



*THE WAY* ***FORWARD***

2016-2017 LG International CSR Report

# About this Report

## Overview

Since publishing the first CSR Report in 2014, LGI has continued to share its sustainability management performances and activities with stakeholders through the report every year. The 2016-2017 CSR Report, the fourth report, was prepared to provide valuable information centered on key issues which are considered to be important. In this regard, key issues identified through the materiality analysis were set as the "Focus Issues" to help stakeholders easily understand our sustainability performances and activities. To ensure sustainable growth, LGI will continue to listen to the opinions of all stakeholders through active communication.

## Reporting Principle

This report was prepared in accordance with the Core option of the GRI (Global Reporting Initiative) G4 guideline and the ISO 26000, the international standard on social responsibility. Financial information in this report was drawn up on the basis of K-IFRS (Korean International Financial Reporting Standards).

## Reporting Scope and Boundary

The reporting scope extends to LGI's domestic worksites and major investment corporations around the world. This report also introduces businesses related to our equity invested subsidiaries. Economic data encompass information of all affiliated companies in principle, while information with a different scope is specified separately. Report boundaries of core issues are also presented.

## Reporting Period

This report covers LGI's sustainability activities and performances from January 1 through December 31, 2016. To provide a better understanding of our quantitative results, data for the last three fiscal years from 2014 to 2016 was applied. And some crucial qualitative results spanned the period to the first half of 2017.

## Assurance

The report was assured by an independent external assurance provider in accordance with the AA1000AS (2008), an international assurance standard. For more details, please refer to the assurance statements in the Appendix section.

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# CEO Message



LGI has made a concerted effort to strengthen its business foundation in 2016, even amid uncertainty in the business environment. Even in this moment, all our members are working hard to achieve economic growth and create social and environmental values.

In 2016, our resources and the infra and industrial businesses made a noteworthy progress by succeeding in developing the GAM coal mine in Indonesia in September and visualizing a new investment-type infrastructure business. We strictly comply with basics and principles based on Jeong-Do Management in the business process and contribute to the development of local communities through active communication with stakeholders.

Balanced growth between economic performance and social value is prerequisite to the improvement of corporate sustainability. In this regard, LGI aims to conduct sustainability management in the following ways.

## **Our Competency – We will continue to create new business opportunities based on internal capability.**

We will set a solid foundation for sustainable growth by securing a stabilized business structure and future growth engines in the long-term. In particular, new business areas including food resources and green minerals are expected to bring significant opportunities.

## **Our Value – We will build a corporate culture where employees can work with enjoyment and passion.**

We will pursue to become a company where the management and employees communicate smoothly, where employees complete their duties in a professional manner, where employees enjoy working with their colleagues, and that has consideration for families and society. The “A Happy Home Leads to Better Work Performance,” a new program started in 2017, will help employees grow with LGI as they work smart for their families.

## **Our Promise – We will participate in the efforts for the growth of local communities and global initiatives.**

LGI works hard for co-prosperity between the company and local communities, both domestically and internationally. Particularly, our investment corporations promote localized social contribution activities and strive to elevate the level of CSR management within the supply chain by strictly inspecting the aspects of environment, safety, health, and society. In the long-term, we plan to participate in efforts to solve economic, environmental, and social problems of local communities based on the UN SDGs (Sustainable Development Goals).

We ask for your continued sincere interest and advices for LGI.

Thank you.

CEO of LG International,

**Song Chi-ho** 

# 2016-2017 Sustainability Highlights



220 million tons in Indonesia

## Succeeded in developing the GAM coal mine

An opening ceremony was held in September 2016, to celebrate the successful test-production at the GAM coal mine in Kalimantan, Indonesia. The successful development of the GAM coal mine in addition to the existing MPP coal mine will allow LGI to evolve into a major coal supplier in Asia.



Inspection on EHSS (Environmental, Health & Safety, Social) of investment corporations

## Enhanced EHSS management

EHSS\* management of major investment corporations has been reinforced in an independent effort to mitigate impact in the aspects of environment, safety, health, and society. A total of seven corporations were inspected in 2016. Particularly, we audited steel processing center in Haiphong and cement plant in Myanmar which are new investment corporations to help ensure early stabilization of EHSS management.

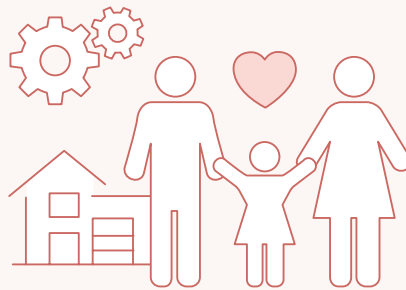
\* EHSS(Environmental, Health & Safety, Social)



### A new communication channel

## Launched the “Future Board”

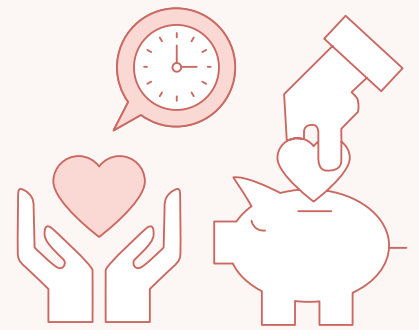
In March 2016, the Future Board was launched to reinforce two-way communication between the management and employees. As a council prepared for the future, the Future Board plays a role as an internal communication channel for corporate development and improvement of organizational culture.



### Creating great workplace

## Started “A Happy Home Leads to Better Work Performance” program

LGI launched a new program “A Happy Home Leads to Better Work Performance.” In March 2017, to build a great corporate culture to work for. This new campaign signifies that LGI and its members will grow together by working smarter based on a happy home. We will expand this campaign step by step by introducing new programs as well as upgrading existing programs.



### Workday Volunteering Recognition System

## 48% of employees participated

The goal of the Workday Volunteering Recognition System is to let employees feel the Helper’s High\* by voluntarily participating in social contribution activities. This system guarantees that the volunteering activities of employees will be recognized as work hours, for up to eight hours per year, to encourage participation in volunteer activities.






\* Self-fulfillment after helping others

# Company Profile

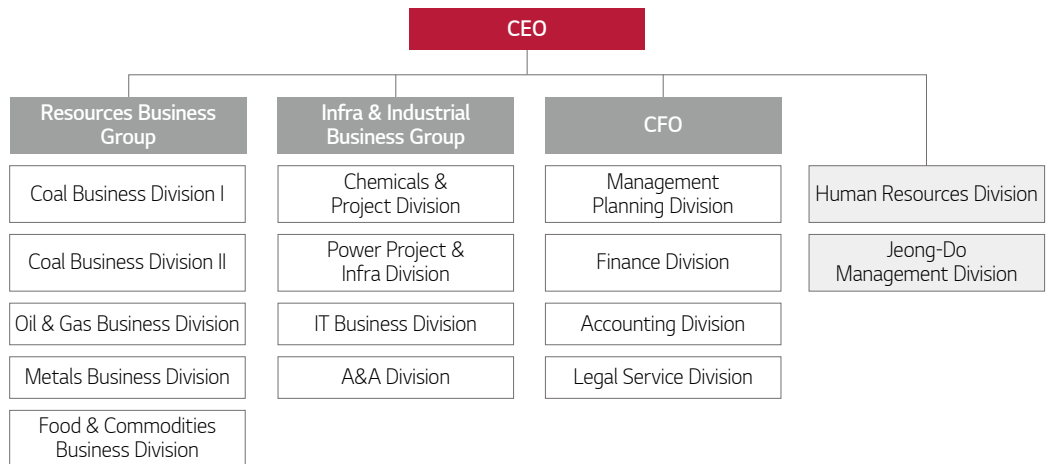
## LGI Overview

Since its foundation in 1953, LGI has been taking a leading role in Korea's economic development through trading of fiber and daily products and advancement into areas with growth potential, such as resources development and power plants. Recently, we have been securing sustainable competitiveness through organic connection and exchange between business areas, such as resources and the infra & industrial business.

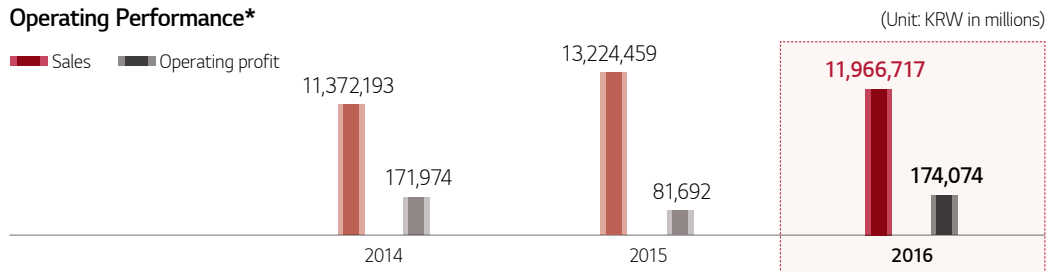
### General Information

<b>Company Name</b>  LG International Corp.	<b>CEO</b> Song Chi-ho	<b>Date of Establishment</b>  Nov 26, 1953
<b>No. of Employees</b>  516	<b>Total Assets*</b>  KRW 5.1773 trillion	<b>Sales*</b>  KRW 11.9667 trillion

### Organizational Structure



### Operating Performance\*

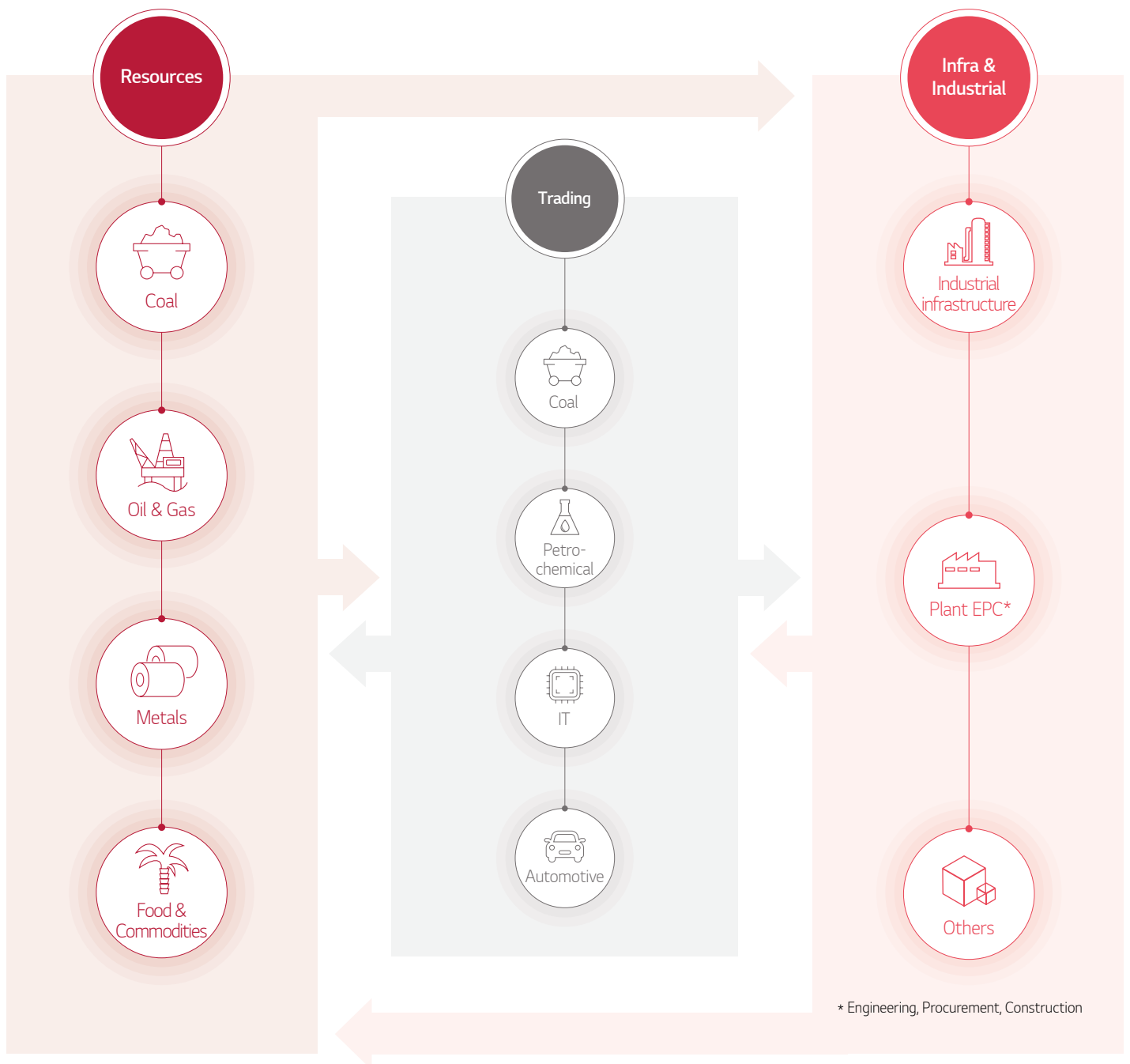


\* Based on consolidated financial statements. Please refer to our FY2016 business report (<http://dart.fss.or.kr>).

# Business Areas

## Business Structure

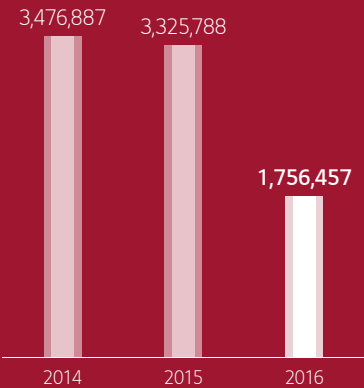
LGI has focused on creating a stable portfolio based on an organic connection between resources and infra & industrial businesses. We have established a stable business structure based on our expertise and experience accumulated in resources development, investing in power plants for competitiveness, and securing product rights. We plan to continue to reinforce our business focus on resources and infrastructure, and create new businesses to secure future growth engines.



# Resources Business Group

The Resources Business Group is comprised of coal, oil & gas, metals, and food & commodities sectors. The resources business creates profit through investments in coal mines and oil fields, and sales and trading of produced resources. Therefore, it is affected by the economic situation including resource prices and industry demand. LGI continuously conducts investments in resources based on our experience in the operation of coal mines and creates profits by trading produced resources, strengthening our position in this business. Going forward, we plan to reinforce future growth engine businesses such as development and trading of palm oil and green minerals to secure a foundation for stable profit-creation.

Sales from Resources Business  
(Unit: KRW in millions)



Indonesia PT. GAM coal mine



Drilling process at Tigana oil field of Colombia Block 34



## Coal Business

### Overview

- Invest in, develop, and operate coal mines and trade coal
- Import and tripartite sales of coal

### Major Projects

- MPP and GAM in Indonesia
- Wantugou in China
- Ensham coal mine in Australia, etc.

### Strategy

- Enhance productivity and operational efficiency at existing invested mines
- Consistently pursue cost reduction at existing mines
- Secure more low-cost production mines in Indonesia, China, etc. based on accumulated know-how in mine development, operation, and trading
- Expand the scope of business to power plant, logistics, etc.



## Oil & Gas Business

### Overview

- Invest in oil and gas development

### Major Projects

- Block 8 in Oman
- GeoPark in Chile
- ADA in Kazakhstan
- Block 11-2 in Vietnam
- GeoPark in Colombia
- LNG in Qatar

### Strategy

- Secure six production assets focusing on the Middle East, Central Asia, and South America.
- Expand production volume of existing investment assets and secure additional reserves
- Secure additional assets in stages of exploration, development, and production in North and Central America by strategic partnerships with global companies





## Metals Business

### Overview

- Operate and invest in steel processing centers
- Develop non-ferrous metal mines and promote green minerals business

### Major Projects

- Steel processing centers in China, Vietnam, India, Poland, and Thailand.
- Provide a “one-stop” service encompassing processing, distribution, and sale of steel

### Strategy

- Focus on supplying high value-added processed steel products
- Seek new business opportunities in green minerals which are resources of secondary cells



Tianjin steel processing center in China



Guangzhou steel processing center in China



## Food & Commodities Business

### Overview

- Operate palm oil business
- Invest in, develop, and operate palm plantation
- Develop food & commodities business

### Major Projects

- 20,000-hectare palm plantation in Kalimantan, Indonesia.
- Supply of 70,000 tons of palm oil in Indonesian domestic market annually
- Improve the productivity of existing plantations and expanding production volume through investment in new palm plantations

### Strategy

- Secure additional palm plantations and review the expansion of business to related fields
- Review new food & commodities businesses such as grains, fisheries, etc.



PT. PAM plantation in Indonesia



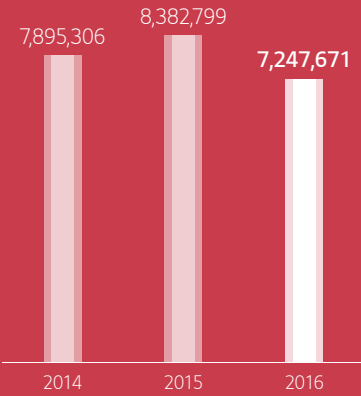
PT. PAM CPO Mill in Indonesia

# Infra & Industrial Business Group

Infra & Industrial Business Group consists of not only projects for investment in, development, and construction of various plants and infrastructure facilities, but also tripartite trade electrical and electronic components, chemicals, and machines. The business has recently expanded to the power plant sector based on accumulated experience and knowhow. We also plan to enter resource-rich emerging markets such as Myanmar, Indonesia, China, and Oman. At the moment, Infra & Industrial Business Group is constructing and operating Hasang Hydroelectric Power Plant in Indonesia, Wuwei Thermal Power Plant in China, and Musandam Dual Fired Power Plant in Oman.

Sales from Infra & Industrial Business

(Unit: KRW in millions)



Gas treatment plant in Turkmenistan



Musandam dual-fired power plant in Oman



## Petrochemical Business

### Overview

- Develop chemical plant projects and win EPC (Engineering, Procurement, Construction) orders
- Invest in chemical plants fueled by coal, oil, and gas
- Trading of oil petrochemical products

### Major Projects

- Participate in coal chemical plants in Inner Mongolia, China
- Secure gas and petrochemicals plant projects and sales right of products in Turkmenistan

### Strategy

- Expand PP, PE product trading volume through Oman PP plant off-take and secure business continuity
- Maintain trading of petrochemical products such as methanol, plasticizer, etc.
- Reinforce supply base and profit stability



## Industrial Infrastructure Business

### Overview

- Develop infrastructure projects related to IPP (Independent Power Producer) projects and support business

### Major Projects

- Promote various industrial infrastructure businesses
  - Wuwei thermal power plant in China and Hasang hydroelectric power plant in Indonesia
  - Musandam dual-fired power plant in Oman and cement plant in Myanmar
- Play a role as a project developer
  - Business development, investment, financing, supply of raw materials, construction and maintenance, operation, etc.

### Strategy

- Independent Power Producer
  - Secure stable profit through investment in shares and customers in the fields of coal, oil, and gas
- Infrastructure
  - Expand power plant and infrastructure projects
  - Expand business to the Middle East, CIS, and Southeast Asian markets

## IT Business

### Overview

- Supply display panel, components of home appliances, etc.
- Import, export, and conduct tripartite trade of LCD panel, equipment, etc.
- Promote functional VMI\* (Vendor Management Inventory) business

\* Comprehensive services including logistics, inventory management, and customs

### Major Projects

- Support all possible works that may arise between a vendor and buyer by capitalizing on a global VMI base
- Operate 64 JITs and 6 hubs at home and abroad

### Strategy

- Expand VMI business to provide differentiated values to customers
- Improve synergy related to customs, inventory management, and delivery



## Automotive Business

### Overview

- Developer and organizer of automotive related projects
- Provide an integrated solution for automotive manufacturing facility, equipment, design, and parts

### Major Projects

- Projects focusing on emerging countries such as Russia, India, the Middle East, China, and Central and South America
- Parts, manufacturing facility, and engine design

### Strategy

- Expand the scope of business to EV, engine, driving, and automotive components, and enhance future growth potential



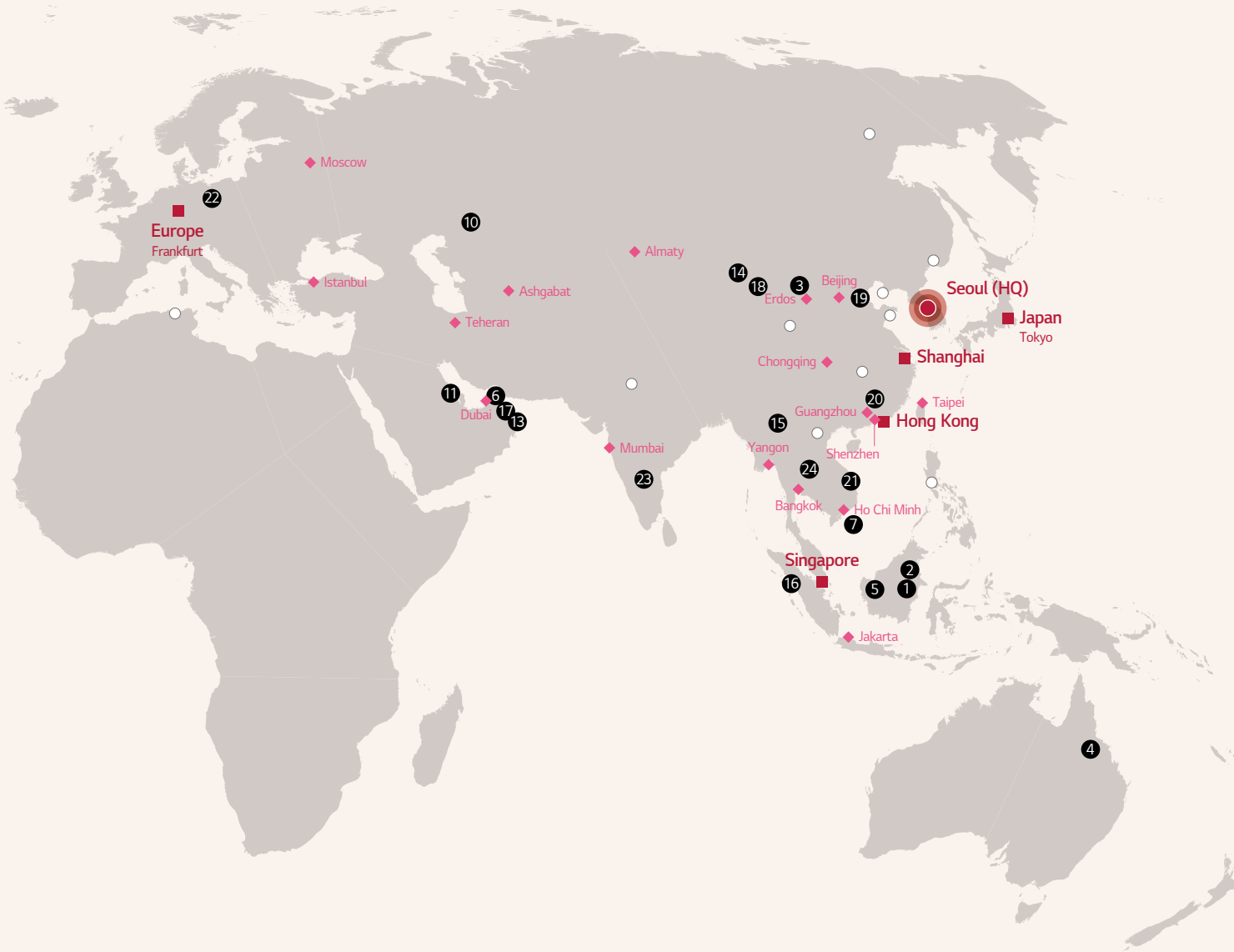
HUB warehouse in Nanjing







Automated assembling system for commercial vehicles

# Global Network

LGI operates more than 60 business sites in 28 countries around the world.





■ Head office    ◆ Overseas branch    ○ Liaison office    ● Investment corporation


Coal	Palm	Oil & Gas	Non-ferrous Metals
<ul style="list-style-type: none"> <li>① PT. MPP in Indonesia</li> <li>② PT. GAM in Indonesia</li> <li>③ Wantugou in China</li> <li>④ Ensham in Australia</li> </ul>	<ul style="list-style-type: none"> <li>⑤ PT. PAM in Indonesia</li> </ul>	<ul style="list-style-type: none"> <li>⑥ Block 8 in Oman</li> <li>⑦ Block 11-2 in Vietnam</li> <li>⑧ GeoPark in Chile</li> <li>⑨ GeoPark in Colombia</li> <li>⑩ ADA in Kazakhstan</li> <li>⑪ LNG in Qatar</li> </ul>	<ul style="list-style-type: none"> <li>⑫ Rosemont in USA</li> </ul>
			




U.S.A.  
Los Angeles

 Head office and Subsidiaries **7**

 Offices **18**

 Liaison Offices **11**

 Investment Corporations **24**

(As of March 2017)

Industrial Infrastructure

- 13 Musandam IPP in Oman
- 14 Wuwei IPP in China
- 15 Cement Plant in Myanmar
- 16 Hasang Hydroelectric Power Plant in Indonesia



Petrochemicals

- 17 PTA in Oman
- 18 Inner Mongolia Coal-to-Chemical Plant in China



Steel

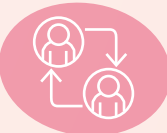
- 19 Tianjin Steel Flower in China
- 20 Guangzhou Steel Flower in China
- 21 Haiphong Steel Flower in Vietnam
- 22 POSCO-PWPC in Poland
- 23 POSCO-IPPC in India
- 24 Dongbu Steel in Thai



# Sustainability Value

LGI pursues “Righteous Growth together with Stakeholders” by committing to people-first, principle-centric, and future-driven management activities. To this end, we are proactive in participating in global efforts for sustainable growth and listening to the voice of stakeholders.

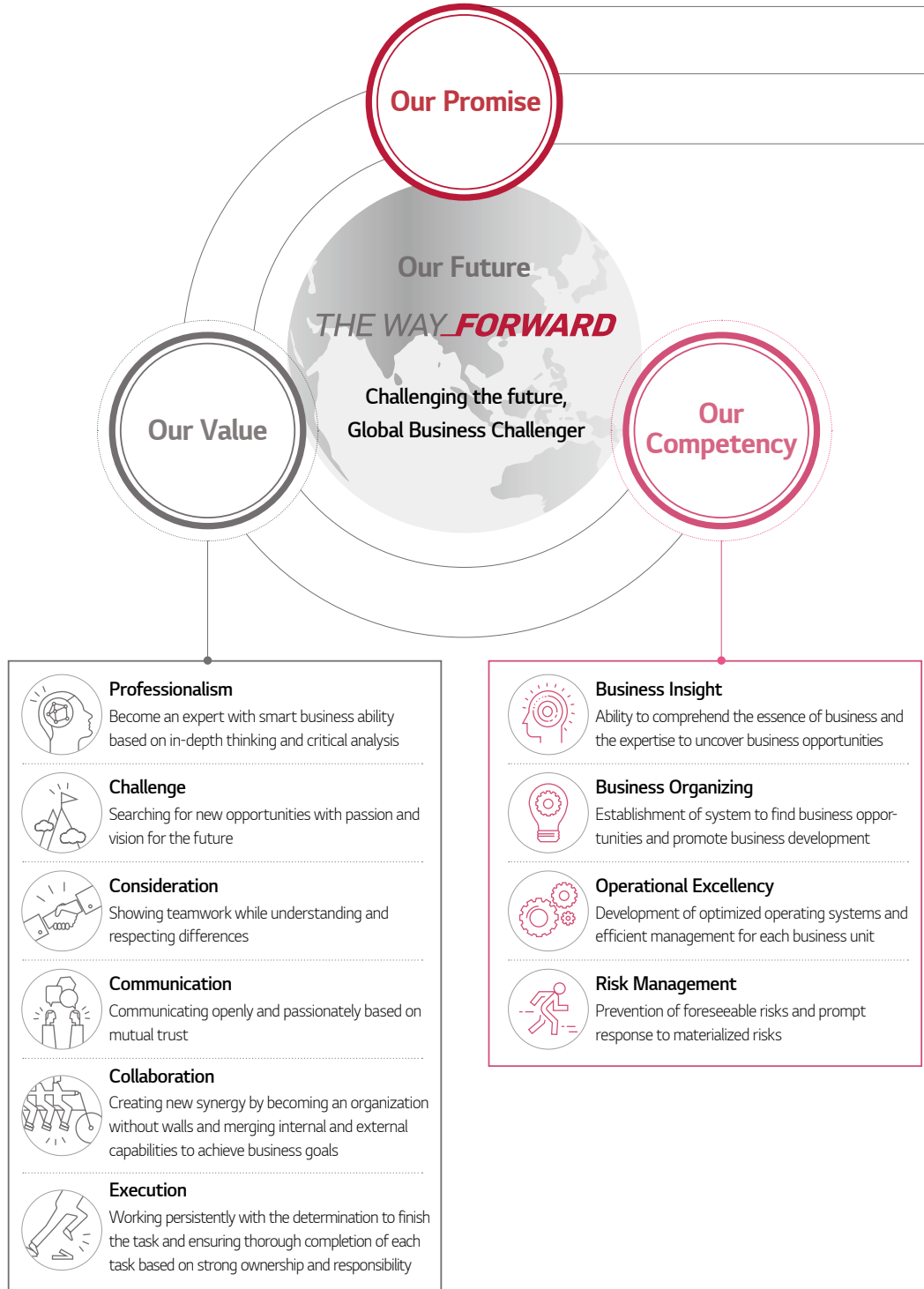




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# LGI's Vision

Our vision is to become a **Global Business Challenger** that actively promotes resources and infra & industrial businesses and challenge the future. The slogan **THE WAY FORWARD** shares the resolution to grow together with stakeholders.





# Sustainability Management System

The sustainability management of LGI pursues innovation for a better life of the next generation with a goal of "Righteous Growth together with Stakeholders." The strategic directions to reach this goal are "People-First," "Principle-Centric," and "Future-Driven," and are based on our vision, 'Our Promise'

## Righteous Growth together with Stakeholders



## Direction of Sustainability Management in 2016

LGI complies with international standards for sustainability management and contributes to sustainability of the ecosystem surrounding the company as well as our sustainable growth. As part of this effort, our sustainability management activities are conducted in connection with the UN SDGs (Sustainable Development Goals). In this regard, our CSR Report in 2016 was prepared in accordance with the SDGs which are highly related to the sustainability management of LGI. Going forward, we are committed to systematically carrying out the goals in line with our business operation.

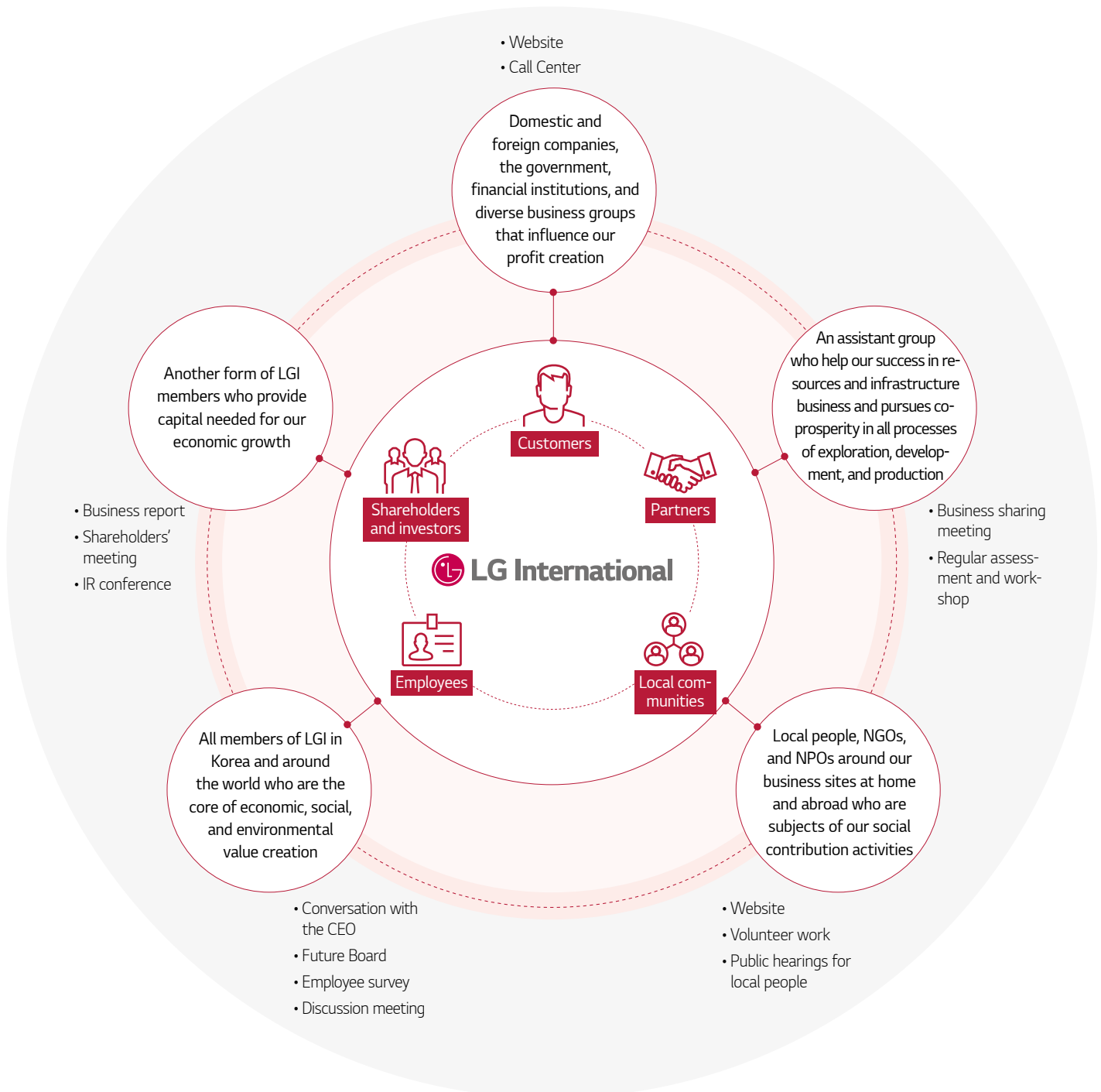
Goal 1. End poverty in all its forms everywhere	Goal 2. End hunger, achieve food security and improved nutrition, and promote sustainable agriculture	Goal 3. Ensure healthy lives and promote wellbeing for all at all ages	Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Goal 5. Achieve gender equality and empower all women and girls	Goal 6. Ensure availability and sustainable management of water and sanitation for all	Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all	Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all	Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation
Goal 10. Reduce inequality within and among countries	Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable	Goal 12. Ensure sustainable consumption and production patterns	Goal 13. Take urgent action to combat climate change and its impacts	Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development	Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation, and halt biodiversity loss	Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Goal 17. Strengthen the means of implementation and revitalize the global partnership for sustainable development	

\* In September 2015, the UN announced SDGs the world should pursue together until 2030 for sustainable development. The SDGs include 169 specific goals in 17 areas to solve issues related to the economy, environment, and society on a global scale. For more details, please refer to the SDGs website (<https://sustainabledevelopment.un.org>).

# Stakeholder Engagement

## Communication Channel for Stakeholders

We are enacting efforts to satisfy the various needs of our stakeholders including customers, shareholders and investors, employees, partners, and local communities. We are also operating various communication channels to make sure our management and value creation strategies meet stakeholders' needs.



## Interview with Stakeholders and Professionals

We asked stakeholders and professionals for advices on our major sustainability issues. The interview contents will be reflected in our business operation and sustainability management activities step by step to create more practical performances.



GeoGeny Consultants Group Inc.  
Dr. Choi Yong-geun

### “Competitive Business”

**Q Please tell us what you think of LGI's business competence and risk management efforts.**

**A** I think LGI perceives the global trends in the resources business. I believe that assets for profit creation can be made when a diverse portfolio of exploration, development, and production is established. The mining industry has many effects on the environment. Therefore, you need to discuss standards for pollutants emission with the government and local community, and continuously monitor actions. LGI conducts EHSS (Environmental, Health & Safety, Social) inspections to prevent such accidents in advance. I believe that your regular inspections and improvement activities will help conduct follow-up risk management as well as prevent environmental accidents.

Refer to page 25-26



BSID under the Korea Chamber of  
Commerce and Industry  
Director Roh Jae-sung

### “EHSS Management”

**Q What do you think of the EHSS (Environmental, Health & Safety, Social) management system of LGI?**

**A** I think LGI's systematic approach method to EHSS management is excellent. Regular update of the checklist categories to satisfy the social norms of investment corporations will ensure better risk management framework. It should not end with a series of inspection activities. Your company needs to continue an attempt to measure what social values are the outcomes of the inspection output. This can be a tool that effectively explains LGI's non-financial performances to the management and stakeholders.

Refer to page 29-32



Representative member of LGI's  
Future Board  
Manager Bae Sang-hyup

### “Great Workplace”

**Q Would you tell us about the role and plans of the Future Board?**

**A** We started Future Board in 2016 as a communication channel that could overcome the top-down communication system, and play the role of a bridge between the management and employees. The Future Board provides suggestions to the management to stay connected to the values of members when making decisions. It delivers the opinions of employees related to the corporate culture, such as welfare and improvements in working methods, to the management. Future Board's suggestions are internally reviewed and upgraded in accordance with their goals and intentions. Our role will be extended to helping develop new and sustainable business opportunities from 2017.

Refer to page 40-41



Seobu Welfare Center for Persons  
with Disabilities  
Director Lee Myung-mook

### “Social Contribution”

**Q Please tell us about the meaning of social contribution and the direction of LGI's engagement.**

**A** Seobu Welfare Center for Persons with Disabilities provides elementary educations for volunteers of both LGI and other companies, and runs diverse welfare programs for the disabled. Social contribution activities of a company not only support a welfare facility but also help develop upright personality and humanism of employees, and ultimately aid talent cultivation. I hope LGI will play a leading role in activating communication between companies and welfare facilities and developing human resources who are living in the blind area of welfare through educational supports.

Refer to page 46-47

# Materiality Analysis

## Process

The social concerns of stakeholders were examined through a review of global sustainability management initiatives, media research, benchmarking of competitors, and external surveys. Business impact was reviewed through an internal survey and review of internal policies. Materiality analysis was conducted based on the results.

### Step 1



### Forming an issue pool

- Reviewed global sustainability management initiatives such as the GRI G4 guidelines, international standards of social responsibility (ISO 26000), the 10 principles of the UNGC, and SDGs.
- Selected 21 sustainability management issues based on the materiality analysis.

## Analysis Results

Detailed information on the 7 key issues identified based on the materiality analysis is delivered through the Focus Issues and Sustainability Governance sections in this report, to help improve the understanding of stakeholders. We also present the key issues alongside those of the past three years for easier comparison of time-series trends.

### Key Issues by Year

Classification	Key issues	Year			
		2013 -2014	2014 -2015	2015 -2016	2016 -2017
Economy & management	① Creation and distribution of economic value	●			
	② Securing global business and new growth engines				●
	③ Diversification of economic value creation through business expansion	●		●	
	④ Enhancement of ethical management	●			●
	⑤ Reinforcement of risk management system	●	●		
	⑥ Establishment of sustainable corporate vision and future strategy	●	●	●	
Society	⑦ Healthy labor-management relationship and work-life balance (corporate culture innovation)	●			●
	⑧ Fair performance evaluation and compensation	●			
	⑨ Establishment of a global talents cultivation strategy (employment and maintenance of excellent human resources)	●	●	●	●
	⑩ Efforts to guarantee basic employee rights (human rights)	●		●	●
	⑪ Development of and investment in resources that considers social effects				●
	⑫ Local community-focused social contribution activities		●		
	⑬ Respect for local culture and localization strategy		●		
	⑭ Contribution to overseas local economic activities			●	
Environmental, health & safety	⑮ Enhancement of eco-friendly businesses such as renewable energy development	●		●	
	⑯ EHSS* management of overseas investment corporations	●	●	●	●
	⑰ Reinforcement of monitoring and reduction activities of environmental effects			●	
	⑱ Environmental management system		●		
	⑲ Enhancement of environment/safety education and management			●	

\* Environmental, Health & Safety, Social

**Step 2**

**Analyzing internal and external issues**



- Analyzed issues in the previous LGI CSR Report
- Benchmarked sustainability management of foreign trading companies and resources development companies
- Analyzed 715 articles on LGI released by major domestic media from March 2016 to March 2017

**Step 3**

**Identifying key issues**



- Conducted online survey for major stakeholders and CSR experts
  - Targets: 522 LGI employees (including major overseas investment corporations), 83 investors, officials in the industry, and CSR experts.
  - Period: April 5 to 17, 2017
- Evaluated company policies and business influence
- Classified 21 sustainability management issues into Very High, High, and Medium categories

**2016-2017 Themes**

**Page**

Expanding business competitiveness

26-28

Jeong-Do management

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Corporate culture for a good place to work

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Cultivation of talents

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Cultivation of talents

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Contribution to local communities

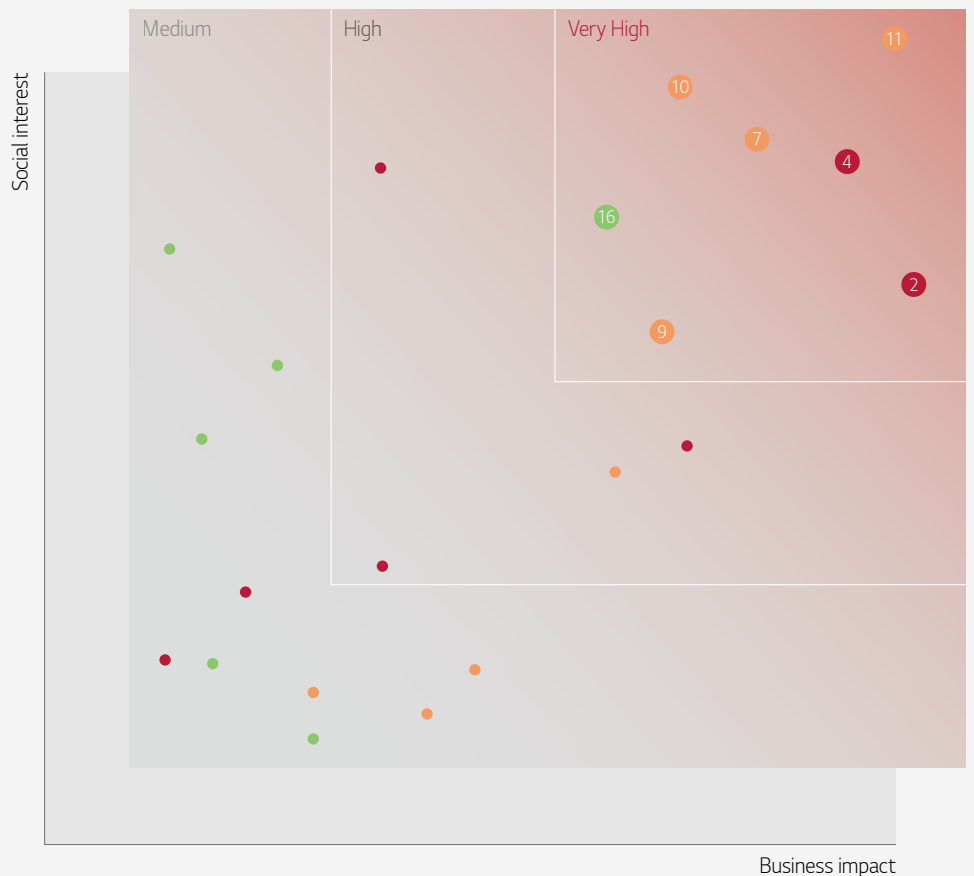
45-49

Environmental, health & safety, and social management

30-35

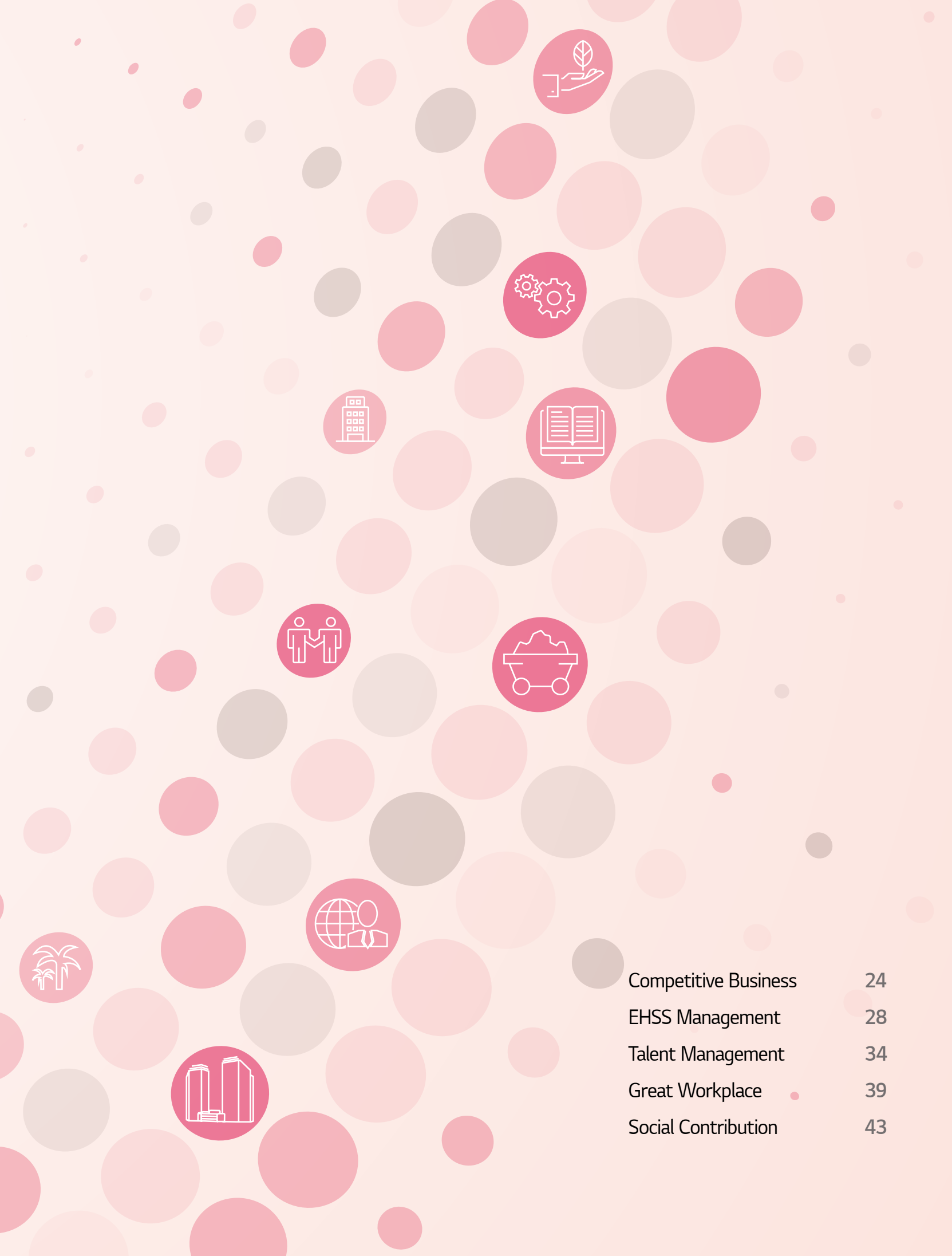
**Materiality Matrix**

● Economy & management ● Society ● Environmental, health & safety



# Focus Issues

Tremendous efforts are prerequisite to achieving business goals. Particularly, the key issues selected through the materiality analysis are social and environmental subjects that internal and external stakeholders pay attention. Therefore, those are essential for LGI's sustainable growth.



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# 01 Competitive Business

## Expanding Business Competitiveness



### Issue Report



#### BACKGROUND OF THE ISSUE

Uncertain business environment is continued due to sluggish global economy and strengthening protectionism. Nevertheless, demand for resources is predicted to stably grow backed by the expectations on global economic recovery and growth of emerging countries. Tightening environmental regulations will also create more opportunities for eco-friendly business.



#### OUR APPROACH

LGI is focusing capabilities on stabilizing the structure of resources and infra & industrial businesses and securing future growth engines. As part of that, we strive to secure new resource assets centered on coal and palm and expand our profit base by upgrading the operation of existing investment projects. The Infra & Industrial business is continuously creating a profit from investment projects and developing new business opportunities in emerging countries.



#### SDGs

LGI is contributing to economic development through endless challenges and innovation to reach the SDGs. We are also promoting the development of infrastructure in developing countries to aid sustainable industrialization.



Goal 8.  
Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all

- LGI's Activities**
- Create economic value and jobs
  - Improve economic productivity



Goal 9.  
Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation

- LGI's Activities**
- Encourage sustainable industrialization in developing countries
  - Introduce clean and eco-friendly process

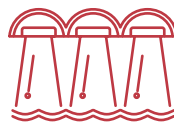


#### PERFORMANCE



GAM Coal mine in Indonesia

**Started commercial production**



Hydroelectric power Plant in Hasang, Indonesia

**Started construction in 2016**



Operating Profits

**113% increase**  
year-on-year



## Reinforcing Global Business Competence



GAM Coal mine in Indonesia

In 2016, the resources and Infra & Industrial Business Group businesses were strengthened by completing the GAM coal mine development, starting the construction of a hydroelectric power plant, and constructing a cement plant in Myanmar.

### Successful Completion of the GAM Coal mine in Indonesia

LGI successfully completed the development of the large-scale GAM coal mine in Indonesia which boasts 220 million-ton coal reserves and annual production capacity of 14 million tons of coal. The opening ceremony was held at the GAM coal mine in Kalimantan in September 2016. After test production in 2016, it started commercial production of 3 million tons per year in January 2017. It will gradually increase production volume. LGI has secured the rights of all the coal produced at the GAM coal mine, and is supplying it to major customers in Asia such as India and China. We will expand trading volume of Indonesian coal by capitalizing on the GAM coal mine and MPP coal mine as major production footholds and make a leap as a major Asian resources company by 2020.



Hydroelectric Power Plant in Hasang, Indonesia

### Started the Construction of a Hydroelectric Power Plant in Indonesia

LGI has been promoting the Hasang Hydroelectric Power Plant development project in Indonesia, jointly with a local energy company Titan Group, in August 2015. Having the ownership of this project, LGI plans to recover investments by directly operating the plant. Therefore, LGI is leading the entire process, from local authorizations to power purchase agreements, construction, and plant operation. Main construction of the 41 MW hydroelectric power plant in North Sumatra, Indonesia, started in 2016 and is scheduled to be complete in 2019.



Cement Plant in Myanmar

### Cement Plant in Myanmar

We are engaging in the industrial infrastructure business for power, logistics, and plants in emerging markets that can be connected with the resources business. Particularly, LGI selected Myanmar with high growth potential as a strategic country for future growth and has invested in this country since 2015. In October 2015, we established a joint venture with a local company, BDL (Blue Diamond Cement Limited), in Myanmar for a cement plant project. Since then, the construction of a cement plant has been completed, and commercial production is set to start in the second half of 2017.

- Intro
- Sustainability Value
- Focus Issues**
- Sustainability Governance
- Appendix

## Securing Future Growth Engines



Palm fruit

LGI is making continuous efforts to develop new possibilities in new areas such as food & commodities resources and green minerals in the long run.

### Food & Commodities Resources

LGI secured a 20,000-hectare palm plantation in Kalimantan, Indonesia, in December 2009, and is producing 70,000 tons of palm oil annually. We plan to expand the palm oil sales network globally as well as the Indonesian market. Expecting consistent increase of demand for palm oil in emerging countries which are major consumers, the company will make additional investments in this business to elevate the annual palm oil production capacity to 110,000 tons by 2018. We are also seeking new business opportunities for grain and fishery resources.

### Green Minerals

Green minerals include lithium, nickel, and cobalt which are key materials of secondary cell. Demand for green minerals is increasing due to secondary cells used for IT devices, electric and hybrid vehicles, and solar power panels. LGI is approaching the green minerals business with a long-term perspective, and seeking new business opportunities in the field started in earnest in 2016.

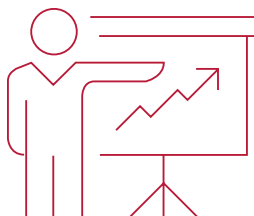
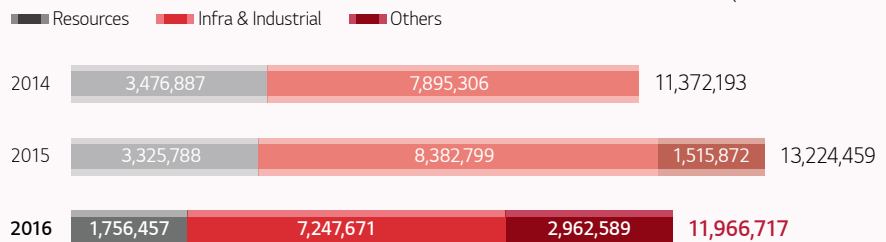
## Operating Performance

### Creation of Economic Value

In 2016, LGI achieved KRW 11.97 trillion in sales, KRW 174.1 billion in operating profit, and KRW 84.8 billion in net profit, turning to the black. Even though sales decreased around 10% from the previous year due to a downturn of metals trading volume and weak display panel prices, operating profit soared 113% thanks to strong coal prices, increases of palm oil production volume and prices, and equity method income from Pantos Logistics. We will continue to reinforce the resources and infra & industrial businesses, and focus on securing future growth engines.

#### Sales

(Unit: KRW in millions)

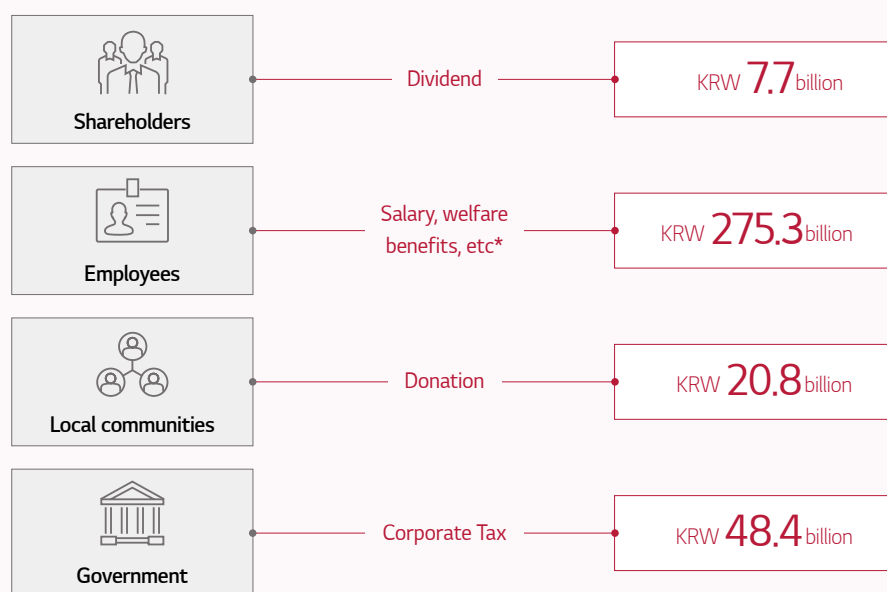


## Operating Performance

### Distribution of Economic Value

With the aim of pursuing co-prosperity, LGI shares its economic value created through businesses with various stakeholders including shareholders, employees, local communities, and the government.

#### Distribution of Economic Value in 2016

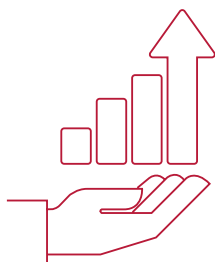


#### Details of Economic Value Distribution

(Unit: KRW in millions)

Classification		2014	2015	2016
Shareholders	Dividends	11,598	11,598	7,732
Employees*	Salary	57,801	134,149	214,332
	Retirement benefit	8,499	11,597	12,982
	Welfare benefits	14,424	30,384	48,004
	<b>Total</b>	80,724	176,130	275,318
Local communities	Donations	1,319	1,301	20,825
Government	Corporate tax	26,408	1,855	48,429

\* Including those of Pantos Logistics



# 02 EHSS\* Management

## Environmental, Health & Safety, and Social Management

\* EHSS(Environmental, Health & Safety, Social)



### Issue Report



#### BACKGROUND OF THE ISSUE

Environmental, health & safety, and social management issues in the workplace have great effects on both financial and non-financial aspects. Particularly, in response to tightening safety and environmental regulations in many countries, active prevention is needed.



#### OUR APPROACH

LGI conducts site inspection on investment corporations based on the checklist which was prepared in accordance with local regulations and international environment and safety management standards. This process allows us to find environmental, health & safety, and social risks that can arise in and around the workplace, and make improvements for prevention.



#### SDGs

LGI pursues healthy growth of investment corporations and local communities by conducting EHSS inspection activities encompassing social impacts as well as environment, safety & health at worksites.



Goal 6.  
Ensure availability and sustainable management of water and sanitation for all

##### LGI's Activities

- Water resources management
- Pollutants management



Goal 12.  
Ensure sustainable consumption and production patterns

##### LGI's Activities

- Eco-friendly control of chemical substances and waste
- Pollutants management
- EHSS management of investment corporations



#### PERFORMANCE



Site inspection on EHSS management of investment corporations jointly with external professional organizations

**7** investment corporations



Indonesia PT. PAM

Acquired the **ISPO\*\* Certification**

\*\* Indonesian certification system for products that use palm oil produced in a sustainable way.

## EHSS Management of Investment Corporations

\* EHSS(Environmental, Health & Safety, Social)

LGI inspects the EHSS management of investment corporations in an effort to fulfill our responsibility for local communities by encouraging them to voluntarily mitigate environmental, health and safety, and social impacts from workplaces.

### EHSS Management System

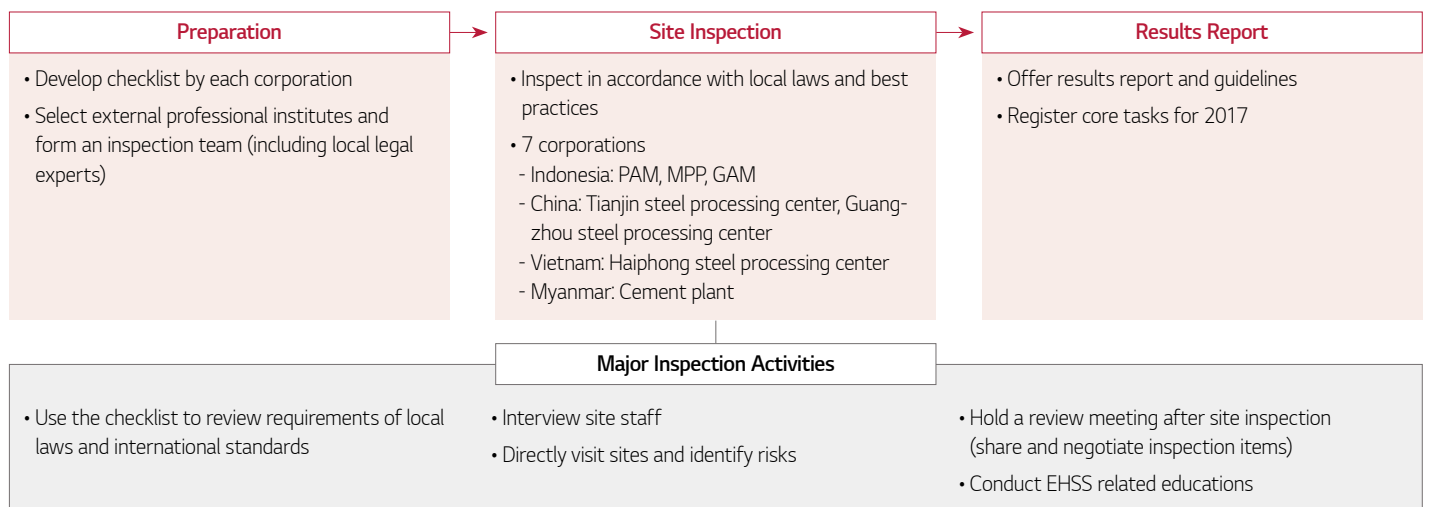
We are active in preemptively managing EHSS risks of investment corporations to prevent relevant accidents. Internal inspection is carried out in the first half of each year, and external professional institutes join the inspection in the second half to ensure a more objective assessment and extraction of improvement points. We also provide employees of investment corporations with guidelines and trainings to strengthen their EHSS management competence.

### EHSS Inspection Method

Site inspection on EHSS of investment corporations is implemented based on the checklist which was developed in compliance with local laws and international environmental and safety management standards. The checklist consists of around 200 items by each investment corporation considering local and industrial characteristics, encompassing the impacts on local communities. LGI selects EHSS-focused tasks by investment corporation at the beginning of each year and checks the results every quarter. Particularly, site inspection in the second half is performed by a team consisting of local legal experts and international judges, and at the same time, EHSS education is offered.

### Inspection Results in 2016

We checked the promotion of major improvement tasks identified in 2015 through the inspections on EHSS of investment corporations in 2016. We are also in the process of improving new tasks discovered from site inspection in 2016.



## Inspection on EHSS of Investment Corporations

### PT. MPP (Bituminous coal mine)

#### East Kalimantan, Indonesia

The PT. MPP reports environmental monitoring results and implement emergency drill every quarter to reduce environmental and safety impacts. In 2016, we checked waste treatment, electric safety, and welding process of partners to improve their environmental and safety management activities. Moreover, a regular meeting is held with the local community once a month to seek various social contribution opportunities and aid growth and development of the local community.



Fixed gas tank chain and installed anti-liquefaction equipment



Portable eyewash device in partners' workplace

### PT. GAM (Bituminous coal mine)

#### East Kalimantan, Indonesia

The PT. GAM abides by legal allowance of wastewater turbidity/acidity and dust. It also has a lightning accident prevention facility, and separate vehicle and pedestrian roads for better safety management. As the construction of coal mine was completed at the end of 2016, we have identified various possible risks in the production stage to prevent accidents. Other activities included the maintenance of coal conveyer roads, safety training and overspeed control for preventing truck accidents, and inspections on environmental facilities such as de-oilers of partners.



Leakage prevention sill around diesel tanks



First aid kit in workplace

## PT. PAM (Palm plantation and CPO Mill)

### West Kalimantan, Indonesia

The ISPO (Indonesian Sustainable Palm Oil) certification is an Indonesian system that allows environment-friendly palm business development and sustainable palm oil production. LGI thoroughly abided by local regulations and continuously conducted workplace inspections and improvement activities, thereby receiving the ISPO certification in July 2016. Moreover, through the site inspection in 2016, we encouraged workers at palm plantation and CPO Mill workers to mandatorily wear protective gears and conducted medical checkups for workers in dangerous areas.



Palm plantation workers wearing a protective gear



Organized fire equipment and materials storage

## Tianjin Steel Processing Center

### Tianjin, China

In 2016, we replaced the safety pin of crane hook and introduced a warning alarm system to ensure higher safety during crane operation. Emergency training is conducted regularly to reinforce EHSS management, and the workplace abides by noise standards. In addition, health check-ups are provided to all employees to help them maintain better health conditions.



Safety bar installed at openings\*

\* Openings: Holes in walls, roofs, or floors



Danger/warning signs in local language

## Steel Processing Center

### Guangzhou, China

Annual emergency drill is executed to enhance emergency response system. In 2016, we marked the production equipment operation methods in the local language to prevent operation mistakes of local workers, and installed fire extinguishers at computer rooms for early fire suppression and minimization of impacts on computation equipment.



Equipment operation methods marked in local language



Installation of walls to protect the approach of rodents

### Haiphong, Vietnam

LGI conducted site inspections in connection with EHSS education at the Haiphong Steel Processing Center, a new investment corporation, in 2016 with the aim of enhancing EHSS risk response competence. We also identified local legal requirements and conducted risk evaluation to check possible risk factors as soon as possible.

## Myanmar Cement Plant

### Mandalay, Myanmar

We are analyzing local laws and requirements for early establishment of EHSS management of the Myanmar Cement Plant, a new investment corporation, from the construction stage. We will focus on eliminating risk factors that can cause human accidents and then conduct additional improvements step by step.



Installation of fences to prevent risks from rotating equipment



Installation of fences to prevent falling



## Environmental Impact Management at Workplace

LGI strives to build eco-friendly workplaces and reduce energy and resource consumption, thereby mitigating environmental impacts from workplaces.

### Creating eco-Friendly Work Environments

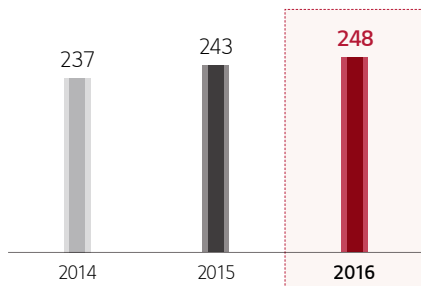
To save energy and reduce GHG emissions, we operate 21 hybrid vehicles and one electric vehicle out of total 34 office vehicles. In the first half of 2017, we started turning off all lights of the head office at 6:10 p.m. to reduce energy consumption and encourage employees to leave work at regular time.

### Efforts for Reducing Energy and Resource Consumption

Activities for reducing energy and resource consumption are promoted at the company level. All lights were replaced with high-efficiency and eco-friendly LED lights in 2011 when our office was remodeled. We also reused flat LED lights to light floor signals in the elevator halls. These practices save KRW 16 million electric charge per year. Moreover, cool water in operation for 24 hours is used as a heat source for air-conditioners at the Atrium to cut costs.

#### Energy consumption

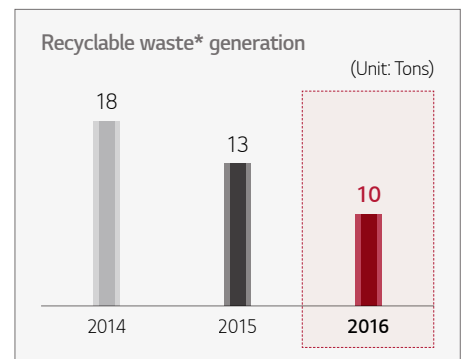
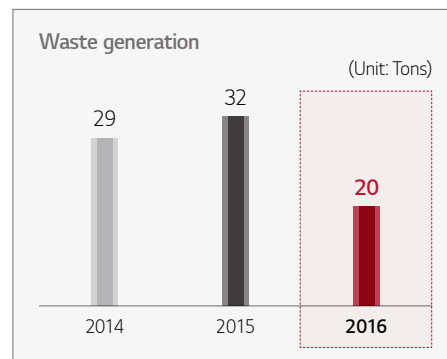
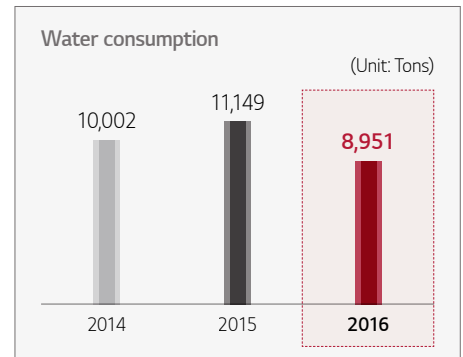
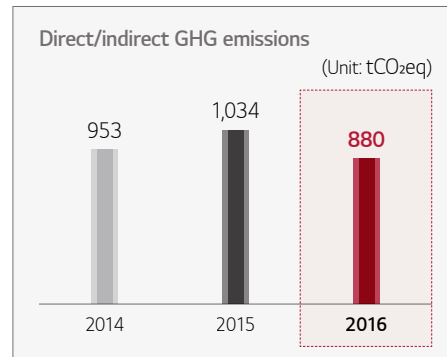
(Unit: TJ)



Category	Unit	2014	2015	2016
City Gas (LNG)	TJ	3.16	3.19	2.94
Electricity	Mwh	1,674	1,667	1,393

#### Environmental Data

\* Head office in Korea



\* Including paper, glass, aluminum can, and plastic container and package which are removable waste

# 03 Talent Management

## Cultivation of Talents



### Issue Report



#### BACKGROUND OF THE ISSUE

Resources and infra & industrial businesses require knowhow and professionalism accumulated for a long time. It is highly critical for corporate competitiveness to secure and nurture excellent human resources.



#### OUR APPROACH

Considering employees as the most precious asset, LGI makes concerted efforts to build a corporate culture where global talents want to join the company, supports are offered to train them to be skilled entrepreneurs, and employees can show their maximum potential. In this regard, we stipulated our responsibility for employees in the LG Code of Ethics and strive to cultivate talents with autonomy and creativity.



#### SDGs

LGI operates diverse education programs and pursues diversity in recruitment and employment to reach the SDGs.



**Goal 4.**  
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

##### LGI's Activities

- Mandatory education for each position
- Caring program for new employees



**Goal 8.**  
Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all

##### LGI's Activities

- Recruitment of talents and efforts for ensuring diversity
- Permanent position-focused employment



#### PERFORMANCE



Education hours per employee

**72** hours



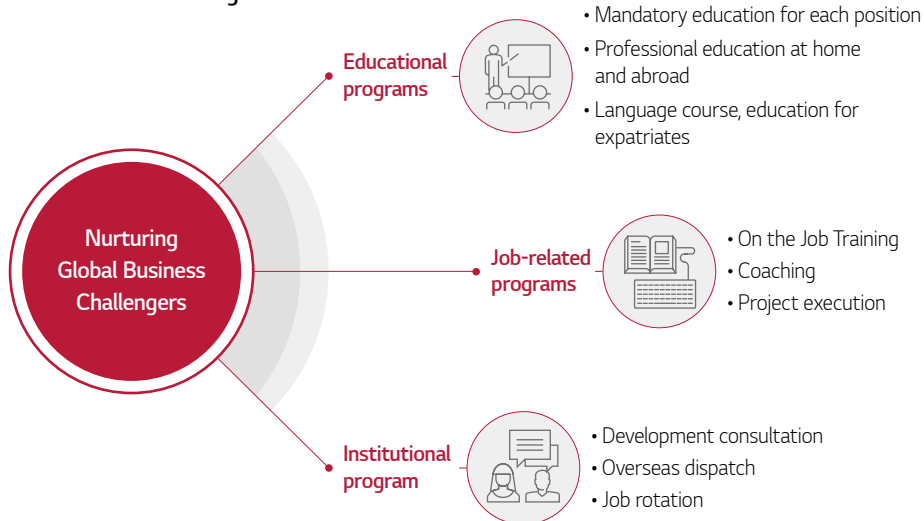
Education cost per employee

KRW **2.2** million

## Cultivating Global Talents

LGI provides various human resource development systems and programs to help employees accumulate experience and knowledge, and grow as professionals with top capabilities in their fields.

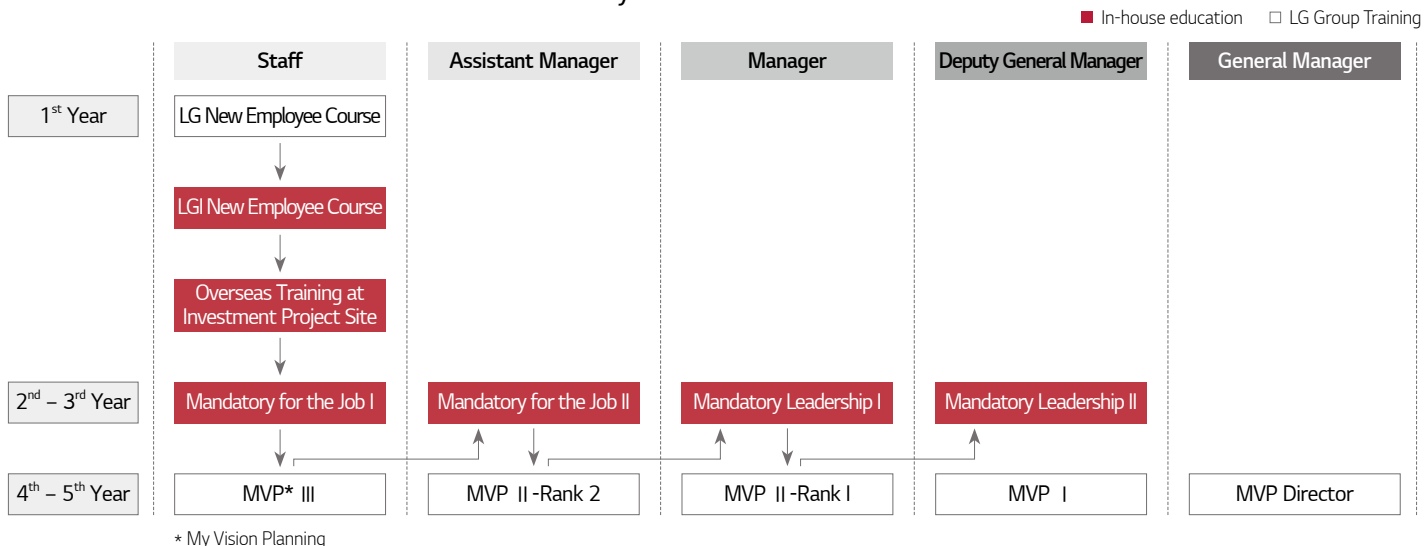
### Talent Cultivation Programs



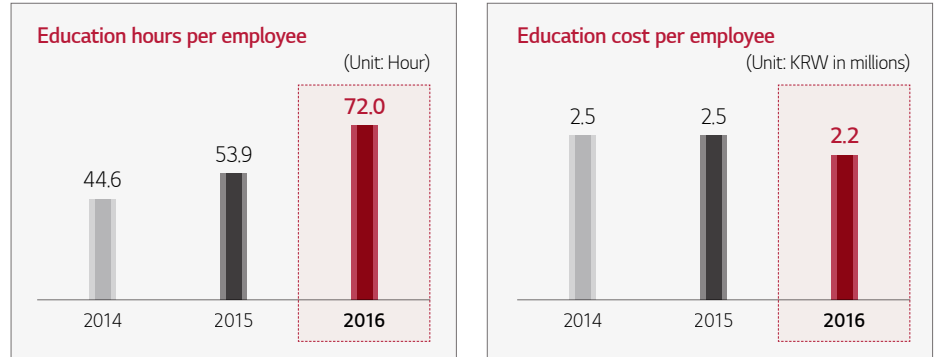
### Mandatory Education for Each Position

The company provides education programs tailored for each position so that employees can systematically develop the capacity they need at their career stage. Those help employees acquire business knowhow such as business planning and analysis which are essential for professional traders and cultivate leadership competence.

### Education System and Courses



## Employee Education



Category	Unit	2014	2015	2016
Total education hours	Hours	28,272	29,450	21,787
Total education costs	KRW 100 million	15.6	13.9	10.9



Leadership Education

## Professional Education at Home and Abroad

### Cultivating Entrepreneurs

Employees with growth potential can have a chance to participate in external professional education programs such as CEO course, pre-entrepreneur course, MBA, and business strategist course which help enhance management competence. We select a certain number of talents to join the programs every year, supporting their growth toward entrepreneurs.

### Enhancing Job Professionalism

LGI supports employees' participation in external professional job trainings to sharpen their competence. As part of this, we operate a variety of training programs such as professional resource developer course, marketing expert course, investment analysis expert course, and attendance in overseas conferences as well as off-site training courses aimed at nurturing job competence.

## Language Courses and Expatriate Training

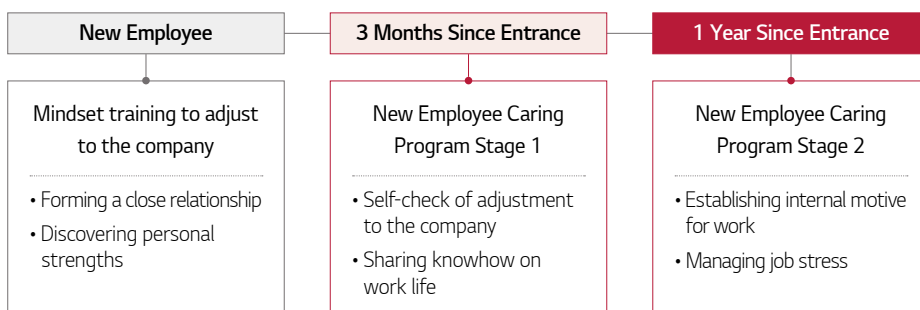
To support global business, the company provides diverse language courses and special trainings for expatriates. Particularly, as for Chinese, Indonesian, Vietnamese, and Myanmar languages which are close to our businesses, both online and in-house lectures are running.

## Consultation on Competence and Career Development

Our employees have face-to-face meetings with their senior members regularly, through which they discuss their long-term career development plans, annual competence development plans, job opportunities, job rotation, and detailed education programs.

## New Employee Caring Program

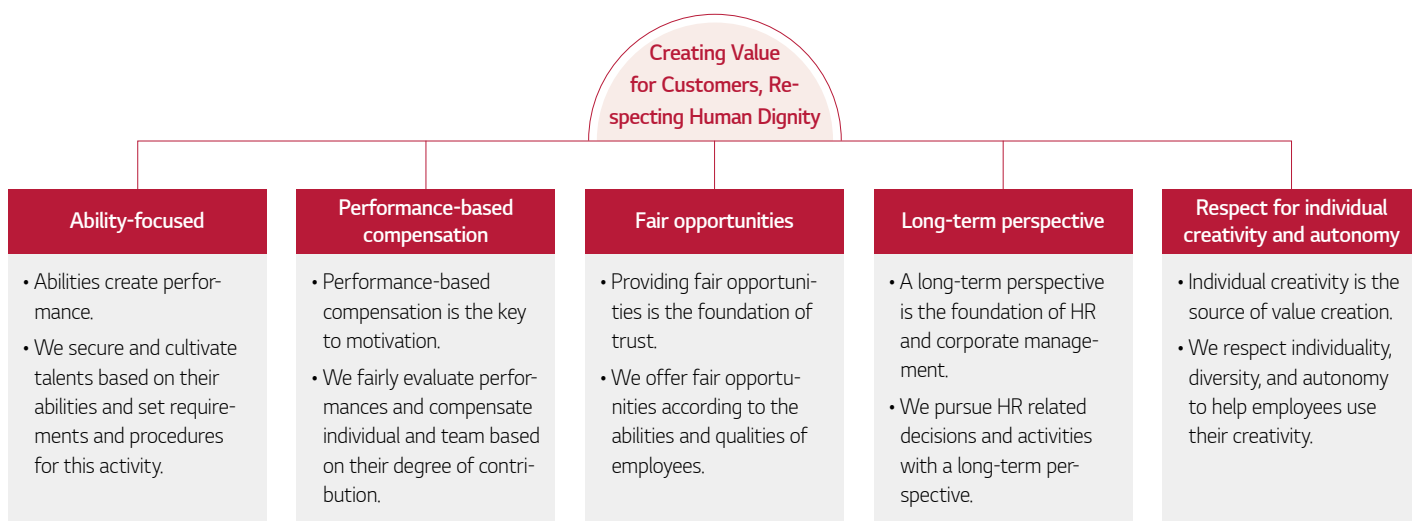
We conduct educations for new employees with the goal of helping their adaptation to and understanding of the company and duties. Particularly, the Caring Program offers to new employees for a year after joining the company to systematically support their adjustment to the corporate culture. This program also contributes to sharing corporate vision, business knowhow, managing job stress, and improving job efficiency.



## Respecting Human Dignity

LGI has the following HR rules and operation indexes to execute our management principles of “Creating Value for Customers” and “Respecting Human Dignity.”

### HR Rules



## Respect for Human Rights

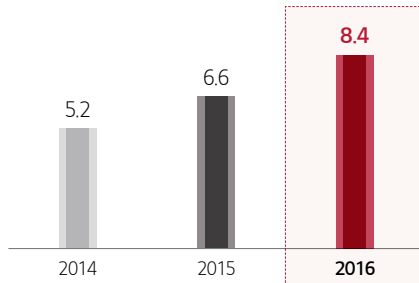
LGI prohibits discrimination on gender, nationality, religion, academic background, age, religion, or disability. The LG Code of Ethics and HR principle express a will to respect human rights and diversity. In addition, the headquarters and overseas subsidiaries prohibit child labor and forced labor, and comply with related laws. All LGI employees have permanent position in principle, except in some part-time jobs.

## Diversity

Local employment has been carried out to secure global talents. As of December 2016, a total of 322 global staff are working at overseas subsidiaries and offices. LGI has also focused on cultivating female talents to reinforce competitiveness and secure diversity. The percentage of female managers was 8.4% in 2016, continuing a rise.

### Percentage of Female Managers\*

(Unit: %)



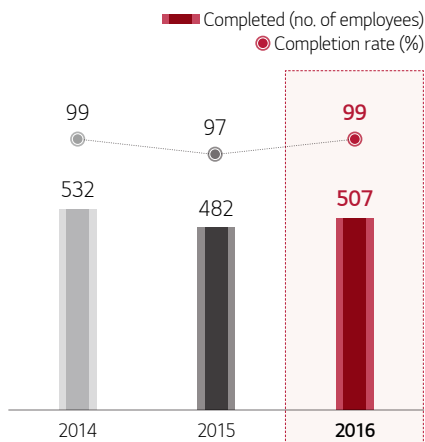
\* Female managers: Manager and above for office workers. Leader and above for administrative support workers

### Employment Status

(As of December 31, 2016)

Category	Unit	2014	2015	2016	
Employment	No. of employees	Persons	634	546	516
	Male	Persons	489	429	403
	Female	Persons	145	117	113
	Permanent position	Persons	618	530	502
	Temporary position	Persons	16	16	14
	Retirement rate	%	8.7	7.9	6.9
Diversity	No. of global staff	Persons	365	346	322
	Rate of disabilities	%	1.2	1.3	1.3
	Rate of men of national merit	%	2.1	2.0	2.9

### Sexual Harassment-Prevention Education



### Sexual Harassment-Prevention Education

The company provides all employees with educations on preventing sexual harassment every year to raise their awareness and eliminate any sexual harassment risk.

### Fair Performance Evaluation and Compensation

At LGI, fair opportunities are offered to employees according to their abilities and qualities, and compensation is given based on individual and organizational performances and the degree of contribution. The absolute evaluation started in January 2016 to focus on nurturing individual competence and professional business challengers. The starting salary of a university graduate was 304% of the minimum wage in 2016, and there was no gender disparity.

# 04 Great Workplace

## Corporate Culture for a Good Place to Work



### Issue Report



#### BACKGROUND OF THE ISSUE

A corporate culture that ensures swift communication between the management and employees invigorates the organization and offer better flexibility. It also allows a company to secure talents with professionalism and knowhow for a long time.



#### OUR APPROACH

LGI strives to create a corporate culture for a good place to work based on communication between the management and employees. In 2017, the “A Happy Home Leads to Better Work Performance” program was launched with the aim of working smarter based on a happy family life and pursuing co-prosperity between employees and the company.



#### SDGs

Our activities to reach the SDGs in this field include operating diverse support programs tailored for employees’ life cycle, helping employees concentrate their jobs, and expanding family-friendly programs for work-life balance.



Goal 4.  
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

**LGI's Activities**  
• Support programs tailored for life cycle



Goal 16.  
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

**LGI's Activities**  
• Family-friendly programs



#### PERFORMANCE



A Good Place to Work

### A Happy Home Leads to Better Work Performance



Rate of Return to work after childcare leave

# 100%

## Creating a Valuable Corporate Culture

LGI aims to create a good place for employees to work with pride based on smooth communication and trust between the management and employees. To that end, we implement diagnosis on common corporate culture of the Group and continuously improve insufficiencies.

### Smooth Communication

Harmony and communication among employees are important for sustainable growth of a company. LGI regularly holds discussion meetings by each department and team to stabilize a culture of smooth communication. Discussion meeting is also organized for diverse positions including new employees, managers, etc.



Flying paper airplanes with what they wish to the company and colleagues at a communication event

### i-Round

The i-Round program is conducted each quarter to share the management strategy and direction of the company with employees. Particularly, the CEO directly presents business strategies to employees, motivate them to work more actively. In 2016, we also held a variety of events aimed at accelerating communication within the company. The 'A Happy Home Leads to Better Work Performance,' a new program in 2017, was shared with employees through the i-Round program as well.

### Grievance Treatment Channels

Significant changes in management are shared through regular and irregular discussion meetings as well as the Future Board. We also operate an online consulting channel to handle their grievances.

## Future Board



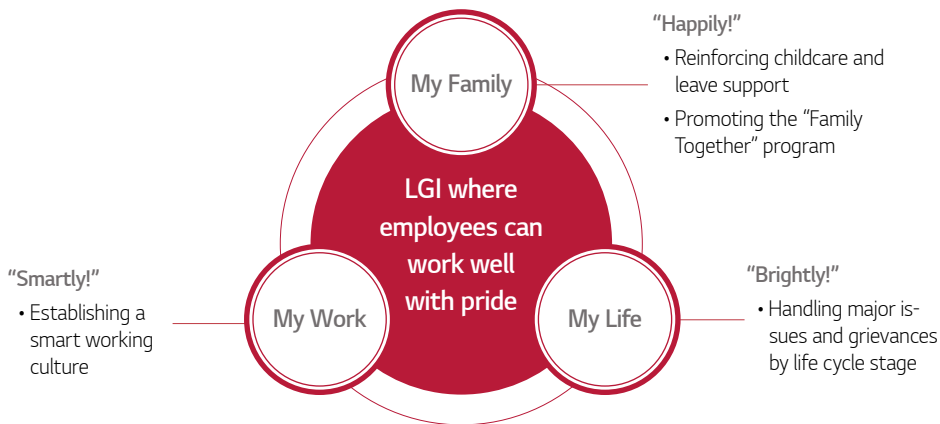
\* Meeting between the management and Future Board

The Future Board is a two-way communication channel between the management and employees that was created in 2016 for the improvement of corporate culture. Through the Future Board, the management shares business plans, major issues, and management principles, and employees can propose ideas related to the corporate culture and working environment. The Future Board is run by the executives and selected employees from each business unit. In 2016, it was held each quarter with the themes of activation of organizations, caring for employees, and improving working methods. As a result, the scope of "Caring Program Tailored for Family Life Cycle" was expanded to maternity gift, promotion gift, and support for family events in addition to school gifts for children.



## A Happy Home Leads to Better Work Performance

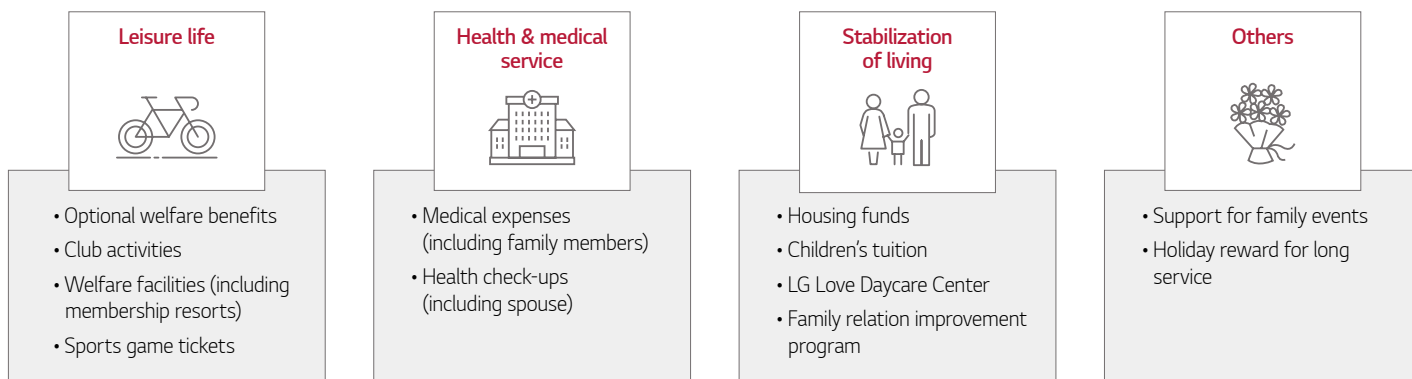
To build a great place to work, LGI launched the “A Happy Home Leads to Better Work Performance” program in 2017. It aims to make employees work smarter based on happy families and pursues co-prosperity between the company and employees. It also pursues a virtuous circle where work-life balance leads to higher job concentration and productivity, and eventually the enhancement of corporate and individual competitiveness. We will continue not only to improve existing programs but also to introduce new programs gradually to accelerate these activities.



## Improving Employees’ Quality of Life

### Employee Welfare System

With the aim of ensuring employees’ stable and better quality of life, LGI operates diverse welfare benefit programs, which contributes to improving employee satisfaction. Moreover, our health management programs and psychology consultation center help employees and their family members stay healthy. The employee council conducts regular inspections on safety and health.



## Psychology Consultation Center

We operate a psychology consultation center “Heart @ Heart” where professional psychology consultants provide employees with advices on their job stress control, interpersonal relationship, and family problems. Particularly, the center helps control individual stress based on the result of personality, aptitude, and mental health tests.

## Family-Friendly Program

LGI pursues a smart working culture for work-life balance and higher job concentration of employees. As part of that, we designated Wednesday as the Family Day, where all employees end the work day one hour early twice a month. Employees are also encouraged not to work overtime on the day. We will continue to expand family-friendly programs as well as supports for childcare and maternity leave and holidays.

### Use of Maternity Leave

Category	Unit	2014	2015	2016
Employees who have worked for at least one year after returning to work	Persons	5	3	5
Rate of return to work after maternity leave	%	100	100	100
Rate of working for at least one year after returning from maternity leave	%	80	43	56

## Lifecycle-based Support Program

We provide employees with life care programs to handle their critical issues and difficulties at different stage of life cycle, such as raising sizable sum of money, purchasing a house, and maintaining health, through special lectures and seminars. Moreover, the company has Defined Benefit and Defined Contribution retirement pension plans to help members have a stable life after retirement.

### Pension Support

Category	Unit	2014	2015	2016	
Operation amount*	Defined Benefit Plan (DB)**	KRW 100 million	79	65	65
	Defined Contribution Plan (DC)***	KRW 100 million	0.8	1.4	2.4
Number of subscribers	Defined Benefit Plan (DB)	Persons	715	640	543
	Defined Contribution Plan (DC)	Persons	12	16	16

\* Accumulated amount as of year end

\*\* DB (Defined Benefit Plan): Lump sum payment upon retirement

\*\*\* DC (Defined Contribution Plan): Retirement payment in installment per year

# 05 Social Contribution

## Contribution to Local Communities



### Issue Report



#### BACKGROUND OF THE ISSUE

Co-prosperity between a company and local communities is prerequisite to business success and sustainable growth. In this regard, social contribution has a strategic value for enhancing corporate image and marketing effect and is a valuable method to participate in solving local issues and supporting their development.



#### OUR APPROACH

Our social contribution focuses on helping the self-reliance of vulnerable social groups by the voluntary participation of employees, which pursues improving the quality of life of local people and developing local communities around our worksites. Particularly, in Korea, we are collaborating with the Seobu Welfare Center for Persons with Disabilities to join culture events for the disabled aimed at supporting their adaptation to the society. We have also built solid trust with local communities where our overseas projects are conducted through social contribution activities.



#### SDGs

With the aim of achieving the SDGs, LGI is proactive not only in supporting the construction of infrastructure in local communities where its projects are conducted but also in improving the health of living environment of local people.



Goal 1.  
End poverty in all its forms everywhere

- LGI's Activities**
- Conduct social contribution activities at home and abroad



Goal 9.  
Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation

- LGI's Activities**
- Repair and maintain infrastructure (bridge/road/power/drinking water) of local communities



#### PERFORMANCE



Donation amount collected by employees in 2016  
(including matching grant)

KRW **78** million









Rate of employee participation in the  
"workday volunteering recognition system"

**48**%

## Global Social Contribution Activities

LGI contributes to the growth of local communities through social contribution activities in overseas countries where we operate businesses. For example, our investment corporations engage in improving the living environment of vulnerable social groups and offering educational and medical supports. Particularly, considering the lack of infrastructure such as roads, hygienic facilities, power, and drinking water supply in many places, we are proactive in building and repairing village bridges, roads, and power supply facilities, helping improve the quality of local people’s lives. Respecting the local culture, our company ensures the freedom of local religion and participates in repairing religious facilities. Going forward, LGI will continue to work on improving the lives of vulnerable social groups around the world through active global social contribution activities.

### Social Contribution Activities of Overseas Investment Corporations

 Education and academic activities	 Public facilities	 Vulnerable social groups	 Medical care	 Environmental protection	 Respect for local culture
<ul style="list-style-type: none"> <li>• Providing educational supports</li> <li>• Offering school buses</li> <li>• Repairing and maintaining schools</li> <li>• Dispatching teachers</li> <li>• Offering school supplies</li> </ul>	<ul style="list-style-type: none"> <li>• Revamping roads and bridges</li> <li>• Supporting installation of electrical facilities</li> <li>• Supporting the construction of agricultural drain</li> <li>• Providing waterworks</li> </ul>	<ul style="list-style-type: none"> <li>• Installing water tank and pump</li> <li>• Purchasing agricultural tools</li> <li>• Providing daily necessities</li> </ul>	<ul style="list-style-type: none"> <li>• Providing medical supports</li> <li>• Supporting medical costs and health check-ups</li> <li>• Training disease-prevention activities</li> <li>• Donating daily necessities to disaster areas</li> </ul>	<ul style="list-style-type: none"> <li>• Conducting seaside cleanup activity</li> <li>• Supporting environmental protection events and campaigns</li> </ul>	<ul style="list-style-type: none"> <li>• Constructing temples and providing maintenance</li> <li>• Supporting religious events</li> <li>• Supporting traditional events</li> </ul>

### Indonesia PT. PAM (Palm Plantation and CPO Mill)



Supports for revamping a wooden bridge



Scholarships to high school students



Medical volunteering services



Repair of local roads

Cement Plant in Myanmar



Support for teachers' salary

Indonesia PT. GAM (Bituminous coal mine)



Delivery of school supplies to elementary school students in Smbba Yangwoo Village

Indonesia PT. MPP (Bituminous coal mine)



Construction of an Islam temple in Zmbayam Dalam Village



Repair of a wooden bridge in Bumi Etam Village



Medical supports for local people



Support for medical facilities for low-income patients



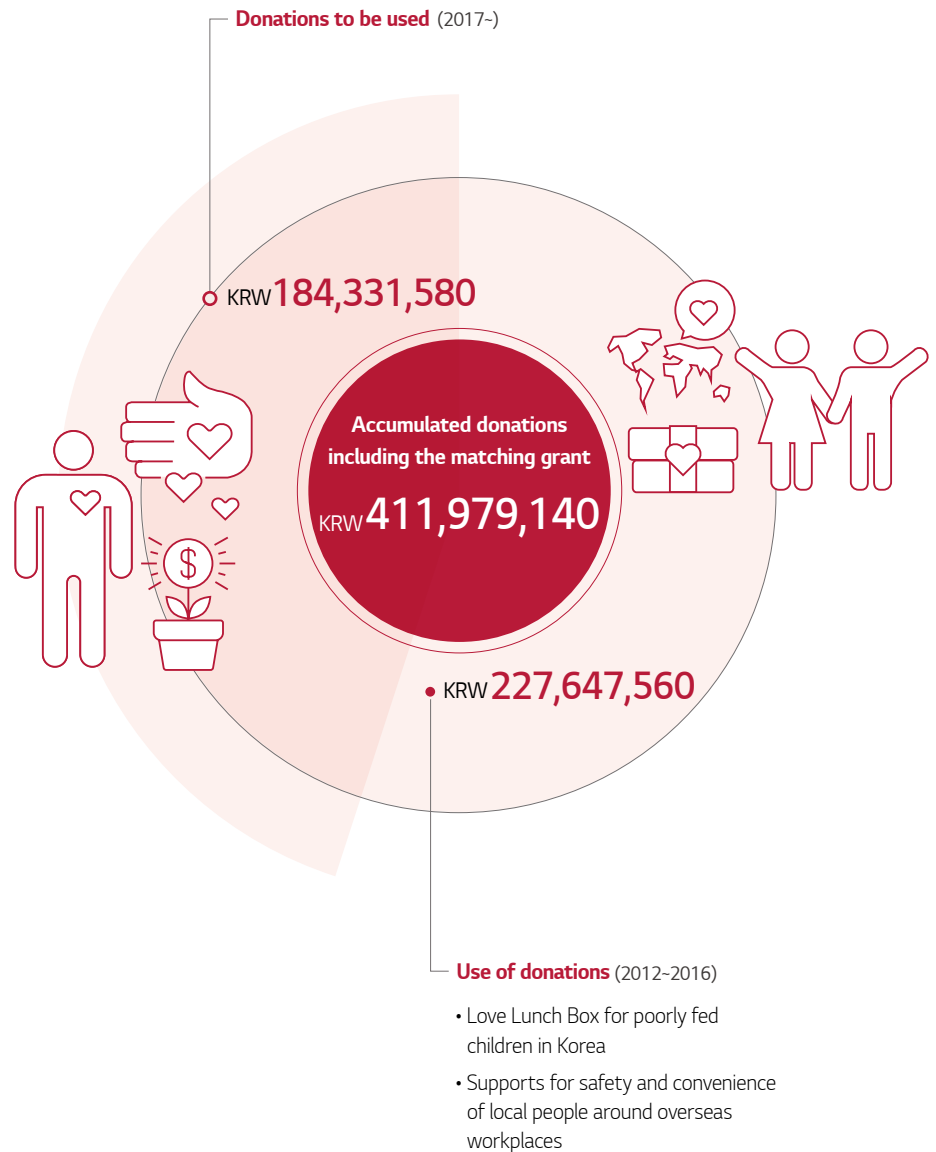
Donation of daily necessities to Karangam flood victims

## Employees' Participation in Social Contribution Activities

### Efforts to create value for local communities

We have a donation system where employees autonomously donate, executives chip in 0.5% of their basic salary every month, and then the company also raises the same amount matching grant. The donations are mainly used for educating students of the marginalized, providing welfare benefits, and improving living environment in local communities.

#### Raising Donations and Matching Grant



## Employees' Volunteer Work

LGI employees engage in volunteer works as part of social contribution activities. The "workday volunteering recognition system" guarantees that up to 8 hours of volunteer works a year is recognized as work time, which motivates employees' participate in volunteer works. Particularly, with the aim of promoting the welfare of the disabled in local communities, we are operating diverse volunteering programs such as supports for their job training and cultural activities in cooperation with welfare institutes for the disabled. We have volunteered every Wednesday since April 2016, in which 188 employees, 48% of entire workforce, have taken part.



### Afterschool Hope Class for Youth

Visiting local parks, museums, playgrounds, and cultural facilities for sharing experiences by pairing up with disabled youths



### Job Training in Baking

Providing job training in baking for the disabled to prepare for employment



### Experiencing My Surroundings

Supporting various cultural activities of disabled adults (visit to parks, museums, and cultural facilities)



### Woodwork and craft

Aiding woodwork and craft of the disabled to provide leisure activities

## Interview with an employee who join the volunteer work



Staff, **Choi Bo-ram**

All the 188 LGI employees who took part in volunteer works at the West Region Disabled Welfare Center in 2016 spoke of "happiness" and "comfort." The tension and sense of duty before starting new volunteer works soon faded out. Spending time with the disabled and doing activities with them soon made us realize they are just like our neighbors, friends, and family, just with physical inconveniences. The kind guidance of the center, deep conversations, and coffees together left a touch in the hearts of the volunteers. It is old-fashioned thinking that only the beneficiaries of volunteering have anything to gain from it. LGI employees look forward to more warm smiles and good talks with our welfare center family this year, too.

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# Sustainability Governance

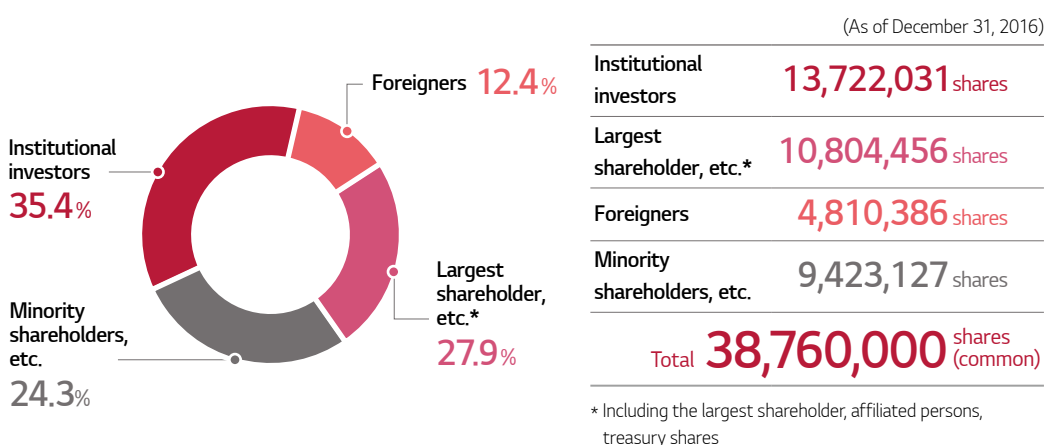
Our sustainability management is based on healthy corporate governance, philosophy of the Jeong-Do Management, and systematic risk management. We are committed to sticking to basics and principles to make a valuable journey with stakeholders toward sustainable growth.



## Corporate Governance

### Shareholders

The number of LGI stocks issued as of December 2016 was 38,760,000, all of which are common stocks. The largest shareholder is the National Pension Service with the ownership of 13.41%, or 5,197,557 shares. The company holds the general shareholders' meeting every year to gather and reflect the opinions of shareholders on major decision-making items. Important management information is also announced on the LGI website and the DART of the Financial Supervisory Service to provide stakeholders with the right information at the right time.



### Composition of the BOD

The Board of Directors (BOD) makes important decisions and supervises business activities of the management according to related laws and the articles of association. The BOD consists of 2 executive directors, 1 director, and 4 non-executive directors. It maintains independence by having 4 non-executive directors among the total of 7 members. The BOD chairman and CEO are separate to ensure sound corporate governance.

#### BOD Members

(As of March 2017)

Category	Name	Major Career	Remark
Executive directors	Song Chi-ho	President & CEO, LGI	
	Park Yong-hwan	Head, CFO Group, LGI	
Director	Ha Hyeon-hoe	President, LG Group	<ul style="list-style-type: none"> <li>Chairman of the BOD</li> <li>Chairman of the Non-executive Director Candidate Recommendation Committee</li> </ul>
Non-executive directors	Jeong Un-o	Professor, Business Administration Department at Seoul National University	<ul style="list-style-type: none"> <li>Chairman of the Audit Committee</li> <li>Member of the Non-executive Director Candidate Recommendation Committee</li> </ul>
	Kim Dong-uk	Former CEO, Hyundai Engineering	<ul style="list-style-type: none"> <li>Member of the Audit Committee</li> </ul>
	Lee Won-woo	Professor, Graduate Law School at Seoul National University	<ul style="list-style-type: none"> <li>Member of the Audit Committee</li> </ul>
	Huh Eun-nyeong	Professor, Energy System Engineering Department at Seoul National University	<ul style="list-style-type: none"> <li>Member of the Non-executive Director Candidate Recommendation Committee</li> </ul>

## **BOD Operation**

Except in the case specified by laws, the BOD is assembled when a majority of directors are present and the resolution also requires a majority of voters. Proxy vote is not allowed and directors who have a stake in special issues cannot exercise their vote. In 2016, the BOD held nine meetings to deliberate 25 agendas (19 resolutions and 6 reports) and the attendance rate of outside directors was 100%.

## **Director Appointment, and Evaluation and Compensation**

Non-executive directors are appointed in compliance with relevant laws, including the Commercial Act. And they are appointed among candidates recommended by the Outside Director Candidate Recommendation Committee at the shareholders' meeting after strict screening. Four non-executive directors are financial & legal experts, business specialists, and professors. They make decisions on major management issues, monitor executions, and provide advices to the management and the BOD. LGI compensates directors and auditors based on basic salary and the company's operating performances within the limit decided at the shareholders' meeting. The level of compensation to the management and executives is decided on the basis of regular performance evaluation. The average compensation per director in 2016 amounted to KRW 188 million.

## **Subcommittees under the BOD**

The Audit Committee and Non-executive Director Candidate Recommendation Committee are running under the BOD to ensure efficiency and transparency of the BOD operation.

### **Audit Committee**

The Audit Committee monitors the management, audits accounting activities, and supervises major management activities including internal control. It is fully comprised of non-executive directors and all members have no stake in the largest shareholder and affiliated persons, which ensures the independence of the committee. The Audit Committee was convoked five times in 2016 to deliberate 12 agendas such as the assessment of internal accounting management system and the operation of internal monitoring systems.

### **Non-executive Director Candidate Recommendation Committee**

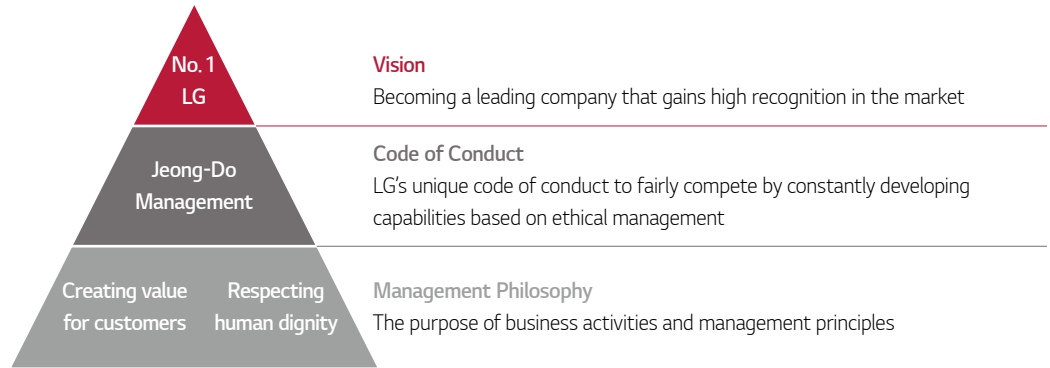
LGI has the Non-executive Director Candidate Recommendation Committee consisting of a director and non-executive director to secure fairness and independence in the procedure of appointing non-executive directors. The committee was held once in 2016 to appoint the committee chairman and approve the agenda on recommending non-executive director candidates.

# Jeong-Do Management

## LG Way

The LG Way, as the guiding principle for all LG employees in their thoughts and actions, represents our commitment to realizing the vision “No. 1 LG” by fulfilling our corporate philosophy “Customer Value Creation” and “People-Oriented Management” on the principle of “Jeong-Do Management.”

### LG Way



## Jeong-Do Management System

Jeong-Do Management pursues creating tangible results in a fair way based on overwhelming competence. LGI practices Jeong-Do Management by sticking to basics and principles, ensuring fairness in all transactions, and steadily sharpening capabilities. We also comply with the LG Code of Ethics as a standard for management activities and value judgment.

### Jeong-Do Management



### Code of Ethics

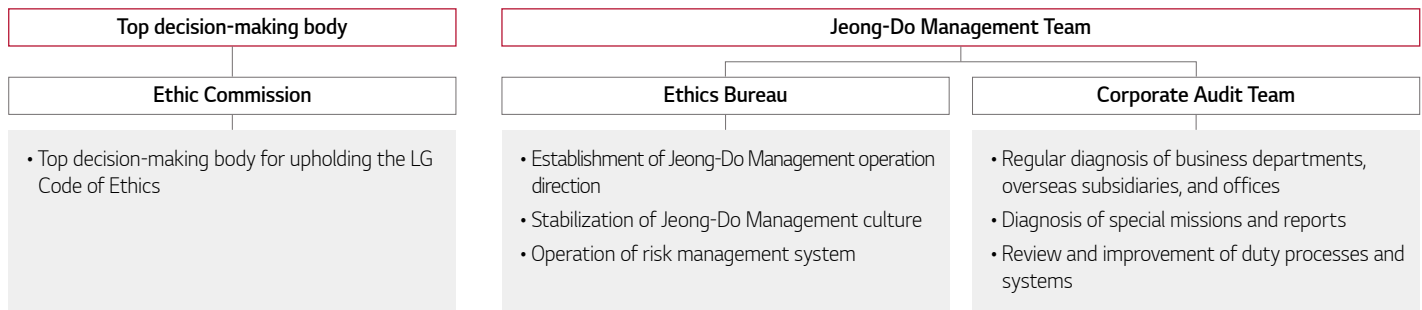


※ Refer to our website for more information on practical guidelines on the Code of Ethics (<http://ethics.lg.co.kr/ethics/ko/rule/ruleMain.jsp>).

## Organization for the Practice of Jeong-Do Management

LGI is encouraging Jeong-Do Management of partner companies through the Jeong-Do Management Organization that is directly supervised by the CEO. Jeong-Do activities are pursued by the Ethics Office and Corporate Audit Team. Elements of violation related to Jeong-Do Management that can occur in the field are prevented, and the ethical awareness of employees is improved to create a corporate culture that strictly abides by rules and regulations.

### Organization Chart



## Jeong-Do Management Activities

### Enhancement of the Sense of Ethics

All employees of LGI write a pledge on practicing Jeong-Do Management to raise the awareness of ethics. We also share the “Employees’ Basic Compliance Guide” which contains basic articles of the Code of Ethics employees need to know to autonomously conduct Jeong-Do Management through the intranet.

### Education on Jeong-Do Management

LGI educates employees about Jeong-Do Management on themes highly related to our businesses based on the LG Group’s general ethical standards. Specific education by each position is conducted to improve concentration and education effects, which helps raise employees’ awareness of Jeong-Do Management. Education material is produced and distributed in English, Chinese, and Indonesian to help the understanding of global staff.

#### Education on Jeong-Do Management by Position

Position	Education	Period
Team Manager	• Ethical leadership cultivation training	• New team leader: After appointment • Team leader: Once a year
Expatriate	• When being dispatched: Jeong-Do Management • When visiting the headquarters: Consultation and education at the Ethics Bureau (mandatory)	• New expatriate: When being dispatched • Existing expatriate: Frequently
Team Member	• Team-based education	• Once a year
New Employee	• Basic training on Jeong-Do Management	• Frequently
Global Staff	• Spreading knowledge through expatriates	• Once a year

## Survey on Jeong-Do Management

A survey is conducted at the Group level each year to review the level of awareness and practice of Jeong-Do Management and improve insufficiencies. LGI analyzes the survey results and uses it to prevent repeated mistakes and improve imperfections.

## Reporting System

We have a reporting system where anyone can report unfair demands, unfair handling of duties, or corruption of our employees. Reports are received through various channels including the website, e-mail, telephone, fax, or messenger, and all reports are handled in accordance with accepted procedures. The personal information and contents of reporters are thoroughly protected, and strict precautions are taken to make sure the informant does not suffer any disadvantages.

## Self-reporting of Money and Valuables

LGI strictly prohibits receiving money or valuables or any other gift from stakeholders according to the LG Code of Ethics. If a member inevitably receives money or valuables, it is mandatory to submit a written report on the fact to the Ethics Bureau. And then, the company sends a letter on preventing any recurrence of the same case to the providers in an effort to execute Jeong-Do Management. If the valuables cannot be returned, the Ethics Bureau donates them to welfare facilities. If the valuables cannot be donated, an internal auction is conducted to use the money for social contribution activities.

## Spreading Jeong-Do Management

### Jeong-Do Management Guide

LGI publishes Jeong-Do Management Guide to raise understanding of employees and help them practice Jeong-Do Management in business activities. The guide contains diverse contents that can answer questions employees may have, helping their autonomous practice of Jeong-Do Management. We send this guide to employees at the headquarters and expatriates four times a month, and English, Chinese, and Indonesian version guides to global staff twice a month.



Learning Jeong-Do Management through cartoons



## Day of Principle

We designated the 17<sup>th</sup> of each month as the “Day of Principle.” A banner pops up on the company portal website to spread the message of Jeong-Do Management on the day. It was prepared to build a culture faithful to basics.

## PRB (Principle Review Board)

The company selects a theme and case each month to provide a message about sticking to the basics to team leaders, corporation heads, and branch heads. The leaders share the message with their members.

## Welcome, Ethics Bureau

This campaign is to send a gift and message about Jeong-Do Management to employees who have their birthdays, encouraging voluntary Jeong-Do Management practices.

## Compliance Management

### Compliance Guide

All employees conduct duties based on both Jeong-Do Management and compliance guide containing explanations and cases on laws related to foreign exchange, custom tax, fair trade, information protection, intellectual property, and responsibility of manufactured goods. The compliance guide helps employees raise their awareness of compliance and understanding of laws and regulations.

### Overseas Anticorruption Guidelines

Considering the importance of overseas business, LGI has distributed guidelines on the compliance with anticorruption laws of each country. The guidelines contain detailed information on tightening anticorruption standards to help employees abide by local laws and regulations.

### Raising the Awareness of Compliance

LGI conducts educations on compliance with laws and regulations related to foreign exchange transactions, custom tax, and fair trade with the aim of helping employees abide by them. Particularly, in 2016, educations on the Improper Solicitation and Graft Act were added. Moreover, each team implements self-inspection on compliance by using a checklist and the results are reported to the Legal Affairs Team.

### Partner Management Regulation

We specify fair trade guidelines in contracts with partners to ensure transparency in selecting partners. Particularly, the “Partner Management Regulation” is applied to partners who have maintained a contract for at least one year and signed a large-scale contract. Investment corporations also apply this regulation to selecting and evaluating partners for outsourcing, leasing, and purchasing to ensure the culture of fair trade.

# Risk Management

## Risk Management System

The absence of appropriate risk management against uncertain economic situations may cause loss of business opportunities as well as financial impacts. In response to uncertain global business environment and increasing risk factors, LGI is proactive in integrated risk management in a preemptive manner to minimize potential risks in businesses. For example, we define diverse financial and non-financial risk factors that can have significant effects on our businesses, and then operate an integrated risk management system to prevent accidents in advance. In addition, before starting a business, we cooperate with related departments from the planning stage to establish a preemptive risk response system.

## Foreign Exchange Risk Management

We prohibit acts of speculation that take advantage of exchange fluctuation to secure stabilized ordinary profit through hedge against exchange risk. We are fortifying management activities targeting all the exchange risk exposures occurring within our company. All business divisions are required to report the occurrence of exchange risk in the process of transaction. Sales division conducts supervision to minimize exposure to exchange risks in the process of transactions in accordance with the hedging standard for each transaction type such as trading, overseas investment, and other ordinary transactions.

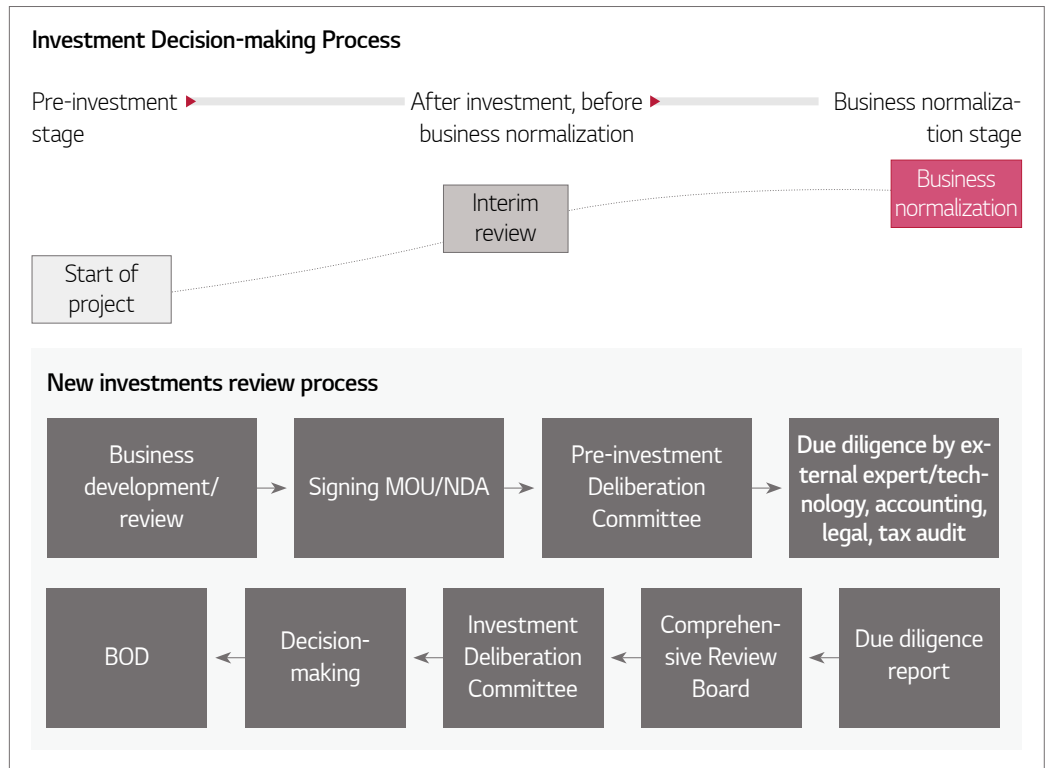
## Internal Control System

The Finance Team in charge of foreign exchange risk reports the monthly status of risk exposures, hedge, foreign exchange profit/loss to the CFO. In the event that exchange risk has increased due to intent or negligence, it will be submitted to the Disciplinary Committee regardless of whether it caused profit or loss.

## Investment Risk Management

We operate a decision-making process for identifying and handling potential risks when starting new businesses and making investment decisions. Decision on new investment projects is made through the Investment Deliberation Committee. Particularly, evaluations are conducted in various dimensions before the agenda on new investment projects is submitted to the BOD. As for projects under the development, we regularly check business normalization and changes in asset value to ensure business stability. We also implement preemptive risk management through finding out potential risks and on-track inspections.





### R&R (Risk & Return) Forum

The R&R Forum helps improve the risk management mind and competence of employees. It aims to share success and failure cases of risk management, and find solutions and points to prevent similar cases in the future based on discussions. In 2016, each business department held the R&R Forum once to share investment and trade issues and discuss risk management methods.

### Regular Monitoring

We regularly monitor employees' attitude to works and cost expenditure to reduce their possible mistakes and violation of regulations.

## Review of Work Process and System

We inspect business departments and related departments irregularly and the Management Diagnosis Team regularly on company-wide work process and system. This activity minimizes non-financial risks and prevents mistakes or corruption in work process.

## Enhancement of Contract Management

LGI re-established the contract management process to reinforce relevant risk control. All contracts excluding those with a separate regulation are now pre-reviewed by the Legal Affairs Team. They are reviewed through the Legal System to prevent contracts being closed without legal review, and reflection of review results is also checked. All contracts are to be registered in the legal system within 5 working days of contracting. The original copy is kept at the Legal Affairs Team. This process is extended to partners of investment corporations to fulfill our responsibility as a shareholder of the corporations.

## CSR Risk Management of Partners

To prevent negative impacts to our sustainability management in transactions with partners, we check social and environmental factors such as Jeong-Do Management, compliance, and environment & safety as well as economic aspect when selecting partners. Moreover, we evaluate social and environmental impacts of partners twice a year to improve their CSR risk management capabilities. This activity is also extended to partners of investment corporations.

### Checklist for Selecting Partners

 **Jeong-Do Management**


- Special relationships among shareholders and share composition of holding company
- Borrowed-name stocks
- Any history regarding bribery cases
- Supplier's consent on the compulsory specifications of Jeong-Do Management compliance clause in contract
- Supplier's own code of ethics

 **Compliance**

- Supplier's official business license
- Any history of local law violations
- Use of separate subcontractors
- Use of child labor and forced labor

 **Environment & Safety**

- History of cases/accidents over the last 5 years
- Any history of receiving warnings from head of local government for causing environmental problems over the last 5 years

 **Reasonable Pricing**

- Comparison of the suggested unit price with those of neighboring mines/farms
- Appropriateness of the supplier's margin compared with other business sites under progress
- Appropriateness of the supplier's margin compared with other processes (muck, coal handling, water transportation, etc.)

## Information Security

The Information Security Council has held a meeting every quarter since 2013 to share the result of information security checks and establish plans for higher security. In addition, we have conducted inspections on four categories - management system, technology area, physical area, personal information - since 2014 at the Group level, improving the security level. All employees including staff in charge of personal information handling, dispatched employees of partners, and expatriates receive educations on information security to raise their awareness of security.

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## Financial Information

### Summarized Financial Position (consolidated)

(Unit: KRW in millions)

Item	2014	2015	2016
<b>Assets</b>	4,896,828	5,383,467	5,177,267
Current assets	2,830,187	3,074,135	2,671,937
Non-current assets	2,066,641	2,309,332	2,505,330
<b>Liabilities</b>	3,331,597	3,840,152	3,531,909
Current liabilities	2,352,148	2,589,073	2,098,320
Non-current liabilities	979,449	1,251,079	1,433,589
<b>Equity</b>	1,565,231	1,543,315	1,645,358
Capital stock	193,800	193,800	193,800
Capital surplus	101,949	101,672	100,849
Capital adjustment	(-1,579)	(-1,579)	(-1,579)
Accumulated other comprehensive income	31,385	47,836	45,392
Retained earnings	1,101,155	857,593	910,440
<b>Controlling interests</b>	<b>1,426,710</b>	<b>1,199,322</b>	<b>1,248,902</b>
<b>Non-controlling interests</b>	<b>138,521</b>	<b>343,993</b>	<b>396,456</b>
<b>Total liabilities and equity</b>	<b>4,896,828</b>	<b>5,383,467</b>	<b>5,177,267</b>

### Summarized Income Statements (consolidated)

(Unit: KRW in millions)

Item	2014	2015	2016
<b>Sales</b>	<b>11,372,193</b>	<b>13,224,459</b>	<b>11,966,717</b>
Cost of sales	10,873,219	12,710,715	11,220,847
Gross profit	498,974	513,744	745,870
Selling and administrative expenses	327,000	432,052	571,796
<b>Operating profit</b>	<b>171,974</b>	<b>81,692</b>	<b>174,074</b>
Non-operating profit and loss	(-159,341)	(-296,932)	(-40,894)
<b>Profit before tax</b>	<b>12,633</b>	<b>(-215,240)</b>	<b>133,180</b>
Income tax expense	26,408	1,855	48,429
Net profit	(-13,775)	(-217,095)	84,751
Equity attributable to owners of parent entity	(-13,193)	(-235,443)	58,146
Non-controlling interests	(-582)	18,348	26,605

## Summarized Cash Flows (consolidated)

(Unit: KRW in millions)

Item	2014	2015	2016
Cash flows from operating activities	348,366	297,707	230,322
Cash flows from investing activities	(23,042)	(277,642)	(217,987)
Cash flows from financing activities	(237,004)	27,629	(237,718)
Net increase (decrease) in cash and cash equivalents	88,320	47,694	(225,383)
Cash and cash equivalents at beginning of the year	384,820	479,923	528,924
Effect of exchange rate fluctuations on cash held	6,783	1,307	7,632
Cash and cash equivalents at end of the year	479,923	528,924	311,173

## Key Financial Ratios

Item	2014	2015	2016	
<b>Stability</b>	Current ratio	120.3%	118.7%	127.3%
	Debt-to-equity ratio	212.9%	248.8%	214.7%
	Debt ratio	99.5%	113.9%	92.9%
	Reliance on borrowings	31.8%	32.7%	29.5%
	Interest coverage ratio	3.8x	1.7x	4.0x
<b>Profitability</b>	Operating profit margin	1.5%	0.6%	1.5%
	Pre-tax profit margin	0.1%	-1.6%	1.1%
	Net profit margin	-0.1%	-1.6%	0.7%
	Return on asset (ROA)	-0.3%	-4.0%	1.6%
	Return on equity (ROE)	-0.9%	-14.1%	5.2%

# Third Party's Assurance Statement

Messrs. LG International Corp. Executives and Stakeholders

## Preface

The Korean Standards Association (hereinafter referred to as “the Verifier”) received a request from LG International for independent assurance of the 2016-2017 LG International CSR Report (“the Report”). The Verifier reviewed the validity of the data contained in the Report prepared by LG International and presented independently verified opinions. LG International accepts responsibility for all the claims and outcomes included in the Report.

## Independence

As an independent assurance body, the Verifier is not involved in providing the third party assurance of the Report, neither has it any interest in the business activities of LG International, nor has it any affiliation that may impede its independence or anything that is intended for profit.

## Standards and Levels of Assurance

In accordance with the assurance standards of AA1000AS (2008) the Verifier assured the compliance status of the principles of inclusiveness, materiality, and responsiveness and the reliability of the information contained in the Report at the “moderate” level and with the application of the GRI G4 Guidelines and ISO 26000.

## Type and Scope of Assurance

The Verifier conducted Type-2 assurance according to the AA1000 Assurance Standard (AA1000AS), which means that the accuracy of the performance information included in the LG International claims and Report has been evaluated. The scope of assurance covered the information from January 1, 2016 to December 31, 2016. During the reporting period, the Verifier focused on assuring the systems and operations such as policies, targets, projects, and standards for LG International's CSR. In addition, the Verifier assured financial data on environmental, social and broad economic outcomes, whereas the assurance of stakeholder engagement was limited to reviewing the materiality assessment process.

## Assurance Method

The Verifier used the following methods to collect and review information, data, and evidence related to the scope of the verification:

- Research and analysis of reports by media in relation to LG International's CSR
- Research of the issues reported by the related companies selected in consultation with LG International
- Visit to LG International and interviews with CSR managers and other managers by issue
- Review of management systems and processes used in CSR outcome improvement and Report preparation
- Review on whether financial performance data and whether or not the audit Report and disclosure data for financial statements match up
- Follow-up review of internal documents and basic data

## Assurance Results and Opinions [Assurance Principle / Process Dimension]

The Verifier reviewed and presented opinions on the content of the draft Report, and then the Report was revised accordingly. The Verifier also could not find any material errors or inaccurate descriptions in the contents of the Report. The Verifier presents the following opinions on the 2016-2017 LG International CSR Report:

## Inclusivity

### • Has LG International included stakeholders in its strategic response to sustainability?

The Verifier confirmed that LG International is striving to engage with key stakeholders in promoting sustainability management and has set aside various types of communication channels to operate. The Verifier also has not found any significant group of stakeholders missing in the process. The Verifier recommends that LG International extends the scope of outside stakeholders, understands the various needs of the stakeholders to be reflected in the management activities, and continues to reinforce the sustainability management system such as establishing objectives in major issues, etc. in the future.

## Materiality

### • Was important information facilitating the informed judgment of stakeholders included in the Report?

The Verifier determines that LG International did not omit or exclude any information important for stakeholders. In addition, the Verifier confirmed that LG International conducted materiality evaluations as a major issue derived from internal and external environmental analysis and reported the results accordingly. In the future, it is recommended that LG International improve its materiality test process to deal with the opportunities and threats that apply to the scope of report boundary so that it can continue to discover the sustainability management issues.

## Responsiveness

### • Has LG International responded appropriately to the needs and interests of stakeholders?

The Verifier confirmed that LG International was making efforts to respond to the needs and concerns of stakeholders by reflecting the opinions gathered from stakeholders in the Report. The Verifier also has not found any evidence that LG International's responses to key stakeholder issues have been reported inadequately. However, it is recommended that LG International improve the credibility of the report by supplementing quantitative and qualitative outcomes in responsive activities to major issues raised by groups and communication channels of stakeholders.

## Review of GRI G4 Application Level

The Verifier assured that the Report was prepared in accordance with the Core Options of GRI G4, and that according to the data provided by LG International, the content related to the following general standard disclosure and specific standard disclosure index were based on the presented data:

### General Standard Disclosures

The Verifier confirmed that the Report was compliant with the general standard disclosure requirements of the core options and reviewed the following indices:

G4-1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 56

### Specific Standard Disclosures

The Verifier confirmed the DMA for the material aspect derived through the decision process for the report items, and reviewed the following indices:

G4-EC1, EC2, EC3, EC5, EC7, EC8, EN3, EN8, EN15, EN16, EN23, EN33, LA1, LA3, LA9, LA10, LA11, LA12, LA13, HR5, HR6, SO1, SO4, SO8, SO10

# Third Party's Assurance Statement

## Opinions and Recommendations for Improvement by Sector [Performance Outcomes / Issue Dimensions]

The Verifier recommends that LG International consider the following issues in order to establish sustainability management strategies for the entire organization and to respond to ongoing issues:

### Economics

The main trend of Reporting financial information is to provide financial information based on the consolidated financial statements, and many companies that publish sustainability reports reflecting this trend provide financial information according to the consolidation standards and the business contents about the consolidated substance. LG International prepares business reports and financial statements based on the consolidated standards, and the Report also describes the financial outcomes of the consolidated group in detail. In the future, the Verifier recommends that LG International makes sure to list the financial and business contents of the consolidated groups to offer appropriate information to stakeholders.

### Environment Field

The Verifier confirmed that LG International recognizes the importance of non-financial influence in the environmental field, ascertains the risks, and promotes improvement activities for preventive management of overseas countries' environment and safety in an active manner. However, the Verifier recommends that LG International quantitatively manages the environment and safety data on overseas sites that have coal, oil, or petrochemical industries that are high risk and effective in environment/safety, and disclose the data in the report in the future.

### Social Field

LG International is a corporation that interacts with the world through its resources and infrastructure businesses that ought to actively respond to issues such as communications with the global community. Hereupon, LG International enforces global social contribution activities through supporting education and academic activities, public institutions, vulnerable social groups, medical services, etc. and the Verifier confirmed the operation status of such activities. However, it is suggested that LG International propose quantitative outcomes as well as qualitative outcomes to improve the completeness of information.

July 2017

**Baek Su-hyeon**, President of the Korean Standards Association



**AA1000**  
Licensed Assurance Provider  
000-70

The Korean Standards Association is a specialized legal entity established in terms of the Korean Industrial Standardization Act of 1962. It is a knowledge service organization that propagates and disseminates industry standardization, quality management, sustainable management, KS and ISO certification, etc. In particular, it is contributing to the sustainable development of this country as an ISO 26000 domestic secretariat organization, GRI-designated educational institution, AA1000 assurance organization, Korea Sustainability Index (KSI) management organization, UN CDM management organization and GHG energy assurance organization.



# GRI G4 Index/ISO 26000

## 1. General Standard Disclosures

Aspects	Index	Core	Description	Assurance	Page
Strategy and Analysis	G4-1	Core	A general strategic view of the organizations's sustainability, in order to providd context for subsequent, more detailed reporting against other sections of the Guidelines.	●	3
	G4-2		A description of key impacts, risks, and opportunities	●	2, 3, 19, 26, 30, 36, 41, 45, 58
Organizational Profile	G4-3	Core	Name of the organization	●	6
	G4-4	Core	Primary brands, products, and services	●	7-13
	G4-5	Core	Location of the organization's headquarters	●	8
	G4-6	Core	The number of countries where the organization operates, and names of countries where either the organization has significant operatios or that are specifically relevant to the sustainability topics covered in the report	●	7-8
	G4-7	Core	Nature of ownership and legal form	●	6, 50
	G4-8	Core	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	●	7-13
	G4-9	Core	Scale of the organization	●	6-8
	G4-10	Core	Total number of employees by employment contract, gender, region, work scope of non-permanent employees, significant changes in number of employees	●	38
	G4-12	Core	The organization's supply chain	●	28-32
	G4-13	Core	Significant changes during the reporting period egarding the organization's size, structure, ownership or supply chain	●	2
	G4-14	Core	Reporting whether and how the precautionary approach or principle is addressed by the organization	●	28-32, 52-58
	G4-15	Core	Externally developed economic, environmental and social charters, or other initiatives to which the organization subscribes or which it endorses	●	3, 17
	G4-16	Core	Memberships of association and national or international advocacy organizations	●	70
Identified Material Aspects and Boundaries	G4-17	Core	Entities included in the organization's consolidated financial statements or equivalent documents	●	7-8, Refer to FY2016 business report (pp.3-6)*
	G4-18	Core	Process for defining the report content and the Aspect Boundaries and how they are implemented	●	20-21
	G4-19	Core	All the material Aspects identified in the process for defining report content	●	20-21
	G4-20	Core	Report on whether the Aspect is material within the organization	●	20-21
	G4-21	Core	Report on whether the Aspect is material outside of the organization	●	20-21
	G4-22	Core	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	●	2
	G4-23	Core	Significant changes in the Aspect Boundaries and the Aspect in post-reporting period	●	2
Stakeholder Engagement	G4-24	Core	List of stakeholder groups engaged by the organization	●	19
	G4-25	Core	Basis for identification and selection of stakeholders with whom to engage	●	19, 21
	G4-26	Core	The organization's approach to stakeholder engagement	●	18-21
	G4-27	Core	Key topics and concerns that havae been raised through stakeholder engagement and how the organization has responded to those key topic and concerns	●	20-21
Report Profile	G4-28	Core	Reporting period for information provided	●	2
	G4-29	Core	Date of most recent previous report	●	2
	G4-30	Core	Reporting cycle	●	2
	G4-31	Core	Contact point for questions regarding the report for its contents	●	71
	G4-32	Core	Report on 'in accordance' option the organization has chosen, the GRI Content Index for the chosen option, the reference to the External Assurance Report, if the report has been externally assured	●	67-69
	G4-33	Core	Report on the organization's policy and current practice with regard to seeking external assurance for the report, the relationship between the organization and the assurance providers, and whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report	●	2

## GRI G4 Index/ISO 26000

Aspects	Index	Core	Description	Assurance	Page
Governance	G4-34	Core	The governance structure of the organization, including committees of the highest governance body	●	50-51
	G4-38		Composition of the highest governance body and its committees		50-51
	G4-39		Report on whether the Chair of the highest governance body is also an executive officer		50
	G4-40		Report on 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		51
	G4-51		(1) The remuneration policies for the highest governance body and senior executives for the below types of remuneration (2) How performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives		51
Ethics and Integrity	G4-56	Core	The Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	●	52-55
	G4-57		Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as advice lines		53-55
	G4-58		Internal and external mechanisms for seeking advice on unethical and unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines		54

\* Please refer to our FY2016 business report (<http://dart.fss.or.kr>).

## 2. Specific Standard Disclosures

Aspects	Index	Description	Assurance	Page	ISO 26000
Disclosures on Management Approach	G4-MA	(1) Why the Aspect is material. Report the impacts that make this Aspect material (2) How the organization manages the material Aspect or its impacts (3) The evaluation of the management approach	●	24, 28, 34, 39, 43	
<b>Economic</b>					
Economic Performance	G4-EC1	Direct economic value generated and distributed	●	26-27	6.8.1-6.8.2, 6.8.3, 6.8.7, 6.8.9
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●	26	6.5.5
	G4-EC3	Coverage of the organization's defined benefit plan obligations	●	42	6.8.7
Market Presence	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	●	38	
Indirect Economic Impacts	G4-EC7	Development and impact of infrastructure investment and services supported	●	12-13, 25	6.3.9, 6.8.1-6.8.2, 6.8.7, 6.8.9
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	●	43-44	6.3.9, 6.6.6, 6.6.7, 6.7.8, 6.8.1-6.8.2, 6.8.5, 6.8.7, 6.8.9
<b>Environmental</b>					
Energy	G4-EN3	Energy consumption within the organization	●	33	6.5.4
Water	G4-EN8	Total water withdrawal by source	●	33	
Emission	G4-EN15	Direct greenhouse gas (GHG) emissions	●	33	6.5.5
	G4-EN16	Indirect greenhouse gas (GHG) emissions	●	33	6.5.5
Effluents and Wastes	G4-EN23	Total weight of waste by type and disposal method	●	33	6.5.3
	G4-EN24	Total number and volume of significant spills		None	6.5.3

Aspects	Index	Description	Assurance	Page	ISO 26000
Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		None	4.6
Supplier Environmental Assessment	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	●	30-32	
<b>Social_Labor Practices and Decent Work</b>					
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	●	38	6.4.3
	G4-LA3	Return to work and retention rates after parental leave, by gender	●	42	6.4.4
Training and Education	G4-LA9	Average hours of training per year per employee by gender, and by employee category	●	36	
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	●	42	
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	●	37	6.4.7
Diversity and Equal Opportunity	G4-LA12	Composition of governance bodies and breakdown of employees	●	38	6.2.3, 6.3.7, 6.3.10, 6.4.3
Equal Remuneration for Women and Men	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	●	38	6.3.7, 6.3.10, 6.4.3, 6.4.4
<b>Social_Human Rights</b>					
Child Labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	●	38, 58	
Forced or Compulsory Labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents or forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	●	38, 58	
Supplier Human Rights Assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria		58	
<b>Social_Society</b>					
Local Communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	●	28-29	6.3.9, 6.5.1, 6.5.2, 6.5.3, 6.8
Anti-corruption	G4-SO4	Communication and training on anti-corruption policies and procedures	●	53-55	6.6.1, 6.6.2, 6.6.3, 6.6.6
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	●	1 case, Refer to FY2016 business report (p.315)	4.6
Supplier Assessment for Impacts on Society	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	●	58	
<b>Social_Product Responsibility</b>					
Customer Health and Safety	G4-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		None	4.6, 6.7.1-6.7.2, 6.7.4, 6.7.5, 6.8.8
Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		None	6.7.1-6.7.2, 6.7.7
Compliance	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		None	4.6, 6.7.1-6.7.2, 6.7.6

## Awards and Membership of Association

### Awards Received

Title	Awarded by	Year
Deal of the Year (Financial Award for Excellent Project)	IJ Global (Project Finance & Infrastructure Journal)	2016
Minister Award of Trade, Industry, and Energy at the "Indonesia CSR Award"	Jointly hosted by the Embassy of Korea in Indonesia, KOTRA, Indonesia Investment Coordinating Board, and Small and Medium Business Administration of Indonesia	2015
Commendation for contribution to overseas resources development	Energy & Mineral Resources Development Association of Korea	2014
Prime Minister's Commendation on Annual Trade Day	Korea International Trade Association	2013
Minister of Trade, Industry & Energy's Commendation on Annual Trade Day	Korea International Trade Association	2013
1 <sup>st</sup> place in trading field, Korea Sustainability Index (KSI)	Korean Standards Association	2013
Minister of Trade, Industry & Energy's Commendation on Annual Trade Day	Korea International Trade Association	2012

### Membership of Association

Name of Association	Status	Major Activities
Energy & Mineral Resources Development Association of Korea	Regular Member	<ul style="list-style-type: none"> <li>Support new businesses and deliberate on loans from special energy fund</li> <li>Provide information on resource development and strengthen business competence</li> </ul>
Korea Plant Industries Association	Regular Member	<ul style="list-style-type: none"> <li>Provide feasibility support for overseas plants and overseas projects</li> </ul>
International Contractors Association of Korea	Member	<ul style="list-style-type: none"> <li>Collect and analyze data on overseas projects</li> </ul>
Korea-Oman Friendship Association	BOD Member	<ul style="list-style-type: none"> <li>Exchange information and strengthen ties among organizations and companies of Korea and Oman</li> </ul>
Private-Public Economic Cooperation Committee for Central Asia	Member	<ul style="list-style-type: none"> <li>Strengthen ties and exchange information among organizations and companies of Korea and Turk</li> </ul>
Korea Chemical Management Association	Member	<ul style="list-style-type: none"> <li>Regularly collect issues, conduct trainings, and report data for compliance with regulations</li> </ul>
Korea Customs Logistics Association	Member	<ul style="list-style-type: none"> <li>Participate in the patent operation and acquisition for the Gumi Hub (public bonded warehouse)</li> </ul>
Gumi Trade Division Director Council	Auditor	<ul style="list-style-type: none"> <li>Support customs affairs of companies located in Gumi</li> </ul>
Gumi Chamber of Commerce and Industry	Member	<ul style="list-style-type: none"> <li>Participate in meetings for companies located in Gumi, and attend events hosted by the Gumi Chamber of Commerce and Industry once a month</li> </ul>
Integrated Defense Council for Gumi National Industrial Complex	Member	<ul style="list-style-type: none"> <li>Participate in the integrated defense association of companies within the Gumi National Industrial Complex</li> </ul>
Korea Listed Companies Association	Member	<ul style="list-style-type: none"> <li>Share the information and issues on major announcements and operation of listed companies</li> </ul>
Korea Investor Relations Service	Member	<ul style="list-style-type: none"> <li>Receive investor relations (IR) information and participate in seminars and education programs for IR</li> </ul>
Emergency Planning Association	Member	<ul style="list-style-type: none"> <li>Joined as permanent emergency plan supervising company (preparation for war)</li> </ul>
Korean Chamber of Commerce and Industry	Member	<ul style="list-style-type: none"> <li>Joined according to the Chambers of Commerce and Industry Act and participate in activities as a group of businessmen</li> </ul>
Korea International Trade Association	Member	<ul style="list-style-type: none"> <li>Joined according to the Foreign Trade Act</li> </ul>
Korean Bar Association (Seoul)	Member	<ul style="list-style-type: none"> <li>Engage in legal activities such as litigation and legal advice in many countries, and maintain the qualification and authority as a lawyer</li> </ul>
New York State Bar Association	Member	<ul style="list-style-type: none"> <li>Maintain the qualification and authority as lawyer</li> </ul>
Law Society of New South Wales	Member	<ul style="list-style-type: none"> <li>Maintain the qualification and authority as lawyer</li> </ul>
Korea-Japan Economic Association	Vice Chairman	<ul style="list-style-type: none"> <li>Enhance mutual understanding and friendship between the Korean and Japanese economic circles</li> </ul>
Korea Overseas Agro-resources-development Association	Associate Member	<ul style="list-style-type: none"> <li>Enhance networking and share information with overseas agricultural development related organizations and companies</li> </ul>
In-House Counsel Forum	Member	<ul style="list-style-type: none"> <li>Notice new employment and participate in legal seminars</li> </ul>

2013-2014



2014-2015



2015-2016



**2016-2017  
LG International CSR Report**

The cover design symbolizing the expansion from the vision slogan represents LGI's global business competence that creates new values for stakeholders.

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