

Beautiful Healthy Refreshing
for people and the planet

2015 CSR Key Figures



• Data of Economy are consolidated, while data of Customer, Employee, Environment, and Community are non-consolidated of LG H&H.

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Cover Story

The report cover reflects LG H&H's creating of global growth engine and future value.

CEO MESSAGE



“ LG H&H will promote transparent and sustainability management as we continue to grow as a responsible and reliable company. ”

Dear Stakeholders,

I would like to thank you for your support and patronage to LG Household and Health Care. All the executives and employees of LG H&H are continuously carrying out various efforts to help customers discover their beauty and realize their dreams.

In 2015, despite the slow growth of the world economy and sluggish domestic market demand due to the outbreak of MERS, we achieved remarkable performance in the areas on which we strategically focused based on our experience, determination, and ability to put our ideas into practice.

Also to fulfill our corporate social responsibility (CSR), we ran the CSR Committee regularly to discuss major sustainability issues, gathered advices from CSR expert panels, and reflected their opinions into our business activities.

Based on these efforts, we have been listed on the Dow Jones Sustainability Index for six consecutive years and selected as the Leader of the Carbon Disclosure Project for two year in a row. Moreover, we achieved the first class rating in the Win-Win Growth Index and won the Korea Sustainability Company Awards.

Considering the expected slowdown in the global market affected by the decreasing economic growth rate in China and the prolonged economic downturn in Europe, we will further strive to lead the market and pursue sustainable growth in three aspects as follows.

Focusing on Key Business Areas and Developing New Growth Engines

In order to improve our business expertise and product premiumization, we will think outside the old boundary upon the reorganizing of business system, and focus on key business areas where we can create differentiated customer value. We will then continue to foster overseas business through our luxury brands, Whoo and Su:m that are competitive in China and also enter global personal care market.

Maintaining the Trust of Customers

LG H&H will become socially responsible and trusted company by expanding its activities in transparent and sustainability management. With the Chungbuk Creative Economy Support Foundation, we plan to aid startups realize their innovative capacity into products, pursue win-win growth with our suppliers, and further comply with fair trade throughout the company. Also, we will operate the business-related educational program, the Borrowed Earth School which habituates students to environmentally friendly lifestyle, to invigorate the Free Semester Program in middle schools, thereby extending our impact in local community.

Strengthening Sustainable Management through Communication with Stakeholders

We believe that support and attention from our customers, suppliers, employees, and investors are the main driving force behind LG H&H. In return, we will tighten relationship with customers by creating safe products, promote win-win growth with suppliers, support career development of employees, and build advanced labor-management culture. Our biannual expert panel discussions about CSR Issues will be held quarterly. We will also converge communication channels with suppliers into the CEO Academy, thus promoting sustainability management to secondary and tertiary suppliers.

LG H&H's 2015 CSR Report, the 7th report to be published, shares performance and activities of its sustainability management. As a global leader of sustainability management, LG H&H promises to not only comply with the Ten Principles of the UN Global Compact, but also commit to fulfilling CSR for the better future.

Thank you.

June 2016
Suk Cha, CEO & Vice Chairman



OVERVIEW

Company Overview

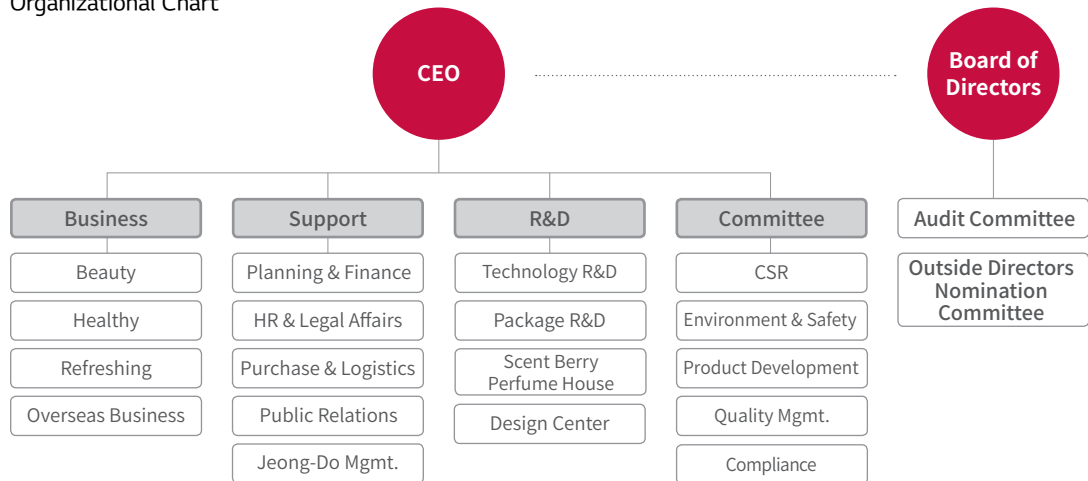
Since 1947, LG H&H has strived to help consumers live beautiful, healthy, and refreshing lives. Based on the Gwanghwamun Headquarters in Seoul, Korea, our employees are continuously providing better products and services all over the world including subsidiaries in China, Vietnam, Taiwan, Japan, and the United States.

Company Profile

• Consolidated

Company Name	LG Household & Health Care Ltd.	Total Assets	KRW 4,214.6 billion
Address	LG Gwanghwamun Building, 58 Saemunan-ro, Jongro-gu, Seoul, South Korea	Total Capital	KRW 2,115.3 billion
Foundation	January 1947	Sales	KRW 5,328.5 billion
CEO	Suk Cha	Operating Profits	KRW 684.1 billion
Business Type	Household goods, cosmetics, beverages	Credit Rating	AA bond rating, A1 CP rating (LG H&H separate)
No. of Employees	9,880 (including 1,942 local employees at overseas subsidiaries)		

Organizational Chart



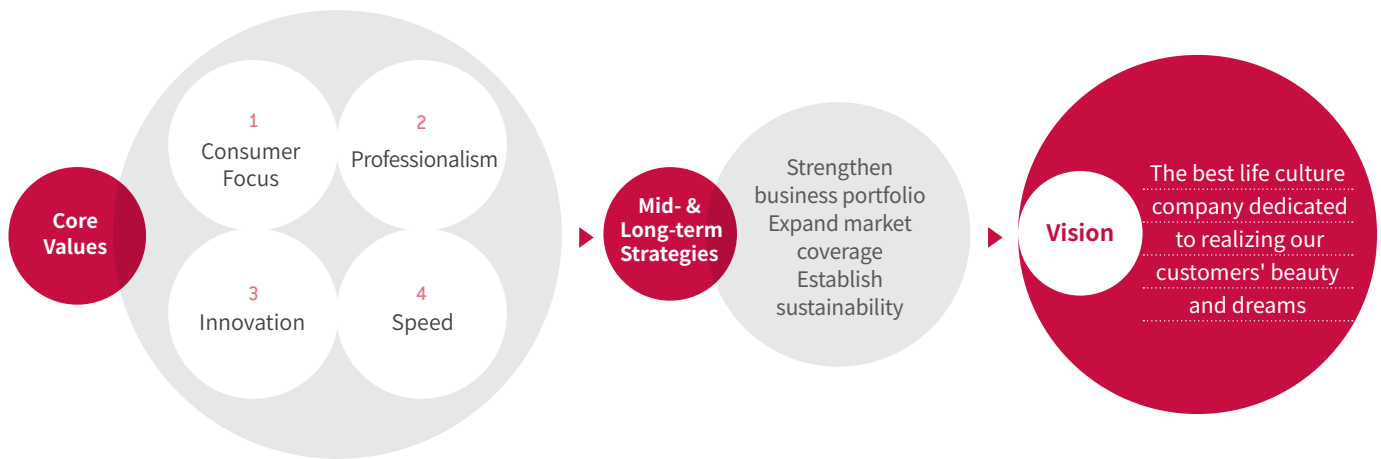
Domestic and Overseas Subsidiaries

(Unit: %)

Domestic	Location(HQ)	Share	Overseas	Location(HQ)	Share
Coca-Cola Beverage	Yangsan, Korea	90.0	Beijing LG Household Chemical	Beijing, China	78.0
HAITAI Beverage	Seoul, Korea	100	Hangzhou LG Cosmetics	Hangzhou, China	81.7
THEFACESHOP	Seoul, Korea	100	LG Household & Health Care Trading (Shanghai)	Shanghai, China	100
CNP Cosmetics	Seoul, Korea	86.0	LG Household & Healthcare (Taiwan)	Taipei, Taiwan	100
K&I	Seoul, Korea	60.0	LG VINA Cosmetics	Ho Chi Minh, Vietnam	60.0
Zenisce	Chuncheon, Korea	70.0	LG Household & Health Care America	New Jersey, U.S.A.	100
			Ginza Stefany Cosmetics	Tokyo, Japan	100
			Everlife	Fukuoka, Japan	100

Business Overview

LG H&H runs businesses in cosmetics (Beauty), household goods (Healthy), and beverages (Refreshing), which are basic necessities of consumers in daily life. We will offer consumers differentiated products and services in each industry, thereby growing into a global company that builds better life and culture.



After launched its first product, Lucky Cream, in 1947, Beauty Division restarted the cosmetics business in 1984 with the DeBON brand. Since then, it has recorded incredible growth annually, and now became one of top global cosmetics companies. In order to realize healthy beauty and dream of consumers worldwide, we will move forward with the goal of creating high quality, best brands in global market.



Healthy Division focuses on creating convenient and healthy life with various household goods including toothpaste, shampoo, body wash, detergent, and diapers. We plan to continuously pursue premium products with differentiated features, and further strengthen our growth engine by developing healthy products with systematic approach.



Refreshing Division intends to offer best beverages that satisfy consumers' needs in taste and health through products of Coca-Cola, SunKist, Sunny10, etc. As a response to market changes for healthy beverages and health supplements, we will offer nutritious, high value-added products, beyond the existing beverages market.

2015 Business Status

Despite tough business conditions at home and abroad due to the unstable exchange rate and oil price, economic slowdown in China, low growth rate of the domestic economy, and the outbreak of MERS, LG H&H achieved satisfactory results across all businesses in 2015. This can be attributed to the high growth in the high-end cosmetic brands in Korea and the Greater China region, the strengthened reputation of our household goods, and the increase in the sales of beverages in the domestic market.

Beauty

- Although there was an excessive discount competition between low-price brands at home, our high-end cosmetic brands, particularly the History of Whoo (hereinafter Whoo), achieved remarkable growth based on the significant rise in the sales at duty-free shops with a growing number of tourists from the Greater China region. We expanded our share in the domestic prestige cosmetics market, including door-to-door selling and department stores, and reinforced marketing activities targeting consumers from the Greater China region.

In the Greater China region and Southeast Asian countries, our company enhanced Whoo and THE FACE SHOP's reputations as high-end and global brands. We expanded opportunities to communicate with consumers through online malls, social media, and other channels, and increased the number of stores to attract new customers. In Hong Kong, Whoo sales doubled from the last year, thanks to the increase in the number of shops. In the U.S., Belif joined Sephora, a global beauty retailer, and its Aqua Bomb cream was ranked second in the moisture product category in the first year. In Canada, we continued marketing activities for THE FACE SHOP to build up our business foundation in North America.

Healthy

- In the domestic household goods market, LG H&H released leading, new concept products and improved convenience products for consumers through new distribution channels, including online malls, duty-free shops and H&B (health and beauty) stores. We were also ranked first in the hair product market with the growth of our natural hair care brand, Organist, and medicinal herbal cosmetic brand, ReEn Yungo.

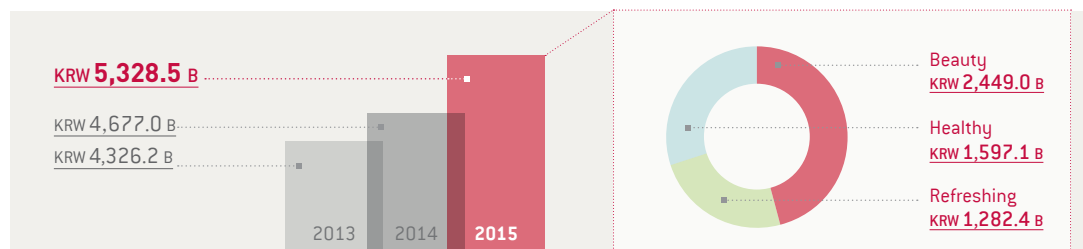
In the Greater China region, the sales of shampoo and body care products, such as ReEn Yungo and Elastine Perfume, significantly increased, as well as sales of toothpaste and toothbrushes. In Japan, we expanded strategic channels in the private brand (PB) market by releasing quality liquid detergents at reasonable prices. In Russia, Ukraine, and Kazakhstan, since business conditions were deteriorated due to their unstable economy, we maintained the prices of our products while strategically increasing the actual sales at stores. In Iran, we boosted the sales of household goods including toothpaste and shampoo, cooperating with a partner that has distribution channels in pharmacies.

Refreshing

- Despite the slow growth in the domestic beverage market, we recorded positive performance thanks to the invigorated carbonated water market and the increased sales of Coca-Cola products. We are now planning to invest in the production and logistics sectors to secure cost competitiveness.

Although the export volume decreased because of the aggravated economic situation in Iran, Brazil, and Russia, sales rose by 6% from the previous year. We accomplished this by retaining the growth trend with the enhanced distribution structure and expanding our business areas in China.

Total sales (Consolidated)



2016 Business Plans

In 2016, LG H&H will concentrate on businesses that can create differentiated values for customers by reinforcing its business expertise and releasing premium products. Based on the success of Whoo in the Greater China region, we will boost our overseas businesses, focusing on high-end brands and premium personal care businesses with huge potential.

Beauty

- In the domestic market, we anticipate a steady rise in the sales of cosmetics at duty-free shops because of the increasing number of tourists from the Greater China region and expanded online channels. We will develop more high-end cosmetic brands in addition to Whoo, and strengthen our capacity in online channels. We also plan to enhance the competitiveness of high-end brands, such as Whoo, Su:m37°, O HUI, and Belif, and premium brands, such as Isaknox and Sooryehan, and continue to further improve their quality.

In the Greater China region markets, our company is planning to accelerate the growth of high-end brands with a focus on Whoo, and improve the image and reputation of Su:m37°, and the Saga of Xiu as high-end brands, which are popular in domestic duty-free shops. We will also step into the Middle East markets, where the cosmetic market has shown steady growth, to increase the number of our stores in key regions. In the U.S., we will raise brand awareness of THE FACE SHOP, and utilize Sephora chains to accelerate the growth of Belif and expand our business to other countries.

Healthy

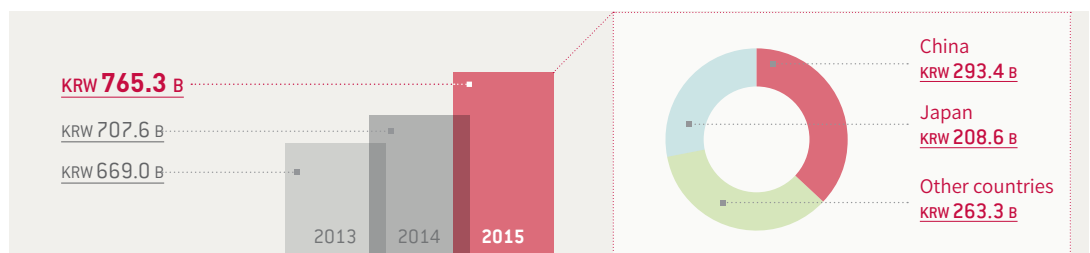
- LG H&H will release new products to maintain its top position in the domestic household goods market. We will also increase profitability by improving the premium images of our major products; for instance, we plan to improve the competitiveness of Organist in the personal care market. Our company will also develop new healthy functional food products and invest more in marketing to secure momentum for future business growth.

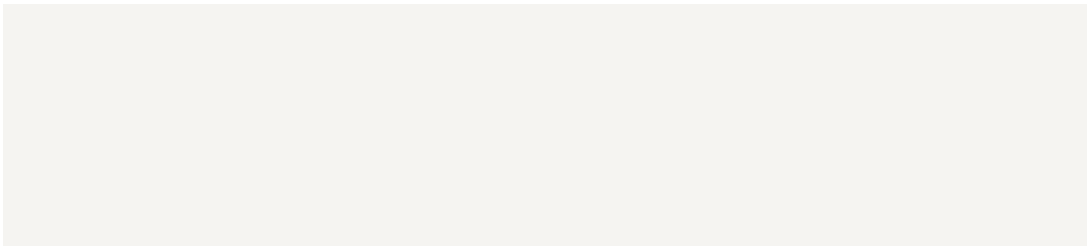
In overseas markets, we will strengthen our global brand portfolio by expanding our personal care brand to other countries, especially in China. In Japan, we will build the competitiveness of our fabric softener brand, Saffron, and release new products such as Bamboo Salt Toothpaste and Saffron Flower Vinegar to provide diversified options to consumers. In Russia, Kazakhstan, and Ukraine, our focus will be on household goods such as toothpaste and shampoo along with detergents—which is our major item in that market so far. Furthermore, we will attain price competitiveness of toothpaste products that have been sold in the western coastal regions in Africa and expand our business to inland areas with high potential in the continent.

Refreshing

- In the beverage market, our company will expand and strengthen our carbonated beverage products, and we will develop a range of new products to secure growth engines for the future. We will also build internal capacity and develop new products to secure competitiveness in the growing healthy beverage market.

Overseas Sales





Brand Overview

Modern Reinterpretation of the Royal Courts
The History of Whoo



Wisdom of Natural Fermentation
Su:m37°



Beauty Products

Natural Hair Healing Therapy
Organist



All-in-one Natural Haircare
ReEn Yungo



Healthy Products

Taste the Feeling
Coca-Cola



Coffee is All about Aroma
GEORGIA Gotica



Refreshing Products

- CEO Message
- **Overview**
- Stakeholder Management & Materiality Test
- Focus Issues & Business Cases
- Fundamental Issues & Management
- Performance Review
- Appendix

Natural Therapy with the Power of Nature
The Therapy



Medical Prescription as Cosmetics
CNP Rx



Korean National Toothpaste
PERIOE



No Worry for Frequent Washing
HANIP Detergent



Confident Energy of 50 Years of History
Yungjin Guronsan Vermont



108 Years Tradition of Premium Juice
Sunkist



Governance

LG H&H operates the Board of Directors (BOD) to make decisions on management issues, the Audit Committee for the independent audit process, and the Outside Directors Nomination Committee for the fair appointment of outside directors.

BOD Operation

The BOD is the top decision-making body which monitors key management issues. The board consists of four outside directors, two inside directors, and one non-executive director, for its transparency and independence. For the board meeting, the outside directors are provided with data relevant to the agenda. They offer professional opinions on each area of their expertise, and also provide fair evaluation and review of the company's annual performance.

The regular meeting of the board is held according to the annual plan, and additional meetings are held if any urgent agenda needs to be decided. In order to avoid any conflict of interests, an director with interest In accordance with the Commercial Act and the BOD regulations, any director who has interest with certain agenda loses his/her rights to vote. In 2015, a total of eight meetings were held, and the average attendance of the outside directors was 87.5%.

BOD Members

Category	Name	Major Career	Gender	Position
Inside director(s)	Suk Cha	CEO & Vice Chairman, LG H&H	Male	Chairman of the BOD
	Sung Huh	CFO & Vice President, LG H&H	Male	Director
Non-executive director(s)	Joo-hyung Kim	President, LG Economic Research Institute	Male	Chairman of the Outside Directors Nomination Committee
Outside director(s)	Lee-seok Hwang	Professor of Business School, Seoul National University	Male	Chairman of the Audit Committee
	Sang-lin Han	Professor of Business School, Hanyang University	Male	Member of the Audit Committee
	In-soo Pyo	Attorney, BAE, KIM & LEE LLC.	Male	Member of the Audit Committee/Outside Directors Nomination Committee
	Chai-bong Hahm	President, Asan Institute for Policy Studies	Male	Director, Member of the Outside Directors Nomination Committee

BOD Meetings

Year	No. of Meetings	Attendance Rate of Outside Directors	Major Decision(s)
2013	9	80.5%	- Approved the capital reduction of Coca-Cola Beverage - Approved the purchase of the land of the Magok R&D Center - Reported the evaluation of the operation of the internal accounting control system
2014	8	90.6%	- Established the Outside Directors Nomination Committee and the regulations - Approved the equity acquisition of CNP Cosmetics - Reported the evaluation of the effectiveness of the compliance control system
2015	8	87.5%	- Approved the equity acquisition of Future Co., Ltd. - Approved the investment in new facilities of the R&D Center at LG Science Park - Approved the medium and long-term management strategies

- The internal standard of the minimum attendance rate (70%) was made for the smooth operation of the BOD.

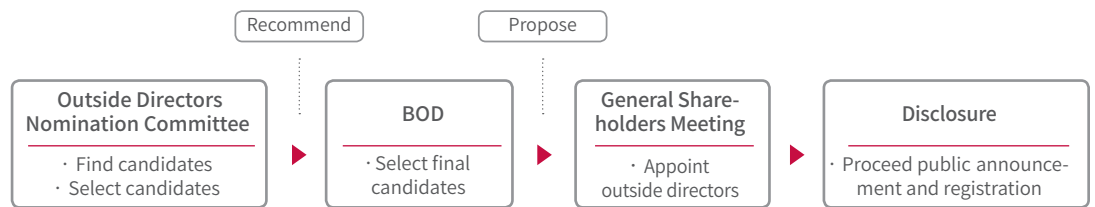
Remuneration Policy for the Directors and Audit Committee

The remuneration of outside directors and members of the Audit Committee is provided, below the remuneration limit set by the general shareholder's meeting, by the BOD. The inside directors receive their basic salary monthly in accordance with the Executive Remuneration Policy of the BOD, and their bonus is decided based on their performance under the special bonus regulation. The directors are evaluated in the financial performance of the company and their outcomes in contribution and leadership.

Outside Directors Nomination Committee

The Outside Directors Nomination Committee consists of three directors, and the majority of whom are outside directors, thereby complying with relevant regulations. It nominates candidates for outside directors by considering their expertise in the economic, environmental, and social sectors. The final candidate is decided among nominees, and appointed as an outside director in the general meeting.

Outside Directors Nomination Process



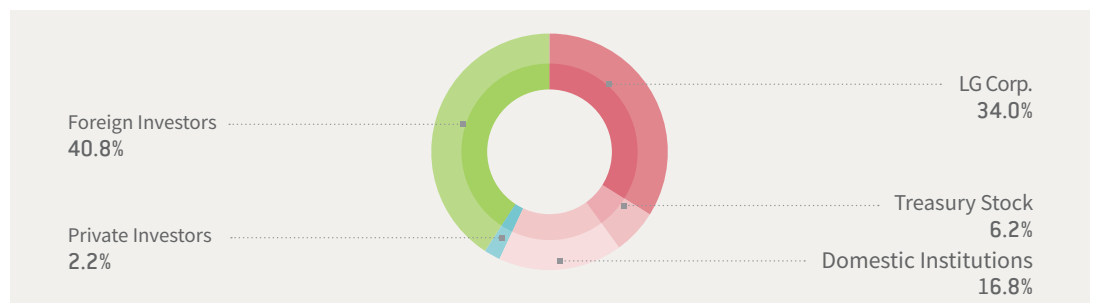
Restrictions on the Qualification of Outside Directors for Ensuring the Independence of the BOD

- 1 Any director, executive director, or employee of the company who currently serves as a senior managing director, or an director, audit director, executive director, or employee of the company who has served as a senior managing director within the past two years
- 2 The largest shareholder, his/her spouse, lineal ascendant, or descendant
- 3 In case the largest shareholder is a corporation, any director, audit director, executive director, or employee of the corporation
- 4 A spouse, lineal ascendant or descendant of any director, audit director, or executive director
- 5 Any director, audit director, executive director, or employee of the company's parent company or subsidiary
- 6 Any director, audit director, executive director, or employee of a corporation that is a partner or has an important stake in the company
- 7 Any director, audit director, executive director, or employee of another corporation at which a current director, executive director, or employee of the company serves as a director or an executive director

Audit Committee

In accordance with the relevant regulations, the Audit Committee consists of three outside directors playing roles of the chairman and members of the committee. It designs internal audit plans and handles related affairs independently. The committee has the right to request for the business report to the BOD or examine the assets of the company for auditing tasks, as well as ask for expert consultation at the company's expense. The committee conducted four meetings in 2013, five in 2014, and five in 2015.

Shareholders



CSR Strategies and Medium and Long-term Roadmap

LG H&H strives to fulfill its social responsibility and achieve its vision, 'the Best Sustainable FMCG* Company'. In 2015, we established the medium- and long-term roadmap for existing key CSR areas, including Jeong-Do Management, Green Management, Win-Win Growth, Customer Satisfaction, Employee Value and Social Contribution, and also new core management issues including sustainable products and communication channels. We are unconditionally committed to give every possible effort to accomplish our annual goal every year.

*FMCG : Fast Moving Consumer Goods

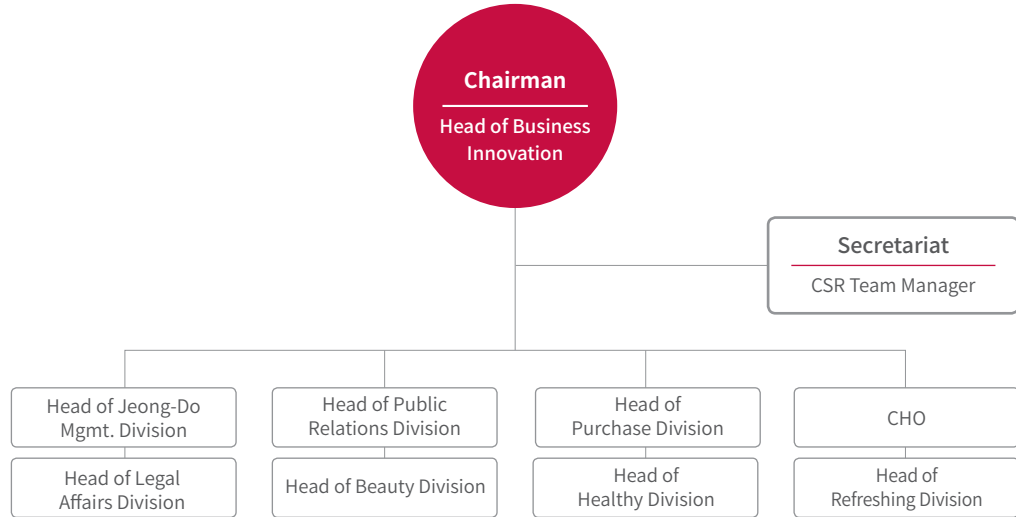


Mid- and Long-term Roadmap

Category	Core Management Issues	Performance in 2015	2016
Management	Jeong-Do Management	<ul style="list-style-type: none"> Strengthen or Reinforced the infrastructure of Jeong-Do Management at overseas subsidiaries 	<ul style="list-style-type: none"> Evaluate the Jeong-Do Management activities of the presidents of overseas subsidiaries
	Green Management Intensity-based data compared to 2009 - GHG emissions: 0.090t CO ₂ e / product-ton - Water usage: 2.255 tons/product-ton - Waste: 15.214 kg/product-ton	<ul style="list-style-type: none"> GHG emissions: 0.072t CO₂e /product-ton Water usage: 2.118 tons/product-ton Waste: 14.963 kg/product-ton 	<ul style="list-style-type: none"> GHG emissions: 0.076t CO₂e /product-ton Water usage: 2.206 tons/product-ton Waste: 14.236 kg/product-ton
	Win-Win Growth	<ul style="list-style-type: none"> Conducted the CSR diagnoses on 127 major suppliers Achieved the first class of the Win-Win Growth Index 	<ul style="list-style-type: none"> Record 100% of the CSR diagnosis rate for major suppliers Maintain the first class of the Win-Win Growth Index
Products	Sustainable Products	<ul style="list-style-type: none"> Managed the performance of sustainable products Provided 134 eco-friendly product lines 	<ul style="list-style-type: none"> Reestablish the standard of sustainable products Increase the number of certified eco-friendly product lines to 155
Social Responsibility	Customer Satisfaction	<ul style="list-style-type: none"> Received and managed VOC Conducted preventive activities against the reoccurrence of customer complaints Reinforced the quality management system Carried out the preliminary management activities for quality improvement 	<ul style="list-style-type: none"> Reduce the customer complaint rate by 3% compared to 2015 Resolve prolonged complaints and improve the quality of products Supplement the process for enhancing the quality of imported products Establish the customer complaint forecast system
	Employee Value	<ul style="list-style-type: none"> Established unique corporate culture Managed industrial accidents (negligence, fire, etc.) Operated the health improvement program 	<ul style="list-style-type: none"> Develop and understand the core values of the corporate culture for overseas subsidiaries and field staff Assess the Safety Culture Index and focus on the safety campaign activities Run the all-year health consultation and work-out program Create the post management process of health check-ups
Communication	Social Contribution	<ul style="list-style-type: none"> Built the foundation for running the Borrowed Earth School Expanded the Global Eco Leader Project 	<ul style="list-style-type: none"> Increase the number of participants to 12,000 middle school students at about 60 schools across the country Cultivate 300 environmental leaders from 60 Global Eco Leader teams
	Communication Channels	<ul style="list-style-type: none"> Conducted four meetings of the CSR Committee Published the 6th CSR Report Held two CSR expert panel discussions 	<ul style="list-style-type: none"> Hold four CSR Committee meetings Publish the 7th CSR Report Conduct four CSR expert panel discussions

• For the details, please refer to the Performance Review section (pp. 59-63).

CSR Committee



2017
<ul style="list-style-type: none"> · Invigorate the Ethical Affairs Team of each sector in overseas subsidiaries
<ul style="list-style-type: none"> · GHG emissions: 0.063t CO₂e/product-ton · Water usage: 1.835 tons/product-ton · Waste: 12.539 kg/product-ton
<ul style="list-style-type: none"> · Record 100% of the CSR diagnosis rate for major suppliers · Maintain first class status in the Win-Win Growth Index
<ul style="list-style-type: none"> · Manage the performance of sustainable products and examining the possibility for expansion · Increase the number of certified eco-friendly product lines to 170
<ul style="list-style-type: none"> · Reduce the customer complaint rate by 4% compared to 2015 · Promote prevention of high-risk claims · Diagnose and stabilize the quality system of new businesses · Stabilize the preventive system of quality issues
<ul style="list-style-type: none"> · Create the corporate culture system for overseas subsidiaries and field staff · Assess the Safety Culture Index and expand the safety campaign activities · Develop and introducing the preventive early detection program for the cerebrovascular and cardiovascular diseases · Stabilize the post management process of health check-ups
<ul style="list-style-type: none"> · Increase the number of participants to over 20,000 middle school students at about 100 schools across the country and arrange the space for the program · Expand the UNEP global program of the Global Eco Leader Project
<ul style="list-style-type: none"> · Hold four CSR Committee meetings · Publish the 8th CSR Report · Conduct four CSR expert panel discussions

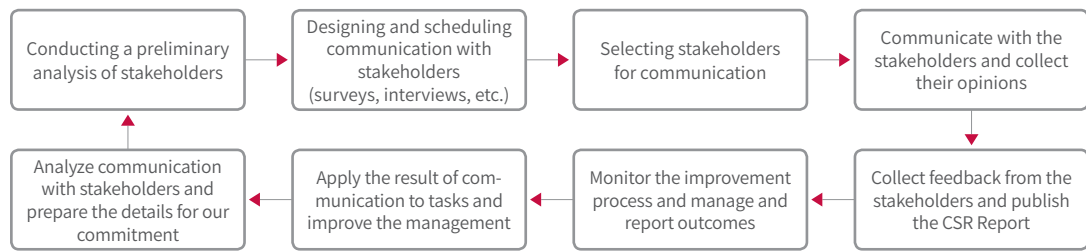
2018
<ul style="list-style-type: none"> · Accomplish 100% of the Jeong-Do Management Survey Index for overseas subsidiaries compared to that of the headquarters
<ul style="list-style-type: none"> · GHG emissions: 0.060t CO₂e product-ton · Water usage: 1.746 tons/product-ton · Waste: 11.603 kg/product-ton
<ul style="list-style-type: none"> · Record 100% of the CSR diagnosis rate for major suppliers · Maintain first class status in the Win-Win Growth Index
<ul style="list-style-type: none"> · Manage the performance of sustainable products and reexamining the standard · Increase the number of certified eco-friendly product lines to 180
<ul style="list-style-type: none"> · Reduce the customer complaint rate by 5% compared to 2015 · Monitor the quality changes with the control chart and improve the quality of products · Create the quality system to support global businesses · Carry out campaigns and events to raise the awareness of quality improvement
<ul style="list-style-type: none"> · Secure the internal capacity for managing the corporate culture for overseas subsidiaries and field staff · Assess the Safety Culture Index and expand the safety campaign activities · Operate the preventive program of cerebrovascular and cardiovascular diseases (managing high-risk patients) · Strengthen the capacity of managing work-related stress and conduct campaigns to raise awareness
<ul style="list-style-type: none"> · Expand the space for the program domestically and in China as CSR activities · Stabilize the UNEP global program of the Global Eco Leader Project
<ul style="list-style-type: none"> · Hold four CSR Committee meetings · Publish the 9th CSR Report · Conduct four CSR expert panel discussions

Stakeholder Engagement and Materiality Test

Stakeholder Communication

LG H&H emphasizes embracing and reflecting the various opinions of stakeholders as part of its efforts to practice sustainable management. We encourage stakeholders to participate in the management of the company, and operate the communication channel with stakeholders to accomplish our sustainable management goals.

Stakeholder Engagement Process



Stakeholder Communication Channels

Major stakeholders are classified into six groups: ‘customers’, ‘shareholders and investors’, ‘local community’, ‘executives and employees’, ‘suppliers’, and ‘the government, public institutions, and associations’. We operate a communication channel for each group all year round to efficiently identify expectations and requests of stakeholders and reflect the result in company management. We also conduct surveys of internal and external stakeholders and hold panel meetings each year as part of the Materiality Test process.

Stakeholder Group	Communication Channel	Frequency	
Customers	Website of the company and brands	Always	
	CS Portal, VOC, Call Center	Always	
	Complaints and feedback from customers	Always	
	Consumer monitoring	3 times/mo.	
	Housewife monitoring agents	8 times/yr.	
	Brand awareness and satisfaction level surveys	6 times/yr.	
	CSR surveys of customers	Annually	
	Key activities: Conducting surveys of feedback on products and services		
Suppliers	Integrated purchase channel	Always	
	Jeong-Do Management channel	Always	
	Win-Win Growth Committee of suppliers	3 times/yr.	
	General meetings and seminars of suppliers	Annually	
	Technical support for suppliers	Annually	
	CSR survey of suppliers	Annually	
	Meetings with managers of sales outlets	Annually	
	Major activities: Promoting Win-Win Growth with suppliers		
	Executives & Employees	Intranet and complaint handling programs	Always
		Idea Innovation i-30	Always
Company newsletter		6 times/yr.	
Company meeting		Quarterly	
Labor-Management Committee, Employees Committee		Quarterly	
Industrial Safety Committee		Quarterly	
Meetings with specific levels of employees		Half-yearly	
Satisfaction surveys of employees		Annually	
CSR surveys of employees		Annually	
Major activities: Conducting surveys of opinions on management strategies and implementation			
Local Community	Expert panel meetings	Biannually	
	Community committees	Biannually	
	Social contribution programs	Annually	
	CSR surveys of community	Annually	
	Public affairs	Irregularly	
	Launching events for the press	Irregularly	
	Major activities: Engaging in the decision making process for the development of local community		
	Shareholders & Investors	IR website	Always
IR Roadshow		Biannually	
General meetings of shareholders		Annually	
Business reports		Annually	
Conference		Irregularly	
Major activities: Engaging in the strategic decision-making process related to businesses			
Government & Other Institutions		Korea Industrial Safety Association	Monthly
		Recycling associations	Quarterly
	Asia Carbon Footprint Seminar	Annually	
	Korea Fire Safety Association	Annually	
	Korea Environmental Industry & Technology Institute	Irregularly	
	Government challenges and conferences	Irregularly	
	Major activities: Participating in the decision-making process related to government policies		

Panel Discussion

LG H&H holds panel discussions every year to seek advice from external stakeholders and CSR experts in each field. From 2016, we will expand the number of meetings from two to four times a year to select more specific agendas, ask for opinions, and apply the outcomes to the company-wide management process. In the first quarterly meeting held in March 2016, participants discussed the reestablishment of the standard of sustainable products to supplement the existing criteria. The company will improve its sustainable standard for products based on suggestions from the experts in the panel meeting.

Agenda

Opinions on the reestablishment of the standard of sustainable products of LG H&H

Panels



→ **CSR Experts**

Ik Kim (CEO of SMaRT ECO), Hye-sun Jeong (Associate Researcher), Jeong-nam Kim (Director of KPMG), Jae-eun Kim (Researcher of the Institute for Industrial Policy Studies), So-jeong Park (Senior Manager of Ecosian), Jang-yul Jo (Team Leader of KEITI)

→ **LG H&H**

Heon-yeong Park, Executive Director of Public Cooperation Department

Key Agenda

Plans for communication measures about sustainable products	<ul style="list-style-type: none"> · Sustainable products from LG H&H should be easily understood by customers. · The values that can be recognized by purchasers of sustainable products should be presented. · The internal communication regarding positive effects of sustainable products on the company should be invigorated.
Internal process for sustainable product management	<ul style="list-style-type: none"> · The definition of sustainable products should be simplified to improve management's efficiency and set clear goals. · The standards should be applicable to all categories of business of LG H&H. · The objectivity and reliability of sustainable products should be secured with certifications from external institutions.
The growth of LG H&H through its sustainable products	<ul style="list-style-type: none"> · The sales of sustainable products should be managed on a steady basis to check the correlation between such products and the growth of the company. · Continuous monitoring on the values and performance of sustainable products is needed in the ESG aspects.

History

2012	<ul style="list-style-type: none"> · Opinions on the scope and values of activities for accomplishing our vision.
2013	<ul style="list-style-type: none"> · Suggestions for satisfying social expectations and needs for CSR
2014	<ul style="list-style-type: none"> · Discussion on the current CSR-related issues of LG H&H and the Materiality Test process
2015	<ul style="list-style-type: none"> · Opinions on the improvement direction for the LG H&H CSR Report and materiality issues · Review of the 2014 CSR Report and discussion CSR from the business aspect

Materiality Test

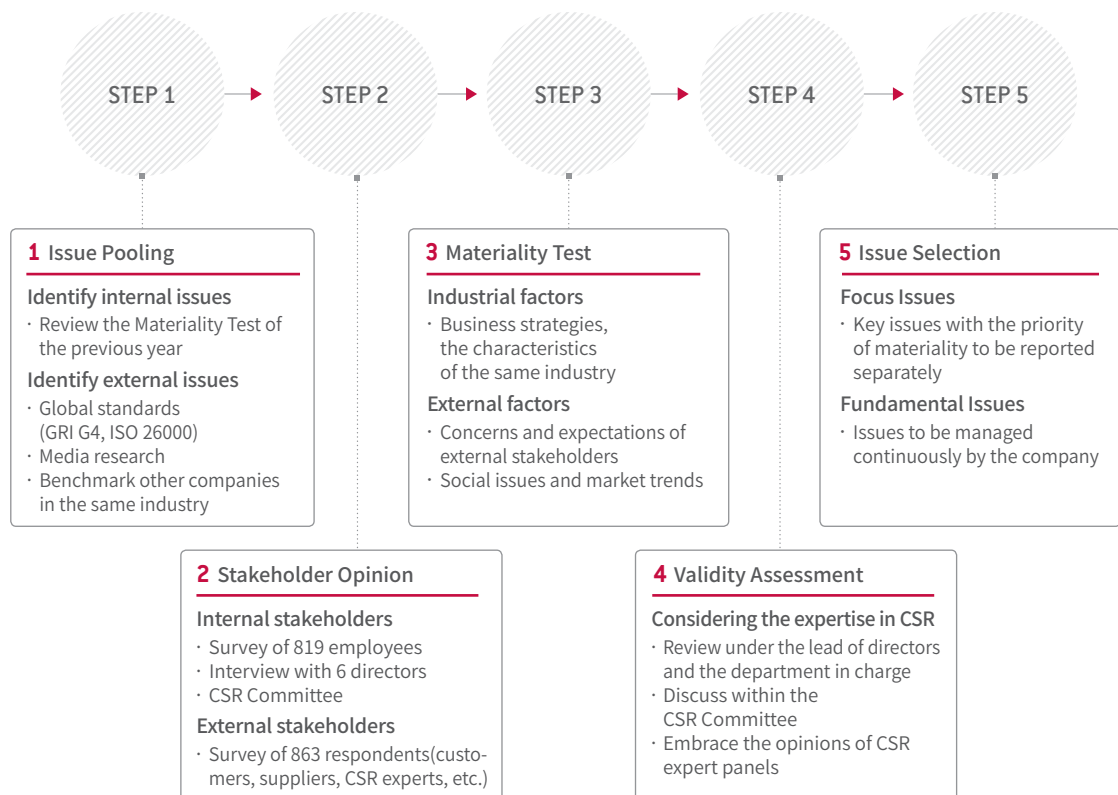
LG H&H annually conducts the Materiality Test to analyze the significance of its products and activities and the correlation with diverse sustainable management issues. We report the result by focusing on the issues with high priority.

Materiality Test Process

LG H&H carried out the Materiality Test based on the methodology of the Five-part Materiality Test of AccountAbility, a leading global organization in the sustainable management area. First, we organized the issue pool by utilizing various data: sustainability-related global standards, indexes and media research findings such as the GRI G4 Guidelines, ISO 26000 and DJSI, business cases of other companies in the same industry, and LG H&H's issues from the previous year. We then conducted an online survey of internal and external stakeholders, as well as interviews with internal directors, to collect a wide range of opinions.

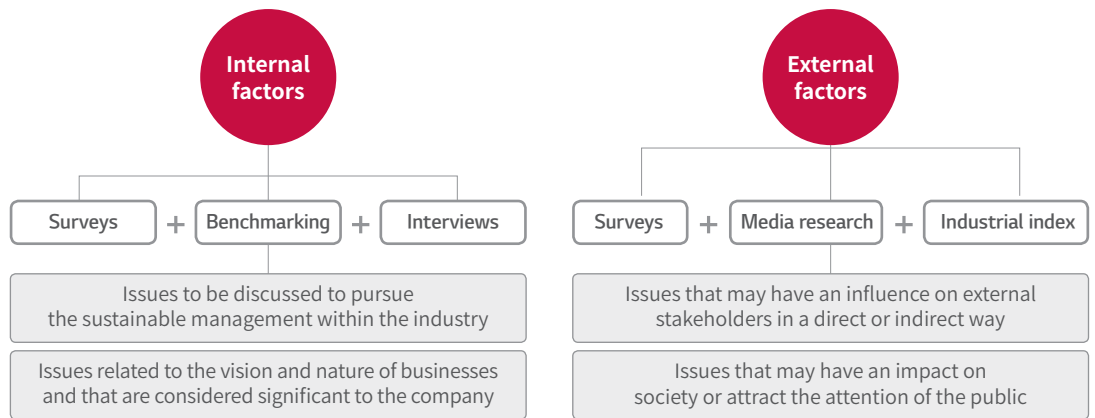
In the survey of executives and employees, we divided the respondents into the household goods and cosmetics division and beverage division to effectively reflect detailed opinions related to the characteristics of each business. In addition, we differentiated the questions for each group of stakeholders in the internal and external surveys to help the external respondents easily understand and respond to the questions, thereby obtaining more objective responses. As a result, we could measure the internal and external factors regarding the sustainable management of the company based on the collected data, and then draw key issues. Finally, we examined the effectiveness of the issues derived from the interviews with the CSR Committee and the relevant department consisting of directors and staff in charge to select the key issues.

The selected issues are divided into two categories: the Focus Issues for effectively explaining our management methods and relevant business cases, and the Fundamental Issues, which are continuously managed by the company every year to maintain connectivity with the previous year's report.



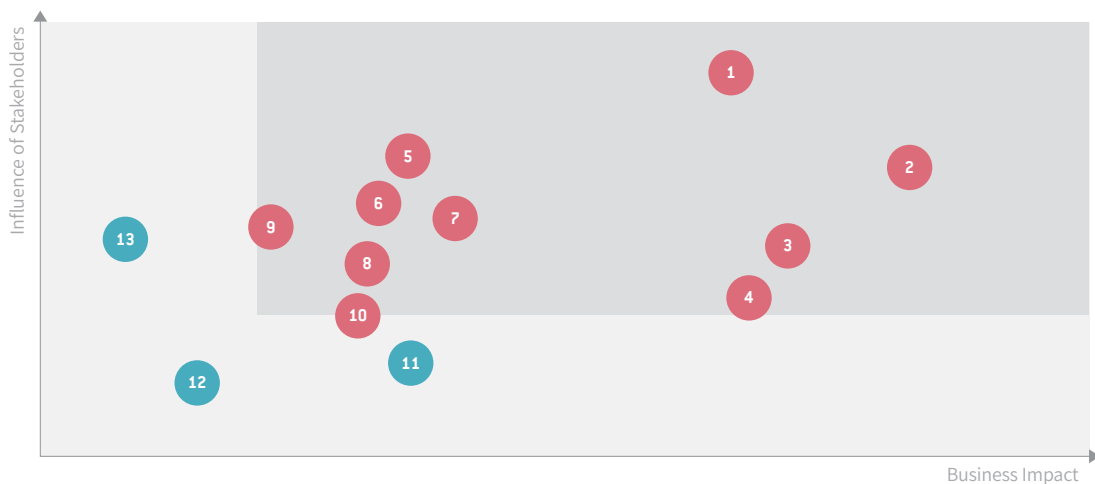
Standards of Materiality Test

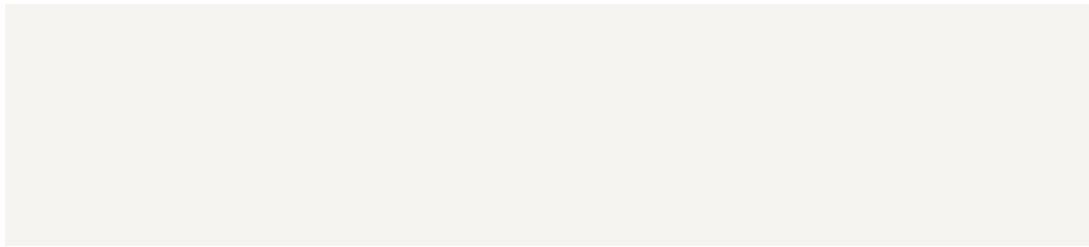
We analyzed internal and external factors to distinguish key issues related to our sustainability. We then measured the relevance with the mid- and long-term strategies, the characteristics of the company, and Jeong-Do Management based on the results of the surveys of employees and suppliers, benchmarking of other enterprises in the same industry, and the interviews with decision-making directors. We also utilized surveys of customers and public institutions, media research, and global industrial standards to identify and comprehensively analyze the level of influence of the attention of external stakeholders, social issues, and regulations.



Result of Materiality Test

Material Issues	<ul style="list-style-type: none"> 1 Enhance features/health effects of products 2 improve product safety 3 Invigorate stakeholder communication 4 Develop and foster talents 5 Pursue diversity and fair opportunities 6 Safety in hazardous substances management 7 Work-life balance (welfares, etc.) 8 Energy efficiency and reduction 9 Supplier CSR management 10 Social contribution activities for social needs
Beauty/Healthy Issues	<ul style="list-style-type: none"> 11 Non-financial support to suppliers (technological, training, etc.)
Refreshing Issues	<ul style="list-style-type: none"> 12 Build trust in labor-management relations 13 Efficient use of resources





Material Issues Reporting Method

LG H&H reorganized material issues derived from the Materiality Test into the Reported Issues according to the relevance and impact. The Reported Issues were categorized into the 'Focus Issues' and 'Fundamental Issues' based on the level of significance.

	GRI Aspects	Material Issues
Focus Issues	Customer Health and Safety	Enhance features/health effects of products
		Improve product safety
	Supplier Assessment for Environment, for Labor Practices, for Human Rights, Impacts on Society	Invigorate stakeholder communication
		Supplier CSR management
Fundamental Issues	Employment; Labor/Management Relations; Training and Education; Diversity and Equal Opportunity	Work-life balance
		Develop and foster talents
		Pursue diversity and fair opportunities
		Build trust in labor-management relations
	Local Communities	Social contribution activities for social needs
	Energy; Water; Emission; Effluents and Waste	Energy efficiency and reduction
		Efficient use of resources
		Safety in hazardous substances management
	Supplier Assessment for Impacts on Society	Non-financial support to suppliers (technological, training, etc.)

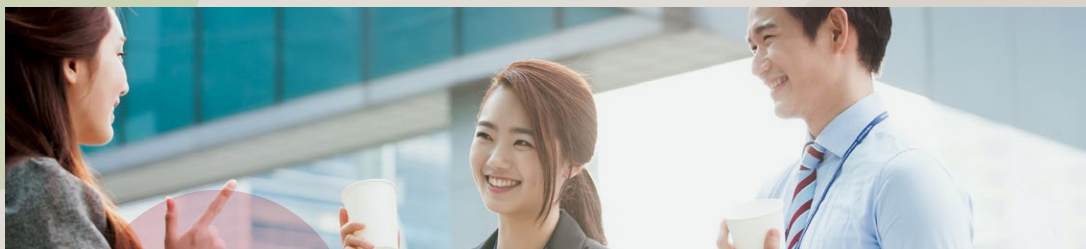
The 'Focus Issues' were reported more in details through the relevant business cases, while the 'Fundamental Issues' were reported with overall system, performance, and plans of the issues that are continually managed by the company.

Reported Issues	Relevance & Impact	Major Stakeholders	Page
Strengthening Product Safety	Since cosmetics, household goods, and beverages have a direct impact on health and life of consumers, it is important that their safety is ensured.	Customers; Employees; Suppliers	pp. 24 ~ 27
Improving Product Features	It is essential to improve the functions of the products used in daily life from the aspects of convenience and accessibility to attract consumers.	Customers; Employees; Suppliers	pp. 28 ~ 29
Communicating with Suppliers and Supporting CSR Activities	The company can further grow when pursuing the Win-Win growth with suppliers that provide key supplies for products, including raw materials and components.	Employees; Suppliers; Local community; Government & Other Institutions	pp. 30 ~ 31
Governance	The reliability of the company and the loyalty of employees can be enhanced by organizing a transparent decision-making body and realizing a fair management system.	Customers; Employees; Shareholders & Investors; Government & Other Institutions	pp. 10 ~ 11
Jeong-Do Management	Jeong-Do Management, the core spirit of LG Corp., stresses the transparency and social responsibility of enterprises from various perspectives, encouraging LG employees to have a positive influence on society.	Employees; Shareholders & Investors; Suppliers	pp. 34 ~ 35
Integrated Risk Management	The company can minimize loss and damage by preventing diverse risk factors in the systematic management system and swiftly responding to problems.	Employees; Employees; Shareholders & Investors; Suppliers	pp. 36 ~ 39
Employee Value	By ensuring that employees can enjoy their personal lives and receive fair compensation for their performance, the company can improve their satisfaction, concentration level at work, productivity, and even their loyalty.	Employees	pp. 40 ~ 45
Customer Satisfaction	Alleviating and actively resolving complaints of customers will boost the purchase of products, leading to an increase in the sales and sustainable growth for the company.	Customers	pp. 46 ~ 47
Social Contribution	The company can lead the market as an exemplary corporation by carrying out activities that are essential for local communities and building society's trust in it.	Customers; Local community; Government & Other Institutions	pp. 48 ~ 51
Green Management	The company can help address environmental issues by minimizing harmful substances and GHG emissions, the fundamental causes of global warming and climate change, and reducing energy consumption.	Customers; Local community; Government & Other Institutions	pp. 52 ~ 55
Win-Win Growth	The company can reduce unnecessary risk factors by providing financial and technological support to its suppliers and expanding business relationships.	Suppliers	pp. 56 ~ 58



02

Improving Product Feature





Focus Issues & Business Cases

Strengthening Product Safety

01

LG H&H prioritizes the safety and health of consumers since LG H&H's wide range of products is used in consumers' daily lives directly and indirectly. We are fully committed to meeting the expectations of consumers by conducting a series of tests and verification processes, and examining the safety of products in all aspects from ingredients to raw materials for containers. We will also examine the social and environmental factors to provide reliable products, and continue R&D activities to secure the safety of consumers.



• Non-consolidated

Certified Eco-friendly Products

134 Products



Eco-labeling

89 Labels



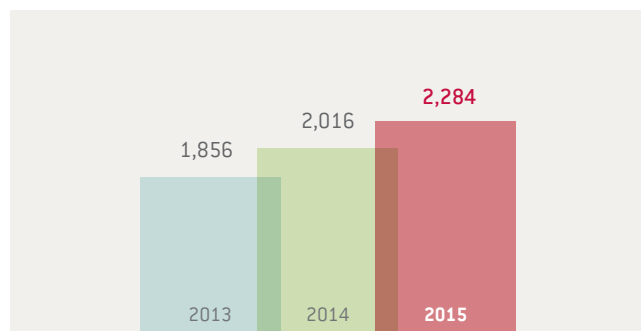
Low-carbon labeling

45 Labels



SALES OF SUSTAINABLE PRODUCTS

(Unit: KRW 100 M)




Business Case # 01



Preservative-free Cosmetics Marketed at Room Temperature

LG H&H employed the ultra-high temperature (UHT) sterilization process for cosmetics to exclude preservatives, which are harmful to the skin. Thanks to the clean production system, UHT process, and the optimum formulation, we successfully launched the “CNP Rx Sensitive Skin Refine Line.” This product line offers preservative-free cosmetics contained in specially designed double-airtight containers that prevent secondary contamination. Products in this line can be distributed at room temperature, and they contain no preservatives or similar substances.

CNP Rx Sensitive Skin Refine Line

What is the ZERO-SAGE System™?

1. Preservative-free cosmetics : Preservatives 0%, Similar substances 0%
2. UHT sterilization process: Sterilized at the ultra-high temperature of 130°C for 30 seconds
3. Double-airtight container: Double-airtight containers with the shutoff function
4. Clean production system: A world-class clean production system, same level with biotech medicine laboratories that satisfy GLP standards

Business Case # 02



Safe Wet Wipes for Babies

LG H&H implements internal and external verifications on safety of ingredients. “Babience by Herringbone,” a wet wipe product for babies was developed based on a new liquid formulation, using only food additives to relieve mothers’ concerns about preservatives and other harmful substances. We thoroughly exclude 15 chemical components that are detrimental to babies from production processes, and utilize a 7 steps micro water purifying system. We also conduct an internal inspection to eradicate microbes and harmful substances, while reexamining finished products with the cooperation of various qualified institutions, including Dermatest GmbH, a German research institute, and Ecoderm, a Korean skin clinical assessment institute. We are leading the baby product market as a safe premium brand by realizing the brand philosophy “Baby Science for Babies.”

Babience by Herringbone



Business Case # 03



100% Edible Dishwashing Liquid

Consumers are very concerned about the safety of ingredients of dishwashing detergents since they could unintentionally consume detergent residues left on dishes. LG H&H developed a dishwashing liquid containing only edible food and food additives. Consumers can easily see this for themselves when they read the ingredients on the container label. Chemical preservatives are replaced with natural ones, freeing consumers from concerns about harmful substances.

100% Edible Dishwashing Liquid



Business Case # 04



Stricter Safety Management of Food Ingredients

PCB (Polychlorinated Biphenyl), a common omega-3 ingredient, is classified as an endocrine disruptor due to its toxicity, persistence, and accumulation. In Korea, the content is limited to 0.3 mg/kg or lower for seven types of fish oil PCB. For LG H&H’s product named “ChungYoonJin Super Omega 3 DHA 95,” we limit the content of all 209 types of PCB to be equal to or below 0.09 mg/kg in accordance with GOED (Global Organization for EPA and DHA), satisfying the standard stricter than those in Korea. Since our products are only manufactured by suppliers who obtained the GMP (Good Manufacturing Practices) certification from the Ministry of Food and Drug Safety, consumers can use our products without any worries.

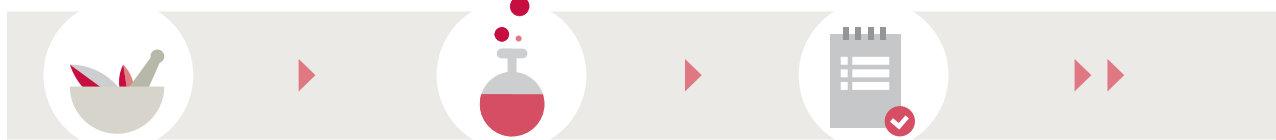
ChungYoonJin Super Omega 3 DHA 95



Product Safety Management Process

R&D

Beauty & Healthy



1 Ingredient Review

- Examine the internal database of ingredients
- Examine new ingredients (incompatibility-related regulations on materials, restrictions on wild animals and plants, etc.)
- Check relevant regulations and legal standards (the Cosmetics Act, organic-ingredient-related standards, etc.)
- Strengthen the management of ingredients (preservatives, tar colors, etc.)

2 Ingredient Assessment

- Analyze harmful substances in ingredients (heavy metals, endocrine disruptors, steroids, dioxane, etc.)
- Examine the cytotoxicity of ingredients
- Conduct skin allergy tests
- Conduct photo irritation (UV) tests
- Conduct corneal stimulation safety tests

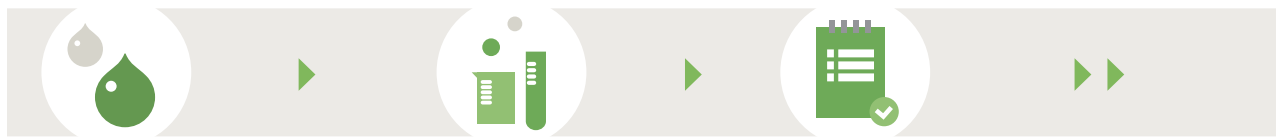
3 Ingredient Recipe Assessment

- Analyze harmful substances in recipes (heavy metals, endocrine disruptors, steroids, dioxane, etc.)
- Conduct internal patch tests
- Conduct dermatological tests at external institutions
- Conduct accumulated stimulation and side effects
- Conduct nerve stimulation sting tests

Safety test technologies for respecting life

- Eliminated the animal-testing process in January 2012
- Replace with the cytotoxicity tests (toxicity evaluation), immune cell culture (allergy evaluation), and corneal stimulation safety tests (HET-CAM Test)
- Observe the EU guidelines

Refreshing



1 Ingredient Review

- Examine the internal database of ingredients
- Examine new ingredients (incompatibility-related regulations on materials, restrictions on wild animals and plants, etc.)
- Check relevant regulations and legal standards (the Cosmetics Act, organic-ingredient-related standards, etc.)
- Strengthen the management of ingredients (preservatives, tar colors, etc.)

2 Ingredient Assessment

- Analyze harmful substances in ingredients (heavy metals, harmful microbes, mycotoxin, steroids, radioactivity, etc.)

3 Ingredient Recipe Assessment

- Analyze harmful substances in recipes (heavy metals, harmful microbes, mycotoxin, steroids, radioactivity, etc.)
- Standardize the management of hazardous foreign materials (foreign materials including animals, vegetables, minerals, etc.)

Disposal

Product-in-Use



9 9

- Collect used containers through recycling associations
- Apply biomass-based containers

8 8

- Educate Sales Employees about Product Safety
- Conduct VOC quality management activities (Receive customer complaint → Identify the issue → Analyze the cause → Take measures for improvement → Standardize the improvements → Provide quick feedback and design plans to prevent the same complaints)



4 Packaging Materials Assessment

- Analyze harmful substances in packaging materials (heavy metals, endocrine disruptors, steroids, harmful pigments, etc.)
- Examine the safety of structure and shape (prevent babies from swallowing materials, prevent injury, etc.)
- Check relevant regulations (the acts related to chemical substances and resource recycling, packaging methods, etc.)



4 Packaging Materials Assessment

- Analyze harmful substances in packaging materials (heavy metals, endocrine disruptors, harmful microbial colorants, etc.)
- Examine the safety of structure and shape (prevent babies from swallowing materials, prevent injury, block external foreign materials, etc.)
- Check relevant regulations (the acts related to chemical substances and resource recycling, packaging methods, etc.)

Logistics



7 7

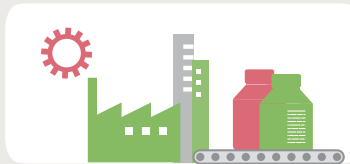
- Manage the quality in the distribution process (prevent breakage, observe the load standard and the expiration date, etc.)
- Operate the storage management system according to product features
- Conduct a weekly check on 5S activities—Seiri (Arrangement), Seiton (In Order), Seisoh (Cleaning), Seiketsu (Neat), and Shitsuke (Well Bred)
- Conduct regular education programs for safety and fire prevention



Procurement

5 5

- Inspect the suppliers of ingredients and packaging materials
- Examine the required quantity, purity, and harmful substances of ingredients
- Examine the exterior, weight, performance, and harmful substances of packaging materials
- Obtain required certifications for each ingredient (place of origin, organic feature, origin of ingredients, etc.)
- Check problematic substances (six major heavy metals, conflict minerals, etc.)



Production

6

6

- Maintain good manufacturing practices and quality (CGMP certification)
- Check harmful substances of finished products
- Conduct progress tests over a certain period of time (quality assurance acknowledged by consumers, feeling after using products, etc.)

- Manage the HACCP certification system (safety of ingredients, analysis of harmfulness, process management, etc.)
- Manage the product self-analysis system (ingredient quality, preliminary examination of influential factors, substance test, nutrient analysis, etc.)
- Control the quality of products and process (preliminary monitoring of distribution quality, sensory tests, quality check on warehoused/finished products, regular harmfulness analysis, regular inspection of suppliers, examination of product labels, etc.)

Improving Product Feature

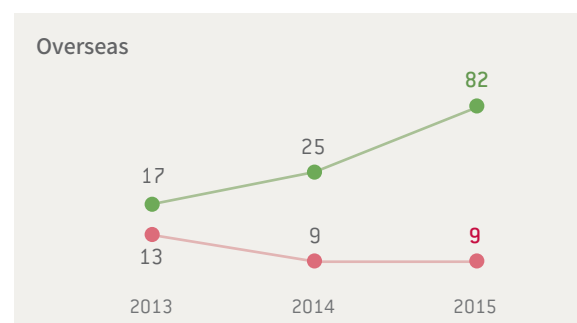
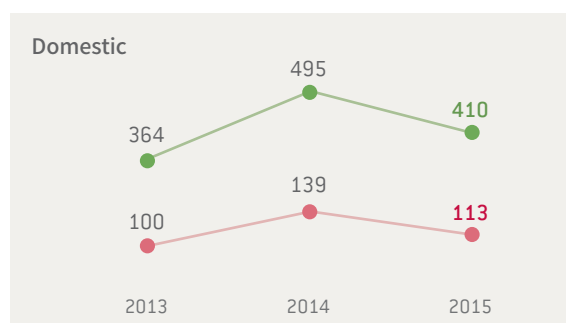
02

To improve customer convenience and product features, LG H&H carries out various R&D activities based on the opinions of consumers and experts. The development of product and technology in specific segment, such as skin moisturization and hair health, acts a driving force to increase the satisfaction level of customers and reinforce the company's capacity. We also attract customers with more advanced products by carrying out joint R&D projects with suppliers and complementing each other's drawbacks.



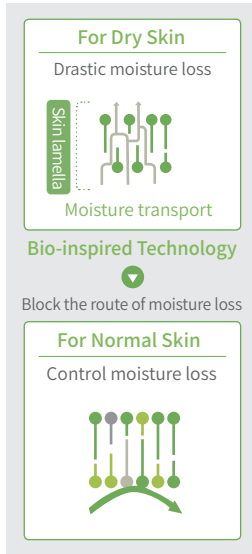
PATENTS APPLIED AND REGISTERED

Applied Registered (Unit : Case)



• Non-consolidated

Moisture Protection
Bio-inspired Technology



Business Case # 01

Enhanced Skin Moisturizing Function

LG H&H's cosmetic brand Belif, which values inner beauty as much as appearance, reduces unnecessary packaging and advertising. It uses simple, chemical-free containers to provide products at reasonable prices. For the moisturizing cream, we apply bio-inspired technology that simulates the skin structure to block the loss of moisture in the stratum corneum, minimizing moisture loss in the skin. Thanks to this technology, we could retain more than 20% of moisture in the stratum corneum, the normal level of moisture in skin, for more than 12 hours. Belif moisturizing cream was ranked first in the category of moisturizers—the most popular category—in the domestic market.

Belif, the True Cream - moisturizing balm



Business Case # 03

TECH, Eco-friendly and Convenient Detergent

Based on LG H&H's own technologies including the high-enrichment of active cleaning components and the formulation for a sheet-type, we developed "TECH Baking Soda Laundry Detergent Sheet." This sheet-type detergent provides outstanding cleaning power, using only 10% of the amount of detergent compared to other products in the market. We replaced fluorescent whitening agents and petroleum-based surfactants with natural ingredients such as baking soda and coconut, thus reducing environmental impact. It is easily measurable and storable since it is lighter than any other existing detergents, and each sheet contains one portion of detergent that is enough for one use. This product quickly dissolves even in cold water, alleviating concerns about residues. It has passed the internal skin non-irritation test, proving that it is safe enough to be used for cleaning clothes for babies and young children.

TECH Baking Soda Laundry Detergent Sheet



Business Case # 02

World's First Technology for Recovering Lipids of Hair

For the first time in the world, LG H&H unveiled "Elastine Bio-therapy," a hair product that recovers lipids to restore damaged hair to its original state. We adopted "Bioconjugation" technology from the medical and pharmaceutical industry: it utilizes protein binding, making it highly effective in restoring hair since protein is one of its major components. This technology enabled LG H&H to succeed in recovering approximately 99% of the lipid layer of hair that was damaged due to dyeing and perming, and 95% of consumers who used the product also enjoyed the excellent effect.

Elastine Bio-therapy



Open Innovation :

Joint Development with Small-and Medium-sized Companies for Creative Economy

As a part of the "K-Beauty Globalization" project led by LG H&H, THE FACE SHOP provided support to KPT, a medium-sized company, through the Chungbuk Creative Economy Support Foundation, and conducted a joint research project to release "White Ginseng Collagen Pearl Capsule Cream" and "Nokyong (Deer Antlers) Collagen Contour Lift Gold Capsule Cream." This was achieved by the synergy effect between KPT's new technology for enriching active skin care components in capsule form (7 mm or over in diameter) for the first time in the world and THE FACE SHOP's capacity for product planning, R&D, marketing, and sales. Now these products are attracting consumers both at home and abroad, recording over 62,000 products in sales as of 2015. Other joint R&D projects are in progress for Whoo and Isaknox.

Market Needs	<ul style="list-style-type: none"> • Preserve natural and inoxidizable ingredients • Help skin absorb fresh moisturizing ingredients
KPT Co., Ltd.	<ul style="list-style-type: none"> • Apply the capsulizing technology to emulsion products (Emulsion Pearl Tech)
THEFACESHOP	<ul style="list-style-type: none"> • Utilize the formulation technology to optimize cosmetics based on consumer demands • Present the commercialization capacity for cosmetics (brand and distribution)
Overseas Markets	<ul style="list-style-type: none"> • Secure the references in the domestic market • Expand to overseas markets including China

Focus Issue 3

Communicating with Suppliers and Supporting CSR Activities

03

LG H&H is always open to various opinions from suppliers, and we reflect them in the business processes to ensure mutual growth. By operating the Open Forum communication channel, we maintain fair and transparent trade relationships with suppliers, and endeavor to monitor and resolve potential irrational trade practices. We also run a variety of programs to encourage our suppliers to fulfill their social responsibilities.



Win-Win Growth Index

FIRST CLASSNo. of Companies for On-site
Communication / Improvement Rate**11 / 100%**Win-Win Growth Fund Executed /
Total Investment**KRW 31.2_B / KRW 41_B**

Business Case # 01 ▼

Sincere Win-Win Growth, 'First-Class Company'

LG H&H provides support to its suppliers to maintain cooperative and trustworthy relationships and pursue win-win growth. To realize systematic and effective operation, we organized task force teams in charge of win-win growth in 2010, and started to financially support suppliers by establishing the Win-Win Growth Fund. To become the top leading company in win-win growth, we expand the scope of support every year to a variety of fields based on five directions: Open Communication, Financial Support, Sales Growth Support, Technical Support, and Fair Opportunities.

In 2015, the company continued to provide usual support (paying in cash, not by promissory notes, assisting suppliers in stepping into overseas markets, etc.), and also additional welfare benefits by supporting the leisure activities of employees of suppliers, summer camp programs for their children, book reading programs, and gym activities. Through these efforts, LG H&H finally earned the honor to add its name to the list of first class companies in the Win-Win Growth Index, operated by the Korean Commission for Corporate Partnership, in June 2015. We will continue to expand communication with suppliers and reflect their opinions in the business processes.

“First-Class Company” for Sincere Win-Win Growth ●



Business Case # 02 ▼

Visiting Suppliers for On-site Communication

LG H&H offers various opportunities to share ideas, targeting each level of employees. Such efforts include general meetings and seminars with the CEOs of suppliers and working-level discussions for win-win growth. We have listened opinions from suppliers, identified difficulties, and taken proper actions to swiftly resolve the issues.

In 2015, we enacted more direct and quicker change by increasing the number of visits to suppliers for on-site communication, arranged by the executive purchasing director to identify their problems in the field. We share ideas to find effective solutions for the issues that frequently emerge in actual transactions, including new technology proposals,

minimum units for orders, relocating business sites, and inventory management.

Furthermore, we expanded the existing communication channels and provided insight lectures presented by prominent figures in the fields of free discussion, management philosophy, state-of-the-art technology trends, and next-generation leadership, thereby broadening the common ground we share with suppliers.

CEO Academy with Suppliers ● ●



Business Case # 03 ▼

Win-Win Growth by Fulfilling CSR Together

LG H&H put strong emphasis on corporate social responsibilities. In order to expand the scope of social contribution to suppliers, we encourage their CSR activities. Through the “Happy Together Campaign,” a social contribution activity introduced in 2015 to carry out with suppliers, we donate LG H&H products and participate in voluntary labor work to reinforce the bond with local communities, and raise the brand awareness while consolidating the relationships between employees.

We also began to apply the welfare support system to our suppliers, including summer camp programs for their children and granting access to the welfare mall. In 2015, the children of suppliers’ employees participated in LG H&H’s Borrowed Earth School and learned the importance of a green lifestyle. Tickets for professional soccer and baseball games are also offered to employees, giving them opportunities to spend time with their family and friends. This system has received a very positive response from employees.

Happy Together Campaign ● ● ●



Fundamental Issues & Management

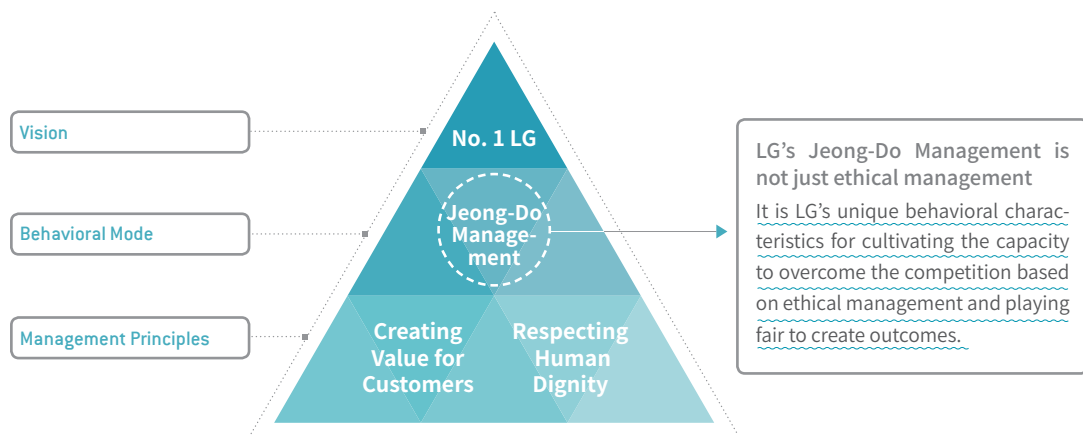
The background features a light beige gradient with a prominent diagonal band of a slightly darker beige color. Scattered across the page are several overlapping circles in muted colors: a large teal circle in the upper right, a smaller red circle overlapping its top edge, a medium-sized grey circle in the lower right, a small red circle in the lower center, a teal circle overlapping the bottom of the grey circle, and a white circle with horizontal lines overlapping the bottom of the teal circle. On the left side, there is a large teal circle partially cut off by the edge, and a small red circle with horizontal lines.

34	Jeong-Do Management	
36	Integrated Risk Management	
40	Employee Value	
46	Customer Satisfaction	
48	Social Contribution	
52	Green Management	
56	Win-Win Growth	



Jeong-Do Management

LG H&H has continued efforts to establish the Jeong-Do Management environment for sustainable growth as a leading company in the market. We are committed to enhancing the level of the Jeong-Do Management culture among employees at home and abroad and prevent risk factors related to business expansion. We practice LG's management philosophy, "Creating Value for Customers" and "Respecting Human Dignity" to realize "No. 1 LG."



Jeong-Do Management Culture Establishment Activities

LG H&H runs the Jeong-Do Management Department directly under the supervision of the CEO to enroot this code of conduct across the company. The Management Assessment Team of the Department focuses on the overall management, including the improvement of business competitiveness and the work processes based on regular and special examination. The Ethical Affairs Team conducts anti-corruption audits, education, and campaigns for employees and stakeholders to help prevent corruption and wrongdoing within the company.

Jeong-Do Management Education and Campaign

Since 2015, we started the Jeong-Do Management Education program led by the leaders at the department head level or higher in LG H&H and subsidiaries. The company also provides online education programs to present solutions for Jeong-Do Management related dilemmas that employees may encounter during work process. We offer offline training programs for employees of a newly acquired subsidiary to stabilize LG H&H's transparent corporate culture at the early stage. If requested by an existing department, we spread the Jeong-Do Management culture by customizing the training content based on the department's tasks. In addition, employees are told not

Progress of Jeong-Do Management Education

Category	Target	Note
For Executives and Employees	All executives of LG H&H (led by the leader)	-
	All employees of LG H&H (Online)	-
	Employees of a newly acquired subsidiary	5 times
	Team leaders or higher level (First-Class Training)	7 times
	New beauty consultants of the Cosmetic Division	3 times
For Suppliers	Sales employees of the Beverage Division	4 times
	CEOs of suppliers	56 Co.
	Sales employees of suppliers	120 Co.

to give or receive gifts from other employees and suppliers on holidays to maintain sound partnerships.

Jeong-Do Management Assessment System

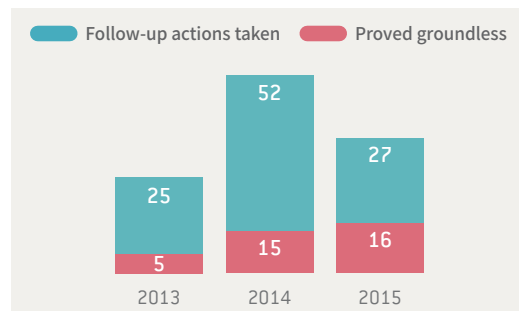
Started in 2015, the Jeong-Do Management Assessment system measures the Jeong-Do Management activities of each department with an index based on the evaluation of 111 personnel (all executive directors and department heads in LG H&H). It helps employees recognize the significance of the Jeong-Do Management through studying various cases. This system will be applied to the leaders of overseas subsidiaries from 2016.

Cyber SINMUNGO

Cyber SINMUNGO is the corruption report system for accusations of unjust behaviors that violate LG's code of ethics. We carry out preliminary and on-site investigations first, and if the report is proved to be true, we take follow-up measures, including disciplinary actions, work process improvements, and Jeong-Do Management education to create a transparent and fair corporate culture. In addition to Cyber SINMUNGO, we receive corruption-related reports through diverse channels including phone calls, fax, mail, and direct visits.

Progress of Cyber Report Handling

(Unit : Case)



- Severe disciplinary actions against 73 employees, light penalties against 9 employees in 2015
- Consolidated

Corruption Report Reward Program

The Corruption Report Reward Program was designed to strengthen the transparency and responsibility of our business and eradicate corruption and wrongdoings that harm customer values. We call a meeting of the Review Committee every year to grant rewards to those who report corruption cases.

Jeong-Do Management Risk Prevention

LG H&H has built a company-wide risk prevention system at home and abroad. Multiple departments in the company cooperate with each other by forming a task force team to eliminate behaviors that violate the principles of Jeong-Do Management.

Support System for Overseas and New Subsidiaries

To promote cooperation between the headquarters and subsidiaries, we designed the overall risk management measures and reorganized the business management system of overseas subsidiaries by supplementing the evaluation system and the support system based on the

competitiveness assessment. We also held discussions to share tasks to swiftly stabilize new subsidiaries, improve their management capacity, and facilitate communication with the relevant departments of LG H&H. Any issues that are detected in regular and special examination processes are registered as tasks to be addressed in the system, and their progress is monitored on a regular basis.

Strong Infrastructure for Jeong-Do Management at Overseas Business Sites

We hired local staff to allocate Jeong-Do Management tasks at eight overseas subsidiaries and laid the groundwork for relevant activities. In 2015, the employees in charge at four subsidiaries (one in each of China and Taiwan, two in Japan) were invited to the headquarters to learn about issues related to Jeong-Do Management and establish the management foundation at overseas business sites. We are planning to expand these efforts to all overseas subsidiaries in 2016.

Eradication of Corruption in the Beverage Division

In the Beverage Division, the number of disciplinary action cases has been on a steady rise compared to the Cosmetics Division due to the practices of sales employees collecting bills from dealers in person. We newly organized a monitoring group within the division and cooperated with the Jeong-Do Management Department to conduct site supervisions. We also inquired into major causes of corruption cases at two workshops with the relevant department, and expanded the bill collection system through virtual accounts and upgraded the process in the ERP system.

Prevent Quality Incidents across the Company

We performed a quality assessment on 12 business sites of LG H&H and subsidiaries to prevent frequently-emerging quality risk factors. We then established the guide for disciplinary actions concerning quality issues based on the result of the examination of the relevant department (quality management, HR, legal affairs) and that of the on-site public hearing to improve the quality management level and avoid quality incidents.

Improvement of Internal Audit Regulations

In order to prevent potential legal risk factors in the process of a company-wide anti-corruption audit, we added several provisions to the internal audit regulations. Based on these revisions, we established the internal audit regulations for seven subsidiaries, of which 51% of the shares belong to LG H&H.

Integrated Risk Management

Integrated Risk Management



LG H&H operates an integrated company-wide risk management system to prevent manage potential risks that could affect the company’s business. We classify potential risks into four types: strategic, financial, operational and hazardous risks. According to this classification, the relevant departments or the company-wide risk management department will take complete change and minimize damage through monitoring and countermeasures on a frequent basis.

Integrated Risk Management Process



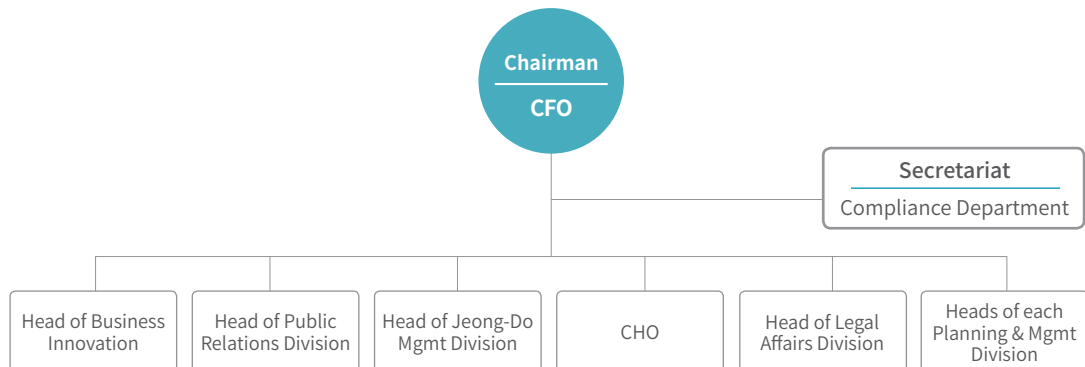
Potential Risks and Countermeasures

Category	Description	Potential Impact on Business	Countermeasures
Fair Trade	Risks related to stricter regulations on fair trade and the violation of regulations on transactions with subcontractors	Up to 10% of the turnover or fines (KRW 2 billion or lower) will be imposed on the violation for fair trade regulations	Programs for compliance with fair trade regulations and education courses for executives and employees
Environmental Safety	Risks related to the leakage of dangerous articles and harmful substances, fire accidents, accidents caused by negligence, and the violation of regulations on environmental safety	Potential damage to executives and employees and the reputation of the company	Frequent inspection and improvement actions and the education programs for executives and employees

Compliance Committee

We operate a Compliance Committee to take countermeasures against compliance-related issues across the company. Appointing the CFO of the company as its chairman, we established a more effective management system to assign tasks by risk type to the department heads of the Business Innovation, Public Cooperation, and Jeong-Do Management.

Compliance Committee Structure



Compliance Risks

Since the number of compliance-related issues around the world is growing and the regulations and penalties have been strengthened in each country, the management cost for dealing with such risks is also rising. LG H&H has strived to minimize economic and operational damage to its business due to the negligent management of compliance risks by implementing preliminary control and countermeasures.

Compliance Risk Inspection

We evaluate major compliance risks affecting the entire company, and conduct on-site inspections to implement solutions. In 2015, we carried out on-site inspections on issues related to human resource management and the protection of personal information. We are planning to extend such efforts to overseas subsidiaries and continue our activities for risk prevention and improvement including education programs for employees.

Compliance Risk Inspection

Category	Description
Human Resource Affairs	Identified risks related to human resources and established the management plans
Protection of Personal Information	Provided the PC security guide and conducted the education program on personal information protection at each stage (collection, use, storage and disposal)
Target	LG H&H's business sites, logistics centers, regional stores, subsidiaries and suppliers

Global Legal Affairs System (GLAS)

The GLAS was introduced in 2014 to systematically respond to a range of legal affairs occurring across the company in relation to contracts and law suits. The system enables us to resolve legal issues efficiently at home and abroad, and pursue transparent and law-abiding business management.

Guidebook and Newsletter

To efficiently share information about the corporate culture, employee ethics and regulations, we published a guidebook titled "Handheld Basic Compliance Guide." We have distributed this guide to all employees and even uploaded it to the company's bulletin board. Employees are thus able to enhance their awareness of risk prevention.

In addition, we issue the "Compliance Newsletter," which summarizes the major content related to risk issues, and endeavor to create a compliance culture in the company.



→ Guidebook and Compliance Newsletter

Internal Accounting Control System

LG H&H has operated the Internal Accounting Control System since 2006 to enhance the transparency and soundness of the management process and secure the reliability of information. In accordance with the criteria of the system and application guidelines, 14 compliance control systems, including those for purchasing, sales, and logistics, and 144 relevant activities have been designed. In 2015, we implemented separate internal control activities in three domestic subsidiaries (CNP, KNI, Hankook Beverage) and identified factors that we could improve.

Internal Control Assessment in Overseas Subsidiaries

To ensure the reliability of consolidated financial statements when applying the Act on External Audit of Stock Companies to domestic listed companies, we checked the overall internal control system of bond, inventory, and finance, including the settlement process in major overseas subsidiaries and small-sized subsidiaries. We defined tasks for improvement so that we could supplement aspects in the system that we found to be inadequate.

Assessment Result of the Internal Accounting Control System

According to the result of the assessment, the management found that all control systems had been operated exactly as designed. The company's external auditor (EY Han Young) also stated that LG H&H's Internal Accounting Control System has been effectively managed as of December 31, 2015.

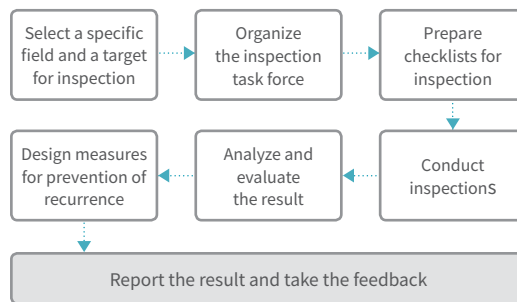
Compliance with Fair Trade Standards

LG H&H conducts a thorough internal inspection and prevents risks so that we can carry out responsible transactions in the market. We make the information on the products public to enhance the company's reliability.

Operating Programs for Willing Compliance with Fair Trade Standards

To observe the relevant regulations and realize fair competition, we have classified the categories for inspection such as fair trade, collusion, trade practices in the sales department, and transactions with subcontractors. We have also promoted prevention activities by conducting an internal inspection once a year or more on the marketing, sales, and purchasing departments. In 2015, we completed the inspection and education on online channels related to e-commerce law, as well as the existing inspection activities.

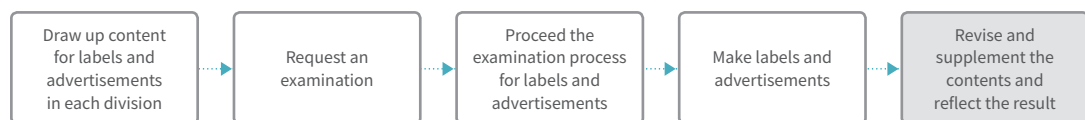
Inspection Process



Complying with Regulations on the Provision of Information

LG H&H has implemented compliance control standards to observe the relevant laws and regulations, pursue sound growth, and build trust with customers. To provide reliable and transparent information to consumers, we designated the staff in charge of the preliminary check on relevant regulations. In 2015, we increased the number of staff to review our advertisements in response to the increase of the ratio of e-commerce, and included the inspection process in the internal computerized system to reinforce compliance control.

Product Labeling and Advertising Management Process



Tax Payment Policy

We have clearly assigned the roles and responsibilities of the employees in charge of tax filing and payment. If any issues emerge due to an unclear interpretation of the tax law, we seek advice from accounting firms and tax experts to identify the issue in advance and find optimum solutions. Through these efforts, we fulfilled our tax payment obligation required at home and abroad.

Tax Deduction and Exemption System

LG H&H makes full use of the tax deduction and exemption system in accordance with the tax law in Korea. We file corporate tax returns using the consolidated tax return system, and the subsidiaries included in tax filing are THE FACE SHOP, HAITAI Beverage, Future Co., Ltd, and Bright World. Within the framework of the relevant regulations, we make enormous efforts to maximize shareholder value and minimize the tax burden.

Releasing the Record of Tax Payment

We prepare a quarterly business report and make an official announcement about tax payment records. We disclose the corporate tax expense, the amount of tax to be paid, and grounds of calculation based on the financial statements in the audit report and annotations, which are attached to the business report.

Fulfilling the Obligation of Tax Payment

In terms of international transactions with overseas subsidiaries, LG H&H applies the reasonable transfer pricing policy that corresponds to the tax law in Korea and the OECD guidelines. We operate local offices or subsidiaries in the U.S., China, Japan, and Taiwan, and fulfill the duty of tax payment including the corporate tax based on local regulations and submit the required documents.

Personal Information Protection

Across the company, LG H&H protects the personal information of customers by dividing protection activities in two categories: prevention of data leakage and compliance with regulation. In 2015, we designated the chief officer of information protection in each subsidiary to protect information in a systematic and safe method.

Extending the Scope of Personal Information Management

The personal information of customers are handled in a broad range, including the headquarters, retail stores, consigned companies, affiliated stores and sales outlets. We promoted activities for compliance with regulations and the prevention of information leakage by focusing on the headquarters in the past, but we recently extended this range to sales business sites and consigned companies for more responsible management of personal information. We applied 34 security solutions to prevent the leakage of personal information, hacking and malicious code, and conduct the annual security inspection on each sales business site. Moreover, we implemented the protective measures to manage the life cycle of personal information (from collection to disposal) in accordance with 66 clauses for inspection presented by the Ministry of Interior.

In 2015, we carried out sampling examination on 48 sites out of 7 promotion companies and about 3,500 business sites for sales. We also established 5 core processes (management of customer list, PC security setting, sensitive information collection and usage, unfair mileage accumulation, and personal information documents). Based on these processes, we will continue to control the violation of relevant regulations in sales business sites and risks of personal information leakage.

Observing the Expiration System of Personal Information

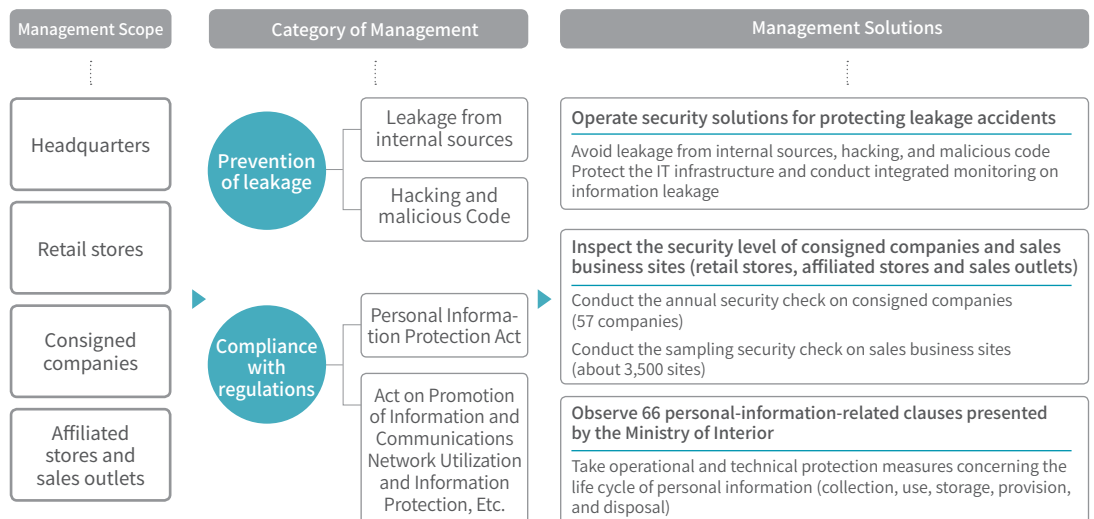
In accordance with the Expiration System of Personal Information based on the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc.(revised in August 2015), we separately manage the personal information of customers who have not purchased our products or accessed our websites for a year. We invested approximately KRW 250 million to upgrade 58 personal information processing systems in the company.

We moved the personal information of inactive customers from the database to a separate database. To prevent the risk of personal information leakage, such information is managed safely with minimized access and not used for marketing.

Security Grading System

In order to enhance the employees' awareness and our security level, we manage the security grade of each employee and department by operating the security portal. The pilot project was started in January 2015. From May, we have reflected the security level to the Jeong-Do Management Assessment Index for each department head, which accounts for 20% of the index. Employees check the PC security setting and search for instances of personal information leakage every month, and they are given a grade based on the result. We delete unnecessary personal information in PCs and encode necessary information before storing them, thereby avoiding the leakage of personal information due to hacking and malicious code. This continuous security check has increased the awareness of employees, and the security grade of the company has improved from 71 in January 2015 to 98 in December in the same year.

Personal Information Management System



Employee Value



CSR Background

It is essential to manage the education, health, and safety of employees, who are the driving force of the company's sustainable growth. As a number of negative issues concerning industrial accidents and unfair treatment have occurred in the industry, there is a growing demand for the responsible management of employees.

Our Commitment

We provide various programs to develop the capacity of employees, and strictly manage the safety of business sites to minimize and prevent industrial disasters.

Key Performance Indicators (KPIs)

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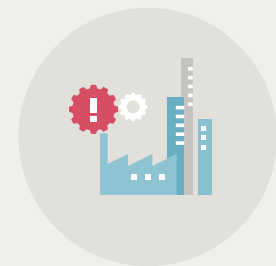
Job Satisfaction Rate

80 Points



Training Expenses per Person

KRW **1.43** M



Industrial Injury Rate

0.16%

Performances and Plans

● Achieved ● Partially achieved or ongoing ○ Not achieved

Key Issues	Performances in 2015	Level of Achievement	Plans for 2016	Target Timing
Improve the health and safety of employees	Operated the health improvement program	●	Conduct the health examination in the early stage and reinforce the post management for employees with high-risk health issues	Year-long
	Managed industrial accidents (negligent/fire incidents)	●	Conduct the assessment of the Safety Culture Index and focus on activities for creating safety culture	Year-long
Secure differentiated human resources for each type of work	Strengthened the network for the employment of global professional talent for each type of work and local staff	●	Hire talent with a high level of linguistic and cultural knowledge (Global MBA)	Year-long
	Hired unconventional talents through open recruitment	●	Employ more talent who earned a MBA, master's or doctor's degree outside Korea	Year-long
Operate HR focusing on field work leaders	Stabilized the operation of performance-linked compensation management system led by field work leaders	●	Strengthen the talent cultivation system through tasks led by field work leaders	Year-long
Strengthen the global capability	Established the talent cultivation program for China experts considering the expansion of business in China, and operated the program in connection with entrepreneur training programs including MBA in China	●	Expand the talent pool of overseas businesses by continuing the global talent cultivation program	Year-long
	Organized the composition of the company and human resources with consideration of leadership in the global N-Commerce market	●	Secure talent for expanding the range of target overseas markets (global duty-free shops, online channels, etc.)	Year-long
	Concentrated the company's capacity by reorganizing the global business R&R	●	Expand the system of the headquarters to subsidiaries in the Greater China region and Southeast Asia to systematize the HR system	Year-long
Respect diversity	Nurtured the pool of local core talents in the Greater China region and Southeast Asia	●		
	Signed an MOU with the Korea Employment Agency for the Disabled to establish a subsidiary for the disabled Created a culture of gender equality and expanded the culture to subsidiaries	●	Develop appropriate tasks and increase the employment of the disabled	Year-long
Establish win-win relationship between labor and management	Strengthened communication by conducting consultative committee activities for each type of work on a regular basis	●	Create a rational and practical win-win relationship between labor and management	Year-long
Establish a market-leading organizational culture	Made opportunities to share knowledge and experience of internal and external experts	●	Lay the groundwork for establishing the organizational culture of ONE LG H&H	Year-long
	Conducted new innovative activities and grew into a top-class corporation with dignity	●	Promote field-driven innovative activities (Idea Mall)	Year-long

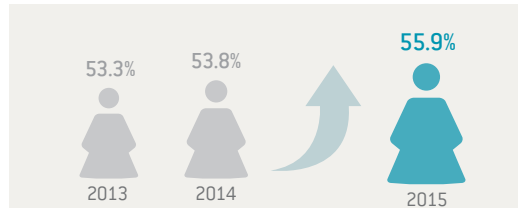
Employee Inclusion

LG H&H disapproves any kinds of discrimination including gender, religion, race, and age. We manage the human resources based on capability, and strive to enhance the company's global capacity.

Hire Female Talent

In pursuit of human rights and diversity, we introduced the Gender Equality Management System in 2005. Considering that most products, such as cosmetics and household goods, are targeted at women, we actively hire female talent. As a result, the proportion of female employees in the company has been on a steady rise since 2005. We have also established a work environment where both male and female employees are considerate toward each other. We prevent sexual harassment at work, conduct education programs for positive language use and behavior, and are creating a desirable gathering culture. These efforts have had a positive influence on the economic outcomes of the company.

Ratio of Female Employees

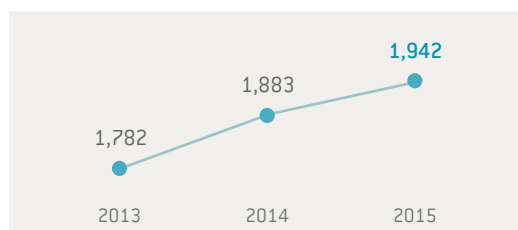


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Global Diversity

Operating a variety of businesses at home and abroad, LG H&H endeavors to understand the culture and customs of each country and meets the demands of our diverse consumers. Accordingly, we employ local talent for the position of the president of each overseas subsidiary and assign tasks for managing sojourning employees and local human resources, thereby expanding our localization strategies. We have also built a suitable environment to maximize the outcome of overseas subsidiaries based on manager training,

No. of Employees in Overseas Subsidiaries (Unit : Person)



job training, and performance management. In 2015, the number of employees in overseas subsidiaries increased by 3% (59 persons) compared to the previous year.

Open Employment

Since 2015, LG H&H has hired a certain portion of employees based on a unique "Unconventional Talent", which is the open employment strategy for responding to the fast-changing market trend and various needs from multiple aspects. In order to identify the job capacity and potential of applicants regardless of their educational background, we evaluate them based on an essay they write about their own special stories. New employees hired by this system are expected to become a huge driving force for the growth of the company in the fast-changing markets of color cosmetics and products for children, as well as new business areas such as online channels and the mobile market.



→ "Career Talk" to hire unconventional talents

Employment of the Disabled

In October 2015, LG H&H established Bright World, a sheltered-workplace for the disabled to fulfill our corporate social responsibility and create jobs for people with disabilities. It provides the disabled with opportunities to support themselves. Founded as a subsidiary by an MOU with the Korea Employment Agency for the Disabled, Bright World manages a cafeteria, cleaning and welfare facilities at LG H&H's business sites in Cheongju. A total of 57 employees are provided with this convenient work environment, including amenities for the disabled, private staff lounge, and commuter buses. The subsidiary will increase the number of employees by developing new jobs in connection with LG H&H's products, and enhance job diversity to pursue mutual growth with employees.



→ Cafeteria operated by Bright World

Capability of Employees

LG H&H provides a variety of programs for motivation and capacity-building of employees to increase the productivity and level of satisfaction.

2015 Columbus Project

In May 2015, we started the 2015 Columbus Project to help employees achieve individual growth and contribute to the company. This project was intended to encourage employees to realize their dreams based on support from the company, just as Christopher Columbus, who had dreamed of exploring the East since his childhood, could discover the New World of the Americas on an expedition sponsored by Queen Isabella of Spain. The company offers KRW 10 million and paid leave to the employees who are selected with individual growth potential, enthusiasm, possibility of realizing their dreams, and contribution to the company. This year, five employees were selected as the 1st group by breaking a high competition rate of 11 to 1.

The selected employees completed the project in 11 countries under various themes: conducting a market research project on the Middle East, finding new suppliers for the trade of raw materials in Europe, obtaining the Tea-Concierge certification of Japan for developing new beverages, benchmarking the sales activities of Coca-Cola in foreign countries, and making web cartoon advertisements for the company. We expect that these efforts have helped the

Activities of 2015 Columbus Project

Conducted a market research project on major countries in the Middle East

- Visited major countries in the Middle East and conducted a market research project
- Completed the HALAL expert course in Malaysia
- Built a database for business in the Middle East by studying the Halal standards

Carried out the market research on the business of raw materials in Europe

- Identified the needs of the trade network of raw materials in Europe and searched for new suppliers

Obtained the Tea-Concierge certification in Japan

- Obtained the 2nd and 3rd-level licenses of Tea-Concierge, the tea expert training course in Japan
- Participated in the classes related to beverage standards and coffee curator courses for a Japanese spice company
- Sought for innovative ideas through exhibitions and café seminars

Benchmarked the sales activities of Coca-Cola in foreign countries

- Conducted research on various campaigns of Coca-Cola in Japan and Australia
- Designed a plan for optimizing the ratio of key projects at a limited number of stores

Made web cartoon advertisements for LG H&H

- Produced eight web cartoons for the company campaign



→ Benchmarking of Coca-Cola in Japan

company take a step toward mutual growth for both the company and employees.

Nurturing Professional Talents in China

LG H&H runs a systematic talent cultivation program to nurture global human resources who can operate businesses in the Chinese market. Among all our employees, we select a pool of those capable of speaking Chinese based on recommendations and interviews. The selected employees should complete the program from the beginner's course to the elementary, intermediate, and GECC courses, thereby becoming professional talents specialized in China. After the completion of each course, the employees take the HSK or TSC, the Chinese language proficiency tests, to check their improvement. Those with high scores are dispatched to China through the "China MBA and Regional Expert Program."

The GECC course is conducted all day on a weekly basis, and includes training for capturing business opportunities and proposing plans, as well as the study content about advanced Chinese language required to conduct business in China. At the end of the course, trainees give a group presentation in Chinese to executive directors about the research on the Chinese cosmetic and household goods markets, product launching strategies, and the comparative analysis of rival companies. Through these opportunities, the company can expand the talent pool of employees who are able to aggressively operate businesses in China, and share their progress in the talent cultivation activities across the company, encouraging employees to study on their own accord, while providing participants with opportunities to develop their career.

No. of Participants of the Global Training in 2015

(Unit : person)

English Coaching Class	255
GEC Program	20
GECC	16
LG MBA	5
Global MBA	2
Regional Expert	2

Special Lecture Insight

Since September 2015, we have offered the 'Special Lecture - Learning Insight from Masterpieces' quarterly for the purpose of learning lessons from art, a source of creativity required in this 21st century, which is an era of culture and sensibility. By attending lectures about masterpieces, the single, differentiated, and creatively characteristic work of an artist, we expect to come up with plans for a premium image of our brands and products as well as gain insights.

Online Seminar

With the Online Business Division established in 2015, we planned online seminars for employees to learn insights, improve capacity, and create the synergy effect by benchmarking external successful practices. The recent transition to the era of mobile commerce has created a range of business opportunities, while a growing population and the increase in travelers in China have affected LG H&H's business. We organized special programs by inviting experts specialized in the Chinese market or online startups to learn from their successful experiences and respond swiftly to such changes.

Although the first online seminar was conducted for the relevant departments only, the second seminar was open to all employees who wanted to attend. The participants were able to learn information about the recent issues related to the Chinese online market, other types of business, and different approaches to market trends during lectures presented by operators of online businesses. In 2016, we are planning to conduct seminars with themes that are closed related to recent trends in the rapidly changing online and mobile business fields in order to broaden the perspectives of employees.

Details of Special Lectures

Category	Theme	Description
Lectures by Guest Lecturer	2015 Making My Own Renaissance Masterwork Learned from Masterpiece	Practices and insights sharing under the theme of "Rebirth" How could Michelangelo Buonarroti leave masterpieces?
Lectures by Executive Director	Experience and Knowledge Sharing	9 lectures, including "Compete by Creating the Unbeatable Condition (Learning from General Yi Sun-sin)"

Details of Online Seminars

No.	Theme
First	<ul style="list-style-type: none"> · Successful stories of the top PR expert specialized in online startups · A story of the establishment of the Korea's top mobile fashion platform, where a million fashion people around the world share their inspirations · Progress of a Korean startup's program for stepping into China with Huawei · The item that won the "Pick a Startup" in the DLD Conference held in Tel Aviv, Israel
Second	<ul style="list-style-type: none"> · The successful story of a startup that promotes K-Pop to other countries with a monthly average of over ten thousand service users at home and abroad · Distribution and marketing in online and mobile channels · New opportunities with ten millions of tourists from China

Labor-Management Relationship

For a cooperative relationship with smooth communication between labor and management, LG H&H operates the communication channel for each department, business site and job category to receive complaints from employees, and suggest rational solutions. Thanks to these efforts, we can improve working conditions, address complaints, enhance welfare, and promote the balance between work and personal life. We run the Labor-Management Committee at each business site, the Employees Committee at each division that is composed of the representatives of each job category, meetings of employees in charge of organizational culture, and the Beauty Consultant Committee that is comprised of the representatives of sales employees at department stores and duty-free shops. We improved the support system for sales employees in non-metropolitan areas and secured time for employees to participate in volunteer work.

Labor-Management Communication Channels

Category	Operation Cycle	Description
Employees Committee	Quarterly	Listen to voice of employees (VOE) from the representatives of the employee committees, and find issues and solutions
Beauty Consultant Committee	Quarterly	Listen to VOE from sales employees, and find issues and solutions
Labor-Management Committee	Quarterly	Conduct surveys and collect opinions related to working environment, safety and health, come up with solutions, and receive feedback
Employees Discussion	Yearly	Conduct discussions with employees led by the head of each division, and receive feedback for each agenda
Meetings of employees in charge of organizational culture	Twice a month or on a constant basis	Identify the atmosphere of the working field of each division, and listen to VOE

Work-Life Balance

LG H&H places high value on the personal lives and satisfaction of employees. We guarantee non-working hours of employees based on the flexible time system, the going-and-leaving-work-on-time system, and the company-wide simultaneous vacation system. We also provide employees with various programs to prepare for future career plans.

Team Leader Oasis Course

The "Team Leader Oasis Course" was designed in 2009 as the essential course for team leaders in their mid-40s to help them balance their work, home life, personal life and financial conditions. Unlike other common educational programs or meditation, this program is conducted at Jeju Island for a week and aimed at taking time for introspection. During the first three days and two nights, participants looked deep into themselves and the people around them and seriously thought about their future with the assistance of psychologists. They also had the opportunity to design a balanced life and future through special lectures on financial design. During the next three days, they spent time alone for deeper introspection, taking a walk around the Olle Trails and looking back at the current status of their hectic daily lives.

In 2015, a total of 58 team leaders completed this course, and they took this opportunity to create a positive turning point in their personal lives, concentrates on the present, and build their awareness of their roles as leaders. Professor Jong-min Woo at Inje University Seoul Paik Hospital, who helped with the development of the program, said "This is an innovative program with a philosophical aspect, which has not been attempted by any other companies. It offers an opportunity for participants to explore their existence and inner essence, and find a solution on their own." LG H&H will continue to operate this course and create a balanced environment where our employees can be devoted to both their home and work lives and find personal satisfaction.

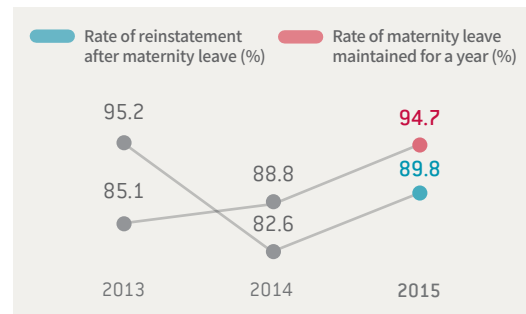


→ Team Leader Oasis Course

2015 GWP Award "100 Best Companies to Work For"

LG H&H has promoted the balance between work and personal life with the going-and-leaving-work-on-time system, the flexible time system, and the company-wide simultaneous vacation system. We provided employees with opportunities for growth with the Team Leader Oasis Course, the Self Growth Course for each class of position, and the Columbus Project, and strived for continuous growth for our employees and the company. In recognition of these efforts, we won the 2015 GWP 100 Best Companies to Work for in Korea, conducted by GWP Korea, in the sales and distribution category. We were graded higher than the average of 100 Korean companies (KRB100) in all aspects of the judging criteria, including credibility, respect, fairness, pride, and fun, and were particularly outstanding in the criteria of pride. Setting this accomplishment as a stepping stone toward even greater success, we will take the initiative of creating a desirable corporate culture in which all classes of employees are proud of the company and their work, trust each other, and maintain pleasant relationships with their colleagues.

Status of Maternity Leave



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→ Award Ceremony of 2015 GWP 100 Best Companies to Work For in Korea, conducted by GWP

Safety of Employees

LG H&H has set the goal to achieve the safety level of an advanced company (not exceeding 0.1% in the accident rate), and designed the “PLAN 2015-2017” through a variety of diagnoses, communication and education plans. Since accidents occurring at business sites affect all aspects of our company, including safety, health, and environment, we consider and comprehensively manage all related tasks. We will concentrate our capacity on spreading our efforts to realize a safety environment for our homes, country and the world in the long term.

Safety Communication and Education

We operate communication channels, including our newsletter and bulletin board, to share the current status and prospects of realizing a safety environment, and provide education programs to employees at each level. Each department voluntarily promotes information sharing activities, analyzes potential accidents, and improves the environment. We hold two meetings of the Environmental Safety Committee each year and design medium and long-term plans for efficient decision making to create a safety environment across the company. We also carry out health and safety campaigns twice a year and increase the awareness of employees through various methods including the sharing of safety practices.

Safety Environment Assessment

Each department of the company sets an annual plan and undertakes safety activities voluntarily. The safety environment assessment team of the LG Group and LG H&H’s headquarters diagnoses whether each department observes the relevant regulations and international standards under their own plans. The result of the assessment and exemplary cases are shared within other business sites, and if improvement is needed, the relevant department is managed under the specific improvement plan. The diagnosis of the LG Group is conducted by 10 safety and environment experts, and it also decides on investment to prevent safety accidents. The diagnosis of LG H&H’s headquarters is carried

out to support the safety environment management of each department. In 2015, major investment for safety environment included the installation of dangerous-article handling sites and open storage sites, which helped prevent leakage accidents. We identify complaints and required support concerning safety environment management, and report them to the executive director in charge for swift improvement. According to the result of the assessment this year, 408 cases of inadequate safety environment were detected, and we resolved all of them completely

2015 Company-wide Safety Environment Assessment

Target	LG H&H’s production, logistics and R&D facilities, Coca-Cola Beverage Company, and HAITAI Beverage			
Method	Document check and on-site inspection			
Details	Relevant regulations, international standards (ISO), company policies and guidelines (KORE included)			
Result (Unit : Case)	Production /R&D	122	Sales/Logistics	199
	Logistics	66	Production	21
	Improvement rate			100%

Health Improvement Program for Employees

In order to prevent work-related stress and improve the psychological health of employees, we conduct an annual check on work-related stress and depression. We also run programs for those with a high risk of disease or volunteers, including “Affection toward My Desk” and “Making a Garden of Heart with Family,” to provide an environment where employees and their family can engage in emotional healing and communicate with each other. We designed the capacity-building program for work-related stress management, particularly targeting assistant managers who have relatively more stress. The program helps employees manage their stress, communicate better with other employees, detect any changes in psychological health, and respond appropriately to other people when stressed. We have plans to expand this program even further.

2017 Safety and Health Plan

Category	2015	2016	2017
Industrial Accident Rate (%)	0.21	0.13	0.09
Rate of Abnormal Findings in Health Examination (%)	20	18	17
Key Activities	<ul style="list-style-type: none"> · Promote activities to reduce the industrial accident rate · Establish the health examination infrastructure for employees · Conduct programs for psychological health improvement 	<ul style="list-style-type: none"> · Facilitate the information sharing for accident reduction and safety · Build a company-wide integrated health management infrastructure · Continue the health and safety campaign 	<ul style="list-style-type: none"> · Conduct the Safety Culture Index assessment and activities to enhance the safety culture · Carry out the health examination in the early stage and strengthen the post management · Prevent cerebrovascular and cardiovascular diseases, and stress at work

● Consolidated: LG H&H, Coca-Cola Beverage Company, and HATAI Beverage



Customer Satisfaction

CSR Background

Since LG H&H is a business-to-consumer enterprise that provides products and services directly to consumers, earning customers' trust is essential for the company's sustainable growth. We must understand and accept changes in the overall market trends and customer demands, improve the quality of products and services, and attract and maintain customers.

Our Commitment

By reinforcing communication with our customers, we actively embrace their opinions and reflect them in the development process of products and services to improve the satisfaction level of consumers and the quality of products.

Key Performance Indicators (KPIs)

Customer Complaint Rate (ppm)



Performances and Plans

● Achieved ● Partially achieved or ongoing ○ Not achieved

Key Issues	Performances in 2015	Level of Achievement	Plans for 2016	Target Timing
Strengthen communication with customers	Received VOCs and strengthened the system	●	Receive VOCs and strengthen the system	Year-long
Conduct product improvement activities	Analyzed complaints of customers and took actions for improvement	●	Analyze complaints of customers and take actions for improvement	Year-long
	Operated the Quality Committee	●	Operate the Quality Committee	Year-long
Conduct product assessment improvement activities	Inspected the progress of quality improvement	●	Inspect the quality of products in advance	Year-long
	Conducted the post management of quality	●	Conduct the post management of quality	Year-long
	Inspected the distribution centers of beverage products (Coca-Cola)	●	Inspect the distribution centers of beverage products (Coca-Cola/HAITAI)	Year-long
	Focused on monitoring of major suppliers (domestic)	●	Focus on monitoring of major suppliers (domestic/overseas)	Year-long
Conduct key quality improvement activities	Improved the quality of beverages by addressing pro-longed complaints	●	Improve the quality of beverages by addressing pro-longed complaints	Year-long
	Reduced complaints of customers by securing the safety and improving the quality of H&B products	●	Reduce complaints of customers by securing the safety of quality of H&B products	Year-long
			Focus on improving high risk claims	Year-long

Quality Management

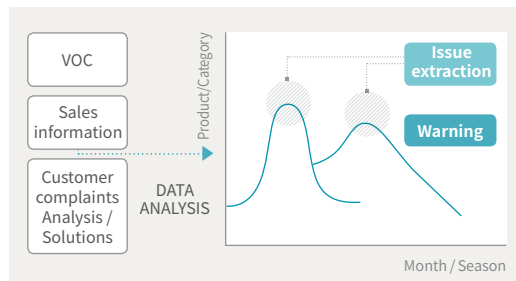
Although we used to focus on improving reported quality issues and conducting post management in the past, we strengthened our quality management by identifying risks in advance and systematizing our solution and maintenance system since 2015. We monitor the quality-related regulations that can be revised according to the expectations of society and consumers, and examine whether our internal quality system and the activities at business sites comply with such regulations. If improvement is needed, we handle the issue within the company and quickly improve it through the quality assessment process. In 2015, we conducted the quality assessment on the manufacturing sector of all business sites and the logistics sector of the beverage division. As a result, we detected and addressed 6 major issues for improvement and 24 cases for supplementation, and we conducted and standardized the post management and maintenance system.

We will retain the strict internal system for preliminary and post management to provide reliable products for our customers.

Customer Complaint Forecast System

We have established our Customer Complaint Forecast System based on big data to prevent quality-related complaints. By analyzing complaints by product, season, region, and customer category, we predict the causes of frequent complaints and share the result with other business sites to prevent their recurrence. We will continue our efforts to meet the expectations of customers by managing various issues based on this continuously upgraded system and enhancing the employees' awareness of quality management through newsletters and education programs.

Customer Complaint Forecast System



Resolving Complaints of Customers

LG H&H swiftly responds to complaints or inquiries from consumers about products and services, prevents the recurrence of problems, and fully considers feedback to improve products. We have also introduced the Supervisor System, a differentiated call center service for satisfying the needs of customers and building their trust.

In this system, Supervisors are specialized human resources for customer service. They identify the needs of customers and take proper actions based on their broad experience and knowledge in this industry and the overall consumer goods industry, and provide education and manage employees in the customer service department.

Cases of Addressing Complaints of Customers :

Babience Liquid Milk for Babies

In Korea, where rice is the staple food, there are a number of cases of food-related damage due to the Indian meal-moth larva. As LG H&H has faced similar cases with Babience products, we improved the containers for products to resolve this problem.

Babience Liquid Milk for Babies products are manufactured through a safe, automated process by using HACCP certified equipment. No microbes are found in this UHT instant sterilization and bacteria-free process, and foreign substances cannot enter during the manufacturing process, thanks to the microfilters. In order to prevent contamination in the distribution process, we use our exclusive warehouse to store Babience products under the strict management system with consideration for temperature, insects, and weather. We minimized the gap between the container and the cap, and extended the label packaging to the upper part of the container, thereby blocking any foreign substances and reinforcing these products' safety.

→ Improving the Container of Babience Liquid Milk for Babies

1. **Extended the container packaging film to right below the cap**
We extended the packaging film of the container body to right below the cap to block foreign substances.
2. **Reduced the gap between container and cap**
We designed the space between the container body and the cap as a stair-shaped structure to minimize the gap (0.86 mm → 0.41 mm).
3. **Enhanced the strength of the container by inserting a border ring**
We improved the strength of the container by inserting a border ring to the projecting part, minimizing breakage issues during the delivery process (applying the improvement to the second- and third-phase products).



Social Contribution

CSR Background

Companies all over the world are now expected to not only increase sales and profits, but also fulfill their social responsibility and strengthen the corporate citizenship. We need to pursue mutual growth with society by carrying out social contribution activities in connection with the characteristics of our business.

Our Commitment

We determine and plan LG H&H's social contribution activities based on the selection and concentration strategy and effectiveness analysis so that we can offer more than one-time financial support. We maximize the effectiveness of our support based on partnerships with government institutions and specialized organizations. We classify social contribution activities into four types—health, education, welfare and sharing—and run appropriate programs for each category.

Key Performance Indicators (KPIs)

• Non-consolidated



Investment in Social Contribution

KRW **11.7**_B



No. of Employee Volunteers/
Total Amount of Time

533 Persons / **5,922** Hours



No. of Beneficiaries of Social Contribution

17,962 Persons

Performances and Plans

● Achieved ◐ Partially achieved or ongoing ○ Not achieved

Key Issues	Performances in 2015	Level of Achievement	Plans for 2016	Target Timing
Reinforce the linkage between social contribution activities and business	Stabilized and facilitated the Borrowed Earth School	●	Expand the Borrowed Earth School to middle schools	Year-long
	Stabilized and facilitated the Global Eco Leader's Water campaign	●	Expand the Global Eco Leader's Resource Circulation campaign	Year-long
	Strengthened the quality of the O Hui Beautiful Face Campaign with the support for surgery and the Healing Camp	●	Expand the O Hui Circle Camp	Year-long
	Continued the Perioe Kids School and education programs for oral health for kids in local community	●	Continue the Perioe Kids School and education programs for oral health for kids, and facilitate the gum health campaign	Year-long
Expand the influence on changes in local community	Increased the number of volunteers and the amount of donations for Beautiful Store	●	Increase the support for the underprivileged by expanding strategic donation	Year-long
	Expanded the benefits for local community by distributing the Food Bank and the Community Chest Of Korea at national level	●	Expand the benefits for the local community by distributing the Community Chest of Korea at the national level	Year-long
	Increased the number of beneficiaries of the Happy Smile Fund and Smile Together and the support for these program	●	Increase the number of beneficiaries of the health examination support for female breadwinners of single-parent households	Year-long
	Continued and increased support for artists of WHOO Praise for Hae-geum	●	Contribute to and expand the cultural asset restoration project based on the cooperation between Whoo and the Cultural Heritage Administration	Year-long
	Expanded the vocational education programs and the kindergarten project of THE FACE SHOP HIMANGO Village	●	Expand the support for multicultural families by expanding the HIMANGO Village project and the kindergarten project	Year-long

Borrowed Earth School

Borrowed Earth School, a representative social contribution activity of LG H&H, is a converged habit education program. It is the first of its kind in Korea, and helps people improve basic habits that they have never learned before, and think about dreams and future. To promote habit education for teenagers, we signed an MOU for invigorating the Test-free Semester System with the Ministry of Education and the Education Offices of each city and province, and have conducted the program in cooperation with Ecomom Korea, an environmental NGO.

The participants share ideas about what kind of bad habits cause pollution and waste resources, and then learn good habits and examine themselves to discover their talents and dreams. This program differs from the general education in school since it is a form of creative converged education.

Program Design and Supervision by Experts

Based on the industry-academic cooperation with the team led by Myung-hee Kang, an educational technology professor at Ewha Womans University, we designed and revised the program for motivation strategies, habit training, and career mentoring. This program is now a creative habit education opportunity that keeps up with changes in the academic field. We also intended this program to help participants build a sense of achievement, self-esteem, and mature mindset for their future careers.

Employees' Mentoring for Future Career

The employees of LG H&H participate in this program as lecturers, motivate students to learn green habits,

Significance of Borrowed Earth School












and provide career mentoring in relation to their jobs, thereby creating a place for communication with teenagers and helping the participants plan their futures.

Details of Program

The program is comprised of nine subjects: face washing, beauty expert, tooth brushing, shampooing, dish washing, laundry, hand washing, recycling, and junior marketer. It provides creative and practical education to teenagers, serving as an opportunity for them to learn comprehensive insights into environment, science, habits, and the professional world.

Details of Program

Main Habits	Face washing	Beauty Expert	Tooth brushing	Dish washing	Shampooing
					
	Motivation Strategy	Diagnosis of skin	Cosmetics seeking (video)	Diagnosis of plaque	Cartoons (video)
Habit Training Method	Cute face washing	I'm a make-up artist	Takes three minutes	Challenge! Good dish washing	Shampooing game
Main Habits	Laundry	Hands washing	Recycling	Junior marketer	
					
	Motivation Strategy	Curiosity triggering (quiz)	Hands washing habit diagnosis	Plastic Island (video)	Career experience (video, quiz)
Habit Training Method	Challenge! Good laundry	Hands washing game	Save the Waste Island!	Challenge! Junior marketer	

Global Eco Leader

Global Eco Leader is a support program to help teenagers grow into global environmental leaders with various knowledge and experiences. We have conducted this program since 2014 with the cooperation of UNEP, the Ministry of Environment, and Eco-mom Korea. In 2015, over 500 elementary, middle, and high school students participated in the UNEP special lecture presented by Professor Moo-young Han, the rain specialist from Seoul National University, at the UN Youth Conference on Environment and summer camps throughout the year under the theme of “Water and Habit.” We also carried out activities to bring about changes through eco-friendly campaigns in schools and local communities. We will continue to support eco leaders who put in practice what they learn at home and school and think about sustainable growth within the scope of their lives.

Cultural Heritage Keeper Project by The History of Whoo

LG H&H sponsors the Whoo-Cultural Heritage Keeper Project to protect Korean traditional culture and build its value. In 2015, we donated electric vehicles for the preservation and maintenance of the royal palaces, including Tongmyeongjeon in Changgyeonggung Palace (National Treasure No. 818) to develop the value of the female culture of the royal family of the Joseon Dynasty and increase opportunities to enjoy traditional culture. We also conducted a special cultural event titled “Under the Moonlight of Changgyeonggung (Concert of Haegeum—a traditional musical instrument) during the special nighttime tour period of the palace, and held a media art exhibition for promoting the royal women culture. In 2016, we will expand the campaign to promote royal culture under the theme of “Four Seasons of Queen” in four palaces in Seoul. We will sponsor the preservation and promotion of the cultural value of these palaces.

Beyond-Nepal Support for Self-Reliance of the Himalayan Regions

In June 2014, we signed an MOU with Good Neighbors, an international non-profit humanitarian organization, as a part of our global CSR activities to help the underprivileged in foreign countries. We provide the technical support for processing quality wild herbs grown in the alpine regions in the Himalayas in Nepal and supply them as ingredients for cosmetic products. We also conduct the project to support the self-reliance of the local community by helping to increase the income of residents in the underdeveloped areas of Mugu and Humla. Located at an altitude of over 3,000 m, these villages are two of the most underprivileged villages among the administrative districts in Nepal. Due to the poor geographical conditions, herbs, the major income source of residents, are sold at low prices, while daily necessities are sold at high prices. In 2015, this region achieved KRW 3.75 billion of sales, resolving its fundamental problems and increasing the residents’ income. We will continue CSR activities further to provide even more help to those in need.



→ Global Eco Leader Launch Ceremony



→ UN Youth Conference on Environment



→ Cultural Heritage Keeper Concert

No. of Accumulated Participants of the Global Eco Leader Program

869 Persons



No. of Accumulated Mango Trees for Hope

35,000 Trees





→ HIMANGO Elementary School



→ Perioe Kids School



→ Coca-Cola Kids Green Leadership

No. of Accumulated Participants of Perioe Kids School

185,939 Persons



No. of Accumulated Participants of Coca-Cola Kids Green Leadership

740 Persons



THE FACE SHOP HIMANGO Support Program

Since 2011, LG H&H has conducted global social contribution activities with the cooperation of HIMANGO, a nonprofit organization. We have planted mango trees in Tonj, Southern Sudan in Africa. These trees, which survive for over a hundred years even in barren land in Africa, resolved the nutritional unbalance in the area, and we sponsored the self-reliance of local residents by establishing mango tree farms. We created the HIMANGO Village with an education center and business center in 2013 to help residents help themselves. Now, about 130 residents are taking education courses under five subjects in nine classes, including carpentry and construction, English, and sewing. For the graduates of the HIMANGO Kindergarten, founded in 2014, we established the HIMANGO Elementary School in March 2015, helping 250 students hold onto their dreams. We also launched the 1st group of the HIMANGO Supporters, consisting of college students, which is aimed at delivering news about Southern Sudan to Korea and other foreign countries, producing fairy tale books for the HIMANGO Village, and learning the value of love and sharing. As of now, a total of 35,000 mango trees have been planted, and over KRW 1 billion of funds have been given to support the villagers.

Perioe Kids School

Perioe Kids School was launched in 2004 as LG H&H's business-connected education campaign to promote oral health for kids. It celebrated its 2,000th campaign this year. For the past 12 years, we visited 2,225 kindergartens and daycare centers, and provided oral health education for 185,939 children, teachers, and parents, teaching correct knowledge about oral health. Dental Hygienists from LG H&H have visited various facilities for children across the country, provided education free of charge, and taught the correct ways for tooth brushing, thus helping kids to learn good habits in their childhood.

Coca-Cola Kids Green Leadership

Coca-Cola Kids Green Leadership is a wetland expedition activity aimed to help children, who will lead the future environment. The program helps children understand the significance of nature and increase their awareness of the environment. Since 2011, we have nurtured about 740 Green Leaders. In 2015, we conducted the education program in Du-ung Wetland, a mudflat in Songdo, and another one in Beolgyo, Boseong, and we selected the 8 Best Green Leaders based on an evaluation by an environment expert of their participation level and essays about environmental protection submitted after the education program. Those selected as Best Green Leaders were granted an award certificate, Coca-Cola souvenirs, and the opportunity to participate in 4 days and 3 nights of the environment training course in a wetland in Taiwan, registered to the Ramsar Convention.



Green Management

CSR Background

Many environmental issues including the exhaustion of limited resources, environmental pollution, and climate change are causing damage to the world. In response to this situation, companies that directly damage the nature must take the initiatives to take actions.

Our Commitment

Based on the company's vision, Green Management 2020, LG H&H sets a goal every year and minimize its environmental effect by conducting various activities to reduce GHG emissions and energy consumption, and effectively manage water resources.

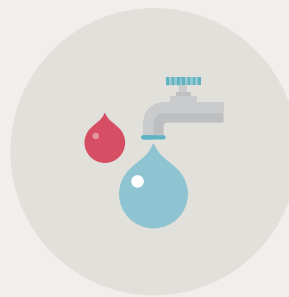
Key Performance Indicators (KPIs)

• Non-consolidated



GHG Emissions

43,118 tCO₂e



Water Consumption

706,477 tons



Waste Emissions

7,134 tons

Performance Summary & 2016 Objectives

● Achieved ● Partially achieved or ongoing ○ Not achieved

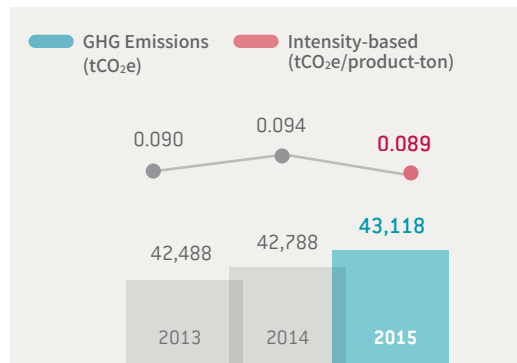
Key Issues	Performances in 2015	Level of Achievement	Key Issues	Plans for 2016	Target Timing
Respond to climate change and reduce GHG emissions in businesses	Examined the GHG emissions in the phase of sales and logistics of HAITAI Beverage	●	Manage chemical substances	Establish the chemical substance management system	Second quarter
	Established the GHG inventory system at the business site of HAITAI Beverage in Iksan	●			
Minimize the environmental impact in all processes	Conducted the ESH Assessment	●	Minimize the environmental impact in all processes	Conduct the ESH Assessment (focused management of medium and long-term goals for environmental safety)	Year-long
	Purchased green products	●		Manage environmental and safety accidents	Year-long
	Achieved zero rate of environmental accident	●			

• ESH: Environment, Safety, Health

Response to Climate Change

LG H&H focuses on the management of energy efficiency as a systematic countermeasure to climate change at all business sites. Based on our continued investment in energy efficiency improvement by repairing facilities and replacing equipment, we minimize physical and financial damages to the company and fulfill our environmental responsibility as a corporate citizen.

GHG Emissions



● Non-consolidated

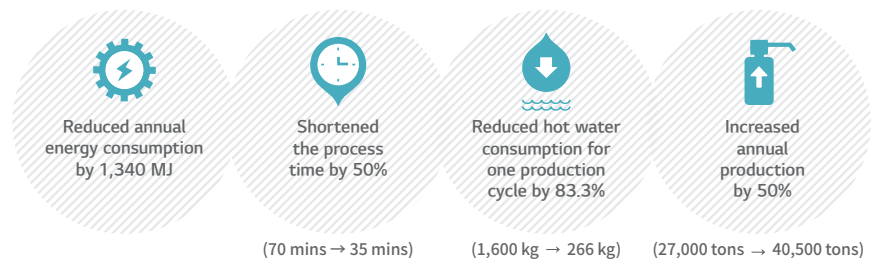
Exemplary Case of Energy Reduction:

Detergent at Ulsan Site

With the expanded distribution of drum washing machines, the market share of liquid detergent in the laundry detergent market surged from 31% in 2012 to 45% in 2015. LG H&H also saw significant growth of its liquid detergent products, recording a 20% increase on average for the last three years, and the resulting mass production had an impact on the environment. Accordingly, we improved energy efficiency to minimize the environmental effect of our liquid detergent products. For "TECH Natural Baking Soda," which accounts for one third of all our liquid detergents, we reduced the hot water consumption by 83.3% and shortened the production time by 50% by eliminating the high-temperature and cooling processes. As a result, we accomplished a 50% increase in production.



Result of Process Improvement at Ulsan Site



Exemplary Practices of Energy Reduction

Improvement Activities	Amount of Reduction	Amount of Energy Reduction (GJ)	Amount of GHG Reduction (tCO ₂ e)	Annual Saved Amount (KRW M)
Increased efficiency of the steam management for the continuous operation of the business site	Steam 3,625 ton	12,476	430	158
Reorganized unnecessary steam pipe	LNG 230,092 Nm ³	10,032	509	31
Waste water treatment facility	LNG 202,020 Nm ³	8,808	447	140
Installed an anaerobic digestion tank in the wastewater treatment plant	Electricity 900 MWh	8,640	420	120
Used sealing water and chilled water of the vacuum pump	LNG 196,224 Nm ³	8,555	434	68
Enhanced the efficiency of lightings	Electricity 374 MWh	3,594	175	39
Replaced old motors and pumps and installed new inverters	Electricity 208 MWh	1,997	97	28
Improved heaters	LNG 35,719 Nm ³	1,557	79	23
Replaced old air compressors	Electricity 41 MWh	392	19	5
Installed cooling water inverter pumps	Electricity 31 MWh	297	14	4
Improved the cooler process	LNG 5,654 Nm ³	247	13	5
Replaced aged heat exchangers	LNG 4,320 Nm ³	188	10	3.2

Minimizing the Environmental Effect

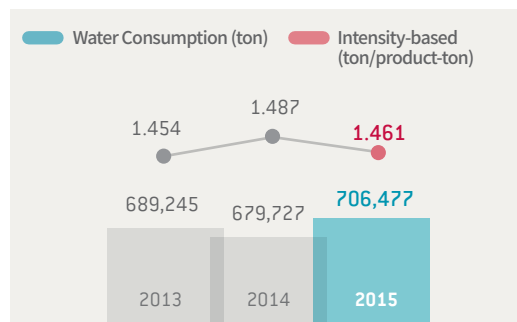
LG H&H enacts various efforts to reduce not only GHG emissions but also other environmental effects by establishing the management system at each business site. We constantly monitor and manage water consumption, wastewater, and industrial waste to achieve our goal for intensity-based reduction in accordance with the company's medium and long-term strategy.

Water Resource Management

LG H&H is committed to fulfilling its corporate responsibility for water resource management by increasing the efficiency of water consumption. In Onsan, for instance, we reused a large amount of external industrial water for internal use, which used to be wasted during the wastewater treatment process. This enables us to reduce water consumption by 4,880 tons on an annual average. Thanks to these efforts, we could save KRW 300 million a year, which used to be wasted in consigned projects. In Cheonan, we promoted water reduction activities in the line cleaning process, reducing of water consumption by an average of 1,928 tons.

For the Coca-Cola Beverage Company, we conducted the Source Water Vulnerability Assessment (SVA) at each beverage-producing business site and introduced the Source Water Protection Plan (SWPP), developed by Global Coca-Cola, to manage water consumption and relevant risks.

Water Consumption



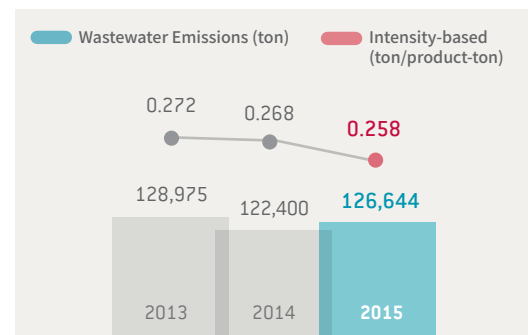
• Non-consolidated

Wastewater Management

To prevent water pollution, LG H&H thoroughly handles the wastewater generated at each business site by using internal or external treatment facilities. At the company's own facilities, we apply standards stricter than the legal regulations and implement facility improvement projects and investment to enhance the efficiency of waste-

water and pollutant treatment. In Yeosu, for instance, we invested KRW 3.7 billion in a new anaerobic digestion tank in the wastewater treatment plant. This increased the efficiency of wastewater treatment, reduced sludge and electricity consumption, and enabled us to recycle biogas, while also saving KRW 370 million of expense. In Cheongu, KRW 37 million was invested to utilize idle facilities to improve the wastewater treatment process. Through these efforts, we extended the life of wastewater treatment facilities and increased their efficiency, reduced the COD and suspended solids by 20% and 55%, respectively, and achieved quality improvement of effluence.

Wastewater Emissions

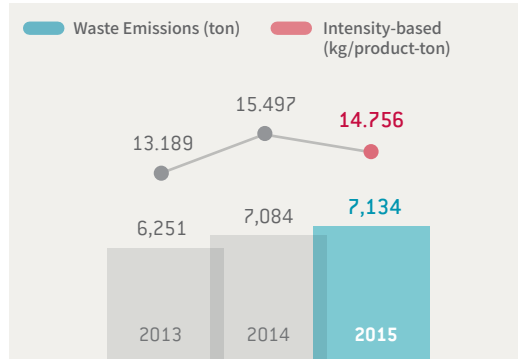


• Non-consolidated

Waste Management

LG H&H strives to reduce waste emissions and prevent pollution in surrounding areas caused by the leakage of waste during the storage process. In Onsan, we built a separate waste storage facility to prevent environmental accidents. In this facility, we installed barriers to prevent leaked waste from being discharged outside, and prepared a collecting well to avoid any environmental accidents in advance. In Gwangju, we expanded the storage site of waste glass to prevent leakage and enhanced the waste treatment efficiency. In Cheonan, there were growing concerns about environmental pollution because the treatment site for returned goods is located far away from the wastewater treatment facility; this presented risks related to the pipes transferring returned beverage products. To resolve this issue, we invested KRW 150 million as a preemptive measure to move the treatment facilities for waste and returned goods closer to the wastewater treatment facility. In this way, we could prevent environmental pollution and manage waste efficiently.

Waste Emissions



● Non-consolidated

Harmful Chemical Substance Management

As a preemptive measure in anticipation of tightened regulations on chemical substances at home and abroad, including the Chemicals Control Act, LG H&H conducts a regular internal diagnosis and employs the LG Group's diagnosis to systematically respond to the management of chemical substances. We are also continuing our investment and improvement projects. In 2015, we provided education for the staff that handle chemical substances at each business site, and prepared additional protective equipment to secure safety. In Onsan, we installed a local air exhauster for cleaning agents and the continuous processes that cause chemical dust to prevent accidents caused by such substances. We also added four more CCTVs at the harmful-chemicals-handling facilities to monitor chemical substances. In 2016, we are planning to introduce a chemical substance management system to all business sites, establish the inventory



→ Constant monitoring of harmful chemical substances (Business site in Onsan)

Eco-friendly Logistics and Distribution Centers

Keeping up with the rapidly changing environment, LG H&H has implemented the gradual integration of key functional and regional distribution centers based on the integration plan to enhance the operation efficiency. We have reorganized and integrated the functions of key centers to efficiently systematize our logistics network. In addition, we have promoted the use of larger transport vehicles with the cooperation of transport suppliers, thus reducing fuel consumption and GHG emissions. We also decided to expand the direct distribution from OEM production centers to streamline the transport routes of cosmetics and household goods. For beverage products, we reduced the transport stages by promoting the direct distribution from key producing areas to dealers. This enabled us to reduce distribution costs and GHG emissions. Furthermore, we prioritized the safety of products in the process of packaging, transport, and unloading, while focusing all our capacities on increasing the efficiency of transport and delivery and reducing the transport routes and lead time, thereby minimizing our effect on the environment. We will continue to reform the logistics process, optimize key logistics centers, and enhance the efficiency of transport and delivery to reinforce our eco-friendly logistics system.

Reduced Costs

(Unit : KRW 100 M)

Category	2014	2015
Improve the load rate of pallet	1.7	0.8
Increase the efficiency of transport and delivery	2.1	41.3
Streamline the operation of key logistics centers	3.5	1.2
Change key import and export centers	3.3	-
Introduce eco-friendly vehicles	9.0	-
Total	19.6	43.3



→ View of the Integrated Distribution Center in Cheonan

Win-Win Growth



CSR Background

In terms of the relationship with suppliers, there is an increasing demand for more specific areas including welfare, support and evaluation, requiring us to go beyond a simple relationship pursuing economic outcomes within the company's value chain. Any unethical activities and negative issues linked to the suppliers could also directly affect all related companies.

Our Commitment

LG H&H is providing support to the suppliers in multiple aspects such as education, technology, finance, and welfare, in order to resolve complaints and strengthen their competitiveness. In 2016, we will carry out surveys of our suppliers to identify the areas where they need support, and provide more practical help accordingly.

Key Performance Indicators (KPIs)

• Non-consolidated



Win-Win Growth Index

The First Class



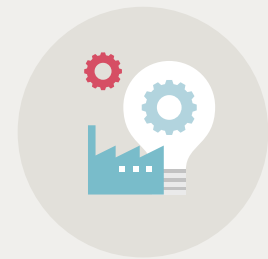
Win-Win Growth Fund
(Raised / Executed)

KRW **41** B
/ KRW **31.2** B



Suppliers with
CSR Assessment

127



Technology Support &
Protection for Suppliers

29 cases
*(23 technology escrow,
6 co-ownership of patents)

Performances and Plans

● Achieved ● Partially achieved or ongoing ○ Not achieved

Key Issues	Performances in 2015	Level of Achievement	Plans for 2016	Target Timing
Strengthen communication with suppliers	Held a general meeting with suppliers	●	Conduct the CEO Academy	March, November
	Held Win-Win Growth Committee meetings (3 times)	●	Hold Win-Win Growth Review Committee meetings	Quarterly
	Visited suppliers (purchasing director and other employees in charge)	●	Visit suppliers (purchasing director and other employees in charge)	6 times a month
	Held talkfests with suppliers (twice)	●	Conduct workshops for enhancing the competitiveness of suppliers	Half-yearly
Reinforce the competitiveness of suppliers	Adjusted raw and subsidiary materials in connection with exchange rates	●	Adjust raw and subsidiary materials in connection with exchange rates	As circumstances require
	Increased the amount of money spent on purchases from suppliers by 1% or higher	●	Increase the amount of money spent on purchases from suppliers by 1% or higher	Year-long
	Managed 23 cases of technology material escrow	●	Manage 25 cases of technology material escrow	Year-long
Expand financial aid for suppliers	Maintained the cash payment ratio at 100% (Subcontractors : Paid 100% in cash)	●	Maintain the cash payment ratio at 100% (Subcontractors : Paid 100% in cash)	Year-long
	Raised KRW 41 billion of Win-Win Growth Fund	●	Raise KRW 47.5 billion of Win-Win Growth Fund	Year-long
Strengthen fairness and transparency	Conducted the CSR Assessment of 127 major suppliers	●	Achieve 100% completion rate of the CSR Assessment of major suppliers	Year-long
	Conducted the Purchase Assessment of 127 major suppliers	●	Achieve 100% completion rate of the Purchase Assessment of major suppliers	Year-long

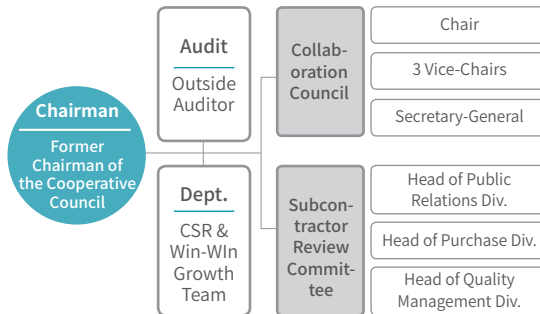
Strengthening Supplier Communication

LG H&H strives to build strong partnership within the culture of fair trade. We set the four approaches for win-win growth, related to contracts, selection, document issuance, and the Subcontractor Review Committee for the basis of fair trade. We also regularly conduct communication activities with suppliers through the Collaboration Council, Win-Win Growth Seminar, and Win-Win Growth Workshop.



→ Supplier Technology Proposal

Win-Win Growth Review Committee Structure



Support for International Exhibitions

As means for new entry into and benchmarking of global cosmetics market and trends, LG H&H encourages its SME suppliers to attend international technology exhibits. We offer all supports and costs for registrations and displays for the exhibits, thereby leading them to focus on preparing for the exhibits.

Joint R&D

We not only protect suppliers' technologies with the technology data escrow system, but also support issuance of co-ownership of patents. Also, we publish patents of SMEs through the Creative Economic Innovation Center, thereby strengthening the cosmetics industry in Korea.

Consultation

We provide our suppliers technology consulting for their competitiveness building. Our experts aid the primary and secondary suppliers in improving productivity and quality. Moreover, we also support our cosmetics suppliers to obtain CGMP certification so that they can build capacity that satisfies potential customers' needs for quality, thereby also increasing trust in LG H&H.

Reinforcing Supplier Competitiveness

We offer suppliers opportunities, including visits to global exhibits and technology sharing/consulting, in order to achieve mutual growth through suppliers' development.

Supplier Technology Proposal

Supplier Technology Proposals are held regularly so that the suppliers can introduce their technology to the decision makers in Marketing, Business, R&D, and Overseas Divisions of LG H&H. We offer budget worth KRW 500 million annually if a supplier requires additional support for its technology development.



New Technology Proposals in 2015

Adopted **144** items
from **38** companies

Support for International Exhibitions

Title of Exhibition	No. of Suppliers	Contract Amount for Export
China Beauty Expo (Shanghai)	8	USD 690,000
Canton Beauty Expo (Guangzhou)	9	USD 270,000
Beauty Expo Korea (Seoul)	6	USD 10,000

Technology Sharing and Protection

Category	No. of Suppliers	No. of Cases	Notes
Technology Material Escrow	15	23	5 new cases, 18 renewal cases
Joint Ownership of Patent Rights	6	6	1 case of joint utility model, 5 cases of joint patent ownership
Disclosure of Patent	6	30	Chungbuk Creative Economy and Innovation Center

Consultation

Category	Suppliers (No.)	Details	Expenses	Outcome
Productivity Innovation Partnership	Primary/secondary suppliers (10)	Consulting for manufacturing innovation	Approx. KRW 30 million for each partner	KRW 530 million
Industrial Innovation Movement	Secondary suppliers (4)	Consulting for manufacturing innovation and support for the purchase of equipment	Approx. KRW 20 million for each partner	KRW 170 million
Support for CGMP Certification	Cosmetics-manufacturers (13)	Consulting for obtaining the CGMP certification	(Support with internal experts)	-

Expanding Financial Support

We offer suppliers financial support for their capacity building through R&D. In addition, we strive to minimize their burden by taking measures such as providing payment all in cash.

Win-Win Growth Fund

We help suppliers in making decisions for new technology development, processing capacity building, and new market entry. Furthermore, in collaboration with financial institutions, we established the Win-Win Growth Fund to offer loans at low interest rates.

Investment Financing

Our investment financing program is a financial support for suppliers when they require budget for R&D, productivity building, and overseas market entry. Since 2014, we have run a total of KRW 1 billion for financing investment in suppliers.

Investment Financing Details * As of 2015

Category	Operated Amount	Purpose
Win-Win Growth Investment Financing	KRW 600 million	Financial support for SMEs' investment

* Recorded as financial donations to the Foundation of Collaboration of Conglomerates and SMEs

Cash Payment to Subcontractors

LG H&H processes cash payments, within 10 days, twice a month for any payments to all of its suppliers. Since 2016, we will create shared culture of payments in our supply chain through the shared growth payment system.

Subcontractor Payments

Means	No. of Targets	Payment	Avg. Days until Payment
In cash twice per month	641	KRW 597.9 billion	8.3 days

Welfare for Suppliers

Beyond conventional business relationships with suppliers, we run welfare support activities for them. We care about the work and life balance of employees of these companies and strive to meet their expectations so that they can increase productivity.

Happy Together Campaign

The Happy Together Campaign was designed as a volunteer activity to reinforce the bond between suppliers and local communities and promote our social contribution culture. In 2015, we held two events for this campaign.

Provision of Sports Game Tickets

Expanding the leisure support for LG H&H employees, we also provide sports game tickets, including those for FC Seoul and LG Twins games, to the employees of our suppliers.

Supplier CSR Assessment and Management

LG H&H selects new suppliers through transparent and fair process. The categories for supplier CSR assessment includes consumers, safety & health, labor practices, Jeong-Do Management, governance, local communities, and environment & energy. We conduct document and credit evaluation in the first stage, and execute site evaluation through the assessment team with expertise in purchase, material, quality, production, and marketing. Moreover, we use results of the assessment as the basis for supply allocation, Win-Win Growth Fund, and technological support. The suppliers that failed to satisfy our standard shall submit their improvement plans and receive re-assessment within a year. Since 2014, we conduct the assessment on the suppliers with annual trade worth KRW 200 million or more.

Win-Win Growth Agreement and Training (Unit: Case)

Category	2013	2014	2015
Signed (LG-Primary Suppliers / Primary-Secondary Suppliers)	80/227	108/330	109/340
Supplier Capacity Building	221 (497persons)	363 (734persons)	478 (1,026persons)

Result of the CSR Assessment

	Category	Unit	2013	2014	2015
CSR Assessment of New Suppliers	No. of companies considered for new contracts	Company	169	123	93
	No. of new suppliers assessed	Company	17	27	20
	Ratio of assessed companies among new suppliers	%	10.1	22.0	21.5
CSR Assessment of Existing Suppliers	No. of suppliers to be assessed	Company	215	157	127
	No. of suppliers scoring lower than 70 points	Company	10	13	-
	No. of suppliers scoring lower than 70 points and that agree to improve	Company	10	13	-
	No. of suppliers scoring lower than the criteria level and that lose the contract	Company	-	-	-

Performance Review

60	Economic Performance
62	Environmental Performance
64	Social Performance
66	Government Subsidy in 2015
	Memberships of Associations
	Major External Assessment and Awards
	Management System Certification

Economic Performance

Summary of Financial Statement

Financial Statement

(Unit: KRW M)

Category	LG H&H [consolidated]		LG H&H [non-consolidated]		Coca-Cola [consolidated]		TFS [consolidated]		HAITAI [separate]	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
I. Current Assets	1,331,133	1,214,261	788,198	813,961	233,249	147,843	146,546	133,169	66,910	56,638
Cash and cash equivalents	396,938	338,067	189,104	268,105	87,948	12,794	43,128	20,208	8,693	1,357
Short-term finance balance	30,900	18,400	16,900	16,400	9,000	2,000	-	-	-	-
Accounts and notes receivable	419,715	408,256	281,817	268,358	82,483	77,690	36,096	38,709	21,509	22,776
Other bonds	16,422	18,657	21,933	22,017	7,013	5,377	6,997	4,390	3,000	849
Inventories	441,258	411,299	265,192	226,333	43,784	47,331	57,189	66,149	30,866	30,528
Investments in subsidiaries	-	-	-	4,197	-	-	-	-	-	-
Non-current assets as held for sale	-	-	-	-	-	-	-	-	-	-
Other current assets	25,900	19,582	13,253	8,552	3,022	2,651	3,135	3,713	2,843	1,127
II. Non-current assets	2,883,504	2,614,087	2,164,355	1,877,784	436,810	436,147	171,129	173,263	306,641	214,427
Long-term finance balance	1,027	1,030	18	18	6	6	3	3	1,000	1,000
Other long-term bonds	87,238	83,045	48,238	44,589	9,558	8,010	27,953	27,801	3,334	3,600
Available-for-sale financial assets	5,153	1,385	4,265	385	788	1,000	1	-	-	-
Stocks for subsidiaries	-	-	1,547,351	1,383,748	-	-	-	-	-	-
Stocks for affiliates and joint companies	48,125	50,321	18,268	26,268	-	-	-	-	-	-
Deferred tax assets	39,259	2,892	37,208	20,490	3,700	1,590	13,208	13,092	12,099	-
Property	1,290,065	1,102,367	441,164	330,968	414,405	419,692	38,128	38,719	285,394	206,126
Investments in properties	29,643	23,277	21,935	22,160	1,634	-	2,100	-	3,569	-
Goodwill	733,065	699,976	-	-	4,176	4,176	41,759	44,411	195	-
Intangible assets	647,202	646,145	44,595	46,101	2,467	1,596	46,945	49,048	1,050	701
Other non-current assets	2,727	3,648	1,313	3,057	76	76	1,031	190	-	-
Total assets	4,214,637	3,828,348	2,952,553	2,691,745	670,059	583,989	317,675	306,432	373,551	268,065
I. Current liabilities	1,159,458	1,035,674	764,404	601,781	138,361	108,645	108,069	109,147	90,968	90,156
II. Non-current liabilities	939,836	1,084,171	726,437	-	13,848	31,029	8,616	9,734	21,678	28,680
Total liabilities	2,099,294	2,119,845	1,490,841	601,781	152,209	139,674	116,685	118,881	112,645	118,836
Capital stock	88,589	88,589	88,589	88,589	50,000	50,000	1,018	1,018	87,737	87,642
Capital surplus	97,326	97,326	97,326	97,326	48,072	48,072	64,314	64,314	153,702	58,805
Retained earnings	2,066,245	1,689,040	1,345,541	1,114,975	419,779	346,244	133,564	114,672	19,993	3,307
Accumulated other comprehensive income	-118,168	-158,450	1,704	-24	-	-	-5,563	-3,360	-	-
Other reserves	-96,696	-79,078	-71,449	-71,449	-	-	7,657	10,554	-526	-526
Non-controlling interests equity	78,047	71,076	-	-	-	-	-	353	-	-
Total capital	2,115,343	1,708,503	1,461,712	1,229,417	517,851	444,316	200,990	187,551	260,905	149,228

Income Statement

(Unit: KRW M)

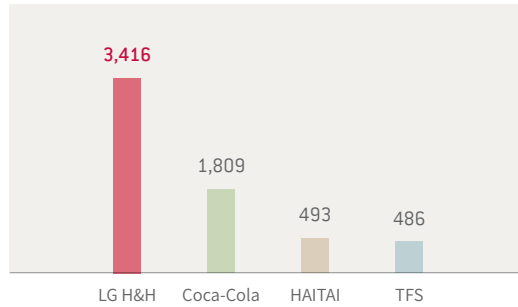
Category	LG H&H [consolidated]		LG H&H [non-consolidated]		Coca-Cola [consolidated]		TFS [consolidated]		HAITAI [non-consolidated]	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Sales revenue	5,328,492	4,677,010	3,031,336	2,513,352	1,081,169	1,017,160	629,075	610,141	280,594	271,115
Costs of goods and services sold	2,226,175	2,101,828	1,259,869	1,153,299	609,043	584,090	203,270	208,281	186,643	182,104
Gross profit or loss	3,102,317	2,575,181	1,771,467	1,360,053	472,126	433,070	425,805	401,859	93,950	89,011
Selling and administrative expenses	2,418,222	2,064,142	1,308,368	1,050,988	371,293	358,711	365,034	332,844	86,884	84,252
Restructuring expenses	-	-	-	-	-	-	995	-	-	-
Operating income	684,095	511,040	463,099	309,065	100,833	74,359	59,775	69,015	7,066	4,759
Finance income	7,606	9,485	8,514	46,277	1,773	332	618	264	498	53
Finance expenses	35,680	37,541	36,087	34,790	7	715	737	786	354	1,030
Other non-operating profit and loss	-17,571	-8,240	-6,547	-2,469	-812	423	-21,695	-3,053	-1,196	-955
Profit and loss regarding equity method	6,326	5,467	-	-	-	-	-	-	-	-
Income loss before income taxes expenses	644,777	480,212	428,979	318,083	101,786	74,399	37,961	65,440	6,014	2,827
Corporate tax	174,414	125,647	123,018	68,763	23,783	20,357	19,807	17,764	-13,047	774
Net income or loss	470,362	354,565	305,961	249,319	78,003	54,041	18,154	47,676	19,061	2,053

● LG H&H : LG Household & Health Care; Coca-Cola: Coca-Cola Beverage Co.; HAITAI: HAITAI Beverage Co.; TFS: THEFACESHOP

Economic Value Distribution (Domestic)

Employees

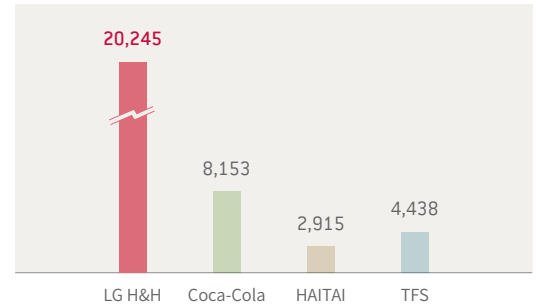
(Unit: KRW 100 M)



- Wages, bonus, benefits, severance pay, education, and training expenses

Suppliers

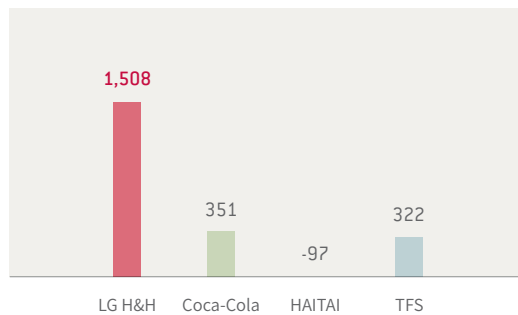
(Unit: KRW 100 M)



- Expenses for raw and subsidiary materials, processing costs for subcontractors, equipment investment, costs for external service companies, commission of stores, advertising and marketing costs, promotion costs

Government & Local Community

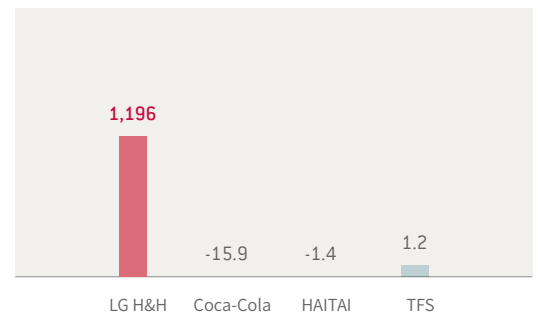
(Unit: KRW 100 M)



- Corporate tax, other taxes, public utilities' charge, expenses for social contribution activities, membership fees for associations and academic associations

Shareholders & Creditors

(Unit: KRW 100 M)



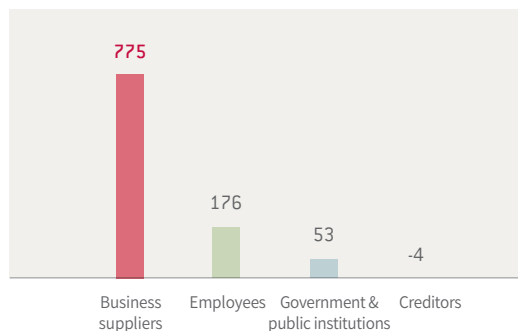
- Dividend payout ratio 30.2% (LG H&H, non-consolidated)

Economic Value Distribution (Overseas)

Subsidiaries in China (Shanghai, Hangzhou, Beijing)

KRW 100 B

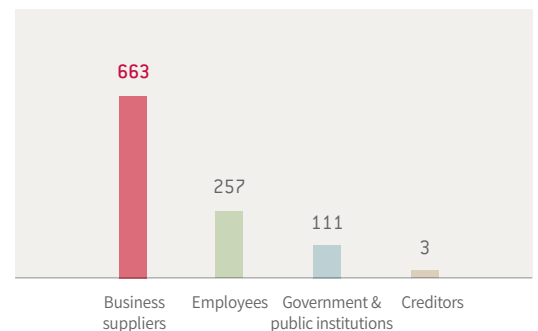
(Unit: KRW 100 M)



Subsidiaries in Japan (GSI, Everlife Co., Ltd.)

KRW 103.4 B

(Unit: KRW 100 M)



Environmental Performance

Major Environmental Index

Category	Domestic					Overseas					
	Company /Subsidiary	Unit	2013	2014	2015	Company /Subsidiary	Unit	2013	2014	2015	
Production volume	LG H&H	Ton	473,967	457,091	483,476	Beijing, China	Ton	7,497	6,977	7,344	
	Coca-Cola	Ton	713,868	690,638	698,023	Hangzhou, China	Ton	557	639	583	
	HAITAI	Ton	359,285	363,010	368,905	Dong Nai, Vietnam	Ton	2,101	2,253	1,952	
Energy	Consumption	LG H&H	TJ	899	915	924	Beijing, China	TJ	17	21	20
	Intensity		GJ/product-ton	1.896	2.002	1.912		GJ/product-ton	2.294	3.068	2.680
	Consumption	Coca-Cola	TJ	887	860	864	Hangzhou, China	TJ	4	4	4
	Intensity		GJ/product-ton	1.242	1.246	1.238		GJ/product-ton	6.455	5.746	6.654
	Consumption	HAITAI	TJ	353	372	536	Dong Nai, Vietnam	TJ	13	13	13
	Intensity		GJ/product-ton	0.981	1.024	1.452		GJ/product-ton	6.115	5.612	6.881
GHG	Emissions	LG H&H	tCO ₂ e	42,488	42,788	43,118	Beijing, China	tCO ₂ e	891	1,109	1,020
	Intensity		tCO ₂ e/product-ton	0.090	0.094	0.089		tCO ₂ e/product-ton	0.119	0.159	0.139
	Emissions	Coca-Cola	tCO ₂ e	47,004	45,317	45,696	Hangzhou, China	tCO ₂ e	1,181	1,490	1,900
	Intensity		tCO ₂ e/product-ton	0.066	0.066	0.065		tCO ₂ e/product-ton	2.121	2.332	3.258
	Emissions	HAITAI	tCO ₂ e	17,034	19,035	22,470	Dong Nai, Vietnam	tCO ₂ e	690	679	728
	Intensity		tCO ₂ e/product-ton	0.047	0.052	0.061		tCO ₂ e/product-ton	0.328	0.302	0.373
Water*	Consumption	LG H&H	Ton	689,245	679,727	706,477	Beijing, China	Ton	15,598	16,003	7,949
	Intensity		Ton/product-ton	1.454	1.487	1.461		Ton/product-ton	2.081	2.294	1.082
	Consumption	Coca-Cola	Ton	2,048,135	1,887,295	1,899,635	Hangzhou, China	Ton	10,136	8,910	8,578
	Intensity		Ton/product-ton	2.869	2.733	2.721		Ton/product-ton	18.197	13.944	14.714
	Consumption	HAITAI	Ton	645,482	635,926	677,943	Dong Nai, Vietnam	Ton	36,746	50,500	42,385
	Intensity		Ton/product-ton	1.794	1.752	1.838		Ton/product-ton	17.489	22.419	21.716
Waste Water	Emissions	LG H&H	Ton	128,975	122,400	124,664	Beijing, China	Ton	12,369	12,802	6,359
	Intensity		Ton/product-ton	0.272	0.268	0.258		Ton/product-ton	1.650	1.835	0.866
	Emissions	Coca-Cola	Ton	1,121,014	1,083,530	1,029,731	Hangzhou, China	Ton	2,515	2,955	3,411
	Intensity		Ton/product-ton	1.570	1.569	1.475		Ton/product-ton	4.515	4.624	5.851
	Emissions	HAITAI	Ton	225,458	218,850	275,812	Dong Nai, Vietnam	Ton	29,520	36,673	33,906
	Intensity		Ton/product-ton	0.627	0.603	0.748		Ton/product-ton	14.050	16.281	17.372
COD	Amount	LG H&H	Ton	13.4	10.7	4.2	Beijing, China	Ton	0.6	3.5	0.7
	Intensity		kg/product-ton	0.028	0.023	0.009		Ton/product-ton	0.087	0.503	0.095
	Amount	Coca-Cola	Ton	14.8	15.0	15.0	Hangzhou, China	Ton	0.5	0.6	0.8
	Intensity		kg/product-ton	0.021	0.022	0.021		Ton/product-ton	0.826	0.971	1.433
	Amount	HAITAI	Ton	1.4	1.6	1.6	Dong Nai, Vietnam	Ton	0.9	1.5	2.4
	Intensity		kg/product-ton	0.004	0.004	0.004		Ton/product-ton	0.407	0.668	1.251
Waste	Amount	LG H&H	Ton	6,251	7,084	7,134	Beijing, China	Ton	236	221	167
	Emission		kg/product-ton	13.189	15.497	14.756		Ton/product-ton	31.479	31.676	22.688
	Amount	Coca-Cola	Ton	13,510	13,690	13,661	Hangzhou, China	Ton	16	17	6
	Emission		kg/product-ton	18.925	19.822	19.571		Ton/product-ton	28.187	26.463	11.098
	Amount	HAITAI	Ton	1,931	2,638	2,404	Dong Nai, Vietnam	Ton	41	61	71
	Emission		kg/product-ton	5.367	7.267	0.007		Ton/product-ton	19.604	27.011	36.564

• Data of Water was modified due to change in the measuring standard.

Water Recycling

Company/Subsidiary	Category	Unit	2013	2014	2015
LG H&H	Amount of recycled water	Ton	144,200	59,565	74,870
	Recycling rate	%	20.7	8.7	10.5
Coca-Cola	Amount of recycled water	Ton	300,696	274,571	239,627
	Recycling rate	%	14.5	14.4	12.9
HAITAI	Amount of recycled water	Ton	57,532	42,872	46,900
	Recycling rate	%	8.8	6.7	6.4

Waste Treatment (As of 2015)

Category	Unit	LG H&H	Coca-Cola	HAITAI	Total	
Designated waste	Amount of recycled waste	Ton	1,704.4	35.7	0	1,740.1
	Amount of incinerated waste	Ton	1,300.5	18.7	1.2	1,320.4
	Amount of buried waste	Ton	8.1	0.2	0.9	9.2
	Others	Ton	1.7	-	0	1.7
	Total amount	Ton	3,014.6	54.7	2.1	3,071.3
General waste	Amount of recycled waste	Ton	680.3	13,250.8	2,350.3	16,281.4
	Amount of incinerated waste	Ton	1,709.3	184.6	10.83	1,904.8
	Amount of buried waste	Ton	1,729.9	46.2	40.8	1,817.0
	Others	Ton	1.7	-	0	1.7
	Total amount	Ton	4,119.5	13,481.7	2,402.0	20,003.2

Expenses for Environmental Protection (As of 2015)

Category	Unit	LG H&H	Coca-Cola	HAITAI
Environmental investment	KRW M	2,557	3,486	1,595
Environmental expenses	KRW M	3,333	633	481

Amount of Water Intake by Source (As of 2015)

Category	Unit	LG H&H	Coca-Cola	HAITAI
Water supply*	Ton	349,588	1,143,062	319,384
Ground water	Ton	258,514	394,223	358,559
River water	Ton	98,375	362,350	0
Total amount	Ton	706,477	1,899,635	677,943

* Water supply includes water used for industrial and residential purposes.

Amount of Recycled Containers

Company/Subsidiary	Unit	2013	2014	2015
LG H&H	Ton	12,048	14,017	14,911
Coca-Cola	Ton	36,146	36,496	38,383
HAITAI	Ton	5,478	6,451	7,298

Amount of Green Purchasing

Company/Subsidiary	Unit	2013	2014	2015
LG H&H	KRW M	17,535	12,103	10,517
Coca-Cola	KRW M	2,447	1,364	2,306
HAITAI	KRW M	0	3	5

Social Performance

Total Employees

Category		Unit	2013	2014	2015
Total		Persons	7,655	7,722	7,938
Gender	Male	Persons	5,191	5,184	5,128
	Female	Persons	2,464	2,538	2,810

• Consolidated

Job Creation (As of 2015)

Category	Unit	LG H&H	Coca-Cola	HAITAI	TFS
Male	Persons	140	232	38	23
Female	Persons	495	7	2	28
Total	Persons	635	239	40	51

Detailed Status of Employees

Company/ Subsidiary	Category	Unit	2013	2014	2015	Company/ Subsidiary	Category	Unit	2013	2014	2015		
LG H&H	Total	Persons	3,907	4,006	4,352	HAITAI	Total	Persons	896	877	780		
	Gender	Male	Persons	1,825	1,856		1,921	Gender	Male	Persons	823	807	716
		Female	Persons	2,082	2,156		2,431		Female	Persons	73	70	64
	Employment Type	Permanent	Persons	3,555	3,720		4,007	Employment Type	Permanent	Persons	749	751	711
		Temporary	Persons	352	286		345		Temporary	Persons	147	126	69
	Job Category	Office work	Persons	1,951	1,967		2,160	Job Category	Office work	Persons	228	222	221
		Manufacturing	Persons	712	738		743		Manufacturing	Persons	195	204	193
	Diversity	Sales	Persons	1,244	1,301		1,449	Sales	Persons	326	325	297	
		Disabled	Persons	34	36		34	Mechanic, etc.	Persons	147	126	69	
		Veterans	Persons	54	58		62	Disabled	Persons	19	17	14	
Foreigners		Persons	9	9	20	Veterans	Persons	6	9	7			
Coca-Cola	Total	Persons	2,460	2,432	2,380	TFS	Total	Persons	392	407	426		
	Gender	Male	Persons	2,316	2,288		2,248	Gender	Male	Persons	227	239	243
		Female	Persons	144	144		132		Female	Persons	165	168	183
	Employment Type	Permanent	Persons	2,101	2,117		2,092	Employment Type	Permanent	Persons	380	399	418
		Temporary	Persons	359	315		288		Temporary	Persons	12	8	8
	Job Category	Office work	Persons	582	590		592	Job Category	Office work	Persons	392	407	413
		Manufacturing	Persons	1,386	1,345		1,287		Manufacturing	Persons	-	-	13
	Diversity	Heavy Equipment Handling	Persons	279	281		281	Disabled	Persons	4	5	5	
		Sales	Persons	213	216		220	Veterans	Persons	6	7	8	
		Disabled	Persons	57	56		57	Foreigners	Persons	3	2	1	
Veterans		Persons	48	49	49								
	Foreigners	Persons	1	1	1								

• Due to the characteristics of the FMCG business, temporary employees are mostly sales staff. They are provided with opportunities to become a permanent position after a certain period of time, considering the characteristics of each company.

Retired Employees (As of 2015)

Category	Unit	LG H&H	Coca-Cola	HAITAI	TFS
Male	Persons	59	264	133	22
Female	Persons	133	21	8	14
Total	Persons	192	285	141	36
Retirement Rate	%	4.8	12.0	18.1	8.5

• The data of LG H&H is based on that of permanent employees.

Employee Education & Training

Company/Subsidiary	Category	Unit	2013	2014	2015
LG H&H	No. of participants	Persons	20,759	27,691	26,905
	Training hours per employee	Hours	70.7	73.3	70.3
	Training expense per employee	KRW	1,411,260	1,166,265	1,427,235
Coca-Cola	No. of participants	Persons	501	4,417	6,533
	Training hours per employee	Hours	4.2	8.6	12.3
	Training expense per employee	KRW	114,813	103,225	134,640
HAITAI	No. of participants	Persons	165	363	615
	Training hours per employee	Hours	0.3	2.0	3.9
	Training expense per employee	KRW	100,415	73,025	102,865
TFS	No. of participants	Persons	5,687	6,856	7,117
	Training hours per employee	Hours	72.5	105.1	104.6
	Training expense per employee	KRW	750,046	1,285,230	1,260,665

Parental Leave

Company/Subsidiary	Category	Unit	2013	2014	2015
LG H&H	Rate of reinstatement	%	95.2	82.6	89.8
	Rate of parental leave maintained for a year	%	85.1	88.8	94.7
Coca-Cola	Rate of reinstatement	%	75.0	50.0	100
	Rate of parental leave maintained for a year	%	100	66.7	100
HAITAI	Rate of reinstatement	%	100	66.7	100
	Rate of parental leave maintained for a year	%	33.3	66.7	50.0
TFS	Rate of reinstatement	%	91.7	90.9	84.6
	Rate of parental leave maintained for a year	%	100	90.9	90.0

Industrial Accidents

Company/Subsidiary	Category	Unit	2013	2014	2015	Company/Subsidiary	Category	Unit	2013	2014	2015		
LG H&H	No. of Cases	Male	Case	1	-	3	HAITAI	No. of Cases	Male	Case	4	3	3
		Female	Case	3	1	4			Female	Case	-	-	-
		Subtotal	Case	4	1	7			Subtotal	Case	4	3	3
	Accident Rate	Male	%	0.03	-	0.07		Accident Rate	Male	%	0.45	0.34	0.38
		Female	%	0.08	0.02	0.09			Female	%	-	-	-
		Subtotal	%	0.10	0.02	0.16			Subtotal	%	0.22	0.11	0.38
Coca-Cola	No. of Cases	Male	Case	12	8	7	TFS	No. of Cases	Male	Case	2	-	-
		Female	Case	-	-	-			Female	Case	-	1	-
		Subtotal	Case	12	8	7			Subtotal	Case	2	1	-
	Accident Rate	Male	%	0.49	0.33	0.29		Accident Rate	Male	%	0.51	-	-
		Female	%	-	-	-			Female	%	-	0.25	-
		Subtotal	%	0.49	0.33	0.29			Subtotal	%	0.51	0.25	-

Government Subsidy in 2015

Title of Project	Government Agency	Amount (KRW M)	Notes
Develop enzyme materials with excellent skin stability	Ministry of Health and Welfare	135	Nov 2014 – Oct 2015
Establish the standard of skin types by genotype and develop customized components	Ministry of Health and Welfare	280	Nov 2014 – Oct 2015
Develop special mask pack materials with a new concept and form to improve effectiveness	Ministry of Health and Welfare	135	Nov 2014 – Oct 2015
Develop Mutanase enzyme with remarkable capability for dissembling plaque	Ministry of Health and Welfare	200	Nov 2014 – May 2015
Develop peptide materials with stem cells activated for Well-aging skincare	Ministry of Health and Welfare	250	Nov 2014 – Sep 2015

Memberships of Associations in 2015

Green Company Council	Korea Cosmetic Association	Korea Health Supplements Association	Emergency Plan Council of the Ministry of Knowledge and Economy
Korea Industrial Safety Association	Korea Society of Cosmetics and Cosmetology	Seoul Bar Association	Korea Economic Research Institute
Korea Fire Safety Association	Fair Competition Federation	Korea International Trade Association	Federation of Korean Industries
Korean Association of Occupational Health Nurses	Organization of Consumer Affairs Professionals in Business	Korea Intellectual Property Protection Association	Korea Chamber of Commerce and Industry
Korean Standards Association (KSA)	Korea Industrial Safety Association	Korea Patent Attorneys Association	UN Global Compact
Society of Cosmetic Scientists of Korea	Korea Listed Companies Association	KISANHYUP	CSV Society
Allocated charges of the Technology Council	Korean Nurses Association	Korea Customs Logistics Association	Korea Chemicals Management Association
Korea Industrial Technology Association	Japan POP Advertisement Association	American Chamber of Commerce in Korea	Korea Food Industry Association

Major External Assessment and Awards in 2015

Title	Award	Institution for Assessment/Award
2015 Global Green Management Excellence Awards	Minister of Environment Prize	Ministry of Trade, Industry and Energy / Ministry of Environment
2015 Korea Sustainability Index Award	Grand Prize	Tomato CSR Research Center / Hyundai Research Institute
Good Company Index	1st Class Company	Sisa Journal / Insight Group
2015 GWP 100 Best Companies to Work for in Korea	Grand Prize in the sales and distribution category	GWP Korea / Korea HRD Association
2015 Win-Win Growth Index	The First Class	Korean Commission for Corporate Partnership
Dow Jones Sustainability Index	Listed in the Asia-Pacific Region for six consecutive years (category of household goods)	S&P Dow Jones Indices / RobecoSAM / KPC
East Asia 30 Best CSR Companies	Best CSR company in Korea, Japan, and China	Hankyoreh Economic Research Institute
Carbon Disclosure Project (CDP)	Leader of the Consumer Goods sector for two consecutive years	CDP Committee
2015 Best Performing Korean CEO	1st Prize among listed companies	Harvard Business Review (HBR)
2015 National Sharing Grand Award	Order of Civil Merit, Camellia Medal for CEO	Ministry of Health and Welfare
2016 Korea Bestselling Brand	Prize in the Brand Package Design sector (Su:m)	DongA Ilbo / Brand Design Association of Korea

Management System Certification in 2015

Category	ISO 14001	ISO 9001	OHSAS 18001	HACCP	KS	Green Company
LG H&H	Cheongju/Ulsan/Onsan	Cheongju/Ulsan/Onsan/Naju	Cheongju/Ulsan	N/A	Cheongju/Ulsan	Cheongju/Ulsan/Onsan
Coca-Cola	Yeosu/Yangsan/Gwangju	Yeosu/Yangsan/Gwangju	Yeosu/Yangsan/Gwangju	Yeosu/Yangsan/Gwangju	N/A	Gwangju
HAITAI	Cheonan/Pyeongchang/Cheorwon	Cheonan/Pyeongchang/Cheorwon	Cheonan/Pyeongchang/Cheorwon	Cheonan/Iksan	N/A	Cheonan

Appendix

68	GRI G4 Index
71	SASB Standard / UNGC (CoP)
72	Independent Assurance Report
74	GHG Emission Verification Statement
77	Human Rights Policy

GRI G4 Index (Core Option)

GENERAL STANDARD DISCLOSURE						
Aspects	Index	Contents	Page	Remarks	Independent Assurance	
Strategy and Analysis Organizational Profile	G4-1	The statement from the most senior decision-maker about the organization's sustainability	4~5		●	
	G4-3	The name of the organization	6		●	
	G4-4	The primary brands, products, and services	7~11		●	
	G4-5	The location of the organization's headquarters	6		●	
	G4-6	The number and name of the countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	6, 8~9		●	
	G4-7	The nature of ownership and legal form	6, 13		●	
	G4-8	The markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	6~9		●	
	G4-9	Scale of the organization (i.e. number of employees, operations, net sales, etc.)	6		●	
	G4-10	The total number of employees	6, 64		●	
	G4-11	The percentage of total employees covered by collective bargaining agreements		100%	●	
	G4-12	The organization's supply chain	58, 61		●	
	G4-13	Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain		No significant changes	●	
	G4-14	The precautionary approach or principle is addressed by the organization	78		●	
	G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	66, 68~73		●	
	G4-16	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization	66	Business Report pp. 50~52	●	
	Identified Material Aspects And Boundaries	G4-17	All entities included in the organization's consolidated financial statements or equivalent documents	60		●
		G4-18	The process for defining the report content and the Aspect Boundaries	18~21		●
G4-19		All the material Aspects identified in the process for defining report content	18~21		●	
G4-20		Aspect Boundary, for each material Aspect, within the organization	20~21		●	
G4-21		Aspect Boundary, for each material Aspect, outside the organization	20~21		●	
G4-22		The effect of any restatements of information provided in previous reports, and the reasons for such restatements		Any restatements were commented separately	●	
G4-23		Significant changes from previous reporting periods in the Scope and Aspect Boundaries	18~21, 78		●	
Stakeholder Engagement	G4-24	List of stakeholder groups engaged by the organization	16		●	
	G4-25	Basis for identification and selection of stakeholders with whom to engage	16		●	
	G4-26	Organization's approach to stakeholder engagement	16~17		●	
	G4-27	Key topics and concerns that have been raised through stakeholder engagement, and the organization's response to them	16~21		●	
	Report Profile	G4-28	Reporting period (such as fiscal or calendar year) for information provided	78		●
G4-29		Date of most recent previous report (if any)		2015. 6	●	
G4-30		Reporting cycle (such as annual, biennial)	78		●	
G4-31		Provide the contact point for questions regarding the report or its contents	78		●	
G4-32		Report the 'in accordance' option the organization has chosen (including GRI Index, External Assurance Report, etc.)	78		●	
G4-33		The organization's policy and current practice with regard to seeking external assurance for the report	68~78		●	
G4-34		The governance structure of the organization, including committees of the highest governance body	6, 12		●	
Governance Ethics and Integrity	G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	34~35		●	
SPECIFIC STANDARD DISCLOSURE						
Aspects	Index	Contents	Page	Remarks	Independent Assurance	
Environmental						
Energy	DMA		52		●	
	EN3	Energy consumption within the organization	62		●	
	EN5	Energy intensity	62		●	
	EN6	Reduction of energy consumption	53		●	
Water	DMA		52		●	
	EN8	Total water withdrawal by source	63		●	
	EN10	Percentage and total volume of water recycled and reused	63		●	
Emissions	DMA		52		●	
	EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	74~76		●	
	EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	74~76		●	
	EN18	Greenhouse gas (GHG) emissions intensity	53, 62		●	
	EN19	Reduction of greenhouse gas (GHG) emissions	53		●	
Effluents and Waste	DMA		52		●	
	EN22	Total water discharge by quality and destination	54, 62		●	
	EN23	Total weight of waste by type and disposal method	54, 63		●	
	EN24	Total number and volume of significant spills		No significant spills	●	
Supplier Environmental Assessment	DMA		56		●	
	EN32	Percentage of new suppliers that were screened using environmental criteria	58		●	
	EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	58		●	

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Aspects	Index	Contents	Page	Remarks	Independent Assurance
Labor Practices and Decent Work					
Employment	DMA		40		
	LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	64		●
	LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	41-44		●
	LA3	Return to work and retention rates after parental leave, by gender	44,65	Number of employees entitled to parental leave to be reported in the future	●
Labor/ Management Relations	DMA		40		
	LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements		2 months (or within the requested period)	●
Training and Education	DMA		40		
	LA9	Average hours of training per year per employee by gender, and by employee category	65		●
	LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	44		●
	LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category			●
Diversity and Equal Opportunity	DMA		40		
	LA12	Composition of governance bodies and breakdown of employees per employee category	64		●
Supplier Environmental Assessment	DMA		56		
	LA14	Percentage of new suppliers that were screened using labor practices criteria	58		●
Human Rights					
Supplier Human Rights Assessment	DMA		56		
	HR10	Percentage of new suppliers that were screened using human rights criteria	58		●
Social					
Local Communities	DMA		48		
	SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs		100%	●
	SO2	Operations with significant actual and potential negative impacts on local communities		N/A	●
Supplier Assessment for Impacts on Society	DMA		56		
	SO9	Percentage of new suppliers that were screened using criteria for impacts on society	58		●
	SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	36,38,58		●
Product Responsibility					
Customer Health and Safety	DMA		46		
	PR1	Percentage of significant products and services categories for which health and safety impacts are assessed for improvement	24-27	100%	●
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	47		●

Food Processing Sector Disclosures (FPSD)

The FPSD of GRI is only applied to Coca-Cola Beverages and HAITAI Beverages

Aspects	Index	Contents	Page	Remarks	Independent Assurance
Social	FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs	-	N/A	●
	FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	-	100%	●

G4 General & Specific Standard Disclosures Full List

GENERAL STANDARD DISCLOSURE					
Aspects	Index	Contents	Page	Remarks	Independent Assurance
Strategy and Analysis	G4-2	Description of Key impacts, risks, and opportunities	18-21		●
Governance	G4-38	Total water withdrawal by source	12-13		●
	G4-39	Whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	12		●
	G4-40	The nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	12-13		●
	G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	13		●
	G4-42	The highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	12-13		●
	G4-48	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	14-15, 18		●
	G4-49	The process for communicating critical concerns to the highest governance body	18		●
	G4-50	The nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	18-21	Reported throughout the Report	●
	G4-51	The remuneration policies for the highest governance body and senior executives		Business Report (pp. 296-298)	●
	G4-52	The process for determining remuneration Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management Report any other relationships which the remuneration consultants have with the organization	13		●
Ethics and Integrity	G4-57	The internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	34-35		●
	G4-58	The internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	34-35		●
SPECIFIC STANDARD DISCLOSURE					
Aspects	Index	Contents	Page	Remarks	Independent Assurance
Economic					
Economic Performance	EC1	Direct economic value generated and distributed	6, 8-9, 61		●
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	52-53		●
	EC4	Financial assistance received from government	66		●
Market Presence	EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation		No difference in wages by gender	●
	EC6	Proportion of senior management hired from the local community at significant locations of operation		91% (284/312 persons)	●
Indirect Economic Impacts	EC7	Development and impact of infrastructure investments and services supported	48-51		●
	EC8	Significant indirect economic impacts, including the extent of impacts	48-51, 56-58		●
Procurement Practices	EC9	Proportion of spending on local suppliers at significant locations of operation		KRW 3,575 billion	●
Environmental					
Products and Services	EN27	Extent of impact mitigation of environmental impacts of products and services	24-25, 28-29		●
	EN28	Percentage of products sold and their packaging materials that are reclaimed by category	63		●
Compliance	EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		No fines or non-monetary sanctions	●
Transport	EN30	Significant environmental impacts of transporting products and other goods and materials of the organization's operations, and transporting members of the workforce	55		●
Overall	EN31	Total environmental protection expenditures and investments by type	63		●
Labor Practices and Decent Work					
Occupational Health and Safety	LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	65		●
	LA8	Health and safety topics covered in formal agreements with trade unions	45		●
Equal remuneration for women and men	LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	63	No difference in basic salary by gender	●
Human Rights					
Non-discrimination	HR3	Total number of incidents of discrimination and corrective actions taken		No such incidents	●
Freedom of Association and Collective Bargaining	HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	43		●
Society					
Anti-corruption	SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	34-38		●
	SO4	Communication and training on anti-corruption policies and procedures	34-38		●
	SO5	Confirmed incidents of corruption and actions taken	34-38		●
Anti-competitive Behavior	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	34-38		●
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		No violations	●
Grievance Mechanisms for Impacts on Society	SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	35		●
Product Responsibility					
Product and Service Labeling	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	47		●
	PR5	Results of surveys measuring customer satisfaction	46		●
Marketing Communications	PR6	Sale of banned or disputes products	47		●
Customer Privacy Communications	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		No complaints or breaches	●

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GRI G4 Index
SASB Standard / UNGC (CoP)

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Food Processing Sector Disclosures (FPSD)

The FPSD of GRI is only applied to Coca-Cola Beverages and HAITAI Beverages

Aspects	Index	Contents	Page	Remarks	Independent Assurance
Economy	FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy	-	100%	●
	FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	-	83.3% (Rate of quality and safety assessment)	●

Sustainability Accounting Standards Board (SASB)

The SASB has established the guideline for announcement regarding corporate sustainability and standard on accounting to help the U.S. and foreign companies to report cases to the Securities and Exchange Commission (SEC).

Aspects	Issue	Non-alcohol beverage sector	Household and personal product sector	Page
Environment	Energy management	●	●	pp. 52-55
	Water management	●	●	pp. 52-55
Social	Health and nutrients	●	●	pp. 24-27, 46-47
	Transparent labeling and marketing	●	●	pp. 34-35, 46-47
Innovative	Management and innovation of packaging cycle	●	●	pp. 24-27
	Product composition safety	●	●	pp. 24-27
Governance structure	Management of supply chain	●	●	pp. 12-13

• The non-alcohol beverage sector is applied to Coca-Cola Beverage and HAITAI Beverage, while the daily and personal product sector is applied only to LG H&H.

UNGC Communication on Progress

As LG H&H joined the UNGC (Global Compact) in November 2012, our company has reinforced voluntary efforts to comply with ten major principles in four major sectors including human rights, labor, environment, and anti-corruption.

Aspects	Contents	LG H&H system and policy	Relevant activity	Page
Human rights				
Principle 1.	Businesses should support and respect the protection of internationally proclaimed human rights	Code of Ethics Chapter 1. Responsibilities and Duties for Customers 1. Respecting Customers	LG H&H prohibits gender/background discrimination, forced labor, etc., and respects human rights of individual employees.	pp. 34-35
Principle 2.	Businesses make sure that they are not complicit in human rights abuse.	Chapter 5. Responsibilities for Executives and employees 2. Fair Treatment		pp. 40-45
Labor rules				
Principle 3.	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Knowhow for Operating the Labor-management Council Code of Ethics Chapter 5. Responsibilities for Executives and Employees 1. Respecting Human	LG H&H continuously makes extensive efforts to train employees into autonomous and creative talented people.	pp. 40-45, 68
Principle 4.	Businesses should eliminate all forms of forced and compulsory labor.			
Principle 5.	Businesses should abolish child labor effectively.			
Principle 6.	Businesses should eliminate discrimination in respect of employment and occupation.	Beings 2. Fair Treatment		
Environment				
Principle 7.	Businesses should support a precautionary approach to environmental challenges	Code of Ethics Chapter 6. Responsibilities for the Country and Society 4. Environmental Protection	LG H&H continues to carry out activities enhancing environmental value by considering environmental impacts on the supply chain by business activities.	pp. 52-55
Principle 8.	Businesses should undertake initiatives to promote greater environmental responsibility.	• Policy on Environmental Health and Safety		
Principle 9.	Businesses encourage the development and diffusion of environmentally friendly technologies	• Regulations on Environmental Management		
Anti-corruption				
Principle 10.	Businesses should work against corruption in all its forms, including extortion and bribery.	Code of Ethics Chapter 2. Fair Competition 2. Legal Compliance Chapter 4. Basic Ethics for Executives and Employees 4. Fair Implementation of Work	LG H&H, based on Jeong-Do Management, practices ethical business activities and fair trade with its suppliers.	pp. 34-39

Independent Assurance Report



LRQA Assurance Statement Relating to LG Household & Health Care Ltd.'s CSR Report for the calendar year 2015

This Assurance Statement has been prepared for LG Household & Health Care Ltd. in accordance with our contract but is intended for the readers of this Report.

Terms of Engagement

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by LG Household & Health Care Ltd. (LG H&H) to provide independent assurance on its '2015 LG H&H CSR Report' ("the Report") against the assurance criteria below to a moderate level of assurance using AccountAbility's AA1000AS (2008), where the scope was a Type 2 engagement.

Our assurance engagement covered the operations and activities of LG H&H and its three major subsidiaries (Coca-Cola Beverage Co., HAITAI Beverage Co. and THEFACESHOP) in Korea and specifically the following requirements:

- Evaluating adherence to AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness
- Confirming that the Report is in accordance with GRI G4's Sustainability Reporting Guidelines (core option) and GRI's sector disclosure for Food Processing
- Evaluating the accuracy and reliability of data and information for only the selected indicators listed below:
 - Environmental: energy (EN3, EN5, EN6), water (EN8, EN10), emissions (EN15, EN18, EN19), effluents and waste (EN22, EN23, EN24), supplier environmental assessment (EN32, EN33)

Social: employment (LA1, LA2, LA3), labor/management relations (LA4, FP3), training and education (LA9, LA10, LA11), diversity and equal opportunity (LA12), supplier assessment for labor practices (LA14), supplier human rights assessment (HR10), local communities (SO1, SO2), supplier assessment for impacts on society (SO9, SO10), customer health and safety (PR1, PR2, FP5)

-Data and information listed on page 70 of this Report

Our assurance engagement excluded the data and information of suppliers, contractors and any third-parties mentioned in the Report associated with LG H&H and its three major subsidiaries.

LRQA's responsibility is only to LG H&H. LRQA disclaims any liability or responsibility to others as explained in the end footnote. LG H&H's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the Report and for maintaining effective internal controls over the systems from which the Report is derived. Ultimately, the Report has been approved by, and remains the responsibility of LG H&H.

LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that LG H&H has not:

- Met the requirements above
- Disclosed accurate and reliable performance data and information as all errors or omissions identified during the assurance engagement were corrected
- Covered all the issues that are important to the stakeholders and readers of this Report.

The opinion expressed is formed on the basis of a moderate level of assurance and at the materiality of the professional judgement of the Verifier.

Note: The extent of evidence-gathering for a moderate assurance engagement is less than for a high assurance engagement. Moderate assurance engagements focus on aggregated data rather than physically checking source data at sites.

LRQA's Approach

LRQA's assurance engagements are carried out in accordance with AA1000AS (2008). The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- Assessing the approach to stakeholder engagement of LG H&H and its three major subsidiaries to confirm that issues raised by stakeholders were captured correctly. We did this through reviewing documents and associated records.
- Reviewing the process for identifying and determining material issues of LG H&H and its three major subsidiaries to confirm that the right issues were included in their Report. We did this by benchmarking reports written by LG H&H and its three major subsidiaries, and their peers to ensure that sector specific issues were included for comparability. We also tested the filters used in determining material issues to evaluate whether LG H&H and its three major subsidiaries make informed business decisions that



- may create opportunities that contribute towards sustainable development.
- Auditing the data management systems of LG H&H and its three major subsidiaries to confirm that there were no significant errors, omissions or mis-statements in the Report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification. We also spoke with those key people responsible for compiling the data and drafting the Report.
- Reviewing supporting evidence made available by LG H&H and its three major subsidiaries at their head office, LG H&H Ulsan Factory, Coca-Cola Beverage Co. Anyang Complex and Coca-Cola Beverage Co. Yangsan Factory.
- Checking that the GRI Content Index allows stakeholders to access sustainability indicators.

Observations

Further observations and findings, made during the assurance engagement, are:

- Stakeholder Inclusivity: We are not aware of any key stakeholder groups that have been excluded from stakeholder engagement process of LG H&H and its three major subsidiaries. LG H&H and its three major subsidiaries have panel meetings annually for hearing CSR experts' opinions on their CSR activities and the Report.
- Materiality: We are not aware of any material issues concerning sustainability performance of LG H&H and its three major subsidiaries that have been excluded from the Report. It should be noted that LG H&H and its three major subsidiaries have established extensive criteria for determining material issues/aspects and that these criteria are not biased to management of LG H&H and its three major subsidiaries.
- Responsiveness: LG H&H and its three major subsidiaries have developed their sustainability management strategies and objectives for 2018 and report their progress in the Report. The Report also explains how LG H&H and its three major subsidiaries are managing the issues important to stakeholders.
- Reliability: LG H&H and its three major subsidiaries have developed their internal reporting guidelines using GRI G4. However, LG H&H and its three major subsidiaries should increase the detail and clarification within this guidance in terms of explaining how to report the indicators. Also to ensure that the data is free from errors, the data quality assurance procedures should be improved.

LRQA's Competence and Independence

LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

LRQA is LG H&H's certification body for OHSAS 18001 and FSSC 22000. We also provide LG H&H with a range of training services related to Management Systems. The verification and certification assessments, together with the training, are the only work undertaken by LRQA for LG H&H and as such does not compromise our independence or impartiality.

Tae-Kyoung Kim
 LRQA Lead Verifier
 On behalf of Lloyd's Register Quality Assurance Limited
 17th Floor, Sinsong Building, 67 Yeouinaru-ro, Yeongdeungpo-gu, Seoul, Korea
 LRQA Reference: SEO6037666

Dated: 20 April 2016
 Signed



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Third Party's Verification Statement on LG H&H



Introduction

Korean Foundation for Quality (hereinafter 'KFQ') has been engaged by LG Household & Health Care (hereinafter the 'Company') to independently verify its 2015 Greenhouse Gas Emission Report (hereinafter 'Inventory Report'). It is the responsibility of the Company to compile the 'Inventory Report' according to the 'Greenhouse Gas and Energy Target Management Scheme (Notification No. 2014-186 of Ministry of Environment)'. KFQ has responsibility to conduct verification based on the ISO 14064-3 to provide verification opinion on compliance of the 'Inventory Report' against verification criteria.

Independence of Verification

KFQ has no conflict of interest with LG Household & Health Care in terms of profit generation-related activities except providing 3rd party verification service on the 'Inventory Report'. And we do not have any biased opinion on LG Household & Health Care's stakeholders.

Verification Scope

The following are included in the scope of this Verification.

- . All of the domestic subsidiaries controlled and owned by the Company.
- . Other indirect emissions (Scope 3) in relation to a commuter bus and waste treatment.

Consideration Limitation

Accuracy and completeness of emission data reported in the 'Inventory Report' are subject to inherent limitations due to their nature and the methodology used in determining, calculating and estimating such data.

Conclusion/Opinion

Based on verification process according to the ISO 14064-3, KFQ obtained reasonable basis to express the following conclusion on the 2015 LG Household & Health Care's Inventory Report.

- 1) The Inventory Report was prepared against 'Greenhouse Gas and Energy Target Management Scheme' run by Korea Government.
- 2) As a result of materiality assessment on 2015 Greenhouse Gas Emission of entire domestic subsidiaries, material discrepancy is less than the criteria of 5% for the organization who emits less than 500,000 tCO₂-eq/yr in accordance with the requirements of the 'Greenhouse Gas and Energy Target Management Scheme'.

(Unit: tCO₂-eq)

Category	Reporting Period	Direct (Scope 1)	Indirect (Scope 2)	Subtotal	Other Indirect (Scope 3)	Total
Total GHG Emissions	2015.1.1 ~ 2015.12.31	5,917	37,201	43,118	4,635	47,753

April 25th, 2016
 CEO Daehyun Nam
 Korean Foundation for Quality (KFQ)

Third Party's Verification Statement on Coca-Cola Beverage



Introduction

Korean Foundation for Quality (hereinafter 'KFQ') has been engaged by Coca-Cola Beverage (hereinafter the 'Company') to independently verify its 2015 Greenhouse Gas Emission Report (hereinafter 'Inventory Report'). It is the responsibility of the Company to compile the 'Inventory Report' according to the 'Greenhouse Gas and Energy Target Management Scheme (Notification No. 2014-186 of Ministry of Environment)'. KFQ has responsibility to conduct verification based on the ISO 14064-3 to provide verification opinion on compliance of the 'Inventory Report' against verification criteria.

Independence of Verification

KFQ has no conflict of interest with Coca-Cola Beverage in terms of profit generation-related activities except providing 3rd party verification service on the 'Inventory Report'. And we do not have any biased opinion on Coca-Cola Beverage's stakeholders.

Verification Scope

KFQ's verification was focused on all of the greenhouse gas emission sources controlled by the Company's places of Korea.

Consideration Limitation

Accuracy and completeness of emission data reported in the 'Inventory Report' are subject to inherent limitations due to their nature and the methodology used in determining, calculating and estimating such data.

Conclusion/Opinion

Based on verification process according to the ISO 14064-3, KFQ obtained reasonable basis to express the following conclusion on the 2015 Coca-Cola Beverage's Inventory Report.

- 1) The Inventory Report was prepared against 'Greenhouse Gas and Energy Target Management Scheme' run by Korea Government.
- 2) As a result of materiality assessment on 2015 Greenhouse Gas Emission of entire domestic subsidiaries, material discrepancy is less than the criteria of 5% for the organization who emits less than 500,000 tCO₂-eq/yr in accordance with the requirements of the 'Greenhouse Gas and Energy Target Management Scheme'.

(Unit: tCO₂-eq)

Category	Reporting Period	Direct (Scope 1)	Indirect (Scope 2)	Total
Total GHG Emissions	2015.1.1 ~ 2015.12.31	24,047	21,649	45,696

April 25th, 2016
CEO Daehyun Nam
Korean Foundation for Quality (KFQ)

Third Party's Verification Statement on HAITAI Beverage



Introduction

Korean Foundation for Quality (hereinafter 'KFQ') has been engaged by Haitai Beverage (hereinafter the 'Company') to independently verify its 2015 Greenhouse Gas Emission Report (hereinafter 'Inventory Report'). It is the responsibility of the Company to compile the 'Inventory Report' according to the 'Greenhouse Gas and Energy Target Management Scheme (Notification No. 2014-186 of Ministry of Environment)'. KFQ has responsibility to conduct verification based on the ISO 14064-3 to provide verification opinion on compliance of the 'Inventory Report' against verification criteria.

Independence of Verification

KFQ has no conflict of interest with Haitai Beverage in terms of profit generation-related activities except providing 3rd party verification service on the 'Inventory Report'. And we do not have any biased opinion on Haitai Beverage's stakeholders.

Verification Scope

KFQ's verification was focused on all of the greenhouse gas emission sources controlled by the Company's places of Korea.

Consideration Limitation

Accuracy and completeness of emission data reported in the 'Inventory Report' are subject to inherent limitations due to their nature and the methodology used in determining, calculating and estimating such data.

Conclusion/Opinion

Based on verification process according to the ISO 14064-3, KFQ obtained reasonable basis to express the following conclusion on the 2015 Haitai Beverage's Inventory Report.

- 1) The Inventory Report was prepared against 'Greenhouse Gas and Energy Target Management Scheme' run by Korea Government.
- 2) As a result of materiality assessment on 2015 Greenhouse Gas Emission of entire domestic subsidiaries, material discrepancy is less than the criteria of 5% for the organization who emits less than 500,000 tCO₂-eq/yr in accordance with the requirements of the 'Greenhouse Gas and Energy Target Management Scheme'.

(Unit : tCO₂-eq)

Category	Reporting Period	Direct (Scope 1)	Indirect (Scope 2)	Total
Total GHG Emissions	2015.1.1 ~ 2015.12.31	10,541	11,929	22,470

April 25th, 2016
CEO Daehyun Nam
Korean Foundation for Quality (KFQ)

Human Rights Policy

LG H&H implements our own human rights policy to respect all stakeholders including employees, customers, and suppliers, and guarantees their rights and human dignity in pursuit of LG's management philosophy, "Respecting Human Dignity." LG H&H complies with labor-relation-related regulations in all countries and regions, strives to secure employment stability and adequate wage level for employees in the social and economic aspects. As a corporate citizen, we support the principles of human rights specified in the Universal Declaration of Human Rights and the Guiding Principles on Business and Human Rights presented by the United Nations Commission on Human Rights.

1. Prohibition of Discrimination

In the operation of our human resource system including employment, promotion, compensation, and training opportunities, and the provision of products and services, all stakeholders shall not be discriminated on the grounds of nationality, race, age, gender, sexual orientation, disability, pregnancy, religion, membership of political organization and/or labor union, and marital status.

2. Humanitarian Treatment

All employees shall be respected as humans, and they shall not be treated in any severe and inhumane way including sexual harassment and abuse, corporal punishment, mental and physical coercion, verbal abuse, and irrational restriction at work.

3. Prohibition of Forced Labor

All employees shall not be forced to work against their free will with their mental and/or physical freedom restricted by means of assault, threat, and confinement. All labor shall be based on free will, and all employees shall not be required to hand over their identification card, passport, and/or work permission card issued by the government on condition of employment.

4. Women and Labor of Children

Children shall not be employed for any kind of job position. "Children" signifies those aged under a certain minimum age standard, and the minimum age for work is determined by the regulations of each country and region. Underage and/or pregnant employees are excluded from dangerous tasks. In accordance with ILO agreements ratified by each country, working conditions including age regulations shall be observed.

5. Working Hours

Working hours and days shall be determined in accordance with the regulations of each country and region concerning regular and overtime working hours and holidays.

6. Wage and Welfare

All employees shall be paid in accordance with the labor-related regulations of each country and region concerning minimum wage, overtime working hours, and legal welfare.

7. Freedom of Association

In accordance with the labor-related regulations of each country and region, the freedom of association and the right to bargain collectively shall be secured. All employees should be guaranteed an environment where they can communicate with the management with no fear for discrimination, retaliation, threat, and harassment.

8. Protection of Personal information

The personal information of all stakeholders shall be strictly protected, and it shall not be leaked or utilized for any other use without prior approval of the relevant stakeholder. The company shall deliver only true information, avoid any false information, and shall fulfill this promise.

ABOUT THIS REPORT

Report Overview

LG H&H has annually shared its sustainability management activities through its CSR Report since 2010, and this Report is the 7th CSR Report. The CSR Report is used as a communication channel that transparently discloses the company's performance and that reflects stakeholders' opinions on the business activities.

Period and Scope

The reporting period of this Report is from January 1 to December 31 of 2015, and it partially contains data of three recent years to compare changes in trends. Certain data includes data of 2016 according to their importances and timeline.

Standard and Principle

This Report was developed based on the Core Option of the Global Reporting Initiative (GRI) G4 Guideline. In order to identify material issues in relation to the relevant industry, the issues in beverages, cosmetics, and household goods of Sustainability Topics for Sector of GRI, the SASB Standard, and the Ten Principles of UNGC were considered.

Assurance

The contents, data, and standards of the Report was verified by the independent assurance agency, LRQA, in accordance with the Three Principles of AA1000AS(2008) and Core Option of GRI G4 Guideline, and the assurance report can be found in pp. 72 - 73.

Inquiry

For any specific inquiries, please contact to the information below.

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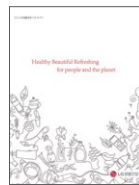
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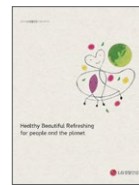
2010



2011



2012



2013



2014

We thank those who aided in developing the CSR Report.

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 **LG Household & Health Care**



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