-style-type: none"> • Information security • DT(Digital Transformation) 	<ul style="list-style-type: none"> • Conduct information security education for employees, periodic security score check activities • Reinforcement of O2O customers through the use of AI, systematic DB accumulation and utilization • Construction process management through construction material package ERP2.0
 Finance, accounting and tax risk <ul style="list-style-type: none"> • Raw material price fluctuations • Exchange rate fluctuations • Accounting error, internal control accident • Revised tax law 	<ul style="list-style-type: none"> • Securing target cost ratio through cost innovation and securing price competitiveness • Foreign exchange risk monitoring with domestic and foreign financial institutions • 3 lines of block setting and internal control activities • Strengthening the internal accounting management system • Reflected after examining the revised tax law scores, training in charge
 HR, labor risk <ul style="list-style-type: none"> • Compliance with the Labor Standards Act • Workplace bullying 	<ul style="list-style-type: none"> • Observe the 52-hour workweek and actively utilize the flexible working system • Periodic education, reporting channels, sexual grievance review committee activities
 Legal risk <ul style="list-style-type: none"> • Governance (Commercial Law) • Fair Trade (Fair Trade Act) 	<ul style="list-style-type: none"> • Transparent transaction structure and monitoring with affiliates • Activities to prevent unfair trade in business with business partners

Strengthening personal information protection and cyber security

Information Security Management System

Hanssem has laid the foundation for information security by establishing a security governance system. Based on this, we are conducting security compliance, security risk management, and information asset protection activities. We operate information security guidelines that define detailed rules for each area, and the information security team in charge of company-wide information security activities is performing roles and responsibilities. Internally, regular employee training and security audits are conducted to enhance compliance with information protection regulations and guidelines and after acquiring the information protection management system certification for the online system in 2019, we are undergoing an examination every year to maintain the certification by a professional organization based on the law. Through this, we are continuously strengthening the security level in all areas including establishment and operation of information security management system, management, and physical and technical protection measures.

Information protection system

Hanssem has established and is operating various security systems to prevent unauthorized users from accessing information assets, and regularly checks and supplements technical vulnerabilities of information systems. Through the security system, we secure network access security, PC and document security, and every August to September, we conduct security checks on servers, networks, databases, and information systems to compensate for vulnerabilities. In addition, by classifying protected areas according to the importance of work and information assets within the facility, access and access are controlled to eliminate the risk of unauthorized access to information assets. Personal information for business performance is collected to a minimum within the legal basis. We establish detailed processes from collection to storage, use and destruction, and manage information protection as the top priority by encrypting data when stored. Collected personal information is destroyed as soon as the purpose of use is achieved, and documents containing personal information are encrypted to minimize the risk of external leakage.

Information Protection and Cyber Security Policy



Hanssem establishes and operates information security policies and guidelines based on the basic concept of confidentiality, integrity, and availability in order to prevent damage, falsification, and leakage of information that may occur during information creation, storage, processing, transmission, and reception. Under the information protection policy, we have established and operated 15 detailed guidelines including external security guidelines, physical security guidelines, intrusion incident response guidelines, internal audit guidelines, and risk management guidelines to protect information. In addition, in order to manage corporate continuity in the event of a security risk, we have established and operated a crisis response system, response plans for each stage of crisis, and response tips for each attack situation as guidelines.

Information Security Education and Training

Hanssem conducts regular employee information protection training to raise employee security awareness, and through security audits, checks whether company-wide information protection regulations and guidelines are complied with and continues to improve. Employee training is conducted as basic training and separate training, and basic training is conducted once a year through online training. Through this, we are reminded of the risks of information protection and are familiar with the internal information protection regulations that employees must comply with, such as procedures for responding to infringement incidents. In addition, training on security risks is conducted once a year for all employees to raise awareness of information protection and security risks, and to familiarize them with countermeasures.

Information Security Education Status

Category		2019	2020	2021
Executives and employees	Training hours (Hours)	4	4	4
	No. of training (Persons)	2,148	2,133	2,180

※ Training hours are based on training hours per person



Information Security Management System Certificate

Sustainability Foundation

Stakeholder Engagement

Expert conference

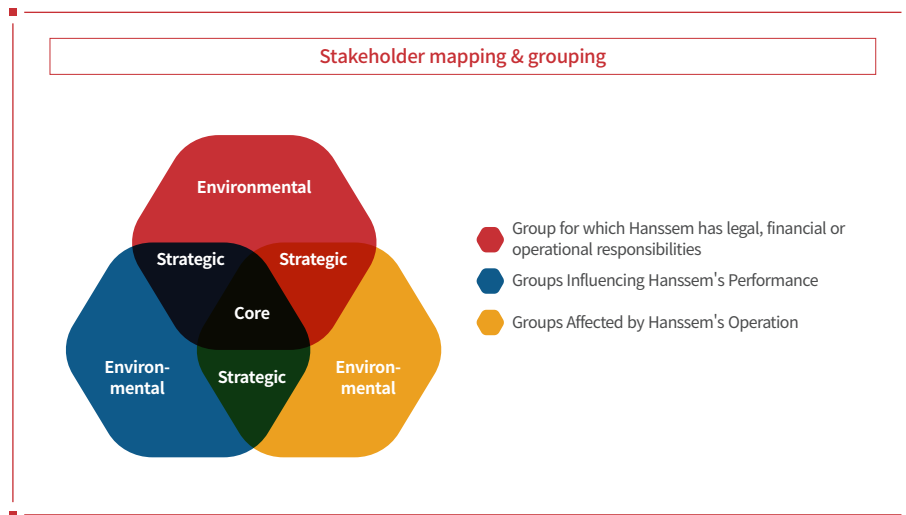
Materiality assessment

Stakeholder Engagement

Stakeholder Selection and Classification

Stakeholder Selection

Hanssem classifies stakeholders into three groups by referring to the stakeholder classification criteria presented by ISO 26000. Accordingly, Hanssem's stakeholder groups are divided into core stakeholders, strategic stakeholders and other stakeholders according to their legal, financial, and operational responsibilities and their degree of impact. Key stakeholders such as customers, shareholders and agencies, various partners, employees, and local communities are the driving force behind Hanssem's growth and are the subjects of sustainable values that Hanssem will create in the future.



Category	Definition	Stakeholder group
Key stakeholders	Essential for business survival	Employees, customers, shareholders and investors
Strategic Stakeholders	Essential to companies in responding to specific issues	Government and related organizations, local communities, and business partners
Other stakeholders	Non-key, non-strategic stakeholders	Media, NPOs, the socially underprivileged, Peer Group, Research institutes and experts

Communication by Stakeholder

[Status of communication channel operation by stakeholder group]

Hanssem operates communication channels for each major stakeholder, and since 2021, we are strengthening communication by conducting a survey on Hanssem's sustainability management for stakeholders every year. In the future, Hanssem will continue to communicate and build a strong relationship of trust to meet the needs and expectations of a wide range of stakeholders.

Category	Stakeholder	Issue of interest	Communication Channels and Cycles	Response activities
Internal	Employees (including labor union)	Employee welfare Corporate Culture Communication Company vision and goals	① Top-down, Bottom-up, horizontal communication channel ② Good Workplace Council ③ Corporate Culture Committee ④ Stakeholder survey	① Anytime ②, ③ Every month ④ Once a year Response: 'Hotline, Voice of the Heart' Intranet Anonymous Channel 'Good Workplace Council' Monthly regular meeting 'Corporate Culture Committee' Participation in the group directly under the CEO, labor-management and external advisory groups
	Customer	Product and service consultation AS BS	① Contact Center ② Homepage ③ Online portal ④ Deliberation Committee on Consumer Zero Complaints ⑤ Stakeholder Survey	①, ②, ③ Anytime ④ Quarterly ⑤ Once a year Response: 'Deliberation Committee on Consumer Zero Complaints' Joint the Consumer Protection Office and each department. Discussion of system improvement and education plan for deliberation and prevention of consumer damage relief cases as a council
External	Shareholders and investors	Transparent management	① General meeting of shareholders ② Board of Directors ③ Stakeholder Survey	① Anytime ② Quarterly ③ Once a year Response: 'The Board of Directors and 6 Subcommittees' Audit Committee, ESG Committee, Compensation Committee, Outside Director Candidate Recommendation Committee, Internal Trade Committee, Investment Deliberation Committee
	Government and related organizations	Shared growth Social responsibility Environmental safety Management issues	① Environmental Safety Advisory Committee ② Stakeholder Survey	① Anytime ② Once a year Response: 'Environmental Safety Advisory Committee' Composed of internal and external expert members, discussing major environmental and safety policies
	Supplier	Win-Win Fair Trade	① Subcontract Deliberation Committee ② Stakeholder Survey	① Every month ② Once a year Response: 'Subcontract Deliberation Committee' Deliberate on appropriateness when selecting and canceling partners, resolution of civil complaints, listening to opinions, and sanctions related to violations
	Community	Shared growth Social responsibility Employee Volunteer	① Stakeholder Survey	① Once a year Response: Implementing corporate social responsibility based on sustainable management and collecting opinions on improvement measures

Expert meeting

Recognizing the importance of stakeholder engagement in sustainability management, Hanssem held a meeting with experts to collect the opinions of experts in the ESG field following the previous year. The purpose of this event was to reflect the stakeholder's increased interest in ESG management and to discuss the direction Hanssem should pursue in the face of domestic and international economic, social and environmental changes. Experts in each field made suggestions on Hanssem's overall ESG strategy and activities, as well as ways to develop the sustainability report, and the opinions drawn at the meeting will be reflected in Hanssem's ESG strategy and operation after internal review.



Date May 4, 2022 from 14:00 to 15:00

Place Non-face-to-face zoom meeting

Attendees • Deok-kyo Oh, Researcher at Korea Corporate Governance Service

• Lee Eun-kyung, Director at UNGC Korea Association

• Wan-Jin Oh, General Manager, Shared Growth Committee

• Jong-oh Lee, Secretary General of Korea Socially Responsible Investment Forum

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



Deok-Kyo Oh, Researcher at Korea Corporate Governance Service

Selecting a company's sustainability management strategy as a major issue means that the social and economic standards required of companies are changing. Recently, various non-financial risks such as workplace safety management, the Act on Punishment of Serious Accidents, and climate change have been highlighted in various ways, and their impact is growing. Therefore, it is necessary to establish a governance structure that can proactively and proactively manage risks and to establish a system in which corporate management strategies and sustainability management strategies can be pursued together.



Eun-Kyung Lee, Executive Director at UNGC Korea Association

As Hanssem is a company that produces and sells consumer goods and provides related services, it is very important to accumulate customer experiences and build a system that reflects them. From an ESG point of view, it is essential to secure talented people who plan and successfully implement this in order to provide customer satisfaction and excellent service. It is necessary to establish a system for nurturing talents based on diversity, inclusion and equity, and to build a system that can be reflected in actual management by forming an organizational culture in which talents are able to improve their capabilities and express their opinions freely. In addition, Hanssem's stakeholder communication indicators should be prepared to check how opinions gathered from multiple channels operated for communication with external stakeholders are being reflected in management.



Wan-Jin Oh, General Manager at Shared Growth Committee

The business areas that Hanssem is focusing on depend heavily on the relationship between Hanssem and its partners, which connects consumers. Therefore, it is necessary to establish a close cooperation system with suppliers as much as the quality of products and services that Hanssem produces and provides. The priority should be to find a way for suppliers who provide Hanssem's products and services to consumers to coexist. We must manage the products, services, and processes provided by our partners so that they can be standardized, and secure a stable supply chain through support for capacity building training. A sustainable shared growth system must be established so that such a stable supply chain can lead to customer satisfaction and Hanssem's royalty.



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

In order for Hanssem to increase sustainability in the industry, it should strive to improve process-level stability and customer service satisfaction to maintain or improve product quality. Consumer dissatisfaction with Hanssem interior service, which has been exposed to a lot of media recently, is an indicator that product quality and overall construction and after-sales service are not stable. We expect to continue preemptive and active consumer-centered management by reinforcing corrections and improvements in consumer issues in the future through the zero consumer complaints deliberation committee system, which has been established.



Jong-oh Lee, Secretary General of Korea Social Responsible Investment Forum (Kosif)

Response to climate change will become an important indicator for evaluating the level of corporate social responsibility in the future. In the case of Hanssem, the amount of greenhouse gas emission is relatively small, about 20,000 tons per year, so it may be difficult to find a plan according to the limit of the amount that can be reduced. Therefore, it will be effective to reduce greenhouse gas emissions that can occur at the point of contact with consumers and spread them into Hanssem's consumer culture. If we understand consumers' recent perceptions of value consumption and the circular economy and reflect these factors in Hanssem's products and services, we will be able to establish effective strategies to respond to climate change. In addition, preparations are required to present the RE100 participation declaration and the social impact of environmental improvement activities.

Materiality assessment

Materiality Assessment Process

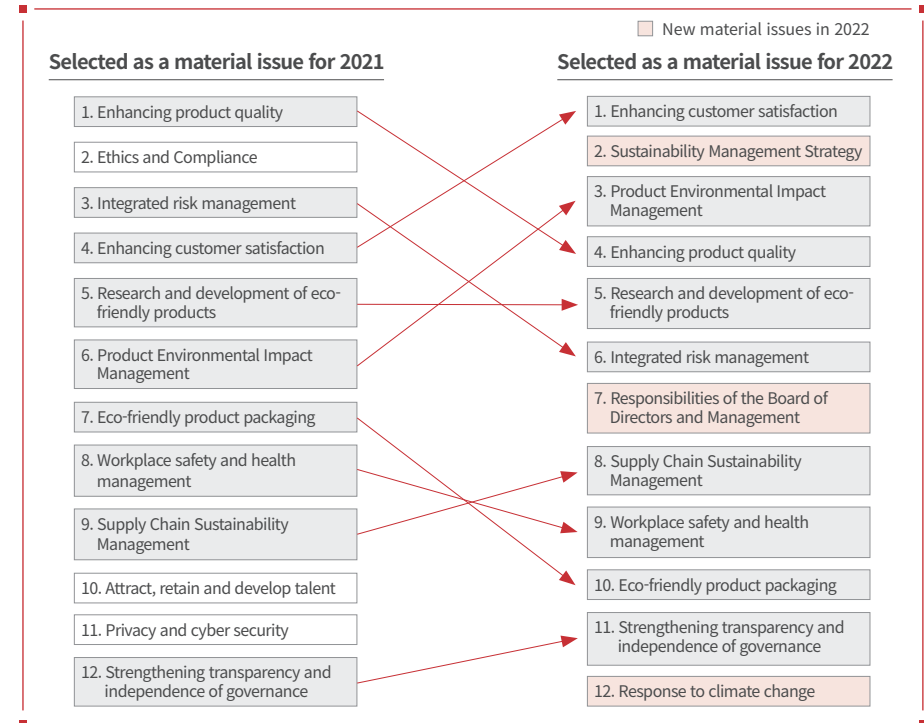
Hanssem conducted a materiality test to identify various expectations and concerns of internal and external stakeholders and to derive sustainability management issues that affect business activities. By referring to the materiality assessment method presented by GRI Standards and ISO 26000 standards, a pool of material issues was derived, and priorities of material issues were determined through relevance and materiality assessment and validation. Hanssem's activities and performance on selected material issues are transparently disclosed through the report.

Step	Materiality Assessment Plan		Stakeholder survey and material issue selection	
	1. Deriving an issue pool	2. Relevance Assessment	3. Significance Assessment	4. validation
Meaning	<ul style="list-style-type: none"> Identify aspects and topics that have a significant impact on society 	<ul style="list-style-type: none"> Assess whether various issues are relevant to the company 	<ul style="list-style-type: none"> Priority identification of which information should be disclosed in the report among the selected issues 	<ul style="list-style-type: none"> Management reviews and approval material issues identified
Method	<ul style="list-style-type: none"> Media, data research, etc. (ESG evaluation items, SASB, etc.) in consideration of all corporate activities, products, services, and relationships 	<ul style="list-style-type: none"> Evaluation of conformity with the evaluation criteria selected according to ISO 26000 	<ul style="list-style-type: none"> Selection of internal and external stakeholders and conducting a materiality survey Quantitative evaluation by composing the questionnaire on a 5scores scale - online survey 	<ul style="list-style-type: none"> Addition, deletion, and priority change of material issues as needed
Execution result	<ul style="list-style-type: none"> Drive of material issues through international standard analysis, benchmarking, industry material issue review, media survey, etc. 	<ul style="list-style-type: none"> Deriving a pool of 28 issues among material issues 	<ul style="list-style-type: none"> 12 material issues were selected through survey analysis of internal and external stakeholders 	<ul style="list-style-type: none"> Adjusted in consideration of internal strategic direction, etc

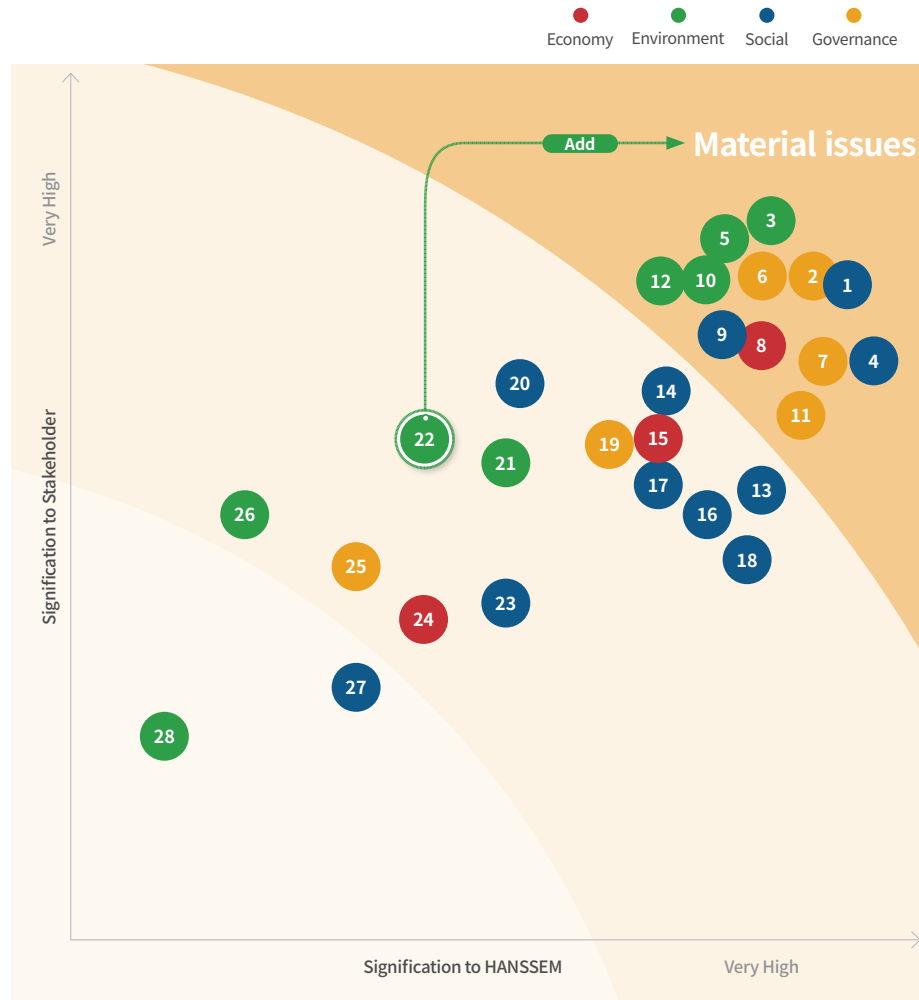
Materiality assessment result

Stakeholders evaluated the importance of Hanssem's various sustainability issues. As a result of analyzing the priorities, a total of 12 issues were selected as top issues: 3 in the environmental field, 2 in the economic field, 4 in the governance structure, and 3 in the social field. Issues such as "enhancing customer satisfaction", "Sustainable management strategy", "product environmental impact management", and "enhancing product quality" were the top topics that executives and stakeholders selected for Hanssem's sustainable management in 2021.

Compared to the previous year's materiality test results, the importance of issues related to customer satisfaction enhancement, product environmental impact management, supply chain sustainability management, and governance transparency has increased. In 2021, governance-related issues such as sustainability management strategy, the responsibility of the board of directors and management (executives), and environmental issues such as climate change response were selected as new issues.



Materiality Assessment Results Matrix



	Field	Issue	GRI Standards Topic	Reporting boundary	Page
1	Social	Customer Satisfaction Enhancement	GRI 416 Customer safety and health 2016	External	26, 52, 53
2	Governance	Sustainability Management Strategy	GRI 102 General reporting	Internal	17
3	Environment	Product environmental impact management	GRI 301 Raw materials 2016	External	36
4	Social	Strengthening product quality	-	Internal	54-56
5	Environment	Research and development of eco-friendly products	-	Internal	46-47
6	Governance	Integrated risk management	GRI 102 Public release 2016	Internal	88-89
7	Governance	Responsibilities of the Board of Directors and Management (Executives)	GRI 102 Public release 2016	Internal	84-85
8	Economy	Supply Chain Sustainability Management	GRI 204 Procurement Practices 2016 GRI 308 Supplier Environmental Assessment 2016 GRI 414 Supplier Social Assessment 2016	External	72-75 76-77
9	Social	Workplace safety and health management	GRI 403 Occupational safety and health 2018	Internal	65-69
10	Environment	Eco-friendly product packaging	GRI 301 Raw materials 2016	Internal / External	33
11	Governance	Governance Transparency	GRI 102 Public release	Internal	86
12	Environment	Response to climate change	GRI 305 Emission 2016	Internal	34-35

Appendix

Financial performance

ESG Data

Greenhouse Gas Verification Statement

Third-party assurance statement

GRI & ISO 26000 Index

Global initiative (UN SDGs, SASB, TCFD)

Status of group membership and Major awards

Financial performance

Summary Consolidated Statement of Financial Position

(Unit: Won)

	The 47th(Year 2019)	The 48th(Year 2020)	The 49th(Year 2021)
Assets			
Current assets	478,670,833,491	520,897,791,205	457,545,895,284
Cash and cash equivalents	144,506,704,186	105,730,217,965	117,670,461,895
Trade receivables and other receivables	95,515,902,528	75,584,043,000	97,852,738,291
Other current financial assets	137,871,428,057	230,241,518,864	104,493,607,807
Other Current Assets	18,899,524,100	24,709,292,476	27,940,897,378
Current tax assets	76,787,669	218,062,314	40,862,669
Inventory	81,800,486,951	84,414,656,586	109,547,327,244
Non-current assets	723,967,143,112	708,611,969,983	788,806,658,147
Investment stocks in associates	167,859,815	-	-
Tangible assets	491,349,901,932	461,253,331,335	503,025,022,404
Investment real estate	97,050,060,663	119,026,813,928	114,784,104,877
Intangible assets	47,997,513,190	39,359,443,593	32,598,744,942
Other non-current financial assets	76,403,110,160	70,774,248,953	103,625,972,351
Other non-current assets	8,454,793,388	9,040,299,014	12,734,305,684
Net Defined Benefit Assets	-	-	6,927,363,110
Deferred tax assets	2,543,903,964	9,157,833,160	15,111,144,779
Total assets	1,202,637,976,603	1,229,509,761,188	1,246,352,553,431
Liabilities			
Current Liabilities	407,327,091,501	439,531,877,947	391,732,959,673
Non-current liabilities	182,011,615,631	161,076,220,295	232,929,515,490
Total liabilities	589,338,707,132	600,608,098,242	624,662,475,163
Equity			
Capital	23,533,928,000	23,533,928,000	23,533,928,000
Capital surplus	38,228,731,689	38,228,731,689	34,323,172,358
Other capital components	(162,823,827,057)	(192,158,836,752)	(211,425,864,403)
Retained earnings	694,459,028,639	738,328,630,000	774,831,984,238
Ownership of the parent company	593,397,861,271	607,932,452,937	621,263,220,193
Non-controlling interest	19,901,408,200	20,969,210,009	426,858,075
Total equity	613,299,269,471	628,901,662,946	621,690,078,268
Total Equity and Liabilities	1,202,637,976,603	1,229,509,761,188	1,246,352,553,431
Number of companies included in the consolidation	9	9	8

※ The above summary consolidated financial statements have been prepared in accordance with the Korean International Financial Reporting Standards (K-IFRS)

Summary Consolidated Statement of Comprehensive Income

(Unit: Won)

	The 47th (Year 2019)	The 48th (Year 2020)	The 49th (Year 2021)
Sales	1,698,372,284,996	2,067,468,662,697	2,231,220,949,302
Cost of sales	1,224,850,418,790	1,525,159,297,360	1,645,142,116,254
Gross profit	473,521,866,206	542,309,365,337	586,078,833,048
Sales and administrative expenses	417,451,455,726	447,962,840,877	516,814,572,616
Operating profit	55,771,809,993	93,106,900,590	69,264,260,432
Equity method income	1,936,243,582	(177,069,837)	-
Other income	27,021,163,662	21,937,243,470	31,562,879,623
Other costs	10,690,083,183	18,938,062,647	16,973,064,244
Financial income	9,287,313,950	7,683,304,819	5,228,778,557
Financial expenses	8,867,869,775	8,121,848,437	5,737,051,933
Net income before tax	74,458,578,229	95,490,467,958	83,345,802,435
Corporate tax expense	31,743,696,334	28,649,876,105	26,127,615,585
Net Income	42,714,881,895	66,840,591,853	57,218,186,850
Shares owned by the parent company	42,723,443,445	65,073,401,850	55,943,075,759
Non-controlling interest	(8,561,550)	1,767,190,003	1,275,111,091
Other comprehensive income	5,035,479,570	546,178,252	3,381,387,547
Total comprehensive income	47,750,361,465	67,386,770,105	60,599,574,397
Shares owned by the parent company	47,758,923,015	65,635,268,296	59,232,607,742
Non-controlling interest	(8,561,550)	1,751,501,809	1,366,966,655
Basic earnings per share (Unit: KRW)	2,423	3,766	3,266

ESG DATA

Economic performance

[Credit Rating (Corporate Bond)]

Category	Unit	2019 (ICR grade)	2020 (ICR grade)	2021 (ICR grade)
Korea Credit Rating	Grade	-	-	-
Korean Enterprise Rating		AA('19.06.05~'20.06.04)	-	-
Nice Credit Rating		AA('19.06.17~'20.06.17)	-	-

[Domestic and overseas business sales]

Category	Unit	2019	2020	2021
Domestic business sales	Thousand Won	1,700,529,600	2,181,099,986	2,332,624,483
Overseas business sales		49,855,503	46,265,636	45,850,305
Consolidated adjustment		(52,012,818)	(159,896,959)	(146,959,485)
Total		1,698,372,285	2,069,468,663	2,231,515,304

[Economic Value Distribution]

(Unit: 100Million Won)

Category		2019	2020	2021
Shareholders and investors	Dividends and Interest	212	224	195
Government	Corporate tax	317	286	261
Executives	Wages and Welfare, Retirement Pension	1,514	1,632	2,092
Local community	Community Investment	11.7	26.3	18.7
Partners	Support for purchase and win-win programs	180	280	280

Environmental performance

[Environmental Impact Management]

Category		Unit	2019	2020	2021
Air pollution management	NOx	Ton	19.273	13.912	14.219
	SOx		0.949	1.031	1.539
	Dust		0.842	0.961	0.980
	NOx Average Emission Concentration	ppm	56.18	35.04	35.2
	SOx Average Emission Concentration	ppm	0.2	0.39	0.74
	Dust Average Emission Concentration	mg/m3	4.18	3.15	1.98
Water and wastewater management	Total usage	Ton	140	168	140
	Recycling amount		129.51	161.88	135.68
	Discharge amount		10.49	6.12	4.32
Waste Management*	General waste	Ton	1,1048.96	12,365.21	15,625.15
	Designated waste		61.58	34.39	30.53
	Total amount of waste		11,110.54	12,399.6	15,655.68
	Waste Disposal (landfill + incineration)		8,494.95	8,716.65	8,530.69
	Recycling amount		2,554.01	3,648.56	7,094.46
	Recycling rate		%	22.90	29.40

* Reporting scope: Manufacturing division (3rd and 4th factories)

[Water Consumption]

Category	Unit	2019	2020	2021
Water usage	Ton	77,932	98,792	89,929

* Reporting scope: Manufacturing division (3rd and 4th factories)

[Greenhouse Gas Emissions in 2021]

Category	Unit	2021
Total greenhouse gas emissions (direct emissions + indirect emissions)	(tCO2eq)	18,521.89
Energy conversion amount (direct emission + indirect emission)	(TJ)	382.21
Basic information		Unit
Direct emissions (Scope1)	tCO2eq	863.44
Indirect emissions (Scope2)	tCO2eq	17,658.45

[Greenhouse Gas Emissions by Business Unit]

(Unit: tCO₂eq)

Category	Bangbae, Sangam office building (management support, general affairs)	Stores and Business Units (RH/INT/Special sales)	Logistics/AS	Research center	Manufacturing factory(3,4)
Direct emissions	430.47	-	432.97	-	-
Indirect emissions	1,155.16	6,351.56	1,381.17	205.77	8,564.79
Total	1,585.63	6,351.56	1,814.14	205.77	8,564.79

* Reporting Category and scope: About 140 business sites in total including Sangam and Bangbae office buildings, stores and business divisions, logistics/AS, research institutes, and manufacturing divisions

[Environmental Law Compliance]

Category	Unit	2019	2020	2021
Number of fines and non-monetary sanctions imposed for violations of environmental laws and regulations (No non-monetary sanctions)	Case	2	1	-
Total amount of fines for violation of environmental laws	10thousands Won	320	160	-

[Procurement of environment-friendly raw materials]

Category	Unit	2019	2020	2021
Purchase of eco-friendly raw materials	m ³	249,780	288,430	263,651
Cost of purchasing eco-friendly raw materials	100Million Won	563	641	687

[R&D investment]

Category	Unit	2019	2020	2021
R&D expenses	Million Won	29,079	18,105	23,158
R&D Ratio to Sales	%	1.81	1.05	1.04

[Intellectual Property Rights Holdings]

Category	단위	2019	2020	2021
Application	Case	2	1	5
Registration		4	2	7
Total		6	3	12

[Green Certification Acquisition Status]

Category	Unit	2019	2020	2021
Number of green certifications*	Piece	20	11	16

* Status of effective environmental labels as of June 2022: 14 types of windows (3 types of wallpaper, ending in December 2020)

[Environmental Education Status]

Category	Unit	2019	2020	2021
Number of trainees	Person	40	40	30
Training hours	Hour	26	32	26

* Environmental Education: Institute

[Environmental expenditure and investment scale]

Category	Unit	2019	2020	2021
Environmental protection cost (manufacturing division + research institute)*	Million Won	637	818	732

* Calculation detail

1. Environmental guarantee system (producer)
2. Environmental guarantee system (seller)
3. Waste charge system
4. Waste Disposal Fee System
5. Producer Responsible Recycling System

Social performance

[Status of domestic employees]

(Unit: Person, %)

Category		2018	2019	2020	2021
Total number of people (domestic + overseas, persons)		2,902	2,532	2,495	2,567
Gender	Male (person, ratio)	1,949(68.1)	1,672(66.7)	1,680(67.3)	1,688(65.8)
	Female (person, ratio)	914(31.9)	836(33.3)	815(33.7)	879(34.2)
New hire	Male (person, ratio)	342(74.8)	183(64)	293(65)	366(62.5)
	Female (person, ratio)	115(25.2)	103(36)	158(35)	220(37.5)
	Disabled	47(10.2)	44(15.3)	30(6.6)	6(1.0)
	High school graduate	34(7.4)	12(4.2)	40(9)	57(9.7)
	Local talent	-	-	-	-
Retirement/ Retired Person	Male (person, ratio)	455(73.6)	458(72.1)	325(65)	584(77.7)
	Female (person, ratio)	163(26.4)	177(27.9)	176(35)	168(22.3)
	Voluntary turnover rate	528(85.4)	542(85.3)	341(68)	683(90.8)
Employment type	Full-time	2,822(97.2)	2,493(98.4)	2,446(98)	2,526(98.4)
	Non-regular worker	41(1.4)	39(1.6)	49(2)	41(1.6)
	Disabled	47(1.6)	44(1.7)	30(1.2)	33(1.2)
	Nationality (non- Korean)	3(0.1)	2(0.07)	21(0.8)	13(0.5)
	High school graduate	312(10.7)	289(11.4)	243(9.7)	261(10.1)
Rank	Executives	36(1.2)	36(1.4)	47(1.8)	48(1.9)
	Manager or higher	398(13.7)	441(17.4)	468(18)	511(19.9)
	Junior manager or lower	2,429(83.7)	2,031(80.2)	1,980(79.3)	2,008(78.2)
Age	20s (person, ratio)	1,080(37.7)	717(28.6)	358(14)	394(15.4)
	30s (person, ratio)	1,251(43.7)	1,260(50.2)	1,428(57)	1,408(54.8)
	40s (person, ratio)	387(13.5)	389(15.5)	520(20)	548(21.4)
	Over 50 (person, percentage)	145(5.1)	142(5.7)	189(7)	217(8.4)
Overseas employees	USA	10(0.3)	10(0.3)	9(0.3)	-
	China	27(0.9)	12(0.4)	8(0.3)	5(0.1)
	Japan	2(0.06)	2(0.07)	2(0.08)	2(0.1)
	Etc	-	-	-	-

* Total number of employees: including registered executives

[Employee Diversity]

(Unit: %, Person)

Category		2019	2020	2021	
Female leadership	Rank	Ratio of women among all workers	33%	33.7%	34.2
		Ratio of women among all managers*	22.0%	21.9%	17.2
	Employment type	Ratio of women among contract workers	33.3%	36.7%	31.7
		Ratio of women among full-time employees	33.2%	32.5%	34.8
Etc.	Foreigners (person, ratio)		2(0.07)	21(0.8)	13(0.5)
	Veterans' staff (person, ratio)		15(0.5)	16(0.6)	16(0.6)
	Disabled (person, ratio)		44(1.7)	30(1.2)	33(1.2)

* Manager: Manager level or higher

[Status of Parental Leave and Maternity Leave]

(Unit: Person, %)

Category		2019	2020	2021
Number of persons eligible for reinstatement from parental leave (A)	Male	15	4	9
	Female	34	43	44
Number of people returning to work on parental leave (B)	Male	14	4	9
	Female	31	41	44
Return to work rate (=B/A*100)	Male	93.3	100	100
	Female	91.2	95	100
Number of people who returned from parental leave in the previous reporting period (C)	Male	3	12	6
	Female	32	28	38
Number of employees maintained for 12 months after reinstatement from parental leave in the year (D)	Male	2	10	2
	Female	27	25	31
Retention rate after parental leave (=D/C*100)	Male	67	83	33
	Female	84	89	82
Maternity leave users		31	29	28

* Persons eligible for reinstatement from parental leave are recognized as individual cases if duplicate parental leave occurs in the same year.

** Maternity leave: as of the start date

[Status of Employee Safety and Health]

Category	Unit	2019	2020	2021
Number and Rate of Occupational Injuries	Case(%)	10	10	13
Number and rate of deaths due to work-related accidents	Case(%)	-	-	-
Occupational Illness Frequency Rate (OIFR) *	%	-	-	-
Number of deaths due to work-related diseases	Person	-	-	-
Lost Time Injury Frequency Rate (LTIFR) *	%	2	2	2.4
No. of lost labor	Case	10	10	13
Total working hours	Hour	5,007,184	5,009,960	5,359,896
Number of workers enrolled in industrial accident insurance	Person	2,532	2,495	2,567

* LTIFR : (Number of work-loss accidents/Total working hours) * 1,000,000

* OIFR : (Number of cases of work-related diseases/Total working hours) * 1,000,000

[Status subject to collective bargaining]

Category	Unit	2019	2020	2021
Number of employees subject to collective bargaining	person	219	227	238
Ratio of employees subject to collective bargaining	%	98.6%	98.6%	100
Number of collective bargaining members	person	2,306	2,242	2,288
Number of employees subject to collective bargaining	%	91%	90%	89%

*The number of people eligible for group membership is regular production workers and is stipulated in the collective agreement.

*Collective bargaining applies to all employees except hourly wage workers.

[Status of annual leave and flexible working system usage]

Category	Unit	2019	2020	2021
Number of days of annual leave usage	Day	29,686.5	23,853.25	24,565.25
Rate of use of flexible working system	%	86%	85%	85%

[Status of Pension Support]

(Unit: Person)

Category	2019	2020	2021
Number of subscribers(DB)	2,532	2,495	2,147

[Initial salary for new employees]

Category	Unit	2019	2020	2021	
Initial salary for new employees	Male	Ten Thousand Won	4,100	4,100	4,150
	Female		3,900	3,900	4,000
Ratio of initial salary for new employees to the minimum wage	Male	%	196%	190%	190%
	Female		186%	181%	183%

[Status of employee education*]

Category	Unit	2019	2020	2021	
Total number of person educated	Person	2,524	2,476	2,478	
Total number of person educated	Male	Person	1,654	1,583	1,566
	Female		870	893	912
Education hours per person	Total	Hour	28	32	31.5
	Male		27	33	31
	Female		29	32	32
Education cost per person	Male	Won	167,361	122,312	251,649
	Female		188,360	153,272	201,596
Number of trainees by rank	Executives	Person	33	46	52
	Manager or higher		452	480	532
	Junior manager or lower		2,039	1,950	1,894
Number of trainees by rank (ratio)	Executives	Person(%) = Number of person who have been trained at least once in 20 years/Number of person with 20 years of service	72%	94%	87%
	Manager or higher		91%	96%	94%
	Junior manager or lower		87%	93%	88%
Education expenses by rank	Executives	Won	18,735,429	34,448,354	174,699,727
	Manager or higher		103,208,969	64,467,499	186,090,393
	Junior manager or lower		318,742,744	231,575,732	217,147,458
Education hours by rank	Executives	Hour	22	37	90
	Manager or higher		39	35	39
	Junior manager or lower		26	32	28

* Total number of employees (including contract workers)

[Status of Human Rights Education* (Adult Sensitivity Education)]

Category	Unit	2019	2020	2021
Total education hours	Hour	2,307	2,133	2,437
Number of person educated(ratio)	Person(%)	2,307(98.8)	2,133(97.4)	2,437(94.9)

* Except for statutory compulsory education, only online education is counted for 2021

[Status of Fair Trade Education (Internal Control Education)]

Category	Unit	2019	2020	2021
Number of employees	Person	318	470	254
Education hour	Hour	467	477	336

* Group training is not available due to COVID-19. Due to the decrease in offline education, the number of people participating in education for 2021 decreased.

[Status of Participation in Social Contribution]

Category	Unit	2019	2020	2021
Social contribution participation hours (company)	Hour	795	90	1,497
Number of people participating in social contribution (company)	Person	551	30	646

* Charitable Donation, Community Investment, Commercial Initiatives (Commercial Initiatives, etc.) No separate classification

** Total amount of social contribution: social contribution expenses, donations, etc.

*** In 2020, social contribution activities of employees were restricted due to COVID-19.

GHG Verification Statement

Verification Statement GHG emission

HANSSEM CO., LTD

✔ Scope of Verification

KSA Certification, Ltd.("KSA") conducted verification under the reasonable assurance level on the year of 2021 Greenhouse Gas Emissions(Scope 1, 2, 3) of HANSSEM.

✔ Reference Standard

- ISO 14064- 1,2,3 : 2006
- IPCC Guideline : 2006
- WRI GHG Protocol
- Korea ETS guideline provided by Ministry of Environment, Republic of Korea

✔ Verification Opinion

As a result of verification activities, verification team has found no significant errors. Therefore, Korean Standards Association confirms that following emissions data are adequately quantified.

• GHG Emissions & Energy (Scope 1, 2, 3)

Division	Scope 1	Scope 2	Total		Category	Scope 3
	ton-CO2eq	ton-CO2eq	ton-CO2eq	TJ		ton-CO2eq
MSO	430	1,317	1,747	31	Goods and services	229,512
INT	-	5,757	5,757	120	Capital goods	78
RH	-	585	585	12	Fuel and energy	641
SCM—TD	432	1,308	1,740	33	Up transportaion	28,952
CS	-	72	72	1	Waste	46
R&D	-	205	205	4	Business travel	732
B2B	-	8	8	-	Commuting	1,375
SCM—MD	-	8,564	8,564	178	Down transportaion	16,759
-	-	-	-	-	Investments	2,003
-	-	-	-	-	Leased assets	2,468
Total	862	17,816	18,678	379	Total	282,566

※ For detailed GHG information by business site, please check the verification report issued by the KSA.

Jul 25th 2022



KOREAN STANDARDS
ASSOCIATION

Third-party assurance statement

Dear Hanssem Management and Stakeholders

Introduction

The Korean Standards Association (hereafter the 'verifier') was requested by Hanssem to independently verify the '2021 Hanssem Sustainability Report' (the 'report'). The verifier reviewed the validity of the data included in the report prepared by Hanssem and presented an independent assurance opinion, and Hanssem is responsible for all claims and performance contained in this report.

Independence

As an independent assurance agency, the Assurer does not have any interest in any overall business activities of Hanssem other than the task of providing third-party verification of the report, and does not have a relationship that may impair independence or have a for-profit relationship.

Verification standard and level

The verifier verified comprehensiveness, importance, responsiveness, and compliance with impact principles and the reliability of the information contained in the report as "modulate" in accordance with the verification standards of AA1000AS v3, and performed the verification in accordance with GRI Standards.

Verification type and scope

The assurer performed verification corresponding to Type 2 of the AA1000AS v3 verification standard, which means that he evaluated the accuracy of Hanssem's claims and performance information contained in the report. The scope of verification is from January 1, 2021 to December 31, 2021, and during the reporting period, the verification was conducted focusing on systems and activities such as Hanssem's sustainability management policies, goals, projects, standards, and performance. In addition, environmental and social data and financial data on economic performance in a broader sense were verified, and verification of stakeholder engagement was limited to the review of the materiality assessment process.

Verification method

The verifier collected information, data and evidence related to the scope of assurance by using the following methods.

- Media research and analysis related to Hanssem's sustainability management
- Review of management systems and processes used to improve sustainability management performance and prepare reports

- Review whether the financial performance data and financial statements are consistent with audit reports and disclosures
- Review of internal documents and basic data

Verification results and opinions [verification principle/process level]

The verifier reviewed the contents of the draft report and provided opinions, and the report was revised accordingly. In addition, no significant errors or inappropriate descriptions were found in the contents of this report. The Assurer presents the following opinions on the '2021 Hanssem Sustainability Report'.

[Inclusive]

- Has Hanssem included stakeholders in the process of strategically responding to sustainability?

It has been confirmed that Hanssem recognizes the importance of stakeholder engagement in promoting sustainable management and is making efforts to establish a participation process. Hanssem has selected executives and employees (including unions), customers, shareholders and investors, governments and related organizations, partner companies, and communities as major stakeholder groups and has communication channels for each group, and has collected various opinions

[Importance]

- Has Hanssem included important information for stakeholders' wise decisions in the report?

Hanssem judges that it has not omitted or excluded information that is important to stakeholders. In addition, it was confirmed that the materiality test was conducted on major issues derived from the analysis of the internal and external environment of Hanssem, and reports were made according to the results.

[Responsiveness]

- Has Hanssem adequately responded to the needs and interests of stakeholders?

It was confirmed that Hanssem is making efforts to respond to the needs and concerns of stakeholders by reflecting the opinions gathered from stakeholders in the report. In addition, we could not find any evidence that Hanssem's response activities to important stakeholder issues were reported inappropriately.

[Impact]

- Has Hanssem adequately monitored the impact on stakeholders?

It has been confirmed that Hanssem is monitoring and understanding the impact on stakeholders of the updated assurance standard business activities. In addition, it was confirmed that these are appropriately reflected in the report.

Review of GRI Standards application level

The verifier confirmed that this report was prepared in accordance with the Core Option of the GRI Standards. Based on the data provided by Hanssem, it has been confirmed that the following information related to the Universal Standards and Topic-specific Standards indicators is true based on the presented data.

[Universal Standards]

The verifier confirmed that the report complies with the requirements of the common standard of the Core Option, and reviewed the indicators below.

102-1 ~ 102-13 (Organizational Profile), 102-14 (Strategy), 102-16 ~ 102-17 (Ethics and Integrity), 102-18 (Governance), 102-40 ~ 102-44 (Stakeholders participation), 102-45 ~ 102-56 (reporting practices), 103-1 ~ 103-3 (management approach)

[Topic-specific Standards]

The verifier confirmed the detailed disclosure items for material topics derived through the report item determination process, and reviewed the indicators below.

- Economy : 201-1, 205-2, 205-3
- Environment : 302-1, 305-1, 305-2, 305-7, 306-2
- Society : 401-2, 401-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10, 404-1, 404-2, 406-1, 412-2, 413-1, 416-2, 417-1, 417-2, 418-1

Opinions and improvement recommendations by field [Performance/Issue Level]

The Assurer recommends reviewing the following so that Hanssem can establish a sustainability management strategy for the entire organization and respond to ongoing issues.

[Economy]

Hanssem is constantly striving to achieve its vision of becoming the world's best company in the residential environment sector despite high uncertainty due to COVID-19 and the unstable international situation.

In addition, Hanssem is sharing economic activities and performance with stakeholders through the publication of an annual sustainability report, and is leading ESG management by being recognized for its excellent performance by ESG (Environmental, Social and Governance) evaluation agencies.

In the future, it is recommended that Hanssem puts environmental safety, fair management, inclusiveness and win-win as its top priority, and Hanssem continues to improve its comprehensive response to continuous management innovation and changes in the management environment in order to expand sustainable management based on its three visions and strategies.

[Environment]

Hanssem has published a sustainability report in line with global environmental trends. As part of our social responsibility, we calculated greenhouse gas emissions and collected and disclosed environmental indicators. The expansion of data disclosure indicators is positively evaluated. In particular, voluntarily establishing a system for monitoring energy consumption and greenhouse gas emissions is considered the greatest achievement. For future improvement, it is recommended to improve the following two items. First, it is recommended to expand the main management targets for raw materials used and procurement-related indicators for product environment management. Second, it is recommended to establish a goal and performance management system and a standard operating procedure (SOP) for the management of environmental indicators.

[Society]

The verifier confirmed that Hanssem is faithfully pursuing ESG strategic tasks based on the three ESG strategic directions for environmental protection, shared growth, and process structure in order to become a leading global sustainable management company. In 2021, the establishment of the ESG committee and the establishment of an ESG task force were found to be excellent in creating an environment for ESG promotion at the company level. Meanwhile, in the recent business environment, labor/human rights issues are emerging as important. In order to identify, prevent, and mitigate labor/human rights risks that may occur in Hanssem's overall business activities, we recommend that you conduct human rights impact assessments for various stakeholders such as employees, business partners, and customers, and promote human rights risk mitigation activities.

August 2022

Chairman of Korea Standards
Association Myung-soo Kang




AA1000
Licensed Report
000-70/V3-1T3U0

The Korea Standards Association is a special corporation established in 1962 in accordance with the Korean Industrial Standardization Act. In particular, it contributes to the sustainable development of our society as ISO 26000 domestic secretariat, GRI designated education institution, AA1000 verification institution, Korea Sustainability Index (KSI) operation institution, UNCDM operation organization, and greenhouse gas energy target management system verification institution.

GRI & ISO 26000 Index

Common topic (Universal Standards)

[GRI 102: General Disclosure]

	Disclosures		ISO 26000	Page
Organizational Profile	102-1	Organization name	6.3.10/6.4.1-6.4.2/6.4.3/6.4.4/6.4.5/6.8.5/7.8	8
	102-2	Activities and flagship brands, products and services		12~15
	102-3	Headquarters Location		8
	102-4	Business location		8
	102-5	Organizational ownership and legal form		84
	102-6	Market area		12~15
	102-7	Organization size		12
	102-8	Information about employees and workers		104
	102-9	Organizational supply chain		72~77
	102-10	Significant Changes in Organizations and Supply Chains		73
	102-11	A precautionary approach or principle		30~31
	102-12	External initiatives		115~118
	102-13	Affiliated association		119
Strategy	102-14	Statement from the Chief Decision Maker	4.7/6.2/7.4.2	4~5
Ethics and Integrity	102-16	Organizational values, principles, standards and codes of conduct	4.4/6.6.3	8, 10, 30, 86
	102-17	Ethics advisory and grievance system		86~87
Governance	102-18	Governance Structure	6.2/7.4.3/7.7.5	84~85
Stakeholder Engagement	102-40	List of stakeholder groups	5.3	92
	102-41	Collective agreement		62
	102-42	Identify and select stakeholders		92
	102-43	Stakeholder Engagement Methods		92
	102-44	Key topics and concerns raised through stakeholder engagement		93~94
Reporting practices	102-45	List of entities included in the organization's consolidated financial statements	5.2/7.3.2/7.3.3/7.3.4	12, 100, Business report p36
	102-46	Definition of report content and subject boundaries		96
	102-47	List of material topics		96
	102-48	Correct information recorded in previous reports		100~108, Fill out the page
	102-49	Changes to material topics and subject scope	95	
	102-50	Reporting period	7.5.3/7.6.2	2
	102-51	Date of most recent report publication		2
	102-52	Reporting cycle		2
	102-53	Contact for report		2
	102-54	Reporting according to GRI Standards		2
	102-55	GRI Content Index		112~114
102-56	External verification	110~111		

Specific topic (Topic-specific Standards)

[GRI 200: Economic Topics]

Topic		Disclosures	ISO 26000	Page
GRI 103: Management Approach	103-1~3	Management Approach		12~15
GRI 201: Economic performance 2016	201-1	Direct economic value generation and distribution	6.8.1-6.8.2/6.8.3/6.8.7/6.8.9	12, 100
GRI 205: Anti-corruption 2016	103	Management Approach		86
	205-02	Notice and training on anti-corruption policies and procedures	6.6.1-6.6.2/6.6.3	87
	205-03	Identified corruption cases and actions taken		87

[GRI 300: Environment Topics]

Topic		Disclosures	ISO 26000	Page
GRI 302: Energy 2016	103	Management Approach		30~31
	302-1	Energy consumption within the organization	6.5.4	35
	302-4	Reduce energy consumption	6.5.4-5	35
GRI 305: Emission 2016	103	Management Approach		30~31
	305-1	Direct greenhouse gas emissions (Scope 1&2)	6.5.5	34, 101~102
	305-2	Indirect greenhouse gas emissions (Scope 3)		34, 101~102
	305-4	Reduction of greenhouse gas Emissions		34
	305-7	NOx, SOx and other significant air emissions	6.5.3	37, 101
GRI 306: Waste water and waste 2016	103	Management approach		30~31
	306-1	Wastewater discharge and water quality by final discharge site	6.5.3-4	37~38, 101
	306-2	Waste amount by type and treatment method	6.5.3	37~38, 101
	306-3	Major spill	6.5.3	N/A

[GRI 400: Social Topics]

Topic		Disclosures	ISO 26000	Page
GRI 401: Employment 2016	103	Management Approach		57
	401-2	Welfare benefits provided only to full-time employees	6.4.4/6.8.7	62-64
	401-3	Parental leave	6.4.4	62-63
GRI 403: OSH 2018	103	Management Approach		66
	403-1	OSH management system	6.4.6	66-69
	403-2	Risk Identification, Risk Assessment, Incident Investigation	6.4.6, 6.8.8	67-68
	403-3	Occupational Safety and Health Services	6.4.6	66-68
	403-4	Employee participation, consultation and communication on occupational safety and health	6.4.6, 6.8.8	66-68
	403-5	Occupational safety and health education and training	6.4.6	69
	403-6	Promote member health	6.4.6	68
	403-7	Prevention and mitigation of OSH impacts directly linked by business relationships	6.4.6	67-69
	403-8	Workers subject to OSH management system	6.4.6	66
	403-9	Work-related accidents		68, 106
GRI 404: Training and Education 2016	103	Management Approach		60
	404-1	Average training hours per employee per year by employee type and gender	6.4.7	61, 107
	404-2	Programs to empower workers and manage their careers	6.4.7/6.8.5	60-61
GRI 412: Human Rights Assessment 2016	406-1	Number of discrimination cases and corrective actions	6.3.6/6.3.7/6.3.10/6.4.3	N/A
GRI 412: Human Rights Assessment 2016	412-2	Employee training on human rights policies and procedures	6.3.5	58, 108
GRI 413: Community 2016	103	Management Approach		79
	413-1	Current status of community participation, impact assessment and development program operation	6.3.9/6.5.1-6.5.2/6.5.3/6.8	79-81
GRI 414: Supplier Social Impact Assessment	414-1	New suppliers that have been screened according to social standards	6.6.6	76
GRI 416: Customer Health and Safety 2016	103	Management Approach		52-54
	416-1	Assessment of safety and health impacts of product and service groups		52-54
	416-2	Non-compliance with the health and safety impact of products and services	6.7.4	N/A
GRI 417: Marketing and Labeling 2016	103	Management Approach		52-53
	417-1	Violation of legal regulations and voluntary regulations on product and service information and labeling	4.6/ 6.7.1~6.7.5/ 6.7.9	N/A
	417-2	Number of cases in violation of regulations on marketing communications such as advertisements, promotions, and sponsorships	4.6/ 6.7.1-6.7.3	N/A
GRI 418: Customer Privacy 2016	418-1	Number of complaints about customer privacy violations and loss of customer information	6.7.1-6.7.2/6.7.7	N/A

UN SDGs

Our Impact on the SDGs

Hanssem is participating 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 the 17 goals and specific tasks of the SDGs with the goal of pursuing social and environmental values and achieving inclusive economic growth to achieve the basic goals of the SDGs by 2030. These are the basic guidelines for sustainable management is widely reflected. As a global corporate citizen, Hanssem selects SDGs that are directly or indirectly related to Hanssem's business activities, reflects them in the establishment of sustainable management strategies to achieve them, and implements them through internalization.

UN SDGs Direction and Performance by Goal



SDGs		Hanssem Approach
	Goal 3. Ensuring healthy lives and promoting well-being for all ages	Hanssem strictly manages hazardous chemicals in its products and services to protect the health of its customers. In addition, we provide physical and mental support to our employees so that they can work in a healthy environment in a pleasant environment. - Annual health check-up for employees
	Goal 5. Achieving gender equality, including ensuring equal participation of women in all sectors	Hanssem guarantees female employees' equal participation in management activities, welfare, and the creation of a working environment, and actively supports the development of female managers. - Research and development of the 2020 female talent nurturing program - Fostering female team leaders and future executive candidates
	Goal 8. Sustainable, inclusive and sustainable jobs and economic growth	For sustainable consumption and production, 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. - Expansion of win-win stores, creation of win-win fund - Support for the establishment of facilities to enhance the production efficiency of partners
	Goal 9. Establishment of infrastructure and sustainable industrialization	Hanssem manages raw materials to maintain reasonable product prices for stakeholders, and supports suppliers and other stakeholders to reflect better technology in products through technology development. - Support for environmental safety verification of partner products
	Goal 10. Reduction of inequality within and between countries	Hanssem provides equal opportunities. We do not discriminate on any grounds such as gender, race, ethnicity, nationality, religion, marital status, disability or social status in hiring new employees as well as employees. - Selection of full-time employees (converted to non-regular employees in 2018)
	Goal 11. Building sustainable cities and communities	Hanssem provides continuous support to improve the living environment of the vulnerable in the local community in a safe and pleasant way. In addition, we are expanding through support for bases such as firefighters responsible for safety and emergency shelters. - Fire department support, Mapo housing, residential environment improvement project for the underprivileged
	Goal 12. Ensuring sustainable consumption and production patterns	We actively promote the reduction of plastic usage, recycling, and resource circulation in the manufacturing and consumption process. - Gradual disposal of plastic bags, expansion of electronic price tags - Expansion of waste resource recycling
	Goal 13. Climate Change Response Goals	Through the establishment of an energy management system, we participate in various activities to move toward a carbon-neutral society, and establish and implement mid- to long-term carbon reduction strategies. - Establishment of greenhouse gas inventory - It is necessary to confirm whether it should be changed to carbon footprint reduction- Establishment and implementation of 2030 mid- to long-term climate change response strategy
	Goal 15. Protection, restoration and promotion of sustainable terrestrial ecosystems and conservation of biodiversity	Hanssem is promoting various environmental protection activities to preserve biodiversity along with environmental pollution prevention activities. -Creating a forest near the workplace, sprouting trees, planting trees - Promote plastic recycling

SASB

SASB (Sustainability Accounting Standards Board) standards are industry-specific sustainability accounting standards announced by the US Sustainability Accounting Standards Board, which was launched in 2011. For the first time, SASB standards systematize financially important sustainability information into 77 industries in 11 areas according to the 'Sustainable Industry Classification System (SICS)' in consideration of the specificity of each industry. Hanssem belongs to the SASB Construction Materials "industry group, and reports on major activities through this report.

Topic	Account Metric	Report	Page	
Greenhouse gas emissions	EM-CM-110a.1	Total global Scope1 emissions	Greenhouse gas emissions	
	EM-CM-110a.1	Percentage of Total Scope1 GHG Emissions Worldwide Subject to Emission Limit Regulations or Programs		101, 102
	EM-CM-110a.2	A description of long-term and short-term strategies or plans for managing Scope 1 emissions, emission reduction targets, and performance analysis against those targets.	Climate change response, greenhouse gas reduction strategy system	34
Air pollutant emission	EM-CM-120a.1	(1) NOx (2) SOx (3) Fine dust (PM10) (4) Dioxin/Furan(5) VOCs emissions (6) PAHs (7) Heavy metals	Air environment management, environmental impact management	37, 101
Energy management	EM-CM-130a.1 EM-CM-150a.1	(1) Total energy usage (2) Grid power usage rate (3) Renewable energy use ratio	Efficient energy use	35
Water management	EM-CM-140a.1	(1) Total water withdrawal (2) Water recycling rate (3) Total water consumption and ratio of water used in areas with high water stress index (4) Ratio of discharged wastewater and recycling	Water resource management, water consumption	37, 101
Waste management	EM-CM-150a.1	Amount of waste generated by the operation, percentage of hazard, percentage of recycling	Environmental Impact Management	38, 101
Biodiversity Impact	EM-CM-160a.1	Description of environmental management policies and practices for the site of activity	UN-SDGs 15	116
	EM-CM-160a.2	Restoration rate in areas with disrupted ecosystems	-	-
Occupational health and safety	EM-CM-320a.1	(1) Total Recordable Incident Rate(TRIR) (2) (a) full-time and (b) Near miss rate of contract employees	Status of employee safety and health	106
	EM-CM-320a.2	Number of reported cases of silicosis	-	-
Product innovation	EM-CM-410a.1	Percentage of products eligible for credit in sustainable building design and building certification	GRP certification, environmental safety information disclosure, KOLAS certification, green certification	32, 42, 45, 47 ,49
	EM-CM-410a.2	Total available market and market share of products that can reduce the impact of energy, water and raw materials during use and production	Hanssem refurbished Eco-Business, Green Packaging	33
Pricing Ethics and Transparency	EM-CM-520a.1	Total monetary losses as a result of legal proceedings related to cartel activities, price fixing and antitrust activities	legal risk	87

TCFD

In December 2015, the Financial Stability Board* (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD) to actively respond to climate change. TCFD recognizes the importance of making economic decisions to combat climate change and have developed an international information disclosure framework that allows us to disclose financial information related to climate change in four areas of corporate governance, strategy, risk management, and indicator and goal setting system. Hanssem will actively participate in these demands of the international community and make more efforts to respond to climate change.

* Financial Stability Board (FSB): An international organization under the G20 launched in 2009 to strengthen the role of international financial regulation and supervision.

TCFD recommendations	Information Disclosure Status	Report content	Page
Governance	Describe of oversight by the Board of Directors on risks and opportunities related to climate change	Integrated risk management	88-90
	Describe the role of management in assessing and managing risks and opportunities related to climate change		
Strategy	Describe the risks and opportunities associated with climate change that the organization has identified over the short-, medium- and long-term	ESG management strategy, ESG promotion organization, and response measures by risk type	17, 19, 89
	Describe the impact of climate change-related risks and opportunities on an organization's business, strategic and financial plans		
	Describe the resilience of organizational strategies taking into account a variety of climate-related scenarios, including the 2°C scenario of the Paris Agreement on Climate Change.		
Risk management	Describe an organization's process for identifying and assessing risks associated with climate change	Response measures by risk type	89
	Describe the organization's processes for managing risks related to climate change		
	Describe how the process of identifying, assessing and managing climate-related risks is integrated into an organization's overall risk management		
Indicators and reduction targets	Disclosure of the indicators used by the organization to assess risks and opportunities related to climate change in accordance with its strategic and risk management processes.	Integrated risk management	34
	Disclosure of Scope1, Scope2, and, where applicable, Scope3 GreenHouse Gas (GHG) emissions and associated risks		
	Describe what an organization uses to manage climate-related risks, opportunities and performance against goals		

Status of group membership and Major awards

Membership status

Korea Product Safety Association
Korea Furniture Industry Association
Smart Interior Forum hosted by Korea Smart Home Industry Association
Korea Chamber of Commerce and Industry (Seoul Chamber of Commerce and Industry)
Ansan Chamber of Commerce and Industry
National Federation of Entrepreneurs
Korea Federation of Small and Medium Enterprises

Major awards

Date of awards	Host institution	Award category
2020. 01	Industrial Policy Research Institute	2020 Korea Brand Hall of Fame Kitchenbach Selected
2020. 02	If Design Award	Hanssem's 'Euro 5 Neutromodern' bathroom wins the world's top 3 'If Design Award'
2020. 07	Korea Marketing Association	1st place in the interior category at the 2020 8th Korea Marketing Awards
2020. 07	Korea Productivity Center	1st place in the 2020 National Brand Competitiveness Index (NBCI) for home furniture for 14 consecutive years
2020. 07	Korean Standards Association	1st place in 2020 K-PBI (Brand Power of Korean Industry) Residential Furniture Sector for 11 Consecutive Years
2020. 07	Korean Standards Association	1st place in 2020 K-PBI (Brand Power of Korean Industry) Kitchen Residential Furniture Sector for 22 Consecutive Years
2020. 07	Women's Newspaper/ W Economic Research Institute	The 21st Women's Choice Award for Best Luxury - Hanssem Kitchen & Bath in the kitchen furniture category
2020. 09	American Industrial Design Association	'Euro 5 Newtro Modern' won the US IDEA Award
2020. 01	Korea Management Certification Institute/ Global Management Committee	19th Global Standard Management Grand Award (GSMA) Social Contribution Grand Prize
2020. 01	Korea Management Association	1st in the 2020 Customer Satisfaction Index (KCSI) for home furniture and kitchen furniture
2020. 01	Korea Management Association	Selected as the No. 1 company for the most recommended by customers (KNPS) for home and kitchen furniture
2020. 12	Korea Institute of Design Promotion	Euro5 Newtro Modern 2020 Good Design Award Winner
2021. 02	Korea Management Association	No. 1 in the household furniture category, the most respected company in Korea
2021. 03	Korean Standards Association	2021 K-PBI (Brand Power of Korean Industry) Residential Furniture Category for 12 Consecutive Years/ Kitchen Residential Furniture Category 1st for 23 Consecutive Years
2021. 04	Korea Productivity Center	Korea Productivity Center (KPC) National Brand Competitiveness Index (NBCI) Ranked 1st in Total Home Interior for 15 consecutive years
2021. 06	Interbrand	Selected as the Best Korean Brand by Interbrand in 2021, ranked 45th
2021. 09	Korea Management Association	2021 Customer Satisfaction Index (KCSI) 1st place in the household and kitchen furniture sector
2021. 11	Korea Management Association	Selected as the No. 1 household and kitchen furniture by the company most recommended by customers (KNPS)
2021. 11	EDAILY	2021 EDAILY Good Jobs Grand Prize 'Comprehensive Grand Prize'
2021. 12	Korea Consumer Agency	Acquired consumer-centered management (CCM) certification from Korea Consumer Agency
2021. 12	Korea Management Certification Institute	2021 ESG Management Grand Prize



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