

Nature, Human and Space  
Sustainability Report 2013





### **Eco-conscious**

We aspire after a space harmonious with the nature that values healthy and enriches life of our customers by producing eco-friendly materials and improving our energy efficiency.

### **Human-friendly**

We will heighten the value of daily lives and set trends in living space through beautiful, sensitive, and human-friendly designs.

### **Happy Living Spaces**

We will create living spaces that make customers happy, putting the highest priority in customer satisfaction.

LG Hausys Sustainability Report 2013

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

## About This Report

### Outline of the Report

'LG Hausys Sustainability Report 2013' is the second sustainability report published by LG Hausys. Through this report, LG Hausys shares its sustainable management vision and performance with all its stakeholders, and reflects and makes public the interests and demands of stakeholders related to economic, social and environmental issues. In the coming years, this report will continue to be published not only to showcase the performance of LG Hausys on sustainability management but also as a communication channel through which the opinions of our internal and external stakeholders are reflected.

### Reporting Period

This report contains major activities and performances from January 1, 2012 to December 31, 2012. Performances over the last three years are included where appropriate as well as yearly trend analysis. 2013 activities are also included with a special note.

### Scope

The scope of this report covers LG Hausys' headquarter and all its domestic plants. Some parts of social and environmental data include contents related to local corporations in China, the U.S.A., etc. Special notation(\*) is made to indicate that the data differs from that of the previous year due to changes in the scope and computation method of the data.

### Principles

This report follows GRI(Global Reporting Initiative) G3.1 Guidelines and incorporates major issues of ISO26000 Social Responsibility Guidance Standard. More information on GRI Index is available on pages 68 to 71.

### Assurance

A third party assurance has been completed by DNV Business Assurance in order to enhance the reliability and accuracy of the contents reported. The third party assurance statement is available on the pages 66 and 67.

### For more information

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## CEO Message



### ‘We create human-friendly and eco-conscious living space.’

Greetings.

LG Hausys publishes ‘LG Hausys Sustainability Report 2013’, its second sustainability report, showcasing diverse economic, environmental, and social activities undertaken by LG Hausys in pursuit of sustainable development. Through this report, we will share our sustainability management activities and gather your valuable opinions to reflect in our future management activities.

LG Hausys is the largest building&decorative materials company in Korea, leading the industry for the past half century. Lately, with LG Hausys’ core technologies such as composite materials, surface treatment and adhesion technology firmly established as the foundation, we are continuously expanding future growth engine businesses such as high insulation windows, functional glasses and adhesive films, high performance surface materials for IT and household appliances, automotive materials, and high efficiency vacuum insulation panels.

Despite unfavorable market environment last year with depressed building industry and global trend of slow growth, we have continued our efforts to lead the market by investing new businesses and overseas and innovating business model, and recorded a revenue of 2.4 trillion KRW and the overseas business ratio in the range of 35%. We were able to achieve such meaningful results despite the difficult environment owing to the support from the clients and stakeholders who put their faith in and encouraged LG Hausys. We will continue to create excellent values for our clients in the future.

The global trend of slow economic growth is projected to continue in 2013, and many policy changes are anticipated following the inauguration of the new government. We plan to assiduously pursue fundamental improvements in our company constitution in order to overcome the business environment at home and abroad where the depression of the construction business is set to be prolonged, and to secure sustainable business competitiveness.

The vision of LG Hausys is to “Create Human-Friendly and Eco-Conscious Living Space.” We will create new customer values in all fields of manufacturing, marketing, sales, distribution and R&D taking direct responsibility for happy spaces of our customers. We put forth our belief that customers can experience a happy living space when they use our products and services by continuously producing human-friendly, eco-conscious and energy saving products.

In pursuit of this vision, LG Hausys is engaging in following sustainability management activities.

**Firstly, we have established and are practicing a set of green management goals and a greenhouse gas reduction plan.**

We have reduced carbon dioxide emission by more than 15,000tons per year through minimizing pollutant emission at each worksite, recycling waste gas and increasing the use of clean fuel, and secured 50,000tons of CER(Certified Emission Reduction) as part of transition of current fuel to clean fuel by 2012. Furthermore, LG Hausys was the first Korean company to implement the Greenhouse Gas Emission Reduction Project, namely VCS(Voluntary Carbon Standard), positioning ourselves firmly as a low-carbon green growth company that positively responds to climate change.

**Secondly, we have taken the leadership in human and environment friendly products through development of non-PVC natural materials, recycling materials, and materials of first grade energy efficiency.**

In addition to a wide range of our products earning eco-friendly product certification, we were the first in the industry to apply a carbon footprint label to products boosting consumer confidence.

**Thirdly, LG Hausys preserves nature and contributes to local community development.**

Utilizing our world-class eco-friendly technologies and products along with the know-how accumulated for half a century, we have established and are continuously carrying out differentiated social contribution activities unique to LG Hausys. In fulfilling our corporate social responsibility to grow together with the local community, we have been involved in community contribution projects such as Dokdo Nature Preservation Zone ‘Jikimi’ since 2008, “Make a Happy Space” for public facilities for youth and local children centers, youth education, and environment protection.

**Fourthly, to fulfill the social responsibilities that economic growth brings, all employees of LG Hausys practice ‘Jeong-Do’ management believing in ethical management based on the principle of fair competition of human abilities leading to practical achievements.**

This is specified in the Business Partner Management Guidelines and continuously managed.

**Fifthly, with win-win relationships with our business partners in mind, we consistently engage in joint technology development and patent applications, human resource development through business and financial support, and communication with the management of business partners.**

Also, in compliance of the fairness in partner selection and the transparency of evaluation process prescribed by the ‘Jeong-Do’ management policy, each business partner are provided with feedback on their evaluation results.

LG Hausys will continue to be a leader of green growth in Korea by supplying healthy and environment-friendly products and materials to customers and providing energy efficiency maximizing systems and solutions. Also, LG Hausys will continue to fulfill its social responsibilities as a global company deserving trust and respect of customers. We greatly appreciate your continued attention and support.

Thank you.

Oh Jang-soo, President, LG Hausys

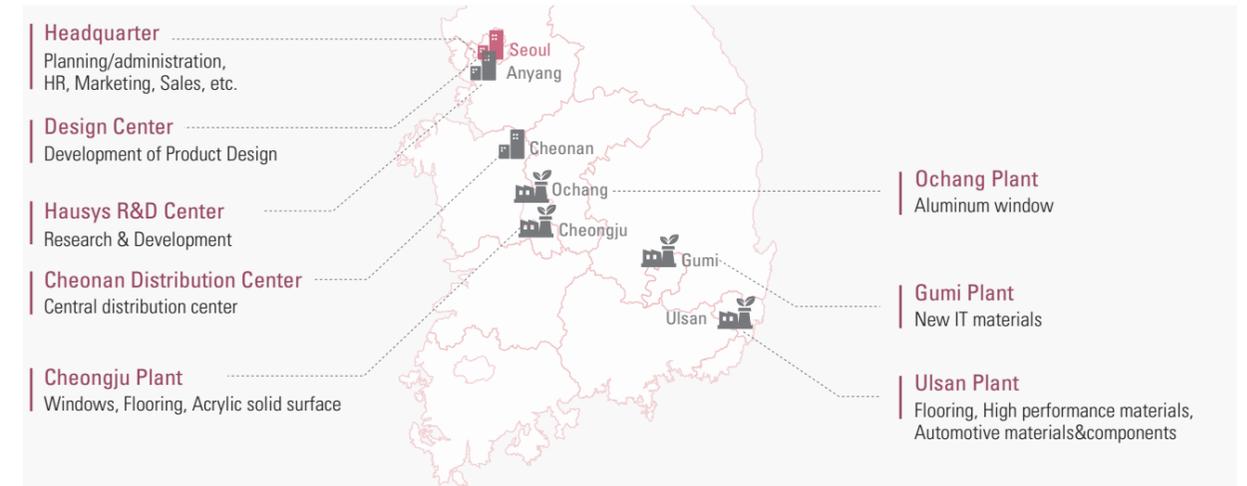
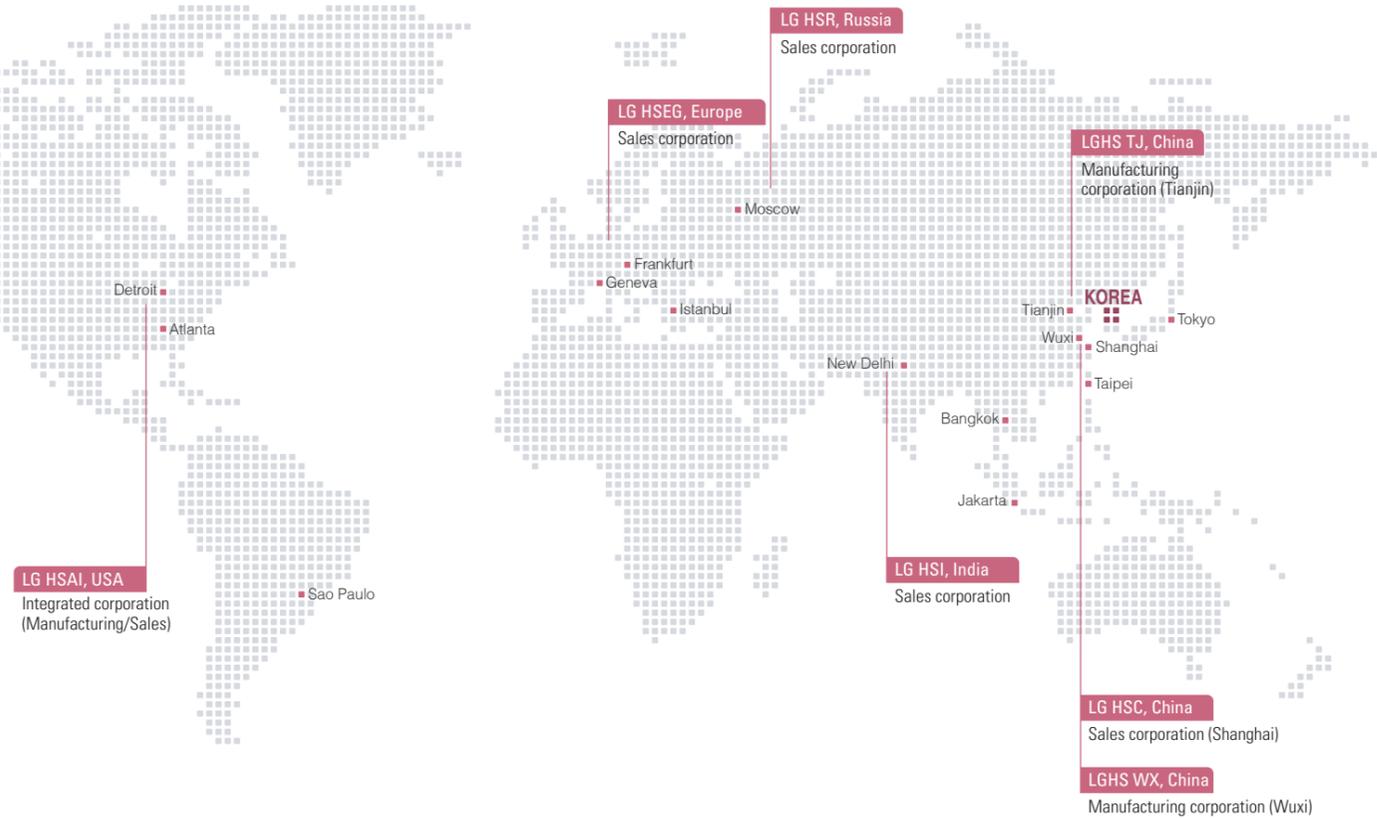
# Company Profile

“Largest supplier in Korea of building&decorative materials and high performance materials and components”

Starting with vinyl flooring manufacturing in 1958, for over 50 years LG Hausys has been providing products and services such as ‘Hi-Sash’, first plastic windows in Korea; high-gloss sheets which boast the largest market share in the world; ‘HI-MACS’, an acrylic solid surface; and zea floor and wallcovering, contributing to making our living spaces happy and comfortable. LG Hausys designs beautiful and pleasant spaces based on the market-leading first class products and advanced technology and provides diverse environment-friendly new materials and high sensitivity products. In addition, through our strategy of active localization, LG Hausys is developing into a global company, creating excellent performances across the world including in the U.S.A, China and Russia.



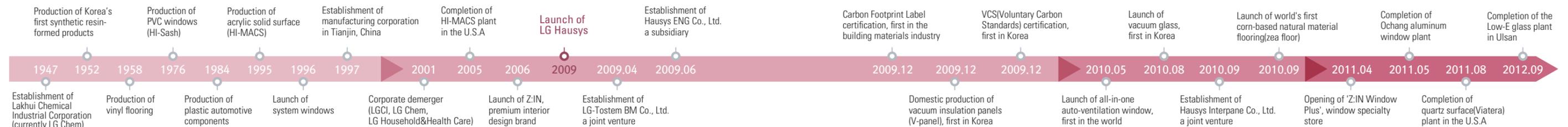
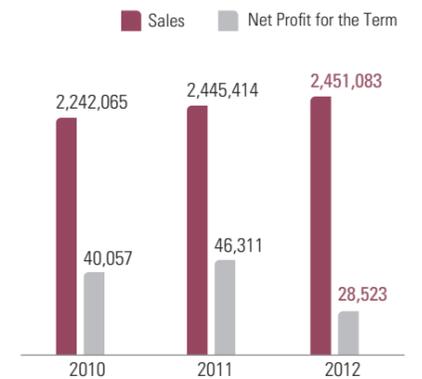
(As of 2012 year-end)



Number of Employees



Financial Information (Unit : million KRW)



## Vision and Customer value

### 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.

With this vision, LG Hausys pursues customer value in three ways: Eco-Friendly, Energy Saving and Human-Friendly. We pursue 'Eco-Friendly' by diversifying our range of environmentally friendly materials. We practice 'Energy Saving' by enhancing energy performance with the use of high insulation decorative materials. We practice 'Human-Friendly' through designs that enrich lifestyle quality and innovative distribution system to increase customer contacts.

#### Turning Nature into Living Spaces



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

#### Eco-Friendly

Transition into eco-friendly materials through diversification of materials (eco-friendly products/materials expansion)

#### Energy Saving

System & Solution to maximize energy efficiency (high quality windows/Green car materials)

#### 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

Reliable and emotionally engaging customer contact expansion (increased brand awareness and distribution innovation)

#### Inspired Living Spaces



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



### Core Values

The business philosophy and vision of LG Hausys are put into practice through four core values that we share with our stakeholders: Sensitivity to the customers; Teamwork built on individual potential; World-class expertise; and Challenging spirit inspired by creativity and autonomy.

#### Sensitivity to the customers



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

#### Teamwork built on individual potential



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

#### World-class expertise



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

#### Challenging spirit inspired by creativity and autonomy



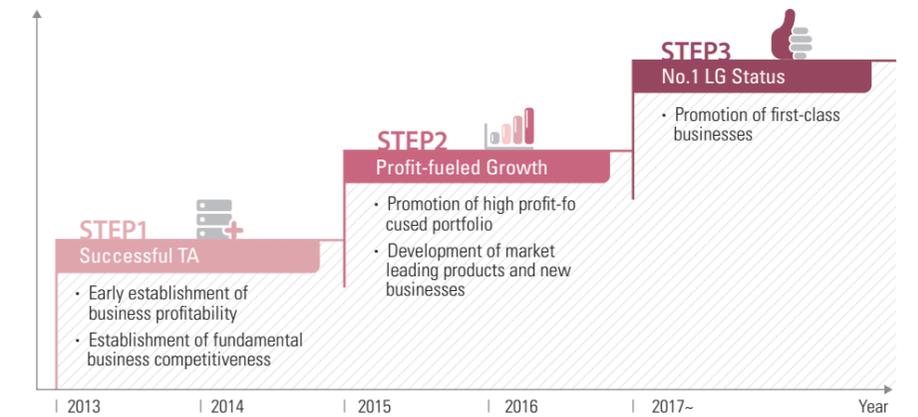
- Environment that fosters creativity based on expert knowledge
- Environment that encourages responsible self development and decision making

## Mid-long Term Goals

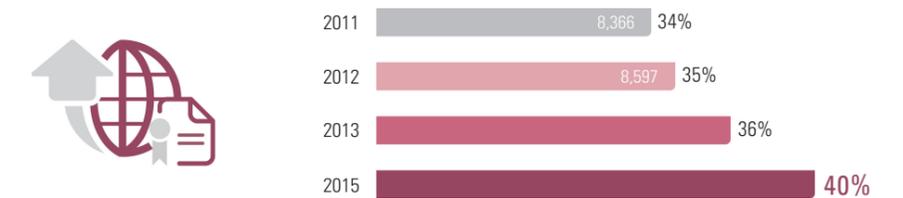
### Mid-long Term Goals of LG Hausys

LG Hausys will proceed in 3 stages towards the goal of No.1 LG, enhancing corporate constitution and securing the market-leading position through stable revenue structure.

#### Direction of Business Promotion



#### Overseas Business Achievements and Goals (Sales and Percentage of Sales)



### 2013 Management Strategy

In order to achieve the mid- and long-term goals, LG Hausys plans to promote Solution Sharing activities for company-wide quality innovation and customer values creation while concentrating on establishing profitability. We will ensure profitability through the fundamental business reform, lay the foundation of customer values through company-wide quality innovation 6Sigma activities, and move forward with customer values creation through Solution Sharing activities.

#### Establishment of Profitability



##### Business Reform Activities

- Cost saving through process innovation
- Re-establishment of portfolio

#### Quality-Safety-Fire-fighting Environmental Management



##### Company-wide Quality Innovation 6Sigma Activities

- Q-cost reduction at all domestic and overseas worksites
- Promotion of site improvement and 6Sigma activities

#### Customer Values Creation



##### Solution Sharing Activities

- Win-win growth with customers
- Pioneering launch of new products
- Joint efforts to study and resolve customers' problems

## Main Products

### Windows

We provide superior performing windows that answer varying demands of energy saving, higher buildings, and unique design, helping customers building a healthy, pleasant living environment.

#### Main Products

- PVC windows : PVC windows for general windows and system windows with diverse designs and superior energy performance
- Aluminum windows : AL windows, AL-Wood windows and AL windows for system curtain walls made of eco-friendly materials with diverse colors and designs and high structural strength
- Functional glasses : Functional glasses emphasizing energy efficiency, such as high insulation Low-E glass, and triple-glazed Low-E glass

### “ Leader of the Window Industry that Provides Customer-Centric Total Window Solutions” Lee Eun-cheol, Vice President

Industry-wide concerns about the economic depression is growing amid worsening business environment at home and abroad. However, Z:IN Window has been putting in unyielding efforts into providing better values based on superior competitive edge to customers. The new and innovated distribution model for window business which has been promoted since 2010 is at its mature stage, and we continue to fulfill the role of the market leader by implementing 10 year warranty system in 2012 for the first time in Korean window industry. In addition, the high performance Low-E coated glass which went into full-scale mass production in 2012 became a new value to the glass industry in Korea thanks to its excellent insulation performance and beautiful appearance. Also, winning the order for the super high-rise building is a representative example of the domestic and international recognition of the competence of Z:IN Window in design and construction of curtain walls and high performance glass manufacturing technology. We will continue to take advantage of our creative and self-motivated organizational culture to be a leader in providing healthy and happy lifestyle to customers.



### Decorative Materials

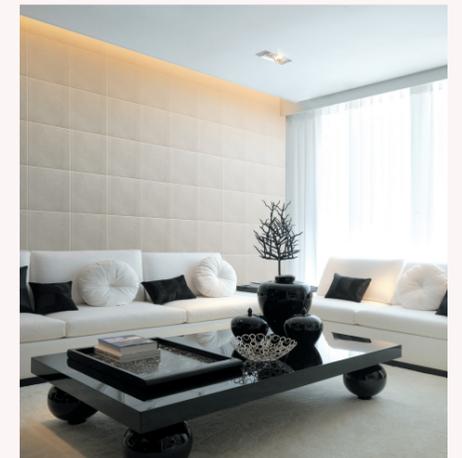
Through continuous development of eco-friendly interior decorative materials such as zea floor and zea wallcovering made from a natural material, corn starch, we improve the quality of life for our customers.

#### Main Products

- Eco-friendly decorative materials : Natural zea floor and wallcovering, Breathing tile and Air purifying wallcovering, and phthalate-free flooring
- High performance insulation board : PF Board, a novel eco-friendly, non-flammable, and high function insulation panel manufactured using non-freon gas

### “Leading Domestic and International Market through Global Top-Level Eco-Friendly Products” Hwang Jin-hyung, Vice President

The global business environment for building and decorative materials fluctuates with the construction market conditions, and the recent contraction of the construction market affects the building and decorative materials industry. Even in such difficult market situation, LG Hausys has solidified its number one position in Korea by emphasizing the eco-friendliness of our products and appealing to the consumer needs and by pushing the manufacturing competitiveness to the limit, and now is expanding the overseas business and promoting new businesses such as insulation board. We launched zea floor, a natural material floors made from corn starch, in an effort to put forth eco-friendly products that care about the safety and health of customers. As we offer the industry-first flooring and wallcovering that utilize eco-friendly plasticizer, we expect to not only become the eco-friendliness leader for the industry but also make considerable contributions of profitability. Our growth stays strong each year with accelerated globalization powered by entries into new markets in China, the U.S.A., Russia, Southeast Asia and Southwest Asia. We will accomplish sustainable growth through future-oriented investments in such fields as high performance insulation board business.



## Main Products

### High Performance Materials

With our design development capabilities and adhesion/coating technologies, we manufacture and supply decorative films for furniture, windows and interior walls of buildings, adhesive materials and optical films for mobile phones and tablet PCs, and vinyl coated materials for household appliances.

#### Main Products

- Decorative materials : Decorative films for furniture, windows, and interior walls of buildings
- Materials for mobile phones and tablet PCs : Transparent adhesive and electrode materials, functional optical films, etc.
- Vinyl coated materials for household appliances : Metallic-appearing surface materials for refrigerators and washing machines
- Sign&Graphic materials : Materials applied to a wide range of advertisement media such as corporate CI, buses, subways and outdoor signs



### “Creating Steady Profitability through Providing Customer Values based on Distinguishing R&D Technology”

Cho Yun-haeng, Vice President

We are constantly strengthening our business competitiveness in the market of high performance materials for household appliances, furniture and advertisements with our distinguished design capabilities. As the use of touch screens in the market for IT mobile device such as mobile phones and tablet PCs grows, we are making efforts to respond to the customer-specific needs by expanding R&D-based technologies and developing differentiated processes. We are fulfilling our social responsibilities as a global company by protecting environment which is a future asset through the development of innovative technologies that consider global environment and social issues such as eco-friendly products and energy saving. As we continuously reinforce expand the foundation for localizations throughout the world, we expand opportunities for growth. High Performance Materials Division will position itself as a business of customer confidence and steady growth through continuous efforts to create customer values and fulfillment of the social responsibilities as a global business.



### Materials and Components

LG Hausys has contributed to the advancement of automobile industry by developing automotive bumpers and autoskin and is expanding its terrain through development of overseas customers. Going forward, we will supply more eco-friendly and energy saving products.

#### Main Products

- Automotive materials&components : Decorative materials for automobile interior/exterior, a wide range of components and lightweight materials
- Vacuum Insulation Panel : Refrigerating/heating household appliances, building insulation panel



### “Securing Top Global Competitiveness through Technological Innovation and Overseas Market Development”

Kim Hyo-soon, Vice President

The trend in the global automobile market is refashioned around hybrid cars as issues of energy and environment come to the fore. Accordingly, Materials and Components Division is concentrating on researches related to eco-friendliness and lightweight of the next generation automobiles. Regarding autoskin, our research is focused on improving the interior air quality and applying bio materials; keeping pace with the global green market trend. Regarding automotive materials, ultra-light composite materials that can replace steel components are under development, targeting electric cars which are expected to rapidly grow in the future. We have already developed glass fiber-based high strength plastic and are now accelerating commercialization of products that further lessen weight of automobiles. We are even studying health care components to ensure driver safety. We are also contributing to energy conservation policy by applying to household appliances our vacuum insulation panels that lessen power consumption and boost energy efficiency, leading to improved performances and market expansion. In the future, we will lead the domestic market with our specialized materials and components technologies, and secure top global competitiveness with constant technological innovation and overseas market development.



### Surface Materials

As LG Hausys has extended its acrylic solid surface business to overseas markets and operated its U.S.A plant where produces quartz surface, LG Hausys leads the market and takes a leap to be the real global major player.

#### Main Products

- 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 decorative of a building
- Viatera : The highest quality quartz surface which makes up for the lack of hygiene and durability of the natural stone while keeping its natural sophistication



### “We will develop product which leads the market and accelerate global management by extending business area.”

Kim Kwang-jin, Managing Director



In response to the fast-changing customer needs and market trends, Surface Materials Business Department makes continuous efforts to lead the global market by concentrating on developing new products that reflect the customer needs and trends. To expand overseas business, we are building up our business competency in such newly emerging markets as China and India. Our American corporation is solidifying its business foothold in the U.S.A with its entry into Home Depot. Furthermore, we provide differentiated products for our customers' health and the environment, using only verified materials throughout processes from raw materials to finished products for the safety of our customers, and by equipping with a manufacturing process that collects and recycles waste it generates. We will continue to make efforts to grow into a global company by expanding the business into various commercial markets other than the residential market on which the efforts have been concentrated up to now, and by pursuing diversified applications ranging from furniture and exterior decorative materials to artworks.

# 'Jeong-Do' Management

LG Hausys practices 'Jeong-Do' Management to become a respected company through first fulfilling its responsibilities to the customers, business partners, shareholders, employees, and the society.

## LG Way and 'Jeong-Do' Management

LG Way is LG's corporate culture which aims to ultimately become 'No.1 LG' by pursuing 'Creating value for Customers' and the management philosophy of 'Respecting Human Dignity' through 'Jeong-Do' Management. LG's 'Jeong-Do' Management insists on constant cultivation of competitiveness based on ethical management leading to fair competition.



1. Responsibilities and obligations towards customers
2. Fair competition
3. Fair transaction
4. Basic employee ethics
5. Responsibilities to employees
6. Responsibilities to the society and the country



## Code of Ethics

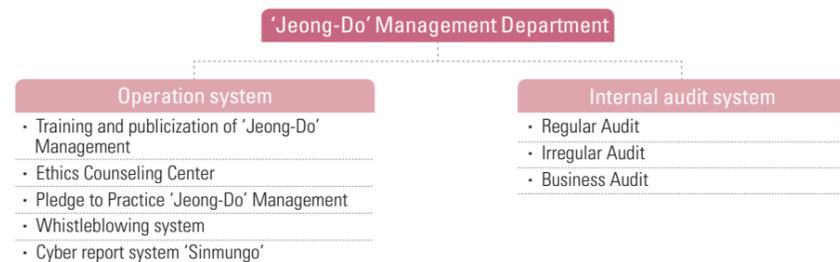
LG has established and is practicing code of ethics as the criteria for upright behaviors and value judgment all employees should observe. The code of ethics are published in handbooks in Korean, English and Chinese and are distributed to and shared with local corporations.

## 'Jeong-Do' Management of LG Hausys

At LG Hausys, we see that 'Jeong-Do' Management is not an option but an essential prerequisite required for the survival of the company.' A team is assigned exclusively to 'Jeong-Do' Management, to promote 'Jeong-Do' Management with the focus on the field to prevent breaches of law and employee corruptions in advance and to establish 'Jeong-Do' Management culture.

'Jeong-Do' Management of LG Hausys stands not only for ethical management but also for the fruition of practical achievements that competition-winning qualities yield. Towards these achievements, we are working to provide customers with honesty and better values. We foster our capabilities through constant innovations for 'Creating value for Customers', and we practice 'Respecting for Human Dignity' in the management by providing fair opportunities and fair treatment of people for their abilities. In addition to applying the 'Jeong-Do' Management and the code of ethics to our work, we autonomously amend irrational practices that might have been seen as customary in the past to establish an organizational culture where 'Jeong-Do' Management is incorporated into daily lives.

## 'Jeong-Do' Management Promotion System



## 'Jeong-Do' Management Programs

LG Hausys is implementing 'Jeong-Do' Management through the action programs such as the pledge to practice 'Jeong-Do' Management, whistleblowing system and 'Shinmungo' system, and 'Jeong-Do' Management training.

**Pledge of Employees to Practice 'Jeong-Do' Management** | All employees of LG Hausys resolve to observe the LG code of ethics and practice 'Jeong-Do' Management every year by writing a 'pledge to practice 'Jeong-Do' Management online.

**Whistleblowing system** | All employees of LG Hausys are strictly prohibited from receiving any money, valuables, or rewards from parties with interests for any reason whatsoever. If any money, valuables or rewards are offered, they shall be politely refused and returned in accordance with the our code of ethics, and, if return of the received gift is impossible, the relevant article should be reported to the Ethics Office. The received article is donated to a welfare organization, or sold through a company auction, in which case the revenue is used for societal contribution. Starting in 2013, the code of ethics are strengthened, now strictly prohibiting even money or flower related to family events.

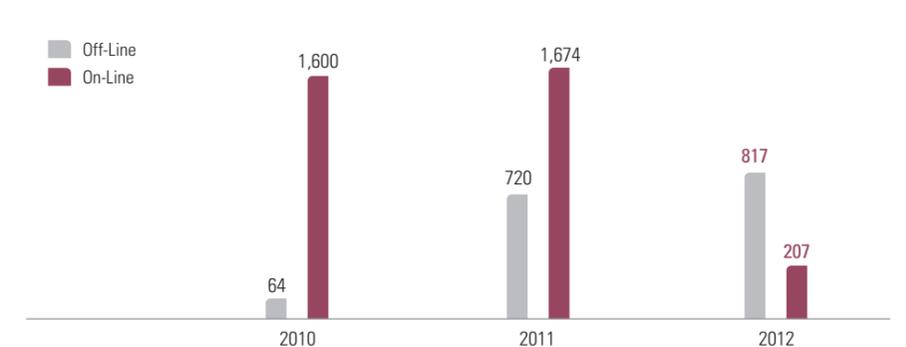
**'Sinmungo' System** | 'Sinmungo' is the Ethics Hotline to report behaviors that violate 'Jeong-Do' Management, including unfair business practices or receiving of money or valuables by an employee using the superior position, and all business behaviors which violate the LG code of ethics. Those who are unable to make an online report may report by phone, fax, mail, or by visiting the office in person. The information related to the reporter is thoroughly protected, and, if the reporter suffers from any disadvantage due to the report, the reporter is entitled to the restoration of the original state or to an equivalent compensation.

**Training and Publicization of 'Jeong-Do' Management** | LG Hausys employees receive 'Jeong-Do' Management training related to their posts together with work training. The ethical management practices are propagated not only to the employees but also to the business partners and distributors, and efforts are made to provide them with a chance to take the training at least once every three years. In 2012, training and publicization of 'Jeong-Do' Management were bolstered also in overseas corporations such as those in the U.S.A., China, Russia and Europe, and each corporation trained in-house lecturers for continuing education. We will conduct continuing education and publicity to ensure 'Jeong-Do' Management becomes the code of conduct for all employees and business partners autonomously observe, and make efforts to enhance the level of 'Jeong-Do' Management so that LG Hausys may become an advanced corporation, a leader of ethical corporate culture.

Status of 'Jeong-Do' Management Training in 2012

|                                   |     |
|-----------------------------------|-----|
| No. of trainings conducted(times) | 41  |
| No. of trainees (people)          | 401 |
| Training hours (hours per person) | 1.5 |

No. of People from business partners and distributors who have participated in 'Jeong-Do' Management Training (Unit : People)

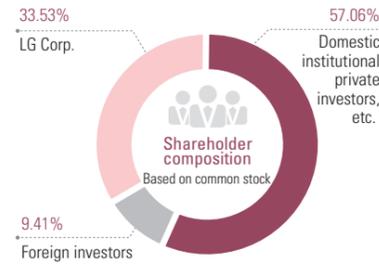


# Corporate Governance

LG Hausys is establishing an efficient corporate governance to be worthy of the trust the stakeholders place in us. We have built a sustainable and fair decision-making system on the basis of transparent information release and independence of the audit committee.

## Shareholder Composition and Rights

LG Hausys is equipped with fair and stable corporate governance required for a sustainable company. The largest shareholder based on the number of common stocks issued as of the end of 2012 is LG Corporation with 33.53% share, and the remaining 57.06% is owned by domestic institutional and private investors, and 9.41% by foreign investors. Shareholders can exercise a range of shareholder rights in accordance with Article 542-6 of Commercial Law(Rights of the Minority Shareholders). Also, the right of shareholders to know is respected by publicly announcing the information related to main managerial issues not only in General Meetings of Shareholders but also through DART(an online disclosure system) of Financial Supervisory Service and the LG Hausys website.



## Board of Directors

The board of directors of LG Hausys has the power to supervise decision-making of the company on its main business activities and board members' performance of their duties. It also votes on the matters specified in laws or the articles of association; the matters delegated by the general meeting of shareholders; and important matters related to execution of businesses. The board of directors is comprised of total 7 members. Reasonable and transparent decision-making is assured by separating the office of CEO and the chairmanship, and guaranteeing participation of independent directors in the board of directors.

**Organization of the Board of Directors** | The board of directors of LG Hausys is of a unitary system and is comprised of 2 executive directors, 2 non-executive directors, and 3 independent directors. The directors are appointed in accordance with the procedures specified in the related laws such as the Commercial Law, and are subject to approval by the board of directors and the general meeting of shareholders. The number of independent directors is to be 1/4 or more of the total number of directors. The independent directors are experts who do not have any special interest with LG Hausys and are equipped with rich experience and expertise in the field of business management, construction and design. These independent directors carry out actual monitoring, holding parties in check, and the role of an objective facilitator, actively presenting their opinions after hearing the strategies and current issues of LG Hausys related to the economy, the society and the environment.

| Classification | Name           | Position               | Areas of Responsibility or Main Profession   | Transaction with the Company | Remark                             |
|----------------|----------------|------------------------|--|------------------------------|------------------------------------|
| Standing       | Oh Jang-soo    | Executive Director     | CEO  | None                         |                                    |
|                | Kim Hong-Gi    | Executive Director     | CFO  | "                            |                                    |
| NonStanding    | Cho Jun-ho     | Non-executive Director | CEO and President of LG Corporation  | "                            | Chairman of the Board of Directors |
|                | Yu Ji-yung     | Non-executive Director | Managing Director in charge of chemicals, Business Administration Team, LG Corporation | "                            |                                    |
|                | Oh Chan-seok   | Independent Director   | Independent Director, LG Hausys  | "                            | Chairman of Audit Committee        |
|                | Kim Myung-hwan | Independent Director   | Vice Chairman, Haeahn Architecture, Inc.   | "                            | Member of Audit Committee          |
|                | Kim Hyun       | Independent Director   | Professor, School of Art&Design, Korea University                                      | "                            | Member of Audit Committee          |

**Activities and Evaluation of the Board of Directors** | The board of directors of LG Hausys has held total 7 meetings in 2012, and the average attendance rate of the directors was 97.6%. Total 30 agenda items including approvals of business plans were reviewed, among which 23 were items to be approved and 7 were reports. LG Hausys computes standards for the compensation every year, taking into consideration factors such as the annual evaluation of the activities of the board of directors, inflation, and external competitiveness of the outside directors' compensations. The limit of compensation packages for directors is approved by the general meeting of shareholders. When the compensation is adjusted, the adjustment goes before the board of directors to be approved.

### Main Agenda Items of the Board of Directors in 2012

| No. | Date       | Description  | Directors Attendance(%) |
|-----|------------|--|-------------------------|
| 1   | 2012.01.31 | 6 items including the approval of the 2012 Business Plan(draft)  | 100                     |
| 2   | 2012.02.22 | 2 items including the approval of the convocation of the third regular general meeting of shareholders | 100                     |
| 3   | 2012.03.16 | 7 items including the approval of the investment in insulators(draft)                                  | 100                     |
| 4   | 2012.04.18 | 4 items including the 2012 1st quarter report business performance report                              | 100                     |
| 5   | 2012.07.28 | 4 items including the 2012 2nd quarter report business performance report                              | 100                     |
| 6   | 2012.10.17 | 4 items including the 2012 3rd quarter report business performance report                              | 100                     |
| 7   | 2012.11.29 | 3 items including the approval of executive officer appointments(draft)                                | 85.7                    |

**Activities of the Audit Committee** | LG Hausys has enhanced the independence and transparency of the audit functionalities by operating an audit committee from within the board of directors. The independence of the audit committee is adhered to as the committee is comprised of three independent directors all of whom do not have any grounds for disqualification under the Commercial Law. The audit committee votes on the matters specified in the law and the articles of association, and the matters delegated by the board of directors. It also establishes and executes internal audit plans independently, the result of which is then used to decide improvements to be made. The committee exercises the power to conduct financial and business audits, to ask directors to report company businesses at any time, and to investigate the status of the company businesses and assets. It may call for the convocation of a provisional general meeting in relation to a special issue by submitting a letter in which the purpose of the meeting and the reason for the convocation are written. The committee also may ask a subsidiary company to submit a business report, if required in carrying out the responsibilities of the audit committee, and may investigate the business and asset status of the subsidiary company, if the subsidiary company does not submit the report without delay or if it is.

### Main Agenda Items of the Audit Committee in 2012

| No. | Date       | Description  |
|-----|------------|--|
| 1   | 2012.01.31 | <ul style="list-style-type: none"> <li>Status of receipt of reports through Cyber Sinnungo in 2011</li> <li>Business plan from the officer in charge of 'Jeong-Do' Management</li> <li>The 3rd term financial statements report and business report</li> <li>Status report of the operations of the Internal Accounting Control System in 2011</li> </ul>  |
| 2   | 2012.02.22 | <ul style="list-style-type: none"> <li>Approval of the audit report on the 3rd term financial statements and business report(draft)</li> <li>Approval of the status evaluation report of the operations of the Internal Accounting Control System(draft)</li> <li>Approval of the evaluation opinions of the audit committee on the Internal Monitoring Scheme(draft)</li> <li>Approval of the independent director appointments(draft)</li> </ul> |
| 3   | 2012.04.18 | <ul style="list-style-type: none"> <li>Appointment of the audit committee chairman</li> <li>2012 1st quarter business performance report</li> <li>Status of receipt of reports through Cyber Sinnungo in the 1st quarter of 2012</li> </ul>  |
| 4   | 2012.10.17 | <ul style="list-style-type: none"> <li>2012 3rd quarter business performance report</li> <li>Report on 'Jeong-Do' Management activities</li> </ul>   |

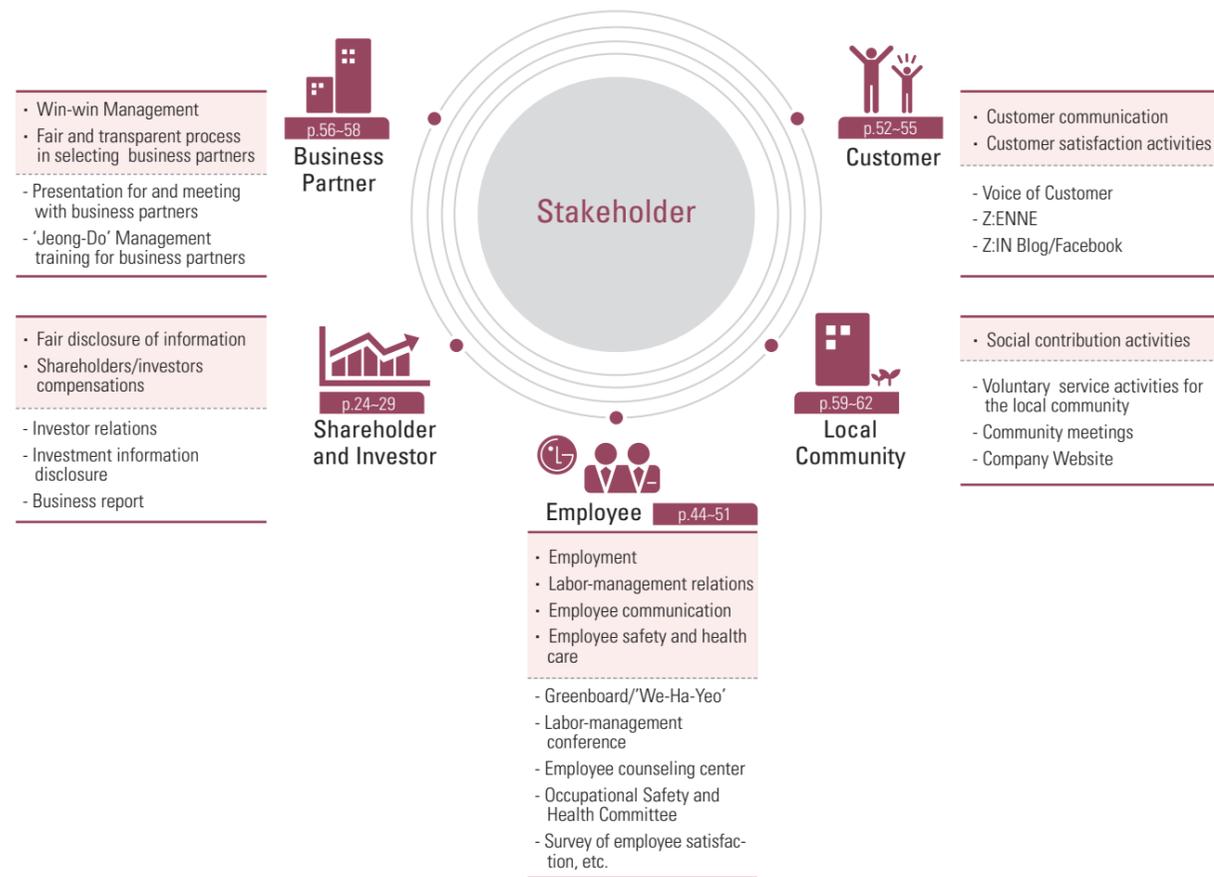
# Stakeholder Engagement

LG Hausys identifies stakeholders' concerns and expectations from stakeholder engagement, and reflects them in sustainable business management activities.

## Communication with Stakeholders

**Definition of Stakeholder** | LG Hausys defines stakeholders as individuals or organizations that affect or are affected by our business management activities. Depending on their roles, responsibilities, and influences, we classify them as shareholders and investors, employees, customers, business partners, competitors, local communities, government agencies, NGOs, academic circles, etc.

**Communication with Stakeholders** | LG Hausys utilizes diverse communication channels suitable for the stakeholder characteristics. We aim to establish sustainable management which brings stakeholders onboard as our stakeholders directly and indirectly participate in business management activities through organic communication with LG Hausys, and we come to understand their major concerns and expectations. The results of the communication with our stakeholders are reflected in business management activities and shared through the Sustainability Report and the company website.

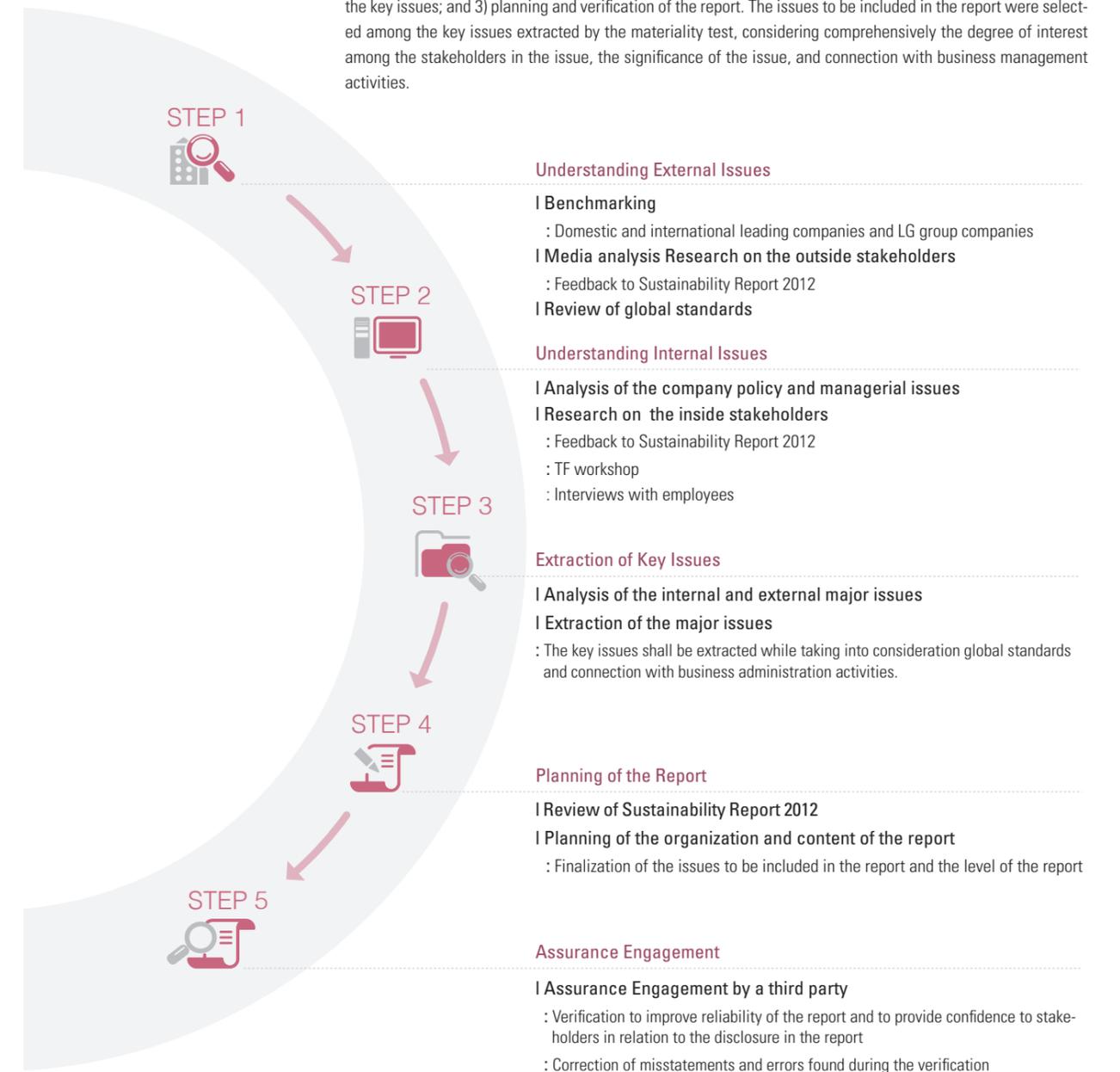


# Materiality Test

LG Hausys conducted a materiality test to select the issues to be featured prominently in the Sustainability Report 2013.

## Materiality Test Procedure

The materiality test was carried out in following steps: 1) understanding the internal and external issues of interest related to economic, environment and social activities and achievements of LG Hausys; 2) extraction of the key issues; and 3) planning and verification of the report. The issues to be included in the report were selected among the key issues extracted by the materiality test, considering comprehensively the degree of interest among the stakeholders in the issue, the significance of the issue, and connection with business management activities.

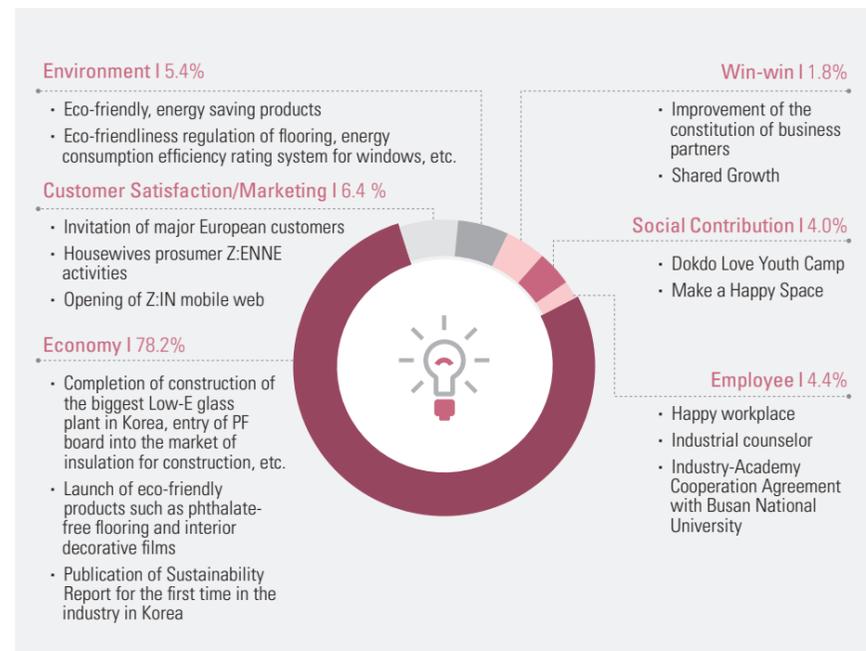


# Materiality Test

## 1 STEP Understanding External Issues

**Benchmarking and Review of Global Standards** | We benchmarked the domestic and international leading peers and LG group companies, and examined the issues in sustainability management by reviewing the global standards such as GRI G3.1, ISO26000, and domestic sustainability management evaluation standards.

**Analysis of Media** | We analyzed major issues from the media perspective based on the articles reporting on LG Hausys from Jan. 1, 2012 till Dec. 31, 2012.



## 2 STEP Understanding Internal Issues

**Analysis of Company Policies and Managerial Issues** | Main issues that could be seen reflected in the company policies and management strategy were analyzed. In particular, the review focused on the development of eco-friendly products, expansion of new businesses and R&D investment in the mid - and long-term.

**Survey on the internal stakeholders** | A workshop and interviews with individuals were conducted for the report TF, to shape consensus among employees about sustainability management and to exchange opinions. We also intended to enhance understanding of sustainability management through giving feedback to the last year's report.

## 3 STEP Extraction of the Key Issues

**Analysis of the Internal and External Major Issues and Extraction of the Key Issues** | We utilized the pool of issues comprised of sustainability management, general economy and business administration, environment, labor and human rights, 'Jeong-Do' Management, product responsibility, business partners, local community, etc. Also, we extracted the key issues while making comprehensive considerations for the association between the internal and the external major issues, and trends in sustainability management.

|   |   |
|---|---|
| <b>I Sustainable Management</b> <ul style="list-style-type: none"> <li>Sustainable management strategy</li> <li>Management leadership</li> <li>Fair and transparent management</li> </ul>                       | <b>I 'Jeong-Do' Management</b> <ul style="list-style-type: none"> <li>Access to information</li> <li>Fair Competition</li> <li>Observation of ethical management rules</li> </ul> |
| <b>I Economy&amp;Management</b> <ul style="list-style-type: none"> <li>Development of products and service for society and environment</li> <li>Securing growth momentum through new business</li> </ul>        | <b>I Products Responsibility</b> <ul style="list-style-type: none"> <li>Customer communication related to marketing</li> <li>Activity for customer satisfaction</li> </ul>        |
| <b>I Environment</b> <ul style="list-style-type: none"> <li>Eco-friendly product design</li> <li>Response to climate change</li> <li>Efficient energy usage and development of low energy technology</li> </ul> | <b>I Business Partners</b> <ul style="list-style-type: none"> <li>Management for mutual prosperity</li> <li>Fair and transparent selection of partner</li> </ul>                  |
| <b>I Labor and Human Rights</b> <ul style="list-style-type: none"> <li>Employment</li> <li>Labor and management relations</li> <li>Communication between employees</li> </ul>                                   | <b>I Local Community</b> <ul style="list-style-type: none"> <li>Activity for contributing to society</li> </ul>   |
|   | <b>I Safety and Environment</b>   |

## 4 STEP Planning of the Report

**Planning of the System and Content of the Report** | Based on the results of the key issues extraction and the review on the last sustainability report, the issues to be included in the report were selected and the level of report was decided in consideration of interest of the stakeholders, significance of the issues, and relevance with business management activities.

## 5 STEP Assurance Engagement

**Assurance Engagement by a Third Party** | The verification body has reviewed the process of materiality test and the content of the report. The accuracy and reliability of the content of the report were enhanced by a comparative analysis of the results of the materiality test conducted by the verification body, and by making those correction requested in the process of verification.

# Harmony with Space

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## Management Principle

In spite of internal and external challenges, we are expanding our overseas businesses and new business, launching market-leading eco-friendly products to improve product competitiveness, and focusing on promoting new growth engines.

## 2012 Performances

| Category              |   | 2010      | 2011            | 2012      |
|-----------------------|---|-----------|-----------------|-----------|
| Financial performance | Sales(million KRW)                      | 2,242,065 | 2,445,414       | 2,451,083 |
|                       | Growth in net profit for the period(%)  | 70.0      | 15.6            | △38.4     |
| Management stability  | Debt ratio(%)                           | 118.4     | 168.9           | 144.7     |
| Management renovation | R&D expense as a percentage of Sales(%) | 2.02      | 1.94            | 2.07      |
| Transparency          | Publication of Sustainability Report    | -         | First published | Published |

- The main facilities for the High Performance Materials Division were sold in accordance with the IMD business adjustment in 2012, and the financial performance was adjusted for the ensuing profit and loss.

## 2013 Goal

- Establish stable financial foundation through effective management of market risks and liabilities
- Secure profitability through innovating the business structure
- Develop the global business and expand new business for functional glass, high performance insulation board, etc.
- Expand R&D activities for development of eco-friendly and human-friendly new materials

## Economic Achievements

Even under the difficult business environment where the depression in the downstream industries such as construction and real estate continued in 2012, LG Hausys has pursued profitability, growth and stability of the company by fostering new growth engine businesses and seeking financial soundness.

### Sales Percentage of by business (Unit : %)

#### Building&Decorative Materials



#### High Performance Materials&Components



### Profitability

LG Hausys is comprised of two business sectors, building&decorative materials and high performance materials&components and has achieved a sales growth rate of 0.2% through expansion of business and development of new markets.

**Building&Decorative Materials I** Due to downturns in construction and real estate markets, the depression in the downstream market of building&decorative materials has continued. For windows, we plan to enhance the customer value through Total Window Solution to be provided by integrating diverse materials, high performance glasses, and processing/construction. In relation to this, we have established a joint venture company with Interpane of Germany, Hausys Interpane Co., Ltd. in 2010 in order to build up functional glass business, and the company is now manufacturing functional Low-E coated glasses in Ulsan. Also, keeping pace with the enforcement of window energy consumption efficiency rating system, we are expanding the supply of finished window-based first grade windows.

For building&decorative materials, we plan to lead the domestic market of eco-friendly decorative materials by augmenting the functionality of flooring and wallcovering and expanding the development of natural material-based eco materials. We have released zea floor which is produced using corn, a natural material, as the raw material, and Air purifying wallcovering and are preparing entry into high performance market by making an investment in the manufacturing facility of phenol foam insulation board for construction for the first time in Korea. Also, we are expanding eco products through the introduction of Z:IN ECO COLLECTION comprised of eco product family of Z:IN.

**High Performance Materials&Components I** In 2012, the sales of the high performance materials&components sector showed growth through the expansion of the sales of touch screens and autoskin as the upstream industries such as IT and automobile markets continued growth. The IT related industry showed growth centered around smart devices such as smart phones and tablet PCs, and is expected to continue the high growth also in 2013 thanks to the expansion of diverse applications. However, in case of household appliances, though the growth of household appliance surface materials market is expected to slow down due to the decrease in the demand for household appliances in China caused by phased closure of the household appliance subsidy policy of China and to the slump in the sales of household appliances due to the sluggish domestic and international businesses, other windows are expected in eco-friendly and energy saving businesses, given the trend for larger refrigerators and reinforced energy control. The automobile industry has grown with the help of positive factors as the recovery of the global automobile market continues and the exports of domestic automobiles rises with Korea-EU and KORUS FTA going into effect. In 2013, the automobile industry is projected to continue the growth thanks to economic stimulus policies of governments across the world.

### Profitability Index (Unit : %)

| Main Financial Index                   | 2010 | 2011 | 2012 |
|--|------|------|------|
| Ratio of Operating Profit to Net Sales | 2.8  | 2.9  | 2.3  |
| Ratio of Net Profit to Net Sales       | 1.8  | 1.9  | 1.2  |
| Return On Assets(ROA)                  | 2.6  | 2.4  | 1.6  |
| Return On Equity(ROE)                  | 5.8  | 6.4  | 3.9  |

### Activity Index (Unit : Times)

| Main Financial Index          | 2010  | 2011  | 2012  |
|-------------------------------|-------|-------|-------|
| Total Asset Turnover Ratio    | 1.48  | 1.26  | 1.38  |
| Receivable Turnover Ratio     | 6.18  | 5.58  | 5.86  |
| Inventory Turnover Ratio      | 15.16 | 11.80 | 12.52 |
| Tangible Asset Turnover Ratio | 3.53  | 3.37  | 3.16  |

### Growth

**Building&Decorative Materials I** The depression in the housing market continued in 2012 as it had in the prior years. Though the government has announced various real estate market stimulus measures for the recovery of the housing market, the housing market is still in depression as the house purchasing sentiment and the consumer sentiment are shrunken due to depression in the domestic business and the continued influence of the global financial crisis. But, the government continues making efforts to invigorate the real estate market, and the legalization standard of the government is continuously strengthened in relation to low carbon green growth and eco houses which save energy and reduce carbon emission. The demands for energy saving and eco-friendly materials are expected to gradually increase with the expected growth of green home and green industry as a result of house energy standard reinforcement and full-scale enforcement of window energy consumption efficiency rating system in the future. Also in the overseas market, the demand for eco-friendly and high grade decorative materials is expected to increase continuously as the U.S. housing market is gradually recovering, the consumer income level is improving, and the interest in health is growing.

**High performance Materials&Components I** The automobile industry is expected to grow around North American and Chinese markets, and the demand for high strength, lightweight components and materials which are required to achieve high fuel efficiency is expected to increase with the lightweight trend in the automobile. Also, as for the IT industry, the market is expected to continue growing thanks to the popularization of smart devices and touch screens and the increase in the size of panels, and the market environment is rapidly changing due to changes in the digital device structures and technological trends.

LG Hausys will accelerate achievements in new businesses by continuously developing high performance materials for IT, household appliances and automobiles on the foundation of core technologies such as composite materials development, surface treatment and adhesion technologies, diversifying their applications, and securing customer base. We will also concentrate our efforts on the growth of global businesses by continuously reaching more customers not only in the domestic market but also globally, in China, the U.S.A. and Europe.

### Stability

LG Hausys pursues management stability by enhancing external credit standing through management of its credit rating and by conducting stable financial activities. As of the end of 2012, the ratings for corporate bonds and corporate bills awarded by a domestic credit rating agency are AA- and A1, respectively. These credit ratings reflect LG Hausys' highly excellent ability to repay principal and interest, and its superior ability to timely repay corporate bills and debts. The ratings also reflect the business conditions of the downstream industries such as construction, automobile, and IT, the current business status of LG Hausys shown in the entry into high added value businesses and the expansion of overseas markets, growth potential, and the financial stability.

### Growth Index (Unit : %)

| Main Financial Index                           | 2010 | 2011 | 2012  |
|--|------|------|-------|
| Rate of Increase of Sales                      | 34.9 | 9.1  | 0.2   |
| Rate of Increase of Tangible Assets            | 18.5 | 14.0 | 6.8   |
| Rate of Increase of Net Profit during the Term | 70.0 | 15.6 | △38.4 |
| Rate of Increase of Total Assets               | 8.4  | 27.8 | △8.5  |

- △ indicates a negative(-) value.

### Stability Index (Unit : %)

| Main Financial Index                         | 2010  | 2011  | 2012  |
|--|-------|-------|-------|
| Current Ratio                                | 135.8 | 123.7 | 133.6 |
| Debt Ratio                                   | 118.4 | 168.9 | 144.7 |
| Non-current Asset to Long-term Capital Ratio | 76.8  | 77.7  | 79.1  |
| BIS Capital Ratio                            | 45.8  | 37.2  | 40.9  |

- 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 prepares for the future by developing sustainable products and customer-oriented and creative designs, as well as by expanding new businesses and entering overseas market.

### Research & Development

The R&D activities of LG Hausys play a pivotal role of strengthening the structural competitiveness of the existing businesses and continuously excavating new business areas for future growth through researches in the business fields of building&decorative materials and high performance materials&components conducted mainly by its research center. An investment worth of 50,651 million KRW(2.07% of the sales) was made in 2012 for such continuous R&D activities.

#### Research & Development Investment

|                             | 2010   | 2011   | 2012   |
|-----------------------------|--------|--------|--------|
| R&D Investment(Million KRW) | 45,180 | 47,429 | 50,651 |
| R&D Investment to Sales(%)  | 2.02   | 1.94   | 2.07   |

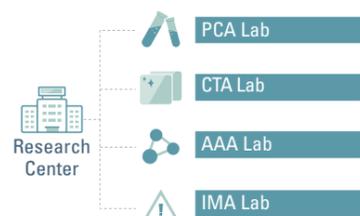
- R&D Investment to Sales = (R&D Investment ÷ Current Period Sales) × 100

**R&D Status** | Since the Processing Technology Research Center, the predecessor, started R&D focused on plastic processing technologies in 1989, the range of R&D has been expanded centered around diverse materials and systems such as natural, inorganic, biodegradable and composite materials. With eco-friendly/human-friendly building&decorative materials and convenient high performance materials with high efficiency at the core, we intend to secure differentiated values and competitiveness by concentrating our efforts on improving energy performance, eco-friendly materials, and sensitivity design with regard to building&decorative materials, and on improving external quality and functions of household appliances/IT products based on core technologies with regard to high performance materials&components. We plan to select functional glasses, high performance insulation board materials/films for touch screen/display, eco-friendly autoskin, and lightweight materials as the new growth fields, and concentrate on these fields our R&D efforts based on our core technology platform such as polymer processing, development of composite materials, surface treatment, structural design and analysis, and adhesion technology. In the future, we will make ceaseless efforts to find new promising businesses by continuously making investment in R&D, and by securing and fusing high level core technologies.

**Energy saving and Eco-friendly Building&Decorative Materials** | We have developed a next generation high performance insulator with good insulation performance and fire stability by foaming technology and applying residential/commercial Low-E coated glass which can maximize building energy saving and the insulation performance of windows. We also lead the market of eco-friendly building&decorative materials by developing and releasing eco-friendly flooring and wallcovering manufactured utilizing PLA(Poly Lactic Acid) extracted from corns.

**Functional Film/Autoskin, and High Strength Materials for Lightweight** | We have improved convenience of living by developing a transparent adhesive material for touch screens of the IT field and materials for the next generation displays, and contributed to the reduction in the emission of greenhouse gas by developing an eco autoskin utilizing bio-based plastic that achieves anti-stain and high durability through surface treatment technology. We also contribute to the increase in mileage and to the improvement in the automobile fuel efficiency by developing high strength materials for lightweight of eco-friendly transportation means including electric cars.

**R&D Organization** | Located in Anyang, Gyeonggi-do, The Research Center of LG Hausys is comprised of Polymer & Composite Applications Laboratory which performs researches on composite materials, base films and energy saving technologies on the basis of polymer processing technology; Coating Technology Applications Laboratory which performs researches on the coating for displays and films for touch screens; Advanced Adhesive Applications Laboratory which performs researches on electronic devices and industrial adhesive films on the basis of adhesion technology; and Inorganic Materials Applications Laboratory which performs researches on indoor air quality and energy saving technology on the basis of inorganic materials.



### Development of New Markets and Expansion into New Businesses

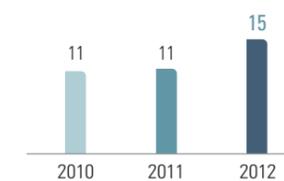
We enhance our corporate competitiveness through cooperation with leading overseas companies in order to secure technical competitiveness in the new markets. A strategic alliance with LIXIL(formerly Tostem), the biggest aluminum window company in Japan, was established in 2009 to secure the base for the growth of aluminum window business in Korea. Construction of Ochang plant, an aluminum window manufacturing plant, was completed in May 2011 and is currently in operation. We have established a joint venture company with Interpane of Germany in 2011 in order to enter the functional glass market, and have put in efforts to secure superiority in the product competitiveness of coated glass by internalizing production facilities at Ulsan plant in the first half of 2012. In addition, we established Hausys ENG, a construction contractor subsidiary, in 2009 in order to secure the capability to respond to customers while improving the quality of finished windows from the customer's perspective through securing our own construction capability. It will establish and operate a subsidiary that has the capability to execute construction works, which will be fostered into a contractor specialized in execution window license-related products(AL/Glass) and after-sale service in the future. An investment in manufacturing facility of phenol foam insulation board for construction(PF Board) was also made to provide key solution for maximizing the energy efficiency of buildings. A technical agreement with Asahi Organic Material Industries Co., Ltd. was entered into, and a mass production line is to be constructed with 26 billion KRW invested by June 2013.

LG Hausys has secured production bases in foreign countries and at the same time has made investments in its own production facilities for entry into overseas markets. In 2010, we made an investment worth of US\$40 million in the facility within LG Hausys America, Inc. to manufacture quartz surface in the U.S.A., the biggest market for engineered stone. This investment along with the HI-MACS production capacity and the distribution channel maximizes the sales and creates business synergy. We are also building a factory in Wuxi, Jiangsu, in order to preoccupy Chinese market and access advantageous manufacturing conditions, through which we have acquired a manufacturing base in Huadong region. A plant of building&decorative materials such as flooring, R&D center, and a plant of high performance materials&components such as functional adhesive material(PSAA), vacuum insulation panel, and autoskin are planned to be gradationally constructed by 2015.

### Design Innovation

LG Hausys has emphasized investigation and research on the market around the design center, and concentrated on developing creative designs which can appeal to customer sensitivity. The design competence of LG Hausys have been globally recognized through winning the three biggest global design awards-iF and Reddot of Germany, and IDEA of the U.S.A.-for 4 consecutive years, showcasing the design spirit of caring about customers, the new perspective for products, and the design imbued with exceptional affections for nature and humans. LG Hausys won 11 iF awards, 3 Reddot awards and 1 IDEA award in 2012, and was ranked 11th in iF Company Ranking surpassing other leading global companies, is taking the leading position in interior design trend in Korea and in the world. We conduct not only the basic trainings such as foreign languages, IT and organization development trainings, but also fostering of key talent(HPI, High Performance Individuals) and professional design training for development of innovative designs. In addition, we bolster the internal stability of design by engaging in external activities such as Design Jump activity through voluntary creative activity(NCI, New Creative Idea) and participation in Trend Forum.

Global BIG3 Award Winning Records  
(Unit : Case)



- Global BIG3 Award : iF, reddot, IDEA



## Risk Management

LG Hausys is exposed to various financial risks related to market, credit and liquidity due to its various business activities, and our risk management program focuses overall on minimizing the potential adverse effects on financial achievements.

### Risk Management System

Our risk management is managed by the central fund management department(the finance department of the consolidated company). The finance department of the consolidated company identifies, evaluates and avoids financial risks through close cooperation with its sales department. The central fund management department provides not only documented policies for special fields such as risks related to foreign exchange, interest rate, credit, use of derivative and non-derivative commodities and investment exceeding liquidity, but also overall risk management policy. Also, each worksites operates a safety and environment organization to manage safety and environmental risks.

### Market Risk Management

LG Hausys systematically checks potential market risks by managing foreign exchange, cash flow and fair value interest rate.

**Foreign Exchange Risk** | Conducting international sales activities, LG Hausys is exposed to foreign exchange risks, especially the foreign exchange rate fluctuation relating to the U.S. dollar. Foreign exchange risks occur in connection with expected future transactions, and recognized assets and liabilities. The management of LG Hausys has established policies that put each company within the consolidated company in charge of foreign exchange risk management concerning their own functional currencies, and the companies within the consolidated company manage the foreign exchange risk caused by expected future transactions and recognized assets and liabilities in consultation with their finance departments. Foreign exchange risks arise when the expected future transactions and the recognized future assets and liabilities are denominated in a currency other than the convertible currencies. The consolidated company uses a foreign exchange risk management model to maintain the maximum exchange loss resulting from exposures to foreign exchange within the allowable risk range. In addition, the consolidated company makes regular investments in overseas workplaces, the net assets of which are exposed to foreign exchange risk. Such exposures to foreign exchange risks are managed mainly through loans which are denominated in the relevant foreign currency.

**Cash Flow and Fair Value Interest Rate Risk** | The interest rate risks for LG Hausys stem from long term loans. The Company is exposed to cash flow interest rate risks because of loans with a floating interest rate, and a part of such interest rate risk is offset by the interest rate risk borne by cashable assets with a floating interest rate. Also, the consolidated company is exposed to fair value interest rate risk due to loans with a fixed interest rate. The floating loans of the consolidated company at the end of the reporting period are floating interest-bearing loans denominated in a foreign currency. The consolidated company analyzes the exposure to interest rate risks from many facets. The interest rate risk is managed through reducing the loans with a high interest rate, improving long/short-term loan structure, Based on such interest rate risk management policies, if the interest rate changes by 0.1% as of the end of the reporting period, the profit or loss of the current term could be increased or decreased by up to 206 million KRW(367 million KRW in the previous term) due to changes in the financial profit or loss related to floating interest-bearing loans.

## Distribution of Economic Output

LG Hausys shares the economic output with a gamut of stakeholders including shareholders, investors, business partners, employees, government, and community, creating not only direct economic values but also indirect economic values such as job creation and contributions to the community.

10 billion KRW for Shareholders and Investors



**Dividends for Shareholders** | LG Hausys makes constant efforts to provide maximum values to its shareholders who are the true owners of the company. The profit of the company is returned to the shareholders through cash dividends. In 2012, a dividend of 1,000 KRW per common stock was determined and the net profit per share was 2,852 KRW.

1,542.3 billion KRW for Business Partners



**Purchase of Goods and Services** | LG Hausys purchases goods and services from its business partners, with which fair and continuous relationships are maintained. In 2012, the Company purchased goods and services worth of total 1,542.3 billion KRW from total 1,700 business partners, among which 38% was directly from the local community.

274.5 billion KRW for Employees



**Salaries, and Welfare and Retirement Benefits** | LG Hausys has paid salaries, welfares benefits and retirement benefits to its employees, and plans to continuously expand allocation of economic values for the employees through fair distribution of the output and diverse welfare systems in the future.

24.7 billion KRW for the government



**Corporate Tax and Other Taxes and Public Utility Charges** | The outcomes created by our business activities are transparently released, and various taxes such as corporate tax, income tax, and real estate tax are faithfully paid to the national and local governments.

600 million KRW for the Community



**Community Investment** | LG Hausys conducts social contribution activities, making donations for local infrastructure and sponsoring arts and education programs, through which the economic output is returned to the community.

| Recipient                  | Description  | 2010    | 2011    | 2012    |
|----------------------------|--|---------|---------|---------|
| Shareholders and Investors | Dividend per Share(KRW)  | 1,000   | 1,000   | 1,000   |
|                            | Earning per Share(KRW)   | 4,006   | 4,631   | 2,852   |
|                            | Total Dividend(billion KRW)                                    | 10      | 10      | 10      |
| Business Partners          | Goods and Services Purchasing (billion KRW)                    | 1,581.4 | 1,606.6 | 1,542.3 |
|                            | Pay(billion KRW)   | 178.6   | 200.5   | 211.0   |
| Employees                  | Welfare(billion KRW)   | 41.6    | 44.7    | 49.0    |
|                            | Retirement Benefits(billion KRW)                               | 7.5     | 11.8    | 14.5    |
| Governments                | Corporate Tax and Other Taxes and Utility Charges(billion KRW) | 23.2    | 23.4    | 24.7    |
| Community                  | Investment in the Community (million KRW)                      | 900     | 1,600   | 600     |
| Total(billion KRW)         |  | 1,843.2 | 1,898.6 | 1,852.1 |

# Harmony with Nature

|                                  |    |
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| ECO COLLECTION .....             | 34 |
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## Management Principles

LG Hausys puts efforts into offering customers a healthier lifestyle by using eco-friendly materials and developing new products with enhanced energy efficiency in creating living spaces. We also consistently seek to reduce greenhouse gas emitted by and minimize environmental pollutants discharged from our worksites.

## 2012 Performances

| Category                   |  | 2010       | 2011       | 2012       |
|----------------------------|--|------------|------------|------------|
| Management System          | ISO Certification  | Maintained | Maintained | Maintained |
|                            | Green Company Designation                                | Maintained | Maintained | Maintained |
| Response to Climate Change | Energy Saving(TJ)  | 205        | 216        | 192        |
|                            | Reduction of Greenhouse Gas Emission(tCO <sub>2</sub> e) | 11,060     | 11,186     | 9,757      |
| Pollution Prevention       | Waste Recycling Rate(%)                                  | *87.6      | 89.9       | 88.7       |
|                            | Hazardous Substances Used                                | 0.0859     | 0.0539     | 0.0306     |
| Eco-friendly Products      | Certified Products                                       | 90         | 95         | 111        |

\*Eco-friendly product certification: Korea Eco Label, Healthy Building material Mark, Carbon Footprint Label

## 2013 Goal

- Expand green products based on eco-friendly materials and energy saving
- Reduce energy consumption and greenhouse gas emissions through energy innovation activities
- Reinforce environment safety management and enhance preventive systems

# Green Management

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

- LG Management Philosophy
- LG Management Charter
- LG Code of Ethics
- LG Environment Declaration
- Environment&Safety and Health Policies

## Green Management Philosophy

LG Hausys' green management approach is based on LG's management principles of '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. LG Hausys green management seeks to grow in harmony with nature and human by continuously improving environmental impact of our business activities and providing products and services that use natural and resource-saving materials. LG Hausys manifests pursuit of harmony of business and environment through the LG Environmental Declaration, which is based on the LG Management Charter and Code of Ethics that puts forth the social responsibilities and roles for the company in preservation of the environment and prevention of environmental pollution.

- 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.
- 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 of the environment, safety, and health.
- LG conducts periodical evaluation of environment, safety and health performance, and opens the results of this evaluation to the public.
- All employees of LG seek active involvement in environment preservation activities, in recognition of our social responsibilities for the preservation of the earth's environment.

## LG Green Management

LG Green Management, LG's new management policy, focuses on customer value creation and social contribution through expanding the concept of environmental management centered on environmental protection at worksites into our general management activities.

### Environmental Management

Minimization of environmental impact. (centered on worksites environmental protection)

### Green Management

Customer value creation and social contribution through minimizing environmental impact throughout business activities, expanding green products, and boosting new green businesses.



### Direct Contribution

Energy efficiency enhancements, greenhouse gas reduction, water usage reduction, etc. in production processes.

### Indirect Contribution

Greenhouse gas reduction at the consumption stage through expansion of high efficiency products.

- ✓ Response to climate change
- ✓ Contribution to green growth
- ✓ Sustainable growth

## LG Hausys Green Management

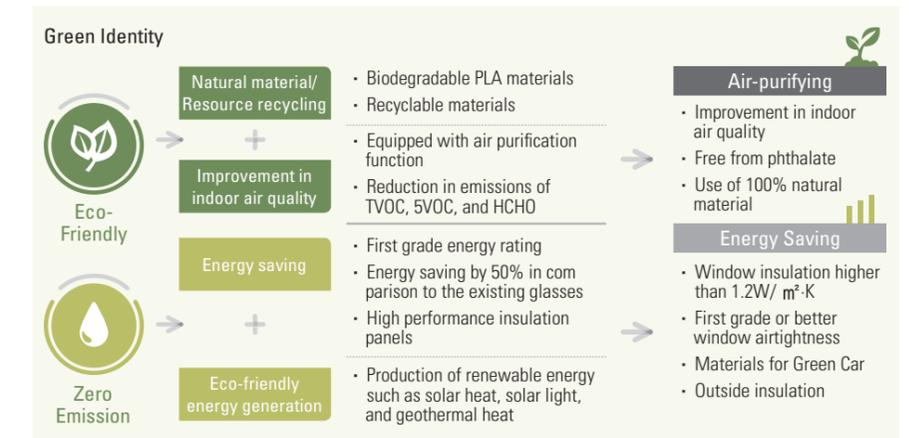
Based on its green management system, LG Hausys practices systematic environment management. Our goal is to realize a truly green worksites that reduces emissions of greenhouse gases and air pollution, expands recycling and resource preservation. We also endeavor to fulfill our corporate social responsibility, complying with the government's Low Carbon Green Growth policies by focusing our product development and business strategy on the expansion of eco-friendly and energy efficient products.

# Eco Products

LG Hausys endeavors to provide customers with happy living spaces by developing eco products on the foundation of its core value, to be 'Eco-Friendly, Energy Saving, and Human-Friendly', and the eco-friendly in the customers' eyes.

## Development of Eco Products

LG Hausys has established Green Identity and applies to the eco products development. In developing new green products, we place the top priority in 'Zero Emission' which minimizes the emission of greenhouse gas through utilization of high efficiency products and renewable energy, and 'Eco-Friendly' which implements healthy and pleasant living spaces based on eco materials.



## Reinforcement of Eco Product Solutions

We are rolling out the new green business by expanding sales of new green products which have implemented the use of natural materials and of recycled resources, and energy saving, and by developing eco-friendly technologies. We continued our efforts to reinforce eco product solutions in 2012 through the expansion of zea series and the development of high performance insulation board.

| Classification | New Green Products | Future Plan   |
|----------------|--------------------|---|
| Eco Materials  | Bio Materials      | Zea series(flooring and wallcovering)                               |
|                | IAQ Materials      | Air purifying wallcovering, Breathing Tile                          |
| Energy Saving  | Insulation Windows | High strength/insulation windows made of composite materials(AL-PL) |
|                | Insulation         | High performance insulation panels for refrigerator                 |

## Eco Product Certification

LG Hausys actively participates in the low carbon green consumption invigoration policies of the government and provides customers with healthier and safer products by wider domestic and international certifications for eco-friendly building materials.

- 63 Eco-Labels  
23 HB Marks
- 25 Carbon Footprint Labels (including 2 products with Low Carbon certification)
- 191 Window Energy Consumption Efficiency Rating Labels
- 2 NET(New Technology)  
1 NEP(New Product)
- 12 International Certifications

### Green Worksites

- Reduction of greenhouse gas emissions and energy consumption
- Reduction of air pollution, resource preservation operation of green management system

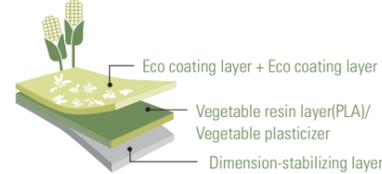
### Expansion of New Green Products & Businesses

- Development of Green Identity&ECO COLLECTION
- Expanded development of high energy performance products
- Indoor air quality enhancement, expansion of products that use natural materials

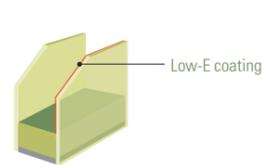
# ECO COLLECTION

We endeavor to bring green homes, green offices and green buildings into reality by concentrated managing and fostering of the eco collection, including zea floor, zea wallcovering, e<sup>+</sup>glass, and V-Panel.

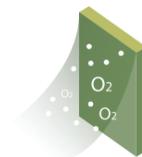
Natural material based zea floor and wallcovering



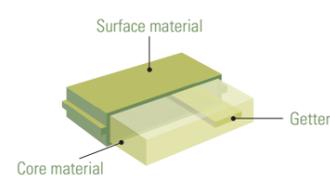
e<sup>+</sup> glass



Air purifying wallcovering



V-Panel



01\_ zea wallcovering



zea wallcovering is the world's first 100% natural material-based wallcovering made of corn. It is free from emission of environmental hormone, and the eco coating layer purifies the indoor air.

03\_Breathing Tile(Humidifying wall material)



Breathing Tile is an interior wall tile made with an eco-friendly natural material composed of soil-based ingredients. It prevents various diseases and sick house syndrome by reducing indoor hazardous substances and domestic odor, and creates a healthy living space by maintaining excellent indoor humidity. The natural mineral ingredients uniformly distributed throughout the tile form fine air pockets(4-5nm) that absorb hazardous substances, remove odor and adjust the indoor humidity.

05\_Natural Wooden Window



A premium system window treated with customized processing technology infused with craftsmanship, this window boasts the superior durability of wood and minimizes the emission of materials hazardous to humans as multi-laminate natural wood and eco-friendly paint are used.

02\_Air purifying wallcovering



The eco coating layer on the surface of the wallcovering reacts with sunlight or the visible ray of fluorescent lamp to decompose hazardous substances and to make the indoor air clean and pleasant.

04\_Air purifying Auto-ventilation Window



The sensor on this smart 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 at all times, and lessens waste of electric energy by minimizing the energy loss from cooling and heating.

06\_e<sup>+</sup>glass(High Insulation Low-E Glass)



The glass surface is coated with multiple thin film layers of metal and metal oxides using the coating technology of Interpane, an advanced German company. This high performance glass has an effect of 50% energy saving in comparison to that of general glasses and of anti-condensation.

07\_ zea floor



Made of natural raw materials such as corn, natural stone, and cypress, and laid using red clay paste made of red clay and inorganic substances, zea floor eliminates worries about hazardous gas and environmental hormone at home and allows you to live at ease thanks to its excellent deodorization and air purification functions.

08\_Gang Green(Wooden floor)



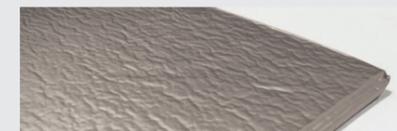
Gang Green is an eco-friendly product which contains green tea ingredient in each layer of Gang Floor. This healthy floor has won the 5 clovers Healthy Building Materials certification(HB mark) for its excellent suppression effect of hazardous substance generation. It is made to look more elegant by chamfering the edges in a V shape. With the use of a special surface material(HPL), this floor has a surface that is not only strong, but also clean at all times as dirt is easily removed.

09\_PF Board(Insulation board)



PF Board is high function, fire-resistant insulation material with the energy efficiency maximized by foaming thermosetting polymer with eco-friendly foaming gas(non-freon gas). With fine particles sized only 1/10 of Styrofoam, PF Board has thin but rigid internal structure that will keep up the insulation performance for over 25 years.

10\_V-Panel(Vacuum Insulation Panel)



Being manufactured by applying a special quality outer cover to the core material made with glass fiber as the main raw material, this vacuum insulation panel has an effect of improving energy efficiency by preventing moisture from transferring heat.

11\_HI-MACS(Acrylic solid surface)



Made of recycled stone chips, this interior decorative marble has not only superior material properties but also excellent hygiene and durability, and is free from propagation of bacteria. It is also easy to clean as no stain or water scale is formed.

12\_Cabinar(Automobile filter)



This eco-friendly filter supplies pleasant and healthy indoor air by efficiently removing hidden dust in our daily routines such as office equipments, offices and vehicle interiors.

# Response to Climate Change

LG Hausys has been greening worksites in response to climate change by developing efficient manufacturing processes, and continuously reducing energy consumption and greenhouse gas.

## Strategies in Our Response to Climate Change

In 2010, LG Group declared Green 2020 in pursuit of eco-friendly and sustainable green growth. In order to achieve 'Green Goal 2020,' LG plans to invest over 20 trillion KRW in R&D for green worksites, new green products, and new green businesses. LG Hausys also established 3 green strategies: reduction of energy consumption and greenhouse gas, expansion of eco-friendly products, and development of new and natural materials.

## Greenhouse Gas Emissions Reduction

**Greenhouse Gas Emissions** | LG Hausys has established greenhouse gas inventories for its major domestic worksites as a foundation for reducing greenhouse gas emissions. Our greenhouse gas emissions for 2012 totaled at 139,234tCO<sub>2</sub>e, as verified by DNV in March 2013.

**Voluntary Reduction of Greenhouse Gas** | Even without being obliged to undertake carbon reduction, LG Hausys has been putting voluntary efforts into reducing greenhouse gas emissions by minimizing pollutants emission from its production processes and using clean fuel for its major boiler facilities.

**Registration of Greenhouse Gas Reduction** | We converted our major boiler facilities to use clean fuels since 2006 and registered with the national greenhouse gas reduction program, resulting in recognition of 50,253tCO<sub>2</sub>e of early reduction by 2012. Also, we registered our 'Clean fuel conversion project for steam production boilers' with the international Voluntary Carbon Standard in 2009, the first for a Korean company.

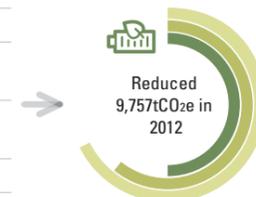
(Unit : tCO<sub>2</sub>e)

| Category                             | Reduction Achieved | Governmental Procurement | Recognized Early Reduction |
|--------------------------------------|--------------------|--------------------------|----------------------------|
| Fuel Switching of Heat Source Boiler | 6,733              | 1,285                    | 5,962                      |
| Fuel Switching of Waste Heat Boiler  | 10,214             | 3,553                    | 8,082                      |
| Fuel Switching of Steam Boiler       | 42,754             | 10,908                   | 36,209                     |
| Total                                | 59,701             | 15,746                   | 50,253                     |

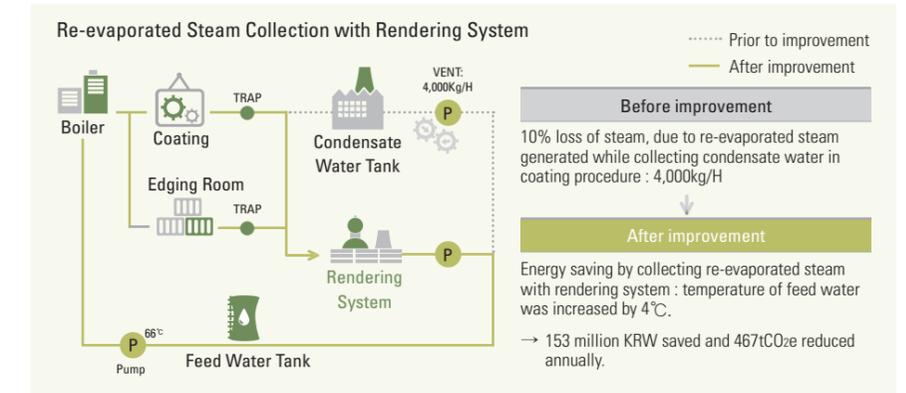
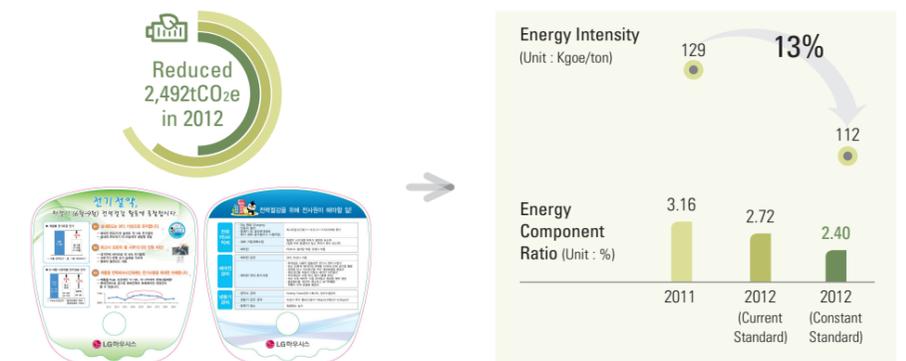
**Energy Reduction Activities** | Through our four major tasks of improving utility efficiency, improving waste heat recovery and condensate water collection, improving local facility efficiency, and strengthening management activities, we reduce energy consumption and greenhouse gas emissions. With these activities, we reduced greenhouse gas by 9,757tCO<sub>2</sub>e in 2012. We will extend our energy consumption and greenhouse gas reducing activities by improving facilities constantly, optimizing operating condition, introducing new renewable energy, and installing high-efficient new technology equipments.

### Major Tasks for Saving Energy

|   |  |
|---|--|
| Improve utility efficiency                                  | Enhance major boiler combustion system               |
| improve waste heat recovery and condensate water collection | Collect re-evaporated steam                          |
| Improve local facility efficiency                           | Improve freezer, heating system, and HVAC efficiency |
| Strengthen Management Activities                            | Continuous inspection and maintenance                |



**TFT for Saving Energy** | Our Cheongju plant established a task force team for saving energy in January 2012. The TFT has organized numerous energy saving activities for all employees, from removing waste elements such as steam leak and idle operation causing energy loss to enhancing facility efficiencies through efficient pump operation, waste heat collection, HVAC optimization, and heat source transition and encouraging energy awareness and energy saving practices among employees through seasonal activity posters and banners. With these activities, we improved 13% of Energy intensity and 0.76%p of energy component ratio compared to 2011 (constant standard).



## Other Greenhouse Gas Emission Management Activities

**Green Logistics** | Established in 2011, Central Distribution Center(CDC) in Cheonan contributes to greenhouse gas reduction by improving complex logistics network and reducing fuel consumption during warehouse operations and transportation. In 2013, we will put our efforts into realizing even greener logistics by extending operation of large vehicles, minimizing small cargo transportation and efficient operation of warehouse forklifts.

- Practice eco-driving(ban on idling and speeding, etc.)
- Optimize work movements using Warehouse Management System(WMS)

**Video Conference** | The establishment and usage of video conference system supporting multilateral communication in major domestic and overseas worksites reduces greenhouse gas emission from business trips.

- Installation and operation of video conference systems in employee PCs, domestic sites - headquarters(Seoul), R&D center(Anyang), and plants(Cheongju, Ulsan, and Ochang) - and overseas corporations(China, the U.S.A., EU and Russia).

# Environment & Safety

We strive to continuously improve safety of the community and preservation of the environment through our environment&safety management system.

# Eco-Friendly Worksites

LG Hausys makes diverse efforts to prevent all types of environment&safety accidents and minimize pollutant emission into the air, water system and the soil.

## Initial Certification of Management System/Certification Date

| Certification Name | Ulsan   | Cheongju |
|--------------------|---------|----------|
| ISO14001           | 1996.12 | 1999.11  |
| KOSHA18001         | 2000.11 | 2009.12  |
| OHSAS18001         | -       | 2000.12  |
| Green Company      | 1995.12 | 1995.12  |



ISO14001 Certificate (Cheongju) Green Company (Ulsan)

## Environment&Safety System

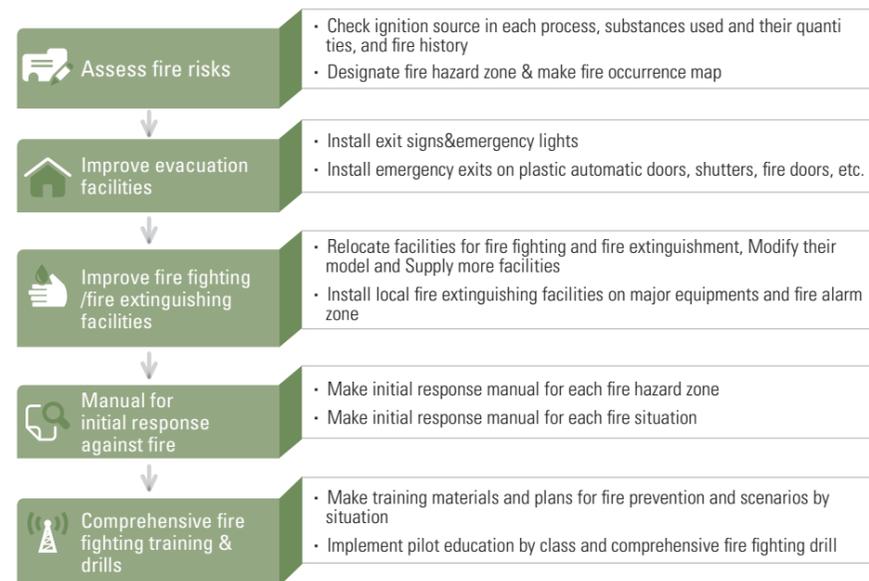
LG Hausys has been designated a green company by the Ministry of Environment since 1995. We have maintained an environment&safety management system including the environment management system ISO14001 and the safety&health management system KOSHA18001 and OHSAS18001. In 2012, both Ulsan and Cheongju plants were designed green companies for the fifth consecutive time by the Ministry of Environment after an assessment of green management over the past 5 years in accordance with green operation regulation.

**ESH IT System** | We have been operating ESH IT system since 2007 to ensure effective management of our environment&safety management data and related matters, as well as expansion of communication channels with our employees. We will continue to respond actively to the changing business environment through continued management of our system.

**Comprehensive Disaster Prevention System** | An integrated application of automatic fire detection(heat/smoke) systems, video information systems and geographic information systems, LG Hausys' comprehensive disaster prevention system prevents fires and environmental accidents, and enables immediate response if they happen. We also monitor the air pollution prevention facilities in real time to confirm they are running under optimal operating conditions so that we may prevent energy waste as well as any kind of abnormal operation.

**Disaster Prevention System Improvement TFT** | In November 2012, a fire incident occurred at the foam chamber of the Ulsan plant. We immediately conducted an inspection of evacuation facilities and fire prevention facilities to prevent any further incident from occurring, making enhancements where needed. In addition, we established a task force team for improving fire prevention system to reassess fire risks in the entire worksites and improve related facilities. In the next year, we plan to enact and revise relevant regulations and manuals through TFT operation, and to reinforce disaster prevention activities, implementing comprehensive fire prevention drill for each situation.

### Disaster Prevention System Improvement TFT Activities



## Air Environment Management

We have been replacing our older, less efficient air control facilities with high efficiency facilities. The Ulsan plant 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 oil water separation tanks in major locations throughout the worksites to regularly check water quality. Even though the Ulsan plant does not generate any waste water from its processes, it has been treating the waste water generated by LG Chem and LG H&H which are located in the same site at its waste water treatment plant. The Ulsan plant has also installed an early alarming system to ensure a rapid response in the case of a liquid leak. The water quality for the Cheongju plant is managed through LG Chem's common waste water treatment facility.

## Hazardous Substances Management

The Cheongju and Ulsan plants deal with 14 types of toxic chemicals including lead compound, MEK and acetic acid ethyl. In 2012, the use of toxic chemicals was reduced by 49.8% from the previous year to 7,031tons due to dramatic reduction of DEHP usage as a result of eco-friendly plasticizer use.

The Amount of Toxic chemicals Used in Basic Unit



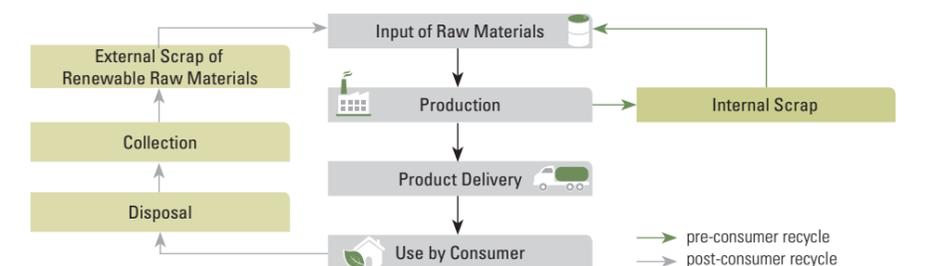
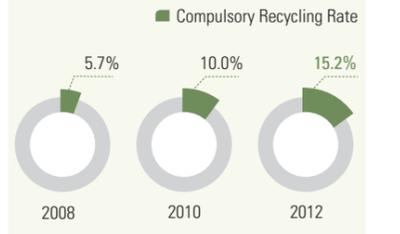
2012 Waste Treatment Status



## Waste Management

LG Hausys participates actively in the government program for promoting resource saving and recycling. We entered into a voluntary agreement with the Ministry of Environment on recycling of flooring and PVC window profile in 2008 and has since 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. In 2012, we worked on a new agreement on plastic molds and profile packaging materials, extending the scope of recycle. Out of waste produced at our major places of business, 88.7% was recycled in 2012. Especially, we input internal scrap which comes from scrapping all manufacturing waste from flooring and PVC window profile production processes into manufacturing process again. In addition, we develop raw material prescription in order to maximize the use of external scrap, which used products collected and turned into raw materials.

Operation of Voluntary Recycling Agreement(PVC window profile & flooring)



# Mass Balance

### Raw Materials

The Amount of Major Raw Materials Used I

|                          |             |
|--------------------------|-------------|
| PVC                      | 120,260 ton |
| Calcium Carbonate        | 69,197 ton  |
| Plasticizer              | 31,343 ton  |
| MMA                      | 11,924 ton  |
| Recycled Raw Materials I | 22,669 ton  |

The amount of recycled raw materials used for flooring and window profile

### Energy

Energy Consumption I

|  |                   |
|--|-------------------|
| Direct Energy                                | 965 TJ            |
| Indirect Energy                              | 1,720 TJ          |
| Investment in Energy Consumption Reduction I | 1,881 million KRW |

### Water

Water Consumption by plants

674,706 ton

### Environmental Investment

2,993 million KRW

### Air

Greenhouse Gas Emission I

|         |                           |
|---------|---------------------------|
| Scope 1 | 49,716 tCO <sub>2</sub> e |
| Scope 2 | 79,913 tCO <sub>2</sub> e |

Air Pollutant Emission I

|                 |  |
|-----------------|--|
| Dust            | 24.4 ton   |
| SO <sub>x</sub> | Extremely small amount emitted as a result of clean fuel use |

### Water

The Amount of Waste Water Discharged I

|             |                       |
|-------------|-----------------------|
| Waste Water | 52,977 m <sup>3</sup> |
| BOD         | 0.092 ton             |
| COD         | 1.664 ton             |
| SS          | 0.328 ton             |

### Waste

The Amount of Waste Discharged I

30,175 ton

Recycling Rate I

88.7%

### Hazardous Substances

The Amount of Toxic chemicals Used in Basic Unit I

0.0306

## INPUT

### \*The Amount of Major Raw Materials Used (Unit: ton)

| Year | PVC     | Calcium Carbonate | Plasticizer | MMA    | Total   |
|------|---------|-------------------|-------------|--------|---------|
| 2010 | 120,260 | 69,197            | 31,343      | 11,924 | 261,887 |
| 2011 | 120,260 | 69,197            | 31,343      | 11,924 | 261,593 |
| 2012 | 120,260 | 69,197            | 31,343      | 11,924 | 232,724 |

- Method of computation differs from that of the previous year

### Energy Consumption (Unit: TJ)

| Year | Direct Energy | Indirect Energy | Total |
|------|---------------|-----------------|-------|
| 2010 | 996           | 1,845           | 2,841 |
| 2011 | 1,018         | 1,886           | 2,904 |
| 2012 | 965           | 1,720           | 2,685 |

- The scope of energy usage : Cheongju plant, Ulsan plant  
- The direct energy sources include oil, LNG, etc. while the indirect energy sources include electricity, etc.

### Water Consumption (Unit: ton)

| Year | Ulsan   | Cheongju | Total   |
|------|---------|----------|---------|
| 2010 | 493,607 | 217,855  | 711,462 |
| 2011 | 557,649 | 241,821  | 799,470 |
| 2012 | 564,435 | 110,271  | 674,706 |

- Ulsan plant : Surface water(Hoya River), water supply (The Hoya River water is pumped, filtered and used as cooling water.)  
- Cheongju plant : Water supply, sewerage, industrial water

## OUTPUT

### Greenhouse Gas Emission (Unit: tCO<sub>2</sub>e)

| Year | Scope 1 | Scope 2 | Total   |
|------|---------|---------|---------|
| 2010 | 51,487  | 93,105  | 144,592 |
| 2011 | 52,508  | 91,750  | 144,258 |
| 2012 | 49,716  | 79,913  | 129,629 |

- Scope of emission : Cheongju plant, Ulsan plant  
- Method of computation : Based on Greenhouse Gas and Energy Goal Management guidelines

### Waste Discharge Amount and Recycling Rate (Unit: ton)

| Year | General Waste | Designated Waste | Total  | Recycling Rate |
|------|---------------|------------------|--------|----------------|
| 2010 | 32,506        | 1,357            | 33,863 | 87.6%          |
| 2011 | 30,914        | 1,006            | 31,920 | 89.9%          |
| 2012 | 29,222        | 953              | 30,175 | 88.7%          |

### Water

The Amount of Waste Water Discharged I

52,977 m<sup>3</sup>

### The Amount of Toxic chemicals Used in Basic Unit

0.0306

- The use of eco-friendly plasticizer significantly reduced the amount of DEHP used.

### Product Transportation

Product Use

### Management of Ozone-Depleting Substances

LG Hausys does not produce or use in the manufacturing processes any ozone layer-depleting substances as defined by the Montreal Protocol. However, R-22 is used as a refrigerant for freezers, and installation of halon fire extinguishing system is limited to the printing process of the Ulsan plant to protect against the high fire risk, counting 5,516 kg of halon. During the expansion of the IMD printing facility in 2009, a fire extinguishing system using HFC 125, a green fire extinguishing agent, was set up. We plan to replace the halon fire extinguisher system with a green fire extinguishing agent or water-based(water spray) fire extinguishing system in the future.

### Refining

Renewable and Fossil Raw Materials

### Protection of Biodiversity

In order to preserve the value of ecological diversity, LG Hausys has been collaborating 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 endangered fish species(Pungitius kaibarae) in the water quality control room at our premises. We have also conducted an environmental impact assessment in compliance with ISO14001 on all activities that could affect the local environment in the Ulju-gun region where Ulsan plant is located in order to protect the environment.

### \*Environmental investment (Unit: million KRW)

| Year | Investment |
|------|------------|
| 2010 | 2,895      |
| 2011 | 4,264      |
| 2012 | 2,993      |

- Includes process enhancement, eco-friendly product design and production, greenhouse gas emission reduction, energy saving, work environment enhancement, environment conservation, etc.  
- Method of computation differs from that of the previous year

# Harmony with Human

|                              |    |
|------------------------------|----|
| Employee .....               | 44 |
| Product Responsibility ..... | 52 |
| Customer Satisfaction .....  | 54 |
| Shared Growth .....          | 56 |
| Social Contribution .....    | 59 |



## Management Principles

LG Hausys respects each employee's creativity and autonomy, appraises performance with fairness, and is dedicated to creating a healthy, happy corporate culture. We engage in diverse activities based on the 'F4' culture so that our customers and the local communities may experience changes toward happy lives through meeting us.

## 2012 Performances

| Category  | 2010  | 2011      | 2012      |           |
|-----------|---|-----------|-----------|-----------|
| Employee  | Employee Benefits(million KRW)  | 41,571    | 44,679    | 49,035    |
|           | New Employees(People)   | 124       | 137       | 223       |
|           | Training Investment per Person(KRW)                                       | 1,247,486 | 1,351,091 | 1,541,962 |
| Customer  | Occupational Accident Rate(%)   | 0.15      | *0.44     | 0.11      |
|           | Customer-participating Prosumer 'Z:ENNE' Activities(number of activities) | 73        | *75       | 82        |
| Partner   | Fair-Trade Compliance Program Operating Cost(times)                       | 11        | 13        | 18        |
| Community | Community Investment(million KRW)   | 862       | 1,576     | 553       |

## 2013 Goal

- Increase the domain for communication among employees through developing global human resources and establishing the 'F4' culture
- Strengthen worksite safety system and employee health care program
- Strengthen product responsibility through companywide quality innovation activities and communication with customers
- Expand programs and communication for local society contribution and business partner support

# Employee

LG Hausys is a company that grows with its employees, "Respecting Human Dignity". The company adheres to the principles of respect for individual creativity and autonomy and considers them indicators of human resources and organizational management. We place important on performance-based compensation in accordance with employee competitiveness.

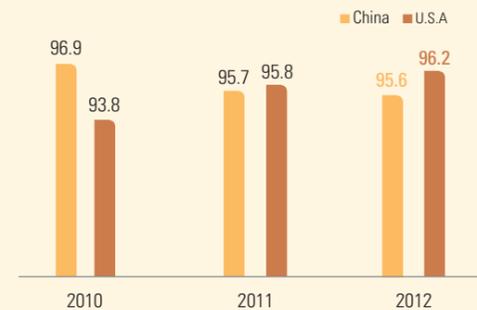
## Employee Status

As of 2012 yearend, the consolidated LG Hausys employs a total of 2,843 employees, including 223 new employees. 35.5% of production workers and the remaining 64.5% are office workers. The employment of new employees, women and underrepresented minorities including people with disabilities and persons of national merit has steadily grown over the past three years.

| Category <sup>1)</sup>  |                            | 2010  | 2011  | 2012  |
|-------------------------|----------------------------|-------|-------|-------|
| All Employees           |                            | 2,731 | 2,751 | 2,843 |
| Type of Employment      | Full-Time                  | 2,707 | 2,732 | 2,786 |
|                         | Contractor                 | 24    | 19    | 57    |
| Social Minorities       | Women                      | 304   | 327   | 342   |
|                         | Disabled                   | 41    | 58    | 52    |
| Age Group               | Persons of National Merits | 82    | 80    | 79    |
|                         | 20s                        | 255   | 249   | 332   |
|                         | 30s                        | 1,007 | 964   | 947   |
|                         | 40s                        | 904   | 920   | 954   |
|                         | 50s and Older              | 565   | 618   | 610   |
| Title                   | Executive Officers         | 15    | 17    | 18    |
|                         | Employees                  | 2,716 | 2,734 | 2,825 |
| Position                | Office workers             | 1,677 | 1,730 | 1,834 |
|                         | Production workers         | 1,054 | 1,021 | 1,009 |
| Region                  | Headquarters(Seoul)        | 666   | 685   | 731   |
|                         | Cheongju plant             | 625   | 584   | 591   |
|                         | Ulsan plant                | 1,086 | 1,079 | 1,059 |
|                         | Other <sup>2)</sup>        | 354   | 403   | 462   |
| *Transfer <sup>3)</sup> |                            | 86    | 64    | 57    |
| New Employees           |                            | 124   | 137   | 223   |

1) Criterion : As of the end of December in the year, employees including those of subsidiaries and working overseas.  
 2) Others : Non-Seoul sales teams, overseas corporations/branches, other plants, design center, R&D center  
 3) Transfer : Those who transferred to an affiliated company&voluntarily left(discrepancy with last year's data is due to change in the computation method.)

Rate of Local Hires in Overseas Offices (Unit: %)



# Employee Value Creation

LG Hausys nurtures talent and produces value for its employees through a training program which strengthens employee capabilities and a system that reinforces fair performance appraisals.

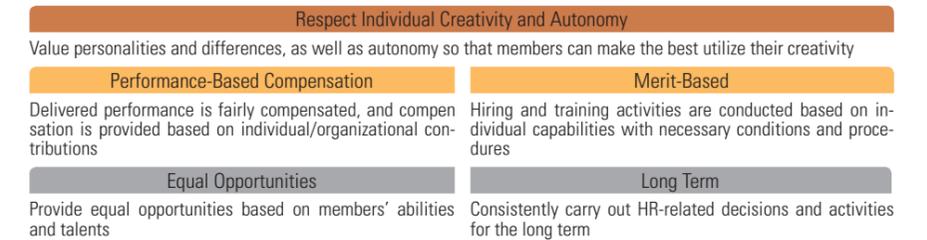
## Ideal Employee

LG Hausys defines the Ideal Employee as "a person who believes in and is capable of practicing the LG Way" and is devoted to hiring and training Ideal Employees globally.

- Strives to be the world's best through ambition and passion
- Values teamwork along with independence and creativity
- Puts customers first and is continuously innovative
- Endeavors to exceed expectations and values fair competition

**Principles of Human Resources I** The source of value creation is individual creativity. The driving force behind performance is individual capabilities. LG Hausys values the personalities and differences of its members and respects their independence so that they can best utilize their individual creativity. LG Hausys created and employs a course of action necessary for procuring highly skilled personnel and their self-training activities. LG Hausys provides fair opportunities based on each member's abilities and talents, evaluates the delivered performances with fairness, and awards compensations based on individual and organizational contributions. The company's basic principle in HR management is that all HR-related decision-making and activities are to be consistent and to be long term. Furthermore, the company practices equal employment and respect for human rights, with no prejudice based on gender, age, or religion according to the Code of Conduct and Employment Policies, and offers same base pay.

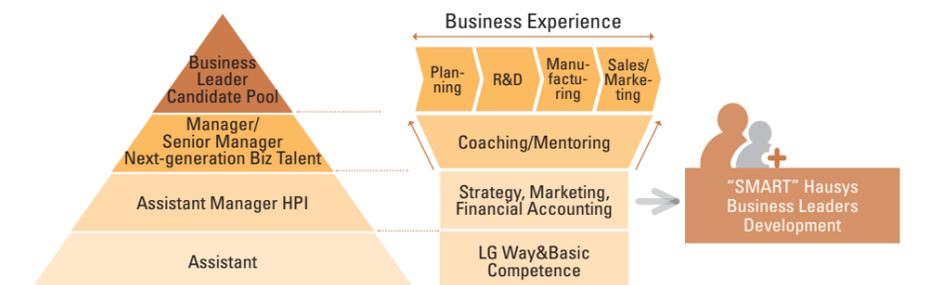
Source of Value Creation  
 Operating Approach  
 Basic Principles of Practice



## Human Resources Development

LG Hausys is training entrepreneurs and experts with global competitiveness. The company proposes a vision for employee growth and development and provides specific means of development. The HR development program is largely divided into business leader training, global competence training, and specialized job training.

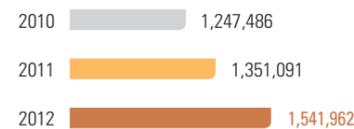
**Business Leader Training I** This program discovers employees with global top competence early and systematically nurture them to ultimately train them into future CEOs. Employees with exceptional skills and performance and the potential to carry out key projects are selected and trained in the early stages of their employment. When it comes to High Performance Individuals(HPI), those considered to be a core talent corresponding to assistant manager, we provide training for strategy, marketing and financial accounting according to number of years in employment. For Biz Talents, those considered to be a, we provide Biz Insight workshops where employees can cultivate business leadership through learning business strategy and discussing the applications to work.



# Employee Value Creation

## Training Investment per Person

(Unit : KRW)



**Global Competence Training** | This is a talent fostering program designed to cope with the expansion of global business centered in China and the U.S.A. In particular, we are continuously conducting mid- and long-term programs to cultivate global talents such as Young China Talent and China Biz Talent conducted in preparation for the growth of the Chinese business, and Global Insight, an overseas visit program unique to LG Hausys conducted to help team members, assistant managers and managers to acquire global view and capabilities to create outcomes.

|                           |   |
|---------------------------|---|
| <b>Young China Talent</b> | Chinese language course for all new employees and local training for those with superior grade  |
| <b>China Biz Talent</b>   | Collective training in Korea and overseas training for employees who are planned to be dispatched to Chinese corporations   |
| <b>Global Insight</b>     | Overseas visit assignment to be granted to the teams of workers, assistance managers and managers whose self-established plans of overseas visit assignment are selected in the contest |

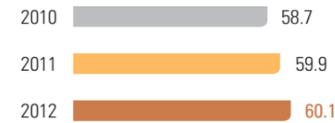
**Specialized Job Training** | The Company supports learning through operation of specialized training courses for each job category such as sales/marketing, production/engineer, and R&D in order to help employees to improve their specialized job capabilities and through diverse on-line learning contents.

|                            |   |
|----------------------------|---|
| <b>Sales/marketing</b>     | B2B/B2C marketing strategy, customer management, and sales consultation |
| <b>Production/engineer</b> | General&technical competence development                                |
| <b>R&amp;D</b>             | R&D competence and specialized technical training                       |

**Self-Learning** | Self-motivated learning club is in operation where employees can create, acquire, and share new knowledge in the area of business employees they are interested in, boosting individual and organizational competence. Moreover, the learning club is encouraged by the various supportive programs including coaching from professionals from inside or outside of the company, budget and external education supports, and quarterly meetings with club leaders.

## Percentage of Targets of Annual Performance Appraisals and Career Development Review

(Unit : %)

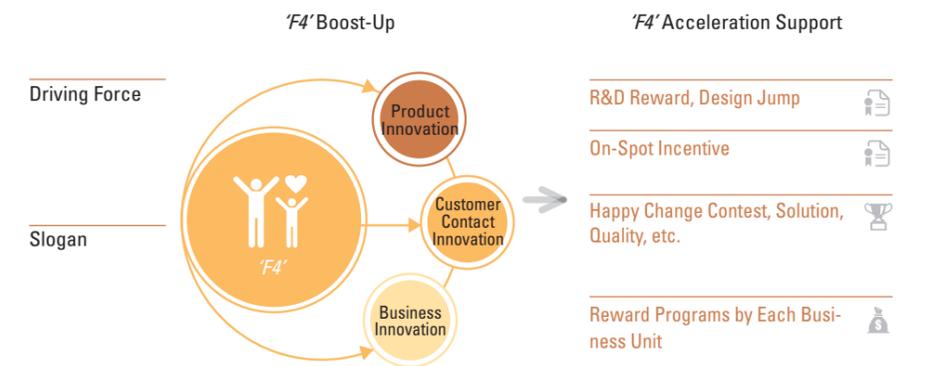


- Subject : Domestic employees(except for executive officers and senior-level employees)

## Compensation System

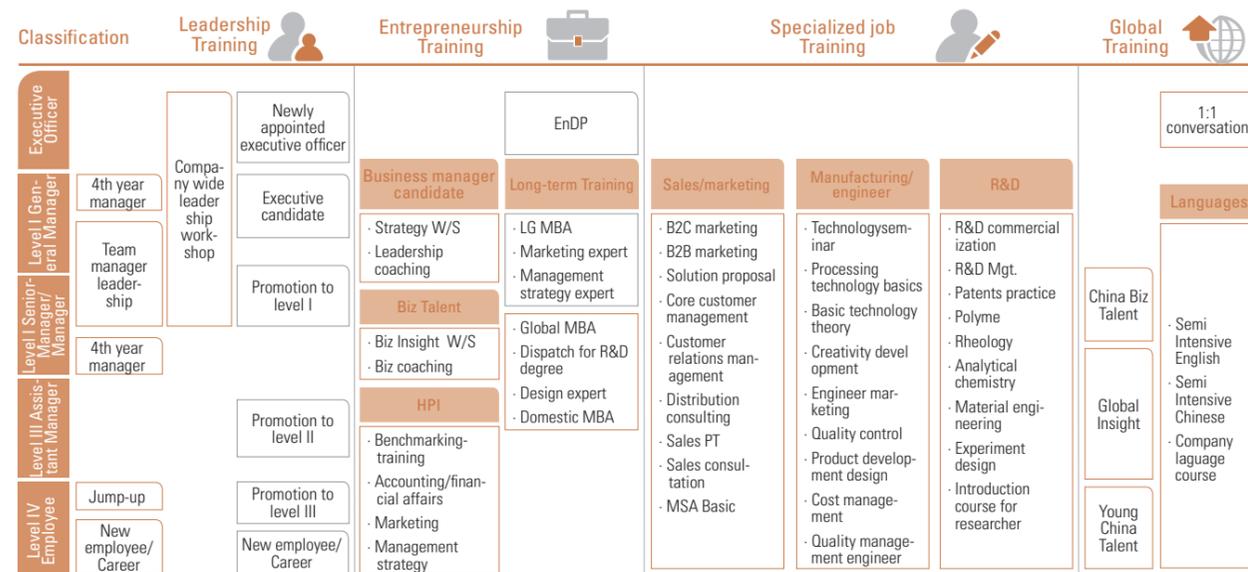
LG Hausys offers competitive salaries and rewards, based on the performance-based HR principle that respects individual creativity and autonomy. Compensation system is based on performance principle, and divided into the cumulative and the non-cumulative. The cumulative annual salary system is designed to offer graded compensation based on the previous year's performance, whereas the non-cumulative system includes role-based system, performance-based system, On-Spot Incentive system, and various reward programs for teams. In particular, the On-Spot Incentive, designed to reward remarkable performance, manifests the HR principle of "High Performance, High Return".

## Innovation and Reward Programs



LG Hausys' Training System Diagram (As of December 2012)

□ LG Hausys course □ LG Academy course



\* Other cyber training courses, ACT meeting, and learning clubs are operated for all employees.

## Benefits Program

LG Hausys' Benefits Program consists of the four compulsory insurances National Pension Service, Health Insurance, Unemployment Insurance, and Worker's Compensation as well as an optional benefits program and basic benefits programs. The optional benefits program allows employees to choose among health care, self-development, leisure, e-shops, etc. according to their preferences. The basic benefits program consists of housing/life safety support, medical/health care support, and leisure activity support. More specifically, the company offers housing funding for stable housing/life, tuitions and scholarships, congratulations and condolences expenses, and company housing and dormitory support. Additionally, the company provides medical expense support, physical examinations, and health consulting services, recreation centers, in-house hobby clubs, retirement pensions, and maternity assistance.

## 'LG Love Daycare Center' is full of love

To help employees balance work and home, LG Hausys offers day care centers at worksites in Seoul, Ulsan, and Cheongju. Based on our interior decorative experiences and building materials production expertise, we designed the interior of the daycare centers with the children's health and safety in mind from a child's perspectives using eco-friendly materials. Top-quality childcare programs including five-sense experience/exploration, self-designed play, daily activity-oriented integrated activities, resident native English speaking teachers, integrated music activities, five-sense development education, and natural ecology experience activities. The best teachers with a parent's love for each child help the children develop into a sound personality with rich sensitivities. The operating hours of 07:30 AM to 10:00 PM work with employees' schedules.

# Employee Health and Safety

LG Hausys considers employee health and safety the top corporate priority and provides variety of education, training, and consulting services at each place of business.

## Occupational Accident Rate (Unit : %)

| Category                      | 2010 | 2011  | 2012 |
|-------------------------------|------|-------|------|
| LG Hausys                     | 0.15 | *0.44 | 0.11 |
| Domestic Manufacturing Sector | 1.07 | 0.97  | 0.84 |
| All Domestic Industries       | 0.69 | 0.65  | 0.59 |

- Occupational accident rate refers to the number of occupational accident victims per 100 employees in a year. (Occupational accident rate = No. of accidents ÷ No. of employees ×100)

- Sources The occupational accident rates of the domestic manufacturing sector and all domestic industries were based on the 2012 Occupational Accidents Status published by the Ministry of Labor.

## Employee Health and Safety

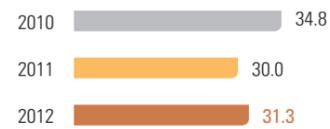
LG Hausys is strengthening workplace safety, training and promotion, and diagnosis systems to provide employees with safe working environment. Even though we experienced fire incident with casualty at the Ulsan plant in 2012, our occupational accident rate stood at 0.11%, drastically lower than 0.44% of the previous year.

Ulsan plant implemented on-site inspections of major improvement projects for each plant in order to secure worksite safety and better the occupational accident rate. 10 yearly projects for factory directors, 100 improvement activities for team leaders, and monthly field safety inspections led by factory directors and team leaders were conducted across all fields of EHS including safety, work environment, fire fighting.

**Occupational Safety and Health Committee** | LG Hausys signed an official agreement regarding employee health and safety with the labor union. Occupational Safety and Health Committee composed of equal number of members from the management and the labor is in operation, meeting every quarter. The committee strives to resolve safety and health issues by carrying out preventive activities focused on the manufacturing team and on the blind zones, and the executive representatives attending work environment activity assessment every 6 months.

**Employee Health Care Programs** | LG Hausys operates health care rooms befitting of characteristics of each workplace and provides employee health care training and health care events to prevent disease and improve work environment. In the future, the company plans to bring to reality healthier and happier workplace, by better preventing diseases through introduction of exercise programs for each age group, health care specialist training, and more available exercise machines; vitalizing the Idea Suggestion Incentive Program; and reinforcing labor-management cooperative self-examinations.

## Suspected Rate (Unit : %)



- The diagnosed refers to a person suspected of having a disease as a result of a physical examination, person who needs to be observed (Grade C) or who is diagnosed with a disease (Grade D) according to the criteria of the Korea Occupational Safety and Health Agency.

## Employee Health Care Programs

| Program   | Description   |
|---|---|
|   | Graded management of those in need of health care <ul style="list-style-type: none"> <li>Those who need observation(Grade C) submit health care plan and have interviews with a team manager</li> <li>Those who are diagnosed with a disease(Grade D) submit health care plan, have interviews with a plant manager, and are limited from working overtime</li> </ul>   |
| Health Consulting and Education for the Diagnosed | Health Consulting and Training <ul style="list-style-type: none"> <li>Nurse visits for consulting, occupational health consulting</li> <li>Health care training : every year(3-4th session)</li> </ul>  |
| Health Care Events                                | <ul style="list-style-type: none"> <li>Obesity program : Obesity/muscle mass control, weight loss tips</li> <li>Anti-smoking program : Smoker psychology and health consultation, nicotine replacements</li> <li>Anti-alcohol program : Offer No Drinks campaign, Reduce Alcohol Consumption movement</li> <li>Get into Shape Project, health promotion experiences through cooperation with public health centers, etc.</li> </ul> |
| Health Care Center Service                        | <ul style="list-style-type: none"> <li>Resident nurses at each worksite</li> <li>Health care and consulting at any time</li> <li>Visiting health consulting service</li> </ul>  |
| Health Letter                                     | <ul style="list-style-type: none"> <li>Provide health information and tips</li> </ul>   |
| Medical Expense Support                           | <ul style="list-style-type: none"> <li>Medical expense support for employees, spouses and children</li> </ul>   |

**Hyperlipidemia Care Program** | The result of 2012 first half health examination at Ulsan plant revealed the number of hyperlipidemia, the basal disease for brain and cardiovascular diseases to be increased. Ulsan plant then conducted hyperlipidemia management program for 15 weeks, reducing number of hyperlipidemia patients by 54%. In addition, Ulsan plant extended healthcare room with an addition of physical therapy room and equipments for treatment of musculoskeletal disease, providing the employees with more professional diagnosis and treatment from a professional physical therapist.

| Program Details                                     |   |
|---|---|
| <b>Program Subjects &amp; Setting Personal Goal</b> | <ul style="list-style-type: none"> <li>Group 1(high risk) : Those who need concentrated care for hyperlipidemia, including D2 class disease patients</li> <li>Group 2(medium risk) : Those declared as needing observation(Class C) and needs hyperlipidemia care</li> <li>Group 3(low risk) : Those whose hyperlipidemia cholesterol level is within the normal range</li> </ul> |
| <b>Consultation by Stage</b>                        |   |
| Person to person consultation                       | <ul style="list-style-type: none"> <li>Subject : Select from high-and medium-risk group</li> <li>Consultant : Industrial physician, health manager</li> <li>Main Topic : Propose ways to improve lifestyle&amp;blood test</li> </ul>  |
| Group consultation                                  | <ul style="list-style-type: none"> <li>Subject : Medium-risk group and the hyperlipidemia diagnosed</li> <li>Consultant : Plant director(office worker), team director(production worker)</li> <li>Main Topic : Health information and health management plan are checked by the health manager</li> </ul>  |
| Link consultation                                   | <ul style="list-style-type: none"> <li>Consultant : Nutritionist, sports curer</li> <li>Major Contents : Consultation on improving diets, diet and exercise proposals</li> </ul>  |
| <b>Campaign</b>                                     | <ul style="list-style-type: none"> <li>"Cholesterol Lower than 200" campaign</li> <li>Provide educational information by stage</li> <li>Send notice to encourage participation by the family members</li> </ul>   |
| <b>Follow-up&amp;Feedback</b>                       | <ul style="list-style-type: none"> <li>Check improvement with blood test and offer feedback</li> </ul>  |



# Corporate Culture

LG Hausys has established and is vehemently pursuing *F4: Focus, Fun, Fair and Fast*. A working culture unique to LG Hausys, to become a market leading company recognized by customers.

## 'F4' Working Culture unique to LG Hausys

'F4' is to create the culture where fast and fair achievements are created by focusing on work while having fun.

### 1. Focus

Culture of removing internal waste factors to focus on customer value core business

- Focus on customer value/core business
- Alignment/immersion of consensus execution strategies
- Remove wasteful elements of business practice
- Problem/issue-solving meeting/reporting

### 2. Fun

Culture of working enjoyably, positively, and confidently through communication

- Enjoyable, positive, and confident
- Mutual respect through recognition, praise, and consideration
- Active horizontal/vertical communication
- Creative and self-regulated working condition

### 3. Fair

Culture of fair competition with sound mind and ability

- Honest and transparent work processes
- Fair treatment
- Development of capacities followed by fair competitions
- Inspection/improvement of work

### 4. Fast

Culture of fast and intense implementation and achievement of pursued goals

- Agile and intense implementation
- Fast achievement of pursued goals
- Excellent reward for achievement of goals
- Quick decision making and assigning authority and responsibility

LG Hausys operates diverse programs so that employees can concentrate on their work and achieve their goals in an enjoyable environment.

## Heartfelt Communication with Employees through Three Counseling Systems

Counseling systems to the effect that mutual understanding among the members is required to create a fun organizational culture.

**EAP Specialized Counseling** | EAP(Employee Assistance Program) is a counseling program conducted by a professional counselor who visits twice a week to provide employees with psychological counseling. The content of counseling is kept strictly confidential and members are allowed to contact the counselor in person to make an appointment for counseling using the website, phone or e-mail.

**Industrial Counseling** | We operate an industrial counseling system to resolve the problems that arise from work through more professional communication. Industrial counseling is a system in which colleagues who work alongside the members involved become the counselors to carry out the counseling. Up to now, total 44 industrial counselors have been fostered by completing 6-month professional training course. The professional training course first teaches the employees to understand themselves and then takes them to recognize differences with others, learning sympathy and consideration in the process.

**Happy Talk** | Happy Talk is a counseling system where team leaders and team members converse with each other once or more each quarter to promote communication among the members and to build sympathy. Employees are encouraged to have not only work-related talks but also communication full of human affection within the organization.

Counseling System Utilization Status in 2012 (Unit : Cases)

| Field                    | Happy Talk | Industrial Counseling | EAP Specialized Counseling |
|--------------------------|------------|-----------------------|----------------------------|
| Psychological Counseling | 1,526      | 93                    | 148                        |
| Job Counseling           | 4,360      | 159                   | 71                         |
| Career Counseling        | 913        | 29                    | 6                          |
| Total                    | 6,799      | 281                   | 225                        |

## Employee-CEO Communication, 'Green Board' and 'We-Ha-Yeo'

LG Hausys operates 'Green Board', which consists of about 100 employees, and 'We-Ha-Yeo', a meeting of women employees. Green Board facilitates two-way communication for the entire organization from the CEO to an associate, gathering everyone's mind into one and letting every individual's opinion flow. The name Green Board comes from the company's image as a green company. As a representative for the business units, each team selects Green Boarder by recommendation. Green Boarder relays the CEO's management philosophy to members and members' opinions to the CEO, demands system improvements such as casual dress code or self-managed work hours, and suggests ideas to transform office environment. These ideas are suggested during monthly Green Board workshops. More than 100 ideas have been put into practice so far. LG Hausys also runs 'We-Ha-Yeo(We are the women talents of LG Hausys)' to secure an environment where women employees can work to their full potential. These two groups lead a change of LG Hausys by taking issue discussion and dealing with employee complaints through a quarterly-based meeting with the CEO.

## Labor-Management as a Community

LG Hausys has built and maintained a labor-management partnership based on participation and cooperation. With its consistent performance, LG Hausys improves the quality of life for the employees with the world-class corporate competitiveness. The company's vision for labor relations is the labor-management and the as a community. To this end, the company operates a three-dimensional labor relation model to encourage employees' organic participation and cooperation in business management, at worksites, and through collective negotiations. Furthermore, the labor collective agreement explicitly states that the management will act in good faith in negotiating with the labor union, reinforcing the foundation of labor-management cooperation.

### The Vision for Labor-Management Collaboration



**Protecting Employees' Human Rights** | LG Hausys complies with the Freedom of Association as defined by the Korean law and ILO(International Labour Organization) convention. In particular, if any change in the status or the work conditions of a union member is expected to change according to the collective negotiation, it shall be notified to the union in advance for thorough discussion. As of the end of 2012, the membership rate of the labor union among field employees is 99.7%. Forced labor and child labor prohibition provisions are complied with, and overtime and late night work for pregnant women is limited. No violations of provisions related to forced labor and discrimination have been committed.

**Labor-Management 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 organizations, sports events are held by each team. The Labor-Management task force selects field leader candidates and manufacturing specialists to improve job titles. In addition, quarterly labor-management conferences take place, along with activities such as labor-management scheduling negotiations, improving/expanding welfare facilities, sharing business results, and sharing major corporate schedule.

# Product Responsibility

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

## Quality Management

In order to lead the market with the best quality, we have been promoting companywide quality innovation centered on 6sigma. Quality management of LG Hausys focuses on managing Critical To Quality(CTQ) based on Voice Of Customer(VOC) providing the best value to customer. We also established statistical process control(SPC) system for persistent managing quality. Through quality management activities, we will secure competitiveness in manufacturing and transmit the best value to customer.

**CTQ Management** | Quality is determined ultimately by whether the customer is provided with the right value or not. LG Hausys' quality management begins from CTQ management based on VOC.

**SPC Management** | Statistical analysis is required to process data acquired by measurement and turn it into information and knowledge. We have a statistical quality management system in place that utilizes 6Sigma in a bid to resolve problems and handle routine quality management.

**Quality Cost Management** | We manage quality cost to secure consistent manufacturing competitiveness. This contributes to the company's financial performance through practical activities based on active participation by the management.

**Field Quality Audit** | After we deliver our windows and decorative products, we enhance customer satisfaction by preventing factors that can lead to customer complaints beforehand through field quality management activities from the site management to follow-up service. We work to satisfy customers by defining work processes for each stage of fieldwork and designating detailed management items.

### Field Quality Audit

| Site Management Flow     | Details  |
|--------------------------|--|
| Bs(Before Service) Field | <ul style="list-style-type: none"> <li>Check the site/product/schedule</li> <li>Discuss BS schedule with the agent in advance</li> </ul>                     |
| Product Inspection       | <ul style="list-style-type: none"> <li>Inspect quality of stocked products/raw materials</li> </ul>  |
| Site Measures            | <ul style="list-style-type: none"> <li>Take measures against defects and feed-back</li> </ul>  |
| Execution Inspection     | <ul style="list-style-type: none"> <li>Inspect main execution quality</li> <li>Check the whole process of construction</li> </ul>                            |
| Execution Training       | <ul style="list-style-type: none"> <li>On-site training for items lacking quality</li> <li>Training about specifications and subsidiary materials</li> </ul> |
| Subsidiary materials     | <ul style="list-style-type: none"> <li>Visit the BS site and provide follow-up service</li> <li>'Happy Call' for execution satisfaction</li> </ul>           |
| Results Feedback         | <ul style="list-style-type: none"> <li>Feedback on BS results</li> <li>Check whether any repairs become necessary after execution</li> </ul>                 |

**Compliance with Law** | LG Hausys helps customer's reasonable consumption by providing proper product information, and has complied with the customer health and safety regulations, product and service information/labeling-regulations until December 2012.

## Product Stewardship

From product development to manufacturing, distribution, and disposal, LG Hausys considers health and safety of our customers and all stakeholders, and social and environmental impacts. In addition, we ensure product safety by preventing introduction of any hazardous substances at its root by regularly inspecting materials suppliers and received materials.

| Value Chain  | Customer and Consumer Health/Safety  | Social/Environmental Impacts   |
|--|--|--|
| <b>Research &amp; Development</b><br>           | <ul style="list-style-type: none"> <li>Research to reduce VOC(Volatile Organic Compounds)</li> <li>Develop harmless vacuum insulation core materials</li> <li>Research to enhance resistance against contamination and durability of autoskin</li> <li>Develop high performance insulation board to secure semi-non-combustible level fire stability</li> </ul>  | <ul style="list-style-type: none"> <li>Develop surface coating agents to prevent contamination by organic substances</li> <li>Develop high strength lightweight composite materials to improve automobile mileage and fuel efficiency</li> <li>Research to reduce carbon emission by wallcovering, flooring, and autoskin through the use of biodegradable materials such as PLA</li> <li>Energy saving new materials development(lightweight plastics, Vacuum Insulation Panels)</li> </ul> |
| <b>Materials Supply &amp; Application</b><br> | <ul style="list-style-type: none"> <li>Apply natural materials and eco-friendly plasticizer, additives, and materials to minimize the use of heavy metals in raw materials</li> <li>Transition to high durability autoskin</li> <li>Secure MSDS for each raw material</li> <li>Inspect materials suppliers and received materials regularly</li> </ul>   | <ul style="list-style-type: none"> <li>Save and recycle resources by turning scraps resulting from manufacturing processes into raw materials</li> <li>Use FSC(Forest Stewardship Council) certified veneer</li> </ul>   |
| <b>Manufacturing</b><br>                      | <ul style="list-style-type: none"> <li>Assign safety properties according to window exposure conditions</li> <li>Automation of window verification and testing equipments in consideration of worker safety</li> <li>Acquire flame resistance certification for interior films</li> <li>Acquire international certification(National Sanitation Foundation, NSA) for surface material sanitation and eco-friendliness</li> </ul> | <ul style="list-style-type: none"> <li>Install an air protection facility against the discharge of organic solvents</li> <li>Install a dust collector to capture and process scattering dust from Vacuum Insulation Panels</li> <li>Scrupulously classify defects and raw materials by type</li> </ul>   |
| <b>Storage and Shipping</b><br>               | <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 designed for windows</li> <li>Change the bending method of automobile textile palette(bending →wrapping)</li> </ul>  | <ul style="list-style-type: none"> <li>Recycle packaging containers</li> <li>Refrain from using consumable packaging materials, such as PE wrap direct packing, for automotive materials&amp;components</li> </ul>   |
| <b>Application, Repairs, Waste</b><br>        | <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 at designated locations</li> </ul>  | <ul style="list-style-type: none"> <li>Collect and recycle existing windows, flooring, and L-panel(synthetic resin panels for molds)</li> </ul>  |

## Customer Satisfaction

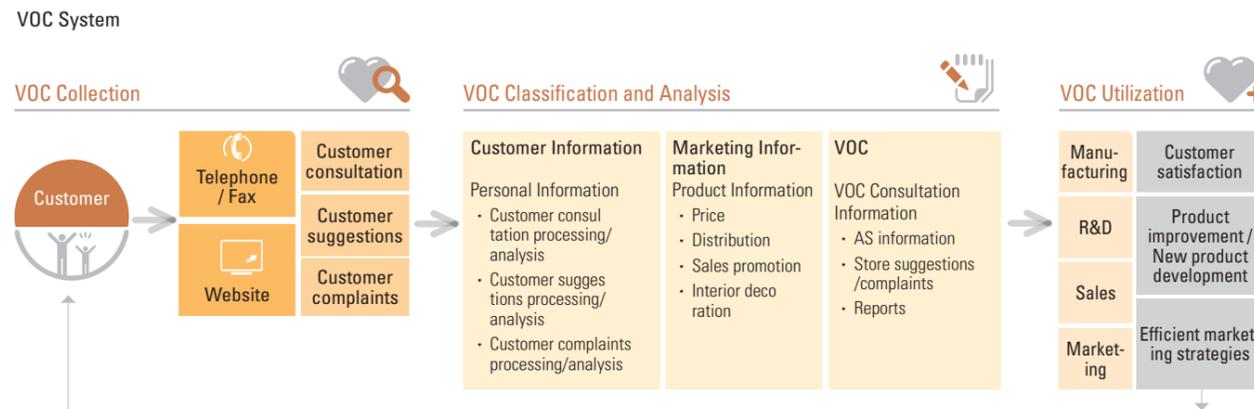
LG Hausys runs diverse communication channels from VOC activity to Z:ENNE activities in order to reflect the voice of customer in product development and management activities.

### Service Enhancement(Voice of Customer)

As part of its service enhancement, LG Hausys has been trying to improve and equalize the service level of telephone representatives by standardizing the call manual. We are improving customer service by encouraging employees to complete CS training at the specialized training centers such as the Korea Productivity Center and the KMAC at least two times each year. Repair(After Service) technicians who come into contact with customers a lot are provided with on-site practice, theoretical training, courtesy education, and videos on handling different types of defects to improve their problem-solving skills and provide customers the best service. The BS(Before Service), which prevents customer complaints in advance, also is strengthened to deliver distinguished customer.

**Customer Service** | LG Hausys operates a VOC system to resolve all customer complaints in all stages from consultation to the completion of AS service. Once a customer complaint is received by the Customer Service Office, on the website, or by fax, an AS representative is assigned to contact the customers and offer technical consultation and AS for the complaint within 24 hours. 'Happy Call' also improves service level and customer satisfaction. We regularly provide VOC to the R&D and manufacturing sites so that they can be heard companywide, keeping pace with the current advent of the age of customers.

**Service Information Collection, Evaluation, Analysis, and Utilization** | We developed a new VOC system in 2012 for better communication to achieve customer satisfaction and for sharing the importance of quality. By providing our employees with the customer consultation history and various types of reports analyzing AS information through the portal web site, customer needs are actively incorporated into product improvement, 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. We safeguard personal information through security in each area of network, application, PC, and physical security as technical safety measures. Our employees and partner employees receive personal information training as part of our information protection awareness campaign. Separate privacy training for those handling personal information is conducted so that employee awareness of customer information protection may be improved. To reinforce the information protection system, the company created a companywide privacy policy and a long-term roadmap through the Information Security Association, and runs a special information security team to promote action. Such safety measures, employee campaign, and in-house information security policy organizations are helping us continuously bolster information protection.

## Customer Communication

LG Hausys considers human and the nature and brings art into daily lives through brand management.

Long thought on space

# Z:IN

Nature and Human,  
Understanding Human

### Brand and Z:IN

The 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 through 10th consecutive win of the first place in the K-BPI(Korean Brand Power Index) in 2012. Z:IN is a leading LG Hausys brand. The name means 'Nature and Human', or 'Understanding Human'. Built on the brand philosophy of interior designs that care for the nature and human, we sell values that are tailored to our customers' appreciation for life, nature, and the arts, values that our customers consider important. Further, we use our interior design expertise to foresee and understand our customers' needs and provide outstanding service.

### Z:IN COMMUNITY

LG Hausys communicates with the customers through a variety of channels including Z:IN to get across the company value of 'Nature, Human and Space'. In 2012, in addition to the existing prosumer Z:ENNE and ECO Campaign, we launched Z:IN mobile web and application, and opened Z:IN Blog and Facebook, getting closer to our customers.

### Z:IN, Closer to Customer in Smart Way

#### Z:ENNE

Z:ENNE is the first housewife prosumer group in the building materials industry in Korea that has been around since 2007. Including 21 Z:ENNEs selected in 2012, total of roughly 140 Z:ENNEs have conveyed the honest opinions and needs of customers and spread the Z:IN message through participating in eco-friendly product development and marketing and other activities such as mystery shopper. The biggest benefit Z:ENNE offers is the more satisfying products that come from being able to apply customer opinions and needs to product planning, manufacturing and marketing stages. Z:ENNE will continue to represent customers and spread the Z:IN message of putting the eco-friendly interior where people and the nature live together at the top.



#### Eco Campaign

This campaign aims at changing customer's interest into 'real value' resulting in making customer's life better and at offering an opportunity for more people to live in eco-friendly space. In 2012, we held Eco Bazaar, Eco Walking, Eco Family Picture Contest with customers.

- Eco Bazaar : We concluded an agreement with Seoul Design Center, a foundation corporation of Seoul Metropolitan Government. All revenue generated from sales of stuff donated by employees and Z:ENNE were also donated.
- Eco Walking : While walking with customer near Do-bong area of Buckhan Mt. National Park, we protected nature.
- Eco Family Picture Contest : We invited about 1,000 family members who take care of nature and reminded them the significance of eco-friendly value and protection in Seoul Grand Park, Gwacheon. In addition, we held a picture contest of taking family picture.



#### Z:IN Mobile App & Application

We opened Z:IN mobile web(m.z-in.com) to make total interior service including interior trend and product and store information available on smart device for the first time in the industry. This service not only provides the latest interior trend but also makes recommendations for decorative tailored to each space like a living room or a child's room. Easy design lets the customer find desired products easily. In addition, 'Z:IN Sample Book' App released for i-Pad(iOS) offers massive but light and smart sample book to the customers.

#### Z:IN Blog & Facebook

Escaping the limited mode of one-sided communication on the website and moving into the two way communication, we came to perceive customer's values more definitely, and more deeply. We will extend online the products and interior contents accumulated in Z:IN website, moving a step closer to our customers.

##### Z:IN Blog

[http://blog.naver.com/lghausys\\_zin](http://blog.naver.com/lghausys_zin)

##### Z:IN Facebook

<http://www.facebook.com/LGHausys.Zin>

## Shared Growth

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

In November 2008, LG Hausys signed the accompanying growth and subcontract fair trade 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 2012, the company also participated in signing the same type of agreement and puts efforts to achieve mutual prosperity based on strong trustworthiness.

#### 5 Key Tasks for Partnership

|  |   |
|--|---|
|  <b>CEO's Declaration to Practice</b>                       | <ul style="list-style-type: none"> <li>• Install and operate a Partnership Team</li> <li>• Increase visits to the field</li> </ul>  |
|  <b>Increase Financial Support&amp;Improve Payment Term</b> | <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>   |
|  <b>Technical Support to Improve Capabilities</b>           | <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>                                   |
|  <b>Human Resources Development/ Training Support</b>     | <ul style="list-style-type: none"> <li>• Training to strengthen capabilities of partner employees (quality control, manufacturing technology, safety/environment, TPM, etc.)</li> </ul>   |
|  <b>Other Partner Support</b>                             | <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** | LG Hausys has implemented 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. In 2012, we have purchased raw materials amounting to around 500 billion KRW. We will secure mutual prosperity with future program expansions which 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', 'Network Loan' and 'Family Loan', 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 counseling 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. 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.

#### Procurement Regulations

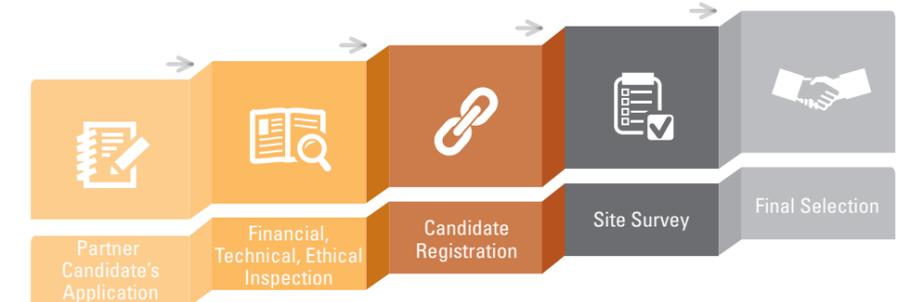


- Partner Selection Guidelines
- Partner Operation Guidelines
- Outsourcing Construction Guidelines
- Purchase Agreement Management
- Procurement System Management

### 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) 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** | LG Hausys 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 CEO and procurement manager visit the partners to listen to their issues, support partner subcommittee activities, share business plans, and conduct 'Jeong-Do' Management training.

#### 2012 Communication with Partners

| Category  | Companies |
|---|-----------|
| CEO's Visits to Partner                         | 5         |
| Procurement Manager's Visits to Partner         | 44        |
| Partner Subcommittee Support(10 times per year) | 78        |

## 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 | 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 wallcovering price-fixing incident in 2011 forced the company to face a penalty of 437 million KRW. 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, cartel prevention education and online and offline training by business team and position are held under the CEO's strong support. We continue to strengthen its fair trade consulting and training.

### Compliance Program Results

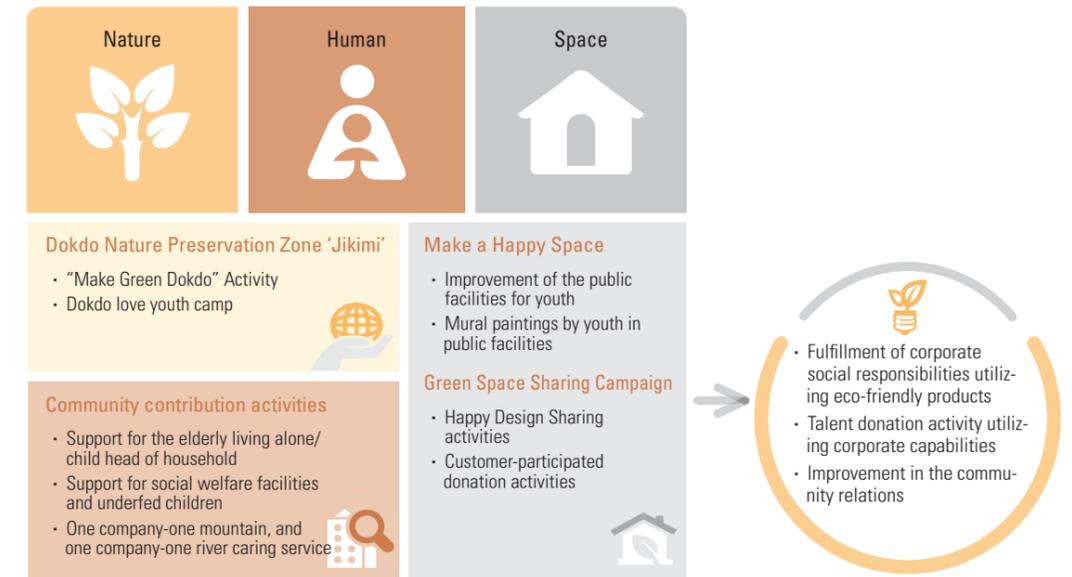
| Year | Results  | Details  |
|------|----------|--|
| 2010 | 11 times | <ul style="list-style-type: none"> <li>Introduced the Compliance Program and Signed fair trade agreement with 9 subsidiaries of LG Group</li> <li>Received an excellent grade</li> </ul>   |
| 2011 | 13 times | <ul style="list-style-type: none"> <li>Cartel training for team leaders</li> <li>Subcontract training for procurement team managers</li> </ul>   |
| 2012 | 18 times | <ul style="list-style-type: none"> <li>CEO's direct training and message to employees for preventing cartel</li> <li>Online/offline Cartel prevention program by business team and position</li> <li>Subcontract training for procurement team managers</li> </ul> |

## Social contribution

With the goal of contributing to the nature, human and space, LG Hausys engages in distinguished social contribution activities unique to LG Hausys with its human and material resources, going beyond employment expansion through production activities and mere donations.

### Social Contribution Activities Promotion System of LG Hausys

Social contribution activities to bring pleasant changes to the nature, human and space



### Community Investment

#### Company-operated Programs

- Dokdo Nature Preservation Zone 'Jikimi'
- "Make a Happy Space"
- Green Space Sharing Campaign

#### Volunteer Work

- Green Mountain Love Program, etc.

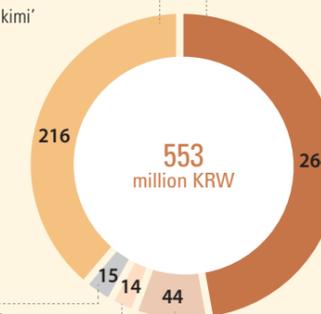
#### In-Kind Donations

#### Sponsorship

- Make Warm Houses Eco-Friendly Space Sharing Campaign
- Exchange Labor in Love
- Social Welfare Facilities
- Local Cultural Events

#### Cash Donations

- Fund donation
- Designated donation



## Dokdo Nature Preservation Zone 'Jikimi'

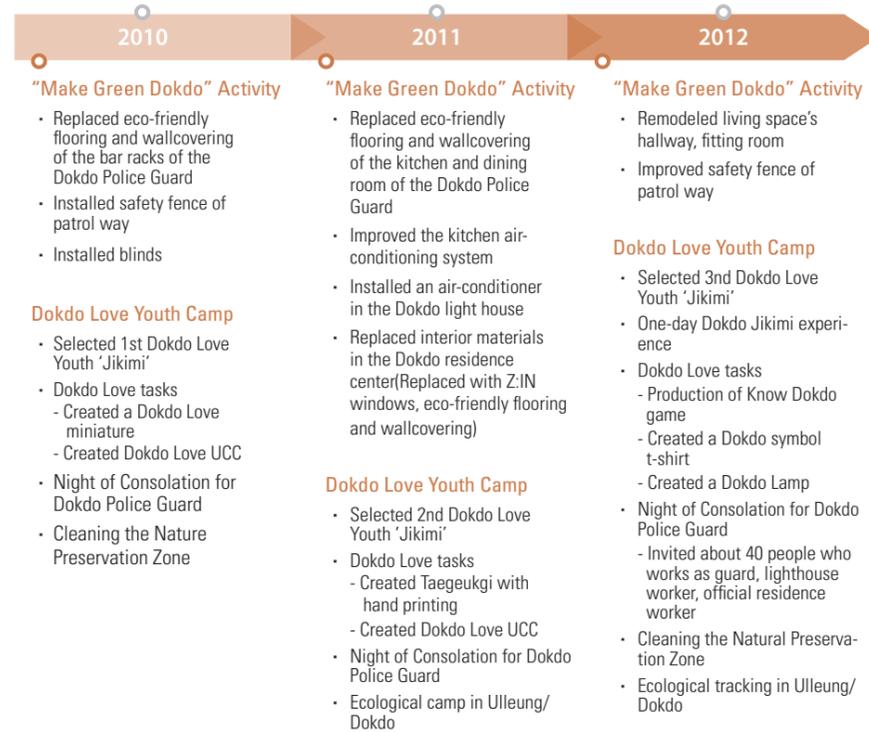
Since 2008, LG Hausys has been in charge of the "Make Green Dokdo" Activity project and the Dokdo Love Youth Camp as a 'Jikimi' of the Dokdo Natural Preservation Zone.

### "Make Green Dokdo" Activity

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. In 2012, the company has remodeled living space's hallway, fitting room and improved safety fence of patrol way with wood polymer composite 'WOOZEN' for Dokdo guards, who are doing difficult jobs in the Dokdo Police Guard and the Dokdo Aids to Navigation Service and Management Office.

### 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 three years, about 60 college students participated in the activities that make the value of Dokdo widely known.



## Make a Happy Space

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

### Make a Happy Space

To support the dreams and hopes of our youth, LG Hausys continues its "Make a Happy Space" project which improves the environment of youth facilities using the company's specialized product/construction/design capabilities.

Since the first Make a Happy Space project, the Holt Ilsan Center(2009), LG Hausys continues to improve youth facilities every year. The Make a Happy Space project replaces eco-friendly flooring and wallcovering of facilities that suffer from deterioration, provides space consulting to make the best/efficient use of space, and paints wall murals, winning positive reception from the youth and the facility owners. Since 2010, Make a Happy Space has been organized in collaboration with the Korea Association of the Community Child Center, improving 27 facilities in two years.

In 2010, pro bono talent donation activities were organized with our customers such as an art class for adolescents living in institutions. In 2012, we shared the pleasure of sharing through activities such as painting a mural with a university volunteer service group. LG Hausys will continue to reach out our hands to the overlooked, for a better and happier world for all.



### 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. Then, we concluded Sharing Agreement Ceremony with foundation corporation Seoul Design Center of Seoul Metropolitan Government, resulting in "Happy Design Sharing" activities to support eco-friendly interior materials and professional interior consulting to 11 less-developed regions and the needy. In addition, the company's employees and prosumer Z:ENNEs participated in a variety of social contribution activities, from donating to selling their collections in Z:IN Bazaar. This drew huge attention from staff of Seoul Design Center and many housewives customers of Z:IN. All of the revenue was donated to the needy in the form of necessary goods.



## Community

LG Hausys is contributing to local community through social activities to help the community's development and environmental protection.

### Local-Centric Social Contribution Activities

The employees of Ulsan plant have voluntarily organized a fund-raising campaign to support senior citizens living alone, child heads of household, the handicapped, and social organizations around worksites, providing them with living expenses, scholarships, and goods. We also made designated donation to the Community Chest of Korea at Ulsan. In collaboration with LG Welfare Foundation, we have been participating in 'Make Warm Houses' project to improve the residential environments for neighbors in need. We also make in-kind donations and our employees participate in volunteer activities through 'Exchange Labor in Love' project.

The employees of Cheongju plant have also organized a fund-raising campaign to support Green Umbrella Child Fund, Edenwon, and Kkottongnae. At the same time, they have been participating in cleaning activities at Geum River and Gageong-cheon, efforts led by company clubs. In addition, the Cheongju plant has been actively organizing employee-participatory volunteer activities for underprivileged people including senior citizens living alone and child heads of household such as sharing Kimchi, briquette support, and Science Hall visits.

### Environmental Protection Activities

LG Hausys Ulsan plant has created green hills in the premises, planting indicator species to observe closely the impact of its activities on the surroundings. The key environmental facilities at the plant such as air protection facilities and water cleaning facilities are open to local residents and students as environmental education sites in an effort to raise awareness of the importance of the environment. As part of the monthly One Company One Mountain One River campaign, Ulsan plant is continuing its cleaning activities at nearby Daeun Mountain. It also has been engaging in protection activities in close collaboration with Clean Ulsan Team(under Ulsan City Hall). As part of the effort to protect biodiversity, the Ulsan plant voluntarily conducts water quality testing in collaboration with governmental agencies to protect water quality of Hoya River located near the premises. The water quality inspection is conducted for 6 items at 13 locations from Hoya Dam in the upstream to Ganggu Naru in the downstream.

Cheongju plant signed an MOU for Save the Miho River Campaign with the Guem River Basin Environmental Office to conduct the nature purification activities and to plant aquatic plants. It also made business agreement for Green Start Campaign with Guem River Basin Environmental Office to reduce the greenhouse gas emission. In addition, Cheongju plant devotes sustained efforts to nature cleaning activities in the nearby areas through participating in Korean Cultural Heritage Keeper campaign and Green Mountain Love Program.



## Appendix

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## Summary of the Data

### Financial Information

Profit and Loss Statement (Unit : million KRW)

| Items                                       | 2010      | 2011      | 2012      |
|---|-----------|-----------|-----------|
| Sales                                       | 2,242,065 | 2,445,414 | 2,451,083 |
| Cost of Sales                               | 1,789,938 | 1,958,792 | 1,923,078 |
| Gross Profit                                | 452,127   | 486,622   | 528,005   |
| Selling and Admin. Expenses                 | 389,056   | 415,443   | 471,370   |
| Operating Income                            | 63,071    | 71,179    | 56,635    |
| Non-operating Profit and Loss               | △7,194    | △7,779    | △4,238    |
| Continuing Business Profit Before Tax       | 55,877    | 63,400    | 52,397    |
| Corporate Tax                               | 14,209    | 12,973    | 13,505    |
| Profit and Loss from Discontinued Operation | △1,611    | △4,116    | △10,369   |
| Net Income for the Year                     | 40,057    | 46,311    | 28,523    |

Balance Sheet (Unit : million KRW)

| Items                                      | 2010      | 2011      | 2012      |
|--|-----------|-----------|-----------|
| Current Assets                             | 809,337   | 1,105,148 | 900,198   |
| Notes and Accounts Receivable              | 362,858   | 437,931   | 418,164   |
| Inventories                                | 147,922   | 207,274   | 195,801   |
| Non-current Assets                         | 709,259   | 815,812   | 873,510   |
| Tangible Assets                            | 635,898   | 725,034   | 744,609   |
| Asset Held for Sale                        | 1,097     | 21,521    | 4,326     |
| Total Assets                               | 1,519,693 | 1,942,481 | 1,778,034 |
| Current Liabilities                        | 596,192   | 893,084   | 673,687   |
| Non-current Liabilities                    | 227,586   | 327,123   | 377,827   |
| Total Liabilities                          | 823,778   | 1,220,207 | 1,051,514 |
| Controlling Interest                       | 688,288   | 721,464   | 720,999   |
| Paid-in Capital                            | 50,000    | 50,000    | 50,000    |
| Capital Surplus                            | 618,183   | 618,187   | 618,208   |
| Other Capital Items                        | △8,189    | △8,189    | △8,189    |
| Aggregate of Other Universal Profit / Loss | △15,992   | △10,909   | △18,808   |
| Retained Earnings                          | 44,286    | 72,375    | 79,788    |
| Non-controlling Interest                   | 7,627     | 810       | 5,521     |
| Total Equity                               | 695,915   | 722,274   | 726,520   |
| Total Equity and Liabilities               | 1,519,693 | 1,942,481 | 1,778,034 |

- △ indicates a negative (-) value

### Environmental Information

The Amount of Raw Materials Used (Unit : ton)

|                   | 2010    | 2011    | 2012    |
|-------------------|---------|---------|---------|
| PVC               | 134,781 | 135,236 | 120,260 |
| Calcium Carbonate | 79,113  | 76,673  | 69,197  |
| Plasticizer       | 36,628  | 36,891  | 31,343  |
| MMA               | 11,364  | 12,793  | 11,924  |
| Total             | 261,887 | 261,593 | 232,724 |

Energy Consumption (Unit : TJ)

|                             | 2010    | 2011    | 2012    |
|-----------------------------|---------|---------|---------|
| Direct Energy Consumption   | 996.3   | 1,017.8 | 965.3   |
| LNG                         | 956.2   | 980.7   | 930.0   |
| Diesel                      | 19.4    | 16.6    | 16.2    |
| Gasoline                    | 0.6     | 0.7     | 0.6     |
| Others                      | 20.1    | 19.8    | 18.6    |
| Indirect Energy Consumption | 1,845.1 | 1,885.5 | 1,719.7 |
| Electricity                 | 1,561.4 | 1,610.6 | 1,527.6 |
| Steam                       | 283.7   | 274.8   | 192.2   |

Environmental Data for Each Complex

|                                   | Unit             | Cheongju           |         |         | Ulsan   |         |         |        |
|-----------------------------------|------------------|--------------------|---------|---------|---------|---------|---------|--------|
|                                   |                  | 2010               | 2011    | 2012    | 2010    | 2011    | 2012    |        |
| Energy Consumption                | Direct Energy    | TJ                 | 57      | 51      | 40      | 939     | 967     | 926    |
|                                   | Indirect Energy  | TJ                 | 791     | 841     | 696     | 1,054   | 1,045   | 1,023  |
|                                   | Total            | TJ                 | 849     | 892     | 736     | 1,993   | 2,012   | 1,949  |
| Water Consumption                 | ton              | 217,855            | 241,821 | 110,271 | 493,607 | 557,649 | 564,435 |        |
| Green-house Gas Emission          | Scope1           | tCO <sub>2</sub> e | 2,968   | 2,612   | 2,040   | 48,519  | 49,896  | 47,676 |
|                                   | Scope2           | tCO <sub>2</sub> e | 38,506  | 37,635  | 30,210  | 54,599  | 54,115  | 49,703 |
|                                   | Total            | tCO <sub>2</sub> e | 41,474  | 40,247  | 32,250  | 103,118 | 104,024 | 97,379 |
| Discharge Volume of Air Pollutant | NO <sub>x</sub>  | ton                | 0.78    | 0.78    | 1.28    | 63.87   | *79.00  | 61.63  |
|                                   | Dust             | ton                | 11.12   | 9.35    | 7.92    | 18.27   | 18.15   | 16.46  |
| Discharge Volume of Waste Water   | Waste Water      | m <sup>3</sup>     | 1,731   | 1,216   | 1,313   | 45,528  | *53,849 | 51,664 |
|                                   | BOD              | ton                | 0.012   | 0.013   | 0.009   | 0.253   | *0.200  | 0.083  |
|                                   | COD              | ton                | 0.016   | 0.011   | 0.011   | 1.405   | *1.570  | 1.653  |
|                                   | SS               | ton                | 0.025   | 0.019   | 0.028   | 0.339   | *0.392  | 0.300  |
| Discharge Volume of Waste         | General Waste    | ton                | 15,215  | 15,644  | 11,604  | 17,292  | 15,270  | 17,618 |
|                                   | Designated Waste | ton                | 439     | 329     | 308     | *918    | 677     | 645    |
|                                   | Recycling        | ton                | 13,802  | 14,651  | 10,530  | 15,866  | 14,032  | 16,245 |
|                                   | Recycling Rate   | %                  | 88.2    | 91.7    | 88.4    | *87.1   | 88.0    | 88.9   |

## 3<sup>rd</sup> Party Assurance Statement

### Introduction

Det Norske Veritas Certification Ltd.(hereinafter referred to as 'DNV') was commissioned to carry out assurance engagement on LG Hausys Corporation(hereinafter referred to as 'LG Hausys') Sustainability Report 2013(hereinafter referred to as 'the Report'). This engagement focused on the information provided in the Report and the underlying management and reporting processes. LG Hausys is responsible for the collection, analysis, aggregation and presentation of all information within the Report. DNV's responsibility in performing the work commissioned is solely to the management of LG Hausys, in accordance with terms of reference and scope of work agreed. The assurance engagement is based on the assumption that the data and information provided to us is complete, sufficient and authentic. LG Hausys' stakeholders are the intended recipients of the assurance statement.

### Scope of Assurance

This Assurance Engagement covered data from the calendar year 2012. LG Hausys' reporting boundaries include all operations in Korea over which LG Hausys' management exercises significant control. (Financial data includes the performance from international operations as well.) The scope of DNV's Assurance Engagement, as agreed with LG Hausys included the verification of:

- Data and activities related to sustainability that refer to the period between January 2012 and December 2012 as contained in the Report.
- Evaluation of the reporting principles for defining the sustainability report content and the quality as expressed in the Sustainability Reporting Guidelines GRI G3.1.
- Evaluation of Accountability Principles and Performance Information(Type 1) with a moderate level of assurance, according to AA1000 Accountability Principles Standard 2008 and AA1000 Assurance Standard 2008.
- Check of GRI Application Level.
- Our verification was carried out in March and April 2013. We visited the LG Hausys Head office, Ulsan plant and Cheongju plant.

### Limitations

The engagement excluded the sustainability management, performance and reporting practices of LG Hausys' suppliers, contractors and any third-parties mentioned in the Report. DNV did not interview external stakeholders as part of this Assurance Engagement. Economic performances including financial data were cross-checked at head-office with internal documents and the audited financial statements.

### Verification Methodology

This Assurance Engagement was planned and carried out in accordance with the DNV Verification Protocol for Sustainability Reporting(V.4.1) (www.dnv.com/cr) and AA1000AS(2008). In accordance with the Protocol, the Report was evaluated with regard to the following criteria:

- Adherence to the principles of Inclusivity, Materiality and Responsiveness, as set forth in the AA1000AS(2008)
- The GRI G3.1, specifically with respect to all the requirements for the 'A+' application level

As part of the verification we challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls.

We examined and reviewed documents, data and other information made available to DNV by LG Hausys. We acquired the information and technical data from the certified management systems. We performed sample-based audits of;

- The process for determining the materiality of the contents to be included in the Report;
- The process for generating, gathering and managing the quantitative and qualitative data included in the Report.

We interviewed a group of 10 people within the company who are involved in the operational management of matters covered in the Report.

### Conclusions

In DNV's opinion, and based on the scope of this Assurance Engagement, the Report provides a reliable and fair representation of LG Hausys' sustainability strategy, policy, practices and performance in 2012. DNV confirms that the Report meets GRI G3.1 Application level 'A+'. Further conclusions and observations on the adoption of reporting principles and specific performance information are made below;

**Inclusivity** | LG Hausys has engaged with a wide range of stakeholders regarding sustainability issues via survey and interview. The stakeholder engagement covers a wide range of stakeholders. Town hall meeting, performance sharing meeting and interactive websites are well utilized for stakeholder engagement. Stakeholder engagement process and survey result are disclosed in detail in the Report. 5 Stakeholder groups which are Supplier, Customer, Shareholder and Investor, Employees, local community are identified with the reason of being selected and the communication processes for respective groups in the Report. Respective business units identify the interest of stakeholders by engaging them with various ways. LG Hausys needs to expand the engagement in overseas stakeholders and identify their expectations and concerns which should be integrated into the sustainable management strategy. In our view, the level at which the Report adheres to the principle of Inclusivity is 'Good'.

**Responsiveness** | Stakeholders' views, interests and expectations sought from the survey are considered in the preparation of the Report and in the formulation of LG Hausys' sustainability management approach. Comparatively less mature systems are in place. LG Hausys needs to establish more effective system responding to respective material issues with objectives and monitoring and measuring of performance so that progress of sustainability management can be presented to the stakeholders. In our view, the level at which the Report adheres to the principle of Responsiveness is 'Acceptable'.

**Materiality** | External significant issues are identified by analysing peer group report and global sustainability standards. Analysis of survey from internal stakeholders and management issue are the basis of the internal significant issues. LG Hausys has mapped out and prioritize sustainability issues most significant. The output of the process clearly brings out material issues encompassing short, medium and long term impacts. The Report generally provides an account of performance on the issues that are most significant to LG Hausys' activities and which are most relevant to its stakeholders. It is recommended to report more details in the material issues determined in the future report. In our view, the level at which the Report adheres to the principle of Materiality is 'Good'.

**Completeness** | The scope and boundary of the Report cover the issues and activities that are of most significance to LG Hausys and relevance to its stakeholders. No material omissions were identified in data or information verified. The Report provides limited coverage of the organization. More efforts to improve reporting on the performance from all business operations including international business need to be made. In our view, the level at which the Report adheres to the principle of Completeness is 'Acceptable'.

**Principle of report quality** | Data and information presented in the report are generally reliable. Presentation through graphics and charts for the purpose of comparison is adequate. However, internal assessment of data management and data checks need to be implemented. The Report is referred to GRI G3.1 for preparation. Information in the Report is presented in a way to company year-on-year performance. The control of the data and information about the sustainability performance should be improved. Some data in the report are found inconsistent with the source data during the verification and subsequently corrected. The tone in the Report is relatively neutral. However more proactive actions need to be taken against stakeholders' negative views on its performance and disclosure of factual information needs to be provided if considered material. In our view, the level at which the Report adheres to the principle of Neutrality and Reliability are 'Acceptable'.

### Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported to LG Hausys' management. However, these do not affect our conclusions on the Report and are provided to encourage continual improvement.

- It is recommended to develop a documented procedure to create, aggregate, process the data for reporting.
- LG Hausys should establish mid-term and long-term sustainability goals to enhance future measurement and reporting of performance.

### Statement of Competence and Independence

DNV is a leading provider of sustainability services, including the verification of sustainability reports. Our environmental and social assurance specialists operate in over 100 countries. DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV maintains complete impartiality toward stakeholders interviewed during the verification process. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Seoul, Korea  
April 2013

 Seung Hyun Kwak  
Lead Verifier

 In Kyoon Ahn  
Country Manager

 Antonio Astone  
Assurance Engagement Reviewer  
Global Responsible for Sustainability Services



# GRI G3.1 Index

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

| Performance Index  | GRI Indicators  | ISO 26000 | Reporting Level   | Page        |
|--|---|-----------|-------------------|-------------|
| <b>Profile Indication</b>  |   |           |                   |             |
| 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.   | 6.2       | ●                 | 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, 64     |
|  | 2.9 Significant changes during the reporting period regarding size, structure, or ownership.  |           | ●                 | 16-17       |
| Report Parameter   | 2.1 Awards received in the reporting period.  |           | ●                 | 72          |
|  | 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.  |           | ●                 | 18-21       |
|  | 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).  |           | ●                 | Inner Cover |
|  | 3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.  |           | ●                 | Inner Cover |
|  | 3.12 Table identifying the location of the Standard Disclosures in the report.  |           | ●                 | 68-71       |
| 3.13 Policy and current practice with regard to seeking external assurance for the report. | 7.5.3   | ●         | Inner Cover 66-67 |             |
| 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. 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. | 6.2       | ●                 | 8-9, 14-15  |
|  | 4.9 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.   |           | ●                 | 16-17       |
|  | 4.10 Explanation of whether and how the precautionary approach or principle is addressed by the organization.   |           | ●                 | 16-17       |
|  | 4.11 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.  |           | ●                 | 28          |
|  | 4.12 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.   |           | ●                 | 72          |

| Performance Index                       | GRI Indicators  | ISO 26000                       | Reporting Level | Page       |
|---|---|---------------------------------|-----------------|------------|
| Governance, Commitments, and Engagement | 4.13 List of stakeholder groups engaged by the organization.  |                                 | ●               | 72         |
|   | 4.14 Basis for identification and selection of stakeholders with whom to engage.  |                                 | ●               | 18         |
|   | 4.15 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.  |                                 | ●               | 18         |
|   | 4.16 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         |
|   | 4.17 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.                                       |                                 | ●               | 18         |
| <b>Economic</b>                         | <b>Disclosure on Management Approach</b>  | <b>6.8, 6.8.3, 6.8.7, 6.8.9</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. | 6.5.5                           | ●               | 29         |
|   | EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change.   |                                 | ●               | 36-37      |
|   | EC3 Coverage of the organization's defined benefit plan obligations.  |                                 | ●               | 47         |
|   | EC4 Significant financial assistance received from government.  |                                 | ●               | None       |
| 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                      | ●               | 45         |
|   | 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        | ●               | 29         |
|   | 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               | ●               | 44         |
| 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, 6.8.3-9             | ●               | 29, 59     |
|   | EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts.  |                                 | ●               | 29         |
| <b>Environment</b>                      | <b>Disclosure on Management Approach</b>  | <b>6.2, 6.5</b>                 |                 | <b>31</b>  |
| Materials                               | EN1 Materials used by weight or volume.   |                                 | ●               | 40, 65     |
|   | EN2 Percentage of materials used that are recycled input materials.   |                                 | ●               | 39-41      |
| Energy                                  | EN3 Direct energy consumption by primary energy source.   |                                 | ●               | 40, 65     |
|   | EN4 Indirect energy consumption by primary source.  |                                 | ●               | 40, 65     |
|   | EN5 Energy saved due to conservation and efficiency improvements.   | 6.5, 6.5.4                      | ●               | 40, 65     |
|   | EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.  |                                 | ●               | 32-37      |
| Water                                   | EN7 Initiatives to reduce indirect energy consumption and reductions achieved.  |                                 | N/A             | -          |
|   | EN8 Total water withdrawal by source.   |                                 | ●               | 40, 65     |
|   | 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.  |                                 | ●               | 40, 61     |
|   | 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.  |                                 | ●               | 36, 41, 65 |
|   | EN17 Other relevant indirect greenhouse gas emissions by weight.  | 6.5, 6.5.5                      | ●               | 37         |
|   | EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved.  |                                 | ●               | 36-37      |
|   | EN19 Emissions of ozone-depleting substances by weight.   | 6.5, 6.5.3                      | ●               | 41         |
|   | EN20 NOx, SOx, and other significant air emissions by type and weight.  |                                 | ●               | 39, 41, 65 |
|   | EN21 Total water discharge by quality and destination.  |                                 | ●               | 39, 41, 65 |
|   | EN22 Total weight of waste by type and disposal method.   |                                 | ●               | 39, 41, 65 |
|   | EN23 Total number and volume of significant spills.   |                                 | ●               | None       |
|   | 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.   |                                 | ●               | 40         |

# GRI G3.1 Index

| Performance Index                                | GRI Indicators                           | ISO 26000  | Reporting Level | page      |
|--|--|--|-----------------|-----------|
| Products and Service                             | EN26                                     | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.   | ●               | 33-35     |
|  | EN27                                     | Percentage of products sold and their packaging materials that are reclaimed by category.  | ⦿               | 39, 41    |
| Compliance                                       | EN28                                     | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.   | ●               | None      |
| 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.  | ●               | 37        |
| Overall  | EN30                                     | Total environmental protection expenditures and investments by type.   | ●               | 40, 65    |
| <b>Labor</b>                                     | <b>Disclosure on Management Approach</b> | <b>6.2, 6.3.10, 6.4</b>  |                 | <b>43</b> |
| Employment                                       | LA1                                      | Status of workforce by employment type, employment contract and region.  | ●               | 44        |
|  | LA2                                      | Total number and ratio of new employee hires and employee turnover by age group, gender, and region.   | ⦿               | 44        |
|  | LA3                                      | Benefits provided to full-time employees that are not provided to temporary or part-time employee, by major operations.  | ●               | 47        |
| Labor/ Management Relations                      | LA4                                      | Percentage of employees covered by collective bargaining agreements.   | ●               | 50        |
|  | LA5                                      | Minimum notice period(s) regarding significant operation changes, including whether it is specified in collective agreements.  | ●               | 50        |
| 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.                                  | ●               | 48        |
|  | LA7                                      | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.   | ⦿               | 48        |
|  | LA8                                      | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.                                      | ●               | 48        |
|  | LA9                                      | Health and safety topics covered in formal agreements with trade unions.   | ●               | 48        |
| Training and Education                           | LA10                                     | Average hours of training per year per employee and by employee category.  | ⦿               | 46        |
|  | LA11                                     | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.   | ○               | -         |
|  | LA12                                     | Percentage of employees receiving regular performance and career development reviews.  | ●               | 47        |
| 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.                                    | ●               | 16, 44    |
|  | LA14                                     | Ratio of basic salary and remuneration of women to men by employee category.   | ⦿               | 45        |
| Employment                                       | LA 15                                    | 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>43</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.                            | ●               | 100%      |
|  | HR2                                      | Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.  | ●               | 56        |
|  | 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.                                     | ●               | 15, 57    |
| Non-discrimination                               | HR4                                      | Total number of incidents of discrimination and corrective actions taken.  | ●               | None      |
| 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. | ●               | 50        |
| 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.                               | ●               | 50        |
| 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.  | ●               | 50        |
| 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.  | N/A             | -         |
| Indigenous rights                                | HR9                                      | Total number of incidents of violations involving rights of indigenous people and actions taken.   | ●               | None      |
| 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     |

| Performance Index   | Performance Index                        | ISO 26000  | Reporting Level | Page      |
|---|--|--|-----------------|-----------|
| <b>Society</b>  | <b>Disclosure on Management Approach</b> | <b>6.2, 6.6, 6.8</b>   |                 | <b>43</b> |
| Local communities   | S01                                      | Percentage of operations with implemented local community engagement, impact assessments, and development programs.  | ●               | 59-62     |
|   | S02                                      | Percentage and total number of business units analyzed for risks related to corruption.  | ⦿               | 14-15     |
| Corruption  | S03                                      | Percentage of employees trained in organization's anti-corruption policies and procedures.   | ●               | 14-15     |
|   | S04                                      | Actions taken in response to incidents of corruption.  | ●               | 14-15     |
| Public policy   | S05                                      | Public policy positions and participation in public policy development and lobbying.   | N/A             | -         |
|   | S06                                      | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.   | N/A             | -         |
| Anti-competitive behavior                                   | S07                                      | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.  | ●               | 57        |
| Compliance  | S08                                      | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.   | ●               | 57        |
| Local communities   | S09                                      | Operations with significant potential or actual negative impacts on local communities.   | ●               | 59-62     |
|   | S010                                     | Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.   | ●               | 59-62     |
| <b>Product Responsibility</b>                               | <b>Disclosure on Management Approach</b> | <b>6.2, 6.6, 6.7</b>   |                 | <b>43</b> |
| Customer health and safety<br>Product and service labelling | 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. | ●               | 53        |
|   | 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.           | ●               | None      |
| Marketing communications<br>Customer privacy                | PR3                                      | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.  | ●               | 33, 53    |
|   | PR4                                      | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.   | ●               | 52        |
|   | PR5                                      | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.  | ●               | 54-55     |
| Customer health and safety<br>Product and service labeling  | PR6                                      | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.   | ●               | 52-55     |
|   | 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.           | ●               | None      |
| Marketing communications                                    | PR8                                      | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.   | ●               | 54        |
| Customer privacy  | PR9                                      | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.  | ●               | None      |

## GRI G3.1 Applied Level of GRI G3.1 Guidelines

2012 LG Hausys Sustainability Report satisfied all 'A+' level requirements of the GRI G3.1 Guidelines Reporting Level. In addition, the appropriateness of the application of the 'A+' level of G3.1 Guideline Application Level to this Report has been confirmed by a third-party verification agency.

|                      |  | C      | C+  | B   | B+   | A   | A+   |
|----------------------|--|--------|---|---|--|---|--|
| Standard Disclosures | G3.1 Profile Disclosures   | Output | Report on :<br>1.1, 2.1-2.10, 3.1-3.8, 3.10<br>-3.12, 4.1-4.4, 4.14-4.15  | Report on all criteria listed for Level C plus :<br>1.2, 3.9, 3.13, 4.5-4.13, 4.16-4.17 | Same as requirement for Level B  |   |  |
|                      | G3.1 Disclosure on Management Approach                                 | Output | Not Required  | Management Approach Disclosures for each Indicator Category                             | Report Externally Assured  | Management Approach disclosed for each Indicator Category | Report Externally Assured  |
|                      | G3.1 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 Externally Assured   | Report fully on a minimum of any 20 Performance Indicators, at least one from each of : economic, environment human rights, labor, society, product responsibility | Report Externally Assured                                 | 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 |

# Awards and Memberships

## Awards

| Awards                           | Categories  | Agency   |
|----------------------------------|---|--|
| 2012 Korean Marketing Grand Prix | Grand Prix in Eco-Friendliness Division   | The Seoul economic daily                       |
| CDP (Carbon Disclosure Project)  | Carbon Management Special Awards  | CDP Korea                                      |
| JEC Composites Europe            | Technology Innovation Award<br>LFT-D(Long Fiber-reinforced Thermo-plastics by Direct compounding) Process | JEC Group                                      |
| Web Award Korea                  | Grand Prix in Mobile Brand Division   | KIPFA(Korea Internet Professional Association) |
|                                  | Grand Prix in Contents Innovation Division  |  |
| Smart App Award 2012             | Grand Prix in All Product Brand Divisions   |  |
|                                  | Grand Prix in Customer Service Division   |  |

| 2012 International Design Awards | Remarks                    |
|----------------------------------|----------------------------|
| <b>iF Design Award</b>           |                            |
| Z:IN Window Handle               |                            |
| Plus Alpha Window                | Windows                    |
| All Around Window                |                            |
| Dual Balcony Block               |                            |
| Zea Wallcovering                 | Wall decorative materials  |
| Pure Eco Light                   |                            |
| Soundproof Hexagon               |                            |
| Eco-Pulp HI-MACS                 | Acrylic solid surface      |
| Art 500-Metal Alchemist          | High performance materials |
| Reversed Hole                    | Design Center              |
| Idees                            |                            |
| <b>Red Dot Design Award</b>      |                            |
| The Blossom Window               |                            |
| Healthcare Window                | Windows                    |
| Z:IN Window Handle               |                            |
| <b>IDEA Design Award</b>         |                            |
| SUS Film                         | High performance materials |

## Memberships

|   |  |  |
|---|--|--|
| Green Company Council                     | Korean Association of Occupational Health Nurses | Korean Industrial Health Association         |
| Korea Industrial Safety Association       | Korea Chamber of Commerce and Industry           | The Federation of Korean Industries          |
| Korea Air Cleaning Association            | Korea Fair Competition Federation                | Korea International Trade Association        |
| Korea Vinyl Environmental Council         | Korea Listed Companies Association               | Korea Fire Safety Association                |
| Korea Public Relations Association        | Korea Fire Protection Association                | Korea Chemicals Management Association       |
| Korea Environmental Engineers Association | Korea Environmental Preservation Association     | Korea Sustainability Investing Forum (KoSIF) |

### | Overall Management |

Lee Dong-joo, Chung Sung-won, Shin Hey-won

### | LG Hausys Sustainability |

Han Min-soo, Lee Dong-hyuk, Hur Ji-young, Lee Won-ho, Seo Jae-won, Noh Tae-wan, Lee Ji-min, Jung Myeong-gyo

### | Harmony with Space |

Yoon Young-ju, Lee Sung-gyu, Son Seung-yop, Ahn Pil-joon

### | Harmony with Nature |

Lee Seung-hwan, Ahn Myeong-ki, Min Soo-hong

### | Harmony with Human |

Kang Kyoung-hak, Baek Kyoung-ryul, Lee Kwang-bon, Lee Joon-wook, Lee Eung-hyuk, Yoon Tae-young, Chong In-jae, Han Hyun-soo, Shin Young-jun, Song Eun-young

### | Design |

Song Hye-jeong, HNE Communications Lee Hyeong-Seok, Kwon Sang-Hee



MIX Paper from responsible source FSC®ACC-C32



This report was printed with soy-based ink on eco-friendly paper using non-chlorine bleached pulp(ECF).



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