

**LG Hausys**  
Sustainability Report 2012

Nature, Human  
and Space



## About This Report

LG Hausys Sustainability Report 2012 is the first sustainability report published by LG Hausys. Through this report, LG Hausys shares its vision and performance on sustainability management and reflects the interests and demands of its stakeholders related to economic, social and environmental issues. In future years, this report will continue to be published as a communication channel to represent the opinion of our varied stakeholders, while also showcasing our company's performance on sustainability management.

### Reporting Period

This report covers a three-year performance record from April 1, 2009 to Dec. 31, 2011. Selected activities of 2012 were included where appropriate, with a special note.

### Scope

The scope of this report includes LG Hausys's headquarter and all its domestic plants. Some parts of the social and environmental data include content from foreign corporations, such as in China and the U.S.A.

### Principles

This report complies with GRI (Global Reporting Initiative) G3.1 Guidelines, while also incorporating major issues from ISO 26000 Social Responsibility Guidance Standard. The reporting principles are explained on pages 74 to 77.

### Assurance

Third party assurance was carried out by BSI (British Standards Institution), and its assurance statement is attached at pages 72 to 73.

### For more information

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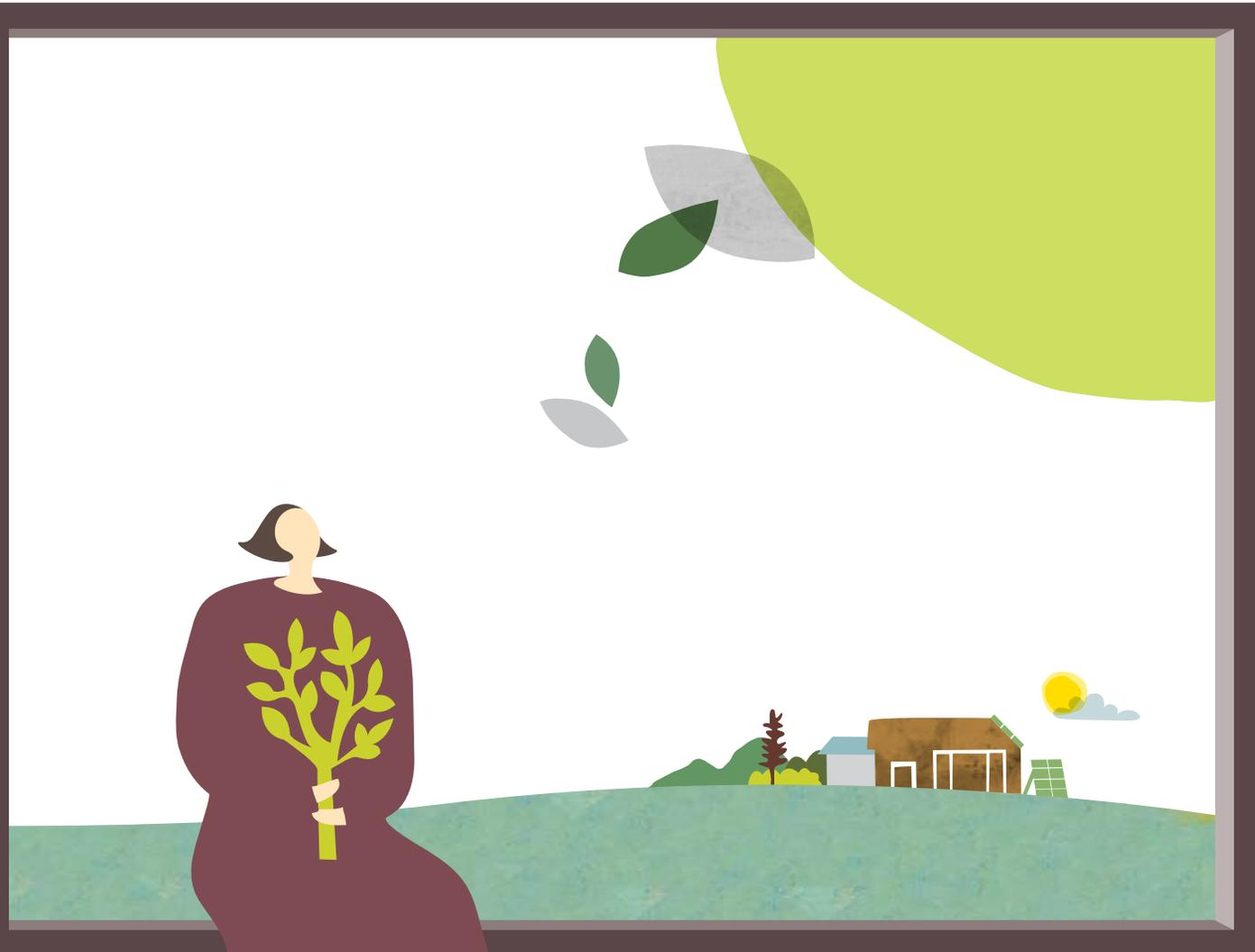


LG Hausys Creates Human-Friendly and Eco-Conscious Living Space  
by Providing Eco-Friendly Building & Decorative Materials  
/ Highly Functional Materials & Components.

Window Materials :  
PVC Windows, AL Windows, Functional Glass , BIPV

Decorative Materials :  
Eco-friendly Flooring / Wallcovering, Acrylic Solid Surface, Wood Polymer Composite

Highly Functional Materials & Components :  
PSAA, IMD Films, High Gloss Sheets, Automotive Materials & Components



## LG Hausys Sustainability Report 2012

We create  
human-friendly  
and eco-conscious  
living space.

- I. LG Hausys Sustainability
- II. Harmony with Space
- III. Harmony with Nature
- IV. Harmony with Human
- V. Appendix

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LG Hausys was demerged from LG Chem in April, 2009 and became the Korea's biggest building & decorative materials / highly functional materials & components company.

Sales **2,450.1** billion KRW P.24

The sales have increased by **9.3%** through business expansion and developing new markets.

Amount distributed to stakeholders P.30

**1,898.6** billion KRW

LG Hausys practices fair distribution of economic value with its stakeholders.



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Eco-Friendly Product Certification

**95** products

LG Hausys has earned 95 product certifications as of Dec. 2011, Korea Eco Label, HB mark and Carbon Footprint Label.

**P.37**

Reduction in Greenhouse Gas Emission **11,186** tCO<sub>2</sub>e

In 2011, the amount of greenhouse gas emission has been reduced by 11,186 tCO<sub>2</sub>e, through improvement of facilities and operational processes.

**P.40**



**P.14**  
**P.62**

Business partners and dealership personnel participated in 'Jeong-do' management Training

**2,394** people

LG's principle of 'Jeong-do' management is propagated through the training of business partners and dealerships.



**P.61**

**Z:ENNE**

Z:ENNE, a women's focus group that gathers customers' opinions and needs on product development and marketing, while also enhancing the brand awareness of Z:IN.



**P.52**

Training cost per person per year

**1,351,091** KRW

A variety of education programs are being conducted in order to cultivate professionals with global competence.

**P.65**

Community Investment

**1,576** million KRW

We focus on social contribution in the aspects of Nature, Human and Space.



# CEO Message

Greetings.

It is my great pleasure to launch this 'Sustainability Report 2012' in which LG Hausys showcases a wide range of activities that we have carried out in pursuit of sustainable development in the aspects of the environment, society and the economy. This report will be a way to share our sustainability management activities and also to gather your valuable opinions so that we can reflect these in our future management activities.

LG Hausys has for the past half century been the biggest company in Korea in the building & decorative materials industry. In 2009, LG Hausys demerged from LG Chem, Korea's leading chemical company, and formed a new company of its own. By utilizing LG Hausys' core technologies, such as those related to complex materials, surface materials and adhesion technology, we will continue to exploit future growth engine businesses, including high heat insulated window materials; functional glass and adhesive films; IT / household highly functional surface materials; high efficiency vacuum insulation panels; and eco-friendly wood polymer composite.

In spite of last year's global recession, we have increased our ratio of overseas business to 31% by establishing localized business operations in strategic overseas markets such as America, China and Russia. Even with the prolonged stagnation in the building industry and drastic increases in material costs, we have laid the foundation for future growth through innovation in our window business model, expansion of eco-friendly material production, as well as increases in IT, household materials and other new businesses. These achievements were made possible by the faith and support of our customers and stakeholders. We will continue our efforts in developing ourselves as a trustworthy company that puts priority on customer value creation. Thank you for all your support in these endeavors.



The vision of LG Hausys is to Creating Human-Friendly and Eco-Conscious Living Space. In all areas of manufacturing, marketing, sales and R&D, we believe in our responsibility of ensuring happy spaces will enrich the lives of our customers. Based on this belief, we continue to make human-friendly and eco-friendly energy-saving products, and strive to ensure for our customers that using our products will help them achieve a pleasant and quality living experience.

In pursuit of our vision, we are carrying out the following activities for sustainability management.

First, we have established and implemented a set of green management goals and a greenhouse gas reduction plan. The level of waste emission from each workplace is being minimized while the level of carbon dioxide emissions is being reduced by over 15,000 ton per year through the recycling of gas waste and increased use of clean fuel. We aim to secure 40,000 ton of CER (Certified Emission Reduction) by 2012 through the process of switching over to clean fuel. Furthermore, we have become the first company in Korea to pass the Voluntary Carbon Standard (VCS), an important step in becoming a low-carbon green growth company and playing an active role in the response to climate change.

Second, we have been a leader in sustainable products, through our development of eco-friendly non-PVC materials and energy efficient materials. A wide variety of our products have earned certification as environmentally-friendly products. At the same time, we are the first company to introduce a carbon footprint labels, which has brought increased customer appreciation. We have also been actively involved in the eco-friendly consumer movement by participating in the Eco-Mileage Program carried out by the City of Seoul. In 2011, we worked together with the Korea Energy Foundation to improve energy efficiency of low income households by supplying energy-saving glazed windows that will help reduce carbon emissions.

Third, LG Hausys is committed to community development and to preserving nature. Using our world class eco-friendly technology and products, along with our fifty years of experience, we have been continuously establishing and implementing targeted social contribution projects. These efforts to grow with the community as a socially responsible company include: Dokdo Natural Preservation Zone Jikimi since 2008; building public facilities for youth; providing 'happy spaces' at community childcare centers; youth education; and environmental protection.

Fourth, all employees at LG Hausys practice 'Jeong-do' management, an approach based on ethical management principles which believes in fair competition and nurturing of human resources leading to effective outcomes. 'Jeong-do' management is practiced voluntarily under the motto of 'Do Things Right'. It has become a way of life for our employees and has helped our company prevent various potential risks related to our business activities. Also, we put effort into growing together with our business partners through joint development of technology and patent applications, business and financial support, as well as ongoing communication with the management of our partner companies.

As one of Korea's leading green growth companies, LG Hausys will continue to make health and environment-conscious products and materials, and provide maximized energy efficient systems and solutions. We also promise to place greater importance on overseas businesses to help us grow as a global company, and will endeavor to fulfill our social responsibilities to enhance as our position as a company worthy of our customers' respect. We sincerely ask for your continued encouragement and support.

Thank you.

Myeung-Ho Han, President. LG Hausys



I. LG Hausys Sustainability

II. Harmony with Space

III. Harmony with Nature

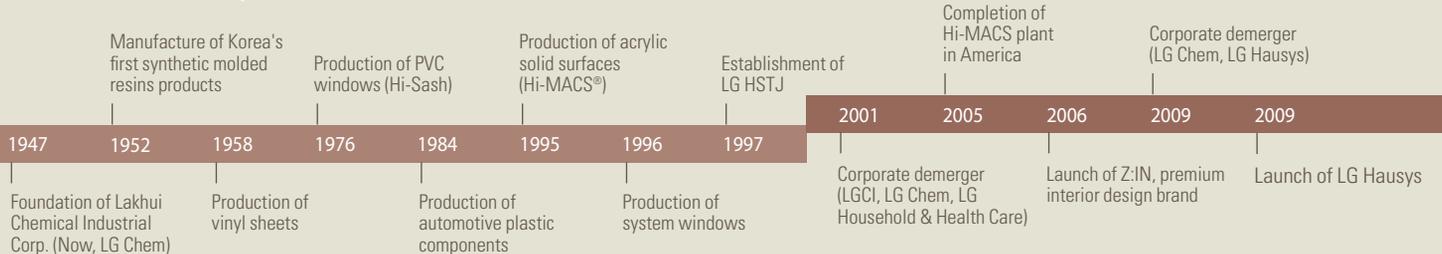
IV. Harmony with Human

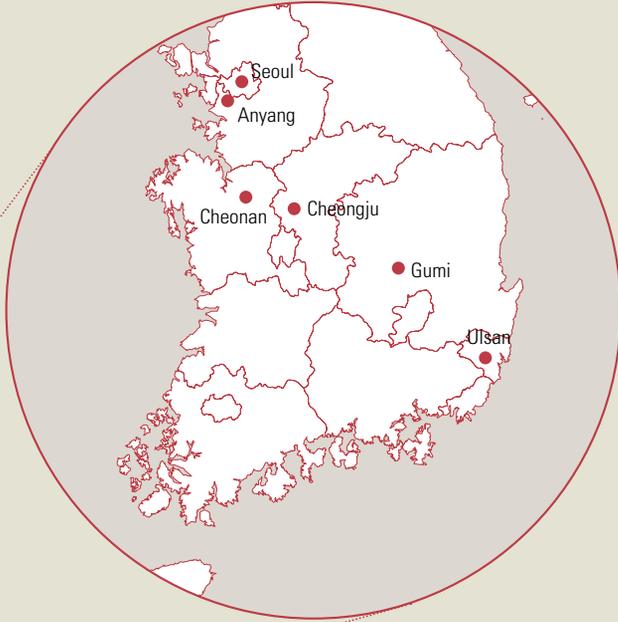
V. Appendix

# Company Profile

**LG Hausys is Korea's Biggest Building & Decorative Materials / Highly Functional Materials & Components Company.**

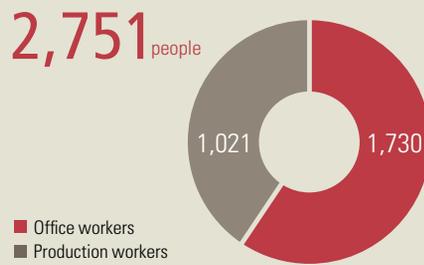
Since its beginnings as a producer of vinyl sheets in 1958, LG Hausys has for over fifty years continued to provide distinctive products and services that contribute to enriching people's living spaces. Our products include: 'Hi-Sash', Korea's first plastic windows; our high-gloss sheets, which have the biggest global market share; 'Hi-MACS', an acrylic solid surface; and BIPV (Building Integrated Photovoltaic system). With our advanced technology, we design attractive and comfortable spaces with a wide range of environmentally friendly and highly functional products that are the leaders in the market. In addition, our active localization strategies in overseas markets including the United States, China and Russia have brought notable achievements and enabled us to grow as a global company.



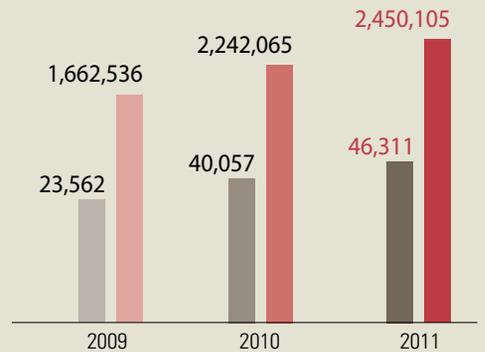


- 01 Headquarter** \_Seoul  
Planning / Management, HR, Marketing, Sales, Etc.
- 02 Ulsan Complex** \_Ulsan  
Flooring, Highly functional materials, Automotive materials & components
- 03 Cheongju Complex** \_Cheongju  
Windows, Flooring, Acrylic solid surface
- 04 Gumi Plant** \_Gumi  
IT Materials
- 05 Hausys R&D Center** \_Anyang  
R&D
- 06 Design Center** \_Seoul  
Development of Product Design
- 07 Z:IN Showroom** \_Seoul  
Interior, Product Exhibition
- 08 Cheonan Distribution Center** \_Cheonan  
Central Distribution Center

**Workforce Status** | as of 2011



**Financial Status** | Unit\_ million KRW ■ Net profit per period ■ Sales



Date	Event
2009.04	Establishment of LG Tostem BM, Inc. Joint Venture
2009.06	Establishment of Hausys ENG Inc., subsidiary company
2009.12	Attainment of Carbon Footprint Label, the first in the building material industry
2009.12	Attainment of Voluntary Carbon Standards certification, the first in Korea
2009.12	First domestic production of Vacuum Insulation Panels (V-Panel)
2010.05	Launch of world's first integral window automatic ventilation window
2010.08	Launch of Korea's first vacuum glass
2010.09	Establishment of Hausys Interpane Joint Venture
2010.09	Launch of ZEA, world's first corn-based natural material flooring
2011.04	Opening of 'Z:IN Window Plus', Window specialty store
2011.05	Completion of Ochang Aluminum Window Plant
2011.08	Completion of Viatera Plant in America

# Vision & Mission

## Vision and Customer Value | Creating Human-Friendly and Eco-Conscious Living Space

LG Hausys is committed to our vision of 'making happy living spaces that are eco-conscious and human-friendly'. This entails providing eco-friendly and energy efficient materials and products, while also being a trend-setter in futuristic space design, guided by our aspiration for attractive and human-oriented spaces.

Within this vision, LG Hausys pursues customer value in three ways, namely by being: Eco-Friendly, Energy-Saving and Human-Friendly. We pursue the value of being Eco-Friendly by diversifying our range of environmentally-friendly materials. We practice the value of being Energy-Saving by enhancing our energy performance using products such as high heat insulated decorative materials. At the same time, we practice the value of being Human-Friendly through designs that enrich lifestyle quality and by other efforts including the expansion of customer contacts and innovative distribution systems.

**Turning Nature into Living Spaces**

By producing eco-friendly materials and improving our energy efficiency, we seek to provide our customers with natural spaces for a healthy and enriched life.

**Eco-Friendly**  
Transition into eco-friendly material through diversification of material (eco-friendly products / materials development)

**Energy Saving**  
System & Solution system to maximize energy efficiency (highly functional windows / Green Car)

**Embracing People**

We seek to enhance lifestyle quality while also setting trends in living space products through attractive, human-friendly designs that are both physically and emotionally appealing.

**Human-Friendly**  
Credible and satisfying customer communication (increase in brand awareness, distribution innovation)

**Inspired Living Spaces**

Putting the highest priority on customer satisfaction, we create living spaces that make people feel happy.

## Core Values

The business philosophy and vision of LG Hausys are put into practice through four core values, which we share with our stakeholders. These values are: Sensitivity to the voice of customers; Teamwork with the highest individual potential; Expertise beyond world class standards; and Inspired by the spirit of creativity. These values are the genesis of the innovations and personal achievements which drive progress and growth of our company.



### Sensitivity to the voice of customers

- Understanding customer needs and changing markets
- Realization of potential customer needs / wants



### Teamwork with the highest individual potential

- Self-confidence / positive thinking / individuality
- Creation of a pleasant work culture for young employees
- integration of their diverse individual strengths



### Expertise beyond world class standards

- Customer acknowledgement as the world's best
- Competition with the world's best companies



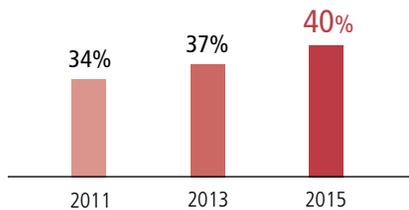
### Inspired by the spirit of creativity

- Environment that fosters creativity based on expert knowledge
- Environment that encourages responsible self development and decision making

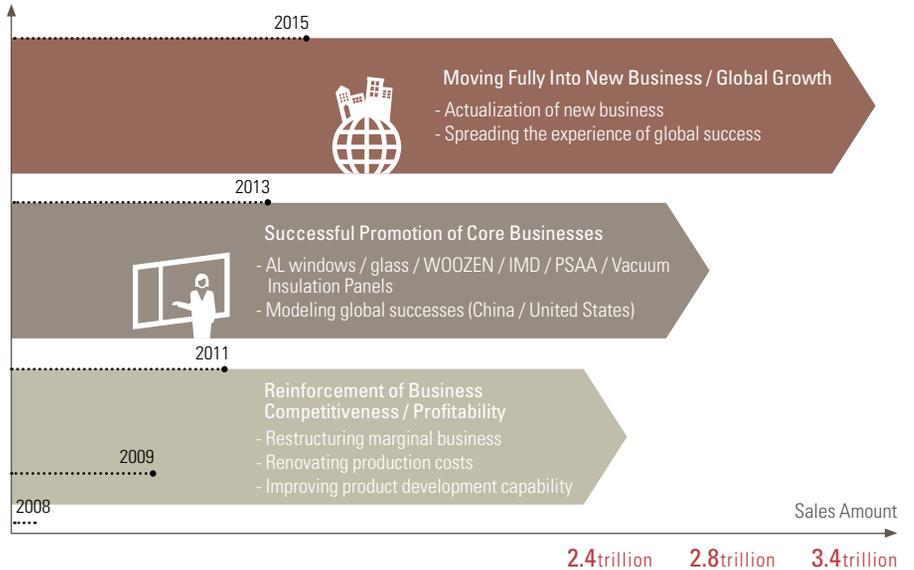
## Mid-Long Term Goals of LG Hausys

In order to move forward as a reputable global company, LG Hausys has devised a three-stage mid-to long term growth road map through which we will achieve our financial goal of KRW 3.4 trillion in sales by 2015. The three stages are; reinforcement of business competitiveness and profitability; successful achievement in foster projects; and moving fully into new businesses and global growth. This process will lead to the growth in sales and the sales ratio from overseas businesses by which LG Hausys will advance as a global company.

Ratio of Overseas Business Sales



Growth Road Map



## 2012 Management Strategy

To achieve the mid-to-long term goals, LG Hausys plans to strengthen its business competitiveness and profitability while also focusing on business innovations and the generation of investment performance to secure a stable profit structure. This is being carried out by promoting new businesses in building & decorative materials, highly functional materials & components, as well as undertaking management innovation. We also focus on overseas investment as a driving force for our growth as a global company.

### Building & Decorative Materials |

Completion of business model / distribution innovation & expansion of green products



- Establishing system window business, securing competitive advantage for glass and AL windows
- Expansion of customer contact and direct retail system
- Expansion of eco-friendly and energy-reducing building material production

### Highly Functional Materials/Components |

Achieving outcome in new businesses / differentiation of existing businesses



- Differentiation of IT and home appliances / expansion of customer base
- Global expansion of automotive fabric production

### Global |

Generation of local investment performance in China / America



- Realization of investment performance and production renovation in China
- Maximizing performance outcomes / reinforcing distribution in Easton, United States
- Expansion of customer base by strengthening global B2B business

# Main Products

## Windows

Keeping pace with the increased density of high-rise living and the demand for differentiated designs, we provide high quality and functional windows that promote a healthy and comfortable lifestyle with efficient use of energy.

### Main Products

- 1) PVC windows : Our PVC material product line includes a wide range of designs for interior / exterior windows and system windows with high energy performance.
- 2) Aluminum windows : Our AL products use environmentally friendly materials in a wide range of colors & designs. This product line includes high strength AL windows, AL-WOOD windows and system curtain walls.
- 3) Functional glass : This product line consists of high insulation Low-E glass and Low-E triple glass with reinforced energy efficiency, as well as BIPV (Building Integrated Photovoltaic system).



Achieving customer satisfaction through an innovative new distribution model for our window business and development of eco-friendly, highly functional products

Hyun-Shin Park, Vice President | The recent stagnation in the domestic economy and the increase in material costs have been challenging all areas of the building-related industry. Despite these challenges, customer satisfaction remains the number one priority of Z:IN, and our direction for growth continues to focus on providing best value for our customers. To achieve this and to provide ever more advanced products, we have completed a new and innovative distribution model for our window business, and have sped up the development of eco-friendly, highly functional windows, and glass materials. Z:IN also has established a cutting-edge automated industrial processing line and is continuing the expansion of its window product lines, including SPS (super high-heat insulated windows) and woodstar windows. In addition, we have expanded our chain Window Plus, Korea's first specialist windows retail store, across the country. We are training specialized customer representatives who can deliver differentiated service and value to our customers. Furthermore, we have begun mass-production of highly functional coated glass, which can achieve drastic reductions in energy consumption for cooling and heating, an important challenge in the pursuit of energy-conscious green growth. Based on our commitment to innovation and our action-oriented organization culture, we will continue to secure architectural package solutions and lead the way in helping our customers to attain healthy and happy lifestyles.





## Decorative Materials

LG Hausys promotes our customers' quality of life through continuous development of eco-friendly interior design materials such as our ZEA Floor and ZEA Wallcovering (a corn based natural material).

### Main Products

- 1) Eco-friendly decorative materials : Eco-friendly natural ZEA Floor, ZEA Wallcovering, Air Purifying Wallcovering, Air Purifying Tile, Phthalate-free PVC Floors
- 2) Eco-friendly exterior materials 'WOOZEN' : High strength exterior and landscaping wood polymer composite using natural wood flour and olefin resins



### Strengthening innovation through dominance in the eco-friendly material market and acceleration of globalization

**Dong-Ho Bae, Vice President** | The business environment for architectural decorative materials is highly sensitive to volatility in the construction industry, and the recent slowdown in the domestic construction market is affecting our decorative material business. However, we also face new opportunities from our rising reputation in overseas markets and the rise in demand for eco-friendly products as a means of enhancing quality of life. In response to these changes in the business environment, we have focused our direction for growth on "dominating the eco-friendly material market and accelerating globalization". Our major strategic tasks are: promotion of eco-friendly materials; globalization; advancing our business in both interior and exterior materials; and renovation of our distribution system. To accomplish these tasks, we have strategically penetrated overseas markets in China, Russia and Latin America with our high quality and eco-friendly products. We are also moving speedily towards customer contact distribution. LG Hausys will continue to make differentiated products and fulfill our social responsibility in order to prove ourselves to be a sustainable company in the building & decorative material industry.

# Main Products

## Highly Functional Materials

Drawing on our surface material technology and design capability, LG Hausys creates decorative sheets for furniture and windows, film finishing materials for home appliances, and high gloss sheets (No.1 in the global market).

### Main Products

- 1) Functional adhesive film : Functional adhesive film for advertising signs and mobile phones/laptops
- 2) Film finishing materials for IT / home appliances : In-mold & insert film for making patterns and designs for laptop and mobile phone cases
- 3) High gloss sheet : Film finishing materials for refrigerators and washing machines (No.1 global market share)



### Continuous reinforcement of business capability through investment and securing competency for R&D and technology

**Yun-Haeng Cho, Vice President** | Through product differentiation and increased competitiveness, we have been making continuous progress in the field of highly functional materials for home appliances, furniture and sign & graphic materials. We have secured competitiveness in R&D and a differentiated development process, and have actively expanded our investment in response to the fast changing IT digital device market which demands customized material with distinctive appearance and features. As a global organization, we endeavor to fulfill our social responsibility to protect the environment through innovative eco-conscious and society-oriented technological development. We also make our efforts to seize greater opportunities by strengthening our localized global infrastructure. LG Hausys will strive to be the company that is reliable with a continuous growth by creating customer value and practicing social responsibility as a global company.



## Materials & Components

As the first developer of automotive bumpers and interior skin materials in Korea, LG Hausys has made a large contribution to the country's industrial development. By focusing on eco-friendly and energy-saving products more, we will grow continuously.

### Main Products

- 1) Automotive materials & components : Interior skin materials, several exterior and underhood components, and weight lightening materials
- 2) Vacuum Insulation Panels : Vacuum Insulation Panels for electronic appliances and buildings



### Growing as a global top player through eco-friendly & highly-functional product differentiating, as well as active expansion of overseas business

Jin-Hyoung Hwang, Vice President | The business environment for automotive materials and components involves the cost increase of various raw material and more stringent applying of Green Policies. In the automobile industry, our main business area, the demands for eco-friendly & highly functional interior skin materials and for weight reducing components have been increasing rapidly. In order to satisfy these burgeoning demands, we have been putting efforts into developing advanced eco-friendly automotive skin materials using olefin resins & bio substance. We have also developed weight reducing components, taking advantage of Long Fiber Thermoplastic-Direct technology. Along with these efforts, we have been working hard to reduce our green house gas emission by continuously renovating production process and improving our productivity. We also contribute to the foundations of global green growth and energy-saving policies through our performance enhancement and market expansion of Vacuum Insulation Panels. We will continue to increase efforts in eco-friendly and differentiated product development, and actively penetrate overseas markets to achieve our sustainable growth as a global leader in the field of functional industrial materials and components.

## Surface Materials

Through the international expansion of the production of HI-MACS, a line of acrylic solid surface and the completion of the American plant that will produce Viatera, high-grade engineered stone, we have emerged as a major global player in the surface material market.

### Main Products

- 1) HI-MACS : The prestigious acrylic solid surface with design flexibility of spaces which can be used for the surfacing of kitchen furniture as well as the interior / exterior decoration of a building
- 2) Viatera : The highest quality engineered stone which makes up for the lack of hygiene and durability of the natural stone while keeping its natural sophistication



### Stepping up as a global top player in the surface materials business, through business localization and expansion to commercial market

Kwang-Jin Kim, Director | We perceive the recent decline in the market caused by global recession as not only a crisis but also an opportunity to move forward at the same time. Firstly, we have been putting continuous and organized efforts into localization of overseas markets, by setting up manufacturing and sales corporations around the world that can respond rapidly to our customers' needs. We are also making a constant effort to create eco-friendly and distinctive products in order to improve our global competitiveness. Furthermore, all surface material products at LG Hausys are made with reliably tested materials, and our production processes are emitting ever decreasing amounts of environmental pollution. We also have developed a process through which we collect plant waste and recycle it into distinctive products, which further helps us to reduce waste treatment costs. In addition, we have extended the range of our business beyond housing materials to include household appliances, furniture, interior / exterior materials and artworks.



Biefbi Cucine  
Design : Fred Allison for Biefbi  
Cucine Fabrication : Duegi

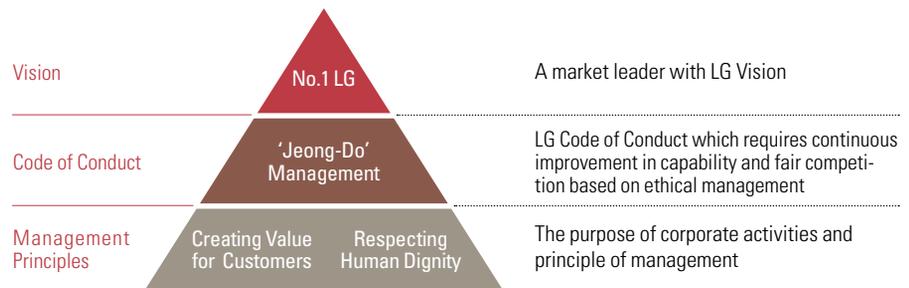
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# Jeong-Do Management

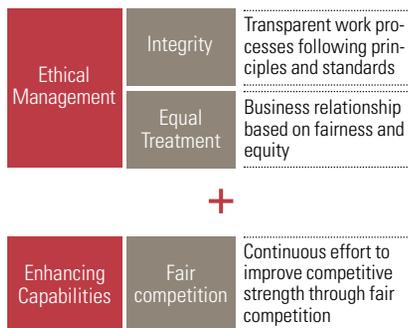
As part of our endeavor to keep and deepen the respect we receive from our stakeholders, we have developed our own program of management practice called 'Jeong-Do', which is responsive to customer demand, changes in the environment and changes in management values.

## The LG Way and 'Jeong-do' Management

At LG Hausys, we seek to follow the 'LG Way', which represents our ultimate aim to become 'No.1 LG', by 'Creating value for customers' and 'Respecting human dignity' through 'Jeong-Do' Management, a code of conduct that is unique to LG. 'Jeong-Do' Management is based on ethical management that is open to fair competition along with a continuous strengthening of capability. 



## Jeong-Do Management

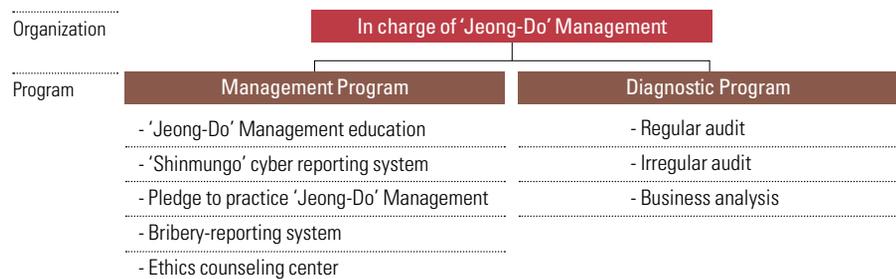


## 'Jeong-do' Management of LG Hausys

LG Hausys regards 'Jeong-Do' Management to be an essential requirement rather than an option for us to thrive as a business organization. In order to promote the spirit of 'Jeong-Do' Management and prevent any unethical behavior, we require all employees to go through 'Jeong-Do' Management education every year. For LG Hausys, principles of LG Way and 'Jeong-Do' Management go beyond ethical management, and require competency-based performance with concrete outcomes. For our customers, 'Jeong-Do' Management is practiced through value creation and respect for human dignity. Through consistent effort and innovation, we try to increase our capability for the purpose of creating greater customer value. Also, we demonstrate our respect for human dignity by providing equal opportunity and fair treatment based on ability. As well as applying 'Jeong-Do' Management and the code of ethical conduct in our work, we also willingly reform any irrational work practices in order to more effectively consolidate 'Jeong-Do' Management.

## The Implementation of 'Jeong-Do' Management

LG Hausys has a designated team which oversees major issues related to 'Jeong-Do' Management. To ensure a field-based practice of 'Jeong-Do' Management, the team also works in coordination with each part of the company.





### Main Points of LG Code of Ethics

1. Responsibilities and obligations to customers
2. Fair competition
3. Fair transactions
4. Basic ethics for employees
5. Corporate responsibility to employees
6. Responsibility to society and country

### Code of Ethics

All employees at LG follow the LG Code of Ethics as the principles for our actions and judgment. The Code of Ethics is published in handbooks in Korean, English and Chinese, and is distributed to each of our corporations. 

### 'Jeong-Do' Management Program

LG Hausys practices 'Jeong-Do' Management through a program which involves a pledge to practice 'Jeong-Do' Management; a bribery-reporting system; a cyber reporting system; and education in 'Jeong-Do' Management.

**Pledge to Practice 'Jeong-Do' Management |** Every year, all employees of LG Hausys make a pledge online to practice the LG Code of Ethics and 'Jeong-Do' Management.

**Bribery Reporting System |** Receiving money or valuables from interested parties is strictly prohibited for all employees of LG Hausys. According to our code of ethics, the money or valuables received must be returned. In the event that returning the goods is impossible, the gift must be reported to the ethics office where it will be donated to social service agencies or auctioned off for profit to be used for social contribution activities.

**'Shinmungo' Reporting System |** 'Shinmungo' is an online reporting system for violations of 'Jeong-Do' Management principles, such as through abuse of power in work processes, receiving bribes or any other business practice that violates the LG Code of Ethics. In the event that online communication is difficult, the report can be also made by phone, fax, mail or direct visit. All information regarding the informants is thoroughly guarded, and protection and compensation is provided to any informant who meets with any disadvantage as a result of their whistle blowing.

**Education and Promotion of 'Jeong-Do' Management |** LG Hausys carries out 'Jeong-Do' Management training programs tailored to each area of work, such as sales, purchasing and business training, as well as for new recruits to managerial and leadership positions. Promotion of our ethics management is extended to our business partners and dealerships through provision of 'Jeong-Do' Management-related training at least once every three years. Training also takes place over once a year in overseas corporations (United States, China, Russia and Europe) to reinforce education and promotion of 'Jeong-Do' Management. In the future, we plan to carry out an audit system for each overseas workplace. We will continue our educational and promotional efforts in order to foster voluntary participation by all employees and business partners in 'Jeong-Do' Management as our principle code of conduct. We will also put in effort to being a leader in ethical corporate culture, by continuously upgrading the 'Jeong-Do' Management system.

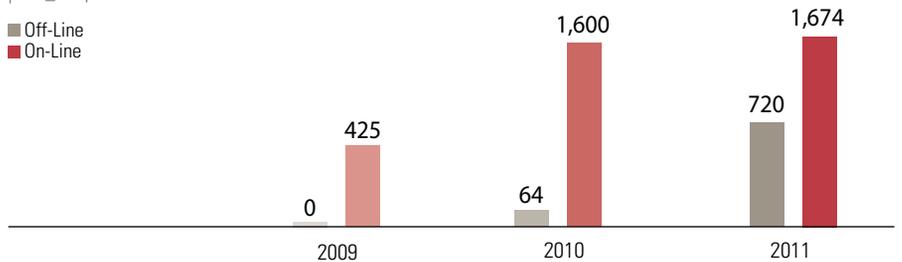
### 2011 'Jeong-Do' Management Education

Total number (sessions)	45
Employees attended (people)	635
Length of education (hours per people)	1.5

### Participation of Business Partners and Dealerships in 'Jeong-Do' Management Education

| Unit\_ People

■ Off-Line  
■ On-Line



# Governance

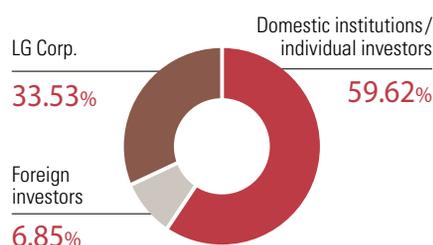
LG Hausys strives to deepen its role as a respected company and to create effective corporate governance through transparent business practices. We maintain transparent governance based on open channels of information and the guaranteed independence of our audit committee, and by maintaining a balanced, fair and effective decision making system.

## Profile of Stockholders

Ever since LG Hausys was established after the industrial material branch demerged from LG Chem on April 1st, 2009, we have grown to become Korea's biggest company in the building & decorative materials, and highly functional materials & components industries. In order to secure our future as a sustainable company, we have secured a balanced and stable ownership profile. As of Dec. 31st, 2011, LG Corp. holds a 33.53% share of the common stocks issued.

## Composition of Stockholders

| based on common stocks



## Board of Directors

The board of directors at LG Hausys oversees the company's main business activities and each board members' performance of their duties. Composed of 7 members, the board votes on company legislation, items related to the articles of association, issues from the general stockholders' meeting and main issues related to the implementation of business. A reasonable and clear decision making process is assured by separating the chair position from the CEO and by having independent directors on the board.

**Makeup of the Board of Directors |** The seven members in the board of directors comprise two executive directors, two non-executive directors and three independent directors. The audit committee is made of the three independent directors from the board.

The election of board members is carried out in compliance with commercial law and other related regulations. All decisions on the makeup and management of the board need to be approved by the board of directors and the general meeting of stockholders. Independent directors make over 25% of the board and are appointed at the general stockholders' meeting. The appointed independent directors are expected to participate actively by bringing their expertise to issues of relevance to their skills and backgrounds. Annual evaluations of their performance in this regard become the basis for their nomination for reappointment after their three year term. As well as professional expertise, other considerations in the nomination of independent directors include their independence from management, their age, and their potential for being actively involved in the board's work.

Category	Name	Areas of Responsibility or Profession	Transaction with the Company	Note
Executive Director	Myeung-Ho Han	CEO	None	
	Hong-Gi Kim	CFO	"	
Non-Executive Director	Jun-Ho Cho	President and COO of LG Corp.	"	Chair of the board of directors
	Ji-Yung Yu	Vice president of LG Corp.	"	
	Chan-Seok Oh	Independent Director of LG Hausys Corp.	"	Chair of audit committee
Independent Director	Myung-Hwan Kim	Vice chairman, Haeahn Architecture	"	Audit committee member
	Hyun Kim	Professor, School of Art & Design, Korea University	"	Audit committee member

The three independent directors at LG Hausys have the role of monitoring and checking management while also being objective assistants who provide faithful advice. The directors have the responsibility of submitting feedback, evaluations and directions on major management issues and implementation of business. Our current independent directors include an accounting and finance specialist who is also a chartered accountant; a construction specialist with the experience in the Korean Housing Corporation; and a professor of art & design. These directors support the company by reviewing current issues and strategies, and making active suggestions. Also, given their respected social reputation, it is hoped these directors will continue to play a substantial role in enhancing the company's public image.

**The Performance and Evaluation of the Board of Directors** | LG Hausys board of directors held a total of 6 meetings in 2011. Throughout these meetings, a total of 24 items were reviewed and 17 items were approved, while 7 items were reported. The average attendance rate for these meetings was 97.6%. The performance of the board of directors is evaluated and compensated according to an annually calculated payment scale which is based on the rate of inflation and a competitive rate for directors in this position. All pay adjustments need to be approved by the board of directors. The approved annual salary is then paid in 12 equal installments.

#### 2011 Major Agenda Items for Board of Directors' Meetings

No.	Date	Main Issues	Directors' attendance (%)
1	01.27	2010 Management performance report, Approval of capital increase for LG Hausys	100.0
2	02.21	Approval of the 2nd regular general stockholders' meeting	85.7
3	04.18	2011 1st management performance report, Share adjustment of LG-Tosem BM, Approval of the Credit Line certification of payment for LG HSAI	100.0
4	07.20	2011 2nd management performance report, Approval of the Credit Line certification of payment for LG HSTJ and LG HSWX	100.0
5	10.19	2011 3rd management performance report, Change of location for the main office, Approval of the Credit Line certification of payment for LG HSAI	100.0
6	12.02	Human resource issues for executives, Issuance of 3rd unsecured debenture, Approval of Credit Line certification of payment for U.S. and Chinese corporations, Report on LG Hausys research center site	100.0

#### 2011 Major Agenda Items for the Audit Committee Meetings

Dates	Agenda Items
02.21	Approval of the appraisal report on the internal accounting management system
	Approval of the opinion statement of the audit committee on the internal audit system
04.18	Status review of the 'Shinmungo' cyber reporting system
	Process assessment result of the PVC windows special sales
07.20	Status review of the 'Shinmungo' cyber reporting system
	Process assessment result of the AL windows special sales
10.19	Status review of the 'Shinmungo' cyber reporting system
	Report on overseas business assessment

**Activities of the Audit Committee** | As part of the board of directors, LG Hausys operates an audit committee, whose autonomy and transparency is safeguarded. The audit committee independently plans and carries out an auditing process in which it pinpoints areas for improvement. To ensure its autonomy, the committee is made up of independent directors who are qualified under commercial law. As of Dec. 31st, 2011, the audit committee is made up of three independent directors. The committee audits the company's accounting, business and financial status, and has the power to request reports from the directors or to launch an investigation on relevant matters at any given time. The committee can call an extraordinary general meeting by submitting an official request to the board of directors stating its aim and reason. In addition, the audit committee can demand a business report from subsidiary companies if found necessary, and can launch an investigation in case the report is delayed or requires further information. The committee also votes on items assigned to it by regulations and issues entrusted to it by the board of directors.

# Stakeholder Engagement

## Stakeholders and Communication

**Stakeholders** | LG Hausys defines our stakeholders to be all groups affecting, and affected by, our management activities. These include organizations within the group with legal, financial and management responsibilities, as well as media groups, labor unions, NGOs, pressure groups, communities, competitors, opinion leaders and scholars. According to their role, contribution and relationship, stakeholders are largely divided into two groups: those with legal, financial and management responsibilities; and those that affect our management activities and performance. These are further subcategorized as stockholders and investors, employees, customers, business partners and communities.

**Stakeholder Engagement** | LG Hausys uses a variety of communication channels tailored to the interests of our major stakeholders. The main communication channels with our customers include: the VOC system; product responsibility monitoring; and a women's focus group 'Z:ENNE'. Through these channels, we discern customers' feedback on our product development and overall management practices. Our communication channels with employees include: the Green Board; regular labor & management conferences; and an employee counseling center. In addition, we value the role of our business partners and try to maintain organic relationships and ongoing communication with them, so as to reflect these partners' needs in our management activities. To share our vision and policies based on 'Jeong-Do' Management and ethical management with our business partners, we hold regular meetings and information sessions. Moreover, we make an effort to communicate with the local communities surrounding our workplaces through volunteer activities and discussion meetings. We involve the government and communities in our management practices by getting involved with research activities and being in compliance with government policies. We will continue our lively communication with our stakeholders as our partners in establishing sustainable management. All involvement of our stakeholders is reflected in our management activities and published through this sustainability report.

### Stakeholder Communication Channels and Issues

					
Stakeholder	Stockholders / Investors	Employees	Customers	Partners	Community
Main issues	<ul style="list-style-type: none"> <li>- Fair and open information</li> <li>- Rewarding stockholders / investors</li> </ul>	<ul style="list-style-type: none"> <li>- Employment</li> <li>- Labor &amp; management relationship</li> <li>- Employee communication</li> </ul>	<ul style="list-style-type: none"> <li>- Marketing related customer communication</li> <li>- Customer satisfaction Activities</li> </ul>	<ul style="list-style-type: none"> <li>- Win-win management</li> <li>- Fair and transparent processes in selecting business partners</li> </ul>	<ul style="list-style-type: none"> <li>- Social contribution activities</li> </ul>
Communication Channel	<ul style="list-style-type: none"> <li>- Business information sessions</li> <li>- Publication of investment information and credit assessment</li> </ul>	<ul style="list-style-type: none"> <li>- Green Board</li> <li>- Labor &amp; management conference</li> <li>- Employees counseling center</li> </ul>	<ul style="list-style-type: none"> <li>- VOC process</li> <li>- Product responsibility monitoring system</li> <li>- Z:ENNE</li> </ul>	<ul style="list-style-type: none"> <li>- Business Partners meeting &amp; presentation</li> <li>- Business partners 'Jeong-do' management education</li> </ul>	<ul style="list-style-type: none"> <li>- Community volunteer activities</li> <li>- Community discussion meetings</li> <li>- Website</li> </ul>
Page	2012 Annual Report	p. 50 - 57	p. 58 - 61	p. 62 - 64	p. 65 - 68

# Materiality Test

LG Hausys carried out a materiality test in order to ensure that this report would inform stakeholders about the key issues in our sustainability management. After the test, the prioritization in reporting these issues was decided based on the significance and the practicality of the issues identified.

## Process of Materiality Test

The materiality test was conducted in order to identify the major issues to be included in the 2012 sustainability report. The test was in three phases, namely: identification of external issues; identification of internal issues; and compilation and assessment of the key issues. The external issues were identified by benchmarking advanced domestic and foreign companies as well as LG group's subsidiaries, reviewing various global standards, conducting media research and surveying external stakeholders. We also identified internal issues through the analysis of management strategies, employee interviews and a survey of internal stakeholders. Based on the issues identified through this internal / external research, key items were chosen to be reported on according to their inter-relationships, frequency and their relevance to business. The key issues were used in analyzing the current status of the company's sustainability management as well as the areas requiring future improvement.

### Materiality Test Process



## I. LG Hausys Sustainability

II. Harmony with Space

III. Harmony with Nature

IV. Harmony with Human

V. Appendix

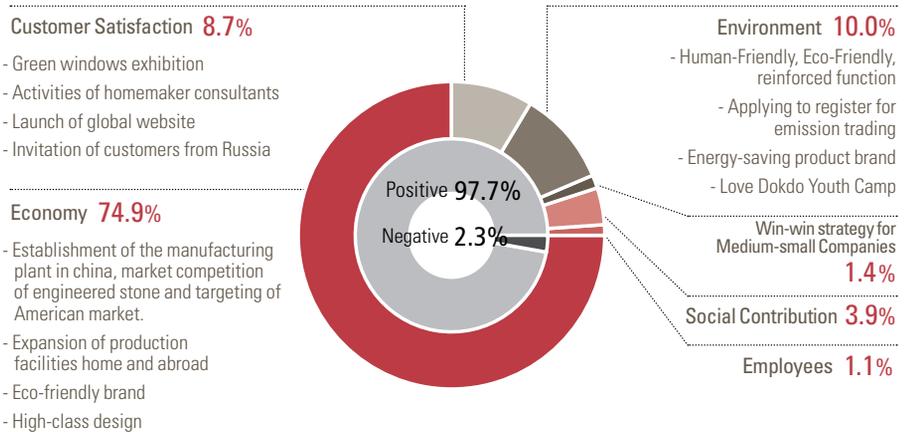
# STEP 1

Identifying External Issues

**Benchmarking and Review of Global Standards** | Advanced foreign companies in the industry of decorative materials, window materials, highly functional materials, surface materials, and materials & components, as well as other subsidiaries of LG Group, were studied for benchmarking. In addition, GRI G3.1, ISO 26000 and DJSI were reviewed in order to identify issues of global sustainability management.

**External Stakeholders' Survey** | LG Hausys surveyed our external stakeholders (partners, customers etc.) on their evaluation of the company's sustainability management. The survey result identified three main issues: securing growth engines through development of new business; eco-friendly products; and social contribution activities.

**Media Research** | Based on 2,718 press articles covering our company from Jan. 1st, 2010 to Nov. 18th, 2011, an analysis was made on our major management activities from the media's perspective.



# STEP 2

Identifying Internal Issues

**Analysis of Management Strategies and Employee Interviews** | An analysis of management policies and strategies was used to assess the key issues for sustainability management. Its outcome particularly focuses on expansion of new business such as development of eco-friendly products and investment policies on R&D. We also held internal workshops to build internal consensus for sustainability management and foster exchange of opinions. To improve understanding on sustainability management, interviews were conducted with staff from the departments related to the main issues.

**Internal Stakeholders' Survey** | To identify main internal issues as well as the level of our sustainability management, employees were surveyed. The main issues identified through the survey were: development of new business; development of sustainability management strategies; planning of eco-friendly products; and health & safety of employees.

# STEP 3

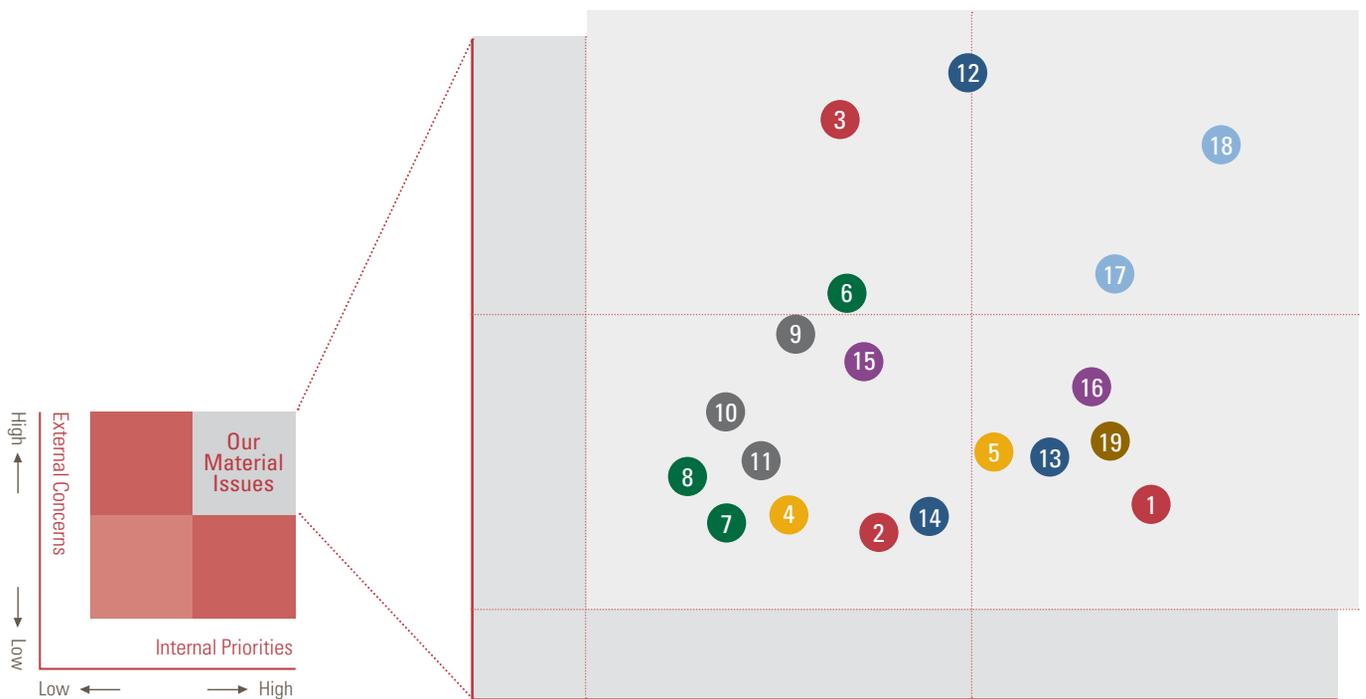
Compilation and Assessment of the Key Issues

**Compilation of Issues and Identification of the Key Issues** | A total of 60 items were compiled for the report from the internally and externally identified issues and divided into 8 categories (economy & general management, sustainability management, environment, labor & human rights, 'Jeong-Do' Management, product responsibility, community, business partners). Decisions for the report items were made based on management-related issues, analysis of new major issues in related industries, media research, and guidelines for sustainability management. From this compilation, external issues (STEP1) and internal issues (STEP2) were identified, and, following an integrated assessment of the inter-relationships and frequency of the issues, key issues were identified and prioritized (STEP3).

### The Result of Materiality Test

From the materiality test, a total of 19 key issues were selected in the areas of economy, society and environment. 5 key issues were selected for sustainability management and the field of economy; 3 were selected for environment; and for society 11 issues (including labor, 'Jeong-Do' Management, product responsibility) were selected as main items. Minor issues are also reported in each related sections of economy, environment and society.

2011 Materiality Test Matrix



No. Issue	Page	No. Issue	Page
1 Sustainability Management Strategy	8-9	12 Transparent Opening of Information	59
2 Management Leadership	4-5	13 Fair Competition	64
3 Fair and Transparent Management	14-15	14 Compliance with the Laws Related to Ethical Management	15
4 Product and Service Development for Society and Environment	10-13	15 Marketing Related Customer Communication	61
5 Securing Growth Engine through Development of New Business	10-13	16 Customer Satisfaction	60
6 Planning of Eco-Friendly Products	36-39	17 Social Contribution Activities	62
7 Response to Climate Changes	40-41	18 Win-win Management	63
8 Technological Development of Energy Efficiency & Reduction	40-41	19 Fair and Transparent Selection of Business Partners	65
9 Employment	50		
10 Labor & Management Relationship	57		
11 Employee Communication	56		

● Sustainability Management	● 'Jeong-Do' Management
● Economy & General Management	● Product Responsibility
● Environment	● Business Partners
● Labor & Human Rights	● Community

# Harmony with Space

Economic Performance P. 24

Efforts for Sustainable Growth P. 26

Risk Management P. 29

Distribution of Economic Outcomes P. 30





### Management Principles

Since LG Hausys demerged from LG Chem in 2009, we have been faced with internal and external challenges. Nevertheless, we have expanded our overseas business and launched market-leading eco-friendly products in order to focus on improving product competitiveness and promote new growth engines.

### 2011 Performances

Category		2009	2010	2011
Financial performance	Sales (million KRW)	1,662,536	2,242,065	2,450,105
	Growth in net profit for the period	-	70.0%	15.6%
Management stability	Debt Ratio	109.9%	118.4%	168.9%
Management renovation	R&D expense (Sales vs. R&D expense)	1.85%	2.02%	1.94%
Transparency	Publication of Sustainability Report	-	-	First published

### 2012 Goals

- Establishment of stable finances through effective market risk management and debt management
- Development of global markets and expansion of new markets
- Expansion of R&D activities to develop eco-friendly and human-friendly new materials
- Management improvement and design renovation for 'Z:IN'



# Economic Performance

In spite of a slowdown in the building and real estate market in 2011, LG Hausys has been pursuing corporate growth, profitability and stability through new growth engine businesses and ongoing efforts in financial soundness.

## Growth

LG Hausys is made up of two business units: building & decorative materials, and highly functional materials & components. Through business expansion and development of new markets, we have achieved a 9.3 % increase in sales.

**Growth in Building & Decorative Materials Business** | Although the economic slowdown has impeded the recovery in the construction and real estate industry, our building & decorative materials sales has grown through the launch of new products and expansion of overseas markets. However, our profit has decreased moderately due to the increasing cost of primary materials (PVC, MMA etc.). To overcome these challenges in the business environment, we have sought to maximize our sales and profit by launching eco-friendly products such as Auto-ventilation Windows, Air Purifying Wallcovering and ZEA Floor. We have also made continuous efforts to expand overseas markets and reduce costs. The rise in customer interest and government policy promoting Green Homes will increase the demand for energy efficient and eco-friendly building materials, and we expect these to lead to further growth in our building & decorative materials business. Also, we plan to capitalize on business growth in BRIC countries (Brazil, Russia, India, China, Republic of South Africa) and to strengthen our overseas markets. Foreseeing customer needs and market trends, we will continue to launch high-value, eco-friendly products and focus on penetration of overseas markets to strengthen our market leadership.

**Growth of Highly Functional Materials & Components Business** | Our highly functional materials & components business includes high gloss sheets, decorative sheets, functional films, automotive materials & components and other functional products. Recovery in the automotive components and home appliance / IT industries has helped us achieve a constant increase in sales and profits for our highly functional products, while also launching new products including PSAA and Vacuum Insulation Panels. The automobile industry has grown in 2011 with the effect of new products and increases in exports. With this growth, we expect that there will be even greater demand over the long term for high strength / light weight components and materials. In terms of the IT industry, we expect further growth in highly functional adhesive / surface materials to keep up with the improvement of design and materials for touch screens in smart phones and other IT devices. To improve our general sales and profitability, we will continue to focus on R&D and technological competency to develop high value and highly functional materials & components with wider applications beyond house appliances / IT and automobiles.

### Sales Ratio by Business | Unit\_ %

#### Building & Decorative Materials



#### Highly Functional Materials & Components



### Growth Index | Unit\_ %

	2009	2010	2011
Primary Financial Index			
Growth Rate for Sales	-	34.9	9.3
Growth Rate for Tangible Assets	-	18.5	14.0
Growth in Net Profit for the Period	-	70.0	15.6
Growth for Total Assets	-	8.4	27.8

### Activity Index | Unit\_ times

	2009	2010	2011
Primary Financial Index			
Total Assets Turnover Ratio	1.19	1.48	1.26
Receivable Turnover Ratio	4.23	6.18	5.59
Inventory Turnover Ratio	14.31	15.16	11.82
Tangible Assets Turnover Ratio	3.10	3.53	3.38

\*2009's data is based on the performance from April 1st 2009 ~ December 31st 2009

## Profitability

LG Hausys' business expansion and creation of new growth engines contribute not only to our own business growth but also to increased revenue for related industries. For building & decorative materials, we have drawn on our capability in design and planning to respond rapidly to customer demand by providing tailored space creation, a variety of energy saving and eco-friendly materials, and distinctive marketing from the customer's perspective. With our differentiated quality and designs, and high brand awareness, we are implementing effective distribution and marketing of products such as PVC windows and floors, as we strive to increase our market share at home and abroad.

In terms of our highly functional materials & components business, we have continued to develop high quality products and provide improved customer solutions, based on our advanced technology in blending and processing raw materials. As we grow as a company we will continue to meet our customers' needs by making distinctive products through cultivation of experts and aggressive investment in R&D.

As a result of our endeavors, the operating profit of LG Hausys in 2011 has reached 72,311 million KRW, a 13.9% increase over the previous year. The net profit for the period has also increased by 15.6% to 46,311 million KRW. The ratio of operating profit to net sales and the ratio of net profit to net sales for 2011 have reached 3.0% and 1.9% respectively.

## Management Stability

LG Hausys seeks management stability through stable financial activities, and improvement of its external credit standing by effectively managing its credit rating.

**Credit Rating** | As of the end of 2011, a domestic credit rating agency has awarded LG Hausys the rate of AA- for corporate bonds and A1 for commercial papers. These ratings reflect the company's excellent ability to repay the principal and interest as well as its good standing in terms of its ability to make timely repayment of commercial papers and to service its debt. The rating also reflects LG Hausys's current and potential business capacity as well as its financial stability and economic influence on a range of industries, especially building, automobile and IT, through its high value business ventures and expansion into overseas markets.

Profit Index   Unit_ %			
	2009	2010	2011
Primary Financial Index			
Growth Rate of Sales	2.6	2.8	3.0
Ratio of Net Profit to Sales	1.4	1.8	1.9
Return on Assets	1.7	2.6	2.4
Return on Equity	3.5	5.8	6.4

Stability Index   Unit_ %			
	2009	2010	2011
Primary Financial Index			
Current Ratio	155.9	135.8	123.8
Debt Ratio	109.9	118.4	168.9
Non-Current to Long-term Capital Ratio	67.9	76.8	77.7
Equity Capital Ratio	47.6	45.8	37.2

\* Corporate bonds of 200 billion KRW in value were issued in Dec. 2011 to provide operation funds and conversion funds (150 billion KRW) for corporate bonds that matured in Jan. 2012.

# Efforts for Sustainable Growth

LG Hausys is preparing for the future through an array of management renovations. We have been making investment and putting diverse efforts into product development, while also engaging ourselves in pursuit of customer-oriented and creative product designs. Moreover, we are preparing to advance as a global company through new business ventures and expansions abroad.

## R&D Expenditure

	2009	2010	2011
Cost of R&D (million KRW)	30,806	45,180	47,429
Ratio of R&D expenditure to sales*	1.85%	2.02%	1.94%

\*R&D expenditure / Sales for the term x 100

## Product Research and Development

LG Hausys's R&D activities into building materials and highly functional materials & components have been strengthening our business competitiveness and at the same time, playing a critical role in our ongoing search of new business areas for future growth. For these continuous R&D activities, we have invested 47,429 million KRW as of 2011, equivalent to 1.94% of our sales.

**Current Status of R&D Activities |** R&D activities at LG Hausys center on eco-friendly and human-friendly building & decorative materials as well as high efficiency and highly functional materials. For each business unit, our building & decorative materials focus on enhanced energy performance, eco-friendly materials and sensitive designs. At the same time, our highly functional materials units strive to generate distinctive values and competitiveness by using our core technology to improve surfaces and functions for home appliances and IT. Through ongoing investment and by securing and fusing advanced core technology, we are consistently seeking new promising businesses. Currently, we have selected a number of future new growth areas through which we will concentrate our R&D activities upon the technological fundamentals of processing high polymer, developing complex materials, surface processing, structure planning & interpretation and adhesive technology. The new areas for applying this research include: functional glass, window materials, functional tapes, highly functional surface materials for mobile phones / laptops, high efficiency insulating materials, and eco-friendly wood polymer composite.

**Development and Launch of High Insulation Vacuum Glass |** LG Hausys has succeeded in being the first company in Korea to develop and mass produce super insulation vacuum glass, which can reduce energy use for buildings while maximizing windows' insulating function. This product's mechanism involves creating a vacuum gap between two sheets of glass. Pillars are installed at regular intervals in order to regulate the width of the vacuum gap and thus ensure the highest insulation and condensation performance. We have acquired Level 1 Energy Efficiency Label and Standard Program for these window materials, coming into effect starting July, 2012. We hope that this will bring further expansion into the market for functional glass.

**Development of Eco-friendly Materials |** LG Hausys strives to develop products that are not only high in efficiency for customers and industry but also eco-friendly with minimum environmental impacts. We have applied eco-friendly materials (wood, minerals, bio-based polymer) to develop eco-friendly interior materials such as residential and commercial highly functional floor; air purifying, eco-friendly wall covering made from natural materials; and acrylic solid surface for the exterior with natural materials. We are continuing to develop new eco-friendly products combining natural materials (wood flour / fiber) and high polymer, and these show great potential to further increase our sales for exterior materials.



## R&D Structure

R&D at LG Hausys is divided into two sectors: our Tech Centers, which focus on developing new products for our primary businesses (building & decorative materials, highly functional materials & components), and our R&D center that focuses on core technology for new businesses, such as high strength plastic components; BIPV; functional glass; adhesives; and coated high-efficiency insulation materials). Our R&D centers are located in Anyang (Hausys R&D Center), Cheongju (Window Technology Center and Tech Center) and Ulsan (Tech Center).

## Development of New Markets and Expansion of New business

LG Hausys has been collaborating with leading overseas companies to secure and strengthen our technological competitiveness in new markets. In 2009, we entered into a strategic partnership with Tostem, Japan's No.1 company in aluminum window materials, and since May 2011, our Ochang plant has been in operation for production of aluminum window materials. In 2011, we also entered into J/V with the German company, Interpane, and has been putting our efforts into securing our competitiveness in coated glass, through internalization of the production facility in our Ulsan complex by early 2012. Acquiring our own construction capability, we established Hausys ENG as a subsidiary construction company in 2009, a move which facilitates improved quality and service for our window products. We plan on fostering Hausys ENG as subsidiary company which specializes in construction along with licensed products for window materials (AL / glass) and warranty services.

LG Hausys has built foundations for overseas productions and making investment in direct production facilities in order to penetrate oversea markets. In 2010, we invested 40 million USD to establish a production facility at LG Hausys America for engineered stones, to supply the United States, the world's biggest market for this product line. This investment became the catalyst for maximizing sales and creating synergy through improved capacity for the production and distribution of HI-MACS. Furthermore, to secure market and production advantages in China, we are building a plant in Wuxi, Jiangsu. thus acquiring a production base in the Hwadong region. We expect the completion of the plant and R&D center for building & decorative materials by 2012. Meanwhile, plants for PSAA, Vacuum Insulation Panels and highly functional materials & components will be completed in stages by 2015.

## Design Renovation

LG Hausys strives to become a world's best design company through solid market research and our Design Center, which focuses on developing capability for creative and appealing designs. Embodying our customer-oriented philosophy, product perspective and care for life and human, LG Hausys's designs have been recognized by several international design competitions such as reddot awards, iF award and many more. Also, we have been developing inventive ideas through collaborations with world- renowned designers including Alessandro Mendini (architect) and Karim Rashid (industrial designer).

Through an ongoing increase of budgets for design research and education, we have been putting particular effort into design renovation and designer education. Our education programs include foreign languages, IT and organizational development for strengthening basic competency, and we also provide fostering of HPI (High Potential Individuals) and global insight training to further develop designers' creativity. Grounded in these competencies, our designers are further strengthening their design expertise through engagement in a voluntary creative activity called Design Jump, as well as other external activities like Idea forum. As a result of our design renovation efforts, we received over 20 global awards in 2011. Moreover, according to iF's 2012 Company Ranking, we were ranked 11th in the global category, the second highest rank for a Korean company.



\* Global BIG3 Award : iF, reddot, IDEA  
 \* iF Award received in 2012 : 11 items



# Our Brand Story

Z:IN is a premium interior brand of LG Hausys, bringing human space into harmony with nature.

# z:in

In harmony with nature and human,  
In consideration and care for humans

## PART 1. Brands and Z:IN

LG Hausys focuses our brand management on human and nature, while also practicing ways to bring arts into our daily life. Effective and ongoing brand management is an instrument to realize our vision and basis for expanding our market share at home. The outstanding value of our brand is highly recognized. We have been awarded first place in the K-BPI (Korean brand power index) for 9 consecutive years, and in 2010, we received a Green Growth Brand award and Most Customer Trusted Brand award.

Z:IN is a leading brand within LG Hausys. The name Z:IN represents 'human and nature', or 'understanding human', and thus embodies the brand philosophy of creating 'interior designs that care for nature and human'. At Z:IN, we provide values that are tailored to our customers' appreciation for life, nature, and the arts. Along with our quality and functional designs, we use our interior design expertise to foresee and understand our customers' needs and provide outstanding service.

## PART 2. Z:IN COMMUNITY

Z:IN is one of the various channels used by LG Hausys to communicate with its customers and implement 'Nature, Human and Space' as its company values. Our showroom, 'Z:IN Square', allows customers to view our products at a glance, and also functions as a venue for customer service activities such as 'Z:IN Eco School', and a wide range of regular education programs including interior, photography and styling classes.

In 2011, we conducted the Z:IN Eco Campaign to provide customers with the beneficial experience of our products and to raise our brand awareness. Also, we have effectively demonstrated the differentiated quality of Z:IN products through the subtle display of our total interior designs by supplying our products as backdrops in various TV shows and dramas.



- 1) Z:IN Square (Non-Hyun dong, Seoul \_ tel:+82-2-2037-0001)
- 2) 'Z:IN Eco Campaign' Bukhan Mountain. Dulle-gil Walk event
- 3) Z:IN features in the drama 'The greatest love' \_ the office of Dokko Jin, the main character

# Risk Management

## Risk Management

From our wide range of business activities, LG Hausys is exposed to various financial risks related to market, credit and liquidity, as well as risk related to environment and safety. Our general risk management program puts priority in minimizing potential negative impacts on financial performance while monitoring and preventing the risks to environment and safety.

## Risk Management System

Our risk management is handled by our central finance department, which works closely with the sales department in order to analyze and avoid financial risks. The central finance department provides overall risk management policies along with specifically documented policies for risks related to foreign exchange, interest rates, credit, use of derivative or non-derivative products, and investment exceeding liquidity. In addition, each workplace has a separate organization that oversees environment and safety risk management.

## Market Risk Management

LG Hausys systematically manages potential market risks that can be caused by foreign exchange and cash flow issues, as well as the fair value interest rate.

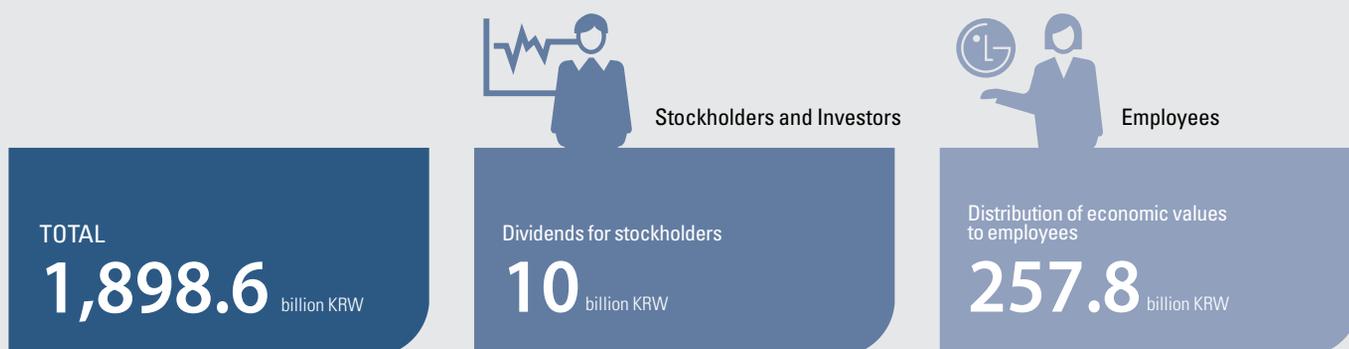
**Foreign Exchange Risk |** Due to our international sales activities, LG Hausys is exposed to foreign exchange risk mainly from fluctuations in the U.S. dollar. Foreign exchange risks particularly occur in relation to the expectations for future trade and recognized assets & liabilities. LG Hausys management has established policies which put each company within the consolidated company in charge of foreign exchange risk management for their own functional currencies. Also, each company consults with the finance department of the consolidated company about foreign exchange risks. Such foreign exchange risk occurs when expectation of future trade and recognized assets are marked with a currency other than convertible currencies. The consolidated company uses a foreign exchange risk management model in order to maintain the size of maximum exchange loss within a certain risk threshold. Furthermore, the consolidated company also invests fixed amounts of funds in overseas workplaces whose net assets are exposed to foreign exchange risk. This exposure of foreign currencies is managed through loans which are marked in related currencies.

**Cash Flow and Fair Value Interest Rate Risk |** The interest rate risk for LG Hausys is caused by long term loans. Loans with floating interest rates lead to interest rate risk for cash flow. Such interest rate risk is partly offset by interest rate risk from interest-bearing cashable assets. Also, loans with fixed interest rates can cause the consolidated company to be exposed to fair value interest rate risk. The floating loan of the consolidated company at the end of the reporting period is a floating interest-bearing loan marked in foreign currencies. The consolidated company carries out a multilateral analysis of the risk exposure related to the interest rate. To manage the interest rate risk, a number of measures are taken, including: cutting down on high interest loans, improvement of short / long term loan structure, comparative analysis of loan terms for fixed and floating interest rates, monitoring domestic and international interest activities and planning responses. Based on these interest rate risk management policies, in case of a 0.1% interest rate change, the profits and losses for the current period (as a result of the changes in financial profits and losses related to the floating interest-bearing margin) is marked with the maximum increase of 367 million KRW (previous term: 216 million KRW) and decrease of 367 million KRW (previous term: 216 million KRW) as of the end of the report term.

# Distribution of Economic Outcomes

LG Hausys allocates economic values to our diverse management-activity-related stakeholders, including stockholders, investors, employees and business partners. We generate not only direct economic values, but also indirect economic values such as job creation.

## Distribution of Economic Outcomes



LG Hausys makes constant efforts to provide maximum values to its stockholders, who are the true owners of the company. We distribute the company's profit to the stockholders through dividends, which are paid in cash. In 2011, 1,000 KRW was determined per common stock for cash dividends and the net profit per share was 4,631 KRW. The total amount of dividends paid to stockholders in 2011 was 10 billion KRW.

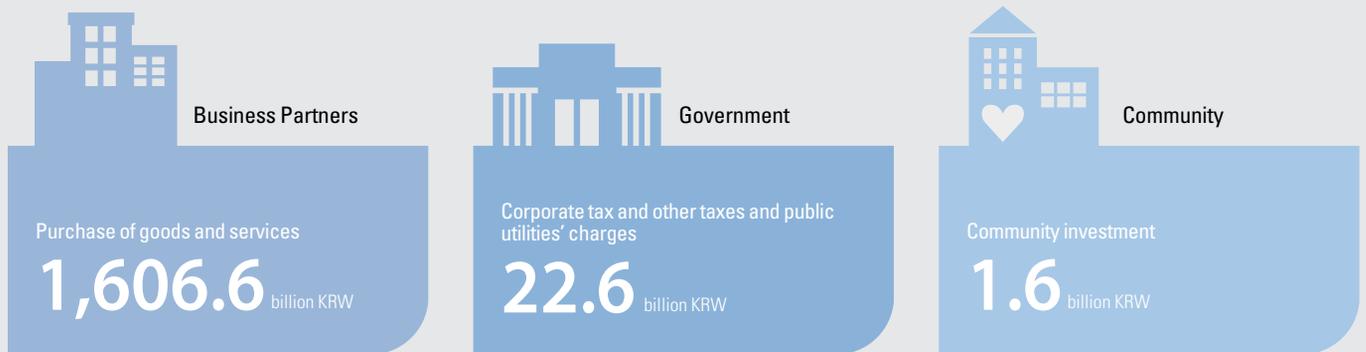
LG Hausys allocates economic values to employees through wage, welfare payments and severance payments. In 2011, a total of 257.8 billion KRW was paid. We plan to expand allocation to employees through fair incentive distribution and diverse welfare systems.

Stakeholders	Category	2009	2010	2011
Stockholders & Investors	Dividend per Share (KRW)	1,000	1,000	1,000
	Earning per share (EPS, KRW)	2,356	4,006	4,631
	Total Amount of Dividend (billion KRW)	10	10	10
Employees	Wages (billion KRW)	125.8	178.6	201.1
	Welfare Payments (billion KRW)	25.7	41.6	44.8
	Severance Payment (billion KRW)	8.9	7.5	11.9
Business Partners	Goods and Services (billion KRW)	1,504.3	1,581.4	1,606.6
Government	Corporate Tax and Other Taxes and Public Utilities' Charges (billion KRW)	9.9	23.2	22.6
Community	Community Investment (billion KRW)	0.2	0.9	1.6
Total Amount (billion KRW)		1,684.9	1,843.2	1,898.6

\* Some part of community investment is not included in the 2009 calculation. The amount of community investment in American and Taipei regions has been included in the 2010 & 2011 calculations.

## Distribution of Economic Outcomes

LG Hausys distributes economic values to our stakeholders through social contribution, payment of taxes and community investment. In 2011, we allocated a total of 1,898.6 billion KRW to our stakeholders.



LG Hausys maintains fair and ongoing relationships with business partners from whom we purchase goods and services. In 2011, our purchases from 1,700 business partners reached a total of 1,606.6 billion KRW 36% of this amount was purchased directly within the community.

We contribute a portion of the outcome generated by our economic activities to the government and local governments through corporate tax, income tax, property tax and all other forms of taxes. In 2011, the total amount paid was 22.6 billion KRW.

LG Hausys carries out an array of community related programs such as support fund for local organizations (charitable organizations, NGOs, recreational facilities etc.) and sponsoring art and education events. In particular, we focus on social contribution activities through voluntary donations and investment in local infrastructure as a way to return our economic outcomes to the community. In 2011, the total amount of community investment was 1.6 billion KRW, with 1.4 billion KRW for domestic projects and 0.2 billion KRW for overseas projects. We plan to further expand our social contribution expenditure through more diverse activities. We also contribute to job creation for the community by increasing new employment, which further generates indirect economic value. In 2011, total of 137 new employees were hired and were given fair placements based on their origins and wishes.

# Harmony with Nature

Green Management P. 34

Eco Products P. 36

Responding to Climate Change P. 40

Environment and Safety P. 42

Eco-friendly Workplaces P. 44





## Management Principles

LG Hausys strives to provide our customers with a healthier, more abundant lifestyle by creating living spaces using eco-friendly materials and developing new products with enhanced energy efficiency. We also put in constant efforts into reducing greenhouse gas emission of environmental pollutants from our workplaces.

## 2011 Performances

Category		2009	2010	2011
Environment Management System	ISO Certification*	Maintained	Maintained	Maintained
	Appointed as Green Company**	Maintained	Maintained	Maintained
Response to Climate Change	Energy Reduction (TJ)	164	205	216
	Reduction of Greenhouse Gas Emission (ton)	8,902	11,060	11,186
Minimizing Environmental Pollution	Waste Recycling (%)	83.8	88.1	89.9
	Hazardous Substances Used (basic unit)	0.0617	0.0859	0.0539
Eco-friendly Products	Product Certifications ***	71	90	95

\*ISO 14001: first time certification for Ulsan complex 1996, Cheongju complex 1999 \*\* Green Company: The first designated in 1995 \*\*\* Product certification: Korea Eco Label, Healthy Building material Mark, Carbon Footprint Label, High-efficiency Appliance Certification Program

## 2012 Goals

- Expanded development of eco-friendly products (high energy efficiency and natural material products etc.)
- Reduction of greenhouse gas emissions and energy consumption, in keeping with our mid to long term plan for energy usage
- Maintenance and implementation of the Green Company management system

## 2012 Material Issues

+

External Concerns

-

- Planning of eco-friendly products
- Putting effort in environmental protection
- Responding to climate change
- Efficient energy use and development of energy-saving technology

- Water resource management
- Waste management
- Eco-friendly process and distribution management
- Investment and implementation for new methods of new renewable energy

- Environmental management system
- Saving and recycling resources
- Air and water pollution management
- Toxic chemical management
- Compliance with environmental laws

Internal Priorities

+

# Green Management

LG Hausys practices green management principles that respect human and pursue harmony with nature.

## Green Management Philosophy

LG Hausys' green management approach is based on LG's management principles, which believes in 'Creating value for customers' and 'Respecting human dignity'. Likewise, our Vision for creating happy living spaces in harmony with nature and human also springs from same LG management principles. Through our green management, we pursue continuous growth in harmony with nature and human by providing products and services that use natural and resource-saving materials.

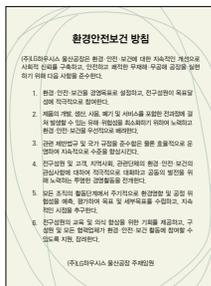
## LG Management Philosophy

The LG Management Charter and Code of Ethics define our role as a global citizen in terms of preservation of the environment and the prevention of environmental pollution. The LG Environment Declaration also states the importance of putting priority on environment & safety and health, as well as fulfilling our corporate social responsibilities in our management activities.



**LG Environment Declaration** | LG Hausys promotes nature-friendly management activities based on the LG Management Charter and Code of Ethics, which put priority on the environment & safety and health, as well as fulfilling corporate social responsibilities.

- 01\_ LG places priority on the environment & safety and health in all stages of its management activities, and sees this as an additional opportunity to create value for our customers.
- 02\_ LG sets strict standards for all its business locations, in compliance with laws related to the environment & safety and health. Strict compliance with these standards is required in order to bring continuous improvement in terms of the environment & safety and health.
- 03\_ LG practices a periodical evaluation of performance related to the environment & safety and health, and opens the results of this evaluation to the public.
- 04\_ All employees of LG seek active involvement with environment preservation activities, in recognition of our social responsibilities for the preservation of the earth's environment.



Environment & Safety and Health Policies

**Environment & Safety and Health Policies** | LG Hausys applies the principles of our LG Environment Declaration when drawing up our environment & safety and health policies, which are publicized and shared with all staff through regular training sessions. This is part of our efforts to incorporate awareness of environment & safety and foster good practice in all our daily work activities.



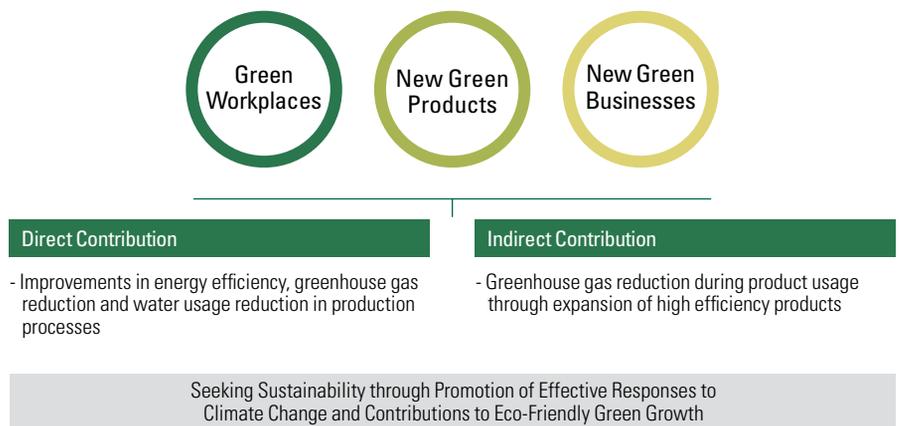
## Environment Management and Green Management



## LG Green Management

LG Green Management focuses on customer value creation and social contribution through minimizing environmental impact, expanding green products and reinforcing new green businesses within our general management activities. While previously our environment management approach has centered primarily on environment protection at the workplace level, our green management approach will now put increasing focus on the broader aim of promoting effective responses to climate change and issues of sustainable growth.

## Contribution Made by Green Management



## 5 Action Plans for Green Management

Action Plans	Tasks
01_ Reinforcing R&D and Facility Investment	Active development and investment in process efficiency and pollutant reduction technology
02_ Continuous Improvement of Portfolios	Review of environmental issues prior to new and additional construction to minimize environmental risk
03_ Active Development of Green Products	Improvement of product competitiveness in energy efficiency, minimizing resource use, expanding high quality lifestyle products
04_ Expansion of New Green Business Investment	Automobile, Energy, Living & Eco Solution in the field of investment
05_ Green Partnership	Green business partners spread, Green Competitiveness Support

## LG Hausys Green Management

Based on its green management system, LG Hausys practices systematic environment management. Our goal is to realize a truly green workplace through reduced emissions of greenhouse gases and air pollution, expanded recycling and savings in resource use. We also endeavor to fulfill our corporate social responsibility and comply with the government's Low Carbon Green Growth policies by focusing our business strategy on the development and expansion of eco-friendly and energy efficient products.

### Green Workplaces

- Reduction of greenhouse gas emissions and energy use
- Reduction of air pollution, resource saving
- Operation of green company management system



### Expansion of New Green Products & Businesses

- Development of Green Identity & Eco Collection
- Expansion of high energy performance product development
- Improvement of indoor air quality, expansion of natural material product use



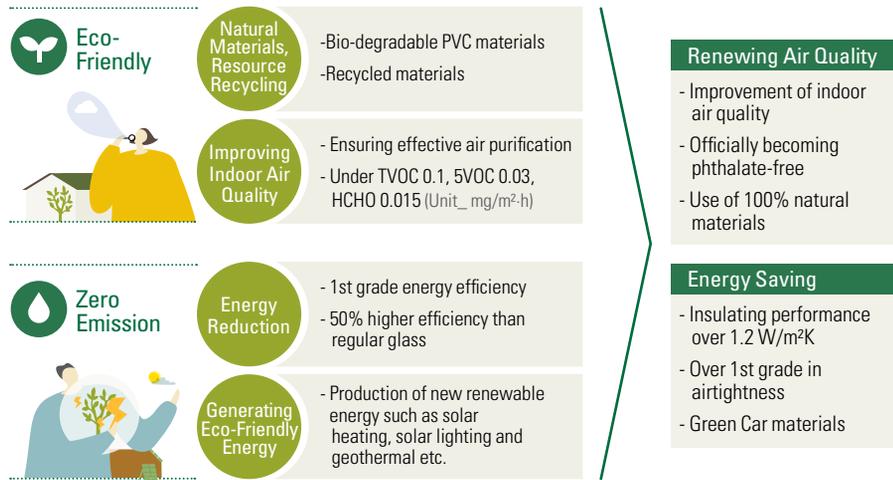
# Eco Products

Based on its core values of being Eco-Friendly, Energy Saving, and Human-Friendly, LG Hausys strives to provide happy living spaces to our customers by developing eco-friendly products through the application of systems and solutions that maximize energy efficiency.

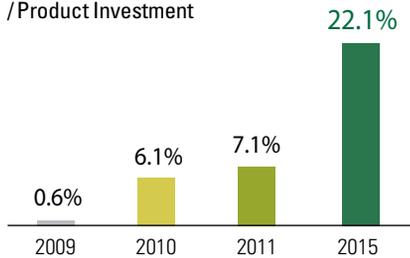
## Development of Eco Products

LG Hausys has established a Green Identity and applies this through our eco-friendly product development. Our top priorities in product development are being 'Eco-Friendly' by providing healthy and pleasant living spaces, and striving for 'Zero Emission', through high efficiency products and utilization of new renewable energy to minimize greenhouse gas emissions. Hence, we have been acquiring new technology and developing new green products that create further customer value.

### Green Identity



Ratio of New Green Business / Product Investment



**Expansion of New Green Businesses** | We have been expanding our new green businesses through increased sales of green products made from natural materials, use of renewable energy, and high energy efficiency. We have also been leading the building & decorative material industry through our acquisition of various eco-friendly certifications, brand development for green products, and other activities.



### New Green Business Products

Product Category	Achievement	Future Plan
Eco-Friendly Materials	Product Launched	ZEA series (flooring, wallcovering)
	Technology Acquired	PLA processing technology (the first for building materials)
	Product Launched	Air Purifying Wallcovering / Tile
	Technology Acquired	Catalyst / functional adhesion
Energy use Reduction	Product Launched	Super insulation windows (grade 1 energy efficiency)
	Technology Acquired	Structure design technology (horizontal adherence)
	Product Launched	High functional insulation material (refrigerator)
	Technology Acquired	Prescription / processing technology
		Increased usage and expanded applications Acquiring original technology
		Differentiation of design and diversification of usage Acquiring highly functional adhesive technology
		Provision of solution for windows Acquiring thin coating technology (diversifying insulation glass)
		Launch of architectural highly functional insulation material Acquiring material polymerization and foaming technology

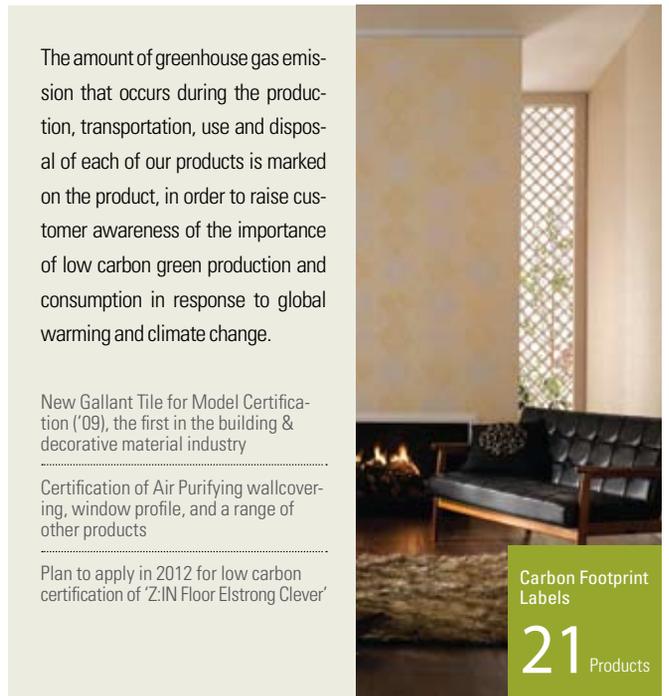
## Eco-Friendly Product Certification

LG Hausys has acquired a growing range of certifications for its eco-friendly building materials, including Korea Eco Label, HB Mark, Carbon Footprint Label and High-efficiency Appliance Certification Program. This reflects our active involvement with the government's promotion of Low Carbon Green Consumption policy as we bringing healthier and safer products to our customers.



Korea Eco Labels 51 Products  
HB Marks 23 Products

In promoting green consumption of low-polluting and resource-saving products, we hold Korea Eco Labels and HB Marks on a wide range of our products. The certified products are recognized for their use of materials suitable for eco-friendly architecture. We continue to monitor and safeguard the eco-friendly qualities of these products in our in-house analytical labs.



The amount of greenhouse gas emission that occurs during the production, transportation, use and disposal of each of our products is marked on the product, in order to raise customer awareness of the importance of low carbon green production and consumption in response to global warming and climate change.

New Gallant Tile for Model Certification ('09), the first in the building & decorative material industry

Certification of Air Purifying wallcovering, window profile, and a range of other products

Plan to apply in 2012 for low carbon certification of 'Z:IN Floor Elstrong Clever'

Carbon Footprint Labels 21 Products



Our high-level airtight insulation windows have received recognition for their performance as low-carbon green products, by being awarded certification as high efficiency materials. As we supply these eco-friendly windows with their high energy efficiency, we are preparing for Energy Efficiency Label and Standard Program for the products, which will come into effect from July, 2012. This is yet another sign of how we are helping to create healthy, pleasant and energy-conscious living environments.

High-efficiency Appliance Certifications 52 Products

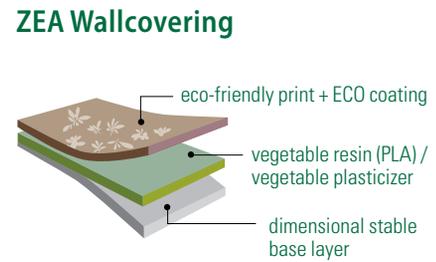


Our flooring, windows and wallcovering have received certification for LEED (Leadership in Energy and Environmental Design) and Energy Star in the United States, and M1 classification of building material in Finland. This recognition has paved the way for us to manufacture world class products and expand our overseas markets in the United States, Europe and China.

International Certifications 10 Products

# Z:IN ECO COLLECTION

We strive to create green homes, green offices and green buildings through focused management training of our ECO COLLECTION, which includes ZEA Wallcovering, ZEA Floor, Auto-ventilation Window.



## ZEA Wallcovering 01

ZEA Wallcovering is the world's first corn-based, 100% natural-material wallcovering, which features an air-purifying eco-coating and no emission of endocrine-disrupting chemicals.



## Air Purifying Tile 03

Air Purifying Tile is an eco-friendly natural interior wall material made with earth-based ingredients. It prevents sick house syndrome and other illnesses by reducing indoor toxins and household odors, while maintaining the best humidity for a healthier living space. The natural mineral that is uniformly distributed within each tile creates a fine porosity (4-5nm) that absorbs toxins and odors, and controls humidity.



## Natural Wooden Window 05

This premium system window boasts fine craftsmanship combined with customized processing technology. Its use of multi-compiled wood and eco-friendly water paint ensures excellent durability while minimizing the emission of harmful chemicals.



## Air Purifying Wallcovering 02

The eco-coating on the surface of the wallcovering has an air-purifying effect by decomposing toxic materials in the air as it responds to sunlight and the visible rays from fluorescent lights.



## Auto-ventilation Window 04

The smart sensor on this automatic ventilation window analyzes, refreshes and insulates the air inside the room without the need to open the window. Its cross ventilation method maintains fresh and clean air quality while its insulation function reduces use of electricity by minimizing the energy loss from cooling and heating.



## Vacuum Glass 06

Our vacuum glass is the first to be developed in Korea. The vacuum space between the two glass panes minimizes heat loss from radiation, conduction and convection. By preventing energy loss due to temperature differences, the glass achieves over 50% reduction in cooling and heating costs. Meanwhile, it also prevents mold that can result from indoor condensation due to temperature fluctuations, and thus helps create a healthier and more comfortable living environment.



### ZEA Floor

07

Created from natural materials (corn, natural stone, cypress etc.), ZEA Floor is laid using red clay full made from red clay and minerals. With its high-level deodorization and air purifying functions, ZEA Floor keeps the living space safe from toxic gases and endocrine-disrupting chemicals.



### WOOZEN

08

WOOZEN is an elegant and durable eco-friendly wood product made of natural wood flour and olefin. It uses only wood from controlled forest-thinning, and thus helps prevent further deforestation from forest clearing, a major cause of global warming. Using 3.3 m<sup>2</sup> of WOOZEN deck over the traditional wooden equivalent has the same effect as protecting one tree.



### BIPV (Building Integrated Photovoltaic system)

09

BIPV is a building-based integrated system for solar electricity generation. Using a new, functional approach to exterior design, BIPV acts both as a building exterior and a system of electricity generation, by using solar batteries as building material. Drawing on clean solar energy, BIPV provides a non-polluting, unlimited and stable electricity supply, while reducing the use of fossil fuels and greenhouse gas emissions.



### HI-MACS (EDEN)

10

Made from recycled stone chips, this imitation interior marble has excellent properties for hygiene and durability. It prevents the spread of germs while also being stain resistant and easy to clean.



### Vacuum Insulation Panels

11

The revolutionary insulation function of the Vacuum Insulation Panels has drastically reduced the thickness of the wall while improving the energy efficiency.



### Cabinar (Air filter)

12

This eco-friendly filtration system creates clean and pleasant indoor air by eliminating hidden dust in internal spaces such as offices, automobiles and office equipment.

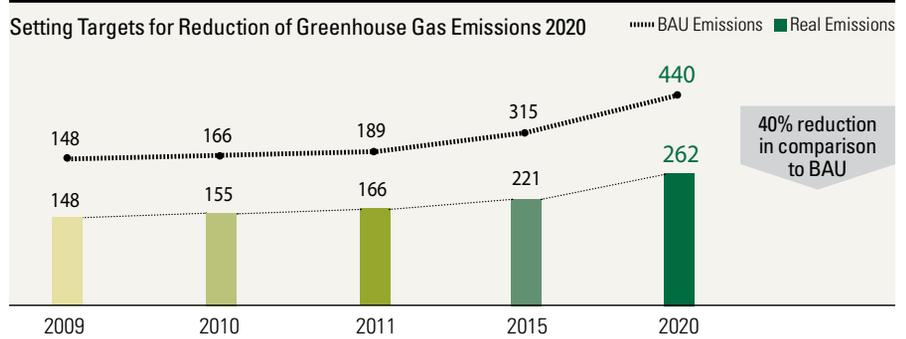


# Response to Climate Change

LG Hausys has been making various efforts to respond to climate change. We have been greening our workplaces by establishing greenhouse gas inventories, developing efficient product processes, and continuously reducing energy use and greenhouse gas emissions. We have also been making high-energy-efficiency products and providing green service through renovation of our distribution systems.

## Strategies in Our Response to Climate Change

In 2010, LG Group declared its 'Green 2020' vision in response to climate changes and in pursuit of eco-friendly and sustainable green growth. In order to achieve its 'Green Goal 2020,' the company plans to invest over 20 trillion KRW in R&D for greening of its workplaces, green new products and green new businesses. LG Hausys has focused our efforts on 3 green strategies, each with its own action plan, namely: reduction of energy use and greenhouse gas emissions; expansion of eco-friendly products; and development of new natural materials.



\*Reduction targets for Cheongju, Ulsan and Tianjin workplaces

**Greenhouse Gas Emission and Reduction Target** | LG Hausys has established greenhouse gas inventories for its major domestic workplaces as a foundation for reducing greenhouse gas emissions. Our greenhouse gas emissions for 2011 totaled 144,258 tons, as certified by The Korea Foundation for Quality. In keeping with LG Group's mid-to-long term goals, we have set as our target to achieve a 40% reduction (in comparison to BAU) by 2020 in our major domestic workplaces.

**The Mid to long Term Strategy for Climate Change** | LG Hausys has already responded proactively to climate change-related regulation risk, by registering its clean fuel diversion project as a greenhouse gas emission reduction project. By 2015, we aim to realize green energy renovation through the application of new renewable energy sources and establishment of green management systems for our overseas workplaces. By 2020, we hope to improve on our ratio of fossil fuel consumption through expanded use of new renewable energy, and to realize green partnerships with our partners by supporting them in their development of green management systems.

**2012**

**Foundation for Green Management**  
(Forward Response to Climate Change Risk)

Clean Fuel Diversion Project for Incinerator and Boiler Facilities (~2012)

Secure CER through Registration of Reduction Project (approx. 40,000 ton)

Participate in Government's Pilot Projects (from 2006 ~) Inventory Establishment → Target Management System → Emission Trading Pilot Project

**2015**

**Green Energy Renovation**

Application of New Renewable Energy RPF, RDF (2012) / Bio-Mass (2013) / Solar, Geothermal (2014)

Improving the Efficiency of Energy Generation and Provision / Adoption of External Surplus Heat (2012) / Renewal of Energy Balance (2013) / Review & Application of Cogeneration (2015)

Establishing Green Management System for Overseas Sites

**2020**

**Realization of Best Green Workplaces, Green Partnerships**

Improving Ratio of Fossil Energy Consumption / Improving Fossil Fuel Consumption Cost by 50% through Expanding New Renewable Energy (2016) / Improving the 10% of the Electricity Consumption from The Korea Power Plant (2017)

Realization of Practical Partnerships through the Reduction of Greenhouse Gas Emissions and Energy Consumption

## Reduction of Greenhouse Gas Emissions

**Voluntary Reduction of Green House Gas Emissions** | Even without being legally obliged to undertake carbon reduction, LG Hausys has been putting voluntary efforts into reducing greenhouse gases by minimizing pollutants emission from its production processes and using clean fuel for its major boilers.

**Efforts for Energy Efficiency Improvement** | As part of our effort to reduce energy use and cost, we have been making improvements in major facilities and production processes such as through facility renovations, application of inverters, changes in heating sources, and renovation of our lighting systems. In 2011 we invested 2.4 billion KRW in energy use reduction and achieved a 2,787 tCO<sub>2</sub>e reduction for our Cheongju complex and a 8,399 tCO<sub>2</sub>e reduction for our Ulsan complex.

	Investment (million KRW)	Cost Reduction (million KRW)	Energy Reduction (TJ)	Greenhouse Gas Reduction(tCO <sub>2</sub> e)
2009	2,631	1,646	164	8,902
2010	2,003	2,127	205	11,060
2011	2,399	2,582	216	11,186

**Registration of Greenhouse Gas Reduction Project** | We have been actively engaged in energy use reduction activities ever since 1999, when we entered into a voluntary agreement with the government for energy conservation. Since 2006, we have converted our major boilers to clean fuels. Meanwhile, we have registered with the national greenhouse gas reduction program and been recognized for our reduction of 43,828 t of CO<sub>2</sub> to 2011. Also, our 'clean fuel diversion project for steam production boilers' has been registered with the international Voluntary Carbon Standard in 2009, the first for a company in Korea.

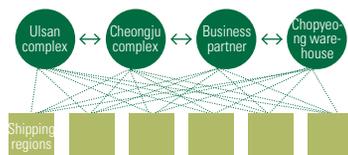


Early Reduction Performance Certificate

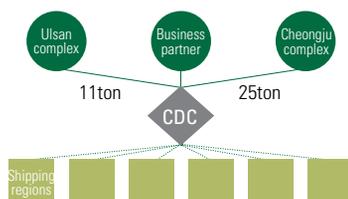
| Unit\_tCO<sub>2</sub>e |

Category	Duration of Project	Reduction Achieved	Governmental Procurement	Achievement Recognized for Early Reduction
Fuel Replacement of Heat Source Boiler	2007.07~2008.09	4,117	1,285	3,346
Fuel Replacement of Waste Heat Boiler	2006.07~2006.09	7,867	3,553	5,735
Fuel Replacement of Steam Boiler	2007.06~2007.11	31,844	10,908	25,299
<b>Total</b>		<b>43,828</b>	<b>15,746</b>	<b>34,380</b>

### Before the Establishment of CDC



### After the Establishment of CDC



## Other Greenhouse Gas Emission Management Activities

**Green Logistics** | To improve the efficiency of our complex logistics network, we established a Central Distribution Center (CDC) in Cheonan in 2011. This CDC contributes to greenhouse gas reduction by reducing fuel consumption during warehouse operations and transportation, via the use of larger vehicles and electric forklifts. We plan to realize even greener logistics systems by applying effective transportation management to further optimize our transportation routes and vehicle numbers.

- Substitution of forklifts and other warehouse work equipment to electric forklifts
- Practice of eco-driving (ban on idling and speeding etc.)
- Planning of advanced working movement using Warehouse Management System (WMS)

**Video Conference** | The establishment and usage of multi-way video conference system in major domestic and oversea workplaces reduces the number of business trips which also contributes to greenhouse gas emission reduction.

- Installation and operation of video conference systems in domestic sites: headquarter (Seoul), research center (Anyang), complexes (Cheongju, Ulsan, Ochang) and overseas sites (China, United States, EU and Russia)

- I. LG Hausys Sustainability
- II. Harmony with Space
- III. Harmony with Nature**
- IV. Harmony with Human
- V. Appendix

# Environment & Safety

We put continuous efforts into the safety of the community and preservation of the environment through our environment & safety system.

## Environment & Safety System

LG Hausys has been recognized as a green company by the Ministry of Environment since 1995. We have also earned and maintained certifications related to our environment & safety management systems, including our environment management system (ISO14001) and safety and health management system (KOSHA 18001, OHSAS 18001). In addition, we have been a leader in efforts for environment protection through our active follow-up on our voluntary agreement with the government on the reduction of chemical emissions, energy use and greenhouse gas emissions. In terms of practicing environment management, we have been making continuous improvement to our environmental policies through a process of environmental impact analysis, planning, implementation and assessment.

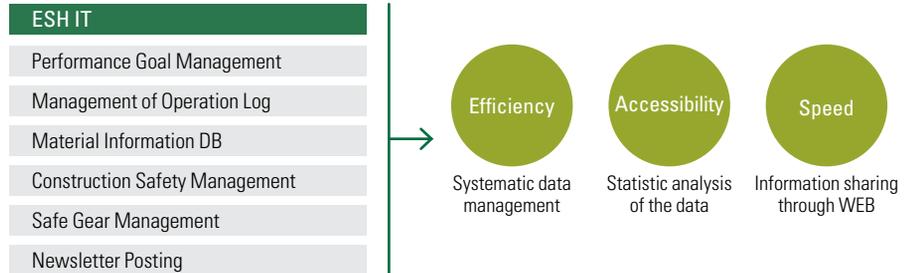
Certification Name	(first certification / specified date)	
	Ulsan	Cheongju
ISO14001	1996.12	1999.11
KOSHA18001	2000.11	2009.12
OHSAS18001	-	2000.12
Green Company	1995.12	1995.12

**ESH IT System** | With the growth of environment regulations and the growing size of related data, we have since 2007 been operating our ESH IT environment & safety and health system, to ensure effective management of our environment & safety management performance and related matters, as well as expansion of communication channels with our employees. ESH IT also enables policy and information sharing, and performance management through continuous monitoring. We will continue to respond actively to the changing business environment by continuously upgrading our system.



ISO 14001 Certificate

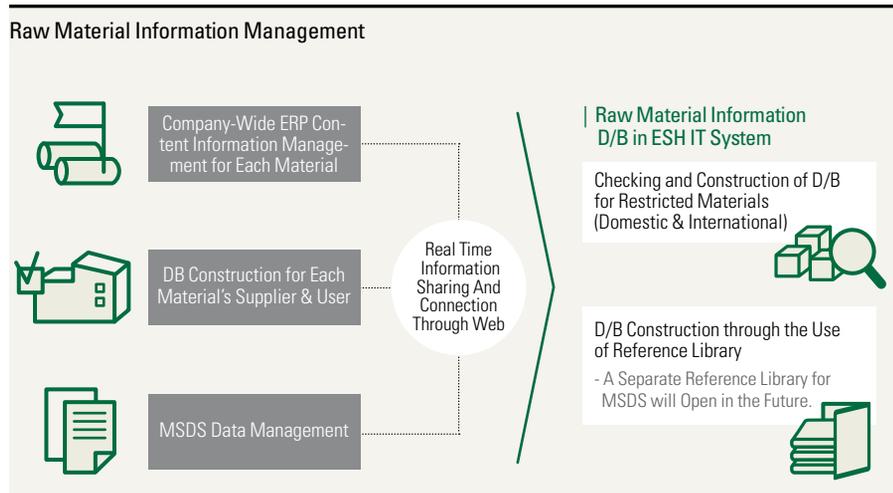
Green Company



**Management of the Hazardous Materials** | The information of raw materials used for the entire products including the eco-friendly products manufactured from our workplaces has been acquired and organized as a database within ESH IT system. The inclusion of hazardous materials within the raw material is monitored beforehand in order to closely manage hazardous materials in products and assure safety.



ESH IT System (Intranet)



## Risk Management of Environment & Safety

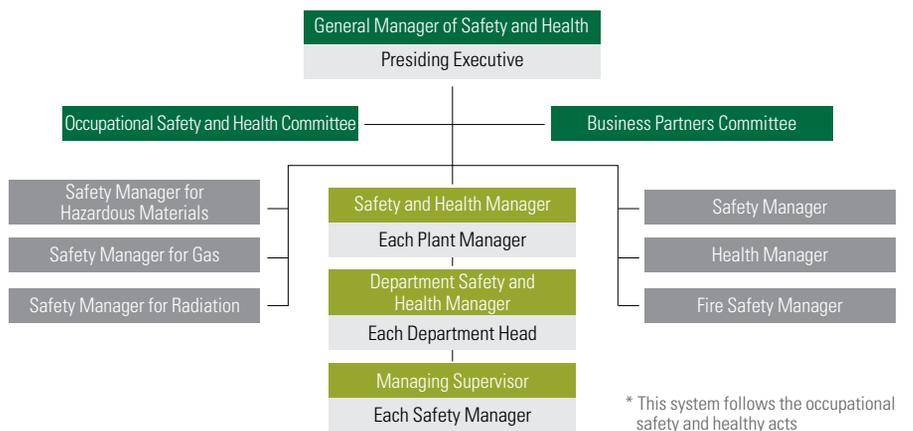
LG Hausys has been promoting safe workplaces through continuous monitoring of risk elements related environment & safety, through its comprehensive disaster prevention system, while also carrying out accident response drills.



Comprehensive Disaster Prevention System

**Comprehensive Disaster Prevention System** | Based on an integrated application of automatic fire detection (heat / smoke) systems, video information systems and geographic information systems, LG Hausys's comprehensive disaster prevention system has been established to prevent fires and environmental accidents, and to make an immediate response in case they happen. Besides monitoring air pollution, we also carry out real time monitoring of major driving factors and conduct track analysis of the preserved data. The purpose of these activities is to ensure optimum operational conditions for our facilities and to prevent energy waste as well as any kind of abnormal operation.

## Safety and Health Management System



**Accident Response Drills** | LG Hausys has been carrying out monthly comprehensive fire drills to ensure a speedy response in case of a fire, in order to minimize potential damage and ensure the safety of all employees and local residents. These drills include not only the extinguishing of the fire but also taking appropriate measures in order to avoid environmental pollution from toxic chemical contamination in cases where the fire occurs in our chemical production workplaces.

In addition, we have drawn up case by case scenarios for toxic chemical contamination and have been carrying out contamination disaster prevention drills to increase our ability to respond to high risk incidents. The procedure for these contamination disaster prevention drills involves: 'Emergency contact - prevention of spread - collection - recovery - follow up control'. Each drill is evaluated and analyzed to identify areas for improvement, followed by ongoing modifications.



Comprehensive Fire Drill

# Eco-Friendly Workplaces

LG Hausys is carrying out a range of ongoing efforts to prevent all types of environment & safety accidents and minimize pollution of the air, water systems and soil.

## Air Pollution Management

To help ongoing reduction of air pollution, we have been replacing our older, less efficient air control facilities with high efficiency facilities, and converting our boilers to clean fuel. In particular, we have drastically reduced sulfur oxide and nitrogen oxide by changing our main boilers to clean fuel in 2007. In compliance with current regulations, we no longer operate any sulfur oxide-emitting facilities.

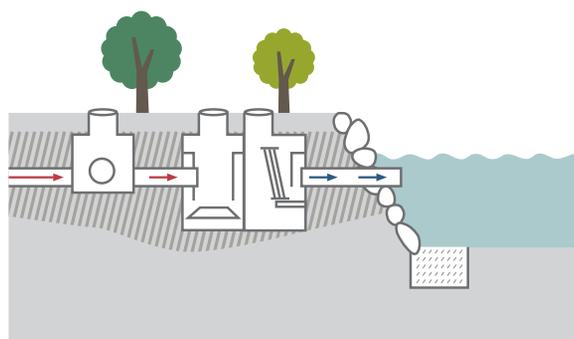
Our Ulsan complex has a monitoring system covering its 12 Regenerative Thermal Oxidizers (RTO) and 10 electric precipitators, which responds rapidly to any spread of odor resulting from abnormal operation of the facility.

## Water Environment Management

LG Hausys has established the oil water separation tanks in the main areas of its workplaces and regularly checks water quality. We also have installed early alarming systems to ensure a rapid response in the case of leakage of liquid materials. The emission of waste water material for our Cheongju complex is managed through LG Chem's common waste water treatment facility. Meanwhile, our Ulsan complex has been making a continuous reduction of its water pollution emissions through reduction of liquid waste and recycling of condensation water. The Ulsan complex also has been operating filtering facilities on its rain water emission points since 2010 in order to reduce non-point pollution.

## Hazardous Substances Management

LG Hausys's Ulsan complex entered into a 'Voluntary Agreement on the Reduction of Hazardous Chemical Substance Emission' with the Ministry of Environment in 2005. In 2009, we achieved 50% reduction of chemical emissions in comparison to 2001. As part of our efforts to reduce chemical emissions, we have been using a Toxic Release Inventory (TRI) to calculate the amount of emissions and making an annual analytical assessment for our internal monitoring.



## Example of Improvement at Non-point Pollution Source

We have established filtering facilities at rain water emission points (area 2,3) which are part of an office management facility where there occurred a minor degree of water pollution. These filtering facilities have been preventing river pollution caused by non-point pollution source.

Section	Areas Exposed to Precipitation (m <sup>2</sup> )	Reduction Facility	Treatment Capacity
Area 1	189,109	Detention Facility(2,600m <sup>3</sup> , Water Quality Control Facility)	Early Rain 5 mm Basis 22,573m <sup>3</sup> / day
Area 2	39,627	Swirl Type Filtering Facility	8,000m <sup>3</sup> /day (200m <sup>3</sup> /hr)
Area 3	14,872	Swirl Type Filtering Facility	2,000m <sup>3</sup> /day (70m <sup>3</sup> /hr)

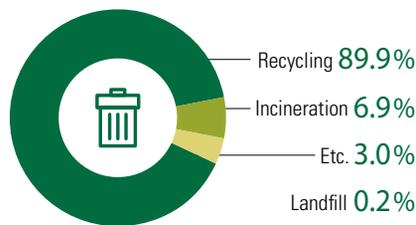
The hazardous chemical substances used in our workplaces are registered and monitored through MSDS (Material Safety Data Sheet). The Cheongju and Ulsan complexes deal with 14 types of chemical substances, including lead compound, MEK and acetic acid ethyl. In 2011, the Cheongju complex used 3,403 tons, and the Ulsan complex 10,602 tons of hazardous chemical substances. Each workplace manages the amount of these chemical as a ratio of its annual output while closely monitoring the use of new chemical substances in order to fully control these hazardous substances.

### Waste Management

LG Hausys participates actively in a waste fee system which is in effect to promote resource-saving recycling. We have also entered a voluntary agreement with the Ministry of Environment on recycling of floor materials and profile products. This has led us to actively put in efforts to establish an integrated recycling system through development of recycling technology, expansion of our waste collection system and support for recycling businesses.

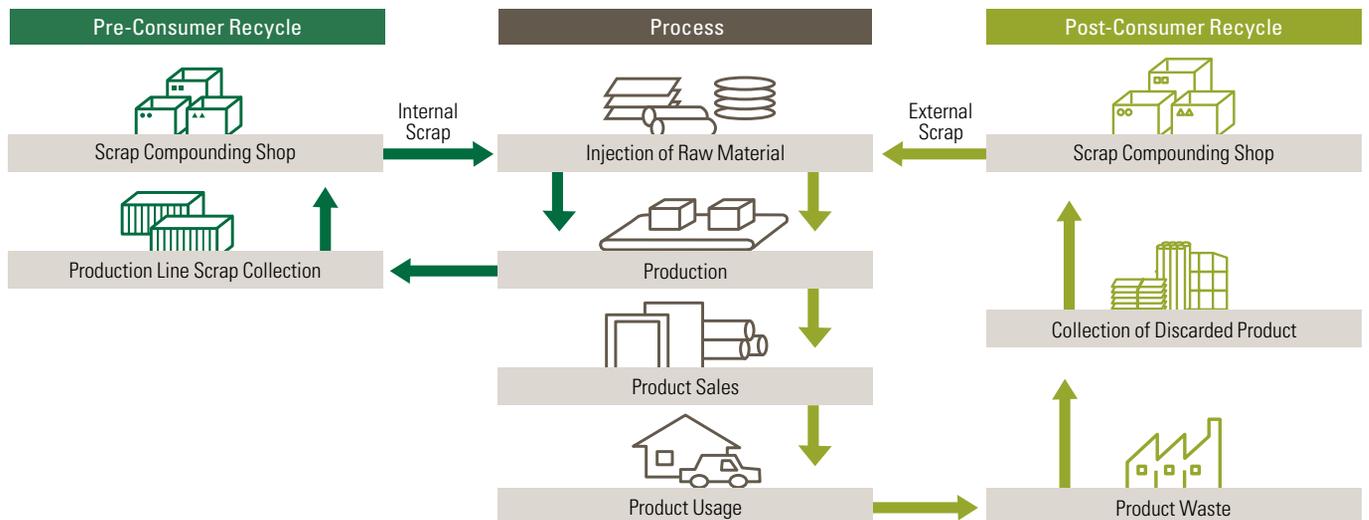
Over 89.9% of waste production from our major workplaces including Cheongju and Ulsan is being recycled and this percentage is continuously increasing. Meanwhile, we practice centralized waste management via a scrap storage facility to more efficiently manage waste from each workplace. The Ulsan complex has further improved management of waste information through automation of its waste weighing system.

2011 Waste Treatment Status



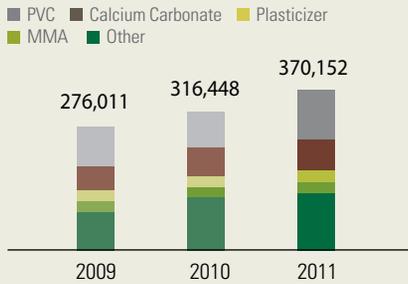
### Waste Collection and Recycling Practices

At LG Hausys, all waste generated during the production of flooring and window profile is scrapped and reused for product manufacturing. We develop and implement raw material prescriptions to maximize the use of the materialized external scraps from the post consumer products which are collected after being discarded. This is our way to promote active collection and recycling of waste, thus practicing the reduction of pollution, energy use and resource use. 21% of the raw materials for flooring sheet products and 5% for window profile products are made of recycled materials from the waste products.



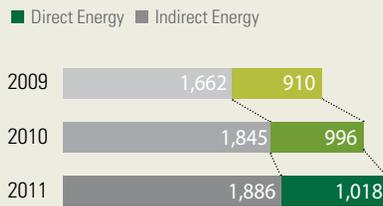
# Mass Balance

## The Amount of Raw Materials Used | Unit\_ton



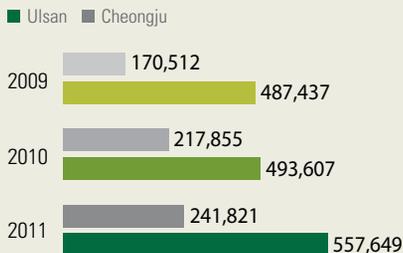
\*Major Raw Materials :  
 PVC, Calcium Carbonate, Plasticizer, MMA

## The Amount of Energy Used | Unit\_TJ



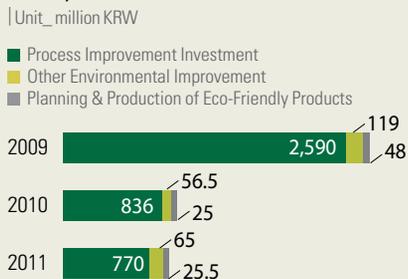
\* The range of energy usage emission :  
 Cheongju and Ulsan complexes  
 \* The direct energy includes oil, LNG etc. while the indirect energy includes electricity and steam etc.

## The Amount of Water Used | Unit\_ton



\* Cheongju complex : waterworks, sewerage, industrial water  
 \* Ulsan complex : surface water (Hoya river), waterworks  
 \* The Hoya river water is pumped, filtered and used as cooling water.

## History of Environmental Investment



\*In 2009, the Ulsan and Cheongju complexes required a large amount of investment for improving air pollution as well as improving processes and facilities for waste treatment.

## Materials

### The Amount of Raw Materials Used |

PVC	118,382 ton
Calcium Carbonate	72,319 ton
Plasticizer	25,780 ton
MMA	19,646 ton
Other Raw Materials	134,024 ton

### Recycled Raw Materials |

26,598 ton

\* The amount of raw materials used for flooring and window profile

## Energy

### The Amount of Energy Used |

Direct Energy	1,018 TJ
Indirect Energy	1,886 TJ
Investment in the Reduction of Energy Use	2,399 million KRW

## Water

### The Amount of Water Used |

Plant Water Used 799,470 ton

Environmental Investment **861 million KRW**

## INPUT



Renewable and Fossil Raw Materials



Refining

## Protection of Biodiversity

To preserve the value of ecological diversity, LG Hausys has been working together with the Taehwa River Ecological Research Center since 2009. As part of our ecological preservation activities, we have created and maintained an ecological environment for the endangered fish (pungitius kaibaræ) within our water quality control facility. We have also conducted an environmental impact assessment in compliance with ISO 14001 in the Ulju-gun region, where Ulsan complex is located, in order to protect the local environment from any adverse effects of our business activities.

### Air

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The Amount of Greenhouse Gas Emission |

Scope 1 **52,508 tCO<sub>2</sub>e** 

Scope 2 **91,750 tCO<sub>2</sub>e** 

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The Amount of Air Pollution Emission |

Dust **27.5 ton** 

SO<sub>x</sub> Insignificant amount emitted as a result of clean fuel use 

### Water

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Waste Water Emission |

The Amount of Waste Water **67,233m<sup>3</sup>** 

BOD **0.257 ton** 

COD **1.935 ton** 

SS **0.534 ton** 

### Waste

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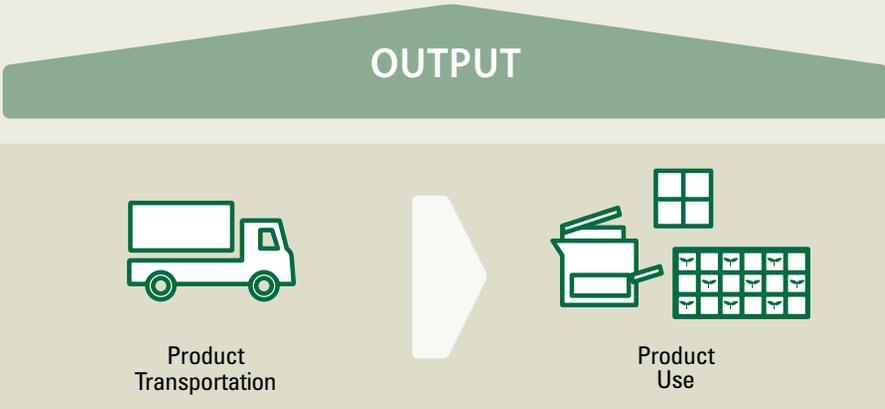
The Amount of Waste | **31,920 ton** 

Ratio of Recycling | **89.9%** 

### Hazardous Substances

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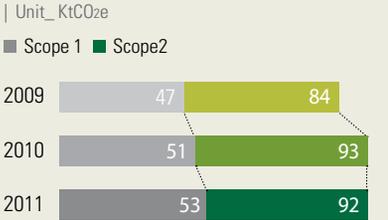
The Amount of Hazardous Substances Used | **0.0539** 



#### Management of Ozone-Depleting Substances

LG Hausys does not produce or use ozone layer-destroying materials as defined by the Montreal Protocol. However, R-22 is used as a refrigerant for freezers while 5,516 kg of halon is used in a fire extinguisher facility in our Ulsan complex, to protect against the complex's high fire risk. During the extension our IMD printing facility in 2009, a green fire extinguisher chemical, HFC 125 was used to set up an automatic fire extinguisher facility. We plan to replace the halon fire extinguisher facility with green chemicals in the near future.

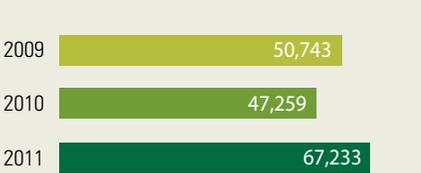
#### The Amount of Greenhouse Gas Emission



\*Range of Calculation : Ulsan and Cheongju complexes which represent 95% of total emissions

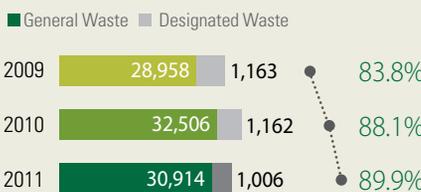
\*Method of Calculation : Based on greenhouse gas and energy goal management guidelines

#### The Amount of Waste Water Emission



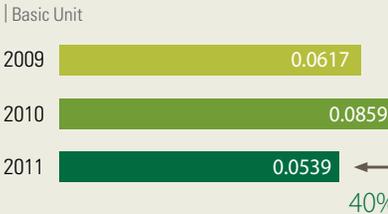
\* Cheongju complex : Common waste water treatment facility  
\* Ulsan complex : Self waste water treatment facility

#### Yearly Variance in Waste Amount and Recycling Ratio



\* In 2010, the total amount of waste increased due to the testing of new products and construction of complexes. The amount has decreased in 2011 after stabilization of production.

#### The Amount of Hazardous Substances Used



\* The use of hazardous substances has been reduced by 40% in 2011 compared to 2010. (DEHP has been replaced by eco-friendly plasticizer)

# Harmony with Human

Employee P.50

Customer P.58

Partner P.62

Community P.65





### Management Principles

LG Hausys respects each member's creativity and autonomy, performs fair appraisals, and is dedicated to creating a healthy, happy corporate culture. Under the slogan "Happy Change", LG Hausys aims to make a contribution to society, focused on giving back in terms of Nature, Human, and Space. It also conducts a variety of activities through which our customers and community can join together to enjoy happy changes in our world.

### 2011 Performances

Category	2009	2010	2011	
Employee	Employee Benefits (million KRW)	25,682	41,571	44,805
	New Employees (person)	97	124	137
	Annual Average HRD Cost per person (KRW)	841,773	1,247,486	1,351,019
	Occupational Accident Rate (%)	0.11	0.15	0.36
Customer	Customer-participating Prosumer Activity (Z:ENNE)	61	73	71
	Company-wide Customer Needs Analysis Cost (million KRW)	640	818	750
Partner	Performance in Compliance Program (times)	13	11	13
Community	Community Investment Cost (million KRW)	246	862	1,576

### 2012 Goals

- Increase the domain for communication among employees through global human resources development and "Happy Change"
- Strengthen the workplace safety system and the employee health care program
- Strengthen product safety and increase Z:ENNE activity by taking into account the entire value chain
- Various Partner Companies Support Programs and Communications Channels
- Increase Strategic Social Contribution

# Employee

## EMPLOYEE

LG Hausys is a company that is growing with its human resources and implementing its management principles "Respecting Human Dignity". Therefore, the company adheres to the principles of respect for individual creativity and autonomy and considers them indicators of human resources and organizational management, as well as placing emphasis on performance-based compensation.

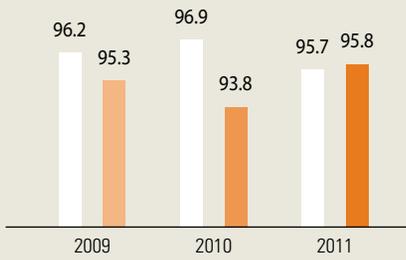
### Employee Status

As of December 2011, LG Hausys employs a total of 2,751 employees, including 137 new employees. 37.1% of the employees work in the field and the remaining 62.9% are office employees, and the employment of women and people with disabilities is also steadily growing.

### Rate of Local Hires in Overseas Offices

| Unit\_ %

■ China ■ U.S.



Category		2009	2010	2011
All Employees		2,773	2,731	2,751
Type of Employment	Full-Time	2,759	2,707	2,732
	Contract	14	24	19
Underrepresented Minorities	Women	302	304	327
	Disabled	37	41	58
	Veterans	72	82	80
Age	20s	238	255	249
	30s	1,118	1,007	964
	40s	904	904	920
	50s and Older	513	565	618
Title	Executive Officers	15	15	17
	Employees	2,758	2,716	2,734
Position	Office	1,679	1,677	1,730
	Field	1,094	1,054	1,021
Region	Headquarter	661	666	685
	Cheongju complex	611	625	584
	Ulsan complex	1,117	1,086	1,079
	Other	384	354	403
Transfer		60	161	115
New Employees		97	124	137

1) As of December in each applicable year

2) The annual number of transfers refers to the number of employees who left the company of their own free will

3) Ulsan complex : Including Onsan plant and Ulsan Tech Center

4) Cheongju complex : Including Cheongju Tech Center and Window Technology Center

5) Other : Local sales teams, overseas companies / branches, other plants, Design Center, and R&D Center

### Materiality Assessment Results



# Employee Value Creation

Through its training activities, LG Hausys produces value for its employees by strengthening employee capabilities and reinforcing fair performance appraisals.

## Ideal Employee

LG Hausys defines the Ideal Employee as “a person who trusts and can practice the LG Way” and is devoted to hiring and training Ideal Employees globally.

- Person who tackles challenges to strive to be the world's best by their dreams and passion	- Person who values teamwork along with independence and creativity at work
- Person who always puts the customers first and continues to be innovative	- Person who continuously cultivates capabilities and values fair competition

**Principles of Human Resources |** The source of value creation is individual creativity. LG Hausys values the personalities and differences of its members and respects their independence so that they can make the best use of their individual creativity. In addition, the driving force behind delivering desired performance is through each member's capabilities. LG Hausys created and employs a course of action in order to secure highly skilled human resources and to carry out self-training activities. LG Hausys also provides fair opportunities based on each member's abilities and talents, evaluates the delivered performances fairly, and values compensation based on individual and organizational contributions. The company's basic principle in HR management is that all HR-related decision-making and activities are conducted consistently, for the long term. Furthermore, the company practices equal employment and respect for human rights, without limiting opportunities based on gender, age, or religion, according to the Code of Conduct and Employment Policies, and offers both male and female employees the same base pay.

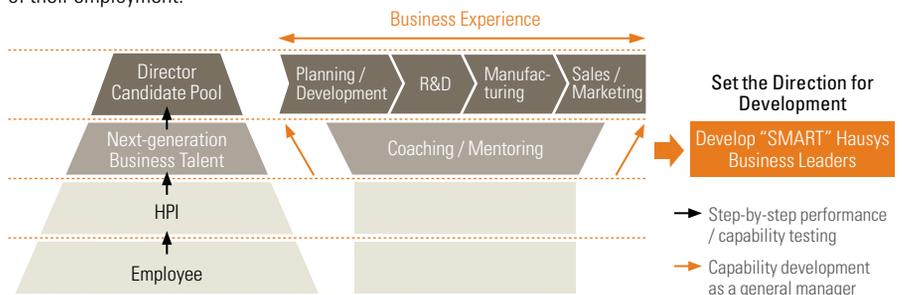
Source of Value Creation	<b>Respect Individual Creativity and Autonomy</b> Value personalities and differences, as well as autonomy so that members can make the best use of their creativity	
Operating Approach	<b>Performance-Based Compensation</b> Delivered performance is fairly compensated, and compensation is provided based on individual / organizational contributions	<b>Merit-Based</b> Hiring and training activities are conducted based on individual capabilities, and a set of necessary conditions and procedures are applied
	<b>Provide Equal Opportunities</b> Provide equal opportunities based on members' abilities and talents	<b>Long Term</b> Consistently carry out HR-related decisions and activities for the long term



## Human Resources Development

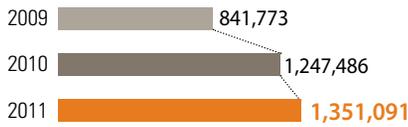
LG Hausys is training entrepreneurs and experts with global capabilities. The company proposes a vision for employee growth and development and provides specific means of development to develop “Global Ideal Employees with the World's Best Capabilities”. The HR Development Program is largely divided into Business Leader Training, Global Capabilities Training, and Specialized Training.

**Business Leader Training |** This program is designed to find “employees with the world's best capabilities” and ultimately train future CEOs through systematic training. Employees with exceptional skills and performance and the potential to carry out key projects are selected and trained in the early stages of their employment.



# Employee Value Creation

Training Cost Per Employee | Unit\_KRW



### Local Expert Program

The company operates a program for training employees who will conduct business overseas in emerging / strategic regions, through language, culture, and market research activities. So far, the company has produced about 50 local experts who have been appointed in China, Russia, Indonesia, and Brazil.

### LG Hausys Learning Center

The HRD Center was founded in Junggrim-dong, Seoul, to enhance free communication and knowledge sharing among employees. This facility will be used for to extensively develop the capabilities of all partners, such as stores and vendors, as well as the employees.

**Global Capabilities Training** | LG Hausys pursues the strategic conduct of global business, mainly in China and the U.S., and the percentage of its overseas sales is expected to grow to 35% in 2012. To develop human resources who can fulfill this business strategy, the company is providing support to improve the capabilities of employees, who are conducting global business. In addition, the company continues to provide global talent training for the mid- and long term periods.

**Specialized Training** | LG Hausys provides specialized programs for sales / marketing and R&D to improve employees' specialized skills, as well as field training, including a variety of e-learning content. In particular, the company operates the Manufacturing Core Tech Reinforcing Program, which is a training system customized for each key technology, and the Marketing for Sales Academy, designed for those who work in the marketing / sales positions in B2B and B2C markets.

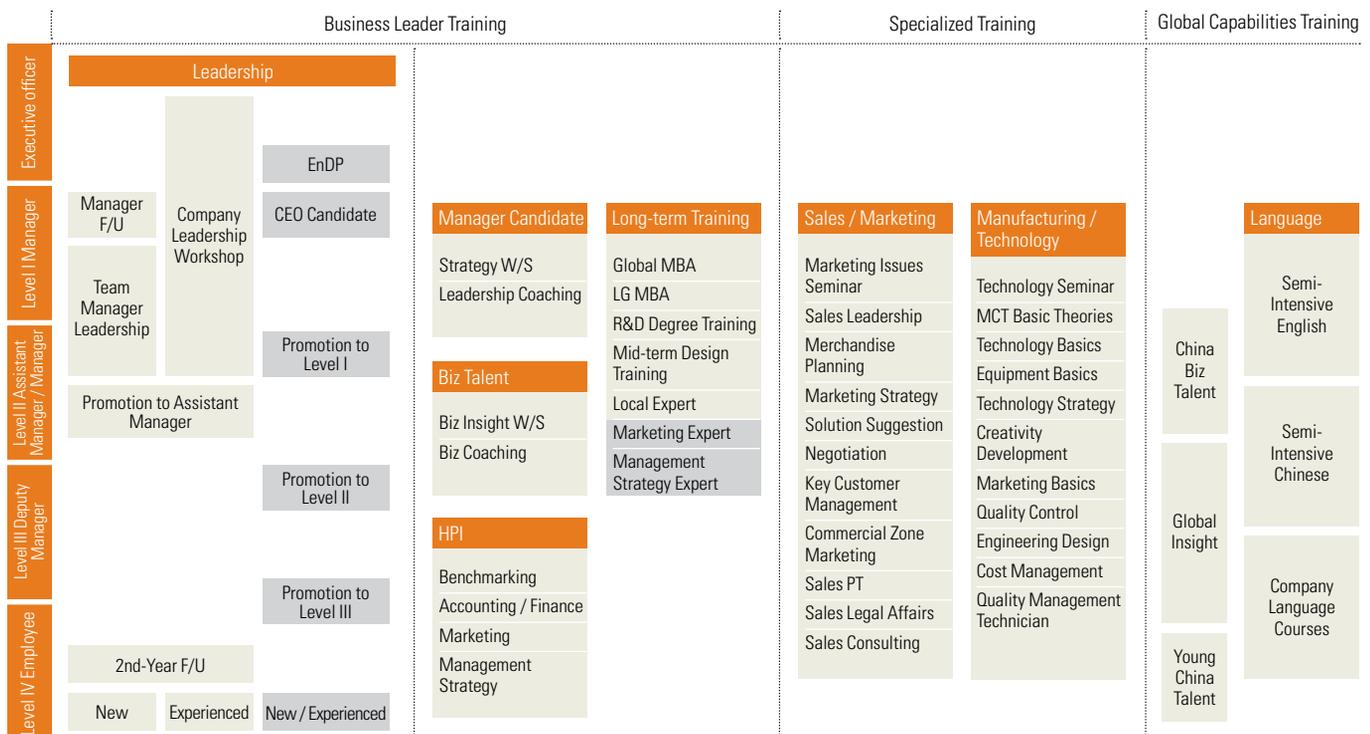
**Self-Learning** | LG Hausys supports employees' self-directed capability development. As part of the effort to reinforce global capabilities and create a corporate culture, the company is operating "CoB", a unit-based book learning community, in which employees are encouraged to learn by themselves. LG Hausys also plans to create a small learning club to build a link between the "CoB" and performance. In addition, the company created the ACT model for changing management and creative problem-solving, and conducts ACT Meetings that emphasize practice and change.

\*ACT Meeting is conducted in three processes of change, which are: Activating, a stage for change, the Changing stage set in the actual workplace, and the Taking stage which is set in the market

**Program for Retired Employees** | LG Hausys plans to operate a "Sales Professional Benefits", a career development program for sales employees.

LG Hausys Training System (as of Feb. 2012)

■ LG Hausys Program ■ LG Academy (Inhwa Institute) Program



\*Other e-learning program, ACT Meetings, and Learning organization are designed for all employees

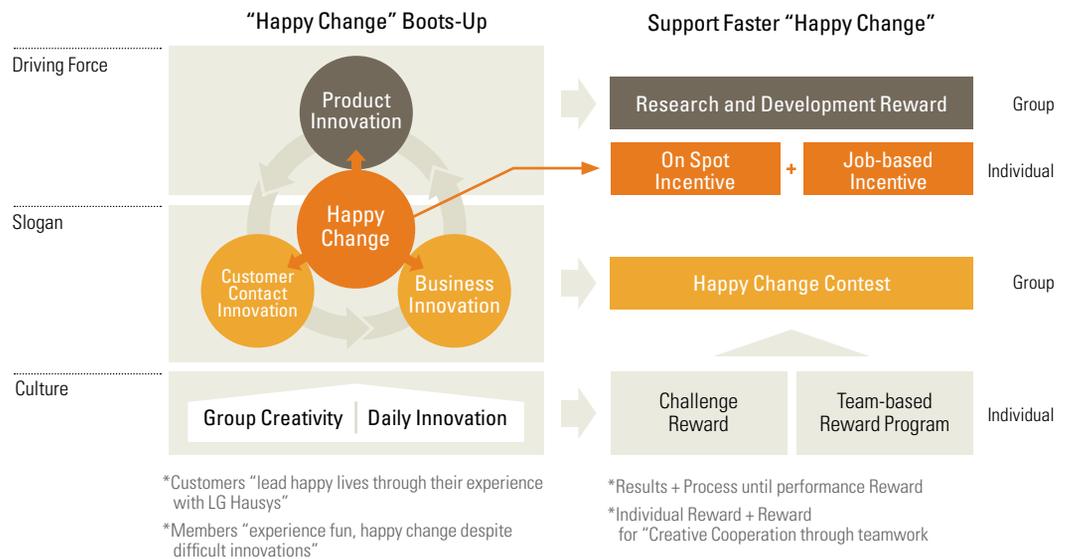
**Annual Performance Appraisals and Percentages of Career Development Review**



**Compensation System**

LG Hausys provides competitive salaries and rewards based on the performance-based HR principles that respect individual creativity and independence. The company's compensation system is leading the "Happy Change" by sharing and publicizing employees' performance and success stories, which are divided into cumulative and non-cumulative systems based on the performance-based principles. The cumulative salary system is designed to offer graded compensation based on the previous year's performance, whereas the non-cumulative system includes function-based, performance-based, On-Spot Incentive, job-based incentive, and team-based reward programs. In particular, the On-Spot Incentive program designed to reward remarkable performance is based on the HR principle, "High Performance, High Return".

**Innovation and Reward Programs**



**Benefits Program**

LG Hausys's Benefits Program consists of the four legal insurances, National Pension Service, Health Insurance, Unemployment Insurance, and Occupational Health & Safety Insurance, along with an optional and basic benefits programs. The company's Optional Benefits Program allows employees to choose among health care, self-development, leisure, and e-shops, according to their preference. In addition, the Basic Benefits Program is composed of housing / life safety support, medical / health care support, and leisure activity support. More specifically, the company offers housing funding for stable housing / life, scholarships, congratulations and condolences, and residence lodging support. Furthermore, the company provides medical support, health checkups and consulting services, recreation centers, in-house clubs, retirement allowances, and maternity support for female workers.

**Yejiheo Impresses Ulsan** Yejiheo, at LG Hausys's Ulsan complex, is a club organized by female employees, renamed from "Yeoruho (LG Women)" in 2006. Since 2003, Yejiheo has been operating daily cafes and selling handmade iced coffee and fruit juice during lunch hours. The money earned has been donated to the "500 People's Table", the free meal business in Africa and Amazon villages. Each quarter, the group visits the nearby Shingwang

Nursing Home and spends time with the senior citizens, participates in cooking and jumping clay programs. The nursing home accommodates many needy senior citizens and those suffering from Alzheimer's disease, and they wholeheartedly welcome Yejiheo's visits. In the future, Yejiheo hopes to remain supportive by continuing these activities.

# Employee Health and Safety

LG Hausys considers employee health and safety a top priority and provides all sorts of education, training, and consulting services.

## Employee Health and Safety

LG Hausys is strengthening workplace safety, training and promotion, and consulting systems to provide employees with a better working environment, and focuses on preventing occupational accidents, serious accidents, and fire / explosion accidents. In 2011, the company's occupational accident rate was 0.36%, which is lower than the average occupational accident rate in the domestic industry / manufacturing industry, but a considerable increase from the 0.15% rate in 2010. Accordingly, the company is reinforcing programs for employee health, satisfaction, and labor security education, training, consulting, prevention, and risk management to effectively control the occupational accident rate. Further, the company is dedicated to managing those suspected in accidents and providing graded health care programs, health consulting for those suspected, and health care training.

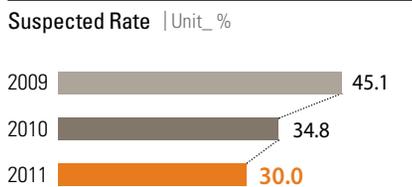
**Strengthening Employee Safety System |** LG Hausys operates an organized management system for employee safety and is creating a quality safety system by obtaining external certificates. First, the company is strengthening its PSM (Process Safety Management) self-audits and safety checkups. APSM audit is conducted by interviewing employees, managing PSM factors, and managing an audit team that includes outside agencies and the management of such regulations is set as a priority. In addition, the company is reinforcing equipment safety through self-safety check of PSM-eligible equipment by performing equipment risk assessments and establishing preventive plans. While strengthening this system, the company also reinforces international regulations, reviews, and follow-ups relating to employee safety, maintaining KOSHA 18001 and other certificates. Further, the company is minimizing fire and explosion accidents by keeping its gas and radiation management and emergency response systems in optimum condition.

**Training and Promotion for Employee Safety |** LG Hausys continues its training and activities to improve employees' safety awareness. First, the company is reinforcing legal training for managers and supervisors and online training regarding risk assessment for field directors and managers. In addition, the company is strengthening banner promotions by selecting key activities, each month, to prevent environment and safety accidents, as well as promotions to disseminate safety regulations.

Occupational Accident Rate   Unit_ %			
Category	2009	2010	2011
LG Hausys	0.11	0.15	0.36
Domestic Manufacturing Sensor	1.04	1.07	0.97
Domestic industry in General	0.70	0.69	0.65

\*Occupational accident rate refers to the number of accidents occurring per 100 employees and is calculated based on the following : Occupational accident rate = (# of accidents / # of employees) x 100

\*Sources: The occupational accident rates of the domestic manufacturing / industry were based on the 2011 Occupational Accidents by the Ministry of Labor



\*Suspected: refers to a person suspected of having a disease as a result of a physical examination, a person whose symptoms have been observed (Grade C) or with a disease (Grade D) according to the criteria of the Korea Occupational Safety and Health Agency

## Health Care Movement System and Detailed Action Plan | Cheongju complex



**Occupational Safety and Health Committee** | LG Hausys signed an official agreement regarding health and safety with its Trade Union, and operates the Occupational Safety and Health Committee, are equally represented by management and employees, and holds quarterly committee meetings. The committee carries out preventive activities focused on the Manufacturing Team and hidden areas, and the executive representatives attend working environment activity tests every 6 months. The committee also resolves complaints regarding safety and health through review and decision-making. The management and the employees plan to create a more cooperative Occupational Safety and Health Committee.



Health Promotion Event

**Employee Health Care Programs** | LG Hausys operates a health care room based on the characteristics of each workplace and provides employee health care training and health care events to prevent disease and improve the work place environment. In the future, the company plans to strengthen disease prevention, activate the Idea Suggestion Incentive Program, and reinforce labor-management checkups, by introducing exercise programs according to each age group, train health care experts, and increase / distribute self-exercise machines.

#### Employee Health Care Programs

Program	Description
Health Consulting and Training for the Suspected	Graded management of those in need of health care - Those with symptoms (Grade C): Submit a health care plan and interview with managers - Those with diseases (Grade D): Submit a health care plan, interview with a plant manager, and limit overtime work
	Health Consulting and Training - Nurse visits for consulting, occupational health consulting - Health care training: every year (3-4th session)
Health Care Events	- Obesity control program: Obesity / muscle mass control, weight loss tips - Anti-smoking program: Smoker psychology and health consulting, nicotine replacements - Anti-alcohol program: Offer No Drinks campaign, Reduce Alcohol Consumption movement - Get into Shape Project, health care center-connected health promotion experiences, etc.
Health Care Center Service	- Live-in nurses at each workplace - Frequent health care and consulting - Visiting health consulting service
Issuing Health Letter	Health information and tips every two weeks
Medical Bill Support	Medical bill support for employees, their spouses and children

#### INTERVIEW



Ulsan Environment & Safety Team \_ Assistant Manager Sung-Kyu, Choi

“Recently, the Ministry of Labor and related agencies began reinforcing inspection and supervision due to the increase of occupational accidents and fire and explosion accidents in workplaces nationwide. LG Hausys continues to strengthen safety accident prevention activities and its management system in accordance with outside inspections. Accordingly, the company is pursuing practical training and more effective insecurity elimination activities, according to the 3M perspective and PDCA (Plan, Do, Check, Action) Cycle, based on the prevention activities through root cause elimination. The

company also encourages suggestions to improve a safe culture as well as a reward program, while strengthening management / supervision. In addition, the company conducts events, together with health care centers, to reduce incidences of employee diseases, and requesting employees to submit health care plans through graded management in collaboration with the Trade Union, so that the employees can maintain better health. Further, the company is conducting a working hour limit program.

# Corporate Culture

Under the slogan "Happy Change", LG Hausys is creating happy change and happy lives.

## Z: IN Café

LG Hausys promotes free communication and voluntary participation of our employees by facilitating egalitarian organization culture without hierarchy.



## Happy Change

To provide customers with a happier living space based on "Creating value for customers" and "Respecting human dignity", LG Hausys created the slogan "Happy Change" to improve employees' awareness and willingness to enhance their capabilities through "happy changes" in a creative, independent corporate culture. Happy Change is also a keyword that incorporates communication tools to continuously remind customers and employees of the company's goals. In this sense, Happy Change is building momentum to encourage customers and members to experience happy changes, and helps create an innovative culture through Group Creativity and Daily Innovation activities. Group Creativity is an activity in which all members grow out of uniform efforts and non-creative innovations and participate and create huge changes. Daily Innovation is an effort to develop unrivalled capabilities by accumulating small daily changes. Through these activities, a variety of tasks can be conducted through more active involvement and daily individual jobs can be reviewed from a competitor's standpoint in order to make improvements.

## Open Communication with Members Using 3 Consulting Systems

LG Hausys operates three consulting systems to improve employee mentality because the company believes that customers' "Happy Change" should be based on employees' "Happy Change".

**EAP Specialized Counselling** | EAP (Employee Assistance Program) is a specialized counselling program provided by visiting expert counsellors twice a week. Counselling is kept strictly confidential, so counsellors and employees can arrange meetings and make reservations on the website, by telephone or e-mail.

**Industrial Counselling** | LG Hausys operates the Industrial Counselling program to provide more specialized communication regarding occupational issues. Within the Industrial Counselling Program, colleagues become employee counsellors. There are a total of 34 industrial counsellors who completed 6-month specialized training. The program first teaches employees to understand themselves and recognize differences from others. It is a process in which employees learn to be sympathetic and considerate.

**One-on-One In-Depth Interview** | LG Hausys conducts at least one quarterly communication session between a staff and the team manager, to improve communication and solidarity among the employees. This communication fosters earnest and heartfelt interactions within the organization other than just work discussions

### 2011 Counselling System Uses | Unit\_times

Area	Mental Counselling	Job Counselling	Career Counselling	Total
In-depth Interview	1,020	1,705	397	3,122
Industrial Counselling	240	276	138	654
EAP Specialized Counselling	109	54	23	186

\*Average number of times of counselling per person: 2.8 per person



Green Board

## Employee-CEO Communication, "Green Board"

LG Hausys operates the "Green Board", a committee consisting of about 100 members. Through the Green Board, two-way communication is effectively conducted, between the CEO to the employees, so that individuals can convey their opinions. In keeping with the company's image as a Green Company, the board was named the "Green Board" in which green boarders are recommended from different teams under a representative system. A representative from each team relays the CEO's management philosophy to the team's members and communicates the members' opinions to the CEO, and requests improvements or changes to programs and working environment, suggests ideas such as "Casual Dress" and "Free Attendance". These ideas were decided to be applied through a monthly Green Board meeting. So far, over 100 ideas have been put into practice.

## Labor Relations as Partnership

LG Hausys has built a labor partnership based on participation and cooperation, and is improving the quality of life for employees by securing world-class capabilities through consistent performance. The company's vision for labor relations is to achieve a partnership between labor and management. In addition, the company operates a three-dimensional labor relation model to encourage employees' organic participation and cooperation in terms of business management, workplace, and collective negotiations. Further, the company made it clear that it will act in good faith in negotiating with the Trade Union in a collective negotiation agreement.

**Protecting Employees' Human Rights** | LG Hausys complies with the Freedom of Association stipulated by the national law and ILO (International Labour Organization) convention. In particular, if any change in status or labor terms of an employee is expected according to the collective negotiation, it shall be notified to the union for thorough discussion. As of 2012, the membership of the Trade Union is 100% in Cheongju and 99.7% in Ulsan complexes. No forced labor and child labor provisions are complied with, and overtime work for pregnant women is limited. Since 2009, no violations of forced labor and distribution provisions have been committed.

**Labor Community** | LG Hausys pursues horizontal labor relations based on participation and cooperation in which employees and management respect each other equally. Executive officers have regular conversations with employees and conduct quarterly management meetings. As part of the activity to revitalize the organization, sports events are held by each team. The Labor-Management task force selected field leader candidates and manufacturing specialists and improved job titles. In addition, quarterly labor-management conferences take place, along with such activities as labor-management scheduling, negotiations, improving / expanding welfare facilities, sharing business results, and sharing major schedule details.

### The Vision for Labor-Management Collaboration



- 01** Vision of LG community-type labor-management collaboration
  - Building global business competitiveness
  - Enriching the lives of employees
  - Contributing to social development
- 02** Unique action guidelines of LG labor-management to realize the vision of LG community-type labor-management collaboration
- 03** The goals of business activities and the principles of corporate operation
  - The basic philosophy of LG community-type labor-management collaboration

## INTERVIEW



Green Board Representative, Business Strategy Team \_ Senior Manager Cheol-Ho, Chang

"In 2009, when LG Hausys was reborn as a company that directly communicates with customers in building & decorative materials and highly functional materials & components industry, "Happy Change" came to represent our corporate culture. However, without employee participation, it is hollow and has no substance. "Green Board" is contributing to building a corporate culture called Happy Change by spreading the culture to sales, plants, R&D center, headquarter and actually putting it into practice. The board is a new

type of channel that relays members' honest opinions to the management and disseminates the management's strategies to the employees. For the first two years, the board focused on conveying and reflecting needs, such as improving work environments and programs, but in the future, it plans to improve vertical and horizontal communication. The board will participate actively in company-wide voluntary innovations and an i-Café and provide a place for free communication with management.

# Product Stewardship

## CUSTOMER

LG Hausys values the whole customer contact process as a moment of truth and wants to suggest clear, authentic solutions for products and services. From product development to disposal, the company is increasing activities for direct communication with customers.

### Product Stewardship

**Product Safety** | From product development to manufacturing, distribution, and to disposal, LG Hausys considers the health and safety of customers and all interested parties, and social and environmental impact. In addition, the company prevents any hazardous substances by regularly inspecting material suppliers and received materials to ensure product safety.

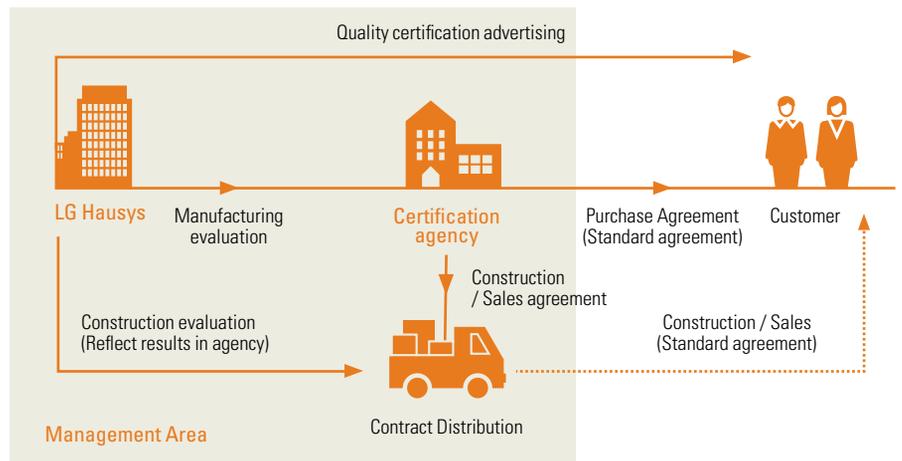
Customer and Consumer Health / Safety	<ul style="list-style-type: none"> <li>- Research to reduce volatile organic compounds VOC (Volatile Organic Compounds)</li> <li>- Develop core materials for bio-persistence Vacuum Insulation Panels</li> <li>- Reinforce testing related to car interior odor</li> <li>- Develop highly cold-resistant TPO sheets to prevent scattering during airbag deployment</li> </ul>	<ul style="list-style-type: none"> <li>- Apply natural materials, eco-friendly plasticizers, additives, and materials to minimize the use of heavy metals</li> <li>- Replace with highly durable automotive fabrics</li> <li>- Secure MSDS by material</li> <li>- Inspect material suppliers and received materials regularly</li> </ul>	<ul style="list-style-type: none"> <li>- Assign safety properties according to exposure conditions such as windows</li> <li>- Test windows and automate test equipment considering worker safety</li> <li>- Obtain non-flammable certificates for interior films</li> <li>- Obtain international certificate (NSF) for surface material sanitation and environmental friendliness</li> <li>- Finish sharp edges when producing automotive components</li> </ul>	<ul style="list-style-type: none"> <li>- Use portable carriers to prevent musculoskeletal diseases for transportation workers</li> <li>- Ensure safety in work spaces by building loading equipment for windows</li> <li>- Change the method of car fabric palette bending (bending → wrapping)</li> </ul>	<ul style="list-style-type: none"> <li>- Apply protective caps to protect children from the window edges</li> <li>- Label instructions and precautions</li> <li>- Dispose of waste in designated places</li> </ul>
Value Chain	Research & Development	Material Supply & Application	Manufacturing	Storage and Shipping	Application, Repairs, Waste
Social / Environmental Impacts	<ul style="list-style-type: none"> <li>- Develop surface coating agents to prevent contamination by organic substances</li> <li>- Apply lightweight advanced materials (nano materials) to improve car fuel efficiency</li> <li>- Research to recycle Vacuum Insulation Panels for refrigerators</li> </ul>	<ul style="list-style-type: none"> <li>- Save and recycle resources by making process scrap into materials</li> <li>- Review the recycling of core materials for Vacuum Insulation Panels</li> <li>- Use FSC-certified veneers</li> </ul>	<ul style="list-style-type: none"> <li>- Install an air protection facility due to the discharge of organic solvents</li> <li>- Install a dust collector to capture scattering dust from Vacuum Insulation Panels</li> <li>- Strictly classify defects and raw materials by type</li> </ul>	<ul style="list-style-type: none"> <li>- Recycle packaging containers</li> <li>- Refrain from using consumables for packaging automotive fabrics / components, such as PE wrap direct packing</li> </ul>	<ul style="list-style-type: none"> <li>- Collect and recycle existing products when replacing windows and flooring</li> <li>- Recycle PP foam for automotive fabrics</li> </ul>

### Materiality Assessment Results



**Product Quality Certification Program** | LG Hausys introduced the Quality Certification Program to provide customers with perfect products by ensuring manufacturing, construction, and repair quality through the innovation of the existing distribution structure. To offer excellent manufacturing and perfect construction quality and fast repair response, the company focuses on these three activities for customer satisfaction.

### Quality Certification System



**Field Quality Supervision System** | LG Hausys improves customer satisfaction by preventing the occurrence of customer complaints through field quality control activities after shipping windows and decorative materials, such as construction site and repair management. The company created a process for each stage of construction management, and is conducting activities for customer satisfaction by selecting detailed management items

### Field Quality Supervision System

Construction Management Flow	BS Field	Product Inspection	Site Measures	Construction Inspection	Construction Training	Follow-Up	Results Feedback
Details	<ul style="list-style-type: none"> <li>- Check the site product / schedule</li> <li>- Discuss BS schedule with agency in advance</li> </ul>	<ul style="list-style-type: none"> <li>- Inspect quality of received products / materials</li> </ul>	<ul style="list-style-type: none"> <li>- Take measures for defects and feed-back</li> </ul>	<ul style="list-style-type: none"> <li>- Inspect main construction quality</li> <li>- Check the final process of construction</li> </ul>	<ul style="list-style-type: none"> <li>- Site training for items lacking quality</li> <li>- Training about specifications and subsidiaries</li> </ul>	<ul style="list-style-type: none"> <li>- Visit the BS site and follow-up</li> <li>- Enforce 'Happy Call' for construction satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>- Feed back BS results</li> <li>- Check any repairs after construction</li> </ul>

**Compliance with Law** | LG Hausys aids in reasonable consumption by providing correct information on products, and has complied with the customer health / safety-related regulations, product and service information / labelling-related regulations until December 2011.

# Customer Satisfaction Activities

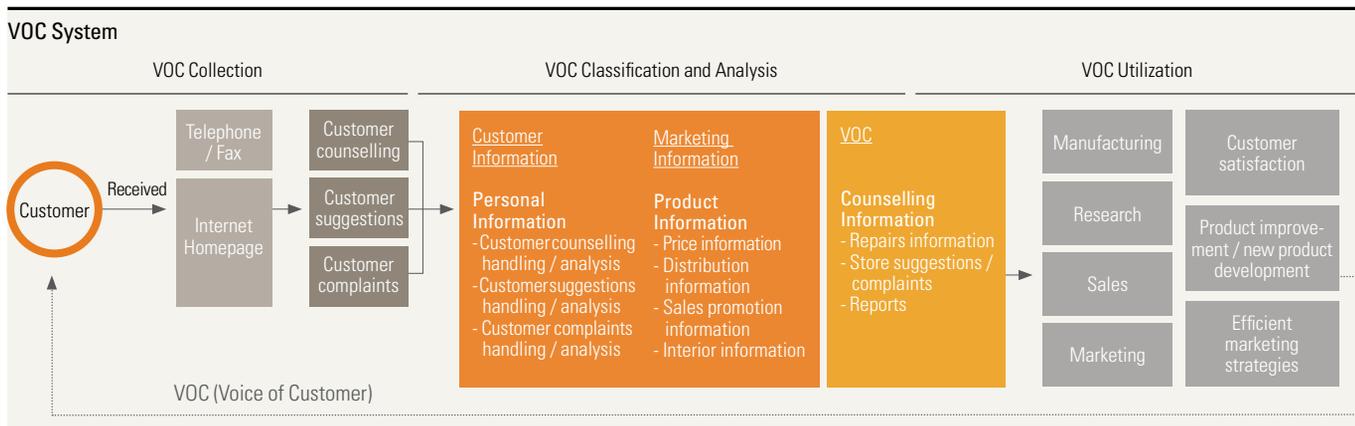
LG Hausys reflects customer voice in product development and management activities and running a variety of communication channels from VOC activity to Z:ENNE activities.

## Service Enhancement Activity (Voice of Customer)

As part of its service enhancement activity, LG Hausys has been trying to equalize the service level of counsellors by standardizing the counselling manual. First, the company is improving the level of customer service by encouraging employees to complete CS training at the specialized centers, such as the Korea Productivity Center and KMAC, at least two times each year. Repair technicians are provided with videos of on-site practice, theoretical training, courteous service training, and handling defects, to improve their problem-solving skills and provide customers the best service. Aside from the repairs, the BS activity (Before Service activity) is reinforced to prevent customer complaints in advance and deliver distinguished customer satisfaction.

**Customer Service |** LG Hausys operates a VOC system to resolve all customer complaints, from counselling to repairs. Once customer complaints are received by the Customer Service Office, on the website, or by fax, the AS person is appointed to contact the customers and offer counselling regarding the complaint, as well as technical counselling. The company is trying to improve customer satisfaction and services by enforcing "Happy Call". In the age of the consumers, the company provides the service to development and manufacturing sites to reflect the customer's voice company-wide.

**Service Information Collection, Evaluation, Analysis, and Utilization System |** All sorts of questions, suggestions, complaints, and compliments arising during customer counselling are accumulated, incorporated, analyzed, and then shared with related teams, so that they can be incorporated into future product development and marketing policy-making.



## Customer Information Protection

LG Hausys complies with the "Act on Promotion of Information and Communication and Information Protection" and the "Personal Information Protection Act" to protect the information provided by customers and safely protects customer privacy through network security, application security, PC security, and physical security as technical safety measures. As part of its information protection awareness campaign, the company provides information protection training for employees and employees of its partners and separate privacy training for those handling personal information so that employee awareness of customer information protection can be improved. To reinforce the Information Protection system (organization), the company created a privacy policy and long-term road map through the Information Security Association, and is enforcing the information security shift program for each team. Such safety measures, employee campaign, and company information security policy organization are helping the company improve the level of information protection.



**WHAT IS Z:ENNE?**

A group of women who care about the LOHAS (Lifestyles of Health and Sustainability) of their family with expert knowledge about interior design

**Z:ENNE**

Since 2007, the company has selected about 20 housewives, each year, interested in interior design, as "Z:ENNE" to improve the awareness of LG Hausys's brand Z:IN. There are about 100 Z:ENNE and each Z:ENNE acts as a brand messenger that delivers customers' honest opinions and needs regarding product development and marketing activities. The biggest benefit of running Z:ENNE is that customer opinions and needs can be applied to concepts and marketing after products are finished. Once customer needs are reflected in product development and marketing, more satisfactory products can be delivered. Z:ENNE will continue to represent customers, as well as spread the message of Z:IN, which considered green interior a top priority. LG Hausys Z:IN will continue its open communication with customers by providing them with a wider variety of opportunities through Z:ENNE.



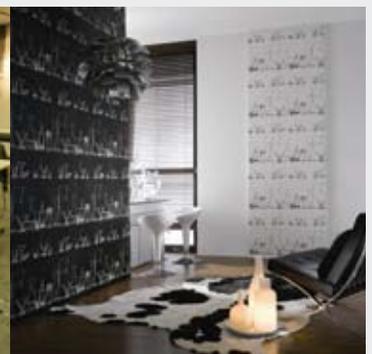
The welcoming ceremony of the 5th Z:ENNE

**Z:ENNE's Involvement in Product Development**

Z:ENNE also participates in the product development of LG Hausys. In 2009, a wallpaper patterned with "Z:ENNE Glass" was launched, the result of involvement of Z:ENNE in the product development process, from designing to color matching. "Z:ENNE Glass", a pattern named after Z:ENNE, garnered positive reception among housewives. Partial patterns of the "Air Purifying Wallcovering" series, released in 2010, were also designed by Z:ENNE.



Z:ENNE participating in wallcovering evaluation



'Z:ENNE Glass' developed by the Z:ENNE members

# Partnership Activities

## PARTNER

Procurement Teams at the headquarter and other offices of LG Hausys are creating a sustainable, practical win-win model for large and small businesses in collaboration with its partners by preparing consistent and specialized partner support and development plans.

### The Accompanying Growth Pact

As of 2011, LG Hausys has collaborated with about 1,700 companies. The company purchased about 1,600 billion won from these companies, and 36% represents direct purchases from the community. In November 2008, the company also signed the accompanying growth pact. Through the agreement, the company promised to support its partners and comply with related regulations. The Fair Trade Commission demonstrated the company's achievement in its partnership efforts by giving it an excellent rating in 2010. In the same year, the company also participated in signing the same type of agreement, with 9 subsidiaries of LG Group, including LG Hausys.

### 5 Key Tasks for Partnership

CEO's Declaration to Practice	Increase Financial Support & Improve Payment Terms	Technical Support to Improve Capabilities	Human Resources Development / Training Support	Other Partner Support
<ul style="list-style-type: none"> <li>- Install and operate a Partnership Team</li> <li>- Increase visits to the field</li> </ul>	<ul style="list-style-type: none"> <li>- Operate LG Partnership Fund, Network Loan / Family Loan</li> <li>- Allow cash payments for companies with good evaluation results</li> </ul>	<ul style="list-style-type: none"> <li>- Support problem solutions to partners</li> <li>- Technology and quality improvement activities</li> <li>- Joint patent applications with partners</li> </ul>	<ul style="list-style-type: none"> <li>- Training to strengthen capabilities of partner employees (quality control, manufacturing technology, safety / environment, TPM, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>- Increase localization of equipment</li> <li>- Support subcommittee activity of partners</li> <li>- Comply with the subcontract act (no unfair payment cuts, no oral contracts, etc.)</li> </ul>

**Material Procurement Support |** In 2009, LG Hausys supported the purchase of materials worth 270 billion KRW by enforcing the "Supply Program" to resolve partners' financial and procurement difficulties. The company directly purchased key materials, such as resin and steel sheets, to provide more realistic prices through the Supply Program in which the company pays for any risks arising from material price fluctuations. In particular, the company's support allowed the partners to purchase the materials at lower cost than the market prices. Future program expansions will help build a stronger partnership.



**Improve Payment Terms** | LG Hausys is enforcing the cash payment program for partners with excellent quality and management capabilities as a part of its win-win partnership effort. Excellent partners are selected quarterly through a fair evaluation of quality and process control. The company also created the "LG Partnership Fund" in which the LG subsidiaries participate by providing low-interest loans to offer financial supports for the business partners. The support for the partners is expanding through a variety of financial supports such as Network Loan and Family Loan.

**Technical Support and Training** | LG Hausys is increasing technical support to work better with its partners. The company is continuing process counselling and quality technology training and making more investment in supporting consulting services. The company helped its partners stabilize manufacturing and improve quality with the support of equipment and quality experts, as well as reduce costs by supporting comprehensive production management activities.

**Green Technology Support** | The company plans to make a contribution to creating a green living space with partners by providing green technology support, such as low-carbon certificates, waste management, and energy saving.

**Partner Selection and Evaluation**

LG Hausys selects partners through a fair, transparent process and works hard to be the best partner by selecting and fulfilling five support tasks for partnership between large and small businesses. The company allows new partners to apply for partnership on the official website ([www.lghausys.com](http://www.lghausys.com)) to improve accessibility and openness for new companies wishing to work with the company, and registers as partners only those companies that meet the requirements of financial evaluation, technical evaluation, safety / environment law compliance, and ethical management. These requirements have been specified in the Procurement Regulations, Partner Selection Guidelines, and Partner Operation Guidelines. After partner evaluation, the company provides feedback on the evaluation results item by item to the partner to ensure fairness, and based on the evaluation results, supports, develops or discontinues working with the partner.



**Partner Selection Process**



**Communication with Partners** | The company visits key partners and partners with issues each year to listen to and evaluate their problems and reflect them in management activities. In particular, the company's CEO and Procurement Manager visit the partners to listen to their issues, support partner subcommittee activities 10 times each year, share business plans, and conduct proper management training.

**2011 Communication with Partners**

Category	Companies
CEO's Visits to Partner	25
Procurement Manager's Visits to Partner	45
Partner Subcommittee Support (10 times per year)	65

# Fair Competition

LG Hausys operates a Compliance Program (fair trade autonomy compliance program) according to the fair trade principles, providing equal opportunities, establishing fair trade procedures, and pursuing mutual growth, and enforcing in-house consulting and legal training.

## Compliance Program

An in-house compliance system designed for the company to voluntarily comply with the fair trade regulations, which suggests the code of conduct of fair trade by training employees in order to prevent violations and correct any violations in advance through regular inspections.

## Compliance Program (CP)

LG Hausys has been operating the Compliance Program since 2002. In 2010, to reinforce its proper management and fair trade decisions, the program was re-introduced as the company became LG Hausys. Along with the CEO's declaration of commitment to fair trade autonomy compliance, the company was registered as the Compliance Program Operator recommended by the Fair Trade Commission.

Key Programs	
In-House Inspection	The company conducts yearly fair trade inspections for key departments, offices and plants.
Legal Training	The company distributes fair trade manuals and textbooks and conducts regular internal / external training to encourage fair trade awareness and facilitate a fair trade culture.
Preliminary Review	The company enforces preliminary reviews by in-house fair trade experts before undertaking any business activities to prevent violations of the competition regulations in planning, sales, marketing, procurement, finance etc.
Subcontract Transaction Internal Review	The company has placed 'Subcontract transaction internal review committee' to prevent unfair subcontract activities including purchases and build an effective monitoring system when working with partners.

**Compliance Team** | LG Hausys operates a compliance team, under the executive-level CP manager to operate the Compliance Program in a more professional way. The team is responsible for planning and implementing the Compliance Program company-wide. In addition, to ensure fairness in subcontract business with small-sized partners, the company created a Subcontract Review Committee to review the legitimacy of each subcontract through preliminary reviews so that any violations can be prevented.

## Performance in Compliance Program

LG Hausys conducts training and inspections regarding fair trade and subcontracting each year for all related departments and offices. In the sales area, the company focused on preventing cartels (price-fixing) and conducted inspection / training accordingly in 2009. In early 2010, the company was granted an Excellent rating from the Fair Trade Commission and in late 2010, signed the accompanying growth pact with 9 subsidiaries of LG Group. In 2011, the company conducted cartel training for team managers and subcontract training for procurement team managers. Despite such efforts, the wallpaper price-fixing incident in 2011 forced the company to face a penalty of 437 million won. The company filed a lawsuit to reverse the Fair Trade Commission's order and penalty decision, which is still in progress. To prevent the recurrence of such an incident, the company continues to strengthen its fair trade consulting and training.

Compliance Program Results		
Year	Results	Details
2009	13 times	Inspection and training to prevent cartels
2010	11 times	Introduced the Compliance Program, received an excellent grade, and signed fair trade agreement with 9 subsidiaries of LG Group
2011	13 times	Cartel training for team leaders, subcontract training for procurement team managers

# Community

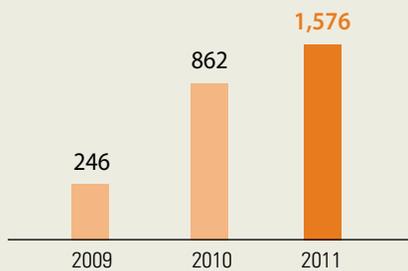
## COMMUNITY

LG Hausys focuses on giving back through social contribution in terms of nature, human, and space. Under the slogan "Happy Change", the company is carrying out a variety of activities to meet customers and neighbors and to help them feel the "Happy Change".

### LG Hausys's Social Contribution Activities

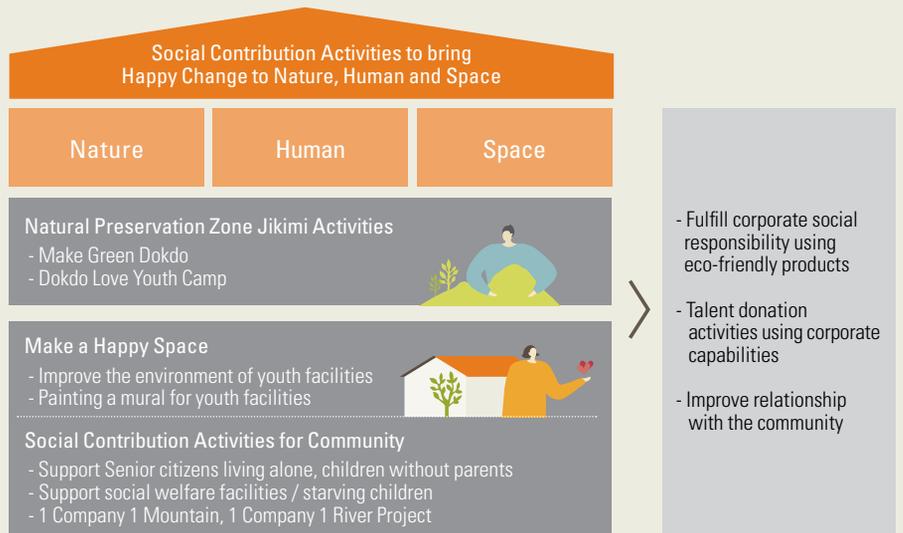
LG Hausys conducts unique social contribution activities based on its human resources and product capabilities, as well as social contributions by creating jobs and making donations. LG Hausys is dedicated to fulfilling its corporate social responsibility by developing a variety of talent activities, such as "Youth Space Improvement", which applies the company's architectural and construction capabilities, "Painting a Mural", which uses its specialized design capabilities, and "Fine Arts Class" with customers.

Community Investment | Unit: million KRW



\*Of the community investment in 2009, a partial amount was not taken into account, and the 2010 and 2011 amounts include investments in the U.S. and Taiwan regions

LG Hausys Social Contribution Activity Schema



Materiality Assessment Results



# Dokdo Natural Preservation Zone Jikimi

Since 2008, LG Hausys has been in charge of the Make Green Dokdo project and the Dokdo Love Youth Camp as a Jikimi of the Dokdo Natural Preservation Zone.

## Make Green Dokdo

LG Hausys has carried out the "Make Green Dokdo Activity" that preserves the beautiful nature and landscape of the "Dokdo Natural Preservation Zone", a part of Korean territory, and improves the quality of life for Dokdo residents. Starting with the pilot program in 2008, the company has improved living and business areas and expanded safety facilities for Dokdo guards, who are doing difficult jobs in the Dokdo Police Guard and the Dokdo Aids to Navigation Service and Management Office. In 2011, the company replaced the entire interior materials of the Dokdo residence center with eco-friendly flooring and wall-covering, contributing to improving their quality of life. In 2010, the company's Dokdo Jikimi activity and commitment to preserving its cultural heritage was recognized when it won the One Cultural Asset One Jikimi Reward (Cultural Heritage Administration of Korea Award).

## Dokdo Love Youth Camp

The camp offers a variety of programs in which participants can experience Dokdo both directly and indirectly, such as visiting Dokdo, meeting with the Dokdo Police Guard, lectures, Dokdo Love projects, and nature trekking, to enhance their understanding of Dokdo and train young people who can practice their love for Dokdo. For the past two years, about 50 college students participated in the activities that make the value of Dokdo widely known.

### 2009

#### Make Green Dokdo

- One Cultural Asset One Jikimi Agreement (Cultural Heritage Administration of Korea)
- Replaced eco-friendly flooring and wallcovering of the Dokdo Police Guard
- Installed fences around the border

### 2010

#### Make Green Dokdo

- Replaced eco-friendly flooring and wallcovering of the barracks of the Dokdo Police Guard
- Installed additional fences around the border
- Installed blinds

#### Dokdo Love Youth Camp

- Selected 1st Dokdo Love Youth Jikimi
- Created a Dokdo Love miniature
- Created Dokdo Love UCC
- Night of Consolation for Dokdo Police Guard
- Cleaning the Natural Preservation Zone



1. Make Green Dokdo
2. Dokdo Love Youth Jikimi
3. Dokdo Love Youth Camp

### 2011

#### Make Green Dokdo

- Replaced eco-friendly flooring and wallcovering of the kitchen and dining room of the Dokdo Police Guard
- Improved the kitchen air-conditioning system
- Installed an air-conditioner in the Dokdo lighthouse
- Replaced interior materials in the Dokdo residence center (Replaced with Z:IN windows, eco-friendly flooring and wallcovering)

#### Dokdo Love Youth Camp

- Selected 2nd Dokdo Love Youth Jikimi
- Performed Dokdo Love tasks
- UCC / Taeguugi making & Dokdo Love activities
- Night of Consolation for Dokdo Police Guard
- Dokdo Love Clean & Green Campaign
- Cleaning the Natural Preservation Zone



# Make a Happy Space

LG Hausys is dedicated to providing a space filled with hope and happiness.

## “Make a Happy Space” Facilities and Activities

### #1 – Holt Ilsan Center / Love Room

- Painting a mural
- Replacing eco-friendly flooring and wallcovering
- Replacing and repairing doors and painting toys
- Supporting necessities, handing out presents

### #2 – Cheonho Child Care Center and Three Others

- Replacing eco-friendly flooring and wallcovering
- Replacing PC, partitions, desks, chairs, and lockers
- Intern volunteer activities
- Opportunities to attend LG-hosted events (Follow-up)

### #3 – Dongsan Child Care Center

- Replacing eco-friendly flooring and wallcovering
- Making an efficient layout
- Insulation works for air-conditioning / heating

### #4 – Yeongdeungpo Social Welfare Center

- Remodeling class rooms
- Replacing eco-friendly flooring and wallcovering
- Space Consulting of designers
- Exploring customer-involvement solutions

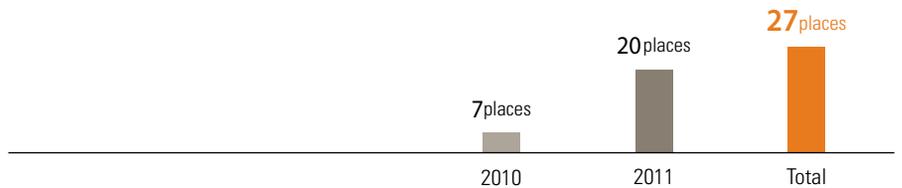
## Make a Happy Space

To support the dreams and hopes of our youths, LG Hausys continues its “Make a Happy Space” in which the environment of youth facilities is improved using the company’s specialized product / construction / design capabilities.

Since the first “Make a Happy Space” construction, the Holt Ilsan Center (2009), LG Hausys has improved three to five youth facilities each year. The Make a Happy Sapce project is designed to replace eco-friendly flooring and wallcovering in aging facilities, provide space consulting to make the best / efficient use of space, and paint wallpaper, and has been positively received among youth and the facility owners.

In addition, LG Hausys is conducting Probono (talent donation activity), including fine arts classes for needy youth, to share the pleasure of sharing with others. Since 2010, the company has implemented the Make a Happy Space in collaboration with the Korea Association of the Community Child Center, and improved 27 facilities for the past two years. To make a happy world, LG Hausys will reach out to anyone who is now being overlooked.

## Collaboration with the Korea Association of the Community Child Center



## Green Space Sharing Campaign

LG Hausys launched “Z:IN Green Space Sharing Campaign” to provide social welfare centers and aging recreation centers with repairs using the company’s building & decorative materials, together with the celebrities of the 100 Council For Good Society. In 2011, along with the celebrities, the company’s employees participated in a variety of social contribution activities, from replacing / repairing facilities in Hansarang Town, a care center for mentally retarded children, improving the environment of SOS Children Village, replacing old windows with energy-saving windows (Surak Mountain Nursing Home), and creating a green resting place (Bukhan Mountain Dule-gil). In addition, LG Hausys is planning a customer-participation social contribution activity in which customers can also participate in social contribution activities by posting as many comments on the Z:IN website ([www.z-in.com](http://www.z-in.com)) as the amount of money they wish to donate.



Make a Happy House - Painting a mural



Z:IN Green Space Sharing Campaign - SOS Children Village

# Social Contribution Activities for Community

LG Hausys is carrying out community social contribution activities for community to help the community's development and environmental protection.

## Local-Friendly Social Contribution Activities

LG Hausys is carrying out social contribution activities for community in various fields to facilitate the balanced development of the community. LG Hausys created green hills within the premises, planted indicator species, and is observing the impact of its activities on the surroundings closely. In addition, LG Hausys opened its key environmental facilities, such as air protection and water cleaning facilities, to local residents and students as places for environmental education in an effort to make the importance of the environment widely known.

The Ulsan complex is continuing its cleaning activities at nearby Daeun Mountain, as part of the monthly One Company One Mountain One River campaign. In 2011, as a result of its protection activities in collaboration with Clean Ulsan Team (under Ulsan City Hall), the Ulsan complex was selected as the best place of business for One Company One Mountain One River campaign. Further, the plant helped rescue 175 households from flood damage by providing wallcovering and flooring, especially for government support beneficiaries, senior citizens living alone, and low-income disabled families who were desperately in need.

## Environmental Protection Activities

As part of the effort to protect biodiversity, the Ulsan complex is voluntarily conducting water quality testing in collaboration with the government offices, in order to protect water quality in the Hoya River nearby. The office is performing regular water quality inspection in terms of 6 items (pH, COD, SS, etc.) in 13 locations from Hoya Dam to Ganggu Naru, from upstream to downstream.



Inspection of pollution emission in Ulsan complex

## Social Contribution Activities by Overseas

Employees at LGHS TJ located in Tianjin, China, voluntarily formed a social contribution group called "Love Committee" to provide support to small schools in the areas affected by the Sichuan Earthquake, local nursing homes, and the school for the disabled in the Tianjin area, and its social contribution activities are gaining reputation within the community. LGHS TJ donates all the necessities that the residents need and practices a variety of volunteer activities, such as performances, shaving, and meals, making a huge contribution to spreading the warm-hearted corporate culture and respect for others valued by Korean companies to Chinese society.



LGHS TJ Social Contribution Activities in Local Community

# Appendix

Summary of the Data P. 70

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Awards and Memberships P. 78

Glossary P. 79

Participant Information P. 80

## Summary of the Data

### Financial Information

Statement of Profits and Losses   Unit_ million KRW			
Items	2009	2010	2011
Sales	1,662,536	2,242,065	2,450,105
Cost of Sales	1,325,823	1,789,938	1,964,687
Gross Profit	336,713	452,127	485,418
Selling and Admin Expense	269,547	391,843	417,683
Other Operating Income	7,639	30,912	33,535
Other Operating Expenses	32,001	27,706	28,959
Operating Income	42,804	63,490	72,311
Non-operating Income	△ 11,597	△ 7,613	△ 12,341
Earning Before Tax	31,207	55,877	59,970
Income Tax Expenses	3,368	14,209	12,143
Net Income for the Year	23,562	40,057	46,311

Balance Sheet (Financial State)   Unit_ million KRW			
Items	2009	2010	2011
<b>Current Assets</b>	794,625	809,337	1,105,148
- Notes and Accounts Receivables	392,931	362,858	437,931
- Inventories	116,178	147,922	207,274
<b>Non-current Assets</b>	606,000	709,259	815,812
- Tangible Assets	536,487	635,898	725,034
<b>Non-current Assets held for Sale</b>	1,399	1,097	21,521
<b>Total Assets</b>	1,402,024	1,519,693	1,942,481
<b>Current Liabilities</b>	509,648	596,192	892,666
<b>Non-current Liabilities</b>	224,518	227,586	327,541
<b>Total Liabilities</b>	734,166	823,778	1,220,207
<b>Controlling Interest</b>	664,851	688,288	721,464
- Paid-in Capital	50,000	50,000	50,000
- Capital Surplus	618,183	618,183	618,187
- Other Capital Items	△ 8,189	△ 8,189	△ 8,189
- Aggregate of Other Universal Profit / Loss	△ 16,182	△ 15,992	△ 10,909
- Retained Earnings	21,039	44,286	72,375
<b>Non-controlling Interest</b>	3,007	7,627	810
<b>Total Equity</b>	667,858	695,915	722,274
<b>Total Equity and Liabilities</b>	1,402,024	1,519,693	1,942,481

\* △ indicates a negative value.

# Environmental Information

The Amount of Raw Materials Used   Unit_ ton			
	2009	2010	2011
PVC	76,669	89,506	118,382
Calcium Carbonate	61,330	72,719	72,319
Plasticizer	22,714	28,104	25,780
MMA	10,995	10,979	19,646
Others	104,303	115,140	134,024
<b>Total</b>	<b>276,011</b>	<b>316,448</b>	<b>370,152</b>

Environmental Investment   Unit_ million KRW			
	2009	2010	2011
Process Improvement	2,590	836	770
Planning & Production of Eco-friendly Products	48	25	26
Other Environmental Improvement	119	57	65
<b>Total</b>	<b>2,757</b>	<b>917</b>	<b>861</b>

Energy Usage   Unit_ TJ			
	2009	2010	2011
<b>Total Direct Energy Consumption</b>	<b>910.3</b>	<b>996.3</b>	<b>1,017.8</b>
- LNG	869.0	956.2	980.7
- Diesel	19.9	19.4	16.6
- Gasolin	0.2	0.6	0.7
- Others	21.2	20.1	19.8
<b>Total Indirect Energy Consumption</b>	<b>1,662.1</b>	<b>1,845.1</b>	<b>1,885.5</b>
- Electricity	1,392.8	1,561.4	1,610.6
- Steam	269.2	283.7	274.8

Environmental Data for Each Complex by								
Category		Unit	Cheongju			Ulsan		
			2009	2010	2011	2009	2010	2011
Energy Consumption	Direct Energy		47	57	51	863	938	967
	Indirect Energy	TJ	703	791	841	959	1,054	1,045
	Total		750	849	892	1,822	1,993	2,012
Water Consumption		ton	170,512	217,855	241,821	487,437	493,607	557,649
Greenhouse Gas Emission	Scope 1		2.5	3.0	2.6	44.7	48.5	49.9
	Scope 2	KtCO <sub>2</sub> e	34.3	38.5	37.6	49.7	54.6	54.1
	Total		36.7	41.5	40.2	94.4	103.1	104.0
Discharge Volume of Air Pollutant	NOx	ton	0.76	0.78	0.78	84.20	63.87	48.34
	Dust		10.90	11.12	9.35	19.70	18.27	18.15
Discharge Volume of Waste Water	Waste Water	m <sup>3</sup>	1,829	1,731	1,216	48,914	45,528	66,017
	BOD		0.038	0.012	0.013	0.425	0.253	0.244
	COD	ton	0.039	0.016	0.011	1.282	1.405	1.924
	SS		0.030	0.025	0.019	0.596	0.339	0.515
Discharge Volume of Waste	General Waste		15,761	15,215	15,644	13,197	17,292	15,270
	Designated Waste	ton	162	439	329	1,001	723	677
	Recycling		13,010	13,802	14,651	12,135	15,866	14,032
	Ratio of Recycling	%	82.3	88.2	91.7	85.5	88.1	88.0

# Third Party Assurance Statement

**To: "2012 LG Hausys Sustainability Report" Management** | BSI Group Korea Limited("BSI") was commissioned to conduct an independent assurance of the "2012 LG Hausys Sustainability Report"("Report").

**Scope of Work** | The Report contains a three-year performance review from April 2009, when LG Hausys became a separate company, until 2011, and this is a report initially issued by the company. The scope of this assurance included the 2011 performances in the headquarter of LG Hausys and its domestic offices, including the plants in South Korea, and, if necessary, their performances of the previous year. The performances and following of certain overseas companies contained therein were not included in the assurance:

- Financial information
- Greenhouse gas data (it was confirmed that a separate assurance had been conducted)
- Other information contained in the website, not in the Report

**Responsibility and Independence** | LG Hausys is fully responsible for the creation of the Sustainability Report. The responsibility for this assurance is to provide the LG Hausys management with an independent assurance statement containing an expert opinion by applying methods of assurance to the scope specified previously, and to provide all the interested parties of LG Hausys with the said information.

The Assurance Team members have no commercial interests whatsoever in the business of LG Hausys and has never been involved in the development of this Report. In addition, the assurance was conducted by the BSI Assurance Team, which consists of experts from different areas with a comprehensive range of technology and experience, so that high levels of competence could be applied according to the BSI Fair Trade Code of Conduct.

**Assurance Standards** | The assurance of the Report was conducted pursuant to the following criteria:

- AA1000 Assurance Standard (2008)
- GRI G3.1 Sustainability Reporting Guidelines

The Assurance Team applied Type 2 Moderate Level of AA1000 AS (2008) to comply with the principles of inclusiveness, materiality, and responsiveness, and conduct a reliability assessment of sustainability performance information, and applied an Application Level A of the GRI Indicator Protocol Set.

**Methods of Assurance** | The Assurance Team complied with the assurance standards, employed the methods developed to collect relevant evidence to reduce errors in the Report content, and conducted the following activities:

- Review the LG Hausys materiality decision-making process and verify its conformity to prioritize the assurance;
- Review the sustainability strategy process and the system used to implement it;
- Conduct interviews with the upper-level supervisors responsible for managing sustainability issues, select the reasons supporting the discussed issues, and review their conformity;
- Confirm the processes of generating, collecting, and reporting data in each area of performance;
- Determine whether the financial information and GHG report are in agreement with the Audit Report and GHG Assurance Report;
- Conduct an independent assurance of the LG Hausys Report based on the Application Levels of the GRI Guidelines

**Assurance Statement** | The Assurance Team reviewed the draft Report, suggested its opinions, and, when necessary, made amendments to the Report. Based on the assurance conducted, the Team confirmed that, in the Report, LG Hausys describes its sustainability performances in compliance with the Reporting Principles.

It was also confirmed that the GRI Indicators specified in the GRI Index are reported completely or partially as the result of the materiality assessment process. The Assurance Team confirmed that this Report meets the Application Level A+ of the GRI Guidelines G3.1.

**The following are the team's suggestions without prejudice to the generality of the assurance results:**

This Report has great significance as an initially issued report of LG Hausys after its independence and indicates an excellent beginning for LG Hausys toward sustainability.

In this Report, LG Hausys reduced emissions in its offices, established a greenhouse gas reduction plan, and expanded its clean fuel project to respond actively to sustainability issues, such as government policies for low-carbon green growth, climate change, and energy depletion. In addition, the company devoted itself to developing highly efficient products to save energy, introduced the Carbon Labelling Program for the first time in the industry, and established a strategy to maximize business opportunities, which all demonstrated the company's

determination toward sustainability. Since its separation from LG Chem Ltd. in 2009, LG Hausys has been continuously pursuing ethical and transparent management and social responsibility by practicing social contribution and “sharing” management, which will help it become a respected and reliable company.

**Inclusiveness is a principle that ensures the involvement of interested parties in developing and achieving responsible and strategic approaches to sustainability.**

The Assurance Team confirmed that LG Hausys is implementing the process involving the involvement of the interested parties and working hard to reflect the opinions of the many interested parties and reflect them in its sustainability policies. The company also has a formal channel to communicate with the interested groups and has set priorities with regard to questions and feedback for the interested parties, which contributed greatly to determining the content of this Report.

The Team recommends that the company consolidate the involvement of the interested parties and management of sustainability issues and also operate a committee that will report sustainability policies, strategies, goals, and results to the top management by strengthening its sustainability governance system. It is considered that the company can improve the capabilities of its employees regarding sustainability issues by reporting the issues on a regular basis, inspecting implementation processes, and reinforce sustainability governance.

**Materiality refers to the practice of determining the issues needed for the interested parties to make an informed decision on LG Hausys and its impacts.**

It was confirmed that the sustainability issues identified by the interested parties through the materiality assessments and key issue selection processes were developing into sustainability strategies. LG Hausys used a VOC system to identify the sustainability issues and came up with the important issues of internal and external interested parties by conducting interested party communication, surveys and media analysis.

In this Report, therefore, LG Hausys expresses the CEO’s strong determination in the areas of the Climate Change Convention, energy-saving product development, green product distribution, and social responsibility, and reflects eco-friendly, energy-saving, and human friendly values and a number of policies and practice examples. The Team recommends, however, that LG Hausys include its goals, as well as the information on the past performances, so that short-term and policy predictions of LG Hausys can be made with regard to sustainability issues, either individual or in different areas.

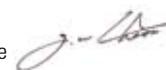
**Responsiveness is a principle concerning the extent to which an organization responds to issues involving interested parties.**

This Report describes the issues identified through communication with the interested parties and the company’s response, and the Assurance Team confirmed that LG Hausys responded appropriately to the major issues through a variety of communication channels. It is considered that the company’s strengthened inclusiveness and responsiveness will be important drivers for LG Hausys to strengthen its core capabilities in sustainability. To respond appropriately to sustainability issues posed by a variety of interested parties, however, more timely reports using the company’s website, as well as such annual reports as this Report, will help the company reinforce its responsiveness.

Each business area in this Report explains the positive aspects of the performances of LG Hausys in terms of sustainability issues and expresses its effort to develop such aspects. Finding issues arising from poor performance and plans to solve these issues will contribute to the development of a more balanced report.

**Performance information** | The Team recommends that the company develop a system for collecting and integrating performance data from economic, social, and environmental areas, establish a system for managing performance against goals on a regular basis, and combine the system with the internal audit process to ensure data reliability.

March 30, 2012 BSI Group Korea CEO Cheon, Jung Kee



# GRI G3.1 Index

● : Full Reporting   ● : Partial Reporting   ○ : Omitted   N/A : Not Applicable

Category	Indicators	ISO 26000	Reporting Level	Page
Strategy and Analysis	1.1 Statement from the most senior decision-maker of the organization.	6.2	●	4, 5
	1.2 Description of key impacts, risks, and opportunities.	6.2	●	4, 5
Organizational Profile	2.1 Name of the organization.		●	6, 7
	2.2 Primary brands, products, and/or services.		●	10-13
	2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.		●	6, 7
	2.4 Location of organization's headquarters.		●	6, 7
	2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.		●	6, 7
	2.6 Nature of ownership and legal form.		●	16
	2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).		●	6, 7
	2.8 Scale of the reporting organization.		●	6, 7, 70
	2.9 Significant changes during the reporting period regarding size, structure, or ownership.		●	16, 17
	2.10 Awards received in the reporting period.		●	78
Report Parameter	3.1 Reporting period (e.g., fiscal/calendar year) for information provided.		●	Inner Cover
	3.2 Date of most recent previous report (if any).		●	Inner Cover
	3.3 Reporting cycle (annual, biennial, etc.)		●	Inner Cover
	3.4 Contact point for questions regarding the report or its contents.		●	Inner Cover
	3.5 Process for defining report content.		●	Inner Cover, 19-21
	3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.		●	Inner Cover
	3.7 State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).		●	Inner Cover
	3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.		●	Inner Cover
	3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.		●	Inner Cover
	3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).		●	The First Time Publisher
	3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.		●	The First Time Publisher
	3.12 Table identifying the location of the Standard Disclosures in the report.		●	74-77
	3.13 Policy and current practice with regard to seeking external assurance for the report.	7.5.3	●	Inner Cover
Governance, Commitments, and Engagement	4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.		●	16, 17
	4.2 Indicate whether the Chair of the highest governance body is also an executive officer.		●	16, 17
	4.3 For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.		●	16, 17
	4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.		●	16, 17
	4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).		●	16, 17
	4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided.		●	16, 17
	4.7 Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.		●	16, 17
	4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	6.2	●	8, 9, 14, 15
	4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.		●	16, 17
	4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.		●	16, 17
	4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization.		●	29
	4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.		●	78
	4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.		●	78
	4.14 List of stakeholder groups engaged by the organization.		●	18
	4.15 Basis for identification and selection of stakeholders with whom to engage.		●	18
	4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.		●	18
	4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.		●	18
<b>Economic</b>	<b>Disclosure on Management Approach</b>	<b>6.2, 6.5</b>		<b>23</b>
Economic Performance	EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	6.8, 6.8.3, 6.8.7, 6.8.9	●	23, 30, 31
	EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change.	6.5.5	●	40, 41

Category	Indicators	ISO 26000	Reporting Level	Page
<b>Economic</b>		<b>Disclosure on Management Approach</b>		
Economic Performance	EC3	Coverage of the organization's defined benefit plan obligations.		● 52, 53
	EC4	Significant financial assistance received from government.		● 0
Market Presence	EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	6.4.4, 6.8	● 51
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	6.6.6, 6.8, 6.8.5, 6.8.7	● 30, 62
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	6.8, 6.8.5, 6.8.7	● 50
Indirect Economic Impacts	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	6.3.9, 6.8, 6.8.3, 6.8.4, 6.8.5, 6.8.6, 6.8.7, 6.8.9	● 30, 31
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	6.3.9, 6.6.6, 6.6.7, 6.7.8, 6.8, 6.8.5, 6.8.6, 6.8.7, 6.8.9	● 30, 31
<b>Environmental</b>		<b>Disclosure on Management Approach</b>		
		<b>6.2, 6.5</b>		<b>33</b>
Materials	EN1	Materials used by weight or volume.		● 46, 71
	EN2	Percentage of materials used that are recycled input materials.		● 46
Energy	EN3	Direct energy consumption by primary energy source.		● 46, 71
	EN4	Indirect energy consumption by primary source.		● 46, 71
	EN5	Energy saved due to conservation and efficiency improvements.	6.5, 6.5.4	● 46, 71
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.		● 36-39, 41
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.		N/A -
Water	EN8	Total water withdrawal by source.		● 46, 71
	EN9	Water sources significantly affected by withdrawal of water.		N/A -
	EN10	Percentage and total volume of water recycled and reused.		○ -
Biodiversity	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.		N/A -
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.		● 47, 68
	EN13	Habitats protected or restored.	6.5, 6.5.6	N/A -
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.		N/A -
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.		N/A -
Emissions, Effluents and Waste	EN16	Total direct and indirect greenhouse gas emissions by weight.		● 40, 46, 71
	EN17	Other relevant indirect greenhouse gas emissions by weight.	6.5, 6.5.5	● 41
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.		● 41
	EN19	Emissions of ozone-depleting substances by weight.		N/A -
	EN20	NOx, SOx, and other significant air emissions by type and weight.		● 44, 46, 71
	EN21	Total water discharge by quality and destination.		● 44, 46, 71
	EN22	Total weight of waste by type and disposal method.	6.5, 6.5.3	● 45, 46, 71
	EN23	Total number and volume of significant spills.		● 0
Products and Services	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.		N/A -
	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	6.5, 6.5.4, 6.5.6	● 46
	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	6.5, 6.5.4, 6.6.6, 6.7.5	● 36-39
Compliance	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	6.5, 6.5.4, 6.7.5	● 45
	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	6.5	● Not the area
Transport	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	6.5, 6.5.4, 6.7.5	● 41
Overall	EN30	Total environmental protection expenditures and investments by type.	6.5	● 46, 71
<b>Labor Practices and Decent Work</b>		<b>Disclosure on Management Approach</b>		
		<b>6.2, 6.4, 6.3.10</b>		<b>49</b>
Employment	LA1	Total workforce by employment type, employment contract, and region, broken down by gender.		● 50
	LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	6.4, 6.4.3	● 50
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	6.4, 6.4.3, 6.4.4	● 53
Labor/ Management Relations	LA4	Percentage of employees covered by collective bargaining agreements.	6.4, 6.4.3, 6.4.4, 6.4.5, 6.3.10	● 57
	LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	6.4, 6.4.3, 6.4.4, 6.4.5	● 57
Occupational Health and Safety	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	6.4, 6.4.6	● 54
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.		● 54
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	6.4, 6.4.6, 6.8, 6.8.3, 6.8.4, 6.8.8	● 54, 55

# GRI G3.1 Index

Category	Indicators	ISO 26000	Reporting Level	Page	
<b>Labor Practices and Decent Work</b>		<b>Disclosure on Management Approach</b>			
Occupational Health and Safety	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	6.4, 6.4.6, 6.8, 6.8.3, 6.8.4, 6.8.8	●	54, 55
	LA9	Health and safety topics covered in formal agreements with trade unions.	6.4, 6.4.6	●	54, 55
Training and Education	LA10	Average hours of training per year per employee by gender, and by employee category.	6.4, 6.4.7	○	52
	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	6.4, 6.4.7, 6.8.5	●	52
	LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	6.4, 6.4.7	●	53
Diversity and Equal Opportunity	LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	6.3.7, 6.3.10, 6.4, 6.4.3	●	50
	LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	6.3.7, 6.3.10, 6.4, 6.4.3, 6.4.4	○	51
Employment	LA15	Return to work and retention rates after parental leave, by gender.		●	100%
<b>Human Rights</b>		<b>Disclosure on Management Approach</b>			
			<b>6.2, 6.3</b>	<b>49</b>	
Investment and procurement practices	HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	6.3, 6.3.3, 6.3.5, 6.6.6	●	63
	HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	6.3, 6.3.3, 6.3.5, 6.4.3, 6.6.6	●	63
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	6.3, 6.3.5	●	15, 64
Non-discrimination	HR4	Total number of incidents of discrimination and corrective actions taken.	6.3, 6.3.6, 6.3.7, 6.3.10, 6.4.3	●	0
Freedom of association and collective bargaining	HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.8, 6.3.10, 6.4.3, 6.4.5	●	57
Child labor	HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10	●	57
Forced and compulsory labor	HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.		●	57
Security practices	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	6.3, 6.3.5, 6.4.3, 6.6.6	N/A	-
Indigenous rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	6.3, 6.3.6, 6.3.7, 6.3.8, 6.6.7	●	0
Evaluation	HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.		●	14, 15
Remediation	HR11	"Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms."		●	14, 15
<b>Society</b>		<b>Disclosure on Management Approach</b>			
			<b>6.2, 6.6, 6.8</b>	<b>49</b>	
Local communities	SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	6.3.9, 6.8, 6.8.5, 6.8.7, 6.6.7	●	65-68
	SO2	Percentage and total number of business units analyzed for risks related to corruption.		●	14, 15
Corruption	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	6.6, 6.6.3	●	14, 15
	SO4	Actions taken in response to incidents of corruption.		●	64
Public policy	SO5	Public policy positions and participation in public policy development and lobbying.	6.6, 6.6.4, 6.8.3	N/A	-
	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.		N/A	-
Anti-competitive behavior	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	6.6, 6.6.5, 6.6.7	●	64
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	6.6, 6.6.7, 6.8.7	●	64
Local communities	SO9	Operations with significant potential or actual negative impacts on local communities.		●	65-68
	SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.		●	65-68
<b>Product Responsibility</b>		<b>Disclosure on Management Approach</b>			
			<b>6.2, 6.6, 6.7</b>	<b>49</b>	
Customer health and safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	6.3.9, 6.6.6, 6.7, 6.7.4, 6.7.5	●	58
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.		●	0 case
Product and service labelling	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	6.7, 6.7.3, 6.7.4, 6.7.5, 6.7.6, 6.7.9	●	37, 59
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.		●	0 case
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	6.7, 6.7.4, 6.7.5, 6.7.6, 6.7.8, 6.7.9	●	60, 61
Marketing communications	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	6.7, 6.7.3, 6.7.6, 6.7.9	●	59, 60
	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.		●	59
Customer privacy	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	6.7, 6.7.7	●	60
Compliance	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	6.7, 6.7.6	●	None



## Statement GRI Application Level Check

GRI hereby states that **LG Hausys, Ltd.** has presented its report "LG Hausys Sustainability Report 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, April 2nd 2012

Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



The "+" has been added to this Application Level because **LG Hausys, Ltd.** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org*

*Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on March 30th 2012. GRI explicitly excludes the statement being applied to any later changes to such material.*

### Application Level of GRI G3.1 Guidelines

2012 LG Hausys Sustainability Report met all the requirements of the GRI G3.1 Guidelines Reporting Criteria with A pluses. In addition, through the Application Level Checks of a third-party assurance agency and GRI, this report was confirmed as suitable for a G3.1 Guideline Application Level of A+.

		Report Application Level	C	C+	B	B+	A	A+
Standard Disclosures	Profile Disclosures	Output	Report on : 1.1, 2.1-2.10, 3.1-3.8, 3.10-3.12, 4.1-4.4, 4.14-4.15	Report Externally Assured	Report on all criteria listed for Level C plus : 1.2, 3.9, 3.13, 4.5-4.13, 4.16-4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	Disclosure on Management Approach	Output	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	Performance Indicators & Sector Supplement Performance Indicators	Output	Report fully on a minimum of any 10 Performance Indicators, including at least one from each of : social, economic, and environment**		Report fully on a minimum of any 20 Performance Indicators, at least one from each of : economic, environment human rights, labor, society, product responsibility.***		Respond on each core and Sector Supplement* indicator with due regard to the materiality Principle by either : a) reporting on the indicator or b) explaining the reason for its omission.	

\* Sector supplement in final version \*\* Performance Indicators may be selected from any finalized Sector Supplement, but 7 of the 10 must be from the original GRI Guidelines  
\*\*\* Performance Indicators may be selected from any finalized Sector Supplement, but 14 of the 20 must be from the original GRI Guidelines

# Awards and Memberships

General Awards			
Certificate / Award	Product / Plant	Agency	Period
Korea Industrial Brand Power K-BPI	Windows	Korea management Association Consulting	2003-2011
Korea Consumer Well-being Index	Windows	Korea Standard Association,	2004-2011
KS-WCI (Interior materials)	Wallcovering	Yonsei University	2005-2011
Tablet for 0.4B Dollar Export			2010
Tablet for 0.5B Dollar Export		Korea Trade Association	2011
Green Growth Brand – Grand Prix (Interior)	Common		2009-2010
Consumers' reliable brand – grand prix (Interior)		Korea Brand Management Association	2010
National Quality Award – Manufacturing Innovation (Presidential)			2011
Superior Quality Competitiveness (From Minister of Knowledge and Economy)	Ulsan Complex	Ministry of Knowledge and Economy	2003-2011
1st Low-carbon Green Growth Contribution (From the President of Korea)		Green Growth Committee Ministry of Environment	2009

## International Design Award – iF Design Award

Awards	Remark	Period
WOOZEN Traffic Light, Gold Award	Wood Polymer Composite	
Healthcare Window, Gold Award		
Automatic Ventilating System Window	Windows	
Seamless Window		2011
Easy Operation & Thin Frame Window		
ZEA Floor	Flooring	
Karim Glasen	Highly functional materials	
Eco Metalex		
Seamless Canvas HI-MACS	Acrylic solid surface	
Magic HI-MACS		2010
Lumi WOOZEN	Wood Polymer Composite	
Hangang Park Sign		

## International Design Award – Red Dot Design Award

Awards	Remark	Period
Art XCLA	Highly functional materials	2011
Modular Window		
Hidden Frame Window	Windows	
Clear View Window		2010
Mendini Floor	Flooring	
Wash Mug HI-MACS	Acrylic solid surface	
Seamless Canvas HI-MACS		

## Organizations and Associations Joined

Green Company Council	Korea Vinyl Environmental Council
Korea Industrial Safety Association	The Korea Listed Companies Association
Korean Industrial Health Association	Korea Fire Safety Association
Korean Industrial Safety Associations	KOERA PR
Korea Chamber of Commerce and Industry	Korea Fire Protection Association
Resources circulation Industry Promotion Association	Korea Chemicals Management Association
The Federation of Korean Industries	Korea Environmental Engineers Association
Korea Air Cleaning Association	Korea Environmental Industry & Technology Institute
Fare Competition Federation	Korea Environmental Preservation Association
The Korea International Trade Association	

# Glossary

## GRI (Global Reporting Initiative)

An independent non-profit organization that suggests guidelines for sustainability reporting, and the guidelines suggested by GRI are classified into economic, environmental, and social areas.

## ISO26000

An international standard providing guidelines for corporate social responsibility consisting of 7 areas, namely, organizational governance, human rights, labor, environment, fair operating practices, consumer issues, and community involvement.

## ILO (International Labour Organization)

An agency that sets minimum criteria for basic workers' rights (freedom of association, the right to collective bargaining, the prohibition of all forms of forced labour, elimination of the worst forms of child labour, non-discrimination in employment, etc.) and supervises compliance of them by establishing the International Labour Standards in the form of conventions and recommendations

## Climate Change

The Climate Change Convention defines it as "a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods".

## DJSI (Dow Jones Sustainability Index)

A family of indexes launched in 1999 in collaboration between the Dow Jones Indexes and SAM not just identifying the companies based on their financial information but also evaluating their sustainability performance to select blue chip companies

## TOE

The tonne of oil equivalent. A unit that refers to the amount of energy released by burning one tonne of crude oil

## Energy Intensity

An internationally used measure of the energy efficiency of a nation's economy

## AA1000AS

An international standard for sustainability reporting assurance established by a non-profit organization Account Ability involving the three principles of inclusiveness, materiality, and responsiveness

## Ratio of Equity to Noncurrent Assets

A measure of the amounts of noncurrent (long-term) liabilities and equity used because non-current assets cannot be always compensated for by equity; the lower the ratio, the more able the company is to pay back the long-term debt.

## Korea Eco Label

A program for indicating environmental labels on products that cause relatively less pollution or can save resources in the production and consumption processes to provide consumers with environmental information and encourage companies to develop and produce environmental products in response to consumer preferences

## HB Mark (Healthy Building material Mark)

A program for certifying healthy building materials in three classes, "Best (5 clover marks), Excellent (4 clover marks), and Good (3 clover marks)". It recommends independent quality control with regard to the pollutant emissions of building materials

## Carbon Footprint Label

A certification program for indicating the CO<sub>2</sub> emissions converted from greenhouse gas emissions arising from production, transportation, consumption, and disposal processes.

## High-efficiency Appliance Certification Program

A program in which the Korea Energy Management Corporation certifies High-efficiency Appliance Certification Program if they meet the certification criteria, such as efficient energy use, when measured by the Agency for Technology and Standards, according to Article 13 of the Energy Use Rationalization Act, in order to encourage the distribution of high-efficient energy systems

## PLA (Polylactic Acid)

A plant-based biodegradable material derived from corn starch, an environmentally friendly resin that can completely biodegrade by use of microorganisms existing in nature

## BIPV (Building Integrated Photovoltaic system)

A photovoltaic system that uses integrated PV modules into the building envelope, aside from generating electric power by converting solar radiation

## ISO 14001

Refers to an environmental management system, a standard for the requirements of a sustainable environment established by the International Standard Organization (ISO)

## OHSAS 18001

A health and safety system and a standard that defines minimum requirements for an organization to identify and continuously manage risks to prevent occupational accidents

## COD (Chemical Oxygen Demand)

Chemical oxygen demand. Like biological oxygen demand (BOD), it is a measure of water quality used to determine the amount of organic compounds in water

## VOCs (Volatile Organic Compounds)

Leading indoor air pollutants that collectively refer to liquid- or gaseous-state organic compounds, which easily evaporate because they have a high vapour pressure

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### **LG Hausys Sustainability Report**

This report can be downloaded from the LG hausys website. Contact the following numbers for further inquiries or details about sustainability or this report.

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