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HANSSEM SUSTAINABILITY REPORT 2023



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ABOUT THIS REPORT

Report overview

This report is the fourth sustainability management report published by Hanssem. Hanssem Co., Ltd. intends to publish the fourth sustainability report in 2023 in order to transparently disclose the direction and performance of the company's sustainability management to stakeholders, and to actively communicate with stakeholders based on this. This report is published in Korean and English. We will continue to actively collect the opinions of stakeholders through our sustainability report and strive to reflect them in our sustainability management activities.

Reporting period

This report includes Hanssem's sustainability management-related activities and performance from January 1, 2022 to December 31, 2022. For quantitative performance, three-year data from 2020 to 2022 are reported together to enhance comparability. In addition, for qualitative achievements with some important meaning, some of the details for the first half of 2023 are included, considering the publication date.

Reporting principles and standards

This report applied the GRI (Global Reporting Initiative) Standards as a standard for writing sustainability reports. In addition, it contains the description of the principles related to the Sustainable Development Goals of the UN Global Compact, and the description of climate change according to the TCFD (Task Force on Climate-related Financial Disclosures) recommendations and SASB (Sustainability Accounting Standards Board) statements in accordance with the Building Products & Furnishing industry disclosure standards.

Reporting scope

The financial data in this report conforms to the consolidated financial statement standard under the Korean International Financial Reporting Standards (K-IFRS), and non-financial data includes Hanssem's headquarters and domestic business sites. Some parts with different reporting scopes are separately described in the report.

Third party verification

The financial information included in this report is the financial information for which an independent auditor has received an appropriate opinion through an accounting audit conducted in accordance with the International Accounting Audit Standards. In addition, the information included in the sustainability report was certified in accordance with ISAE (International Standard on Assurance Engagements) 3000 by KPMG Samjeong Accounting Corporation, which has no interest in Hanssem, to ensure objectivity, fairness, and reliability of the report.

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CEO MESSAGE



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

Dear all stakeholders who show warm interest in Hanssem, such as respected customers, employees, shareholders, business partners, and local communities.

COVID-19, which drove the whole world into the midst of the fear of lockdown, is also a complete daily life in 4 years, with the end in sight. Corona has given us a lesson as important as the great damage. First, the crisis is no longer a problem limited to a specific region or specific people. Corona, which started from an unknown person in China, was able to see that it spread to billions of people around the world in an instant. Second, a crisis can only be overcome if everyone joins in. We have witnessed countless times that even the dense defense system at the government level has become useless due to one person's deviance. Third, the preciousness of ordinary daily life. Small daily activities such as eating out with family and friends and traveling were neither natural nor sustainable, but fragile and valuable values that needed to be protected.

Experts are warning that global warming is hundreds or thousands of times more dangerous than Corona. According to research, if the global temperature rises by 1.5 to 2.5 degrees from the time of the Industrial Revolution, 20 to 30% of Earth's creatures will die, and if it rises by 5 degrees, all life on Earth could become extinct. Under these circumstances, the sense of crisis that we must hand down a sustainable future to our descendants has become an active movement that penetrates the world. In line with this, the paradigm of sustainability management has become a core strategy for all companies today.

With the publication of the 4th Sustainability Report, Hanssem also intends to renew Hanssem's strategy and determination for sustainability management. From 2022, Hanssem has defined the company's vision as 'To be the greatest in living place' and its mission as 'turning the customer's home into the world's most desirable place to stay by demonstrating unparalleled innovation, professionalism and responsibility'. If sustaining the earth as a place you want to stay is the core of ESG, turning your home into a place you want to stay the most is the core of Hanssem Sustainable ESG. To this end, Hanssem will establish an integrated online and offline omni-channel through digital transformation, and will make Hanssem Mall a representative customer-friendly communication channel in the remodeling field. In addition, in conjunction with Hanssem Mall, we opened the first experiential store, 'Design Park Songpa', designed as an 'experiential space where customers can explore and discover diversity'. In addition, the process of the entire remodeling process was overhauled through 'unlimited responsibility remodeling' and a step-by-step responsibility system was introduced to ensure satisfactory home decoration. Through this, Hanssem promises to achieve sustainable management by securing overwhelming competitiveness in the home remodeling and home furnishing markets.

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Along with this, Hanssem will further accelerate the internalization of its sustainability management system.

First, we are working hard to establish a global standard ESG system. Hanssem participated in the Declaration of Support for the Global Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), which recommends internalizing human rights, labor, environment, and anti-corruption into corporate operation and management strategies, and the Climate Change-related Financial Information Disclosure Council (TCFD). and by actively implementing it, we are building a global standard ESG system. In addition, we have acquired ISO 14001, 45001, and 9001 certifications, which are international standards in the fields of environment, safety, and quality.

Second, we are striving to improve shareholder value and establish an ESG governance system within the company. To enhance shareholder value, we have been implementing quarterly dividends and an electronic voting system since 2022. In addition, the ESG committee under the board of directors is held quarterly and ESG meetings presided over by top management are held once a month, and ESG evaluation items are reflected in the KPIs of key team leaders and department heads.

Third, we are committed to social contribution for the local community. We have been installing furniture and remodeling for the underprivileged in the community for several years already, at the 119 Fire Safety Center. As a result of Hanssem's contribution to the local community, it was selected as a 'Community Contribution Recognized Company' by the Ministry of Health and Welfare, and received the Minister of Employment and Labor Award in the CSR sector.

Fourth, we are working hard to make the company a desirable place to work. Since 2022, Hanssem has created a space where executives and employees can communicate freely in relation to the company's major strategies through 'town hall meetings' with the CEO and from 2023, we are operating a communication channel that allows organizations to understand and collaborate on each other's work through 'cross meetings', which has taken this one step further. We are developing the 'Good Workplace Council', which started in 2018, into a 'Change Agent' in 2023, and actively collecting opinions from employees to create a better workplace and better environment.

Fifth, we are putting more effort into shared growth with our suppliers. Hanssem established a shared growth promotion department several years ago and is developing/executing various win-win programs such as a win-win fund and an escrow system for technical data. In addition, by supporting suppliers' ESG consulting and enacting the 'Supplier Code of Conduct', we are working on ESG management not only of Hanssem but also of our suppliers.

Hanssem's efforts for sustainable management are recognized internally and externally. It has been evaluated as one of the best ESG companies in Korea by winning ESG grand prizes and excellence awards from the Ministry of Environment, the Minister of Trade, Industry and Energy, the Korea Economic Daily, Dong-A Ilbo, and various government agencies and organizations. However, a company that is really good at ESG is to transform itself into a sustainable company.

Respected stakeholders!
Hanssem aims to become the world's greatest company in the living field. Hanssem wants to become a company that makes customers' homes the most desirable place in the world, a company that shareholders and employees want to work for and stay in, and a partner that partners and local communities want Hanssem to be with. This is the core of Hanssem's sustainable management. All employees of Hanssem will do their best to achieve this goal. We would like to once again ask for your unsparing interest and support for Hanssem from all stakeholders.
Thank you.

July 2023
Representative Executive Officer **Kim Jin-tae**



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INTRODUCTION

Company Introduction
Company Vision/Mission/Status
Company History

Business Introduction
Business Goal/Strategy
Status by Business Division

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Company Introduction



"Hanssem wants to create the most desirable space in the world."

Hanssem aims to grow into the world's best company in the residential environment sector as an IT (information technology) -based 'living tech company' that combines online and offline.

VISION — To be the greatest in living space

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

Company Profile

Establishment date **September 1970**	Representative executive officer **Kim Jin Tae**	ESG rating (KCGS) **A**	Headquarters location **144 Beonyeong 2-ro, Danwon-gu, Ansan-si, Gyeonggi-do**
Sales amount **KRW 2 Trillion 900 Million**	Operating profit **KRW -21.7 Billion**	Number of employees* **2,228 People** *Number of employees: In 2022, the A/S organization was transferred to Hanssem Development, a subsidiary of Hanssem. The number of employees including the A/S organization is 2,475. (As of December 31, 2022)	Organization **9 Business Divisions, 11 Offices**

Financial data: On a consolidated basis
Non-financial data: Hanssem Co., Ltd. headquarters and domestic business sites

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History

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

1970–1999



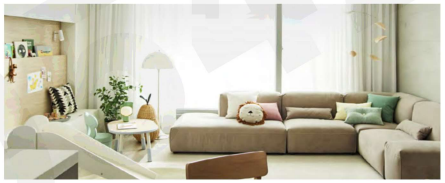
September 1970	Established Hanssem
November 1989	Introduction of free kitchen design service (Hancad Development)
April 1991	Moved into Bangbae office building Established a local corporation in Japan
October 1992	Completed Hanssem's 3rd factory (Sihwa)
March 1996	Established a local subsidiary in China
January 1997	Started interior business, Opened Hanssem Design Park Bangbae (1st store)

2000–2014



July 2002	Listed on Korea Stock Exchange
June 2004	Opened DBEW Design Center
January 2006	Launched 'KITCHENBACH', a luxury kitchen furniture brand
February 2008	Opened Hanssem Mall, a vertical portal specializing in interior design
September 2013	Opened Oido Logistics Center
December 2013	Achieved KRW 1 trillion in sales in 2013 (based on K-IFRS)
January 2014	Achieved KRW 1 trillion in annual sales (2013)
September 2014	Official sponsorship for the 2014 Incheon Asian Games (2014 Incheon Asian Para Games)

2015–2021



September 2016	Opened integrated Hanssem Mall (mall.hanssem.com)
December 2017	Moved into Sangam new office building Official
January 2018	Sponsorship agreement for furniture sector for the 2018 PyeongChang Winter Olympics
May 2019	Renewal opening of Hanssem Lab (Organization/Function/Facilities)
July 2020	Acquired KOLAS accreditation of Hanssem Lab
May 2021	Formation of 6 subcommittees within the board of directors
Sep 2021	Obtained 'Excellent' grade in Win-Win Growth Index
October 2021	Launched 'Rehouse Smart Home Package'

2022–2023

Jan 2022	Changed the largest shareholder of IMM Private Equity
Feb 2022	Awarded as a respected company by the Korea Management Association
May 2022	Ranked first in the total home interior category of the National Brand Competitiveness Index (NBCI) for 16 consecutive years
Aug 2022	Received the Minister of Environment Award at the 17th Korea CSR/ESG Management Awards
Aug 2022	Joined the UN Global Compact
October 2022	Ranked No. 1 in the kitchen/home furniture sector of the Korean Customer Satisfaction Index (KCSI) (Kitchen furniture for 14 consecutive years / Household furniture for 7 consecutive years)
Dec 2022	Government Award for Sustainable Management in 2022Awarded the Minister of Trade, Industry and Energy Award from the Ministry of Trade, Industry and Energy of Merit
Feb 2023	Launched the integrated Hanssem Mall (DT)
Feb 2023	Hanssem ESG Report, Grand Prize at the US LACP Vision Awards
March 2023	Opened the first Life Spectrum Store in Hanssem Design Park Songpa
April 2023	Hanssem Domus merged with Insterior

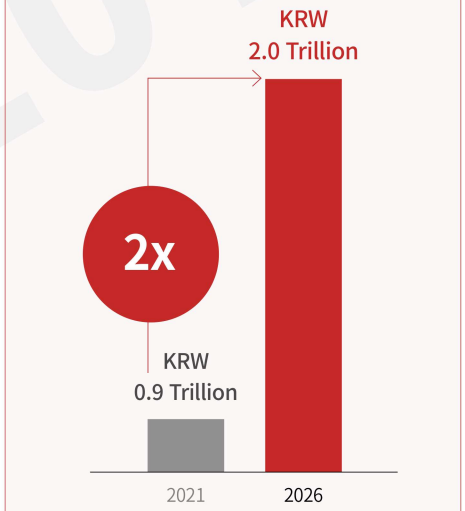
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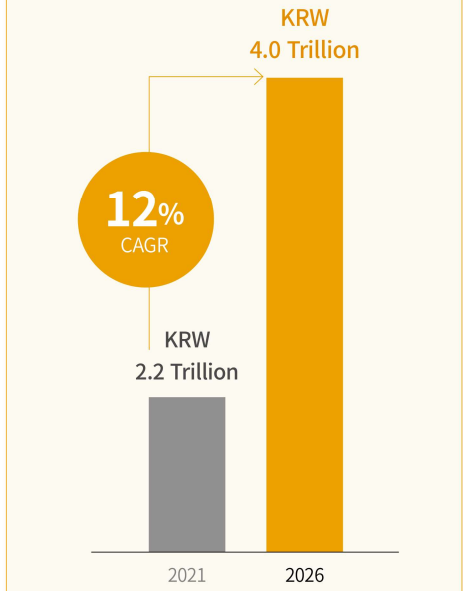
Business goal/ Business strategy

Focusing on doubling sales in the home remodeling business by 2026, Achieving company-wide sales growth rate of 12% and company-wide EBITDA growth rate of 16%

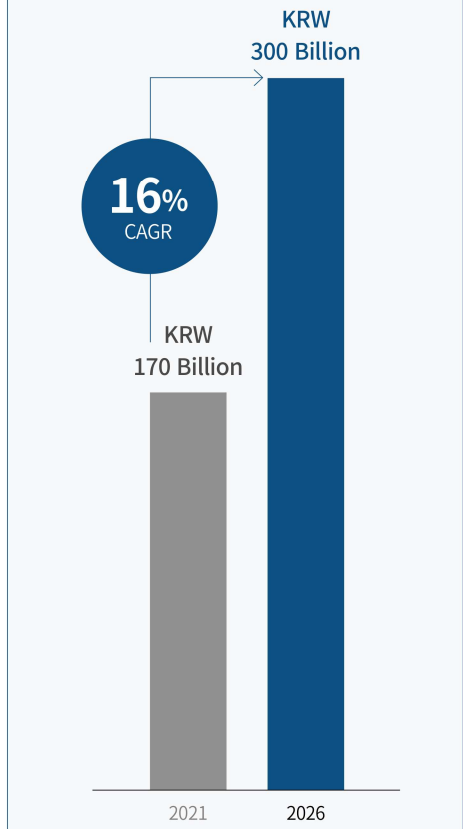
Home remodeling sales



Company-wide sales



Company-wide Normalized EBITDA



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Mid- to long-term Business goal and Business strategy

Business goal

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

Business strategy



Hanssem aims to accelerate digital transformation in the home remodeling field by combining IT based on competitiveness in logistics, construction, and distribution. Hanssem has vast offline infrastructure and capabilities, including 900 agencies, 60 large showrooms, 5,000 professional sales personnel, and 8,000 construction engineers. In addition, we plan to build a super-gap competitiveness that encompasses both online and offline, from consultation application to design, construction, and after-sales service on the online platform.

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

Hanssem plans to promote customer experience innovation throughout the home interior design process. To this end, we established the 'CX (Customer Experience) Innovation Headquarters' by integrating marketing, customer counseling, and consumer protection organizations. In addition, we plan to reinforce quality standards to monitor customer experience at all times and promptly improve quality service issues when they are discovered.

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

Hanssem plans to explore new businesses through overseas expansion, smart home, and mergers and acquisitions (M&A). Based on a successful domestic model, we plan to promote an overseas online home remodeling business and partner with offline home remodeling companies in the US, 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, curtains, etc. are linked with IoT (Internet of Things).

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Business Introduction

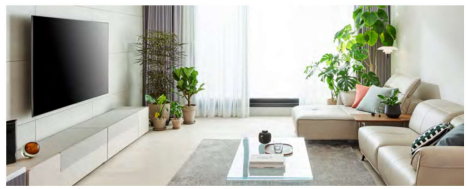
Rehouse Business Division

The Rehouse business proposes the entire space of the house, including the kitchen, bathroom, windows, and flooring, all at once. Hanssem has maintained its unrivaled No. 1 position in the domestic furniture market since 1986, and the interior market share of the Rehouse business accounts for 26% of the brand market in 2021. In order to strengthen competitiveness in sales and construction and to reflect the change in customer demand from individual purchases to package purchases, the company integrated the existing Rehouse business (total interior) and Kitchenbach business (kitchen) into the Rehouse Business Division in 2022. The Rehouse Business Division leads Hanssem based on its industry-leading salesperson recruitment and training system, its own 3D design and online design order linked system, and direct construction and after-sales service capabilities through the operation of a construction company. As the market and customer demand shifts from individual purchases to package purchases, the Rehouse Business Division is focusing on expanding remodeling style packages. It is playing a key role in Hanssem's growth by increasing its market share in the home remodeling market through sales of not only individual sales of kitchen/construction materials, but also sales of the 'Rehouse Style Package', which consists entirely of Hanssem products. Through our re-house business, we provide total interior solutions that take into account our customers' lifestyles and life cycles, creating a space where houses can become 'places they want to stay the most in the world'.The Rehouse Business Division carried out home shopping content innovation and expansion of core external affiliate malls, focusing on the communication marketing strategy of 'customer experience innovation', and built an integrated Hanssem platform through digital transformation. Through this, we operate the industry's only non-face-to-face quotation service called 'Untact 3D Proposal' and operate a service that shares the entire remodeling process with customers.

In addition, with the slogan of 'Unlimited Responsibility Remodeling', the Rehouse brand communication advertising strategy strengthened online and offline customer communication. Along with this, we are attracting new online customers by operating an SNS academy for dealerships. Offline stores are transforming into customer experience stores under the direction of 'customer impression'. Large showrooms in core commercial districts provide differentiated customer experience services such as exhibitions, promotions, and VR studios, and are increasing customer inflow through collaboration with external distribution companies. In addition, events inside and outside the store, store operation, exhibition, and renewal process enhance the customer's brand experience.

In this way, Hanssem will complete its mission of 'Completing the Home Remodeling Franchise Business Model' through customer experience innovation and super-gap competitiveness. In order to achieve the vision of 'the strongest company in the home remodeling sector', we are striving to achieve the vision by establishing core strategies such as expanding online and offline customer service and direct construction.





Rehouse Business Division Sales Unit: KRW 100 Million

2020	7,957
2021	7,675
2022	5,910

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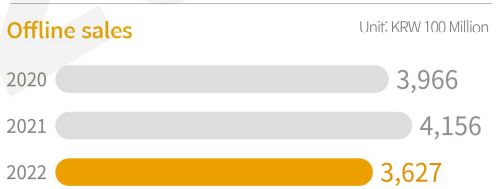
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Home Furnishing Business Division

Hanssem's Home Furnishing Business Division was launched in 1997 as the Interior Business Department and since leaping to No. 1 in market share in the home furniture sector in 2001, it has been ranked No. 1 in National Brand Competitiveness Index of home furniture sector for 15 consecutive years. Our core strategy is to implement an omni-channel that integrates platforms so that the customer experience using Hanssem can be seamlessly continued between online and offline channels. In 2023, the offline division and the online division were integrated into the home furnishing division. Through these changes, we will continue to develop to secure unrivaled market share in both online and offline markets. The Home Furnishing Business Division operates a direct store business, agency business, and online business.

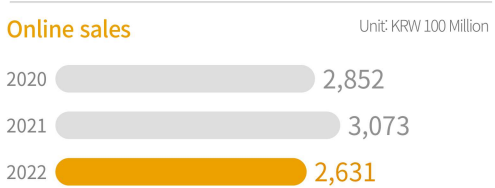
Offline





Online





Direct store business

The direct store (design park) business, which started with the launch of the interior furniture business in 1997, is operating 21 direct store stores as of 2023, with Bangbae as the first store. If the past 50 years of Hanssem are called Chapter 1, the newly opened Songpa store in 2023 is the first store to apply the innovation strategy of Chapter 2, and aims to provide a seamless online and offline shopping experience. 'Omni-channel' technology has been incorporated throughout, and products can be viewed in virtual reality and augmented reality. Going forward, we plan to provide new shopping experiences to our customers through new openings and renewals of existing stores.

Agency business

In the case of the interior agency business, we sell furniture at distribution stores specialized in each commercial district to target the metropolitan area and regional commercial districts. In addition, since 2016, we have expanded the number of large exhibition stores the size of design parks through win-win support for agencies. Through this, we provided opportunities for agencies to operate in large showrooms, achieved shared growth between agencies and headquarters, and strengthened package sales services by fostering space experts. The interior agency business aims to achieve a higher market share than other brands and create performance based on customer satisfaction based on store competitiveness, which is a combination of Hanssem's know-how and digital transformation strategy, and sales competitiveness, which is a core asset.

Online business

We entered the online business in February 2008 and continue to grow. By 2014, Hanssem's business model was applied online, achieving phase 1 growth centered on Hanssem Mall, and from 2014, distribution was expanded to affiliated malls. Since 2020, we have been concentrating our capabilities on differentiating our services in line with the market trend being reorganized through remodeling, and as a result, we were able to introduce a new online service in February 2023. Through the new Hanssem Mall app, customers can experience Hanssem's services seamlessly between online and offline.

Hanssem Domus

In April 2023, we merged with Hanssem Domus, a subsidiary that focuses on distributing high-end imported furniture. Hanssem Domus' greatest competitiveness is that it is possible to implement a reasonable price policy without intermediary distribution margins through exclusive brand contracts with European furniture companies. Based on the imported furniture distribution know-how that Hanssem Domus has acquired over the past 20 years, our home furnishing division has laid the foundation for aggressively targeting the high-end market.

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Built-in Division(B2B)

We supply kitchen furniture, storage furniture, and related products and equipment to excellent construction companies and developers in the new construction, remodeling, reconstruction, and redevelopment markets of large-scale apartment houses. We are also expanding our supply items to various interior construction materials. In addition, in order to secure the quality of products and construction, we have introduced the 'Hexa-Q Service', an integrated quality management process of the Special Sales Division, and applied it to the field. The Hexa-Q service is a service that applies a digitalized and standardized management system from pre-delivery sample house evaluation to construction, product quality inspection, logistics management, pest control, and move-in AS. Through this, Hanssem provides differentiated quality control services. In order to respond to the changing housing market environment and develop the future market, the Special Sales Division has been conducting continuous research and development. We are responding to the reconstruction market that is becoming more sophisticated through the development of premium furniture. In addition, to prepare for the future architectural environment changes such as the expansion of the OSC (Off Site Construction) market, we are developing the 'Hanssem System Bath', a prefabricated dry bathroom. In addition, in order to apply Hanssem's competence, which is growing into a total interior design company, to the B2B market, we launched the B2B interior brand 'Hanssem-Inside' and the housing brand 'BACHHAUS' to provide differentiated and high-end services of Hanssem in the B2B interior market as well. The Special Sales Division will continue to develop in the field of quality differentiation and future market development to create a virtuous cycle in which customers can trust and find Hanssem again.



Built-in Division

Unit: KRW 100 Million

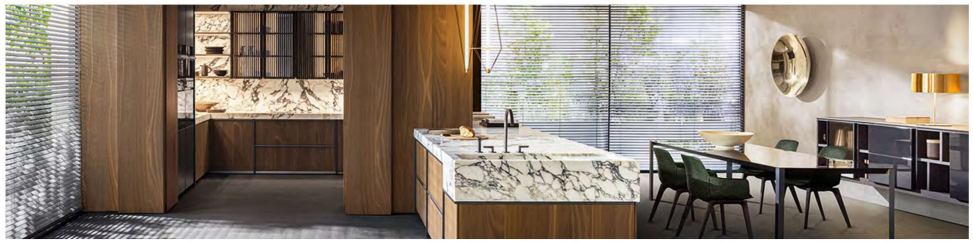


Hanssem Nexus

Hanssem Nexus was established in 1992 to provide space solution services in line with the changing market for a high-end lifestyle and residential environment. Since its establishment, with the mission of 'contributing to the development of mankind by improving the residential environment' and the vision of becoming 'the world's best service company in the residential environment sector', over the past 31 years, we have carefully selected and introduced products from the best global brands in Korea. Just like our mission of 'Nexus', we place the highest value on customer satisfaction through the provision of quality products and services centered on ties with customers.

The Hanssem Nexus B2B business diversifies sales models from imported furniture such as Dada, Molteni, and Nolte to high-end interior construction materials to increase customer satisfaction by proposing solutions suitable for projects of various characteristics such as high-end, premium, and masstige. . Meanwhile, through continuous expansion of clients, we are expanding our market share and advancing to a leading position in the market.

Hanssem Nexus B2C Business (Home Design Business Office) provides detailed furniture proposal services and curation services that create various spaces through Nexus' unique carefully selected brand portfolio to individual customers who want a dignified lifestyle. Through the curation service, we are completing the customer's space by providing various space solutions and customized proposal services, rather than simply filling the space.





Sales of Hanssem Nexus

Unit: KRW 100 Million



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SPECIAL REPORT

Digital Transformation

Store display innovation

Unlimited responsibility

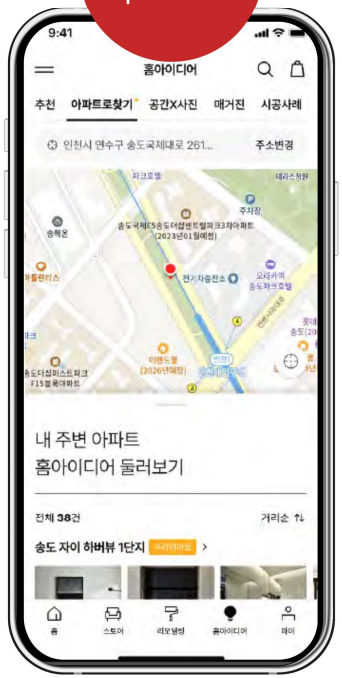
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Digital Transformation

The Beginning of Hanssem's Digital Transformation

Hanssem began seeking digital transformation of its business from 2022 in order to be reborn as an innovative living tech company from a traditional manufacturing and distribution company. As a primary result of Hanssem's digital transformation, a new integrated application, Hanssem Mall, was launched in February 2023. The new Hanssem Mall is merging the online channels that were separated between home furnishing and Rehouse into one and expanding customer contact points, which were previously offline, to online. Through this conversion attempt, Hanssem seeks to secure online customers and expand its base to younger customers. In addition, we will establish a leading position in the interior industry by responding online to information search, contract, consultation, construction, and after-sales service.

Search by Apartment



More than 10,000 remodeling construction case contents written by 3,000 remodeling construction experts nationwide are provided through apartment search. You can also check construction examples of apartments with similar structures. In the contents, information on the size, construction scope, materials, construction method, and interior keywords is also provided, along with information on the agency that performed the construction.

Untact 3D Proposal



Customers specify and deliver their needs for the remodeling project they are envisioning through questions in the untact 3D proposal, and Hanssem delivers a 3D rendering-based remodeling proposal within 48 hours based on the contents.
Through this, customers can receive Hanssem's high-quality design with a quote even without visiting an offline store.

Remodeling Manager



The remodeling manager manages the entire remodeling process, from application for remodeling consultation to quotation, construction, and supervision. Through this, it is possible to prevent and respond to various situations that may occur in the construction process in advance by unifying the communication channel between the customer and the field construction manager. Ultimately, we plan to continuously upgrade Hanssem's unlimited responsibility remodeling service to complete it.

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The Future of Hanssem's Digital Transformation

The next journey of Hanssem's digital transformation is maximizing on-offline convergence centered on home furnishings. The key is to present a consistent message to customers through linkage between various sales channels such as stores, online, mobile, and SNS. Customers will be able to enjoy a seamless purchasing experience, seamlessly crossing online and offline, by providing information on the nearest store from the customer's location, inventory information on products of interest, and even making a consultation reservation with an expert. Through this digital transformation, Hanssem will continue to provide innovative experiences that did not exist in the existing furniture industry to customers, and based on this, will achieve a super-gap as a living tech company.



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Store Display Innovation

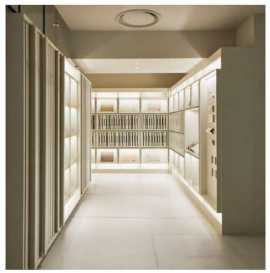
Life Spectrum Store <1st store Hanssem Design Park Songpa>

Hanssem operates 21 Design Park stores across the country. Hanssem's first-generation store, which started in 1997, was the first space in the living industry to supply home furnishing products such as furniture, household items, kitchens, and fabrics to customers in one-stop. The Yongsan branch, which opened in 2018, was a space that proposed a total solution that included not only furniture but also home remodeling and interior packages. Hanssem plans to propose a new design park model by opening a Songpa store in 2023 for the millennial generation.

Amazing space experience 01

Hanssem has redefined the concept of an offline store as a space where you can explore and experience the 'Life Spectrum', the colorful tastes and lifestyles inherent in each individual. Opened in March 2023, Hanssem Design Park Songpa is the first space designed for the millennial generation to explore and discover their tastes. Breaking away from the customary exhibition method of classifying products by product category, Songpa Branch, which is designed to break down boundaries and intertwine spaces, traffic lines, and contents, is largely composed of three spaces: community, curation, and archive.




First space — Community

A space that millennials can visit comfortably in their daily life

Hanssem's new design park is designed as a space where you can naturally think about life and face new discoveries. A store where a customer's journey begins with a community at the center is a comfortable place to visit with friends and family. Hanssem aims to provide interesting and various experiences to millennial customers by providing various contents such as F&B, grocery markets, and pop-up stores in the 'community' space. The first community at the Songpa branch collaborates with a trendy cafe that shares Hanssem's philosophy of space and offers limited menus that can only be found at Hanssem's Songpa branch to customers.

Second space — Archive

A collection point where you can see everything about one topic in one place

Comfort archive
It is an independent space where you can fully experience everything about rest, with sofas, mattresses, and sleep-related accessories from various brands in harmony.

Storage archive
It is a storage furniture-themed space where you can check the material, pattern, and style of built-in cabinets and built-in cabinets at a glance.

Remodeling archive
It is a library space where you can find various interior materials and books that inspire your life.

Fabric archive
This is a space where customer-customized window fabric consulting such as electric blinds and curtains are conducted.

Third space — Curation

A place where you can discover spaces and atmospheres for each taste of 3 concepts and 6 themes

Rehouse curation
'Casa Cremosa', Rehouse's representative space plan created in collaboration with CHIHO & PARTNERS, combines 'Designer Kim Chi-ho's idea of space with 'Hanssem's brand heritage.

Kitchen curation
It is a space that shows various styles of kitchens, including Hanssem's signature 'Kitchenbach'.

Furnishing curation
It is a home furnishing space that reflects the diverse tastes of customers. Furniture such as sofas, beds, and dining tables are displayed in various themes.

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A variety of shopping that is naturally connected 02

The new design park that Hanssem is attempting is a space where customer experiences of 'on-offline', 'remodeling-furniture-props', and 'store-home' are seamlessly connected and shopping in a natural context is possible. Through this, Hanssem has prepared a store environment where customers can comfortably browse alone and design their living space in more detail through consultation with a space designer. Customers can check information on all products by themselves through QR codes, and they can also explore the colorful information of living brand props that they encounter everywhere.



Omnichannel

The experience of sitting on a product, checking it in VR, and pre-laying it at home with AR

At the Songpa branch, in addition to the original function of an offline store where you can touch and experience products, you can experience displayed and non-exhibited products by rotating them through 720-degree virtual reality (VR*) and after returning home, you can place the products you experienced today in advance using augmented reality (AR*). All products are linked to the integrated platform 'Hanssem Mall' and can be purchased anytime, anywhere.

*VR : Virtual Reality
*AR : Augmented Reality

Living deco

Various brand props and collaboration goods linked to spaces throughout the store

You can meet various Living Deco brands as space-related contents throughout the Songpa branch where you can explore and discover. In 'Comfort Archive', products of brands related to 'rest' are displayed, in 'Community', a pop-up store through collaboration with a home décor brand, and in 'Furnishing Curation', fantastic space production through collaboration with an illustrator and you can meet a variety of collaboration goods limited to the Songpa branch.

Hanssem plans to expand the new design park model, such as the Songpa branch, through the renewal of existing stores and the opening of new stores. Hanssem's new store display model plans to build a brand image of young and innovative Hanssem by providing a different experience to customers.

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Unlimited Responsibility

Securing the Super Gap of 'Reliable Rehouse' by imprinting unlimited responsibility messages to customers

Since interior construction requires a large amount of money and takes a long time, customers receive comparative estimates from several companies and conclude a construction contract after much consideration. However, there are many cases where people complain of stress even after a construction contract is signed. This is because typical inconveniences such as 'increasing estimates', 'extended schedules', 'disappointing construction', and 'bursting repairs' occur. In order to reduce these inconveniences, Hanssem has established a 6-step unlimited responsibility solution that solves the pain customers experience in the entire remodeling process, from consultation to quotation, contract, construction, and after-sales service, and is launching the 'Unlimited Responsibility Remodeling' brand campaign. With Hanssem's 'Unlimited Responsibility Remodeling', if you sign a contract for 'genuine materials' and 'direct construction' through an 'electronic contract', you can safely complete the construction with 'Unlimited Responsibility Remodeling'.



Step 01.

3D consulting system



Step 02.

Fixed price for materials



Step 03.

Electronic contract

Realization the interior as it actually is with 3D design

Through the remodeling 3D consulting design program 'Home Planner', you can preview the appearance of your house after construction. By importing 50,000 apartments nationwide into 3D drawings and installing furniture and construction materials such as beds, sofas, and flooring in advance in a virtual space, you can reduce the trial and error of interior design that you only imagined in your head.

Realization of transparent quotation and fixed price of materials and construction costs

In the quotation stage, we promise transparent remodeling estimates with the 'fixed material price system'. We increase customer confidence in the price by calculating a detailed estimate that includes the materials, product prices, and construction costs required for Hanssem remodeling.

Transparent construction progress through computerization of the entire remodeling process

When signing a remodeling contract, the entire process of interior construction is transparently electronicized using an 'electronic contract', and a promise to be responsible for repairing defects at the site constructed with Hanssem's official products and construction workers is written in the contract. Through this, customers can increase construction estimates after contracts and resolve the inconvenience of repairing defects after construction is completed.

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Hanssem Unlimited Responsibility Remodeling can be found at about 80 offline stores, including large home remodeling stores (Rehouse, Kitchen & Bach), online malls such as Hanssem Mall and Hanssem.com, and home shopping. At the store, home remodeling experts also provide customized 3-dimensional (3D) consultation design services. To this end, Hanssem is equipped with human resources such as 5,000 professional design consulting personnel and 8,000 construction cooperating engineers, and is equipped with offline remodeling competitiveness. We will take the lead in making remodeling work a pleasant experience for our customers, not a pain, with a sense of responsibility to deliver only 'good' products to customers.

Remodeling unlimited responsibility 6-step solution



Step 04.

Headquarters construction system



Step 05.

Multi-Supervision System



Step 06.

Headquarters AS system

From construction to AS, Hanssem direct construction

Remodeling construction is carried out directly by Hanssem Service, a subsidiary specializing in construction and logistics with a professional construction license, in charge of the entire process. Hanssem is the first in the industry to establish a nationwide direct construction system before remodeling. We are raising the quality of construction with a system that is responsible for everything from actual measurement to construction, supervision, and after-sales service through skilled construction personnel and the site manager 'PM (Package Manager)'.

Quality assurance through multi-supervision system

After the remodeling work is completed, quality is guaranteed by establishing a multi-supervision system with the goal of 'delivery of good products to customers'. The site manager PM checks the construction quality twice, after the construction is finished and before handing over the site to the customer. In addition, a dedicated call center for remodeling customers will be operated to continue quality control through continuous customer satisfaction surveys.

Follow-up management with 1-year free warranty

Lastly, we guarantee free A/S within one year after completion of the remodeling work, and take responsibility for repairing defects by implementing a safe BS(Before Service). After the remodeling is completed, Hanssem's construction cooperating engineer visits the site and checks the operation of parts such as hinges and drains, as well as equipment such as hoods and cooktops. With the Hanssem after-sales service system, additional problems that customers discover while living in a newly remodeled house can be quickly repaired.

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ESG MANAGEMENT

ESG Highlights
ESG Management System
Sustainability Management Strategy
Materiality Assessment and Key Issues

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ESG Highlights



Strengthening ESG management at international standard level

- Environmental Management: Expansion of ISO14001 to Sangam Office Building, Research Center
- Safety management: Newly acquired ISO45001



Global initiative enrollment expansion

- Responding to carbon-related initiatives , Carbon Disclosure Project (CDP)
- Joined UNGC (UN Global Compact)

ESG external awards

- Received the Minister of Environment Award at the 17th Korea ESG/CSR Awards
- Received the Minister of Trade, Industry and Energy Award from the government for contribution to sustainable management
- Received Platinum Award at the LACP Vision Awards organized by the U.S. Communications Federation
- Received ESG Grand Prize of Dong-A , the Korea Economic Daily among the three major media outlets
- Received 2022 CSR Film Festival Minister of Employment and Labor Award



Promotion of sustainable win-win management

- Acquired 'Excellent' grade in the Win-Win Growth Index of the Commission on Corporate Partnership for 3 consecutive years

Expansion of new social contribution projects

- Support project for households affected by forest fire
- Support project for self-reliance preparation youth

※ As of June 23

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Good company to work for

- Certification as a family-friendly company by the Ministry of Gender Equality and Family
- Strengthen employee communication through town hall meetings

Innovation in customer experience

- Launching an integrated online/offline platform
- Store display innovation
- Unlimited responsibility construction



Strengthening climate change response system

- Response to climate change related global disclosure (Financial Disclosure Consultative Body related to climate change)
- Scope 3 expansion of greenhouse gas measurement range

Implementation of shareholder-friendly policies

- Quarterly dividend payment
- Introduction of electronic voting system



Improving governance transparency

- Establishment of a management system centered on the board of directors (7 subcommittees within the board of directors)

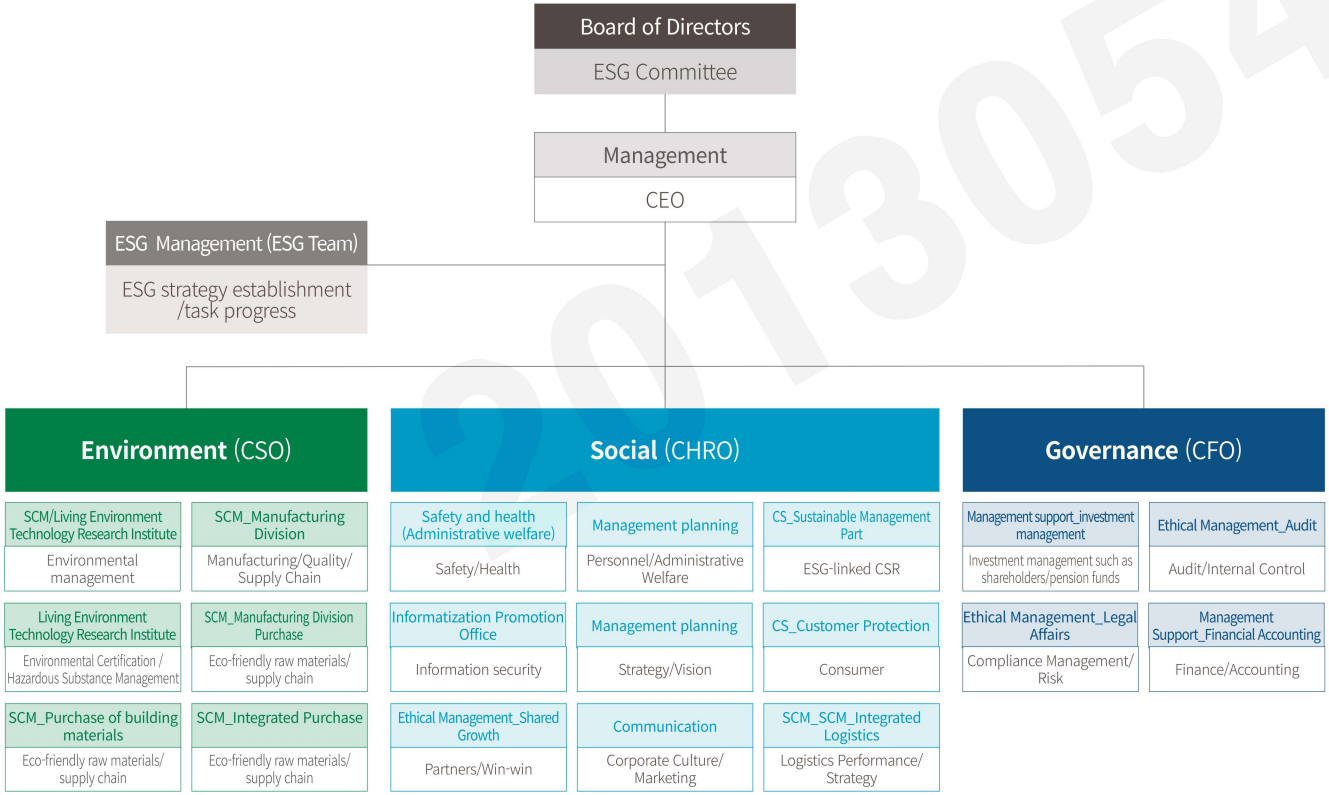
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ESG Management System

Sustainability Management Governance

Hanssem is strengthening its sustainability management system centering on the ESG Committee, which serves as a control tower, and the ESG Committee within the board of directors, which is the highest decision-making body, in order to establish an ESG management system from the enterprise-wide perspective. The ESG Committee, composed of management experts, is held quarterly, deliberates and decides on ESG-related issues, and enhances expertise through ESG-related training through external experts. In addition, by reflecting ESG-related goals in the KPI of related executives and employees, an environment for participation in ESG management by relevant working-level staff was established.



ESG Committee

Hanssem recognized the importance of ESG management and established the ESG Committee, the highest decision-making body, as a subcommittee under the Board of Directors in 2021. The ESG Committee reviews major agendas according to the company-wide ESG promotion direction and manages and supervises the implementation of important ESG strategies. In 2022, a total of three ESG committee meetings were held, and agendas such as approval of key ESG initiatives for 2022 and 2023, review of climate change-related risks and opportunities, and approval of executives in charge of fair trade were reviewed and approved.

ESG Team

Hanssem has been practicing ESG management since the first publication of the Sustainability Report in 2019, and established the ESG Team in January 2022 to systematically implement the ESG strategy approved and reviewed by the ESG Committee. The ESG Team, as the ESG control tower directly under the CEO, establishes an ESG strategy that meets global standards, discusses it with each organization across the company, and discovers new agendas.

ESG Task Force

Hanssem has established an ESG TF organization for company-wide ESG management. The ESG TF is a decision-making consultative body in which both 'C' level executives and working-level staff from related departments participate under the leadership of the CEO. We discuss overall ESG issues, such as establishing long- and short-term ESG management strategies and responding to ESG evaluations, and share the progress of detailed strategic tasks with working-level staff in related departments.

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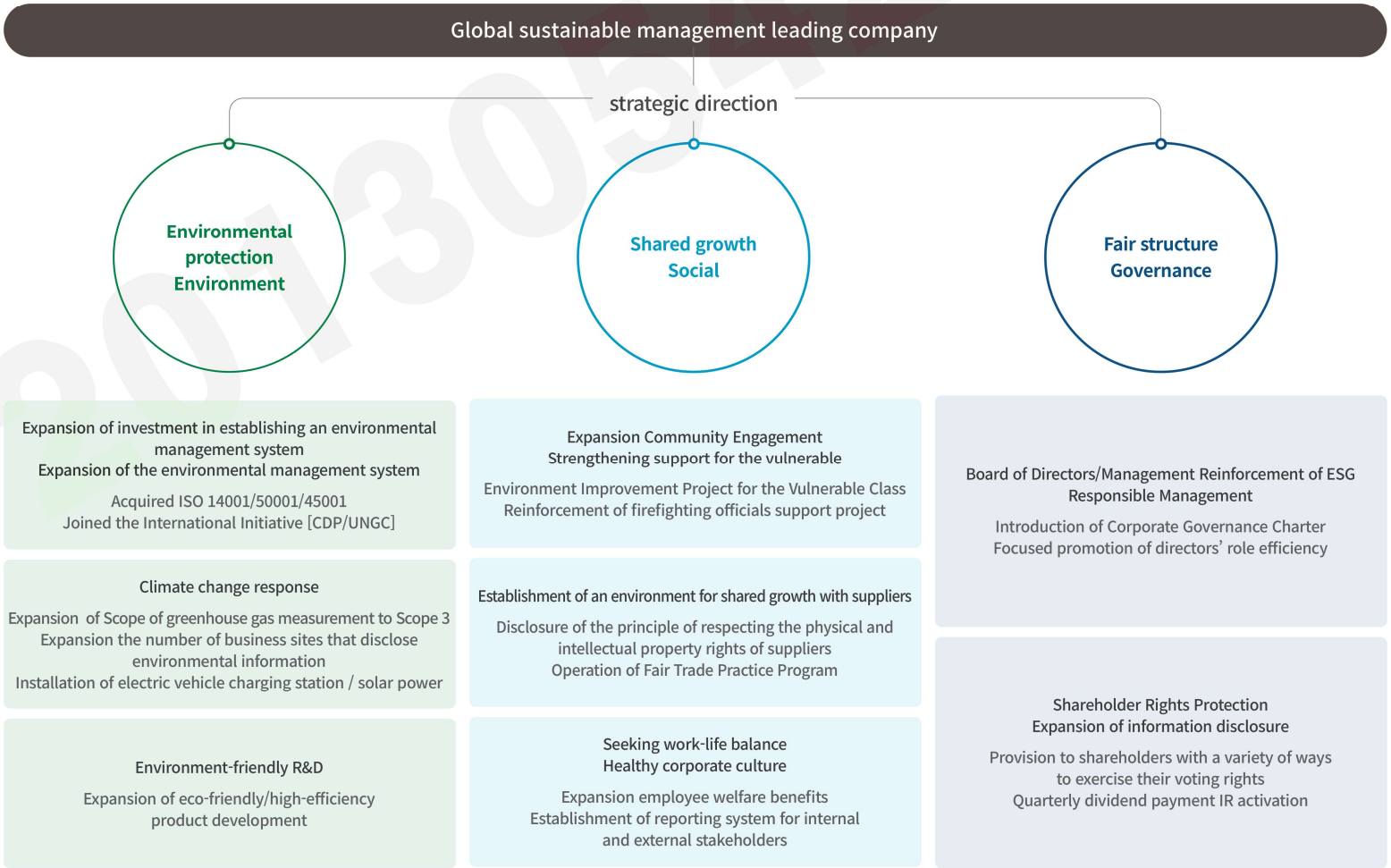
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Sustainability Management Strategy

Sustainability Management Strategy System

Hanssem derives key initiatives for each area and promotes ESG strategies through internal and external stakeholders' awareness of ESG, ESG trends, and materiality assessment through external organizations. Through this, we want to build an ESG roadmap that leads the industry's ESG management. In addition, Hanssem discloses major activities and achievements to internal and external stakeholders as well as consumers through the publication of the Sustainability Report every year. In the future, Hanssem aims to develop ESG management competitiveness that creates sustainable value by reflecting global ESG management trends.



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Sustainable Management Activities

Join Initiatives and Activities

UN SDGs (UN Sustainable Development Goals)	Hanssem is participating in the implementation of the United Nations Sustainable Development Goals (UN SDGs). Hanssem pursues sustainable management based on people, prosperity, global environment, peace, and partnership with global environmental preservation, social development, and economic growth as the basic axes together with Hanssem's stakeholders, including customers, partners, employees, and shareholders.
UNGC(UN Global Compact)	Hanssem adheres to the principles of sustainability by joining UNGC, the world's largest voluntary corporate citizenship initiative. We implement the 10 principles in the areas of human rights, labor, environment, and anti-corruption, which are the core values of UNGC, and work together with companies around the world to promote sustainability.
CDP(Carbon Disclosure Project) Climate	Hanssem joined the Carbon Disclosure Project (CDP) in 2022 and began disclosing carbon emission information. We also have plans to establish specific carbon emission reduction targets in the future. To this end, Hanssem will establish and implement environmental management strategies and systems that meet global standards.
TCFD (Task Force on Climate-related Financial Disclosures)	Hanssem supports TCFD and intends to comply with its recommendations. Hanssem discloses climate-related information in accordance with the recommendations in the report to enhance the transparency of the company's assessment of climate change risks and opportunities and response information. In addition, by publicly declaring support for TCFD, we are notifying that we are making efforts to respond more flexibly to climate change risks through climate-related disclosures.

Other sustainable management activities

Hanssem is conducting in-house employee participation activities and training for the internalization of ESG management by internal employees. Hanssem is conducting the 'Plastic Zero Campaign' to contribute to resource circulation by promoting separate collection by employees. We also hold an event for in-house employees to present plastic padded scarves to those who certify recycling or using a tumbler with a photo. In addition, we conducted a walking challenge to improve employee health by encouraging the use of public transportation and walking instead of commuting by car.

ESG management activities targeting employees are conducted not only through these voluntary participation events, but also through ESG education. In April 2022, a lecture was prepared for all executives and employees on the theme of 'ESG era, how do global advanced companies respond?' to explain what ESG is and why it is important through examples of global companies. This was conducted face-to-face and through YouTube streaming so that all employees across the country could hear it. The ESG education is provided online so that anyone can take it through an online self-development program.

Hanssem also conducted ESG training for outside directors in 2022 to strengthen ESG management. Hanssem has improved the ESG expertise of the board of directors by educating the need for ESG management and related trends through external experts.

ESG assessment status

KCGS	SUSTINVEST	CDP Climate
A	AA	B

※ As of the end of 2022

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Materiality Assessment and Key Issues

Materiality Assessment Process

Through materiality assessment, Hanssem identifies issues related to sustainability management that companies should focus on managing and disclosing. In particular, the materiality assessment of the year introduced the concept of Double Materiality Assessment, which referred to the EU Corporate Sustainability Reporting Guidelines (CSRD) based on the GRI standards. Material issues were selected in consideration of the mutual impact of business, the environment and society. Through this, it is possible to reflect the perspectives of various internal and external stakeholders as well as traditional investors by considering not only the impact of the environment/society on the company (Outside-in) but also the impact of the company on the environment/society (Inside-out).



1. Organizing the issue pool

- Review of material issues of the previous year
- Understanding Organizational Context
- Analysis of ESG disclosure and evaluation requirements
- Analysis of industry Benchmarking
- Media analysis
- Stakeholder Interview
- Identification of actual and potential impacts

2. Materiality evaluation of issues

- Outside-in analysis of financial impact
- Inside-out analysis of environmental and social impact

3. Selection and reporting of material issues

- Conduct comprehensive evaluation by measuring the environmental/social impact and financial impact of each issue
- Selection of final 12 key (Tier 1) issues
- Reporting to management and ESG committee

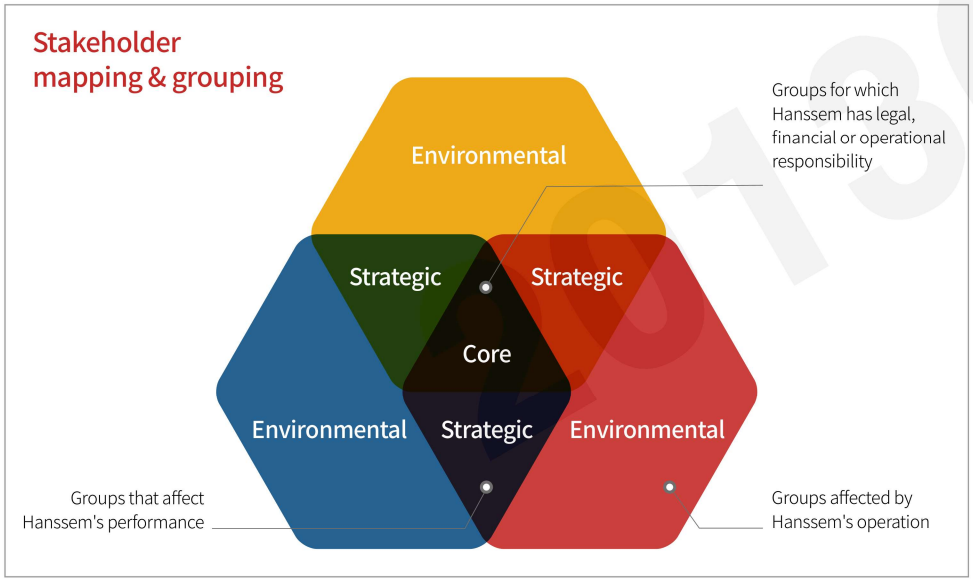
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Stakeholder Selection and Communication

Stakeholder Selection

Hanssem classifies its stakeholders into three groups by referring to the stakeholder classification criteria presented by ISO 26000 (Corporate Social Responsibility Standard). Accordingly, Hanssem's stakeholder groups are divided into core stakeholders, strategic stakeholders, and other stakeholders according to legal, financial, and operational responsibilities and influence. Key stakeholders such as customers, shareholders, and agencies, as well as key stakeholders such as suppliers, employees, and local communities, are the driving force behind Hanssem's growth and the main agents of sustainable values that Hanssem will create in the future.



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

Communication by stakeholder

Communication Channel Operation Status by Stakeholder Group

Hanssem is operating communication channels for each major stakeholder and strengthening communication by conducting a survey on Hanssem's sustainability management targeting stakeholders every year from 2021. Hanssem will continue to build a strong relationship of trust through constant communication in order to meet the needs and expectations of a wide range of stakeholders.

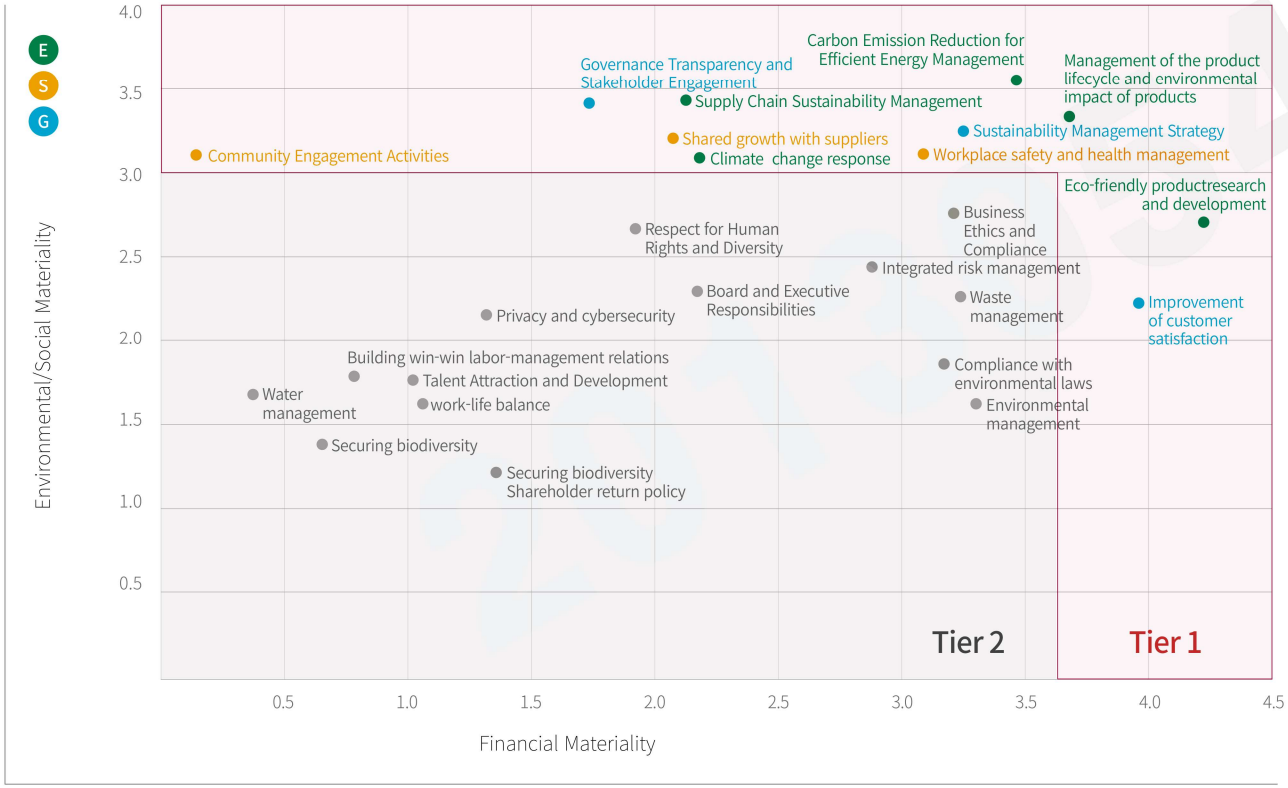
Stakeholder	Issue of interest	Communication Channels and Cycles		Response activities
Employees (including labor union)	Employee welfare corporate, Culture communication company's vision and goals	① Top-down, Bottom-up, horizontal communication channel	Anytime	'Hotline, Voice of the Heart Intranet Anonymous Channel Change Agent Holding monthly regular meetings 'Corporate Culture Committee' Participation in the group directly under the CEO, labor-management and external advisory groups Holding monthly regular meetings
		② Good Workplace Council	Every month	
		③ Corporate Culture Committee	Every month	
		④ Stakeholder survey	Once a year	
Customers	Product and service Consultation AS/BS	① Contact Center	Anytime	'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
		② Homepage	Anytime	
		③ Online portal	Anytime	
		④ Deliberation Committee on Consumer Zero Complaints	Quarterly	
		⑤ Stakeholder Survey	Once a year	
Shareholders and investors	Transparent management	① General meeting of hareholders	Anytime	'Analyst Day' Share mid- to long-term strategic direction with shareholders and investors 'Stakeholder Survey' Conducting surveys of employees, consumers, NGOs, investors, etc
		② Stakeholder Survey	Once a year	
		③ IR meeting	Once a year	
Government and related organizations	Shared growth, Social responsibility, Safety and health management issues	① Environmental Safety Advisory Committee	Anytime	'Environmental Safety Advisory Committee' Composed of internal and external expert members, discussing major environmental and safety policies
		② Stakeholder Survey	Once a year	
Suppliers	Win-win, Fair-trade	① Subcontract Deliberation Committee	Every month	'Subcontract Deliberation Committee' Deliberate on appropriateness when selecting and canceling partners, resolution of civil complaints, listening to opinions, and sanctions related to violations
		② Stakeholder Survey	Once a year	
Communities	Shared growth, Social responsibility, Employee Volunteer	① Stakeholder Survey	Once a year	Implementing corporate social responsibility based on sustainable management and collecting opinions on improvement measures

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Materiality Assessment Results

Hanssem selected 12 material issues by applying double materiality through a materiality evaluation table that considered both environmental and social impact (outward impact) and financial impact (inward impact). As a result of the selection, there were some changes in key issues compared to the previous year.



Materiality	Key issues	Previous year
Tier 1	Carbon Emission Reduction for Efficient Energy Management	Tier 2
	Climate change response	Tier 1
	Management of the product lifecycle and environmental impact of products	Tier 1
	Supply Chain Sustainability Management	Tier 1
	Eco-friendly product research and development	Tier 1
	Improvement of customer satisfaction	Tier 1
	Workplace safety and health management	Tier 1
	Community Engagement Activities	Tier 2
	Shared growth with suppliers	Tier 1
	Chemical management	New
	Sustainability Management Strategy	Tier 1
	Governance Transparency and Stakeholder Engagement	Tier 1
Tier 2	Integrated risk management	Tier 1
	Responsibilities of the board and management	Tier 1
Exception	Product quality enhancement	Tier 1

Major changes compared to the previous year	Main reason
Chemical management included in Tier 1	▶ Reflecting the impact of chemical substance management on the environment and society
Community engagement activities included in Tier 1	▶ Reflecting the impact of community engagement activities on the environment and society

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Material Issues Management

Material issue	Explanation	Execution details and performance	Response to UN SDGs
Carbon Emission Reduction for Efficient Energy Management	Reducing energy consumption, increasing the share of renewable energy, Aggregation and Reduction of Greenhouse Gas Emissions	- Establishment of a greenhouse gas inventory and expanding the scope of Scope 3 - Energy saving through conversion to high-efficiency facilities - Establishment of greenhouse gas reduction targets	7 AFFORDABLE AND CLEAN ENERGY
Climate change response	Climate change scenario analysis, Identification of risks and opportunities according to climate change and establishment of strategies to respond to them	- Analysis of risks and opportunities according to climate change - Deduction of financial impact considering climate change scenarios - Establishment of climate change response strategies considering risks and financial impacts	13 CLIMATE ACTION
Product life cycle and product environmental impact management	Reuse of products to be discarded and increase lifespan through improved durability, etc. Environmental virtuous cycle management within the product life cycle period	- Searching for ways to reuse products through refurbished product operation - Consideration of recyclability of product packaging - Switching to using alternative materials considering environmental impact	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Supply Chain Sustainability Management	Selection and management of business partners considering environment and labor management, Consideration of eco-friendly factors in procurement (verification of certification, etc.)	- Establishment of Supplier Code of Conduct - Disclosure of eco-friendliness and country of origin of procured raw materials	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Eco-friendly product research and development	Consideration of impact on the environment during product R&D and reflection of strict environmental/ quality control levels in product development	-Expansion of acquisition of eco-label certification - Product design considering eco-friendliness and consumer safety at the product development stage	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Workplace safety and health management	Establishment of a safety management organization within the business to comply with laws such as the Serious Accident Punishment Act, Management of safety and health education encompassing company-wide and subcontractors, health examination/management inspection of workers, Conducting safety-related in-house campaigns	- Establishment of safety and health governance (Chief safety officer-dedicated organization-regular meeting body) - Acquired ISO 45001	3 GOOD HEALTH AND WELL-BEING
Community Engagement Activities	Operation of social contribution programs reflecting the characteristics of the industry, Activities such as the operation of community development programs and support for the local underprivileged, Establishment of promotion system for social contribution and performance management	- Operating social contribution projects for the purpose of improving the residential environment - Expansion of beneficiaries from the underprivileged in the local community to youth and fire victims - Local community contribution recognized company, external recognition such as award from the Minister of Employment and Labor related to social contribution	10 REDUCED INEQUALITIES

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Material issue	Explanation	Execution details and performance	Response to UN SDGs
Sustainability Management Strategy	Establishment of goals and strategies for implementing ESG management, Participation in global ESG initiatives/evaluation and training to strengthen employee ESG awareness, etc.	- New participation in the 2022 UNGC and CDP Climate initiatives - ESG training for company-wide employees and outside directors - Expansion of climate change-related disclosures such as TCFD	
Governance Transparency and Stakeholder Engagement	Securing independence of board members, policies to protect shareholder rights (electronic voting system, holding shareholders' meetings except on concentrated days, etc.), operating various channels for active stakeholder communication	- Introduction of Executive Officer System - Protection of Shareholder Rights through Introduction of Electronic Voting System - Enhancing shareholder value through shareholder return policies (mid- to long-term dividend policy, treasury stock purchase policy)	
Improvement of customer satisfaction	Customer satisfaction survey and complaint handling system operation to improve customer satisfaction, Establishment of responsible marketing policies to improve product/service quality and protect customer rights and interests, Operation of internal evaluation process for products/services, etc.	- Prompt response to VOC (Voice of Customer) through the operation of the Claims Deliberation Mediation Committee - Acquired Consumer Centered Management Certification (CCM) - Preemptive measures for customer complaints through 'Before Service'	
Shared growth with suppliers	Establishment and operation of win-win growth programs for partners (e.g., financial support for win-win growth purposes, technical support)	- Operation of financial/non-financial shared growth programs - Acquired the 'Excellent Grade' for 3 consecutive years in the 'Mutual Growth Index' of the Commission for Corporate Partnership - Implementation of ESG consulting for partners in collaboration with IBK Industrial Bank of Korea	
Chemical management	Activities to reduce chemical substances generated in the production/sales/use process, Disclosure of high-risk chemicals used and generated	- Consumer safety management through disclosure of chemical information - 100% implementation of chemical testing before release	

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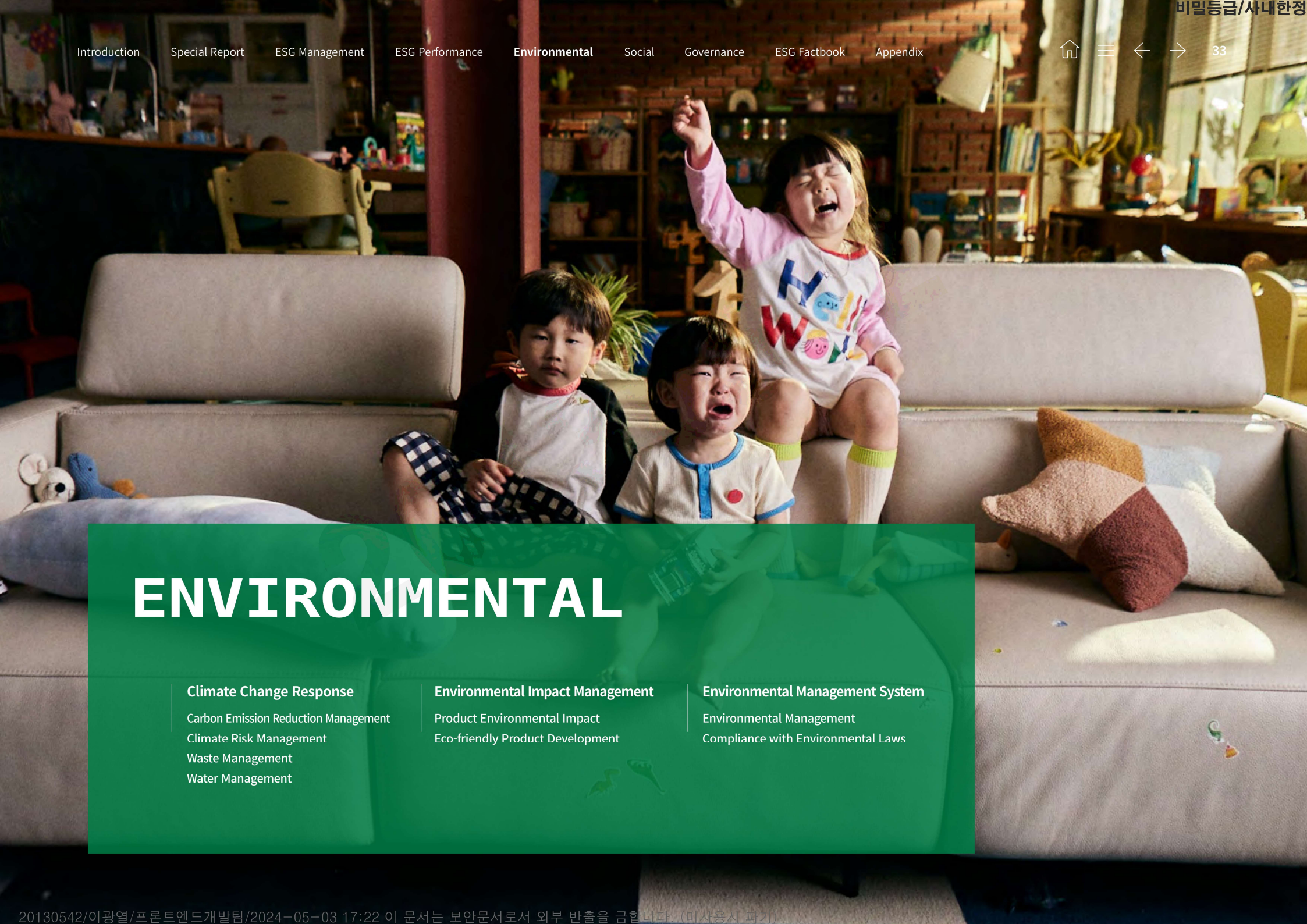
ESG PERFORMANCE

Environmental

Social

Governanace

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ENVIRONMENTAL

Climate Change Response
- Carbon Emission Reduction Management
- Climate Risk Management
- Waste Management
- Water Management

Environmental Impact Management
- Product Environmental Impact
- Eco-friendly Product Development

Environmental Management System
- Environmental Management
- Compliance with Environmental Laws

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Climate Change Response

Carbon Emission Reduction Management

Climate Risk Management

Waste Management

Water Management

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Carbon Emission Reduction Management

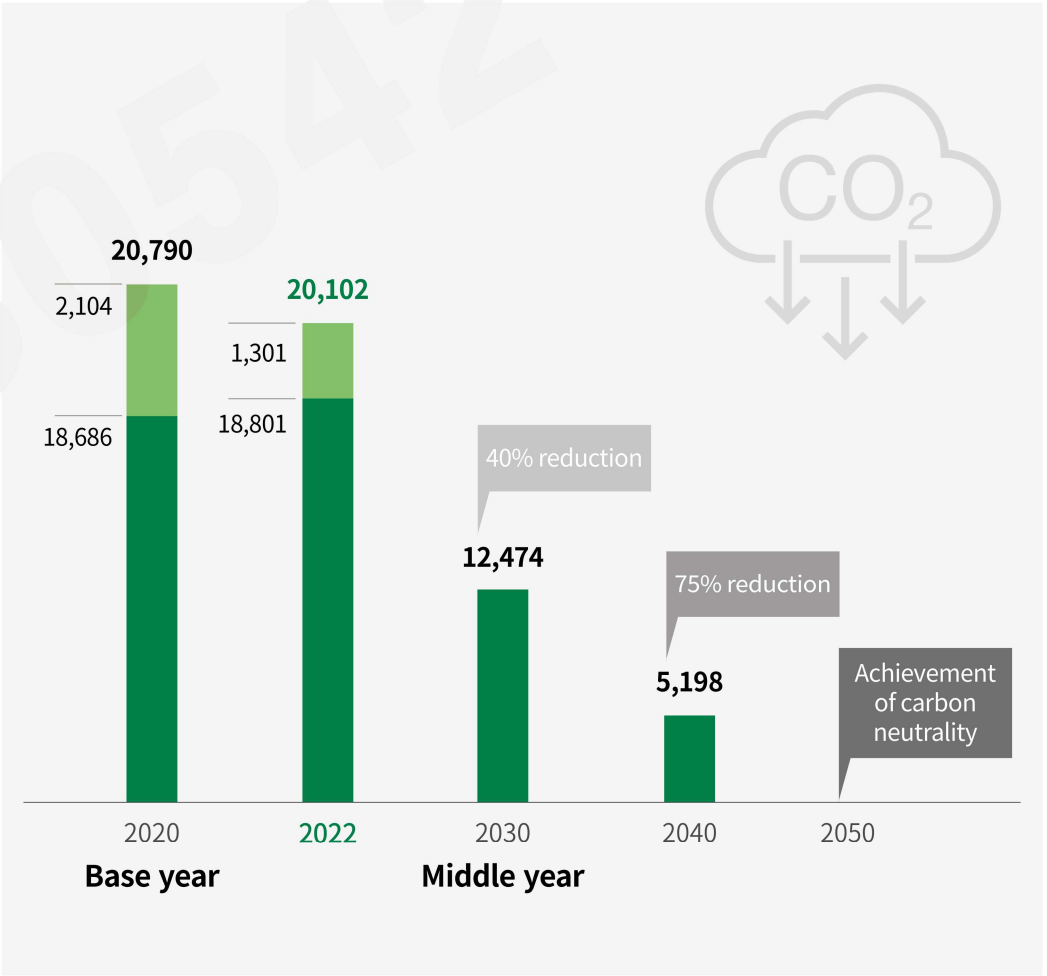
Reduction of Greenhouse Gases

Abnormal climate phenomena caused by the recent rise in global temperature have emerged as a global problem. As such climate change emerges as a threat to human survival, major countries around the world reached a global agreement through the Paris Agreement to limit global temperature rise to within 1.5°C prior to industrialization. The government also joins these global agreements and announces a basic plan to achieve carbon neutrality and green growth by 2050, and aims to reduce national greenhouse gas emissions by 40% compared to 2018 by 2030. Hanssem will support and actively participate in the efforts of these countries and the global movement for carbon neutrality.

GHG reduction target

Hanssem closely monitors the country's carbon-neutral policy and global trends on climate change, and sets goals for climate change response. To this end, Hanssem established a greenhouse gas inventory in 2020 and expanded the scope of calculation to Scope 3 in 2021. In 2022, risks and opportunities due to climate change were analyzed, financial impacts were calculated, mid- to long-term greenhouse gas reduction targets were established based on the IPCC 1.5 °C scenario, and detailed plans to achieve them were established. Hanssem has established mid- to long-term greenhouse gas reduction targets in the scope of Scope 1 (direct emissions) and Scope 2 (indirect emissions). We established a long-term goal of achieving carbon neutrality by 2050 with 2020 as the base year, and as a medium-term goal to achieve this goal, we intend to reduce greenhouse gas emissions by 40% by 2030. Hanssem will not stop there, but will advance its goals and establish detailed strategies to participate in the global movement for carbon neutrality.

Unit : tCO2e



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GHG Emission Management

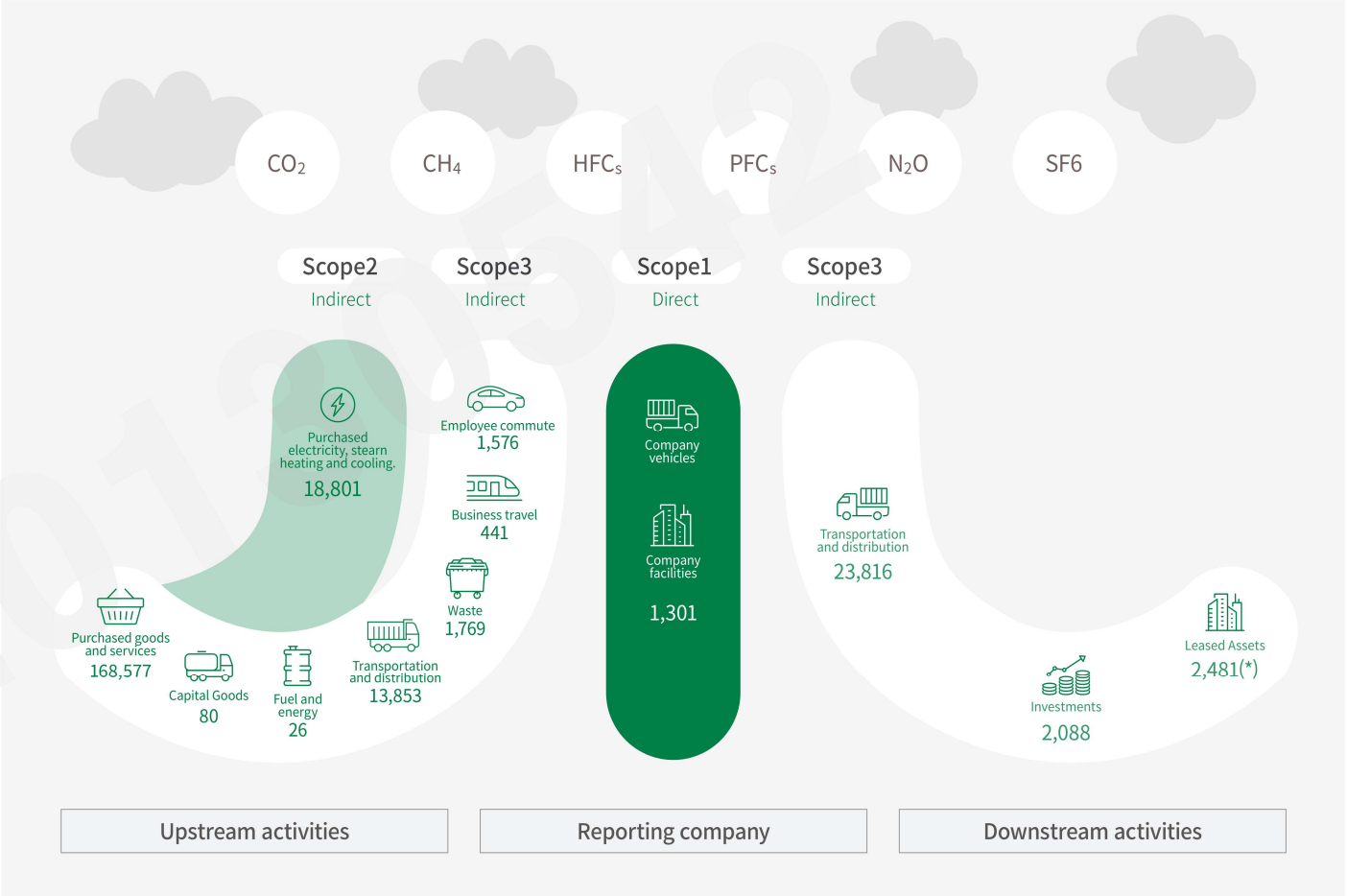
Greenhouse Gas Emission Status

Although Hanssem is not subject to the GHG emissions trading system, it collects and manages GHG emissions from all business sites. Since we established a greenhouse gas inventory in 2021 to identify the emission sources of all business sites and calculate the amount of emissions according to each emission source, we have been monitoring greenhouse gas emissions by business site every year. In 2022, we are expanding and managing the scope of greenhouse gas calculation to Scope 3.

Hanssem follows the greenhouse gas calculation method according to the Greenhouse Gas Protocol (GHG Protocol) and enhances the transparency and reliability of the emission calculation results through a third-party verification process.

Advancement of greenhouse gas emission management

Hanssem has expanded the scope of calculating greenhouse gas emissions in 2022 to Scope 3. Scope 3 refers to other indirect emissions and calculates greenhouse gas emissions not only within Hanssem's business sites, but also upstream and downstream within the company's value chain. This means that Hanssem will implement carbon neutrality throughout the business value chain, in addition to the scope of directly operated business sites. In addition, in 2023, we set mid- to long-term reduction targets toward carbon neutrality, and in the second half of the year, we plan to establish highly reliable reduction targets by advancing our targets and reduction strategies.



* Rent of Hanssem Sangam and Bangbae office buildings

	2020	2021	2022
Energy consumption (TJ)	416	382	413

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Greenhouse Gas Reduction Activities

Greenhouse Gas Reduction Strategy

Hanssem is considering various reduction means to fulfill the reduction target. About 94% of Hanssem's greenhouse gas emissions are generated from electricity, and considering these characteristics, we are trying to reduce greenhouse gases by focusing on energy efficiency strategies and the use of renewable energy power.

First of all, we will reduce GHG emissions at our business sites through energy efficiency strategies. We will improve the efficiency of energy facilities by replacing obsolete facilities at business sites, converting to high-efficiency facilities, and replacing LED lights, and increasing operational efficiency by establishing a company-wide energy management system.

In addition, we are seeking a transition to renewable energy by reflecting the nature of our business, which has a high proportion of indirect emissions due to electricity use. In this regard, a solar power generation project using the roof of the factory is in progress in 2023, and other ways to expand investment in new and renewable energy power are being sought. In addition, in the mid- and long-term, Hanssem will strive to achieve 100% renewable energy conversion by 2050 by signing a power purchase agreement (PPA), signing a renewable energy supply certificate (REC) purchase agreement, and establishing a self-power generation system at the business site.





Greenhouse Gas Emissions and Energy Consumption Reduction Activities

Hanssem monitors energy consumption by site, building, and energy source in real time through the KEPCO i-Smart system to systematically manage energy consumption. In order to raise company-wide awareness on energy efficiency and energy consumption reduction, we are running an energy use reduction program targeting our employees. In addition, we are working to reduce the amount of electricity consumed through the use of lighting by operating an automatic light-off system during lunchtime and increasing the proportion of replacing fluorescent lights with LEDs. In addition, as part of the facility efficiency improvement policy of the 3rd plant, the air compressor was replaced and the existing five facilities were operated with one high-efficiency facility. Through this, compared to existing facilities, power consumption was reduced by 31% and greenhouse gas emissions from the plant were reduced by about 5%.

From 2023, we are promoting photovoltaic power generation using the roofs of our factories with the goal of increasing the share of renewable energy. Hanssem plans to expand business sites that can procure power through renewable energy such as solar power.

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Climate Risk Management

Hanssem participated in the TCFD Supporter for the first time among domestic home interior companies and declared its support for climate change information disclosure. Hanssem recognizes the seriousness of climate change and is building an organization and establishing strategies to respond to the impact of climate change on Hanssem. As part of these climate change response activities, we will actively fulfill our role as a corporate citizen by transparently disclosing our climate change-related information in accordance with the TCFD recommendations.

Governance

Board-level oversight of climate change risks and opportunities

Hanssem recognized the importance of ESG management strategies and established an organizational system for implementing ESG strategies by establishing the ESG Committee under the Board of Directors in 2021. As the highest decision-making body, this committee establishes long- and short-term ESG management strategies, including responses to climate change risks, and reviews the progress of strategic tasks on a quarterly basis.



Management's role in assessing and managing climate change risks and opportunities

CEO-led ESG TF

Hanssem has established an ESG TF organization to respond to climate change risks and establish an ESG management environment. The TF organization is a decision-making body led by the CEO and participated by C-level executives in each field, and discusses overall ESG issues, such as climate change risk response strategies, ESG management strategy establishment, and ESG evaluation response.

ESG Department (ESG Team)

For the efficient operation of the ESG TF, we created an environment in which organizational members and working-level staff can participate more actively by establishing a dedicated department and reflecting ESG goals, including climate change risk response, in the KPI of related executives and employees.

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Strategy

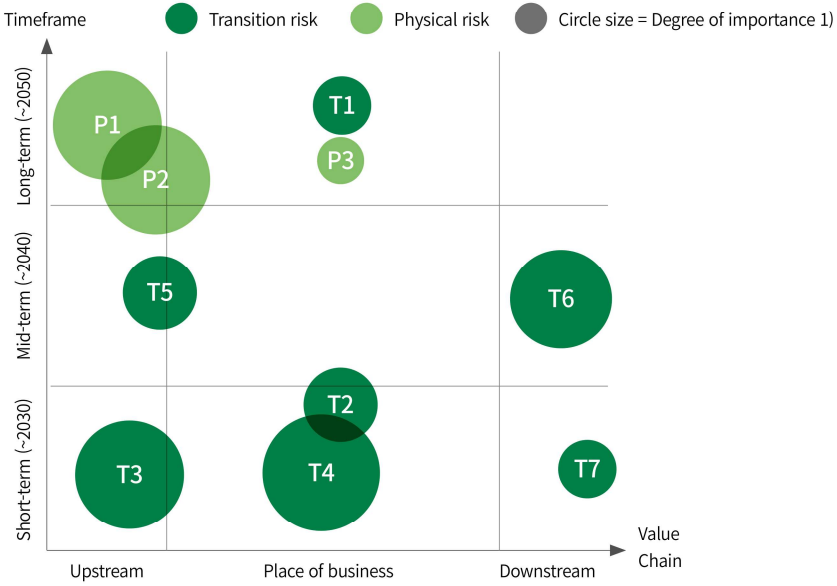
Climate Risks

Hanssem identified and analyzed risks that could have a financial and non-financial impact on the overall business value chain due to climate change according to their materiality. In addition, we will continuously manage and supervise identified risks to respond to the global climate crisis.

As the demands of major stakeholders for climate change response intensified, various climate change risks that could affect the overall business value chain were identified and analyzed. After drawing a long-list of climate change risks applicable to Hanssem through the global climate change disclosure framework and analysis of the status of companies in the same industry, we prioritized each risk by in-depth analysis by risk type and collecting opinions from related departments and experts. In order to accurately diagnose climate change risks, an analysis was conducted including various perspectives such as business value chain impact, financial/non-financial impact, possibility and timing of occurrence.

Hanssem Climate Change Risk Diagnosis Results

Risk classification		#	Risk	Impact	Impact Details
Transition risk	Current regulations	T1	Reinforcing policies to achieve carbon neutrality	Low	• Increase in renewable energy procurement costs
		T2	Reinforcing greenhouse gas emission regulations	Mid	• Increase in cost of electricity procurement
	New regulations	T3	Reduction of carbon emissions in the transportation sector (shipping)	High	• Increase in transportation costs for imported raw materials and products
	Market	T4	Reduction of carbon emissions in the transport sector (Land transport)	High	• Increase in cost of transporting products
		T5	Lack of eco-friendly certification	Mid	• Decrease in sales due to lack of eco-friendly certified products
		T6	Expansion of the Renewable Energy Supply Certificate (REC) system	High	• Decrease in sales due to reduced lumber supply
	Reputation	T7	Changing Consumer Perceptions of Ease of Recycling	Low	• Decrease in sales due to non-response to increased recycling easiness
Physical risk	Acute	P1	Production land change	High	• Increase in supply cost due to reduced productivity
		P2	Sea level rise in production areas	Mid	• Increase in unit cost of supply due to loss of soil at the supply site
	Chronic	P3	Increase in global average temperature	Low	• Increase in maintenance cost due to increased number of cooling operation days



1) Importance: Occurrence probability index x Impact index

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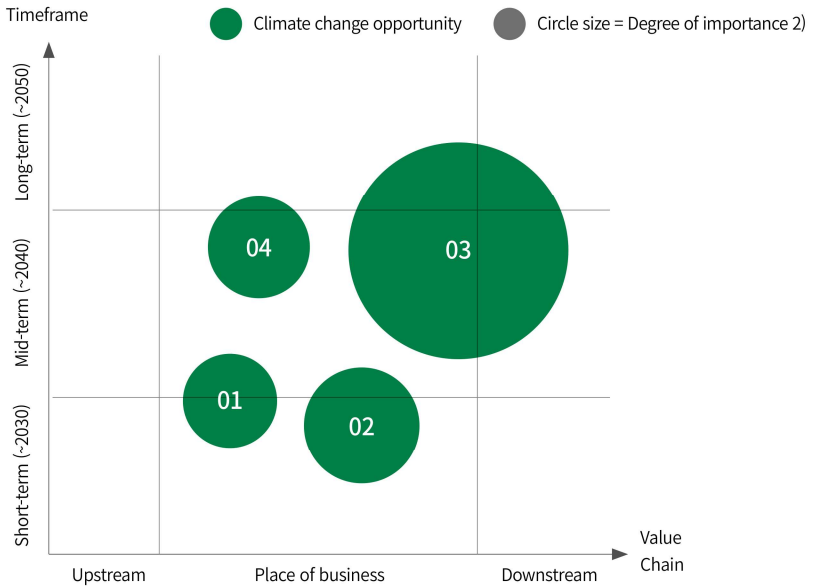
Climate Opportunities

Hanssem has identified and analyzed various opportunity factors as well as risks arising from climate change, and intends to preemptively respond to the changing business environment and market demand by improving energy efficiency at business sites and expanding eco-friendly product groups.

Climate change can be a risk factor, but it can also provide an opportunity factor that can be utilized strategically. As climate change-related opportunities mainly arise in the transition to a low-carbon economy, they can have a significant impact on companies' climate change response activities. Similar to the climate change risk identification and analysis process, climate change opportunities were also analyzed through the global climate change disclosure framework, analysis of the current status of companies in the same industry, in-depth analysis by risk type, and the process of collecting opinions from related departments and experts which was derived by prioritizing areas with high feasibility reflecting Hanssem's business characteristics. Hanssem strives to actively respond to the changing business environment and market demand in the transition to a low-carbon economy by improving energy efficiency at business sites, replacing eco-friendly vehicles at business sites, expanding eco-friendly product groups, and revitalizing ESG management.

Hanssem Climate Change Opportunity Diagnosis Results

Opportunity classification		#	Opportunity	Impact	Impact details
Climate change opportunity	Resource efficiency	O1	Improving Workplace Energy Efficiency	Low	• Reduction of electricity cost according to the energy efficiency of business sites
		O2	Replacing eco-friendly vehicles at business sites	Mid	• Reduction of in-house leased vehicle operating costs
	Product	O3	Expansion of eco-friendly product group	High	• Increase in sales of eco-friendly products
	Market	O4	Increase in corporate value through active ESG management	Mid	• Increase in market value due to increased brand reputation



2) Importance: Occurrence probability index x Impact index

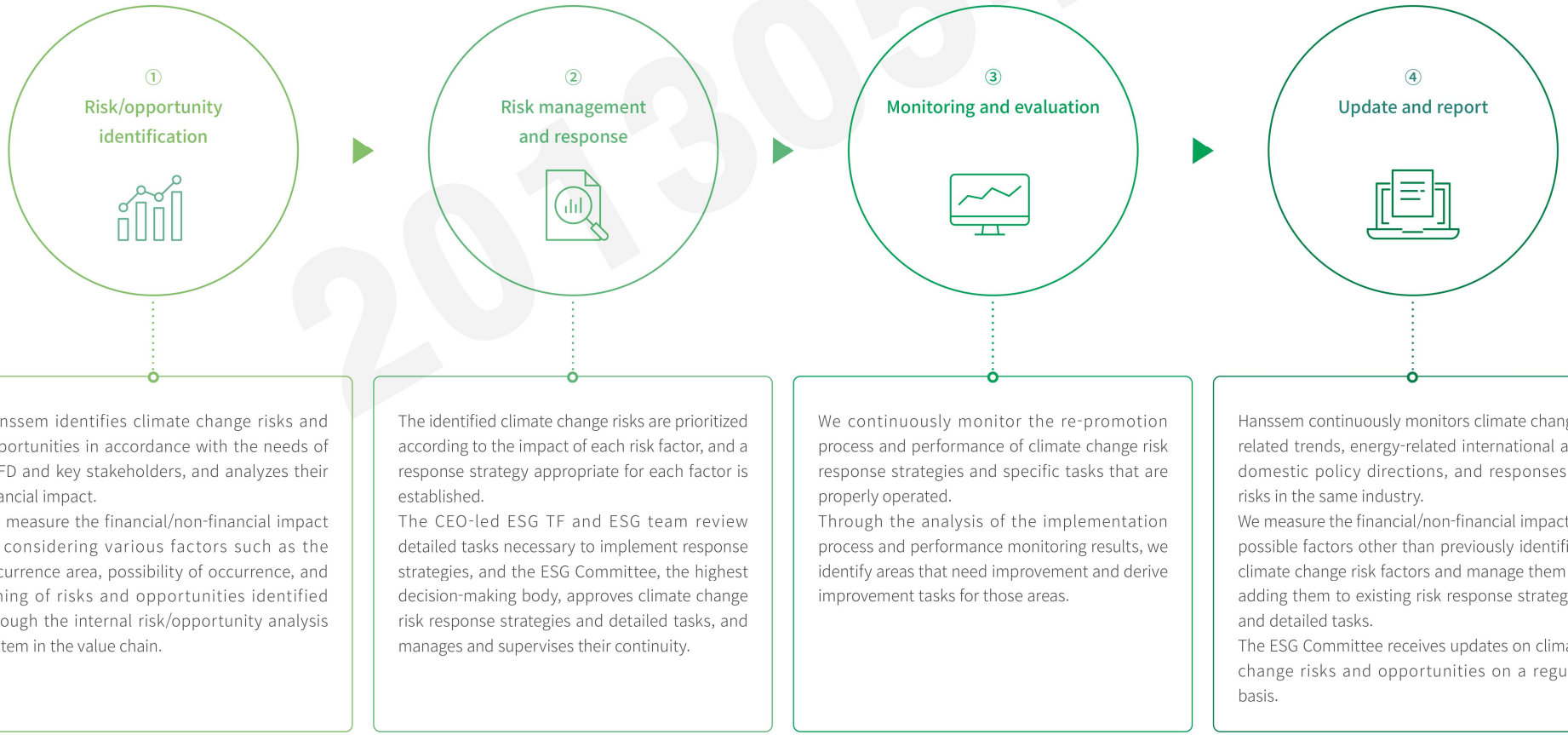
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Risk Management

Hanssem identifies, analyzes, and continuously manages climate change risk factors within the business value chain through an internal climate change risk management process (① Risk/opportunity identification → ② Risk management and response → ③ Monitoring and evaluation → ④ Update and report)

Climate Change Risk Management Process



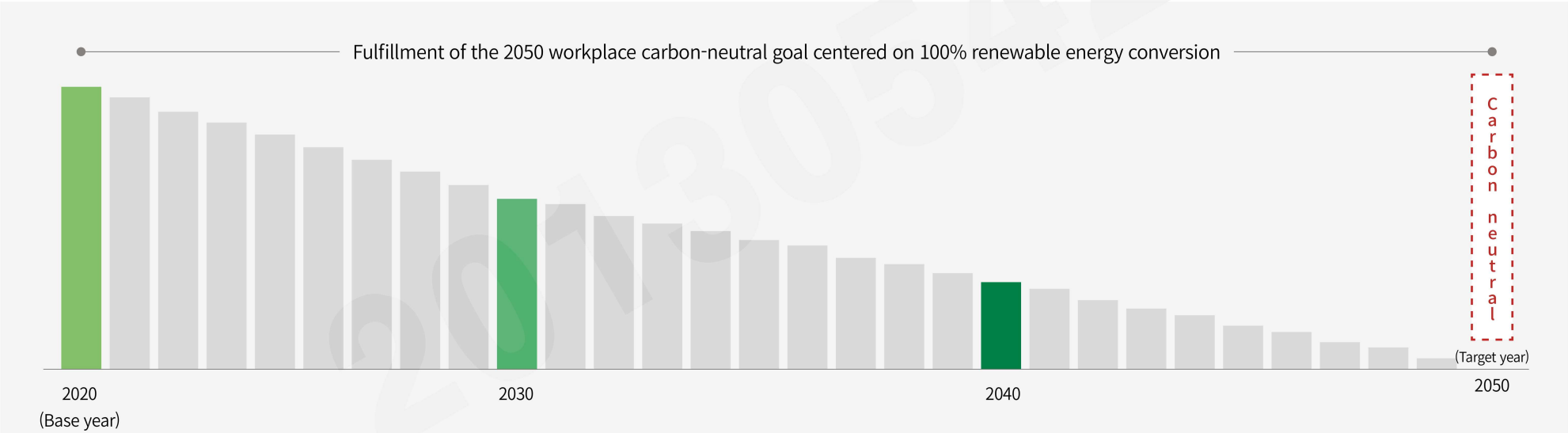
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Targets/Metrics

Hanssem seeks to actively respond to climate change by implementing the 2050 carbon-neutral goal, and is planning to establish a target for 100% renewable energy conversion at the workplace by reflecting the characteristics of Hanssem, which has a high share of electricity consumption and emission.

Mid- to long-term GHG reduction targets and performance management indicators



2050 Workplace Carbon Neutral ROADMAP

Hanssem has set the 2050 carbon neutrality goal for its workplaces to limit the increase in global average temperature to less than 2°C compared to the pre-industrial level and limit it to within 1.5°C, and is establishing detailed implementation plans to achieve the goal. Hanssem is considering various reduction measures to achieve its goal, and is trying to respond to climate change by focusing on the use of renewable energy power, considering Hanssem's characteristic that more than 95% of greenhouse gases are generated from electricity use. Accordingly, we are planning to establish a goal of 100% renewable energy conversion at the workplace by 2050 through renewable energy power purchase agreements (PPA), REC purchases, and establishment of a self-power generation system at the workplace.

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Waste Management

Waste Management System

Generation of waste

Due to the nature of Hanssem's business, which uses a lot of wood, about 80% of the waste generated in the manufacturing process is wood by-product. Most of the waste wood is self-incinerated through an incineration boiler, and the generated heat energy is used to generate steam and sell it to cogeneration plants. Waste synthetic resin, which accounts for the next largest portion, is legally consigned and incinerated through a certified consignment company. Other wastes include scrap metal, vinyl, and boxes, which are recycled through consignment companies.

Waste disposal process

Hanssem treats waste generated from business sites through legal procedures in accordance with the Framework Act on Resource Circulation. In particular, strict separate discharge standards are applied to waste discharged from sites, and strict separate collection, treatment, storage, and management activities are implemented. All wastes are consigned to landfill, incinerated, or recycled through a consignment company whose consignment treatment capability has been verified.

Unit : Ton

Category		2020	2021	2022
Generated amount		12,365	12,183	9,967
Recycled amount		3,648	3,652	2,633
Disposal amount	Commissioned landfill	273	298	275
	Incineration	8,444	8,233	7,058

Waste Management Activities

Mattress packaging change: renewable naphtha

Hanssem changed the packaging of mattresses from vinyl to renewable naphtha to contribute to preventing climate change by reducing carbon emissions. After the first eco-friendly plastic packaging made of ISCC-certified raw materials such as waste cooking oil, the second packaging is carried out in double packaging pouches for mattresses to ensure the safety of products from damage, and the packaging pouches are collected and reused after delivery.



ISCC certificate

Non-woven fabric change: Sofa and Low-floor family bed

Hanssem completely replaced the bottom finish of sofas and low-floor family bed from non-woven fabrics to fabrics as an activity for better values and the earth. Non-woven fabric wears out or wears out over time, resulting in waste due to replacement of lower parts or product disposal. Hanssem reduced the amount of waste and increased the lifespan of the product by completely replacing the lower finishing material with fabric.



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Water Management

Water Use and Management

Water and recycling

Hanssem has its own incineration boiler facility that incinerates waste wood that is difficult to recycle within the manufacturing division and uses it as energy. The steam (steam) emitted in the process of heating water through an incineration boiler reduces the amount of wastewater discharged into the sewer, and at the same time, it is sold 100% to GS E&R cogeneration plants, helping to create additional revenue.

Wastewater recycling status

Wastewater generated in the manufacturing process of some of Hanssem's products is recycled through recirculation within the facility. In the case of wastewater remaining after recycling, 100% of the wastewater is consigned to a specialized wastewater treatment company. As a result, Hanssem's wastewater recycling rate by 2022 is 97%, and the recycling rate for the past three years has consistently exceeded 95%.

Unit : Ton

Category	2020	2021	2022
Total usage amount	168	140	127
Recycled amount	162	136	123
Effluent discharge amount	6	4	4
Recycled rate	96%	97%	97%



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Environmental Impact Management

Product Environmental Impact

Eco-friendly Product Development

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Product Environmental Impact

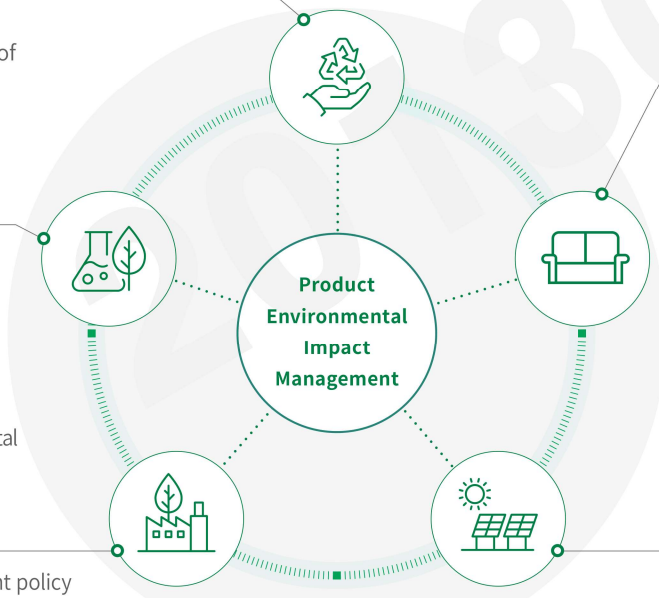
Product Environmental Impact Management

Hanssem recognizes the impact of our products on the environment throughout the entire product life cycle, including procurement, manufacturing, distribution, and disposal. We will strengthen the sustainability of our products by establishing environmental management goals and strategies for each stage of the product and systematically implementing them.

Use and Disposal
- Changing packaging materials to recyclable materials
- Research and development of bioplastics to increase the ease of disposal
- Implementation of a thorough separate collection program

Product Design and Development
- Product design reflecting eco-friendliness in the product development stage
- Product design considering user safety
- A plan to switch to using alternative materials that can reduce environmental impact (e.g. conversion from oil-based paint to water-based paint)

Purchase of Raw Materials
- Establish a responsible procurement policy
- Acquired sustainability certifications such as FSC and PEFC Procurement of timber
- Purchasing principles for sofas using leather considering the environmental impact of the leather manufacturing process



Sale
- Development of high-efficiency products: Expansion of eco-label certification for building materials such as windows and doors
- ECO-Business: Business progress and expansion plan using refurbished products
- Paper and energy savings with electronic contracts and 3D design programs using digital technology

Manufacture Process
- Improvement of energy use efficiency in manufacturing plants : Replace with high-efficiency equipment
- Solar power plan using factory roof

Best Practices

Refurbishment

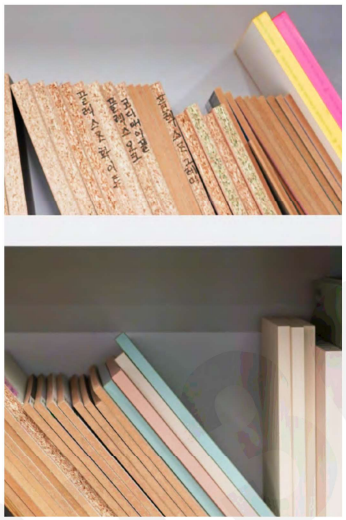
Hanssem is conducting a new business that can reduce waste furniture emissions by launching refurbished products using products that were discarded due to simple change of heart returns or damage during shipping. A refurbished product is a product that does not pose a functional problem among products that are difficult to sell normally due to slight damage during production, delivery, or return, or return due to customer's simple change of heart. It refers to a product that is sold at a reasonable price after checking the normal operation of the product before shipping and setting a rating after self-inspection. As consumer sentiment shrinks due to the economic recession, the culture of taking practical measures in consumption is expanding, and the number of 'greensumers' who pursue the purchase of eco-friendly products in consideration of the impact of consumption on the environment is also increasing. Hanssem started an Eco-Business that sells refurbished products using Hanssem Mall, an online mall, to meet these market changes and reduce waste furniture emissions at the same time. The refurbishment business, which improves Hanssem's profit structure while satisfying both the demands of customers who want cost-effectiveness and greensumers who want eco-friendly consumption, realizes sustainable management in the true sense of the word.



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Procurement of Eco-friendly Raw Materials

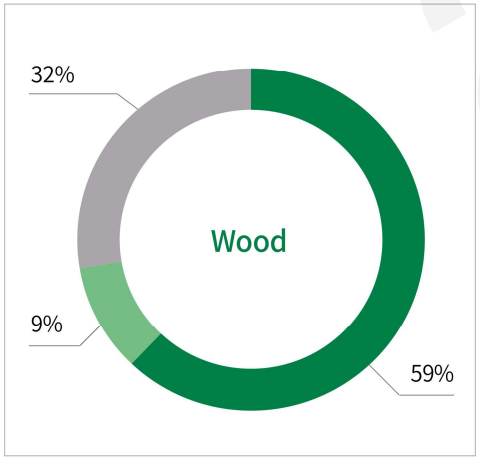
Hanssem procures eco-friendly and sustainable raw materials to improve the soundness of the supply chain, and reduces risks that may occur in the supply chain through the procurement of traceable raw materials. The scope of application of the sustainable supply chain policy is currently limited to wood and leather, which are major raw materials, but Hanssem intends to expand its sustainable raw material procurement policy from major raw materials to all raw materials and packaging materials used in the mid to long term. Hanssem's efforts to enhance the sustainability of its supply chain are being implemented together with its partners, and it plans to establish a supplier code of conduct for partners and reflect the contents recommended for compliance with the code of conduct in purchase contracts from the second half of 2023.

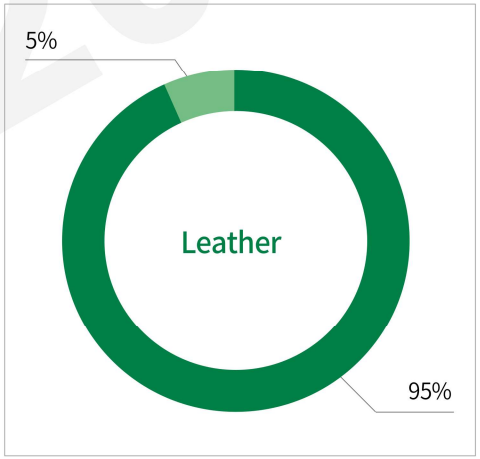


Principles of Responsible Sourcing of Raw Materials

Hanssem strives not only to procure eco-friendly raw materials, but also to maintain a sustainable influence within the supply chain. Accordingly, we establish responsible raw material procurement principles within the Supplier Code of Conduct and recommend that purchasing suppliers comply with them. Based on international guidelines, we strive to fulfill our social responsibilities in the raw material procurement process. Avoid using products or raw materials related to conflict minerals such as tin, tungsten, tantalum or gold that support or finance inhumane treatment. In addition, we prohibit the use of illegally harvested timber and recommend purchasing partners to acquire sustainability certification or use recycled timber. Hanssem uses only FSC and PEFC certified wood and recycled wood (GR certified), which are internationally recognized as the strictest standards. We also plan to use only leather that has been proven to be responsibly sourced or has been LWG certified. These principles can be found in the 'Hanssem Supplier Code of Conduct' published on the website.

Country of Origin Status for Major Items

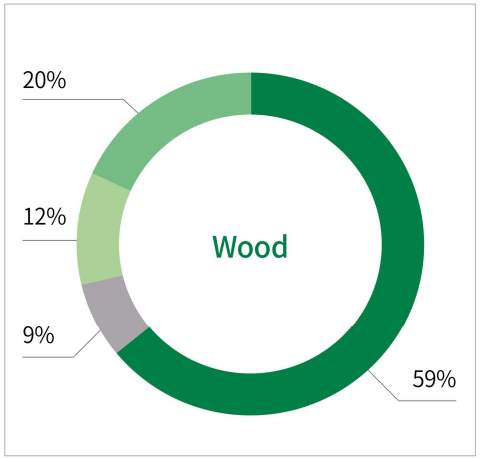


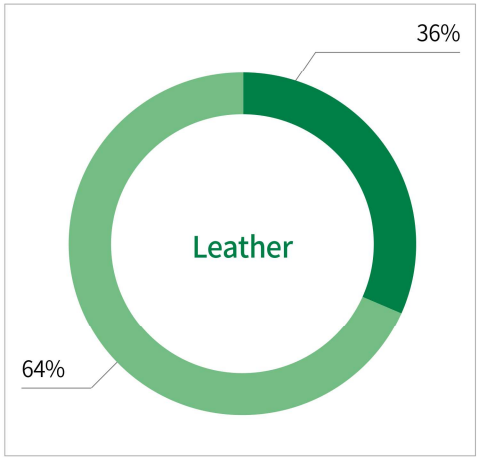


Thailand Malaysia Korea

Italy China

Eco-friendly Certification Status of Major Items





FSC PEFC GR Environmental label certification

LWG Acquiring

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Eco-friendly Product Development

Eco-friendly Product Research and Development

Hanssem Research Center

Hanssem researches eco-friendly products and develops related technologies under the supervision of the Hanssem Research Center. In addition to these eco-friendly studies, the research institute identifies and responds to product safety and environmental hazards through pre-launch and regular inspections. We strive to ensure that products that do not meet Hanssem's standards are not delivered to customers through pre-launch and regular verification.

Vision

World-class residential environment research/test/development center

Mission

Supporting competitiveness of current business and securing technology for future business

Core competencies

1. Living space environment/ safety assurance
2. New technology, patent development
3. Hit product development

ESG strategic direction

0 → 50 → 100

Major Research Fields

Hanssem Research Center

R&D	Environment/safety management	Sample production
Test guarantee	System operation	Certification



Sangam Research Center

Development Team 1	Development Team 1	Development Team 2	Development Team 3	Development Team 4
• Product/Service Environmental Safety Quality Assurance • Product/Service Environmental Safety Policy Planning	• Kitchen product development support • Storage product development support	• Bedroom product development support • Storage product development support • Study/children's room product development support	• Sofa/mattress development support • Table/living room product development support	• Bathroom product development support • Support for development of decorative materials and closet materials • Window product development support



Ansan Research Center

Technology Development Team	Chemical test	Epidemiological test
• Material, construction method, and hardware development	• Raw material desiccator test • Molding material small chamber test • Finished product large chamber test	• Product structural strength/ safety test adhesion quality, rust/corrosion raw material strength, surface material physical property test

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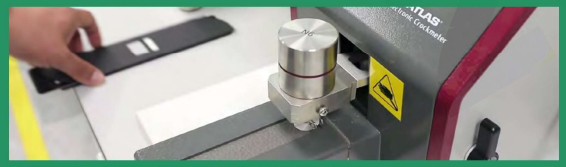
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Introduction of Ansan R&D Center

Hanssem Ansan R&D Center conducts preemptive inspections and periodic guarantees for product safety, quality reliability, and product harm. To ensure product safety, quality issue data and product performance are analyzed, and harmful substances such as organic compounds (hereinafter referred to as TVOC) and formaldehyde (hereinafter referred to as HCHO) that may be harmful to products are analyzed through periodic guarantees. In addition, we are actively responding to harmful substances such as radon, which has become a social issue. In addition, this laboratory has obtained the Korean Accreditation Organization (KOLAS) accreditation in July 2020, securing external reliability for its testing capabilities.

Epidemiological test

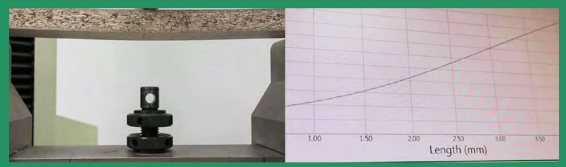
1. Physical property Test Lab	• Raw material property test: flexural strength, peel strength, screw holding power • Surface material property test: water resistance, stain resistance, weather resistance, scratch resistance, abrasion resistance, etc.
2. Durability Test Lab	• Furniture: door open/close test (opening/closing, sliding), drawer opening/closing test, stability test, etc. • Table/chair: double load test, vertical/lateral load test, etc. • Mattress: rolling durability, pressing durability, etc.
3. Structural Strength Test Lab	• Safety: Closet installation strength, fall stability, chair repeated impact test, falling ball impact test, etc. • Assembly strength: body connection strength, rigidity test, etc.



Physical property Test Lab[Main building 3rd floor]



Durability Test Lab[Annex 1st floor]



Structural Strength Test Lab[Annex 2nd floor]

Chemical test

1. Raw material HCHO emission measurement [desiccator]
2. Molding material TVOC, HCHO emission measurement [small chamber]
3. Measurement of finished product TVOC, HCHO emission [large chamber]
4. Analysis of volatile organic compounds (VOCS) in indoor air
5. Measurement of heavy metal content in subsidiary materials [Clean Room]

※ TVOC: Organic compound, HCHO :Formaldehyde



Desiccator



Large chamber



Small chamber



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





Clean room [Radon measurement]

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Environmental Management Research and Development (R&D) Major Areas

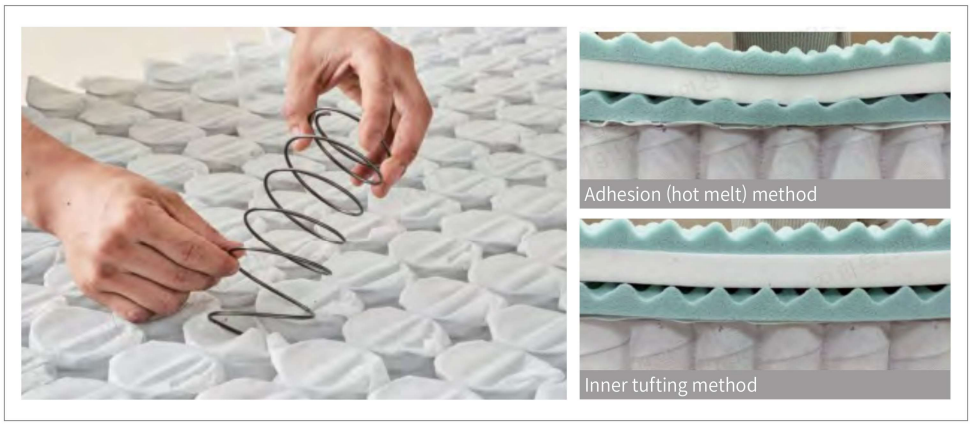
1. Waste Reduction & Excellent Durability: Sofa, Family Bed Non-woven Fabric Change

Hanssem completely replaced the lower finish of sofas and low-floor family beds from non-woven fabrics to fabrics for better value and the earth. Non-woven fabric wears out or wears out over time, resulting in waste due to replacement of lower parts or product disposal. In response, Hanssem replaced the entire bottom finishing material with fabric to reduce the amount of waste and increase the lifespan of the product.



2. Mattress: Elastic black T spring & inner tufting

To prevent the spring from turning off, Hanssem's independently developed black T spring applies a gradation design that supports the entire body tightly to tightly support the curved body, prolongs the life of the product, and reduces waste emissions. The new material Black T-Spring uses a material that is resistant to repeated loads to increase durability, and the inner tufting method, which is a method of fixing between mattress interior materials with tacks without using adhesives, ensures that the interior materials do not stick to each other, resulting in excellent resilience. By applying this new construction method to the matrix, Hanssem has achieved zero for three consecutive years in the number of free after-sales service within one year due to the mattress turning off.



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Eco-friendly Product Certification

Hanssem continuously expanded the proportion of eco-friendly products, acquiring 8 additional eco-label certifications from 16 in 2021 to 24 in 2022. Hanssem categorizes eco-friendly products and further considers eco-friendliness and durability for the products, and is striving to obtain additional eco-label certification for eco-friendly products. Representative examples of eco-friendly products include Innoplus, Hanssem Windows, and Hanssem Bath toilets. In particular, for Hanssem windows, a total of 14 products, including 'Euro 700' balcony double-glazed windows and 'Super' balcony double-glazed windows in 2021, and 6 'Milan' balcony double-glazed windows in 2022, a total of 20 products have acquired eco-labels. We will continue to make efforts to make products with excellent functions and eco-friendliness for nature-friendly living spaces.

Green Certification Acquisition Status

Category	Unit	2019	2020	2021	2022
Number of green certifications*	Piece	20	11	16	24

* Acquisition of additional 6 types of windows and 2 types of toilets in 2022









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Environmental Management System

Environmental Management

Compliance with Environmental Laws

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Environmental Management

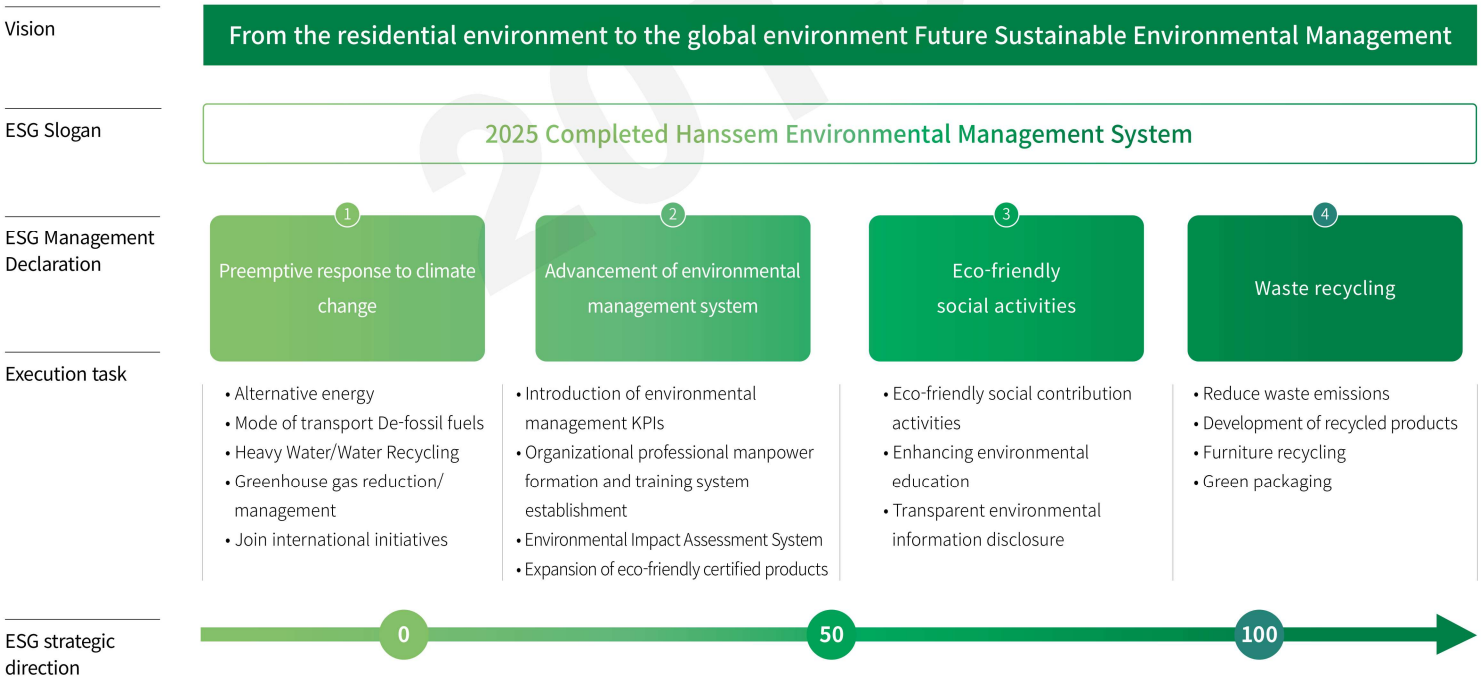
Environmental Management Implementation System

Environmental policy and system

Hanssem is establishing policies and governance for environmental management in order to actively and promptly respond to climate change occurring worldwide.

Environmental Management Policy

Hanssem is establishing and strengthening company-wide management policies to achieve social obligations based on the environmental management system. Hanssem is expanding continuous education and investment to inspire and strengthen awareness of environmental management among all employees, and through this, 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.

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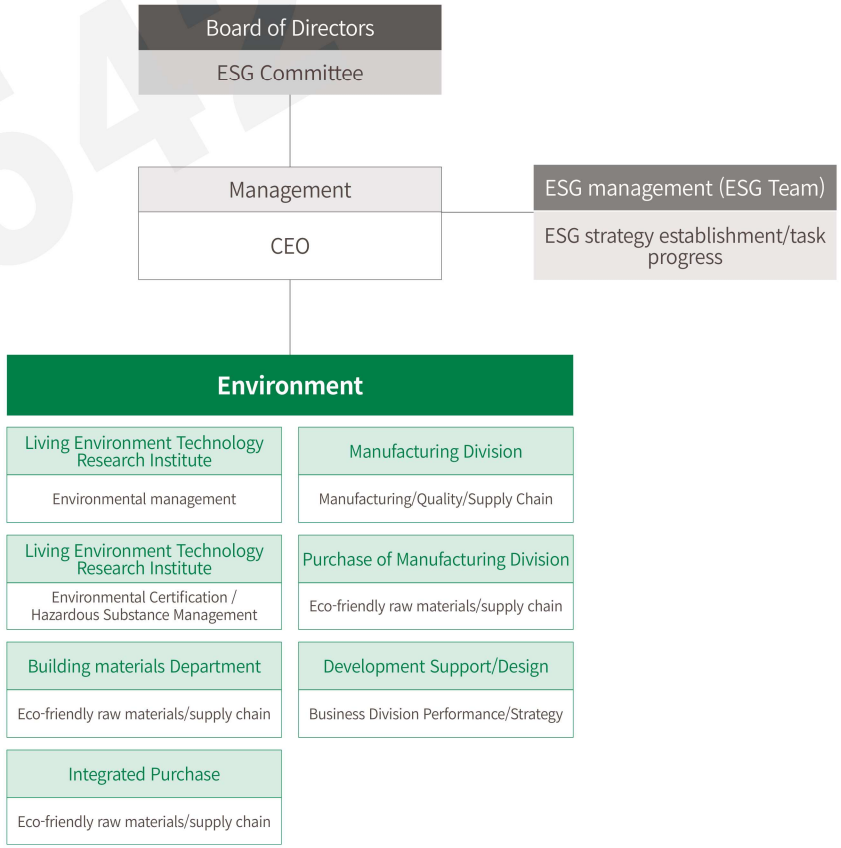
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Environmental Management Governance

Since August 2015, Hanssem has been hosting the Environmental Safety Inspection Council every week, led by the CEO, to discuss company-wide environmental safety and quality issues. The Environmental Safety Council handles product safety accidents, environmental safety and quality improvement tasks, construction site management, external risk cause analysis and countermeasures to prevent recurrence, company-wide environmental safety system establishment and training system, etc. as major agenda items.

From May 2021, in order to strengthen environmental safety quality through internalization of Hanssem's ESG management, the ESG weekly meeting is being expanded and operated to review strategies to respond to existing environmental safety issues and prevent recurrence from the ESG level. Key decisions and support requests are made through monthly ESG TF meetings hosted by the CEO and quarterly ESG committees under the Board of Directors.





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Environmental Management Activities

Expansion of global standard environmental management system certification

ISO 14001 environmental management system certification

Hanssem Manufacturing Division has been continuously renewing since acquiring the 'ISO 14001' certification, an international environmental management standard, in 2006 for 'production of household kitchen equipment'. In 2017, we acquired certification for the newly converted 'ISO 14001: 2015' standard, and in 2023, the scope of business sites subject to certification was expanded to include the Hanssem Sangam office building and Hanssem research center in addition to the existing manufacturing business. To this end, on-site environmental reviews were conducted to evaluate potential environmental risks and the operating status of the company-wide environmental management system (EMS).



ISO 14001 Environmental Management System Certification

ISO 14001 Environmental Management System Training

ISO 14001 training was conducted to promote employee participation and consensus on improving the environmental management system. Through this training, 26 people with ISO 14001 internal auditor qualifications were produced, which improved the employees' expertise in environmental management. Hanssem will continue to make efforts to ensure that the work of employees and the environmental management system are organically linked through such training.



ISO 14001 Environmental management system training

Environmental management governance establishment and education

Environmental Safety Council

Hanssem holds monthly Environment Safety Inspection Council led by the CEO to discuss company-wide environmental safety and quality issues. The environmental safety consultative body handles product safety accidents, environmental safety and quality improvement tasks, construction site management, external risk cause analysis and countermeasures to prevent recurrence, company-wide environmental safety system establishment and training system, etc. as major agenda items.

Other environmental management education

The Device Development & Assurance Team of the Hanssem Lab produces and distributes guidebooks for the release of new electrical and electronic products so that the current essential laws and systems can be easily understood. Through this, we strive to ensure customer safety and provide trusted products by complying with laws, reducing environmental hazards, and reinforcing and implementing in-house safety and quality standards.



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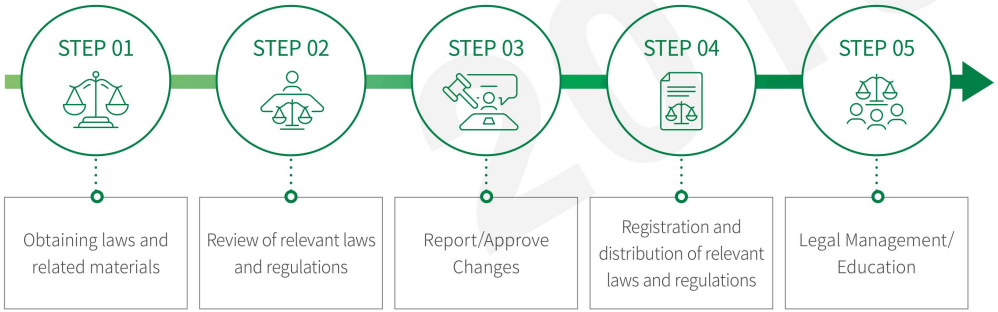
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Compliance with Environmental Laws

Environmental Law Compliance Management System

Hanssem identifies and manages domestic laws (hereinafter referred to as environmental laws) that apply to environment, safety, and health management based on the 'law compliance table'. First of all, from 2023, compliance with regulations is checked semi-annually, delivered to the CSO and the head of the Hanssem Research Institute, and posted and provided training so that members of the relevant department can recognize and practice environmental regulations. In addition, we maintain and manage the 'law compliance table' by checking whether there are any changes in laws and regulations once a month, and identify new and amended matters and report the details to the CEO once or twice a month through the Environmental Safety Council.

Environmental Law Management Process



Number of violations of environmental laws by year

Unit: case

Category	2020	2021	2022
Missing KC certification mark	-	1	-
Missing indications	1	-	-
Violation of indications	1	1	3

* This is a corrective action and no fines have been imposed.

Compliance table

Obligation	Regulatory items	Department	Laws
Obligation	Indications, Safety criteria	Ministry of Trade, Industry and Energy	Electrical Appliances and Household Items Safety Management Act
			Foreign trade law
			Children's Product Safety Special Act
			Energy Use Rationalization Act
		Forest Service	Law on the Sustainable Use of Wood
		Ministry of Environment	Water law
			Act on Resource Recycling of Electrical and Electronic Products and Vehicles
			Chemical Substances Control Act
			Indoor Air Quality Management Act
		Ministry of Food and Drug Safety	Food Sanitation Act
			Special Act on Imported Food Safety Management
		Fair Trade Commission	Consumer Basic Law
		Ministry of Land, Infrastructure and Transport	Housing law
		Ministry of Science and ICT	Radio law
	Processing standard	Ministry of Trade, Industry and Energy, Ministry of Environment, Ministry of Employment and Labor, Ministry of Justice, Ministry of Land, Infrastructure and Transport, Fair Trade Commission	Serious Accident Punishment Act
		Ministry of Environment	Waste Management Act
			Resource Recycling Act
			Environmental Technology and Environmental Industry
			Framework Act on Carbon Neutral Green Growth
	Water quality	Ministry of Environment	Article 22 of the Enforcement Rule of the Water Law
			Article 6 of Cleaning and hygiene management of water facilities
			Water Law Article 33 Paragraph 3
	Air quality	Ministry of Environment	Article 11 of the Enforcement Rule of the Indoor Air Quality Control Act
	Infection prevention	Ministry of Environment	Article 24 of Infectious Disease Prevention and Management Enforcement Decree
Not obligatory certification	Certification Acquisition	Ministry of Environment	Environmental Technology and Environmental Industry Support Act
		Korea Air Cleaning Association	Group standards voluntarily established under the Industrial Standardization Act
		Ministry of Trade, Industry and Energy	Industry Standardization Act

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SOCIAL

Customer Satisfaction Management

Improvement of Customer Satisfaction
Chemical Management

Sustainable Supply Chain

Responsible Supply Chain
Win-win Cooperation

Humam Resources Management and Safety&Health

Humam Resources Attraction and Training
Pursuit of Work-life Balance
Respect for Human Rights and Diversity
Building Win-win Labor-management Relations
Workplace Safety and Health

Community Contribution

Community Engagement

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Customer Satisfaction Management

Improvement of Customer Satisfaction

Chemical Management

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Improvement of Customer Satisfaction

Consumer Rights Protection Governance

Consumer Rights Protection Policy

Hanssem has established a process for fair and objective resolution in accordance with relevant administrative rules if a customer experiences any inconvenience or damage during the process of using its products.
If a consumer dispute occurs, prior to a civil lawsuit that can entail a lot of cost and time to the customer, in order to resolve it quickly and amicably from the customer's point of view, by referring to the case of dispute mediation decision of the Dispute Mediation Committee of the Korea Consumer Agency, we prioritize consumer dispute resolution through mediation.

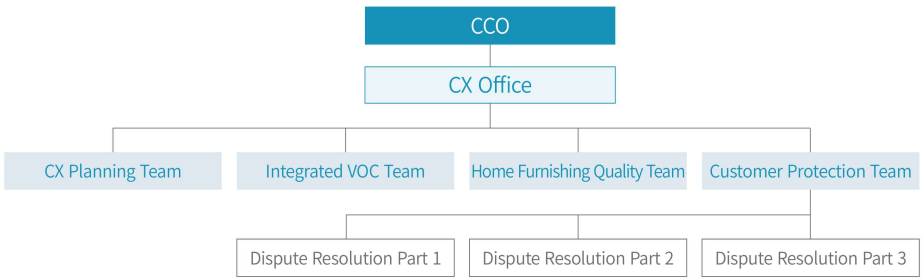
Consumer Rights Protection Goal

The Hanssem CX Office is promoting the development of consumer-oriented management strategies as a mid- to long-term goal. To this end, we have established a core strategy based on the two central values of service innovation and product innovation.

2023	2024	2025
Establishment of CX situation office as a claim control tower	Only Call Center: Unification of A/S and VOC receipt channels	AS One Stop: Establishment of AS unlimited responsibility system

Consumer Rights Protection Organizational Structure

After Hanssem selected 'end-to-end customer experience innovation' as one of its core business strategies, in March 2022, it established the CX (Customer Experience) Office. The CX Office puts top priority on all experiences from the customer's point of view, and fulfills the role of a dedicated department for consumers, such as in-house quality control and customer damage prevention activities.

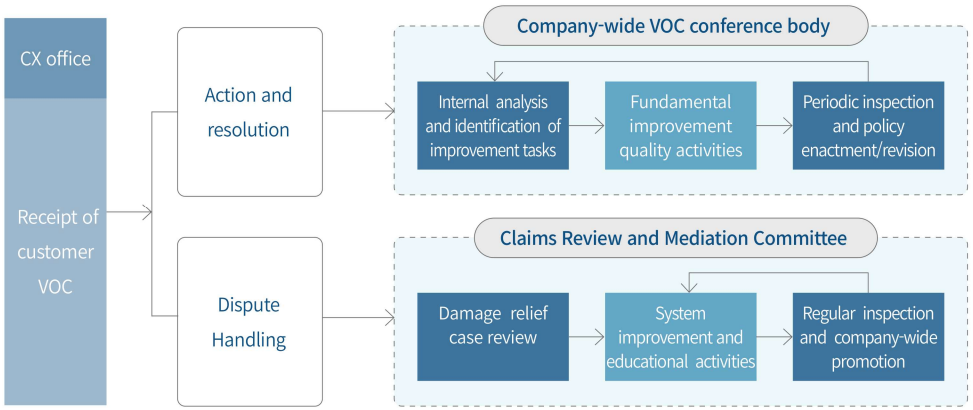


Claims Review and Mediation Committee

Hanssem is concentrating its efforts on finding the optimal solution from the customer's point of view by quickly analyzing and determining the cause of the inconvenience and accident experienced by customers on the frontlines. In particular, we are operating the 'Claim Deliberation and Mediation Committee' to prevent damage or complaints from customers in advance and to bring out customer satisfaction and satisfaction through timely and reasonable handling. The Claims Deliberation and Mediation Committee is composed of 1 chairperson (head of the Rehouse Quality Department), 14 standing members of each division (sales, construction, CX, AS) and non-standing members for each agenda. The Claims Deliberation and Coordination Committee seeks and promotes solutions, problem diagnosis, cause analysis, system improvement, and recurrence prevention measures for claim cases that are urgently requested to be resolved from the field or reported as issues through a meeting twice a week. The Claims Deliberation and Mediation Committee has been continuously operating for a total of 53 meetings, starting with the first meeting held on July 14, 2022, until April 2023.

Company-wide VOC (Voice of Customer) conference body

Hanssem runs a company-wide VOC meeting led by the CEO to analyze VOC once a month and derive improvement tasks. The VOCs handled by the company-wide VOC conference body consist of items confirmed through various channels, such as customer opinions monitored online and opinions directly entered into the A/S bulletin board or customer center. VOCs identified in this way are classified by issue and divided into product, sales, construction, and after-sales service categories. These issues are dealt with according to priority by dividing them into issues that need to be dealt with as important and issues that need to be dealt with urgently. Also, all identified issues are reported to the CEO. In this way, Hanssem strives to protect customer rights and maximize customer satisfaction by identifying and developing Hanssem's improvements by solving customer complaints.



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Consumer Rights Protection Program

Customer Satisfaction Management

Voice of Customer (VOC)

Hanssem collects VOC through various channels such as online, inbound (call center, website, Hanssem mall), and outbound (monitoring and research). Collected VOCs are processed quickly and expeditiously according to their importance. Business units in each sector, such as sales, construction, and after-sales service, take action and manage the contents received through the VOC handling process, prioritizing customer experience. In addition, for customers who have installed the product, comprehensive satisfaction surveys are conducted through direct monitoring for 7 days after installation. Based on the results of the survey, we establish and implement countermeasures to improve items with low satisfaction.

Category	Unit	2019	2020	2021	2022
Customer satisfaction	%	88%	87%	88%	88%

Customer Satisfaction Program: Before Service

Hanssem analyzes VOC and quality data collected through multiple channels and before customers experience any inconvenience, we operate a 'Before Service (BS)' system that identifies service items that need to be taken preemptively and resolves them immediately.

Number	Service system	Content	Implementation period
1	AS free inspection service	Free inspection service for Hanssem products other than those received after AS	2021.01.01 ~
2	Skinny Lights BS	Free inspection service to prevent safety accidents	2022.04.01 ~ 2023.03.31
3	Kitchen angle valve BS	Free replacement due to defects in some parts	2022.08.01 ~ 2023.02.28
4	Steady Bed BS	Free replacement of deformed parts for long-term customers	2023.03.01 ~

Consumer safety management

Safety Accident Prevention Case: Achieving ZERO of Drawer Falling Accidents

The safety of drawers has emerged as a major issue due to an accident in which eight infants and toddlers died in a drawer accident that occurred overseas several years ago. Regarding this, Hanssem has been implementing the mandatory wall fixing system for drawers since 2016. As a result of establishing strong safety measures, such as refunding customers who refuse to fix the wall, and continuously monitoring safety issues, we have achieved ZERO accidents from falling drawers since 2019.

Recall

Hanssem preemptively selects products that may cause significant harm to customers' bodies, property, and reports them to the National Agency for Technology and Standards before carrying out an official recall.

Number	Product name	Recall type	Publication date
1	Vacuum blender ozen	Voluntary	2016.10.31
2	Momoro chest of drawers (4 layers)	Advisory	2017.05.11
3	Furniture (sink)	Voluntary	2020.04.24

Acquired Consumer Centered Management Certification (CCM)

Hanssem has been granted the 'Consumer Centered Management Certification (CCM)' from 2010 to 2023. CCM is evaluated by the Korea Consumer Agency, a government agency, and certified by the Fair Trade Commission. In the CCM certification process, an overall evaluation is made of customer satisfaction management, including management's interest in consumer-oriented management, company-wide customer management system, consumer complaint prevention and monitoring, and customer satisfaction performance.

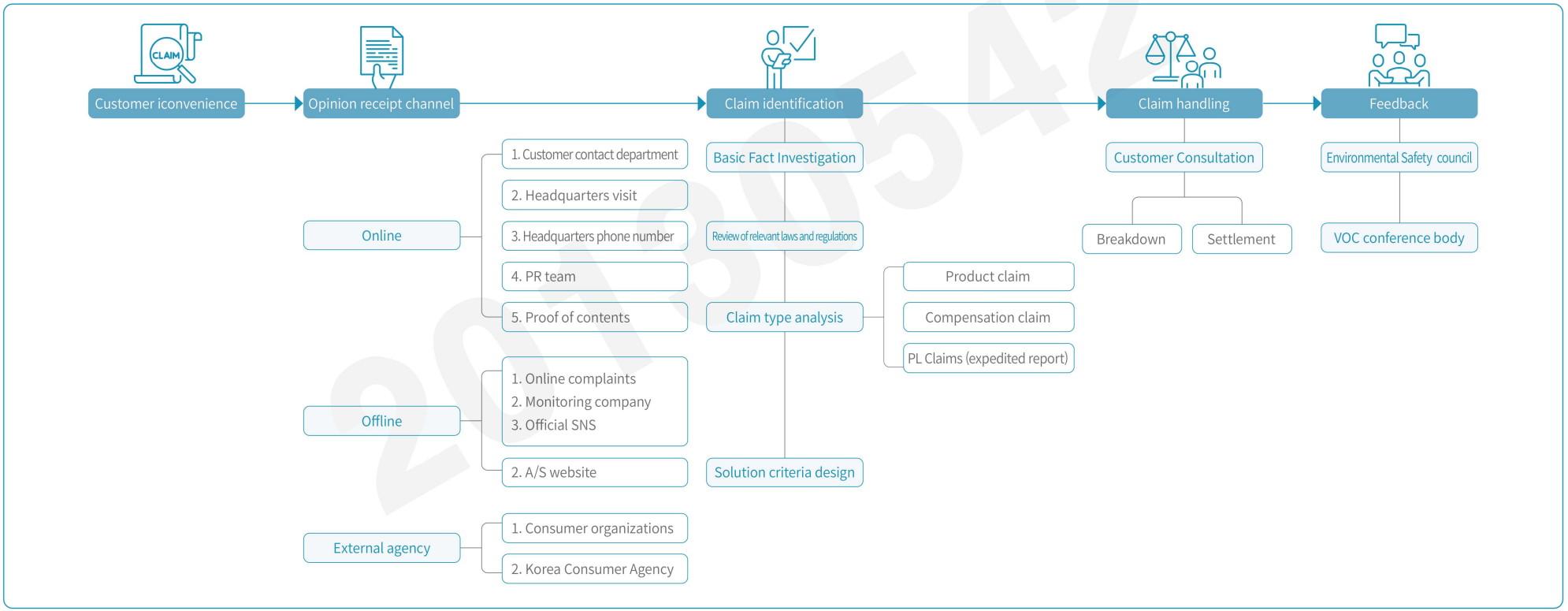
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Consumer complaint management

Consumer Complaint Management Process



Customer complaint handling performance

Category	2021	2022
Number of consumer complaints received	2,814	2,207
Consumer complaint handling rate	94%	95%

From 2021, we have aggregated consumer complaint data.

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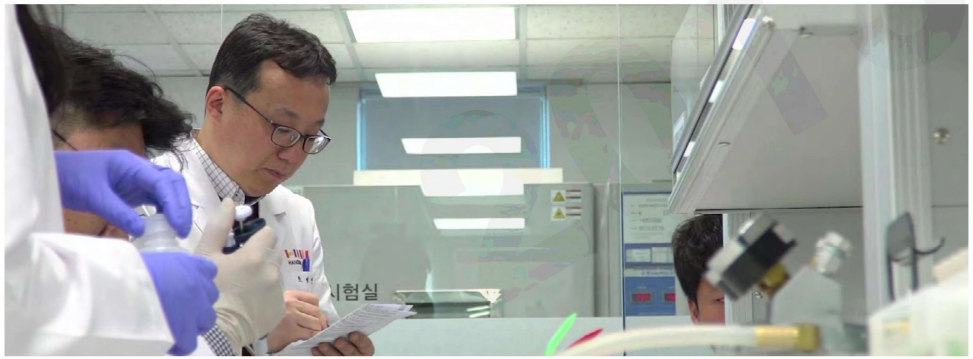
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Quality Management System

Hanssem is doing its best in developing new products and manufacturing products through thorough quality control under the banner of customer satisfaction management to realize the highest customer satisfaction with the best quality. Only products that have passed the environmental stability impact assessment are released, and regular follow-up inspections are conducted to ensure quality and consumer safety.

Quality management certification

Hanssem's quality management activities are recognized externally as well. Since the manufacturing division acquired ISO9001, an international quality management system, in 2006, in 2023, Hanssem Research Institute and Hanssem Office Building have also acquired new certifications. In addition, Hanssem Research Center acquired KOLAS accreditation in July 2020, and was recognized as having the capability to meet international standards in not only product quality but also research and development quality.



Quality Assurance Process

Hanssem manages the quality of new products through a strict shipping and approval process. Through the Hanssem Research Institute, a KOLAS-accredited institution, we are conducting quality verification procedures for all new products to be released through all areas of material, construction method, process, and testing (environmental, dynamics). From the new product planning stage, we establish quality goals that clearly reflect customer requirements and social issues, and continuously manage whether new products meet quality standards through procedures such as assurance tests, assembly reviews, mass production inspections, and 3-month monitoring.



* This process is a quality and chemical verification test process for released products.

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2022 Major Product Quality Improvement Cases

Construction Materials



Reinforcement of one-time accident measures,
A/S due to improvement of turning door

44% Reduction

- 1 Accident Immediate action, cause identification and improvement
- Improving constructability through process separation of turning doors

Kitchen



A/S compared to the previous year
through various quality improvement activities

36% Reduction

- Kitchen, storage door finish specification change
- Change the splitter legs
- Supply of closet fall and sagging prevention brackets and reorganization of construction manuals
- Sliding door opening improvement
- Enhancing the clamping force of the surrounding auxiliary neck, etc.

Home Furnishing



Within 1 year due to mattress off
Free A/S within the last 3 years

0 case

- Developed Hanssem's own spring with automobile suspension technology (2022.03 Patent / Design registration completed)
- In 2022, the rate of off after-sales service for mattresses with new specifications is ZERO.

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Chemical Management

Chemical Substance Management Policy

In order to provide safe products to customers, Hanssem operates an environmental safety assurance system to continuously reduce and manage hazardous substances. In addition, Hanssem conducts analysis, inspection, and verification processes such as preliminary conformity verification and environmental safety quality evaluation from the new product planning stage to ensure product safety. In addition, we strictly manage harmful substances that cause social issues, such as radon and formaldehyde, in accordance with relevant laws and regulations.

Prior safety evaluation for new products and SPEC changes

Hanssem prioritizes product safety from the early stage of product development. Only materials whose safety has been scientifically verified are used, and chemical substances are thoroughly checked for violations of relevant laws and regulations. In addition, based on decades of accumulated know-how, we have established various mechanical test systems and conducted tests accordingly to release safe products that customers can trust.

Structural stability	Harmfulness	Product
Pre-Conformity Verification • Verification of product information such as drawings in the planning stage • Prevention of overlapping problems through inspection of social issues, PL, and similar products subject to recall	**Environmental safety quality evaluation** • Check test reports and certificates from internal and external institutions • Check finish quality and production efficiency • Additional testing after evaluation and goal of minimizing SPEC supplementation	**Quality control system** • New product release inspection Environmental Safety Inspection Council • Response to customer safety accidents • Regular follow-up verification (monthly/quarterly/yearly survey) • Verification result monthly settlement report

2022 Regular warranty test results

Test category	Total number of tests	Number of nonconformities	Periodic guarantee action rate	Note
Total	797	10	1.25%	Final dropout rate : 0.5%
Desiccator	594	4	0.67%	Self-test (based on KOLAS certification)
Small chamber	203	6	2.96%	

Periodic guarantee system and warehousing verification system

The test assurance team under Hanssem Research Institute verifies the reliability of operated products by implementing a regular warranty system and receipt verification system for each risk level. We analyze past quality data by product/material, classify it into 3 levels (high risk, medium risk, low risk) according to risk, and conduct test assurance according to the test assurance cycle (yearly, semi-annual, quarterly, monthly). In addition, we conduct sampling tests on particle board (PB), a core raw material, upon receipt of the product to continuously monitor for violations of the Act on the Sustainable Use of Wood.



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Special management of issue chemicals

Hanssem strives to ensure that customers can use our products with confidence by establishing our own management standards that are stricter than laws or international management standards for chemical substances (radon, formaldehyde) that have caused social issues.

Standard	Management standard by country		Management standard company	Note
Radon	Korea / USA	Less than 148 Bq/㎥	Less than 148 Bq/㎥	- Indoor Air Quality Control Act Recommendation Criteria - Kitchen and dining table tops: Hanssem's own standard test - Mattresses: External laboratory test
	Canada/Sweden	Less than 200 Bq/㎥		
	England	200 (existing building), 100 (new construction)		
	Belgium/Czech Republic	400 (existing building), 200 (new construction)		
Formaldehyde	Korea	None	Less than 300 mg/kg	Fabric daily necessities (outerwear and bedding)
Aylamine	Korea	None	Less than 30 mg/kg	

Compliance with laws related to chemical substances

Hanssem continuously identifies and manages the status of chemical substances regulated by relevant laws and regulations applied to its products (Children's Product Safety Act, Electrical Appliances and Household Products Safety Management Act, Law on Sustainable Use of Wood, etc.). Through this, we are striving to prevent management risks (business suspension, compensation for damages, etc.) that arise from non-compliance with regulations in advance and to enhance customer safety and customer satisfaction.

List of regulated chemical substances management by law

Relevant laws and regulations	Regulated Chemicals	Item
① Special Act on Safety of Children's Products _ Common Safety Requirements	Elution of harmful elements	Antimony (Sb), Arsenic (As), Barium (Ba), Cadmium (Cd), Chromium (Cr), Lead (Pb), Mercury (Hg), Selenium (Se)
	Harmful element content	Total lead (Pb), Total cadmium (Cd)
	Phthalate plasticizer	DEHP, DBP, BBP, DINP, DIDP, DnOP, DIBP
	Nitrosamines and substances capable of producing nitrosamines	Nitrosamines
		Substances capable of producing nitrosamines
	Formaldehyde	Formaldehyde 1)
	Aylamine	Aylamine
	PH	PH
	Prohibited Substances	Asbestos
② Electrical Appliances and Household Products Safety Management Act _ Annex 5. Furniture	Wood material	Formaldehyde, Toluene, TVOC 2)
	Leather material	Formaldehyde, chlorinated phenols (PCP), Hexavalent chromium, Dimethyl fumarate, Arylamine, Organic tin compound TBT (tributyltin)
③ Act on the Sustainable Use of Wood	Plywood	Formaldehyde
	Particleboard/Fibreboard	Hazardous Substances

1) Formaldehyde (desiccator method) under strict management of in-house standards compared to legal standards: E0 level (less than 0.5mg/L)
2) TVOC (small chamber method) in-house standards strengthened compared to legal standards (4㎎/㎡·h → 2㎎/㎡·h)

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Cases of Reducing High-risk Chemicals

Hanssem complies with relevant environmental regulations for the safety of customers, limits the use of hazardous substances in the development, production, and management process, and maintains and manages them to a higher level than the relevant standards. In particular, TVOC, toluene, and formaldehyde, major chemicals that can affect the human body, are strictly managed through internal regulations and monitoring. In 2022, a pre-production warehousing inspection of particle board (PB) was carried out, and 4 cases of exceeding the standard were identified, and the input of the quantity to the production line was stopped. If it exceeds our own standards, we strictly manage it so that it is not used in the production process.

Year	Main Content
2019	Remove all from polyvinyl chloride (PVC) packaging
2021	During regular inspection, check for cases exceeding the formaldehyde law standard and discontinuance
2021	During regular inspection, check for excess toluene to improve materials
2022	When inspecting particle board (PB) receipt, check that the amount of formaldehyde exceeds the standard and stop inputting the quantity to the production line

Cases withheld or excluded from release through pre-verification (Chemical safety test)

Test category	Total number of tests	Number of nonconformities	Pre-verification action rate	Note
Total	1146	52	5%	Final release dropout rate: 1.3%
Desiccator	676	14	2%	Self test (based on KOLAS certification)
Small chamber	392	33	8%	

* Chemical testing [As of 2022]



Expansion of use of eco-friendly water-based paint

Hanssem strives to supply eco-friendly furniture to consumers by continuously developing new materials and methods for furniture. The domestic and foreign furniture industry generally uses oil-based urethane paint for paint doors due to reduced productivity and difficulties in work. However, organic solvents contained in large amounts in oil-based urethane paints are produced by refining petroleum, so they contain harmful substances such as benzene and toluene. In addition, a large amount of carbon dioxide (CO), a greenhouse gas, is emitted into the atmosphere during the production process.

Accordingly, Hanssem has developed a water-based urethane paint that is harmless to the human body and significantly reduces greenhouse gas emissions, and produces painted doors. Water-based urethane paint developed by Hanssem is produced using water instead of organic solvents, which are petroleum compounds. This is not only harmless to the human body, but also helps to protect workers' health by minimizing greenhouse gas emissions. Starting with the development of four types of kitchen doors in 2021, in 2022, two types of door were developed and produced by applying water-based urethane paint. Going forward, Hanssem plans to develop water-based urethane coating technology with various designs ,colors, and expand the application of the water-based urethane coating technology from the current 30% to all painted doors in the future.



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Sustainable Supply Chain

Responsible Supply Chain

Win-win Cooperation

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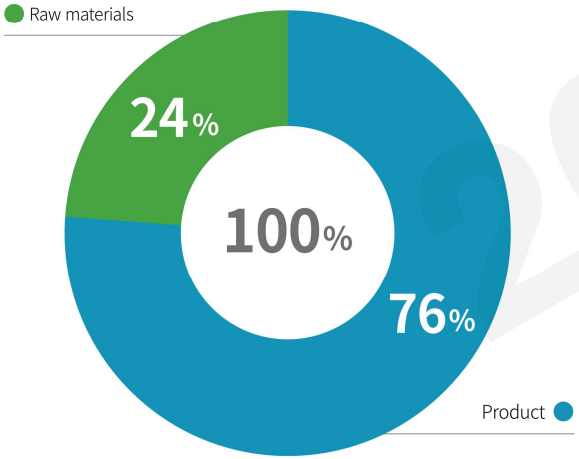
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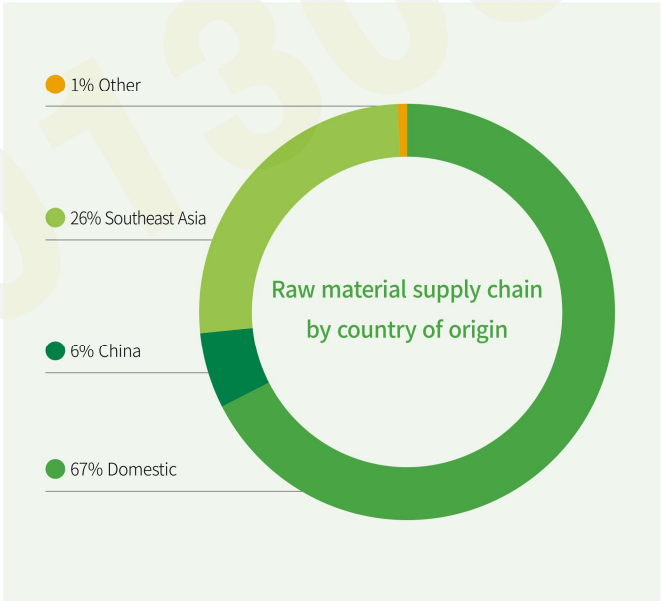
Responsible Supply Chain

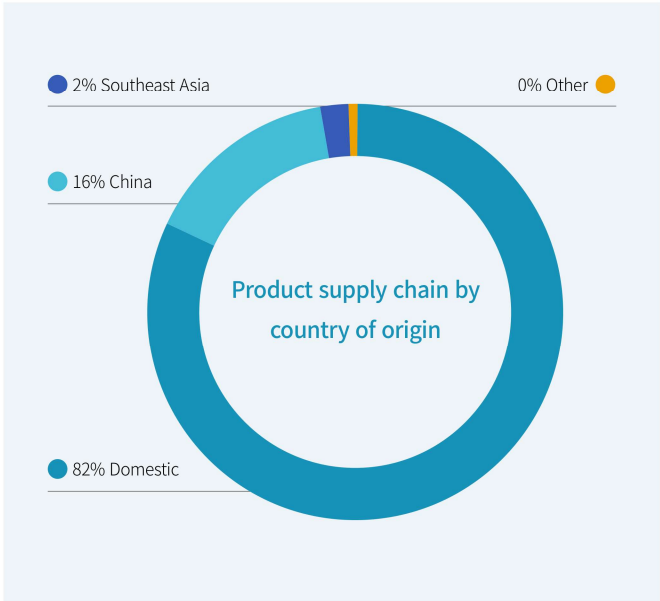
Supplier Status

Hanssem recognizes its suppliers as key partners in realizing sustainable management and is making various efforts for shared growth. Currently, Hanssem's procurement partners are divided into raw material partners who supply raw materials and product partners who supply products. Hanssem has newly established a code of conduct for partners and recommends all partners to comply with the code of conduct.

Purchasing partner status







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Supplier Evaluation

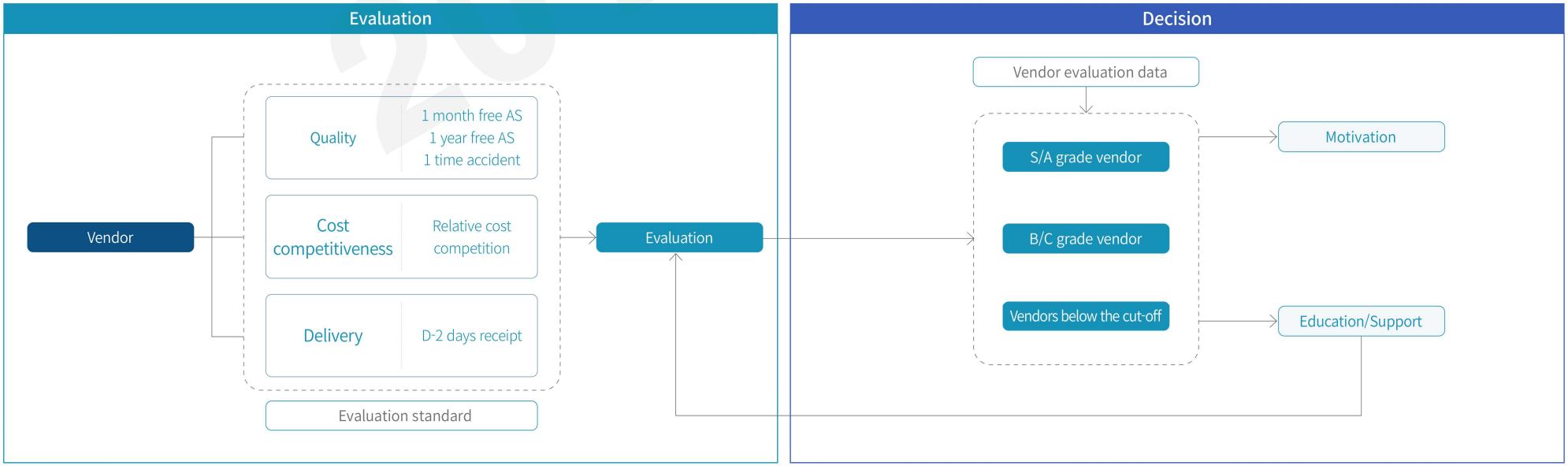
Supply Chain Risk Management

Hanssem regards its suppliers as key business partners and strives to secure a sustainable supply chain. To this end, we manage quality and supply chain risks through regular partner monitoring and training.

Supplier Evaluation Policy

Hanssem evaluates whether its suppliers have excellent quality and service capabilities through evaluation criteria such as quality, cost competitiveness, and delivery. In the case of quality, the evaluation results are classified into S, A, B, C, cut-line and below cut-line, and for suppliers that do not meet the cut-line, separate training and consulting are provided and re-evaluation is conducted.
Hanssem selects the Best and the Worst companies according to the evaluation results, and provides incentives by granting opportunities to introduce new products in case of cumulative Best 3 times.
Hanssem conducts regular evaluations twice a month, manages risks that may occur in the supply chain, and supports suppliers to maintain quality.

Supplier Evaluation Process



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Fair Trade Principles for Suppliers

Four Fair Trade Practices

Hanssem's 'Four Fair Trade Practices' are as follows.

❶ Regulations on practical matters for concluding desirable contracts for win-win cooperation between large and small businesses

We ensure that SMEs lacking bargaining power can fairly reflect their interests when signing transactions with Hanssem. Hanssem pursues the establishment of reasonable and fair trade practices by preventing abuse of superior bargaining power in transactions with SMEs to undermine the principle of freedom of contract.

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

Hanssem seeks to establish a fair order in subcontracting by enhancing transparency and fairness in the process of selecting and operating suppliers.

❸ Regulations on practices for the establishment and operation of the subcontracting internal deliberation committee

The Subcontract Transaction Internal Deliberation Committee reviews the fairness and legality of subcontract transactions in advance to contribute to the establishment of a fair subcontract transaction order and to prevent violations of the Subcontract Law.

❹ Regulations on practical matters for issuing and preserving desirable documents in subcontracting transactions

We clearly recognize the issuance and preservation of written documents in the process of concluding subcontracts and transactions to facilitate the fulfillment of obligations in the exercise of rights, and through this, we seek to spread a desirable written culture.



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Operation of Fair Trade Compliance Program

Hanssem operates the 'Fair Trade Autonomous Compliance Program' to promote understanding and voluntary compliance with fair trade laws, and some programs are subdivided into purchasing and distribution areas.

Category	Program name	Program description
Common	Compliance & Ethics Index Inspection	Key inspection items are defined in advance and reported to management after periodic inspection
	Operation of communication channels	Supplier VOC, survey, cyber audit office operation, etc.
Purchase	Subcontract Law Training	Training on the subcontracting law for the relevant department personnel in each purchasing team
	Establishment of win-win growth operation policy with suppliers	Establishment a cost reduction operation plan and purchaser behavior guidelines to specify matters that must be observed when dealing with partners.
Distribution	Internal control training	Internal control training for sales organizations
	Check for abnormalities in the bond and debt inquiry statement	To check whether the salesperson engaged in personal collection/embezzlement or unfairly charged the partner, the finance team checks whether there are any abnormalities in the bond and debt inquiry statement received directly from the partner.

Supplier Code of Conduct

Hanssem recognized the importance of sustainable management and established the 'Supplier Code of Conduct' to spread the same values to suppliers. Through this, we aim to build a sustainable supply chain by responding to the rapidly changing global industrial ecosystem and fulfilling our corporate social responsibilities. Hanssem requires suppliers to comply with the Supplier Code of Conduct when entering into business contracts, and presents guidelines for suppliers in the fields of labor, safety-health, environment, ethics, responsible procurement of raw materials, and management systems and we recommend that you faithfully comply with this.

Hanssem's Code of Conduct is managed by the ESG and shared growth departments, and will be continuously supplemented and revised if necessary. In addition, we check the conclusion of the code of conduct and compliance with each supplier through collaboration with the purchasing department in charge.

Labor

No forced labor

Suppliers must not use forced or exploitative labor, and all labor must be done voluntarily.

Non-discrimination

Suppliers should strive to eliminate harassment and unlawful discrimination in the workplace.

Safety and health

Industrial safety

Suppliers must identify and control risk factors that may pose a threat to the safety of workers within the workplace.

Workplace hygiene

Suppliers shall identify and manage workers' exposure to chemical, biological, and physical hazards.

Environment

Compliance with environmental laws

Suppliers must acquire, maintain, manage, and keep up to date the required environmental permits and permits required by relevant laws and regulations.

Waste disposal

Suppliers should identify the characteristics of waste and wastewater generated at the business site, manage and treat it in accordance with laws and regulations before disposing of it, and take measures to reduce the amount generated.

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Win-win Cooperation

Shared Growth Promotion System

Department in charge of shared growth

Hanssem strives to ensure the independence of work when carrying out shared growth policies by establishing a shared growth department within the Ethics Management Office under the 「Hanssem Co., Ltd. Fair Trade Promotion Department Establishment Regulations」. The department in charge of mutual growth mainly evaluates the compliance with the four fair trade practices and the compliance and ethics index. In addition, under the implementation of the 'Policy for Mutual Growth with Partners', detailed standards to be followed are established, such as the 'Cost Reduction Operation Plan' and the 'Guidelines for Purchasing Personnel for Partners'. In addition, we are in charge of coexistence with our partners by collecting their difficulties and suggestions and reflecting them in our win-win growth policy.

Department in charge of shared growth main duties

The department in charge of mutual growth is doing the following tasks for win-win management and compliance management.

1. Check compliance with win-win growth operation policy
2. Establishment and revision of 4 action plans of the Fair Trade Commission
3. Inspection of compliance with payment deadlines, compliance with contracts, and violations of other subcontracting laws
4. Report to the subcontract deliberation committee on major inspection items
5. Training of purchasing managers of relevant regulations, such as the subcontracting Act and Fair Trade Commission guidelines
6. Collecting supplier opinions (VOC, supplier survey, etc.)
7. Operation of mutual growth fund worth KRW 23 billion
8. Promotion of overall matters for coexistence with other partners

Shared Growth Comprehensive Evaluation

Since 2017, Hanssem has been receiving comprehensive evaluations for shared growth by the Shared Growth Committee. The Win-Win Growth Committee calculates the final rating by integrating the win-win growth index evaluation and fair trade agreement implementation evaluation. The results are announced to the media every year, and as a result of continuous efforts to strengthen compliance and ethics and co-prosperity with suppliers for many years, Hanssem has achieved an 'excellent' grade for three consecutive years in the comprehensive evaluation of shared growth. From 2023, we plan and implement shared growth policies to achieve the 'Best' rating in the comprehensive shared growth evaluation, such as establishing a support system for suppliers' ESG activities and expanding the operation of a win-win fund for secondary suppliers.

Shared Growth Program

Financial Shared Growth Program

Win-Win Fund Operation

Hanssem is operating a win-win fund that allows suppliers to obtain loans at a lower interest rate than the existing loan rates in order to support smooth flow of funds. As of the end of 2022, it signed an agreement with Industrial Bank of Korea and Hana Bank and is operating at a scale of KRW 23 billion, and 74 partners are using the mutual growth fund worth KRW 18.5 billion. Hanssem expects that the operation of the win-win fund will be of further help to its partners in line with rising interest rates in the future.

Win-Win Fund Operation Status — As of December 31, 2022

Category	Win-Win Fund 1	Win-Win Fund 2	Win-Win Fund 3
Target	Purchasing partner	Agency	Purchasing partner
Operating amount	15 billion	3 billion	5 billion
Key benefits	Lower interest rates on loans	Lower interest rates on loans	Lower interest rates on loans
Usage partners	19 companies	42 companies	13 companies
Usage amount	12.07 billion	2.37 billion	4.07 billion

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Advance payment support system

When a supplier requests advance payment for delivery costs due to reasons such as raw material purchase, facility investment, or deterioration of business conditions, we provide support through internal deliberation. In particular, many of our suppliers are experiencing financial difficulties due to the rapid change in the business environment in recent years, so we are strengthening support for advance payment.

Operation of win-win payment system

The win-win payment system is a system that allows sub-tier suppliers to early cash out accounts receivables before the payment date with low fees according to the credit of large companies, while making payments on the same payment date as before. In particular, since the bank cannot exercise its right to claim repayment against the trading company, the lower-level partner can be guaranteed the stability of payment collection regardless of the bankruptcy or business deterioration of the upper-tier company. Hanssem signed an agreement with Shinhan Bank in 2020 to introduce a win-win payment system, and through continuous promotion, not only the first-tier partners but also the second-tier partners are using the win-win payment system. In particular, Jamone, which is using the win-win payment system as Hanssem's primary partner, was awarded a prize in the private business organization category at the 2022 Win-Win Payment Expansion Day Ceremony hosted by the Ministry of SMEs and Startups for contributing to the spread of win-win payment for sub-suppliers which helped expand Hanssem's shared growth policy. Hanssem plans to continuously increase the usage amount to secure additional opportunities for shared growth with lower-level suppliers.

Non-financial shared growth program

Technical data escrow fee support

The technological data escrow system is a system that prevents technology from being leaked or misappropriated by storing core technological data in escrow institutions (large, small and medium-sized enterprises, Agricultural and Fisheries Cooperation Foundation). Hanssem subsidizes the fees incurred by technology escort from our partners. In 2022, Hanssem provided technical data escrow fees to a total of 4 suppliers, and the technology protection support period is up to 5 years.

Quality improvement consulting

Hanssem provides support for strengthening the technical capabilities of its suppliers based on its skilled professional technicians and production know-how accumulated over a long period of time in furniture manufacturing. Hanssem's quality department and development department regularly check the quality level of products produced by partners to improve customer satisfaction, improve production processes, and improve product standards.

Recruitment support system

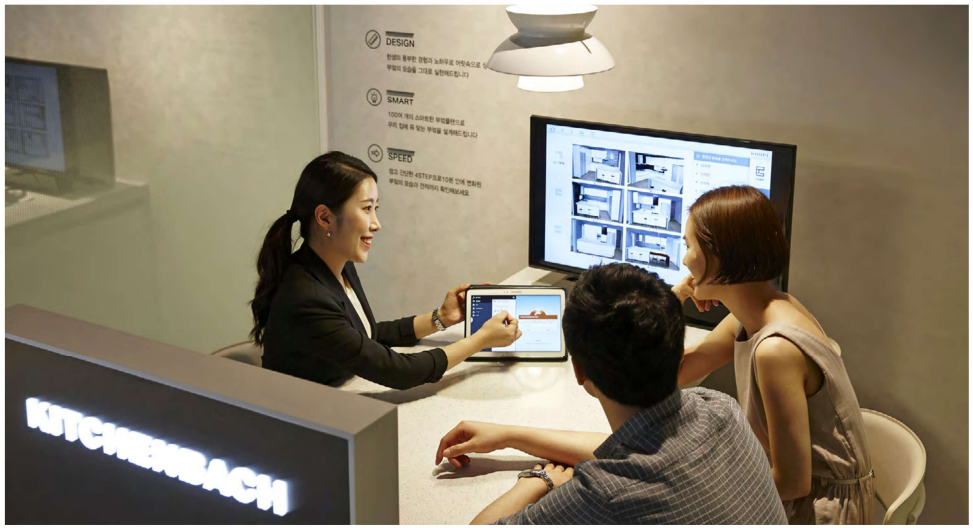
Hanssem subsidizes the cost of hiring full-time employees for its suppliers through an alliance with Industrial Bank of Korea on the recruitment support system. This support system is operated in such a way that when a partner company hires a Korean as a full-time employee through the IBK recruitment site 'i-ONE JOB', the IBK supports financial expenses of KRW 500,000 per employee. As a result, in 2022, Hanssem achieved the goal of supporting the recruitment of 59 full-time employees to 7 suppliers.

Supplier ESG consulting support

Hanssem is supporting its partners to receive ESG consulting at no extra cost through collaboration with IBK in 2022. Through this, efforts are being made to introduce ESG, but efforts are being made to provide practical help to suppliers who have difficulties in introducing ESG due to a lack of professional manpower and know-how.

Hanssem new agency support fee

Starting in 2020, Hanssem is offering a 50% discount on entry fees for 3 months after establishment to support the continued growth of new agencies. This system has been a great help to new agencies that are struggling to settle down in a stable environment amidst difficult conditions at home and abroad, such as COVID-19.



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Human Resource Management and Safety&Health

Talent Attraction and Training

Pursuit of Work-life Balance

Respect for Human Rights and Diversity

Building Win-win Labor Management Relations

Workplace Safety and Health

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Talent Attraction and Training

Talent Recruitment

Hanssem recognizes and respects the diversity of its members such as gender, race, disability, religion, political orientation, and values. From this point of view, Hanssem seeks to develop and realize a reasonable system without discrimination in recruitment, training, and performance compensation in order to secure diversity in the workforce composition.

Hanssem Recruitment

Open Recruitment Respecting Diversity

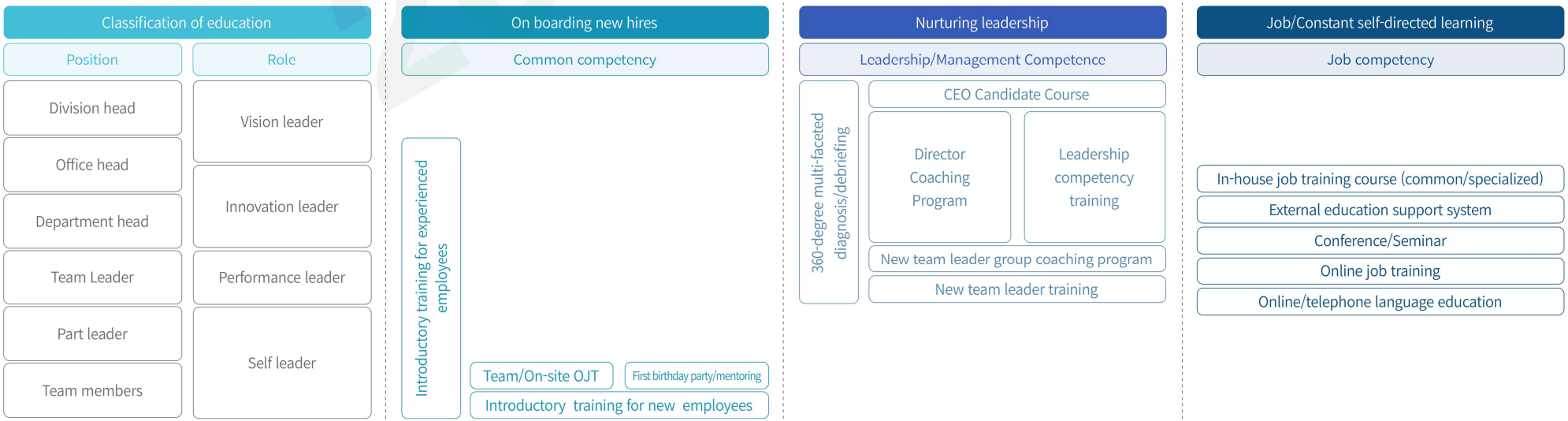
Hanssem is always recruiting high school graduates by region. Our company is registered as a company for high school students' work experience training, and operates a system that conducts field trips and hires a large number of people after graduation. In addition, we provide a wide range of opportunities to applicants through an open recruitment system regardless of academic background, age, or gender, and secure a variety of talents at the company level.

Talent Development

Human Resources Development Strategy

Hanssem is operating a talent development program that requires all talents to make their homes the most desirable places in the world by demonstrating innovation, professionalism and responsibility. Centering on three pillars: onboarding new hires, fostering leadership, and job/regular self-directed learning, we support the continued growth and capacity building of our members, through which we aim to nurture experts and leaders in each field.

Human Resources Education System Map



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Talent development program cases

Onboarding program

Hanssem operates an onboarding program for new hires with the goal of understanding the company and enhancing a sense of belonging and pride. The onboarding program is operated differently depending on whether you are new or experienced.

New employees

Hanssem helps new employees adapt to the organization and work through an onboarding program. After joining the company, offline introductory training is provided to learn about the company and the overall contents of the work, and through various activities in the introductory training, it is possible to interact with fellow employees who joined the company together. After the introductory training is completed, team and on-site OJT are provided to help employees better understand their duties. Since then, through in-company mentoring and first-year anniversary programs, new employees are continuously supported to continue their careers with a positive mindset.

Experienced employees

First of all, Hanssem will hold a 'Welcome Session' to introduce the employees who joined as experienced employees and the company's overall work process and system on the day of joining. Afterwards, prior to offline introductory training, we encourage employees to take an online course consisting of various company-related video contents to help them understand the company.
Offline introductory training for experienced employees is held once a quarter, and during this course, students have time to enhance their understanding of the company and prepare in-house networking through various lectures and related activities. After the offline introductory training, a separate networking time is set up so that trainees can gather again and share their impressions of company life so far.

Reinforcement of leadership and management capabilities 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 role and attitude of Hanssem team leader and to effectively perform the role of team leader. After completing the new team leader training, the new team leader participates in a group coaching program. Hanssem solves leadership issues by job function through coaching with professional coaches in the program and supports them to grow as leaders.
In addition, our team leaders regularly participate in 360-degree multi-faceted diagnosis every year to develop leadership capabilities. After the diagnosis, separate debriefing materials are provided so that leaders can recognize their leadership strengths and weaknesses and develop their capabilities.
In addition, for in-depth leadership diagnosis and competency development, 1:1 coaching programs are provided for department heads and above. We open an online MBA course for CEO candidates, and support management competency reinforcement and external networking by enrolling in CEO courses at major universities.



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Reinforcement of job competency by field

Hanssem operates various in-house and external job training programs to nurture in-house job experts through job competency improvement of employees.

In-house job training course

The in-house job training course, which is conducted upon voluntary application by executives and employees, consists of a job common course for preemptive cultivation of common competencies and a job specialized course for step-by-step cultivation from basic to advanced competencies for each job. In the 2022 job common course, training courses were operated to develop business skills such as ‘Customer Experience Innovation Using Big Data’, ‘Basics of Financial Accounting’, and ‘Business Insights in the Metaverse Era’, and a total of 441 people completed them. In 2022, the specialized job course opened training courses for sales managers and operated training courses such as 'Labor and Tax Basic Knowledge and Coaching Guide', 'Coaching and Performance Management School', and 'Communication Skills with Customers and Employees’ and a total of 432 people completed the course.

Online job training

Hanssem operates online job training to create an in-house self-study atmosphere through self-directed learning. Through this, we support employees to learn regardless of time and place to build job-related competencies. In addition, we support the multifaceted growth of executives and employees by providing various educational contents outside of job duties.

External training support system

Hanssem supports employees to acquire job-related expertise and external cases through an external training support system. This system enhances job competency by employees attending various job-related training and seminars held outside of the company. At the same time, it is used as a good stepping stone to build an external network by providing opportunities to interact with various people from outside.

Establishment of online education infrastructure

Hanssem is improving and expanding its online education infrastructure for non-face-to-face education after COVID-19. In June 2020, we built an integrated online education site by integrating the online education sites that had been scattered on each site. We provide a platform where not only Hanssem employees but also all cooperative employees who have grown with Hanssem can receive training in the same environment. More than 1,100 learning contents have been uploaded to the platform, and the necessary learning materials are immediately delivered to cooperating employees. Going forward, we plan to expand and operate the online education infrastructure so that both employees and suppliers can easily and conveniently access education and improve their capabilities through qualitative improvement of educational contents.

Strengthen global capabilities

Hanssem supports monthly online foreign language education for executives and employees who will grow together as we leap forward as a global company. Any employee of Hanssem can apply, and for employees in charge of jobs where foreign languages are frequently used, various types of training programs are provided through online training as well as telephone foreign language training to lead to effective job competency reinforcement.



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Cultivation of Organizational Culture

Organizational culture: 'Hanssem-ness' created together with members

For the past 52 years, Hanssem has built an organizational culture that continues to grow by challenging the impossible with a consistent mission to contribute to the development of mankind by improving the residential environment. Based on this DNA of challenge and growth, Hanssem aims to create a new 'Hanssem-ness' with the vision of becoming 'the greatest company in the living market'. To this end, we are preparing forums for direct dialogue, such as bulletin boards and town hall meetings, and operating a 'Change Agent' composed of junior positions so that healthy issues can be raised and active discussions can take place between organizations and members, and cross-meetings between organizations are also conducted. From 2023, we plan to expand the human resource development function, which was focused on cultivating knowledge and skills, to the organizational development (OD) area to focus on leadership development for change management, onboarding programs for new hires, and organizational diagnosis and development programs.

Organizational culture program

Organizational culture program

Since 2015, Hanssem has conducted an annual organizational culture diagnosis to diagnose and improve the overall status of the company's direction of change, systems and processes. In particular, in order to objectively grasp the level of awareness, 'organizational commitment' was measured based on the positive rate (*) from 2021, and indicators of the current status of the organizational culture such as satisfaction, pride, and sense of growth were confirmed. In 2022, the diagnosis area was checked and the questions were supplemented. As a result of the organizational culture diagnosis conducted in 2022, the positive rate of members' organizational commitment was 46%, an increase of 4%p compared to the previous year. Among organizational elements that affect organizational commitment, the positive rate of 'leadership and culture' increased by 11% to 54% compared to the previous year, and in particular, awareness of leaders' 'encouraging change' increased positively. The 'Vision/Strategy/Shared Values' category had a positive rate of 66%, which reflects the willingness of executives and employees to participate in the new vision and strategy despite changes in the management system.

(*) Positive rate: This is the ratio of 4 (yes) and 5 (very much) answers, and measures the level of positive perception rather than a simple rating.

Major change management activities

We tried to align the strategic direction between the management and members so that the change in the management system and deteriorating external market environment in 2022 can become an opportunity for new challenges and growth for Hanssem. To this end, the company's situation and management's thoughts were transparently shared with employees through the CEO's work report email and town hall meeting targeting company-wide employees once a month. In order to connect customer experiences and work processes that had been segmented by business unit, the organizational structure was reorganized in the direction of integrating existing business units and adding organizations for new businesses. In terms of the way we work, we improved the usability of groupware to reduce unnecessary waste of time and energy, while introducing Google Workspace as a new work tool to increase individual work efficiency and facilitate information sharing and collaboration between organizations. We are renewing the rest areas of the distribution center and manufacturing plants, integrating the headquarters building, and upgrading the office space for employees' work immersion, smooth communication, and comfortable rest.



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Performance Evaluation and Reward

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 achievement of the goals of the KPIs. When establishing KPIs, we apply the BSC (Balanced Score Card) perspective to include evaluation items to enhance long-term values such as customers, internal processes, and learning and growth in addition to financial performance.

In addition, while checking KPI performance on a quarterly basis, supervisors provide feedback on quarterly performance to team members so that team members know the current position of their personal performance and the direction of improvement.

In addition to performance evaluations, leadership competency evaluations are also conducted for those in charge. Leadership competency evaluation is conducted in a way that supervisors and subordinates become evaluators based on Hanssem's leadership competency items. Hanssem reflects the results of the leadership competency evaluation in the personnel evaluation score of the person in charge and uses it as a tool for leadership inspection. Employee evaluation results are directly linked to wage increase rates and promotions, and compensation is designed to change according to performance. In addition, in the process of deriving personnel evaluation results, the evaluator provides feedback on performance and capabilities through evaluation interviews with the evaluated person, and the evaluated person sets the direction for future work performance and career development.

From 2023, we plan to subdivide evaluation grades to further strengthen the fairness of evaluation, and to implement an objection process and evaluation audit on evaluation results.



Reasonable reward

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

In the case of fixed pay (salary), an increase rate is applied according to the results of personnel evaluation, and in the case of variable pay (performance pay), different payments are made according to the performance of the company, affiliated organization, and individual. In 2023, as part of incentives, we operated a stock compensation policy for executives and employees. The stock compensation policy is a policy that pays company stocks to employees who have obtained a certain grade or higher, and through this policy, we aim to align the goals of the organization and individuals to strengthen the motivation of executives and employees.

In addition, a culture of rewarding employees for achieving goals for tasks proposed by individuals or organizations is in place to reward and share examples. In addition, we are establishing a culture of improving business processes and sharing knowledge by regularly rewarding outstanding performers on a quarterly, semiannually, and yearly basis and sharing relevant cases.

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Pursuit of Work-life Balance

Working System

Hanssem has introduced and operated a work system suitable for each job environment. In the case of part-time jobs, a selective working hour system is introduced so that employees can autonomously choose their commuting time according to their individual work style and lifestyle, striving to comply with labor laws such as the 52-hour working hour limit. You can flexibly use the start time from 8:00 to 10:00 and the leave time from 15:00 to 17:00, and if you meet only the 6-hour mandatory working hours a day, you can freely adjust the remaining time according to your work schedule. In addition, we have increased worker autonomy by operating a system that allows workers to choose compensation for overtime work between wages and vacations.

In the case of store sales positions, the flexible working hour system and staggered commuting system are applied to flexibly respond to business issues such as the main store hours of each day and the concentration of customers during peak seasons, while minimizing the total working hours and maintaining a harmonious balance between work and life for each employee. For outside workers, the deemed working hour system, on-site attendance and on-site leave system are applied. In particular, by applying the on-site commuting system, remote workers can minimize unnecessary return to the office, use time efficiently, and autonomously adjust their work hours.



Family-friendly Management

Hanssem operates various systems to establish a maternity protection system and foster a family-friendly corporate culture. Hanssem provides welfare points to both male and female employees as a congratulatory gift for a pregnant family, and implements reduced work hours of 2 hours per day (6 hours per day) for female employees throughout the pregnancy period without any separate wage deduction. In addition, all employees of Hanssem can take parental leave for one more year in addition to the statutory parental leave period, and we support a working environment that allows for work and family balance through a reduced work system for childcare and family care leave and leave of absence. In addition, Hanssem Sangam and Bangbae offices operate in-house daycare centers to provide high-quality childcare and education to employees' children.

In December 2020, Hanssem was selected as an ‘excellent family-friendly company’ by the Ministry of Gender Equality and Family. ‘Family-Friendly Certification’ is a system that the Ministry of Gender Equality and Family grants certification through examination to companies that are operating an exemplary family-friendly system that allows workers to balance work and family life.

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Welfare

Welfare benefits

Welfare point system operation

The welfare point system reflects the increasingly diversified needs of executives and employees, and supports employees to select and use what they need from various sources such as physical training expenses, academy expenses, medical expenses, and use of recreational facilities. The paid welfare points can be used like cash on the Internet, and if a separate card is issued, it can be used freely at all offline stores except for restricted industries. Since its introduction, the welfare point system has been evaluated as the system with the highest level of satisfaction among the Hanssem welfare programs, contributing to the improvement of employee satisfaction with the organization.

Welfare point issuance scale and usage status

Category	Unit	2020	2021	2022
Number of assignment	Case	9,496	12,818	14,348
Assignment point	100 million	24.2	28.2	25.7
Number of usage	Case	59,296	68,770	64,120
Usage amount	100 million	23.8	27.8	25.3

* Assignment Point: The total sum of welfare points given to each employee on a quarterly basis.
* Usage amount: Convert the total amount of welfare points used in the year into an amount (1 point = KRW 1)

In-house club operation

Hanssem operates clubs to strengthen bonds through mutual exchanges among executives and employees in various departments and to increase satisfaction with company life in order to revitalize the organization. Currently, there are about 30 clubs registered in the company that meet the various needs of employees, such as sports, handicrafts, and bands. Due to the COVID-19 crisis in 2021, exchanges between executives and employees were made indirectly only through some on-tact activities (DIY Kit sharing, etc.), but after 2022, online and offline activities are resumed due to the easing of social distancing.

Operation of in-house psychological counseling room

As the safety and health of employees are becoming a social issue, Hanssem recognizes the importance of taking care of employees' psychological and emotional health. Accordingly, we have been operating the 'Spring of Mind', an in-house psychological counseling center, since 2018, and provide free psychological counseling services to all employees five times a year. In addition to face-to-face counseling, non-face-to-face counseling is operated to reduce time and space limitations in counseling, and is operated so that immediate family members can also receive counseling. Through this, we aim to provide an environment in which employees can be more immersed in their work by helping them achieve a balance between work and life.

Other Welfare Benefits

Hanssem supports employees who have children with a small amount of school expenses for their children every quarter. The child tuition support system is operated to partially support the expenses necessary for raising and studying children throughout the entire life cycle from elementary school to university admission. In addition, employees who take care of infants and young children are paid childcare expenses of KRW 100,000 per child per month from birth to the year before entering elementary school. In addition, Hanssem provides money for congratulations and condolences, items for congratulations and condolences, artificial flowers, vacations, etc. for employees' marriage, childbirth, birthday, and condolences. In particular, in the case of congratulatory and condolatory money, in addition to the part supported by the company, we are operating an additional support system in the form of mutual aid for employees who have joined the employee association. In addition, Hanssem takes the lead in enhancing employee satisfaction with the organization by operating various welfare programs such as support for medical expenses, health checkup expenses, vacation expenses for Family Day, and various loans.

Category	Main Content
Child care expenses	Childcare expenses of KRW 100,000 per month per preschool-age child of employees are supported. (Some exceptions include employees on leave, children of in-house daycare centers, etc.)
Children's education	Quarterly support of KRW 100,000, KRW 200,000 , KRW 300,000 for each employee's elementary, middle, and high school children Tuition support of up to KRW 5,000,000 per time for admission of college students
Congratulations &condolences	A congratulatory gift for marriage, childbirth, birthday, condolences, and pregnancy (if employees and employees 'spouse confirm pregnancy)
Medical expenses	2022 Expansion of support for employees' own medical expenses through group accident insurance subscription (Insurance of actual loss, cancer diagnosis/treatment/surgery, miscarriage, death, etc.) Up to KRW 500,000 support for spouse/parent/child surgery, hospitalization, and emergency room expenses of employees
Health screenings	Comprehensive health check-up once a year, Support for 1 additional immediate family member in the case of deputy general manager or higher
Family day holiday	Support of KRW 200,000 for half-yearly vacation expenses when using family day vacation (2 days)
Loan support	Support for interest expenses for housing loans when purchasing or renting a house Hana Bank, Woori Bank preferential interest rate credit loan support

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Respect for Human Rights and Diversity

Human Rights Management

Human Rights Respect Policy

Hanssem supports international principles on human rights and labor, such as the United Nations (UN) and the International Labor Organization (ILO), and complies with relevant laws in order to prioritize the dignity of all human beings. Accordingly, Hanssem has enacted the Human Rights and Labor Management Declaration based on the human rights and labor-oriented management philosophy, and has made efforts to respect the human rights of various stakeholders and prevent their rights from being violated by requiring members to abide by it.

Internalization of human rights management culture

Hanssem requires employees to complete legally compulsory education, such as preventing sexual harassment and improving awareness of the disabled. Separately, we are conducting gender sensitivity training to increase the sensitivity of our employees. Gender sensitivity education is conducted online and offline for all employees of our company, and recently, separate education is being expanded to prevent sexual harassment and improve gender sensitivity for executives and employees of partner companies. From 2021, we are making efforts to reduce human rights risks in our agencies by publishing 『A Promise Manual for a Space Where You Want to Work』 for agencies to comply with the Labor Standards Act, prevent bullying and sexual harassment in the workplace, and protect other customer service workers.

Category	Unit	2020	2021	2022
Total training hours	Hour	Compulsory attendance of at least 1 hour per year (except for overlapping courses)		
Number of trainees (Rate)	Person(%)	2,307(98.8%)	2,133(97.4%)	2,424(99.3%)

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

The company strives 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

The company guarantees and supports 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

The company contributes 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.

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Pursuit of Diversity

Operation of a sports team for the disabled

As part of its activities to pursue diversity, Hanssem collaborates with the Gyeonggi branch of the Korea Employment Agency for the Disabled to sign labor contracts with amateur athletes belonging to the Gyeonggi-do Sports Association for the Disabled and supports them so that they can focus on their sports activities. Through this, 27 disabled athletes in 3 sports, table tennis, tennis and bowling, belong to the Hanssem Sports Team. Hanssem will continue to pay attention to creating an environment in which sports team players can focus only on sports so that they can feel proud as members of Hanssem.





Female Talent Recruitment and Development Program

In recent years, the ratio of female talent among new recruits at Hanssem has recorded about 52%, and in 2021, they account for 64% of new recruits. We are actively supporting female talent to create a work environment where work and life can be compatible. We support reduced work hours and leave of absence during pregnancy and childbirth, and operate in-house daycare centers in Sangam and Bangbae office buildings to ease the burden of raising children. Our efforts have resulted in a high rate of female employees returning from parental leave, reaching 95% by 2022.

In addition, the number of female executives, which was one in 2019, is continuously increasing to four as of December 2022. This policy is announced to all executives and employees at the time of promotion announcement every year, forming a company-wide consensus on the direction of fostering female executives.

Hanssem Labor-Management Culture

Hanssem is committed to protecting the basic labor rights of its members. In particular, to stipulate this, we enacted the 'Hanssem Human Rights and Labor Management Declaration' based on the UN's International Declaration of Human Rights and ILO (International Labor Organization). The Hanssem Human Rights and Labor Management Declaration protects the basic labor rights of its members, prohibits any form of discrimination, and respects diversity.

The status of union membership

Category	Unit	2020	2021	2022
Number of members eligible for union membership	Person	219	227	253
Number of union members	Person	219	227	253
Union membership rate	%	100%	100%	100%

※ In the case of the labor union of Hanssem Co., Ltd., it is stipulated in the collective agreement as a 'regular production worker'.

Hanssem labor and management

43 Years No dispute

※ No disputes since the establishment of the labor union in 1980



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Building Win-win Labor Management Relations

Employee Communication

Operation of Labor-Management Council

Hanssem deliberates and decides on important agendas through the quarterly labor-management council. The labor-management council is a consultative body formed to discuss with the management for workers without a union. The labor-management council has institutionalized the worker representatives of the labor-management council to elect worker representatives through direct, secret, and anonymous voting to secure the representativeness of the worker representatives. The employee representative is composed of three members, and they meet with various members on-site every month and actively receive general grievances and suggestions for the company. The grievances and suggestions received through these grievance counseling are presented as major agenda items of the labor-management council on a quarterly basis, and are actively reflected when introducing company systems or establishing policies.

Town hall meeting

Hanssem has been operating a 'Town hall meeting' with the CEO (CEO Executive Officer) since 2022 to support free communication between the company and its employees. The 'Town hall meeting' with the CEO is a forum where the CEO and executives and employees ask questions, answer questions, and discuss issues centering on topics selected in relation to the company's major strategies every month. Depending on the case, we adopt and operate the appropriate online or offline method, and the full text of the conversation is shared with all executives and employees through the internal bulletin board. From 2023, we have established and are operating 'Cross Meeting' to better understand each other's work between organizations and to find ways to collaborate smoothly.



Operation of internal bulletin board

Hanssem operates a variety of employee-participating communication channels using the online internal bulletin board. From 2021, we have been operating a free bulletin board where employees can share knowledge and communicate freely. Within it, a culture of sharing information with each other and freely exchanging thoughts and sharing stories about the company's major issues is taking root.

On the 'Proposal Board for a Better Hanssem', anyone can freely write their thoughts and opinions for the development of the company and discuss the content of the proposal in comments. In addition, the department or team that received the proposal provides an official response based on communication with the proposer and review of the content of the proposal.

On the A.M.A (Ask Me Anything) bulletin board, where all executives and employees ask questions and make suggestions to the CEO, posts are posted containing questions and suggestions from executives and employees about the company's strategy and direction. The CEO's official response to this is being shared with all employees. From 2023, the authority to use the A.M.A bulletin board has been expanded to affiliates for information sharing and smooth communication with affiliates.

Operating the Good Workplace Council

The 'Good Workplace Council', which was first launched in 2018, is a consultative body that serves as a communication channel between the company and its employees. It presents various opinions to the company on various issues and strives to build a better corporate culture. In 2022, 19 members of the Good Workplace Council collected opinions from employees and conveyed various ideas to the company, conducting active activities to create a better workplace and work environment. From 2023, we have changed the name to 'Change Agent' and are operating it in order to make changes in the way we communicate and work more actively in addition to our existing role.

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Workplace Safety and Health

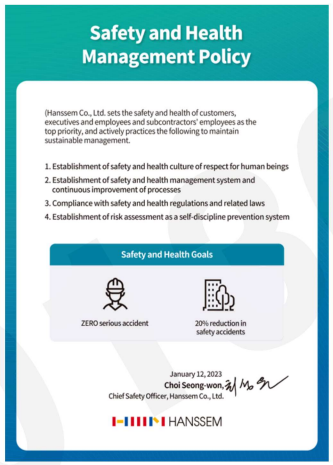
Safety and Health Management Policy

Establishment of safety and health management policy

Hanssem defines the safety and health of its customers, employees, and partners as its top priority, and selects and manages the following safety and health management policies to maintain sustainable management.

Safety and Health Management Policy

1. Establishment of safety and health culture of human respect
2. Establishment of safety and health management system and continuous improvement of process
3. Compliance with safety and health rules and related laws
4. Establishment of risk assessment as a self-discipline prevention system



Safety and health management system certification

Hanssem has acquired ISO 45001, an international standard for safety and health management systems, so that all activities related to safety and health management are operated autonomously and systematically. (December 2022, Korean Standards Association)

By using the system, the chief safety officer (CSO) and all employees and stakeholders participate to predict and prevent possible risks in advance to systematically manage the health and safety of members of the organization.



Safety and health management policy system

In order to prevent risks that may occur in business operations, a safety and health management system was established and operated by subdividing into 34 procedures, including one safety and health management system manual, five safety and health related regulations, safety and health regulation management procedures, and workplace risk assessment procedures.

Safety and Health Management Goal

Serious accidents ZERO

In order to prevent serious accidents, we conduct periodic inspections of workplaces through specialized companies, and conduct activities to find and improve high-risk factors through unannounced inspections and internal audits by a dedicated safety and health organization. In addition, each business division announces its own safety and health activities every month to encourage them to identify and improve risks on their own.

20% reduction in safety accidents

In order to reduce safety accidents, priority is given to the immediate accident reporting system (accident department→ CSO) was reestablished. In addition, the safety culture team analyzed all accidents to prevent duplicate accidents. In addition, risk assessment, a self-discipline prevention system, is conducted semi-annually, and identified risks are actively eliminated through pre-investment. In addition, by operating the 'Safety Report' system, rewards are given to those who report unsafe situations.



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Safety and Health Governance

Safety and Health Organizational Structure

Hanssem has included the CSO (Chief Safety Officer) and Safety Culture Team in the safety and health organizational system to be in charge of safety and health tasks. In addition, after designating a manager or department manager for each department, such as manufacturing, logistics, construction, stores, office buildings, and research institutes, safety and health-related policies and standards are included in the safety and health organizational system so that each department can implement and manage them.

Safety and health decision-making system

Company-wide industrial safety meeting (once a month, manager in charge)

On the last Wednesday of every month, heads of departments and managers of affiliates gather to operate a meeting led by the CSO to report and share safety and health-related reports.

Occupational Safety and Health Committee (quarterly, labor-management committee members)

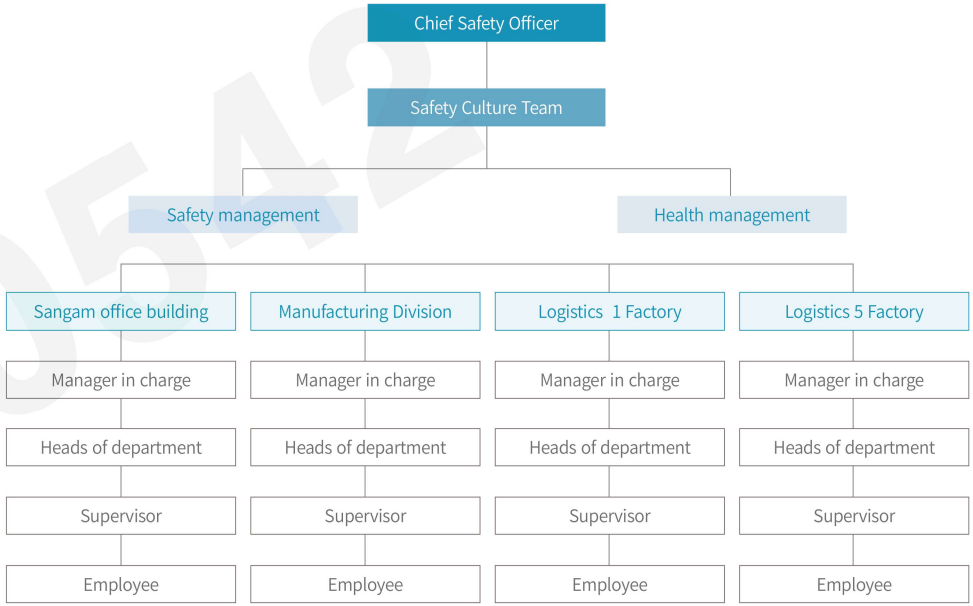
At the Sangam office building and manufacturing plant, quarterly labor-management members gather to deliberate, decide, and discuss safety and health-related regulations and issues.

Safety and Health Council (once a month, subcontractors/partners)

All workplaces with partner companies conduct safety and health-related consultative groups based on data provided by the safety and health organization once a month, and conduct quarterly inspections.



Safety and health Governance Structure



Category	Number of person	Notes
Chief Safety Officer(CSO)	1 person	Establishment and implementation of safety and health management system such as manpower, budget, and inspection necessary for disaster prevention
Department in charge of safety and health	5 persons	An organization dedicated to general management of work related to safety and health (including 2 Sangam safety managers and 1 health manager)
Safety and Health Manager	4 persons	Safety and health management as a general manager of core business sites (Sangam office building, manufacturing factory, logistics 1/5 factory)
Except for department manager	85 persons	Safety and health inspection and response at workplaces managed as a department manager or supervisor (91 business sites nationwide)
Total	95 persons	

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Safety and health evaluation system

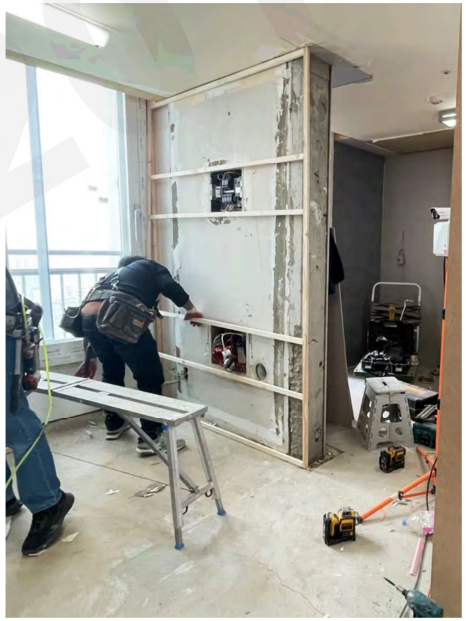
Safety and health internal audit

The safety culture team reviews and evaluates the safety and health management status of all business sites semiannually. Through this, we check compliance with the Industrial Safety and Health Act and the Serious Accident Punishment Act, and improve the safety and health level by conducting training for safety management personnel at each business site. The results of the safety and health management status review are immediately reported to the Chief Safety Officer (CSO) and necessary measures are implemented.

Risk assessment

In order to prevent safety accidents, Hanssem operates a risk assessment system that regularly checks the working environment and safety and health information at each business site, evaluates risks, and manages them intensively. Risk assessment refers to the process of preparing and implementing appropriate measures to reduce risks after identifying hazards and risk factors and determining the level of risk. Hanssem conducts risk assessments for all business sites once every half year.

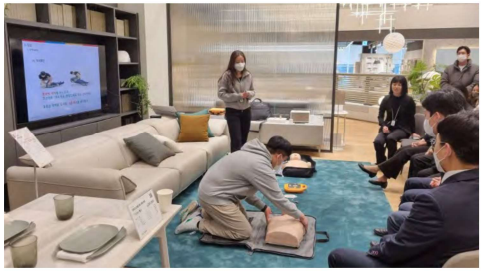




Safety and Health Education Program

Our company carries out safety and health personnel training, new hire training, regular safety training, management supervisor training, and special safety training required by the Occupational Safety and Health Act without omission. In accordance with our own regulations and procedures, we conduct forklift training, on-site safety and health training, serious industrial accident response training, and fire drills in preparation for fire. In addition, we select and disclose best practices among training programs every year to encourage employees to actively participate in training programs.





Category	Target	Note
Safety and health personnel training	Management manager, safety manager, health manager, etc.	Occupational Safety and Health Act
Training for new hires	New employees	
Regular safety training	All employees	
Supervisor training	Manager	
Special safety training	39 types of forklifts, robots, hazardous chemicals, etc.	
forklift training	Forklift operator (manufacturing/logistics)	Company regulations
Serious industrial accidents response Training	Employees	
Fire training in preparation for fire	Employees	
Visiting safety and health training	Employees and Partners	

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Employee Health Management

Occupational disease

Hanssem not only provides health check-up according to the Occupational Safety and Health Act, but additionally supports the cost of health check-ups for employees every year according to the company's welfare guidelines. In addition, pre-employment health checkups and special health checkups are conducted simultaneously for workers exposed to harmful factors (noise, night work, organic compounds, etc.) among field workers for each process and we are making efforts to reduce the threat to the health of our employees due to work-related diseases.

Noise-induced hearing loss

In processes that generate a lot of noise, we reduce noise sources by installing or isolating shielding walls, and we measure and manage the noise exposure environment. Ear plugs or ear muffs are provided to workers working in the relevant process, and training and wearing tests are conducted on the correct wearing method. In addition, we manage the risk of exposure to noise-induced hearing loss by conducting special health examinations every half year.

Pneumoconiosis

Dust collectors or local exhaust systems are installed to continuously ventilate processes that generate a lot of dust, and the working environment is measured and managed for the dust exposure environment. Dust masks are provided to workers working in the process, and training and wearing tests are conducted on how to wear them correctly. In addition, we manage the risk level of exposure to pneumoconiosis by conducting special health examinations every half year.

Chemical related diseases

In the process of handling chemicals, special training is conducted on hazardous materials management and ventilation, and working environment measurements are conducted for chemical exposure. Workers working in the process are provided with gas masks, safety goggles, protective clothing, etc. according to the chemical substance, and special health examinations are conducted to manage the risk level of exposure to chemical-related diseases.

Work-related musculoskeletal disorders

Work-related musculoskeletal disorders refer to cases in which musculoskeletal disorders are caused or aggravated by work. In this regard, we conduct investigations on musculoskeletal hazards for processes that include risks of harm to the musculoskeletal system, such as handling heavy objects or repetitive work, and additionally, auxiliary equipment is installed in the process or follow-up management is performed for workers.

Job stress-related diseases

Hanssem conducts stress tests every year for emotional labor workers who may feel stressed while directly communicating with customers. In the case of customer abusive language and workplace harassment, etc., we provide paid leave, temporary suspension or change of work, health-related treatment and counseling support, and operation of a committee to handle grievances in the workplace and strive to create a workplace culture that protects customer-facing workers. In addition, we operate a psychological counseling center in connection with an external organization so that psychological counseling can be received up to 8 times a year. The psychological counseling room provides counseling not only for job stress but also personal and family problems to support employees' emotional stability.



Installation of musculoskeletal disease prevention facilities



Operation of in-house psychological counseling room

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Safety and Health of Suppliers

Safety and Health Policy for suppliers

Hanssem organizes a 'Safety and Health Consultative Body' consisting of contractors and subcontractors for workplaces where executives and employees of partner companies work, and holds meetings once a month. Based on the relevant laws, we regularly conduct round inspections and joint inspections. In this process, we listen to the opinions of safety and health workers of our partners and work together to create a safer working environment.

Safety and health inspection of suppliers

Hanssem utilizes the safety culture team and a specialized agency (Hanssem Development) to conduct specialized inspections on safety/health/fire/electricity for all workplaces where employees of partner companies reside, and take measures and improve found risk factors.

Supplier safety and health evaluation

Hanssem evaluates every half year whether the safety and health management system is properly established and implemented for its suppliers. We are preventing safety accidents that may occur at workplaces within the Hanssem supply chain in advance by fairly selecting suppliers with the minimum safety and health capabilities through the safety and health level evaluation of the partner company.



Photo of supplier education



Photo of visiting safety and health education

Safety and health training for suppliers and environmental improvement

Hanssem Safety Culture Team Special Training

Hanssem is supervised by the safety culture team and is training its suppliers on key preparations to comply with the Industrial Safety and Health Act and the Serious Accident Punishment Act. In addition, the safety and health consultative body evaluates the safety and health level of partner companies to improve the safety and health system deficiencies.

Logistics forklift special management

For logistics support business sites, we prevented accidents caused by collisions by separating the traffic lines between forklifts and people in the logistics warehouse, and conducted special training on safety and health for forklift-related suppliers.

Visiting safety and health education and training

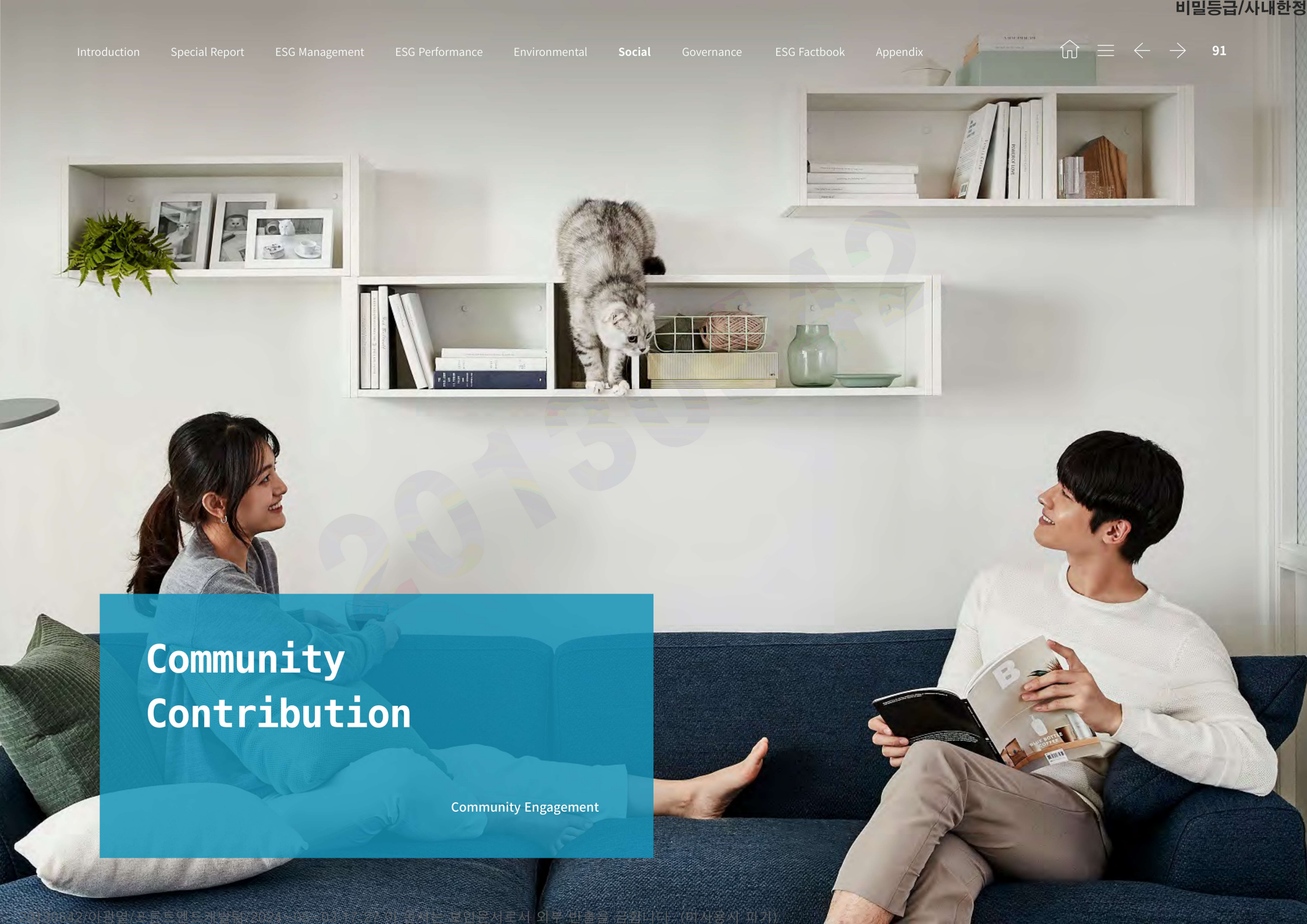
In the safety culture team, safety managers and health managers visit all business sites to conduct safety and health education and training. The education and training consists of basic knowledge related to firefighting and preparation for evacuation, guidance on CPR in case of an emergency, guidance on how to use an automatic external defibrillator (AED), and practice. Through this, we conduct education and training so that employees, partners, and customers can be safe in the event of an emergency.

Rest room improvement work

We are continuously adding or improving rest areas in all spaces where employees and subcontractors work, such as the Sangam office building, manufacturing plant, and distribution center.

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Community Contribution

Community Engagement

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비밀등급/사내한정

Social Contribution Activities Governance

Social Contribution Promotion System

Hanssem, as a comprehensive home interior design company, establishes and implements a social contribution promotion system linked to the characteristics of its business. Under the vision of 'contributing to the development of mankind through improving the residential environment', we are continuing social contribution activities centered on the residential environment improvement project.

Hanssem's social contribution activities are largely divided into ongoing residential environment improvement projects, employee participation activities, and

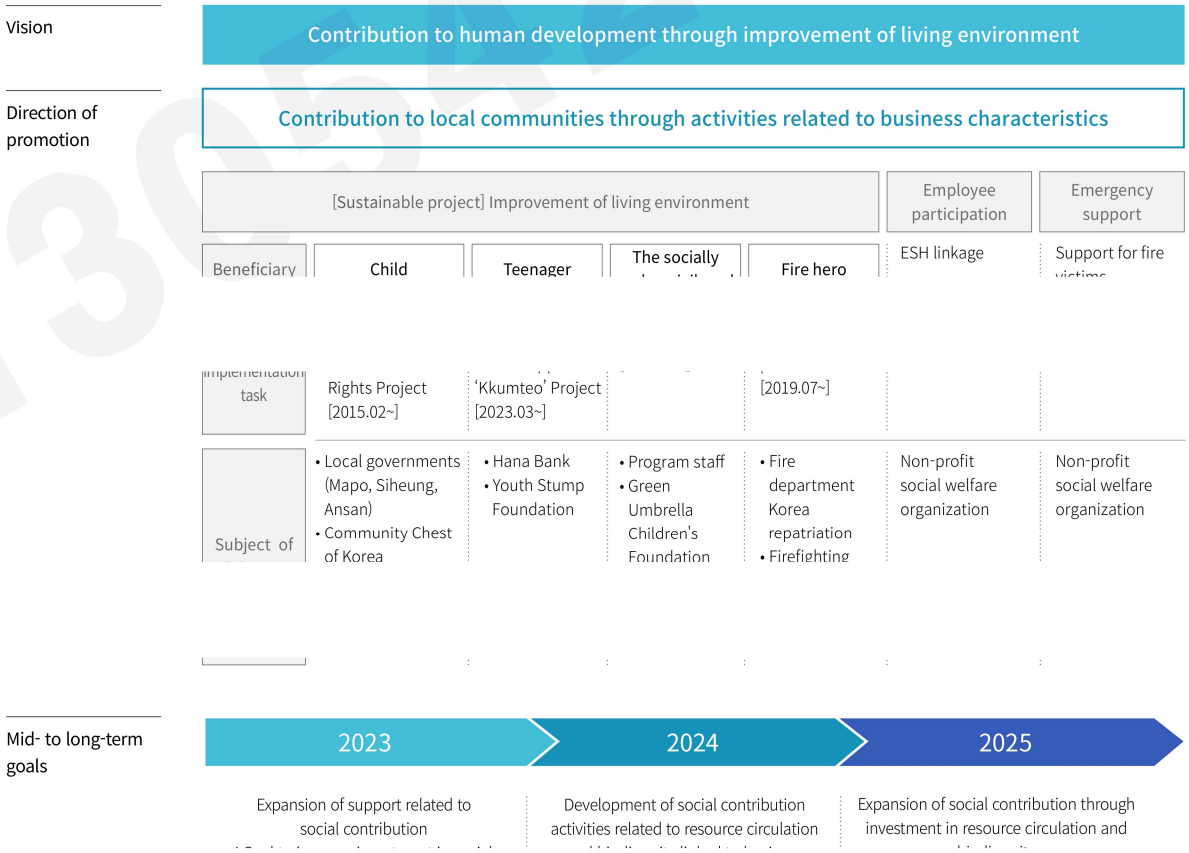
Sponsorship for Companion Program' with KBS, and 'Old Fire Station remodeling project ' for firefighters and paramedics. From 2023, with the purpose of expanding the neighborhood with Hanssem, we have signed a business agreement with the Stump Foundation of Hana Financial Group to support self-reliant youth, and we

activities for the underprivileged and local communities in the blind spot.

Social Contribution Promotion Organizational Structure

Hanssem designs social contribution goals every year through an organization

profit organizations.



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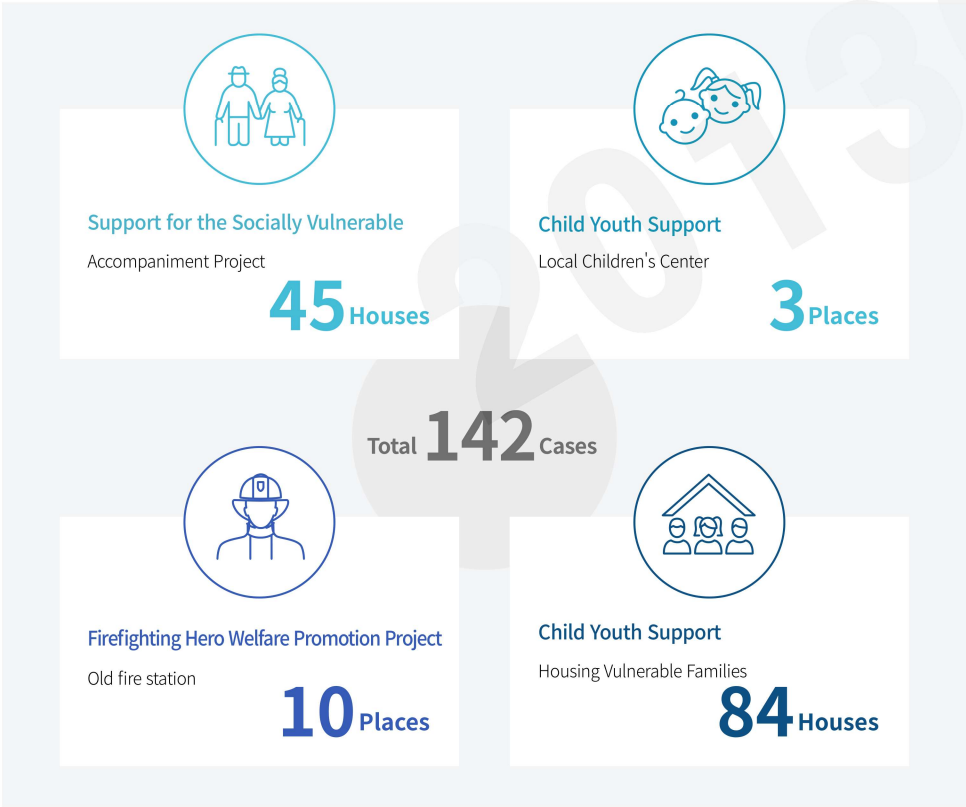
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Social Contribution Activity Program

Residential environment improvement project

As for the residential environment improvement project, we participated in the 'Building Houses of Love' project sponsored by Habitat for Humanity Korea in 2005, and provided kitchen furniture for a total of 68 households in 8 regions across the country. Since we set the direction of our social contribution project for improving the residential environment of the underprivileged, we have continued to do so.



Employee Participation Social Contribution Program

In addition to simple financial donations, Hanssem continues to promote employee participation programs so that all employees can internalize the importance of social responsibility and promote voluntary practice. In 2022, a total of 5 employee volunteer activities were conducted, including sharing swimsuits for children at local children's centers and making soap to help the disabled become self-reliant, with 240 employees participating.

Employees of Hanssem have been fulfilling social contributions through voluntary activities in addition to programs run by the department in charge. The 'New Sangnokhoe', a meeting of on-site managers in the manufacturing plant, delivered briquettes for the socially vulnerable to carry out meaningful activities as the first meeting after social distancing. The group, in which 15 class leaders and 22 team leaders participated, purchased and delivered a total of 2,000 briquettes to 10 households in 'Ttukbang Village' in Gwangmyeong-si, Gyeonggi-do through briquette delivery.

In addition, Hanssem is conducting a 'Takeout Cup Collecting Campaign', a social contribution activity related to resource circulation, for employees. Among the beverage cups that employees drink and throw away every day, plastic cup collection boxes are placed on each floor. Cups collected through an agreement with BYN Black Yak are recycled into recycled plastic yarn. In 2022, we are striving to internalize social contribution activities by presenting scarves using K-rPET, a recycled material of Black Yak, to executives and employees who have submitted photos to prove their participation.

In this way, in order to encourage voluntary participation of employees and further solidify this culture, executives and employees with excellent social contribution activities are selected and awarded for their contributions every year. In 2022, actively participating departments are additionally selected to support active social contribution activities.

Disaster Emergency Assistance

Hanssem is supporting the victims of natural disasters in order to actively participate in overcoming national disasters. We donated blankets and daily necessities to the victims of the earthquake in Turkiye at the suggestion of executives and employees, and provided furniture to victims of the forest fire. As such, Hanssem is striving to fulfill its responsibilities as a corporate citizen, moving away from a simple community contribution perspective.

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Local community contribution activity certification

The Community Contribution Recognition System is a system that identifies and certifies companies that have contributed to vitalizing community contribution by cooperating with residents, non-profit organizations, and the government based on the local community. It is organized by the Ministry of Health and Welfare and the Korea Social Welfare Council.

Hanssem was recognized for its contribution to social contribution activities with local communities and non-profit organizations, and was selected as a recognized company under the Local Community Contribution Recognition System. We will continue to listen to the problems of the local community and realize corporate social responsibilities and values through efforts to solve them.

Awarded the 'Ministry of Employment and Labor Award' at the social contribution video festival

At the '2022 CSR Film Festival' hosted by etoday, which awards to companies that have contributed to solving various social problems, Hanssem received the Minister of Employment and Labor Award in recognition of its continuous efforts in various social contribution activities.

Awarded the 'Minister of Public Administration and Security Award' for remodeling activities of old fire stations

Hanssem received a commendation from the Minister of Public Administration and Security in recognition of its contribution to remodeling activities of old fire stations nationwide, which have been ongoing every month since 2019. Since 2019, Hanssem has been supporting the remodeling of a total of 30 fire stations and is working hard to improve the treatment of firefighters dedicated to the safety of the people.


지역사회공헌 인정 증명서

Corporate Social Responsibility in the Community Certificate

인정번호 : 경기-2022-045
사업장명 : 한샘
대표자 : 김진태
소재지 : 경기 안산시 단원구 번영2로 144 한샘
인정기간 : 2023. 1. 1. ~ 2023. 12. 31.

귀 사업장을 지역사회공헌 인정기업으로 승인되었음을 증명합니다.
This is to certify that the above establishment has been approved as 'CSR in the Community' Recognition Corporation.

2023. 5. 4.
보건복지부 | 한국사회복지협의회





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GOVERNANCE

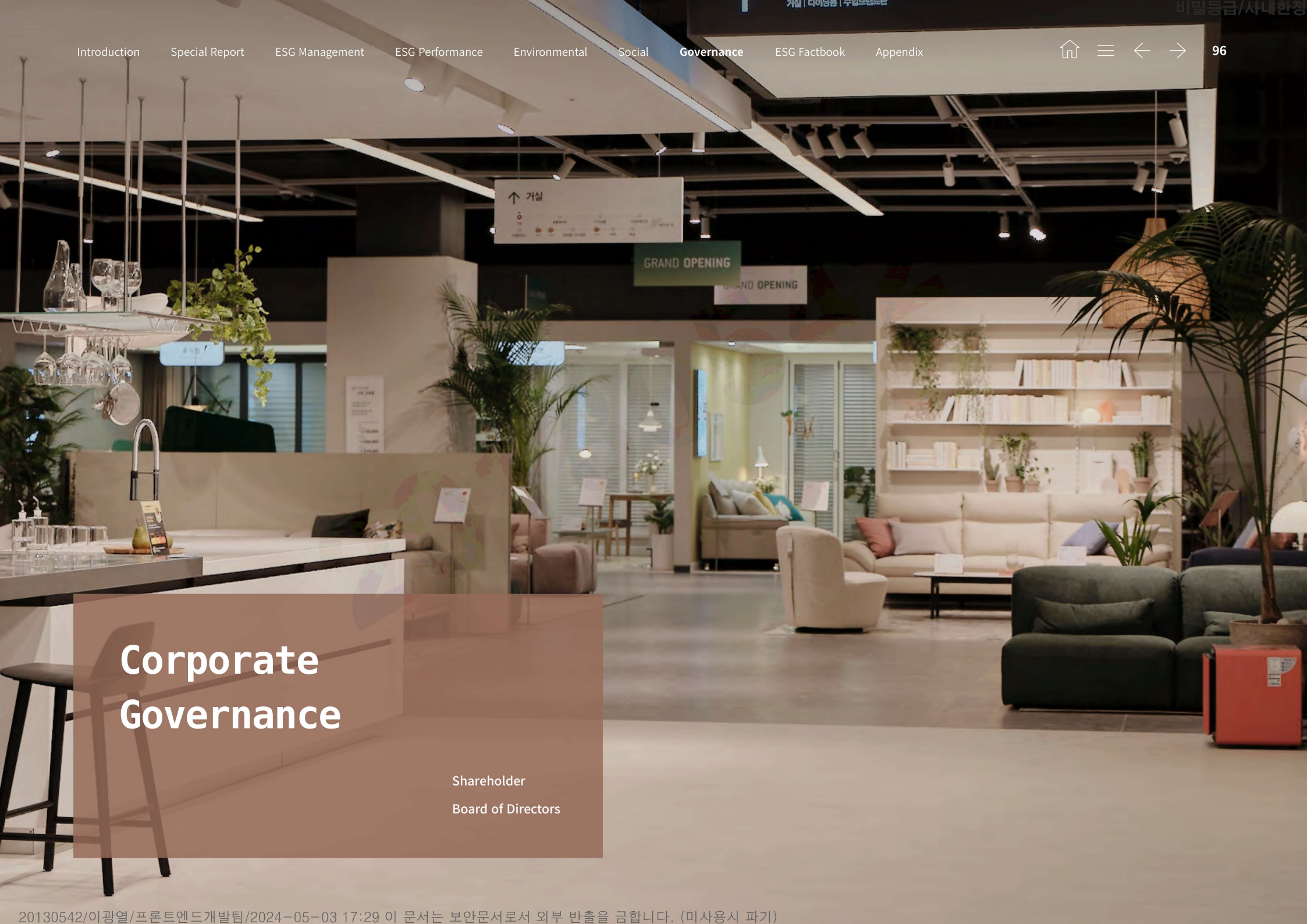
Corporate Governance

Shareholder
Board of Directors

Risk Management

Integrated Risk Management
Business Ethics and Compliance
Information Security

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Corporate Governance

Shareholder

Board of Directors

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Shareholder

Hanssem stipulates internal regulations such as the articles of incorporation to guarantee the basic rights of shareholders in accordance with the standards set forth in the commercial law and related laws. In addition, we are making efforts to enhance shareholder value by introducing an electronic voting system to ensure shareholder rights and interests, preparing a mid- to long-term shareholder return policy.

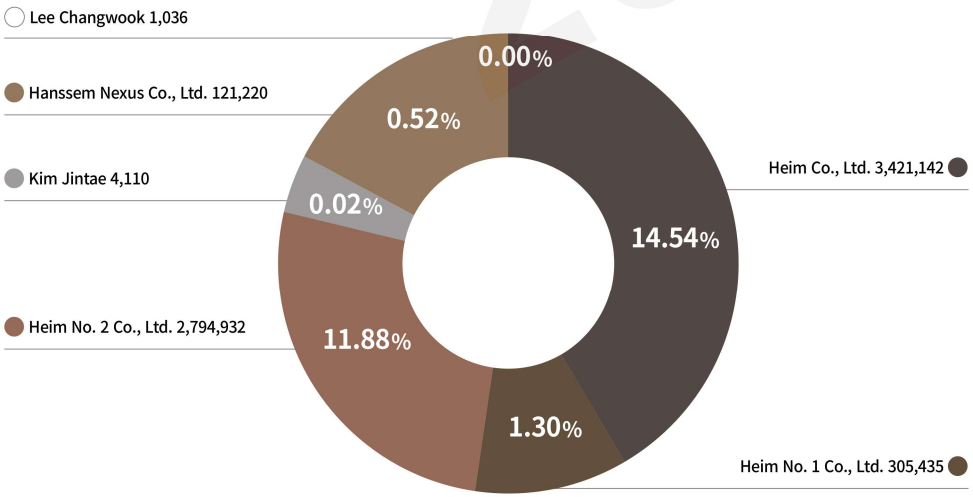
Shareholder Status and Shareholder Rights

Shareholder structure

As of December 31, 2022, the number of shares issued is 23,533,928, of which 7,678,487 shares are treasury shares. The largest shareholder of Hanssem is Heim Limited Company, of which IMM Rose Gold 4 Private Equity Investment Joint Stock Company is the largest investor, which holds 3,421,142, with a 14.54% stake and owns 28.25% of shares, including related parties.

Shareholder Status (As of December 31, 2022) Unit: share, %

Number of shares owned and share ratio (end of year)

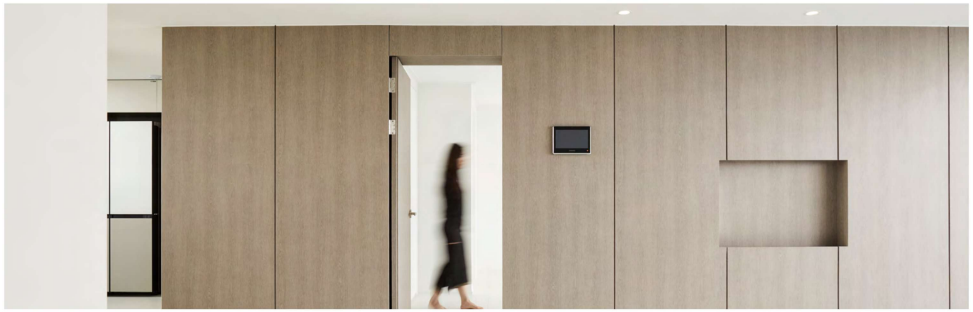


Shareholder Rights Protection Policy

Hanssem introduced an electronic voting system to improve shareholder convenience, starting with the 49th regular general meeting of shareholders on March 23, 2022. The electronic voting system is operated by consigning the Korea Securities Depository, and in 2022, 2,264,910 shares out of 16,753,628 total voting stocks were exercised electronically, recording a 13.52% electronic voting rate.

Shareholder return policy

Hanssem introduces a quarterly dividend in 2022 and is preparing a shareholder return policy that can enhance the value of shareholders and investors. In December 2021, at the 49th extraordinary general meeting of shareholders, the articles of incorporation was amended to prepare the grounds for quarterly dividends, and quarterly dividends were implemented from the first quarter of 2022. Hanssem plans to set the minimum annual dividend payout ratio at 50% by maintaining the quarterly dividend policy in the future. In addition to this dividend policy, Hanssem has a treasury stock purchase policy that enhances shareholder value through permanent and flexible treasury stock purchases below the appropriate corporate value judged by the management.



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Board of Directors

Composition and Activities of the Board of Directors

Composition of the Board of directors

According to Article 33 of the Articles of Incorporation, Hanssem's board of directors consists of 3 to 10 directors. As of March 2023, Hanssem's board of directors consists of 4 other non-executive directors and 3 outside directors.

Category	Name	Gender	Year of birth	Date of first appointment	Term expiration date	Relationship with the major shareholder	Affiliated committee	Responsibilities/Major Career	Specialty
Other non-executive directors	Lee Haejun	Male	1973	December 2021	December 12, 2024	Executives of the majority shareholder's general partner	CEO Candidate Recommendation Committee	Chairman of the Board of Directors/General Corporate Management/ Current) Representative of IMM Private Equity Investment Division	Management supervision
	Song Injun	Male	1965	December 2021	December 12, 2024	Executives of the majority shareholder's general partner		General Corporate Management/ Current) CEO of IMM Private Equity	Management supervision
	Kim Jungkyun	Male	1977	December 2021	December 12, 2024	Executives of the majority shareholder's general partner	Internal Trade Committee, Compensation Committee, CEO Candidate Recommendation Committee	General Corporate Management/ Current) Vice President of IMM Private Equity	Management supervision
	Yoo Heonseok	Male	1978	March 2023	March 23, 2026	Executives of the majority shareholder's general partner	Investment Deliberation Committee, ESG Committee	General Corporate Management/ Current)IMM Private Equity Executive Director	Management supervision
Outside director	Cha Jaeyeon	Female	1965	December 2021	December 12, 2024	None	Audit Committee, Internal Trade Committee, Outside Director Candidate Recommendation Committee	Audit Committee Chairman/ Former) KT Estate Executive Vice President of Management Planning	Financial and management planning
	Kim Sangtaek	Male	1962	December 2021	December 12, 2024	None	Audit Committee, Compensation Committee, Outside Director Candidate Recommendation Committee, Investment Deliberation Committee, CEO Candidate Recommendation Committee	Audit Committee Member/ Current) Non-executive management advisor at Seoul Guarantee Insurance	Risk Management
	Choi Choon Seok	Male	1960	December 2021	December 12, 2024	None	감Audit Committee, Outside Director Candidate Recommendation Committee, ESG Committee	Audit Committee Member/ Former) CEO of Lotte Shopping Super Business Division	Overall management

Operation of the Board of directors

The Hanssem board of directors, as the highest decision-making body, decides important matters for the company, such as establishing the company's management goals for the benefit of the company and its shareholders, in accordance with relevant laws and board operation regulations. Hanssem publishes information such as the company's articles of incorporation and major resolutions of the board of directors through the company website, and the board of directors-related materials that are obliged to be disclosed in accordance with the law are regularly disclosed on the Electronic Disclosure System (DART) of the Financial Supervisory Service.

Activities of the Board of directors

Hanssem held 14 Board of Directors meetings in 2022 to deliberate and resolve a total of 44 agenda. The board of directors operates as a regular board meeting held once a quarter and a temporary board meeting as needed. For the efficient operation of the board of directors, 'Board Regulations' are prepared, and the minutes of each meeting are recorded to record the contents of the board of directors. The resolution of the board of directors is decided by the attendance of a majority of the directors and the consent of a majority of the directors present, unless otherwise stipulated by law. The average attendance rate of outside directors on the Hanssem Board of Directors in 2022 is 98%.

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Board of Directors Member Independence

Hanssem is strengthening the independence of the board of directors to protect the interests of various stakeholders including customers and shareholders. In March 2022, non-executive directors were appointed as the chairman of the board of directors to separate executive officers and the board of directors, and outside directors are elected through an independent and transparent process. Hanssem recommends candidates for outside directors through a rigorous screening process, taking into account qualification standards under the commercial law and related laws, as well as professionalism and independence for director duties. Appointment of outside directors is decided at the general shareholders' meeting, and currently, the company has three outside directors who are socially renowned experts from various fields on the board of directors.

Board of Directors Member Expertise

When appointing directors, Hanssem verifies the professionalism and personal capabilities and submits candidates to the general shareholders' meeting. In particular, for outside directors, the Outside Director Candidate Recommendation Committee recommends candidates with extensive professional knowledge or practical experience in related fields such as management supervision, finance and management planning, and risk management. There is no discrimination or restriction based on age, gender, educational background, or region of origin in competency evaluation and appointment of directors.

Number of board meetings	Resolution	Reporting agenda
14 times	44 cases	32 cases

Efforts to enhance the expertise of the board of directors

Hanssem supports related training so that outside directors can enhance their understanding of company management and develop the competencies needed to perform their duties.

Training date	Trainer	Outside directors attended	Reason for absence	Main contents of education
June 28, 2022	External expert (KPMG Samjeong Accounting Corporation)	Cha Jaeyeon Kim Sangtaek Choi Choon Seok	-	1. Operation of the Audit Committee and plan for activities 2. Internal accounting management system 3. ESG concepts and trends
August 11, 2022	Our affiliates, such as Hanssem Nexus Co., Ltd.	Cha Jaeyeon Kim Sangtaek Choi Choon Seok	-	1. Understanding the high-end market 2. Understanding the special sales market
November 23, 2022	Internal training (Management Support division)	Cha Jaeyeon Kim Sangtaek Choi Choon Seok	-	1. 2023 business plan 2. Audit Committee operation direction and current status

Board of Directors Remuneration Policy

Compensation calculation and payment policy status

The director's remuneration for 2022 was approved within the limit of KRW 500 million through the regular shareholders' meeting. The approval limit includes wages, severance pay, and performance compensation for outside directors.

* Other non-executive directors are unpaid, it was calculated for 3 outside directors

Remuneration policy decision-making process

The Compensation Committee deliberates on the compensation limit for directors and auditors to be submitted to the regular shareholders' meeting. The payment of remuneration is determined within the remuneration limit passed in accordance with due process. In addition, the Compensation Committee deliberates on the granting of stock options to executives and employees and other issues related to the compensation system for executives and employees.

Remuneration information

Unit: Person, KRW Million

Category	Number of person	Total remuneration	Average remuneration per person
Outside director	3	180	60

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Committee within the Board of Directors

Committee composition and major tasks

Hanssem has established and operates seven specialized committees within the board of directors: Audit Committee, ESG Committee, Compensation Committee, Outside Director Candidate Recommendation Committee, Related Party Transactions Committee, Investment Deliberation Committee, and CEO Candidate Recommendation Committee. To ensure the independence of the committees, the chairpersons of six of the seven committees were appointed as outside directors.

Committee name	Composition	Director's name	Purpose of establishment and authority
Audit committee	3 Outside directors	Chairman Cha Jae-yeon Committee member Kim Sang-taek Committee member Choi Chun-seok	· Perform audit duties in a location independent from the board of directors, executive bodies and other departments
ESG Committee	1 outside director 1 other non-executive director	Chairman Choi Chun-seok Committee member Yoo Heon-seok	· ESG strategy, policy, regulation establishment deliberation report · Financial and non-financial risk review and report · Report on ESG status review
Compensation committee	1 outside director 1 other non-executive director	Chairman Kim Sang-taek Committee member Kim Jeong-gyun	· Deliberation on the limit of remuneration for directors and auditors to be submitted at regular shareholders' meeting · Deliberation on granting stock options to executives and employees, including management · Other matters related to the employee compensation system
Outside Director Candidate Recommendation Committee	3 outside directors 1 other non-executive director	Chairman Kim Sang-taek Committee member Lee Hae-jun Committee member Cha Jae-yeon Committee member Choi Chun-seok	· Deliberation on recommendation, examination, and selection of outside director candidates · Other matters necessary for recommending candidates for outside directors, etc.
Internal Trade Committee	1 outside director 1 other non-executive director	Chairman Cha Jae-yeon Committee member Kim Jeong-gyun	· Deliberation of basic policies between the company and its affiliates · Review of re-examination of standards related to selection of transaction targets · Appointment and dismissal of internal trade manager
Investment Deliberation Committee	1 outside director 1 other non-executive director	Chairman Kim Sang-taek Committee member Yoo Heon-seok	· Deliberation on investment of KRW 20 billion or more than 3% and less than 5% of equity · Deliberation of other business-important investment items requested by the board of directors
CEO Candidate Recommendation Committee	1 outside director 1 other non-executive director	Chairman Kim Jeong-gyun Committee member Kim Sang-taek	· Recommendation, screening and selection of CEO candidates · Other matters necessary for recommending a CEO candidate and matters delegated by the board of directors

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Outside Director Candidate Recommendation Committee

Hanssem's Outside Director Candidate Recommendation Committee consists of one non-executive director and three outside directors, and the ratio of outside directors is maintained at 75%. Hanssem's directors check whether they meet the disqualification requirements for outside directors required by related laws, such as Article 382, Paragraph 3 and Article 542-8, Paragraph 2 of the Commercial Act, among a wide range of candidates for each field. Based on interviews with relevant departments and thorough verification of related documents, we evaluate whether a person can make a substantial contribution to the company in light of practical experience and expertise. In the case of outside directors, they are proposed as outside director candidates at the general shareholders' meeting through the recommendation and resolution procedure of the Outside Director Candidate Recommendation Committee.

Audit committee

Hanssem's audit committee is composed of three directors as stipulated in Article 7, Paragraph 2 of the Audit Committee Regulations. The independence of the Audit Committee is secured as all three members of the Audit Committee are composed of outside directors, exceeding the stipulation that “at least two-thirds of the members are outside directors”. When selecting audit committee members, those who have extensive experience in related fields such as accounting, finance, risk management, and management planning, and have no stake in the company or the largest shareholder, are selected as candidates who can supervise directors and company management in an independent position. We ensure the expertise and independence of our audit committee members.

To support the activities of the Audit Committee and independently carry out internal audit work, the company has an audit team, which performs internal audit work and internal control, and also manages and operates the internal accounting management system in accordance with Article 8 of the External Audit Act.

Audit Team Organization Status

Department	Number of employees	Position	Main activity
Audit team	7 persons	1 deputy manager, 2 managers, 4 assistant managers	Compliance and ethics index (internal control) inspection and evaluation Establishment and improvement of win-win growth policies, etc.

ESG Committee

Hanssem's ESG Committee satisfies the requirement that the committee be composed of two or more directors pursuant to Article 13 of the Board of Directors Regulations, and two directors were appointed, and one of them is appointed as an outside director. In particular, Director Choi Chun-seok, the chairman, was elected who has experience and expertise as the CEO of a distribution company, so he is expected to be able to contribute not only to the company's overall business activities, but also to demonstrate his capabilities in risk management, derivation and execution of mid- to long-term ESG strategies. The ESG Committee resolves and reports on the overall ESG agenda from strategy to execution, including ESG goals and core tasks, response to environmental risks, and reflection of ESG performance indicators in related departments and company-wide performance indicators.

Key agenda items of the ESG Committee in 2022

Category	Date	Agenda
1st ESG Committee	2022.05.12	Agenda No 1: Approval of 2022 ESG goals and core tasks Report No. 1: Report of 2021 ESG evaluation results and key tasks Report No. 2: Report of sustainability report publication direction Report No. 3: Report of joining the international initiative Report No. 4: Report of quarterly dividend
The 2nd ESG Committee	2022.08.11	Agenda No. 1: Approval of appointment of fair trade officer Report No. 1: Dividend report for the 2nd quarter of 2022 Report No. 2: Report of the progress of the first half of 2022 Report No. 3: Report of plan for the second half of 2022 Report No. 4: Report of sustainability report publication Report No. 5: Report of follow-up measures to the ESG Committee
The 3rd ESG Committee	2022.11.10	Agenda No 1: Approval of 2023 ESG strategy Report No. 1: Report of quarterly dividend

* Reporting climate change-related risks including the 3rd ESG Committee Agenda No. 1

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Risk Management

Integrated Risk Management

Business Ethics and Compliance

Information Security

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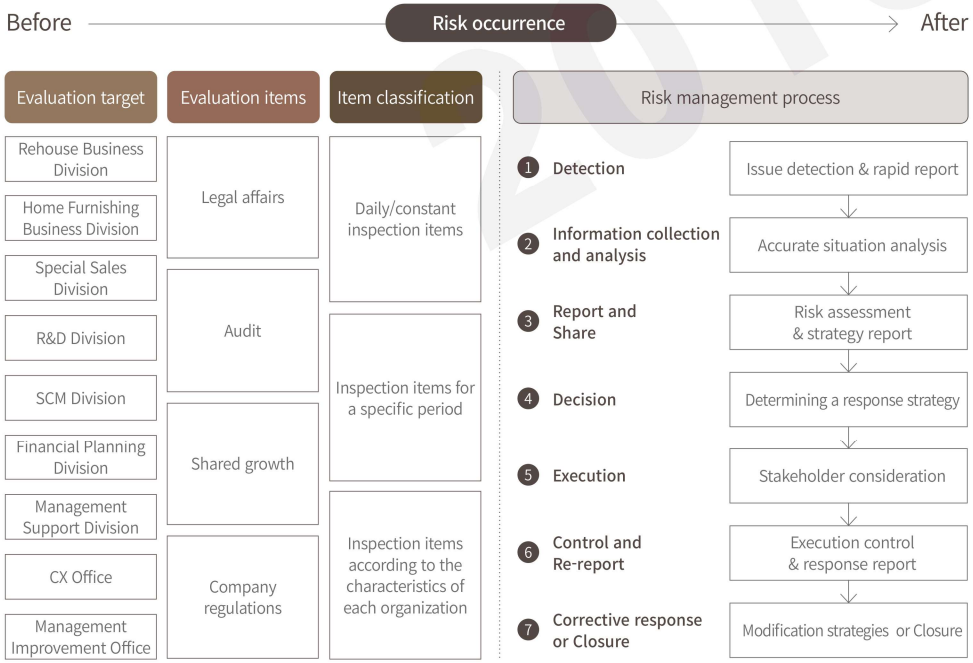
Integrated Risk Management

Integrated Risk Management System

Hanssem strives to reduce inefficiencies and prevent accidents through the use of a preemptive risk management system and strategic internal monitoring. To this end, the Company Regulations Management Part was newly established in February 2020 to establish company-wide regulations. Through this, the company's workflow was clarified and the possibility of an accident was greatly reduced.

Risk management process

Hanssem has established a risk management process to promptly respond to rapidly changing domestic and international economic conditions and unpredictable crises, and various departments such as the Ethical Management Office, Consumer Protection Office, and ESG Committee are involved in responding to risks.



Risk Identification and Response

Countermeasures by risk type

RISK	Accident type	Response strategy	Response organization
Production, construction site	Safety accidents Accident on site	Compliance with Safety Emergency Response Manual for Production and Logistics Plant Compliance with Logistics and Construction Safety Management Manual & Safety and Health Management Policy	SCM
Environment, health	Environmental regulatory issues	Use of 100% eco-friendly raw materials (E0) Strengthened chemical substance test for all products compared to domestic environmental laws	Hanssem Research center
Promotion	Report incorrect, exaggerated Report that is different from company policy	Establishment of media response process for each issue type	Promotion
Quality/Consumer	consumer claims Store safety accident	Compliance with response manual for consumer claims Compliance with store management manual	CX safety culture
Government/Policy	Real estate policy Intensifying market competition	Establishment of annual business plan based on market analysis Supplement implementation strategies based on daily/weekly/monthly/ quarterly performance analysis	Each business divisions
IT Risk	Information security	Certification and evaluation of information protection management system Personal information protection manual (15 management guidelines) and information protection training	Information security
Finance, Accounting, Tax	Internal control Incident Budget abuse & Fund Risk	Operation of internal accounting system (independent → accounting firm → audit committee) Compliance with finance-related regulations such as budget & compliance with all budget/fund/accounting approval lines	Financial planning
Legal affairs	Violation of Fair Trade	Reorganization of company regulations and internal regulations for each area Conducting regular audits and preventing unfair trade with suppliers	Ethical management
Personnel, Labor	Violation of the Labor Standards ActHarassment at work	Compliance with 52-hour work week Preparation of periodic education, sexual grievance committee, reporting channel	Corporate culture

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Business Ethics and Compliance

Code of Ethics

Recently, ethical management such as 'ESG management' under the premise of corporate 'social responsibility management' is being emphasized more. Now, sustainable growth and survival are possible only when companies fulfill their social responsibilities, including economic, legal, and ethical responsibilities, as well as create financial and non-financial values. Hanssem has enacted the 'Hanssem people's commitment' as an internal regulation for proper ethical management. The 'Hanssem people's commitment' is a set of 10 norms for ethical management, including the pursuit of integrity, keeping promises with customers, mutual respect among employees, mutual growth with suppliers, and practicing transparent management. The 'Hanssem people's commitment' is posted on the in-house groupware and on the Hanssem.com website, so anyone can easily access it. In addition to this, Hanssem has prepared a new 'Z.T.P Pledge' that reflects the employees' commitment to ethical management so that employees can enjoy a healthy work environment and maintain the trust of stakeholders.

Ethics Charter : Hanssem people's commitment

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

Hanssem people's commitment for Ethical Management

❶ **Pursuit of precision** Challenge excellence goals and pursuing precision.
❷ **Keep promises** Keep our promises to our customers.
❸ **Customer safety** Put the safety of our customers first.
❹ **Field-oriented** Practice customer satisfaction through the achievement and reward of front-line workers.
❺ **Respect for personality** Respect the personality and values of our employees.
❻ **Shared growth** Pursue shared growth with partners based on trust.
❼ **Transparent management** Protect investors by practicing transparent management.
❽ **Legal Compliance** Comply with laws and regulations and respect local culture.
❾ **Sustainability** Realize sustainable growth through environmental protection and resource conservation.
❿ **Contribution to humanity** Contribute to human society by improving the living environment.

Zero Tolerance Policy: The Z.T.P Pledge

In order to strengthen ethical management and establish an ethical culture internally, Hanssem established the 'Z.T.P (Zero Tolerance Policy) Principle' in addition to the 'Hanssem people's commitment'. The 'Z.T.P principle' is literally a zero tolerance principle. The principle is that strict action will be taken for violations of specific important items 1) regardless of position, 2) regardless of past merit, and 3) without application of reduction regulations. By establishing these principles, we encourage all Hanssem employees to clearly understand and comply with the regulations that must be followed.

[Z.T.P Pledge]

As a Hanssem person, I pledge as follows.

- I will respect the other person, recognizing that my words and actions may cause sexual discomfort to the other person contrary to my intention.
- I will treat my co-workers and other people I know through work as human beings with equal human rights, and I will never sexually objectify or harass others.
- I will not engage in words or actions that cause sexual grievances (sex discrimination, sexual harassment, sexual violence) not only in the public sphere such as the company, but also in the private sector.
- I will not make false reports about the company's business.
- I will not engage in any act that damages the property of the company, such as embezzlement or breach of trust.
- I will not engage in self-interest in the company's business.
- I will not use abusive language or give unfair instructions to subcontractors and related parties.
- I will not take advantage of my position, such as asking for money or valuables, entertainment, etc. from business partners and related parties.
- I will comply with relevant laws and regulations such as the Subcontracting Act, Fair Trade Act, and Agency Act.

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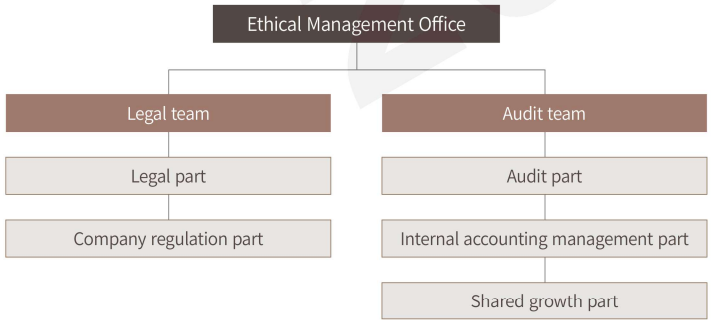
Ethical Management System

Ethics management department

Hanssem's Ethical Management Office is dedicated to roles such as preparing systems for ethical management, auditing cases, managing lawsuits and disputes, reviewing company-wide contracts, and providing legal advice. The Ethics Management Office is composed of an audit team and a legal team. Based on the 2022 organizational chart, the audit team is composed of an audit part and a shared growth part, and the legal team is composed of a legal part and a company regulation part.

The Audit Department within the Audit Team protects the company from losses through internal audits and compliance and ethics index checks, and is in charge of accident prevention activities by improving the company's process. The Shared Growth Part is in charge of fair trade and win-win business for purchasing vendors.

The legal department within the legal team identifies all laws and regulations that the company must comply with, and inspects, manages, and supervises employee compliance with the goal of minimizing company-wide legal risks. We 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 manages existing lawsuits and disputes to perform the company's compliance control function. Company regulations are being revised to present work process and standards to the person in charge of each division, while each division checks compliance with the regulations. In addition, by supervising and conducting company-wide ethical management training, we are striving to internalize ethical awareness among all employees and establish a corporate ethical management culture.



Ethical Management Diagnosis and Improvement

The Hanssem Ethics Management Office aims to establish the highest level of ethical management system in Korea, and the audit team investigates fraudulent acts within the company, improves processes, and conducts activities for fair trade with partner companies.

The audit team selected monthly internal control inspection items and conducted inspections to audit the company's fraudulent activities. From 2022, internal control inspections have been expanded to the Compliance & Ethics Index system, and about 40 evaluation items are selected every quarter to be evaluated by organization and item. Through this, we aim to create a corporate culture where all employees of Hanssem can make ethically sound decisions, enhance corporate transparency, and establish a management system through systems and corporate rules. The Legal Team carries out a compliance control function to ensure fair and transparent business performance, sound development of the company and customer trust by ensuring the company complies with laws and implements business ethics. To this end, the Compliance & Ethics Index system was introduced from 2022 to objectively evaluate company-wide compliance with laws, rules, company rules, guidelines, etc. Therefore, we are creating standards and an environment in which all our executives and employees can make legally and ethically sound decisions. Through this, the company can discover and improve legal risks in advance, and aims to enhance the compliance consciousness of members and the trust of investors and consumers.

Ethical Management Education

Hanssem prevents risks of ethical management and legal violations through ethics training and emphasizes the importance of fair trade. Internal control training, led by the Audit Team, is conducted regularly for company-wide team leaders and new employees, and is additionally conducted irregularly, focusing on sales divisions with high accident risk. Hanssem explains accident cases that have occurred in the past and raises awareness through the internal control training session, while providing training on measures to prevent recurrence and what to comply with when performing duties. Furthermore, from December 2022, the department in charge of ethics education was changed to the Legal Team within the Ethics Management Office, and the ethics education system was strengthened by including ethics education in the regular education curriculum for each organization throughout the company.

Ethical Management Training Completion Status

Category	Education target	Education Completion Rate
National Rehouse TR internal control training	75 people	100%
Internal control training for new employees	85 people	100%

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Ethics Education Main Contents

Department in charge	Name of education	Education content
Legal	Fair trade	Education on legal principles related to contracts (opening/cancellation of agencies), general legal principles of contracts, cases of unfair trade practices, etc.
	Intellectual property	CI/BI Compliance, Abuse cases and action plans
	Claim-zero	Preventing and responding to consumer complaints occurring at construction sites
	Collusion	Legal training related to the Fair Trade Act (collusion) and case training for violations
Audit	Internal control	Disciplinary case training such as abnormal sales, embezzlement, violation of regulations, etc.
Company regulation	Ethical management	Hanssem people's commitment
	Compliance	Method to use the core regulations and processes of each division
Shared growth	Subcontracting law	Introduction to the Subcontracting Act and cases of compliance/violation

Ethics Audit and Reporting

Ethics audit system

Department in charge

The Audit Team is a member of the Ethics Management Office, and oversees overall ethics audits, including investigations into employee misconduct and various reports of misconduct and various reports, and raising awareness through internal control training, for all business divisions and subsidiaries.

Ethics audit process



Internal Audit Key Items

Internal audits are conducted for all divisions and offices, 10 organizations within the company. Issues of internal auditing are divided into four major categories: legal affairs, audit, shared growth, and company regulations. Each major category is subdivided into general, focused, and special categories, and is divided into a total of 52 detailed items. General items consist of items that are regularly inspected, and focus items consist of items that are inspected intensively during a specific period. In addition, special items are items that are organized considering the characteristics of each organization.

Internal audit cycle

Compliance & Ethics Index Inspection

We select about 40 items that are judged to require inspection because there have been cases of accidents in the past or inherent risks, and are operated through a monthly or quarterly Compliance & Ethics Index inspection system. When unusual issues are found, we prepare process improvement measures and strengthen training to prevent accidents, and we are making efforts, and the inspection results are reported to the Audit Committee.

Occasional audit

Occasional audits are conducted on an irregular basis whenever various reports or when the audit team deems it necessary to investigate risks and accidents. In the case of ad hoc audits, the principle is to complete the investigation within a set period of time. As a result of the investigation, if the issue is critical or an issue to be investigated additionally arises, it is converted to a planned audit and expanded to an audit of the overall related work.

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Ethics report

Hanssem operates the Cyber Audit Office as a reporting channel for unfair business practices, human rights violations, unreasonable demands unrelated to duties, and corruption.

Cyber Audit Office Link

Number of people who can be reported to the Cyber Audit Office

Any of Hanssem's stakeholders, such as employees, agencies, partners, and consumers, can report it. In particular, information from the Cyber Audit Office can be filed by anyone using the Internet by accessing the relevant page, so anonymity is guaranteed. In addition, executives and employees can also report through groupware, an in-house intranet. In groupware, 1) general reporting channels and 2) anonymous reporting channels are operated, and informants can choose. You can make a report if you have been victimized by a violation of company guidelines or if you have witnessed a violation. The HR team is in charge of reporting sexual grievances and workplace harassment in groupware.

Whistleblower Protection Policy

To protect informants, the Cyber Audit Office is managed through an internal closed network (no external access) on a specific PC accessible only to specific personnel in charge of the task within the audit team. In addition, the Cyber Audit Office is a method in which the informant directly identifies himself, and if the informant does not provide related information (or other information is entered), it is considered anonymous and managed, and information about the informant cannot be confirmed by the audit team. Even if the report is not made anonymously, if the informant is reluctant to disclose his or her identity during the course of the investigation, the informant's information is strictly protected without disclosure of information other than the report to the head of the Ethical Management Office. The protection of informants is governed by Article 13 of the Reward and Penalty Regulations (Protection of Reporters and Reporters), Paragraphs 1 (Company shall report misconduct and protect the anonymity of the person reporting it to the maximum) and Paragraph 2 (Company and employees shall protect the reporter no disadvantageous measures shall be taken for reporting), and the Audit Team complies with them.

Items to be reported to the Cyber Audit Office

Information reported through the Cyber Audit Office is directly answered by the person in charge of the Audit Team, and informants can check it by clicking “Check Response” in the Cyber Audit Office. In addition, if you enter your mobile phone number and email address when reporting for the first time, a notification text message will be sent when the person in charge completes the response, so you can check it.

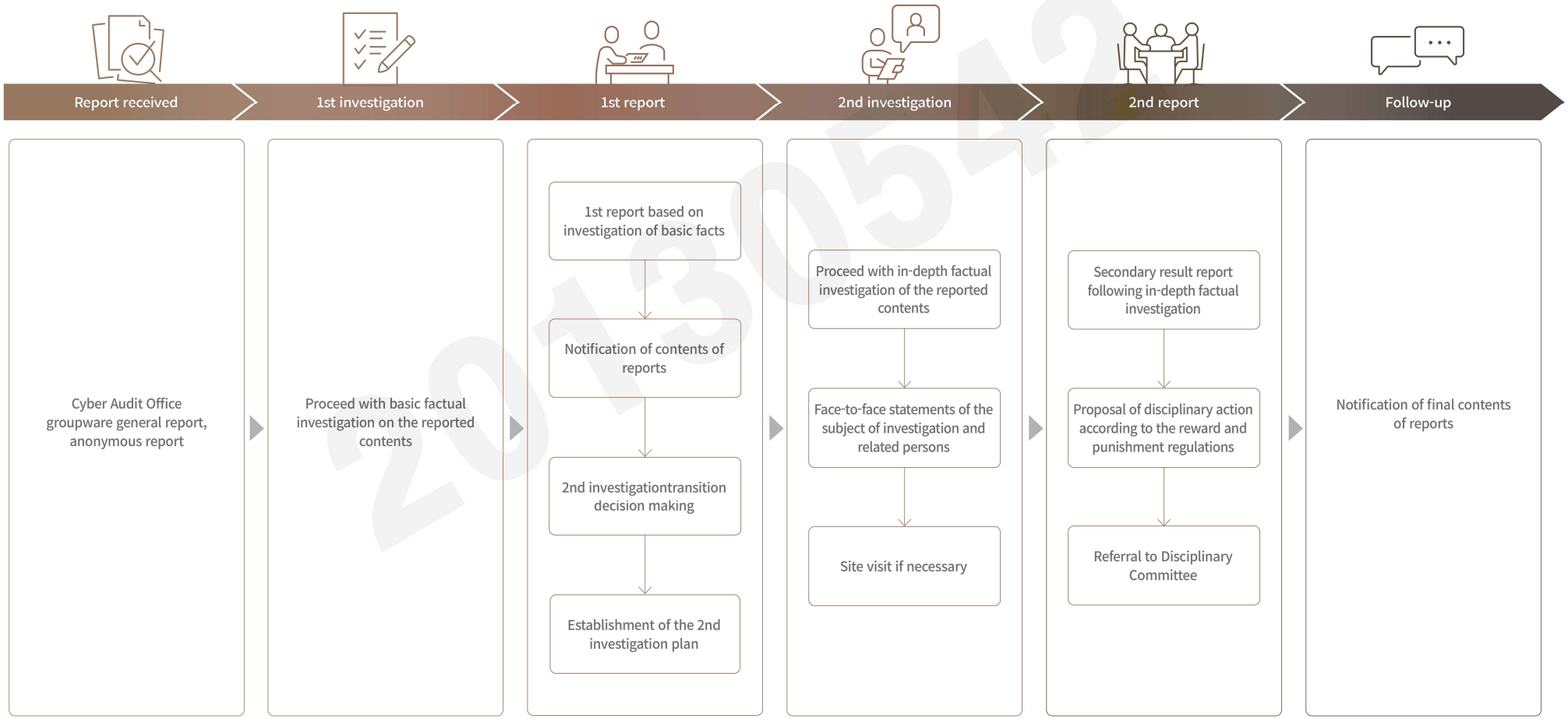
Report type	Measurement details
General service and product quality cases, simple customer complaints	Transfer to CX Office Customer Protection Team, continuous monitoring until end of processing
Affiliate business	After transfer to the relevant affiliate, continuous monitoring until the end of processing (However, if an investigation is requested, the audit team will proceed)
Complaints or cases of damage to agencies/partners	If the subject of the report is a third party other than Hanssem (agency, partner company, etc.), share the report with the department in charge and urge a prompt resolution and continuous monitoring.
Unfair trade Acceptance of money and entertainment Theft, embezzlement and misappropriation Bullying in the workplace Internal information leakage Document manipulation, fraudulent reporting	Proceed according to the ethics audit process (Human Resources Team: workplace bullying, sexual grievances) (Audit Team: Others)

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비밀등급/사내한정

Cyber Audit Office Receipt Processing



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비밀등급/사내한정

Information Security

Privacy and Cybersecurity

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 the information system. We secure network access security, PC and document security through our security system, and supplement vulnerabilities by conducting security checks on servers, networks, databases, and information systems every year.

Information protection management system

Hanssem laid the foundation for information security by establishing a security governance system, and based on this, security compliance, security risk management, and information asset protection activities are performed. We operate information protection and cyber security policies that define detailed rules for each area, and the roles and responsibilities are carried out by the information security team in charge of company-wide information security activities. Internally, we are improving compliance with information protection regulations and guidelines through regular employee training and security audits. After acquiring the information protection management system certification for online systems in 2019, we are reviewed every year to maintain the certification by a professional institution in accordance with the law. Through this, we are continuously strengthening the security level in the physical, managerial, and technical areas.

Privacy

Hanssem safely protects personal information throughout the entire life cycle of the service, from service planning to service completion, in order to protect customers' personal information necessary for service provision.
All services are checked for compliance with the Personal Information Protection Act and internal regulations in advance to remove risk factors, and carry out technical and managerial protection measures by continuously conducting surveys on personal information processing and risk assessments. In addition, by respecting the customer's 'right to self-determination of personal information', the customer can check the current status of possession and processing of his or her personal information as a data subject, and guarantees the exercise of the rights of the information subject who can directly modify or delete it.
In addition, we check the current status of the personal information trustee (a company entrusted with handling Hanssem's personal information) and inspect the operation status every year. We are doing our best to prevent leakage accidents by configuring the PC network separation environment of employees handling personal information and automatically encrypting documents.

Information Protection and Cyber Security Policy

Hanssem establishes and operates information security policies and guidelines based on the basic concepts of confidentiality, integrity, and availability to prevent damage, falsification, or leakage of information that may occur during the creation, storage, processing, transmission, or reception of information. . Under the information protection policy, information is protected by establishing and operating 15 detailed guidelines including outsider security guidelines, physical security guidelines, incident response guidelines, internal audit guidelines, and risk management guidelines. In addition, in order to manage corporate continuity in the event of a security risk, we have established and operated a crisis response system, risk-specific response plan, and response tips for each attack situation as guidelines.

Information security education

As security attacks such as ransomware and intelligent persistent threats diversify and become more sophisticated, information protection training is provided regularly to raise employees' security awareness. In addition, through security audits, compliance with company-wide information protection regulations and guidelines is checked and continuously improved. Through this, we ensure that employees are familiar with the information protection internal regulations that they must abide by, such as incident response procedures, and we are raising awareness of information protection and security risks by conducting training on security risks for all executives and employees.


CERTIFICATE
OF
Information Security Management System

1. Certificate Number : ISMS-KISA-2019-068
2. Name of Organization : HANSSEM CO.,LTD.
3. Name of Representative : Kim Jin Tae
4. Scope of Certification : Online Shopping mall and representative homepage
5. Period of Validity : 2022.12.26 ~ 2025.12.25
6. Examination Institution : Korea Association for ICT Promotion

This is to certify that the abovementioned organization is compliant to the assessment standard for information Security Management System certification in accordance with Article 47, Paragraph 1 of "Act on Information Network Utilization and Data Protection, etc., and Article 47 of the Enforcement Decree of the same Act

Date of Issuance : 1 February 2023

ISMS
Korea Internet & Security Agency President

Information Protection Management System Certificate

Information Security Education Status

Category	Unit	2020	2021	2022
Employees	Person	2,133	2,180	1,867

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비밀등급/사내한정

Economic

Financial performance

Summary of consolidated statement of financial position

Unit: KRW

Category	48th (2020)	49th (2021)	50th (2022)
Assets			
Current assets	520,897,791,205	457,545,895,284	371,956,679,283
Cash and cash equivalents	105,730,217,965	117,670,461,895	37,474,473,662
Trade receivables and other receivables	75,584,043,000	97,852,738,291	128,205,782,532
Other current financial assets	230,241,518,864	104,493,607,807	45,077,686,736
Other current assets	24,709,292,476	27,940,897,378	13,971,126,659
Current income tax assets	218,062,314	40,862,669	-
Inventory	84,414,656,586	109,547,327,244	120,687,477,355
Assets held for sale	-	-	26,540,132,339
Non-current assets	708,611,969,983	788,806,658,147	727,722,861,288
Investment in associates	-	-	-
Property, plant, and equipment	461,253,331,335	503,025,022,404	421,036,769,582
Investment property	119,026,813,928	114,784,104,877	127,774,217,973
Intangible assets	39,359,443,593	32,598,744,942	24,265,356,719
Other non-current financial assets	70,774,248,953	103,625,972,351	100,638,639,068
Other non-current assets	9,040,299,014	12,734,305,684	9,006,144,460
Net defined benefit Assets	-	6,927,363,110	16,380,164,071
Deferred income tax assets	9,157,833,160	15,111,144,779	28,621,569,415
Total assets	1,229,509,761,188	1,246,352,553,431	1,099,679,540,571
Liabilities			
Current liabilities	439,531,877,947	391,732,959,673	463,658,975,053
Non-current liabilities	161,076,220,295	232,929,515,490	190,592,620,248
Total liabilities	600,608,098,242	624,662,475,163	654,251,595,301
Equity			
Capital stock	23,533,928,000	23,533,928,000	23,533,928,000
Share premium	38,228,731,689	34,323,172,358	34,620,029,211
Other components of equity	(192,158,836,752)	(211,425,864,403)	(301,316,241,425)
Retained earnings	738,328,630,000	774,831,984,238	688,590,229,484
Owners of the parent company	607,932,452,937	621,263,220,193	445,427,945,270
Non-controlling interests	20,969,210,009	426,858,075	-
Total equity	628,901,662,946	621,690,078,268	445,427,945,270
Total equity and liabilities	1,229,509,761,188	1,246,352,553,431	1,099,679,540,571
Number of companies subject to consolidation accounting	8	8	8

Summary of consolidated statement of comprehensive income

Unit: KRW

Category	48th (2020)	49th (2021)	50th (2022)
Sales	2,067,468,662,697	2,231,220,949,302	2,000,906,065,724
Cost of sales	1,525,159,297,360	1,659,781,706,356	1,561,690,219,991
Gross profit	542,309,365,337	571,439,242,946	439,215,845,733
Selling and administrative expenses	449,202,464,747	502,174,982,514	460,906,091,122
Operating profit (loss)	93,106,900,590	69,264,260,432	(21,690,245,389)
Share of net profit of associates and joint ventures	(177,069,837)	-	-
Other non-operating income	21,937,243,470	31,562,879,623	28,498,353,773
Other non-operating expense	18,938,062,647	16,973,064,244	91,485,785,590
Financial income	7,683,304,819	5,228,778,557	11,168,481,523
Financial expense	8,121,848,437	5,737,051,933	9,951,826,129
Profit (loss) before income tax	95,490,467,958	83,345,802,435	(83,461,021,812)
Income tax revenue (expense)	28,649,876,105	26,127,615,585	(12,140,389,218)
Profit for the year (loss)	66,840,591,853	57,218,186,850	(71,320,632,594)
Owners of the Company	65,073,401,850	55,943,075,759	(71,329,858,462)
Non-controlling interests	1,767,190,003	1,275,111,091	9,225,868
Other comprehensive income (loss) for the year, net of tax	546,178,252	3,381,387,547	16,274,315,967
Total comprehensive income for the year	67,386,770,105	60,599,574,397	(55,046,316,627)
Comprehensive income, attributable to owners of parent	65,635,268,296	59,232,607,742	(55,055,542,495)
Comprehensive income, attributable to non-controlling interests	1,751,501,809	1,366,966,655	9,225,868
Basic earnings per share (Unit: KRW)	3,766	3,266	(4,412)

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비밀등급/사내한정

Economic performance

Sales at domestic and overseas business

Category	Unit	2020	2021	2022
Domestic business sales	KRW 1,000	2,181,099,986	2,332,624,483	2,093,441,785
Overseas business sales		46,265,636	45,850,305	40,529,753
Consolidated adjustment		(159,896,959)	(146,959,485)	(133,065,472)
Total		2,067,468,663	2,231,515,304	2,000,906,066

Economic performance by stakeholder

Category		Unit	2020	2021	2022
Shareholders and investors	Dividends and interest	KRW 100 Million	227	195	136
Government	Corporate tax		264	254	37
Employees	Wage and welfare, retirement pension		2,446	2,819	2,449
Community	Community Investment		26.3	21.8	102.9
Partners	Purchase, win-win program Subsidy		280	280	230

※ The previous data was rewritten due to changes in the quantitative data calculation and aggregation method.

Environmental

Response to Climate Change

Air pollution management

Category	Unit	2020	2021	2022
NOx	Ton	13.912	14.219	13.939
SOx		1.031	1.539	1.282
Dust		0.961	0.980	0.762
NOx Average Emission Concentration	ppm	35.04	35.2	49.22
SOx Average Emission Concentration	ppm	0.39	0.74	0.93
Dust Average Emission Concentration	mg/ m^3	3.15	1.98	2.57

Water and wastewater management

Category	Unit	2020	2021	2022
Total usage	Ton	168.00	140.00	127.36
Recycled amount		161.88	135.68	123.43
Effluent discharge amount		6.12	4.32	3.93

Water management

Category	Unit	2020	2021	2022
Total usage	Ton	98,792	89,929	81,593

※ The previous data was rewritten due to changes in the quantitative data calculation and aggregation method.

Waste management

Category	Unit	2020	2021	2022
General waste	Ton	12,365	12,183	9,934
Designated waste		34	30	33
Total amount of waste		12,399	12,213	9,967
Waste Disposal (landfill + incineration)		8,716	8,530	7,334
Recycling amount		3,648	3,652	2,633
Recycling rate	%	29	29	26

(*1) The previous data was rewritten due to changes in the quantitative data calculation and aggregation method.

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비밀등급/사내한정

Total greenhouse gas emissions

Category	Unit	2021	2022
Direct emissions (Scope 1)	tCO2eq	863	1,301
Indirect emissions (Scope 2)		17,658	18,801
Indirect emissions (Scope 3)		282,571	214,708
Total emissions		301,093	234,810
Total sales	KRW Million	2,231,515,304	2,000,906,066
Greenhouse gas intensity (*1)	tCO2eq/KRW Million	135	117

(*1) Greenhouse gas emissions/sales

scope2 detailed status of emissions

Category	Unit	2021	2022
Power purchase	tCO2eq	17,658	18,691
Steam purchase		-	110
Total		17,658	18,801
Power purchase ratio (*1)	%	5.87	8.01
Steam purchase rate (*1)		-	0.01

(*1) Emissions by each category/total emissions

scope3 detailed status of emissions

Category	Unit	2021	2022
Goods purchased and services	tCO2eq	229,513	168,577
Capital goods		79	80
Other indirect emissions		642	26
Upstream transportation/ logistics		28,952	13,853
Workplace waste disposal		46	1,769
Employee business trip		732	441
Employee commuting		1,375	1,576
Downstream transportation/ logistics		16,760	23,816
Investment		2,004	2,088
Rent (*1)		2,468	2,481
Total		282,571	214,708

(*1) Rent of Hanssem Sangam and Bangbae office buildings

Greenhouse gas emissions by business division

(1) 2021 Year

Category	Unit	Direct emissions	Indirect emissions	Total
Bangbae, Sangam office building (management support, general affairs)	tCO2eq	430	1,155	1,585
Stores and Divisions (RH/ INT/ Special Sales)		-	6,352	6,352
Logistics/AS (*1)		433	1,381	1,814
Research center		-	206	206
Manufacturing plant (3.4)		-	8,565	8,565

(*1) In the case of the AS division, it has been reflected in Scope 3 measurements from 2022 due to inter-company movement

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비밀등급/사내한정

(2) 2022 Year

Category	Unit	Direct emissions	Indirect emissions	Total
Bangbae, Sangam office building (management support, general affairs)	tCO_2eq	299	1,641	1,941
Stores and Divisions (RH/ INT/ Special Sales)		16	7,560	7,576
Logistics/AS		693	1,066	1,759
Research center		-	211	211
Manufacturing plant (3.4)		293	8,322	8,615

Energy usage

Category	Unit	2021	2022
Energy usage	TJ	382	413
Energy intensity (*1)	TJ/KRW Million	0.17	0.21

(*1) Energy usage/sales (unit: KRW Million)

Circular Economy

Raw material usage status

Category	Unit (*1)	2020	2021	2022
Wood/paper	KRW	261,176,011	259,903,464	218,164,049
Leather	KRW	-	-	-

※ Amount calculated from the sales of products that mainly use the relevant raw materials

Certification status related to raw materials

Category	Certification	Unit (*1)	2020	2021	2022
Wood	FSC,PEFC	%	-	-	68%
	Other		-	-	32%
Leather	Leather Working Group		-	-	36%
	Other		-	-	64%

(*1) Ratio of purchase amount for major raw materials (wood) and products (leather)
※ Data aggregation has been performed starting from 2022.

Status of origin of raw materials confirmed

Category	Unit (*1)	2020	2021	2022
Wood/paper	%	-	-	100%
Leather		-	-	100%

(*1) Ratio of sales of products (products in the case of leather) that mainly use the relevant raw materials
※ Data aggregation has been performed starting from 2022.

Eco-friendly raw material procurement status

Category	Unit	2020	2021	2022
Purchase amount of eco-friendly raw materials	m^3	288,430	263,651	249,362
Cost of purchasing eco-friendly raw materials	KRW 100 Million	641	687	740

(*) Eco-friendly raw materials: Defined as E0 grade wood materials.

Eco-friendly sales

Category	Unit	2020	2021	2022
Eco-friendly product and service sales (*1)	KRW Thousand	23,072,130	19,706,226	18,255,834
Eco-friendly products and services sales ratio (*2)	%	1.34%	1.11%	1.19%

(*1) Eco-friendly products: Products that have obtained eco-label certification
(*2) Eco-friendly products and services sales/total sales (Separate financial statements)

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비밀등급/사내한정

Eco-friendly certification status

Category	Unit	2020	2021	2022
Number of green certifications (*1)	Case	11	16	24

(*1) Products and products eligible for green certification

Status of eco-friendly packaging materials

Category	Unit	2020	2021	2022
Eco-friendly packaging material usage (*1)	Ton	514	361	376
Percentage of eco-friendly packaging materials used (*2)	%	99.6%	100%	100%

(*1) Eco-friendly packaging material: Synthetic resin packaging material
(*2) Eco-friendly packaging material usage/total packaging material usage

Environmental Management

Compliance with environmental laws and regulations

Category	Unit	2020	2021	2022
Amount of fines and number of non-monetary sanctions imposed for violation of environmental laws and regulations	Case	-	1	3
Total fines for violation of environmental regulations	KRW 10,000	-	-	-

※ The previous data was rewritten due to changes in the quantitative data calculation and aggregation method.

Research and development investment

Category	Unit	2020	2021	2022
Research and development costs	KRW Thousand	7,660,036	11,140,873	14,418,385
Number of researchers	Person	102	100	138
Ratio of research and development to sales	%	1.1%	1.7%	2.7%

※ The previous data was rewritten due to changes in the quantitative data calculation and aggregation method.

Intellectual property rights status

Category	Unit	2020	2021	2022
Intellectual property application	Case	15	52	10
Intellectual property registration	Case	42	20	43
Total	Case	57	72	53

Status of environmental education

Category	Unit	2020	2021	2022
Number of trainees	Person	40	30	34
Training hours	Hour	32	26	29

Environmental investment status

Category	Unit	2020	2021	2022
Environmental protection costs (manufacturing division + research center)	KRW Million	818	732	735

※ Calculation details

1.Environmental guarantee system (producers)
2.Environmental guarantee system (seller)
3.Waste fee system
4.Waste disposal fee system
5.Producer Responsibility Utilization System

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Social

Our Employees

Status of domestic employees

(Unit: %, Person)

Category		2020	2021	2022
Total numberof person (domestic + overseas, person)		2,495	2,567	2,228
Gender	Male (person, percentage)	1,680(67%)	1,688(68%)	1,380(55%)
	Female (person, percentage)	815(33%)	879(35%)	848(34%)
New hire	Male (person, ratio)	293(65%)	366(62%)	233(58%)
	Female (person, ratio)	158(35%)	220(38%)	170(42%)
	Disabled person (person)	2	6	1
	High school graduate (person)	78	89	38
	Local talent (person)	-	-	-
Transferred/ Retired Person	Male (person, ratio)	325(65%)	584(78%)	302(61%)
	Female (person, ratio)	176(35%)	168(22%)	191(39%)
	Voluntary turnover rate (%)(*1)	95.21%	90.82%	84.79%
Employment type	Full-time employees (person)	2,446	2,526	2,194
	Non-regular workers (person)	49	41	34
	Disabled person (person)	40	40	37
	Nationality (other than Korea, person)	21	13	9
	High school graduate (person)	214	208	93
Position	Executives (person)	46	51	39
	Manager and higher (person)	471	520	486
	Assistant manager and lower (person)	1,978	1,996	1,703
Age	20s (person, percentage)	301	460	436
	30s (person, percentage)	1,444	1,390	1,226
	40s (person, percentage)	542	520	412
	Over 50s (person, percentage)	208	197	154
Overseas employees	United States (person)	-	-	-
	China (person)	1	5	4
	Japan (person)	2	3	3
	Others (person)	-	-	-

(*1) Voluntary turnover rate : This is the ratio of the total number of employees due to transfers from company or member of the National Assembly.
※ The previous data has been rewritten due to changes in quantitative data calculation and aggregation methods.

Employee Diversity

(Unit: %, Person)

Category			2020	2021	2022
Female leadership	Position (*1)	Ratio of female among all workers (%)	33.0%	34.7%	38.5%
		Ratio of female among all managers (%)	15.9%	17.2%	19.1%
	Employment type	Ratio of women among contract workers (%)	36.7%	31.7%	35.3%
		Ratio of women among full-time employees (%)	32.6%	34.3%	31.7%
Other		Foreigners (person, ratio)	21(0.8%)	13(0.5%)	9(0.4%)
		Veterans' staff (person, ratio)	15(0.6%)	15(0.6%)	13(0.6%)
		Disabled (person, ratio)	40(3.0%)	40(3.1%)	37(3.4%)

(*1) Manager: Defined as a person in a position of team leader or higher.
(*2) For severely disabled people, the ratio was calculated by doubling the number.
※ The previous data has been rewritten due to changes in quantitative data calculation and aggregation methods.

Status of Parental Leave and Maternity Leave

(Unit: %, Person)

Category		2020	2021	2022
Number of persons eligible for reinstatement from parental leave (A)	Male	8	8	20
	Female	41	40	54
Number of employees reinstated from parental leave (B)	Male	5	5	16
	Female	39	36	49
Return to work rate (=B/A*100)	Male	62.5%	62.5%	80.0%
	Female	95.1%	90.0%	90.7%
Number of people who returned from parental leave in the previous reporting period (C)	Male	5	5	16
	Female	39	36	49
Number of employees maintained for 12 months after reinstatement from parental leave in the year (D)	Male	2	4	15
	Female	37	32	47
Retention rate after parental leave (=D/C*100)	Male	40%	80%	93.8%
	Female	94.9%	88.9%	95.9%
Maternity leave users	Male	60	75	57
	Female	25	32	44

※ The previous data has been rewritten due to changes in quantitative data calculation and aggregation methods.

비밀등급/사내한정

Employee safety and health status

Category	Unit	2020	2021	2022
Number of Occupational Injuries	Case	10	13	15
Number of deaths due to work-related accidents	Case	-	-	-
Occupational disease incidence rate (OIFR) (*2)	%	-	-	-
Number of deaths due to work-related diseases	Person	-	-	-
Work loss Injury Rate (LTIFR) (*1)	%	2.0%	2.4%	4.2%
Number of occurrences of work loss	Case	10	13	15
Total working hours	Hour	5,009,960	5,359,896	3,543,568
Number of workers enrolled in industrial accident insurance	Person	2,495	2,567	2,227

(*1) LTIFR : (Number of work loss accidents/total working hours) *1,000,000
(*2) OIFR : (Number of work-related diseases/total working hours) *1,000,000
※ The previous data has been rewritten due to changes in quantitative data calculation and aggregation methods.

Status subject to collective bargaining

Category	Unit	2020	2021	2022
Number of executives and employees subject to collective bargaining	Person	253	279	264
Percentage of executives and employees subject to collective bargaining	%	10.1%	10.9%	11.8%
Number of person joining the group	Person	225	237	245
Group membership rate	%	88.9%	84.9%	92.8%

※ The previous data has been rewritten due to changes in quantitative data calculation and aggregation methods.

Status of annual leave and flexible working system usage

Category	Unit	2020	2021	2022
Number of days of annual leave usage	Day	23,565	24,562	23,969
Rate of use of flexible working system	%	90%	90%	91%

※ The previous data has been rewritten due to changes in quantitative data calculation and aggregation methods

New employee starting salary

Category		Unit	2021	2022	2023
New employee starting salary	Male	KRW 10,000	4,100	4,150	4,150
	Female		3,900	4,000	4,000
Ratio of new employee starting salary to minimum wage	Male	%	190	190	181
	Female		181	183	174

Executive and employee education status (*1)

Category		Unit	2021	2022	2023
Total number of people educated	Total	Person	2,476	2,478	2,154
	Male		1,583	1,566	1,252
	Female		893	912	902
Education hours per person	Total	Hour (H)	32	32	32
	Male		33	31	33
	Female		32	32	31
Education cost per person	Male	KRW	122,312	251,649	201,968
	Female		153,272	201,596	206,503
Number of trainees by position	Executive	Person	46	52	43
	Manager or higher		480	532	558
	Junior manager or lower		1,950	1,894	1,553
Number of people educated by position (ratio)	Executive	Person (%) (*2)	94	87	73
	Manager or higher		96	94	93
	Junior manager or lower		93	88	90
Education costs by position	Executive	KRW	34,448,354	174,699,727	7,389,242
	Manager or higher		64,467,499	186,090,393	177,724,664
	Junior manager or lower		231,575,732	217,147,458	254,015,304
Education time by position	Executive	Hour (H)	1,684	4,670	4,097
	Manager or higher		16,740	20,771	17,597
	Junior manager or lower		62,054	52,713	47,214

(*1) Total employees (including contract workers)
(*2) Number of people who received education more than once/number of people with employment history

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Pension support status

Category	Unit	2020	2021	2022
Number of registered (DB)	Person	1,995	1,915	1,937

※ The previous data was rewritten due to changes in the quantitative data calculation and aggregation method.

Status of Human Rights Education* (Adult Sensitivity Education)

Category	Unit	2020	2021	2022
Total education hours	Hour	2,335	2,424	2,105
Education completion rate	%	94.3%	97.8%	97.7%

※ The previous data was rewritten due to changes in the quantitative data calculation and aggregation method.

Executive and Employee Welfare : Welfare system for full-time workers

Category	Unit	2020	2021	2022
Amount spent on welfare benefits	KRW 1,000	33,138,143	37,411,133	35,800,805

※ The previous data was rewritten due to changes in the quantitative data calculation and aggregation method.

Customer Responsiveness

Privacy

Category		Unit	2020	2021	2022
Information protection investment amount (*1)		KRW	-	-	744,598,504
Information protection investment amount (*2)		%	-	-	10%
Number of verified complaints among those filed regarding violations of customer personal information protection		Case	0	-	-
Total number of confirmed customer information leaks, thefts, and losses		Case	-	-	-
Information security training	Training time	Hour	12	1	1
	Number of people trained	Person	2,132	2,180	1,867

(*1) The amount of investment in information security has been calculated starting from 2022.
(*2) Information security investment amount compared to total IT budget

Customer satisfaction management

Category	Unit	2020	2021	2022
Customer satisfaction survey results	%	87	88	88

Sustainable Supply Chain

Shared growth with partners

Category		Unit	2020	2021	2022
Partner support details by program	Number of partners used	Case	44	44	74
	Amount spent	KRW 100 Million	126.9	114.3	185.1
Complaint handling process for partner companies (*1)	Number of grievances filed	Case	-	3	4
	Grievance resolution rate	%	-	100	100

(*1) Data received and processed through partner surveys was aggregated.

Unfair trade

Category	Unit	2020	2021	2022
Number of cases of unfair trade or unfair competition occurring (identified)	Case	-	-	-

Status of fair trade training (subcontracting law training)

Category	Unit	2020	2021	2022
Number of employees	Person	35	60	74
Hour	Hour	3	2	6

※ The previous data was rewritten due to changes in the quantitative data calculation and aggregation method.

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Social Contribution

Status of social contribution participation

Category		Unit	2020	2021	2022
Support details for each social contribution activity	Number of Support	Case	68	101	142
	Support amount (*1)	KRW 100Mil	26.3	21.8	102.9
Social contribution participation hours (company)		Hour	90	1,497	136
Number of people participating in social contribution (company)		Person	30	646	60

(*1) Total social contribution: Charitable Donation, Community Investment, Commercial Initiatives (Public Marketing, etc.) (Commercial Initiatives) no separate categories

※ In 2020, the social contribution activities of executives and employees were limited due to COVID-19.

※ The previous data has been rewritten due to changes in quantitative data calculation and aggregation methods.

Governance

Transparent Governance

Board of Directors Operation Status

Category		Unit	2020	2021	2022
Number of board meetings held		TIme	6	9	14
Number of agenda		Case	16	28	44
Attendance rate	Inside director	%	100	93	94
	Outside Director		100	100	98

Audit committee

Category	Unit	2020 (*1)	2021	2022
Number of times audit committee meetings are held	Case	-	3	6
Attendance rate of outside directors at audit committee	%	-	100	100
Pros and cons ratio by audit committee agenda	%	-	100	100
Number of audit committee training sessions	Case	-	0	2
Number of participants in audit committee training	Person	-	0	3

※ The Audit Committee was established in 2021.

Compensation committee

Category	Unit	2020 (*1)	2021	2022
Attendance rate of outside directors at compensation committee	%	-	100	100
Compensation Committee pros and cons ratio for each agenda item		-	100	100

※ The Compensation Committee was established in 2021.

Outside Director Candidate Recommendation Committee

Category	Unit	2020 (*1)	2021	2022
Attendance rate of outside directors at the Outside Director Candidate Recommendation Committee	%	-	100	100
Pros and cons ratio for each agenda item of the Outside Director Candidate Recommendation Committee		-	100	100

※ The Outside Director Candidate Recommendation Committee was established in 2021.

Outside Director

Category	Unit	2020	2021	2022
Number of training sessions for outside directors	Case	-	-	2
Number of outside directors participating in training	Person	-	-	3

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External audit

Category	Unit	2020	2021	2022
Non-audit service remuneration/ audit service remuneration paid to external auditors	%	23.3%	41.2%	-

Related party transaction scale

Category	Unit	2020	2021	2022
Sales transaction amount of related parties	KRW 1,000	3,304,132	3,622,270	2,738,849

Affiliates' support scale

Category	Unit	2020	2021	2022
Amount of credit extended to affiliated companies (*1)/equity capital	%	-	2.68%	3.74%
Total investment in affiliated companies/equity capital		1.28%	7.96%	7.78%

(*1) Credit extension: loan of money, etc., guarantee of performance of debt, purchase of securities of a funding nature, provision of collateral, endorsement of bills, etc.

Risk Management

Employee ethics education

Category	Unit	2020	2021	2022
Ethics education hours	Hour	477	336	190
Number of participants in ethics education	Person	470	254	160

Ethical management reporting and action status

Category	Unit	2020	2021	2022
Number of reports received (A)	Case	129	174	111
Number of disciplinary actions (B)	Case	12	25	38

※ The previous data was rewritten due to changes in the quantitative data calculation and aggregation method.

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APPENDIX

지속가능경영보고서 작성 TF팀 2024-05-03 17:30 이 문서는 보안문서로서 외부 반출을 금합니다. (미사용시 파기)

비밀등급/사내한정

3rd Party Assurance Statement

An independent certifier's certification report on the sustainability report of Hanssem Co., Ltd.

To the Board of Directors of Hanssem Co., Ltd.

Samjung Accounting Firm has performed limited assurance engagements on the company's 2022 sustainability report (hereinafter referred to as the "Report") for the period ending December 31, 2022 of Hanssem Co., Ltd. (hereinafter referred to as the "Company").

Information subject to certification
We performed certification on the sustainability information (hereinafter referred to as 'sustainability information') included in the attached report. Our assurance work does not extend to sustainability information related to previous periods, including images, audio files and embedded videos.

Criteria used by the company
The reporting standards used by the company (hereinafter referred to as 'standards') are the GRI established by the Global Reporting Initiative and the SASB established by the Sustainability Accounting Standards Committee.
As there is no generally accepted reporting system or well-established practice for evaluating and measuring sustainability information, various measurement techniques are acceptable, which may affect comparability between companies and periods. Therefore, sustainability information must be viewed and understood together with the criteria used by the company to prepare sustainability information.

Certification conclusion
Based on the procedures we have performed (see 'Summary of work performed as a basis for the certification conclusion') and the evidence obtained, we did not find anything credible to believe that the sustainability information contained in the Company's Report for the period ending December 31, 2022, in material terms, was not prepared in accordance with the reporting standards used by the Company.
We have not performed certification procedures on sustainability information relating to previous periods, including images, audio files and embedded videos, and therefore do not express certification conclusions.

Inherent limitations of preparing sustainability information
Sustainability information includes future-oriented information such as climate-related scenarios with inherent uncertainties. This uncertainty is due to incomplete scientific and economic knowledge about the likelihood, timing and impact of possible climate-related physical and transitional impacts in the future.

Company responsibility
The management of the company is responsible for preparing sustainability information in accordance with the criteria by selecting and establishing appropriate criteria for preparing sustainability information in consideration of laws and regulations related to sustainability information reporting. In addition, it is responsible for designing, executing, and maintaining internal control of related information to create sustainability information that is free from misrepresentation due to fraud or errors.

Certifier responsibilities
Our responsibility is to plan and perform our work to obtain limited assurance that sustainability information is free from material misstatements due to fraud or error. To form independent conclusions based on the evidence obtained and report them to the company's management. Since we are in charge of forming independent conclusions on sustainability information prepared by management, our involvement in the preparation of sustainability information may undermine our independence and is not permitted.

Independence and quality control of certification persons
We comply with the independence requirements and other ethical requirements of the Standards of Ethics for Certified Public Accountants. The Standards of Ethics for Certified Public Accountants are based on the Code of Ethics of Integrity, Fairness, Professional Competence and Due Care, Confidentiality and Professional Dignity. We apply the Quality Management Standards1 and, accordingly, maintain a comprehensive quality management system, including documented policies and procedures for compliance with ethical requirements, professional standards, and applicable laws and regulations.

Summary of procedures performed as basis for certification conclusions
We must plan and conduct work to identify areas where material misstatement of sustainability information is likely to occur. The procedures we undertake are based on professional judgment. We carried out the following procedures while performing limited assurance work on sustainability information.

- Confirmation that the financial information included in the report is appropriately extracted from the audited financial statements of the company
- Inquiries about the process for selecting material issues in consideration of the company's key stakeholders
- Conducting interviews with the person in charge of providing report data at the company level
- Check the process and system for managing and reporting sustainability management data by visiting the company headquarters
- Determination of consistency with our overall knowledge and experience of the company's non-financial value creation performance by reading the report.

Procedures performed in limited assurance engagements vary in nature and timing and are narrower in scope than in reasonable assurance engagements. Therefore, the level of assurance obtained in a limited assurance engagement is significantly lower than the level of assurance obtained if a reasonable assurance engagement had been performed. Therefore, we do not provide reasonable assurance that the company's sustainability information has been prepared in terms of materiality in accordance with the criteria, as we may not be aware of all material matters that can only be ascertained through a reasonable assurance engagement.

Restrictions
This certification report was prepared for the company and management for the purpose of providing certification conclusions on certification subject information, and may not be suitable for other purposes. Therefore, we do not assume any responsibility for the use by third parties other than the company and management or for other purposes.

Samjeong Accounting Firm, 152 Teheran-ro, Gangnam-gu, Seoul
CEO **Kim Gyo-tae**
June.28.2023

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Greenhouse Gas Verification Statement

1. Verification goals

The goals of greenhouse gas emission verification (hereinafter referred to as 'verification') conducted by the Korean Standards Association are as follows:.

- Verification of GHG emissions within the scope of verification and verification of compliance with standards and procedures
- Verification of validation of declarations related to the organization's GHG emissions or removals
- Verification of effective implementation of the organization's management of GHG emissions or removals
- Verification of the suitability of the implementation, management and improvement process for estimating the organization's GHG emissions or removals

2. Verification scope

The Korea Standards Association conducted verification of direct emissions (Scope 1), indirect emissions (Scope 2), and other indirect emissions (Scope 3) for Hanssem's greenhouse gas declaration.

- Report boundary: Scope 1 (stationary combustion and mobile combustion), Scope 2 (external power and steam purchased from offices), Scope 3
  - * Category 1. Purchased products and services (P1000 purchase history, storage status by warehouse)
  - Category 2. Upstream flow for capital goods (PC purchase amount)
  - Category 3. Fuel and energy activities not included in Scopes 1 and 2 (excluding power transmission and distribution loss rates)
  - Category 4. Upstream transportation and distribution (related to transportation and delivery of raw materials)
  - Category 5. Waste from business (general waste generated by business)
  - Category 6. Business trips (employee domestic and overseas business trips)
  - Category 7. Commuting (employee commuting)
  - Category 9. Downstream transportation and distribution (transportation and delivery of products for sale)
  - Category 13. Downstream Rental Properties
  - Category 15. Investments (equity investments, subsidiaries, etc.)
- Reporting year: 2022

3. Verification Criteria and Guidelines

The Korean Standards Association performed verification according to international standards and domestic guidelines.

- ISO 14064-1,3 : 2006
- Guidelines for reporting and certification of emissions from the GHG emissions trading system (Ministry of Environment Notice: No. 2022-279)
- 2006 IPCC Guidelines for National Greenhouse Gas Inventories
- WRI(World Resources Institute) Greenhouse Gas Protocol
- The Corporate Value Chain (Scope3) Accounting and Reporting Standard

4. Warranty Levels and Responsibilities

The Korean Standards Association provides a "limited assurance level" verification of your company's greenhouse gas emissions to strengthen greenhouse gas management.
Hanssem Co., Ltd. is responsible for preparing and fairly disclosing the greenhouse gas statement, and the Korean Standards Association's responsibility is limited to guaranteeing greenhouse gas emissions.

5. Verification limitations

Greenhouse gas emissions can be affected by factors such as data limits and uncertainties in the scope of verification, and inherent limitations may exist accordingly.

6. Verification Conclusion

Within the scope of verification, no errors or false facts were found in Hanssem's greenhouse gas emissions verified through the ISO 14064-3 verification procedure.

Appendix. Greenhouse Gas Emissions in 2022

Unit : tCO_{2eq}

Division	Scope 1	Scope 2	Total emissons	Category	Scope 3
Management Support Office, General Affairs Team	299.44	1,641.30	1,940.74	1. Purchased products/services	168,577
Interior Business Division	-	6,549.50	6,549.50	2. Capital goods	80
Rehouse Business Division	-	1,010.55	1,010.55	3. Other indirect emissions	26
SCM Division-Integrated Logistics	377.05	1,034.96	1,412.01	4. Upstream transportation and distribution	13,853
CS Division AS Team	316.24	31.49	347.72	5. Waste from the workplace	1,769
Living Environment Technology Research Institute	-	211.20	211.20	6. Business trip	441
Special Sales Division	15.89	-	15.89	7. Commute	1,576
SCM Division - Manufacturing Business Team	292.76	8,322.13	8,614.89	9. Downstream transportation and distribution	23,816
-	-	-	-	13. Downstream rental assets	2,088
-	-	-	-	15. Investment	2,481
Total	1,301	18,801	20,102	Total	214,707

※ Note : There is a difference from the total amount of emissions by type as the GHG emissions are added by rounding off the decimal point for each business site.

June 27, 2023

한국표준협회장

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GRI Standards INDEX

Hanssem published the Sustainability Report in compliance with the GRI Standards 2021 during the period from January 1, 2022 to December 31, 2022. In addition, we have complied with the 9 requirements stipulated by GRI 1 (2021). As of the time of publication of this report, the Household durables Sector Standard corresponding to Hanssem's industry has not been announced, so there is no sector standard applied separately. For Hanssem's material issues in the 2022 reporting period, please refer to the 'Materiality Assessment' section of the report.

GRI2(General Disclosures 2021) & GRI3(Material topics 2021)

Disclosure indicators		Reporting location	Reason for not reporting
Organization and reporting practices			
2-1	Organizational information	2, 7	
2-2	Description of corporations included in the sustainability report	2, 7	
2-3	Contact information regarding reporting period, cycle and report	2	
2-4	Edit information in report	112~113, 115~120	
2-5	Matters related to external certification of the report	2, 122	
Activities and Employees			
2-6	Organizational activities, value chain and other business relationships	11~13, 68	
2-7	Executive and employee status	7, 117	
2-8	Status of non-executive workers	117	
Governance structure			
2-9	Governance structure and composition	98, 100, 101	
2-10	Recommendation and selection of members of the highest decision-making body	98, 100, 101	
2-11	Chairman of the highest decision-making body	98	
2-12	The role of the highest decision-making body in overseeing impact management	24, 101	
2-13	Delegating responsibility for impact management	24, 101	
2-14	The role of the highest decision-making body regarding sustainability management reporting	27	
2-15	Conflict of Interest Procedures and Disclosures	98~99	
2-16	Communication with the highest governance body on key issues of concern	98	
2-17	Knowledge, capabilities, and experience of the highest decision-making body	99	
2-18	Performance evaluation method of the highest decision-making body	99	

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Disclosure indicators		Reporting location	Reason for not reporting
Governance structure			
2-19	Supreme decision-making body and senior management compensation policy	99	
2-20	Supreme decision-making body and senior management compensation calculation process	99	
2-21	Ratio of the total annual compensation of the highest paid person in the organization	N/A	As a result of review of laws and internal regulations, this information may be sensitive personal information, so it is not separately disclosed.
Strategies, Policies and Practices			
2-22	Statement on Sustainable Development Strategy	4, 5	
2-23	Policy Statement on Responsible Management	83, 86, 92	
2-24	Internalization of responsible management policy declaration	83, 87, 92	
2-25	Procedures for resolving negative impacts caused by companies	107	
2-26	Procedures for requesting management advice and raising concerns	85	
2-27	Legal and regulatory compliance	56, 103	
2-28	Membership Association Status	26	
Stakeholder Participation			
2-29	Stakeholder Engagement Approach	28	
2-30	Employee Collective Bargaining Agreement	84, 117	
Decision on major issues			
3-1	Material issue decision process	27	
3-2	List of major issues	29	
3-3	Management of major issues	30~31	

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GRI 200, 300, 400 : Topic standard

Material issues

Disclosure indicators		Reporting location	Reason for not reporting
GRI 201 : Economic performance			
201-2	Financial impacts and other risks and opportunities resulting from climate change	39~41	
GRI205 : Anti-corruption			
205-1	Business corruption risk assessment	106	
205-2	Communication and training regarding anti-corruption policies and procedures	105~106	
205-3	Confirmed Corruption Cases and Actions	107~108	
GRI206 : Anti-competitive behavior			
206-1	Litigation related to anti-competition and anti-trust violations	118	
GRI301 : Raw materials			
301-1	Weight or volume of raw materials used	47, 114	
301-2	Renewable Input Raw Materials	N/A	At the time of reporting, there are no reuse or recycling items resulting from disposal.
301-3	Recycled products and packaging materials	N/A	At the time of reporting, there are no products or packaging materials using reused or recycled raw materials.
GRI302 : Energy			
302-1	Energy consumption within the organization	36, 37, 114	
302-2	Energy consumption outside the organization	N/A	Currently, we do not separately compile the amount of energy consumed by our customers or supply chain.
302-3	Energy intensity	114	
302-4	Reduce energy consumption	37	
302-5	Reduce the energy requirements of your products and services	N/A	Currently, we do not compile expected and target energy consumption for each product and service.
GRI 305 : Emissions			
305-1	Direct greenhouse gas emissions (Scope1)	35, 36, 113~114	
305-2	Indirect greenhouse gas emissions (Scope2)	35, 36, 113~114	
305-3	Other indirect greenhouse gas emissions (Scope 3)	35, 36, 113~114	
305-4	Greenhouse gas emission intensity	114	
305-5	Reduce greenhouse gas emissions	37	
305-6	Ozone-depleting substances (ODS) emissions	N/A	Emissions are non-existent.
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	112	

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Disclosure indicators		Reporting location	Reason for not reporting
GRI306 : Waste			
306-1	Impacts from wastewater and waste	N/A	Due to our small emissions, we did not conduct a separate impact assessment.
306-2	Major waste-related impact management	43	
306-3	Waste produced	43, 113	
306-4	Undisposed waste	43, 113	
306-5	Treated waste	43, 113	
GRI308 : Supplier environmental assessment			
308-1	New suppliers screened for environmental standards	N/A	We are not currently conducting a separate environmental assessment of our supply chain, but we plan to conduct a future assessment by reflecting environmental-related activities in our code of conduct.
308-2	Negative environmental impacts of the supply chain and actions taken to address them	N/A	We are not currently conducting a separate environmental assessment of our supply chain, but we plan to conduct a future assessment by reflecting environmental-related activities in our code of conduct.
GRI403 : Occupational Health and Safety			
403-1	Workplace Health and Safety Management System	86, 87	
403-2	Hazard identification, risk assessment, accident investigation	88	
403-3	Workplace medical services	89	
403-4	Workplace health and safety communication, advice and worker participation	85, 87	
403-5	Workplace health and safety worker training	88	
403-7	Prevention and mitigation of workplace health and safety impacts directly linked to business relationships	89	
403-8	Workers covered by the Workplace Health and Safety Management System	89, 117	
403-9	Work-related injuries	89, 117	
403-10	Work-related illness	89, 117	
GRI 407 : Freedom of Association and Collective Bargaining			
407-1	Business sites and suppliers at risk of damaging the right to association and collective bargaining	N/A	N/A
GRI 408 : Child labor			
408-1	Businesses and suppliers with a high risk of child labor	N/A	N/A
GRI 409 : Forced labor			
409-1	Business sites and suppliers with a high risk of forced labor	N/A	N/A
GRI 414 : Supplier Social Impact Assessment			
414-1	New suppliers reviewed according to social standards	N/A	Currently, we do not conduct a separate social impact assessment on the supply chain, but we plan to conduct related assessments in the future by reflecting the code of conduct.
414-2	Negative social impacts and countermeasures within the supply chain	N/A	N/A
GRI 416 : Customer Health and Safety			
416-1	Assessment the health and safety impacts of products/services	N/A	N/A
416-2	Violations related to health and safety impacts of products/services	N/A	N/A

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Non - Material issues

Disclosure indicators		Reporting location
GRI 201 : Economic performance		
201-1	Direct economic value generation and distribution (EVG&D)	112
GRI 202 : Market position		
202-1	Ratio of starting wage to minimum wage in the region where the business is located (identified by gender)	117
GRI 401 : Employment		
401-1	New Recruitment and Job Change	116
401-2	Welfare benefits for regular workers that are not provided to irregular workers	82
401-3	Parental leave	82, 116
GRI 404 : Training and education		
404-1	Average training hours per employee	117
404-2	Employee capacity building and job change support program	78
GRI 405 : Diversity and Equal Opportunity		
405-1	Diversity of governance body and staff	98
405-2	Ratio of basic salary and remuneration of female to male	116
GRI 411 : Indigenous rights		
411-1	Cases of violation of indigenous rights	No cases
GRI 417 : Marketing and Labeling		
417-2	Violations related to product/service information and labeling	No cases
417-3	Violations related to marketing communications	No cases
GRI 418 : Customer personal information		
418-1	Substantiated complaints regarding violation of customer personal information protection and loss of customer information	118

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SASB Index

The Sustainability Accounting Standards Board (SASB) standards are industry-specific sustainability accounting standards announced by the US Sustainability Accounting Standards Board, which was launched in 2011. For the first time, the SASB standard systematized sustainability information with high financial importance 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 "Building Products & Furnishing" industry group, and this report reports on the main activities stipulated by SASB.

Topic	Topic number	Calculation method	Reporting location
Energy management	CG-BF-130a.1	(1) Total energy consumption (2) The ratio of external power purchases such as solar power (grid electricity) to energy consumption (3) Proportion of renewable energy procurement among total energy consumption	37, 114
Product Chemical Management	CG-BF-250a.1	Description of how risks are managed for chemicals contained in the product	64~66
	CG-BF-250a.2	Proportion of sales of products that meet VOC (volatile organic compound) content standards	65, 114
Environmental impact within the product life cycle	CG-BF-410a.1	Description of how to manage environmental impacts throughout the life cycle and produce sustainable products	46~47
	CG-BF-410a.2	(1) Proportion of recycled waste materials (2) Proportion of recycled raw materials among input raw materials	43
Wood supply management	CG-BF-430a.1	Proportion of certified wood among wood purchased and management method	47, 114

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TCFD Index

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 economic decision-making to respond to climate change. We have developed an international information disclosure framework to disclose financial information related to climate change in four areas: corporate governance, strategy, risk management, indicator and target setting system. Hanssem will actively participate in these demands of the international community and make more efforts to respond to climate change.

Recommendation classification	Recommendation contents	Status	Reporting location
Governance structure	a) Board oversight of climate-related risks and opportunities	Hanssem established the ESG Committee under the Board of Directors in 2021. As the highest decision-making body, this committee determines short-term and long-term ESG management strategies, including response to climate change risks, and inspects the progress of strategic tasks on a quarterly basis. In addition, we have established the ESG TF, a decision-making body led by the CEO and participated by C-level executives in each field, to identify risks related to climate change and discuss response strategies.	38, 41
	b) Management's role in assessing and managing climate-related risks and opportunities		
Strategy	a) Climate-related risks and opportunities identified over the short, medium and long term	Hanssem identified and analyzed risks that could have a financial and non-financial impact on the entire business value chain due to climate change according to their severity. Risks are divided into transition risks and physical risks, and are prioritized from various perspectives such as business value chain impact, financial/non-financial impact, probability of occurrence, and timing.	38, 39, 40
	b) Describe the impact of climate-related risks and opportunities on the organization's business, strategy and finances		
	c) Climate change-related risks and organizations		
Risk Management	a) The organization's process for identifying and assessing risks related to climate change	Hanssem is establishing an internal climate change risk management process. The climate change risk management process goes through the following steps : [①Identification of risks/opportunities → ②Risk management and response → ③Monitoring and evaluation → ④Update and reporting]. Additionally, climate change risk factors within the business value chain are identified, separated, and managed on an ongoing basis.	41
	b) The organization's processes for managing risks related to climate change		
	c) How the organization's processes for identifying, assessing and managing risks related to climate change are integrated into overall risk management		
Indicators and Goals	a) Organizational indicators for assessing climate-related risks and opportunities in conjunction with strategy and risk management processes	Hanssem has been calculating and managing greenhouse gas emissions every year since 2020. In 2022, the scope of greenhouse gas emissions calculation has been expanded to Scope 3. We are demonstrating our commitment to managing greenhouse gas emissions throughout the business value chain. In addition, we have established a mid- to long-term greenhouse gas roadmap to achieve carbon neutrality by 2050 to mitigate climate change, and we plan to enhance this in the future.	42
	b) Scope 1, 2, 3 greenhouse gas emissions and related risks		
	c) Objectives used within the organization to manage climate change-related risks, opportunities and performance against objectives		

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