

# HANSEN | H | H | H

Sustainability Report  
2024



# About this Report

## Report overview

This report is the fifth sustainability report published by Hanssem Co., Ltd. Hanssem Co., Ltd. intends to publish its fifth sustainability report in 2024 in order to transparently disclose the company's sustainability management direction and performance to stakeholders and actively communicate with stakeholders based on this. This report is published in Korean and English. We will continue to strive to actively collect the opinions of stakeholders through our sustainability report and reflect them in our sustainability management activities.

## Reporting period

This report includes Hanssem Co., Ltd.'s sustainability management-related activities and performance from January 1, 2023 to December 31, 2023. Regarding quantitative performance, we are reporting three years of data from 2021 to 2023 to improve comparability. In addition, for qualitative performance with some important meanings, some details for the first half of 2024 are included, taking into account the time of publication.

## Reporting principles and standards

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

## Reporting scope

The financial data in this report is consistent with the consolidated financial statement standards under the Korean International Financial Reporting Standards (K-IFRS), and non-financial data includes Hanssem's headquarters and domestic business sites. Some areas where the reporting scope is different are stated separately in the report.

## Third party verification

The financial information included in this report is financial information on which an independent auditor received an appropriate opinion through an accounting audit conducted in accordance with international accounting auditing standards. In addition, the information included in the sustainability report has been certified according to ISAE (International Standard on Assurance Engagements) 3000 by KPMG Samjung Accounting Corporation, which has no conflict of interest with Hanssem Co., Ltd., thereby ensuring the objectivity, fairness and reliability of the report.

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# CEO Message

**Hello to all our stakeholders, including our respected shareholders, customers, partners, executives and employees, and local communities, who provide warm advice and interest to Hanssem.**

In 2023, the world went through a period of confusion as it faced geopolitical risks, the continuation of the global economic downturn, and environmental disaster caused by extreme climate change, and there is currently no way out. It seems safe to say that it is a turbulent era in Korea, with prices soaring and real estate project financing (PF) issues emerging. Hanssem also experienced a difficult year amidst these times. However, thanks to the support and support of various stakeholders and internal executives and employees, we were able to overcome the crisis in 2022, which recorded a deficit for the first time since listing, and turn into a surplus in 2023.

Even in an unfavorable market environment, Hanssem seeks to strengthen its core business areas, including all areas of home remodeling such as kitchens, windows, and bathrooms, as well as home furnishings such as storage, sofas, dining tables, and dressing rooms. We aim to secure future growth momentum by strengthening product, marketing, and cost competitiveness and further solidify our position as a market leader.

In addition, Hanssem will further accelerate the internalization of the industry-leading sustainable management system.

First, we are strengthening efficient energy management and carbon emissions reduction activities to respond to the climate crisis. Efforts that have been underway since last year, such as building solar power generation facilities, expanding investment to improve the efficiency of manufacturing facilities, and expanding the use of eco-friendly water-based paints that minimize greenhouse gas emissions, will continue to expand to all business areas of Hanssem in the future.

Second, we are carrying out projects for biodiversity. Hanssem uses a lot of wood due to the nature of its home interior design business, so it carried out a project to strengthen biodiversity to fulfill its related social responsibilities. With the goal of mid- to long-term seed collection and dissemination of bee-bee tree among Honey Tree, which has a shortage of seeds in Korea, we signed an agreement with the Samcheok National Forest Management Office and Peace Forest and started the Honey Tree Forest Creation Project in Samcheok City, Gangwon-do. In the future, Hanssem will continue to discover and continue activities to expand biodiversity.

Third, we are striving to implement and internalize human rights management, including human rights impact assessments. Hanssem conducted a human rights impact assessment for various stakeholders, including internal executives and employees, as well as affiliates and partners. We aim to fulfill the human rights-related responsibilities required of companies by identifying various actual and potential human rights-related risks that may arise internally and externally due to the organization's activities and faithfully implementing the tasks derived from this.

Fourth, we are actively promoting shared growth with our partners. Hanssem has established a code of conduct for its partners as the first step toward mutual growth with its partners in 2023, and intends to share its corporate social responsibilities with its partners. In addition, Hanssem is doing its best to ensure that social responsibility and sustainability are not undermined by economic logic by incorporating provisions mandating compliance with the code of conduct in contracts with partner companies.

**Dear stakeholders!**

Hanssem will strive to create environmental and social values as well as the company's economic performance and will continue to strengthen the transparency of corporate management. Of course, the creation of financial value is important for a company to survive, but Hanssem will pursue sustainable growth by simultaneously making efforts to internalize sustainable values such as environment, society, and governance into its management policies. We ask for the continued interest and support of our stakeholders in the future for Hanssem.

Thank you.



June 2024

Representative Executive Officer | Kim Yujin



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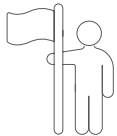




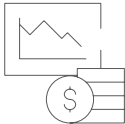
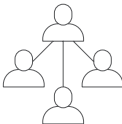

## About Us

**"Hanssem wants to create the most desirable place in the world to stay."**

Hanssem seeks to secure sustainable competitiveness and grow into the world's best company in the residential environment sector.

## Company Profile

Financial data: consolidated basis  
 Non-financial data: Hanssem headquarters and domestic business sites  
 Data base date: December 31, 2023

<p>Establishment date</p> <p><b>September 1970</b></p> 	<p>Representative executive officer</p> <p><b>Kim Yujin</b></p> 	<p>ESG rating (KCGS)</p> <p><b>A</b></p> 	<p>Headquarters location</p> <p><b>144 Beonyeong 2-ro, Danwon-gu, Ansan-si, Gyeonggi-do</b></p> 
<p>Sales amount</p> <p><b>KRW 1 Trillion</b> <b>967 Million</b></p> 	<p>Operating profit</p> <p><b>KRW 1.9 Billion</b></p> 	<p>Number of employees</p> <p><b>2,192</b> People</p> 	<p>Organization</p> <p><b>3</b> Business Divisions <b>5</b> Divisions <b>6</b> Offices</p> 

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# Company Overview

## About Us

### History

#### 1970~2000

- 1970.09** Establishment of Hanssem
- 1976.09** Completion of Heungsam Factory in Gyeonggi-do (Hanssem Factory 1)  
- Launch of 'Royal', Korea's first cabinet-style block kitchen
- 1977.07** Export of kitchen furniture for the first time in Korea (USA)
- 1983.12** Exceeded 10 Million dollars on Export Day (sales exceeded 10 Billion won)
- 1989.11** Introduction of free kitchen design service, development of HANCAD  
- No. 1 market share in domestic kitchen furniture market
- 1991.04** Establishment of local corporation in Japan
- 1992.10** Completion of Sihwa Factory in Ansan, Gyeonggi-do (3rd factory), Awarded the Korea Architectural Culture Award
- 1996.03** Establishment of local corporation in China
- 1997.01** Started an interior design business



#### 2001~2020

- 2002.07** Listed on Korea Stock Exchange
- 2004.06** Opened DBEW Design Center
- 2006.01** Launched 'KITCHENBACH', a premium kitchen furniture brand
- 2008.02** Opened Hanssem Mall, a vertical portal specializing in interior design
- 2013.09** Opened Oido Logistics Center (Factory 5)
- 2013.12** Achieved KRW 1 trillion in sales in 2013 (based on K-IFRS)
- 2014.09** Official sponsorship of the furniture sector for the 2014 Incheon Asian Games
- 2016.09** Hanssem Mall (mall.hanssem.com) opened
- 2017.12** Moved into Sangam new office building
- 2018.01** Official Sponsorship agreement for furniture sector for the 2018 PyeongChang Winter Olympics
- 2019.05** Renewal opening of Living Environment Technology Research Center (organization / function / Facilities)
- 2019.12** Obtained Consumer Centered Management (CCM) certification from Korea Consumer Agency
- 2020.07** Acquired KOLAS accreditation for Living Environment Technology Research Center
- 2020.08** Started of publication of Hanssem Sustainability Report
- 2020.09** 50th Anniversary Vision Declaration Ceremony



#### 2021~

- 2021.03** Launched premium bathroom 'BATHBACH'
- 2021.03** Hanssem Rehouse 'Smart Package' launched
- 2021.05** Establishment of 6 subcommittees within the Board of Directors
- 2021.09** Obtained 'Excellent' grade in Win-Win Growth Index
- 2021.10** Acquired 2021 Korea ESG Standards Institute ESG Evaluation Integrated Grade 'A'
- 2022.01** Changed the largest shareholder of IMM Private Equity
- 2022.07** 2022 agreement on improving indoor environment for vulnerable groups
- 2022.08** Join the United Nations Global Compact (UNGC)
- 2022.12** 2022 Government Award for Contribution to Sustainability Management  
Received an award from the Minister of Trade, Industry and Energy
- 2023.02** Launch of 'Integrated Hanssem Mall', one platform that integrates Hanssem.com and Hanssem Mall
- 2023.04** Hanssem Domus merged with Interior
- 2023.12** Commendation from the Chairman of the Fair Trade Commission  
- Spreading a fair trade order and spreading a culture of win-win cooperation
- 2024.02** Revealed Hanssem's new brand identity



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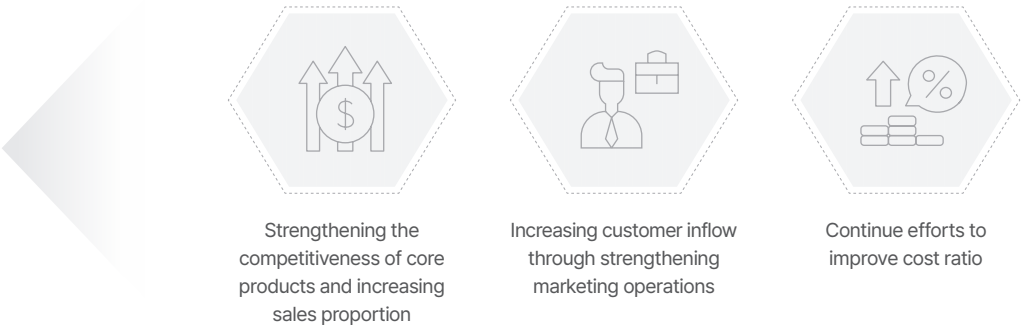
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## Business Introduction

### Business goal

- Securing growth momentum by strengthening the competitiveness of Hanssem's core business
- Achieving stable operating surplus by improving cost ratio and improving fixed cost efficiency



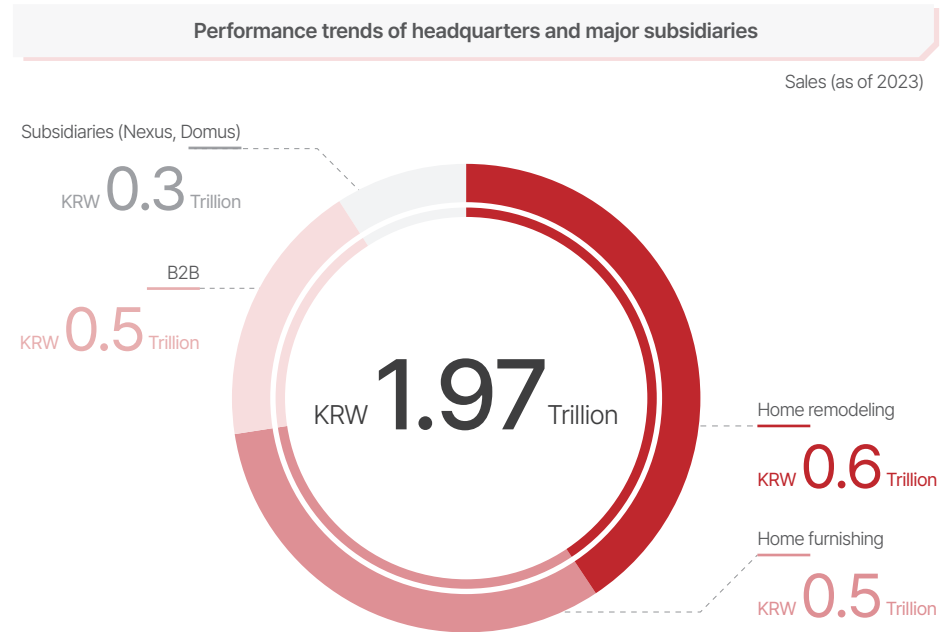
### Business Introduction

**Main business categories**

- Kitchen / Construction Materials**  
Kitchen, bathroom, windows, floors, doors, Appliances, lighting, etc.
- Interior furniture**  
Bed, mattress, built-in wardrobe, mobile cabinet, dressing room, dressing table, dresser, sofa, living room cabinet, dining table, chairs, desk, bookshelf, small furniture, household items, fabric, etc.
- B2B**  
Special sales for construction companies, material sales

**Distribution Channel**

Design park, Interior design agency, Kitchen agency, Rehouse agency, Rehouse affiliate, Construction company special sale



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### Rehouse Business Division

Rehouse is the origin of Hanssem's business, and has greatly changed the lives of customers by improving Korea's outdated kitchen spaces into modern ones. Through this, the rehouse business has unrivaled the largest market share in the kitchen sector from 1986 to the present, and since 2016, it has expanded its business area to propose the entire home space, including bathrooms, windows, and flooring, at once. The value chain of the interior design business has been completed.

As the importance of the space called home grows, the market and customer demand flow shifts from single-item replacement to package purchasing. As such, we provide optimal space solutions for each customer's lifestyle and life cycle through our rehousing business. At 42 large Rehouse showrooms across the country, we provide consultation and design services based on the 'Style Edition', a space proposal comprised of Hanssem products. In particular, Hanssem Rehouse's 2,500 professional sales representatives nationwide suggest optimal spaces to customers through differentiated designs. We have an education system in which about 500 new employees are selected every year at our headquarters upon commission from dealers across the country and are trained early on to become rehouse designers with professional capabilities through the 'RD Academy' and OJT system. In addition, at all sites, we provide the best construction service through Hanssem Service, the best interior construction company in Korea and the only interior construction company with all construction-related licenses, and over 3,000 construction professionals nationwide. We provide customers with the best quality based on construction guaranteed by our head office, and Hanssem A/S professionals quickly resolve any inconveniences customers may have after installation.

Rehouse is the first brand that comes to mind for customers thinking about interior design. About 20,000 customers receive consultation every month through Hanssem stores, exhibitions, agencies, online specialty malls (Hanssem Mall), and home shopping. In particular, various interior design exhibitions tailored to customer needs are being held at Hanssem Mall, which was expanded and launched in March 2023. In addition, Rehouse continues to release furniture and building materials with proven design and quality through collaboration with specialized departments to provide customers with a comfortable, comfortable, and healthy space.

Hanssem is leading the future of Hanssem based on differentiated competitiveness and services that make customers who have experienced Hanssem Rehouse visit Rehouse again. Through Rehouse' unique competitiveness that has lasted for over 50 years, we will solidify our status as Korea's No. 1 interior design company and expand sustainability to become a business that can lead the future of Hanssem.



Rehouse Business Division Sales

Unit: KRW 100 Million

Year	2021	2022	2023
Sales	7,826	5,911	5,009

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### Home Furnishing Business Division

The Home Furnishing Business Division was launched as the Interior Division in 1997 and leapt to the top market share in the home furniture sector in 2001, and has maintained the top spot in the competitiveness index in the national brand home furniture sector for 16 consecutive years. In order to secure unrivaled market share in both the online and offline markets by maximizing synergy between online and offline channels, we integrated the offline and online divisions into the Home Furnishing Business Division in 2023. Our core strategy is to differentiate customer experience and expand customer contact points through integration of online and offline channels. In addition, we plan to improve sales efficiency by introducing a new sales system called Home Furnishing Solution to unify online and offline products and benefits and provide the same purchasing experience in both channels. The Home Furnishing Business Division operates direct store business, agency business, and online business.

#### Offline sales

Unit: KRW 100 Million

Year	2021	2022	2023
Sales	3,908	3,196	2,890

#### Online sales

Unit: KRW 100 Million

Year	2021	2022	2023
Sales	3,521	2,966	2,655

#### Direct store business

The direct store business, which started with the launch of the interior furniture industry in 1997, operates 14 direct stores as of 2024, with the Bangbae branch as its first store. The Suwon Starfield store, newly opened in 2024, is a new type of store that enhances not only the shopping experience but also the spatial experience by reflecting the lifestyle of each customer's taste. In addition, we plan to expand Shop-in-Mall by opening category-specialized stores in key commercial areas such as department stores and outlets. This kind of specialty store will play a role in securing market share and promoting the brand in the region. The direct store business will differentiate customer experiences to increase Hanssem's brand trust and achieve qualitative growth.

#### Agency business

Hanssem operates specialized agency-type distribution stores in each commercial district to target the metropolitan and regional commercial districts. In order to grow together with dealers, Hanssem has been expanding Design Park, a large exhibition store, since 2016, and is supporting dealers to operate in large showrooms. In addition, we are nurturing space experts capable of providing package sales services by providing regular consignment training to agency employees. In 2024, we plan to focus on expanding dealerships with a size of 150 pyeong suitable for small and medium-sized cities with a population of over 300,000, closely increasing customer contact points in each region and creating continuous results.

#### Online business

We entered the online market in February 2008 and have continued to grow. Until 2014, we achieved the first stage of growth centered on Hanssem Mall, and since then, we have expanded distribution through affiliated malls. In the early days of entering the online market, popular items such as 'Sam Bookshelf' and 'Sam Kids' drove growth, and in the mid-2010s, the company launched an electric recliner, which was loved by customers. After 2020, we achieved dramatic growth by introducing a method of selling built-in wardrobes as sets, which were considered difficult to sell online and non-face-to-face. Furthermore, in 2023, we developed and introduced a 'self-planner' that allows customers to design the interior of a built-in closet in a customized way. In 2024, we plan to reorganize the Hanssem Mall app to be more convenient from a customer perspective and to further increase our online market share by focusing on affiliated malls with high traffic.

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### B2B (Special Sales Division)

The Special Sales Division supplies kitchen furniture, storage furniture, and related products and equipment to top construction companies in the new construction, remodeling, reconstruction, and redevelopment markets of large-scale apartment complexes. It is also pursuing expansion of supply items into various interior construction materials fields. There is. With construction companies supplying new homes as our main customers, we are offering Hanssem products in the B2B market and expanding our market share through competitiveness in products, construction, and after-sales service that differentiate us from other companies in the bidding market. In particular, by offering Hanssem's premium products to reconstruction and redevelopment cooperatives, we are providing quality and service that surpasses imported products not only to construction companies, which are primary customers, but also to subcontractors, which are final customers.

In addition, we are strengthening our B2B premium product lineup through continuous research and development and advancing and diversifying our products by reflecting customer feedback. As the number of new housing units sold is at an all-time low of 190,000 units in 2023, and the future new housing market is expected to be less than 300,000 units per year, it is necessary to maintain market share by increasing unit prices through premium products in existing markets. We plan to pursue growth by expanding orders for construction material products (baths, windows, flooring, etc.) from our business partners. As a first step, in preparation for changes in the future architectural environment such as the expansion of the OSC (Off Site Construction) market, we launched 'Hanssem System Bath', a prefabricated dry bathroom, and began sales activities. In addition, in order to apply Hanssem's capabilities, which are growing as a total interior design company in the new housing market such as apartments, villas, and townhouses, to the B2B market, we launched the B2B interior brand 'Hanssem-Inside' and the housing brand 'BACHHAUS'. Hanssem also provides differentiated and advanced services in the B2B interior design market.

The Special Sales Division will continue to make progress in quality differentiation and future market development to create a virtuous cycle in which customers can trust and return to Hanssem.

#### B2B Sales

Unit: KRW 100 Million

Year	2021	2022	2023
Special Sales	1,941	2,749	4,099
Material Sales	2,171	1,834	1,318

### Hanssem Nexus

Hanssem Nexus was established in 1992 to provide space solution services in line with market changes in sophisticated lifestyles and residential environments. Since its establishment, with the mission of 'contributing to human development through improvement of residential environments' and the vision of becoming 'the world's best service company in the residential environment sector', we have been carefully selecting and introducing products from the best global brands to Korea for the past 31 years. Just like our company name, 'Nexus', which means 'connection', we place customer satisfaction as our highest value by providing products and services of high quality, focusing on bonds with customers.

Hanssem Nexus' B2B business diversifies its sales model from imported furniture such as 'Dada', 'Molteni', and 'Nolte' to high-end interior building materials, and proposes solutions suitable for various types of projects such as high-end, premium, and masstige, thereby providing customer satisfaction. is increasing satisfaction. In addition, we are expanding our market share and advancing to a leading position in the market by continuously expanding our clients.

Hanssem Nexus B2C business (home design business office) provides detailed furniture proposal services and curation services to create various spaces through Nexus' unique carefully selected brand portfolio to individual customers who want a high-quality lifestyle. Through our curation service, we go beyond the concept of simply filling space and provide a variety of space solutions and customized customer service to complete our customers' spaces.

#### Hanssem Nexus Sales

Unit: KRW 100 Million

Year	2021	2022	2023
Sales	1,143	1,464	1,633

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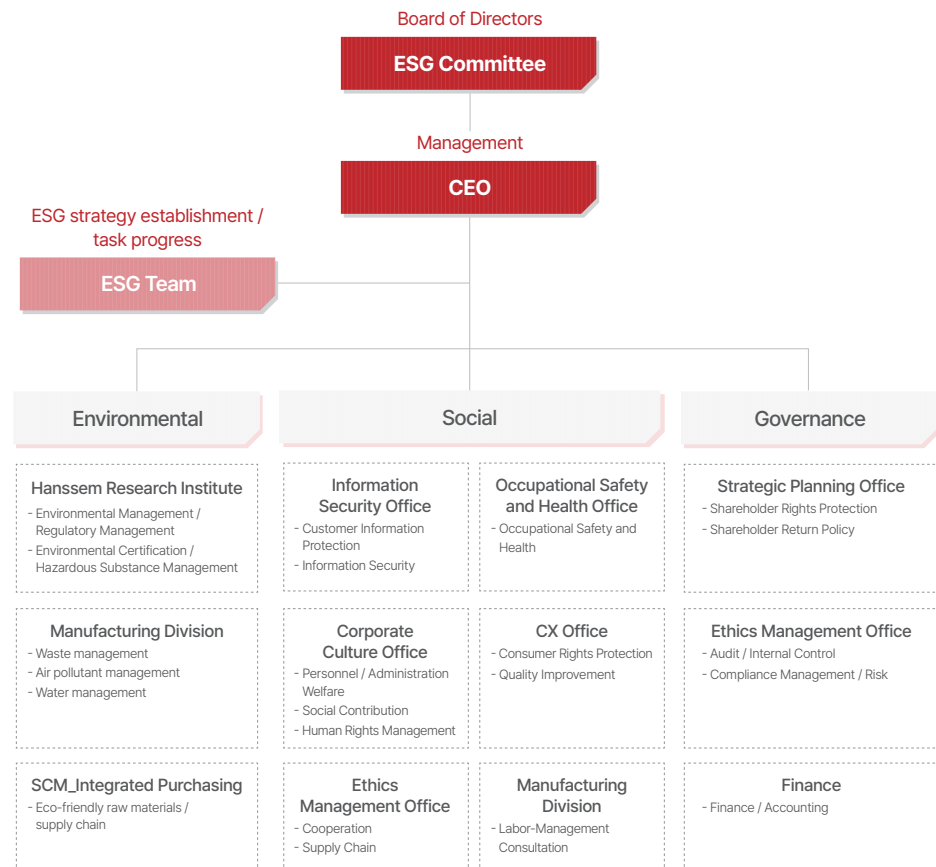


# ESG Management

## Sustainability Management

### ESG management organizational structure

In order to promote ESG-based management strategies, Hanssem has laid the foundation for implementing ESG strategies in various aspects, including the establishment of an ESG committee in 2021, a new ESG management department, and the establishment of an ESG TF. Additionally, ESG-related goals are promoted to C-Level. We are striving to build an ESG management environment at the company level by reflecting it in the KPIs of executives, team leaders, and working staff.



#### ESG Committee

Hanssem recognizes 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 oversees the approval and review of short- and long-term ESG strategies and plans. With the principle of being held every quarter, a total of four meetings were held in 2023, and various ESG issues were reviewed and approved, including approval of ESG strategic tasks, review of greenhouse gas emissions and reduction target agenda, and review of environmental management activities.

#### Corporate Culture Office – ESG Part

As part of its ESG management practices, Hanssem established an ESG team in 2022 to establish and systematically implement ESG strategies that meet domestic and international standards. Subsequently, in order to internalize ESG into all executives and employees and corporate culture, the organization was reorganized into an ESG part under the Corporate Culture Office at the end of 2023. The ESG part manages ESG-related issues and derives tasks according to mid- to long-term strategies.

#### ESG Task force

Hanssem has established an ESG Task Force (ESG TF) to establish a company-wide ESG management environment.

The ESG TF is a decision-making consultative body led by a representative executive officer and in which C-level executives from each field and working-level staff from related departments participate. The ESG TF conducts discussions on overall ESG issues, including establishing short-term and long-term ESG management strategies and responding to ESG assessments, and shares the progress of detailed strategic tasks with working-level staff in related departments.

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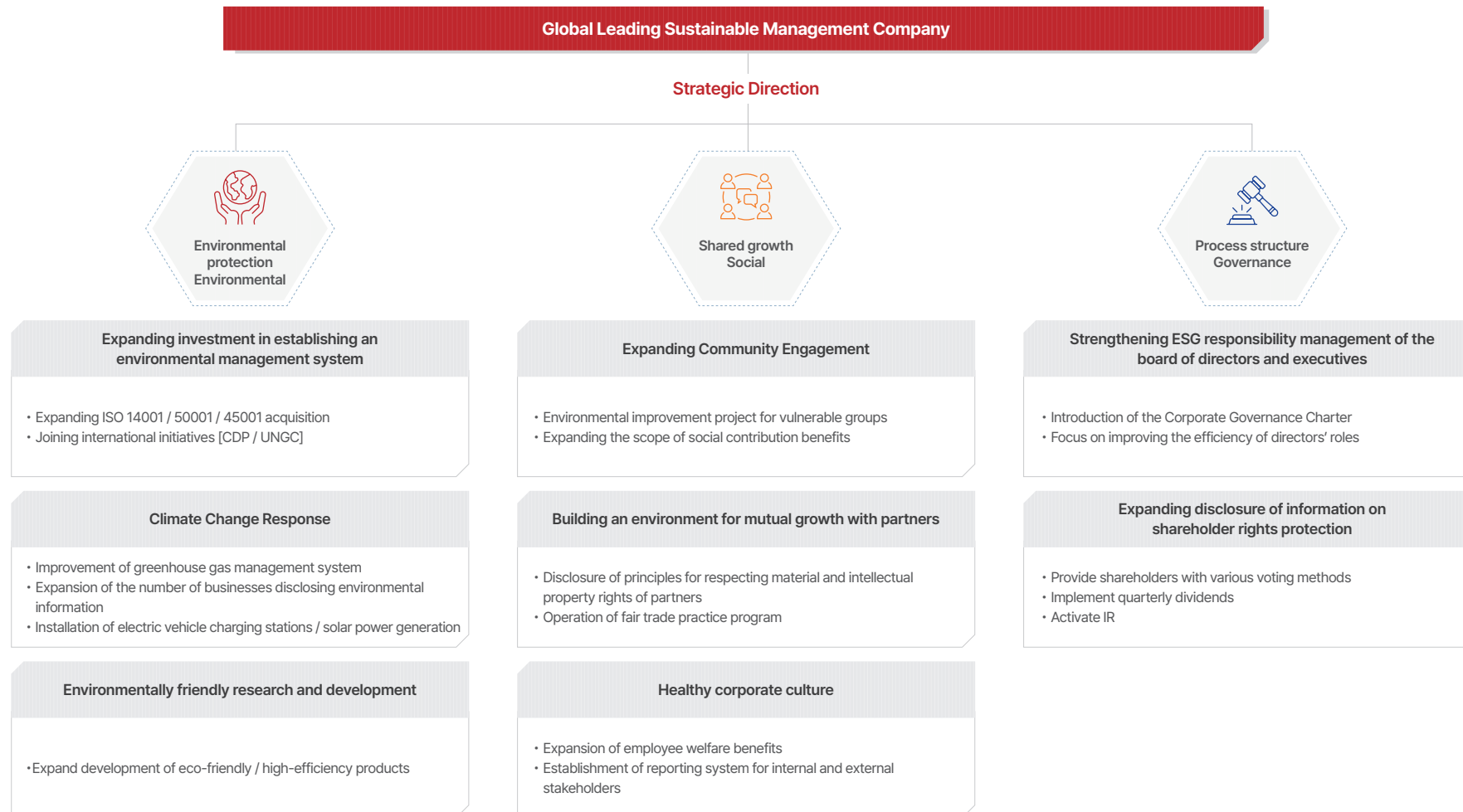
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# ESG Management

## Sustainability Management

### ESG management strategy

Hanssem identifies important issues in each area through a dual materiality assessment and promotes ESG strategies based on these. In addition, Hanssem strengthens trust with stakeholders by transparently disclosing its major activities and achievements through its annual sustainability report. Going forward, Hanssem will reflect global ESG management trends, strengthen its ESG management competitiveness to create sustainable value, and continue to expand activities that have a positive impact on the environment and society.



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# ESG Management

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### ESG management activities

#### Status of major initiatives for membership



Hanssem is participating in the implementation of the United Nations Sustainable Development Goals (UN SDGs). The UN SDGs present 17 goals in five areas: people, planet, prosperity, peace, and partnership, and provide guidelines for companies to strategically approach the SDGs through the SDGs Compass.



Hanssem has been disclosing carbon emissions and related information by participating in the Carbon Disclosure Project (CDP) since 2022. We are currently discussing establishing specific carbon emission reduction targets in the future and establishing and implementing an environmental management strategy system that complies with global standards.



Hanssem supports the Task Force on Climate Change Financial Disclosure (TCFD) and is working to comply with its recommendations. Accordingly, it is disclosing information related to climate change-related organizational structure, risks and opportunities, and response strategies through reports. In addition, it has publicly declared its support for TCFD by 2023.



Hanssem has joined the UNGC, the world's largest voluntary corporate citizenship initiative, and is complying with sustainable principles. We implement the 10 principles of the UNGC's core values in the areas of human rights, labor, environment, and anti-corruption, and work together with companies around the world to promote sustainability.

#### ESG KPI granted

Hanssem assigned goals (KPI) related to strengthening ESG management to C-level executives and working staff. In connection with the ESG-related work being performed by each business division and working-level staff, KPIs were given for tasks such as upgrading ESG capabilities, implementing biodiversity conservation activities, establishing a human rights management system, and establishing a sustainable supply chain. Through this, we expect to achieve active participation from executives and employees by aligning business goals with ESG management goals.

### ESG goal management

Hanssem is setting and implementing short-term, mid-term, and long-term tasks to strengthen ESG management. In 2023, 21 tasks were carried out in 5 categories (raw material sourcing, carbon emissions, chemical safety, supply chain labor management, and corporate action), and 17 tasks were completed. For the remaining tasks, we plan to set them as mid- to long-term tasks and continue to pursue them after 2024 through collaboration with external companies.

#### 2023 ESG Management Overview

##### Establishing and implementing ESG strategy tasks

- Establishing and implementing tasks to resolve mid- to long-term ESG risks
- Setting targets for sourcing key raw materials such as eco-friendly wood and leather
  - Establishing targets for discontinuing the use of high-risk chemicals and alternatives
  - Establishing a code of conduct for business partners and confirming ESG evaluation items

##### Building a carbon neutral roadmap

- Building a renewable energy usage environment
- 1st factory solar power facility construction and 100% power usage coverage
- Climate-related information disclosure based on TCFD
- First home interior company to participate as TCFD Supporter

##### Strengthening human rights management

- Declaration of support for UNGC for 2 consecutive years
- External exposure of Hanssem's human rights management promotion direction
- Conducting human rights impact assessment
- Conducting human rights impact assessments to identify human rights risks within and outside the organization

##### Pursuing mutual growth with partners

- Award for Merit for Mutual Growth
- Received the grand prize at the 'Award for Merit for Large and Small Business Joint Growth' hosted by the Ministry of SMEs and Startups
- Establishing a Code of Conduct for Partners
- Establishment of a code of conduct for partners and signing of a pledge of compliance by all partners

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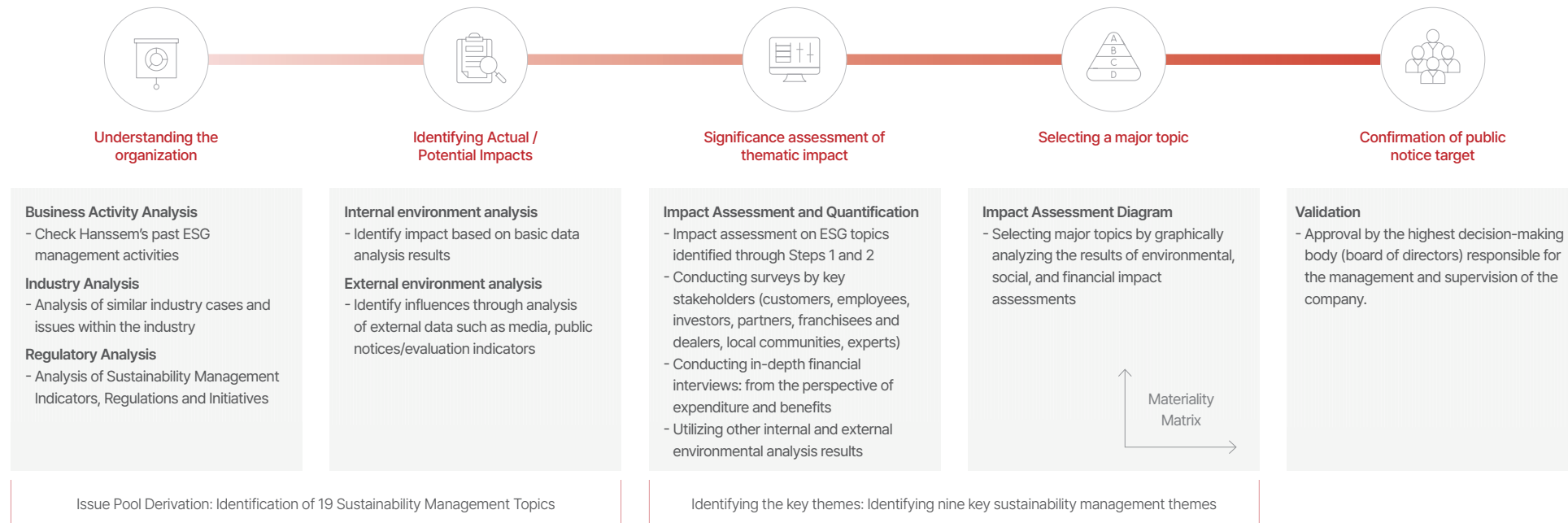
### Materiality assessment process

Hanssem is conducting a materiality assessment to identify issues related to sustainability management that the company needs to focus on. Continuing from the previous year, the materiality assessment was conducted based on the impact required by GRI Standards 2021, the sustainability reporting initiative used by most companies. GRI Standards 2021 requires companies to consider the extent to which they impact the environment and society, not just from a financial perspective, from a double materiality perspective. Accordingly, based on understanding of the organization and analysis of the internal and external environment, Hanssem first identified 19 sustainability management topics as an issue pool and then defined related activities.

Afterwards, the financial impact of the defined activities on Hanssem's financial status, management performance, and cash flow was analyzed, and at the same time, the impact on stakeholders such as customers,

employees, and local communities as Hanssem performed the activities was also measured. When measuring impact, various perspectives were reflected through stakeholder surveys, in-depth interviews, international trend analysis, and media and trend confirmation. Lastly, in order to select material topics according to the measurement results, certain standards were established for financial materiality and stakeholder materiality from a materiality perspective, and only topics that passed the relevant standards were selected as material topics. As a result, a total of 9 major topics were identified in the 2024 Sustainability Management Report, and Hanssem established a plan to implement or implement clarification of related governance structure, identification of risks, establishment of strategies and goals, and recorded related contents in the report.

#### Materiality Assessment Process



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# ESG Management

## Materiality Assessment and Key Issues

### Stakeholder selection and communication

#### Stakeholder selection

Hanssem classifies stakeholders into three groups, referring to the stakeholder classification standards provided by ISO 26000 (corporate social responsibility standard). Accordingly, Hanssem's stakeholder groups were divided into core stakeholders, strategic stakeholders, and other stakeholders according to legal, financial, and operational responsibility and degree of influence. For groups selected as key stakeholders, the impact of establishing sustainable management strategies and carrying out activities is given top priority. In particular, communication through surveys, etc. was essential during the materiality assessment to ensure that the perspectives of key stakeholders were sufficiently reflected in the selection of material topics.

#### Stakeholder mapping & grouping



Classification	Definition	Stakeholder Group
Key Stakeholders	Stakeholders essential to the survival of a company	Employees, Customers, Shareholders and Investors
Strategic Stakeholders	Stakeholders who are essential to a company in responding to specific issues	Government and related organizations, local communities, and partners
Other stakeholders	Key, strategic external stakeholders	Media, non-profit organizations, etc.

#### Stakeholder communication

Hanssem communicates with each major stakeholder through various channels regarding sustainability management.

In particular, we are striving to establish and implement sustainable management strategies from the stakeholder perspective in a timely manner by conducting periodic communication with stakeholder groups selected as key stakeholders and strategic stakeholders.

Stakeholders	Issues of interest	Channel	Frequency	Response activity report page
Executives	<ul style="list-style-type: none"> <li>Talent recruitment and development</li> <li>Establishment of win-win labor-management relations</li> <li>Pursuit of work-life balance</li> </ul>	Organizational culture diagnosis	Once a year	P53, 76, 81
		Town Hall Meeting	Once a year	
		Labor-Management Council	Occasional	
Customer	<ul style="list-style-type: none"> <li>Customer satisfaction and quality improvement</li> <li>Chemical management</li> <li>Personal information and cybersecurity</li> </ul>	Home page	Occasional	P44, 48~49, 71
		Customer Service Center	Occasional	
		Customer satisfaction survey	Occasional	
Shareholders and Investors	<ul style="list-style-type: none"> <li>Establishment and implementation of sustainable management strategy</li> <li>Shareholder return policy</li> <li>Transparency of governance structure and stakeholder participation</li> </ul>	Shareholders' meeting	Occasional	P85
		Corporate meeting	Once a year	
		Sales Report	Once a year	
Government and related organizations	<ul style="list-style-type: none"> <li>Efficient energy management and carbon emissions reduction</li> <li>Strengthening environmental management activities</li> <li>Corporate ethics and compliance</li> </ul>	Environmental Review Committee	Occasional	P70
		Legal, regulatory and policy advice	Occasional	
Supplier	<ul style="list-style-type: none"> <li>Co-growth with partners</li> <li>Supply chain sustainability management</li> <li>Workplace safety and health</li> </ul>	Subcontracting Transaction Review Committee	Once a month	P63~64, 82
		Cyber Audit Office	Occasional	
Community	<ul style="list-style-type: none"> <li>Environmental impact management according to product life cycle</li> <li>Biodiversity journal</li> <li>Community participation activities</li> </ul>	Regional Council Meeting	Occasional	P60

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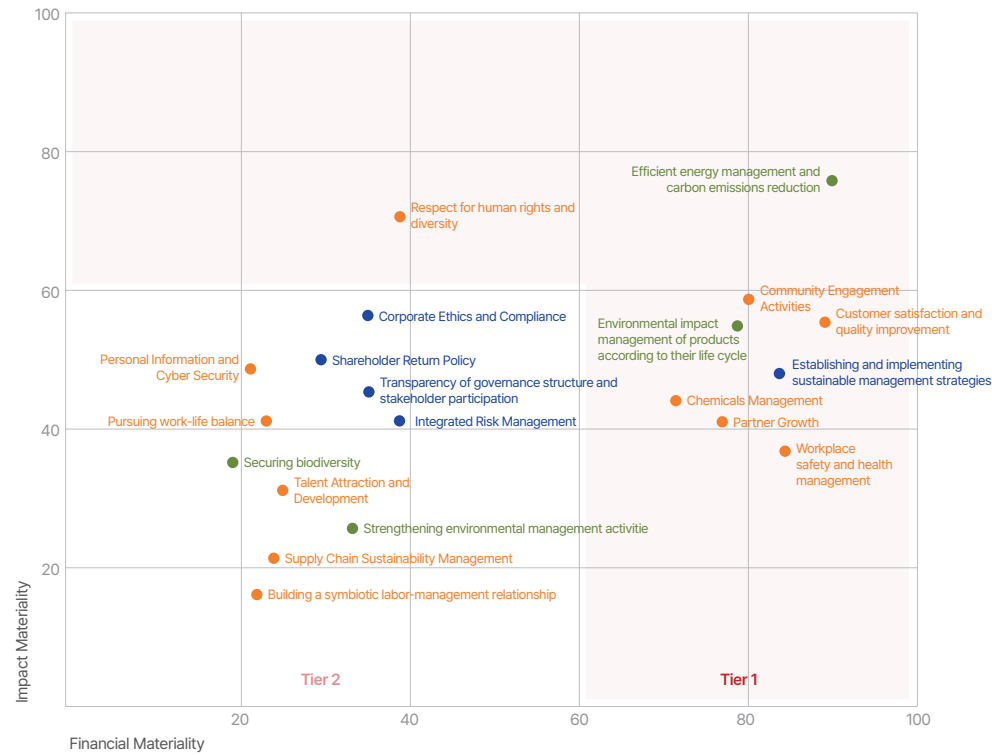
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# ESG Management

## Materiality Assessment and Key Issues

### Materiality assessment results

Hanssem measured the financial impact and stakeholder impact of each sustainability management topic through a materiality assessment, and selected only those topics with both high impacts and categorized them as material issues. The 2024 Sustainability Report selected 9 major issues (2 environmental, 6 social, and 1 governance). Hanssem seeks to establish clear goals for topics selected as material issues and establish sustainable management strategies to implement them.



Materiality	Material Topics	Previous year
Tier 1	Efficient energy management and carbon emissions reduction	Tier 1
	Environmental impact management of products according to their life cycle	Tier 1
	Customer satisfaction and quality improvement	Tier 1
	Community Engagement Activities	Tier 1
	Partner Growth	Tier 1
	Chemicals Management	Tier 1
	Workplace safety and health management	Tier 1
	Respect for human rights and diversity	Tier 2
	Establishment and implementation of sustainable management strategy	Tier 1
Tier 2	Supply Chain Sustainability Management	Tier 1
	Transparency of governance structure and stakeholder participation	Tier 1

Major changes compared to the previous year	Main reason
Supply Chain Sustainability Management Relocate to Tier 2	▶ Rating agencies such as MSCI mainly evaluate the raw materials supply chain, so its relative importance is low.
Respect for Human Rights and Diversity Included in Tier 1	▶ Stakeholder interest is increasing, and related areas of activity such as human rights investigation are expected to expand.
Transparency of governance structure and stakeholder participation Reposition to Tier 2	▶ Providing sufficient information to information users through corporate governance reports, etc.

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## Materiality Assessment and Key Issues

### Material topic management

Hanssem has carried out or plans to carry out various activities during 2023 on nine major issues according to the materiality assessment. In particular, in order to keep pace with international sustainability management requirements, Hanssem strives in accordance with the SDG Compass (Corporate Behavior Guidelines for SDGs) to carry out activities in connection with the UN SDGs, the sustainable management development goals, on topics selected as major issues.

Material issue	Access and Activities	Response to UN SDGs
Efficient energy management and carbon emission reduction	Hanssem has established a roadmap and is making efforts in various ways to achieve carbon neutrality in the future. First of all, we are reviewing various measures to build a new and renewable energy use environment with the goal of RE100 in 2050. As part of this, we are promoting solar power facilities at our first factory in 2023 and completed in January 2024. In addition, climate change scenarios according to the Paris Agreement were fully reflected in the carbon neutrality roadmap, and we disclosed climate-related information and participated in TCFD Support according to the TCFD Framework.	 
Management of the environmental impact of products according to the product life cycle	Hanssem strives to minimize negative environmental impacts that occur throughout the product life cycle. During the research and development stage, we aim to reduce the environmental impact of disposal by increasing the lifespan of the product itself. In the raw material procurement stage, we secure responsible raw material suppliers through certification, and in the product production stage, we reduce landfill waste by transferring generated waste to a certified recycling company or incinerating it and recycling it as steam energy. At the product sales stage, we clearly define eco-friendly products and carry out marketing activities to sell our eco-friendly product lineup.	
Customer satisfaction and quality improvement	In order to continuously enhance customer value, Hanssem established a dedicated department, CX (Customer Experience), and is working to improve customer service and product quality. To this end, we periodically collect and analyze the voice of customers (VOC) through various channels, including customer satisfaction surveys, to derive improvements, and we have advanced the complaint handling process so that any complaints that arise can be dealt with quickly and fairly.	
Community participation activities	Hanssem plans and operates various programs to promote coexistence with the local community and create social value. In addition, we go beyond simple donation activities and strive to fulfill our social responsibilities by fully considering the connection with business and maximizing the value created through this. In particular, in order to fully consider the impact on the environment of the local community, a project to create a Honey Tree/Forests for seed collection was planned and is scheduled to be implemented in 2024.	

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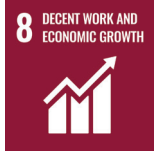









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### Material topic management

Material issue	Access and Activities	Response to UN SDGs
Shared growth with partners	Hanssem has established a fair trade culture and institutional foundation for shared growth with its partners, and is planning and implementing various shared growth programs for coexistence with its partners. First, in order to prepare for the introduction of the Fair Trade Compliance Program (CP), we are operating fair trade practices by internalizing them and implementing fair trade-related education and campaigns. In addition, we operate financial and non-financial shared growth programs to help Hanssem's partners pursue sustainable growth.	 
Chemical management	Hanssem is making various efforts to manage hazardous chemicals generated during the production and use of products. First, we are working to reduce hazardous chemicals used in the production process, and we have established goals and strategies to convert paints and adhesives from oil-based to water-based by 2024. Additionally, in order to satisfy consumers' right to know, we disclose information on chemical substances used and are making efforts to improve awareness of chemical safety through various channels such as YouTube..	 
Workplace safety and health management	Hanssem has established a safety and health policy system, including a safety and health management policy, to ensure the safety of its employees and stakeholders, and has strived to advance its safety and health management system by obtaining ISO certification (ISO 45001). Additionally, through risk assessment, we are identifying potential safety accident risks and establishing response procedures. In addition, to improve the health of our employees, we define occupational diseases and plan and operate various health promotion and disease prevention programs.	 
Respect for human rights and diversity	In order to advance human rights management, Hanssem has established a human rights management system to identify human rights risks and establish response procedures. We first conduct a human rights impact assessment to identify human rights risks that may arise inside and outside the organization. Accordingly, we strive to identify human rights vulnerable groups among Hanssem stakeholders and identify and improve major issues that may arise in advance. there is. We also operate a variety of programs, including gender sensitivity training, to internalize a culture of respect for human rights and diversity.	 
Establishment and implementation of sustainable management strategy	In order to effectively establish sustainable management strategies, Hanssem has established the ESG Task force, a consultative body in which working-level staff from each department participate. We have an ESG Committee under the Board of Directors to ensure that sustainable management decisions are made effectively. In addition, we established an ESG vision system with ESG initiatives as the core value and integrated various corporate culture activities to improve employees' organizational commitment to ESG management activities and ultimately strive to ensure that ESG management activities increase corporate value.	 

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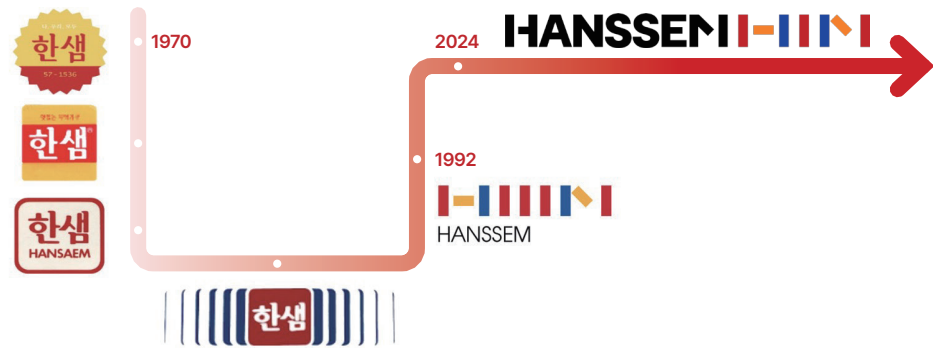
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## Hanssem BI Renewal

Hanssem unveiled a new BI (Brand Identity) in January 2024. Hanssem's BI, which was newly reorganized 32 years after 1992, is optimized for the digital environment and improves usability with a more modern design, while also inheriting the symbolism of the existing Hanssem BI. This reorganization carries the meaning of continuing the expertise and tradition that we have built as Korea's No. 1 home interior design company over the past 54 years, while becoming a flexible brand suited to the current era.

### Hanssem BI evolution history

Hanssem's first BI, created with its founding in 1970, expressed an image like the sun rising over the horizon. After going through three changes, we underwent a major reorganization in 1992 with the intention of becoming 'the best company in the residential environment field.' The fifth logo created in this way expressed Hanssem's English company name, 'HANSSEM,' with nine 'Creative Blocks' and the 'three primary colors' of red, yellow, and blue. The 'Creative Block', which extends horizontally, vertically, and diagonally, symbolizes Hanssem's dynamic expansion, and the 'three primary colors', which represent the beginning of all colors, represent diversity. This was done in collaboration with Motoo Nakanishi, who designed CI for Mazda Motor and Asics, and was completed over three years from 1989 to 1992. This time, we introduced our sixth new BI by reinterpreting the existing BI in a modern way.



### Purpose of BI Renewal

Over the past 30 years, Hanssem's BI has played a significant role in imprinting the Hanssem brand on customers by being used in nationwide distribution, products, and advertising along with Hanssem's growth. However, with the expansion of distribution, we decided that BI, which was being used indiscriminately, needed to be reorganized so as not to damage Hanssem's value, and that design upgrades such as the proportions of the three primary colors and logo to suit the digital environment were necessary. Accordingly, we carried out a BI reorganization that preserved the three primary colors and creative blocks, which are the key elements of existing BI, and improved usability.



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## Hanssem BI Renewal

### Brand Identity Design Keyword

With this BI reorganization, the BI of sub brands and affiliates such as Hanssem Rehouse, Hanssem Home Furnishing, and Hanssem Service were also changed. We plan to strengthen integrated communication by using Hanssem and its affiliated BI together. The new BI will be sequentially applied to all online and offline channels, starting with the store sign and interior decoration of the new Hanssem Starfield Suwon branch, the 'Hanssem Mall' application, customer shopping bags and contracts, product packaging, and salesperson business cards, etc.

The visual language, which simply interprets the block motif based on a solid, structural grid, expresses Hanssem's expertise, reliability, and confidence built up through long experience.

It is a signature that has evolved into a modern and refined look while inheriting Hanssem's philosophy. The newly established wordmark strengthens the connection with the Hanssem symbol by introducing blocks into the H and M strokes.

A visual identity system that flexibly captures the changing image of Hanssem as the block motif expands and changes, conveying the vitality of life.



**Hanssem legacy succession**  
Condensing the dual symbol and logotype into one. A sans-serif type with creative blocks, it inherits the impression of the existing symbol in a sophisticated form.

**Simplifying the bar motif**  
Enhancing usability by condensing the bar motif into 7 bars, while maintaining the existing morphological impression of Hanssem

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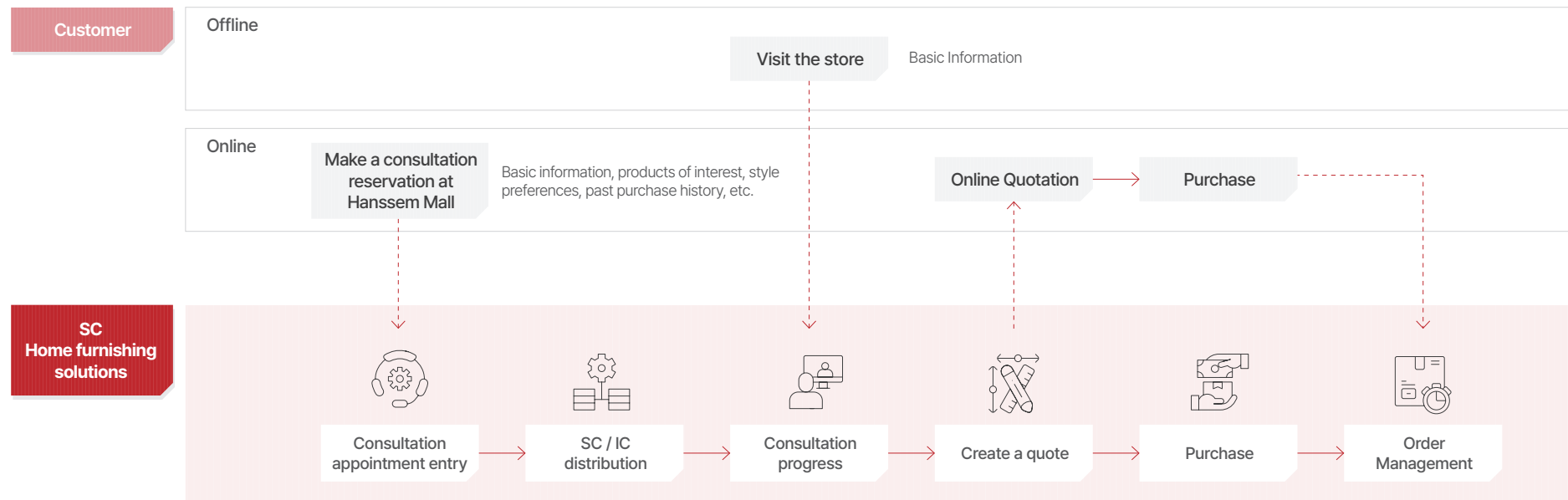
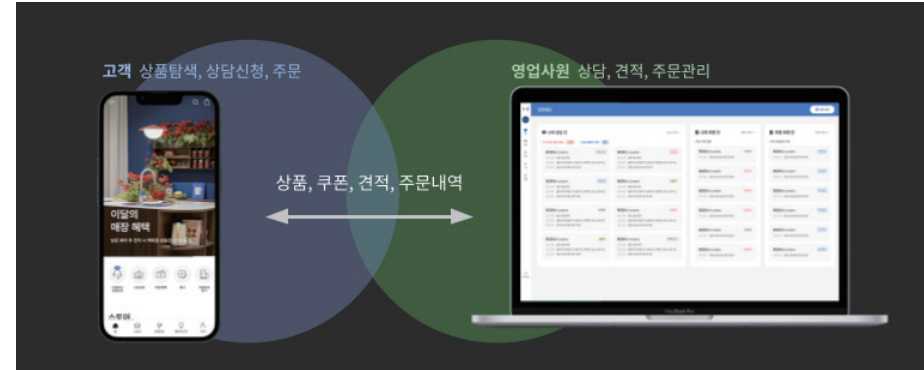
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## Home furnishing solutions

Hanssem has taken steps toward full-scale digital transformation in 2023. As a primary result, we launched Hanssem Mall, an integrated application with additional functions such as apartment search and storage simulator, and implemented omni-channel throughout the home remodeling and home furnishing sectors. Through this, customers can search for or purchase products through various channels, both online and offline. In 2024, we launched a home furnishing solution that maximizes online and offline convergence centered on home furnishing. The home furnishing solution was created to provide customers with more convenient shopping opportunities through the Hanssem Mall integrated application by reorganizing Hanssem's previously separate rehousing, home furnishing online, and home furnishing offline products to focus on customers. The process of exploration, consultation, and ordering is integrated and managed through a system based on a sophisticated database, and by preventing errors that may occur between customers, salespeople, and the system, the effect is to reduce greenhouse gases generated during vehicle movement due to incorrect orders. In addition, estimates and contracts that were previously printed to customers were sent through the app, reducing paper printing to zero.



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## Home furnishing solutions

The following innovations are possible through home furnishing solutions that utilize integrated products, benefits, and customer databases



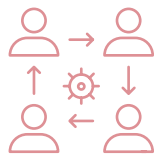
### Customer

- Unified search-purchase journey
- Selectable shopping method by grade / product group
- Reduced burden of visiting stores as there is no need to purchase in store



### Sales

- Eliminate inefficient work due to on / off differences
- From Consultation to order process is accumulated, so closing work is unnecessary
- Increase sales efficiency by naturally exposing scattered content (installation photos, reviews) in one place



### Staff / Administrator

- On-offline customer purchase journey analysis possible
- Sales activity volume analysis possible
- Consultation/order lead time analysis possible by person/product
- Real-time customer service status by store possible



### ESG

- ZERO paper printing through app transmission of estimates and contracts
- Reduce greenhouse gas emissions by reducing vehicle movement due to incorrect orders by eliminating errors between customer contract terms and systems

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## Honey Tree / Forests for seed collection creation project

Hanssem's social contribution activities have been focused on the area of 'housing environment improvement'. However, as global warming accelerates around the world and damage from climate change increases, causing a crisis in the ecosystem and biodiversity, Hanssem has expanded the scope of its social contribution activities from 'residential environment for humanity' to 'environment'. Due to the nature of Hanssem's business, wood is used as the main raw material. Because forests have high value as a sink for climate change mitigation, Hanssem, which uses wood as its main raw material, sought social contribution projects that could preserve forest biodiversity. In the process, I learned about the value of Honey Tree, which preserves the ecosystem by providing valuable food for disappearing bees. Accordingly, in 2024, Hanssem, together with the Peace Forest and Samcheok National Forest Management Office, will begin the first 'Honey Tree / Forests for seed collection Creation Project'.



### Expected environmental effects resulting from the creation of Honey Tree

Classification	Result
Area	1.5ha
Number of plants	Bee-bee tree 3,000 Wild cherry tree 1,300
Carbon dioxide reduction effect <sup>1</sup>	518tCO <sub>2</sub>

1: IPCC GPG for LULUCF, 2003 Bee-bee tree is based on "Quingor tree" mass and carbon absorption, based on 30 years

### Creation of Honey Tree/Forests for seed collection to promote biodiversity

Bees are responsible for pollinating 70% of the world's top 100 crops. Therefore, the decline of honey bees is an important problem that can lead to a crisis for the entire species, such as a decrease in biological diversity and a worsening of food supply and demand. However, 62% of the species that make up domestic forests are non-flowering conifers. Accordingly, Hanssem paid attention to the value of Honey Tree/Forests for seed collection, where seeds of Honey Tree, which are food for bees, can be collected. In particular, we have begun the creation of Forests for seed collection that can preserve the seeds of 'bee-bee tree', one of the Honey Tree. The tree is famous as a tree that many bees visit, so its English name is 'bee-bee tree'. It begins to bloom 5 years after planting, and its flowering period is about 20 days, which is longer than that of other Honey Tree. Above all, because it blooms in mid-summer when flowers are rare, it is an important resource for bees to survive the barley season. Hanssem has signed a 5-year business agreement with Peace Forest and Samcheok National Forest Management Office and plans to provide support for the creation of a Forests for seed collection. In addition, we plan to create positive changes by planting seedlings and carrying out maintenance and management such as cutting grass and fertilizing.

### Transformation of Honey Tree creation area



Preparation for Forests for seed collection creation completed

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## Honey Tree / Forests for seed collection creation project

### Forests for seed collection creation with employees

To commemorate Earth Day on April 18, 2024, about 50 executives and employees gathered in Samcheok, Gangwon-do to plant the bee-bee tree saplings.

The target site was a rough field (a field that had been left rough for a long time) in Dogye-eup, Samcheok-si. This place, which was once a highland field, was a place where when there was strong rain, silt could flow into groundwater or rivers, making the surrounding water turbid.

In order to reflect on the value of the forest and the meaning of biodiversity conservation, activities such as planting seedlings and creating water retention space for smooth absorption of water were carried out with volunteer employees. In the future, Hanssem will continue to carefully care for seedlings until they grow and bloom through employee activities such as cutting grass, pruning, and applying fertilizer.



#### Interview 1. Former National Institute of Forest Science / Dr. Kim Manjo

Many plants on Earth depend on bee pollination for their survival, and various living things, including humans, also depend on bee pollination for food. Planting and cultivating Honey Trees that serve as food for honey bees, which are having great difficulties in survival due to recent reckless environmental destruction and climate change, is very important in preserving a healthy ecosystem where they can help each other. I believe that the agreement between Hanssem, Peace Forest, and Samcheok National Forest Management Office to create Honey Tree Forest in a no longer used rough field is of great significance for the sustainable future of our society.

#### Interview 2. Forest of Peace / Forest Creation Team / Team Leader Lim Young-su

The Honey Tree / Forests for seed collection created by Hanssem uses broad-leaved trees such as bee-bee tree as the main tree species. Most trees planted in Korea are conifers, with a small percentage of broad-leaved trees. Therefore, they are often created as simple coniferous forests, which can be vulnerable in terms of forest fire risk and biodiversity. If a mixed forest is created, the number of forest creatures will increase and resistance to natural disasters such as summer floods or forest fires will increase. Planting Honey Tree like this is not just about creating a forest, it is one of the ways humans can achieve peace with nature.

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- 035 Environmental impact management according to product life cycle
- 042 Chemical safety management
- 047 Customer Satisfaction and Quality Management
- 052 Respect for human rights and diversity
- 055 Workplace safety and health
- 060 Community participation
- 063 Shared growth with partners

# Climate change response and efficient energy management

## Governance

### Carbon emissions reduction management system

Hanssem recognizes that climate change caused by rising global temperatures is a problem that threatens human survival, and we support and actively participate in the government's movement to achieve carbon neutrality by 2050. Hanssem was the first domestic home interior company to participate as a TCFD Supporter, declared support for climate change information disclosure, and established an organization to respond to the impact of climate change on Hanssem. In addition, we are establishing strategies and carrying out strategic tasks by establishing an ESG TF organization led by the representative executive officer, starting with the ESG Committee under the Board of Directors.

#### ESG Committee

Hanssem recognized the importance of the agenda for reducing carbon emissions and responding to climate change, and established the ESG Committee under the Board of Directors in 2021 to establish a decision-making system for establishing and implementing strategies for reducing carbon emissions and responding to climate change. The ESG Committee is the highest decision-making body related to reducing carbon emissions and responding to climate change, and receives reports on the progress of carbon neutrality implementation on a quarterly basis. The status of strategies for responding to climate change risks and the progress of related tasks are reviewed on a quarterly basis.

#### 2023 ESG Committee main agenda

- Strengthen information transparency on carbon emissions by achieving 3-year disclosure of Scope3 carbon emissions
- Preparation for the ISSB disclosure system
- Establishing a new and renewable energy use environment to implement RE100

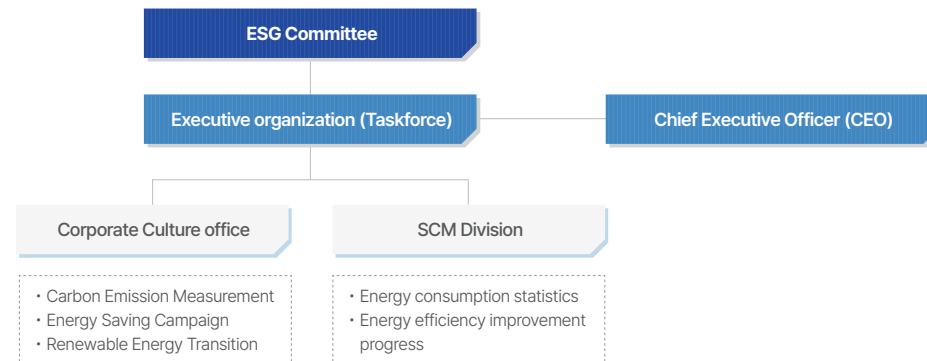
#### Corporate Culture Office (ESG Part)

As part of ESG management, Hanssem has established and is operating a new dedicated department, ESG Department. First of all, the ESG part is striving for reliable disclosure of carbon emissions by measuring company-wide carbon emissions, including those of subsidiaries. In addition, with the goal of RE100 by 2050, we are in charge of or discussing policies to expand the use of renewable energy, including solar power generation projects using the factory roof. In addition, in order to reduce carbon emissions by reducing the amount of power used, we are leading various in-house energy saving campaigns, such as operating an automatic lights-off system during lunch hours and increasing the proportion of LED use.

#### SCM Division

Hanssem's SCM division is working to reduce carbon emissions and energy consumption generated during the manufacturing process. To this end, we are in charge of work to increase the proportion of renewable energy, such as improving facility efficiency, such as replacing the equipment (air compressor) of the 3rd factory, and building solar power facilities using the factory building. In addition, the SCM division classifies energy usage by energy source for each manufacturing site and building and monitors and tallies it in real time. Through this, we support various documents to build greenhouse gas emissions data.

Carbon Emission Reduction Management System Organization Chart



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# Climate change response and efficient energy management

## Strategy

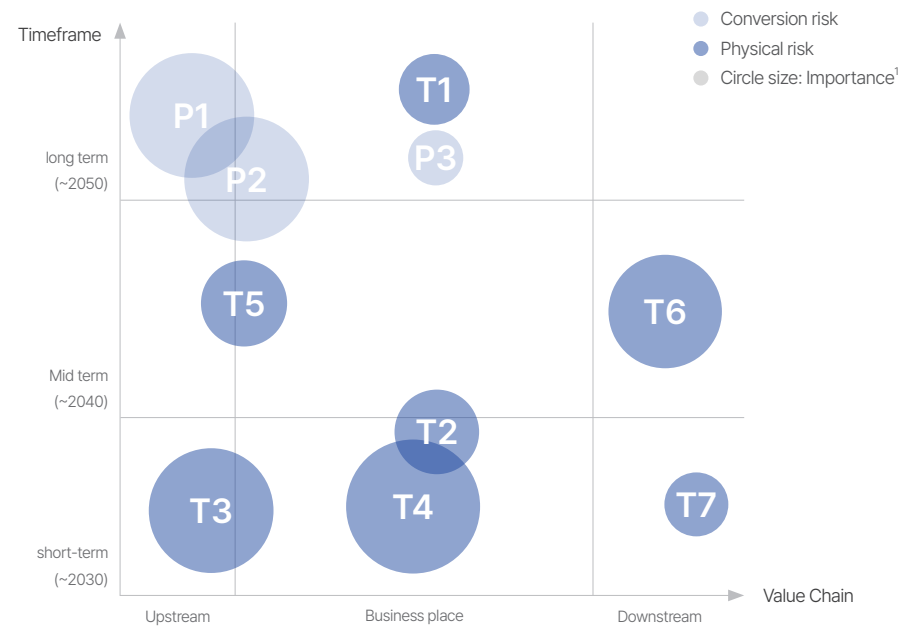
### Climate change risk identification

Hanssem identified risks that could be affected by climate change throughout its business value chain and analyzed the degree of impact each risk had on Hanssem. To this end, we first derived a long-list of climate change risks applicable to Hanssem by analyzing the global climate change disclosure framework and the status of similar companies. Afterwards, an in-depth analysis was conducted to collect opinions from related departments and experts for each identified risk type, and priorities for each risk were calculated. In addition, to accurately diagnose risks, we conducted analysis from various perspectives, including business value chain impact, financial and non-financial impact, probability of occurrence, and timing of occurrence. Hanssem plans to continuously develop and implement various strategies to respond to each identified risk.

#### Climate Change Risk Management

Risk Type	Classification	#	Risk name	Effect	Detail	
					Contents	Scale
Transition risk	Current regulations	T1	Strengthening carbon neutrality achievement policy	Low	Increase in the cost of renewable energy procurement	3.13 billion won
		T2	Strengthening greenhouse gas emission regulations	Mid	Increase in electricity supply costs	1.2 billion won
	New system	T3	Reducing carbon emissions in the transport sector (shipping)	High	Increased transportation costs for imported raw materials and goods	310 million won
		T4	Reducing carbon emissions in the transport sector (land transport)	High	Increased product transportation costs	440 million won
		T5	Lack of eco-friendly certification	Mid	Sales decline due to lack of eco-friendly certified products	2.96 billion won
	Market	T6	Expansion of the Renewable Energy Supply Certificate (REC) System	High	Decrease in sales due to decrease in timber supply	2.86 billion won
		T7	Changing consumer perceptions of recycling ease	Low	Low Decrease in sales due to failure to meet demand for increased recycling ease	2.14 billion won
Physical risk	Acute	P1	Changes in production land	High	High Increase in supply cost due to decrease in productivity	2.96~4.91 billion won
		P2	Production area sea level rise	Mid	Mid Increase in supply unit price due to soil loss in supply area	8.43 billion won
	Chronic	P3	Global average temperature rise	Low	Increased maintenance costs due to increased number of days of air conditioning operation	90~130 million won

Climate change risk distribution map



1-Importance: Likelihood Index × Impact Index

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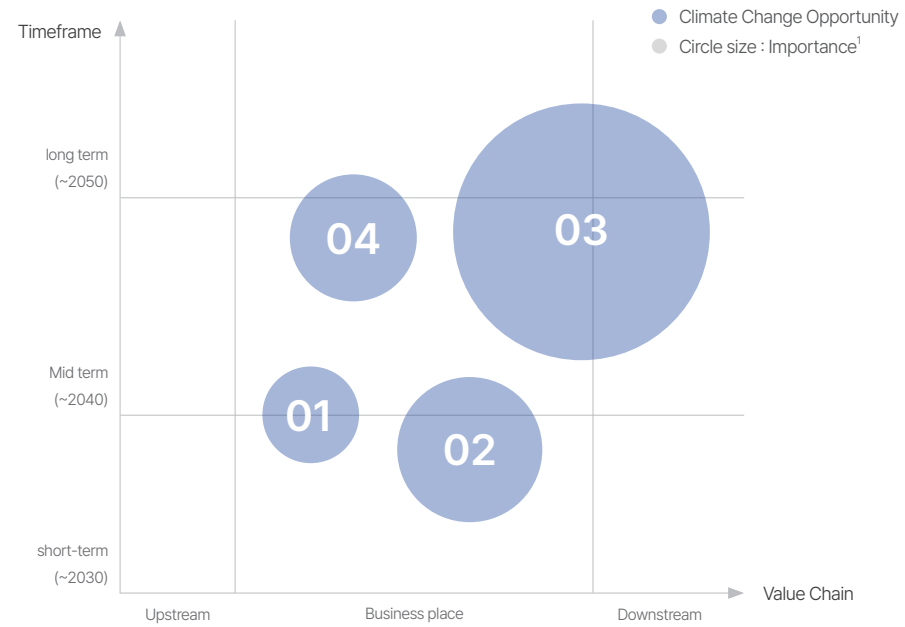
### Climate change opportunities identification

Hanssem analyzed various opportunities to utilize climate change similar to the way it identified climate change risks. As climate change opportunities mainly arise in situations of transition to a low-carbon economy, we first identified a long-list of opportunities in various aspects according to the transition to the economic situation. Afterwards, we prioritized areas with a high possibility of realizing each opportunity through the global climate change disclosure framework, analysis of the status of similar companies, and a process of collecting opinions from related departments and experts for in-depth analysis by opportunity type. Hanssem expects to be able to realize related opportunities by improving workplace energy efficiency, replacing workplace eco-friendly vehicles, expanding eco-friendly product range, and revitalizing ESG management.

#### Climate Change Opportunity Management

Opportunity classification	#	Opportunity name	Effect	Opportunity Details	
				Contents	Scale
Resource efficiency	O1	Improving energy efficiency in the workplace	Low	Reduce electricity costs by improving energy efficiency in your workplace	48 million won
	O2	Replace eco-friendly vehicles at workplace	Mid	Reduce operating costs of in-house leased vehicles	52 million won
Product	O3	Expanding the eco-friendly product line	High	Increase in sales of eco-friendly products	6.38 billion won
Market	O4	Increase in corporate value through ESG management activities	Mid	Increased market value due to improved brand reputation	2.14 billion won

Climate change opportunity distribution map



¹Importance: Likelihood Index × Impact Index

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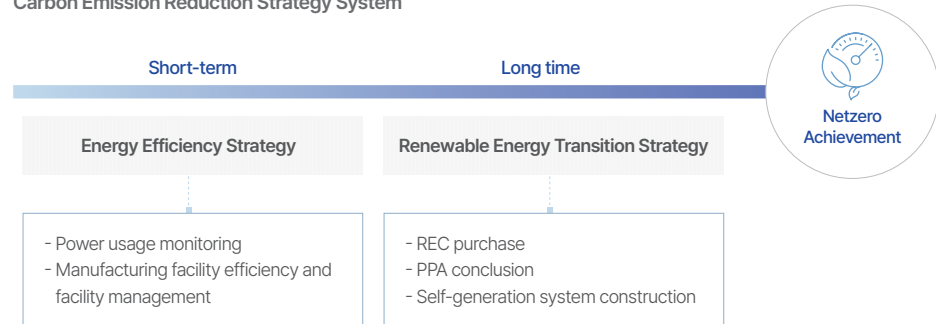
# Climate change response and efficient energy management

## Strategy

### Carbon Emission Reduction Strategy

Hanssem is closely monitoring the country's carbon neutral policy and global trends on climate change and establishing goals to respond to climate change. To this end, Hanssem first established a greenhouse gas inventory for 2020 and expanded the scope of carbon emissions calculation for 2021 to Scope 3. In 2022, we are analyzing risks and opportunities due to climate change and calculating each financial impact, while establishing mid- to long-term greenhouse gas reduction goals based on the IPCC 1.5 °C scenario and establishing detailed plans to achieve them. Hanssem has established a long-term goal of achieving carbon neutrality by 2050, using 2020 as the base year in the scope of Scope 1 (direct emissions) and Scope 2 (indirect emissions), and as a mid-term goal to achieve this, 'greenhouse gas emissions by 2030' A 40% reduction was established. Hanssem will further refine its goals and establish detailed strategies to participate in the global carbon neutrality movement.

#### Carbon Emission Reduction Strategy System



### Short term - energy efficiency strategy

#### Power usage monitoring

All of Hanssem's business sites (excluding rentals) utilize KEPCO's Power Planner system to monitor power usage in real time by hour, day, month, and year to confirm the optimal power usage for each business site. If abnormal power use is identified, we also take follow-up measures to eliminate sources of inefficient energy consumption.

#### Manufacturing facility efficiency and facility management

Hanssem's third plant replaced air compressors as part of its facility efficiency policy. The existing five facilities are now being operated with one high-efficiency facility. Through this, power consumption has been reduced by 31% compared to existing facilities, and greenhouse gas emissions from the factory have been reduced by approximately 5%. In addition, each Hanssem business site introduced an automatic lights-off system during lunch hours and completely replaced fluorescent lights with LEDs to reduce power usage. In the future, we plan to continuously improve the facilities of each business site, factory, and logistics center to reduce carbon emissions across all business sites.

### Long-term-renewable energy conversion strategy

Hanssem has set a carbon neutrality goal for its business sites by 2050 to limit the rise in global average temperature to less than 2°C and to within 1.5°C compared to pre-industrial levels. Considering the characteristics of Hanssem, where more than 95% of greenhouse gases are generated from electricity use, we plan to respond to climate change by focusing on the use of renewable energy. Accordingly, we are planning to establish a goal of converting our workplaces to 100% renewable energy by 2050 through renewable energy power purchase agreements (PPA), REC purchases, and establishment of workplace self-generation systems.

#### Construction of factory solar power facilities

Hanssem has built a 202kW solar power facility at its first factory. Considering the amount of sunlight and power usage time, the plant will be initially completed in optimal manufacturing facilities, and 100% of the monthly electricity usage for Plant 1 will be supplied by solar energy (as of the first quarter of 2024). In the future, we plan to continue to expand eco-friendly energy use by installing solar power facilities in our manufacturing facilities and logistics centers.



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# Climate change response and efficient energy management

## Risk Management

### Climate change risk management

Hanssem identifies, analyzes and continuously manages climate change risk factors within the business value chain through the internal climate change risk management process (① Identification of risks and opportunities → ② Risk management and response → ③ Monitoring and evaluation → ④ Update and reporting).

#### Climate Change Risk Management



Hanssem identifies climate change risks and opportunities and analyzes the resulting financial impacts in accordance with TCFD and key stakeholder needs. We measure the financial/non-financial impact of risks and opportunities identified through an internal risk/opportunity analysis system by considering various factors such as the occurrence area, probability, and timing of occurrence within the value chain.

Identified climate change risks are prioritized according to the impact of each risk factor, and response strategies appropriate for each factor are established. The CEO-led ESG TF and ESG part review detailed tasks necessary to implement response strategies. And the ESG Committee, the highest decision-making body, approves climate change risk response strategies and detailed tasks and manages and supervises their continuity.

We are continuously monitoring the re-implementation process and performance of climate change risk response strategies and detailed tasks that are properly operated. By analyzing the progress and performance monitoring results, we identify areas requiring improvement and derive improvement tasks for those areas.

Hanssem continuously monitors climate change-related trends, energy-related international and domestic policy directions, and responses to risks in the same industry. We measure the financial and non-financial impacts of previously identified climate change risk factors and possible factors and manage them by adding them to existing risk response strategies and detailed tasks. The ESG Committee receives periodic reports on updates regarding climate change risks and opportunities.

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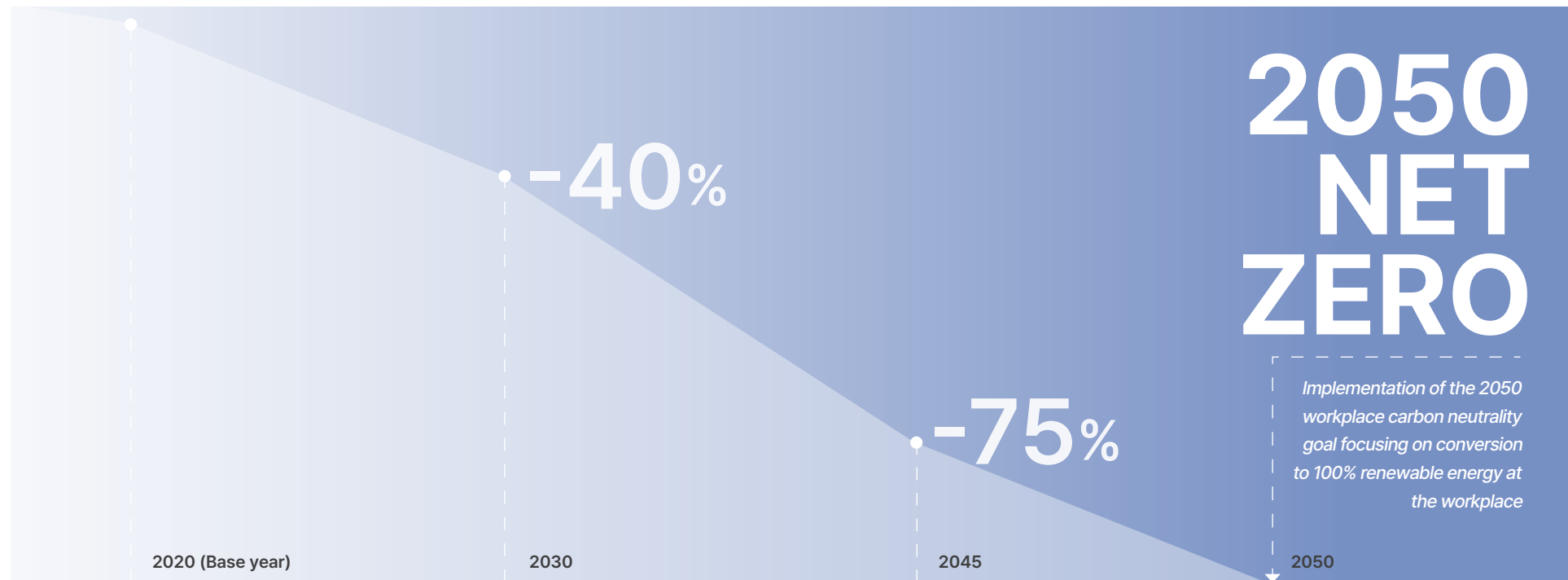
### Carbon Reduction Roadmap

Hanssem has set a long-term goal of achieving carbon neutrality by 2050, using 2020 as the base year. We established a greenhouse gas inventory in 2020 and began verification of Scope 1 and 2, and expanded the scope to Scope 3 in 2021. In addition, we ensure reliability by conducting third-party verification of greenhouse gas emissions through a credible organization every year.

Hanssem plans to advance its carbon emissions reduction goals to reach a level that can obtain SBTi approval in the future.

We support the government's 2050 carbon neutral goal and plan to reduce greenhouse gases by 40% compared to the base year by 2030 and by 75% by 2045.

2050 Carbon Neutral Roadmap



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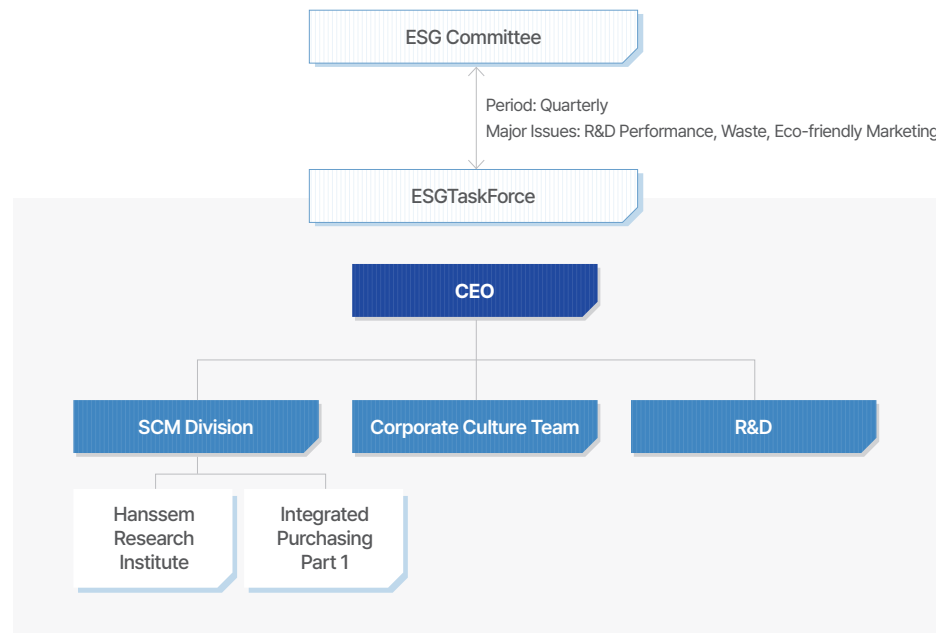
## Governance

### Product environmental impact management system

Hanssem is establishing a system to manage the environmental impact of products throughout their entire life cycle, from product planning and development, raw material purchase, manufacturing process, sales, use, and disposal.

To this end, various working-level organizations under the ESG Committee and the ESG Task Force led by the CEO are discussing and coming up with improvement plans.

#### Product Environmental Impact Management Organization Structure



#### ESG Committee

Hanssem reports related issues related to the environmental impact of its products through the ESG Committee every quarter and manages them so that they can be reflected in the company's management strategy. Additionally, important environmental impact issues are being reviewed more closely through the resolution (approval) process.

#### 2023 ESG Committee main agenda

##### Approval agenda

- Approval of ESG strategic tasks for 2023 (sourcing of eco-friendly raw materials, expansion of waste recycling)

##### Report agenda

- Report on the progress of important ESG tasks in 2023 (Product design environment / consumer health factor application policy case disclosure, declaration of responsible raw material procurement, etc.)
- Report on environmental management activities

#### ESG Task Force

The Corporate Culture Team is working to ensure that environmental impact is managed from an ESG perspective. We have established an ESG Task Force in which not only management but also working-level staff from each department participate to share related environmental issues between related departments. Matters discussed in this way are reported to the ESG Committee through the Corporate Culture Team and are internalized.

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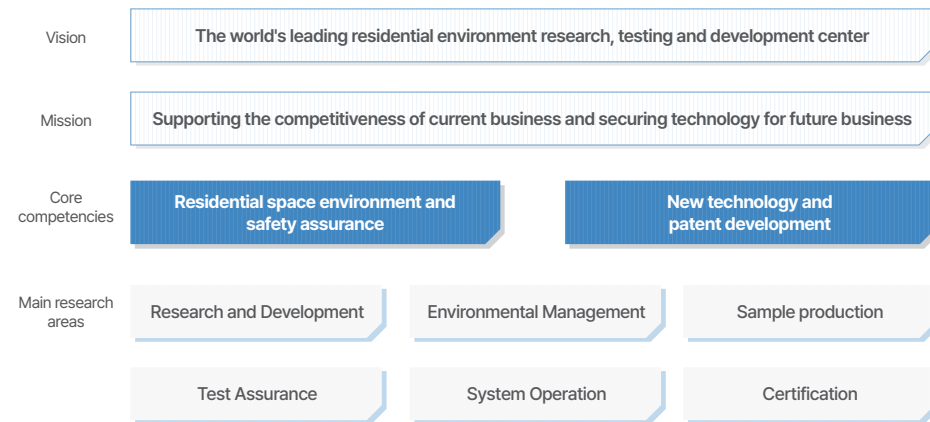
## Governance

### Execution organization

#### Hanssem Research Institute

Hanssem manages the environmental impact of new products produced through a strict shipment approval process through Hanssem Research Institute. Hanssem sets clear goals at the product planning stage to identify customer requirements and social issues in advance and reflect them. Based on this, we provide 100% advance guarantee on whether goals will be achieved in various fields including materials, manufacturing methods, processes, environment, and mechanical testing. To this end, we check the environmental impact and quality level of our products through assurance testing, assembly evaluation, mass production inspection, and three-month monitoring.

#### Hanssem Research Institute Management System



#### SCM Division

Hanssem establishes and monitors eco-friendly raw material procurement goals for key raw materials such as wood and leather through the SCM division. In order to consider the impact on the environment from the procurement stage, we select partners capable of supplying raw materials with eco-friendly certification, establish a management process, and provide ongoing education to each person in charge.

#### Manufacturing Division

Hanssem is working with its manufacturing division to reduce the environmental impact that may occur during the production process.

Hanssem's manufacturing division is improving construction methods to reduce the amount of waste generated and processing the generated waste through legal procedures and companies to minimize environmental impact.

#### R&D Division

The R&D division conducts design and development taking into account the entire process from product production to disposal. In addition, we consider the possibility of extending the service life from core materials used in the product to parts and the suppression of waste generation due to product replacement according to the customer's life cycle as important elements of design to minimize the product's impact on the environment.

#### Corporate Culture Team

The Corporate Culture Team is working to ensure that environmental impact is managed from an ESG perspective. We have established an ESG Task Force involving not only management but also working-level staff from each department to share related environmental issues among related departments. Matters discussed are reflected in internal business strategies through the corporate culture team, internalization by executives and employees is promoted, and these achievements and related strategies are reported to the ESG Committee.

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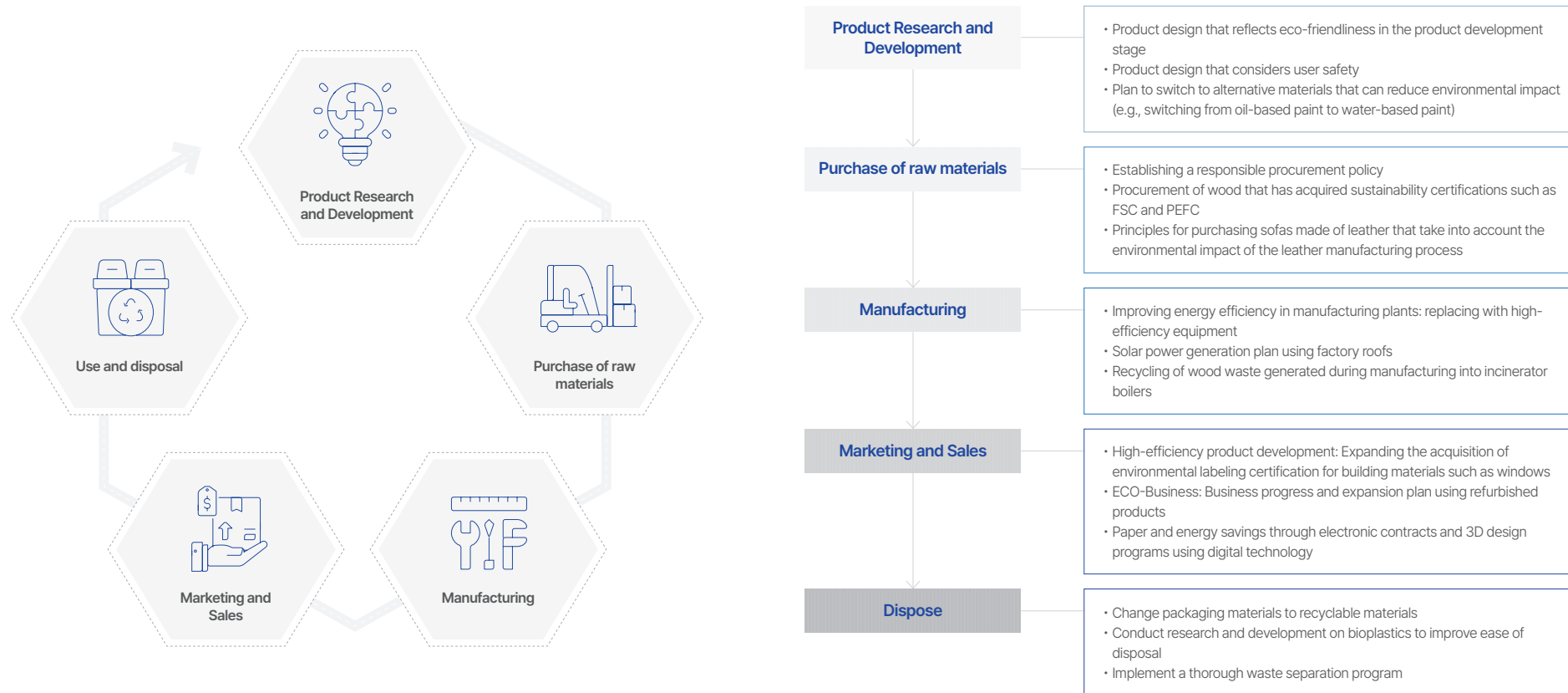
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# Environmental impact management according to product life cycle

## Strategy

### Product environmental impact management strategy system

Hanssem recognizes the environmental impact of products at all stages, including procurement, manufacturing, distribution, and disposal. We aim to strengthen the sustainability of our products by establishing environmental management goals and strategies for each process and implementing them systematically.



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# Environmental impact management according to product life cycle

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### Eco-friendly research and development

Hanssem Research Institute conducts preemptive tests on quality reliability and product toxicity through epidemiological and chemical tests. In addition, we strive to improve durability through changes in product materials and design to minimize the impact on the environment due to waste generation during customer use. In particular, to secure the reliability of external testing capabilities at the research and development stage, we acquired certification from the Korean Accreditation Organization (KOLAS) in July 2020 and have maintained it to this day.

#### Hanssem Research Institute Testing System



#### Product material change: Sofa and bed

Hanssem replaced the existing non-woven fabric with fabric as the lower finishing material of sofas and family low-floor beds. Non-woven fabrics have a short lifespan as they wear out or deteriorate over time, which has the disadvantage of increasing the amount of waste generated during use. Accordingly, Hanssem worked to minimize negative impacts on the environment by changing the finishing material to fabric to increase product lifespan.

#### Product design change: Bed spring

Hanssem changed the design of its mattress to include 'black T springs'. The black T-spring is made of a material that is resistant to repeated loads and has long-lasting elasticity, contributing to improved durability. In addition, the 'gradient design' that evenly supports the body with many curves and the 'inner tufting method' used between the mattress interior materials prevent the matrix from sagging, thereby extending the product's life span. Through this, Hanssem has worked to reduce waste emissions at the customer stage when using mattresses and minimize the impact on the environment.

#### Raw materials change : Table

Hanssem minimized waste by optimizing the size of the raw materials used in making table laminate tops from 1200X2400 to 1800X2400. Through this, we expect to reduce waste generated from table manufacturing by approximately 66% compared to the existing amount.



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### Procurement of eco-friendly raw materials

#### Eco-friendly raw material procurement principles

Hanssem strives not only to procure eco-friendly raw materials but also to maintain sustainable influence within the supply chain. Accordingly, we have established principles for responsible raw material procurement within our partner code of conduct and are recommending that our purchasing partners adhere to them. In order to fulfill our social responsibility in the raw material procurement process based on international guidelines, we avoid the use of products or raw materials related to conflict minerals such as tin, tungsten, tantalum, or gold that are subject to inhumane treatment or raise funds for such treatment. We also prohibit the use of illegally harvested wood and recommend our purchasing partners to obtain sustainability certification or use recycled wood. For its main wood raw materials, PB and MDF, Hanssem only uses FSC and PEFC certified wood and recycled wood (GR certified), which are internationally recognized as the most stringent standards. We also seek to purchase leather products only from suppliers who use leather that has proven to be responsibly sourced or certified by the Leather Working Group (LWG).

In particular, Hanssem is taking steps to ensure that the principle of eco-friendly raw material procurement is not undermined by economic logic by incorporating a clause mandating compliance with the code of conduct in the purchase contract with its purchasing partners. These principles can be confirmed through the 'Hanssem Partner Code of Conduct' published on the website.

[Hanssem Partner Code of Conduct](#)

### Manufacturing stage waste management

#### Manufacturing stage waste disposal process

Most of Hanssem's products are made of wood, and 80% of the waste generated during the manufacturing process consists of wood by-products (waste wood). Most of the waste wood generated is self-incinerated through incinerator boilers, and the heat energy generated through self-incineration is used to generate steam and sold to combined heat and power plants.

In addition to waste wood, waste synthetic resin, scrap metal, vinyl, and boxes are also generated. The waste generated in this way is incinerated and recycled through each legally certified consignment company in accordance with the Framework Act on Resource Circulation.

### Eco-friendly product sales

Hanssem classified certain product lines (Innoplus, Hanssem windows, and Hanssem Bath toilets) designed and manufactured with eco-friendliness, durability, and performance in mind as eco-friendly products, and obtained eco-label certification for them. In the future, we plan to expand our eco-friendly product line such as system kitchen furniture and obtain additional environmental labeling certification. We are also working to minimize the negative environmental impact caused by packaging materials by adding eco-friendly elements to product packaging materials.

Through this, we will strive to ensure that when customers purchase Hanssem products, they become 'sustainable consumption' that protects the environment and creates social value.

#### Expansion of eco-friendly packaging materials

Hanssem is currently working on a project to change the existing PE material bedding and innerwear packaging to 100% cotton material. PE packaging materials have the disadvantage of having a very slow natural decomposition rate, which has a negative impact on the community environment, and that recycling is difficult, increasing the amount of waste generated. Accordingly, Hanssem is striving to minimize the environmental impact by replacing PE with cotton (fabric) to reduce the amount of waste and choosing reusable packaging materials. To date, 5% of the products in operation have been converted to fabric packages, and we plan to gradually increase the proportion in the future.

#### Mattress packaging change: Renewable Naphtha

Hanssem changed its mattress packaging material from simple vinyl to renewable naphtha. Renewable Naphtha is an eco-friendly packaging material made from ISCC (Sustainability and Carbon Certification) certified raw materials such as waste cooking oil. In addition, to ensure the safety of the mattress, secondary packaging was performed using a double packaging pouch. After the product is delivered, the packaging pouch is recovered and reused. Through this, Hanssem is striving to minimize its impact on the environment by reducing carbon emissions and increasing the efficiency of resource use.



Renewable Naphtha ISCC Certificate

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## Strategy

### Recycle and Reuse

#### Refurbished products

Hanssem is pursuing a new business to reduce waste furniture emissions by launching refurbished products using products that were discarded due to simple returns or damage during delivery. Refurbished products refer to products that are difficult to sell normally due to damage incurred during production, delivery, or sales, or returns due to a customer's simple change of mind, and are sold because they have no functional problems. Refurbished products are sold at a reasonable price by verifying normal operation before shipment and assigning a rating after self-inspection.

As consumer sentiment has weakened due to the recent economic recession, consumers are placing importance on cost-effectiveness, and at the same time, as awareness of the environment increases and demand for eco-friendly products increases, sales of refurbished products are expected to expand. Hanssem will strive to realize 'sustainable management' that can reduce the impact on the environment and increase customer satisfaction by reducing waste through the sale of refurbished products.

#### Signed voluntary agreement on mattress recovery and recycling

As part of its environmental management, Hanssem emphasizes its social responsibility for mattress recycling. In general, mattresses are made up of various materials, making them difficult to recycle. Accordingly, Hanssem agreed to improve the mattress recycling rate and promote eco-friendly processing through a voluntary agreement with the 'Korea Public Resource Recycling Association'. Under this agreement, five mattress producers and importers and more than 10 recovery and recycling companies will cooperate to establish a recycling system that will expand the mandatory recycling rate to 30% by 2026. Hanssem will actively cooperate in establishing a resource circulation economic system through mattress recycling.

## Metrics and Targets

### Eco-friendly product sales goal management

Hanssem is planning to expand its eco-label certified products. To this end, we are preparing measures to increase resource efficiency in the product production and supply process and reduce carbon emissions during the production process. In order to expand products that reduce hazardous substances, we will continue to develop environmentally friendly products, including developing and applying eco-friendly paints and exploring ways to obtain eco-label certification. Through this, we plan to expand the items eligible for eco-label certification to include system kitchen furniture by 2025.

#### Eco-friendly product sales goal management

2023 (Status)	2024	2025
20 types of windows 3 types of toilets 1 type of floor materials	Expansion of the number of toilet certified items among building materials items	Obtained environmental labeling certification for system kitchen furniture other than building materials



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## Metrics and Targets

### Eco-friendly material procurement management

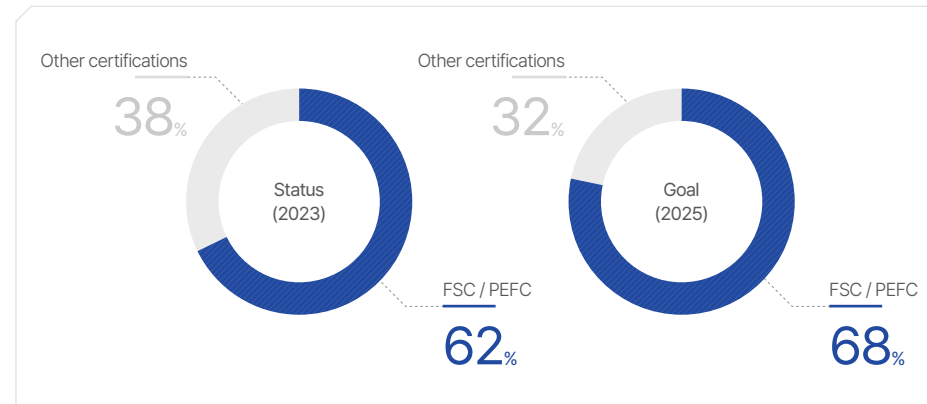
To improve the soundness of the supply chain, Hanssem procures environmentally friendly and sustainable raw materials and reduces various risks that may occur in the supply chain by procuring traceable raw materials. The scope of application of the sustainable supply chain policy is currently limited to wood and leather, which are major raw materials, but Hanssem plans to expand the sustainable raw material procurement policy from major raw materials to the scope of all raw materials and packaging materials in the mid- to long-term. In addition, in order to implement Hanssem's efforts to improve the sustainability of its supply chain together with its partners, it has established a code of conduct for its partners and is reflecting recommendations for compliance with the code of conduct in purchase contracts from the second half of 2023.

#### Procurement status and goal measurement

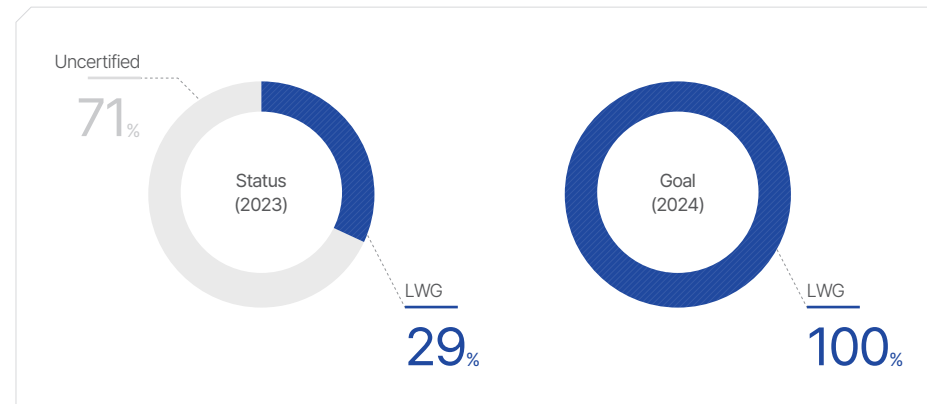
Starting from 2023, Hanssem is managing the procurement status of eco-friendly raw materials by checking the certification status based on the purchase amount of wood raw materials (PB, MDF) and leather products (sofas) purchased annually from each customer. Accordingly, we are setting eco-friendly raw material procurement goals based on purchase amount. For wood, Hanssem aims to increase the proportion of FSC and PEFC certifications, which are internationally reliable wood certifications, by 10% by 2025, and for leather, we aim to achieve 100% of LWG certification, an internationally reliable leather certification, by 2024.



Timber sourcing status and goals



Leather sourcing status and goals



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# Chemical safety management

## Governance

### Chemical Substance Management System

Hanssem is establishing goals and implementing strategies centered around the Hanssem Research Institute to reduce hazardous chemical substances contained in products and disclose related information. The Environmental Safety Assurance Team and the Product Development Center within Hanssem Research Institute's Testing and Research Center understand domestic and international laws and regulations to establish chemical management standards to ensure customer safety. Based on this, the Test Assurance Team within the Testing Research Center tests new products before launching them to check whether they meet our management standards and manages only safe products to be released. The goals and strategies established at Hanssem Research Institute are approved by the head of the research center and the final decision is made through the Chief Safety Officer (CSO), head of the SCM Division. In addition, we report major issues related to goal achievement, chemical substance reduction plan, and detailed performance results to the Board of Directors through the ESG Committee.

Chemical Substance Management System Organization Chart



## Strategy

### Issue Chemical Substance Management

Hanssem is establishing separate management standards for radon and formaldehyde, which are chemicals of great interest to stakeholders as they pose a threat to customer safety. Our management standards are more stringent than those required by laws and international standards to increase product safety so that customers can use our products with peace of mind.

Status of issue chemical substance management

Chemical substance	Laws / international standards	Company management standards	Note	
Radon	Korea <sup>1</sup> , USA	148Bq/m <sup>3</sup> or less		
	Canada, Sweden	200Bq/m <sup>3</sup> or less	148Bq/m <sup>3</sup> or less	
	Belgium, Czech Republic	400Bq/m <sup>3</sup> or less (existing building)		Mattresses
		200Bq/m <sup>3</sup> or less (elastic)		
	EU standards	Radiation concentration index (I) <sup>2</sup> 1 or less	Radiation concentration index (I) <sup>2</sup> 1 or less	Kitchen and Table Tops
Domestic	N/A			
Formaldehyde Domestic	Domestic	N/A	300mg/kg	Fabric living products (based on outerwear and bedding)
Arylamine	Domestic	N/A	30mg/kg	

1: Indoor Air Quality Management Act Recommendation Standard  
 2: Radiation Concentration Index (I) Calculation Formula: (C<sub>rad</sub>/300)+(C<sub>Th</sub>/200)+(C<sub>d</sub>/3000)

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# Chemical safety management

## Strategy

### Chemical law management

Hanssem continuously monitors and manages the status of chemicals regulated by laws related to its products (e.g., Children's Product Safety Special Act, Electrical Appliances and Household Products Safety Management Act, Act on Sustainable Use of Wood, etc.) based on the 'Legal Compliance Table'. Through this, we strive to prevent management risks (e.g. business suspension, compensation for damages, etc.) caused by violations of laws and regulations and increase customer safety and satisfaction.

#### List of chemical substances managed by law

Related laws	Regulated Chemical Substances	Detail
Children's Product Safety Special Act _ Common Safety Requirements	Harmful element release	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 forming nitrosamines	Nitrosamines, substances capable of forming nitrosamines
	Formaldehyde	Formaldehyde <sup>1</sup>
	Arylamine	Arylamine
	pH	pH
Electrical Appliances and Consumer Goods Safety Management Act _ Appendix 5. Furniture	Prohibited substances	Asbestos
	Wood material	Formaldehyde, Toluene, TVOC <sup>2</sup>
Law on Sustainable Use of Wood	Leather material	Formaldehyde, Chlorinated phenols (PCP), Hexavalent chromium, Dimethyl fumarate, Arylamine, Organotin compound TBT (Tributyltin)
	Wood material	Formaldehyde

1: Formaldehyde (dessicator method) Strengthening management of company standards compared to legal standards: E0 grade (0.5 mg/L or less)

2: TVOC (small chamber method) Strengthening management of company standards compared to legal standards (4 mg/m<sup>2</sup> h → 2 mg/m<sup>2</sup> h)

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### Reduction of high-risk chemicals

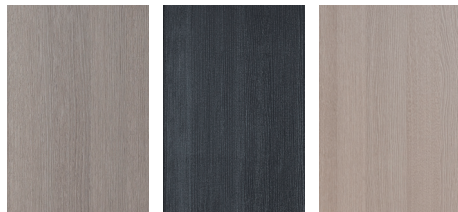
#### Expanding the use of water-based paints

Hanssem has been expanding its use of water-based paints since becoming the first in the industry to apply water-based paints to furniture painting products in January 2021 by launching four types of water-based wood veneer painted doors using water-based paints. Water-based paints use water instead of organic solvents, which are petroleum compounds, and can be expected to reduce carbon and volatile organic compounds (VOCs) emissions and increase the safety of the product itself. Accordingly, Hanssem is planning to switch to water-based paints that minimize the chemicals and carbon emissions used in the production process. In the second half of 2023, we completed the development of our own water-based paint through collaboration with a third party with unrivaled technology for water-based coatings. We are currently developing a plan to gradually convert the water-based paint used for veneer doors to colored painted doors and high-gloss doors.

#### Expanding the use of environmentally friendly adhesives

Molding materials are produced by adhering plastic surface materials such as ASA, PET, and PP to the front and back of wooden panels such as PB and MDF with adhesive. The furniture manufacturing industry, including Hanssem, has historically used oil-based adhesives rather than water-based adhesives for product finishing reasons. However, in order to reduce the harmfulness of its products, Hanssem is reducing the use of oil-based adhesives by installing a PUR hot melt laminate facility that can replace oil-based adhesives in 2021. Additionally, we developed a water-based adhesive and adhesive method that can bond door surface materials at the T-RLP facility, and succeeded in reducing the use of oil-based adhesive to 500 kg per month by 2023. By 2024, we plan to introduce various construction methods and facilities to eradicate the use of oil-based adhesives.

Door with water-based paint application



Misty Gray

Jet Black

Shell Beige

Door with water-based adhesive application



### Improving chemical consumer awareness

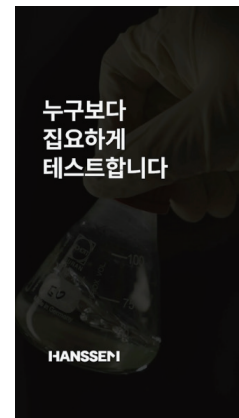
Hanssem strives to clearly and transparently communicate to consumers about the chemical substances contained in its products and its management measures through various channels.

#### Expansion of SNS activities

Hanssem provides information about chemicals to consumers through official SNS channels such as YouTube and Instagram. Specifically, the information provided includes the chemical composition of Hanssem products, rigorous testing for safety, certification procedures, and user safety guidance. Hanssem expects that the expansion of SNS activities will improve consumers' vague negative perception of chemicals caused by information asymmetry.

[Hanssem Official YouTube Channel](#)

#### Chemical substance related communication



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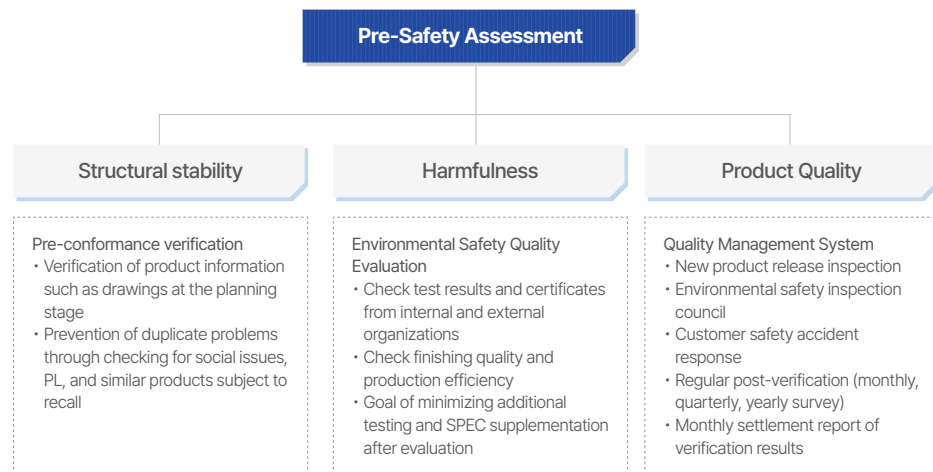
# Chemical safety management

## Risk Management

### Preliminary stability evaluation

Hanssem places the highest priority on safety from chemical substances from the early stages of product development. To this end, we use only materials that have been scientifically proven to be safe, and we thoroughly check for violations of relevant laws and regulations. In addition, we are striving to release safe products that customers can trust by establishing a variety of mechanical testing systems and conducting tests accordingly.

#### Pre-Stability Assessment System



Cases of release suspension and exclusion through pre-stability assessment (chemical substance safety test)

Test classification	Total number of tests	Number of inappropriate items	Pre-verification action rate
Total	775	40	5.16%
Desiccator	457	1	0.22%
Small chamber	318	39 <sup>1</sup>	12.26%

1: 39 cases according to the Special Act on Children's Product Safety, or 60 cases if calculated according to Hanssem's own standards

### Regular warranty and receipt verification

Hanssem, led by the test assurance team under Hanssem Research Institute, verifies product reliability in terms of whether it contains hazardous substances and whether quality is deteriorated through the 'regular warranty system' and 'receipt verification system'. First, in the case of the regular guarantee system, it is a system that verifies reliability according to the test guarantee cycle calculated according to the risk level divided into 3 levels (high risk, medium risk, low risk) by analyzing past data. By putting a lot of effort into items with hazardous substances or high quality deterioration, we can efficiently and effectively verify reliability.

Additionally, for particle board (PB), which is Hanssem's core raw material, we implement a 'receipt verification system' that conducts a sampling test upon receipt. We are working to effectively reduce customer safety threats caused by hazardous chemicals, including violations of the Act on Sustainable Use of Wood.

#### Periodic warranty and receipt verification procedures



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# Chemical safety management

## Risk Management

### 2023 Regular Warranty Test Results

Test classification	Total number of tests	Number of inappropriate items	Regular warranty rate
Total	495	12	2.42%
Desiccator	352	0	-
Small chamber	143	12	8.39%

### Cases of reduction of high-risk chemicals

For customer safety, Hanssem continuously reflects improvements by reflecting the results of prior safety evaluation, regular warranty, and receipt verification as well as customer opinions received through the company-wide VOC meeting.

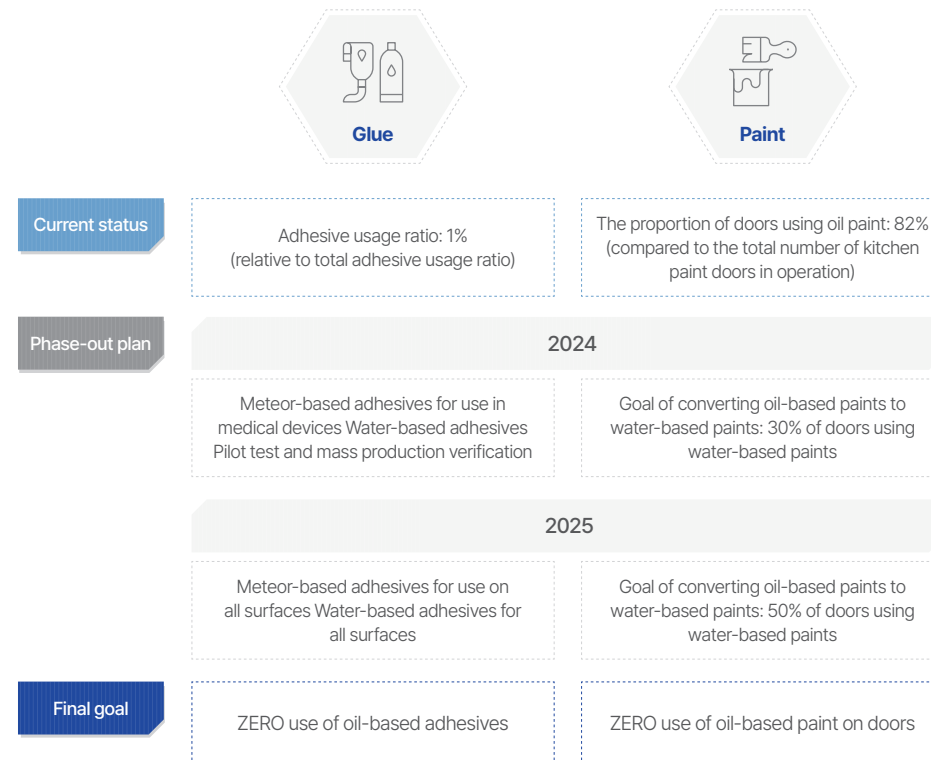
Year	Main Content
2019	Remove all polyvinyl chloride (PVC) packaging materials
2021	When regular inspections are conducted, cases of exceeding the formaldehyde legal standard are identified and discontinued.
2022	When inspecting particle board (PB) incoming, if formaldehyde standards are exceeded, the corresponding quantity is stopped from entering the production line.
2023	When carrying out regular warranty for building materials, some surface materials were found to exceed the toluene standard and improvements are being made.

## Metrics and Targets

### Chemical improvement goal management

Hanssem has established a plan to gradually improve the use of chemicals with the goal of stopping the use of hazardous chemicals contained in its products. The chemicals used in our products are primarily contained in adhesives and paints. Adhesives and paints used in the manufacturing process or applied to products supplied through our partners are gradually converted to water-based adhesives and water-based paints. Ultimately, we established plans and measures for each period with the goal of eradicating the use of oil-based substances.

### Roadmap for phase-out of hazardous chemical substances



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# Customer satisfaction and quality management

## Governance

### Organizational structure for consumer rights protection

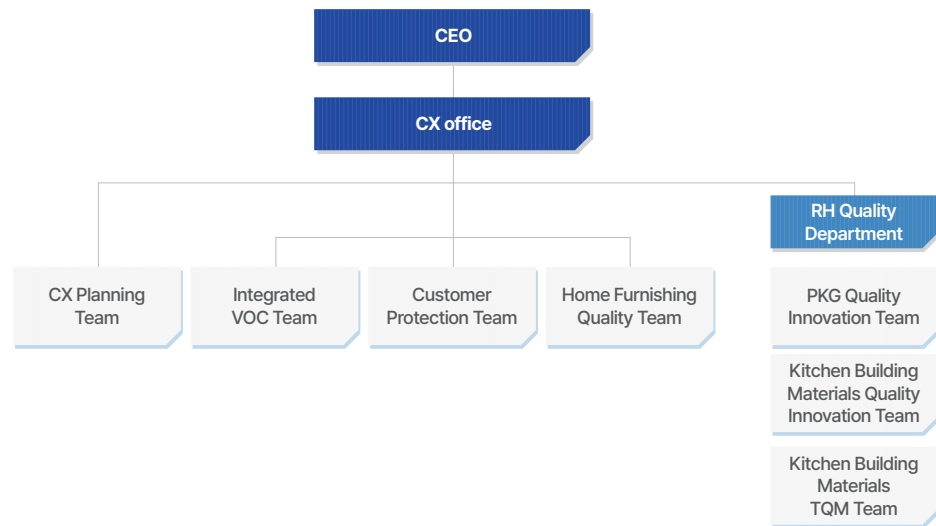
#### Top decision maker

Hanssem's CEO is making the final decisions on strategies and plans to protect consumer rights and interests, and manages and supervises the status and performance of consumer rights protection through the weekly company-wide VOC meeting (currently the division head's meeting) and the CX office, a dedicated organization.

#### CX office

Hanssem established a new CX (Customer Experience) office in March 2022 to improve customer experience based on customer-centered thinking. Under this umbrella, one department and seven teams were organized to increase expertise and connectivity between tasks in each field of consumer rights protection work, including service quality improvement, customer damage prevention, and customer VOC. The CX office actively utilizes an end-to-end perspective to continuously think about how each part of a service or system is connected and what role it can play and come up with solutions.

#### Consumer Rights Protection Organization Structure



#### Claim Deliberation and Coordination Committee

Hanssem operates a 'Claim Deliberation and Coordination Committee' to prevent customer damage or complaints in advance and ensure that any customer inconveniences that arise are handled in a timely manner. The Claims Deliberation and Coordination Committee consists of one chairperson, nine standing members from the sales, construction, CX, and AS divisions, and non-standing members for each agenda item. This committee seeks and promotes resolution methods, 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 being of issue. Among these, serious issues are reported and shared with management through the division heads' meeting.

#### Company-wide VOC meeting body

Hanssem operated a company-wide VOC meeting under the leadership of the CEO to analyze VOC and identify improvement tasks. VOC is collected from various channels, including online, inbound (A/S bulletin board, customer center), and outbound (satisfaction survey). Collected VOCs are classified into issues considering urgency and prevalence. Regarding classified VOCs, each related department closely shares the progress, establishes countermeasures, and actively implements and improves them. Starting in August 2023, we changed to a meeting of division heads to more quickly share and resolve customer inconveniences and complaints. The operating cycle has been expanded from once a month to once a week.

#### 2023 Company-wide VOC Meeting Main Agenda Cases

Report month	Area	Agenda Summary	Countermeasure report
January	Product quality	Bed bottom finishing needs improvement	B/S for the shipments during the corresponding period is in progress
February	PL	Sink top closet fall accident	B/S progress at the relevant tech site
March	Construction quality	Bathroom drain backflow phenomenon	Change in bathroom demolition order and drain sealing work in progress
April	Product quality	Mold growth on North dining chair	Storage inventory fixed period opening inspection, temperature and humidity standards supplementation
May	Noncompliance with manual	Construction professionals use the site at their own discretion	Attaching a map outside the PKG site
August	Sales claim	After the agency closes, refunds are delayed	Resolving customer inconvenience through head office refund measures
December	PL	Electric cook top fire	After checking similar cases, share cases with related departments

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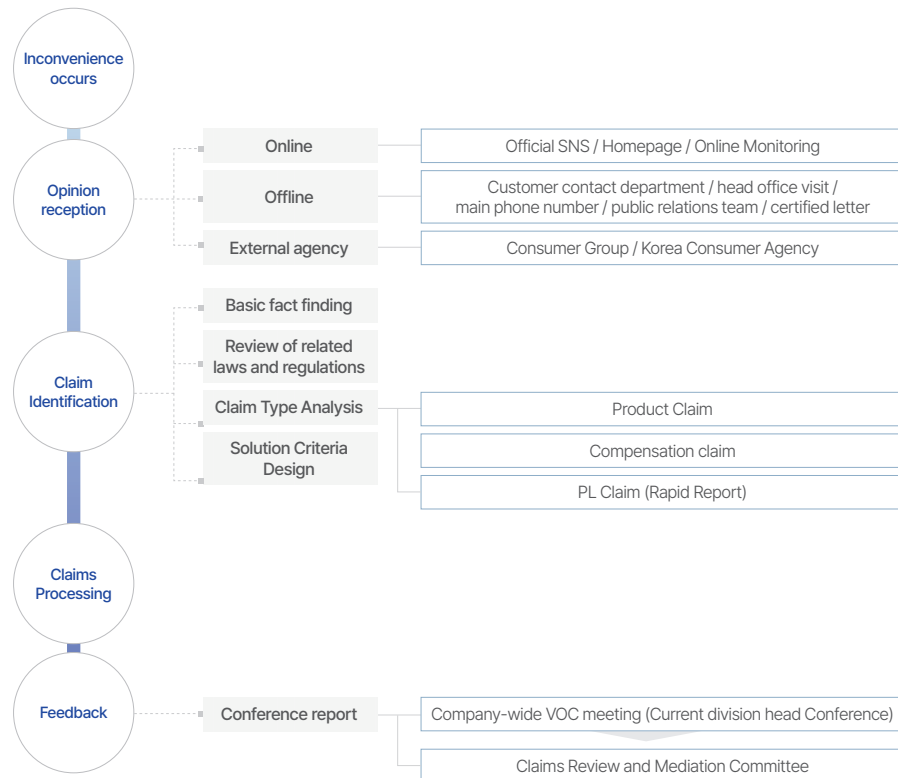
# Customer satisfaction and quality management

## Strategy

### Consumer dissatisfaction handling

Hanssem verifies consumer complaints through various channels, including online, offline, and external agencies (Korea Consumer Agency), and responds quickly and effectively. Upon receipt of a complaint, we immediately review the relevant facts and regulations and classify the problem into product replacement, compensation, and PL (Product Liability) to identify and resolve the problem. In addition, to prevent the same complaint from occurring after processing the claim, the relevant information is communicated to the relevant department, and the relevant department identifies areas for improvement and prepares a solution.

#### Consumer Complaints Handling Process



#### On-site service (Before Service)

Hanssem operates 'Before Service (BS)', a process that goes beyond post-processing customer complaints and proactively responds before complaints occur. BS analyzes VOC and quality data collected through various channels to preemptively identify risk factors that may cause customer inconvenience, discovers factors that require action, and resolves them through on-site visits to deal with them immediately.

Service system	Contents	Implementation period
AS free inspection service	Free inspection service for Hansam products, except for AS-received products	2021.01.01.~ Continued
Skinny Lighting BS	Free inspection service to prevent safety accidents	2022.04.01.~2023.03.31.
Kitchen angle valve BS	Free replacement due to defective parts in some parts	2022.08.01.~2023.02.31.
Steady Bed BS	Free replacement of deformed parts for long-term users	2023.03.01.~2023.11.17.
Closet Fall BS	Free inspection service to prevent safety accidents	2024.04.09.~2024.04.30.
Hood Fall BS	Free inspection service to prevent safety accidents	2024.04.18.~2024.04.30.

#### Performance of handling consumer complaints

Classification	2021	2022	2023
Number of consumer complaints received	2,814 cases	2,207 cases	2,052 cases
Consumer complaint resolution rate	94%	95%	95%

### Consumer Protection Policy

Hanssem is establishing a process to ensure that if a customer experiences inconvenience or damages while using our products, we can resolve the issue fairly and objectively in accordance with relevant administrative rules. If a consumer dispute arises, we refer to the dispute mediation decision cases of the Korea Consumer Agency's Dispute Mediation Committee to ensure a quick and amicable resolution from the customer's perspective prior to civil litigation, which can cost the customer a lot of money and time. We prioritize resolving consumer disputes through mediation.

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# Customer satisfaction and quality management

## Strategy

### Customer satisfaction survey

Hanssem conducts a monitoring survey via text message targeting customers who have installed and are using the product to collect opinions on the overall purchasing experience. Customers subject to monitoring surveys are largely divided into package customers, individual product customers, and after-sales service customers. For VOCs with low satisfaction, we classify them into 3 levels of importance (serious, warning, caution) and share them with relevant departments, requesting them to identify the cause of the VOC and make prompt improvements.

#### Customer satisfaction survey evaluation items

Survey type	Survey point	Evaluation items	Evaluation method
Package satisfaction	Customer handover date D+5	Sales, Construction, Products, Policies	[0-10 scale]
Single item satisfaction	Product installation date D+7		9-10 points: Satisfied
AS satisfaction	AS action completion date D+2	Reception, Action, and Comprehensiveness (including service pro and counselor evaluation)	7-8 points: Neutral 0-6 points: Dissatisfied

#### Customer satisfaction importance classification



**Serious**  
VOCs that require quick confirmation and decision-making due to high risk of damaging brand image (e.g. major PL)



**Warning**  
VOCs that may have a continuous occurrence of similar cases or influence external public opinion (e.g. violation of internal policies, long-term processing delays)

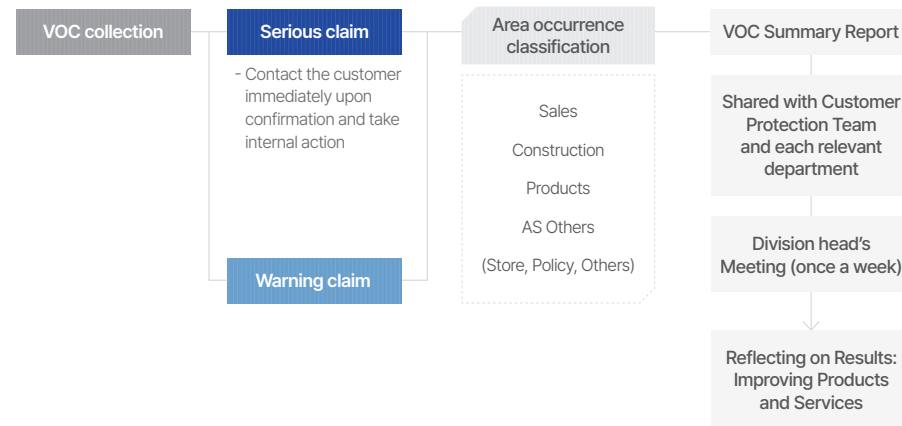


**Caution**  
VOCs that are not serious but require management and inspection within the CX office (e.g. simple complaints)

#### Results of the 5-year customer satisfaction survey

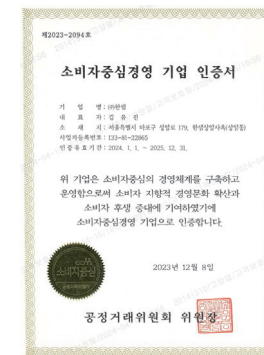
Classification	Unit	2019	2020	2021	2022	2023
Customer satisfaction	%	88	87	88	88	87

#### VOC collection and improvement process



### Consumer-centered management certification

Consumer-Centered Management (CCM) certification is a nationally recognized system that evaluates and certifies every two years to determine whether a company organizes all business activities around consumers and continuously improves them. CCM certification is reviewed by the Korea Consumer Agency and certified by the Fair Trade Commission, and Hanssem has been continuously receiving CCM certification from 2010 to 2024. In the 2023 CCM re-certification process, approximately 48 indicators in 4 areas (leadership, CCM system, CCM operation, and performance management) were reviewed and certified. Through on-site screening and final evaluation, the company received more than 800 points out of 1,000 points and was recognized as a consumer-centered management certified company. Hanssem will continue to prioritize customer experience and continue activities for service-quality innovation and consumer rights protection.



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# Customer satisfaction and quality management

## Strategy

### Quality management system and activities

Hanssem develops new products and produces them from the perspective of maximizing customer satisfaction. We have established a quality management system to implement thorough quality control. Hanssem only releases products that have passed pre-tests such as environmental safety pre-impact assessments, and establishes a regular post-inspection process even after launch to respond early to quality issues that may arise and ensure consumer safety.

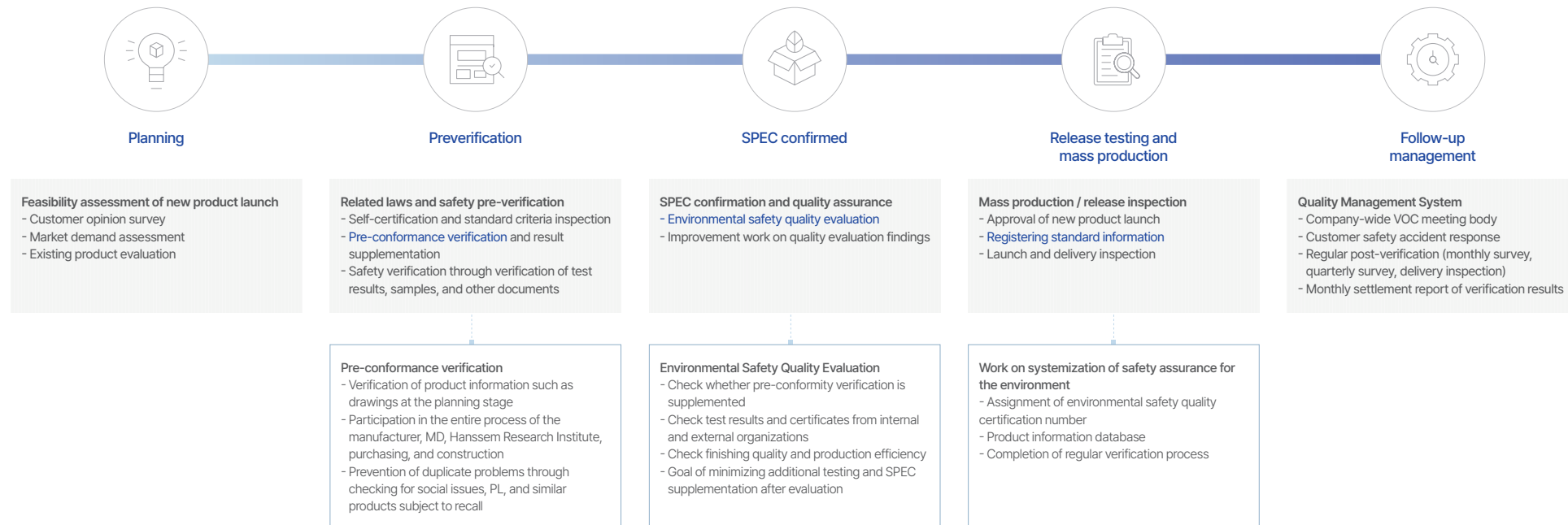
#### Quality Verification Process

Hanssem manages the quality of new products through a strict quality verification process. All new product quality verification procedures before launch are carried out in all areas of materials, construction methods, environmental testing, and epidemiological testing through the Hanssem Research Institute, a KOLAS-accredited organization. In addition, we establish quality goals by clearly reflecting customer requirements and social issues from the new product planning stage, and even after launch, we continuously manage whether new product quality standards are met through assurance testing, assembly review, mass production inspection, and monitoring.

#### Quality Management Certification

Hanssem confirmed that its quality management system complies with international standards by acquiring ISO 9001, an international quality management system certification. ISO 9001 certification was achieved not only for Hanssem research institutes but also for Hanssem headquarters and business sites, serving as a stepping stone for establishing a company-wide quality management system. In addition, Hanssem Research Institute received KOLAS recognition in July 2020 in recognition of its reliable research and development capabilities.

#### New product quality assurance process



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# Customer satisfaction and quality management

## Metrics and Targets

### Consumer rights protection goals

Hanssem seeks to establish goals based on a consumer-centered management strategy throughout the entire process of providing products and services. Through this, we will improve the root cause to prevent the same customer complaints from occurring. To this end, in the short term, we plan to strengthen follow-up management and dispute resolution through service improvement-related organization operations and prompt action on claims, and in the mid- to long-term, we aim to establish a company-wide management system and advance consumer-centered management by actively supplementing processes.

#### Consumer Rights Protection Goals and Performance Management

2023 Performance	Short-term goals (~2024)	Mid-to long-term goals (2025~)
<p><b>[Strengthening consumer-centered service improvement activities]</b></p> <ul style="list-style-type: none"> <li>- Implement claim cases and proactive measures</li> <li>- Expand and share customer VOC collection channels</li> <li>- Strengthen management to reduce free AS cases</li> </ul>	<p><b>[Establishing a service quality management process]</b></p> <ul style="list-style-type: none"> <li>- Strengthening the criteria for major claims and improving the process</li> <li>- Establishing process criteria for reducing one-time accidents (same-day on-site problems)</li> </ul>	<p><b>[Advanced consumer-centered management]</b></p> <ul style="list-style-type: none"> <li>- Establishment of a preemptive prevention process based on claim/VOC/AS data</li> <li>- Improvement of service quality management system</li> </ul>

### Quality management goals

Hanssem seeks to promote innovative quality management with a sense of mission to provide customers with a place where they want to stay based on professionalism and responsibility.

1. PL (Product Liability) ZERO accidents and fatal defects
2. Reduction of free A/S through sustainable quality improvement
3. Providing quality innovation services for customer satisfaction



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# Respect for human rights and diversity

## Governance

### Human rights management organizational structure

Hanssem is forming a human rights management organizational system centered on the human resources team to proactively identify and respond to human rights risks that may arise throughout the company's value chain. In addition, we established a human rights management Task force centered on business departments to immediately respond to human rights-related issues that may actually arise and to discuss related issues on a regular basis.

Human Rights Management Organization Structure System



## Strategy

### Establishment of human rights management system

Hanssem has established a human rights management system to identify and respond to various human rights risks that may arise inside and outside the organization in relation to human rights. Under the human rights management system, Hanssem conducts human rights impact assessments to identify potential human rights issues and activates grievance handling channels to confirm actual human rights issues. For human rights-related issues identified in this way, we quickly implement improvement measures and disclose related matters internally and externally to prevent related problems from recurring.

Hanssem Human Rights Management System



### Declaration of support for the United Nations Global Compact (UNGC)

Hanssem joined the United Nations Global Compact (UNGC), the world's largest corporate self-regulation initiative, to announce its commitment to solidify human rights management. UNGC emphasizes human rights management together with major global companies and organizations around the world based on the four areas and ten principles of human rights, labor, environment, and anti-corruption. By joining the UNGC, Hanssem is striving to internalize the 10 principles in 4 major areas into its corporate management strategy.

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## Strategy

### Hanssem Human Rights Labor Management Declaration

In order to prioritize the dignity of all members, Hanssem supports international principles on human rights and labor, such as those of the United Nations (UN) and the International Labor Organization (ILO), and seeks to comply with related laws. To this end, Hanssem has established the Hanssem Human Rights and Labor Management Declaration, which is based on a human rights and labor-centered management philosophy, and requires its members to comply with it. Hanssem respects the human rights of various stakeholders and strives to prevent their rights from being violated through the implementation of the Human Rights Labor Management Declaration.

**Hanssem Human Rights Labor Management Declaration**

**Article 1 Human Rights Protection**  
All members are respected as individual persons, can enjoy freedom and rights, and are sufficiently protected for their basic 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, workers have the right to receive equal compensation for equal work in accordance with national labor relations laws and the ILO.

**Article 3 Prohibition of Forced Labor**  
Members must not be subject to inhuman treatment, punishment, or discrimination, including forced labor and human trafficking, and have the right to personal freedom and safety.

**Article 4 Prohibition of child labor, employment of minors**  
The company does not tolerate any form of child labor. In addition, in the case of internships, training, and apprenticeships for minors, labor-related laws and regulations are strictly applied, excluding high-risk work and night work, to ensure that there are no disadvantages.

**Article 5 Strengthening member welfare**  
The company operates an expanded in-house welfare system that reflects the diversity of its members, including family-friendliness and maternal protection, and all members have the right to receive this without discrimination.

**Article 6 Respect for diversity and prohibition of discrimination**  
All members are protected from discrimination based on origin, race, region (nationality), gender, religion, age, disability, etc., and have the right to work in a safe, healthy and optimal environment.

**Article 7 Protection of human rights of stakeholders**  
We strive to ensure that international human rights and labor principles are observed for stakeholders in direct and indirect cooperation and transaction relationships, such as manufacturers, partners, agencies, customers, and local communities.

**Article 8 Respect for freedom of expression of stakeholders**  
We guarantee and support the rights to freedom of expression of stakeholders and freedom of peaceful assembly and association of members.

**Article 9 Protection of personal information of stakeholders**  
In order to strictly protect the personal information of stakeholders, we collect only the minimum amount of information and thoroughly manage the information security system to prevent it from being leaked to the outside world.

**Article 10 Supply Chain Management**  
We contribute to the expansion of human rights and labor management and the procurement of environmentally friendly raw materials through supply chain management of business partners in cooperative relationships.

### Internalization of human rights and diversity culture

#### Gender sensitivity education

In addition to 'sexual harassment prevention training', which is a legally mandatory training, Hanssem operates 'gender sensitivity training' as mandatory in-house training for all members, including affiliates, to cultivate gender sensitivity among organizational members. Gender sensitivity training is operated in the form of regular training tailored to the characteristics of each job and position, and aims to improve the organizational culture by increasing the level of gender sensitivity of individuals.

#### Support for in-house grievance counselor activities

Since 2020, Hanssem has been operating an in-house grievance counseling system by selecting and training in-house grievance counselors among executives and employees of major division and affiliates. In-house grievance counselors have the opportunity to check human rights and organizational culture through interviews at their divisions or with colleagues around them, and take the lead in improving the soundness of the organizational culture by guiding them through the grievance reporting channels operated by the company.

#### Operation of a sports team for the disabled

Hanssem operates a sports team comprised of disabled athletes to realize the value of diversity. Rather than providing simple financial support, our players sign employment contracts with Hanssem to work as full-time employees. To enable employees to focus on sports activities, we provide not only welfare benefits provided to general employees such as support for family events and condolences, welfare points, and health checkups, but also rewards based on competition performance, uniforms, and sports equipment. We also provide assistive technology devices to some disabled workers. Hanssem will continue to create an environment where its athletes can focus solely on sports and provide support so that they can feel proud as members of Hanssem.

#### Female talent recruitment and development program

At Hanssem, the ratio of female employees is 39% and the ratio of female managers is 22%, which is higher than the average female employee ratio of large companies<sup>1</sup>, which is 24%. In order to foster such a high percentage of female talent, Hanssem operates a maternity protection system that applies depending on the period, such as pregnancy, childbirth, and childcare leave.

First, female employees who are aware of their pregnancy will receive a congratulatory gift and a two-hour reduction in working hours until just before their prenatal and postnatal leave. In addition, we provide an additional year of parental leave in addition to the one year of parental leave for employees in their statutory childcare period, and we support flexible work through a short-time work system and an optional work system so that they can focus on childcare after returning to work. In addition, the company directly operates a daycare center and provides convenience to employees by placing the daycare center within the company building. Through this, the return to work rate after parental leave has reached 86%.

1: Korea CXO Research Institute, Top 10 Sales Companies by Industry in 2021

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# Respect for human rights and diversity

## Strategy

### Human rights due diligence

In order to identify potential human rights risks that may arise during business activities, Hanssem established a human rights due diligence process in 2024 and conducted a human rights impact assessment for the first time. This human rights impact assessment was conducted on internal executives and employees, some affiliates including Hanssem Development, and partners in the supply chain. Starting with this, Hanssem will continue to manage to prevent negative human rights impacts on internal and external stakeholders.

Human Rights Due Diligence Process



### Human Rights Violation Relief Procedure

Hanssem operates a human rights violation relief system to prevent human rights violations by internal and external stakeholders and resolve human rights violations that occur. Hanssem operates a human rights violation relief window to check matters related to human rights violations. The human rights violation relief window is the 'Cyber Audit Office', which can be accessed by both internal and external stakeholders through the official website, and where internal executives and employees can easily report grievances. It is operated in a dualized manner as 'reporting/reporting within groupware', thereby increasing accessibility for related parties.

The human rights violation relief window is operated anonymously to protect victims, and each health department is making efforts to ensure that grievances are resolved in a timely manner through the audit team and human resources team. Hanssem aims to ensure respect for the human rights of all stakeholders and prevent cases of human rights violations through these human rights violation relief procedures.

[Hanssem Cyber Audit Office](#)

## Metrics and Targets

### Advancement and internalization of human rights management

Hanssem intends to establish and put into practice relevant action plans to advance and internalize human rights management. In the short term, we are establishing a human rights organizational system to practice human rights management and conducting human rights impact assessments to identify human rights risks that exist within the organization. In addition, we plan to derive improvement tasks for human rights issues identified through human rights impact assessments and implement them in the mid to long term. Afterwards, we will revise the Declaration of Human Rights, expand human rights education, and achieve the internalization of human rights management by forming an organizational culture that can practice more advanced human rights management. In addition, in the long term, we plan to expand the scope of human rights risk management so that we can identify and deal with human rights risks of various stakeholders.

Short term (2023-2024)	Mid-term (2025-2026)	Long-term (2027~)
<p><b>[Establishment of a basic human rights management system]</b></p> <ul style="list-style-type: none"> <li>- Establishment of human rights organization system</li> <li>- Human rights impact assessment</li> <li>- Identification of human rights risks</li> </ul>	<p><b>[Advanced human rights management- Revision of the Declaration of Human Rights]</b></p> <ul style="list-style-type: none"> <li>- Regular implementation of human rights impact assessment</li> <li>- Derivation of improvement tasks</li> </ul>	<p><b>[Internalization of human rights management]</b></p> <ul style="list-style-type: none"> <li>- Reflection of improvement tasks and internalization of risks</li> <li>- Strengthening human rights education</li> <li>- Expansion of human rights risk management scope</li> </ul>

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# Workplace safety and health

## Governance

### Safety and health governance

Hanssem is spreading an autonomous safety culture by establishing a safety and health management system for each department under the supervision of the Board of Directors and the Safety and Health Team under the Chief Safety Officer (CSO). In addition, we appoint a manager and department manager for each site where safety and health is actually implemented to sufficiently collect opinions from the site. In order to quickly discuss current issues, we have established various detailed decision-making systems such as the Industrial Safety Meeting, Industrial Safety and Health Committee, and Safety and Health Council.

#### Board of Director

The Board of Directors is the highest decision-making body that approves and supervises safety and health goals and plans. Every year, safety and health-related issues are reported to the board of directors, and annual goals are approved and made public.

#### Company-wide industrial safety meeting (once a month, CSO / safety manager)

In order to promote safety and health management company-wide, Hanssem encourages safety and health activities by department through company-wide industrial safety meetings every month and deliberates and makes decisions on safety and health issues.

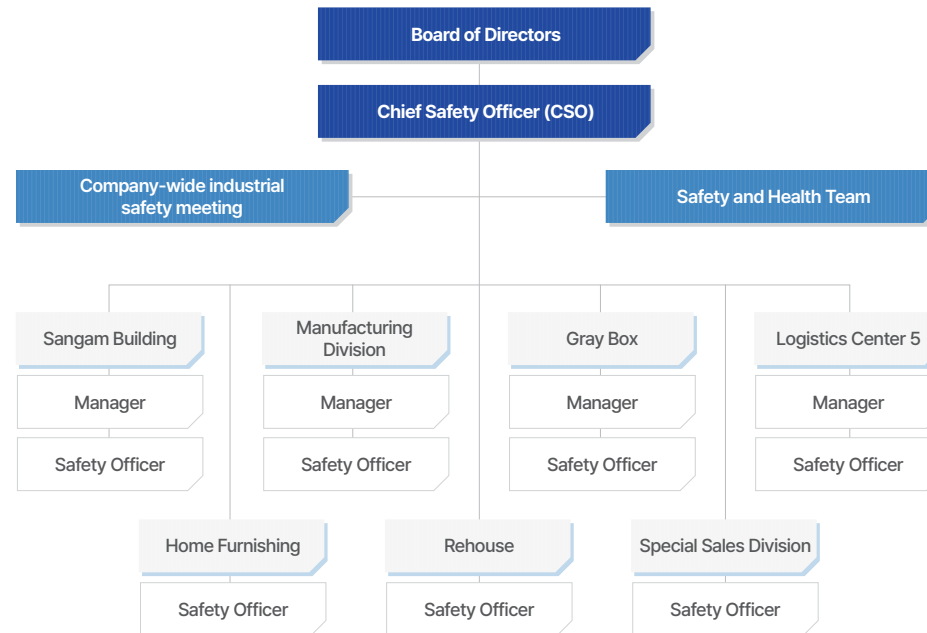
#### Occupational Safety and Health Committee (quarterly, labor-management committee members)

In accordance with the Occupational Safety and Health Act, Hanssem has established and operates an 'Industrial Safety and Health Committee' at its Sangam headquarters and manufacturing plants with more than 100 employees. The Occupational Safety and Health Committee is comprised of equal members from both labor and management, and every quarter, it deliberates and reviews various agenda items such as establishment of industrial accident prevention plans, safety and health management regulations, safety and health education, work environment measurement, worker health management, and status and improvement results of industrial accidents. We are making decisions and taking improvement measures.

#### Safety and Health Council (once a month, Hanssem / partner)

Each of Hanssem's business sites, including manufacturing, logistics, stores, and business offices, forms a 'Safety and Health Council' with its partners and holds meetings on safety and health at least once a month. Hanssem is making improvements by listening to the safety and health opinions of its partners, including workplace working hours, risk assessments, and evacuation methods, through the safety and health council. In addition, we continuously maintain activities to discover and eliminate risk factors through patrol inspections and joint safety and health inspections.

Occupational Safety and Health Governance Organization Structure



Classification	Task
Chief Safety Officer	Checking the personnel and budget required for disaster prevention, establishing and implementing a safety and health management system
Safety and health organization	Organization dedicated to overall management of safety and health-related work *Sangam: 2 dedicated personnel, 2 safety managers, 1 health manager
Manager	Safety and health management at key workplaces, workplace safety and health planning, management, and approval *Sangam Building, manufacturing plant, Gray Box, Logistics Center 5
Other than safety manager	On-site safety and health inspection and preparation/response

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## Strategy

### Safety and health management system

#### Safety and health management policy

Hanssem defines ensuring the safety and health of customers, executives and employees, and employees of partner companies as its top core value. To promote sustainable management, we are establishing and implementing a safety and health management system.

#### Hanssem Safety and Health Management Policy

Hanssem Co., Ltd. defines securing the safety and health of customers, executives and employees, and employees of partner companies as its top core value, and actively practices the following to maintain sustainable management.

1. Establishment of a safety and health culture of respect for people
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 policy system

In addition to the safety and health management policy, Hanssem is carrying out systematic safety management by establishing an in-house safety and health manual with the goal of establishing a more in-depth and strict self-discipline prevention system than the standards of safety and health-related laws. In addition, we are striving to comply with safety and health laws and prevent industrial accidents by establishing a policy system consisting of 5 detailed regulations, 34 procedures, and 13 guidelines and ensuring compliance across the company.

#### Safety and health management system certification (ISO 45001)

Hanssem acquired ISO45001, the relevant international standard, for its safety and health management system in 2022. Since then, we have improved all recommendations discovered through the ISO 45001 post-certification review every year to ensure that safety and health risk mitigation measures are effectively implemented.



### Safety and health education program

Hanssem operates by setting different safety and health training targets depending on the workers' working environment, risk factors, and work type. We provide training to new employees on basic occupational safety and health-related laws and regulations that workers need to know, Hanssem's safety and health system, and risk factors that may arise during work. We provide regular safety and health training to all employees every quarter. In particular, workers in high-risk workplaces such as manufacturing, logistics, and research institutes are provided with special safety and health training for each hazard and risk factor. We conduct response training twice a year to prepare for fires and serious accidents that may occur at each business site. In addition, to improve workers' safety awareness and prevent accidents, we visit workplaces in person and provide on-site safety and health education tailored to the characteristics of the workplace. In line with the direction of government policy that emphasizes risk assessment, we are providing additional risk assessment practice training.

#### List of safety and health training

Classification	Target	Note
Safety and Health Personnel Training	Manager, safety manager, health manager, etc.	
New Hire Training	Newly hired workers	
Regular safety training	All employees	Industrial Safety and Health Act
Management and supervisor training	Supervisor	Serious Accident Punishment Act
Special safety training	39 types including forklifts, robots, and hazardous chemicals	
Major Industrial Accident Response Training	Employees	
On-site safety and health education	Employees and partners	
Risk Assessment Process Training	Employees and partners	Company regulation
Fire Prevention and Firefighting (Evacuation) Training	Employees	

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### Occupational disease management

Hanssem is working to improve the mental and physical health of its employees. In order to manage the health of our employees, we provide support for regular checkups, detailed examinations, and treatment expenses every year. To manage psychological health, we provide psychological counseling for employees, their spouses, and children.

Classification	Target
Health checkup (Special health checkup)	<ul style="list-style-type: none"> <li>Performing regular health checkups for all executives and employees every year and special health checkups for employees exposed to harmful factors</li> </ul>
Emotional Worker Manual	<ul style="list-style-type: none"> <li>The emotional worker manual is structured to enable awareness of roles and flexible response according to the characteristics of each job.</li> <li>As a follow-up measure, we support necessary measures such as temporary suspension of work or reassignment, treatment or counseling related to health disorders, vacation support, and legal advice support.</li> </ul>
Psychological counseling room	<ul style="list-style-type: none"> <li>Operating a psychological counseling center where you can consult on various psychological problems and personal concerns that arise in the company</li> <li>Support for receiving 1:1 counseling anywhere by linking with psychological centers nationwide</li> </ul>

### Health activities within the workplace

Hanssem conducts work environment measurements at research institutes, logistics and manufacturing sites to regularly measure and evaluate the levels of health hazards such as hazardous chemicals, noise and dust. We are establishing improvement measures in engineering, management, and educational aspects. In addition, we provide special health examinations to workers who are exposed to harmful factors subject to special health examinations stipulated in the Occupational Safety and Health Act.

Classification	Target	Note
Noise-induced hearing loss	Through periodic (semi-annual) work environment measurements, we measure and evaluate how much workers are exposed to hazardous factors. Then, we create a healthy work environment through improvement measures.	<ul style="list-style-type: none"> <li>Engineering improvements</li> <li>Issuance of protective gear</li> </ul>
Pneumoconiosis		<ul style="list-style-type: none"> <li>Special health checks</li> <li>Worker interviews</li> <li>Task changes</li> </ul>
Chemical disease		
Musculoskeletal disorders	We will conduct a musculoskeletal prevention program to analyze the working conditions that affect the human body, and then carry out activities such as isolation, improvement of working methods and tools, provision of protective equipment, and stretching.	<ul style="list-style-type: none"> <li>Engineering improvements</li> <li>Issuance of protective equipment</li> <li>Worker interviews</li> <li>Task changes</li> </ul>
Occupational stress disorder	Training to recognize and respond based on the emotional labor manual, and additional stress tests for customer service workers	<ul style="list-style-type: none"> <li>Psychological counseling</li> <li>Paid leave</li> <li>Legal advice</li> <li>Job transfer</li> </ul>

### Partner company safety and health activities

Hanssem regularly discusses issues for worker safety through the Occupational Safety and Health Committee and the Supplier Safety and Health Council, and conducts patrol inspections, council meetings, and joint inspections in accordance with laws and regulations. In addition, we are working together to create a safer working environment by listening to the opinions of safety and health workers.

#### Partner company safety and health activity details

Classification	Contents	Cycle
Safety and health consulting for partners	Provide face-to-face training and materials so that our partners can freely utilize and apply our internal safety and health processes. <ul style="list-style-type: none"> <li>Establishment of a safety and health system related to the Serious Accident Punishment Act</li> <li>Prevention risks related to social issues in advance</li> </ul>	Once / semi-annually
On-site safety and health education	Provide training for quick response to accidents that may occur in the business environment <ul style="list-style-type: none"> <li>Fire training and safety education</li> <li>Electrical and fire training</li> <li>Cardiopulmonary resuscitation/CPR</li> </ul>	Once / month

### Supplier safety and health level assessment

Hanssem conducts a semi-annual evaluation of whether the safety and health management system for its partners is being appropriately established and implemented. Based on the safety and health evaluation results, we classify and manage low-risk and high-risk partners and provide support to supplement the shortcomings in the safety and health policies and activities of the partners identified according to the evaluation results. In addition, we identify and fairly select suppliers with minimum capabilities according to the safety and health level evaluation of our partners to prevent safety accidents that may occur at our workplaces.

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# Workplace safety and health

## Risk Management

### Safety and health evaluation system

#### Safety and health internal review

Hanssem conducts internal reviews of all business sites in accordance with its own safety and health standards established in collaboration with firefighting and electric companies. Internal reviews are conducted based on compliance with other safety and health-related laws such as the Serious Accident Punishment Act and the Occupational Safety and Health Act, as well as risk factors that may cause accidents to employees or customers in the working environment of each business site. We are managing risk factors through detailed inspections in facility areas such as electricity, firefighting, and construction at each business site.

#### Construction site inspection system

Hanssem monitors all construction projects ordered by our company and manages construction projects to ensure 100% compliance with relevant laws and regulations. As a result of monitoring, we conduct surprise safety inspections and carry out improvement activities at all construction sites where risk factors are identified.

#### Risk assessment

Hanssem regularly inspects the working environment and safety and health information at each business site to prevent safety accidents. We operate a risk assessment system that evaluates and intensively manages hazards and risk factors during work. In addition, in order to effectively identify hazards and risk factors, we operate an in-house safety reporting center in which all workers at each business site participate, and we listen to various opinions during the evaluation through interviews with all employees.

In addition, Hanssem's various workplaces are classified into low-risk workplaces and high-risk workplaces, and evaluation techniques (checklist or frequency/intensity techniques) tailored to the characteristics of each workplace are applied. These risk assessment activities are conducted twice a year for all business sites and contribute to preventing harmful and risk factors present in the workplace from leading to accidents.

Risk Assessment Process



1: Manufacturing and logistics divisions are evaluated by the estimation method, and offices and stores are evaluated by the checklist method.

2: Manufacturing and logistics divisions are evaluated by grades 1 to 16, and offices and stores are evaluated as adequate or supplementary.

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## Metrics and Targets

### Safety and health management goals

#### ZERO serious accident

Hanssem is carrying out work in various fields to reduce the number of serious accidents to 'ZERO' across all business sites. First of all, we invest in improving old and dangerous facilities at each business site every year where serious accidents can occur. 1.74 billion won was invested in 2023, and 1.17 billion won is planned to be invested in 2024. In addition, we establish improvement plans for high-risk work in each department discovered through issue and accident analysis every year, so that high-risk work can be reduced to low risk. Considering various business characteristics such as manufacturing, logistics, construction, and stores, safety managers in each department establish safety and health codes of conduct tailored to each business characteristic.

#### Safety accidents reduced by 20%

In order to reduce safety accidents, Hanssem conducts risk assessments and is taking rapid improvement measures against safety accident risks. In addition, we operate a 'Safety Reporting Center' system where anyone, including executives, employees, partners, and customers, can suggest and report matters related to safety accidents.

#### Process indicator management

Hanssem manages process indicators related to safety activities with the goal of achieving zero serious accidents. Process indicators include the rate of improvement measures by department for risks discovered during on-site safety inspections, and the rate of safety activities such as safety training, safety inspection, and safety meetings. In the future, we plan to improve process indicators to achieve ZERO serious accidents and a 20% reduction in safety accidents.

#### Safety and health indicator management

Classification	Indicators	Unit	2023	2024 Goal	
Outcome indicators	Serious accidents	case	0 case	0 case	
	Safety accidents	case	15 case	12 case	
Process indicators	Safety activity rate	(Case / Total working hours) *10,000 hours	50% (240 cases)	55% (260 cases)	
	Improvement rate	within 7 days	Simple measure rate	40%	85%
		within 30 days	Construction improvement rate	64%	75%

#### Enhancement of safety and health management system

In order to advance the safety and health management system, Hanssem established a five-year goal and set detailed goals and tasks in five areas: system, education, securing expertise, strengthening field safety, and establishing a safety culture.

#### Occupational Safety and Health Management System Objective Management

Strategic Direction	Execution task	Short term (~2024)	Mid-term (~2026)	Long term (~2028)
		Establishing a safety and health management system for company-wide	Establishing a safety and health management system centered on worker participation	Establishment of an autonomous safety and health management system
Occupational Safety and Health Management System	System construction	• ISO45001 establishment	• ISO45001 advancement	• KOSHAMS certification
Safety and health education	Training and certification support for workplace safety managers	• Safety and health education system centered on compliance with laws and regulations	• Business-specific safety and health training (manufacturing, construction, logistics, service industry, etc.)	• Strengthening effective self-education system (training safety experts)
Securing expertise	Training of safety and health experts	• Appointment of legal safety and health experts • Strengthening of safety and health-related organizations	• Improving management capabilities through internal expert training • Reinforcing safety and health personnel in each business division	• Upward standardization of safety and health levels by organization
Strengthening on-site safety	Establishment of daily autonomous safety inspection	• Dedicated organization-led safety and health management • Establishment and application of safety and health code of conduct • Establishment of a safety and health management system for partners	• Business unit-specific safety and health management • Establishing a high-risk task (factor) management system • Introduction of smart safety technology	• Occupational safety and health management by workplace • Establishment of autonomous safety inspection • Establishment of near miss accident detection and management system
Establishing a safety culture	Conducting safety and health campaigns with worker participation	• Safety culture campaign • Expand employee health promotion activities • Strengthen emergency response capabilities	• Participatory safety culture activities	• Establishment of self-directed safety culture • Instilling safety and health awareness among all employees

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# Community participation

## Governance

### Social contribution organizational structure

Every year, Hanssem establishes a social contribution strategy by listening to the voices of the local community through local governments and identifying other social issues. Social contribution strategies and business plans are implemented with the approval of the Chief Human Resources Officer (CHRO) and the final decision of the representative executive officer. In addition, the corporate culture team's social contribution part, a dedicated social contribution organization, regularly reports the operational performance of annual social contribution activities and related risks and opportunities to the representative executive officer. Through this, the representative executive officer directly manages and supervises the social contribution project to ensure that the initially established strategy is effectively implemented.

#### Corporate Culture Team

The corporate culture team's social contribution part, a dedicated social contribution organization, is promoting social contribution activities centered on residential environment improvement projects in line with the characteristics of Hanssem's business. In addition, we plan employee participation activities and regularly share the results internally and externally.

In addition, we strive to effectively implement social contribution activities with the support of various related departments and affiliates. The related departments, Rehousing Business Division and Home Furnishing Business Division, support on-site design and operation in relation to social contribution activities. In addition, our affiliate Hanssem Service provides construction services, and Hanssem Development provides energy-saving construction services and space cleaning services through insulation film and air conditioner care.

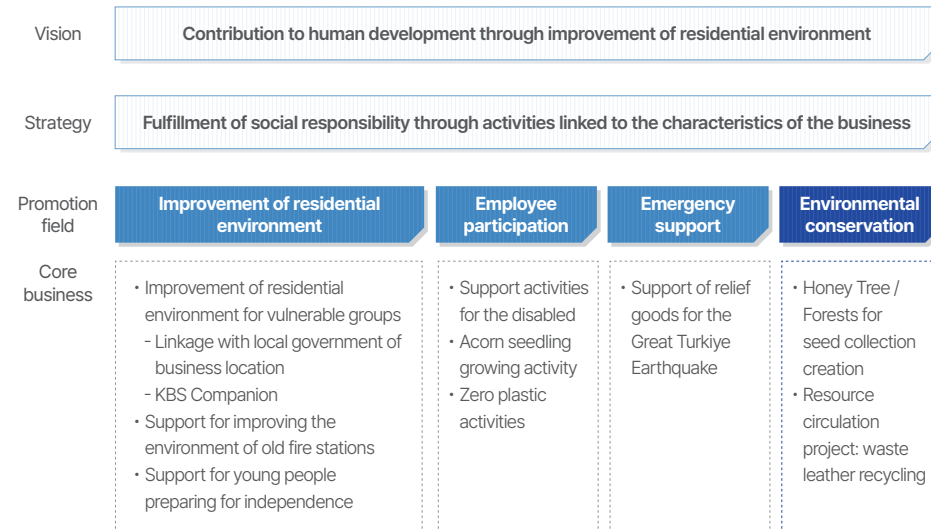
Social contribution organization chart



## Strategy

### Social contribution promotion system

Hanssem fulfills its social responsibilities through activities related to the characteristics of its business. Hanssem's social contribution activities are largely divided into residential environment improvement projects and employee participation activities. From 2024, the concept of residential environment will be expanded to include environment, and additional social contribution activities for environmental preservation will be carried out. As part of our environmental conservation and social contribution activities, we have begun a project to create a Honey Tree / Forests for seed collection in 2024, and we plan to produce and sell products made from recycled waste leather as part of a resource circulation project in the second half of 2024.



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### Residential environment improvement project

Hanssem's residential environment improvement project has continued to this day, targeting various socially vulnerable groups since participating in the 'Building Homes of Love' project organized by Habitat for Humanity Korea in 2005.

Activity	Win-win fund 1	Collaborating entity	Support details
Business location Support for vulnerable groups	Children and adolescents in the target area	Local government (Mapo-gu, Siheung-si, Ansan-si)	In order to improve the living environment of children in vulnerable housing conditions, such as creating study rooms for children, Hanssem's interior furniture, such as desks, beds, chairs, and bookshelves, is mainly supported.
KBS Accompanying	KBS companion appearance family	• Green Umbrella • Children's Foundation • KBS	Furniture support needed for the participating families
Support for environmental improvement of old fire stations	National Aging Fire Department	Fire Department	Support for remodeling of dining halls, lounges, restrooms, and office furniture at 10 old fire stations nationwide
Support for youth preparing for independence	• Independent youth • Childcare facilities	Hana Financial Group Foundation	• Support for households of children and adolescents who have completed protection and are independent young adults. • Support for remodeling of child and adolescent childcare facilities.

A total of 132 housing environment improvements (as of 2023)



### Employee participation activities

We are planning an employee-participatory social contribution program to internalize corporate social responsibility (CSR) and encourage voluntary action by executives and employees. Until 2023, there were limits to employee participation as the company focused on non-face-to-face activities due to the coronavirus. However, from 2024, various face-to-face social contribution activities such as blood donation and winter coat donation can be actively promoted, and employee participation is actively taking place.

#### Activities to support the disabled

Hanssem purchased a soap making kit produced by a local organization for the disabled and conducted soap making experience volunteer work with children at a local children's center and employees. Through this, we helped create employment for people with disabilities and provided opportunities for children from low-income families in the region to gain diverse experiences. In addition, we worked with executives and employees to create a Braille perpetual calendar for visually impaired children, and the Braille books were donated to schools for the blind and organizations for the visually impaired through social enterprises.

#### Hanssem also carried out activities

Hanssem also carried out activities to grow and plant acorn seedlings for the purpose of improving the environment and absorbing carbon emissions.

The acorn seedlings grown by executives and employees for 100 days grew to over 50cm and were planted in Noeul Park in Mapo-gu, located near Hanssem's Sangam headquarters building. These seedling planting activities will continue in 2024 and have been expanded into a Honey Tree / Forests for seed collection creation project.

#### Plastic zero activities

We carried out a plastic zero campaign in which all employees across the company can easily participate. Plastic collection boxes were placed on each floor of the Sangam and Bangbae offices, and highly recyclable plastic take-out cups were collected and delivered to BYN Black Yak. The delivered take-out cups were recycled into recycled plastic yarn, and scarves were made and given to participating employees so that they could find meaning in their participation activities.

#### 2023 Representative Employees' Social Contribution Activities Participation Status



\* In addition, 8 people donated blood and 3 people shared winter clothes

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## Strategy

### Emergency support

Hanssem donates furniture to sites damaged by natural disasters such as fires, floods, and earthquakes and provides free remodeling services to help victims become more independent. In 2023, 500 Hanssem blankets were donated as relief goods to Turkiye, which suffered great damage from the earthquake. The goods were delivered to residents in earthquake-affected areas through Good Neighbors. In addition, we provided more than 10 types of Hanssem furniture, including beds, sofas, and chests of drawers, together with the local fire department and social welfare council, to victims who lost their homes due to a fire that occurred in Mapo-gu, where our business is located. In addition, we continue to provide in-kind support every year through memorial ceremonies for firefighters who died in the line of duty.

### Environmental conservation

#### Honey Tree / Forests for seed collection creation

In 2024, Hanssem expanded the scope of its social contribution activities not only to the vulnerable but also to the environment. In particular, as Hanssem uses a lot of wood due to the nature of its business, we planned a forest creation project to preserve forests. A business agreement was signed with Peace Forest and the Samcheok National Forest Management Office to transform the rough field in Samcheok, which was previously a highland field, into forests for seed collection. The target area is 1.5 ha, and the tree species to be planted was a honey tree that can serve as food for honey bees, which are currently in danger of extinction. Among them, we plan to plant a total of 4,300 bee-bee trees over 5 years, which grow quickly and bloom in the summer after the flowers of other honey trees have faded. Through these five years of activities, we plan to work with experts to cultivate the tree so that it can become an adult tree from which seeds can be collected and fulfill its role as a Honey Tree/Forests for seed collection . As part of this, in celebration of Earth Day in April 2024, about 50 Hanssem executives and employees visited a site in Samcheok, Gangwon-do and planted bee-bee tree saplings.

#### Waste leather resource recycling project

When manufacturing Hanssem's sofas, the parts used in the sofa are cut from an existing ledger, and leftover leather is generated.

As such leather has the potential to release chemicals during the disposal process, Hanssem is planning to produce a 'resource recycling leather kit' using scrap leather in 2024. Through the production of these upcycled products, we can expect to reduce the waste of our sofa manufacturing partners while also reducing the raw materials used to produce the products.

## Metrics and Targets

### Management of social contribution activities

In the short term, Hanssem plans to establish eco-friendly social contribution projects, including various environmental conservation social contribution activities currently being promoted, and establish related performance management indicators. In the mid- to long-term, we plan to establish effectiveness management indicators for all social contribution activities and, based on this, identify highly effective social contribution activities by upgrading performance management for each activity. Through this, we will ultimately strive to expand the scope of social contribution beneficiaries and advance related projects to further contribute to the development of the local community and humanity.

#### Social Contribution Activity Goal System

2024~2025	2026~2028	2029~
Establishment of eco-friendly social contribution business and performance management indicators	Establishment of effectiveness management indicators for social contribution activities and advancement of performance management - Satisfaction with beneficiary facilities and institutions - Satisfaction with volunteers - Energy savings rate	Expanding the scope of social contribution beneficiaries and improving business



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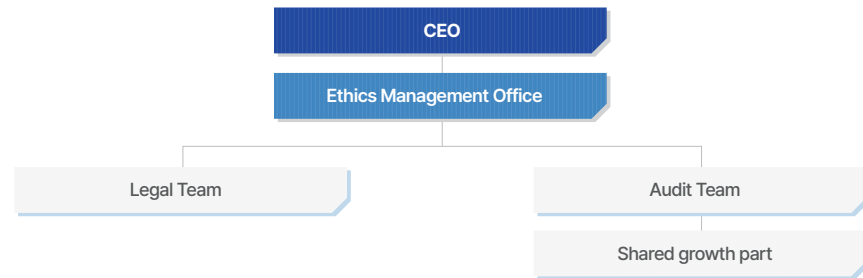
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# Shared growth with partners

## Governance

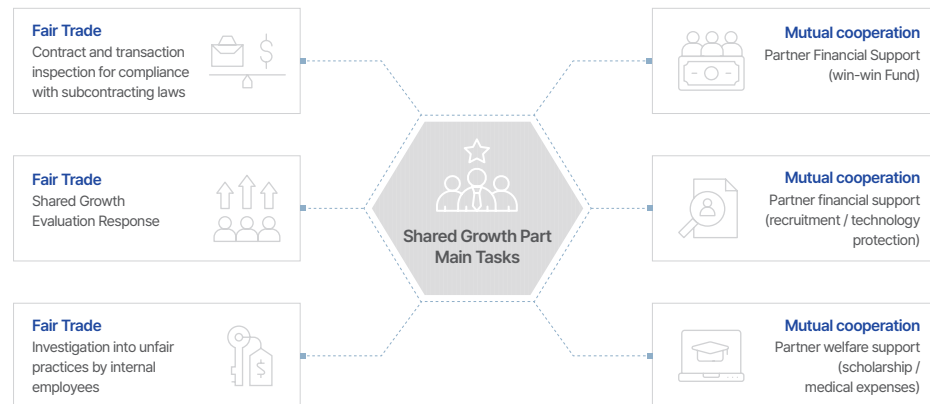
### Shared growth organizational structure

Hanssem operates a department dedicated to shared growth within the Ethics Management Office, which is directly under the CEO (Chief Executive Officer). In the shared growth organizational structure, compliance checks and win-win activities with partners are carried out for shared growth, and the results of the activities are reported to the CEO and others every month.



### Shared growth part

The department in charge of Hanssem's shared growth is the shared growth department within the Ethics Management Office. With the goal of 'establishing a company-wide compliance management system,' we are in charge of monitoring and supervising to ensure that transactions with partners are conducted fairly, and operating and managing support systems to pursue sustainable coexistence.



## Strategy

### Fair trade policy

Hanssem has formalized the 'Four Fair Trade Practices' distributed by the Fair Trade Commission and requires its employees to trade fairly with its partners. If a specific executive or employee violates the four major practices, the shared growth department conducts an investigation according to the internal audit process, and if the violation is confirmed, it is referred to the disciplinary committee. In addition, we have disclosed the full details of the four major action points on our website so that our business partners can transact with them while being aware of the relevant details.



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### Fair Trade Voluntary Compliance Program

Hanssem is currently preparing to introduce the 'Fair Trade Compliance Program (CP)' to realize economic justice through fair trade with its partners. For full-scale introduction, we are making preparations to successfully operate the fair trade voluntary compliance program by establishing our own management system and related programs, such as 'compliance ethics index inspection'.

#### CP introduction preparation program

Program name	Program Contents
Legal and Ethical Index Check	Confirmation of improvement of past accident cases and compliance with internal controls across legal, audit, shared growth, and company regulation
Operation of communication channels with partners	Cyber audit office, survey, and other communication channels operation
Subcontracting law training	Implementation of subcontracting law education focused on the responsibilities and roles of the original business operator for each department manager of the purchasing team
Establishment of a policy for joint growth operation	Regulations on compliance with purchaser behavior guidelines and other matters to be followed when transacting with partners
Delivery Fee Linkage System Training	In order to smoothly introduce the supply price linkage system implemented in accordance with the revision of the Living Cooperation Act, we provide guidance on the system, contract writing, and linkage method training.
Internal Control Training	Provide education on matters requiring compliance based on fair trade laws and company regulations and convey major disciplinary cases.
Debt/credit inquiry form	Check for any abnormalities in the debt/credit statement received from the partner company to confirm embezzlement of personal funds by the salesperson and unfair expense claims by the partner company.

### Financial Shared Growth Program

#### Win-Win Fund Operation

In order to support its partners in securing smooth financial liquidity, Hanssem signed an agreement with Industrial Bank of Korea and Hana Bank to create a win-win fund worth a total of KRW 23 billion. The Win-Win Fund is a fund created to enable partner companies to receive loans from commercial banks at lower interest rates than existing lending rates, and is having a positive impact on the financial liquidity of partners who received loans through Hanssem's recommendation. As of 2023, 95 partner companies are using 21.5 billion won in win-win funds. In particular, starting from 2023, Hanssem is striving to create a virtuous cycle system that can further solidify a stable product supply and demand system by expanding win-win fund support to secondary partners, many of which are small businesses.

#### Win-Win Fund Operation Status

Classification	Win-Win Fund 1	Win-Win Fund 2	Win-Win Fund 3
Target	Purchasing Partner	Agency	Purchasing Partner
Key Benefits	Loan interest rate reduction	Loan interest rate reduction	Loan interest rate reduction
Partners for Use	29	53	13
Operating Amount	15 billion won	3 billion won	5 billion won
Usage amount	14.52 billion won	2.49 billion won	4.45 billion won
Interest rate support amount	250 million won	110 million won	190 million won

#### Advance payment support system

When a partner company requests advance payment of the delivery price due to reasons such as purchase of raw materials, investment in facilities, or worsening management situation, Hanssem makes the payment in advance after internal deliberation. In particular, we provide regular monthly advance payment support to special sales partners who supply large quantities to construction sites to help ensure stable purchase of materials and operation of the partners.

#### Support for opening new Hanssem stores

In order to help new start-up agencies achieve stable sales activities, Hanssem supports 50% of the entry fee when opening a store in a standard store, which is a large store at the headquarters. In addition, we support new start-up agencies with the cost of making signboards to help them overcome financial difficulties in the early stages of starting a business and focus on agency management activities.

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### Non-financial shared growth program

#### Technical data escrow fee support

The technical data escrow system is a system that prevents technology from being leaked or misappropriated by partner companies by storing core technical data at escrow institutions (large companies, small and medium-sized enterprises, and agricultural and fisheries cooperation foundations). Hanssem provides support for fees arising from technology escrow at partner companies for up to 5 years. In 2023, Hanssem supported technical data escrow fees to a total of 4 partners, and plans to expand support for technical data escrow as the demand from partners for technical data protection increases.

#### Quality improvement consulting

Hanssem supports its partners in strengthening their technical capabilities by utilizing its furniture manufacturing expertise and production know-how. Hanssem's quality department and development department regularly inspect the quality level of products produced by partner companies and improve the production process and product specifications.

#### ESG consulting support for partners

Hanssem is supporting its partners to receive free ESG consulting through collaboration with Industrial Bank of Korea. Through this, we expect that partner companies lacking professional manpower or know-how will be able to secure ESG management capabilities.

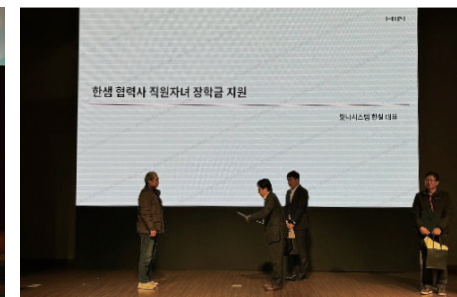
#### Recruitment support system

Hanssem has entered into a partnership with Industrial Bank of Korea on recruitment support to promote regular hiring at partner companies. The recruitment support system is operated in the form of IBK supporting financial costs of KRW 500,000 per hired employee when a partner company hires a Korean full-time employee through 'i-ONE JOB', IBK's recruitment site. In 2023, we achieved the achievement of supporting the hiring of 23 full-time employees at 6 partner companies.

#### Scholarships and medical expenses support for the families of partner company employees

Starting in 2023, Hanssem began supporting welfare benefits for employees of its partner companies. With support from the IMM Hope Foundation, Hanssem provided scholarships to 65 college-age children of construction field experts, including construction professionals responsible for interior construction quality on site. In addition, with the support of the Industrial Bank of Korea's Happiness Sharing Foundation, we supported college tuition for the children of employees of Hanssem's purchasing partners, thereby striving to improve the work satisfaction of Hanssem's partners' employees and fulfill the company's social role.

In addition, Hanssem supported medical expenses with the support of the Industrial Bank of Korea's Happiness Sharing Foundation to help the families of employees of our purchasing partners who were suffering from incurable diseases to recover quickly. In the future, Hanssem will strive to strengthen welfare support for employees of partner companies so that more employees of partner companies can benefit.



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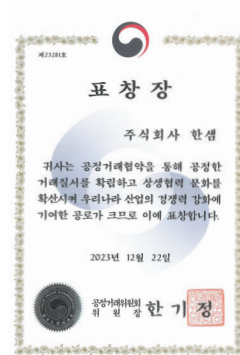
# Shared growth with partners

## Metrics and Targets

### Shared growth activity management

#### Shared growth index evaluation

Every year, Hanssem receives a comprehensive evaluation of shared growth from the Fair Trade Commission and the Shared Growth Committee as a measure of the level of implementation of shared growth. The comprehensive evaluation of shared growth reflects the fair trade agreement implementation evaluation evaluated by the Fair Trade Commission at 50%, and the comprehensive evaluation of shared growth evaluated by the Mutual Growth Committee is reflected at 50%, and depending on the evaluation level, it is best, excellent, good, or average. , is classified into 5 levels of inadequate. Hanssem has established a company-wide fair trade culture through the introduction of its own fair trade autonomous compliance program, the 'Compliance Ethics Index', and has achieved the highest level of 'Excellent', the first in the domestic furniture manufacturing industry, in the 2023 Fair Trade Agreement implementation evaluation. Hanssem will maintain its position as the best company in the furniture manufacturing industry in the short term and will strive to enhance the level of implementation of shared growth in order to be evaluated on a par with the top conglomerates in each industry in the mid to long term.



#### Shared Growth Index Evaluation Goals and Performance Management

2023 Performance	Short-term goals (~2024)	Mid-to long-term goals (2025~)
Fair Trade Agreement Compliance Evaluation Received 'Best' Rating	Maintaining the status of the best joint growth company in the furniture manufacturing industry Increased evaluation of joint growth index	Obtained evaluations at the level of top-tier companies in each domestic industry

#### Compliance Ethics Index Evaluation

Hanssem introduced the 'Compliance Ethics Index' in 2022 to pursue strengthening the fundamental competitiveness of the company's non-financial sector by establishing a level of awareness of compliance and ethics management, and is managing a total of 44 evaluation indicators to measure it. The Compliance Ethics Index is an evaluation applied to all business divisions. It checks for violations of relevant laws and company regulations every month, scores them, and reports the results to the representative executive officer every quarter to prevent external judicial risks. We provide specific guidance on compliance with the law to our internal executives and employees.

In the future, Hanssem plans to strengthen the management of the compliance ethics index and develop a company-wide compliance system with the goal of introducing the Fair Trade Commission's 'Fair Trade Compliance Program (CP)'.

#### Ethics Index Evaluation Goals and Performance Management

2023 Performance	Short-term goals (~2024)	Mid-to long-term goals (2025~)
44 management indicators 4.6 points (out of 5) recorded	Achieved a perfect score of 5 on all management indicators	Establishing a system to prepare for the introduction of the Fair Trade Voluntary Compliance Program (CP)

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# Environmental management activities

## Environmental Management Promotion System

### Environmental Management Policy

Hanssem established an environmental management promotion system and established a company-wide environmental management policy based on this. Hanssem is expanding continuous education and investment to raise and strengthen awareness of environmental management among all employees, and through this, we aim to promote sustainable environmental management from the residential environment to the global environment.

### Environmental management performance management

Hanssem has assigned key performance indicators (KPIs) to ensure that the environmental management policy and members' goals according to the environmental management promotion system are aligned. Accordingly, we assign detailed tasks to key executives and employees in various environmental fields such as climate change, environmental law compliance, chemical management, and securing biodiversity, and perform performance evaluations based on progress.

#### Environmental Management Promotion System



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# Environmental management activities

## Environmental Management Promotion System

### Hanssem environmental management policy

Under the environmental management promotion system, Hanssem has established and announced an environmental management policy so that all employees and partners across the company can implement Hanssem's environmental management policy. The environmental management policy largely consists of environmental management strategy, environmental management system, environmental management education, eco-friendly social contribution activities, and compliance with environmental laws, and is structured in the form of a declaration to express Hanssem's will to implement environmental management to stakeholders.

#### Hanssem environmental management policy

One. Hanssem places the environment at the core of its management strategy and pursues a sustainable vision for future generations.

One. Based on ISO 14001, Hanssem is fulfilling its environmental responsibilities by establishing a strict environmental management system.

One. All employees improve their environmental management capabilities and fulfill their corporate social responsibilities.

One. We realize sustainable management by minimizing pollutant emissions and actively participating in improving the local environment.

One. We strictly comply with environmental laws and regulations, and minimize environmental impact by proactively responding to new environmental regulations.



### Environmental management organizational structure

Since August 2015, Hanssem has been holding a weekly consultative body (integrated VOC consultative body) led by the CEO to discuss environment, safety, and quality across the company. The council's main agenda includes product safety accidents, environmental safety quality improvement tasks, construction site management, analysis of external risk causes and establishment of countermeasures to prevent recurrence, establishment of a company-wide environmental safety system, and establishment of an education system.

Starting from May 2021, we are holding ESG weekly meetings to strengthen the quality of environmental safety through internalization of Hanssem's ESG management, and are reviewing strategies to respond to existing environmental safety issues and prevent recurrence from an ESG perspective. Key decisions and support requests are decided through regular ESG TF meetings led by management and the ESG Committee under the Board of Directors once a quarter.



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# Environmental management activities

## Environmental Management

### Major environmental management activities

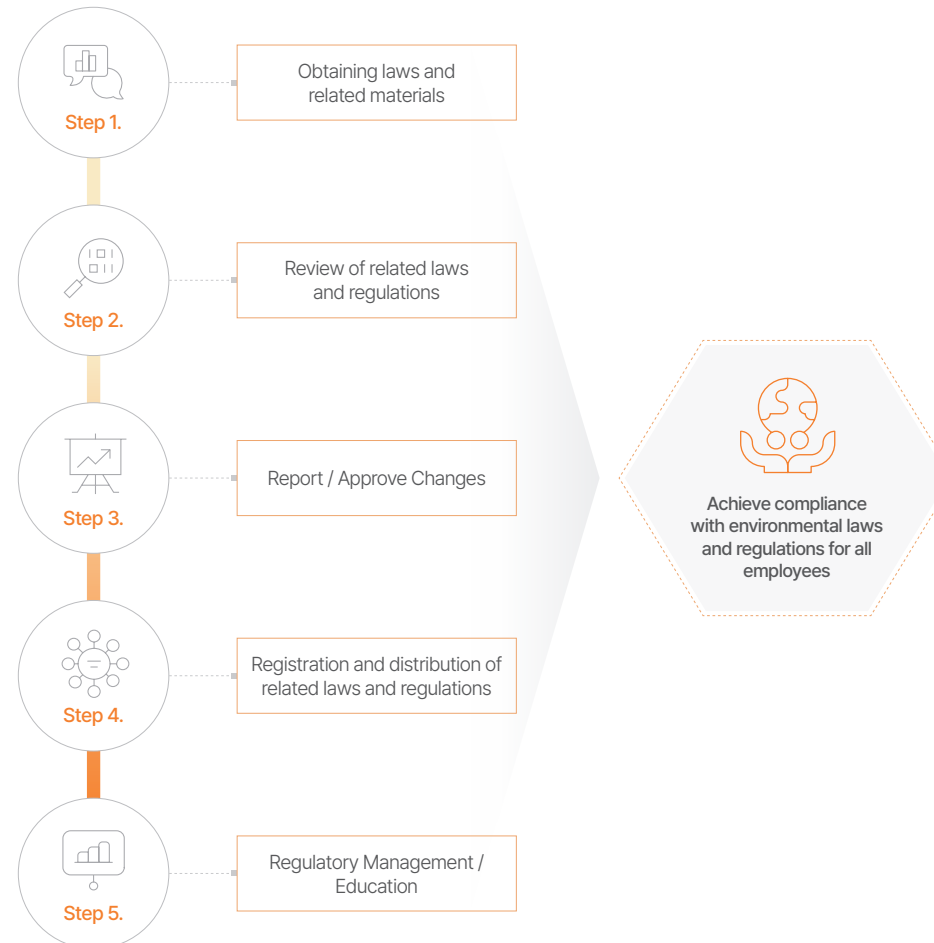
Hanssem has acquired ISO 14001, an international certification, to recognize that its environmental management system is a system for fulfilling environmental responsibilities and realizing sustainable management. ISO 14001 requires companies to prevent environmental pollution, minimize resource consumption, and comply with environmental legal requirements by establishing a system to evaluate and manage the environmental impact of the business process. Accordingly, Hanssem complies with the requirements of ISO14001 to fulfill its environmental responsibilities and realize sustainable management.

### Establishment and operation of environmental law compliance management system

In order to comply with domestic laws and regulations regarding environmental management, Hanssem has created a 'Legal Compliance Table' and manages compliance with the laws based on this. To this end, we check whether laws have been revised once a month, update the legal compliance table, and report related information to the director of Hanssem Research Institute to improve application methods.

We also provide training to executives and employees on environmental laws and regulations. Starting in 2023, we are carrying out various activities to ensure that all executives and employees of Hanssem comply with environmental laws and regulations, such as revising and distributing quality standards to help them understand the laws and regulations required for products.

Environmental Law Management Process



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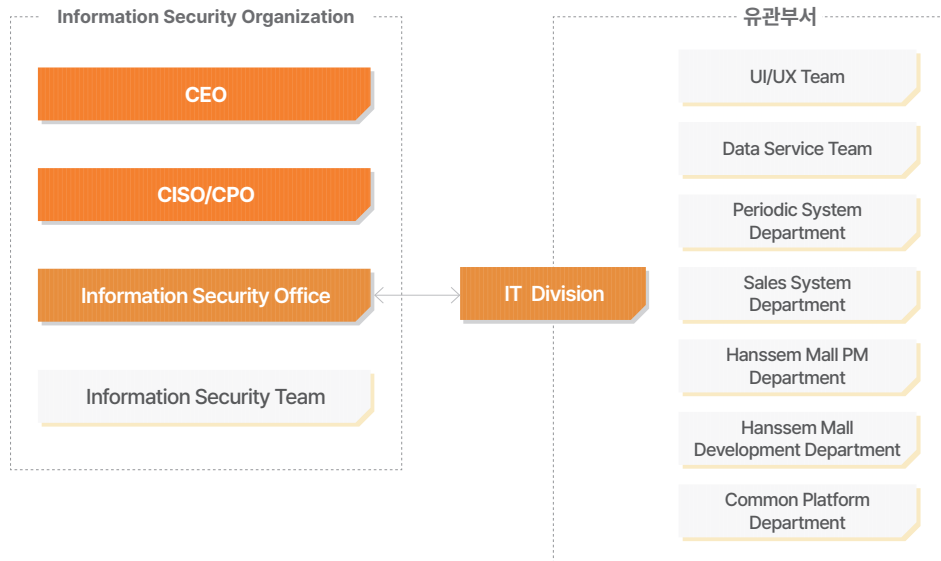
# Personal information protection and cybersecurity

## Information protection management system

### Information security management organizational structure

Hanssem's information security organization is centered around the Information Security Office. We are in charge of overall IT and company-wide security tasks, including information security planning and management, security system operation, security compliance, security risk management, and information asset protection, while communicating with the related department, IT division.

In particular, Hanssem's Information Security Office is a major department in the information protection organization and operates under the direct control of the Chief Executive Officer (CEO), enabling independent decision-making without being influenced by other departments. The chief decision-making officer of the Information Security Office is the Chief Information Security Officer (CISO) and Personal Information Protection Officer (CPO), and has more than 20 years of security experience.

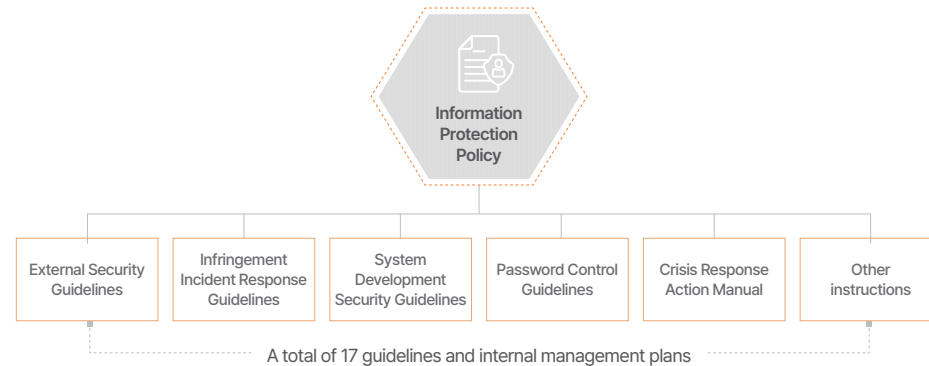


### Information protection policy and guidelines

Hanssem's information protection policy consists of one information protection policy, 17 guidelines, and related internal management plans.

Information protection policies and guidelines are divided into detailed guidelines based on the information protection policy and information protection activities are carried out. Information protection policies, guidelines, and internal management plans are reviewed and revised every year to reflect legal revisions and changing information technology.

Hanssem Information Protection Policy Structure



### Personal information policy

Hanssem strives to ensure that customers can use our services with confidence and have the right to self-determination of their personal information. To this end, we have established and applied a personal information processing policy. Hanssem's personal information processing policy stipulates the collection, deletion, provision to third parties, and consignment (domestic and overseas) of personal information.

In March 2024, Hanssem applied labeling to the personal information processing policy to increase convenience and readability for information subjects and modified the text to make the regulations easier to understand. Personal information labeling is applied in accordance with the Personal Information Protection Commission's 'Personal Information Processing Labeling System' and means applying a label image to the personal information processing process to improve understandability. We have also changed difficult terms to make them easier to understand so that you can understand how your personal information is managed.

[Personal information policy](#)

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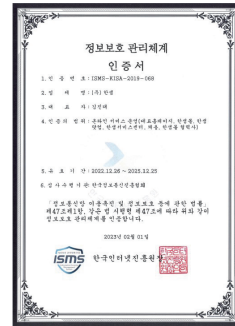
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# Personal information protection and cybersecurity

## Information protection management system

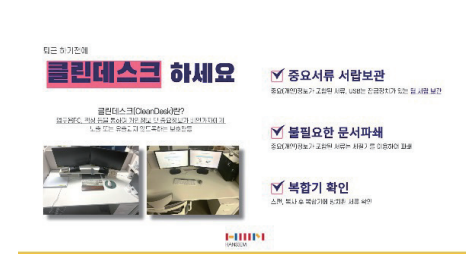
### Information Security Management System (ISMS) certification

Hanssem acquired the Information Security Management System (ISMS) for the first time in 2014, established an information security governance system, and is carrying out security compliance, security risk management, and information asset protection activities. In order to acquire and maintain an ISMS, Hanssem reflected 16 matters related to the establishment and operation of a management system and 64 requirements related to protection measures and completed a certification review from a professional organization. Through this, we are continuously strengthening the security level in physical, managerial, and technical areas.



#### Hanssem Information Protection Management System

<b>ISMS Certification System</b>	Main website, Hanssem Mall, Hanssem Service Center, Hanssem Mall Partners
<b>Systems within the scope of certification</b>	540
<b>Certification period</b>	2022.12.26.~2025.12.25.



Clean Desk Campaign



Email Security Campaign

## Information protection management activities

### Information security education and investment

#### Information security education

Hanssem conducts personal information protection training for all employees once a year to raise employees' awareness of information security. In 2023, we conducted online training on understanding personal information protection, major revisions to laws, step-by-step security measures for personal information, and the latest personal information security-related issues.

#### Information security investment: Expand vulnerability diagnosis

As security attack methods from outside have become more diverse and the means have become more sophisticated, we have expanded the diagnosis of web and app vulnerabilities for new open systems and in-house systems starting in 2023. Vulnerability diagnosis was conducted on a total of 28 items in accordance with the 『Major Information and Communication Infrastructure Vulnerability Analysis and Evaluation Standards』. Hanssem proactively diagnoses security threats that may arise during the service provision process through vulnerability diagnosis. We are doing our best to prevent customer damage by inspecting vulnerable areas to safely protect customer information and prevent damage, alteration, and leakage of information.

### Employee Participation Activities

#### Information Protection Day Campaign

To raise awareness of information protection among executives and employees, Hanssem designated Information Protection Day three times in 2023 and conducted an information protection campaign. The Information Protection Day campaign was conducted under the themes of 『Response to Malicious Mail』, 『Paperless Office』, and 『Clean Desk』, respectively. To encourage voluntary participation from executives and employees, we made efforts to raise awareness of the importance of information protection by installing a banner on the company website and promoting it using screen savers and company messengers.

#### Clean Desk Campaign

Hanssem conducted a Clean Desk campaign to prevent important documents from being exposed to unauthorized persons. Through the Clean Desk Campaign, Hanssem ensures that documents containing important information are kept in a locked office space. We provided training to prevent security leaks due to physical documents, including recommending that unnecessary documents be shredded.

#### Email Security Campaign

Hanssem is conducting mock training on malicious emails for all employees. During mock training, we create and send malicious emails with patterns that may actually occur to executives and employees, and monitor the open rate of malicious emails and the click rate of attached links and files. In 2023, three rounds of training were conducted using various types of mock emails, including coupon issuance, year-end tax settlement, and salary statements. We plan to continue training to prevent security incidents such as ransomware and customer information leaks caused by malicious emails in the future.

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# Attracting and nurturing talent

## Talent Recruitment

### Talent acquisition strategy

Hanssem is constantly recruiting high school graduates in each region. We are a registered high school student work experience training company, conduct field trips to high schools and hire a significant number of people after graduation. In addition, through an open recruitment system regardless of education, age, or gender, we provide a wide range of opportunities to applicants and secure diverse talents at the company level. We recruit competitive talent in the market through regular recruitment for each position. Internally, we secure talent suited to the job by providing various opportunities through an in-house contest system.

New Recruitment Status

As of 2023

Classification	Details	Number of people	Percentage
Whether full-time or not	Full-time	219	73%
	Non-regular worker	80	27%
Gender	Male	177	59%
	Female	122	41%
Nationality	Domestic	299	100%
	Oversea	-	-
Disabled	Disabled	5	2%
	Non-disabled	294	98%

## Talent development

### Human resource development promotion strategy

Hanssem has a human resource development strategy to ensure continuous growth and capacity building of its employees. In accordance with our human resource development strategy, we divide and manage employee training into training for managers, class training, job expert training, and regular self-directed learning. In position training, leadership capabilities can be developed tailored to each member's position, and in hierarchical training, common capabilities can be developed according to the level of each position. In addition, we support employees to improve their work capabilities for each job through job-specific expert training and regular self-directed learning programs.

Human Resource Development Promotion System

	Position-based training	Hierarchical training	Professional job training	Always self-directed learning
Goal	Leadership Development	Develop common capabilities across the company through job-level training	Improve management capabilities through training to enhance job-specific expertise	
Target	Team leader or higher position holders and those expected to be appointed to that position	Executive, manager, deputy manager, section chief, deputy manager, employee	Marketing, product development, sales management, SCM, management support and common duties	All employees
Main training	Executive/Department Head Training	Introductory training for new and experienced employees	Job-specific training courses Marketing Product development Sales management SCM Management support	General external training course
	Whole team leader training	Promotion training (manager, deputy manager)		Online job training
	New team leader training	New employee orientation training	Common job course	Language education (online, phone)

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# Attracting and nurturing talent

## Attracting and nurturing talent

### Training for those in charge

Hanssem supports leadership capabilities according to leadership role models through training for those in charge. First of all, we conduct workshops and discussions in the new team leader training program to help them understand the role and attitude of the team leader. In particular, the program includes interviews with professional coaches to help you develop your ability to resolve leadership issues that arise for each job. Additionally, each team leader participates in a 360-degree multi-faceted diagnosis every year and receives evaluations from various participants, including colleagues and team members. After the diagnosis, we provide separate debriefing materials to help leaders recognize their own leadership strengths and weaknesses and develop their capabilities. In addition, we provide a 1:1 coaching program for department heads and above for in-depth leadership diagnosis and competency development. By opening an online MBA course for CEO candidates, we are supporting management competency strengthening and external networking through admission to CEO courses at major universities.

### Hierarchical education

#### New entry education

Hanssem provides general job training to new employees through offline introductory training after joining the company. During the training period, we provide opportunities for exchange between employees through various activities. Even after completing the introductory training, we provide various programs to help employees make a soft landing into corporate life, such as providing in-house mentoring and a first anniversary party program.

#### Introductory education for regular/experienced employees

Hanssem provides a 'welcome session' program to experienced employees on the day of joining, which introduces them to the company's overall work processes and systems. Afterwards, through offline introductory training, we provide time to increase understanding of the job and build in-house networking, and provide opportunities for training participants to interact even after the offline introductory training ends.

#### Promotion education

Hanssem provides training for promoted employees to help them understand newly required roles and capabilities and learn self-leadership. We establish a career development plan for all promoted employees to develop job expertise and provide external training to help them learn how to improve their capabilities. We also provide in-house networking opportunities through various exchange programs.

### Job expert training

#### Job specialized course

The purpose of the job specialty course is to train job experts with basic and advanced competencies for each job, such as sales, marketing, product development, and SCM. Accordingly, we conduct face-to-face training for those performing the relevant job or related job who voluntarily apply for participation, encouraging active participation in the training.

#### Common job course

The common job course is a talent training program that any employee can apply for, regardless of rank, position, job, or employment type. We provide programs to improve expertise according to industry trends. In 2024, we aimed to provide digital competency education that will lead the changing business environment. Accordingly, we conducted common job training such as 'Smart Workflow through Chat GPT' and 'Practical Use of Generative AI'.

### Always self-directed learning

#### External education general course

Hanssem supports employees in acquiring job-related professional knowledge and external cases through external training.

Through this system, executives and employees can improve their job capabilities by attending various external trainings and seminars, and at the same time use it as a good stepping stone to build an external network through exchanges with various external personnel.

#### Online job training

Hanssem operates online job training so that executives and employees can develop their job competencies and other capabilities on a self-directed basis. Online job training is operated in the form of an integrated platform so that even employees of partner companies can participate.

#### Online/telephone language training

Hanssem supports language education through online and phone platforms to help employees improve their foreign language skills.

Through this, we ensure that our executives and employees have access to foreign language education at any time, regardless of time and location.

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# Attracting and nurturing talent

## Talent development

### Training Effectiveness Management

Hanssem establishes and manages effectiveness measurement indicators to ensure that each training provided to executives and employees is effectively achieving what it sets out to achieve. Since the content and goals of each employee training provided by Hanssem are different, we have also established different effectiveness measurement indicators for each training to measure them more closely. Actual effectiveness is measured by conducting a survey of executives and employees who participated in the training or conducting a separate evaluation after the training. Since then, based on the effectiveness measurement results, we have devised and implemented measures to improve the training program, thereby making efforts to enable Hanssem executives and employees to work more effectively.

#### Overview of educational effectiveness measurement method

Training name	Effectiveness Metrics	Method of measure effectiveness
Advancement training	Education Recommendation (NPS) Education Satisfaction	Poll
Common job training (DX)	Field application	Poll
	Education recommendation	Poll
Next generation leader education	Leadership Competency Score Number of Recommendations (NPS) Satisfaction with Training	- Leadership competency: After completing the training, measure leadership multi-faceted evaluation and check the level of improvement - Training recommendation, training satisfaction: Survey
Company -wide Team Leader Training	Leadership Competency / Derailer Score	After completing the training, measure leadership multi-faceted evaluation and check the level of improvement

#### Key educational effectiveness measurement examples

Training for promoted managers and supervisors

Various activity training to improve self-leadership and middle power leadership capabilities of leaders and mid-level managers

Education recommendation (NPS)

79.7

/100 points

---

Education satisfaction

4.51

/5 points

Digital Transformation (DX) Job Training

Training on the use of various practical business tools (Chat GPT, generative AI, etc.) to lead the changing business environment

Education recommendation

4.56

/5 points

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# Attracting and nurturing talent

## Cultivating organizational culture

### Organizational Culture: Hanssem like

Over the past 53 years, Hanssem has built an organizational culture of continuous growth with a consistent mission to contribute to human development by improving residential environments. By reinterpreting Hanssem's unique assets and experiences from its long history to suit the present, we seek to find a focal point where all executives and employees can move in one direction, and create a 'Hanssem-ness' organizational culture suitable for Hanssem's current and future environment. To this end, executives and employees are participating in the 'Hanssem-ness' project, which creates Hanssem's new mission and working principles, and are providing a forum for communication between the company and executives and employees through 'town hall meetings' and 'in-house bulletin boards.' In addition, we are leading the change in Hanssem's corporate culture and operating a 'Change Agent' to ensure smooth communication between the company and employees.

#### Organizational Culture Diagnosis

Since 2015, Hanssem has conducted an organizational culture diagnosis once a year to diagnose and improve the overall status of the company's change direction, systems, and processes. Diagnosing organizational culture is done by measuring organizational commitment. In order to objectively understand the current status from 2023, the components that affect organizational commitment are divided into ① company, ② organization, and ③ individual levels, and organizational commitment is measured by dividing it into satisfaction, pride, and growth, etc. We have supplemented the cultural status indicators, diagnostic structure, and questions.

In the 2023 organizational culture diagnosis, the positive rate of members' organizational commitment<sup>1</sup> was 49.5%, an improvement of 4 percentage points compared to the previous year. Among the components that affect organizational commitment, the positivity rate for the 'organization' dimension was 59%, an improvement of 3 percentage points compared to the previous year. In particular, the positivity rate for 'decision-making within the organization' increased by 11%p compared to the previous year, and the positivity rate for 'collaboration between related departments' improved by 7%p compared to the previous year, and awareness of inter-organizational communication and collaboration has expanded positively. The positivity rate at the 'individual' level was 59%, a significant increase of 18 percentage points compared to the previous year, and we understand that this reflects positive perceptions about growth through work and system improvement.

<sup>1</sup>Positivity rate: The ratio of responses of 5 points (strongly agree) and 4 points (agree), measuring the level of positive recognition rather than a simple rating.

#### Town hall meeting

Hanssem has been operating 'Town Hall Meetings' since 2022 to support free communication between the company and its employees and is actively using Town Hall Meetings as a company-wide communication channel. Town hall meetings are held by selecting key agendas for each organization to minimize information asymmetry among employees and increase understanding and commitment to the business by sharing information about the company's major performance and strategies throughout the company. Town hall meetings are run online so that any Hanssem employee can participate without restrictions on location, and recorded videos of the town hall meetings are shared with all executives and employees through the in-house bulletin board. From 2024, in order to focus on communication about the company's future vision and expand opportunities and channels for employees to ask questions and express opinions, we will reflect the process of sharing concerns in each organization with employees across the company and collecting opinions and ideas. We operate to ensure active communication between the company and employees.

#### ChangeAgent

Change Agents, who help smooth communication between the company and employees and create changes in the way they work, are composed of assistant managers and managers in charge of practical work in each organization and present each organization's opinions before system changes or new tools are introduced. and is performing a role that can reflect it. As part of this, in 2023, Change Agents participated in a wide range of topics, including improvement plans for employee D.C. operation standards, renewal of the in-house groupware bulletin board, introduction of PPT common templates, changes to club operation standards, and a meeting culture improvement campaign, contributing to creating positive organizational change. In 2024, we are leading a project to select key talent from each organization and establish Hanssem's mission and working principles in order to strengthen the representativeness of change agents and expand their roles.

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# Attracting and nurturing talent

## Performance evaluation and compensation

Hanssem's performance evaluation and compensation system is operated based on three goals: 'Engagement', 'Equity', and 'Simple & Clear'. To this end, Hanssem increases the connection between the goals of individuals and the company so that the individual performance management system contributes to achieving the goals of the entire company (Engagement), and ensures fairness through a system that is determined by the system rather than an evaluator (Equity). We aim to operate an intuitive performance and compensation system that makes the goals to be achieved simple and clear while simultaneously increasing the predictability of results based on achieved performance (Simple & Clear).

<b>Engagement</b>	Encouraging participation through Strong Link of company-organization-individual performance management
<b>Equity</b>	Improve evaluation fairness and ensure rewards for excellent performance
<b>Simple &amp; Clear</b>	System operation that employees can intuitively understand and predict

### Performance evaluation

The results of employee performance evaluations are directly linked to wage increase rates and promotions, and compensation is designed to vary depending on performance. In addition, in the process of deriving personnel evaluation results, the evaluator provides the appraised with feedback on performance and capabilities through evaluation interviews, thereby helping the appraised set a direction for future work performance and career development. Starting in 2023, to further strengthen the fairness of evaluation, evaluation grades will be subdivided and objection processes and evaluation audits for evaluation results will be implemented.

#### KPI establishment and operation

Hanssem operates a KPI (Key Performance Indicator) system to align company-wide goals with organizational goals and assign individual goals accordingly. Therefore, we designed a performance evaluation system so that company-wide goals can be achieved naturally in the process of achieving individual goals. In addition, when establishing KPI, we ensure that the goals between each organization are aligned in one direction by requiring consultation between related departments. In addition, by applying the Balanced Score Card (BSC) perspective when establishing KPI, we also include evaluation items to improve long-term value such as customers, internal processes, learning and growth, etc. in addition to financial performance.

Executives and employees are evaluated throughout the year based on their level of goal achievement according to KPI, and feedback on interim performance is provided by those in charge through a year-round performance management process. Through this, each executive and employee can understand the current position of his or her performance and communicate continuously to improve it.

KPI Goal Setting and Evaluation System: Strong Link of Goals



#### Leadership competency evaluation

In addition to performance evaluations, Hanssem also conducts leadership competency evaluations for those in charge. Leadership competency evaluation is conducted with superiors and subordinates acting as evaluators based on Hanssem's leadership competency items. Hanssem uses the results of the leadership competency evaluation as a tool for leadership inspection by reflecting the results of the leadership competency evaluation in the personnel evaluation scores of those in charge. In addition, we also conduct multi-faceted peer evaluations that provide mutual feedback on collaboration and attitudes among colleagues, and the results of multi-faceted peer evaluations are used as reference material for promotions, internal audits, etc.

### Compensation system

Hanssem provides reasonable compensation to its executives and employees based on fair evaluation results. An annual salary system is applied to all employees, excluding hourly factory production workers, and a compensation system is operated based on organizational and individual performance. In the case of fixed pay (annual salary), an increase rate is applied according to the results of personnel evaluation, and in the case of variable pay (performance pay), the company operates a clear compensation policy for excellent performers by paying differentially depending on the performance of the company, organization, and individual. In addition, in order to spread motivation throughout the company, we are establishing a culture of improving work processes and sharing knowledge by sharing relevant performance cases and providing rewards when individuals or organizations achieve outstanding goals for tasks proposed.

#### Stock compensation policy

As part of the performance bonus, we are operating a stock compensation policy for executives and employees starting from 2023. The stock compensation policy is a policy of paying company stocks to executives and employees who have received evaluations above a certain level. Through this, we expect to strengthen the motivation of executives and employees by aligning the goals of the organization and individuals.

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# Work life balance

## Work system

### Work system by job

Hanssem has introduced and operates a flexible work system tailored to the characteristics and work patterns of each job.

#### **Internal worker: Selective working hours system**

For internal workers, we implement a selective working hour system that gives employees discretion regarding commuting and working hours. Based on the mandatory working hours of 6 hours, workers can choose to work from 8:00 to 15:00 or from 10:00 to 17:00. Additionally, additional work is possible depending on the remaining work within the limit of 52 hours, which is the legal working time, and the working time management system is used to manage whether the legal working hours are exceeded. Additionally, for overtime work exceeding 6 hours, workers may receive compensation at their choice between salary and vacation.

#### **Store workers: flexible working hours and staggered work hours**

For store workers, we apply flexible working hours and a staggered work schedule so that they can work flexibly according to store operations and minimize total working hours. Through the flexible working hour system, Hanssem increases working hours during times when customers are concentrated, but reduces working hours at other times, responding flexibly to business issues and supporting employees to achieve work-life balance. In addition, by introducing a staggered work commute system, store workers are able to adjust their commute times according to their individual circumstances.

#### **Outside work: Deemed working hours system**

For outside workers, we have introduced and are operating a deemed working hour system that allows employees to arrive and leave work on site. Through this, we are increasing the work efficiency of out-of-town workers and supporting them to manage their hours flexibly

### Family-friendly management

Hanssem establishes and operates policies for family-friendly management, including various maternity protection systems, to help workers balance work and family.

First of all, during the period of pregnancy of the worker or his or her spouse, welfare points are paid to both male and female employees as a gift to celebrate the pregnancy, and a two-hour reduction in working hours is applied to pregnant workers without salary deduction.

Immediately after giving birth, all executives and employees can use an additional year of parental leave in addition to the statutory one-year parental leave, and can also use systems such as shortened work hours during the childcare period and family care leave and leave.

Afterwards, during the childcare period, Hanssem employees can use the daycare center within the company building. The daycare center is operated directly by the company and provides a high-quality childcare environment and educational programs, allowing employees to leave their children with peace of mind and focus on their work.

#### **Certified as an excellent family-friendly company**

Hanssem has been a family-friendly company since receiving certification as an excellent family-friendly company in 2020.

Certification was extended to 2023 by maintaining and supplementing the system.

In order to be certified as an excellent family-friendly company, a certain score must be obtained, and the score is measured by dividing the degree of establishment and operation performance of a system for work-family balance into various indicators. The score measured at the time of recertification in 2023 exceeded the average score of certified companies as well as the average score of large companies, and showed particular strength in terms of parental leave use rate and subsequent return rate. This certification is scheduled to be re-certified in 2025, and in preparation for this, we are planning to establish and operate an additional system in addition to the current system. Through this, we expect to be able to increase scores in a wider range of indicators and ultimately improve the level of work-family balance among executives and employees.



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# Work life balance

## Welfare system

### Financial welfare system

#### Welfare point system

Hanssem operates a welfare point system for all executives and employees. Welfare points are a type of additional benefit that can be used like cash on the Internet or freely used in offline stores outside of restricted industries. In keeping with the recently diversified lifestyles of executives and employees, the system has been established so that they can be used in as many places as possible. Welfare points are paid annually, and vary depending on rank, but up to a maximum of 1.2 million won per year.

#### Childcare support

Hanssem supports childcare expenses of 100,000 won per month per child for current executives and employees who have children before school. All executives and employees can receive support for childcare expenses up to the year before school starts by applying once upon the child's birth.

#### Children's tuition support

Hanssem provides tuition support to employees' children every quarter according to their life cycle. School expenses are provided from the child's elementary school until the time he or she enters university, and the system is operated so that the amount of support increases as the child's age increases.

#### Loan support for home purchase and rental funds

Hanssem provides interest support for 5 years, up to 2 million won per year, for the amount exceeding 3% of the loan interest rate for employees to purchase or lease a house.

#### Medical expenses support

Hanssem supports medical expenses for employees and their families in case of illness or injury. Group insurance that covers actual losses, cancer diagnosis, treatment, surgery, death, etc. is applied to the employees themselves, and a certain amount of money is supported through the resources of the employee association depending on the medical expenses incurred for the immediate family members of employees who have joined the employee association for more than one year. there is. In addition, if an injury or illness occurs to an employee while on the job, we classify it as an official-related illness and provide support for the overall treatment costs.

### Non-financial welfare system

#### Company club

Hanssem supports employees in running in-house clubs. Hanssem executives and employees interact with executives and employees of various organizations through in-house clubs to experience new fields and develop individual capabilities. Currently, 26 clubs are operating in various fields such as sports, handicrafts, and reading. More than 600 executives and employees are participating in clubs tailored to their individual needs, and Hanssem has established a communication bulletin board to promote in-house clubs and encourages them to promote club activities.

#### In-house psychological counseling room

Hanssem operates an in-house psychological counseling center to help employees resolve psychological problems caused by work stress and personal grievances. In addition, we also support face-to-face counseling through external agreement centers and non-face-to-face counseling through video, phone, and chat so that employees who need counseling can use it anytime, anywhere without burden. We also provide psychological counseling services not only to executives and employees, but also to their immediate family members.

#### Employee and family health check-up

To ensure the health of our employees, Hanssem supports comprehensive health checkups every year for all employees. In addition, we support employees' family members to get tested at the same price. In addition, health check-up days are treated as official fees, and a system is in place so that employees can receive check-ups without burden.

#### Family day vacation

Hanssem provides two days of family leave each in the first and second half of the year to employees who have been employed for more than one year. In addition, we provide 200,000 won in vacation expenses when taking family vacations, encouraging employees to get enough rest and recharge with their families.

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# Win-Win Labor-Management Relations

## Labor-management relations system

### Labor union

Hanssem strives to establish labor-management relations that appropriately consider the interests of employees by maintaining fair wages and working conditions in cooperation with the labor union. To this end, we continue to lead dialogue between labor and management based on mutual respect and cooperation.

The labor union represents the opinions of workers and strives to negotiate wages and working conditions. In addition, the company constantly monitors whether the company complies with labor laws and related regulations, and provides related training and information to workers on a regular basis. Through cooperation with the labor union, Hanssem contributes to creating a better working environment, increasing employee participation and satisfaction, and ultimately creating social value as part of sustainable management.



No dispute between Hanssem Labor and Management for 44 years

#### Union membership status

Classification	Unit	2021	2022	2023
Number of members eligible for union membership	Person	227	253	229
Number of union members	Person	227	253	229
Union membership rate	%	100	100	100

### Labor-Management Council

Hanssem's labor-management council is a consultative body established for workers who do not belong to a labor union for the purpose of communication between labor and management.

The labor-management council is operated in accordance with the 'Labor-Management Council Operation Regulations'. The Labor-Management Council deliberates and decides on major agenda items through regular quarterly meetings, and is comprised of three worker representatives who secure representation through direct, secret, and anonymous voting. In addition to regular meetings, worker representatives meet in person with various members of the company every month to understand overall grievances and suggestions, and major issues are put forward as important agenda items and actively reflected in the establishment of the company's systems and policies.

#### Labor-Management Council Key Agenda Items

Date	Main agenda	Result
1Q. 2023.01.	23rd Labor-Management Council Workers' Committee and Workers' Representative By-election	-
2Q. 2023.05.	Request for support for remote work expenses	Support for remote locations within internal standards for personnel transferred to local direct sales outlets
3Q. 2023.08.	Remodeling Employee DC Standard Changes	Considering amendments instead of abolition
4Q. 2023.12.	Request for review of whether to expand the multi-faceted evaluation cycle, etc.	Expanded operation from once a year to once every six months

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# Win-Win Labor-Management Relations

## Employee communication

### Employee communication system

#### Town hall meeting

Hanssem has been operating 'Town Hall Meetings' since 2022 to support free communication between the company and employees. In particular, starting this year, we are focusing on communication about the company's future vision and actively utilizing town hall meetings as a company-wide communication channel by expanding opportunities and channels for employees to ask questions and express opinions. Hanssem minimizes information asymmetry among employees by sharing information about the company's major performance and strategies throughout the company through town hall meetings. To increase understanding and commitment to the business, we select each organization's main agenda and discuss it. Town hall meetings are operated online so that any Hanssem employee can participate without time or location restrictions, and recorded videos of the town hall meetings are always shared with all executives and employees through the in-house bulletin board. Starting in 2024, we have established a process to share the concerns of each organizational unit with employees across the company through town hall meetings, then collect ideas and collect opinions. We expect that it will be operated to ensure active communication between the company and its employees.

#### Change Agent

'Change Agent' is a type of consultative body that serves as a communication channel between the company and executives and employees. Starting this year, we have changed the name from the existing 'Good Workplace Council' to 'Change Agent' with the intention of making changes in communication and working methods more actively. 22 Change Agents from the headquarters and affiliates were selected through voluntary application and constantly listened to the opinions of executives and employees. During 2023, approximately 600 proposals and inquiries were received, and through regular meetings, discussions were held on improvement plans for employee D.C. operation standards, renewal of the in-house groupware bulletin board, introduction of PPT common templates, changes in club operation standards, and tasks for improving corporate culture. We participated in campaign activities such as the meeting culture improvement campaign, and expressed and reflected opinions on major tasks as representatives of executives and employees.

#### In-house bulletin board system

Hanssem operates segmented internal bulletin boards such as 'free bulletin board', 'suggestion bulletin board', and 'town hall meeting bulletin board' so that executives and employees can actively express their opinions and communicate with the company.

In the case of the 'free bulletin board', it was established in 2021 and is operated to enable knowledge sharing and free communication between executives and employees.

A culture is being established where executives and employees share information with each other through bulletin boards, exchange their thoughts without pressure, and naturally talk about the company's major issues together.

On the 'Suggestion Bulletin Board' for a better Hanssem, anyone can freely write their thoughts and opinions for the development of the company in the form of suggestions, and discuss the contents of the suggestions together in the comments. Additionally, 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. Starting in 2023, in order to promote internal communication within affiliates, Hanssem's free bulletin board and suggestion bulletin board, which were open for Hanssem executives and employees, will be additionally opened and operated for affiliates' executives and employees.

Starting in 2024, we will open a 'Town Hall Meeting Bulletin Board' to share and communicate with executives and employees about the company's strategy and direction to share the topics and presentations of monthly town hall meetings. We also use it as a window to collect opinions and ideas on questions and topics from executives and employees.

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# Supply chain sustainability management

## Partner management policy

### Partner company status and sustainability management policy

#### Partner classification criteria

Hanssem is making efforts to maintain a sustainable supply chain with its partners. For internal management purposes, partners within the supply chain are classified into strategic partners, core partners, general partners, and coordination partners depending on transaction size and opportunity factors. For sustainable management purposes, we classify suppliers into raw material suppliers, product suppliers, and intermediate goods suppliers depending on the type of inventory provided by our partners.

Status of partners As of 2023

Classification	Explanation	Number (units, %)	Purchase amount (100 million won, %)
Raw materials	Purchased in raw material form before processing (PB, MDF, artificial marble, E-Stone, hardware, etc.)	93 companies (21.8%)	170.5 billion won (28.5%)
Goods	Purchase in the form of a final finished product (sofa, dining table, storage, bedroom, children's room, living room, etc.)	313 companies (73.3%)	422.2 billion won (70.7%)
Intermediate manufacturing	Purchase in a primary processed form and manufacture and consign (molding materials, subcontracting, etc.)	21 companies (4.9%)	4.7 billion won (0.8%)

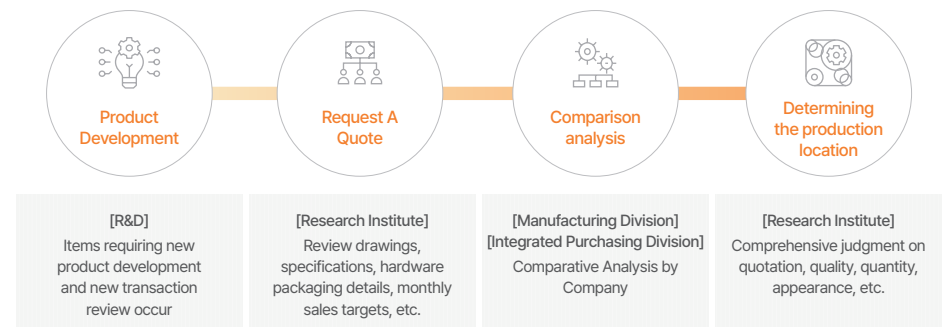
#### Supply chain sustainability management system



The Partner Code of Conduct serves as a guideline provided to Hanssem's supply partners and defines the management activities that partners must adhere to in each area. Based on this, Hanssem's supply chain sustainability management system considers labor/human rights, safety / health, environment, and ethics as the four key management areas and implements ESG evaluation of partner companies. In 2024, we plan to conduct the ESG evaluation of our partners for the first time, and based on this, diagnose and analyze the status of ESG management within the supply chain to find ways to improve sustainability within the supply chain. In addition, we plan to provide separate ESG consulting so that our partners can develop their own capabilities to respond to ESG risks based on the diagnosis, and continue to provide training to improve response capabilities in areas such as environment, labor, and safety and health.

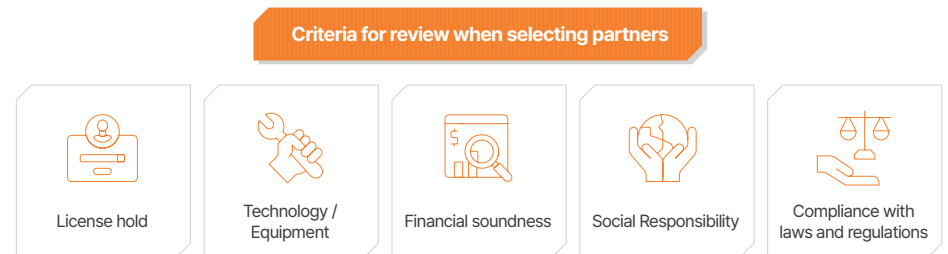
### Selection of partner companies

Hanssem ensures transparency in the partner selection process by conducting a preliminary evaluation when selecting a partner. During the preliminary evaluation, Hanssem considers partner selection factors from various aspects, including the ability to produce the products requested, delivery date, cost, quality, and financial soundness. In addition, in order to build long-term cooperative relationships, we select partner companies through an evaluation that reflects sustainability, including safety certification at the site, supply of eco-friendly products, and legal risks.



#### Practices for selecting partner companies

Hanssem ensures transparency and fairness in the selection process by establishing evaluation standards based on the 'Regulations of Practice for Fair Selection (Registration) of Partner Companies'. The main evaluation items are quality system management, financial soundness, product development ability, factory productivity, and will to grow. After selecting and notifying partners based on the evaluation items, an opportunity to file an objection is given at least 15 days.



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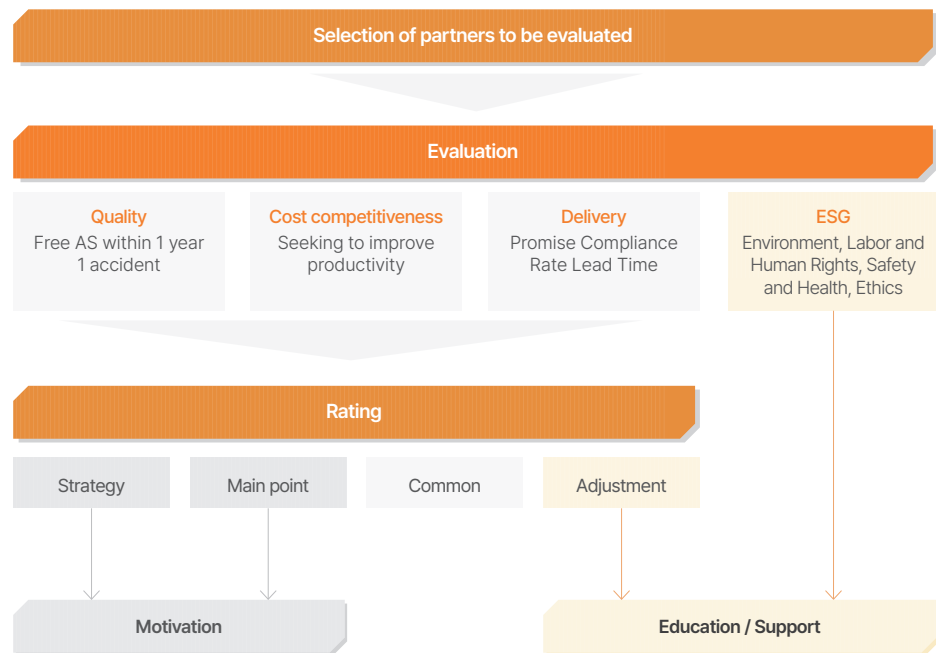
# Supply chain sustainability management

## Partner management policy

### Partner evaluation

Hanssem proactively identifies risks within its supply chain through regular supplier evaluations. The main evaluation items are quality, delivery date, and cost competitiveness, and we classify our partners according to the evaluation results. For excellent partners, we provide incentives by giving them the opportunity to participate in the production of new products. In 2024, we plan to conduct ESG evaluation of our partners in addition to the existing partner evaluation process. To this end, we have prepared ESG evaluation questions based on the partner company code of conduct, and we plan to conduct an evaluation on a total of 83 core and strategic vendors among all supply partners. Afterwards, based on the evaluation results of the relevant partner companies, we aim to improve the sustainability of the supply chain through regular monitoring and training on vulnerabilities.

#### Partner Evaluation Process



## Activities to secure supply chain sustainability

### Partner Code of Conduct

Hanssem has established a code of conduct for its partners with the purpose of building a sustainable supply chain with its partners. Through its code of conduct, Hanssem presents the scope and guidelines of ESG management activities that partners must comply with in the areas of labor, safety and health, environment, ethics, responsible raw material procurement, and management system. In addition, in order to ensure that the code of conduct operates effectively, we recommend that you include a pledge to comply with the partner company code of conduct in your purchase contract and comply with it.

[Partner company code of conduct](#)

#### Key items of the Code of Conduct

Classification	Article
Labor	<ul style="list-style-type: none"> <li>Prohibition of forced labor</li> <li>Prohibition of child labor</li> <li>Compliance with working hours</li> <li>Wages and welfare benefits</li> <li>Humanitarian treatment</li> <li>Non-discrimination</li> <li>Freedom of association</li> </ul>
Safety and health	<ul style="list-style-type: none"> <li>Industrial Safety</li> <li>Emergency Preparedness</li> <li>Workplace hygiene</li> <li>Equipment safety</li> </ul>
Environment	<ul style="list-style-type: none"> <li>Compliance with environmental laws and regulations</li> <li>Pollutant management</li> <li>Efficient use of resources</li> <li>Chemical management</li> <li>Waste disposal</li> <li>Compliance with material regulations</li> </ul>
Ethics	<ul style="list-style-type: none"> <li>Anti-corruption</li> <li>Protection of intellectual property rights</li> <li>Fair competition</li> <li>Personal information protection</li> </ul>
Responsible sourcing of raw materials	<ul style="list-style-type: none"> <li>Prohibit the use of illegally harvested wood and recommend obtaining sustainability certification (FSC, PEFC) or using recycled wood.</li> <li>Recognize the impact of the leather industry on the environment and recommend using leather that has been proven to be responsibly sourced or certified by the Leather Working Group</li> </ul>
Management System	<ul style="list-style-type: none"> <li>Compliance with laws and customer requirements related to business activities and products of partners</li> <li>Compliance with supply chain code of conduct</li> <li>Designed to identify and manage operational risks related to compliance with regulations</li> </ul>

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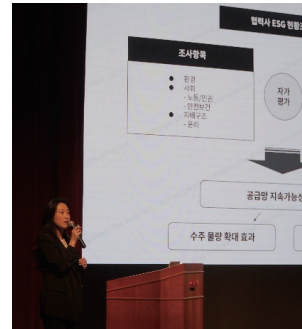
# Supply chain sustainability management

## Activities to secure supply chain sustainability

### ESG management support

#### ESG education

Hanssem holds meetings with partner companies to share future policy directions and vision. In March 2024, we held a meeting to award excellent partners and educate them on the necessity and goals of supply chain sustainability policies and the future direction of ESG evaluation. In addition, in order to enhance the expertise of executives and employees, purchasing managers were educated on trends related to supply chain sustainability and partner company ESG management policies. Through this, we tried to increase the interest and understanding of the sustainable supply chain among internal executives and employees.



#### ESG consulting support

We provide ESG consulting at no additional cost to purchasing partners who are willing to introduce ESG but are experiencing difficulties due to a lack of professional manpower and know-how. In 2023, we supported consulting on overall ESG through collaboration with Industrial Bank of Korea, and in 2024, we plan to expand the number of target partners to respond to the industrial safety system, which is a major issue.



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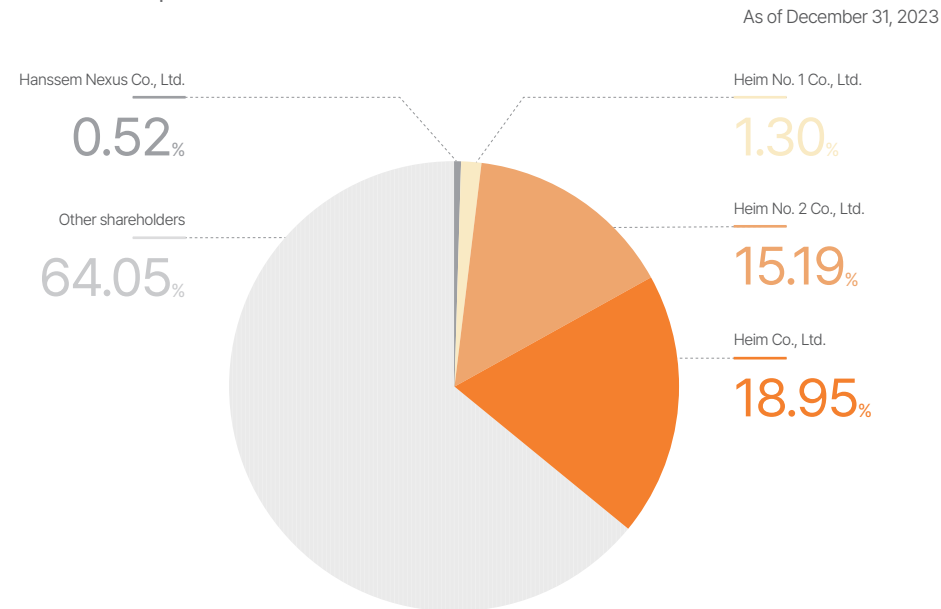
# Transparency of governance structure and stakeholder participation

## Shareholder

### Shareholder Status

As of December 31, 2023, Hanssem has 23,533,928 shares issued, of which 6,933,606 are treasury shares. Hanssem's largest shareholder is Heim Limited, of which IAM Rose Gold 4 Private Equity Limited Partnership is the largest investor. The number of shares held is 4,459,324, and the largest shareholder holds a 35.96% stake, including related parties. All Hanssem shareholders have one vote per share, and no separate classes of shares with different voting rights have been issued.

#### Shareholder composition



### Shareholder rights protection and shareholder return policy

Hanssem establishes and operates an electronic voting system, shareholder proposal rights, proxy voting, and dividend policies to guarantee the rights and interests of shareholders.

#### Electronic voting system

Starting with the 49th regular shareholders' meeting on March 23, 2022, Hanssem introduced an electronic voting system to improve shareholders' convenience. The electronic voting system is operated by entrusting it to the Korea Securities Depository, and all shareholders have the right to vote at the general shareholders' meeting through electronic voting. At the 2024 general shareholders' meeting, 1,300,862 voting rights (7.89% exercise rate) were exercised through electronic voting.

#### Shareholder proposal rights

The right to propose a shareholder is the right of a shareholder to propose to the company's directors that certain matters be made the object of the general shareholders' meeting in accordance with Article 363-2 of the Commercial Act. There are no separate restrictions in the Articles of Incorporation on the exercise of shareholder proposal rights, so they can be freely exercised. Additionally, when there is a request from a shareholder who has exercised the shareholder proposal right, the shareholder is given the opportunity to explain the relevant agenda at the general shareholders' meeting. At the 2023 regular general shareholders' meeting, shareholder proposal rights were exercised in relation to the recommendation of outside director candidates (Teton Capital Partners audit committee member and outside director candidate recommendation)

#### Proxy voting rights

In order to secure a quorum for voting and to facilitate the exercise of shareholders' voting rights, Hanssem recommends proxy voting for all shareholders listed in the shareholder register on the record date of rights confirmation. In addition, in order to facilitate the smooth exercise of proxy voting rights, in accordance with the Capital Markets Act, proxy forms and reference documents are prepared and posted on the electronic disclosure system at least two business days prior to the start date of the solicitation, and related information is posted on the company's website at the same time.

#### Interim dividend policy

Hanssem changed its Articles of Incorporation at the 49th Extraordinary General Meeting of Shareholders in December 2021 and established the basis for quarterly dividends. We have established a shareholder return policy to enhance shareholder value by implementing quarterly dividends starting from the first quarter of 2022. In addition, Hanssem plans to maintain the quarterly dividend policy in the future and set the annual dividend payout ratio at 50% based on consolidated net income.

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# Transparency of governance structure and stakeholder participation

## Board of Directors

### Board of Directors Management

Hanssem's Board of Directors is the highest decision-making body and determines important matters for the company, including establishing the company's management goals for the benefit of the company and shareholders in accordance with relevant laws and board operating regulations. Hanssem posts information such as the company's articles of incorporation and major resolutions of the board of directors on the company website, and regularly discloses board-related materials that are required to be disclosed by law on the Financial Supervisory Service's Electronic Disclosure System (DART).

#### 2023 Board of Directors Management Performance



#### Board of Directors Composition

Classification	name	gender	Affiliation Committee	First appointment date	Expiration date
Other non-executive directors	Lee Hae-Joon	Male	Outside Director Candidate Recommendation Committee	January 2022	January 2025
	Song In-jun	Male	-	January 2022	January 2025
	Kim Jung-gyun	Male	Insider Trading Committee, Compensation Committee, CEO Nomination Committee	January 2022	January 2025
	Yoo Heon-seok	Male	ESG Committee, Investment Review Committee	March 2023	March 2026
Outside director	Cha Jae-yeon	Female	Audit Committee, Internal Transaction Committee, Outside Director Candidate Recommendation Committee	January 2022	January 2025
	Kim Sang-taek	Male	Audit Committee, Compensation Committee, Outside Director Candidate Recommendation Committee, Investment Review Committee, CEO Candidate Recommendation Committee	January 2022	January 2025
	Choi Chun-seok	Male	Audit Committee, ESG Committee, Outside Director Candidate Recommendation Committee	January 2022	January 2025

### Board of Directors Expertise

#### Board member training

Hanssem provides relevant training to outside directors to increase their understanding of the company's management practices and develop the capabilities necessary to perform their duties.

Training date	Education provider	Main training contents
June 22, 2023	External expert (Deloitte Group Korea Corporate Governance Development Center)	1. ESG supervision of the board of directors considering the domestic environment 2. Role and responsibility of the audit committee in internal control supervision 3. Trends in global boards of directors and audit committees as seen through survey results
July 3, 2023	External expert (Samjeong KPMG Audit Committee Support Center)	1. Case study on the role of the audit committee in supervising the independence of external auditors and discussing key audit matters 2. Case study on the role of the board of directors in M&A decision-making 3. Case study on ESG management and board activities 4. Shareholder activism and the board paradigm

#### Appointment of outside directors with expertise

In order to form a professional outside director group, Hanssem selects outside director candidates through the Outside Director Candidate Recommendation Committee. The Outside Director Candidate Recommendation Committee consists of one other non-executive director and three outside directors, and the outside director ratio is maintained at 75%. Hanssem's outside directors are interviewed with relevant departments to determine whether they meet the disqualification requirements for outside directors required by the Commercial Act and other related laws and whether they can make a substantial contribution to the company among a wide pool of candidates in each field based on their practical experience and expertise.

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## Board of Directors

### Independence of the Board of Directors

#### Securing independence of chairman of the Board of Directors

Hanssem is strengthening the independence of its board of directors to protect the interests of various stakeholders, including customers and shareholders. Starting in March 2022, other non-executive directors were appointed as Chairman of the Board of Directors, separating the executive officers and the Board of Directors.

#### Securing independence when selecting outside directors

Hanssem strives to ensure a correct and transparent decision-making process by securing the independence of outside directors during the selection stage. First, the Outside Director Candidate Recommendation Committee reviews the existence of a relationship of interest with the company and its affiliates from the stage of determining the group of outside director candidates to be recommended to the general shareholders' meeting. Candidates with interests are excluded from the pool of outside director candidates. Additionally, when a candidate is recommended as an outside director, the candidate's confirmation is obtained through a checklist of outside director qualifications. When the Board of Directors finalizes an outside director candidate to be recommended to the general shareholders' meeting, we ensure independence by reviewing the transaction history between the candidate and our company and our affiliates, as well as the presence or absence of other important interests. The candidate independence review process is conducted sequentially according to a pre-written checklist to avoid any bias. In order to confirm information that only the individual candidate can know, we also necessarily conduct preliminary interviews with outside director candidates.

#### Outside director stock holding policy

Hanssem also considers stock holding requirements to determine whether outside directors have an independent relationship with the company and its management. The standard for independence based on stock holdings is whether a company holds more than 1/100 of the total number of issued stocks in accordance with the special provisions for listed companies under the Commercial Act. Through this, we prevent conflicts of interest that may arise from outside directors owning excessive stocks.

### Board of Directors Compensation Policy

#### Remuneration calculation method

The compensation limit for directors who are members of the Board of Directors is determined by the Compensation Committee, and specific compensation is decided at the general shareholders' meeting. The Compensation Committee deliberates on the remuneration limit for directors and auditors to be submitted to the regular general shareholders' meeting, and payment of remuneration is determined only within the remuneration limit passed in accordance with legal procedures. Directors' remuneration in 2024 was executed within the limit (KRW 500 million) through the regular general shareholders' meeting, and the executed remuneration includes salary, severance pay, and performance compensation for outside directors.<sup>1</sup> Additionally, the Compensation Committee is deliberating on the granting of stock options to executives and employees, including management, and other compensation systems for executives and employees.

<sup>1</sup>: Other non-executive directors and representative executive officers are unpaid and calculated for three outside directors.



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# Corporate Ethics and Compliance

## Ethical Management System

### Organizational structure

With the Ethics Management Office as the responsible department, Hanssem established an ethical management culture for the company and established an ethical management organizational structure to internalize ethical awareness among executives and employees and fulfill legal and ethical responsibilities. The ethics management office, which is the department in charge, has a legal team and an audit team under it. It prevents legal risks through legal advice and contract review, improves company regulations, and provides legal education on fair trade to executives and employees. In addition, if legal disputes or lawsuits arise, we are fully responsible for them or provide support to resolve them smoothly.

#### Legal Team

The legal team prevents accidents resulting from legal violations and performs work to resolve legal disputes, including litigation, when they arise. The legal team consists of the legal department, attorney department, and compliance department. The legal department checks and manages the company's compliance with laws and regulations with the goal of minimizing company-wide legal risks. We establish and implement response plans to major legal issues, and the attorney department provides full support to the legal department's work. In addition, the legal department reviews the legal validity of contracts concluded company-wide, provides legal advice necessary for business, and supports the company's compliance control by managing lawsuits and disputes that arise. The compliance part enacts, revises, and manages company regulations. In addition, we are striving to internalize ethical awareness among executives and employees and establish Hanssem's ethical management culture by publishing evaluation reports on the 'Compliance and Ethics Index' prepared in accordance with Hanssem's compliance control standards and hosting ethical management training.

#### Audit team

The audit team performs audit work on internal processes and fair trade with partners. The audit team is largely comprised of the audit part, internal accounting part, and shared growth part. The audit department prevents losses and accidents for the company through regular, regular, and planned audits, and verifies and audits reports received internally and externally. The internal accounting part provides support for the financial area of company-wide internal accounting management system evaluation and audit. The shared growth part inspects compliance with subcontracting and fair trade laws and supports various programs for coexistence with partner companies.



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## Ethical Management System

### Ethical Management Strategy System

Hanssem established the 'Hanssem People's Pledge' as an internal regulation for proper ethical management, and based on this, the matters that all executives and employees must adhere to while carrying out company work were subdivided into 'Company Regulations' and 'Core Business Regulations', respectively. Company regulation and core business regulations are posted on the company's groupware so that all executives and employees can easily access them and internalize Hanssem's commitments. In addition, we are striving to raise the ethical awareness of our executives and employees and pursue higher corporate value by establishing and disseminating a strict zero-tolerance principle for violations of ethics regulations through the Z.T.P pledge.

#### Ethics Charter: Hanssem People's Commitment

『Hanssem People's Pledge』 was established in 2016 as a code of ethics that all Hanssem executives and employees must understand and adhere to. Hanssem's pledge largely stipulates 10 codes and detailed actions from the perspectives of customer satisfaction, coexistence with partners, and sustainable management.

- | **Pursuing precision** | We strive for excellence and pursue excellence.
- | **Keeping promises** | We always keep our promises to our customers.
- | **Customer Safety** | We put customer safety first.
- | **Field-oriented** | We practice customer satisfaction through the accomplishments and rewards of frontline workers
- | **Respect for personality** | We respect the personality and values of our executives and employees.
- | **Shared growth** | We pursue shared growth with our partners based on trust.
- | **Transparent Management** | We protect investors by practicing transparent management.
- | **Legal Compliance** | We comply with laws and regulations and respect local culture.
- | **Sustainable** | We realize sustainable growth through environmental protection and resource conservation.
- | **Contribution to humanity** | We contribute to human society by improving residential environments.

#### Zero Tolerance Principle: Z.T.P Pledge

Among the matters stipulated in the company regulations, Z.T.P (Zero Tolerance Policy) takes strict action against 'sexual grievances, financial corruption, and unfair trading practices' ① regardless of status, ② regardless of past achievements, and ③ without application of reduction regulations. Hanssem is striving to create a company without sexual grievances, a company without financial corruption, and a company without unfair transactions, and to be reborn as a safer and more transparent company by requiring all executives and employees to write a special pledge regarding Z.T.P once a year.

#### Z.T.P

- I will respect the other person, recognizing that my words and actions may cause sexual discomfort in the other person despite my intention.
- I will treat my co-workers and other people I get to know through work as human beings with equal human rights, and I will never sexually objectify or harass them.
- I will not use words or actions that cause sexual grievances (gender discrimination, sexual harassment, or sexual assault) not only in public areas such as at work, but also in private areas.
- I will not make false reports about the company's business.
- I will not engage in any actions that cause damage to the company's assets, such as embezzlement or breach of trust.
- I will not take any action for personal gain in relation to the company's business.
- I will not use abusive language or give unfair instructions to partners or related parties.
- I will not take advantage of my position to take personal advantage, such as requesting money, entertainment, or favors from partners or related parties.
- I will comply with relevant laws and regulations, including the Subcontracting Act, Fair Trade Act, and Agency Act.

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## Ethical Management System

### Hanssem Ethical Management Practice Declaration

The Fair Trade Commission recently announced that 31 furniture manufacturers and sales companies have won bids in advance for a total of 738 special furniture purchase bids ordered by 24 construction companies over a period of about 10 years (2012 to 2022). Corrective action orders were issued to the above furniture manufacturers and sales companies on the grounds that they violated Article 40, Paragraph 1, Item 8 of the Monopoly Regulation and Fair Trade Act regarding collusion by agreeing on potential candidates or sharing bid prices and a fine was also imposed. In addition, it was acknowledged that our company participated in the collusion in the purchase bid for the above-mentioned special furniture, and a significant fine was imposed.

Accordingly, our company deeply feels responsibility for having been fined and ordered corrected by the Fair Trade Commission for violating the above laws, and has officially issued an apology to prevent recurrence and practice ethical management.

Following the Fair Trade Commission's investigation into the collusion of special sales furniture companies, our company appointed an external legal expert to conduct an internal investigation into allegations of bid rigging, and conducted a comprehensive forensic investigation and interviews with members of the special sales business department. In addition, we are pursuing and planning the following measures to improve the overall compliance system.

### Compliance system improvement plans

#### 1. Reorganization of internal control regulations

- (1) Revision of ethical management guidelines, reward and punishment regulations, employment rules, and establishment of anti-corruption regulations
  - Strict prohibition on collusion is specified in the ethical management guidelines (Hanssem people's pledge)
  - Corruption related to collusion has been added as a reason for disciplinary action in the reward and punishment regulations.
  - Compliance training course content added to job training regulations
- (2) Company regulations and guidelines related to collusion scheduled to be enacted and revised
  - Plan to produce and distribute detailed guidelines related to collusion

#### 3. Strengthening the internal control system and taking measures to prevent recurrence through expansion of audits/regular monitoring

- Plan to improve the usability of the online internal reporting system
- Audit and regular monitoring of employee activities and strengthen training to prevent recurrence

#### 2. Establishment of internal control organization

- Our company appoints the head of the Ethics Management Office as a compliance officer. As of April 2024, the legal team (10 members in total) and the audit team (7 members in total) are also serving as a support organization to assist the compliance officer.

#### 4. Raising compliance awareness among company executives and employees

- (1) Continuous dissemination of compliance message
  - Z.T.P declared strict measures against sexual misconduct, financial misconduct, unfair trade practices, etc.
- (2) Compliance training
  - Training for staff in the special sales division once a year
  - Strengthened by implementing once a quarter



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## Ethical management activities

### Ethics education activities

Starting in 2023, Hanssem's Legal Department Compliance Department will be responsible for planning and implementing company-wide ethical management training. Hanssem previously organized its ethics education activities around internal control education centered on internal audit cases, but from 2023, in order to implement ethics education more effectively, the content was divided into regular education and occasional education. In regular training, a training program was established to increase compliance awareness and strengthen overall ethical awareness for new employees, experienced employees, and those in new positions. Regular training provides training on 'follow-up measures and measures to prevent recurrence in the event of incidents such as internal control accidents and fair trade (collusion)' and educates on laws and procedures applicable in the actual work process to ensure ethics and safety in the work process. We wanted to improve awareness of law compliance. During 2024, we plan to increase the effectiveness of training by expanding specialized training tailored to each organization, such as fair trade, intellectual property rights, and subcontracting law, to help employees understand laws and procedures related to specific jobs and fields.

Contents of ethics education by field

Field	Education name	Education content	Education target
Legal	Fair-Trade	Legal education on contracts (opening/termination of a branch) and unfair trade practices	Sales Group
	Intellectual Property Rights	CI/BI compliance, abuse cases and countermeasures	All employees
	Claim Zero	Prevention and response to consumer claims arising at construction sites	AS job group (including affiliates)
Audit	Collusion	Fair Trade Act (Collusion) Related Legal Education Fair Trade Act Violation Case Education	Special Sales Division
	Internal Control	Internal control standards, audit results, and accident cases	All employees (including affiliates)
Compliance	Ethical Management	Hansaem's promise	All employees
Shared growth	Subcontracting Act and Mutual Cooperation Act	Introduction to the Subcontracting Act and Mutual Cooperation Act and Violation Cases	All employees (including affiliates)

### Ethics audit

Hanssem conducts ethics audit work for all business divisions and affiliates under the supervision of the Ethics Management Office. Ethics audits are divided into ad-hoc audits, regular audits (compliance ethics index inspection), and planned audits. Audit results are used as guidelines for improving existing processes and as examples of internal control training to prevent accidents, and the audit results are reported separately to the Audit Committee.

Ethics Audit Details

Classification	Ad-hoc audit	Regular audit	Planned audit
Department in charge	Audit team	Ethics Management Office	Audit team
Audit target	Company-wide	Company-wide	Company-wide
Target selection criteria	Reporting and Complaints Target	Past accident cases occurred Internal control and regulations	Topics that may cause risk by organization and function
Audit Frequency	Ad-hoc	Once a quarter	Year
Audit content	<ul style="list-style-type: none"> <li>Reporting and Civil Complaints Facts</li> <li>Corruption &amp; Illegal Acts</li> </ul>	<ul style="list-style-type: none"> <li>Whether improvements have been implemented</li> <li>Whether regulations have been complied with</li> </ul>	<ul style="list-style-type: none"> <li>Whether there is a risk</li> <li>Whether improvement is needed</li> </ul>

### Compliance Ethics Index Evaluation

Hanssem introduced the Compliance Ethics Index evaluation starting in 2022 to prevent incidents due to violations of laws and ethics regulations by upgrading the company's internal control system and improving employees' compliance ethics awareness to the highest level. The compliance ethics index evaluation is based on the compliance inspection system established in accordance with Article 542-13 of the Commercial Act and the 'Hanssem Co., Ltd. compliance control standards'. The Compliance Ethics Index evaluation is conducted on employees and organizations across the company. The evaluation indicators were largely selected as follows: ① legal affairs, ② auditing, ③ shared growth, and ④ core compliance matters in the areas of company regulations, legal risks, and employees' ethical awareness. In addition, we publish a report based on the evaluation results every year to identify the strengths and weaknesses of each organization's compliance ethics awareness and to improve and supplement any shortcomings. The internal executive and employee training program is also utilized to improve executives and employees' awareness of law-abiding ethics through case studies identified according to the evaluation.

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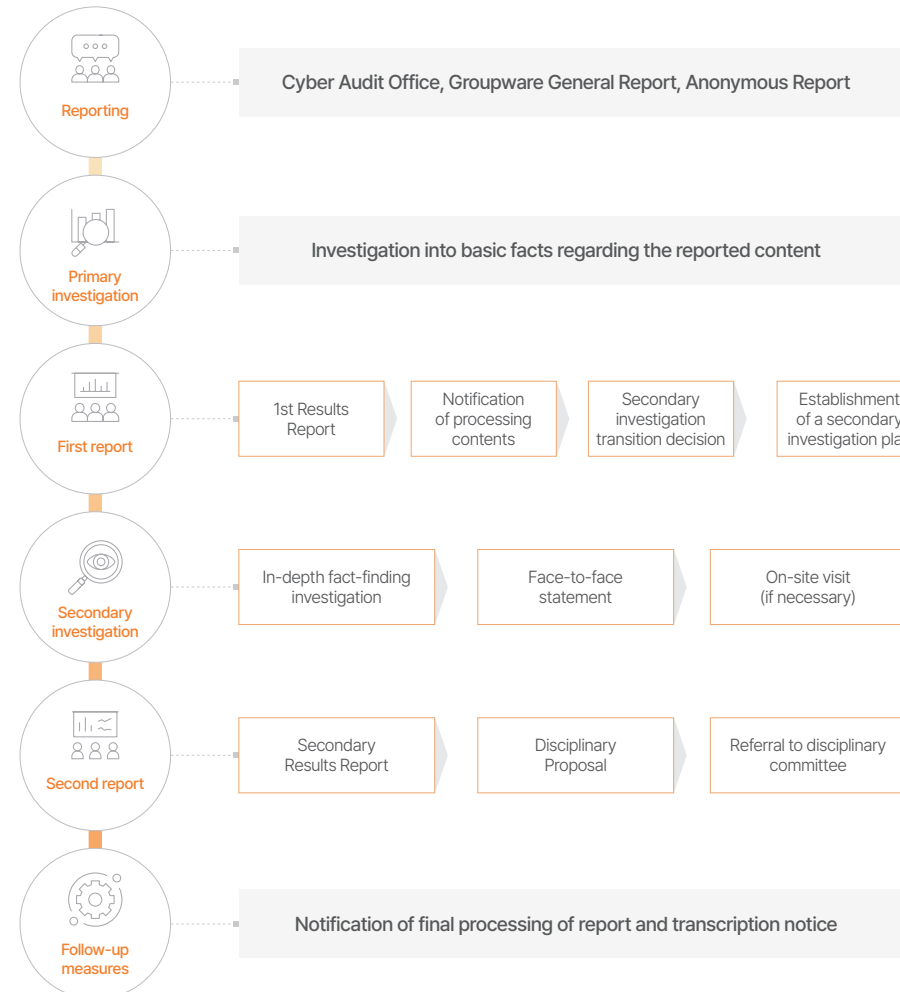
### Ethics report

Hanssem operates a system to resolve grievances arising from unethical and legal violations by establishing an ethics reporting channel for all stakeholders (customers, employees, partners, agencies, etc.). First, internal and external stakeholders can access and report unfair practices, human rights violations, and unfair demands unrelated to their jobs by Hanssem executives and employees through the 'Cyber Audit Office.' Anonymity is strictly guaranteed when submitting a request to the cyber audit office, and a representative from the audit team directly responds to details received through the cyber audit office. In addition, reports of Hanssem executives' and employees' violations of company guidelines, sexual grievances, and workplace bullying are also received through the company's anonymous reporting channel, the company groupware.

#### Whistleblower Protection Policy

In order to protect informants, the cyber audit office can check contents on a specific PC that can only be accessed by specific people in the audit team responsible for the relevant work, and related data is managed through an internal closed network that cannot be accessed from the outside. In addition, the Cyber Audit Office uses a method in which the informant directly writes down his or her identity, and submission is possible even if the reporter does not write down his or her identity. The information about the reporter listed cannot be verified even by the audit team, and even if the reporter does not report anonymously, if the reporter is reluctant to reveal his or her identity during the investigation, the information will not be disclosed except for reporting to the head of the Ethics Management Office, and the reporter's information will be strictly protected. Protection of informants is provided by Article 13 (Reporters and Reporter Protection) of Hanssem's Reward and Punishment Regulations, Paragraph 1 (The company shall report and protect the anonymity of the person reporting the misconduct as much as possible) and Paragraph 2 (The company and its employees shall protect the reporter's (No disadvantageous measures, etc. shall be taken due to reporting), and the audit team complies with this.

#### Ethics Report Process



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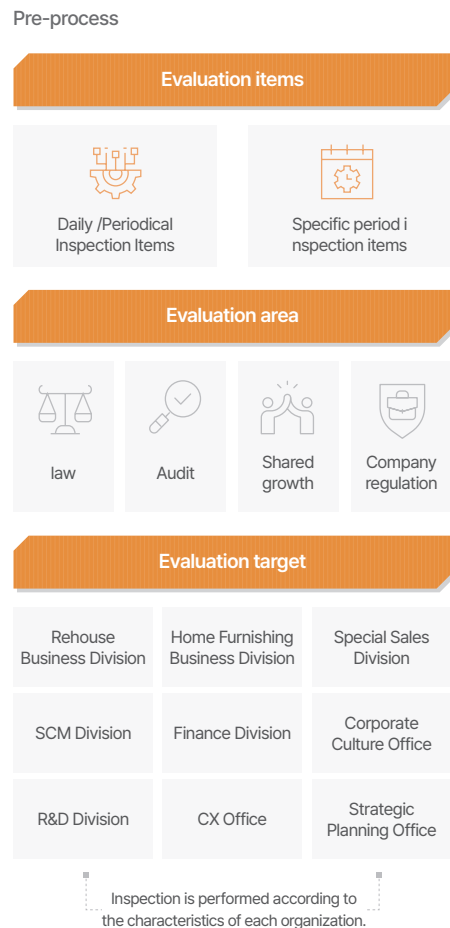
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# Integrated risk management

## Integrated risk management system

### Risk management process

Hanssem proactively sets inspection items for each department to identify risks that may arise in the company's business process and at the same time prepares a response process to respond to risk items that actually occur.



### Response by risk type

Hanssem has established a response system to respond to risks efficiently and effectively by identifying accident types for each process in the company's sales process and setting response strategies.

RISK	Accident type	Response Strategy	Response organization
Production and construction site	Safety accidents, on-site work accidents	Compliance with the safety emergency response manual of the production and logistics plant, Compliance with the logistics and construction safety management manual, and safety and health management policy	SCM Division
Environmental Health	Environmental regulatory issues	Use of 100% eco-friendly raw materials (E0), establishment of chemical substance testing standards for all products that are more stringent than domestic environmental laws	Hanssem Research Institute
Promotion	Misreporting, exaggerated reporting, reporting that is different from company policy.	Establish a press response process for each issue type	PR Strategy Team
Quality Consumer	Consumer claims, store safety accidents	Comply with the response manual for consumer claims and the store management manual	CX Office Safety and Health Office
Government policy	Intensifying market competition according to policy	Establish annual business plan based on market analysis, supplement execution strategy based on daily, weekly, monthly, and quarterly performance analysis	Each business division
IT Risk	Information Security	Information protection management system certification audit, personal information protection manual (15 management guidelines) and information protection training	Information Security Office
Finance Accounting Taxation	Internal control accident, budget abuse, financial accident	Operation of internal accounting system, compliance with financial regulations such as budget, compliance with budget, fund, and accounting decision lines	Finance Division
Legal Audit	Internal control incident, violation of fair trade laws	Reorganization of company regulation and internal regulations for each area, implementation of regular, planned audits, operation of subcontract review committee, and activities to prevent unfair trade with partners	Ethics Management Office
Personnel and Labor	Violation of Labor Standards Act, Workplace Bullying	Compliance with 52-hour workweek, periodic training, sexual harassment committee, and reporting channel	Corporate Culture Office

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# ESG Factbook

## Economic

### Financial performance

#### Summary Consolidated Statement of Financial Position

Classification	2021	2022	2023
<b>Assets</b>			
Current assets	457,545,895,284	371,956,679,283	367,823,428,368
Non-current assets	788,806,658,147	727,722,861,288	683,693,990,422
Total assets	1,246,352,553,431	1,099,679,540,571	1,051,517,418,790
<b>Liabilities</b>			
Current liabilities	391,732,959,673	463,658,975,053	522,859,212,511
Non-current liabilities	232,929,515,490	190,592,620,248	185,887,852,060
Total liabilities	624,662,475,163	654,251,595,301	708,747,064,571
<b>Equity</b>			
Capital	23,533,928,000	23,533,928,000	23,533,928,000
Capital surplus	34,323,172,358	34,620,029,211	44,382,775,911
Other capital components	(211,425,864,403)	(301,316,241,425)	(272,755,516,672)
Retained earnings	774,831,984,238	688,590,229,484	547,609,166,980
Owner's share of the controlling company	621,263,220,193	445,427,945,270	342,770,354,219
Non-controlling share	426,858,075	-	-
Total equity	621,690,078,268	445,427,945,270	342,770,354,219
Total equity and liabilities	1,246,352,553,431	1,099,679,540,571	1,051,517,418,790
Number of companies included in the consolidation	8	8	11

#### Summary consolidated income statement

Classification	2021	2022	2023
Sales	2,231,220,949,302	2,000,906,065,724	1,966,947,033,819
Cost of sales	1,659,781,706,356	1,561,690,219,991	(1,534,585,458,777)
Gross profit	571,439,242,946	439,215,845,733	432,361,575,042
Selling and administrative expenses	502,174,982,514	460,906,091,122	(430,414,966,190)
Operating profit (loss)	69,264,260,432	(21,690,245,389)	1,946,608,852
<b>Equity method profit and loss</b>			
Other income	31,562,879,623	28,498,353,773	11,554,955,158
Other expenses	16,973,064,244	91,485,785,590	(57,138,805,787)
Financial income	5,228,778,557	11,168,481,523	7,781,888,898
Financial expenses	5,737,051,933	9,951,826,129	(13,545,356,373)
Profit (loss) before corporate tax expenses	83,345,802,435	(83,461,021,812)	(49,400,709,252)
Corporate tax revenue (expense)	26,127,615,585	(12,140,389,218)	(12,754,522,255)
Net income (loss)	57,218,186,850	(71,320,632,594)	(62,155,231,507)
Owner's share of the controlling company	55,943,075,759	(71,329,858,462)	(62,155,231,507)
Non-controlling share	1,275,111,091	9,225,868	-
Other comprehensive income	3,381,387,547	16,274,315,967	(5,118,056,662)
Total comprehensive income	60,599,574,397	(55,046,316,627)	(67,273,288,169)
Owner's share of the controlling company	59,232,607,742	(55,055,542,495)	(67,273,288,169)
Non-controlling share	1,366,966,655	9,225,868	-
Basic earnings per share	3,266	(4,412)	(3,810)

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## Economic

### Economic performance

Sales at domestic and overseas business site

Classification	Unit	2021	2022	2023
Domestic business sales	Thousand Won	2,332,624,483	2,093,441,785	2,038,080,731
Overseas business sales		45,850,305	40,529,753	35,945,566
Consolidation adjustment		(146,959,485)	(133,065,472)	(107,079,263)
<b>Total</b>		<b>2,231,515,304</b>	<b>2,000,906,066</b>	<b>1,966,947,034</b>

Economic value distribution

Classification	Unit	2021 <sup>1</sup>	2022 <sup>1</sup>	2023
Shareholders and Investors	Dividend and Interest	285.1	398.6	842.7
Government	Corporate tax <sup>2</sup>	396.8	171.3	-
Employee	Wage and welfare, retirement pension	2,819	2,449	2,447
Community	Community investment	21.8	102.9	125.2
Partners	Purchase, win-win program support fund	280	230	230

1: The previous data was rewritten due to changes in the quantitative data calculation and aggregation method.  
 2: In 2023, a corporate tax refund was made and approximately 3.4 billion won was received.

## Environmental

### Environmental impact management according to product life cycle

Air pollution management Classification

Classification	Unit	2021	2022	2023
NOX		14.22	13.94	14.36
SOX	Ton	1.54	1.28	1.43
Dust		0.98	0.76	0.67
NOX average emission concentration	ppm	35.20	49.22	48.98
SOX average emission concentration	ppm	0.74	0.93	1.01
Dust average emission concentration	mg/m <sup>3</sup>	1.98	2.57	2.44

Water and wastewater management

Classification	Unit	2021	2022	2023
Total usage		140.00	127.36	131.73
Amount of recycling	Ton	135.68	123.43	123.43
Effluent discharge amount		4.32	3.93	8.30

Waste management

Classification	Unit	2021 <sup>1</sup>	2022	2023
General waste		12,183	9,934	9,523
Designated waste		39	33	87
Total waste	Ton	12,221	9,967	9,611
Waste disposal amount (Landfill + Incineration)		8,545	7,334	7,424
Amount of recycling		3,676	2,633	2,187
Recycling rate	%	30.08	26.42	22.75

1: Some omissions in the 2021 aggregate data were identified and some data were corrected.

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### Status of responsible raw materials sourcing

	Classification	Unit	2021 <sup>3</sup>	2022	2023
wood <sup>1</sup>	FSC,PEFC		-	68	62
	Other		-	32	38
Leather <sup>2</sup>	Leather Working Group	%	-	36	29
	Uncertified		-	64	71

1: Wood: Purchase amount ratio for major wood raw materials such as MDF and PB  
 2: Leather: Purchase amount ratio for major leather raw materials related to sofas  
 3: Data collection has been conducted since 2022

### Origin of raw materials

	Classification	Unit	2021 <sup>3</sup>	2022	2023
wood / paper <sup>1</sup>		%	-	100	100
Lether <sup>2</sup>			-	100	100

1: Country of origin ratio for major wood raw materials such as MDF and PB  
 2: Country of origin ratio for major leather raw materials related to sofas  
 3: Data compilation has been conducted since 2022.

### Purchasing eco-friendly raw materials

	Classification	Unit	2021	2022	2023
Purchase amount of eco-friendly raw materials		m <sup>3</sup>	263,651	249,362	227,070
Cost of purchasing eco-friendly raw materials		100 Million Won	687	740	577

1: Eco-friendly raw materials: Defined as E0 grade wood materials.

### Eco-friendly sales

	Classification	Unit	2021	2022	2023
Sales of eco-friendly products and services <sup>1</sup>		Thousand Won	19,706,226	18,255,834	15,049,799
Ratio of sales of eco-friendly products and services <sup>2</sup>		%	1.11	1.19	1.01

1: Eco-friendly products: Eco-label certified products  
 2: Eco-friendly products and services sales/total sales (separate financial statements)

### Third party eco-friendly certification

	Classification	Unit	2021	2022	2023
Products and services that have obtained third-party eco-friendly certification		Case	16	24	24

\* Environmental Label Certification

### Status of eco-friendly packaging materials

	Classification	Unit	2021	2022	2023
Amount of eco-friendly packaging materials used <sup>1</sup>		Ton	361	376	383
Eco-friendly packaging material usage ratio <sup>2</sup>		%	100	100	100

1: Eco-friendly packaging material: Synthetic resin packaging material  
 2: Amount of eco-friendly packaging material used/Total amount of packaging material used

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## Environmental

### Efficient energy management and carbon emissions reduction

#### Greenhouse gas emissions

Classification	Unit	2021	2022	2023
Direct emission (Scope1)		863	1,301	998
Indirect emission (Scope2)	tCO <sub>2</sub> eq	17,658	18,801	18,790
Indirect emission (Scope3) <sup>1</sup>		265,442	208,888	109,982
<b>Total emissions</b>		<b>283,963</b>	<b>228,990</b>	<b>129,770</b>
<b>Total Sales</b>	Million Won	<b>2,231</b>	<b>2,001</b>	<b>1,967</b>
<b>Greenhouse gas intensity<sup>2</sup></b>	tCO <sub>2</sub> eq / Million Won	<b>127</b>	<b>114</b>	<b>66</b>

1: The scope3 data prior to the previous year was rewritten as the downstream transportation cost item in the GHG Protocol was included as an upstream transportation cost item in 2023.

2: GHG emissions / sales

#### Scope 2 Emissions Details

Classification	Unit	2021	2022	2023
Power Purchase	tCO <sub>2</sub> eq	17,658	18,691	18,496
Steam Purchase		-	110	294
<b>Total</b>		<b>17,658</b>	<b>18,801</b>	<b>18,790</b>
Power Purchase Ratio <sup>1</sup>	%	100.00	99.41	98.44
Steam Purchase Ratio <sup>1</sup>		-	0.59	1.56

1: Emissions by each category/Total emissions

#### Scope 3 Emissions Details

Classification	Unit	2021 <sup>2</sup>	2022 <sup>2</sup>	2023
Goods and services purchased	tCO <sub>2</sub> eq	229,512	168,577	67,416
Capital goods		79	80	62
Other indirect emissions		642	26	789
Upstream Transportation / Logistics		28,584	31,512	31,105
Business waste disposal		46	1,769	1,391
Employee business trip		732	441	364
Employee Commute		1,375	1,576	2,829
Investment		2,004	2,088	3,641
Rent <sup>1</sup>		2,468	2,819	2,385
<b>Total</b>		<b>265,442</b>	<b>208,888</b>	<b>109,982</b>

1: Hanssem Sangam and Bangbae office building lease

2: The scope3 data prior to the previous year was rewritten as the transportation cost items classified as downstream in the GHG Protocol were included as upstream transportation cost items in 2023.

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### Greenhouse gas emissions by business unit (2021)

Classification	Unit	Direct emission	Indirect emission	Total
Bangbae, Sangam office building (management support, general affairs)		430	1,155	1,585
Stores and Business Units (RH/HF/Special Sales)		-	6,352	6,352
Logistics / AS	tCO <sub>2</sub> eq	433	1,381	1,814
Laboratory		-	206	206
Manufacturing plant(3,4)		-	8,565	8,565

### Greenhouse gas emissions by business unit (2022)

Classification	Unit	Direct emission	Indirect emission	Total
Bangbae, Sangam office building (management support, general affairs)		299	1,641	1,940
Stores and Business Units (RH/HF/Special Sales)		16	7,560	7,576
Logistics / AS	tCO <sub>2</sub> eq	693	1,066	1,759
Laboratory		-	211	211
Manufacturing plant (3,4)		293	8,322	8,615

### Greenhouse gas emissions by business unit (2023)

Classification	Unit	Direct emission	Indirect emission	Total
Bangbae, Sangam office building (management support, general affairs)		320	1,589	1,909
Stores and Business Units (RH/HF/Special Sales)		18	7,910	7,928
Logistics / AS	tCO <sub>2</sub> eq	376	1,122	1,498
Laboratory		-	126	126
Manufacturing plant (3,4)		283	8,043	8,326

### Energy usage

Classification	Unit	2021	2022	2023
Energy usage	TJ	382	413	409
Energy intensity <sup>1</sup>	TJ/ Billion won	0.17	0.21	0.21

1: Energy usage/sales (unit: million won)

## Chemical Management

### Chemical Safety

Classification	Unit	2021 <sup>1</sup>	2022	2023	
Regular warranty test results	Total number of tests	Case	-	797	495
	Number of inappropriate items	Case	-	10	12
	Regular warranty action rat	%	-	1.25	2.42
Cases where release was suspended or excluded through pre-verification	Total number of tests	Case	-	1,146	775
	Number of inappropriate items	Case	-	52	40
	Pre-verification action rate	%	-	5	5.16

1: We have been collecting relevant data since 2022.

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### Strengthening environmental management activities

#### Compliance with environmental laws

Classification	Unit	2021 <sup>1</sup>	2022	2023
The number of credible monetary and non-monetary sanctions imposed due to environmental laws	Case	2	3	3
Total amount of fines for violation of environmental laws	Won	-	-	-

<sup>1</sup>: The 2021 data has been rewritten due to changes in the quantitative data production and aggregation method.

#### Research and development investment

Classification	Unit	2021 <sup>1</sup>	2022 <sup>1</sup>	2023
Research and development costs	Won	11,140,873	14,418,385	13,229,078
Research personnel	Person	100	138	222
R&D to sales ratio	%	0.63	0.94	0.89

<sup>1</sup>: Data prior to the previous year were rewritten due to changes in quantitative data calculation and aggregation methods.

#### Intellectual Property Rights Status

Classification	Unit	2021	2022	2023
Application		52	10	5
Registration	Case	20	43	18
Total		72	53	23

#### Status of environmental education

Classification	Unit	2021	2022	2023
Number of trainees	Person	30	34	28
Training hours	Hour	26	29	28

<sup>1</sup>: Training and time for personnel responsible for ISO 14001 certification

#### Status of environmental investment

Classification	Unit	2021	2022	2023
Environmental investment costs	Million Won	732	735	636

## Social

### Personal information protection and Cybersecurity

#### Personal information protection

Classification	Unit	2021 <sup>2</sup>	2022 <sup>2</sup>	2023
Information security investment amount <sup>1</sup>	Won(%)	744,598,504	513,617,359	809,667,786
Number of complaints received regarding violations of customer privacy that were substantiated	Case	-	-	-
Total number of confirmed customer information leaks, thefts, and losses	Case	-	-	-
Training hours (per person)	Hour	1	1	1
Training personnel	Person	2,180	1,867	1,816

<sup>1</sup>: Expenses for information security and depreciation of related assets

<sup>2</sup>: Data prior to the previous year were rewritten due to changes in quantitative data calculation and aggregation methods.

### Customer satisfaction and quality improvement

#### Customer Satisfaction Management

Classification	Unit	2021	2022	2023	
Customer satisfaction management	Customer satisfaction survey results	%	88	88	87
Performance in handling consumer complaints	Number of consumer complaints received	Case	2,814	2,207	2,052
	Consumer Complaint Resolution Rate	%	94	95	95

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### Respect for human rights and diversity

#### Diversity of employee

Classification		Unit	2021 <sup>3</sup>	2022 <sup>3</sup>	2023
Women's Leadership	Percentage of women among all employees		34.4	38.1	38.78
	Percentage of women among all managers <sup>1</sup>	%	16.5	18.4	21.6
	Percentage of women among contract workers		31.7	35.3	37.9
	Percentage of women among regular employees		34.4	38.1	38.8
Other	Foreigner		15	5	3
	Veterans Affairs Staff	Person	13	10	8
	Disabled <sup>2</sup>		83	65	68

1: Manager: Defined as a person with a position of team leader or higher.

2: In the case of severely disabled persons, the calculation is doubled

3: Data prior to the previous year was rewritten due to changes in the quantitative data calculation and aggregation method.

#### Status of human rights training

Classification	Unit	2021 <sup>1</sup>	2022 <sup>1</sup>	2023
Total training hours	Hour	2,437	2,051	1,978
Number of trainees (ratio)	Person	2,437	2,051	1,978

1: Data prior to the previous year was rewritten due to changes in the quantitative data calculation and aggregation method.

### Workplace safety and health management

#### Employee Safety / Health Status

Classification	Unit	2021 <sup>3</sup>	2022 <sup>3</sup>	2023
Number of work-related injuries	Case	19	16	15
Number of deaths due to work-related accidents	Case	-	-	-
Incidence of work-related diseases (OIFR) <sup>1</sup>		-	-	0.6
Number of deaths due to work-related diseases	Person	-	-	-
Work loss accident rate (LTIFR) <sup>2</sup>		3.5	4.5	4.2
Number of cases of loss of work	Case	19	16	15
Total working hours	Hour	5,359,896	3,543,568	3,537,718
Number of workers covered by industrial accident insurance	Person	2,567	2,227	2,198

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

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

3: Data prior to the previous year was rewritten due to changes in the quantitative data calculation and aggregation method.

### Community Engagement

#### Status of participation in social contribution

Classification	Unit	2021 <sup>1</sup>	2022 <sup>1</sup>	2023
Total number of social contribution activities supported	Case	101	126	137
Total amount of support for social contribution activities	100 Million Won	21.8	102.9	125.2
Employee social contribution participation time	Hour	2,209	136	427
Number of employee participating in social contribution	Person	605	60	295

1: Data prior to the previous year was rewritten due to changes in the quantitative data calculation and aggregation method.

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### Partner Growth Together

#### Unfair trade

Classification	Unit	2021	2022	2023
Number of cases of unfair trade or unfair competition	Case	-	-	-

#### Fair Trade Education Status

Classification	Unit	2021	2022	2023
Number of employees	Person	60	74	137
Hour	Hour	2	6	6

\* Subcontracting education

#### Partner Support

Classification	Unit	2021	2022	2023
Status of win-win Fund operation	Operating Amount 100 Million Won	280	230	230
Partner support details by program	Number of partners using	44	74	95
	Amount spent	114	185	215
Complaints handling process for partners (e.g. hotline)	Number of complaints received	3	4	3
	Complaint Resolution Rate	100	100	100

### Talent Attraction and Development

#### Status of domestic employees

Classification	Unit	2021 <sup>2</sup>	2022 <sup>2</sup>	2023	
Total number of employees (domestic + overseas)	Person	2,559	2,223	2,192	
Gender	Male	1,680(65.6)	1,376(61.9)	1,342(61.2)	
	Female	879(34.4)	847(38.1)	850(38.8)	
New Recruitment	Male	366(62.5)	233(57.8)	177(59.2)	
	Female	220(37.5)	170(42.2)	122(40.8)	
	Disabled	Person	21	12	9
	High school graduate	Person	57	16	33
Job changer / retired employee	Local talent	Person	-	-	-
	Male	Person	584	302	210
	Female	Person	168	191	116
Employment type	Voluntary turnover rate <sup>1</sup>	%	90.8	84.8	91.7
	Regular	Person	2,518	2,189	2,089
	Non-regular	Person	41	34	103
	Disabled	Person	83	65	68
	Overseas	Person	15	5	3
	High school graduate	Person	274	178	183
Title	Executives	Person	43	34	32
	Higher than Manager	Person	510	537	662
Age	Lower than Junior manager	Person	2,006	1,652	1,498
	20's	Person(%)	677(26.5)	495(22.3)	376(17.1)
	30's	Person(%)	1,293(50.5)	1,196(53.8)	1,222(55.8)
	40's	Person(%)	450(17.6)	399(17.9)	430(19.6)
	More that 50's	Person(%)	139(5.4)	133(6.0)	164(7.5)
Overseas employees	USA	Person	-	-	-
	China	Person	5	4	3
	Japan	Person	3	3	2
	Other	Person	-	-	-

1: The percentage of employees who changed jobs due to inter-office transfers and membership in the total number of employees who changed jobs  
 2: Data prior to the previous year was rewritten due to changes in the quantitative data calculation and aggregation method.

#### Pension Support Status

Classification	Unit	2021 <sup>1</sup>	2022	2023
Number of members (DB)	Person	2,084	1,892	1,898
Number of members (DC)	Person	-	36	31

1: With the introduction of the defined contribution (DC) pension system from May 2022, the number of subscribers to the existing defined benefit (DB) pension system has been converted to the DC type.

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### Talent Attraction and Development

#### New employee starting salary

Classification		Unit	2021	2022	2023
New employee starting salary <sup>1</sup>	Male	10 Thousand Won	4,150	4,150	4,150
	Female	Thousand Won	4,000	4,000	4,000
Ratio of new employee starting salary to minimum wage	Male	%	150.5	143.3	147.5
	Female	%	145.1	138.1	142.2

<sup>1</sup>: Full-time office worker with a college degree

#### Employee training status

Classification		Unit	2021 <sup>1</sup>	2022 <sup>1</sup>	2023
Total number of Male trainees	Total	Person	2,477	2,154	2,086
	Male	Person	1,565	1,252	1,228
	Female	Person	912	902	858
Training hours per person	Total	Hour	32	30	23
	Male	Hour	31	31	23
	Female	Hour	32	29	23
Education cost per person	Male	Won	251,010	203,762	81,085
	Female	Won	197,794	208,540	106,199
Number of trainees by title	Executives	Person	52	43	29
	Higher than manager	Person	525	559	475
	Lower than junior manager	Person	1,900	1,552	1,582
Training costs by title	Executives	Won/Person	3,359,610	171,843	40,183
	Higher than manager	Won/Person	352,497	319,438	91,738
	Lower than junior manager	Won/Person	112,346	165,759	92,257
Training hours by title	Executives	Hour/Person	90	91	16
	Higher than manager	Hour/Person	39	30	24
	Lower than junior manager	Hour/Person	28	29	23

<sup>1</sup>: Data prior to the previous year was rewritten due to changes in the quantitative data calculation and aggregation method.

### Pursuing work-life balance

#### Status of use of childcare leave and maternity leave

Classification		Unit	2021 <sup>1</sup>	2022 <sup>1</sup>	2023
Number of people eligible for reinstatement from childcare leave (A)	Male	Person	6	17	11
	Female		31	36	44
Number of employees returning from childcare leave (B)	Male	Person	3	12	9
	Female		24	33	40
Return to work rate (B/A)	Male	%	50.0	70.6	81.8
	Female		77.4	91.7	90.9
Number of people who returned from childcare leave in the previous reporting period (C)	Male	Person	3	3	12
	Female		29	24	33
Number of employees who remain on the job for 12 months after returning from childcare leave in the relevant year (D)	Male	Person	3	0	10
	Female		27	21	30
Employment rate after childcare leave (D/C)	Male	%	100.0	-	83.3
	Female		93.1	87.5	90.9
Parental leave users	Male	Person	73	62	68
	Female		39	55	57

<sup>1</sup>: Data prior to the previous year was rewritten due to changes in the quantitative data calculation and aggregation method.

#### Annual leave usage status

Classification	Unit	2021 <sup>1</sup>	2022 <sup>1</sup>	2023
Annual leave days	Day	22,448	21,517	22,501

<sup>1</sup>: Data prior to the previous year was rewritten due to changes in the quantitative data calculation and aggregation method.

#### Employee welfare

Classification	Unit	2021 <sup>1</sup>	2022 <sup>1</sup>	2023
Amount spent	Thousand Won	19,295,422	10,752,068	6,398,348

<sup>1</sup>: Data prior to the previous year was rewritten due to changes in the quantitative data calculation and aggregation method.

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### Building win-wing labor-management relationship

#### Union membership status

Classification	Unit	2021 <sup>1</sup>	2022 <sup>1</sup>	2023
Number of members eligible for union membership	Person	250	251	229
Number of union members	Person	250	251	229
Union membership rate	%	100	100	100

1: Data prior to the previous year was rewritten due to changes in the quantitative data calculation and aggregation method.

#### Status of application of collective bargaining

Classification	Unit	2021 <sup>1</sup>	2022 <sup>1</sup>	2023
Percentage of employees subject to collective bargaining	Person	250	251	229
Number of employees subject to collective bargaining	%	9.8	11.3	10.4
Group membership number	Person	250	251	229
Group membership rate	%	100	100	100

1: Data prior to the previous year was rewritten due to changes in the quantitative data calculation and aggregation method.

## Governance

### Corporate Ethics and Compliance

#### Ethics training for employees

Classification	Unit	2021 <sup>1</sup>	2022 <sup>1</sup>	2023
Ethics education training hours	Hour	23	5	56
Number of participants in ethics education training	Person	254	70	1,021

1: Data prior to the previous year was rewritten due to changes in the quantitative data calculation and aggregation method.

#### Number of ethics reports and disciplinary actions

Classification	Unit	2021 <sup>1</sup>	2022 <sup>1</sup>	2023
Number of reports received <sup>2</sup>	Case	174	111	82
Number of disciplinary personnel	Person	40	32	18

1: Data prior to the previous year was rewritten due to changes in the quantitative data calculation and aggregation method.

2: Number of reports received through the Cyber Audit Office.

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## Greenhouse Gas Verification Statement

### 1. Verification Goal

The objectives of the greenhouse gas emissions verification (hereinafter referred to as “verification”) conducted by the Korea Standards Association are as follows:

- Verification of the calculation and standards and procedures for verification of greenhouse gas emissions within the scope of verification and their suitability
- Verification of the validity of the organization’s declaration related to greenhouse gas emissions or absorption
- Verification of the effective implementation of the organization’s greenhouse gas emissions or absorption management
- Verification of the suitability of the organization’s implementation, management, and improvement processes for calculating greenhouse gas emissions or absorption

### 2. Verification Scope

The Korea Standards Association conducted a limited assurance level verification of Hanssem Co., Ltd.’s greenhouse gas declaration for direct emissions (Scope 1), indirect emissions (Scope 2), and other indirect emissions (Scope 3).

- Reporting target: Sangam office building, Bangbae office building, 3/4 factories, logistics center (Oido/Siheung), research institute, stores and offices, etc.
- Reporting boundary: Direct emissions (Scope 1), indirect emissions (Scope 2), other indirect emissions (Scope 3)
  - Scope 1: Stationary combustion (LNG, kerosene), mobile combustion (gasoline, diesel), process emissions (waste incineration)
  - Scope 2: Externally purchased electricity and steam
  - Scope 3: Category 1. Purchased goods and services (AS, home appliances, lighting, tiles, other materials, etc.)  
Category 2. Capital goods (PCs, testing equipment, etc.)  
Category 3. Fuel and energy-related activities (purchased electricity and energy upstream)  
Category 4. Upstream transportation and distribution (raw material transportation and delivery)  
Category 5. Workplace-generated waste (waste incineration, waste landfill)  
Category 6. Employee business trips (domestic business trips using passenger cars, KTX)  
Category 7. Employee commuting (round-trip commuting using passenger cars, KTX, subways, buses, etc.)  
Category 13. Downstream leased assets (rented buildings, vehicles, and forklifts)  
Category 15. Investments (Scope 1,2 emissions of subsidiaries)
- Reporting year: January 1, 2023 - December 31, 2023

### 3. Verification criteria and guidelines

The Korea Standards Association conducted verification in accordance with international standards and domestic guidelines.

- KS I ISO 14064-1:2018, KS I ISO 14064-3:2019
- Verification Guidelines for the Operation of the Greenhouse Gas Emissions Trading System (Recent Issue, Ministry of Environment)
- Guidelines on Emission Reporting and Certification for the Greenhouse Gas Emissions Trading System (Recent Issue, Ministry of Environment)
- 2006 IPCC Guidelines for National Greenhouse Gas Inventories
- WRI (World Resources Institute) Greenhouse Gas Protocol
- Corporate Value Chain (Scope 3) Accounting and Reporting Standard (WRI)

### 4. Warranty Level and Responsibility

The Korea Standards Association provides verification of your company’s greenhouse gas emissions with a “limited level of assurance” to strengthen greenhouse gas management.

- On-site verification: Visit to Hanssem headquarters and business divisions
- Verification method
  - Interview with greenhouse gas emissions manager and field manager
  - Review of management system and data used to calculate greenhouse gas emissions during the reporting period
  - Tracking review of internal documents and basic data

(Hanssem Co., Ltd. must fairly provide information and supporting materials related to greenhouse gas emissions, and the Korea Standards Association is limited to guaranteeing greenhouse gas emissions.

### 5. Verification limits

Greenhouse gas emissions may be affected by factors such as data limitations and uncertainties in the verification scope, and may have inherent limitations.

### 6. Verification Conclusion

No errors or false information were found in the greenhouse gas emissions of Hanssem Co., Ltd. verified through the ISO 14064-3 verification procedure within the verification scope.

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## Greenhouse Gas Verification Statement

Appendix 1. Greenhouse Gas Emissions (Scope 1, Scope 2)

(Unit : tCO<sub>2</sub>eq)

Classification	Scope 1	Scope 2	Total
Management Support Office, General Affairs Team	320.735	1,588.663	1,909.398
Home Furnishing Business Division		7,186.616	7,186.646
Rehouse Business Division		723.616	723.616
SCM Division-Integrated Logistics	375.994	1,122.180	1,498.174
Hanssem Research Institute		125.764	125.764
Special Sales Division	18.184		18.184
SCM Division- Manufacturing Business Team	282.719	8,043.077	8,325.796
<b>Grand total</b>	<b>997.632</b>	<b>18,789.916</b>	<b>19,787</b>

\* Note: Final greenhouse gas emissions are expressed in whole numbers, rounded down to decimals.

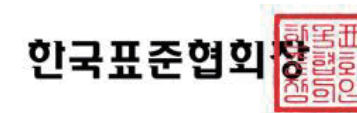
Appendix 2. Greenhouse Gas Emissions (Scope 3)

(Unit : tCO<sub>2</sub>eq)

Category	Greenhouse gas emissions
Category 1 Products and services purchased	67,416
Category 2 Capital goods	62
Category 3 Fuel and energy related activities	789
Category 4 Upstream Transportation and Distribution	31,105
Category 5 Waste generated at business premises	1,391
Category 6 Employee business trip	364
Category 7 Employee Commute	2,829
Category 9 Downstream Transportation and Distribution*	-
Category 13 Downstream leased assets	3,641
Category 15 Investment	2,385
<b>Total</b>	<b>109,982</b>

\* Category 9. Downstream transport and distribution emissions are excluded from calculation due to difficulties in obtaining third-party transport and distribution data.

June 27, 2024



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## Third party verification opinion

### Independent certifier's verification report on Hanssem Co., Ltd.'s Sustainability Management Report

#### Dear Hanssem Co., Ltd. Board of Directors

Samjeong Accounting Corporation performed a limited assurance engagement on Hanssem Co., Ltd. (hereinafter referred to as the "Company")'s 2024 Sustainability Report (hereinafter referred to as the "Report") for the period ending December 31, 2023. The scope of our assurance engagement covers the period from January 1, 2023 to December 31, 2023, and includes material issues up to and including the issuance of the 2024 Report.

#### Information on certification target

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

#### Terms of use established by the company

The reporting standards (hereinafter referred to as "reference standards") used by the company to prepare the report are the GRI established by the Global Reporting Initiative.

Because there is no generally accepted reporting framework or well-established practice for assessing and measuring sustainability information, a variety of measurement techniques are acceptable, which may affect comparability across companies and periods. Therefore, sustainability information should be reported and understood in conjunction with the criteria used by the company to prepare the sustainability information.

#### Certification Conclusion

Based on the procedures we have undertaken (see 'Summary of Work Performed as Basis for Certification Conclusion') and the evidence we have obtained, nothing has come to our attention that causes us to believe that the sustainability information included in the Company's Report for the period ending December 31, 2023 is not prepared in accordance with the Company's preparation criteria, in all material respects.

We have not undertaken any certification procedures for sustainability information relating to prior periods, including images, audio files and embedded videos, and therefore do not express a certification conclusion.

#### Inherent limitations of writing sustainability information

Sustainability information includes forward-looking information, such as climate-related scenarios, which have inherent uncertainties.

These uncertainties are due to incomplete scientific and economic knowledge about the likelihood, timing, and impact of possible future impacts.

#### Company Responsibility

The company's management is responsible for selecting and establishing appropriate criteria for preparing sustainability information, taking into account laws and regulations related to reporting sustainability information, and preparing sustainability information in accordance with the criteria. In addition, the company is responsible for designing, implementing, and maintaining internal controls over relevant information to prepare sustainability information that is free from misrepresentation due to fraud or error.

#### Responsibilities of the certifier

Our responsibility is to plan and conduct our work to obtain limited assurance that the sustainability information is free from material misstatement due to fraud or error, and to form independent conclusions based on the evidence obtained and report to the company's management. Since we are engaged in forming independent conclusions on the sustainability information prepared by management, our involvement in the preparation of the sustainability information is not permitted as it would compromise our independence.

#### Standards for the performance of duties of a certified person

We performed the certification work in accordance with ISAE 3000 (International Standards on Assurance for Matters Other than Audits and Reviews of Financial Information) published by the International Auditing and Assurance Standards Board (IAASB).

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## Third party verification opinion

### Independence and quality control of the certification

We comply with the independence requirements and other ethical requirements of the Certified Public Accountants Code of Ethics. The Certified Public Accountants Code of Ethics is based on the ethical principles of integrity, fairness, professional competence and due care, confidentiality, and professional dignity. We apply the Quality Management Standard 1 and 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 the procedures performed as the basis for the certification conclusion

We must plan and conduct our work to identify areas where material misstatements of sustainability information are likely to occur. The procedures we perform are based on professional judgment. In conducting our limited assurance work on sustainability information, we have performed the following procedures.

- Review whether it was prepared in accordance with the criteria used as the basis for preparing sustainability information
- Confirm whether the financial information included in the report was appropriately extracted from the company's financial statements that underwent an accounting audit
- Confirm the selection process for material issues considering the company's major stakeholders
- Perform an analytical procedure on the material issues selected by the company and review the significant differences identified by questioning the company's working-level personnel or obtaining related evidence
- Confirm the company's processes and systems related to preparing sustainability information by interviewing the working-level personnel responsible for providing report data at the company level
- Overall review of the presentation and disclosure of sustainability information

The procedures performed in a limited assurance engagement are diverse in nature and timing and are narrower in scope than those performed in a reasonable assurance engagement.

Therefore, the level of assurance obtained from a limited assurance engagement is significantly lower than the assurance that would have been obtained if a reasonable assurance engagement had been performed. Accordingly, we do not provide reasonable assurance as to whether the Company's sustainability information has been prepared in a material sense in accordance with the criteria, as we may not be aware of all material matters that can only be verified through a reasonable assurance engagement.

### Restrictions

This certification report has been prepared for the purpose of providing certification conclusions on the subject information of the certification and may not be suitable for any other purpose. Accordingly, we assume no responsibility for its use by third parties or for any other purpose other than the Company and its management.

Samjeong Accounting Corporation,  
152 Teheran-ro, Gangnam-gu, Seoul

CEO Kim Kyo-tae

June 27, 2024



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## GRI Standards INDEX

Hanssem published its Sustainability Report in compliance with GRI Standards 2021 for the period from January 1, 2023 to December 31, 2023.

In addition, it complied with the nine requirements stipulated in GRI 1 (2021). As of the publication date of the report, the Household Durables Sector Standard corresponding to Hanssem's industry has not been announced, so there is no separate Sector Standard applied. For material issues in Hanssem's 2023 reporting period, please refer to the 'Materiality Assessment' section of the report.

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

	Public indicators	Reporting location	Reason for non-reporting
<b>Organization and reporting practices</b>			
2-1	Organizational details	2, 6	
2-2	Entities included in the organization's sustainability reporting	2	
2-3	Reporting period, frequency and contact point	2	
2-4	Restatements of information	96~104	
2-5	External assurance	105~108	
<b>Activities and employees</b>			
2-6	Activities, value chain and other business relationships	9~11, 82	
2-7	Employees	6, 102	
2-8	Workers who are not employees	6, 102	
<b>Governing structure</b>			
2-9	Governance structure and composition	86	
2-10	Nomination and selection of the highest governance body	86	
2-11	Chair of the highest governance body	87	
2-12	Role of the highest governance body in overseeing the management of impacts	13	
2-13	Delegation of responsibility for managing impacts	13	
2-14	Role of the highest governance body in sustainability reporting	13	

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## GRI Standards INDEX

	Public indicators	Reporting location	Reason for non-reporting
<b>Governing structure</b>			
2-15	Conflict of interest	87	
2-16	Communication of critical concerns	86	
2-17	Collective knowledge of the highest governance body	86	
2-18	Evaluation of the performance of the highest governance body	87	
2-19	Compensation policy	13, 87	
2-20	Process to determine remuneration	87	
2-21	Annual total compensation ratio	N/A	As a result of reviewing laws and regulations, it may be considered sensitive personal information and therefore will not be disclosed.
<b>Strategy, Policy and Practice</b>			
2-22	Statement on Sustainable Development Strategy	4	
2-23	Policy commitments	53	
2-24	Embedding policy commitments	53	
2-25	Processes to remediate negative impacts	91~92	
2-26	Mechanisms for seeking advice and raising concerns	81	
2-27	Compliance with laws and regulations	100	
2-28	Membership Association	15	
<b>Stakeholder Engagement</b>			
2-29	Approach to stakeholder engagement	17	
2-30	Collective bargaining agreement	80, 104	
<b>Decision on major issues</b>			
3-1	Process to determine material topics	16	
3-2	List of material topics	18	
3-3	Management of material topics	19~20	

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## GRI Standards INDEX

### GRI 200, 300, 400 : Topic standard

#### Material issues

Public indicators		Reporting location	Reason for non-reporting
<b>GRI201 : Economic performance</b>			
201-2	Financial implications and other risks and opportunities due to climate change	96	
<b>GRI 206 : Anti-competitive practices</b>			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	102	
<b>GRI 302 : Energy</b>			
302-1	Energy consumption within an organization	99	
302-2	Energy consumption outside of the organization	N/A	We do not currently separately account for the amount of energy consumed by our customers or our supply chain.
302-3	Energy intensity	99	
302-4	Reduction of energy consumption	32, 99	
302-5	Reductions in energy requirements of products and services	N/A	We do not currently aggregate projected and targeted energy consumption by product or service.
<b>GRI 305 : Emission</b>			
305-1	Direct greenhouse gas emissions (Scope1)	98~99	
305-2	Indirect greenhouse gas emissions (Scope2)	98~99	
305-3	Other indirect greenhouse gas emissions (Scope3)	98~99	
305-4	GHG emissions intensity	98~99	
305-5	Reduction of GHG emissions	32, 98	
305-6	Emissions of ozone-depleting substances (ODS)	N/A	There are no emissions of ozone-depleting substances (ODS).
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	96	

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## GRI Standards INDEX

Public indicators		Reporting location	Reason for non-reporting
<b>GRI 306 : Waste</b>			
306-1	Waste generation and significant waste-related impacts	N/A	We determine that the impact on the local community due to wastewater and waste generated during the manufacturing process is not significant.
306-2	Management of significant waste-related impacts	36	
306-3	Waste generated	96	
306-4	Waste diverted from disposal	96	
306-5	Waste directed to disposal	96	
<b>GRI 403 : Occupational Health and Safety</b>			
403-1	Occupational health and safety management system	56	
403-2	Hazard identification, risk assessment, and incident investigation	58	
403-3	Occupational health services	57	
403-4	Worker participation, consultation, and communication on occupational health and safety	55	
403-5	Worker training on occupational health and safety	56	
403-6	Worker Health Promotion	57	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	57	
403-8	Workers covered by an occupational health and safety management system	101	
403-9	Work-related injury	101	
403-10	Work-related ill health	101	
<b>GRI 405 : Diversity and Equal Opportunity</b>			
405-1	Diversity of governance bodies and employees	86, 101	
405-2	Ratio of basic salary and remuneration of women to men	N/A	Employee salary information is not disclosed separately due to internal information.

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## GRI Standards INDEX

Public indicators		Reporting location	Reason for non-reporting
<b>GRI 406 : Anti-discrimination</b>			
406-1	Incidents of discrimination and corrective actions taken	N/A	There are no separate cases of discrimination in 2023.
<b>GRI 407 : Freedom of association and collective bargaining</b>			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	N/A	There are no workplaces or partners with relevant risks identified in 2023.
<b>GRI 408 : Child labor</b>			
408-1	Operations and suppliers at significant risk for incidents of child labor	N/A	There are no workplaces or partners with relevant risks identified in 2023.
<b>GRI 409 : Forced labor</b>			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	N/A	There are no workplaces or partners with relevant risks identified in 2023.
<b>GRI 410 : Security practices</b>			
410-1	Security personnel trained in human rights policies or procedures	N/A	Security officers are external contractors, and due to the nature of their industry, we are currently not providing training on Hanssem's human rights policies and procedures to external contractors.
<b>GRI 413 : Community</b>			
413-1	Operations with local community engagement, impact assessments, and development programs	61	
413-2	Operations with significant actual and potential negative impacts on local communities	N/A	No businesses were identified that would have a negative impact on the community in 2023.

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## GRI Standards INDEX

### Material issues

Public indicators		Reporting location
<b>GRI 201 : Economic performance</b>		
201-1	Direct economic value generated and distributed (EVG&D)	96
<b>GRI 202 : Market position</b>		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	103
<b>GRI 205 : Anti-corruption</b>		
205-2	Communication and training about anti-corruption policies and procedures	91
205-3	Confirmed incidents of corruption and actions taken	92, 104
<b>GRI 304 : Biodiversity</b>		
304-3	Habitats protected or restored	26

Public indicators		Reporting location
<b>GRI 401 : Employmen</b>		
401-1	New employee hires and employee turnover	102
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	79
401-3	Parental leave	103
<b>GRI 404 : Training and Education</b>		
404-1	Average hours of training per year per employee	103
404-2	Programs for upgrading employee skills and transition assistance programs	73~75
<b>GRI 418 : Customer Personal Information</b>		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	100

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## SASB INDEX

SASB (Sustainability Accounting Standards Board) standards are industry-specific sustainability accounting standards announced by the U.S. Sustainability Accounting Standards Board, which was established in 2011. SASB standards are the first to consider the specificities of each industry and systematize financially important sustainability information into 11 areas and 77 industries according to the 'Sustainable Industry Classification System (SICS)'. 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 in Manufacturing	CG-BF-130a.1	(1) Total energy consumption	33, 99
		(2) Proportion of external power purchases (grid electricity) such as solar power in energy consumption	
		(3) Proportion of renewable energy procurement in total energy consumption	
Management of Chemicals in Products	CG-BF-250a.1	Description of risk management approach for chemicals contained in products.	42~44
	CG-BF-250a.2	Sales percentage of products that meet VOC (volatile organic compound) content standards.	The company manages VOC content standards for all products used in indoor environments more strictly than legal/international standards.
Product Lifecycle Environmental Impact	CG-BF-410a.1	A description of how we manage our environmental impacts throughout the life cycle and produce sustainable products.	38~40
	CG-BF-410a.2	(1) Ratio of recycled waste materials (2) Ratio of recycled raw materials among input raw materials	96
Wood Supply Chain Management	CG-BF-430a.1	The proportion and management method of certified wood among the wood purchases	41, 97

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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 proactively respond to climate change. Recognizing the importance of economic decision-making for climate change response, TCFD developed an international information disclosure framework that requires companies to disclose climate change-related financial information in four areas: corporate governance, strategy, risk management, and indicator and target setting systems. Hanssem will actively participate in these international demands and make greater efforts to respond to climate change.

Recommendation classification	Recommendation Contents	Status	Reporting location
Governing structure	a) The Board's oversight of climate-related risks and opportunities	Hanssem established the ESG Committee under the Board of Directors in 2021. This committee, as the highest decision-making body, determines short-term and long-term ESG management strategies, including climate change risk response, and checks the progress of strategic tasks on a quarterly basis. In addition, the ESG TF, a decision-making body led by the CEO and attended by C-level executives from each field, is established to identify risks due to climate change and discuss response strategies.	29
	b) Management role in assessing and managing climate-related risks and opportunities		29
Strategy	a) Climate-related risks and opportunities identified over the short, medium and long term	Hanssem has identified and analyzed risks that may have financial and non-financial impacts on the entire business value chain due to climate change, based on their significance. Risks are divided into transition risks and physical risks, and are prioritized based on various perspectives such as business value chain impact, financial/non-financial impact, probability of occurrence, and timing.	30~31
	b) Describe the impact of climate-related risks and opportunities on the organization's business, strategy and finances.		30~31
	c) Risks and organizations related to climate change		29~31
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 identifies and separates climate change risk factors within the business value chain and continuously manages them through the process of [①Identifying risks/opportunities → ②Risk management and response → ③Monitoring and evaluation → ④Update and reporting].	33
	b) The organization's processes for managing risks related to climate change		33
	c) How the organization's processes for identifying, assessing and managing climate change-related risks are integrated into its overall risk management.		33
Indicators and goals	a) Organizational metrics for assessing climate-related risks and opportunities, along with strategic and risk management process	Hanssem has been calculating and managing greenhouse gas emissions every year since 2020. In 2022, the calculation scope of greenhouse gas emissions will be expanded to Scope 3, demonstrating its commitment to managing greenhouse gas emissions throughout the business value chain. In addition, it has established a mid- to long-term greenhouse gas roadmap and set a goal of achieving carbon neutrality by 2050 to mitigate climate change, and plans to further develop this in the future.	34
	b) Scope 1, 2, 3 greenhouse gas emissions and related risks		34, 99
	c) Objectives used within the organization to manage climate change-related risks, opportunities and performance against objectives		34

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