



# LG International

2018-2019 LG International Sustainability Report

## *Global Business Challenger*



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## ABOUT THIS REPORT

### Overview

This is the sixth sustainability management report of LG International (hereafter "LGI," "We," or "the Company"). We have published annual sustainability report since 2014 in order to share our sustainability management goals and performances in the aspects of economy, society, and environment. This report helps us provide stakeholders with key sustainability issues, performances, and related information in a transparent manner, contributing to increasing corporate value and creating future value. Particularly, the materiality analysis helps stakeholders better understand both our management status and significant issues in the industry. Divers stakeholders' opinions were also reflected in this report. Going forward, LGI is committed to creating both economic and social value for sustainable growth.

### Reporting Principle

This report was prepared in accordance with the Core Option of GRI (Global Reporting Initiative) Standards. Financial information was drawn up on the basis of K-IFRS (Korean International Financial Reporting Standards). It encompassed 87 subsidiaries.

### Reporting Scope and Boundary

The reporting scope extends to LGI's head office and major investment corporations around the world.

### Reporting Period

This report covers LGI's sustainability performances and data from January 1 through December 31, 2018, spanning to the first quarter of 2019 for some material performances. And, data for the last three fiscal years from 2016 to 2018 was applied for time-series analysis.

### Assurance

The report was assured by KSA, an independent assurance provider, to ensure reporting principle and reliability of information. For more details, please refer to the assurance statements on page 86 to 87.

## CEO MESSAGE



### Dear valued customers, shareholders, and investors,

I would like to express my deepest appreciation for your continued support and encouragement for LGI.

Last year, LGI has focused on solidifying the foundation for future business and accelerating changes to secure higher business competitiveness despite tough management conditions such as global trade disputes. We achieved stable growth and profitability in the resources business on the strength of acquisition of new palm plantations in Indonesia and production increase at existing coal mines. The infrastructure business concentrated on revamping existing portfolio and improving profitability. In 2019, with the goal of "creating customer value" and "strengthening business value," the Company is committed to conducting sustainability management in the following ways.

### Providing authentic value to customers

LGI will make a concerted effort to transform the existing ways of working and conducting from customer value perspective as well as to take a leap in all business areas. By leading changes in a prompt, frequent, and sustainable manner and building active cooperation system between the head office and overseas worksites, we will lay a foundation for becoming a leading global trading company.

### Enhancing the competitiveness of existing businesses and power of execution in new businesses

The Company will intensively foster competitive palm and coal businesses to ensure solid portfolio and accelerate

growth by diversifying profit creation models and expanding value chain. Entrance into new categories will also be considered to secure a new growth momentum. By doing so, we will explore new opportunities in promising areas where synergy with existing businesses can be created.

### Managing environment and safety and creating social value

Sustainable growth is ensured when a company not only creates financial performances but also fulfills its social responsibility for environment and safety. Its importance is also escalating. In response, LGI has further tightened environment and safety management system to thoroughly inspect and control environment and safety related risks at worksites. We will continue to reflect this system in all business areas at home and abroad.

In this regard, this report contains LGI's operating performances and sustainability management activities aimed at sharpening corporate competitiveness and growth potential in collaboration with all stakeholders including customers and local communities. Going forward, we will devote ourselves to fulfilling environmental and social responsibility to become a company loved by customers and society.

Thank you.

CEO of LG International, **Yoon Chun-sung**



# Company Profile

Since its founding in 1953, LGI has not only laid a foundation for the domestic trading industry through imports and exports of fiber and consumer goods but also engaged in resource development and plant operation projects in countries with growth potential, contributing to the development of Korean economy. We are today striving to secure sustainable competitiveness by pursuing organic and interactive exchanges among business areas including resources and infrastructure.

## Overview

<b>Company Name</b>	<b>CEO*</b>
LG International Corp.	Yoon Chun-sung
<b>Date of Establishment</b>	<b>No. of Employees**</b>
November 26, 1953	470 persons
<b>Total Assets**</b>	<b>Sales**</b>
KRW 5.038 trillion	KRW 9.9882 trillion (consolidated basis)

\*As of March 2019  
\*\*As of December 2018

## Vision

**Global Business Challenger**

LG International is a Global Business Challenger that creates greater value for the world by investing in opportunities for people and business based on its expertise in natural resources and infrastructure.

## Corporate History

**1953 - 2007**

- 1953. 11** Established Lucky Industry as a trading-specific company for Lucky Group and Koo In-hwoi was inaugurated as the first president
- 1956. 04** Changed the company name to Bando Corporation
- 1976. 01** IPO (Initial Public Offering)
- 1976. 11** Designated as a general trading company and won the USD 100 Million Export Tower and Gold Tower Industrial Decoration
- 1983. 03** Participated in development of thermal coal in Queensland in Australia
- 1984. 01** Changed the company name to Lucky Goldstar International Corp.
- 1995. 01** Changed the company name to LG International Corp.
- 1998. 07** Won an order for oil refinery plant worth USD 700 million from Qatar
- 2004. 05** Won an order for polypropylene plant worth USD 180 million from Oman
- 2005. 08** Acquired stakes in ADA oil field in Kazakhstan
- 2006. 02** Won an order for aromatics plant worth USD 150 million from Oman
- 2006. 11** Spin-off into LG Trading Corp. and LG Fashion Corp. and began commercial production in Vietnam Block 11-2 gas field
- 2007. 11** Won an order for polypropylene plant of USD 170 million in Vietnam

**2009 - 2010**

- 2009. 02** Began commercial production in MPP coal mine in Indonesia
- 2009. 11** Entered the palm oil plantation business in Indonesia
- 2009. 12** Won an order for gas treatment plant worth USD 1.5 billion in Turkmenistan
- 2010. 09** Invested in Rosemont copper mine in the U.S. and acquired stakes in a steel coil center in China

**2011 - 2012**

- 2011. 09** Began commercial production in Wantugou coal mine in Inner Mongolia
- 2012. 03** Won an order for oil refinery plant modernization project worth USD 530 million in Turkmenistan
- 2012. 07** Acquired GAM Coal mine in Indonesia
- 2012. 10** Completed a crude palm oil production plant in Indonesia

**2013 - 2014**

- 2013. 07** Won an order for crude oil processing plant worth USD 240 million in Turkmenistan
- 2013. 10** Acquired stakes in coal-to-chemicals plant in Inner Mongolia
- 2014. 02** Acquired STX Energy (LG International – GS consortium)
- 2014. 05** Won an order for petrochemical plant worth USD 3.4 billion in Turkmenistan
- 2014. 07** Completed a coal-to-chemicals plant in Inner Mongolia and began commercial production

**2015 - 2016**

- 2015. 05** Acquired stakes in Pantos Logistics
- 2015. 08** Promoted the Hasang hydroelectric power plant project in Indonesia (signed a contract for power supply)
- 2015. 10** Invested in Wuwei combined heat & power plant in Gansusheng, China
- 2016. 09** Began production in GAM coal mine in Indonesia
- 2016. 11** Began the Hasang hydroelectric power plant project in Indonesia

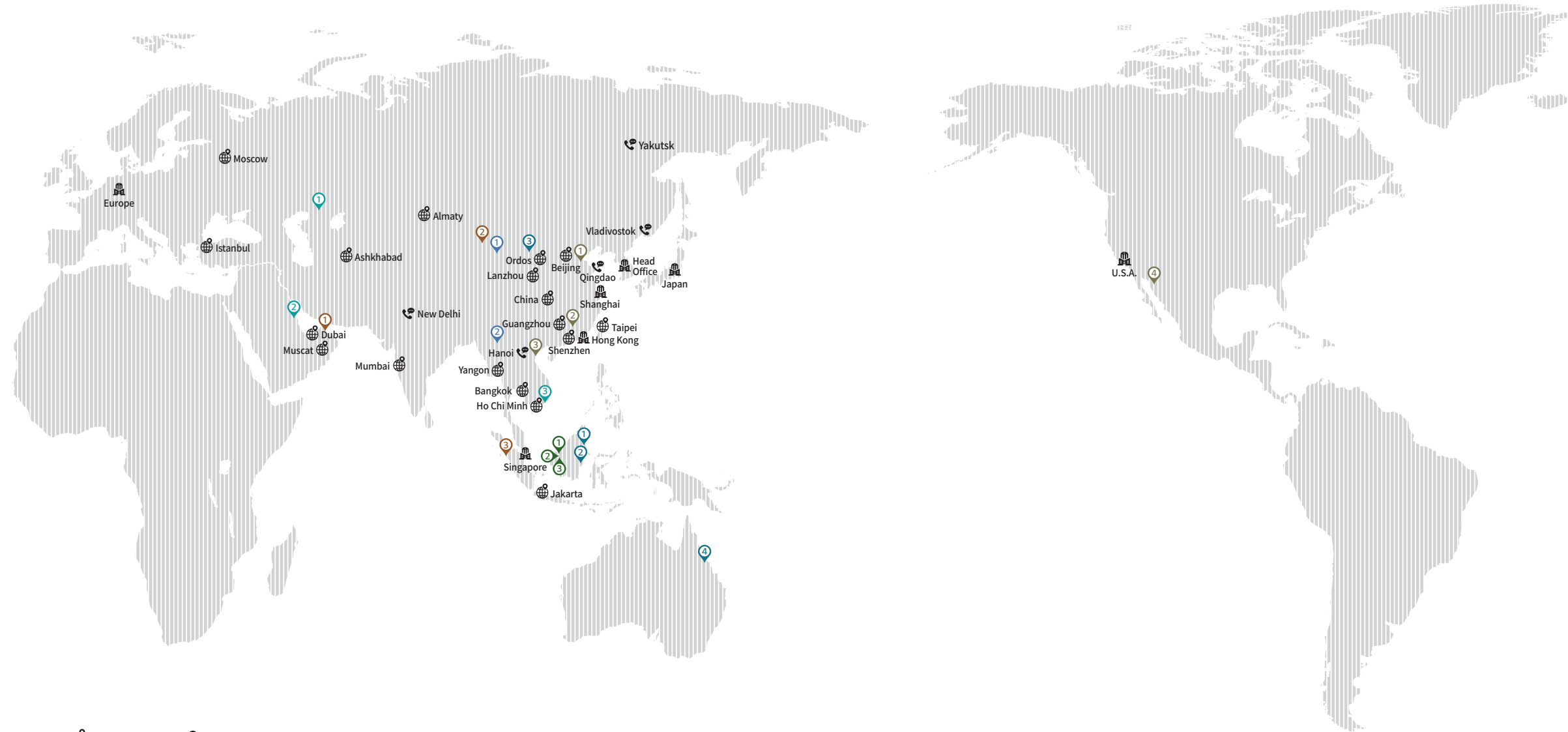
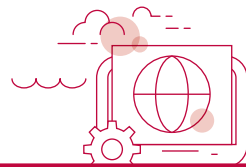
**2017 - 2018**

- 2017. 11** Began operation of Musandam power plant in Oman
- 2017. 12** Began operation of Wuwei thermal power plant in China and cement plant in Myanmar
- 2018. 09** Acquired stakes in a couple of palm plantation (GUM, TBSM) in Indonesia
- 2018. 10** Completed ethane cracker and PE/PP plant in Turkmenistan

## Key Sustainability Figures

<b>Total dividends</b>	<b>Expenditure in social contribution in 2018</b>	<b>Training hours/expenditure per employee</b>
KRW 9,665 million	Approximately KRW 680 million	72 hours/KRW 2.2 million
<b>GHG emissions</b>	<b>Employees' donation</b>	<b>Rate of return to work after childcare leave</b>
884tCO <sub>2</sub> eq	Approximately KRW 72 million	100%

# Global Network



## Global Network \*As of December 2018

Head Office & Overseas Subsidiary	7
Overseas Branch	18
Liaison Office	5

### Asia

Seoul	Hong Kong	Singapore
Tokyo	Shanghai	Beijing
Ordos	China	Shenzhen
Guangzhou	Taipei	Jakarta
Bangkok	Ho Chi Minh	Yangon
Hanoi	New Delhi	Mumbai
Lanzhou	Qingdao	

### Europe · CIS

Frankfurt	Almaty	Moscow
Vladivostok	Ashkhabad	Yakutsk
Istanbul		

### Middle East · Africa

Dubai	Muscat
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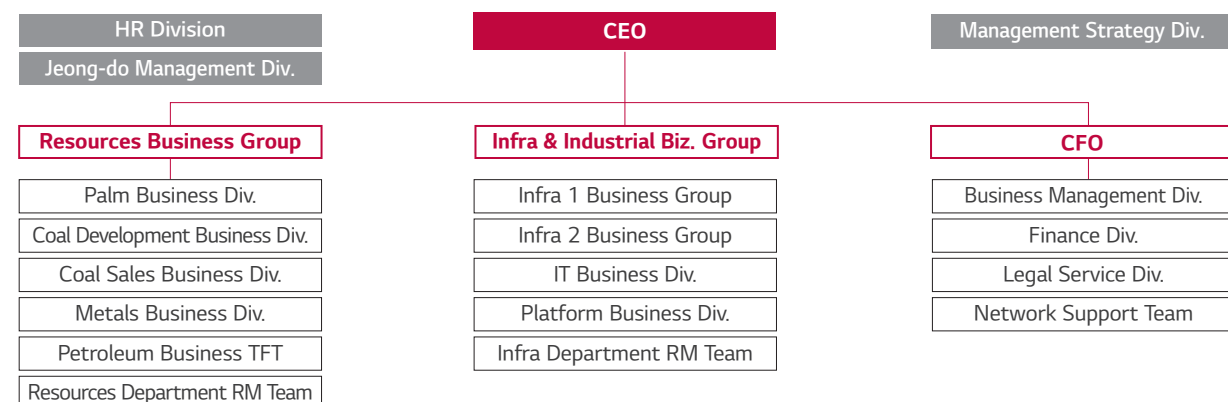
### North · South America

U.S.A.
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Head Office & Subsidiaries Overseas Offices Liaison Offices

## Organizational Structure

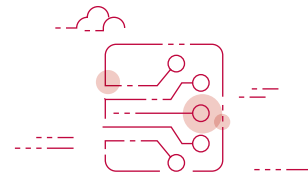
\*As of March 2019



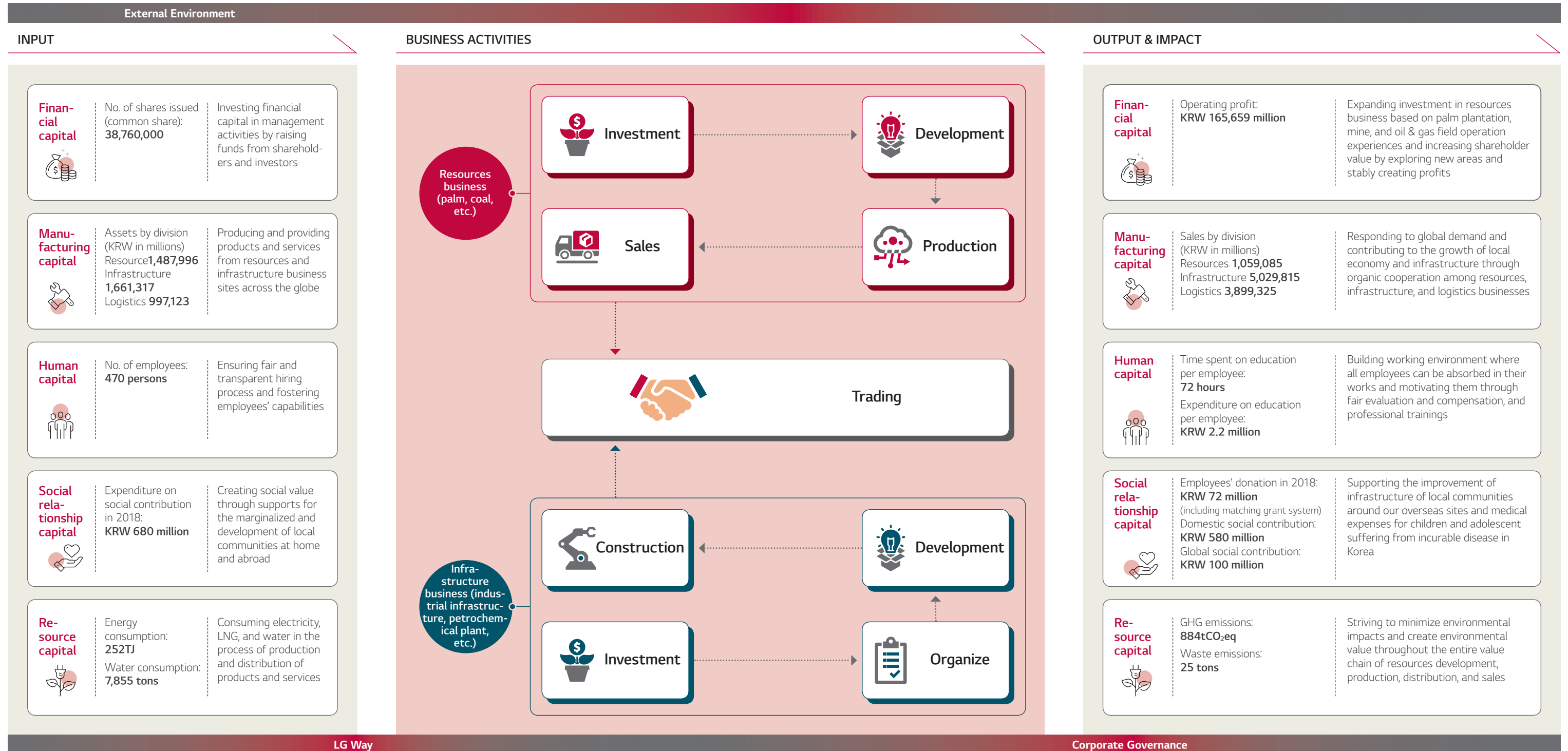
## Major Investment Projects

<b>Palm Oil</b> <ul style="list-style-type: none"> <li>1 Indonesia PAM</li> <li>2 Indonesia TBSM</li> <li>3 Indonesia GUM</li> </ul>	<b>Coal</b> <ul style="list-style-type: none"> <li>1 Indonesia GAM</li> <li>2 Indonesia MPP</li> <li>3 China Wantugou</li> <li>4 Australia Ensham</li> </ul>	<b>Metals</b> <ul style="list-style-type: none"> <li>1 China Tianjin Steel Processing Plant</li> <li>2 China Guangzhou Steel Processing Plant</li> <li>3 Vietnam Haiphong Steel Processing Plant</li> </ul>
<b>Oil &amp; Gas</b> <ul style="list-style-type: none"> <li>1 Kazakhstan ADA</li> <li>2 Qatar LNG</li> <li>3 Vietnam 11-2</li> </ul>	<b>Power Plant</b> <ul style="list-style-type: none"> <li>1 Oman Musandam Thermal Power Plant</li> <li>2 China Wuwei Cogeneration Power Plant</li> <li>3 Indonesia Hasang Hydroelectric Power Plant</li> </ul>	<b>Chemicals &amp; Cement</b> <ul style="list-style-type: none"> <li>1 China Inner Mongolia Coal-to-Chemical Plant</li> <li>2 Myanmar Cement Plant</li> </ul>

# LGI's Value Chain

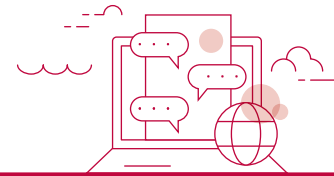


LGI consistently pursues change and innovation. We not only strive to create differentiated values to evolve into a leading global player but also fulfill our social responsibility as a corporate citizen.

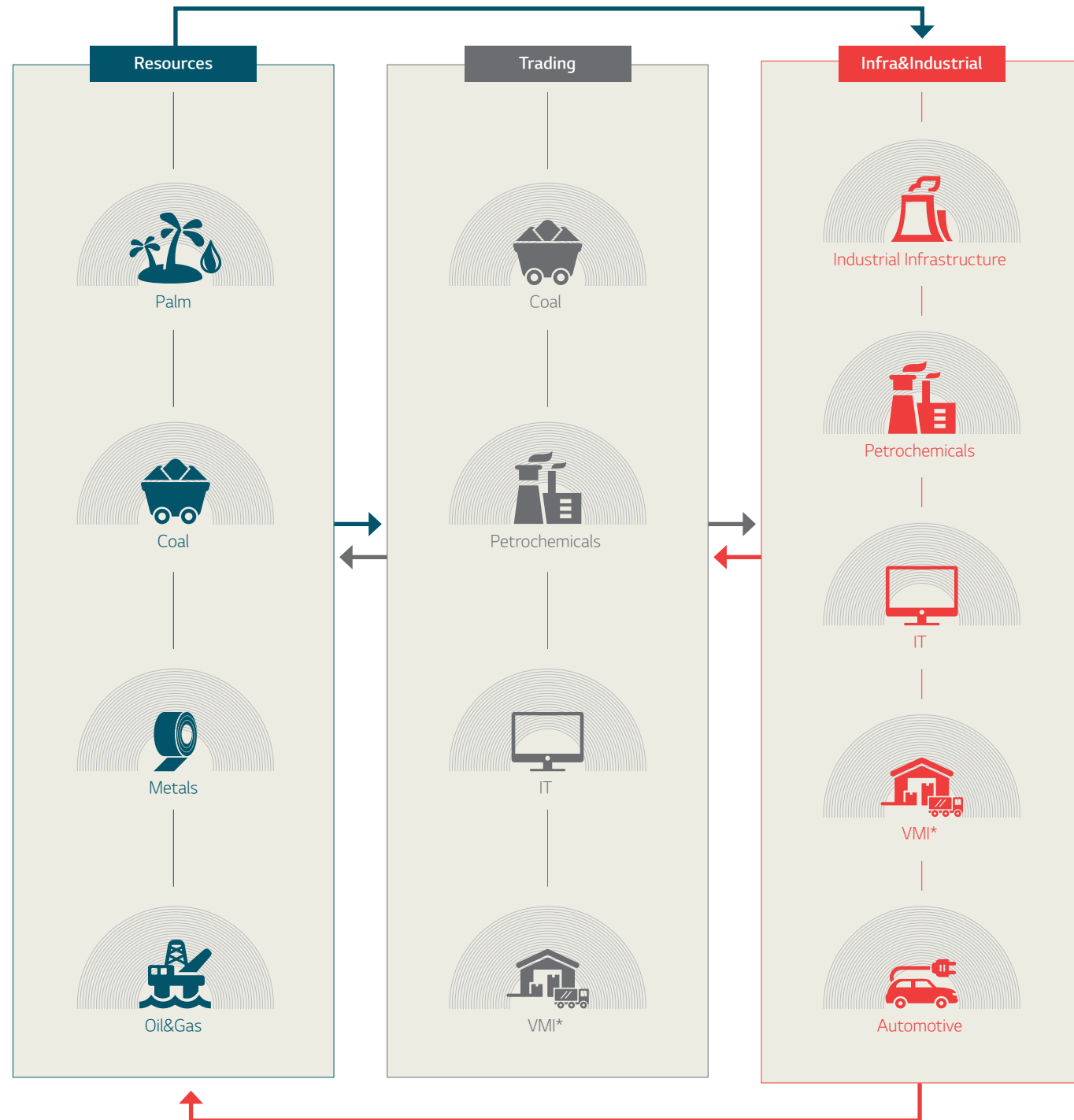




# Business Area



## Business Structure



\* VMI (Vendor Management Inventory): Vendor-driven inventory management system

## Resources Business

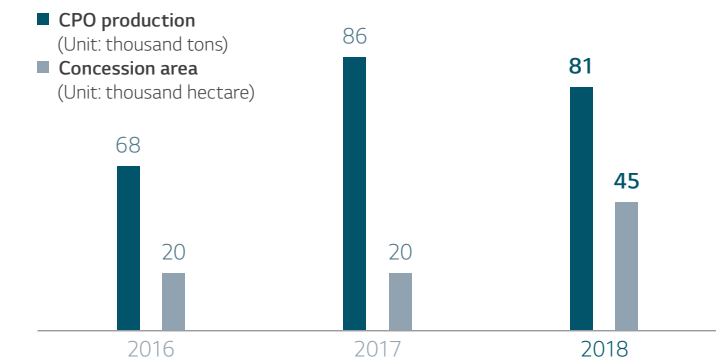
LGI's resources business comprises of palm, coal, metals, and oil & gas sectors. By capitalizing on accumulated competitiveness in operating palm plantations and coal mines in Indonesia, LGI has been solidifying the foundation of the resources business. Our reach is also extended to resources trading business as a professional trading company. Going forward, we will continue to secure future growth engines in related areas to generate sustainable profit.



### PALM



Performance in the palm oil business



• Developing and operating palm plantation in Indonesia and selling palm oil

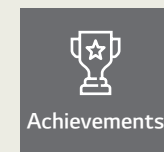
### Business Status

#### Operation of palm plantation and CPO (Crude Palm Oil) mills

- Producing CPO through investment in, development and operation of palm plantations
- Increasing production volume and capacity by continuous investment

#### Sales of CPO, etc.

- Selling CPO, kernel, and so on by processing palm fruits



#### Achievements

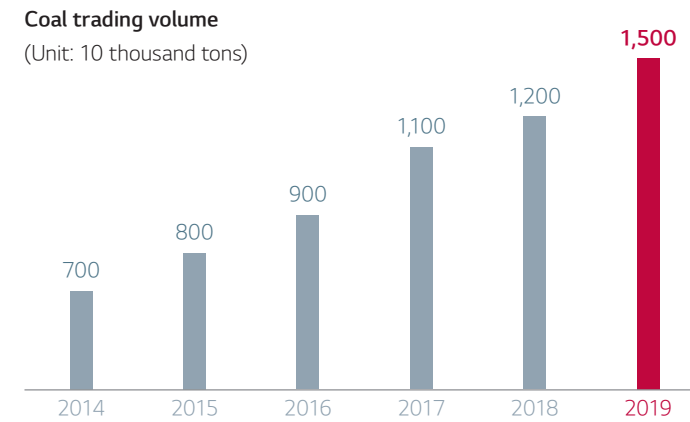
- ✓ Plan to secure plantation area of 50,000 ha and produce CPO of 350,000 tons by 2025
- ✓ Plan to expand business scope to palm oil trading based on palm plantation operation competence

#### Detailed Business Progress

	Indonesia PAM	Indonesia TBSM/GUM
Location	Western Kalimantan	Western Kalimantan
Time to invest and produce	Year 2009 / 2012	Year 2018 / 2018
Plantation area (as of the end of 2018)	10,000 ha	10,000 ha



## COAL



- Investment in, development, and operation of coal mines in Indonesia, Australia, and China
- Import and tripartite trade of coal

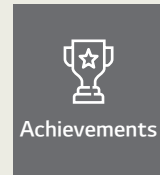
### Business Status

#### Coal development

- Investment in, development, and operation of coal mines
- Strategic region: Indonesia, China, Australia, etc.

#### Coal trading

- Major coal production regions: Indonesia, Australia, Russia, China, etc.
- Major coal consumption regions: Korea, China, Japan, India, and Southeast Asia



#### Achievements

- ✓ First successful exploration, development, and production at the Indonesia MPP mine among Korean general trading companies
- ✓ Increasing productivity and operation efficiency of existing coal mines
- ✓ Minimizing price fluctuation risk and creating sustainable profit models by expanding trading volume throughout existing sales channels

#### Detailed Business Progress

	Indonesia GAM	Indonesia MPP	China Wantugou	Australia Ensham
<b>Location</b>	Eastern Kalimantan	Eastern Kalimantan	Autonomous Inner Mongolia	Queensland State
<b>Time to invest and produce</b>	Year 2012 / 2017	Year 2007 / 2009	Year 2008 / 2011	Year 1983 / 1993
<b>Mining reserve*</b> (Unit: million tons)	209	1.3	128	150

\* Coal for power generation as of the end of 2018

#### Coal Production Volume

(Unit: 10 thousand tons)

Local subsidiary	2016	2017	2018	Ownership
Indonesia GAM	-	400	600	60%
Indonesia MPP	300	200	200	75%
Australia Ensham	520	520	520	15%
China Wantugou	390	360	230	30%
<b>Total</b>	<b>1,210</b>	<b>1,480</b>	<b>1,550</b>	-



## METALS



Local subsidiary	Country	Annual production volume (KMT*)
Tianjin Coil Center	China	110
Guangzhou Coil Center	China	80
Haiphong Coil Center	Vietnam	60
POSCO-IPPC	India	380
POSCO-PWPC	Poland	80

\* KMT=Kilo Metric Tons

- Operation of steel processing mills (Coil Center)
- Development and investment in mines including green minerals

### Business Status

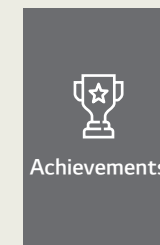
#### Major progress

##### Operation of Coil Center

- Location: China (Tianjin, Guangzhou), Vietnam, India, Poland
- Supplying steel sheet for home appliances and vehicles to overseas customers

##### Metal materials/green minerals

- Exploring new businesses



#### Achievements

- ✓ Providing customers with one-stop service covering purchase, inventory control, processing, distribution, and sale of coil
- ✓ Building a foundation for tripartite trade and exploring new markets in the Middle East, Europe, and Southeast Asia through strategic alliances
- ✓ Creating new business opportunities in the area of green minerals which are main resources of secondary battery for EV and so on



## OIL & GAS



### Major Assets

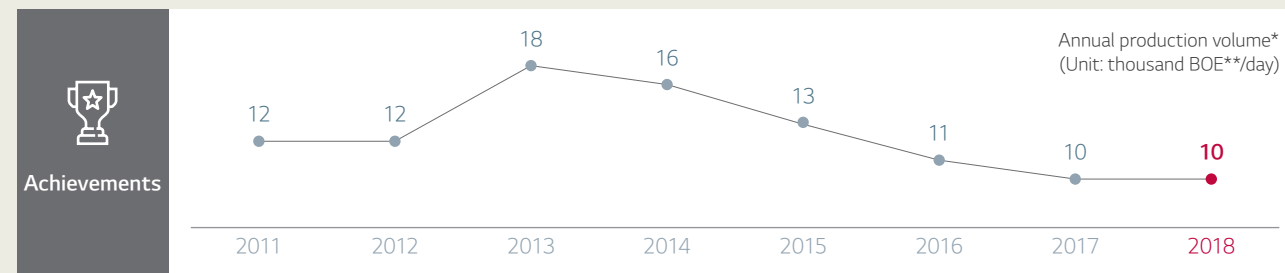
Assets	Country	Stage
Block 11-2 (gas)	Vietnam	Production
LNG project	Qatar	Production
ADA (petroleum)	Kazakhstan	Production

- Development of and investment in oil and gas fields

### Business Status

#### Major progress

Based on long-accumulated capabilities and strategic relationship with local partners, LGI is proactive in developing and investing in oil and gas fields in the Middle East, Southeast Asia, and Kazakhstan.



\* Including both oil and gas

\*\* BOE (Barrels of oil equivalent per day): A unit of measuring crude oil and natural gas in a unified manner. 1 BOE is equivalent to 1 barrel of crude oil or 6,000 cubic feet of natural gas.

## Infra Business

LGI's infra & industrial business encompasses the investment in, development, and construction of infrastructure and plant facilities as well as import and export of electrical & electronic components, chemicals, and machinery. We are exploring new growth engines and stably generating profits by focusing on winning new orders and acquiring infrastructure projects. Expansion into investment-type projects and emerging markets is also underway for sustainable profit creation.



## POWER & INFRA



### Industrial Infrastructure Projects

Asset	Production capacity	Main fuel	Ownership	Stage
Musandam IPP thermal power plant	120MW	Gas, diesel	30%	Operation
Wuwei coal-fueled cogeneration power plant	700MW	Coal	30%	Operation
Hasang hydroelectric power plant	41MW	Water	95%	Construction
Myanmar cement plant	450,000 tons/year	Coal	51%	Production

- Overseas private-invested power generation projects
- Development of and investment in infrastructure projects in emerging countries

### Business Status

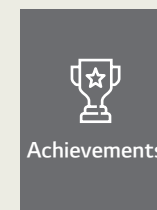
#### Major Businesses

Development & operation of infrastructure projects

Equity investment in infrastructure projects

Procurement of materials

EPC, O&M and financing



#### Achievements

- ✓ Playing a critical role in developing industrial infrastructure in emerging markets with growth potential
- ✓ Exploring diverse industrial infrastructure projects including the cogeneration power plant in China, hydroelectric power plant in Indonesia, gas-fired thermal power plant in Oman, and cement plant in Myanmar
- ✓ Focusing on equity investment and strategic portfolio to ensure long-term stable profit creation and developing private-invested power generation projects in strategic regions





## PETROCHEMICALS



Sales Status

Asset	Product	Production capacity (MT/year)	Sales volume (MT/year)	Stage
Oman PP	PP	340K	80-90K	Production
Oman PE/PP	PE	1,200K	150K	Under construction
Turkmenistan PE/PP	PP	470K	235K	Production

- Trading of petrochemicals
- Development of and investment in petrochemical plants including fertilizer

### Business Status

#### Major Businesses

##### Development of and investment in petrochemical plants

- Chemical fertilizer (sulfur, etc.), PP, PE, and PTA

##### Trading of petrochemicals

- Methane, MTBE, refrigerant, organic & inorganic chemicals, etc.



#### Achievements

- ✓ First equity participation in a coal-fired petrochemical urea plant among Korean companies
- ✓ Winning a gas and petrochemicals plant project in Turkmenistan and securing product sales rights
- ✓ Expanding trading volume of major petrochemicals to ensure business continuity

#### Major Assets

Asset	Product	Production capacity (MT/year)	Ownership	Stage
Coal-fired petrochemical plant	Urea	940K	29%	Production

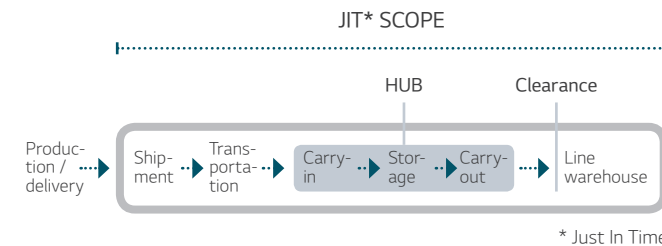


## IT [ IT/ VMI ]



- VMI business including display, components of home appliances, etc.
- Investment in ICT startups

#### Scope of VMI



### Business Status

#### Major Businesses

- Product**
- Display and components of electric appliances
  - Targeting global IT makers in China, North America, and Europe

#### Logistics, inventory/warehouse management

- Purchasing, procurement, inventory, and supply management

#### Financing and risk management



#### Achievements

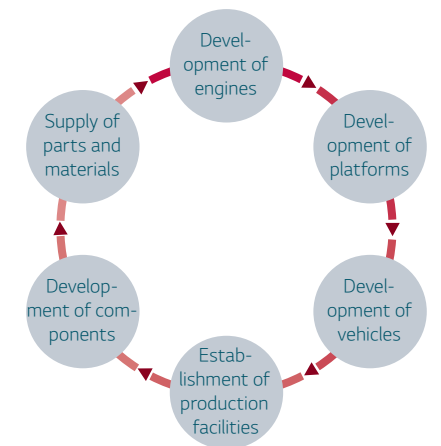
- ✓ Offering differentiated customer value by reducing costs in the process of logistics and clearance and optimizing production and delivery through the VMI service
- ✓ Advancing functions and creating synergy by connecting diverse systems beyond the VMI service
- ✓ Major clients: LG Electronics, LG Display, BOE AUO, Innolux, CSOT, Sharp, Canon, Qualcomm, DELL, Apple, Acer, etc.



## AUTOMOTIVE



- Development of vehicle and EV projects



### Business Status

#### Major Businesses

Organizing of EV-related projects (India, Southeast Asia)

Supply of automotive materials and production facilities



#### Achievements

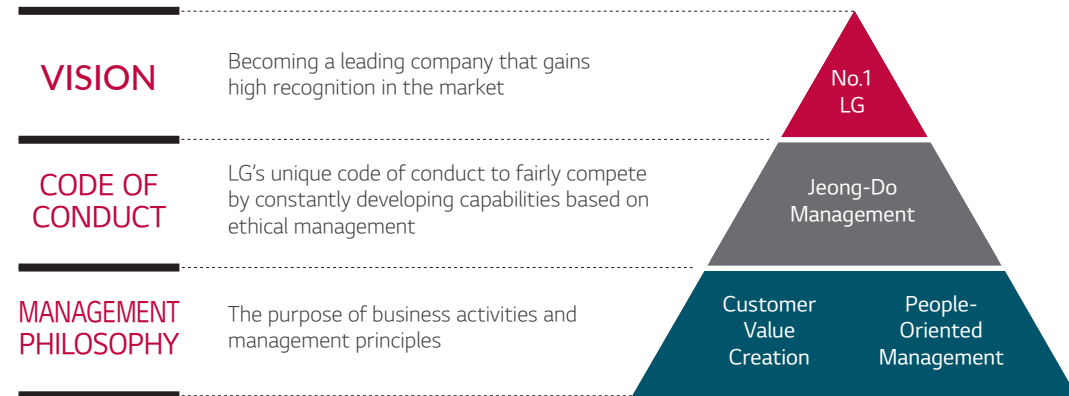
- ✓ Enhancing partnership and creating synergy with strategic clients including global car makers and auto parts manufacturers
- ✓ Expanding business scope to car makers in emerging markets including India and Southeast Asia

# LG's Jeong-Do Management



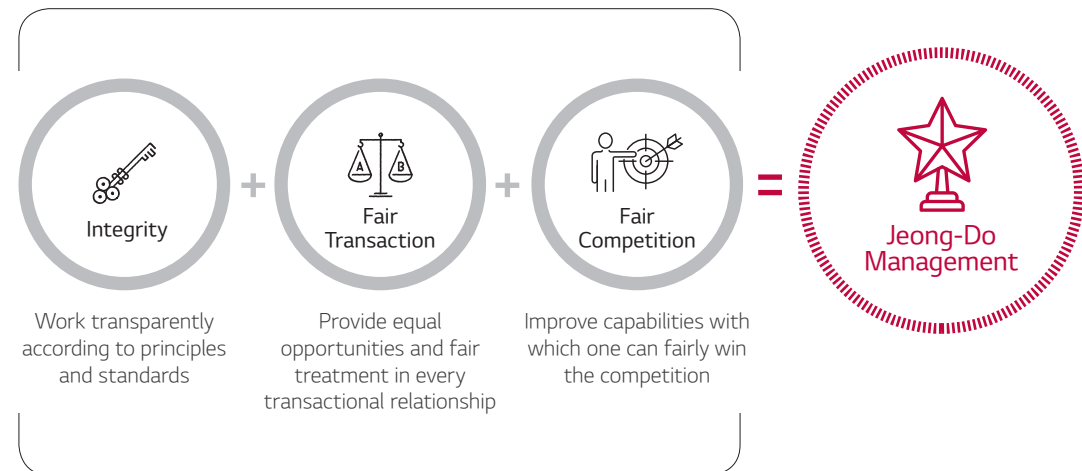
## LG WAY

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."



## Jeong-Do Management

The Jeong-Do Management is LG's unique code of conduct with the concept of fairly competing by constantly developing capabilities based on ethical management. It goes beyond ethical management to create practical performances with unrivaled competitiveness.



## LGI's Code of Ethics

LGI established the Code of Ethics as the guide of upright behaviors and value judgment with which all employees should comply and is committed to sincere practices.



### Chapter 1.

#### Responsibilities and Obligations to Customers

We highly regard the opinions of our customers in the belief that they form the very basics of our business. We seek to secure unconditional trust from our customers by continuously providing them practical values.



### Chapter 2.

#### Responsibilities and Obligations to Customers

Our global business activities conform to relevant laws and regulations of the host nations. At the same time, we employ only fair and just means in securing our competitive advantage in the global market.



### Chapter 3.

#### Fair Transactions

All business transactions will occur based on the principles of fair competition with equal opportunities for all entities to participate. We build trust and cooperative relationships through fair and transparent transactions. Such relationships are built with a long-term perspective for mutual growth.



### Chapter 4.

#### Basic Ethics for Employees

Based on honesty and fairness, LGI employees establish correct values and fulfill the duties through continuous self-development and fairness in performance.



### Chapter 5.

#### Corporate Responsibilities to Employees

LGI endeavors to respect the human dignity of its employees and provides fair treatment based on their abilities and performances. LG also strives to foster creativity among its employees.



### Chapter 6.

#### Responsibilities to Society and Country

LGI protects stockholder's interests and contributes to improving national welfare and social value through rational business expansion to become a healthy company.

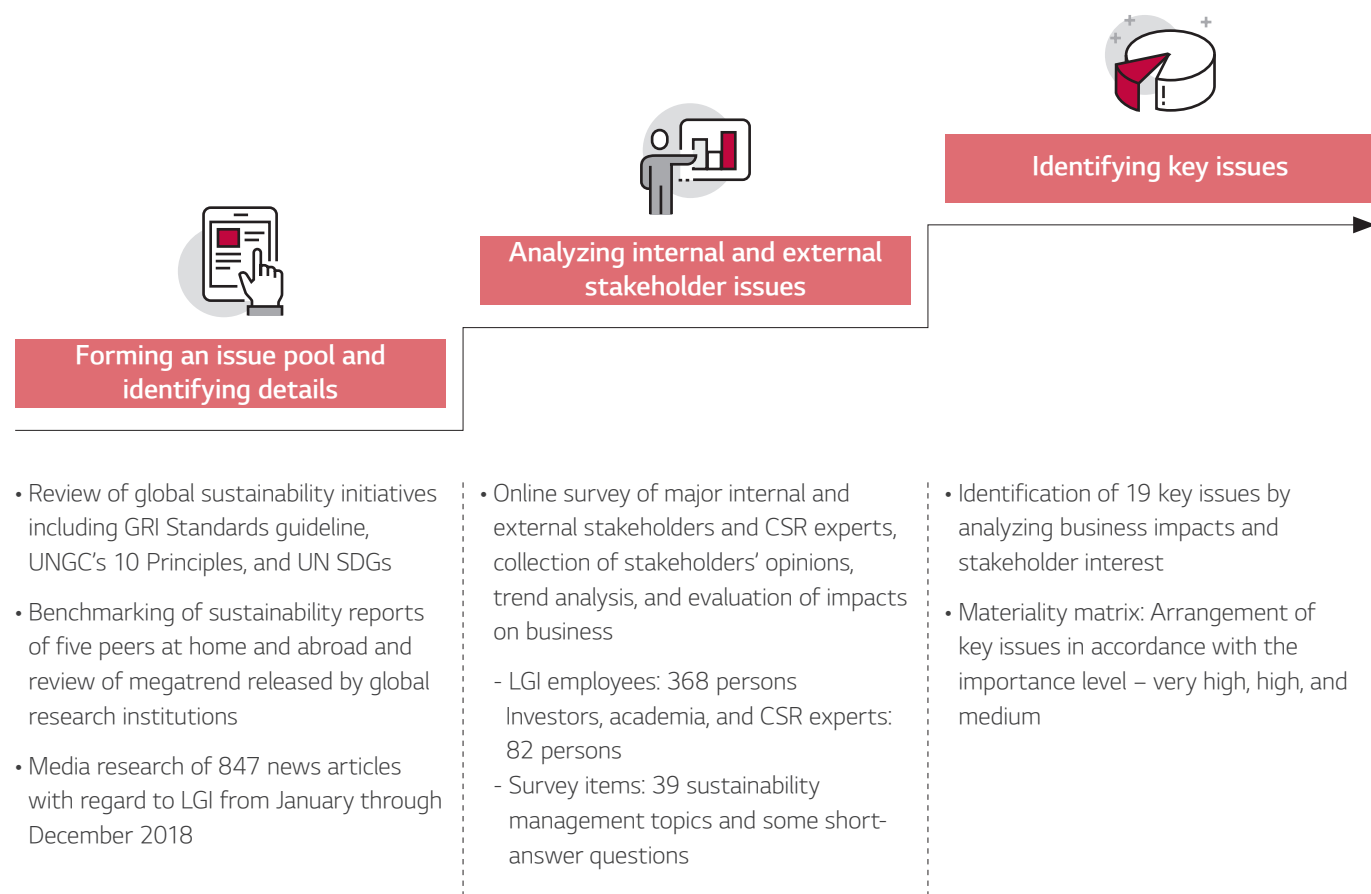
## Respect for Human Rights

LGI respects human rights and diversity and prohibits discrimination in gender, nationality, religion, academic background, region of origin, disability, and age in accordance with the Code of Ethics and HR principle. We also prohibit child labor and forced labor and comply with related laws.

# Materiality Analysis and Identification of Key Issues

## Materiality Analysis Process

Major trends and issues which have potential and substantive impacts on our business were identified through the global sustainability guidelines, benchmarking of leading companies in sustainability management and peers at home and abroad, sustainability evaluation programs, and megatrend research materials. Key issues which have impacts on LGI's sustainability management were identified through analysis of internal and external issues and policies and media research. We surveyed stakeholders in three categories (economy, society, and environment) and then, prioritized the issues according to the level of significance.



## Materiality Analysis Results

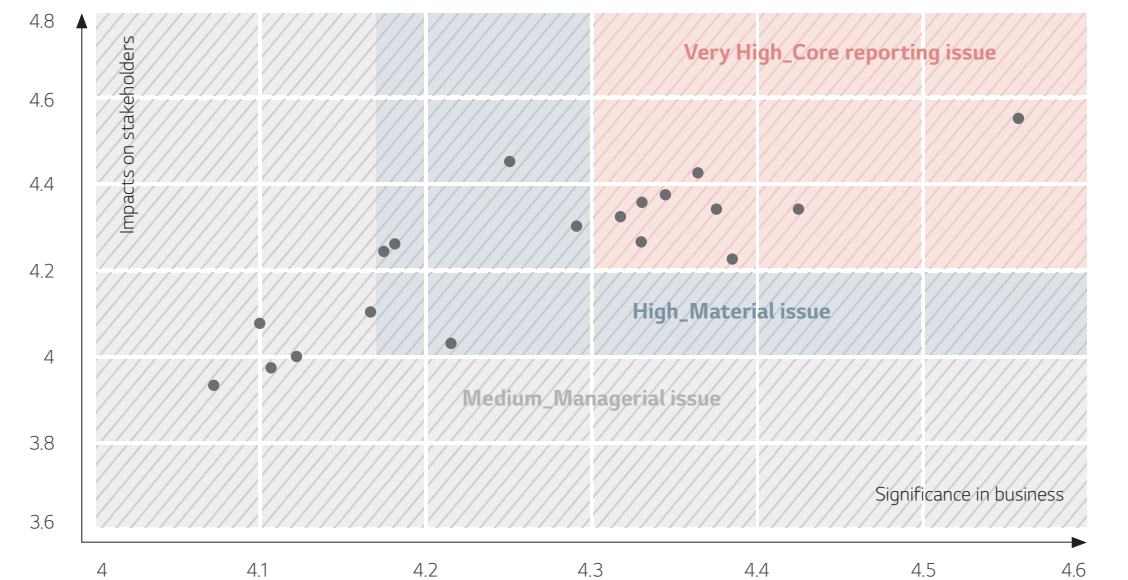
We identified 19 key sustainability management issues through materiality analysis. The issues were categorized into three areas – very high, high, and medium – in accordance with significance in business and impacts on stakeholders, which were also reflected in organizing contents and reporting topics of this report. To help readers better understand our key issues and sustainability management performances, we inserted related statements on the MA (management approach) page of each issue. Moreover, the year-on-year key issue list was included to help compare the recent three-year reporting issue trend.

### Arrangement of Reporting Topics

To report sustainability management performances with regard to key issues more effectively, we arranged reporting topics in the aspects of major business, environment/health/safety/local community, employee & corporate culture, and corporate governance and compliance.

- LGI's Business Performance
- Sustainability in the Business
- Responsibility for the People
- Fundamentals of Management

### Materiality Matrix



### 2018-19 Material Issues

- Economy - 1** Securing business stability and business expansion
- Society - 2** Corporate culture innovation
- Environment - 3** Prevention of environmental accidents and enhancement of response capability
- Society - 4** Protection of the human rights of employees
- Economy - 5** Investment in and development of new businesses and technologies
- Society - 6** Development of employees' job ability and career
- Environment - 7** Waste and harmful substances management at worksites
- Society - 8** Compliance with international laws and compliance management
- Society - 9** Cultivation of global talents (including global staff)
- Economy - 10** Establishment of corporate vision and future strategies for sustainability management
- Society - 11** Fair performance evaluation and compensation
- Society - 12** Safety and health management at worksites
- Society - 13** Improvement of labor conditions (work-life balance, etc.)
- Economy - 14** Emerging markets' increasing effects on global economy
- Environment - 15** Water consumption management in all processes
- Economy - 16** ICT-based Fourth Industrial Revolution
- Society - 17** Supply chain management
- Society - 18** Fair supplier selection and transaction
- Society - 19** Guarantee of labor rights at overseas worksites

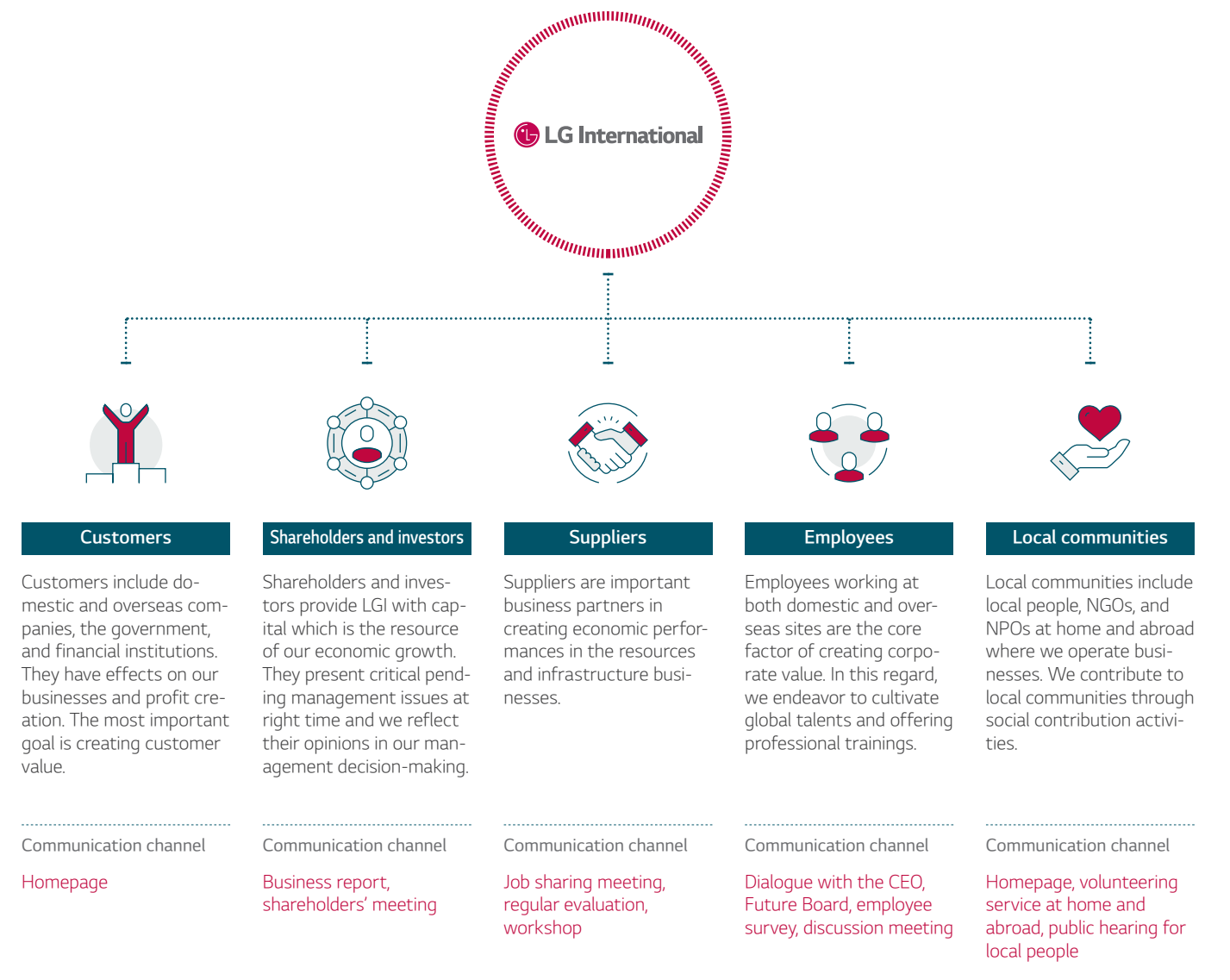


Reporting Contents and Key Issues by Each Year

Chapter	Material issue categories	Key reporting issues	Year			Page
			2018-2019	2017-2018	2016-2017	
LGI's Business Performance	Sustainable business strategy	1 Securing business stability and business expansion	●	●	●	29-33
		5 Investment in and development of new businesses and technologies	●	●	-	
Sustainability in the Business	Sustainability management of our global investment corporations	3 Prevention of environmental accidents and enhancement of response capability	●	●	●	37-43, 50-51
		7 Waste and harmful substances management at worksites	●	-	-	
Responsibility for the People	Corporate culture pursuing co-prosperity	2 Corporate culture innovation	●	-	●	55-63
	Global talents cultivation and education	9 Cultivation of global talents (including global staff)	●	●	●	64-65
		6 Development of employees' job ability and career	●	●	●	
	Settlement of the LG Jeong-do Management	4 Protection of the human rights of employees	●	●	●	66-69
Fundamentals of Management	Compliance, private information protection	8 Compliance with international laws and compliance management	●	-	-	75-76

# Stakeholder Engagement

With the recognition that our business activities have effects on the sustainability of society, LGI strives to build up trust with stakeholders and create shared values. In this regard, we are proactive in adopting their opinions and expectations on our company to form a consensus through diverse communication channels, thereby increasing our corporate value eventually. We are also committed to establishing valuable relationship with them to create synergy.





## Performances in UN SDGs

LGI has internalized the 17 UN SDGs (Sustainable Development Goals) on which 193 member states of the United Nations agreed. To this end, we strive to enhance our corporate sustainability, develop future business value, and conduct activities related to the SDGs. By reflecting the SDGs in our business strategies and activities, LGI will contribute to sustainable development of the global society.

- 1 End poverty in all its forms everywhere**

**Priority:** ■ Medium  
**Policy & Direction:** Social contribution activities at home and abroad  
**Major Activities:** Social contribution by corporation (Activities tailored to communities)  
 - Supports for daily necessities for low-income families, fertilizer, and farmers association by Indonesia subsidiary  
**Related Issues:** 1. Overseas regions where we conduct business 2. Support for living condition improvement and economic independence  
**Reporting Topic:** Global social contribution
- 4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**

**Priority:** ▲ High  
**Policy & Direction:** Supporting education programs for local communities and enhancing employees' competence  
**Major Activities:** 1. Offering of high-quality education services including tuition and scholarship to local communities (overseas subsidiaries)  
 2. Expansion of education opportunities and enhancement of compulsory education by position - LG's professional job course and expert cultivation training - domestic and overseas MBA programs and leader training programs  
**Related Issues:** 1. HR competence enhancement and training expansion 2. Securing core talents  
**Reporting Topic:** Global social contribution, global talents cultivation and education, corporate culture pursuing co-prosperity
- 6 Ensure availability and sustainable management of water and sanitation for all**

**Priority:** ■ Medium  
**Policy & Direction:** EHSS – environment, health & safety, and society management  
**Major Activities:** 1. Waste use minimization activities and programs 2. Check of water pollutants emission  
 3. Activities for preventing and reducing water pollution  
**Related Issues:** Water resource management  
**Reporting Topic:** Sustainability (EHSS - Environmental, Health & Safety, Social) management at global investment corporations
- 7 Ensure access to affordable, reliable, sustainable and modern energy for all**

**Priority:** ■ Medium  
**Policy & Direction:** Efforts for reducing energy use and improving energy efficiency  
**Major Activities:** 1. Execution of energy-saving campaigns 2. Energy consumption control at all processes and facilities  
**Related Issues:** Increase of social awareness of eco friendliness  
**Reporting Topic:** Sustainability (EHSS - Environmental, Health & Safety, Social) management at global investment corporations, environmental impact control at worksites
- 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**

**Priority:** ■ Medium  
**Policy & Direction:** Social contribution activities at home and abroad  
**Major Activities:** 1. Local job creation in developing countries, offering of high-quality labor conditions  
 2. Inclusive economic growth - supports for handcraft businesses in overseas local communities and marketing training  
**Related Issues:** Local job creation  
**Reporting Topic:** Sustainable business strategy, global social contribution, corporate culture pursuing co-prosperity

- 9 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation**

**Priority:** ■ Medium  
**Policy & Direction:** Social contribution activities at home and abroad  
**Major Activities:** 1. Construction of infrastructure for local communities where we operate business - road maintenance, establishment of power facilities, construction of water supply facilities and bridges, etc.  
 2. Supports for industrialization of developing countries  
**Related Issues:** Support for and construction of economic and social infrastructure for local communities  
**Reporting Topic:** Global social contribution
- 10 Reduce inequality within and among countries**

**Priority:** ■ Medium  
**Policy & Direction:** Practice of human-oriented management  
**Major Activities:** Improvement of healthcare and social welfare services for the marginalized - medical services by overseas subsidiaries, supports for domestic low-income children suffering from incurable disease  
**Related Issues:** Resolution of inequality and reduction of poverty in the global society  
**Reporting Topic:** Global social contribution, domestic employees' social contribution
- 12 Ensure sustainable consumption and production patterns**

**Priority:** ▲ High  
**Policy & Direction:** EHSS (Environmental, Health & Safety, Social) management  
**Major Activities:**  
 1. Activities for reducing and recycling waste  
 2. Emission, use, and disposal of harmful substances and waste - understanding of potential risks and impacts in the value chain  
**Related Issues:** Increasing requirements on the safety of products and services, pollution prevention and reduction of waste emission  
**Reporting Topic:** Sustainability (EHSS - Environmental, Health & Safety, Social) management at global investment corporations
- 13 Take urgent action to combat climate change and its impacts**

**Priority:** ■ Medium  
**Policy & Direction:** Climate change risk control and identification of opportunity factors  
**Major Activities:**  
 1. Consideration of technically and financially practicable options for GHG reduction in the project engineering and operation stages  
 2. Climate change risk index control 3. Development and execution of programs aimed at checking and reducing GHG emissions  
**Related Issues:** Increase of investors' and social awareness of health and environment  
**Reporting Topic:** Sustainability (EHSS - Environmental, Health & Safety, Social) management at global investment corporations
- 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**

**Priority:** ▲ High  
**Policy & Direction:** Customer value creation and human-oriented management  
**Major Activities:** 1. Education on LG's Jeong-Do Management  
 2. Dissemination of guides and regulations for the Jeong-Do management  
 3. Survey of the practice of the Jeong-Do Management and operation of report channels  
 4. Establishment of compliance control system and appointment of the Compliance Officer  
**Related Issues:** Enhancement of ethical management, compliance with international laws and compliance management  
**Reporting Topic:** Establishment of the Jeong-Do Management culture, compliance

# LGI'S BUSINESS PERFORMANCE

LGI is preparing strategic countermeasures in accordance with future industrial prospect. We are also focusing on strengthening our existing business competitiveness and expanding business base in the global market to secure new growth engines.



## 1. Sustainable Business Strategy \_29



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1

# LGI'S BUSINESS PERFORMANCE



### Context



Sluggish global economy and U.S.-China trade dispute have prolonged uncertainty in the market, while the advent of cross-industry convergence and the Fourth Industrial Revolution is stimulating the reorganization of world order. In response, LGI is establishing a global business strategy for the future and expanding business scope.

### Goals and Objectives



In response to external uncertainties, LGI is exploring emerging markets and establishing strategies customized for future business prospect. We also focus on fostering corporate competitiveness, securing business stability, and expanding investments in emerging markets.

### Core Issues



- 01 Securing business stability and business expansion
- 05 Investment in and development of new businesses and technologies

### Link to SDGs



## Sustainable Business Strategy



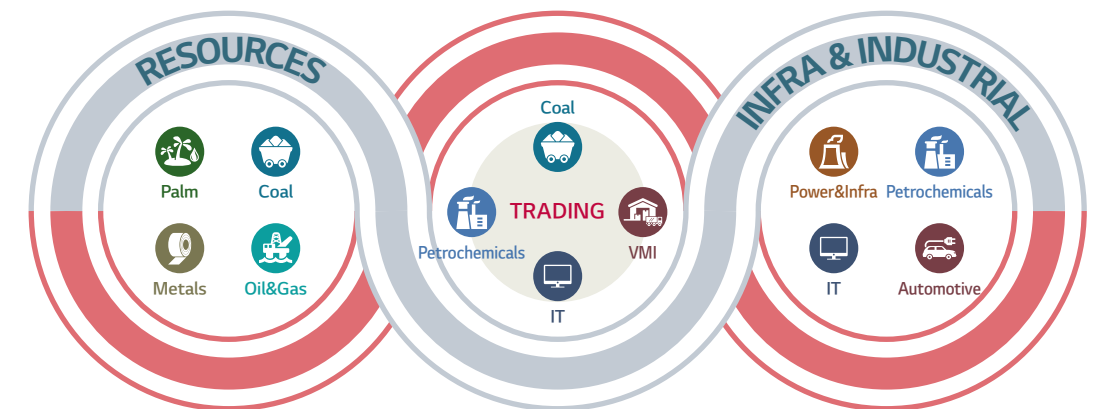
### Management Strategy and Performance

LGI's business portfolio encompasses palm, coal, trading of industry materials, and infrastructure development sectors, pursuing stable operation through organic cooperation among business sectors.

Enhancing global business capability



Securing future growth engines



- Efficient mine operation and expansion of trading volume
- Expansion of palm oil distribution business
- Review of new businesses including green minerals

- Partnership with global enterprises
- Integrated management and VMI service operation
- Establishment of product-service integration platforms

### Acquisition of TBSM and GUM, Palm Plantation in Indonesia

Starting the palm oil business by acquiring a palm plantation with the concession area of 20,000ha in Indonesia in 2009, LGI has been expanding production and sales of palm oil. In September 2018, we also acquired 95% ownership of TBSM (8,000ha) and GUM (17,000ha), two palm plantations located in western Kalimantan in Indonesia, by investing USD 67.9 million (around KRW 76.1 billion) to enhance business competitiveness. The palm plantations have independent palm oil production facilities. To meet increasing demand for cooking oil, LGI will develop those environmentally and safely and continue to expand palm oil production capacity.

### Completion of the Indonesia Hasang Hydroelectric Power Plant

The Hasang hydroelectric power plant project was initiated in 2013 when we presented a proposal to the PLN, an Indonesian government-owned corporation. Since then, the Company has led the entire processes encompassing local licensing, land compensation, power supply contract, financing, EPC, supervision, and operation. Main construction started in October 2016 with the successful financing and commercial operation is scheduled to begin at the end of 2019. The run-of-river type Hasang hydroelectric power plant with 41MW power generation capacity will supply maximum 242GWh electricity to the Sumatra annually.

## Resources Business

### Promotion Direction and Outlook by Division

LGI operates resources business centered on palm plantations and coal mines in Indonesia. Revenues are created through investments in palm plantations and coal mines and sales and trading of those products. This business is influenced by economic fluctuation including the price of resources. Recent resource prices are weak due to the U.S-China trade conflict and market uncertainties seem to continue. In response, LGI will diversify revenue models and expand the value chain to solidify business base.



#### Business Status

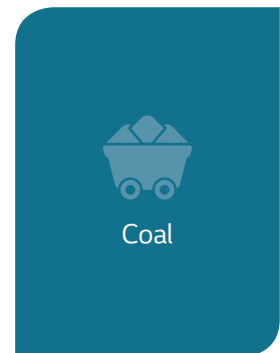
- Investing in, developing, and operating palm plantations in Indonesia
- Supplying palm oil products produced at the plantations to local oil refineries in Indonesia

#### Outlook

- Expecting stably increasing demand for palm oil in India and Indonesia despite temporary weak price due to larger-than-expected palm oil production volume
- Anticipating continuous uncertainties due to slowdown of global economic growth caused by the U.S.-China trade conflict

#### Major Strategy

- Expanding business by capitalizing on accumulated experiences in Indonesia
- Increasing productivity and efficiency of existing palm plantations and building more CPO (crude palm oil) mills
- Improving profitability and diversifying business models to solidify revenue base



#### Business Status

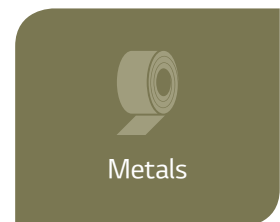
- Investing in, developing, and operating coal mines in Indonesia, China, and Australia
- Supplying coal to power plants at home and abroad and securing a vertically integrated value chain encompassing mine development, operation, supply, and investment

#### Outlook

- Expecting stable demand for coal in the long term on the strength of increasing power plants in China, Southeast Asia, and India despite declining demand in advanced countries such as the U.S. and Europe

#### Major Strategy

- Increasing productivity and efficiency of existing invested mines by reducing costs and accelerating production at the Indonesia GAM mine
- Expanding sales and trading of products with the efficient operation of existing invested mines



#### Business Status

- Operating steel processing plants (coil centers) in China, Vietnam, India, and Poland
- Providing one-stop service encompassing processing, distribution, and sale to customers

#### Major Strategy

- Enhancing revenue base by efficient operation of coil centers and creation of new business opportunities in the green minerals sector which are raw materials of secondary battery



#### Major Strategy

- Seeking business opportunities in the areas of gas field facility, pipeline, and LNG plant as demand for natural gas and LNG seems to increase

## Infrastructure Business

### Promotion Direction and Outlook by Division

Our infrastructure business handles the project division which invests in, develop, and construct infrastructure including power plant and the trading division which engages in import, export, and tripartite trade of electrical & electronic parts and chemicals.



#### Business Status

- Growing into a project developer who develops and invests in thermal, cogeneration, and hydroelectric power plants

#### Major Strategy

- Securing stable profit through continuous equity investment
- Enhancing dominance in existing markets and securing the continuity of power generation business in strategic regions including Southeast Asia, China, and the Middle East

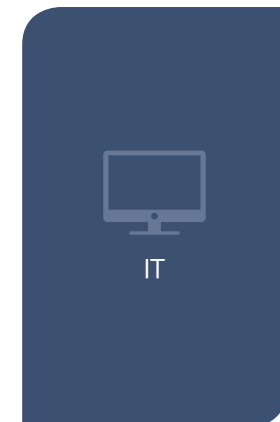


#### Business Status

- Promoting development projects through organizing of petrochemical plant projects and equity investment based on accumulated experiences and securing stable revenues by playing a role as project developer who comprehensively handles EPC, materials supply, financing, and offtake acquisition
- Selling diverse petrochemical products including fertilizer, PE, and PP by using offtake, securing offtake of products produced at Oman PP and Oman PE/PP and fertilizer in Inner Mongolia, and promoting methane and refrigerants sales

#### Major Strategy

- Securing stable profit through dividend from equity investment and offtake operation



#### Business Status

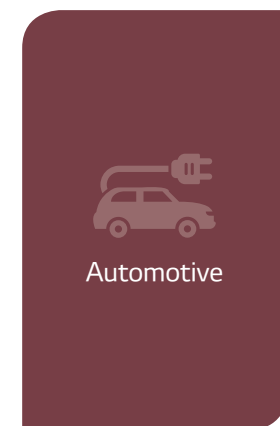
- Supplying and trading electronic parts and equipment such as LCD panel, TV, mobile phone
- Operating the VMI service for stable inventory management at global production footholds and optimize cost structure
- Raising funds and managing risks
- Creating profit through integrated logistics and warehouse control including shipment and inventory management of parts and materials

#### Outlook

- Expecting that the advent of new technologies and business models driven by the Fourth Industrial Revolution will accelerate changes in business environment and existing display and electronics markets will be reorganized centered on OLED

#### Major Strategy

- Providing an integrated solution for purchase, procurement, clearance, warehouse control, and transportation SCM and expanding the network of competitive partners and strategic clients
- Enhancing synergy by connecting clearance, warehouse control, and transportation functions
- Reinforcing revenue base by offering the VMI service and exploring new promising businesses



#### Business Status

- Offering practical solutions for EV platform and automotive materials, parts, and production facilities
- Developing automobile-related businesses in India and Southeast Asia by building partnerships with leading technology companies and parts companies

#### Outlook

- Increasing cooperation with general trading companies with global network in order to effectively respond to changes in business environment such as convergence of technologies and sustainably create revenue through overseas expansion
- Expecting growing investment in R&D and facility for EV despite temporary recession of the global automotive industry due to prolonged U.S.-China trade dispute

#### Major Strategy

- Pursuing future growth by developing new projects in EV and automotive parts sectors
- Expanding global business base by reinforcing localization in emerging markets such as India and Southeast Asia



## Investment Asset Operation Results and Plans

In response to rapidly changing global economic trend, LGI has been reorganizing business portfolio and expanding investments in new businesses. As a global trading company, we are also proactive in developing business models to further strengthen corporate competitiveness. As for investment asset operation, efficient management of existing invested projects and meticulous investment in new projects are conducted to ensure profitability. Particularly, we review social and environmental risks from the initial stage of investment to fulfill our corporate responsibility and ensure sustainability of projects. In 2018, we have focused on managing investment results and risks by advancing investment management system, enhancing supports for new investment projects, and further managing existing projects.

### Review of 2018 Performances

Core tasks	Execution performance	Performance analysis and implication
Advancing investment management system	<ul style="list-style-type: none"> <li>· Execution of active asset management process</li> <li>· Deliberation of investment considering cash flow</li> <li>· Reorganization of investment process considering environmental changes</li> </ul>	<ul style="list-style-type: none"> <li>· Support for internal process of investment asset disposal</li> <li>· Review of investment projects considering the possibility of payback such as redemption and dividend</li> <li>· Continuous process supplementation</li> </ul>
Enhancing supports for new investment projects	<ul style="list-style-type: none"> <li>· Intensive pre-inspection on issues of new projects</li> <li>· Check and deliberation process for new investment projects</li> <li>· Establishment of initial setup process for new projects</li> </ul>	<ul style="list-style-type: none"> <li>· Check of economic feasibility and issues and due diligence before decision-making</li> <li>· Execution of comprehensive inspection and report on the results before making decisions on investment</li> <li>· Under consideration of process by business territory for early normalization</li> </ul>
Further managing existing projects	<ul style="list-style-type: none"> <li>· Supports for the normalization of sluggish projects</li> <li>· Regular check of pending issues of priority control target projects</li> </ul>	<ul style="list-style-type: none"> <li>· Inspection on slower-than-expected projects</li> <li>· Continuous check of unsolved tasks of major projects</li> </ul>

### Core Tasks in 2019

#### Examination of Macro Issues of Investment Projects

- Selecting, checking, and controlling critical issues which should be solved in the mid- to long-term perspective or at the company level
- Seeking the possibility of return on investment and early recovery through inspection on cash flow of sluggish projects

#### Investment Project Portfolio Management

- Portfolio-in: Check and consideration of new investment projects (enhancing check of major assumption and investment recovery methods)
- Portfolio-out: Identifying investment projects with low profitability in the mid- to long-term or which are non-core in the portfolio perspective and seeking disposal plans (reusing capital for new investment projects)

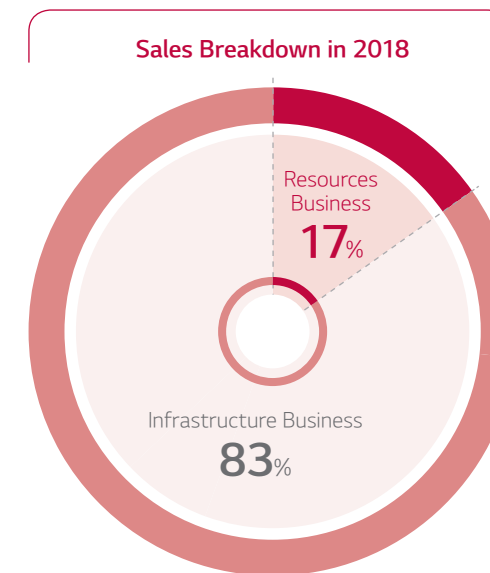
## Financial Performance

### Sales Revenue

In 2018, LGI has strived for business expansion centered on global strategic regions and achieved KRW 9,988.2 trillion in sales and KRW 165.7 billion in operating profit. Our sales slightly decreased due to the carryover of crude oil shipment from Oman oil field #8, weak Indonesian coal market, and termination of the Turkmenistan project in spite of favoring sales growth in the electronic parts, infrastructure, and logistics sectors. Nonetheless, we expect recovery of sales growth in the near future as demand for infrastructure in emerging countries is on a rise and demand for power generation in Southeast Asia, China, and India also seems to remain in the mid- to long-term. The acquisition of new palm plantations will increase production capacity and lead to sales growth as well. Going forward, the Company will enhance the palm business and focus on new project development and preemptive investment, thereby solidifying business portfolio and securing new growth engines regardless of external market changes.

	Unit	2016	2017	2018
Sales	KRW in billions	11,966.7	12,827.2	9,988.2
Operating profit	KRW in billions	174.1	212.3	165.7
Operating profit margin	%	1.5	1.7	1.7

\* Consolidated financial statement based on K-IFRS



(Unit: KRW in millions)

	2016		2017		2018	
Sector	Sales	Operating Profit	Sales	Operating Profit	Sales	Operating Profit
Resources	1,756,457	27,472	1,049,556	78,399	1,059,085	28,252
Infrastructure	7,247,671	72,203	8,230,462	58,629	5,029,815	41,460

# SUSTAINABILITY IN THE BUSINESS

LGI copes actively with environmental and social issues through the EHSS (Environmental, Health & Safety, Social) performance management system to ensure safe and eco-friendly business operation. We will also continue to create social value by enhancing global partnerships with local communities where our worksites are located.

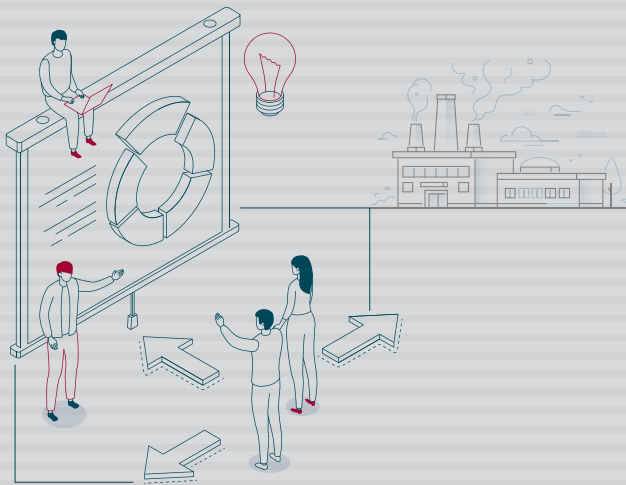


1. Investment Corporations' EHSS (Environmental, Health & Safety, Social) Management \_37
2. Global Social Contribution \_44
3. Domestic Social Contribution \_48
4. Environmental Impact Management at Worksites \_50



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**2**

# SUSTAINABILITY IN THE BUSINESS



**Context**

LGI emphasizes co-prosperity with the community and coexistence with environment as a global corporate citizen beyond creating economic value which is a fundamental goal. To this end, eco-friendly, safe, and sustainable project development is promoted. We are committed to contributing to the development of local communities across the globe and fulfilling environmental and social responsibility as a global player.

**Goals and Objectives**

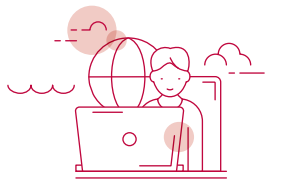
Environmental management and response to climate change are further emphasized recently. LGI is responding to environmental and social issues in a preemptive and active manner and conducting independent prevention and inspection by operating the EHSS management system at worksites, taking safe and environmental management rooted. Moreover, we are proactive in supporting local communities where we operate business and conducting social contribution activities for the underprivileged, thereby creating more social values.

**Core Issues**

- 03 Prevention of environmental accidents and enhancement of response capability
- 07 Waste and harmful substances management at worksites

**Link to SDGs**

## Investment Corporations' EHSS (Environmental, Health & Safety, Social) Management



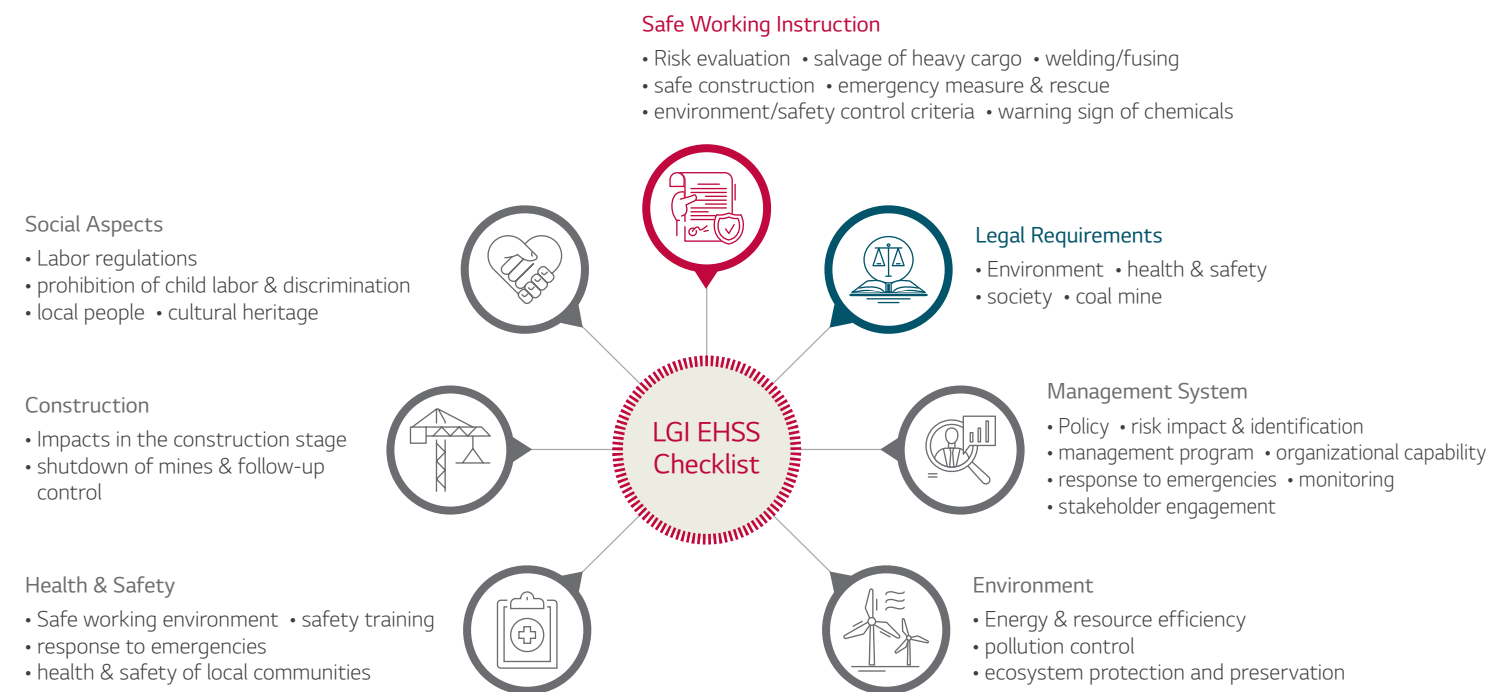
### EHSS Management System

#### Overview of the EHSS Management System

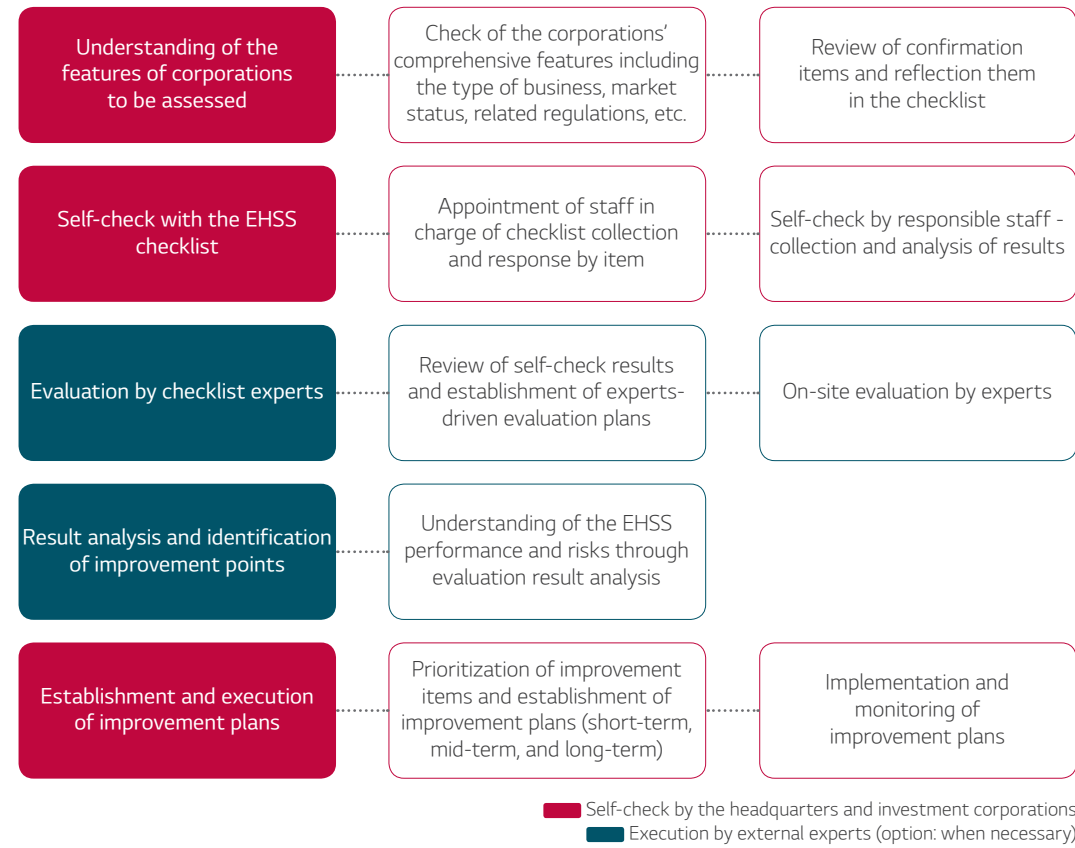
With the aim of responding to environment, safety, and society related issues and preventing potential risks, LGI's global worksites are operating the EHSS management system. This system also helps enhance scenario-based response systems and capabilities against issues. If any accident with regard to environment, safety, and society happens to a company, it cannot avoid damages such as the collapse of corporate image and trust as well as direct financial loss. At LGI, the EHSS management is the basic principle of sustainability management. We support the EHSS management by conducting self-inspection and commissioned inspection by experts in the first half and second half of each year, respectively. The headquarters' organization dedicated to the EHSS management engages in solving core EHSS issues of overseas worksites and helping them conduct regular on-site inspection. Moreover, LGI is establishing a strategy for organic operation of the EHSS between the headquarters and worksites in order to take autonomous environmental and safety management system rooted in overseas worksites.

#### EHSS Checklist Category

- Check category**
  - Health, safety, environment, construction, safe work guide, society, legal requirement (7 categories)
  - Medium classification: 24 common item categories + 2 coal mine related categories
- Composition**
  - Differentiation of the importance and application level by each item of checklist
  - Importance level of item (core, common, and additional), index application level (operation plan, main operation, and termination)



**EHSS Check Process**



**EHSS Management by Investment Corporations**

**Palm Plantation and CPO Mill in Indonesia (PAM, TBSM, GUM)**

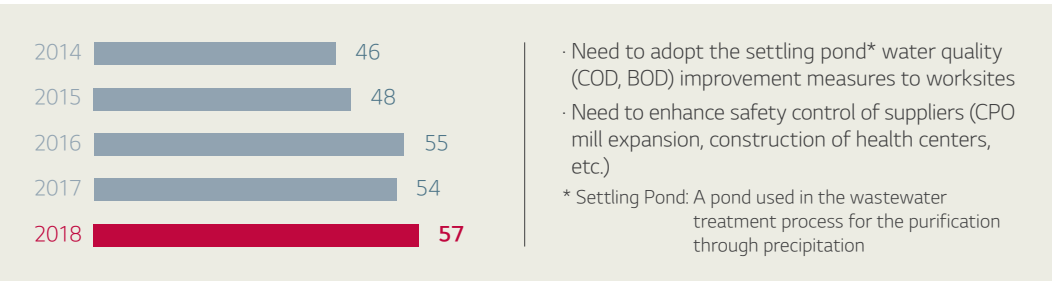
Our local subsidiary in Indonesia obtained the ISPO\* certification from the government in 2016 and has renewed the certification through regular evaluation every year. The subsidiary develops, invests in, and operates palm plantations and creates revenues by selling palm oil products produced at CPO mills.

\* ISPO (Indonesian Sustainable Palm Oil): Indonesian certification on products made of palm oil which is produced in a sustainable way

**On-site Check Result and Response (PAM)**

The on-site check result marked 57 points, an increase of 3 points year-on-year. Particularly, safety & health category was significantly improved. We recommended tightening wastewater control, fire prevention and hygiene at workers' lodging, and training for special job workers compared with year 2018.

\* Plan to satisfy international guides and legal requirements (Maximum of 60 points - all on-site check targets)



Environmental management at an in-company health center



Morning assembly for safety at workshop

**On-site Check Result and Response (TBSM / GUM)**

As some risk factors were identified at workplace, office, and lodging, LGI recommended reconstruction, repair, and clean-up. Considering the initial stage of business, we asked the corporation for generally improving the EHSS check items.



Environmental management at GUM POND



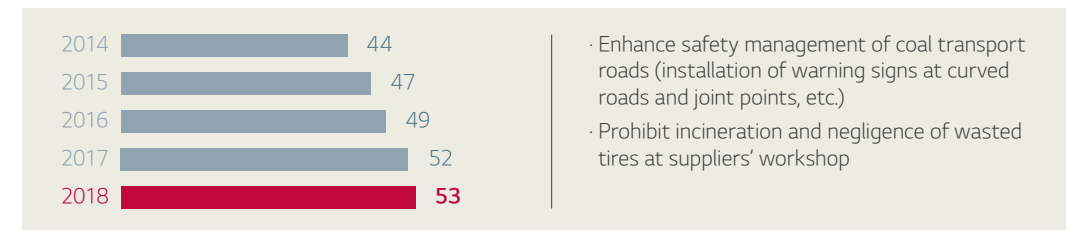
Safety management at TBSM CPO Mill

### Coal Mines in Indonesia (GAM, MPP)

LGI develops, invests in, and operates coal mines and sells products. The GAM mine started commercial production in 2017, while development and commercial production of the MPP mine began in 2007 and 2009, respectively. We evaluate environmental and safety impacts preemptively, comply with local laws and regulations, and monitor possible risks at mines.

#### On-site Check Result and Response (GAM)

The on-site check result marked 53 points, an increase of 1 point year-on-year. All categories marked similar results to the previous year. LGI recommended stronger environmental management (oil storage, etc.) at suppliers' workplace and improvement of infrastructure within coal transport roads (warning signs, road repair, etc.) compared with year 2018.



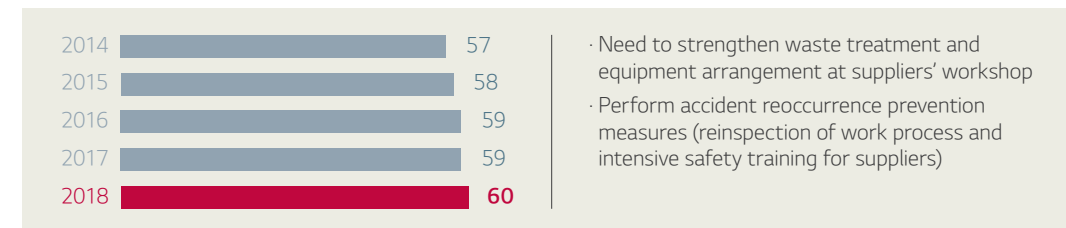
Environmental management at workshop



Safety management on coal transport roads

#### On-site Check Result and Response (MPP)

The on-site check result marked 60 points, an increase of 1 point year-on-year. Improvement was made in all EHSS categories. We recommended intensive accident prevention activities through educating and sophisticating manufacturing standards, facility operation guides, and so forth.



Fire fight safety and management



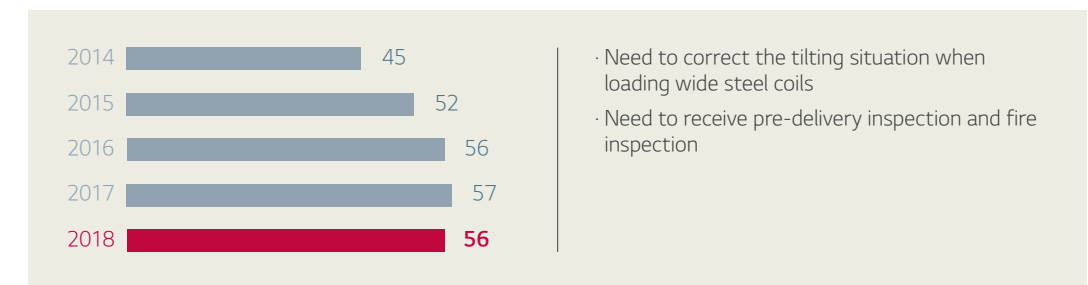
Environmental management at workshop

### Steel Processing Centers in Tianjin, Guangzhou, Haiphong

The steel processing centers cut steel coils and process those into steel products. We have improved safety and managed risks in advance by upgrading facilities with regard to safety and noise.

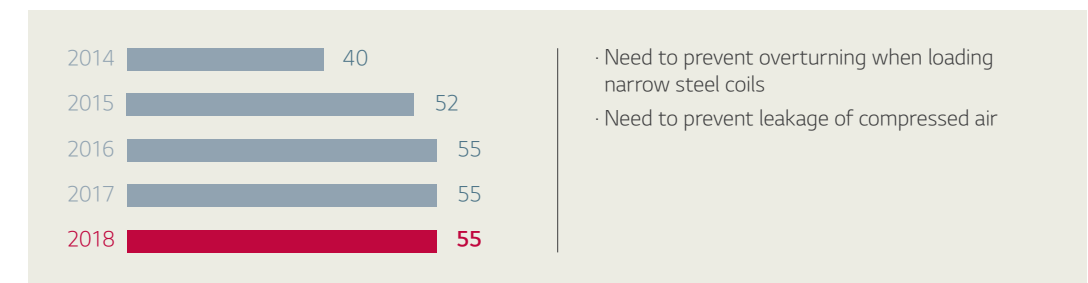
#### On-site Check Result and Response (Tianjin)

The on-site check result marked 56 points, a decrease of 1 point year-on-year. All categories marked similar results to the previous year. LGI has encouraged all steel processing centers to improve training on accident report forms and record management.



#### On-site Check Result and Response (Guangzhou)

The on-site check result marked 56 points, a decrease of 1 point year-on-year. All categories marked similar results to the previous year. All steel processing centers (including Guangzhou and Haiphong) improved training about drawing up accident inspection report and track record management.



#### On-site Check Result and Response (Haiphong)

The on-site check result marked 52 points, an increase of 8 points year-on-year. Particularly, safety & health and management system categories were significantly improved.

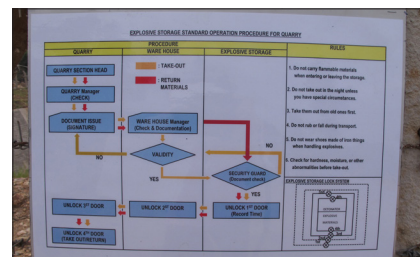


### Cement Plant in Myanmar

The cement plant in Myanmar started cement production in 2017. LGI conducted trainings on compliance with local laws and regulations and EHSS management for employees working at the plant to effectively manage the EHSS activities.

#### On-site Check Result and Response (Cement Plant)

The on-site check result marked 46 points, an increase of 3 points year-on-year. Nonetheless, improvement activities are required throughout all categories. LGI recommended stronger workers' health (wearing masks, etc.) and safety (facility cleanup, etc.) due to dust in the plant.



Blasting work standard management



Environmental management of packaging lines

### Environmental Evaluation Ratings and Certifications of Investment Corporations

LGI's overseas worksites have obtained the certification on environmental management system to methodically conduct environmental operation. They also comply with laws and regulations of each country.

- Palm plantation: PAM - holding the ISPO certification/TBSM, GUM - plan to obtain the ISPO certification in 2019
- Coal mine: MPP, GAM - holding the Green Flag\* rating

\* Environmental evaluation system managed by the Eastern Kalimantan State Government in Indonesia (classified into the Gold Flag, Green Flag, Blue Flag, Red Flag, and Black Flag)

#### MPP Mine's Obtainment of the Proper Green Flag Rating

- Proper (Program Penilaian Peringkat Kinerja Perusahaan dalam pengelolaan LH, environmental management rating evaluation)
  - Inspecting the management of water quality, air quality, and toxic waste and the execution of AMDAL
  - Consisting of Gold - Green - Blue - Red - Black ratings. Conditional mine operation in case of receiving Red rating and prompt interruption of operation in case of Red rating
- MPP Mine's award - Obtained the Green Flag for 8 years in a row since 2011



### SPECIAL PAGE

## Interview with the EHSS Inspection Agency

[Interview about LGI's global EHSS activities]- Kim Bong-woo, a member of DNV GL



**Q1** What's your opinion about the level of LGI's EHSS system and performance management in the aspects of environmental impact and safety management in view of the result of on-site inspection with us?

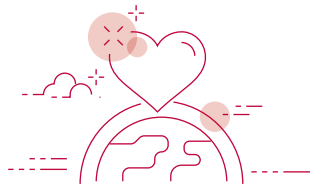
I first joined the on-site inspection on LGI's EHSS management. A lot of companies spend more time on inspection and reporting of results rather than preparation stage. Meanwhile, it was very impressive that LGI made efforts for strict advance preparation and inspection such as identifying problems and analyzing current issues from the initial stage. Moreover, I confirmed that LGI intended to adopt systems and policies satisfying the domestic and global standards and to take those rooted in all overseas subsidiaries. Communication between members of the Environment & Safety Team and risk management staff working at overseas subsidiaries was very active as well. Their environment and safety management activities were conducted systematically. These processes have helped LGI effectively control the possibility of fatal accident within a certain range despite poor surrounding where a lot of workers and heavy equipment are working.

**Q3** What should we do to improve our EHSS management and performances?

It is unrealistic to achieve the goal of zero accident in workplaces where workers, machinery, and changing environment coexist. Instead, it's more significant to analyze the accident trend at workplaces and strive to minimize the possibility of accident. Therefore, LGI should provide all employees including field workers with training programs aimed at enhancing environment and safety control capability, which will ensure the achievement of integrated environment and safety goal for any new project in any country.

**Q2** Please tell us about any case or best practice that impressed you during the inspection.

Local subsidiaries distinctively recognize critical risks with regard to environment and safety in business operation and are proactive in prevention activities. For example, the Indonesia subsidiary engaging in coal mine operation is operating 11 rest areas on coal transport roads to prevent emergencies such as driving while drowsy. The Myanmar subsidiary encourages and shares the best safety case about fall prevention device by posting it on workplaces to build the culture of autonomous safety control.



## Global Social Contribution

LGI considers environmental, economic, and cultural impacts on local communities from the initial stage when entering the global market. Moreover, the Company fulfills its social responsibility by contributing to improving the quality of disadvantaged local people's life and developing local economies through social contribution. These activities have gained the sympathy and trust from local communities where we operate business and contributed to heightening both our corporate competitiveness and national image. Especially, our global social contribution project starts from understanding the needs of local people and integrating our resources and capability. It aims to support the vitalization of local economies and improve local people's economic independence, health, hygiene, and living environment. To this end, each subsidiary focuses on social contribution activities tailored to regional features and local people's environment. Generally, our global social contribution is conducted in three directions of supporting economic foundation, improving living environment, and respecting local culture. Detailed activities encompass the construction of infrastructure such as school, bridge, and road, local job creation, supports for the underprivileged, prevention of child labor, childcare center operation, scholarships, tuition, and medical service.

### Social Contribution of Indonesia PAM Subsidiary



#### Improving Living Environment

The subsidiary provided local communities with aggregate and trucks for repairing local roads. It also joined bridge repair and water pipe installation projects and supported water tanks.



#### Respecting Local Culture

The subsidiary donated materials including cement to the construction of mosques and joined diverse projects such as building new local markets (heavy equipment support) and repairing facilities of public institutions.



#### Supporting Economic Foundation

We supported fertilizer to local agricultural cooperatives and participated in local bazaar.

### Social Contribution of Indonesia GAM Subsidiary



#### Improving Living Environment

The subsidiary delivered seeds (corn, chili, cucumber, and eggplant) and fertilizer to the local agricultural cooperative (Koperasi Tunas Harapan) in Karangan District. Other contributions included delivery of a school bus for elementary and middle school students in Km 26 village and medical supplies to the public center in Sempayau village.



Delivery of seeds and fertilizer to the local agricultural cooperative in Karangan District



Delivery of medical supplies to the public center in Sempayau village



#### Respecting Local Culture

Seminars for local economic development and cultural preservation were held for influential persons (village headman and development leader, etc.) of Sempayau village. The HSE Team of the GAM subsidiary provided students of the first middle school in Kaibun District with trainings and campaigns on safety. Furthermore, the subsidiary supported Islamic religious events and mosque construction, respecting the culture of local people.



Seminars for local economic development and cultural preservation



Safety campaign for students of the first middle school in Kaibun District



#### Supporting Economic Foundation

The subsidiary conducted a seminar for quality control and improvement of agricultural products produced in Kaibun District with the aim of increasing productivity, in which officials of the local medical service center and village headman attended. We also trained local home-based business operators in Pengadan Baru village about sales channel exploration and product packaging methods in order to sharpen their competitiveness. Rear-cars for easy product conveyance were delivered to low-income households in the village.



Seminar for quality control and improvement of agricultural products produced in Kaibun District



Support for product packaging and marketing

## Social Contribution of Indonesia MPP Subsidiary



### Improving Living Environment

To construct infrastructure for local people, LGI installed water supply pipes, repaired outdated roads, and supported the installation of electricity meters for household. Another contribution was remodeling a school building to help local students be able to learn in a better environment.



Repair of local roads



Support for remodeling a local school



### Respecting Local Culture

The subsidiary supported the construction of fences of a mosque and local religious events, thereby respecting the religion of local people and forming a close relationship with them.



Support for local religious events



Construction of fences of a mosque



### Supporting Economic Foundation

Major economic supports included delivery of fertilizers to local agricultural cooperatives, medical services for low-income families, and daily necessities to local flood victims.



Medical services for low-income families



Offering of daily necessities to local flood victims



Delivery of fertilizers to local agricultural cooperatives

## Social Contribution of Myanmar Cement Plant



### Installment of Electric Equipment in South Pyi Nyaung Village

- 52 telephone poles and wires within 2.5 miles
- Period: October to December 2018
- Beneficiary: A total of 181 households in a neighboring village



### School Route Pavement Work in South Pyi Nyaung Village

- Concrete pavement work on the road to a school in neighboring village
- Period: October 2018
- Beneficiary: Village people and students (supporting cement to solve difficulties in vehicle and bike traffic in the rainy season)

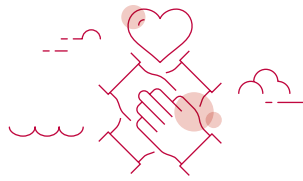


### Offering of dental hygiene training and checkup service

- Offering of dental hygiene training and checkup service by inviting doctors of external hospitals
- Period: January 2019
- Delivery of 120 sets of toothbrush that LG Household & Health Care donated to local elementary school students and sharing of something to eat (traditional soup) with them after the training
- Beneficiary: Elementary school students in a neighboring village







## Domestic Social Contribution

LGI is committed to creating customer value and respecting people based on the LG Way, a unique corporate culture of LG Group. As part of that, we have been proactive in social contribution for local communities to fulfill responsibility as a global corporate citizen and support their development. Overseas investment corporations engage in educational and medical supports, infrastructure construction, aids to the marginalized, and environmental preservation. In Korea, LGI also encourages employees to participate in social contribution activities to share social value with local communities and lead positive changes as a global player.

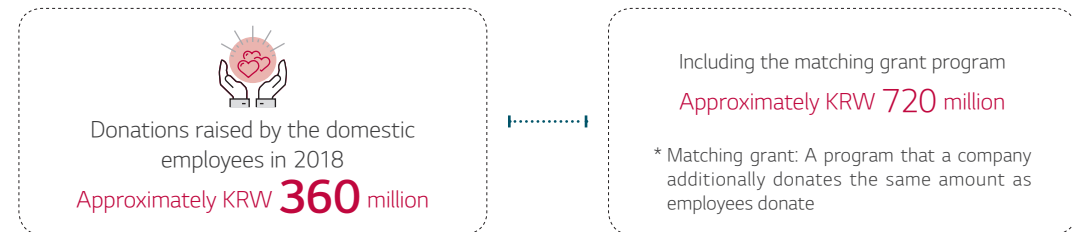
### Matching Grant, a Culture of Participatory Donation

As part of social contribution activities, LGI operates the matching grant program where our employees voluntarily donate a certain amount of their salaries and the Company also donates the same amount. Donation items that need over KRW 10 million\* are deliberated at the Donation Deliberation Committee to ensure healthy and transparent donation culture.

\* Number of items deliberated in 2018: Four items

**Total Amount of Donations Used in 2018: KRW 682,459,464**

(including the Company's donation budget and employees' donations from Nov. 2014 t Dec. 2017)



- Donation to: LG Yonam Cultural Foundation, LG Evergreen Foundation, Microfinance Foundation, Community Chest of Korea, Make-A-Wish Foundation of Korea, Yonsei Severance Hospital, World's Education and Culture Agency, etc.
- Supports: "Wish Challenger Program" and medical supports to the domestic children and adolescents suffering from incurable disease, improvement of infrastructure for the safe and convenience of local people around overseas worksites

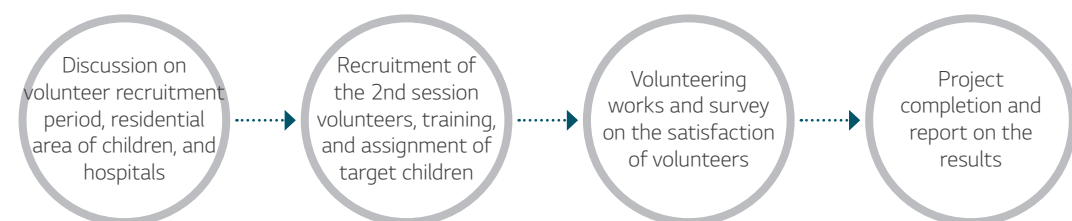
### Domestic Social Contribution Activities

#### The Make-A-Wish Program - 2018 Wish Challenger

The Wish Challenger program was designed to provide children suffering from incurable disease with opportunities to fulfill their wishes and encourage them to have dreams, hope, and self-confidence. LGI makes donations and conducts volunteering works to help them and their families keep valuable memories and improve their lives.

Donations	"Wish Challenger"
KRW 60,000,000	Around 30 participants in helping children suffering from incurable disease fulfill their wishes
Beneficiaries	Period
Underprivileged children aged between 3 and 18 suffering from incurable disease	Sep. 19, 2018 ~ Dec. 7, 2019

#### Plans in 2019



### SPECIAL PAGE

## Interview about Domestic Social Contribution

[Make-A-Wish Foundation of Korea]- Choi Eun-hye, the leader of Foreign Cooperation Team



**Q1 In 2018, the Make-A-Wish Foundation of Korea conducted the "Wish Challenger" program with LGI. What was the role of LGI for the program?**

The Make-A-Wish Foundation of Korea provides children aged between 3 and 18 suffering from incurable disease with psychological and emotional supports. It started from caring Chris, a child who had leukemia, in 1980. At that time, local policemen offered a chance to experience wish-fulfillment to the child who aspired to become a policeman, giving unforgettable memories to him and family members. Since then, the Foundation was established and has been expanded to 50 countries. In 2018, we began the Wish Challenger program aimed at helping children suffering from incurable disease fulfill their wishes together with LGI. We named the wish-fulfillment process "Wish Journey." It requires several months at least, in which LGI employees can participate. We have seen this program help them have strong will to get treatment and overcome the disease. This program also contributes to tightening family ties by supporting them to get over diverse difficulties in the treatment process. Before the program operation, we trained LGI employees about the role as volunteers and the way of positively caring them. LGI employees proactively participated in the training despite the first practice. They attended preliminary meetings and visited sick children many times to open their mind even on weekdays. A total of 13 secretariat staff and more than 1,000 volunteers are working on caring 350 children suffering from incurable disease. The role of volunteers includes accounting, reporting, and writing their experiences, while secretariat staff give advices and feedbacks to volunteers during their activities.

LGI employees about the role as volunteers and the way of positively caring them.

All LGI employees were very active in the program. Above all, the "Wish the Meeting with Red Velvet" team showed the best teamwork. The team helped the children meet with the Red Velvet, a female idol group of SM Entertainment. LGI not only provided funds and volunteers but also arranged a meeting with the idol communities by capitalizing on the wide network of the Make-A-Wish Foundation of Korea. A lot of companies usually inquire of us about emotional volunteering works, while LGI proposed supports for medical expenses raised by employees. The Company pursued more meaningful contribution by joining the Make-A-Wish activity centered on psychological and emotional supports through the Wish Challenger program and sponsoring medical expenses at the same time. In this regard, LGI, Severance Hospital, and Make-A-Wish Foundation of Korea signed an MOU for the program.

**Q3 LGI has conducted diverse social contribution activities with the recognition of corporate social responsibility. What are you expecting LGI to do as a social contribution agency?**

A lot of companies encourage the dream and hope of children through financial supports and disseminate the activities of the Make-A-Wish foundation of Korea as our partners. They deliver messages that sympathize with our commitment and play a critical role in changing children's lives and society. Their activities provide children suffering from incurable disease and their family members with positive energy. Nonetheless, the domestic Make-A-Wish activities are still lagging compared with those in the U.S. For example, meeting with music superstars such as Justin Bieber is not difficult in the U.S., while it's not easy to fulfill the wish of children who want to meet celebrities including entertainers, sports stars, and the President in Korea. I think that's because of the lack of awareness in Korea. If more companies intend to make donations, we expect that more children will fulfill their wishes to meet celebrities. Going forward, we expect LGI to be more proactive in supporting children suffering from incurable disease to aspire dream and hope.

**Q2 What do you think about the Wish Challenger program and the children's satisfaction in the aspect of performance?**

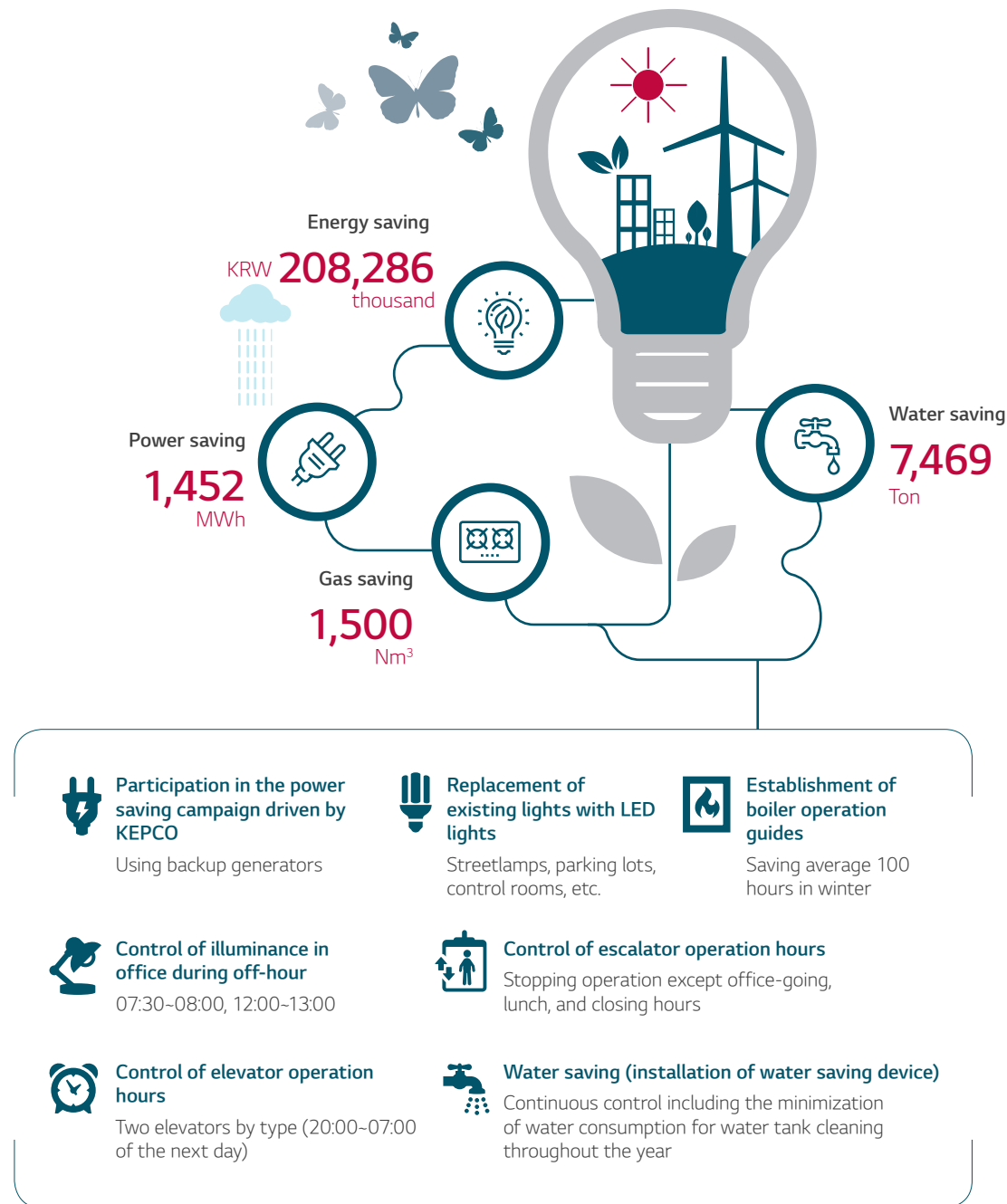
In 2018, we surveyed over 300 persons about satisfaction on this program through six questions. The result showed that more than 90% of patients regained their confidence. Autonomously telling about their wishes has positive effect on them psychologically due to diverse restrictions during treatment period. Before the program operation, we trained

# Environmental Impact Management at Worksites

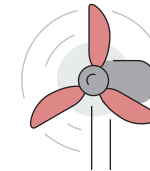
LGI strives to operate eco-friendly worksites to reduce environmental impact from businesses. In this regard, we manage energy consumption and GHG emissions, conduct energy-saving campaigns, and increase the recycling of waste to actively respond to climate change and improve eco friendliness.

## Execution of Energy-saving Campaign

\* Cumulative data from Dec. 2011 to Dec. 2018 since the remodeling of the LG Twin Tower



## Energy Consumption



Year	Water (Ton)	Gas (Nm <sup>3</sup> )	Electricity (kWh)
2016	8,951	67,587	1,289,641
2017	8,236	75,677	1,374,121
2018	7,855	78,372	1,408,681

※ Domestic consumption of LGI

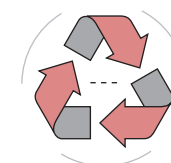
## GHG Emissions



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

Year	Diesel	Gas	Electricity	Total	LGI's quota*
2016	26.95	2,276.63	9,889.08	12,192.66	837.64
2017	7.70	2,750.71	9,596.37	12,354.78	848.77
2018	16.71	2,615.48	9,614.55	12,246.74	841.35

## Waste Emissions



(Unit: kg)

Year	Daily waste		Recyclable waste	
	Total	LGI's quota*	Total	LGI's quota*
2016	8,773	603	152,830	10,499
2017	10,939	752	278,480	19,132
2018	12,829	881	175,330	12,045

\* GHG and waste emissions: Calculated LGI's quota based on the percentage of our occupation area (6.87%) of the entire emissions in the Twin Tower Building due to the impossibility of identifying our independent emissions

# RESPONSIBILITY FOR THE PEOPLE

LGI aspires to grow into a leading global trading company together with the best talents. To this end, we are committed to cultivating talents through professional training programs and establishing LGI's unique value system and corporate culture that pursue fair competition based on capabilities.



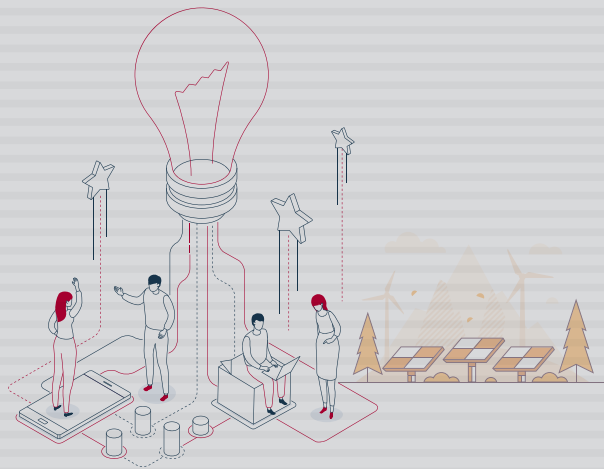
1. Corporate Culture Pursuing Co-prosperity \_55
2. Global Talents Cultivation and Education \_64
3. Settlement of the LG Jeong-do Management \_66



FOCUS

3

# RESPONSIBILITY FOR THE PEOPLE



## Context



LGI recognizes that valuable corporate culture and employees' capabilities are critical to securing core competitiveness and ensuring our long-term growth. A lot of global companies also consider corporate culture and talents as the sources of completeness enhancement and value creation. To ensure sustainable competitiveness, LGI will focus on cultivating global talents based on valuable corporate culture.

## Goals and Objectives



We aspire to create customer value and evolve into a trading company with global competitiveness based on the concept of "growth," "execution," and "communication" together with the best talents. To this end, the Company endeavors to cultivate global talents and motivate employees through professional trainings, thereby building LGI's unique value system and corporate culture that pursue fair competition based on capabilities.

## Core Issues



- 02 Corporate culture innovation
- 04 Protection of the human rights of employees
- 06 Development of employees' job ability and career
- 09 Cultivation of global talents (including global staff)

### Link to SDGs



## Corporate Culture Pursuing Co-prosperity

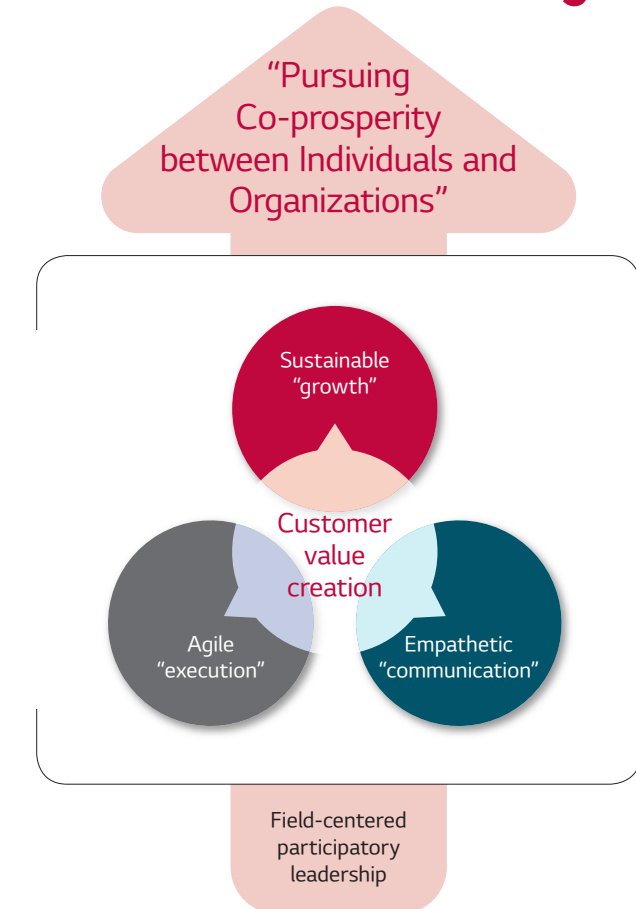


### LGI's Corporate Culture

LGI is building a corporate culture where the Company and employees can grow together based on the concept of sustainable "growth," agile "execution," and empathetic "communication." It will ensure employees' continuous learning and growth, self-initiated working, and improvement of self-esteem, contributing to the creation of authentic customer value.

### Direction of Corporate Culture

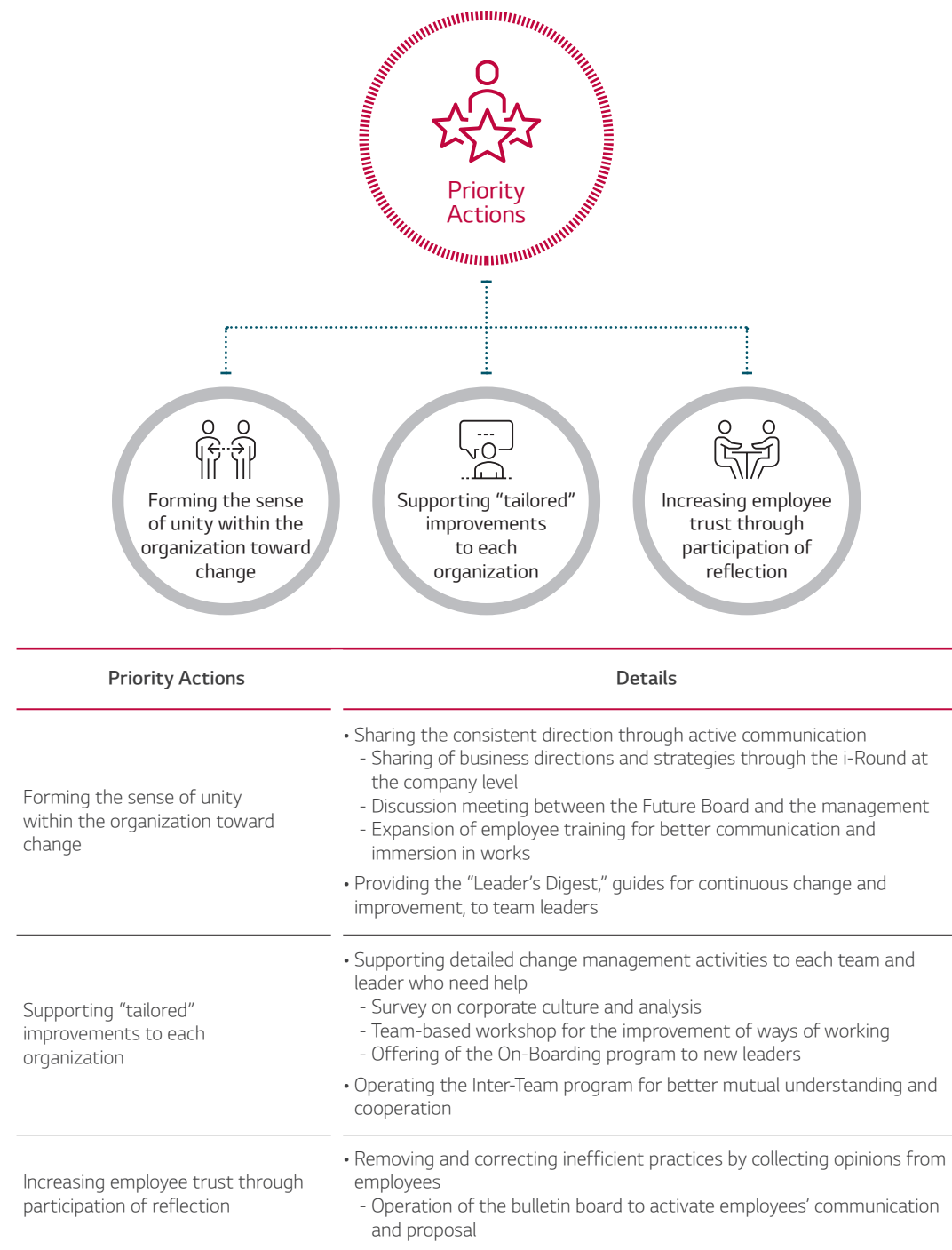
### Global Business Challenger



- **Growth:** Establishing a "virtuous circle of growth" where the growth of individuals and organizations can be made in a positive and interactive way
- **Execution:** Looking back existing conventional ways of working and correcting defects in a prompt, frequent, and sustainable manner in order to make small changes into a big difference
- **Communication:** Communicating horizontally and vertically and strengthening interactive communication and cooperation between the head office and overseas sites

### Action Plans for Building Corporate Culture

LG Group is working on building a dynamic corporate culture where all employees can dedicate to creating customer value. In this regard, LGI focuses on forming the sense of unity toward change throughout the organization and improving its corporate culture to encourage employees' participation, execution, and sustainable growth of both individuals and organization.



### LGI's Corporate Culture Activities

#### Happy Working Environment Where Achievement and Growth Are Ensured

##### Leader's Digest

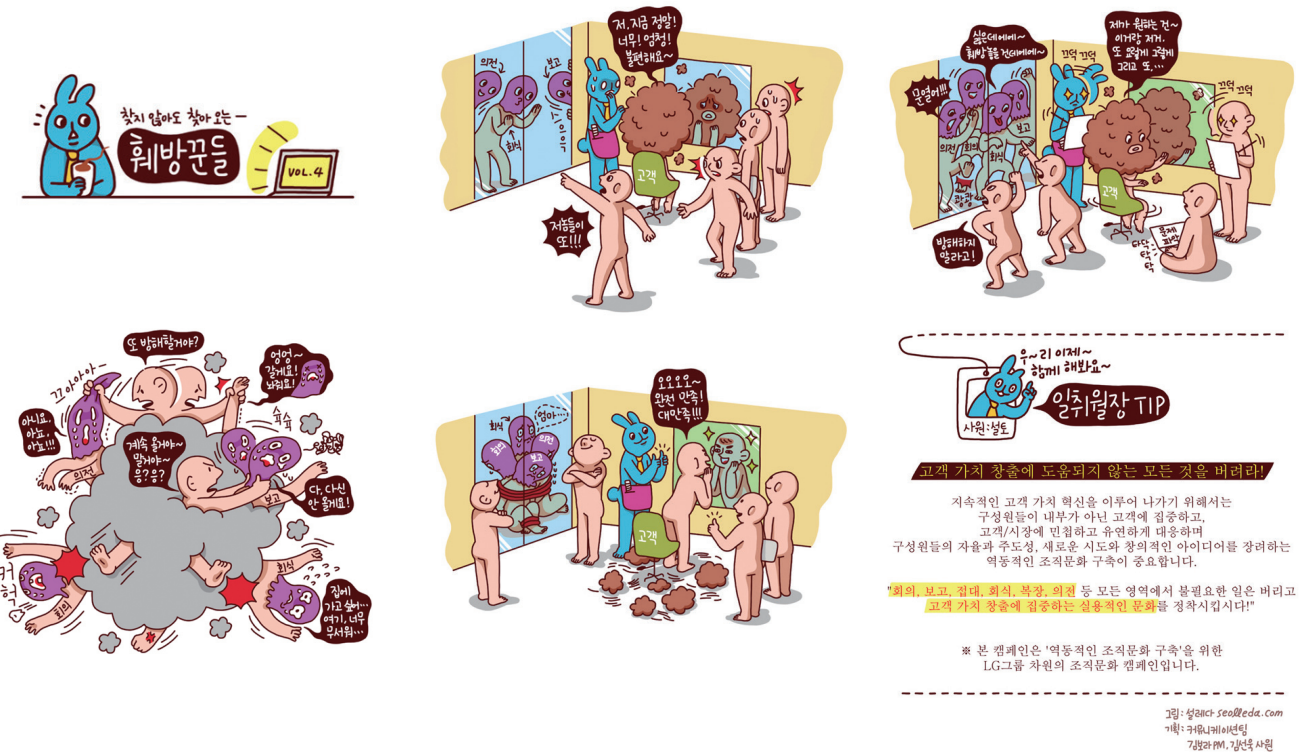
The corporate culture letter is delivered to team leaders twice a month. It contains well-known sayings for active execution of corporate culture, theme-based behavior guides, and VOE (Voice of Employee).

##### Leaps & Bounds Workshop

Our corporate culture activities focus on helping employees feel the "pleasure of working" and maximizing the "value of work" with the aim of motivating them and creating sustainable value. As part of that, we held the "Leaps & Bounds Workshop" in which all business departments and staff participated in the first half of 2018. The workshop helped participants establish their visions and consider the meaning and value of work at the individual and team level. In the second half, participants had a time to understand major issues within the organization and seek ways for change management in order to expand the "pleasure of working" and "value of work."

##### Leaps & Bounds Toon

We launched the Leaps & Bounds Toon, a comic toon based on satire and humor, which went beyond existing corporate toon style in order to effectively deliver the message on our organizational culture.



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 7월24일, 김연희 사원

**One-stop Discussion Campaign**

LGI has operated the "One-stop Discussion" campaign which encourages immediate reporting and decision-making instead of existing stepwise reporting process from part leaders and team leaders to division heads. This campaign has contributed to reducing waste of time and streamlining reporting process.

The image shows two parts of the '한방 논의' (One-stop Discussion) campaign. On the left is a poster titled '상사피디아' (Supervisor's Dictionary) explaining the '한방 논의' (One-stop Discussion) process. It states that for any issue, employees should go to the '한방' (One-stop) room where they can get advice from supervisors. On the right is a flowchart showing the process: '최초 발의상장' (Initial Report) -> '아이디어 개발' (Idea Development) -> '주요 의사결정 사항 결정' (Decision on Key Matters) -> '아이디어 개발' (Idea Development) -> '최종 보고' (Final Report). Below the flowchart are five key points: 1. Report issues immediately. 2. Report directly to the supervisor. 3. Report to the supervisor as soon as possible. 4. Report to the supervisor as soon as possible. 5. Report to the supervisor as soon as possible.

One-stop Discussion Campaign

**In-company Study Group**

The Company has built a culture of self-initiated learning and self-development by supporting in-company study groups.

- Semi-annual study group operation
- Supports for learning materials, internet lecture costs, free lunch, etc.

The poster is titled '사내 스터디 STUDY&SHARE 모집' (In-company Study Group STUDY&SHARE Recruitment). It promotes a study group where employees can share knowledge and grow together. The poster includes details such as the date (2018.3.14 - 3.23), the location (LG Building), and the contact information for the HR department.

Study group promotion poster

**Supporting Books**

We provide lounge on every floor with five books every month to help employees enjoy them for free.

**Special Lecture on Life Care**

Special lectures on financial techniques, health care, and childcare are offered to employees to help solve their issues by life cycle.



Supporting books to lounge



Special lecture on life care

**Work-Life Balance and Family-Friendly Policy**

**Amicable Get-together Culture**

As part of the "A Happy Home Makes Excellence at Work" program, LGI encourages employees to reject get-together on Monday, Wednesday, and Friday and have amicable get-together culture.

**Parents' Day Event**

We held an event where employees could show their appreciation to parents by delivering hand-made flower boxes at the Parents' Day.



Parents' Day event together with the in-company flower arrangement club

**Family-friendly Programs**

In 2018, we launched the Family Day program that encourages employees to leave work at 5 p.m. every alternate Wednesday. In May, family month, the Company provided all employees with free tickets for Hwadam Forest in Gonjiam to help them spend leisure time with family members. Gifts and the CEO's greeting card were sent to children who entered schools and took academic aptitude test.

**Communication between the Management and Employees**

**Future Board**

The "Future Board," an interactive communication channel between the management and employees, was established to realize the mission "Creating Future-oriented Corporate Culture by Forming the Sense of Kinship between the Management and Employees through Participation and Communication." The Future Board collects employees' opinions on corporate culture activities and pending issues and suggesting constructive proposals for the development of organization. Particularly in 2018, it focused on performing and promoting the "Leaps & Bounds" and "A Happy Home Makes Excellence at Work" programs to realize the "growth through work" and "work-life balance."



Future Board meeting



External guest lecture on the "Leaps & Bounds" program

 <b>Leaps &amp; Bounds</b>	 <b>A Happy Home Makes Excellence at Work</b>
⋮	⋮
Enhancing organizational capability and building positive organization atmosphere by pursuing growth through work, increasing the sense of accomplishment, and disseminating the culture of praise and encouragement	Serving as a catalyst through the collection and suggestion of employees' opinions and encouragement of detailed activities and ensuring the sustainability of the "A Happy Home Makes Excellence at Work" activities such as feedbacks from employees
 <b>Growth through Work</b>	 <b>"Together with Family" Program</b>
<p><b>Strengthening organizational capability by activating the culture of study</b></p> <p>Developing business insight and promoting co-prosperity of both the Company and individuals by energizing voluntary study groups</p> <ul style="list-style-type: none"> <li>• IT/Platform Business Dept.: Accelerating the Junior Study activity</li> <li>• Finance Div.: Promoting study about changes in managerial and economic environment</li> </ul>	<p><b>Supporting family-friendly activities</b></p> <p>Introducing diverse family-friendly leisure activities through online corporate magazine (destination, leisure programs, etc.)</p> <ul style="list-style-type: none"> <li>• Holding family-related events (giving carnations at the Parents' Day in collaboration with an in-company club)</li> </ul>
 <b>Dissemination of the Culture of Praise and Encouragement</b>	 <b>Execution and Promotion of Corporate Culture Activities</b>
<p><b>Creating positive organization atmosphere by disseminating the culture of praise and encouragement</b></p> <ul style="list-style-type: none"> <li>• Raising self-esteem and motivation through diverse awards and praise &amp; encouragement relay campaigns</li> <li>• Creating an atmosphere of praise and encouragement in meetings and reporting process</li> </ul>	<p><b>Collecting and suggesting employees' opinions and supporting the activity of corporate culture TFT</b></p> <ul style="list-style-type: none"> <li>• Proposing detailed contents about life care programs</li> <li>• Collecting employees' opinions and monitoring practices for the settlement of One-stop Discussion culture</li> <li>• Continuing in-company communication programs such as exchange among teams, discussion meeting by position, etc.</li> </ul>



Discussion meeting by position in the infrastructure business division

**Major Plans of the Future Board in 2019**

Major direction in 2019: Collecting employees' opinions to create customers value and increase business value and leading changes

- Creating an atmosphere where employees can collect and suggest opinions how to change or innovate conventional ways of working and those can be supplemented promptly and continuously
- Gathering employees' opinions about the improvement of working environment
- Improving corporate culture and promoting activities for close relationship between leaders and staff

**Communication Channel for Better Corporate Culture**

- Operation of the i-Round program

The i-Round program is LGI's organizational culture where the CEO directly informs all employees of management policy and they can raise their insight. Special lectures on diverse themes covering humanities, culture, society, and science are provided to employees every quarter to motivate them.

- Supports for workshop by each organization
- Corporate culture bulletin board

LGI launched the "corporate culture bulletin board" to secure a new channel where more opinions about corporate culture can be collected. Through the bulletin board, employees can share the direction of our corporate culture, propose their ideas, and receive counselling on grievances at the corporate culture level. It also has the functions of notification and reply with regard to corporate culture, which ensures active proposals and opinion sharing. In May 2018, the anonymous bulletin board was launched.



Corporate culture bulletin board



**SPECIAL PAGE**

**Interview with a Future Board Member**



[Future Board]- Lee Dong-geun, PM

**Q1** LGI operates the Future Board, an interactive communication channel between the management and employees. Please introduce the operation methods and activities of the Future Board.

As a member of the Future Board, my role is to deliver opinions and thoughts of the management and employees by operating interactive communication channels in order to close the physical and psychological distance between them. The Future Board had a time to share its activity results with the CEO twice in 2018 (first half and second half, respectively). Moreover, the Future Board members had teatime frequently, gathered employees' opinions, and shared those with division heads and the CEO. In 2018, especially, the Future Board contributed to promoting the culture of work-life balance.

**Q2** What was the most noteworthy agenda of the Future Board and major achievements in 2018?

The Future Board has been seeking methodologies for the creation of great place to work and playing a role as a communication channel for collecting and presenting opinions of the management and employees. Major issues and performances in 2018 can be summed up in two catchphrases of "Leaps & Bounds" and "A Happy Home Makes Excellence at Work." The former pursues growth through work. To this end, we intended to disseminate the culture of efficient business meeting through the "One-stop Discussion" campaign and the culture of "Praise and Encouragement" through corporate magazine. The latter contributed to establishing the culture of leaving work at the regular time, holding family-friendly events, and activating in-company study where employees can learn about new social trends and technologies and share related knowledge and opinions. Recently, there has been a change in our slogan and vision with the inauguration of the new CEO in 2019. "Improving educational and working environment" is now being accentuated. LGI intends to form a virtuous cycle where individuals and the Company can growth together by enhancing the quality of education. To the end, we are

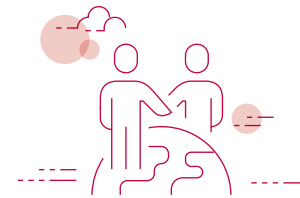
collecting opinions about education quality improvement and encouraging all employees to participate in education programs. The Company will expand the scope of education to graduate school, MBA programs at home and abroad, and MBA course at the LG Group's training institute. Employees are also encouraged to participate in diverse professional trainings, external conferences, and so on. Moreover, we are always listening to employees' voices on how to improve working environment and welfare benefit.

**Q3** How will you transform the corporate culture of LGI as the member of the Future Board?

LGI has emphasized the bottom-up communication method that the ideas on business value enhancement are shared with all employees. In response, the Future Board recently gathered employees' opinions about the corporate vision of "Creating Customer Value and Improving Business Value." We will continue to listen to their voices and propose those to the management, thereby leading organizational change activities. Moreover, LGI intends to build a future-oriented corporate culture where the management and employees can feel the sense of kinship and cooperate to work towards the future. In this regard, we focus on gathering and delivering opinions about how the Company supports employees to create business value, explore new projects, and improve work efficiency. By dedicating to improving the quality of education and working environment, we will we will play a role in making LGI become great place to work and sharing performances between the Company and individuals.



# Global Talents Cultivation and Education



LGI helps "individual growth" by providing more chances of receiving education and experiencing job. As a global player, the Company is operating a wide range of education courses at home and abroad to cultivate global talents. Through the courses, our employees can enhance their job competence and global insight.

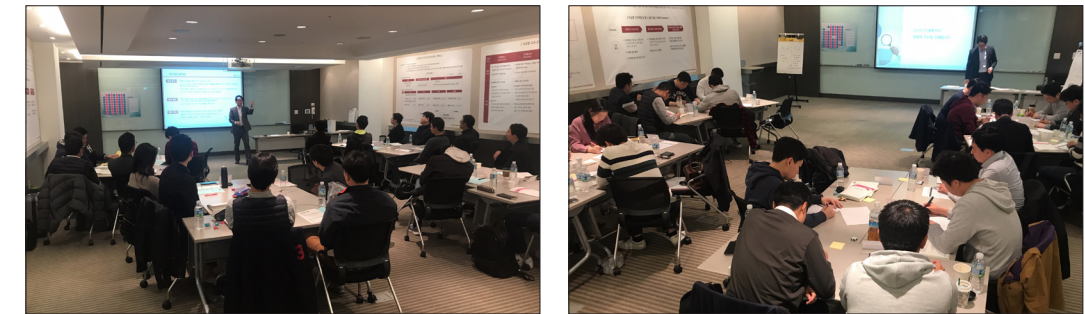
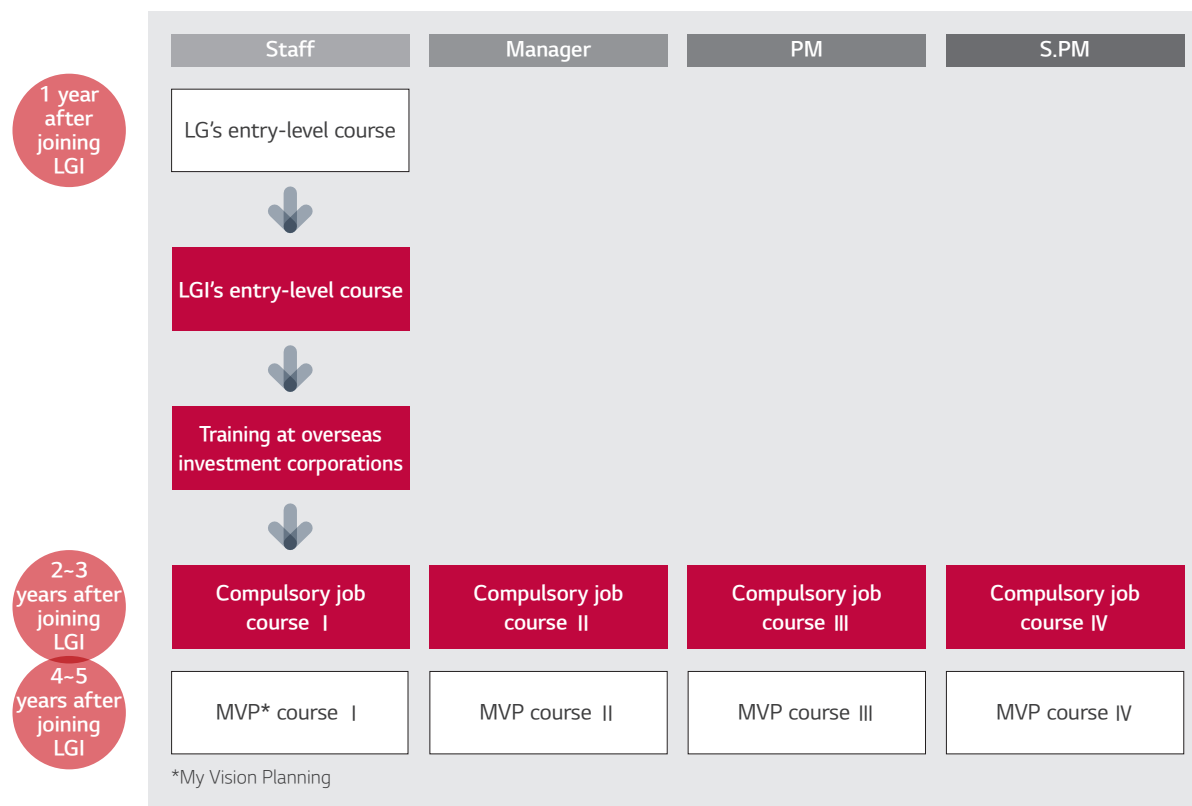
## Compulsory Education by Position

Position-specific compulsory educations are conducted to help employees grow into professionals.

- PM/S.PM: 'Skill-centered education for perfect business handling and performance creation
- Staff/Manager: Education centered on project planning and development to foster professionalism in the increasing development projects

### Education System

■ LGI □ LG Group



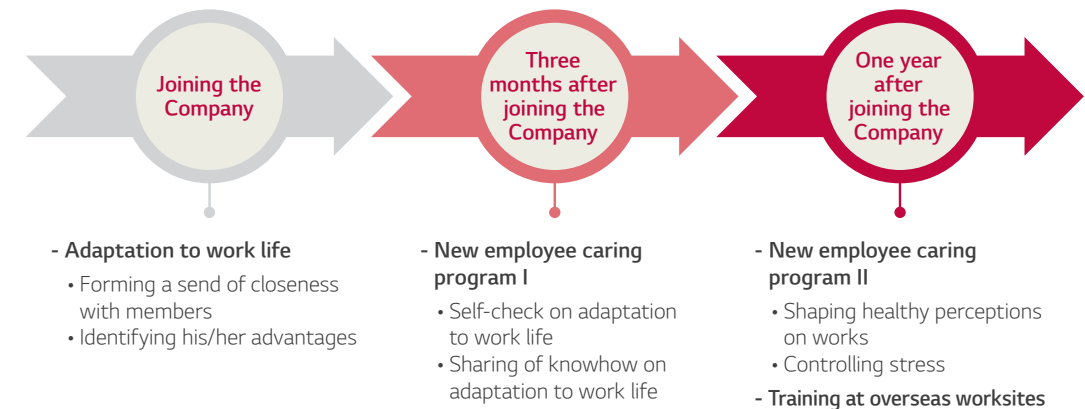
Position-specific compulsory education

## Education Course for Cultivating Entrepreneurs and Professionalism

A variety of external education courses are provided to employees. They can participate in the LG MBA course and MBA programs at home and abroad to cultivate global competence and leadership as well as job-specific courses with regard to marketing, finance, and HR and professional skill training programs. LGI is also expanding the scope of education programs into language learning, overseas conference, and so on to pursue co-prosperity between individuals and the Company.

## New Employees Caring Programs and Trainings at Overseas Sites

LGI provides new employees who are in the first year at the Company with education programs aimed at helping them adapt to their jobs and corporate culture. Employees who have served more than one year can receive trainings at overseas investment corporations to better understand field works. Other programs include knowhow on adapting to work life, stress control, and sharing of the corporate vision.



## Language Education for Expatriates

Diverse education programs including language are offered to expatriates for active overseas business. To help new expatriates easily adapt to local business, LGI not only supports personal networking with predecessors but also operates online and in-company language courses including Chinese, Indonesian, Spanish, Vietnamese, and Burmese.

## One-on-One Interview for Career Development

At LGI, employees have one-on-one interview with their team or department leaders to discuss the direction of their long-term career and competence development. Based on the results, tailored cultivation programs are operated such as job opportunity, job rotation, and learning

# Settlement of the LG Jeong-do Management



## Dedicated Organizations

LGI operates dedicated organizations under the CEO to actively promote the Jeong-do Management at business fields. We also provide clear criteria and guidelines to avoid any ethical conflicts in accordance with changes in social issues and strive to take the Jeong-do Management rooted in the Company, thereby preventing and controlling possible risks in advance.

### Organization Chart for the Jeong-do Management

Ethics Bureau	Corporate Audit Team	Audit Committee's Support Part
<ul style="list-style-type: none"> <li>• Training on the Jeong-do Management and cultural activities</li> <li>• Establishment of the direction of Jeong-do Management operation</li> <li>• Risk control and prevention activities</li> <li>• Inspection on reported issues</li> </ul>	<ul style="list-style-type: none"> <li>• Regular audit of business department and local subsidiaries and offices</li> <li>• Theme-based audit</li> <li>• Inspection on business process and systems and corrective measures</li> </ul>	<ul style="list-style-type: none"> <li>• Support for internal audit</li> </ul>

### Ethics Bureau

The Ethics Bureau was established to conduct diverse activities necessary for the practice of Jeong-do Management and compliance with the code of ethics, including setup of related policies and systems. It engages in disseminating the culture of Jeong-do Management, conducting related trainings, checking whether employees fulfill Jeong-do Management and comply with the code of ethics or not, and supplementing deficiencies.

#### Roles of the Ethics Bureau: Education, dissemination of the culture of Jeong-do Management, and risk control

<p><b>Education</b></p> <ul style="list-style-type: none"> <li>• <b>Team heads</b> - Once a year</li> <li>• <b>Expatriate</b> - At the time of appointment, business trip to the head office</li> <li>• <b>Employees (by position)</b></li> <li>• <b>New and experienced employees</b></li> <li>• <b>Staff working at overseas subsidiaries and offices</b></li> </ul>	<p><b>Dissemination of the culture of Jeong-do Management</b></p> <ul style="list-style-type: none"> <li>• <b>Jeong-Do Management Notification</b> - Weekly for the head office, monthly for overseas worksites</li> <li>• <b>Plus Friend of the Ethics Bureau (using SNS)</b> - Newsletter, event</li> <li>• <b>CEO's message on the practice of Jeong-do Management</b> - National holidays, in-company sharing auction</li> </ul>	<p><b>risk control, etc.</b></p> <ul style="list-style-type: none"> <li>• <b>Risk&amp;Return Forum</b> - Twice a year (1H/2H)</li> <li>• <b>Regular monitoring</b> - Frequent</li> <li>• <b>Operation of the sexual harassment consultation center</b> - Inspection on reported issues and treatment</li> </ul>
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### Report Channels

LGI receives reports of illegal and corruptive cases such as wrongful demand from employees and unfair business treatment through a variety of channels including the Cyber Sinmungo, e-mail, and facsimile.

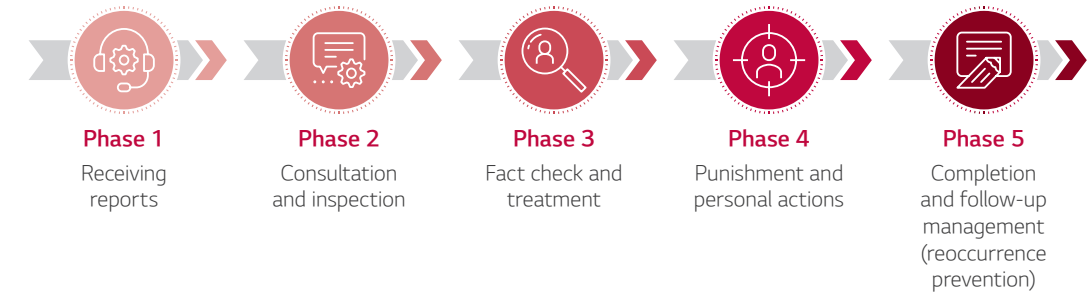
### Sexual Harassment Consultation Center

In response to tightening related laws and regulations since May 2018, LGI has been operating the sexual harassment consultation center\* where professional consultants can promptly answer to the victims of sexual harassment. In August 2018, we conducted offline sexual harassment prevention training for all employees (16 times by gender and position).

\*The sexual harassment consultation center is available through in-company intranet and provides information on the criteria of sexual harassment and treatment process.

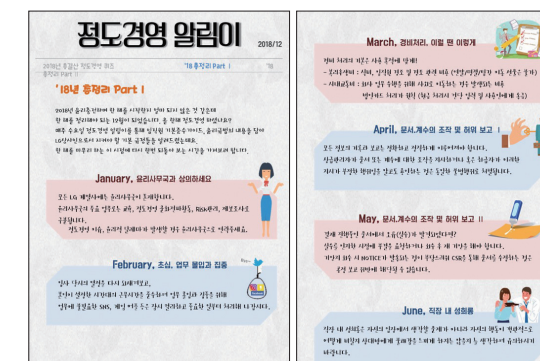
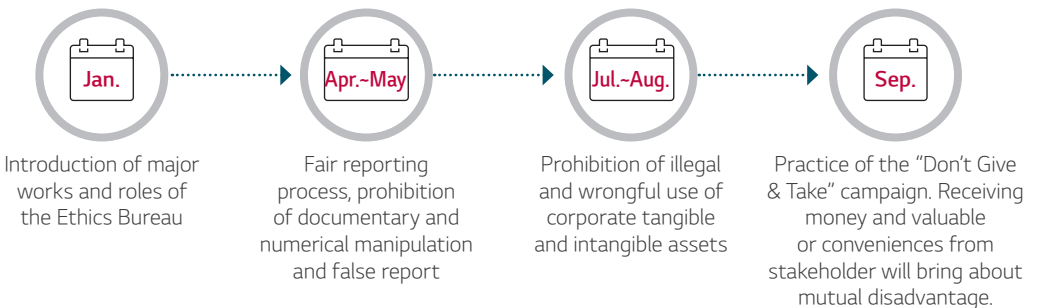
## Key Words and Performances of the Jeong-do Management in 2018

### Grievance Treatment Process



### Jeong-do Management Notifications in 2018

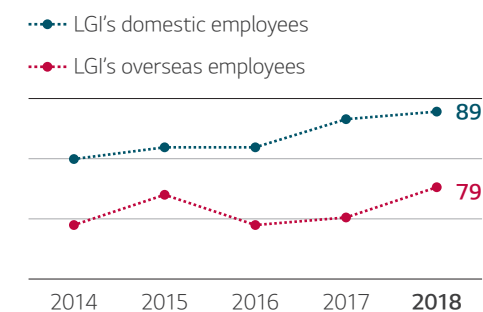
To disseminate the culture of Jeong-do Management, LGI delivers monthly theme-based compliance and ethics guides all employees should conform to every Wednesday. The notification helps employees raise the awareness of Jeong-do Management through theme-based contents.



Monthly themes for Jeong-do Management notification in 2018

### Jeong-do Management Survey

To check the level of awareness and practice of the Jeong-do Management and correct deficiencies, LGI Group has been conducting survey every year. The survey result showed that our employees' awareness and practice of the Jeong-do Management has been on a rise.



### Jeong-do Management Index

Year	LG International	
	Domestic	Overseas
2018	89	79
2017	88	75
2016	86	74
2015	86	78
2014	85	74

### Settlement of the Culture of Jeong-do Management

#### Jeong-do Management Notification to Staff at Head Office and Expatriates

The Company delivers contents with regard to the Jeong-do Management to staff at head office and expatriates twice a month and global staff (English, Indonesian, and Chinese versions) once a month through e-mail. To raise the awareness of and encourage voluntary practice of the Jeong-do Management, we create diverse contents and messages with sympathetic chord.



English



Indonesian



Chinese



Monthly Jeong-do Management quiz event



Jeong-do Management webtoon

#### Employee Education on Jeong-do Management

Tailored educations by position are provided to raise employees' awareness of the Jeong-do Management and educational effect. Especially, one-on-one education is offered to newly appointed team leaders and expatriates to ensure strict practice of the Jeong-do Management.

#### In-company Jeong-do Sharing Auction

We make it a rule to send back money and gifts if employees receive them from stakeholders. If it is not possible, voluntary report to the Company is compulsory and reported items are put up at the "In-company Jeong-do Sharing Auction." Revenues from the auction are donated to the UNICEF (United Nations children's Fund).



### SPECIAL PAGE

## Interview with an Ethics Bureau Member



[Ethics Bureau]- Ha Bo-ra, S.PM

**Q1** LG Group demonstrates the Jeong-do Management based on its unique management philosophy LG Way. Can you make a brief introduction to the LG Jeong-do Management?

The Jeong-do Management signifies LG's fundamental value and code of conduct for the fulfillment of management philosophy. It distinguishes from ethical management of other companies in the aspect of emphasizing "competence cultivation." Especially, it encourages employees to attain results based on competence beyond just practicing ethical management. The Jeong-do Management has been the source of LG's success and growth for more than seven decades under social trust and respect. The roles of Ethics Bureau include preventing violations of the Jeong-do Management in advance and raising employees' awareness of business ethics, thereby building up the feeling of tension throughout the company and solidifying corporate culture. Facing ethical dilemma or Jeong-do Management issues, anyone can contact the Ethics Bureau to seek solutions.

**Q2** At LGI, both domestic and overseas worksites conduct training on the Jeong-do Management. How have you tried to establish this culture and what's your future plans?

The Ethics Bureau has made a concerted effort to take the Jeong-do Management rooted in the Company as a daily behavioral principle. Particularly, one-on-one training is offered to employees serving as manager and leader. For example, expatriates are encouraged to have interviews with regard to the Jeong-do Management whenever they are on a business trip to Korea. On top of that, the Ethics Bureau engages in daily audit on and monitoring of the practice of Jeong-do Management and receiving reports of corruption cases. There has been almost no critical case, while some cases have been reported from overseas worksites.

The Ethics Bureau emphasizes three directions for effective practice of the Jeong-do Management. First, to prevent

violations caused by unacquaintedness with regulations, we operate communication channels such as intranet messenger and "Plus Friend" to help employees easily inquire of us about the Jeong-do Management practice. Second, employees can easily understand internal regulations and the code of ethics and share violation cases through the Jeong-do Management notification system. Lastly, onsite and online trainings on the Jeong-do Management are offered to employees working at both domestic and overseas worksites for active practice. Particularly, LGI has ranked fairly high in the Jeong-do Management index which is identified through the annual LG Way survey and the index has also been on a rise for recent several years. We think this favorable result is attributable to our proactive efforts for trainings at home and abroad, dissemination of the culture of the Jeong-do Management, operation of the notification system in English, Indonesian, and Chinese languages. Going forward, the Ethics Bureau will make a concerted effort to help employees actively practice the Jeong-do Management.

**Q3** The global sustainability management standards and guidelines have been revised and upgraded in accordance with the change of time. Can the Jeong-do Management be also evolved according to business features and market environment?

The Jeong-do Management has also been upgrading by adopting changes of the time and society to its practice guidelines. We revised the code of ethics in 2017 and have endeavored to preemptively respond to diverse issues even before their regulations are enforced. For example, we already trained employees about anti-corruption before the enforcement of the Kim Young-ran Law (Improper Solicitation and Graft Act). We have also enhanced offline trainings about sexual harassment prevention for all employees and tightened regulations even on verbal cases as the Me-Too movement was an issue of growing importance in society.

# FUNDAMENTALS OF MANAGEMENT

LGI has established transparent corporate governance and emphasizes the compliance with economic, environmental, and social regulations. We have also built risk management system by each sector to block off negative impacts on our business and ensure resilient systems.

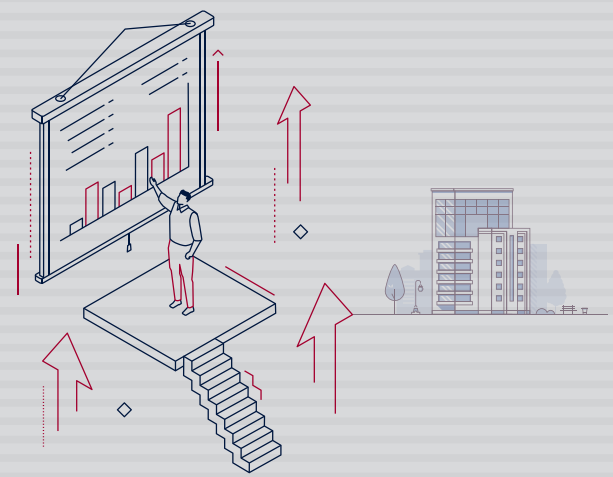


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4. Risk Management \_77



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**4**

# FUNDAMENTALS OF MANAGEMENT



**Context**

Compliance management and excellent corporate governance are essential to ensure transparent and responsible management. Those ultimately contribute to corporate sustainable growth. LGI pursues corporate governance that can maximize shareholder value and stakeholders' profits. We are also reinforcing internal and external risk management capabilities to ensure business continuity.

**Goals and Objectives**

Based on healthy and transparent corporate governance, LGI strives to make decisions that reflect stakeholders' requirements. We have also established compliance management system in consideration of possible compliance issues and conducted trainings about private information protection and information security risks. Strategies for controlling diverse risks including financial risks are shared throughout the Company.

**Core Issues**

**08** Compliance with international laws and compliance management

**Link to SDGs**



## Corporate Governance

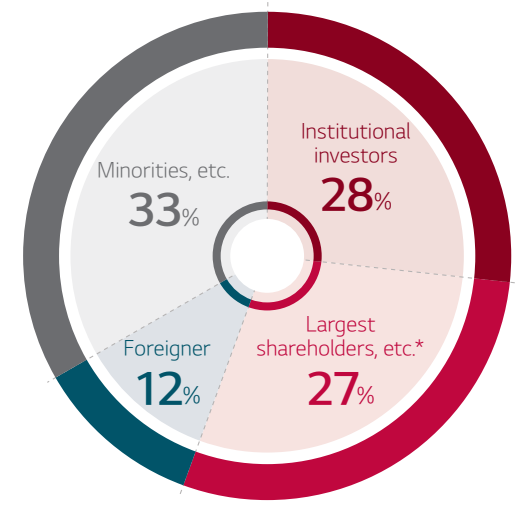


### Shareholder Composition

LGI strives to inform shareholders of corporate information and prepare systems aimed at protecting shareholder rights and value. General shareholders' meeting is held every year in order to make critical decisions on management issues and reflect opinions of shareholders. We are also proactive in disclosing major management information to provide shareholders with correct information on business results and strategic directions. As of the end of December 2018, the total number of shares issued was 38,760,000 and LG Corporation owned 24.7% (9,571,336 shares) as the largest shareholder.

(As of the end of December 2018, Unit: shares)

Shareholder	Ownership
Institutional investors	10,706,226
Largest shareholders, etc.*	10,300,041
Foreigner	4,764,508
Minorities, etc.	12,989,225
<b>Total</b>	<b>38,760,000</b>



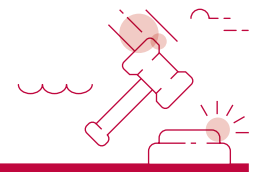
\* Including the largest shareholder LG Corp, affiliated persons, and treasury shares

### Board of Directors

The Board of Directors (herein "BOD" or "Board") is in charge of execution and supervision of major management strategy and consists of seven directors (four non-executive directors, one other non-standing managing director, and two executive directors including the CEO). The Audit Committee and Non-executive Director Candidate Recommendation Committee are under the BOD. Non-executive directors hold a majority of the BOD to ensure the independence of Board.

(As of the end of March 2019)

Classification	Name	Position	Career
Executive director	Yoon Chun-sung	CEO, Chairman of the BOD	CEO, LG International
	Min Byeong-il	CFO	CFO, LG International
Non-executive director	Jung Woon-oh	Chairman of the Audit Committee	Former) Professor, Business School, Seoul National University
	Lee Won-woo	Audit Committee member	Professor, School of Law, Seoul National University
	Yang Ihl-soo	Audit Committee member	CEO, E-Jung & Co. Accounting Firm
	Heo Eun-nyeong	Non-executive Director Candidate Recommendation Committee member	Dean of Energy Resource Engineering, Seoul National University
Other non-standing managing director	Lee Jae-won	Non-executive Director Candidate Recommendation Committee member	Head of Communication & Services Team, LG Corp.



## Subcommittees

### Audit Committee

The Audit Committee, consisting of three non-executive directors, is responsible for supervision of the management and internal control for enhancing the transparency of accounting information. The committee was convened six times in 2018 to deliberate 14 agendas (six resolutions and eight reports) including evaluation of internal supervision system operation status and internal accounting management system operation status.

### Non-executive Director Candidate Recommendation Committee

LGI operates the Non-executive Director Candidate Recommendation Committee in accordance with related law (Clause 4 of Article 542-8 of the Commercial Act) and the articles of association. This committee consists of two non-executive directors and one other non-standing managing director to ensure fairness and independence in appointment of non-executive directors and committee operation.

## BOD Activities

The BOD is in charge of decision-making and supervision of corporate management. The BOD meeting was held seven times to deliberate 28 agendas (21 resolutions and seven reports) in 2018.

## Diversity of the BOD Composition, Evaluation, and Compensation

In accordance with related laws, LGI strives to recruit non-executive directors with professionalism and capability and ensure fairness and independence. Non-executive directors are appointed by approval at the shareholders' meeting among candidates recommended through strict screening by the Non-executive Director Candidate Recommendation Committee. Our four non-executive directors are professionals in accounting, finance, law, and resource development. Compensation is given in consideration of comprehensive evaluation on duty execution, basic salary, and performances within the limit determined at the shareholders' meeting.

# Compliance

In line with increasing requirements on corporate social responsibility, LGI fulfills compliance management and strives to gain trust from the market. We are committed to practicing the Jeong-do Management in all business sectors and minimizing management risks by establishing compliance management criteria and the code of conduct. As a listed company with more than KRW 500 billion worth of assets, LGI is required to prepare compliance control criteria and procedure and appoint the Compliance Officer in accordance with the Commercial Act (Article 542-13). In response, the Company built the compliance control system by establishing compliance control criteria and appointing the Compliance Officer at the BOD meeting in May 2012.

## Operation of Compliance Control System

- Considering the scale and occurrence frequency of legal risks, LGI classifies them in detail and then, conducts compliance check, compliance training, and ordinary compliance support activities.
- The Compliance Officer reports the effectiveness of compliance control system and compliance support activities to the BOD every year.

## Composition of Compliance Control System

- The components of compliance control system are annually upgraded in consideration of legal risk trend.
- Our compliance control system consists of compliance control criteria, effectiveness evaluation criteria on compliance control, formalization of legal risks, compliance check, compliance training, and compliance support activities.
- Each component consists of summary and real practice cases.

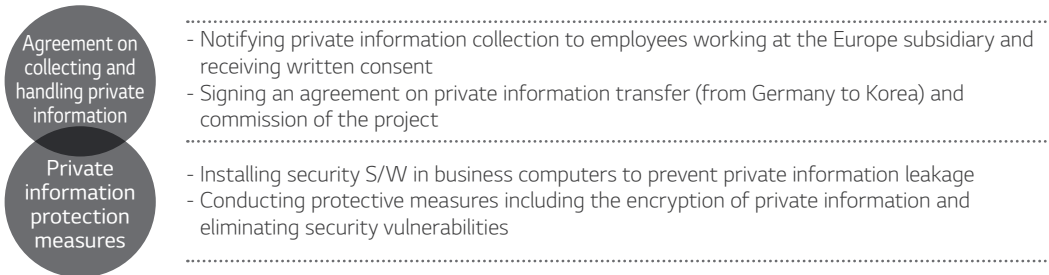
## Private Information Protection



In response to increasing security accident risks caused by the advent of new technologies, companies are striving to establish private information protection systems at home and abroad. In this regard, LGI has been enhancing internal control and engaging in the following activities to comply with internal and external regulations related to private information protection.

### Compliance with the GDPR (General Data Protection Regulation) of the EU

- The GDPR is an integrated regulation aimed at protecting private information of people of EU countries. It came into effect in 28 member countries of the EU in May 2018.
- LGI's Europe subsidiary in Germany is also the object of the GDPR. It took the following measures to comply with the GDPR.



- As laws and regulations with regard to private information protection are being tightened in China and Vietnam where we operate business, we are preparing proper protective measures in response to the enforcement.

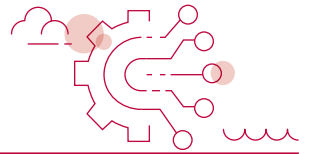
### Employee Training

- Regular information security training is offered to all employees in order to protect critical corporate and private information from attacks such as hacking and raise their awareness of security.
- LGI conducts separate trainings on private information protection for staff in charge of handling employees' private information in accordance with the Personal Information Protection Act.



Year	Rate of training completion	
	Information security	Private information protection
2016	95.0%	100%
2017	94.3%	92.3%
2018	95.5%	93.9%

## Risk Management



### Risk Management System

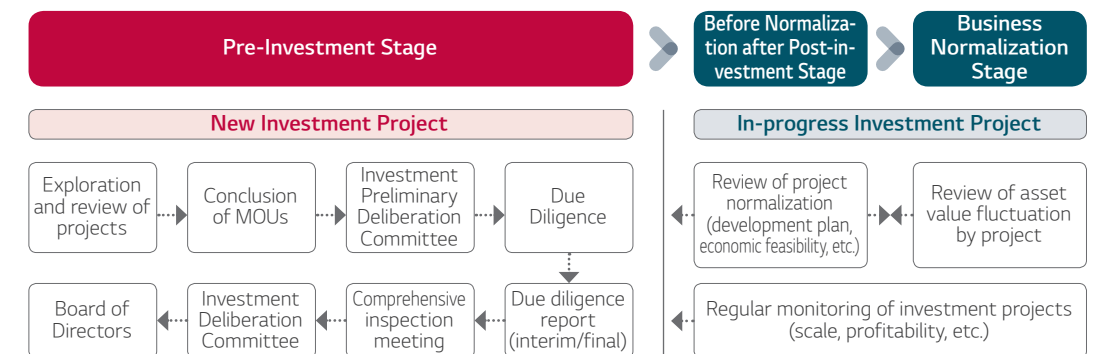
In order to effectively cope with diverse potential risks in business, LGI has been establishing tailored response systems from the preliminary stage of project. We consider overall risk factors at the company level and each business department cooperates in identifying critical risks and preparing countermeasures.

#### Eight Major Risks

Risk type	Details
Non-performance risk	Possibility of profitability deterioration due to the incapacity of contracted parties, guarantors, and intermediaries in performing contracts
Price risk	Possibility of profitability deterioration due to the fluctuation in product prices
Financial risk	Possibility of profitability deterioration due to the fluctuation in exchange and interest rates
Logistic risk	Possibility of increase in unexpected costs in transport, storage, and cargo handling stages
Dead stock risk	Accumulation of "dead stocks" due to drastic decrease in demand, product versatility, constraints in retail location, or changes in customer trends
Rights inexecution risk	Possibility of profitability deterioration due to the loss of legal claims caused by unfair contract terms, verbal contracts, ambiguous contractual responsibilities and rights, and illegal contracts
Environmental risk	Possibility of profitability deterioration due to social and economic constraints
Payment risk	Possibility of profitability deterioration due to a delay or default in payment of sales and investment profits

### Investment Risk Control

LGI complies with its investment business management process when starting new projects and controls investment risks through the on-track inspection during the post-investment stages. The investment deliberation guideline presents quantitative evaluation criteria such as minimum required rate of return and payback period and investment decision-making process requires tightening risk check. Moreover, related departments participate in due diligence from the initial stage and the steering committee by each stage enhances self-inspection on risks. Business departments and support departments operate the Investment Preliminary Deliberation Committee and Investment Deliberation Committee, respectively, to review and control risks in each stage. We also regularly monitor major issues and countermeasures and conduct self-inspection in existing investment projects.



## Credit Management Policy

LGI has prepared procedures necessary for credit transaction with customers at home and abroad, including preliminary review, credit check, and regular monitoring of transaction process. We also set up credit limits by customer to respond to possible risks in advance and present credit evaluation criteria, thereby preventing credit risks such as non-performing receivables and improving credit management capability.

## Other Financial Risks

The Company reduces financial risks and complies with financial transaction criteria by ensuring objectivity and transparency in controlling foreign exchange risk and funds.

### Foreign Exchange Risk Management

To ensure stable ordinary income in trade business and overseas investment business, LGI is strict in controlling foreign exchange risk. Cashflow-focused hedge is conducted in trade business for the purpose of harmonizing the exchange rate of pay-in and pay-out, while currency translation-focused hedge is implemented in overseas investment business in order to eliminate gains (or losses) from foreign currency translation. All foreign currency transactions are treated as the exposure to be controlled. If a department faces foreign exchange risk, it requests in-company forward exchange to the department dedicated to managing foreign exchange risk for prompt and effective hedge.





## Fair Trade and Supplier Risk Management

We have established fair trade principles in order to satisfy tightening regulations related to fair trade. Moreover, LGI operates a checklist to ensure objective and fair transaction when selecting suppliers and stipulates fair trade guidelines in written contracts with suppliers. Trainings on the importance of fair trade are provided to employees to raise their awareness.

### Practice Guidelines of the Code of Ethics

1. All transactions are fairly made on equal terms and go through consultation on transaction conditions and procedures.
2. We do not allow any wrongful act by using a prominent position.
3. We provide information necessary for transactions at the right time through proper procedures and transaction results are evaluated on the basis of fair criteria for mutual supplementation.

### Checklist for Selecting Suppliers

 <p><b>Education</b></p> <ul style="list-style-type: none"> <li>• Special relationship under the ownership structure between shareholders and the parent company</li> <li>• Exclusion of borrowed-name shareholders</li> <li>• Personal history regarding bribery cases</li> <li>• Consent on the compulsory specification of Jeong-Do Management compliance clauses in contract terms</li> <li>• Supplier's own code of ethics</li> </ul>	 <p><b>Compliance</b></p> <ul style="list-style-type: none"> <li>• Legal permit for business operation</li> <li>• Suppliers' violations of local laws</li> <li>• Whether the supplier has subcontractors or not</li> <li>• Child labor and forced labor cases</li> </ul>
 <p><b>Environment and safety</b></p> <ul style="list-style-type: none"> <li>• Incident and accident records for the recent five years</li> <li>• Warnings from federal or local governments due to violations of environment and safety for the recent five years</li> </ul>	 <p><b>Reasonable pricing</b></p> <ul style="list-style-type: none"> <li>• Price comparison with subcontract prices in nearby mines and farms</li> <li>• Adequacy of profit margin compared with the supplier's other sites</li> <li>• Adequacy of profit margin compared with other suppliers' sites (tramrail, water carriage, etc.)</li> </ul>

# APPENDIX

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# Financial Performances

## Consolidated Financial Statements

(Unit: Korean Won)

Item	2018	2017	2016
<b>Assets</b>			
<b>I. Current assets</b>	<b>2,558,402,868,072</b>	<b>2,554,249,851,745</b>	<b>2,671,936,983,654</b>
Cash and cash equivalents	342,013,992,404	395,210,646,602	311,172,521,345
Short-term financial instruments	14,162,013,217	20,649,035,434	93,525,398,830
Trade receivables	1,067,921,473,575	1,276,107,711,725	1,387,256,152,892
Account receivables	384,168,984,053	53,423,686,594	56,346,050,294
Accrued revenue	9,457,973,679	17,602,014,595	16,803,308,819
Advance payment	103,599,886,677	79,136,393,277	170,018,823,595
Prepaid expense	68,453,367,396	60,611,190,788	72,423,070,931
Fixed contract assets	-	-	160,176,100
Other current assets	53,407,666,364	52,318,169,515	39,632,943,283
Inventories	514,101,141,007	598,074,633,515	517,303,438,401
Assets held for sale	1,116,369,700	1,116,369,700	7,295,099,164
<b>II. Non-current assets</b>	<b>2,479,669,592,792</b>	<b>2,413,351,704,670</b>	<b>2,505,329,529,286</b>
Investment assets	218,213,725,783	219,833,447,315	232,452,063,453
Investments in affiliates	368,192,699,304	400,518,487,057	431,823,604,169
Tangible assets	669,022,391,781	552,520,113,266	551,670,385,318
Investments in real estate	30,157,578,479	31,823,895,884	33,257,613,805
Intangible assets	876,122,801,297	881,782,263,785	945,267,213,238
Deferred income tax assets	137,997,149,813	209,171,474,133	228,607,024,072
Other non-current assets	179,963,246,335	117,702,023,230	82,251,625,231
<b>Total assets</b>	<b>5,038,072,460,864</b>	<b>4,967,601,556,415</b>	<b>5,177,266,512,940</b>

(Unit: Korean Won)

Item	2018	2017	2016
<b>Liabilities</b>			
<b>I. Current liabilities</b>	<b>2,167,354,736,562</b>	<b>2,130,330,307,465</b>	<b>2,098,319,718,896</b>
Short-term borrowings	63,317,560,005	130,691,652,711	197,215,299,655
Trade payables	1,184,019,999,147	1,416,001,222,234	1,383,402,981,331
Account payables	389,071,758,434	161,151,458,919	144,515,461,375
Advance received	65,890,848,087	47,157,998,278	125,454,304,881
Advance deposit	34,252,534,209	34,949,245,779	36,463,428,751
Current tax liabilities	30,145,693,432	27,521,649,747	38,355,504,531
Accrued expenses	92,515,509,752	91,732,875,201	63,370,444,328
Current long-term liabilities	243,581,947,033	164,767,251,106	34,138,650,416
Advance revenue	56,004,014,606	48,391,143,639	59,250,305,506
Fixed contract liabilities	-	-	7,993,763,345
Guarantee received	8,554,871,857	7,965,809,851	8,159,574,777
<b>II. Non-current liabilities</b>	<b>1,321,180,091,742</b>	<b>1,251,810,813,437</b>	<b>1,433,588,696,393</b>
Debenture	389,222,416,113	329,309,563,570	428,931,964,226
Long-term borrowings	734,528,629,860	781,813,888,681	867,726,820,718
Retirement benefit liabilities	26,416,807,433	15,596,064,594	18,502,135,825
Deferred tax liabilities	98,342,352,062	89,446,408,738	98,805,797,562
Provisions	64,825,474,337	21,032,783,047	13,729,580,064
Other non-current liabilities	7,844,411,937	14,612,104,807	5,892,397,998
<b>Total liabilities</b>	<b>3,488,534,828,304</b>	<b>3,382,141,120,902</b>	<b>3,531,908,415,289</b>
<b>Equity</b>			
Total equity attributable to stockholders of the Company	1,128,497,260,478	1,194,391,292,031	1,248,901,566,649
I. Share capital	193,800,000,000	193,800,000,000	193,800,000,000
II. Share premium	101,163,277,682	100,930,648,791	100,849,152,498
III. Other capital	(1,578,948,670)	(1,578,948,670)	(1,578,948,670)
IV. Accumulated other comprehensive loss (gain)	(45,031,500,470)	(59,748,846,882)	45,391,792,378
V. Retained earnings	880,144,431,936	960,988,438,792	910,439,570,443
Non-controlling interest	421,040,372,082	391,069,143,482	396,456,531,002
<b>Total equity</b>	<b>1,549,537,632,560</b>	<b>1,585,460,435,513</b>	<b>1,645,358,097,651</b>
<b>Total liabilities and equity</b>	<b>5,038,072,460,864</b>	<b>4,967,601,556,415</b>	<b>5,177,266,512,940</b>

## Financial Performances

### Consolidated Income Statements

(Unit: Korean Won)

Item	2018	2017	2016
Sales	9,988,224,865,921	12,827,237,443,495	11,966,717,411,723
Cost of sales	9,277,167,228,160	12,076,656,118,081	11,220,847,479,788
Gross profit	711,057,637,761	750,581,325,414	745,869,931,935
Selling and Administrative expenses	545,398,288,115	538,326,980,232	571,796,193,287
Operating profit (loss)	165,659,349,646	212,254,345,182	174,073,738,648
Non-operating income	(9,063,970,612)	(34,362,851,269)	(40,893,941,045)
Financial income	198,620,956,796	230,304,110,920	292,044,268,801
Financial costs	(247,320,908,443)	(268,867,712,391)	(322,667,823,962)
Gains (losses) from equity method	109,092,905,080	15,063,156,791	2,967,887,463
Other on-operating income	(69,456,924,045)	(10,862,406,589)	(13,238,273,347)
Profit before income tax (loss)	156,595,379,034	177,891,493,913	133,179,797,603
Income tax expense	192,586,783,124	89,706,532,882	48,429,121,810
Net profit (loss)	(35,991,404,090)	88,184,961,031	84,750,675,793
Profit (loss) attributable to :	-	-	-
Stockholders of the Company	(70,364,878,626)	60,209,850,285	58,146,087,724
Non-controlling interest	34,373,474,536	27,975,110,746	26,604,588,069
Earnings (loss) per share	-	-	-
Basic	(1,820)	1,557	1,504
Diluted	(1,820)	1,557	1,504

### Consolidated Statements of Comprehensive Income

(Unit: Korean Won)

Item	2018	2017	2016
Net profit (loss)	(35,991,404,090)	88,184,961,031	84,750,675,793
Other comprehensive income	9,964,794,991	(131,588,501,959)	(2,270,898,354)
Items that will be reclassified to profit or loss subsequently	8,532,021,626	(132,135,412,971)	(4,702,417,245)
Gain on evaluation of available-for-sale financial instruments	-	(11,244,895,543)	(14,048,671,474)
Net gain (loss) on valuation of derivatives for cash flow hedge	1,730,785,964	(2,145,644,888)	1,124,589,850
Change in equity method	(1,389,899,537)	(11,434,238,866)	(2,613,952,394)
loss on valuation of equity method	(2,717,195,779)	5,724,458,562	(5,901,526,002)
Gain (loss) on overseas operations translation	10,908,330,978	(113,035,092,236)	16,737,142,775
Items that will not be reclassified to profit or loss subsequently	1,432,773,365	546,911,012	2,431,518,891
Remeasurements of Net Defined Benefit Liabilities	(5,487,585,020)	546,911,012	2,431,518,891
Gain (loss) on financial assets/liabilities at fair value through other comprehensive profit (loss)	6,920,358,385	-	-
Total comprehensive income (loss)	(26,026,609,099)	(43,403,540,928)	82,479,777,439
Total Comprehensive Income for the Year Attributable to:	-	-	-
Stockholders of the Company	(60,866,707,671)	(44,926,958,661)	58,164,795,788
Non-controlling interest	34,840,098,572	1,523,417,733	24,314,981,651

## Sustainability Management Performances

### Economic Performances

(Unit: KRW in millions)

Sales Breakdown			
Classification	2016	2017	2018
Resources business	1,756,457	1,049,556	1,059,085
Infrastructure business	7,247,671	8,230,462	5,029,815
Others	2,962,589	3,547,219	3,899,325
Total	11,966,717	12,827,237	9,988,225
Breakdown of Operating Profit			
Classification	2016	2017	2018
Resources business	27,472	78,399	28,252
Infrastructure business	72,203	58,629	41,460
Others	74,399	75,226	95,947
Total	174,074	212,254	165,659
Distribution of Economic Value			
Classification	2016	2017	2018
Shareholder	Dividend 7,732	9,665	9,665
Employees	Salary 214,332	219,677	217,355
	Retirement benefit 12,982	15,459	15,612
	Welfare benefit 48,004	49,421	54,029
	Total 275,318	284,557	286,996
Local communities	Donation 20,825	14,786	2,824
Government	Corporate tax 48,429	89,707	192,587

### Environmental Performances

Input			
Classification	2016	2017	2018
LNG consumption (Nm) <sup>*</sup>	67,587	75,677	78,372
Electricity consumption (MWh)	1,290	1,374	1,409
Water consumption (Ton)	8,951	8,236	7,855
Output			
Classification	2016	2017	2018
Direct & indirect GHG emissions (tCO <sub>2</sub> eq)	837.64	848.77	841.35
Waste emissions (Ton) <sup>**</sup>	11	20	13
Recyclable waste emissions (Ton)	10	19	12

<sup>\*</sup>Changed the unit from thermal unit (TJ) to gas meter (Nm)    <sup>\*\*</sup>Including daily waste and recycled waste (as of LGI's quota)

### Social Performances

Employment Status				
Classification		2016	2017	2018
Employment (Unit: persons except ratio data)	Total number (persons)	516	481	470
	Male (persons)	403	370	361
	Female (persons)	113	111	109
	Regular position (persons)	505	474	464
	Non-regular position (persons)	11	7	6
	Turnover rate (%)	6.9	5.2	3.8
	New employees (persons)	27	40	26
	New college graduates (persons)	22	30	16
	Career position (persons)	5	10	10
	Global Staff (persons)	322	346	340
Diversity	Employees with disabilities (%)	1.3	1.2	1.5
	Employees of national merit (%)	2.9	2.3	2.3
	Female managers* (%)	8.4	8.7	8.3

\*Female employees serving as the manager or higher levels in office job and senior staff in administrative job

Employee Training				
Classification		2016	2017	2018
Training hours per employee (hours)		72	94	72
Training expenditure per employee (KRW in millions)		2.2	2.3	2.2

Training on Sexual Harassment Prevention				
Classification		2016	2017	2018
Employees who completed the training (persons)		507	440	452
Rate of completion (%)		99	100	100

Parental Leave				
Classification		2016	2017	2018
Employees who worked more than one year after return to work from parental leave (persons)		5	4	4
Rate of return to work after parental leave (%)		100	100	100
Rate of over 1-year service after parental leave (%)		56	66	80

Pension Support				
Classification		2016	2017	2018
Operation amount* (KRW 100 millions)	Defined Benefit Plan (DB)**	65	53	48
	Defined Contribution Plan (DC)***	2.4	2.9	0.9
Subscribers (persons)	Defined Benefit Plan (DB)	543	491	429
	Defined Contribution Plan (DC)	16	13	14

\*Accumulated amount as of the end of year    \*\*DB: Lump sum payment upon retirement    \*\*\*DC: Retirement payment in installment annually

Salary, Retirement Benefit, and Welfare Benefit (KRW in millions)				
Classification		2016	2017	2018
Salary		214,332	219,677	217,355
Retirement benefit		12,982	15,459	15,612
Welfare benefit		48,004	49,421	54,029
Total		275,318	284,577	286,966

Occupational Safety and Health				
Classification		2016	2017	2018
Accident rate (%)		-	0.23	0.26
Number of accidents at work (cases)		-	1	1

Source: "Confirmation of Industrial Accident Rate" published by the KOSHA (Korea Occupational Safety and Health Agency)

## Third-party Assurance Statement

### Dear LG International Management and Stakeholders

#### Introduction

The Korean Standards Association ("KSA") was commissioned by of LG International to perform a third-party Assurance Engagement of 'LG International Sustainability Report 2019' (the "Report"). KSA presents independent opinions as follows as a result of the feasibility of the data contained in this Report. LG International has sole responsibility for content and performance contained in this Report.

#### Independence

As an independent assurance agency, KSA does not have any kinds of commercial interest in businesses of LG International apart from undertaking a third-party assurance on the Report. We have no other contract with LG International that may undermine credibility and integrity as an independent assurance agency.

#### Assurance Standards and Level

This Assurance Engagement followed the AA1000AS (2008 with 2018 addendum) assurance standards to provide Moderate Level assurance. We checked the four principles of inclusivity, materiality, responsiveness, and impact in combination with information credibility of the Report. We also reviewed whether the Report content was created in accordance with the GRI Standards.

#### Assurance Type and Scope

This Assurance Engagement followed the AA1000AS (2008) assurance standards to provide Type 2 assurance, which means that the assurance assessed the accuracy and reliability of the Company's statements and performance data provided in the Report. The assurance scope is from January 1, 2018, to December 31, 2018, and the assurance focused on systems and activities including policies and goals, businesses and programs, standards, and achievements of the Company's sustainability management. While the company's environmental and social data, as well as financial data, was verified, the scope of review concerning stakeholder engagement was limited to the materiality test process.

#### Assurance Methodology

We used the following methods to gather information, documents, and evidence concerning the assurance scope.

- Research and analyses on the articles related to LG International sustainability management
- Review of the management system and process used in improving the performance of sustainability management and preparing the Report
- Review of the consistency between the financial performance data and the company's audit report/publicly announced data
- Examination of internal documents and basic materials

#### Assurance Results and Opinions [On an assurance principle/process level]

KSA reviewed the draft version of this Report to present our opinions as an assurance provider. Modifications were made of the Report content if deemed necessary. We were not aware of any significant errors or inappropriate descriptions in this Report as a result of our Assurance Engagement. As such, we present our opinions of the 'LG International Sustainability Report' as follows.

##### Inclusivity

##### - Has LG International engaged its stakeholders in strategically responding to sustainability?

KSA believe LG International is aware of the importance of stakeholder participation and is making an all-out effort to establish a process that will increase their participation. LG International has selected stakeholders including customers, shareholders, investors, partner companies, employees and local communities to receive diverse feedback and opinions.

##### Materiality

##### - Has LG International included material information in the Report to help stakeholders make informed decisions?

We are not aware of any significant omissions or exclusions of data that is material to stakeholders. We verified that LG International conducted materiality test with issues identified from analyses of internal and external environments and reported according to the result.

##### Responsiveness

##### - Has LG International appropriately responded to stakeholder requirements and interest in this Report?

We verified that LG International responded to stakeholders' needs and interests through reflecting stakeholders' opinions in the Report. We are not aware of any evidence that LG International's response to significant issues of stakeholders was reported inappropriately.

##### Impact

##### - Has LG International appropriately monitored its impact on the stakeholders?

We verified that the LG International is monitoring and assessing its impact on the stakeholders. Furthermore, it has been verified that LG International appropriately publishes its findings in the Report.

### GRI Standards Application

We confirmed that this Report was prepared in accordance with GRI Standards Core Option. Based on data LG International provided, we also confirmed the validity of the contents related to General Standard Disclosure and Specific Standard Disclosure.

#### Universal Standards

We have verified that the Report complied (s) with the requirements of the Universal Standards of Core Option, and (have) reviewed the following disclosures:

102-1 to 102-13 (Organizational profile), 102-14 (Strategy), 102-16 to 102-17 (Ethics and Integrity), 102-18 (Governance), 102-40 to 102-44 (Stakeholder Engagement), 102-45 to 102-56 (Reporting Practice), 103 (Management Approach)

#### Topic-specific Standards

We have checked the material topics identified from a materiality test process in which content to be disclosed. We examined disclosures below:

201-1, 201-3, 203-1, 203-2, 302-4, 401-2, 401-3, 405-1, 413-1, 413-2, 419-1

### Opinions and Recommendations [Performance/Issues]

We present the following recommendations to help LG International establish a company-wide sustainability management strategy and respond to continuous issues of sustainability.

#### Economic

Based on the resource and infrastructure business, LG International is driven to achieve organizational common goals such as customer value creation and business value increase, expanding synergy with current business and discovering new business model for future growth, to satisfy customers, shareholders and company participants with Jeong-Do Management via sustainable management activities, envisioning 'Global Business Challenger', increasing value through talents and asset investment. To successfully achieve sustainable management, it is crucial to secure achievement-based, responsible management, it is essential to have transparency in accounting and high level of transparent management. Therefore, rather than a short-term approach, it is advised to increase continuous and comprehensive response accompanied by consistent management on financial and non-financial risks and the ability for proactive respond in management environment change

#### Environment

LG International is a global trading company, leading various businesses overseas, developing EHSS (Environmental, Health & Safety, Social) management system to control and manage environment and safety suit to the location. Fossil fuel mining and energy business which LG international is propelling has high environmental risk. Therefore, it is advised to manage related data on the environment quantitatively and open to the public via sustainability report for better communication.

#### Social

It is highly regarded for LG International to expand and propel SDGs related activities and corporate operation as a global corporate citizen to achieve SDGs. In addition, as to respond various issues in global workplace, measure and monitor occupational environment, safety, health and social risk and constant improvement is expected to contribute to spread CSR through the supply chain. In the future, we advise to broaden CSR in organization operation linked to the finding topics from material evaluation and sustainable management strategy and corporate-wide strategy and report the achievements in regards.

August 2019  
Sang-Jin Lee, KSA Chairman & CEO




The Korean Standards Association (KSA), established as a special corporation in accordance with the Law for Industrial Standardization in 1962, serves as a knowledge service provider that distributes and disseminates such services as industrial standardization, quality management, sustainability management, KS certification and ISO certification. The KSA is committed to the sustainable development of Korean society as an ISO 26000 national secretary, certified GRI training partner, AA1000 assurance provider, KSI (Korea Sustainability Index) operator, and UN CDM DOE (development operational entity), and as an assurance provider of the Korean government's greenhouse gas energy target management system.

# GRI Standards Index

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## Awards and Association Memberships

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GRI 414: Supplier Social Assessment (2016)	414-2	Negative social impacts in the supply chain and actions taken	37-42	
GRI 419: Socioeconomic Compliance (2016)	419-1	Non-compliance with laws and regulations in the social and economic area	Absence	

### Awards

Award	Hosted by	Year
Minister Citation of Trade, Industry & Energy (LGI's Japan subsidiary)	Korea International Trade Association	2018
Citation of merit for the development of overseas resources	Energy & Mineral Resources Development Association of Korea	2017
1st place in the trading sector of KSI (Korea Sustainability Index)	Korean Standards Association	2017
Deal of the Year (award for excellent project financing)	IJ Global (Project Finance & Infrastructure Journal)	2016
Minister Award of Trade, Industry, and Energy at the "Indonesia CSR Award"	The Embassy of Korea in Indonesia, KOTRA, Indonesia Investment Coordinating Board, and Small and Medium Business Administration of Indonesia	2015
Citation of merit for the development of overseas resources	Energy & Mineral Resources Development Association of Korea	2014
Prime Minister's Citation at the Trade Day	Korea International Trade Association	2013
Minister Award of Trade, Industry, and Energy at the Trade Day	Korea International Trade Association	2013
1st place in the trading sector of KSI (Korea Sustainability Index)	Korean Standards Association	2013
Minister Award of Knowledge Economy at the Trade Day	Korea International Trade Association	2012

### Association Memberships

Association Name	Status	Major Roles
Korea-Oman Friendship Association	Council member	Exchange information and strengthen ties among organizations and companies of Korea and Oman
Korea Chemical Management Association	Member	Complete trainings for legal compliance and report related data
Korea Customs Logistics Association	Member	Obtain and renew the patent on the Gumi hub (public bonded warehouse) and support operation
Gumi Chamber of Commerce and Industry	Member	Hold membership in accordance with sales tax criteria based on the Chambers of Commerce and Industry Act
Korean Chamber of Commerce and Industry	Member	Hold membership in accordance with sales tax criteria based on the Chambers of Commerce and Industry Act
Korea International Trade Association	Member	Hold membership in accordance with the Foreign Trade Act
Korea Listed Companies Association	Member	Share information on disclosure and issues among listed companies
Korea Investor Relations Service	Member	Collect IR-related information and participate in seminars and trainings
Korean Bar Association (Seoul)	Member	Engage in legal activities such as litigation and give legal advices for local business operation
Law Society of New South Wales	Member	Maintain the legal qualification and authorities
Law Society of New South Wales	Member	Maintain the legal qualification and authorities
Emergency Planning Association	Member	Hold membership as a residing emergency planning agency (military drills, etc.)

