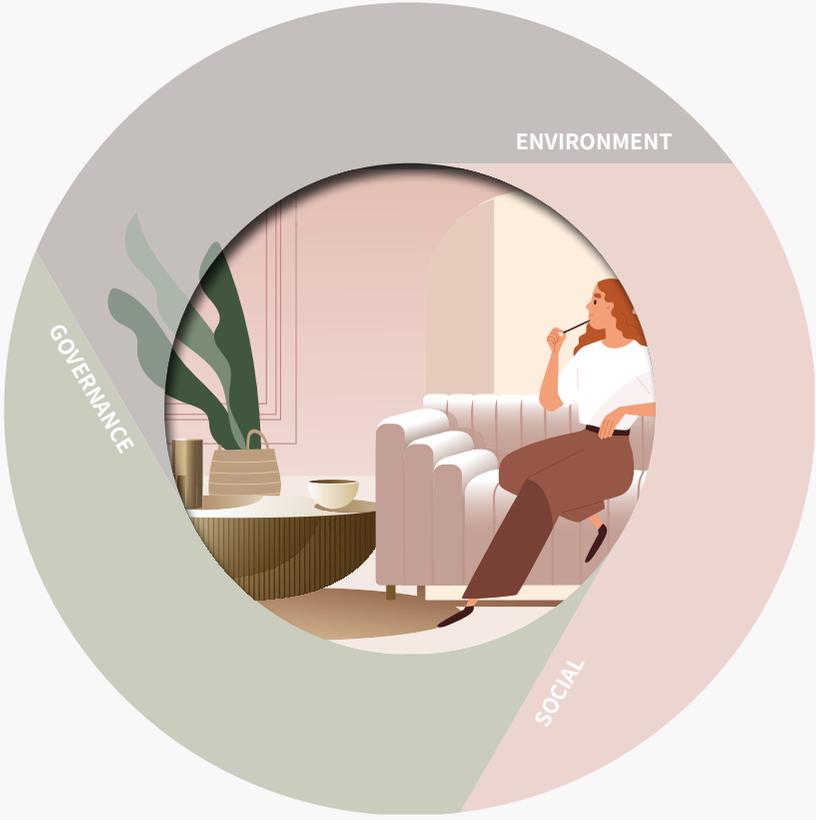
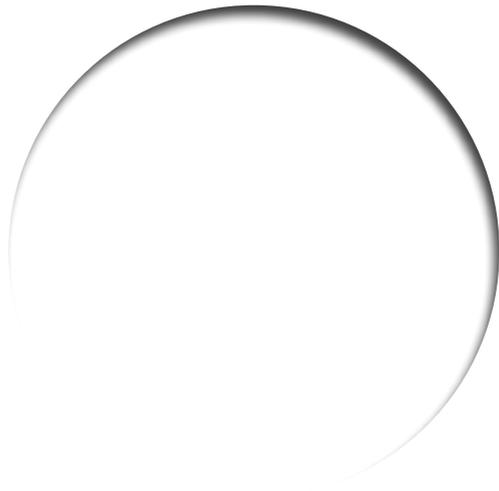


NATURE, HUMAN AND SPACE

LX Hausys Sustainability Report 2022





LINK TO A SUSTAINABLE FUTURE

We Create Human-friendly and Eco-conscious Living Spaces.



About LX Hausys

Company name	LX Hausys
CEO	Gye Woong Kang
Founded on	April 2, 2009
Products and service	Production and sales of building & decorative materials including window, wallcovering, flooring and industrial films and automotive materials such as automotive skin, lightweight parts
Address	98, Huam-ro, Jung-gu, Seoul, Korea, 04637
Customer engagement	<ul style="list-style-type: none">• Company website : www.lxhausys.co.kr• LX Z:IN website : www.lxhausys.co.kr/zin• YouTube : www.youtube.com/lxhausyszin• Facebook : www.facebook.com/lxhausys.zin• Instagram : www.instagram.com/lxhausys_zin

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CEO MESSAGE



Greetings to All Our Stakeholders,

LX Hausys is Korea's leading company in the construction and decoration materials, total interior design, automobile materials and parts, and industrial film businesses. Established as a spin-off from LG Chem in 2009, the company has grown through continuous innovation and strong market leadership. On July 1, 2021, following the spin-off of LG Group's holdings company, the company was incorporated into a new holdings company, LX Holdings, and renamed, and is being developed afresh.

In 2021, LX Hausys recorded sales of KRW 3.472 trillion and an operating profit of KRW 67.3 billion. The company's sales growth was led by the building materials sector, which was in turn driven by increased sales of new homes and growing interest in interior design; however, its operating profit declined slightly due to cost increases - particularly the soaring prices of raw material and rising logistical costs. This year's internal and external business climate also looks unfavorable due to the continuing increase in raw material and logistics costs and concerns about contraction of the downstream market. However, LX Hausys vows to overcome this crisis by responding preemptively to changes in the business environment and implementing a strategy of selection and concentration.

In the total interior design business, which is being intensively fostered, we differentiate our business from that of our competitors by focusing on our strong competitiveness, which is supported by Z:IN Square and LX Z:IN Interior Academy. In the construction and decoration materials business, we are pursuing growth engine and profit-oriented business development by concentrating on boosting the sales of our high-value premium products. In addition, we will expand R&D investment and secure original technologies and differentiated core materials in preparation for the future ahead of our rivals, discover new business opportunities, and practice ESG management faithfully and consistently.

To this end, LX Hausys will promote the following sustainability management activities.

First, we will strive to “touch” our customers by providing differentiated products and services.

As corporate responsibility for the social and environmental impacts of its products and services in the areas of climate change, air pollution and fire safety is becoming ever more important, LX Hausys is committed to developing and expanding its lineup of leading eco-friendly products based on its unique and differentiated R&D and technologies, such as high-efficiency energy windows and automatic ventilation windows, and PF insulation with excellent fire resistance and insulation performance. In addition, we will strengthen our research on the development of eco-friendly products and processes, such as Bio PVC and Recycle PVC. In the field of total interior design, we prevent safety accidents by developing construction methods with improved construction stability, such as windows and doors, and contribute to expanding the foundations of the interior design business by training and

nurturing construction engineers at the LX Z:IN Interior Academy. We aim to realize customer trust and create a strong impression with our perfect construction quality and service.

Second, we will strengthen competitiveness and actively pursue shared growth with our partners

LX Hausys recognizes its business partners as “partners in mutual growth” and strives to enhance their mutual competitiveness. First, we have expanded financial support by easing the standards for the win-win fund to strengthen the fundamental competitiveness of our partners. In addition, we will strengthen the ESG management system of our domestic and overseas supply chains to prepare for and cope with the risks related to ethical management, health and safety, human rights, and environmental management that can occur in the course of our partners' operations. In addition, we will establish a healthy culture of collaboration by expanding the scope of our support for partners' technology, management, and education in a drive to improve their productivity.

Third, we will strengthen our environmental and safety activities to further enhance the safety of all our workplaces.

LX Hausys actively responded to the prevention of safety accidents and climate change by reorganizing the environment and safety organization in 2021 and holding company-wide environmental safety management committee. In 2022, we will continue to invest in facilities to reduce our environmental pollutant emissions and to carry out mid-to-long-term reduction efforts in accordance with the enforcement of the Carbon Neutrality Framework Act and the 2030 Nationally Determined Contributions (NDCs). In addition, to prevent severe accidents and reduce safety accidents in general, we will supplement the preventive management system, including the company rules and its assessment organization. We will fulfill our obligations to secure health and safety of our employees by installing a safety experience training center at each business site and revising the safety manuals, among other initiatives.

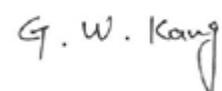
So far, LX Hausys has grown together with Korean society. In order to achieve sustainable growth and development in the future, we will become a company that is trusted and respected by all our stakeholder groups, including our customers, employees and business partners, by developing customer-oriented eco-friendly products, establishing a sustainable industrial ecosystem, and strengthening our eco-friendly and safety operations.

We look forward to receiving the continued interest and encouragement of our stakeholders.

Thank you very much.

Gye Woong Kang

CEO, LX Hausys



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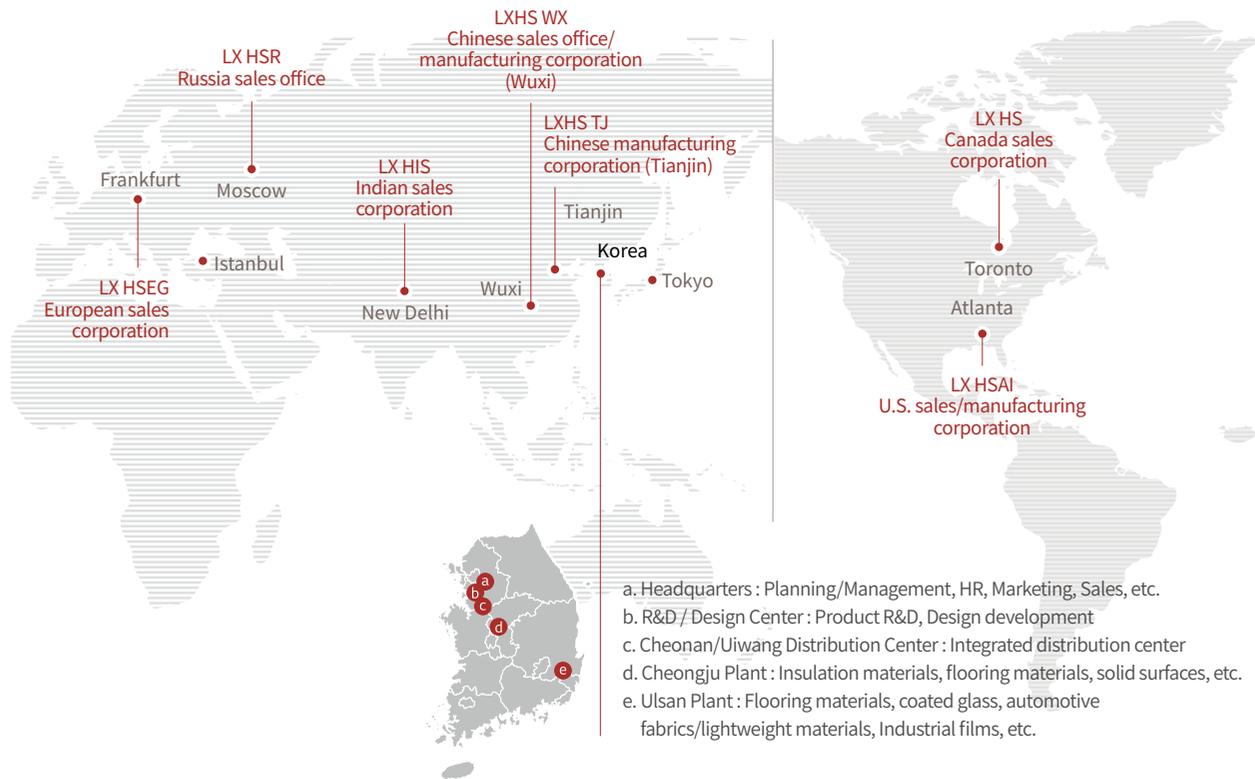


LX Hausys Overview

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 six overseas sales offices, three overseas manufacturing sites, and two overseas branch offices, primarily in the United States, China, and India.

Global Network

(As of June, 2022)



Sales
34,720 (KRW 100 million)

Profits
673 (KRW 100 million)

Employees Overseas
1,401 (No. of persons)

Employees in Korea
3,369 (No. of persons)

Overseas Sales
9,465 (KRW 100 million)

Ratio of Overseas Sales
27 (%)

(Consolidated basis as of end-2021)

History

- 1947 Established Lak Hui Chemical Industrial Corp. (Currently LG Chem)
- 1988 Established a manufacturing site in the US
- 1996 Established a manufacturing site in Tianjin, China
- 2005 Established a manufacturing site in Europe
- 2009 Launched LG Hausys along with demerger from LG Chem.
- 2010 Established a manufacturing site in India
- 2011 Completed the construction of the engineered stone plant in the U.S.A.
- 2013 Completed the insulation materials plant in Cheongju
- 2016 Completed an automotive fabric plant in USA
- 2020 Operation of the No. 3 building insulation manufacturing plant
- 2021 Changed the company name to 'LX Hausys'

Management Strategy & Performance

Management Strategy

LX Hausys is pushing ahead with its business according to the management’s major strategic direction of ‘advancing the business portfolio and strengthening the business structure’. For the building decoration materials business, it is promoting the B2C area to respond to the growth of the domestic renovation and remodeling market, and is continuously increasing sales of its high value-added products such as insulation and Easton. For the automotive material and parts and industrial film business, it is focused on improving profitability by strengthening its overall competitiveness. LX Hausys is dedicated to strengthening its solutions to enhance customer value, conducting R&D activities based on market and customer needs, and carrying out manufacturing innovation activities at the global first-class, while improving business fundamentals by initiating structural reforms throughout the entire value chain.

Strategic Directions



Key Tasks



Achievements & Goals

Lx Hausys recorded sales of KRW 3.472 trillion in 2021, up 14.3% from the previous year, but an operating profit of KRW 6.73 billion, a fall of 5.2% from the previous year. Although sales growth was driven by the building decoration materials division- largely due to the expansion of new pre-sale units and increased interest in interior design, the operating profit fell sharply due to the surge in raw material costs and higher logistics costs. We aim to enhance the competitiveness of the existing business by introducing innovations to our manufacturing capability and lowering our production costs and expenses in preparation for changes in the external environment, and to realize both growth and profit restructuring our portfolio around high value-added products. We will also continue strengthening the B2C capability of our building decoration materials business in order to respond dynamically to the expansion of the domestic renovation and remodeling market.

Goal	Major Achievements in 2021	Plans for 2022	Long-term Goals
Strengthen the competitiveness of the total interior business	<ul style="list-style-type: none"> We secured a total interior product lineup, including the launch of kitchens/baths, etc. and conducted B2C business such as showroom rollout. 	<ul style="list-style-type: none"> Conduct R&D. / Manufacturing capability-based material /Differentiate our products. 	<ul style="list-style-type: none"> Expand the total interior business.
Expand our range of high value-added products	<ul style="list-style-type: none"> We continued nurturing insulation and Easton. We increased the proportion of high value-added premium products such as windows and doors, flooring materials 	<ul style="list-style-type: none"> Accelerate the growth of insulation / Easton and continue increasing the proportion of high value-added products. 	<ul style="list-style-type: none"> Secure the market leading position based on performance and quality.
Strengthen R&D competitiveness	<ul style="list-style-type: none"> We continued developing high insulation, high fire-resistant materials. We strengthened building decoration material differentiation and design. 	<ul style="list-style-type: none"> Differentiate our energy-saving function / exterior design. Develop premium products. Secure product competitiveness by improving quality and performance. 	<ul style="list-style-type: none"> Develop next-generation building decoration materials suitable for the residential environment of the future. Secure core source technology preemptively.

Business Areas

Building & Decorative Materials

We produce and sell building interior and exterior decoration materials and interior products designed for residential and commercial spaces, and lead the market with environmentally-friendly, high energy efficiency products, differentiated quality such as fire safety, and products with a sensuous design and functions. In addition, we are building complex/large-scale exhibition halls (Z:IN SQUARE) where our excellent products can be experienced easily and conveniently, and expanding our total interior business, which offers safe and healthy spaces based on the best construction quality and service.

Main Products ————— **Windows, glass, flooring, wallcovering, insulation materials for buildings, solid surface · engineered stone, kitchen, bathroom**

Business Overview

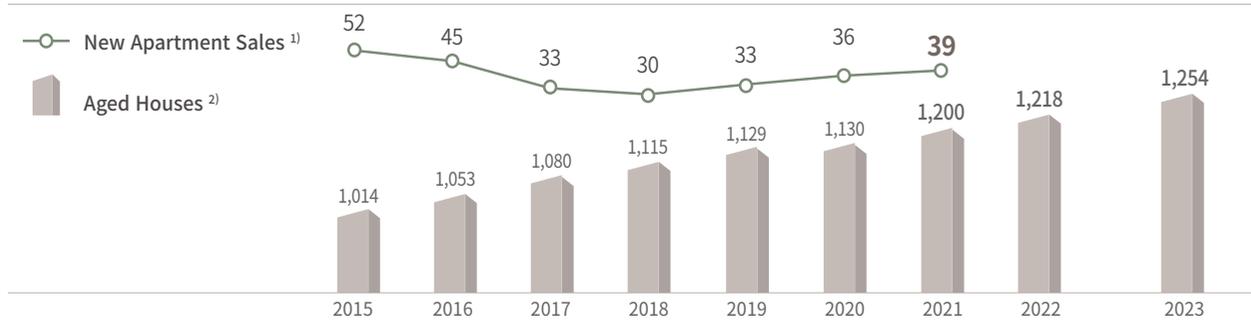
Our main building decoration material products include windows and doors, flooring materials, wallpaper, insulation, solid surface/Easton, kitchens, and baths. We are taking the lead in improving the living environment of our customers by developing environmentally-friendly flooring materials and wallpaper of various designs, kitchen tops, solid surface/Easton, which are interior and exterior finish decorative materials, kitchen and bath products differentiated by our own materials and technology, including high-performance windows and doors for residential and commercial spaces and PF insulation with excellent insulation and fire-resistance properties.

Market Outlook

The building material business has a close relationship with conditions in the construction and real estate market. Key construction indicators, such as housing transactions and apartment sales, have remained stagnant due to the last government's real estate regulations and the effects of the economic recession; however, recent changes in government policy aimed at expanding the supply of housing, etc. are expected to have a positive effect on our business in the long term. In addition, the B2C business segment is expected to continue growing due to rising demand for renovation and remodeling, which is attributable to an increase in old apartments and growing interest in residential spaces resulting from the effects of the COVID-19 pandemic. Furthermore, demand for high-efficiency energy saving and eco-friendly materials is expected to increase further due to the tightening of construction regulations and the growing need for environmental-friendliness.

New Apartment Sales | Aged Houses (Over 15 years old)

(Unit : 10,000 houses)



1) Real Estate 114 2) Estimation of LX Hausys based on data from Statistics Korea, the Ministry of Land, Infrastructure and Transport, and the Korea Real Estate Agency



Windows



Wallcovering

Business Strategy

LX Hausys is widening the contact points with its consumers and reinforcing its product lineup in order to expand the B2C business in preparation for the surge in demand for housing renovation and remodeling. We aim to provide products and services which offer customized spaces in a package form by additionally securing such products as kitchens and baths, etc. that are often needed during housing renovation and remodeling works, as well as improving the functionality of existing products such as windows and doors, flooring materials and wallpapers. We also operate diverse sales channels including exhibition halls, on-line malls, complex events, and home shopping in order to enhance customer access, and we plan to strengthen our distribution competitiveness by increasing the roll-out speed of Z:IN SQUARES in excellent business districts.

Energy saving	Overseas building materials	Interior business
<p>As the demand for insulating materials is expected to grow due to the tightened criteria regarding energy efficiency and fire resistance performance, we aim to respond to the increased demand including by planning to mass production the 4th insulator in 2022. We are also investing in the development of high-performance, energy-saving windows and doors and functional coating glass (Low-E) to improve the insulation performance of buildings and next-generation windows and doors such as auto ventilation.</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>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>



Flooring



Bathroom

Industrial Film

We create beautiful spaces by producing beautifully designed furniture, interior surface films and films for home appliances and advertisement purposes among others.

Main Products ————— **Decorative film, interior surface films, home appliance film, advertisement film**

Market Outlook

For the industrial film market, the growth of deco film and interior film is expected to continue thanks to an increase in the sales of domestic apartments and rising demand for remodeling. On the other hand, the demand for environmentally-friendly furniture film is increasing in China and Europe, especially among large furniture manufacturers. For the home appliance market, the trend of diversifying mid-to-low priced materials is also emerging.

Business Strategy

We are making concerted efforts to strengthen our global competitiveness in the home appliance, furniture 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.



Decorative film

Automotive Materials & Components

We provide structural parts for electric vehicles that contribute to improving electric efficiency by reducing weight through the application of lightweight composite materials and the optimization of component design, analysis, lightweight composite panels for trailer walls and diversification of automobile interior design. We also create safe and comfortable driving spaces by developing automotive fabrics and parts that have been recognized as environmentally-friendly and highly durable products.

Main Products ————— **Battery structure parts, Composite panels for trailer walls**
Automobile interior/exterior decoration parts, automotive fabrics

Business Overview

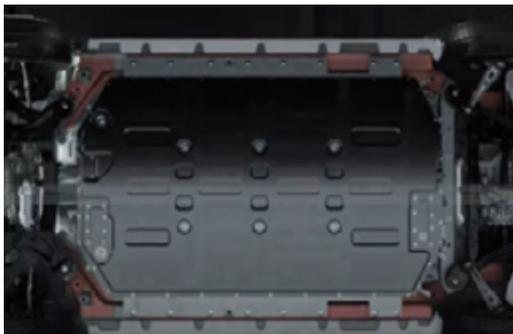
In the automotive materials and parts sector, we are producing and selling lightweight parts, general automotive parts, and automotive fabrics. Our lightweight parts contribute to improving energy efficiency as their weight has been reduced by using our own composite materials while maintaining the existing metal performance, and we expect that the demand for these products will grow as more battery packs for electric vehicles are used in production. Our general parts are used in interiors whose design pattern has been realized by using exterior decoration materials of automobiles and various surface techniques. Our automotive fabric is an environmentally-friendly product which has obtained the first grade (Baby Class) of the European textile product quality certification (OEKO-TEX® Standard 100). This surface material, which is mainly applied to automobile seats, boasts excellent anti-pollution properties and durability.

Market Outlook

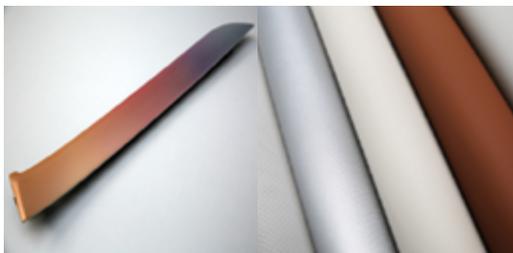
The production volume of domestic automobiles fell a little due to the shortage of automotive semiconductors; however, it is expected to enjoy gradual growth in the future due to rising demand for automobiles in the USA and China, the two largest markets for automobiles. In addition, due to the strengthening of global carbon neutrality, the eco-friendly vehicle market, including electric vehicles and carbon vehicles, is expected to continue growing.

Business Strategy

In order to respond to changes in the industry, such as growing demand for advanced materials, improved fuel economy, and stronger environment regulations, etc., we are pushing for expansion of eco-friendly vehicle application using our own composite materials. As regards automotive fabrics, we will construct an eco-friendly plant by the this year, minimize the generation of harmful ingredients by switching from oil-based treatment to water-based treatment, and focus on developing functional prescription, such as improving pollution resistance and durability. For interior parts, we will focus on developing a surface treatment technology in order to advance our vehicle interior designs.



Battery bottom protection panels



SRP

Automotive fabric

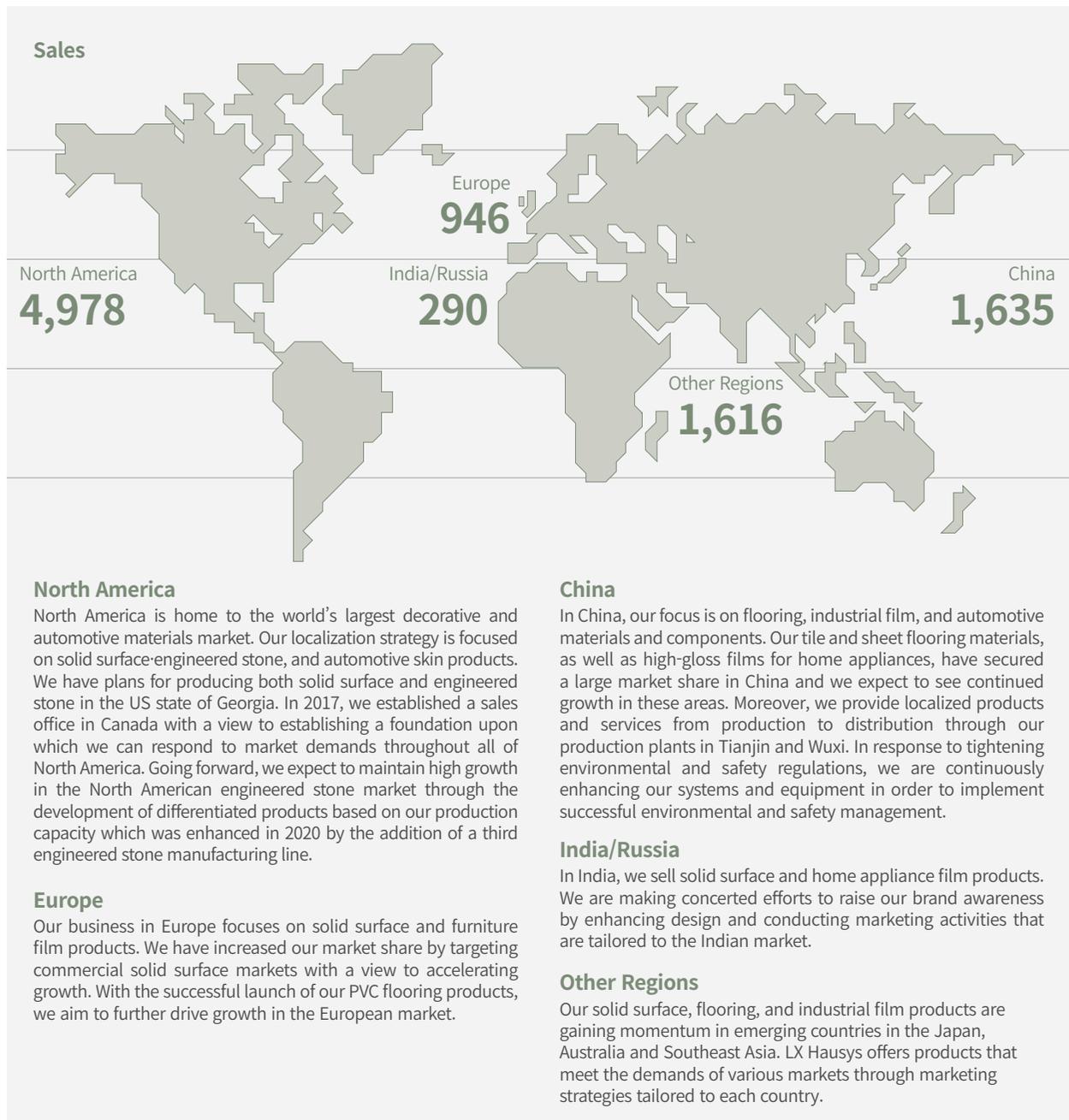


Composite panels for trailer walls

Overseas Business

LX Hausys is implementing a customer-oriented market strategy in core markets such as North America, China and Europe, not to mention the domestic market, and is focusing on expanding its global network by localizing the products of its production and sales bases located in the USA and China. Especially for Solid Surface/Easton, automotive fabrics, and home appliance film, we have secured a leading position in the global market. We are increasing the market share of Solid Surface/Easton by targeting commercial markets through various sales channels including local construction material distributors. We are also expanding the sales of industrial film by targeting furniture manufacturers in Europe, while sales of flooring materials will continue to increase mainly in North America and Europe, where demand is shifting from carpets and floors to PVC flooring. For our automotive fabrics, we are increasing our market share in the USA and China through Spec-in focused on fully built automobiles. LX Hausys also exports construction materials such as Solid Surface, flooring materials, etc. to emerging markets including India and Southeast Asian countries, and plans to supply interior film and other products to those markets in the future.

(Consolidated basis as of the end of 2021)



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.

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.

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.

India/Russia

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 Japan, Australia and Southeast Asia. LX Hausys offers products that meet the demands of various markets through marketing strategies tailored to each country.

A new interpretation of a 'comfortable space'

Space designed for detoxification for people who are exhausted from the prolonged COVID 19 pandemic

After the prolonged COVID-19 pandemic, spaces for mental refreshment are becoming increasingly important. Words such as 'rest', 'mental care' and 'mindfulness' have appeared in interior keywords, and the public is paying ever more attention to finding cozy and comfortable spaces. Having recognized each individual feels comfortable at different moments and, by considering comfort and coziness, LX Hausys proposes the following three themes under the slogan of 'New Cozy': Sunkiss, which is designed for people who want to preserve their bright and positive energy; Tea Tree, for those who mourn and want to restore their precious daily life; and Palette, which is designed for people for who want to create their own fantastic utopia and make it a space for rest and relaxation. LX Hausys will continue to provide differentiated products and spatial solutions based on its insights into the latest trends and analyses of customer lifestyles.

Trend Theme Proposal

SUNKISS

A treasure trove full of sunlight

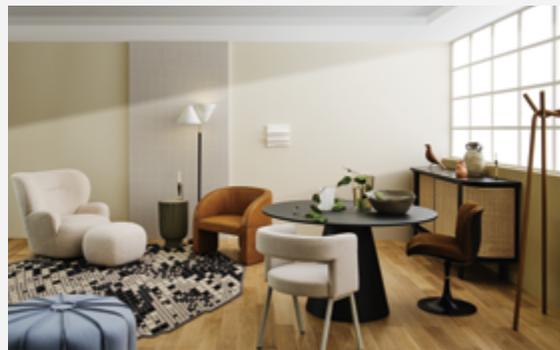
Members of the MZ generation (Millennials and the Z generation), who value personal satisfaction and beauty, collect their favorite objects and show their attachment to a space that has been created according to their taste. Such spaces can raise your happiness index by allowing you to archive and admire special objects, such as companion plants and cherished items, and provide comfort when you are tired and exhausted.



TEATREE

A quiet place for mental recovery

People who have lost precious things due to rapid environmental changes or experienced a hard time living their daily lives need a special space where they can recover their mental composure. We propose a space characterized by a stable material and color arrangement that will help you to achieve inner peace and have time to think.



PALETTE

A space that can contain absolutely anything

In the new normal era, the MZ generation explores the virtual world by striking a fine balance between economic benefits and spiritual satisfaction. Just as the dozens of paints in a palette come together to form a work of art, the palette expresses the idea of a world beyond the imagination by bringing together colors, furniture, and ideas.





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Sustainability Management

Key Sustainability Achievements in 2021

Throughout the year 2021, 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 2021	2022 Plan
 Differentiated Customer Value	Differentiate the customer experience by utilizing trendy contents.	<ul style="list-style-type: none"> Held the 22-23 trend seminar. Developed an iconic design and held the Z:IN SQUARE TREND CUBE FAIR. 	<ul style="list-style-type: none"> Expand development connecting trend-based – product – commodity – space. Reflect the development roadmap for strategic commodities based on customer insights.
	Strengthen differentiation design and materialization techniques.	<ul style="list-style-type: none"> Secured identity of interior-specialized design via space-oriented (life style-based fusion product + space products) development. 	<ul style="list-style-type: none"> Material design differentiation for customer-oriented interior (kitchen/bath + building decoration material) products.
	Manage customer contact points.	<ul style="list-style-type: none"> Expanded customer experience contents through cooperation between experts and fansumers(fan+ consumer). Improved the sales/design communication process. Expanded customer contact points at 19 large-scale showrooms. 	<ul style="list-style-type: none"> Development and promotion of customer marketing solutions based on the brand message 'Quality Interiors.' Reinforcement of contents based on the construction expertise and experience of leading specialists. Application of Visual Identity to increase brand credibility. Development of differentiated exhibition contents to enhance customer experience.
	Level up the Quality Assurance System.	<ul style="list-style-type: none"> Six Sigma to be utilized for daily business -4M Change / FMEA major risk to be resolved / Quality Issue Countermeasure Activities for checking the supplier quality system -Expansion of inspection of new processes and issues suppliers 	<ul style="list-style-type: none"> Secure development quality with which quality risks can be prevented beforehand. - Search for possible new risk factors and strengthen the review of the effectiveness of improvement measures. - Appoint a person in charge of FMEA. Secure mass production quality for outsourcing suppliers. - form a team to evaluate outsourcing suppliers.
 Sustainable Product Development	Extend existing technologies. Develop differentiated products.	<ul style="list-style-type: none"> Responded to changes in the regulations on energy and harmful substances, and developed eco-friendly building decoration materials. Enhanced the design/analysis capability, provided lighting solutions by utilizing references. 	<ul style="list-style-type: none"> Respond to changes in the regulations on energy and harmful substances and develop eco-friendly building decoration materials. - Research recycled materials from the viewpoint of ESG and expand product development by utilizing the results of research. Develop products with improved user convenience.
	Environmental Product Declaration (Low carbon) newly certified product	<ul style="list-style-type: none"> Environmental Product Declaration: 13 types Low carbon products : 16 types 	<ul style="list-style-type: none"> Environment Product Declaration: 8 types Low carbon products: 10 types
 Enhanced Environmental Safety Operations	Respond to climate change.	<ul style="list-style-type: none"> Greenhouse gas emission reduction goal : 141,000 tons Greenhouse gas emission quota : 165,000 tons 	<ul style="list-style-type: none"> Request a professional consulting service by external agencies concerning response to climate change. Greenhouse gas emission reduction goal: 138,000 tons Greenhouse gas emission quota: 164,000 tons
	Improve the management system.	<ul style="list-style-type: none"> Conducted severe accident prevention checks of manufacturing facilities and enhanced the emergency response system. Rechecked internal management for the prevention of severe accidents. (Environmental safety organization/Environmental safety management system/Modification of accident response procedure) 	<ul style="list-style-type: none"> Eliminate violations of the laws and regulations in advance through regular checks of compliance at business sites. Make up for defects in the severe accident prevention management system and strengthened diagnosis for implementation. Expand green purchases and improve the evaluation/ support system for suppliers.
	Emphasize safety consciousness.	<ul style="list-style-type: none"> Raised safety awareness through safety culture activities. - Re-establishment of management environment safety guide 	<ul style="list-style-type: none"> Provide safety training aimed at raising safety awareness and reducing accidents, and carry out safety culture activities.
 Building a Win-Win Supply Chain	Strengthen the fundamental competitiveness of suppliers.	<ul style="list-style-type: none"> Eased Operation standard for supplier cooperative fund · Operated financial support such as cash payment Strengthened of supplier technology, management and education support for improvements of productivity and quality 	<ul style="list-style-type: none"> Operate supplier cooperative funds. Continue to expand the amount of cash payment. Form a supplier innovation team to provide technological support for productivity improvement.
	Create a fair transaction environment.	<ul style="list-style-type: none"> Encouraged conclusion of the Fair Trade Commission's agreement between secondary and tertiary vendors. Established reasonable fair trade practice through compliance with the laws, regulations, and guidelines. 	<ul style="list-style-type: none"> Promote a fair trade culture for primary vendors subject to conclusion of the agreement. Strengthen systematic support to create a fair trade environment.
	Enhance the CSR performance of the supply chain.	<ul style="list-style-type: none"> Conducted periodic diagnoses of suppliers' CSR activities. 	<ul style="list-style-type: none"> Update the supplier CSR Diagnosis Checklist.

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 2021	UN SDGs
<ul style="list-style-type: none"> Develop trend space to connect experience of on and off line customers. 	<p>R&D expenditure (As of the end of 2021)</p> <p>KRW 71,494 billion</p> <p>2021 A/S satisfaction 93.2 %</p>	 
<ul style="list-style-type: none"> Improve total interior design capability with a market leading product strategy through the development of designs based on the customer's viewpoint. 		
<ul style="list-style-type: none"> Divide showrooms into spaces and product zones that focus on customer experience. Develop diverse and detailed customer experience programs. Strengthen the reliability of the customer experience at construction sites. 		
<ul style="list-style-type: none"> Secure Six Sigma capability to resolve quality issues. - Develop Six Sigma, the quality manager of outsourcing supplier Establish an integrated Quality Management System based on IT systems. 	<p>Sustainable product certifications 168 case</p> <p>(ECO-LABEL, HB MARK, Environmental Product Declaration)</p>	
<ul style="list-style-type: none"> Develop products which consider customer safety in terms of product-construction-use. Develop functional products which can resolve customer Pain Points. 		
<ul style="list-style-type: none"> Gradually expand the number of certified eco-friendly products as a proportion of the total number of products by year. Continue renewing the certification of newly certified products. 	<p>Greenhouse gas emissions (2020 132,511 tCO₂eq)</p> <p>131,286 tCO₂eq</p> <p>Rate of accidents 0.27 %</p> <p>(2020 0.22%)</p>	 
<ul style="list-style-type: none"> Establish environmental safety internal KPIs concerning climate change and establish mid and long-term reduction plans. Planning period for 3rd greenhouse gas emission rights (2021~2025) Emission goal of less than 141,000 tons per year 		
<ul style="list-style-type: none"> Diagnosis of key management items according to risk assessment, establishment of an improvement system. Establishment of a system for monitoring environmental pollutants and chemicals and reducing their emissions. 		
<ul style="list-style-type: none"> Develop tools to evaluate the safety culture and train evaluation team members. Perform improvement activities by organization based on the results of a safety culture level evaluation. 	<p>Supplier CSR risk diagnosis 381 companies</p> <p>Rate of local community purchases 39 %</p> <p>(Rate of purchases from suppliers near the business site compared to the total purchase amount)</p>	 
<ul style="list-style-type: none"> Establish a sustainable industry ecosystem by improving mutual competitiveness. Maximize improvements of suppliers' productivity by providing manufacturing technology support. 		
<ul style="list-style-type: none"> Respect the fair trade action plan. Strengthen unfair trade prevention activities. 		
<ul style="list-style-type: none"> Expand the components of the supply chain subject to CSR diagnosis to include overseas and secondary vendors, etc. 		

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 inspection management

- Dividing the exhibition hall into space/product zones to focus on customer experience
- Development of diversified and segmented customer experience programs
- Reinforcement of customer experience management and reliability at the construction site

Performance Indicators



R&D Expenses
(As of end of 2021,
Unit : KRW 1 million)

71,494



2021 A/S Satisfaction
(Unit: %)

93.2

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

Strengthening customer communication

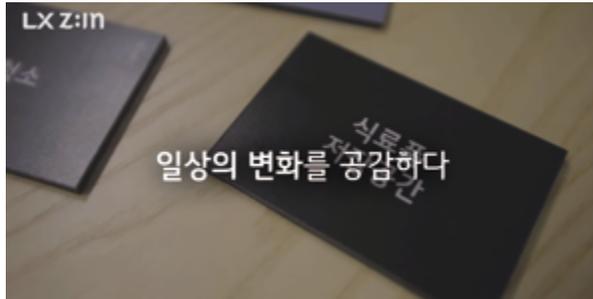
We are solving customer inconveniences by collecting various VOCs (Voice of Customers) that occur in the process of customer purchasing, discovering issues and improving them. In order to provide customers with convenient service access, we opened the LX Hausys customer service website in 2020, and in 2021, improved the ARS displayed on the mobile to strengthen the connection to customer-tailored counseling. In addition to the expansion of the response departments, dedicated staff with product/construction expertise have been deployed, and self-action videos and product manuals are provided so that customers can solve problems for themselves. In the second half of 2022, we plan to further expand communication with customers by introducing the Kakao Chatbot, which can respond 24 hours a day, 365 days a year.

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 'LX Z:IN' total 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.



Z:IN SALON

A/S satisfaction surveys

We are conducting A/F (after-sales) service satisfaction surveys to achieve customer satisfaction. Customer opinions on cases of low satisfaction are collected and reflected in product development, construction, and service quality, and best practices are shared within the company to improve overall service quality. With these after-sales satisfaction improvement activities, we provide a positive customer experience for LX Hausys services, and on the basis of this, we focus on customer experience management to encourage customers to repurchase and actively spread a satisfactory experience to those around customer.

Policy for fairness in service provision and policy for VOC precautions (Z:IN empathy service)

We have established standards for items, procedures, and costs related to services received by customers and are improving the service quality. In particular, service costs are announced on the service website so that customers can be aware of them, and business trip service costs are classified into business trip costs, repair costs, parts costs, and additional charges in detail according to the service type (visit consultation, general maintenance, parts replacement). In addition, if paid service is provided, transparent and fair service is provided to customers by sending Notification Talk on cost details.

Separately from the existing A/S procedure, Z:IN empathy service has been newly provided to customers who purchase kitchen/bathroom products from 2022 to ensure VOC prevention and quality assurance, regardless of whether a problem occurs after product installation is completed. The Z:IN empathy service is a customer communication service in which service engineers visit a customer's home a week after construction is complete, explain in detail how to use and manage products, and check and take action on construction status. It aims to increase customer satisfaction by providing quality.

Through the Z:IN empathy service, we plan to continuously accumulate data on customer complaints that occur after construction and systematize it to continuously promote a policy to boost customer satisfaction in all processes from product purchase to construction and A/F service.

Service provision principle

LX Hausys has a principle by which we respond to all service requests (A/S), inquiries, and complaints received through telephone reception at the customer service center and through the service website/mobile self-reception. When a service request (A/S) is received, the consulting office automatically assigns a service engineer (SE) who is assigned to each region. The SE will contact the customer within 24 hours to schedule an appointment and provide the service.

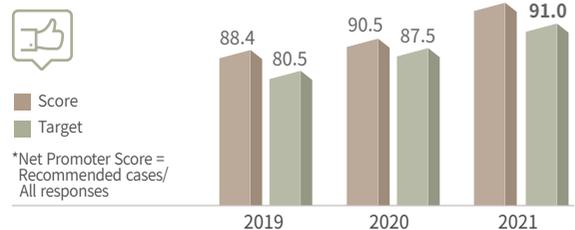
Distribution channel quality control

We distribute processing manuals (quality standards) for quality control of external distribution channels, audit whether they comply with the quality standards defined by LX Hausys once a month, and reflect the results in our marketing policy to support sales and maintain business relationships.

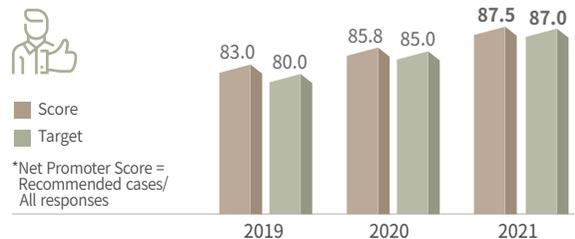
LX Hausys conducts quality evaluation once a year for quality management of outsourcing partners and supports quality education for quality managers. Face-to-face meetings (Quality Committee) are held when cases of nonconformity with quality occur, and audits are conducted for partners who have been found to have committed major quality negligence.

Net Promoter Score*

Domestic Customer Satisfaction



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

Building and decorative materials

- Develop construction materials that minimize indoor air pollution
- Increase low-carbon products that care for the earth and the environment
- Development of Eco-friendly Material Technology Considering Resource Circulation



Automotive skin, eco-friendly material and parts

- Develop eco-friendly fabrics using plant-based bio raw materials and recycled materials
- Develop interior parts for vehicles using various green materials such as rice husk and wood flour, and recycled raw materials

Energy Saving

Energy-efficient windows/insulation materials

- Maximize the energy-saving effect of buildings and the insulation performance of windows



Lightweight plastics and composite materials

- Help improve the range and fuel efficiency of eco-friendly vehicles and vehicles with internal combustion engines through research on lightweight composite materials

Human-Friendly

Customer-friendly building and decorative materials

- Develop flooring material that minimizes lightweight impact sound and maximizes shock absorption
- Develop top-grade HB certified flooring material

Strengthening of fire safety building and decorative materials

- Develop finish materials for walls using semi-noncombustible materials

Automotive skin with minimal impact on people

- Develop fabrics that exhibit a minimal impact on people by virtue of not containing harmful ingredients such as phthalate plasticizers and halogen flame retardants

Kitchen and bathroom

- Develop products to provide value to customers with tailored to the user's life style space configuration



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.

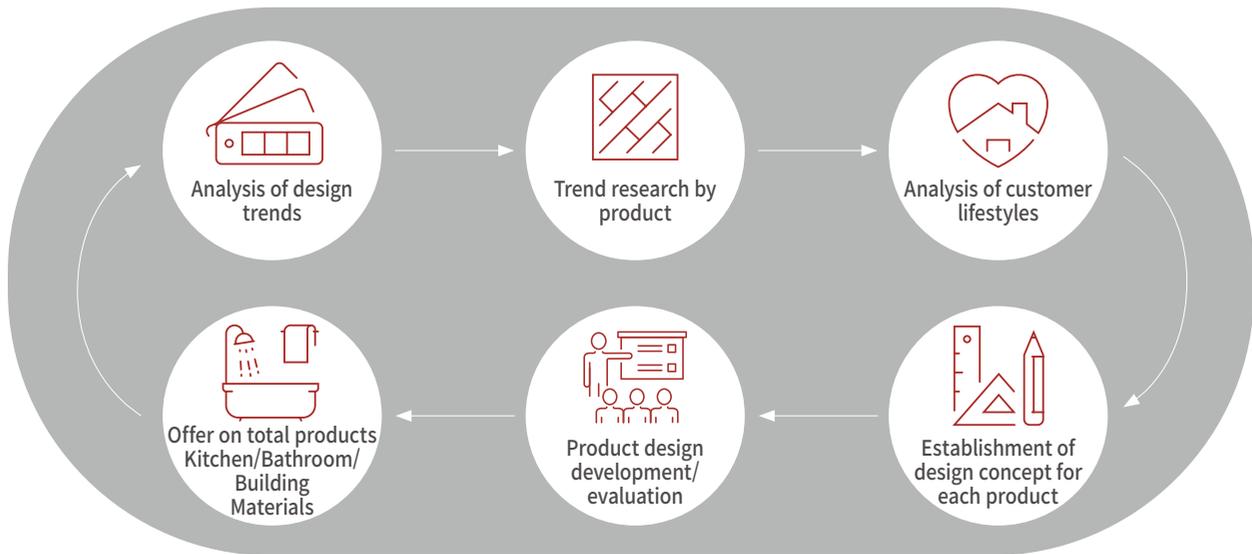


Development of differentiated, customer-oriented products

LX Hausys puts a lot of effort into analyzing the space that customers want, and develops new product designs and content by analyzing the causes and flow of design changes from multiple perspectives, such as domestic and foreign design environments and consumer needs. In addition, we are establishing mid- to long-term product design development strategies in line with the rapidly changing market environment through design research to contribute to business growth and brand value enhancement. We are constantly communicating with customers to create products that consumers can relate to, and we are focusing on developing differentiated products with material expertise through systematic evaluations with customers.



Development of customer lifestyle-linked products



2022 Major Design Results

2022 iF Design Awards Winner

Our customer-oriented design management philosophy is being recognized for products that consider user convenience, original design products that embody the feeling of various natural materials in interior materials more realistically, and sample books that are conveniently organized according to customer lifestyle preferences.

- Our three products, 'The Lever (interior door handle product)', 'Real Stone Quartz (engineered stone product)', and 'Fiancee-Bestie (wallpaper sample book)' were awarded the "2022 iF Design Award (International Forum Design Award) in the category of products/communications."



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 windows, flooring, wallcovering 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



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

(Cumulative basis as of end of 2021, Unit : number of cases)

168

*Korea Eco-Label, HB Mark, EPD

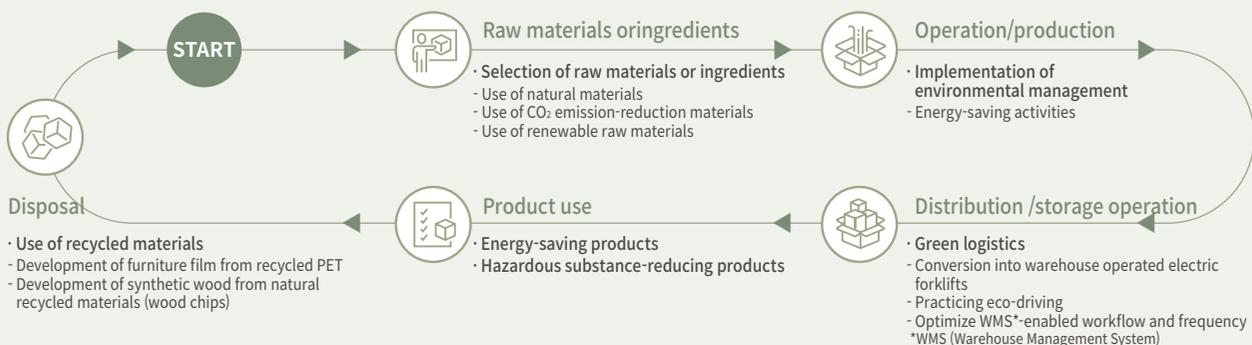
Achievements & Plans

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 2022, we will expand recycling material research and product development from ESG perspective.

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.

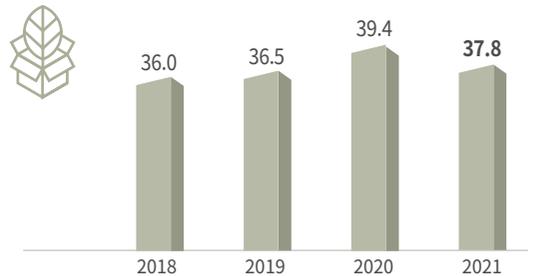
Introduction to the Customer Safety Center

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.

Sales of eco-friendly products and environmental labels

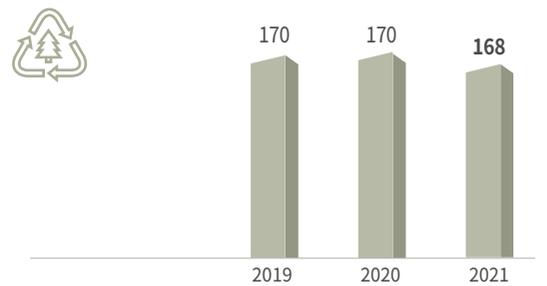
By continuously increasing the proportion of eco-friendly product sales, the eco-friendly product accounts for 37.8% of total sales in 2021. Eco-friendly products that consider environmental characteristics, fine dust, durability, and performance improvement include ZEA series, insulations, energy-saving windows, and coated glass. At the same time, at the end of 2021, our 168 products in Korea obtained environmental certifications for 7 major impact categories, including carbon footprint, water footprint, ozone layer impact, acid rain, and resource footprint. We will continue making improvements related to product production and transportation to further expand our range of eco-friendly products.

Changes in the percentage of new green product* sales (Unit : %)



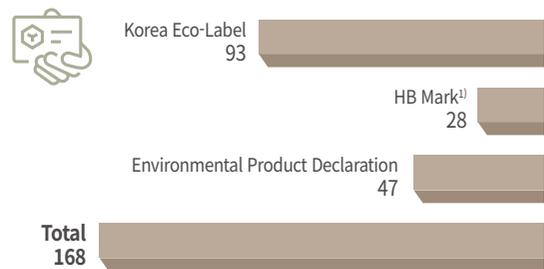
*New green products include decorative materials and window products.

No. of eco-friendly certified products (Unit : case)



*Korea Eco-Label, HB Mark, Environmental Product

Product Certification Status (As of end of 2021, Unit : case)



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

Raw materials or ingredients

- Application of plant-derived materials: Products that use ingredients extracted from plants. Example of products: Flooring (ZEA Sorijam, ZEA floor style, etc.), wallpaper (ZEA wallpaper, etc.)
- Use of CO₂ emission-reducing materials: Glass-fiber lightweight automotive parts, bio-based automotive fabrics
- Amount of use of renewable raw materials: 17,030 tons of renewable raw materials were used in 2021

Use of products

Energy-saving products

- High-insulation windows: Energy saving compared to general glass
- High-performance insulations: 20% annual reduction in heating and cooling costs compared to general-purpose insulations with the same thickness
- Lightweight auto parts: Weight-reduced auto parts based on the glass-fiber increase fuel efficiency of automobiles (Roof racks: 26% weight reduction compared to aluminum, knee protectors: 38% weight reduction compared to steel)

Hazardous substance-reducing products

- Having the performance of hazardous-substance adsorption and desorption: 'SUM TILE' among wallpaper products
- Launch of TVOC, 5VOC, and HCHO* emission-reduction products: wallpaper, interior film, automobile fabric, etc.
- Hazardous dust-reduction filter network: Developed windows to reduce fine dust (90% reduction in fine dust in the air)
- Automatic ventilation window: A system window that ventilates itself without opening the window and protects indoor energy (blocks internal CO₂ emission and external fine dust)

* TVOC: Total volatile organic compounds | 5VOC: toluene, benzene, ethylbenzene, xylene, 5 styrene organic compounds | HCHO: formaldehyde

Products based on eco-friendly materials and high energy efficiency

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.

Sustainable automotive material (Eco-friendly high-performance automotive fabric)

Our PVC fabric SOFINO Green has obtained European textile product quality certification (OEKO-TEX® Standard 100) with eco-friendly treatment (water-based treatment agent, dephthalate plasticizer, antimony-free flame retardant). It has made LX Hausys the first fabric manufacturer to be registered as a sustainable fabric company in GM's Sustainable Development Project in North America. The PVC fabric SOFINO, despite its eco-friendly treatment, was evaluated as an excellent fabric that achieved differentiated physical properties in terms of abrasion resistance, stain resistance, cold resistance, and flex resistance compared to existing products.

Improving vehicle safety performance and energy efficiency (Eco-friendly vehicle structural parts and lightweight composite materials)

Through an independent development of new lightweight composite materials and laminated structures, we are applying them to the battery pack bottom panel of 6 domestic electric vehicle models. We have also completed the development of a lightweight composite panel with fiber core, which was applied for the first time in the world, and the panel is being supplied for the construction of trailer walls for North American automakers. In addition, one of our composite materials, a thermoplastic material based on continuous glass fiber, is being developed for the European electric vehicle market, where environmental regulations are strengthened. Considering the advantage of their material diversification, the lightweight composite panels are in the process of expanding their use as structural parts for electric vehicles.



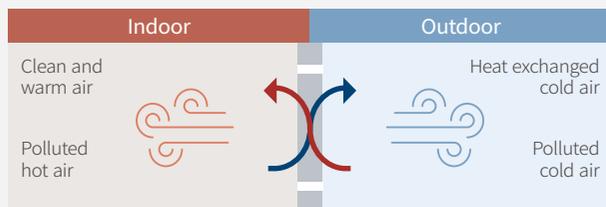
Solving social issues and customer-convenience products

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

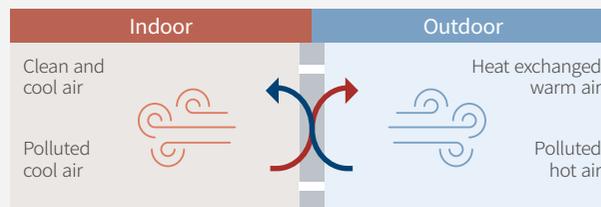
Recently, the importance of ventilation is being highlighted as it becomes difficult to ventilate rooms with outside air due to fine dust and yellow dust. Also, air purifiers are not effective at removing carbon dioxide and harmful substances. Our Window Ventilation product exhausts polluted air from 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 cool exchanger efficiency: 70%)



Indoor cooling (cooling heat exchanger efficiency: 63%)



LX's exclusive premium collection Diamant renewal launched (Premium wallpaper with an eco-friendly coating as well as a hard surface and a deep and delicate pattern)

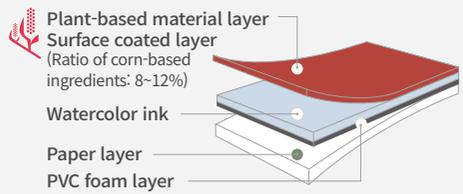
LX Hausys has renewed and released the premium wallpaper Diamant released in 2018 with a new design in line with the continued advancement of the interior design market. The new painting pattern that utilizes Diamant's unique hard surface and depth, and a large stone pattern that minimizes repeated patterns, provide customers with a sense of luxury that cannot be felt in existing wallpaper. Diamant enhances its eco-friendliness by applying eco-friendly Zea coating to the surface layer in contact with the skin, and by acquiring OEKO-TEX 1st grade (Baby Class), a European textile quality certification, so it can be used safely without irritation to the skin of children under 3 years of age. LX Hausys will continue to strive to make the customer's space a luxurious and safe space based on differentiated technology.

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.

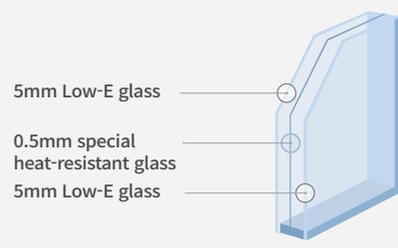
Eco-friendly decorative material ('LX Z:IN Flooring ZEA Sorizam, ZEA Wallcovering')

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.



New trends in spaces ('LX Z:IN interior door')

In order to create a luxurious first impression of the house, we have launched the 'LX Z:IN Interior Door' series of products that reflect customer tastes and design trends. User convenience and safety are procured by applying an easy-open handle that can be opened and closed comfortably and smoothly with little force and a damper that has passed the 100,000 opening and closing test. 'LX Z:IN Interior Door', which takes responsibility for after-sales service with a maximum 10-year warranty, will be further applied with a delicate design solution for not only the entrance but also the alpha room, bedroom, living room, kitchen, etc.



LX Z:IN Interior Door 5 Classic Sliding

A proposed new next-generation kitchen platform ('LX Z:IN Shift 5 Cloud')

We have developed 'Shift Cloud', a kitchen platform that proposes a new space according to the interior design trends to create a special home that people want to show to others. It provides the look and storage function of an imported kitchen at a reasonable price.

Shift Cloud is a floating design kitchen that maximizes openness by realizing excellent durability with steel material and double fixing method, providing customers with a variety of choices. The island with the patented steel frame and acrylic legs, and the application of downdraft hood maximize the sense of openness of Shift Cloud.



LX Z:IN Shift 5 Cloud

Boosting the convenience of a storage solution ('LX Z:IN Easy pocket drawer')

'Easy Pocket Drawer', a chest of drawers that differentiates storage and functions, which is not found in domestic competitors, has improved the space structure and storage function among the four VOCs (design, space structure, storage, and maintenance) in the kitchen. The open tilting angle of 20° is applied, which requires less force to open and close, along with Soft Closing which has boosted safety and usability. The technology is applied to the upper drawers with a high frequency of use and is designed to make it easy to take out items. In addition, the efficiency of space is maximized through internal accessories (pocket storage, storage network).



LX Z:IN Easy pocket drawer

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 141,000 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

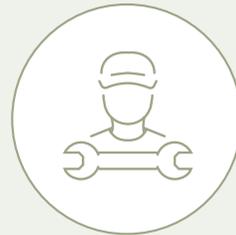
Performance Indicators



GHG emissions

(In Korea as of end of 2021, Unit : tCO₂eq)

131,286



Accident rate

(0.22% in 2020, Unit : %)

0.27

Achievements & Plans

Climate change response

To achieve the greenhouse gas reduction target in 2021, we reduced greenhouse gas emissions for 4 consecutive years through facility improvement activities and active energy consumption management, and this enabled us to sell 13,905 tons of remaining emission trading rights through the exchange. In addition, we received a grade B, higher than the global average, in the CDP, a project that discloses information on the climate change response system and status.

In 2022, we plan to conduct consulting through a specialized agency to establish mid-to-long-term carbon reduction measures in accordance with the implementation of the Carbon Neutrality Framework Act and the 2030 National Greenhouse Gas Reduction Plan (NDC). Through consulting, we plan to establish a systematic mid- to-long-term greenhouse gas reduction strategy to establish a plan in line with the 3rd plan year allocation goal and national NDC.

Prevention of safety-related incidents

To prevent safety-related incidents, we reorganized the environmental safety organization at the end of 2021. The organization was strengthened by establishing a Chief Production Officer (CPO) as the highest decision-maker in environmental safety work. To ensure that essential safety investments are executed, the entity of safety investment management was changed to the Environment Safety Department, and internal regulations related to safety and health were reorganized to improve the incident prevention and management system. In 2022, in order to reduce severe incidents and safety-related incidents, we plan to set up safety experience training centers for each business site to raise the level of safety education. We vow to revise the manual on the essential safety measures required at the construction site for our products and strengthen the inspection. In addition, in order to improve the level of safety and health management of our partners, we strengthened the evaluation standards for safety and health management capabilities for partners and conducted re-evaluation, and included our partners with multiple safety-related incidents in our safety management innovation activities (SI/EI) to boost the efforts for preventing safety-related incidents.

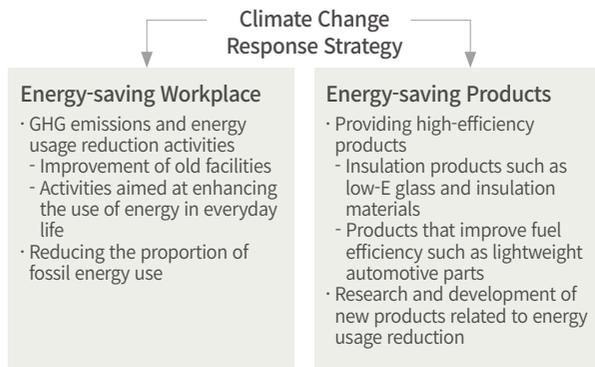
Climate Change Response System

Identifying Risks and Opportunities Related to Climate Change

LX Hausys has been subject to the allocation of GHG emissions according to the emissions trading system since 2015, and consequently focused on reducing the amount of its GHG emissions so as not to exceed the quota in 2021. 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.

Mid- to long-term goals and plans

As the free allocation ratio decreased from 97% to 90% based on the 3rd planning period of the emission trading system (2021-2025), a greenhouse gas emission target of about 1,557 tons in 2022 was established by setting an emission target for each business site and improving RTO efficiency and cooling water pumps. So, we are planning to reduce gas emissions. In addition, we predict future emissions through regular emission monitoring and trade emission rights in the trading market when there is a shortage or residual amount. In order to establish mid- to long-term reduction strategies, we plan to consult with an external professional organization, and we plan to establish reduction strategies for each type and detailed reduction plans in line with the government's policies.



Greenhouse gas reduction decision-making system

Because climate change affects the profit and loss of a company as it poses risks and opportunities at the same time, the executives recognize their responsibility and make decisions on policies that ultimately evaluate energy management, greenhouse gas emission trading system, implementation management, and investment in greenhouse gas reduction. The executives receive reports on our greenhouse gas emissions and reduction plans through the company-wide environmental safety committee, which is held regularly and makes decisions.

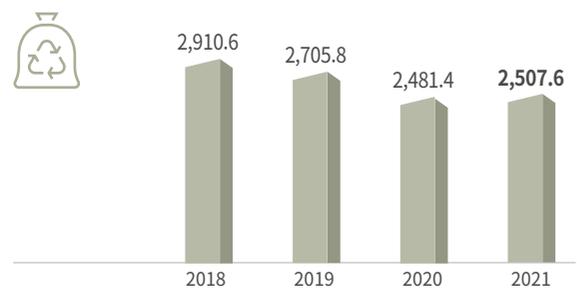
Disclosure of Information on Greenhouse Gas Emissions

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.



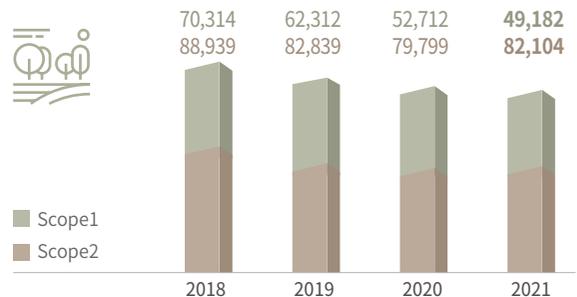
Energy Consumption

(Unit: TJ)



GHG Emissions

(Unit: tCO₂eq)



Greenhouse Gas Reduction Activities and Performance

Process innovation and operational optimization

We are concentrating on saving energy by introducing various innovations to and optimizing our production processes, and reducing our energy costs and GHG emissions by introducing external heat sources. In order to reduce the energy used in the production of products at our worksites, the Ulsan Factory is working to improve its RTO* thermal storage materials and addressing the problem of heat dissipation loss. Meanwhile, the Cheongju Factory is carrying out such activities as improving its refrigerators and water supply pumps. In addition, after monitoring monthly energy consumption, we share and analyze the results with our executives and our production departments in order to induce the optimal operation of our production facilities.

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

Ulsan Plant

Ulsan Plant solved heat loss due to heat dissipation by adding insulation to pipes that supply and return high-temperature steam/thermal oil so about 276 tCO₂ was reduced. By rationalizing the capacity of the air compressors, the use of electricity was reduced, reducing about 147 tCO₂. In addition, through process improvement, the existing two RTO units were reduced to one unit. By reducing the amount of LNG used, about 910 tCO₂ of greenhouse gas per year was reduced.

Cheongju Plant

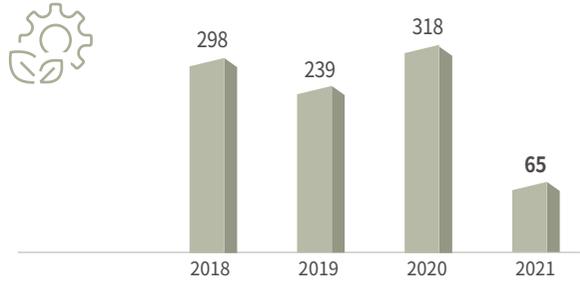
Cheongju Plant has integrated two aging refrigerators into one for the improvement of equipment operation. It also improved the cold water supply pump through an integrated operation. It reduced 337 tCO₂ of greenhouse gas per year and carried out activities to reduce power consumption. In addition, it reduced 177tCO₂ of greenhouse gas per year by improving the air leakage area of the business site.

Logistics Center

In 2020, the Uiwang Logistics Center was established to strengthen our interior design efforts. We have introduced electric forklifts into the distribution center, replacing all the existing ones, to carry out logistics work. A total of 15 electric forklifts are being used in the Uiwang Distribution Center. The Cheonan Logistics Center also uses a total of 9 electric forklifts - 4 units of 2.5 ton and 5 units of 3.5 ton - and we plan to gradually increase the proportion of electric forklifts in the future.

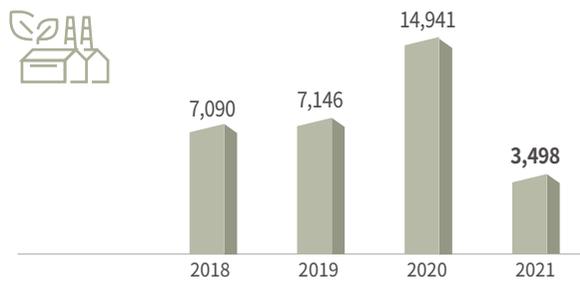
Energy reduction

(Unit : TJ)



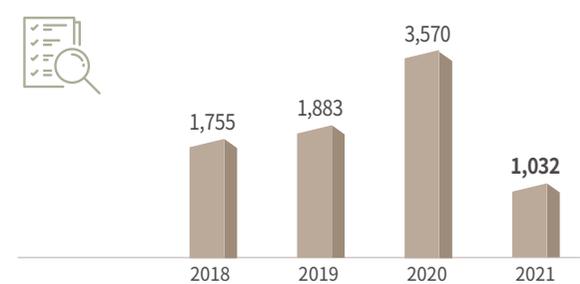
Green house gas reduction

(Unit : tCO₂eq)



Energy savings

(Unit : KRW 1 million)



Ulsan office

Major reduction business

Reduce fuel consumption by streamlining exhaust emissions (2 RTO units → 1 unit operation)

Reduction of fuel consumption by improving heat dissipation loss of steam heaters

910 tCO₂ Reduction results **276 tCO₂**

Cheongju office

Major reduction business

Reduction of power use through refrigerator improvement

Reduction of power consumption through improvement of air leakage area

337 tCO₂ Reduction results **177 tCO₂**

Strengthening Activities to Prevent Safety-related Incidents

Reorganization of environmental and safety organization

The environment and safety organization, which was operated under the direct control of the CEO, was newly established by installing a Chief Production Officer (CPO) under the CEO so the organization was reorganized to strengthen environmental and safety-related responsibilities and authorities. With the installation of CPO, the independent decision-making authority for major environmental and safety-related tasks has been greatly expanded so we aim to prevent severe incidents and safety-related incidents by promptly proceeding with the work related to safety-related incident prevention.

Change of environmental and safety investment management entity

In 2021, by changing the entity of environmental safety investment management from the production department to the environmental and safety department, we improved the investment management system so that the environmental and safety investment budget can be effectively invested in improving environmental and safety facilities. In addition, from 2022, the environmental safety department will exercise the authority to organize and review the environmental and safety investment budget, so that the environmental and safety investment budget can be procured as much as possible from the total investment budget.

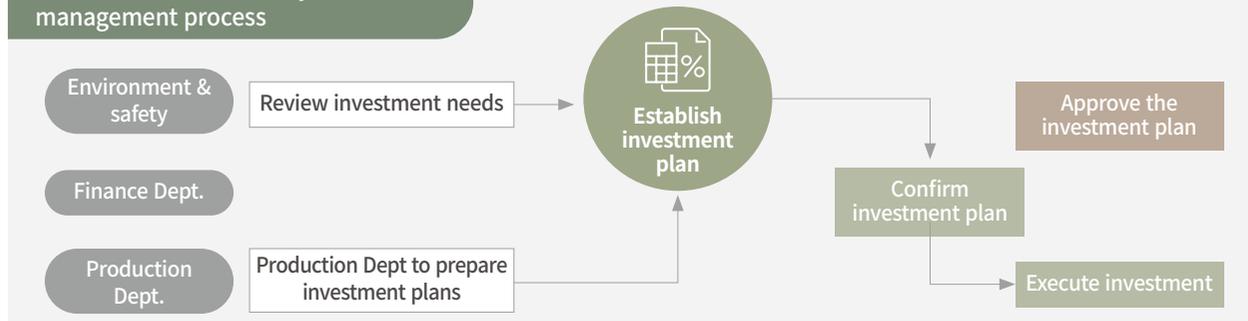
Environment and safety slogan



Decision making structure in environment safety



Environmental and safety investment management process



Reorganization of safety management regulations

In order to strengthen the obligation to ensure safety and health for the prevention of severe incidents in accordance with the enforcement of the Severe incident Punishment Act, we amended the content of 「Safety and Health Management Regulations」 and 「Contractor Management Standards」, the company rules that are the basis of safety and health management so that we make it mandatory to hold the Safety and Health Management Committee at least once a year. We have also strengthened workers' authority to stop work.

Activities related to SI/EI tasks

To enhance the awareness of safety and address risk factors through in-house environmental and safety improvement activities centered on workplace sites, each unit organization voluntarily selects and carries out activities related to environmental and safety improvement activities with a goal of at least one activity per year. We also strive to create a safe workplace by rewarding outstanding tasks.

Preparation of a guide for the environment safety field management by the executives

Considering that the most important and first priority thing is the expression of the executives' concerns and determination in improving the safety culture awareness of the organization, the field guide for the management of environment and security was prepared in 2021 and has since been implemented by which when the executives visit the factories, they receive reports on environment and safety work with the top priority and visit the factory's General Disaster Prevention Center.



*SI/EI : Safety Innovation, Environment Innovation

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 2021, Unit : number of company)

381



Local purchase rate
(As of end of 2021, Unit : %)

39

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 500 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.

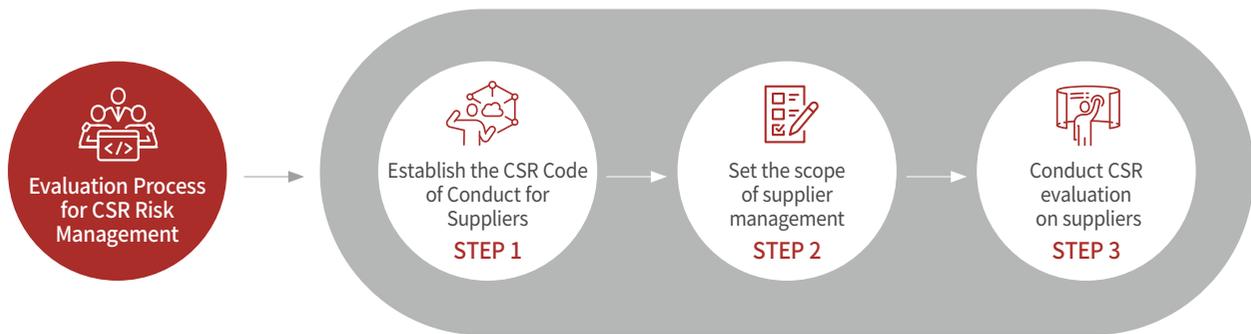
In overseas countries, we are managing the CSR of suppliers primarily in Atlanta, the United States, and Tianjin and Wuxi, China, which serve as our major overseas production bases. Our Atlanta branch conducts evaluations on suppliers with whom purchases valued at over \$10,000 are carried out, and has 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

LX Hausys has selected a number of suppliers that require risk assessment from among suppliers that have a high rate of purchases and where environmental and human rights issues are expected, and conducted CSR on-site inspections or added in-depth checklist items. As a result of our on-site inspection, which was conducted in accordance with the Supplier CSR Code of Conduct, it has been confirmed that ethical management and community outreach efforts were being poorly managed.

Accordingly, information protection regulations have been prepared for the relevant suppliers, and guidelines on the implementation of employee volunteer activities and donation programs have also been provided. Suppliers who are weak in the area of health and safety are advised to use foreign-language materials provided by the Korea Occupational Health and Safety Agency, and monitoring and follow-up measures have been strengthened by requiring them to observe forklift operation safety, prepare for emergencies, and wear protective gear. In addition, we have provided training and materials related to workplace safety, such as the height of the load and safety passages. Each year, during the purchasing council attended by the representatives of our suppliers, we have provided them with CSR training to encourage them to carry out preventive activities. In 2021, they delivered the results of such activities in the form of a report due to social distancing issues. In the future, we plan to strengthen monitoring and follow-up measures, such as the submission of self-improvement plans after evaluation.



Supplier CSR Risk Assessment Status¹⁾

Category	Unit	2018	2019	2020	2021
All new suppliers	Number	207	117	169	188
New suppliers that have undergone CSR evaluation	Rate (%)	100	100	100	100
Existing suppliers that have undergone CSR evaluation	Number	340	340	400	381

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 2021¹⁾

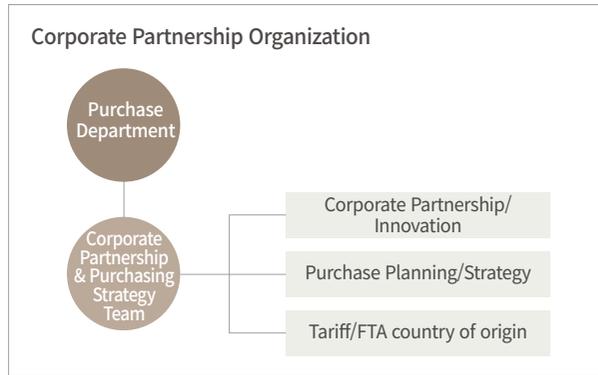
Category	Weight	Score	Percentile score	Risk ²⁾
Ethics Management	15	12.92	86.15	Middle
Local Community	5	3.87	77.46	High
Safety & Health	25	23.22	92.9	Low
Human & Labor Rights	30	28.11	93.71	Low
Environmental Management	25	24.52	98.09	Low
Overall average	100	92.66	92.66	Low

1) Based on domestic suppliers
 2) 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.



<p>Support aimed at Improving the Productivity of Suppliers</p> <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>Support for Suppliers' Manufacturing Innovation</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>Support for Small Businesses Working Exclusively in the Interior Sector</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>
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Operation of Shared Growth Support System

<p>Financial support</p>	<ul style="list-style-type: none"> Operated the Win-Win Fund worth KRW 15 billion and supported 37 suppliers Provided a network loan of KRW 70 million to 6 suppliers Invested KRW 500 million for shared growth 	<ul style="list-style-type: none"> Operated the Win-Win Fund, Network Loans, and Family Loans, which suppliers can use at a low interest rate Assisted outstanding suppliers with improving their financial conditions
<p>Improvements to payment system</p>	<ul style="list-style-type: none"> Maintained 100% cash equivalent payment Cash payments other than fund execution requirements totaled KRW 419.1 billion 	<ul style="list-style-type: none"> Paid cash if the settled payment was less than KRW 3 million Increased the ratio of cash payments made to suppliers in order to support their business operations.
<p>Support for quality/technology development</p>	<ul style="list-style-type: none"> Over 150 technical support cases for 80 suppliers Applied for 6 joint patents, supported 1 case of using the technology escrow system 	<ul style="list-style-type: none"> Invested approximately KRW 3 billion in assisting suppliers with facility investments and improvements, productivity enhancements and quality stabilization, and system infrastructure support Actively sought joint patents to help suppliers protect their technology
<p>Management support</p>	<ul style="list-style-type: none"> The price coupling and supply program amounted to KRW 647.4 billion Provided rewards of KRW 30 million (in cash) to top-performing suppliers 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 	<ul style="list-style-type: none"> 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 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.
<p>Other support</p>	<ul style="list-style-type: none"> Provided quarantine supplies and welfare benefits for Tier 1 and Tier 2 suppliers 	<ul style="list-style-type: none"> Provided quarantine supplies and welfare points to help suppliers overcome difficulties posed by the COVID-19 crisis

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 seven consecutive years in the Win-Win Index evaluation. Moreover, we signed fair trade agreements with 80 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 14 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.

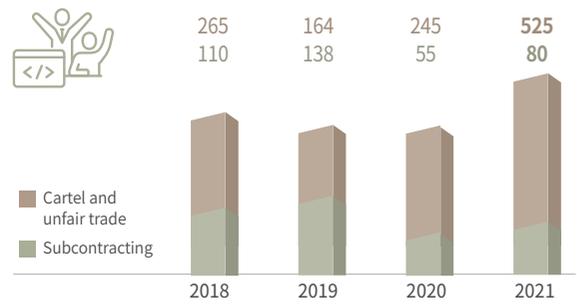
Main Programs

Program	Contents
Internal inspection	<ul style="list-style-type: none"> Inspect key business divisions and sites in order to monitor trade practices
Regulatory training	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 2021, 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
Number of trainees (Unit: person)



Amount of Fair Trade Compliance Training for Employees
Number of training sessions (Unit: case)







ESG MANAGEMENT

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Governance

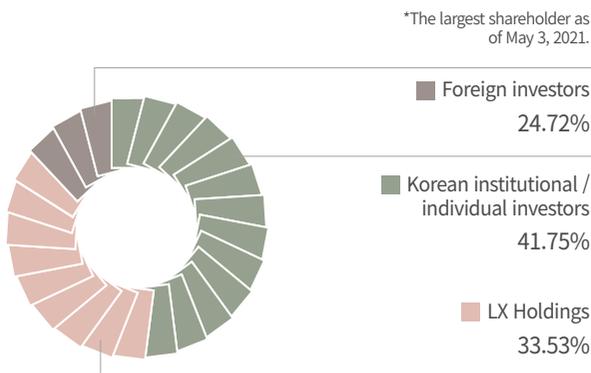
Shareholder Composition and Rights

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 

Shareholder Composition

(Ordinary shares as of 31st December 2021)



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 2022, 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, businessmanagement (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.

Board of Directors (as of April 2022)							
Category	Name	Sex	Education	Appointment date	Major experience	Position	Interests with outside directors
Inside directors	Kang Gye-Woong	M	Pusan National University Economics (Bachelor)	2020.3.26	*Currently Chairman, LX Hausys, Ltd. *Currently CEO, LX Hausys, Ltd. *Formerly Korea Sales Headquarters B2C Group Head, LG Electronics Co., Ltd. *Formerly CEO, Hi Plaza Co., Ltd.	Chairman of the Board	
	Kang In-Sik	M	Pusan National University Accounting (Bachelor)	2019.3.14	*Currently CEO, LX Hausys, Ltd. *Currently CFO, LX Hausys, Ltd. *Formerly Accounting Officer, LG Chemical, Ltd. *Formerly Finance Officer, LG Chemical, Ltd.		
Other non-executive director	Roh Jin-Seo	M	MIT in U.S. MBA (Master)	2021.3.25	*Formerly CEO of LX Holdings Corp. *Formerly CSO of LX Holdings Corp. *Formerly Vice President of Strategy Division, LG Electronics, Inc. *Formerly Managing Director, Robot Business Center, LG Electronics, Inc.		
Outside directors	Ha Young-won	M	University of Chicago Marketing (Ph.D.)	2021.3.25	*Currently Professor Emeritus, Faculty of Business Administration, Sogang University *Formerly Professor, Faculty of Business Administration, Sogang University *Formerly President, Korean Marketing Association		None
	Suh Swoo-Kyung	F	Kookmin University Techno design (Ph.D.)	2021.3.25	*Currently Professor, Department of Environmental Design, Sookmyung Women's University *Currently Vice Chairman, The Korean Institute of Culture Architecture *Currently Vice Chairman, Space Design Alliance of Korea *Currently Non-Executive Director, Korea Institute of Design Promotion	Audit Committee Member	None
	Kim Young-Joo	M	University of Chicago Business administration (Master)	2022.3.24	*Currently Outside Director, LX Hausys Co., Ltd. *Formerly President of Korea International Trade Association *Formerly Minister of Commerce, Industry and Energy	Chairman of the audit committee	None
	Lee Bong-Hwan	M	Cranfield University, UK Automotive Engineering (Master)	2018.3.9	*Currently Outside Director, LX Hausys Co., Ltd. *Formerly Professor of Industry-University Cooperation, Seoul National University Graduate School of Engineering *Formerly Head of R&D Division at Hyundai Mobis Co., Ltd.	Audit Committee Member	None

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 11 times in 2021, and the average percentage of directors in attendance was 98.7%. The BOD deliberated on 44 agenda items including the approval of business plans, of which 35 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 independence, 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.

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

(As of the end of 2021)

Committee	Composition	No. of meetings held in 2021
Audit Committee	3 external directors	7
External Director Candidate Recommendation Committee	2 external directors and 1 non-executive director	1

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 2021)

Category	No. of person	Total amount ¹⁾	Average per person
Registered Directors ¹⁾	2	KRW 1,359 million	KRW 679 million
External Directors (excluding the members of the Audit Committee)	1	KRW 78 million	KRW 78 million
Members of the Audit Committee	3	KRW 222 million	KRW 74 million

¹⁾ 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.

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.

LX Code of Ethics

LX has established and implemented the Code of Ethics as the standard for correct behavior and value judgment that all executives and employees must comply with. The Code of Ethics mainly consists of responsibilities and obligations towards customers, fair competition and trade, ethics and responsibilities of employees, and responsibilities to the nation and society. In addition, since it is posted on the website, it can be accessed at any time.

Structure of Jeong-Do Management



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 2021, 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 33 departments both domestically and overseas at a rate of 5 to 10%.

Spreading Jeong-Do Management to Suppliers

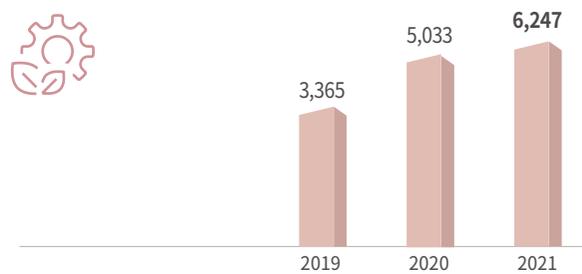
LX Hausys continuously strives to achieve mutual trust and cooperative relationships with our suppliers through a culture of fair trade. We communicate with our suppliers through mobile webtoons and messages such that suppliers can approach the topic of Jeong-do Management in a comfortable manner.

Jeong-Do Management Education Data ¹⁾

Category	Region	Unit	2019	2020	2021
No. of employees who received education	Domestic	No. of persons	2,598	4,957	6,111
	Overseas ²⁾	No. of persons	767	76	136
No. of suppliers that received education ³⁾	Domestic	No. of companies	1,998	1,675	2,449

1) Based on the cumulative number of people in question (including duplicates).
 2) U.S., China, Europe etc.
 3) The method of communicating with suppliers was changed from offline training to mobile webtoon/message between 2019 and 2021.

No. of employees who received education (Domestic+Overseas) (Unit : No. of persons)



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.



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 2021, 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.

Employee Welfare

LX Hausys provides competitive salaries and the highest level of welfare benefits based on the performance-based HR principle that respects individual creativity and autonomy. In 2021, we distributed economic value of KRW 76.7 billion through the employee welfare system.

Category	Description
Flexible working system	We are implementing a flexible working system that allows employees to choose their working hours (commuting to/from work).
Work from home	We are implementing a system to work from home for pregnant women, etc. with the approval of the department head.
Part time	We hire part-time workers who work less than regular working hours.
Child care facility	We support employees' childcare activities by operating workplace daycare centers for each business site.
Nursing room operation	We create an environment to support women's childrearing activities by operating lactation rooms (including women's lounges) at each business site.
Parental Leave System	We comply with the legal standards (up to one year for each parent raising children under the age of 8) and support the parental leave system for work-family balance.
Family care leave system	When an employee applies for leave to take care of his family, due to illness, incident or old age of his parent/spouse/child or the parent of his spouse, we comply with the legal standard (maximum of 90 days per year).

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.

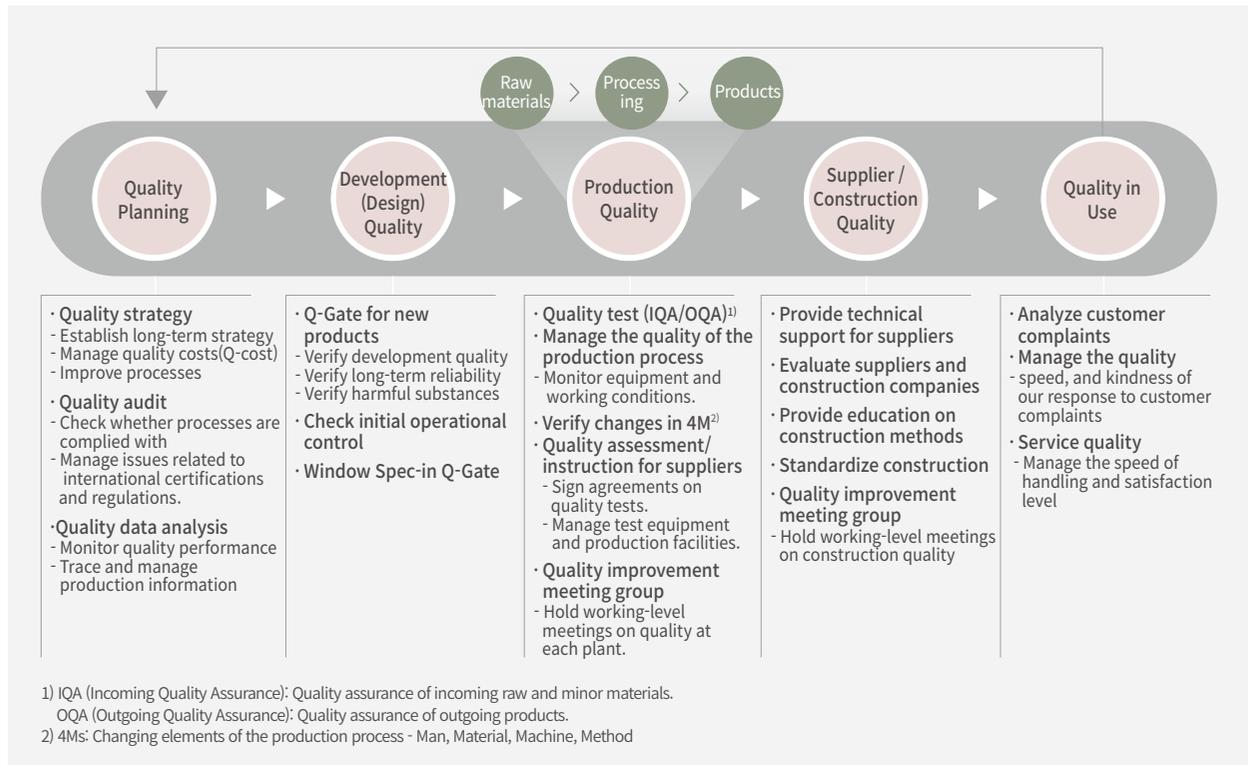
Fostering of Quality Experts

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 2021, 10.6% 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.

Quality Management



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.

A number of products submitted for hazardous substances analysis in 2021.
61 case

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"1) and HB Mark2) to OEKO-TEX3), 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.

Policy for Environment, Safety and Health

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 Executives' Responsible Management

We are striving to create an incident-free workplace by establishing a company-wide environmental and safety organizational system. By selecting environmental and safety management goals for each department (activities to raise safety awareness, task execution, etc.) and reflecting them in organizational evaluation, executives are strengthening their responsible management for environmental safety. In addition, the Occupational Safety and Health Plan is being approved by the Board of Directors in accordance with recently strengthened laws and regulations. The company-wide environmental and safety management committee and the environmental and safety committee for each business site are held regularly under the supervision of the CEO and CPO to share environmental safety policy trends and to deliberate and decide on environmental safety strategies.

Environmental safety management goals

Result indicator

- Severe incident
- General incident prevention score

Prevention indicator

- ES diagnostic improvement implementation rate
- ES management system compliance rate
- ES improvement task fulfillment rate
- Safety awareness-raising activities

Environmental Management

Certification of environmental management system

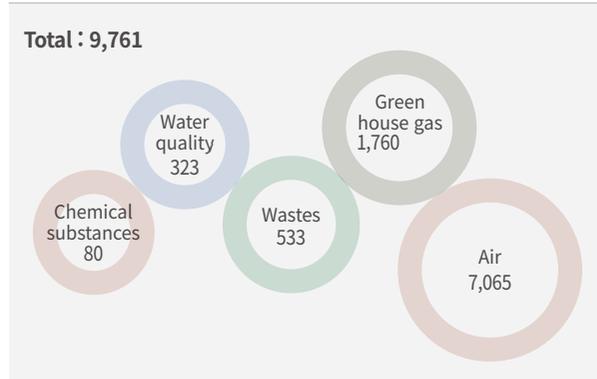
To establish an environmental management system capable of minimizing the environmental impact of our business operations, we analyze the the impact of our manufacturing processes on the environment. We have established and are operating environmental management programs to set and achieve environmental goals to minimize major impacts on the environment. In addition, we conduct an internal audit twice a year to ascertain whether the environmental management system is being operated properly. We have also acquired the ISO14001 certification for our environmental management system via an annual third-party expert review.

Environmental investment

In 2021, we made an environmental investment of approximately KRW 9.7 billion to reduce the environmental impact of our product manufacturing and to minimize our pollutant emissions in various fields. Furthermore, to reduce our use of air pollutants that emit a lot of pollutants into the environment and have a high environmental load, we have installed the latest pollutant removal facilities in our newly expanded production processes. In order to minimize our current environmental impact, we are investing continuously in all areas such as air, greenhouse gas, and waste.

Environmental investment cost

(Unit : KRW 1 million)



Environmental safety decision-making system

Meetings	Description	Participants
Board	<ul style="list-style-type: none"> · Occupational SH Plan ESG · Management Plan and Result 	<ul style="list-style-type: none"> · Outside directors, CEO, etc.
Company-wide ES Committee	<ul style="list-style-type: none"> · Share ES policy trends · ES strategy deliberation and resolution 	<ul style="list-style-type: none"> · Executives (CEO, CPO, etc.)
Workplace ES Committee	<ul style="list-style-type: none"> · Sharing local ES policy trends · Decision-making on workplace ES 	<ul style="list-style-type: none"> · Business Site ES Officer

Air environment management

To improve the atmospheric environment, we are introducing new technologies and minimizing air pollutant emissions by replacing old facilities with new, high-efficiency prevention facilities. Major air pollution prevention facilities include RTO (Regenerative Thermal Oxidizer) and electric dust collectors, which are the Ulsan Factory's optimal prevention facilities. To prevent air pollutant emission accidents, we have established a monitoring system to monitor the operational status of prevention facilities in real time. In addition, to reduce the emission of nitrogen oxide, a substance that causes fine dust, we have set emission targets for each business site and manage the emission reduction performance on a monthly basis. By replacing the burner of the boiler, which is the company's largest generator of nitrogen oxide emissions, with a facility with excellent performance in reducing nitrogen oxide emissions, among other things, we are actively carrying out activities to reduce the generation of air pollutants and fine dust.

Water environment management

The Ulsan Factory obtains 75% of the total amount of water it uses from the Hoeya River, while the Cheongju Factory uses tap water and industrial water provided by the local government. The entire volume of contaminated water generated during product production is first purified at our own wastewater treatment plant, and is then discharged into the water quality improvement center/public wastewater treatment facility operated by the local government. To manage the water quality of effluents, we analyze major water pollutant indicators such as BOD, TOC, SS, TN, and TP with our own equipment. We also have all water pollutants stipulated in the domestic laws and regulations by an accredited inspection agency on a regular basis. To prevent water pollution accidents such as raw material leakages, we have installed a leak prevention alarm system at each of our major raw material storage facilities; and we have also built dikes and trenches to prevent the spread of pollutants from leakage accidents. Furthermore, we have installed oil-water separation tanks, emergency storage tanks, and emergency shut-off devices for rainwater passages at the major points of each business site to prevent raw materials from flowing into rivers in the event of a major raw material leakage.

Management of ozone-depleting substances

We do not produce or use ozone-depleting substances stipulated in the Montreal Protocol in the course of processing. However, the refrigerants of the refrigerators for product cooling and air conditioning contain some CFC-based substances, and some fire extinguishers are equipped with halon-filled fire extinguishers.

Waste management

We operate a separate waste storage facility within our business sites to legally manage waste storage and treatment. As a company subject to resource recycling performance management*, we strive to improve the recycling rate of the waste every year. In 2021, packaging film that had previously been incinerated was treated through separation for recycling. In the case of flooring dust generated by the company, we switched from the existing landfill

treatment to recycling, and began using it as a soil covering material, through separate discharge activities such as the removal of foreign substances.

*Resource circulation performance management system: A system that sets and manages resource circulation goals for each city/province and each business that emits a large amount of waste in order to achieve the national mid/long-term/step-by-step resource circulation goal

Recycling management

In accordance with the Act on the Promotion of Saving and Recycling of Resources, we pay the waste levy, recycling agreement levy, and packaging material recycling levy every year. For window profiles, flooring tiles, and sheets, we sign a recycling goal with the Ministry of Environment through a voluntary participation system every year to meet the recycling obligation and are exempted from waste charges.

Year	Mandatory recycling rate*	
	Profile	Flooring
2019	11.70%	26.50%
2020	14.70%	29.10%
2021	16.00%	29.50%

* For window profiles and flooring materials, the target is negotiated with the Ministry of Environment to increase the recycling rate every year, so if the recycling rate is not reached, a waste fee must be paid.

Improvement of the community environment

The Ulsan Plant has installed and operated monitoring systems (11 units) to monitor the generation of unpleasant odors in local communities, and is using them to analyze and resolve the causes of odors through a simulation of odor diffusion. In addition, we have invested in the installation of soundproof walls to reduce noise generated by the factory and minimize the impact of noise on the local community. Furthermore, we are making concerted efforts to improve the environment of the local community by conducting the "One Company One River Restoration Movement" and signing and fulfilling voluntary agreements to reduce fine dust emissions in a bid to ensure continuous and harmonious coexistence with the local community and local governments.

Activities to minimize the impact on the ecosystem

Since 2009, the Ulsan Plant has been conducting a water quality survey on the Hoeya River water system once a quarter to analyze the ecological impact of the effluent from the Ulsan Plant. We analyze and manage 4 items (COD, DO, pH, etc.) at a total of 12 points, starting from Hoeya Dam and reaching Ganggunaru where the river meets the sea.



Under Yangdong Bridge



LX Hausys outlet

Environmental Management

Hazardous chemicals management

Domestic business sites handle a total of 12 types of hazardous chemicals including MEK (methyl ethyl ketone). In order to reduce the use of hazardous chemicals, we are conducting research and technology development activities to replace raw materials containing hazardous chemicals with environmentally friendly raw materials. In addition, safety devices such as water barriers and gas detectors are installed and operated in hazardous chemical storage and storage facilities to prevent fire, explosion, and leakage incidents caused by chemical substances in the workplace. By appointing a hazardous chemical manager for each division of handling facilities, we strive to operate a safe workplace through thorough facility management, such as facility inspections once a week.

Review on regulation of new raw materials

As policies and supervision related to chemical substances have been strengthened, response to regulations has emerged as an important issue. Accordingly, LX Hausys is strengthening domestic and international regulatory reviews before purchasing new raw materials to comply with chemical-related laws. In accordance with the recent revision of the Occupational Safety and Health Act, newly manufactured or imported raw materials are monitored to see if the prior approval system of the Material Safety Data Sheet (MSDS) is applied.

Management of biocidal substances and biocidal products/ processed products

In accordance with the Chemical Safety Act, all biocidal substances and products and biocidal-treated products are classified and managed separately among our products. The biocidal substances manufactured by our company will be approved within the grace period. For biocidal products and biocidal-treated products used by our company, we regularly check whether or not biocidal substances are registered through our partner companies. In addition, when promoting products that use biocidal products or biocidal-treated products, they are labeled in accordance with the legal guidelines.

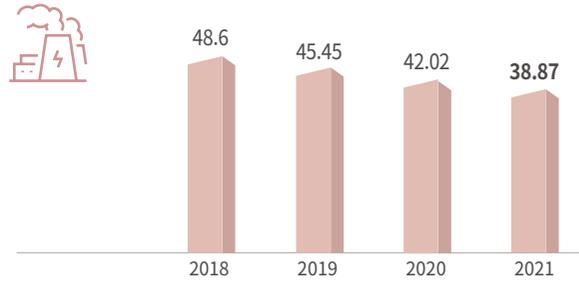
Chemical registration evaluation management

For imported existing chemical substances, chemical substance registration is carried out according to the grace period for each tonnage. In 2021, registration was completed for a total of 6 types of existing chemical substances imported in over 1,000 tons each. Registration of 6 types of chemicals imported in over 100 tons will be carried out within the grace period. We monitor imported chemicals on a monthly basis to identify changing chemicals in advance.

Environmental Data

Nitrogen Oxide (NO_x) Emissions

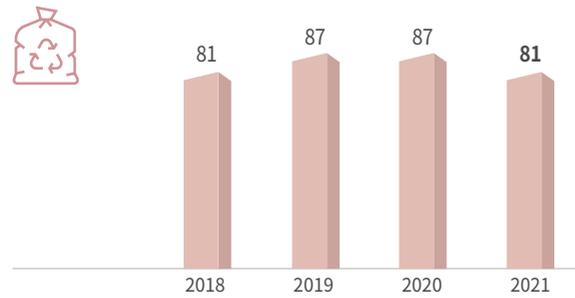
(Unit : ton)



year	2018	2019	2020	2021
Emissions	48.60	45.45	42.02	38.87

Recycling of Waste

(Unit : %)



year	2018	2019	2020	2021
Recycling rate	81	87	87	81

Safety and Health Management

Safety and health management system certification

LX Hausys Ulsan Plant and Cheongju Plant are operated based on the safety and health management system. To prevent industrial incidents, we have established safety and health management policies and operating standards, and have established and implemented activity goals to improve safety and health performance every year. In addition, an internal audit is conducted twice a year to review the adequacy of system operation. The safety and health management system (ISO45001) is being certified through a third-party expert review once a year.

Activities to improve incident risk factors

To prevent severe incidents such as fires, explosions, and injuries in advance, we carry out regular inspections and improvement activities for each risk factor.

Activity status by risk factor

Major activities	Description
Fire prevention	<ul style="list-style-type: none"> - Setting management items in facilities that use electricity and LNG, including overheating facilities - Disaster prevention center operation, measurement/alarm system configuration - Check the operation status of fire detection facilities and evacuation facilities - Fire drills, factory/room unit emergency response drills
Oil vapor / static electricity removal	<ul style="list-style-type: none"> - Installation of static electricity eliminators, oil vapor measuring equipment, industrial humidifiers - Change of raw material prescription and daily measurement and management of static electricity/oil vapor
Discovery/improvement of workplace risk factors	<ul style="list-style-type: none"> - Voluntarily discover risk factors on a monthly basis at the workplace - Conduct risk analysis and risk factor improvement activities
Reinforcement of disaster prevention system	<ul style="list-style-type: none"> - Expansion of evacuation facilities and alarm/monitoring systems - Reinforcement of fire extinguishing facilities for vulnerable facilities
ESH* management status check	<ul style="list-style-type: none"> - ES comprehensive diagnosis (once a month) - Inspection of hazardous materials storage/hazardous chemical storage warehouse (once a week) - Safety inspection of closed construction sites

* ESH: Environment, Safety, Health

Occupational safety and health committee

In relation to employee health and safety, we have signed an official agreement with the labor union and hold quarterly occupational safety and health committees with the participation of an equal number of members from labor and management. We are trying to solve safety and health issues, such as incident prevention activities centered on production sites and hazardous facilities, and inspecting the working environment with the participation of executives and staff members once a quarter.

Severe incident prevention activities

LX Hausys received consulting from external experts to strengthen the safety and health obligations of executives and others in accordance with the enforcement of the Severe Disaster Punishment Act, and conducted verification and improvement activities for the company's safety and health management system for 5 months. For the purpose of the Severe Disaster Punishment Act, to prevent severe disasters, the areas to be supplemented in the existing management system were classified into three categories and improved.

Needs to supplement the safety and health management system



Improvement of safety and health organization system

A CPO (Chief Production Officer) was newly established as the general manager of safety and health. A dedicated organization was formed to strengthen the authority and role of environmental safety-related work.

Improvement of safety and health related regulations

By amending the 「Safety and Health Management Regulations」, which is the basis of safety and health management, we strengthened safety and health budget management and revised risk assessment procedures.

Reorganization of incident response roadmap

The response training cycle assuming an emergency situation (fire, explosion, personal injury, etc.) has been changed to be conducted twice a year. The right of workers to stop work in case of an emergency has been strengthened.

Response to environmental safety emergency

In order to respond to emergencies, annually, led by the ES department, an emergency response committee is operated, and comprehensive emergency response training is conducted. Also, led by the production team, joint/office emergency response drills are conducted regularly. We are strengthening the level of safety awareness of our employees by continuously updating and training emergency response manuals for each type of training.

Category	Host	Cycle
Comprehensive emergency response training	Business site, environment safety team leader	Twice/year
Joint emergency response training	Production team leader	Once/year
Office unit emergency response training	Office, group head	Once/quarter

Safety and Health Management

Establishment of company-wide environmental and safety slogan

In 2020, we held an environmental and safety slogan contest for our employees. We established a slogan to express our deep-seated desire and will to keep the environment and safety as our top priority. In order to establish an environment and safety culture, we are using it for report materials, e-mail signatures, and in-house promotional materials.

Slogan

Safe Way Right Way

The safe way is the right way.



Meaning

When thinking about the safe or the unsafe but fast method, we want to inform you that the safe method is the right method without hesitation, and the right method is the fastest method as a result.

Workplace safety culture campaign activities

In order to establish a safety culture, we are continuously promoting activities such as safety communication activities among employees and education/promotion of the environmental and safety operating system. In Ulsan and Cheongju plants, safety inspection days are designated every month, so safety personnel in the production department conduct site patrols to discover and improve on-site risk factors. In addition, we regularly post publicity materials to recognize the importance of safety through TV and banners at restaurants, commuter buses, and office entrances. In particular, we strive to prevent incidents by posting the '8 absolute safety rules' at all times.

'8 absolute safety rules'

Compliance

01



Take action after stopping the machine in case of an error

02



Compliance with safety work manuals

03



Wear appropriate protective equipment

04



Report immediately in case of an incident

Regular safety culture level assessment

We recognized that the level of safety culture is a key factor in preventing safety-related incidents, and since 2018, we have continued to carry out activities to improve the level of safety culture. We conduct a safety culture level evaluation every year to check the performance of safety culture activities, and we conducted the third safety culture level evaluation in 2021.

The safety culture evaluation result in 2021 was 4.26 points out of 5, slightly higher than the 4.16 points in 2020, indicating that the level of safety culture of employees is steady as a result of company-wide safety culture improvement activities. Improvement of the safety culture level (awareness/habit improvement) is considered to be necessary for a long-term and continuous basis, so we plan to conduct a level evaluation once a year. We also plan to spread the application of safety culture to partner companies to induce improvement in the safety culture level of not only our company but also partner companies.

Employee health management

We are operating a health checkup program for the health management of our employees. High-risk groups for the three major diseases (cancer, cerebrovascular disease, and heart disease) are classified separately, and regular health counseling programs are operated together with occupational health doctors.

In addition, to prevent musculoskeletal diseases, exercise prescribers visit our business sites once a week and instruct on the type, intensity, and duration of exercise.

Banned

05



Do not use smartphones while working

06



No voluntary release

07



Keep off the roadway and restricted areas

08



Removal of key when parking and stopping the forklift

Enhancing the level of environmental and safety management

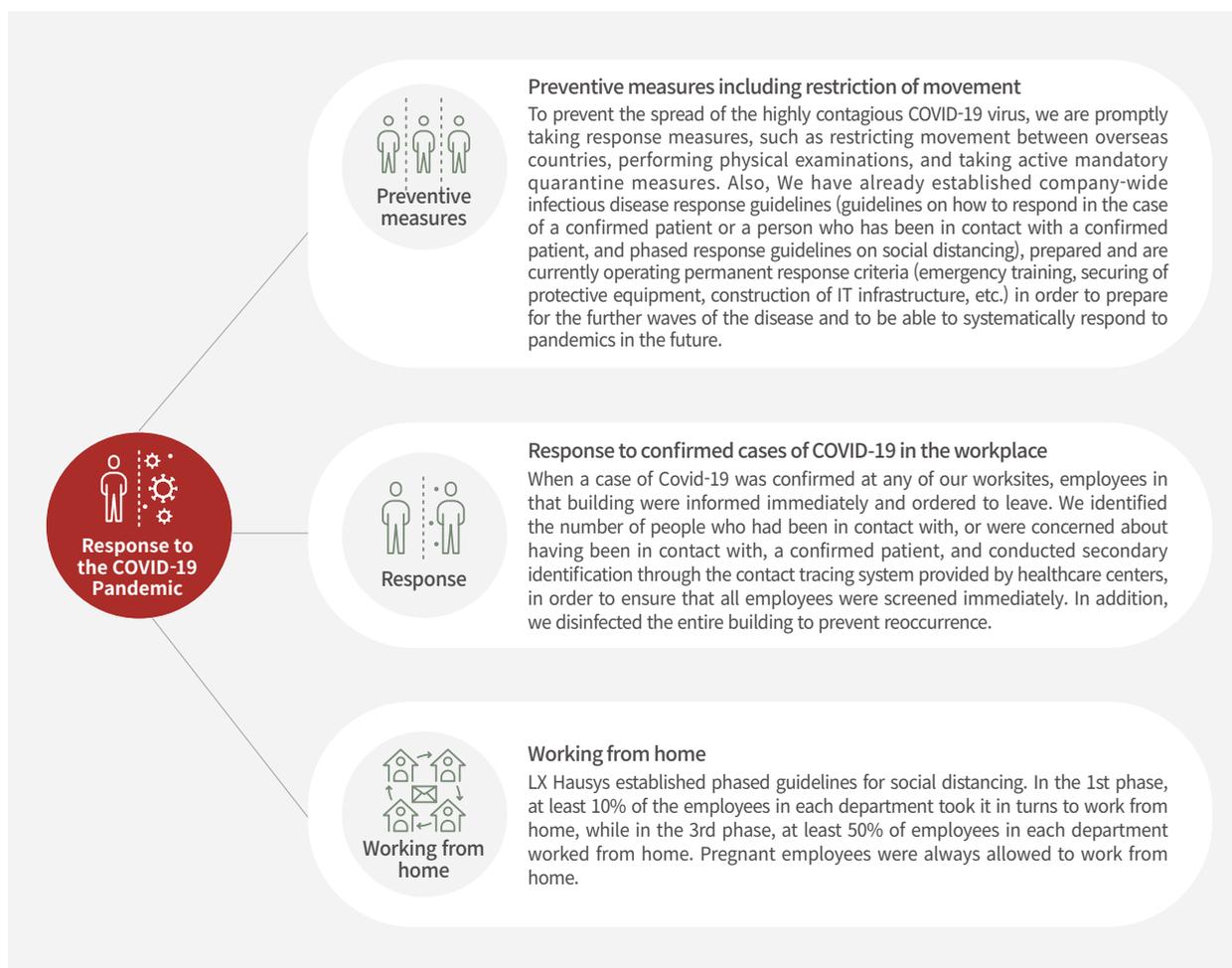
Environmental and safety diagnosis

LX Hausys established the 'Environmental and Safety Diagnosis taskforce' in the head office organization in 2020 to upgrade the environmental and safety management system and strengthen legal compliance. In 2022, the organization was strengthened as an environmental safety inspection team. Every year, we conduct a self-diagnosis of compliance with domestic and foreign environmental and safety-related laws to improve potential risks of compliance violations. In 2022, we plan to conduct inspections based on self-management regulations that are stronger than laws to discover and improve potential environmental and safety risk factors in our business sites. We also plan to continuously improve the level of environmental safety management by revising internal regulations to prevent the recurrence of problems discovered through diagnosis.

Details by diagnosis

Category	Target	Description
Regular diagnosis	All work-places	- Periodic diagnosis of ES field for all business sites
		- Diagnosis of legal compliance status and emergency response system
Special diagnosis	Relevant Dept.	- Diagnosis of similar risk factors when internal and external issues occur
		- Supplier support diagnosis
Incident diagnosis	Relevant Dept.	- Check the cause of incidents when severe incidents or the same incident occurs repeatedly

Response to the COVID-19 Pandemic



Human Resources Management

HR Development Program

HR development direction

We are operating various training programs with the belief that securing the expertise and growth of our employees leads to the growth of the company. For the success of the new interior design business, we have strengthened the training not only for internal employees, but also for the personnel of business partners such as in construction and sales. In a situation where face-to-face training was difficult, most of the training was conducted by converting it to non-face-to-face training. By establishing a metaverse education platform, we have conducted non-face-to-face training for new employees, key talents, job training, and position-essential training.



Hausys Human Resources Development Center Metabus Training Center



Non-face-to-face education scene

Opening of LX Z:IN Interior Academy

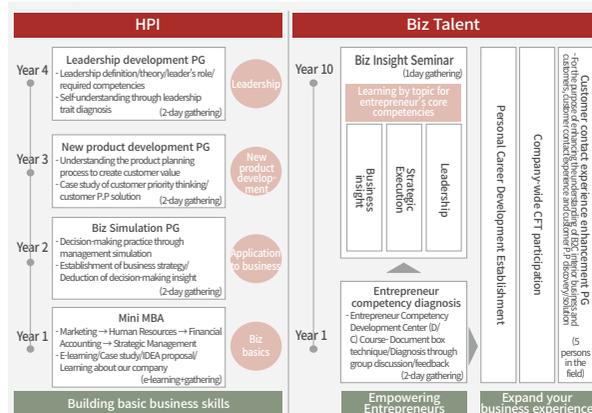
In order to procure construction quality that satisfies customers in the total interior design business, the LX Z:IN Interior Academy was opened to train construction professionals. It is the largest in the industry with a total floor area of 3,650m², equipped with theory and practice areas for product construction such as windows, kitchens, bathrooms, flooring, and doors, as well as camp facilities. A training course centered on construction practice will be operated for executives and employees and construction partner employees. In particular, we plan to link recruitment with our construction partners through training for new construction personnel. We have built an infra-structure that can provide the construction quality unique to LX Z:IN in the domestic interior design market and enhance customer satisfaction.



LX Z:IN interior academy training view

P/G operation for nurturing key talents and entrepreneurs

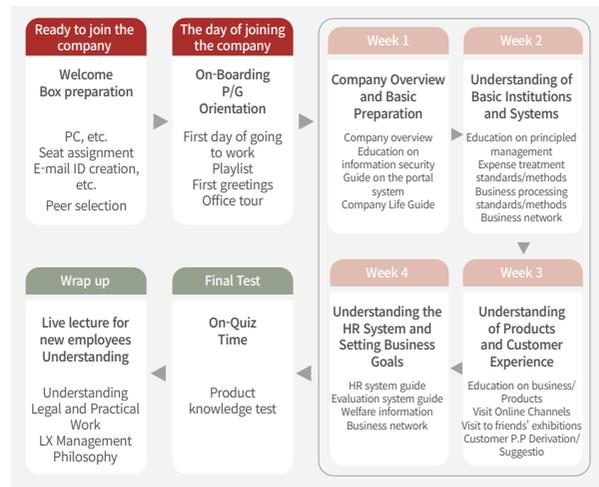
For the early selection and nurturing of entrepreneur candidates, we have operated various development P/Gs to build basic business fundamentals and strengthen capabilities, targeting key talents (senior level HPI- High Performance Individual, responsible level Biz Talent).



Reinforcement of onboarding P/G for new employees

As the number of experienced recruits increases due to the promotion of new interior design businesses, we are operating a 4-week On-Boarding P/G for new hires to help new hires quickly adapt to the company and achieve results. The course consists of PC, Welcome Box preparation, preparations to enable work immediately upon entering the company, Playlist on the first day, basic information about the company for each week, how to use the necessary systems and the standards, performance of missions to know these, test, and wrap-up.

Reinforcement of onboarding P/G process



Enhancing Core Job Competencies

To systematically foster R&D and manufacturing experts, LX Hausys develops and operates practical courses that include developmental standards from basic theories in each field, such as polymer materials/processing, inorganic materials, composite materials, and architectural design/energy, in the R&D field to more advanced theories. In the manufacturing field, we develop and conduct training on step-by-step processes focusing on LX Hausys' basic technologies such as calendaring, extrusion, injection, coating, printing, and foaming. In addition, by operating an organization dedicated to nurturing sales/marketing positions, we provide systematic training to equip employees with product knowledge, space design, and consulting capabilities necessary for a changing business environment centered around our customers.

Employee Development Programs	Description of Business Performance	Quantitative Value of Business Performance	Percentage (%) of Full-time Employees Participating in the Program
Job professional training (Sales/Marketing)	Reinforce customer contact points, boost brand awareness, and increase profits by improving B2B/B2C sales and marketing activities	Sales per person increased by KRW 628 million	38%
Job professional training (Engineers)	Improvement of "internal failure cost" by enhancing engineer job competencies such as production technology, quality and cost management	Internal failure cost ratio improved by 0.4% (production amount compared to total internal failure cost)	46%

Organizational culture innovation

Establishment of an organizational culture which embraces the goal of being “A good company to work for, and a company that grows together

With LX Hausys' organizational culture vision of being "a good company to work for, a company that grows together," we plan to continually pursue the activities so that all members can grow in line with the changing business environment.

Main activities for improving organizational culture in 2021



① Promotion of team P/G that is good to work

We have been running the ‘Good Team to Work for’ program in which, centering on the team, the basic unit of organizational operation, the team leader and team members communicate with each other to create a team that produces results. We supported three activities in the ‘Good Team Program to Work For’ program, which provides the ‘Team Leader Leadership Guide’, which presents six guides on the team leader’s role; the ‘Team Workshop Toolkit’ which supports immediate execution in necessary situations; and the ‘Happy Talk’, the 1:1 interview method for nurturing team members. In 2021, Season 1 and 2 of the program to create a good team to work for were held. In Season 1, we distributed 6 team leadership guides and 8 team workshop toolkits to put them into practice. Then, in Season 2, the team leader leadership video training was distributed and best practices were provided among 29 cases of voluntary participation in team workshops, thereby expanding its application to the field. We plan to continue operating season 3 in 2022. Through this activity, we are leading change into the vision of ‘a good company to work for, a company that grows together’.



② Vision Talk Meeting

Vision Talk is a direct communication program with executives to strengthen the organizational culture of our company in a business environment with many changes. Green board members selected by each business division and business site serve as a communication channel within the organization. VisionTalk standard program development and distribution, and facilitation training for green boards were conducted. ‘CEO Vision Talk’ was held five times a year, with a total of 53 people participating, and ‘Vision Talk by Division’ was voluntarily participated in by 466 members in 19 organizations. This year, more than 50% of all employees will hold meetings with executives to maintain a forum of communication between the company and workers.



③ No. 1 DNA activity

This is a program to discover and spread the No. 1 DNA, which is the pride of the Hausys members and their success experiences. Last year, we conducted activities to find Hausys’ ‘first/leading cases’, ‘our strengths and potential’, and ‘future opportunity factors’. By finding, informing, and motivating the protagonists of the No. 1 products loved by customers, we make sure that our No. 1 DNA can take root throughout Hausys.



④ Activities to improve working methods and enhance work-life balance

We are promoting activities to improve the work-life balance (WLB), which allow time for personal growth and development through appropriate rest and for ‘improving working methods’ activities to create results by efficiently using limited time. Specifically, in order to quickly respond to changes in the external environment, such as legislation to reduce working hours, since July 2018, after an agreement with the leader, the selective working time system has been introduced and implemented, in which employees decide their own working hours within 40 hours a week. As one of the pillars of an efficient working method, MS Teams has been officially introduced and operated for HR/overseas sales jobs. In addition, we support work-life balance by creating an atmosphere for free use of vacation by operating a recommended vacation system and extending the period of summer vacation use, such as taking more than two weeks of vacation.

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.

Vision



Major activities

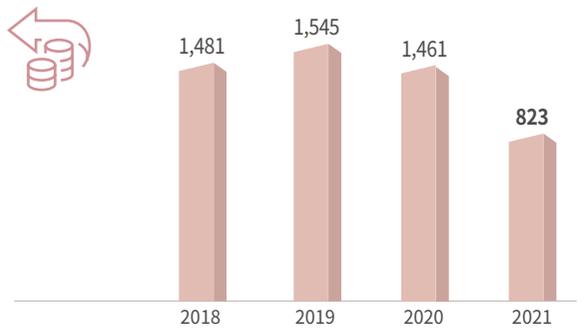


Goals

- Utilize all LX Hausys' strengths to fulfill our social responsibility obligations.
- Pursue coexistence by creating social value beyond simple donations and charitable works.
- Improve our relationships with local communities.

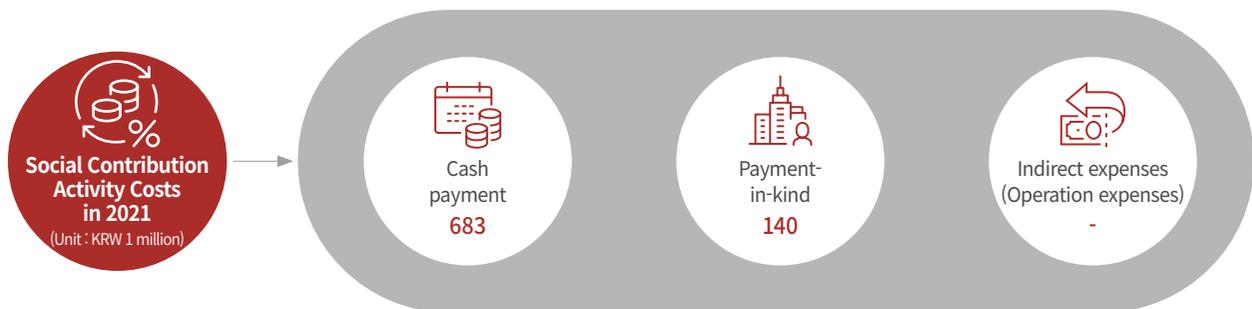
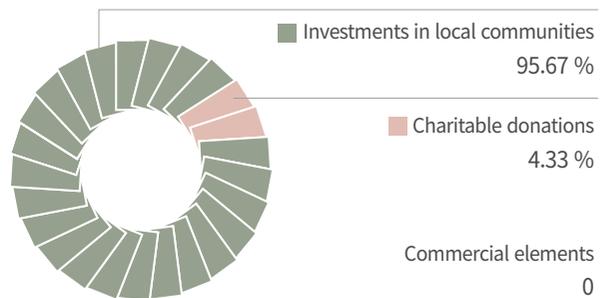
Investment in Local Communities

(Unit : KRW 1 million)



Type of social contribution

(Unit : %)



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"> Promote product, construction, and design capabilities Increase number of customers and improve customer satisfaction 	<ul style="list-style-type: none"> Support to improve the environment of underprivileged groups and enhance the lifestyle of local communities: Support provided for 36 independence patriots, 12 historic Korean Independence sites, and 25 youth facilities
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"> Increase number of customers and improve customer satisfaction 	<ul style="list-style-type: none"> Increase interest in cultural heritage. Development of content aimed at the preservation, promotion, and utilization of cultural heritage
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"> Secure potential customers and increase sales: LX Hausys' wallpaper and flooring materials are used in construction works (92 in 2021) 	<ul style="list-style-type: none"> Contribution to the protection of children in local communities

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 Changsuk, 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.

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-three people in Korea and three people in other countries (U.S. and India), and will continue with our renovation activities in the future.



Before the window remodeling/renovation of Park Seong-go's home.



After the window remodeling/renovation Park Seong-go's home.

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 2021, we helped renovate 92 local children's centers including the Dasom Community Children's Center.



2021 Happy Space Creation Completion Ceremony

Social Contribution

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.

Key Social Contribution Initiatives

Work place	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 Unit1	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 about 7,000 old sets of windows in since 2017.

A project to improve the living environment of the socially disadvantaged class in cooperation with the Ministry of Environment

We diagnose harmful factors that can cause environmental diseases and provide a free replacement of eco-friendly wallpaper and flooring to households in need of improvement, targeting the residences of the socially disadvantaged groups with underprivileged living conditions such as low-income families, broken families, and children suffering from environmental diseases. We directly visited the underprivileged to measure indoor air quality, selected households in urgent need of improvement, and provided eco-friendly wallpaper and flooring to improve their living space. We provide free medical services to vulnerable groups suffering from atopic dermatitis and asthma, among the targeted households, in association with the Environmental Health Center and improve the overall environment together with the government.

Project to help emergency maternity safe stay

LX Hausys, together with the Gangwon-do Land and Housing Corporation, participated in the 'Gangwon Emergency Maternal Safe Stay' support project that supports a safe childbirth environment for high-risk mothers. We thus signed an agreement to offer eco-friendly interior materials that have obtained environmental mark certification, such as flooring and wallpaper tailored to the customized design for mothers. The emergency mother safety stay project aimed to establish a safe childbirth environment platform for high-risk mothers who had to give birth in uncomfortable and unsanitary environments. Thus, we supported the establishment of emergency maternity facilities in a more sanitary and comfortable environment.

Project to help low-income home children with atopic dermatitis

The project to help low-income home children with atopic dermatitis aims to provide a healthy indoor environment for future generations of eco-friendly consumption. In order to participate in campaigns to reduce environmental harmful factors for the promotion of public health and to support low-income atopic patients, LX Hausys provided safety mats that obtained the HB mark certification. We contribute to the efforts of boosting the awareness of eco-friendly materials and raising funds for the safety of living for low-income patients.

Child Welfare Center Space Improvement Project

Through a collaborative designer, we participated in the space improvement project of the Dongmyeong Children's Welfare Center (established in 1968), to which 58 children and adolescents belonged, and supported the installation of wallpaper and floorings throughout the space.

By installing eco-friendly and brightly colored wallpaper (ZEA fabric) and flooring (ZEA natural love) for children who spend a long time indoors, a dark and old space has been transformed into a pleasant and bright space.

In addition, we continue to participate in residential and self-reliance projects for vulnerable children, such as a residential space for youths who have reached their first independence into society.

Information Safety

Strengthening the security management system

LX Hausys maintains a security policy to provide reliable services to customers and enable the sustainable development of the company through the protection of business strategy, core technology, research information, and personal information, which are important business assets. We thus implement detailed security management guidelines. In particular, as part of the IT Service Contingency Plan, a disaster recovery test (DR Test) is implemented at least once a year to take safety measures against disasters/incidents. Having been designated as a company subject to mandatory information protection disclosure in 2022, we will enhance stakeholders' right to know (in terms of sustainability) and check the status of information protection-related investment/personnel and activities by disclosing the current status of our information protection activities

Strengthening the organizational system for information security

LX Hausys has designated a Chief Information Security Officer (CISO) and reported to the government in accordance with the Information and Communications Network Act, and has operated a security organization composed of the information security department, information security-related departments, and an information security officer/staff for each department. In particular, for the purpose of strengthening the practical information security system, we have appointed an executive and staff to be in charge of information security management in the business unit, and appointed a team leader to be in charge of information security management. Thus, by judging the business characteristics and business risks of each organization, we are strengthening the awareness of important information and enhancing the information security awareness of the members of the organization. Major security policy consultations/coordination/plans, etc. are decided by holding the information security council or by putting them on the agenda of the company-wide management committee.

Employee security training

Information security education is provided at least once a year to strengthen the awareness of information security among employees. In 2021, 2,344 (91.2%) of 2,570 target employees completed the education. Through information security education for new hires and current employees, we minimize information security risks by making them aware of internal security compliance requirements. In 2022, we plan to strengthen security training by expanding the target of security training from our employees to employees of major partner companies.

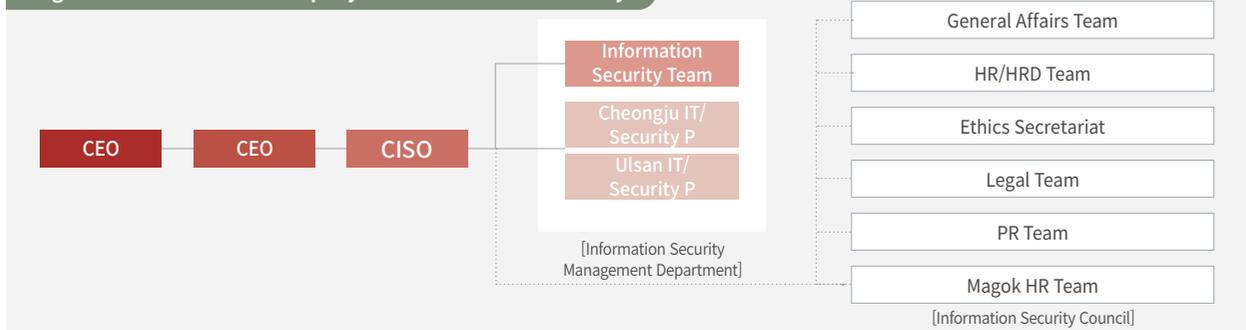
Protection of information security

We are operating physical security facilities and safety systems to prevent the leakage of important and personal information. We are carrying out information security activities through the operation of security calling process for cases suspected of risking internal information leakage. In particular, in consideration of cyber security issues, which are increasing at home and abroad, we are strengthening information security prevention activities by conducting mock training on malicious mails for key executives and employees.

Internal PC security

As an important in-house asset, employees' PCs are regularly inspected to ensure that security vulnerabilities can be mended. We are in the process of building a DLP solution Up-Grade in consideration of the risk of external threats and internal information leakage targeting our employees.

Organizational Chart of Company-wide Information Security



Workplace physical security

As the Z:IN in-square exhibition hall was created in accordance with the expansion of the B2C business, physical security systems are added/expanded not only for major business sites such as the headquarters/research center, but also for external business sites. The employee office, which is a separate space in Z:IN Square, is set as a restricted area to operate an access authentication terminal, and a multifunction device authentication card reader is applied to manage documents operated in the workplace to comply with physical security.

Security vulnerability check and improvement activities

When building and improving new systems, security is considered in the requirements analysis and design stage, infrastructure vulnerabilities and hacking simulation is performed in the implementation stage, and information security risk response activities are carried out.

Protection of customer information

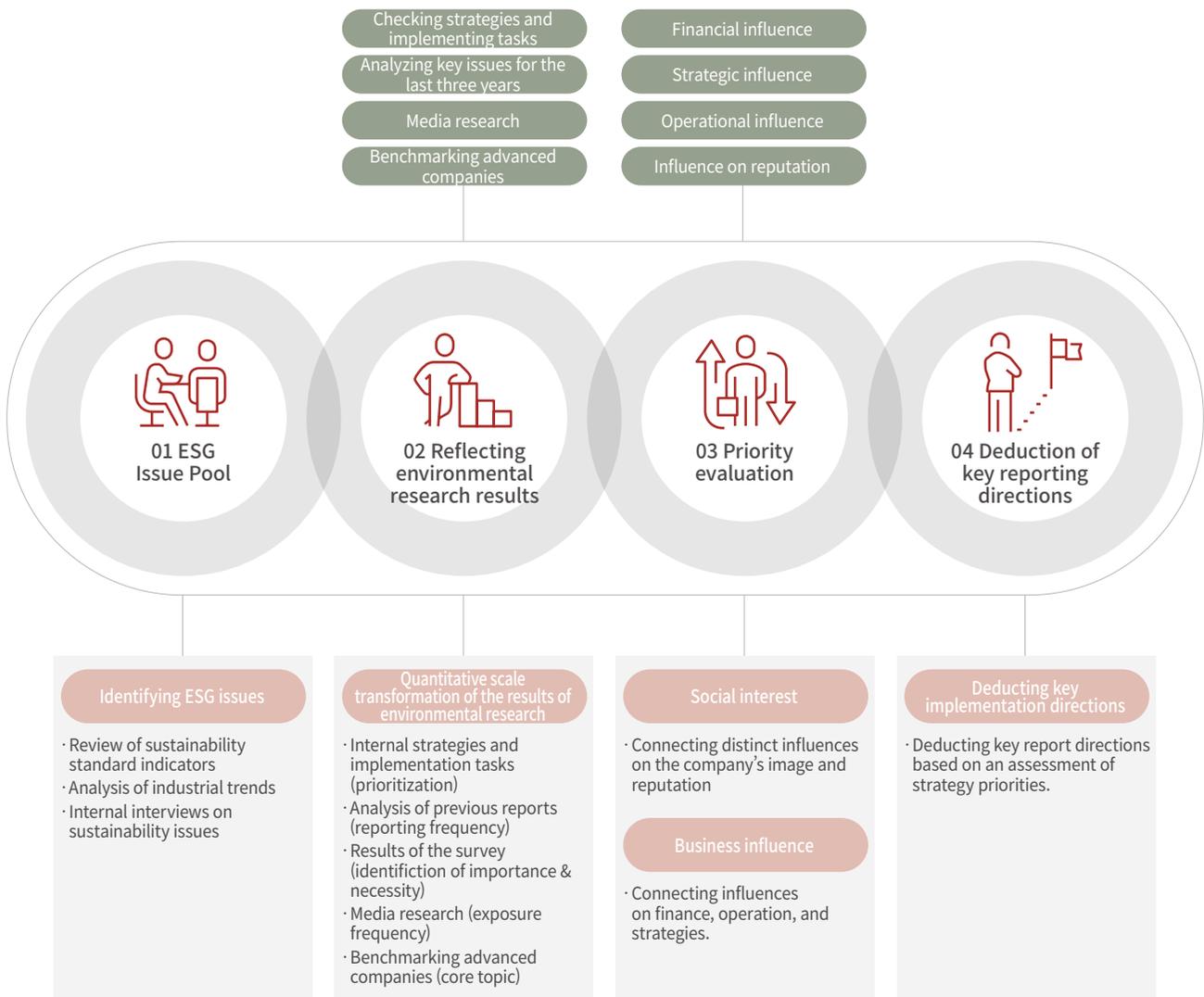
LX Hausys is diligently improving the customer information security system as the amount of customer information such as customer consultation information and financial information increases due to the revitalization of the interior design business. By carrying out activities to raise awareness of personal information protection through on-line information security education for employees, we are making efforts to prevent information leakage and practice customer information protection activities. In 2022, we plan to check if there are any vulnerabilities in customer information protection by conducting inspection activities on customer information contact channels (trustees/Z:IN Square/agencies, etc.) that handle customer information business. In addition, we are assisting the Personal Information Protection Committee and the e-Privacy Clean Service operated by the Korea Internet & Security Agency to ensure that the right to self-determination of personal information of information subjects is guaranteed.

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



Materiality Assessment Overview

Like the previous year's report, the 2022 report refers to the core issues of global building materials industries and companies when creating the materiality assessment issue pool, as well as reflecting the standards of the global sustainability guidelines. In addition, the report items were created in consideration of the Task Force on Climate-related Financial Disclosure (TCFD) and the Sustainability Accounting Standard Board (SASB).

Step 2 : Materiality Assessment Results

LX Hausys has identified and prioritized issues that are most important to our business and stakeholders. The end result is presented in a materiality matrix, along with the stakeholders' interest and their relative position to potential business impact. As a result of the materiality evaluation, compared to the previous year, strengthening growth engines through R&D, win-win growth with suppliers, and shared growth emerged as key issues, while strengthening customer service and communication decreased slightly.



Step 3 : Confirmation of key issues and reporting topics

As a result of evaluating the materiality of each issue by synthesizing the importance of each issue, the business interest of internal and external stakeholders, and the degree of business impact on each issue, four key issues were selected and included in the report. In the future as well, we plan to establish sustainable management together with stakeholders by identifying major concerns through internal and external communication.

Key issues	Stakeholder impact	GRI Index	Business impact ¹⁾	Page
Strengthening growth engines through R&D	Employees, customers, investors	N/A	Operation, finance	18, 22, 71
Win-win growth and shared growth with suppliers	Suppliers, governments	308-1, 414-1	Operation, reputation	30~32
Energy saving and greenhouse gas reduction	Customers, governments, communities, investors	302-1~2, 305-1~2	Reputation	26~27, 60~61
Eco-friendly product development	Employees, customers, governments, investors	416-2, 417-1~2	Finance, reputation	22~25, 40~41, 71
Management of workplace environment safety system	In-house members, suppliers, and governments	403-1~2	Operation, reputation	26, 42~43, 45~47
Securing differentiated quality and design competitiveness	Employees, customers, investors	417-3	Finance, reputation	18, 22, 71

1) Financial: Impacts that are directly and indirectly linked to the company's financial gains and losses in the short term
 Operation: Impact on business operations, activities and processes
 Reputation: Impact on the trust and reputation of stakeholders such as local communities and customers

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Sustainable Management and Data

Financial Data

Consolidated Profit and Loss Statement

(Unit : KRW 1 million)

Item	2018	2019	2020	2021
Sales	3,266,496	3,186,807	3,038,037	3,472,000
Cost of sales	2,535,790	2,440,053	2,284,830	2,639,539
Gross profit	730,706	746,754	753,207	832,461
Selling & administrative expenses	660,335	677,977	682,220	765,188
Operating income	70,371	68,777	70,987	67,273
Non-operating profit & loss	△ 87,982	△ 54,996	△ 163,171	△ 48,692
Continuing business profit before tax	△ 17,611	13,781	△ 92,184	18,581
Corporate tax	△ 1,269	△ 1,019	△ 12,298	6,899
Profit & loss from discontinued operation	△ 36,785	△ 3,235	420	982
Net income	△ 53,127	11,565	△ 79,466	12,664

Consolidated Financial Statement

(Unit : KRW 1 million)

Item	2018	2019	2020	2021
Current assets	1,080,876	1,022,430	1,072,702	1,148,724
Notes and accounts receivable	565,567	511,719	405,403	469,797
Inventories	298,354	291,161	247,005	357,559
Non-current assets	1,428,838	1,543,149	1,312,670	1,398,667
Tangible assets	1,277,509	1,339,828	1,139,666	1,171,245
Assets held for sale	2,030	2,134	23,137	76
Total assets	2,509,714	2,565,579	2,385,372	2,547,391
Current liabilities	736,764	974,505	971,548	1,220,060
Non-current liabilities	856,203	675,096	576,609	463,913
Total liabilities	1,592,967	1,649,601	1,548,157	1,683,973
Paid-in capital	50,000	50,000	50,000	50,000
Capital surplus	616,466	616,466	616,466	616,094
Other capital items	△ 8,189	△ 16,500	△ 8,189	△ 8,189
Aggregate of other universal profit & loss	△ 18,926	△ 19,348	△ 26,675	△ 12,369
Retained earnings	277,396	283,582	206,143	217,984
Non-controlling interest	-	1,778	△ 530	△ 102
Total equity	916,747	915,978	837,215	863,418
Total equity and liabilities	2,509,714	2,565,579	2,385,372	2,547,391

* Figures with △ sign indicates (-) number

2021 LX Hausys Business Report on the Electronic Information System

Employees

Category	Unit	2018	2019	2020	2021	
Total employees	No. of persons	4,477	4,484	4,566	4,770	
Overseas employees ¹⁾	No. of persons	1,234	1,233	1,343	1,401	
Domestic employees ²⁾	No. of persons	3,243	3,251	3,223	3,369	
Korea						
Regular	Total	No. of persons	3,184	3,192	3,125	3,255
	Men	No. of persons	2,771	2,777	2,706	2,792
	Women	No. of persons	413	415	419	463
Contract-based	Total	No. of persons	59	59	98	114
	Men	No. of persons	44	52	74	59
	Women	No. of persons	15	7	24	55
By gender	Men	No. of persons	2,815	2,829	2,780	2,851
	Women	No. of persons	428	422	443	518
	Ratio of female employees	%	6.58	6.70	6.28	5.50
By age	20s	No. of persons	649	622	530	589
	30s	No. of persons	836	883	980	1,084
	40s	No. of persons	1,016	990	943	907
	50s	No. of persons	742	756	770	789
By job level	Executives	No. of persons	26	28	28	30
	Employees	No. of persons	3,217	3,223	3,195	3,339
By job category	Office workers	No. of persons	2,215	2,254	2,267	2,433
	Professional technicians	No. of persons	1,028	997	956	936
By region	Headquarters (Seoul)	No. of persons	766	865	950	1,017
	Cheongju Plant	No. of persons	630	663	636	675
	Ulsan/Onsan Plants	No. of persons	1,054	1,020	985	939
	Others ³⁾	No. of persons	793	703	652	738
People with disability	No. of persons	49	45	41	38	
Men of national merit	No. of persons	87	83	82	77	
New recruits - By gender	Men	No. of persons	189	182	129	347
	Women	No. of persons	22	14	41	127
New recruits - By age	Under 30	No. of persons	157	137	81	267
	30 to under 50	No. of persons	50	50	81	200
	50 and over	No. of persons	4	9	8	7
New recruits - Total	Total	No. of persons	211	196	170	474
Total amount of recruitment costs	KRW 1 million	684	575	131	221	
Staff turnover - By gender	Men	No. of persons	62	67	75	162
	Women	No. of persons	16	13	14	52
Staff turnover - By age	Under 30	No. of persons	51	40	38	76
	30 to under 50	No. of persons	24	28	43	127
	50 and over	No. of persons	3	12	8	11
Key personnel turnover	%	-	1.37	3.60	9.09	
Staff turnover - Total ⁴⁾	No. of persons	78	80	89	214	
R&D/Design center ⁵⁾	No. of persons	368	338	282	301	

Category		Unit	2018	2019	2020	2021
Percentage of female employees	Executive position or higher	%	3.80	3.60	3.60	3.30
	Manager position (including non-executive members)	%	1.40	2.70	2.80	5.40
	Leadership position	%	7.10	7.50	8.20	9.20
	Staff members and senior members	%	22.70	21.40	22.10	23.80
	Percentage of office managers ⁶⁾	%	9.00	9.40	10.40	11.40
	Percentage of STEM	%	24.07	25.36	24.60	21.81
Maternal leave	Employees who took maternal leave	No. of persons	32	38	32	49
	Reinstatement rate	%	91.00	100.00	97.00	100.00
	Ratio of employees who worked for more than 12 months following their reinstatement	%	100.00	100.00	100.00	96.00
Equal remuneration ⁷⁾	Executive level	%	90.60	94.10	94.80	96.10
	Manager level (base salary only)	%	87.90	88.60	89.20	89.00
	Manager level (base salary only + other cash incentives)	%	86.60	87.40	88.60	88.00
	Non-manager level	%	94.00	97.10	95.90	90.70
Employees' contribution to net profit (per person)	KRW 1 million / No. of persons		729.62	710.71	665.36	727.88
Talent Development						
Hours of training per employee (by gender)	Men	Hour	37	35	47	51
	Women	Hour	34	27	39	83
Hours of training per employee (by job category)	Office workers	Hour	46	43	53	74
	Technicians	Hour	16	13	29	11
Hours of training per employee (by job category)	Satisfaction level	No. of persons	2,131	2,164	2,147	2,294
	Response rate	%	99.30	99.20	97.70	97.20
Total training costs		KRW 1 million	3,530	3,338	3,082	2,555
An overseas corporation						
Current status of overseas employment (United States)	Overseas postings	No. of persons	18	17	16	16
	Local employees	No. of persons	505	569	547	646
Current status of overseas employment (China)	Overseas postings	No. of persons	32	22	22	19
	Local employees	No. of persons	604	527	485	470
Ratio of senior-level employees among local hires	Number of locally hired employees	No. of persons	1,109	1,096	1,032	1,116
	Number of senior-level employees among locally hired employees ⁹⁾	No. of persons	286	289	296	323
	Ratio of senior-level employees	%	26.00	26.00	29.00	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	2018	2019	2020	2021
Raw materials consumption	PVC	ton	130,074	119,088	115,269	136,069
	Calcium carbonate	ton	95,542	97,854	87,309	98,207
	Plasticizer	ton	31,961	29,912	27,333	30,223
	MMA	ton	20,995	19,816	18,204	27,037
	Sum of major raw materials consumption	ton	278,572	266,670	248,115	291,536
Recycled materials	Consumption of recycled materials	ton	23,142	22,312	16,023	17,030
	Consumption ratio of recycled materials %	%	8.31	8.37	6.46	5.84
Environmental Investment						
Environmental investment amount		KRW 1 million	5,617	7,138	11,483	9,761
Environmental investment planning		KRW 1 million	5,108	5,898	7,495	4,552
Energy & Greenhouse Gas¹⁾						
Major energy consumption	LNG	TJ	1,029.0	973.8	812.7	765.6
	Diesel	TJ	27.2	23.9	23.0	24.0
	Gasoline	TJ	2.3	2.0	1.9	2.4
	Electricity	TJ	1,806.4	1,704.1	1,641.7	1,715.7
	Steam	TJ	45.7	2.0	1.9	-
	Renewable energy	TJ	-	-	-	-
	Total	TJ	2,910.6	2,705.8	2,481.4	2,507.6
Annual saving achieved	Reduction in energy use	TJ	298	239	318	65
	Reduction in GHG emissions	tCO ₂ eq	7,090	7,146	14,941	3,498
	Energy savings made	KRW 1 million	1,755	1,883	3,570	1,012
Energy consumption	Direct energy	TJ	1,058.5	999.7	837.7	792.0
	Indirect energy	TJ	1,852.1	1,706.1	1,643.7	1,715.6
	Total energy consumption	TJ	2,910.6	2,705.8	2,481.4	2,507.6
Energy costs		KRW 1 million	30,235	31,486	30,667	28,302
Energy costs GHG emissions ²⁾	Scope 1	tCO ₂ eq	70,314	62,312	52,712	49,182
	Scope 2	tCO ₂ eq	88,939	82,839	79,799	82,104
	Scope 1 + Scope 2	tCO ₂ eq	159,253	145,150	132,511	131,286
	Scope 3 ³⁾	tCO ₂ eq	105,911	104,733	90,854	126,506
	Intensity-based emissions ⁴⁾	tCO ₂ eq/ton	0.44	0.34	0.39	0.29
	GHG emission density ⁵⁾	tCO ₂ eq/KRW 100 million	4.8750	4.5550	4.3618	3.7815
Environmental Pollutants						
Water consumption	Total water consumption volume	ton	601,004	532,315	480,275	656,504
	Water recycling	ton	-	-	-	-
	Surface water	ton	-	-	-	-
	Underground water	ton	-	-	-	-
	Public water supply	ton	181,820	142,748	187,243	185,121
	Industrial water	ton	111,353	84,745	52,803	116,700
	Stream water	Ton	447,642	396,600	345,943	354,683
Discharge of water pollutants ⁶⁾	Waste water discharge ⁷⁾	m ³	17,396	15,973	19,310	46,040
	BOD	ton	0.21	0.05	0.10	0.40
	COD	ton	0.41	0.23	0.35	0.92
	SS	ton	0.17	0.23	0.28	0.63
	NO _x	ton	48.60	45.45	42.02	38.87
Emission of air pollutants	SO _x	ton	-	-	-	0.09
	Dust	ton	35.62	30.98	20.56	17.94
	VOC	ton	165.50	171.82	37.36	26.61
	HAP	ton	15.06	23.90	15.75	8.73
Intensity-based consumption of toxic substances (consumption/production of toxic substances)		ton/ton	0.0549	0.0713	0.1005	0.0954

Category	Unit	2018	2019	2020	2021	
Discharge of Waste						
General waste	Recycled	ton	30,723	32,625	27,319	26,345
	Converted to fertilizer	ton	179	161	203	110
	Incinerated	ton	4,275	3,190	3,021	3,820
	Buried	ton	2,339	1,021	666	699
	Others	ton	-	-	-	914
	Total	ton	37,516	36,998	31,290	31,887
Designated waste	Reused	ton	-	-	-	-
	Recycled	ton	471	655	831	762
	Incinerated	ton	464	406	467	438
	Buried	ton	3	6	-	-
	Others	ton	-	-	-	221
	Total	ton	938	1,067	1,298	1,422
Total wasted discharged	ton	38,454	38,064	32,570	33,088	
Total waste recycled	ton	31,279	33,280	28,150	27,107	
Waste recycling rate	%	81	87	87	81	
Violation of important environmental regulations and laws (a fine of more than KRW 10 million) ⁸⁾	No. of cases	-	-	-	-	

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

1) Calculated in accordance with the Guidelines (No. 2021-278) 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, Water resource usage (new additional items in 2021)

4) Greenhouse gas(scope1+2) emissions to gross production 5) Greenhouse gas(scope1+2) emissions to total sales

6) We do not use recycled water, surface water, or the public water supply.

7) At the end of 2020, the 2nd factory of the Cheongju Plant began the mass production of insulation materials. In 2021, the scrubber washing water replacement cycle was increased, and the wastewater discharge was increased compared to the preceding year, by installing wastewater discharge facilities at the cooling tower of the Ulsan Plant.

8) Only administrative dispositions (fines) subject to disclosure are reflected in the electronic disclosure system.

Health and Safety

Category	Unit	2018	2019	2020	2021	
Accident Rate	%	0.46	0.37	0.22	0.27	
Employees	Injury occurrence rate (Injury frequency rate) ¹⁾	-	3.07	2.64	1.60	1.83
	Occurrence rate of work related illness ²⁾	-	0.31	0.18	0.11	0.25
	Absentee Rate (AR) ³⁾	%	0.01	0.01	0.01	0.01
	Lost-Time Injuries Frequency Rate (LTIFR) ⁴⁾	-	5.27	2.64	2.05	6.19
	Total Recordable Injury Frequency Rate (TRIFR) ⁵⁾	-	1.05	0.53	0.41	1.24
	Work-related deaths	No. of persons	-	-	-	-
Indirect employees	No. of accidents	No. of cases	2	2	4	5
	Injury Occurrence Rate	-	1.74	1.51	2.67	0.25
	Lost-Time Injuries Frequency Rate (LTIFR)	-	3.48	3.02	2.00	7.43
	Total Recordable Injury Frequency Rate (TRIFR)	-	0.70	0.60	0.40	1.49
	Work-related deaths	No. of persons	-	-	-	-
No. of persons with symptoms of silicosis	No. of persons	-	-	-	-	
Number of employees represented by joint labor-management health and safety committee	No. of persons	20	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 x 200,000 total number of working hours of all employees)

Current State of ESH Quality Certification

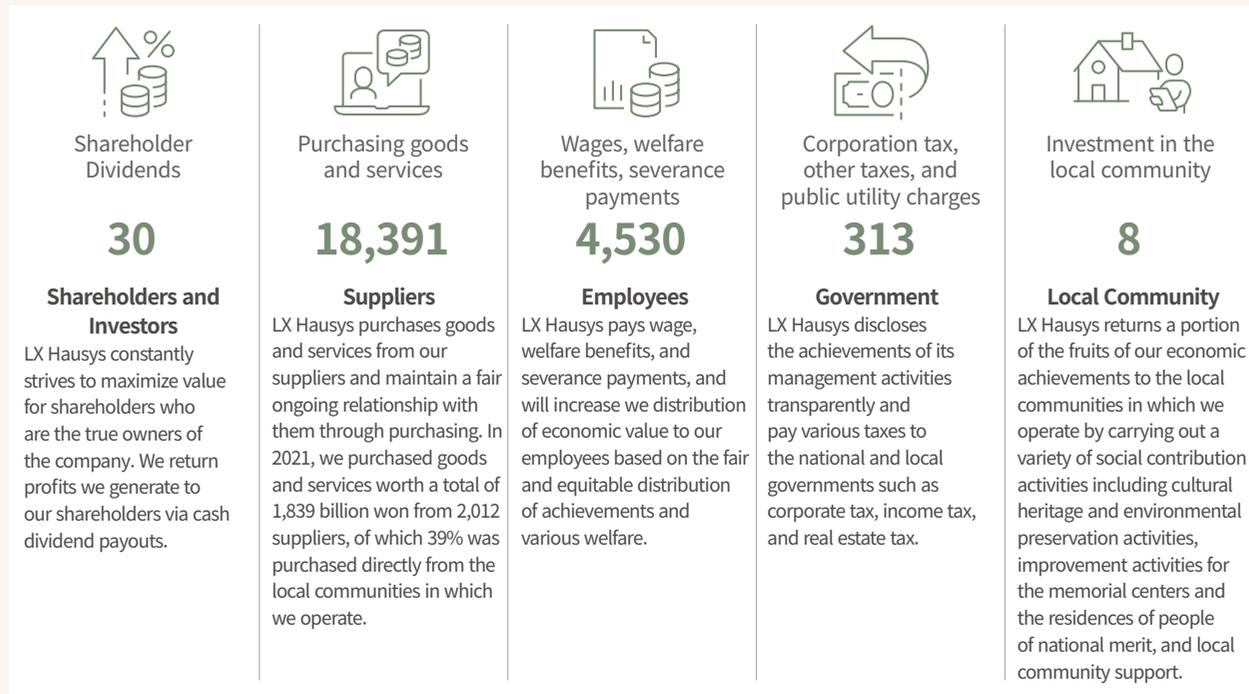
(As of the end of 2021)

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	ISO 45001	ISO 9001
China	LX Hausys Tianjin Co., Ltd.	Tianjin	ISO14001	-	ISO 9001
	LX Hausys (Wuxi) Co., Ltd.	Wuxi	-	ISO 45001	ISO 9001
USA	LX Hausys America, Inc.	Atlanta	ISO14001	ISO 45001	IATF16949

* 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 2021; Unit : KRW 100 million)



Category		2018	2019	2020	2021
Shareholders and investors	Dividend per share (KRW)*	250	250	300	300
	Earnings per share (EPS)(KRW)	△ 5,327	1,154	△ 7,733	1,306
	Total dividend (KRW 100 million)	25	25	30	30
Employees	Wages (KRW 100 million)	2,922	3,330	3,244	3,522
	Welfare benefits (KRW 100 million)	687	679	646	767
	Severance payments (KRW 100 million)	226	223	236	242
Government	Corporation tax, other taxes, and public utility charges (KRW 100 million)	174	188	89	313
Suppliers	Purchase of goods and services (KRW 100 million)	23,192	21,284	20,163	18,391
Local community	Investment in local communities (KRW 100 million)	15	15	15	8

* Based on common stock.

* Figures with △ sign indicates (-) number

Affiliates

(As of the end of 2021)

Group	Membership Fee (KRW 1 million)
Korea Chamber of Commerce & Industry	161.45
Korea Enterprises Federation	38.83
Korea Specialty Contractors Association	21.88
Korea Interior Management Association	18
Korea Products Safety Association	12
Total Amount of Membership Fees*	357.93

* 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.

ESG rating

Year	Environment	Society	Governance	Integration
2018	A	A+	B+	A
2019	A	A	B+	A
2020	A	A+	A	A
2021	A	A+	A	A

* LX Hausys has been under ESG evaluation by the Korea Corporate Governance Service since 2011.

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	30, 39
	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.	30, 39
	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.	22~25, 26~28, 60~61
	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.	33, 36

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.	Decision-making system for reduction of GHS emissions	27
	The role of management in assessing and managing climate-related issues.	Recognition of climate risks and opportunities	27
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	27~28
	The impact of climate-related risks and opportunities on the organization's businesses, strategies, and financial planning		
	The resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario		26
Risk Management	Description of the organization's processes for identifying climate-related risks.	Decision-making system for reduction of GHS emissions	26~28
	Description of the organization's processes for managing climate-related risks.		
	Description of how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.		
Metrics & Targets	The metrics used by the organization to assess climate-related risks and opportunities in line with its strategies and risk management process.	Climate change-related KPI	27~28, 60
	Disclosure of Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouses gas (GHG) emissions, and the related risks.	GHS emission reduction activities and achievements	28, 60
	Description of the targets used by the organization to manage climate-related risks and opportunities and its performance against those targets.		

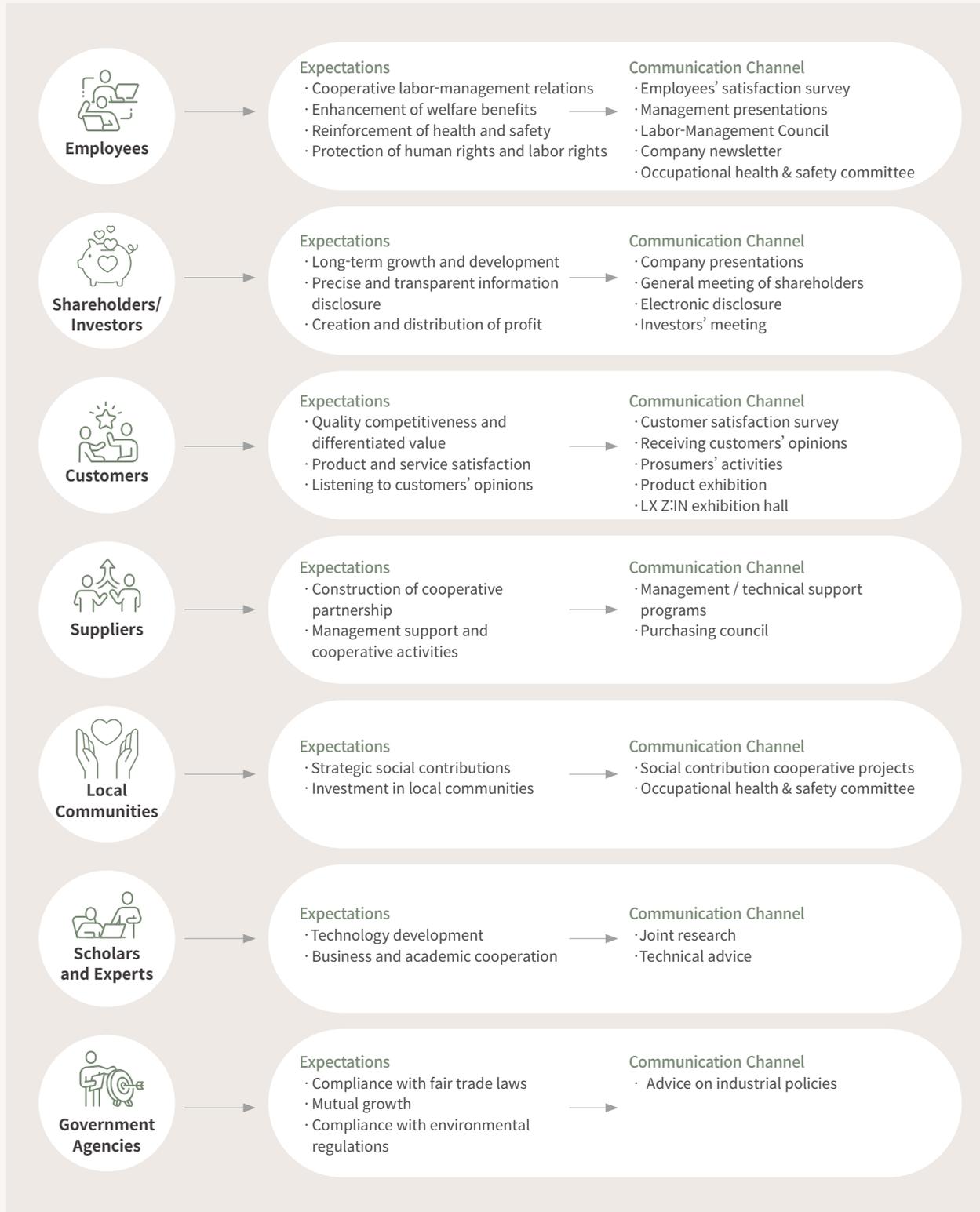
SASB Index

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	Pages
Greenhouse Gas Emissions	EM-CM-110a.1	Gross global Scope 1 emissions	GHS Emission Reduction Activities and Achievements	27, 60
	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	27~28
Air Quality	EM-CM-120a.1	(1) NOx (excluding N ₂ O), (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, 60
Energy Management	EM-CM-130a.1	(1) Total energy consumed	GHS Emission Reduction Activities and Achievements	28, 60
	EM-CM-150a.1	(2) Percentage of grid electricit (3) Percentage renewable		
Water Management	EM-CM-140a.1	(1) Total fresh water withdrawn, (2) Percentage recycled, (3) Percentage in regions with High or Extremely High Baseline Water Stress.	Water environment management	43, 60
	EM-CM-150a.1	(4) Amount of waste generated, percentage of hazardous waste, percentage recycled.		
Biodiversity Impacts	EM-CM-160a.1	Description of environmental management policies and practices for active sites.	Minimizing Our Impact on the Ecosystem	43
	EM-CM-160a.2	Terrestrial acreage disturbed, percentage of impacted area restored.		
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	61
	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	23
	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

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.



Independent Assurance Statement

LX Hausys, Ltd. (“the Company” or “LX Hausys”) commissioned DNV Business Assurance Korea, Ltd. (“DNV”, “we” or “us”), part of DNV Group, to undertake independent assurance of its LX Hausys SUSTAINABILITY REPORT 2022, ‘NATURE, HUMAN AND SPACE’ (the “Report”).

Our Opinion:

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe LX Hausys’s adherence to the Assurance Principles described below. In terms of reliability of the performance data, nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level, nor that the assumptions used were inappropriate. We believe that the Report adopts the ‘Core’ option of the GRI Standards.

Based on non-financial data, sustainability activities and performance data of 2021 generated from LX Hausys, we have evaluated the adherence to AA1000 AccountAbility Principles (AA1000AP) 2018 and assessed the quality of sustainability performance information. We have reviewed that the Topic-specific disclosures of GRI Sustainability Reporting Standards 2021 which are identified in the process for defining report content;

No.	Materiality Topic	Topic Standard	No.	Materiality Topic	Topic Standard
1	Strengthening growth engines through R&D	Non-GRI	4	Eco-friendly product development	416-2, 417-1, 2
2	Win-win growth and shared growth with suppliers	308-1, 414-1	5	Management of workplace environment safety system	403-1, 2
3	Energy saving and greenhouse gas reduction	302-1, 305-1, 2	6	Securing differentiated quality and design competitiveness	417-3

Without affecting our assurance opinion, we also provide the following observations:

The Principle of Inclusivity

LX Hausys defines stakeholders as 7 groups: Employees, Customers, Suppliers, Local Communities, Shareholders and Investors, Scholars and Experts, and Government Agencies, and reports major interests of each group and LX Hausys’ related communication channels. The definition of stakeholders, participation methods, and major issues are introduced in the Report, and major concerns gathered from stakeholders are reflected in the materiality assessment process. During the materiality assessment process, LX Hausys conducted an online survey for internal and external stakeholders. The assurance team confirmed that these contents are being used to organize report content and improve management activities.

The Principle of Materiality

LX Hausys conducted a materiality assessment to prepare the Report. Based on the derived 21 issue pool, a total of 6 key issues (Materiality Topics) are selected and reported in detail through stakeholder interest and business impact analysis. DNV confirmed that the material topics selected through the materiality assessment are reflected in the Report.

The Principle of Responsiveness

LX Hausys is building a cooperative system with stakeholders and TF organizations related to sustainability management for balanced implementation of sustainability management activities and integrated decision-making. In addition, the board of directors of LX Hausys is planning the direction of sustainability management, policy decision-making, and strengthening of responsibilities to reflect sustainability in management activities. Information related to this is disclosed through the Report.

The Principle of Impact

LX Hausys discloses in detail the background of issue selection and implementation status for material topics that reflect stakeholders’ interest and expectations. In particular, LX Hausys is focusing on the 4 major issues of sustainability management that have had the greatest impact on LX Hausys internal and external stakeholders during 2021 - ‘Differentiated Customer Value, Sustainable Product Development, Enhanced Environmental Safety Operations, and Building a Win-Win Supply Chain’ was selected, and major goals and achievements for each major issue are reported. This helps stakeholders understand LX Hausys. LX Hausys discloses the results of analysis of business impact and stakeholder impact by material topics. The assurance team confirmed that the material topics selected through the materiality assessment were completely reflected according to the physical and temporal reporting boundaries.

Reliability of Specific sustainability performance information

DNV conducted a review of compliance with the principles of AA1000AP(2018) of the Report as described above (Type 1 verification). The assurance team has sampled data and tested accuracy and reliability of the sustainability performance data of the Company and interviewed the responsible for the subject data handling and reviewed the data gathering process with the supporting documents and records. Based on the test, the intentional error or misstatement is not noted. Data owners were able to demonstrate to trace the origin of the data and to interpret the processed data in a reliable manner. The data was identifiable and traceable. The Company reports the sustainability performance of the last three years and can be compared over time. Any errors or unclear expressions found during the verification process were corrected prior to the publication of the Report.

Scope and Approach

We performed our work using AA1000AS v3, Assurance Standard set for by AccountAbility, and DNV's assurance methodology VeriSustain™ (Ver. 5.0) which is based on our professional experience, international assurance best practices including the International Standard on Assurance Engagements 3000 ("ISAE 3000"), and the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards"). DNV provides Type 1 and the moderate assurance.

The engagement excludes the sustainability management, performance and reporting practices of LX Hausys' subsidiaries, associated companies, suppliers, contractors and any third-parties mentioned in the Report. We did not interview external stakeholders as part of this assurance engagement. Economic performance based on the financial data is cross-checked with internal documents, the audited consolidated financial statements and the announcement disclosed at the website of Korea Financial Supervisory Service (<http://dart.fss.or.kr>) as well as LX Hausys' website (www.lxhausys.co.kr). The review of financial data taken from these sources is not within the scope of our work.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We are providing a 'limited level' of assurance. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the company were applied. The baseline data for environmental and social performance are not verified, while the aggregated data at the corporate level are used for the verification.

Basis of our opinion

The assurance was carried out from June to July 2022. We undertook the following activities as part of the assurance process:

- Challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls;
- Site visits to LX Hausys Headquarters in Seoul, Korea to review process and system for preparing sustainability data and implementation of sustainability strategy.
- Conducted interviews with representatives from the various departments;
- Conducted document reviews, data sampling and interrogation of supporting databases and associated reporting system as they relate to selected content and performance data;
- Reviewed the process and the result of materiality assessment.

For and on behalf of DNV Business Assurance Korea Ltd.
Seoul, Korea
July 8, 2022

Country Representative
Jang Sup Lee



Responsibilities of the Directors of LX Hausys and DNV

The Directors of LX Hausys have sole responsibility for the preparation of the Report. Our statement represents our independent opinion and is intended to inform all stakeholders.

DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

DNV's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. DNV expressly disclaims any liability or coresponsibility for any decision a person or an entity may make based on this Independent Assurance Statement.

Competence and Independence

DNV's established policies and procedures are designed to ensure that DNV, its personnel and, where applicable, others are subject to independence requirements (including personnel of other entities of DNV) and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. This engagement work was carried out by an independent team of sustainability assurance professionals.

DNV - Business Assurance

DNV Business Assurance Korea Ltd. is part of DNV Group, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance.
www.dnv.co.kr/assurance

GRI Standards Index

General Disclosures

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	102-50	Report the reporting period for information provided		
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This is the key issue.

Topic-specific Disclosures

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	417-3	Incidents of non-compliance concerning marketing communications	-	No case

ABOUT THIS REPORT (11th)

Reporting Principle	GRI Standards (Core Option)
Reporting Period	January 1, 2021 ~ December 31, 2021 (including the results for the first half of 2022)
Reporting Scope	Economic, environmental, and social activities; the achievements of all domestic workplaces and subsidiaries, as well as certain overseas corporations.
Reporting Criteria	Financial year basis, consolidated financial statements basis, figures for the last three fiscal years.
Report Verification	Third-party verification opinion (DNV)
Reporting Cycle	Once per year (first publication in 2012)
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