We create human-friendly and eco-conscious living spaces.
This report marks LG Hausys’ fifth sustainability report. LG Hausys uses this report as a means to integrate and disclose the interest and requirements of its stakeholders in the areas of economy, the environment and society. LG Hausys will publish sustainability reports each year as a communication channel to reflect the feedback of internal/external stakeholders and disclose its achievements in sustainability management.

The report covers the economic, environmental and social initiatives and accomplishments made by LG Hausys between January 1st, 2015 and December 31st, 2015, and latest data is included for several sections (e.g. R&D composition). Quantitative data covering the past three years (2013-2015) is presented in some cases to allow for time-series analyses.

The scope of this report includes the headquarters and domestic plants of LG Hausys. A portion of the data covers LG Hausys’ overseas subsidiaries in China, the U.S. and other regions. Any data discrepancy from the previous year that occurred due to modification of data coverage or calculation methods is marked. Financial data of LG Hausys and its subsidiaries is reported on a consolidated basis in accordance with K-IFRS criteria.

This preparation of this report is based on the Core Option of the Global Reporting Initiative (GRI) G4 guidelines. Please refer to the GRI Index on pages 76-79 of this report for further details.

This report was assured by an independent third-party assurance provider in accordance with AA1000APS (2008), and the Assurance Statement appears on pages 74-75.
Dear Stakeholders,

I'd like to extend my deepest gratitude to our valued stakeholders for their on-going interest in and support for LG Hausys.

This year, LG Hausys presents its fifth sustainability report to disclose its wide-ranging initiatives and achievements undertaken to advance its sustainable growth in the economic, environmental and social arenas. In publishing this report, we aim to help you understand our sustainability management initiatives and strategies to align our business structure.

LG Hausys is Korea's largest manufacturer of building & decorative materials, high performance materials and automotive materials & components. We utilize our core technology to constantly explore future growth areas such as energy-saving windows, noise attenuation flooring, high-performance insulation materials, lightweight automotive parts, acrylic solid surface, high-performance interior design films and other various developments.

Even though we faced challenging business conditions last year due to the sluggish growth of the upstream market and increasingly intensifying competition in respective business areas, we managed to generate stunning outcomes, posting KRW 2.7686 trillion in sales and KRW 130.1 billion in operating profits. While our sales fell by 1.8% from the previous year, our operating profits rose by 1.9% during the same period. I believe this can be attributed to our heart-felt endeavors for product innovation, cost innovation, and sales innovation to usher in fundamental change to our business structure.

In 2016, we expect an even more challenging business environment. This is mainly due to the sustained period of low-growth—brought about by reduced consumption, the prolonged sluggishness of exports and an increased volatility of the global economy. Yet, despite such circumstances, we are determined to overcome this crisis by tapping new opportunities—such as an increasing demand for energy-saving and eco-friendly building materials and a wider adoption of lightweight parts to satisfy strengthened fuel efficiency regulations.

Moreover, we will focus on making investments in R&D and recruiting talented researchers in order to set the stage for fostering a market-leading business and discovering continuous sources of new growth engines.

At LG Hausys, our vision is to create eco-conscious, human-friendly living spaces. This embodies our commitment in creating living spaces where our customers are truly contented and where we create new value for our customers. Each and every LG Hausys employee strives to lead the market through the consistent delivery of human-friendly, eco-conscious and energy-saving products.

We undertake the following sustainability management initiatives as a way to achieve this vision at LG Hausys.

First, we strengthen our product R&D capability to secure our growth engine.

In 2015, our R&D investment amounted to KRW 55.8 billion, up by 242% from 2014. We attended the LG Techno Conference, forged a partnership with the Seoul National University to promote joint research on new technology and industry-academia cooperation, and worked with Harvard University in the U.S. to conduct joint research on green buildings as a way to secure an R&D workforce and new technology. These endeavors allowed us to secure flooring products and lightweight automotive parts to gain the Korean ‘New Excellent Technology’ certification and our green automotive skin manufactured with botanically-based bio materials was honored with the Jang Young-Shil Award.

Second, we expand our global market reach to solidify our global presence.

In the Middle East, Southeast Asia, India and other emerging markets as well as the U.S. and China, we launched products that cater to specific local market needs to discover new growth opportunities and expand our overseas sales. In 2015, we opened branches in Dubai and Jakarta, and our Wuxi branch in China initiated the operation of its flooring plant. We also constructed an automotive skin plant and expanded the engineered stone production line in the U.S., thereby broadening our overseas production and sales bases.

Third, we broaden our green product portfolio to establish our green leadership.

We established our ‘Green Identity’ to deliver green products including but not limited to, energy-saving and eco-friendly building materials and lightweight automotive parts with an aim to provide human-friendly products. This, in turn, enables us to gain even more green certifications in Korea and abroad. We are the 1st-ever building material maker in China to be listed on the Top 10 Eco-friendly Real Estate for three consecutive years, and our ZEA Sorijam, ZEA wallpaper and PF board insulation were named ‘Green Products of the Year Chosen by Korean Consumers’ for two consecutive years, demonstrating our achievement in delivering green products.

Fourth, we create an eco-friendly and safe workplace.

We invest and conduct self-initiated reviews of our plant equipment and facilities, both in Korea and abroad so as to prevent any incident that may impact our operations. We plan to intensively examine our workplace safety management system at all our plants and to conduct practical mock-drills to ensure executive-level management accountability and prevent accidents. This will help us create an even safer workplace.

Fifth, we build a market-leading organizational culture.

To become a market leader recognized by customers, all our employees at LG Hausys take the ‘F4’ (Focus, Fun, Fair, Fast) perspective in accelerating their performance while undertaking future-oriented activities based on their group creativity and spontaneity. Our endeavors to establish a market-leading organizational culture earned us the title ‘Great Work Place Korea 2015’.

Sixth, we consistently implement supplier programs to promote shared growth mutual benefits.

We assist our suppliers in building capacity through joint technology development and patent application, and business & financial support while constantly communicating with the management of our suppliers as a way to promote mutual benefits. Furthermore, we introduced a mutually-beneficial payment system to widen the scope of our support to include tier 2 and below suppliers so as to pursue shared growth along the entire supply chain.

We at LG Hausys will employ a variety of methods to grow hand in hand with our community and position ourselves as a market leader respected by society.

Thank you.
CORPORATE OVERVIEW

LG Hausys is Korea’s largest manufacturer of building & decorative materials, high-performance materials and automotive materials & components. We aim to deliver customer satisfaction and become a reliable company. To this end, we depend on our market-leading top-notch products and advanced technological prowess to provide our customers with healthy and aesthetically-pleasing living spaces.

Business Areas

Building & Decorative Materials
- Windows
- Curtain wall
- Acrylic solid surface for interiors
- High-performance insulation

High-Performance Materials
- Desk sheets
- Interior design film
- Adhesive materials for IT devices and automobiles
- Surface film for home appliances
- Advertisement materials
- Vacuum insulation panels

Automotive Materials & Components
- Automotive skin
- Component
- Lightweight components

Strategy

Over the past two years, LG Hausys has secured its business profitability and built its competitive edge to reach the ‘Phase 1’ goal of ‘Turn Around’. During the following ‘Phase 2’ period, LG Hausys aims to transform its business structure and reinforce its preparedness for the future so as to focus on profitable shared growth.

2013~2014
- Secure business profitability early on
- Build fundamental business competitiveness

2015~2016
- Shift into high-profit portfolio
- Discover market-leading products and new business

2017~
- Nurture No.1 business
- Materialize new business

Historical Milestones

Since 1947

1952
Manufactured Korea’s 1st synthetic resin-formed products

1958
Produced vinyl flooring

1976
Produced PVC windows

1984
Produced plastic automotive parts

1995
Produced acrylic solid surface H-MACS

1997
Established a production corporation in Tianjin, China

2005
Completed a H-MACS plant in the U.S.

2006
Launched ZIN as a premium interior design board

2012
Produced Low-E glass

2014
Established an automotive skin plant in the U.S.

2015
Initiated the operation of a plant in Wuxi, China

LG Hausys Sustainability Report 2016
VISION AND KEY PERFORMANCE FRAMEWORK FOR SUSTAINABILITY MANAGEMENT

Our vision at LG Hausys revolves around “creating eco-conscious, human-friendly living spaces.” We aim to provide energy-saving and eco-friendly products, help create human-friendly spaces and set the future trend for living spaces. Our vision to pursue harmony between nature and people guides our endeavors to identify material issues for our stakeholders and to disclose relevant achievements.

The issues we identified as having the greatest impact on our internal/external stakeholders in 2015 were: securing growth engines through technology development, broadening global market presence, expanding green products, promoting a safe workplace, building an organizational culture, and ensuring shared growth with our suppliers.

(Please refer to pages 10–11 for the material analysis process)

<table>
<thead>
<tr>
<th>Material Issues in 2015</th>
<th>2015 Achievements</th>
<th>2016 Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harmony with SPACE</td>
<td>R&amp;D outcomes</td>
<td>Energy-saving building &amp; decorative materials</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- To enhance customer convenience and safety functionality of Complete windows, and widen the application of high-performance insulation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- To accelerate the competitive landscape in the energy-saving and green product area</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- To promote technology adoption and the rapid-changing technology landscape</td>
</tr>
<tr>
<td>Harmony with NATURE</td>
<td>Completed the construction of an automotive skin plant in North America</td>
<td>To launch idea contest programs based on open innovation</td>
</tr>
<tr>
<td></td>
<td>to reduce the environmental impact of products throughout their life cycle</td>
<td>- To increase the sales of overseas business</td>
</tr>
<tr>
<td></td>
<td>Increased year-on-year injury ratio by 31%</td>
<td>- To lay the foundation to become global No. 1 in automotive skin and surface materials</td>
</tr>
<tr>
<td></td>
<td>Improved the safety and environment policy</td>
<td>- To strengthen the preliminary review of subcontracting transactions</td>
</tr>
<tr>
<td></td>
<td>Increased employee satisfaction</td>
<td>- To increase the No. of banks that support the mutually-beneficial payment system (2→4)</td>
</tr>
<tr>
<td>Harmony with HUMAN</td>
<td>Promoted a culture of fair collaboration</td>
<td>- To help suppliers build fundamental competitiveness</td>
</tr>
<tr>
<td></td>
<td>- Signed the standard subcontracting agreement, integrated the four Fair Trade Principles in purchasing policy</td>
<td>- To strengthen communication with suppliers and external communication</td>
</tr>
<tr>
<td></td>
<td>- Strengthened financial support, quality and technology development support, staff training support and management support</td>
<td>- To create a conducive environment for fair trade</td>
</tr>
<tr>
<td></td>
<td>- Offered CSR support to CSR assessment on suppliers (117 domestic suppliers), selected the targets of CSR management among suppliers of the U.S. branch</td>
<td>- To help suppliers build fundamental competitiveness</td>
</tr>
<tr>
<td></td>
<td>- Reinforced support for tier 2 suppliers by introducing a mutually-beneficial payment system</td>
<td>- To strengthen communication with suppliers and external communication</td>
</tr>
</tbody>
</table>

Material Issues 1
- Strengthening Product R&D Capability
Material Issues 6
- Shared Growth and Mutually-Beneficial Agreement

Material Issues 2
- Expanding Global Market Reach
Material Issues 3
- Enlarging Eco-friendly Product

Material Issues 4
- Operation of Eco-friendly and Safe Workplaces
Material Issues 5
- Building Market-leading Organizational Culture

Material Issues 7
- Building Resilient Value Chain

Strategy and Mid-Long-term Goals
- To set thorough assessment and management criteria for high-risk facilities |
- To ensure a safe workplace and business continuity |
- To establish a culture of fair and ethical business |
- To build a market-leading organizational culture |
- To reinforce the preliminary review of subcontracting transactions |
- To expand shared growth support and discover additional projects |
- To conduct CSR risk assessment on domestic suppliers and extend its scope to include overseas suppliers |
- To increase the No. of banks that support the mutually-beneficial payment system (2→4) |
- To strengthen communication with suppliers and external communication |
- To create a conducive environment for fair trade |
- To help suppliers build fundamental competitiveness |
- To strengthen communication with suppliers and external communication |

Report Details

1. We create human-friendly and eco-conscious living spaces.
2. Human-Friendly Designs
3. Energy-Saving and Green Products
4. Strengthening Eco-friendly and Safe Workplaces
5. Building Market-leading Organizational Culture
6. Shared Growth and Mutually-Beneficial Agreement

Vision and Key Performance Framework for Sustainability Management
MATERIALITY ANALYSIS PROCESS

LG Hausys defines stakeholders & investors, employees, customers, suppliers, and local communities as its key stakeholders in accordance with their role, influence, and responsibility, out of the individuals and organizations who interact with the company in its business conduct. The LG Hausys Sustainability Report 2016 illustrates the major issues of 2015 in alignment with its vision “Harmony with Nature, Human and Space.” We at LG Hausys will closely communicate with our stakeholders to understand their issues of interest and expectations so that we can establish sustainability management that advances hand in hand with stakeholders.

Communication Channel with Key Stakeholders

Key Stakeholder Issues in 2015

Shareholders/Investors
- Company presentations, disclosures, etc.
- Employees
- Labor Management
- Local Communities
- Customers
- Media research
- Public events
- Local Communities
- Volunteer activities
- Suppliers
- Supplier presentations, meetings, etc.
- Media research
- Public events
- Local Communities
- Volunteer activities

They expect fair compensation on the company’s investment activities – ensuring growth engines, tapping the global market, etc.

They expect to work in a safe and pleasant workplace with HR systems that allow individuals to reach their full potential.

They expect that ethical business relationships be established through a fair and transparent selection process, and need diverse mutually-beneficial support systems.

They are interested in LG Hausys’ social-giving initiatives including the production of eco-friendly products and the preservation of a safe workplace that minimizes any negative impact in relation to economy, the environment, and society.

They expect that diverse LG Hausys products and services be delivered safely and that seamless communication take place with the company and other customers.

Identification of Key Issues

We compiled 2015 issues identified by benchmarking GRI 4.0, ISO 26000, G3 and other international standards and by researching media publications, and finalized a total of 19 issues.

Step 1: Analyze the current status

With the 19 issues identified, we surveyed external stakeholders – customers, suppliers, investors and internal stakeholders – employees – to understand how material these issues were from their perspective. We also held discussions among experts from respective fields to look at future development on sustainability management in general and sustainability reports.

Step 2: Conduct the materiality analysis

We comprehensively evaluated issue-specific materiality, interest of external stakeholders and the financial impact that LG Hausys exerts on external stakeholders and the financial impact that LG Hausys exerts on external stakeholders and the financial impact that LG Hausys exerts on external stakeholders and the financial impact that LG Hausys exerts on external stakeholders and the financial impact that LG Hausys exerts on external stakeholders.

Step 3: Finalize issues to report

With these 19 issues identified, we surveyed external stakeholders – customers, suppliers, investors and internal stakeholders – employees – to understand how material these issues are from our perspective. We will also hold discussions among experts from respective fields to look at future development on sustainability management in general and sustainability reports.

Reported Issues by Stakeholder Group

Shareholders/Investors
- Strengthening Product R&D Capability
- Harmony with Space 1

Employees
- Building Market-leading Organization Culture
- Harmony with Human 1

Customers
- Enabling Eco-friendly Product
- Harmony with Nature 1

Local Communities
- Operation of Eco-friendly
- Safe Workplaces
- Harmony with Nature 2

Suppliers
- Shared Growth and Mutually
- Beneficial Support
- Harmony with Human 2

KEY ISSUE IDENTIFICATION PROCESS

The LG Hausys Sustainability Report 2015 represents our fifth such report and describes selected issues that were of high interest to our stakeholders. We identified a total of 19 sustainability management issues that emerged in 2015 by referring to international sustainability management standards, sustainability reports of leading Korean and overseas companies, media reports on LG Hausys’ sustainability management, and stakeholder surveys in 2015. We also hosted panel meetings attended by outside experts to reflect our feedback in identifying key issues.

KEY ISSUES REPORTED IN THIS REPORT

Harmony with Space
- Strengthening Product R&D Capability
- Expanding Global Market Reach

Harmony with Nature
- Enabling Eco-friendly Product
- Safe Workplaces

Harmony with Human
- Building Market-leading Organization Culture
- Shared Growth and Mutually Beneficial Support

STEPS OF MATERIALITY ANALYSIS

STEP 1. Pool of Issues

- Chose profitability by securing cost competitiveness
- Expand global market presence
- Secure growth engines through the continued development of new technology
- Strengthen and improve ethics management
- Distribute economic outcomes fairly for stakeholders
- Enhance workplace health and safety
- Respond to climate change
- Reduce the environmental impact of products throughout their lifecycle
- Manage environmental pollutants
- Ensure eco-friendly products continually
- Enhance sustainable performance

STEP 2. Issue Selection Process

- Support suppliers and pursue shared growth
- Strengthen CSR capability within the supply chain
- Protect intellectual property rights and labor rights
- Improve employee-friendly policies
- Recapitalize key talent and strengthen employee capacity
- Secure product quality and extend product responsibility
- Expand customer communication
- Engage in local community development through social-giving initiatives

STEP 3. Issues Presented in This Report

1. Develop eco-friendly products continuously
2. Secure growth engines through decentralized management
3. Enhance workplace health and safety
4. Manage environmental pollutants
5. Improve an employee-friendly organizational culture
6. Enhance the social-giving impact of products throughout their lifecycle
7. Support national energy management
8. Build brand-related reputation
9. Develop a local community development through social-giving initiatives
10. Strengthen CSR capability by meeting investor expectations
11. Respond to climate change
12. Expand customer communication
13. Establish product safety and extend product responsibility
14. Strengthen CSR capability within the supply chain
15. Support key clients and strengthen employee capacity
16. Strengthen corporate social responsibility
17. Global Sustainable Partnership
18. Enhance economic outcomes help for stakeholders
19. Respect human rights and labor rights

Harmony with Space
- Strengthening Product R&D Capability
- Expanding Global Market Reach

Harmony with Nature
- Enabling Eco-friendly Product
- Safe Workplaces

Harmony with Human
- Building Market-leading Organization Culture
- Shared Growth and Mutually Beneficial Support
LG Hausys’ vision, “We create human-friendly and eco-conscious living spaces,” inspires our employees to achieve the highest level of customer value. In so doing, we deliver eco-friendly, energy-efficient materials and products while highlighting attractive and human-friendly design principles so as to bring contentment to our customers in their living space.

**Harmony with Nature**
- Enlarging Eco-friendly Product
- Operation of Eco-friendly and Safe Workplaces

**Harmony with Space**
- Strengthening Product R&D Capability
- Expanding Global Market Reach

**Harmony with Human**
- Building Market-leading Organizational Culture
- Shared Growth and Mutually Beneficial Support
With a higher standard of living comes increasing customer needs for better performance and outstanding design qualities. At LG Hausys, respective business units, research labs and the design center are seamlessly aligned to lead the market and to develop products that cater to such customer needs. Our endeavors to strengthen R&D capacity include attending the LG Techno Conference, operating customized courses, providing wide-ranging recruitment and talent-fostering programs, and continuously investing in industry-academia R&D programs.

**Harmony with Space**

**Strengthening Product R&D Capability**

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**Principle & Strategy**
- Secure technological competitiveness based on fundamental processing technology
- Lead the market through technological convergence in the energy and green fields
- Strengthen open innovation to respond to the fast-changing technological environment

**2015 Achievement**
- Building & decorative materials: Gained the Net certification for low-lead sheet flooring for ships; Developed high-insulation complete windows and semi-non-combustible organic insulation
- Automotive materials & parts: Gained the Net certification for the injection molding of bumper back beam
- Won the Jung Young-Ok Award for carbon emission-reducing automotive skin

**2016 Goal**
- Energy-saving building & decorative materials:
  - To improve the customer convenience and safety of complete windows, and extend the application of high-performance insulation
  - Acceleration of the development of automotive materials and parts
  - To extend the lightweight, automotive parts line-up, and develop automotive skin that delivers emotional qualities of natural skin

**Strengthen research capacity**

**Principle & Strategy**
- Strengthen the recruitment of R&D talent in Korea and abroad

**2015 Achievement**
- R&D investment: KRW 55.8 billion (Up by 24.2% from 2014)
- External cooperation: Signed the mid-long-term industry-academia cooperation agreement with the Seoul National University

**2016 Goal**
- To increase R&D investment and staff

**R&D Activity**

Our research labs take the leading role in performing research in close alignment with such business areas as building & decorative materials, automotive materials & parts and high-functional materials while developing customer-friendly products.

**R&D Expenditure**

<table>
<thead>
<tr>
<th>Year</th>
<th>R&amp;D Expenditure (excl. value inputs)</th>
<th>R&amp;D Expenditure Measured against Revenue (Wt. %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>42,482</td>
<td>55.790</td>
</tr>
<tr>
<td>2014</td>
<td>44,917</td>
<td>1.59</td>
</tr>
<tr>
<td>2015</td>
<td>55,790</td>
<td>2.02</td>
</tr>
</tbody>
</table>
The use of bio-based materials helps reduce CO₂ emissions and improve structural competitiveness of our existing business and to discover new business areas for future growth while building a user-driven R&D workforce. We will continue to conduct R&D on lightweight materials and products for eco-friendly modes of transportation (electric vehicles), which contributes to improving automobile mileage and fuel efficiency. We also cooperate with academia, government-invested research institutes, and universities in Korea as the Seoul National Univeristy and KAIST, and conduct joint research projects were undertaken to accelerate the development of key projects. LG Hausys' professors were invited to seminars and technical advices was provided to help build our internal capacity.

Recruiting R&D Talent in Korea and Abroad and Forging Mid-/Long-Term Industry-Academia Cooperation

To recruit and foster qualified R&D talent with master’s degrees and PhDs in Korea and abroad, we attended the LG Techno Conference and offered various events and programs – customized industry-academia research courses – in 2015. We also cooperate with academia, government-investigated research institutes and other companies to reinforce our R&D capability.

High-Performance Insulation (PF Insulation)

• Used for wall construction, our high-performance insulation materials deliver insulation and fire safety qualities simultaneously, and their insulation performance is unrivaled in the domestic organic insulation market. We plan to extend their application beyond construction.

Energy-Saving Windows

• We integrated our sophisticated insulation design technology profile with Low-E glass enabled by nano silver lamination technology to release grade 1 Complete windows (window where its frame and Low-E glass are integrated) represented by ‘Super Save’ series into the market. (Grade 1 energy efficiency in insulation design)

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Energy-Saving Windows

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High-Performance Insulation (PF Insulation)

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Energy-Saving Windows

• We integrated our sophisticated insulation design technology profile with Low-E glass enabled by nano silver lamination technology to release grade 1 Complete windows (window where its frame and Low-E glass are integrated) represented by ‘Super Save’ series into the market. (Grade 1 energy efficiency in insulation design)
Strengthening Design Activity and Capacity

LG Hausys takes the customer’s perspective in understanding market trends and designing products that customers most desire. We have the largest design center in the domestic building materials industry, and we built our unique design culture represented by ‘Design Innovation’. We are also committed to fostering outstanding designers.

Activity and Achievement

→ Winning Design Awards
Our Design Center is dedicated to R&D endeavors that deliver new value to customers. As a result, our exceptional design capacity is being recognized by reputable international and domestic evaluators.

→ Analyzing Trends to Develop Market-Leading Products
Our ‘Design Trend Seminar’ and ‘Trend Forum’ programs represent our commitment to creating market-leading products.

Design Trend Seminar • As the first of its kind, this LG Hausys initiated Design Trend Seminar celebrated its 16th anniversary in 2015. Each year, nearly 1,000 design experts attend this seminar to share information on domestic & international social/cultural issues, customer life styles and global design trends so as to forecast future design trends.

Design Innovation transforms ideas into pilot products through design incubations grounded by our motto ‘Find uncut diamonds and turn them into invaluable jewels’. The products developed through this process are extremely well-received among customers.

→ Collaboration with Well-Renowned Designers
We have collaborated with world-acclaimed industrial designers as Marcel Wanders, Karim Rashid, Alessandro Mendini, the Hanbok designer Lee Hyo-Jae and the architect Zaha Hadid as well as other prominent domestic and overseas designers in order to provide our customers with unique designs that set us apart from other competitors.

LG Hausys Sustainability Report 2016

[ Preceding development driven by customer insight ]
LG Hausys presents differentiated products in China, the U.S., and other regions of the world, and delivers customer-friendly products by building overseas sales and production bases to integrate customer needs from the initial development phase. Providing market-specific solutions and sales operations based on the needs of key stakeholders is what sets us apart from the competition. We define the U.S., China, India and other emerging countries as our key markets, and focus on competitive products in line with market specificities and customer requirements. Furthermore, we place our products in overseas landmark buildings, attend global exhibitions and collaborate with renowned designers so as to enhance our brand awareness and continuously broaden our global reach.

Harmony with Space
Expanding Global Market Reach

LG Hausys is establishing bases in major locations to efficiently tap the global market and building a differentiated status through green products and customer-driven sales operation.

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales in overseas business (KRW billion)</td>
<td>Sales in overseas business (KRW billion)</td>
<td>Sales in overseas business (KRW billion)</td>
</tr>
<tr>
<td>924.7</td>
<td>924.7</td>
<td>933.5</td>
</tr>
</tbody>
</table>

Building Production Bases in Key Markets in 2015
In 2015, we further localized our production in the U.S. and China while widening and reinforcing our sales base in the emerging markets of the Middle East, Southeast Asia, India and Turkey.

- Completing the Construction of an Automotive Skin Plant in the U.S.
Our automotive skin plant was completed in Georgia, the U.S. in December 2015. The plant will initiate mass-production in March 2016 with annual capacity of six million m². This will enable us to advance into the North American automotive market and to increase our global market share.

- Operating the 2nd Production Plant in Wuxi, China
Since June 2015, our 2nd production plant in Wuxi, Jiangsu Province, China has been producing flooring products. Its facility will be expanded in phases to manufacture automotive sheets and high-functional materials so as to position itself as our production hub in China.

- Expanding the Engineered Stone Production Line in the U.S.
As the recovery of the U.S. construction market is boosting demand for high-value added premium products with differentiated designs, we are investing in expanding the 2nd engineered stone production line to start mass-production from July 2016. The new and differentiated products manufactured at the plant will enable us to top the North American market.

Moving ahead of the Competition through Green Products and Customer-Driven Sales
Since global regulations on energy consumption and eco-friendly materials continue to grow ever more stringent, our global customers may continue to increase their demand for green products. Thus, we identify customer needs for energy-saving windows & insulations, and non-toxic decorative materials, to deliver eco-friendly products.

- Making It to the 'Top 10 Green Building Materials Brands' in China for Three Consecutive Years (2014-2016)
LG Hausys became the 1st Korean company to be ranked in the 'Top 10 Green Building Materials Brands' for three consecutive years (2014-2016) at the Top China Real Estate hosted in Beijing, China. This feat is attributable to our achievement in reducing TVOC (Total Volatile Organic Compounds) emissions and enhancing anti-bacterial and anti-viral performance.

Raising Global Brand Awareness
To enhance our brand awareness and present the remarkable functionality and design of our products to global customers, we attend numerous global exhibitions including Domotex Asia (Shanghai), Astana Build, NeoCon and the Big 5-International Building and Construction Show (Dubai).
Nurturing Market-Leading Business by Region

LG Hausys defines the U.S., China and emerging markets including India as our key markets and intensively nurtures those businesses selected for their great potential in each of these markets. To this end, we analyze market-specific conditions and build distribution and other cooperative relationships with stakeholders.

U.S.
North America represents the world’s largest decorative and automotive materials market, and our localization strategy focuses on acrylic solid surface, automotive skin, etc. Our HI-MACS (acrylic solid surface) and engineered stone plants are based in Atlanta, Georgia, and the engineered stone plant is currently under expansion. We secure the diversity of our distribution channels, including the largest building materials distributors within the U.S., to increase our market share. Furthermore, our automotive skin plant in Georgia, once completed, will initiate operations in 2016. This will allow us to gradually raise our market share in the U.S.

China
In China, our localization strategy highlights such building materials as windows and flooring, and our market share is growing as the Chinese market recognizes the remarkable eco-friendly quality of our products. In 2015, we were the No.1 foreign building materials company in terms of market share in the window and flooring segments, and we are solidifying our position in the mid/high-priced premium building materials market. Furthermore, we are establishing a local distribution network by strengthening our partnership with local retail channels while offering differentiated value to customers from production to distribution. We also improved the overall environmental/safety facilities of our Tianjin plant to secure its eco-friendliness.

India
With a population of 1.2 billion, India is the world’s largest emerging market and is considered to have an even greater potential than China. Therefore, LG Hausys is aggressively advancing into this market mainly in the home appliance surface materials segment.
We are launching products that satisfy the design trends of the Indian market, raising our brand awareness through customized design and regularly-hosted seminars, and discovering new customers.
Our goal in India is to respond to customer demand in a proactive and prompt manner in the local home appliance surface materials market to firmly position us as the leader with the highest market share. We will also focus our marketing capabilities in the HI-MACS (acrylic solid surface) segment to strengthen our No.1 status.

Other Regions
The Middle East, Southeast Asia and other emerging regions are witnessing a rapid growth in the size of their decorative materials market. In Europe, we are taking a proactive export strategy with our decorative surface materials and acrylic solid surface. It is through deep localization – attending local exhibitions and developing products that cater to specific customer life styles – that we tap into these emerging and European markets. Additionally, we opened new branches in Jakarta and Dubai to further drive our localization strategy.

Flagship Products
• Middle East, Southeast Asia : Surface materials, wallpaper, flooring, etc.
• Europe : Decorative surface materials, surface materials, automotive materials, etc.
Harmony with Nature

Enlarging Eco-friendly Product

As social demand continues for products that are safe for humans and the environment and save energy consumption, the sales of our green products is growing accordingly. As such, LG Hausys is moving towards the goal of providing healthy green products and materials (Eco-Friendly), delivering systems and solutions that maximize energy efficiency (Energy-Saving), and evolving into a human-friendly company by interacting with our customers in a trustworthy and heartfelt manner (Human-Friendly). We establish our Green Identity from the mid/long-term perspective to offer sustainable products as well as the ‘Eco Collection’ composed of green products by using eco-conscious materials and developing products with high energy-efficiency.

Strengthening Green Product Solutions

At LG Hausys, our products are created on the basis of our ‘Green Identity.’ Our product development follows the three key values: ‘Eco-Friendly’ that uses green materials to deliver a healthy and pleasant living space, ‘Energy-Saving’ that prefers high-efficiency products and lightweight materials to reduce energy consumption, and ‘Human-Friendly’ that helps address such eminent social issues as preventing fire and reducing inter-floor noise.

Change in the Ratio of New Green Products in Sales* (Unit: %)

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>13.2%</td>
</tr>
<tr>
<td>2014</td>
<td>19.3%</td>
</tr>
<tr>
<td>2015</td>
<td>19.7%</td>
</tr>
</tbody>
</table>

*The sales of new green products were calculated based on decorative and window materials.

Products certified as green product*:
113
- Korea Eco Label (HE Mark) and Carbon Reduction Label

Products certified as green product*:
- Korea Eco Label (HE Mark) and Carbon Reduction Label

[ LG Hausys Green Identity ]

- Eco-Friendly: Materials that reduce CO² emissions
- PET materials
- Olefin materials, bio automotive skin Neuzen
- Glossy Film – High-hardness glossy film

- High-Efficiency, Energy-Saving Products: Reduction in heating cost
- 1.10 W/m²k or under in insulation performance
- Super Save series 3, 5, 7
- High-performance double Low-E glass

- Improvement in Fuel Efficiency: Reduction in fuel cost
- Improvement of the air quality
- Glass fiber lightweight automotive parts

- Improvement in the Living Environment: Reduction in inter-floor noise
- Attenuation of lightweight floor impact sound - Non-slip
- Non-slip flooring

- Fire Safety: Semi-non-combustible performance
- Fire prevention performance
- Non-combustible Performance
- Fire-resistant PF fire belt
- Flame-resistant interior film

[ Achievement and Goal ]

Expand the green product market

- Principle & Strategy: Expand new green products
- Increase the sales of green products

2015 Achievement:
- Launched new products: ZEA Fresh wallpaper and the eco-friendly noise attenuating flooring: ZEA Sorijam

2016 Goal:
- To raise the ratio of green products in sales to 19% (Against the sales of the concerned business division)

Expand the energy-saving product line-up

- Principle & Strategy: Expand new energy-saving products
- Increase the sales of energy-saving products

2015 Achievement:
- Launched new products: Super Save windows series 3, 5, 7 as well as PF insulation and fire-resistant PF fire belt

2016 Goal:
- To raise the ratio of energy-saving products in sales to 21% (Against the sales of the concerned business division)
Developing New Green Products

We strive to adopt natural and recycled materials and improve energy saving as a way to increase the sales of new green products while expanding new green business by developing eco-conscious technology. In 2016, we will continue to strengthen our green product solutions by expanding our ZEA product line-up and developing high-performance semi-non-combustible insulation materials.

<table>
<thead>
<tr>
<th>Certification</th>
<th>New Green Products</th>
<th>Future Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eco-friendly materials</td>
<td>ZEA line-up (flooring, wallpaper)</td>
<td>Lead the market in expanding general purpose products</td>
</tr>
<tr>
<td>Green materials</td>
<td>High-performance semi-non-combustible PF insulation materials</td>
<td>Improve market structure with the introduction of new materials and appliances</td>
</tr>
<tr>
<td>Energy saving windows</td>
<td>High-performance glass (Low-E, heat reflective, Laminated glass, etc.)</td>
<td>Expand the glass market through property regulations</td>
</tr>
<tr>
<td>Automotive parts</td>
<td>High-performance automotive parts (flooring, interior film, bumper back beam)</td>
<td>Increase the sales of high-performance automotive parts</td>
</tr>
<tr>
<td>Functional fire resistant products</td>
<td>High-performance semi-non-combustible PF insulation</td>
<td>Increase the potential area in automotive parts</td>
</tr>
<tr>
<td>Anti-microbial performance</td>
<td>Anti-bacterial interior film</td>
<td>Increase the potential area in automotive parts</td>
</tr>
</tbody>
</table>

Green Product Awards and Certifications

LG Hausys’ products are widely recognized both in Korea and abroad for their excellence and contribution to promoting a culture of eco-friendliness.

- **Awards**
  - Listed on the Top 10 Eco-friendly Real Estate (supervised by the Chinese National Construction Company Association)
  - ZEA Sorijam, ZEA wallpaper and PF boards honored with the title ‘Green Product of the Year’
  - Listed on the Top 10 Eco-friendly Real Estate (supervised by the Chinese National Construction Company Association)

- **Certification**
  - Korean Certification (Unit: No. of certificates granted)
  - Overseas Certification

Automotive materials & Components

- Automotive sheet skin: Certified with Oeko-Tex Standard 100, an European certification for green textile products.
- Adhesive materials for IT devices and automobiles: RoHS-certified (EU directive on the restriction of use of hazardous substances for electronic products)
- Home appliance materials: Home appliance surface materials, vacuum insulation: RoHS-certified

Building & Decorative Materials

- Flooring: ZEA flooring: Nominal 1st C2C (Cradle to Cradle, certification granted to waste-zero products)* certified flooring product
- Carpet, carpet tile–applied building: Certified with the eco-friendly building certification (LEED (Supervised by the U.S. Green Building Council))
- Interior panel products: Certified with the Japanese green certification F☆☆☆☆ (Formaldehyde-free) (Supervised by the Japan Testing Center for Construction Material)
- Adhesive materials for IT devices and automobiles: RoHS-certified (EU directive on the restriction of use of hazardous substances for electronic products)
- Home appliance materials: Home appliance surface materials, vacuum insulation: RoHS-certified
- Vacuum insulation: REACH-certified (EU’s chemical substance management system)
What is Poly Lactic Acid?

PLA is made from materials extracted from corn, sugar cane and other plants. PLA proves to have outstanding anti-bacterial and deodorizing effects, and does not generate toxic gas in case of fire, which demonstrates its safety. LG Hausys is the world’s 1st to use PLA in developing flooring and wall covering products so as to provide customers with products that are safe for people and the environment.

Source
1) Research papers from the Daewoo Institute of Construction Technology
2) Research papers from the Korea Advanced Institute of Science & Technology
3) Energy Analysis Report
4) A building energy simulation report from the Passive House Institute Korea (2011)
Company's environmental footprint and both big and small workplace safety accidents are further raising social interest in a safer workplace. With this, governmental supervision and local community's interest and monitoring are intensifying as well. We set and manage company-wide workplace safety targets, invest heavily in equipment/facilities to prevent major occupational accidents that gravely impact our business conduct, and conduct diverse self-initiated reviews to improve our system and management level.

Harmony with Nature
Operation of Eco-friendly and Safe Workplaces

Reduce workplace ESH accidents to “zero”
Principle & Strategy
- Secure safe workplace and business continuity through preliminary risk assessment, review and improvement
2015 Achievement
- Conducted planned/theme-based assessment on workplace safety
- Built a warning system
2016 Goal
- To set detailed assessment and management standards for high-risk facilities
- To strengthen the blocking system

Establish safety-driven workplace culture
Principle & Strategy
- Strengthen executive-level accountability
- Establish a company-wide workplace safety training system
2015 Achievement
- Operated the company-wide Safety and Environment Committee
- Strengthened CEOs Management by Wondering Around
- Offered basic training on workplace safety to all employees
- Introduced standardized work procedures/experience-based training
2016 Goal
- To reinforce managers’ safety management capacity
- To strengthen customized shop floor training

Reduce in total EHS accidents (2015 against 2014)
25%

Invested in improving fire safety (As of 2015)
8 KRW billion

Reduce in injury ratio (2015 against 2014)
31%

Manage employee health
Principle & Strategy
- Promote employee health through the prevention of occupational diseases and health care programs
2015 Achievement
- Undertook health promotion initiatives including hyperlipidemia management programs
2016 Goal
- To strengthen health promotion initiatives including metabolic syndrome management programs

Workplace Safety System
LG Hausys operates company-wide organizations and goals and strengthens workplace safety systems to create an injury-free workplace. We constantly improve our workplace safety management system to enhance the safety of our employees and local communities where we are based.

Reinforcing Management Accountability on a Company-Wide and Executive Level
LG Hausys built a company-wide organizational structure while setting workplace safety management goals and integrating them into organizational assessment as a way to strengthen management accountability to ensure workplace safety.

Establish a company-wide workplace safety training system
Principle & Strategy
- Promote managers’ safety management capacity
- Strengthen customized shop floor training
2016 Goal
- To reinforce managers’ safety management capacity
- To strengthen customized shop floor training

Organizational Structure for Workplace Safety
CEO
- Safety and Environment Team

Workplace Safety Goal Management
Company-Wide Safety and Environment Committee
- CEOs supervision, workplace safety goal management & assessment/investment status review (Half-yearly)

Reinforcing Workplace Safety Training System
LG Hausys provides all our employees with basic workplace safety training as well as expert training for employees assigned to workplace safety positions. In so doing, we strengthen our training system and build a culture where workplace safety risks are minimized.

2015 Achievement
- Operated the company-wide Safety and Environment Committee
- Strengthened CEO’s Management by Wondering Around
- Offered basic training on workplace safety to all employees
- Introduced standardized work procedures/experience-based training

2016 Goal
- To reinforce managers’ safety management capacity
- To strengthen customized shop floor training

Status and Details
<table>
<thead>
<tr>
<th>Training Target</th>
<th>As per Group</th>
<th>As per Plant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training on safety</td>
<td>CEO, major managerial staff, and employees</td>
<td>CEOs at Korean plants trained on the five areas of the fighting process safety, occupational safety, environment and system</td>
</tr>
<tr>
<td>Workplace safety risk analysis</td>
<td>Rodriguez on the safety and occupational safety position</td>
<td>Designated different workplace safety</td>
</tr>
</tbody>
</table>
Strengthening Workplace Safety Management

Operating a Preliminary Workplace Safety Review Process

LG Hausys is operating a workplace safety review process to eliminate risk factors by reviewing relevant regulations and guidelines prior to building new plant facilities or modifying existing facilities.

New/Existing Facility Safety Review Process under Operation

Composition

<table>
<thead>
<tr>
<th>Head</th>
<th>Members</th>
<th>Review Team</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety and Environment/Public Affairs</td>
<td>Safety and Environment Team leader</td>
<td>Safety and Environment</td>
</tr>
<tr>
<td>Facility Team leader</td>
<td>Team leader</td>
<td>Electricity/machinery</td>
</tr>
<tr>
<td>Head of the Production Team</td>
<td></td>
<td>Production or TFT</td>
</tr>
<tr>
<td>Head of TFT</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Purpose

- Safety and Environment Committee under Regular Operation
- Our Safety and Environment Committee meets monthly to review the progress of major initiatives undertaken to improve workplace safety.
- Fire prevention TFT
  - Set management items - use of electricity, LNG, and overhated facilities
  - Conduct measurement/monitoring systems
  - Improve on the fire-fighting devices of offices, warehouses and other vulnerable facilities
  - Train individuals on emergency response procedures

- Oil reducing/electrostatic elimination TFT
  - Install static discharges, oil mist measurement devices, and industrial humidifiers
  - Modify the prescription of oil mist daily

- Blocking System Zero Structure blocking system
  - Undertake activities to eliminate structures that are highly likely to recur
  - Install safety devices to prevent and minimize damage

- Disaster prevention system monitoring
  - Install evacuation facilities and monitoring systems
  - Strengthen fire-fighting devices for vulnerable facilities

- EHS management status theme
  - Review feedback from the examinations made based on relevant principles as well as feedback on the management of staff diagnosed with certain medical conditions
  - Confirm the progress made in reducing waste

Employee Safety 3YR 

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.56</td>
<td>0.45</td>
<td>0.31</td>
</tr>
</tbody>
</table>

Rate of employees diagnosed with specific medical conditions

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.16</td>
<td>29.75</td>
<td>30.60</td>
</tr>
</tbody>
</table>

Workplace Safety Initiatives

→ Preventing Safety Accidents

LG Hausys has installed blocking systems at hazard points across all our facilities as a way to prevent any safety accidents and secure facility safety. We also created ‘Work Safety Manuals’ by standardizing safe work procedures to enhance employee safety awareness. This was followed by manual training and aligned with hazard assessments to help employees better recognize workplace hazards. Additionally, we continuously offer group training based on virtual structure experience and broadcast workplace safety videos on our commuter bus to enhance our employees’ emotional perceptions regarding any possible safety accidents.

→ Preventing Major Occupational Accidents

LG Hausys expanded fire-fighting devices in areas of high risk to prevent major occupational accidents and installed leak detection devices near nitrogen-consuming facilities to build a choking accident prevention system. We also reorganized emergency response manuals across all departments and conducted practical mock drills to prepare for any possible accident.

Supplier Workplace Safety

LG Hausys makes quarterly inspections on workplace safety to ensure shared growth with our on-premise suppliers. We also set up meetings with the CEOs of on-premise and off-premise suppliers to offer monthly training on workplace safety issues and regulatory changes. We conduct stringent reviews of construction sites, and provide special safety training to workers from off-premise suppliers before initiating construction following any days off or holidays as a way to prevent accidents.

Safety Device Installation System

- Cover Fundamentally block structure points (fence, pipe, cover)
- Safety bar Operating the person in charge in case of accident
- Detection sensor Roll up & down, shut down, or backlash when approaching stricture points
- Emergency shutdown S/W Take post-accident action, prevent the spread of accidents

Detailed improvement on the disaster prevention system

- Supplement evacuation facilities
  - Install and improve entrances for pedestrians
  - Build disaster experience training facilities
- Expand warning/monitoring systems
  - Install hazard leak detection devices and systems
  - Improve fire detection facilities at office buildings
  - Build an activated carbon absorber monitoring system
- Reinforce fire-fighting devices
  - Install fire-fighting devices at power distribution/transformer rooms
  - Install fire-fighting devices along the gas system of the cafeteria kitchen
  - Improve fire-fighting devices at indoor hazard storage rooms
Reaching the goals of our corporate vision requires a well-functioning organizational culture, along with a vision-aligned strategy. Enhancing organizational performance is only possible when an organizational culture is consistent with the prescribed business strategic directions. This highlights the importance of a great organizational culture as the most important driver behind sustainable corporate growth. Since 2013, LG Hausys has been undertaking its working culture ‘F4’ internalization program designed to create a market-leading organizational culture, as well as a collective creativity program, that welcomes voluntary employee engagement to prepare for the future. Our goal for 2016 is to bring leader-driven change to strengthen our strategic executional capability and to take part in open innovation-based future-oriented activities.

**Harmony with Human**

**Building Market-leading Organizational Culture**

In the Working Culture ‘F4’

- **internalization index**
  - **92.5 points**

Cases of participation in Future-Oriented Activities*

- **1,326**
  - Idea Tree/COP

**Future-Oriented Activity**

- **Principle & Strategy**
  - Engage employees in future-oriented activities

**2015 Achievement**

- Operated Idea Tree to support company-wide business issues
- Operated Hamimo, an idea contest program

**2016 Goal**

- To adopt open innovation for Hamimo execution
- To strengthen the operational alignment between Hamimo and Idea Tree

---

**Working Culture ‘F4’**

- **Principle & Strategy**
  - Put employees’ execution at the heart of the working culture ‘F4’

**2015 Achievement**

- Improved the ‘F4’ survey questionnaire to emphasize employee behaviors and made assessment
- Launched campaigns to improve meeting/reporting practices
- Selected and operated team-specific ‘F4’ Change Agents

**2016 Goal**

- To build a leader-driven and execution-centered organizational culture
- To assess organizational culture by division and make improvement

---

**Internalizing the Working Culture ‘F4’**

LG Hausys is creating our own working culture ‘F4’ to encourage employees to focus on and enjoy their work, execute fairly and quickly and generate exceptional outcomes. We work in diverse ways to help our employees understand and practice this ‘F4’ culture in their daily operations. In 2015, we performed the ‘F4’ Survey to assess our current status, and shared its outcomes with respective divisions to encourage them to run self-initiated improvement programs. Furthermore, it worked to intensively improve our meeting/reporting practices in the FOCUS category that was identified as a company-wide vulnerability. We also improved the ‘F4’ Survey questionnaire to help employees align our work culture to their individual behaviors from their ‘own’ viewpoint so as to bring self-initiated behavioral modifications, and chose team-specific ‘F4’ Change Agents to take action soon.

**1. Focus**

- Have fun at work through communication, and by creating a positive work environment

**2. Fun**

- Try out something new that you don’t do now

**3. Fair**

- Compete fairly with sound logic and strong capabilities

**4. Fast**

- Implement plans with intensity to reach goals quickly

---

**1. Focus**

- Focus on customer value/core operations by eliminating internal waste elements

**2. Fun**

- Take part in open innovation to encourage employees to work together

**3. Fair**

- Encourage self-initiated behavioral modifications, and choose team-specific ‘F4’ Change Agents to take action soon

---

**Working Culture ‘F4’**

- **FOCUS / FUN / FAIR / FAST**

**Hamimo (Idea contest program)**

**Idea Tree**

**COP (Community Of Practice)**

---

**‘F4’ Survey**

- **Scores (Unit: %)**
  - 2013: 86.6
  - 2014: 86.8
  - 2015: 92.5

---

**Internalizing the Working Culture ‘F4’**

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**1. Focus**

- Focus on customer value/core operations by eliminating internal waste elements

**2. Fun**

- Try out something new that you don’t do now

**3. Fair**

- Compete fairly with sound logic and strong capabilities

**4. Fast**

- Implement plans with intensity to reach goals quickly
--- Engaging Employees in Undertaking Working Culture ‘F4’ Initiatives

LG Hausys operates communication channels between employees and management through ‘Green Board’, a gathering of employee representatives from respective divisions, and ‘We-Ha-Yeo’, a group of female employee representatives. Both of these serve as liaisons with top executives through quarterly CEO meetings and contribute to building the working culture of ‘F4’ via division-level communication, training, volunteerism, charity bazaars and other bottom-up approaches.

--- Organizational Chart of Green Board/We-Ha-Yeo

--- Engaging Employees for Future-Oriented Activities

Our collective creativity programs led by employees' self-initiated engagement allow us to build a future-oriented organizational culture.

--- In 2015, LG Hausys was honored with the ‘Grand Prize in the Work-Life Balance Sector’ and the ‘Excellence Award in the Comprehensive Performance Sector’ according to the ‘2015 Great Place to Work in Korea’ list chosen and published by Job Planet and Fortune Korea. We earned 4.06 points out of five in the Work-Life Balance Sector to top the list of Korean domestic big businesses. We ranked one point higher than the third-ranked company and 3.7 points in the Overall Satisfaction Sector to be ranked 5th among local big corporations, and 3.7 points in the Overall Satisfaction Sector to be ranked 5th among domestic big businesses.

--- Fostering Talent to Lead the Market

In addition to building an organizational culture conducive to success, we also strengthen our business capacity through talent fostering programs to be the market leader. We believe that our sustainable growth as a company is only possible through hiring talented individuals who possess an agile response to quickly shifting business conditions and through maximizing employee capacity. In alignment with our business strategy, we provide future-oriented business leader training, specialized job training designed to secure employee expertise, global competency training for global operations, and job-specific essential training based on our core values.

--- Business Leader Training System

Becoming a market leader demands that we discover and nurture early on future business leaders with business execution and leadership capacities. Thus, we designed our business leader training system and provide customized training. Young HPI programs for assistant managers, and next-generation talent programs for managers and senior managers that are further classified into the Biz Talent track for future business leaders and the Pro Talent track for future professionals. Furthermore, we identify key talent among locally-hired staff at our overseas companies and branches and provide online training to nurture them into future leaders.

--- Business Leader Training System

<table>
<thead>
<tr>
<th>Position</th>
<th>Training Goal</th>
<th>Main Tool</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>Manpower capacity training for strategic role</td>
<td>Global leadership development</td>
</tr>
<tr>
<td>Senior medicines</td>
<td>- Business strategy implementation</td>
<td>- Executive training</td>
</tr>
<tr>
<td>Mail manager</td>
<td>- Business strategy implementation</td>
<td>- Executive training</td>
</tr>
<tr>
<td>Assistant manager</td>
<td>- Business strategy implementation</td>
<td>- Executive training</td>
</tr>
<tr>
<td>Manager</td>
<td>- Business strategy implementation</td>
<td>- Executive training</td>
</tr>
<tr>
<td>Engineer</td>
<td>- Business strategy implementation</td>
<td>- Executive training</td>
</tr>
<tr>
<td>Assistant engineer</td>
<td>- Business strategy implementation</td>
<td>- Executive training</td>
</tr>
</tbody>
</table>

--- Total Employee Training Expenditure

<table>
<thead>
<tr>
<th>Category</th>
<th>2013 (Unit: KRW million)</th>
<th>2014 (Unit: KRW million)</th>
<th>2015 (Unit: KRW million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>3,666</td>
<td>3,888</td>
<td>3,925</td>
</tr>
</tbody>
</table>

--- Material Issues

<table>
<thead>
<tr>
<th>Issue</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material</td>
<td>Polymer, Plastic, Metal, Glass, Chemical, Textile</td>
</tr>
<tr>
<td>Process</td>
<td>Manufacturing, Design, Engineering, Operations</td>
</tr>
<tr>
<td>Environment</td>
<td>Green Building, Sustainable Energy, Waste Management</td>
</tr>
<tr>
<td>Safety</td>
<td>Health and Safety, Occupational Health, Fire Safety</td>
</tr>
</tbody>
</table>

--- Building Market-leading Organizational Culture
Current key emerging business requirements include a growing social demand for strengthened commitments to shared growth between large businesses and SMEs, along with the need to eliminate risk factors in the human rights, environmental and labor areas within the entire supply chain. Thus, LG Hausys has created a dedicated department to support shared growth and is executing diverse support policies to pursue shared growth by establishing fair trade principles with suppliers and improving its competitiveness in a mutually-beneficial way. This also allows us to strengthen our CSR management system along the domestic and overseas supply chain to prepare for any CSR risk that our suppliers may face due to our business growth.

Harmony with Human

Shared Growth and Mutually Beneficial Support

Set a fair trade environment:

**Principle & Strategy**
- Establish reasonable and fair business practices by complying with regulations and guidelines

**2015 Achievement**
- Expanded subcontractor agreements signed with eligible small/medium subcontractors
- Fully integrated the four Fair Trade Principles in internal purchasing regulations

**2016 Goal**
- To strengthen preliminary subcontractor agreement review
- To improve payment terms for SMEs

Build suppliers’ fundamental competitiveness

**Principle & Strategy**
- Create a sustainable industrial ecosystem by improving mutual competitiveness

**2015 Achievement**
- Offered technology, management and training support to improve productivity and quality as well as financial support (LG Partnership Fund, cash payments, etc.)
- Conducted CSR assessment on suppliers (117 Korean suppliers) and defined the scope of CSR management for U.S. branch suppliers

**2016 Goal**
- To expand shared growth support and discover more projects
- To extend supplier CSR risk management programs to overseas suppliers

Ensure open communication

**Principle & Strategy**
- Strengthen the basis for shared growth and establish a healthy collaboration culture

**2015 Achievement**
- Improved transparency and standardization of work procedures by upgrading the online purchasing system OPEN System and strengthened communication channels
- Built a tier 2 supplier support system by introducing a mutually-beneficial payment system

**2016 Goal**
- To increase the No. of banks that support the mutually-beneficial payment system
- To monitor how tier 1 suppliers support tier 2 suppliers and reward top performing suppliers

Shared Growth Programs

We believe that our suppliers are our partners in seeking shared growth and thus operate a dedicated unit to support shared growth so as to create a sustainable industrial ecosystem by improving a mutual competitive edge. We introduced a mutually-beneficial payment system to extend the scope of shared growth to suppliers in the tier 2 and under range and reward tier 1 suppliers who go the extra mile in supporting tier 2 suppliers. In so doing, we strive to move towards shared growth along the entire supply chain.

Signing the Shared Growth and Fair Trade Agreement

Since November 2008, LG Hausys has been signing the shared growth and fair subcontracting agreements to comply with subcontracting and other relevant regulations and to constantly support our suppliers. We have also been subject to shared growth index evaluations since 2012 and our shared growth initiatives for the concerned year are objectively assessed by the Fair Trade Commission and the National Commission for Corporate Partnership. In 2015, we were graded ‘Excellent’ in the shared growth index evaluation made in 2014. In 2015, we signed the shared growth agreement with 204 tier 1 suppliers to pursue mutually-beneficial development, through such diverse support policies as the improvement of payment terms, financial support, technology protection and training support. Our tier 1 suppliers also signed such an agreement with 65 tier 2 suppliers to join forces in expanding fair trade practices through the shortening of payment deadlines and the notification of price adjustments.

Shared Growth Management Principles

It is through the four fair trade principles that LG Hausys defines five mutually-beneficial support projects to consistently pursue shared growth policy.
Fair Trade Compliance Program

The Fair Trade Compliance Program is an in-house law-abiding system operated by companies independently to ensure their compliance with fair trade regulations. It presents fair trade criteria for employees to prevent any legal violations and make regular reviews to identify and correct such violations early on. LG Hausys developed our own compliance program in 2010. Our CEO declared the company’s commitment to voluntarily abiding by fair trade regulations and we were registered as an operator of the Fair Trade Compliance Program recommended by the Fair Trade Commission.

Managing Supplier CSR Risk

→ Conduct Supplier Impact Evaluation

LG Hausys evaluates our suppliers for any possible impact they may have on such CSR items as labor human rights, the environment and safety. Out of our Korean suppliers, 117 suppliers whose purchased amount exceeded KRW 4 billion in the previous year who supplied items of high strategic importance, were subject to such evaluations. In addition, we modified our purchasing regulations to integrate CSR factors into our entire purchasing process in an aim to make more stringent assessments regarding the impact of our suppliers. We plan to extend the scope of suppliers subject to supplier CSR impact assessments from Korea to the US, China and other regions. Our US branch has already blurred the trail in this regard. As it has revised its purchasing regulations in January 2016 to include CSR items in selecting suppliers and conducting half-yearly supplier evaluations.

→ Managing the Supplier-Related Social and Environmental Impact Evaluation

LG Hausys manages CSR risks that may arise from our suppliers and lays the basis for shared growth in so doing. To this end, we include social contribution, health & safety management and environmental management, along with ethics management system, fair trade and other relevant items in our supplier evaluation scope. In particular, we perform human rights impact assessments (written employment contract, prevention of discrimination and wage & working conditions) to enhance the level of human rights management of our suppliers in addition to identifying CSR risks. We will reflect human rights and other CSR risks and assessment results to enhance the level of our CSR assessments every year.

Compliance Organization

Our Fair Trade Compliance Program is operated by the dedicated working-level Compliance Team under the leadership of the executive-level CP (Compliance Program) manager. In addition, we have the Subcontract Review Committee up and running to ensure fairness in subcontracting with SME suppliers by conducting preliminary reviews of subcontract transactions valued above a specific amount and examining their legitimacy to prevent any violation of subcontracting regulations.

Outcomes of the Fair Trade Compliance Program

We provide annual training for fair trade and subcontracting to our business divisions and plants while making necessary reviews. In 2015, we trained our employees from respective divisions on the prevention of cartel practices and compliance with subcontracting and fair trade regulations. Specifically, growing consumer transactions alerted us to review whether there were any concerns over online injustice labeling and advertising and to provide training to relevant managers.

Supporting Supplier Growth and Risk Management

Five Growth Support Projects

LG Hausys’ cooperation system is centered around five mutually-beneficial support projects: financial support, improvement of purchasing terms and support for quality and technology development, workforce and training support and management support.

Fair Trade Program Operational Outcomes

Support Project Description

Financial Support

• Provide financial support to our suppliers for capital investment, etc. for new business, and for our sharing our experiences with our suppliers.

Improvement of Purchasing Terms

• Ensure fair and correct purchasing terms and conditions for subcontract transactions. Develop thinking patterns to properly isolate our suppliers from the supplier chain.

Technical Support

• Offer support in terms of quality management, productivity improvements and technology enhancements.

Training Support

• Offer training for our suppliers on CSR-related policies and processes.

Support Policy

• Support policy and project application will be submitted and approved by both the headquarters and the responsible department.

Training Support

• Various date and time options are available for training sessions.

Management

→ Risk Management

LG Hausys manages CSR risks that may arise from our suppliers and lays the basis for shared growth in so doing. To this end, we include social contribution, health & safety management and environmental management, along with ethics management system, fair trade and other relevant items in our supplier evaluation scope. In particular, we perform human rights impact assessments (written employment contract, prevention of discrimination and wage & working conditions) to enhance the level of human rights management of our suppliers in addition to identifying CSR risks. We will reflect human rights and other CSR risks and assessment results to enhance the level of our CSR assessments every year.

Risk Management Item • Customer protection (customer information protection, customer satisfaction management), Ethics management (ethics management system, fair trade), Social contribution, Health & safety management system, occupational safety, occupational injury, Human rights & labor rights (written employment contracts, prevention of discrimination, wage and working conditions), Environment management (environment management system, management of harmful chemicals, management of environmental pollutants)

LG Hausys integrated the guidelines suggested by the Fair Trade Commission in our purchasing regulations and abide by them as fair trade principles so as to establish fair subcontracting practices and lay the basis for mutually-beneficial cooperation between large companies and their SME partners.

“Supplier Supportization”

LG Hausys hosted the 1st Supplier Support Suggestion Festival at the Anyang R&D Center in October 2015 to invite suppliers to support their wider development and to share their stories. This event allowed our researchers to initiate diverse development pathways and spend their work while our suppliers gained an opportunity to offer their products, the latest and best, and to request their proposals in a wide range of areas. Our researchers in our review body evaluated the services presented by our suppliers and awarded prizes to the five best proposals. Three winners were presented prizes totaling 60 million won, and the other two were presented prizes totaling 50 million won.

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LG Hausys is fully committed to addressing climate change issues and protecting the environment to pursue its sustainable growth as a company. We are deeply interested in improving environmental value and fulfilling our social responsibility through diverse initiatives that usher in a pleasant transformation to living spaces where nature and people exist harmoniously. We advance sustainability management that harmonizes economic, environmental and social value in a way that befits our status as a global company. In so doing, we continue to evolve into a company trusted and respected by customers.
Sustainability Management System

Our vision to “create human-friendly, eco-conscious happy living spaces” guides our commitment to sustainability management. We manage sustainability risks and deliver differentiated value to stakeholders to fulfill our social responsibility.

Sustainability Management Road Map

- **2014**: Build a CSR system
- **2015**: Strengthen CSR initiatives
- **2016**: Internalize CSR

**Achievement and Goal**

- **Principle & Strategy**
  - Strengthen CSR initiatives
  - Introduce global CSR standards
  - Manage supplier CSR risk

**Risk Management**

- Self-initiated assessment and improvement
- Supplier CSR risk assessment
- Response to external assessment

**Social Contribution**

- Make Dokdo Green
- Make a Happy Space

**Stakeholder Communication**

- Publication of sustainability reports
- Customer satisfaction programs
- Employee communication

**Manage supplier CSR risk**

- Principle & Strategy
  - Identify CSR risk factors within the supply chain
  - 2015 Achievement
  - Conducted self-initiated assessment and monitoring • Completed three improvement projects
  - 2016 Goal
  - To conduct self-initiated assessment and monitoring • On-site review and three improvement projects are scheduled

**Vision**

Our vision to “create human-friendly, eco-conscious happy living spaces” guides our commitment to sustainability management. We manage sustainability risks and deliver differentiated value to stakeholders to fulfill our social responsibility.

**Mission**

To become a sustainable company in harmony with stakeholders.

**Tasks and Progress Status**

- Strengthen CSR risk management
- Build a CSR support system
- Strengthen CSR risk management

**2016 Goal**

- Supplier CSR risk assessment
- Self-initiated assessment and improvement
- Response to external assessment

**Social Contribution**

- Make Dokdo Green
- Make a Happy Space

**Stakeholder Communication**

- Publication of sustainability reports
- Customer satisfaction programs
- Employee communication

**Achievements and Future plans for Sustainability Management**

LG Hausys designs its own sustainability management roadmap to systematically manage achievements and set a clear course for sustainability management. In 2016, we held stakeholder discussions attended by experts from diverse fields to examine our overall sustainability management. We will promote our CSR initiatives, offer training to our stakeholders, and disclose relevant information transparently to forge even closer ties with them.

**Social Contribution**

At LG Hausys, we mobilize our own products to undertake social contribution initiatives that reflect the inherent characteristics of the industry, which is demonstrated via our Make Dokdo Green, Make a Happy Space and Green Remodeling projects. We also support the renovation of facilities related to Korea’s Independence Movement and the residential conditions of those recognized for their service to the country so as to preserve our pride in our history. We carefully review social requirements and their impact on our business conduct in fulfilling our social responsibility while building even closer ties with our local communities.

**Progress of Sustainability Management**

LG Hausys focuses on risk management, social contribution and stakeholder communication to effectively advance sustainability management. We offer differentiated value to stakeholders and constantly communicate with them so as to become a sustainable company.

**Risk Management**

LG Hausys conducts annual self-initiated CSR assessments to identify and improve risks related to sustainability management. Such assessments include governance, ethics management, shared growth, fair trade, customer value, social contribution, labor conditions, human rights, health & safety and environmental management, and their outcomes are shared. Once predicted and identified through assessment, risks are shared among relevant departments for improvement and monitoring. In 2015, our Korean, Chinese and U.S. plants were evaluated and 117 domestic suppliers were assessed to better understand their CSR operations. From 2016 onwards, we will extend the scope of this assessment to include overseas suppliers in the US, China and other regions as part of our endeavors for CSR risk management.

**Stakeholder Communication**

LG Hausys categorizes its key stakeholders into customers, shareholders & investors, business partners, employees and local communities, and interacts with each of these groups via distinct channels to advance sustainability management. Our sustainability management endeavors and achievements are disclosed through sustainability reports, business reports and environmental information reports. We also communicate with our customers through off-line media, and solicit our network of employees via in-house communication channels. In 2015, we held stakeholder discussions attended by experts from diverse fields to examine our overall sustainability management. We will promote our CSR initiatives, offer training to our stakeholders, and disclose relevant information transparently to forge even closer ties with them.

**Achievements and Future Plans for Sustainability Management**

LG Hausys designs its own sustainability management roadmap to systematically manage achievements and set a clear course for sustainability management. In 2016, we held stakeholder discussions attended by experts from diverse fields to examine our overall sustainability management. We will promote our CSR initiatives, offer training to our stakeholders, and disclose relevant information transparently to forge even closer ties with them.

**External Awards Granted Concerning Sustainability Management**

- Special Carbon Disclosure Award (CDP)
- Grade A ESG assessment by the Korea Corporate Governance Service (No. 1 among industry peers in the environmental and social sector)
- Special Carbon Disclosure Award (CDP)
- Grade A ESG assessment by the Korea Corporate Governance Service (No. 1 among industry peers in the environmental and social sector)
- Included on the list of the "Asia 300" Companies with outstanding CSR performance in Korea, China and Japan, by the Hankyoreh Business Research Institute
- Ranked 1st in the building materials industry on the Korea Sustainability Index (KSI) by the Korean Standards Association
- 1st time member to be listed on the DJSI Korea Index
- Ranked 1st in the Sustainable Super Company 25 list by the Sustainable Management Financial Center, Korea Economic Daily
- Ranked 1st in the building materials industry on the Korean Sustainability Index (KSI) by the Korean Standards Association

**Dow Jones Sustainability Indices**

In Sustainable with a Small-Sample Size #1

- Ranked 1st in the Dow Jones Sustainability Indices
2014, "major issues concerning corporate CSR activity" were added to the BOD report agenda, which serves as the foundation for the BOD to discuss sustainability management issues and enhance management awareness regarding corporate social responsibility. From 2015 onwards, we have identified CSR risk factors that may arise from our suppliers as well as from our own operations. We will include overseas suppliers in addition to our domestic suppliers in identifying CSR risks and taking monitoring and preventive actions.

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**Governance**

LG Hausys is creating a fair decision-making system to earn trust from its stakeholders. Since 2014, our Board of Directors has been discussing social responsibility issues to improve our executional capability in advancing sustainability management.

**Shareholder Composition and Rights**

LG Hausys has established a fair and stable ownership structure to become a sustainable company. Our shareholders are entitled to wide-ranging shareholder rights, and information on major business issues is disclosed through the electronic information disclosure system of the Financial Supervisory Service or on the LG Hausys website.

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**BOD Composition**

LG Hausys’ Board of Directors (BOD) is responsible for making decisions on major business conduct and for supervising the operations of the board members. The board also votes on matters specified by relevant laws and the Articles of Association, matters delegated by the general shareholders meetings and other important business-related matters. The separation of the CEO from the BOD chairmanship and the participation of outside directors in BOD activities guarantee that decisions are made in a reasonable and transparent manner.

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**BOD Activities**

The LG Hausys BOD met eight times in 2015 and the average percentage of directors in attendance was 96.4%. Our BOD members deliberated on a total of 32 agenda items including the approval of business plans, out of which 24 were approved and eight were reported.

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**Audit Committee**

The Audit Committee is responsible for inspecting LG Hausys’ corporate accounting and business practices, and reserves the right to request board members to report on business operations and to investigate the business conduct and assets of LG Hausys. The committee can convene ad-hoc general shareholders meetings to deal with special issues by submitting documents that describe the reason such meetings are required and the purpose of such meetings. The committee also has the right to request business reports from subsidiaries and investigate their operations and assets if deemed necessary.

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**Revising BOD Regulations on CSR**

In 2014, LG Hausys added "important issues concerning CSR activity" to the BOD report agenda to lay the groundwork to report CSR activities to the BOD. In so doing, LG Hausys aims to enhance its management’s interest in sustainability management and proactively fulfill its corporate social responsibility.
Jeong-Do Management

Jeong-Do Management—the high ethical standards that guide LG’s conduct in business and society—is at the very heart of all LG Hausys’ efforts to engage with and fulfill our responsibilities towards customers, suppliers, shareholders, employees, and society. It is the beacon that shines a light on the paths we should take to fortify our position as a highly respected company.

LG Way and Jeong-Do Management

The LG Way constitutes a corporate culture unique to LG. It embodies the spirit of the LG Vision, “No. 1 LG,” and delineates the pathway by which LG can ultimately achieve this vision. The LG Way puts LG’s Management Philosophy of “Creating Value For Customers” and “Respecting Human Dignity” into practice, and takes the high ethical principles of Jeong-Do Management as its foundation.

LG Code of Ethics

LG established and practices its Code of Ethics to help guide the behaviors and value judgments of all its employees. LG’s Code of Ethics Handbook is available in Korean, English and Chinese and is distributed to its employees.

LG Code of Ethics – Table of Contents

Chapter 1 Responsibilities and Duties to Customers
Chapter 2 Fair Competition
Chapter 3 Fair Transaction
Chapter 4 Basic Ethics of Employees
Chapter 5 Corporate Responsibilities for Employees
Chapter 6 Responsibilities to the Nation and Society

LG Way and Jeong-Do Management

To become the market leading company with broad recognition

- LG’s unique code of conduct that guides all our business activities from capacity building to ethically-based fair competition
- LG’s management principles state the purpose of LG’s business activities, and also provide a basis for its operations

Jeong-Do Management at LG Hausys

LG Hausys is acutely aware of the importance of Jeong-Do Management not as an option, but as a prerequisite for survival. Our Jeong-Do Management Organization ensures Jeong-Do Management is being practiced in the field and as a vital part of our corporate culture. In other words, for LG Hausys, Jeong-Do Management applies as much to in-field performance as it does to ethical management, and forms the basis of our competence to outperform rivals. LG Hausys pursues “Creating Value for Customers” by sharpening our competitive edge through consistent innovation; and “Respecting Human Dignity” by ensuring equal opportunity and a performance-based culture for our members, which in turn boosts their desire to provide customer service of high value and integrity. Jeong-Do Management and the LG Code of Ethics are embedded into every single one of our business activities, and beyond that, within our organizational culture itself evidenced in our many actions to eradicate organizational irrationalities misconceived as customary practices in the past.

Jeong-Do Management program

LG Hausys practices Jeong-Do Management through various programs such as the Jeong-Do Management Pledge, the Whistle-blowing and Shinmungo Systems, and Jeong-Do Management training.

→ Jeong-Do Management Pledge

All our employees at LG Hausys sign the Jeong-Do Management Pledge online and our suppliers do the same through contract documents in opening business relationships so as to commit themselves to abiding by the LG Code of Ethics and practice Jeong-Do Management.

→ Whistle-blowing System

LG Hausys under all circumstances prohibits any employee from accepting any bribe or reward from our stakeholders. In the case that such bribes or gifts are offered, they should be politely refused and returned in accordance with the Code of Ethics. If for any reason this is not possible, the concerned articles should be reported to the Ethics Bureau and be donated to welfare organizations or sold through an in-house auction so that the proceeds can be used for social giving activities.

→ Shinmungo System

Any violations of Jeong-Do Management principles are reported via the Shinmungo System. These include unfair practices, the acceptance of bribes by any LG Hausys employee, misuse of authority, and any other practice that goes against the LG Code of Ethics. In the case that online reporting is unavailable, reports can be made by phone, fax, and postal mail or in person. Any information provided is strictly confidential. However, should any individual who has filed a report become compromised as a result, restoration or equivalent compensation measures will be provided without question.

→ Jeong-Do Management Training and Promotion

LG Hausys offers annual Jeong-Do Management to employees in relation to their job or position. We also inform our suppliers and distributors of our ethics management, and ensure that they are able to receive training on Jeong-Do Management at least once every three years. As a result of analyzing the responses collected by employees through Jeong-Do Management e-learning courses in 2015, we discovered that our employees recognize Jeong-Do Management as a significant contributor to LG’s competitive edge. Furthermore, they are willing to commit themselves to complying with the behavioral guidelines of No.1 LG that aim to establish transparent business conduct and a sound organizational culture. We will continue to provide educational training and undertake promotional programs to position Jeong-Do Management as a behavioral principle that encourages self-initiated participation from all our employees and suppliers.

Training Session and Participants

<table>
<thead>
<tr>
<th>Year</th>
<th>Training Session (Unit: No. of sessions)</th>
<th>Participants (Unit: No. of persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>32</td>
<td>2,865</td>
</tr>
<tr>
<td>2014</td>
<td>37</td>
<td>4,460</td>
</tr>
<tr>
<td>2015</td>
<td>34</td>
<td>6,415</td>
</tr>
</tbody>
</table>
Green Management

As social interest increases in the environmental impact imposed by business operations as well as in safe workplaces, LG Hausys advances ‘Green Management’ to minimize our environmental footprint in our entire business conduct and to pursue beautiful harmony with nature.

Green Management Philosophy

LG Hausys’ green management is based on the LG Management Philosophy to create value for customers and to respect human dignity. This fundamental principle guided our development of the workplace safety & health policy that highlights a company’s social responsibility and role in promoting environmental preservation and health & safety on the basis of LG Green Management, so as to pursue harmony between our business conduct and the natural environment.

Principle & Strategy

• Minimize the discharge of pollutants and environmental impact during the manufacturing process.

2015 Achievement

• Shifted to high-efficiency air pollution control facilities (Invested KRW 5.2 billion).
• Responded to chemicals management regulations proactively.

2016 Goal

• Operated power storage devices
• Improved heavy energy-consuming facilities and their operational efficiency

2015 Achievement

• Operated air-water separator tanks within our plants to control devices from abnormal operations.

Eco-Friendly Workplace

LG Hausys employs diverse methods to not only to prevent any safety and environmental accidents from happening but also to minimize the discharge of pollutants into the air, water and soil systems.

Managing the Atmospheric Environment

We actively introduce new technology and new pollution control devices to improve efficiency in processing air pollutants. Our Ulsan Plant operates a monitoring system to check the operational status of its air pollution control devices, which includes 12-24 hour RTOS (Regenerative Thermal Detoxer) and 29 electric precipitators, along with various other devices. In so doing, the plant prevents these control devices from abnormal operations.

Managing the Water Environment

We installed air-water separator tanks within our plants to prevent water pollution caused by unintended accidents, as well as an early warning system that detects liquid leaks and issues alerts accordingly. To appropriately treat wastewater generated from the manufacturing process, wastewater treatment professionals are stationed 24 hours a day at our plants to monitor the quality of treated wastewater. In addition, we have non-point pollution source treatment devices up and running to prevent nearby streams from being polluted by these sources.

Managing Hazardous Chemicals

Our Ulsan and Cheongju Plants handle 14 types of hazardous chemicals—from lead compounds and MEK to acetic acid ethyl. This alerts us to focus on developing alternatives to reduce the use of such harmful chemicals. We also installed such safety devices as dykes and gas detectors around harmful chemicals storage facilities to prevent fires, explosions or leaks caused by these chemicals within the workplace while appointing managers at each spot in charge of managing hazardous chemicals to thoroughly examine relevant facilities.

Managing Waste

We are fully engaged in the governmental policy to promote resource conservation and recycling. Since 2008, we have signed a voluntary recycling agreement with the Ministry of Environment concerning our flooring and window profile products to develop a recycling system that includes the development of recycling technology, the expansion of collection systems and support for recycling service providers. We reuse internal scraps generated within our plants in the manufacturing process, while developing and using raw material compositions, as a way to maximize the use of external scraps that are generated in end-of-life products disposed of following consumer use by turning them into resources. In 2015, we recycled 86.28% of the waste produced at our major plants.
Minimizing Our Impact on the Ecosystem

As part of our ecosystem conservation initiatives, we have been inspecting the water quality along the Heoya River system and making self-initiated environmental impact assessments on a quarterly basis since 1990. A total of 13 locations, from the Heoya Dam to Ganggungun where the river meets the sea, are analyzed and managed for six items (COD, SS, pH, etc.), and if deemed necessary, measurement data is provided to relevant authorities.

Planting Trees to Purify the Environment

We plant more than 800 environmentally purifying trees each year to step up our overall greenness on a companywide level. At our Ulsan Plant, green areas account for nearly 25% of the total site (148,369㎡).

Environmental Investment

<table>
<thead>
<tr>
<th>Year</th>
<th>Purchasing (Unit: KRW 100 million)</th>
<th>Environmental Investment (Unit: KRW 100 million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>17,493</td>
<td>7,961</td>
</tr>
<tr>
<td>2014</td>
<td>27,686</td>
<td>10,440</td>
</tr>
<tr>
<td>2015</td>
<td>35,459</td>
<td>9,011</td>
</tr>
</tbody>
</table>

Emission of air pollutants (NOx) (Unit: ton)

<table>
<thead>
<tr>
<th>Year</th>
<th>Emission of air pollutants (NOx) (Unit: ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>55.32</td>
</tr>
<tr>
<td>2014</td>
<td>60.78</td>
</tr>
<tr>
<td>2013</td>
<td>62.13</td>
</tr>
</tbody>
</table>

Discharge of waste (Unit: ton)

<table>
<thead>
<tr>
<th>Year</th>
<th>Discharge of waste (Unit: ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>General waste: 35,459</td>
</tr>
<tr>
<td>2014</td>
<td>General waste: 36,330</td>
</tr>
<tr>
<td>2013</td>
<td>General waste: 30,135</td>
</tr>
</tbody>
</table>

Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (Unit: KRW 100 million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2,682</td>
</tr>
<tr>
<td>2014</td>
<td>27,686</td>
</tr>
<tr>
<td>2015</td>
<td>17,493</td>
</tr>
</tbody>
</table>

Responding to Climate Change

LG Hausys takes the initiative in responding to climate change risks through sustained energy conservation and process innovation. We are subject to the GHG emissions trading scheme launched in 2015 and will thus work in various ways to reduce our GHG emissions, including the use of renewable energy and external heat sources.

Mid/Long-term Climate Change Strategy

<table>
<thead>
<tr>
<th>Year</th>
<th>Lay the basis for green management (Pre-emptively respond to climate change risks)</th>
<th>Promote green energy innovation</th>
<th>Achieve the best green workplace and green partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>• Inverters and boilers - Undertook the clean fuel conversion project (2006-2013)</td>
<td>• Review and adopt renewable energy  - Solar power, geothermal power  - Energy Storage System (ESS)  - Force energy monitoring  - Build a power monitoring system  - Review/adopt a steam monitoring system  - Improve the efficiency of the energy production and supply system  - Use external surplus steam</td>
<td>• Improve on the ratio of fossil energy use  - Improve on the ratio of fossil energy use by expanding the use of renewable energy  - Improve on the ratio of KEPCO power use by introducing combined heat &amp; power and solar power  - Establish practical partnerships by reducing GHG emissions and energy use</td>
</tr>
</tbody>
</table>

Reducing Energy Consumption and GHG Emissions

LG Hausys undertakes continued initiatives to cut its energy use and GHG emissions. In 2015, we invested KRW 7.31 billion in these initiatives, which resulted in reduced GHG emissions.

Key Initiatives to Reduce Energy Consumption and GHG Emissions

- Energy Saving TFT
  Lg Hausys set up energy saving TFTs in domestic plants to engage all our employees in energy conservation.

GHG Emissions Reduction in 2015 – Target and Achievement

- Production of value

- Review and adopt renewable energy  - Solar power, geothermal power  - Energy Storage System (ESS)  - Force energy monitoring  - Build a power monitoring system  - Review/adopt a steam monitoring system  - Improve the efficiency of the energy production and supply system  - Use external surplus steam

- Improve on the ratio of fossil energy use  - Improve on the ratio of fossil energy use by expanding the use of renewable energy  - Improve on the ratio of KEPCO power use by introducing combined heat & power and solar power  - Establish practical partnerships by reducing GHG emissions and energy use

- Use external surplus steam

- Improve on the ratio of fossil energy use

- Improve on the ratio of fossil energy use by expanding the use of renewable energy

- Improve on the ratio of KEPCO power use by introducing combined heat & power and solar power

- Establish practical partnerships by reducing GHG emissions and energy use
Energy Saving Slogans at Cheongju/Oksan Plants

Energy Saving Slogans at Ulsan Plant

Average Energy Consumption Rate

<table>
<thead>
<tr>
<th>Plant</th>
<th>Capacity</th>
<th>Current</th>
<th>Target</th>
<th>Improvement Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ulsan</td>
<td>1.5MWh</td>
<td>2.5%</td>
<td>2.0%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Cheongju</td>
<td>1.2MWh</td>
<td>2.8%</td>
<td>2.5%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Oksan</td>
<td>1.2MWh</td>
<td>3.0%</td>
<td>2.5%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

Annual Benefit 4,062 tCO₂ to be reduced or KRW 1.67 billion saved

→ Improving Heavy Energy-Consuming Facilities
The RTOs (Regenerative Thermal Oxidizer) used at our highly-efficient Ulsan air pollution control facility consume a large quantity of LNG fuel due to the characteristics inherent in such emission facilities. In 2015, the plant adopted concentrators, improved the operational efficiency of RTOs (15 RTOs→12 RTOs), and introduced a waste heat recovery system (a low pressure steam production system), cutting KRW 1.87 billion in operational expenditures and 4,062 tons in CO₂ emissions.

→ Using External Surplus Steam
Our Oksan Plant has been working to use the steam generated when external waste is incinerated since October 2015. Once this project is completed, incumbent steam boilers will be operated as a stand-by facility in case of an emergency. The use of external surplus steam is expected to save KRW 2.40 million in annual expenditures and reduce annual CO₂ emissions by 4,000 tCO₂ when compared to existing boilers.

→ Building an Energy Storage System at the Oksan Plant
LG Hausys conducted energy assessments on five suppliers in the vicinity of Oksan and helped discover energy saving projects in 2015 through a project that pursues energy-saving joined together by large businesses and SME’s. This allowed us to identify projects that could potentially reduce KRW 470 million in energy costs and 1,463 tCO₂ in CO₂ emissions.

→ Pursuing Shared Growth through Green Partnership
LG Hausys conducts energy assessments on five suppliers in Cheongju/Oksan in 2015 and helps discover energy saving projects in 2016. This enables us to save KRW 70 million each year by reducing maximum power loads and allowing for daylight-time charging and discharging.

Achievements of Green Logistics Initiatives

- Increased the use of marine transportation through process improvement to reduce carbon emissions as measured against air-borne transportation
- Improved transportation efficiency by increasing export container loading rates and direct delivery volume to reduce carbon emissions
- Reduced a portion of the diesel-powered forklifts that generates lots of harmful gas with electric forklifts
- Minimized the number of diesel forklift operations by optimizing work flow/frequency through the use of WMS (Warehouse Management System)
- Provided eco-driving training and embed it into daily operations (prevention of idling and speeding) to improve fuel efficiency and reduce fuel consumption

LNG transportation

- Reduced GHG emissions & energy consumption
- Built a green logistics system

Source of Value Creation

Respect for individual creativity and autonomy

Fairly compensate outcomes and compensate in accordance with individual and organizational contributions

Emphasis on competence

Recruit and nurture employees based on individual competence and set and operate necessary requirements and procedures

Long-term perspective

Take long-term consistent views in undertaking HR decision-making and relevant initiatives

Principle & Strategy

- Fairly evaluate based on individual performance and competence
- Improve the acceptability of evaluation outcomes as well as individual capability by continually offering feedback

2015 Achievement
- Evaluated and offered feedback quarterly
- Offered feedback to strengthen evaluators’ assessment capacity (mandatory)
- Held Assessment Review Committee meetings

2016 Goal
- To continue to facilitate counseling programs
- To launch/operate differentiated health care programs
The Ideal LG Hausys Employee

The ideal LG Hausys employee "believes in and is capable of practicing the LG Way." As such, we strive to hire and nurture globally-competent individuals who fall within the parameters of this definition.

Ideal LG Hausys Employee

- Challenge oneself to become the world’s best through ambition and passion
- Put customers first and creatively pursue innovation
- Value teamwork, as well as independence and creativity
- Build expertise continually and compete fairly

HR Management Principle

Value is created from individual creativity while performance is driven by employee capability. As such, LG Hausys provides fair opportunities in accordance with an individual's abilities and qualifications, fairly evaluates the delivered outcomes, and compensates according to the individual and organizational contributions made. Additionally, we take a long-term and consistent approach in making all HR management decisions. We guarantee equal employment opportunities and respect human rights on the grounds of gender, age and religion as specified in our Code of Conduct and employment policy. We also do not differentiate base salary levels for our employees.

Employee Data

We employed a total of 4,461 persons in Korea and abroad on a consolidated basis at the end of 2019. The ratio of office and production workers was 46.3% and 33.7% respectively. In 2015, we hired 200 new employees and we continue to recruit women, physically-challenged individuals, men of national merit and other socially-underserved minorities.

Ratio of Locally-Hired Employees (%

<table>
<thead>
<tr>
<th>Category</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>99.4</td>
<td>99.4</td>
<td>99.5</td>
</tr>
</tbody>
</table>

Ratio of Female Employees (%

<table>
<thead>
<tr>
<th>Category</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>48.6</td>
<td>49.0</td>
<td>49.1</td>
</tr>
</tbody>
</table>

Compensation System

LG Hausys takes a performance-driven approach in assessing employees’ outcomes so as to build a market-leading organizational culture and to maximize business results by reinforcing our executional capability. It is based on these performance-centered HR principles that we respect individual creativity and autonomy and provide competitive wages and reward programs.

Fair Assessment System and Continuous Feedback Offering

Included in our endeavors to fairly assess our employee performance are quarterly reviews, the Assessment Review Committee and training to reinforce our evaluators’ assessment capacity. We conduct quarterly progress reviews to strengthen our executional capability and provide regular feedback and coaching to improve the fairness and acceptability of assessment outcomes. Our Assessment Review Committee enables us to perform comprehensive year-end assessments and reviews by considering contributions to business operations and organizational specificity in addition to individual performance and competence. We also provide mandatory e-learning courses to help evaluators build capacity to conduct objective and fair assessments.

Performance-based Compensation System

Our compensation system is comprised of individual and non-cumulative components based on performance-driven principles: our cumulative annual salary scheme compensates individuals differently based on the previous year’s evaluation outcomes—while the non-cumulative system consists of role-based pay, performance pay, On-Spot Incentives that reward exceptional performance, Sales Incentives and team-level reward programs. Additionally, we operate the R&D Awards, Design Jump, Innovation Festival and other project-level reward programs for R&D and innovation initiatives in order to solidify our performance-driven HR principles of “High Performance, High Return.”

Expanding and Supporting Female Talent

LG Hausys operates a wide range of programs to ensure the vocational stability of our female employees. We provide maternity leave and flexible work hours to assist our female employees in achieving a healthy work-life balance, as well as options for part-time hours to fully support the governmental policy to promote a better work-life balance. We also consistently ensure that our female employees are assigned to an appropriate position and promoted to leadership positions.

Maternity Leave Data

<table>
<thead>
<tr>
<th>Category</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>99.5</td>
<td>99.6</td>
<td>99.9</td>
</tr>
</tbody>
</table>

Evaluation Process

- Set and agree on individual targets
- Review quarterly
- Perform multi-faceted evaluations
- Absolute evaluation (Self-administered/supervisor evaluation)
  - Other mandatory online training prior to supervisor evaluation
- Relative evaluation (Relative to teams/individuals)
  - Convene the Assessment Review Committee
  - Provide evaluation outcomes

Talent Management

- Offer mandatory online training prior to supervisor evaluation
- Convene the Assessment Review Committee
- Set and agree on individual targets
- Review quarterly
- Provide evaluation outcomes
- Generate evaluations and reviews (%)
- Ratio of employees subject to these evaluations and reviews (No. of persons)
- Included in our endeavors to fairly assess our employee performance are quarterly reviews, the Assessment Review Committee and training to reinforce our evaluators’ assessment capacity. We conduct quarterly progress reviews to strengthen our executional capability and provide regular feedback and coaching to improve the fairness and acceptability of assessment outcomes. Our Assessment Review Committee enables us to perform comprehensive year-end assessments and reviews by considering contributions to business operations and organizational specificity in addition to individual performance and competence. We also provide mandatory e-learning courses to help evaluators build capacity to conduct objective and fair assessments.

Reward Programs

- R&D Awards, Design Jump, Innovation Festival
- Division-level reward programs
- On-Spot Incentive
- Sales Incentives

Sustainable Management Talent Management

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Building Labor Relations Led by a Sense of Community

LG Hausys builds and practices a labor-management partnership that values engagement and cooperation. In so doing, we generate sustained outcomes and secure a top-notch competitive edge to improve the quality of our employees’ life. The ultimate goal of this partnership is to establish community-oriented labor relations that contribute to the development of society. To this end, we operate a unique three-dimensional labor relations model on the three pillars of business management, shop floor operations and collective bargaining to fully engage and seek cooperation from our employees. Furthermore, major changes in business operations require sincere consultations with the labor union as stipulated by the collective agreement to strengthen the foundation for labor-management cooperation.

Protecting Employees’ Human Rights

We fully comply with the Freedom of Association clause as defined by relevant domestic laws and the UN Human Rights Commission and fulfill our responsibility to establish community-oriented labor relations that contribute to the development of society. To this end, we operate a unique three-dimensional labor relations model on the three pillars of business management, shop floor operations and collective bargaining to fully engage and seek cooperation from our employees. Furthermore, major changes in business operations require sincere consultations with the labor union as stipulated by the collective agreement to strengthen the foundation for labor-management cooperation.

Employee Welfare

LG Hausys offers a broad range of welfare programs to create a work environment that satisfies the needs of our employees. Our communication programs that highlight the psychological stability of our employees, along with our employee health care programs, encourage their ability to fully engage in their work based on their physical and mental well-being.

Counseling Programs

LG Hausys is clearly aware of the role interpersonal communication between employees plays in the ability to secure their own psychological stability. To help our employees improve their psychological well-being, we provide them with diverse counseling programs such as EAP counseling and industry counseling.

Employee Health Care Management

LG Hausys places ensuring employee health and safety as a top priority and provides education, training and assessment programs for respective work sites.

<table>
<thead>
<tr>
<th>Program</th>
<th>Major Activity</th>
<th>Details</th>
<th>No. of Sessions</th>
</tr>
</thead>
<tbody>
<tr>
<td>EAP counseling</td>
<td>Psychological stability</td>
<td>Multi-session counseling about anxiety, stress, and depression</td>
<td>5</td>
</tr>
<tr>
<td>Preventive management</td>
<td>Health check-up</td>
<td>Comprehensive medical check-ups provided as part of the employee welfare programs</td>
<td>3</td>
</tr>
<tr>
<td>Health check-up</td>
<td>Special health check-ups conducted based on the type of hazardous substances</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Additional cancer screening</td>
<td></td>
<td>Blood test for liver and thyroid function</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio of Employees Diagnosed with Specific Medical Conditions (Unit : %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>31.16</td>
</tr>
<tr>
<td>2014</td>
<td>29.75</td>
</tr>
<tr>
<td>2015</td>
<td>30.60</td>
</tr>
</tbody>
</table>

Employee diagnosed with specific medical conditions: Employees suspected of having a specific condition or disease as a result of a medical check-up. Grade C requires observation and Grade D is diagnosed with specific conditions or diseases, in accordance with the criteria set by the Korea Occupational Safety and Health Agency.

OCCUPATIONAL INJURY RATIO (No. of Injured Employees per 100 Employees per Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio of Injured Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0.56</td>
</tr>
<tr>
<td>2014</td>
<td>0.45</td>
</tr>
<tr>
<td>2015</td>
<td>0.31</td>
</tr>
</tbody>
</table>

OCCUPATIONAL INJURY RATIO (No. of Injured Employees per 100 Employees per Year)

OCCUPATIONAL INJURY RATIO (No. of Injured Employees per 100 Employees per Year)

OCCUPATIONAL INJURY RATIO (No. of Injured Employees per 100 Employees per Year)
Quality Management

Under our vision 'Global No. 1 Quality’, we are determined to deliver top-notch quality to our customers. Thus, we expand our direct communication with our customers along the entire process of production, sales, and the use of products.

Quality Management System

In line with the quality management policy of our CEO, we will realize our quality vision by focusing on the following four strategies and the key management goal of reviewing internal/external failure cost ratios through quality level improvements, talent promotion and Q-COST management.

Quality Vision
- Global No.1 Quality
- CEO’s Quality Management Policy
- Quality Indicators/Goals
- Quality Strategy

Achievement & Goal
- Strengthen the quality competitiveness of new products from the customer’s perspective
- Conduct tests on special conditions (high-rises, coastal lines)/Long-term reliability/Manufacturing & Construction
- Principle & Strategy
  - Strengthen the verification of new products
  - Operated new product development quality guarantee program (Q-Gate)
  - Q1: Review product specifications; Q2: Conduct assurance tests; Q3: Operate the Quality Assessment Committee

2015 Achievement
- Q-Gate 3
  - Perform on-site special condition analyses and review domestic/international standards and customer demands on specifications under the supervision of quality departments
  - Initial operation control: Perform a Q-COST I
  - CTQ selection

2016 Plan
- Q-Gate 2
  - Conduct development assurance tests
  - Perform final Quality Assessment Committee reviews

Quality Management Process

Our quality management process takes a consistent customer-driven perspective—from product planning to service offerings.

1) DFSS: Design for Six Sigma
2) CTQ: Critical to Quality
3) Q-C: C&Q: Compliance

Product Development Quality Assurance System: Q-Gate

We continuously control the quality of our products—from product planning to production and initial operation control—in addition to reviewing product ideas (development concept). In so doing, we strive to deliver products with even higher quality.

Phased Quality Management

- Market quality
- Development quality
- Production quality
- Supplier quality
- Manufacturing & Construction quality
- Service quality

Quality Management Program

At LG Hausys, we operate programs to establish our quality management system—from product development to sales—with an aim to realize our quality vision.

- Principle & Strategy
  - Conduct tests on special conditions and manufacturing/construction tests in the real-world settings on windows/decorative materials/H-MACS and other LG Hausys products that require manufacturing and construction in order to verify their quality under the customers' real-use environment and to examine whether there are any problems with their actual use
  - Special conditions: Relevant departments made consultations
  - Long-term reliability: Product long-term reliability tests were conducted under the supervision of quality departments
  - Manufacturing & Construction Test: Tests were run under the supervision of relevant departments

2016 Plan
- Perform on-site special condition analyses and review domestic/international standards and customer demands on specifications under the supervision of quality departments

- Market quality
- Development quality
- Production quality
- Supplier quality
- Manufacturing & construction quality
- Service quality

Q-Gate 1
- Product planning
- Product-specific market trends
- Product-specific Quality Committees
- VOC (Voice of Customer)
- Innovation initiatives

Q-Gate 2
- Critical to Quality

Q-Gate 3
- Quality inspection system
- Quality assessment system
- Construction quality certification
- External failure cost
- C&C analysis
- Quality response analysis
- Service satisfaction

Q-Gate 3
- Warehousing quality
- Processing quality
- Delivery quality
- Quality response system
- Support/Improvement system
- Core Infrastructure

- Supplier quality
- Manufacturing & Construction quality
- Service quality

- Quality assessment system
- Construction quality inspection
- Construction quality certification

- Service quality

- Construction quality certification

- Construction quality certification

- Quality inspection system
- Quality assessment system
- Construction quality inspection
- Construction quality certification

- Core Infrastructure

Q-Gate 1
- Product planning
- Product-specific market trends
- Product-specific Quality Committees
- VOC (Voice of Customer)
- Innovation initiatives

Q-Gate 2
- Critical to Quality

Q-Gate 3
- Quality inspection system
- Quality assessment system
- Construction quality certification
- External failure cost
- C&C analysis
- Quality response analysis
- Service satisfaction

Q-Gate 3
- Warehousing quality
- Processing quality
- Delivery quality
- Quality response system
- Support/Improvement system
- Core Infrastructure

- Supplier quality
- Manufacturing & Construction quality
- Service quality

- Quality assessment system
- Construction quality inspection
- Construction quality certification

- Service quality

- Construction quality certification

- Quality inspection system
- Quality assessment system
- Construction quality inspection
- Construction quality certification
Expanding Quality and Products from the Customer Perspective: Voice of Customer

We operate an integrated company-wide management system to efficiently reflect the “Voice of Customers” collected via diverse channels into our business conduct.

We also provide relevant information to quality-related departments so that VOC is incorporated in designing policies concerning strategy, marketing, new products, distribution and logistics.

Market Quality Meetings

As we are clearly aware of the importance of market quality, we host market quality meetings to proactively manage it. The aim of these meetings is to establish a systemic market quality response approach by collecting and sharing phase-specific suggestions on market quality from the field following product launches.

- Suggestion of new product needs and ideas
- New products, new reference responses, competitor trends, etc.
- Collection of customer complaints and suggestions during after-sales service offering
- Frequency-occurring claims, large-scale claims worth more than KRW 100 million, etc.
- Suggestion of new product planning and development
- Set the direction to develop new products
- Discover ideas for product development
- Marketing strategy
- Reflect in advertising and promotional programs
- Efficient showroom operations, etc.
- Sales policy
- Manage business areas, differentiate by social/region
- Customer meetings, seminar operational plans
- Distribution policy
- Quality improvement
- New product development quality (Q-Gate)
- Hold meetings to share information on market quality
- Use quality inspections
- Manage quality indicators
- Improve process through quality assessments
- Improve the quality of services and manufacturing & construction

Operated market quality meetings (2014)
- Windows, decorative materials, high-functional materials
- Attempted to hold bi-monthly/quarterly meetings on a regular basis

Expanded and stabilized market quality meetings (2015)
- Expanded the new distribution area
- Total Interior shops, VOC, etc.
- Strengthened monitoring and follow-up activities

Strengthened quality management at customers’ contact points (2016)
- Manage service level at customers’ contact points
- Improve the response speed to VOC

Expanding Customer Communication

We operate wide-ranging communication channels that are up and running from on/off-line programs to customer communities so as to facilitate customer access to our products so that we can reflect their feedback into our products and business conduct.

Strengthening Online Customer Contact Points

We are diversifying our online customer constant points and reinforcing our online service offerings—from the Z:IN brand website that provides total interior information—to the Z:IN Mall where customers can purchase our materials and social network channels through which we communicate with customers. In 2015, we also opened the Z:IN Simulation portal and we will continue to reinforce our mobile channels to enable our customers to benefit from comprehensive online interior services.

Strengthening Off-line Customer Contact Points

We are currently operating 18 offline showrooms, including our flagship store, LG Hausys Gangnam Z:IN Square, located in the furniture district of Nonhyeon in Seoul, to allow our customers to directly experience and purchase our products. We use these showrooms as our overarching contact points for customer marketing to offer total solutions, from consultations on interior materials, to design suggestions, and the arrangement of execution companies. We will further expand the scope of our showrooms and use them as viable contact points to promote customer marketing.

Protecting Customer Information

We protect our customer’s personal information through wide-ranging security initiatives undertaken in accordance with Korea’s Act on the Promotion of Information & Telecommunications Network Use and Information Protection. In particular, separate personal data privacy training is provided to LG Hausys employees and its suppliers who deal with customers’ personal information in their business operations. In addition, we set company-wide information protection policies and long-term roadmaps while operating information security units to reinforce our executional capability as a way to strengthen our information protection system and organization.

ZENNE, a community of housewives, has evolved into Korea’s representative interior community that serves as both a prosumer and brand ambassador for our products and general marketing activities. ZENNE recruits new members every year once chosen; these members fulfill their assigned mission during the year-long term, and serve as a communication channel between Z:IN and its customers.

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Social Contribution

At LG Hausys, we pursue mutually-beneficial growth with society through social-giving initiatives that capitalize on our business features and our corporate and employee capabilities. We instigate change that serves for the betterment of society by preserving our cultural heritage and environment, renovating the historic sites of Korea's Independence Movement, improving the residences for men of national merit and undertaking sharing-driven programs for local communities.

Social Contribution Vision Framework

Our social contribution initiatives aim to create value for both nature and people. Specifically, we contribute to the mutually-beneficial growth of LG Hausys as a company and as a community by fully utilizing our unique and exceptional product capability and employee expertise.

Investment in Local Communities

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Investment (KRW million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,551</td>
</tr>
<tr>
<td>2014</td>
<td>999</td>
</tr>
<tr>
<td>2013</td>
<td>504</td>
</tr>
</tbody>
</table>

Achievement & Goal

Facilitate representative programs

- Make Dokdo Green (2009-present, 7 years)
- Dokdo Love Youth (2010-present, 150 participants)
- Space Sharing Campaign (2011-present, 5 years, 30 locations)

Support/sponsorship (KRW 50 million)

- Improve the living conditions for Independence Movement veterans

Social-giving initiatives for patriots

- In-kind donations (KRW 192 million)

In-kind donations (KRW 195 million)

- Help renovate major facilities located in Dokdo to improve the quality of life for Dokdo residents while preserving the pristine natural environment of this national preservation area.

Preserving Korea's Cultural Heritage and Environment

We continue to provide educational programs for our youth to preserve our natural, historical and cultural heritage and to pass down their value to future generations.

Make Dokdo Green

We help renovate major facilities located in Dokdo to improve the quality of life for Dokdo residents while preserving the pristine natural environment of this national preservation area.

Improve the living conditions for Independence Movement veterans

- One Company One Village/One Stream/One Mountain sisterhood projects
- Initiatives aligned with LG Foundation
- In-house volunteer teams

Preserving the Historic Sites of Korea’s Independence Movement

We signed an agreement to renovate the provisional government office in Chongqing with the Ministry of Patriots and Veterans Affairs and launched a support project to renovate the Seo Jae-Pil Memorial Hall to pass down the spirit of Korea’s Independence Movement to the next generations.

Renoating the Residence for Men of National Merit

We renovate the residence for men of national merit and their direct descendants.

Undertaking Sharing-Driven Programs for Local Communities

Our Make a Happy Space initiative, Space Sharing Campaign, One Company/One village/One Stream/One Mountain sisterhood projects, and support programs for the less-privileged (young heads-of-households, undernourished children and seniors living alone) are all designed to share the value we create with local communities. We also enable our employees and undergraduate volunteers to donate their talent in diverse ways.

Patrol Routes

2020~2015: Installed and repaired the safety fence (Used ‘Woozen’)

Dokdo Police Guard

2020: Replaced the flooring (tiles) of the gym, internet cafe and cafeteria
2013: Renovated the flooring (tiles) and walls (wallpaper) of the barracks and donated equipment
2011: Renovated the kitchen facility (tiles and others) and donated cooking equipment
2013: Renovated the operation room/patrol room/hall Flooring (tiles) and walls (films)
2013: Renovated the changing room and donated furniture
2013: Replaceable Flooring (tiles) of the situation room
2014: Replaced the flooring (tiles) of the briefing room
2015: Execution on bathrooms/showers

Dokdo Residential Housing

2011: Donated construction materials for the expansion of Seodo residential housing (windows/wallcovering/insulation etc.)

Dokdo Management Office

2013-2015: Donated office electronics devices

Dokdo Lighthouse

2011: Donated air-conditioning equipment
2013: Donated home appliances
2014: Donated home appliances and fitness equipment
2015: Donated home appliances

Dokdo

Ulleung-do

LG Hausys Sustainability Report 2016

Sustainable Management
Social Contribution
Dokdo Love Youth Camp
Fall Picnic at Dokdo School

We provide educational programs to elementary and undergraduate students to help them better understand Dokdo and nurture the next generations to practice their respect for such natural areas.

→ Dokdo Love Youth Camp

We offer wide-ranging programs for undergraduate students participating in our Dokdo Love Youth Camp to directly/indirectly experience Dokdo, from visits to the island, exchanges with Dokdo keepers and special expert lectures to Love Dokdo conservation tasks and trekking.

→ Fall Picnic at Dokdo School

In celebration of Dokdo Day (Oct. 25th), we provide educational programs to elementary school students at Dokdo School located in the Independence Hall of Korea. These programs include information on Dokdo’s fauna & flora and history, making Dokdo models, and Love Dokdo sports events, all of which allow these young students to learn about this unique island in a fun way.

Renovating the Historic Sites of Korea’s Independence Movement / Renovating the Residence for Men of National Merit

We renovate facilities related to Korea’s Independence Movement as well as the residence for men of national merit so that the spirit of this historic movement and the sacrifice and national contribution of our ancestors will be forever remembered by future generations.

Renovating the Historic Sites of Korea’s Independence Movement

Inheriting the spirit of the group founder (the late Chairman Goo In-Hoe) to support Korea’s Independence Movement, LG Hausys used its outstanding products (including high-insulation windows and green flooring materials), in renovating the Seo Jae-Pil Memorial Hall. We also signed an agreement to restore the nation’s provisional government building in Chongqing, China, with a goal to complete the project by 2016.

Renovating the Residence for Men of National Merit

We renovate the living environment for men of national merit (veterans of the Korean War, Independence Movement activists) and their direct descendants. Specifically in 2016, we plan to expand the scope of such program beyond Korea to offer support to Korean War veterans in foreign countries.

Launching Sharing-Driven Activities for Local Communities

We launch diverse sharing-driven activities to show that we care for the less-privileged in local communities. Our Make a Happy Space, Space Sharing Campaign, One Company/One Village/One Stream/One Mountain sisterhood projects and plant-specific social-giving programs are just some of these sharing-driven activities designed for local communities and the environment.

Make a Happy Space

To encourage our future leaders to dream and hope for a better future, we are undertaking our Make a Happy Space initiative that renovates public youth spaces with our specialized products, execution and design capabilities.

Urban Plant Social-Giving Initiatives

Initiation Description

LG Hausys in Village campaign

Support for Village, Help for Villagers, and Help for Children’s rights.

LG Hausys in Village campaign

Support for Village, Help for Villagers, and Help for Children’s rights.

Happy Day

Open the Happy Space at a local social welfare center in Chongqing, China, allowing employees to work at a Happy Space. The employees are engaged in social contribution programs designed to contribute to the development of local communities and preserve the environment in the vicinity of these plants.

Key Social-Giving Initiatives by Plant

At our Ulsan and Cheongju Plants, employees are actively engaged in social contribution programs designed to contribute to the development of local communities and preserve the environment in the vicinity of these plants.

Cheongju Plant Social-Giving Initiatives

Initiation Description

Youth of the Village campaign

Support for Rising Youth, Help for Villagers, and Help for Children’s rights.

Chongqing Social-Giving Initiatives

Initiation Description

One Company/One Village/One Stream/One Mountain campaign

Support for rising youth, Help for Villagers, and Help for Children’s rights.

Chungbuk Briquette Bank

Donate motorized adjustable beds, cold storage equipment, TVs, washing machines, fan heaters and electric fans to three senior welfare centers (Baekyang Silver Home, etc.).

Labor for Love

Donate motorized adjustable beds, cold storage equipment, TVs, washing machines, fan heaters and electric fans to three senior welfare centers (Baekyang Silver Home, etc.).

One Company/One Village/One Stream/One Mountain campaign

Support for Rising Youth, Help for Villagers, and Help for Children’s rights.

One Company/One Village/One Stream/One Mountain campaign

Support for Rising Youth, Help for Villagers, and Help for Children’s rights.

Labor for Love

Donate motorized adjustable beds, cold storage equipment, TVs, washing machines, fan heaters and electric fans to three senior welfare centers (Baekyang Silver Home, etc.).

Chungbuk Briquette Bank

Donate motorized adjustable beds, cold storage equipment, TVs, washing machines, fan heaters and electric fans to three senior welfare centers (Baekyang Silver Home, etc.).

Chongqing Social-Giving Initiatives

Initiation Description

Youth of the Village campaign

Support for Rising Youth, Help for Villagers, and Help for Children’s rights.

Key Social-Giving Initiatives by Plant

At our Ulsan and Cheongju Plants, employees are actively engaged in social contribution programs designed to contribute to the development of local communities and preserve the environment in the vicinity of these plants.
Space Sharing Campaign

We continue to undertake social welfare facility renovation projects through the business agreements we sign with public agencies. Between 2013 and 2014, we worked with the Seoul Design Center under the Seoul Metropolitan Government to launch our 'Happy Design Sharing' program that engaged citizens – undergraduates with design capability, design experts and the LG Hausys consumer community Z:ENNE – in renovating old social welfare facilities in Seoul. In 2015, we signed such an agreement with Gyeonggi Urban Innovation Corporation and initiated the 'Space Sharing Campaign' to remodel welfare facilities in the province. In 2015, this campaign benefited 14 facilities including Anna House, Rainbow Children's Center, Always Green Children's Center and Manna Welfare Center.

Creating Value for Local Communities through PPP*

LG Hausys works with the central and local governments to mobilize its business capacity and infrastructure in renovating old residential facilities in local communities so as to support local community members to enjoy a more eco-friendly and pleasant living space.

* PPP : Private-Public Partnership

Green Remodeling Project

The Green Remodeling Project is supervised by the Ministry of Land, Infrastructure and Transport to improve the energy performance of old buildings with reduced energy efficiency so as to address imbalances in energy supply/demand and reduce energy costs. LG Hausys provides high-insulation windows and other high-energy-efficiency products to expand this meaningful project. We replaced old windows on 170 and 1,774 cases in 2014 and 2015 respectively, which translates into nearly 64% of the total Green Remodeling Project. In 2015, we signed business agreements with Jeju Special Self-Governing Province and Gyeonggi Province to facilitate this project while supplying our eco-friendly building materials to improve the energy efficiency within buildings.

Seoul City's BRP* Project

Seoul City's Building Retrofit Project (BRP) aims to replace old windows, insulation materials and boilers to reduce wasted energy in buildings. LG Hausys signed a BRP agreement with Seoul City and offers up to 20% discount to customers who replace their windows through financing support from the City.

* BRP : Building Retrofit Project
### Economic Data

#### Profit/Loss Statement (Unit: KRW million)

<table>
<thead>
<tr>
<th>Item</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2,482,272</td>
<td>2,492,252</td>
<td>2,368,051</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>2,081,756</td>
<td>2,121,755</td>
<td>2,098,732</td>
</tr>
<tr>
<td>Gross profit</td>
<td>400,516</td>
<td>370,517</td>
<td>369,319</td>
</tr>
<tr>
<td>Selling &amp; administrative expenses</td>
<td>602,886</td>
<td>571,386</td>
<td>508,229</td>
</tr>
<tr>
<td>Operating income</td>
<td>174,630</td>
<td>149,237</td>
<td>150,090</td>
</tr>
<tr>
<td>Non-operating profit &amp; loss</td>
<td>△ 22,375</td>
<td>△ 34,705</td>
<td>△ 6,399</td>
</tr>
<tr>
<td>Continuing business profit before tax</td>
<td>92,217</td>
<td>113,836</td>
<td>100,051</td>
</tr>
<tr>
<td>Corporate tax</td>
<td>19,500</td>
<td>45,024</td>
<td>26,548</td>
</tr>
<tr>
<td>Profit &amp; loss from discontinued operation</td>
<td>△ 4,477</td>
<td>△ 4,925</td>
<td>△ 8,971</td>
</tr>
<tr>
<td>Net income</td>
<td>72,238</td>
<td>63,910</td>
<td>71,162</td>
</tr>
</tbody>
</table>

#### Balance Sheet (Unit: KRW million)

<table>
<thead>
<tr>
<th>Item</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>943,827</td>
<td>931,685</td>
<td>1,006,980</td>
</tr>
<tr>
<td>Non-current receivables</td>
<td>458,689</td>
<td>482,745</td>
<td>486,925</td>
</tr>
<tr>
<td>Inventories</td>
<td>234,007</td>
<td>242,218</td>
<td>266,716</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>1,532,265</td>
<td>1,592,066</td>
<td>1,639,597</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>859,380</td>
<td>924,493</td>
<td>1,104,499</td>
</tr>
<tr>
<td>Assets held for sale</td>
<td>49,216</td>
<td>326,156</td>
<td>21,195</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,952,086</td>
<td>2,070,765</td>
<td>2,251,751</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>802,029</td>
<td>718,248</td>
<td>772,281</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>1,148,840</td>
<td>1,352,517</td>
<td>1,479,470</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,186,156</td>
<td>1,227,004</td>
<td>1,374,163</td>
</tr>
<tr>
<td>Fixed capital</td>
<td>50,000</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>616,208</td>
<td>616,208</td>
<td>616,208</td>
</tr>
<tr>
<td>Other current assets</td>
<td>2,818</td>
<td>2,818</td>
<td>2,818</td>
</tr>
<tr>
<td>Reamont profits &amp; loss</td>
<td>△ 187,919</td>
<td>△ 160,409</td>
<td>△ 129,069</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>137,017</td>
<td>182,064</td>
<td>226,559</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>4,582</td>
<td>3,098</td>
<td>3,010</td>
</tr>
<tr>
<td>Total equity</td>
<td>1,151,268</td>
<td>1,202,706</td>
<td>1,251,737</td>
</tr>
</tbody>
</table>

### Profitability Indicators (Unit: %)

<table>
<thead>
<tr>
<th>Main Financial Statement Indicators</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales growth rate</td>
<td>4.3</td>
<td>4.3</td>
<td>4.4</td>
</tr>
<tr>
<td>Tangible asset growth rate</td>
<td>12.9</td>
<td>14.1</td>
<td>11.9</td>
</tr>
<tr>
<td>Net income growth rate</td>
<td>15.2</td>
<td>△ 13.2</td>
<td>11.9</td>
</tr>
</tbody>
</table>

### Activity Indicators (Unit: %)

<table>
<thead>
<tr>
<th>Main Financial Statement Indicators</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current ratio</td>
<td>115.5</td>
<td>129.7</td>
<td>141.4</td>
</tr>
<tr>
<td>Debt ratio</td>
<td>149.1</td>
<td>147.6</td>
<td>158.6</td>
</tr>
<tr>
<td>Fixed assets to shareholders’ equity</td>
<td>84.6</td>
<td>81.6</td>
<td>79.5</td>
</tr>
<tr>
<td>Ratio of net worth to net capital</td>
<td>401</td>
<td>401</td>
<td>39</td>
</tr>
</tbody>
</table>

### Risk Management

**Risk management system:** LG Hausys’ risk management is conducted by the Financial Department. Our Financial Department reviews and approves documented policies concerning general risk management as well as specific risk areas such as currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivatives and any investment that exceeds our available liquidity.

**Market risk management:** LG Hausys takes a systematic approach in managing currency risks as well as market-induced risks caused by cash flow and fair value interest rate risks.

**Tax Strategy**

LG Hausys strictly complies with the tax laws and relevant regulations of Korea and those nations where our overseas branches are based while faithfully meeting our obligation for tax reporting and payment. We implement tax policies to effectively reduce tax payments and prevent double taxation within the boundary of tax laws to strengthen our competitive edge in the global market and to enhance shareholders’ value. We also respond to the requirements of tax authorities in a reasonable manner.

Each year, we specify in our audit report information on our corporate tax expenses, deferred corporate taxes and valid tax rates while externally disclosing such information through the Data Analysis, Retrieval and Transfer System of the Financial Supervisory Commission. In so doing, we vow to sincerely fulfill our responsibility to pay taxes in a transparent and sound manner so that we become a company respected by society and customers.
DATA SUMMARY

Creating and Distributing Material Economic Value

Shareholders & investors • LG Hausys constantly strives to maximize value for shareholders who are the true owners of the company. We return profits to our shareholders via cash dividend payout. In 2015, KRW 1,800 worth cash dividends per common share were paid to our shareholders, and our EPS amounted to KRW 7,116.

Suppliers • We procure goods and services from our suppliers and maintain fair and sustained business relationships with them. In 2015, we purchased goods and services worth KRW 1,749.3 trillion in total from 1,415 suppliers. Nearly 40% of these purchases are made directly in the local community where we are based.

Government • We transparently disclose the outcomes created through our business conduct, and introducing diverse welfare programs.

Employees • We paid our employees with salary, welfare benefits and retirement pay. We will continue to expand the distribution of economic value to our employees by sharing our business outcomes fairly and introducing diverse welfare programs.

Local community investment • We undertake societal-giving initiatives via local infrastructure support funds, sponsorship for arts & educational events and programs. In so doing, we return the economic value that we generated to our local communities.

Dividend payout to shareholders 18 KRW billion

Goods and services purchased 1,749.3 KRW billion

Salary, welfare benefits and retirement pay 388.7 KRW billion

Corporate taxes & other taxes and public utility charges 41.4 KRW billion

Local community investment 1.5 KRW billion

Environmental Data

Management System Certification

<table>
<thead>
<tr>
<th>Name of Certification</th>
<th>Ulsan</th>
<th>Cheongju</th>
<th>Oksan</th>
<th>Tangeo</th>
</tr>
</thead>
</table>

* Our Oksan Plant was grouped together with our Cheongju Plant during the certification process and thus shares the same initial certified date on the certificate.

Consumption of Primary Raw Materials

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>PVC</td>
<td>129,362</td>
<td>128,247</td>
<td>130,818</td>
</tr>
<tr>
<td>Calcium carbonate</td>
<td>77,005</td>
<td>82,299</td>
<td>80,081</td>
</tr>
<tr>
<td>Plasticizer</td>
<td>29,436</td>
<td>33,701</td>
<td>31,286</td>
</tr>
<tr>
<td>MWA</td>
<td>16,131</td>
<td>17,192</td>
<td>15,004</td>
</tr>
<tr>
<td>Total</td>
<td>239,234</td>
<td>271,433</td>
<td>262,091</td>
</tr>
</tbody>
</table>

Earnings per share (EPS) (KRW)

Dividend per share (KRW)

Air pollutant emissions

<table>
<thead>
<tr>
<th>Category</th>
<th>Ulsan</th>
<th>Cheongju</th>
<th>Oksan</th>
</tr>
</thead>
<tbody>
<tr>
<td>SO2 (ton)</td>
<td>8.3</td>
<td>6.4</td>
<td>3.5</td>
</tr>
<tr>
<td>NOx (ton)</td>
<td>0.2</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>CO (ton)</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Wastewater (m³)

<table>
<thead>
<tr>
<th>Category</th>
<th>Ulsan</th>
<th>Cheongju</th>
<th>Oksan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wastewater (m³)</td>
<td>52,887</td>
<td>47,560</td>
<td>44,414</td>
</tr>
<tr>
<td>General waste (ton)</td>
<td>0.8</td>
<td>0.8</td>
<td>0.3</td>
</tr>
<tr>
<td>Recycled waste (ton)</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Recycling rate (%)</td>
<td>31.0</td>
<td>31.0</td>
<td>31.0</td>
</tr>
</tbody>
</table>

Emission of waste (KRW)

<table>
<thead>
<tr>
<th>Category</th>
<th>Ulsan</th>
<th>Cheongju</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOx (ton)</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>CO (ton)</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>CO2 (ton)</td>
<td>0.3</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Recycling rate (%)

<table>
<thead>
<tr>
<th>Category</th>
<th>Ulsan</th>
<th>Cheongju</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste recycling rate (%)</td>
<td>31.0</td>
<td>31.0</td>
</tr>
</tbody>
</table>

Appendix 73

We do not produce any of the ozone-depleting substances defined in the Montreal Protocol; nor do we use such substances in our manufacturing.

* In the table, “Green” data are provided for the years 2013, 2014, 2015, and 2016:

- **2013:** for the years of 2013, 2014, and 2015
- **2014:** for the years of 2013, 2014, and 2015
- **2015:** for the years of 2013, 2014, and 2015

LG HAUSYS THIRD-PARTY ASSURANCE REPORT

To the Stakeholders of LG Hausys

The Korea Productivity Center (the “Assurer”) was requested by LG Hausys Ltd. (“LG Hausys”) to conduct independent assurance on the information presented in the 2016 LG Hausys Sustainability Report (the “Report”) and hereby provides the following assurance statement.

Responsibility and Independence

LG Hausys is entirely responsible for all information and opinions presented in the Report. The Assurer is solely responsible for providing the assurance statement for the contents of the Report. As an independent assurance agency, the Assurer was involved neither in the process of developing the Report with LG Hausys, nor in any conflict of interest that may undermine our independence.

Assurance Standards

The independent assurance was performed in accordance with Type 1 and Type 2 (applied to specific performance information) and the Intermediate Level of assurance engagement based on the AA1000AS (2008) assurance standards. The Assurer verified the suitability of the information presented in the Report with GRI G4 Guidelines standards.

Methodology

The independent assurance of the Report was conducted following the methods below:

- Verified if the requirements for core options of GRI G4 Guidelines were fulfilled.
- Verified the compliance with the principles of the contents of the Report, and quality based on GRI G4 Guidelines.
- Verified the appropriateness of material issues and contents of the Report through media research and benchmarking analysis.
- Verified the suitability of the contents and any errors in expression through comparison analysis with other sources.
- Verified the basis of core data and information, and the internal process and system through on-site inspection at the headquarters in Seoul.

Material Issues

<table>
<thead>
<tr>
<th>DMA &amp; indicators</th>
<th>Material Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>DMA-Occupational health and safety, G4-EN 5, LA 4</td>
<td>Developed new eco-friendly products in a sustainable manner</td>
</tr>
<tr>
<td>DMA-Products and services, G4-EN 2</td>
<td>Secure growth engines through sustainable technology development</td>
</tr>
<tr>
<td>DMA-Training and education, G4-MA 2</td>
<td>Reduce the environmental impact of products throughout their life cycle</td>
</tr>
<tr>
<td>DMA-Products and services, G4-EN 2</td>
<td>Manage environmental pollutants</td>
</tr>
<tr>
<td>DMA-Customer health and safety, G4-EN 1, 9, 20</td>
<td>Build an employee-friendly organizational culture</td>
</tr>
<tr>
<td>DMA-Occupational health and safety, G4-EN 5, LA 4</td>
<td>Support suppliers and pursue shared growth</td>
</tr>
<tr>
<td>DMA-Occupational health and safety, G4-EN 5, LA 4</td>
<td>Broaden global market presence</td>
</tr>
<tr>
<td>DMA-Occupational health and safety, G4-EN 5, LA 4</td>
<td>Establish workplace safety</td>
</tr>
</tbody>
</table>

Limitations

The Assurer conducted an assurance of LG Hausys’ performance in 2015 in accordance with the standards above, and verified the credibility of the performance in the Report, in the following manner:

- Financial data was verified through the financial statement and disclosed documents were audited by an auditing agency.
- The baseline data for Environmental and Social performance was not verified, while the aggregated data was used for the verification.
- Limited on-site inspections were conducted in the headquarters, Seoul. The results can be affected if any additional verification procedures are carried out.

Findings & Conclusion

The Assurer verified that the Report accurately and fairly reflects LG Hausys’ sustainability activities and performance. The Assurer also verified that the Report meets the requirements for core options of GRI G4 Guideline.

In case of General Standard Disclosures, the Assurer verified that the Report is written in compliance with the requirements of core options. For Specific Standard Disclosures, the Assurer reviewed Disclosure on Management Approach (DMA) and indicators regarding material issues by using the reporting criteria process below.

- Inclusivity : Stakeholder Engagement
  The Assurer confirmed that LG Hausys defines its key stakeholders as 5 groups: shareholders & investors, employees, suppliers, local community, and customers. The Assurer also verified that LG Hausys collects opinions of its stakeholders through clear categorization of communication channels and expectations of each group, and through active communication.

- Materiality : Identification and Reporting of Material Issues
  Based on issues in the previous report, LG Hausys surveyed international standards for sustainable management, such as GRI G4 Guideline and ISO26000, media analysis, and issues from the domestic and overseas construction materials (building products) industry. LG Hausys then identified and organized 19 sustainability issues. The company prioritized 8 material issues (aspects) for internal and external stakeholders by conducting the materiality test. The company also made sure that the information included in each page of the report was balanced.

- Responsibility : Organization’s Response to Issues
  The Assurer verified that LG Hausys identified major expectations that are effective to performance of stakeholders, took responsive measures for the matters, and accurately presented such contents in the Report. LG Hausys sincerely publishes its response activities and performance for key sustainability issues in the Report. The Assurer has evaluated the reliability of the data and information about water usage, waste water and waste treatment, and occupational accidents for Type 2 Assurance.

Recommendation

The Assurer highly values the various efforts of LG Hausys and the outcomes thereof, to enhance its sustainability, and provides the following suggestions for future publications of the Report and improvement of its sustainability standards:

- It is necessary to reinforce activities for collecting direct opinions from stakeholders and identifying their expectations. It is therefore recommended to establish a process for stakeholder engagement.
- To implement sustainable management in a systemic way, it is recommended to draw and manage tasks and key performance indicators (KPI) based on a strategic system for sustainable management, and describe activities and performances regarding sustainability in the report in detail.

The Sustainability Management Center of Korea Productivity Center is an assurance agency officially certified by AccountAbility [organization established AA1000, the international standard for stakeholder participation and verification] and is qualified to independent assurance engagements. Its Assurance Committee is comprised of competent experts who have in-depth experience in sustainability management consulting and assurance and have completed the relevant training.
### GRI G4 General Standard Disclosures

<table>
<thead>
<tr>
<th>Organizational Aspects</th>
<th>Indicator</th>
<th>Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Profile</td>
<td>G4-1</td>
<td>Provide a statement from the board of directors outlining the organization’s mission, vision, values, and governance structure, including the roles and responsibilities of directors and the highest governance body.</td>
<td>5-6</td>
</tr>
<tr>
<td>Engagement</td>
<td>G4-7</td>
<td>Report the process for determining remuneration, including the criteria for determining remuneration, and any other factors influencing the remuneration.</td>
<td>7-10</td>
</tr>
<tr>
<td>Stakeholder Aspects and Identified Organizational Aspects</td>
<td>G4-11</td>
<td>List all definitions (or links to definitions) of the organization’s identified external environments or equivalent concepts.</td>
<td>Appendix A</td>
</tr>
<tr>
<td>G4-1</td>
<td>Address any changes to the organization’s external environments or equivalent concepts assessed for improvement.</td>
<td>11</td>
<td></td>
</tr>
</tbody>
</table>

### GRI G4 Specific Standard Disclosures

<table>
<thead>
<tr>
<th>Environmental Aspects</th>
<th>Indicator</th>
<th>Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>G4-25</td>
<td>Water sources significantly affected by withdrawal of water</td>
<td>72</td>
</tr>
<tr>
<td>Energy</td>
<td>G4-2</td>
<td>Energy consumption within the organization</td>
<td>Appendix B</td>
</tr>
<tr>
<td>Water, and Wastewater</td>
<td>G4-19</td>
<td>Water discharge by quality and destination</td>
<td>73</td>
</tr>
</tbody>
</table>

### Material Aspects for Disclosure

- **Customer Health**
  - G4-18 | Report the total number of employees | 58 |
  - G4-17 | Report the composition of the highest governance body and its committees | Appendix C |
  - G4-16 | Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social impacts, risks, and opportunities | 58 |

- **Product Responsibility**
  - G4-15 | Management Approach | Appendix C |
  - G4-14 | Environmental and Social Integrity | Appendix C |

---

**Note:** The above text is a snapshot of the GRI G4 guidelines as referenced in the document, which are designed to help organizations report on their sustainability performance.
<table>
<thead>
<tr>
<th>GRI G4.0 / ISO 26000 INDEX</th>
</tr>
</thead>
</table>

**GRI G4 Specific Standard Disclosures - Other Disclosures**

- **Fully reported**
- **Partially reported**
- **Not reported**

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Indicator</th>
<th>Page</th>
<th>Note</th>
<th>External</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anti-corruption</td>
<td>Performance</td>
<td>GRI 1</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>Local Communities</td>
<td>Assessment</td>
<td>GRI 14</td>
<td>44-45</td>
<td></td>
</tr>
<tr>
<td>Supplier Human Rights</td>
<td>Assessment</td>
<td>GRI 14</td>
<td>44-45</td>
<td></td>
</tr>
<tr>
<td>Child Labor</td>
<td></td>
<td>GRI 11</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>Collective Bargaining</td>
<td></td>
<td>GRI 12</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>Environmental</td>
<td></td>
<td>GRI 13</td>
<td>43</td>
<td></td>
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<tr>
<td>Investment</td>
<td></td>
<td>GRI 15</td>
<td>43</td>
<td></td>
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<tr>
<td>Anti-Corruption</td>
<td></td>
<td>GRI 16</td>
<td>43</td>
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</tr>
<tr>
<td>Anti-Corruption</td>
<td></td>
<td>GRI 17</td>
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**ISO 26000**

- **Fully reported**
- **Partially reported**
- **Not reported**

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<th>Key Issue</th>
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<td>Human Rights Risk Situations</td>
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**Note**

- No such non-compliance occurred.
- No such incidents confirmed in 2015.
- No such cases occurred.
- No such fines occurred.

---

**Appendix**
MEMBERSHIP AND INITIATIVES

Membership

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<tr>
<th>Korea Chamber of Commerce and Industry</th>
<th>Korea Fair Competition Federation</th>
<th>Korea Specialty Construction Association</th>
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<td>Korea Employers Federation</td>
<td>Federation of Korean Industries</td>
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<td>Korea Economic Research Institute</td>
<td>Korea Listed Companies Association</td>
<td>Green Company Council</td>
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<td>Korea Air Cleaning Association</td>
<td>Korea Packaging Recycling Cooperative</td>
<td>Koreans Association of Occupational Health Nurses</td>
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<td>Korea Fire Protection Association</td>
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This Report Was Prepared By

<table>
<thead>
<tr>
<th>General</th>
<th>Publication: Dong-Joo Lee</th>
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<tbody>
<tr>
<td>Management</td>
<td>Planning and data collection: Sook-Jin Park, Dong-Han Lee, Young-Im Kim</td>
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<tr>
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<td>Design: Ho-Hae Shin, Jin-Kee Min</td>
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<td>Society</td>
<td>Kyoung-Hak Kang, Yong-Kyu Ko, Sang-Kyu Kwon, Eun-Sung Kwon, Hyuk Kim, Hae-Eun Kim, Soo-Hong Min, Ji-Hae Park, Kyung-Ryu Baek, Gu-Young Seo, Young-Jun Shin, Eun-Jin Oh, Soo-Jung Yu, Tae-Young Yoon, Seung-Jae Chae</td>
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<td>Environment</td>
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