

# NATURE HUMAN AND SPACE

# Creating human-friendly, eco-conscious, happy living spaces

LG Hausys always puts customer health, happiness,  
and satisfaction first when creating our unique living spaces.



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# LG HAUSYS 2015 SUSTAINABILITY REPORT

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## Report Overview

LG Hausys' fourth annual Sustainability Report reinforces the company's dedication to issues related to the economy, the environment, and society. LG Hausys has published a sustainability report annually since 2011 to facilitate open and transparent communication channels between LG Hausys and our stakeholders on our activities and achievements in sustainable management over the year.

## Reporting Period

The contents of this report cover LG Hausys' major activities and achievements in economic, environmental, and societal areas in the period from January 1 to December 31, 2014. Some sections (such as the composition of the board of directors) reflect the latest (2015) data, and to facilitate time series analysis, some quantitative data include statistics for the last three years (2012–2014).

## Reporting Scope

This report covers the activities of headquarters and domestic plants. Financial data contain the performance of LG Hausys and its subsidiaries on a consolidated company basis in accordance with K-IFRS criteria. Some data include the performances of subsidiaries in China, the United States, and other nations. Due to the modified scope of data or calculation methods, some data discrepancies from the previous year may exist. Changes in data scope or calculation methods are marked with asterisks.

## Reporting Principle

This report is based on the Core option of the Global Reporting Initiative (GRI) G4 guidelines. Please refer to the GRI Index (pp. 68-71) of this report for more information.

## Assurance

This report was verified by an independent third-party assurance provider to ensure the report's reliability and accuracy. Please refer to the Third Party Assurance Statement on pp. 66-67.

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## CEO Message



I am very pleased to present the 2015 LG Hausys Sustainability Report to our stakeholders.

LG Hausys published its first sustainability report in 2012. In this, our fourth sustainability report, as in our previous offerings, we share with our valued stakeholders our activities and achievements in economic, environmental, and social areas. This year's sustainability report is the outcome of our earnest efforts to respond to issues our stakeholders deemed as having particular importance in 2014, covering such areas as global markets, research and development, eco-friendly products, customer communication, and local community development.

Committed to creating "human-friendly, eco-conscious living spaces," LG Hausys is a leading supplier of environment-friendly and energy-efficient materials and products and a trendsetter in future-oriented living spaces. Armed with technological prowess and outstanding design competence, LG Hausys will continue to spearhead the trends our competitors follow and provide our customers with the highest level of satisfaction.

Despite fiercer competition in the construction materials market and the slowdown of the IT market, LG Hausys still made great strides in sales and profitability in 2014, realizing KRW 2.8251 trillion in sales and KRW 146.6 billion in operating profits. Such achievements we attribute to the ambitious reforms we carried out in the areas of cost, sales, and products.

While it is certainly nice to look back, it should not get in the way of looking ahead. LG Hausys has been proactively making plans for the future which include nurturing market-leading businesses, seeking out new growth engines, expanding investment in R&D and in efforts to recruit research talents, and augmenting our presence in overseas markets.

Committed to creating "human-friendly, eco-conscious living spaces," LG Hausys is a leading supplier of environment-friendly and energy-efficient materials and products and a trendsetter in future-oriented living spaces. Armed with technological prowess and outstanding design competence, LG Hausys will continue to spearhead the trends our competitors follow and provide our customers with the highest level of satisfaction.

Far from resting on its laurels, LG Hausys will continue to make every effort to create value for customers.

### **First, we will expand our global presence.**

LG Hausys operates seven overseas companies and five overseas branches, and we are continually striving to enter new markets around the world. We introduce localized products and focus on supplying eco-friendly products in response to global environmental regulations. In 2014, we joined international fairs that were held in diverse regions, including Shanghai, Dubai, Kazakhstan, Germany, and Singapore, to name only a few, to spur greater recognition of the LG Hausys brand.

### **Second, we will push our capacity for product research, development and design even further.**

LG Hausys is developing various functional products geared toward solving common everyday problems, such as noise between apartment floors and fires, through seeking out organic cooperation between each project sector and research institutions. We are also sharpening our design competencies, evidence of which is found in the many prestigious design awards we have won over the years, including Red Dot and iF. Our innovative and consumer-centric design management is what sets us apart from the competition. Our collaborations with guest designers, renowned in their field, have resulted in great outcomes, and our design trend seminars have enabled us to keep abreast of all the latest developments in design. We will continue to engage in active R&D activities and introduce new designs that reflect the demands of consumers in every area in which we do business.

### **Third, we are increasing our green product lineups.**

LG Hausys established its "Green Identity" in order to develop humanistic, eco-friendly, and energy-efficient products. Notably, we are the first Korean flooring supplier to receive Cradle to Cradle (C2C) certification. As well our automotive skins, ZEA wallpaper, and ZEA flooring have received Oeko-tex Standard 100 Grade 1 (Baby class) certification, only given to those products safe enough to be exposed to babies and toddlers up to 3 years old. We are determined to continue producing green products that benefit the health and well-being of our customers.

### **Fourth, we pursue open communication with our customers.**

LG Hausys strives to make its products more readily accessible to customers through opening on and offline showrooms. In 2014 we opened Gangnam Z:IN Square along with nine other new showrooms and the online shopping mall "Z:IN Mall." The female prosumer group, "ZENNE," and SNS channels and communities have given us active, direct paths to customers, enabling us to reflect their voices in product development.

### **Last, we are committed to improving the lives of all people.**

LG Hausys actively engages in a number of CSR activities, such as the "Make a Happy Space" initiative, the "Happy Design Sharing" campaign, and support programs geared toward children in underprivileged families, by leveraging our talents and resources. Moreover, we have made active efforts for the conservation of Dokdo since 2008, carrying out various public awareness campaigns on Dokdo to encourage involvement in protecting the island.

This report can only touch on a few of the key ways we are determined to create value, and is by no means meant to be restrictive. Our efforts are ongoing, as we continue to push ourselves further to become a market-leading global player operating based on sustainable business principles and practices.

I sincerely appreciate your interest in LG Hausys, and would like to ask for your continued support as we take bold steps into the future.

Thank you.

Oh Jang-Soo, President and CEO of LG Hausys

# Introduction to LG Hausys

LG Hausys is Korea's largest manufacturer of building & decorative materials, high performance materials, and automotive materials and components. We aim to grow as a reliable organization committed to realizing customer satisfaction in every path we take. With market-leading flagship products and advanced technological prowess, and our solid reputation for being a company that creates healthy and beautiful living spaces imbued with care and consideration of the needs of human beings, LG Hausys is a conscientious company leading changes for the good in business, society, and the environment.



## Building & Decorative Materials

Windows and glass with superior heat insulation capabilities and durability; eco-friendly wallpaper and flooring, acrylic solid surface, and energy-efficient insulation.



## High Performance Materials

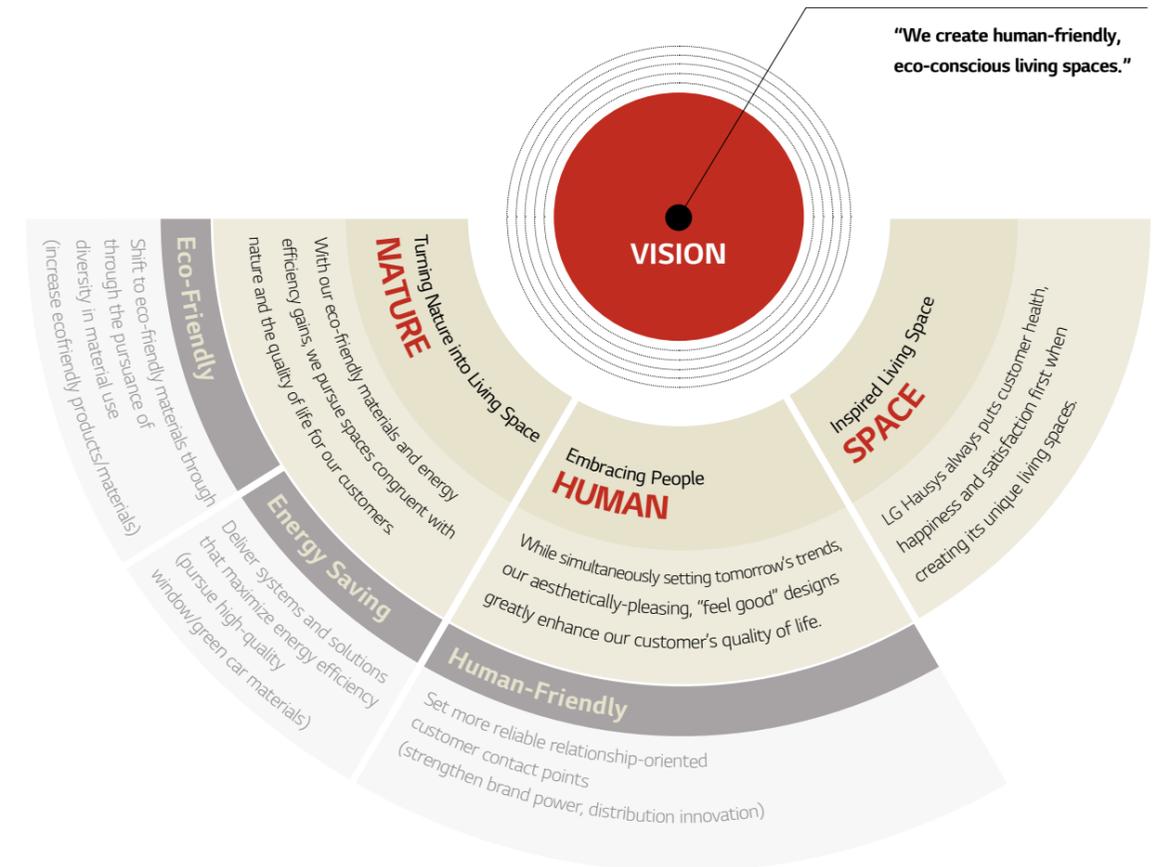
Pressure-sensitive adhesive materials for touch screens and other IT equipment; surface films for home appliances; vacuum insulation panels; and sign and graphic materials.



## Automotive Materials and Components

Eco-friendly interior skin; interior/exterior automotive components; and various lightweight, energy-efficient automotive materials.

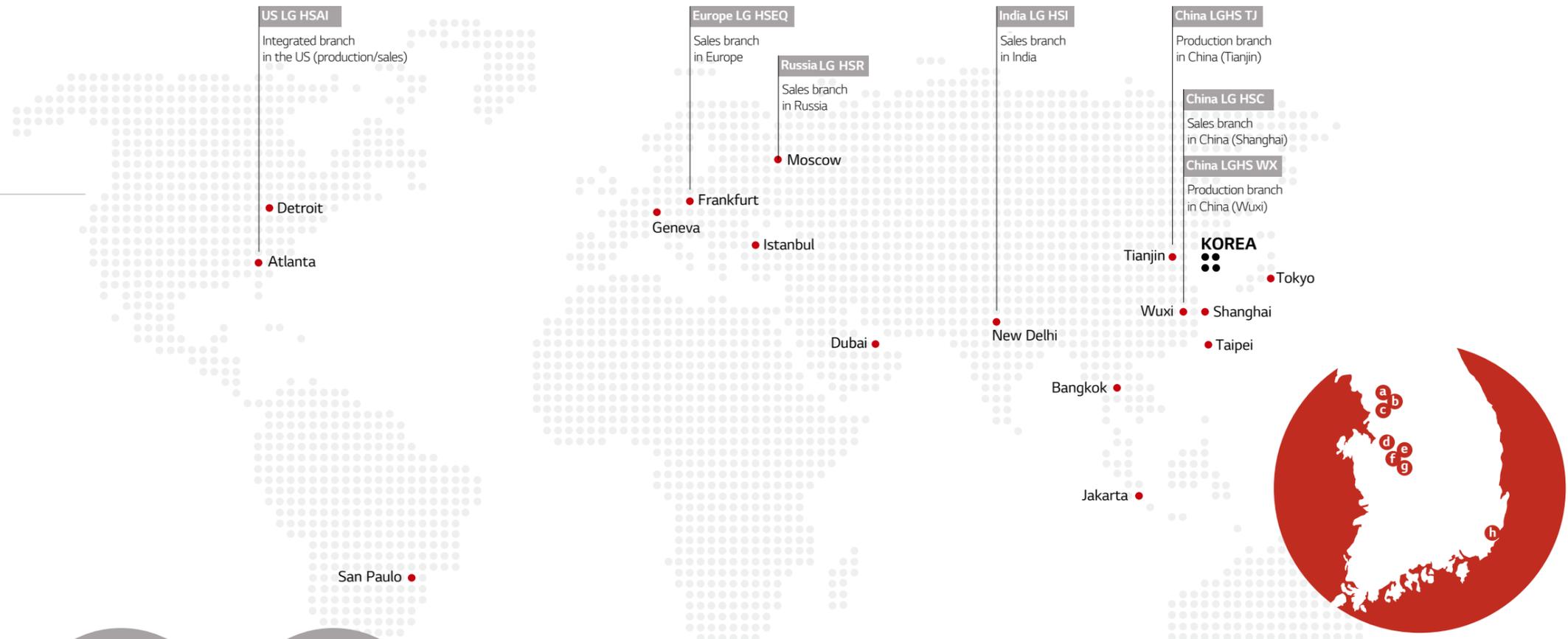
LG Hausys' vision, "We create human-friendly, eco-conscious living spaces," informs all our strategies for realizing eco-conscious, energy-efficient, and human-friendly customer value.



LG Hausys fulfilled its "Phase 1" goal –profit turnaround–through dedicated efforts carried out over the past two years to secure business profitability and sharpen competitive edge. In "Phase 2" we will focus on achieving profit-fueled growth through business structure renovations and proactive preparations for the future business environment.

			<b>2017-</b>
			<b>Phase 3. No. 1 LG</b>
		<b>2015-2016</b>	• Nurture world-class businesses
		<b>Phase 2. Profit-fueled growth</b>	
<b>2013-2014</b>	<b>Phase 1. Successful TA</b>	<ul style="list-style-type: none"> <li>• Develop a high profit-driven portfolio</li> <li>• Identify market-leading products and new businesses</li> </ul>	
	<ul style="list-style-type: none"> <li>• Secure profitability early on</li> <li>• Boost competitiveness of fundamental businesses</li> </ul>		

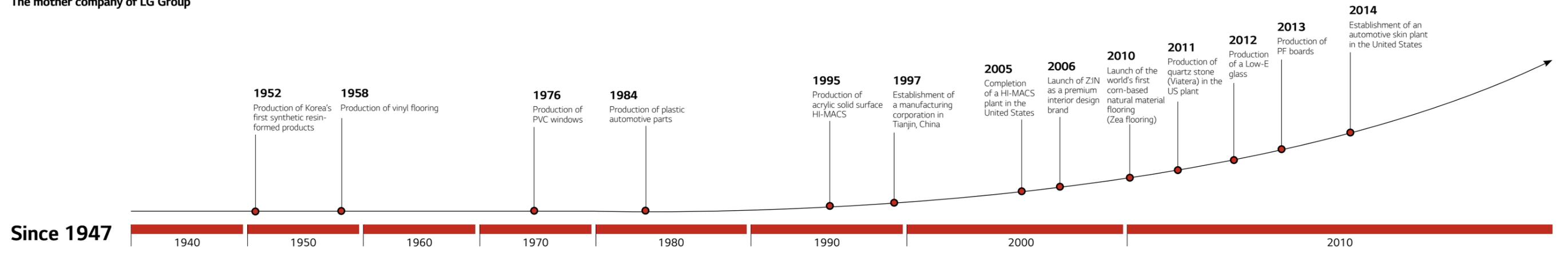
LG Hausys at a Glance



As of year-end 2014

- a** Headquarters: Planning/management, human resources affairs, marketing, sales, etc.
- b** Design Center: Product design and development
- c** R&D Center: Product research, design, and development
- d** Cheonan Distribution Center: Integrated logistics center
- e** Ochang Plant: Aluminum windows
- f** Cheongju Plant: acrylic solid surface, tile/flooring, insulation
- g** Chungju Windows/PSAA Plant: PVC windows, high-performance adhesive film
- h** Ulsan Plant: Flooring, high-performance materials, automotive components/skin

The mother company of LG Group



MATERIAL ISSUE

# CUSTOMER VALUE CREATION

LG Hausys' vision, "We create human-friendly, eco-conscious living spaces," inspires our people to work towards and achieve the highest level of customer value. We strive to foster a healthier environment for our customers by supplying eco-friendly, energy-efficient products and by creating attractive living spaces infused with humanistic design principles.

## Customer Value Creation Areas

In 2014, value creation was concentrated in five specific areas: Expanding Global Market; Strengthening Product R&D Capability; Enlarging Eco-friendly Product Family; Opening our Ears to Customers' Voices; and Engaging with our Local Communities.

Please refer to the Process of Importance Assessment, pp. 60-61.

### Expanding Global Market Reach

LG Hausys is expanding its global market network in response to the increased demand among emerging nations for housing and automobiles. We are also keeping abreast of global environmental regulations on products, ensuring these are fully abided by in our product lineup.

14 page



18 page

### Strengthening Product R&D Capability

LG Hausys continues to strengthen its product research and development capabilities to ensure that we reflect in our products customer demand in all areas from safety features to design sensibility.

### Enlarging Eco-friendly Product Family

LG Hausys has responded proactively to government policy and public interest in the environment and energy conservation by continually enlarging our lineup of green, sustainable products.

24 page



28 page

### Opening our Ears to Customers' Voices

LG Hausys continually makes efforts to expand its online and offline customer contact points in accordance with raised public interest in the particulars of residential spaces.

### Engaging with our Local Communities

LG Hausys carries out various CSR activities based on its capacity and business scale in efforts to return to the community the many benefits that we have received.

32 page



# Expanding Global Market Reach

LG Hausys continues to actively reach out to our customers in different countries, expanding our sales and production bases into overseas markets, such as China and the United States, and tailoring our products and services to meet customer needs in those markets. Some of the ways we cultivate greater brand awareness in global markets include product placement in architectural landmarks worldwide, participation in international exhibitions, and collaborations with popular designers from around the world.



Sales in Overseas Markets\*  
Unit: KRW 100 million

934.5

924.7

859.7

2012

2013

2014

\*Consolidated sales

## Reaching out to Global Markets

LG Hausys has established bases in major locations around the world. We will seek to fortify these bases through the customer-oriented sales of eco-friendly products.

### Establishment of Production Bases in Core Markets in 2014

In 2014, LG Hausys secured production and sales bases in major markets, such as the United States and China, reaffirming our commitment to global network expansion. Product localization is carried out in each market to ensure the unique needs of customers in each area are met.

**Construction of an Automotive Skin Production Plant in the United States** LG Hausys plans to fully enter the US automobile market through its auto skin production plant, currently being constructed in Georgia. When the plant is completed in 2015, LG Hausys will be able to produce and supply 6 million square meters of automotive skins, increasing its share in the global automotive skins market.

**Construction of a second factory in Wuxi, China** LG Hausys celebrated the groundbreaking ceremony for its second production factory in Wuxi, Jiangsu Province, China in 2014. The factory will, when fully completed, include production plants for PVC flooring, automobile sheets, and high-performance materials, and will serve as the core production base for LG Hausys' businesses in China.

**Construction of a Window Final Assembly Plant in Harbin, China** Ground was broken in 2014 for the construction of LG Hausys' window final assembly plant in Harbin, China. It is expected to start full operations from 2015. As the first window final assembly plant to be run in collaboration with local commercial agents, LG Hausys has effectively opened the door for window production line expansion in China.

### Differentiation through Green Products and Customer-based Sales Activities

Demand for environmental products is expected to consistently increase alongside stricter regulations on energy consumption and the use of eco-friendly materials worldwide. LG Hausys is actively in step with such changes, embracing and reflecting the eco-friendly mindset of our customers in such products as energy-saving windows, insulation, and interior materials that are free of harmful substances.

**A Top Ten Green Building Material Brand in China (2014, 2015)** LG Hausys is Korea's first company to be ranked among the top ten green building materials brands in China for two consecutive years (2014 and 2015). The ranking is awarded at the Top China Real Estate held in Beijing, China. LG Hausys is the first foreign company in China honored with the award, in recognition of the company's outstanding total volatile organic compounds (TVOC) analysis capacity and anti-bacterial, anti-viral, and other harmful substance reduction technology.

### Raised Global Brand Awareness

LG Hausys makes active efforts to raise brand awareness and induce outstanding product and design performances globally by attending various globally renowned exhibitions and fairs including Domotex Asia (Shanghai), Astana Build (Astana, Kazakhstan), NeoCon (United States), the Big 5-International Building and Construction Show (Dubai), among others.

## Promotion of Market-leading Businesses by Region

LG Hausys divides the global market into four zones: North America, Europe, China, and the emerging market. In each of the four zones we focus on conducting intensive market analyses to determine and promote the most promising businesses, building distribution networks, and establishing cooperative relationships with our stakeholders in those regions.



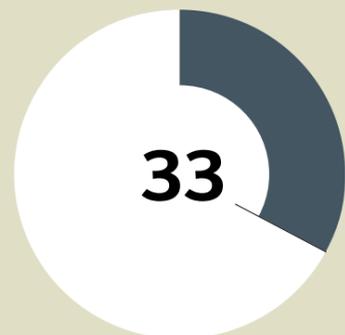
### China

In the Chinese market LG Hausys focuses on localizing the production of building materials, such as windows and flooring. We are gradually increasing our market share thanks to the superior quality of our eco-friendly products. LG Hausys boasted the highest market share in windows and flooring among foreign building materials suppliers in China in 2014. Driven by such achievements, we are expanding our presence in the high-end building materials market. We are also expanding our local distribution networks by consolidating our partnerships with local sales channels in China. LG Hausys continues to provide our Chinese customers with peerless value from production to distribution.

Sales\*  
Unit: KRW billion

**308.9**

Sales in China among total sales  
in overseas markets  
Unit: percent



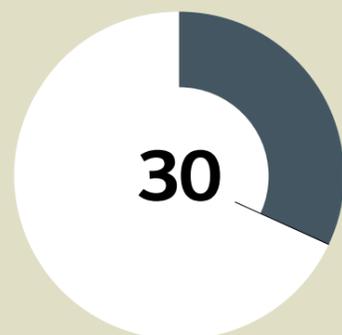
### US

As North America is the world's largest decorative and automotive materials market, LG Hausys focuses on localizing material businesses centered on such areas as solid surface and automotive skin. LG Hausys operates a HI-MACS factory and a quartz stone (Viatera) factory in Atlanta, Georgia. We are making efforts to increase our market share by securing various distribution channels, including the largest building material distributors in the United States. In 2014 LG Hausys also celebrated the groundbreaking ceremony for its automotive skins production plant being built in Atlanta. The plant, once completed, will help us build a firmer foundation in the American skins market and contribute to increasing our market share.

Sales\*  
Unit: KRW billion

**284.7**

Sales in the North American market among  
total sales in overseas markets  
Unit: percent



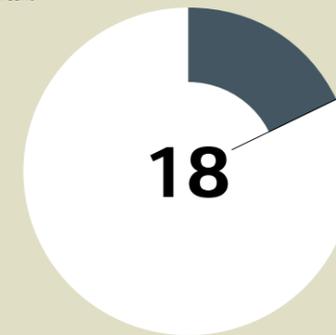
### Europe/Russia

In 2014, LG Hausys carried out various notable projects related to acrylic solid surface HI-MACs, a finishing material favored by global architects. We also became the first Korean automotive skin manufacturer to obtain Oeko-Tex Class 1, which we expect will increase our exports to European automobile makers. Europe, which leads the world's furniture market, takes up more than 50 percent of the global decorative film market (decorative surface finishes, etc.). LG Hausys carries out aggressive strategies to export its eco-friendly products into this massive market. We actively keep abreast of European market trends, making a conscious effort to introduce products into this market that reflect those trends. We also carry out ambitious advertising and promotional campaigns, and hold seminars for local customers in that region, to present information about LG Hausys' outstanding technology and design.

Sales\*  
Unit: KRW billion

**164.1**

Sales in Europe and Russia among total  
performance in overseas markets  
Unit: percent



### Emerging Market

In emerging markets such as India, Turkey, the Middle East, and Southeast Asia, the interior materials and home appliances markets are experiencing rapid growth. LG Hausys has introduced localized products into these markets that reflect the needs of customers in each country/region. In January 2015, LG Hausys also opened branches in Jakarta and Dubai, which will also be operated according to specific localization strategies.

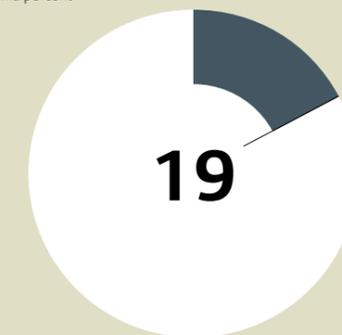
<Major products>

- India: Finishes on home appliances, surface materials, sign materials, etc.
- Middle East and Turkey: Surface materials, decorative materials, decorative films, etc.
- Southeast Asia: Decorative materials, finishes on home appliances, surface materials, etc.

Sales\*  
Unit: KRW billion

**176.8**

Sales in emerging markets among total sales  
in overseas markets  
Unit: percent



\*Consolidated sales (2014)

# Strengthening Product R&D Capability

With a higher standard of living comes increased customer demand for attractive, quality products that reflect the latest trends and technological developments. LG Hausys will continue to meet such demands by fortifying its research and development capacity toward even more successful product outcomes.



**9**  
Received domestic and international technology certifications and awards  
(As of December 2014)



**45**  
Won top three design awards\*  
(As of February 2015)  
\* IF, IDEA, reddot

## Enhancement of Research and Design Capacity in Business Areas

LG Hausys sharpens its R&D and design prowess in each of its business areas through dedicated research and design centers. We will continue to undertake various research and design projects with customer convenience firmly in mind.

### Improvement of Product Functionality and Research Capacity

LG Hausys carries out various research activities specific to its business areas—building & decorative materials, high performance materials, and automotive materials and components—with the goal of developing customer-centric products.

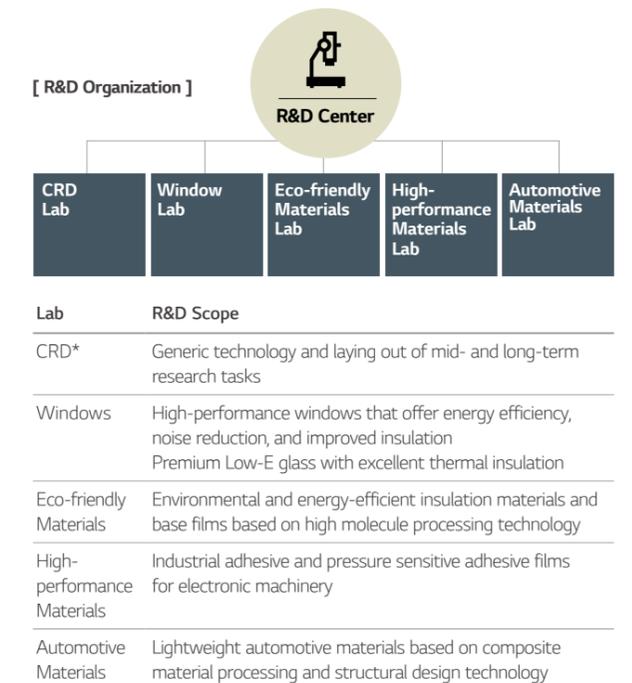
**R&D Activities** LG Hausys launched its research center in 1989 as a processing technology research center. The institute undertakes R&D activities for the development of plastic processing technology and has recently expanded its scope to include research on natural, inorganic biodegradable, and composite materials.

**R&D Organization** The LG Hausys R&D Center operates five labs in five different areas: Corporate Research and Development, Windows, Eco-friendly Materials, High-performance Materials, and Automotive Materials.

### [ R&D Activities ]

R&D Activities	Major Achievements	R&D Scope
Energy Conservation	<ul style="list-style-type: none"> <li>Low-E glass</li> <li>High-performance insulation</li> </ul>	<ul style="list-style-type: none"> <li>Maximization of energy efficiency in buildings and window insulation</li> <li>Insulation and fire safety</li> </ul>
Eco-friendly Building & decorative materials	<ul style="list-style-type: none"> <li>Green flooring and wallpaper</li> </ul>	<ul style="list-style-type: none"> <li>Utilization of corn-based polylactic acid (PLA) as a product safe for humans and the environment</li> </ul>
Functional Film/Fabric	<ul style="list-style-type: none"> <li>Transparent adhesive film and industrial adhesive and pressure sensitive adhesive film</li> <li>Eco-friendly Autoskin</li> </ul>	<ul style="list-style-type: none"> <li>Development of functional adhesive and laminating materials that offer greater convenience in everyday life</li> <li>Development of durable eco-friendly and pollution-resistant fabric based on bio-based plastic to help reduce greenhouse gas emissions</li> </ul>
High-strength Lightweight Materials	<ul style="list-style-type: none"> <li>High-strength lightweight composite materials</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of automobile mileage and fuel-efficiency</li> </ul>

### [ R&D Organization ]

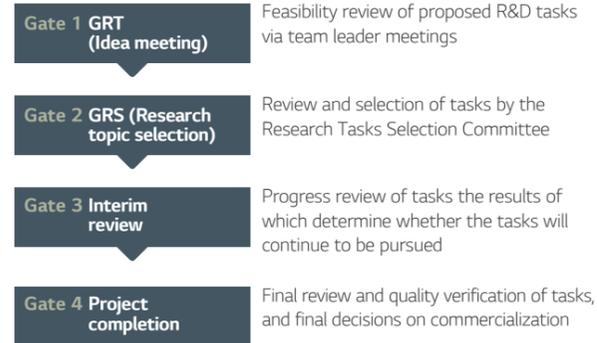


\*CRD : Corporate Research & Development

**Development Process** LG Hausys has operated the Gate Review System (GRS) for systematic research and development since 2001. Research topics are selected through the GRS, the final decision-making gate, after a working-level review. Then selected research projects are monitored on a regular basis in accordance with the development schedule until their release.

**R&D Achievements in 2014** The LG Hausys R&D Center's systematic approach to product research and development ensures we are consistently moving in the direction of maximizing customer satisfaction. As of 2014, LG Hausys had received nine certificates and awards, including NET and NEP. LG Hausys invested KRW 44.917 billion (1.59 percent of total sales) in R&D. We will continue to take ambitious leaps forward to become a global leader through research projects that result in the development of eco-friendly, safe, and customer-oriented products.

[ Development Process ]



[ R&D Achievements in 2014 ]

**Eco-friendly Decorative Materials**

**ZEA series**  
The ZEA series consists of green interior design materials (wallpaper and flooring), which received top class (baby-class) certification from Oeko-tex standard 100. LG Hausys has improved the thermal performance and durability of products by securing new material technology. LG Hausys will enhance its capabilities in and expand utilization of fiber-blending technology while boosting PLA utilization and processing technologies.

\*Oeko-tex Standard 100: A certification system for products in direct contact with the skin, such as clothing, bedding, toys, and interior design materials. The certification assures their non-threat to human health.



**Energy Efficiency**

**Smart windows, Low-E Glass**  
LG Hausys developed single pane windows with first-grade energy efficiency through the effective convergence of IT technologies. LG Hausys is developing platform technology for Low-E glass to create "super-insulated triple Low-E glass" that offers maximum durability and superior thermal performance.



**Automotive skin**

LG Hausys successfully entered the eco-friendly automotive skins industry with our development of water-based coating materials for seat covering fabric. LG Hausys will continue to create products infused with humanistic and emotional design principles towards our goal of becoming the global leader in the automotive skins market.



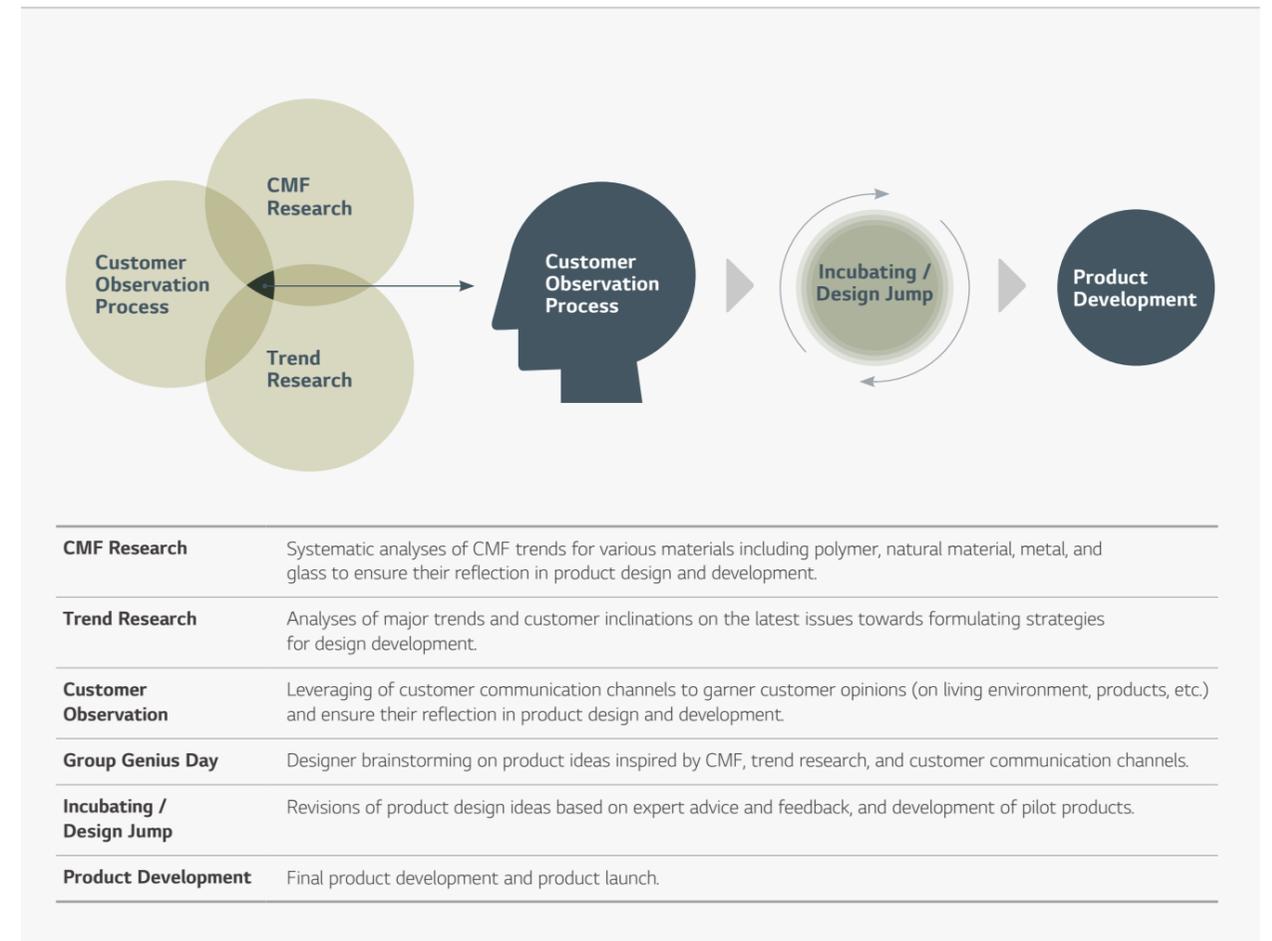
**Sharpening Design Competitiveness**

LG Hausys strives to keep abreast of the latest market trends from consumers' perspectives, offering designs that reflect consumer taste. With the largest design center in Korea's building materials industry, and our unique design culture known as "Design Innovation" aimed at fostering talented designers, we are always one step ahead of our competitors.

**Development Led by Customer Insights: "Design Innovation"**

"Design Innovation," with its motto "Turn ideas into products," refers to the process by which LG Hausys members develop pilot products based on product incubation that allows for valuable feedback on products prior to their launch. Many products developed through Design Jump have been extremely well-received among customers.

[ Design Innovation ]



## R&D Workforce Recruitment and Industrial-Academic Cooperation

In 2014 LG Hausys ran various programs (e.g., LG Techno Conference and R&D Camp) for the recruitment of high-quality human resources. We also sought out industrial-academic cooperation with domestic and overseas universities to reinforce our R&D capacity.

**Collaboration with spacing** LG Hausys has had many fruitful collaborations with guest designers from around the world, that have resulted in the launch of unique products enthusiastically received by customers. Our talented past guest designers include hanbok (traditional Korean clothing) designer Lee Hyo-Jae, and renowned interior architects Karim Rashid, Zaha Hadid, and Alessandro Mendini.

**Development of Market-leading Products** LG Hausys runs various programs, including the "Design Trend Seminar" and the "Trend Forum," as part of our efforts to create products that not only lead the market but also set the trends that others follow.

**Design Trend Seminar** The Design Trend Seminar celebrates its 15th anniversary in 2015. Over 800 designers and experts in related fields participate in this annual event hosted by LG Hausys to share information about sociocultural issues, customer lifestyle shifts, and current and future global design trends.

LG Hausys will continue to expand its presence in various areas including automobile, electronics, IT as well as interior design by keeping abreast of social changes and trends and applying these to product design and development.

**Trend Forum** The Trend Forum provides a platform for LG Hausys members to analyze social trends relevant to each business division towards the realization of specific product concepts. For example, product ideas may be brainstormed and shared among the automotive parts division and related departments and engineers to garner constructive feedback from the different parties expected to be involved in the product development process.

**Design Awards** LG Hausys is passionate about delivering the highest level of value to our customers. This is a passion that culminates in the LG Hausys Design Center, which has been widely recognized in Korea and abroad for its outstanding contributions to the field of design.

[ Hi-MACs Motion Wall, the winner of 2015 Design Award ]



[ Top three design awards received until February 2015 ]

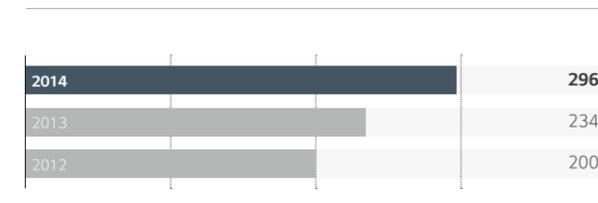


Design Trend Seminar

### Effective R&D Workforce Recruitment

**LG Techno Conference** The LG Techno Conference was a valuable forum for LG Hausys to recruit outstanding research and development experts and to carry out promotional and informational activities targeting student researchers currently enrolled in graduate-level programs. We particularly focused on the recruitment of researchers in the polymer-based materials and automotive parts fields. These recruitment activities are vital to fueling our R&D intensity, and are ongoing.

[ 2012-2014 R&D workforce ] Unit: person



**R&D Camp** LG Hausys' R&D Camp is a promotional event through which we provide information on the company to graduate-level students. Forty Korean graduate students were invited to the camp held in August 2014, during which they visited LG Hausys headquarters and attended various programs focused on research and development, recruitment, and others.

### Partnership with Academia and Research Institutes

LG Hausys continues to actively seek out R&D partnerships with prestigious universities for the discovery of new technologies that can be developed as potential growth engines. Some of our partners include Seoul National University, Harvard University, and corporate research institutes such as the Hyundai-Kia R&D Center and the Ford Research Center.

**Projects with Seoul National University** LG Hausys and Seoul National University have undertaken joint research projects on polymer-based materials and lightweight materials used in construction, automobiles, IT, home appliances, and medicine. We will continue such projects and have a plan to provide scholarships to talented students who have the potential to become outstanding researchers in the chemical materials areas.

**Conference at the Harvard Center for Green Buildings and Cities** LG Hausys attended a conference held in celebration of the launch of the Harvard Center for Green Buildings and Cities to gauge the latest technological trends and future directions of architectural energy conservation, and to discuss measures for collaboration between LG Hausys and Harvard University in areas related to environmental architecture.



LG Techno Conference



R&D Camp



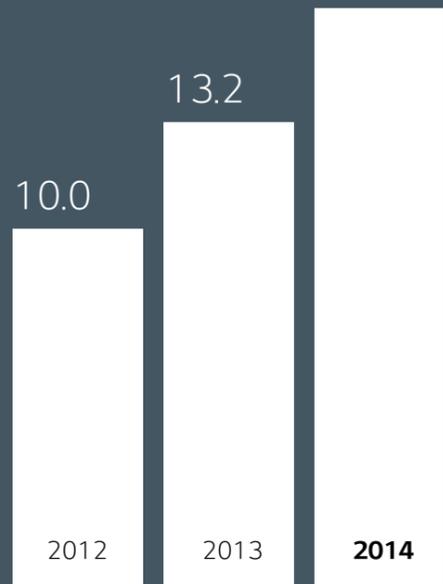
Attendance to a conference held in celebration of the launch of the Harvard Center for Green Buildings and Cities

# Enlarging Eco-friendly Product Family

LG Hausys is committed to providing our customers with eco-friendly products that help to create healthy and pleasant living spaces for humans, and harmony between people and the environment. We will continue to do our best to supply green products to our customers through consistent research on environmental materials and energy-saving technology.

Sales of new green products in total sales\*  
Unit: percent

17.3

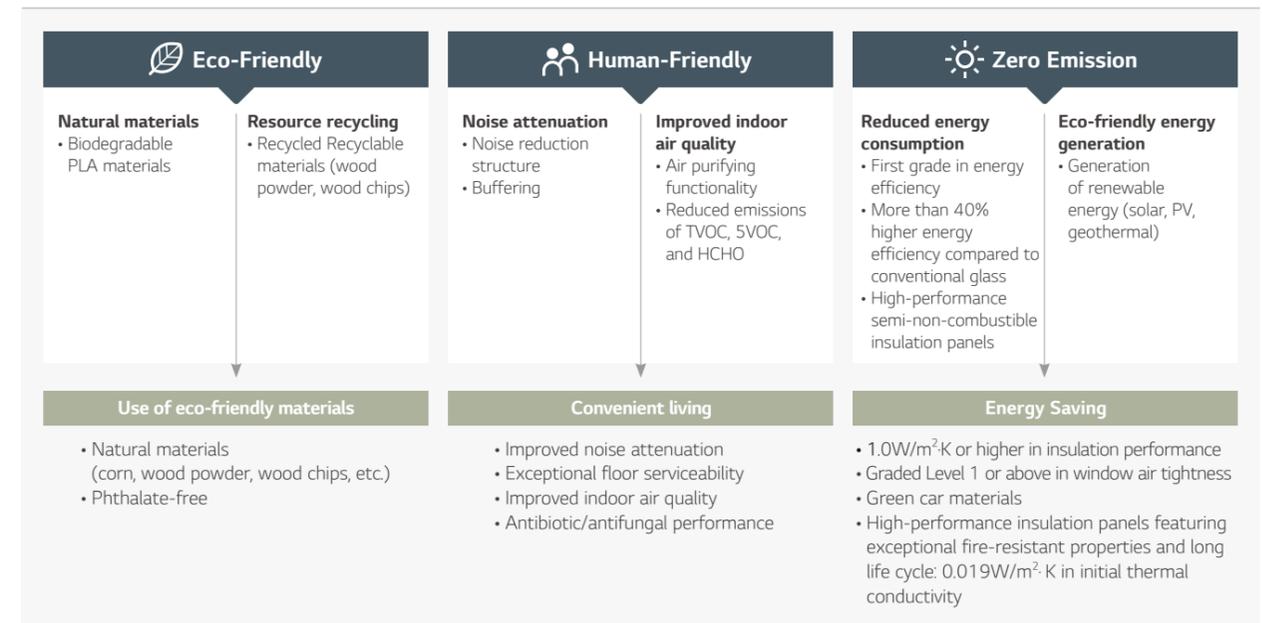


\*New green products encompass decorative materials and windows.

## Identity and Certification for Eco-friendly Product Development

Our "Green Identity" provides LG Hausys with the foundation for our pursuance of customer value-oriented management and eco-friendly technologies. Our efforts have been recognized by many international evaluation institutions.

[ LG Hausys Green Identity ]



### Eco-friendly Product Awards

LG Hausys products are widely recognized for having high levels of environmental consciousness.

- Named one of the Top 10 Eco-friendly Real Estate (by the Chinese National Construction Company Association)
- Won the "Prime Minister Award" on "2014 Product Safety Day" (given by the Ministry of Trade, Industry and Energy of Korea)
- ZEA Sorijam, ZEA wallpaper, PF board insulation named "Green Products of the Year for 2014 Chosen by Korean Consumers" (released by the Green Purchasing Network)

### Certified Eco-friendly Products

LG Hausys products have obtained many domestic and global environmental certifications.

- Fabrics for automotive seat coverings, wall coverings, flooring products: attained Oeko-tex standard 100 Class 1 (baby-class) certification (Europe)
- LG Hausys was Korea's first flooring supplier to obtain the "C2C (Cradle-to-Cradle)" certification

\*C2C (Cradle to Cradle) Certification: An international green certification system for products that achieve zero waste through natural biodegradation or industrial resource recycling.

[ Yearly changes of eco-friendly products\* certification ] Unit: Product



\*Green products: Products certified with Korea Eco-Label, HB Certification, and Carbon Reduction Label

		2012	2013	2014
Certified eco-friendly products	Korea Eco-Label	63	49	71
	HB Certification	23	28	27
	Carbon Reduction Label (Low Carbon Certification)	25(2)	18(2)	14(3)
Window energy-efficiency grade		191	248	265

- The number of international certifications obtained in 2014: 12

## Sustainable Products

LG Hausys' environmental product lineup "Eco Collection" utilizes natural materials and renewable resources such as PLA\* and incorporates energy-efficient technology. We will continue to do our best to promote the sales of new green products and reinforce eco-friendly product solutions to solidify customer trust.



### 1. Closet Materials

#### 'Sum' Tile

Absorbs harmful substances, deodorizes, and adjusts indoor humidity

### 2. Interior Design Film

- Phthalate plasticizer-free
- Eco-friendly ink free of benzene, toluene, and xylene (BTX)
- Formaldehyde (HCHO)-free

### 3. Wall Coverings

Wall coverings made of natural materials are safe and decompose harmful indoor substances, reducing everyday odors.

#### ZEA wall covering

- Highest level of total volatile organic compounds (TVOC), meeting the criteria for the highest grade of the HB (Healthy Building) Mark
- Formaldehyde (HCHO)-free

### 4. Flooring

LG Hausys flooring is made with natural materials free of harmful substances and has cushioning that helps reduce noise between floors.

#### ZEA Sorijam

- Cushioning helps reduce everyday noise by over 30 percent compared with ordinary plywood flooring
- Cuts heating costs by 30 percent due to outstanding heat conductivity that is 70 percent better than laminate flooring

#### ZEA Maru

- More durable than plywood flooring

### 5. Windows

LG Hausys window solutions feature superior insulation capacity that enhances energy efficiency in buildings, and because they are free of Pb stabilizers and other harmful substances, better maintain indoor air quality.

#### High-insulation Low-E glass

- 40 percent more energy efficient compared to ordinary glass

### 6. Home Appliances

LG Hausys' finishing materials for home appliances and vacuum insulation panels are made with safe and environmental materials and contribute to energy efficiency.

#### PVC-free Surface Materials for Home Appliances

- Safe, eco-friendly resin (PVC free)

#### Airtight insulation

- Improved energy efficiency through the minimization of heat loss

### 9. Decorative sheet

#### Glossy Film

- Eco-friendly resin free of heavy metals (lead, mercury, cadmium, hexavalent chrome, arsenic, etc.)
- Environmental ink that does not contain BTX, etc.

### 7. Hi-MACS

#### Eden

- Made of recycled chips
- Hygienic, anti-bacterial and durable

### 10. High Performance Insulation

LG Hausys insulation offers improved spatial efficiency and thermal performance compared to ordinary insulation materials and does not generate any harmful gases.

#### PF board

- Cuts cooling and heating costs up to KRW 1.4 million compared to styrofoam insulation of the same thick.

### 8. Synthetic Wood

#### Woozen

- Made of natural recyclable wood chips, wood flour, and harmless eco-friendly olefin resin

### 11. Eco-friendly Automotive Skin

Free from harmful substances such as phthalate plasticizers and heavy metals

### 12. Lightweight Automotive Components

Made of glass fiber for improved fuel efficiency

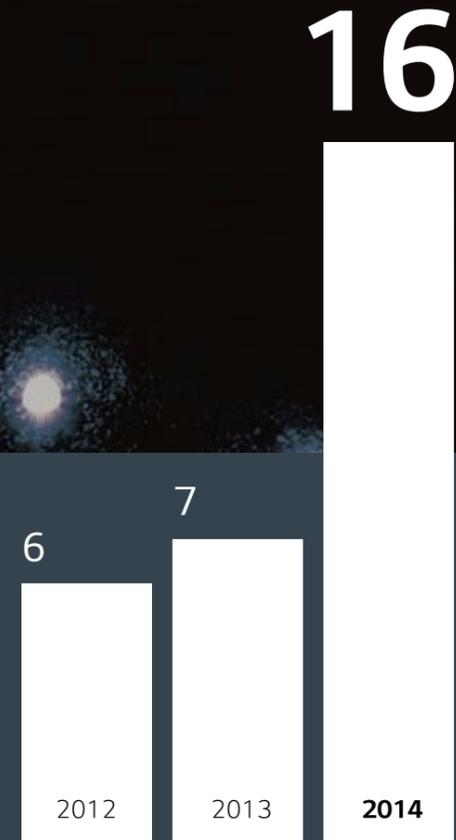
### \*Poly Lactic Acid (PLA)

PLA is a material derived from renewable vegetable resources, such as corn and sugar cane. It is safe as it does not emit toxic gases even when it is burned and has high anti-bacterial and deodorant efficacy. LG Hausys is the world's first to develop PLA-based flooring, wall covering, and windows to provide our customers with products safe for both humans and the environment.

# Opening Our Ears to Customers' Voices

LG Hausys operates 16 showrooms across the nation, including Z:IN Square, where customers can both experience and purchase our products. We will continue to expand customer contact points in order to raise customer value and open up more channels for company-customer interaction and communication.

The number of showrooms nationwide as of 2014



## Online Customer Contact Capitalize

LG Hausys is always looking to diversify its online customer contact points and in doing so boost accessibility to its products. We operate TV home shopping and online shopping malls that offer comprehensive interior design services including ready access to LG products. In addition, the Z:IN website and SNS channels serve as effective channels of communication with our customers.

### Z:IN Brand Website and SNS Channel Operation

LG Hausys operates a dedicated brand website, Z:IN, in addition to its main company website in order to tailor brand promotion and provide customers with easy access to our products. We also offer diverse content for our customers, including video clips and photos, through the Z:IN blog.

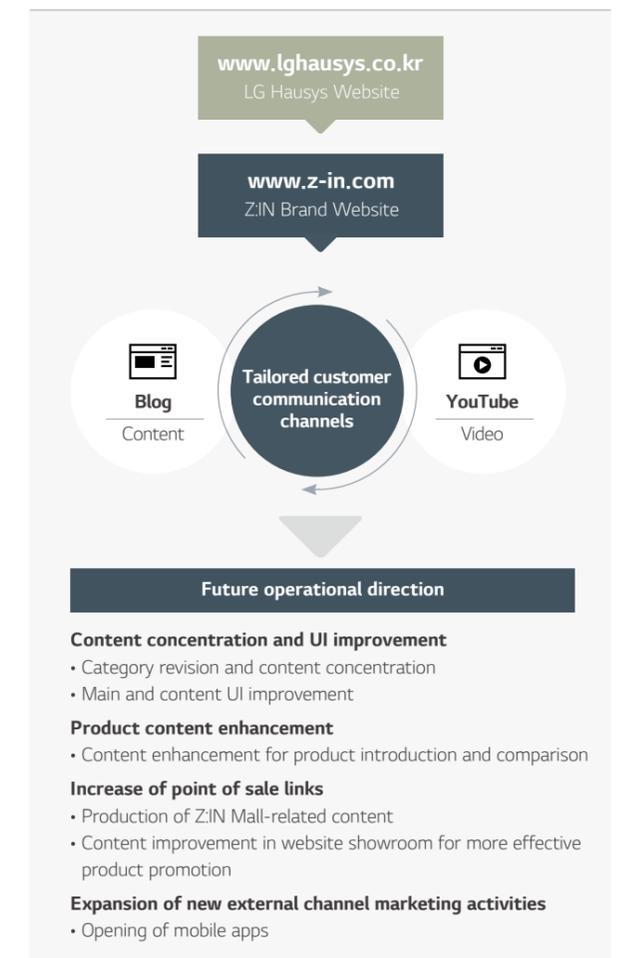
### TV Home Shopping

LG Hausys regularly features its products on TV home shopping channels, which offer ideal means to boost customer convenience by providing greater—and easier—access to our products. In 2014 we sold window products, wall coverings, and flooring (with free installation) on 20 TV home shopping channels, increasing brand awareness.

### Launch of Z:IN Mall

In 2014 LG Hausys opened Z:IN Mall, an online shopping mall that offers comprehensive interior design services at each stage, from product ordering at affordable prices, to counseling, estimations, and installation information.

[ Z:IN Brand Website and SNS Channel Operation ]



Launch of Z:IN Mall

## Offline Contact Points

LG Hausys operates a number of offline showrooms, including Z:IN Square, where customers can directly experience and purchase LG Hausys products. We will continue to expand our showrooms to facilitate more interaction and communication with our customers.

### Launch of Z:IN Square

LG Hausys launched its flagship store "LG Hausys Gangnam Z:IN Square" in the "furniture district" of Seoul in February 2014.

**Utilization of Z:IN Square** Z:IN Square is poised to set new trends in interior design in this busy furniture-focused district. This new store will serve as a showroom for LG Hausys' flagship products, offering total interior design solutions at every stage of the process from counseling on materials and design to the introduction of contractors.



LG Hausys Gangnam Z:IN Square

### Showroom Expansion

LG Hausys stepped up its marketing activities with the launch of new offline showrooms in major areas, such as Mok-dong and Songga-gu, in addition to Z:IN Square, in 2014.

[ Increase in the number of offline showrooms ]



### SPECIAL ISSUE

LG Hausys in famous landmarks around the world

Introduction to Hi-MACS

LG Hausys' peerless products have a definitive presence in many renowned architectural landmarks worldwide including in Korea, the United States, and in China.



Brooklyn Museum (New York, United States)



Guangzhou Opera House (Guangzhou, China)



Oriental Pearl TV Tower (Shanghai, China)

## Community Vitalization

LG Hausys utilizes "housewife" communities and various media channels to bring its brand closer to customers. We actively garner feedback from our customers to assist us in developing the products that meet their needs.

### Z:ENNE

Z:ENNE is an interior design community comprised of housewives who serve as prosumers and brand ambassadors for the promotion of LG Hausys' products.

**Duties and Activities** New members are recruited into the community every year. The members are given one-year terms during which they carry out various brand promotion activities. These women serve as vital bridges of communication between the company and consumers.

**Other Activities** LG Hausys runs various programs to increase communication with Z:ENNE members, such as overseas field trips focused on interior design, the monthly Z:IN Eco School, and special activity programs for Z:ENNE alumnae.

### Z:IN Brand Product Placement (PPL)

LG Hausys ensures that our products have a presence in popular television shows and in other media with the goal of expanding brand recognition.

### [ Major Duties and Activities of Z:ENNE ]

#### Z:ENNE Housewives Community



Identification of customer needs and suggestions for improvement

Z:ENNE members are **prosumers** who provide feedback to the company on Z:IN products and services, assisting us in giving customers the eco-friendly and healthy living spaces they have come to expect from the company.

- Participation in product shows, focus group discussions, and surveys
- Submission of VOC report annually



Carrying out of Z:IN-related on/offline PR activities

Z:ENNE members are **brand ambassadors** who embody the brand values of Z:IN—eco-friendliness, reliability, and professionalism—and spread these values to customers through on/offline channels.

- Event promotion and announcement of new products through SNS
- Posting of reviews on products, showrooms, and services on the Z:IN blog



Creation of content from customer perspectives

Creation of content from customer perspectives Z:ENNE members are **content creators** who communicate consumer perspectives on Z:IN products and services ensuring such perspectives are reflected in the company's products.

- Themes on interior design and living
- Posting of articles, etc., on the Z:IN website and the Z:IN blog (Z:ENNE report, etc.)



9th ZENNE

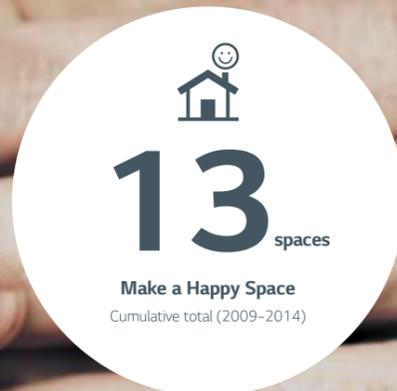


# Engaging With Our Local Communities

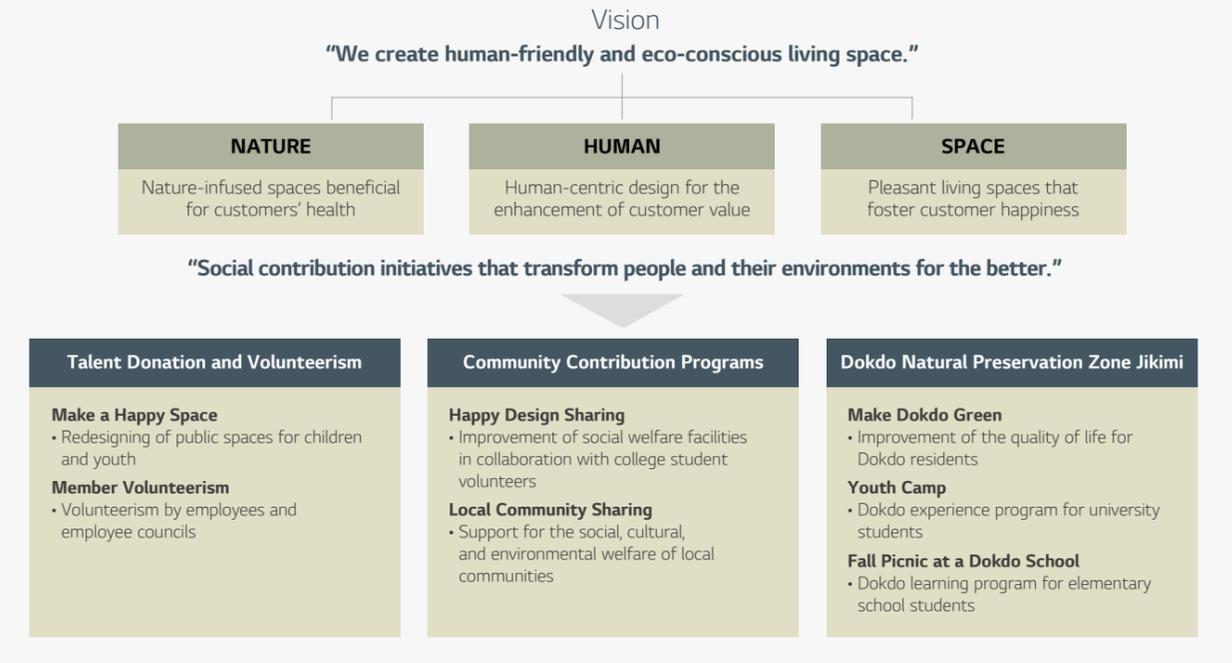
LG Hausys and its members actively engage in corporate social responsibility (CSR) activities with the aim of realizing shared growth between our business and society.

These activities include "Make a Happy Space," "Happy Design Sharing,"

"Dokdo Natural Preservation Zone Jikimi."



**CSR Vision System** LG Hausys is proactive in its CSR initiatives, propelled by our commitment to preserving the environment and creating harmony between nature and human beings. We engage in various activities aimed at supporting the local community, leveraging our strengths and the capacity and passionate commitment of our members.



## Talent Donation and Volunteerism

In the spirit of giving back to society, LG Hausys introduced "Make a Happy Space" in 2009, a program focused on redesigning public spaces for children and youth. Our members have carried out various community volunteer work in relation to this program.

### Make a Happy Space

This program is focused on redesigning public spaces for youth. Through the combination of LG Hausys members' talents and the strategic use of our products we have succeeded in renovating many formerly grim spaces into "Happy Spaces" that inspire in children and youth new dreams and hopes for the future.

#### [ 2014 Make a Happy Space Project ]

##### Happy Space 12 – Dichahill in Incheon

The children's center "Dichahill" is the twelfth beneficiary of LG Hausys' "Make a Happy Space" program. LG Hausys sponsored the construction of an e-library jointly with LG Display.

##### Happy Space 13 – Gongeoptap

LG Hausys completed its thirteenth Happy Space project in December 2014 under the supervision of its Ulsan plant. For the project, LG Hausys renovated the Gongeoptap (Industrial Tower Youth Cultural Center) and the tower's multi-purpose hall.

#### [ Make a Happy Space Project ]

2009	Happy Space 1 Happy Space 2	Goyang: Ilsan Holt Children's Services Inc. Seoul: Cheonho Children's Center in Gangdong-Gu
2010	Happy Space 3 Happy Space 4	Cheongju: Dongsan Children's Center Seoul: Yeongdeungpo Social Welfare Center
2011	Happy Space 5	Seongnam: Chowon Academy
2012	Happy Space 6 Happy Space 7 Happy Space 8	Seoul: Cheongun Childcare Center Ulsan: Guibok Children's Center Cheongju: Gagyeong Children's Center
2013	Happy Space 9 Happy Space 10 Happy Space 11	Ulsan: Namgu Social Welfare Center Ansan: Youth Center Cheongju: Oksan Children's Center
2014	Happy Space 12 Happy Space 13	Incheon: Dichahill Ulsan: Gongeoptap

## Local Community Sharing

LG Hausys engages in various activities to share love with and provide support for underprivileged people in local communities. Our CSR initiatives cover diverse areas of society and the environment, and are carried out individually by each plant.

### Plant CSR Activities

LG Hausys' Ulsan and Cheongju plants actively participate in CSR activities for the social development and environmental preservation of the local communities located in the vicinity of the plants.

### Happy Design Sharing

In 2014 LG Hausys and the Seoul Design Center jointly carried out their third "Happy Design Sharing" campaign, an annual citizen-participatory CSR activity aimed at improving aged social welfare facilities. Participants in the campaign included Z:ENNE members, design experts, and college students majoring in design.

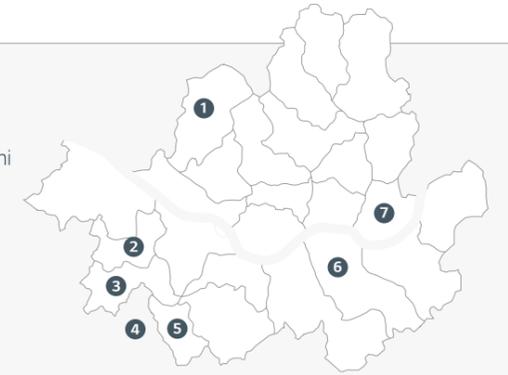
#### [ Plant CSR Activities ]

Location	Project	Description
Ulsan Plant	Hoeyagang (River) Water Quality Testing	• Water quality testing (6 items) in 13 spots along the Hoeyagang (River) near the Ulsan plant
	Daeunsan (Mountain) Conservation Campaign	• Nature conservation activity performed in collaboration with the Clean Ulsan Promotion Team (affiliated with Ulsan City)
	Warm Houses Campaign	• Heating system installation for seniors living alone who are recipients of the basic livelihood security program and 11 near-poverty households
	Labor for Love	• Donation of kimchi refrigerators, laundry machines, and wheelchair scales to Singwang Elderly Nursing Homes
Cheongju Plant	Save the Mihocheon (Stream)	• Mihocheon environmental cleanup in collaboration with the Geumgang River Basin Environmental Office
	Support for children from low-income families	• Support for basic cost of living in collaboration with Green Umbrella Children's Fund
	Briquettes of Love	• Distribution of charcoal briquettes to seniors living alone in collaboration with Chungbuk Charcoal Briquettes Bank
	Kimchi of Love	• Donation of kimchi to childcare centers and senior welfare centers in local communities



Happy Design Sharing

LG Hausys and the Seoul Design Center renovated seven facilities (Geumcheon Youth Center, Hansarang Community Child Care Center, Supsok Community Child Care Center, Jangsu Senior Citizens Center, Ammi Sinwol Child Care Center, Solbaram Welfare Center, and Children's Public Library). A total of 105 volunteers joined the campaign.



#### 1 Children's Public Library (Sajik-dong, Seoul)

Sponsored the design improvement project for the newly established "Storytelling Learning Center"

#### 2 Ammi Sinwol Childcare Center (Sinwol-dong, Yangcheon-gu, Seoul)

Decorated the interior walls of the center

#### 3 Jangsu Senior Citizens Center (Guro-gu, Seoul)

Provided furniture and painted and decorated the interior walls

#### 4 Supsok Community Childcare Center (Soha-dong, Gwangmyeong)

Provided and installed wallpaper and flooring (Z:IN products)

#### 5 Geumcheon Youth Center (Gasan-dong, Geumcheon-gu, Seoul)

Provided and installed wallpaper and window screens and decorated the interior walls

#### 6 Solbaram Welfare Center (Pungnap-dong, Songpa-gu, Seoul)

Painted the interior walls of the center

#### 7 Hansarang Community Childcare Center (Gunja-dong, Gangdong-gu, Seoul)

Renovated interior and exterior spaces of the center



Happy Design Sharing volunteers  
**105** volunteers



## Dokdo Natural Preservation Zone Jikimi Initiative

LG Hausys makes various efforts to preserve the natural and cultural heritages of Dokdo including running programs to facilitate better understanding of Dokdo among youth, such as the Make Dokdo Green program, the Dokdo Love Youth Camp, and the Fall Picnic, among others. LG Hausys will continue to be proactive in its conservation and education initiatives for Dokdo.

### Make Dokdo Green

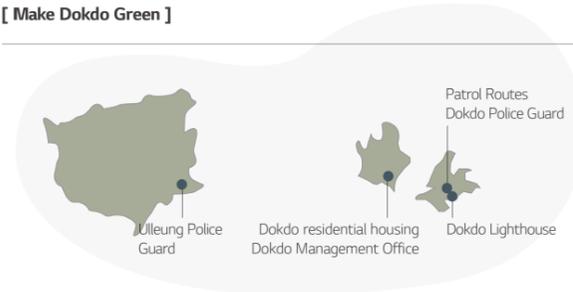
LG Hausys has undertaken renovation of major facilities on Dokdo in deep consideration of both preserving the beautiful environment of Dokdo, a natural conservation area, and improving the quality of life for Dokdo residents.

### Dokdo Love Youth Camp / Fall Picnic at a Dokodo School

**Dokdo Love Youth Camp** The camp consists of various programs designed for participating college students to experience Dokdo such as fieldtrips to Dokdo, discussions with the keepers of Dokdo, lectures by experts, conservation tasks, and nature trekking, among others. In 2014, Seo Gyeong-Deok, a Korean culture specialist, joined the program to speak to students on ways they can promote Dokdo more effectively.

**Fall Picnic** In celebration of Dokdo Day (October 25), LG Hausys invited elementary school children to the Dokdo School in the Independence Hall of Korea for a Dokdo-themed picnic and education program. The picnic provided a valuable opportunity for the children to learn more about Dokdo's flora and fauna and history. The children also participated in making a model of Dokdo and in sports activities.

#### [ Make Dokdo Green ]



- Dokdo Police Guard**
  - 2009. Replaced the flooring (tiles) of the gym, PC room, and cafeteria
  - 2010. Donated flooring materials (tiles), wallpapers, and other materials for improvement of the barracks
  - 2011. Donated tiles and cooking equipment for the kitchen
  - 2012. Renovated the operations room and guestroom; installed flooring (tile) and wall films  
Renovated the changing room and donated furniture
  - 2013. Replaced the flooring (tiles) of the situation room
  - 2014. Replaced the flooring (tiles) of the briefing room and donated home appliances
- Patrol Routes**
  - 2009-2014. Installed and repaired the safety fence ("Woozen" products used)
- Ulleung Police Guard**
  - 2013. Installed flooring (tiles) and wallpapering for the official residence and patrol division offices
  - 2014. Installed flooring (tiles) and wallpapering for the official residence and patrol division offices  
Donated heating equipment
- Dokdo residential housing**
  - 2011. Donated construction materials for the expansion of Seodo residential housing (windows, wallcovering, linoleum, etc.)
- Dokdo Management Office**
  - 2013-2014. Donated home appliances
- Dokdo Lighthouse**
  - 2011. Donated heating/cooling equipment
  - 2013. Donated home appliances
  - 2014. Donated home appliances and fitness equipment



### SPECIAL ISSUE

## Creation of Local Community Value Through Participation in Private-Public Partnership (PPP\*)

LG Hausys aggressively mobilizes its infrastructure and business capacity for the improvement of aged living environments and the creation of eco-friendly and pleasant living spaces in local communities in partnership with the central government and local governments.

### Seoul City Home Energy Efficiency Project (BRP)

This LG Hausys project aims to improve home energy efficiency by repairing or retrofitting facilities such as windows, heating systems, insulation, etc. LG Hausys signed a contract with Seoul City for this project, under which it will offer an up to 20 percent discount on windows to eligible homeowners and Low-E glass for the project through Z:IN Window Plus and diverse B2C markets including home shopping.

### Participation in the Green Remodeling Project

Led by the Ministry of Land, Infrastructure and Transport, the Green Remodeling Project aims to resolve the energy demand-supply imbalance and relieve the burden of energy costs by improving the energy efficiency of aged buildings. LG Hausys promotes the Green Remodeling Project through supplying our high energy-efficiency products, such as high-performance windows. In 2014, LG Hausys undertook 170 window replacement projects and completed roughly 50 percent of total green remodeling projects. In 2015, LG Hausys will supply eco-friendly construction materials through an agreement with Jeju-do (Island) for the vitalization of green remodeling on the island.

\*PPP: Private-Public Partnership



Dokdo Love Youth Camp

# SUSTAINABLE MANAGEMENT

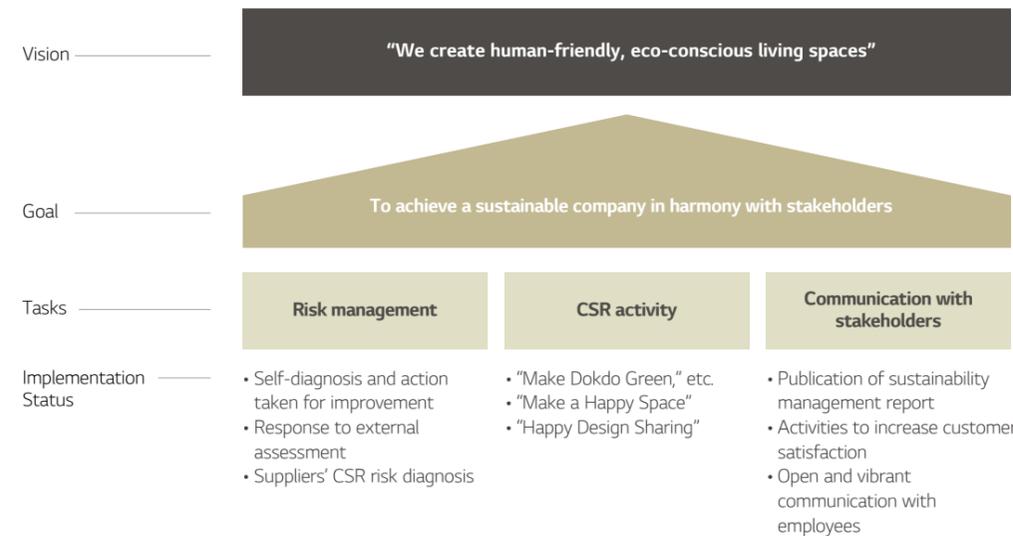
LG Hausys is a proactive participant in activities to combat climate change and protect the environment, pursuing sustainable growth, prioritizing environmental value, and fulfilling our social responsibilities in all our business initiatives. We strive to bring about positive changes to natural and human spaces. We will continue to do our utmost to earn our customers' trust and respect through sustainable development and activities that befit our stature as a global company.

# Sustainability Management System

LG Hausys' sustainability management system is based on our "nature, human, and space" vision and provides the foundation upon which we conduct our CSR activities. Moreover, our corporate governance structure and Jeong-Do Management system take fairness as their foundations, reinforcing our reputation as a company that earns social trust.

## Sustainability Management Promotion System

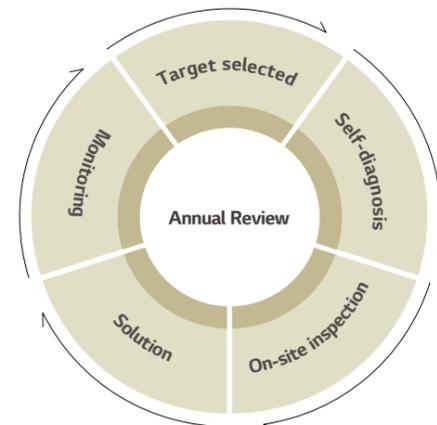
LG Hausys' sustainability management takes the company's vision, "creating human-friendly, eco-conscious living spaces," as its basis. We strive to fulfill our social responsibility while at the same time effectively controlling risks and providing peerless value to stakeholders.



## Risk Management

LG Hausys conducts thorough and effective risk management activities in order to early identify and solve any issues that arise. Nine areas are subject to review: governance, ethics management, shared growth, fair trade, customer value, social contribution, labor conditions and human rights, safety and health, and environmental management.

In 2014, LG Hausys inspected factories in China and the United States as well as in Korea and conducted an on-site diagnosis of the Ulsan Plant. Immediate action was taken to resolve any risks predicted and/or discerned through such inspections/diagnosis, and these areas are subject to regular monitoring to ensure the issues(s) have been effectively resolved.



SECTION  
Supplier CSR risk diagnosis → supply network CSR expansion  
p. 58

## Social Contribution

LG Hausys has carried out various CSR activities such as the Make Dokdo Green project, and the "Make a Happy Space" and "Happy Design Sharing" campaigns, among others. We are acutely aware of the impact of our business activities on society and people and utilize our CSR activities to nurture our relationships with local communities.

SECTION  
Participation in local community development.  
p. 32-27

## Stakeholder Communication

LG Hausys communicates with its major stakeholders—customers, shareholders and investors, business suppliers, employees, and local communities—through tailored channels. We ensure transparency by making widely available literature on the activities and outcomes of our business and other activities (e.g. sustainability management reports, business reports, environmental information reports). Such transparent information disclosure enables us to gain the trust and respect of our valued stakeholders, and promote our CSR activities and various training programs.

SECTION  
Stakeholder-based decision-making process  
p. 60-61

TABLE  
Results of the comprehensive assessment of issue importance  
p. 60-61

## Sustainability Management Performance and Future Plans

LG Hausys' roadmap for sustainability management guides our current efforts in this area and helps us set clear strategies for the future. In 2014, we added the "Major Issues about CSR Activity" to the board of directors (BOD) report, laying the foundation for future discussion of sustainability management-related topics at BOD meetings.

TABLE  
Management Structure  
p. 42

### [ Sustainability Management Action Roadmap ]

2014	2015	2016-
<b>Establishment of a CSR system</b>  <b>Establishment of a CSR support system</b> • Formulation of CSR strategy • Reflection of BOD regulations  <b>Reinforcement of CSR risk management</b> • Self-diagnosis • Response to external assessments such as ESG and CDP	<b>Reinforcement of CSR activities</b>  <b>Application of global CSR criteria</b> • Sustainability management reports(G4.0) • Inclusion in the DJSI  <b>CSR risk management for suppliers Risk management</b> • Application of CSR criteria to assessment • Self-diagnosis and on-site inspection	<b>CSR internalization</b>  <b>Active management of changes in CSR activities</b> • Employee training programs • Management of core CSR items  <b>Increase of strategic CSR activities</b> • CSV (Creating Shared Value) activities • Expansion of employee participation

### [ Sustainability Management Performance in 2014 ]

ESG assessment by Korea Corporate Governance Service	<b>Grade A</b> (ranked first among environment and social businesses)
Hankyoreh Economic Research Institute (available in Korean/Japanese/Chinese) Companies with outstanding CSR performance	<b>Included on the list of the "East Asia 30"</b> (one of nine Korea-based companies)
Korean Sustainability Index (KSI) by Korean Standards Association	<b>Ranked first among building materials businesses</b>

## Governance

LG Hausys abides by a fair decision-making system as part of its efforts to maintain the trust of stakeholders. We have improved our capacity to practice sustainability management by putting CSR-related issues on the table for discussion at BOD meetings since 2014.

### Shareholder Composition and Rights

LG Hausys maintains a fair and stable ownership structure in order to grow as a sustainable company. Wide-ranging information on major business issues are open to all shareholders, easily accessible through the electronic information disclosure system of the Financial Supervisory Service and on the LG Hausys website.

#### INFORMATION DISCLOSURE

LG Hausys website  
<http://www.lghausys.co.kr/utl/investor/counciljsp>

### BOD Composition and Operation

The LG Hausys BOD is responsible for decision making on major business conduct and for supervising board members. The BOD also votes on matters specified by relevant laws and the Articles of Association, matters delegated by the general shareholder meetings, and other important business-related matters. The separation of the CEO from the position of chair and the participation of outside directors in board activities ensure reasonable and transparent decision making.

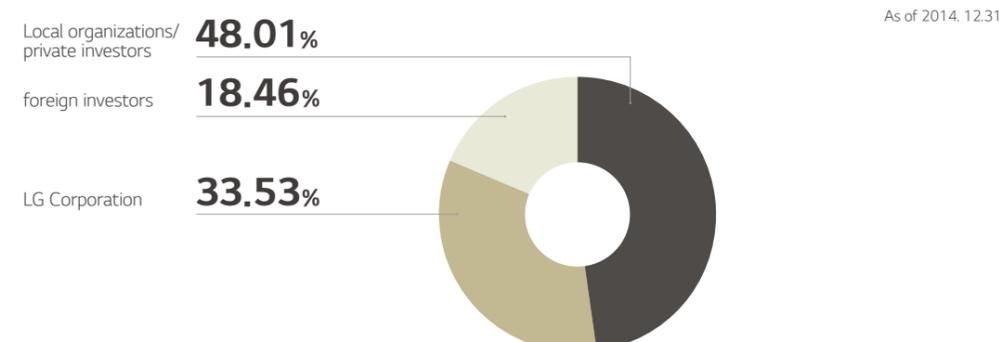
**BOD Composition** The LG Hausys BOD consists of seven members: two executive directors, two non-executive directors, and three outside directors.

**Appointment and Duties of BOD Members and Outside Directors** The appointment of board members follows the procedures stipulated in the Commercial Code and other relevant regulations and should be approved by the BOD and at the general meeting of shareholders. Outside directors should account for at least one fourth of the total number of board members. They are selected among experts with extensive experience and expertise in the fields of management, construction, and design. Outside directors play active roles on the board, offering their perspectives on various issues of LG Hausys including the company's strategic directions.

BOD position	Name	Regular position	Remark
Executive director	Oh Jang-Soo	President of LG Hausys	-
	Kim Hong-Gi	CFO	-
Non-executive director	Ha Hyeon-Hoe	CEO and president of LG Corporation	Chairman of the BOD
	Yu Ji-Yeung	Managing director, Business Administration Team, LG Corporation	-
Outside director	Oh Chan-Seok	Outside director, Hana Financial Group	Audit Committee (chairman)
	Kim Jin-Gon	Professor of Chemical Engineering at Pohang University of Technology and Science	Audit Committee
	Bae Zong-Tae	Professor of the KAIST Graduate School of Techno Business Management	Audit Committee

As of March 13, 2015

#### [ Stakeholder composition ]



**BOD activities** BOD meetings were held seven times in 2014 with 100 percent attendance of all members. A total of 37 agenda items were discussed, among which 30 were items for BOD approval and the remaining seven reports.

BOD Meeting	Date	Agenda	Director Attendance (%)
1	Jan. 10, 2014	Approval of the appointment of executive officers (draft) and two other items	100.0
2	Jan. 28, 2014	Approval of the fifth-term financial statement and four other items	100.0
3	Feb. 21, 2014	Approval of the convocation of the fifth general meeting of shareholders and three other items	100.0
4	March 14, 2014	Approval of the payment of director remuneration for 2014 and two other items	100.0
5	April 24, 2014	Report on Q1 2014 business performance results and three other items	100.0
6	July 24, 2014	Report on Q2 2014 business performance results and seven other items	100.0
7	Oct. 25, 2014	Report on Q3 2014 business performance results and two other items	100.0

**BOD Remuneration** BOD remuneration is determined each year in consideration of the annual performance evaluation of the BOD, inflation, and the external competitiveness of outside director compensation. The remuneration limit is approved at the meeting of general shareholders and any modification must be proposed to and ultimately approved by the BOD.

### BOD Committees

**Audit Committee** Ensures the independence and transparency of auditing. Consists of three outside directors who are not subject to the disqualification criteria stipulated in the Commercial Code.

**Audit Committee Responsibilities and Activities** Responsible for inspecting LG Hausys' corporate accounting and business practices. The committee reserves the right to request from board members reports on business operations at any time, and can convene ad-hoc general shareholder meetings whenever it deems necessary by alerting shareholders in writing of the reason the meeting is required. The committee also has the right to request business reports from and investigate the status of operations and assets of subsidiaries whenever it deems necessary.

Committee Meeting	Date	Description
1	Jan. 28, 2014	<ul style="list-style-type: none"> <li>Plans for 2014 Jeong-Do Management operations</li> <li>Report on fifth-term financial statements</li> <li>Report on fifth-term business report</li> <li>Report on the operational status of the internal accounting management system in 2013</li> </ul>
2	Feb. 21, 2014	<ul style="list-style-type: none"> <li>Approval of audit report (draft) concerning fifth-term financial statements and business report</li> <li>Approval of evaluation report (draft) on operational status of internal accounting management system</li> <li>Approval of evaluation opinion report (draft) on Internal Monitoring Scheme</li> </ul>

### SPECIAL ISSUE

#### Revision of BOD regulations on CSR

LG Hausys added "Important Issues about CSR Activity" to the BOD report in 2014 to help build a decision-making process on sustainability management for the BOD and establish the grounds upon which to report CSR activities to the BOD. Our aim here is to gradually facilitate discussions on sustainability management at BOD meetings toward the establishment of the Sustainability Management Committee, as part of the BOD, in the near future.

#### Current Status

"Important Issues about CSR Activity" added to BOD report

#### Goal: To build a decision-making process on sustainability management for the BOD



## 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 pathways by which LG can ultimately achieve this vision. The LG Way puts LG’s Management Philosophy of “value creation for customers” and “people-oriented management” into practice, and takes the ethical principles of Jeong-do Management as its foundation.

LG Jeong-do Management Website  
<http://ethics.lg.co.kr/>

### LG Code of Ethics

LG expects all its members to adhere to the LG Code of Ethics in their conduct and decision-making processes. The LG Code of Ethics is published in several languages (Korean, English, and Chinese) to ensure its distribution to all LG subsidiaries worldwide.

### 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 “value creation for customers” by sharpening our competitive edge through consistent innovation; and “people-oriented management” 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.



#### [ LG Way and Jeong-do Management ]



## 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.

**1. Jeong-do Management Pledge** All LG Hausys employees and our suppliers vow to comply with the LG Code of Ethics and practice Jeong-do Management by signing the “Jeong-do Management Pledge” online each year.

**2. 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 Office and be donated to welfare organizations or sold through an in-house auction so that the proceeds can be used for social-giving initiatives.

**3. 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.



**4. Jeong-do Management Training and PR Activities** All employees at LG Hausys receive annual work-related Jeong-Do Management training along with job training. LG Hausys also informs its suppliers and distributors of its ethics management and ensures that they receive relevant training at least once every three years. In 2014, Jeong-do Management training and promotional initiatives were extended to cover our overseas corporations in China, Russia, and Europe. Each branch trains its own in-house instructors to provide consistent training. Our training and promotional activities will continue to encourage all our employees and suppliers to abide by Jeong-do Management principles as beacons to their behavior. We will also strive to further improve overarching Jeong-do Management so as to foster better leaders and an even more rooted ethical corporate culture.

	Unit	2012	2013	2014
No. of training sessions	Times	41	32	37
No. of participants	Persons	2,218*	2,865	4,460

\*The figure was revised to include the number of participants in online training sessions (401) as reported in 2012.

#### [ LG Code of Ethics ]

Chapter	Theme
One	Responsibilities and Duties to Customers
Two	Fair Competition
Three	Fair Transaction
Four	Basic Ethics of Employees
Five	Corporate Responsibilities for Employees
Six	Responsibilities to the Nation and Society

# Operation of Eco-friendly and Safe Workplaces

Growing public interest in the environmental effects of business activities and safer workplaces led to the creation of LG Hausys' "Green Management," under which we undertake proactive initiatives to ensure respect for people and a harmonious balance between nature and business.

## Green Management Philosophy

Our Green Management is based on LG's Management Philosophy: "value creation for customers" and "people-oriented management." It provides the basis for LG Hausys to pursue a stable and harmonious balance between corporate activity, safety, health, and the environment by setting out specific management policies in those areas.

	[ Environment, Health, and Safety Policies ]
LG Management Philosophy	Corporate Role/ Responsibility LG Hausys undertakes various initiatives to protect human life, property, and the environment of local communities from disasters and accidents. We strive to realize a safe society and maintain a clean environment.
LG Management Charter	Organizational Role/ Responsibility LG Hausys perceives management goals for safety, environment, and health as being of equal importance as those for business performance. We set goals to help minimize the effects of dangerous and harmful elements on the environment and ensure they are realized in reality.
LG Code of Ethics	Employee Responsibility LG Hausys expects all its members to abide by laws and the company's internal rules for the prevention of safety and environment-related accidents.
LG Declaration for the Environment	Performance Disclosure LG Hausys ensures complete transparency by opening its safety and environment performance records to customers, local communities, and other stakeholders.
<b>Environment, Health, and Safety Policies</b>	Support for Suppliers LG Hausys supports its suppliers in their undertaking of proactive efforts to ensure safety, a clean environment, and health.

## Safety and Environment Committee

LG Hausys operates the Safety and Environment Committee, which is responsible for reviewing safety and environment-related laws and assessing potential risks before the establishment or enlargement of a workplace.



Environmental risk factors in newly built or enlarged workplaces are strictly controlled through safety assurance in six areas.

### [ Checklist for Each Area ]

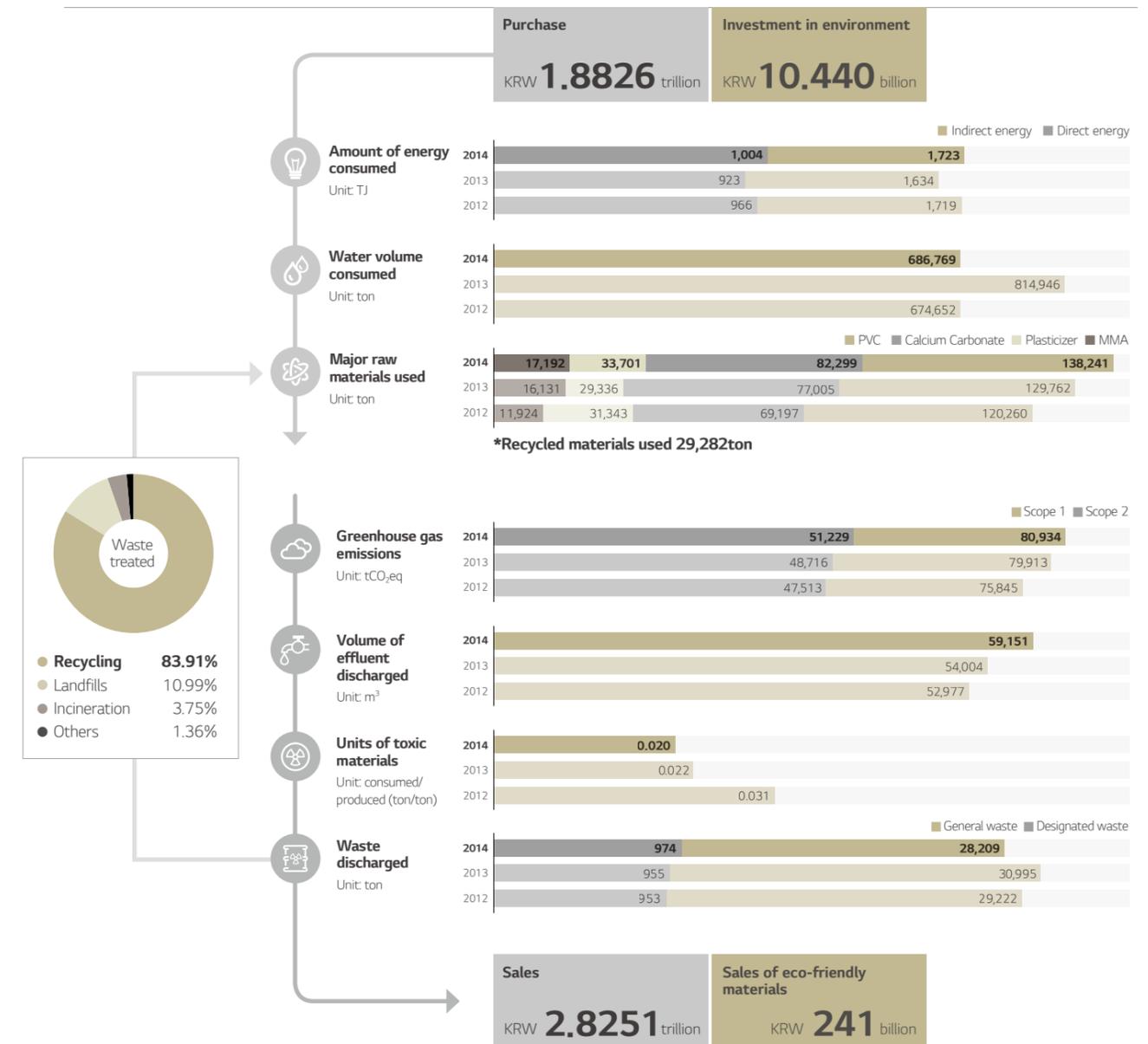
Safety	Fire risk	Environment
<ul style="list-style-type: none"> <li>Fulfillment of the PSM, proposal for prevention of harm and risk</li> <li>Structure, cut, and conductivity risks and appropriateness of blast-resistant facilities</li> <li>Workplace environment (passage, luminance, dust, oil mist, etc.)</li> <li>Availability and maintenance of protective kits</li> </ul>	<ul style="list-style-type: none"> <li>Appropriateness of fire resistant construction (fire partition, etc.)</li> <li>Appropriateness and condition of firefighting facilities (electricity and machinery)</li> <li>Plans for handling risk factors submitted pre-licensing</li> </ul>	<ul style="list-style-type: none"> <li>Air pollutant emission facilities and prevention facility installation</li> <li>Toxic chemicals treatment facilities</li> <li>Waste water discharge facilities</li> <li>Other regulations on environmental approvals</li> </ul>

## Eco-friendly Workplaces

LG Hausys makes efforts to minimize discharge of contaminated substances into the environment, particularly in the air, water systems, and soil.

Air environment management	Water environment management	Hazardous substances management	Waste management
Replaced existing air control facilities with high-efficiency facilities and built a monitoring system to prevent any abnormal operation of air control facilities.	Installed nonpoint pollution source treatment facilities not only for the proper treatment of waste water released from factories but for the prevention of river contamination caused by nonpoint pollution sources.	Actively conducting research into alternative substances in an effort to reduce the use of toxic chemicals. Installed safety facilities to prevent fires or explosions induced by chemical substances in workplaces.	Voluntarily signed recycling waste agreement with the Ministry of Environment in 2008 under which we are making every effort to completely recycle waste generated in our workplaces through the development of recycling techniques and cooperation with professional recyclers.

### [ LG Hausys' Eco-friendly Workplace Operation (Material Flow) ]

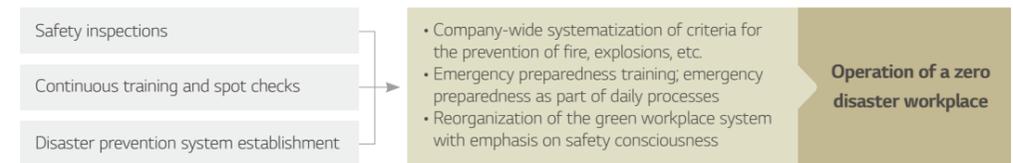


## Safe Workplaces

LG Hausys is nothing less than vigilant when it comes to safety. We go to the maximum lengths possible to ensure accident-free workplaces by consolidating related structural systems and continuously increasing our investments in facility improvements.



### Future Plan



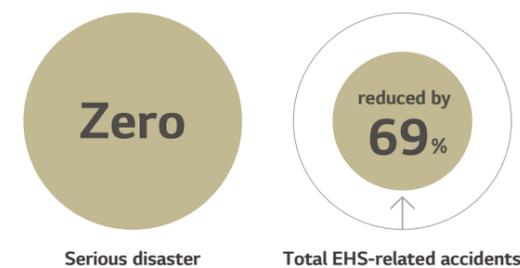
### Chemical Substance Accidents

LG Hausys obligates workers who handle hazardous chemical materials to receive safety education on a regular basis or whenever it is deemed necessary. We also conduct public awareness campaigns and emergency evacuation drills at least once a year with local residents as part of preparedness measures for toxic leaks. LG Hausys takes every measure to guard against such leaks, including installing dykes and trenches around storage tank facilities and piping systems that transport toxic chemicals above ground. Visible warning signs are placed around such facilities as well.

### Fire Drills

LG Hausys conducts regular practice fire drills at all factories and research institutes. The fire drills include protocol for evacuation, use of fire extinguishers, initial firefighting, emergency first aid, external extinguishment, safety confirmation, and restoration. We will continue to make intensive efforts to ensure occupational safety by carrying out regular fire inspections at workplaces, conducting fire drills, and making fire safety an integral part of each workday.

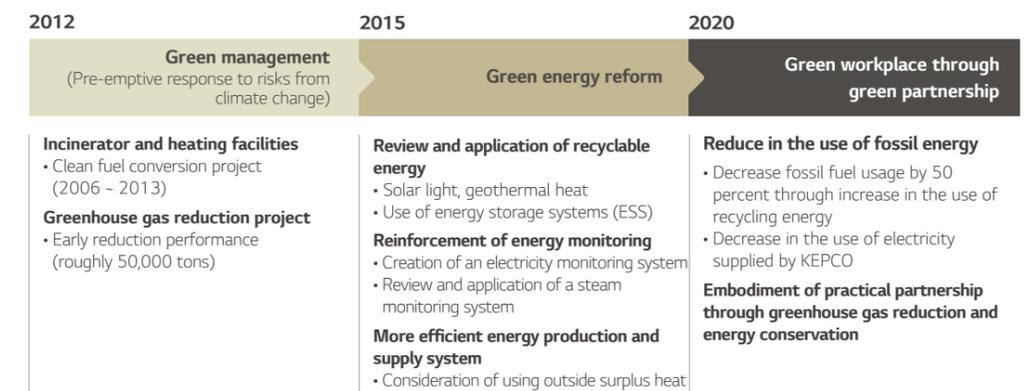
#### [ Outcome of the Safe Workplace Program ]



## Response to Climate Change

LG Hausys is aggressively addressing climate change realities through dedicated green management strategies and energy conservation activities as well as green partnerships. We continue our efforts toward greening our workplaces by adopting more environmentally-aware production processes and by carrying out energy efficiency initiatives. Moreover, LG Hausys will push various actions to cut greenhouse gas emissions through the greenhouse gas emissions trading scheme, which we applied beginning in January 2015, and pursue renewable energy and eco-friendly heating solutions.

### Strategies to Address Climate Change



### Energy-conservation TFT

LG Hausys organized an energy conservation task force team in each local workplace as part of company-wide initiatives towards energy efficiency.



#### [ Energy Conservation ]

Classification	Unit	2012	2013	2014
Investment in energy conservation	KRW million	1,881	2,734	3,641
Effect of energy saving annually	Energy saved	TJ	192	183
	Financial savings	KRW million	2,027	2,568
				364
				6,458

## Value Creation for Employees

LG Hausys is well aware that to become a market leader it is crucial that we recruit the most talented people and continually develop their capacities. We provide our people with tailored professional developments programs by career level and role to foster global leaders that can confidently lead the company into the future.

### Ideal LG Hausys Workforce

The ideal LG Hausys employee “believes in and is capable of practicing the LG Way.” Thus we strive to recruit into the organization competent individuals with global mindsets who meet this definition.

#### HR Management Principles

LG Hausys’ HR management principles prioritize respect for individual creativity and autonomy, emphasize competency, and ensure our valuable human resources are treated with fairness and respect.

Source of Value Creation	Operational Approach	Basic Implementation Philosophy
<b>Respect for individual creativity and autonomy</b> <ul style="list-style-type: none"> <li>Respect individual autonomy</li> </ul>	<b>Performance-based compensation</b> <ul style="list-style-type: none"> <li>Compensate outcomes fairly</li> <li>Compensate in accordance with individual and organizational contributions</li> </ul>	<b>Fair opportunity</b> <ul style="list-style-type: none"> <li>Provide fair opportunities to employees according to their capabilities and qualifications</li> </ul>
	<b>Emphasis on competency</b> <ul style="list-style-type: none"> <li>Recruit and nurture employees based on individual competence and necessary requirements</li> </ul>	<b>Long-term perspective</b> <ul style="list-style-type: none"> <li>Undertake HR decision-making processes and initiatives by taking a wider view</li> </ul>

### Facility Process Improvement

LG Hausys renovated the operating process of the energy-consuming regenerative thermal oxidizer (RTO) in an effort to reduce greenhouse gas emissions. The new system enriches the thickness of the discharged gas through the concentrator and then passes it to the incinerating facility while cutting air volume to reduce energy expenses.



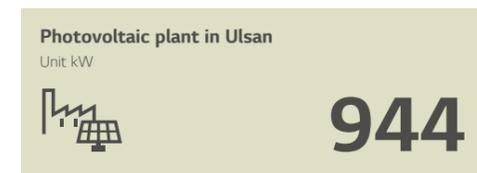
### Green Logistics

LG Hausys practices greenhouse gas reduction through efficient warehouse operations and transport processes.



### Photovoltaic plant in Ulsan

LG Hausys opened a rooftop photovoltaic power plant at its Ulsan Plant with investment by Serveone, and will take over the power plant beginning in 2020. We expect that the operation of the 944-kW facility will contribute to the reduction of carbon dioxide emissions and with that ultimately promote the national energy policy.



### Talent Nurturing

Talent nurturing is a prerequisite for any market-leading company. LG Hausys offers various systematic programs tailored according to the distinct roles and levels of our members, with content that focuses on boosting creativity, competencies, and leadership capabilities. Our employees can take advantage of all the programs on offer at the LG Hausys Human Resources Development Center located in Seoul.

<b>Business Leader Training</b>	<ul style="list-style-type: none"> <li>Future business leader training programs</li> <li>Assistant manager-level HPIs (high performance individuals): Basic business training                             <ul style="list-style-type: none"> <li>Management strategy (first-year), marketing (second-year), business operation (third-year)</li> </ul> </li> <li>Senior manager-level Biz/Pro Talent: Enhancement of work-based strategic insights                             <ul style="list-style-type: none"> <li>Biz Insight WS, market leadership seminars, etc.</li> </ul> </li> <li>Mid- and long-term overseas training: Global MBA, local MBA/ PhD programs, professional global designer programs, etc.</li> </ul>
<b>Specialized Job Training</b>	<ul style="list-style-type: none"> <li>Training courses for the improvement of working-level outcomes of the sales/marketing, engineering, and research workforce who take on key responsibilities in the company</li> <li>Performance improvement programs for each job category operated by divisions and research institutes</li> <li>Program Contents:                             <ul style="list-style-type: none"> <li>Sales marketing personnel (run by HR Development Team): B2B/B2C marketing strategy, customer management, sales counseling, etc.</li> <li>Engineers (run by divisions): basic training for engineers, product development and design process, cost management process, etc.</li> <li>Researchers (run by research institutes): experimental design, material engineering, analytical chemistry, rheology, etc.</li> </ul> </li> </ul>
<b>Global Competence</b>	<ul style="list-style-type: none"> <li>Global talent production programs for overseas business expansion</li> <li>Chinese language programs available for new recruits, employees to be dispatched to overseas branches, overseas branch employees, and locally-hired employees</li> <li>Program Contents                             <ul style="list-style-type: none"> <li>Young China Talent, Semi-Intensive Chinese</li> </ul> </li> </ul>

## Employee Compensation System

### Programs for Female Employees

LG Hausys operates a broad range of programs to ensure the vocational stability of our female employees. For instance, maternity leave, flexible working hours, options for part-time hours, etc., are some of the ways we support our female workforce in their efforts to achieve a healthy work-family balance. In addition, LG Hausys encourages its female employees to strive for the higher rungs of the corporate ladder by appointing talented female personnel to manager-level positions or above and providing continuous opportunities for leadership growth.

Pay scales at LG Hausys are determined based on employee performance. This performance-based wage system inspires our members to work to the very best of their abilities, which in turn results in the building of a market-leading organizational culture and optimal business results for the company. We offer competitive wages and rewards based on this performance-driven HR principle that in its essence shows respect for the autonomy and unique capacities of each employee.

### Performance Assessment and Compensation

LG Hausys conducts employee performance assessments every quarter so that they may receive the feedback and coaching they need to perform to the highest of their abilities and achieve their goals. The Assessment Review Committee, whose members are specially trained on evaluation methods, is responsible for conducting the assessments to ensure impartiality and fairness. Each employee is assessed on individual performance and capacity, contribution to business operation, and organizational specificity.

LG Hausys' compensation system is comprised of both cumulative and non-cumulative components: our cumulative annual salary scheme compensates individuals based on the previous year's evaluation outcomes, while the non-cumulative system consists of role-based pay, performance pay, On-Spot Incentives, diverse team-level rewards, and business rewards. In particular, the On-Spot Incentives scheme rewards our members for exceptional outcomes in accordance with our HR management principle of "High Performance, High Returns."

## Employee Welfare Programs

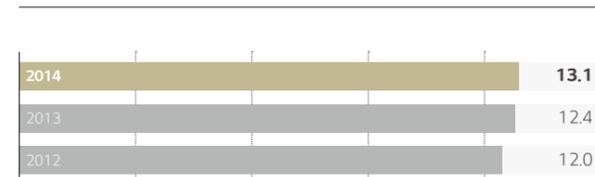
LG Hausys offers a broad range of welfare programs to our employees to ensure their physical and mental well-being and to relate to them the high value we place on their contributions to the company.

### Employee Counseling Programs

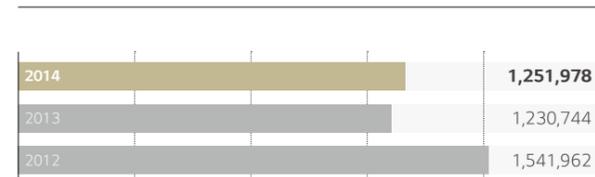
Mutual understanding among employees and the psychological stability of individual members are vital for the realization of a healthy and pleasant organizational culture. LG Hausys provides our employees with diverse counseling programs, such as EAP counseling, industry counseling, and Happy Talk, among others, to enhance our members' life and job satisfaction and their overall mental health.

Type	Topic	Description	No. of Counseling Sessions
Specialized EAP Counseling	Counseling on work stress and personal issues	<ul style="list-style-type: none"> <li>Personal level (treatment-prevention-growth)               <ul style="list-style-type: none"> <li>Maintaining psychological stability</li> <li>Relieving stress/improving tolerance</li> </ul> </li> <li>Organizational level (focus on work)               <ul style="list-style-type: none"> <li>Improving communication with colleagues</li> <li>Dealing with stress/tension</li> </ul> </li> </ul>	189
Industry Counseling	Job-related professional communication	<ul style="list-style-type: none"> <li>Health care support</li> <li>Emotional management</li> <li>Grievance and career management</li> <li>Support for EAP counseling</li> </ul>	122

[ Ratio of Female Employees ] Unit: %



[ Training Expense per Employee ] Unit: KRW



## Employee Health

LG Hausys gives top priority to our members' safety, health, and well-being. We offer an array of fitness and health programs for employees at all of our workplaces.

Management of people with suspected diseases	<ul style="list-style-type: none"> <li>Counseling for people with suspected general and vocational diseases by industrial health doctors</li> <li>Blood test and follow-up management</li> <li>Management through health care plans, counseling records, etc. by each department</li> </ul>
Preventive management	<ul style="list-style-type: none"> <li>In-firm Stop Smoking Clinic and fitness programs</li> <li>Training of emergency medical technicians and installation of automated external defibrillators in each department</li> </ul>
Health checkup	<ul style="list-style-type: none"> <li>Comprehensive medical checkup as part of employee welfare programs</li> <li>Health checkup before and after general and special health diagnosis</li> </ul>
Special health diagnosis	<ul style="list-style-type: none"> <li>Special health diagnosis depending on hazardous substance type (noise/dust/organic solvent/schedule substances/heavy metal)</li> </ul>
Additional cancer examination	<ul style="list-style-type: none"> <li>Blood test/ gastroscopy/ abdominal and thyroid ultrasonographies</li> </ul>

Ratio of people with suspected diseases

29.75%

Occupational injury reduced by

47%

## Organizational Culture Reform

LG Hausys created its "Working Culture F4" as part of our efforts to reform our organizational culture and emerge as a market leader acknowledged as such by customers. Employee-participated reforms in 2014 included "Green Board," "We-Ha-Yeo," "Hamimo," and "Idea Tree."

### Organizational Culture Reform in 2014

In 2014 LG Hausys drove organizational culture reform by spreading area-specific cultural "F4" initiatives and laying the groundwork for mid- and long-term growth and future developments. We will continue with such activities in 2015, and in particular hope to further root the "Working Culture F4" philosophy in the minds of individual members.



# Product Quality Responsibility

With "Global No. 1 Quality" as our goal, LG Hausys makes all-out efforts to provide our customers with the highest possible quality. We apply a stringent quality management system to the whole process of product development from production to sales to customer feedback.

## Future-oriented Activities

LG Hausys carries out various initiatives with our members towards realizing a future-oriented organizational culture.

Program	Description
Idea Tree	Idea culling program through which members suggest a variety of innovative ideas on specific topics
Hamimo	Idea contest for future areas, including new businesses, products, and culture
30's Talk, Knock Knock? Talk Talk!	Communication program for the promotion of a market-leading organizational culture
Happy One Hour	Organizational culture program in which members have the opportunity to participate in "market-leading activities" for an hour weekly
Self-Motivated Study Club	Self-motivated study program that supports member research in the business areas of their interest

## Working Culture F4

LG Hausys' "Working Culture F4" represents our own unique vision of a corporate culture in which members can focus on their work, find fun in their work, take action fast, and always perform in a fair way.

### Focus on customer value/core businesses by eliminating unnecessary duties internally

- Focus on customer value/core mission
- Align oneself with corporate strategy
- Eliminate unnecessary duties
- Solve issues and problems in meetings and conduct reporting



### Have fun at work through communication, and by helping to create a positive work environment

- Positively and confidently
- Mutual respect through recognition, compliments, and care
- Active top-down and lateral communication
- Creativity and autonomy-driven work environment

### Compete fairly with sound logic and strong capabilities

- Honest and transparent work process
- Fair treatment
- Compete on an equal footing based on capabilities
- Review and improve work performance

### Implement plans with intensity to reach goals quickly

- Agile and dedicated implementation
- Dedicated efforts for reaching goals quickly
- Impressive rewards for reaching target goals
- Swift decision making and delegation of responsibility/authority

## Employee Communication

LG Hausys runs diverse programs for the vitalization of communication among employees.

Program	Description
Green Board	An employee body for improving the workplace environment and establishing an organizational culture
We-Ha-Yeo	A communication channel for female workers for realizing a flexible organizational culture and boosting self-esteem
Happy Talk	A counseling program for team leaders/team members for facilitating open communication and increased interaction and bonding

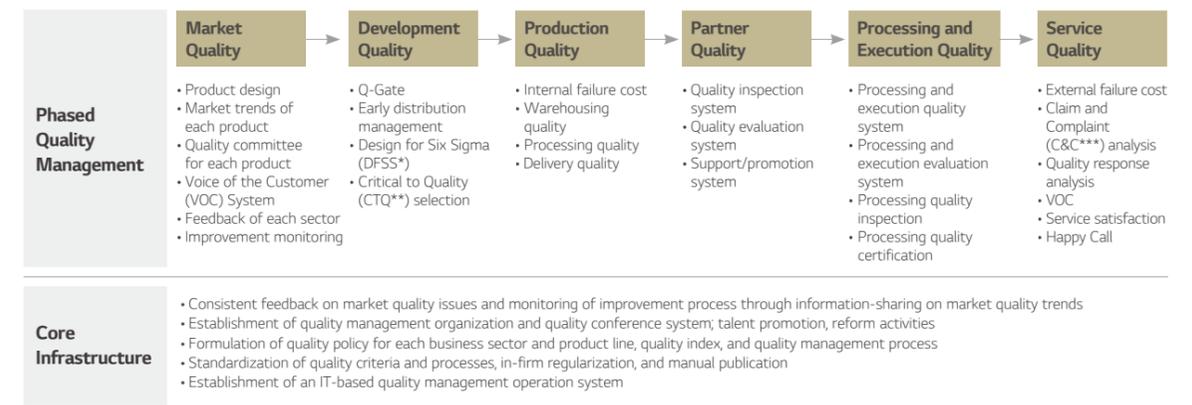
## Quality Vision and Strategy

LG Hausys established a new quality vision and strategy in June 2014 based on the CEO's quality management policy aimed at providing our customers with the very best products through a consistent quality policy molded from the customer's perspective.



## Quality Management Process

LG Hausys abides by our quality management system at all stages from product design to service delivery examining each process from a customer perspective.



\*DFSS : Design for Six Sigma, \*\*CTQ : Critical to Quality, \*\*\*C&C : Claim & Complaint

## Quality Management System

LG Hausys' comprehensive quality management system covers the entire process from product development to sales and plays a vital role in our efforts towards realizing our quality vision.

**New product development quality assurance system 「Q-Gate」** LG Hausys regulates quality throughout the entire process from the product design stage to development and product production to early distribution management on a regular basis in order to ensure our high quality standards are being met.



**Voice of the Customer (VOC)** LG Hausys' integrated management system includes various VOC channels that assist us in incorporating customer opinions in our business activities. Customer opinions gathered through these channels are shared with the relevant divisions so that they may be reflected in such areas as new product planning and development, marketing strategies, sales policies, distribution and logistics, and quality improvement.



### SPECIAL ISSUE

#### Market Quality Management and Sharing

LG Hausys carries out market quality management activities in order to facilitate systemized responses to market quality trends. Regular meetings are held to share ideas and information on market quality trends and to discuss quality improvements needed after product launch. We plan to expand such activities to all sectors of the company in the very near future.

2013	2014	2015
<b>Market quality management activities begin</b> • Sharing of action plans • Decision-making on reporting period and criteria	<b>Market quality sharing begins</b> • Applied in windows/decorative materials/high performance materials • Market quality sharing meetings held bimonthly or once a quarter on a trial basis	<b>Expansion and consolidation</b> • Expansion of the new distribution sector - Total interior shops, VOC, etc. • Consolidation of monitoring and follow-up

## Shared Growth and Mutually Beneficial Support

LG Hausys is committed to fostering shared growth with our suppliers. We operate according to the Fair Trade Compliance Program, which we voluntarily adopted, and make efforts for boosting our suppliers' growth and competitiveness by offering supports such as in-firm inspections and training in related regulations.

## Fair Trade Compliance Program

The Fair Trade Compliance Program is an internal law-abiding system for companies to comply with fair trade-related laws and regulations. LG Hausys strictly abides by fair trade regulations, holding regular inspections to resolve any inconsistencies or wrongdoings that may lead to non-compliance at an early stage.

LG Hausys implemented the Fair Trade Compliance Program, recommended by the Korea Fair Trade Commission, in 2010, confirming our will for voluntary compliance with fair trade standards and regulations.

Program	Description
Company Inspections	• Inspection to ensure fair trade practices in major business sectors and in workplaces
Fair Trade Law Education	• Regular education to raise employee awareness of fair trade standards and practices (distribution of fair trade literature, company classes, etc.)
Preliminary Review	• Reviews of all business areas including planning, sales, marketing, purchase, financing, etc. to prevent any violation of competition laws. • Reviews by internal fair trade experts before project launch
Internal Review of Subcontractor Agreement	• Formation of a watchdog system for the monitoring and prevention of unfair subcontracting practices • Establishment of the Internal Review Committee for Subcontracting Practices

### Compliance with Four Fair Trade Principles

LG Hausys implemented the Fair Trade Compliance Program based on the four fair trade principles. We also launched the Committee for the Internal Review of Subcontractor Agreement for the prevention of any violation of laws on subcontracting transaction through the preliminary review of the large-scale subcontractor transactions.



### SPECIAL ISSUE

#### Intensive Training following the Violation of Subcontracting Regulations (Prohibition of Technical Data Requirement)

The Korea Fair Trade Commission issued a corrective action order to LG Hausys in 2014 based on its judgment that LG Hausys had requested technical data from its subcontractors without just cause. LG Hausys respected the commission's order, carrying out related education in each workplace and technology-related division to prevent the recurrence of subcontracting regulation violations. LG Hausys also added the issue of subcontracting regulations to its fair trade education curriculum to ensure employee knowledge of all such regulations.

Employee Education held in 2014	No. of Participants	No. of Sessions
Subcontracting	299	9
Cartel and Unfair Transaction	195	9

## Programs to Foster Shared Growth with Suppliers

LG Hausys cooperates with over 1,000 raw materials and parts suppliers for production of our many products. In 2014, 39 percent of our total materials and parts purchases were from local suppliers located nearby our plants. We pursue shared growth with our suppliers through a specialized support system geared toward enhancing mutual competitiveness, and this system includes our tier two suppliers as well, for whom we have increased on-site visit programs.

### Five Tasks to Foster Supplier Growth

LG Hausys has designated five key tasks for fostering supplier growth: financial support, improvement of payment terms, support for quality and technology development, support for workforce training, and management support.

Tasks	Description	Outcome
Financial Support	LG Hausys offers low-interest Network Loans, Family Loans, and the LG Partnership Fund to suppliers. We also provide outstanding suppliers with additional support to update their economic systems.	<ul style="list-style-type: none"> <li>• LG Partnership Fund worth KRW 15 billion</li> <li>• Reward points to top-rated suppliers (Welfare Mall point incentives)</li> </ul> (Eligibility: top-ranked suppliers in comprehensive assessments, quality assessments, and according to the FTA assessment system, as well as outstanding tier 2 suppliers)
Improvement of Payment Terms	According to the common funding policy, cash payments are only available for contracts worth KRW 3 million or less. However, LG Hausys significantly expanded cash payments to assist its suppliers' business activities.	<ul style="list-style-type: none"> <li>• 100% cash payment</li> <li>• KRW 180.4 billion paid in cash regardless of the funding policy.</li> </ul>
Support for Quality and Technology Development	LG Hausys provides suppliers with support for facility, productivity and system improvements and quality stabilization; shoulders a portion of the cost of joint patent applications; and operates technology deposit programs for the safeguarding of supplier technologies.	<ul style="list-style-type: none"> <li>• Production innovation consulting service provided for automotive component suppliers (experts dispatched to seven suppliers)</li> </ul>
Workforce and Training Support	LG Hausys offers training on FTA-related country of origin management and environmental safety and quality management to assist suppliers in building up the capacity of their organizations and workforces. We also provide the employees of our suppliers with online education opportunities through LG Academy in various subject areas including general business management and professional operations.	<ul style="list-style-type: none"> <li>• Online education given by the LG Academy for 123 employees from a total of 120 suppliers.</li> <li>• Education on quality and productivity improvement given by the Korea University of Technology and Education for 84 employees from a total of 31 suppliers</li> </ul>
Management Support	<p><b>Raw material supply program:</b> In response to fluctuating currency rates and market conditions, LG Hausys operates a supply program for major chemical resources and construction materials suppliers to reflect average exchange rates or market conditions in setting supply cost.</p> <p><b>Transparent, interactive approach:</b> LG Hausys pursues a transparency-based relationship with our suppliers, sharing all information needed to ensure a win-win situation. As well, LG Hausys' CEO and purchasing managers attend meetings with suppliers in person to hear their opinions and reflect these in future business activities. LG Hausys also offers various management incentive and support programs to our suppliers including rewarding excellent suppliers, conducting detailed assessments to improve the financial structure of suppliers, and providing education on FTA-related country of origin management, etc.</p>	<p><b>FTA consulting service:</b></p> <ul style="list-style-type: none"> <li>• Given to four suppliers</li> <li>• Eligibility               <ul style="list-style-type: none"> <li>- Suppliers with high export sales and FTA beneficiary suppliers</li> <li>- Suppliers that are expected to see positive results due to their high awareness of the importance of effective management</li> </ul> </li> </ul> <p><b>Performance sharing for energy cost reduction for two suppliers:</b></p> <ul style="list-style-type: none"> <li>• Performance sharing: expenses for utility improvement and achievements</li> <li>• Energy cost reduction through facility investment</li> <li>• Consolidation of LG Hausys-supplier relationship through energy cost diagnosis and sharing</li> </ul>

### Expansion of Supply Chain CSR

LG Hausys conducts environmental impact assessments on its suppliers on a regular basis to ensure their operations meet our environmental standards. Starting in 2015, we plan to expand the assessment to cover all CSR areas including customer value, Jeong-Do Management, local communities, health and safety, human rights and labor, and environmental management. LG Hausys will do its best to strengthen the capacity of its supply network as a whole through the consistent management and evaluation of suppliers' CSR activities.

Suppliers eligible for environmental impact assessments

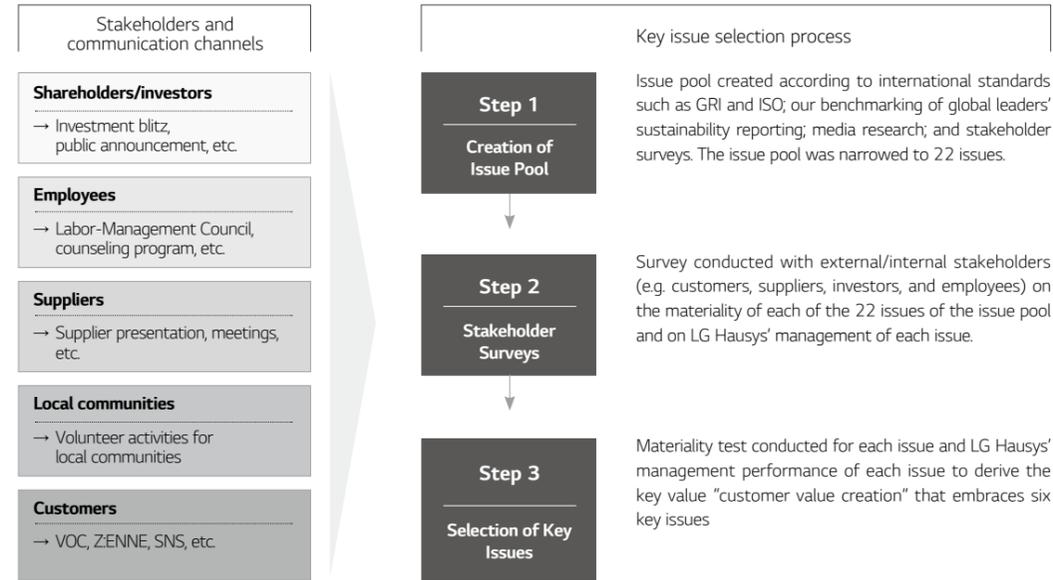
**143** suppliers

# APPENDIX

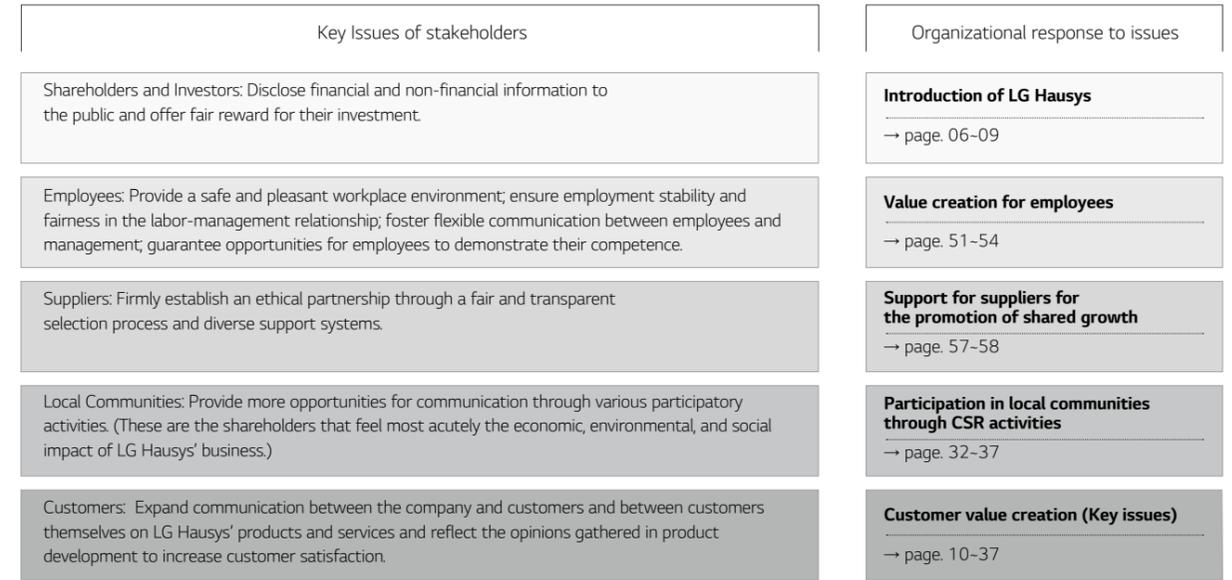
60	Stakeholder Issues
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## Stakeholder Issues

LG Hausys classifies its stakeholders into shareholders, investors, employees, customers, suppliers, and local communities in accordance with their roles, influence, and responsibilities in business activities. The LG Hausys 2015 Sustainability Report includes a few selected key issues that had impact on stakeholders' decision making process during the year of 2014.

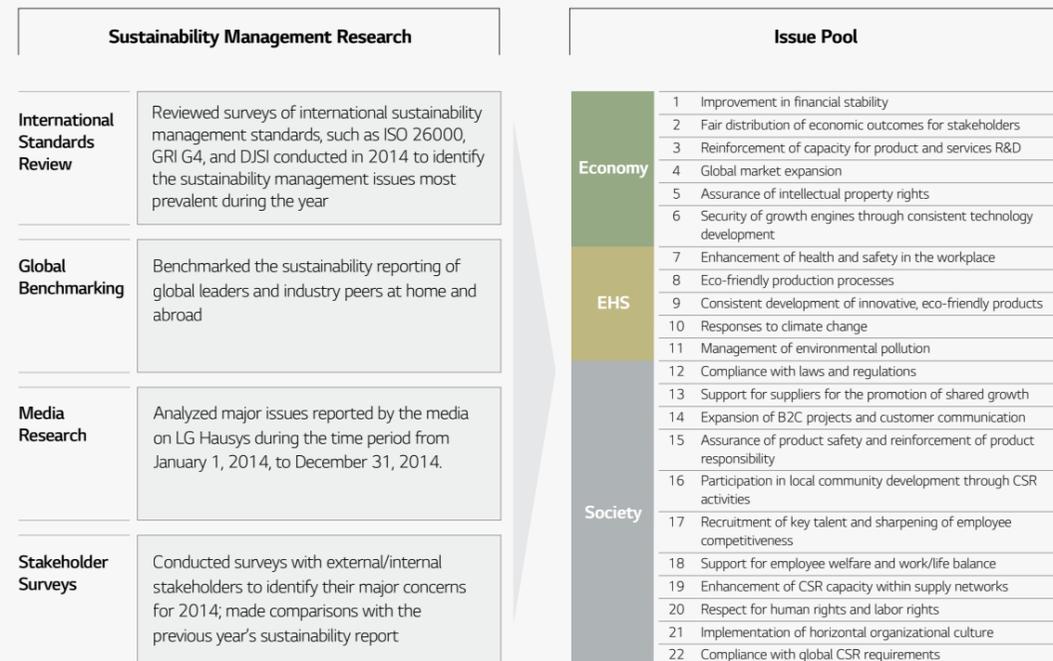


LG Hausys will continue to pursue sustainability management in partnership with our stakeholders by identifying issues of particular importance to them, and strategically engaging with them for solutions, based on open and transparent dialogue.

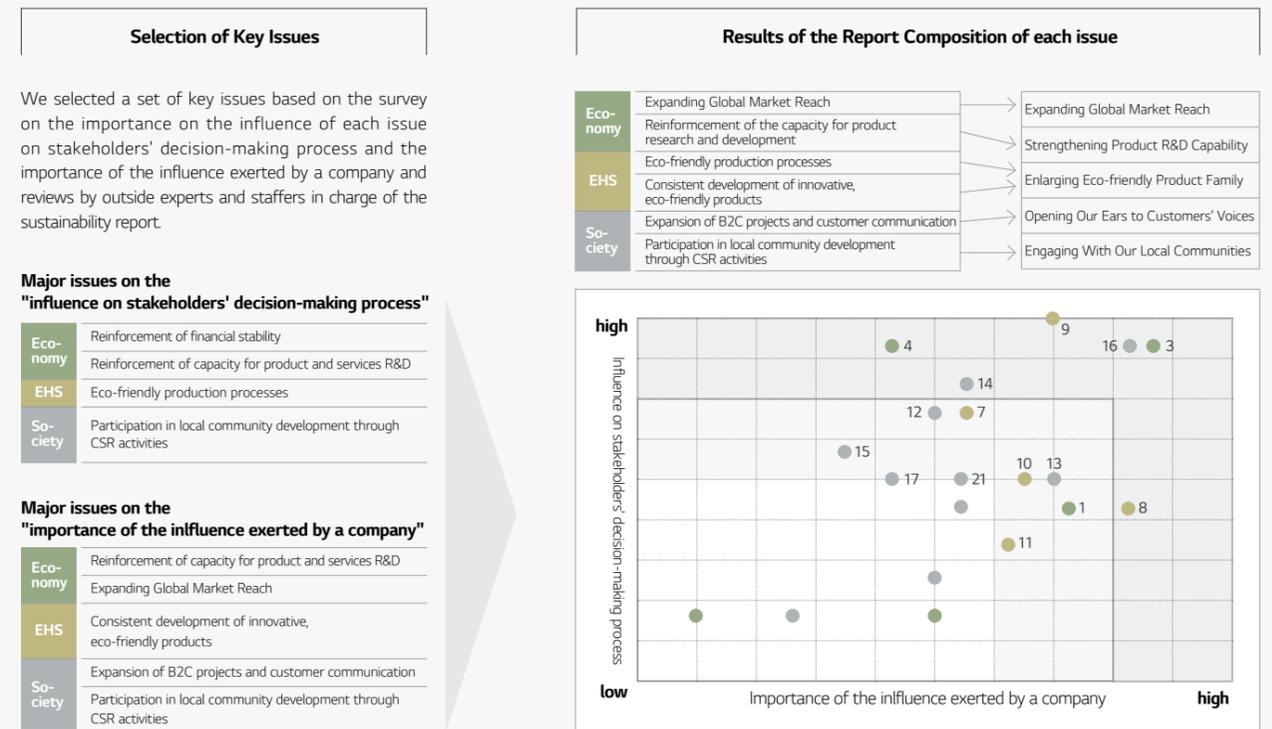


## Key Issue Identification

LG Hausys conducted materiality mapping in order to identify those issues for which our stakeholders were most concerned, as we did in our previous sustainability reports. A total of 22 sustainability management issues were ultimately selected for 2014 based on international standards related to sustainability management, our benchmarking of global leaders' sustainability reporting, media reports, and stakeholder interviews.



LG Hausys conducted stakeholder surveys to actively identify the key issues of our stakeholders, bypassing the more passive armchair research approach. Surveys were conducted with external/internal stakeholders (employees, customers, suppliers, industry experts, and CSR experts) in cooperation with relevant departments from December 15-23, 2014. A total of 686 stakeholders took part, giving feedback on the materiality of the 22 key issues identified in 2014 and our management performance in relation to those issues.



## Data Summary

### Financial Information

#### Profitability Index (Unit: %)

Items	2012	2013	2014
Return on Sales	2.3	4.3	<b>5.2</b>
Sales Revenue	1.2	2.7	<b>2.3</b>
Return on Total Assets (ROA)	1.6	3.7	<b>3.1</b>
Return on Equity (ROE)	3.9	9.2	<b>7.7</b>

#### Growth Index (Unit: %)

Items	2012	2013	2014
Sales	0.2	9.2	<b>5.5</b>
Fixed Assets	6.8	12.3	<b>14.1</b>
Net Profits	△38.4	153.5	<b>△12.0</b>
Total Assets	△8.5	9.8	<b>5.4</b>

\*△ means minus(-) figure

#### Turnover Index (Unit: %)

Items	2012	2013	2014
Total Assets	1.38	1.26	<b>1.37</b>
Receivables	5.86	5.35	<b>5.86</b>
Inventories	12.52	10.47	<b>11.34</b>
Fixed Assets	3.16	2.82	<b>2.85</b>

#### Stability Index (Unit: %)

Items	2012	2013	2014
Current Ratio	133.6	115.3	<b>129.7</b>
Debt Ratio	144.7	149.3	<b>147.8</b>
Long-term Assets to Stockholders' Equity & Long-term Liabilities	79.1	84.6	<b>81.6</b>
Capital Adequacy Ratio	40.9	40.1	<b>40.4</b>

#### Risk Management Strategy

LG Hausys proactively handles the myriad of financial risks we face in relation to the market, credit, and liquidity through a stringent risk management strategy that focuses on averting or minimizing the impact of such risks on financial outcomes.

**Risk Management System:** The Financial Department cooperates closely with working-level departments to identify, evaluate, and avert financial risks. The Central Fund Management Department provides general risk management policies as well as detailed guidelines and policies for each specific risk area (e.g. currency risks, interest rate risks, credit risks, the use of derivatives and non-derivatives, and investments that exceed available liquidity).

**Market Risk Management:** LG Hausys takes a systematic and comprehensive approach in managing market-induced risks from currency and cash flow risks to fair value interest rate risks.

#### Economic Value Creation and Distribution

Recipients	Value Type	Unit	2012	2013	2014
Shareholders and Investors	Dividend per Share	KRW	1,000	1,800	<b>1,800</b>
	Earnings per Share (EPS)	KRW	2,852	7,230	<b>6,359</b>
	Total Dividends Payout	KRW 100 million	100	180	<b>180</b>
Employees	Salaries*	KRW 100 million	2,110	2,574	<b>2,725</b>
	Welfare Benefits	KRW 100 million	490	536	<b>645</b>
	Retirement Pay	KRW 100 million	145	183	<b>268</b>
Government	Corporate Taxes and Other Taxes and Public Utilities Charges	KRW 100 million	247	306	<b>593</b>
Suppliers	Purchasing Products and Services	KRW 100 million	15,423	18,343	<b>18,826</b>
Local Communities	Investment in Local Communities	KRW million	553	504	<b>999</b>

\* There is no pay disparity between genders

#### Tax Strategy

LG Hausys faithfully complies with the tax laws and relevant regulations of the nations in which it has branches, and rigidly carries out its obligations for tax reporting and payment. We practice effective tax policies within the confines of tax laws to improve our global market competitiveness and raise shareholder value, and respond logically to demands by tax authorities. LG Hausys' audit reports include information on tax expenses, deferred corporate taxes, and valid tax rates and these reports are accessible to the public through the Data Analysis, Retrieval and Transfer System (DART) of the Financial Supervisory Commission.

#### Profit and Loss Statement (Unit: KRW million)\*

Items	2012	2013	2014
Sales	2,451,083	2,676,952	<b>2,825,120</b>
Cost of Sales	1,923,078	2,062,076	<b>2,150,788</b>
Gross Profit	528,005	614,876	<b>674,332</b>
Selling and Administration Expenses	471,370	500,288	<b>527,771</b>
Operating Income	56,635	114,588	<b>146,561</b>
Non-operating Profit and Loss	△4,239	△22,371	<b>△36,889</b>
Net Profit Before Tax	52,397	92,217	<b>109,672</b>
Corporate Tax	13,505	19,500	<b>45,943</b>
Profit and Loss from Discontinued Operation	△10,369	△419	<b>△140</b>
Net Income for the Year	28,523	72,298	<b>63,589</b>

#### Statement of Financial Position (Unit: KRW million)\*

Items	2012	2013	2014
Current Assets	900,197	945,827	<b>931,683</b>
Notes and Accounts Receivable	418,163	458,083	<b>482,143</b>
Inventories	195,801	234,007	<b>249,218</b>
Non-current Assets	873,511	957,007	<b>1,092,765</b>
Fixed Assets	774,610	869,800	<b>992,493</b>
Assets Held for Sale	4,326	49,254	<b>32,616</b>
<b>Total Assets</b>	<b>1,778,034</b>	<b>1,952,089</b>	<b>2,057,065</b>
Current Liabilities	673,686	820,309	<b>718,249</b>
Non-current Liabilities	377,827	348,840	<b>508,756</b>
<b>Total Liabilities</b>	<b>1,051,513</b>	<b>1,169,150</b>	<b>1,227,004</b>
Paid-in Capital	50,000	50,000	<b>50,000</b>
Capital Surplus	618,208	618,208	<b>618,208</b>
Other Capital Items	△8,188	△8,188	<b>△8,188</b>
Aggregate of Other Universal Profit /Loss	△18,808	△18,713	<b>△16,609</b>
Retained Earnings	79,788	137,051	<b>182,964</b>
Non-controlling Interest	5,521	4,582	<b>3,686</b>
<b>Total Equity</b>	<b>726,520</b>	<b>782,939</b>	<b>830,061</b>

\* Consolidated basis

## Data Summary

### Environmental Information

#### Raw Materials Used (Unit: ton)

Items	2012	2013	2014
PVC	120,260	129,762	<b>138,241</b>
Calcium Carbonate	69,197	77,005	<b>82,299</b>
Plasticizer	31,343	29,336	<b>33,701</b>
MMA	11,924	16,131	<b>17,192</b>
Total	232,724	252,234	<b>271,433</b>

#### Energy Consumption

Items	2012	2013	2014
Energy Consumption (Unit: TJ)	930.3	890.4	<b>990.9</b>
Diesel	16.2	10.2	<b>12.9</b>
Gasoline	0.6	1.8	<b>0.5</b>
Electricity	1,527.6	1,445.1	<b>1,570.92</b>
Steam	192.2	189.3	<b>154.0</b>
Unit of Energy Consumption (Unit: TJ/KRW 100 million)	0.129	0.112	<b>0.112</b>

#### Environmental Data for Each Complex

Items	Unit	Cheongju			Ulsan			
		2012	2013	2014	2012	2013	2014	
Energy Consumption	Direct Energy	TJ	40	46	<b>77</b>	926	877	<b>928</b>
	Indirect Energy	TJ	696	713	<b>710</b>	1,023	921	<b>1015</b>
	Total	TJ	736	759	<b>787</b>	1,949	1,798	<b>1,943</b>
Water Consumption *	ton	110,271	93,238	<b>93,445</b>	564,435	721,708	<b>593,324</b>	
Greenhouse Gas Emission **	Scope1	tCO <sub>2</sub> eq	2,040	2,332	<b>3,923</b>	47,676	45,181	<b>47,305</b>
	Scope2	tCO <sub>2</sub> eq	30,210	31,107	<b>31,625</b>	49,703	44,738	<b>49,309</b>
	Total	tCO <sub>2</sub> eq	32,250	33,439	<b>35,549</b>	97,379	89,919	<b>96,614</b>
Air Pollutant Emission	NOx	ton	Partially emitted from RTOs		<b>0.35</b>	61.63	62.13	<b>60.43</b>
Volume of Effluent Discharged	Effluent	m <sup>3</sup>	1,313	1,107	<b>3,606</b>	51,664	52,897	<b>55,545</b>
	BOD	ton	0.009	0.01	<b>0.067</b>	0.083	0.143	<b>0.103</b>
	COD	ton	0.011	0.011	<b>0.096</b>	1.653	1.513	<b>1.218</b>
	SS	ton	0.028	0.018	<b>0.083</b>	0.3	0.28	<b>0.357</b>
Volume of Waste Discharged	General Waste	ton	11,604	12,364	<b>14,190</b>	17,618	18,631	<b>14,019</b>
	Designated Waste	ton	308	395	<b>415</b>	645	560	<b>559</b>
	Recycling ***	ton	10,530	11,421	<b>13,106</b>	16,245	16,075	<b>11,364</b>
	Recycling Rate	%	88.4	89.5	<b>89.7</b>	88.9	83.9	<b>77.9</b>

\* Ulsan Plant water supply source: surface water and tap water  
Cheongju Plant water supply source: tap water, ground water, and industrial water

\*\* LG Hausys does not produce any of the ozone-depleting substances defined in the Montreal Protocol, nor does it use such substances in its manufacturing processes.

\*\*\* LG Hausys' recycling initiatives have continuously expanded in scope since 2012, in particular as a result of a new recycling agreement regarding plastic molds and profile packaging materials

#### Protecting Biodiversity

LG Hausys has carried out various initiatives for the protection of biodiversity, including providing an ecological environment for endangered fish species (Pungtius Kaibarae) within the water quality control room of one of our workplaces since 2009. We also conduct regular environmental impact assessments on all our activities, in compliance with ISO 14001, in Ulju-gun, the area where the LG Hausys Ulsan Plant is located, to ensure minimal impact on the environment.

### Social Information

#### Employee Data (Unit: persons)

Category	2012	2013	2014	
All Employees	2,843	2,979	<b>3,135</b>	
Type of Employment	Regular	2,786	2,902	<b>3,050</b>
	Contract based	57	77	<b>85</b>
	Socially-underserved Minorities	Women	342	368
Persons with disabilities	Persons with disabilities	52	52	<b>55</b>
	National merit holders	79	82	<b>89</b>
Age Group	20s	332	432	<b>552</b>
	30s	947	899	<b>877</b>
	40s	954	980	<b>1,009</b>
	50s and over	610	668	<b>697</b>
Job Level	Executives	18	17	<b>19</b>
	Employees	2,825	2,962	<b>3,116</b>
Job Responsibility	Office Workers	1,834	1,918	<b>2,043</b>
	Production Workers	1,009	1,061	<b>1,092</b>
Regional Location	Headquarters (Seoul)	731	768	<b>788</b>
	Cheongju Plant	591	595	<b>634</b>
	Ulsan and Onsan Plant	1,059	1,081	<b>1,101</b>
	Others	462	535	<b>612</b>
New Recruitment	223	218	<b>268</b>	
Transfer	57	62	<b>68</b>	

#### Local Recruitment (Unit: %)

Items	2012	2013	2014	
Local Recruitment	United States	96.2	96.5	<b>96.5</b>
	China	95.6	95.7	<b>95.7</b>

#### Employees Eligible for Regular and Career Development Reviews

Classification	2012	2013	2014
Eligible Employees (persons)	1,766	1,857	<b>1,878</b>
Eligible Employees (%)	99.00	99.50	<b>99.60</b>

#### Employee Safety (Unit: %)

Classification	2012	2013	2014
Occupational Injury Ratio	0.11	0.54	<b>0.45</b>
Ratio of People with Suspected Diseases	31.29	31.16	<b>29.75</b>

#### Parental Leave

Classification	2012	2013	2014
Employees who took parental leave	24	23	<b>26</b>
Employees who returned to work after parental leave (%)	100	89	<b>94</b>
Female employees who returned to work for at least one year after maternity leave (%)	-	90	<b>88</b>

#### Customer Information Protection

LG Hausys safeguards the personal information of our customers in accordance with the "Act on the Promotion of Information and Communication and Information Protection" and the "Personal Information Protection Act." Employees charged with the responsibility for handling customers' personal information receive thorough training on consumer privacy laws and regulations. LG Hausys has its own personal information protection policies and has devised a long-term roadmap aimed at reinforcing our information protection systems and organizations.

#### Strong Labor Relations

LG Hausys pursues horizontal labor relations built up and practiced through participation and cooperation. To that end, the company holds management meetings and various activities for organizational vitality. As of the end of 2014, 98.8 percent of technical employees were unionized. Furthermore, a total of 35 joint labor-management health and safety committee representatives are working actively for the sake of members' safety and health. LG Hausys prohibits forced labor or child labor and prohibits pregnant employees from working overtime or at night. There have been no violations identified concerning either forced labor or workplace discrimination.

## Third Party Assurance Report

**To LG Hausys Stakeholders:** The Korea Productivity Center (“the KPC” or “the assurance provider” hereafter) was commissioned to perform a third-party assurance engagement of the “2015 LG Hausys Sustainability Report” (“the Report” hereafter). The KPC presents its findings as follows.

**Responsibility and Independence:** The responsibility for the information and statements included in the Report lies solely with LG Hausys. The KPC is responsible for the assurance findings generated in the Report. As an independent assurance provider, the KPC was not engaged in the preparation of the Report in any other way and does not have any interest in LG Hausys in a way that may hamper its independence as an assurance provider.

**Assurance Standards:** The KPC performed a Type 1 moderate level assurance engagement in accordance with AA1000 Assurance Standards (2008)<sup>1</sup>. Following these assurance standards, the KPC verified the Report against such principles as inclusivity, materiality, and responsiveness in accordance with AA1000 AccountAbility Principles Standard (2008)<sup>2</sup>. In addition, the KPC verified whether the Report complied with the GRI G4 Guidelines.

**Limitations:** This assurance engagement covers LG Hausys’ 2014 performance in accordance with the assurance standards stated above. The KPC verified the financial data through financial statements and publicly announced materials. In addition, the KPC verified the environmental and social performance data by performing a Type 1 and sample-based moderate level assurance engagement. On-site inspections were limited to LG Hausys’ corporate headquarters in Seoul, Korea. It should be noted that the results may change in cases where additional verification processes are carried out.

**Assurance Methods:** The KPC adopted the following methods in assuring this Report.

1. The KPC verified whether the Report met the requirements of the Core Option of the GRI G4 Guidelines.
2. The KPC verified whether the Report abided by the principles that concern the report content and quality in accordance with the GRI G4 Guidelines.
3. The KPC, based on media research and benchmarking analysis, reviewed whether major issues were selected and described appropriately in this Report.
4. The KPC verified the appropriateness of the report content, and any errors regarding the representation of such content, through comparative analyses made with other sources.
5. The KPC conducted on-site inspections to verify the evidence of major data and information, and internal processes and systems.

**Findings:** The KPC believes that the Report is a sincere and fair representation of LG Hausys’ sustainability management initiatives and achievements. The KPC verified that the Report satisfies the requirements of the Core Option of the GRI G4 Guidelines. The KPC confirmed that the Report presents the required General Standard Disclosures for the Core Option. The KPC also reviewed the Disclosure on Management Approach (DMA) and Indicators on the material issues identified in its examining of the report items given below.

Material Issues	DMA & Indicators
Expanding Global Market Reach	N/A
Strengthening Product R&D Capability	DMA-Products and Services, G4-EN27, G4-EN28
	DMA-Customer Health and Safety, G4-PR1, G4-PR2
Enlarging Eco-friendly Product Family	DMA-Products and Services, G4-EN27, G4-EN28
	DMA-Product and Service Labeling, G4-PR3, G4-PR4, G4-PR5
Opening Our Ears to Customers’ Voices	DMA-Marketing Communications
Engaging With Our Local Communities	DMA-Indirect Economic Impacts
	DMA-Local Communities, G4-SO1

<sup>1</sup> AA1000 Assurance Standard (2008): A global assurance standard developed by AccountAbility that provides methods for reporting on an organization’s management of sustainability issues beyond financial indicators including its adherence to the AccountAbility Principles Standard and the reliability of its sustainability performance information.

<sup>2</sup> AA1000 AccountAbility Principles Standard (2008): A global assurance principles developed by AccountAbility that provides a framework for the AA1000 standards.

**• Inclusivity: Shareholder Engagement**

LG Hausys categorizes its stakeholders into six groups: shareholders, investors, customers, employees, suppliers, and local communities, in compliance with the Principles of Inclusivity. The KPC verified that LG Hausys clearly defined the communication channels and expectations of each group and garnered the opinions of its stakeholders through active interaction and dialogue.

**• Materiality: Selection and Reporting of Key Issues**

The KPC verified that LG Hausys classified its sustainability management issues into 22 items on the basis of international standards of sustainability management (GRI G4 Guidelines and ISO26000); media analyses; and the identification of sustainability issues of domestic and overseas construction and materials industries. In addition, the KPC confirmed that LG Hausys identified five key issues of external/internal stakeholders through materiality mapping and reflected these issues in the Report in a balanced way.

**• Responsiveness: Organizational Response to Issues**

The KPC verified that the Report properly demonstrates LG Hausys’ awareness of the key issues that would impact stakeholder judgement of its performance and that it undertook measures to resolve such issues. LG Hausys faithfully makes its responsive activities and outcomes public through this Report and other means.

**Recommendations** KPC highly appreciates the array of endeavors and achievements made by LG Hausys to advance its sustainability and presents the following recommendations to enhance LG Hausys’ future reports and its level of sustainability management.

• The KPC suggests that LG Hausys identify and consistently manage tasks and key performance indicators (KPI) based on the system in order to drive focused sustainability management and produce standardized reporting on its sustainability management activities and achievements.

• LG Hausys collects its stakeholders’ opinions through surveys and internal employee interviews. It is our recommendation that LG Hausys take more aggressive actions to listen to its stakeholders directly and identify their expectations. The KPC suggests that LG Hausys canvass the opinions of its stakeholders directly through a variety of channels, such as interviews with outside experts, stakeholder representatives, and committees, in addition to internal employee interviews.



March 2015

Hong Soon-Jick,  
Chairman and CEO of  
Korea Productivity Center

Dong-Soo Kim,  
Director of Korea Productivity  
Center

Yang-Ho Lee,  
Team Leader

Seung-Tae Cheong,  
Expert Adviser

Beom-Taek Oh,  
Expert Adviser

The Korea Productivity Center Sustainability Management Center is an assurance agency officially certified by AccountAbility, which established AA1000 (international standards for stakeholder engagement and assurance), and is qualified to perform independent assurance engagements. Our Assurance Committee is comprised of competent experts who have ample experience in sustainability management consulting and assurance and have completed relevant professional training.

## Global Reporting Initiative (GRI) G4 Index

The 2015 LG Hausys Sustainability Report was prepared in accordance with the Core Option of the GRI G4 Guidelines and includes the DMA and diverse GRI indicators to facilitate discussion on LG Hausys' sustainability management efforts.

● Fully reported   ● Partially reported   ○ Not reported

Category	Indicators	Core	Contents	Reporting Status	Page
Strategy and Analysis	G4-1	●	A statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	●	4-5
	G4-2		Key impacts, risks, and opportunities	●	4-5, 40
Organizational Profile	G4-3	●	Name of the organization	●	6
	G4-4	●	Primary brands, products, and services	●	6
	G4-5	●	Location of the organization's headquarters	●	9
	G4-6	●	The number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	●	9
	G4-7	●	Nature of ownership and legal form	●	42
	G4-8	●	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	●	6, 16-17
	G4-9	●	Scale of the organization	●	62-65
	G4-10	●	The number of employees	●	65
	G4-11	●	The percentage of total employees covered by collective bargaining agreements	●	65
	G4-12	●	The organization's supply chain	●	58, 62
	G4-13	●	Any significant changes during the reporting period	●	9, 15
	G4-14	●	Statement about whether the precautionary approach or principle is addressed by the organization	●	49
	G4-15	●	A list of externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	●	72
	G4-16	●	Memberships of associations (such as industry associations) and national or international advocacy organizations	●	72
	Identified Material Aspects and Boundaries	G4-17	●	The organization's consolidated financial statements or equivalent documents. Any entity included in the organization's consolidated financial statements or equivalent documents but not covered by the report	○
G4-18		●	The process for defining the report content	●	60-61
G4-19		●	All the material aspects identified in the process for defining report content	●	60-61
G4-20		●	The Aspect Boundary within the organization	●	69
G4-21		●	The Aspect Boundary outside the organization	●	69
G4-22		●	The effect of any restatements of information provided in previous reports and the reasons for such restatements	●	Footnoted
G4-23		●	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	●	N/A
Stakeholder Engagement	G4-24	●	A list of stakeholder groups engaged by the organization	●	60-61
	G4-25	●	The basis for identification and selection of stakeholders with whom to engage	●	60-61
	G4-26	●	The organization's approach to stakeholder engagement (by type and by stakeholder group)	●	60-61
	G4-27	●	Key topics and concerns that have been raised through stakeholder engagement, and the organization's response to those key topics and concerns	●	60-61
Report Profile	G4-28	●	Reporting period (such as fiscal or calendar year) for information provided	●	2
	G4-29	●	Date of most recent previous report (if any)	●	2
	G4-30	●	Reporting cycle (such as annual, biennial)	●	2
	G4-31	●	The contact point for questions regarding the report or its contents	●	2
	G4-32	●	GRI Content Index for each "in accordance" option the organization has chosen	●	2, 68
	G4-33	●	External assurance for the report	●	2, 66-67

Category	Indicators	Core	Contents	Reporting Status	Page
Governance	G4-34	●	The governance structure of the organization	●	42
	G4-38		The composition of the highest governance body and its committees	●	42
	G4-39		Report on whether the chair of the highest governance body is also an executive officer	●	42
	G4-40		The nomination and selection processes for the highest governance body and its committees and the criteria used for nominating and selecting highest governance body members	●	42
	G4-44		The processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, actions taken in response to evaluation of the highest governance body's performance	●	42
	G4-45		The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	●	42
	G4-47		The frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	●	42
	G4-50		The nature and total number of critical concerns that were communicated to the highest governance body	●	42
	G4-52		The process for determining remuneration	●	42
	Ethics and Integrity	G4-56	●	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	●
G4-58			The internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	●	44-45

### GRI Aspects Relevant to Each Material Issue in 2014

2014 Material Issues	GRI Aspects	Aspect Boundary					
Expanding Global Market	N/A	Customers	shareholders		suppliers	local communities	
Strengthening product R&D capability	<ul style="list-style-type: none"> <li>Product and services</li> <li>Customer safety and health</li> </ul>	Customers	shareholders	investors			
Enlarging eco-friendly product family	<ul style="list-style-type: none"> <li>Products and services</li> <li>Product and service labeling</li> </ul>	Customers	shareholders	investors			
Expanding customer communication	<ul style="list-style-type: none"> <li>Marketing communication</li> </ul>	Customers	shareholders		suppliers		
Engaging and developing local community	<ul style="list-style-type: none"> <li>Indirect economic impact</li> <li>Local communities</li> </ul>	Customers		investors	suppliers	local communities	

## GRI G4 Index

Aspect	Indicators	Contents	Reporting Status	Page
<b>Economy</b>				
Economic Performance	G4-EC1	The direct economic value generated and distributed	●	62
	G4-EC2	Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations	●	49-50
Indirect Economic Impacts	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	32-37
	G4-EC7	Development and impact of infrastructure investments and services supported	●	32-37
	G4-EC8	Significant indirect economic impacts	●	32-37
Procurement Practices	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	●	58
<b>Environment</b>				
Materials	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	7, 25
	G4-EN1	Materials used by weight or volume	●	26
	G4-EN2	Percentage of materials used that are recycled input materials	●	47
Energy	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	7, 25
	G4-EN3	Energy consumption within the organization	●	26, 64
	G4-EN5	Energy intensity ratio	●	64
	G4-EN6	Reduction of energy consumption	●	49
	G4-EN7	Reductions in energy requirements of products and services	●	26-27
Water	G4-EN8	Total water withdrawal by source	●	47, 64
Biodiversity	G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	●	31
Emissions	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	7, 25
	G4-EN15	Direct greenhouse gas (GHG) emissions - Scope 1	●	47, 64
	G4-EN16	Indirect greenhouse gas (GHG) emissions - Scope 2	●	47, 64
	G4-EN18	Greenhouse gas (GHG) emissions intensity	●	64
	G4-EN19	Reduction of greenhouse gas (GHG) emissions	●	49
	G4-EN20	Emissions of ozone-depleting substances (ODS)	●	64
	G4-EN21	NOx, SOx, and other significant air emissions	●	64
Effluents and Waste	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	47
	G4-EN22	Total water discharge by quality and destination	●	47, 64
	G4-EN23	Total weight of waste by type and disposal method	●	47, 64
	G4-EN24	Total number and volume of significant spills	●	N/A
Products and Services	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	7, 19, 25
	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	●	26-27
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	●	64
Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	N/A
Transport	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	●	50
Overall	G4-EN31	Total environmental protection expenditures and investments by type	●	22
Supplier Environmental Assessment	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	58
	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	●	58
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	●	58

Aspect	Indicators	Contents	Reporting Status	Page
<b>Society</b>				
Labor Practices and Decent Work				
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	●	65
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	●	25
	G4-LA3	Return to work and retention rates after parental leave, by gender	●	65
Labor/Management Relations	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	65
	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	●	65
Occupational Health and Safety	G4-LA6	Health and safety topics covered in formal agreements with trade unions	●	65
	G4-LA7	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	●	65
	G4-LA8	Workers with high incidence or high risk of diseases related to their occupation	●	65
Training and Education	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	51
	G4-LA9	Average hours of training per year per employee by gender, and by employee category	●	24
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	●	65
Diversity and Equal Opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	●	42, 65
Equal Remuneration for Women and Men	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	●	62
Human Rights				
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	●	N/A
Freedom of Association and Collective Bargaining	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	65
Child Labor	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	65
Forced or Compulsory Labor	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	65
Society				
Local Communities	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	32-37
	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	●	34
Anti-corruption	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	44-45
	G4-SO4	Communication and training on anti-corruption policies and procedures	●	45
Anti-competitive Behavior	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	57
	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	●	57
Compliance	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	57
Product Responsibility				
Customer Health and Safety	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	19-20, 55
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycles, by type of outcomes	●	N/A
Product and Service Labeling	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	28-31
	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	●	25
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	●	N/A
Marketing Communications	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	28-31
	G4-PR6	Sale of banned or disputed products	●	N/A
	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications (including advertising, promotion, and sponsorship, by type of outcomes)	●	N/A
Customer Privacy	<b>DMA</b>	<b>Generic disclosures on management approach</b>	●	65

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**Membership**

Green Company Council  
Korean Association of Occupational Health Nurses  
Korean Industrial Health Association  
Korea Industrial Safety Association  
Korea Chamber of Commerce and Industry  
The Federation of Korean Industries  
Korea Air Cleaning Association  
Korea Fair Competition Federation  
Korea International Trade Association  
Korea Listed Companies Association  
Korea Products Safety Association  
Korea Packaging Recycling Cooperative  
Korea Fire Protection Association  
Korea Chemicals Management Association  
Korea Environmental Industry and Technology Institute  
Korea Environmental  
Preservation Association

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