Nature, Human And Space

LX Hausys ESG Report 2024



LX Hausys

ABOUT THIS REPORT

Report Summary

Since 2012, LX Hausys has been annually publishing a sustainability report that outlines the company's sustainability management activities and performance to facilitate stakeholder communications. From 2023, the report has been renamed as the ESG Report.

The ESG report presents LX Hausys's ESG vision, strategic framework, and core ESG performance and data on six key material elements derived from a double materiality assessment.

Report Preparation and Verification Standard

This report has been prepared in accordance with the Global Reporting Initiative(GRI) Standards 2021, the international guidelines for sustainability reporting. The financial information is based on consolidated financial statements with reference to the Korean International Financial Reporting Standards(K-IFRS).

To ensure reliability, LX Hausys has obtained independent assurance from BSI. The independent assurance statement is featured on pages 91 and 92 of this report.

Scope and Period of Report

This report covers LX Hausys's ESG management activities and performance from January 1, 2023, to December 31, 2023, focusing on the headquarters and major domestic business sites, with some data from major overseas subsidiaries (e.g., North America, China). For quantitative data, the report includes the data for the past three years to identify trends, and for some core performance metrics, it includes the data up to the first half of 2024. Footnotes provide additional descriptions of data consolidation.

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Interactive PDF User Guide

LX Hausys ESG Report 2024 is published as an interactive PDF for enhanced readability.
The hyperlinked text and icons will lead to relevant sections of the report, associated webpages, etc

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CEO Message



Greetings to all our valued stakeholders

We want to thank our stakeholders who have shown their unwavering support and interest despite domestic and international challenges, which have included global economic uncertainty and construction downturn.

2024 has been a wildly unpredictable year. The world has been facing a complex crisis in which major risks are occurring simultaneously, such as political turmoil from the Israel-Hamas War in Gaza and the Russia-Ukraine War, interest rate fluctuations, a sluggish recovery in China, and the construction downturn. To endure these challenges, we at LX Hausys are strengthening our B2C business areas to more effectively appeal to our customers and ensure excellent product quality—the improvement of our energy efficiency and the provision of products made of eco-friendly materials. This approach helps us to remain competitive and drive sustainable growth.

In 2023, we established our ESG management strategy and have been practicing management activities toward eco-friendliness, sharing value with stakeholders, and good governance based on this. Through these efforts, we achieved remarkable outcomes across each ESG area.
We formulated new biodiversity conservation regulations for local ecosystems to enhance our environmental management policy and received the Green Product of the Year award from the Korea Green Purchasing Network for our PF insulation materials, windows, and wall coverings. We conducted independent assessments on our suppliers and provided ESG reports for each one to help them to practice sustainable business operations with us. Through these efforts, we've provided differentiated customer value through competitive products and excellent construction and service capabilities, demonstrated that we are consistently working to develop sustainable products with environmental and social values closely tuned to our customers' daily lives in step with the transition to a zero-carbon society.

We at LX Hausys have also established a 2050 Carbon Neutrality Roadmap and mid- to long-term strategies in line with the global carbon neutrality declaration after the Paris Agreement, and are carrying out activities to reduce GHG emissions accordingly. We will continue to focus on sustainable management, including the development of a resource recycling system, leadership in the supply chains, and improvements toward realizing a zero carbon world. To this end, we will join the global efforts to fight against climate change and achieve sustainable growth.

We look forward to your continued interest and support in our innovation for customers and ESG for the future.

Thank you.

Han, Myeung ho

CEO, LX Hausys **Han MyeungHo**

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Company Overview

General Overview

LX Hausys Overview

LX Hausys produces and sells construction and decorative materials, industrial films, and automotive materials and parts. Our main products include construction and decorative materials such as windows, flooring, wall coverings, insulation materials, solid surface stones or engineered stones, kitchen. We also offer industrial films such as home appliance and furniture surface finishes, as well as automotive fabrics and parts.

Company name	LX Hausys Co., Ltd.
Date of establishment	April 02, 2009
Chief Executive Officer	Han MyeongHo
Address	98 Huam-ro, Jung-gu, Seoul
Number of Employees	2,886 staff in Korea; 830 staff overseas (As of the end of 2023)

Global Network

In addition to our headquarters and manufacturing plants in Korea, LX Hausys operates seven overseas sales corporations, three overseas manufacturing sites, and one overseas branch office, primarily in the United States, China, and Europe.

Sales corporations	U.S.(Atlanta), Canada(Toronto), Mexico(Monterrey), China(Wuxi), India(New Delhi), Russia(Moscow), Europe(Frankfurt)
Manufacturing corporations	U.S.(Atlanta), China(Wuxi, Tianjin)
Branch	Japan(Tokyo)

- a Headquarters: Planning/management, sales, etc.
- b R&D and Design Center: Product R&D, design development
- c Cheonan/Uiwang Distribution Center: Integrated distribution center
- d Cheongju Plant: Insulation materials, flooring materials, solid surface stones, etc.
- e Ulsan Plant: Flooring materials, automotive artificial leather and lightweight parts, industrial films, etc.





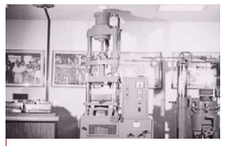
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Business Overview

History



1947
- Founded LuckyChemical Co., Ltd.

1952
- Produced the first synthetic resin molded products in Korea

1957
- Produced the first vinyl floor covering in Korea

1969
- Produced the first commercial PVC tiles in Korea
- Produced vinyl wall coverings

1974
- 'Changed company name to 'Lucky Co., Ltd.'

1976
- Produced the first PVC windows
- Produced various internal automotive sheet products in Korea

1984
- Produced automotive plastic parts

1985
- Developed the first flame-retardant foam wall coverings in Korea

1988
- Developed Deco Sheets, the Furniture Surface Decoration



1990
- Completed the construction of the Ulsan Plant(automotive parts factory)

1994
- Produced indoor and outdoor advertising signs and advanced advertising materials

1995
- Changed company name to LG Chem Co., Ltd.
- Produced HIMACS cultured marble





2001
- Split into LGCI, LG Chem, LG Household & Health Care

2005
- Completed the construction of a cultured marble factory in the U.S.

2006
- Launched Z:IN, the premium interior design product brand

2009
- Launched LX Hausys

2010
- Produced ZEA flooring with plant-derived ingredient(PLA)
- Acquired a certificate of carbon footprints for first time in the construction materials field

1996
- Incorporated a manufacturing corporation in Tianjin, China

LX하우시스
LX Hausys

2011
- Completed the construction of an engineered stone factory in the U.S.



2013
- Completed the construction of an insulation materials plant

2014
- Obtained the Product Class 1 of the OEKO-TEX certificate for ZEA wall coverings for the first time in the global construction material field

2015
- Completed the construction of the Wuxi plant in China
- Included in DJSI Korea Index for the first time

2016
- Completed the construction of an automotive artificial leather materials plant in the U.S.

2018
- Acquired the Environmental Product Declaration(EPD) for the first time in the industry for insulation materials, flooring materials, wall coverings, etc.
- All national Z:IN Squares certified as "Green Store" by the Ministry of Environment for the first time in the industry

2021
- Changed the company name to LX Hausys
- Opened LX Z:IN Interior Academy

2022
- Established the ESG committee, the deliberative body for ESG management

2023
- Established a Mexico sales corporation
- Announced the ESG management vision

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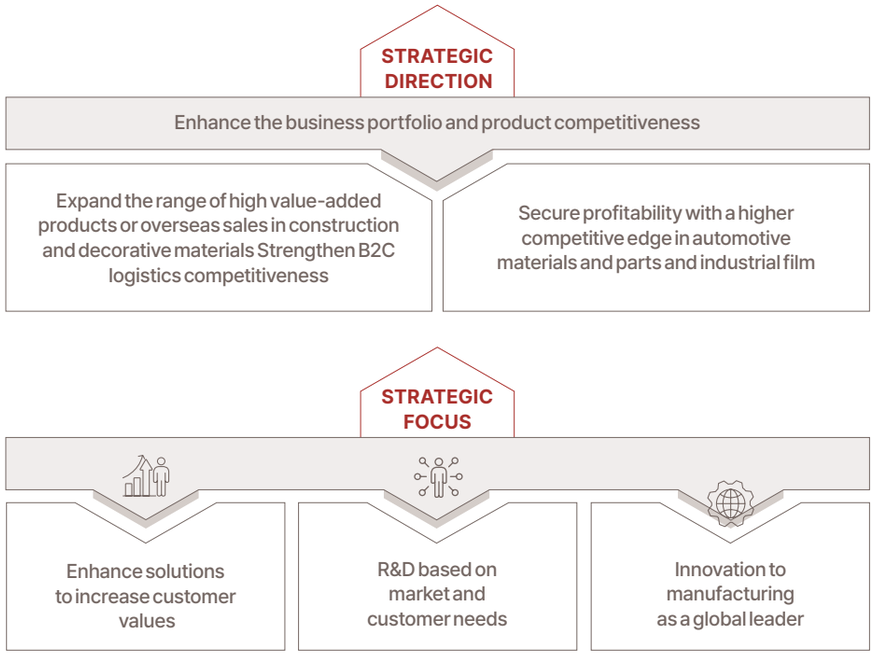
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Management Strategy and Achievement

Management Strategy

LX Hausys operates our business activities under our strategic direction aimed to "Enhance the business portfolio and product competitiveness." In consideration of the sluggish domestic market for construction and decorative materials, we are improving showroom operation efficiency and online-based customer response, selling high-value-added products such as insulation materials, engineered stone, and tile flooring materials, and expanding our global businesses. With our successful turnaround in the automotive materials and parts and industrial film fields, we are working to drive sales growth in the global market. LX Hausys will focus on enhancing solutions to increase customer value, conducting R&D activities based on market and customer needs, and implementing manufacturing innovations as a global leader, while strengthening business fundamentals with structural improvements across the entire value chain in preparation for future changes in the business environment.



Achievements & Goals

In 2023, LX Hausys recorded sales of KRW 3.5258 trillion, a decrease of 2.4% year-on-year, but generated an operating profit of KRW 109.8 billion, a significant increase of 635.1% year-on-year. While the slowdown in downstream sectors such as domestic construction and the real estate market led to a slight fall in sales compared to 2022, our operating profit was improved. This can be attributed to lower prices for key raw materials, sales growth of high-performance insulation materials, and improved profitability of our overseas businesses. To overcome the sluggish domestic market, we at LX Hausys will expand the range of high-value-added products and overseas markets, and raise our profitability through crisis management capable of responding to a complex global crisis. We will also continue to develop differentiated products with a focus on eco-friendliness, energy-saving, and outstanding design, and to strengthen our logistical networks and construction and service capabilities, thereby securing a solid foundation for future growth.

2023 Financial Performance

Consolidated basis

Revenue	Operating profit
KRW 3.5258 billion	KRW 109.8 billion

Focus	2023 Highlights	2024 Plans	Mid- to Long-term Goals
Strengthen B2C business competitiveness	• Overhauled the sales system and improved sales at showrooms • Enhanced product quality (e.g., functionality, design)	• Strengthen B2C business competitiveness for windows • Enhance responses to online customers and TI(total interior) shop visitors	• Led the B2C market based on differentiated products and logistics/construction/ service capabilities
Expand the range of high value-added products	• Improved our competitive edge in insulation materials / engineered stone • Increased the focus on tile and flooring materials • Received more orders in growing business of automotive materials and parts	• Improve overseas growth in automotive materials and parts and flooring materials • Expand the range of high-end engineered stone	• Drove sturdy growth in a profitable manner
Enhance R&D competitiveness	• Enhanced the texture of decorative film and flooring materials to a premium level • Developed eco-friendly formula for insulation materials	• Differentiate surface material pattern design • Identify new uses for insulation materials and enter new market	• Developed next-generation construction and decorative materials for the future residential environment

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Business Area

Construction and Decorative Materials

We at LX Hausys produce and sell interior/exterior construction and decorative materials and interior design products for residential and commercial spaces. We lead the market with products featuring digital printing technology that integrates differentiated functions and designs focusing on benefits such as eco-friendliness, energy-saving for carbon emission reduction, and fire resistance.

Business Strategy

To reinforce our competitiveness in the B2C business, we improved the quality of windows, flooring materials, and wall coverings and expanded the range of kitchen products. We also operate large integrated showrooms in commercial areas with high accessibility. We foster installation/service experts at the "LX Z:IN Interior Academy," a consortium business training institution for national human resource development. In the face of the recent market slowdown, we are working to enhance the efficiency of showrooms and the network between distributors and retail stores by using online platforms.

1 nterior Business

We offer total interior design services focusing on windows, flooring materials, wall coverings, kitchen and bathroom products, and doors. We will expand our business areas to all residential spaces beyond the traditional area of interior design and launch differentiated business models.

2 Energy Efficiency

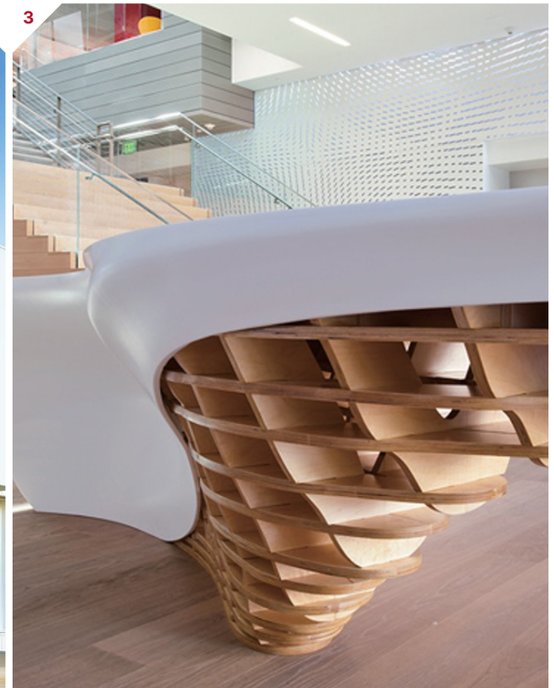
With the higher energy efficiency of buildings and fire resistance, we expect increased demand for our insulation materials. Our new "View Frame" window, launched in 2024, features an enhanced high-insulation design to conserve energy in buildings, and we continue to conduct research in this area.

3 Accelerating Global Expansion

We will continue to expand the range of solid surface stone and engineered stone materials, which are recognized for their design and quality, to products with premium natural stone patterns, thereby solidifying our position in the global market, primarily in North America and Europe. With a focus on commercial tiles, we are providing our flooring materials to large businesses in North America and strengthening our competitiveness and distribution to accelerate our growth in the global market.


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Business Area

Automotive Materials and Parts

At LX Hausys, we provide lightweight composite panels for trailers and other various functional composite materials and electric vehicle parts. These products contribute to higher energy efficiency by applying lightweight composite materials and weight reduction with optimized parts design and analysis. In addition, we create safe and comfortable driving spaces with our eco-friendly and highly durable automotive fabrics and exquisitely designed decorative material parts.

Business Strategy

In response to increasing sales of eco-friendly vehicles and the trend of decorative materials becoming ever higher in quality, we at LX Hausys seek to improve our profit structure with a focus on the expansion of lightweight parts applications using various functional composite materials and decorative materials with differentiated surface printing technology and various real materials. We will expand our global OEM for automotive fabrics by developing various eco-friendly and recycled materials.

1 Automotive artificial leather

Fabric is an internal surface material applied to the seats of vehicles. We will continue to ensure the eco-friendliness of our products by acquiring environmental performance labels and certifications for carbon footprint, resource footprint, ozone layer, and acid rain from the Ministry of Environment.

2 Lightweight Materials & Automotive Parts

LX Hausys's lightweight automotive parts products are made with our diverse composite materials, contributing to enhanced energy efficiency with decreased weight while maintaining their metallic performance, and the demand for these products continues to grow with the burgeoning electric vehicles market. For general automotive parts, we offer automotive exterior parts and decorative materials parts with design patterns created with real materials and ultra-fine printing technology.



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Automotive Interior Parts

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Business Area

Industrial Films

The industrial film business is leading the market with excellent technology and attractively designed films that realize anti-fingerprint, weather resistance, flame retardance, and adhesive performance according to the purpose.

Business Strategy

We continue strengthening our global competitiveness in the industrial film market by offering various designs and eco-friendly products based on our excellent surface treatment and coating technology. We apply eco-friendly water-based coats and recycled bio-materials to our unmatched surface treatment technology, thus offering sustainable solutions.

1 Decorative Film & Interior Film

Decor film is a furniture and construction finishing material with a differentiated design from surface treatment technology. Interior film is a surface finishing material used for commercial and residential interiors with a differentiated design, excellent adhesion, and flame retardant performance.

2 Home Appliance Film

We lead home appliance design trends with outstanding technology, which we use to create various surface effects, and thorough market surveys.

3 Sign & Graphics

These visuals are widely used in interior/exterior displays for brand identity, advertisements, and automotive tunings.



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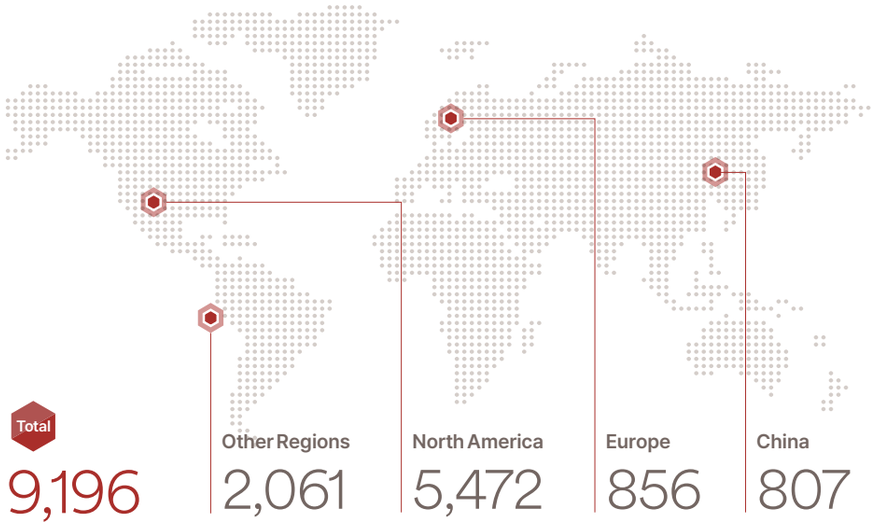
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Business Overview

Overseas Business

LX Hausys is implementing a customer-oriented market strategy in core markets such as North America, China, and Europe, in addition to the domestic market, and is focusing on expanding our global network by developing products tailored for local markets at sales bases located in the U.S. and China. In particular, we are leading the global solid surface stone, engineered stone, and industrial film markets. To increase our market share, we target home and industrial markets for solid surface stone and engineered stone products through various sales channels such as local distributors, design offices, and construction companies. We are also expanding our furniture film sales to European furniture manufacturers. Sales of flooring materials are expected to increase, mainly in North America and Europe, where demand is shifting from carpets and floors to PVC flooring. For our artificial automotive leather, we are increasing our market share in the U.S. through spec-in focused on fully built automobiles. In 2023, we established a corporation in Mexico to facilitate the supply of automotive materials in North America. LX Hausys also exports construction materials such as industrial films, solid surface stones, and flooring materials to emerging markets, including India, Southeast Asia, and the Middle East.

Overseas sales(consolidated basis in 2023) (Unit: KRW 100 million)



North America

LX Hausys is implementing a localization strategy with a focus on solid surface stones, engineered stones, and automotive fabrics in the North American market, the world's largest decorative materials and automotive market. We have a production plant for solid surface stones, engineered stones, and automotive fabrics in Georgia, U.S. In 2017, we founded a Canadian sales corporation to establish a business foundation for responding to North American markets. In 2020, we also installed engineered stone production line no. 3 to enhance production capacity and launch differentiated products based thereon. These activities will lead to our steady growth in the North American engineered stone market. For the flooring materials business, we are increasing sales by identifying new local suppliers and launching localized products in the growing PVC flooring materials market. Through these efforts, we plan to spur our growth through differentiated products.

Europe

With a focus on solid surface stones and furniture films, we at LX Hausys have established a solid foundation for our business in Europe and are driving growth with new products based on differentiated technologies in the furniture film market. In particular, we are strengthening our market penetration in the solid surface sector. From 2024, in collaboration with major window companies, we expect growth in highly weather-resistant films in Western Europe.

China

In China, our focus is on flooring materials and industrial films. Our sheet flooring materials, as well as interior surface films, have secured a large market share in China, and are expected to show continued growth in these areas. Moreover, we provide localized products and services from production to distribution through our production plants in Wuxi. In response to the stricter environmental and safety regulations, we are improving our systems and equipment in order to implement successful environmental and safety management.

Other Regions

LX Hausys has been operating solid surface stone and industrial film businesses in India and Russia and is solidifying our brand presence through localized designs and enhanced marketing activities. In addition, we are achieving growth in Japan, Australia, and Southeast Asian countries with our solid surface stone, flooring material, and interior film businesses. LX Hausys offers products that meet the demands of various markets through marketing strategies tailored to each country.

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Value Creation Process

INPUT

FINANCIAL & MANUFACTURED
- Total capital: KRW 832.9 billion
- Tangible assets: KRW 1,012.7 billion

INTELLECTUAL
- R&D expenses: KRW 64.9 billion
- Research Center and Design Center personnel: 253 persons

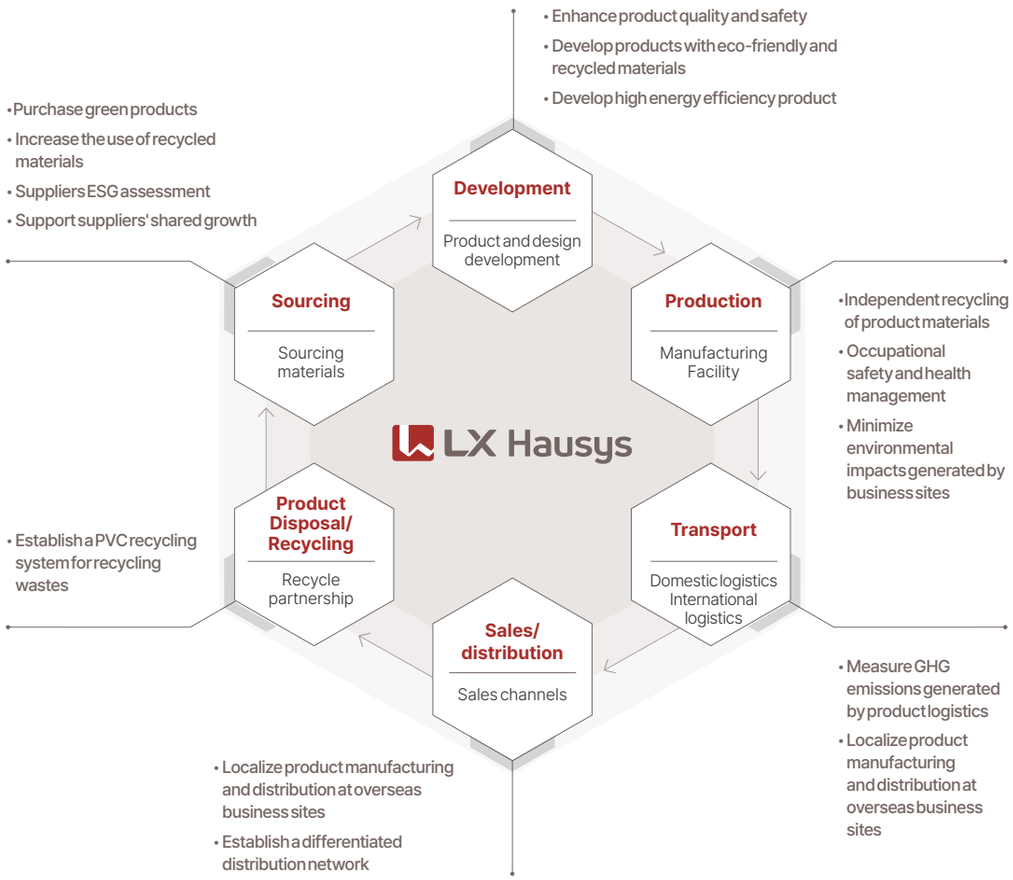
SOCIAL & RELATIONSHIP
- Investments in local communities: KRW 1 billion
- Win-Win Fund: KRW 15 billion

HUMAN
- No. of employees: 3,716 persons
- Training cost per person: KRW 323,785
- Welfare and benefits: KRW 75 billion

NATURAL
- Total energy consumption: 2,247TJ
- Environmental investment: KRW 8.4 billion

SUSTAINABLE VALUE CHAIN

We create Human-friendly and Eco-conscious Living Spaces



OUTPUT

FINANCIAL & MANUFACTURED
- Sales: KRW 3,525.8 billion
- Operating profit: KRW 109.8 billion

INTELLECTUAL
- Currently held patents: 1,930 patents
- Currently held design rights: 928 rights

SOCIAL & RELATIONSHIP
- No. of social contribution programs: 6 programs
- No. of beneficiary companies of Win-Win Fund: 42 companies

HUMAN
- Ratio of female employees: 14.5%
- Training hours per person: 29 hours
- Employee satisfaction: 83 points

NATURAL
- Energy saved: 172TJ
- GHG emissions: 112,000 tons

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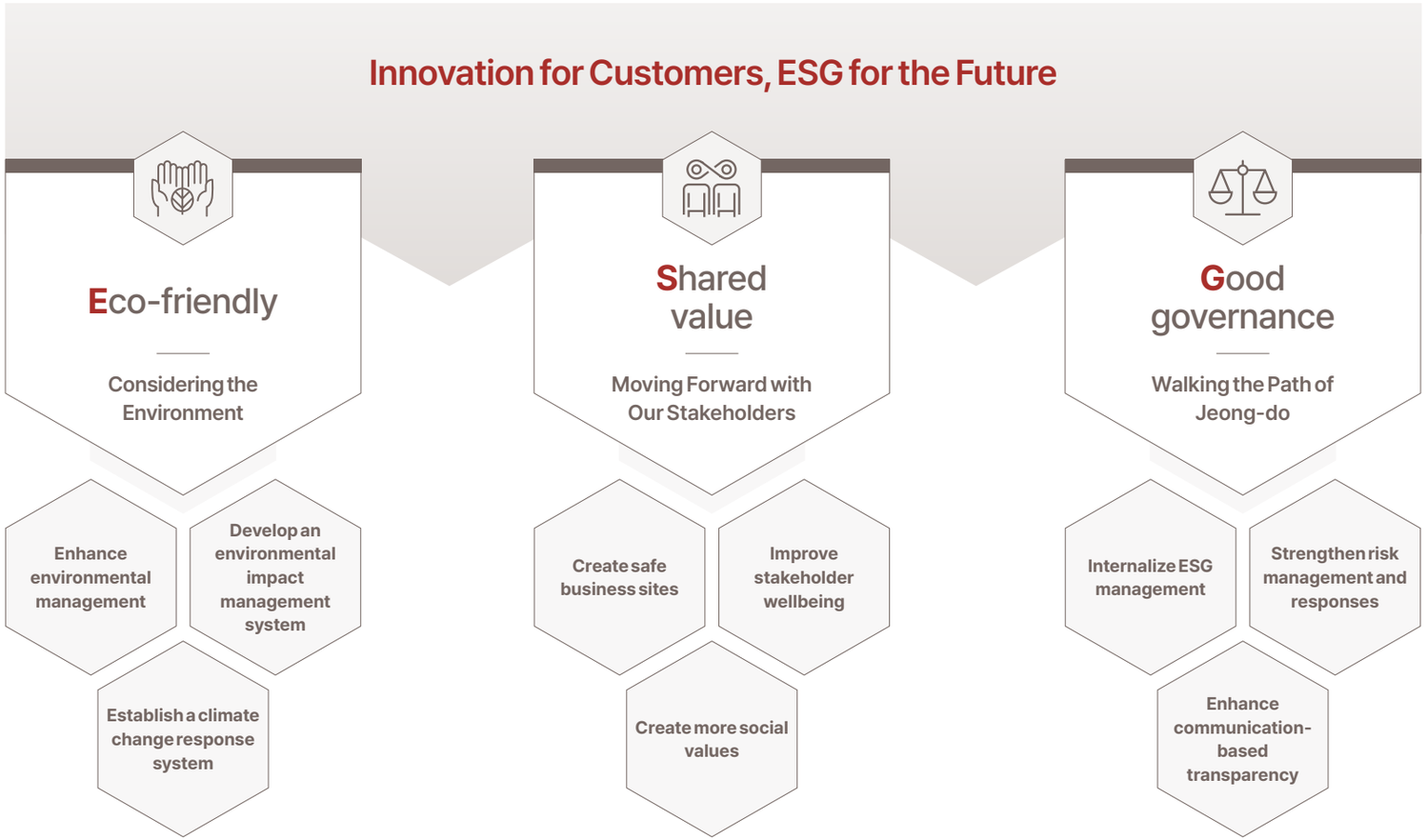
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LX Hausys ESG

ESG Strategy System

LX Hausys established our ESG Committee in 2022 and developed a vision and strategic system to systematize our ESG management in 2023, which was approved by the ESG Committee. In pursuit of the vision of "Innovation for Customers, ESG for the Future," we are implementing three strategic directions and nine strategic focuses to achieve sustainable growth. In 2024, we will commit our efforts to developing eco-friendly products based on our ESG vision and strategic system in order to enhance environmental impact management.

LX Hausys ESG Vision and Strategy System



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ESG Highlights

ENVIRONMENT

Environmental Management Policy
Formulated of new biodiversity conservation regulations for local ecosystem

Green Products
Received the Green Product of the Year award from the Korea Green Purchasing Network for our PF insulation materials, windows, and wall coverings

Winner of the Green Product of the Year award

GHG emission Reduction
Reduced Scope 1 & 2 emissions

1,117 tCO2eq

Establishment of an Independent Recycling System
Set a goal for waste recycling rates

92.4% achieved

SOCIAL

Enhancement of Suppliers' ESG Competence
Conducted independent assessment on our suppliers and provided ESG reports for each supplier

Safety and Health Management Goal
Set a goal for safety culture maturity level

4.5 points or higher

Business-aligned CSR Activities
Provided flooring materials to childcare centers as part of the Childcare Space Green Transition Support Project

Donated decorative materials for the relief of flood victims in Chungcheong-do Province

Establishment of a Talent Development System
Defined ideal employees and established talent development strategies

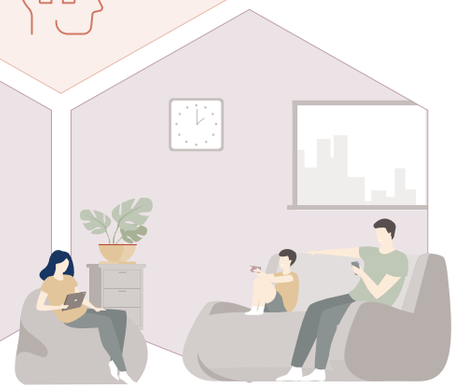
GOVERNANCE

Establishment of ESG Management
Established a strategic system and vision for LX Hausys's ESG management in 2023

Consecutive DJSI Korea Listing
Listed on DJSI Korea since the first inclusion in 2015

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

ESG Risk Management
Implemented a pilot program of GHG KPI to business units for achieving 2050 Net-Zero



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Materiality Assessment

Double Materiality Assessment Process

LX Hausys conducts an annual materiality assessment to ensure effective ESG management. We have identified the priority of all ESG issues through a double materiality assessment, which considers both the extent to which external ESG factors affect corporate finance(financial materiality) and the extent to which corporate's business activities affect the environment and society(impact materiality). The impacts and management measures of the top issues are outlined in this report. LX Hausys will continue to manage key ESG issues to enhance our ESG management.

Composition of ESG Issue Pool

A total of 23 ESG issues were organized into a pool for our double materiality assessment. We compared and analyzed domestic and international ESG assessments, disclosure guidelines, and initiatives while considering major reportable issues and ESG trends in the same industry.

- ESG assessment indicators (DJSI, MSCI, KCGS, Sustainalytics)
- ESG disclosure guidelines and initiatives
- Analysis on ESG trends in the same industry
- Analysis on a pool of the existing LX Hausys's issues

Environment/Society/Governance

Composing a pool of **23** ESG issues

Double Materiality Assessment

For these 23 ESG issues, we conducted a double materiality assessment that analyzes the impact of external sustainability-related factors on corporate values and financial conditions, as well as the impact of corporate business activities on the environment and society.

FINANCIAL MATERIALITY

- Trends of global policies and regulations
- ESG disclosure and assessment requirements by industry (DJSI, TCFD, SASB, KCGS, Sustainalytics)
- Analysis on internal management status of LX Hausys
- Stakeholder survey
- Business benchmarking in the same

+

IMPACT MATERIALITY

- Trends of global policies and regulations
- ESG disclosure and assessment requirements by industry (DJSI, TCFD, SASB, KCGS, Sustainalytics)
- Analysis on internal management status of LX Hausys
- Stakeholder survey
- Business benchmarking in the same

Selection of Key Material Issues

Based on this pool of 23 issues, we carried out our double materiality assessment to set their priority and identified six key material issues with significant impacts on corporate finance, the environment, and society.

LX Hausys Key Material Issues

Priority	2022	2023
1	Operation of eco-friendly business	Innovation in the development of products and services
2	Minimization of environmental impact	Environmental impact of products
3	Resource management	Minimization of environmental impact
4	Integrated ESG (financial/non-financial) risk management	Occupational safety and health management
5	Ethical/Compliance management	Jeong-do management and compliance management
6	Environmental management system	Response to climate change

Identifying **6** key material issues

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Materiality Assessment

Double Materiality Assessment Process

LX Hausys identified six key material issues based on the financial and impact materiality from the materiality assessment results. These issues are managed to control company-wide financial and non-financial risks. We are committed to transparently disclosing our activities and performances to stakeholders, and actively collect diverse opinions to incorporate them into our sustainable management practices.

Issue	Impact Materiality				Financial Materiality			
	Inside-out (Environmental & Social Impact)	Impact materiality assessment result			Outside-in (Financial Impact)	Financial materiality assessment result		
		Severity	Probability	Final score		Severity	Probability	Final score
Innovation in the development of products and services	Have a positive impact on customers and local communities by developing products that reflect social values and facilitating product quality and safety control	●●●	●●◐	●●●	Develop products and services that incorporate various customer needs with the changing consumer trends to expand differentiated product portfolios	●●◐	●●○	●●◐
Environmental impact of products	Identify the environmental impact of products throughout the life cycle within a circular economy—product development, manufacturing, distribution, sales, consumption, and disposal—and minimize negative environmental impacts	●●●	●●●	●●●	Acquire eco-friendly product certification and develop green labeling products in step with the global trend of sustainability to enhance corporate competitiveness	●●○	●●●	●●◐
Minimization of environmental impact	Manage air pollutant emissions, water-polluting materials, waste, and hazardous chemicals on business sites to minimize negative environmental impact from business operations	●●◐	●●◐	●●◐	Incur costs, such as investments in environmental facilities, due to compliance risks arising from enhanced environmental laws and regulations	●●◐	●●●	●●●
Occupational safety and health management	Ensure Safe operation of business sites and safety risk management for suppliers	●●◐	●●●	●●●	Incur costs, such as investments in safety management facilities, to address compliance risks related to occupational safety and health arising from the Serious Accident Punishment Act, etc.	●●●	●●◐	●●●
Jeong-do management and compliance management	Achieve Jeong-do management through proactive responses and stringent compliance management activities that exceed legal/regulatory requirements in the regions where business sites operate	●●◐	●●○	●●◐	Corporate reputation directly linked to external stakeholders' trust in and expectations of ethical business operations and compliance management	●●●	●●○	●●◐
Climate change response	Strive to reduce direct and indirect GHG emissions resulting from business operations and contribute to the transition to a carbon-neutral society	●●●	◐○○	●●○	Incur costs in response to increased demand for investment in climate change response, mandatory disclosure of climate-related data, and enhanced GHG emission regulations	●●●	●●◐	●●●

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Materiality Assessment

Key Management Issues

Issue	Case	Impact	Strategy	Goal/Indicator	Progress and Performance
 Environmental impact of products	• Identification of new opportunities for investment and growth in response to the transition to a sustainable economy • Increased demand for eco-friendly decorative products and building and decoration materials that can reduce GHG emissions from buildings.	Revenue	• Manufacture or produce products with recycled and reused materials and develop LCA-based products to strengthen eco-friendliness in the product development and manufacturing process • Expand the range of products with green certifications and labels to meet increased stakeholder demands for products and services that consider environmental impacts	• Acquire more green certifications and labels in 2024 • Develop 100% eco-friendly industrial films by 2030	• Acquired 191 green certifications and labels by 2023 • Applied rPET(Global Recycled Standard v4.0) to furniture films
 Innovation in the development of products and services	• Increased demand for value consumption that focuses on social values, contributing to community development • Innovation in product and service development tailored to meet various customer needs in the B2C market for decorative products designed for customers' living spaces	Revenue	• Incorporate high quality, safety, and social values into product development to meet a broad range of customer needs	• Focus on international markets for engineered stones / flooring materials / automotive fabrics • Develop products with high quality and designs that reflect customer needs continuously	• Launch new windows that feature slimmer designs and better insulation properties than the existing ones and that reflect "minimalist design," the latest decorative trend
 Response to climate change	• Increased demand for corporate climate transition plan in step with the NDC and 2050 Carbon Neutrality in Korea • Impacts on business operations and supply chains due to climate change laws/regulations and natural disasters	Risk	• Manage GHG emissions and reductions, as preemptive responses to changes in future emissions allocation under the GHG Emission Trading Scheme • Systematically manage GHG emissions and energy consumption through enhanced energy efficiency and optimized processes	• 2050 Carbon Neutrality • Aim to achieve Net Zero by 2050, compared to the base year of 2018	• Reduced GHG emissions by 1,117 tons in 2023 • Reduced air pollutant emissions by 11 tons

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Stakeholder Communication

Stakeholder Communication Channels

LX Hausys categorizes stakeholders into employees, shareholders/investors, customers, contractors/suppliers, local communities, academics and experts, and government bodies. We operate communication channels tuned to the characteristics of each stakeholder group and collect their opinions to incorporate them into our management practices.

Human-friendly		Expectations		Communication Channels	
	Employees	• Cooperative labor-management relations • Enhancement of welfare benefits	• Reinforcement of occupational safety and health • Protection of human rights and labor rights	• Management presentations • Labor-Management Council	• Company newsletter • Occupational Safety and Health Committee
	Shareholders/ Investors	• Long-term growth/development • Precise and transparent disclosure of information	• Creation and distribution of profits	• Company presentations • General Meetings of Shareholders	• Electronic disclosure • Investors' meeting
	Customers	• Quality competitiveness and differentiated value • Product and service satisfaction	• Listening to customer feedback	• Customer satisfaction survey • Receive customers' opinions	• LX Z:IN showroom
	Suppliers	• building cooperative partnerships	• management support and cooperative activities	• Management/technical support programs	• Purchasing Council
	Local communities	• strategic social contributions	• investment in local communities	• Social contribution and cooperative projects	• Occupational Safety and Health Committee
	Academics and experts	• technology development	• academy-industry cooperation	• Joint research	• Technical advice
	Government bodies	• compliance with fair trade regulations • shared growth	• compliance with environmental safety regulations	• Advice on industrial policies	

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CONSIDERING THE ENVIRONMENT



LX HAUSYS APPROACH

With the rapid shift of the management paradigm to a sustainable society, we at LX Hausys have been committed to fulfilling our corporate social responsibility as part of our sustainability management. We are working to enhance our environmental management system through various approaches, including identifying and managing climate change and environmental risks, as well as setting goals to reduce GHG emissions. In addition, we have implemented to minimize environmental impacts at business sites—a resource management system for energy, water, waste, and hazardous chemicals—and established a green ecosystem to facilitate a virtuous cycle in resource circulation (e.g., PVC recycling) across product development and waste disposal phases. We will continue to actively respond to climate change, environmental impact at our business sites, resource depletion, and other environmental issues, thereby fulfilling our responsibilities.

2023 HIGHLIGHTS

Climate change response

1,117 tons

Reduction of GHG Emissions

Enhancement of environmental management

KRW 84 billion

Environmental Investment

Management of environmental impact

Cheongju Plant **96%**
Ulsan Plant **90%**

Recycling Rate

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Climate Change Response

Approach

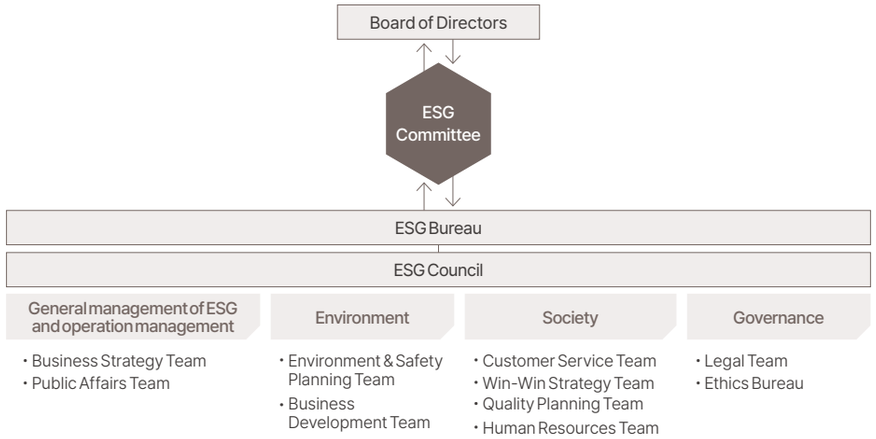
Since the Paris Agreement in 2015, the global declaration for carbon neutrality has gained momentum. Industries worldwide are also taking proactive steps to fight against climate change. LX Hausys, under the GHG Emission Trading Scheme, diligently monitors our emissions and reductions, and implements various measures to reduce GHG emissions, including enhancing energy efficiency and optimizing processes. We will continue to actively participate in the global efforts against climate change through systematic management of GHG emissions and energy consumption in order to fulfill our responsibilities.

Governance

Role of the BoD

In 2022, LX Hausys established the ESG Committee as the deliberative body for ESG management under the Board of Directors. The ESG Committee reviews and deliberates on plans related to mid- to long-term climate change response strategies and GHG emission reductions in alignment with company-wide ESG directions. The ESG Committee, which comprises three independent directors and one internal director, holds semi-annual meetings. The ESG Bureau assists the ESG Committee and reports on our ESG-related issues. The ESG Committee receives these reports and deliberate on relevant issues, and if required, may report the issues to the Board of Directors.

Category	Details
ESG Committee agendas related to climate change	• Re-establish a roadmap and strategies in response to changes in the trends of carbon neutrality • Improve carbon emission modeling and re-establish a Net Zero Roadmap and costs for achieving carbon neutrality based on the current business status, investments in power generation facilities, and plans for expanding production lines



Role of Management

The management at LX Hausys acknowledges our corporate responsibility for climate change and makes final decisions on policies and directions on relevant issues, such as GHG emission trading schemes and investments in energy management and GHG emission reduction, in response to climate change and environmental conservation. The management receives reports on GHG emissions and reduction plans at regular company-wide environmental safety meetings and make final decisions based on the shared data.

ESG Bureau

Under the ESG Committee, LX Hausys established an ESG Bureau, which consists of team leaders from each major department, to assist ESG agenda-related decision-making and internalize ESG management at a company-wide level. The ESG Bureau manages ESG projects, including climate change responses, and serves as a conduit for collecting relevant data and achievements.

ESG Council

To internalize ESG management, LX Hausys established the ESG Council, which comprises executives from 28 departments related to key ESG issues and internal transactions. This council holds semi-annual meetings, setting and implementing detailed strategic focuses for each ESG goal.

Performance Evaluation and Compensation for Climate Change Responses

LX Hausys has enhanced our existing system to enhance GHG emissions management efficiency and accountability. The system that previously monitored quarterly GHG emissions now assigns specific goals to each division and monitors them to manage GHG emissions more efficiently. From 2023 and 2024, a pilot GHG KPI program is being implemented to identify our current status. By 2025, GHG emissions will be incorporated into the KPIs of each business unit, encouraging our employees to take action against climate change.

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Responses to Climate Change

Strategy

Climate Change Risks and Opportunities

As part of our non-financial risk management, we identify climate change risks and opportunities and take preemptive actions against risks that may arise from our business operations, customers, and suppliers. Based on TCFD recommendations, we classify climate change risks into transition risks and physical risks. Additionally, we manage climate change opportunities by categorizing them into resource efficiency, resilience, and new products and services.

Category		Period			Risk	Potential Financial Impact	Response Plan
		Short-term[1]	Mid-term[2]	Long-term[3]			
Transition risk	Policies and Laws	○	○	○	• Establishment of National Determined Contributions(NDC) for carbon neutrality • Enhancement of GHG emissions trading scheme • Enhancement of global standards related to sustainability disclosure, including climate change response, and expansion of legislative requirements	• Increased cost due to the increase in the price of GHG emissions permit	• Establish mid-to-long-term GHG emissions reduction goals and implementation strategies • Monitor GHG emissions in preparation for the domestic emission trading scheme • Develop and implement annual GHG emissions reduction project • Monitor global ESG and climate change policies/regulations (e.g., EU's Carbon Border Adjustment Mechanism, etc.)
	Techno-logy		○	○	• Increased needs for development and introduction of green/low-carbon technology • Increased demand from customers to introduce green/low-carbon technology	• Investment costs for improving processes and technologies, such as developing substitute gas for products and operating GHG reduction facilities for emission reduction across processes • Decreased price competitiveness resulting from increased investment costs in green and low-carbon technologies at LX Hausys and suppliers	• Develop eco-friendly foaming gas with less ozone-depleting substances and global warming indicators • Replace with high-efficiency facilities and switch to low-carbon fuel • Invest in supplier facilities and support energy efficiency improvement through a shared growth program
	Market		○	○	• Increased demand from stakeholders(e.g., customers, investors) for contributions to carbon neutrality across corporate management activities such as decreasing GHG emissions at business sites, life cycle assessment-based products, and reducing carbon footprints. • Increased demand for products that can be applied to infrastructure for the transition to low-carbon society	• Impact on sales in case of failure to meet customer demands for energy efficiency or resource circulation	• Manage certified products' carbon footprints to maintain and expand low-carbon product certification
	Reputa-tion		○	○	• Decline in corporate reputation due to excessive GHG emissions as public consensus grows on the severity of climate change	• Negative company image	• Develop a carbon neutral strategy and action plan in response to stakeholders' demand for carbon reduction
Physical risks	Short-term	○	○		• Potential physical damage to business sites due to extreme weather conditions such as typhoon, flooding, wildfire, etc.	• Decreased production and sales due to damages to business site	• Establish self-generating facility at business sites • Conduct regular disaster recovery drills
	Long-term		○	○	• Changes in lifestyle and product demand due to changing climate patterns • Fluctuations in raw material prices in supply chain due to changing climate patterns	• Decreased sales in long-term perspective • Deteriorated price competitiveness due to the increase in raw material prices in supply chain	• Meet stakeholder needs by developing products that are made of eco-friendly/recycled materials and feature high-efficiency

1) Short-term: by 2025 2) Mid-term: by 2030 3) Long-term: by 2050

Category		Potential Financial Impact	Response Plan
Opportunities	Resource efficiency	• Resource recycling and recycling market vitalization	• Implement measures to enhance waste recycling as business sites
	Resilience	• Generating profits through the sale of tradable GHG emission allowances with reduced GHG emissions from processes	• Replace facilities to enhance energy efficiency in the plants, which will reduce energy costs and GHG emissions
	New products and services	• Increased sales from eco-friendly products that meet various customer needs(e.g., low-carbon, energy efficiency, resource recycling, etc.)	• Renew eco-friendly products certificates(e.g., low-carbon product certificate) and increase the number of certificates

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Responses to Climate Change

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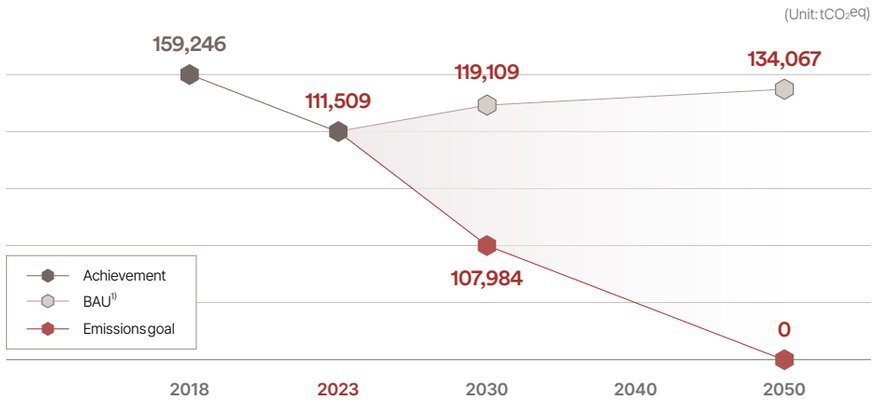
2050 Carbon Neutrality

Under the Paris Agreement, the world as a whole agreed to limit the temperature increase in the global temperature to 1.5°C. As a member of global society, companies should also actively participate in addressing climate change by reducing greenhouse gas emissions and producing low-carbon products. At LX Hausys, we will set company-wide environmental safety goals to minimize GHG emissions and strive to achieve sustainable development for future generations.

Net Zero Roadmap

At LX Hausys, we are aligning the national 2050 Net Zero Declaration and Nationally Determined Contributions (NDC) goals with our estimated mid-to-long-term GHG emissions by 2050. We aim to achieve Net Zero by 2050 in consideration of our GHG emissions characteristics and reduction plan. We have been monitoring policy trends of the LX Hausys group and the government and have re-established our 2023 Net Zero Roadmap and financial costs based on our recent business status. Through this new strategy, we will strictly manage GHG emissions to meet the goals allocated for the 3rd phase and the NDC.

Net Zero Roadmap



1) Business As Usual : Estimated emissions

Climate Change Response Strategy

We have established a unique strategy to address climate change and are carrying out activities to mitigate the associated risks. Our goal is to effectively respond to the issues in the mid-to-long term. In particular, as we are subject to the GHG emissions trading scheme, we are actively implementing GHG emissions reduction measures to ensure that we comply with allowances, prevent additional costs, and minimize non-financial risks associated with GHG emissions. Furthermore, we are committed to researching and developing new products with higher energy efficiency in response to climate change.

LX Hausys Climate Change Response Strategy

Increase energy efficiency at business sites	Expand the range of energy-efficient products	Analyze climate change risks
• Implement GHG emissions and energy consumption reduction measures • Decrease the proportion of fossil energy • Introduce GHG emission reduction as new KPI	• Provide high-efficiency products • R&D of new products for energy efficiency	• Analyze and manage climate change risks according to TCFD recommendations

GHG Emissions Management System

Under the GHG emissions trading scheme, LX Hausys undergoes an annual independent assessment of GHG emissions by a credible assessment agency and reports the results to the CPO. As the importance of managing Scope 3 emissions in addition to Scope 1 and 2 is increasing, we will improve our tools for controlling Scope 3 emissions through consultation in 2022. LX Hausys will continue to strengthen our management of Scope 3 emission sources. In addition, we transparently disclose GHG emissions in our ESG report and business report and faithfully provide data on our climate change response system and current status to domestic and foreign investors through the DJSI(Dow Jones Sustainability Index) and CDP(Carbon Disclosure Project) reports.

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Climate Change Response

Risk Management

Risk Management Process

At LX Hausys, we have established a comprehensive risk management process to take strategic actions against climate change. We identify, analyze, and manage both internal and external climate change risks and opportunities, such as policy regulations, global trends, and customer(market) demands in relation to climate change.



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Risk Management

Enhancement of GHG Emissions Reduction

To achieve our GHG emissions reduction goals, we have improved our facilities and actively managed energy consumption. This has led to a reduction in our GHG emissions and the sale of 15,120 tons of tradable emission allowances in KAU221) through the Korea Exchange. Moreover, we were recognized for our proactive approach to climate change with a grade of B- from CDP, a project that discloses organizations' climate change response systems and current status. This grade is higher than the global and industry average.

1) KAU22: Emission allowances allocated in Korea in 2022

Process Innovation and Operational Optimization

At LX Hausys, we are reducing energy consumption through process innovation and operational optimization while decreasing energy costs and GHG emissions by introducing external heat sources. To reduce the energy used in production at our business sites, the Ulsan Factory has invested in replacing its boilers with smaller and higher-efficiency ones, and the Cheongju Plant is implementing measures such as improving its energy losses. At the Cheongju Plant, we are also working to install solar panels on the roof of its parking lot to decrease energy consumption in the mid-to-long term and increase the use of renewable energy. Furthermore, we closely monitor monthly energy consumption and share the data with the management and production divisions for analysis. This approach helps us optimize our production facilities to reduce energy consumption.

Reduction of Energy Consumption

As part of our efforts to reduce energy consumption, LX Hausys's Ulsan and Cheongju Plants identify and implement projects to decrease electricity and LNG usage each year. In 2023, the Ulsan Plant replaced its boilers with higher-efficiency ones and improved energy supply efficiency, reducing energy consumption. Similarly, the Cheongju Plant manages energy consumption through measures for improving energy supply efficiency in order to reduce energy consumption. Since 2022, LX Hausys has efficiently managed company-wide energy consumption by setting energy intensity goals for each business unit and reporting their emissions to the CPO every month.

Scaling up Renewable Energy

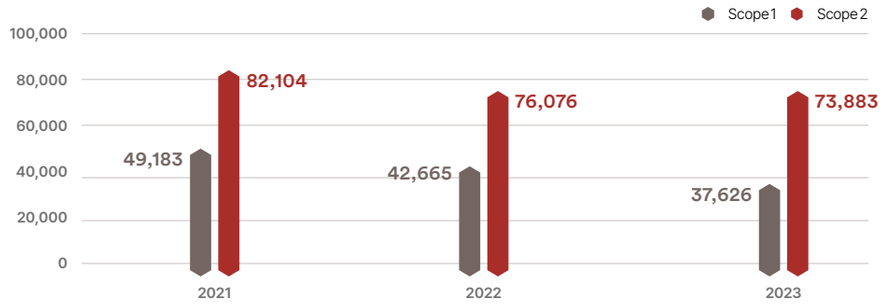
We are scaling up the use of renewable energy through investments in various facilities at our business sites. To encourage our employees to use eco-friendly vehicles, we will install six more EV chargers at the Cheongju Plant, where five EV chargers were installed in 2021, and sixteen more EV chargers at the Ulsan Plant, where only one EV charger was installed. Since a solar canopy was installed in the cafe of the Choengju Plant in 2022, we generated about 5,328 kWh of energy in 2023, a 40% increase from the previous year. LX Hausys will increase the proportion of renewable energy to achieve carbon neutrality at each business site.

Targets and Metrics

GHG

Scope 1 & 2

Category	Unit	2021	2022	2023
Scope 1 emissions	tCO_2eq	49,183	42,665	37,626
Scope 2 emissions		82,104	76,076	73,883
Total scope 1 & 2 emissions		131,287	118,741	111,509



Energy Consumption

Category		Unit	2021	2022	2023
Energy Consumption	Direct energy	TJ	792	694	607
	Indirect energy		1,716	1,593	1,640
	Total		2,508	2,287	2,247
Renewable energy consumption			-	0.0366	0.0511

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Environmental Management

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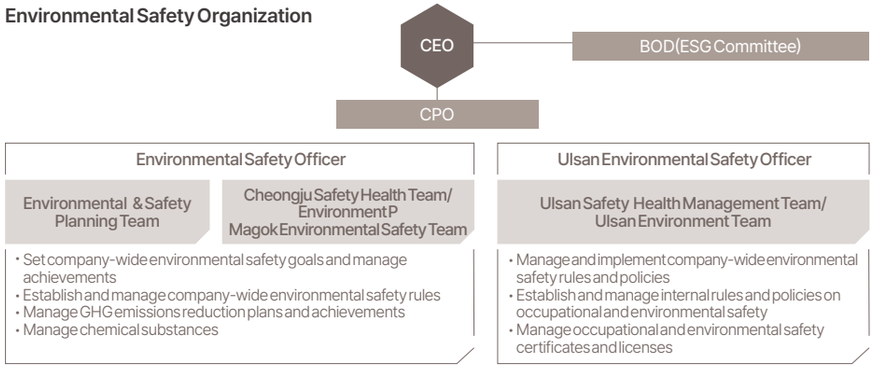
It is known that companies can manage environmental factors more efficiently through an environmental management system designed for their decision-making and supervision in regard to the environment. To this end, LX Hausys acquired ISO 14001 certification, the international standard for environmental management systems, and established an environmental safety management system on that basis.

Governance

Environmental Governance

LX Hausys established a company-wide environmental safety organization under the CEO, which reports ESG-related environmental management policies and GHG emissions reduction plans to the ESG Committee. The environmental safety organization also establishes company-wide goals and approaches for environmental management and reports them to the CEO. Based on these, each business site sets its own independent goals and conducts a quarterly performance review to verify its achievements. Furthermore, the environmental safety organization incorporates environmental accidents and GHG emissions into organizational goals to enhance the accountability of management and key decision-makers.

Environmental Safety Organization



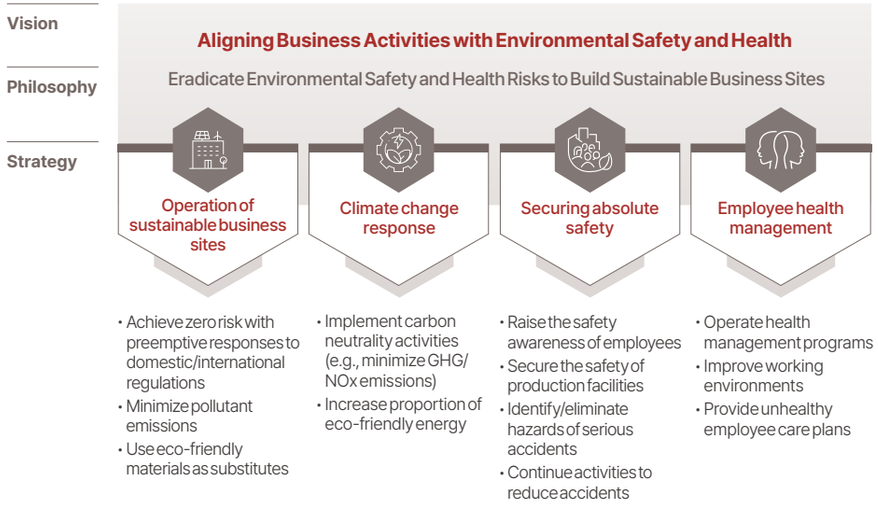
Environmental Safety Decision-making System

Meeting	Frequency	Participant	Description
Board Meeting	1 time/year	Directors	• Occupational safety and health plans • ESG-related environmental response plans and achievements
Company-wide Environmental Safety Meeting	2 times/ year	CPO, Environmental Safety Officer, etc.	• Trends and response plans on environmental safety policies • Levels of Environmental Safety KPIs and Environmental Impact Factors
Occupational and Environmental Safety Meeting	1 time/ two months	Occupational and Environmental Safety Officer Head of Occupational and Environmental Safety Division Production Team Leader Facility Team Leader, etc	• Achievements on occupational and environmental safety plans

Strategy

Environmental Management Vision and Strategy

We established two strategies"operation of sustainable business sites" and "Climate change response" to fulfill our environmental management vision of "Aligning Business Activities with Environmental Safety and Health." Furthermore, we set four sub-tasks to achieve these strategies and implement relevant activities in accordance with our annual plans.



Environmental Safety and Health Policy

LX Hausys is keenly aware that environmental safety and health management are vital aspects of the business for sustainable development. To this end, we have established and implemented LX Hausys's "Environmental Safety and Health Policy" to build trust and credibility within society by practicing zero-accident and eco-friendly management for mutual growth and development.



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Environmental Management

Risk Management

Identification and Management of Environmental Risks

we report to the management on environmental risks and response strategies. In addition, we have established a reporting framework that facilitates constant identification of environmental risks and reports to the management on their potential impacts on corporate activities and the relevant response measures.

Environmental Risk Response Strategy

In 2023, LX Hausys conducted a regular environmental risk assessment in which we identified that non-compliance with environmental laws and regulations on nitrogen oxide emissions and GHG emissions may have a significant impact on our business. Therefore, we have established response strategies for each risk.

Risks	Response Group	Response Strategy
Non-compliance with environmental laws and regulations[1] may lead to an administrative order or damage to corporate reputation.	Environmental Safety Planning Team Occupationaland Environmental Safety Division	• Conduct a regular compliance assessment(biannually) • Establish company-wide environmental management goals and manage achievements • Implement an environmental management system and conduct a self-inspection at each business site
NOx emissions regulations result in financial losses for exceeding the allocated amount.	Environmental Safety Planning Team Business/Facility Division	• Set NOx emissions goals and manage achievements • Identify NOx emissions reduction measures and improve processes
GHG emissions regulations results in financial losses for exceeding the allocated amount.	Environmental Safety Planning Team Business/ Facility Division	• Establish and implement the Carbon Neutrality Roadmap • Establish carbon emissions goals for each business unit and manage achievements • Identify energy conservation measures and improve processes • Improve forecast accuracy through enhanced GHG emissions modeling

1) Clean Air Conservation Act, Water Environment Conservation Act, Chemical Substances Control Act, etc.

Analyzing Environmental Regulatory Trends

We analyze environmental regulatory trends using our environmental risk identification system on a quarterly basis. Our response plans for regulatory changes in 2023 are as follows.

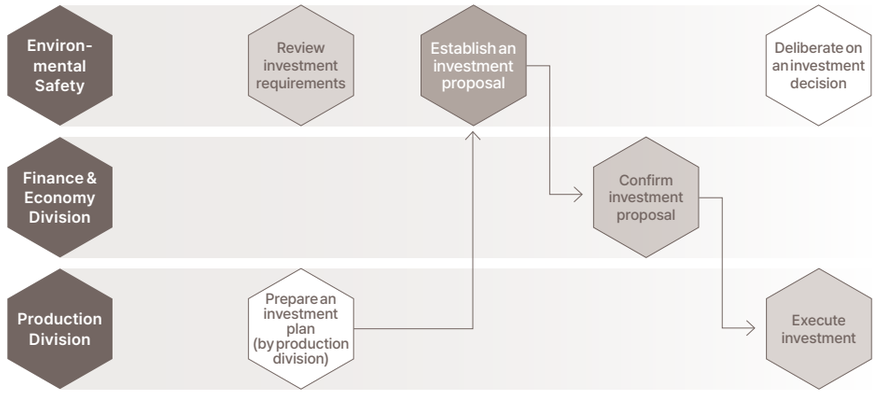
Regulation	Description	Response Strategy
Act on the Integrated Control of Pollutant-discharging Facilities	Added criteria for "Appointment of Integrated Environmental Managers"	• An integrated environment officer will be appointed upon the permit transition in 2024
Framework Act on Carbon Neutrality and Green Growth for Coping with Climate Crisis	Set national mid- to-long-term GHG emissions reduction goals	• Establish the LX Hausys mid-to-long-term Carbon Neutrality Roadmap and re-establish the roadmap periodically
Carbon Neutrality and Green Growth Framework	Ease the 2030 greenhouse gas reduction target in the industrial sector	• Identify and implement GHG emissions reduction measures
Clean Air Conservation Act	Added obligations to install IoT devices at small business sites is added	• Install IoT devices by June 2025
Low-carbon product standard in compliance with the Environmental Technology and Industry Support Act	Prioritized the maximum carbon emissions allowanc	• Consistently implement energy conservation measures and increase proportion of renewable energy • Select suppliers in consideration of carbon emissions when purchasing raw materials

Environmental Investment

In 2023, LX Hausys made environmental investments of approximately KRW 8.4 billion to reduce the environmental impact of our business activities. We focused our environmental investments on air quality and GHG emissions areas in which we generate the most pollutants. As a result, we reduced air pollutants emissions in the Ulsan Plant from 62.8 tons in 2022 to 48.2 tons in 2023.
Cheongju Plant invested in building and managing a cumulative flow monitoring system to reduce legal risks in water quality control. Starting in April 2024, we will invest approximately KRW 1.9 billion at the Cheongju Plant to improve/increase air pollution prevention facilities(e.g., AC Tower) and air pollutant prevention lines in response to the stricter pollutant control standards under the Act on the Integrated Control of Pollutant-discharging Facilities. We will also invest KRW 7 billion in energy conservation to reduce GHG emissions.

Environmental Investment Framework

Our environmental division allocates budgets for environmental safety investments and discusses the investment details. Major environmental investment decisions are reviewed and deliberated on by the Occupational and Environmental Safety meetings and the Company-wide Environmental Safety meetings. LX Hausys holds an Investment Committee meeting for additional discussions if the investment amount exceeds KRW 2 billion. Furthermore, for investments in new or additional company-wide facility installations, SE-Gate[1] is applied regardless of the investment size at the review phase. During the SE-Gate process, we review whether environmental safety requirements(e.g., handling hazardous chemical substances, eligibility for process safety management, and incorporation of safety devices and environmental facilities) are incorporated to ensure safety at the investment phase.



1) SE-Gate : SE stands for Safety Environment. SE-Gate is a process that preemptively incorporates environmental safety requirements for new and additional facility installations and conducts reviews at the design and commissioning phase to ensure safety.

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Environmental Management

Risk Management

Environmental Safety Training

In February 2023, LX Hausys invited an external instructor to conduct practical training on ESG trends and Environmental Product Declarations(low-carbon products) to raise employees' awareness of eco-friendly products and efficiently maintain EPD certifications. A total of 22 employees from our headquarters and business divisions completed the training. We also ensure that the officers in charge of each business site undertake relevant environmental safety training. The Ulsan Plant shares environmental information with employees through a quarterly newsletter, and news on the environment is posted on company bulletin boards to raise environmental protection awareness.

Management of Environmental Impact on Local Communities

LX Hausys's Ulsan Plant regularly monitors noise levels near residential areas on a quarterly basis to identify and manage the impact of noise generated at the business site. The plant also analyzes the water quality of nearby rivers to ensure that it is maintained within the standards stipulated by the Framework Act on Environmental Policy. The plant has installed and operated a total of 11 monitoring systems to check the generation of foul odors in local communities and analyze and mitigate the sources of odors through diffusion simulation when odors occur. Both the Ulsan and Cheongju Plants have signed voluntary agreements, pledging to actively reduce fine dust by working with local governments and have been implementing active and relevant activities.
To thoroughly prepare for hazardous chemical accidents, the plant provides guidance to local citizens about the actions they should take and the risks involved in the event of a chemical accident.

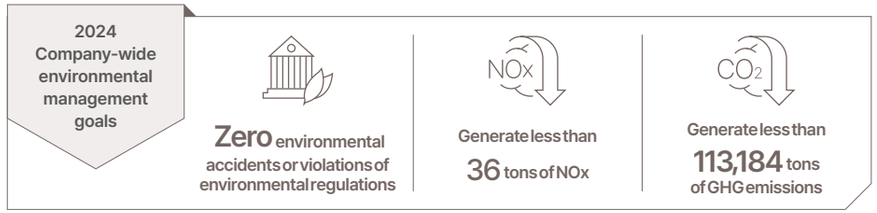
Environmental Management System Certification

At LX Hausys, we strive to establish a company-wide environmental management system in order to minimize negative environmental impacts generated by corporate activities. To this end, we carry out internal audits on a semi-annual basis to verify that our environmental management system operates as intended, as well as renew our Environmental Management System (ISO 14001) certification annually through a third-party audit.

ISO 14001 Certification - Current Status

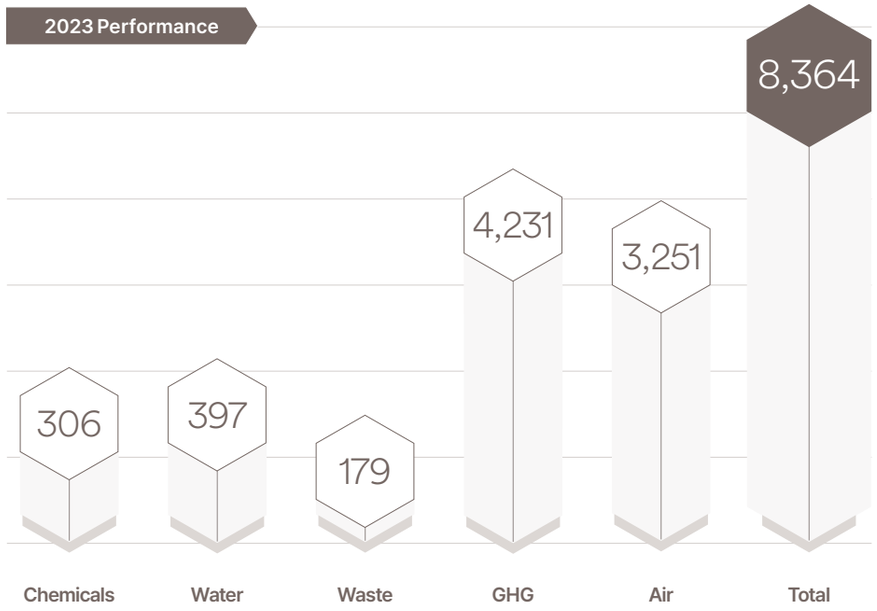
Workplace	Validity period
Ulsan	Dec 30, 2023 – Dec 29, 2026
Cheongju	Dec 2, 2021 – Dec 1, 2024
Georgia	Sep 3, 2021 – Sep 19, 2024

Environmental Management Goals



Environmental investments

(Unit: KRW million)



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Resource Management

Water Resource Management

Water Resource Management System

The Ulsan Plant obtains 69% of its total water consumption from Hoeya River, while the Cheongju Plant uses municipal water and industrial water provided by the local government. The divisions in charge of its facilities practice water management for each business site. To reduce water consumption, we monitor the consumption of industrial water on a monthly basis and implement annual water consumption goals and reduction plans. In addition, we submit annual reports on stream water usage to local governments for analysis. We also conduct independent water quality surveys of Hoeya River every quarter to track our environmental footprint.

Water Usage and Conservation

At our business sites, water is used as a coolant and as a cleaning agent for our products. We recycle most of the cooling water, but a specific amount is replenished and discharged to meet cooling water quality standards. The discharged cooling water goes through treatment at the business site's wastewater treatment facility to minimize its environmental impact. In 2023, the Ulsan Plant replaced the main pipes for industrial water to reduce losses caused by corroded or outdated pipes. Furthermore, we actively work to minimize the amount of makeup water needed to maintain water quality by setting reasonable standards for cooling water quality to reduce water consumption. We also make constant improvements to our facilities, such as installing water-saving taps, to reduce our daily water consumption.

Air and Water Pollutant Management

Air Pollutant Management System

At LX Hausys, we are introducing new technologies and replacing old facilities with higher-efficient ones to minimize air pollutant emissions, thereby improving the atmospheric environment. Our main air pollution prevention facilities include regenerative thermal oxidizers(RTO) and electric dust collectors. We have established a system that monitors air pollutant emissions to check the operation status of the facilities in real time. In addition, we analyze the concentration of pollutant emissions at least once a month to regularly monitor whether the concentration remains below 50% of the permissible level as prescribed in the relevant laws and regulations. For the Magok Research Center, we will allocate KRW 50 million to install six IoT sensors and manage pollutant emissions starting in the second half of 2024.

Water Pollutant Management System

At LX Hausys, the entire volume of contaminated water generated during production process is treated at our wastewater treatment plant and then discharged into the water quality improvement center operated by the local government. We analyze major water quality indicators such as TOC, TN, and TP with our equipment to manage the water quality of effluents. Then, we commission an authorized testing institution to analyze all types of water pollutants stipulated by the Korean government. Through these efforts, the concentration of water pollutants is managed below 50% of the permissible level as prescribed in the relevant laws and regulations. The Ulsan Plant has been conducting a water quality survey on the Hoeya River ecosystem once a quarter to analyze the ecological impact of the effluent. As a part of this survey, we analyze five items(e.g., COD, DO, pH) at 10 points, starting from the Hoeya public sewage treatment plant through stream branches in residential complexes. We also provide environment-related training through our quarterly environmental newsletters to raise awareness of environmental issues.

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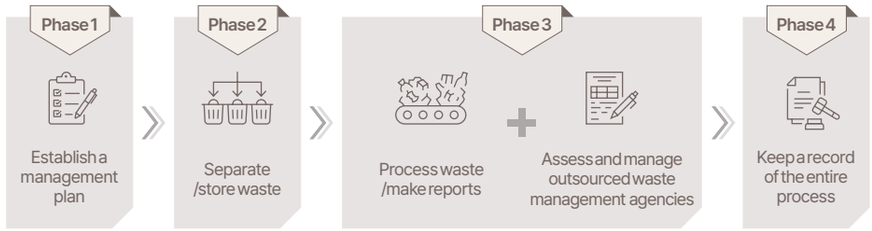
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Resource Management

Waste Management

Waste Management System

At LX Hausys, we have implemented a company-wide waste management system to effectively control waste generation caused by increased production volumes and the resultant environmental impacts. All of our waste is generated in the production process. The most common waste is byproducts of PVC processing and insulation material production. Hazardous waste, such as waste organic solvents, is generated and managed through proper recycling and incineration procedures in accordance with the Waste Control Act. In addition, we set waste intensity discharge targets for each business site to reduce waste and monitor monthly achievements. We guide divisions with low achievements to take independent measures to fulfill their targets. We have designated separate waste storage areas within business sites for lawful waste storage and processing management. In particular, we conduct semiannual assessments to ensure compliance with waste management and processing regulations. The waste stored in the waste storage areas is inspected daily to confirm proper separation for recycling or lawful disposal. Meanwhile, as a business subject to circular economy management, we are committed to enhancing the waste recycling rate. Since 2021, we have been separately discharging packaging films, which were previously incinerated, for recycling. We have also recycled dust from flooring materials, which used to be disposed of in landfills, by turning it into soil covering material after removing foreign substances. In addition, we are implementing various improvements: these include our efforts to recycle waste synthetic resin, which used to be incinerated at each business site, and reduce the amounts of other kinds of discharged waste. Through these efforts, the amount of general waste incinerated at the plants in 2023 decreased by 95% at the Cheongju Plant compared to 2022 and by 56% at the Ulsan Plant. We will continue to implement strict waste management measures to suppress waste generation and increase the proportion of recycling to grow as a corporate leader in resource circulation.



Efforts for Resource Recycling

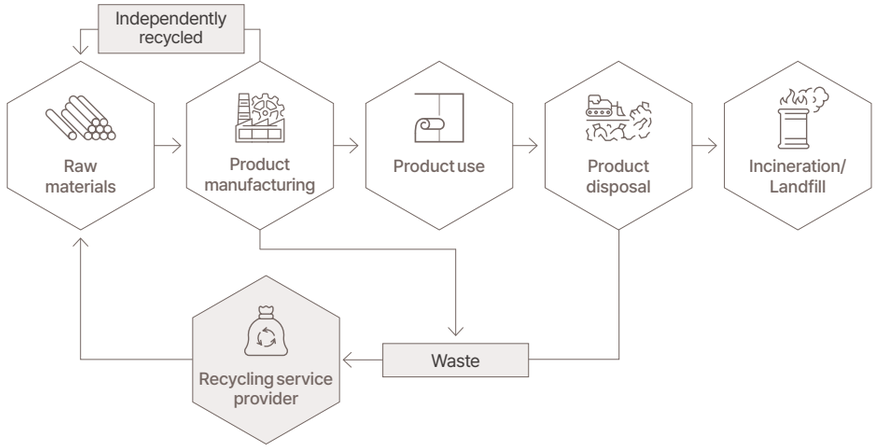
We set an independent recycling rate target and intensity target(generated volume/production volume) and actively track our achievements to minimize the generation of byproducts.

Category	Ulsan Plant		Cheongju Plant	
	Objective	Achievement	Objective	Achievement
Recycled rate	87%	90%	90%	96%

Operation of an Independent Recycling System

At LX Hausys, we design our products using recycled PVC to minimize the environmental impact of plastic products. We have established an independent recycling system that transfers production byproducts to our recycling service provider. These byproducts are re-purposed as raw materials for use in our products, increasing the use of recycled PVC. In addition, we are collaborating with entities in the same industry and Korea Construction Materials Recycling Cooperative, a corporation licensed by the Ministry of Environment to gradually increase PVC recycling in Korea every year, thereby creating an ecosystem for recycling.

PVC Recycling System



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Resource Management

Hazardous Chemicals Management

Hazardous Chemicals Management System

LX Hausys's domestic business sites handle 13 types of hazardous chemicals, including MEK(methyl ethyl ketone). To reduce their usage, we are conducting R&D activities to replace raw materials containing hazardous chemicals with more eco-friendly ones. In addition, we have installed and are using safety devices such as release prevention barriers and gas detectors to prevent potential incidents like fire, explosion, or leaks caused by chemical substances in hazardous chemical storage and reservation facilities. For each area in the facilities where hazardous chemicals are handled, we have designated a hazardous chemical manager who conducts weekly inspections. These managers' strict management helps us maintain a safe working environment. Furthermore, we regularly provide safety training on chemicals for all our employees to raise their awareness about the chemicals that we handle. We also update emergency response plans for chemical accidents every year and conduct chemical accident drills to ensure that our employees remain alert to potential and are ready to respond to accidents while on the job.

Review on Regulation of New Raw Materials

As chemical-related policies and supervision become stricter, it has become more critical for companies to respond by enacting changes in compliance as regulations are updated. To comply with chemical-related laws and regulations, we at LX Hausys review domestic and international regulations(e.g., Chemical Substances Control Act, Act on the Registration and Evaluation of Chemical Substances, Consumer Chemical Products and Biocides Safety Control Act) through the Chemical Management System(CMS) before purchasing new raw materials. In addition, we constantly monitor raw materials that are newly produced or imported under the recently amended Occupational Safety and Health Act, thereby identifying the application of the pre-approval system in the Material Safety Data Sheet(MSDS).

Management of Biocidal Substances and Biocidal Products/Processed Products

In accordance with the Consumer Chemical Products and Biocides Safety Control Act, we categorize our products into biocidal substances, biocidal products, and biocidal-treated products and manage them separately. We regularly check the registration of biocidal substances with our suppliers for the biocidal and biocidal-treated products that are applied to our products. We also accurately label them in accordance with regulatory guidelines when promoting products that use biocidal or biocidal-treated products.

Activities to Replace Hazardous Chemical Substances

At LX Hausys, we are gradually transitioning from oil-based raw materials used in our production processes to eco-friendly water-based raw materials. This transition will reduce the use of hazardous chemical substances and enhance our products' eco-friendliness. We replaced MEK(methyl ethyl ketone), an organic raw material used in the production of some automotive fabric products, with water-soluble raw materials and reduced the annual usage in 2023 by approximately 500 tons, compared to 2022. In addition, the usage of DMF(dimethylformamide) has been significantly reduced to less than 1 ton annually. Furthermore, we are currently undertaking R&D activities to expand the use of water-based raw materials in flooring materials and adhesive Interior films, as well as research activities to replace antimony and bromine fire-resistant materials.

Evaluation Management of Chemical Substance Registration

LX Hausys strictly manages the chemicals we import in accordance with the Act on Registration and Evaluation of Chemical Substances. We monitor imported chemicals monthly to identify and manage any changes in chemicals in advance. For new chemicals that we have not imported nor manufactured, we use the Chemical Management System (CMS) to identify their status before importing or manufacturing and proceed with registration or exemption from registration. For chemicals that we have imported, we register and manage them based on tonnage-based grace periods. In 2021, we successfully registered a total of six chemicals that we imported in quantities exceeding 1,000 tons. We will register more chemicals, specifically those imported in quantities exceeding 100 tons, by the grace period of 2024.

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MOVING FORWARD WITH OUR STAKEHOLDERS



LX HAUSYS APPROACH

LX Hausys strives to be a reliable partner committed to creating a healthy and safe workplace while promoting the well-being of our stakeholders. This commitment is rooted in our fundamental values of supporting and respecting stakeholders' rights. To achieve these goals, we have implemented the Safety and Health Management System across our business sites to enhance the safety and health of our employees. We conduct ESG Risk Assessments on our suppliers to ensure comprehensive ESG management throughout our supply chains and provide various shared growth programs to foster mutual development with stakeholders. We also develop products that reflect environmental and social values and provide differentiated quality assurance services to consistently meet and exceed our customers' expectations.

2023 HIGHLIGHTS

Create safe business sites

3 business sites

Acquired more Safety Laboratory certificates

Improve stakeholder wellbeing

No.1 for 3 consecutive years

Awarded for the Residential Building Materials category in KCSI(Korea Customer Satisfaction Index)

Create social values

KRW 150 billion

Implemented Win-Win Fund

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Safety and Health Management

Approach

Under the corporate philosophy, “Human-oriented Management,” LX Hausys aims to solidify our Safety and Health Management System for a wide range of stakeholders, including staff, suppliers, and customers, and create safe business sites. We will build trust by consistently achieving zero accidents and grow into a healthier and safer company through reliable management and prevention measures.

Governance

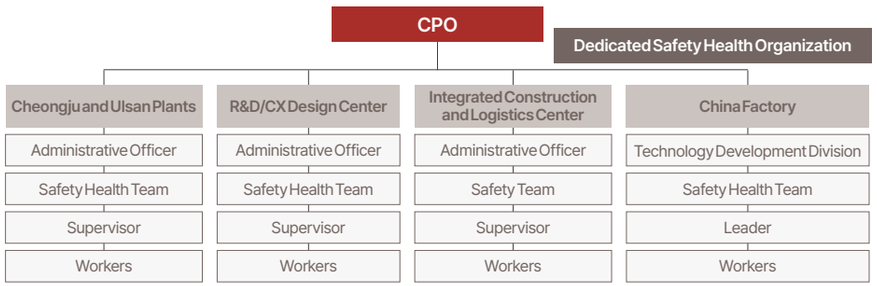
Safety and Health Governance

Composition of Safety and Health Organization System

At LX Hausys, we established a company-wide environmental safety organization under the Chief Production Officer(CPO) to carry out our responsibilities and roles in environmental, safety, and health management. In compliance with the Serious Accidents Punishment Act, we established and authorized a dedicated safety and health organization to comprehensively manage and efficiently respond to environmental, safety, and health issues. In addition to the environmental safety organization, we have designated a Safety Engineer for each business unit to preemptively respond to environmental and safety risks. The management practices on-site environmental safety management and reflects this in KPIs to enhance accountability. Under the Occupational Safety and Health Act, we also create an annual Safety and Health Plan and report this plan to the board of directors. There is also a Company-wide Environmental Safety Committee Meeting that is held semiannually to reinforce overall environmental safety management. Through the monthly performance evaluation of the CPO, we report external environmental safety issues and achievements and systematically manage the CPO with feedback.

Occupational Safety and Health Committee

LX Hausys established the Occupational Safety and Health Committee to hold quarterly meetings where we review and deliberate on agendas related to safety and health at our business sites. The committee is composed of equal numbers of labor and management representatives to gather opinions and feedback from workers. While the union head and the honorary occupational safety inspector are present at meetings, the committee reviews and deliberates on essential agendas regarding occupational safety and health. Through joint labor-management inspections, we strive to address safety and health issues and create safe and pleasant working environments.



Strategy

Safety and Health Management Policy

Environmental Safety and Health Policy

Based on our core values of "Connection, Future, and Human," we at LX Hausys have established our Environmental Safety and Health Policy. All of these regulations and policies apply to our employees and our suppliers’ employees. Every year, such regulations and policies are confirmed after reporting to the board of directors and released to all employees.

8 Absolute Safety Rules

LX Hausys has established 8 Absolute Safety Rules, recognizing the notion that "Accidents can happen at any time." We post and release these rules in various areas of the company to ensure that employees can see and acknowledge them anywhere at all times.

Compliance

- Wear personal protective equipment
- Work in a group of two when troubleshooting
- Work after implementing fall preventive measures
- Report immediately in case of an accident

Prohibition

- Do not use smartphones while working
- No arbitrary release of safety equipment
- No arbitrary access to facilities in operation
- No access to restricted areas by unauthorized personnel(e.g., closed spaces, restricted access areas, etc.)

8 Absolute Safety Rules

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Safety and Health Management

Risk Management

Identification and Management of Safety Hazards

Activities to Mitigate Accident Hazards

At LX Hausys, we perform risk assessments1) to prevent accidents such as fire, explosion, and injuries and continuously conduct improvement activities to eliminate identified hazards. High levels of hazards are also registered in the company-wide environmental safety system for improvement and management. All employees and safety personnel participate in the "non-process accident prevention program," designed to prevent accidents in blind spots outside routine processes, and our "manual work accident prevention activities," aimed at preventing accidents related to manual work. Both programs focus on identifying hazards and establishing improvement plans, and they undergo quantitative and qualitative evaluations to analyze their effectiveness. In our efforts to prevent serious accidents and ensure facility safety, we also visit our in-house suppliers and outsourced toll processors to conduct inspections and improvement activities. LX Hausys will continue implementing various safety and health activities for each hazard to enhance safety management standards.

Category	Activities to mitigate accident hazards	
Fire prevention	• Define a checklist to manage electricity or LNG usage and overheating facilities • Operate a disaster prevention center and establish a fire detection/alarm system	• Check whether fire detection facilities and emergency escape devices are working as intended • Conduct fire drills; plant-/workroom-specific emergency drills
Oil mist/static electricity elimination	• Install static electricity eliminators, oil mist detector, and industrial humidifiers	• Change raw material processing and monitor static electricity/oil mist on a daily basis
Identification/ mitigation of occupational hazards	• Identify hazards through the 'non-process accident prevention program' and establish improvement plans • Identify and mitigate hazards in manual processing	• Identify occupational hazards for each workroom on a monthly basis • Analyze risks and mitigate hazards • Regularly inspect facilities with hazards such as fires, explosions, and leaks • Provide training for working in confined spaces
Enhancement of disaster prevention system	• Increase emergency escape devices and expand alarm/monitoring systems	• Reinforce extinguishing facilities for vulnerable areas
Environmental safety and health inspection	• Inspect hazardous material/chemical storage areas on a weekly basis	• Conduct comprehensive environmental safety assessments on a monthly basis • Inspect construction sites to ensure security during holidays

1) Improvement management through the company-wide environmental safety system are limited to business sites in Korea.

Environmental Safety Assessment

We conduct regular environmental safety assessments in each category to preemptively address potential environmental safety issues. We also establish improvement plans for categories with unsatisfactory results and manage and monitor them through our company-wide environmental safety system.

Category	Description	Target
Inspection of accident-/ risk-prone facilities	• Inspect facilities prone to serious accidents and those processing and storing hazardous materials/chemicals • Implement follow-up steps after accidents	• Cheongju Plant and Ulsan Plant • Overseas business sites • R&D Centers, etc.
Legal compliance check	• Check compliance with laws and internal regulations related to environmental safety	• Manufacturing and non-manufacturing business sites
Assessment of emergency drills	• Assess the performance of emergency drills and the Emergency Response Committee	• Manufacturing and non-manufacturing business sites
Assessment of in-house suppliers/outsourced toll processors	• Conduct comprehensive assessments on key suppliers' compliance with safety rules, etc.	• Key suppliers at Cheongju and Ulsan, Korea
Comprehensive assessment of overseas business sites	• Conduct comprehensive assessments, including on-site inspections, management system operations, compliance with local regulations, emergency responses, etc.	• Business sites at Wuxi, China, and Georgia, USA

Emergency Responses Related to Environmental Safety

LX Hausys's Emergency Response Committee has established response teams for each category to facilitate prompt actions in the event of serious accidents. These teams dutifully serve their roles under the leadership of the chairman of the Emergency Response Committee. The committee holds a regular meeting semiannually, along with comprehensive emergency drills for each business site. The Emergency Response Committee classifies emergencies related to environmental safety into seven categories: fire/explosion, safety accident, exposure/leak, power failure, infectious disease, earthquake, and war. The committee has established response scenarios based on them to conduct regular drills accordingly. In addition, LX Hausys regularly conducts joint/workroom-specific emergency drills, authorized by the Production Team, and updates the response scenarios when necessary. To keep our system up to date, we update the emergency drill manual annually. Employees then receive this manual and the emergency drill assessment results to enhance their emergency response capabilities. Furthermore, we have a process in place to investigate accident details, identify damages, and establish preventive measures for recurrence.

Category	Host	Cycle
Comprehensive emergency response drills	Environmental Safety Team Leader at Business Site	2 times/year
Joint emergency drills	Production Team Leader	1 time/year
Workroom-specific emergency drills	Supervisor · Operation Leader	1 time/quarter

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Safety and Health Management

Risk Management

Assessment of Safety Culture

Since 2018, LX Hausys has implemented safety management activities to change awareness and behavioral habits to prevent accidents at a fundamental level. To assess our safety culture and implement improvement measures, we conduct annual quantitative assessments using employee surveys based on the PDCA Cycle(Plan, Do, Check, Act) in four categories: safety values, safety operations, safety training, and safety communication. Through these assessments, we identify safety awareness gaps between executive management, managers, and staff members, and analyze outcomes by business site or division to realize improvements for the following years. From 2022, we have included in-house suppliers' employees in our assessment targets. For the three suppliers with the lowest achievements, we establish and implement improvement measures for each safety culture factor. In 2023, the company-wide safety culture assessment was scored at 4.18 points. LX Hausys will continue implementing and monitoring our plant-specific and business site-specific improvement measures, focused on vulnerable categories, to raise our safety awareness and build a strong company-wide safety culture.

Health and Safety Management Certification

LX Hausys operates an optimized safety and health management system to consistently enhance safety and health standards across business sites, including the Ulsan Plant, Cheongju Plant, U.S. Corporation, and Chinese Corporation. We have established safety and health management policies and standards to prevent occupational diseases and accidents. Every year, we set new goals to improve safety and health performance and implement corresponding measures. To this end, we conduct semi-annual internal audits to review the operational adequacy of our safety and health management system and annually renew the Occupational Health and Safety Management System certification(ISO 45001) through accredited third-party verification.

Employee Safety and Health Training and Campaign

We are working to improve safety communications among our employees and provide training and promotional activities on the environmental safety management system to facilitate the internalization of safety culture. We provide job training and safety-related training(e.g., HAZOP approach, safety work permit preparation and management process) for safety managers, safety and health officers, and health managers. New hires also receive safety and health training. In addition, we conducted a training and held promotional events on the Company-wide Environmental Safety Day. The Magok R&D Center hosted the "Escape the Disaster" event, which included Safety Golden Bell Quiz, Disaster Airball Quiz, and Safety Balance Games, in an effort to enhance the safety culture among our employees.

Health Management Programs

At LX Hausys, we offer various health programs to improve our employees' health. In 2023, we carried out CPR training across all business sites to improve our capabilities to respond quickly in the early stage of an emergency. A total of 377 employees completed 15 training sessions that focused on the latest guidelines and hands-on practices. As CPR techniques continue to evolve, we will maintain the training effectiveness and enhance our employees' emergency response capabilities through regular re-training. In particular, the U.S. Corporation initiated the "Health and Financial Wellness Fair" program in 2023. This program provided employees with on-site health consultations, such as flu vaccinations and health check-ups.





Our major business sites operate Employee Health Clinics to manage the health of our employees. The clinics provide immediate treatment for employees with urgent trauma, respond to emergencies, and offer health consultations based on symptoms on a medical history form during routine on a medical history form.

Category	Key content
Health check-up	• Offer comprehensive health check-ups • Offer general health check-ups or special screenings and pre-employment or post-employment medical assessments • Offer cancer screenings
Cancer screening	• Offer gastroscopy/abdominal ultrasound/thyroid ultrasound/blood test
Common conditions	• Provide consultations with an occupational health physician for employees with a positive test result • Provide individual health management plans
Noise-induced symptoms	• Provide consultations for noise-induced hearing loss and face-to-face education to prevent hearing loss
Exercises planned by exercise physiologist	• Provide exercise prescriptions to employees with musculoskeletal complaints once a week
Medical devices	• Electric hot pack, low-frequency therapy device, paraffin therapy devices, etc.

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Safety and Health Management

Risk Management

Supplier Safety and Health Management

At LX Hausys, we categorize our suppliers into four groups: in-house suppliers, outsourced toll processers, raw materials suppliers, and facility/construction partners. We help them prevent accidents and enhance safety management standards in line with each supplier's characteristics. We regularly monitor our in-house suppliers' safety and health standards through joint and routine inspections. In addition, we hold monthly contractor meetings to share safety and health issues and collect suppliers' opinions to provide measures to mitigate or reduce their safety risks. We also operate a grievance reporting channel so that we are able to listen to their voices and receive their feedback at any time. In 2023, we implemented special activities for in-house suppliers, such as safety awareness surveys, support for acquiring risk assessment certification, and show our care for employees with short service years to improve in-house suppliers' safety management. We encourage facility/construction partners to comply with our safety rules through safety training and inspections from the permit-to-work(PTW) system to the completion of construction projects. We also hold separate contractor meetings for our key facility/construction partners as for in-house suppliers. Furthermore, the Supplier Management Division and the Environmental Safety Division visit suppliers to conduct facility safety assessments that help small suppliers enhance their safety management. To prepare for expanding the Serious Accidents Punishment Act to small businesses(Jan. 2024), LX Hausys has identified key suppliers to help them establish safety and health management systems. We will support our suppliers' safety and health management to practice our safety and good management along with shared growth, as well as implement various activities to build safety awareness and independent safety culture, thereby creating a safe workplace with our suppliers.

Selection of Suppliers

Once a year, we conduct regular assessments under our purchasing regulations, self-assessments under our environmental safety regulations, and ESG assessments for our outsourced toll processers and raw materials suppliers. Before signing the contract, we conduct a "contractor qualification evaluation" to evaluate the contractor's capabilities in safety management, such as safety and health policies, safety management systems, and emergency response systems. We make the decision on whether to contract with them based on the results and conduct regular qualification evaluations to determine continuous transactions.

Safety and Health Management Activities at Overseas Corporations

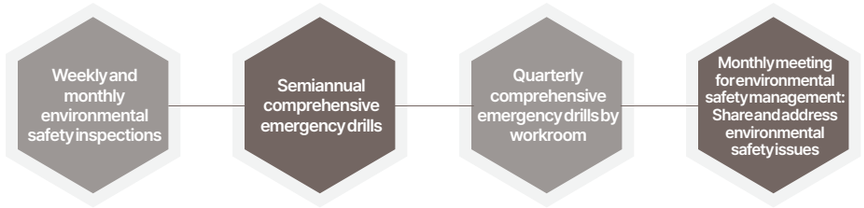
Enhanced Environmental Safety Management Activities at the U.S. Corporation

In compliance with the Occupational Safety and Health Administration(OSHA), LX Hausys U.S. Corporation strictly observes safety training, Lockout/Tagout(LOTO) procedures, position-specific training, and risk assessments. The U.S. Corporation also implements localized programs to prevent safety accidents, and it holds quarterly video conferences on environmental safety with Korean environmental safety organizations to share overall company-wide activities and global issues. The corporation incorporates independent safety assessment results into KPIs to raise safety awareness among U.S. management. In 2023, the corporation implemented "activities to identify and mitigate hazards for high-frequency accident types" based on hazard analysis in collaboration with Korean environmental safety organizations. Furthermore, the U.S. Corporation offers a "safety accident prevention program for employees with different service years," including a 90-day training program for new hires to prevent safety accidents.

Category	Definition	
Environmental safety activity framework	• Host Korean environmental safety video conferences • Provide 90-day environmental safety training for new hires • Identify hazards for each accident type	• Analyze data for accident prevention and follow-up steps • Maintain/manage emergency response teams and emergency response manuals
Fire prevention	• Conduct quarterly/annual fire system inspections • Conduct on-site inspections with fire stations, etc.	• Authorize safety work permit, establish safety patrol system, and implement fire monitoring activities
On-site inspection	• Inspect in-process safety equipment by the Safety Committee • Mock internal audit walkthrough based on OSHA's own checklist with leaders	• Inspect personal protective equipment and conduct hazard assessments for each job and occupational hazard analysi

Environmental Safety Inspection/Training/Sharing Activities at Chinese Corporation

At the beginning of the year, LX Hausys Chinese Corporation sets environmental safety management goals, establishes plans, and implements relevant activities under the leadership of the corporation head. The Chinese Corporation holds quarterly environmental safety video conferences, similar to the U.S. Corporation. In particular, the corporation is enacting efforts to ensure practical safety, including the following activities. As a result, the corporation aimed for zero environmental safety accidents and achieved this goal for 2,157 consecutive days by the end of 2023.



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Safety and Health Management

Risk Management

Safety and Health Management Activities at R&D Centers

LX Hausys is committed to creating a safe and efficient environment where our excellent R&D talent, both at home and abroad, can focus on their research. We have established an autonomous safety management system at our R&D Centers under the Act on the Establishment of Safe Laboratory Environment. This system has resulted in Safety Laboratory certification in recognition of our safe working environment. In 2020, Safety Laboratory certification was granted to four R&D Centers involved in the Product Safety Testing for Customer Use project and the Insulation Materials project. In 2023, three more R&D Centers worked on the Product Reliability Testing for Customer Use project became certified. The Safety Laboratory certification is awarded after the Ministry of Science and ICT assesses a total of 131 items, which are categorized into three groups: 66 items for laboratory safety and environment systems, 30 items for safety and environment management standards, and 35 items for safety awareness of safety management personnel. The R&D Centers involved in the Product Reliability Testing for Customer Use project satisfied the high standards for each category during the on-site inspection by the Ministry of Science and ICT and the audit process of the Certified Audit Committee, thus proving our high standards for safety management. We will continue to improve safety management standards in our R&D Centers and enhance the environmental safety system to enable our R&D talent to focus on their research in a safer and more efficient environment, leading to excellent achievements.





Metrics and Targets

Safety and Health Management Goals



Rate of Occupational Accidents

Category		Unit	2021	2022	2023
Number of occupational accidents [1]		Case	8	2	10
Rate of accidents		%	0.27	0.06	0.35
In-house staff	Lost time injury frequency rate(LTIFR)	-	3.01	2.87	1.28
	No. of deaths	Person	0	0	0
Outsourced staff	Lost time injury frequency rate(LTIFR)	-	7.43	10.62	2.41
	No. of deaths	Person	0	0	0

1) Excluding accidents by suppliers

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Sustainable Products

Approach

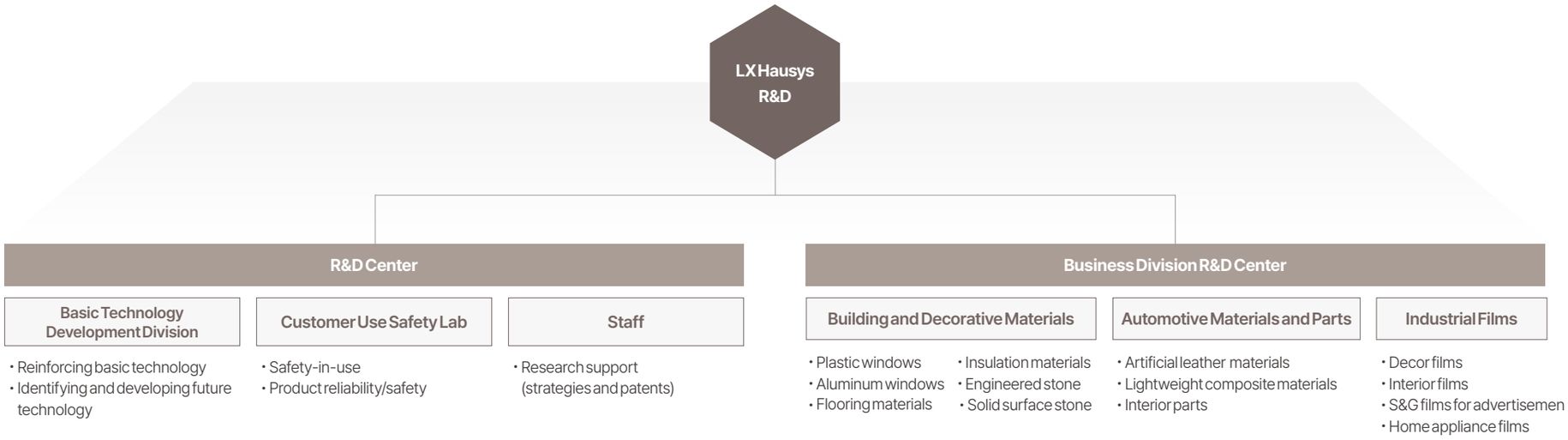
As the transition to a zero-carbon society for sustainable development accelerates, the demand for value consumption that emphasizes environmental and social values to contribute to communities' development is increasing. Major businesses of LX Hausys are integrally connected to our customers' daily lives. Therefore, we continuously dedicate our efforts to meet the diverse needs of our customers and develop sustainable products that reflect environmental and social demands.

Governance

R&D System

We at LX Hausys continue to identify new business areas to reinforce the competitiveness of the existing businesses and secure future growth engines. Our focus is on developing differentiated products that meet various customer needs and eco-friendly products that consider the environment in our major business areas, namely building decorative materials, industrial films, and automotive materials and components. We lay a foundation to usher in the future, develop new businesses at a corporate level, and identify and develop necessary basic technologies. To this end, we selected building and decorative materials and automotive materials and components as future growth businesses and continue to develop innovative products with our core technologies in synthetic materials, surface processing, design and processing of composite materials, and processing designs. At the same time, we are innovating our existing products and implementing research and business support through company-wide quality analysis and reliability assessments.

We at LX Hausys achieve progress in our research activities to enhance product competitiveness, based on our research center and business division research center as dedicated R&D organizations. Our research centers, staffed by expert research talent, break new ground and identify future technologies through continuous R&D investments, securing basic technologies, and academy-industry cooperation, while our Business Division Research Center is conducting research activities to differentiate our business products.



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Sustainable Products

Strategy

R&D Strategy

At LX Hausys, we strive to strengthen our R&D capabilities by attracting and developing excellent R&D talent from the domestic and international pool. We offer diverse programs such as customized academy-industry research courses in academy-industry partnership with renowned Korean universities. In addition, we conduct joint research projects with government-funded institutes such as the Korea Institute of Energy Research, focusing on R&D activities with mutual cooperation with external institutions. We will continue to monitor market trends and relevant regulations of sustainability and eco-friendliness, diversify our business areas, and identify new growth engines to secure competitiveness in differentiated technology.

Key Research Areas

Eco-Friendly	Energy-Saving	Human-Friendly
Materials with lower carbon footprint	**Energy-efficient material**	**Enhanced material safety**
• Expand low-carbon product line that protects Earth's environment • Develop building materials that minimize indoor air pollution	• Apply insulation structure design and composite material research/application for maximizing the energy-saving effect of buildings and windows	• Develop artificial leathers that are less harmful to the human body with non-phthalate plasticizer and non-halogen flame retardant • Develop wall finishing materials using semi-noncombustible materials
Bio and recycled materials	**Enhanced product energy efficiency**	**Customer-friendly building decorative materials**
• Develop plant-based bio-materials and eco-friendly artificial leather made from recycled materials • Develop automotive Interior parts using various bio-materials(e.g., rice husks, wood chips, etc.) and recycled raw materials • Develop recyclable material technology that considers resource circulation	• Contribute to the improvement of internal combustion engines, driving range, and fuel efficiency through research on lightweight composite materials	• Develop lightweight flooring materials that minimize impact noise and shock absorption • Develop flooring materials with the highest grade of HB Mark • Develop windows with enhanced user convenience • Develop kitchen decorations that provide unrivaled value with components that are tailored to users' lifestyles

CASE STUDY **Renewable Energy System for Buildings**

To transition to a low-carbon, low-energy society under the national 2050 Net Zero Declaration, the government has established a national master plan to reduce carbon emissions from the construction sector. Zero-energy buildings have been mandatory for new public buildings since 2020 and will be phased into private buildings starting in 2024. In line with this government policy and the public demand for the most energy-efficient buildings, LX Hausys is committed to developing diverse technologies that can reduce GHG emissions from the construction sector.

Solar System Louver is a building-integrated photovoltaics (BIPV) system that enables carbon reduction and building refinement through improved building energy efficiency and energy independence. BIPV is a method that replaces existing aluminum louvers with solar module louvers, rather than installing solar modules that require space outside the building like a conventional solar roof or solar panel facade. The individual louver wings can be replaced indoors, rather than fixing and connecting solar modules with wires outside the building. This sets it apart from previous BIPV products and brings a new level of convenience in regard to construction, maintenance, and spatial efficiency.

Louver element

- Easier installation and after-sales services due to individual installation for each housing
- No separate space is required for installation
- Excellent price competitiveness compared to the facade element



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Strategy

Development of Sustainable Products

We at LX Hausys are committed to securing product competitiveness through product and service innovation to realize sustainable growth of humans and nature. To this end, we have established detailed processes for developing new products, source/fundamental technology, and roles required at every level of the organization. We also implement a standard product development process suitable for the characteristics of building decorative materials, interior and industrial films, and automotive materials and components. We inspect social and environmental risks in advance by reinforcing product competitiveness in terms of their quality, cost, and delivery from the development stage. Furthermore, our product development process prioritizes customer needs and pain points to deliver products that meet customer requirements. LX Hausys will develop sustainable products that meet the ever-changing customer needs and their environmental and social demands.

1 Development Establish strategy

- **Define the need to develop products that are based on market/customer needs**
  : Reflect development factors from ESG perspective(E.g., Application of bio-balanced, recycled materials, etc.)
- **Establish product development plan that meets eco-friendly product quality performance/ certification standards**
  : Environmental Product Declaration (EPD), Green Certification, etc.

2 Product R&D

- **Mandatory pre-inspection for hazardous elements**
  : Implement preliminary assessment and review of product safety, reliability, and integrity (e.g., Phthalate plasticizers, total volatile organic compounds, etc.)

3 Development

- **Develop products that consider social/ environmental risks**
  : Consistently check various regulation and legal requirements(e.g., regulation of chemical substances, etc.)
- **Develop products based on customer pain points**
  : Reflect usability and issues from customer perspectives to product concepts and develop products on customer acceptance and satisfaction during production/technology development process

4 Production

- **Production process quality control (Q-Gate verification)**
  : Verify development quality CTQ(Critical To Quality) and authorize mass production/ distribution: Monitor facilities/working conditions
- **Evaluate and guide supplier quality**
  : Sign quality inspection agreement and support testing equipment and production facilities

5 Product Distribution/ Sales

- **LCA (Life Cycle Assessment) products Distribution/sales/use/disposal**
  : Recycling of waste plastic/scraps, etc.
- **Review performance and check effects**
  : Analyze customer VOC and include it in the next improved version of the product (Continue to implement activities to reduce social/environmentally hazardous factors)

* The process is applied to all new products and basic/fundamental technology of building and decorative materials, industrial film, automotive materials and components, and interior product(kitchen and bath) categories developed by LX Hausys

LCA Process

At LX Hausys, we provide quantifiable environmental information at each stage of the product life cycle, from production to distribution, use, and discharge, through life cycle assessment(LCA). We have been assessing the LCA environmental impact caused by production, as well as acquired Environmental Product Declaration(EPD) certification, maintaining this certification since 2017. We will continue expanding the range of products subject to this certification.

7 Impact Categories of Environmental Product Declaration(EPD)

Category		Definition
	Carbon footprint	Impact of GHG emissions in the air on Earth's climate change
	Water footprint	Impact of human activities on water resources such as water quality and volume
	Impact on ozone layer	Impact of ozone-destroying matters emitted into the air in the ozone layer of the stratosphere
	Acid rain	Impact of airborne acidifiers (e.g., NOx, SOx, etc.) mixing with rain and contaminating the health of humans and ecosystems
	Eutrophication	Impact caused by over-concentration of organic matter in the air, water, or soil in ecosystems
	Photochemical smog	Impact on human and ecosystem health due to pollutants on Earth's surface produced by the reaction between active matters generated by human activities and light
	Resource footprint	Global impact from the development and consumption of mineral and fossil fuels

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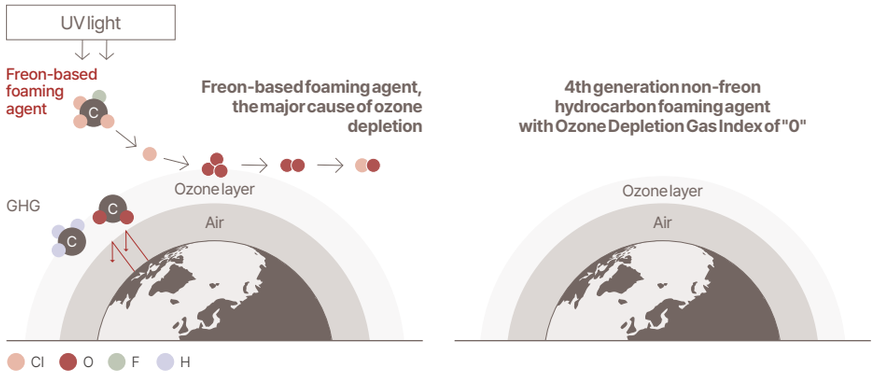
Sustainable Products

Risk Management

Eco-friendly Products

Insulation and Flooring Material for Less Air Quality Impact: Using Eco-friendly Foaming Agents

With the introduction of the Kigali Amendment to the Montreal Protocol that restricts emissions of ozone-depleting substances, we must reduce hydrofluorocarbon(HFC), the third-generation coolant substance, by 80% of the 2024 emissions by 2045. As a preemptive measure, we have transitioned to using fourth-generation hydrocarbon(HC), an eco-friendly foaming agent, to produce our insulation materials. This eco-friendly approach gives us additional points in the Green Standard for Energy and Environmental Design(G-SEED) assessment. Furthermore, we incorporate environmentally verified foaming agents into our flooring materials to reduce environmental pollutants. Embracing eco-friendly products is the first step in reducing impacts on the ozone layer from the perspective of building life cycle assessment(LCA) while contributing to the increase in green buildings.



Sustainable Automotive Artificial Leather: Environmental Impact Assessment

In the global market, the management of GHG emissions from the automotive sector is expanding into life cycle assessment(LCA), and there is a growing demand for eco-friendly development based on GHG LCA data for automotive parts. At LX Hausys, we have obtained Environmental Product Declaration(EPD) certification from the Korea Environmental Industry & Technology Institute for our PVC automotive artificial leather, which covers official environmental performance metrics such as carbon footprint, resource footprint, ozone layer impact, acid rain, eutrophication, photochemical smog, and water footprint. We will actively utilize various post-consumer recycled(PCR) materials, such as plasticizers, fillers, and woven fabrics, and recycled materials from the directive on end-of-life vehicles(ELVs) to enhance our ESG management and reduce carbon emissions through a virtuous cycle of resources in our Car-to-Car project.

Decorative Films in a Virtuous Cycle of Resources: Furniture Films Made with Recycled PET Bottles

Since launching furniture films made with recycled PET materials for the first time in Korea in 2018, we have provided "Recycled Furniture Film" products in global markets, including Europe and North America. In 2023, we will spur our marketing efforts in the Korean market and supply furniture films to large-scale apartment complexes in Busan by the end of 2025. By applying recycled films to kitchen furniture, we can recycle approximately 70 plastic bottles for every 84m² apartments. With this supply contract, we expect to achieve the equivalent of recycling about 1.2 million PET bottles.



Interior Design Products for Environmental Footprints: Eco-friendly and Recycled Materials

At LX Hausys, we ensure eco-friendliness for our diverse interior design products that customers can encounter in their living spaces by using green and recycled materials. We have acquired various environmental certifications such as the Environmental Product Declaration(EPD), a first for the Korean flooring materials industry, and the low-carbon certification. We strive to apply raw materials with a low environmental footprint in a wide range of products: kitchen and storage products using E0 particleboard(PB), which is the eco-friendly wood-based material grade, doors made from recycled synthetic resins, and solid surface stones with SCS recycled content certification.

Category	Eco-friendly Materials
Kitchen / built-in storage	Kitchen and built-in storage furniture made with E0[1] particleboard(PB) as main materials
Door	Door surface materials and foam door frames made from 100% recycled ABS and PVC synthetic resins
Solid surface stone	Solid surface stone with SCS Recycled Content Certification
Wall covering	Eco-friendly silk wall coverings with plant-derived PLA coating

1) Eco-friendly material grade with formaldehyde emissions ranging from 0.3 to 0.5 mg/L(SE0: 0.3mg/ℓ or less, E1: 1.5mg/ℓ or less, E2: More than 1.5mg/ℓ)

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Risk Management

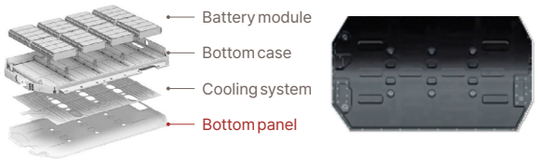
High-efficiency Products

As of 2021, the building sector accounted for about 7% of national GHG emissions, and the trend continues to grow. In response, the government has been implementing various policies to enhance the energy efficiency of existing buildings, such as expanding Green Remodeling projects and enforcing the Zero Energy Building certification for new buildings. We develop and produce diverse products aimed at improving energy efficiency in buildings, including high-efficiency construction and decorative materials.

Enhanced High-insulation Window Design: 28mm-thick Glasses and Multi-chamber Frame Structure
Our new product of the year, "View Frame," contributes to enhancing buildings' energy efficiency with its reinforced insulation design. We have increased the thickness of the glass from 24mm to 28mm, which allows a thicker layer of air between the double-glazed glass for enhanced window insulation. In addition, we added multiple layers of insulation not only to the window frame but also inside the window sash, forming air layers to prevent the influx of external cold air.

Energy-saving Insulation Materials: LX Z:IN PF Board
"LX Z:IN PF Board" offers the same insulation performance with a thinner thickness than the "A" grade stipulated by relevant regulations, allowing more efficient use of interior spaces in apartment housing for consumers. Our PF board is the first domestic PF insulation material that acquired the first EPD and Low-carbon Product Certification. It was also recognized as a "Green Product of the Year" and a winner in the "Consumers' Choice Awards" by the Korea Green Purchasing Network.

Improved Energy-efficiency in Automotive Materials: Development of Lightweight Composite Materials
At LX Hausys, we have independently developed new lightweight composite materials and laminated structures. We have applied them to the battery pack bottom panel of 6 domestic electric vehicle models. In addition, we have succeeded in developing a lightweight composite panel with the world's first application of fiber core. This panel is being supplied to North American automakers for use in trailer walls, resulting in improved fuel efficiency for trailers. We will gradually expand the application of these materials from automotive parts to industrial use by leveraging their potential through material diversification and lightweight properties.



EV battery pack bottom panel


Trailer made with lightweight composite panels

Products that Reflect Social Values

Window Handle Indicating Internal & External Air Quality: Smart Handles
With the growth of consumer interest in creating pleasant indoor environments, we continue to develop products that offer convenient indoor air quality control. We have integrated Smart Handles with IoT technology to display indoor air quality and outdoor particulate matter levels, helping our customers make decisions about when to open windows for fresh air. As part of our dedication to enhancing the quality of our consumers' living spaces, we added a function to provide information about indoor and outdoor air quality that is not easily detectable to human senses.


Smart Handle

Social Issues in Living Spaces: Noise between Floors and Accidents in Residential Spaces
We present flooring materials with anti-slip and shock-absorbing features considering various social issues, such as noise between floors and slip-and-fall accidents. In addition, we are expanding our residential product line-up with flooring materials that have acquired Pet Product Safety(PS) Certification, ensuring that the entire family, including pets, can safely use these products.

Pet Product Safety(PS) Certification

Better Animal Welfare: Vegan-certified Automotive Artificial Leather
With increasing public interest in animal welfare, the demand for vegan products is also on the rise. In particular, there is growing opposition to animal experiments conducted during product development and testing. To address this, we acquired a vegan certificate from PETA(People for the Ethical Treatment of Animals) for all of our automotive artificial leathers in January 2023, confirming that no animal testing was conducted during development.

PETA-Approved Vegan Certification

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Products with Enhanced Safety

Enhanced Fire Safety: Semi-noncombustible Insulation Materials

As fire safety standards become more strict, LX Hausys launched a semi-noncombustible core product that can contain the spread of fire and minimize damage caused by toxic gases. We produce fire-resistant, semi-noncombustible, and semi-noncombustible CORE products according to fire safety performance. In particular, our PF boards made of composite materials comply with the standards for each material and ensure the CORE's semi-noncombustible feature to provide even greater fire safety.

Enhanced Safety of Living: View Frame
(Wide-width single-pane window with a hidden striker and flat bottom)

To prevent the risk of bumping into protruding strikers attached to window frames when moving French windows, we made the striker of our new window product, "View Frame," thinner and flatter to enhance product safety. We also created a flatter design for the wide-width single-pane View Frame by lowering the height of its bottom rail and frame to prevent things from getting caught on it or customers tripping over the lower window frame. In this way, we developed a quality product that raises the standard for usability, safety, and design.





Enhanced Safety Performance of Electric Vehicles: Development of Material that Delays Thermal Runaway of Battery

With the rising demand for electric vehicles, it has become increasingly important to prioritize safety technology for preventing thermal runaway in batteries. In collaboration with LG Chem, we have developed a flame-retardant continuous fiber thermoplastic composite material, "Special Flame-retardant CFT." This material is designed to delay the thermal runaway effect, which can lead to an explosion caused by an uncontrollable temperature rise inside the EV battery in case of fire. Compared to conventional composites, our Special Flame-retardant CFT can withstand flames and high pressure for longer periods, providing more time for drivers to evacuate or for firefighting efforts during a fire.



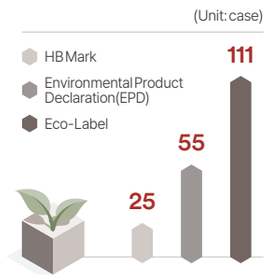
Metrics and Targets

Products with Eco-friendly Certification and Environment Labeling

With rising consumer demands for environmental friendliness, high product quality, and safety standards, we at LX Hausys are committed to developing products with environmental certifications by considering the entire life cycle of products, from production to disposal. By doing so, we contribute to providing a healthy lifestyle to our customers and preserving the planet's environment while providing accurate information about our main products for our customers' informed decisions and correct use of products.

Category		Definition
	Eco-Label	• Flooring materials, wall coverings, and industrial films that consume less energy and resources during their production process(e.g., sourcing raw materials > production > distribution > use > disposal) and minimize emissions of pollutants
	Environmental Product Declaration(EPD)	• Insulation materials, flooring materials, wall coverings, automotive artificial leathers, and window materials that provide accurate and transparent information about the environmental impacts of substances produced during their production processes, including sourcing raw materials, production, logistics, and distribution
	Low-carbon Product Certification	• Insulation materials, flooring materials, wall coverings, and window materials that fall under the category of EPD products with reduced carbon emissions and with lower average carbon emissions compared to other products in the same industry
	HB Mark	• Construction sealants, insulation materials, flooring materials, wall coverings, interior films, solid surface stones, and engineered stones(semi-precious) with lower construction organic compound emissions(e.g., TVOC, HCHO)
	GRS Certification	• Furniture films made with recycled PET
	SCS Certification	• Solid surface stone certified to be made with recycled materials
	RCS Certification	• Automotive artificial leather products made with post-consumer recycled(PCR) PET woven fabrics

2023 Eco-friendly Certificate and Environmental Label Acquisitions



Index	Unit	2021	2022	2023
Sales of eco-friendly products	KRW billion	-	1,123	1,129

Index	HB Mark	Environmental Product Declaration(EPD)	Eco-Label
Eco-friendly certificate and environmental label acquisitions	25	55	111

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ESG Supply Chain Management

Supplier ESG Management System

Supplier Code of Conduct

As a member of a global society, LX Hausys provides sustainable solutions to address social and environmental issues for a sustainable future. We have established principles for our business operations and strive to uphold them. The “LX Hausys Supplier Code of Conduct” has been set forth based on international norms, standards, and legal requirements in the hope that our suppliers also participate in efforts to realize the social responsibilities expected of corporations. We invite our suppliers to make a mutual commitment to observe this Code of Conduct so that we can grow together to globally high-profile positions.

Status of Supplier Management

Our suppliers are mainly composed of manufacturers of raw materials and toll processers for each business area, such as industrial films, windows, wall coverings, flooring materials, automotive parts, and other interior design products. We systematically manage our suppliers to ensure stable manufacturing of quality products and select key suppliers through a comprehensive assessment of annual transaction volume, strategic importance, and reliance on the supplier. Based on these criteria, we categorize our key suppliers as those who make yearly transactions of KRW 5 billion or more, those who supply core or irreplaceable parts, those who are large and highly competitive in the global market, and those whose sales are highly dependent on us. We are working on transactions worth KRW 2 trillion with our suppliers. As of the end of 2023, there are 38 key suppliers.

Purchasing Policy for Suppliers

We are committed to fulfilling our social responsibilities through fair trade and win-win partnerships. We carefully select and register our suppliers using transparent and fair standards and processes, ensuring equal opportunities for all eligible suppliers to participate. In addition, we conduct equal and fair transactions with our suppliers. Furthermore, we manage supply chain risks through the assessment of credit, supply chain management, and ESG practices and offer financial support and technical cooperation to help suppliers develop their competitiveness and growth.

ESG Assessment and Support for Suppliers

Principle and Process of Supplier ESG Management

We conduct ESG assessments as an essential part of the new supplier selection process and incorporate their score into the supplier assessment. Existing suppliers with a purchase amount exceeding KRW 100 million in the previous year are also subject to our ESG assessments. Their ESG assessment scores are also incorporated into the contract extension assessments. We exclude suppliers with less than 70 out of 100 points in the ESG assessment results from the supplier selection process. In principle, their ESG assessments are conducted through on-site due diligence. However, in cases where it is difficult to visit them due to the nature of their businesses, such as non-manufacturers and overseas manufacturers, and in cases of one-time transactions and temporary registrations with an annual transaction of less than KRW 100 million, we conduct their ESG assessment through written documents.

Support for Suppliers’ ESG Management

We provide our key suppliers with ESG training and consulting to enhance their ESG capabilities. We offer ESG training to suppliers' employees to raise their awareness of overall ESG management. In addition, we cover their costs to receive on-site due diligence for environmental and social factors at their business sites, management status, and safety and health categories through consulting with an accredited third-party agency. The results and necessary improvements are delivered as a report so that suppliers can reinforce their ESG capabilities.

Green Purchasing Policy

We have established green purchasing guidelines within our internal purchasing policies to define which green products can be purchased and prioritize the purchase and selection of these products. Under our green purchasing guidelines, “green products” refer to Eco-Label certified, Good Recycled certified, and low-carbon certified products as stipulated in various domestic and international laws. These guidelines apply to raw materials, consumables, and construction materials purchased across all our business sites.

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LX Hausys

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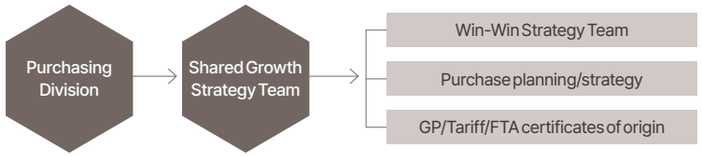
ESG Supply Chain Management

Shared Growth Support Framework

Shared Growth Support Framework

At LX Hausys, we strive to strengthen cooperation with our manufacturing sites based on the belief that our suppliers' product competitiveness is the key to our product competitiveness. We support our suppliers' production facilities and technologies to increase their production stability and product quality. Since 2014, we have consistently invested in the Win-Win Fund for shared growth to help our suppliers improve their productivity. We have also implemented a magic circle model based on effective investments to drive manufacturing innovation at our suppliers.

Shared Growth Organizational Structure



Shared Growth Support System

Support for Suppliers' Manufacturing Innovation and Improved Productivity

Mitigating defect rates leads to improved productivity through the reduction of internal and external failure costs. To this end, in 2023, we invested KRW 100 million in quality improvement funds for five suppliers to cover their quality failure costs and improve productivity.

Funds for Quality Improvement

Mitigating defect rates leads to improved productivity through the reduction of internal and external failure costs. To this end, in 2023, we invested KRW 100 million in quality improvement funds for five suppliers to cover their quality failure costs and improve productivity.

Enhancing Capabilities for Production Innovation

Support for suppliers' production site innovation and facility automation[1]	
Performance sharing model	• Invested KRW 600 million in the Win-Win Fund for shared growth • Supported for eight suppliers in manufacturing innovation, productivity improvement, facility automation, etc.
Quality improvement fund	• Invested KRW 100 million in the Win-Win Fund for shared growth • Invested KRW 100 million for five suppliers to mitigate defect rates

1) Invested a total of KRW 600 million in suppliers' production site innovation, facility automation, etc.

Shared Growth Support Program

LX Hausys offers various financial and non-financial support programs to achieve shared growth with our suppliers.

Financial Support Program

Program	Description	Key Performance
Win-Win Fund	• LX Hausys and financial institutes pool KRW 15 billion worth of funds to offer low-interest loans to suppliers.	42 companies benefited
Network Loans	• An indirect financial support system that enables suppliers to get loans from financial institutes based on their supply history with LX Hausys to produce and deliver products	KRW 2.73 billion for six companies *Accumulative total based on the amount executed at the end of each month
Win-Win Payment System	• A win-win payment system is implemented to ensure that the payment from the large company for goods to a tier 1 supplier smoothly flows to tier 2 and 3 suppliers.	Implemented promotional activities to spread the Win-Win Payment System to Tier 2 and 3 suppliers as well as Tier 1 suppliers
Incentives(Rewards) for Outstanding Suppliers	• Rewards for outstanding suppliers that perform well in the regular comprehensive assessment of quality, delivery, ESG aspects, etc.	KRW 50 million rewarded
Support for Consigned Materials	• Sourcing and providing major chemical raw materials and construction materials for suppliers to ease their financial burden and material shortages	Paid KRW 633.2 billion for customer-directed materials
Free Lease of Metallic Molds	• Free lease metallic molds created with the LX Hausys's funds to suppliers	87 suppliers benefited
Improved Payment System	• Purchases under KRW 3 million are paid in cash. Efforts are made to increase the proportion of cash payments to support suppliers' business activities.	Maintained 100% cash[1] payments and paid approx. KRW 217.5 billion in cash * Based on performance under the fair trade practices agreement in 2023

1) Payment instruments replacing promissory notes with a maturity period exceeding one day but not exceeding sixty days, including cash and mutual benefit payments

Non-financial Support Program

Program	Description	Key Performance
Support for quality/ technological development	• Actively apply for joint patents to protect suppliers' technology • Provide commission for technology escrow • Support suppliers' facility investment and improvement, productivity improvement, production stabilization, and system infrastructure	Applied for 6 joint patents Provide commission for technology escrow in 1 case
Enhancement of communication with suppliers	• Hold Partner's Day at home and abroad to share business plans and reinforce communication • The management and purchasing officer visit suppliers to listen to their pain points and suggestions for improvement	Shared business plans and quality policy directions, and invited economic experts for lectures Global Partners Day: Rewarded outstanding overseas suppliers and shared business plans
Others	• Fair trade agreement: sign a fair trade agreement between tier 1 to 3 suppliers to establish voluntary fair trade order and build a healthy ecosystem for shared growth • Welfare mall for suppliers' employees: Operate a separate online welfare mall for suppliers' employees under the same conditions to expand the welfare and benefits services for LX Hausys's employees to suppliers' employees	

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Quality Management

Quality Management System

Dedicated Quality Management Organization

At LX Hausys, we operate dedicated quality organizations to provide excellent and consistent product and construction services. We closely monitor the rapidly changing market to identify issues and implement improvement measures while enhancing our Six Sigma capability to reinforce preventive quality management. As the quality assurance provider for the development and production of our products, we have established and optimized a quality assurance system to ensure our competitiveness in terms of product quality.

Quality Control Activities

We operate a quality management system to achieve customer satisfaction. The Cheongju Plant and Ulsan Plant have renewed their ISO 9001(Quality Management Systems) certifications. The Ulsan Plant also holds IATF 16949(International Automotive Quality Management System) certification for assurance in our expertise in manufacturing products. We will continue to dedicate ourselves to maintaining a consistent quality management system to achieve customer satisfaction.


DNV
MANAGEMENT SYSTEM CERTIFICATE
LX Hausys, Ltd. Cheongju Plant
ISO 9001:2015, KS Q ISO 9001:2015
Design and Manufacture of Floor Covering(Wood, Polymer), Tiles(Polymer), Carpet Tiles, Acrylic Solid Surface, Wood Polymer Composite, Insulation Materials, PVC Profiles, PVC Windows, Flexible Stae Faces, PVC Coated Fabric and PVC Laminated Fabric.

Cheongju Plant ISO 9001 Certification


DNV
MANAGEMENT SYSTEM CERTIFICATE
LX Hausys, Ltd. Cheongju Plant
ISO 9001:2015, KS Q ISO 9001:2015
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Ulsan Plant ISO 9001 Certification


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Ulsan Plant IATF 16949 Certification

Quality Control Process

To provide products and services that reflect the needs of our customers, we manage the quality of product development, as well as the quality of customer use. In particular, we manage all newly developed products through FMEA, a risk prediction and response technique, and Q-Gate, a quality assurance procedure for new product development, to prevent potential risks that may arise in the customers' actual use environment.

Quality Control Process

① Quality planning	• Quality strategies - Establish mid- to long-term quality strategy - Manage quality indicators - Improve quality control processes	• Quality check - Assess quality system by business unit(Domestic/ overseas business sites and suppliers) - Verify process compliance - Manage and monitor international certificates and regulations	• Quality data analysis - Guide quality analysis
② Development (design) quality control	• Q-Gate for new products - Verify development quality - Verify long-term reliability - Verify hazardous substances	• Development of testing method for customer's actual use environment - Design test specs and assure quality - Certification test planning - Strengthen quality	• Check early-stage liquidity management
③ Production quality management	• Raw materials/subsidiary materials warehousing inspection - Conduct outgoing quality control(OQC) for raw materials/ subsidiary materials - Daily OQC report management - Plan and implement regular internal inspections for eco-friendliness	• Production process quality management - Manage changes in internal 4M method - Manage key processes characteristics - Monitor facility operating conditions	• Operation of the Quality Improvement Council - Hold working-level meetings for each plant/ product
④ Suppliers and construction quality management	• Supplier quality assessment and guidance - Conduct regular/as-required quality assessment - Sign agreements on quality tests - Provide technical support for suppliers	• Operation of the Quality Improvement Council - Hold working-level meetings for construction quality - Provide training on construction technique and standardize constructions	
⑤ Quality in use management	• Analysis of customer complaints - Identify projects to address quality issues	• Management of customer consultation quality	• Service quality management

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Quality Management

Quality Management System

Product Safety Verification Process1[1)]

At LX Hausys, we implement product quality and safety verification processes across all our production processes, from raw materials to finished products, to provide safe products for our customers. In 2023, we established internal regulations for the follow-up management of eco-friendly products to reinforce our quality verification process. In April 2024, we also set forth internal regulations for the follow-up management of product standards verification to expand the management scope for eco-friendly standards and product standards, preventing potential product quality risks throughout the product life cycle.

1) The process of assessing/managing all products as stipulated in the regulations to ensure product safety as well as user safety and health

Integrated Quality Information Management System

At LX Hausys, we strive to effectively manage any changes in raw materials, facilities, and processes so that resultant updates to our development and production process do not affect the quality of finished products. To this end, we have established an IT system to set up a process for verifying whether product development and production processes meet our quality standards. We continuously invest in IT and facilities to systematically collect and manage quality information created during the production process, using a manufacturing execution system(MES) for systematic production planning and manufacturing history management, a utility monitoring system(UMS) for real-time monitoring of production conditions and facilities status, and an automated testing system that employs various sensors. In addition, we collect and manage all quality information in an integrated system to enable prompt response by tracking product production history and conditions in case of complaints.

Internalization of Six Sigma Methodology

We strive to develop internal quality experts who can accurately identify customer needs, incorporate them into our products, and implement clear and effective quality improvements. We aim to have all team leaders certified as Master Black Belts(MBB)[1)] and to continue implementing quality improvement measures across LX Hausys. We have also established mandatory improvement measures for each division and have applied these measures to three projects that required management due to chronic defect issues in each product line. MBBs in the Quality Division participate in improvement measures for each division and verify performance to raise the reliability of the quality improvement process.

1) MBB(Master Black Belt): An expert and officer responsible for managing Six Sigma in business activities. MBBs lead Six Sigma practices such as project execution and establishment of quality system in business activities, drawing on their business knowledge and expertise in the Six Sigma methodology.

Supplier Quality Management

We conduct Six Sigma training for suppliers subject to our regular quality assessments to enhance their independent quality control capabilities. We provided Green Belt (GB) training to foster suppliers' quality control talents in 2023 and GB training as well as working-level quality control courses to reinforce the capabilities of suppliers' quality control managers in 2024. We have also conducted an annual supplier quality assessment in three phases: Phase 1 (warehousing/processing/outgoing quality control), Phase 2 (warehousing/processing/outgoing quality control and system evaluation), and Phase 3 (compliance with changes in the 4M method and performance assessment) to check suppliers' management consistency. The regular quality assessment's annual categories/indicators are updated to maintain high standards for our suppliers' quality assurance systems.

Product Safety Verification Process

Product Development

Mandatory Hazard Assessment for New Product Development

At LX Hausys, we have implemented mandatory hazard assessments for new products to verify the emission of hazardous substances resulting from raw materials to finished products. All newly developed products must undergo this verification process at the quality control stage. If any new product under development is suspected of emitting hazardous substances, we will not approve the completion of development and will strictly control the potential hazards of new products.

Finished Product Verification

Operation of Dedicated Divisions under the R&D Center

Verification of long-term reliability: We conduct strict product verification procedures from a long-term perspective. We have developed an accelerated life test method to reflect the user environment for the characteristics of each product and verify the long-term use quality and safety of products, and then included this test method as one of the regular test categories/indicators. In this way, we can accurately analyze and manage how long products can maintain their quality when exposed to years of use. We strengthen product durability based on the test result.

Hazardous substance analysis: We have installed precision analytical instruments and appointed an expert to improve the reliability of our hazardous substance measurements(e.g., TVOC and HCHO) and ensure safety against them. These substances are not easily detected but can be generated in manufacturing processes. We consistently monitor and control hazardous substances from unidentified sources, unintended chemical reactions, or those emerging from the early development phase to the product launch.

Product Shipment

Operation of Hazardous Substance Analytics Division by Plant

We have test equipment and personnel to analyze hazardous substances at our R&D Center and Korean manufacturing plants. We frequently conduct tests on key control substances for all products under more stringent standards than the legal requirements. We destroy all non-conforming products based on the test results and focus on preventing recurrence with a thorough analysis of the cause of the non-conformance.

Acquisition of Official Certification for Reduction of Hazardous Substances

We have acquired various product safety certifications so that our customers can easily notice the safety of our products and improve the reliability of hazard assessments. According to the characteristics of our products, we hold various product safety certifications ranging from domestic certifications, such as Eco-Label and HB Mark, to overseas certifications such as OEKO-TEX, a European textile product quality certification.

Operation of Radon(radioactive substance) Test System

We have introduced radon analyzers at each of our Korean plants to verify product safety in 2019 and have conducted regular tests on radioactive substances.

Establishing the Foundation of Tracking and Management Systems for Causative Substances

We link our IT systems, such as a production management system and a warehouse management system, to establish a foundation to track production history, including raw materials and working conditions. In the event of unexpected hazardous substances, we will accurately identify the causative substances and estimate the extent of any damage to promptly respond to the relevant risks, thereby operating and enhancing our tracking management system.

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Quality Management

Customer Satisfaction

Principle of Customer Service Provision

At LX Hausys, we announce the warranty periods of each product and the paid/free services for products on our service website. In addition, we collect customer opinions through various channels and take real-time actions to protect consumer rights that may be infringed due to product defects. Complaints collected through these channels are assigned to the regional service engineers of the AS subcontract in real time. In principle, service engineers will contact customers within 24 hours for visits and offer call-out services. Along with the changes in consumer-related laws and policies, we will continue to enhance our services to address any inconvenience that our consumers may experience.

Protection of Consumer Rights and Response to Damages

We continue to identify changes in relevant regulations and policies in order to protect consumer rights and provide relevant information based on these changes, while announcing the warranty periods of each product and the paid/free services for products on our service website. If customers suffer from physical or property damages due to product quality or safety issues, we provide prioritized after-sales services to protect consumer rights. In addition, we provide free call-out services to veterans, persons of merit, and persons with disabilities. Reports for damages are received through our customer communication channels such as phone calls, service websites, and Kakao Chatbot. Once reports are received, they are assigned to regional officers in charge in real time, and they call customers within 24 hours to schedule visits. After service completion, we conduct a customer service satisfaction survey and share the results with AS subcontractors with which the regional officer is affiliated. Based on this, services that need improvements are addressed through improvement activities.

Enhanced Communication with Customers

In 2020, LX Hausys began to provide services through the official service website. In 2022, we established a hotline and Kakao Chatbot linked to the service website to reinforce our customer communication channels. Our Chatbot service offers enhanced customer convenience with the provision of Z:IN Square(showroom) locations, product and construction examples, as well as regular consultations. Kakao Chatbot's accuracy is being continuously improved with real-time database updates facilitated by customer Q&A pattern analysis by the Chatbot manager. We also added a shortcut menu to LX Hausys website and LX Z:IN(former Z:IN Mall) to enhance access to consultation for interior decorative products.

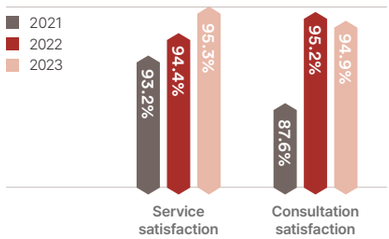
Voice of Consumer(VOC) Status

Category	Inquiries	Complaint	AS request received	Parts	Z:IN Empathy	Interior-related consultation	Z:IN Mall /N Store	Commercial	Home shopping	Total
Total cases in 2023	80,559	2,415	55,715	3,904	2,333	650	2,020	1,824	7,294	156,714
Weight	51.4%	1.5%	35.5%	2.5%	1.5%	0.4%	1.3%	1.2%	4.7%	100%

Client Satisfaction Level Management

We conduct customer satisfaction surveys on a regular basis. The indicators identified in these surveys are duly considered in product development and production and service quality enhancement. In the KCSI survey conducted in 2023, we were selected as the top company in residential building materials for three consecutive years. We will provide differentiated customer values at every stage of interior decorative construction, providing high-quality products, construction, and after-sales services, to impress our customers, going beyond simple customer satisfaction.

Category	Service Satisfaction	Consultation Satisfaction
2021	93.2%	87.6%
2022	94.4%	95.2%
2023	95.3%	94.9%




KCSI Awards Ceremony

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Labor and Human Rights Protection and Diversity

Human Rights Management System

Global Labor Policy

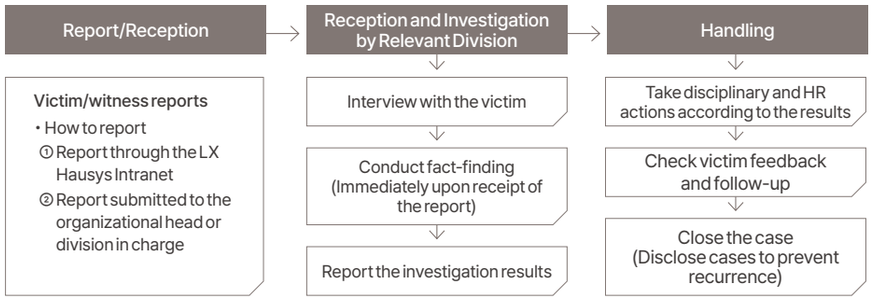
At LX Hausys, we have established the "LX Hausys's Global Human Rights and Labor Policy" based on the human rights and labor standards and regulations set forth by international institutes and organizations, including relevant provisions by the International Labor Organization(ILO) and UN Guiding Principles on Business and Human Rights, and have disclosed its entirety on the official website. We respect all employees as individuals, treat them fairly based on their capabilities and achievements, and help them fully draw out their creative potential. We also recognize every employee's personality with faith in and love for humankind, and encourage them to find pride and fulfillment through their work with an entrepreneurial mindset.



Management of Labor and Human Rights Risks

We carry out concerted efforts to create healthy working environments by listening to employee grievances and making appropriate improvements. LX Hausys's Code of Ethics also states respect for employees. To facilitate this, we operate a personal grievance-handling program that offers 1-on-1 counseling on the LX Hausys Intranet, and leaders consistently provide counseling for employees. In addition, we provide a dedicated channel for reporting and counseling on sexual harassment and workplace bullying via the LX Hausys Intranet. This channel allows victims and witnesses to report such incidents without fear, and we immediately conduct an investigation upon receipt of such reports.

Grievance Handling Channel Process



Culture of Respect for Human Rights and Diversity

Promotion of a Culture of Respect for Human Rights and Diversity

LX Hausys's Global Human Rights and Labor Policy is designed to uphold and respect the dignity, freedom, and happiness of all our stakeholders as our fundamental values. The policy applies to domestic and overseas business sites to protect employees' labor and human rights. We encourage all our stakeholders, including customers and suppliers, to strictly observe this policy. We continuously manage and monitor relevant risks such as child labor, forced labor, and violations of freedom of association and collective bargaining under our global human rights and labor policies. In addition, we conduct regular training on disability awareness, sexual harassment prevention, and workplace bullying prevention to enhance employees' awareness about human rights protection and to promote our culture of mutual respect.

Enhancement of Diversity and Inclusiveness Through Greennuri

We run various programs aimed at promoting the recruitment of people with disabilities to fulfill our corporate social responsibility and build a corporate culture that embraces diversity. Since 2018, we have been operating "Greennuri," a standard subsidiary-type business site, to foster a harmonious workplace where people with and without disabilities can work together. As of 2023, we have 99 staff members, including 55 with disabilities and 44 without disabilities. Through Greennuri, we will provide a solid foundation of independence for people with disabilities and realize mutual growth in our community.

Date of Establishment	Jan. 01, 2018	No. of Employees	99 persons(55 persons with disability and 44 persons without disability as of the end of Dec. 2023)
Jobs	Cleaning, working at cafe and store, landscaping, and facility management		
Location	Cheongju Main Store (within LX Hausys Cheongju Plant) Ulsan Branch(within LX Hausys Ulsan Plant) Seoul Branch(within LX Hausys Headquarters)		

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Labor and Human Rights Protection and Diversity

Labor-Management Communication

Labor-Management Relationship

At LX Hausys, we strive to foster a communal labor-management relationship that contributes to social development based on continuous performance enhancement through partnerships built upon participation and cooperation. To realize this goal, we are committed to improving employees' quality of life and have implemented our unique 3-dimensional Model for Labor-Management Relationships. This model, which consists of business management, work environment, and collective bargaining, promotes organic participation and cooperation between the labor forces and management. Furthermore, we regularly communicate with the labor union to build a culture of mutual trust and respect, and to discuss relevant and necessary aspects. As of the end of 2023, 99.9% of technical staff are union members.



Vitalization of Labor-Management Communication

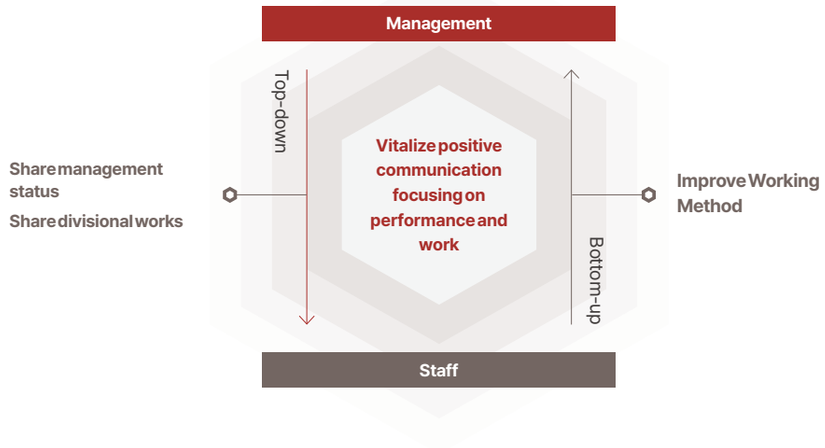
We pursue a harmonious relationship between labor and management where both parties respect each other's roles on equal footing. To this end, our management holds regular dialogues with employees and quarterly management meetings. In addition, we organize annual organization revitalization events at each business site to promote open communication between labor and management. The Labor and Management Council also holds quarterly labor-management meetings to discuss common issues or concerns, improvement and expansion of welfare facilities, and sharing management achievements.

In 2024, we will run an official channel to encourage employees to participate in meetings with management, facilitating active communication between management and employees.

Vision Talk Conference

We organize the Vision Talk Conference as a channel for direct communication between employees and executive management. The conference, which is part of our labor-management communication program, is designed to solidify our organizational culture in the ever-changing business environment. Green Board members, elected from each business unit and site, represent their respective organizational communication channels and take part in the conference. We also develop and distribute the standard Vision Talk program to enhance labor-management communication and provide facilitation training for Green Board Members. In 2023, we conducted five "CEO Vision Talk" sessions, with 43 attendees. For "Vision Talk by Business Unit," about 78% of employees from 23 organizations voluntarily participated.

Operation of Vision Talk



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Human Resources Management

Talent Recruitment and Development

Talent Recruitment Process

At LX Hausys, we have established and implemented the Human Resources Principles as part of our efforts to recruit talented individuals who live up to our vision of ideal employees through appropriate processes. We provide interviewers with training on the Fair Hiring Procedure Act, types of assessment errors, and remedies to ensure professional and clear recruitment processes. In addition, we operate R&D centers for academic-industry collaboration, internships in natural science and engineering, and on-site practice programs to attract talented individuals with expertise in various fields.

Ideal Employee of LX Hausys

Passion Individuals who strive to be the best in the world with dreams and passion	**Innovation** Individuals who continuously innovate with a focus on customers
Teamwork Professionals who work autonomously and creatively while keeping teamwork in mind	**Competitiveness** Professionals who compete fairly while consistently enhancing their capabilities

LX Hausys HR Principle

Basic Ideas of Execution	Operation Method	Source of Value Creation
• Equal opportunity • Long-term perspective	• Rewards for performance • Meritocracy	• Respect for individual creativity and autonomy

Direction of Talent Development

We believe that securing the expertise of our employees leads to corporate success. Accordingly, we align our business goals with the directions of talent development and provide training to enhance the capabilities of our employees in each business division. Our talent development programs focus on “development of future global entrepreneurs” to lead in future industries, “enhancement of job expertise” to strengthen our business competitiveness, and “development of leadership” based on LX's core values. We strive to nurture talented people with expertise for each position by focusing on the individual growth phase of employees through newly established LX group-wide training courses such as "Business Division Head Course" and "LX Group New Recruits Orientation Training."



Employee Capability Development Program

Future Global Entrepreneurs Development Program

- HPI(High-Performance Individual) course: Identify senior-level core talent and provide training on fundamental business knowledge for each phase.
- Biz & Pro Talent course: Offer Biz Insight seminars to enhance the business capabilities of leadership-level core talent and additional expertise training programs.
- Mid- to long-term training course: Provide intensive training, including MBA programs, through domestic and overseas educational institutes to enhance global capability.
- Global language course: Provide 1-on-1 conversation sessions, global language courses, and short-term intensive language courses for overseas business personnel so they can be strategically assigned to international environments

Job Expertise Enhancement Program

We offer training for each position, such as research, engineering, and sales/marketing, to enhance job competence and skills for systematic expertise.

Course	Target	Description
Research training	Researchers	Introductory research course, business feasibility analysis course, domestic/overseas academic seminars, etc.
Engineer training	Engineers	Introductory engineering course, production management, on-site innovation, cost control, production quality, market analysis, TRIZ course, etc.
Sales training	Sales/Marketers	Introductory sales course, basic sales course, advanced sales course, etc.

Leadership Enhancement Program

We provide various leadership courses to develop leadership capabilities for new recruits and promotions to new roles/positions.

Course name	Target	Course details
Promotion training	Specialist/Professional promotion	Enhance role recognition after promotion and develop core capabilities for each position
	New team leader	Offer training and 4 weeks of onboarding program for new team leaders
Leadership training	Roles above team leader	Provide team leader leadership camp, leadership clinic, leadership coaching, business division head coaching course, etc.
New recruit training	New recruits	Offer 4 weeks of onboarding program for smooth orientation and work immersion for new recruits

Performance of Employee Capability Development Program

Course	Positive impact of the program on the company	Quantitative impact of the program on the company
Core talent training (company-wide)	Operate diverse and systematic core talent programs for HPI and Biz Talents to retain outstanding employees and organizational capabilities	2023 core talent retention rate: 87% (YoY +10%)
Job-specific training (Sales/Marketing)	Strengthening customer touchpoints, increasing brand awareness, and boosting profits through enhanced B2B/B2C sales and marketing activities.	Revenue per person increased by 798 million KRW compared to 2022

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Human Resources Management

Talent Recruitment and Development

Six Sigma Training

At LX Hausys, we develop our quality experts through the Six Sigma Program to reflect customer demands on our products and improve product quality. The Six Sigma Program is a quality-driven mindset building program that provides scientifically verified tools and methods based on systematic procedures, with certification belts at GB[1], BB[2], and MBB[3] levels.

Six Sigma Training Program

We offer training programs for each role and phase to improve quality, enhance productivity and cost control, and develop new products. Through this program, we reduce costs incurred due to quality issues and improve customer quality satisfaction through strengthened quality control.

Category	GB course	BB course	MBB course
Training details	6σ process / Statistical thinking / Advanced statistics / Summary		
Training method	Online video training	Online real-time training	Online real-time training
Training period	1 month	4 days	6 days

Six Sigma Belt Certification System

We operate a GB/BB/MBB certification system based on capabilities in the production/technology/R&D/quality divisions. In 2023, the Six Sigma program applied to 48 projects. 337 of 346 employees in the production/technology/R&D/quality divisions acquired belt certification at each level.

Category	GB[1]	BB[2]	MBB[3]
Role	6σ task team member	6σ task team leader	Identify and guide identification of 6σ tasks, develop 6σ talents
Certification target	Production/Technology/R&D/Quality jobs		
	No Belt	Existing GB-certified staff	Senior or higher staff with existing BB certification
Persons acquired certification	145 persons(42%)	141 persons(41%)	51 persons(15%)

1) GB(Green Belt): A member of a Six Sigma Project team at a level where a person can apply Six Sigma methodology to create performance.
2) BB(Black Belt): A leader/initiator of a Six Sigma Project team at a level where a person can apply Six Sigma methodology on site to methodically solve problems and create outstanding performance.
3) MBB(Master Black Belt): An officer at a level where a person can lead Six Sigma activities for a business division based on expertise.

Employee Performance and Remuneration

Employee Performance Evaluation System

We evaluate our employees through Management by Objectives(MBO), mid-term reviews, multifaceted assessment, and the Assessment Review Committee, as well as provide assessment competence-enhancing training to raise the fairness of evaluators. We draw and set up individual yearly MBOs aligned with company-wide goals to perform assessments of their achievements and mid-term assessments to improve employee motivation. We also conduct 360° multifaceted assessments in which colleagues provide feedback on quantitative and qualitative performances to raise the objectivity of assessments. Data accumulated from mid-term reviews and multifaceted assessments are utilized to develop the capabilities of those who are subject to assessment. We also provide regular feedback and coaching on performance to enhance the fairness of evaluations and their acceptance by employees. For the year-end appraisal, the Assessment Review Committee incorporates individual performance, capabilities, business contributions, and organizational nature into assessments. Furthermore, we provide evaluators with mandatory online and offline training to enhance their ability to conduct fair and objective assessments.

Compensation System

Our compensation system consists of cumulative and non-cumulative components according to the principles of meritocracy. The cumulative component is an annual salary scheme that compensates individuals differently according to the previous year's evaluation results. The non-cumulative system includes role-based payment, which gives rewards based on recognition of roles/responsibilities, profit sharing, On-Spot Incentives, which rewards outstanding performance, and division-specific reward programs. Furthermore, we have a newly established compensation system for overseas sales staff to enhance our global expansion in 2023. With a mid-to-long-term perspective to ensure future growth engines, we reinforce performance-based compensation systems such as the Big Project Reward Scheme designed for R&D and design divisions and the Project Proposal Reward Scheme for differentiated and new technologies/products.

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LX Hausys
NATURE, HUMAN AND SPACE

Human Resources Management

Employee Benefits

At LX Hausys, we provide competitive salaries and the highest level of welfare benefits based on meritocracy-focused HR principles that respect individual creativity and autonomy. To this end, we offer various welfare benefits such as encouraging the use of PTO, support for leisure facilities, resting areas within company premises, support for club activities, and discounts on LX products to alleviate workplace stress and promote work-life balance. Furthermore, we provide continuous support for self-development activities, such as support and rewards for license acquisition, in various areas, including job expertise.

Support for Work-Family Balance

We actively endorse government policies that promote work-family balance to create a family-friendly corporate culture. We offer shortened working hours for maternity, prenatal check-up leave, and maternity leave for pregnant employees. After giving birth, employees are entitled to take maternity leave and shortened working hours for child-rearing support. We also provide spouse (paternity) leave for childbirth and child-rearing support in an effort to establish a stable work-family balance for all our employees.



Childcare facility

Operate in-house childcare centers at each business site for child-rearing support

Nursing room

Operate in-house nursing rooms (including women's lounge) to create child-rearing environments for female employees

Paid parental leave system

Comply with legal standards (up to 1 year for each parent who raises a child under the age of 8) Provide a parental leave system for work-family balance

Family care leave

Provide family care leave to look after parents, spouse, children, or parents of a spouse due to illness, accidents, old age Provide up to 90 days a year in compliance with legal standards

Employee Welfare and Benefits Programs

Stress and Health Management

Category	Details
Stress Management	Counseling office for stress control
PTO encouragement	Setting a monthly boss-free day after divisional agreement Encouraging employees to take time off
Support for sport clubs	Support for various in-house sport clubs(e.g., hiking, baseball, soccer)
Medical expense supports	Support for medical expenses for employees, their spouses, and children

Marriage, Childbirth, and Childcare Promotion Systems

Category		Details
Marriage	Congratulatory payments/ Leave	Congratulatory payments and leave for marriage
Childbirth	Support for infertility treatment	3 days of paid leave for infertility treatments
	Congratulatory gift for childbirth	Infant items for employees who gave birth
Childcare	Paid parental leave	Maximum 1 year of parental leave for both male and female employees
	School-entry congratulations support	Congratulatory payment for employees' children entering elementary/ middle/high schools

Various Customized Welfare and Benefits

Category	Details
Flexible working hours	Flexible working hours that employees can select for efficient work
Discounted company products	Discounted company products for employees to raise their pride and sense of affiliation
Support for license acquisition and payment for qualification benefit	Support for work-related and non-related self-development of employees

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LX Hausys

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Human Resources Management

Improvement of Organizational Culture

Activities to Improve Organizational Culture

Good Company to Work for and Grow Together

At LX Hausys, we share the core value of "teamwork based on individual strengths" with our stakeholders to realize our management philosophy and vision. With this core value in mind, we run individual-/team-/divisional-level programs to build a corporate culture that promotes the growth of teams and individuals and creates a "good company to work for and grow together."

Improve working method	Build good teams to work for	Build good teams to work for
Smart working WLB-enhancing activities	Development of team leader's leadership Team workshop toolkit 1:1 Growth Meeting	Vision Talk No. 1 DNA activities
Work immersion Enhanced expertise	**Enhanced leadership Team-level performance**	**Goal alignment Delivering our vision**

Improve Working Method

In 2023, we implemented the "Teams Vitalization Campaign" and "Outstanding Workers' Work Note" campaigns to enhance our employees' productivity and competency. Throughout the year, we carried out 8 Teams Vitalization Campaigns aligned with installation, file management, and channel composition, and thanks to this, 1,004 employees, 49% of LX Hausys's office workers, now use Teams. In addition, we continuously improved our working methods through ten meeting sessions and reporting improvements during Outstanding Workers campaigns. We select seven habits of smart workers and share how to follow them by topic every month, thereby creating an organizational culture that helps employees work efficiently.



Strengthened Employee Communication

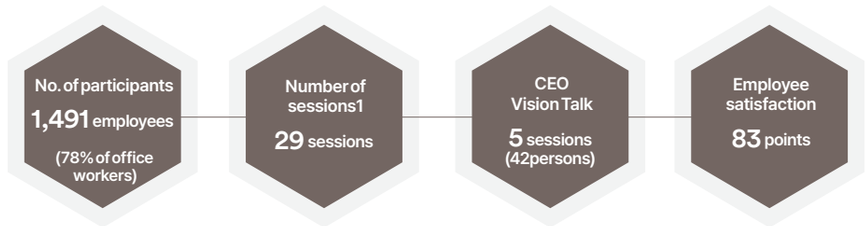
Building Good Teams to Work for

We believe that good teams to work for are built on smooth communication and produce great performance through smooth communication. To this end, we hold a "1-on-1 Growth Meeting" between team members and team leaders to encourage open conversations and feedback on work-related topics and others. We also support team members and leaders to create good teams to work for through the "Good Team to Work For Workshop," which is an organizational development program covering various topics. In 2023, 85% of employees participated in the "1-on-1 Growth Meeting," and the participation rate of the Good Team to Work for Workshop was 87%(165 teams, 237 sessions). We will support active communication between team leaders and members to grow "Good Teams to Work For" into a "Good Company to Work For."



Vitalizing Employee Communication and Assessing Organizational Culture

"Vision Talk" is a communication channel designed to reinforce internal communication between management and employees. Vision Talk is a collective effort by executive management, including the CEO, as well as Green Board members, who serve as our employee consultative committee. Through this communication channel, management shares management policies and business directions with employees, and employees express their opinions and proposals to management. In addition, we promote active communication between employees and management and establish an organizational culture that facilitates mutual growth based on a clear vision. In 2024, we also conducted a survey for Korean employees to assess the effectiveness of our organizational culture, focusing on a sense of purpose, job satisfaction, and vitalization of communication.



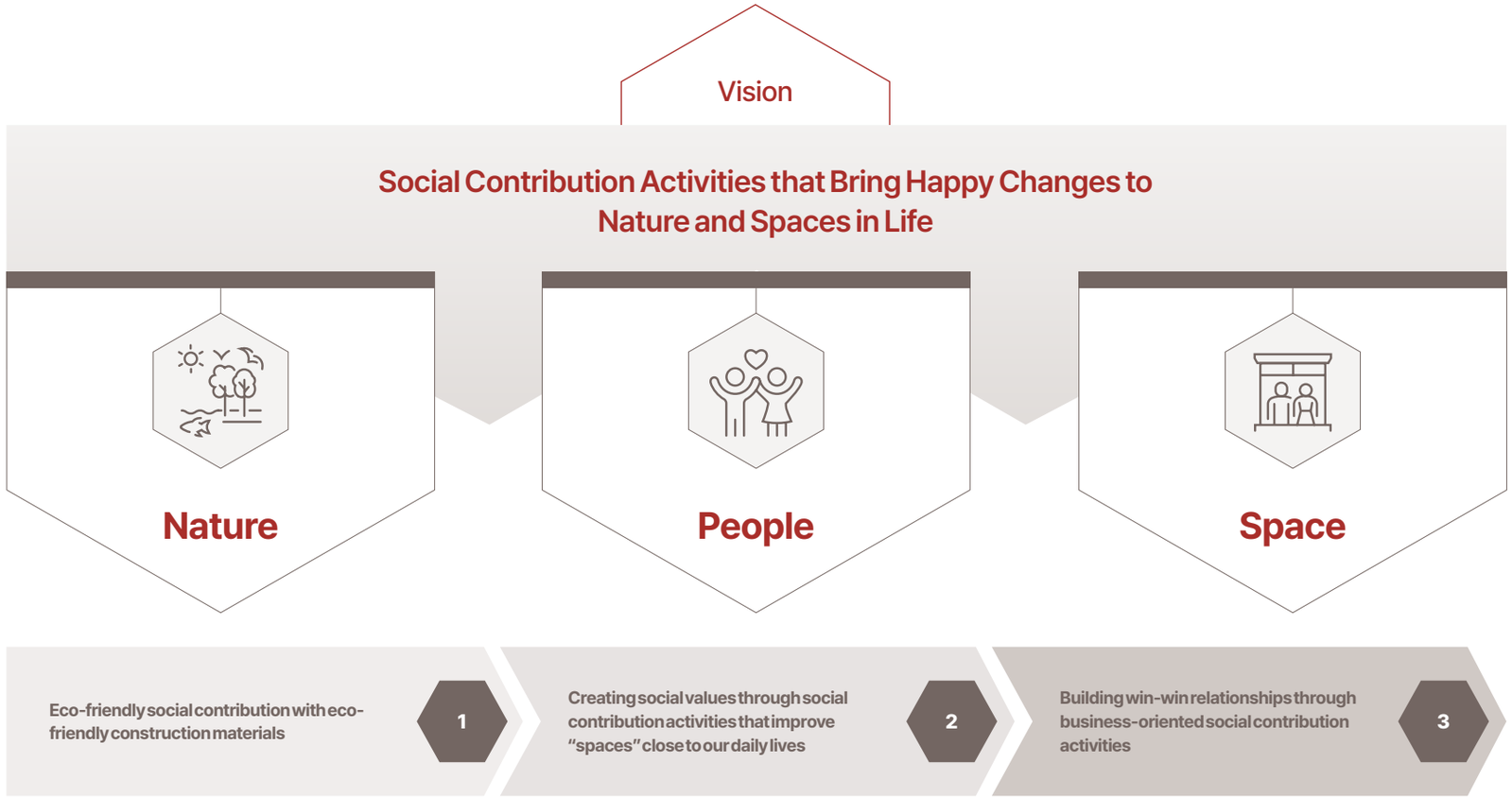
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LX Hausys
NATURE, HUMAN AND SPACE

Social Contribution

Social Contribution Strategy

At LX Hausys, we have been implementing social contribution activities under the slogan of "Social Contribution Activities that Bring Happy Changes to Nature and Spaces in Life," based on our business traits and strengths, as we work toward building a win-win relationship with local communities. We will continue creating social values through consistent contribution activities and become a company that creates positive change in local communities.



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LX Hausys

NATURE, HUMAN AND SPACE

Social Contribution

Social Contribution Activities

Support for Children and Youth

Creating Happy Spaces

At LX Hausys, we offer the "Creating Happy Spaces" project that improves social welfare facilities for children and youth with our products, construction, and design capabilities to support future generations in realizing their hopes and dreams. Having begun in 2009 with the construction of Holt Ilsan Center, the project's first major achievement, we have made improvements to 25 social welfare facilities for children and youth. In addition, since 2010, we have been working with the Korea Association of Community Child Centers to renovate the outdated interior spaces of 92 local children's centers. In 2024, we plan to expand our support for children and youth through the Creating Happy Spaces project.

Okkumheri Project

The "Okkumheri Project" is a talent donation effort involving expert interior designers to improve outdated spaces in welfare centers for children and residential facilities for marginalized children. Since 2019, our Brand Marketing Team have joined the project. This year, they carried out living space improvement activities for "Daum Support Center for Children with Disabilities," a residential facility for people with disabilities, in collaboration with designer Han Sang-seon at "Dreaming House," a home styling company. Room 502, which underwent renovation, has only received partial repairs for pollution and damages since the facility's opening in 2007. Through this project, the room was transformed into a cozier and more comfortable space with the installation of "Bestie" and "Therapy" wall coverings and "BENIF" interior film on doors and molding. This collaboration project with designer Han Sang-seon used warm-colored wall coverings and interior film products to create a safe, comforting, and warm space for children.



Public-Private Partnerships for Creating Social Values

Support for Improvement of Indoor Living Quality for the Socially Marginalized Groups



Since 2015, we have been participating in environmental disease prevention projects for marginalized groups. In 2023, we participated in the "2023 Indoor Environment Improvement Project for Socially Marginalized Groups" organized by the Ministry of Environment and hosted by the Korea Environmental Industry & Technology Institute. Since 2009, the Ministry of Environment has implemented projects to prevent environmental diseases with social contribution companies and the Korea Environmental Industry & Technology Institute for the socially marginalized who are prone to exposure to environmental hazards. Through this project, we donated Eco-Label certified paper wall coverings and sheet flooring materials to improve marginalized groups' living conditions and prevent environmental diseases.

Give Green Campaign

The "Give Green Campaign" is a social contribution activity organized by non-governmental organizations and institutions such as Giving Plus, which is a sharing store specializing in corporate social contributions, Seoul Green Purchase Support Center, Korea Green Purchase Network, and For Social Recycling. During the campaign, we receive and sell donations to help marginalized groups with our sales profit. LX Hausys has participated in the Give Green Campaign for two consecutive years. In 2023, we donated eco-friendly products, including "LX Z:IN Safe Mats," to support socially marginalized groups. We were selected as an outstanding company at the "2nd Give Green Campaign Performance Sharing Conference" for our social contributions and were honored to receive the grand award for having the most excellent eco-friendly business practices among participants.





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Social Contribution

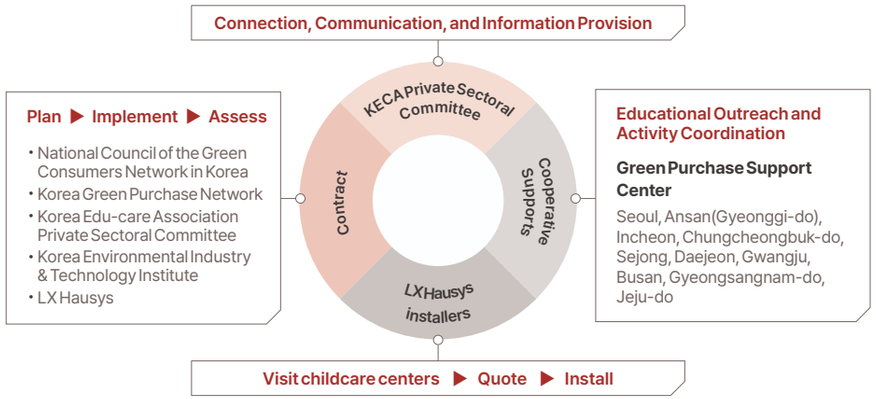
Social Contribution Activities

Public-Private Partnerships for Creating Social Values

Childcare Space Green Transition Support Project

Following amendment to the Enforcement Decree of the Environmental Health Act in July 2021, it became mandatory for childcare centers to replace their interior finishings and flooring materials with those containing lower levels of heavy metals(e.g., lead) and phthalates by 2026. The "Childcare Space Green Transition Support Project" is a social contribution project with private-public partnerships to support childcare centers that have been struggling to replace outdated flooring materials for over a decade due to limited budget or other issues. As of 2023, LX Hausys has been part of the support project for two consecutive years and has formed a private-public council for the "Childcare Space Green Transition Support Project" in partnership with the Korea Environmental Industry & Technology Institute(KEITI), which falls under the Ministry of Environment, and civic groups such as the Korea Edu-care Association, National Council of the Green Consumers Network in Korea, Korea Green Purchase Network, and Green Purchase Support Center. Through this project, we donated three Eco-Label certified flooring material products to 18 private childcare centers in 11 regions, including Seoul, Gyeonggi-do, Busan, Jeju, and more, covering 5,950m² of flooring area.

Overview of Childcare Space Green Transition Support Project







Sharing in Local Communities

Social Contribution Activities by Business Site

Employees at the Ulsan Plant and the Cheongju Plant have been participating in LX Happy Day, an end-of-year volunteer event. For this volunteer activity, employees at the Ulsan Plant and the Cheongju Plant help neighbors around the plant with funds raised throughout the year. In 2023, employees at the Ulsan Plant shared kimchi, boiled pork slices, and "Happy Boxes" containing umbrellas, tumblers, hand creams, cocoa powder, and heated packs with workshops for people with disabilities and 5 local children's centers. Employees at the Cheongju Plant delivered "Happy Boxes" with confectionery sets and kimchi to local children's centers, and they provided briquettes to local community households that use them, such as low-income households and seniors living alone.

Workplace	Activity	Description
Cheongju Plant	One Company, One Village	Support for events in neighboring villages
	Children Support	Partnership with ChildFund Korea to support marginalized children in the community
	LX Happy Day	Provision of kimchi to local children's centers and briquettes to the elderly living alone
Ulsan Plant	One Company, One Village	Support for events in neighboring villages and purchases of agricultural produce from them, etc.
	One Company, One Stream	Conducting clean-up efforts and water quality testing near the Hoeya River
	LX Happy Day	Provision of kimchi, everyday items, and more to workshops for people with disabilities and local children's centers

Support for Damages Due to Torrential Rain

In 2023, the LX Group contributed KRW 300 million worth of monetary donations and interior decorative materials for the recovery of flooded areas and relief efforts for victims across the country. These donations were delivered to the Hope Bridge Korea Disaster Relief Association, and donated wall covering products were used to renovate housing in flood-affected areas. The LX Group also organized group-wide efforts to help local communities recover from disasters such as torrential rains or wildfires. LX Hausys, in particular, is engaged in support activities to restore housing for natural disaster victims through efforts such as donating interior decorative materials.

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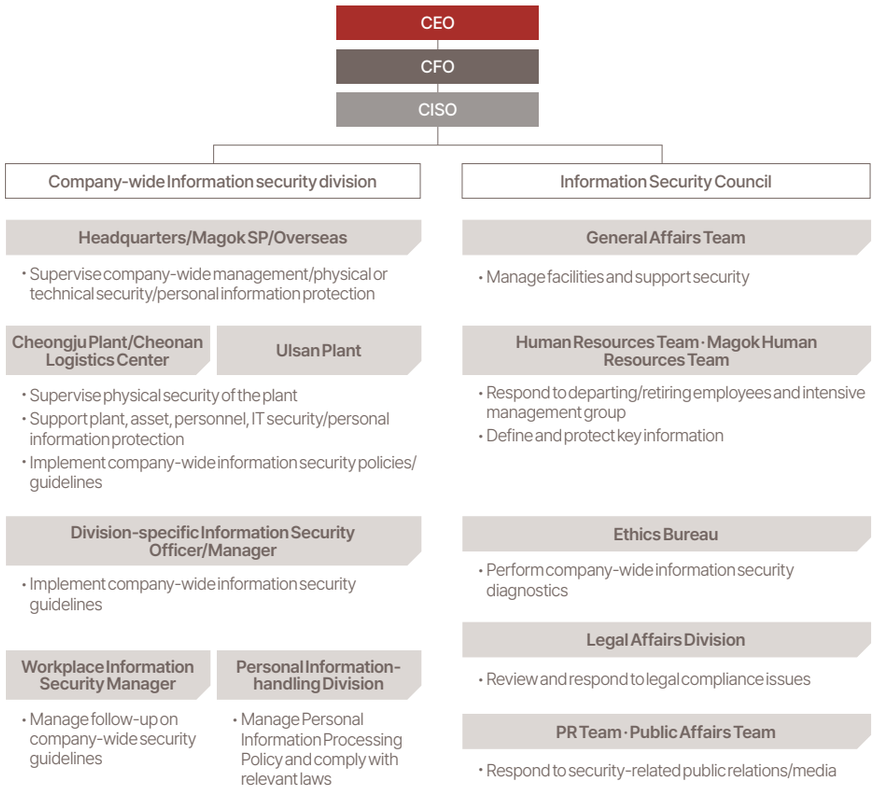
LX Hausys
NATURE, HUMAN AND SPACE

Data Security and Personal Information Protection

Information Security and Personal Information Protection Management System

Information Security Governance

At LX Hausys, we have designated a Chief Information Security Officer(CISO) in accordance with our information security policy. A dedicated information security division reports directly to this CISO and engages with top management to approve security business plans and evaluate performance. Meetings of the Information Security Council may be called, depending on the materiality of information security governance, to discuss security measures. We will reinforce communication between top management and information security-relevant divisions to enhance our reputation and information security capabilities, thereby enhancing the company's reliability.



Information Security Management System

We have clarified the roles and responsibilities of dedicated divisions to reinforce our company-wide information security system, as well as designated information security officers and managers for each division. Such organization efforts have enhanced the working-level efficiency of our division-specific information security activities. We have also established information security policies to protect data generated from diversified business activities and preemptively reviewed relevant laws and regulations to minimize compliance risks. Since LX Hausys was selected as a company subject to information security disclosure in 2022, we have disclosed our information security governance and the status of investments and activities through our information security disclosure portal. Furthermore, we have established new policies, such as the operation of image processing devices and location information management policies resulting from business diversification, and we have disclosed our personal image and location information processes on our website in line with these policies.

Vulnerability Scanning and Remediation Framework

We manage entry history to our main server rooms to control access, and have reinforced physical security at our business sites. In addition, we implement stringent security risk prevention measures, such as prohibiting the use of portable storage devices for data transfer, thus preventing data breaches by departing/retiring employees. Before investing in a new business, we employ an external consulting service provider to identify vulnerabilities and reinforce business security. Any vulnerabilities that are identified in the process are then addressed accordingly. Furthermore, we utilize an external security control service to defend against external security attacks. We also conduct a variety of other activities to reinforce information security: we conduct semi-annual drills to strengthen company-wide information security through simulated malicious emails, carry out spot checks on workplace security in the first and second half of the year, and submit to external audits on our IT infrastructure and information security systems.

Information Security Training for Employees

We provide information security training tailored to each role and position, such as new recruits, new team leaders, and personal information handlers, to raise information security awareness among employees. In 2023, we independently created content that highlights our information security policy and security activity compliance, the latest security accidents, and privacy breach accidents. The training completion rate was raised to 98% compared to the previous year, raising employees' information security awareness.

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LX Hausys
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Data Security and Personal Information Protection

Information Security and Personal Information Protection Activities

Information Security Activities

Information Security Policy

Industrial espionage by competitors and leakage of confidential information by insiders can threaten a company's survival. Therefore, we systematically establish and implement information security policies that reflect the characteristics of our organizational services and information systems as part of our information security activities to protect our key information. We are expanding the scope of application to include all employees working at LX Hausys, as well as visitors, interviewees, temporary workers, and special individuals in a contractual relationship with us. We have designated Information Security Officers for each division to implement improvement measures for information security management. Violations of our information security policies are reprimanded according to internal regulations, and if necessary, punished by the Business Division or Departmental Disciplinary Committee. Our business sites undergo workplace security inspections annually to verify their compliance with information security policies, and disciplinary actions are taken when violations are identified.

Disaster Recovery Drill

We secure business continuity through ongoing disaster recovery drills in preparation for disasters that may threaten the continuity of our core services and systems. To this end, we have established recovery strategies and measures, emergency recovery organizations, emergency contacts, recovery processes, and more to ensure our business continuity.

Disaster Recovery Drill Scenario

STEP 1	STEP 2	STEP 3	STEP 4	STEP 5
Identify situation	**Recognize disaster**	**Declare disaster**	**Recover disaster**	**Return/ transition to the main center**
• Implement emergency processing and reporting procedures (SMS messages) • Follow emergency notification framework • Identify situation	• Report to the Chair of the Emergency Planning Committee • Call the Situation Room members (SMS messages) • Establish the Situation Room • Prepare to switch to DR Center • Comprehensive situation debriefing	• Declare war/ disaster (SMS messages)	• Activate DR system (SMS messages) • Inspect DR system (SMS messages) • Compile DR system results (SMS messages) • Declare completion of switching to DR Center (SMS messages) • Run DR Center	• Return/switch to the main center (SMS messages) • Declare completion of disaster recovery (SMS messages)

Data Breach Response Process

We have established and implemented our own data breach response process. We take prompt action against data breaches to prevent further escalation of the situation and cooperate with relevant authorities to establish and carry out response measures after thorough investigation.

Privacy Breach Response Process

- Confirm the route of privacy breach
- Investigate breached privacy items and victims
- Report to the national institute(118)
  - Collect evidence of protective measures and notify victims of the breach
- Respond to media and legal issues
- Establish and apply anti-breach measures

Trade Secret Breach Response Process

- Identify the route of trade secret infringement and misappropriated data
- Assess the materiality of misappropriated data and investigate signs of turnover
- Determine the level of response
  - Close the internal investigation or report to an investigation authority
- Respond to media and legal issues
- Establish and apply anti-breach measures

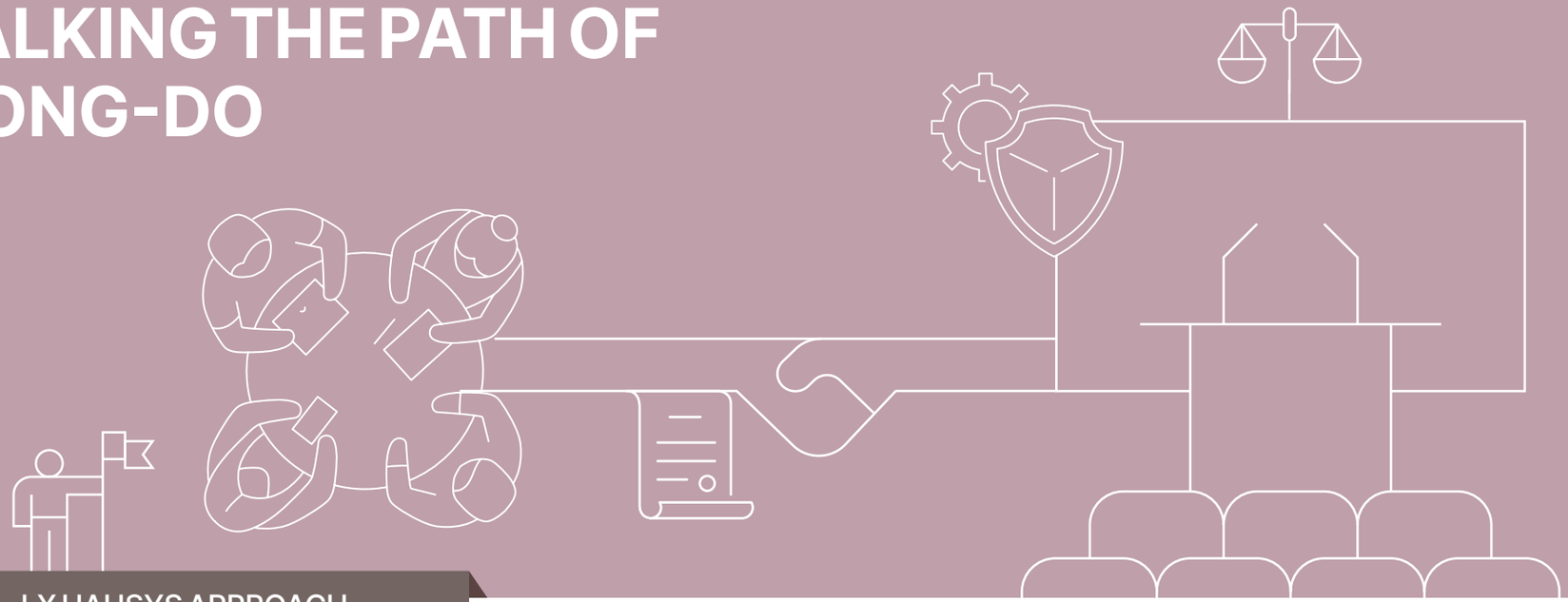
Customer Privacy Protection Activities

In light of our business diversification and digital transformation, we have come to collect various data, such as customer personal information, personal image, and personal location information. We have therefore enhanced and implemented our privacy protection management system to protect personal information. To ensure business continuity against security risks, we have formed a council with our IT organization and stakeholders to regularly discuss security accident response measures. In addition, we have subscribed to liability insurance for privacy protection to fulfill our obligation to protect customers' information.

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WALKING THE PATH OF JEONG-DO



LX HAUSYS APPROACH

At LX Hausys, we are committed to achieving sustainable management based on Jeong-do management and compliance management, based on our fundamental value of "respect for humankind." We have earned the trust of various stakeholders through Jeong-do management and continue to fulfill our corporate social responsibilities. Going forward, we will reinforce the BoD's expertise and independence to establish sound and transparent governance and build an Integrated ESG Risk Management System to enhance sustainable management.

2023 HIGHLIGHTS

Reinforce Jeong-do management and compliance management

0 cases
No. of social and economic violations

100%
Ratio of Jeong-do management training provision

Increase transparency through communication

DJSI Korea 지수 (9년 연속 편입)
External ESG Assessment

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Jeong-do management and Compliance Management

Approach

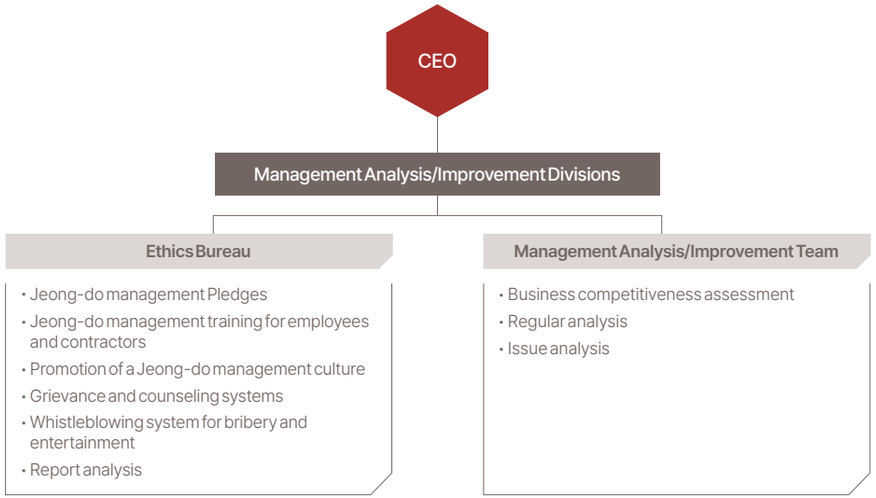
For sustainable management, it is imperative to implement advanced compliance management activities and preemptive responses based on stricter standards than those stipulated in the laws and regulations of the regions where we conduct business. As a part of the LX Group, LX Hausys actively practices Jeong-do management and compliance management and encourages internal and external stakeholders, including employees, suppliers, and customers, to fully follow our efforts in Jeong-do management and compliance management.

Governance

Governance

We have organized a dedicated group for Jeong-do management and continue business activities based on "honesty, fair treatment, and merit-based fair competition" to fulfill our corporate ethical responsibilities. We have established a Jeong-do management system centered on management analysis/improvement divisions, and we have conducted activities such as the Jeong-do management pledges, employee and contractor training, and the promotion of a Jeong-do management culture, to ingrain Jeong-do management in our corporate culture.

LX Hausys Organizational Chart for Management Analysis/Improvement Divisions



Strategy

LX Hausys Jeong-do management

LX Hausys is keenly aware that Jeong-do management is not optional: it is a requirement for a company's survival. To this end, we guide our employees in the right direction, encouraging them to practice Jeong-do management and comply with our Code of Ethics in their daily work. This approach helps prevent corruption and irregularity within our organization and promotes a culture of employee-centered Jeong-do management.

Components of Jeong-do management



LX Code of Ethics

We have established our Code of Ethics to help our employees make the right decisions when faced with ethical dilemmas during their work. All employees are encouraged to practice the LX Code of Ethics as the key standard for all sound behavior and value recognition. Based on this Code, we can guide our employees to carry out their work fairly and ethically and promote Jeong-do management based on respect for humankind and the environment.

Responsibilities and obligations to customers	Fair competition	Fair transaction	Basic ethics of employees	Responsibilities for employees	Responsibilities to the environment, society, and shareholders
• Respect customers • Create values • Provide values	• Pursue free competition • Comply with laws and regulations	• Equal opportunity • Fair transaction process • Pursue mutual growth	• Basic ethics • Accomplish missions • Self-development • Fairly fulfill the work • Avoid conflict of interests with the company	• Respect for humankind • Fair treatment • Promote creativity	• Conserve the environment • Comply with social responsibilities • Protect shareholder returns

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LX Hausys
NATURE, HUMAN AND SPACE

Jeong-do management and Compliance Management

Risk Management

Reporting and Whistle-blowing System

At LX Hausys, we operate our Shinmungo system to correct unreasonable practices and promote fair partnerships. Through this system, any stakeholder can report illegal actions and irregularities such as any actions resulting in unfair business, bribery, and unethical work that may harm our Jeong-do management. Furthermore, we operate various reporting channels, including online websites, internal systems, dedicated hotlines and fax lines, mail, and in-person visits, to report and blow the whistle on any unfair transactions or irregularities to facilitate fair and prompt handling of violations. We also protect the identities of reporters and whistleblowers through our internal whistleblower protection system. All tip-offs and reports received are forwarded to a dedicated division that strives to undertake victim-centered investigations and enact measures to prevent recurrence. We do not disclose any information that may reveal or imply the identities of reporters without their consent. In case of violation of this principle, we remedy or take similar actions to mitigate any disadvantages suffered by the reporter. In 2023, we received 34 reports, including customer complaints and supplier grievances, through the reporting and whistleblowing system, and we took appropriate actions when a case was confirmed to be true through investigations.

Report Handling Process

STEP 1	STEP 2	STEP 3	STEP 4	STEP 5
Receive Reports	**Verify Content and Initiate Investigation**	**Complete/ Conclude Investigation**	**Notify the Results**	**Manage Follow-up**
Receive reports via online sites, phone call, etc.	Investigate reporter, reportee, and other related parties	Complete the investigation by closing per the internal regulations and take HR actions	Notify the reporter of the result	Monitor and provide training to prevent recurrence

Promotion of Jeong-do Management Culture

We offer various programs to solidify Jeong-do management as part of our corporate culture. We conduct Jeong-do management training for all our domestic and overseas employees and suppliers and send them related promotional materials. In particular, we provide position-specific training programs for officers, new recruits, and organizations to raise their awareness of Jeong-do management. We also encourage each business unit and division to take voluntary training and promotion and prevention activities, thus solidifying employee-centered Jeong-do management. To promote employees' understanding of Jeong-do management, we use various materials such as webtoons, newsletters, and quizzes. In addition, we strive to maintain mutually trusting and cooperative relationships with our suppliers through fair and transparent transactions. To this end, we annually conduct Jeong-do management pledges with employees and suppliers to raise their awareness of ethics and compliance. We take a friendly approach to communicate with them, using mobile webtoons and messages to promote Jeong-do management and enhanced work ethics for supplier employees, thereby contributing to internal and external efforts to promote a Jeong-do management culture.

Fair Trade Agreement

Under our agreements on shared growth and fair subcontracting, we are committed to complying with relevant laws and regulations, such as the Fair Transactions in Subcontracting Act and the Monopoly Regulation and Fair Trade Act, and providing consistent support for our suppliers to establish fair trade relationships with them as we create sustainable growth together. Since we were selected as a company subject to the assessment of the Shared Growth Index in 2012, we have undergone objective assessments for yearly shared growth partnership activities by the Korea Fair Trade Commission and Korea Commission for Corporate Partnership. Our exemplary shared growth partnership activities led to an "Excellent" grade in the assessment of the Shared Growth Index for nine consecutive years. Moreover, we promote management stability and competency enhancement of our suppliers, contributing to a virtuous cycle of fair trade culture. We signed fair trade agreements with about 100 Tier 1 suppliers and other Tier 2 suppliers and have set various policies for their sustainable growth, including an improved payment system, financial support, technological protection, and education support. Our Tier 1 suppliers signed the same agreement with about 20 Tier 2 suppliers to give them better payment dates and recommend a win-win payment system, thus promoting a culture of fair trade.

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Jeong-do management and Compliance Management

Risk Management

Fair Trade Compliance Program

We are committed to ingraining a culture of fair trade in LX Hausys by complying with fair trade laws and regulations. To this end, we have independently established and implemented our Fair Trade Compliance Program since 2010.

Program	Description
Internal Inspection	• Conduct fair trade inspections for core business divisions and business sites.
Regulatory Review	• Raise employees' awareness of fair trade and promote a culture of fair trade. • Distribute fair trade manuals and training materials. • Conduct regular internal/external training.
Preliminary Review	• Review all business areas, including planning, sales, marketing, purchasing, and finance. • Prevent violations of competition laws and regulations. • Employ a fair trade expert to review projects before implementing them.
Internal Review of Subcontracts	• Establish a system to prevent and monitor unfair subcontracts with suppliers • Organize and operate the "Subcontract Internal Review Committee, " whose members include a purchasing manager

Outcomes of the Fair Trade Compliance Program

We focus on fair trade training to raise our employees' awareness of compliance. On a regular basis, we provide fair trade and subcontracting training for our business divisions and business sites to prevent related risks. In addition, we repeatedly conduct training on anti-collusion and compliance with the Fair Transactions in Subcontracting Act and the Monopoly Regulation and Fair Trade Act for employees in business units and purchasing divisions to ensure their full understanding. We strive to completely internalize a culture of compliance through various activities, such as conducting regular cartel/unfairness prevention training and sales training for our veteran employees and conducting internal inspections on fair trade in the business and sales sectors. Furthermore, we operate a labeling and advertising consultation system to prevent unfair advertisements in advance.

Metrics and Targets

Communication for Jeong-do management and Completion of Compliance Training

We offer Jeong-do management and compliance training to all our employees and suppliers, encouraging all employees to complete the training.

Communication and Education for Jeong-do management

Ratio of communication and education for Jeong-do management provided	100 %
No. of employees who completed training(domestic/overseas)	2,169 persons
No. of suppliers who completed training	116 companies

Compliance Training

Ratio of compliance training provided	92 %
No. of employees who completed training(domestic/overseas)	1,893 persons

Violation of Legal/ Voluntary Regulations

2023 social and economic violations	0 cases



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Governance

Composition of the Board of Directors and Committees

Composition of the Board of Directors and Operational Status

As of March 2024, the LX Hausys Board of Directors consists of two executive directors, one non-executive director, and four independent directors, meeting the minimum legal requirements. Out of the seven members of the Board of Directors, four are independent directors with proven expertise to ensure rational decision-making through mutual checks and balances among directors. In 2023, the Board of Directors meetings were held seven times to deliberate on 37 agendas, including business plans and the appointment of executives. The average attendance rate for the Board of Directors for these 37 agendas was 91.8%.

Committees under the Board of Directors

Audit Committee

The Audit Committee consists of three independent directors who meet all qualifications under the Commercial Act. Among them, Independent Director Kim YoungJoo, the Chair of the Audit Committee, is an expert in accounting and finance who served as Assistant Secretary and Deputy Minister of the Ministry of Finance and Economy (formerly the Ministry of Finance and Economy) and other prominent roles in the past 30 years. The Audit Committee audits LX Hausys's accounting and affairs and oversees the Board of Directors' reasonable work process. In 2023, the committee held five meetings in total.

Independent Director Candidate Recommendation Committee

The Independent Director Candidate Recommendation Committee, which consists of two independent directors and one non-executive director, assesses candidates' expertise and independence in accordance with relevant laws and the regulations of the Independent Director Candidate Recommendation Committee. When appointing independent director candidates, the committee reviews their work experience, field of expertise, and any potential conflict of interest with the company.

ESG Committee

The ESG Committee was established to enhance ESG management and foster sustainable growth at LX Hausys. The committee reviews basic policies and strategies for ESG management, sets mid- to long-term goals, and discusses various agendas, such as carbon emissions and environmentally hazardous substances control, development of eco-friendly products, working conditions, and fair trade. In 2023, the committee held three meetings in total.

Finance Committee

The Finance Committee, one of the committees under the Board of Directors, was formed to facilitate prompt and flexible responses to changes in business environments and interest rates. The committee, which consists of the CEO and one executive director, approved one financial agenda related to the issuance of foreign currency bonds in 2023.

(As of Mar. 22, 2024)

Category	Name (gender)	Date of initial appointment (tenure)	Role	Major experience
Executive director (CEO)	Han MyeungHo (Male)	Mar. 24, 2023 (1 year)	Chair of the Board of Directors[1)] Chair of Finance Committee Member of ESG Committee	·Current CEO, LX Hausys Co., Ltd. ·Former CEO, Halla Encom Co., Ltd. ·Former CEO, Hanwha L&C Co., Ltd. ·Former CEO, LG Hausys Co., Ltd.
Executive Director (CFO)	Park JangSoo (MALE)	Mar. 24, 2023 (1 year)	Member of Finance Committee	·Current CFO, LX Hausys Co., Ltd. ·Former CFO, LX Holdings Corp. ·Former Senior Managing Director, Finance and Economy Team, LG Co., Ltd. ·Former Risk Management Manager, Finance and Economy Team, LG Co., Ltd.
Other Non-executive Director	Roh JinSeo (Male)	Mar. 25, 2021 (3 year)	Chair of Independent Director Candidate Recommendation Committee	·Current CEO, LX Holdings Corp. ·Former CSO, LX Holdings Corp. ·Former Vice President, Strategy Division, LG Electronics, Inc. ·Former Managing Director, Robot Business Center, LG Electronics, Inc.
Indepen-dent Directors	Ha Youngwon (Male)	Mar. 25, 2021 (3 year)	Chair of ESG Committee	·Current Professor Emeritus, Faculty of Business Administration, Sogang University ·Former President, Korean Marketing Association ·Former Dean of Sogang Graduate School of Business ·Former Professor, Faculty of Business Administration, Sogang University ·Former Outstanding Scholar of Humanities and Social Sciences selected by the National Research Foundation of Korea
	Suh SwooKyung (Female)	Mar. 25, 2021 (3 year)	Member of Audit Committee Member of ESG Committee	·Current Professor, Environmental Design, College of Fine Arts, Sookmyung Women's University ·Current President, The Korean Institute of Culture Architecture ·Current Director, Seoul Design Foundation ·Current Advisor, Cultural Diplomacy, the Ministry of Foreign Affairs ·Former Secretary, the International Federation of Interior Architects/Designers
	Kim YoungJoo (Male)	Mar. 24, 2022 (2 years)	Chair of Audit Committee Member of ESG Committee Member of the Independent Director Candidate Recommendation Committee	·Former President, Korea International Trade Association ·Former Minister of Trade, Industry and Energy ·Former Senior Secretary to the President for Economic Affairs
	Yoon DongSik (Male)	Mar. 22, 2024 (New)	Member of Audit Committee Member of the Independent Director Candidate Recommendation Committee	·Current Professor, Architectural Design, Graduate School of Architecture and Urban Design, Hongik University ·Current Director, the Architectural Institute of Korea ·Current Auditor, the Korean Institution of Interior Design ·Former Vice-president, the Korean Institution of Interior Design ·Former Assistant Professor, Division of Architectural, Civil and Environmental Engineering, Tokyo Denki University

1) Chair of the Board of Directors(His strong understanding of the business is fit for the strategic operations of the Board of Directors.)

2023 ESG Committee Operation and Activities

Category	Key agenda
1st meeting(Apr. 27, 2023)	Approval of ESG Strategy Framework and 1 other agenda
2nd meeting(Jul. 27, 2023)	Approval of transactions between an affiliated company and 1 other agenda
3rd meeting(Nov. 8, 2023)	Report on ESG Management status and 4 other agenda

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Governance

Operation and Remuneration System of the Board of Directors

Appointment of Directors

At LX Hausys, the entire process of appointing directors complies with the Commercial Act and other relevant laws, and the appointment of directors is made at general shareholders' meetings. We ensure that shareholders can submit proposals and express their opinions during the director selection and appointment process, providing an environment where they can freely ask questions and demand explanations. In principle, the tenure of a director is three years, and their re-appointment is decided in consideration of their activities and performance on the Board of Directors. There are no long-term independent directors who have served for more than six years. The CEO also serves as Chair of the Board of Directors to ensure the effective and strategic operation of the Board of Directors with his deep understanding of the business.

Responsibility and Role of the Board of Directors

The Board of Directors resolves key matters of business and supervises the directors' work. In addition, the Board of Directors makes decisions on the items stipulated by laws and regulations or the Articles of Incorporation and those authorized by the General Shareholders' meetings to facilitate our development and uphold our stakeholders' interests.

Independence of the Board of Directors

To ensure the independence of the Board of Directors, we have established the "Criteria for Disqualification of Independent Directors" and changed the composition of the Board by stipulating the tenure of a member as one year. The independent directors that make up the majority of the Board of Directors are appointed through the Independent Director Candidate Recommendation Committee to ensure that they have no conflict of interest with LX Hausys and meet the standards for expertise in our business. Through these measures, LX Hausys maintains the independence of the Board of Directors and ensures that the Board can fairly conduct their responsibilities, including reviewing various agendas and monitoring management's work.

Disqualification Grounds for Independence of Independent Director

- Standing directors, executive officers, employees who are working at LX Hausys, or those who have worked for LX Hausys in the last two years
- LX Hausys's largest shareholder and their spouse and lineal ascendants/descendants
- Directors, auditors, executive officers, employees who are working for the largest shareholder's entity
- Spouses and lineal ascendants/descendants of those directors, auditors, and executive officers
- Directors, auditors, executive officers, and employees who work for LX Hausys's parent company or subsidiaries
- Directors, auditors, executive officers, and employees of the entity who have significant conflicts of interest in transactions with LX Hausys
- Directors, auditors, executive officers, and employees of another company whose director, executive officer, or employee is working at LX Hausys

Diversity and Expertise of the Board of Directors

At LX Hausys, the Board of Directors consists of experts in various areas, including economy, management(marketing), environmental design, and construction materials. We are committed to securing diversity in the composition of the Board through the appointment of one female director and other approaches. The Board Secretariat, an internal support organization, helps the independent directors with their professional work within the Board of Directors and committees. Before the Board of Directors and committees hold a meeting, the Board Secretariat provides materials to review relevant agendas, offers specific briefings if necessary, and frequently shares information about key agendas on internal matters as required. Furthermore, we regularly conduct inspections on domestic and overseas business sites to enhance our understanding of business management.

Training Status for Independent Directors

Date	Provided by	Attendee	Reason of absence	Description
Feb. 24, 2023	LX Hausys	All members of the Audit Committee		Amendments to laws and regulations related to the internal accounting control system and roles of audit committee members
Mar. 11, 2023	Board Secretariat	Ha YoungWon	-	Director's roles, legal responsibilities, etc.
Mar. 16, 2023	Board Secretariat	Kim YoungJoo	-	Director's roles, legal responsibilities, etc.
Mar. 17, 2023	Board Secretariat	Suh Sookyung	-	Director's roles, legal responsibilities, etc.
Apr. 27, 2023	LX Hausys	All members of the Audit Committee	-	Process and system for assessing the internal accounting control system
Apr. 27, 2023	Samil PWC Accountings	All members of the Audit Committee	-	Overview of assessments of the internal accounting control system by the Audit Committee

Resolution of the Board of Directors

Under Article 12 of the Board of Directors Regulations, resolutions carried out by the Board of Directors require the attendance and voting of the majority of the Board members unless otherwise specified by relevant laws. Directors with vested interests are restricted from practicing their voting rights to prevent potential conflicts of interest.

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Performance Assessment and Remuneration for the Board of Directors

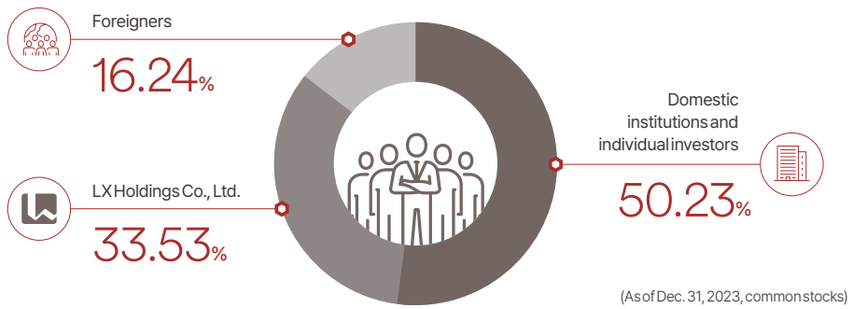
At LX Hausys, we annually calculate and pay directors' remuneration based on their performance on the Board of Directors, the inflation rate, and the competitiveness of remuneration for external directors. The renumeration for directors is paid within the total directors' remuneration limit deliberated at the shareholders' meeting. Any adjustments to remuneration should be placed on the agenda for discussion and require approval by the Board. The remuneration for executive directors includes an annual salary, role-based pay, and performance-based pay, which is determined by their performance assessment as stipulated in the special bonus provisions of the executive remuneration regulations resolved by the Board. Performance is appraised by comprehensively considering the previous year's financial performance and core tasks, implementing mid- to long-term expectations for the future, etc. For the remuneration of independent directors, the same amount is paid to all independent directors within the total director remuneration limit deliberated at the general meeting of shareholders. We disclose a list of directors and auditors who receive remuneration of KRW 500 million or more in our business report as required by relevant laws and regulations.

Category	Basis for payment	Remuneration system	Assessment items
Executive Directors	HR Management Rules for Executive Directors	Annual salary, role-based pay, and performance-based pay	• Annual salary: Inflation rate, external competitiveness, and financial performance, etc. • Role-based pay: Importance of title/position and role • Performance-based pay: Business and individual performance
Independent Directors (excluding Audit Committee members)	Remuneration Standards for Independent Directors	Fixed monthly payment	• In consideration of LX Hausys's management performance and external competitiveness, the remuneration for independent directors is paid based on standards set forth by the Board of Directors within the remuneration limit deliberated at the shareholders' meeting.
Members of the Audit Committee	Remuneration Standards for Independent Directors	Fixed monthly payment	• The remuneration for independent directors is paid based on standards set forth by the Board of Directors within the remuneration limit deliberated at shareholders' meeting in consideration of LX Hausys's management performance and external competitiveness.

Protection of Shareholders' Rights

Composition of Shareholders

We ensure our sustainability by enhancing our corporate credibility through the establishment of fair and stable governance.

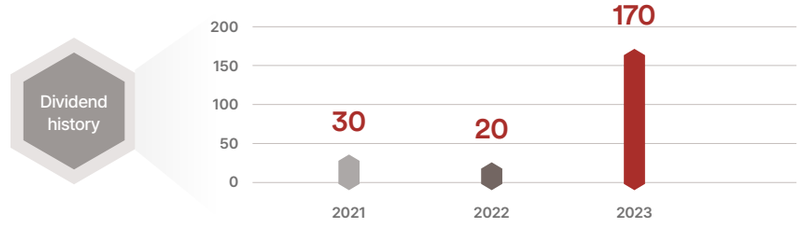


(As of Dec. 31, 2023, common stocks)

Shareholder Rights Protection and Return Policy

We disclose key management information through the Data Analysis, Retrieval, and Transfer System(DART) and our official website, enabling our stakeholders to easily access information at any time. In 2021, we introduced an e-voting system to facilitate shareholder participation. We also make efforts to ensure that shareholders can exercise their legitimate rights by informing them of dividend-related information before the general shareholders' meeting through the "Cash and In-Kind Dividend Decision" disclosure. Furthermore, we have established and implemented policies to return our profits to shareholders. Dividends, one of the shareholder return policies that lead to sustainable corporate growth and shareholder value increase, are determined by comprehensively considering investments, liquidity, financial structure, and dividend stability. At the 15th General Shareholders' Meeting, we amended our Articles of Incorporation to pay dividends in line with global standards. This amendment has improved the dividend payment process to determine which shareholders receive dividends after the dividend amount is confirmed. From 2025, investors will be able to check the dividend amount and make investments in our shares.

(Unit: KRW 100 million)



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Integrated ESG Risk Management

Integrated Risk Management System

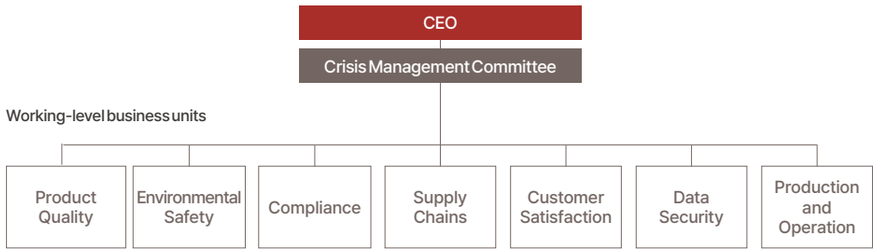
Establishment of Risk Management System

We have established and implemented a risk management system to prevent corporate crises that may jeopardize our business activities and to effectively respond to risks when they arise. We have developed and implemented a documented crisis management manual that outlines related policies, organizations, and processes for effective risk responses. To this end, managers at our working-level business units identify potential and actual risks that may have financial and non-financial impacts, such as quality, environmental safety, supplier management, working conditions, external communication, and customer grievances, and then they provide reports on current status. In the event of a crisis, we immediately organize a Crisis Management Task Force centered on the Crisis Management Committee and other working-level organizations, where relevant officers sit, to respond to the crisis accordingly. Our internal audit organization regularly reviews and audits internal policies and management systems for major risks such as those related to compliance and operation. We share information and management status regarding major risks, including environmental safety and ESG issues, with our employees and offer training to enhance their risk-managing competence.

MI (Market Intelligence)

We collect and analyze market information, including changes in the laws and policies related to eco-friendliness and energy, as well as forecasts in downstream sectors and design trends, and then apply the analysis results to our business operations. We will strengthen company-wide market intelligence(MI) activities to increase and refine the scope of collected information, enhance risk response capabilities, and heighten business performance.

Risk and Crisis Management Organizations



Crisis Response Process

1. **Occurrence of crisis**
   - The person who detects a crisis takes initial action(e.g., rescue victims, evacuate, extinguish the fire, call emergency service)
2. **Initial response**
   - Each business site takes measures to notify the officer in charge under its independent regulations and manuals(immediately).
3. **Report and notification**
   - After the crisis analysis, the officer in charge reports to the CEO and notifies the Management Strategy Officer, PR managers, and Public Affairs managers(immediately) in case of serious accidents.
     - The report or notification includes basic information such as accident date and time, status, cause, and extent of damages
4. **Establishment and implementation of responses**
   - The CEO: Determine whether to call for a Risk Management Committee meeting.
   - The Crisis Management Committee: Take action on the comprehensive decision-making and establish responses.
   - The Management Strategy Division: Notify and call committee members.
   - The Crisis Management Task Force: Follow up with each stakeholder.
   - PR and Public Affairs managers: Frequently share responses to the media through reports and communication systems.
5. **Close and assessment of the case**
   - Implement follow-up measures.
   - Review results.
   - Discuss or implement a recovery program.

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Risks Management Activities

Risk Management Categories

Financial Risk

Credit risk	We manage credit risk by reviewing credit limits and adjusting collateral levels of counterparties through regular re-evaluation of their creditworthiness.
Foreign exchange risk	The companies within LX Hausys's consolidated entity directly manage foreign exchange risk for their respective functional currencies. Accordingly, each company manages foreign exchange risk arising from forward-looking transactions and recognized assets and liabilities in consultation with the central treasury division.
Liquidity risk	To prevent breaches of borrowing limits or covenants, we monitor our liquidity forecasts on an ongoing basis to ensure that our unused borrowing capacity is adequate to meet our working capital needs. Our liquidity forecasts take into account our funding plans, compliance with covenants, and legal requirements such as our internal target financial ratios and currency restrictions.
Interest rate risk	To minimize the risk of interest rate fluctuations, we reduce high-interest borrowings, improve the structure of long-term and short-term borrowings, analyze borrowing terms with fixed versus floating interests, monitor domestic and international interest rate trends, establish responses, etc.

Non-financial Risk

Political and legal risks	The business environment is subject to constant changes in construction and environmental regulations, international trade agreements, etc. To ensure our effective response, we monitor policies that may have an impact on LX Hausys and regularly report them to the management. In addition, we have implemented a legal risk review system centered on the legal team to take preemptive responses.
Technical risk	Technological advancements in manufacturing and supply of building materials continue to evolve. In line with this technological progress, we are committed to developing new technologies by anticipating changes in trends, discovering new products, and continuously investing in R&D activities.
Ethical risk	There is a growing emphasis on corporate social responsibility, leading to higher ethical standards for companies. To meet these standards, we practice Jeong-do management under our LX Code of Ethics, striving to protect the rights of our employees, improve working conditions, and eliminate unfair practices and fraudulent behavior.

Potential Risk

We at LX Hausys identify and manage risks, among past or potential risks, that are expected to pose great impacts on our future business activities.

Potential Risk	Reinforced ESG regulations on supply chain including human rights and environmental risks	Changes in global supply chains due to geo-economics showdowns
Description	• There is an increased need to enhance corporate responsibility for negative impacts, including human rights violations(e.g., life and liberty) and environmental degradation(e.g., ecosystem pollution and resource depletion) caused by corporate business activities. • The EU defines the obligation for companies to mitigate negative impacts on human rights and the environment.	• U.S.-China trade tensions and the Russia-Ukraine war have changed supply chain trends. • Economic measures by countries to undermine their geo-economic competitors are leading to restrictions on products, knowledge, technology, etc.
Impact	• Concerns arise regarding potential sanctions from key stakeholders when impacts such as human rights violations and environmental degradation occur within the supply chain. • There is a growing likelihood of requests for supply chain due diligence from European companies, and failure to respond appropriately could result in trade disruptions.	• The U.S., China, and others are strengthening their trade policies to protect their economies, and we are concerned about restrictions on our exports to the U.S. market. • We are pursuing a localization strategy in North America, the world's largest decorative materials and automotive market, with a focus on solid surface stones, engineered stones, and automotive artificial leathers. These protectionist trade policies and supply chain reorganizations may impact our revenues.
Response	• Establish a response process for supply chain due diligence. • Strengthen cooperation with supply chain partners and provide them training on human rights, environment, and other issues. • Conduct human rights impact assessments to manage internal human rights risks.	• Promote technological innovation to develop superior products and services, ultimately enhancing our competitiveness.

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Environmental Management Policy

Chapter 2: Basic Principles

We shall minimize our environmental impact throughout our value chain(e.g., supply chain, production, R&D, distribution, logistics).

Article 5(Climate Change Response)

5.1 We shall establish and implement a plan to achieve our Net Zero goal by 2050 in response to climate change.
5.2 We shall gradually increase the proportion of renewable energy to achieve the goal in Item 5.1.
5.3 We shall cooperate with our suppliers of raw and subsidiary materials, as well as those providing goods and services to LX House, to establish and implement plans aimed at reducing greenhouse gas emissions.

Article 6(Minimization of Impacts on Air/Water Environments)

6.1 We shall control the generation of air and water pollutants and minimize their emissions as much as possible.
6.2 We shall set and implement goals and plans to minimize the impact of our business activities on air and water environments

Article 7(Water Management)

7.1 We shall establish and implement goals and plans to minimize water consumption in our business activities.
7.2 We shall prioritize the reuse of wastewater generated from our business activities to minimize water consumption.

Article 8(Waste)

8.1 We shall limit the generation of waste as much as possible and minimize waste discharge.
8.2 We shall prioritize the recycling of produced waste. If recycling is not possible, then we shall prioritize incineration. If incineration is also not possible, then waste shall be disposed of in a landfill.
8.3 We shall set and implement goals and plans to minimize the generation of waste from our business activities.

Article 9(Basic Policy on Resource Circulation)

As a major supplier and consumer of building materials, automotive materials, and industrial materials, and as an entity using the planet's resources for production, we shall comply with the following basic policies to minimize the environmental impact of resource use in our business activities.

Article 9.1(Eco-friendly Product Design)

9.1.1 When designing products, we shall consider the life cycle of our products and design them to minimize environmental impact.
9.1.2 We shall design our products to be easy to repair when designing.

Article 9.2(Minimization of Resource Use)

9.2.1 We shall prioritize using recycled materials or reusing materials for those used in our business activities.
9.2.2 We shall minimize the transportation distance when procuring materials used in our business activities.

Article 9.3(Activation of Resource Circulation)

9.3.1 We shall prioritize recycling of generated waste. If recycling is not possible, then we shall prioritize incineration. If incineration is also not possible, then waste shall be disposed of in a landfill.
9.3.2 We shall establish and implement goals and plans to minimize the generation of waste from our business activities.

Article 10(Chemical Substances)

10.1 We shall minimize the use of chemical substances and prioritize those with low hazardous risks to human health or the environment over those with high hazardous risks.
10.2 We shall manage chemical substances required for our business activities to prevent spills/leaks.
10.3 We shall establish and implement goals and plans to minimize the use of chemical substances required for our business activities.

Article 11(Soil Environment)

11.1 We shall regularly identify changes in the soil environment caused by our business activities.

Article 12(Biodiversity)

12.1 We shall minimize the reduction of biological species and populations in local ecosystems due to our business activities and confirm the results through environmental impact assessments.
12.2 We shall proceed with biodiversity restoration activities if the reduction of biological species and populations is confirmed through the environmental impact assessments or if there is a risk of reduction.
12.3 We shall cooperate with suppliers of raw and subsidiary materials, as well as those providing goods and services to LX Hausys, to conduct impact assessments and restoration activities for biodiversity conservation.

Article 13(Prevention of Deforestation)

13.1 We shall minimize deforestation caused by our business activities. We shall make every effort to restore destroyed forests and avoid establishing new business sites that cause deforestation.
13.2 We shall cooperate with suppliers of raw and subsidiary materials, as well as those providing goods and services to LX Hausys to carry out activities to prevent deforestation.

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Global Human Rights and Labor Policy

Based on our management philosophy of "People-oriented Management," LX Hausys practices the basic value of ensuring and respecting the rights to human dignity, freedom, and happiness. We comply with the labor standards of international organizations related to human rights and labor, such as the United Nations(UN) and International Labor Organization(ILO), and adhere to labor laws in all countries and regions where we operate. This Global Human Rights and Labor Policy applies to all our business sites worldwide, and we constantly monitor and improve any human rights and labor risks. Furthermore, we will share this policy with all stakeholders directly affected by our business activities, including employees, customers, and suppliers, and work to improve and promote their awareness.

Respect for Human Dignity
We respect all employees as individuals and strive to create a safe working environment free from inhumane treatment or threats, including mental or physical coercion and verbal abuse.

Prohibition of Forced Labor
We will not unreasonably restrain mental or physical freedom, including assault, intimidation, confinement, human trafficking, or slave labor, nor force employees to work against their will. We will not require the surrender of an individual's original identification, passport, or work permit as a condition of employment.

Prohibition of Child Labor
We comply with local labor laws regarding the minimum age of employment and prohibit child labor below the age of 16. We do not assign duties, including night shifts and overtime work, that are hazardous to health and safety when employing youth under the age of 18.

Non-Discrimination
We provide all employees with equal opportunities for recruitment, promotion, wages, compensation, and training, and we prohibit any form of discrimination based on gender, age, race, religion, union activity, disability, pregnancy, marital status, and social status.

Working Hours
We comply with local regulations on working hours(regular/overtime hours, holidays) set forth by national and local laws, and we do not force employees to work beyond their regular working hours. If employees work overtime within the limits set by laws, we will pay them overtime wages in accordance with applicable laws.

Wages and Benefits
All employees shall be paid above the minimum wage prescribed by national and local laws.

Freedom of Association
We recognize the right to freedom of association and collective bargaining as guaranteed by national and local laws and create an environment where employees can communicate with LX Hausys without fear of intimidation or retaliation. Employees will not be disadvantaged for forming, joining, or participating in labor unions.

Tax Strategy

At LX Hausys, we are committed to fulfilling our tax obligations and being a company respected by our customers and society.

Tax Strategy and Policy
We dutifully comply with the tax laws and regulations of South Korea and the countries in which our overseas subsidiaries operate, and we faithfully fulfill our tax reporting and tax obligations. Through a dedicated division, we strive to minimize tax risks by promptly monitoring amendments to tax laws and related laws and reviewing related issues in advance. We also seek effective tax-saving measures within the scope of tax laws and implement strategies to prevent double taxation in order to enhance our competitive edge in the global market and strengthen shareholder values.

Tax Management Activities
Externally, we disclose information on corporate income tax expense, deferred taxes, and effective tax rates in the audited financial statements and transparently disclose them through the Data Analysis, Retrieval, and Transfer System(DART) of the Financial Supervisory Service. Internally, we stipulate tax management principles and workplace autonomy in our internal rules and bylaws to help employees understand taxation and encourage proper practices. We check the correct implementation of taxation processes and approval procedures every half year to ensure systematic management of taxation.

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LX Hausys Supplier Code of Conduct

As a member of the global community, LX Hausys aims to fulfill our role and responsibility to become a company that grows hand-in-hand with society. To this end, we deliver sustainable solutions that help address social/environmental issues while sincerely complying with the fundamentals and principles required in conducting our business. The "LX Hausys Supplier Code of Conduct" was developed based on international norms and standards as well as legal requirements and outlines our expectations for our suppliers to share in fulfilling our social responsibilities and efforts. LX Hausys expects that we and our suppliers adhere to this Code of Conduct through mutual endeavors, working together to meet internationally recognized requirements for our social responsibility and achieve mutual growth with sustainable and quality outcomes.

1. Under the LX Hausys's Jeong-do management philosophy, we prohibit unfair trade and fraudulent or irregular behavior. Gifts, bribery, embezzlement, solicitation, and other means to obtain improper benefits shall not be promised, offered, or authorized, and these practices will be continuously monitored and prohibited.

2. We prohibit the employment of children under the minimum legal working age and comply with relevant regulations governing the minimum legal working age, working hours, and working conditions.

3. We prohibit all forms of labor against the voluntary will of workers, including forced or exploitative labor, and create labor contracts that specify working conditions in local languages.

4. We prohibit discrimination based on race, color, age, gender, origin, disability, pregnancy, religion, political affiliation, union membership, and marital status in employment practices such as recruitment, promotion, compensation, and educational opportunities.

5. We treat all workers with dignity and create a work environment free from any inhumane treatment or threats of sexual harassment, abuse, corporal punishment, mental or physical coercion, or verbal abuse.

6. We comply with all relevant legal standards concerning maximum working hours and days, minimum wage, benefits, and working hours and compensation.

7. We acknowledge freedom of association and the right to collective bargaining as guaranteed by law and create an environment where workers can communicate with management about working conditions without fear of discrimination, retaliation, intimidation, or harassment.

8. We maintain the highest standards of integrity in all of our business relationships, strictly prohibiting all forms of corruptive practices, including extortion and bribery, and complying with all legal standards related to anti-corruption. We also ensure the confidentiality and protection of whistleblowers.

9. We take all measures, including legal requirements ranging from assessing and eliminating hazards and providing ongoing training and emergency drills to providing personal protective equipment, to ensure that workers work and live(if housing is provided) in a safe and healthy work environment.

10. We are committed to obtaining and updating all required environmental permits and minimizing any negative impacts of our manufacturing process on the environment and local communities, including hazardous materials, waste and wastewater, air pollution, and the use of resources.

11. We ban the use of raw materials sourced through illegal and serious human rights infringements and other unethical methods, including conflict minerals, and we have systems in place to ensure compliance with this policy. We should be able to provide due diligence data on the country of origin and supply lines of raw materials when required.

12. We calculate energy consumption and greenhouse gas emissions on a company-wide and business-site basis and record/manage them. In addition, we strive to develop sustainable products by improving energy efficiency and reducing energy consumption and greenhouse gas emissions.

13. We encourage contractors to share the content of this Code with their subcontractors associated with LX Hausys and to check whether their subcontractors are making efforts to comply with the requirements of this Code.

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Economy

Consolidated Financial Statement

(Unit: KRW million)

Category	2021	2022	2023
Current assets	1,148,724	1,078,800	1,105,282
Notes and accounts receivable	469,797	466,612	459,323
Inventory assets	357,559	374,560	336,486
Non-current assets	1,398,667	1,404,929	1,279,510
Tangible assets	1,171,245	1,096,652	1,012,757
Assets held for sale	76	0	0
Total assets	2,547,391	2,483,729	2,384,792
Current liabilities	1,220,060	1,060,606	1,041,605
Non-current liabilities	463,913	643,180	510,205
Total liabilities	1,683,973	1,703,786	1,551,810
Capital stock	50,000	50,000	50,000
Capital surplus	616,094	615,840	615,840
Other capital items	△8,189	△8,189	△8,189
Accumulated other comprehensive income(loss)	△12,369	△3,650	△31
Retained earnings	217,984	125,942	175,362
Non-controlling interest	△102	0	0
Total equity	863,418	779,943	832,982
Total liabilities and equity	2,547,391	2,483,729	2,384,792

Consolidated Profit and Loss Statement

(Unit: KRW million)

Category	2021	2022	2023
Sales	3,459,792	3,611,151	3,525,807
Cost of goods sold	2,627,603	2,851,053	2,685,184
Gross profit	832,189	760,098	840,623
Selling, general, and administrative expenses(SG&A)	761,737	745,158	730,801
Operating income	70,452	14,940	109,822
Non-operating income	△48,786	△120,883	△39,270
Net income from continuing operations before income taxes	21,666	△105,943	70,552
Corporate income tax(profit)	6,899	5,366	6,616
Income from discontinued operations	△2,103	△6,412	△2,150
Profit for the year	12,664	△117,721	61,786

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Economy

Distribution of Economic Value

Shareholder dividends
Shareholders and investors
We strive to maximize value for our shareholders, who are the beneficial owners of LX Hausys, and return our profits to them through cash dividends.

Purchasing goods and services
Suppliers
We continue to maintain fair relationships with our suppliers when purchasing their goods and services. In 2023, we purchased goods and services from more than 700 suppliers, totaling KRW 2,034.1 billion.

Wages, welfare benefits, severance payments
Employees
We have paid salaries, benefits, and severance pay, and we will gradually increase the distribution of economic value to our employees through fair compensation and various benefit programs.

Corporation taxes, other taxes, and public utility charges
Government
We transparently disclose the results of our business activities and faithfully pay various taxes such as corporate, income, and real estate taxes to national and local governments.

Investment in local communities
Local communities
We are engaged in social contribution activities such as cultural heritage and environmental preservation, improvement of housing facilities for national veterans and memorial centers, and sponsorship of local communities to return a portion of the fruits of our economic achievements to the local communities.

Category		Unit	2021	2022	2023
Shareholders and investors	Dividend per share	KRW	300	200	1,700
	Earnings per share(EPS)	KRW	1,306[1]	▲11,738	6,186
	Total dividend	KRW 100 million	30	20	170
Employees	Wages	KRW 100 million	3,495	3,345	3,405
	Benefits	KRW 100 million	767	754	750
	Severance payments	KRW 100 million	242	321	165
Government	Corporation income taxes, other taxes, and public utility charges[1]	KRW 100 million	313	325	301
Suppliers	Purchase of goods and services[2]	KRW 100 million	21,455	22,128	20,341
Local communities	Investment in local communities	KRW 100 million	8	8	10

1) Corrected 2021 data due to incorrect data input
2) Including headquarters and overseas corporations
3) Based on "Purchase of raw materials and products" in the consolidated financial statement in the business report

Environment

Environmental Investments and Regulations

Category		Unit	2021	2022	2023
Environmental investment	Invested capital	KRW million	9,761	6,975	8,364
	Amount planned		4,552	4,910	10,648
Violation of environmental laws and regulations[4]	No. of violations	Case	1[5]	0	0
	Penalty	KRW million	60	0	0

4) Paid a penalty of KRW 10 million or more in the year
5) Corrected violations found in an unannounced joint inspection by relevant authorities and paid penalty

Sales of Eco-friendly Products[6]

Category	Unit	2021	2022	2023
Sales of eco-friendly products	KRW billion	-	1,123	1,129
Proportion of sales of eco-friendly products per total sales	%	-	31.1	32

6) HB Mark, EPD, Eco-Label

Use of Key Raw Materials

Category		Unit	2021	2022	2023
Raw materials consumption[7,8]	PVC	ton	64,732	51,288	46,474
	Calcium carbonate		76,078	65,749	62,316
	Plasticizer		20,568	16,010	14,673
	MMA		14,756	10,655	8,247
	Total		176,134	143,702	131,711
Consumption of recycled materials6[8]	Recycle(scraps, etc.)		18,258	14,871	13,715
Ratio of recycled materials used per key raw materials used8[8]		%	10.4	10.3	10.4
Packaging materials	used	kg	131,296	94,368	84,271

7) Materials consumption: Consumption of key non-renewable materials from all materials(e.g., PVC, plasticizers, coal, MMA)
8) Changed 2021–2022 data due to the changes from accumulated purchase count to materials receipts and reimbursements amount(amount used)

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Environmental Training

Category		Unit	2021	2022	2023
Environmental training performance[1]	Total no. of training participants	Person	1,559	1,630	1,300
	Total training hours	Hour	5,615	7,522	3,806

1) Ulsan Plant not included

Non-polluting Vehicles

Category	Unit	2021	2022	2023
Ratio of non-polluting vehicles[2] per the total no. of vehicles held	%	60	65	51

2) Electric vehicles, hydrogen-fuel vehicles, hybrid vehicles

Environmental Pollutants

Category		Unit	2021	2022	2023
Discharge of water pollutants	BOD	ton	0.340	0.136	0.160
	COD[3]		0.929	0.178	0.139
	TOC[4]		-	0.679	0.549
	SS		0.614	0.398	0.237
	TN		0.296	0.231	0.180
	TP		0.023	0.060	0.008
	Other pollutants		0.055	0.165	1.285[5]
	Total		2.257	1.848	2.558[6]
Emission of air pollutants	(NOx)	ton	39.04	25.55	26.34
	(SOx)		0.09	0.08	1.56
	Dust		17.95	11.55	10.46
	THC		26.59	38.36	28.65
	HAP		19.27	9.07	11.80
	ODS[7]		0	0	0

3) Due to the change of organic substance measurement indicator from COD to TOC, COD is measured at Cheongju Plant and Magok Research Center only.
4) For the existing effluent discharge facilities, under the Water Quality Conservation Act, the organic substance indicator was changed from COD to TOC in 2022.
5) Increase in water pollutants due to the increase in wastewater generation caused by increased use of water provided by the local government for experimental facilities from the second half of 2023.
6) Increased discharge of water pollutants with the additional inclusion of TOC(Ulsan Plant, Cheongju Plant, and Magok Research Center) from 2023.
7) Based on substances used in production and processes(however, some refrigerants in freezers for cooling and air conditioning contain HCFCs)

Greenhouse Gas and Energy[7]

Category			Unit	2021	2022	2023
Scope 1 & 2 GHG emissions[8]	Direct GHG emissions(Scope 1)		tCO_2eq	49,183	42,665	37,626
	Indirect GHG emissions(Scope 2)		tCO_2eq	82,104	76,076	73,883
	GHG emission intensity[9]		tCO_2eq/KRW 100 million	3.78	3.29	3.16
	Greenhouse gas emissions per unit[10]		tCO_2eq/ton	0.43	0.44	0.40
	Total scope 1 & 2 emissions		tCO_2eq	131,287	118,741	111,509
GHG emissions reduction performance	Scope 1+2 reduction		tCO_2eq	3,498	1,473	1,117
Scope 3 GHG emissions	Water resources used		tCO_2eq	716	543	342
	Upstream			73	67	68
	Transportation and distribution	Upstream		2,079	2,767	6,982
		Downstream		27,541	27,526	26,474
	Products and services purchased			89,911	58,374	57,491
	Downstream lease properties			0	0	0
	Total Scope 3 GHG emissions			120,320	89,278	91,357
Energy[11]	Key energy consumption	Electricity	TJ	1,716	1,576	1,533
		LNG		766	667	580
		Diesel		24	24	25
		Gasoline		2	3	2
		Steam		0	17	93
		Other		0	0	14
		Total		2,508	2,287	2,247
	Energy consumption	Direct energy		792	694	607
		Indirect energy		1,716	1,593	1,640
		Total		2,508	2,287	2,247
	Consumption of renewable energy			-	0.0366	0.0511
	Energy intensity		TJ/KRW 100 million[12]	0.07	0.06	0.06
	Reduction of energy consumption[13]	Reduction goal	TJ	73.9	55.1	172
		Amount saved		65.2	55.1	172

7) Calculated in accordance with the Guidelines(No. 2023-221) on Emissions Reporting and the Certification of the Greenhouse Gas Emission Trading Scheme and approved by the DNV. Covers a total of 15 business sites including the LX Hausys headquarters.
- Manufacturing Plants: 2 plants(Ulsan and Cheongju) / Business offices: 6 offices(Daejeon, Gwangju, Daegu, Busan, Northern Gyeonggi, and Western Gyeonggi)
- Headquarters and Others: 7 offices(HQ, Onsan Plant, Magok Research Center, Gimhae Logistics Center, Cheonan Logistics Center, Uiwang Logistics Center, and Distribution Store)

8) Calculated in accordance with the Guidelines for Operation of the Greenhouse Gas Emission Trading Scheme.
9) GHG emissions per sales
10) GHG emissions per production
11) Calculated per actual activity data entered in NGMS
12) KRW 100 million: Per sales in the consolidated financial statement
13) Reduction of annual energy consumption(fuel/electricity) by improvement of manufacturing processes and facilities such as boilers and freezers

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Water Usage and Wastewater

Category			Unit	2021	2022	2023
Water withdrawn	Ulsan	Public water supply	ton	120,940	118,489	104,001
		Heavy water		0	0	0
		Industrial water		0	0	25,859
		Stream water		354,683	343,758	295,298
	Cheongju	Public water supply		64,181	57,915	59,960
		Heavy water		0	0	0
		Industrial water		116,700	110,563	109,911
		Stream water		0	0	0
	Magok	Public water supply		14,501	19,320	17,618
		Heavy water		863	894	795
		Industrial water		0	0	0
		Stream water		0	0	0
Water consumption[1]			ton	671,868	650,939	613,442
Water recycling	Water recycled		ton	0	0	0
	Water recycling rate		%	0	0	0
Wastewater	Wastewater discharged[2]		ton	48,295	55,620	56,232

1) The volume of water withdrawn and consumed is managed in the same manner.
2) Discharged wastewater is processed by the company in its entity and discharged to treatment facilities operated by local government for secondary treatments.

Hazardous Chemical Substances

Category		Unit	2021	2022	2023
Hazardous chemical substances	MEK	ton	1,202	1,198	700
	EA		2,433	2,403	1,088
	DMF		262	282	0
	Phenol		19,730	21,602	24,678
	Paraformaldehyde		13,006	14,257	16,347
	Other		438	424	465
	Total		37,072	40,166	43,278

Waste

Category			Unit	2021	2022	2023
Waste discharged[3]	General waste	Recycled[4]	ton	26,455	24,545	25,276
		Incineration		3,820	2,234	666
		Landfill		699	356	330
		Other		914	1,352	413
		Total		31,888	28,487	26,685
	Designated waste	Recycled[4]		762	623	638
		Incineration		438	428	568
		Landfill		0	0	0
		Other		221	261	163
		Total		1,421	1,312	1,369
Total waste emissions			ton	33,309	29,799	28,055
Waste recycled	Amount of waste recycled		ton	27,217	25,168	25,914
	Waste recycling rate[5]		%	81.7	84.5	92.4

3) The entire discharged waste is consigned for processing.
4) Total amount of waste recognized as recyclable by disposal method under the "Wastes Control Act"
5) Divide the total amount of recycle waste discharged by the total waste discharged and then multiplied by 100.

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Employee status

Category			Unit	2021	2022	2023
Number of Employees	Total no. of employees		Person	4,768	4,000	3,716
	No. of overseas employees[1]			1,450	908	830
	No. of Korean employees[2]			3,318	3,092	2,886
Age group	Aged 20-29			589	400	311
	Aged 30-39			1,081	1,067	1,022
	Aged 40-49			881	837	761
	Aged 50-59			762	777	788
	Aged 60 and older			5	11	4
Gender	Male			2,801	2,624	2,468
	Female(ratio)		Person(%)	517(15.6)	468(15.1)	418(14.5)
Employment type	Full-time employee	Male	Person	2,742	2,582	2,432
		Female		462	431	417
		Total		3,204	3,014	2,849
	Contract[3] (Ratio)	Male	Person(%)	59(2.1)	42(1.6)	36(1.5)
		Female		55(10.6)	37(7.9)	1(0.2)
		Total		114(3.4)	78(2.5)	37(1.3)
Job position	Executives		Person	27	31	18
	Employees			3,291	3,061	2,868
Job category	Office staff			2,382	2,197	2,034
	Technical staff			936	895	852
Region	Headquarters(Seoul)			1,015	862	807
	Cheongju Plant			675	671	664
	Ulsan/Onsan Plant			939	887	839
	Magok			318	316	306
	Other			371	356	270

※ According to the number of employees in Korea by age group, gender, employment type, job position, job category, region, research center/design center personnel, people with disabilities, and veterans
1) Excluding employees dispatched to overseas branches
2) Excluding registered directors and employees dispatched to overseas corporations; including employees dispatched to overseas branches
3) Contract employees

Category			Unit	2021	2022	2023
No. of staffs in key business site	No. of overseas employees (the US)	Dispatched employees	Person	16	17	15
		Local employees		646	578	530
	No. of overseas employees (China)	Dispatched employees		19	15	12
		Local employees		470	191	162
	Ratio of senior-level employees among local hires	No. of local employees		1,116	769	692
		No. of senior-level employees among locally hired employees[4]		323	248	236
		Ratio of senior-level managers	%	28.9	32.2	34.1
No. of employees at labs/design centers[5]			Person	302	278	253
People with disabilities	No. of staff(ratio)		Person(%)	38(1.1)	34(1.1)	30(1.0)
Veteran	No. of staff(ratio)		Person(%)	77(2.3)	75(2.4)	71(2.5)
Unaffiliated workers[6]	Male		Person	546	493	463
	Female			44	46	31
	Total			590	539	494

4) Staff at leadership level or higher
5) Central research institute, design center, research project and design project of the business unit.
6) Workers hired by other business entity and works(e.g., dispatch, subcontracts, etc.) in business sites(corporation)

Ratio of Female Employees[7]

Category	Unit	2021	2022	2023
Executive position or higher	%	3.7	6.5	5.6
Managerial level or higher[8]		5.7	6.2	5.9
Leadership level or highe[9]		9.4	9.1	9.8
Staff and senior level[10]		23.8	23.8	21.6
Office managers[11]		11.8	11.3	12.1
STEM ratio[12]		21.9	19.9	20.3

7) Per domestic employees(including employees dispatched to overseas)
8) Executives and leadership level staffs(including researchers, specialists, technical advisers, advisers, sales advisers, division heads)
9) Leadership/manager - executives
10) Junior - senior
11) Office leadership - executives
12) Science, technical, engineering, and mathematical-majored staffs

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Recruitment and Turnover of Employees

Category			Unit	2021	2022	2023
Recruitment	New recruits	All	Person	474	128	66
		Recruitment cost	KRW million	221	31	126
	New recruits by age group	Aged 20-29	Person	268	60	55
		Aged 30-39		172	48	8
		Aged 40-49		27	12	2
		Aged 50-59		6	5	1
		Aged 60 and older		1	3	0
	Recruits by gender	Male		347	101	52
		Female		127	27	14
		Ratio of female recruits per male recruits	%	36.6	26.7	26.9
Turnover	Total turnover[1]		Person	326	358	272
	Turnover by age group	Aged 20-29		76	96	42
		Aged 30-39		112	97	64
		Aged 40-49		15	41	17
		Aged 50-59		7	17	6
		Aged 60 and older		0	0	0
	Turnover by gender	Male		158	194	94
		Female		52	57	35
	Turnover rate of key personnel[2]		%	9.1	23.1	9.0
	Voluntary turnover rate			6.2	8.1	4.5
	Turnover rate[1]			9.8	11.6	9.4
	Average year of service		년	13.5	14.3	15

1) Including non-voluntary turnover
2) Young HPI, Biz Talent, Pro Talent

Maternal Leave

Category		Unit	2021	2022	2023
Employees that took maternal leave	Male	Person	20	35	27
	Female		29	34	28
	Total		49	69	55
Reinstated employees(reinstatement rate)	Male	Person(%)	11(100)	29(90.6)	30(100)
	Female		28(100)	26(89.7)	31(91.2)
	Total	Person	39	55	61
Employees that worked for more than 12 months following their reinstatement(service period ratio)	Male	Person(%)	7(100)	11(100)	27(93.0)
	Female		20(90.9)	25(89.3)	22(84.6)
	Total	Person	27	36	49

Labor Practice

Category		Unit	2021	2022	2023
Ratio of employees subject to labor union and collective bargaining	No. of employees with membership	Person	925	889	850
	No. of subject employees	Person	936	895	851
	Ratio of union membership	%	98.8	99.3	99.9
	Pre-notification period for any changes in management	weeks	8	8	8
Ratio of application of group agreement		%	100	100	100
Company-recognized strike/shutdown		Case	0	0	0

Information Security

Category		Unit	2021	2022	2023
Investment in information security[3]		KRW million	2,655	2,381	2,555
Information security training	Participation rate	%	91.2	91.9	98.0
	Training hours per person	Hour	1	1	1
Information security violations and incidents	Occurrence of information security violations/incidents related to customers' personal information	Case	0	0	0
	Total amount of fines paid due to information security violations/incidents	Unit	0	0	0

3) Due to the change in our data disclosure standard to the KISA Information Protection Disclosure Comprehensive Portal standard, the 2021-2022 data has been updated.

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Equal Salary[1)]

Category	Unit	2021	2022	2023
Executives	%	98.7	81.1	78.5
Managerial level(annual salary)		89.2	88.9	88.9
Managerial level(annual salary + bonus)		88.2	88.4	88.5
Sub-managerial level		90.7	89.6	92.3

1) Ratio of basic salary and remuneration of women to men; managerial level: Leadership level workforce(excluding manager-level staff)

Regular Performance Appraisal and Career Development

Category			Unit	2021	2022	2023
Staffs subject to regular performance appraisal and career development	No. of total staffs[2)]		Person	2,294	2,127	1,983
	By gender	Male	%	79.1	79.1	79.7
		Female		20.9	20.9	20.3
	By employee type	Office staff		100	100	100
		Technical staff[3)]		-	-	-

2) Per domestic office staff(excluding executives and manager-level staff)
3) Regular performance appraisal not conducted for technical staff

Employee Training

Category			Unit	2021	2022	2023
No. of employees participated in training			Person	11,927	4,164	5,167
Total training hours			Hour	189,049	78,205	82,339
Total training cost			KRW million	2,555	2,488	1,673
Average training hours per person	Employee average		Hour	56	25	29
	By gender	Male	Hour	51	23	27
		Female	Hour	83	36	38
	By employment type	Full-time employee	Hour	53	25	29
		Contract	Hour	142	17	27
	By job position	Top manager	Hour	22	19	44
		Middle manager	Hour	39	22	36
		New recruits and non-managerial staffs	Hour	69	29	22
	By job category	Executives	Hour	-	0	44
		Office staffs	Hour	74	31	38
		Technical staffs	Hour	11	9	6

Human Rights Training

Category	Unit	2021	2022	2023
Training hours	Hour	9,433	8,789	7,798
No. of persons trained	Person	3,369	3,139	2,888
Ratio of employees received training	%	100	100	100

Supply Chain Management

Category			Unit	2023
Supplier composition	Tier 1 supplier	Total no. of Tier 1 suppliers	unit	738
		Total no. of core Tier 1 suppliers	unit	38
		Ratio of total payment to core Tier 1 suppliers from all Tier 1 suppliers	%	29.9
	No. of core Tier 2 or higher suppliers		unit	0
	Total no. of core suppliers (including Tier 1 and 2 or higher)		unit	38
Supplier assessment and corrective actions	Total no. of suppliers underwent ESG risk assessment		unit	410
	Ratio of suppliers underwent ESG risk assessment		%	55.6
	No. of suppliers confirmed to have actual/potential negative impacts		unit	0
	No. of suppliers confirmed to have negative impacts with plans to make improvements		unit	0
	No. of suppliers confirmed to have negative impacts and whose contract was terminated		unit	0
Support for corrective actions	Total no. of suppliers supported for corrective actions		unit	0
	Total no. of suppliers supported for corrective actions confirmed to have negative impacts		unit	0
Supplier Capability Enhancement Program	No. of suppliers supported with Capability Enhancement Program		unit	199
	Ratio of core suppliers supported with Capability Enhancement Program		%	64.3
Financial values provided to suppliers	Subsidies[1)]		KRW million	600
	Grants[2)]		KRW million	50

1) Mutual Growth Win-Win Partnership Fund
2) Rewards for outstanding suppliers

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Safety and Health(Domestic)

Category		Unit	2021	2022	2023
Number of industrial accident[1]		Case	8	2	10
Rate of accidents[2]		%	0.27	0.06	0.35
Employees	Frequency of near misses[3]	%	2.12	5.74	3.72
	Injury occurrence rate	-	1.83	0.48	2.40
	(Injury frequency rate)[4]		0.25	0.04	0.26
	Occurrence rate of work-related illness		0.01	0	0.01
	(injury intensity rate)[5]		3.01	2.87	1.28
	Absentee Rate[6]		0.60	0.57	0.26
	Lost-Time Injuries Frequency Rate(LTIFR)[7]	Person	0	0	0
Indirect employees	Total Recordable Injury Frequency	%	0.57	5.90	2.41
	RATE(TRIFR)[8]	-	2.86	4.72	2.41
	Work-related deaths		7.43	10.62	2.41
	Total Recordable Injury Frequency Rate(TRIFR)		1.49	2.12	0.48
	Work-related deaths	Person	0	0	0
No. of persons with symptoms of silicosis		Person	0	0	0
No. of persons with noise deafness[9]			0	0	0
No. of persons with musculoskeletal system disorders[9]			0	0	0
No. of persons with diseases caused by night shifts[9]			0	0	0
Number of employees represented by joint labor-management health and safety committee			20	20	20

1) Excluding the number of accidents by suppliers
2) Based on industrial accident occurrence report standards
3) Frequency of near misses based on the total hours at manufacturing site. 2021-2022 data changed due to update in calculation basis
4) Frequency of injuries based on the total hours worked at manufacturing site((No. of accidents X 1,000,000)/Total annual work time)
5) Frequency of work-related diseases based on the total hours attended at manufacturing site((No. of working days lost X 1,000)/total working hours in a year)
6) Actual number of absenteeism; percentage of the total days that workers were meant to work in the same period((no of absent days at work × 100) / total working hours in a year)
7) The number of cases of more than 1 day of work lost from among the total working hours at manufacturing site(number of cases of more than 1 day of work lost x 1,000,000)/total no. of working hours/year)
8) Number of accidents / Total working hours in a year (No. of work-related accidents x 200,000 total working hours at manufacturing site) Data for 2021-2022 revised due to changes in calculation criteria
9) Number of employees with noise deafness/musculoskeletal system disorders/diseases caused by night shifts: Reported from 2022

Governance

Structure of the Board of Directors

Category		Unit	2021	2022	2023
Composition of the Board of Directors	Executive directors	Person	2	2	2
	Independent directors		4	4	4
Gender diversity in the Board of Directors[10]	Male		3	3	3
	Female		1	1	1

10) Including independent directors, not executive directors

Performance of the Board of Directors

Category		Unit	2021	2022	2023
Activities	No. of meetings held	Time	11	7	7
	No. of reviews of ESG items[11]		7	8	7
	No. of reports made on key items[12]		10	10	10
Attendance rate	Executive directors	%	100	100	78.5
	Independent directors		97.7	100	96.4
	All		98.7	100	91.8

10) Including independent directors, not executive directors
11) Affiliated company or internal transaction, appointment of Independent Director Candidate Recommendation Committee members, reports of current ESG status, introduction of an e-voting system for the general shareholders' meeting, etc.
12) Reports on business performance, internal accounting system operation status, compliance control system, etc.

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Governance

Remuneration of the Board of Directors and Employees

Category			Unit	2021	2022	2023
The Board remuneration payment status	No. of persons		Person	6	6	8[1]
	Total remuneration		KRW million	1,659	1,431	1,724
	Average remuneration per person		KRW million	277	238	497
CEO remuneration	Total annual remuneration ratio		%	11.1	9.1	12.6
Employee remuneration	Remuneration of all employees excluding the CEO(or other equivalent role) Remuneration of all employees	Median	KRW million	76	74	84
		Average	KRW million	78	79	88
	The CEO remuneration ratio per the total remuneration of employees excluding CEO (or other equivalent roles)	Median	%	11.1	9.3	12.6
		Average	%	11.1	8.8	12.2

1) Including former directors

Jeong-do Management and Compliance Management

Category		Unit	2021	2022	2023
Ratio of Code of Ethics application	Board members	%	100	100	100
	Workers	%	100	100	100
	Tier 1 suppliers	%	100	100	100
Ratio of Ethical / Compliance Management Training Provision	Committee Members	%	43	43	43
	Employees	%	100	100	100
	Suppliers	%	100	100	100
No. of persons received Ethical/ Compliance Management training	Committee members	Person	3	3	3
	Workers	Person	2,291	2,160	2,167
	Total	Person	2,294	2,163	2,170
Corruption risk assessment	No. of business sites completed assessment[2]	unit	6	6	6
	Ratio of business sites completed assessment compared to those subject to evaluation	%	100	100	100
No. of employees completed Jeong-do Management training		Person	2,293	2,162	2,169

2) Domestic business sites and overseas production corporations

Fair Trade Compliance Training

Category			Unit	2021	2022	2023
Fair trade compliance training for employees	No. of persons completed	Subcontract	Person	80	45	74
		Cartel and unfair trades		525	206	161
		Total		605	251	235
	No. of sessions	Subcontract	Case	6	5	5
		Cartel and unfair trades		13	14	14
		Total		19	19	19

Regulation/Voluntary Violation3[3]

Category			Unit	2021	2022	2023
Violation of rules and regulations and penalty applied	Unfair transactions such as anti-competition and monopoly	Penalty	KRW million	0	0	0
		No. of violation	Case	0	0	0
	Violation of domestic marketing activities[4]	Fine	KRW million	609[5]	0	0
		No. of violation	Case	1	0	0
	Violation of legal/voluntary regulations regarding the safety and health impact of products and services	Penalty or legal punishment	Case	0	0	0
		Warning	Case	0	0	0
		Violation of voluntary regulation	Case	0	0	0
	Other social & economic violations[6]	Penalty	KRW million	0	0	0
		No. of violation	Case	0	0	0
No. of non-monetary sanctions	No. of other social/economic sanctions		Case	0	0	0

3) Cases of penalty paid by KRW 10 million or more in the year
4) No. of violation of the Act on Fair Labeling and Advertising
5) Recalculated due to the changes in the standard amount
6) See p.76 <Amount of Environmental Investments and Regulations> for violation of environmental regulations and resulting sanctions

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GRI Index

General Disclosures

Statement of use	LX Hausys has reported in accordance with the GRI Standards for the period(from January 1, 2023 to December 31, 2023).
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standards	As of the reporting date in June 2024, industry sector standards for LX Hausys have not been published.

Category		Metrics	Page	Remarks
GRI 2: General Disclosures 2021	2-1	Organizational details	2, 6	
	2-2	Entities included in the organization's sustainability reporting	2, 6	
	2-3	Reporting period, frequency and contact point	2	
	2-4	Restatements of information	-	Items re-written compared to previous report are described with separate footnotes
	2-5	External assurance	91-92	
	2-6	Activities, value chain and other business relationships	6-13, 46	
	2-7	Employees	79	
	2-8	Workers who are not employees	79	
	2-9	Governance structure and composition	66, 82	
	2-10	Nomination and selection of the highest governance body	66-67	Business Report p284-287
	2-11	Chair of the highest governance body	66-67	
	2-12	Role of the highest governance body in overseeing the management of impacts	23, 66-67	
	2-13	Delegation of responsibility for managing impacts	23	
	2-14	Role of the highest governance body in sustainability reporting	23	
	2-15	Conflicts of interest	63, 67	
	2-16	Communication of critical concerns	20, 23, 66	Business Report p284-286
	2-17	Collective knowledge of the highest governance body	66-67	
	2-18	Evaluation of the performance of the highest governance body	68	
	2-19	Remuneration policies	68	
	2-20	Process to determine remuneration	68	
	2-21	Annual total compensation ratio	83	
	2-22	Statement on sustainable development strategy	5, 15	
	2-23	Policy commitments	28, 35, 51, 60, 63, 72-74	
	2-24	Embedding policy commitments	30, 37-38, 51, 61, 64	
	2-25	Processes to remediate negative impacts	26, 64, 69	
	2-26	Mechanisms for seeking advice and raising concerns	64	
	2-27	Compliance with laws and regulations	76, 83	Business Report p311-312
	2-28	Membership associations	90	
	2-29	Approach to stakeholder engagement	20	
	2-30	Collective bargaining agreements	80	

Material Topics

Category		Metrics	Page	Remarks
GRI 3: Material Topics 2021	3-1	Process to determine material topics	17	
	3-2	List of material topics	18	
Development Innovation of Products and Services				
GRI 3: Material Topics 2021	3-3	Management of material topics	19, 40	
GRI 416:	416-1	Assessment of the health and safety impacts of product and service categories	42, 45	
Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	83	
Environmental Impact of Products				
GRI 3: Material Topics 2021	3-3	Management of material topics	19, 40	
GRI : 301 Materials	301-1	Materials used by weight or volume	76	
	301-2	Recycled input materials used	76	
	301-3	Reclaimed products and their packaging materials		Information unavailable

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Material Topics

Category	Metrics		Page	Remarks
Climate change response				
GRI 3: Material Topics 2021	3-3	Management of material topics	19, 23	
GRI: 302 Energy	302-1	Energy consumption within the organization	27, 77	
	302-2	Energy consumption outside the organization	27, 77	
	302-3	Energy intensity	77	
	302-4	Reduction of energy consumption	27, 77	
	302-5	Reductions in energy requirements of products and services	27, 77	
GRI 305: Emissions 2016	305-1	Direct(Scope 1) GHG emissions	27, 77	
	305-2	Energy indirect(Scope 2) GHG emissions	27, 77	
	305-3	Other indirect(Scope 3) GHG emissions	27, 77	
	305-4	GHG emissions intensity	27, 77	
	305-5	Reduction of GHG emissions	77	
Minimizing environmental impact				
GRI 3: Material Topics 2021	3-3	Management of material topics	28	
GRI: 305 Emissions	305-7	Nitrogen oxides(NOx), sulfur oxides(SOx), and other significant air emissions	31, 77	
GRI: 306 Waste 2020	306-1	Waste generation and significant waste-related impacts	32	
	306-2	Management of significant waste-related impacts	32	
	306-3	Waste generated	78	
	306-4	Waste diverted from disposal	78	
	306-5	Waste directed to disposal	78	

Category	Metrics		Page	Remarks
Staff Safety and Health Management				
GRI 3: Material Topics 2021	3-3	Management of material topics	35	
GRI 403: Occupational Health & Safety	403-1	Occupational health and safety management system	35, 90	
	403-2	Hazard identification, risk assessment, and incident investigation	36	
	403-3	Occupational health services	37	
	403-4	Worker participation, consultation, and communication on occupational health and safety	35	
	403-5	Worker training on occupational health and safety	37	
	403-6	Promotion of worker health	55	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	38	
	403-8	Workers covered by an occupational health and safety management system	37, 90	
	403-9	Work-related injuries	82	
	403-10	Work-related ill health	82	
Ethical and Compliance management				
GRI 3: Material Topics 2021	3-3	Management of material topics	63	
GRI 205: Anti-corruption	205-1	Operations assessed for risks related to corruption	83	
	205-2	Communication and training about anti-corruption policies and procedures	64-65	
	205-3	Confirmed incidents of corruption and actions taken	83	Business Report p311
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, antitrust, and monopoly practices	83	
GRI 407: Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	46, 51, 81	

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GRI 200 Economic

Category	Metrics		Page	Remarks
GRI 201 : Economic Performance	201-1	Direct economic value generated and distributed	75-76	
	201-2	Financial implications and other risks and opportunities due to climate change	24	
GRI 203 : Market Presence	202-2	Proportion of senior management hired from the local community	79	
GRI 203 : Indirect Economic Impacts	203-1	Infrastructure investments and services supported	47, 58-59	
	203-2	Significant indirect economic impacts	76	
GRI 207: Tax 2019	207-1	Approach to tax	73	
	207-2	Tax governance, control, and risk management	73	
	207-4	Country-by-country reporting	76	

GRI 300 Environmental

Category	Metrics		Page	Remarks
GRI : 303 Water and Effluents 2018	303-1	Interactions with water as a shared resource	31, 78	
	303-2	Management of water discharge-related impacts	31, 78	
	303-3	Water withdrawal	31, 78	
	303-4	Water discharge	31, 78	
	303-5	Water consumption	31, 78	
GRI : 308 Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	46, 81	
	308-2	Negative environmental impacts in the supply chain and actions taken	46, 81	

GRI 400 Social

Category	Metrics		Page	Remarks
GRI 401 : Employment	401-1	New employee hires and employee turnover	80	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	55	
	401-3	Parental Leave	55, 80	
GRI 404: Training and Education	404-1	Average hours of training per year per employee	81	
	404-2	Programs for upgrading employee skills and transition assistance programs	53	
	404-3	Percentage of employees receiving regular performance and career development reviews	81	
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	79, 82	
	405-2	Ratio of basic salary and remuneration of women to men	81	
GRI 406 : Non-Discrimination	406-1	Incidents of discrimination and corrective actions taken	-	No related incident
GRI 413 : Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	57-59	
GRI 414 : Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	46, 81	
	414-2	Negative social impacts in the supply chain and actions taken	46, 81	
GRI 417: Marketing and Labeling	417-2	Incidents of non-compliance concerning product and service information and labeling	83	
	417-3	Incidents of non-compliance concerning marketing communications	83	
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	80	

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SASB Index

Under the industry-specific sustainability accounting standards issued by the Sustainability Accounting Standards Board(SASB), LX Hausys discloses key ESG information for the construction material industry that have has potential for high financial impacts.

Sustainability Announcement Topics and Accounting Indicators

Topic	Code	Accounting Metric(s)	Page
GHG emissions	EM-CM-110a.1	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	77
	EM-CM-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	25, 27
Air Quality	EM-CM-120a.1	Air emissions of the following pollutants: (1) NOx(excluding N2O), (2) SOx, (3) Particulate matter(PM10), (4) Dioxins/Furans, (5) Volatile organic compounds(VOCs), (6) Polycyclic aromatic hydrocarbons(PAHs), and (7) Heavy metals	77
Energy Management	EM-CM-130a.1	(1) Total energy consumed, (2) Percentage grid electricity, (3) Percentage alternative, (4) Percentage renewable,	77
Water Management	EM-CM-140a.1	(1) Total fresh water withdrawn, (2) Percentage recycled, (3) Percentage in regions with High or Extremely High Baseline Water Stress	78
Waste Management	EM-CM-150a.1	Amount of waste generated, percentage hazardous, percentage recycled	78
Biodiversity Impacts	EM-CM-160a.1	Description of environmental management policies and practices for active sites	31-32
	EM-CM-160a.2	Terrestrial acreage disturbed, percentage of impacted area restored	-
Workforce Health & Safety	EM-CM-320a.1	Full-time employees' and contract employees' (1) Total recordable incident rate(TRIR) and (2) Near miss frequency rate(NMRF)	82
	EM-CM-320a.2	Number of reported cases of silicosis	82
Product Innovation	EM-CM-410a.1	Percentage of products that qualify for credits in sustainable building design and construction certifications	45
	EM-CM-410a.2	Total addressable market and share of market for products that reduce energy, water, and/or material impacts during usage and/or production	42-45
Pricing Integrity & Transparency	EM-CM-520a.1	Total amount of monetary losses as a result of legal proceedings associated with cartel activities, price fixing, and anti-trust activities	-

TCFD Index

Under the recommendations of the Task Force on Climate-Related Financial Disclosures(TCFD), we disclose our decision-making structure and response strategies related to climate change, our performance against these strategies, and the metrics and targets to measure such performance.

Recommendation		Page
Governance	The Board's oversight of climate change-related risks and opportunities	23
	Management's role in assessing and managing climate change-related risks and opportunities	
Strategy	Climate change-related risks and opportunities the organization has identified over the short, medium, and long term	24-25
	Impacts of climate change-related risks and opportunities on the organization's businesses, strategies, and financial planning	
	Resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	
Risk management	Organization's processes for identifying and assessing climate-related risks	26-27
	Organization's processes for managing climate-related risks	
	How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	
Metrics and targets	Metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	27
	Scope 1, Scope 2, and Scope 3 greenhouse gas(GHG) emissions and the related risks	
	Targets used by the organization to manage climate-related risks and opportunities and performance against targets	

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UN SDGs

LX Hausys embraces the spirit of the Sustainable Development Goals(SDGs) set forth by the United Nations and strives to achieve those goals. To this end, we set goals in consideration of the nature of our business and carry out various activities to ensure a sustainable future for our company and society.



[Goal 3] Good Health and Well-being

Using our business prowess, we conduct social contribution activities to foster safe and clean living conditions for marginalized and vulnerable groups.

[Goal 11] Sustainable Cities and Communities

Using our business prowess, we conduct social contribution activities to foster safe and clean living conditions for marginalized and vulnerable groups.

[Goal 4] Quality Education

We provide professional training for each role and position to enhance employee capabilities.

[Goal 12] Responsible Consumption and Production

We strive to develop and manufacture responsible products based on product life cycle assessments, environmental certifications, etc.

[Goal 9] Industry, Innovation and Infrastructure

We develop and provide various eco-friendly and social-value-creating products that can contribute to building sustainable infrastructure.

[Goal 13] Climate Action

We implement various reduction activities to contribute to carbon neutrality by reducing GHG emissions and increasing the use of renewable energy.

UN Global Compact

LX Hausys embraces the ten principles of human rights, labor, environment, and anti-corruption by the United Nations Global Compact(UNGC) and consistently implements relevant activities to comply with these principles.

Topic	Principles	Response and Direction	Page
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights.	Based on our global human rights and labor policies, we consistently implement measures to protect the human rights of all stakeholders, including employees.	51
	Businesses should ensure that they are not complicit in human rights abuses.		
Labor	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	We provide relevant training to create an equal and non-discriminatory work environment and operate a fair performance evaluation and compensation system. In addition, we include the elimination of child labor and forced labor in our human rights and labor policies.	51
	Businesses should uphold the elimination of all forms of forced and compulsory labor.		
	Businesses should uphold the effective abolition of child labor.		
	Businesses should uphold the elimination of discrimination in respect of employment and occupation.		
Environment	Businesses should support a precautionary approach to environmental challenges.	We analyze the environmental impact of our products through their entire life cycle by obtaining and renewing environmental certificates. We also continue our efforts to minimize these impacts and have established a new roadmap for carbon neutrality by 2050, which involves reducing greenhouse gas emissions and increasing the use of renewable energy.	25, 27, 29, 42-45
	Businesses should undertake initiatives to promote greater environmental responsibility.		
	Businesses should encourage the development and diffusion of environmentally friendly technologies.		
Anti-Corruption	Businesses should work against corruption in all its forms, including extortion and bribery.	We thoroughly implement ethics and compliance management in line with our Jeong-do management philosophy. To prevent corruption and bribery, we require all our employees to comply with the LX Code of Ethics and operate a whistleblowing system through the Cyber Shinmungo channel.	63-64

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LX Hausys

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Certification and Membership

Certification and Assessment

ESH & Quality Certification

Country	Corporation/Business Site	Address	Certification Status		
			Environment[1), 2)]	Safety and Health[1), 2)]	Quality
Korea	Ulsan Plant	Ulsan	ISO 14001	ISO 45001	ISO 9001, IATF 16949
	Cheongju Plant	Cheongju	ISO 14001	ISO 45001	ISO 9001
China	LX Hausys Tianjin Co., Ltd.	Tianjin	-	-	ISO 9001
	LX Hausys(Wuxi) Co., Ltd	Wuxi	-	ISO 45001	ISO 9001
USA	LX Hausys America, Inc.	Atlanta	ISO 14001	ISO 45001	IATF 16949

1) Applicable to both employees at LX Hausys plants and employees of in-house suppliers
2) Based on current operations, 100% of our plants are ISO:45001 certified and 75% are ISO:14001 certified.

ESG Assessment Result

LX Hausys was not only included in the "DJSI(Dow Jones Sustainability Index) Korea" for nine consecutive years but also acquired a comprehensive "A" grade in the ESG evaluation conducted by the Korea Institute of Corporate Governance and Sustainability as of 2023. In addition, we recognize the materiality of climate change and demonstrate our ESG management capabilities by consistently responding to the climate change category in the Carbon Disclosure Project(CDP). We will continue to recognize the importance of non-financial areas for our sustainable growth and make transparent disclosures of our ESG activities and results in the ESG reports and official websites in order to communicate with our stakeholders.

2023 Assessment Results from Korea Institute of Corporate Governance and Sustainability

Integrated	Environmental	Social	Governance
A	A	A	B+

Membership Association

LX Hausys does not contribute to any political campaigns, political groups, lobbyists, or lobby groups in accordance with the relevant laws.
The total membership fee paid to affiliated organizations in which LX Hausys is a member is KRW 797,677,724 as of the end of 2023.

2023 Key Membership Fee Payments Made

(Unit: KRW)

Group name	Membership Fee
Korea Chamber of Commerce & Industry	170,843,000
Korea Association for Exterior Insulation	170,000,000
Korean Institute of Architects	100,843,000
Korea Institute of Registered Architects	50,000,000
Korea Enterprises Federation	24,375,000

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Independent Assurance Opinion Statement

To: The Stakeholders of LX Hausys

Overview

BSI Group Korea (hereinafter referred to as the "Assurer") was requested to verify the LX Hausys ESG Report 2024 (hereinafter referred to as the "Report"). The Assurer is independent from LX Hausys and has no major operational financial interest other than the assurance of the Report. LX Hausys is responsible for all information and claims contained in the Report. The Assurer is responsible for applying the assurance methodology to the specified scope and providing a professional, independent assurance opinion statement to the management of LX Hausys. In addition, the Assurer is responsible for providing this information to all stakeholders of LX Hausys.

Scope

The scope of assurance applied to the Report is as follows.

- Content from January 1, 2023, to December 31, 2023, including some results from the first half of 2024
- Key information and claims included in the Report, such as sustainability management policies, strategies, goals, and related business performance
- The suitability and robustness of internal processes and systems for information collection, analysis, and review
- Verification of compliance with the four AA1000 AccountAbility principles for the Report conducted according to the type of sustainability assurance based on AA1000 AS v3, and, where applicable, verification of the reliability of the sustainability performance information included in the Report

The following content is not included in the scope of assurance.

- Financial information presented in the Report's Appendix
- Index items related to other international standards, norms, and initiatives, excluding GRI standards presented in the Appendix of the Report
- Other related supplementary information such as the website and business reports

Assurance Level and Type

The verification level according to AA1000 AS was conducted at a Type 1 moderate level of assurance, which confirms compliance with the four principles of AA1000 AP (AccountAbility Principles) 2018.

Description and sources of disclosures covered

Based on the applied verification scope and methodology, the Assurer reviewed the following disclosure indicators based on the sampling of information and data provided by LX Hausys.

[Universal Standards]

2-1 to 2-5(The organization and its reporting practices), 2-6 to 2-8(Activities and workers), 2-9 to 2-21(Governance), 2-22 to 2-28(Strategy, policies and practices), 2-29 to 2-30(Stakeholder engagement), 3-1 to 3-3(Material Topics Disclosures)

[Topic Standards]

201-1~2, 202-2, 203-1~2, 205-1~3, 206-1, 207-1~2, 207-4, 301-1~3, 302-1~5, 303-1~5, 305-1~5, 305-7, 306-1~5, 308-1~2, 401-1~3, 403-1~10, 404-1~3, 405-1~2, 406-1, 407-1, 413-1, 414-1~2, 416-1~2, 417-2~3, 418-1

Methodology

In compliance with the verification criteria, the Assurer has used the methodology developed to collect relevant evidence in order to reduce errors in the Report and performed the following activities.

- Validation of the justification of materiality assessments and internal analysis processes for determining verification priorities, and the highest level of review of potential issues raised by external stakeholders in the context of sustainability
- Discussion with managers and representatives on stakeholder engagement
- Review of the supporting evidence related to the material issues through interviews with senior managers in the responsible departments
- Verification of the sustainability strategy implementation process and the systems for execution, as well as the verification of data generation, collection, and reporting processes in each performance area, and the validation of the evidence supporting the claims included in the Report
- Evaluation of the reporting and management processes concerning the four principles of inclusivity, materiality, responsiveness, and impact as described in the AA1000 Accountability Principle Standard (2018)
- Visit to LX Hausys HQ in Seoul to confirm the data collection processes, internal control procedures, and management measures

Limitations and approach used to mitigate limitations

The Assurer performed limited verification for a limited period based on the data provided by the reporting organization. This implies that the Assurer is subject to limitations relating to inherent risks that may exist without the identification of material errors. The Assurer does not provide assurance on possible future impacts that cannot be predicted or verified during the verification process and any additional aspects related thereto.

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Competency and Independence
The Assurer has no business relationship with the reporting organization, and has conducted this verification independently. No conflict of interest was found. The verification team conducting this verification is composed of AA1000 AS assurers with extensive experience in management systems such as environment, health and safety, and sustainability areas such as social responsibility and corporate ethics, along with a thorough understanding of BSI Group's assurance standard methodology.

Opinion Statement
This verification was conducted in accordance with the AA1000 Assurance Standard v3. The Assurer planned and executed the verification procedures based on this plan to collect sufficient evidence to ensure confidence in LX Hausys' explanation of its approach to the AA1000 Assurance Standard and its self-declaration of compliance with the GRI standards. As a result of the verification, the Assurer did not find any issues that would suggest the information and data included in LX Hausys' Report were improperly described in terms of materiality.
The Assurer believes that the key sustainability performance indicators related to economic, social, and environmental aspects included in the Report are managed by LX Hausys's effective internal control procedures.

Conclusions
The Report is considered to be in accordance with the GRI Standards, and the verification opinions on the four principles outlined in AA1000 AP (2018) are as follows.

• Inclusivity
LX Hausys operates communication channels tailored to the characteristics of each stakeholder, collects expectations and various opinions from key stakeholder groups through the stakeholder engagement process, and reflects the identified key issues in decision-making related to sustainability and discloses this process through the Report.

• Materiality
LX Hausys conducts an annual materiality assessment for effective ESG management. Through a double materiality assessment, which considers the degree to which external ESG factors affect corporate finance (financial importance) and the impact of corporate management activities on the environment and society (environmental and social importance), LG Hausys set priorities for all ESG issues, formed a pool of 23 ESG issues and derived 6 key material issues, and the process is disclosed in the Report.

• Responsiveness
LX Hausys has established a management process for key reporting issues determined by the materiality assessment. In order to respond appropriately to reflect the expectations of stakeholders, we disclose policies, task performance, activities, and response performance including improvement measures on key reporting issues through the Report.

• Impact
LX Hausys has established processes to identify and evaluate the impacts of key reporting issues on the organization and stakeholders. The analysis results of impacts, risks, and opportunities related to key reporting issues are used for decision-making in developing response strategies for each issue. These processes are disclosed in the Report.

Recommendations and Opportunity for improvement
The Assurer provides the following observations to the extent that they do not affect the assurance opinion.

We have established and reported strategies and target indicators for product environmental impact, product and service development innovation, and climate change response among the six key issues identified through the double materiality assessment. Specifying related strategies and targets for key issues such as minimizing environmental impact, employee safety and health management, ethical management, and compliance management can help ensure a balance in providing information in the report.

GRI-reporting
The Assurer confirmed that LX Hausys's report is prepared in accordance with the GRI Standards. Based on the materials and information provided by LX Hausys, no errors were found in the claim that it meets the compliance requirements of the GRI Standards, including the universal standards and topic standards. No specific sector standards were applied.

Issue Date: 13/06/2024

For and on behalf of BSI(Brithish Standards Institution):BSI representative

AA1000
Licensed Report
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Lead Assurer

대표이사 임성환
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