

LX Hausys Sustainability Report 2021

# Nature, Human and Space





## ABOUT LX Hausys

<b>Company name</b>	LX Hausys
<b>CEO</b>	Kang Gye Woong
<b>Founded on</b>	April 2, 2009
<b>Products and Service</b>	Production and sales of building & decorative materials including window, wallcovering, flooring and industrial films and automotive materials such as automotive skin, lightweight parts
<b>Address</b>	98, Huam-ro, Jung-gu, Seoul, Korea, 04637

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Customer Engagement	Company website	<a href="http://www.lxhausys.co.kr">www.lxhausys.co.kr</a>
	LX Z:IN website	<a href="http://www.lxhausys.co.kr/zin">www.lxhausys.co.kr/zin</a>
	YouTube	<a href="http://www.youtube.com/lxhausyszin">www.youtube.com/lxhausyszin</a>
	Facebook	<a href="http://www.facebook.com/lxhausys.zin">www.facebook.com/lxhausys.zin</a>
	Instagram	<a href="http://www.instagram.com/lxhausys_zin">www.instagram.com/lxhausys_zin</a>

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## CEO Message



We will improve customer satisfaction through innovative thinking and thorough execution with our customers firmly in mind.

### Dear stakeholders,

In 2021, LX Hausys was reborn with a new name, as we were incorporated into a new holding company LX Holdings as part of LG Corporation's decision to spin off.

Since founded as a spin-off from LG Chem in 2009, LX Hausys has grown by leading the market as the No. 1 company in the Korean building and decorative material industry with sales of KRW 3 trillion. Now, at a new starting point, LX Hausys is taking another leap forward with meaningful changes.

LX Hausys will secure future growth engines and focus on profitable businesses by concentrating its capabilities on the strategy of "nurturing the interior business and expanding high value-added strategic products," and become a company that customers can trust and recognize by continuously maximizing customer satisfaction based on the Z:IN interior brand value we have accumulated over 10 years.

We will improve customer satisfaction through innovative thinking and thorough execution with our customers firmly in mind.

To this end, we promise to achieve the following goals in terms of customers, products, and business operations.



**First, we will provide new value to our customers by creating differentiated products and spaces.**

Due to COVID-19, the meaning of 'home' is now expanding to a place where we work, exercise, enjoy leisure, and rest, beyond a simple living space. LX Hausys will raise the competitiveness of the building and decorative material business by providing customer value for space rather than individual products. We will expand products that reflect the core needs of our customers and offer impeccable experiences and services from construction to consultation.

**Second, we will expand the development of sustainable products.**

At LX Hausys, we develop products and systems that can contribute to material eco-friendliness, energy efficiency, product safety, and the resolution of social issues. We will make positive changes to the environment and society with products that are recognized and preferred for sustainability.

**Third, we will enhance our fundamental competitiveness by strengthening our sustainability management.**

As interest in environmental, social, and governance (ESG) investing grows, it becomes increasingly important for businesses to play an active role in addressing environmental and social issues. We will enhance the fundamental competitiveness of LX Hausys by internalizing sustainability in our value chain by reducing energy and carbon emissions, strengthening corporate responsibility for environmental safety, and helping suppliers to increase their competitiveness.

LX Hausys has grown together with our society and will continue to strive to earn deep trust and support from customers to achieve sustainable growth and development while communicating and sharing vision and prospects with our stakeholders including employees and partners.

We ask for your continued interest, engagement, and encouragement in LX Hausys' journey to creating hope.

Thank you.

Kang Gye Woong,  
President & CEO of LX Hausys



# Corporate Overview

07\_ LX Hausys Overview

08\_ Management Strategy & Performance

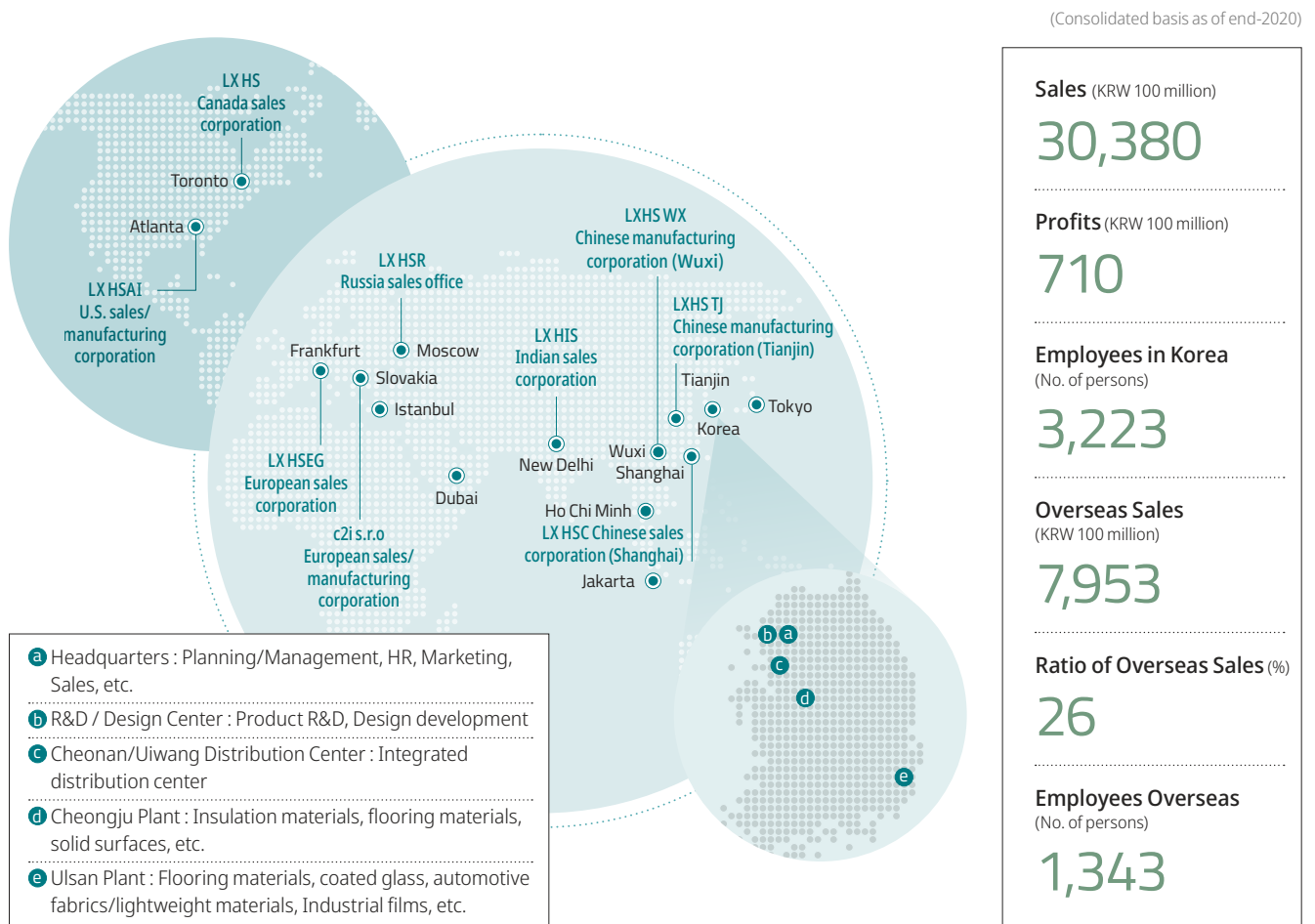
09\_ Business Areas



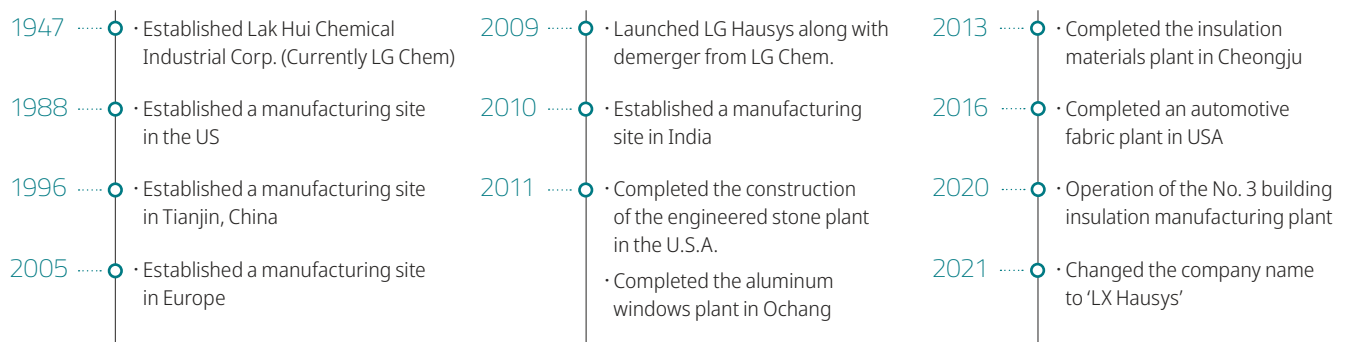
## LX Hausys Overview

LX Hausys is a company specializing in the production · sales of building and decorative materials, industrial film, and automotive materials · components. Our main products include building and decorative materials such as windows, flooring, and solid surface · engineered stone, industrial film such as home appliance · furniture finishing materials, and automotive skin/components. We operate our head office and manufacturing plants in Korea, in addition to seven overseas sales offices, four overseas manufacturing sites, and five overseas branch offices, primarily in the United States, China, and India.

### Global Network



### History



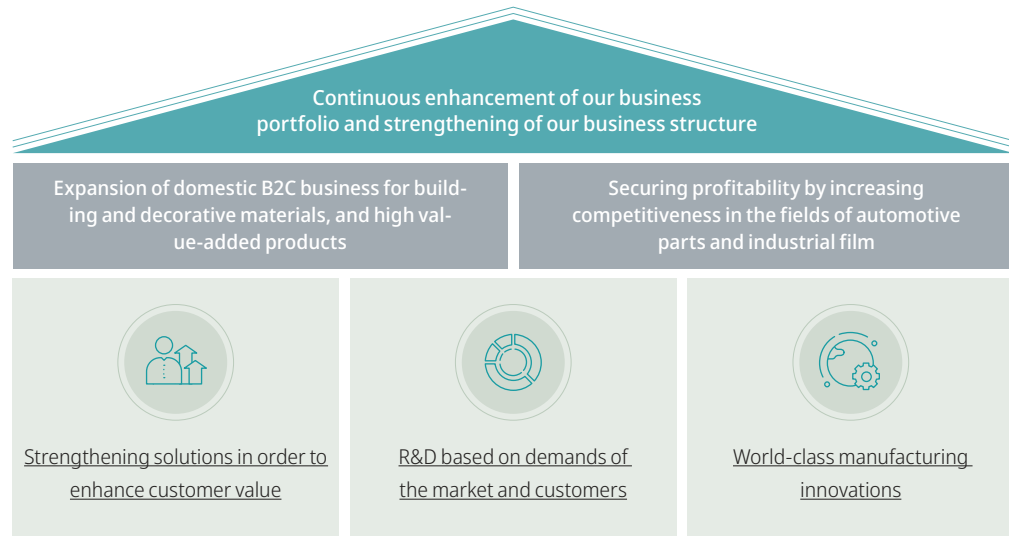


# Management Strategy & Performance

## Management Strategy

Here at LX Hausys, we conduct our business in accordance with our two main strategies of 'enhancing our business portfolio' and 'strengthening our business structure'. In terms of our building and decorative materials business, we have been focusing on the B2C sector in response to the growth of the domestic renovation and repairs market, and we have continuously expanded the sales of high value-added products such as insulation and engineered stone. When it comes to our industrial film and automotive materials/components businesses, we are primarily focused on enhancing profitability by increasing competitiveness. Going forward, LX Hausys will prepare to respond to changing market trends and achieve solid growth by strengthening our solutions with a view to increasing customer value, conducting R&D based on the demands of both the market and customers, and by achieving world-class manufacturing innovations.

## Strategic Directions



## Key Tasks

## Achievements & Goals

In 2020, LX Hausys recorded sales of KRW 3,038 billion, down 4.7% year-on-year. However, operating profit increased by 3.2% year-on-year to KRW 71 billion. In response to the recovery of customer/consumer-facing industries, we are striving to improve our profitability structure through differentiated new product development, manufacturing innovation, and cost innovation, in addition to striving to achieve growth simultaneously and profit by expanding overseas markets with a focus on high value-added products. Moreover, we also plan to continuously strengthen our B2C capabilities in the building and decorative materials sector in response to various changes, such as the growing domestic renovation/repairs market.

Goal	Major Achievements in 2020	Plans for 2021	Long-term Goals
Strengthening domestic B2C business	<ul style="list-style-type: none"> <li>Secured competitiveness in terms of products and services related to interior design</li> <li>Expanded sales infrastructure through LG Electronics' BEST SHOP and large retailers</li> </ul>	<ul style="list-style-type: none"> <li>Develop products tailored to customers' lifestyles in order to strengthen interior design-related capabilities, and use complex/large distribution channels</li> </ul>	<ul style="list-style-type: none"> <li>Maintain leadership in the building materials market by promoting the growth of our interior business generally</li> </ul>
Expanding high value-added products	<ul style="list-style-type: none"> <li>Completion/operation of third engineered stone manufacturing line in North America and third manufacturing line for insulation materials in Cheongju</li> </ul>	<ul style="list-style-type: none"> <li>Continuously develop insulation materials and engineered stone, and increase the proportion of high-margin products such as windows and flooring materials</li> </ul>	<ul style="list-style-type: none"> <li>Solid profitable growth</li> <li>Expand overseas business</li> </ul>
Strengthening of R&D competitiveness	<ul style="list-style-type: none"> <li>Developed high-performance insulation and heat-resistance insulation materials</li> <li>Continuously developed next-generation window solutions</li> </ul>	<ul style="list-style-type: none"> <li>Continuously develop high-performance insulation and heat-resistance insulation materials</li> <li>Differentiate building materials products and improve design</li> </ul>	<ul style="list-style-type: none"> <li>Develop next-generation building materials suitable for future residential environments</li> <li>Open innovation aimed at securing core source technology and preparing for the future</li> </ul>
Securing DX* competency	<ul style="list-style-type: none"> <li>Secured customer data collection/analysis/utilization capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Improve customer experience using data</li> </ul>	<ul style="list-style-type: none"> <li>Enhance business competitiveness including manufacturing/logistics/quality/marketing based on big data</li> </ul>

\*DX: Digital Transformation

## Business Areas

### Building & Decorative Materials

We strive to create healthy and safe spaces through the development and production of the following products: windows and coated glass exhibiting excellent insulation and durability; eco-friendly flooring and wallcovering which enables comfortable, safe, and plant-based materials to be applied to surfaces; insulation material displaying superb thermal and fire resistance; solid surface-engineered stone recognized by global architects; and interior film, decorative film, and door products that are characterized by stylish designs and functionality.

### Business Overview

Our main products within the field of building and decorative materials are windows and flooring, wallcovering, insulation, solid surface-engineered stone, and decorative film. We are able to enhance the residential environments of our customers through windows made of plastic and aluminum that are applicable to residential and commercial spaces, functional coated glass exhibiting excellent insulation properties, eco-friendly flooring and wallcovering in various designs, solid surface-engineered stone used for kitchen countertops and interior and exterior decoration, and fire-proof and energy-saving insulation materials. Furthermore, LX Hausys is also focusing on developing eco-friendly technologies, such as decorative film for furniture made using recycled PET (polyethylene terephthalate), which is the first time such a product has been developed in Korea.

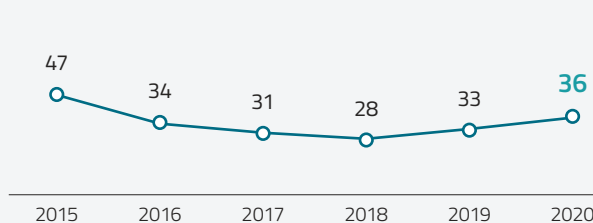
### Market Outlook

The building and decorative materials business is closely linked to construction and real estate market trends. Recent changes in government policies, such as expanding housing supply, are expected to have positive long-term effects on these sectors. The renovation/repairs market is also expected to continue to grow in line with the increase in aged homes. Recently, overseas markets including the United States, China, and Europe have been somewhat sluggish due to the COVID-19 crisis and a declining global economy, but these markets are forecast to gradually begin recovering following the distribution of vaccines for COVID-19. In addition, the demand for eco-friendly premium materials is expected to increase in response to customer demands for energy-saving and green materials as countries strengthen construction laws and require higher safety standards.

### Main Products

Windows, glass, flooring, wallcovering, insulation materials for buildings, wood polymer composites (WPC), solid surface-engineered stone, interior film, decorative film for furniture, exterior film

New Apartment Sales (Unit : 10,000 houses)



Aged Houses (Over 15 years old, 10,000 houses)



\* Our estimates based on Data from Statistics Korea, the Ministry of Land, Infrastructure and Transport, and Korea Real Estate Board



Windows






Flooring



Wallcovering

**Business Strategy**

In view of the rising demand for home renovation and repair services, LX Hausys is broadening our consumer contact points and product lineup in order to expand our B2C business. We operate diverse sales channels such as showrooms, an online shopping mall, events held at various apartment complexes, and home shopping in an effort to increase customer accessibility. Moreover, in collaboration with LG Electronics, we are expanding our sales through LG BEST SHOP, a home appliance store. Also to improving the functionality of existing products such as windows, flooring, and wallcovering, we intend to provide products and services that offer customized spaces in the form of comprehensive packages by securing the development of additional products, including for bathrooms and kitchens, necessary for home renovation.

<p><b>Energy saving</b></p> 	<p>Through our third manufacturing line for insulation materials, which began mass production in 2020, we seek to actively respond to the growing demand for highly fire-resistant and high-performance insulation materials. This growing demand was brought about by the strengthening of regulations and standards related to energy efficiency and safety for buildings. Furthermore, we are investing in the development of functional glass products like Low-E with a view to improving the insulation capabilities of windows as well as next-generation windows featuring Window Ventilation, solar, and IoT systems.</p>
<p><b>Overseas building materials</b></p> 	<p>Our solid surface · engineered stone has been recognized for its design and quality by overseas customers. Going forward, we will further strengthen our position in the global market centered on North America and Europe by continuously expanding products with premium quality natural stone patterns.</p>
<p><b>Interior business</b></p> 	<p>We will provide a comprehensive interior service focused on six main categories of products: windows, flooring, wallcovering, kitchen, bathroom, and doors. Also, we plan to expand our business areas beyond only those traditionally associated with interior to include all spaces in the home, and we will introduce differentiated business models.</p>

**LX Hausys enters the B2C interior market with our 'LX Z:IN Interior' design brand**

**LX Z:IN** 인테리어

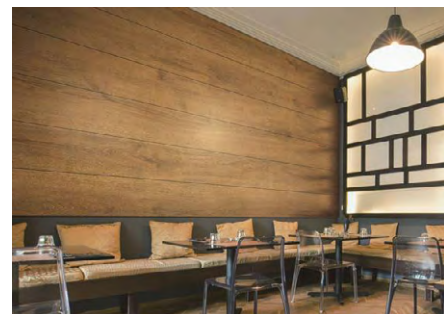
'LX Z:IN' endeavors to become a total interior brand. Centered on reliable materials produced following long and thorough research conducted by experts, we will offer quality interior products that fit the lifestyles of our customers, in addition to offering unparalleled design and installation services. Rather than merely displaying and offering spaces, 'LX Z:IN Interior' is a brand that provides solutions that customers can directly apply to their lifestyle.



Kitchen (Solid surface · Engineered stone)



Bathroom



Interior Film



## Industrial Film

We create beautiful spaces by producing exquisitely designed films for home appliances and advertising.

### Market Outlook

As customer demands for industrial film diversify, competition for materials is intensifying, and the demand for premium products with differentiated designs and characteristics is expected to increase.

### Business Strategy

We are making concerted efforts to strengthen our global competitiveness in the home appliance, furniture, and advertising film markets by implementing various designs based on material processing and surface treatment technology, as well as providing excellent functionality such as stain and scratch resistance.

## Automotive Materials & Components

We provide lightweight parts aimed at contributing to improving fuel efficiency by reducing the weight of parts for internal combustion engine cars and electric vehicles. Also, we also offer diverse car interior, and a safe and comfortable driving space with automotive skins and interior parts that have been recognized as eco-friendly.

### Business Overview

In terms of the business we conduct within the automotive materials and components sector, we primarily produce and sell automotive skins, lightweight parts, and general automotive parts. Our automotive skins are applied to car seats and doors, exhibit excellent designs, and are made with eco-friendly surface materials. Lightweight parts maintain the rigidity of traditional steel and help improve fuel efficiency by reducing the weight of automobiles, and the demand for these parts is expected to increase in line with the increasing use of electric vehicles. In addition, we produce general parts for the interior and exterior of automobiles.

### Market Outlook

The automotive material parts and industrial film industries are closely related to downstream industries, such as the automobile industry. Along with surging demand for eco-friendly vehicles, such as electric vehicles. The demand for lightweight parts, eco-friendly interior materials, and products exhibiting differentiated designs is also expected to increase.

### Business Strategy

In response to industry changes, such as an increase in the use of premium materials, increased demand for fuel efficiency, and stricter environmental regulations, we are focusing on developing new material technologies for automotive skin in order to minimize harmful substances inside vehicles, and surface treatment technology for interior parts in order to refine the interior design of vehicles. Furthermore, we are striving to improve the functionality of lightweight composite materials on account of the expected growth of the use of eco-friendly automobile parts.

### Main Products

Home appliance film, decorative film, signs & graphics



Home Appliance Film

### Main Products

Lightweight components, automotive interior · exterior components, automotive skins



Automotive Materials & Components

## Overseas Business

Here at LX Hausys, we implement customer-centered market strategies not only in Korea, but also in key overseas markets such as North America, China and Europe. Centering on our manufacturing and sales based in China and North America, we are focusing on expanding our global network through product localization. In particular, our solid surface-engineered stone, automotive skin, and home appliance film products have secured leading positions in the global market. We were able to increase our market share of solid surface-engineered stone products by targeting commercial markets through the leverage of various sales channels, including local construction material distributors. In terms of the industrial film sector, we are expanding sales of eco-friendly film to European furniture companies. Our flooring business is expected to grow primarily in North America and Europe, where demand is shifting from carpets and hardwood floors to PVC sheet materials. Our automotive skin market share increased in the US and China due to the spec-in of major automobiles. Also, we export building materials, such as solid surface and flooring materials, to emerging markets such as India and Southeast Asia, and we plan to expand supply items including interior films.

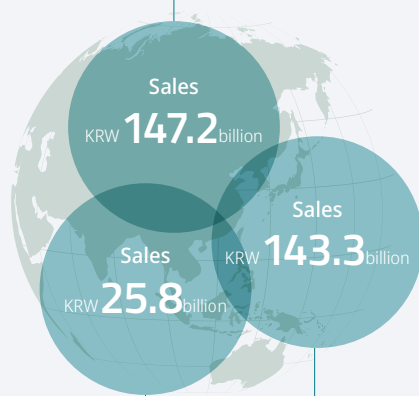
(Consolidated basis as of the end of 2020)

### North America

North America is home to the world's largest decorative and automotive materials market. Our localization strategy is focused on solid surface-engineered stone, and automotive skin products. We have plans for producing both solid surface and engineered stone in the US state of Georgia. In 2017, we established a sales office in Canada with a view to establishing a foundation upon which we can respond to market demands throughout all of North America. Going forward, we expect to maintain high growth in the North American engineered stone market through the development of differentiated products based on our production capacity which was enhanced in 2020 by the addition of a third engineered stone manufacturing line.

### China

In China, our focus is on flooring, industrial film, and automotive materials and components. Our tile and sheet flooring materials, as well as high-gloss films for home appliances, have secured a large market share in China and we expect to see continued growth in these areas. Moreover, we provide localized products and services from production to distribution through our production plants in Tianjin and Wuxi. In response to tightening environmental and safety regulations, we are continuously enhancing our systems and equipment in order to implement successful environmental and safety management.



### Europe

Our business in Europe focuses on solid surface and furniture film products. We have increased our market share by targeting commercial solid surface markets with a view to accelerating growth. With the successful launch of our PVC flooring products, we aim to further drive growth in the European market.

### India

In India, we sell solid surface and home appliance film products. We are making concerted efforts to raise our brand awareness by enhancing design and conducting marketing activities that are tailored to the Indian market.

### Other Regions

Our solid surface, flooring, and industrial film products are gaining momentum in emerging countries in the Middle East and Southeast Asia. LX Hausys offers products that meet the demands of various markets through marketing strategies tailored to each country.

## Special Changes in Interior Design Post-Covid-19

### 'Stay-at-Home' Lifestyle Solutions

#### The keyword for interior in the COVID-19 era is 'home'

Due to COVID-19, the meaning of the word 'home' has expanded beyond a simple living space to a place where we work, exercise, enjoy down time, and rest. The trend of 'remote' or 'non-contact' activities forced upon us by COVID-19, is fueling online consumption and customer interest in hygiene and safety. At LX Hausys, we presented three interior themes, paying special attention to the spatial characteristics that are required for homes that are becoming centers for economic, cultural, and educational activities due to the prolonged COVID-19 crisis. With the aim in mind of meeting the various demands of the diverse lifestyles of our customers, we proposed the following three themes: 'Home Camp: Mood Booster', 'Granny's Cottage: Relaxing, Slow Life', and 'Pent-Haus: High-Quality Secluded Life'. Going forward, we will continue to provide space solutions that reflect the latest domestic and international trends and customer needs.

#### [ Social & Lifestyle ] Space Proposal

## 1 Home Camp

### Mood Booster

Our Home Camp theme is aimed at consumers who seek to have fun at home in order to overcome the feelings of depression brought about while having to constantly stay at home. This theme focuses on surreal design and utilizes kitsch designs, with graphic textures and colors as key elements of its space composition.



## 2 Granny's Cottage

### Relaxing, Slow Life

'Granny's Cottage' theme is targeted at consumers who grew up in city apartments yet dream of a more rural lifestyle. Accordingly, this theme utilizes designs combining retro sensibility with fairy tale motifs such as mushrooms, butterflies, and wildflowers.



## 3 Pent-Haus



### High-Quality Secluded Life

'Pent-Haus' is aimed at customers who have begun to place more importance on personal hygiene and who accordingly, want to create an independent, high-quality space where they can spend most of their time. Accordingly, this theme utilizes premium materials and furniture.



# Sustainability Key Themes

- 16 \_ Sustainability Management
- 18 \_ Stakeholder Interviews
- 20 \_ 1. Differentiated Customer Value
- 24 \_ 2. Sustainable Product Development
- 28 \_ 3. Enhanced Environmental Safety Operations
- 32 \_ 4. Building a Win-Win Supply Chain











# Sustainability Management

## Key Sustainability Achievements in 2020








Throughout the year 2020, the sustainability issues that had the greatest impact on LX Hausys' internal and external stakeholders are Differentiated Customer Value, Sustainable Product Development, Enhanced Environmental Safety Operations, and Building a Win-Win Supply Chain. We included these four issues as key themes in this report.

Category	Task	Major Achievements in 2020	Plans for 2021
Differentiated Customer Value 	Distinctive design and advanced technology	<ul style="list-style-type: none"> <li>Reinforced integrated development of space-based design</li> <li>Designed brand management activities</li> </ul>	<ul style="list-style-type: none"> <li>Secure design identity as a brand specializing in interior design through space-oriented (lifestyle-based products + space products) product development</li> </ul>
	Customer contact management	<ul style="list-style-type: none"> <li>Planned expert fansumer (fan + consumer) programs and collaborations</li> <li>Broadened sales communication</li> <li>Established large-scale showrooms at customer contact points</li> </ul>	<ul style="list-style-type: none"> <li>Expand expert fansumer programs</li> <li>Improve the communication process between sales and design</li> <li>Expand large-scale showrooms at customer contact points (16 showrooms)</li> </ul>
	Level up our quality assurance system	<ul style="list-style-type: none"> <li>Inspected the quality system of suppliers               <ul style="list-style-type: none"> <li>Conducted audits on major toll processing companies</li> </ul> </li> <li>Expanded infrastructure investment for smart manufacturing               <ul style="list-style-type: none"> <li>Built a real-time production/process management system</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Reinforce monitoring of quality improvement tasks               <ul style="list-style-type: none"> <li>Check the follow-up to F-Cost tasks and quality audit results</li> </ul> </li> <li>Verify product safety and long-term performance               <ul style="list-style-type: none"> <li>Regularly share product safety issues and commission reliability testing</li> </ul> </li> </ul>
Sustainable Product Development 	Expand proprietary technology / develop differentiated products	<ul style="list-style-type: none"> <li>Responded to regulatory changes related to energy and hazardous substances, and continuously developed eco-friendly building and decorative materials</li> <li>Made lightweight products using design/analysis capabilities and references</li> </ul>	<ul style="list-style-type: none"> <li>Respond to regulatory changes in terms of energy and hazardous substances, and continuously develop eco-friendly building and decorative materials</li> <li>Develop and gradually expand hygiene and functional safety products in response to the COVID-19 crisis·Develop user-friendly products</li> </ul>
	EPD (low carbon) certified products	<ul style="list-style-type: none"> <li>Environmental Product Declarations (EPD) : 19 products</li> <li>Low-carbon products : 5</li> </ul>	<ul style="list-style-type: none"> <li>EPD : 25 products</li> <li>Low-carbon products : 11</li> </ul>
Enhanced Environmental Safety Operations 	GHG emission targets at worksites	<ul style="list-style-type: none"> <li>GHG emissions target : 144,000 tons</li> <li>GHG emissions quota : 172,000 tons</li> </ul>	<ul style="list-style-type: none"> <li>GHG emissions target : 140,000 tons</li> <li>GHG emissions quota : 168,000 tons</li> </ul>
	Improve control systems	<ul style="list-style-type: none"> <li>Improved checklists and conducted special audits to ensure compliance and internal control</li> <li>Conducted HQ-led audits on specific items such as the chemical management system, and re-structured company regulations</li> </ul>	<ul style="list-style-type: none"> <li>Eliminate/mitigate legal risks through regular inspection</li> <li>Find/mitigate potential safety risks based on site management guidelines</li> <li>Spot checks and problem detection/improvement activities</li> </ul>
	Raise safety awareness	<ul style="list-style-type: none"> <li>Increased value-promoting activities, such as encouraging all employees to participate in safety activities</li> <li>Exemplary leadership demonstrated by executives</li> </ul>	<ul style="list-style-type: none"> <li>Re-establish site management guidelines for executives</li> <li>Evaluate the culture of safety among employees (office/onsite)</li> <li>Ensure every worker sets a safety pledge</li> </ul>
Building a Win-Win Supply Chain 	Help suppliers strengthen their fundamental competitiveness	<ul style="list-style-type: none"> <li>Eases the operating standards for the Win-Win Fund for suppliers</li> <li>Provides financial support, including cash payments</li> <li>Increases technology, management, and training support for suppliers in order to raise productivity and quality</li> </ul>	<ul style="list-style-type: none"> <li>Continuously operate the Win-Win Fund for suppliers</li> <li>Gradually increase the amount of cash payments</li> <li>Increase technology, management, and training support for suppliers in order to raise productivity and quality</li> </ul>
	Create a fair trade environment	<ul style="list-style-type: none"> <li>Encourages 2nd and 3rd tier suppliers to sign fair trade agreements</li> <li>Established fair and reasonable trade practices by complying with the relevant laws and guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Activities to disseminate the fair trade culture among the 1st tier suppliers that signed an agreement</li> <li>Reinforcement of systematic support for creating a fair trade environment</li> </ul>
	Improve supply chain CSR performance	<ul style="list-style-type: none"> <li>Conducted regular CSR audits on suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Update the checklist for CSR audits on suppliers</li> </ul>



## Decision making that takes sustainability management into consideration

In order to integrate sustainability management into our business activities, we take issues related to sustainability into consideration in a balanced way when making operational decisions. Together with TFs on sustainability-related issues such as environmental safety, social contribution, shared growth, human resource development, and product responsibility. We listen to the various opinions of our stakeholders and promote collaborative activities with a view to implementing a successful system of sustainability management. The BOD reflects issues related to sustainability, including long-term growth, stakeholder interests, and social impact throughout management activities. In the first half of 2021 we deliberated on the approval of occupational safety and health plans. Going forward, we will continue to strengthen our decision-making and responsibility for our sustainability management directions and policies.

Long-term Goals	Performance Data for 2020	UN SDGs
<ul style="list-style-type: none"> <li>Strengthen overall interior design capabilities through customer-centric product development and preemptive design strategies-Expand expert fansumer programs</li> </ul>	<p>R&amp;D expenses (As of end of 2020)</p> <p><b>KRW 67.88 billion</b></p> <hr/> <p>2020 Service Net Promoter Score</p> <p><b>88</b></p>	 
<ul style="list-style-type: none"> <li>Continuously develop and provide content in order to strengthen customer contact points</li> <li>Enhance visual identity communication that is both consistent and customer-oriented</li> <li>Continue to expand large-scale showrooms at customer contact points (nationwide)</li> </ul>	<p>Sustainable product certifications</p> <p><b>170</b></p> <p>(Korea Eco-Label, HB Mark, EPD)</p>	
<ul style="list-style-type: none"> <li>Improve overall quality-related capabilities               <ul style="list-style-type: none"> <li>Standardize the quality management process and raise the level of management</li> <li>Reflect the customer VOC in quality improvement</li> </ul> </li> <li>Adopt a world-class quality IT system               <ul style="list-style-type: none"> <li>Development-quality system/data integration</li> <li>Manage information and deliverables needed to perform tasks based on systems</li> </ul> </li> </ul>	<p>GHG emissions</p> <p><b>132,511 tCO<sub>2</sub>eq</b></p> <p>(145,510 tCO<sub>2</sub>eq in 2019)</p> <hr/> <p>Accident rate</p> <p><b>0.22%</b></p> <p>(0.37% in 2019)</p>	 
<ul style="list-style-type: none"> <li>Develop products by prioritizing customer safety from product creation to construction and use</li> <li>Develop functional products capable of addressing customers pain points</li> <li>Gain a competitive advantage in the green vehicle parts market</li> </ul>	<p>Supplier CSR risk assessment</p> <p><b>400 companies</b></p>	
<ul style="list-style-type: none"> <li>Gradually increase the proportion of certifications for eco-friendly products relative to the total number of products produced per year</li> <li>Continue to renew certifications for newly certified products</li> <li>3rd planning period of GHG emissions permits (2021-2025)</li> <li>Emissions target of less than 142,000 tons per year</li> </ul>	<p>Local purchase rate</p> <p><b>41%</b></p> <p>(Ratio of purchases from suppliers near worksites to total purchases)</p>	
<ul style="list-style-type: none"> <li>Voluntarily identify/improve upon issues related to compliance, and establish a proactive response system in preparation for legal changes</li> <li>Conduct risk assessments and identify key management needs based on results</li> </ul>		
<ul style="list-style-type: none"> <li>Prepare evaluation tools for self-evaluation regarding safety culture, and provide training to evaluators</li> <li>Perform improvement activities for each organization within our company based on safety culture evaluation results</li> </ul>		
<ul style="list-style-type: none"> <li>Establish an industrial ecosystem capable of sustainable growth by enhancing mutual competitiveness</li> <li>Maximize the improvement of supplier productivity by providing manufacturing technology support</li> </ul>		
<ul style="list-style-type: none"> <li>Comply with fair trade practices</li> <li>Increase activities aimed at preventing unfair transactions</li> </ul>		
<ul style="list-style-type: none"> <li>Expand the parts of the supply chain that are subject to audits (overseas, secondary suppliers, etc.)</li> </ul>		

## Stakeholder Interviews

### Key Theme 1 | Differentiated Customer Value

**Park Seong-mi**  
Professional, LX Hausys Design Center  
LSR/CX Team



#### Q1 How are home interior design trends changing in the wake of COVID-19?

Previously, the home was a place that was primarily for rest. However, due to the COVID-19 crisis, the reorganization and division of space is now afforded more importance as the functions of the home extend to work, education, and entertainment in addition to housework and rest. In particular, as telecommuting becomes increasingly common, we are seeing clear trends, such as designating a room in the home to be used as an office for video conferencing, renovating bathrooms due to concerns about becoming infected with COVID-19 when using public facilities, and expanding the role of the entrance to the home to include blocking viruses and fine dust from outside.

#### Q2 What is the focus of LX Hausys' design research and development in response to COVID-19?

LX Hausys' LSR/CX Team is able to lead the interior market on account of having been researching design for longer than anyone else. In response to the demand for luxury and diverse home interiors due to COVID-19, we have been delivering customer value by providing functional materials and product solutions that enhance the quality of space. In particular, we suggested home interior concepts under the three themes of Home Camp, Pent-Haus, and Granny's Cottage in order to suit individual methods of overcoming the problems posed by the COVID-19 crisis, thereby allowing consumers to reflect their individuality and taste throughout their homes. Going forward, we will continue to strengthen our design competitiveness by offering space-oriented interior that match the lifestyles of our customers.

### Key Theme 2 | Sustainable Product Development

**Park Jae-hoon**  
Director at SOLUTIS



#### Q1 What do you think of LX Hausys' green product development activities?

As COVID-19 has highlighted the importance of the indoor environment, the eco-friendliness of building materials is emerging as a key element in the industry, and it is anticipated that consumer interest in terms of this issue will further increase. LX Hausys has been leading the green building material market for a long time, and as a result, it is producing and distributing a lot of products that are certified with the Korea Eco-Label, Certification for low carbon product, and Environmental Product Declaration as certified by the Korea Environmental Industry & Technology Institute operating under the Ministry of Environment.

#### Q2 Looking forward, what do you think needs to be done in order to ensure building materials are green, mitigate climate change, and reduce waste?

When assessing the harm of building materials, the entire product cycle from using eco-friendly materials to production, logistics, use, and ultimately disposal ought to be taken into consideration. For example, determining whether wallcovering is truly eco-friendly in comparison with paint requires a comprehensive environmental assessment throughout the entirety of the life cycle that takes into account the water and energy consumed, air/water pollutants discharged to the environment, indoor environmental pollutants, and the recyclability of discarded products. To this end, when developing new products, LX Hausys must consider, in addition to results and economic performance, eco-design aimed at reducing environmental impact throughout the entirety of the product cycle, by, for example, developing green materials, improving process efficiency, and reducing product packaging. I believe that LX Hausys is contributing to environmental conservation by making continuous efforts to acquire Eco-Label and low-carbon certifications, which are awarded to products deemed to exhibit outstanding environmental properties throughout the product cycle.

### Key Theme 3 | Enhanced Responsibility for Environmental Safety

**Hwang Chang-il**  
Specialist, LX Hausys Cheongju Plant  
Safety & Health Team



#### Q1 What are the main safety issues faced by LX Hausys and what activities are being carried out in response to those issues?

Here at the Cheongju plant, we have continued to reduce our accident rate after continuously running the "10004 OK!" campaign (aimed at achieving an accident-free workplace by identifying 100 risk factors per month) for two years, since 2019, in order to achieve zero recorded accidents. In the first half of 2021, we formed an accident eradication TF in order to explore the root causes and solutions of industrial accidents. Injuries such as constriction, jamming, and cuts that commonly occur are thought to be caused by the different working postures and behavior of workers, so we aim to present safe postures through the standardization of our work behavior model. Every day, we do our utmost to create a safe workplace by, for example, thoroughly analyzing and preventing all risk factors involving production facilities, work environments, and all types of work at worksites.

#### Q2 What further efforts are needed in order to establish a safe and accident-free workplace?

The company has actively promoted safe working environments, with a strong emphasis on occupational safety. Also, field workers need to take responsibility for workplace safety, and identify and deal with risk factors. Accordingly, we will open a safety school with a view to developing our own training courses tailored toward our production process, and we will make further efforts to raise safety awareness.

### Key Theme 4 | Building a Win-Win Supply Chain

**Choi Deok-sun**  
CEO of Winster



#### Q1 What kind of partnership are you able to maintain through your trading relationship with LX Hausys?

Our company produces locks and handles for windows and we have been partnering with LX Hausys since 2007. We have maintained a win-win relationship with LX Hausys by collaborating in various areas such as technology development, productivity innovation, and quality control. For example, last year we proposed an on-site automation item, following which our company and LX Hausys jointly invested in the idea and shared the reduced production cost, thereby creating a win-win outcome. We expect to continue to build a partnership centered on trust, where we recognize each other's efforts and tackle challenges together.

#### Q2 What has improved through the CSR audit with LX Hausys?

Our occupational safety risks are regularly assessed. A safety manager visits us and inspects safety risks at our production site in order to identify risks and suggest improvements. For a small business that lacks safety professionals, the inspections by LX Hausys' safety managers are very helpful. The inspections cover electrical safety risks posed by machinery and equipment, safety rules for forklift operation, and installation of warning lights, and without these inspections, these risks could have been overlooked. Moreover, as part of their inspections, the safety managers presented guides to creating safer working environments.

# 01

## Differentiated Customer Value

As people spend more time at home due to the COVID-19 crisis, housing trends are rapidly changing. The home is being transformed into a space that plays various roles beyond the conventional roles of a residential space, such as a home office, a home school, and a home cafe. We are working to develop new product designs and content by analyzing the domestic and overseas design environments and consumer needs that have changed due to COVID-19.



### ➔ Long-term Goals

#### Focus on differentiated design and implementation technology

- strengthen overall interior capabilities through product development and preemptive design strategies

#### Customer contact management

- Continuously develop and operate the contents of strengthening customer contact points
- Reinforce customer-centered, consistent visual identity communication
- Continue to expand large exhibition shops, which are customer contact points (throughout the country)

### ➔ Performance Indicators

#### R&D Expenses

KRW  
**67,876** million  
(As of end of 2020)

#### 2020 Service Net Promoter Score

**88**

### Achievements & Plans

In order to have a competitive advantage in the building materials industry, it is necessary to preemptively provide products that meet the diverse needs of customers based on differentiated design and product development capabilities. We continuously expand our customer contact points and enhance the quality of our products so as to strengthen our business capabilities and ultimately keep pace with the changing interior market. Furthermore, we also develop products that exhibit superior design and performance. Going forward, in order to achieve differentiated designs and implementation technology, we will secure a design identity as a brand specializing in interior through the development of space-centered (lifestyle-based fusion products + space products) products.

### Activities

#### Improving Customer Communication

Here at LX Hausys, we established a customer response process specific to each type of customer and in 2020 moved our customer service page to an individual website with a view to improving customer satisfaction by resolving customer pain points. Also, we have expanded our customer service team, assigned dedicated staff with expertise in products/installation, and provided manuals and videos such that customers can immediately solve their problems. Our customer service website also allows customers using our products to conveniently ask questions through live KakaoTalk messaging, request a visiting service, and purchase parts.

#### Enhancing On/Offline Contact Points

In preparation for the post-COVID era, we are currently operating various communication channels, in order to enhance access to online channels. We have been providing interior video content through LX Z:IN's social media channels including YouTube, and opened 'Z:IN Mall' where customers can conveniently check details regarding consultations at an offline store anytime, anywhere, through the Smart Consultation System. In addition, we operate 16 'LX Z:IN' Interior offline showrooms where customers can experience and purchase products. We have also expanded our sales channels to home appliance stores, including LG Electronics' BEST SHOP, and large retailers in order to enable customers to shop a variety of products, along with home appliances, at one store.



### Customer/Expert Fansumer Activities 'Z:IN SALON' & 'Z:ENNE'

At LX Z:IN SALON, where our customer/expert fansumer activities, 'Z:IN SALON' & 'Z:ENNE', take place, lifestyle experts and interior designers gather to share insights via networking, lectures, and workshops, and exchange ideas from a professional perspective regarding customer pain points in terms of space. LX Z:IN SALON opened in 2020 as a program aimed at creating collaboration opportunities with our company. Since 2006, we have also been operating the interior community Z:ENNE which, as a prosumer and ambassador for the LX Z:IN brand, has helped promote our products.

### NPS Survey

In 2016, we adopted the Net Promoter Score (NPS) system with a view to improving the accuracy of our customer satisfaction survey results, and to managing service quality more systematically. In order to improve the satisfaction of customers with a high NPS, we have made continuous improvements to our service quality by enhancing our regional product expert scheme while collecting opinions from customers with a low NPS and reflecting them in product development, production, and service quality.

### Customer Service Principles

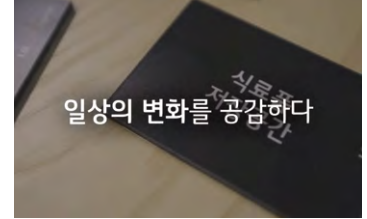
LX Hausys sticks to our principle of responding directly to all service requests (after-sales service), inquiries, and complaints received through our customer service center, our service website, and our mobile page. Upon receiving a service request (after-sales service), the customer service center automatically assigns a service engineer (SE) who works in the local region. The SE will contact the customer within 24 hours in order to schedule a visit and provide the necessary service.

### Quality Control of Distribution Channels

LX Hausys distributes processing manuals (quality standards) for the purpose of quality control of external distribution channels, conduct monthly audits to ensure compliance with our quality standards, and reflect the results of these audits in our sales policies such as sales support and partnership. We operate a Quality Assurance System (QAS), through which we comprehensively monitor and manage the quality of our suppliers using a web system, and hold face-to-face meetings (workshops) and quality training for companies that were found to have major quality defects.

### Fair Service Policy and Before-Sales Service

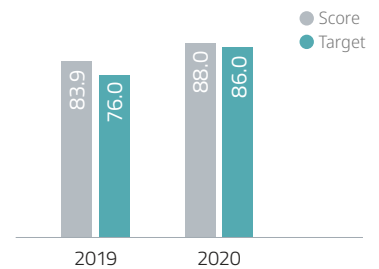
LX Hausys established standards for items, procedures, and fees related to services provided to customers in order to improve our service quality. In particular, we post service fees on our service website for customers to refer to, with visiting service fees subdivided into service type (visit consultation, general maintenance, replacement of parts), travel cost, repair cost, parts cost, and additional charges. If a paid service is provided, we send the customer a notification message including details regarding the fee for the service in an effort to provide transparent and fair services. Furthermore, we visit customers who purchased our window products in order to perform inspections and conduct preemptive maintenance and safety accident prevention activities. Starting in April 2021, we will provide an inspection service for customers who purchased our windows via events at apartment complexes in the Seoul metropolitan area (Seoul, Incheon, Gyeonggi). Starting with the pilot program of the window pre-inspection service in the greater Seoul area, we plan to launch a nationwide before-sales service aimed at further improving customer satisfaction.



Z:IN SALON

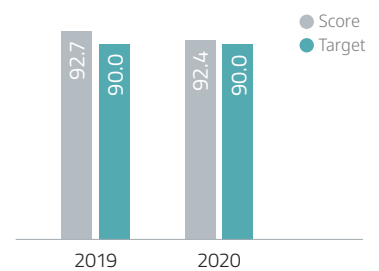
### Domestic Customer Satisfaction

#### Net Promoter Score\*



\*Net Promoter Score = (Recommended cases - non-recommended cases) / All responses

#### Customer Satisfaction Level



# Research and Development

## R&D Organization

LX Hausys delivers differentiated customer satisfaction and eco-friendly products in the fields of interior, windows, decorative materials, surface materials, and automotive materials and parts. In particular, we are currently focusing on R&D by selecting kitchen and bathroom products and next-generation building and decorative materials as future growth engines based on our core technologies such as surface treatment, composite design and processing, analysis, and reliability research. We aim to lead the market by continuously developing products that can proactively respond to market changes, such as tightening regulations both domestically and overseas, as well as innovative products that deliver customer value in response to global technology trends.

Our R&D organization consists of a research center and a design center. The research center is working to develop new products through continuous investment into R&D, securing source and base technologies, and cooperation among affiliates, while the design center researches customized design solutions by predicting changes in design trends.

## Increased R&D Investment and Network Building

LX Hausys holds various events and programs, including industry-university tailored research courses, in order to recruit and foster high-quality R&D personnel domestically and overseas. Also, we are strengthening our R&D capabilities through cooperative activities with academia, government-funded institutions, and companies. Furthermore, we continue research and development through cooperation with external organizations, such as collaborations with top Korean universities and joint research with government-funded organizations (Korea Conformity Laboratories, Korea Institute of Civil Engineering and Building Technology, etc.).

### Acquisition of 'Safety Laboratory Certification'

LX Hausys Research Institute received the 'Safety Laboratory Certification' for four labs on account of demonstrating its exemplary safety management, as per an evaluation of the safety environment system (29 items) carried out by the Ministry of Science and ICT in November 2020. We will continue to enhance our environmental safety system such that our researchers can focus on their research in a safer and more efficient environment and accordingly, produce outstanding R&D outcomes.



Safety Laboratory Certification Mark

## Product Research Area

Eco-Friendly	Energy Saving
<p><b>Building and decorative materials</b></p> <ul style="list-style-type: none"> <li>· Develop construction materials that minimize indoor air pollution</li> <li>· Increase low-carbon products that care for the earth and the environment</li> <li>· Expand eco-friendly materials using ingredients derived from plants</li> </ul>	<p><b>Energy-efficient windows/insulation materials</b></p> <ul style="list-style-type: none"> <li>· Maximize the energy-saving effect of buildings and the insulation performance of windows</li> </ul>
<p><b>Automotive skin, eco-friendly material and parts</b></p> <ul style="list-style-type: none"> <li>· Develop eco-friendly fabrics using plant-based bio raw materials and recycled materials</li> <li>· Develop interior parts for vehicles using various green materials such as rice husk and wood flour, and recycled raw materials</li> </ul>	<p><b>Lightweight plastics and composite materials</b></p> <ul style="list-style-type: none"> <li>· Help improve the range and fuel efficiency of eco-friendly vehicles and vehicles with internal combustion engines through research on lightweight composite materials</li> </ul>
Human-Friendly	
<p><b>Customer-friendly building and decorative materials</b></p> <ul style="list-style-type: none"> <li>· Develop flooring material that minimizes lightweight impact sound and maximizes shock absorption</li> <li>· Develop top-grade HB certified flooring material</li> </ul>	<p><b>Automotive skin with minimal impact on people</b></p> <ul style="list-style-type: none"> <li>· Develop fabrics that exhibit a minimal impact on people by virtue of not containing harmful ingredients such as phthalate plasticizers and halogen flame retardants</li> </ul>
<p><b>Strengthening of fire safety building and decorative materials</b></p> <ul style="list-style-type: none"> <li>· Develop finish materials for walls using semi-noncombustible materials</li> </ul>	<p><b>Kitchen and bathroom</b></p> <ul style="list-style-type: none"> <li>· Develop products to provide value to customers with tailored to the user's life style space configuration</li> </ul>

## Design Trend Analysis

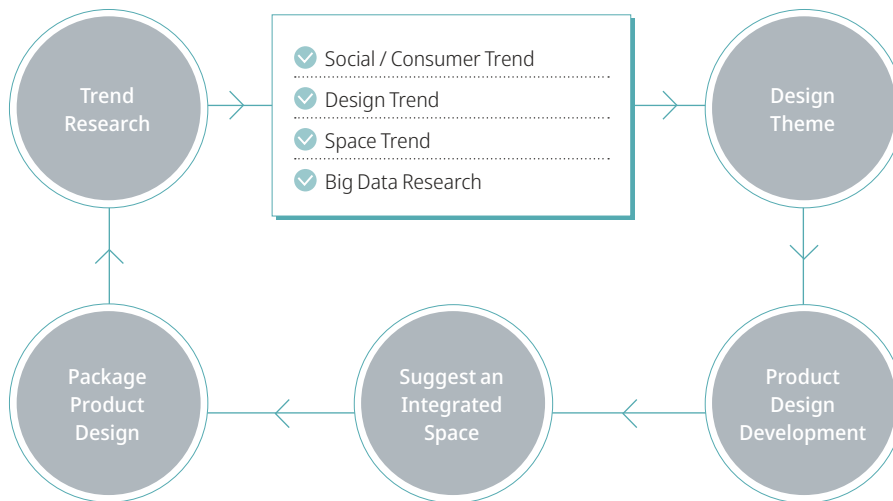
### Design Center Operation

At LX Hausys, we nurture designers by operating the largest design center in the Korean construction materials industry. In order to create a product development process with design at the center, we pledged a commitment to Design Management which puts 'Design First' throughout our business operations, and our efforts in this area have been recognized both internally and externally.

### Design Trend-based Product Development

LX Hausys makes concerted efforts to identify the kind of spaces that customers want, and analyze the causes and flow of design changes from various perspectives, including domestic and foreign design environments and consumer needs, and reflect our findings in the design of new products and content development. Going beyond design research that merely contributes to business growth and brand value enhancement, we also exhibit, and disseminate information on, design trends through various channels such as seminars, magazines, media, and exhibitions with a view to sharing cultural values and achieving shared growth with stakeholders.

### Design Trend-based Product Development Activities



### Major Design Achievements in 2020

#### Red Dot Design Award: PRESTG Artistry Flooring

- Continuous implementation of unique and differentiated design products that realistically embody the feeling of various natural materials through interior materials
- Two of our products, 'PRESTG Artistry - Wood & Metal' and 'PRESTG Artistry - Heritage Ceramic,' won the '2021 Red Dot Award' for Product Design

### Major Research Achievements in 2020



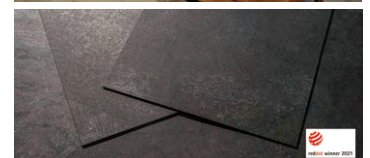
'LX Z:IN Safety Mat'  
Floor mat for residential spaces



'LX Z:IN Semi-noncombustible Sheet'  
'Semi-noncombustible sheet' exhibiting improved fire safety



'LX Z:IN Window Ventilation'  
'Window Ventilation' keeps indoor air clean



# 02

## Sustainable Product Development

As various social and environmental issues such as climate change, fine dust, air pollution, and environmental hormones continue to arise, there is a growing interest in health and the environment. Also, as people spend more time at home, eco-friendly building materials and interior materials are receiving attention. We contribute to the healthy lifestyle of customers by continuously developing wallcovering, flooring, windows, and auto parts that have fewer harmful substances, can save energy and resources, and are eco-labeled.



### ➔ Long-term Goals

#### Development of differentiated products through the expansion of proprietary technology

- Develop products by prioritizing customer safety from product development to construction and use
- Develop functional products capable of addressing customer pain points
- Gain a competitive advantage in the green vehicle parts market

#### Expansion of developing sustainable products

- Gradually expand the number of certifications for eco-friendly products, compared to the total number of manufactured products per year
- Continue to renew the certification for newly accredited products

### ➔ Performance Indicators

#### Performance Indicators Sustainable product\* certifications

170

\*Korea Eco-Label, HB Mark, EPD (Cumulative basis as of end of 2020)

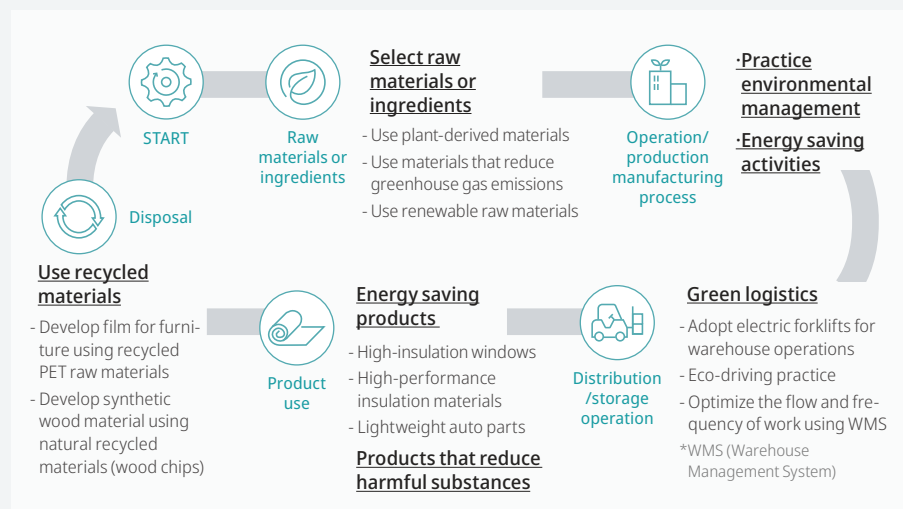
### Achievements and Goals

Here at LX Hausys, we continuously develop products that enhance customer safety and solve customer pain points by discovering and developing differentiated products through the expansion of proprietary technologies. To this end, we are actively responding to regulatory changes, such as in the energy and hazardous substances sectors, and continuously developing eco-friendly building and decorative materials. In 2021, we aim to expand the development of functional hygiene and safety products in response to the COVID-19 crisis.

### Activities

#### LCA-based Product Development

LX Hausys provides quantified environmental data for each phase of the product life cycle (manufacturing, distribution, use, and disposal) through Life Cycle Assessment (LCA). We have accumulated data on six environmental factors (resource consumption, global warming, impact on the ozone layer, acidification, eutrophication, photochemical oxide generation) for a broad range of our products including windows, Sum Tile, flooring materials (sheets for export, tiles), insulation materials, wallcovering (ZEA Fresh), Econo, and KANGGREEN. Going forward, we plan to expand the product lines for which we analyze and manage environmental impact.





## Safe and Eco-Friendly Product Development

### Safety Assurance throughout the Product Life Cycle

In order to provide healthy and safe products to customers, we continuously promote activities aimed at reducing harmful factors throughout the product life cycle. We established and are currently operating analysis, inspection, and verification systems with a view to ensuring product safety throughout the following stages: new product development; raw material purchase and verification; and product shipment. Hazard verification is mandatory when developing new products. Accordingly, we use our chemical substance management system to systematically manage chemical substances throughout the entire product life cycle, including purchase, inspection, use, storage, and disposal.

By operating a dedicated team working under the research center, we not only verify the long-term reliability of our products, but also monitor major hazardous substances such as TVOC and HCHO, as well as harmful substances generated by unintended chemical reactions or by an unknown means. Our manufacturing plants in Korea have inspection facilities and inspectors that serve to analyze hazardous substances, and all products are managed to a standard that goes beyond the legally required standard. We are actively taking measures to respond to social issues and new hazardous substances, such as installing radon detectors at each of our domestic plants.


### Introduction to the Customer Safety Center

The Customer Safety Center conducts evaluations and verifications of safety, quality reliability, and harmlessness before products are launched. Based on our virtual design/performance prediction capabilities, we analyze and improve the structural safety and performance of products. Furthermore, we verify, improve, and secure the reliability and quality of products through the establishment of various performance testing facilities and the internalization of test methods. Also, we operate an antibacterial test room for product hazard analysis and antibacterial performance verification. We have also acquired/maintained the Korea Laboratory Accreditation Scheme (KOLAS) accreditation in order to secure and maintain the external reliability of our testing capabilities.


### Green Product Sales and Eco-labels

Our green product sales have consistently increased, accounting for 39.4% of total sales in 2020. Our eco-friendly product line, including the ZEA series, insulation materials, energy-saving windows, and coated glass, consider environmental characteristics, fine dust, durability, and performance. As of end-2020, 170 of our products received environmental certifications in Korea. The seven main environmental impact categories, defined by the Korean EPD, are Carbon Footprint, Water Footprint, Ozone Depletion, Acidification, Eutrophication, Photochemical Smog, and Resource Footprint. In the last three years, we recorded no domestic regulation violations concerning the impact of products and services on health and safety.\*

\* Based on the status of sanctions in our 2020 Business Report

 **Raw Materials or Ingredients**

- Use of plant-derived materials: Use of ingredients extracted from corn
- Product examples: Flooring (X-comfort, ZEA Sorizam, ZEA Maru - wooden floor, etc.), Wallpaper (ZEA wallcovering, etc.)
- Use of materials that reduce CO2 emissions: Glass fiber lightweight automotive parts, bio automotive skins
- Increased use of renewable raw materials: 16,023 tons of renewable raw materials used in 2020

 **Products**

**Energy-saving Products**

- High-insulation performance windows: Super Save Double glazing windows made with super plus low-e glazing can achieve the Energy Performance Grade 1. (It can be different depending on the specifications such as window model, thickness of glass, etc.)
- High-performance insulation: High level of heat conductivity in comparison with general-purpose insulation of the same thickness
- Lightweight automotive parts: Increase the fuel efficiency of automobiles by using automotive parts that help reduce weight via glass fiber (Roof rack: Weight reduced by 26% when compared to using aluminum. Knee protector: Weight reduced by 38% when compared to using steel)

**Products Reducing Harmful Substances**

- 'Sum Tile': hazardous substance adsorption and desorption capabilities
- Launch of products that reduce the discharge of TVOC, 5VOC, HCHO\* (wallcovering, interior film, automotive skin, etc.)
- Dust filter net: developed a product for windows that reduce fine dust (90% reduction of fine dust in the air)

### Changes in the percentage of new green product\* sales

(Unit : %)



\*New green products include decorative materials and window products.

### No. of eco-friendly certified products

(Unit : case)



\*Korea Eco-Label, HB Mark, Environmental Product

### Product Certification Status

(As of end of 2020)

Category	No.
Korea Eco-Label	107
HB Mark1)	33
Environmental Product Declaration	30
<b>Total</b>	<b>170</b>

1)Standard certifications for companies working with environmentally-friendly building materials

\*TVOC: Total volatile organic compounds / 5VOC: 5 organic compounds (benzene, toluene, ethylbenzene, xylene, styrene) / HCHO: Formaldehyde

## Eco-friendly Materials & Energy-Efficient Products

### Certification of raw materials for surfaces — Certification for recycled raw materials for surface substances

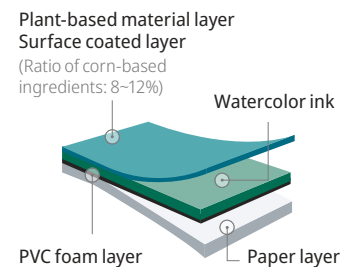
LX Hausys has acquired an eco-friendly certification from SCS Global Services, an international certification body, for its use of recycled raw materials for products. We have received the SCS recycled content certification for part of solid surface products, as they are made with more than 10% of recycled raw materials. With this certification, we plan to accelerate our advance into the European market, which stresses the importance of using environmentally-friendly products made with recycled raw materials.

### Recycled PET Material — GRS (Global Recycled Standard) certification for PET films for recycled furniture made

Regarding industrial films, we have developed PET films made with recycled raw materials and acquired the GRS (Global Recycled Standard) certification from Control Union in USA. Films for furniture are surface finishing materials that can express various designs by attaching them to the surface of plywood, which is a common furniture material. This material is applied to various types of furniture including kitchen furniture and closets, as it allows various patterns ranging from wood to marble or metal, and gloss/matte texture to be expressed freely. LX Hausys produces PET films for furniture, which are certified by the GRS for the first time in Korea.

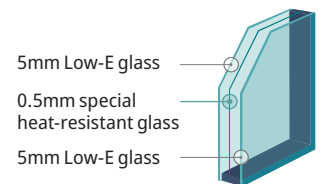
### Eco-friendly decorative material — 'LX Z:IN Flooring ZEA Sorizam, ZEA Wallcovering'

LX Hausys' ZEA Sorizam and building insulation materials were listed as green products for seven consecutive years, whereas the ZEA wallcovering series and Super Save windows were listed for five years running. LX Hausys' flooring material ZEA Sorizam was recognized as an eco-friendly product that minimizes hazardous substances and reduces noise between floors, while its ZEA wallcovering series (Diamant, ZEA Fresh, ZEA Fabric) earned recognition as an eco-friendly product whose coating layer is made of ingredients derived from plants.



### Energy Efficiency Thermal Insulation — 'LX Z:IN Super-Light Triple Insulated Glass'

'LX Z:IN Super-Light Triple Insulated Glass' incorporates 0.5mm special heat-resistant glass, instead of the 5mm glass that is generally used for the middle layer in triple insulated glass. As the total thickness of the triple insulated glass is the same, the argon gas layer between the glass layers is wider than that of previous products, thereby improving thermal transmittance, thus reducing the amount of heat energy that escapes from the glass.

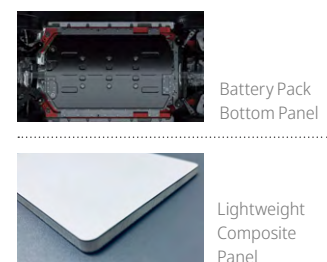


### Reduction of harmful substances inside vehicles — Eco-friendly High-performance Automotive Skin

We released SOFINO-Green and VERNO-Green, eco-friendly skins manufactured using differentiated techniques such as minimizing the phthalate plasticizer used in existing vehicle fabrics and treating the surface with water-based coating. These products were awarded the Oeko-tex® Standard 100 Class 1, which is the highest grade for babies and toddlers, thereby verifying that they are eco-friendly.

### Improvement of vehicle safety performance and energy efficiency — Lightweight Composite Materials and Parts for Vehicles

Through independent R&D of new lightweight composite materials and parts, we were able to develop the bottom panel for electric automobile model by a Korean complete car manufacturer battery pack and the world's first lightweight composite panel featuring fiber core material. The bottom panel of the battery pack, which achieved the same performance and a 30% weight reduction compared to when conventional aluminum material was used, will be applied to four additional models. The lightweight composite panel is 15% lighter than the previous model and will be supplied to Trailer walls of North American complete car manufacturer.



\*The calculation of the degree of weight reduction is based on simulation results of our automotive design analysis program, and may change depending on the specifications when the actual product is manufactured.

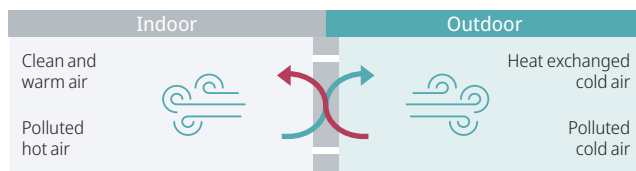
## Products that Address Social Issues and Provide Customer Convenience

### Discharge indoor pollutants and bring in fresh air — 'LX Z:IN Window Ventilation' keeps indoor air clean

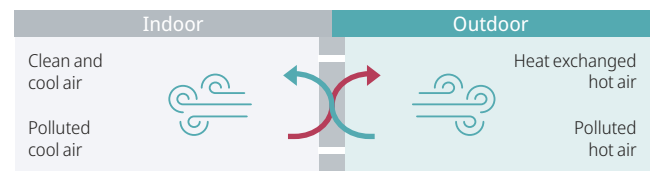
Recently, the importance of ventilation is being highlighted as it becomes difficult to ventilate rooms with outside air due to fine dust and yellow dust. Also, air purifiers are not effective at removing carbon dioxide and harmful substances. Our Window Ventilation product exhausts polluted air from a room without having to open a window, and supplies fresh outside air through the H13 grade HEPA filter and the total heat exchange system, while maintaining the indoor temperature in order to maintain comfortable indoor air all year round. The product's luxurious design that matches the interior and smart IoT App maximizes user convenience. We will continue to introduce next-generation products that are smaller and more compact with improved noise control and heat exchange efficiency.

#### Total heat exchange of automotive ventilation

Indoor heating (heating heat exchanger)



Indoor heating (cooling heat exchanger efficiency: 63%)



### Enhance indoor fire safety — 'LX Z:IN semi-noncombustible sheet' that emits fewer harmful substances in case of fire

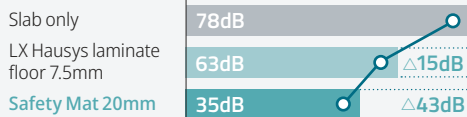
Unlike general wallcovering made of paper or PVC (polyvinyl chloride), we use a semi-noncombustible base layer to produce "semi-noncombustible sheets" that prevent the fast spread of fire and emit fewer harmful substances in the event of a fire. This product received the Prime Minister's Commendation at the Fire Industry Awards, hosted by the National Fire Agency and organized by the Korea Fire Institute (KFI), in recognition of its contribution to improving fire safety on account of the fact that it has a shorter installation time and can reduce costs by 20-50% compared to existing semi-noncombustible grade or higher wall finishing materials (paint, stone). Going forward, we aim to seize the opportunity to increase the supply of our semi-noncombustible sheets to the commercial space market. We will do this by supplying semi-noncombustible sheets to general businesses that are deemed to have a high risk of damage to life and property in the event of a fire, such as postpartum care centers, study rooms, and restaurants. We believe our efforts in this regard will strengthen the fire safety of these buildings.

### Improve eco-friendliness and durability — 'LX Z:IN Safety Mat' for reducing noise between floors

The Safety Mat is Korea's only floor mat made with TPU to acquire the highest grade of HB Mark, an eco-friendly building material standard certification by the Korean Air Cleaning Association. The Safety Mat reduces sound caused by impact on a lightweight floor by 43dB and increases the shock absorption rate by 73.6% compared to slab-only (210 mm thick concrete) floor. As a result, it effectively reduces noise between floors, such as the sounds of chair dragging or a vacuum, in addition to preventing seniors from being seriously injured should they suffer a fall.

#### ① Test for measuring sound reduction of impact on lightweight floor

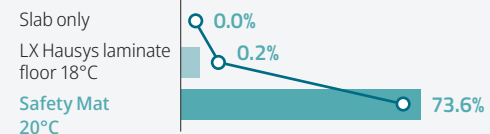
(Korea Conformity Laboratories)



※The results are from a laboratory test, results may vary when the product is actually used

#### ② Shock absorption rate

(Korea Sports Promotion Foundation test results)



### New Space Trends — 'LX Z:IN interior door'

In order to contribute to the creation of a luxurious first impression of our customers' homes, we launched LX Z:IN Interior Door series products which reflect customer tastes and design trends. 'LX Z:IN interior door' provides user convenience and safety via an easy-open handle that enables comfortable and smooth opening and closing with little force, and a damper verified by undergoing a test of being opened and closed 100,000 times. Moreover, 'LX Z:IN Interior door' also comes with a max 10-year warranty. Going forward, we will provide new value via solutions and delicate designs for all spaces that require a degree of separation, such as utility rooms, bedrooms, living rooms, and kitchens, in addition to the entrance to the home.

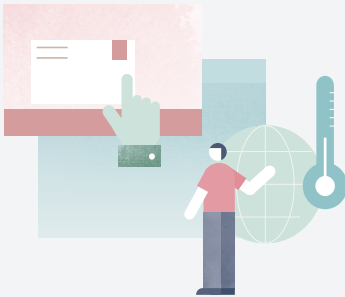


LX Z:IN Interior Door 5 Classic Sliding

# 03

## Enhanced Environmental Safety Operations

Through the Paris Agreement, the international community promised to make efforts to limit the increase in the average global temperature to at least 2°C and preferably to 1.5°C. Accordingly, companies have a duty to actively participate in tackling climate change by reducing greenhouse gas emissions and producing low-carbon products. Here at LX Hausys, we will do our best to achieve sustainable development for future generations by setting company-wide environmental and safety goals aimed at minimizing GHG emissions, in addition to continuing our emission reduction efforts generally.



### ➔ Long-term Goals

#### Establish low-carbon worksites

- To emit within 142,000 tons of GHG per year during the 3rd plan period of the GHG Emissions Trading Scheme (2021-2025)

#### Increase safety awareness

- Enhance tools for evaluating degree to which safety culture is present throughout company, and train evaluators
- Perform improvement activities for each organization based on results of evaluation of safety culture

### ➔ Performance Indicators

#### GHG emissions

(In Korea as of end of 2020)

**132,511** tCO<sub>2</sub>eq

#### Accident rate

**0.22%**

(0.37% in 2019)

### Achievements & Plans

In 2020, LX Hausys reorganized our environmental safety diagnosis checklist, and enhanced our HQ-led audit and company regulations for specific items such as our chemical management system. Going forward, in 2021 we will preemptively eliminate and mitigate regulatory risks, and identify potential risk factors through regular inspections in terms of environmental safety and compliance with laws and regulations at worksites. Also, we will conduct spot inspections, problem identification activities, and improvement activities aimed at strengthening our emergency response capabilities. We also plan to evaluate the extent to which a culture of safety runs throughout our company, upgrade guidelines, and set individual safety commitments in order to increase awareness of environmental safety.

### Activities

#### Strengthening the ability of our company and executives to manage responsibly

LX Hausys strives to create an accident-free workplace through the establishment of an environmental and safety organizational system. By setting environmental and safety management goals (activities and tasks aimed at raising safety awareness, etc.) and reflecting them throughout organizational evaluation, we are able to strengthen the ability of our executives to management responsibly in terms of the environment and safety. In addition, our Occupational Safety and Health Plan, drafted in accordance with recently tightened regulations, has been approved by the BOD, and our Environmental Safety Management Committee, which operates under the CEO, regularly determines the direction of environmental safety tasks through monthly/weekly reports and discusses environmental safety goals, status, and investments.

Meeting	Details	Participants
BOD	• Occupational safety and health plans	• Independent Directors, CEO, etc.
Management committee	• Discuss key decisions and share key announcements	• Executives such as the CEO, CFO, CHO, Head of Division, and Head of Environment&Safety Department
Monthly/weekly reporting	• Share the status/plan regarding major tasks for each month	• CEO, Head of Environment&Safety Department
Workplace Environment Safety Committee	• Share monthly major tasks/plans	• Vice President, Head of Plant, Team Leader, and Head of Office

\*Establishment of environmental and safety regulations, diagnosis results/improvement, major safety investment plans/performance, safety awareness activities, etc.

## Climate Change Response System

### Identifying Risks and Opportunities Related to Climate Change

LX Hausys has been subject to the emission trading system since 2015, and our greenhouse gas emissions have not exceeded the quota as of 2020. Going forward, we will continue to make concerted efforts to proactively reduce GHG emissions in line with the 3rd planning period (2021-2025) of the greenhouse gas emission trading system, and actively prevent additional costs and the occurrence of non-financial (reputational) damage due to non-compliance. At the same time, we plan to continuously develop and distribute energy-efficient and eco-friendly building materials by actively utilizing the government's policy aimed at strengthening regulations related to climate change and supporting the country's energy-saving and eco-friendly building certification system.

### Long-term Goals and Plans

In accordance with the 3rd planning period of the emission trading system (2021-25), the free allocation rate has decreased from 97% to 90%. Therefore, in 2021, we plan to reduce emissions by approximately 6,800 tons via low NOx burners and improvements made to the pumping of cooling water. We also plan to trade allowances in the market, in the case of excess or shortage of allowances, through quarterly monitoring emissions.

### Climate Change Response Strategy

#### Energy-saving Workplace

- GHG emissions and energy usage reduction activities
- Improvement of old facilities
- Activities aimed at enhancing the use of energy in everyday life
- Reducing the proportion of fossil energy use



#### Energy-saving Products

- Providing high-efficiency products
- Insulation products such as low-E glass and insulation materials
- Products that improve fuel efficiency such as lightweight automotive parts
- Research and development of new products related to energy usage reduction

### Decision-making in terms of Reducing Greenhouse Gas Emissions

As risks and opportunities related to climate change affect our profits, the CEO takes responsibility for decision making in this regard by taking the final decisions on policies and directions related to energy management and the greenhouse gas emission trading system, implementation management, and investment in the reduction of GHG emissions. Through the Environmental Safety Management Committee, which convenes regularly, the Environmental Safety Planning Team collects and manages data on GHG emissions and reports on this data to the CEO.

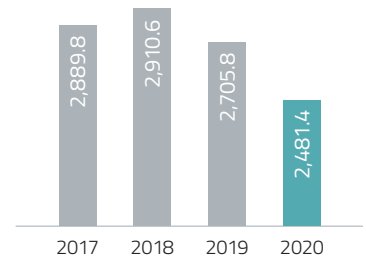
### Climate change-related KPIs

Various climate-related issues such as compliance with the emission trading system, our environmental inspection and improvement rate, and our energy-saving performance are managed as key performance indicators (KPIs). Since 2013, we have outlined KPIs related to the environment and safety to executives in charge of business divisions and worksites, and we reflect these KPIs throughout their evaluations. Moreover, we manage goals in such a way that enables management to make improvements with a focus on environmental safety.

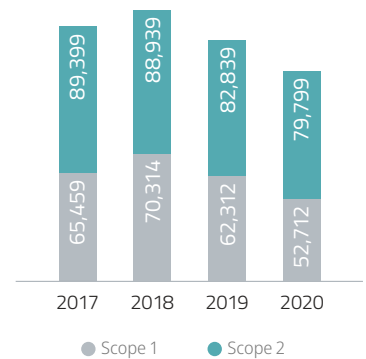
### Disclosure of Information on Greenhouse Gas Emissions

In accordance with the greenhouse gas emission trading system, our GHG emissions are verified every year by a credible verification agency. The results are disclosed to the public through sustainability reports and business reports. We also provide domestic and foreign investors with information on our climate change response system and the current status of emissions through DJSI and CDP reports.

Energy Consumption (Unit: TJ)



GHG Emissions (Unit: tCO<sub>2</sub>eq)





## Greenhouse Gas Reduction Activities and Achievements

### Innovative Processes and Optimized Operations

We reduce energy usage through innovative processes and optimized operations, and reduce energy costs and greenhouse gas emissions by using external heat sources. In an effort to reduce greenhouse gas emissions and the energy used throughout the production process, our Ulsan Plant is implementing the independent operation of an RTO\*, replacement of RTO thermal storage materials, and improvement of the heat boiler supply system. Furthermore, our Cheongju Plant reduces and improves energy consumption during each process, and monitors and performs energy-saving activities such as the application of high-efficiency inverter fans, the installation of high-efficiency refrigerators, and, during winter, turning off air conditioners which control the temperature via outside air.

\*Regenerative Thermal Oxidizer (RTO) : Equipment that collects and incinerates volatile organic compounds and odorous substances

### Substituting Process Raw Materials and Investment in New Facilities

Our Ulsan Plant has successfully reduced volatile organic compound (VOC) emissions from emission facilities when working with water-based treatment agents by replacing some of the process raw materials from oil-based treatment agents with water-based treatment agents. In order to reduce the amount of RTO fuel (LNG) used during the final treatment of the reduced VOCS, the plant changed the operating temperature from 800°C to 100°C, which is expected to result in approximately a 240,000m<sup>3</sup> reduction of LNG per year. The Ulsan Plant also saved KRW 130 million on fuel costs per year by changing the existing RTO into a 3-bed type RTO with improved heat storage material in the furnace, thereby increasing the heat recovery rate from about 86% to 93%.

### Energy Savings through a Smart Factory

As a result of building a system that automates the manual input of raw materials and the monitoring of products produced in the 3rd manufacturing line of the No. 2 Insulation Factory at our Cheongju Plant. The production yield has improved by means of reducing the defect rate and the loss of raw materials. At the same time, we also saved a lot of energy by reducing the number of unnecessary process restarts caused by defective products. Going forward, we will continue to review additional automation systems and apply them to our processes with a view to reducing energy consumption.

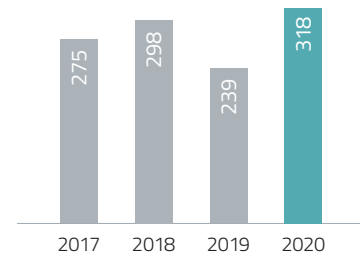
### Introducing Electric Forklifts at our Distribution Center

In 2020, LX Hausys built the Uiwang Distribution Center in order to strengthen our logistics operations, and we are using only electric forklifts to conduct our logistics operations at the distribution center. We actively participate in the government's climate change policy by reducing carbon dioxide emissions through the use of electric forklifts, and we are also considering introducing electric forklifts at our Cheonan and Jincheon distribution centers in the future.

### Use of Renewable Energy

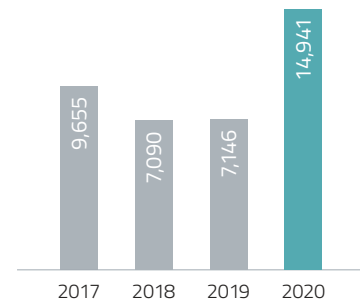
In order to further reduce energy consumption, LX Hausys installed and are currently operating solar power generation facilities. Our Cheongju Plant has been operating solar power generation facilities with a total power generation capacity of 3.12 KW since 2013, reducing energy consumption by an average of 1.97tCO<sub>2</sub> annually. Our Ulsan Plant is planning to operate a solar power generation facility with a total power generation capacity of 943.8KW from 2024, and is expected to reduce the amount of energy consumed by about 600tCO<sub>2</sub> per year. Going forward, in addition to the operation of solar power generation facilities, we will continue to develop various methods that can be applied in order to replace non-renewable energy.

Reduction in Energy Use (Unit : TJ)



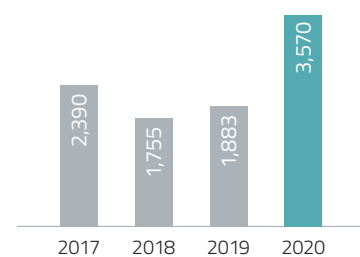
Reduction in GHG Emissions

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



Energy Savings Made

(Unit : KRW 1 million)



## Practicing and Strengthening Safety Culture

### SI/EI Task Activities

With a view to increasing safety awareness and mitigating risk factors through internal environmental safety improvement activities at worksites, each organization within our company voluntarily selects at least one activity each year that all employees can participate in, and conducts innovation activities. Also, we provide rewards for excellent activities in an effort to create a safer workplace.

\* SI/EI: Safety Innovation/Environment Innovation

### Enhancing Construction Safety

LX Hausys strives to prevent safety accidents during window installation by continuously operating and supplementing our construction safety management system. In 2020, we established mandatory safety equipment and safety manager operating standards that go beyond the legal requirements for high-risk window installation sites, and, through an organization tasked with monitoring, verified that these measures were being implemented at all worksites. Going forward, we plan to ensure safety during construction by making continuous improvements to our management system and site inspections.

### Accident Prevention and Emergency Response Training

In order to facilitate a better response to emergencies, we operate the Emergency Response Committee organized by the Environment and Safety Division, and regularly conduct general emergency response training and joint/individual unit emergency response training organized by the Production Team. We continue to make concerted efforts aimed at increasing the level of safety awareness of our employees by continuously updating emergency response manuals for each type of training, and by educating employees.

Category	Organizer	Frequency	Report
Comprehensive emergency response training ※ Including the operation of the Emergency Response Committee	Head of Division, Environment&Safety Team Leader	Once a year	Vice President
Joint emergency response training	Production Team Leader	Once a year	Head of Plant
Unit-based emergency response training	Supervisor, Operation Leader	Once a quarter	Production Team Leader

### Ensuring Fire Safety at Distribution Centers

In order to prevent the occurrence of accidents like the Icheon warehouse fire in 2020, which became a huge social issue, we conduct special audits on our distribution centers, in addition to establishing and implementing distribution center warehouse facility/operating standards (installation/maintenance of firefighting facilities, construction safety work permit standards, etc.). We ensure safety by implementing procedures that allow these standards to be reviewed in advance not only for existing warehouses, but also in terms of new warehouse planning.

### First 'Environmental Safety Day'

In 2020, LX Hausys designated the first Monday of November as 'Environmental Safety Day' and the first week of November as a week for emphasizing the importance of safety. On Environmental Safety Day, we rewarded exemplary worksites after evaluating SI/EI tasks, held special lectures and seminars on safety, and raised awareness with signs and banners. We also provided safety and emergency response training during the week. We will continue to promote safety improvement activities.

The Safe Way is the Right Way.



### Activities aimed at Promoting Construction Safety

- Establishment of mandatory safety equipment standards: Maintain two or more types of safety rings/vertical nets
- Establishment of anchor installation standards for fastening safety rings, etc.
- Presence of safety managers and safety supervisors

# 04

## Establishment of a Win-Win Supply Chain

At LX Hausys, we recognize our suppliers as partners with whom we will grow together and strive to build a sustainable industrial ecosystem by enhancing our mutual competitiveness. In order to help our suppliers, become more competitive, we focus on improving their fundamentals by, for example, enhancing their capabilities and establishing standardized work processes. Also, we are making concerted efforts to bolster our CSR management systems in both our domestic and overseas supply chains in order to prepare for CSR risks that may arise during supplier operations.



### ➔ Long-term Goals

#### Strengthening fundamental competitiveness

- Establish an industrial ecosystem capable of sustainable growth by enhancing mutual competitiveness
- Maximize the enhancement of supplier productivity by providing manufacturing technology support

#### Customer contact management

- Expand supply chains, which are applicable for CSR diagnosis, including overseas and the secondary suppliers

### ➔ Performance Indicators

#### Supplier CSR risk assessment carried out

(As of end of 2020)

on **400** companies

#### Local purchase rate

(As of end of 2020)

**41%**

### Achievements & Plans

With a view to strengthening the fundamental competitiveness of our suppliers, we relaxed the operating standards for our Win-Win Fund and continuously expand financial support. Also, we are also building a sustainable industrial ecosystem by enhancing mutual competitiveness by, for example, improving the productivity of our suppliers through the provision of technical, managerial, and educational support. Going forward, we will establish a healthy collaborative culture by strengthening communication with Tier 1 and Tier 2 suppliers and expanding rewards for suppliers that have achieved significant productivity improvement.

### Activities

#### Supplier Status and Transactions

LX Hausys conducts deals worth KRW 2 trillion with over 2,000 suppliers in order to procure raw materials and parts for products. We select key suppliers by comprehensively reviewing annual transactions valued at over KRW 100 million, strategic importance, and our dependence on these suppliers. In terms of strategic importance, suppliers that provide key parts and parts that cannot be replaced due to market conditions, large suppliers that are competitive in the global market, and suppliers that we are highly dependent on in terms of our sales.

#### CSR Code of Conduct for Suppliers

LX Hausys established our CSR Code of Conduct in 2016, and continue to implement it for all of our suppliers. The Code of Conduct defines the social responsibilities of suppliers in terms of issues relating to labor and work conditions, ethics management, health and safety, and environmental management. We require Tier 1 and Tier 2 suppliers to abide by this set of regulations. Overseas suppliers who enter into contracts with our manufacturing companies in Tianjin, Wuxi, and Atlanta are required to comply with the CSR Code of Conduct from the time of contract signing.

#### — Supplier CSR Checklist Items

- Safety and Health: safety and health management system, industrial safety, response to industrial accidents
- Environmental Management: Environmental management system, hazardous chemical management, environmental pollutant management
- Human and Labor Rights: Written labor contract, discrimination prevention, wages and working conditions, grievance handling
- Other: Customer satisfaction management, ethics management, fair trade, data protection, contribution to local communities

## Procedural Supplier CSR Risk Management

### Supplier CSR Management Principles and Processes

LX Hausys evaluated 400 suppliers from whom we purchased items worth more than KRW 100 million in the previous year by using a checklist based on the CSR Code of Conduct for Suppliers. In particular, new candidate companies must be subjected to CSR evaluation, which is reflected in the evaluation score when selecting a supplier, and the CSR evaluation results are also reflected in the evaluation score during the regular evaluation of existing suppliers. Going forward, we further plan to divide suppliers according to their prior risk level (high/medium/low), conduct evaluations, and carry out improvement activities.

In overseas countries, we are managing the CSR of suppliers primarily in Atlanta, the United States, and Tianjin and Wuxi, China, which serve as our major overseas production bases. Our Atlanta branch conducts evaluations on suppliers with whom purchases valued at over \$10,000 are carried out, and has been signing the CSR Code of Conduct with suppliers since 2018. Our branches in Tianjin and Wuxi also include the Code of Conduct for Suppliers in their standard contracts and perform CSR evaluations.

In principle, if the CSR evaluation score of a potential supplier is less than 70 out of 100, that company is excluded from selection. CSR evaluation is centered on on-site visits, but if it is difficult to conduct such visits due to the nature of the company (non-manufacturing companies, overseas companies, agents, sales agencies, etc.), one-off transactions, or temporarily registered companies with transactions of less than KRW 100 million per year, are evaluated via a written survey.

### Supplier CSR Evaluation Results and Improvement Activities

Accordingly, LX Hausys instructed such suppliers to draft labor contracts for foreign workers, register foreign works for social security systems, and use foreign language materials provided by the Korea Occupational Safety and Health Agency. We will further strengthen monitoring and follow-ups such as compliance with forklift safety procedures, emergency preparations, and wearing protective gear. We also provided training and materials related to workplace safety, such as distributing information on loading height and safety passages. At the annual purchasing council meeting with our suppliers, we provided CSR training and encouraged them to conduct preventive activities. In 2020, we delivered the results in the form of a report due to social distancing. We will further strengthen monitoring and follow-ups, such as requiring suppliers to submit self-improvement measures after evaluation.

### Evaluation Process for CSR Risk Management



### Supplier CSR Risk Assessment Status<sup>1)</sup>

	Unit	2017	2018	2019	2020
All new suppliers	Number	101	207	117	169
New suppliers that have undergone CSR evaluation	Rate(%)	100	100	100	100
Existing suppliers that have undergone CSR evaluation	Number	400	340	340	400

1) Suppliers subject to evaluation

- New suppliers: Evaluation of all new suppliers

- Existing suppliers: Suppliers from whom we purchased items valued at KRW 100 million in the previous year or suppliers whose items have strategic importance

### Results by Category of CSR Evaluation of Existing Suppliers in 2020

Category	Weight	Score	Percentile score
Ethics Management	15	12.44	82.92
Local Community	5	3.60	72.00
Safety & Health	25	21.70	86.80
Human & Labor Rights	30	27.37	91.24
Environmental Management	25	24.20	96.80
Overall average	100	89.31	85.95

1) 90% or higher : Low Risk / 80% or higher : Medium Risk / Below 80% : High Risk

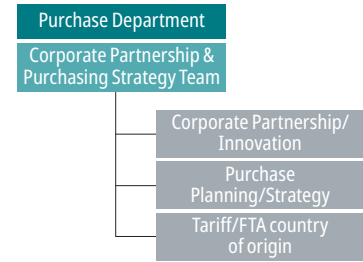


# Strengthening Supplier Competitiveness

## Shared Growth Program

At LX Hausys, we strive to strengthen cooperation at our manufacturing sites based on the view that our competitiveness is also strengthened when our suppliers supply products of the highest quality. We help suppliers increase production reliability and improve quality by providing support for manufacturing facilities and technology. Since 2014, we have been investing in shared growth in order to provide funds to key suppliers for the purpose of productivity improvement and promoting manufacturing innovation among suppliers. Also, we implement a policy by which we share the results gained from effective investments.

## Corporate Partnership Organization



Support aimed at Improving the Productivity of Suppliers	Support for Suppliers' Manufacturing Innovation	Support for Small Businesses Working Exclusively in the Interior Sector
<p>We helped our suppliers GEUMZIN and Mosel build glass bubbles auto feeding systems for lightweight wallcovering. This allowed them to establish smart factories, and improved process efficiency and productivity, thereby making it possible to produce differentiated products.</p>	<p>manufacturing innovation activities and facility automation based on our understanding that win-win cooperation with suppliers is the key to enhancing our manufacturing competitiveness. We also share, with our suppliers, the improvements we are able to make on account of manufacturing innovation, in various forms such as joint patents and technology transfers.</p>	<p>In pursuit of shared growth with small businesses, we expanded our distribution channels through a variety of means, including Z:IN Square, Z:IN Showroom, shop-in-shop retail, home shopping, and events held at apartment complexes. We also established an environment for sales activities within our sales channels in order to overcome the limitations of traditional stores and provide more opportunities for customer engagement.</p>

## Operation of Shared Growth Support System

<p><b>Financial support</b></p>	<ul style="list-style-type: none"> <li>Operated the Win-Win Fund worth KRW 15 billion and supported 36 suppliers</li> <li>Provided a network loan of KRW 60 million to two suppliers</li> <li>Invested KRW 500 million for shared growth</li> </ul>	<ul style="list-style-type: none"> <li>Operated the Win-Win Fund, Network Loans, and Family Loans, which suppliers can use at a low interest rate</li> <li>Assisted outstanding suppliers with improving their financial conditions</li> </ul>
<p><b>Improvements to payment system</b></p>	<ul style="list-style-type: none"> <li>Maintained 100% cash equivalent payment</li> <li>Cash payments other than fund execution requirements totaled KRW 254.6 billion</li> </ul>	<ul style="list-style-type: none"> <li>Paid cash if the settled payment was less than KRW 3 million</li> <li>Increased the ratio of cash payments made to suppliers in order to support their business operations.</li> </ul>
<p><b>Support for quality /technology development</b></p>	<ul style="list-style-type: none"> <li>Over 150 technical support cases for 80 suppliers</li> <li>Applied for 6 joint patents, supported 1 case of using the technology escrow system</li> </ul>	<ul style="list-style-type: none"> <li>Invested approximately KRW 3 billion in assisting suppliers with facility investments and improvements, productivity enhancements and quality stabilization, and system infrastructure support</li> <li>Actively sought joint patents to help suppliers protect their technology</li> </ul>
<p><b>Management support</b></p>	<ul style="list-style-type: none"> <li>The price coupling and supply program amounted to KRW 542.8 billion</li> <li>Provided rewards of KRW 30 million (in cash) to top-performing suppliers</li> <li>As part of management support activities, executives and purchasing managers visited suppliers, and listened to them speak about their difficulties and potential improvements to be made</li> </ul>	<ul style="list-style-type: none"> <li>Secured key chemical raw materials and building materials needed by suppliers to help ease the financial burden placed on them and help solve the issues of material shortage</li> <li>Attending meetings with suppliers by the CEO and purchasing executives, listening to outstanding issues through on-site visits, etc., rewarding outstanding suppliers in management activities, detailed evaluation of the financial structure, etc.</li> </ul>
<p><b>Other support</b></p>	<ul style="list-style-type: none"> <li>Provided quarantine supplies and welfare benefits for Tier 1 and Tier 2 suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Provided quarantine supplies and welfare points to help suppliers overcome difficulties posed by the COVID-19 crisis</li> </ul>

## Fair Trade

### Signing of Fair Trade Agreements

Here at LX Hausys, we have continuously complied with laws related to fair trade, such as the Subcontracting Act, and provided support for suppliers in accordance with shared growth and fair trade agreements with subcontractors. We were included in the Win-Win Index in 2012, and we have been objectively evaluated by the Fair Trade Commission and the Korea Commission for Corporate Partnership in terms of our efforts made toward shared growth every year. As a result, we have received a rating of "Excellent" for six consecutive years in the Win-Win Index evaluation. Moreover, we signed fair trade agreements with 163 Tier 1 suppliers in order to promote mutual prosperity through various support policies, such as payment method improvement, financial support, technology protection, and training support. Subsequently, Tier 1 suppliers signed agreements with 24 Tier 2 suppliers as part of joint efforts to disseminate a culture of fair trade by improving payment dates and recommendation to use the win-win payment system.

### Fair Trade Compliance Program

LX Hausys established a voluntary fair trade compliance program in 2010 and have consistently pursued a culture of fair trade.

#### Main Programs

Program	Contents
Internal inspection	· Inspect key business divisions and sites in order to monitor trade practices
Regulatory training	· Raise employee awareness regarding fair trade and disseminate a culture of fair trade · Distribute fair trade manuals and training materials · Provide regular internal/external training
Preliminary review	· All areas of business from planning, sales, and marketing, to purchasing and financing · To prevent violations of competition-related regulations · Have in-house fair trade experts conduct preliminary business review
Internal review of subcontract transactions	· Build a system to prevent and monitor unfair subcontracting practices when doing business with suppliers · Establish and operate the Internal Subcontract Transaction Review Committee including purchasing managers

### Outcomes of the Fair Trade Compliance Program

Every year, LX Hausys provides fair trade and subcontracting training to our business divisions and manufacturing plants, and conduct audits. In 2020, the CEO sent his message about fair trade to all employees with a view to expressing management's deep commitment to fair trade practices. Through the Fair Trade Series, we share the latest cases of violations of fair trade regulations every month in an effort to raise compliance awareness. We also repeatedly train employees at business divisions and purchasing departments on the prevention of collusion, subcontracting regulations, and compliance with the Fair Trade Act. Furthermore, we continue to educate employees and audit the sales division. In order to block unfair advertisements in advance, we established and currently operate a labeling and advertisement advisory system.

#### Fair Trade Compliance Training for Employees

Category	2017		2018		2019		2020	
	subcontracting	Cartel and unfair trade	subcontracting	Cartel and unfair trade	subcontracting	Cartel and unfair trade	subcontracting	Cartel and unfair trade
Number of trainees (persons)	72	252	110	265	138	164	55	245
Number of training sessions	4	15	7	12	6	13	4	15

\*Due to the COVID-19 situation, the educational material was provided to employees instead of the collective education for employees in 2020.



# ESG MANAGEMENT

- 37 \_ Jeong-Do Management
- 38 \_ Governance
- 39 \_ Tax Strategy
- 40 \_ Quality Management
- 42 \_ Environment, Health, and Safety /  
Environmental Management
- 45 \_ Safety and Health Management
- 48 \_ Protection of Human Rights and Labor
- 49 \_ Talent Management
- 51 \_ Social Contribution
- 54 \_ Information Security
- 55 \_ Stakeholder Engagement
- 56 \_ Materiality Assesment



## Jeong-Do Management

### Jeong-Do Management

At LX Hausys, we are fully aware of the importance of Jeong-Do Management and view it not as an option, but as a prerequisite for our survival as a company. Thus, we operate a team that is dedicated to the successful implementation of Jeong-Do Management, and ensure that this management philosophy is woven into the fabric of our corporate operations so as to prevent our employees from committing any corrupt or illegal acts or behavior and so as to establish a culture of Jeong-Do Management.

### Code of Ethics

LX Hausys established a Code of Ethics and continue to practice the ethical norms outlined therein in order to help guide the behavior and judgments of our employees. The Code of Ethics mainly includes the information on responsibilities and obligations toward customers, fair competition and trade, basic ethical principles for and the responsibilities of our employees, and responsibilities towards the country and society. The Code of Ethics Handbook and e-book are available in Korean, English, and Chinese and are distributed to our employees.

### Structure of Jeong-Do Management

Activities aimed at establishing a culture of Jeong-Do Management	Management Improvement Activities
<ul style="list-style-type: none"> <li>· Operation of Jeong-Do Management Pledge</li> <li>· Education for employees and suppliers</li> <li>· Dissemination of a culture of Jeong-Do Management</li> <li>· Operation of Shinmungo and counseling systems</li> <li>· Whistle-blowing system</li> </ul>	<ul style="list-style-type: none"> <li>· Audits of business competitiveness</li> <li>· Issues and report audits</li> <li>· Regular monitoring</li> </ul>

### Report & Whistleblowing System

All our employees sign the Jeong-Do Management Pledge in a commitment to practicing Jeong-Do Management. Here at LX Hausys, we prohibit all our employees from accepting any bribes or rewards from stakeholders under any circumstances. In the event that bribes or gifts are offered, they should be politely declined and returned in accordance with the Code of Ethics. If for any reason this is not possible, the articles in question should be reported and handed in to the Ethics Bureau. Any violation of Jeong-Do Management principles is reported via the Shinmungo System. These include unfair practices carried out by our employees such as the misuse of authority, the acceptance of bribes, and any other practices that go against the Code of Ethics. In the event that online reporting is unavailable, reports can be made by phone, fax, postal mail, or in person. [LX Cyber Shinmungo](#)

### Dissemination of a Culture of Jeong-Do Management

LX Hausys makes concerted efforts to spread a culture of Jeong-do Management through the implementation of Jeong-do Management training, and by distributing promotional materials to all of our employees and partners, including overseas corporations, every year. We provide training tailored to each role within our company. This training is provided to all employees, including new recruits/experienced employees, and expatriates, and we also provide dispersion training led by each business division/department. In 2020, education for employees was conducted online in accordance with rules aimed at preventing the spread of COVID-19. In addition, we appointed a director and personnel to work in the Office of Ethics, whose remit is to spread and establish a culture of "Jeong-do Management" throughout the company, in addition to practicing Jeong-do Management every day by taking the lead on all related education, public relations, and preventive activities. The principles of Jeong-Do Management are reflected in the KPIs of our directors and the personnel of 26 departments both domestically and overseas at a rate of 5 to 10%.

### Spreading Jeong-Do Management to Suppliers

LX Hausys continuously strives to achieve mutual trust and cooperative relationships with our suppliers through a culture of fair trade. We communicate with our suppliers through mobile webtoons and messages such that suppliers can approach the topic of Jeong-do Management in a comfortable manner.

#### Jeong-Do Management Education Data<sup>1)</sup>

Category	Region	Unit	2018	2019	2020
No. of employees who received education	Domestic	No. of persons	3,060	2,598	4,957
	Overseas <sup>2)</sup>		934	767	76
No. of suppliers that received education <sup>3)</sup>	Domestic	No. of companies	2,012	1,998	1,675

1) Based on the cumulative number of people in question (including duplicates).

2) U.S., China, Europe, Russia, etc.

3) The method of communicating with suppliers was changed from offline training to mobile webtoon/message between 2018 and 2020.

*In order to become a company that customers trust, all our employees need to voluntarily practice Jeong-Do Management*

- From the CEO's Message

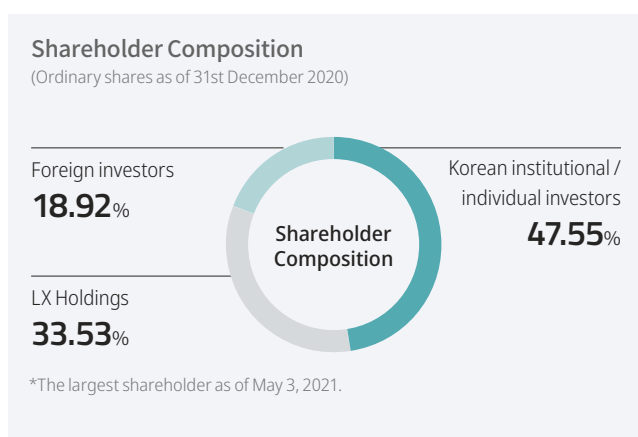


## Governance

### Shareholder Composition and Rights

LX Hausys established a fair and stable ownership structure in order to become a sustainable company. Our shareholders are entitled to wide-ranging shareholder rights, and information on major business issues is disclosed through the electronic information disclosure system of the Financial Supervisory Service, or on our corporate website. We began operating an electronic voting system in 2021.

LX Hausys Homepage – Shareholder Composition 



### BOD Composition and Operation

Our Board of Directors (BOD) is responsible for making major decisions regarding how we conduct our business, and for supervising the operations of our board members. The BOD also votes on various matters in accordance with the relevant laws and the Articles of Association, matters delegated at the general shareholders' meetings, and other important business-related matters. As of April 2021, our BOD is composed of two executive directors, one non-executive director, and four external directors.

### Appointment of the BOD and External Directors

BOD members are appointed the procedures stipulated by the Commercial Code and other relevant regulations, and must be approved at general shareholders' meetings. Listed companies with n KRW 2 trillion in assets must fill half of their BOD's seats with external directors. This regulation, four external directors were selected from among experts with no vested interests in our company, bringing with them extensive experience and expertise in the fields of economy, business management (marketing), chemical engineering, and automotive engineering. Once appointed, the external directors observe our strategic directions the economy, society, and the environment. They also attend to pending issues, and are then asked to voice their opinions on these matters. The term of the directors is three years in principle, and their re-appointment is determined in consideration of the results of an assessment of their achievements.

**BOD composition (As of July 2021)**

Director	Name	Gender	Education	Date of Initial Appointment	Career History	Position
Executive Directors	Kang Gye-Woong	Male	Dept. of Economics, Pusan National Univ. (BA)	03.26.2020	(Current) Representative Director of LX Hausys (Current) CEO of LX Hausys (Former) Korea Sales & Marketing Company B2C Group Leader of LG Electronics (Former) Representative Director of Hiplaza	BOD Chairman
	Kang In-Sik	Male	Dept. of Accounting, Pusan National Univ (BA)	03.14.2019	(Current) Representative Director of LX Hausys (Current) CFO of LX Hausys	
Non-executive Directors	Roh Jin-Seo	Male	MIT MBA in U.S.A. (M.A.)	03.25.2021	(Current) CSO of LX Holdings (Former) Vice-president of the Strategy Department, LG Electronics (Former) Executive Director of the Robot Business Center, LG Electronics (Former) Executive Director of the Planning Team, LG Corporation (Former) Business Strategy Director, LG Electronics	
Independent director	Ha Young-Won	Male	Marketing Major at the University of Chicago (Ph.D.)	03.25.2021	(Current) Honorary professor, Department of Business Management, Sogang University (Former) Professor, Department of Business Management, Sogang University (Former) Chairman of the Korea Marketing Association	
	Suh Swoo-kyung	Female	Dept. of Techno Design, Kookmin Univ. (Ph.D.)	03.25.2021	Current) Professor, Department of Environmental Design, Sookmyung Women's University (Current) Vice-chairman of the Korean Institute of Culture Architecture (Current) Vice-chairman of the Space Design Alliance of Korea (Current) Non-standing Director of the Korea Institute of Design Promotion	Member of the Audit Committee
	Kim Young-Ick	Male	Dept. of Economics, Sogang Univ. (Ph.D.)	03.24.2016	(Current) Adjunct professor, Department of Economics, Sogang University (Former) Director of the Research Center, Hana Daetoo Securities (Former) Director of the Research Center, Daishin Securities	Chairman of the Audit Committee
	Lee Bong-Hwan	Male	Dept. of Vehicle Engineering, Cranfield University (M.A.)	03.09.2018	(Current) Independent director of LX Hausys (Former) Professor of Industry-University Cooperation Concentration, Graduate School of Engineering Practice, Seoul National University (Former) Director of the R&D Headquarters, Hyundai Mobis	Member of the Audit Committee

## Diversity of the BOD

LX Hausys' BOD is composed of external directors from various backgrounds and with expertise in diverse fields, including a female academic expert in environmental design, academic experts in management marketing, financial and accounting experts responsible for strengthening our company's internal control and risk management, and vehicle experts with career backgrounds in both industry and academia.

## BOD Activities

LX Hausys' BOD met in 2020, and the average percentage of directors in attendance was 89.2%. The BOD deliberated on 40 agenda items including the approval of business plans, of which 33 items were approved and 9 reported.

## BOD Committees

### Audit Committee

LX Hausys operates the Audit Committee under the BOD in order to ensure the independence and transparency of our auditing. The committee consists of three external directors, all of whom are exempt from the disqualification criteria stipulated in the Commercial Code. The Audit Committee is responsible for inspecting our accounting and business practices, and reserves the right to request board members to report on business operations and to investigate our business conduct and assets. The committee can convene ad-hoc general shareholders' meetings in order to deal with special issues by submitting documents that outline the reason for convening such a meeting and the purpose of the meeting. The committee also has the right to request business reports from subsidiaries and investigate their operations and assets if deemed necessary.

### External Director Candidate Recommendation Committee

LX Hausys operates the External Director Candidate Recommendation Committee in order to ensure independence throughout the appointment procedure for external directors. The committee considers the experience and expertise of each candidate and how they will be able to contribute to the performance of our company, and checks for any conflicts of interest or other matters that may compromise their indepen-

#### Criteria leading to Disqualification in terms of the Independence of External Directors

- The company's standing director, executive officer or employee, or a standing director, auditor, executive officer or employee who has worked for the company in the last two years.
- The company's largest shareholder, his/her spouse, and lineal ascendants/descendants.
- The largest shareholder company's director, auditor, executive officer or employee.
- The spouse and lineal ascendants/descendants of the company's director, auditors, executive officers.
- The company's parent or subsidiary company's director, auditors, executive officers, employees.
- The director, auditors, executive officers and employees of a corporation which has an important interest in the company's transactions.
- The director, auditors, executive officers and employees of another company whose director, executive officer, or employee is their executive officer.

## Operational Performance of the BOD Committees (updated)

(As of the end of 2020)

Committee	Composition	No. of meetings held in 2020
Audit Committee	3 external directors	6
External Director Candidate Recommendation Committee	2 external directors and 1 non-executive director	

dence, before recommending candidates for approval at the shareholders' meeting. The committee is composed of three members, more than half of whom must be external directors.

## Evaluation and Compensation for Directors

LX Hausys determines the remuneration of the BOD within the limit set for directors following approval at the general shareholders' meeting. The remuneration for executive directors is determined by evaluating their financial performance, their performance related to key tasks, and their performance in regard to long-term expectations for the future. These evaluations are carried in accordance with our performance evaluation criteria and the special incentive regulation for executives determined by the BOD. The same amount of financial remuneration is paid to all external directors, within the limit approved at the general shareholders' meeting. The individual remuneration for directors and auditors who receive more than KRW 500 million is disclosed in our business report in accordance with the relevant laws.

## BOD Remuneration (As of the end of 2020)

Category	No. of person	Total amount <sup>1)</sup>	Average per person
Registered Directors <sup>1)</sup>	3	KRW 2.928 billion	KRW 976 million
External Directors (excluding the members of the Audit Committee)	1	KRW 72 million	KRW 24 million
Members of the Audit Committee	3	KRW 216 million	KRW 72 million

<sup>1)</sup> Except 1 non-executive director who receives no remuneration (from among the registered directors).

## Tax Strategy

### Tax Strategy and Response

At LX Hausys, we faithfully adhere to tax laws and the relevant regulations both in Korea and in the host countries of our various overseas branches. To strengthen our competitiveness in the global market and improve our shareholder value, we conduct effective tax-saving activities within the remit of tax law, implement a tax policy designed to prevent double taxation, and reasonably respond to the requirements of taxation authorities. We clearly outline information about our income tax expenses, deferred corporate taxes, and valid tax rates in our audit report, and this information is disclosed through the electronic information disclosure system of the Financial Supervisory Service. We will continue making concerted efforts to faithfully fulfill our tax payment obligations and to become a company that is respected by society and our customers.

# Quality Management

## Operation of our Integrated Quality Information Management System

LX Hausys established an IT system in order to control and verify the quality of our complete products, such that the development of a new product or changes in the production of a product, including changes to its raw materials, equipment, and processing, do not affect product quality. Accordingly, we are able to ensure consistent product quality for our customers. Furthermore, in the event of a customer complaint about a product, we collect and manage all the related quality information in order to trace a product's raw materials, production history, and processing condition, and then use this information to improve product quality by continuously investing in IT and facilities. We are strengthening our fundamentals in terms of production quality management by gradually applying MES1) and UMS2). We are also striving to improve the exterior quality of our products by reflecting a 'test automation system', using various types of sensors, throughout our annual production tasks.

- 1) MES (Manufacturing Execution System) : A management system that controls the entire production process from product planning to production.
- 2) UMS (Utility Management System) : A real-time monitoring system for processing information regarding the condition and status of equipment.

## Enhancement of our Quality Management System

LX Hausys strives to provide products and services by reflecting customer demands at all stages of the product cycle from product planning to follow-up services. We control all new products through FMEA (Failure Mode and Effects Analysis; a risk prediction and response method) and Q-Gate (Quality Gate; a procedure for verifying the quality of new products) to prevent potential risks. We are in the process of establishing a standard development

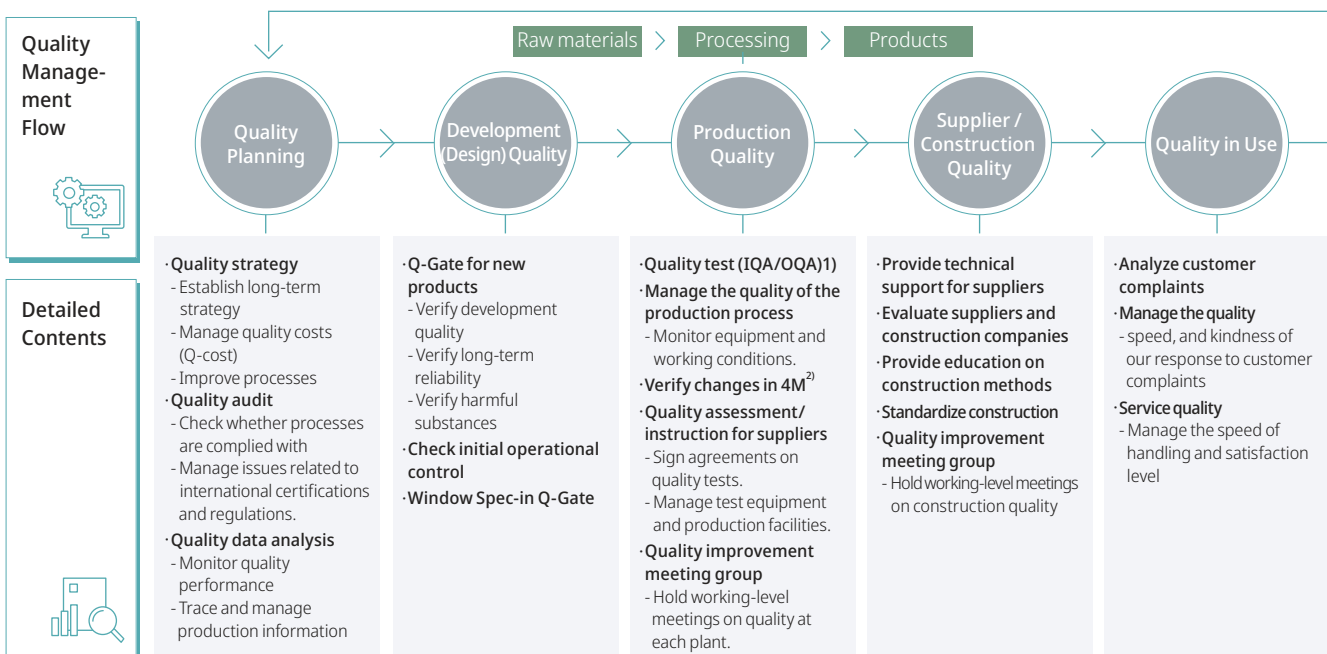
process that sets precise quality targets at the stage of product planning by reflecting customer demands, and operating the three stages of standard development quality verification processing through the Quality Verification Committee in order to check that the standard of quality is satisfactory.

## Fostering of Quality Experts

LX Hausys fosters in-house problem solving specialists in order to precisely reflect customer demands and establish an effective quality improvement plan by internalizing the Six Sigma approach. As of 2020, 9.1% of our engineers have been trained as MBBs (Master Black Belts), and we plan to train up to 23.5% of our engineers to become MBBs by 2023. We will continue to provide education programs and a certification system for relevant personnel to secure systematic and logical problemsolving and decision-making capabilities regarding quality issues as well as the capacity to analyze Big Data, a prerequisite for Digital Transformation.

## Operation of our Construction Supervision Department

Our construction supervision department ensures product quality and provides excellent and consistent construction services. It checks the quality level of each of our construction teams, and standardizes and disseminates excellent construction know-how to major construction sites around the country. We conduct supervision activities aimed at preventing serious mistakes during the construction of kitchens and bathrooms. In addition, once construction is complete, we check the finishing quality using a standard that is even higher than that of our customers. In addition, we continue to make our methods of supervision and our feedback processes more sophisticated, in addition to managing such processes systematically.



1) IQA (Incoming Quality Assurance): Quality assurance of incoming raw and minor materials. OQA (Outgoing Quality Assurance): Quality assurance of outgoing products.  
 2) 4Ms: Changing elements of the production process - Man, Material, Machine, Method

## Verifying Product Use Safety

LX Hausys continues to carry out activities aimed at reducing harmful environmental factors throughout the product life cycle in order to provide customers with healthy and safe products. No incident of non-compliance concerning the health and safety impacts of our products and services has occurred for the last 3 years.



Product Development



Base Material Warehousing



Finished Product Verification

A number of products submitted for hazardous substances analysis in 2020.

31



Product Shipment

### — Mandatory hazard check when developing new products

We require the verification of product hazards during the new product quality verification phase, and continuously check the emission of hazardous substances starting with base materials and up to the finished product. All newly developed products must pass this verification process without failure, and any production process suspected of generating toxic emissions is controlled via rejection of development completion approval. We will continue to manufacture safe products by blocking harmful substances at the source during the new product development phase.

### — Operating an IT system for the management of chemical substances

**Preliminary review of chemical substances** Since 2018, we have ensured systematic management of chemical substances throughout the entire product development process - from the product development phase to the environment and safety review, purchase, review, use, storage, and disposal. Accordingly, we continue to make improvements that enable our employees to work safely without being exposed to risk factors. In addition, in order to prevent the legal risks associated with the legally regulated chemical substances used in base materials, we have introduced a review process aimed at checking chemical substances regulated by environment & safety authorities before the purchase and utilization of base materials.

### — Operating dedicated teams under our research institute-

**Verifying long-term reliability** We have developed an accelerated testing method and include this method in regular inspection items for verifying the safety and long-term quality of a product, and reflect the environment in which the customer will use the product in the product characteristics. We measure and accurately manage how long a given product that is exposed to a particular service environment for many years can maintain its quality, and make continuous improvements aimed at strengthening its durability.

**Analyzing hazardous substances** We operate precision analysis facilities and professional personnel in order to increase the reliability of efforts to detect serious toxic substances, such as TVOC and HCHO, and to secure safety in terms of harmful substances that are not recognized as such and that may be detected during the process. We continuously monitor the hazardous substances emitted during the entire production process from the development phase to product release, as well as any hazardous substances that may be generated by unintended chemical reactions or unidentified pathways.

### — Operation of toxic substance analysis rooms at each plant

We have established hazardous substance analysis infrastructure (test equipment/inspector) at each of our domestic manufacturing plants and are constantly testing for the presence of major toxic substances such as TVOC and formaldehyde. All products are controlled according to stringent guidelines in accordance with legal standards, and all non-conforming products that exceed these standards are disposed of. Moreover, activities aimed at preventing the recurrence of issues are performed on the basis of a thorough causal analysis.

### — Acquisition of official certification for reduction of hazardous substances

We hold various product safety certifications according to the characteristics of our products, ranging from the domestic certifications "Eco Label"<sup>1</sup>) and HB Mark<sup>2</sup>) to OEKO-TEX<sup>3</sup>), a European textile product quality certification.

### — Operation of radon (radioactive material) test systems

In 2019, we installed a radon analyzer at each of our domestic plants, and tests are being performed on a regular basis. We emphasize customer safety first and foremost, and continuously actively respond to new toxic substances.

### — Securing the basis of tracking and managing causative agents

We have established a system for tracking a product's manufacturing history, including base materials, working conditions, etc., by linking IT systems such as our production management system and our warehouse management system. Going forward, we will operate the tracking management system continuously in order to respond to unexpected toxic substance issues by accurately identifying their causes and estimating the extent of any damage.

\*Eco Label : Government-certified certification issued by the Korea Environmental Industry and Technology Institute, Ministry of Environment, which certifies the eco-friendliness of the entire production process from product manufacturing to consumption and disposal.

\*HB Mark (Healthy Building Material) : A certification related to the organic compound emissions (TVOC, HCHO) of building materials, issued by the Korea Air Cleaning Association.

\*OEKO-TEX (European textile product quality certification; an association of 18 textile institutes in Europe and Japan) : Eco-friendly certification that evaluates the harmlessness of a product.

## Environment, Health, and Safety

### Environment, Health, and Safety Policy

Here at LX Hausys, we established and currently implement our own environmental, health, and safety policy in order to grow and develop together with society by securing the trust of society through zero-accidents and eco-friendly management in recognition of the fact that environmental, health, and safety management is an important factor in ensuring our company's sustainable development based on the principle of 'Respecting Human Dignity'.

#### Environmental, Health, and Safety Policy

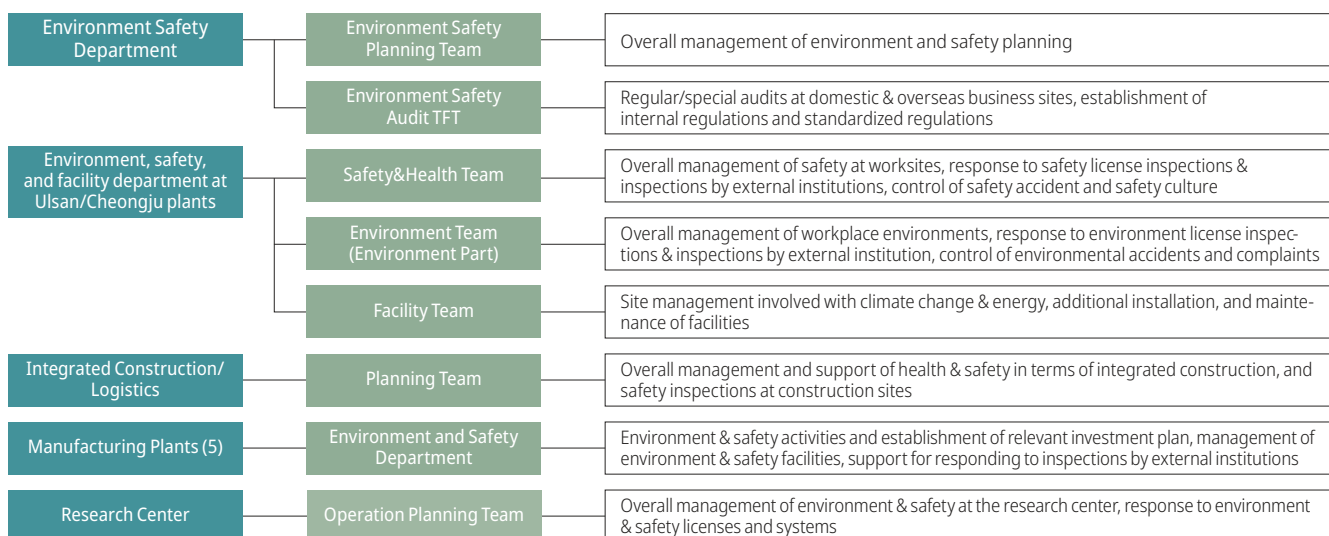
- Nurturing of human/material resources
- Establishment of a culture that upholds fundamental principles
- Provision of eco-friendly products and services
- Compliance with laws and regulations
- Transparent disclosure of our company's environment, health, and safety policy
- Support for suppliers



### Reinforcement of Issues related to the Environment and Health

From 2020, in order to actively respond to and focus on environmental issues, which have attracted much attention both domestically and internationally, we started organizing these issues under the umbrella term of "the environment and safety" instead of "safety and the environment". We also established environment teams and environment departments in accordance with the size of the organizations Ulsan Plant and the Cheongju Plant, and we operate these departments separately from the health and safety department. In addition, we integrated the overall work of the health department into our environment and safety organization in order to strengthen our organizational system with the ultimate aim of being able to respond to health issues, including the COVID-19 pandemic, preemptively and efficiently.

### Company-wide Environment and Safety Organization



## Environmental Management

### Environmental Goals

Our environment and safety department and production department establish and implement environmental goals and a related management program each year in order to ensure 'zero environmental accidents' and maintain the successful operation of our environmental management system. We establish major performance goals and detailed action plans according to various themes - such as atmosphere, water, chemicals, waste, soil, and systems - and monitor the performance results in relation to our quarterly goals. In 2020, we conducted quarterly reviews and provided education on environment regulations, in addition to conducting a monthly inspection of environmental facilities and environmental disaster prevention training in order to prevent and respond to environmental accidents. In addition, we established and implemented our environmental goals in relation to various areas, including analyses of the causes and control of processed water and wastewater, management of the 'per unit cost' of reducing waste and other relevant costs, and ISO 14001 certification for maintaining the operation of our environmental management system. In 2021, we will focus on improving our environmental facilities and eco-friendly raw materials by replacing low-efficiency air pollution prevention facilities with high-efficiency facilities, with the aim of reducing our output of air pollution, wastewater, chemicals, and greenhouse gases.

### Environmental Investment

LX Hausys is continuously increasing our investment in environmental improvements with a focus on reducing the volume of pollutants and greenhouse gas emissions generated by our production processes, and on increasing our environmentally-friendly processes. In 2020, in order to reduce the output of nitrogen oxide and volatile organic compounds, which cause fine dust pollution, we concentrated on investing in facilities that eliminate pollutants. As a result, we invested a total of KRW 11.4 billion in the improvement and maintenance of environmental facilities across all areas related to the environment.



### Environmental Education

LX Hausys provides both our own employees and our suppliers' employees with more than two hours of safety education on chemical substances per year, and also provide 16 hours of separate safety education once every two years for personnel who deal with harmful substances. Moreover, we provide regular internal education about ever-changing environmental systems and issues in order to raise our employees' awareness of and interest in the environment, and in order to prevent environmental accidents.

### Atmospheric Environment Management

In order to improve the atmospheric environment, LX Hausys has actively embraced new technologies and switched to new high-efficiency pollution control equipment and systems with a view to improving our efficiency in treating air pollutants. We primarily operate Regenerative Thermal Oxidizers (RTO) at our Ulsan Plant and electric precipitators as optimal air pollution control equipment, and we have built a monitoring system in order to prevent air pollution accidents and monitor the operational status of such equipment in real time. In addition, in order to reduce emissions of nitrogen oxide, which causes fine dust pollution, we establish emissions reduction goals for each workplace and manage the performance of each site in relation to meeting these goals every month. We have also replaced the burners of our boilers, which generate the greatest share of our pollutants, with a new facility which significantly reduces emissions of nitrogen oxide in order to more effectively reduce air pollutants and fine dust pollution.

### Water Environment Management

LX Hausys manufacturing plants are not located in vulnerable water areas. The Ulsan Plant gets 94% of its water supply from the Hoeyang River, while the Cheongju Plant uses the public water supply. The entirety of the wastewater produced by our production processes is purified primarily at our plants' own wastewater disposal centers, and is then discharged to the water quality improvement center run by the local government. We analyze the main water pollution indices, such as BOD, TOC, SS, TN, and TP, with our own analysis equipment in order to control the quality of freshly drawn water, and regularly request analyses of water pollutants outlined in domestic regulations by an authorized inspection agency. Along with dikes and trenches for preventing accidents caused by leakages of pollutants, we have also installed alarms at major raw material storage facilities with a view to preventing water pollution accidents caused by the leakage of raw materials. Furthermore, we have installed air-water separator tanks and emergency storage tanks at major locations at all of our worksites in order to prevent large-scale leaks of raw material pollutants into the stream.

### Ozone-Depleting Substance Management

LX Hausys does not produce any ozone-depleting substances as defined in the Montreal Protocol, nor do we use such substances in our manufacturing process. However, CFC-based substances are contained in a portion of the refrigerants used in our freezers which are for freezing products and air conditioning.

### Waste Management at HQ and Worksites

We operate a waste resource management office at each of our worksites in order to control storage and discharging processes in line with the relevant laws, and we are making concerted efforts to establish eco-friendly working environments as a company that is part of the resource circulation performance management system\*. In 2020, the Ulsan Plant produced 3.5% of our company's harmful waste, while the Cheongju Plant produced 4.6%, and thus we are continuously monitoring waste management at these plants. In order to minimize the production of waste at our worksites, we provide education on waste discharge for employees every year.

\*The resource circulation performance management system is a system in which each company that produces large amounts of waste within a city or province sets and manages a resource circulation goal, in order to contribute to the achievement of the nation's long-term phased resource circulation goal.

### Recycling Management

In accordance with the Act on the Recycling of Resources, we pay waste charges, recycling agreement allotted charges, and packing material recycling allotted charges every year. As for our window profiles, and floor tiles and sheets, we sign a recycling goal with the Ministry of Environment every year under the voluntary participation system, and if and when we reach the mandatory recycling ratio, we are exempted from paying waste charges. However, from 2023, we will be participating in the system of Extended Producer Responsibility (EPR) instead and thus we are currently drawing up a suitable response plan.

\*Extended Producer Responsibility (EPR): A system by which producers are obliged to recycle a certain amount of their products or packing materials, and, should they fail to meet the recycling requirement, recycling charges which exceed the cost of recycling will be imposed on them

### Hazardous Chemicals Management

LX Hausys domestic plants handle hazardous chemicals such as MEK and ethyl acetate. However, we are actively reviewing and developing eco-friendly substances by changing oil-based treatment agents to water-based treatment agents in order to reduce our use of such harmful chemicals. We have also installed safety devices such as barriers and gas detectors around facilities that store harmful chemicals in order to prevent fires, explosions, or leaks caused by these chemicals within the workplace. Meanwhile, we have appointed managers for each section of these facilities with a view to managing hazardous chemicals and thoroughly examining the relevant facilities once a week in order to ensure safe operation of worksites.

### Review of New Raw Materials Regulations

As the government has strengthened its policy regarding the supervision of chemical substances, responding to government regulations has emerged as an important issue. Accordingly, LX Hausys has intensified our review of both domestic and international regulations before purchasing new raw materials in order to comply with laws and regulations related to chemical substances. Concerning newly manufactured or imported raw materials, in accordance with the recent amendment to the Occupational Health and Safety Act, we always monitor whether a pre-certification system with MSDS (Material Safety Data Sheets) has been applied or not.

### Research Center's Exchange of Chemical Reagents

In February 2020, LX Hausys Research Center introduced the process of exchanging chemical reagents between departments - if it is necessary before disposing of them - to the chemical management IT system. This process helps our company reduce the unnecessary generation of waste and save on the cost of purchasing reagents, thereby effectively killing two birds with one stone.

### Diagnosis and Improvement of Environment

LX Hausys conducts our own environmental diagnosis with a view to controlling non-compliance with legal regulations, and reducing the risk of environmental accidents, which can occur with all environmental management systems (facilities, system, etc.). In 2020, we established a diagnosis TFT to enhance our diagnosis processes, and, in the second half of 2020, we re-inspected the overall management facilities and system for eliminating air pollutants and controlling chemicals in a bid to reduce risks and increase work efficiency.

### Environmental Responses for Local Communities

LX Hausys installed eleven odor monitoring systems at the Ulsan Plant to monitor odors at worksites, analyze the cause of these odors, and conduct preventive activities. In order to reduce complaints about noise, we analyzed the cause of noise, established a countermeasure plan, and invested in facilities such as soundproof walls, via noise diagnosis consultation. Moreover, we committed to achieving mutual growth with our local communities by conducting various activities, including facility investment, the "one-company, one-stream saving" campaign, and voluntary agreements to reduce fine dust.

### Activities aimed at Minimizing the Impact on Ecosystems

Since 2020, the Ulsan Plant has been conducting quarterly investigations of the water quality of the Hoeyagang River as part of its ecosystem preservation activities. The plant analyzes and manages four elements (COD, DO, pH, etc.) at 12 locations between the Hoeya Dam and Ganggu Dock. In addition, the Ulsan Plant, which used to discharge cooling water from the cooling tower directly into the stream, has invested about KRW 300 million in piping work. Now, the plant's own water control office treats the water first and then channels it to the local government's sewage treatment plant in order to minimize pollution load risks, which can affect the ecosystems of nearby streams. In 2020, the Cheongju Plant was unable to participate in the annual environment preservation event due to the prohibition of holding group events in accordance with regulations aimed at preventing the spread of COVID-19. However, the plant signed an agreement to improve the water quality of the Mihocheon Stream with the Geum River Basin Environmental Office in 2019, and has since then engaged in activities aimed at preserving the ecosystem and the environment, such as cleaning ditches, planting aquatic plants, and providing environmental education for local residents.

### Environmental Data



## Safety and Health Management

### Safety and Health Policy

LX Hausys established Safety and Health Management Regulations in order to maintain and improve our employees' health and safety. Each worksite has also established its own internal safety and health regulations with a view to outlining and implementing the fundamentals in terms of safety and health to enable employees to be able to work in pleasant and accident-free working environments.

### KPI related to Safety and Health

Category	Result Indicators	Preventive Indicators
KPI indicator	Severe accident, Comprehensive accident prevention score	Performance rate of diagnosis & improvement, compliance rate of management system, educational attainment, performance rate of field tasks, activities aimed at increasing safety awareness

### Activities aimed at Mitigating Risk Factors

LX Hausys continuously monitors all of our systems and risk factors in order to prevent accidents such as fires and injuries, in addition to carrying out enhancement activities.

#### Current Status of Risk Factor Inspections

Description	Description
Fire Prevention	<ul style="list-style-type: none"> <li>Define management items - power, use of LNG, and overheated equipment</li> <li>Construct measurement/warning systems</li> <li>Improve upon firefighting devices in offices, warehouses, and other vulnerable facilities.</li> <li>Train individuals on emergency response procedures</li> </ul>
Eliminate oil mist/static electricity	<ul style="list-style-type: none"> <li>Install static dischargers, oil mist measurement devices, and industrial humidifiers.</li> <li>Modify the formulation of raw materials, measure and manage the discharge of static electricity and oil mist</li> </ul>
Discover and improve risk factors in the workplace	<ul style="list-style-type: none"> <li>Voluntarily discover risk factors each month for each office at worksites.</li> <li>Analyze risks and conduct activities aimed at mitigating risk factors</li> </ul>
Reinforce the disaster prevention system	<ul style="list-style-type: none"> <li>Expand evacuation facilities and warning/monitoring systems</li> <li>Reinforce firefighting devices for vulnerable facilities</li> </ul>
Review ESH* management status	<ul style="list-style-type: none"> <li>Conduct comprehensive diagnosis of environment and safety (monthly)</li> <li>Check the storage of dangerous articles and hazardous chemicals (weekly)</li> <li>Conduct safety inspection of closed construction sites</li> </ul>

\* ESH (Environment, Safety, Health)

### Occupational Health and Safety Committee

LX Hausys signs employee agreements with our labor union, and host quarterly Occupational Health and Safety Committee meetings at which labor and management are represented in equal numbers. In addition to preventive initiatives focused on production departments and blind spot areas, an employee representative attends the committee meetings once every six months in order to inspect the work environment and address health and safety issues.

### Strengthening the Special Environment and Safety Audit

In 2020, LX Hausys established the "Environment and Safety Audit TFT" at HQ in a bid to strengthen our environment and safety management system and ensure compliance with the relevant laws and regulations, and to establish our environment and safety team in the workplace. In particular, we reorganized the "Law Compliance Checklist" in order to focus on strengthening compliance with regulations. Based on this, we are trying to eliminate potential non-compliance in advance by conducting self-inspection led by the audit TFT of our main office.

Going forward, we will conduct our audits with a focus on hazardous risks posed by chemical raw materials, which is the starting point of environment and safety management. In 2021, we will conduct audits based on our management regulations, which are stricter than the relevant laws, so as to discover and improve latent environment and safety risk factors at each of our worksites. The issues and improvement schemes identified in the results of the audits are reflected in our regulations with a view to continuously improving the level of our environment and safety management.

#### Detailed Information on Audits


Item	Period	Period	Details
Regular Audit	All plants	12 times	Perform regular inspection/performance inspection, and check compliance status and emergency response training for all environment & safety-related areas.
Special Audit	Department in charge	Frequently	Diagnose similar risk factors when internal and external issues occur, conduct diagnosis upon receiving instructions to do so from management, diagnose supplier support.
Accident Check	Department in charge	Frequently	<ol style="list-style-type: none"> <li>Serious accidents.</li> <li>The same accident occurs at the same location or accidents hap-pen more than two times per year.</li> <li>Accidents which cause issues that could lead to serious disaster</li> </ol>

### Establishment of a Company-wide Environment and Safety Slogan

In March 2020, LX Hausys held a contest to coin an environment and safety slogan. Our employees participated in the contest firm in the conviction that environment and safety is our top priority. The final slogan was selected via a preference survey taken by employees and a screening by the environment and safety department.

Slogan

**Safe Way Right Way**



Meaning

If you are wondering whether to carry out a task using a safe but slow method or an unsafe but fast method, you should know, without hesitation, that the safest way is the right way, and the right way is the fastest way.

This slogan was chosen because it expresses the fundamentals when it comes to safety, and the connection of the words “right” and “safe” highlights positive perception. It can be also used as our English language slogan because its meaning is clear. The selected slogan has so far been used in press materials, e-mails, and in various promotional data.

U S A F E 1 8 0

"당신과 우리의 안전, 스스로 관리합니다."



Ulsan Plant Environment and Safety Slogan

### Safety Culture Campaign in the Workplace

LX Hausys carries out safety culture improvement activities according to the characteristics of each of our worksites, along with company-wide activities aimed at establishing a culture of safety. The Ulsan Plant carries out U-SAFE180, the plant’s own safety culture activity. ‘U-SAFE180’ is a compound word composed of U (Ulsan, yoU, Us), S (Self), A (Analyze), F (Find), E (Execute), and 180. It implies that Ulsan, you, and us will analyze risks, find problems, and execute improvements of our own accord so as to discover and mitigate 8 risk factors per workplace per month and to achieve zero (0) accidents. The Ulsan Plant endeavors to prevent safety accidents by inducing employees to act of their own accord in cooperation with top-tier management. Since 2019, the Cheongju Plant has conducted an activity that the whole plant participates in called “Accident-Free (10004) OK” with the goal of achieving (OK) zero accidents (04) by inspecting, discovering, and mitigating more than (100) field risk factors per month. Through the plant’s unique campaign “Let’s adhere to what we must adhere to, and do what we have to do, together!” the Cheongju Plant is striving to create safe working environments so as to prevent accidents.

### Spreading a Culture of Safety and Increasing Awareness

LX Hausys assessed the degree to which a culture of safety permeates our company in cooperation with a body of experts in 2018, and, based on the results, carried out various improvement activities. In 2020, we focused on activities designed to strengthen the spread of safety culture values and communication, and conducted a second safety culture assessment by systematically organizing the assessment table to suit the characteristics of our company. As a result, the score was improved from 3.69 (max. score: 5) in 2018 to 4.16 in 2020. We stipulated the operational criteria for the safety culture level assessment, and provided education for employees to learn and internalize this culture so as to create a safer workplace. Going forward, we will continue to improve our safety culture.



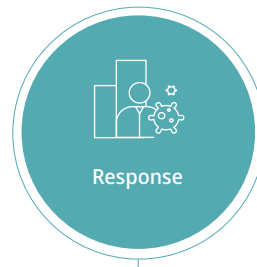
Cheongju Plant Environment and Safety Slogan

## Response to the COVID-19 Pandemic



### Preventive measures including restriction of movement

To prevent the spread of the highly contagious COVID-19 virus, we are promptly taking response measures, such as restricting movement between overseas countries, performing physical examinations, and taking active mandatory quarantine measures. Also, We have already established company-wide infectious disease response guidelines (guidelines on how to respond in the case of a confirmed patient or a person who has been in contact with a confirmed patient, and phased response guidelines on social distancing), prepared and are currently operating permanent response criteria (emergency training, securing of protective equipment, construction of IT infrastructure, etc.) in order to prepare for the further waves of the disease and to be able to systematically respond to pandemics in the future.



### Response to confirmed cases of COVID-19 in the workplace

When a case of Covid-19 was confirmed at any of our worksites, employees in that building were informed immediately and ordered to leave. We identified the number of people who had been in contact with, or were concerned about having been in contact with, a confirmed patient, and conducted secondary identification through the contact tracing system provided by healthcare centers, in order to ensure that all employees were screened immediately. In addition, we disinfected the entire building to prevent reoccurrence.



### Working from home

LX Hausys established phased guidelines for social distancing. In the 1<sup>st</sup> phase, at least 10% of the employees in each department took it in turns to work from home, while in the 3rd phase, at least 50% of employees in each department worked from home. Pregnant employees were always allowed to work from home.





## Protection of Labor and Human Rights

### HR Management Principles

Value is created from individual creativity, while performance is driven by employees' competences and capabilities. At LX Hausys, we provide fair opportunities in accordance with individual aptitudes and qualifications, fairly evaluate the delivered outcomes, and provide compensation in accordance with individual and organizational contributions made. Furthermore, we have adopted a consistent, long-term approach to making all HR management decisions, while guaranteeing equal employment opportunities based on our diversity policy, respecting human rights, and compensating our employees for their performance without any discrimination on the grounds of gender, age, religion, etc., as outlined in our Code of Conduct and our employment policy.

### Global Labor Policy

LX Hausys fully respects the provisions set forth in the agreements made by the International Labor Organization (ILO), the 'UN Guiding Principles on Business and Human Rights' proposed by the UN Human Rights Commission, and other standards and regulations outlined by international organizations and groups in the field of labor and human rights. We established the <LX Hausys' Global Human Rights & Labor Policy> which declares our commitment to 'guaranteeing and respecting the right to human dignity, freedom, and happiness as a fundamental value.' The full version of the policy is available on our website.

**Global Labor Policy**

- Respect for Human Dignity
- Working Hours
- Prohibition of Forced Labor
- Prohibition of Child Labor
- Wages and Benefits
- Non-Discrimination Policy



LX Hausys' Global Human Rights & Labor Policy (in English) 

### Healthy Work-life Balance and Support for Skilled Female Employees

LX Hausys actively participates in government policies related to the provision of parental leave, the creation of a family-friendly corporate culture, and the promotion of a healthy work-life balance. We also manage and cultivate skilled persons for each role within our company such that skilled female personnel can grow into core leaders of the organization.

### Labor-Management Relations

LX Hausys is committed to improving the quality of life of our employees by securing world-leading corporate competitiveness through our continuous achievements. To this end, we established a strong labor-management partnership based on the principles of participation and cooperation. We also aim to establish community-based labor-management relations that contribute to social development. In order to achieve this objective, we will operate a three-dimensional labor relations model based on the three pillars of 'business management', 'worksites', and 'collective bargaining' in order to engage with and seek the cooperation of all of our employees. In addition, we engage in constant communication and faithful consultation with our labor union in an effort to build a mature labor-management culture based on mutual trust and respect. As of the end of 2020, 99.8% of our employees had joined the trade union.

\* Percentage of unionized workers = (Unionized workers / total number of specialized technical personnel) x 100

### Labor-Management Community

LX Hausys pursues engaging and cooperative labor relations in which employees and top-tier management respect each other's role on an equal footing. Our executives host regular dialogues with employees, and hold quarterly management meetings. Events designed to revitalize our organization, such as annual sports events held at company worksites, also contribute to opening up dialogue between management and labor. Furthermore, we host quarterly labor-management conferences in order to facilitate discussion on common issues of concern between labor and management, such as the improvement and expansion of welfare facilities, and the pursuit of superior business performance.

### The Grievance Settlement Process

LX Hausys makes concerted efforts to protect our employees' human rights, increase their job satisfaction, and create healthy working environments by listening to and settling their grievances. In addition, we operate a personal grievance program via the company intranet.

### Prevention of Workplace Bullying

LX Hausys operates a special channel via the company intranet for the reporting of, and counseling on, sexual harassment and workplace bullying. The channel allows victims and witnesses to report such incidents without fear, and we conduct an investigation immediately upon receiving such reports. In addition, we post and disseminate educational data via the intranet in order to raise awareness of and prevent workplace bullying and sexual harassment.

## Talent Management

### Program for Nurturing Outstanding Individuals

#### Promotional Direction of Talent Development

LX Hausys develops and support various nurturing programs such that our employees can produce the best possible work performance while focusing on our customers. We emphasize a companywide shift to a customer-oriented mindset not only for those departments that have contact with our customers, but for all of our employees. We are also focusing on internalizing employees' digital capabilities in order to become more flexible and adaptable to external changes, such as the ongoing digital transformation (DX). In 2020, we adopted the online education platform 'Singlex Baeummadang' and established the infrastructure required to give employees access to essential educational content anywhere, anytime. In addition, our existing offline education courses were redeveloped as online courses in accordance with the new societal trend toward remote and contactless education and work.

#### Performance Achievements and Targets

Target	Internalization of DX organizational capability	Construction of contactless education infrastructure
<b>Performance in 2020</b>	<ul style="list-style-type: none"> <li>Constructed a DX expert nurturing system</li> <li>Developed &amp; operation of a training course on R Language &amp; Python</li> <li>Dispatched of personnel to an external expert education course</li> </ul>	<ul style="list-style-type: none"> <li>Adopted the contactless education platform LX Baeummadang</li> <li>Switched from offline collective education to online courses</li> </ul>
<b>Plan for 2021</b>	<ul style="list-style-type: none"> <li>Acquisition and assignment of experts who can implement DX tasks</li> <li>Digital transformation of our ways of working</li> </ul>	<ul style="list-style-type: none"> <li>Development of advanced teleconference equipment and operating system</li> <li>Review of our online education operating platform</li> </ul>
<b>Long-term plan</b>	<ul style="list-style-type: none"> <li>Internalization of employees' digital capabilities: Strengthen their problem-solving ability based on data, and improve their working methods</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of a new platform and continuous updating of the content in order to deliver efficient contactless education courses.</li> </ul>

#### Establishment of a Contactless Employment Process

LX Hausys is focusing on the changes required to become more flexible and adaptable in response to the changing business environment and to secure excellent talented individuals as soon as possible. In particular, for the purpose of the timely infusion of talented individuals into jobs, we have replaced our open recruitment system with a year-round recruitment system in order to attract and recruit suitably talented people via various employment platforms and channels. In addition, we actively adopted contactless interview infrastructure in line with the new trend toward contactless work, and enhanced our contactless recruitment process by adopting online personality and aptitude tests coupled with an online practical test, so as to discover talented individuals and verify their abilities in a more efficient way.

### Program for Developing One's Leadership Skills and Direction

At LX Hausys, we conduct a team leader leadership survey in order to evaluate the leadership competency of team leaders who create customer value and, based on the results and findings of the survey, runs various programs designed to help team leaders develop their leadership competencies by themselves. Moreover, we distribute the LX Hausys Leadership Guide, which provides guidance on how to respond to and take action in every possible situation, such that team leaders can determine their roles and missions at any time and develop their leadership skills and leadership direction. We also run a series of workshops on organizational development which are conducted by team leaders with a view to supporting their voluntary performance and development. In addition, we recommend team leaders and high-level leaders to participate in leadership education more than once a year in order to raise their awareness of leadership and develop their competencies.

#### Education Completion Rate of Management/Team Leaders

Education completion rate	No. of leaders	No. of courses completed	Completion rate
Management	47	40	85%
Team leaders	214	208	97%

#### Enhancing Core Job Competence

In order to systematically nurture R&D and manufacturing experts, LX Hausys develops and operate practical business courses in relation to R&D, which include actual cases of development derived from basic theory in various fields, such as polymer materials/processing, inorganic materials, composites, and architectural design/energy. In terms of the manufacturing field, we develop and provide training courses in phases, with the focus on our underlying technologies including car rendering, extrusion, injection, coating, printing, and foaming. In addition, we formed a dedicated organization for nurturing sales and marketing personnel, and provide systematic educational courses designed to help employees equip themselves with the knowledge required to change the customer-oriented business environment and develop their spatial design and consultation capabilities.

#### Major Development Programs for Employees

Development program for employees	Explanation of business performance	Quantitative value of business performance	Quantitative value of business performance
Job training (engineers)	Improvement of 'internal failure cost' by increasing engineers' job capabilities in terms of production skills, quality and cost management.	Improvement rate of Internal Failure Cost:	57%
Job training (sales & marketing)	Reinforcement of customer contact point service, and increased brand awareness and profits by improving B2B/B2C sales and marketing activities.	Sales increase per person: KRW 32 million	82%

## Innovating our Organizational Culture

### Creating a Dynamic Organizational Culture

LX Hausys aims to establish a dynamic organizational culture that prioritizes a strong performance and results. Going forward, we will continue to make positive changes to enable our employees to work resourcefully and achieve excellent results in line with the goals of our organizational culture and the changing business environment.

### Improving Our Ways of Working

In order to respond quickly to changes in the external environment, including legislation aimed at reducing working hours, LX Hausys introduced a flexible worktime system in July 2018 which allows employees to choose their working hours within the limit of 40 hours per week after obtaining approval from their supervisor or team leader. We also conduct activities that are designed to change our ways of working, and which enable the participation of employees. For example, we conduct a diagnostic survey of employees' ways of working with a focus on keywords, such as meetings, reports, and work instructions, and hold improvement workshops for each team according to the results of the survey. In addition, in order to activate Smart Work, which enables employees to focus on "what" and "how" rather than "when" and "where," we established guidelines on permanently working from home and implemented them as part of a pilot project. We also introduced a cooperative tool and support employees to substantially change their ways of working.

#### Major activities aimed at improving our organizational culture in 2020

##### ① Campaign to change our ways of working

We conducted a campaign aimed at changing our methods and ways of working, in which detailed methods are proposed based on reporting, meetings, and work instructions. Using the slogan "How (Habits of Work)? SMART!" we induced employees to change their style of working and conducted a quarterly 'pulse' survey to assess their voluntary efforts toward change and improvement.

##### ② Employee-based Change Workshop

We conducted the change management workshop program in order to enable each team to establish an organizational improvement plan based on the results of the survey of the customer-oriented organizational culture. Through this workshop, employees shared the results of the survey and their opinions on the organizational culture in a frank and open manner, and also identified and executed tasks aimed at improving the organizational culture.

#### Employees' Satisfaction

Item	2019	2020
Employee satisfaction survey results	4.0 / 5.0 points	3.7 / 5.0 points
Response rate	83.8%	70%

#### Employee Consultative body 'Green Board' Activity

Each business department and worksite selects employees to sit on the Green Board (eleven members were selected in 2020). The Green Board serves as a communication channel for our company and spreads our organization culture centered on the notion of a "Good Place to Work". Meetings between the Green Board and the CEO are held at least twice per year, serving as a forum for communication between top-tier management and our employees.

#### Communication Channel 'We Ha女 (Nyeo, Women)' for Female Employees

"We Ha 女" (Nyeo, Women), a team of female employees operating within the employee consultative body "Green Board", is a special communication channel for female employees designed to promote a positive and flexible organizational culture. Each business department and worksite selected 11 female employees to listen to the various voices of employees and spread our "Good Place to Work" organizational culture. We Ha holds meetings at least once a year with the CEO in order to convey the opinions of employees and communicate the company's vision. .

## Compensation System

### Fair Assessment System and Feedback

LX Hausys endeavors to ensure fairness in our assessments of employees' performance, which include quarterly reviews, the Assessment Review Committee, and the capabilities of our evaluators. We conduct quarterly progress reviews while offering regular performance feedback and coaching with a view to improving the fairness and acceptability of evaluation results. As part of the year-end assessments, the Assessment Review Committee conducts comprehensive assessments and reviews. We also provide mandatory e-learning to evaluators their ability to conduct fair and objective assessments. Moreover, we continuously review and reflect measures designed to ensure fairness therein, such as changing the target of evaluations (team → job position).

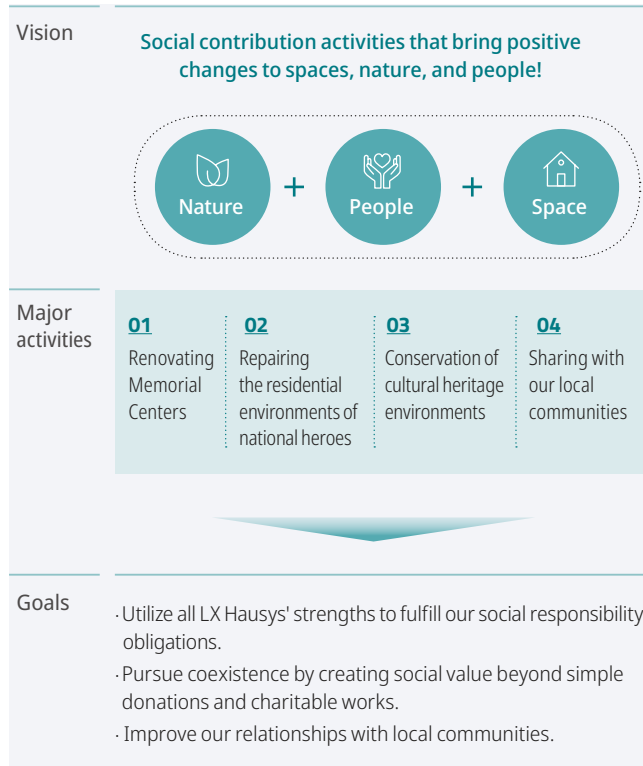
### Performance-based Compensation System

LX Hausys' system of remuneration and compensation consists of cumulative and noncumulative components based on performance-driven principles. The cumulative annual salary scheme compensates individuals differently according to the results of the previous year's evaluation, whereas the non-cumulative scheme consists of role-based pay and recognizes and rewards individuals' roles and responsibilities with differential rates, performance pay, on-the-spot incentives for exceptional performance, and reward programs operated at the level of each unit organization. In particular, in 2021, by integrating various existing compensation systems for innovation activities, we created and began operating the I4 Awards (for individual ideas), the BP Awards (to discover BP cases), and the LOHI Awards (for excellence in innovation). These programs and awards are designed to consolidate the performance-driven HR principle of "High Performance, High Return."

## Social Contribution

### Strategy for Implementing Social Contribution

Here at LX Hausys, we carry out a wide range of social contribution activities aimed at promoting mutual prosperity with local communities by utilizing the capabilities of our company and our employees. Going forward, we will continue to conduct diverse contribution activities, with a commitment to social responsibility, in order to facilitate positive and happy changes within local communities.



### Investment in Local Communities (Unit: KRW 1 million)

Item	2017	2018	2019	2020
<b>Total</b>	2,197	1,481	1,545	1,461

### Social Contribution Activities in 2020 (Unit: %)



### Social Contribution Activity Costs in 2020 (Unit: KRW 1 million)

Type of social contribution	Total
Cash payment	1,032
Employees' voluntary work during working hours	100hrs
Payment-in-kind	429
Indirect expenses (Operation expenses)	-

### Social contribution strategies and activities

Item	Business Connectivity	Business KPI	Society/Environment KPI
Business-related social contributions	LX Hausys helps underprivileged groups (men of national merit, independence patriots & historic sites, disadvantaged young people, etc.) to improve their living environment by using our business capabilities and infrastructure, and by providing Hausyswallpaper, flooring materials, and windows	<ul style="list-style-type: none"> <li>· Promote product, construction, and design capabilities</li> <li>· Increase number of customers and improve customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>· Support to improve the environment of underprivileged groups and enhance the lifestyle of local communities: Support provided for 33 independence patriots, 12 historic Korean Independence sites, and 25 youth facilities</li> </ul>
Education for children and youth	We provide young people with opportunities to learn about cultural heritages. We also develop contents to preserve, promote, and utilize cultural heritages, and encourage young people to participate voluntarily in these activities so as to contribute to social development	<ul style="list-style-type: none"> <li>· Increase number of customers and improve customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>· Increase interest in cultural heritage.</li> <li>· Development of content aimed at the preservation, promotion, and utilization of cultural heritage</li> </ul>
Creation of social value	We conduct the Make a Happy Space program in order to help local children's centers renovate their interior spaces and renovate obsolete or run-down facilities in order to contribute to the protection of children in our local communities.	<ul style="list-style-type: none"> <li>· Secure potential customers and increase sales: LX Hausys' wallpaper and flooring materials are used in construction works (11 in 2020)</li> </ul>	<ul style="list-style-type: none"> <li>· Contribution to the protection of children in local communities</li> </ul>



## Renovating Memorial Centers and Residences for People of National Merit

### Renovating Memorial Centers

LX Hausys renovated a considerable number of centers which serve as memorials for Korean independence activists (Seo Jaepil, Yun Bonggil, Lee Hwayeong, Ahn Junggun, Han Yongwun, Ahn Changho, Kim Chang-suk, Shin Chaeho, and Son Byunghee), in addition to renovating the Yi Yuksa Literary Museum, using our outstanding windows and flooring materials, among other products. We also supported the restoration of twelve historic domestic and overseas sites, including the Chongqing Provisional Government Complex and the former Embassy of the Korean Empire in the U.S.



Renovation of the Son Byung-hee Memorial Center.

### Renovating the Residence for People of National Merit

Since 2015, LX Hausys has been renovating the homes of national heroes, Korean War veterans, and descendants of independence activists. We renovated the homes of thirty people in Korea and three people in other countries (U.S. and India), and will continue with our renovation activities in the future.



Photo of the house of Guk Jung-gwang before upgrading the windows

Photo of the house of Guk Jung-gwang after upgrading the windows

## Initiatives for Local Communities

### Creating a Happy Space

LX Hausys launched our 'Create a Happy Space' initiative in order to encourage future leaders to dream and hope for a better future by improving public youth spaces through our specialized products and our extensive execution and design capabilities. We improved twenty-five shared spaces of social welfare organizations for adolescents, ranging from the opening of the first building under the "Creating a Happy Space" initiative, which is a child welfare town at the Holt Ilsan Center, to the Jangnak Branch School in 2020. In particular, employees and their children produced DIY furniture, such as lockers, and donated them to the beneficiary facility.

### Renovating the Environment of Local Children's Centers

LX Hausys supports the renovation of local children's centers together with the KACCC (Korea Association of Children's Center Councils). In 2020, we helped renovate eleven local children's centers including the Dasom Community Children's Center.

### Key Social Contribution Initiatives

LX Hausys engages in diverse social contribution activities such as cleaning the neighborhoods around our manufacturing plants in Korea and overseas, assisting with the maintenance of facilities in such areas, lending a strong helping hand with the recovery efforts in flood damaged areas, and contributing to the development of local communities.

Workplace	Initiative	Description
Ulsan plant	One Company, One Village	Supported the events held in villages near the plant and purchased agricultural produce from them from these villages.
	One Company, One Stream	Inspected the water quality of the Hoeya River near the plant and conducted clean-ups along the river.
	One Company, One Mountain	Cleaned up Daeun Mountain with Ulsan City and Ulju-gun.
	Happy Day	Donated kimchi to local children's centers and elderly persons living alone.
Cheongju plant	One Company, One Military Unit 1	Formed a partnership with the 37th Infantry Division of the ROK Army, assisted the effort to improve the military camp environment, donated appreciation gifts and funds.
	One Company, One Village	Supported the events of neighboring villages.
	Support for children from low-income families	Supported the minimum living expenses of children from low-income families in conjunction with Child Fund Korea.
	Happy Coal Briquette Delivery	Delivered briquettes to senior citizens living alone in conjunction with Chungbuk Briquette Bank.

## Creating Value for Local Communities through Private-Public Partnerships

### Engagement in the Green Remodeling Project

The Green Remodeling Project, supervised by the Ministry of Land, Infrastructure, and Transport, aims to improve the energy performance of old buildings whose energy efficiency has deteriorated. This not only helps to balance energy supply/demand, but also serves to reduce energy costs. We develop and supply high-insulation windows and other energy-efficient products in order to promote the cause of this meaningful project. We are primarily committed to the green remodeling market, renovating 6,800 old sets of windows in 2017, 7,200 in 2018, 7,500 in 2019, and 7,200 in 2020.

### Assisting the underprivileged in conjunction with the Ministry of Environment

LX Hausys offers free assistance with renovating homes for socially underprivileged groups including low-income families, broken families, children suffering from environmental diseases, and people whose living conditions are often sub-par. We inspect their homes for hazardous factors that cause environmental diseases and, when necessary, install our eco-friendly wallcovering and flooring free of charge. We visited underprivileged people to measure the indoor air quality of their homes, and chose households in urgent need of renovation and installed eco-friendly wallcovering and flooring and improved their indoor environment. For underprivileged people belonging to socially underprivileged groups suffering from atopic illnesses and other environmental diseases, we provide free medical treatment in cooperation with the Environment & Health Center. In partnership with the government, we have been a pioneer in improving the indoor environments of underprivileged social groups.

### Diagnosing Indoor Environments/Supporting Improvement Projects (Creating Places with Clean Air)

The air quality at local children's centers, facilities for the elderly, rehabilitation facilities for the disabled, and shelters for the homeless, which were selected as targets for our project of "creating places with clean air" was measured, and some centers were found to have actually exceeded the standard stipulated in the Indoor Air Quality Control Act, and mold was visible to the naked eye. Accordingly, we provided eco-friendly interior materials that have been awarded the Eco Label certification, such as 'SORIZAM flooring material' and 'wallcovering FIANCEE', to eleven regional children's centers in Gyeonggi-do, in order to improve the indoor environment of those centers. The users of facilities for vulnerable social groups benefitted from a more pleasant and comfortable environment thanks to our environmental improvement projects aimed at 'creating places with clean air'.

### Indoor Environment Improvement Projects for Green Daycare Centers

Our project to improve the indoor environment of Green Daycare Centers aims to create a healthier indoor environment for future generations through environmentally-friendly consumption. Supported by the Ministry of the Environment, this project aims to cultivate environmentally-friendly consumers and promote the supply and adoption of green products. LX Hausys contributes to raising awareness of eco-friendly building materials and to creating a green consumption culture by donating our flooring materials which have been environmentally certified.

### LX Z:IN Safe Door Campaign

Under 'LX Z:IN Safe Door Campaign', we replace old doors of daycare centers with highly safe 'LX Z:IN Doors' so as to prevent safety accidents, such as children's fingers getting jammed or caught in a door. In particular, as our 'LX Z:IN Door' is equipped with hinges that prevent jamming incidents, and a safe door knob that can turn 180 degrees in order to prevent the door from being completely closed, it can be used without any anxiety regarding children being involved in accidents in houses and daycare centers. In 2020, LX Hausys replaced the doors of three daycare centers including Anayul Disabled Children's House, Simmok Disabled Children's House in Yangcheon-gu, Seoul, and the Green Daycare Center in Nowon-gu.

# Information Security

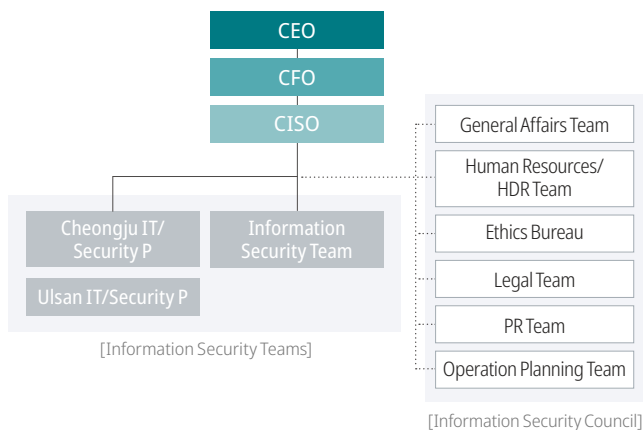
## Strengthening the Security Management System

LX Hausys establishes security policies to achieve sustainable growth and provide reliable services to customers by protecting business strategies, core technologies, research information, and personal information, which are important business assets, as well as operates detailed security management guidelines.

## Strengthening the Information Security Organization

Under the Act on Promotion of Information and Communications Network Utilization and Information Protection, Etc. (Information and Communications Network Act), LX Hausys designated a Chief Information Security Officer (CISO) and are operating an organization comprised of the information security team, information security-related teams, and the information security officer/manager in each team. To practically strengthen information security, we assign the information security management officer of each team as an executive and the information security manager as the team leader to identify the business characteristics and business risks of each team to raise awareness of important information as well as information security among team members. Decisions on major security policy/coordination/plans are made by holding the information security council or putting them on the agenda of the management committee.

### Information Security Organization Chart



## Employee Security Training

LX Hausys conducts online information security training at least once a year to increase the awareness of information security among employees. In 2020, 2,291 (99.5%) of the 2,231 employees completed the training. We are managing information security risks by raising awareness of internal security compliance through information security training for new hires and educating new senior team leaders on compliance requirements and their roles to manage information leakage prevention activities. With the recent increase in telecommuting, we ensure that our employees are aware of possible external security risks in advance and comply with external security rules.

## Information Security Prevention Activities

LX Hausys is operating physical security facilities and a management security system to prevent leakage of important and personal information. When there is a suspected risk of internal information leakage, we activate the security verification process. We are strengthening our information security system in response to threats such as external hacking and service disruption.

## Physical Security at Sites

In 2020, LX Hausys reinforced the physical security system with the relocation of the LX Hausys head office building. We strengthened the information asset export process by operating a security checkpoint and introduced a mobile device control system. When constructing a new factory line, we install and operate access terminals and CCTVs after reviewing building security considering the physical security system to prevent safety and security accidents.

## Company Pc Security

Employee PCs are important in-house assets and are regularly inspected for security vulnerabilities. Considering the risk of internal information leakage and response to external threats targeting employees, we are working to improve security solutions and block malicious programs.

## Security Vulnerability Check and Improvement Activities








When building and improving systems, we consider security in the requirements analysis and design stage and identify infrastructure vulnerabilities through simulation hacking in the implementation stage to detect security risks in advance.

## Customer Data Protection Activities

As LX Hausys expands customer contact points into the B2C market, we manage the status of personal information retention and processing flow through personal information impact assessment when building major personal information processing systems and adding distribution channels. We strive to protect customer data and prevent personal information leakage by complying with the Personal Information Protection Act and the Information and Communications Network Act. With the increasing use of digital marketing due to the COVID-19 pandemic, we focus on protecting data privacy with our legal team and receive advice from law firms in overseas countries to ensure personal information-related compliance in each country, such as the European General Data Protection Regulation (GDPR) and the US California Consumer Privacy Act (CCPA).

## Stakeholder Engagement

LX Hausys listens to the diverse opinions of our stakeholders and reflect them throughout our management of our company. Here at LX Hausys, we classify stakeholders into employees, customers, suppliers, local communities, and shareholders and investors, and we operate communication channels that are appropriate for the characteristics of each of these groups. In 2020, LX Hausys strived to actively collect opinions through interviews with stakeholders and reflect these opinions in our management activities.

Stakeholder Group	Expectations	Communication Channel
<b>Employees</b> 	<ul style="list-style-type: none"> <li>· Cooperative labor-management relations</li> <li>· Enhancement of welfare benefits</li> <li>· Reinforcement of health and safety</li> <li>· Protection of human rights and labor rights</li> </ul>	<ul style="list-style-type: none"> <li>· Employees' satisfaction survey</li> <li>· Management presentations</li> <li>· Labor-Management Council</li> <li>· Company newsletter</li> <li>· Occupational health &amp; safety committee</li> </ul>
<b>Shareholders/ Investors</b> 	<ul style="list-style-type: none"> <li>· Long-term growth and development</li> <li>· Precise and transparent information disclosure</li> <li>· Creation and distribution of profit</li> </ul>	<ul style="list-style-type: none"> <li>· Company presentations</li> <li>· General meeting of shareholders</li> <li>· Electronic disclosure</li> <li>· Investors' meeting</li> </ul>
<b>Customers</b> 	<ul style="list-style-type: none"> <li>· Quality competitiveness and differentiated value</li> <li>· Product and service satisfaction</li> <li>· Listening to customers' opinions</li> </ul>	<ul style="list-style-type: none"> <li>· Customer satisfaction survey</li> <li>· Receiving customers' opinions</li> <li>· Prosumers' activities</li> <li>· Product exhibition</li> <li>· LX Z:IN exhibition hall</li> </ul>
<b>Suppliers</b> 	<ul style="list-style-type: none"> <li>· Construction of cooperative partnership</li> <li>· Management support and cooperative activities</li> </ul>	<ul style="list-style-type: none"> <li>· Management / technical support programs</li> <li>· Purchasing council</li> </ul>
<b>Local Communities</b> 	<ul style="list-style-type: none"> <li>· Strategic social contributions</li> <li>· Investment in local communities</li> </ul>	<ul style="list-style-type: none"> <li>· Social contribution cooperative projects</li> </ul>
<b>Scholars and Experts</b> 	<ul style="list-style-type: none"> <li>· Technology development</li> <li>· Business and academic cooperation</li> </ul>	<ul style="list-style-type: none"> <li>· Joint research</li> <li>· Technical advice</li> </ul>
<b>Government Agencies</b> 	<ul style="list-style-type: none"> <li>· Compliance with fair trade laws</li> <li>· Mutual growth</li> <li>· Compliance with environmental regulations</li> </ul>	<ul style="list-style-type: none"> <li>· Advice on industrial policies</li> </ul>

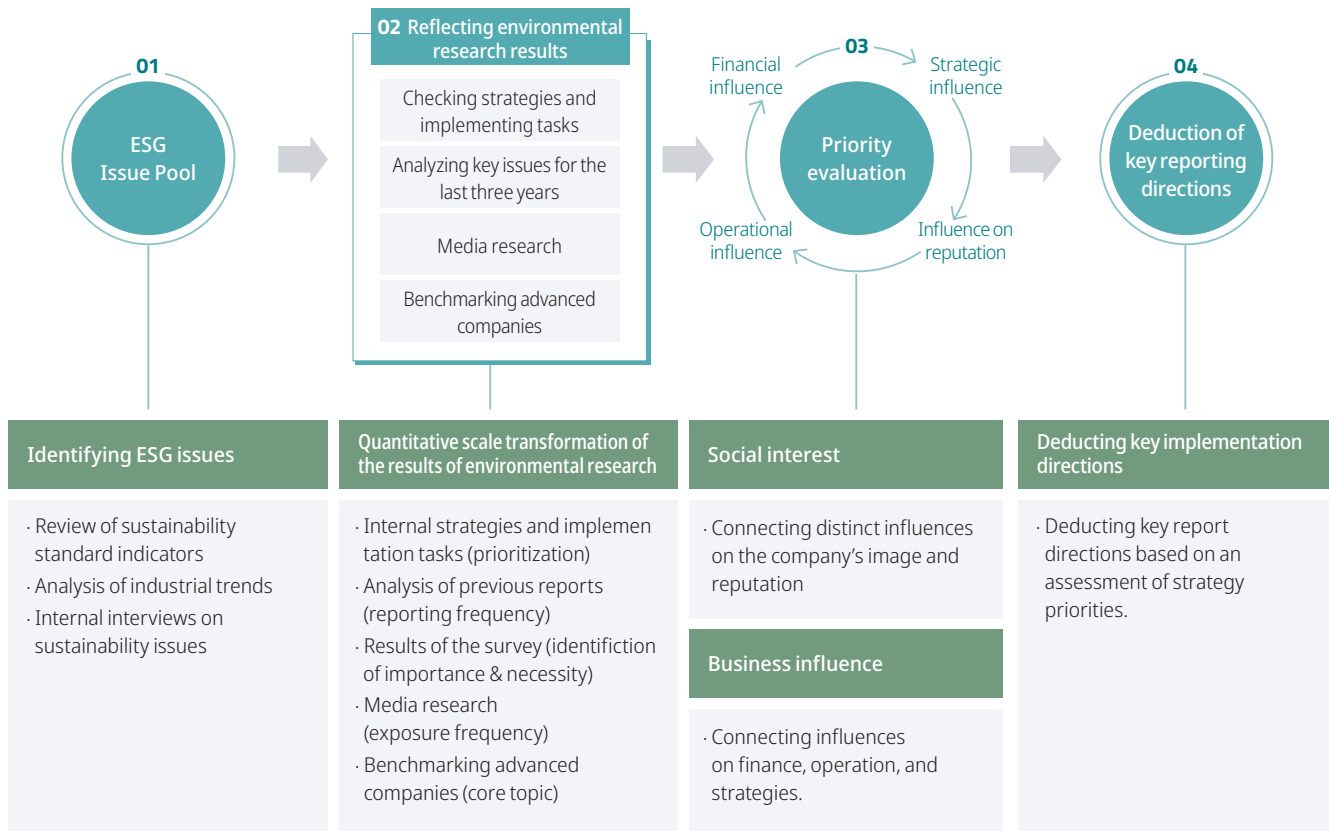


# Materiality Assessment

## Materiality Assessment Process

LX Hausys conducted a Materiality assessment in order to identify and select major management issues that would determine the contents of our Sustainability Report. An analysis of the respective importance of the issues was performed with a view to prioritizing the most significant issues for stakeholders and determining which issues have the greatest effect on the economy, the environment, and society. In order to identify sustainability management issues and form our pool of issues, we analyzed management strategies and performance, external assessments, policies and regulations, and major sustainability regulations in the industry, as well as issues exposed to the media. Then, we analyzed the influence on stakeholders and the business impact of the selected issues in order to deduce the final reporting issues.

### Step 1 : Identify Issues & Create a Pool of Issues



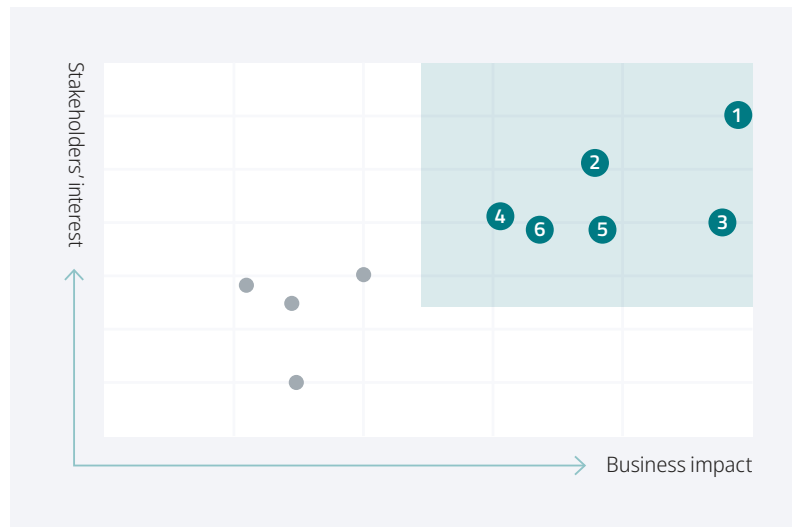
## Characteristics of the 2020 Materiality Assessment

LX Hausys referred to key issues of global construction material manufacturers and also reflected global sustainability guidelines in creating our issue pool through the Materiality assessment. In 2020, we determined reporting items according to the standard outlined by the Sustainability Accounting Standard Board (SASB) of the TCFD (Task Force on Climate-related Financial Disclosure).

## Step 2 : Results of the Materiality Assessment

LX Hausys identified and then prioritized the most significant issues in terms of business and stakeholders. The final results are indicated in the materiality matrix together with relational positions in terms of stakeholders' interests and the potential business impact. The results of the Materiality assessment showed that the development of eco-friendly products and the response to climate change were the key issues, while the importance of building R&D capabilities fell slightly compared to the previous year.

Rank	Issues
1	Developing eco-friendly products
2	Upgrading product and service quality
3	Developing products that satisfy customers
4	Responding to climate change
5	Creating a safe workplace environment
6	Promoting mutual prosperity and win-win growth with suppliers
7	Controlling environmental pollutants in the workplace
8	R&D capacity building
9	Social contribution activities
10	Ethical management



## Step 3 : Confirming Key Issues and Reporting Topics

Five key issues have been selected and included in this report based on the results of the importance assessment, which considers the importance of issues, the business interests of internal and external stakeholders, and the impact of each issue on our business. We adjust our activities according to the results of the assessment. We will continue to identify the four major interests of stakeholders through internal and external communication, and implement sustainability management together with our stakeholders.

Key Issues	Influence on Stakeholders	GRI Index	Business Impact <sup>1)</sup>	Page
Development of eco-friendly products	Employees, Customers, Government, Investors	416-2, 417-1~2	Finance, Reputation	24~27
Development of products that satisfy customers				
Upgrading of product and service quality	Employees, Customers, Investors	417-3	Finance, Reputation	20~23
Response to climate change	Customers, Government, Local Communities, Investors	302-1~2, 305-1~2	Reputation	28~30
Creation of a safe workplace environment	Employees, Suppliers, Government	403-1~2	Management, Reputation	31, 45~46
Promotion of mutual prosperity and win-win growth with suppliers	Suppliers, Government	308-1, 414-1	Management, Reputation	32~35

1) Finance : Influence that relates to the company's financial profit and loss for a short time, directly and indirectly.

Management : Influence that relates to business management and activities, and operational processes.

Reputation : Influence that relates to the reliability and reputation of stakeholders (local communities, customers, etc.)

# APPENDIX

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## Sustainable Management and Data

### Financial Data

#### Consolidated Profit and Loss Statement

(Unit : KRW 1 million)


Item	2017	2018	2019	2020
Sales	3,209,405	3,266,496	3,186,807	3,038,037
Cost of sales	2,413,364	2,535,790	2,440,053	2,284,830
Gross profit	796,041	730,706	746,754	753,207
Selling & administrative expenses	650,637	660,335	677,977	682,220
Operating income	145,404	70,371	68,777	70,987
Non-operating profit & loss	△ 38,843	△ 87,982	△ 54,996	△ 163,171
Continuing business profit before tax	106,561	△ 17,611	13,781	△ 92,184
Corporate tax	23,543	△ 1,269	△ 1,019	△ 12,298
Profit & loss from discontinued operation	△ 15,163	△ 36,785	△ 3,235	420
Net income	67,855	△ 53,127	11,565	△ 79,466

#### Consolidated Financial Statement

(Unit : KRW 1 million)

Item	2017	2018	2019	2020
Current assets	1,170,284	1,080,876	1,022,430	1,072,702
Notes and accounts receivable	665,121	565,567	511,719	405,403
Inventories	288,735	298,354	291,161	247,005
Non-current assets	1,412,147	1,428,838	1,543,149	1,312,670
Tangible assets	1,230,726	1,277,509	1,339,828	1,139,666
Assets held for sale	-	2,030	2,134	23,137
Total assets	2,582,431	2,509,714	2,565,579	2,385,372
Current liabilities	804,673	736,764	974,505	971,548
Non-current liabilities	792,178	856,203	675,096	576,609
Total liabilities	1,596,851	1,592,967	1,649,601	1,548,157
Paid-in capital	50,000	50,000	50,000	50,000
Capital surplus	616,466	616,466	616,466	616,466
Other capital items	△ 8,189	△ 8,189	△ 16,500	△ 8,189
Aggregate of other universal profit & loss	△ 22,578	△ 18,926	△ 19,348	△ 26,675
Retained earnings	349,881	277,396	283,582	206,143
Non-controlling interest	-	-	1,778	△ 530
Total equity	985,580	916,747	915,978	837,215
Total equity and liabilities	2,582,431	2,509,714	2,565,579	2,385,372

\* Figures with △ sign indicates (-) number

2020 LX Hausys Business Report on the Electronic Information System 



## Employees

Category		Unit	2017	2018	2019	2020	
Total employees		No. of persons	4,494	4,477	4,484	4,566	
Overseas employees <sup>1)</sup>		No. of persons	1,297	1,234	1,233	1,343	
Domestic employees <sup>2)</sup>		No. of persons	3,197	3,243	3,251	3,223	
<b>Korea</b>							
Regular	Total	No. of persons	3,123	3,184	3,192	3,125	
	Men	No. of persons	2,708	2,771	2,777	2,706	
	Women	No. of persons	415	413	415	419	
Contract-based	Total	No. of persons	74	59	59	98	
	Men	No. of persons	63	44	52	74	
	Women	No. of persons	11	15	7	24	
By gender	Men	No. of persons	2,771	2,815	2,829	2,780	
	Women	No. of persons	426	428	422	443	
	Ratio of female employees	%	6.50	6.58	6.70	6.28	
By age	20s	No. of persons	653	649	622	530	
	30s	No. of persons	803	836	883	980	
	40s	No. of persons	1,009	1,016	990	943	
	50s	No. of persons	732	742	756	770	
By job level	Executives	No. of persons	23	26	28	28	
	Employees	No. of persons	3,174	3,217	3,223	3,195	
By job category	Office workers	No. of persons	2,175	2,215	2,254	2,267	
	Professional technicians	No. of persons	1,022	1,028	997	956	
By region	Headquarters (Seoul)	No. of persons	756	766	865	950	
	Cheongju Plant	No. of persons	574	630	663	636	
	Ulsan/Onsan Plants	No. of persons	1,081	1,054	1,020	985	
	Others <sup>3)</sup>	No. of persons	786	793	703	652	
People with disability		No. of persons	45	49	45	41	
Men of national merit		No. of persons	85	87	83	82	
New recruits	Men	No. of persons	198	189	182	129	
	-By gender	Women	No. of persons	31	22	14	41
New recruits	Under 30	No. of persons	203	157	137	81	
	- By age	30 to under 50	No. of persons	25	50	50	81
		50 and over	No. of persons	1	4	9	8
New recruits - Total		No. of persons	229	211	196	170	
Total amount of recruitment costs		KRW 1 million	777	684	575	131	
Staff turnover	Men	No. of persons	59	62	67	75	
	- By gender	Women	No. of persons	28	16	13	14
Staff turnover	Under 30	No. of persons	34	51	40	38	
	- By age	30 to under 50	No. of persons	42	24	28	43
		50 and over	No. of persons	11	3	12	8
Key personnel turnover		%	3.01	-	1.37	3.60	
Staff turnover - Total <sup>4)</sup>		No. of persons	87	78	80	89	
R&D/Design center <sup>5)</sup>		No. of persons	350	368	338	282	
Percentage of female employees	Executive position or higher	%	4.30	3.80	3.60	3.60	
	Manager position (including non-executive members)	%	1.60	1.40	2.70	2.80	

Category		Unit	2017	2018	2019	2020
Percentage of female employees	Leadership position	%	6.90	7.10	7.50	8.20
	Staff members and senior members	%	23.30	22.70	21.40	22.10
	Percentage of office managers <sup>6)</sup>	%	8.90	9.00	9.40	10.40
	Percentage of STEM	%	23.00	24.07	25.36	24.60
Maternal leave	Employees who took maternal leave	No. of persons	32	32	38	32
	Reinstatement rate	%	93.00	91.00	100.00	97.00
	Ratio of employees who worked for more than 12 months following their reinstatement	%	90.00	100.00	100.00	100.00
Equal remuneration <sup>7)</sup>	Executive level	%	86.80	90.60	94.10	94.80
	Manager level (base salary only)	%	88.20	89.10	89.40	89.20
	Manager level (base salary only + other cash incentives)	%	86.70	88.10	88.10	88.60
	Non-manager level	%	92.60	94.00	97.10	95.90
Employees' contribution to net profit (per person)		KRW 1 million / No. of persons	714.15	729.62	710.71	665.36
<b>Talent Development</b>						
Hours of training per employee (by gender)	Men	Hour	34	37	35	38
	Women	Hour	37	34	27	25
Hours of training per employee (by job category)	Office workers	Hour	39	46	43	41
	Technicians	Hour	23	16	13	26
Hours of training per employee (by job category)	Employees	No. of persons	2,105	2,131	2,164	2,147
	The rate of employees	%	99.60	99.30	99.20	97.70
Employees' satisfaction (Max. score: 5)	Satisfaction level	Points	4.05	3.95	4.00	3.70
	Response rate	%	81	79	80	74
Total training costs		KRW 1 million	4,243	3,530	3,338	3,120
<b>An overseas corporation</b>						
Current status of overseas employment (United States)	Overseas postings	No. of persons	15	18	17	16
	Local employees	No. of persons	456	505	569	547
Current status of overseas employment (China)	Overseas postings	No. of persons	34	32	22	22
	Local employees	No. of persons	731	604	527	485
Ratio of senior-level employees among local hires	Number of locally hired employees	No. of persons	1,187	1,109	1,096	1,032
	Number of senior-level employees among locally hired employees <sup>9)</sup>	No. of persons	277	286	289	296
	Ratio of senior-level employees	No. of persons	23.00	26.00	26.00	29.00

1) Refers to locally recruited employees. (Overseas postings from Korea are excluded.) / 2) Includes overseas postings and employees of subsidiary companies. / 3) TOSTEM Ochang Plant is included in others / 4) Voluntary resignation and advisor office transfers, PSAA & Production Technology Center transfers are excluded / 4) Voluntary resignation and advisor office transfers, PSAA & Production Technology Center transfers are excluded. / 5) Central research institute, design center, research project and design project of the business unit. / 6) Employees above the professional (formerly manager) level/ 7) Ratio of basic salary and remuneration of women to men (office workers) / 8) Candidate: Domestic employees excluding executives and VP, professional technical workers: no regular performance evaluation / 9) Professional (formerly manager) or higher-level employees

## Environment

Category		Unit	2017	2018	2019	2020
Raw materials consumption	PVC	ton	144,119	130,074	119,088	115,269
	Calcium carbonate	ton	100,395	95,542	97,854	87,309
	Plasticizer	ton	29,600	31,961	29,912	27,333
	MMA	ton	24,302	20,995	19,816	18,204
	Sum of major raw materials consumption	ton	298,416	278,572	266,670	248,115
Recycled materials	Consumption of recycled materials	ton	25,774	23,142	22,312	16,023
	Consumption ratio of recycled materials %	%	8.64	8.31	8.37	6.46
<b>Environmental Investment</b>						
Environmental investment amount		KRW 1 million	4,865	5,617	7,138	11,483
Environmental investment planning		KRW 1 million	4,865	5,108	5,898	7,495
<b>Energy &amp; Greenhouse Gas <sup>1)</sup></b>						
Major energy consumption	LNG	TJ	1017.7	1,029.00	973.8	812.7
	Diesel	TJ	16.1	27.2	23.9	23.0
	Gasoline	TJ	2.4	2.3	2	1.9
	Electricity	TJ	1,805.6	1,806.4	1,704.1	1641.7
	Steam	TJ	47.8	45.7	2	1.9
	Renewable energy	TJ	0	0	0	0
	Total	TJ	2889.6	2910.6	2705.8	2,481.4
Annual saving achieved	Reduction in energy use	TJ	275	298	239	318
	Reduction in GHG emissions	tCO <sub>2</sub> eq	9,655	7,090	7,146	14,941
	Energy savings made	KRW 1 million	2,390	1,755	1,883	3,570
Energy consumption	Direct energy	TJ	1,036.30	1,058.50	999.7	837.7
	Indirect energy	TJ	1,853.40	1,852.10	1,706.10	1,643.7
	Total energy consumption	TJ	2,889.80	2,910.60	2,705.80	2,481.4
Energy costs	-	KRW 1 million	39,267	30,235	31,486	30,667
GHG emissions <sup>2)</sup>	Scope 1	tCO <sub>2</sub> eq	65,459	70,314	62,312	52,712
	Scope 2	tCO <sub>2</sub> eq	89,399	88,939	82,839	79,799
	Scope 1 + Scope 2	tCO <sub>2</sub> eq	154,859	159,253	145,150	132,511
	Scope 3 <sup>3)</sup>	tCO <sub>2</sub> eq	118,387	105,911	104,733	90,854
	Intensity-based emissions <sup>4)</sup>	tCO <sub>2</sub> eq/ton	0.41	0.44	0.34	0.39
	GHG emission density <sup>5)</sup>	tCO <sub>2</sub> eq/KRW 100 million	4.825	4.875	4.555	4.3618
<b>Environmental Pollutants</b>						
Water consumption <sup>4)</sup>	Total water consumption volume	ton	648,818	601,004	532,315	480,275
	Water recycling	ton	-	-	-	-
	Surface water	ton	-	-	-	-
	Underground water	ton	15,600	-	-	-
	Public water supply	ton	141,391	181,820	142,748	187,243
	Industrial water	ton	87,600	111,353	84,745	52,803
	Stream water	Ton	469,407	447,642	396,600	345,943
Discharge of water pollutants	Waste water discharge	m <sup>3</sup>	22,869	17,396	15,973	19,310
	BOD	ton	0.28	0.21	0.05	0.10
	COD	ton	0.71	0.41	0.23	0.35
	SS	ton	0.33	0.17	0.23	0.28
Emission of air pollutants	NOx	ton	56.94	48.60	45.45	42.02
	SOx	ton	-	-	-	0.00
	Dust	ton	29.64	35.62	30.98	20.56
	VOC	ton	233.47	165.50	171.82	37.36
	HAP	ton	14.34	15.06	23.90	15.75
Intensity-based consumption of toxic substances (consumption/production of toxic substances)		ton/ton	0.0345	0.0549	0.0713	0.1005

## Discharge of Waste

General waste	Recycled	ton	32,361	30,723	32,625	27,319
	Converted to fertilizer	ton	101	179	161	203
	Incinerated	ton	3,294	4,275	3,190	3,021
	Buried	ton	1,415	2,339	1,021	666
	Total	ton	37,172	37,516	36,998	31,209
Designated waste	Reused	ton	0	0	0	0
	Recycled	ton	432	471	655	831
	Incinerated	ton	443	464	406	467
	Buried	ton	18	3	6	0
	Total	ton	898	938	1,067	1,298
Total wasted discharged	ton	37,424	38,454	38,064	32,507	
Total waste recycled	ton	32,636	31,279	33,280	28,150	
Waste recycling rate	%	87	81	87	87	
Violation of important environmental regulations and laws (a fine of more than KRW 10 million)	Case	0	0	0	0	

※ Based on domestic workplaces in terms of environment (excluding energy use and greenhouse gas emissions)

1) Calculated in accordance with the Guidelines (No. 2019-245) on Emissions Reporting and the Certification of the Trading Scheme of Greenhouse Gas Emission Permits and approved by the DNV. Covers a total of 19 workplaces including the head office of LX Hausys.

Manufacturing Plants : 2 plants (Ulsan and Cheongju) / Business offices : 6 offices (Daejeon, Gwangju, Daegu, Busan, Northern Gyeonggi, and Western Gyeonggi) / Head Office and Others : 6 offices (HQ, Onsan Plant, Magok Research Center, Cheonan Logistics Center, Uiwang Logistics Center, and Distribution Store).

2) Calculated in accordance with the Guidelines for Operation of the Trading Scheme of Greenhouse Gas Emission Permits.

3) Calculation criteria for SCOPE 3 : Purchased products & services, upstream & downstream transport and logistics, generated waste

4) Greenhouse gas emissions to gross production 5) Greenhouse gas emissions to total sales 6) We do not use recycled water, surface water, or the public water supply.

## Health and Safety

Category	Unit	2017	2018	2019	2020	
Accident Rate	%	-	0.46	0.37	0.22	
Employees	Injury occurrence rate (Injury frequency rate) <sup>1)</sup>	-	1.56	3.07	2.64	1.60
	Occurrence rate of work related illness <sup>2)</sup>	-	0.12	0.31	0.18	0.11
	Absentee Rate (AR) <sup>3)</sup>	%	0.02	0.01	0.01	0.01
	Lost-Time Injuries Frequency Rate (LTIFR) <sup>4)</sup>	-	2.46	5.27	2.64	2.05
	Total Recordable Injury Frequency Rate (TRIFR) <sup>5)</sup>	-	0.49	1.05	0.53	0.41
	Work-related deaths	No. of persons	0	0	0	0
	Indirect employees	No. of accidents	No. of cases	6	2	2
Indirect employees	Injury Occurrence Rate	-	5.96	1.74	1.51	2.67
	Lost-Time Injuries Frequency Rate (LTIFR)	-	6.96	3.48	3.02	2.00
	Total Recordable Injury Frequency Rate (TRIFR)	-	1.39	0.70	0.60	0.40
	Work-related deaths	No. of persons	0	0	0	0
Proportion of persons with symptoms	%	30.64	30.17	31.64	34.73	
No. of persons with symptoms of silicosis	No. of persons	0	0	0	0	
Number of employees represented by joint labor-management health and safety committee	No. of persons	18	20	20	20	

※ Based on domestic workplaces in terms of health and safety data (excluding energy use and greenhouse gas emissions)

1) Injury frequency rate : (no. of accidents × 1,000,000) / total number of working hours in a year

2) Severity rate : (no of working days lost × 1,000) / total number of working hours in a year

3) Absentee rate : (no of absent days at work × 100) / total number of working hours in a year

4) LTIFR (Lost Time Injury Frequency Rate) : The number of cases of more than 1 day of work lost from among the total number of working hours of all workers (number of cases of more than 1 day of work lost × 1,000,000) / total no. of working hours/year

5) Total Recordable Injury Frequency Rate (TRIFR) : Number of accidents / Total number of working hours in a year (No. of work-related accidents × 200,000 total number of working hours of all employees)



## Current State of ESH Quality Certification

(As of the end of 2020)

Country	Name of corporation / workplace	Location	Certifications		
			Environmental management	Safety and health	Quality assurance
Korea	Ulsan Plant	Ulsan	ISO14001	ISO 45001	ISO 9001, IATF16949
	Cheongju Plant	Cheongju	ISO14001	OHSAS18001	ISO 9001
China	LX Hausys Tianjin Co., Ltd.	Tianjin	ISO14001	-	ISO 9001, IATF16949
	LX Hausys (Wuxi) Co., Ltd.	Wuxi	-	OHSAS18001	ISO 9001
USA	LX Hausys America, Inc.	Atlanta	ISO14001	OHSAS18001	ISO 9001, IATF16949
Europe	c2i s.r.o.	Slovakia	ISO14001	-	ISO 9001, IATF 16949

\* ISO 9001 : The international standards for a quality management system published and organized by the International Organization for Standardization.  
IATF 16949 (International Automotive Task Force) : The international standards for quality management in the automotive industry

## Distribution of Major Economic Value

(Based on consolidation at the end of 2020; Unit: KRW 100 million)

Shareholder Dividends <b>30</b>	<b>Shareholders and Investors</b> LX Hausys constantly strives to maximize value for shareholders who are the true owners of the company. We return profits we generate to our shareholders via cash dividend payouts.
Purchasing goods and services <b>20,163</b>	<b>Suppliers</b> LX Hausys purchases goods and services from our suppliers and maintain a fair ongoing relationship with them through purchasing. In 2020, we purchased goods and services worth a total of 2,163 billion won from 1,824 suppliers, of which 41% was purchased directly from the local communities in which we operate.
Wages, welfare benefits, severance payments <b>4,126</b>	<b>Employees</b> LX Hausys pays wage, welfare benefits, and severance payments, and will increase we distribution of economic value to our employees based on the fair and equitable distribution of achievements and various welfare.
Corporation tax, other taxes, and public utility charges <b>89</b>	<b>Government</b> LX Hausys discloses the achievements of its management activities transparently and pay various taxes to the national and local governments such as corporate tax, income tax, and real estate tax.
Investment in the local community <b>15</b>	<b>Local Community</b> LX Hausys returns a portion of the fruits of our economic achievements to the local communities in which we operate by carrying out a variety of social contribution activities including cultural heritage and environmental preservation activities, improvement activities for the memorial centers and the residences of people of national merit, and local community support.

Category		2018	2019	2020
Shareholders and investors	Dividend per share (KRW)*	250	250	300
	Earnings per share (EPS)(KRW)	△ 5,327	1,154	△ 7,733
	Total dividend (KRW 100 million)	25	25	30
Employees	Wages (KRW 100 million)	2,922	3,330	3,244
	Welfare benefits (KRW 100 million)	687	679	646
	Severance payments (KRW 100 million)	226	223	236
Government	Corporation tax, other taxes, and public utility charges (KRW 100 million)	174	188	89
Suppliers	Purchase of goods and services (KRW 100 million)	23,192	21,284	20,163
Local community	Investment in local communities (KRW 100 million)	15	15	15

\* Based on common stock.

\* Figures with △ sign indicates (-) number

## Affiliates

(As of the end of 2020)

Group	Membership Fee (KRW million)
Korea Chamber of Commerce & Industry	138.82
Korea Enterprises Federation	31.20
Korea Specialty Contractors Association	30.99
Korea Products Safety Association	12.00
Korea Interior Management Association	12.00
Total Amount of Membership Fees*	331.38

\* LX Hausys does not contribute to any political campaigns, political groups, lobbyists or lobby groups in accordance with the relevant laws.

\* LX Hausys pays only the membership fee as a member of the affiliated group.

\* Indicates the total amount of membership fees that LX Hausys has paid as a member of the affiliated group.

## UN Global Compact

Category	Principle	Report contents	Page
Human Rights 	Principle 1 : Businesses should support and respect the protection of internationally proclaimed human rights.	We established the Global Human Rights and Labor Policy, which guarantees and respects the rights of human dignity, freedom, and happiness and has established and implemented CSR Code of Conduct for all supplier companies	32, 48
	Principle 2: Businesses should make sure that they are not complicit in human rights abuses.		
Labour Standards 	Principle 3 : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	In accordance with our code of conduct and hiring rules, we do not discriminate on the basis of gender, age, and religion when we hire new employees. We practice equality of employment and respect for human rights and apply the same standards when compensating our employees for their services.	32, 48
	Principle 4 : Businesses should uphold the elimination of all forms of forced and compulsory labor.		
	Principle 5 : Businesses should uphold the effective abolition of child labor.		
	Principle 6 : Businesses should uphold the elimination of discrimination in respect of employment and occupation.		
Environment 	Principle 7 : Businesses should support a precautionary approach to environmental challenges.	We are implementing environmental management that minimizes environmental impact throughout the entire product life cycle. In particular, we are striving to reduce energy consumption and GHG emissions through process innovation and operational optimization. We are also expanding the development of eco-friendly products through energy-efficient products.	24~27, 28~30, 62~63
	Principle 8 : Businesses should undertake initiatives to promote greater environmental responsibility.		
	Principle 9 : Businesses should encourage the development and diffusion of environmentally friendly technologies.		
Anti-Corruption 	Principle 10 : Businesses should work against corruption in all its forms, including extortion and bribery.	Recognizing that Jeong-Do Management is a prerequisite for corporate survival, we conduct ethical management education and operate an ethics violation reporting system. In addition, in order to establish fair subcontracting practices, we have included rules for fair subcontracting in our procurement regulations.	35, 37

## TCFD Index

The Task Force on Climate-related Financial Disclosures (TCFD) was established to publish recommendations for climate-related financial risk disclosures at the initiative of the G20's finance minister and the Financial Stability Board (FSB) in 2015. The TCFD developed the framework for international climate-related financial risk disclosure according to the four core elements of governance, strategy, risk management, and metrics & targets. LX Hausys recognize the significance and seriousness of climate change risks, and are committed to contributing to the realization of carbon neutrality by reducing its CO2 and GHS emissions and developing low carbon products.

TCFD Recommendations	Information Disclosed	Reporting Contents	Pages
Governance	The role of the board of the organization in overseeing climate-related issues.	Reinforcement of responsibility of management for the environment & safety	29
	The role of management in assessing and managing climate-related issues.	Recognition of climate risks and opportunities	29
Strategy	Climate-related risks and opportunities which the organization has identified in the short, medium, and long term.	Climate change response strategic goals and plan for mid/ long-term	29~30
	The impact of climate-related risks and opportunities on the organization's businesses, strategies, and financial planning		28
Risk Management	The resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Decision-making system for reduction of GHS emissions	29~30
	Description of the organization's processes for identifying climate-related risks.		29~30, 62
Metrics & Targets	Description of the organization's processes for managing climate-related risks.	Climate change-related KPI	29~30, 62
	Description of how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.		GHS emission reduction activities and achievements
Metrics & Targets	The metrics used by the organization to assess climate-related risks and opportunities in line with its strategies and risk management process.	GHS emission reduction activities and achievements	29, 62
	Disclosure of Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouses gas (GHG) emissions, and the related risks.		
Metrics & Targets	Description of the targets used by the organization to manage climate-related risks and opportunities and its performance against those targets.		

## SASB Index

The Sustainability Accounting Standards Board (SASB) develops sustainability accounting standards for each industry. In consideration of industry-specific disclosure, the SASB standards identify the definitions of and criteria for non-financial information, which is financially important sustainability information and should be disclosed in the company's report. LX Hausys belong to the industry category "Construction Materials SASB Standards" and accordingly disclose the relevant information in the sustainability report.

TOPIC	DISCLOSURE NUMBER	ACCOUNT METRIC	REPORT	PAGE
Greenhouse Gas Emissions	EM-CM-110a.1	Gross global Scope 1 emissions	GHS Emission Reduction Activities and Achievements	29, 62
	EM-CM-110a.1	Gross global Scope 1 emissions, percentage covered under the regulations on limiting emissions.		
	EM-CM-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and analysis of performance against those targets.	Climate Change Response Implementation System	29~30
Air Quality	EM-CM-120a.1	Air emissions of the following pollutants: (1) NOx (excluding N2O), (2) SOx, (3) Particulate matter (PM10), (4) Dioxins/furans, (5) Volatile organic compounds (VOCs), (6) Polycyclic aromatic hydrocarbons (PAHs), and (7) Heavy metals.	Atmospheric Environment Management	43, 62
Energy Management	EM-CM-130a.1 EM-CM-150a.1	(1) Total energy consumed (2) Percentage of grid electricit (3) Percentage alternative (4) Percentage renewable	GHS Emission Reduction Activities and Achievements	30, 62
Water Management	EM-CM-140a.1 EM-CM-150a.1	(1) Total fresh water withdrawn, (2) Percentage recycled, (3) Percentage in regions with High or Extremely High Baseline Water Stress. (4) Amount of waste generated, percentage of hazardous waste, percentage recycled.	Water Management	43, 62
Biodiversity Impacts	EM-CM-160a.1 EM-CM-160a.2	Description of environmental management policies and practices for active sites. Terrestrial acreage disturbed, percentage of impacted area restored.	Minimizing Our Impact on the Ecosystem	44
Workforce Health & Safety	EM-CM-320a.1	(1) Total recordable incident rate (TRIR) and (2) Near miss frequency rate (NMFR) for (a) fulltime employees and (b) contract employees.	Health & Safety	63
	EM-CM-410a.1	Number of reported cases of silicosis	-	No case
Product Innovation	EM-CM-410a.1	Percentage of products that qualify for credits in sustainable building design and construction certifications.	Development of Safe, Eco-friendly Products	25
	EM-CM-410a.2	Total addressable market and share of market for products that reduce energy/water consumption and/or the material impacts of their usage and/or production.		
Pricing Integrity & Transparency	EM-CM-520a.1	Total amount of monetary losses as a result of legal proceedings associated with cartel activities, price fixing, and anti-trust activities.	Fair Trade Jeong-Do Management	No case



# Independent Assurance Statement

## To: The Stakeholders of LX Hausys

### Introduction and objectives of work

BSI Group Korea (hereinafter "the Assurer") was asked to verify LX Hausys's '2021 Sustainability Report' (hereinafter "the Report"). This assurance statement applies only to the relevant information contained in the scope of the assurance. LX Hausys is solely responsible for all information and assertion contained in the report. The responsibility of the assurer is to provide independent assurance statement with expert opinions to LX Hausys's executives by applying the verification methodology and to provide this information to all stakeholders of LX Hausys.

### Assurance Standards and Levels

This assurance was based on the AA1000AS v3 (2020) Assurance Standard and confirmed that the report is prepared in accordance with the Core Option of GRI Standards. The assurance level was based on the Type 1 that confirmed compliance with the four principles of AA1000 AP (2018) in accordance with the AA1000 AS and the Type 2 assurance that verified the quality and reliability of the information disclosed in the report. Type 2 was verified for Materials, Energy, Emissions, Effluents and Waste, Environmental Compliance, Supplier Environmental assessment, Occupational Health and Safety, Supplier Social Assessment among GRI Topic-specific Standards for domestic operations.

### Scope of Assurance

The scope of assurance applied to this report is as follows;

- Based on the period from January 1st to December 31st, 2020 included in the report
- Appropriateness and consistency of processes and systems for data collection, analysis and review
- Major assertion included in the report such as sustainability management policies, strategies, objectives, business and performance
- Information related to material issues determined as a result of materiality assessment
- The following items were not included in this assurance
  - Financial information, UNGC, SASB Index and TCFD Index included in the report appendix
  - Other related additional information such as the website presented in the report

### Methodology

As part of its independent assurance, the assurer has used the methodology developed to collect relevant evidence to comply with the verification criteria and to reduce errors in the reporting, and has performed the following activities;

- To determine verification priorities, review of materiality issue analysis process and verification of the results
- System review for sustainability strategy process and implementation;
- Review the evidence to support the material issues through interviews with senior managers with responsibility for them;
- Verification of data generation, collection and reporting for each performance index

### Assurance Opinion

On the basis of our methodology and the activities described above, it is our opinion that

- The information and data included in LX Hausys's Sustainability Report are accurate and reliable and the assurer cannot point out any substantial aspects of material with mistake or misstatement.
- The report was prepared according to the Core option of the GRI Standards

The assurance opinion on the four principles presented by the AA1000 AP (2018) is as follows.

### AA1000 AP (2018)

#### **Inclusivity : Stakeholder Engagement and Opinion**

LX Hausys has a stakeholder engagement process in which key stakeholders such as executives and employees, shareholders and investors, customers, suppliers, local communities and government participate. It was confirmed that key stakeholders' expectations and various opinions are collected and the drawn agenda is reflected in decision-making on sustainability management.

**Materiality : Identification and reporting of material sustainability topics**

LX Hausys conducted international standard analysis, industry issue analysis, advanced company benchmarking, media research, and stakeholder survey to derive economic, social, and environmental material reporting issues related to sustainability management, and determined priorities by measuring influence on stakeholder's and evaluating business impact, and reported a total of 7 material sustainability management topics.

**Responsiveness : Responding to material sustainability topics and related impacts**

LX Hausys established and implemented plans for each topic to appropriately respond to identified material topics in a way that reflects stakeholders' expectations, and detailed response activities and performance on material topics were disclosed in the Sustainability Commitment in the report.

**Impact : Impact of an organization's activities and material sustainability topics on the organization and stakeholders**

LX Hausys implemented the process to identify and evaluate the impact on organizations and stakeholders related to material topics, and from a sustainability perspective, the impacts determined on material topics were disclosed in the report.

**Key areas for ongoing development**

To the extent that the results of the verification are not affected, the following comments were made.

- In order to identify material issues, it is necessary to include a wider range of sustainability themes in the pool, and when selecting material topics, it is necessary to increase the proportion of external stakeholders so that issues with high social interest can be selected.
- Although the impact on organizations and stakeholders related to material topics is identified in terms of financial, operational and reputational, it is recommended to include a means to measure potential impacts, including environmental and social impacts.
- We recommend that the sustainability strategic system should be strengthened in order to continuously recognize issues derived from stakeholders into sustainability management.

**Statement of independence and competence**

The assurer is an independent professional services company that specializes in Quality, Health, Safety, Social and Environmental management with almost 120 years history in providing independent assurance services. No member of the assurance team has a business relationship with LX Hausys.

We have conducted this verification independently, and there has been no conflict of interest. All assurers who participated in the assurance have qualifications as AA1000AS assurer, have a lot of assurance experience, and understand the BSI Group's assurance standard methodology.

**Evaluation against GRI 'In Accordance' Criteria**

The assurer confirmed that this report was prepared in accordance with the GRI Standards Core Option and the disclosures related to the following Universal Standards and Topic-specific Standards Indicators based on the data provided by LX Hausys.

**Universal Standards**

Organizational Profile (102-1~13)/ Strategy (102-14, 102-15)/ Ethics and Integrity (102-16), Governance (102-18)/ Stakeholder Engagement (102-40~44)/ Reporting practice (102-45~56)/ Management Approach (103-1~3)

**Topic-specific Standards**

- Economic: 201-1, 201-2
- Environmental: 301-1, 302-1~3, 305-1~7, 306-2, 307-1, 308-1
- Social: 401-1, 401-3, 403-1, 404-1, 413-1, 414-1, 416-2, 417-1~3


16 June 2021

K. S. Song / BSI Group Korea, Managing Director



## GRI Standards Index

### General Disclosures

Classification	Index	Description	Page	Note
Organizational Profile	102-1	Report the name of the organization	2, 7	
	102-2	Report the primary brands, products, and services	7, 9–11	
	102-3	Report the location of the organization's headquarters	2	
	102-4	Report the region where the organization operates	2, 7, 12	
	102-5	Report the nature of ownership and legal form	38	
	102-6	Report the markets served	7, 12	
	102-7	Report the scale of the organization	7, 64	
	102-8	Report information on employees and workers	60–61	
	102-9	Describe the organization's supply chain	32, 64	
	102-10	Describe the organization's supply chain		No significant change in organization and supply chain
	102-11	Report prevention principles and approach	8, 20, 24, 40, 54	
	102-12	List external initiatives	65–67	
	101-13	List memberships of associations	65	
Strategy	102-14	Provide a statement from the most senior decision-maker of the organization	4–5	
	102-15	Provide a description of key impacts, risks and opportunities	8–11, 20, 29–30	
Ethics and Integrity	102-16	Describe the organization's values, principles, standards and norms of behavior	37	
Governance	102-18	Report the governance structure	38–39	
Stakeholder Engagement	102-40	Provide a list of stakeholder groups engaged by the organization	55	
	102-41	Report percentage of total employees covered by collective bargaining agreements	48	
	102-42	Report the basis for identification and selection of stakeholders with whom to engage	55	
	102-43	Report the organization's approach to stakeholder engagement	55	
	102-44	Report key topics and concerns that have been raised through stakeholder engagement	55–57	Business Report 
Reporting Practice	102-45	List all entities (subsidiaries and joint ventures) included in the organization's	-	
	102-46	Define report content and topic Boundaries	56–57	
	102-47	Report list of material topics		N/A
	102-48	Report any restatements of information	-	N/A
	102-49	Report changes in reporting	-	
	102-50	Report the reporting period for information provided		
	102-51	Report the reporting date of most recent previous report		
	102-52	Report the reporting cycle	72	
	102-53	Provide the contact point for questions regarding the report or its contents		
	102-54	Provide reporting methods in accordance with the GRI Standards		
	102-55	GRI Index	70–71	
	102-56	External assurance	68–69	
Management Approach	103-1	Explanation of the material topic and its boundary	56–57	
	103-2	The management approach and its components	20, 24, 28, 32	
	103-3	Evaluation of the management approach		

## Topic-specific Disclosures

The contents in the pink columns  are key issues.

Classification	Index	Description	Page	Note
<b>GRI 200 Economy</b>				
Economic Performance	201-1	Direct economic value generated and distributed	64	
	201-2	Financial implications and other risks and opportunities for the organization's activities due to climate change	24-27, 28-30	
<b>GRI 300 Environment</b>				
Materials	301-1	Weight and volume of used raw materials	62	
Energy	Management Approach		28, 29	
	302-1	Energy consumption within the organization	29, 62	
	302-2	Energy consumption outside of the organization	29, 62	
	302-3	Energy intensity	62	
Emissions	Management Approach		28, 29	
	305-1	Direct (Scope 1) GHG emissions	29, 62	
	305-2	Energy indirect (Scope 2) GHG emissions	29, 62	
	305-3	Other indirect (Scope 3) GHG emissions	62	
	305-4	GHG emissions intensity	62	
	305-6	Emissions of ozone-depleting substances (ODS)	44	N/A
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	43, 62	
Effluents and Waste	Management Approach		43, 63	
	306-2	Waste by type and disposal method	43, 63	
Environmental Compliance	307-1	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	63	Business Report
Supplier Environmental assessment	Management Approach		33-34	
	308-1	New suppliers that were screened using environmental criteria	34	
<b>GRI 400 Society</b>				
Employment	401-1	Total number and rate of new recruits and employee turnover	60	
	401-3	Total number of employees who took parental leave (by gender )and returned to work		
Occupational Health and Safety	Management Approach		28, 42, 45	
	403-1	Health and Safety Management System	42, 45, 63	
Training and Education	404-1	Average hours of training per year per employee	61	
Local Communities	413-1	Negative social impacts in the supply chain and actions taken	51-54	
Supplier Social Assessment	Management Approach		32	
	414-1	New suppliers screened using social criteria	33	
Customer Health and Safety	Management Approach)		22, 24	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	25	
Marketing and labeling	Management Approach		20, 24	
	417-1	Requirements for product and service information and labeling	26-27, 41	
	417-2	Violations of the laws and regulations on compliance with product service information and labeling	-	No case
	417-3	Incidents of non-compliance concerning marketing communications	-	No case



## ABOUT THIS REPORT (10th)

Reporting Principle	GRI Standards (Core Option)
Reporting Period	January 1, 2020 ~ December 31, 2020 (including the results for the first half of 2021)
Reporting Scope	Economic, environmental, and social activities; the achievements of all domestic workplaces and subsidiaries, as well as certain overseas corporations.
Reporting Criteria	Figures for the last three fiscal years.
Report Verification	Third-party verification opinion (BSI)
Reporting Cycle	Once per year (first publication in 2012)
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