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

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

Happy Living Spaces
We will create living spaces that make customers happy, putting the highest priority in customer satisfaction.
Outline of the Report

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

Reporting Period

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

Scope

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

Principles

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

Assurance

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

For more information

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INDEX

I. LG Hausys Sustainability Management

CEO Message .................................................................................................................. 94
Company Profile ............................................................................................................. 96
Vision and Guiding Values .............................................................................................. 108
Mid-term Terms Goals ................................................................................................... 109
Main Products ................................................................................................................. 110
Joong-Di Management .................................................................................................. 114
Corporate Governance ................................................................................................. 116
Stakeholder Engagement .............................................................................................. 118
Materiality Test ................................................................................................................. 119

II. Harmony with Space

Economic Performance .................................................................................................. 24
Efforts for Sustainable Growth ....................................................................................... 26
Risk Management .......................................................................................................... 28
Distribution of Economic Outcomes ............................................................................... 29

III. Harmony with Nature

Green Management ....................................................................................................... 32
Eco Products .................................................................................................................... 33
ECO COLLECTION .......................................................................................................... 34
Response to Climate Change .......................................................................................... 36
Environment and Safety .................................................................................................. 38
Eco-Friendly Workshops ................................................................................................. 39

IV. Harmony with Human

Employees ....................................................................................................................... 44
Product Responsibility ..................................................................................................... 52
Customer Satisfaction ..................................................................................................... 54
Shared Growth .................................................................................................................. 56
Social Contribution .......................................................................................................... 59

Appendix

Summary of the Data ...................................................................................................... 64
3rd Party Assurance Statement ......................................................................................... 66
GRI G3.1 Index ................................................................................................................. 68
Awards and Memberships ............................................................................................... 72

About This Report

CEO Message

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CEO Message

Greetings.

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

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

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

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

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

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

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

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

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

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

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

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

Fourthly, to fulfill the social responsibilities that economic growth brings, all employees of LG Hausys practice ‘Jeong-Do’ management believing in ethical management based on the principle of fair competition of human abilities leading to practical achievements. This is specified in the Business Partner Management Guidelines and continuously managed.

Fifthly, with win-win relationships with our business partners in mind, we consistently engage in joint technology development and patent applications, human resource development through business and financial support, and communication with the management of business partners. Also, in compliance of the fairness in partner selection and the transparency of evaluation process prescribed by the ‘Jeong-Do’ management policy, each business partner are provided with feedback on their evaluation results.

Fifthly, with win-win relationships with our business partners in mind, we consistently engage in joint technology development and patent applications, human resource development through business and financial support, and communication with the management of business partners. Also, in compliance of the fairness in partner selection and the transparency of evaluation process prescribed by the ‘Jeong-Do’ management policy, each business partner are provided with feedback on their evaluation results.

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

Thank you.

Oh Jang-soo, President, LG Hausys
"Largest supplier in Korea of building & decorative materials and high performance materials and components"

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

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

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

Core Values

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

Mid-long Term Goals

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

Direction of Business Promotion

2013 Management Strategy

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

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

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

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

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

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

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

"Leading Domestic and International Market through Global Top-Level Eco-Friendly Products"
Hwang Je-hyang, Vice President

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

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

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

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

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

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

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

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

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

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

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

**LG Way and ‘Jeong-Do’ Management**

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

- Vision
  - To become a market leader of high esteem through the LG vision

- Code of Ethics
  - A code of conduct unique to LG prescribing constant cultivation of competitiveness based on ethical management leading to fair competition.

**Code of Ethics**

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

1. **Philosophy**
   - The objectives of corporate activities and the principles of company operations.

2. **Vision**
   - To become a market leader of high esteem through the LG vision.

3. **Management Philosophy**
   - Fair transaction
   - Fair competition
   - Responsibilities and obligations towards the contents of Ethical Standards
   - Basic employee ethics
   - Fair opportunities and fair treatment of people for their abilities.
   - Fairly to win the competition

4. **Fostering of Ability**
   - Cultivation of competence
   - Providing competitiveness that competition-winning qualities yield.

5. **Fair treatment**
   - To provide customers with honesty and better values.
   - Developing and practicing principles for ‘Creating value for Customers’, and we practice ‘Respecting for Human Dignity’ in the management by providing fair opportunities and fair treatment of people for their abilities.

6. **Harmony with space**
   - LG’s ‘Jeong-Do’ Management insists on constant cultivation of competitiveness based on ethical management leading to fair competition.

7. **Harmony with Human**
   - The management focuses on the establishment of an organizational culture where ‘Jeong-Do’ Management is incorporated into daily lives.

8. **Harmony with Nature**
   - To conduct continuing education and publicity to ensure ‘Jeong-Do’ Management becomes the code of conduct for protection of the natural environment.

9. **Harmony with space**
   - LG Hausys is implementing ‘Jeong-Do’ Management through the action programs such as the pledge to practice ‘Jeong-Do’ Management, whistleblowing system and ‘Sinmungo’ system, and ‘Jeong-Do’ Management training.

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

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

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

**‘Jeong-Do’ Management Programs**

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

**Status of ‘Jeong-Do’ Management Training in 2012**

- **No. of training (people)**
  - Off-Line: 1,600
  - On-Line: 1,874

- **Total No. of training (people)**
  - 3,474

- **Training hours (hours per person)**
  - 1.5

**No. of People from business partners and distributors who have participated in ‘Jeong-Do’ Management Training**

- LG Hausys: 1,207
- Business Partners: 202
- Distributors: 817
Shareholder Composition and Rights
LG Hausys is equipped with fair and stable corporate governance required for a sustainable company. The largest shareholder based on the number of common stocks issued as of the end of 2012 is LG Corporation with 33.53% share, and the remaining 57.06% is owned by domestic institutional and private investors, and 5.41% by foreign investors. Shareholders’ rights can be exercised with regard to the following matters related to the economy, the society and the environment.

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

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

Activities of the Audit Committee | LG Hausys has enhanced the independence and transparency of the audit functionalities by operating an audit committee from within the board of directors. The independence of the audit committee is adhered to as the committee is comprised of three independent directors all of whom do not have any grounds for disqualification under the Commercial Law. The audit committee votes on the matters specified in the law and the articles of association, and the matters delegated by the board of directors. It also establishes and executes internal audit plans independently, the result of which is then used to decide improvements. The committee exercises the power to conduct financial and business audits, to ask directors to report company businesses at any time, and to investigate the status of the company businesses and assets. The committee may call for the convening of a provisional general meeting in relation to a special issue by submitting a letter in which the purpose of the meeting and the reason for the convene are written. The committee also may ask a subsidiary company to submit a business report, if required in carrying out the responsibilities of the audit committee, and may investigate the business and asset status of the subsidiary company, if the subsidiary company does not submit the report within a week or it is.

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

Main Agenda Items of the Board of Directors in 2012

<table>
<thead>
<tr>
<th>No.</th>
<th>Date</th>
<th>Description</th>
<th>Directors Attendance(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2012.01.31</td>
<td>6 items including the approval of the 2012 Business Plan</td>
<td>100</td>
</tr>
<tr>
<td>2</td>
<td>2012.02.22</td>
<td>2 items including the approval of the conclave of the third regular general meeting of shareholders</td>
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</tr>
<tr>
<td>3</td>
<td>2012.03.16</td>
<td>7 items including the approval of the investment in subsidiary</td>
<td>100</td>
</tr>
<tr>
<td>4</td>
<td>2012.04.18</td>
<td>4 items including the 2012 1st quarter business performance report</td>
<td>100</td>
</tr>
<tr>
<td>5</td>
<td>2012.07.28</td>
<td>4 items including the 2012 2nd quarter business performance report</td>
<td>100</td>
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<tr>
<td>6</td>
<td>2012.10.17</td>
<td>4 items including the 2012 3rd quarter business performance report</td>
<td>100</td>
</tr>
<tr>
<td>7</td>
<td>2012.11.29</td>
<td>3 items including the approval of executive officer appointment(draft)</td>
<td>95.7</td>
</tr>
</tbody>
</table>

Main Agenda Items of the Audit Committee in 2012

<table>
<thead>
<tr>
<th>No.</th>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2012.01.31</td>
<td>Status of receipt of reports through Cyber Sinmungo in 2011</td>
</tr>
<tr>
<td>2</td>
<td>2012.02.22</td>
<td>Approval of the audit report on the 3rd term financial statements and business report(draft)</td>
</tr>
<tr>
<td>3</td>
<td>2012.04.18</td>
<td>Approval of the audit committee chairman</td>
</tr>
</tbody>
</table>
Communication with Stakeholders

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

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

Materiality Test

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

Materiality Test Procedure

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

Understanding External Issues

- Benchmarking
  - Domestic and international leading companies and LG group companies
- Media analysis Research on the outside stakeholders
  - Feedback to Sustainability Report 2012
  - Review of global standards

Understanding Internal Issues

- Analysis of the company policy and managerial issues
- Research on the inside stakeholders
  - Feedback to Sustainability Report 2012
  - TF workshop
  - Interviews with employees

Extraction of Key Issues

- Analysis of the internal and external major issues
- Extraction of the major issues
  - The key issues shall be extracted while taking into consideration global standards and connection with business administration activities.

Planning of the Report

- Review of Sustainability Report 2012
- Planning of the organization and content of the report
  - Finalization of the issues to be included in the report and the level of the report

Assurance Engagement

- Assurance Engagement by a third party
  - Verification to improve reliability of the report and to provide confidence to stakeholders in relation to the disclosure in the report
  - Correction of misstatements and errors found during the verification
Materiality Test

Benchmarking and Review of Global Standards | We benchmarked the domestic and international leading peers and LG group companies, and examined the issues in sustainability management by reviewing the global standards such as GRI G3.1, 1026000, and domestic sustainability management evaluation standards.

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

- Eco-friendly, energy saving products
- Eco-friendliness regulation of flooring, energy consumption/efficiency rating system for windows, etc.
- Housewives positive ZENNNE activities
- Opening of Z IN mobile wall
- Completion of construction of the biggest Low-E glass plant in Korea, entry of PF board into the market of insulation for construction, etc.
- Launch of eco-friendly products such as phthalate-free flooring and interior decorative films
- Publication of Sustainability Report for the first time in the industry in Korea

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

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

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

- Sustainable Management
  - Sustainable management strategy
  - Management Leadership
  - Fair and transparent management

- Economy & Management
  - Development of products and service for society and environment
  - Securing growth momentum through new business

- Environment
  - Eco-friendly product design
  - Response to climate change
  - Efficient energy usage and development of low energy technology

- Labor and Human Rights
  - Employment
  - Labor and management relations
  - Communication between employees

- Business Partners
  - Management for mutual prosperity
  - Fair and transparent selection of partner

- Local Community
  - Activity for contributing to society

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

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

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

2013 Goal

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

2013 Performances

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial performance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales(000 KRW)</td>
<td>2,242,065</td>
<td>2,445,414</td>
<td>2,451,083</td>
</tr>
<tr>
<td>Growth in net profit for the period(%)</td>
<td>7.0</td>
<td>15.8</td>
<td>14.4</td>
</tr>
<tr>
<td>Management stability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt ratio(%)</td>
<td>118.4</td>
<td>168.9</td>
<td>144.7</td>
</tr>
<tr>
<td>Management innovation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D expense as a percentage of Sales(%)</td>
<td>2.0</td>
<td>1.96</td>
<td>2.07</td>
</tr>
<tr>
<td>Transparency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Publication of Sustainability Report</td>
<td>First published</td>
<td>Published</td>
<td></td>
</tr>
</tbody>
</table>

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

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

Profitability

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

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

For building&decorative materials, we plan to lead the domestic market of eco-friendly decorative materials by expanding the functionality of flooring and wallcovering and expanding the development of natural material-based eco materials. We have released zea floor which is produced using corn, a natural material, as the raw material, and Air purifying wallcovering and are preparing entry into high performance market by making an investment in the manufacturing facility of phenol foam insulation board for construction for the first time in Korea. Also, we are expanding eco products through the introduction of 2IN1 ECO COLLECTION comprised of eco product family of 2IN1.

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

Activity Index (Unit: Times)

<table>
<thead>
<tr>
<th>Main Financial Index</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of Operating Profit to Net Sales</td>
<td>2.6</td>
<td>2.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Ratio of Net Profit to Net Sales</td>
<td>1.8</td>
<td>1.8</td>
<td>1.2</td>
</tr>
<tr>
<td>Return On Assets (ROA)</td>
<td>2.6</td>
<td>2.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Return On Equity (ROE)</td>
<td>5.9</td>
<td>6.4</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Growth

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

High performance Materials&Components | The automobile industry is expected to grow around North American and Chinese markets, and the demand for high strength, lightweight components and materials which are required to achieve high fuel efficiency is expected to increase with the lightweight trend in the automobile. Also, as for the IT industry, the market is expected to continue growing thanks to the popularization of smart devices and touch screens and the increase in the size of panels, and the market environment is rapidly changing due to changes in the digital device structures and technological trends. LG Hausys will accelerate achievements in new businesses by continuously developing high performance materials for IT, household appliances and automobiles on the foundation of core technologies such as composite materials development, surface treatment and adhesion technologies, diversifying their applications, and securing customer base. We will also concentrate our efforts on the growth of global businesses by continuously reaching more customers not only in the domestic market but also globally, in China, the U.S.A. and Europe.

Stability

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

Stability Index (Unit: %)

<table>
<thead>
<tr>
<th>Main Financial Index</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Ratio</td>
<td>135.8</td>
<td>132.7</td>
<td>133.8</td>
</tr>
<tr>
<td>Debt Ratio</td>
<td>118.4</td>
<td>106.8</td>
<td>144.7</td>
</tr>
<tr>
<td>Fixed Capital/Long-term Capital</td>
<td>78.8</td>
<td>77.7</td>
<td>78.1</td>
</tr>
<tr>
<td>FOS Capital/Ros</td>
<td>49.8</td>
<td>47.2</td>
<td>40.9</td>
</tr>
</tbody>
</table>

Profitability Index (Unit: %)

<table>
<thead>
<tr>
<th>Main Financial Index</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Total Assets (ROA)</td>
<td>1.8</td>
<td>1.8</td>
<td>1.2</td>
</tr>
<tr>
<td>Inventory Turnover Ratio</td>
<td>5.5</td>
<td>5.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Total Asset Turnover Ratio</td>
<td>2.6</td>
<td>2.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Return On Equity (ROE)</td>
<td>5.9</td>
<td>6.4</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Growth Index (Unit: %)

<table>
<thead>
<tr>
<th>Main Financial Index</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of Increase of Sales</td>
<td>34.9</td>
<td>9.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Rate of Increase of Tangible Assets</td>
<td>10.5</td>
<td>14.0</td>
<td>8.8</td>
</tr>
<tr>
<td>Rate of Increase of Net Profit during the Year</td>
<td>70.0</td>
<td>15.0</td>
<td>26.4</td>
</tr>
<tr>
<td>Rate of Increase of Total Assets</td>
<td>8.4</td>
<td>27.1</td>
<td>△4.5</td>
</tr>
</tbody>
</table>

Tangible Asset Turnover Ratio: 1.48, 1.39, 1.38
Return On Equity (ROE): 5.9, 6.4, 3.9
Return On Assets (ROA): 1.8, 1.8, 1.2
Net Sales: 40.6, 37.9, 37.1
Growth Index: 2012 15.6, 2011 135.8, 2010 133.6
△Corresponds to business sectors, building&decorative materials and high performance materials&components
LG Hausys prepares for the future by developing sustainable products and customer-oriented and creative designs, as well as by expanding new businesses and entering overseas markets.

Research & Development

The R&D activities of LG Hausys play a pivotal role of strengthening the structural competitiveness of the existing businesses and continuously excavating new business areas for future growth through researches in the business fields of building/decorative materials and high-performance materials/components conducted mainly by its research center. An investment worth of 50,651 million KRW (0.7% of the sales) was made in 2012 for such continuous R&D activities.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D Investment(Million KRW)</td>
<td>49,180</td>
<td>47,429</td>
<td>50,651</td>
</tr>
<tr>
<td>R&amp;D Investment to Sales(%)</td>
<td>1.84</td>
<td>2.02</td>
<td>2.27</td>
</tr>
<tr>
<td>R&amp;D Investment to Sales(Million KRW)</td>
<td>156</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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

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

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

Development of New Markets and Expansion into New Businesses

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

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

Design Innovation

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

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

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

Summarizing the outcomes created by our business activities, LG Hausys has paid salaries, welfare benefits and retirement benefits to its employees, and plans to continuously expand allocation of economic values for the employees through fair distribution of the output and diverse welfare systems in the future. LG Hausys shares the economic output with a group of stakeholders including shareholders, investors, business partners, employees, government, and community, creating not only direct economic values but also indirect economic values such as job creation and contributions to the community.
Management Principles
LG Hausys puts efforts into offering customers a healthier lifestyle by using eco-friendly materials and developing new products with enhanced energy efficiency in creating living spaces. We also consistently seek to reduce greenhouse gas emitted by and minimize environmental pollutants discharged from our worksites.

2013 Goal
- Expand green products based on eco-friendly materials and energy saving
- Reduce energy consumption and greenhouse gas emissions through energy innovation activities
- Reinforce environment safety management and enhance preventive systems

2012 Performances

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management System</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ISO Certification</td>
<td>Maintained</td>
<td>Maintained</td>
<td>Maintained</td>
</tr>
<tr>
<td>Green Company Designation</td>
<td>Maintained</td>
<td>Maintained</td>
<td>Maintained</td>
</tr>
<tr>
<td>Energy Savings(TJ)</td>
<td>205</td>
<td>216</td>
<td>150</td>
</tr>
<tr>
<td>Response to Climate Change</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction of Greenhouse Gas Emission(tCO$_2$e)</td>
<td>11,060</td>
<td>11,186</td>
<td>9,757</td>
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<tr>
<td>Pollution Prevention</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste Recycling Rate(%)</td>
<td>82.7</td>
<td>88.9</td>
<td>88.3</td>
</tr>
<tr>
<td>Hazardous Substance Used</td>
<td>0.0059</td>
<td>0.0009</td>
<td>0.0006</td>
</tr>
<tr>
<td>Eco-friendly Products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certified Products</td>
<td>90</td>
<td>95</td>
<td>111</td>
</tr>
</tbody>
</table>

- Eco-friendly product certification: Korea Eco Label, Healthy Building material Mark, Carbon Footprint Label
LG Hausys pursues green management principles that promote harmony with nature in respect of human.

### Green Management Philosophy
LG Hausys’ green management approach is based on the LG management principles of ‘Creating value for Customers’ and ‘Respecting Human-Dignity’. Likewise, our vision for creating happy living spaces in harmony with nature and human also springs from same LG management principles. LG Hausys green management seeks to grow in harmony with nature and human by continuously improving environmental impact of our business activities and providing products and services that use natural and resource-saving materials. LG Hausys manifests pursuit of harmony of business and environment through the LG Environmental Declaration, which is based on the LG Management Charter and Code of Ethics that puts forth the social responsibilities and roles for the company in preservation of the environment and prevention of environmental pollution.

1. LG places priority on the environment, safety, and health in all stages of its management activities, and sets this as an additional opportunity to create value for our customers.
2. LG sets strict standards for all its business locations, embraces policies related to the environment, safety, and health. Direct compliance with these standards is required in order to bring continuous improvement of the environment, safety, and health.
3. LG conducts periodical evaluation of environment, safety and health performance, and opens the results of this evaluation to the public.
4. All employees of LG seek active involvement in environment protection activities, in recognition of our social responsibilities for the preservation of the world’s environment.

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

**Environmental Management**
- Minimization of environmental impact
- Green products improved

**Green Management**
- Customer value creation and social contribution through minimizing environmental impact throughout business activities, expanding green products, and promoting green businesses.

### LG Hausys Green Products

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

#### Green Identity
- Biodegradable PLA materials
- Recyclable materials
- Equipped with air purification function
- Reduction in emissions of TCOC, SVOC, and HDIO
- First grade energy rating
- Energy saving by 50% in core function of the existing glasses
- High-performance insulation panels
- Production of renewable energy such as solar heat, solar light, and geothermal heat

#### Eco-Friendly
- Zero Emission
- Improvement in indoor air quality
- Free from phthalate
- Use of 100% natural material
- Energy Saving
- Window insulation higher than 1.2W/m²K
- First grade or better window airtightness
- Materials for Green-Car
- Outside insulation

### Eco Products

#### Achievements and Goals of New Green Product Sales Percentage

<table>
<thead>
<tr>
<th>Year</th>
<th>0%</th>
<th>5%</th>
<th>10%</th>
<th>15%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td>18%</td>
<td></td>
</tr>
</tbody>
</table>

- New green products are of those that are of new materials and recycled materials.

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

#### Expansion of New Green Products & Businesses
- Development of Green Identity/ACC COLLECTION
- Expanded development of high energy performance products
- Indoor air quality enhancement, expansion of products that use natural material

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

#### Classification

<table>
<thead>
<tr>
<th>Classification</th>
<th>New Green Products</th>
<th>Future Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eco Materials</td>
<td>Bio Materials</td>
<td>Use to be expanded and universalized</td>
</tr>
<tr>
<td></td>
<td>Zeo treated (coating and covering)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Air purifying wallcovering Breathing Tile</td>
<td>Design to be differentiated and use to be diversified</td>
</tr>
<tr>
<td></td>
<td>Insulation Windows</td>
<td>Steamed application technology to be acquired</td>
</tr>
<tr>
<td></td>
<td>High strength insulation windows made of composite materials(AL-PL)</td>
<td>Launch of vacuum insulation board for construction</td>
</tr>
<tr>
<td></td>
<td>Insulation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>High performance insulation panels for refrigerator</td>
<td></td>
</tr>
</tbody>
</table>

#### Eco Product Certification
LG Hausys actively participates in the low carbon green consumption initiatives of the government and provides customers with healthier and safer products by wider domestic and international certifications for eco-friendly building materials.
We endeavor to bring green homes, green offices and green buildings into reality by concentrated managing and fostering of the eco collection, including zea floor, zea wallcovering, e+glass, and V-Panel.

**ECO COLLECTION**

**01_zea wallcovering**

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

**02_Air purifying wallcovering**

The eco coating layer on the surface of the wallcovering reacts with sunlight or the visible ray of fluorescent lamp to decompose hazardous covering. The sensor in this smart ventilation window analyzes, refreshes and insulates the air inside the room without the need to open the window. This cross ventilation method maintains fresh and clean air at all times, and lessens waste of electric energy by minimizing the energy loss from cooling and heating.

**03_Breathing Tile(Humidifying wall material)**

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

**04_Air purifying Auto-ventilation Window**

The sensor on this smart ventilation window analyzes, refreshes and insulates the air inside the room without the need to open the window. Its cross ventilation method maintains fresh and clean air at all times, and lessens waste of electric energy by minimizing the energy loss from cooling and heating.

**05_Natural Wooden Window**

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

**06_e+glass(High Insulation Low-E Glass)**

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

**07_zea floor**

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

**10_V-Panel(Vacuum Insulation Panel)**

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

**11_HI-MACS(Acrylic solid surface)**

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

**08_Gang Green(Wooden floor)**

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

**09_PF Board(Insulation board)**

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

**12_Cabinar(Automobile filter)**

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


**Strategies in Our Response to Climate Change**


**Greenhouse Gas Emissions Reduction**

Greenhouse Gas Emissions | LG Hausys has established greenhouse gas inventories for its major domestic worksites as a foundation for reducing greenhouse gas emissions. Our greenhouse gas emissions for 2012 totaled at 139,244tCO₂e, as verified by DNV in March 2013.

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

Registration of Greenhouse Gas Reduction | We converted our major boiler facilities to use clean fuels since 2006 and registered with the national greenhouse gas reduction program, resulting in reduction of 50,253tCO₂e of early reduction by 2012. Also, we registered our 'Clean fuel conversion project for steam production boilers' with the International Voluntary Carbon Standard in 2009, the first for a Korean company.

**Energy Reduction Activities**

Through our four major tasks of improving utility efficiency, improving waste heat recovery and condensate water collection, improving local facility efficiency, and strengthening management activities, we reduce energy consumption and greenhouse gas emissions. With these activities, we reduced greenhouse gas by 9,757tCO₂e in 2012. We will order our energy consumption and greenhouse gas reducing activities by improving facilities constantly, optimizing operating condition, introducing new renewable energy, and installing high-efficient new technology equipments.

**Major Tasks for Saving Energy**

- Enhance major boiler combustion system
- Collect re-evaporated steam
- Improve heat recovery, heating system, and HVAC efficiency
- Continuous inspection and maintenance

**Other Greenhouse Gas Emission Management Activities**

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

- Establish a task force team for saving energy in January 2012.
- Improved energy saving practices among employees through seasonal activity posters and banners. With these activities, we improved 13% of Energy intensity and 0.7%/YoY of energy component ratio compared to 2011 (constant standard).
Environment & Safety

LG Hausys has been designated a green company by the Ministry of Environment since 1995. We have maintained an environment & safety system management system including the environment management system ISO 14001 and the safety & health management system KOSHA18001 and OHSAS18001. In 2012, both Ulsan and Cheongju plants were designated green companies for the fifth consecutive time by the Ministry of Environment after an assessment of green management over the past 5 years in accordance with green operation regulation.

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

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

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

Disaster Prevention System Improvement TFF Activities

- Assess fire risks
- Improve evacuation facilities
- Improve fire-fighting facilities
- Improve fire extinguishing facilities
- Manual for initial response
- Comprehensive fire fighting training & drill
- Assess ignition source in each process, substances used and their quantities, and fire history
- Designate fire hazard zone & make fire occurrence map
- Install exit signaling, emergency lights
- Install emergency exits on plastic automatic doors, shutters, fire doors, etc.
- Relocate facilities for fire fighting and fire extinguishment, Modify their model and Supply more facilities
- Install local fire extinguishing facilities on major equipments and fire alarm zone
- Make initial response manual for each fire hazard zone
- Make initial response manual for each fire situation
- Make training materials and plans for fire prevention and scenarios by situation
- Implement pilot education by class and comprehensive fire fighting drill

The Amount of Toxic chemicals Used in Basic Unit

<table>
<thead>
<tr>
<th>Year</th>
<th>Recycling</th>
<th>Incineration</th>
<th>Others</th>
<th>Landfill</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>0.0030</td>
<td>0.0057</td>
<td>0.0006</td>
<td>0.0008</td>
</tr>
<tr>
<td>2011</td>
<td>0.0028</td>
<td>0.0058</td>
<td>0.0006</td>
<td>0.0007</td>
</tr>
<tr>
<td>2012</td>
<td>0.0030</td>
<td>0.0057</td>
<td>0.0006</td>
<td>0.0008</td>
</tr>
</tbody>
</table>

2012 Waste Treatment Status

Environment & Safety System

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

Eco-Friendly Worksites

Air Environment Management

We have been replacing our older, less efficient air control facilities with high efficiency facilities. The Ulsan plant has a monitoring system covering its 12 regenerative thermal oxidizers (RTOs) and 10 electron precipitators, which responds rapidly to any spread of odor resulting from abnormal operation of the facility.

Water Environment Management

LG Hausys has established oil-water separation tanks in major locations throughout the worksites to regularly check water quality. Even though the Ulsan plant does not generate any waste water from its processes, it has been treating the waste water generated by LG Chem and LG-HIM which are located in the same site at its waste water treatment plant. The Ulsan plant has also installed an early alarming system to ensure a rapid response in the case of a liquid leak. The water quality for the Cheongju plant is managed through LG Chem’s common waste water treatment facility.

Hazardous Substances Management

The Cheongju and Ulsan plants deals with 14 types of toxic chemicals including lead compound, MEK and acetic acid esthers. In 2012, the use of toxic chemicals was reduced by 48.9% from the previous year to 7,031 tons due to dramatic reduction of DEHP usage as a result of eco-friendly plasticizer use.

Waste Management

LG Hausys participates actively in the government program for promoting resource saving and recycling. We entered into a voluntary agreement with the Ministry of Environment on recycling of flooring and PVC window profile in 2008 and have since actively put in effort to establish an integrated recycling system through development of recycling technology, expansion of our waste collection system and support for recycling businesses. In 2012, we worked on a new agreement on plastic-mastics and profile packaging materials, extending the scope of recycling. Out of waste produced at our major places of business, 88.7% was recycled in 2012. Especially, we input internal scrap which comes from scraping all manufacturing waste from flooring and PVC window profile production processes into manufacturing process again. In addition, we develop raw material prescription in order to maximize the use of external scrap, which used products collected and turned into raw materials.

Renewable Raw Materials

External Scrap of Renewable Raw Materials

Input of Raw Materials

External Scrap

Collection

Disposal

Use by Consumer

Recycling

Incineration

Others

Landfill

2008

2010

2012

5.7%

10.9%

15.2%

Pre-consumer recycle

Post-consumer recycle

Appendix
**Mass Balance**

### Raw Materials

<table>
<thead>
<tr>
<th>The Amount of Major Raw Materials Used (Unit: ton)</th>
<th>PVC</th>
<th>Calcium Carbonate</th>
<th>Plasticizer</th>
<th>MMA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>120,260</td>
<td>69,197</td>
<td>31,343</td>
<td>11,924</td>
</tr>
<tr>
<td>2011</td>
<td>120,260</td>
<td>69,197</td>
<td>31,343</td>
<td>11,924</td>
</tr>
<tr>
<td>2012</td>
<td>120,260</td>
<td>69,197</td>
<td>31,343</td>
<td>11,924</td>
</tr>
</tbody>
</table>

- Method of computation differs from that of the previous year.

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

### Energy Consumption

<table>
<thead>
<tr>
<th>Energy Consumption (Unit: TJ)</th>
<th>Direct Energy</th>
<th>Indirect Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>965</td>
<td>1,720</td>
</tr>
<tr>
<td>2011</td>
<td>965</td>
<td>1,720</td>
</tr>
<tr>
<td>2012</td>
<td>965</td>
<td>1,720</td>
</tr>
</tbody>
</table>

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

### Water Consumption

<table>
<thead>
<tr>
<th>Water Consumption by plants (Unit: ton)</th>
<th>674,706</th>
</tr>
</thead>
</table>

- Method of computation differs from that of the previous year.

### Environmental Investment

<table>
<thead>
<tr>
<th>Environmental Investment (Unit: million KRW)</th>
<th>2,993</th>
</tr>
</thead>
</table>

### Air

- **Greenhouse Gas Emission** (Unit: ton CO₂eq)
  - Scope 1: 49,718
  - Scope 2: 79,913

### Waste

- **The Amount of Waste Water Discharged** (Unit: ton)
  - General Waste: 52,977
  - Designated Waste: 0.092
- **Recycling Rate (Unit: %)**
  - General Waste: 87.6%
  - Designated Waste: 89.9%

### Hazardous Substances

- **The Amount of Toxic Chemicals Used in Basic Unit**
  - 0.0306

### Protection of Biodiversity

In order to preserve the value of ecological diversity, LG Hausys has been collaborating with the Seohar River Ecological Research Center since 2003. As part of our ecological preservation activities, we have created and maintained an ecological environment for endangered fish species (Pungitius kaibarae) in the water quality control room at our premises. We have also conducted an environmental impact assessment in compliance with ISO14001 on all activities that could affect the local environment. In order to protect the environment, LG Hausys does not produce or use any ozone-depleting substances as defined by the Montreal Protocol. However, R-22 is used as a refrigerant for freezers, and installation of halon fire extinguishing system is limited to the printing process of the Ulsan plant to protect against the high fire risk, counting 5,516 kg of halon. During the expansion of the IMD printing facility in 2009, a fire extinguishing system using HFC 123, a green fire extinguishing agent, was set up. This plan to replace the halon fire extinguishing system with a green fire extinguishing agent or water-based (water spray) fire extinguishing system in the future.
Management Principles
LG Hausys respects each employee’s creativity and autonomy, appraises performance with fairness, and is dedicated to creating a healthy, happy corporate culture. We engage in diverse activities based on the ‘F4’ culture so that our customers and the local communities may experience changes toward happy lives through meeting us.

2012 Performances

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>4,378</td>
<td>4,421</td>
<td>4,527</td>
</tr>
<tr>
<td>New Employees(People)</td>
<td>124</td>
<td>126</td>
<td>222</td>
</tr>
<tr>
<td>Training Investment per Person(KRW)</td>
<td>1,247,486</td>
<td>1,351,091</td>
<td>1,541,962</td>
</tr>
<tr>
<td>Occupational Accident Rate (%)</td>
<td>0.15</td>
<td>0.44</td>
<td>0.11</td>
</tr>
<tr>
<td>Customer</td>
<td>73</td>
<td>73</td>
<td>82</td>
</tr>
<tr>
<td>Customer-participating Prosumer:ENNE Activities (number of activities)</td>
<td>11</td>
<td>13</td>
<td>18</td>
</tr>
<tr>
<td>Partner</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair-Trade Compliance Program Operating Cost(times)</td>
<td>862</td>
<td>1,520</td>
<td>553</td>
</tr>
<tr>
<td>Community</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Investment(million KRW)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2013 Goal
- Increase the domain for communication among employees through developing global human resources and establishing the ‘F4’ culture
- Strengthen worksite safety system and employee health care program
- Strengthen product responsibility through companywide quality innovation activities and communication with customers
- Expand programs and communication for local society contribution and business partner support
**Employee**

**Employee Status**

As of 2012 yearend, the consolidated LG Hausys employs a total of 2,843 employees, including 223 new employees, 96.9% of production workers and the remaining 3.1% are office workers. The employment of new employees, women and underrepresented minorities including people with disabilities and persons of national merit has steadily grown over the past three years.

<table>
<thead>
<tr>
<th>Category(1)</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Employees</td>
<td>2,751</td>
<td>2,751</td>
<td>2,843</td>
</tr>
<tr>
<td><strong>Type of Employment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full Time</td>
<td>2,707</td>
<td>2,722</td>
<td>2,796</td>
</tr>
<tr>
<td>Contractor</td>
<td>24</td>
<td>19</td>
<td>57</td>
</tr>
<tr>
<td><strong>Social Minorities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>304</td>
<td>327</td>
<td>342</td>
</tr>
<tr>
<td>Disabled</td>
<td>41</td>
<td>58</td>
<td>52</td>
</tr>
<tr>
<td>Persons of National Merits</td>
<td>62</td>
<td>80</td>
<td>79</td>
</tr>
<tr>
<td><strong>Age Group</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20s</td>
<td>258</td>
<td>249</td>
<td>332</td>
</tr>
<tr>
<td>30s</td>
<td>1,097</td>
<td>964</td>
<td>947</td>
</tr>
<tr>
<td>40s</td>
<td>904</td>
<td>943</td>
<td>954</td>
</tr>
<tr>
<td>50s and Older</td>
<td>565</td>
<td>610</td>
<td>610</td>
</tr>
<tr>
<td><strong>Title</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Officers</td>
<td>15</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>Employees</td>
<td>2,718</td>
<td>2,734</td>
<td>2,825</td>
</tr>
<tr>
<td><strong>Position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Employees</td>
<td>1,077</td>
<td>1,730</td>
<td>1,834</td>
</tr>
<tr>
<td>Production workers</td>
<td>1,054</td>
<td>1,521</td>
<td>1,500</td>
</tr>
<tr>
<td>Headquarters(Senior)</td>
<td>688</td>
<td>688</td>
<td>731</td>
</tr>
<tr>
<td>Engineering</td>
<td>625</td>
<td>684</td>
<td>931</td>
</tr>
<tr>
<td>Ulsan Plant</td>
<td>808</td>
<td>1,079</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Region</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ulsan Plant</td>
<td>808</td>
<td>1,079</td>
<td>1,000</td>
</tr>
</tbody>
</table>

**Principles of Human Resources**

1. **Value Creation**
   - Employees are the foundation of the company’s operations and serve as the main source of value creation.
   - LG Hausys recognizes the importance of individual capabilities and values the personality and differences of its members.
   - The company practices equal employment and respect for human rights, including respect for gender, age, or religion according to the Code of Conduct and Employment Policies, and offers a same base pay.

2. **Respect Individual Creativity and Autonomy**
   - The source of value creation is individual creativity. The driving force behind performance is individual capabilities.
   - LG Hausys values the personalities and differences of its members and respects their individuality so that they can best utilize their individual creativity.

3. **Responsible Followership**
   - For Biz Talents, those considered to be a core talent corresponding to assistant manager, we provide training for strategy, marketing and financial accounting according to number of years in service.

**Employee Value Creation**

**Ideal Employee**

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

- Respects customers first and is continuously innovative
- Values teamwork along with risk perseverance and creativity
- Employees to exceed expectations and values fair competition

**Business Leader Training**

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

**Human Resources Development**

LG Hausys is training entrepreneurs and experts with global competitiveness. The company proposes a vision for business development, and the development program is largely divided into business leader training, global competence training, and specialized job training.

**Business Leader Training**

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**Business Experience**

- Business Experience
  - Planning
  - R&D
  - Finance/ Accounting
  - Marketing
  - Sales
  - Management
  - Business Experience

**HRM**

- HRM
  - Strategic
  - Development
  - Organization
  - Compensation
  - Training
  - Employment
  - Management
  - HRM

**Appendix**

- Appendix

- 1) Criterion: As of the end of December in the year.
- 2) Others: Non-Seoul sales teams, overseas corporations/overseas.
- 3) Transfer: Those who transferred to an affiliated company voluntarily left (discrepancy with last year’s data is due to change in the computation method.)

---

1) Criterion: As of the end of December in the year.
2) Others: Non-Seoul sales teams, overseas corporations/overseas.
3) Transfer: Those who transferred to an affiliated company voluntarily left (discrepancy with last year’s data is due to change in the computation method.)
Global Competence Training | This is a talent fostering program designed to cope with the expansion of global business carried out in China and the USA. In particular, we are continuously conducting mid- and long-term programs to cultivate global talents such as Young China Talent and China Biz Talent conducted in preparation for the growth of the Chinese business, and Global Insight, an overseas visit program unique to LG Hausys conducted to help team members, assistant managers and managers to acquire global view and capabilities to create outcomes.

Self-Learning | Self-motivated learning club in operation where employees can create, acquire, and share new knowledge in the area of business employees they are interested in, boosting individual and organizational growth of the Chinese business, and Global Insight, an overseas visit program unique to LG Hausys conducted to help team members, assistant managers and managers to acquire global view and capabilities to create outcomes.

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

<table>
<thead>
<tr>
<th>Classification</th>
<th>Leadership Training</th>
<th>Entrepreneurship Training</th>
<th>Specialized Job Training</th>
<th>Global Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training Method</td>
<td>LG Hausys course</td>
<td>LG Academy course</td>
<td>LG Hausys course</td>
<td>LG Academy course</td>
</tr>
<tr>
<td>Young China Talent</td>
<td>Chinese language courses for all new employees and local training for those with superior grade</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China Biz Talent</td>
<td>Collective training in Korea and overseas training for employees who are supervised to be dispatched to Chinese corporations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Insight</td>
<td>Overseas visit assignment to be granted to the teams of workers, assistance managers and managers whose self-established plans of overseas visit assignment are selected in the contest</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Innovation and Reward Programs

Benefits Program

Compensation System

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

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1 ‘LG Love daycare center’ is full of love

To help employees balance work and home, LG Hausys offers daycare centers at workstations in Seoul, Ulsan, and Changwon. Based on our interior decorative experiences and building materials production expertise, we designed the interior of the daycare centers with the child’s perspectives using eco-friendly materials. Top-quality childcare programs including five-sense experience/optimization, self-designed play, daily activity-oriented integrated activities, resident native English speaking teachers, integrated music activities, five-sense development education, and natural ecology experience activities. The best teachers with a parent’s love for each child help the children develop into a sound personality with rich sensitivities.

The operating hours of 07:30 AM to 10:00 PM work with employees’ schedules.

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

<table>
<thead>
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<th>Classification</th>
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### Employee Health and Safety

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

#### Occupational Accident Rate

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>LG Hausys</td>
<td>0.15</td>
<td>0.04</td>
<td>0.11</td>
</tr>
<tr>
<td>Domestic Manufacturing Sector</td>
<td>1.00</td>
<td>0.00</td>
<td>0.04</td>
</tr>
<tr>
<td>All Domestic Industries</td>
<td>0.48</td>
<td>0.35</td>
<td>0.58</td>
</tr>
</tbody>
</table>

- Occupational accident rate refers to the number of occupational accidents per 100 employees.
- Occupational accident rate is No. of accidents × 100 / No. of employees
- Source: The occupational accident rate of the domestic manufacturing sector and all domestic industries were based on the 2012 Occupational Accidents Statistics published by the Ministry of Labor.

#### Suspected Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>34.8</td>
</tr>
<tr>
<td>2011</td>
<td>30.0</td>
</tr>
<tr>
<td>2012</td>
<td>31.3</td>
</tr>
</tbody>
</table>

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

### Employee Health Programs

#### Program Details

<table>
<thead>
<tr>
<th>Program Subjects &amp; Setting</th>
<th>Personal Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Group 1 (high risk)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Group 2 (medium risk)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Group 3 (low risk)</strong></td>
</tr>
</tbody>
</table>

#### Consultation by Stage

<table>
<thead>
<tr>
<th>Program Details</th>
<th>Person to person consultation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Group 1</strong></td>
</tr>
<tr>
<td></td>
<td>Consultant: Industrial physician, health manager</td>
</tr>
<tr>
<td></td>
<td>Main Topic: Provide educational information by stage</td>
</tr>
</tbody>
</table>

#### Follow-up & Feedback

- **Cholesterol Lower than 200** campaign
- Provide educational information by stage
- Send notice to encourage participation to the family members
- Check improvement with blood test and other feedback

### Hyperlipidemia Care Program

The result of the 2012 first half health examination at Ulsan plant revealed the number of hyperlipidemia, the basic disease for brain and cardiovascular diseases to be increased. Ulsan plant then conducted hyperlipidemia management program for 15 weeks, reducing number of hyperlipidemia patients by 54%. In addition, Ulsan plant extended healthcare room with an addition of physical therapy room and equipments for treatment of musculoskeletal diseases, providing the employees with more professional diagnosis and treatment from a professional physical therapist.
LG Hausys operates diverse programs so that employees can concentrate on their work and achieve their goals in a enjoyable environment.

Heartfelt Communication with Employees through Three Counseling Systems

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

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

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

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

Counseling System Utilization Status in 2012 (Unit: Case)

<table>
<thead>
<tr>
<th>Type</th>
<th>Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Psychological Counseling</td>
<td>1,126</td>
</tr>
<tr>
<td>Happy Talk</td>
<td>307</td>
</tr>
<tr>
<td>Industrial Counseling</td>
<td>110</td>
</tr>
<tr>
<td>EAP Specialized Counseling</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td>1,564</td>
</tr>
</tbody>
</table>

Employee-CEO Communication, ‘Green Board’ and ‘We-Ha-Yeo’

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

Labor-Management as a Community

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

The Vision for Labor-Management Collaboration

Vision of LG community of labor-management
Building global business competitiveness
Enriching the lives of employees
Contributing to social development

Management Principles
Creating value for Customers Respecting Human Dignity

Action Guidelines
Participation &Cooperation Partnership
LG’s unique labor-management practice to realize the vision of LG community of labor-management

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

Labor-Management Community
LG Hausys pursues horizontal labor relations based on participation and cooperation in which employees and management respect each other equally. Executive officers have regular conversations with employees and conduct quarterly management meetings. As part of the activity to vitalize the organization, sports events are held by each team. The Labor Management task force selects field leader candidates and manufacturing specialists to improve job titles. In addition, quarterly labor-management conferences take place along with activities such as management scheduling negotiations, improving spending welfare facilities, sharing business results, and sharing major corporate schedule.
Quality Management
In order to lead the market with the best quality, we have been promoting companywide quality innovation centered on BOSIGMA. Quality management of LG Hausys focuses on managing Critical To Quality (CTQ) based on Voice Of Customer (VOC) providing the best value to customer. We also established statistical process control (SPC) system for persistent managing quality. Through quality management activities, we will secure competitiveness in manufacturing and transmit the best value to customer.

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

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

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

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

Field Quality Audit

<table>
<thead>
<tr>
<th>Site Management Flow</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ballpoint-Sensor Field</td>
<td>- Check the site/product/schedule</td>
</tr>
<tr>
<td></td>
<td>- Discuss BOS with the agent in advance</td>
</tr>
<tr>
<td>Product Inspection</td>
<td>- Inspect quality of stocked products/raw materials</td>
</tr>
<tr>
<td>Site Measures</td>
<td>- Take measures against defects and feedback</td>
</tr>
<tr>
<td>Execution Inspection</td>
<td>- Inspect main-execution quality</td>
</tr>
<tr>
<td></td>
<td>- Check the whole process of construction</td>
</tr>
<tr>
<td>Execution Training</td>
<td>- On-site training for items defecting quality</td>
</tr>
<tr>
<td></td>
<td>- Training about specifications and subsidiary materials</td>
</tr>
<tr>
<td>Subsidiary materials</td>
<td>- Visit the BOS site and provide follow-up service</td>
</tr>
<tr>
<td></td>
<td>- ‘Happy Call’ for execution satisfaction</td>
</tr>
<tr>
<td>Results Feedback</td>
<td>- Feedback on BOS results</td>
</tr>
<tr>
<td></td>
<td>- Check whether any repairs become necessary after execution</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Value Chain</th>
<th>Customer and Consumer Health/Safety</th>
<th>Social/Environmental Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research &amp;</td>
<td>- Research to reduce VOC (Volatile Organic Compounds)</td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td>- Develop harmless vacuum insulation core materials</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Research to enhance resistance against contamination and durability of autoskin</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Develop high performance insulation board to assure semi-non-combustible level fire stability</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Develop surface coating agents to prevent contamination by organic substances</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Developing high-strength lightweight composite materials to improve automobile mileage and fuel efficiency</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>- Research to reduce carbon emission by reusing, recycling, and reusing through the use of biodegradable materials such as PLA</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Energy saving new materials development (lightweight plastics, Vacuum Insulation Panels)</td>
<td></td>
</tr>
<tr>
<td>Materials &amp;</td>
<td>- Apply natural materials and eco-friendly plasticizers, additives, and materials to minimize the use of heavy metals in raw materials</td>
<td></td>
</tr>
<tr>
<td>Application</td>
<td>- Transition to high durability autoskin</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Secure MSDS for each raw material</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Inspect materials suppliers and received materials regularly</td>
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</tr>
</tbody>
</table>

Manufacturing
- Install an air protection facility against the discharge of organic solvents
- Install a dust collector to capture and process scattering dust from Vacuum Insulation Panels
- Separately classify defects and raw materials by type
- Develop surface coating agents to prevent contamination by organic substances
- Develop high-strength lightweight composite materials to improve automobile mileage and fuel efficiency
- Research to reduce carbon emission by reusing, recycling, and reusing through the use of biodegradable materials such as PLA
- Energy saving new materials development (lightweight plastics, Vacuum Insulation Panels)
- Use FSC (Forest Stewardship Council) certified veneer

Storage and Shipping
- Use portable carriers to prevent musculoskeletal diseases for transportation workers
- Ensure safety in work spaces by holding load equipment designed for work
- Change the bending method of automobile textile paint/bedding—wrapping
- Collect and recycle existing windows, flooring, and L-panel (synthetic resin panels for roofs)

Application, Repairs, Waste
- Apply protective caps to protect children from the window edges
- Label instructions and precautions
- Dispose of waste at designated locations

Collection
- Collect and recycle existing windows, flooring, and L-panel (synthetic resin panels for roofs)
Customer Satisfaction

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

Service Enhancement (Voice of Customer)

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

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

Service Information Collection, Evaluation, Analysis, and Utilization | We developed a new VOC system in 2012 for better communication to achieve customer satisfaction and for sharing the importance of quality. By providing our employees with the customer consultation history and various types of reports analyzing AS information through the portal web site, customer needs are actively incorporated into product improvement, future product development and marketing policy-making.

Customer Information Protection

LG Hausys complies with the Act on Promotion of Information and Communication and Information Protection and the Personal Information Protection Act to protect the information provided by customers. We safeguard personal information through security in each area of network, application, PC, and physical security as technical safety measures. Our employees and partner employees receive personal information training as part of our information protection awareness campaign. Separate privacy training for those handling personal information is conducted so that employees awareness of customer information protection may be improved. To reinforce the information protection system, the company launched a companywide privacy policy and a long-term roadmap through the Information Security Association, and runs a special information security team to promote action. Such safety measures, employee campaign, and in-house information security policy organizations are helping us continuously bolster information protection.

Customer Communication

Z:IN, Closer to Customer in Smart Way

Z:ENNE

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

Z:IN COMMUNITY

In 2012, in addition to the existing prosumer Z:ENNE and ECO Campaign, we launched Z:IN mobile web and application, and opened Z:IN Blog and Facebook, getting closer to our customers.

Z:IN Mobile App & Application

We opened Z:IN mobile web and app to make total interior service including interior trend and product and store information available on smart device for the first time in the industry. This service not only provides the latest interior trend but also makes recommendations for decorative tailored to each space via a living room or a child’s room. Easy design lets the customer find desired products easily. In addition, Z:IN Sample Book App released for iPad/iPhone ensures more light and makes it sample book to the customers.

Z:IN Blog & Facebook

Z:IN Blog

http://blog.naver.com/1ghausys_zin

Z:IN Facebook

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

Brand and Z:IN

The ongoing brand management is an instrument to realize our vision and basis for expanding our market share at home. The outstanding value of our brand is highly recognized through 10th consecutive win of the first place in the K-Brand Power Index in 2012. Z:IN is a leading LG Hausys brand. The name means ‘Nature and Human’, or ‘Understanding Human’. Built on the brand philosophy of interior designs that care for the nature and human, we sell values that are tailored to our customers’ appreciation for life, nature, and the arts, values that our customers consider important. Further, we use our interior design expertise to foresee and understand our customers’ needs and provide outstanding service.

Z:IN, Nature, Human, Understanding Human
Shared Growth

The Accompanying Growth Pact

In November 2008, LG Hausys signed the accompanying growth and subcontract fair trade pact. Through the agreement, the company promised to support its partners and comply with related regulations. The Fair Trade Commission demonstrated the company’s achievement in its partnership efforts by giving it an excellent rating in 2010. In 2012, the company also participated in signing the same type of agreement and puts efforts to achieve mutual prosperity based on strong trustworthiness.

5 Key Tasks for Partnership

- CEO’s Declaration to Practice
- Increase Financial Support/Improves Payment Term
- Technical Support to Improve Capabilities
- Human Resource Development/Training Support
- Other Partner Support

Material Procurement Support | LG Hausys has implemented the ‘Supply Program’ to resolve partners’ financial and procurement difficulties. The company directly purchased key materials, such as resin and steel sheets, to provide more realistic prices through the Supply Program in which the company pays for any risks arising from material price fluctuations. In particular, the company’s support allows the partners to purchase materials at lower cost than the market prices. In 2012, we have purchased raw materials amounting to around 500 billion KRW. We will secure mutual prosperity with future program expansions which will help build a stronger partnership.

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

Technical Support and Training | LG Hausys is increasing technical support to work better with its partners. The company is continuing process counseling and quality technology training and making more investment in supporting consulting services. The company helped its partners stabilize manufacturing and improve quality with the support of equipment and quality experts, as well as reduce costs by supporting comprehensive production management activities. The company plans to make a contribution to creating a green living space with partners by providing green technology support, such as low-carbon certificates, waste management, and energy saving.

Partner Selection and Evaluation

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

Partner Selection Process

Communication with Partners | LG Hausys visits key partners and partners with issues each year to listen to and evaluate their problems and reflect them in management activities. In particular, the CEO and procurement manager visit the partners to listen to their issues, support partner subcommittee activities, share business plans, and conduct ‘Jeong-Do’ Management training.

2012 Communication with Partners

<table>
<thead>
<tr>
<th>Category</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO’s Visits to Partner</td>
<td>5</td>
</tr>
<tr>
<td>Procurement Manager’s Visits to Partner</td>
<td>44</td>
</tr>
<tr>
<td>Partner Subcommitte Support (10 times per year)</td>
<td>70</td>
</tr>
</tbody>
</table>
Compliance Program
An in-house compliance system designed for the company to voluntarily comply with the fair trade regulations, which requires the code of conduct of fair trade of training employees in order to prevent violations and correct any violations in advance through regular inspections.

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

Key Programs
- In-House Inspection
  - The company conducts yearly fair trade inspections for key departments, offices and plants.
- Legal Training
  - The company distributes fair trade manuals and textbooks and conducts regular internal/external training to ensure fair trade awareness and facilitate a fair trade culture.
- Preliminary Review
  - The company reviews and verifies the fair trade regulations before undertaking any business activities, ensuring competitive regulations in planning, sales, marketing, procurement, finance, etc.
- Subcontract Transaction
  - Subcontract transaction internal review committee
- Compliance Team
  - LG Hausys operates a compliance team, under the executive-level CP manager to operate the Compliance Program in a more professional way. The team is involved in reviewing and implementing the Compliance Program company-wide. In addition, to ensure fairness in subcontract business with small-sized partners, the company created a Subcontract Review Committee to review the legitimacy of each subcontract through preliminary reviews so that any violations can be prevented.

Performance in Compliance Program
LG Hausys conducts training and inspections regarding fair trade and subcontracting each year for all related departments and offices. In the sales area, the company focused on preventing cartel price-fixing and conducted inspections/training accordingly in 2009. In early 2010, the company was granted an Excellent rating from the Fair Trade Commission and in late 2010, signed the accompanying growth pact with 9 subsidiaries of LG Group. In 2011, the company conducted cartel training for team managers and subcontract training for procurement team managers. Despite such efforts, the well-publicized price-fixing incident in 2011 forced the company to face a penalty of 437 million KRW. The company filed a lawsuit to reverse the Fair Trade Commission’s order and penalty decision, which is still in progress. To prevent the recurrence of such an incident, cartel prevention education and online/offline cartel prevention program by business team and position were introduced to support the company’s strong support. We continue to strengthen its fair trade consulting and training.

Compliance Program Results

<table>
<thead>
<tr>
<th>Year</th>
<th>Results</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>13 times</td>
<td>- Introduced the Compliance Program and Signed fair trade agreement with 9 subsidiaries of LG Group</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Received excellent grade</td>
</tr>
<tr>
<td>2011</td>
<td>13 times</td>
<td>- Cartel training for team leaders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Subcontract training for procurement team managers</td>
</tr>
<tr>
<td>2012</td>
<td>18 times</td>
<td>- CEO’s direct teaching and message to employees for ensuring cartel prevention</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Online/Offline Cartel prevention program by business team and position</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Subcontract training for procurement team managers</td>
</tr>
</tbody>
</table>

Social contribution
With the goal of contributing to the nature, human and space, LG Hausys engages in distinguished social contribution activities unique to LG Hausys with its human and material resources, going beyond employment expansion through production activities and more donations.
“Make Green Dokdo” Activity

LG Hausys has carried out the “Make Green Dokdo” activity that preserves the beautiful nature and landscape of the ‘Dokdo Natural Preservation Zone’, a part of Korean territory, and improves the quality of life for Dokdo residents. In 2012, the company has remodeled living space’s hallway, fitting room and improved safety fence of patrol way with wood polymer composite ‘MOSSZEN’ for Dokdo guards, who are doing difficult jobs in the Dokdo Police Guard and the Dokdo Asia to Navigation Service and Management Office.

Dokdo Love Youth Camp

The camp offers a variety of programs in which participants can experience Dokdo both directly and indirectly, such as visiting Dokdo, meeting with the Dokdo Police Guard, lectures, Dokdo Love projects, and nature trekking, to enhance their understanding of Dokdo and train young people who can practice their love for Dokdo. For the past three years, about 60 college students participated in the activities that make the value of Dokdo widely known.

Dokdo Nature Preservation Zone ‘Jikimi’

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

Make a Happy Space

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

Make a Happy Space

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

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

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

Green Space Sharing Campaign

LG Hausys launched ‘ZIN Green Space Sharing Campaign’ to provide social welfare centers and aging recreation centers with repairs using the company’s building/decorative materials, together with the celebrities of the 100 Council for Good Society in 2011. Then, we concluded Sharing Agreement Ceremony with foundation corporation Seoul Design Center of Seoul Metropolitan Government, resulting in “Happy Design Sharing” activities to support eco-friendly interior materials and professional interior consulting to 11 less-developed regions and the needy. In addition, the company’s employees and prosumers Z:ENNEs participated in a variety of social contribution activities, from donating to selling their collections in Z:IN Bazaar. This drew huge attention from staff of Seoul Design Center and many housewives customers of Z:IN. All of the revenue was donated to the needy in the form of necessary goods.
Local-Centric Social Contribution Activities

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

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

Environmental Protection Activities

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

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

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

<table>
<thead>
<tr>
<th>Items</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2,342,080</td>
<td>2,406,416</td>
<td>2,461,083</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>1,780,728</td>
<td>1,935,752</td>
<td>1,993,078</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>521,352</td>
<td>470,664</td>
<td>468,005</td>
</tr>
<tr>
<td>Operating Income</td>
<td>62,071</td>
<td>71,178</td>
<td>58,635</td>
</tr>
<tr>
<td>Non-operating Profit and Loss</td>
<td>△1,734</td>
<td>△7,779</td>
<td>△4,238</td>
</tr>
<tr>
<td>Continuing Business Profit Before Tax</td>
<td>55,817</td>
<td>63,498</td>
<td>52,397</td>
</tr>
<tr>
<td>Corporate Tax</td>
<td>14,029</td>
<td>12,973</td>
<td>13,505</td>
</tr>
<tr>
<td>Profit and Loss from Discontinued Operations</td>
<td>△1,611</td>
<td>△4,118</td>
<td>△10,389</td>
</tr>
<tr>
<td>Net Income for the Year</td>
<td>40,057</td>
<td>48,311</td>
<td>28,523</td>
</tr>
</tbody>
</table>

### Balance Sheet (Unit: million KRW)

<table>
<thead>
<tr>
<th>Items</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>803,321</td>
<td>1,105,148</td>
<td>565,188</td>
</tr>
<tr>
<td>Notes and Accounts Receivable</td>
<td>362,056</td>
<td>407,001</td>
<td>416,194</td>
</tr>
<tr>
<td>Inventories</td>
<td>147,822</td>
<td>256,724</td>
<td>195,801</td>
</tr>
<tr>
<td>Non-current Assets</td>
<td>705,250</td>
<td>815,812</td>
<td>673,510</td>
</tr>
<tr>
<td>Tangible Assets</td>
<td>635,998</td>
<td>725,034</td>
<td>744,603</td>
</tr>
<tr>
<td>Assets Held for Sale</td>
<td>1,007</td>
<td>71,567</td>
<td>4,220</td>
</tr>
<tr>
<td>Total Assets</td>
<td>1,510,320</td>
<td>1,942,461</td>
<td>1,718,504</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>336,112</td>
<td>483,084</td>
<td>673,687</td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>227,586</td>
<td>327,123</td>
<td>337,827</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>865,702</td>
<td>810,207</td>
<td>1,011,514</td>
</tr>
<tr>
<td>Controlling Interest</td>
<td>600,388</td>
<td>721,484</td>
<td>720,989</td>
</tr>
<tr>
<td>Paid-in Capital</td>
<td>150,000</td>
<td>56,598</td>
<td>50,000</td>
</tr>
<tr>
<td>Capital Stock</td>
<td>618,120</td>
<td>616,181</td>
<td>618,228</td>
</tr>
<tr>
<td>Other Capital Items</td>
<td>△6,109</td>
<td>△8,188</td>
<td>△8,188</td>
</tr>
<tr>
<td>Aggregate of Other Universal/Profit Liabilities</td>
<td>△15,902</td>
<td>△10,888</td>
<td>△18,808</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>44,268</td>
<td>62,337</td>
<td>70,788</td>
</tr>
<tr>
<td>Non-controlling Interest</td>
<td>7,927</td>
<td>810</td>
<td>5,521</td>
</tr>
<tr>
<td>Total Equity</td>
<td>695,915</td>
<td>722,274</td>
<td>728,520</td>
</tr>
<tr>
<td>Total Assets and Liabilities</td>
<td>1,510,320</td>
<td>1,942,461</td>
<td>1,718,504</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Items</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>PVC</td>
<td>134,785</td>
<td>135,276</td>
<td>126,280</td>
</tr>
<tr>
<td>Calcium Carbonate</td>
<td>79,113</td>
<td>78,572</td>
<td>69,187</td>
</tr>
<tr>
<td>Plasticizer</td>
<td>36,029</td>
<td>36,897</td>
<td>31,340</td>
</tr>
<tr>
<td>MUA</td>
<td>11,364</td>
<td>12,783</td>
<td>11,824</td>
</tr>
<tr>
<td>Total</td>
<td>261,812</td>
<td>261,803</td>
<td>232,274</td>
</tr>
</tbody>
</table>

### Energy Consumption (Unit: Tj)

<table>
<thead>
<tr>
<th>Items</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Energy Consumption</td>
<td>936,3</td>
<td>918,7</td>
<td>895</td>
</tr>
<tr>
<td>LNG</td>
<td>856,2</td>
<td>856,7</td>
<td>830</td>
</tr>
<tr>
<td>Diesel</td>
<td>79,4</td>
<td>88,1</td>
<td>10,2</td>
</tr>
<tr>
<td>Gasoline</td>
<td>14,0</td>
<td>16,7</td>
<td>0,6</td>
</tr>
<tr>
<td>Others</td>
<td>20,1</td>
<td>19,8</td>
<td>18,6</td>
</tr>
<tr>
<td>Indirect Energy Consumption</td>
<td>1,845,1</td>
<td>1,885,5</td>
<td>1,719,7</td>
</tr>
<tr>
<td>Electricity</td>
<td>1,961,4</td>
<td>1,819,8</td>
<td>1,527,6</td>
</tr>
<tr>
<td>Steam</td>
<td>263,7</td>
<td>274,8</td>
<td>182,2</td>
</tr>
</tbody>
</table>

## Environmental Information

### Environmental Data for Each Complex

<table>
<thead>
<tr>
<th>Unit</th>
<th>Cheonan</th>
<th>Ulsan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Energy Consumption</td>
<td>Tj</td>
<td>97</td>
</tr>
<tr>
<td>Indirect Energy Consumption</td>
<td>Tj</td>
<td>781</td>
</tr>
<tr>
<td>Total</td>
<td>Tj</td>
<td>849</td>
</tr>
<tr>
<td>Water Consumption</td>
<td>ton</td>
<td>217,286</td>
</tr>
<tr>
<td>Greenhouse Gas Emission</td>
<td>ton</td>
<td>38,560</td>
</tr>
<tr>
<td>Discharge Volume of Air Pollutant</td>
<td>ton</td>
<td>11,12</td>
</tr>
<tr>
<td>Discharge Volume of Water (Hg)</td>
<td>ton</td>
<td>1,751</td>
</tr>
<tr>
<td>Discharge Volume of Waste Water</td>
<td>ton</td>
<td>9,812</td>
</tr>
<tr>
<td>Discharge Volume of Waste Water</td>
<td>ton</td>
<td>11,88</td>
</tr>
<tr>
<td>Recycling Rate</td>
<td>%</td>
<td>66,2</td>
</tr>
</tbody>
</table>
Introduction

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

Scope of Assurance

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

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

Limitations

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

Verification Methodology

This Assurance Engagement was planned and carried out in accordance with the DNV Verification Protocol for Sustainability Reporting (G4.1) (www.dnv.com/cr) and AA1000AS (2008). In accordance with the Protocol, the Report was evaluated with regard to the following criteria:

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

As part of the verification we challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls. We examined and reviewed documents, data and other information made available to DNV by LG Hausys. We acquired the information and technical data from the certified management systems. We performed sample-based audits of:

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

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

Conclusions

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

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

6.2 Reporting
For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that...

72
45
4-5
Reporting

4-5

Table identifying the location of the Standard Disclosures in the report.

16-17
40, 65
N/A

ISO 26000
Contact point for questions regarding the report or its contents.

●

Basis for identification and selection of stakeholders with whom to engage.

●

Number of countries where the organization operates, and names of countries with either major operations or that are significantly...the sustainability issues covered in the report.

25
-3

Biodiversity

3.5 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.

Basis for the report (e.g., countries, divisions, subsidiaries, leased facilities, joint-venture companies). See GRI Boundary Protocol for further guidance.

3.7 State any specific limitations on the scope or boundary of the report (use compliance principle for explanation of scope).

3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, subcontracted operations, and other entities that are not...the highest governance body or to an executive officer.

4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, including decision-making arrangements.

5.10 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.

Level

5.12 Policy and governance practices with regard to seeking external assurance for the report.

5.3.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.

5.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.

5.2 Officers who have board responsibilities or direction to the highest governance body.

5.4.3 Other relevant indirect greenhouse gas emissions by weight.

18-21
40, 65
N/A

5.2.7 Other relevant indirect greenhouse gas emissions by weight.

18-21
40, 65
N/A

5.2.3 Percentage of materials used that are recycled input materials.

6-7

5.2.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, including decision-making arrangements.

6-7

5.2.2 Basis for the report (e.g., countries, divisions, subsidiaries, leased facilities, joint-venture companies). See GRI Boundary Protocol for further guidance.

6-7

5.2.8 List of stakeholder groups engaged by the organization.

6-7

5.2.6 Percentage of materials used that are recycled input materials.

6-7

5.2.4 Basis for reporting on joint ventures, subsidiaries, leased facilities, subcontracted operations, and other entities that are not significantly affected comparability from period to period and/or between organizations.

6-7

5.1.1 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.

9.7-11

6.13 Policy and governance practices with regard to seeking external assurance for the report.

7.5-3
6.4.7 Other relevant indirect greenhouse gas emissions by weight.

18-21
40, 65
N/A

6.3.9, 6.8, 6.8.3-9

6.2.2 Reporting for years ending in 6, 1, or 7.

6.2.1 Reporting for years ending in 2, 5, or 8.

6.4.6 Other relevant indirect greenhouse gas emissions by weight.

18-21
40, 65
N/A

6.2.3 Reporting for years ending in 3, 9, or 4.
Performance Index | GRI Indicators | ISO 26000 Reporting Level | page
---|---|---|---
Products and Services | EN20 | 33-35 | 36-41
Compliance | EN29 | None | 37
Transport | EN30 | 40-45 | 46-48

Labor | Disclosure on Management Approach | 5.2, 5.3, 5.4 | 43

Employment | LA1 | 58 | 44
LA2 | 44-46 | 44
LA3 | 47 | 47

Management Relations | LA4 | 58 | 58
LA5 | 58 | 58

Occupational Health and Safety | LA6 | 58 | 48
LA7 | 48 | 48
LA8 | 48 | 48
LA9 | 47 | 47
LA10 | 46 | 46
LA11 | 47 | 47

Diversity and Equal Opportunity | LA12 | 42 | 42
LA13 | 42 | 42
LA14 | 45 | 45
LA15 | 45 | 45

Human Rights | Disclosure on Management Approach | 5.2, 5.3 | 43

Investment and procurement practices | HI1 | 100% | 57
HI2 | 57 | 57
HI3 | 57 | 57

Non-discrimination | HM1 | 70 | 70
HM2 | 70 | 70
HM3 | 70 | 70

Freedom of association and collective bargaining | HM4 | - | -
HM5 | - | -
HM6 | - | -

Child labor | HM7 | 50 | 50
HM8 | 50 | 50

Forced or compulsory labor | HM9 | 50 | 50
HM10 | 50 | 50

Harmful working conditions | HM11 | - | -
HM12 | - | -

Evaluation | HM13 | None | None
HM14 | None | None

Remediation | HM15 | None | None
HM16 | None | None

Public policy | Disclosure on Management Approach | 5.2, 5.3 | 43

Gender equality | HM17 | 50 | 50
HM18 | 50 | 50

GRI G3.1 Index

Performance Index | GRI Indicators | ISO 26000 Reporting Level | page
---|---|---|---

Society | Disclosure on Management Approach | 5.2, 5.3, 5.4 | 40

Laws and regulations | G1 | 58-62 | 14-16
G2 | 14-16 | 14-16
G3 | 14-16 | 14-16
G4 | 14-16 | 14-16
G5 | 14-16 | 14-16
G6 | 14-16 | 14-16

Anticorrupt behavior | G7 | 37 | 37

Compliance | G8 | 37 | 37

Operations and suppliers identified as having significant risk of forced labor | G9 | 37 | 37

Product responsibility | Disclosure on Management Approach | 5.2, 5.3, 5.4 | 43

Customer health and safety | P1 | 53 | 53
P2 | None | None
P3 | 53 | 53

Marketing communications and customer privacy | P4 | 52 | 52
P5 | 52 | 52

Customer health and safety | P6 | - | -
P7 | - | -

Marketing communications and customer privacy | P8 | - | -
P9 | - | -

Customer privacy | P10 | - | -
P11 | - | -

GRI G3.1 Applied Level of GRI G3.1 Guidelines
10.11.2016 Sustainability Report satisfied all ‘A’ level requirements of the GRI G3.1 Guidelines Reporting Level. In addition, the appropriateness of the application of the G3.1 level of GRI Guidelines is condensed to this report has been confirmed by a third-party verification agency.
Awards

<table>
<thead>
<tr>
<th>Awards</th>
<th>Categories</th>
<th>Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 Korean Marketing Grand Prix</td>
<td>Grand Prix in Eco-Friendliness Division</td>
<td>The Seoul economic daily</td>
</tr>
<tr>
<td>CDP (Carbon Disclosure Project)</td>
<td>Carbon Management Special Awards</td>
<td>CDP Korea</td>
</tr>
<tr>
<td>JEC Composite Europe</td>
<td>Technology Innovation Award</td>
<td>JEC Europe</td>
</tr>
<tr>
<td>JEC Korea</td>
<td>Grand Prix in Industrial Design Division</td>
<td>JEC Group</td>
</tr>
<tr>
<td>Web Award Korea</td>
<td>Grand Prix in Contents Innovation Division</td>
<td>CFPKA (Korea Internet Professional Association)</td>
</tr>
<tr>
<td>Mobile App Award 2012</td>
<td>Grand Prix in Customer Service Division</td>
<td>CFPKA (Korea Internet Professional Association)</td>
</tr>
</tbody>
</table>

Memberships

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<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Company Council</td>
<td>Korean Association of Occupational Health Nurses</td>
</tr>
<tr>
<td>Korea Industrial Safety Association</td>
<td>Korean Chamber of Commerce and Industry</td>
</tr>
<tr>
<td>Korea Air Cleaning Association</td>
<td>Korean Fair Competition Federation</td>
</tr>
<tr>
<td>Korea Vinyl Environmental Council</td>
<td>Korea Listed Companies Association</td>
</tr>
<tr>
<td>Korea Public Relations Association</td>
<td>Korea Fire Protection Association</td>
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<tr>
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This report was printed with soy-based ink on eco-friendly paper using non-chlorine bleached pulp (ECF).