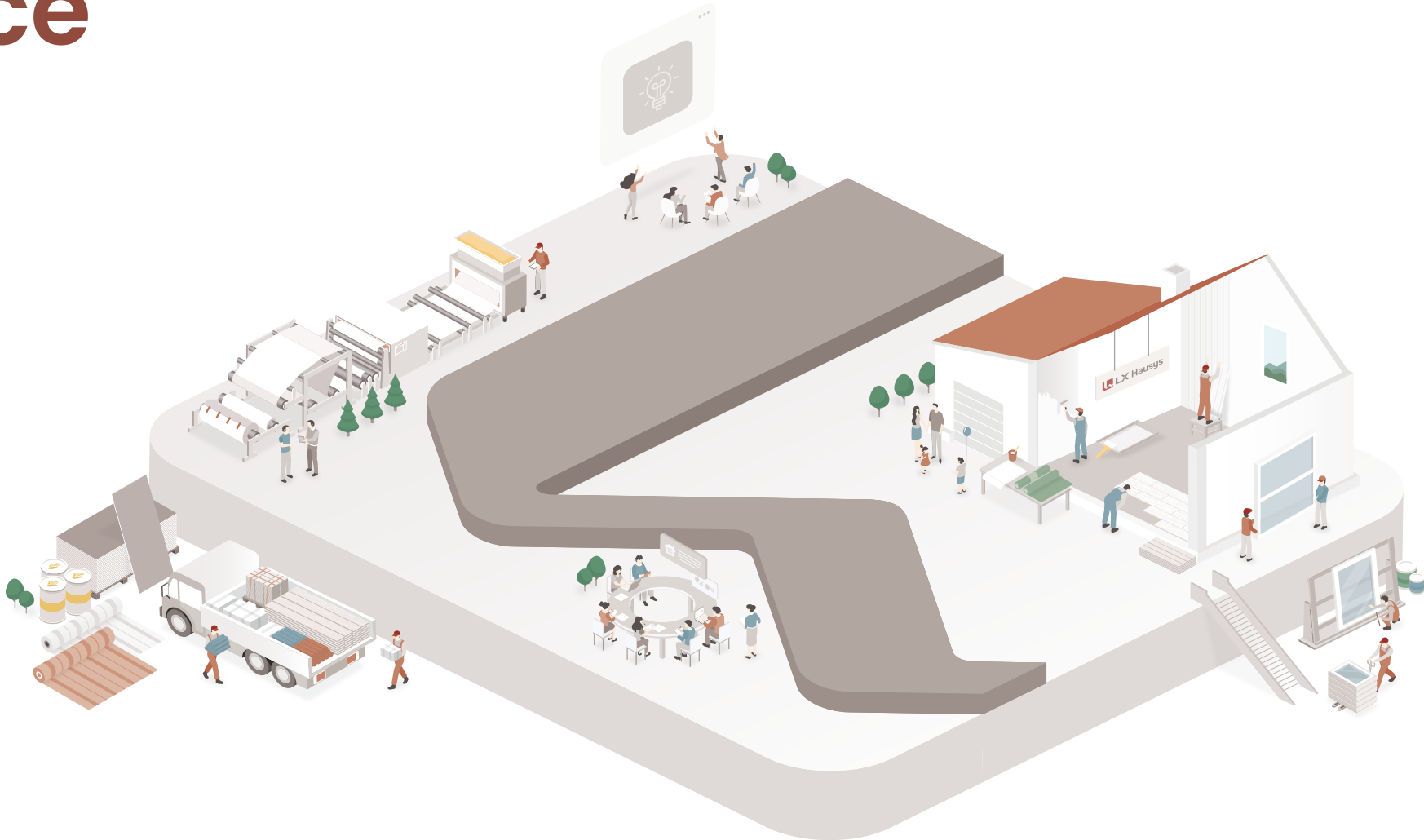


Nature, Human And Space

LX Hausys ESG Report 2023



ABOUT THIS REPORT

Report Summary

LX Hausys has been publishing an annual sustainability report that presents the company’s sustainability management activities and performances to facilitate stakeholder communications since 2012. From 2023, the title of the report has been changed to “ESG Report.” LX Hausys reports core ESG performances and data on 10 core material issues derived from the newly established ESG Vision and Strategy System, and materiality assessment.

Report Preparation and Verification Standard

This report has been prepared in accordance with the 2021 Global Reporting Initiative Standards, the international reporting guidelines for sustainability management. Financial information is reported on a K-IFRS consolidation basis.

The report is verified by a third party through BSI in order to secure the credibility of the report. The Independent Assurance Statement may be found on page 92, 93 of this report.

Scope and Period of Report

This report covers LX Hausys’ ESG management activities and performances of the headquarters and key domestic business sites from January 1, 2022, to December 31, 2022. Some data cover partial information about key overseas subsidiaries (e.g., North America, China). The report contains quantitative data for the past 3 years so that report users may check trends, while some key performances include content up to the first half of 2023. Footnotes provide additional descriptions for data consolidation.







Inquiries

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 Global Website : www.lxhausys.com

Interactive PDF

LX Hausys ESG Report 2023 is an interactive PDF that is designed for an enhanced reading experience. Clickable text or icons will take you to related locations in the report, related web pages, etc.

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-  Move to Contents
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LX Hausys CEO Message



Greetings to All Our Stakeholders,

Since the COVID-19 pandemic, the world has been undergoing unprecedented changes, such as global inflation, the Russia-Ukraine War, and the reshuffling of global supply chains that continue to erupt around us. LX Hausys is also facing difficulties at home and abroad due to the increase in raw materials prices and logistical costs in 2022 and the recession in the housing market. I would like to express my most profound appreciation to all our stakeholders for their continued interest and support for LX Hausys.

The forecast tells us that these difficult circumstances will persist through 2023. However, based on our prowess as an enterprise that overcame countless crises and developed to become the largest building materials company, LX Hausys will continue to take proactive action against current challenges. To realize this goal, we are implementing improvements in profitability based on our strengths and are also focusing on the creation of future growth engines.

As an industry leader, LX Hausys recognizes corporate social responsibilities and has been implementing diverse activities to grow alongside society. As internal and external demands for ESG management rise amid the recent calamities, LX Hausys continues to commit a great deal of effort to solidify its ESG management and realize sustainable growth. In 2022, we set up our new ESG Committee while establishing the ESG Vision and Strategy System. Furthermore, we plan to implement strategic tasks in each area to practice green management, win-win management, and Jeong-do management. To this end, LX Hausys will continue to promote the following efforts.

First, we will continue to create innovation for unrivaled customer values.

LX Hausys strives to consistently provide quality products, expand its business into eco-friendly and new material fields, and increase product ranges that consider environmental and social values. Going forward, we will continue to innovate ourselves to become a company that offers unmatched customer values through the development of products that are competitive in both their performance and design and the enhancement of interior design and construction capabilities.

Second, we will practice win-win growth with our suppliers.

LX Hausys keenly recognizes the importance of win-win growth and thereby implements diverse corporate partnership programs to promote the competency of our suppliers. We are establishing a sustainable supply chain based on the financial and non-financial support for enhanced business competitiveness and ESG assessments on our suppliers.

Third, we will strengthen systematic activities against climate change.

As the severity of climate change grows worse, the participation of corporations in the work against climate change is also becoming increasingly important. LX Hausys established its 2050 Carbon Neutrality Roadmap and relevant mid- and long-term strategies and seeks to implement GHG reduction activities based on them.

Crisis, due to its nature, has an element of potential opportunities despite the dangers that it brings. LX Hausys will turn the current situation into an opportunity and continue to create sustainable growth based on its innovation for customers and ESG management for the future.

We look forward to the continued interest and support of our stakeholders.
Thank you.

CEO, LX Hausys Han MyeungHo

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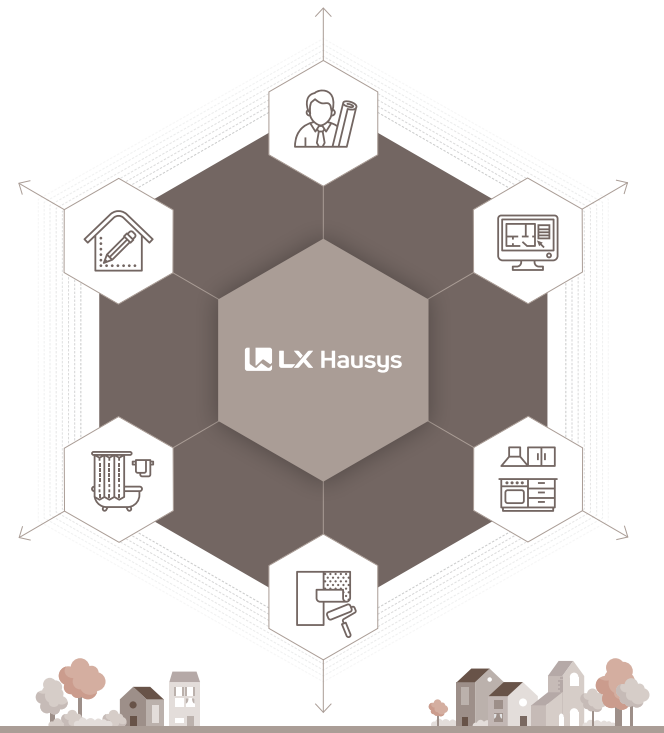
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LX Hausys Overview

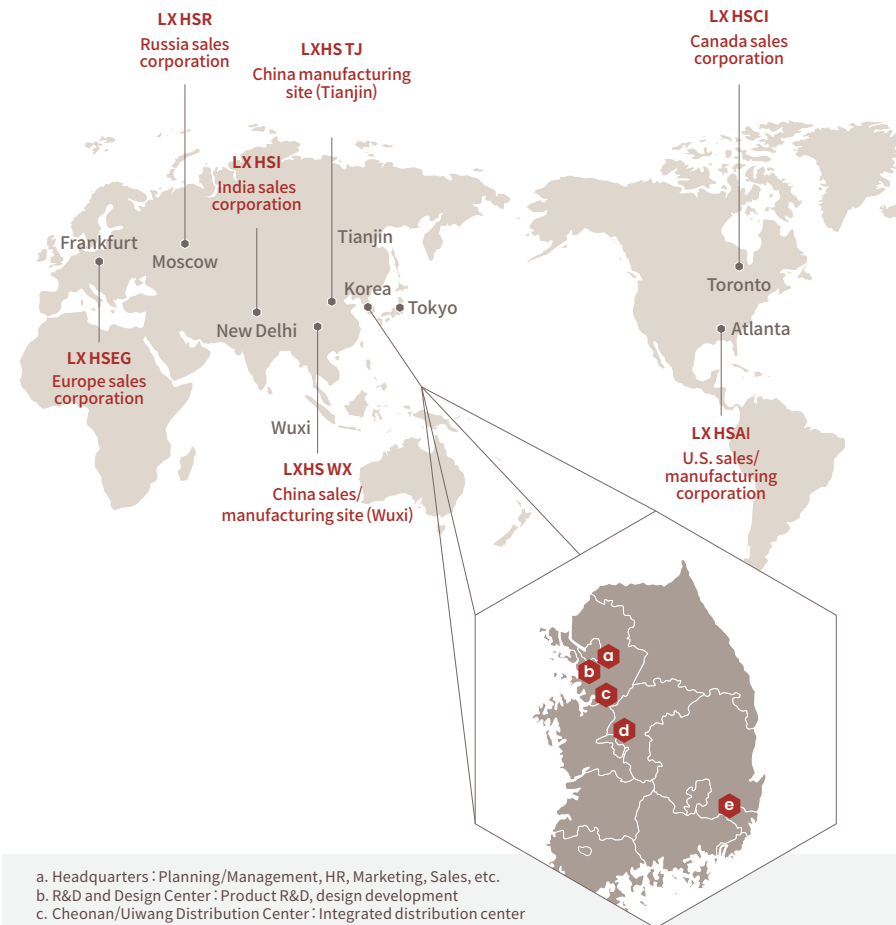
LX Hausys is a company that produces and sells building and decorative materials, industrial films, and automotive materials and components. Its main products are building and decorative materials such as windows, flooring, wall covering, insulation materials, solid surface/engineered stone, kitchen, bath, industrial films such as surface finishing materials for appliances and furniture, and automotive skin/components.



Company Name	LX Hausys Co., Ltd.	Date of Establishment	April 02, 2009
CEO	Han MyeungHo	Address	98 Huam-ro, Jung-gu, Seoul
Number of Staff	3,092 staff in Korea; 908 staff overseas (As of the end of 2022, per Business Report)		

Global Network

In addition to the headquarters and manufacturing plants in Korea, LX Hausys operates 6 overseas sales corporations, 3 overseas manufacturing sites, and 1 overseas branch office primarily in the United States, China, and Europe.



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

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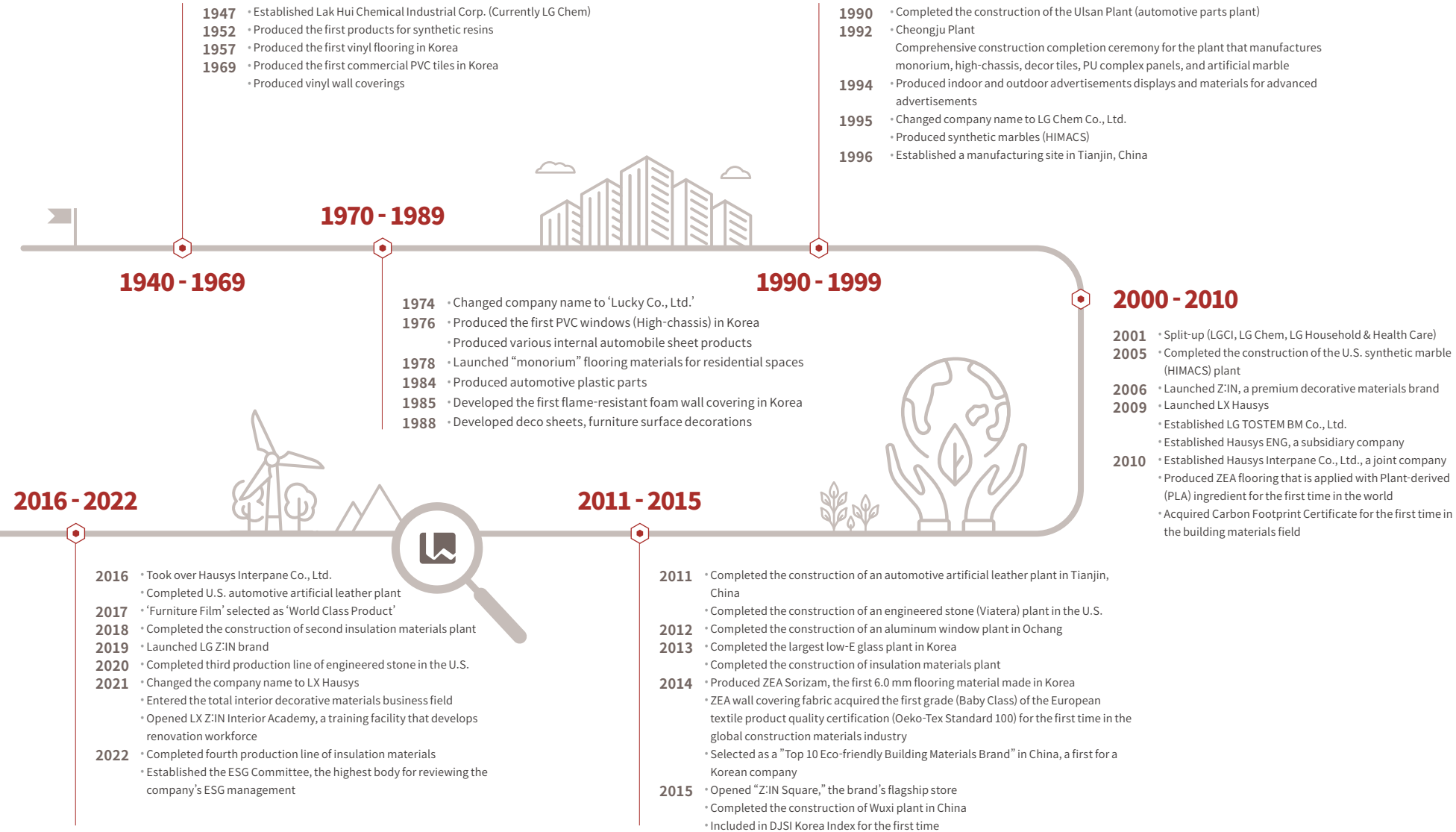
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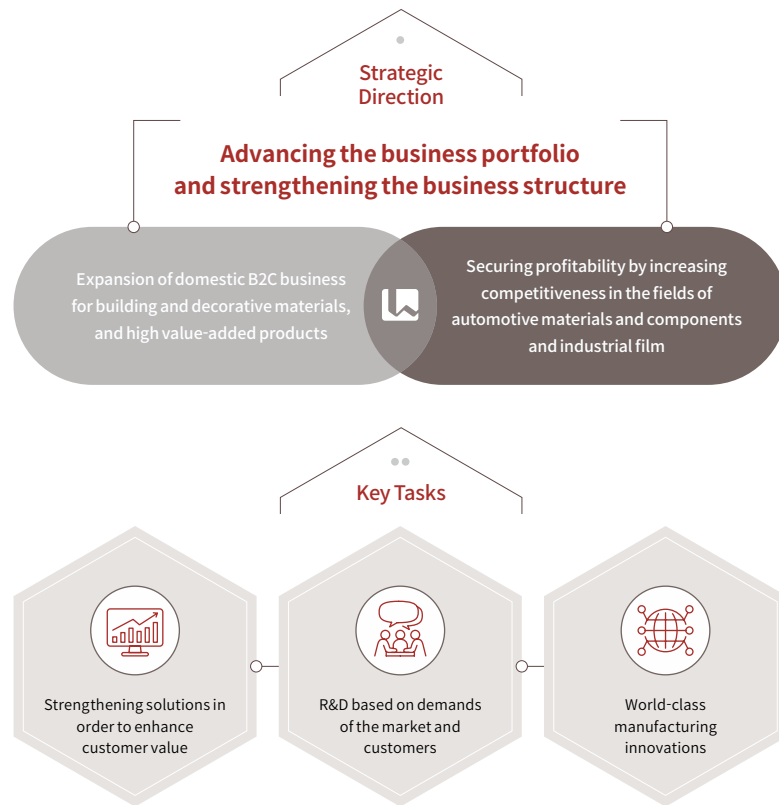
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Management Strategy and Performance

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 and decorative materials business, it is strengthening the B2C area to respond to the growth of the domestic renovation and remodeling market, and the company is continuously increasing sales of its high value-added products such as insulation, engineered stone, and tile flooring materials. The automotive materials and components and industrial film businesses focus 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 a global and first-class level while improving business fundamentals by initiating structural reforms throughout the entire value chain.



Achievements & Goals

In 2022, LX Hausys recorded sales of KRW 3.6112 trillion in 2021, increased 4.4% from the previous year, but an operating profit of KRW 14.9 billion, a fall of 78.8% from the previous year. Sales grew in the domestic B2B and North American market, but the company’s operating profit suffered due to the depression in the housing remodeling market caused by the sharp fall in the number of housing transactions and increased raw materials and logistical costs. In response to such changes in the environment, we aim to focus on generation of profit by enhancing our production capabilities, innovating costs of raw materials and expenses to strengthen the competitiveness of existing businesses, and overhauling our portfolio with a focus on high value-added products. In addition, we will continue to establish foundation for future growth by developing unmatched products with a focus on the concepts of eco-friendliness, energy-saving, and outstanding design, while strengthening our logistical networks and construction and service capabilities.

2022 Financial Performance



2022 Key Performances and Future Plans

Tasks	2022 Key Performances	2023 Plans	Mid- to Long-term Goals
Enhancement of B2C business competitiveness	<ul style="list-style-type: none"> Reinforced product lineup (e.g., kitchen / bath products, etc.) Increased rollout to largest integrated showrooms REnhanced construction/service capability 	<ul style="list-style-type: none"> Conduct overhaul of sales system and enhance showroom sales capabilities Improve various product capabilities such as functionality and design 	<ul style="list-style-type: none"> Lead B2C market based on differentiated products and enhanced construction/service capability
Increase in high-value products	<ul style="list-style-type: none"> Continued to develop insulation materials/engineered stone Increased the weight of high-value products such as flooring materials 	<ul style="list-style-type: none"> Accelerate growth of insulation materials Conduct fiercer targeting of overseas markets with engineered stone/flooring materials/ automotive artificial leather 	<ul style="list-style-type: none"> Maintain consistent growth that's backed by profitability
Enhancement of R&D competitiveness	<ul style="list-style-type: none"> Continued to develop high-insulation and high-fire resistant insulation materials Enhanced product competitiveness with R&D capability 	<ul style="list-style-type: none"> Develop new, convergent products Expand brand recognition and credibility 	<ul style="list-style-type: none"> Develop next-generation building and decorative materials suitable for the residential environment of the future



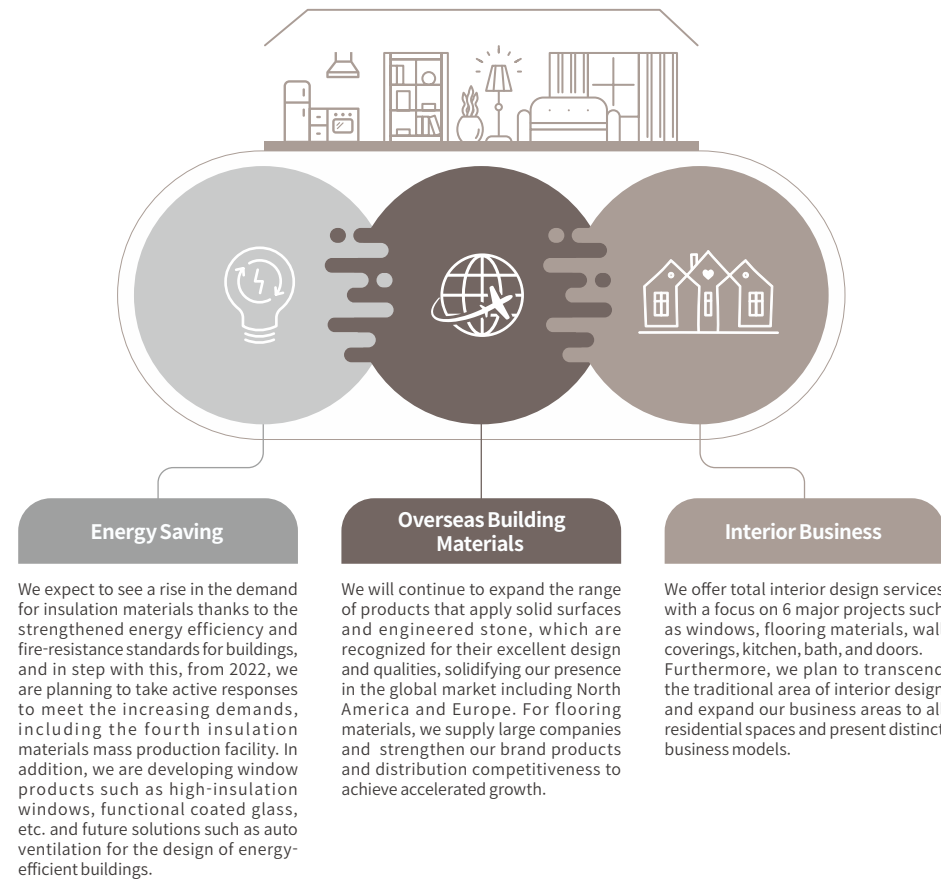
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Business Areas

Building and Decorative Materials

At LX Hausys, we produce and sell interior and exterior building and decorative materials and interior products designed for residential and commercial spaces. We lead the market with environmentally friendly, high-energy efficiency products, differentiated quality such as fire safety, and products with stylish designs and functions. In addition, we are currently operating Z:IN Square, a large-scale complex exhibition hall where potential consumers may conveniently experience our outstanding products, and creating unique total interior design models that offer safe and beautiful spaces based on the best construction quality and services.



Main Products

Windows, glass, flooring materials, wall covering, insulation materials for buildings, solid surface & engineered stone, kitchen, bath

Business Overview

Our main building and decorative material products are windows, flooring materials, wall covering, insulation materials, solid surface & engineered stone, and kitchen and bathroom products. We are taking the lead in improving the living environment of our customers by developing environmentally friendly flooring materials and wall covering of various designs, solid surface and engineered stones, which are kitchen bench and decorative finishing materials, and kitchen and bathroom products that are differentiated with uniquely developed materials and patented technologies, as well as high-performance plastic/aluminum windows for residential and commercial spaces and PF insulation materials with outstanding insulation and flame-resistant properties.

Market Outlook

Although the forecast tells that the domestic housing market contraction and recession in the construction industry to continue for some time and there is also the concerning uncertainty in the global market, with the surge in number of outdated housings in domestic environment and increasing public interest in beautiful home interior designs, we expect a long-term rise in the B2C renovation and remodeling apartment re-construction market demands. Despite the forecast that the domestic housing market contraction and recession in the construction industry will continue for the time being as well as the growing uncertainty in the global market, with the surge in the number of domestic, outdated housing in addition to the increasing interest in beautiful home interior designs, we expect a long-term rise in the demands for B2C renovation and the apartment reconstruction market. The building and decorative materials business is closely linked with conditions in the construction and real estate market. For the domestic market, there is a surge in demand in the renovation and remodeling market compared to the new construction market, thanks to the decreasing availability of land for large-scale housing and an increasing number of outdated housing facilities. Although the demand for renovation and remodeling projects contracted due to the sharp fall in the number of housing transactions, as people spend more time indoors due to the impact of the COVID-19 pandemic, B2C demand is expected to rise in the long term, attributable to an increase in the public interest in comfortable and beautiful home interior designs. In addition, with an increase in customer expectations for quality and services, it is forecast that consumer preference for eco-friendly and energy-saving products and reliable brands will continue to rise. In addition, we expect a growth trend in North America, our main overseas market, due to predictions of its recovery in the real economy.

Business Strategy

LX Hausys is strengthening capability in the B2C business by launching additional essential interior design products for the kitchen and bathroom areas, while enhancing functionality and design of windows, flooring materials, wall coverings, and inner front door products for tailored space products and services in package, and expanding consultation and through various customer contact points Z:IN Square, agencies, online malls, and complex events. We operate LX Z:IN Interior Academy, which was selected as an education and training institution by the National Human Resources Development Consortium, to develop talent specializing in construction. Furthermore, we plan to increase our focus on penetrating the overseas markets such as North America by expanding distribution/supply lines for value-added and differentiated engineered stone and tile flooring products, while accelerating the growth of our insulation materials business by ensuring outstanding product quality.

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Business Areas

Automotive Materials and Components

At LX Hausys, we provide composite panels for trailer walls and other various functional composite materials, as well as electric vehicle parts that contribute to higher energy efficiency through the application of lightweight composite materials and weight reduction with optimized parts design and analysis. In addition, we create safe and comfortable driving spaces with our proven eco-friendly and high-durability automotive artificial leather and decorative materials and parts.

Main Products

Electric vehicles battery pack parts, lightweight composite panels for trailer walls, functional composite materials, automotive interior/exterior decoration parts, automotive artificial leather

Business Overview

We manufacture and sell lightweight parts, general parts, and fabric that compose automobiles. LX Hausys' lightweight automotive parts products are made with our diverse composite materials, contributing to enhanced energy efficiency with decreased weight while maintaining their metallic performance, and the demand for these products continues to increase as the electric vehicles market grows. In regard to general automotive parts, we provide automotive exterior parts and interior decorative materials with real materials and design patterns created by applying ultra-fine printing technology. Our automotive seating products are environmentally friendly and have 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

In 2022, the domestic automobile production volume turned to a growing trend per the previous year, thanks to the slight alleviation of the supply issue of semiconductors for automobiles. However, we expect to see a small year-on-year decline in the production volume in 2023, as exports will fall in key export markets such as the U.S. and Europe. Although the market condition is expected to worsen for automotive sales, which is highly susceptible to the economic environment due to the global recession, we expect to see continued growth in the eco-friendly vehicle market (e.g., electric vehicles, hydrogen-fueled vehicles, etc.) with the strengthened carbon neutrality policies.

Business Strategy

At LX Hausys, in response to increasing sales of eco-friendly vehicles and the trend of enhancing the quality of decorative materials, we seek to improve our profit structure with a focus on the expansion of lightweight parts applications using various functional composite materials and decorative materials with differentiated surface treatment and printing technology. For automotive artificial leather, we will accelerate global OEM expansion with our products that are eco-friendly and pollution-resistant and feature enhanced durability.

Industrial Films

We provide films with outstanding designs and performances for furniture and construction, home appliances, advertisements, and vehicles to add aesthetic value to our daily spaces.

Main Products

Decorative films (for furniture and exterior uses), Interior films, Home appliance surface films, sign and graphics (for advertisements and automobiles).

Business Overview

The industrial film business is leading the market with excellent technology and sensuous design films that realize anti-fingerprint, weather resistance, flame retardancy, and adhesive performance according to the purpose. Decor film is a furniture and construction finishing material with a differentiated design from surface treatment technology, and interior film is a surface finishing material used for commercial and residential interiors with differentiated design as well as excellent adhesion and flame retardant performance. Home appliance film is leading the design trend of home appliances with excellent technology that realizes various surface effects, and sign & graphics are widely used for display, advertising materials, and vehicle tuning to realize brand identity.

Market Outlook

We expect sluggish growth for the industrial films market due to the domestic housing market recession and fall in the global demand for the global housing/home appliance market. In particular, Home appliance surface films will face more intensive competition due to the diversified surface finishing materials. However, for furniture films, the demand for eco-friendly PET (Polyethylene terephthalate) films is increasing in European and Chinese large-scale furniture manufacturers.

Business Strategy

At LX Hausys, we offer products with outstanding performance and qualities such as eco-friendliness, stain-proofing, and scratch-proofing, as well as diverse designs based on our excellent surface treatment and coating technology, continuing to strengthen our competitiveness in the global furniture and home appliance market.

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Overseas Business

LX Hausys is implementing a customer-oriented market strategy in core markets such as North America, China and Europe, as well as the domestic market, and is focusing on expanding its global network by localizing the products of its production and sales bases located in the U.S.A. and China. In particular, we have secured an unrivaled position in the global market in terms of solid surface and engineered stone, automotive artificial leather, and home appliance surface film products. LX Hausys continues to increase its market share by targeting commercial markets for solid surface and engineered stone products through diverse 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 artificial leather, we are increasing our market share in the U.S. and China through spec-in focused on fully built automobiles. LX Hausys also exports construction materials such as industrial films, solid surfaces, and flooring materials to emerging markets including India, Southeast Asia, and the Middle East.



North America

LX Hausys implements a localization strategy with a focus on solid surface/engineered stone and automotive artificial leather in the North American market, the world’s largest decorative materials and automotive market. We have solid surfaces, engineered stone, and automotive artificial leather plants in the U.S. state of Georgia. In 2017, we established a sales corporation in Canada with a view to establishing a foundation upon which we can respond to market demands throughout all North America. Furthermore, we installed a third engineered stone production line in 2020 for enhanced production capacity, and, subsequently, unrivaled products. Based on these activities, we expect to achieve steady growth in the North American engineered stone market. For the flooring materials business, we are increasing our sales by identifying new local suppliers and launching localized products in the growing PVC flooring materials market. Through this, we plan to spur our growth through differentiated products.

Europe

LX Hausys established a presence in the European market through the solid surface and furniture film products. In particular, we are focusing our target on the commercial solid surface market while driving growth with new products that are created through advanced technology in the furniture film market.

China

In China, our focus is on flooring and industrial films. Our sheet flooring materials as well as furniture PET films 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 Wuxi. In response to tightening environmental and safety regulations, we are continuously enhancing our systems and equipment to implement successful environmental and safety management.

Other Regions

LX Hausys has been operating solid surface and industrial film businesses in India and Russia and is solidifying its brand presence through localized designs and enhanced marketing activities. In addition, we are realizing growth in regions such as Japan, Australia, and Southeast Asian countries with our solid surface, flooring materials, and interior film businesses.

LX Hausys offers products that meet the demands of various markets through marketing strategies tailored to each country.

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LX Hausys ESG

ESG Strategy System

In 2022, LX Hausys established the ESG Committee along with the ESG Vision and Strategy System in order to organize its ESG management. In pursuing the ESG Vision slogan of “Innovations for Consumers, ESG for Future,” we express our firm commitment to creating continued innovation and sustainable growth by actively implementing our 3 strategic directions and 9 strategic tasks. Going forward, LX Hausys will work hand in hand with various stakeholders to internalize and enhance ESG management through its ESG Visions and Strategy System.

LX Hausys ESG Visions and Strategy System

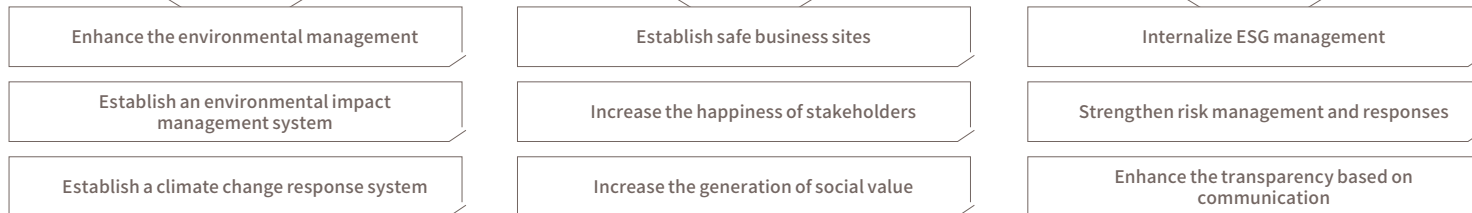


Innovation for Customers, ESG for the Future

Strategic Directions



Strategic Tasks



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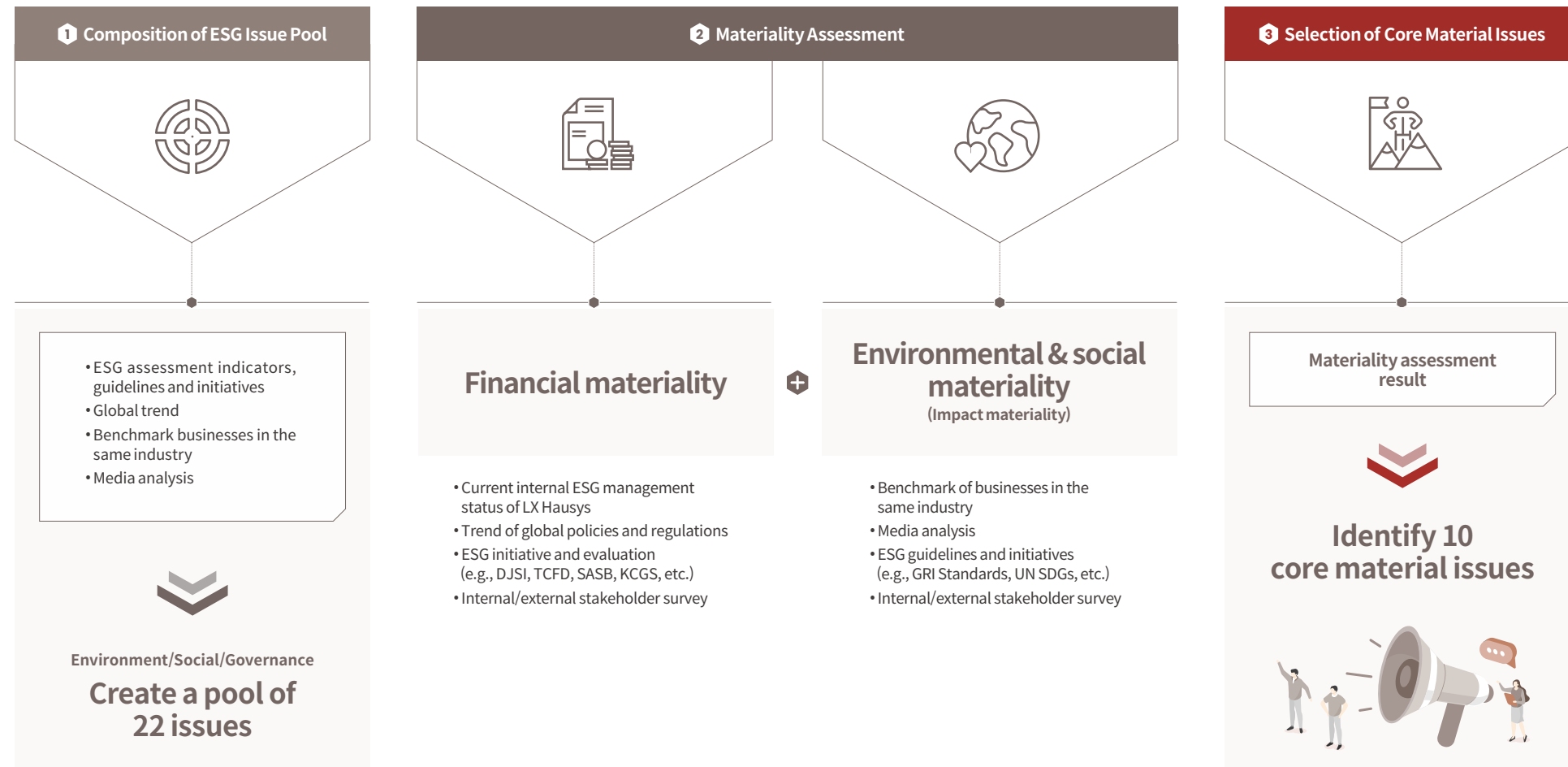


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Materiality Assessment

Materiality Test Process

At LX Hausys, we publish the sustainability report and materiality assessment on an annual basis in order to establish ESG management strategies and ensure effective ESG issue management. We identify key ESG issues through a dual-materiality assessment that considers the extent of ESG factors on corporate finance and the environmental and social impact of corporate activities. We then utilize the result in the establishment of the strategic system and planning of this report. LX Hausys will continue to manage key ESG issues to enhance our ESG management practices.



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Management Approach to Material Issues



Operation of Eco-friendly Business

To enact voluntary responses to climate change, companies are increasing their efforts to shift existing business models to be eco-friendlier while providing products and services that consider environmental impacts. LX Hausys is also striving to fulfill its social responsibility through eco-friendly management by manufacturing products with recycled and reused materials and developing products based on the life cycle assessment (LCA), thereby enhancing eco-friendliness in the product development and production process. All business sites of LX Hausys implement efforts to save energy and use renewable energy based on its annual energy reduction target and will continue to strengthen their eco-friendly business activities through an increase in the use of recycled materials and substitution of chemical substances.



Minimizing Environmental Impact

Many companies carry out activities to reduce environmental pollutants, GHG emissions, and waste materials to minimize negative environmental impacts generated across their business activities. LX Hausys continues to manage key environmental impacts, including GHG emission reduction, waste reduction and increased resource recycling, and strengthened management of air and water pollutant substances, while also stringently managing directly discharged waste with an internal standard that is stricter than relevant legal regulations. In addition, we have established biodiversity policies and carried out environmental preservation activities around key business sites to minimize our impact on the ecosystem. Going forward, we will carefully evaluate the environmental impacts of all business activities to prevent potential environmental risks and strengthen impact-reducing activities.



Resource Management

The systematic management of input resources for saving resource consumption and increased efficiency is one of the critical issues of corporate environmental responsibility. To this end, LX Hausys established a management system for all key environmental resources such as raw materials, water, and energy that are used in product manufacturing and processing. Furthermore, we are doing our best to manage resources more efficiently through the establishment of relevant goals and monitoring of the implementation process.



Integrated Management of ESG (Financial/Non-financial) Risks

There is a growing need to identify and manage not only corporate financial risks but also non-financial risks that include ESG factors. In step with this trend, LX Hausys implements thorough risk management on its environmental, social, and governance risks by consistently identifying financial/non-financial risks trends and checking internal status, and if a serious factor is detected, it is reported to a higher level for a swift decision-making process. Going forward, LX Hausys will continue to integrate corporate-wide financial and non-financial risks to achieve sustainable management.



Ethical/Compliance Management

To realize sustainable management, it is essential to go beyond the regulative level of the regions of operation, perform advanced compliance management activities, and take preemptive responses. As a part of LX Group, LX Hausys actively practices Jeong-do management and strives to encourage internal and external stakeholders, suppliers, customers, and employees to comply with ethical and compliance management. We will continue to show our commitment to the internalization of Jeong-do management based on relevant policies and guidelines such as the LX Code of Ethics and pledges.



Environmental Management System

Companies may increase their efficiency in environmental management by focusing on a management system that oversees environmental-related decision-makings and supervision. To this end, LX Hausys acquired the ISO 14001 certification, which meets global standards, and established the environmental safety management system. At LX Hausys, we maintain environment and safety organizations at the headquarters and major business sites to oversee key working-level tasks and operate high-level decision-making organs such as the corporate-wide Environmental Safety Committee, which includes C-level executives, and the ESG Committee within the BoD. In 2022, the company reported major environmental issues to the Board of Directors.

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Responses to Climate Change



Since the 2015 Paris Agreement, countries have been announcing their nationally determined contribution (NDC) and carbon neutrality declarations. Industries have also been showing more active movements in response to climate change. As a company subject to the GHG Emission Trading Scheme, LX Hausys is managing its emissions and reduction to take preemptive actions against future changes in emissions allocation while implementing activities such as enhanced energy efficiency and process optimization to reduce GHG emissions. Going forward, we will actively participate in the global efforts against climate change through the systematic management of GHG emissions and energy consumption, and fulfill our corporate social responsibility.

ESG Leadership and System



Stakeholders are increasingly demanding for corporate ESG decision-making systems and leadership that center around the management and BoD. To this end, LX Hausys established the ESG Committee in 2022 and the ESG Council and ESG Visions and Strategy System in 2023, laying the foundation of ESG management for the company. Going forward, we will internalize and enhance our ESG management from a long-term perspective by carrying out integrated management of the existing ESG activities and performances based on solid ESG leadership and systems.

Products and Services in Consideration of Social Values



As consumer trends change, the needs of consumers are also diversifying. This is driving an increase in demand for value-based consumption, as well as an increase in trends based on conventional factors such as price and quality. Key businesses of LX Hausys are deeply intertwined with the daily life of its consumers. To this end, we continue our efforts to enhance product quality and safety and develop products that contribute to social values while expanding the range of our eco-friendly products, reflecting the diverse needs of our consumers.

Management of Human Resources



At LX Hausys, we recognize employees as precious stakeholders who grow with the company. Based on this belief, we provide diverse management and support from talent recruitment and retention to professional competency enhancement. In particular, we select ideal employees through a fair and transparent recruitment process, provide systematic training programs for each role and position, and support efficient human resource management. In addition, we offer various welfare benefits, including flexible working hours, in order to promote work-life balance for our employees.



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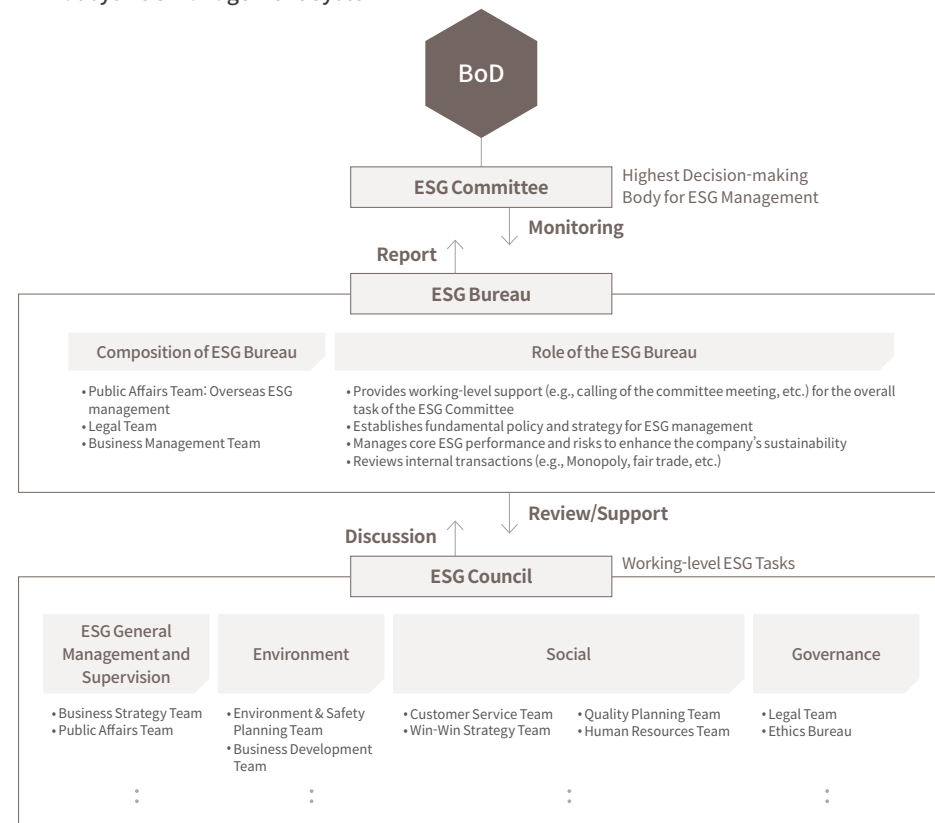
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Establishment of ESG Management

ESG System

LX Hausys operates its ESG management system with the ESG Committee, ESG Bureau, and ESG Council in order to strengthen its ESG capabilities. The ESG Committee is a subcommittee under the BoD that is accountable for the highest-level decision-making and supervision across the company's ESG management and serves as the watchdog for internal transactions. The ESG Bureau is a support organization of the ESG Committee that offers integrated management of ESG issues of the company and reports relevant issues when ESG Committee meetings are held. Lastly, the ESG Council, which consists of relevant departments, establishes and carries out the plans for environmental, social, and governance-related internal transactions.

LX Hausys ESG Management System



ESG Committee

LX Hausys established the ESG Committee within the BoD in July 2022 to establish the foundation for environmental, social, and governance management while strengthening corporate control on internal transactions to achieve long-term sustainable growth.

The ESG Committee is composed of three independent directors (Ha YoungWon, Suh SwookKyung, and Kim YoungJoo) and one executive director (Han MyeungHo) and holds a meeting every half year but may hold as many meetings as needed. The operation of the committee is based on the “ESG Committee Regulations.” The ESG Bureau will serve as its supporting organization that reports ESG-related issues of the company. The ESG Committee will receive these reports and make necessary approvals, and if needed, it may report relevant issues to the BoD. In the ESG Committee meetings, which were first held in November 2022, LX Hausys’ ESG activities and future plans have been reported.

Key Roles of LX Hausys ESG Committee

Category	Content
Items for Approval	<ul style="list-style-type: none"> Establish fundamental policy and strategy for ESG management Mid- to long-term ESG goals Issues regarding internal transactions, etc.
Items to Report	<ul style="list-style-type: none"> Plans and performance of ESG management activities Issues related to critical ESG risks or responses to such risks Issues related to executed internal transactions that are approved by the BoD

ESG Council

To internalize ESG management, LX Hausys established the ESG Council with 28 departments related to core ESG issues and internal transactions. This council hosts half-yearly meetings by principle but may host additional meetings if material issues arise. In the first ESG Council meeting held in February 2023, the members reported the newly established ESG Visions and Strategy System and also had a kick-off session for the 2023 ESG Report while sharing operational plans for the ESG Council. LX Hausys will continue to systematically operate its ESG Council and enhance ESG management practices.

Key Roles of LX Hausys ESG Council

Description
<ul style="list-style-type: none"> Share ESG policy and direction Establish corporate-wide ESG strategy/detailed tasks and manage performance Publicize ESG Report (annual)

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Building a Win-Win Supply Chain

Supplier Composition

Most LX Hausys’ suppliers are manufacturers in toll processing and raw materials production businesses. For industrial films, windows, decorative materials, and interior design businesses, we are continuing transactions with various partners necessary for each business process and maintaining friendly cooperative relationships.

Status of Supplier Management

Maintaining a stable supply chain is essential for a company’s sustainability in the rapidly changing management environment. At LX Hausys, we manage all our raw materials and parts suppliers systematically to consistently produce high-quality products. We work out deals worth KRW 2 trillion with over 500 suppliers in order to procure raw materials and parts for products and select key suppliers by comprehensively reviewing annual transactions valued at over KRW 5 billion, strategic importance, and our dependence on these suppliers. In particular, we categorize suppliers that provide key parts and parts that cannot be replaced, large suppliers that are competitive in the global market, and suppliers that are highly dependent on their sales to us. In doing so, we strive to establish sustainable partnerships and drive mutual growth. As of the end of 2022, we have a total of 42 core suppliers.

Supplier ESG Management

Principle and Process of Supplier ESG Management

At LX Hausys, we implement ESG evaluations on our suppliers based on the Supplier Code of Conduct so that suppliers that impact corporate sustainability can actively participate in managing their ESG risks. LX Hausys conducted ESG evaluation on 400 suppliers from whom we purchased items worth more than KRW 100 million in the previous year. New suppliers are also subject to mandatory ESG evaluation, and the result is reflected in the supplier’s assessment. The ESG evaluation result is reflected in the supplier evaluation scores in the regular assessment of existing suppliers, and we implement improvement activities by categorizing them into three risk levels: high, middle, and low.

Key overseas manufacturing corporations are also emphasizing their supplier ESG management. The corporation in Atlanta conducts ESG evaluations on suppliers that transact more than USD 10,000 and has been signing the Code of Conduct with its suppliers and supporting them to adhere to its compliance. The corporations in Tianjin and Wuxi also include a Supplier Code of Conduct in their standard contract with suppliers and conduct regular ESG evaluations.

Furthermore, LX Hausys excludes applicants that receives less than 70 points out of a total of 100 points in their ESG evaluation results from the supplier shortlist. Inspectors must visit supplier applicants for their ESG evaluation by principle. However, if it is difficult to visit them in person due to their non-manufacturing trait or overseas locations, or they are temporary suppliers that supply products only once or supply less than KRW 100 million of transaction per year, an evaluation based on written documents is conducted.

Advanced Supplier ESG Evaluation Result and Improvement Activities

In December 2022, LX Hausys conducted an advanced supplier ESG evaluation on suppliers that received “high risk” results on their ESG evaluation from the previous year. The advanced evaluation was conducted using written documents. After the evaluation, each supplier was provided with recommendations and training materials to improve their ESG management and checked for their progress. In particular, for suppliers that received recommendations with mandatory legal demands, their plans and implementation of improvement activities underwent intensive reviews.

LX Hausys continues to carry out supplier ESG evaluations in order to foster a stable supply chain, and as a result, in 2022, there was no high-risk area detected across its entire supply chain. Going forward, LX Hausys will continue to systematically manage ESG risks in suppliers and establish a sustainable supply chain.

Key Result of Supplier ESG Evaluation

Item (Score)	Key Evaluation Result		Risk Assessment Result
Jeong-do Management (15)	<ul style="list-style-type: none"> Ethical Management System Customer Satisfaction 	<ul style="list-style-type: none"> Information Security Fair Trade 	Middle
Local Community (5)	<ul style="list-style-type: none"> Contribution to Local Communities 		Middle
Safety and Health (25)	<ul style="list-style-type: none"> Safety and Health Management System 	<ul style="list-style-type: none"> Industrial Safety Industrial Accidents 	Middle
Human Rights and Labor (30)	<ul style="list-style-type: none"> Wage and Working Conditions Written Labor Contract 	<ul style="list-style-type: none"> Anti-discrimination Grievance Handling 	Low ¹⁾
Environmental Management (25)	<ul style="list-style-type: none"> Environmental Management System 	<ul style="list-style-type: none"> Hazardous Chemicals Management Environmental Pollutant Management 	Low
Total (100)			Middle

¹⁾ Risk management based on evaluation and monitoring of violations of freedom of child labor, forced labor, association, and collective bargaining for major global supplier

Green Purchase Policy

LX Hausys has defined green products and established green purchase guidelines within its purchasing regulations to prioritize and select green products for purchase. “Green products” refer to eco-labeled products, excellent recyclable products, and low-carbon certified products that are legally defined. The scope of application of this guideline includes raw materials, consumables and construction materials purchased by all business sites of LX Hausys.

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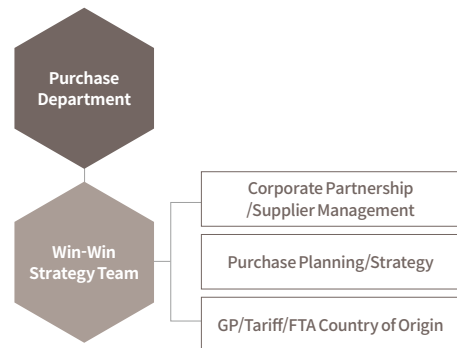


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Corporate Partnership Support System Structure

At LX Hausys, we strive to strengthen cooperation at our manufacturing sites based on the belief 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 supporting manufacturing facilities and technology. Since 2014, we have been investing in a shared growth fund to provide funds to key suppliers for productivity improvement and promoting manufacturing innovation among suppliers. We also implement a policy where we share the results gained from effective investments.

Corporate Partnership System



Corporate Partnership Support System Support Aimed at Improving the Productivity of Suppliers

We provided support to Dream Chemical, one of our suppliers, by helping them install laser printer facilities. As a result, the supplier could reduce their product defect rate and improve working conditions, achieving more differentiated products with higher process efficiency and productivity.

Support for Suppliers' Manufacturing Innovation

We recognize that win-win cooperation with suppliers is an essential factor in increasing production competitiveness. To this end, we support our suppliers' efforts to innovate working sites and automate facilities. We also share with our suppliers the improvements we are able to make in terms of manufacturing innovation in various forms, such as joint patents and technology transfers.

Enhanced Communication with Suppliers

We are now hosting conferences again, which had been paused before due to COVID-19. In 2022, two conferences were held in the first and second half of the year for a total of 42 suppliers.

First half year	Second half year
Sharing of 2022 business plan, the introduction of the corporate partnership program, direction of the quality policy, training on the Serious Accidents Punishment Act, etc.	Sharing of 2023 business plan, the introduction of 2023 quality policy, supplier BP presentation, end-of-year rewards ceremony, etc.

Key Corporate Partnership Programs

LX Hausys provides diverse corporate partnership programs in order to promote shared growth with its suppliers.

Category	Key Performances	Content
Financial support	<ul style="list-style-type: none"> Operated the Win-Win Fund worth KRW 15 billion and supported 33 suppliers Provided network loans¹⁾ of KRW 11.9 billion 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 that suppliers can use at a low-interest rate Assisted outstanding suppliers with improving their financial conditions
Improvements to payment system ²⁾	<ul style="list-style-type: none"> Maintained 100% equivalent cash payment Cash payments including fund execution requirements totaled KRW 223.3 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 to support their business operations.
Support for quality/technological development	<ul style="list-style-type: none"> Conducted over 110 technical support cases for 50 suppliers Applied for 6 joint patents 	<ul style="list-style-type: none"> Invested approximately KRW 6 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
Management support	<ul style="list-style-type: none"> The price coupling and supply program amounted to KRW 681.5 billion Provided rewards of KRW 50 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 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.

1) Network loan result is a cumulative sum based on the execution cost at the end of every month
 2) Improvements to payment system are based on the results from the implementation of fair trade agreement

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Fair Trade Agreement

Here at LX Hausys, we comply with laws related to fair trade, such as the Subcontract Policy, and provide support for our suppliers in an effort to establish a fair trade relationship with them and create sustainable growth. In addition, since our inclusion in the Win-Win Index in 2012, we have been subject to objective evaluation by the Fair Trade Commission and the Korea Commission for Corporate Partnership on an annual basis for our activities in shared growth. Thanks to our efforts, we are recognized as a company that practices exemplary win-win activities and had the honor of receiving an “Excellent” grade for 7 consecutive years.

Moreover, LX Hausys promotes management stability and competency enhancement of our suppliers, thereby contributing to the virtuous cycle of fair trade. We signed a Fair Trade Agreement with Tier 1 suppliers and provided them with various policies for continued growth, such as improved payment methods, financial support, technological protection, training support, etc. We also signed agreements with 20 Tier 2 suppliers to improve the payment dates and recommended them to use the Win-Win payment system, thereby contributing to the spread of the culture of fair trade.

Fair Trade Compliance Program

LX Hausys complies with legal regulations on fair trade and strives to establish a culture of fair trade in our company. “To this end, LX Hausys has independently established and operates a voluntary compliance program for fair trade since 2010.”

Program	Content
Internal Inspection	<ul style="list-style-type: none"> Inspect the fairness of transactions in major business departments and business sites
Regulatory Training	<ul style="list-style-type: none"> Raise awareness of employees in fair trade and spread the culture of fair trade Distribute fair trade manual and materials Conduct regular internal/external training
Preliminary Review	<ul style="list-style-type: none"> Review all business areas, including Planning, Sales, Marketing, Purchasing, Finance, etc. Prevent violation of anti-competition regulations Have fair trade experts conduct review before carrying out projects
Internal Review of Subcontracts	<ul style="list-style-type: none"> Establish a system to prevent and monitor unfair subcontracts with suppliers Install and operate “Subcontract Internal Review Committee” that includes purchasing officers

Outcomes of the Fair Trade Compliance Program

At LX Hausys, we focus on fair trade training to raise our employees’ awareness of compliance. We provide annual fair trade and subcontracting training to our business departments and business sites to prevent the occurrence of related risks. In 2022, we sent the CEO’s fair trade message expressing the firm stance of the management regarding their compliance with fair trade principles to all employees and a monthly series that introduces the most recent cases of violation was distributed and shared with employees across the company to establish a culture of fair trade.

We also help to raise the overall understanding of price-fixing prevention, Subcontracting Act, and Fair Trade Act for employees in business departments and purchasing departments and conduct internal inspections on fair trade in business/sales sectors with regular cartel/unfairness prevention training and sales training to our veteran employees. Through training, we strive to establish and promote the company’s compliance culture.

In addition, we also operate a displayed advertisement consultation system to prevent unfair advertisements and completed a total of 215 consultations in 2022.



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Enhanced Responses to Climate Change

2050 Carbon Neutrality

Under the Paris Agreement, the international society agreed to make efforts to limit the increase in the average global temperature 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 set a company-wide environmental safety goal to minimize GHG emissions and strive to do our best to achieve sustainable development for future generations.

Enhancement of GHG Emissions Reduction

As an effort to achieve GHG emissions reduction, LX Hausys improved its facilities and actively managed energy consumption in 2022. As a result, the company successfully reduced GHG emissions for 5 consecutive years and sold 14,763 tons (to be confirmed at the end of May) of residual emissions permits at the clearing house. In the CDP, a project that discloses information regarding climate change response systems and current status, we received a grade B which is higher than the global and industry average, thereby earning LX Hausys recognition as a company that takes active measures against climate change.

Establishment of Carbon Neutrality Roadmap and Mid- to Long-term Strategy

According to the enforcement of the Carbon Neutrality Framework Act in 2022 and 2030 National Greenhouse Gas Reduction Plan (NDC), we received an expert institution's consultation and established a mid- to long-term GHG emissions reduction strategy based on it. Through this new strategy, we will stringently manage GHG emissions in accordance with the 3rd plan year allocation goal and the NDC.

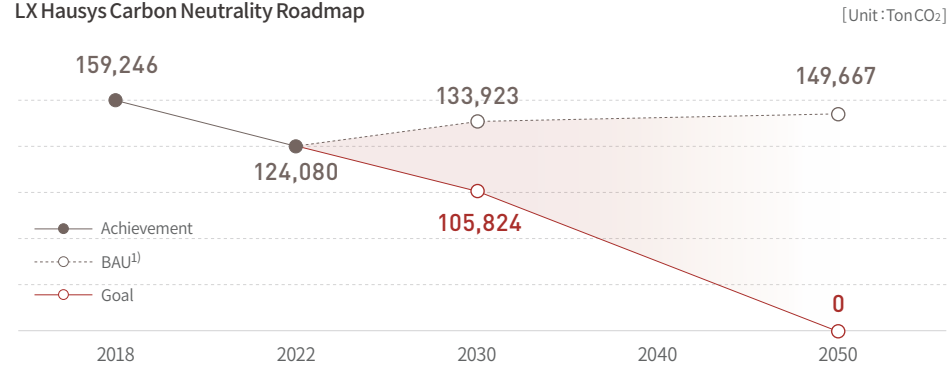
Trial Introduction of GHG KPI

LX Hausys strengthened its existing system that previously monitored quarterly GHG emissions by highlighting department-specific goals. By doing so, we aim to facilitate more proactive management of GHG emissions by raising employee accountability. We adopted a trial GHG KPI system from 2023 to 2024 and will include GHG emissions in the KPIs of each department head from 2025, as we seek to promote our management and accountability on GHG emissions.

Carbon Neutrality Roadmap

LX Hausys reflects the national 2050 Carbon Neutral Nation Declaration and Nationally Determined Contributions (NDC) target in its setup of the expected mid- to long-term GHG emissions by 2050 and targets to achieve Net Zero by 2050 in consideration of its GHG emissions characteristic and reduction plan. We employ various means to meet our reduction plan goals and realize carbon neutrality, thereby fulfilling our corporate social responsibility.

LX Hausys Carbon Neutrality Roadmap



1) Business As Usual : Emission Expectation

Climate Change Response Strategy

At LX Hausys, we established a unique climate change response strategy and carry out relevant activities in order to mitigate risks caused by climate change and make effective mid- to long-term responses to the issue. In particular, as a company that is subject to the allocation of GHG emissions according to the emissions trading system, we actively implement GHG emissions reduction activities to take preemptive actions on preventing additional costs and non-financial risks caused by GHG emissions. Furthermore, we are committed to creating products that address climate change through continuous R&D of new products with higher energy efficiency.

LX Hausys Climate Change Response Strategy

Energy-saving Workplace	Energy-saving Product	Climate Change Risk Analysis
<ul style="list-style-type: none"> Conduct GHG emissions and energy consumption reduction activities Improve rate of fossil energy use Adopt GHG emissions reduction KPI 	<ul style="list-style-type: none"> Provide high energy efficiency product Conduct R&D of new products for energy efficiency 	<ul style="list-style-type: none"> Analyze and manage climate change risks according to TCFD guidelines

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Governance for Climate Change Response

Risks and opportunities of climate change may greatly impact a company’s profit and loss. The management of LX Hausys recognizes corporate responsibility for climate change and makes final decisions on policies and directions of relevant issues such as energy management and GHG emissions trading scheme, management of activity implementations, and investments in GHG emissions reduction, thereby making appropriate responses to climate change for environmental preservation. LX Hausys hosts regular Environmental Safety Committee meetings to report its GHG emissions and reduction plans to the management. The management then considers the reported issues and makes decisions that are trusted by customers and society.

The company also regularly monitors GHG emissions led by the headquarters’ Environment & Safety Planning team and Plant Facility Team to check for abnormalities and report the company’s current climate change responses through the CPO work meetings quarterly. In 2022, LX Hausys received diagnostics and consultation on its responses to the Carbon Neutrality Framework Act, and the result was reported to CEO in the management meeting in January 2023. In addition, the company held half-yearly ESG Committee meetings to report climate change issues to the management and proceed with their decision-making process.

In 2023, as a part of an effort to enhance efficient management and accountability of internal GHG emissions, LX Hausys enhanced its existing system that previously only monitored quarterly GHG emissions to attribute department-specific goals. With this change, the company aims to implement more systematic processes of company-wide GHG emissions management.

To enable this, LX Hausys adopted a trial GHG KPI system from 2023 to 2024 and will include GHG emissions in the KPIs of each department head, a move which aims to promote employees’ competency against climate change.

Governance for Climate Change Response



Management of Climate Change Risks and Opportunities

As a part of non-financial risk management, LX Hausys identifies climate change-related risks and opportunities that may arise in the management process and takes preemptive actions. In particular, we identify relevant risks and opportunities in each category in accordance with the TCFD guidelines and establish relevant response directions and implement relevant activities. At LX Hausys, we will continue to take active responses to risks and opportunities brought by climate change and fulfill our corporate social responsibility.

Management of Climate Change Risks and Opportunities

Category		Response
Risk	Physical	<ul style="list-style-type: none"> • Install additional emergency generators in response to the increasing threat of natural disasters
	Policy/Law	<ul style="list-style-type: none"> • Monitor GHG emissions in response to the domestic emission trading system • Identify and implement annual GHG emissions reduction project
	Transitional	<ul style="list-style-type: none"> • Monitor global ESG-related legal regulations (EU’s Carbon Border Adjustment Mechanism, etc.)
Opportunities	Technology/Market	<ul style="list-style-type: none"> • Maintain low-carbon product certificate and manage products to expand the application of certificate
	Resource Efficiency	<ul style="list-style-type: none"> • Implement tasks to enhance the waste recycling rate as a company that is subject to resource recycling performance management
	Resilience	<ul style="list-style-type: none"> • Replace plant facilities for enhanced efficiency
	Products and Services	<ul style="list-style-type: none"> • Manage renewals of low-carbon product certificates

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GHG Emissions Management System

At LX Hausys, In accordance with the greenhouse gas emission trading system, our GHG emissions are verified by a credible verification agency and reported. With the increasing importance of managing Scope 3 as well as Scope 1 and 2, the company has been calculating Scope 3 emissions due to the use of water from 2021, and has been enhancing its management of Scope 3 emissions with consultations on Scope 3 management tools from 2022. Going forward, LX Hausys will continue to strengthen its management on Scope 3 emission sources.

Furthermore, the company clearly discloses its GHG emissions in its sustainability reports and annual reports and provides information on its climate change response system and status on the DJSI and CDP reports.

GHG Emissions Reduction Goals and Performance Process Innovation and Operational Optimization

At LX Hausys, we are concentrating on saving energy by introducing various innovations 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 production at our business sites, the Ulsan factory is working to replace its boilers with smaller boilers with higher efficiency. The Cheongju plant is implementing activities to improve its energy loss. Furthermore, the plant installed solar panels on the roof of its parking lot to save energy consumption from the mid-to long-term perspective and plans to use more renewable energy. In addition, LX Hausys monitors monthly energy consumption, and the management and production departments share and analyze the data to promote production facility optimization for energy saving.

Ulsan Plant

At the Ulsan plant, we replaced large-scale and low-efficiency flow-type boilers with smaller high-efficiency boilers and reduced about 158 tCO₂ of GHG emissions. In addition, we could also reduce 207 tCO₂ of GHG emissions by replacing the thermal storage material of RTO (Regenerative Thermal Oxidizer) and cleaning states. Furthermore, the plant achieved an annual reduction of 150 tCO₂ of GHG emissions through the improvement of its oven heat loss and LNG consumption.

Cheongju Plant

The Cheongju plant improved its air compressor pressure control and saved 126 tCO₂. It also successfully reduced 249 tCO₂ of GHG emissions annually through the optimization of idle operation throughout its process.

Reduction of Energy Consumption

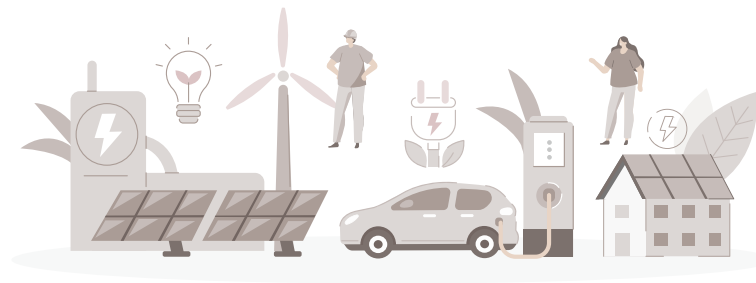
In 2022, the Ulsan plant participated in the LNG consumption reduction program hosted by the Ministry of Trade, Industry and Energy, Korea Gas Corporation and Korea Energy Agency. The program provides support to business sites that have reduced more than 15% of LNG consumption per the same period in the previous year, and the Ulsan plant plans to post its results by the end of April. The Cheongju plant identifies LNG consumption reduction tasks every year and implements them in an effort to save energy consumption.

Furthermore, starting in 2023, the company plans to manage company-wide energy consumption efficiently by setting the energy intensity for each business section and reporting emissions to the CPO every month.

Expanding the Use of Renewable Energy

At LX Hausys, we are increasing the use of renewable energy through various facilities within our business sites. We installed 5 electric vehicle charging stations at the parking lot of the Cheongju plant at the end of 2021 to promote the use of electric vehicles among our employees. In 2022, we also installed a solar canopy at the in-house cafe of the Cheongju plant and generated about 3.808 kWh of power.

As a part of our voluntary practice of using renewable energy, we are reviewing our participation in K-RE100 to join forces in expanding the use of renewable energy in Korea. Furthermore, we plan to continuously increase the ratio of renewable energy in our business activities to achieve carbon neutrality.



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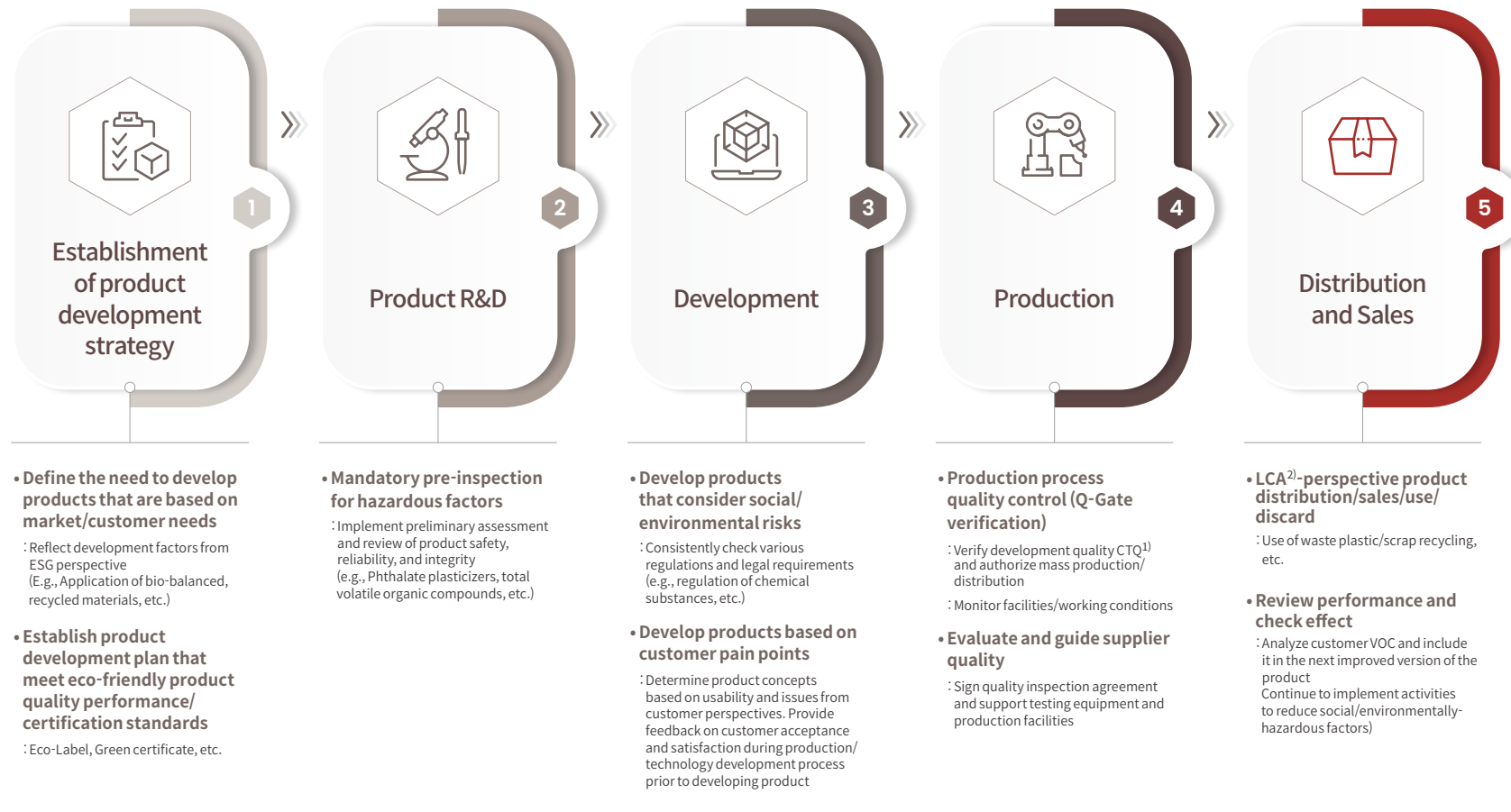


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Sustainable Product

Development of Sustainable Products

At LX Hausys, we are committed to securing product competitiveness to achieve sustainable development. To facilitate this, we clearly establish detailed processes and define the stage-by-stage roles of the organization necessary for the development of new products and source/fundamental technology. We operate a standard process for product development that is suitable for each trait of building materials and industrial films, automotive materials and components, and interior design (kitchen & bath) products. By enhancing product competitiveness. In addition, we are also operating a product development process that reflects customer needs and pain points in order to produce products that meet customer needs and desires. > the Quality, Cost, and Delivery (Q, C, D) competitiveness at every development stage, we strive to enhance the overall product competitiveness. Additionally, we prioritize customer needs and pain points in our product development process to deliver products that meet their requirements. LX Hausys will continue to thoroughly analyze rapidly changing consumer demands and domestic/overseas market environments to produce sustainable products aligned with our ESG philosophy.



Define the need to develop products that are based on market/customer needs
 : Reflect development factors from ESG perspective (E.g., Application of bio-balanced, recycled materials, etc.)

Establish product development plan that meet eco-friendly product quality performance/certification standards
 : Eco-Label, Green certificate, etc.

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

Develop products that consider social/environmental risks
 : Consistently check various regulations and legal requirements (e.g., regulation of chemical substances, etc.)

Develop products based on customer pain points
 : Determine product concepts based on usability and issues from customer perspectives. Provide feedback on customer acceptance and satisfaction during production/technology development process prior to developing product

Production process quality control (Q-Gate verification)
 : Verify development quality CTQ¹⁾ and authorize mass production/distribution
 : Monitor facilities/working conditions

Evaluate and guide supplier quality
 : Sign quality inspection agreement and support testing equipment and production facilities

1) Critical To Quality

LCA²⁾-perspective product distribution/sales/use/discard
 : Use of waste plastic/scrap recycling, etc.

Review performance and check effect
 : Analyze customer VOC and include it in the next improved version of the product
 Continue to implement activities to reduce social/environmentally-hazardous factors)

2) Life Cycle Assessment

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Developing Products Based on Life Cycle Assessment (LCA)

LCA Process

At LX Hausys, we provide quantifiable environmental information at each stage of the product life cycle from the production, distribution, use, and discharge through the life cycle assessment (LCA). We are aware of our environmental impacts that fall under the 7 major impact categories identified by EPD certification, and we will continue to expand the range of products under this management.

7 Scope of Impact by Environmental Product Declaration (EPD)

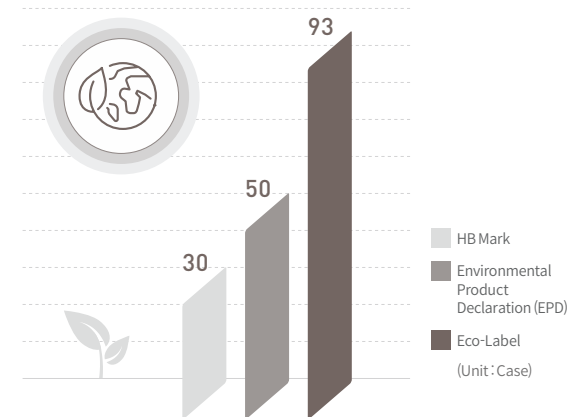
Category	Content
 Carbon Footprint	Impact of GHG emissions in the air on Earth's climate change
 Water Footprint	Impact of human activities on water resources such as water quality and volume
 Impact of Ozone Layer	Impact of ozone-destroying matters emitted to the air on the ozone layer in the stratosphere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

Increase of Eco-friendliness Certificates and Environmental Label Products

Acquisition and Management of Eco-Friendliness Certificates

As consumer demands on not only product quality and safety but also environmental friendliness rise, LX Hausys actively aims to promote healthy lives and preservation of the environment by developing products that can acquire relevant environmental certificates. Based on these efforts, at the end of 2021, the Cheongju plant secured International Sustainability & Carbon Certification PLUS (ISCC PLUS), a global sustainable green material certification, for the first time in Korean building materials field, thereby solidifying our leadership in building materials market. LX Hausys will continue to expand its global, eco-friendly product range to be in line with the growing ESG management trend.

2022 Eco-friendliness Certificates and Environmental Label Acquisitions



ISCC PLUS Certificate



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Development of Product that Considers Environmental & Social Impact

Products Using Eco-friendly/Recycled Materials

Certification of Recycled Materials for Surfaces | SCS Certification for recycled materials for surface Our solid surface products are recognized for their use of recycled materials and acquired eco-friendly certificate from “SCS Global Service,” a U.S. international certification body. We have received the SCS recycled content certification for part of our solid surface products, as they are made with more than 10% of recycled raw materials. With this certification, at LX Hausys, we plan to accelerate our advancement into the European market, which emphasizes the importance of using eco-friendly products made from recycled raw materials. Furthermore, we also employ eco-friendly surface materials on our decorative materials products to ensure their eco-friendliness.

Eco-friendly Materials Applied in Kitchen & Bathroom Products

Product	Eco-friendly Materials
Core Boards (PB, MDF)	Using E0 ¹⁾ materials for boards used in kitchen furnishings and built-in storage units
Furniture Doors	Using eco-label certified PET film for furniture
Top Board	Using SCS-certified solid surface products

1) Eco-friendly material grade that has 0.3-0.5 mg/L of formaldehyde emission

Development of Insulation Materials for Green | Use of eco-friendly foaming gas

At LX Hausys, we use eco-friendly foaming agents to preserve the ozone layer and air environment. As an effort to preserve our environment, we use the foaming gas as the 4th-generation HC (hydrocarbon) instead of the conventional HFC (Hydrofluorocarbons) which is a material that generates hazardous emissions from the insulation materials production, and is also subject to emission reduction. The use of this insulation materials product allows the users to gain additional appraisal points in the G-SEED assessment.

Sustainable Automotive artificial leather | Use and Verification of Bio materials

At LX Hausys, we actively employ bio materials such as materials derived from sugar cane to obtain and continually renew Environmental Claim Validation (ECV) of UL Solutions. Our Bio PU leather (VERNO Bio) is verified to contain 19% of bio materials while our Bio PU Suede (Calfpelle Bio) contain 10% of bio materials. Going forward, we will diversify the range of sustainable bio materials such as kenaf, eucalyptus, cactus, and shells (e.g., oyster shells) and direct research activities to maximize their content.



UL Solutions Bio Verification

Substitution of Bio-balanced PVC | Acquisition of ISCC PLUS, an eco-friendly material certificate

At the end of 2021, Cheongju Plant acquired ISCC PLUS Certificate which is an international eco-friendly certification for the recognition of its development, by the production R&D activities, that substituted the raw materials of windows and flooring products from petrochemical-based PVC to bio-balanced PVC made from plant-derived materials. With this, LX Hausys could disclose the environmental information of windows and flooring products that use the PVC in a more transparent manner.

High Energy Efficiency Products

Energy-saving Insulation Materials | ‘LX Z:IN PF Board’

‘LX Z:IN PF Board’ offers the same insulation performance with a thinner thickness than required by the relevant regulations, allowing more efficient use of the interior spaces of insulated apartment housings for consumers. As the importance of the performance of insulation materials increases with the energy policies (e.g., Zero-energy building, etc.) that have recently grown ever more stringent, LX Hausys is committed to continuing its development of insulation materials that enables reduced energy consumption for buildings in Korea.

Materials for Improved Energy Efficiency | Development of lightweight compound materials

At LX Hausys, we independently developed new lightweight composite materials and laminated structures and applied them to the battery pack bottom panel of 6 domestic electric vehicle models. We also successfully developed a lightweight composite panel with fiber core for the first time in the world. The panels are supplied to North American automakers for the construction of trailer walls. As this example shows, we continue to develop products that fulfill customer needs, which usually involves a demand for lightweight materials. Going forward, we will enhance our strength in material diversification and lightweight materials and expand the use of lightweight composite panels, for instance, applying them as electric vehicle structural parts.

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Products that Reflect Social Values

Convenient Indoor Air Ventilation Even in Days of Fine Dust and Sand Dust Particles

| Auto ventilation system and dust-filtering screens

As the issue of fine dust particle pollution persists, LX Hausys continues to develop products that can enhance indoor air quality.

To this end, we provide auto ventilation systems that exhaust indoor pollutants that cannot be handled with air purifiers and supply filtered clean air to maintain indoor air fresh and pleasant. The system filters air from outside through a HEPA filter and also maintains indoor temperature with a total heat exchanger, thereby maintaining indoor air so that it is fresh and comfortable.

The dust filter screen with a high-efficiency nano filter net is a product that helps consumers enjoy safer ventilation experiences. Produced in a roll-screen form, it can be used as a screen when the air is clean. In addition, the product can be easily cleaned with a general atomizer from common households, and the customer center also offers filter replacement services.

Eco-friendly and Functional Decorative Materials

ZEA Sorizam flooring products and insulation materials were selected as the green product of the year by consumers for 9 consecutive years and ZEA wallcovering and Super Save windows for 7 consecutive years. ZEA Sorizam flooring products were well received for the noise reduction between floors and eco-friendliness with minimized hazardous materials, while ZEA wallcovering series (e.g., ZEA Fabric, etc.) were recognized for its high eco-friendliness with the coating layers that are made of plant-derived materials.

Development of Vegan-Certified Artificial Leather

| Acquisition of PETA-Approved Vegan Certificate

With the increasing public interest in animal welfare, demand for vegan products is also rising. In particular, there is growing opposition voiced against animal experiments that are conducted during product development and testing processes. To this end, LX Hausys acquired a vegan certificate on all its automotive artificial leather from PETA (People for the Ethical Treatment of Animals) in January 2023, confirming that no animal testing was conducted in the development.



PETA-Approved Vegan Certificate

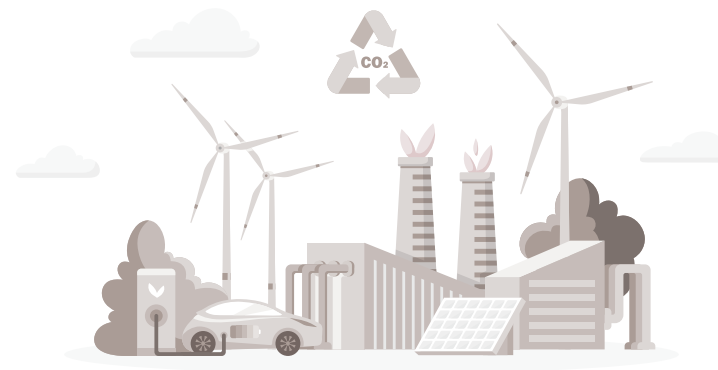
Establishment of Eco-friendly Fabric Plant

| Contributing to the enhanced air quality in automobiles

At LX Hausys, we converted the existing process that mixed water-based and solvent-based surface treatment agents into an improved process using water-based treatment agents only, which contributed to improved air quality in automobiles by reducing odors from automotive seats. In addition, through this change, we have achieved the reduction of TVOC (Total Volatile Organic Compounds) emissions, thereby improving workplace environment.

Minimization of Hazardous Materials | Artificial leather for automotive seat

Products of LX Hausys are recognized for their excellent product stability, which enables new acquisition and continuous renewal of international certificates. In particular, SOFINO Green, a PVC leather, and VERNO Green, a PU leather, have acquired OEKO-TEX® Standard 100 and are known for their high level of stability and have fulfilled requirements and are qualified for products for infants aged under 3. At LX Hausys, we continue to meet certification standards and renew our quality certifications.



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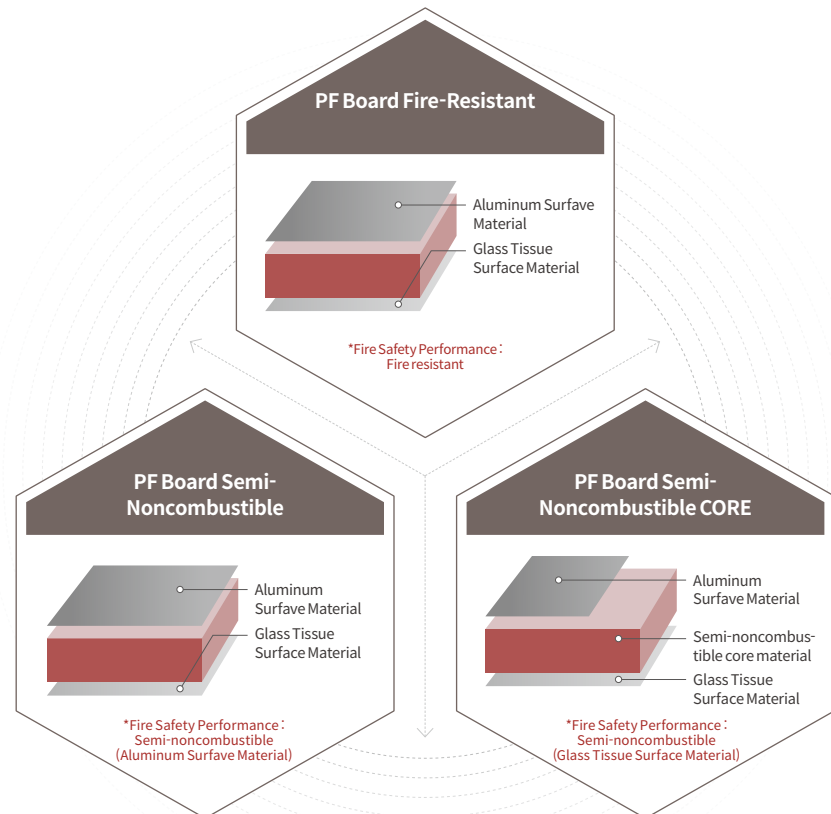
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Products with Enhanced Safety

Enhance Fire Safety | Semi-Noncombustible Core

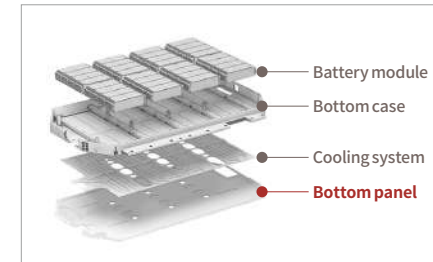
As the fire safety standards grow more stringent, LX Hausys launched a semi-noncombustible core product that can contain the spread of fire and minimize damage caused by toxic gases. According to the fire safety grades, we produce fire-resistant, semi-noncombustible, and semi-noncombustible core products. PF boards made of composite materials, in particular, comply with the standards for each material and ensure the core's semi-noncombustible feature to provide even greater fire safety.

PF Board Product Composition



Enhanced Safety Performance of Electric Vehicles | Battery Pack Bottom Panels

LX Hausys developed functional composite materials and optimized the laminated structure to enhance the impact-absorbing performance of the battery pack bottom panel that is applied to 6 Hyundai-Kia electric vehicle models. Through these improvements, the batteries are protected from damage caused by external impacts during operation. In addition, we continue our efforts to enhance the safety of electric vehicles, for instance, by securing fire resistance of materials to prevent the spread of fire in the event of an accident.



Enhanced Safety of Living | Safety Handle and Handle Stopper

We developed a handle design to prevent hand-pulling accidents that can occur in everyday life to increase stability. We also apply a handle stopper to the windows to help prevent damage to the handles. LX Hausys will continue to develop products that increase safety in consideration of the safety of customers



Squama Handle

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Global ESG Highlight

Overseas Business ESG Management

LX Hausys implements a localization strategy focused on solid surface, engineered stone and automotive artificial leather in the North American market, the world’s largest decorative materials and automotive market. We have solid surface, engineered stone, and automotive fabric plants in the US state of Georgia. In 2017, we established a sales corporation in Canada to provide a base from which we can respond to market demands throughout all of North America. In addition, we installed a third engineered stone manufacturing line in 2020 to increase production capacity, and, subsequently, differentiated products. Based on these activities, we expect to achieve steady growth in the North American engineered stone market.

Enhanced Environmental Safety Management




Environmental Safety System is essential to maintaining and managing a corporate culture that prioritizes safety and encourages employees’ commitment to environmental preservation. At LX Hausys, we comply with environmental safety regulations and practice environmental safety management that meets the minimum legal requirements through ISO 14001 and 45001 certificates while ensuring employee safety with more stringent internal standards. To this end, we integrate safety measures and optimal procedures across all our processes, works, and roles. In addition, we installed multiple environmental control devices in our facilities to reduce the total emissions of pollutants ranging from dust particles to VOCs. Through this, we make efforts to minimize environmental impacts and produce quality products in safer conditions. Going forward, LX Hausys will maintain its keen awareness of the environmental impact of corporate activities and assess relevant risks to minimize them to provide a safe working environment for its employees.

Environmental Impact Monitoring

The GA Plant of LX Hausys in North America implements monitoring measures across air quality, water quality, and waste in order to protect public hygiene and welfare by minimizing environmental impacts. First, to comply with the Clean Air Act, the plant submits semi-annual Title V reports and Annual Compliance Certification (ACC) to monitor various types of air pollutants (VOCs, HAPs, etc.) that are generated at the facility. In addition, the plant complies with the Clean Water Act and takes stormwater samples every quarter through the Stormwater Pollution Prevention Plan (SWP3) program to monitor water quality indicators (pH, COD, TSS, etc.). In addition, the plant presents best management practice (BMP) identified in the on-site inspection/assessments and meetings with a consulting service provider so that employees can take special precautions to prevent any release of environmental pollutants. In addition to these efforts, the plant also complies with the requirements of the pollutant waste control and its maximum storage period (90 days) for stringent waste management in accordance with the local Resource Conservation and Recovery Act (RCRA).

Internalization of Environmental Safety Management

LX Hausys’ US corporation provides relevant training to all of its employees and implements enhancement activities aimed at the internalization of an overall company-wide environmental safety management including professional leadership training such as LOTO¹⁾ performance, KPI charts based on consistent communication, and safety training for working-level officers. In addition, we are strengthening on-site safety levels through training sessions provided by safety coordinators. Furthermore, we carry out the following activities to improve site safety.

Category	Content
Fire Prevention 	<ul style="list-style-type: none"> • Quarterly/annual firefighting system inspection • On-site inspections with fire stations, etc. • Authorization of work safety, establishing safety patrols, and implementing fire watch activities
On-site Inspection 	<ul style="list-style-type: none"> • Inspection of process safety equipment by the Safety Committee • Mock OSHA facility audit with leaders • Inspection of PPE, risk assessment for each job and work hazard analysis
Environmental Safety Activity System 	<ul style="list-style-type: none"> • Data analysis for accidents prevention and follow-up checks • Maintenance and management of emergency response team and relevant manuals

1) Lock Out Tag Out

Social Contribution Activities

The U.S. corporation of LX Hausys continues to participate in social contribution activities and local communities to promote win-win relationships with local communities. In 2022, the corporation joined the Home Depot Foundation event, which carries out activities, such as support and employment of veterans and natural disaster recovery campaign, that leverage the business core value.

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Overseas Business ESG Management

In China, LX Hausys focuses on flooring, industrial film, and automotive materials and components. Our tile and sheet flooring materials and high-gloss films for home appliances have secured a significant 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 Wuxi. In response to stricter environmental and safety regulations, we are enhancing our systems and equipment in order to implement successful environmental and safety management.

Enhanced Environmental Safety Management

We installed RTO TVOC online monitoring to facilitate immediate responses when VOCs are detected to exceed national standards. We also established internal standards that are more stringent than the national ones to ensure meticulous management.

National Standards	LX Hausys Standards
60mg/l	10mg/l

We thoroughly monitor and manage sources, warehousing, and shipments of hazardous waste based on a UR code system. Furthermore, we are enhancing materials management after use and saving costs by replacing UV drum containers with retrievable tanks.



Responses to Climate Change

The Chinese corporation of LX Hausys uses recycled materials to achieve GHG emissions control and savings in energy consumption. As a part of this effort, the corporation uses recycled compounds and scraps up to 40% in production. In addition, the corporation uses materials that contain lower VOCs, such as PVC, DOP/DOTP, etc., and replaces activated carbon in the activated carbon absorption equipment once a year and activates carbon filters in the electric precipitators twice a year, thereby reducing exhaust fumes emissions.

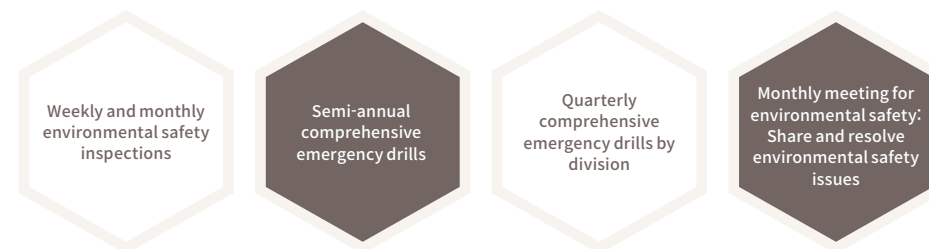
Replacement of Activated Carbon in the Activated Carbon Absorption Equipment	8 tons replaced
Replacement of Activated Carbon Filters in the Electric Precipitators	3 tons replaced

Safety and Quality Management System Certification

To establish systematic safety and health management, we acquired ISO 45001 and continue to renew it with annual reviews. We also acquired ISO 9001 to enhance quality management and undergo biannual evaluations. In addition, with the increasing demand for eco-conscious products, we have submitted an application for environmental preservation marks and certificates.

Environmental Safety Inspection/Training/Sharing Activities

The Chinese corporation of LX Hausys sets environmental safety management goals at the beginning of the year under the leadership of its corporation head and implements the established plans. In particular, the corporation implements various efforts, including the following activities to ensure safety, and as a result, the corporation achieved the goal of zero environmental accidents for 1,792 consecutive days by the end of 2022.



Social Contribution Activities

The Chinese corporation of LX Hausys donated 60,000 pyeong (about 198347.11 m2) of hospital flooring materials to Huoshenshan Hospital and Leishenshan Hospital, hospitals built to respond to the explosive surge of COVID-19 patients in 2020, to expedite their construction and provide more responsive quarantine measures.



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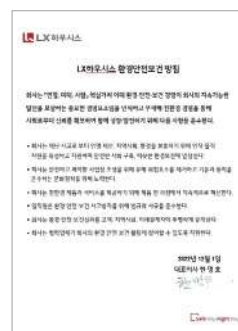
Enhancement of Environmental Management

Environmental Safety and Health Policy

At LX Hausys, we are keenly aware that environmental, safety, and health management are vital aspects of business management that ensure sustainable development. To this end, we have established and implemented LX Hausys' "Environmental Safety and Health Policy" to ensure social reliability through zero-accident and eco-friendly management for mutual growth and development.

2023 Company-wide Environmental Management Goals

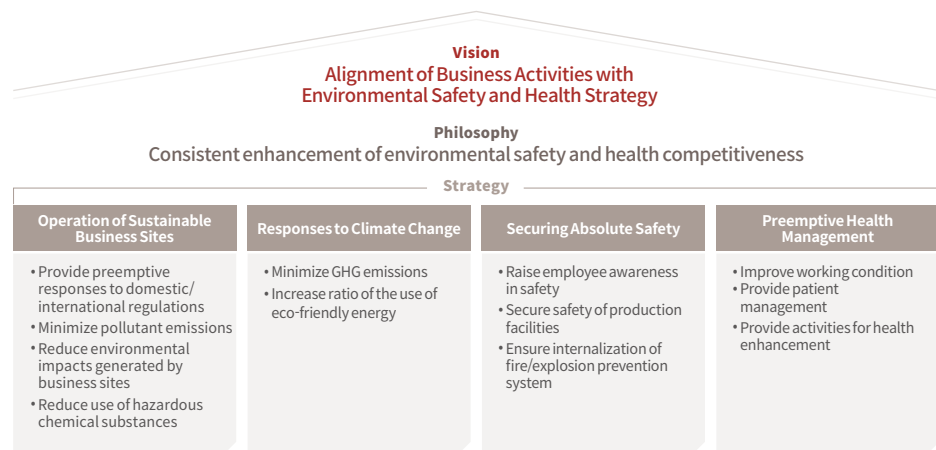
- Zero environmental accidents or violations of environmental regulations
- Generate less than 30.5 tons of nitrogen oxides
- Generate less than 130,000 tons of GHG emissions



Environmental Management Vision and Strategy

LX Hausys established two strategies, "the operation of sustainable business sites" and "responses to climate change," in order to achieve its environmental management vision of the "alignment of business activities with environmental safety and health strategies." Furthermore, we set 6 subsidiary tasks to achieve the strategy and implement relevant activities in accordance with annual plans to realize the strategy.

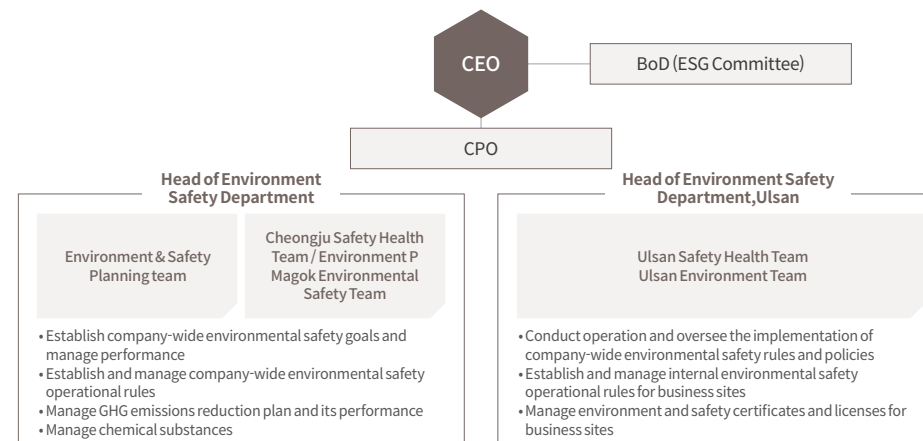
Environmental Management Vision and Strategy System



Environmental Management Governance

At LX Hausys, we established a company-wide environmental safety organization that reports directly to the CEO and reports ESG-related environmental management policies and GHG emissions reduction plans to the ESG Committee. We also established company-wide environmental management goals and achievement plans. These goals and plans at high level are then reported to the CEO, cascaded to each business site for setting independent goals which are verified for the successful achievement through quarterly performance evaluation. Furthermore, we reflect environmental accidents and GHG emissions amount to the organizational KPIs to enhance the accountability of the executives and key decisionmakers.

Environmental Safety Organizational Chart



Environmental Safety Decision-making System

Meeting	Description	Participant
BoD	<ul style="list-style-type: none"> Oversee occupational safety and health plan Monitor ESG management plan and performance 	<ul style="list-style-type: none"> Independent Director, CEO, etc.
Company-wide Environmental Management Safety Committee	<ul style="list-style-type: none"> Share environmental safety policy trends and stakeholder demands Deliberate company-wide ES goals and performances 	<ul style="list-style-type: none"> Executives (CEO, CPO, etc.)
Workplace Environmental Safety Committee	<ul style="list-style-type: none"> Authorize workplace environmental safety goals and performances Make decisions for business site environmental safety tasks 	<ul style="list-style-type: none"> Environmental safety officers from business sites



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Environmental Management System Certification

At LX Hausys, we strive to establish a company-wide environmental management system in order to minimize negative environmental footprints generated by corporate activities. To this end, we analyze the environmental impact of our production processes and set up environmental goals to minimize material environmental impact while establishing and operating environmental management programs to implement them. In addition, we conduct internal audits twice a year to confirm that our environmental management system operates as it is intended to, and also renew the Environmental Management System (ISO 14001) certification annually through a third-party audit.

Current ISO 14001 Certificate

Business site	Certificate Period
Ulsan	Dec. 30, 2020 - Dec. 29, 2023
Cheongju	Dec. 2, 2021 - Dec. 1, 2024
Georgia	Sept. 3, 2021 - Sept. 19, 2024



Environmental Investment

In 2022, LX Hausys made environmental investments of approximately KRW 6.9 billion in order to reduce the environmental impact generated by our business activities. We focused our environmental investments on air quality and GHG emissions area in which we generated the most pollutant emissions. As a result, we successfully reduced air pollutants emissions in the Ulsan Plant from 71.3 tons in 2021 to 62.8 tons in 2022. In light of the pollutant management criteria that will become even stricter with the enforcement of the Act on the Integrated Control of Pollutant-discharging Facilities in 2024, LX Hausys, in 2023, invested KRW 4 billion in the Cheongju Plant to install more RTOs (Regenerative Thermal Oxidizers) while also making investments worth KRW 3.9 billion for the savings of energy consumption.



Key Investments in Air Quality

Cheongju) Newly installed electric precipitator for flooring materials LVT no. 1 and 2
Ulsan) Newly installed boiler and RTO smokestack automated measuring device



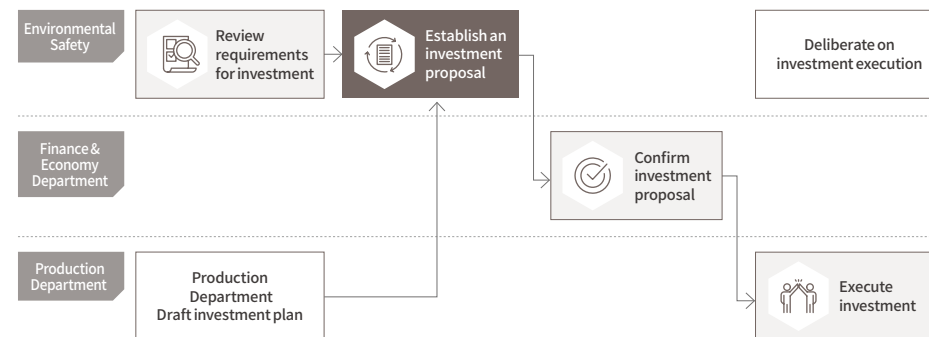
Key Investments in GHG Emissions

Cheongju) Improved air compressor controller at boiler facility
Ulsan) Investment in pipe boiler efficiency improvements

Environmental Investment Management

In 2022, we changed the department in charge of securing and executing the budget necessary for environmental safety investments from the Production Department to the Environment Department and stipulated that the Environment Department must be consulted on any environmental investment before its execution, thereby solidifying our company-wide operational system for eco-friendliness.

Environmental Investment Organization Process



Matters regarding key environmental investments are reviewed and deliberated by Business Site Environmental Safety Committee and Company-wide Environmental Safety Committee. If an investment amounts to more than KRW 2 billion, a separate investment committee is formed for further discussion.

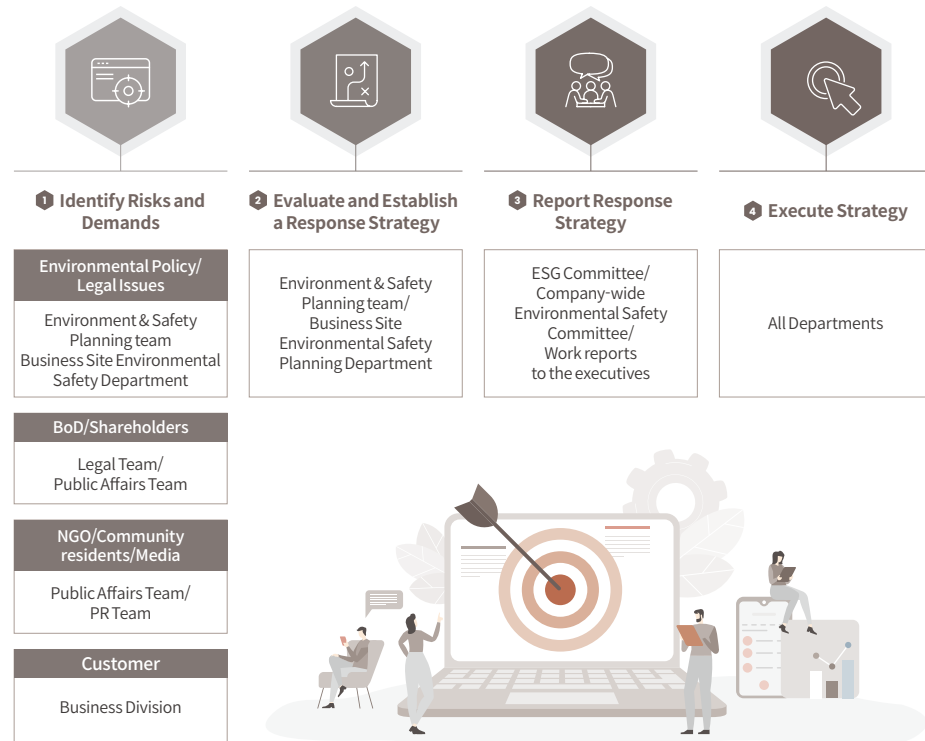
Investment Decision-making System

Investment Amount	Committee	Authorized by			
		Division Person in Charge	Environment Safety Officer in Charge	Business Head	CPO/CEO
Less than KRW 100 million	Environmental Safety Committee	●			
Less than KRW 300 million		●	●		
Less than KRW 500 million		●	●	●	
KRW 500 million or more	Investment Committee	●	●	●	●
KRW 2 billion or more		●	●	●	●
KRW 20 billion	BoD	●	●	●	●

Identification and Management of Environmental Risks

In October of each year, we make regular reports on environmental risks and response strategies to the executives. In addition to this, we also have a system that facilitates constant identification of environmental risks and reports on their potential impacts on corporate activities and the relevant response measures.

Stakeholder Demands and Risk Identification System



Environmental Risk and Opportunities Identification System for New Business Investments

At LX Hausys, we comply with the “Preliminary Safe Environment Inspection Process Regulations for New/Additional Facilities” to identify environmental risk factors when investing in new businesses. Based on this, we identified environmental risks and opportunities in 104 new/additional investments in 2022.

Environmental Risk Response Strategy

At LX Hausys, we held a regular environmental risk screening for 2022 and identified non-compliance with environmental regulations and GHG emissions regulations as risks that may pose material risks to our business and established response strategies for each identified risk.

Risk	Response Group	Response Strategy	Report to
Administrative orders and damage to corporate image due to the non-compliance with environmental regulations ¹⁾	Environment & Safety Planning team Business Environment Safety Department	Conduct regular (annual) regulatory compliance audit Establish company-wide environmental management goals and manage performance Operate environmental management system and conduct self-inspections at each business site	CPO/CEO CPO/CEO Department Heads/ CPO/CEO
NOx (nitrogen oxide) emissions exceeding the allocated amount to cause financial loss under the NOx emissions regulation	Environment & Safety Planning team Business Division/ Facilities Department	Establish NOx (nitrogen oxide) emissions goals and manage performance Identify NOx (nitrogen oxide) emissions reduction methods and improve processes	CPO/CEO Department Heads/CPO
Emissions exceeding the allocated amount to cause financial loss under the GHG emissions regulation	Environment & Safety Planning team Business Division/ Facilities Department	Establish and implement the Carbon Neutrality Roadmap Establish departmental carbon emissions targets and manage performance Identify energy-saving methods and improve processes	CPO/CEO/BoD Department Heads/CPO

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

Identify Trends in Environmental Regulations

Based on the environmental risk identification system, we keep track of the trends in the environmental regulations on a quarterly basis. Responsive actions of LX Hausys per the regulatory changes in 2022 are as follows.

Regulation	Requirements	Response
Act on the Integrated Control of Pollutant-discharging Facilities	Disposal equipment required if product manufacturing processes generate hydrocarbon	Inspect the generation of hydrocarbon in the manufacturing process and install a disposal equipment
	Newly establish appointment criteria for Integrated Environmental Manager	When approved in 2024, appoint an integrated environment officer
Framework Act on Carbon Neutrality and Green Growth to Respond to Climate Crisis	Set national mid-term and long-term GHG emissions reduction target	Establish mid-term and long-term LX Hausys Carbon Neutrality Roadmap
Clean Air Conservation Act	New installment of IoT devices at small-scale business sites	To be installed by June 2025
	Newly established permissible emission levels of air pollutants	Conduct self-measurement for the newly established items

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Managing Impacts on the Ecological System

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 plant. As a part of this survey, we analyze and manage 4 indicators (e.g., COD, DO, pH, etc.) at a total of 12 points, starting from Hoeya Dam and reaching Ganggunaru, where the river meets the sea. In addition, to identify the impact of noises generated by the plant, we assess and manage noise levels detected in the areas surrounding the plant on a quarterly basis. We assessed the water quality of streams and noise levels in the vicinity of the plant and confirmed that they are managed within the standards set forth by the Framework Act on Environmental Policy.

Water Quality Assessment Result

Category	pH	COD(mg/ℓ)	Turbidity	DO(mg/ℓ)
2022 average	7.9	5.6	2.2	5.3
Living environment standard (normal) ¹⁾	6.5~8.5	7 or less	No standards	5.0 or more

1) Environmental Standards per the Framework Act on Environmental Policy

Noise Assessment Result

Category	Result (dB)
2022 average	53.1
General "D" Area Week	70

Improvement of the Environment in the Local Community

The Ulsan Plant has installed and operated monitoring systems (11 units) to monitor the generation of foul odors in the local communities and is using the system to analyze and resolve the causes of odors through a simulation of odor diffusion models. Meanwhile, the Cheongju Plant signed a voluntary fine dust emissions reduction agreement with the Chungcheongbuk-do office that is effective from 2021 to 2024. As a result, in 2022, the plant reduced the generation of dust, sulfur dioxide, and nitrogen oxides, the sources of fine dust, by 2.6 tons compared to the base year. The Ulsan Plant has also signed an agreement with the Nakdong River Basin Environmental Office that is effective from 2018 to 2024 for the voluntary reduction of fine dust and has been a part of active reduction activities. Furthermore, we are actively engaging in activities to improve the environment of the local communities such as local government-hosted environment cleaning activities and more.



Voluntary Agreement on Fine Dust Reduction (Left:CheongJu Plant, Right:Ulsan Plant)



Spring Cleaning Event at Hoeya River

Environmental Safety Training

Environmental Safety Training for Officers in Charge

In 2022, LX Hausys appointed officers in charge in the headquarters and other business divisions in order to raise employee awareness of eco-friendly products and foster the efficient management of the Environmental Product Declaration (low carbon products) certification, and 4 of them completed the “EPD Certification Review Training.” In addition, to encourage more employees to complete the training, we invited an outside lecturer in February 2023 and provided training sessions regarding the ESG trends and EPD to working-level employees. A total of 22 persons, including staff from the headquarters and other business divisions, completed the training course. Going forward, LX Hausys will continue to accurately identify domestic and international environmental trends and enhance employee competency in developing eco-friendly products and acquiring certifications through annual training sessions.

Eco-friendliness Campaign with Employees

At the Magok business site, we organized various eco-friendly campaigns to celebrate “Environmental Safety Day” so that employees can practice carbon neutrality in their daily lives. LX Hausys will continue to host campaigns that encourage its employees to recognize the importance of environmental preservation and take appropriate actions to raise employee awareness in eco-friendliness across the company.



Environmental Safety Day Poster and Event

Eco-friendly Campaign Performance

Campaign	Content	Date	Participants
Carbon Calculator and Carbon Neutrality Pledge	Calculate carbon generated in employees' daily lives and submit a Carbon Neutrality Activities Pledge	Nov. 1, 2022 - Nov. 4, 2022	Magok business site Employees ²⁾ About 400 employees
Photography Exhibition for Carbon Neutrality Practices	Submit and display photographs that show an employee and their teammates practicing carbon neutrality in their daily lives		
Carbon Neutrality Activities Idea Contest	Submit ideas for carbon neutrality activities that LX Hausys can implement		
Display of Upcycling Works and Products	Display upcycling works and products of employees		

2) Includes resident suppliers

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Reduced Environmental Impacts

Air Pollutant Management

To improve the atmospheric environment, we at LX Hausys are introducing new technologies and minimizing air pollutant emissions by replacing old facilities with new, high-efficiency prevention facilities. Our main air pollution prevention facilities include RTO (Regenerative Thermal Oxidizer) and electric dust collectors, and we have established a system to monitor the discharge of air pollutants to check the operations status of the facilities in real-time. In addition, we assess the concentration of pollutants at least once a month to regularly monitor whether or not the pollutant discharge concentration level is kept below 50% of the regulatory permissible emission level which is an internal standard of the company.

Water Pollutant Management

At LX Hausys, 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 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. In addition, we also commission an authorized testing institution to analyze all water pollutants stipulated by the domestic law to confirm that our water pollutant concentration level complies with our internal management standards (to be confirmed), which is 50% of the regulatory permissible discharge level.

2023 Targets



Water Resource Management

The Ulsan Plant obtains 75% of its total water consumption from the Hoeya River, while the Cheongju Plant uses tap water and industrial water provided by the local government.

Water Management and Impact Analysis

Facilities departments of each business site are responsible for the water management at their respective business site. The facilities departments conduct monthly checks on the consumption of industrial water in order to reduce the consumption while establishing and implementing water consumption targets and reduction plans. In addition, we make annual reports on the use of stream water to local governments to identify the impacts of our consumption. We also conduct an independent quarterly water quality survey of Hoeya River to determine our environmental footprints.

Water Usage and Saving

At our business sites, water is used for two major purposes: as a coolant and cleaning agent for our products. We recycle most of the cooling water, but a set amount of cooling water is replenished and discharged in order to meet the cooling water quality standards. Discharged waste cooling water is treated at the business site's wastewater treatment facility before being discharged to minimize its environmental impact.

Furthermore, we set a reasonable standard for cooling water quality to save water consumption through which we minimize the volume of cooling water replenishment. We are also improving our facilities, for instance, by installing water-saving taps to reduce our daily water consumption. In 2023, we plan to replace the main pipes for industrial water supply in order to reduce losses caused by corrosion or degradation in the piping.



Hoeya River Water Quality Survey

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Hazardous Chemical Substance Management

Domestic business sites of LX Hausys 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 R&D 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 at each division of facilities that handles such substances, we strive to create safe working environments through meticulous facility management, for instance, with weekly facility inspections. Furthermore, we provide regular chemical substance safety training to all our employees to raise their awareness of the chemical substances that we handle. We also renew emergency response plans for chemical accidents annually and conduct chemical accident drills so that our employees are constantly vigilant in preventing chemical accidents.

Review on Regulation of New Raw Materials

Response to regulations has emerged as an important issue as policies and supervision related to chemical substances grow more stringent. Accordingly, in order to comply with relevant regulations, we at LX Hausys review domestic and international regulations (e.g., Chemical Substances Control Act, Act on the Registration and Evaluation of Chemical Substances, Chemical Substances Safety Act, etc.) through CMS before purchasing new raw materials. In addition, we continuously monitor newly produced or imported raw materials under the recently amended Occupational Safety and Health Act, thereby confirming the application of the Material Safety Data Sheet (MSDS) prior-approval system.

Management of Biocidal Substances and Biocidal Products/Processed Products]

In accordance with the Chemical Safety Act, LX Hausys classifies and separately manages all biocidal substances and products and biocidal-treated products. The biocidal substances manufactured by LX Hausys will be approved within the grace period. For our biocidal products and biocidal-treated products, we regularly check through our partner companies whether or not the biocidal substances contained in the supplier’s product are registered. In addition, we accurately label biocidal products or biocidal-treated products when they are promoted in accordance with the legal guidelines.

Activities to Replace Hazardous Chemical Substances

At LX Hausys, we are gradually transitioning to eco-friendly water-based materials from oil-based raw materials used in our production processes to reduce the use of hazardous chemical substances and enhance our products’ eco-friendliness. MEK, an organic raw material, used in the production of some automotive fabric products, will be replaced with water-based materials in 2021. This enabled us to reduce the annual consumption of MEK by 80 tons per year, while simultaneously reducing the consumption of DMF to 1,000 tons per year. Furthermore, we are currently undertaking R&D activities to expand the use of water-based materials in flooring materials and adhesive Interior films as well as research activities to replace antimony and bromine fire-resistant materials.

Evaluation Management of Chemical Substance Registration

LX Hausys carries out chemical substance registration for imported, existing chemical substances 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. We will also register 6 types of chemical substances that are imported in excess of 100 tons each within the grace period. Meanwhile, at LX Hausys, we also monitor imported chemicals on a monthly basis to identify any changes to the chemicals in advance.

Waste Management

LX Hausys established a company-wide waste management system to effectively control waste generation due to increased production volume and environmental impacts that may be caused by discharged waste. Wastes are generated by the company in the production process entirely, and the most common wastes are byproducts from PVC processing and insulation material production. The company also generates environmentally hazardous waste such as organic solvent waste, and these hazardous wastes are recycled or incinerated in lawful treatment processes under the Waste Control Act. In addition, we set waste discharge intensity targets for each business site to foster waste reduction and monitor monthly performances. Departments that show subpar performance are supported to perform self-improvement activities. Furthermore, we operate a separate waste storage area within business sites for lawful waste storage and processing management. In particular, at LX Hausys, we conduct annual legal compliance checks for waste management and processing under the supervision of the headquarters. Wastes stored in the waste storage are inspected on a weekly basis to confirm whether or not they are properly separated for recycling or lawfully discharged. Meanwhile, as a company subject to resource recycling performance management, LX Hausys continues its efforts to enhance the waste recycling rate. Since 2021, we have been separately discharging packaging films, which were previously incinerated, currently as recyclable wastes. We recycle dusts from flooring materials, which used to be disposed of by the landfill, as soil covering material after removing foreign substances. LX Hausys will continue to control waste generation through stringent waste management and increase its recycling activities to become a leader in resource recycling.

Waste Management Process

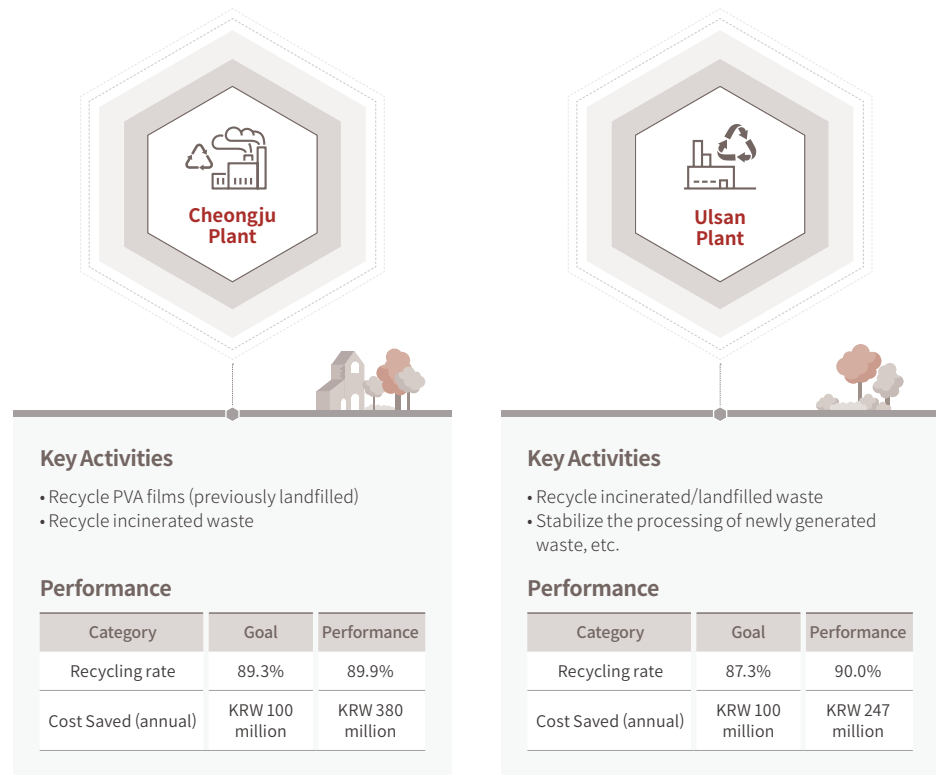


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Efforts for Resource Recycling

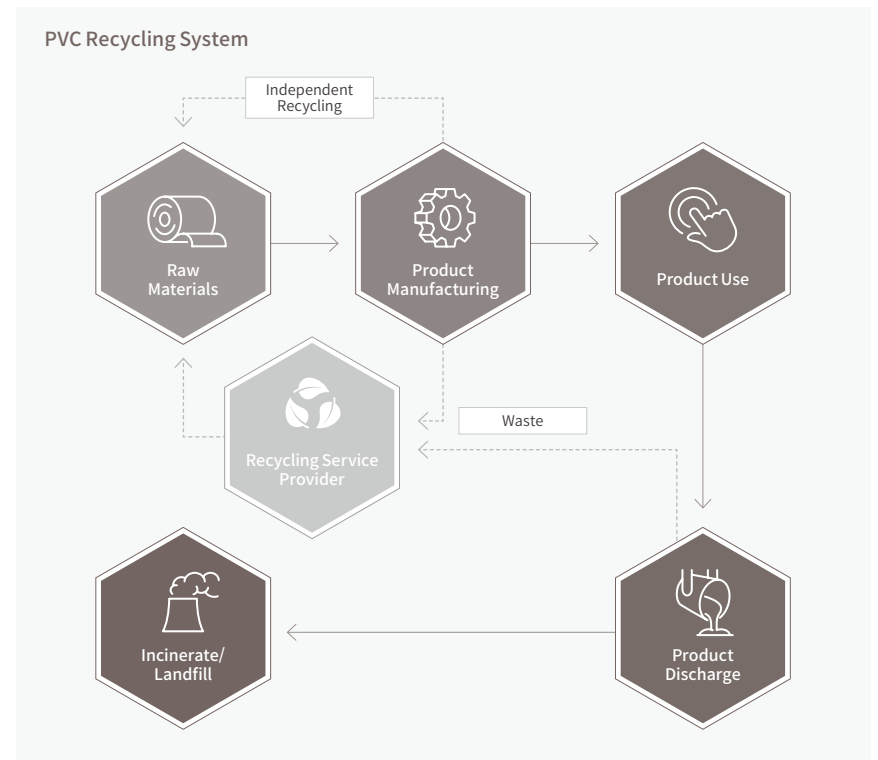
At LX Hausys, we strive to recycle all byproducts of our business activities. To this end, we set an independent recycling rate target and intensity (generated volume/production volume) target and manage our performance to minimize the generation of byproducts. In particular, with the official designation as a company subject to resource recycling performance management, we have an obligation to achieve the recycling rate target set forth by the Ministry of Environment each year. To this end, we are making efforts to gradually expand waste recycling activities and contribute to the resource circulation.

2022 Expanded Waste Recycling Activities Performance



Operation of an Independent Recycling System

Plastic products have a devastating impact on the environment as they generate many air-pollutants when incinerated and take a long time to break down when disposed of in landfills. Accordingly, LX Hausys designed its products to use recycled PVC in the product development stage in order to minimize the environmental impact of plastic products. Also, to increase the use of recycled PVC, the company established an independent recycling system that transfers production byproducts to our recycling service provider and re-purpose them as raw materials that can be used in the company's products. Furthermore, LX Hausys is solidifying its position as a leading eco-friendly company by establishing a recycling ecosystem through a voluntary agreement with the same industry players and the Ministry of Environment to gradually increase PVC recycling in Korea every year.



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With Our Stakeholders

Safety and Health Management

Safety and Health Governance

Organization of Safety and Health Organizational System

At LX Hausys, we designated the CPO as the Safety and Health General Manager and formed a dedicated group to enhance the authority and role of environmental safety-related tasks. In addition, we clarified the role of the BoD and executives for the company-wide safety and health in order to respond to the issues more systematically and efficiently. We make annual safety and health plan reports to the BoD in accordance with the Occupational Safety and Health Act and the overall environmental safety management reports to the CPO for effective management of relevant matters. In addition, we hold a semi-annual Company-wide Environmental Safety Committee to foster a safe working environment across all our business sites while reflecting the executives' management activities to their environmental safety KPI to raise accountability. We also collect diverse opinions through monthly supplier conferences for safety and health grievance handling. In 2022, we established a platform where employees of our suppliers can submit their opinion to strengthen an employee-centered safety and health system.

Occupational Safety and Health Committee

At LX Hausys, we have the Occupational Safety and Health Committee review and deliberate key matters regarding safety and health at our business sites. The committee consists of the same number of labor and management representatives and is held quarterly with the attendance of the head of the union and the head of the union branch. Based on the decisions made at these meetings, we carry out accident-prevention activities at production sites and for hazardous equipment as well as inspection of working conditions with the attendance of the management representative, thereby making joint labor-management efforts to resolve safety and health issues.



Environmental Safety Management Goals



Safety and Health Management Certification

The Ulsan Plant and Cheongju Plant of LX Hausys operate optimized safety and health management systems at their business sites and continue to enhance their safety and health standards. In addition, the company established safety and health management policies and standards for the prevention of occupational disasters and established and implemented goals to improve safety and health performance every year. Furthermore, the company conducts semi-annual internal audits to review the adequacy of system operation and acquire certification of the Safety and Health Management System (ISO 45001) through annual third-party expert reviews.

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Safety and Health Management Policy

Revision of Safety Management Regulations

In order to enhance our obligation to safety and health for the prevention of serious disasters under the enforcement of the Severe Disaster Punishment Act, we revised the content of “Safety and Health Management Rules” and “Supplier Management Standards” that lay the foundation of our safety and health management. Through these measures, we made it mandatory to hold a Safety and Health Management Committee at least once a year while enhancing workers’ authority as a part of expressing our firm commitment to safety management.

In addition, we established the Environmental Safety and Health Policy and expanded the applicable scope of all of the company’s regulations and policies to suppliers’ employees as well as our own. Furthermore, we strengthened safety management regulation, for instance, by inspecting the compliance of business executives to mandatory obligations under the Severe Disaster Punishment Act in order to prevent occupational accidents.

Establishing the Environment and Safety & Field Management Guide by the Executive

In raising employee awareness of safety culture, it is critical for the executive management to show its interest and resolution. To this end, LX Hausys established the 2021 Environmental Safety On-site Management Guide which stipulates that, when visiting the site, the executives should receive environmental safety-related reports as a top priority and check the plant’s integrated disaster prevention center before anything else.

Company-wide Environmental Safety Slogan

LX Hausys, in 2020, held an environmental safety slogan contest inviting all employees to participate. With the wholehearted participation of employees across the company, the contest selected the slogan of “Safe Way, Right Way” which means that the safest way is the right way to do things. The company is utilizing the slogan in its report materials, email signatures, and internal promotional materials to promote a culture of environmental safety.



8 Absolute Safety Rules

Compliance	<ul style="list-style-type: none"> • Take action after stopping the machine in case of an error • Comply with the safety work manual • Wear appropriate personal protective equipment • Report immediately in case of an accident
Prohibitions	<ul style="list-style-type: none"> • Do not use smartphones while working • No arbitrary release of safety equipment • Keep off the roadways and restricted areas • Remove the key when parking or stopping a forklift

Slogan

Meaning

Safe Way Right Way
The safe way is the right way.

Emphasizing that when having to choose between the safe way and quick but unsafe way, it is wise to choose the safe way without any hesitation. In the end, the safe way is the more efficient way to do things.

Identification and Management of Safety Hazards

Activities to Mitigate Safety Hazards

LX Hausys constantly carries out inspection and improvement activities for each hazard to prevent serious disasters such as fire, explosion, injuries, etc. The company, in 2022, employed external environmental safety experts to identify safety hazards within its business sites and made improvements accordingly and also conducted facilities/process-centered risk assessment to reduce accidents from high-risk facilities. In addition, the company inspected the safety of facilities such as ventilation ducts and blenders to eliminate risk factors while enhancing employee emergency responses skills by inspecting emergency drills status and response processes. Furthermore, special safety activities were implemented to eliminate safety hazards for our in-house suppliers, and business sites were inspected and improved to prevent serious disasters at external outsourcing suppliers.

Going forward, LX Hausys will continue to implement safety and health activities for each risk factor to prevent serious disasters and achieve improvements in company-wide safety management competency.

Key Activities	Content
Fire Prevention	<ul style="list-style-type: none"> Set management items in facilities that use electricity and LNG, including overheating facilities Operate disaster prevention center; configure measurement/alarm system Check the operation status of fire detection facilities and evacuation facilities Conduct fire drills, factory/room unit emergency response drills
Oil Vapor/Static Electricity Removal	<ul style="list-style-type: none"> Install static electricity eliminators, oil vapor measuring equipment, industrial humidifiers Change raw material prescription, conduct daily measurement, and manage static electricity/oil vapor
Risk Factor Identification/Improvement Activities	<ul style="list-style-type: none"> Voluntarily identify 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"> Expand evacuation facilities and alarm/monitoring systems Reinforce fire extinguishing facilities for vulnerable areas
EHS ¹⁾ Management Status Check	<ul style="list-style-type: none"> Conduct ES comprehensive diagnosis (monthly) Inspect hazardous materials storage/hazardous chemical storage warehouse (weekly) Conduct safety inspection of closed construction sites

1) ESH: Environmental, Safety, and Health

Environmental Safety Diagnosis

At LX Hausys, we conduct environmental safety diagnosis at major domestic/international business sites on an annual basis to understand their current safety conditions and identify any items that require improvements. We divided the process into 5 categories: Inspection of Accident/Risk-prone Facilities, Legal Compliance Check, Emergency Drills Check, Comprehensive Diagnosis of Overseas Business Sites, and Inspection of In-house Suppliers. We establish improvement plans and monitor their implementations based on the results.

2022 Key Environmental Safety Diagnosis Result

Category	Key result	Targets
Inspection of Accident/Risk-prone Facilities	<ul style="list-style-type: none"> Inspect facilities that pose risks of serious accidents and facilities that process and store hazardous materials/chemical substances Follow-up inspections after accidents 	<ul style="list-style-type: none"> Cheongju Plant and Ulsan Plant Key overseas corporations Research institutes, etc.
Legal Compliance Check	<ul style="list-style-type: none"> Check compliance with environmental safety and relevant internal regulations 	<ul style="list-style-type: none"> Production and non-production business sites
Emergency Drills Check	<ul style="list-style-type: none"> Attend and inspect emergency drills 	<ul style="list-style-type: none"> Production and non-production business sites
Comprehensive Diagnosis of Overseas Business Sites	<ul style="list-style-type: none"> Conduct comprehensive diagnosis on regulations, management system, emergency responses, on-site inspections, etc. 	<ul style="list-style-type: none"> Business sites at Wuxi, China, and Georgia, U.S.A.
Inspection of In-house Suppliers	<ul style="list-style-type: none"> Comprehensively check compliance of key in-house suppliers to the company's safety standards 	<ul style="list-style-type: none"> Cheongju In-house Ulsan In-house

Responses to Environmental Emergencies

In order to take prompt actions in the event of an emergency, LX Hausys holds a semi-annual Emergency Response Committee hosted by the Environmental Safety Department and conduct regular comprehensive/department-level emergency drills by the Comprehensive Emergency Drill and Production Team. In particular, we divide environmental safety emergencies into 7 categories (fire/explosion, safety accidents, exposure/leakage accidents, power failures, infectious disease, earthquake, and war) and establish a response scenario and regular drill for each category. Furthermore, LX Hausys continues to update its emergency response manuals to maintain an effective response system, while conducting relevant training to raise employee safety awareness for enhanced emergency response capabilities.

Category	Host	Cycle
Comprehensive Emergency Response Drills	Environmental Safety Team Leader at Business Site	2 times/year
Joint Emergency Drills	Production Team Leader	1 time/year
Division-level Emergency Drills	Supervisor/Operation Leader	1 time/quarter

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Assessment of Safety Culture

At LX Hausys, we are keenly aware that the level of our internal safety culture is a key factor in preventing safety-related incidents, and since 2018, we have continued to carry out diverse activities to improve the level of safety culture. We conduct assessments on safety value, safety operation, safety training, and safety communication based on the PDCA (Plan, Do, Confirm, Act) Cycle to verify our performance in safety culture activities. The assessment is conducted on each business site and in-house supplier employees, and through this, we are able to identify the gaps between the executive management, managers, and staff members. In 2022, our Safety Culture Assessment score was 4.17 points. Going forward, LX Hausys will continue to establish and monitor independent plant-level improvement activities and business site-level activity plans.

Employee Safety and Health Training and Campaign

We at LX Hausys implement the vitalization of safety communication among our employees and training and promotions for the environmental safety management system in order to facilitate the internalization of a safety-focused culture. Including the mandatory legal training, we provide regular safety training and job training to safety managers, safety and health officers, and health managers while conducting safety and health training to new recruits. In 2022, we provided a total of 18 sessions of safety and health training and carried out more than 10 sessions of relevant campaigns.

The Ulsan Plant and the Cheongju Plant designated a monthly Safety Check Day to allow the Production Department's safety officer to inspect the site to identify risk factors for improvements. The plants also regularly display promotional materials emphasizing the importance of safety on television and banners installed at the entrances of the cafeteria, commute buses, and offices. In addition, LX Hausys established "8 Absolute Safety Rules" for all employees to comply with for the prevention of safety-related incidents. These rules are constantly posted to raise employees' safety awareness and prevent related accidents.

Overview	Target	Training/ Execution Institution	Date
Safety and Health Manager Job Training	1 safety and health officer	Korea Industrial Safety Psychology Counseling Association (KISPCA)	May 2022
Oxygen and Hazardous Gas Concentration Measurement/ Assessment Training	2 officers in charge	Korea Occupational Safety and Health Agency	Sept 2022
Environmental Safety Day Campaign	Employees at the Cheongju Plant	Cheongju Safety and Health Team	Oct-Nov 2022
Electric Forklift Safety Training	21 electric forklift drivers	Korea Safety and Health Association Ewha Heavy Machinery Institute	Mar-Nov 2022
Training for Radiation Safety Manager	1 radiation manager	Korea Foundation of Nuclear Safety	June 2022
COVID-19 Prevention Campaign	All employees at Ulsan Plant	Ulsan Safety Health Team	Feb-Apr 2022

Activities for Employee Health Enhancement

To enhance the health of our employees, we offered a mobile healthcare program in collaboration with Jung-gu Public Health Center in Seoul for 6 months from July 2022. This mobile health management service sends a participant's activity history to the public health center via a mobile healthcare application, allowing experts in each area (e.g., nutrition, exercise, and health) to provide health consultation. 54% of the participants (32 among 59) showed improved health indicators (more than 1 health risk factor reduced) compared to before the service. LX Hausys will continue to provide programs to improve the health of its employees.

Supplier Safety and Health Management

LX Hausys provides safety training materials to in-house suppliers in order to prevent safety incidents and raise safety levels and manages safety and health level of suppliers through rounds of joint surveys.

The company also conducts monthly supplier conferences at each business site to collect safety and health issues and points of improvement and discuss improvement measures to mitigate supplier safety risks. LX Hausys also has a grievance-handling channel through which employees of suppliers can make direct reports. Improvement measures and proposals made in this process are immediately forwarded to the departments in charge, facilitating the channel's effectiveness.

Meanwhile, in 2022, with the increasing number of accidents at in-house suppliers' business site, the company conducted special safety-enhancing activities to eliminate such accidents. As a result, the company successfully identified a total of 30 improvement points and took action on 24 of such points. The company jointly identified the causes of the increased number of accidents with its suppliers, and based on this data, the company will review the standards for the placement of the safety and health officer and strengthen training in all safety management activities. In addition, we are currently trying to obtain risk assessment certification from the Korea Occupational Safety and Health Agency for 9 of our in-house suppliers in 2023.

Going forward, LX Hausys will promote the safety and health of its suppliers to practice mutual safety management and implement various activities to raise safety awareness and establish a voluntary safety culture to realize a safe working environment hand-in-hand with its suppliers.



About Supplier Employee Reporting Channel



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Quality Management

Principle of Customer Service Provision

In order to facilitate prompt response to product defects, LX Hausys offers various channels including telephone contacts, service website, Kakao Chatbot, and more. Quality defects reported through various channels are assigned to regional service engineers (SE) in real time, and the company returns calls to customers within 24 hours of receiving the report to resolve and implement a visit schedule. In addition, after a service is successfully provided, we conduct a service satisfaction survey and share the result with the suppliers to which the regional engineer is affiliated every month to make improvements for any parts that require upgrades.

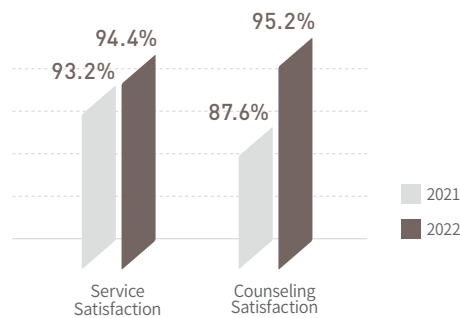
Client Satisfaction Management

Handling of Customer Complaints

Complaints represent about 1.5% of VOC (Voice of Customer) that are collected through various channels (as of 2022). At LX Hausys, we take immediate actions when a customer complaint is received. When additional responses are required, we transfer the case to the customer consulting team or a relevant department for further processes in order to provide an appropriate response.

Customer Satisfaction Survey

In order to provide a positive customer experience, we at LX Hausys conduct a customer satisfaction level survey based on NPS, or, Net Promoter Score. NPS has a higher distinguishing capability than the existing customer satisfaction level survey and serves as an indicator that may manage a corporate service quality more systematically. We reflect the results of the survey in product development and manufacturing and improvement of service quality. As a result, we were designated as a Company of Excellence in the interior design category by 2022 Korea Consumer Protection Index (KCPI)¹⁾. Going forward, LX Hausys will focus its efforts in developing products that reflect customer opinions while enhancing services and improving systems to further raise customer satisfaction level.



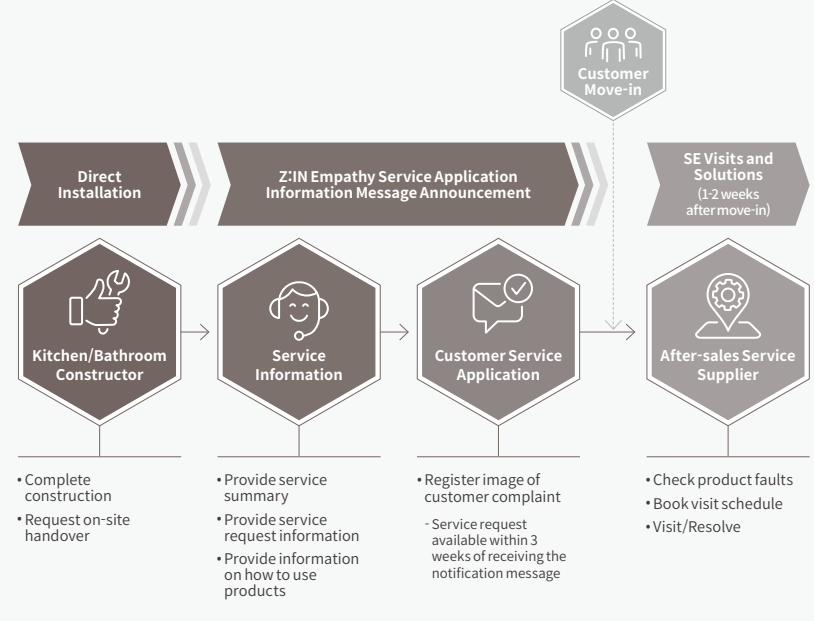
1) Quantified assessment of the awareness of consumers that have experienced products and services in each stage of corporate consumer interest & rights protection

Inspection of Product and Construction Condition - Z:IN Empathy Service

LX Hausys visits customers' houses in person after the installation of kitchen and bath products to inspect their conditions free of charge as part of the Z:IN empathy service in order to enhance the customer satisfaction level of new businesses. Z:IN empathy service is provided by LX Hausys and implements in-person visits of an LX Hausys service engineer to customers who purchased and installed LX Hausys Kitchen and bath products through the company's direct installation services. In these visits, the engineer educates customers on how to use and maintain the products and checks the installation conditions. At LX Hausys, we provide free visits for product check-up regardless of occurrence of post-installation issues, other than product and service failures in after-sales services, to ensure our product quality. As of January 2022, 12.3% of installations required A/S services 1 month after installation. However, after the implementation of Z:IN empathy service, the same rate was decreased down to 1.8% as of November 2022.

Going forward, LX Hausys will continue to provide effective services from the customers' perspective and enhance customer satisfaction level.

Z:IN Empathy Service Process

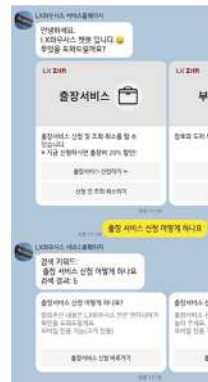


Enhanced Communication with Customer

At LX Hausys, we have been collecting VOC through diverse channels such as phone calls, service websites, Kakao Chatbot, etc., to implement improvement activities. Since the opening of the service website in 2020, we established Kakao Chatbot, which is connected to our call centers and service website, in September 2022 to provide 24/7 service for enhanced user convenience.

Establishment of Kakao Chatbot Service

Kakao Chatbot, a customer consultation system that has built-in synchronization with the existing customer consultation channel, provides instant consultation services whenever customer needs arise. LX Hausys provides diverse content such as visiting services, parts purchase, interior design consultation, Z:IN Square (showroom) location services, and product and construction examples through its Kakao Chatbot service. Customers can also request/cancel services on their own or send their opinions to the company and receive answers. Chatbot managers analyze customer Q&A patterns and make real-time updates to the database in an effort to implement continuous improvements for enhanced service quality. Going forward, LX Hausys will add the “Go to Kakao Chatbot” menu in the company website and LX Z:IN Mall and increase consultations for interior design products in order to enhance user convenience.



Example of using Kakao Chatbot

Protection of Consumer Rights and Response to Damages

LX Hausys continues to identify changes in relevant regulations and policies in order to protect consumer rights and provide relevant information based on these changes. We announce the warranty periods of each product and the paid/free services for products on our service website while collecting customer opinions through various channels and taking real-time actions. Furthermore, we have established a post-market quality issue control and reporting system and customer response standards, and manage them appropriately to prevent and respond to consumer harm. We swiftly identify related issues from product shipment to those that arise during use in order to promptly report them and provide responses, using a report system that includes team leaders in the relevant department or even the CEO depending on the severity of the issue. In addition, we share opinions with relevant departments for quality improvements to prevent issues from recurring.

Post-market Quality Issues



In addition, the new LX Z:IN brand website that launched in June 2022 offers various content such as construction examples, interior design guides, request for interior design consultation, interior design product information, and store locator (Z:IN Square), etc. Furthermore, the company offers app-centered (iOS, AOS) customer location-based services and preference-based content curation, breaking away from existing web (PC/MO) services to realize better customer access. Customers of the company may check the history of their consultations at online and offline stores through My Page and request for consultation with product information or construction examples that they are interested in.



LX Z:IN Brand Site

[LX Z:IN Brand Site](#)

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R&D System

R&D Organization

At LX Hausys, we strive to take preemptive responses to market changes and develop products that can realize customer values. In particular, we focus on developing unique products and eco-friendly products that consider the earth's environment for customer satisfaction in windows, decorative materials, surface materials, and automotive materials and components. To this end, we designated kitchen and bathroom products and next-generation construction and decoration materials as future growth areas and continue to innovate and develop products based on our core technologies such as surface processing, design and processing of composite materials, analysis and reliability research activities, etc. Meanwhile, LX Hausys continues to advance research activities to enhance product competitiveness with a dedicated research center and design center as its R&D organizations. The research center, which employs an expert research workforce, leads the development of new products by facilitating continuous R&D investment, securing of source and fundamental technology, and collaboration among affiliated companies, while the design center is leading customer-oriented design solutions by forecasting changes in market design trend.

Increased R&D Investment and Network Building

LX Hausys continues to strengthen its R&D capabilities by attracting and developing excellent R&D talent from the domestic and international pool. In particular, we offer diverse programs such as customized academy-industry research courses in academy-industry partnership with renowned Korean universities. We also conduct joint research projects with government-funded institutes such as the Korea Conformity Laboratories and Korea Institute of Civil Engineering and Building Technology, focusing on R&D activities with mutual cooperation with external institutions. Going forward, LX Hausys will continue to expand its investment in R&D activities and strengthen R&D networks through joint and convergent research with the academic world, government-funded institutes, and corporations to ensure unrivaled technological competitiveness.

Expansion of Research Center 'KOLAS Accreditation'

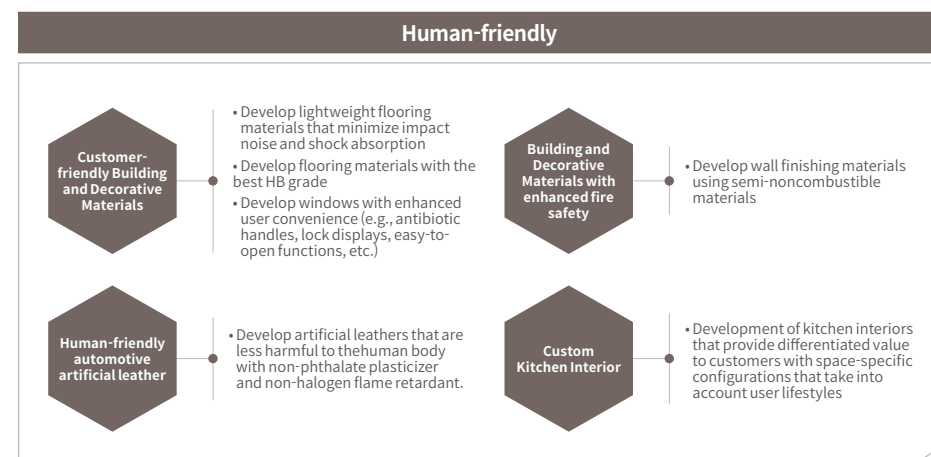
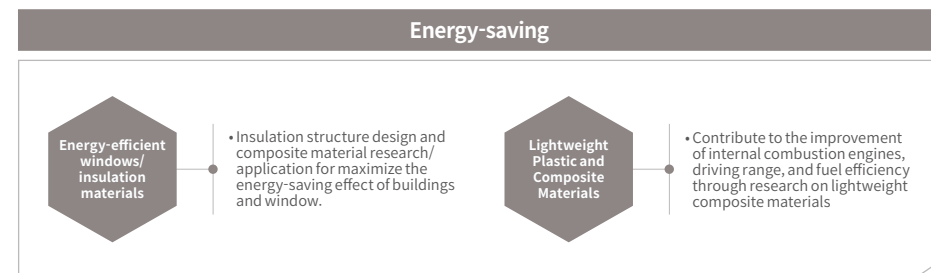
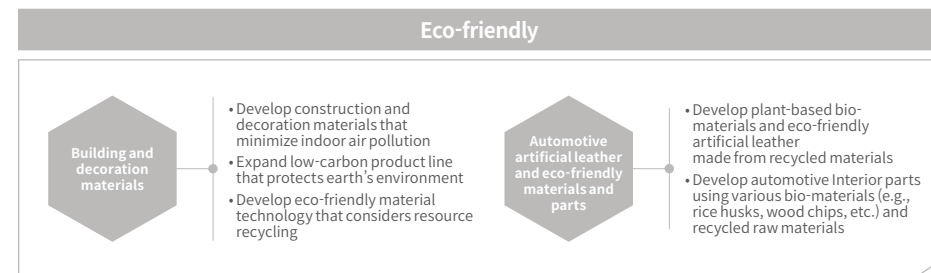
In 2019, LX Hausys Research Center acquired KOLAS Accreditation¹⁾ from KOLAS (Korea Laboratory Accreditation Scheme) for the quantitative analysis of phthalate plasticizers and heavy metals. In 2022, the company further expanded its KOLAS accreditation areas by being recognized as an official international testing agency for the quantitative analysis of TVOCs and aldehyde substances, demonstrating its international-level quality management research system. LX Hausys is expanding its KOLAS-accredited areas to solidify its position as an eco-friendly producer and top-tier market leader in the building material markets. Going forward, we at LX Hausys will continue to reflect the market demand for eco-friendly products and comfortable living spaces and focus our efforts on enhancing eco-friendly product development competitiveness.



KOLAS Accreditation Plaque

1) A system that evaluates an institution's quality system and technological capabilities according to international standards to accredit the institution's testing capability in a particular field.

Key Research Areas



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Operation of CX Design Center

LX Hausys operates CX Design Center, the largest design center in the domestic construction materials industry, to develop future design talent. CX Design Center develops trend-based products and space products in connection with the latest trends and industry perspectives. The center also identifies design insights of the global B2B core market and diversifies research methods to discover new business opportunities and propose new solutions. Furthermore, the center continues to implement activities that meet the needs of diverse customer groups such as domestic/international exhibition support, participation in trade fairs to identify potential B2C customers, pop-up collaborations, as well as expert development and design data management.

Develop Products with Differentiated Customer Value

LX Hausys integrates the trends that it develops with the product and spatial design to relay consistent brand messages across all customer contact points and provide differentiated customer experiences. To this end, we conduct “Trend Seminar,” an exhibition and forum event that showcases new interior design trends. In 2023, this event has been re-branded as “TRENSHIP”, an online/offline exhibition in which all customers can participate. We offer events where customers can experience exciting trends through webinars, VR spaces, and metaverse platforms to strengthen our product promotion and provide multi-sensory experiences on LX Hausys’s unique spatial trends and products to customers through external collaborations or exhibition shows.

Establish Virtuous Cycle of Design



TRENSHIP Site



Quality Control System

Providing high-quality products is the best way to achieve customer satisfaction. Accordingly, LX Hausys operates a quality management system in order to facilitate effective management and inspection of product quality. Both the Cheongju Plant and the Ulsan Plant continue to renew their ISO 9001 (Quality Management System Certificate) certificates. Ulsan Plant also holds the IATF 16949 Certificate, a certification for the international automobile quality management system. LX Hausys will continuously commit to the systematic quality management to realize customer satisfaction.



Cheongju Plant ISO 9001 Certificate



Ulsan Plant ISO 9001 Certificate



Ulsan Plant IATF 16949 Certificate

Dedicated Quality Management Organization

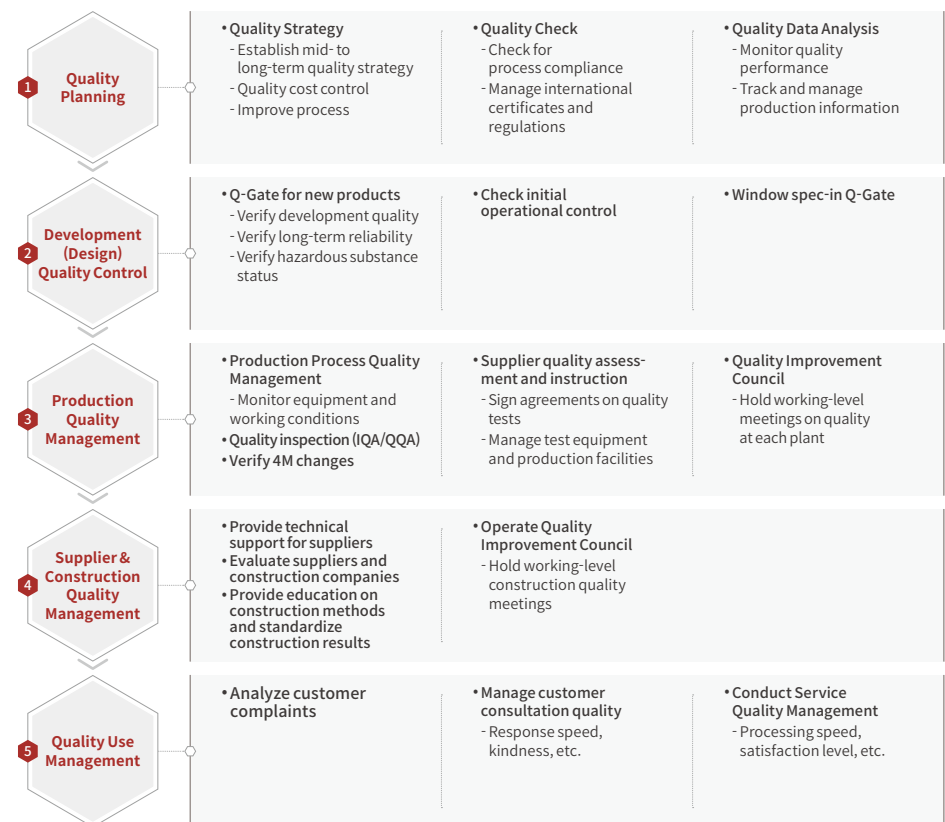
Operation of Construction Supervision Department

To provide excellent and consistent construction services, LX Hausys operates a Construction Supervision Department. The department visits the company's major construction sites across the country to check the quality level of each construction team and standardize and spread the know-how of excellent teams. To prevent serious mistakes during the installation of kitchen and bathroom products, the department supervises the construction, and meticulously checks the quality of the finished construction from the customers perspective when the construction is completed and the finished result is presented to the customer. In addition, we constantly strengthen our auditing methods and feedback processes, and are planning to systematize the overall process for more meticulous management.

Quality Management Process

From the product planning to after-sales services, LX Hausys strives to provide products and services that reflect customer needs. In particular, we manage all our new products with FMEA (Failure Mode and Effects Analysis, risk-forecasting response method) and Q-Gate (new product development quality verification process) in order to prevent potential risks. Furthermore, we establish clear quality goals that reflect customer needs at the product planning stage and verify whether the product quality meets the standards through a committee in a 3-stage standard development quality verification process.

Quality Management Process



Product Quality and Safety Verification Process

At LX Hausys, we conduct activities to reduce hazardous components throughout the entire product life cycle, from the purchase of raw materials to product shipment, in order to provide safe products to our customers. As a result of our compliance with the safety verification process based on the spirit of quality management that prioritizes the health and safety of customers, we have achieved zero violations of safety and health impact of our products and services for the past 3 years.

Development

Mandatory Hazard Inspection for New Product Developments

At LX Hausys, we made new product hazard testing mandatory to verify the emission of hazardous substances by new products, from the raw materials used to make the product to the finished products. All new products developed at LX Hausys must pass the verification process at the quality control stage. If any new product under development is suspected of emitting hazardous substances, we refuse to approve the completion of development and strictly control its production.

Finished Product Verification

Operation of Dedicated Teams under the Research Institute

Verification of long-term reliability : At LX Hausys, we conduct stringent verification procedures on our products from a long-term perspective. We developed an accelerated test method in order to reflect the user environment per product characteristic and verify the long-term use quality and safety of products, and included it as one of the regular test items. In this way, we can accurately measure and manage on how products can maintain their quality when exposed to years of use, and we strengthen product durability based on the result.

Hazardous substance analysis : We install precision analytical equipment and have expert workforce to improve our hazardous substance (e.g., TVOC, HCHO, etc.) measurement results, and ensure safety against hazardous substances that are not detected but can be generated in manufacturing processes. In particular, we consistently review and manage hazardous substances that may be generated by unidentified sources, unintended chemical reactions, or hazardous substances released by products from the early development stages to right before the product's launch.

Product Shipment

Operation of Hazardous Substance Analysis Department by Plant

Not only our research institutes but also domestic manufacturing plants have equipment and test personnel capable of analyzing hazardous substances, and we frequently conduct tests on key control substances for all products under more stringent standards than the legal requirements. At LX Hausys, we destroy all products that fail a test unfit for distribution and focus on preventing recurrence by thoroughly analyzing the cause of the test failure.

Acquisition of Official Certification for Reduction of Hazardous Substances

At LX Hausys, we acquire various product safety certifications so that our customers can easily verify their safety and improve their verification reliability. According to the characteristics of our products, we hold various product safety certifications ranging from the domestic certifications such as Eco-Label and HB Mark to OEKO-TEX, a European textile product quality certification

Operation of Radon (radioactive substance) Test System

To verify the product safety, we introduced radon analyzers at each of our domestic plants in 2019 and have been performing tests on a regular basis.

Ensuring the Foundation of Tracking and Managing System for Causative Substances

LX Hausys has linked its IT systems such as production management system, warehouse management system, etc. and established a foundation to track production history information such as basic materials and working conditions. Going forward, we will continuously operate and improve the tracking management system in order to respond to unexpected toxic substance issues by accurately identifying their causes and estimating the extent of any damage.



Operation of Integrated Quality Information Management System

LX Hausys ensures that changes made in the new product development and manufacturing processes, including raw materials, equipment, and processing, do not affect the quality of finished products. Accordingly, we established an IT system to systematically verify that produced products meet the quality standards to provide consistent quality products to our customers. In addition, we collect and manage all quality information in an integrated system so that basic materials, production history, and product condition can be tracked in case of customer complaints. Furthermore, we continue to invest in IT equipment so that collected information can be used to improve quality. In particular, we strengthen our foundation in production quality management by gradually applying Manufacturing Execution System (MES: A management system that controls the entire production process from product planning to production.) and Utility Management System (UMS: A real-time monitoring system for processing information regarding the condition and status of equipment.). We are also striving to improve the exterior quality of our products by implementing a “test automation system,” using various types of sensors, throughout our annual production tasks.

Internalization of Six Sigma

We at LX Hausys strives to develop internal quality experts to accurately identify customer needs and reflect them in our products and to establish clear and effective quality improvement actions. In addition, the Quality Planning Team participates in MBB¹⁾ quality defect correction and performance verification activities to increase confidence in the quality improvement process. In addition, we made it mandatory to conduct internal failures/external failures/quality defect improvement activities for each business unit and to implement essential improvement activities related to 3 priority tasks. LX Hausys aims to achieve 100% of team leader MBB and is committed to continuing its quality improvement activities across the company. Furthermore, we conduct weekly quality meetings involving relevant organizations to continue regular quality discussions. Through these meetings, we identify relevant market and customer trends and implement improvement activities and perform daily monitoring on market quality standards as part of our efforts to realize customer-oriented quality management and innovation.

1) MBB (Master Black Belt): A manager of Six Sigma in business departments. At the stage of leading Six Sigma (e.g., project implementation, establishment of quality system, etc.) within business units based on the understanding in business and expert knowledge in Six Sigma methodology

Supplier Quality Management

At LX Hausys, we support our suppliers with Six Sigma talent development in order to enhance their quality management capabilities. We provide Six Sigma training to suppliers that are subject to regular quality assessment. With a focus on the training infrastructure that we secured in 2022, we are carrying out various activities to develop quality management talent with a goal of developing GB²⁾ by 2023 and BB³⁾ by 2024. In addition, we reflect the completion of quality training by LX Hausys and GB certificate acquisition in regular supplier quality assessments to support their enhanced quality competency.

2) GB (Green Belt): A full-time team member of Six Sigma Project team, or at a stage where a person applies Six Sigma methodology as a part-time leader that resolves small themes and create performance
 3) BB (Black Belt): A leader/initiative of a Six Sigma Project team who applies Six Sigma methodology on sites to solve problems scientifically and create outstanding performance



NATURE, HUMAN AND SPACE

Protection of Human and Labor Rights

Human Rights Management System Global Labor Policy

LX Hausys supports and actively practices human rights and labor standards and regulations set forth by international institutions such as provisions by the ILO (International Labor Organization) and UN Guiding Principles on Business and Human Rights. We established the 'LX Hausys' Global Human Rights and 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.



Management of Labor and Human Rights Risks

LX Hausys makes concerted efforts to create healthy work environments by listening to employee grievances and making appropriate improvements. To facilitate this, the company operates a personal grievance-handling program where 1-on-1 counselling is available in the company Intranet where leaders consistently provide counselling for employees.

LX Hausys operates a dedicated 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 immediately conduct an investigation upon receipt of such reports.

Promotion of a Culture of Respect for Human Rights and Diversity

At LX Hausys, we established the <Global Human Rights and Labor Policy> to promote the dignity of all stakeholders including employees and guarantee respect for their freedom and happiness as its core value. The policy is written based on relevant global standards and regulations such as the ILO Convention and the "United Guiding Principles on Business and Human Rights," and it is available for all stakeholders to view on the official website of the company.

In addition, we conduct regular training on disability awareness, sexual harassment prevention, and workplace bullying prevention to enhance employees' awareness of human right protection and strengthen the company's internal culture of mutual respect.

Enhancement of Diversity and Inclusiveness Through Greennuri

LX Hausys strives to fulfill its corporate social responsibility by increasing the number of recruits with disabilities while creating a corporate culture that respects and embraces diversity. As part of this effort, we at LX Hausys operate "Greennuri," a standard subsidiary-type business site that we established to foster a harmonious workplace where people with and without disabilities can work together. Through Greennuri, we will provide solid foundations of self-independence to people with disabilities and realize mutual growth with our neighbors.

Operation of Greennuri

Date of Establishment	Jan. 01, 2018	No. of People	108 people (68 persons with disability; 40 people without disability; as of the end of Dec. 2022)
Job	Janitorial tasks, cafe and store, landscaping and facilities management		
Address	Cheongju Flagship Store (within LX Hausys Cheongju Plant) Ulsan Branch (within LX Hausys Ulsan Plant) Seoul Branch (within LX Hausys Headquarters)		

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Labor-Management Relationship

A healthy labor-management relationship promotes continuous corporate performance and ensure corporate competitiveness while contributing to a better quality of life for employees. Accordingly, LX Hausys sets its aim to “reach a community-like labor-management relationship that contributes to social development” as its goal, and strives to establish an engagement and cooperation-centered partnership. To realize this goal, we operate a unique 3-dimensional model of labor-management relationship consisting of corporate management, work sites, and collective bargaining to foster organic engagement and cooperation of employees. Furthermore, we continue to make frequent and honest communication with the labor union in an effort to establish a mature labor-management culture based on mutual trust and respect. As of the end of 2022, 99.3% of technical staff of LX Hausys has union membership.

Vitalization of Labor-Management Communication

LX Hausys pursues engaging and cooperative labor relations in which employees and executive management respect each other’s role on an equal footing. Our executives hold regular dialogues with employees, and hold quarterly management meetings. Events designed to revitalize our organization also contribute to opening up dialogue between management and labor, as they are annually held at each business site. Furthermore, we hold quarterly labor-management conferences in order to facilitate discussion on common concern to labor and management, such as the improvement and expansion of welfare facilities and the pursuit of superior business performance. In addition, we also hold Vision Talk Conference as a channel through which employees and top-tier management can directly communicate. Vision Talk Conference is a labor-management communication program designed to solidify the organizational culture of the company in the ever-changing business environment. Green Board members who are elected in each business unit and site will be participating as an organ-izational communication channel at the conference. LX Hausys develops and distributes a standard Vision Talk program to further vitalize labor-management communication and conducts facilitation training to Green Board Members. Meanwhile, in 2022, we conducted 5 “CEO Vision Talk” sessions in a year, with a total of 53 participants. For “Vision Talk by Section,” 466 employees from 19 organizations voluntarily participated. In 2023, LX Hausys plans to encourage more than 50% of its employees to participate in meetings with the top management to facilitate more active communication within the company.



Human Resources Management

In order to recruit talent that live up to our vision, we at LX Hausys establish and maintain a human resource policy and train interviewers on the recruitment process, types of assessment errors, and appropriate responses to facilitate a more professional and transparent recruitment process. In addition, we operate various internship programs for academic-industry R&D, natural science and engineering, and design to secure talent with expertise in a variety of fields.

Ideal Employee of LX Hausys

Passion People who challenge to be the best in the world with dreams and passion	Innovation People who make continuous innovations with customers as their priority
Teamwork People who work autonomously and creatively with teamwork in mind	Competitiveness People who compete fairly with consistent growth of their capabilities

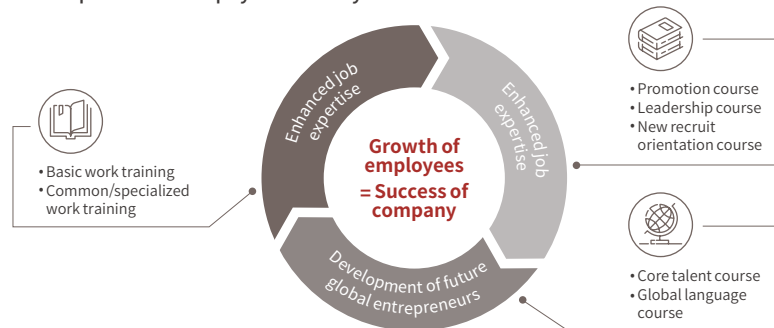
LX Hausys HR Principle

Basic Ideas of Execution <ul style="list-style-type: none"> • Provide equal opportunity • Long-term perspective 	Operation Method <ul style="list-style-type: none"> • Rewards for performance • Merit based on capability 	Source of Value Creation <ul style="list-style-type: none"> • Respect for individual creativity and autonomy
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Direction of Talent Development

At LX Hausys, we believe that securing the expertise of our employees leads to creating a successful company. Accordingly, we link various training programs with our business goals to enhance the capabilities of our employees. We offer talent development programs with a focus on the development of future global entrepreneurs for leadership in future industries, enhancing work expertise for heightened business competitiveness, and developing leadership capabilities based on the LX core values. In addition, we strive to develop talent with expertise by focusing on the individual growth of employees through the newly established LX group-wide training courses such as the “Business Department Head Course” and “LX Group New Recruits Orientation Training.”

Talent Development Philosophy of LX Hausys



Global Future Entrepreneurs Development Program

- HPI (High Performance Individual) course: Identify senior-level core talent and provide training for fundamental business skills
- Biz & Pro Talent course: Conduct Biz Insight seminar for enhancement of business capabilities of leadership-level core talent and provide additional expertise programs for each Biz Talent and Pro Talent.
- Mid- to long-term training course: The program provides intensive training for certain period of time through domestic/overseas educational training for enhanced global capability with MBA programs, R&D programs, CTO programs, and more.

Job Expertise Enhancement Program

We developed and operate diverse working-level programs for production, construction, sales, and marketing to systematically enhance work capabilities.

Leadership Enhancement Program

LX Hausys divides training targets into detailed categories such as senior/leadership roles, new team leaders, employees with positions higher than team leaders, and new recruits to help them develop leadership capabilities that fit their roles.

Course Name	Target	Training Content
Promotion course	Essential course for Specialist/Professional roles	<ul style="list-style-type: none"> • Specialist targets: Work management, problem-solving, and improvement capabilities-centered • Professional targets: Create performance and implement projects
	New team leader course	<ul style="list-style-type: none"> • Learn knowledge, mindset, and skill to serve as a team leader and take leadership lectures, 1-on-1 meeting with team members, sharing of case study, etc.
Leadership course	Roles above team leader	<ul style="list-style-type: none"> • Team leadership course, business department head coaching course, team leader performance management leadership course, etc.
New recruit onboarding course	New recruits	<ul style="list-style-type: none"> • 4 weeks of training for smooth orientation and work immersion for new recruits

Employee Capability Development Program's Performance

Employee Capability Development Program	Positive impact of the program on the company	Quantitative impact of the program on the company
Core talent training (company-wide)	Operate diverse and systematic core talent P/G for HPI and Biz Talents for retaining excellent talent and organizational capabilities	2022 core talent's continued service: 77%
Job expertise 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 232.6 million year-on-year

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Employee Performance Evaluation and Compensation System
Feedback Based on Fair Evaluation System

In order to conduct fair evaluation of employees, we at LX Hausys carry out quarterly review, multi-faceted evaluation, the Assessment Review Committee, and training for enhanced evaluator capabilities. We enhance target execution capabilities through quarterly interim review and heighten objectivity of evaluation through 360° multi-faceted evaluation through which colleagues provide feedback on the quantitative and qualitative performance of their peers, while also using the data for the appraisee’s capability development. In addition, we provide regular feedback and coaching on performance to enhance the fairness and acceptance of evaluation. As part of the year-end appraisal, the Assessment Review Committee conducts comprehensive assessments and reviews. We also provide evaluators with mandatory e-learning to enhance their ability to conduct fair and objective assessments.

Performance-based Compensation System

LX Hausys’ system of remuneration and compensation consists of cumulative and noncumulative components based on performance-based principles. The cumulative annual salary scheme compensates individuals differently according to the results of the previous year’s evaluation, whereas the non-cumulative system consists of role-based compensation 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 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). We also strengthen our performance-based reward system by offering Big Project Reward Scheme that specializes in R&D and Design activities with an effort to enhance future growth engines in the mid- to long-term perspectives.

Employee Welfare/Benefits

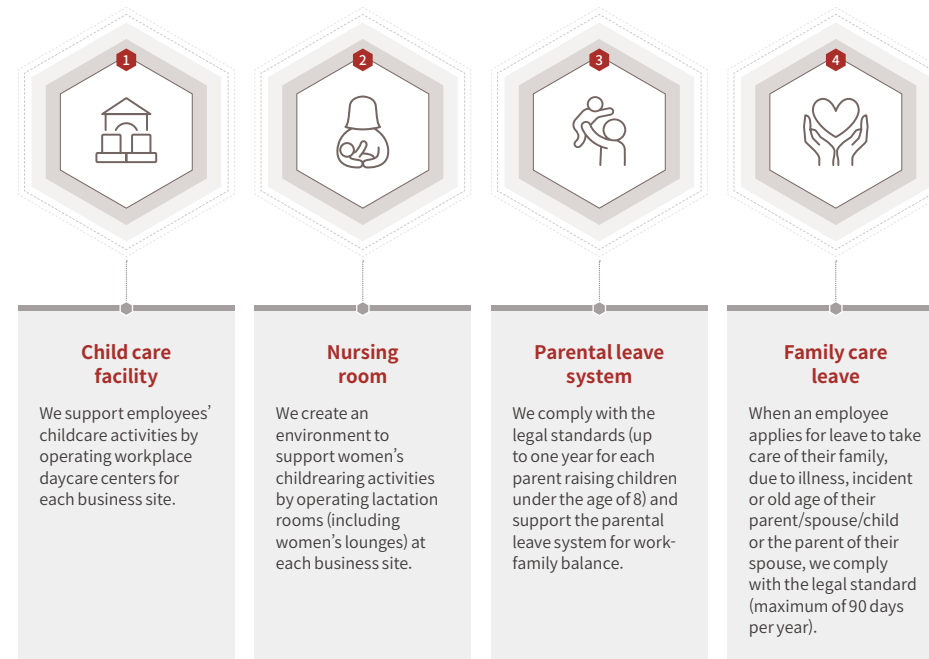
LX Hausys provides competitive salaries and the highest level of welfare benefits based on the performance-based HR principle that respects individual creativity and autonomy. We offer various welfare benefits such as promotion of use of leave and support to use leisure facilities, resting areas within company premises, support for club activities, and discounts on company products to control workplace stress and promote work-life balance. In addition, we provide self-development support programs such as support for license acquisition and provision of qualification benefit, while offering support for employees’ health such as an in-house gym and support for health check-ups.

Supports for Work-Family Balance

At LX Hausys, we strive to create a family-friendly corporate culture to help our employees to immerse in their work and achieve their full potential with well-balanced work-family balance. Accordingly, we offer shortened work hours during maternity, leave for prenatal check-ups, and maternity leave. After giving birth to a child, employees are also entitled to maternity leave for child-rearing support and shortened work hours. In addition, we provide spouse (paternity) leave for childbirth and child-rearing support in an effort to establish stable work-family balance of our employees.



In-house Daycare Center in Headquarters



Improvement of Organizational Culture

At LX Hausys, we carry out activities to improve our organizational culture with an aim to become a “good company to work for, and a company that grows together.”

1 Promotion of Good Team to Work for Project

We have been running the “Good Team to Work for” program so that teams, the unit group of an organization, can achieve performances based on smooth communication. In the third season of “Good Team to Work for Program” in 2022, the existing “Team Leader Leadership Guide,” “Team Workshop Toolkit,” and “Happy Talk,” a 1-on-1 consultation, are continued, with “Team Workshop Town,” which uses an online virtual world via a metaverse platform, being added. In addition, to help team leaders to focus on the growth of their team members, we launch monthly company-wide Happy Talk guidelines and conduct 1-on-1 consultation training. Going forward, LX Hausys will support active communication between team leaders and members to grow “Good Teams to Work For” into “Good Company to Work For.”

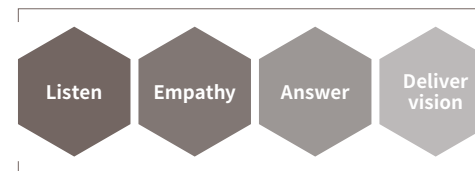


Poster of Good Team to Work for Program

2 Strengthened Employee Communication

LX Hausys holds Vision Talk events, communication window for the management and employees for strengthened internal communication. Vision Talk is a conference held for the management including the CEO and Green Board Members, a company-wide employee council chain, to share business visions and enhance mutual understanding. Through these events, we aim to facilitate active communication and establish an organizational culture of mutual growth based on clear visions.

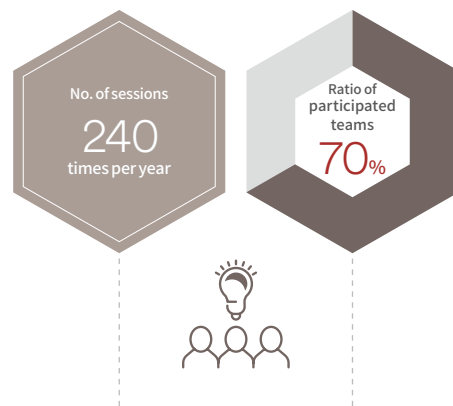
Vision Talk Operation Process - LEAD



2022 Vision Talk Operation Status

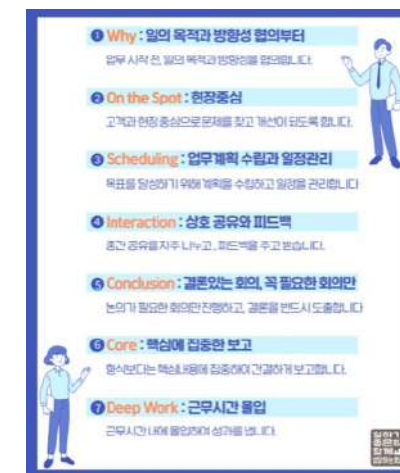
Category	Performance
CEO Vision Talk	4 times
Business Division Vision Talk	59 times

2022 Team Workshop Operation Status



3 Activities to improve work processes and work-life balance

As part of the “Improve Work Process” activity, a campaign to improve performance with a more efficient way of working in a limited time frame, we at LX Hausys carried out the “How Smart 7 Habits” campaign. In this campaign, employees selected and shared 7 keywords defining habits of smart workers to review and improve the existing ways of working. In addition, we also implemented WLB (Work & Life Balance) activities through which we support individual development and growth based on work-life balance. We provided various systematic support for work-life balance, such as flexible working hours where employees can autonomously choose their working hours and a culture encouraging the free use of leaves.

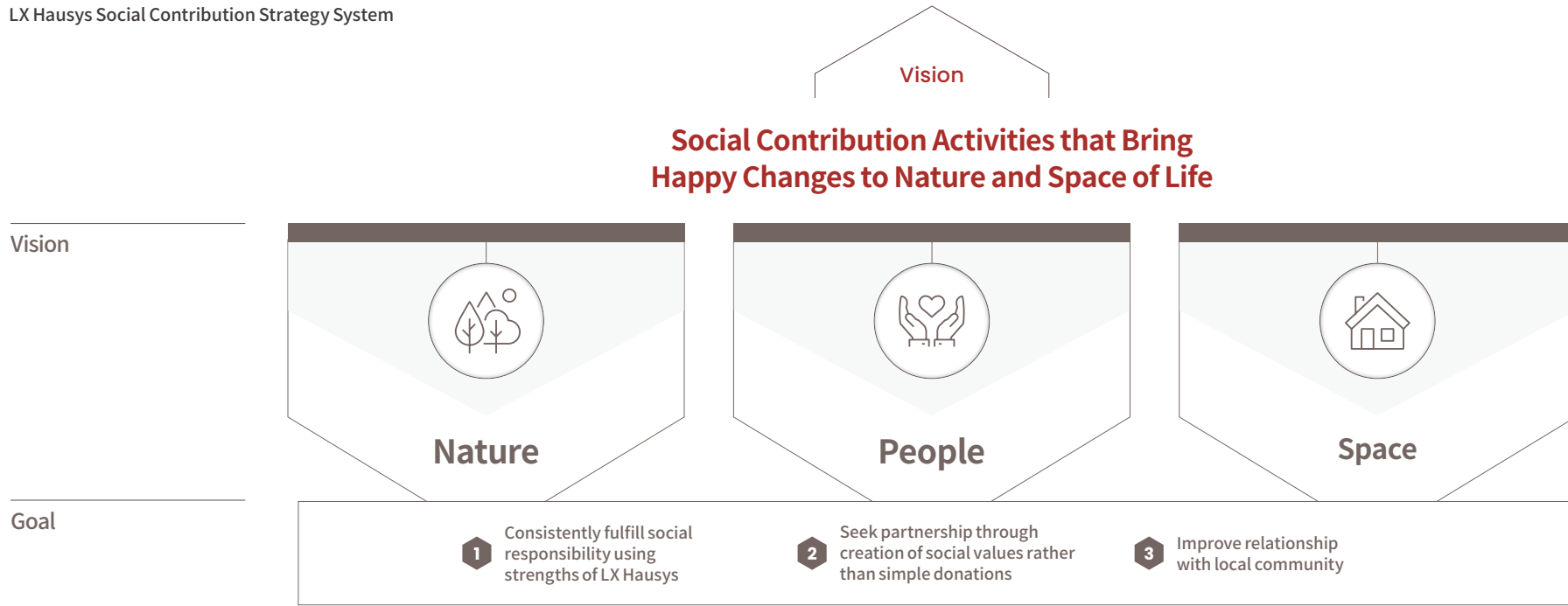


“How Smart 7 Habits” Campaign

Social Contribution

LX Hausys carries out social contribution activities that reflect the Company’s characteristic and strengths with an aim to achieve win-win relationship with local communities. LX Hausys will continue to create social values through consistent contribution activities and become a company that contributes to positive changes in local communities.

LX Hausys Social Contribution Strategy System



Outcome or Achievement

Category	Business Relevance	Business Performance	Social/Environmental Performance
Business-related social contribution activities	LX Hausys provides its products, wallcoverings, flooring materials, and windows, and construction services to the marginalized groups using its business skills and infrastructure to improve their living conditions.	Promote product, construction, and design capability Increase number of customers and enhance customer satisfaction	Improve the living conditions of the marginalized groups and enhance the living standards of local communities
Partnership with local communities	At our key business sites, we carry out partnership activities, such as supportive activities, to better the lives of the marginalized groups and children/youth in local communities in which our employees participate	Increase number of customers and enhance customer satisfaction	Improve quality of life for the marginalized groups in local communities/Improve education environment for the youth

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Patriotic Social Contribution Activities

Improvement of Memorial Facilities Environment

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

Renovating the Residence for People of National Merit

Since 2015, LX Hausys has been renovating the homes of national heroes, Korean War(6.25) veterans. We renovated the homes of thirty people in Korea and three people in other countries (U.S. and India), and will continue with our renovation activities in the future.

Creating Values in Local Communities

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

We as LX Hausys signed the “2022 MOU for Improvement of Living Conditions of the Socially Vulnerable Groups” hosted by the Ministry of Environment and plan to participate in environmental health welfare service for the socially vulnerable. Since 2015, we have been contributing to activities to improve indoor living conditions by donating flooring materials and wallcoverings to “Project for Prevention of Environment-caused Diseases.” In 2022, we donated eco-friendly composite wallcovering and sheet flooring materials that acquired eco-labels in an effort to make a positive difference in the living conditions of the socially vulnerable. Going forward, we will continue our efforts to create safer living conditions as a leader in eco-friendly interior design materials company.



Participation in Business Agreement to Improve Indoor Living Condition of the Vulnerable Groups

Support to Replace Outdated Flooring at Childcare Center

LX Hausys utilizes its business capabilities to provide various support projects with an aim to provide healthier indoor environments for future generations. In 2022, we participated in the “Green Child Space Transition Support Project” that was launched to support childcare centers that find it difficult to replace



Before and After Flooring Installation at a Childcare Center

outdated flooring, and donated eco-friendly flooring materials to about 20 childcare centers across the country. The project is a joint private-public social contribution activity that began as an effort to transform outdated childcare centers into cleaner and safer spaces. In the project, we have formed a private-public council with KEITI, an institute under the Ministry of Environment, and civic groups, and have been involved in the project. In this project, LX Hausys selected about 20 childcare centers across the country that have outdated flooring installed more than 10 years ago, and donated Sorizam, an eco-friendly flooring with eco-label.

Supporting Wallcovering and Flooring to Child Welfare Centers

LX Hausys has been carrying out projects using LX Z:IN materials for spatial renovations in collaboration with designers. So far, the company implemented “Retro Kit,” an eyewear select shop in Seorae Village with the theme of LX Z:IN design trend theme, “Yulsiheon” in Andong, a renovated traditional Korean housing, and “B House Studio,” a remodeled 40-year old house in Itaewon into a European-style housing. In May 2022, the month of family, we carried out an improvement project for the Dongmyeong Child Welfare Center, located in Gwanak-gu, Seoul, with designer Han SangSeon, to offer a more pleasant environment for young children who will lead our future, as part of the annual project support through which we provide materials.

Community Sharing Activities

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.

Support for wallpaper and flooring for child welfare centers

In May 2022, the Month of Family, the Dongmyeong Children's Welfare Center located in Gwanak-gu, Seoul is improved through the 'Okkumheri Project' with designer Han Sang-seon, and the project is implemented to help children and adolescents, who are the leaders of the future, grow their dreams in a more pleasant environment. We have supported it to go out, and we are supporting materials for the project every year. LX Hausys has been continuously carrying out space projects with LX Z:IN materials applied with collaborative designers, and the projects that have been carried out so far include 'Retrokit', an eyewear select shop in Seorae Village directed by LX Z:IN design trend theme. , Andong's 'Yulsiheon', which recreated an old hanok, and 'B House Studio', which remodeled a 40-year-old house in Itaewon into a European-style house.

Donations to Areas Affected by Wildfires

In 2022, LX Group donated items to Uljin, Gyeongsangbuk-do, Samcheok, Gangneung, and Donghae, Gangwon-do, areas devastated by large-scale wildfires and designated as a special disaster region for swift damage recovery and rescue efforts. LX Hausys also joined the donation project, supporting KRW 500 million worth of LX Hausys flooring materials, wallcoverings, etc., which were used to renovate and repair housing damaged in the area.

Social Contribution Activities by Business Site
Cheongju Plant

The Cheongju Plant continues to hold annual end-of-year charity events. In 2022, the fourth LX Happy Day event was participated by managers of each business unit, the labor union, and Employee Council representatives for joint activities. Employees at the Cheongju Plant voluntarily raised funds for Happy Boxes containing healthy functional foods and snacks and kimchi for winter and delivered them as gifts to local children's centers, while providing briquettes to seniors living alone in the area for warm winter seasons. LX Hausys Cheongju Plant will continue to share its warmth with those in need in local communities and carry out heartfelt social contribution activities.

Ulsan Plant

The Ulsan Plant also conducted the “LX Happy Day” volunteer activities at the end of 2022. A minimum number of people attended the event in consideration of COVID-19 situation. Employees of the Ulsan Plant used funds that they raised throughout the year and prepared Happy Boxes containing daily necessities and snacks and kimchi for winter and delivered them to 5 institutions in the local community including workplaces for people with disabilities and local children's centers. Going forward, employees at the Ulsan Plant will continue to raise voluntary funds and participate in volunteer activities to share warmth and hope with their neighbors in local communities.

Workplace	Initiative	Description
Cheongju Plant	One Company, One Village	Supported the events of neighboring villages.
	Support for children	Sponsorship of underprivileged children in the community in connection with the Green Umbrella Children's Foundation
	LX Happy day	Giving kimchi to local children's centers and providing briquettes to the elderly living alone
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.
	LX Happy day	Support for kimchi and daily necessities to workplaces for the disabled and local children's centers



Cheongju Plant LX Happy Day



Ulsan Plant LX Happy Day



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Information Security

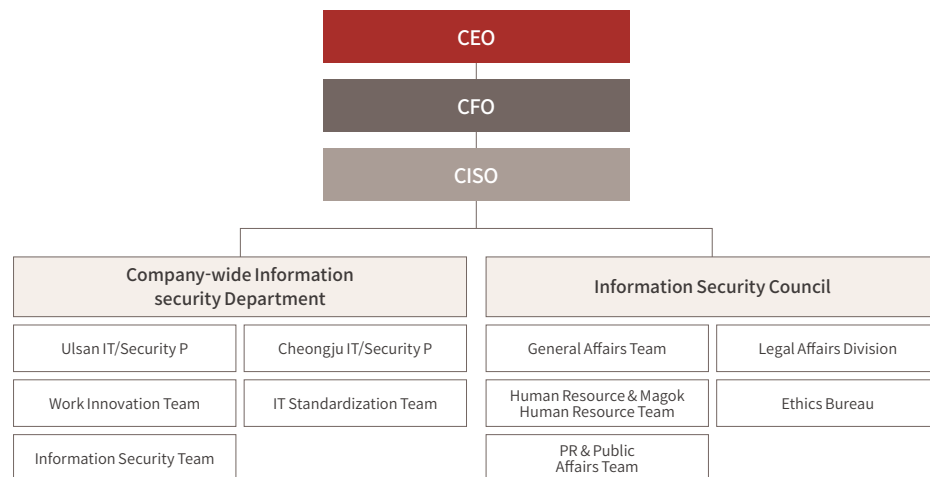
Information Security Management System

At LX Hausys, we established information security policies and regulations and are effectively managing the company's information security with relevant governance in the center. We clarified the roles and responsibilities of dedicated groups in order to strengthen a company-wide information security system, and are striving to minimize compliance risks through pre-inspection of relevant regulations. Furthermore, we were designated as a company subject to information security disclosure in 2022, and are thereby making clear disclosures to stakeholders about the status of our information security governance, investment and activities status through the information security disclosure portal. Going forward, LX Hausys will acquire domestic/international certificates and strengthen the information security management system based on such certifications.

Information Security Governance

LX Hausys operates an information security governance based on the operational guidelines of the information security organization. The company designated Chief Information Security Officer (CISO) and established Information Security Department under him for a firm information security management system. Furthermore, LX Hausys holds an Information Security Council according to the severity of the issues to address the topics required for discussion, adjustment, planning, and implementation of security measures. Based on such systematic information security governance, we stringently manage our information security and enhance our reliability as a company.

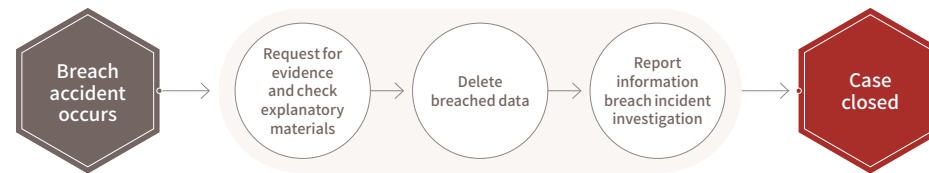
Information Security Organizational System



Protection of Customer Privacy

With the gradual increase of the customer information held by the company due to the growing interior design business, LX Hausys operates a management system for privacy protection. We established a privacy protection policy and posted it on our official website and has a security incident response manual to take prompt actions in case of privacy breach. In addition, we acquired a privacy protection liability insurance to enhance our responsibility to protect our customers' personal information.

Privacy Breach Response Process



Activities to Strengthen Information Security

Activities to Check and Improve Security Weaknesses

To strengthen the physical security at business sites, LX Hausys manages access history to key server rooms to identify the number of people accessing the server room and their purposes. In addition, to prevent information breaches by departing employees, we implement stringent security risk prevention activities such as prohibition of the use of portable storage devices for data transfer. In addition, we implement a company-wide information security enhancement activities by establishing a control-tower operated response process for external hacking attempts, conducting drills for malicious e-mails that are used as the main channel of hacking attacks, and inspecting the breach response process. Furthermore, we diagnose security vulnerabilities for newly opened global websites, and upgrade them before they are opened in order to comply with relevant information security laws.

Employee Information Security Training

At LX Hausys, we conduct regular information security training for our existing and new employees to raise their information security awareness. We provide training that presents LX Hausys's information security policies and regulations, recent security incidents, and privacy breach cases to raise employee's information security awareness and minimize information security risks.

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Governance

Composition and Operation of the Board of Directors (BoD)

LX Hausys operates a BoD to establish a healthy and transparent governance. As of January 2023, BoD consists of 2 executive directors, 1 other non-executive director, and 4 independent directors. To maintain mutual checks and balances and to facilitate reasonable decision-making, the company keeps 4 out of 7 members of the BoD as verified independent directors. In 2022, a total of 7 meetings were held for LX Hausys BoD, deliberating 41 agenda including business plan approvals. The agenda included 32 approval items and 9 report items, with an average attendance rate of 98%.

Responsibility and Role of the BoD

The Board of Directors (BoD) is the highest decision-making body that is responsible for making major decisions regarding the conduct of our business and 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. These matters include those delegated by the general shareholders' meetings and other important business-related matters in order to steer the management direction to foster the company's development and increased the interest of various stakeholders.

Appointment of the BoD and Independent Directors

At LX Hausys, we appoint all our directors at the general shareholders' meeting in compliance with relevant regulations, such as the Commercial Act. Pursuant to the Commercial Act, which stipulates that listed companies with assets of KRW 2 trillion or more must allocate half of their BOD's seats to external directors, LX Hausys has appointed 4 independent directors, thereby facilitating balanced and clear decision-making process. We select independent director candidates who have no special relationship with the company but equipped with expertise that meets the company's business characteristic. Those candidates are then selected and recommended from the pool in accordance with the aligned interest of the company and shareholders. For executive directors, we review and deliberate candidate qualifications and suitability of the candidates when the BoD approves the purpose of the shareholders meeting for the appointment of directors. Furthermore, we ensure that shareholders' proposals are guaranteed, allowing minority shareholders to express their opinions during the director selection and appointment process and provide free opportunities for questions and demand for explanation at general shareholders' meetings. Currently, we have four experts in the fields of economics, management (marketing), environmental design, and automotive engineering fields as our independent directors, and they collect and provide information as experts in each field for basic principles of the company operation and work processes. The term of the directors is 3 years, and their re-appointment is decided after a careful evaluation of BoD activities and performances.

Composition of LX Hausys BoD

(As of Apr. 2023)

Category	Name (gender)	Education	Appointment Date	Major Experience	Interests with Independent Directors
Executive Directors (CEO)	Han MyeungHo ¹⁾ (Male)	USA University of Washington Business Management (Master)	Mar. 24, 2023	Current CEO, LX Hausys Co., Ltd. Former CEO, Halla Encom Co., Ltd. Former CEO, Hanwha L&C Co., Ltd. Former CEO, LG Hausys Co., Ltd.	
Executive Directors	Park JangSoo (Male)	Yonsei University Business Management (Master)	Mar. 24, 2023	Current CFO, LX Hausys Co., Ltd. Former CFO, LX Holdings Corp. Former senior executive director, LG Finance & Economics Department Former Risk Management Officer, LG Finance & Economics Department	
Other non-executive director	Roh JinSeo (Male)	Massachusetts Institute of Technology, USA MBA(Master)	Mar. 25, 2021	Current CEO, LX Holdings Corp. Former CSO, LX Holdings Corp. Former Vice President, Strategy Division, LG Electronics, Inc. Former Managing Director, Robot Business Center, LG Electronics, Inc.	
Independent Directors	Ha YoungWon (Male)	University of Chicago Marketing (Ph.D.)	Mar. 25, 2021	Current Professor Emeritus, Faculty of Business Administration, Sogang University Former Professor, Faculty of Business Administration, Sogang University Former President, Korean Marketing Association	None
	Suh SwookKyung (Female)	Kookmin University Techno design (Ph.D.)	Mar. 25, 2021	Current Professor, Department of Environmental Design, Sookmyung Women's University Current Vice Chairman, The Korean Institute of Culture Architecture Current Vice Chairman, Space Design Alliance of Korea Current Non-executive Director, Korea Institute of Design Promotion	None
	Kim YoungJoo (Male)	University of Chicago Business administration (Master)	Mar. 24, 2022	Former President of Korea International Trade Association Former Minister of Commerce, Industry and Energy	None
	Lee BongHwan (Male)	Cranfield University, UK Automotive Engineering (Master)	Mar. 9, 2018	Former Professor of Industry-University Cooperation, Seoul National University Graduate School of Engineering Former Head of R&D Division at Hyundai Mobis Co., Ltd.	None

1) Chair of the BoD (has high understanding across the business and is fit to oversee strategic operation of the BoD)

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Committee under the BOD

Audit Committee

An Audit Committee is an institution that checks, oversees, and supports the company in order to help it to take appropriate processes and make reasonable decisions with an aim to continuously enhance corporate values. The LX Hausys Audit Committee consists of 3 independent directors who audits accounting and work processes of the company so that the executive directors and management can make reasonable business decisions. Accordingly, the Audit Committee may request business reports to the BoD or investigate company operations and asset conditions. In case of special issues, it may also request the BoD to convene an extraordinary general meeting in case of special issues. Other than this, the committee also has the authority to request business reports to subsidiary companies or investigate their work processes and asset conditions. It operates as an independent organization from the management of the company to play the role of a watchdog and increase management efficiency.

Independent Director Candidate Recommendation Committee

At LX Hausys, we operate an Independent Director Candidate Recommendation Committee to facilitate fair and transparent appointment of independent directors. The committee consists of 2 independent directors and 1 other non-executive director, with the majority of independent directors for transparency and independence. The Independent Director Candidate Recommendation Committee verifies candidates' legal qualification such as conflicts of interest with the company in consideration of working level experiences and expertise that can contribute to the company. Candidates selected by the committee are appointed at the general shareholders' meeting.

ESG Committee

The ESG Committee evaluates LX Hausys' sustainability and collect environment, social, and governance-related information to improve the company's business strategy and operational policy. The ESG Committee is composed of 3 independent directors and 1 CEO, with one of the independent directors serving as the chair.

Committee Composition and Operation within BoD

Name of Committee	Composition ¹⁾	2022 Performance ²⁾	
		Hosting	Attendance rate
Audit Committee	3 independent directors (Kim YoungJoo (Chair), Suh SwookKyung, and Lee BongHwan)	6	100%
Independent Director Candidate Recommendation Committee	2 independent directors and 1 other non-executive director (Roh JinSeo (Chair), Suh SwookKyung, and Ha YoungWon)	1	100%
ESG Committee	3 Independent Directors and 1 Executive Director (Chairman Ha YoungWon, Suh SwookKyung, Kim YoungJoo, Han MyeungHo)	2	100%

1) The composition of the committee members is as of March 2023

2) 2022 Performance indicates the independent directors attendance rate before the change of BoD composition

Independence of BoD

In order to enhance the independence of the BoD, we at LX Hausys maintain the majority of BoD members as independent directors at more than 1/4 of the total number of the members, which is stipulated in the Articles of Association. The Independent Director Candidate Recommendation Committee has the majority of its members as independent directors to ensure its objectivity and fairness, appointing each member after thorough reviews for experts in each field. We are constantly working to ensure the independence of our independent directors by setting the tenure of a member as 1 year to ensure constant changes to the committee composition every year and establishing "Criteria for Disqualification for Independent Independence"

Criteria for Disqualification for Independent Independence

- 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, their 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

Diversity and Expertise of BoD

The BoD of LX Hausys consists of competent independent directors with diverse backgrounds and professional experiences, including a female academic expert in environmental design, expert in business marketing, finance/accounting expert for internal control and risk management enhancement, and automotive experts that has experiences in industry and academic fields. At LX Hausys, we report detailed business reports for each unit such as windows, flooring materials, automotive materials to ensure expertise of the BoD and support their visits to domestic and overseas production facilities³⁾. Furthermore, we plan to support ESG Committee members to enhance capabilities related to sustainability, if necessary, such as attendance of relevant personnel to the committee, submission of data and implementation of investigations, and external expert support at the expense of the company.

3) Not conducted in 2022 due to COVID-19



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BoD Performance Evaluation

At LX Hausys, we conduct regular evaluation on the management and financial performances of the BoD to facilitate its efficient and healthy operation. In order to enhance the fairness of the evaluation of independent directors, attendance rate, contribution, independence, etc. are used as the evaluation criteria, and the results are used as the evidence and basis for re-appointment decisions. For the level of contribution, members are evaluated on their ability to provide appropriate advice as business decision-making experts. Audit Committee members are comprehensively evaluated for their contribution to the internal control of key financial risks and operation of supervisory devices.

BoD Remuneration System

LX Hausys determines the remuneration of the BOD within the limits set for directors following approval at the general shareholders' meeting. The remuneration for executive directors consists of basic remuneration, partial remuneration, and performance-based remuneration, and this amount varies each year according to their performance. The remuneration for executive directors is determined by evaluating their financial performance, their performance related to key tasks, and their performance with regard to long-term expectations for the future. The remuneration of the members of the Audit Committee and the independent directors is paid at the same amount level within the total directors' remuneration limit deliberated at the 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.

(As of the end of 2022) (Unit : KRW Million)

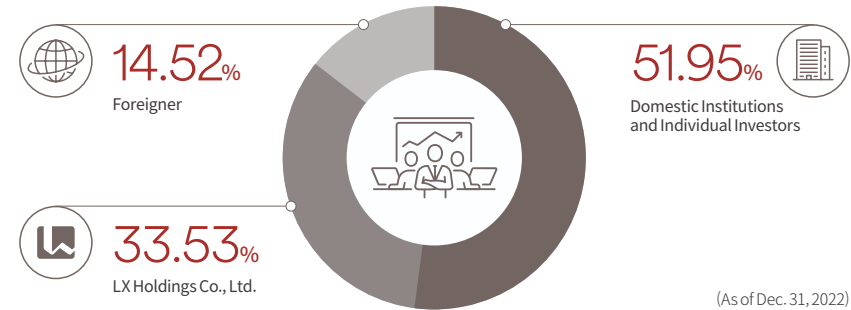
Category	Persons ¹⁾	Total remuneration amount	Average remuneration amount per person	Note
Directors(Excluding Independent Director, Audit Committee)	2	1,137	569	-
Independent Director(Excluding Audit Committee)	1	72	72	-
Audit Committee	3	222	74	-
Audit	-	-	-	-

1) The number of people is based on the date of the disclosure document preparation, and one other non-executive director with no remuneration payment is not included for the counting

Shareholder Composition

LX Hausys secures its sustainability by enhancing corporate credibility through the establishment of fair and stable governance.

LX Hausys Shareholder Composition



Shareholder Rights Protection and Return Policy

At LX Hausys, we have various systems in place to enable our shareholders to exercise their rights. We announce key management information to Data Analysis, Retrieval, and Transfer System (DART) by the Financial Supervisory Service, permanently available for search, thereby enhancing information accessibility for our shareholders. From 2021, we offer an e-voting system for better shareholder engagement. In addition, the company comprehensively considers investment, liquidity, financial structure, and dividend stability for dividend decisions in order to return company profits to its shareholders. A dividend policy that takes into account business strategy, such as changes in the business environment and future investment plans, can promote sustainable corporate growth and increase shareholder values from a long-term perspective. At LX Hausys, as part of our efforts to establish a shareholder-friendly policy, we inform our shareholders of dividend-related information 6 weeks before general shareholders' meeting through the "Cash/Payment-in-Kind Dividend Decision" announcement to ensure shareholders' right to know.

Category	Unit	2020	2021	2022
Dividends	KRW 100 million	30	30	20

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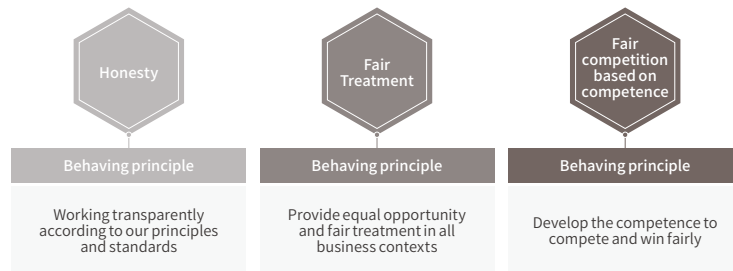
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Jeong-do Management

LX Hausys Jeong-do Management

LX Hausys is keenly aware that Jeong-do Management is the key to our corporate competitiveness. To this end, we formed a dedicated group for Jeong-do Management and continue business activities based on “honesty, fair treatment, and merit-based fair competition” to fulfill our corporate responsibility in ethics. In particular, we present the correct actions to our employees and encourage their Jeong-do Management practices so that they can implement the Code of Ethics in their daily work. Through this, we prevent corruption and fraud among our employees, thereby internalizing a culture of employee-centered Jeong-do Management.

Elements of Jeong-do Management

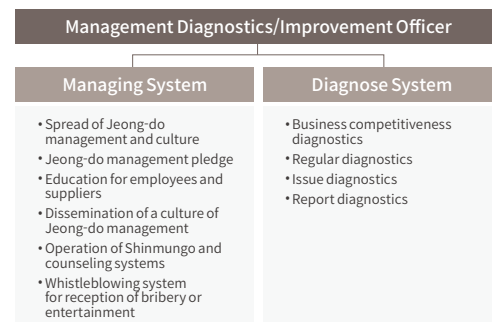


LX Code of Ethics

We at LX Hausys established a Code of Ethics to help employees make right decisions when faced with ethical dilemmas during their work and encourage them to practice the Code. We display LX Code of Ethics on our website for all our employees to access. The LX Code of Ethics conveys key content in “responsibilities and duties to customers, fair competition and trade, basic ethics for employees, responsibilities of employees, and responsibilities to the country and society” and serves as a moral compass for all of our employee’s actions and value judgments. With the Code, we help our employees not only in fair and ethical work practices but also in Jeong-do Management that is based on the respect for humankind and the environment.

Jeong-do Management System

LX Hausys strives to firmly establish Jeong-do Management as our corporate culture by establishing Jeong-do Management system with a focus on management diagnostics/improvement officers, Jeong-do Management pledges, employee and suppliers training, and activities to spread Jeong-do Management culture.



Dissemination of Jeong-do Management

At LX Hausys, we strive to spread the culture of Jeong-do Management and establish a transparent corporate culture. In accordance with this effort, we conduct Jeong-do Management training for all of our domestic and overseas employees and suppliers and send related promotional materials. In particular, we categorize Jeong-do Management training programs for employees, executive officers with specific roles, new recruits, and organization in order to raise employee awareness in Jeong-do Management. In 2022, employee training was conducted via video-conferences or online platforms in accordance with the COVID-19 quarantine regulations. Meanwhile, LX Hausys designates Ethics Bureau director and Ethics Bureau officer for each business department and unit to facilitate employee-centered settlement of Jeong-do Management and support autonomous training, promotion, and preventative activities. In addition, we use various materials such as webtoons, newsletters, quizzes, and more to enhance employees’ understanding in Jeong-do Management. Furthermore, LX Hausys strives to maintain mutually trusting and cooperative relationship through fair and transparent transactions. To facilitate this, we make regular communication with them on current issues using mobile webtoon and messages for supplier employees’ more friendly approach to Jeong-do Management and enhanced work ethics, thereby contributing to internal and external efforts to spread Jeong-do Management.

Category	Region	Unit	2020	2021	2022
No. of workers received training	Domestic	Persons	4,957	6,111	2,345
	Overseas	Person	76	136	392
No. of suppliers received training	Domestic	Unit	1,675	2,449	1,930

Ratio of ethical / compliance management training provision	2020	2021	2022
	100%	100%	100%

Report and Whistleblowing System

To enhance corporate value and fulfill its social responsibilities by establishing fair and transparent Jeong-do Management, LX Hausys conducts an annual pledge with its employees and suppliers, thereby raising their awareness of work ethics and compliance. We do not tolerate any bribe acceptance or gift-seeking behaviors of our employees to stakeholders under any circumstances. In the event that bribes or gifts are offered, employees must report them to the Ethics Bureau and return them as a matter of policy. In addition, we operate the Shinmungo system to correct unfair practices and promote fair partnerships. Through this system, employees report illegal and fraudulent activities such as unfair work processes or instances of bribery that harm Jeong-do Management. Furthermore, LX operates various reporting channels such as online websites, internal system, dedicated hotline and fax, mail or in-person visits, so that anyone can report and blow the whistle on any unfair transactions or fraud. Tip-offs and reports received are forwarded to a dedicated department that strives to undertake victim-centered investigations and take measures to prevent recurrence. In 2022, the company received a total of 25 reports including customer complaints and supplier grievances through the report and whistleblowing system, and took appropriate actions in such cases that were confirmed to be true through investigations.

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Risk Management System

Establishment of Risk Management System

We at LX Hausys have established and operate a risk management system to prevent emergencies that may threaten our business operation and to respond effectively to risks when they arise. We identify potential and actual risks that may have financial and non-financial impacts such as issues regarding quality, environmental safety, supplier management, labor conditions, public relations, customer complaints, etc., and have prepared risk management manuals that stipulate relevant policies, organizations, and procedures for effective measures against each risk. In particular, we have separate subsidiary response manuals for environmental safety issues that may pose a major impact. In addition, we immediately form a Risk Management Working-level TF that is centered around the Risk Management Committee and working-level groups in charge where relevant managers and officers in charge sit in order to take immediate responses to the situations. Furthermore, we established follow-up and recurrence prevention guidelines so that the same incidents do not occur again.

Market Intelligence (MI)-based Risk Management

At LX Hausys, we collect and analyze prices of key raw materials, changes in eco-friendliness and energy regulations and policies, and design trend forecast, and apply the data to business operations. We will strengthen company-wide MI activities to expand and refine the widely collected information to be used for improved response to risk and enhanced business performance.

Risk Type and Actions

Financial Risk Management



Liquidity Risk

We keep the limit of unused loans at an appropriate level and constantly monitor liquidity forecasts to prevent any violation of the loan limits or contracts, in order to meet the demand for operating funds. When forecasting liquidity, we consider external regulations or legal requirements such as the company's fund-raising plans, compliance with contracts, internal target financial ratios of the company and currency restrictions, etc.



Interest Rate Risk

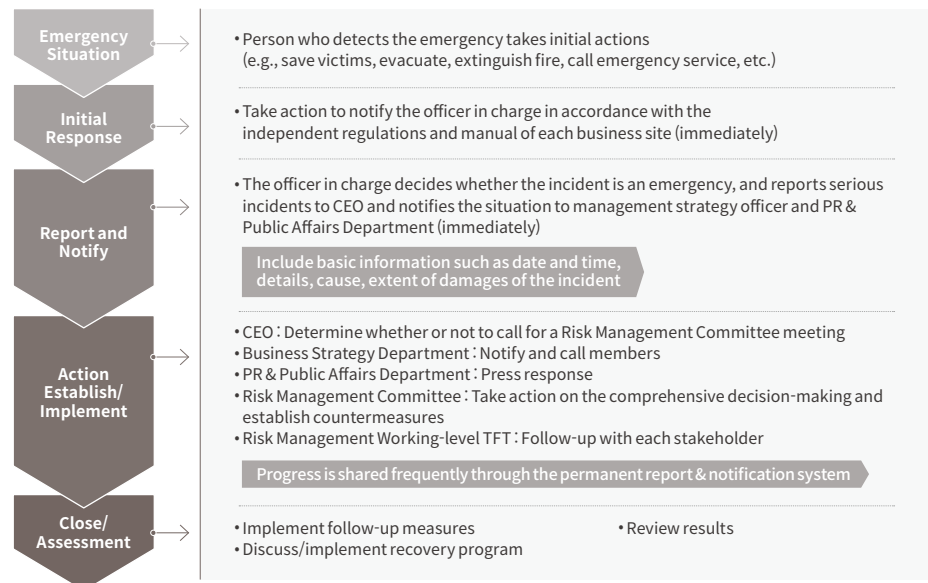
At LX Hausys, we minimize the risks caused by changes in interest rates by reducing high-interest rate loans, improving the structure of long/short-term loan, comparing and analyzing fixed versus floating interest rate conditions, monitoring domestic/international interest rate trends and determining responses, etc.



Foreign Exchange Rate Risk

The management of LX Hausys establishes policies that enable management of foreign exchange rates on major functional currency of companies within its scope of consolidation. Companies within the scope discusses with the central fund department and manage foreign exchange rate risks caused by expected future transactions and recognized assets and liabilities.

Emergency Response Process



Non-financial Risks



Political and Legal Risks

The business environments are subject to continuous changes due to the changes in construction/ environmental regulations, changes in international trade agreements, etc. To this end, we at LX Hausys monitor policies that may have an impact on our company and report them regularly to the management, while taking preemptive responses with a legal risk review system under the ownership of legal team.



Technical Risks

Technology in the building materials manufacturing and supply industries continues to evolve. In step with this trend, LX Hausys strives to develop new technologies by forecasting changes in trends and continuing to invest in R&D activities.



Ethical Risks

With the growing public awareness in corporate social responsibility, the ethical standards that stakeholders demand from companies are increasing. To this end, LX Hausys practices Jeong-do management in accordance with its LX Code of Ethics and strives to protect the rights of its employees, improve working conditions, and eliminate unfair practices and fraud.

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Health, Safety and Environmental Policy

Chapter 2: Basic Principles

The company shall minimize environmental impact throughout the value chain (supply chain, production, R&D, distribution and logistics, etc.).

Article 5 (Responses to Climate Change)

- 5.1 The company shall establish and implement a plan to achieve the “Net Zero” goal by 2050 to respond to climate change.
- 5.2 To achieve the goal of Paragraph 5.1 above, the company shall gradually expand the use of renewable energy.
- 5.3 The company shall cooperate so that its suppliers of raw and subsidiary materials and those that provide it with products and services can also establish and implement plans to reduce greenhouse gas emissions.

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

- 6.1 The company shall suppress the generation of air/water pollutants as much as possible and minimize their emissions.
- 6.2 The company shall establish and implement goals and plans to minimize air/water environmental impacts that its business activities create.

Article 7 (Management of Water Resources)

- 7.1 The company shall establish and implement goals and plans to minimize water consumption due to its business activities.
- 7.2 To minimize its water consumption, the company shall prioritize the reuse of wastewater generated from its business activities.

Article 8 (Waste)

- 8.1 The company shall control waste generation as much as possible and minimize its discharge.
- 8.2 In the case of the waste generated, the company shall prioritize recycling of the waste, and if not possible, give priority to incineration, and if incineration is not possible either, place the waste in a landfill.
- 8.3 The company shall establish and implement goals and plans to minimize waste generation from its business activities.

Article 9 (Basic Policy for Resource Circulation)

As a major supplier and consumer of building materials, automotive materials, and industrial materials, and also as a constituent using the planet’s resources for production, the company shall adhere to the following basic policies to minimize the environmental impact due to the use of resources in its business activities.

Article 9.1 (Eco-friendly Product Design)

- 9.1.1 When designing a product, the company shall consider its life cycle to minimize its environmental impact.
- 9.1.2 When designing a product, the company shall ensure that the product is easy to repair.

Article 9.2 (Minimization of Resource Use)

- 9.2.1 In the case of all materials used in its business activities, the company shall give priority to reused or recycled materials.
- 9.2.2 The company shall minimize the transport distance when procuring materials used in its business activities.

Article 9.3 (Activation of Resource Circulation)

- 9.3.1 In the case of the waste generated, the company shall prioritize recycling of the waste, and if not possible, give priority to incineration, and if incineration is not possible either, place the waste in a landfill.
- 9.3.2 The company shall establish and implement goals and plans to minimize waste generation from its business activities.

Article 10 (Chemical Substances)

- 10.1 The company shall minimize the use of chemical substances and prioritize chemical substances with a low risk to the human body or the environment rather than those with a high risk thereto.
- 10.2 The company shall manage chemical substances necessary for its business activities so that they are not leaked.
- 10.3 The company shall establish and implement goals and plans to minimize the amount of chemical substances necessary for its business activities.

Article 11 (Soil Environment)

- 11.1 The company shall regularly identify changes in the soil environment due to its business activities.

Article 12 (Biological Diversity)

- 12.1 The company shall minimize the decrease in the number of species and their population in the local ecosystem due to its business activities and confirm it through impact assessment.
- 12.2 Biodiversity restoration activities shall be carried out when the decrease in the number of species and their populations has been confirmed through impact assessments or if there is a risk of reduction.
- 12.3 The company shall cooperate so that its suppliers of raw and subsidiary materials and those that provide it with products and services can also carry out impact assessment and restoration activities for biodiversity conservation.

Article 13 (Prevention of Deforestation)

- 13.1 The company shall minimize deforestation due to its business activities, do its best to restore destroyed forests, and not create new business sites that cause deforestation.
- 13.2 The company shall cooperate so that its suppliers of raw and subsidiary materials and those that provide it with products and services can also carry out activities to prevent deforestation.



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GLOBAL HUMAN RIGHTS & LABOR POLICY

Under the corporate management principle, “People-Oriented Management”, LX Hausys fulfills its basic responsibility to uphold human rights and the right for freedom and happiness. LX Hausys supports the international standards including Universal Declaration of Human Rights, Human Rights and Labor Principles of UN Global Compact(UNGC), UN Guiding Principles on Business and Human Rights(UNGPR), International Labor Organization(ILO), and is in compliance with the laws of the countries we operate in. LX Hausys applies the policy on all overseas business sites, and also constantly monitors and reduces any risks regarding to human rights. Furthermore, LX Hausys shares the policy with our stakeholders including employees, customers and suppliers and contributes to improving and expanding their awareness of the policy.



Respect for Human Dignity

LX Hausys respects all employees and strives to create secure working environment by prohibiting workplace violence, including abusive language, psychological or physical coercion, etc.



Avoidance of Forced Labor

LX Hausys prohibits all forms of involuntary labor, including forced labor and restriction of psychological and physical freedom of employees. Original copy of identification, passport, and work permits is not requested upon hiring



Prohibition of Child Labor

LX Hausys complies with the local labor laws on minimum age of employment and prohibits the child labor below the age of 16. Employees under the age of 18 will not be permitted to tasks that jeopardize their health or safety, including night shifts and overtime.



Non-Discrimination Policy

LX Hausys provides equal opportunities for hiring, promoting, remunerating, and training. We strictly prohibit all forms of discrimination including gender, age, race, religion, disability, marital status, pregnancy, labor union activities, and social status.



Working Hours

LX Hausys complies with local laws on working hours(regular/overtime hours, holidays) and shall not force employees to work overtime. Employees are to be paid based on labor laws when working overtime.



Wages and Benefits

All employees are to be paid above minimum wage prescribed by local laws.



Freedom of Association

LX Hausys respects the employee’s freedom of association and collective bargaining in accordance with local labor laws. Employees can communicate with management regarding their working conditions without any fear of discrimination or retaliation. Employees will not be disadvantaged for joining, participating, or organizing labor unions.

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<https://www.lxhausys.com>

LX Code of Ethics

At LX, we share and believe in two key corporate management philosophies “Creating Value for Customers” and “Respecting Human Dignity.” Based on these philosophies and in the spirit of our Management Charter, we strive to promote autonomous management along with its accompanying responsibilities. Our interest is to uphold the tenets of the free market economy, which embodies the spirit of free and fair competition. Committed to attaining our goal of becoming a world-class global company, LX will continuously pursue mutual benefits of our stakeholders on the basis of trust and cooperation. We hereby resolve to adhere to our Code of Ethics as a standard for moral conduct and judgement of values.

Chapter 1. Responsibilities and Obligations to Customers

1. Respecting Customers
2. Creating Value
3. Providing Value

Chapter 2. Fair Competition

1. Pursuing Free Competition
2. Complying with Laws and Regulations

Chapter 3. Fair Transaction

1. Equal Opportunity
2. Fair Transaction Process
3. Pursuing Mutual Growth

Chapter 4. Basic Ethics of Employee

1. Basic Ethics
2. Accomplishing Mission
3. Self-development
4. Fair Handling of Job
5. Avoiding Conflict of Interests with the company

Chapter 5. Responsibilities for Employees

1. Respecting Humanity
2. Fair Treatment
3. Promoting Creativity

Chapter 6. Responsibilities for the Environment, Society, and Shareholders

1. Conserving the Environment
2. Complying with Social Responsibility
3. Protecting Shareholder Returns

Tax Strategy

Tax strategy may become a serious risk from a financial perspective as well as in terms of company reputation. In light of this, LX Hausys faithfully carries out its tax obligations to minimize related risk factors.

We stipulate tax management principles and work autonomy in our internal rules and tax regulations in order to help our employees understand taxation and promote upright practices. In addition, when relevant laws are changed, for instance, an announcement of amended taxation law that comes through a dedicated department, or other new issues arise, we monitor these changes promptly and review potential risks to determine measures. The Tax work process is reviewed twice a year to screen compliance and errors.

In addition, we at LX Hausys comply with regulations and manage tax risk accordingly. we faithfully adhere to tax laws and the relevant regulations both in Korea and in the host countries of our various overseas branches. In addition, we conduct effective tax-saving activities within the remit of tax law, implement tax policies designed to prevent double taxation in order to strengthen our global competitiveness and improve shareholder values. We maintain transparent relationship with tax authorities and actively provide evidence upon request.

Furthermore, we at LX Hausys clearly present information on our income tax expenses, deferred corporate taxes, and applicable 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 to make concerted efforts to faithfully fulfill our tax payment obligations and to become a company that is respected by society and our customers.

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LX Hausys Supplier Code of Conduct

As a member of the global community, LX Hausys aims to fulfill its role and responsibility to become a company that grows hand-in-hand with society. To this end, LX Hausys delivers sustainable solutions that contribute to addressing social/environmental issues while sincerely complying with the basic and fundamental principles required in conducting its business.

The 'LX Hausys Supplier Code of Conduct' was developed to present LX Hausys' expectations of its suppliers with high hopes that they also join hands with the company in the fulfillment of its social responsibility and its commitment to doing so, on the basis of relevant international norms and standards as well as legal requirements. LX Hausys expects that the company and its suppliers live by this Code of Conduct through mutual endeavors so as to satisfy internationally-recognized requirements in meeting their social responsibility, generating sustainable and quality outcomes, and pursuing mutual growth.

1. In accordance with the Jeong-Do management policy of LX Hausys, any unfair trade, dishonesty, and corruption are prohibited. Gifts, bribery, embezzlement, solicitation, and other means to obtain improper benefits must not be promised, offered, or permitted, and we will continuously crack down and monitor.
2. We prohibit the employment of children under the minimum legal working age, and concerning youth workers, comply with relevant regulations governing the minimum legal working age, work hours and work conditions.
3. We prohibit forced labor, sweated labor and all other types of labor that go against the voluntary will of workers, and prepare labor contracts that clearly specify labor conditions.
4. We prohibit any type of discrimination on the grounds of race, skin color, age, gender, origin, disabilities, pregnancy, religion, political preference, labor union membership, and marriage status in such employment practices as recruitment, promotion, compensation, and educational opportunities.
5. We respect the dignity of workers, and create a work environment free from any inhumane treatment or threats ranging from sexual harassment, abuse, corporal punishment to psychological/physical coercion or verbal violence.

6. We abide by relevant legal criteria set forth concerning maximum work hours/days, minimum wage, welfare and benefits, labor hours and compensation.
7. We acknowledge the freedom of association and the right to collective bargaining that are guaranteed by law, and create an environment where workers can communicate with the management on labor conditions without any fear on discrimination, retaliation, threat or harassment.
8. We bear the responsibility to ban any type of corruptive practices such as bribe-taking (including receiving gifts) and embezzlement through corporate policy, and to constantly monitor and crack down on such practices. Furthermore, we guarantee the protection and confidentiality of whistleblowers.
9. We take legally-required actions to ensure that workers work and live (if residence is provided) in a safe and healthy environment, ranging from assessing and eliminating risk factors and offering continued training and emergency drills to providing personal protective equipment.
10. We do our utmost to obtain and update necessary environmental approvals and to minimize any negative impact of our manufacturing process – hazardous materials, waste and wastewater, air pollution and the use of resources - on the environment and local communities.
11. We ban the use of raw materials sourced through illegal and serious human rights infringements and other unethical methods, including Conflict Minerals, and should be able to provide due diligence data on materials' country of origin and suppliers if deemed necessary.
12. Calculate energy consumption and greenhouse gas emissions on a company-wide and business site basis, and record/manage them. In addition, we strive to develop sustainable products by improving energy efficiency and reducing energy consumption and greenhouse gas emissions.
13. It is recommended to deliver the contents of this Code to sub-suppliers related to LX Hausys and to check whether the sub-suppliers are making efforts to comply with the requirements of this Code.

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Economy

Consolidated Financial Statement

(Unit : KRW Million)

Category	2020	2021	2022
Current assets	1,072,702	1,148,724	1,078,800
Notes and accounts receivable	405,403	469,797	466,612
Inventories	247,005	357,559	374,560
Non-current assets	1,312,670	1,398,667	1,404,929
Tangible assets	1,139,666	1,171,245	1,096,652
Assets held for sale	23,137	76	0
Total assets	2,385,372	2,547,391	2,483,729
Current liabilities	971,548	1,220,060	1,060,606
Non-current liabilities	576,609	463,913	643,180
Total liabilities	1,548,157	1,683,973	1,703,786
Paid-in capital	50,000	50,000	50,000
Capital surplus	616,466	616,094	615,840
Other capital items	▲ 8,189	▲ 8,189	▲ 8,189
Aggregate of other universal profit & loss	▲ 26,675	▲ 12,369	▲ 3,650
Retained earnings	206,143	217,984	125,942
Non-controlling interest	▲ 530	▲ 102	0
Total equity	837,215	863,418	779,943
Total equity and liabilities	2,385,372	2,547,391	2,483,729

Consolidated Profit and Loss Statement

(Unit : KRW Million)

Category	2020	2021	2022
Sales	3,038,037	3,459,792	3,611,151
Cost of sales	2,284,830	2,627,603	2,851,053
Gross profit	753,207	832,189	760,098
Selling & administrative expenses	682,220	761,737	745,158
Operating income	70,987	70,452	14,940
Non-operating profit & loss	▲ 163,171	▲ 48,786	▲ 120,883
Continuing business profit before tax	▲ 92,184	21,666	▲ 105,943
Corporate tax	▲ 12,298	6,899	5,366
Profit & loss from discontinued operation	420	▲ 2,103	▲ 6,412
Net income	▲ 79,466	12,664	▲ 117,721



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Distribution of Economic Value

 <p>Shareholder Dividends</p> <p>Shareholders and Investors</p> <p>LX Hausys constantly strives to maximize value for shareholders who are the true owners of the company. We return the profits we generate to our shareholders via cash dividend payouts.</p>	 <p>Purchasing goods and services</p> <p>Supplier</p> <p>LX Hausys purchases goods and services from our suppliers and maintains a fair ongoing relationship with them through purchasing. In 2021, we purchased goods and services worth a total of KRW 1,839 billion from 2,012 suppliers, of which 39% was purchased directly from the local communities where we operate.</p>	 <p>Wages, welfare benefits, severance payments</p> <p>Internal Staff</p> <p>LX Hausys pays wages, welfare benefits, and severance payments, and we will increase the distribution of economic value to our employees based on the fair and equitable distribution of benefits and various welfare.</p>	 <p>Corporation tax, other taxes, and public utility charges</p> <p>Government</p> <p>LX Hausys transparently discloses the results of its management activities and pays various taxes to the national and local governments such as corporate tax, income tax, and real estate tax.</p>	 <p>Local Community</p> <p>LX Hausys returns a portion of the fruits of our economic achievements to the local communities in which we operate through a variety of social contribution activities, including cultural heritage and environmental preservation activities, improvement activities for the memorial centers and the residences of people of national merit, and local community support.</p>
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Category	2020	2021	2022	
Shareholders and Investors	Dividend per share (KRW)	300	300	200
	Earnings per share (EPS)(KRW)	▲ 7,733	▲ 1,306	▲ 11,738
	Total dividend (KRW 100 million)	30	30	20
Internal Staff	Wages (KRW 100 million)	3,244	3,495	3,345
	Welfare benefits (KRW 100 million)	646	767	754
	Severance payments (KRW 100 million)	236	242	321
Government	Corporation tax, other taxes, and public utility charges (KRW 100 million) ¹⁾	89	313	325
Supplier	Purchase of goods and services (KRW 100 million) ²⁾	16,574	21,455	22,128
Local Community	Investment in local communities (KRW 100 million)	15	8	8

1) Including headquarters and overseas corporations

2) Per "Purchase of raw materials and products" in the consolidated financial statement in Annual Report

Environment

Amount of Environmental Investment and Regulations

Category	Unit	2020	2021	2022
Environmental investment	Investment amount	11,483	9,761	6,975
	Planned amount	7,495	4,552	10,648
Violation of Environmental Compliance ³⁾	No. of violation	-	1 ⁴⁾	-
	Penalty	-	60	-

3) Cases of penalty paid in the year (more than KRW 10 million)

4) Completed correction of violation and paid penalty caused by the violation detected at a random joint inspection with relevant authorities

Sales of Eco-friendly Products⁵⁾

Category	Unit	2020	2021	2022
Sales of eco-friendly products	KRW billion	-	-	1,123
Portion of sales of eco-friendly products per total sales	%	-	-	31.1

5) HB Mark, EPD, Eco-Label

Use of Key Raw Materials

Category	Unit	2020	2021	2022	
Raw materials consumption	PVC	115,269	136,069	113,450	
	Calcium carbonate	87,309	98,207	79,568	
	Plasticizer	27,333	30,223	22,544	
	MMA	18,204	27,037	19,034	
	Total	ton	248,115	291,536	234,596
Consumption of recycled materials	Bio materials	267	490	558	
	Recycle (scraps, etc.)	19,041	17,967	15,317	
Total		19,308	18,457	15,875	
Ratio of recycled materials used per key raw materials used	%	7.8	6.3	6.8	
Packaging materials ^v	used	kg	115,199	131,296	94,368

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Environmental Training

Category		Unit	2020	2021	2022
Environmental training performance ¹⁾	Total no. of training participants	Person	1,638	1,559	1,630
	Total training hours	Time	7,036	5,615	7,522

1) Ulsan Plant not included

Non-polluting Vehicles

Category	Unit	2020	2021	2022
Ratio of non-polluting vehicles ²⁾ per the total no. of vehicles held	%	51	60	65

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

Environmental Pollutants

Category		Unit	2020	2021	2022
Discharge of water pollutants ^{3,4)}	BOD	ton	0.771	0.340	0.136
	COD		0.711	0.929	0.178
	SS		0.299	0.614	0.398
	TN		0.211	0.296	0.231
	TP		0.006	0.023	0.060
	Other pollutants		0.037	0.055	0.165
	Total		2.034	2.257	1.169
Emission of air pollutants	NO _x ⁴⁾	ton	42.18	39.04	25.55
	SO _x ⁵⁾		0.05	0.09	0.08
	Dus ⁴⁾		20.67	17.95	11.55
	VOC ⁶⁾		37.36	26.59	38.38
	HAP ⁴⁾		15.98	19.27	9.07
	ODS		0	0	0

3) Item re-written for 2020 and 2021 data according to the inclusion of Magok site data for calculation from 2022

4) Change of 2020–2021 data according to the correction of Cheongju Plant discharge figures and additional discharges at Magok site

5) Change of 2020 data according to the correction of Ulsan Plant discharge

6) Change of 2021 data according to the additional discharges at the Magok site and correction made for Cheongju Plant discharge

Greenhouse Gas and Energy⁷⁾

Category		Unit	2020	2021	2022
Scope 1&2 GHG emission ⁸⁾	Direct GHG emissions (Scope 1)	tCO ₂ eq	52,704	49,183	42,665
	Indirect GHG emissions (Scope 2)	tCO ₂ eq	78,553	82,104	76,076
	GHG emission density ⁹⁾	tCO ₂ eq/KRW 100 million	4.32	3.78	3.29
	Intensity-based GHG emission ¹⁰⁾	tCO ₂ eq/ton	0.38	0.43	0.44
Total scope 1 & 2 GHG emission		tCO ₂ eq	131,257	131,287	118,741
GHG emissions reduction performance	Scope 1+2 reduction	tCO ₂ eq	14,941	3,498	1,473
	waste generated in operations		832	716	543
Scope 3 GHG emission ⁸⁾	water resources		68	73	67
	transportation upstream	tCO ₂ eq	1,601	2,079	2,767
	and distribution downstream		21,282	27,541	27,526
	purchased goods and services		57,511	89,911	58,374
	downstream leased assets		6,598	-	-
	Total scope 3 GHG emission ⁹⁾		87,892	120,320	89,278
Energy	Electricity		TJ	1,617	1,716
	LNG	813		766	667
	Diesel	23		24	24
	Gasoline	2		2	3
	Steam	-		-	17
	Other	-		0	0
	Total	2,455		2,508	2,287
	Direct energy	838		792	694
	Indirect energy	1,617		1,716	1,593
	Total	2,455		2,508	2,287
Consumption of renewable energy			-	-	0.0137
Energy intensity		TJ/KRW 100 million ¹¹⁾	0.08	0.07	0.06
Reduction of energy consumption ¹²⁾	Reduction goal	TJ	317.9	73.9	55.1
	Cost saved		317.9	65.2	55.1

7) Calculated in accordance with the Guidelines (No. 2022-279) 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 business sites including the headquarters of LX Hausys - Manufacturing Plants: 2 plants (Ulsan and Cheongju) / Business offices: 6 offices (Daejeon, Gwangju, Daegu, Busan, Northern Gyeonggi, and Western Gyeonggi) / Headquarters and Others: 7 offices (HQ, Onsan Plant, Magok Research Center, Gimhae Logistics Center, Cheonan Logistics Center, Uiwang

Logistics Center, and Distribution Store)

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

9) GHG emissions per sales

10) GHG emissions per production

11) KRW million: Per sales in the consolidated financial statement

12) Reduction of annual energy consumption (fuel/electricity) by improvement of manufacturing processes and facilities such as boilers and freezers



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Utility Water and Wastewater

Category		Unit	2020	2021	2022
Water withdrawn and discharged	Public water supply	ton	258,050	316,322	306,287
	Underground water		-	-	-
	Stream water		292,269	354,683	343,758
	Heavy water		782	863	894
	Other		-	-	-
Water consumption ^{1,2)}			551,101	671,868	650,939
Water recycling	Water recycled		0	0	0
	Water recycling rate	%	0	0	0
Wastewater ¹⁾	Wastewater discharge ³⁾	ton	21,453	48,295	55,620

- 1) Item re-written for 2020 and 2021 data according to the inclusion of Magok site data for calculation from 2022
- 2) The volume of water withdrawn and consumed is the same
- 3) Discharged wastewater is processed by the company in whole and discharged to treatment facilities operated by local government for secondary treatments

Hazardous Chemical Substances⁴⁾

Category		Unit	2020	2021	2022
Hazardous chemical substances	MEK	ton	-	1,202	1,198
	EA		-	2,433	2,403
	DMF		-	262	282
	Phenol		-	19,730	21,602
	Paraformaldehyde		-	13,006	14,257
	Other		-	438	424
	Total		-	37,072	40,166

4) Data for hazardous chemical substances have been collected since 2021.

Waste

Category		Unit	2020	2021	2022
Waste discharge ⁶⁾	General waste	Recycled ^{5,7)}	27,522	26,455	24,545
		Incineration	3,021	3,820	2,234
		Landfill	666	699	356
		Others ⁸⁾	-	914	1,352
		Total ⁵⁾	31,209	31,888	28,487
	Designated waste	Recycled ⁵⁾	831	762	623
		Incineration	467	438	428
		Landfill	-	-	-
		Other ⁵⁾	-	221	261
		Total ⁵⁾	1,298	1,421	1,312
Total Waste Emissions		ton	32,507	33,309	29,799
Waste recycled ⁵⁾	Amount of waste recycled	ton	28,353	27,217	25,168
	Waste recycling rate ⁹⁾	%	87.2	81.7	84.5

- 5) Item re-written for 2020 and 2021 data according to the inclusion of Magok site data for calculation from 2022
- 6) The entire discharged waste is consigned for processing
- 7) Sum of waste that is recognized for recycling processing under the Wastes Control Act
- 8) As the "Fertilization" category is integrated into "Other," the 2020 and 2021 data changed
- 9) Divide the total amount of recycle waste discharged by the total waste discharged, then multiply by 100

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Employee Status

Category		Unit	2020	2021	2022	
Number of staff	Total no. of employees		4,564	4,768	4,000	
	No. of overseas employees ¹⁾		1,396	1,450	908	
	No. of Korean employees ²⁾		3,168	3,318	3,092	
By age	20-29	Person	530	589	400	
	30-39		978	1,081	1,067	
	40-49		911	881	837	
	50-59		739	762	777	
	Older than 60		10	5	11	
Gender	Male	Person	2,726	2,801	2,624	
	Female (ratio)		Person (%)	442(14.0)	517(15.6)	468(15.1)
By employment type	Full-time employee	Male	2,653	2,742	2,582	
		Female	418	462	431	
		Total	3,071	3,204	3,014	
	Contract	Male	Person (%)	73(2.7)	59(2.1)	42(1.6)
		Female	24(5.4)	55(10.6)	37(7.9)	
Total	97(3.1)	114(3.4)	78(2.5)			
By job level	Executives		24	27	31	
	Staff		3,144	3,291	3,061	
By job category	Office staff		2,212	2,382	2,197	
	Technical staff		956	936	895	
By region	Headquarters (Seoul)	Person	948	1,015	862	
	Cheongju Plant		636	675	671	
	Ulsan Plant/Onsan Plant		985	939	887	
	Magok		277	318	316	
	Other		322	371	356	

Category		Unit	2020	2021	2022
Current status of overseas employment (United States)	Overseas posting		16	16	17
	Local employees		547	646	578
Current status of overseas employment (China)	Overseas posting		22	19	15
	Local employees	Person	485	470	191
No. of staff in key business site	No. of locally hired employees			1,032	1,116
	Ratio of senior-level employees among local hires	No. of senior-level employees among locally hired employees ³⁾		296	323
		Ratio of senior-level employees	%	28.7	28.9
No. of employees at lab/design centers		Person	282	302	278
People with disabilities	No. of staff (ratio)	Person (%)	41(1.3)	38(1.1)	34(1.1)
Veteran	No. of staff (ratio)	Person (%)	81(2.6)	77(2.3)	75(2.4)
Unaffiliated workers ⁵⁾	Male	Person	463	546	493
	Female	Person	33	44	46
	Total	Person	496	590	539

※ According to the number of domestic employees by age group, gender, employment type, job position, job category, region, research center/design center personnel, people with disabilities, and people of national merit

1) Excluding employees dispatched to overseas branches

2) Excluding registered directors and employees dispatched to overseas corporations, including employees dispatched to overseas branches

3) Staff in leadership level or higher

4) Central research institute, design center, research project and design project of the business unit.

5) Workers hired by other business entity and works (e.g., dispatch, subcontracts, etc.) in our business site(corporation)

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Recruitment and Turnover of Employees

Category		Unit	2020	2021	2022
New recruits	All	Person	170	474	128
	Recruitment cost	KRW million	131	221	31
New recruits by age group	20-29		83	268	60
	30-39		60	172	48
	40-49		19	27	12
	50-59	Person	4	6	5
	Older than 60		4	1	3
	Gender of recruit	Male		129	347
	Female		41	127	27
	Ratio of female recruits per male recruits	%	31.8	36.6	26.7
Total turnover ¹⁾			196	326	358
Turnover by age group	20-29		38	76	96
	30-39		34	112	97
	40-49		9	15	41
	50-59	Person	3	7	17
	Older than 60		2	0	0
	Staff turnover - gender	Male		72	158
Female			14	52	57
Key personnel ²⁾ turnover rate			3.6	9.1	23.1
Voluntary turnover rate			2.7	6.2	8.1
Turnover rate ¹⁾			6.2	9.8	11.6
Average year of service			14.8	13.5	14.3

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

Ratio of female employees³⁾

Category	Unit	2020	2021	2022
Executive position or higher		4.2	3.7	6.5
Managerial level or higher ⁴⁾		3.2	5.7	6.2
Leadership level or higher ⁵⁾	%	8.4	9.4	9.1
Staff and senior level ⁶⁾		22.1	23.8	23.8
Office managers ⁷⁾		10.7	11.8	11.3
STEM ratio ⁸⁾		24.7	21.9	19.9

3) Per domestic standards (including employees posted overseas)
4) Executives and leadership level staff (including researchers, specialists, technical advisers, advisers, sales advisers, division heads)
5) Leadership/manager - executives
6) Junior - senior
7) Office leadership - executives
8) Employees with majors in science, technology, engineering, and mathematics

Maternal Leave

Category	Unit	2020	2021	2022
Employees that took maternal leave	Male	11	20	35
	Female	21	29	34
	Total	32	49	69
Reinstated employees (reinstatement rate)	Male	7 (100)	11 (100)	29 (90.6)
	Female	22 (95.7)	28 (100)	26 (89.7)
	Total	29	39	55
Employees that worked for more than 12 months following their reinstatement (service period ratio)	Male	5 (100)	7 (100)	11 (100)
	Female	32 (100)	20 (90.9)	25 (89.3)
	Total	37	27	36

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Equal Salary¹⁾

Category	Unit	2020	2021	2022
Executives		97.3	98.7	81.1
Managerial level (annual salary)	%	89.4	89.2	88.9
Managerial level (annual salary + bonus)		88.8	88.2	88.4
Sub-managerial level		88.5	90.7	89.6

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

Regular Performance Appraisal and Career Development

Category	Unit	2020	2021	2022
Staff subject to regular performance appraisal and career development	Person	2,147	2,294	2,127
Gender ratio	Male	80.7	79.1	79.1
	Female	19.3	20.9	20.9
By employee type	Office staff	100	100	100
	Technical staff ³⁾	-	-	-

2) Per basic bachelor-graduate salary (contractual salary) for new recruits

3) Per domestic office staff (excluding executives and manager level staff)

Labor Practice

Category	Unit	2020	2021	2022
Ratio of employees subject to labor union and collective bargaining	Person	954	925	889
No. of employees with membership	Person	956	936	895
	Person	956	936	895
Ratio of union membership	%	99.8	98.8	99.3
Prior notification period for any changes in management	week	8	8	8
Ratio of application of collective agreement	%	100	100	100
Company-recognized strike/shutdown ⁴⁾	Case	1	0	0

4) 2020 Wages Agreement and Collective Agreement Strike (2020.10.21-2021.1.11)

Human Rights Training

Category	Unit	2020	2021	2022
Training hours	Hours	7,413	9,443	8,789
No. of persons trained	Person	3,223	3,369	3,139
Ratio of employees that received training	%	100	100	100

Employee Training

Category	Unit	2020	2021	2022
No. of employees that participated in training	Person	7,622	11,927	4,164
Total training hours	Hours	149,029	189,049	78,205
Total training cost	KRW million	3,082	2,555	2,488
Employee average		46	56	25
Gender	Male	47	51	23
	Female	39	83	36
By employment type	Full-time employee	47	53	25
	Contract Part-time	8	142	17
By job level	Top manager	346	22	19
	Middle manager	27	39	22
By job category	New recruit/Non-managerial staff	68	69	29
	Office staff	54	74	31
	Technical staff	29	11	9

Information Security

Category	Unit	2020	2021	2022
Information security investment	KRW million	392	480	619
Information security training	Participation rate	99.5	91.2	91.9
	Training hour per person	1	1	1
Information security violations and incidents	Occurrence of information security violations/incidents related to customers' personal information	0	0	0
	Total amount of fines paid due to information security violation/incidents	0	0	0
Complaints concerning breaches of customer privacy and losses of customer data	Complaints received from outside parties and substantiated by the organization	0	0	0
	Complaints from regulatory bodies	0	0	0



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Safety and Health

Category	Unit	2020	2021	2022	
Number of industrial accident ¹⁾	Case	7	9	2	
Rate of accidents ²⁾	%	0.22	0.27	0.06	
Frequency of near misses ³⁾	%	6.16	4.35	11.47	
Injury occurrence rate (Injury frequency rate) ⁴⁾		1.60	1.83	0.48	
Internal staff	Occurrence rate of work-related illness (injury intensity rate) ⁵⁾	0.11	0.25	0.04	
	Absentee Rate ⁶⁾	-	0.01	0.00	
	Lost-Time Injuries Frequency Rate (LTIFR) ⁷⁾	2.05	6.19	5.73	
	Total Recordable Injury Frequency Rate (TRIFR) ⁸⁾	0.41	1.24	1.15	
Indirect employees	Work-related deaths	Person	0	0	
	No. of near-misses	%	4.67	0.57	5.90
	Injury occurrence rate (Injury frequency rate)		2.67	2.86	4.72
	Lost-Time Injuries Frequency Rate (LTIFR)	-	2.00	7.43	10.62
	Total Recordable Injury Frequency Rate (TRIFR)		0.40	1.49	2.12
	Work-related deaths	Person	0	0	0
	No. of persons with symptoms of silicosis		0	0	0
No. of persons with noise deafness ⁹⁾		-	-	0	
No. of persons with musculoskeletal system disorders ⁹⁾	Person	-	-	0	
No. of persons with diseases caused by night shifts ⁹⁾		-	-	0	
Number of employees represented by joint labor-management health and safety committee		20	20	20	

1) Excluding the number of accidents by suppliers
 2) According to industrial accident occurrence reporting standards
 3) Number of near-misses per the total hours worked by all workers
 4) Frequency of injuries per the total hours worked by all workers ((No. of accidents X 1,000,000)/Total annual work hours)
 5) Frequency of work-related illness per the total time attended by all workers ((No. of working days lost X 1,000)/total number of working hours in a year)
 6) Actual number of absent days expressed as a percentage of the total days that workers were meant to work in the same period ((no of absent days at work X 100)/total number of working days in a year)
 7) The number of cases of more than 1 day of work lost over the total number of working hours of all workers (number of cases of more than 1 day of work lost X 1,000,000)/total no. of working hours/year
 8) Number of accidents / Total number of working hours in a year (No. of work-related accidents x 200,000 total number of working hours of all employees)
 9) Number of employees with noise deafness/musculoskeletal system disorders/diseases caused by night shifts: Reported from 2022

Governance

BoD Structure

Category	Unit	2020	2021	2022
BoD Composition	Executive directors	2	2	2
	Independent directors	4	4	4
Gender diversity in BoD	Male	4	3	3
	Female	0	1	1

BoD Performance

Category	Unit	2020	2021	2022
BoD Activities	No. of BoD meetings held	8	11	7
	No. of reviews of ESG items ¹⁰⁾	8	7	8
	No. of reports made on key items ¹¹⁾	9	10	10
BoD Attendance Rate	Executive directors	83.3	100	100
	Independent directors	93.7	97.7	100
	All	89.2	98.7	100

10) Affiliated company or internal transaction, appointment of members of External Director Candidate Recommendation Committee, reports of current ESG status, introduction of e-voting system for the general shareholders' meeting, etc.
 11) Reports on business performance, internal accounting system operation status, compliance control system, etc.

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BoD and Executive Remuneration

Category		Unit	2020	2021	2022
BoD remuneration payment status	No. of persons	Person	7	6	6
	Total remuneration	KRW million	3,216	1,659	1,431
	Average remuneration per person		459	277	238
CEO remuneration	Total annual remuneration ratio	%	10.3	11.1	9.1
Employee remuneration	Remuneration of all employees excluding CEO (or other equivalent roles)	Median	78	76	74
		Average	80	78	79
	CEO remuneration ratio per the total remuneration of employees excluding CEO (or other equivalent roles)	Median	10.3	11.1	9.3
		Average	10.3	11.1	8.8

Ethical/Compliance Management

Category		Unit	2020	2021	2022
Ratio of Code of Ethics application	BoD members		100	100	100
	Workers		100	100	100
	Supplier	Initial	100	100	100
Ratio of ethical/compliance management training provision	BoD members	%	43	43	43
	Internal Staff		100	100	100
	Supplier		100	100	100
No. of persons received ethical/compliance management training	BoD members		3	3	3
	Workers	Person	2,046	2,291	2,160
	Total		2,049	2,294	2,163
	No. of business sites completed assessment ¹⁾	unit	6	6	6
Corruption risk assessment	Ratio of business sites completed assessment per assessment subjects	%	100	100	100

1) Domestic/overseas business sites including overseas corporations

Voluntary Fair Trade Compliance Training

Category		Unit	2020	2021	2022	
Performance of employee voluntary fair trade compliance training	No. of people who completed the training	Subcontract	55	80	45	
		Cartel and unfair trade	Person	245	525	206
		Total		300	605	251
No. of sessions	Subcontract		4	6	5	
	Cartel and unfair trade	Case	15	13	14	
	Total		19	19	19	

Regulation/voluntary violation

Category		Unit	2020	2021	2022	
Violation of rules and regulation and penalty applied	Violation of legal/voluntary regulations regarding the safety and health impact of products and services	Penalty or legal punishment	0	0	0	
		Warning	Case	0	0	0
	Violation of domestic marketing activities ²⁾	Violation of voluntary regulation		0	0	0
		Fine	KRW million	0	710	0
No. of non-monetary sanctions	No. of violation	Case	1	1	0	
		Penalty	KRW million	0	0	0
	Other social & economic violations ³⁾	No. of violation		0	0	0
		No. of other social/economic sanctions	Case	0	0	0

2) No. of violation of the Act on Fair Labeling and Advertising

3) See p.73 <Amount of Environmental Investments and Regulations> for violations of environmental regulations and resulting sanctions



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<https://www.lxhausys.com>

Stakeholder Engagement

Identification and Communication with Stakeholders

At LX Hausys, we classify stakeholders into employees, shareholders/investors, customers, suppliers, local communities, academy and experts, and government institutes. LX Hausys operates communication channels that fit the characteristics of each stakeholder group and collects opinions from various stakeholders to reflect such opinions in the business management.

Human-friendly	Expectation		Communication Channels	
Employees 	<ul style="list-style-type: none"> Cooperative labor-management relations Enhancement of welfare benefits 	<ul style="list-style-type: none"> Reinforcement of health and safety Protection of human rights and labor rights 	<ul style="list-style-type: none"> Management presentations Labor-Management Council 	<ul style="list-style-type: none"> Company newsletter Occupational Safety and Health Committee
Shareholders/Investors 	<ul style="list-style-type: none"> Long-term growth and development Precise and transparent disclosure of information 	<ul style="list-style-type: none"> Creation and distribution of profit 	<ul style="list-style-type: none"> Company presentations General shareholders' meeting 	<ul style="list-style-type: none"> Electronic disclosure Investors' meeting
Customer 	<ul style="list-style-type: none"> Quality competitiveness and differentiated value Product and service satisfaction 	<ul style="list-style-type: none"> Listening to customers' opinions 	<ul style="list-style-type: none"> Customer satisfaction survey Receive customers' opinions 	<ul style="list-style-type: none"> Prosumers' activities Product showroom LX Z:IN showroom
Suppliers 	<ul style="list-style-type: none"> Construction of cooperative partnership 	<ul style="list-style-type: none"> Management support and cooperative activities 	<ul style="list-style-type: none"> Management/technical support programs Purchasing council 	
Local Community 	<ul style="list-style-type: none"> Strategic social contribution Local community investments 		<ul style="list-style-type: none"> Social contribution cooperative projects Occupational Safety and Health Committee 	
Academy and experts 	<ul style="list-style-type: none"> R&D Academy-industry cooperation 		<ul style="list-style-type: none"> Joint Research Technical Advice 	
Government Agencies 	<ul style="list-style-type: none"> Compliance with fair trade regulations Shared Growth 	<ul style="list-style-type: none"> Compliance with environmental regulations 	<ul style="list-style-type: none"> Advice on industrial policies 	

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Certificates and Memberships

Certificates and Assessment

ESH & Quality Certification

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

1) Applicable to all employees at LX Hausys plants and in-house suppliers

ESG Assessment Result

LX Hausys was not only included into “DJSI (Down Jones Sustainability Management Index) Korea” for several consecutive times but also acquired a comprehensive A grade in the ESG evaluation conducted by the Korea Institute of Corporate Governance and Sustainability as of 2022. In addition, the company continues to prove its ESG management competency, for instance, through its awareness in the severity of climate change and consistent responses to the climate change categories in CDP (Carbon Disclosure Project). LX Hausys will continue to recognize the importance of non-financial areas for the sustainable growth of the company and make transparent disclosures of its ESG activities and results in its sustainability reports and official websites in order to communicate with its stakeholders.

2022 Korea Institute of Corporate Governance and Sustainability Assessment Result

Integrated	Environment	Social	Governance
A	B+	A	A

Organizational Association

LX Hausys does not contribute to any political campaigns, political groups, lobbyists or lobbying groups in accordance with the relevant laws. The total membership fees paid to affiliated organizations of which LX Hausys is a member is KRW 356,969,789 as of the end of 2022.

2022 Key Membership Fee Payments Made

(Unit: KRW)

Group name	Membership Fee
Korea Chamber of Commerce & Industry	168,989,000
Korea Enterprises Federation	31,200,000
Korea Interior Management Association	24,000,000
Korea Specialty Contractors Association	21,882,000
Management Corporation for Cheongju Industrial Complex	17,312,670
Total Amount of Membership Fees	356,969,789

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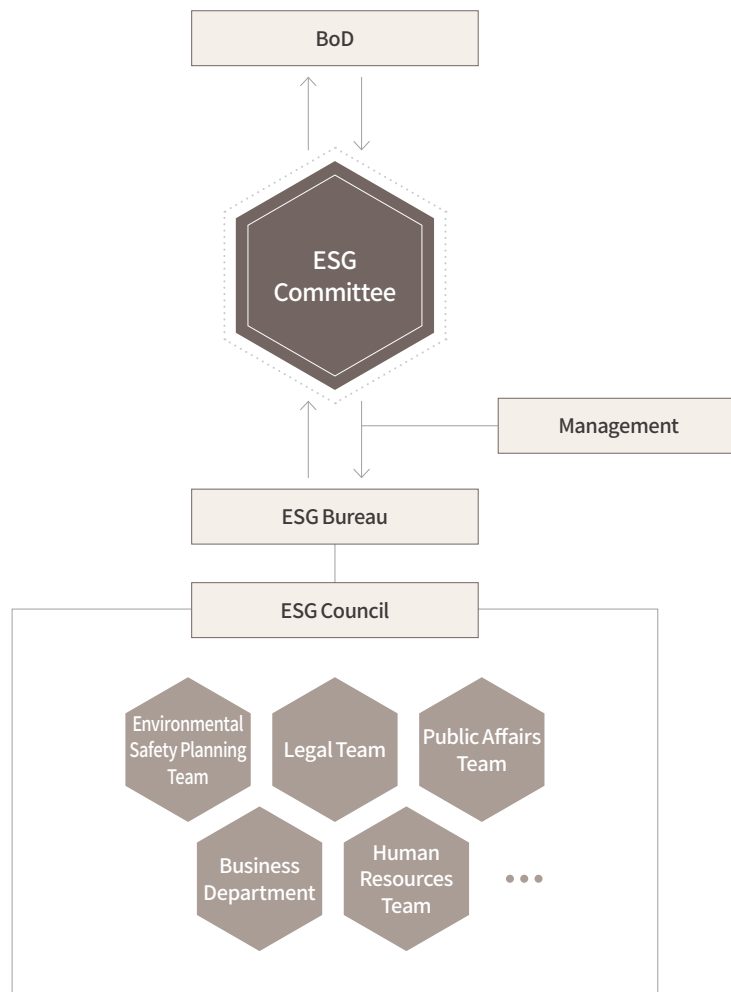


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Governance

Decision-making System



ESG Committee

In 2022, LX Hausys established the ESG Committee as the highest decision-making body for ESG management, and it reports directly to the BoD. The ESG Committee reviews and deliberates plans related to mid- to long-term climate change response strategy and GHG emission reduction in accordance with the company-wide ESG policy.

In addition, the committee also hosts company-wide Environmental Safety Committee on a regular basis to report on GHG emissions and the reduction plan for their effective implementation.

ESG Bureau

At LX Hausys, we formed a dedicated ESG Bureau consisting of team leaders from each key department under the ESG Committee to support the decision-making related to the ESG agenda. The Bureau strives to support the internalization of ESG management on the company-wide level.

The ESG Bureau manages ESG projects in environmental, social, and governance areas as well as responses to climate change, and also plays a role in integrating data and achievements.

ESG Council

LX Hausys operates an ESG Council to enhance the efficiency and momentum of its ESG management. Members of the ESG Council are working-level employee of the company. They discuss key agenda in quarterly meetings, establish detailed tasks according to the company's ESG goals, and cooperate to facilitate smooth implementation of the tasks.

Going forward, LX Hausys will maintain immediate and continuous communication on issues that occur in the ESG management process to actively respond to ESG and climate change issues that require urgent implementation.

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Strategy

In order to facilitate effective responses to climate change, LX Hausys analyzes climate change risks that may impact the company. At LX Hausys, we categorize climate change risks into transition and physical risks according to the TCFD recommendations, and identify the potential financial impact and opportunities of each risk.

Category	Risk	Potential Financial Impact	Related Opportunity	
Transition Risk	Policies and Laws	<ul style="list-style-type: none"> Establishment of NDC for carbon neutrality and enhanced GHG emissions trading scheme Advancement of global standards and legislative requirements related to the announcement of sustainability (including climate change) 	<ul style="list-style-type: none"> Increased cost due to the increase in the price of GHG emissions credit 	<ul style="list-style-type: none"> Secure emissions-related budget by reducing GHG emissions and sales of credit. Minimize of business risks and expand business opportunities through preemptive responses against environmental regulations in key business regions
	Technology	<ul style="list-style-type: none"> Increased need for development and introduction of eco-friendly/low-carbon technology 	<ul style="list-style-type: none"> If the current level of technology is maintained, sales are expected to suffer due to the difficulty of meeting increasing customer demand for eco-friendly/low-carbon products 	<ul style="list-style-type: none"> Secure new growth engines in line with the customer needs for eco-friendly products
	Market	<ul style="list-style-type: none"> Expand the scope of stakeholder groups such as customers and investors who demand contributions to carbon neutrality across corporate management activities such as GHG emissions reduction in business sites, products based on life cycle assessment, and the reduction of carbon footprints, etc. Increased demand for products that can be applied to infrastructure for the transition to a low-carbon society 	<ul style="list-style-type: none"> Impact to sales figures when energy efficiency or resource circulation demands are not met 	<ul style="list-style-type: none"> Enhanced competitiveness with improved product energy efficiency or GHG emissions reduction
	Reputation	<ul style="list-style-type: none"> Deterioration of reputation as a company that emits excessive GHG in accordance with the public consensus on the severity of climate change 	<ul style="list-style-type: none"> Negative company image 	<ul style="list-style-type: none"> Establish stakeholder trust by maintaining the position as an ESG management leader in the domestic field
Physical risks	Short-term	<ul style="list-style-type: none"> Potential physical damages to business sites due to extreme weather conditions such as typhoon, flooding, bushfire, etc. 	<ul style="list-style-type: none"> Decreased production and sales due to damages to business site 	<ul style="list-style-type: none"> Expand the market by providing products and services that consider extreme climate conditions
	Long-term	<ul style="list-style-type: none"> Changes in lifestyle and product demand due to the changes in climate patterns 	<ul style="list-style-type: none"> Decreased sales in long-term perspective 	<ul style="list-style-type: none"> Take the lead in developing products in line with changing market needs for climate change

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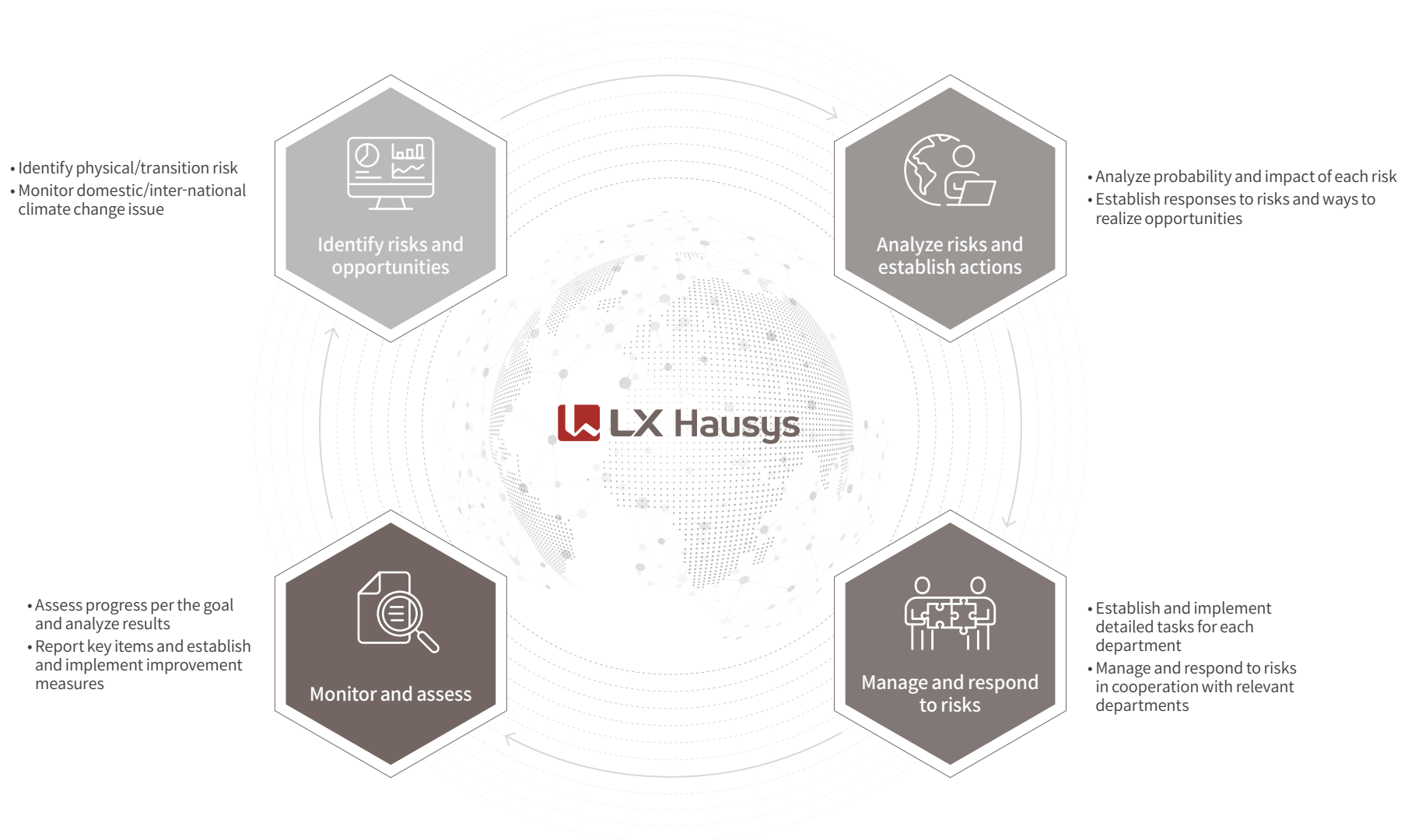


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Risk Management

Risk Management Process

At LX Hausys, we established a risk management process to take strategic actions against climate change. We identify and manage potential climate change risks and opportunities preemptively to upgrade our climate change response system in a progressive manner.



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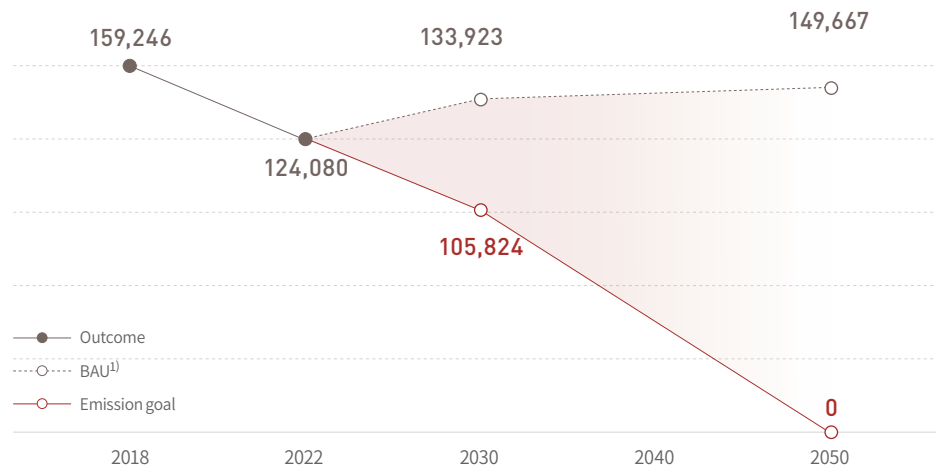
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Goals and Indicators

The climate crisis is a serious issue facing not only countries and corporations around the globe, but also humanity as a whole. To this end, LX Hausys is keenly aware of its responsibilities towards climate change and established the 2050 Net-Zero Roadmap in an effort to participate in the global actions against climate change. We establish GHG emissions reduction plans every year and manage them in order to achieve our annual reduction targets based on the Roadmap, while upgrading outdated facilities and implementing energy-saving activities to focus on the reduction of GHG emissions. Furthermore, we transparently disclose GHG reduction activities and information on our official website to provide necessary information to stakeholders and fulfill our corporate social responsibility. Going forward, LX Hausys will continue to implement climate change responses and net-zero activities in order to create a sustainable tomorrow for future generations.

Carbon Neutrality Roadmap

[Unit: Ton CO₂]



1) Business As Usual

Year	By 2030	By 2050
Reduction plan	<ul style="list-style-type: none"> • Systematic calculation of fuel transition and emissions amount • Introduction of 20% of renewable energy to the power consumption • Purchase GHG emissions credit 	<ul style="list-style-type: none"> • Introduction of eco-friendly power generation facilities (e.g., solar panels, etc.) • Introduction of 100% of renewable energy to the power consumption • Purchase GHG emissions credit

Carbon Neutrality Strategy

Strategies	Detailed Activities
Reduce carbon emissions in business sites	• Install solar power generation facilities in business sites
Increase consumption of renewable energy	<ul style="list-style-type: none"> • Introduce renewable energy (Green Premium¹⁾, REC²⁾, PPA³⁾, etc.) • Change company-owned vehicles to electric vehicles
Increase low-carbon product range	• Increase low-carbon product range

1) A system in which electricity consumers pay additional costs separately from electricity costs for electricity generated from renewable energy

2) Renewable Energy Certificate

3) Power Purchase Agreement

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UN SDGs

LX Hausys embraces the spirit of the Sustainability Development Goals (SDGs) of the United Nations (UN) and strives to achieve the goals. To this end, we set our goals in consideration of our business characteristics and carry out various activities to create a sustainable future for corporations and society.



3 GOOD HEALTH AND WELL-BEING
[Goal 3] Good Health and Well-being
 LX Hausys strives to enhance the safety and health of its employees based on a systematic safety and health management and risk management.

4 QUALITY EDUCATION
[Goal 4] Quality Education
 LX Hausys provides professional training for each role and position to enhance employee capabilities.

9 INDUSTRY INNOVATION AND INFRASTRUCTURE
[Goal 9] Industry, Innovation and Infrastructure
 Develop and distribute diverse eco-friendly and socially value-added products that can contribute to establishing sustainable infra-structure

11 SUSTAINABLE CITIES AND COMMUNITIES
[Goal 11] Sustainable Cities and Communities
 Using our business capabilities, we carry out social contribution activities to foster safer and cleaner living conditions for marginalized and vulnerable groups.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
[Goal 12] Responsible Consumption and Production
 We strive to develop and manufacture responsible products based on product life cycle assessment, environmental certifications, etc.

13 CLIMATE ACTION
[Goal 13] Climate Action
 We implement various reduction activities to contribute to carbon neutrality by reducing GHG emissions and increasing the use of renewable energy.

UN Global Compact

LX Hausys embraces the 10 principles of UN Global Compact (UNGC) in the areas of human rights, labor, environment, and anti-corruption, and consistently implements relevant activities to comply with these principles.

Category	Principles	Direction	Page
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights.	Based on our global human rights and labor policies, we consistently implement measures to protect the rights of stakeholders, including employees.	50p
	Businesses should ensure that they are not complicit in human rights abuses.		
Labor Standards	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	We provide relevant training to create equal and non-discriminatory working conditions and operate fair performance appraisal and remuneration systems. In addition, we include prohibition of child and forced labor in our human rights and labor policies.	50p
	Businesses should uphold the elimination of all forms of forced labor.		
	Businesses should uphold the effective abolition of child labor.		
Environment	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	We analyze the environmental impact of the entire life cycle of our products through the acquisition and renewal of environmental certificates and continue our efforts to minimize such impact. In addition, we seek to reduce GHG emissions and increase the use of renewable energy by establishing a new roadmap for 2050 Carbon Neutrality.	22p, 25p, 34p
	Businesses should support a precautionary approach to environmental challenges.		
	Businesses should undertake initiatives to promote greater environmental responsibility.		
Anti-Corruption	Businesses should encourage the development and diffusion of environmentally friendly technologies.	We conduct ethics and compliance management based on the spirit of Jeongdo management. We require all our employees to comply with the LX Code of Ethics to prevent corruption and bribes while operating whistleblowing system through the Cyber Shinmungo channel.	62p
	Businesses should work against corruption in all its forms, including extortion and bribery.		

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SASB Index

LX Hausys discloses key ESG information in accordance with Sustainability Accounting Standards by the Sustainability Accounting Standards Board (SASB). By applying standards specified for the Construction Material industry, we plan to disclose sustainability information, which is likely to have a significant financial impact, through annual ESG Report and communicate with investors and stakeholders on relevant performance and challenges.

Sustainability Disclosure Topic and Accounting Metrics

Topic	Code	Accounting Metrics	Pages
Greenhouse Gas Emissions	EM-CM-110a.1	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	71p
	EM-CM-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	22-24p
Air Quality	EM-CM-120a.1	Air emissions of the following pollutants: (1) NOx (excluding N2O) (2) Sox (3) particulate matter (PM10) (4) dioxins/furans (5) volatile organic compounds (VOCs) (6) polycyclic aromatic hydrocarbons (PAHs) (7) heavy Metals	71p
Energy Management	EM-CM-130a.1	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage alternative (4) Percentage renewable	71p
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	72p
Waste Management	EM-CM-150a.1	Amount of waste generated, percentage hazardous, percentage recycled	72p

Topic	Code	Accounting Metrics	Pages
Biodiversity Impacts	EM-CM-160a.1	Description of environmental management policies and practices for active sites	37p
	EM-CM-120a.2	Terrestrial acreage disturbed, percentage of impacted area restored	-
Workforce Health & Safety	EM-CM-320a.1	1. Total recordable incident rate (TRIR) (a) Full-time employees (b) Contract employees 2. Near miss frequency rate (NMFR) (a) Full-time employees (b) Contract employees	76p
	EM-CM-320a.2	Number of reported cases of silicosis	76p
Product Innovation	EM-CM-410a.1	Percentage of products that qualify for credits in sustainable building design and construction certifications	26p
	EM-CM-410a.2	Total addressable market and share of market for products that reduce energy, water, and/or material impacts during usage and/or production	26-29p
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	-

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GRI Standards

GRI Index

How to Use	GRI Standards applied to LX Hausys ESG Report from January 1, 2022 to December 31, 2022
Applied GRI 1	GRI 1: Foundation 2021
Applicable Industrial Section	As of June 2023, sector programs to which LX Hausys belong have not been announced

General Disclosures

Classification	Index	Pages	Note
GRI 2: General Disclosures 2021	2-1	Organizational details	2p, 6p
	2-2	Entities included in the organization's sustainability reporting	2p The scope of report is limited to domestic business sites of LX Hausys, the controlling company according to the consolidated financial statement; for parts with a different scope, separate footnotes are made to indicate the difference
	2-3	Reporting period, frequency and contact point	2p
	2-4	Restatement of information	- Items re-written compared to previous report are described with separate footnotes
	2-5	External assurance	92p
	2-6	Activities, value chain and other business relationships	6p-11p, 19p
	2-7	Employees	73p
	2-8	Workers who are not employees	73p
	2-9	Governance structure and composition	59p, 76p
	2-10	Nomination and selection of the highest governance body	59-60p
	2-11	Chair of the highest governance body	59p
	2-12	Role of the highest governance body in overseeing the management of impacts	18p, 59p
	2-13	Delegation of responsibility for managing impacts	18p

Classification	Index	Pages	Note
GRI 2: General Disclosures 2021	2-14	Role of the highest governance body in sustainability reporting	18p
	2-15	Conflicts of interest	60p, 67p
	2-16	Communication of critical concerns	18p, 60p, 79p
	2-17	Collective knowledge of the highest governance body	59-60p
	2-18	Evaluation of the performance of the highest governance body	61p
	2-19	Remuneration policies	61p
	2-20	Process to determine remuneration	61p
	2-21	Annual total compensation ratio	77p
	2-22	Statement on sustainable development strategy	5p
	2-23	Policy commitment	33p, 41p, 65-68p
	2-24	Embedding policy commitments	36p, 41p, 43p, 62p
	2-25	Processes to remediate negative impacts	62p, 83p
	2-26	Mechanisms for seeking advice and raising concerns	62-63p
	2-27	Compliance with laws and regulations	70p, 77p
	2-28	Membership associations	80p
	2-29	Approach to stakeholder engagement	79p
2-30	Collective bargaining agreements	80p	

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Material Topics

Classification	Index	Pages	Note
GRI3: Material Topics 2021	3-1	Process to determine material topics	14p
	3-2	List of material topics	15p
Operation of eco-friendly business			
GRI3: Material Topics 2021	3-3	Management of material topics	16p, 25-29p
GRI:308 Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	19p
	308-2	Negative environmental impacts in the supply chain and actions taken	19p
Minimizing environmental impact			
GRI3: Material Topics 2021	3-3	Management of material topics	16p, 37-39p
GRI:305 Emissions	305-6	Emissions of ozone-depleting substances (ODS)	26-27p
	305-7	Nitrogen oxides(NOx), sulfure oxides(SOx), and other significant air emissions	30p, 35p, 38p, 71p
GRI:306 Waste 2020	306-1	Water discharge by quality and destination	38-39p
	306-2	Waste by type and disposal method	38-39p
	306-3	Significant spills	72p
	306-4	Transport of hazardous waste	72p
	306-5	Water bodies affected by water discharges and /or runoff	72p

Classification	Index	Pages	Note
Resource management			
GRI3: Material Topics 2021	3-3	Management of material topics	16p, 24p, 39p
	301-1	Materials used by weight or volume	70p
GRI:301 Materials	301-2	Recycled input materials used	70p
	301-3	Reclaimed products and their packaging materials	- Information unavailable
GRI:303 Water and Effluents 2018	303-1	Interactions with water as a shared resource	37p
	303-2	Management of water discharge-related impacts	36-37p
	303-3	Water withdrawal	72p
	303-4	Water discharge	72p
	303-5	Water consumption	37p, 72p
Integrated risk management			
GRI3: Material Topics 2021	3-3	Management of material topics	16p, 63p
GRI205: Anti-orrupion 2016	205-2	Communication and training about anti-corruption policies and procedures	62p
	205-3	Confirmed incidents of corruption and actions taken	77p
GRI406: Non-Discrimination	406-1	Incidents of discrimination and corrective actions taken	- Not applicable: No related incidents

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Material Topics

Classification	Index	Pages	Note
Ethical/Compliance management			
GRI3: Material Topics 2021	3-3	Management of material topics	16p, 62p
	205-1	Operations assessed for risks related to corruption	77p
GRI 205: Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	62p
	205-3	Confirmed incidents of corruption and actions taken	77p
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly actions	77p
GRI :308 Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	19p
	308-2	Negative environmental impacts in the supply chain and actions taken	19p
GRI407: Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	19p, 50p
GRI408: Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	19p, 50p
GRI409: Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	19p, 50p
GRI411: Rights of Indigenous Peoples	411-1	Incidents of violations involving rights of indigenous peoples	- Not applicable: No related incident

Classification	Index	Pages	Note
Environmental management system			
GRI3: Material Topics 2021	3-3	Management of material topics	17p, 22-24p
NON-GRI		No relevant topic standards	
Responses to climate change			
GRI3: Material Topics 2021	3-3	Management of material topics	16p, 22-24p
	302-1	Energy consumption within the organization	71p
	302-2	Energy consumption outside of the organization	71-72p
GRI: 302 Energy	302-3	Energy intensity	71-72p
	302-4	Reduction of energy consumption	71-72p
	302-5	Reductions in energy requirements of products and services	24p, 35p, 37p, 71p
	305-1	Direct (Scope 1) GHG emissions	24p, 71p
	305-2	Energy indirect (Scope 2) GHG emissions	24p, 71p
GRI 305: Emissions 2016	305-3	Other indirect (Scope 3) GHG emissions	24p, 71p
	305-4	GHG emissions intensity	71p
	305-5	Reduction of GHG emissions	71p

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Material Topics

Classification		Index	Pages	Note
Products and services in consideration of social values				
GRI3: Material Topics 2021	3-3	Management of material topics	17p, 25-29p	
GRI417: Marketing and Labeling	417-1	Requirements for product and service information and labeling	26p	
Management of human resources				
GRI3: Material Topics 2021	3-3	Management of material topics	17p, 52-54p	
GRI 202: Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	77p	기밀사항
	202-2	Proportion of senior management hired from the local community	73p	
GRI401: Employment	401-1	New employee hires and employee turnover	74p	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	53p	
	401-3	Parental leave	53p, 74p	
	404-1	Average hours of training per year per employee		
GRI404: Training and Education	404-2	Programs for upgrading employee skills and transition assistance Programs	52p	
	404-3	Percentage of employees receiving regular performance and career development reviews	75p	
GRI405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	74p	
	405-2	Ratio of basic salary and remuneration of women to men	75p	

Classification		Index	Pages	Note
ESG leadership and system				
GRI3: Material Topics 2021	3-3	Management of material topics	17, 18p, 61p	
NON-GRI		No relevant topic standards		

GRI 200 Economic Performance

Classification		Index	Pages	Note
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	70p	
	201-2	Financial implications and other risks and opportunities due to climate change	82p	
GRI 203: Indirect Economic Impacts	203-1	Infrastructure investments and services supported	19-21p, 55-57p	
	203-2	Significant indirect economic impacts	70p	
GRI 207: Tax 2019	207-1	Approach to tax	67p	
	207-2	Tax governance, control, and risk management	67p	
	207-4	Country-by-country reporting	70p	

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GRI 300 Environmental Performance

Classification	Index	Pages	Note
GRI :308 Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	19p
	308-2	Negative environmental impacts in the supply chain and actions taken	19p

GRI 400 Social Performance

Classification	Index	Pages	Note	
GRI 402: Labor/ Management Relations	402-1	Minimum notice periods regarding operational changes	75p	
	403-1	Occupational health and safety management system	40p	
	403-2	Hazard identification, risk assessment, and incident investigation	42-43p	
	403-3	Occupational health services	43p	
	403-4	Worker participation, consultation, and communication on occupational health and safety	43p	
	GRI 403: Occupational Health & Safety	403-5	Worker training on occupational health and safety	43p
		403-6	Promotion of worker health	43p
		403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	42p
		403-8	Workers covered by an occupational health and safety management system	80p
		403-9	Work-related injuries	76p
403-10		Work-related ill health	76p	

GRI 400 Social Performance

Classification	Index	Pages	Note
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	55-57p
GRI 414: Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	19p
	414-2	Negative social impacts in the supply chain and actions taken	19p
GRI 416: Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	49, 50p
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	77p
GRI 417: Marketing and Labelling	417-2	Incidents of non-compliance concerning product and service information and labeling	77p
	417-3	Incidents of non-compliance concerning marketing communications	77p

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Independent Assurance Statement

The Stakeholders of LX Hausys

Introduction and objectives of work

BSI Group Korea (hereinafter "the Assurer") was asked to verify LX Hausys 2023 Sustainability Report (hereinafter "the Report"). This assurance statement applies only to the relevant information contained in the scope of the assurance. LX Hausys is solely responsible for all information and assertion contained in the report. The responsibility of the assurance is to provide independent assurance statement with expert opinions to LX Hausys by applying the verification methodology and to provide this information to all stakeholders of LX Hausys.

Assurance Standards and Levels

This assurance was based on the AA1000AS v3 (2020) Assurance Standard and confirmed that the report was prepared in accordance with the GRI Standards, the international standards guidelines of sustainability reports. The assurance level was based on the Type 1 that confirmed compliance with the four principles of AA1000 AP (2018) in accordance with the AA1000 AS.

Scope of Assurance

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

- Based on the period from January 1st to December 31st 2022 included in the report, some datas included 2023.
- Major assertion included in the report, such as sustainability management policies and strategies, goals, projects, and performance, and the report contents related to material issues determined as a result of materiality assessment.
- Conformity, appropriateness and consistency of internal processes and systems for information, data collection, analysis and review.

The following contents were not included in the scope of assurance.

- Financial information presented in the report.
- Disclosures in the international standards and initiatives index excluding GRI presented in the report.
- Other related additional information such as the website, business annual report.

Methodology

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

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

Limitation

The assurer performed limited verification over a limited period based on the data provided by the reporting organization. This means that no significant errors are found during the verification process, and that there are limitations associated with the inevitable risks that may exist. The assurer does not provide assurance for possible future impacts that cannot be predicted or verified during the verification process and any additional aspects related thereto.

Assurance Opinion

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

- The information and data included in the report are accurate and reliable and the assurer cannot point out any substantial aspects of material with mistake or misstatement.
- The report is prepared in accordance with the GRI Standards. (Reporting in accordance with the GRI standards)
- The assurance opinion on the four principles presented by the AA1000 AP (2018) is as follows.

AA1000 AP (2018)

• Inclusivity: Stakeholder Engagement and Opinion

LX Hausys defined customers, employees, external stakeholders, and experts as key stakeholders groups, and operates communication channels for each group for stakeholder engagement. LX Hausys reflected key issues drawn through stakeholder channels in sustainability management decisions and disclosed the process in the report.

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• Materiality: Identification and reporting of material sustainability topics

LX Hausys established the strategy related to sustainability management and established the process to derive reporting issues. LX Hausys identified financial and social/environmental impacts and derived 10 major issues based on the analysis of media research, benchmarking of global advanced companies, and analysis of major global initiatives related to sustainability.

• Responsiveness: Responding to material sustainability topics and related impacts

LX Hausys established the management process for key reporting issues determined by the materiality assessment. In order to respond appropriately to the expectations of stakeholders, LX Hausys disclosed the process including policy, indicator, activity and response performance on key reporting issues in the report.

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

LX Hausys established the process to identify and evaluate the impact on organizations and stakeholders related to key reporting issues. LX Hausys used impacts, risk and opportunity factor analysis results for key reporting issues to make decisions to develop response strategies for each issue, and disclosed the process in the report.

Key areas for ongoing development

- LX Hausys established an ESG committee and established an ESG vision and strategy framework to organize ESG management. Managing sustainable management issues can be helpful based on three strategies based on ESG vision: Innovation for Customers, ESG for the Future.
- Through the publication of the Sustainable Management Report, LX Hausys has embodied its commitment to sustainable management to internal and external stakeholders. At the same time, deriving underperforming sustainability issues and specifying related mid- to long-term strategies and objectives can help ensure a balanced reporting.

Statement of independence and competence

The assurer is an independent professional institution that specializes in quality, environment, safety and health, energy and anti-bribery, compliance related ESG management with almost 120 years history in providing independent assurance services. No member of the assurance team has a business relationship with LX Hausys. The assurer has conducted this verification independently, and there has been no conflict of interest. All assurers who participated in the assurance have qualifications as AA1000AS assurer, have a lot of assurance experience, and understand the BSI Group's assurance standard methodology.

Evaluation against GRI 'In Accordance' Criteria

The assurer confirmed that this report is prepared in accordance with the GRI Standards and the disclosures related to the following Universal Standards and Topic Standards Indicators based on the data provided by LX Hausys, the sector standard was not applied.

[Universal Standards]

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

[Topic Standards]

201-1~2, 202-1~2, 203-1~2, 205-1~3, 206-1, 207-1~2, 207-4, 301-1~3, 302-1~5, 303-1~5, 305-1~7, 306-1~5, 308-1~2, 401-3, 404-1~3, 405-1~2, 406-1, 407-1, 408-1, 409-1, 411-1, 417-1

17th June 2023

S. H. Lim / BSI Group Korea, Managing Director




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<https://www.lxhausys.com>