

2023 SM ENTERTAINMENT SUSTAINABILITY REPORT



About this Report

SM Entertainment promotes ESG management and publishes reports as a foundation for transparent communication with the company’s various stakeholders and to disclose our performances.

Reporting Period

This report covers sustainable management activities and performance for the fiscal year 2023 (January 1, 2023 - December 31, 2023). For non-financial performance, some content from the first half of 2024 is included, and for some data that requires understanding of changes, data from the last three years (2020 - 2022) is reported. However, since there were some changes in governance in March 2024, the related content is reported as of March 31, 2024. The reporting cycle for this report is one year.

Reporting Scope And Criteria

The scope of this report includes SM Entertainment’s domestic business sites and some of its affiliates (SM Life Design Group, SM Brand Marketing, Dream Maker Entertainment - three companies that carry out SM Entertainment’s album, MD, and concert businesses).

This report was prepared in accordance with the GRI (Global Reporting Initiative) Standards 2021, an international reporting guideline for sustainable management, and it reflects indicators of the UN SDGs (Sustainable Development Goals), a sustainable management initiative. Financial performance was prepared in accordance with K-IFRS (Korean International Financial Reporting Standards).

Report Verification

To ensure the reliability of the report writing process and published information, the Korean Foundation for Quality (KFQ), an independent verification agency, conducted a third-party verification. The verification standard applied was AA1000AS (v3). The verification results can be found on page 93 of this report.

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 - Date of issue: June 28, 2024

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CEO Message



Dear Valued Stakeholders,
Greetings. This is CHEOL HYUK JANG and YOUNG JUN TAK, Co-Chief Executive Officers of SM Entertainment.

We are pleased to publish SM Entertainment’s third Sustainability Report. This report is a vital document for transparently showcasing SM Entertainment’s sustainable management achievements throughout 2023 and facilitating communication with stakeholders.

In 2023, SM Entertainment introduced SM 3.0, our new growth strategy, marking a significant leap forward. The launch of a Multi Production Center increased our album and digital music releases from 56 in 2022 to 64 in 2023, with physical album sales rising from 12.06 million copies in 2022 to 20.1 million copies in 2023.

Our new IP team, RIIZE, debuted and has been actively engaged in various activities. Following the debut of NCT WISH in February 2024, our new girl group and a virtual artist are scheduled to debut. Additionally, KMR, founded in July 2023 to initiate our publishing business in earnest, secured a pool of 84 songwriters and managed 1,507 songs under copyright by January 2024. With the establishment of KMR Europe in December 2023, we plan to further recruit local songwriters in North America by establishing an American subsidiary in 2024.

In addition to financial growth, we have also achieved outstanding results in non-financial areas.

First, we are committed to environmental management to respond to the climate crisis. In April 2023, We created the KWANGYA Forest to preserve biodiversity. We planted over 50 species of trees and 1,400 herbaceous plants to create a nature-friendly resting place, and its value was recognized by winning the grand prize at the Seoul Metropolitan City’s Green City Award. We are also dedicated to increasing the use of eco-friendly materials in our album and MD production and using upcycled materials for our New Year’s kits and some other MD.

We have taken steps towards implementing human rights management and foster a good workplace by operating various

in-house welfare systems and establishing human rights management principles. We have also launched the 'KWANGYA 119' website to protect our artists' rights, actively listen to fans' feedback, and collect information.

We have also innovated our governance to enhance sustainable stakeholder value. We have increased the number of external and female directors and fostered a board with independence, expertise, and diversity. Four subcommittees were formed under the board of directors. Among them, the Governance Committee deliberates and supervises our sustainable management agendas, thereby strengthening the board of directors' roles and responsibilities for sustainable management.

This year, SM Entertainment will create a great place to work and strengthen human rights management so that excellent talents can create quality content and strengthen our competitiveness. We will also pay more attention to fair trade and intellectual property protection. Environmentally, we will make various efforts to develop products made with eco-friendly materials and reduce waste. We also aim to lead more transparent and advanced governance through ethical and compliance management aligned with global sustainable management.

We kindly ask for your interest and support for SM Entertainment’s constant challenges and innovations to become a global pioneer in the sustainable cultural industry.

Thank you.

Co-CEOs
CHEOL HYUK JANG & YOUNG JUN TAK

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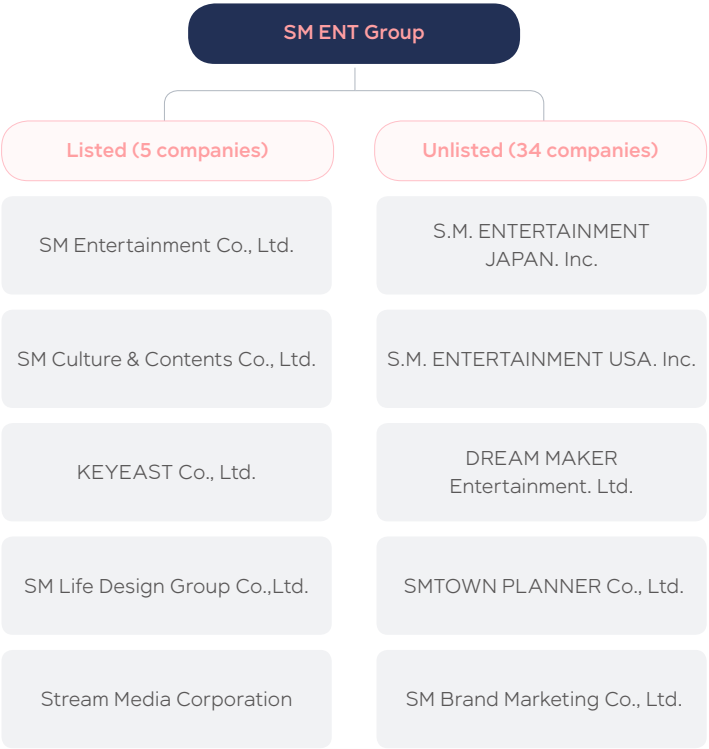


Company Overview

SM Entertainment is a pioneer in the Korean entertainment industry and a comprehensive entertainment company leading the global Korean Wave and K-POP craze. SM creates the best cultural content and entertainers by creating and utilizing CULTURE TECHNOLOGY(CT). We further develop the technology to create SM Culture Universe (SMCU) and build the global network by establishing overseas corporations in the United States, Japan, etc.

Our affiliated artists include KANGTA, BoA, TVXQ!, SUPER JUNIOR, GIRLS’ GENERATION, SHINee, EXO, Red Velvet, NCT, NCT 127, NCT DREAM, WayV, aespa, SuperM, GOT the beat, RIIZE, NCT WISH, etc.

Group Structure



Company Overview

As Of March 31, 2024

Company Name	SM Entertainment Co., Ltd.
Head Office Location	83-21 Wangsimni-ro, Seongdong-gu, Seoul
Chief Executive Officer (CEO)	CHEOL HYUK JANG, YOUNG JUN TAK
Establishment Date	February 14, 1995
Main Business	Artist Management, Album and Digital Music Planning, Production, Distribution, Publishing, Etc.
Number Of Shares	23,589,522 (common Shares With Voting Rights)
Employees	695
Assets (Consolidated)	KRW 1.4608 Trillion
Liabilities (Consolidated)	KRW 581.2 Billion
Equity (Consolidated)	KRW 879.6 Billion

Credit Rating

A0

Nice Information Service Co., Ltd.

ESG Rating

B+

KCGS

Capital

KRW 11.9Billion

Major Affiliates

Company Name	Industry	Address	Listing Status	Notes
S.M.ENTERTAINMENT JAPAN, Inc.	Holding Company	21F, ROPPONGI GRAND TOWER 3-2-1, ROPPONGI, MINATO-KU,TOKYO, JAPAN	Unlisted	Major Subsidiary
SM Culture & Contents Co., Ltd.	Advertising And Video Content Production And Distribution Entertainment Management	83-21 Wangsimni-ro, Seongdong-gu, Seoul	Listed	Major Subsidiary
SM Studios Co., Ltd.	Holding Business	83-21 Wangsimni-ro, Seongdong-gu, Seoul	Unlisted	Major Subsidiary
Stream Media Corporation	Supplying Broadcast Programs	22F, ROPPONGI GRAND TOWER 3-2-1, ROPPONGI, MINATO-KU,TOKYO, JAPAN	Listed (Japan)	Major Subsidiary

Financial Performance Summary (Consolidated)

Unit: Million KRW, As Of December 31, 2023

Classification	2021	2022	2023
Sales	701,563	850,769	961,069
Operating Income	67,520	91,007	113,463
Net Income (Loss)	133,225	82,028	82,683

Shareholder Composition

As Of March 31, 2024

Shareholder Name	Number Of Shares	Share Ratio
Kakao	4,946,821	21
Kakao Entertainment	4,554,220	19
HYBE	2,967,759	13
Treasury Stock	438,561	2
Others	10,682,161	45
Total	23,589,522	100

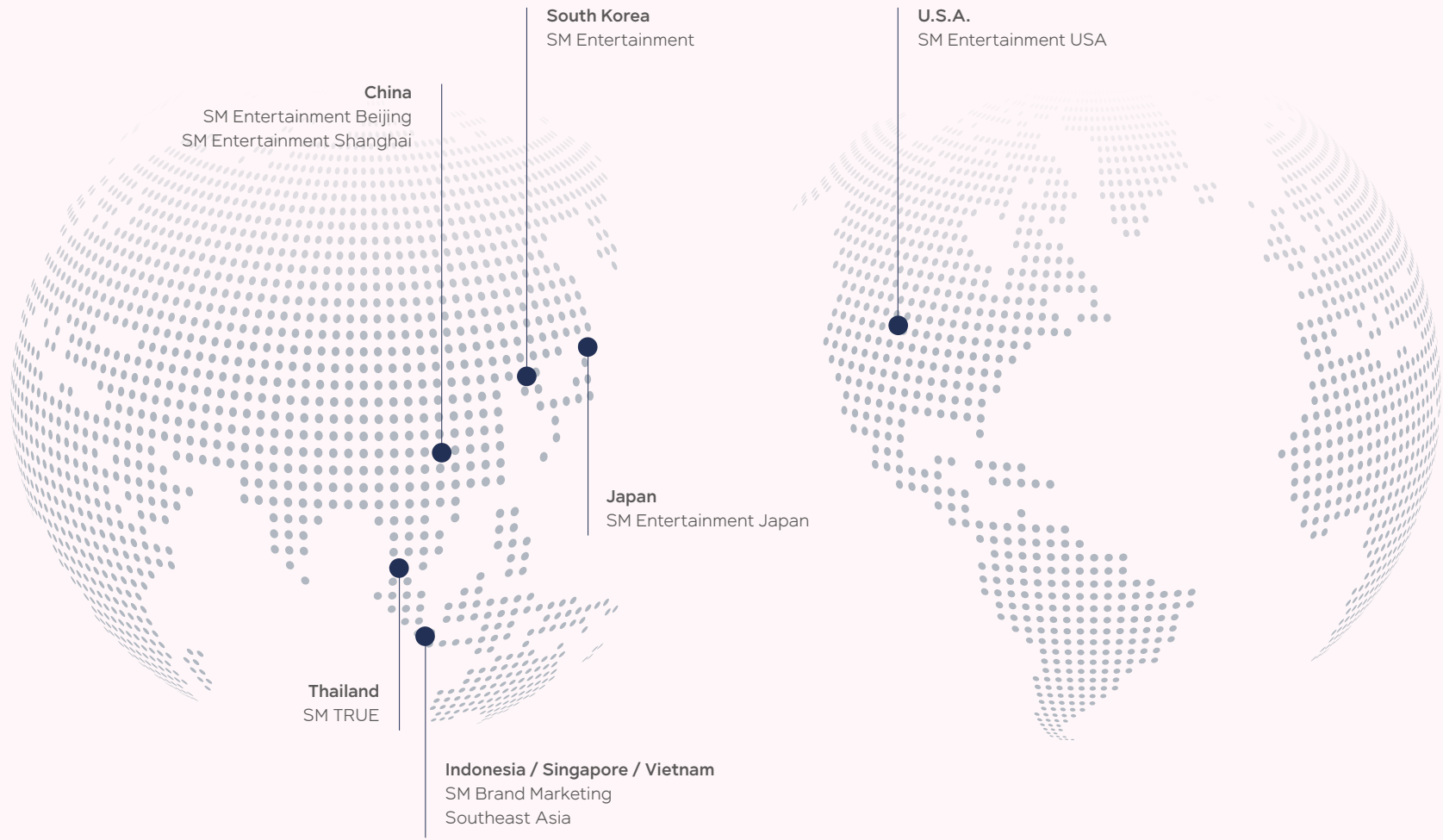


Key Milestones And Global Business Locations

Global Market Expansion

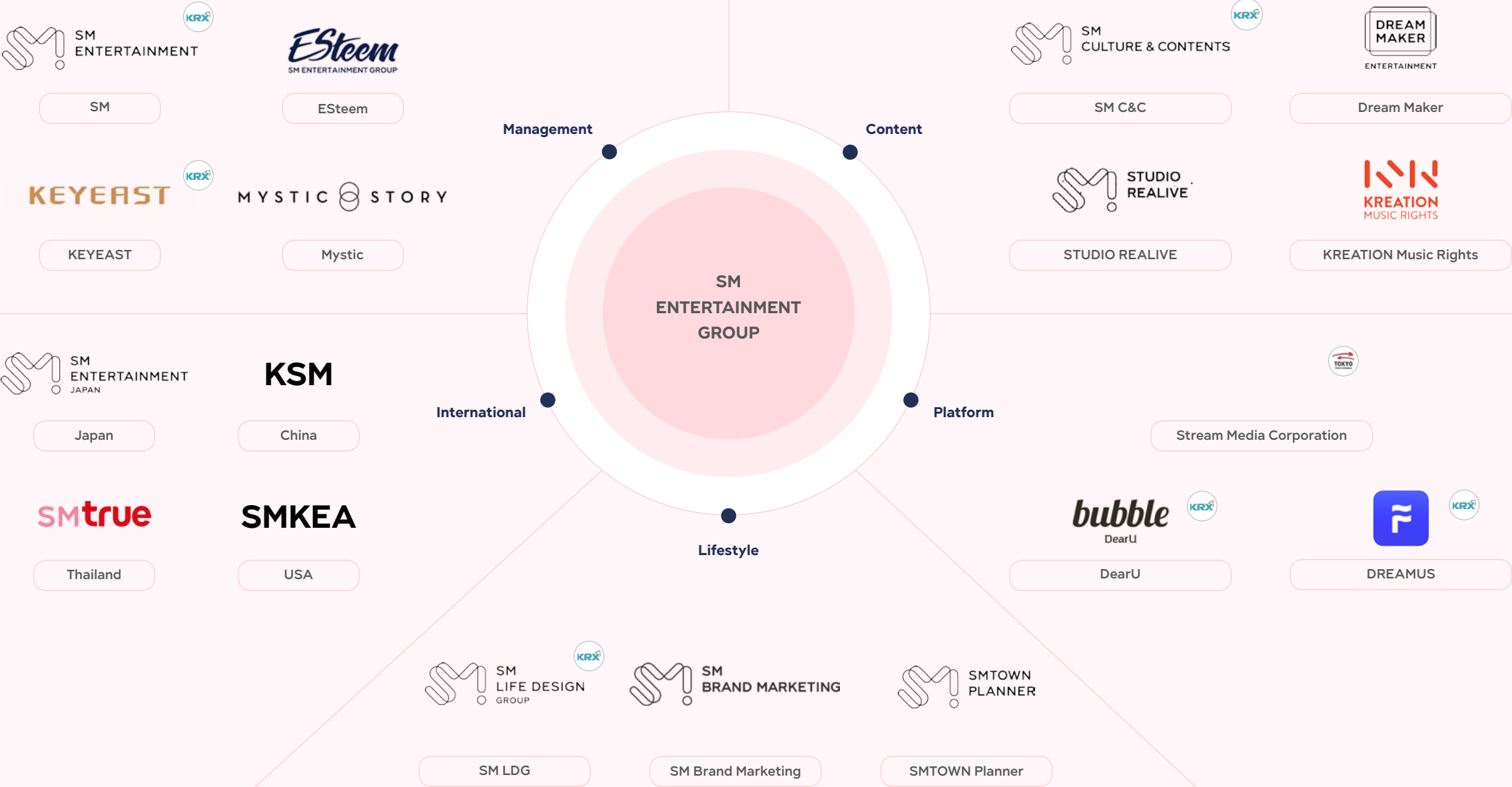
SM Entertainment plans to expand its global presence mainly into the Americas, Japan, and Southeast Asia.

● Overseas Expansion ● Business Initiative ● Artist Debut



2024	● NCT WISH
2023	● RIIZE
2022	● GOT the beat
2020	● aespa
2019	● WayV / SuperM
	● Print SM Life Design Group
	● Media Stream Media Corporation
2018	● Advertisement SM Culture & Contents
2016	● NCT 127 / NCT DREAM / NCT U
	● IT Dear U
2014	● Red Velvet
2012	● EXO
	● Contents SM Culture & Contents
2009	● f(x)
2008	● SHINee
	● Retails & MD SM Brand Marketing
2007	● Girls' Generation
2005	● SUPER JUNIOR / The Grace
2004	● TRAX
2003	● TVXQ!
2000	● BoA
1999	● Fly to the Sky
1998	● SHINHWA
1997	● S.E.S.
1996	● H.O.T.
1995	● Music SM Entertainment

Affiliate Introduction



Business Introduction

SM Entertainment is a pioneer in the Korean entertainment industry and a comprehensive entertainment group leading the global Korean Wave and K-POP craze. It devises and utilizes Culture Technology to create SM Culture Universe. Its main businesses are the music content business that plans, produces, and distributes albums, and the management business. Its subsidiaries are engaged in advertising, artist management, video content, and travel businesses.

Music

Over 3,000 world-class producers, songwriters, and composers collaborate with affiliated artists to create the best music content.

In 2023, total album sales exceeded 20 million copies, and Taeyeon, EXO, aespa, and RIIZE's songs have consistently ranked high on music charts, demonstrating meaningful results.



Concerts /Events

We hold numerous concerts and fan meetings every year. In 2023, we resumed full-scale concerts and offline events after COVID-19 and held approximately 340 concerts annually in Korea and abroad.



Content Production

We produce various contents with SM C&C, an entertainment content production company, and KEYEAST, a drama/movie content production company. Our affiliated artists are also featured in variety shows, dramas, movies, musicals, etc.

Business Introduction

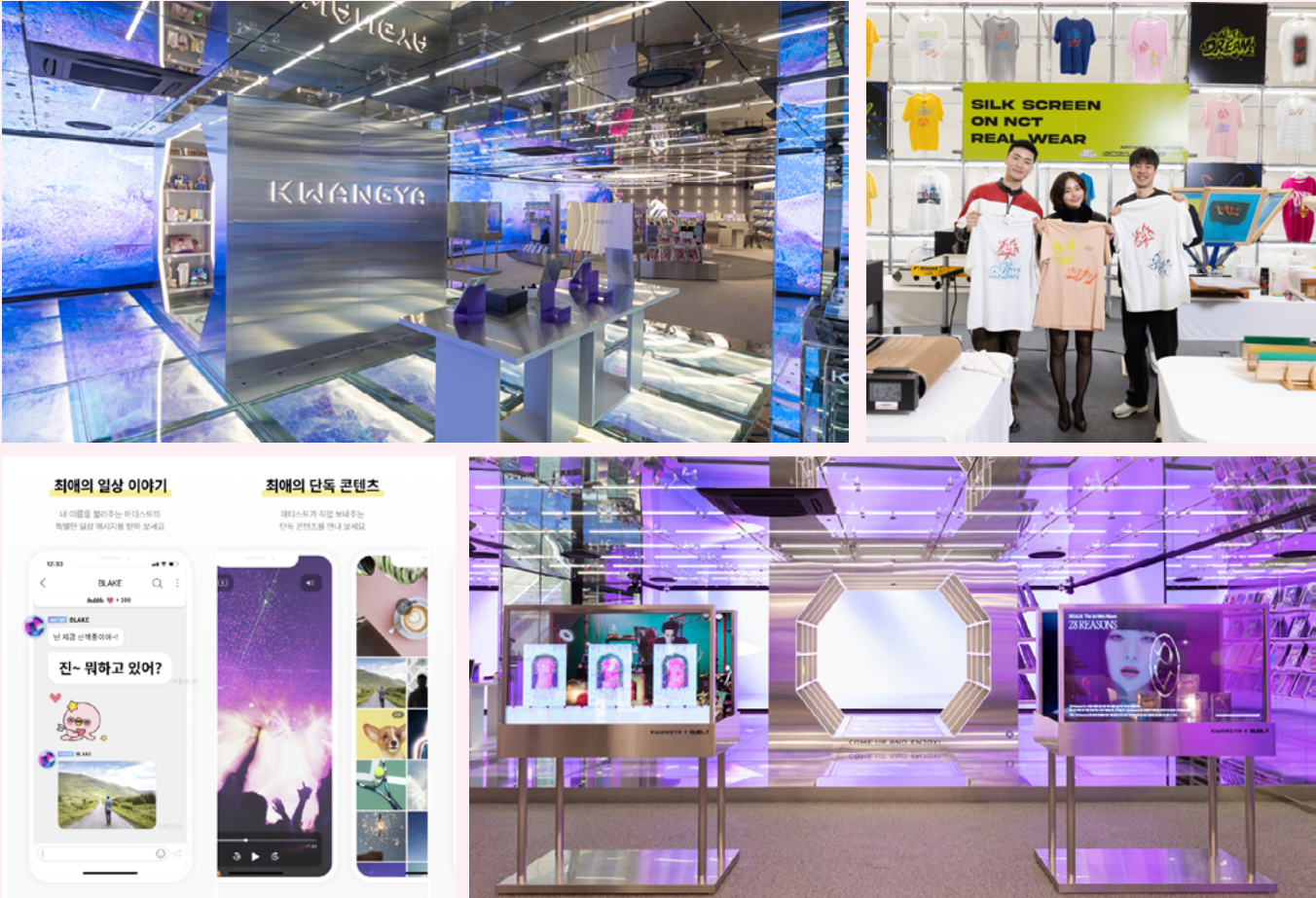
Advertising Business

SM C&C, a subsidiary of SM Entertainment, is capable of producing its own powerful, far-reaching advertisement campaigns by combining creative advertising production capacity and SM Entertainment Group's content capability and is continuously securing major clients with its expertise and diverse portfolio.



IP Derivative Business

SM operates various businesses utilizing Artist IP (Intellectual Property), such as KWANGYA STORE and the fan communication platform Bubble.



SM Label Introduction

SM Entertainment supports and encourages diversity in music by establishing and operating music labels in various genres alongside K-POP.



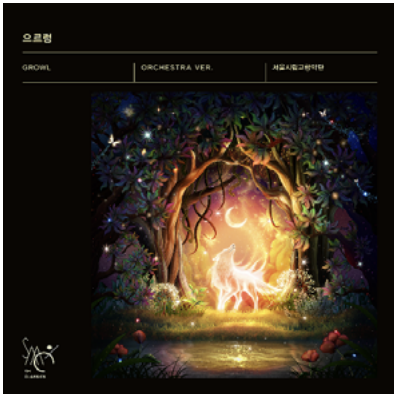
SCREAM RECORDS

ScreaM RECORDS is SM Entertainment’s EDM (Electronic Dance Music) label launched in 2016 to expand ‘Visible and Audible Performances’ into ‘Performances that Everyone Can Enjoy Together’ and pursue musical diversification. ScreaM Records leads the fresh fusion of K-POP and EDM (Dance Music) based on its businesses like digital music production and distribution, K-POP Remix Project ‘iScreaM’, affiliated DJ/Producer Management, and offline event planning and operation.



SM CLASSICS

SM Classics is SM Entertainment’s classical music label. It presents K-POP arranged in orchestral versions and various arrangements of classical music, and comprehensively covers various music genres related to classical music such as jazz, OST, and film music. It expands its musical horizons through diverse collaborations with artists.



Artist Introduction

SM Entertainment artists are raising awareness of Korean culture around the world and creating huge ripple effects in various fields such as music, acting, and fashion.

KANGTA / 1996-


EXO / 2012-


SuperM / 2019-


BoA / 2000-


Red Velvet / 2014-


aespa / 2020-


TVXQ / 2003-


NCT / 2016-


GOT the beat / 2022-


SUPER JUNIOR / 2005-


NCT 127 / 2016-


RIIZE / 2023-


Girls' Generation / 2007-


NCT DREAM / 2016-


NCT WISH / 2024-


SHINEe / 2008-


WayV / 2019-


2023 Awards



Artists

2023 Melon Music Awards

Record of the Year	NCT DREAM
Best Male Group	NCT DREAM
Best Female Performance	aespa
Global Artist	aespa
TOP 10	aespa, NCT DREAM
Millions TOP 10	aespa, NCT DREAM
Stage of the Year	SHINee
Rookie of the Year	RIIZE

2023 Circle Chart Music Awards

Digital Album of the Year	NCT DREAM
Artist of the Year	NCT DREAM, aespa
Rookie of the Year	RIIZE
World K-pop Star	NCT DREAM

2023 Brand Customer Loyalty Awards The Most Influential Figures in the People & Culture Category

Male Variety Star	NCT DOYOUNG
Male Idol	NCT 127
Male Solo Singer	KEY
Female Solo Singer	SEULGI

2023 MAMA AWARDS

Inspiring Achievement	TVXQ!
Favorite New Artist	RIIZE
Worldwide Fans' Choice	NCT DREAM

37th Golden Disc Awards with TikTok

Best Album	NCT, NCT 127, NCT DREAM
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2023 K Global Heart Dream Awards

Main Prize, K Global Reporter's Choice Artist Award	NCT TAEYONG
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2023 Seoulcon APAN Star Awards

Idol Champ Best Actress Award	LIM YOONA
Idol Champ Best Couple Award	LIM YOONA
Best Actress in a Web Drama	KIM YERIM

2023 Asia Artist Awards in the Philippines

Best Acting Performance Award & Emotive Award	SUHO
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FUNDex Awards 2023

Best TV Drama Actress Award	LIM YOONA
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33rd Seoul Music Awards

Grand Prize	NCT DREAM
Main Award	NCT DREAM, aespa, RIIZE
Rookie of the Year	RIIZE
OST Award	BAEKHYUN

2023 The Fact Music Awards

Worldwide Icon	aespa
Artist of the Year	aespa
Next Leader	RIIZE

2023 Korea First Brand Awards

Variety Idol	DOYOUNG
Best Male Solo Singer	XIUMIN
Best Drama Actress	LIM YOONA
Best Female Solo Singer	TAEYEON

28th Consumer Rights Day Awards

Actor of the Year	LIM YOONA
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2023 Brand of the Year Award

Male Variety idol in the People & Culture Category	KEY (three consecutive years)
Idol-Actress of the Year	KIM YERIM

Company

2023 Billboard International Power Players

SUNG-SU LEE CAO
YOUNG JUN TAK COO

2023 Seoul Metropolitan City's Green City Award

Grand Prize	SM KWANGYA Forest
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2023 ESG Highlights

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Creation Of KWANGYA Forest To Preserve Biodiversity

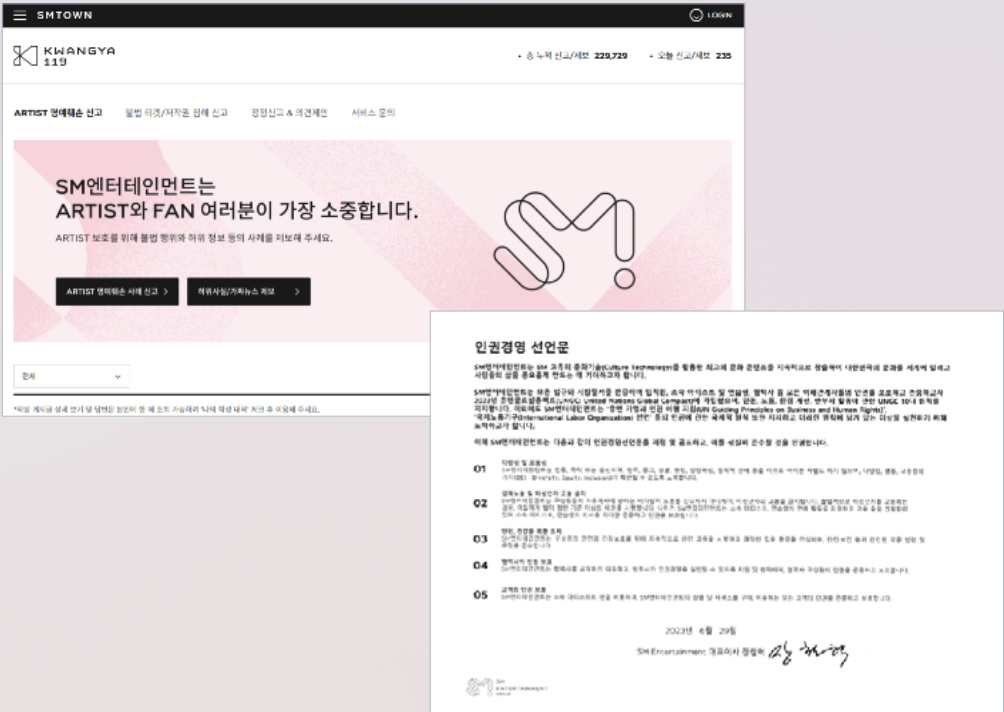
SM Entertainment created the KWANGYA Forest in Seoul Forest in April 2023 to preserve biodiversity. More than 50 species of trees and 1,400 herbaceous plants, including native plants such as primroses, hosta minor, and yellow violets, were planted to promote biodiversity in the city. Log chairs were installed to provide citizens with a nature-friendly resting space. In recognition of these efforts, the company won the grand prize of Seoul Metropolitan City's Green City Award in November 2023.



S

Establishment of KWYANGYA 119 And Human Rights Management Declaration

SM Entertainment has newly opened the KWANGYA 119 website to protect artists' human rights, listen to, and communicate with fans' opinions. As of December 2023, the service has received over 180,000 posts with a 95% response rate since its launch in June 2023. To establish a human rights management system, we have also published the Human Rights Management Declaration and posted it on our website.



G

Increase Shareholder Value Through Cash Dividends And Treasury Stock Sales

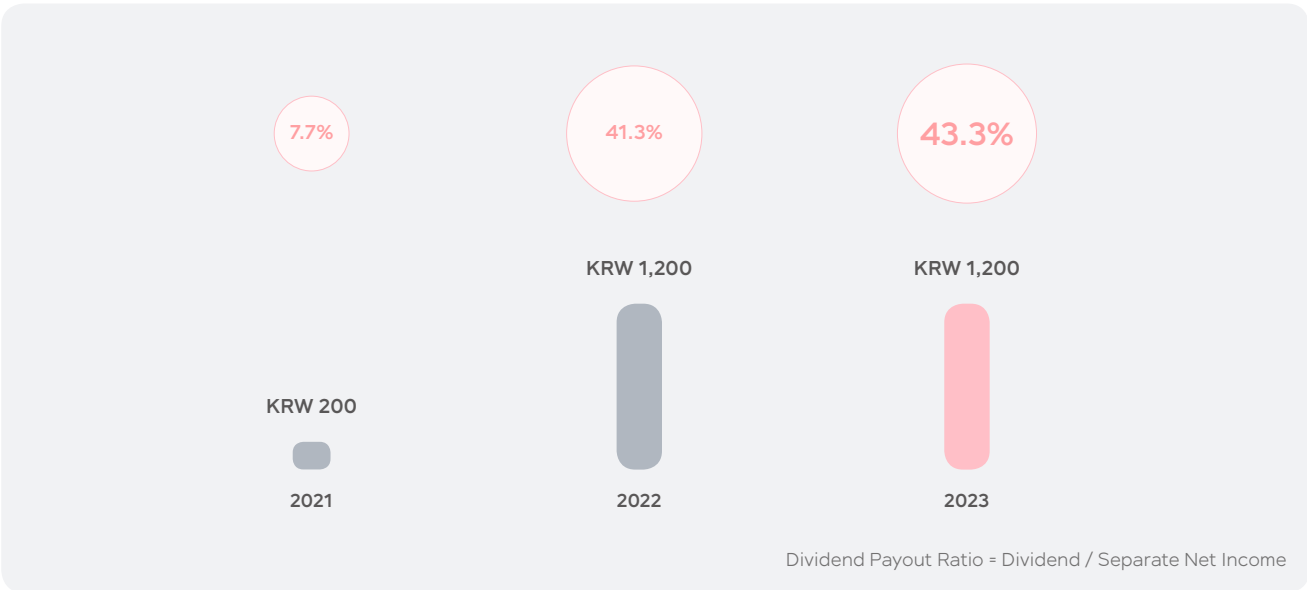
SM Entertainment announced the SM 3.0 plan in February 2023 to increase sustainable shareholder value. By implementing SM 3.0, the company increased its corporate value, introduced advanced capital allocation and shareholder return policies, and established a transparent and sound governance structure to ensure proportional benefits for all shareholders and implementation of advanced shareholder return policies. Through this, the company paid its first dividend of KRW 200 per share in 2021, followed by dividends of KRW 1,200 per share in 2022 and 2023. The dividend yield reflecting the confirmed year-end dividend is 1.4%, which is 1% higher than the KOSDAQ 150 average of 0.4%. Additionally, the company is continuing its efforts to increase shareholder value by buying back 241,379 shares (approximately KRW 19 billion) of its own shares for the first time in February 2024.

Dividends

- Dividend of KRW 1,200 per share in 2023
- Cash dividend payout ratio: 43.3% (based on separate net income)
- Considered securing investment resources, Set dividends at the same level as the previous year

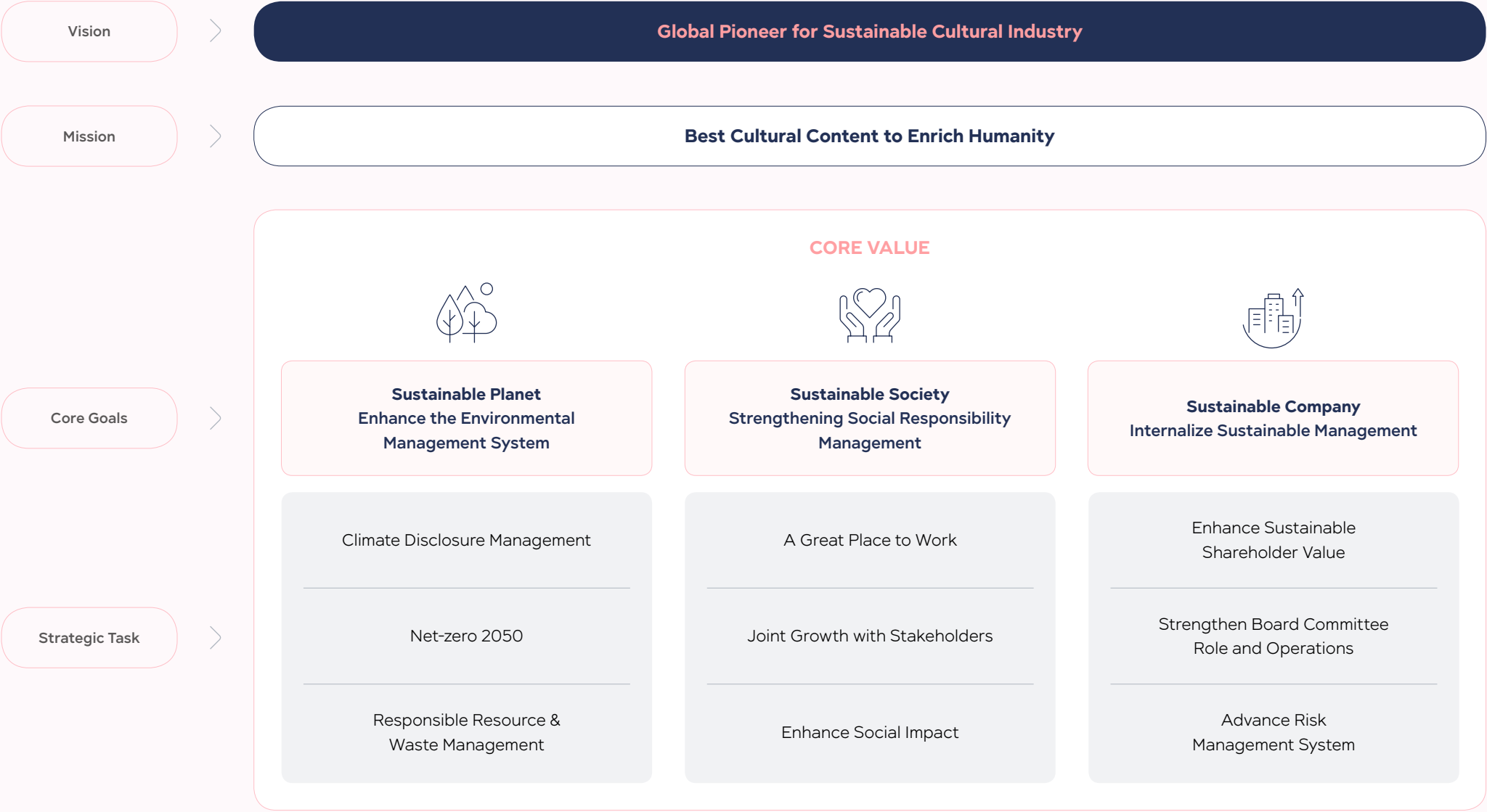
Share Buyback

- Completed buyback of 241,379 shares (February 2024)
- Increased shareholder value through buyback of previously acquired treasury shares



Sustainable Management Strategy System

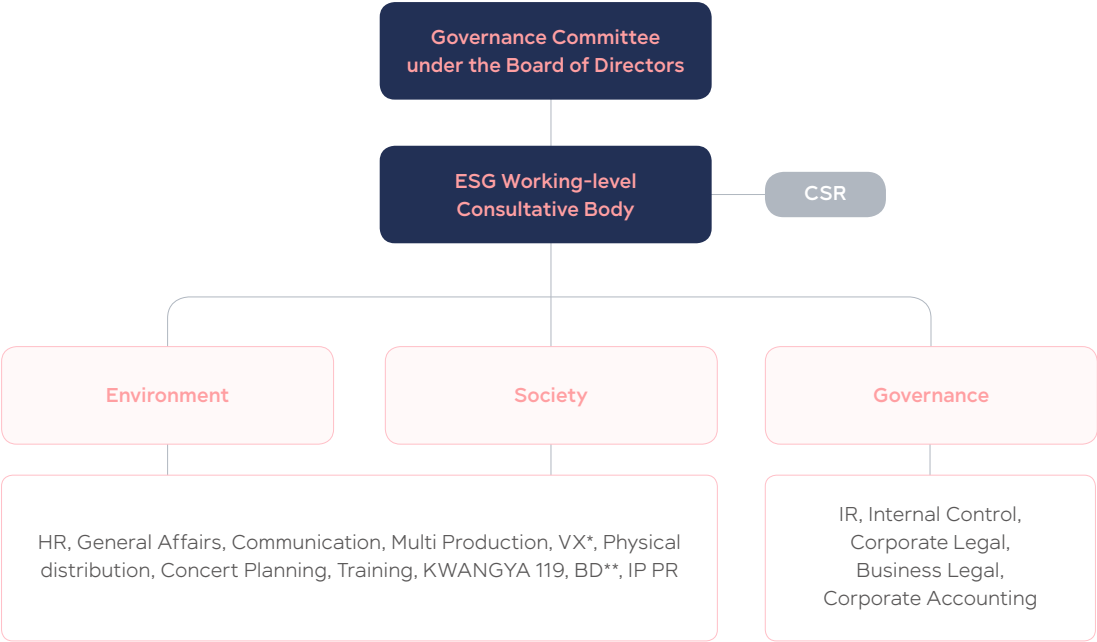
SM Entertainment has re-established its existing sustainable management strategy system in its third year of sustainable management launch. We attempt to enhance relevance with the global sustainable management guidelines and state strategic tasks more clearly to achieve our goals.



Sustainable Management Promotion System

SM Entertainment established sustainable management governance in 2023 to implement its sustainable management goals and strategic tasks. The ESG Working-level Consultative Body, consisting of heads of working departments and managers, holds regular meetings to promote sustainable management activities linked to each business. This help identify effective and specific implementation tasks for sustainable management and facilitate the sharing of their progress. The governance committee under the board of directors regularly reviews major agenda items related to sustainable management and approves mid- to long-term policies and goals for sustainable management, ethical practices, and strategies to enhance shareholder value and returns.

Sustainable Management Governance Structure



* Vision & eXperience
** Business Development

Contents of ESG Working-level Consultative Body Operation

(As of December 31, 2023)

1 2023. 2. 23. Working-level Consultative Group Training	2 2023. 3. 30. Sustainability Report Writing Workshop	3 2023. 4. 14. First Collation Of The Sustainability Report Manuscript
4 2023. 5. Review Of The Draft Of The Sustainability Management Report Manuscript And Discussion Of Supplementary Items (Email)	5 2023. 8. 30. Review Of SM Sustainability Report Discuss Future improvement tasks	6 2023. 9. 6-14. Discussion Of Future ESG Implementation Tasks
7 2023. 10. 26. Sharing Of ESG Implementation Plans By Each Department	8 2023. 11. 15. Environmental Management System ISO 14001 Practical Department Training	9 2023. 12. 5. Environmental Management System ISO 14001 Internal Evaluation Training



ESG Working-level Consultative Body

Stakeholder Communication

Classification		Communication Channel		Response Activities
 Shareholders, Investors, Analysts	>	• Shareholders' Meeting • Financial Information Disclosure • Corporate Briefing • Homepage (smentertainment.com) • IR Inquiry System (Email)	>	• General Meetings of Shareholders • IR Meetings to Activate Communication with Domestic and International Institutional Investors, Analysts, and Individual Investors • Quarterly Earnings Release Calls • Financial Performance Disclosure such as Compliance With Disclosure Obligations, etc.
 Press	>	• Press Release • Homepage (smentertainment.com) • Company& Artists SNS	>	• Press Release Distribution • Response To Inquiries and Document Requests
 Customers	>	• Homepage (smentertainment.com) • Corporate SNS • SMTOWN App • KWANGYA 119 • Press Release	>	• New Content Upload • Major Service Announcements • Fan Satisfaction Improvement • Collection of Reports and Opinions through KWANGYA 119 Site Operation
 Government/Local Government	>	• Homepage (smentertainment.com) • Corporate SNS • Business Report, etc.	>	• Hometown Love Donation System Participation • Local Business Alliance Participation • Conference
 Institutions And Communities, NGOs	>	• Homepage (smentertainment.com, smilesmf.kr) • Corporate SNS and Social Contribution SNS • Business Report, etc.	>	• Social Contribution Program Operation • Conference
 Employees	>	• Labor-Management Council • Intranet Bulletin Board • Internal Grievance Handling System (Email)	>	• Major Internal Policies And Guideline Announcement • Internal Training • Grievance Handling System Operation

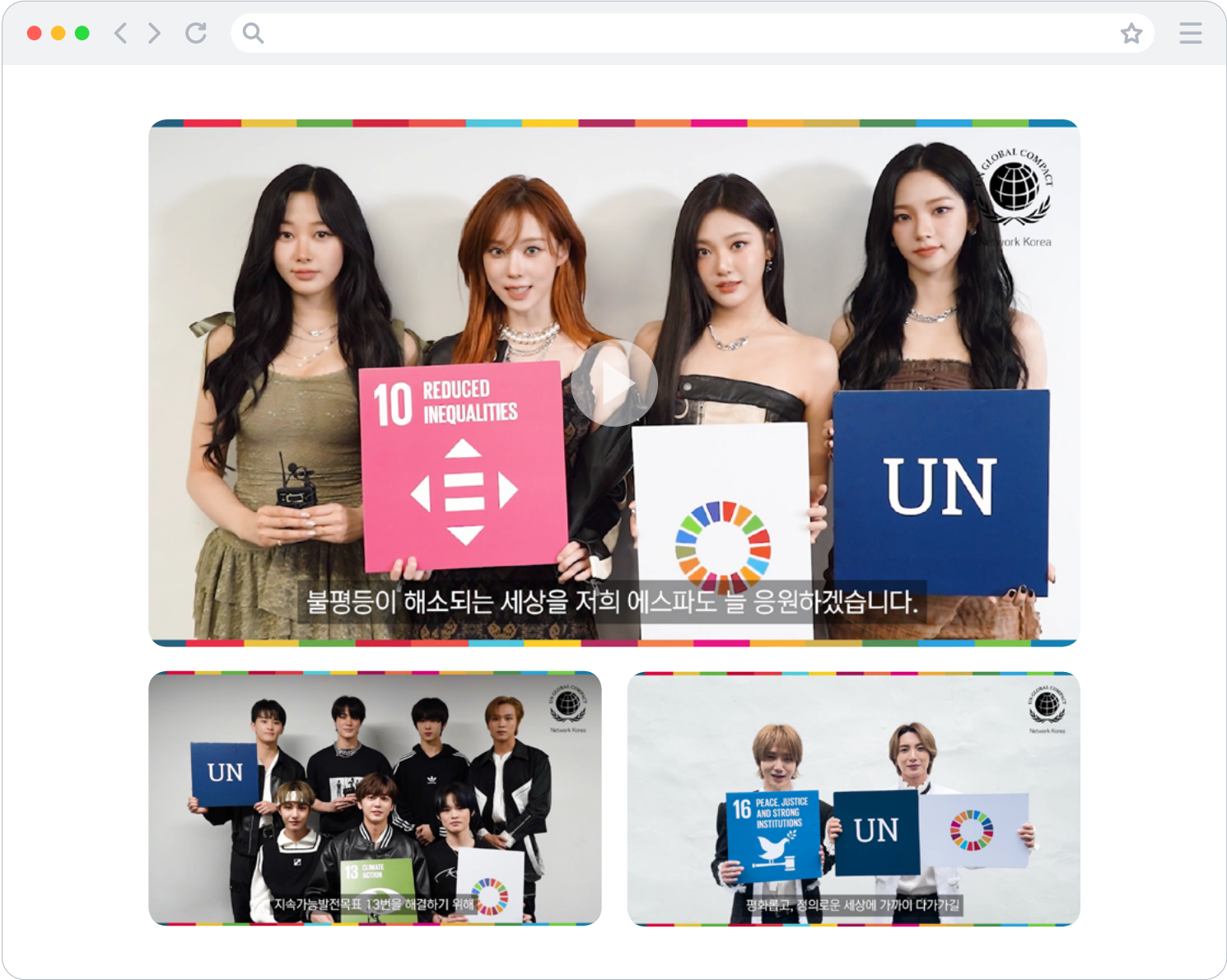
UN SDGs Implementation (Sustainable Development Goals)

SDG Goals	Targets	Key Achievements in 2023	Future Plans	Reported Location
 	7.2) By 2030, increase substantially the share of renewable energy in the global energy mix 7.3) By 2030, double the global rate of improvement in energy efficiency 13.3) Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	- Environmental management system establishment: environmental policy design and disclosure - Reduction of energy consumption - Implementation of internal environmental education	- Convert business vehicles to eco-friendly vehicles in stages - Reduce greenhouse gas emissions	p. 25-26
	12.2) By 2030, achieve the sustainable management and efficient use of natural resources 12.5) By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse 12.6) 6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	- Expansion of the production of albums and MDs using eco-friendly materials - Using FSC Mix certified paper, soy ink, and eco-friendly UV coating - Strengthened in-house waste separation - Publication of the 2022 Sustainability Report	- Increase the proportion of albums and MD production using eco-friendly materials - Use recyclable materials for concerts/ events - Introduce reusable cups to replace disposable items	p. 27-32
 	14.1) By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution 15.2) By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally 15.4) By 2030, ensure the conservation of mountain ecosystems, including their biodiversity, in order to enhance their capacity to provide benefits that are essential for sustainable development	- Creation of the KWANGYA Forest for biodiversity conservation - Organization of employee environmental volunteer activities - Use of FSC-certified products	- Expand the implementation of eco-friendly campaigns - Create content delivering environmental protection messages	p. 28-30, 31-33, 58
	8.5) By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	- Respect for diversity across employment, wages, and work within the company - Formation of a non-discriminatory organizational culture regardless of gender, nationality, or disability - Employment people with disabilities	- Continuously increase the proportion of women in management and executive positions - Develop employee skills and benefits	p. 42-46
	16.5) Substantially reduce corruption and bribery in all their forms 16.10) Ensure public access to information and protect fundamental freedoms, in accordance with national and international law. 16.b) Promote and enforce non-discriminatory laws and policies for sustainable development	- Operation of privacy and information protection system - Sustainable management strategy system establishment - Implementation of Human rights education	- Strengthen ethics and human rights education - Establish a detailed implementation plan for the sustainable management strategy	p. 15-16, 52, 61
 	4.1) By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes 4.2) By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education 17.16) Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries 17.17) Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships Data, monitoring and accountability	- Provision of quality education- SMile Music Festival - SMile for U Campaign - Partnerships - Partnership activities with the Korean Committee for UNICEF for Asian Children's Education - Social Contribution Network Happiness Alliance Activities - Allkidstra Regular Concert, the Orchestra for Children and Youth in Culturally Underprivileged Areas - Business Cooperation with YouthVoice Association to run SMile Music Festival - Business Cooperation with Arts and Human Development Association for youth emotional support using cultural technology - United Nations Global Compact (UNGC) Participating Company	- Providing quality education - Expand SMile Music Festival's education targets and fields - Expand SMile for U Campaign's target areas - Develop new programs - Partnerships - Maintain and strengthen existing partnerships - Develop new partnerships	p. 55-59

UN SDGs Implementation (Sustainable Development Goals)

SDGs (Sustainable Development Goals) Campaign

SM Entertainment respects all laws and market orders and thus joined the UNGC (United Nations Global Compact) in 2022 to protect and respect the human rights of all stakeholders, including employees, affiliated artists, trainees, and partners. Through this, SM supports and practices the ten principles of the UN Global Compact on human rights, labor, environment, improvement, and anti-corruption activities. At the Korea Leaders Summit held by the UNGC Korea Association in November 2023, SM Entertainment artists introduced human rights, labor, environment, anti-corruption principles, and the Sustainable Development Goals (SDGs) and carried out a campaign to pledge to practice them. In addition, SM Entertainment trainees learn about human rights and labor through global citizenship education every year.



Participation in the 2023 UNGC Korea Leaders Summit

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ESG MANAGEMENT

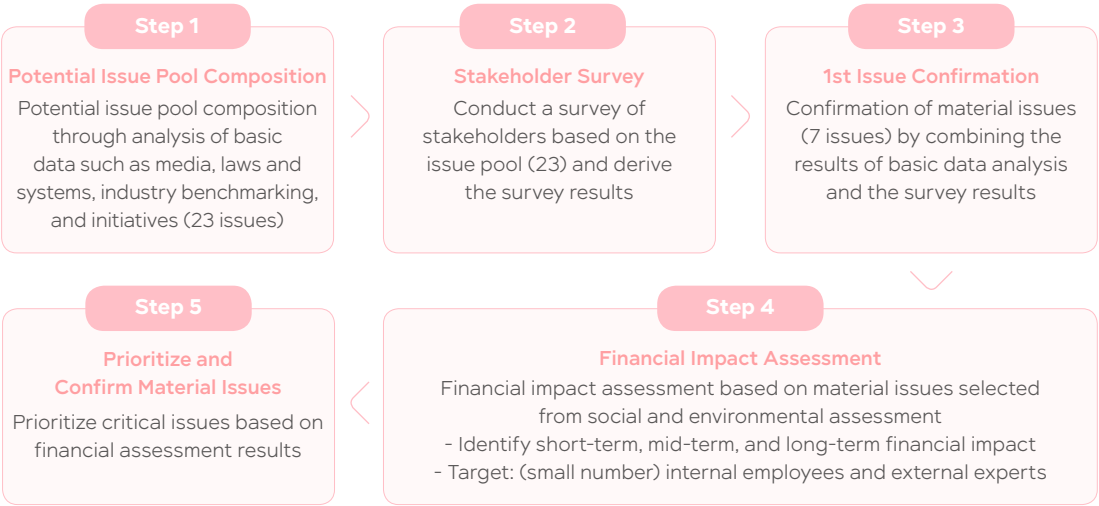
ESG DATA & GRI INDEX

APPENDIX

Double Materiality Assessment

SM Entertainment has introduced a double materiality assessment that evaluates not only the social and environmental impacts of corporate activities but also the financial impacts of non-financial factors such as society and the environment on the company with equal value, thereby identifying SM Entertainment's short-term, mid-term, and long-term risk factors and opportunity factors.

Evaluation Process



We have organized an issue pool by analyzing the external environmental demands and perceptions of SM Entertainment. We have investigated international disclosure standards, global initiatives, and the requirements of ESG assessments, as well as laws and regulations applied to the environmental industry. Additionally, we have organized a total of 23 issue pools through a comparative analysis of SM Entertainment's media issues over the past three years, its sustainability report from the previous year, and material issues of competitors in the same industry. We have selected the following major ESG material issues by quantifying the magnitude of impact on SM Entertainment caused by each factor within the issue pool and survey results of employees and external stakeholders.



The results of the analysis of financial risk factors and opportunity factors that may arise from each selected material issue are as follows.

Issue	Risk	
	Opportunity	Factor
Ethics and Compliance Management	R	- Decrease in corporate credibility when ethical risks occur - Decrease in corporate reputation and financial loss (fines, penalty, etc.) due to non-compliance
	O	- Securing stakeholder trust and increasing future corporate value through corporate compliance and ethical management - Improving mid- to long-term corporate value based on a transparent and sound governance structure
A Great Place to Work	R	Concerns about loss of promising talent and decline in content quality due to decline in employee job satisfaction
	O	Increased job satisfaction of employees and increased sales through improved job engagement and improved content quality
Guarantee of Human Rights and Labor Rights	R	- Possible violation of human rights of stakeholders due to lack of preemptive response to human rights risks - Increased costs such as fines and damage to corporate image when human rights risks occur
	O	- Creative idea generation and new market and concept development through diverse staff composition - Securing a positive corporate image and improving trust among fans by guaranteeing human rights of staff/artists
Fair Trade and Intellectual Property Protection	R	- Various legal compliance issues due to unfair trade and resulting in financial and non-financial losses - Loss of content competitiveness due to leakage of artist creations
	O	Securing content competitiveness through copyright protection for creators and thorough protection of artist creations
Environmentally Conscious Products and Services	R	Sales decrease due to negative corporate image spread caused by greenwashing issues with MD and etc.
	O	Securing an environmentally friendly corporate image and increasing fan favorability through eco-friendly MD production, content production, etc.
Enhancement of Content Quality and Competitiveness	R	Reduced artist competitiveness due to content quality and limitations in developing fan markets
	O	Securing a new fan base and strengthening artists' overseas competitiveness or facilitating entry into overseas markets through content development using new technologies
Waste Generation Management	R	Costs incurred due to failure to manage waste discharge
	O	- Reduced treatment costs due to reduced waste discharge - Securing an environmentally friendly corporate image and eco-friendly investment

We evaluated above analyzed risk and opportunity in short-term, mid-term, and long-term potential occurrence of the above risks and opportunities and the magnitude of their financial impact on SM Entertainment. SM Entertainment's management planning, group accounting, ESG practice departments, investors, and analysts who understand the relevant content and can conduct the evaluation, have participated in the evaluation.

Double Materiality Assessment

The comprehensive ranking of the short-term, medium-term, and long-term financial impacts of each material issue derived through the financial impact assessment is as follows.

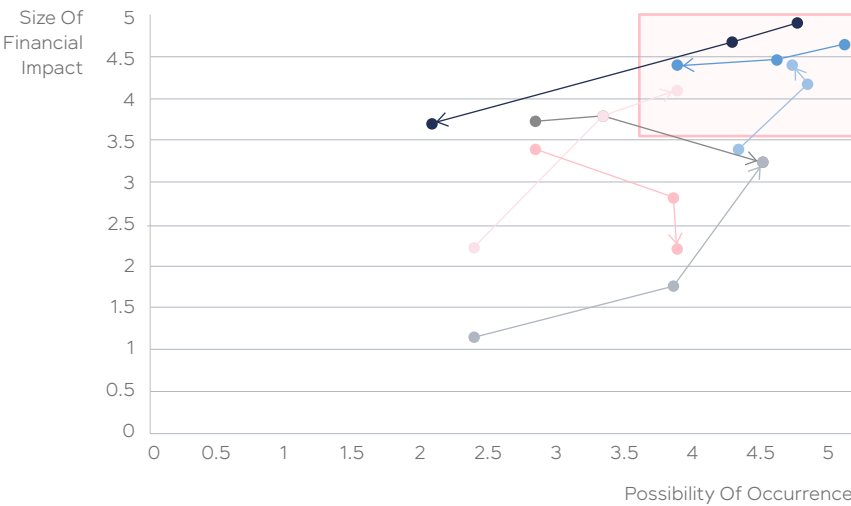
Issues	Risk & Opportunity Factor	Ranking			
		Short-term (Within 1 year)	Mid-term 2-5 Year	Long-term 6-30 year	Combined Total
Ethics and Compliance Management	R	6	12	13	10
A Great Place to Work	O	11	9	8	9
	R	1	1	2	1
Guarantee of Human Rights and Labor Rights	O	3	2	1	2
	R	2	3	7	4
Fair Trade and Intellectual Property Protection	O	4	4	4	4
	R	7	11	10	9
Environmentally Conscious Products and Services	O	5	6	6	6
	R	12	8	9	10
Enhancement of Content Quality and Competitiveness	O	10	7	4	7
	R	9	10	11	10
Waste Generation Management	O	8	4	3	5
	R	14	14	14	14
	O	13	13	12	13

The results of the 2023 and 2024 dual significance assessments are as follows:
Three new issues were added to SM Entertainment's material issues: Improving the level of content and strengthening competitiveness fair trade and intellectual property protection, and ethics and compliance management. Waste generation management decreased in importance from 5th to 7th place but was still evaluated as an important management target. A good workplace rose from 3rd to 1st place, and human rights and labor rights protection rose from 4th to 2nd place compared to the previous year.

Rank	Issues	Rank	Issues
1	Enhancing Sustainable Shareholder Value	1	A Great Place to Work (Up)
2	Transparent And Professional Board Operation	2	Guarantee Of Human Rights And Labor Rights (Up)
3	Creating A Good Work Environment & Safety And Health Management	3	Enhancement of Content Quality and Competitiveness
4	Practicing Human Rights Management	4	Fair Trade And Intellectual Property Protection (New)
5	Environmental Management Corporate Culture & Saving Resources / Reducing Waste	5	Environmentally Conscious Products and Services
6	Protecting The Natural Ecosystem	6	Ethics and Compliance Management (New)
		7	Waste Generation Management (Down)

The following is a visualization of the financial impact of each material issue's risk and opportunity factors over the short, medium, and long term.

Top 7 R&O Score Changes



The following visualizes the financial impact fluctuations of each material issue's risk and opportunity factors over the short-, medium- and long-term.

A Great Place to Work	Risk Factor	●
	Opportunity Factor	●
Guarantee of Human Rights and Labor Rights	Risk Factor	●
	Opportunity Factor	●
Fair Trade and Intellectual Property Protection	Opportunity Factor	●
Environmentally Conscious Products and Services	Opportunity Factor	●
Enhancement of Content Quality and Competitiveness	Opportunity Factor	●

It was analyzed that there was almost no change in the ranking of the risk and opportunity factors of the top 7 material issues. In particular, the risk and opportunity factors of a good workplace maintained a level of seriousness within the top 3 in all short, medium, and long-term periods, and the opportunity factor of securing human and labor rights was consistently evaluated as 4th place.

Double Materiality Assessment

SM reported the results of the double materiality assessment to the board of directors and plans to establish strategies and implementation systems to prevent risks in advance and realize opportunities at the company-wide level in the future.

Rank	Issue	Background & Definition	Response Strategy	Major Achievements	Reporting Pages	GRI INDEX
1	A Great Place to Work	The increasing needs for recruiting and supporting excellent talents to produce higher quality content and discover artists in the rapidly changing nature of the industry and its external conditions.	• Create a work environment where members can fully display their talents and work happily, we introduce various systems and improve existing systems. • Recruit and manage talent transparently and fairly.	• Recruitment site reorganized to be more user-friendly in order to secure a pool of excellent talent • Support for viewing cultural performances, purchasing books, and music streaming services, considering the characteristics of the entertainment industry • Quarterly town hall meetings	p. 42-46	401-1-3, 402-1, 404-1-3
2	Guarantee of Human Rights and Labor Rights	As a company that realizes the value of cooperation with various members, the importance of human rights risk management is increasing. In particular, the entertainment industry is facing an increasing need to manage human rights violations not only in its members but also in its relationships with stakeholders such as partners, artists, and customers (consumers)	• Conduct human rights education for employees to establish a culture of respect for human rights • Review human rights risk management measures considering various stakeholders	• Establishment of the 2023 Human Rights Management Declaration • Participation in the UNGC Business and Human Rights Accelerator Workshop • Active response to artist human rights issues through the opening of the KWANGYA119 channel	p. 38-41	405-1-2, 406-1
3	Enhancement of Content Quality and Competitiveness	To ensure the continued growth of the domestic entertainment industry in the global market, new growth drivers are needed through content diversification and quality improvement.	• Establish a multi-production center and label system to accumulate IPs with high potential for success and foster capable talents	• A total of 64 albums and digital music released, and a total of 340 concerts held after introduction of the multi-production system in 2023 • Collaborating with major companies in the US, Japan, China, and Southeast Asia to establish an overseas local multi-production system	p. 47-51	Non-GRI
4	Fair Trade and Intellectual Property Protection	As inter-industry convergence has become more active recently, the concept of IP has expanded from existing digital music copyrights and affiliated artists to streaming technology, video effects, AI audio, and non-face-to-face concert technology.	• Respect for a fair and free market economic order and establish fair competition with other businesses as the basic principle • Actively carry out activities to protect intellectual property rights in cooperation with the Korea Intellectual Property Protection Agency, patent law firms, etc.	• Establishing a consultation stage to conclude fair contracts with partners to establish a fair trade order • Expanding the scope of domestic and international trademark/design registration • Establishing a domestic and international illegal product crackdown system	p. 62	206-1
5	Environmentally Conscious Products and Services	The demand for eco-friendly albums, MDs, eco-friendly concerts, etc. is increasing due to the expansion of consumers' desire for eco-friendly consumption and the strengthening of entertainment industry global initiative activities.	• Provide eco-friendly products to employees and create a work environment where they can practice environmental protection in their daily lives. • Actively consider eco-friendly elements in the production of albums and paper products.	• Production of records and paper products using FSC certified paper • Expanding the use of soy ink and UV-coated paper that does not emit volatile organic compounds	p. 27-32	306-3-4, 417-1
6	Ethics and Compliance Management	Beyond fulfilling economic and legal responsibilities, we also embrace ethical standards expected by society as a guiding principle for decision-making and action, and spread an ethical management culture.	• Use the 'Code of Ethics' established in 2020 as the decision-making and behavioral standard for all executives and employees, and the Code of Ethics will be disseminated to major affiliates in the future, and an ethics practice pledge will be introduced to expand ethical and law-abiding management.	• 100% of SM Entertainment employees have completed ethics/compliance training	p. 61	2-27, 205-1-2, 206-1
7	Waste Generation Management	The problem of waste discharge from the entertainment industry, such as CDs and MDs that are difficult to recycle, as well as photo cards, album packages, and packaging materials, continues to be raised.	• Minimize waste discharge through the practice of separating waste in office spaces and stores, promoting recycling, and saving paper. • Actively review upcycling methods for waste generated from albums and artist activities.	• Upcycling artist costumes into new products • Collecting and storing discarded banners used in performances to create upcycled products • Stop issuing advertising inserts in albums from April 2024	p. 27-32	306-3-5

ENVIRONMENTAL

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Eco-friendly MD and Service & Waste Management	27
Protection of Nature and Ecosystem	33

Link to UN SDGs



Environmental Management System

SM Entertainment is committed to protecting the environment and responding to changing environmental conditions for the sustainable development of the company. In 2022, we obtained ISO 14001 certification for the Environmental Management System and conducted a post-audit in 2023. By establishing and maintaining an environmental management system, we seek to find and practice various ways to minimize negative environmental impacts throughout the business value chain.

Environmental Management Policy

SM Entertainment strives to protect the environment and pursue sustainable development in its corporate activities. Accordingly, it has established and is complying with an environmental management policy.

환경경영방침

SM Entertainment는 Culture Technology를 근간으로 최고의 문화 콘텐츠와 IP를 창조하는 기업으로서 사람들에게 감동을 전달하고, 한국의 문화를 세계에 알려 경제 성장은 물론 사람들의 삶을 풍요롭게 만드는 데 기여하고자 환경경영을 실행하고 방침을 수립합니다.

- 우리는 환경오염 예방을 위하여 폐기물 배출을 감축합니다.
 - 친환경 소재를 사용한 앨범, 굿즈 상품을 제작하여 폐기물을 재활용하고 배출을 감축합니다.
 - 사내 일회용품 사용을 줄이기 위한 캠페인을 정기적으로 실시합니다.
 - 친환경 공장으로 공연장의 폐기물 발생을 감축합니다.
- 우리는 환경을 보호하고 기후변화에 대응하기 위하여 최선을 다합니다.
 - 온실가스 단절도의 구축으로 에너지에 의한 배출량을 관리합니다.
 - 친환경 차량을 이용, 전기사용량을 감축하여 온실가스 배출을 감축합니다.
 - 친환경 에너지 사용방법을 개발하고 사용하여 탄소배출 제로에 기여합니다.
- 우리는 자연생태계 보호를 위하여 노력합니다.
 - 자연생태계 보호를 위한 기금을 조성합니다.
 - 합작원 및 아티스트들이 자연생태계 보호 캠페인에 적극 참여합니다.
- 우리 임직원 및 아티스트와 협력사 임직원은 환경법규 및 그 밖의 준수사항을 준수합니다.
- 우리 임직원 및 아티스트와 협력사 임직원은 환경성과 향상을 위하여 환경경영시스템을 지속적으로 개선합니다.

2023년 3월 31일

SM Entertainment 대표이사 장철혁 *장철혁*

Environmental Management Promotion System

SM Entertainment has established a decision-making and implementation system to internalize the environmental management corporate culture. The Governance Committee under the Board of Directors, the highest decision-making body, is performing decision-making and management supervision for sustainable management in all areas of the business value chain. The General Affairs Unit, as a department in charge, oversees environmental management and is working on establishing and implementing the environmental management corporate culture with the support of the ESG Working-level Consultative Body and field departments.

Environmental Management Decision Making and Implementation System



Establishment Of Environmental Management System

SM Entertainment acquired the ISO 14001 environmental management system certification for its headquarters in 2022, established a basic environmental management implementation system, and completed the ISO 14001 post-audit in 2023. Accordingly, SM Entertainment have set short-term and mid-term environmental goals for the entire company and each department, established an implementation plan, and are conducting practical training for key personnel. Based on the environmental management system, SM Entertainment is striving to reduce greenhouse gas emissions, conserve resources, reduce waste, and protect nature/ecosystems.

Environmental Management Goals and Details

Classification	Achieved in 2023	Medium-term Goals
Establishment Of Environmental Management System	• System operation and aftercare	• Support for establishing environmental management systems for affiliates
Efforts To Save Resources And Reduce Waste	• Expanding recycling separation collection from 2 to 5 types • Expanding MD ratio using eco-friendly raw materials	• Reduce landfill/incineration waste and increase the use of eco-friendly/recycled raw materials • Increase in the use of eco-friendly/renewable raw materials
Protection Of Nature/ Ecosystem	• Conducting environmental protection activities for employees • Creating and managing KWANGYA Forest	• Increased participation of employees and artists in environmental protection activities • Expanding KWANGYA Forest

2023 Department Environmental Education Contents

2023	Training Content	Number Of People
February	Training & Workshops	22
March	Training & Workshops	14
August	Training & Workshops	21
November	ISO 14001 Internal Auditor Training & Meetings	8
December	ISO 14001 Internal Auditor Training & Meetings	8

Climate Change Response & Greenhouse Gas Emissions Management

Climate change poses a serious threat to humans and various living organisms. Reducing greenhouse gas emissions is an essential effort to slow down this change and protect the Earth's environment. SM Entertainment is making multifaceted efforts, including reducing city gas and automobile fuel usage and expanding the introduction of eco-friendly cars. The General Affairs Unit, which is the environmental management practice department, is leading actual usage reductions through energy conservation campaigns and is working to expand the proportion of eco-friendly cars.

Greenhouse Gas Emissions And Energy Consumption Status

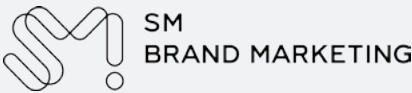
Category		Unit	2021	2022	2023
Greenhouse Gas Emissions	Scope 1	tCO2e	1,147,585.1	757.1	834.1
	Scope 2	tCO2e	1,639.4	1,185.5	489.1
Greenhouse Gas Emissions Intensity		tCO2e/hundred million KRW	275.5	0.4	0.2
Total Energy Consumption		TJ	22,675.1	37.2	23.4
Revenues (Separate)		hundred million KRW	4,172	5,138	6,195
Energy Intensity		TJ/hundred million KRW	5.435	0.007	0.004



Participate in Earth Hour 2023
Participate in Earth Hour, a global campaign for the planet facing a climate crisis, by turning off the lights in office spaces on the evening of the last Saturday in March.

SM BRAND MARKETING

SM BRAND MARKETING, a major subsidiary of SM Entertainment, is engaged in the planning/production and distribution of MD products utilizing artist IP (intellectual property rights). By combining content such as celebrity IP and Brand design with Marketing distribution, space innovation, and user experience, it is expanding its global presence and growing into a CT (Culture Technology) Provider that plays a major role in the overall popular culture industry. SM BRAND MARKETING is continuing its environmentally friendly practices and efforts in its office space and stores to practice ESG management. It is managing greenhouse gas emissions and responding to climate change by improving the indoor environment, conserving energy, promoting recycling, using eco-friendly materials, and saving paper.



Environmental Decision-making And Implementation System



Environmentally Friendly Office Space And Store Environment



Eco Air Office (1310 Campaign)
We are continuously reducing the concentration of indoor harmful substances by regularly ventilating through the 1310 office ventilation campaign, three times a day.



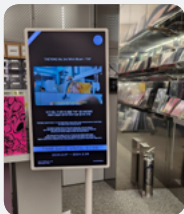
Eco Air Coditioning (Heating And Cooling Control)
We operate an appropriate heating and cooling system to reduce greenhouse gas emissions.



Eco Recycling Bin (Making Recycling A Part Of Our Daily Lives)
We have set up recycling spaces throughout the office space to improve our employees' environmental awareness and encourage recycling.



Use of Eco-Friendly Material Parcel Boxes
We have started introducing delivery boxes using FSC certified paper. After the existing boxes are sold out, we plan to change them all..



Digitalization Of Stores
We reduced paper usage by digitizing our store POP.

Eco-friendly MD and Service & Waste Management

SM Entertainment is making multi-faceted efforts to produce eco-friendly MD and reduce waste generation. We are providing eco-friendly products to our employees and creating a work environment where they can contribute to protecting the environment in their daily lives. In addition, we are using FSC-certified paper for the production of albums and paper products and are expanding the use of soy ink and UV-coated paper that does not emit volatile organic compounds.

Artist Costume Inventory Reuse Initiative

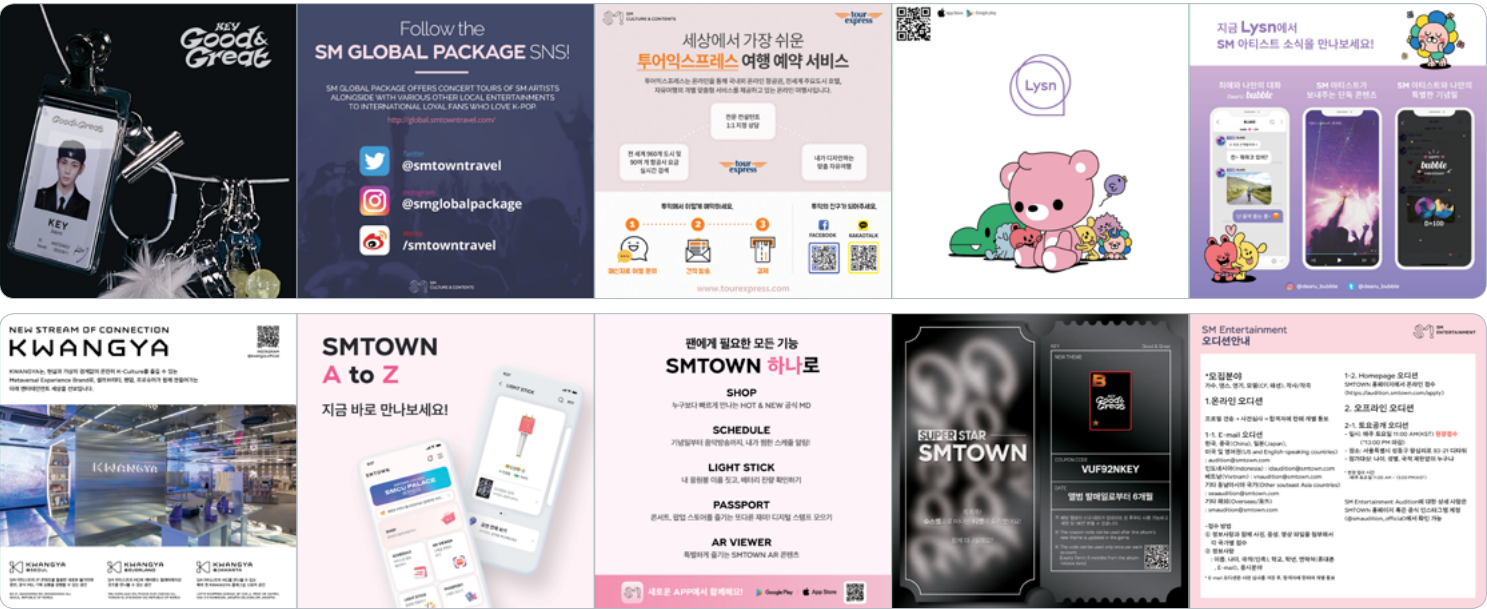
SM Entertainment operates a dedicated department to systematically manages artist costumes. Costumes that once shone on stage are carefully stored and managed before disposal, and some of them are given new value through upcycling. SM Entertainment selects usable costumes through a system that tracks the condition and information. Through this system, we collaborated with fashion brands to upcycle artist costumes into new products. To commemorate the 15th anniversary of SHINee’s debut, we exhibited art objects containing a sustainability message made from recycled stage costumes from 10 years ago at an art festival. In addition, we are planning a resource circulation project to sell usable costumes in collaboration with Charan, a startup company that extends the life cycle of clothing and contributes to environmental protection by collecting and selling used clothing.



Art Track Jeju 2023 Exhibition

Removal of Album Advertisement Inserts

As part of its commitment to a sustainable environment, SM Entertainment has decided to discontinue the issuance of advertising inserts included in albums. These inserts, consisting of five double-sided pages and delivering various news about SM Entertainment, will be discontinued starting April 2024. This initiative is expected to reduce paper usage and waste generation. News previously conveyed through these inserts will be provided via SM Entertainment’s official website, SNS, etc.



Existing Advertising Inserts

Waste Generated & Diverted from Disposal

Category	Unit	2021	2022	2023
Waste directed to disposal	Ton	296.7	67.5	44.4
Wasted diverted from disposal	Ton	13.9	31.1	35.9
Waste generated	Ton	310.6	98.6	80.3

Eco-friendly MD and Service & Waste Management

Examples of Albums and MDs Using FSC-Certified Paper and Soy Ink

SM Entertainment uses Forest Stewardship Council (FSC) certified (FSC Mix) paper to produce albums and paper products to protect the world’s forests. FSC certification guarantees that raw materials from certified forests are used in products through third-party verification to preserve the biological diversity of forests and benefit the lives of local residents. Since signing a promotion license agreement with FSC in May 2022, SM Entertainment has been expanding the use of FSC certified albums and goods using FSC certified paper. The number of albums using FSC certified paper has increased significantly from 4 in 2022 to 21 in 2023.

Albums Made with FSC-Certified Paper in 2023

Artist	Album Title
NCT 127	4th Regular Repackage Album Ay-Yo
ONEW	1st Regular Album Circle
KAI	3rd Mini Album Rover
NCT DOJAEJUNG	1st Mini Album Perfume
aespa	3rd Mini Album MY WORLD
TAEYONG	1st Mini Album SHALALA
SHINee	8th Regular Album HARD
EXO	7th Regular Album EXIST
NCT DREAM	3rd Regular Album ISTJ
U-KNOW	3rd Mini Album Reality Show
NCT	4th Regular Album Golden Age
KEY	2nd Mini Album Good & Great
NCT 127	5th Regular Album Fact Check
D.O.	2nd Mini Album Expectation
aespa	4th Mini Album Drama
TAEMIN	4th Mini Album Guilty
WayV	2nd Regular Album On My Youth
Red Velvet	3rd Regular Album Chill Kill
TAEYEON	5th Mini Album To. X
NCT 127	Winter Special Single Be There For Me
TVXQ!	9th Regular Album 20&2



Examples of Albums Using FSC Certified Paper and Soy Ink

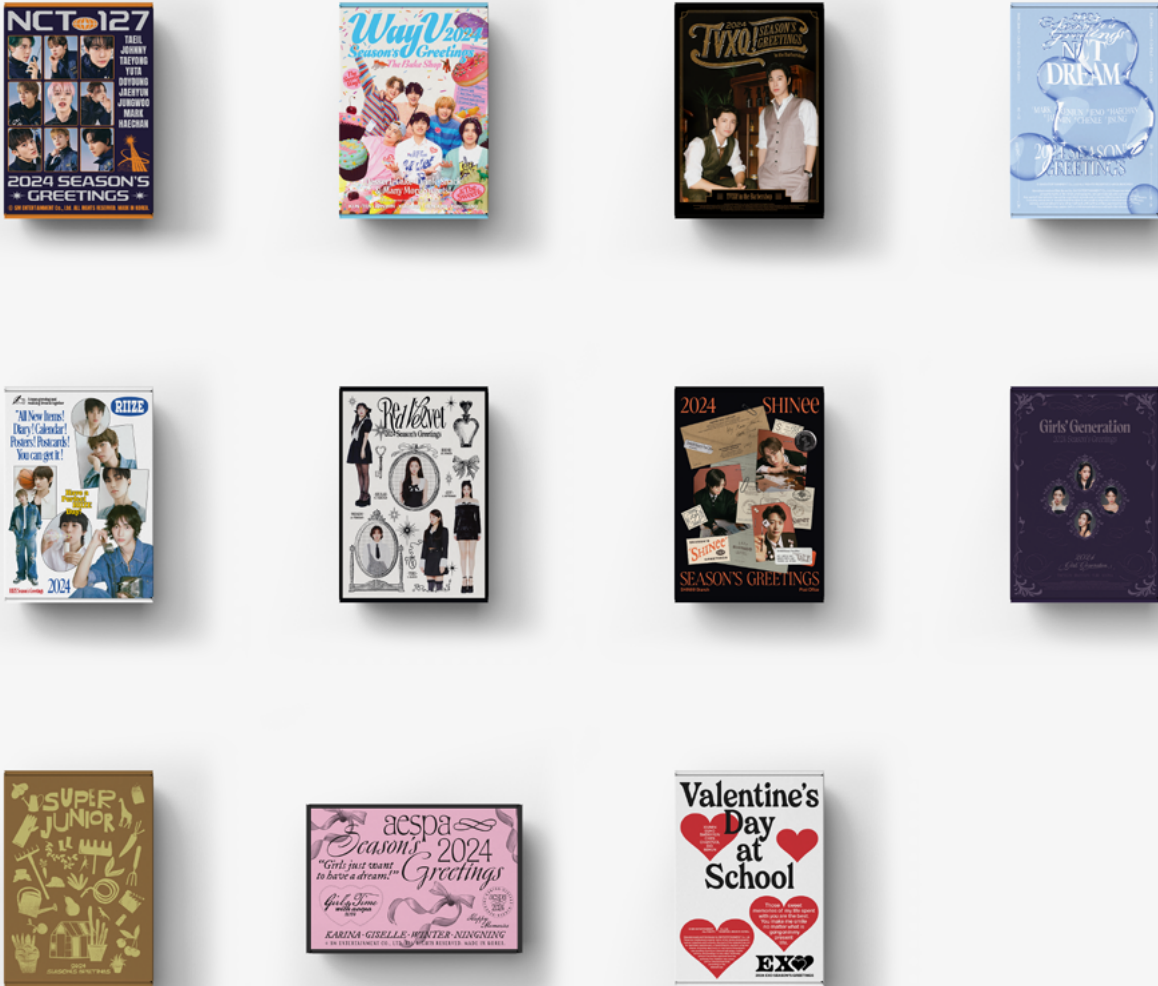
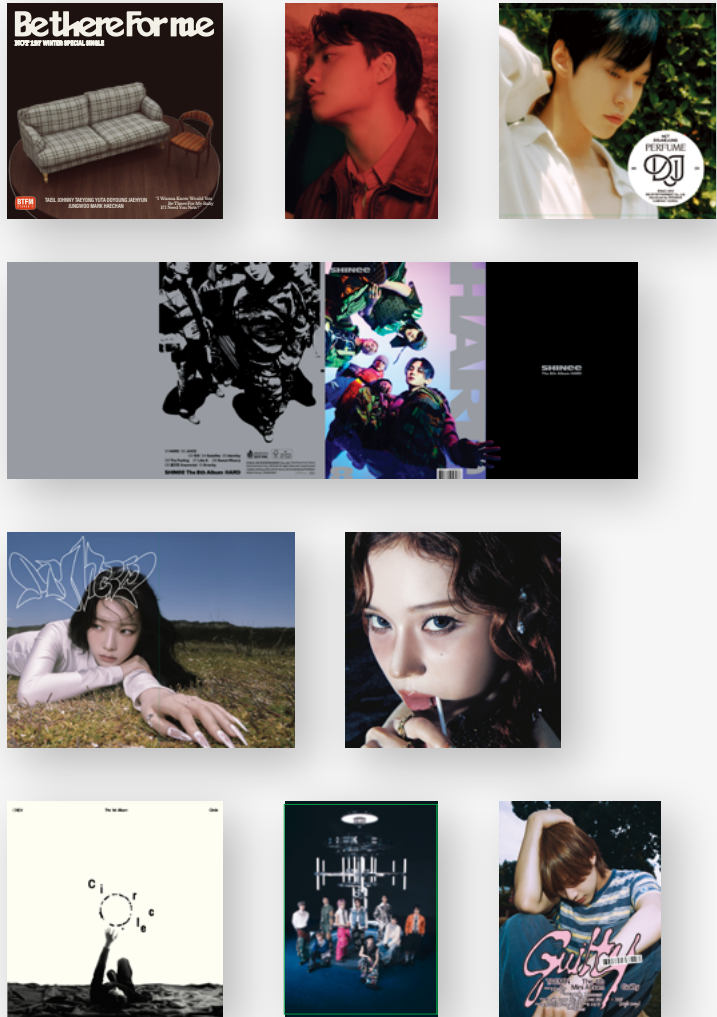
Eco-friendly MD and Service & Waste Management

MD Using FSC-Certified Paper in 2023

Artist		Project	MD List
SMTOWN	KANGTA, BoA, TVXQ!, SUPER JUNIOR, Girls' Generation, SHINee, EXO, Red Velvet, NCT, aespa, RIIZE	SMTOWN LIVE 2023 : SMCU PALACE KWANGYA 56 Types	AR TICKET
		2023 SM ARTISTS SEASON'S GREETING First MD 10 Types	SEASON'S GREETINGS
		2023 SM ARTISTS SEASON'S GREETING Second MD 56 Types	PHOTO PACK
		2023 SM ARTIST PINK CHRISTMAS MD 13 Types	PHOTOCARD RANDOM PACK
		2024 SM ARTISTS SEASON'S GREETING MD 75 Types	2024 SEASON'S GREETINGS, RANDOM TRADING CARD, CLEAR PHOTO CARD
BoA		BoA 20th Anniversary Live - THE BoA : Musicality MD 2 Types	POSTCARD SET, AR TICKET
		BoA 23rd ANNIVERSARY MD 1 Type	LUCKY CARD
TVXQ!		TVXQ! 20th ANNIVERSARY MD 2 Types	LUCKY CARD
SUPER JUNIOR	SUPER JUNIOR	SUPER JUNIOR 18th ANNIVERSARY MD 9 Types	LUCKY CARD
		SUPER JUNIOR SUPER SHOW 9 : ROAD_SHOW MD 9 Types	FORTUNE SCRATCH SET, AR TICKET SET
	SUPER JUNIOR-D&E	2023 D&E WORLD TOUR FANCON - DElight Party MD 1 Type	RANDOM TRADING CARD
	YESUNG	YESUNG SOLO CONCERT Unfading Sense MD 1 Type	POSTCARD BOOK SET
Girls' Generation	Girls' Generation	Girls' Generation 16th Anniversary MD 4 Types	LUCKY CARD
	TAEYEON	TAEYEON CONCERT - 'The ODD Of LOVE' MD 1 Type	FORTUNE SCRATCH SET
SHINee	SHINee	2023 SHINee CONCERT PERFECT ILLUMINATION MD 4 Types	POSTCARD BOOK SET+PHOTOCARD
		2023 SHINee FANMEETING Everyday is SHINee DAY Piece of SHINE MD 2 Types	RANDOM TRADING CARD, POSTCARD BOOK SET+4 CUT PHOTO
		ONEW 1st CONCERT 'O-NEW-NOTE' MD 3 Types	POSTCARD BOOK SET, FORTUNE SCRATCH SET, AR TICKET
		SHINee - 'THE MOMENT OF Shine' POP-UP MD 2 Types	RANDOM TRADING CARD
		SHINee 15th ANNIVERSARY MD 4 Types	LUCKY CARD
		SHINee The 8th Album - 'HARD' MD 2 Types	RANDOM TRADING CARD
	TAEMIN	2023 TAEMIN FANMEETING 'RE : ACT' MD 2 Types	FORTUNE SCRATCH SET, AR TICKET SET
	MINHO	2022 BEST CHOI's MINHO - LUCKY CHOI's MD 3 Types	POSTCARD BOOK SET, FORTUNE SCRATCH SET, AR TICKET
	KEY	KEY The 2nd Mini Album - 'Good & Great' MD 1 Type	RANDOM TRADING CARD

Artist		Project	MD List
EXO	EXO	EXO 11th Anniversary MD 8 Types	LUCKY CARD SET
		EXOcial Club - Cream Soda’ POP-UP STORE MD 4 Types	RANDOM TRADING CARD
		2023 EXO FANMEETING ‘EXO’ CLOCK’ MD 10 Types	POSTCARD BOOK SET, FORTUNE SCRATCH SET, AR TICKET SET
	BAEKHYUN	TEOLAEGI by BAEKHYUN POP-UP STORE MD 5 Types	RANDOM LUCKY CARD, RANDOM TRADING CARD, DOLL BOX
Red Velvet		The ReVe Festival 2022 - Birthday MD 1 Type	RANDOM TRADING CARD
		Red Velvet 9th ANNIVERSARY MD 5 Types	LUCKY CARD
NCT	NCT	NCT CCOMAZ GROCERY STORE MD 2 Types	RANDOM TRADING CARD (2 Types)
		2023 NCT CONCERT NCT NATION : To The World MD 3 Types	RANDOM TRADING CARD
	NCT 127	NCT 127 - BLUE TO ORANGE : House of Love MD 8 Types	PHOTOBOOK
		NCT 127 - 不可思議展 : NCT 127 The 5th Album ‘Fact Check’ POP-UP MD 4 Types	RANDOM TRADING CARD
		NCT 127 3RD CONCERT ‘THE UNITY’ MD 9 Types	FORTUNE SCRATCH SET, PHOTO PACK
		NCT 127 7th ANNIVERSARY MD 9 Types	LUCKY CARD
	NCT DOJAEJUNG	NCT DOJAEJUNG The 1st mini Album - ‘Perfume’ MD 4 Types	SPECIAL RANDOM PACK, POSTCARD BOOK SET
	NCT DREAM	NCT DREAM 7th ANNIVERSARY MD 7 Types	LUCKY CARD
		NCT DREAM x EVERLINE POP-UP STORE MD 12 Types	RANDOM TRADING CARD, POSTCARD BOOK SET, POSTCARD SET
	WayV	2023 WayV Fanmeeting Tour Phantom MD 1 Type	FORTUNE SCRATCH SET
WayV 4th Anniversary MD 6 Types		LUCKY CARD SET	
WayV The 2nd Album On My Youth MD 8 Types		RANDOM TRADING CARD, POSTCARD SET	
	TAEYONG	TAEYONG The 1st mini Album - ‘SHALALA’ MD 1 Type	RANDOM TRADING CARD
aespa		2023 aespa 1st Concert ‘SYNK : HYPER LINE’ MD 4 Types	AR TICKET
		2023 aespa FAN MEETING MY DRAMA MD 1 Type	FORTUNE SCRATCH SET
		aespa - Come to MY illusion POP-UP first MD 11 Types	RANDOM TRADING CARD, POSTCARD
		aespa - Come to MY illusion POP-UP second MD 3 Types	RANDOM TRADING CARD
		aespa 3rd Anniversary MD 4 Types	LUCKY CARD
		aespa Digital Single - ‘Better Things’ MD 2 Types	RANDOM TRADING CARD
		aespa WEEK - DRAMA CITY POP-UP STORE MD 6 Types	RANDOM TRADING CARD, POSTCARD BOOK SET+PHOTOCARD

Eco-friendly MD and Service & Waste Management



Eco-friendly MD and Service & Waste Management

Upcycling Waste Banners

SM Entertainment collected and stored banners used at its affiliated artists' concert halls in 2023 and produced upcycled products in 2024. The banners were turned into fabric pieces at a community self-sufficiency center, supporting the economic independence of low-income households. Paper tags were eco-friendly recycled paper made of 100% recycled pulp, and the packaging vinyl was made of 100% biodegradable resin. We transformed the banners into crossbody bags that can carry tumblers and accessories anytime, anywhere, and distributed to all employees on April 22, 2024, Earth Day. In addition, we made the 2023 NCT DREAM concert banners into keyrings and provided as gifts to the soundcheck audience at the 2024 NCT DREAM WORLD TOUR THE DREAM SHOW 3 Seoul concert. In this process, we upcycled approximately 105kg of banners and reduced and 30,450 (g/yr) of carbon dioxide emissions*.

*Reference to Seoul Upcycling Plaza's Carbon Emission Calculation Standard (non-public data)



Collecting banners after the concert



Washing



Product Manufacturing



Cutting

Completing the Bag



Eco-friendly MD and Service & Waste Management

Eco-friendly New Year KIT

SM Entertainment produces New Year's KITs for its employees at the beginning of each year. The 2024 New Year's KIT actively used more eco-friendly materials from the perspective of sustainable management and environmental management. We minimized post-processing and packaging to reduce environmental pollution that may occur during the production process. Notably, the walking bag, which is frequently used in daily life, is made with recycled nylon yarn derived from waste nylon raw materials extracted from fishing nets recycled and retrieved from the sea, and eco-friendly naphtha produced using pyrolysis oil from waste plastic. The kit also features notebook made with FSC-Certified paper and a hoodie designed to encourage energy efficiency during the winter months.



2024 New Year KIT Components

Tumbler Washer Installation and Tumbler Discount

SM Entertainment installed tumbler washers on each floor of its headquarters office space so that employees can conveniently use tumblers and personal cups. This has enabled employees to reduce the use of disposable cups and use reusable cups, naturally taking an interest in protecting the environment. In addition, the company cafe operates a permanent discount system for tumbler users to actively encourage the use of reusable cups.



Tumbler Washing Machine Installation



Event To Encourage Use Of Tumbler



Tumbler Discount System



Instructions For Using The Tumbler

Protection of Nature and Ecosystem

SM Entertainment states its efforts to protect nature and the ecosystem in its environmental management policy, and the Governance Committee under the Board of Directors, the highest decision-making body, reviews and deliberates matters related to establishing policies, goals, and visions for protecting the natural ecosystem. The CSR Unit is in charge of establishing a culture of protecting nature and the ecosystem and implementing practices. SM Entertainment is carrying out the creation and maintenance of KWANGYA Forest through an agreement with the Seoul Metropolitan Government, and is carrying out activities to cultivate the forest and observe flora and fauna through the active participation of its employees.

Nature and Ecosystem Protection Decision-making and Implementation System



KWANGYA Forest

In April 2023, SM Entertainment created the ecological garden 'KWANGYA Forest' near Seoul Forest to preserve urban biodiversity. We planted mainly native plants, including plants on the IUCN (International Union for Conservation of Nature) Red List and national protected species, and continued various activities to examine the habitat of living things through regular volunteer activities and participation of SMile Gardening Volunteer Group, a social volunteer group of SM Entertainment. In recognition of this contribution, we won the grand prize at the 2023 Seoul Special City Green City Awards. SM Entertainment plans to continue various activities to preserve biodiversity, including the KWANGYA Forest.

Contents and Achievements of KWANGYA Forest Creation

Classification	Achieved by 2023	Plans for 2024
KWANGYA Forest Creation and Maintenance	- Completed the first KWANGYA Forest and organized regular employee volunteer activities - Won the grand prize at the Seoul Metropolitan City's Green City Award	- Complete the second KWANGYA Forest and maintain employees' participation volunteer activities - Expand community participation
Designated and managed species	- Twinleaf*(EN) - Megaleranthis saniculifolia*(EN) - Chinese ground orchid*(VU) - Lilium cernuum*(VU) - Korean Rock Fern** - Primula jesoana***	- Astilboides tabularis*(EN) - Barrenwort*(VU)** - Diamond Bluebell*(VU) - Exochorda Serratifolia*(NT) - Rodgersia Podophylla*(NT) - Salvia chanryoenica Nakai***
Spreading the Culture of Protecting the Natural Ecosystem	- Conducted biodiversity conservation training for employees - Observed various flora and fauna of Seoul Forest	Conduct biodiversity conservation campaigns

*List of Rare Plants (Korea Forest Service)
**Protected Wild Species of Seoul (Seoul Metropolitan Government)
***Climate Change Biological Indicator Species (National Institute of Biological Resources)

A Year of KWANGYA Forest

Spring

The Brown-eared Bulbul built its nest in trees and laid eggs, while Rufous-tailed Robins, Woodpeckers, and Turtledoves came to rest and feed.

Summer

Hosta minor, Lilium cernuum, and Heartleaf Foamflower bloomed beautifully, alongside various grasses and mosses in shaded areas. Potter Wasps, which build their nests with soil, and Uroleucons also visited the KWANGYA Forest.

Autumn

Children with cochlear implants and their families visited the KWANGYA Forest. They participated in planting Snowdrop bulbs and making seedballs together.

Winter

Small insects and plants hibernated under the leaves of the oak tree. Seeds of Undulate Basketgrass growing next to the oak tree became a nutritious meal for small birds.

SOCIAL

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Link to UN SDGs



Safety And Health Management

SM Entertainment considers the safety and health of its employees and partners as its top priority. In order to create a safe workplace, we have established safety and health management policies and are practicing safety and health management through regular inspections, application, and improvement.

Safety and Health Management Policy

- 1

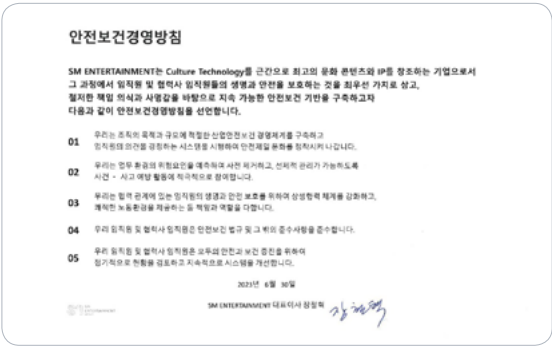
We establish an industrial safety and health management system appropriate to the purpose and scale of the organization and implement a system that listens to the opinions of employees to establish a safety-first culture.
- 2

We actively participate in incident and accident prevention activities to predict and eliminate risk factors in the work environment in advance and enable preemptive management.
- 3

We fulfill our responsibilities and roles by strengthening the win-win cooperation system and providing a pleasant work environment to protect the lives and safety of employees in cooperative relationships.
- 4

Our employees and employees of partner companies comply with safety and health laws and other compliance matters.
- 5

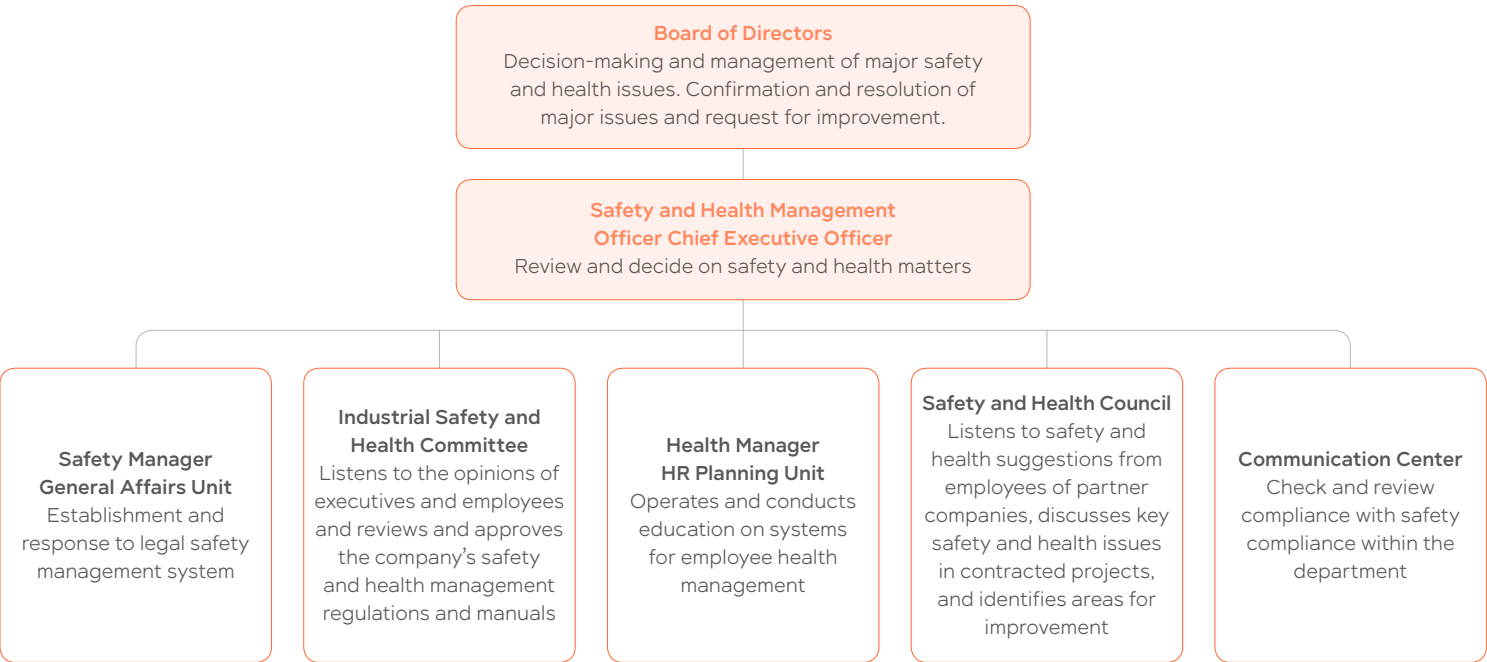
Our employees and employees of partner companies regularly review the status and continuously improve the system to promote everyone's safety and health.



Safety And Health Promotion System

SM Entertainment has a Chief Executive Officer who serves as the safety and health manager, and the Chief Executive Officer receives, reviews, and decides on major safety and health-related matters. The related matters are reviewed and deliberated by the board of directors. We have established a safety and health organization by operating an Industrial Safety and Health Committee consisting of a safety manager, managers, and an equal number of management and labor representatives, and a Safety and Health Council that discusses safety issues with partners. We have conducted risk assessments to reflect the nature of our work, which involves a high proportion of vehicle driving, and established a management system based on this. We are also striving to create a safe workplace by following work checklists and safety management guides to prevent accidents at major sites such as pop-up stores and performance halls. We are also conducting industrial safety and health education for all executives and employees, and are meeting all required items, such as job training and chemical substance education.

Safety and Health Decision-making and Implementation System



Safety And Health Management

Safety And Health Management Goals And Details

Target	Achieved by 2023	Short to Medium Term Goals
Occupational Safety and Health Management System	- Establishment of Various Regulations and Policies - Establishment of Safety and Health Organization - Holding Regular Committee and Consultative Body Meetings - Listening to Workers' Opinions - Obtaining ISO 45001 Senior Auditor Qualification	- Supplement Monitoring of Affiliated Companies' Safety and Health Management System - Expand and Evaluate Selection of Qualified Suppliers - Obtain Iso 45001 Certification
Emergency Response Training	- Implementation of the First Integrated Emergency Response Training for the Building - Organization and Division of Roles for the Fire Brigade - Preparation of Smoke Masks for Fire Preparation	- Reinforce Emergency Response Scenarios - Establish Regular Emergency Response Training System
Management Guide Preparation	- Implement warehouse environment improvement - Establish accommodation safety management system - Establish corporate vehicle safety management system	Identify Safety Work Improvement Areas for Each Department
Health	- Support for Comprehensive Health Checkups for Employees - Health Consultations for Those With Health Conditions - Support for Flu Vaccinations	Improved In-House Health Management Program

Status of Safety Training

Unit : Number of People (%)

Training Name		Number of People and Completion Rate*		
		2021	2022	2023
Occupational Safety and Health Education During Employment		148 (100)	197 (100)	282 (100)
Occupational Safety and Health Job Training**		4 (100)	1 (100)	1 (100)
Regular	1Q	492 (100)	508 (100)	601 (100)
Industrial	2Q	484 (100)	526 (100)	638 (100)
Safety and	3Q	494 (100)	545 (100)	670 (100)
Health Training	4Q	509 (100)	591 (100)	672 (100)

*Based on the number of employees in office at the time of training, there may be a difference from the number of employees in office at the end of the year.

** The number of participants who completed the training has been recalculated, resulting in some discrepancies with the previous year's report.

Major Safety And Health Management Practices In 2023

Period	Content
1Q	Establishment of safety and health management policy and goals, institutionalization of four documents including safety and health management regulations, establishment of safety and health bulletin board to share posts such as the emergency medical system/procedures to hear the opinions of workers, reporting to board of directors
2Q	Attachment of the statute summary, improvement of warehouse environment, management and supervision of safety work for interior construction of the office building, preparation of safety equipment, implementation of joint emergency response drill at D Tower
3Q	Guidance and advice on improving safety management at A&M Center, creation of a safety contact network for group companies, establishment and implementation of an accommodation safety management system, pop-up store work site inspections
4Q	Creation of a pop-up store task checklist, creation of a performance venue task checklist, establishment and implementation of a corporate vehicle safety management system, and performance venue work site inspections
Monthly	Implementation of the Safety and Health Council, preparation of safety inspection log by supervisor
Quarterly	Implementation of regular safety and health education, implementation of the Industrial Safety and Health Committee, execution of joint inspections
Semi-annually	Semi-annual evaluation of safety and health activities, performance appraisals of safety and health organization
Annually	Employee health checkups and follow-up management, workplace inspections, patrol inspections, placement and management of safety/emergency supplies, attachment of safety and health signs including the statute summary

Safety And Health Management

Field Safety Management Guide and Checklist

Concert Hall Safety Management Details

SM Entertainment regulates related matters in accordance with the Industrial Safety and Health Act and the Act on the Punishment, etc. of Serious Disasters to ensure that work at the concert venue is carried out safely and manages the site accordingly. We ensure that all workers are aware of and comply with the precautions according to the checklist for overall performance venue work and the forklift work checklist, and that they can work according to safety rules. In particular, since it is a place where many people stay for a long time, we are checking the work order, precautions, emergency evacuation, etc. at each stage before, during, and after work.

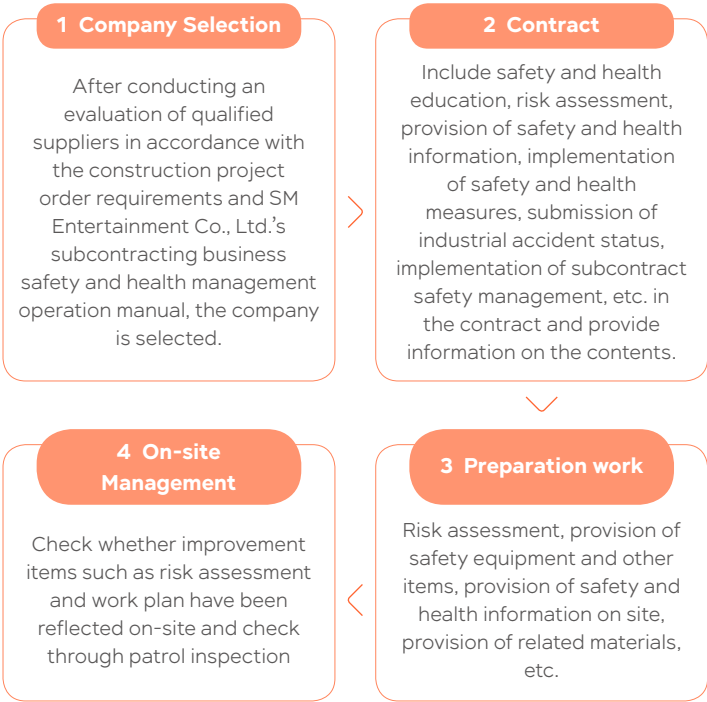
Concert Hall Work Checklist

- ✓ Check the documents required for common work items
- ✓ Check the pre-work training and post-work confirmation items
- ✓ Emphasize high-risk items and guide to follow essential precautions during work
- ✓ Make sure all workers are aware of the right to stop work and guide them to sign after understanding work safety rules, etc.

Pop-up Store Safety Management Details

SM Entertainment operates a pop-up store as a complex cultural space utilizing artists and music IPs. A pop-up store serves as an experiential space where visitors can listen to music themed around artists' albums, and also as a place where lifestyle products leveraging artist and music IPs are available for purchase. Due to the high number of visitors, safety management is especially required. When constructing and demolishing offline stores such as pop-up stores, SM Entertainment clearly stipulates compliance matters throughout the entire process and implement safety management practices to reduce legal risks in accordance with the Industrial Safety and Health Act and the Punishment of Serious Accidents. This includes company selection, contracting, and on-site operations.

Pop-up Store Safety Management Process



Removal Site Checklist



Outrigger connection and ladder work (good),
Wearing safety helmet (good),
Working in groups of two (good)



Outrigger connection and ladder work (needs improvement)
Wearing safety helmet (good)
Working in groups of 2 (good)



Wear safety gloves and work (good)



Whether subcontracting is required (separate confirmation required)



Workplace (needs control)
Wearing safety helmet (insufficient)



Workplace (needs control)
Work schedule (needs coordination)

Excerpt from the January 2024 Pop-up Store On-Site Safety Management Report

APPENDIX

Human Rights Management

Human Rights Education Status

SM Entertainment conducts human rights training for all executives and employees and actively encourages all employees to complete it.

Unit: Number of People (%)

Training Title	Topic	Number of Trainees and Completion Rate*		
		2021	2022	2023
Human Rights Management Training	Understanding of Human Rights Management	-	591 (100)	672 (100)
Workplace Harassment Prevention Training	Relevant Regulations, Cases, and Procedures for Handling Incidents	509 (100)	591 (100)	709 (100)
Workplace Sexual Harassment Prevention Training	Related Laws, Handling Procedures in Case of Occurrence, Grievance Consultation Procedures, Etc.	509 (100)	591 (100)	709 (100)
Education for Awareness of the People with Disability	Understanding of Disabilities, Prohibition of Discrimination, Etc.	509 (100)	591 (100)	709 (100)
Training for Personal Information Handlers	Related Rules, Cases, and Prevention of Phishing and Voice Phishing	509 (100)	591 (100)	709 (100)

*The above is based on the number of employees in office at the time of training. There may be a difference from the number of employees at the end of the year.

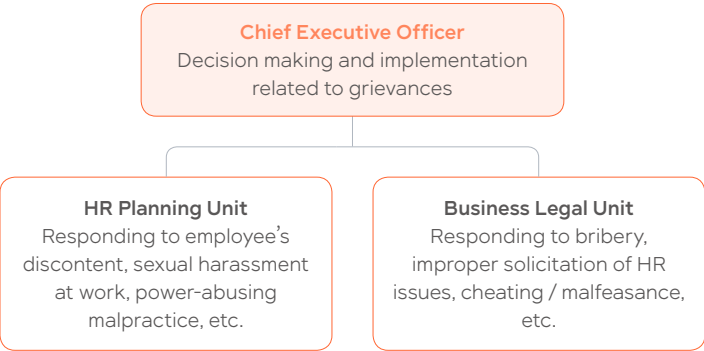
Participation in the UNGC Business and Human Rights Accelerator Workshop

The CSR Unit supervising ESG matters participated in the ‘Corporation and Human Rights Accelerator’ course run by the UNGC (United Nations Global Compact) and received training programs on human rights impact assessments and human rights due diligence and plans to reflect this in SM Entertainment’s practice to strengthen its human rights management.

Grievance Reporting Channel And Process

SM Entertainment has established policies and established processes to handle and remedy grievances related to human rights. Anyone can anonymously raise issues regarding bribery, personnel requests, misconduct, employee complaints, sexual harassment in the workplace, bullying, collusion, etc., and the Human Resources Planning Unit and the Business Legal Affairs Unit investigate and take relevant measures according to procedures.

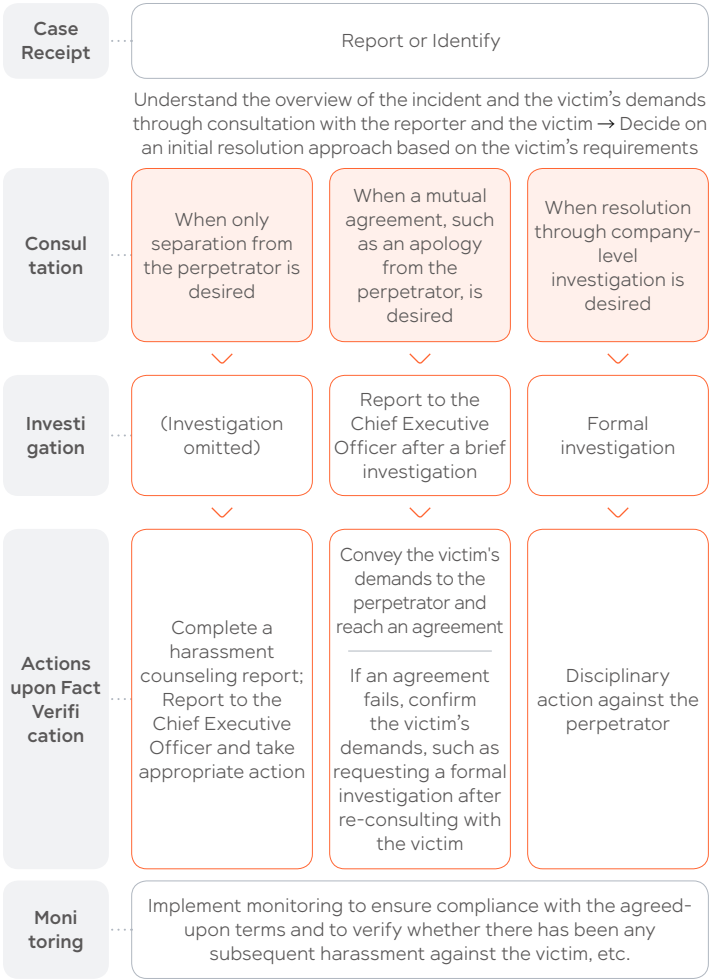
Grievance Resolution Decision-making System



Grievance Reporting Channel

Grievance Counseling Application	https://www.smentertainment.com/contact/report/	
Application Method	Upon posting on the designated reporting forum, the internal grievance consultation officer receives the report via email.	
Department in Charge	HR Planning Unit	Employee's discontent, sexual harassment at work, power-abusing malpractice(singo@smtown.com)
	Business Legal Unit	Bribery, improper solicitation of HR issues, cheating / malfeasance, etc. (compliance@smtown.com)

Grievance Handling Process



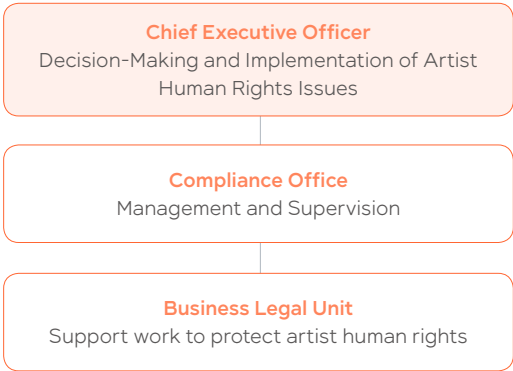
Human Rights Management

Labor-Management Council

SM Entertainment operates a labor-management council in accordance with Article 4 of the Act on the Promotion of Worker Participation and Cooperation. The labor-management council is a consultative body where the company representative and employee representatives jointly discuss and work to boost the company’s productivity, resolve employee grievances, and improve working conditions. SM Entertainment operates a quarterly labor-management council to practice human rights management and communicate with its members.

Artist Human Rights Protection Measures

SM Entertainment is committed to protecting the human rights of all stakeholders affected by our corporate activities, including employees, partners, and fans. We pay particular attention to the human rights issues of artists, given the increasing diversity and severity of rights violations. Our Business Legal Unit responds to cases reported through 'KWANGYA 119' and carries out work to protect the human rights of artists.



Major Plans And Achievements For Artist Human Rights Protection

Objective	Achieved by 2023	Short- to Medium-Term Goals
Artist Human Rights Protection	• Receipt of over 200,000 reports and notification received through 'KWANGYA 119' • Strong responses in cooperation with professional advisory organizations and partner companies	• Implementation legal measures against slander and rumors on global SNS • Development and introduction of AI function to filter online fake news

Trainee Training Process

Since its establishment in 1995, SM Entertainment has been the first in the industry to introduce an artist training system encompassing casting, training, producing, and management, and has been implementing the principle of respecting human rights in all processes of selecting and training trainees. We are conducting the casting, evaluation, training, and debut process in a unique way that contains SM Entertainment’s know-how that has been built up over the past 29 years. The selected trainees are growing into future artists under a system that protects and respects their human rights as children and adolescents.

Development Process



Overseas Trainee Training



Human Rights Management

Human Rights Protection of Child and Adolescent Trainees

SM Entertainment has complied with, implemented, and annually reviewed and improved practices regarding labor rights, the right to survival, protection, participation, and education as outlined in the children and adolescents’ human rights’ section in the Human Rights Management Checklist, derived from the 2022 National Human Rights Commission’s Human Rights Management Pilot Project.

Key Plans and Achievements for Protecting Artists’ Human Rights

Classification	Measures Implemented by SM Entertainment
Provision of Waiting Areas	We provide dedicated dance/vocal practice rooms, allowing trainees to focus on training without spatial constraints. Personal locker and study rooms are available for individual practice and study outside of class hours.
Prohibition of Filming Against One’s Will	Before filming trainees, we provide a thorough explanation of the filming and proceed only after confirming their willingness through continuous consultations.
Provision of Regular Health Checkups	We support trainees’ annual health check-ups and offer regular vaccinations against infectious diseases such as flu, with consent from both parents and trainees.
Establishment of Remedial Measures for Industrial Accidents During Training	The company is responsible for compensation for any injuries and illnesses that occur during training and supports comprehensive treatment and recovery.
Provision of Sufficient Rest and Emotional Stability	For trainees living overseas, we provide accommodations and airfare to help with transportation, housing, and emotional stability. If trainees return to their accommodations late due to training, regulations ensure they receive sufficient rest by adjusting the next day’s schedule or designating a day off.
Provision of a Healthy Diet	We employ professional dietitians and provide free meals at the on-site restaurant to ensure adolescent trainees receive sufficient nutrition during their growth phase.
Establishment of Support Measures in Case of Illness	In the event of illness or injury during training, designated staffs accompany the trainee to medical consultations to ensure timely diagnosis and treatment.
Provision of Heating/Cooling/Ventilation Facilities in Practice Spaces	We install air conditioners, heaters, humidifiers, air purifiers, air-conditioning and ventilation facilities, dehumidifiers, etc. in practice areas to create a pleasant training environment.
Prohibition of Demands for Hazardous Activities	Staffs in charge conduct preemptive on-site safety inspections and halt any activities that appear highly dangerous.
Establishment of Trainee Protection Management System	We operate a staff designation system to help trainees focus on their training safely.
Establishment of Guidelines for Free Use of Communication Equipment	We provide an environment where various electronic communication devices such as PCs and tablet PCs can be used in practice rooms.
Regular On-Site Surveys	We conduct regular interviews to assess each trainee’s emotional and physical health, as well as to inspect their training status and progress.
Provision of Career-Related Information	We conduct regular interviews to continuously check on trainees by discussing their desired growth paths and providing relevant information.
Implementation of Trainee Selection with the Consent of the Parties Involved	When selecting trainees, we thoroughly explain the training and daily routines and proceed only after confirming the willingness of both trainees’ and their parents’ willingness.
Provision of Information on Guaranteeing Child and Adolescent Rights and Safety	We conduct global citizenship education that includes human rights and safety and confirm the trainees’ willingness through regular consultations.
Incorporation of Child and Adolescent Opinions and Guarantee of Participation Rights in Cases of Human Rights Violations	We create an environment where all trainees can freely express their opinions, including through ad-hoc open-ended interviews.
Guaranteeing Education Rights	To guarantee trainees’ right to education, we organize curriculums comparable to formal education and provide specialized training. We also offer overseas training to trainees who excelled in midterm evaluations, allowing them to experience local concerts, culture, and art.
School Attendance Support	Regulations ensure that trainees participate in training sessions after attending school classes according to the academic calendar and regulations. We prohibit early departures and absences without valid reasons.

Talent Management

SM Entertainment is making various efforts to enable its members to realize their potential and work happily. It supports the dreams and growth of its members by establishing transparent and fair talent recruitment and management systems and introducing and improving systems to create a good working environment.

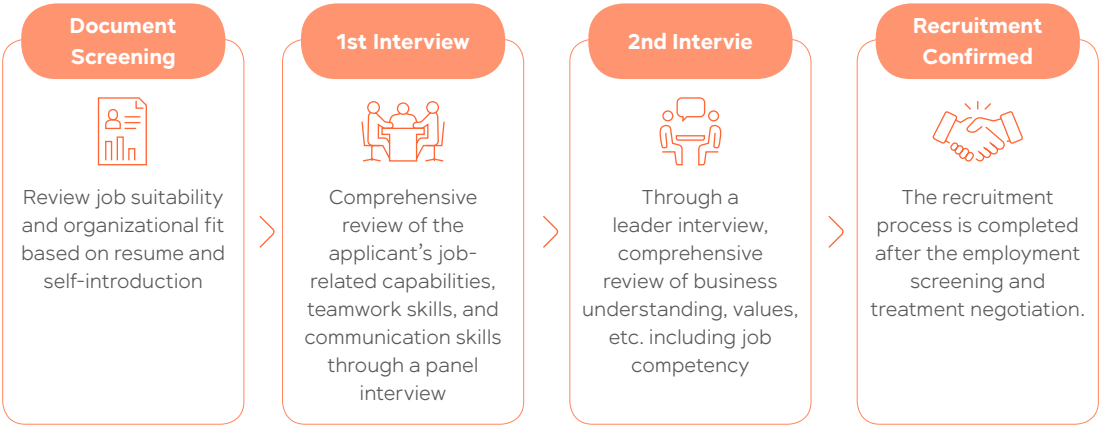
Talent Recruitment Process

SM Entertainment is discovering talents from diverse backgrounds at home and abroad without discrimination through a transparent and fair recruitment process. In the first half of 2024, we are reorganizing the recruitment site to build a user-friendly recruitment system, providing a more convenient and efficient application experience. The HR Management Unit is doing its best to build a proper recruitment culture that both applicants and members can trust. We are ensuring transparency in the recruitment process through constant communication with each organization, and the final selection is made after close decision-making with the Chief Human Resources Officer.

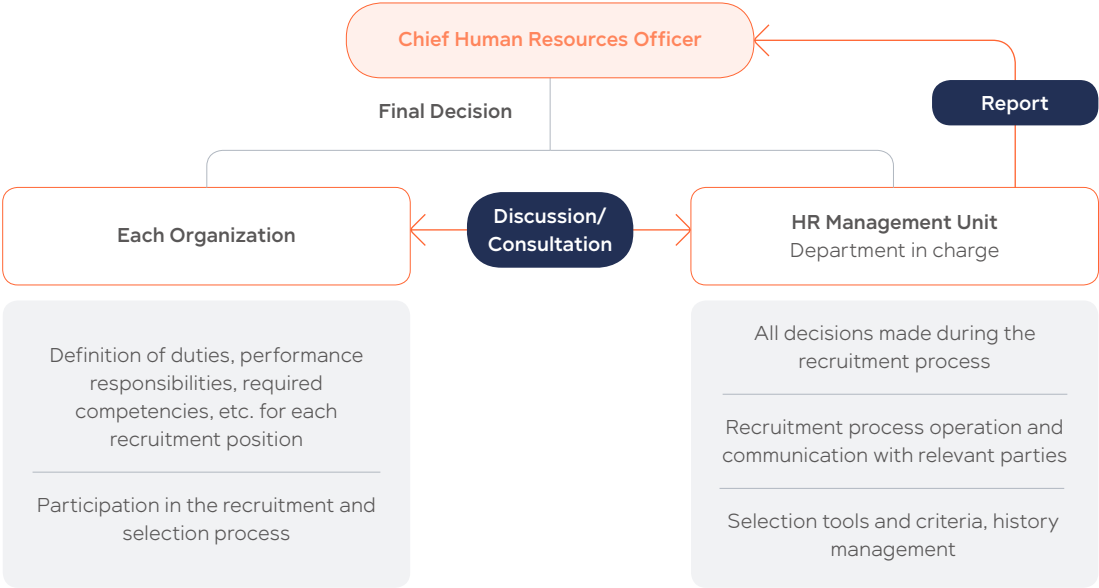
Recruitment Vision



Recruitment Process



Recruitment Decision Making System



Talent Management

Recruitment and Employment

As of December 2023, SM Entertainment has 695 employees, an increase of about 20% from the previous year. As of December 2023, there are 489 female employees, accounting for 70% of the total employees. SM Entertainment has been hiring disabled athletes as employees since 2021 to meet the mandatory employment rate for the disabled.

Total Employees

Unit: Person, (%)

Classification		2021	2022	2023
Total Number of Employees*		522	581	695
By Age	Under 30 years old	207(39.7)	246(42.3)	281(40.4)
	30-50 years old	300(57.5)	320(55.1)	407(58.6)
	Over 50 years old	15(2.9)	15(2.6)	7(1)
By Employment Type	Permanent employment	494(94.6)	561(96.6)	672(96.7)
	Temporary employment	28(5.4)	20(3.4)	23(3.3)

*The total number of employees excludes the number of registered directors

**Temporary employees include contract workers, interns and part-timers

Female Employees

Unit: Person, (%)

Classification		2021	2022	2023
Gender Balance	Full Women	325(62.3)	383(65.9)	489(70.4)
	Women in Management Positions*	39(42.6)	41(45.3)	46(52.6)
	Women in Executive Positions	5(27.8)	5(25)	7(30.4)
	Women in Sales-Generating Departments**	235(63.5)	278(67.1)	353(71.2)
	Newly Recruited Women	75(60.5)	120(73.6)	206(75.5)

*Women in management positions include women executives

**Women in sales generating department refers to central business-relevant departments such as management, production, marketing and design.

Recruitment/Turnover/Tenure

Unit: Person

구분		Unit	2021	2022	2023
Recruitment	Total new employees	Person	124	163	273
Turnover	Total employees who left	Person	79	105	97
	Voluntary turnover rate	%	16.3	20.1	16.7
Tenure	Average Tenure of Employees	Year	4.4	4.2	3.9
	Average Tenure of Male Employees	Year	5.3	5.3	5.4
	Average Tenure of Female Employees	Year	3.9	3.6	3.3

*New employees include interns, part-timers, and athletes with disabilities

**Turnover rate calculation method: total number of employees who left in the current year / total employees in the previous year

Employment Diversity

Unit: Person, (%)

Classification		2021	2022	2023
Total Employees		522	581	695
Gender	Male	197(37.7)	198(34.1)	206(29.6)
	Female	325(62.3)	383(65.9)	489(70.4)
Persons with Disabilities	Persons with Disabilities*	8(1.5)	9(1.5)	10(1.4)
National Meritorious Persons	National meritorious Persons	3(0.6)	3(0.5)	3(0.4)
By Nationality/Region	Total Foreigners	16(3.1)	23(4.0)	20(2.9)
	China	7(1.3)	11(1.9)	10(1.4)
	Taiwan	3(0.6)	4(0.7)	3(0.4)
	U.S.	4(0.8)	5(0.9)	4(0.6)
	Canada	2(0.4)	2(0.3)	1(0.1)
	Tunisia	-	1(0.2)	0
	Malaysia	0	0	1(0.1)
	Thailand	0	0	1(0.1)

*Hired 10 athletes with severe disabilities (lawn bowls, park golf, and golf)

Talent Management

Fair Performance Appraisals

Evaluation goes beyond simple judgment and plays an important role in acknowledging the achievements of members and providing motivation to strengthen capabilities. Individuals' efforts to achieve their goals will soon become the foundation for the company's growth and increased value. SM Entertainment clearly recognizes the importance of such evaluations and is creating an organizational culture that grows together with its members through a fair and reasonable evaluation system.

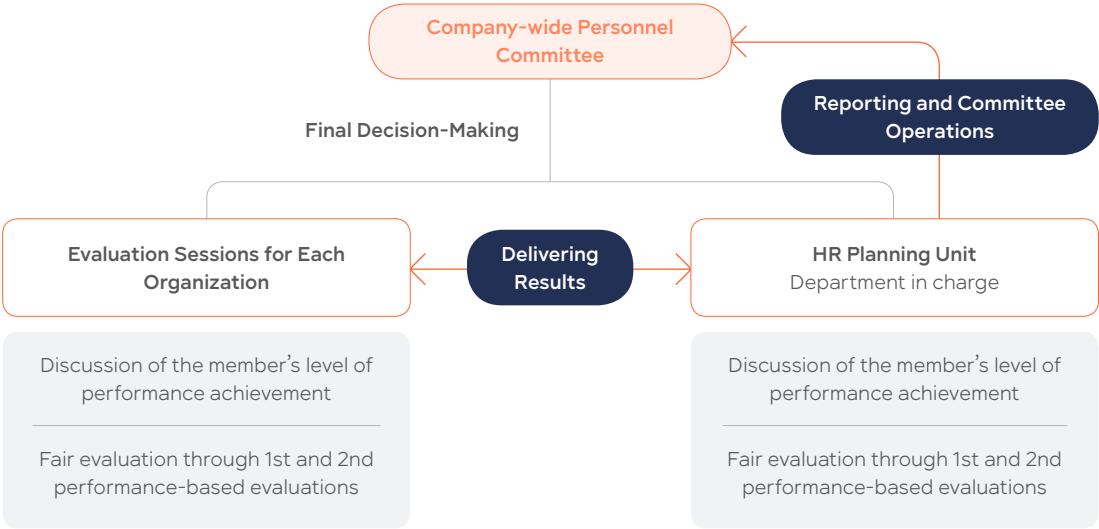
Performance Appraisals and Compensation

SM Entertainment conducts an annual evaluation of the performance of its members for the year, and the evaluation is conducted in 3-4 stages depending on the position or department. To minimize distortions and errors that may occur in the evaluation and to establish a highly inclusive evaluation system through evaluations from various perspectives, the system is continuously inspected and improved. The HR Planning Unit, the department in charge, assigns individual evaluation grades after communication between organizations and approval from the final decision maker, and additionally conducts a multi-faceted review for leaders to check their basic qualities and leadership as leaders and ultimately strives to create a company where all members can work well. Based on the evaluation results determined through the decision-making of evaluators in multiple stages and the evaluation sessions for each organization, the main department conducts a judgment on the suitability of the criteria and then confirms the evaluation results through the Company-wide Personnel Committee. The evaluation results are then disclosed to individuals, and the final decision is made through an objection procedure and agreement with members, and the results are reflected in compensation by setting incentives and annual salaries.

Appraisal and Compensation Process



Appraisals System



Performance Appraisals Status

Unit: Person, (%)

Classification		2021	2022	2023
Subject*	All	401(76.8)	449(77.3)	583(87.0)
	Gender			
	Male	147	159	173
	Female	254	290	410
Employee Classification	Executive	7	8	9
	Employee	394	441	574

*The following individuals are not included in the performance appraisal process: employees who have been with the company for less than three months, those on long-term leave for more than six months, and those planning to resign.

Talent Management

A Great Place to Work

SM Entertainment aims to create a healthy organizational culture where employees can improve their expertise and capabilities, maintain a work-life balance, and grow together.

Educational Program

SM Entertainment operates various training programs to improve the expertise and capabilities of its employees. The HR Planning Unit, the main department, identifies the needs of employees, plans and provides effective training programs, and guarantees equal training opportunities. We will continue to develop customized training programs for new employees, general employees, and leaders to support continuous growth.

Job Training Support for Each Department

Each department can apply for and learn the training required for their work, and we support receiving training from external professional training institutions at the discretion of the department head.

Basic OA Training Support for New Employees

To help new employees develop practical business skills, we provide basic OA (Excel, Word, Outlook, etc.) training. This training assists them in acquiring various useful tips that can be applied in their work and helps them adapt to their roles.

Average Annual Training Hours and Costs per Person

(Unit: Hours, Ten Thousand Won)

Classification	2021	2022	2023
Annual Training Hours (Hours)*	23.9	18.4	17.4
Annual Training Fee (Ten Thousand Won)	14.2	17.4	6.7

*Calculated based on Internal Training program hours, Individual/external training, outside directors, and those on annual leave are excluded from the calculation.

Number of Participants per Course

(Unit : People)

Educational Course		Number of Participants per Year*		
		2021	2022	2023
Business OA Basic Course		71	48	49
Compliance and Ethics Training		509	591	663
Human Rights Management Training		509	591	672
Occupational Safety and Health Training During Employment		148	197	282
Occupational Safety and Health Job Training**		4	1	1
Regular Industrial Safety and Health Training	1Q	492	508	601
	2Q	484	526	638
	3Q	494	545	670
	4Q	509	591	672
Mandatory Legal Education		509	591	722
Internal Accounting Management System		475	194	373

*The above results are based on the number of employees in office at the time of training and may differ from the number of employees at the end of the year.
**The number of graduates was recalculated, resulting in differences from previous reports.

Welfare System*

SM Entertainment operates various welfare systems that consider life, leisure, and health to improve employees' job satisfaction and work-life balance. Considering the characteristics of the entertainment industry, we support watching cultural performances, purchasing books, and music streaming services to meet employees' cultural experience needs. In the first half of 2024, we reflected the opinions of employees and increased support for lunch expenses and in-house cafe points, and introduced a One Pick Anniversary Service in which the company sends gifts on behalf of employees once a year. SM Entertainment plans to continue to reform its welfare system to reflect the needs of employees and the values of the company.

SM Life Care

Support for Cultural Performances

Support for Music Streaming Services

One Pick Anniversary Service Support

Lunch Support

Birthday Gift

Holiday Gifts

Club Activities

Snack Support

Overtime Meal and Transportation Expenses Support

Designated Driver Support

Book Purchase Support

SM Health Care

Group Accident Insurance

Vaccination Support

Medical Staff Health Consultation

Psychological Counseling Program

Comprehensive Health Checkup

Various Resting Spaces

SM Family Care

Support for Family Events and Condolences

Living Stability Loan Support

Child Education Support

Support for Foster Care for Children

*Applies to all employees, including temporary and non-regular workers

Talent Management

Organizational Culture

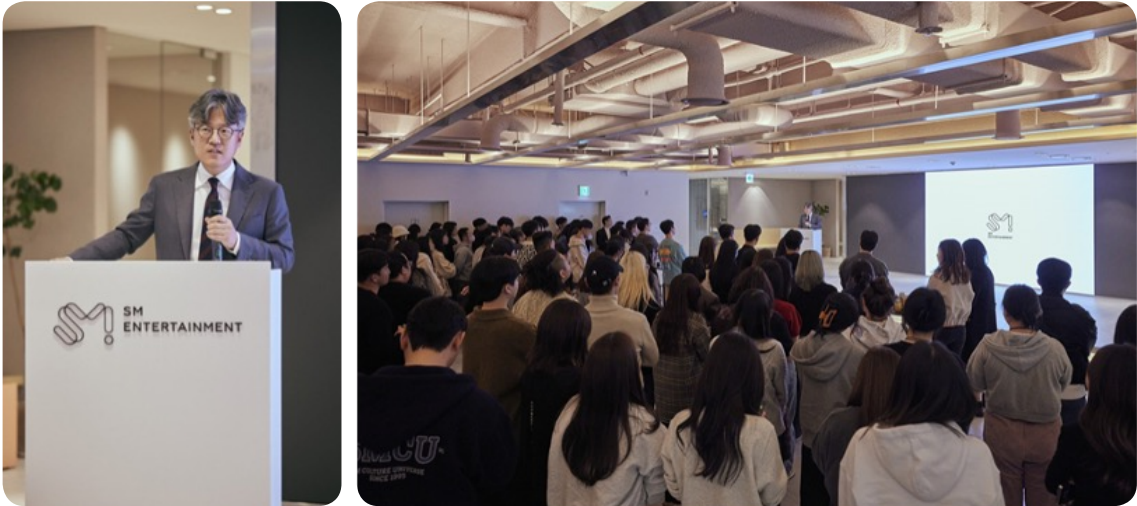
Organizational culture refers to the values, beliefs, behavior patterns, and norms shared by members of an organization, and plays an important role in achieving sustainable growth for a company. SM Entertainment is striving to create an organizational culture that grows together based on respect for employees. Since 2023, we have held S-MINGLING DAY every quarter, during which the CEO shares management performance and goals, and communicates with members. Afterwards, we organize casual gatherings to foster interaction and unity among employees from different departments afterwards.

Town Hall Meeting

To communicate sincerely with employees, we have held Open Talk with the CEO regularly every quarter since July 2023. We transparently share quarterly performance and major issues, and the CEO directly answers various questions from employees.

S-MINGLING DAY

SM Entertainment has hosted 'S-MINGLING DAY', a corporate gathering to promote communication among employees and strengthen organizational culture. Various events are held each time.



Open Talk & S-MINGLING DAY with the CEO

Enhancement of Content Quality

Since its establishment until 2010, SM Entertainment has established K-POP culture, leading the growth of the Korean entertainment industry and the global spread of K-POP. During this period, BoA and TVXQ gained popularity throughout Asia and achieved great success in the Japanese market. After that, the debut of SUPER JUNIOR, Girls' Generation, and SHINee raised the global awareness of K-POP. This period is called 'SM 1.0'. Then, in 2010, after K-POP established itself as a unique culture representing Korea, EXO, Red Velvet, NCT, and aespa debuted, further strengthening SM Entertainment's global influence, and in the process, many of the company's personnel acquired producing capabilities. Furthermore, SM Entertainment created the 'SM Culture Universe', a future entertainment world combined with cutting-edge technology, a worldview that transcends the virtual and the real. This period until early 2020 is called 'SM 2.0'. And in 2023, the era of SM 3.0 began. As we have accumulated IPs with high potential for success and fostered capable talents, we are once again taking a leap forward as a global entertainment company of a new level through various attempts that only SM Entertainment can make.

IP Development Process

IP is largely divided into primary IP and secondary IP. Primary IP includes albums, performances, broadcasts, etc., and secondary IP consists of MD, IP licensing, fan platforms, and video content based on primary IP results. SM Entertainment has its own IP development process and creates high-quality content based on the know-how it has built up over many years.



Multi Production

SM Entertainment aims to create more differentiated and enhanced IPs and maximize business performance by organizing dedicated personnel for artists in each production center based on its accumulated know-how and ensuring independent decision-making.

The Multi Production System was inaugurated with the debut of RIIZE, which debuted in September 2023. RIIZE, standing for a team that grows and realizes dreams together, successfully initiated SM 3.0 by achieving a million-seller status with their debut single album.

New IPs, such as NCT WISH, NCT NEW TEAM selected through SM Entertainment's first debut survival show, and a new girl group set to debut in the second half of 2024, are expected to present innovative forms and strategies, leading the new era of 3.0 and captivating the world.

Multi Production	
Production	IP in Charge
ONE	KANGTA · BoA · Girls' Generation · aespa
PRISM	SHINee · WayV · (NEW GIRL GROUP)
RED	TVXQ! · Red Velvet
NEO	NCT 127 · NCT DREAM · NCT WISH
WIZARD	SUPER JUNIOR · EXO · RIIZE
Virtual IP	nævis

Enhancement of Content Quality

Artist Activities in 2023

Since the introduction of the Multi Production system in 2023, SM Entertainment has been actively promoting growth under the excellent leadership of each production director. In 2023, it released a total of 64 albums and digital music presenting rich music content, and held 340 concerts creating precious moments for artists and fans to meet. In 2024, SM Entertainment will continue its efforts to open new content markets through the launch of new IPs and further strengthen the competitiveness of artists.



Global Business Expansion

SM Entertainment aims to establish a local Multi Production system in America, Japan, and Southeast Asia by 2025, following its five domestic Multi Productions. To this end, it is working closely with major companies in the U.S., Japan, China, and Southeast Asia. We are organizing global dedicated personnel for each production and, through the placement of dedicated personnel in major countries, are conducting various test projects and exploring business opportunities for business diversification.

SMTOWN LIVE

SM Entertainment’s global performance brand ‘SMTOWN LIVE’ has been held successfully in major cities around the world, including Seoul, New York, LA, Paris, Dubai, Santiago, Tokyo, Beijing, Shanghai, Bangkok, and Singapore since 2008, and has been loved by music fans around the world as the No. 1 global performance brand, garnering attention for ‘the first Korean single brand concert in Paris, France’, ‘the first Asian artist to perform at Madison Square Garden in New York’, ‘the first foreign artist to perform at the Beijing Olympic Stadium in China’, and ‘the first large-scale K-pop concert in Dubai’.

‘SMTOWN LIVE 2023: SMCU PALACE @ KWANGYA’ held on January 1, 2023, was broadcast through YouTube, Beyond LIVE, and platforms in countries such as Japan, Indonesia, Thailand, Vietnam, and Saudi Arabia. This is a free online concert by SM Entertainment that started in 2021 during the COVID-19 pandemic, and it offered rich visual experiences, including various collaborations between SM Entertainment’s affiliated artists from the 1st to 4th generations, as well as performances of songs from their winter albums.

‘SMTOWN LIVE 2023 SMCU PALACE @ JAKARTA with KB Bank’ held on September 23, 2023, was held in Jakarta, the capital of Indonesia, to coincide with the 50th anniversary of diplomatic relations between Korea and Indonesia. It was broadcast live through platforms such as Beyond LIVE and Japan’s KNTV and Weverse and received an explosive response from both local audiences and global music fans watching online. RIIZE, who debuted in 2023, participated in SMTOWN LIVE for the first time, and all artists presented a diverse stage experience for about 4 hours.



SMTOWN LIVE 2023 : SMCU PALACE@KWANGYA



SMTOWN LIVE 2023 SMCU PALACE @ JAKARTA with KB Bank



SMTOWN LIVE 2023 SMCU PALACE @JAKARTA with KB Bank Performance Site

Enhancement of Content Quality



ScreaM Records

ScreaM Records is a Dance Music label under SM Entertainment, launched in January 2016 to seek musical diversification and expand from ‘performance to watch and listen to’ to ‘performance to enjoy together.’ ScreaM Records leads the fresh fusion of K-POP and dance music based on its businesses such as digital music production and distribution, K-POP remix project ‘iScream’, management of affiliated DJs/producers, and offline event planning and operation. It also carries out various projects to realize social value such as talent cultivation through signing an MOU with the Department of Applied Music at the Seoul Institute of the Arts in May 2023, cultural exchange through cooperation with overseas dance music labels and hosting events and song camps, and domestic artist discovery.

Scream Records’ Activity Details and Short- To Medium-Term Goals

Classification	Activities in 2023	Short to Medium Term Goals
Digital Music Release and Artist Activity Support	• Digital Music Release - ScreaM Records’ compilation album, IMLAY - STARDUST EP released - 17 digital tracks from the remix project 'iScream' released - 12 digital tracks by external DJ artists released • Artist Activity Support - DJ performance activity support for IMLAY and Mar Vista - Production and collection of songs by Taeyeon, aespa, RIIZE, NCT WISH(TBD) - Support for NCT JOHNNY’s DJ activity preparation	• Securing a pool of domestic and foreign songwriters and expanding collaboration between genres
Social Contribution	• Feedback and supply of digital music produced by students at Seoul Institute of the Arts	• Cultivating aspiring talents through special lectures for majors and expanded feedback



Some of the 2023 Scream Records Album Releases

Enhancement of Content Quality

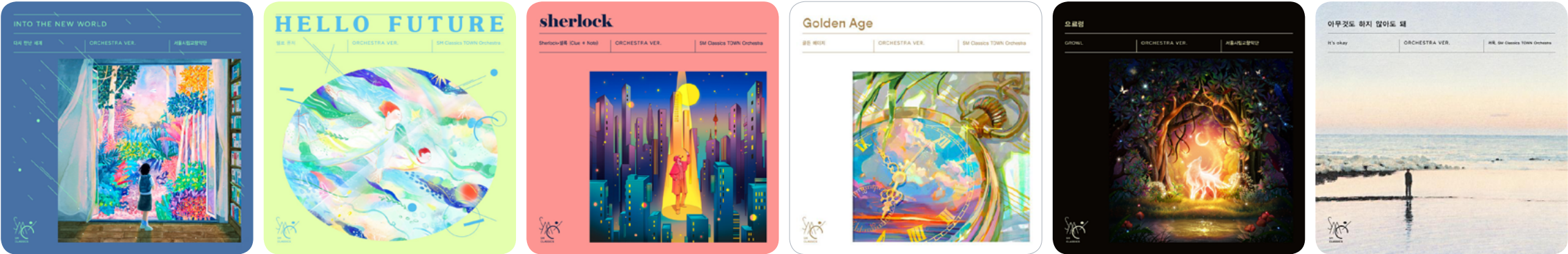
In-house Label Activities



SM Classics
SM Classics is SM Entertainment’s classical music label. Beyond being a simple classical music label, it is opening new horizons in music through the fusion of K-Pop and classical music, exploration of diverse genres, and artistic collaboration. As part of its efforts for collaboration across genres, it has signed an MOU with the Seoul Philharmonic Orchestra in 2022, conducting various collaborations such as orchestra performances and music education programs, and Seoul National University College of Music for the development and future of cultural businesses. SM Classics will continue to explore new possibilities for classical music and present music that moves and inspires diverse audiences.

SM Classics’ Activity Details and Short- To Medium-Term Goals

Classification	Activities for 2023	Short to medium-term goals
Digital Music Production and Release	• 6 digital tracks (orchestral version) using SM Entertainment’s IP released	• Expanding the music horizon of music through collaboration across genres
Artist Albums and Performance Support	• Support for album production and performance activities, including arrangements and recordings for affiliated artists such as RYEOWOOK, MINHO, TAEMIN, WENDY, aespa, etc.	• trengthening synergy between Multi Production and labels
Social Contribution	• Production and sponsorship for the official 2024 Busan World Table Tennis Championships theme song ‘Win For You’ (recorded as a duet featuring ambassador aespa WINTER and actor IM-SI-WAN) • Arrangement of ‘Into the New World’ by Walking With Us’ Allkidstra • Arrangement of ‘FOREVER 1’ by the Beautiful Mind Orchestra	• Realizing the value of sharing and social contribution by participating in national event music projects and providing music consulting for performing groups comprising vulnerable populations



SM Classics Digital Music Release in 2023

Enhancement of Content Quality

Efforts to Improve Accessibility to Performances

SM Entertainment is making diverse efforts to create an environment where all audiences can enjoy the performance.

Support for Audiences Using Wheelchairs

To ensure wheelchair users can appreciate the performance safely and conveniently, we assign on-site staff teams to assist them to enter, exit, and watch the performance.

Multilingual Subtitling Services

We offer multilingual subtitles on our online concert platforms (Weverse, Beyond Live) to enhance both domestic and international fans' accessibility to performances.

Consideration for Fan Safety and Convenience

In response to a cold wave warning issued ahead of the NCT 127 concert in November 2023, we prepared a warm waiting areas for audiences who had to wait outside.

SM Entertainment will continue to make efforts to ensure that all audiences can safely and comfortably enjoy the performance.



Concert Scene



Installation of Waiting Area for Audiences at Winter Performances

Information Security

SM Entertainment complies with laws and regulations related to information protection and strives to protect the personal information of its employees, artists, and fans.

Information Security Policy

SM Entertainment has established regulations for the protection and management of information systems and assets, and is complying with them with its employees, partners, etc. For the security of internal and external information, we have established regulations for management and technology, and is regularly supplementing the 'Personal Information Processing Policy' to protect customer information.

Main Information Security Policy

Classification	Content
Access Security	Only those with access cards are allowed to enter our company, and outsiders can apply for entry in advance according to internal guidelines
ERP Security	Access rights are controlled by department, and login sessions are renewed daily
Message Security	Attached files and image views expire after a certain period of time, and watermarks are printed on images
Internet Security	Non-business Internet sites are blocked
PC Security	A PC security officer is on duty and manages security-related history, such as programs used on the PC
Security Vulnerability Alert	A warning message is sent in case of security vulnerabilities according to internal security regulations

Information Security Training

SM Entertainment is conducting information protection education for its employees. Every year, we provide education on the concept and necessity of information protection, accident occurrence and handling, related laws and punishments, security guidelines and procedures, etc. We are continuously promoting and providing related content through notices, etc. so that employees and partners can practice information protection in their daily lives.

Information Security Decision Making System



Information Protection Training Status

Unit : Person, (%)

Training Title	Number of Trainees and Completion Rate*		
	2021	2022	2023
Information Protection Related Rules, Cases, Risk Response and Prevention Methods, Etc.	509 (100)	591 (100)	709 (100)

*The above is based on the number of employees in office at the time of training and may differ from the number of employees at the end of the year.

IP Asset Security Check

SM Entertainment installs security programs on its workspace and work PCs to prevent data leaks, which are its main assets, and conducts regular security checks. Especially for IP assets, the company uses its own methods to prevent digital music and related content from being leaked in advance before launching a new album. When disposing of documents and items that require security, the company separates and seals the waste according to regular security disposal guidelines.



Instructions on Regular Secure Disposal and Discharge

Supply Chain Management And Joint Growth

SM Entertainment is communicating and cooperating with its partners so that they can properly manage key issues of sustainable management. For SM Entertainment to leap forward to a higher level of global entertainment company through SM 3.0, synergy with its partners is essential. To this end, SM Entertainment is establishing cooperative relationships with various small and medium-sized enterprises, large corporations, and global companies, and is building mutual trust and close partnerships through fair transactions with its partners. SM Entertainment aims for joint development and coexistence and has established detailed procedures and systems for joint growth at each stage of the cooperation process, including the partner selection stage, negotiation stage, contract signing stage, and work performance stage. In the future, SM Entertainment will comply with relevant laws and regulations, secure transparency and fairness in all transactions with its partners and pursue joint growth with its partners through ethical and rational decision-making.

Supply Chain Management and Promotion of Shared Growth

Concluding a Fair Contract

SM Entertainment has been consistently revising contracts that regulate relationships with partners to ensure that they are fairly concluded in accordance with the enactment/revision of laws and regulations, changes in social norms, etc. We have established an integrity compliance agreement as an item that partners must comply with, and through this, we are preventing legal and ethical risks in advance by practicing ethical values together with partners. In addition, we comply with related laws and government department guidelines and recommendations and avoid concluding contracts that are unilaterally disadvantageous to partners.

Building Long-Term Partnerships

SM Entertainment does not view its partners as simply short-term subcontractors, but as partners with whom it will grow together, and seeks continuous and long-term contractual relationships while avoiding one-time contractual relationships. Through this, it maintains stable business relationships with excellent partners secured through a systematic supply chain selection system and creates synergy by mutually helping each other in the long term.

Support for Industrial Safety of Partners

SM Entertainment is striving to create a safe working environment for employees of partner companies working in the workplace and prevent industrial accidents by regulating safety and health management tasks related to business in accordance with the Industrial Safety and Health Act. We provide guidance and advice on establishing a workplace safety and health management system for employees of partner companies and conduct joint risk assessments to reduce risks in advance. We discuss industrial safety-related matters through the Safety and Health Council comprised of partner companies working in the workplace and conduct joint safety and health inspections every quarter. Through this, SM aims to support the industrial safety of partner companies and prevent industrial accidents.

Support for ESG Education for Partners

SM Entertainment conducts ESG education and workshops for the ESG Working-level Consultative Body and ESG managers of partner companies on a quarterly basis. The workshops consist of education and discussions on ESG policies and key tasks and provide basic ESG education to SM Life Design Group, Dream Maker Entertainment, and SM BRAND MARKETING practitioners with close business ties, and discuss future projects.



Supply Chain Management And Joint Growth

Efforts for Joint Growth

[SM Entertainment] Support for Small and Medium-Sized Content Companies

SM Entertainment participated in the K-content IP (intellectual property) Convergence Production Support Project promoted by Gyeonggi Province in 2023, supporting small and medium-sized content companies in the province to produce content using SM Entertainment's IP. In addition, in August 2023, we presented AR mission content and mini multi-shows at Everland in Gyeonggi Province, featuring SHINee's 15th anniversary debut album concept 'Hard.' Through this, we were able to provide special experiences and enjoyment to fans and visitors and contribute to the growth and competitiveness of small and medium-sized content companies. SM Entertainment will continue to actively help small and medium-sized content companies advance into the domestic and international markets by utilizing its IP and content and promote joint growth and contribute to the growth of the K-content business.



Let's SHINee Land site



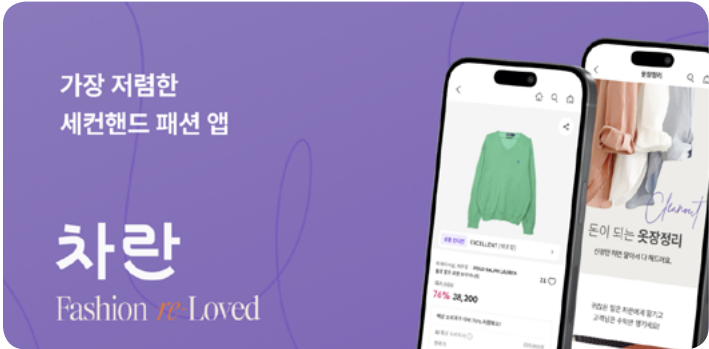
RIIZE & Big Ocean Sign Language Challenge Site

[SM Culture & Contents] Business Agreement with Parastar Entertainment

SM Entertainment's main subsidiary SM Culture & Contents signed a business agreement with PARASTAR Entertainment in May 2023 for joint growth. PARASTAR Entertainment is Korea's first entertainment company specializing in artists with disabilities. Its business agreement aims to improve awareness of disabilities by creating quality content such as joint planning and production of barrier-free content and joint hosting of barrier-free events. In February 2024, RIIZE from SM Entertainment and Big Ocean from PARASTAR Entertainment sang RIIZE's 'Love 119' together in international sign language and promoted the sign language challenge. In addition, we supported Big Ocean to remake H.O.T.'s 'HOPE' as their debut song.

[SM Culture Partners] Startup Investment

SM Culture Partners, an investment subsidiary 100% owned by SM Entertainment, invests in and supports startups that possess technology and business models to enable SM Entertainment's IP to interact with customers in various new ways. In 2022, SM Culture Partners invested in Mine. is Inc., the operator of Charan, which manages everything from collection to sales of secondhand clothing. Charan is a fashion commerce platform that sells secondhand clothing, from popular brands ranging from SPA to luxury brands, at prices up to 90% lower than the regular price, and uses its data to set the optimal price and maximize profits for sellers. SM Entertainment plans to collaborate with Charan to sell affiliated artists' outfits to reduce carbon emissions that could occur from clothing disposal and incineration, thereby practicing environmental protection through resource recycling.



Charan Website

Community Contribution And Social Impact

As part of its efforts to strengthen sustainable management, SM Entertainment is expanding its social contribution activities, represented by its social contribution brand ‘SMile’. SMile embodies SM Entertainment’s value of ‘Creating A Future in which Culture Inspires Everyone to Dream and Smile Together’. Accordingly, it continuously carries out activities that foster the dreams of future generations, such as SMile Music Festival, SMile for U, and SMile Community Volunteer Group.



The heart shape in the logo symbolizes the vision of SM's social contribution activities to spread smiles and love.

Practicing SDGs 4 Through Musical Education

SMile is carrying out various social contribution activities to ensure quality education as specified in SDGs 4, so that children and youth who will lead the future, centered in Korea and Asia, can foster dreams and hopes through music education.



Social Contribution Area

 Education & Culture We support domestic and international children and youth who are pursuing their dreams through music by utilizing SM Entertainment's expertise and infrastructure. • SMile for U • SMile Music Festival	 Public Interest & Environment SM Entertainment is committed to addressing social problems by collaborating with domestic and international NGOs, organizations, and corporations. • Artist Public Service Activities • Support for Marginalized Children and Youth • Environmental Protection Campaigns
 Community We organize volunteer activities for the local community, spontaneously joined by members of SM Entertainment. • SMile Community Volunteer Group	 Donation & Sponsorship SM Entertainment’s affiliated artists participate in donation and sponsorship activities to serve communities in our society that need help.

Community Contribution And Social Impact

SMile Music Festival

SMile Music Festival is SM Entertainment’s flagship social contribution program designed for children and youth who nurture their dreams through music. We select teams across categories —such as vocal, dance, and band—and provide them with SM Entertainment's affiliated artist mentoring, professional training, and year-end joint performances. Since the COVID-19 pandemic, we have provided kits for online training and expanded participation opportunities for youth in culturally underserved areas through hybrid online and offline classes. Participants not only experience musical growth but also enjoy the thrill of challenges, a sense of accomplishment, and increased confidence through the program.

As of December 2023

9th Edition

2015 - Present

737

Participants

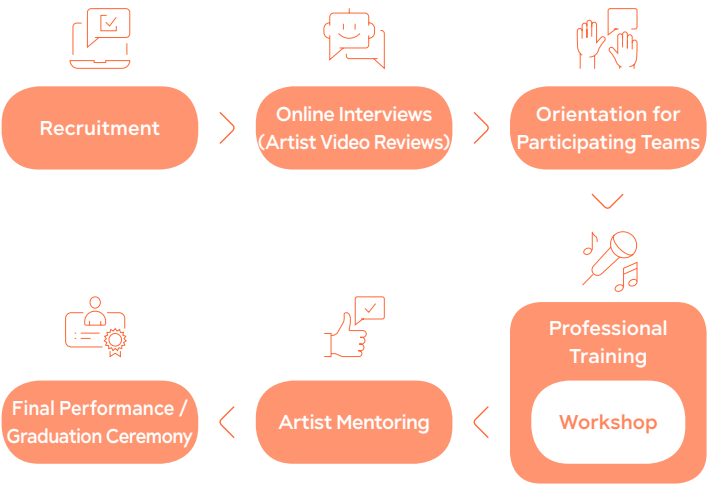
to date

88

Teams

to date

Program Process



2023 SMile Music Festival Final Performance Site

Main Program Benefits

Professional Trainers’ Training

hybrid online and offline classes

Online Training KIT

support for online environments such as laptops and action cameras

Practice Space Support

rental fee support

Final Performance for Each Team

styling, makeup, and overall stage support

SMile Music Festival Certificate Issuance

participants upon completion of the entire program

9.8

Participation Satisfaction Score

Survey of Youth Participants and Supporters
*Results Collected in December 2023

Familiarity With Culture and Arts & Growth of Musical Ability		5-Point Scale	
Before	After	Before	After
3.88	4.32		
Familiarity With Culture and Arts		Before	After
		4.61	4.64
Cultural and Artistic Competencies		Before	After
		3.16	4.00

Personal Capability Development		5-Point Scale	
Before	After	Before	After
4.09	4.18		
Leadership		Before	After
		3.27	3.57
Creativity		Before	After
		3.97	4.11
Self-initiative		Before	After
		4.22	4.27
Communication		Before	After
		4.41	4.53

Psycho-Emotional Changes		5-Point Scale	
Before	After	Before	After
3.97	4.03		
Self-Esteem		Before	After
		3.98	4.04
Self-Efficacy		Before	After
		3.89	3.92
Self-Understanding		Before	After
		3.85	4.00
Family Relationships		Before	After
		4.03	4.08

Community Contribution And Social Impact

SMile for U

SM Entertainment has implemented the SMile for U campaign with the Korean Committee for UNICEF since 2016 to provide integrated music education to children across Asia. The campaign has delivered music education to children in Hanoi, Da Nang, Kon Tum, Dien Bien, and Gia Lai provinces in Vietnam, making a positive impact on improving the educational environment for children from ethnic minorities and the Vietnamese government’s educational direction. To effectively expand music education, the campaign facilitated the development of a music education manual approved by the Ministry of Education (MOET), along with educational materials and guidelines for teacher training. Since 2022, the campaign has extended to the Philippines, continuing its efforts to provide music education to children in two cities and three provinces.

As of December 2023

Target Area	Support Contents	Total Period of Support	Support Target
Vietnam (Hanoi, Da Nang, Kon Tum, Dien Bien, Gia Lai) Philippines (Samar, Northern Samar, Northern Zamboanga, Cagayan de Oro City, Valenzuela City)	Music Education Support like Teacher Training, Curriculum Development, and Equipment Support	2016 ~ Present	50,000 Children in the Target Area (including children with disabilities) 10,000 Parents, Childcare Workers, and Community Members 5,000 Teachers and Educators



Vietnam’s Local Education Site Field Trip in 2023



SMile Community Volunteer Group

The SMile Community Volunteer Group is an in-house organization composed of employees and artists from all SM Entertainment affiliates who voluntarily engage in social contribution activities. Founded in 2014, the group has mobilized over 300 employees annually to participate in various social contribution activities serving the community in need.

As of December 2023

10 Years 2014 - Present	2,473 Participants to date	6,975 Volunteer Hours to date
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2023 Employee Environmental Protection Activities

Community Contribution And Social Impact

2023 Community Volunteer Group Activity List

Classification	Volunteer Program	Activity Contents	Number of Participants
Regular Volunteer Program	Photo Volunteer Group	Shot ID, elderly, and profile photos of the underprivileged and welfare facility users	72 volunteers, 120 beneficiaries
	Gardening Volunteer Group	Conducted Ecological monitoring to observe and record flora and fauna in KWANGYA Forest and Seoul Forest	53 volunteers
	Baking Volunteer Group	Made Bread for the underprivileged in Dongjak-gu and Gwanak-gu	79 volunteers, 400 households
	Stray Animal Volunteer Group	Cleaned stray dogs' shelters and train dog guardians	64 volunteers
Career Mentoring	Youth Career Mentoring	Shared job knowledge and experience through small group mentoring between employees and youth by field	10 volunteers, 66 beneficiaries
Support for the Underprivileged	Children's Book Reading Volunteer Activity	Recorded audiobooks and donated reading aids for visually impaired children (kindergarten at Seoul National School for the Blind)	21 volunteers
	SM Flea Market	Ran SM Entertainment's in-house bazaar, where employee sellers offer unused items for sale (Partial proceeds and goods were donated to the MIRAL Welfare Foundation that supports jobs for people with disabilities)	8 volunteers
	SK Happy Alliance 'Happy Box Campaign'	Packed supplies for children at risk of hunger	28 volunteers, 12,000 beneficiaries
Local Improvement Activities	Seongdong-Gu Mural Painting Volunteer Activity	Painted murals in old areas near Seongdong-gu Children's Park	17 volunteers
Environmental Protection Activities	SM X Hyundai Glovis	Conducted environmental cleanup plogging in the Seoul Forest area near the Seongsu office building to commemorate Earth Day	25 volunteers
Hands-on Campaigns	Seoul Forest Plogging Joint Volunteer Activity	Made and delivered book covers to support children from crisis families	30 volunteers

Donation & Sponsorship

SM Entertainment and its affiliated artists have actively donated and supported places in need, including domestic and international disaster/catastrophe situations.

Participation in Disaster/Catastrophe Donations by the Company and Artists

Year	Contents	Participants	Donation Recipients	Donations (KRW)
2022	Uljin, Gangwon Forest Fire Recovery Support	SM Entertainment	Korea Disaster Relief Association	400,000,000
		TVXQ! U-KNOW	Community Chest of Korea	50,000,000
		SUPER JUNIOR HEECHUL	Community Chest of Korea	100,000,000
		NCT DOYOUNG	Korea Disaster Relief Association	30,000,000
2023	Türkiye-Syria Earthquake Relief Support	SM Entertainment	Korea Disaster Relief Association	200,000,000
		NCT MARK	Korea Disaster Relief Association	150,000,000
		NCT DOYOUNG	Community Chest of Korea	100,000,000
		NCT HAECHAN	Community Chest of Korea	100,000,000
	Gangneung Wildfire Recovery Support	TVXQ! U-KNOW	Community Chest of Korea	50,000,000
	Support for neighbors in domestic flood-stricken areas	SM Entertainment	Korea Disaster Relief Association	200,000,000
	Hawaii Wildfire Relief Support	NCT HAECHAN	Korean Red Cross	50,000,000

Donation details of artists who prefer to remain private have been excluded



Special

Support for Allkidstra

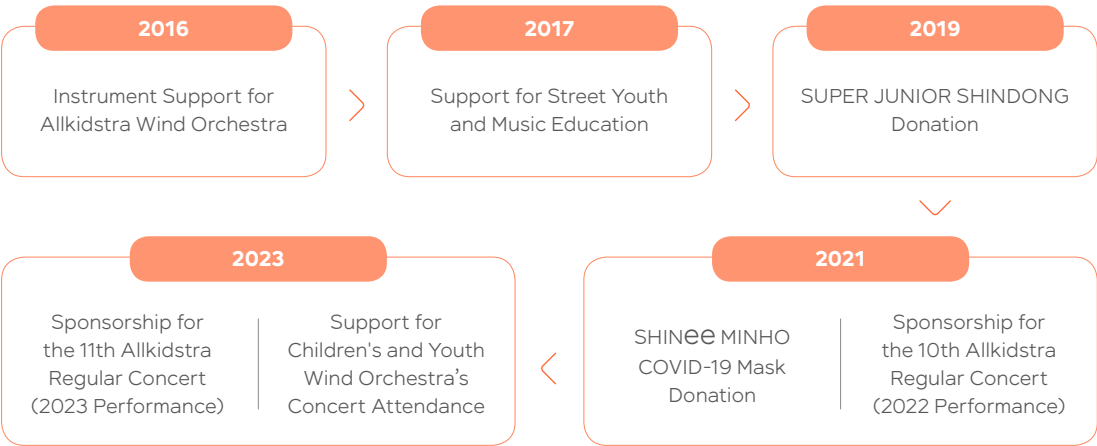
SM Entertainment has carried out social contribution activities under the vision named 'SMile', which means creating a future in which culture inspires a smile in everyone together. In particular, we have collaborated with various countries and NGOs to facilitate music education to enable children and youth—who will lead the future - centered around Korea and Asia to nurture dreams and hopes. Among them, we have been in a relationship with Walking With Us, the social welfare corporation, for over eight years, starting with musical instrument support in 2016.

Allkidstra

Allkidstra is Walking With Us' representative cultural and artistic project. It stands for 'Orchestra of All Kids' that provides children and youth in culturally underprivileged areas with enjoyable and exciting experiences through music.



Allkidstra Musicians



SM Entertainment sponsored the 2023 11th Allkidstra Regular Concert following the 10th edition in 2022. Notably in 2023, SM Classics, SM Entertainment's classical music label, provided assistance for their performance of the wind orchestra version of Girls' Generation's 'Into the New World'. The entire process of sponsorship and donation to the 2023 regular concert were shared through the public goods platform, and the details of how the donations were used were also transparently disclosed.



- 2023 Allkidstra Regular Concert Poster
- 2023 Allkidstra Regular Concert Performanc

GOVERNANCE

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Link to UN SDGs



Ethics and Compliance Management

Companies must make decisions that respect the law and social ethics when conducting business activities and establish a system for doing so. SM Entertainment enacted the Internal Information Management Regulations in September 2009, the Compliance Control Standards in November 2019, and the Code of Ethics in May 2020 through a resolution of the Board of Directors. The enacted regulations serve as the decision-making and behavioral standards for all SM Entertainment executives and employees. As of 2023, 100% of SM Entertainment executives and employees have completed ethics/compliance training, and we plan to expand and practice ethical and compliance management by disseminating the Code of Ethics to major affiliates and introducing the Pledge of Ethical Practice.

Code of Ethics

SM Entertainment has established and is putting into practice a code of ethics that serves as the standard for behavior and value judgment that must be observed in all management activities.

Attitude Toward Shareholders and Investors
Equal Treatment and Transparent Information Provision for All Shareholders

Attitude Toward Customers
Respect and Customer Protection

Attitude Toward Business Partners, Etc.
Fair Competition and Fair Trade

Corporate Social Responsibility
Compliance With Laws and Regulations, Contribution to Social Development and Environmental Protection

Responsibility for Executives and Employees
Fair Treatment and Creation of a Safe and Pleasant Work Environment

Basic Ethics for Executives and Employees
Basic Ethics for Executives and Employees

Establishment of Compliance Control Standards

SM Entertainment has established and implemented compliance control standards to promote fair and transparent business practices and secure the company’s development and customer trust. Through these standards, the appointment of compliance support personnel, organizational structure, and roles are stipulated, and measures for handling legal risks by type are presented.

Internal Audit System

SM Entertainment establishes an annual audit plan in accordance with internal regulations and conducts routine audits (regular) and special audits (emergency).

Internal Control over Financial Reporting (ICFR)

SM Entertainment designs and operates the internal accounting management system in accordance with the Act on External Audit of Stock Companies, the Enforcement Decree of the same Act, and the Summary of the Guidelines for Internal Control over Financial Reporting in Korea announced by the Operating Committee of Internal Control over Financial Reporting. The CEO and internal account manager annually evaluate and report the results of operational status of Internal Control over Financial Reporting to shareholders, board of directors, and auditors. Auditors inspect, evaluate, and present reported results of operational status of Internal Control over Financial Reporting to shareholders and board of directors. The external auditor annually audits the company's Internal Control over Financial Reporting and presents an auditor’s opinion in the auditor’s report.

Ethics/Compliance Education Status

Ethics/Compliance Education Completion Status	2021	2022	2023
Number of Sessions	1	1	1
Number of Participants	509	591	663

*The above figures are based on the number of employees in office at the time of training and may differ from the number of employees at the end of the year.

Law-based Management Decision-making System

Compliance Supporter (cum-Internal Accounting Manager)
Compliance Office
Corporate Legal Unit
Business Legal Unit
Internal Control Unit

Chief Compliance Officer	Carry out integrated compliance control activities, provide compliance education to executives and employees, and report the results of compliance control work in accordance with the Commercial Act and compliance control standards to the board of directors.
Compliance Office	Communicate with the Corporate Legal Unit and Business Legal Unit to perform and support compliance control work and constantly report the results of compliance control work to the Chief Compliance Officer.
Internal Control Unit	Manage the internal accounting management system in accordance with the Act on External Audit of Stock Companies, the Enforcement Decree of the same Act, and the Summary of the Guidelines for Internal Control over Financial Reporting in Korea announced by the Operating Committee of Internal Control over Financial Reporting. Management Tasks include risk assessment, design, and operational evaluation, Report the results to the internal accounting manager and auditors, and submit them to external auditors.

Fair Trade and Intellectual Property Protection

SM Entertainment respects the fair and free-market economic order and has established fair competition with other businesses as its basic principle. The company is dedicated to fostering joint growth with its partners and preventing unfair practices. In addition, SM Entertainment actively engages in protecting intellectual property rights in collaboration with various partners such as the Korea Intellectual Property Protection Agency, law firms, and patent firms. Internally, the company also provides ongoing education on intellectual property rights to its employees. Furthermore, it has established a collaborative system between the legal support department and the field department to prevent potential legal risks, such as third-party rights infringement, including intellectual property rights.

Regulations and Policies

Expanding the Scope of Registration of Intellectual Property Rights

We expand the scope of domestic and international patent office registrations for trademarks, designs, patents, etc., and execute tasks to protect copyrights for music, videos, images, etc.

Responding to Illegal Products and Rights Infringements

We filter and sanction those who manufacture, distribute, and sell illegal products by stealing SM Entertainment and artist-related trademarks, designs, etc.,. We also establish a response system with various partners to handle actions infringing the intellectual property rights and other rights.

Establishing a Continuous Internal Training and Transaction System to Ensure Compliance With Relevant Laws and Regulations

To comply with laws (Copyright Act, Trademark Act, Fair Trade Act, Personal Information Protection Act, etc.) related to the SM Entertainment’s businesses, we frequently conduct training through internal departments in charge and external advisory agencies (law firms, patent firms, etc.) and have established transaction procedures and systems in accordance with related laws to ensure fair transactions.

Fair Trade and Intellectual Property Protection Decision-making System



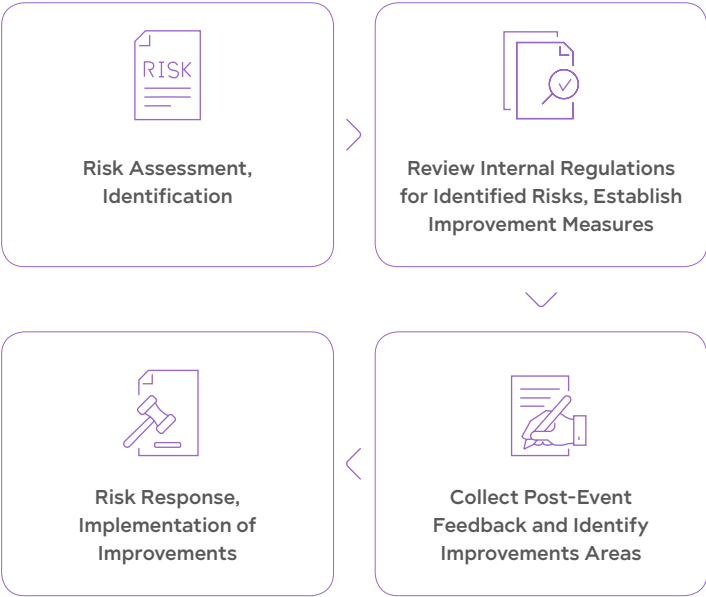
Fair Trade and Intellectual Property Protection Goals and Details

Classification	Achieved by 2023	Short- to Mid-Term Goals
Fair Trade	Establishment of a consultation stage with partners for fair contractual agreements	Establishment of a fair trade education support system for partners
Intellectual Property Protection	- Expansion of the scope of domestic and international trademark/design registration - Establishment of a domestic and international illegal product crackdown system	- Expansion of trademark and intellectual property rights application and registration - Conducting education on intellectual property rights protection for employees and partners

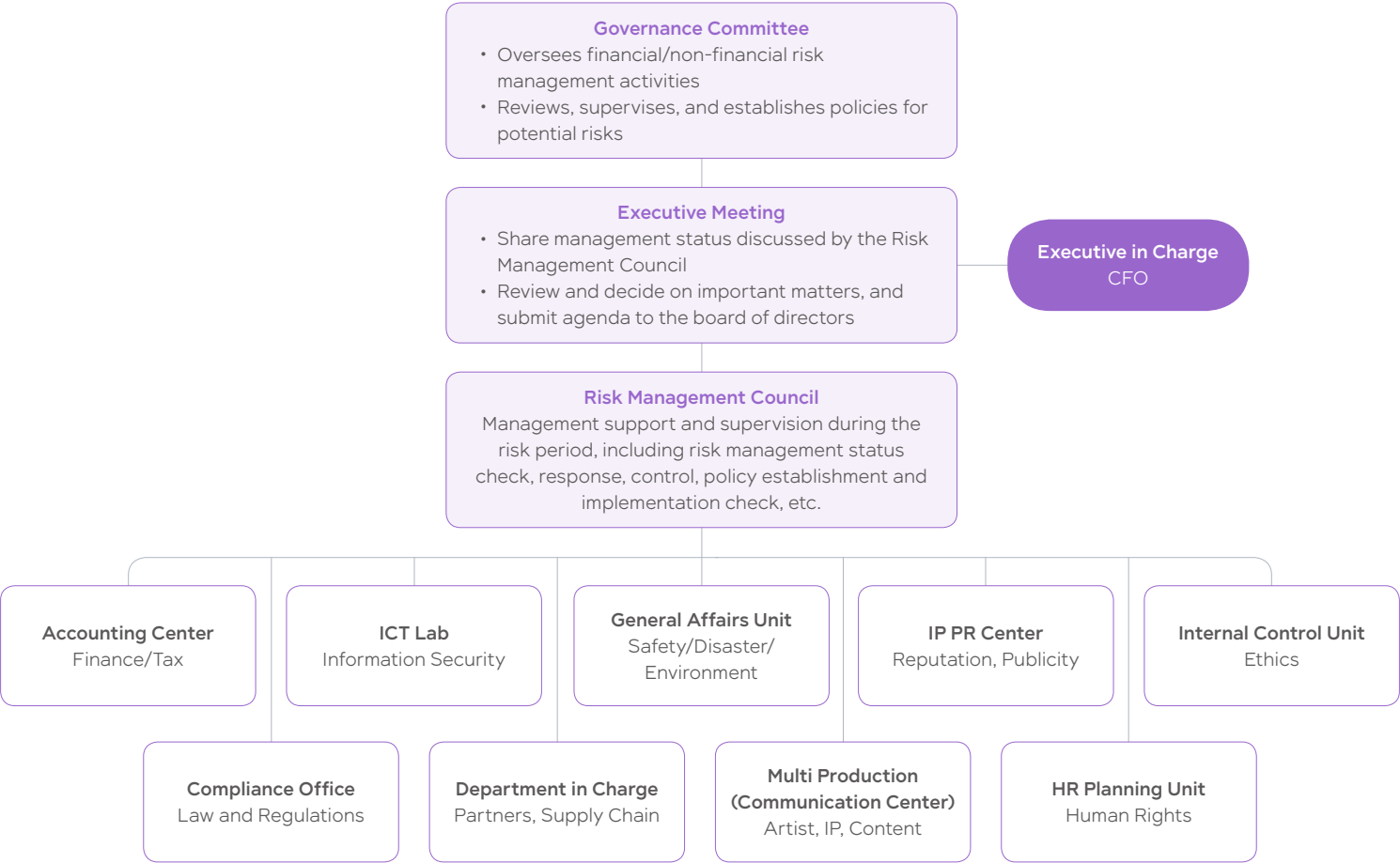
Risk Management

SM Entertainment has established an integrated risk management system to proactively prevent risks and respond effectively across all corporate activities. A total of 10 risk management items are set in two areas: financial and non-financial, and the integrated risk management council, consisting of working-level managers from each department, regularly and irregularly checks the status of risk management, reviews business impacts, and establishes response policies and plans. Key matters organized through the risk management council are reported to the executive meeting, and risk agendas that can significantly impact the company's sustainable management are reviewed by the governance committee and then reviewed and deliberated by the board of directors.

- **Regular Meeting** Once Every Half-Year
- **Irregular Meeting** When a Risk Response Situation Occurs
- **Meeting Agenda**
 - First Half of the Year: Define and Share Predicted Risks and Response Plans by Each Department
 - Second Half of the Year: Share Response Progress and Risk Occurrences, and Discuss Improvement Measures



Risk Management System Organization Chart



Risk Management

Major Risk Definition

Category	Risk	Definition	Potential Risks (Impact on Business)	Relevant departments
Financial	Exchange Rates, Interest, Credit, Tax, etc.	• Risk of sudden changes in exchange rates, interest rates, credit ratings, taxes, etc.	• Possibility of financial loss and decline in competitiveness in the capital market • Possibility of occurrence of risks related to securing business continuity	Accounting Center
Non-financial	Information Security	• Risk of information security issues arising due to abusive activities that interfere with normal service activities or malicious hacking by the system	• Possibility of damage to the corporate brand image in the event of an information leak due to cyberattacks and internal system malfunctions • Possibility of unfair leakage of company resources due to an insider information leak	ICT Lab
	Reputation, PR	• Risk of difficulty in prevention or inability to timely respond to issues related to overall business. • Negative public opinion and deterioration of external image due to poor management of the company, major lawsuits, etc.	• Possibility of negative impact on the corporate value due to external evaluation and tarnished public image	IP PR Center
	Partners, Supply Chain	• Risk that issues may arise in the process of selecting partners(collaborators) or in the products and services provided by partners, which may have negative impacts on the company	• Possibility of financial loss to the company or damage to the image of the company and artists	Department in Charge
	Legal	• Risks that can negatively impact the organization or employees, such as direct or indirect financial liability, civil or criminal disadvantages, sanctions by regulatory authorities	• Possibility of financial loss (litigation costs, fines, etc.) and damage to the business's credibility due to violation of laws and regulations	Compliance Office
	Safety/Disaster	• Risk that unexpected accidents may occur, such as non-compliance with safety laws, disasters, and safety accidents	• Possibility of increased response costs and damage to the corporate image due to non-compliance with safety laws • Possibility of loss of life and decline in production capacity of employees and partners due to disasters and safety accidents	General Affairs Unit
	Human Rights	• Risk that may arise due to infringement of human dignity, value, freedom, and rights guaranteed by the Constitution and laws or recognized internationally	• Possibility of damage to organizational stability due to decline in employee morale and deterioration of the work environment • Damage to customer trust due to damage to external corporate image	HR Planning Unit
	Ethics	• Including performance and support of related compliance work to foster morality and ethical awareness of executives and employees, strengthen compliance capabilities, support for related education for executives and employees, support for compliance support personnel, and full-time auditors	• Possibility of decline in corporate reputation, financial loss, and deterioration of corporate trust due to not abiding by compliance standards	Internal Control Unit
	Environment, Climate Change	• Risk that causes or may cause environmental pollution and damage, and various risks caused by crises due to climate change	• Possibility of decline in corporate reputation, financial loss, and deterioration of corporate trust due to not abiding by compliance standards	General Affairs Unit
	Artists, IP, Content	• Negative public opinion and tarnished public image due to causing social issues, civil complaints, etc. • Negative public opinion and weakened public image due to the use of socially sensitive terms and images in the content produced by the company, such as song lyrics, music videos, costumes, subtitles, etc.	• Possibility of decreased sales due to decreased artist competitiveness • Possibility of negative impact on artist and corporate value due to tarnished public reputation and image	Multi Production & Communication Center

Risk Management

Risk Inspection of Artists’ Domestic and International Activities

SM Entertainment conducts a step-by-step risk assessment through its dedicated department to ensure a safe and systematic support for its affiliated artists’ domestic and international activities. We employ a detailed checklist for each stage, from proposal review to contract process, and before, during, and after activities, to create an environment in which artists can safely travel and focus on their music and concerts.

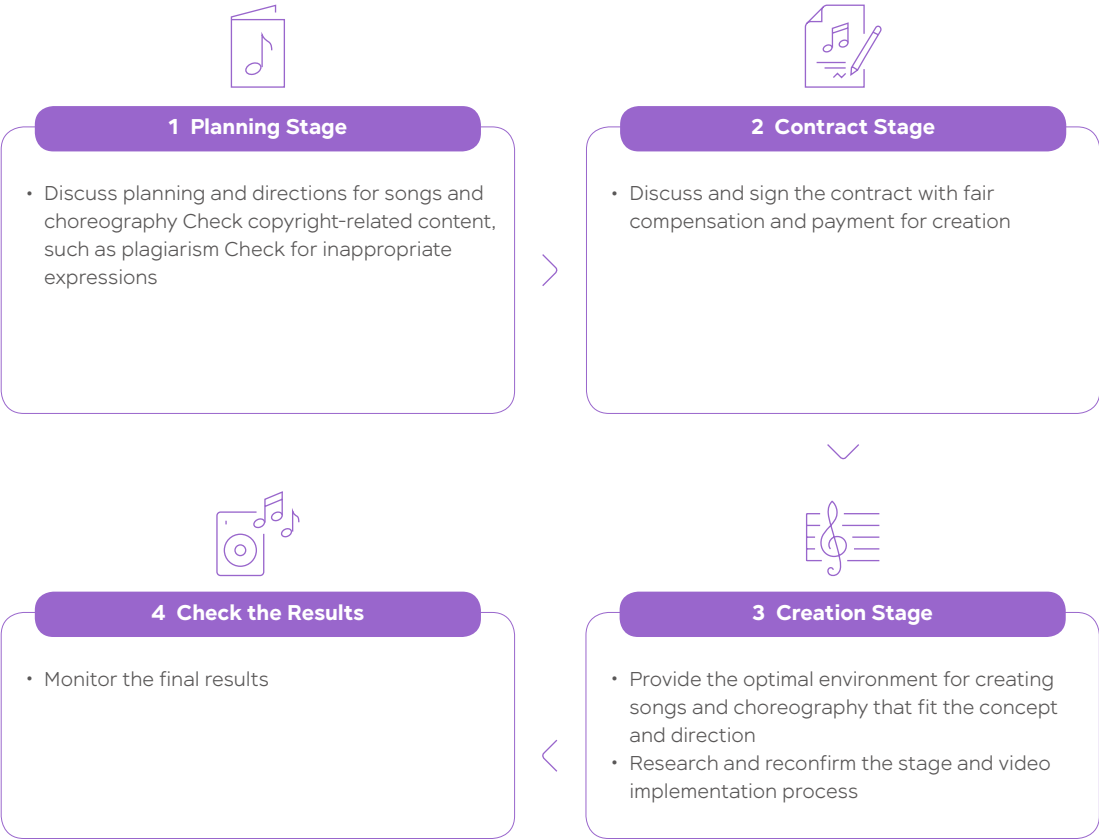
Inspection Process



Risk Inspection Such as Plagiarism in Song and Choreography Creation

When creating songs and choreography, SM Entertainment conducts an inspection process for risks such as inappropriate expressions and plagiarism. To minimize these risks, we identify potential issues in every stage of the process—from song and choreography concept selection, contracts, supply and creation, to the completion of final results — and cross-check with dedicated and relevant departments.

Inspection Process



Risk Management

‘KWANGYA 119’ Website Launch

In June 2023, SM Entertainment became the first domestic entertainment company to launch a direct communication channel, the ‘KWANGYA 119’ service, to actively listen to fans’ opinions, collaborate with them for the healthy and sustainable development of its artists, and create a better K-POP culture. This service features categories for reporting artist defamation, illegal ticket/copyright infringement, and correction & suggestions. The KWANGYA 119 Unit, the department in charge, communicates with each production and relevant departments to resolve and respond to the cases reported through this service.

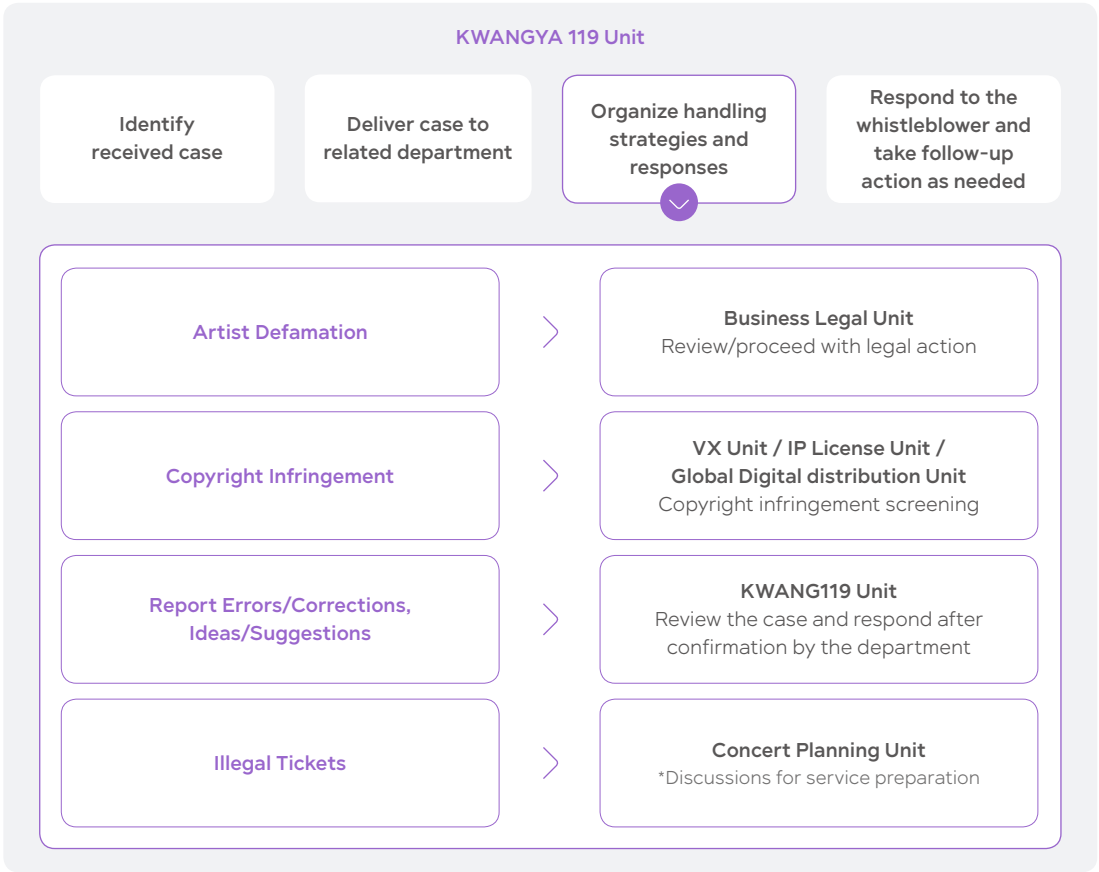
Identification of Case Received via ‘KWANGYA 119’

SM Entertainment strives to quickly assess posts received via 'KWANGYA 119' and respond with appropriate strategies set based on the severity of each issue. We prepare and share ‘Weekly/Monthly Statistical Report’ with each department, outlining top traffic, issue rankings, processing progress per bulletin board, key figures, and insights, in addition to daily issue briefings. Depending on the severity and distribution of the issues, we inform relevant departments through ‘Quarterly Report’. We also compile cumulative trends, key figures, and insights into a ‘Comprehensive Statistical Report’ for sharing and discussion with relevant departments. Accordingly, as of December 31, 2023, we have responded to 172,343 cases out of 181,701 cases received, achieving a response rate of 94.9%.

‘KWANGYA 119’ Response and Handling Process

Through the ‘KWANGYA 119’ service, SM Entertainment collects cases reporting artist defamation, insults, copyright infringement, correction & suggestions, and more. We have established a process that enables rapid response by classifying and reporting cases collected daily and conducting additional monitoring. In addition, we assess and prioritize posts on issues/reports/needs on each bulletin board, sharing them via internal channels to allow each production and relevant departments to respond collaboratively. To prevent the negative factors affecting the company and artists, we have adopted preventive measures and monitoring.

Departmental Roles



Transparent Information Management

SM Entertainment understands that sustainable management is based on stakeholder capitalism and is creating a foundation for stakeholders to participate in decision-making and execution of all corporate management activities. First, we identified key direct and indirect stakeholders, and are diversifying communication and participation channels for each stakeholder. In addition, we are disclosing contents related to the environment, society, and governance, which are the main contents of ESG, in accordance with the global sustainability disclosure standards.

Corporate Homepage Revamp

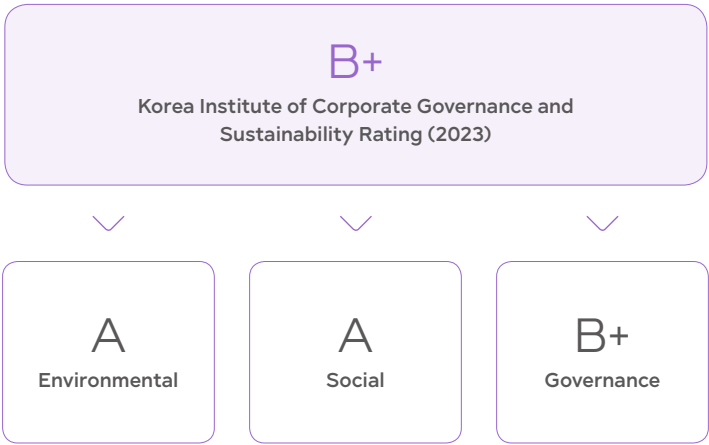
SM Entertainment has reorganized its corporate website in the first half of 2024 to transparently and promptly disclose IR information to shareholders and stakeholders. The IR Schedule page displays the monthly main IR schedules, and the Business Results page provides access to quarterly earnings release presentation materials. In particular, we have made efforts to increase accessibility and understanding for more shareholders and stakeholders by providing earnings release presentation materials in both Korean and English as PowerPoint documents and scripts. Additionally, information on the composition, details, and activities of the Board of Directors is available on the corporate website. SM Entertainment will continue to update the aforementioned content to ensure transparent information disclosure and management in the future.



Monthly IR Schedule Disclosure

Sustainability Report Publication and Ratings Disclosure

SM Entertainment publishes and discloses the 2023 Sustainability Report, following 2021 and 2022, and has produced and released an explanatory video to help stakeholders' understanding. The main content, including SM Entertainment's Sustainability Report, are available on the website, and the results of the external evaluation based on efforts to advance sustainable management have also been disclosed.



Disclosure of Key Earnings Release



2023 Explanation Video 'Exploring SM Entertainment's ESG'

Board Effectiveness, Independence, Expertise, Diversity & Evaluation and Relevance of Remuneration

SM Entertainment's Board of Directors is the highest decision-making body of the company and exercises responsible decision-making for sustainable management. SM Entertainment has established a board of directors with independence, expertise, and diversity for sustainable corporate management in 2023.

Board Independence and Transparency

SM Entertainment has secured the independence of the board of directors by separating the CEO and the chairman of the board and introducing the outside director system to operate an independent board of directors that prioritizes the interests of all stakeholders. The Articles of Incorporation stipulate that outside directors account for at least one-fourth of the total number of directors, and as of March 2024, the proportion of outside directors is 50%. Among the committees under the board of directors, the Nominating Committee and the Governance Committee are composed entirely of outside directors. While each committee is composed solely of directors who are not inside directors, it is mandated that at least two-thirds of the members be outside directors, thereby ensuring the Committees' Independence within the board. In addition, the activities of the board of directors and committees are disclosed through public documents such as business reports and the Corporate Governance Charter, thereby establishing a transparent governance structure.

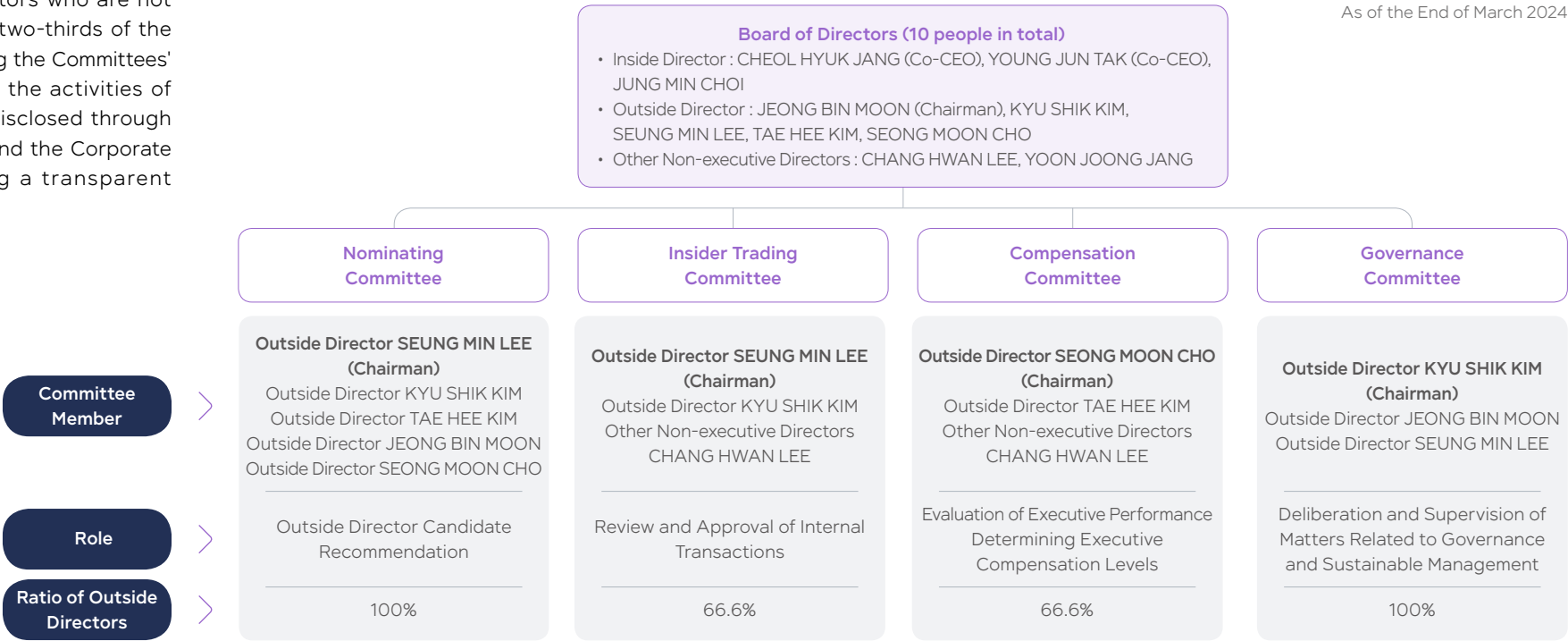
Board Expertise

SM Entertainment announced the SM 3.0 strategy, including the transition to a Multi Production Center/Label system, IP monetization strategy, global expansion strategy, and investment strategy. In order to realize this, a board of directors with expertise was formed. Outside directors were recommended as candidates with expertise in each field, including management, K-POP, governance, law, technology/platform, global, finance/M&A, and accounting/taxation, and independence and qualification were reviewed to form a team of outside directors with the highest expertise in each field.

Board Committee Structure and Roles and Responsibilities

SM Entertainment has strengthened the functions and independence of the board of directors by forming a total of four committees under the board of directors: the Nominating Committee, the Insider Trading Committee, the Compensation Committee, and the Governance Committee. Each committee is comprised of directors with expertise in their respective fields, and reviews, approves, and resolves not only matters delegated by the board of directors, but also environmental, social, and governance issues, thereby enhancing management accountability and efficiency.

As of the End of March 2024



Board Effectiveness, Independence, Expertise, Diversity & Evaluation and Relevance of Remuneration

Board Expertise

SM Entertainment has established a board of directors with the highest level of independence, expertise, and diversity in Korea through a fair and reliable recommendation process. The inside directors are composed of members eligible for entertainment industry expertise and management, and the outside directors are composed of candidates with the highest level of expertise in each field, and the independence and qualification of the candidates have been verified. We have also formed a non-executive board of directors to actively support the implementation of the SM 3.0 strategy. In particular, the outside directors have selected the best candidates by analyzing the independence and qualification of the candidates and the board skill matrix (board of directors’ capabilities matrix) after forming a pool of more than 30 experts in various fields by considering SM Entertainment’s business model and future plans. After going through a screening process including the Commercial Act requirements for Outside Directors, whether there is a conflict of interest with the company, reasons for disqualification, and conducting a reputation check, the board of directors confirmed whether each candidate would accept the position of director, and recommended 6 outside director candidates, and the board of directors has completed the appointment of 5 outside directors and 2 other non-executive directors.

Board of Director Competency Matrix

Classification	Name(Gender)	Career Highlights	Business Management	K-POP	Protection of Shareholder Rights Governance	Law	NFT, Fan Platform Technology/ Platform	US/Japan Expansion Global	US/Japan Expansion Global	Accounting/ Taxation
Inside Director	CHEOL HYUK JANG(Male)	CFO, SM Entertainment	●						●	●
	YOUNG JUN TAK(Male)	COO, SM Entertainment	●	●				●		
	JUNG MIN CHOI (Female)	Head of the Global Business Center, SM Entertainment		●				●		
Outside Director	KYU SHIK KIM(Male)	Chairman, Korea Corporate Governance Forum			●	●				
	TAE HEE KIM (Female)	Lawyer, Pyeongsan Law Firm (Tax Expert)				●				●
	JEONG BIN MOON (Male)	Professor, Korea University Business School (ESG Expert)			●			●		
	SEUNG MIN LEE (Female)	Partner Lawyer, Peter & Kim Law Firm (IP Expert)				●		●		
	SEONG MOON CHO (Male)	CEO, Chartmetric	●	●			●	●		
Other Non-executive Directors	CHANG HWAN LEE (Male)	CEO, Align Partner	●		●				●	
	YOON JOONG CHANG(Male)	Vice President of Global Strategy, Kakao Entertainment	●	●				●		

Board Effectiveness, Independence, Expertise, Diversity & Evaluation and Relevance of Remuneration

Board Diversity

SM Entertainment's female director ratio is 30%, with 1 inside director and 2 outside directors

As of the end of March 2024

Classification	Female	Male
Number of People (People)	3(Outside Director 2, Inside Director 1)	7
Ratio (%)	30%	70%

Sustainable Management Activities of the Board of Directors

SM Entertainment's Board of Directors is the final decision-making body for sustainable management, and receives reports, discusses, and decides on major issues related to sustainability. The following are matters related to sustainable management discussed at the 2023 Board of Directors meeting.

Period	Session	Contents of the Bill
2023	2	Agenda Enactment of a Corporate Governance Charter
	4	Agenda Approval of Profit Dividend
	5	Agenda Establishment of Shareholder Return Policy
	9	Agenda Amendment of Board of Directors Regulations, Appointment of Board of Directors Chairman
	11	Agenda Establishment of a Committee and Appointment of Members, Enactment of Committee Regulations Report Report on Identification of Material Issues for SM Sustainability Management
	14	Agenda Enactment of the Human Rights Management Declaration Report Report on Changes to Materiality Issues in the Sustainability Management Report Report Report of the Sustainability Management Report
	18	Education Board of Directors Sustainability Management Training

Board of Directors Sustainability Management Training

To improve the efficiency of the board of directors' role in response to global trends in ESG management and entertainment companies' response, and to enhance expertise in sustainable management, we are conducting sustainable management training once a year. We are also actively utilizing external expert advice for more responsible and rational decision-making. We are linking with advisory lawyers to systematize the governance sector and reflecting the opinions of external experts in decision-making to systematize and internalize sustainable management.

- **Date :** 2023. 9. 20
- **Topic :** Global trends in ESG management and entertainment companies' responses



Board of Directors Training Site

2023 Director Compensation Status

According to the standards for payment of director compensation, the Personnel Committee comprehensively considers the individual's role and the value of the job performed, leadership, expertise, contribution to the company, etc. to determine the payment level, and the total annual salary is divided into 12 and paid. The salary includes salary-type welfare benefits such as children's tuition, holiday gift certificates, and meal expenses. In the case of bonuses, the payment scale is determined based on the company's management performance (sales and profits, etc.) in 2022 and the individual's role contribution, and includes the stock bonus payment in March 2023.

2023 Director Compensation Status

Unit : Million KRW

Classification	Number of People	Amount Approved by Shareholders' Meeting	Amount Approved by Shareholders' Meeting	Average Compensation per Person
Inside Director	5	6,000	1,390	278
Outside Director	5		190	38
Auditor	1	200	152	152

CEO-Employee Compensation Ratio 2023

Unit : Million KRW

Compensation of CEO	Compensation of Employee	CEO-Employee Compensation Ratio
650	69	9.4 : 1

ESG Data & GRI Index

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ECONOMIC

GRI No.	Disclosure	Description		Unit	Reporting Company	2021	2022	2023	Notes
201-1	Direct economic value generated and distributed	Direct economic value generated (consolidated)	Revenues	hundred million KRW	SME	7,016	8,508	9,611	
			Operating Income			675	910	1,135	
			Net Income (Loss)			1,332	820	827	
		Economic value distributed (consolidated)	Selling and operating expenses			1,969	2,040	2,276	
			Interest expenses			41	35	48	
			Personnel Expenses			1,073	1,360	1,392	
			Corporation Tax			399	349	362	
			Donations			5.7	9.3	15.3	
		Economic value retained (consolidated)	Total Assets			13,149	14,630	15,410	
			Total Liabilities			5,265	5,769	6,316	
			Total Capital			7,884	8,861	9,094	
	Direct economic value generated and distributed	Direct economic value generated (consolidated)	Revenues	hundred million KRW	LDG	377	407	473	
			Operating Income			12	35	27	
			Net Income (Loss)			17	25	47	
		Economic value distributed (consolidated)	Selling and operating expenses			33	34	36	
			Interest expenses			1.3	1.5	0.9	
			Personnel Expenses			18	18	9	
			Corporation Tax			2	1	0.3	
			Donations			0	0	0	
		Economic value retained (consolidated)	Total Assets			601	677	635	
			Total Liabilities			116	154	65	
			Total Equity			485	523	570	
Direct economic value generated and distributed	Direct economic value generated (consolidated)	Revenues	hundred million KRW	DM	207	593	943		
		Operating Income			-26	11	98		
		Net Income (Loss)			-29	3	77		
	Economic value distributed (consolidated)	Selling and operating expenses			50	60	61		
		Interest expenses			1.11	1.19	1.07		
		Personnel Expenses			12	19	22		
		Corporation Tax			-2	6	26		
		Donations			0	0	0		
	Economic value retained (consolidated)	Total Assets			511	592	694		
		Total Liabilities			171	278	291		
		Total Equity			340	314	403		

GRI No.	Disclosure	Description	Unit	Reporting Company	2021	2022	2023	Notes	
201-1	Direct economic value generated and distributed	Direct economic value generated (consolidated)	Revenues	hundred million KRW	BM	451	882	868	
			Operating Income			62	41	-1	
			Net Income (Loss)			50	23	-100	
		Economic value distributed (consolidated)	Selling and operating expenses			127	283	301	
			Interest expenses			0.5	1	1.5	
			Personnel Expenses			34	69	80	
			Corporation Tax			10	7.8	-40	
		Donations	0.6			1.9	3.5		
		Economic value retained (consolidated)	Total Assets			287	635	283	
			Total Liabilities			199	415	168	
			Total Equity			88	219	114	
201-4	Financial assistance received from government	Investment grants, research and development grants, and other relevant types of grant	hundred million KRW	SME	0	0	0	- No financial support received from the government	
			hundred million KRW	DM	-	0.54	0	- Korea Creative Content Agency Fund Grants - Manpower Support Fund Grants Annual 2022 (May to October)	
Anticorruption									
205-1	Operations assessed for risks related to corruption	-	Operation	SME	1	1	1		
			%		100	100	100		
205-2	Communication and training about anti-corruption policies and procedures	Total number and percentage of members that have received training on anti-corruption	Governance Body Members	Person	5	5	11		
				%	100	100	100		
			Employees	Person	509	591	663	- The figure of 100% is calculated based on the number of employees in office at the time of the training	
				%	100	100	100		
		Business Partners	-	-	-	-	- Information unavailable/incomplete		
			Governance Body Members	Person	5	5	11		
				%	100	100	100		
			Business Partners	Person	509	591	663	- The figure of 100% is calculated based on the number of employees in office at the time of the training	
		%	100	100	100				

ESG DATA

GRI No.	Disclosure	Description		Unit	Reporting Company	2021	2022	2023	Notes	
Anti-competitive Behavior										
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-		Case	SME	0	0	0		
		-		Case	DM	0	0	0		
		-		Case	BM	0	0	0		
Tax										
207-4	Country-by-country reporting	Corporate income tax	Republic of Korea	Million KRW	SME	41,679	28,345	32,211		
			Japan			-1,558	5,950	900		
			U.S.			10	14	514		
			Others			-220	575	2,604		
		Pre-tax profit				Others	116,912	118,913		
		Valid tax rate		%		23.1	29.8	30.5		
		Net income		Million KRW		133,225	82,029	82,683		
		Corporate income tax	Republic of Korea	Million KRW	LDG	197	112	31		
						"	4,376	5,119		
						6.6	2.6	0.6		
						1,784	2,488	4,738		
		Corporate income tax	Republic of Korea	Million KRW	DM	-240	560	2,581		
			Hong Kong			20	15	23		
			Pre-tax profit					841	10,330	
			Valid tax rate		%		7.06	68.4	25.2	
		Net income		Million KRW		-2,897	266	7,726		
		Corporate income tax	Republic of Korea	Million KRW	BM	1,011	789	-4,017		
						6,062	3,089	-14,098		
			Valid tax rate		%		16.7	25.5	28.5	
			Net income		Million KRW		5,051	2,300	-1,008	

ENVIRONMENTAL

GRI No.	Disclosure	Description	Unit	Reporting Company	2021	2022	2023	Notes	
Materials									
301-1	Materials used by weight or volume	Paper	R	LDG	20,235	12,865	15,832	- Album printing for SME is conducted by LDG - 1R of paper = 500 Sheets (conversion)	
		Ink	KG		2,408	2,065	1,318		
Energy									
302-1	Energy consumption within the organization	Energy consumption	Electricity	TJ	SME	34.3	24.8	10.2	- Changes in figures for 2021 and 2022 due to unit conversion - Electricity is calculated based on SM Ent. electricity usage in the management fee charged monthly, so the corresponding figures are reflected - Heating fuel is LNG used to operate the air conditioner in the building, so SM Ent. cannot calculate the net usage, so it is arbitrarily distributed based on the rental area - Fuel cost items for operating gasoline and diesel vehicles / Description of annual usage for gasoline and gas
			Heating Fuel			22,632.8	5.3	4.3	
			Gasoline			3.2	2.8	3.1	
			Diesel			4.8	4.3	5.8	
			Electricity	TJ	LDG	13.0	12.9	12.7	- Changes in 2021 and 2022 figures due to unit conversion - LDG, BM energy usage was excluded from verification
			Heating Fuel			0.9	0.7	0.6	
			Electricity	TJ	BM	0.02	0.30	0.81	
			Heating Fuel			1.3	29.0	17.0	
302-3	Energy intensity	-	TJ/hundred million KRW	SME	5.435	0.007	0.004	- Total energy consumption/annual sales (separate criteria) - Changes in 2022 figures due to additional reflection of gasoline and diesel consumption	
			TJ/hundred million KRW	LDG	0.04	0.03	0.03		
			TJ/hundred million KRW	BM	0.003	0.035	0.022		
302-4	Reduction of energy consumption	Electricity	TJ	SME	(12.7)	9.5	14.6	- Energy saving/efficiency effect in 2022 due to relocation of office building in July 2021 - During the relocation period in 2021, the existing office space was temporarily maintained and operated, temporarily increasing electricity usage	
		Heating Fuel			12,809.3	22,627.5	1.0		
		Gasoline	TJ	LDG	(1.67)	0.04	0.27	- Changes in 2021 and 2022 figures occurred due to unit conversion - Calculation of energy consumption reduction compared to the previous year - Increase amount is indicated in parentheses	
		Diesel			(0.1)	0.2	0.1		
		Electricity	TJ	BM	-	(0.3)	(0.5)		
		Heating Fuel			-	(27.7)	12.0		

ESG DATA

GRI No.	Disclosure	Description	Unit	Reporting Company	2021	2022	2023	Notes	
Water and Effluents									
303-3	Water withdrawal	Water withdrawal	Total	Ton	SME	58,862.8	43,905.2	36,066.8	- As SM ENT. cannot calculate the net usage amount for the water usage included in the basic management fee in the building, it is arbitrarily distributed based on the leased area. - Most of the water used in the building is public water (tap water), and some is produced water (rainwater and water produced through the building's own water reuse facility).
			Public water			50,095.0	31,887.7	36,066.8	
			Produced water			8,767.8	12,017.5	0	
			Total	Ton	LDG	2,218	2,174	2,008	
			Total	Ton	BM	24.9	258.3	185.7	
303-5	Water Consumption	Total Water Consumption	Ton	SME	58,862.8	43,905.2	36,066.8		
		Total Water Consumption	Ton	LDG	2,218	2,174	2,008		
		Total Water Consumption	Ton	BM	24.9	258.3	185.7		
Emissions									
305-1	Direct (Scope 1) GHG emissions	-	tCO ₂ -eq	SME	1,147,585.1	757.1	834.1	- Changes in 2021 figures due to recalculation - In the case of electricity, it is impossible to calculate the net SM ENT. usage for electricity and additional usage included in the basic management fee in the building, so it is arbitrarily distributed based on the rental area - In the case of LNG, it is used for operating the air conditioner in the building, so it is impossible to calculate the net SM ENT. usage, so it is arbitrarily distributed based on the rental area	
			tCO ₂ -eq	LDG	45.6	35.5	30.4		
			tCO ₂ -eq	BM	65.9	1,469.7	861.6		
305-2	Energy indirect (Scope 2) GHG emissions	-	tCO ₂ -eq	SME	1,639.4	1,185.5	489.1	- Calculated based on electricity usage and city gas bill - Some figures are different because they are calculated based on usage in the previous year's report - It is impossible to calculate the net SM ENT. usage for electricity and additional usage included in the basic management fee in the building, so they are arbitrarily distributed based on the rental area	
			tCO ₂ -eq	LDG	621.7	619.7	606.8		
			tCO ₂ -eq	BM	0.8	14.4	38.8		
305-4	Greenhouse Gas Emissions Intensity	-	tCO ₂ -eq/ hundred million KRW	SME	275.5	0.4	0.2	- Total greenhouse gas emissions/annual sales (separate criteria)	
			tCO ₂ -eq/ hundred million KRW	LDG	1.8	1.6	1.4		
			tCO ₂ -eq/ hundred million KRW	BM	0.1	1.8	1.1		

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GRI No.	Disclosure	Description	Unit	Reporting Company	2021	2022	2023	Notes
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Nitrogen Oxides(Nox)	PPM	LDG	67.2	67.3	62.8	- Album printing for SME is conducted by LDG.
		Sulfur Oxide(Sox)	PPM		Non-Detect	0	Non-Detect	
		Dust			1.9	0	0.7	
Effluents and Waste								
306-3	Waste generated	-	Ton	SME	310.6	98.6	80.3	- The waste generation fee in the D-TOWER building leased by SM Entertainment is included in the basic building management fee and is not individually confirmed. The total general waste/recyclable waste generated in the building is distributed and calculated based on the leased area. In reality, general waste is taken out in volume-based bags, so it is converted to 75L = 19kg
			Ton	LDG	9.1	11.4	10.5	
			Ton	BM	0.02	0.7	0.4	
306-4	Wasted diverted from disposal	-	Ton	SME	13.9	31.1	35.9	- Amount of waste collected (removed) through all recycling companies - Waste generation fee within the D-TOWER building leased by SM Entertainment is included in the basic building management fee and is not individually confirmed, and the entire recycling amount of the building is distributed and calculated based on the leased area
			Ton	LDG	9.1	11.4	10.5	
			Ton	BM	0.01	0.3	0.2	
306-5	Waste directed to disposal	Total weight of waste generated	Ton	SME	296.7	67.5	44.4	- The waste generation fee in the D-TOWER building leased by SM Entertainment is included in the basic building management fee and is not individually confirmed. The total general waste/recyclable waste generated in the building is distributed and calculated based on the leased area. In reality, general waste is taken out in volume-based bags, so it is converted to 75L = 19kg.
		Non-hazardous waste			31.7	67.5	0	
					265	0	0	
					0	0	44.4	
		Total weight of waste generated	Ton	BM	0.01	0.4	0.2	
		Non-hazardous waste			0	0	0	
					0	0	0	
0.01	0.4				0.2			

ESG DATA

SOCIAL

GRI No.	Disclosure	Description	Unit	Reporting Company	2021	2022	2023	Notes	
Employment									
2-7	Employee	Total number of employees		Person	SME	522	581	695	
		Total number of permanent employees				494	561	672	
		Total number of temporary employees				28	20	23	- Temporary employees include contract workers, interns, and part-timers.
		Total number of employees		Person	LDG	31	24	27	- The 2021 and 2022 figures changed due to excluding executives from the employee count
		Total number of permanent employees				31	24	27	
		Total number of temporary employees				0	0	0	
		Total number of employees		Person	DM	59	79	69	
		Total number of permanent employees				49	54	57	
		Total number of temporary employees				10	25	12	
		Total number of employees		Person	BM	70	132	112	
		Total number of permanent employees				60	92	95	
		Total number of temporary employees				10	40	17	
2-8	Workers who are not employees	Total number of workers who are not employees and whose work is controlled by the organization		Person	SME	26	26	35	- Security, maintenance, facilities, etc.
				Person	LDG	2	3	3	- Security, auditing, etc.
				Person	DM	141	114	139	- Concert staff
401-1	New employee hires	Age	Under 30 years old	Person	SME	84	129	168	
			30-50 years old			31	33	103	
			Over 50 years old			9	1	2	
		Gender	Male			49	43	67	
			Female			75	120	206	
		Region	Total Foreigners			8	9	5	- The 2021 and 2022 figures changed due to recalculation
			China			6	4	1	
			Taiwan			0	1	0	
			USA			2	3	1	
			Canada			0	0	0	
			Tunisia			0	1	0	
			Malaysia			0	0	1	
			Thailand			0	0	1	
			Japan			0	0	1	

GRI No.	Disclosure	Description		Unit	Reporting Company	2021	2022	2023	Notes
401-1	Employee turnover	Age	Under 30 years old	Person	SME	33	57	47	
			30-50 years old			45	47	44	
			Over 50 years old			1	1	6	
		Gender	Male			38	41	34	
			Female			41	64	63	
		Turnover rate	Voluntary turnover rate			16.3	20.1	16.7	
	New employee hires	Age	Under 30 years old	Person	LDG	2	1	2	- The 2021 and 2022 figures changed due to the difference in calculating voluntary turnover rates compared to last year's report.
			30-50 years old			0	2	2	
			Over 50 years old			0	0	1	
		Gender	Male			0	2	4	
			Female			2	1	1	
		Region	Domestic			2	3	5	
	Employee turnover	Age	Under 30 years old			2	1	0	
			30-50 years old			0	7	0	
			Over 50 years old			0	1	1	
		Gender	Male			0	4	1	
			Female			2	5	0	
			Voluntary turnover rate			5.6	29.0	4.2	
	New employee hires	Age	Under 30	Person	DM	6	22	12	
			30-50 years old			6	15	10	
			Over 50 years old			0	4	0	
		Gender	Male			5	19	8	
			Female			7	22	14	
		Employee turnover	Under 30 years old			1	9	13	
			30-50 years old			11	12	19	
			Over 50 years old			0	2	1	
		Gender	Male			7	13	8	
			Female			5	10	25	
			Voluntary turnover rate			20.7	39	41.8	

GRI No.	Disclosure	Description		Unit	Reporting Company	2021	2022	2023	Notes
401-1	New employee hires	Age	Under 30 years old	Person	BM	9	23	12	
			30-50 years old			12	23	21	
			Over 50 years old			0	0	1	
		Gender	Male			8	11	11	
			Female			13	35	23	
	Employee turnover	Age	Under 30 years old			1	2	4	
			30-50 years old			9	4	31	
			Over 50 years old			0	0	0	
		Gender	Male			2	2	9	
			Female			8	4	26	
		Voluntary turnover rate	%		13.2	8.6	26.5		
401-3	Parental leave	Number of employees that were entitled to parental leave	Male	Person	SME	3	0	22	- Employees who are pregnant or have children under 8 years old - The criteria for calculating detailed childcare leave indicators are the same for all four companies
			Female			4	3	24	
		Number of employees that took parental leave	Male			3	0	1	- Number of people on leave in the current year (However, those on childcare leave for two consecutive years are included in the year of start of childcare leave)
			Female			4	3	8	
		Number of employees that returned to work in the reporting period after parental leave ended	Male			2	1	1	- Excluding those whose leave of absence ended as of the end of the current year (included in those reinstated in the following year)
			Female			5	5	2	
		Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	Male			1	2	1	
			Female			7	5	4	
		Return to work and retention rates of employees that took parental leave	Male	%		100	100	100	- (Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work) / (Number of employees that returned to work in the previous reporting period after parental leave ended) x 100
			Female	%		100	100	80	
		Number of employees that were entitled to parental leave	Male	Person	LDG	-	-	-	
			Female			-	-	-	
		Number of employees that took parental leave	Male			0	0	0	
			Female			1	0	0	
		Number of employees that returned to work in the reporting period after parental leave ended	Male			0	0	0	- The 2021 figure changed due to recalculation
			Female			1	0	0	
		Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	Male			0	0	0	
			Female			0	0	0	
		Return to work and retention rates of employees that took parental leave	Male	%		0	0	0	- The 2021 figure changed due to recalculation
			Female	%		0	0	0	

GRI No.	Disclosure	Description	Unit	Reporting Company	2021	2022	2023	Notes		
401-3	Parental leave	Number of employees that were entitled to parental leave	Male	Person	DM	0	2	2		
		Female	0			4	4			
		Number of employees that took parental leave	Male			0	0	0		
		Female	2			4	3			
		Number of employees that returned to work in the reporting period after parental leave ended	Male			0	0	0		
		Female	1			1	2			
		Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	Male	0	0	0				
		Female	0	0	1					
		Return to work and retention rates of employees that took parental leave	Male	%	0	0	0			
		Female	%	0	0	100				
		Number of employees that were entitled to parental leave	Male	Person	BM	-	-	-		
		Female	-			-	-			
		Number of employees that took parental leave	Male			0	0	0		
		Female	1			0	1			
		Number of employees that returned to work in the reporting period after parental leave ended	Male			0	0	0		
		Female	0			1	0			
		Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	Male			0	0	0		
		Female	0			1	0			
		Return to work and retention rates of employees that took parental leave	Male			%	0	0	0	
		Female	%			0	0	0		
2-30	Collective bargaining agreements	Application Rate of Labor-Management Committee Decisions	%			SME	100	100	100	- Decisions Made by the Labor- Management Committee are applied to both permanent and temporary employees
		%	BM			100	100	100		
		%	DM			-	100	100		
Occupational Health and Safety										
403-8	Workers covered by an occupational health and safety management system	Number and percentage of employees and workers who are covered by such a system	Person	SME	552	611	730	- All employees and external contract staffs for the given year		
		Number and percentage of employees and workers who are covered by such a system	Person	LDG	33	26	29	- All employees and two full-time executives for the given year		
		Number and percentage of employees and workers who are covered by such a system	Person	DM	200	193	208	- All employees and concert staffs for the given year		
		Number and percentage of employees and workers who are covered by such a system	Person	BM	69	105	101			

GRI No.	Disclosure	Description	Unit	Reporting Company	2021	2022	2023	Notes
403-9	Work-related injuries (Employee)	Number and rate of fatalities as a result of work-related injury	Case	SME	0	0	0	
		Number and rate of high-consequence work-related injuries			0	0	0	
		Number and rate of recordable work-related injuries			0	0	0	
	Work-related injuries (Workers who are not employees)	Number and rate of fatalities as a result of work-related injury			0	0	0	- Based on the receipt of the industrial accident treatment approval certificate
		Number and rate of high-consequence work-related injuries			0	1	0	
		Number and rate of recordable work-related injuries			0	0	0	
	Work-related injuries (Employee)	Number and rate of fatalities as a result of work-related injury	Case	LDG	0	0	0	
		Number and rate of high-consequence work-related injuries			0	0	0	
		Number and rate of recordable work-related injuries			0	0	0	
	Work-related injuries (Workers who are not employees)	Number and rate of fatalities as a result of work-related injury			0	0	0	
		Number and rate of high-consequence work-related injuries			0	0	0	
		Number and rate of recordable work-related injuries			0	0	0	
	Work-related injuries (Employee)	Number and rate of fatalities as a result of work-related injury	Case	DM	0	0	0	
		Number and rate of high-consequence work-related injuries			0	0	0	
		Number and rate of recordable work-related injuries			0	0	0	
	Work-related injuries (Workers who are not employees)	Number and rate of fatalities as a result of work-related injury			0	0	0	
		Number and rate of high-consequence work-related injuries			0	0	0	
		Number and rate of recordable work-related injuries			0	0	0	
	Work-related injuries (Employee)	Number and rate of fatalities as a result of work-related injury	Case	BM	0	0	0	
		Number and rate of high-consequence work-related injuries			0	0	0	
		Number and rate of recordable work-related injuries			1	0	0	
	Work-related injuries (Workers who are not employees)	Number and rate of fatalities as a result of work-related injury			0	0	0	
		Number and rate of high-consequence work-related injuries			0	0	0	
		Number and rate of recordable work-related injuries			0	1	0	
403-10	Work-related ill health (Employee)	Number and rate of fatalities as a result of work-related injury	Case	SME	0	0	0	
		Number and rate of recordable work-related ill health			0	0	0	
	Work-related ill health (Workers who are not employees)	Number and rate of fatalities as a result of work-related injury			0	0	0	
		Number and rate of recordable work-related ill health			0	0	0	
403-10	Work-related ill health (Employee)	Number and rate of fatalities as a result of work-related injury	Case	DM	0	0	0	
		Number and rate of recordable work-related ill health			-	-	0	
	Work-related ill health (Workers who are not employees)	Number and rate of fatalities as a result of work-related injury			0	0	0	
		Number and rate of recordable work-related ill health			-	-	0	
	Work-related ill health (Employee)	Number and rate of fatalities as a result of work-related injury	Case	BM	0	0	0	
		Number and rate of recordable work-related ill health			1	0	0	
	Work-related ill health (Workers who are not employees)	Number and rate of fatalities as a result of work-related injury			0	0	0	
		Number and rate of recordable work-related ill health			0	1	0	

GRI No.	Disclosure	Description		Unit	Reporting Company	2021	2022	2023	Notes
Training and Education									
404-1	Average hours of training per year per employee	Gender	Male	Hours	SME	25.8	19.8	17.8	- Training Hours for Employees Excluding Executives
			Female			23.0	18.0	17.2	
		Employee category	Executive	21.2	17.0	8.6			
			Employee	24.0	18.5	17.5			
		Gender	Male	Hours	LDG	16	16	16	
			Female			16	16	16	
		Employee category	Executive	0	0	0			
			Employee	16	16	16			
		Gender	Male	Hours	DM	12.6	12.6	12.6	
			Female			12.6	12.6	12.6	
		Employee category	Executive	12.6	12.6	12.6			
			Employee	12.6	12.6	12.6			
		Gender	Male	Hours	BM	26	26	26	
			Female			26	26	26	
		Employee category	Executive		26	26			
			Employee	26	26	26			
404-3	Percentage of employees receiving regular performance and career development reviews	Gender	Male	%	SME	36.7	35.4	29.7	
			Female			63.3	64.6	70.3	
		Employee category	Executive	1.75	1.78	1.5			
			Employee	98.3	98.2	98.5			
		Gender	Male	%	LDG	0	100	100	
			Female			0	100	100	
		Employee category	Executive	0	100	100			
			Employee	0	100	100			
		Gender	Male	%	DM	28.8	32.9	31	
			Female			71.2	67.1	69	
		Employee category	Executive	10.2	7.6	15.9			
			Employee	89.8	92.4	84.1			
		Gender	Male	%	BM	100	100	100	
			Female			100	100	100	
		Employee category	Executive	100	100	100			
			Employee	100	100	100			

ESG DATA

GRI No.	Disclosure	Description		Unit	Reporting Company	2021	2022	2023	Notes
Diversity and Equal Opportunity									
405-1	Diversity of governance bodies and employees	Decision-making body	Male	%	SME	100	100	60	
			Female			0	0	40	
			Under 30 years old			0	0	0	
			30-50 years old			50	50	80	
			Over 50 years old			50	50	20	
		Employee	Male			37.7	34.1	29.6	
			Female			62.3	65.9	70.4	
			Under 30 years old			39.7	42.3	41.2	
			30-50 years old			57.5	55.1	58.0	
			Over 50 years old			2.9	2.6	0.9	
		Employee	Male	%	LDG	62.9	69	74.1	
			Female			37.1	31	25.9	
			Under 30 years old			8.6	6.9	11.1	
			30-50 years old			68.6	65.5	66.7	
			Over 50 years old			22.9	27.6	22.2	
		Employee	Male	%	DM	28.8	32.9	34.8	
			Female			71.2	67.1	65.2	
			Under 30 years old			22	39.2	36.2	
			30-50 years old			76.3	55.7	59.4	
			Over 50 years old			1.7	5.1	4.3	
		Employee	Male	%	BM	25.7	26.5	29.5	
			Female			74.3	73.5	70.5	
			Under 30 years old			30	47.7	42	
			30-50 years old			68.6	51.5	55.3	
			Over 50 years old			1.4	0.8	2.7	
405-2	Ratio of basic salary and remuneration of women to men	-		%	SME	99.5	100	98.5	- Because of Recalculation after excluding executives, the figures for 2021 and 2022 will change
				%	LDG	60.3	74.6	81.9	- Because of Recalculation based on the business report, the figures for 2021 and 2022 will change
				%	DM	79.3	69.4	71.3	- Calculated without distinction of rank
				%	BM	106.8	90.3	93.2	

GRI No.	Disclosure	Description		Unit	Reporting Company	2021	2022	2023	Notes			
Non-discrimination												
406-1	Incidents of discrimination	-		Case	SME	0	0	0	- No cases of discrimination			
		-		Case	LDG	0	0	0				
		-		Case	DM	0	0	0				
		-		Case	BM	0	0	0				
Customer Health and Safety												
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Number of incidents	Incidents of non-compliance with regulations resulting in a fine or penalty	Case	SME	0	0	0				
			Incidents of non-compliance with regulations resulting in warning			0	0	0				
			Incidents of non-compliance with voluntary codes			0	0	0				
		Number of incidents	Incidents of non-compliance with regulations resulting in a fine or penalty	Case	DM	0	0	0				
			Incidents of non-compliance with regulations resulting in warning			0	0	0				
			Incidents of non-compliance with voluntary codes			0	0	0				
		Number of incidents	Incidents of non-compliance with regulations resulting in a fine or penalty	Case	BM	0	0	0				
			Incidents of non-compliance with regulations resulting in warning			0	0	0				
			Incidents of non-compliance with voluntary codes			0	0	0				
		Marketing and Labeling										
		417-1	Requirements for product and service information and labeling	"Percentage of significant product or service categories covered by and assessed for compliance with such procedures"		%	SME	100		100	100	- 100% compliant with legal standards for safety/ingredient labeling on products like MD
				"Percentage of significant product or service categories covered by and assessed for compliance with such procedures"		%	DM	100		100	100	- Information related to the performance on the concert ticket reservation details page are announced
"Percentage of significant product or service categories covered by and assessed for compliance with such procedures"					BM	100	100	100				
417-2	Incidents of non-compliance concerning product and service information and labeling	Number of incidents	Total number of incidents	Case	SME	0	0	0				
			Incidents of non-compliance with regulations resulting in a fine or penalty			0	0	0				
			Incidents of non-compliance with regulations resulting in warning			0	0	0				
			Incidents of non-compliance with voluntary codes			0	0	0				

GRI No.	Disclosure	Description	Unit	Reporting Company	2021	2022	2023	Notes
	Incidents of non-compliance concerning product and service information and labeling	Number of incidents	Total number of incidents	Case	DM	0	0	0
						0	0	0
						0	0	0
						0	0	0
		Number of incidents	Total number of incidents	Case	BM	0	0	0
						0	0	0
						0	0	0
						0	0	0
	Incidents of non-compliance concerning marketing communications	Number of incidents	Total number of incidents	Case	SME	0	0	0
						0	0	0
						0	0	0
						0	0	0
		Number of incidents	Total number of incidents	Case	DM	0	0	0
						0	0	0
						0	0	0
						0	0	0
		Number of incidents	Total number of incidents	Case	BM	0	0	0
						0	0	0
						0	0	0
						0	0	0

GRI INDEX

Statement of Use	SM Entertainment reports the information in compliance with GRI Standard 2021 when reporting sustainable management contents for the period from January 1, 2023 to December 31, 2023.
GRI 1 used	GRI 1 : Foundation 2021
Applicable GRI Sector Standards	Not available (as of June 2024, the industry standard for which SM Entertainment is applicable has not been published)

GRI No.	Disclosure	Reporting Company				Location / Notes
		SME	LDG	DM	BM	
2-1	Organizational Details	O				2p, 5-7p
2-2	Entities included in the organization’s sustainability reporting	O				2p
2-3	Reporting period, frequency and contact point	O				2p
2-4	Restatements of Information	O				If the data differs from last year's report, it has been annotated.
2-5	External Assurance	O				A page for verification comments will be added.

GRI No.	Disclosure	Reporting Company				Location / Notes	Notes
		SME	LDG	DM	BM		
2-6	Activities, Value Chain and Other Business Relationships	O				5-11p	
2-7	Employees	O	O	O	O	43p, 78p	
2-8	Workers who are not employees	O	O	O		78p	
2-9	Governance structure and composition	O				68-70p, 84p	
2-10	Nomination and selection of the highest governance body	O				68-70p	
2-11	Chair of the highest governance body	O				68-69p	
2-12	Role of the highest governance body in overseeing the management of impacts	O				16p, 68-70p	
2-13	Delegation of responsibility for managing impacts	O				16p, 25p, 33p, 35p, 38-40p, 42p, 52p, 61-63p	
2-14	Role of the highest governance body in sustainability reporting	O				16p, 68-70p	
2-15	Conflicts of Interest	O				68p	
2-16	Communication of critical concerns	O				16p, 70p	
2-17	Collective knowledge of the highest governance body	O				69-70p	
2-18	Evaluation of the performance of the highest governance body	O				70p	
2-19	Remuneration policies	O				70p	
2-20	Process to determine remuneration	O				70p	
2-21	Annual total compensation ratio	O				70p	

GRI INDEX

GRI No.	Disclosure	Reporting Company				Location / Notes	Notes
		SME	LDG	DM	BM		
2-22	Statement on sustainable development strategy	O				3p	
2-23	Policy commitments	O				15p, 25p, 35p, 38p, 61p	
2-24	Embedding policy commitments	O				15-16p, 25p, 35-36p, 38-40p, 61p	
2-25	Processes to remediate negative impacts	O				39-40p	
2-26	Mechanisms for seeking advice and raising concerns	O				63-64p, 70p	
2-27	Compliance with laws and regulations	O	O	O	O	74p, 85-86p	- This is a violation of the business report standard (there was a notice of additional tax payment in 2021)
2-28	Membership associations	O				92p	
2-29	Approaches to stakeholder engagement	O				17p, 66p	
2-30	Collective bargaining agreements	O		O		81p	
3-1	Process to determine material topics	O				21p	
3-2	List of material topics	O				21-23p	
3-3	Management of material topics	O				21p, 23p	
201-1	Direct economic value generated and distributed	O				72-73p	
201-4	Financial assistance received from government	O		O		73p	
203-1	Infrastructure investments and services supported	O				55-59p	
205-1	Operations assessed for risks related to corruption	O				73p	
205-2	Communication and training about anti-corruption policies and procedures	O				73p	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	O				74p	
207-4	Country-by-country reporting	O	O		O	74p	
301-1	Materials used by weight or volume	O	O			75p	
302-1	Energy consumption within the organization	O	O		O	75p	
302-3	Energy intensity	O				75p	
302-4	Reduction of energy consumption	O	O		O	75p	
303-3	Water withdrawal	O	O			75p	
303-5	Water consumption	O	O			75p	

GRI INDEX

GRI No.	Disclosure	Reporting Company				Location / Notes	Notes
		SME	LDG	DM	BM		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	O				33p	
304-2	Significant impacts of activities, products, and services on biodiversity	O				33p Creation of KWANGYA Forest to Protect Biodiversity in Seoul Forest	
304-3	Habitats protected or restored	O				33p	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	O				33p	
305-1	Direct (Scope 1) GHG emissions	O	O		O	76p	
305-2	Energy indirect (Scope 2) GHG emissions	O	O		O	76p	
305-4	GHG emissions intensity	O	O		O	76p	
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	O	O			76p	
306-1	Waste generation and significant waste-related impacts	O				28-32p	
306-2	Management of significant waste-related impacts	O				28-32p	
306-3	Waste generated	O	O		O	77p	
306-4	Waste diverted from disposal	O	O		O	77p	
306-5	Waste directed to disposal	O	O		O	77p	
401-1	New employee hires and employee turnover	O	O	O	O	43p, 78-80p	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	O				45p	
401-3	Parental Leave	O	O	O	O	80-81p	
402-1	Minimum notice periods regarding operational changes	O	O	O	O	Notification is made in accordance with domestic laws and regulations, including the Labor Standards Act.	
403-1	Occupational health and safety management system	O				35-37p	
403-2	Hazard identification, risk assessment, and incident investigation	O				37p	
403-3	Occupational Health Services	O				36-37p, 45p	

GRI INDEX

GRI No.	Disclosure	Reporting Company				Location / Notes	Notes
		SME	LDG	DM	BM		
403-4	Worker participation, consultation, and communication on occupational health and safety	O				35-37p	
403-5	Worker training on occupational health and safety	O				36p	
403-6	Promotion of worker health	O				45p	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	O				35-37p	
403-8	Workers covered by an occupational health and safety management system	O	O	O	O	81p	
403-9	Work-Related Injuries	O	O	O	O	82p	
403-10	Work-related ill health	O		O	O	82-83p	
404-1	Average hours of training per year per employee	O	O	O	O	45p, 83p	
404-2	Programs for upgrading employee skills and transition assistance programs	O				45p	
404-3	Percentage of Employees Receiving Regular Performance and Career Development Reviews (%)	O	O	O	O	44p, 83-84p	
405-1	Diversity of Governance Bodies and Staff	O	O	O		43p, 68-70p, 83-84p	
405-2	Ratio of basic salary and remuneration of women to men	O	O	O	O	85p	
406-1	Incidents of Discrimination and Corrective Actions Taken	O	O	O	O	39p, 85p	
416-2	Incidents of non- compliance concerning the health and safety impacts of products and services	O		O	O	85p	
417-1	Requirements for product and service information and labeling	O		O	O	86p	
417-2	Incidents of non- compliance concerning product and service information and labeling	O		O	O	86p	
417-3	Incidents of non- compliance concerning marketing communications	O		O	O	86p	

APPENDIX

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Global Initiative Participation and Certification

Global Initiative Participation

WE SUPPORT



The UN Global Compact is a global initiative that promotes a set of ten principles in the areas of human rights, labor, environment, and anti-corruption for corporate operations and activities. SM Entertainment is committed to systematically implementing and internalizing these ten principles across all its business activities. The company will also transparently disclose its efforts in upholding these principles.

Classification	Principle	Report
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights. 2. Businesses should make sure that they are not complicit in human rights abuses.	p. 38-41
Labour	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. 4. Businesses should uphold the elimination of all forms of forced and compulsory labour. 5. Businesses should uphold the effective abolition of child labour. 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	p. 38-41
Environment	7. Businesses should support a precautionary approach to environmental challenges. 8. Businesses should undertake initiatives to promote greater environmental responsibility. 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	p. 26-33
Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	p. 61

List of Memberships



대한상공회의소



K I T A
한국무역협회



KMCA
한국음악콘텐츠협회



사단법인 한국연예매니지먼트협회
KOREA ENTERTAINMENT MANAGEMENT ASSOCIATION



사단법인 한국연예제작자협회
KOREA ENTERTAINMENT PRODUCER'S ASSOCIATION



KMF (사)한국매니지먼트연합
KOREA MANAGEMENT FEDERATION

ISO 14001 Certification

SM Entertainment has received ISO 14001 certification for environmental management from the British Standards Institution (BSI).
 Certification Period: December 20, 2022 - December 19, 2025.



FSC (Forest Stewardship Council)

SM Entertainment entered into a promotional license agreement with the FSC in May 2022 and is actively expanding the use of sustainable paper, thereby contributing to the creation of sustainable forest environments.



2023 SM Entertainment Sustainability Report Assurance Statement

To the Stakeholders of SM Entertainment Co., Ltd.

The Korea Quality Foundation has conducted verification of the ‘2023 SM Entertainment Sustainability Report’ (hereinafter referred to as the ‘Report’) at the request of SM Entertainment Co., Ltd. (hereinafter referred to as ‘SM Entertainment’). The Korea Quality Foundation is responsible for providing an independent third-party verification opinion on the Report in accordance with the verification criteria and scope specified below, and the responsibility for the preparation of this Report lies with the management of SM Entertainment.

Verification Criteria and Scope

- Verification Criteria: AA1000AS (v3), AA1000AP (2018)
- Verification Type: Type 1 Verification of the reliability of the four principles of Accountability and data collection method
- Verification Level: Moderate Verification based on limited collected data
- Verification Boundary: SM Entertainment Co., Ltd. and three subsidiaries (SM Brand Marketing Co., Ltd., SM Life Design Group Co., Ltd., DREAM MAKER Entertainment. Ltd.)
- Verification Scope: Compliance with the four principles of AA1000AP (inclusivity, materiality, responsiveness, impact) and compliance with the reporting requirements of GRI Standards 2021
- GRI Standards 2021 Reporting Requirements
 - Universal Standards: Reports prepared in accordance with GRI Standards 2021 and comply with the following requirements

Requirements	Compliance	Requirements	Compliance
1. Reporting Principles	O	6. Description of reasons for non-reporting	O
2. General Disclosure	O	7. Disclosure of GRI Index	O
3. Selection of Material Issue Topics	O	8. Whether GRI Standards are applied	O
4. Reporting of Material Issues	O	9. Whether GRI notification is made	O
5. Reporting by Material Topic	O	-	-

- Topic Standards

Requirements	GRI Standards/Topic Disclosure	
Reporting by Material Topics according to GRI Topic Standards	• GRI 205 : Anti-Corruption	• GRI 404 : Training and Education
	• GRI 206 : Anti-Competitive Behavior	• GRI 405: Diversity and Equal Opportunity
	• GRI 306 : Waste	• GRI 406 : Non-Discrimination
	• GRI 401 : Employment	• GRI 417 : Marketing and Labeling
	• GRI 402 : Anti-Corruption	

Verification Method

The review team reviewed the relevant procedures, systems, and control methods and available performance data to verify the validity of the report contents by applying the above criteria. The documents verified during the verification process are as follows.

- Non-financial information: Data provided by SM Entertainment and integrated regular disclosure reports, data researched through the media and the Internet, etc.
- Financial information: SM Entertainment financial statements and data disclosed on the Financial Supervisory Service’s electronic disclosure system (dart.fss.or.kr) and data posted on the website, etc., are not included in the verification scope

This verification was conducted through written verification including on-site visits and interviews with the person in charge. The validity of the materiality assessment procedure in the report, the selection of issues considering the stakeholders, the data collection/management and report writing procedures, and the validity of the descriptions were evaluated through interviews with the person in charge, but interviews with external stakeholders were not conducted. Afterwards, it was confirmed that some errors, inappropriate information, and unclear expressions discovered in the above steps were appropriately supplemented before the report was published.

Competence and Independence

The audit team for this verification was competently organized in accordance with the internal regulations of the Korea Foundation for Quality. In addition to providing third-party verification services, the Korea Foundation for Quality has no conflicts of interest that could impede the independence and fairness of verification across SM Entertainment’s business.

Limitations

The completeness and responsiveness of the performance data presented in the report have inherent limitations depending on the nature of the data and the method used to determine, calculate and estimate the figures. The audit team conducted a comparative review of the information and basis provided under the contract, and the reliability of the original data itself was confirmed through data sampling. In addition, the greenhouse gas emissions data for the three subsidiaries reported in this report were not included in the scope of this verification.

2023 SM Entertainment Sustainability Report Assurance Statement

Findings and Verification Conclusion

As a result of the above verification activities, the audit team determined that the contents of this report were prepared in accordance with GRI Standards 2021 and that a reasonable basis was secured to prove the four principles of AA1000AP (2018) and the Type 1 assurance level of AA1000AS (v3). In addition, no significant errors or inappropriate matters related to compliance with the principles were found in the contents of this report.

Inclusivity

SM Entertainment has defined six stakeholder groups (shareholders and investors/analysts, media, customers, government/local governments, institutions and local organizations/NGOs, employees) and is identifying key ESG issues of interest to stakeholders by operating communication channels that take into account the characteristics of each group. The audit team could not find any major stakeholders who were omitted in this process and was able to confirm that efforts are being made to ensure that the opinions of the identified stakeholders are appropriately reflected in management activities.

Materiality

SM Entertainment created a pool of 23 issues through comparative analysis of media, related laws and regulations, industry benchmarking, and global initiatives, and finally selected 7 material issues by reflecting social and environmental assessments and financial impact assessments for each issue and a survey of internal and external stakeholders. In the process, the legitimacy of selecting material issues was enhanced by reviewing both the impact of corporate activities on the environment and society and the financial impact of environmental and social factors on the company. The review team confirmed that the material issues identified were given more weight in this report and that the material issues identified during the evaluation process were reported in the report without omission.

Responsiveness

SM Entertainment is making efforts to respond in a timely manner to the demands and major concerns collected from stakeholders. The audit team found no evidence that the organization's response activities and performance regarding key issues were inadequately reported.

Impact

SM Entertainment is identifying and monitoring the impact of key issues related to stakeholders throughout its business activities and is reporting the content to the extent possible. The audit team found no evidence that the impact related to key issues was inadequately measured and reported.

Recommendations for Improvement

- We expect SM Entertainment's ESG management performance to be managed more efficiently by specifying the monitoring plan for ESG-related data and improving the reproducibility of information through the operation of a systematic data management system.
- We expect SM Entertainment's ESG management performance to be delivered more meaningfully to stakeholders through attempts and efforts to interpret and analyze internal management data in various ways.



June 2024
President, Korea Quality
Foundation, Seoul,
Republic of Korea JI YOUNG SONG

JI Young Song

GHG Verification Statement

SM Entertainment Co., Ltd.

Introduction

(The Korea Quality Foundation) conducted verification of Scope 1 and 2 greenhouse gas emissions (hereinafter referred to as 'greenhouse gas emissions') of SM Entertainment Co., Ltd. for 2023.

Verification Scope

Based on the agreement with SM Entertainment Co., Ltd., the target was domestic business site greenhouse gas emission facilities as of 2023.

Verification Criteria

Based on Guidelines on Reporting and Certification of Emissions under the Greenhouse Gas Emissions Trading System¹⁾, 2006 IPCC Guidelines for National Greenhouse Gas Inventories, and ISO14064-1.

¹⁾ Ministry of Environment Notice No. 2023-221

Assurance Level

The verification was planned and performed in accordance with the procedures specified in ISO14064-3, and the assurance level of the verification was performed to satisfy a reasonable assurance level. In addition, the verification process was internally reviewed to confirm whether the procedures were effectively performed.

Verification Limitations

Verification has inherent limitations that may arise during the process of applying criteria and methods.

Verification Conclusion

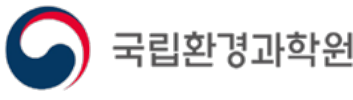
The following conclusions are provided regarding the greenhouse gas emissions data included in the greenhouse gas emissions report.

- 1) The greenhouse gas emissions were appropriately calculated in accordance with the verification criteria.
- 2) The data and information used to calculate the greenhouse gas emissions were appropriate and reasonable, and no significant errors or omissions that could affect the verification opinion were found. The greenhouse gas emissions materiality assessment results satisfy the agreed 5% standard or less.
- 3) Therefore, the following 2023 greenhouse gas emissions are provided with an 'appropriate', as our opinion and conclusion.

Unit : tCO₂eq

Classification	Scope 1	Scope 2	Total
Domestic Business Site (HQ)	834.094	489.139	1,323

* According to the Greenhouse Gas Emissions Trading Scheme Emissions Reporting and Certification Guidelines, total emissions are rounded down to the nearest decimal at each business site, so there may be some differences between the sum of Scope 1 and 2 emissions and the total emissions value.



June 26, 2024
Ji Young Song

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