

Harmonizing Human Beings with Nature

2015 LH
Sustainability Report



About this report

Report Overview

The Korea Land and Housing Corporation (LH) publishes the sustainability management report to ensure transparency in its commitment to sustainable management through diverse activities. This report is based on the latest Global Reporting Initiative (GRI) G4 guidelines with a focus on issues material to our businesses and stakeholders so that it can serve as an effective sustainability report that contains valuable information about the LH. We will continue to do our best to facilitate communication with our stakeholders through the report.

Reporting Period, Scope, and Boundary

The contents of this report cover the major activities and achievements the LH's headquarters and local headquarters in the period from January 1 to December 31, 2014. Some sections reflect the latest (2015) data, and to facilitate time series analysis, some quantitative data include statistics for the last three years. In particular, this report stresses the Disclosures on Management Approach (DMA) concerning the materialist issues identified through the materialist test in accordance with the Global Reporting Initiative (GRI) G4 guidelines and includes its effect on our stakeholders and management methods.

Reporting Principle

This report is based on the Core option of the Global Reporting Initiative (GRI) G4 guidelines. The contents of this report are prioritized based on stakeholders' interest and impact on the organization through stakeholder engagement and a materiality test and include the Disclosures on Management approach and related indicators concerning material aspects. The LH's achievements in areas related to finance, environment, and labor are based on the related standards at home and abroad and the units and the units and standards for calculation are indicated separately.

Assurance

This report was verified by an independent outside assurance provider to ensure the report's reliability and accuracy. The assurance statement can be found in the appendix.

Additional Information about the Report

More detailed information about the LH's sustainability management activities on the LH website. Also, our sustainability management reports, which are published in Korean and English, are available for download in PDF files. Please refer to the contact information for further inquiry or opinions about our sustainability report.

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Contents

About this report	02
CEO Message	04
2014 Highlights	06

LH SUSTAINABILITY OVERVIEW

Introduction to the LH	10
Governance	13
Sustainable Management Promotion System	14
Stakeholder Engagement	16
Materiality Test	18
Risk Management	20

LH SUSTAINABILITY ISSUES

Financial Stability	24
Housing Stability Assistance	28
Reinforcement of Land Competitiveness	32
Ethical Management	37
Talent Management	40
Human Rights Management	44
Customer Delight	47
Shared Growth	52
Contribution of Local Society	57
Green Management	62
Creation of Eco-Friendly Cities	66

APPENDIX

Third-Person Assurance Statement	70
GRI G4 and ISO 26000 Application Standards	72
Awards/ Memberships	78
Sustainable Management Initiative	79

2015 LH Sustainability Report

CEO Message



Greetings to our valued stakeholders

LH has been striving to realize its core vision of being the “world-class land and housing service provider that creates the base of happy life,” giving its top priority to “national happiness.” In order to complete its mission, LH has contributed to national housing stability and balanced land development. It will continue to fulfill its social and environmental as well as economic responsibilities as a full-fledged sustainable company.

To that end, LH supports the UN Global Compact’s ten principles in the areas of human rights, labor, environment, and anti-corruption and incorporates them into its business activity. We report our effort for sustainable management in our fourth annual sustainability report, hoping to share it with our stakeholders for further development. Despite the tough business environment during the year of 2014, all LH employees joined forces and made achievements in many areas.

Above all, we made record-breaking achievements in sales since the launch of the company and laid the foundation to reduce debts while stably carrying out governmental policies through diversification in business methods. In addition, we could cut roughly KRW 7 trillion in financial debts for the first since the integration. Our mission has not yet been accomplished. The U.S. economy is recovering, but the economic conditions in China and the European Union are still volatile. As the Korean government and people expect LH to take a role in achieving stabilization in the housing rental market and economic vitality, we should do our best to meet their expectations. We have been committed to achieving management innovation, structural improvement in the financial system, and business normalization. However, we will not rest on our laurels and continue to push ourselves to grow into a sustainable company with far-sighted goals through consistent innovation.

Our first goal is to create “happy residential spaces in which everybody wants to live.”

LH started to build 23,368 Happy Houses in 2014, outperforming its target of 23,000 houses for approval, and continued to fulfill its responsibility for national housing stabilization and balanced land development, as well as creation of new residential spaces. As a result, LH won the Minister of Land, Infrastructure, and Transport in the overseas construction sector, making its name as a world-class construction company. We will continue to focus on our core competency while discovering our potential for the future growth of LH.

Second, we will maximize sales and business innovation to ensure financial stability.

In order to become sustainable in the long term, consistent debt reduction is essential. LH will organically cooperate with the headquarters of each sector, local organizations, and branch offices throughout the whole project process from basic planning to construction, sales, and post-sales services in order to become marketable products customers are satisfied with. Last year, we succeeded in

cutting costs by diversifying new businesses, such as large-scale development, joint development with public sectors, and rental house REITs. We will continue to discover new business models and innovative business methods in all new areas of our business in the present and in the future.

Third, we pursue “new growth green cities that lead the future.”

LH has done business through cooperation as we believe that it is also our duty to contribute to national competitiveness by managing land efficiently and discovering advanced land with high potential. We have been committed to enhancing national competitiveness and shared growth by developing land jointly with private enterprises and providing civil servants of developing nations with training in urban development. We will expand our cooperative effort to maximize land use and achieve a sustainable competitive advantage based on it.

Fourth, we will discover competitive land in the global market for “shared growth with contractors and suppliers.”

LH has done business through cooperation as we believe that it is also our duty to contribute to national competitiveness by managing land efficiently and discovering advanced land with high potential. We have been committed to enhancing national competitiveness and shared growth by developing land jointly with private enterprises and providing civil servants of developing nations with training in urban development. We will expand our cooperative effort to maximize land use and achieve a sustainable competitive advantage based on it.

Fifth, we are vowed to transparency in business operations.

Transparency is prerequisite for the structural competitiveness of a public company. The survival of a company cannot be ensured without transparency even if the company has achieved outstanding performance. As the reliability of a company lies in the ethicality and integrity of each member of the organization, LH will work even harder to promote anti-corruption and integrity compliance.

LH will move to Jinju, Gyeongsangnam-do, in 2015.

If we had focused on overcoming crises and achieving financial stability for the last five years, we will gear ourselves up to grow into a sustainable company. As the year of 2015 is critical for LH to establish a sustainable foundation in order to cope with diverse difficulties and external challenges, we will do our best to constantly change and innovate ourselves with our capacity as the basis in order to become a company essential for national life.

Thank you.

President and CEO of LH

이재영

2014 Highlights



① Financial debt reduced for the first time since the corporate integration

LH implemented the sales target management system, a sales management contract signed by the CEO and the department chiefs, to maximize sales, laying the foundation for the virtuous cycle of the business structure. The absolute scale of financial debt reduced for the first time since the corporate integration and the global credit rating agency S&P upped LH's credit rating outlook from "stable" to "positive" on September 22, 2014.

② Anti-corruption and Integrity Resolution Rally held

On October 8, 2014, the LH headquarters and 23 local headquarters across the nation held a resolution rally simultaneously, vowing for anti-corruption and integrity practices. All LH employees adopted the "Anti-Corruption and Integrity Practice Resolution" and sang the Cyber Integrity Oath, pledging to abide by the ethics charter and the code of conduct, practice integrity as part of life, create a transparent public office atmosphere, and fulfill social responsibility and customer delight.



③ Scholarship awarded to 261 children of tenants living in rental housing for low-income families

LH supports children of low-income families with scholarships as part of its livelihood support program for tenants of the rental housing for low-income families so that they can grow up into wholesome members of community. On October 28, 2014, LH awarded a scholarship (livelihood support fund) of KRW 1 million ~ 1.5 million to each of 261 children of the rental house tenants at the scholarship award ceremony held at the LH Headquarters.



④ New customer-centered LH website launched

In an effort to enhance customer convenience, LH designed its new website (www.lh.or.kr) and unveiled it on November 11, 2014. In consideration of the growing number of visitors who access the LH website using mobile devices, LH created its mobile website (http://m.lh.or.kr) for their convenient use of LH's information service under the mobile environment, consolidating its channels of communication with its customers.



⑤ President's Prize won at the "2014 New Technology Commercialization Promotion Contest"

LH organized a small and medium-sized business support team, contributing to managing the purchase of certified new products and boosting the purchase of products made by small and medium-sized companies, and built an innovative small and medium-sized company support system that covers the whole process from technology development to sales. LH's contribution to market expansion for the certified New Excellent Products was recognized at the "2014 New Technology Commercialization Promotion Contest" held by the Ministry of Trade, Industry and Energy, which made LH the first public organization to win the "President's Prize".



⑥ The "Earthquake Control Technology Learning Center" launched in the Green Hall

In order to keep up with social demand for the improvement and consolidation of the safety and disaster prevention system after the Sewol tragedy, LH opened the "Earthquake Control Technology Learning Center" in the Green Hall in October 2014. The learning center is designed to provide visitors with useful knowledge about the earthquake control system that incorporates various technological elements essential for the protection of lives and assets from earthquakes under the topic "Construction of a city safe from natural disasters."

Sustainability Overview

LH was established to improve national residential life through the development, maintenance, and management of land, housing, and cities and promote efficient land use, contributing to national economic development. As a leading land and housing enterprise, LH is committed to creating a human-centered world for national happiness.

Introduction to LH 10



Corporate Governance 13



Stakeholder Engagement 16



Materiality Test 18



Sustainable Management System 14



Risk Management 20



Introduction to LH

Name	Korea Land and Housing Corporation	Organization Type	Public enterprise (quasi-market type)
Date of Foundation	October 1, 2009	Ownership Type	Government (87%), Korea Finance Corporation (13%)
Purpose of Foundation	<ul style="list-style-type: none"> To acquire, develop, reserve, and supply land To develop and upgrade cities To build, supply, and manage housing 	No. of Employees	6,121 people
Headquarters	(660-031) 19 Chungui-ro, Jinju, Gyeongsangnam-do, Korea	Major Workplaces	Headquarters and 12 local headquarters
CEO	Lee Jae-Young	Capital	KRW 25.8 trillion
Relevant Government Office	The Ministry of Land, Infrastructure and Transport	Total Asset	KRW 171.6197 trillion
		Sales	KRW 21.2419 trillion

Vision and Core Value

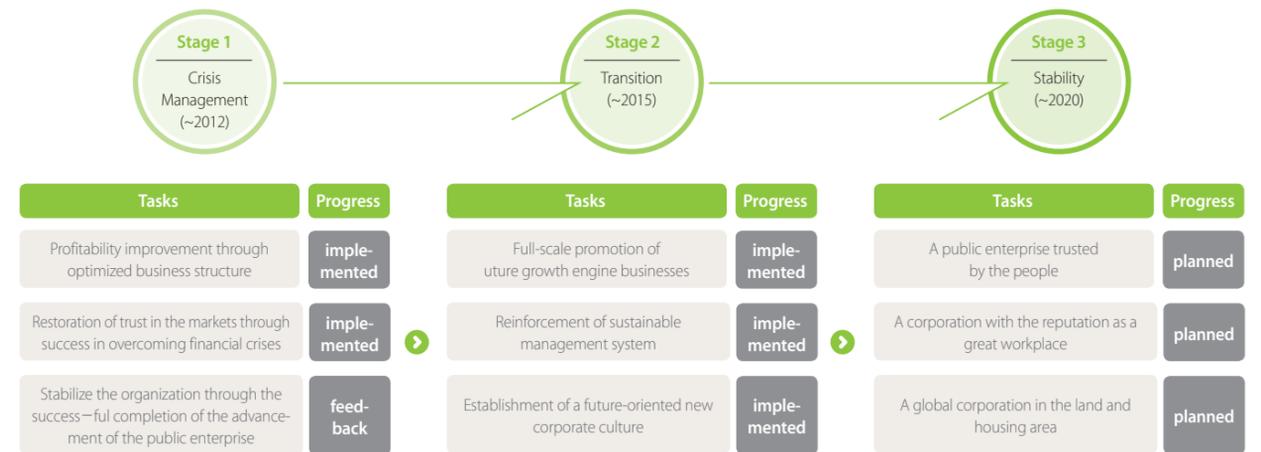
The vision of LH is to become "a world-class land and housing service provider that creates happy residential sites." In an effort to fulfill its vision, LH is undertaking the mid- and long-term project, "LH 2020," and working towards achieving its strategic goals on the basis of its management principles that stresses the provision of people-oriented land and housing services, fulfillment of responsible duties as a public enterprise, and communication and harmony. With core values, such as customer trust and delight, and challenges as the basis, LH focused on realizing universal residential welfare, consolidation of land competitiveness, financial stability, and customer delight in 2014.

LH 2020



LH 2020 in Progress

LH is undertaking its mid- and long-term project "LH 2020" since 2012 with the aim of maintaining financial stability and succeeding in fulfilling its public responsibility. During the period from 2013 to 2014, LH diversified its business methods to achieve business normalization and focused on sales, succeeding in fulfilling its management goals and contributing to real estate market stability and economic vitalization. Also, LH is concentrating its effort to push the new business model discovery project and innovation in business methods it began in earnest in 2014.



Major Projects

LH aims to offer happy housing services and build new land and housing development models for the improvement of the national housing welfare and efficient land use. We are committed to laying the foundation for national economic growth by establishing a people-oriented management system and securing a virtuous cycle of the business structure.



Introduction to LH

Generation and Distribution of Economic Value

LH generates economic value through major business activities and returns it to society and stakeholders. In 2014, LH saw KRW 21 trillion in sales, KRW 1.1118 trillion in operating profit, and KRW 847.9 billion in net profit.

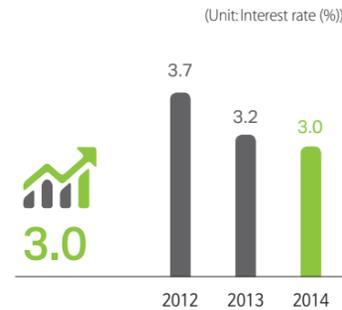
Classification	2012	2013	2014	
Sales	183,717	183,000	212,419	
Sales in each sector	Land Development	122,905	108,922	137,565
	Housing Construction	48,578	61,155	61,984
	Housing Welfare	8,456	8,844	10,197
	Subsidiary Business	3,778	3,807	2,674
Operating Profit	14,085	8,295	11,119	
Net Profit	12,047	7,108	8,479	

Classification	2012	2013	2014	
Economic Value Generated	183,717	183,000	212,419	
Shareholders	Dividend	618	1,228	681
Government	Corporate tax	11	0	1
Employees	Wage and benefits	5,995	5,634	5,527
Local Community	Local taxes and social contribution	2,274	3,337	3,820
Suppliers	Construction cost	110,583	115,662	98,567

Financial Statements

Classification	Unit	2012	2013	2014
Assets	Current assets	950,373	970,046	921,981
	Non-current assets	727,244	763,429	794,216
	Total assets	1,677,616	1,733,475	1,716,197
Liabilities	Current liabilities	381,841	392,928	363,662
	Non-current liabilities	999,380	1,029,673	1,015,146
	Total liabilities	1,381,221	1,422,602	1,378,808
Equities	Capital stock	230,792	238,923	257,825
	Others	65,567	71,916	79,529
Total equity		296,396	310,874	337,390
Growth	Sales growth	20.4	(0.5)	16.1
	Net profit growth	52.4	(41)	19.3
Profitability	Return on asset	0.7	0.4	0.5
	Return on Equity	4.1	2.3	2.6
Stability	Current ratio	249	247	254
	Quick ratio	26	26	30
	Debt-to-equity	466	458	409
	Financial debt ratio	351	340	292
Equity ratio	17.7	17.9	19.7	
Productivity	Gross value added to assets	4.2	4.0	3.9

Reduction of interest costs



* Weighted average interest rate for funding

Corporate Governance

Board of Directors (BOD) Composition

The Board of Directors (BOD), as the highest decision making body, reviews and concludes basic management policies and major management decisions. The BOD consists of seven executive directors and eight non-executive directors and chaired by the senior non-executive director. The non-executive director is named by the Minister of Strategy and Finance among the candidates recommended by the Nominating Committee after the review and the vote of the Steering Committee of Public Institution in accordance with the Act on the Management of Public Institutions.

BOD Operation

The BOD makes decisions by a majority vote of the current directors and any director who has a stake in the items on the agenda in question cannot participate in voting. The BOD is held monthly and can call a BOD meeting when necessary. In 2014, the BOD held 17 BOD meetings and handled 30 issues.

Subcommittee Operation

LH operates several subcommittees and an audit committee under the BOD for in-depth review of the issues entrusted by the BOD or the issues that require preliminary review before any decision is made by the BOD. In 2014, LH held seven subcommittee meetings involving the Audit Committee, Planning and Management Committee, as well as major project committees, to address 21 issues.

Employee Evaluation and Reward

The BOD activity is assessed by the outside assessment team during the annual governmental management evaluation. The wage of the executive director consists of the basic annual salary, performance-related annual salary, and retirement allowance and the performance-related annual salary is commensurate with the result of the governmental management evaluation. The performance-related salary of the CEO is based on the management contract and that of the executive director except the CCEO is based on the management performance evaluation methods set by the CEO within the limit of 100 percent of the basic annual salary. In case an executive director violates LH's ethical principles in accordance with the Article 7 Sustainable Management Regulations, the performance-related salary that has been already paid or will be paid is subject to return in accordance with the determination of punishment.

Executive director (As of Mar. 2015.)

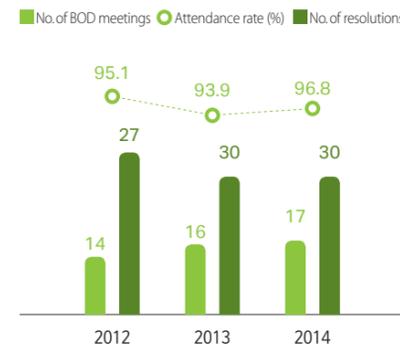
Name	Position	Gender
Kim Yeong-Do	Standing auditor	Male
Hwang Jong-Cheol	Vice president and head of Planning and Finance Division	Male
Sin Dong-Cheol	Head of Housing Welfare Division	Male
Park Su-Hong	Head of City Environment Division	Male
Yoo Byeong-Yeol	Head of Public Housing Division	Male
Lee Hyeon-Ju	Head of National Project Division	Male

* Seven directors including heads of divisions

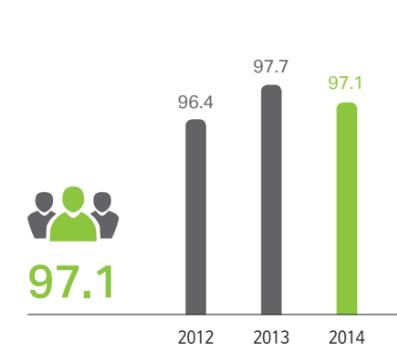
Non-executive director (As of Mar. 2015.)

Name	Position	Gender
Chae Duk-Seok	Chairman of K-Reits & Partners	Male
Kim Seon-Yong	Vice president of Higen Motor	Male
Kim Seon-Nam	President of Gwangnam Ilbo	Male
Kim Chan-Gil	Chairman of the Korea Housing Managers Association	Male
Yun Ju-Sun	Vice Chairman of Korea Institute of Urban Planners	Male
Wi Seung-Cheol	Examiner of Gyeonggi-do City Planning Construction	Male
Park Won-Gyu	Chairman of Dongjak District Council	Male
Kim Geun-Yeong	Professor of urban engineering at Kangnam University	Male

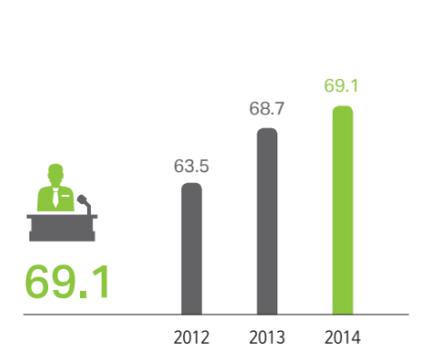
BOD Activities



Attendance rate of non-executive directors (%)



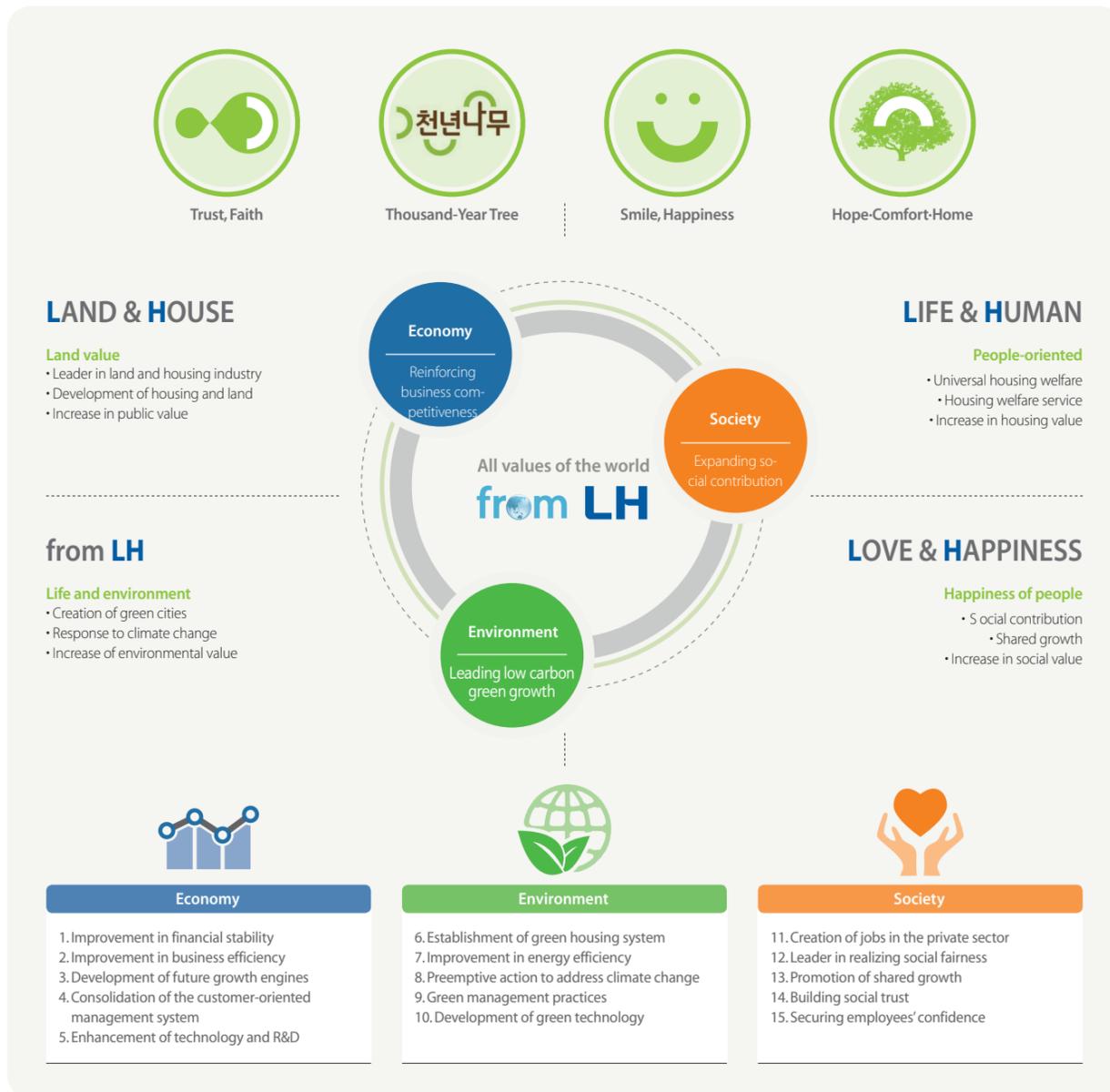
Ratio of statements by non-executive directors (%)



Sustainable Management Promotion System

Sustainability Management Strategy

LH has strived to establish the basis of sustainable growth by setting the criteria and procedures for ethical management, customer satisfaction management, quality management, green management, and risk management through the "sustainability management regulations" since its launch on October 2009. In order to enhance sustainability through the balanced growth of the economy, society, and environment, we have set up three key sustainability management strategies-strengthening business competitiveness, leading low carbon green growth, and contributing to local communities.



Sustainability Performance Management

LH is geared for consistent innovation as part of its effort to turn various crises it faces, such as the stagnation of the real estate market, along with changes in the environment for development, demand for debt reduction as a result of business normalization in public organizations, and active participation of the private sector in rental housing, into opportunities.

Objectives	Major Projects	Outcomes in 2014
To realize universal housing welfare	Construction of public housing and Happiness Housing	<ul style="list-style-type: none"> Construction of 550,000 housing units began (103% achieved) Construction of 5000 Happiness Housing units began (116 & achieved)
	Supply of 12,146 housing units (REITs Nos. 1~ 3) in 12 zones through stable supply of private fund-utilized Business expenses	<ul style="list-style-type: none"> 16,204 public rental housing units (REITs Nos. 4-7)
	Housing benefit, etc.	<ul style="list-style-type: none"> Installation of 49 housing voucher offices across the nation(1,767 employees) Housing benefit project pushed for 970,000 low-income households
To consolidate national land competitiveness	Creation of Sejong Innovation City	<ul style="list-style-type: none"> Preparation of six potential projects for the attraction of foreign investment Support for the attraction of self-sufficient facilities to Sejong City (Korea University and Chungnam University Hospital launched in Sejong City and MOUs signed by 64 companies)
	Development of urban cutting-edge industrial complexes and local specialized industrial complexes Urban regeneration	<ul style="list-style-type: none"> Promotion of urban vitalization through the specialized development of each district Participation in the establishment of 12 industrial complexes, including urban cutting-edge industrial complexes and local specialized industrial complexes Attraction of overseas investors to Dongtan District 2 in Hwaseong (KRW 6.6 billion)
	Creation of green cities	<ul style="list-style-type: none"> Expansion in the use of low impact development techniques and renewable energy Building of the Hwaseong Dongtan 2 Green Transportation System. Reduction of 30 percent of energy consumption on average through the application of energy conservation techniques in school facilities
To secure financial stability	All-out sales and loan collection	<ul style="list-style-type: none"> Record-breaking sales through the implement of the sales target program (KRW 27.2 trillion in supply), loan worth KRW 21.7 trillion collected Financial debt worth KRW 7.2 trillion reduced (KRW 98.5 trillion)
	Cost reduction in each project period	<ul style="list-style-type: none"> Cost worth KRW 1.3540 trillion cut and profitability increased
	Revamping of business methods	<ul style="list-style-type: none"> Transformation of the business structure into a virtuous cycle (loan collection>cost) Debt worth KRW 2.3624 trillion cut through utilization of private capital and revamping of business methods for mutual cooperation
To embody customer delight	Management for customer satisfaction and regulatory reform	<ul style="list-style-type: none"> Establishment of the foundation for housing construction that incorporates customers' needs through the introduction of the system based on customer's suggestions Enhancement of customer satisfaction through the design of Happiness Housing that suits customers' needs and geographical conditions Optimized facility management through comprehensive measures for disaster prevention and safety management for customer safety
	To establish an integrity and anti-corruption system	<ul style="list-style-type: none"> Expansion of pre-monitoring system through the introduction of an Ombudsman pre-monitoring system Introduction of the whistleblower system in relation to corruption
	To improve employee satisfaction	<ul style="list-style-type: none"> Establishment of a performance-based personnel management system, reinforcement of correlation between performance and wage and personnel management Promotion of 94 temporary employees to regular status Expansion of the flexible work hour system (flextime workers increased 2.9 times) Redesign of the maternity protection and sexual harassment prevention programs Promotion of annual paid vacation (launch of a long-term paid vacation for over five days)
To establish a firm-wide win-win partnership system	To establish a firm-wide win-win partnership system	<ul style="list-style-type: none"> Discovery of benefit sharing models in four areas Support for small and medium-sized businesses throughout the whole process from market opening to sales Building of a partnership system with the Small and Medium Business Corporation (SBC) Expansion of the joint-venture system with prime contractors (8 zones)
		<ul style="list-style-type: none"> Social contribution activities for rental house tenants at each stage of the life cycle Operation of housing welfare governance (160 complexes) through environmental cleanup, community vitalization, job creation, and various service activities Vitalization of volunteer work
To expand social responsibilities		

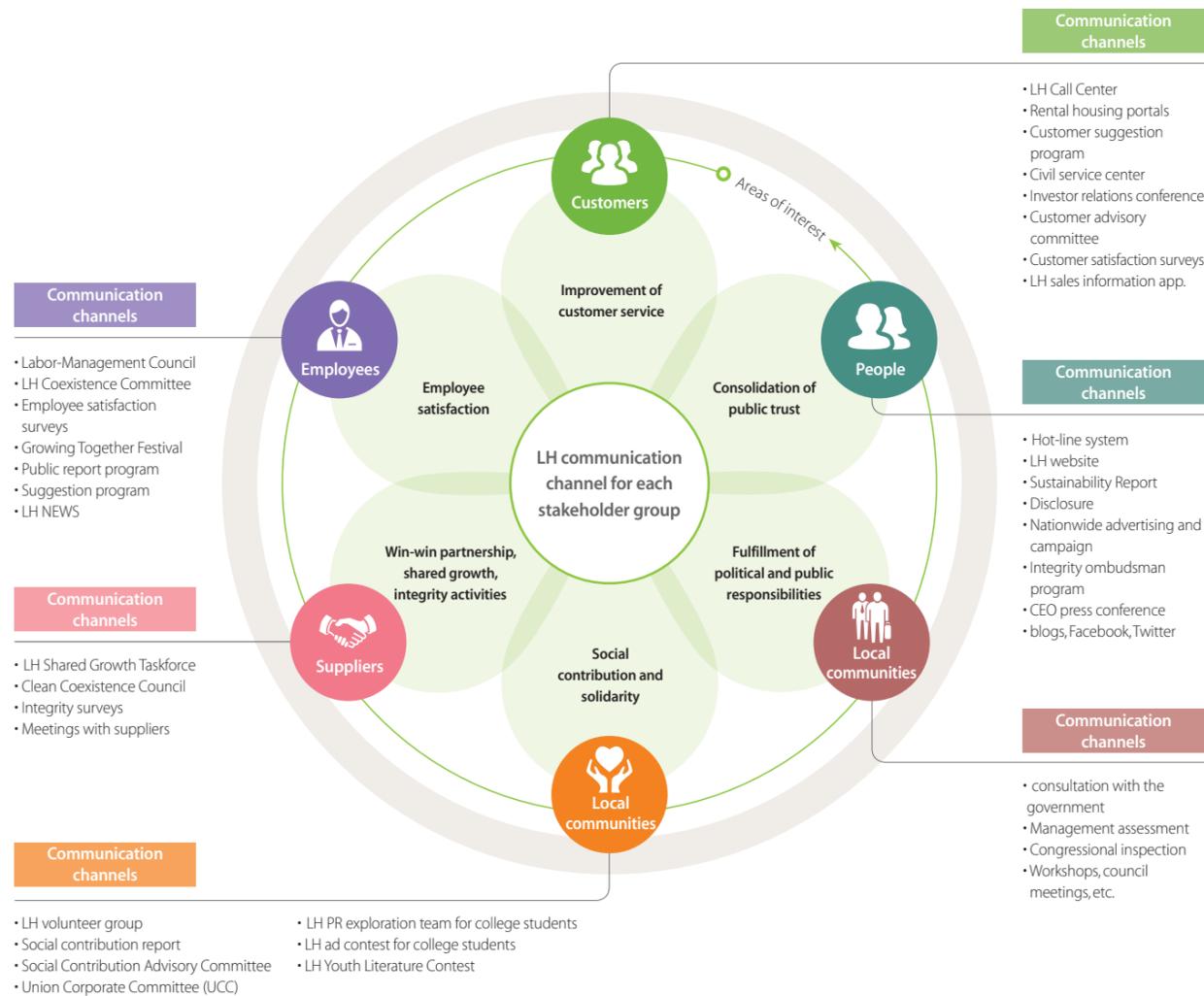
Stakeholder Engagement

Definition of LH's Stakeholder

LH defines customers, people, central and local governments, local communities, suppliers, and employees as its six key stakeholder groups, with which the corporation is sharing its vision and core value. We strive to vitalize communication with our stakeholders for the creation of shared value through customized communication channels with our stakeholders' areas of interest and expectations in mind.

Communication Channels with Stakeholders

LH aims to fulfill its management goals through effective communication with its internal and external stakeholders. We make an effort to cut debts to ensure financial stability through our internal stakeholders and lay the foundation for sustainable business through active communication with our external stakeholders.



Stakeholder Survey

LH conducts a survey of its stakeholders, including employees, suppliers, customers, local communities, and the government, each year in order to collect their opinions in relation to LH's sustainable management practices. In 2015, our stakeholders have chosen "enhancement of financial soundness and profitability," "consolidation of customer trust," and "anti-corruption and reinforcement of ethical management practices" as the core issues LH should give priority to in order to enhance its sustainability in economic, social, and environmental aspects.

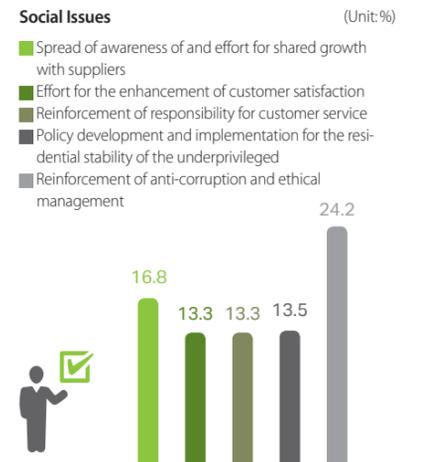
Economic Issues

"Financial soundness" has been chosen as the most important issues three consecutive years. LH pushed ahead with its debt reduction strategies, including all-out sales, business restructuring, management efficiency, and asset disposal in line with the government's plan for the management stabilization of public organizations. As LH is a public organization that leads Korea's construction market, its stakeholders selected "consolidation of customers trust in the organization" and "economic value creation and distribution" as the issues LH should address first.



Social Issues

LH's stakeholders chose "anti-corruption and ethical management" as one of the issues LH should give priority to as public corporations' reckless management has become an acute social problem. Along with this, LH stakeholders showed continued interest in shared growth and, in response to it, LH is forming a partnership with the private sector for large-scale development projects. In addition, LH stakeholders considered the enhancement customer satisfaction and responsibility for customer service to meet diverse customer needs important and expect LH to take the lead in developing policy for the residential stability of the underprivileged and, further, the whole nation.



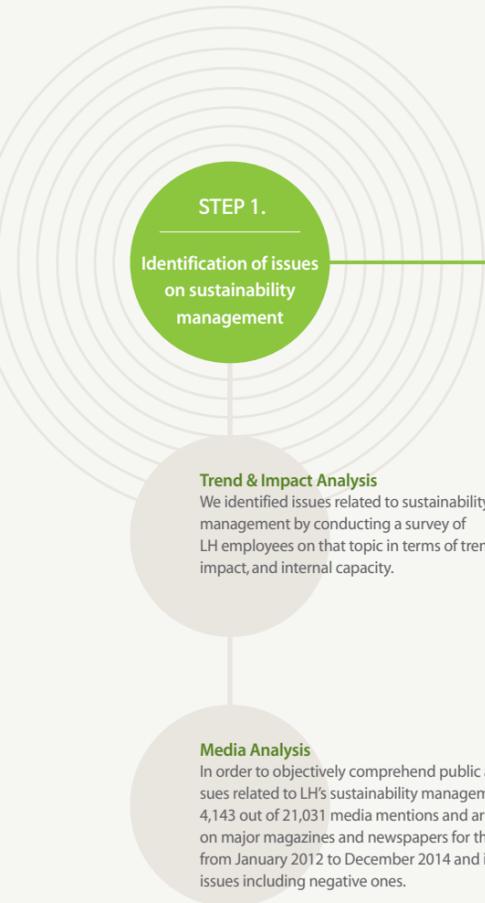
Environmental Issues

LH's stakeholders recognized the spread of awareness of the environment through the creation of an eco-friendly organizational culture as the most important issue for LH's sustainable growth. LH has actively incorporated its environmental concern into its management activities by creating "The Green Ecological Park." In addition, it has been taking preemptive action to address climate change and promote low-carbon green growth by fulfilling the tasks its stakeholders viewed as important, such as "operation of a green management system" and "increase of investment in the environment and environmental protection."



Materiality Test

LH examines stakeholders' areas of interest and expectations that affect LH's business activities and makes a report on them to make it open transparently to stakeholders. The report contains the material issues that are identified through the materiality test based on the GRI G4 guidelines and ISO 26000. In particular, the materiality test reflects the materiality of the information that affects stakeholders' decision making and reflects the economic, environmental, and social impact of the issues on LH. The report also encompasses identified material aspects and boundaries so that stakeholders can assess the performance of the organization.



STEP 1.
 Identification of issues on sustainability management

Trend & Impact Analysis

We identified issues related to sustainability management by conducting a survey of LH employees on that topic in terms of trend, impact, and internal capacity.

Media Analysis

In order to objectively comprehend public awareness of issues related to LH's sustainability management, we analyzed 4,143 out of 21,031 media mentions and articles featured on major magazines and newspapers for the last three years from January 2012 to December 2014 and identified related issues including negative ones.

Benchmarking

We analyzed sustainability management reports of several local and international companies noted for outstanding performance in sustainability management and analyzed their outcomes based on the GRI reporting principles, through which we identified additional issues we should address.

Stakeholder Interview

We interviewed five experts who represent LH's stakeholder groups and reflected their demands and shared value in identifying core issues.

Media analysis Related business analysis Trend and impact analysis

Stakeholder Survey

In an effort to understand the impact of stakeholders on LH-related issues on sustainability management, we conducted a survey of our major stakeholder groups, including LH employees, suppliers, local communities, and customers with their legal, financial, and operational responsibilities and influence under consideration. The survey of 1,569 internal and external stakeholders, which was held for five days from March 17 to 21, 2015, was utilized as a basic resource for the identification of core issues of the materiality test.

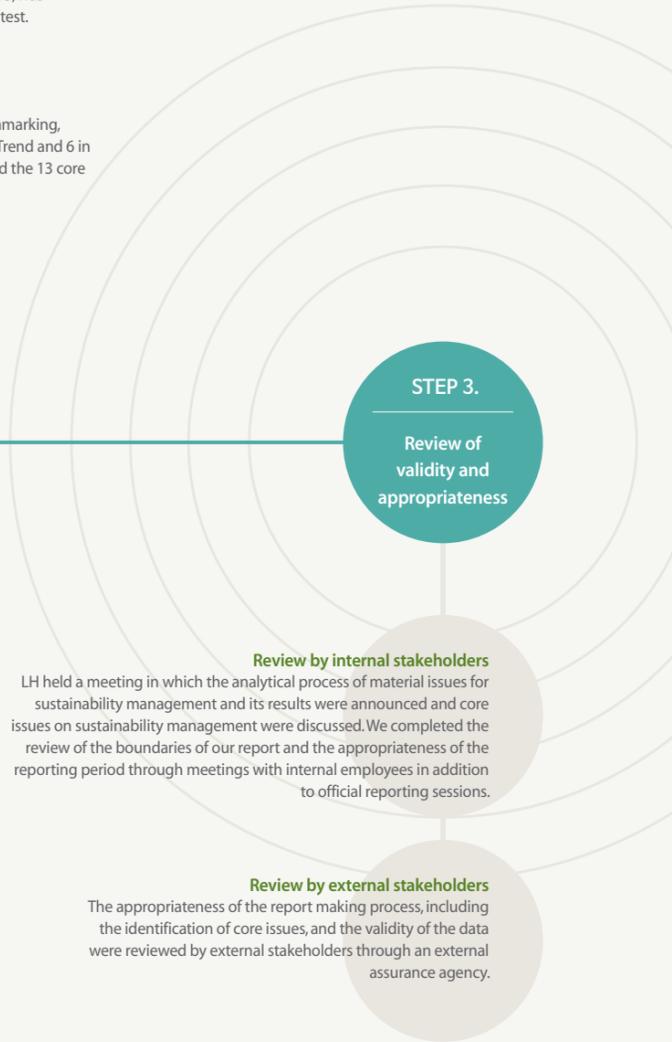
Materiality Test Results

Among the 40 relevant issues identified through Trend & Impact analysis, benchmarking, media analysis, and stakeholder engagement, we identified 13 core issues (7 in Trend and 6 in Impact) with 4.0 on average in materiality. We then made a report that contained the 13 core issues with emphasis on the issues with high average scores in materiality.

STEP 2.
 Stakeholder engagement

Priority given to material issues

Identification of major issues



STEP 3.
 Review of validity and appropriateness

Review by internal stakeholders

LH held a meeting in which the analytical process of material issues for sustainability management and its results were announced and core issues on sustainability management were discussed. We completed the review of the boundaries of our report and the appropriateness of the reporting period through meetings with internal employees in addition to official reporting sessions.

Review by external stakeholders

The appropriateness of the report making process, including the identification of core issues, and the validity of the data were reviewed by external stakeholders through an external assurance agency.

LH SUSTAINABILITY ISSUES

- Financial stability: ⑤ Enhancement of financial soundness and profitability, ⑫ Management efficiency (management innovation/business restructuring)
- Support for residential stability: ① Social support for the organization's business performance ⑦ Improvement in residential stability and welfare of the underprivileged
- Increase of land competitiveness: ⑬ Leadership for balanced development of local communities
- Ethical management: ④ Reinforcement of anti-corruption and ethical management system ⑥ Reinforcement in governance soundness
- Human rights management: ② Improvement in residential stability and welfare of the underprivileged ⑪ Work-life balance
- Customer delight: ⑨ Effort for the enhancement of customer satisfaction ⑩ Reinforcement in responsibility for customer service
- Shared growth: ③ Emphasis on the importance of shared growth with suppliers
- Contribution to local communities: ⑦ Improvement in residential stability and welfare of the underprivileged ⑬ Leadership for balanced development of local communities
- Green management: ② Creation of an eco-friendly organizational culture ⑧ Operation of a green management system

Core Value

Identification of major issues	internal	external	Identification of major issues	internal	external
① Social support for the organization's business performance	●	●	⑦ Improvement in residential stability and welfare of the underprivileged	●	●
② Creation of an eco-friendly organizational culture	●		⑧ Operation of a green management system	●	
③ Emphasis on the importance of shared growth with suppliers	●	●	⑨ Effort for the enhancement of customer satisfaction	●	●
④ Reinforcement of anti-corruption and ethical management system	●	●	⑩ Reinforcement in responsibility for customer service	●	●
⑤ Enhancement of financial soundness and profitability	●		⑪ Work-life balance	●	
⑥ Reinforcement in governance soundness	●		⑫ Management efficiency (management innovation/business restructuring)	●	
			⑬ Leadership for balanced development of local communities	●	●

● Trend: External economic, environmental, and social trends that affect LH
 ● Impact: LH's economic, environmental, and social impact on the external world

Risk Management

Risk Management System

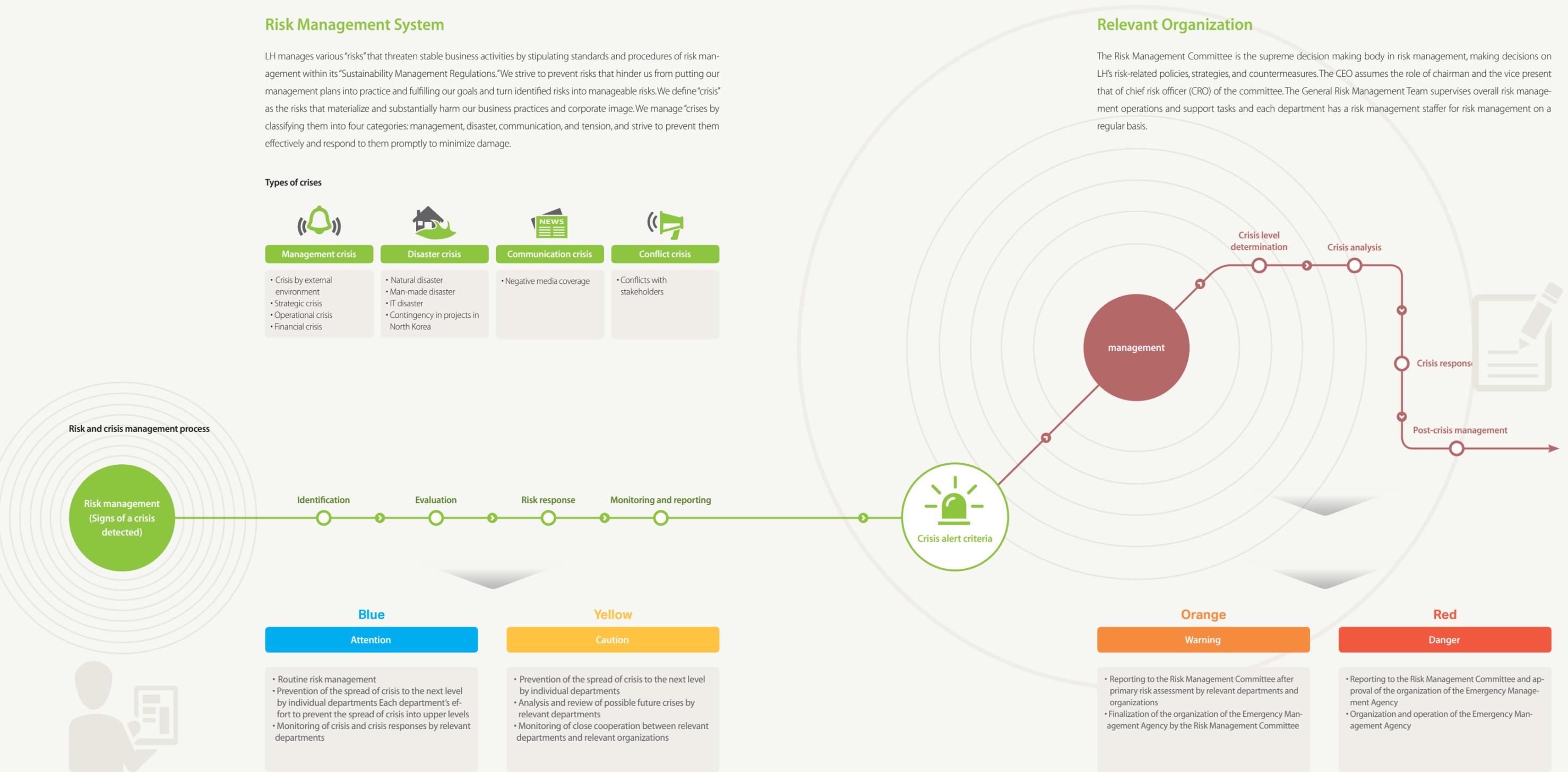
LH manages various "risks" that threaten stable business activities by stipulating standards and procedures of risk management within its "Sustainability Management Regulations." We strive to prevent risks that hinder us from putting our management plans into practice and fulfilling our goals and turn identified risks into manageable risks. We define "crisis" as the risks that materialize and substantially harm our business practices and corporate image. We manage "crises" by classifying them into four categories: management, disaster, communication, and tension, and strive to prevent them effectively and respond to them promptly to minimize damage.

Types of crises

Management crisis	Disaster crisis	Communication crisis	Conflict crisis
<ul style="list-style-type: none"> • Crisis by external environment • Strategic crisis • Operational crisis • Financial crisis 	<ul style="list-style-type: none"> • Natural disaster • Man-made disaster • IT disaster • Contingency in projects in North Korea 	<ul style="list-style-type: none"> • Negative media coverage 	<ul style="list-style-type: none"> • Conflicts with stakeholders

Relevant Organization

The Risk Management Committee is the supreme decision making body in risk management, making decisions on LH's risk-related policies, strategies, and countermeasures. The CEO assumes the role of chairman and the vice president that of chief risk officer (CRO) of the committee. The General Risk Management Team supervises overall risk management operations and support tasks and each department has a risk management staffer for risk management on a regular basis.



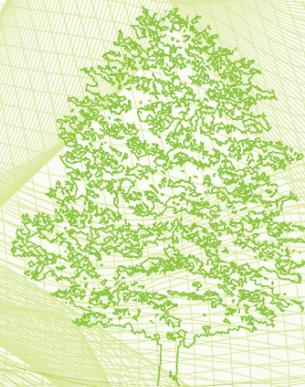
Sustainability Issues

LH identifies and manages material issues in the process of carrying out sustainable management every year. This report focuses on the issues selected as material to LH's stakeholders in 2014.

Ensuring Financial Stability 24



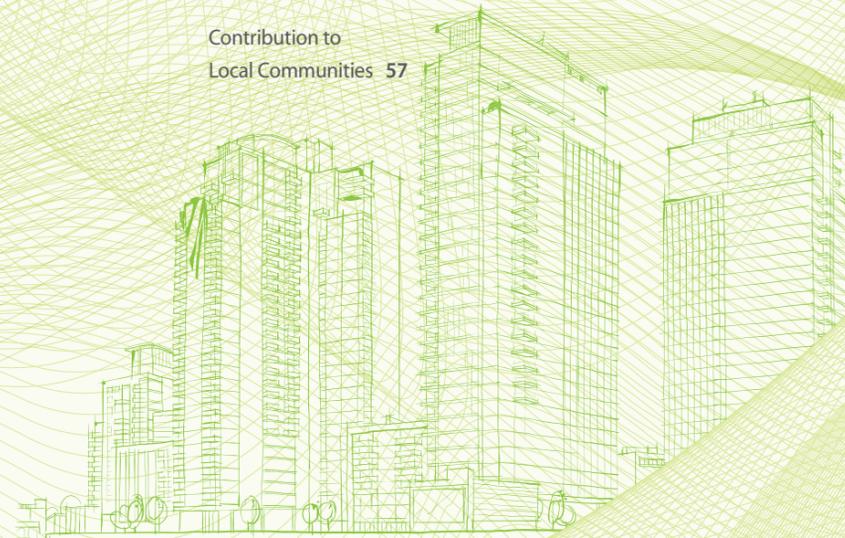
Enhancing Homeland Competitiveness 32



Support for Residential Stability 28



Contribution to Local Communities 57



Ethical Management 37



Shared Growth 52



Human Rights Management 44

Human Resources Management 40



Customer Delight 47

Green Management 62



Creation of Green Cities 66



Ensuring Financial Stability

Issues 01

→ Materiality

With increasing public and government attention to the financial status of public institutions, LH has made a firmwide effort to ride out its financial difficulties resulting from its undertaking of a series of governmental policy projects including the expansion of the construction of rental housing for low-income families, creation of New City2, Sejong Innovation City, and Bogeumjari Housing. We focus on decreasing debt through business innovation and intensive firmwide efforts in order to fulfill our public responsibility on the basis of financial stability.

→ Approach

Strategic Goal	• To lay the foundation for sustainable growth by improving financial stability
Relevant Department	• Emergency Management Committee, Business Stabilization Promotion Team, General Project Planning Office, Financial Strategy Department, Financial Management Bureau
Strategic Task	• Improvement of the stability and soundness of financial structure, debt reduction
Evaluation	• Sales target management system, financial improvement unit
Monitoring	• Financial Risk Management (FRM) system, Emergency Management Committee, Debt Reduction Inspection Working Group, Liquidity Crisis Countermeasure Working Group



Strategy

Along with its consistent effort for intensive business restructuring and management innovation since its integration, LH is pushing its mid and long-term financial management plans that incorporate management strategies and financial and business plans it set in 2014. In particular, we strive to cut debts to KRW 143 trillion by the end of 2017 by reducing KRW 47.4 trillion in accordance with our self-help debt relief plan and KRW 2.0 trillion with debt reduction.



Achievement

- Debt cut by KRW 14.0417 trillion, exceeding its target of KRW 12.9900 trillion.
- Debt cut by KRW 4.0602 trillion through adjustment of project period (KRW 3.8802 trillion) and diversification of business methods (KRW 180 billion).
- Debt cut by KRW 4.0201 trillion, including supply expansion through the sales target management system (KRW 2.3746 trillion) and REITs utilization and early sales of ten-year rental housing (KRW 1.6455 trillion)
- Debt cut by KRW 17.3 billion by selling the LH's office building and training camp and KRW 394.3 billion by cutting cost and operating cost
- Debt cut by KRW 5.4067 trillion by changing business methods of jeonse (lump-sum deposit) rental housing and KRW 143.1 billion through governmental support, including upgrading of criteria for Happiness Housing application



Future Plan

LH plans to spend KRW 700 billion early for the vitalization of the local economy in accordance with the national economic policy in 2015. We also plan to adjust the period of housing lot distribution through the LH Land Bank by adding KRW 2 trillion more for the land reserve project for revitalization of the housing market and residential stability.

Financial Stability

Financial Stability

Current Status

LH has seen debt increase for various reasons, including the slow real estate market and consequent aggravation in profitability, structural characteristics of the business that requires large-scale initial intensive investment and long-term investment withdrawal, and the undertaking of governmental policy projects. In an effort to ride out its business crises resulting from a paradigm shift in land and housing policy, constraints of the conventional business methods, and the aggravated financial structure, LH does its best to stabilize its business. We have undertaken business restructuring right after the integration and took aggressive step to attract governmental support. We have also strived to improve our financial structure systematically and succeeded in slowing down debt increase. We are geared to carry out government policy projects and, at the same time, achieve financial stability by taking bold action to innovate our business operations as a whole and reduce debt.

Taking the Lead in Government's Debt Reduction Program

LH is carrying out the financial management plan it formulated in June 2013, which focuses on improving financial stability and profitability for the efficient distribution of limited financial resources and enhancement of financial soundness and building a virtuous cycle of business structure. In June 2014, we drew up a debt reduction plan that incorporated the mid- and long-term financial management plan to take the lead in stabilizing the business, over-achieving the goals set by the government. We aim to cut debt through innovative business methods by making a bold self-help plan to cut debt (KRW 47.4 trillion). To that end, we have chosen 100 tasks and built a monitoring system that involves all LH employees, including the headquarters, the Emergency Management Committee, and the CEO for performance analysis and assessment. In 2014, we fulfilled most of our financial goals by implementing the financial management program and improving profits. We also fulfilled the government's policy goals and carried out policy projects according to the plans.

Improvement of financial soundness and fulfillment of policy goals

Classification	Target in 2014	Performance in 2014	
Financial goals	Debt ratio	436%	409%
	Interest coverage ratio	1.1 times	1.0 times
	Financial debt ratio	314%	292%
	Inventories turnover	16%	25%
	Ratio of gross profit to gross cost	1.2 times	1.4 times
Policy goals	No. of public housing units to build (Happiness Housing)	53,485 units (4,207 units)	54,874 units (4,867 units)
	housing units to build (Happiness Housing)	30,000 units	30,135 units
	Area of industrial land for supply	2,818,000 m ²	3,833m ²

Ensuring Financial Stability

Systematized and Advanced Effort for Debt Reduction

	Before the formulation of the debt reduction plan (~2013)	After the formulation of the debt reduction plan (2014~)
Business methods	<ul style="list-style-type: none"> Quantitative business restructuring Focus on artificial reduction of the number of projects or discontinuance of projects Promotion of monopolized development of housing sites and housing construction 	<ul style="list-style-type: none"> Business innovation-type debt management Adjustment of the project period with demand under consideration Diversification of business methods that utilize private capital for shared growth with the private sector
Direction	<ul style="list-style-type: none"> Promotion of downward debt reduction Employees' under mounting stress related to debt reduction 	<ul style="list-style-type: none"> Participation of the whole employees, promotion of upward debt reduction Competition among employees, idea discovery for all employees
Management system	<ul style="list-style-type: none"> Debt reduction management system unsatisfactory 	<ul style="list-style-type: none"> Formulation and systematization of a powerful debt management system

Reinforcement of Financial Risk Management

LH manages potential financial risks effectively by taking preemptive action to deal with them in order to push its debt reduction program. We have upgraded the conventional FRM (financial risk management) by reflecting cash flow, financing, policy changes, and asset-debt imbalance, making it possible to address liquidity crises and efficient asset and liabilities management. In particular, we installed a financial risk management system with a reporting system for risk monitoring and risk situation analysis on a regular basis, improving our capacity to address financial risks through firmwide risk management.

Leading Role in Adopting the Segment Reporting System

LH upgraded its management and assessment system by adopting the segment reporting system in 2011 as a means of business innovation for financial risk management before the government implemented it. We utilize the segment reporting data to identify causes of debt in each segmented unit and draw governmental support. We analyze causes of each type of debt with the projects being carried out in each district and product types under consideration to draw up a roadmap for financial debt solution.

Results of Business Stabilization Efforts in 2014

Classification	Unit	2012	2013	2014
Financial debt		104	106	99
Growth rate of financial debt	KRW trillion	6.1	1.8	(6.6)
Stockpiled land		31.5	29.9	26.9
Total debts		138	142	138
Financial debt ratio	%	351	340	292
Debt-to-equity		466	458	409

Measures for Debt Reduction and Results

Downsizing

LH launched diverse business methods using private capital and undertook downsizing in response to market demand, reducing cost and establishing a low-cost business structure with optimized investment and investment withdrawal. We are making an effort to cut cost while actively engaging in diverse projects including governmental policy projects by utilizing private creativity and funds and diversifying business methods for shared growth with the private sector. In particular, we are pushing the rental housing REITs program designed to construct rental housing on the empty public housing sites owned by LH for stable supply of rental housing by utilizing the national housing funds and private capital. In 2014, LH supplied 12,000 units of rental housing, succeeding in cutting debt by KRW 1.7 trillion. We plan to supply a total of 60,000 housing units by 2017, which will result in a KRW 3.6 trillion cut in debt. With a paradigm shift that emphasizes small-scale customized development, urban regeneration, and housing welfare rather than large-scale housing land development, LH is reshuffling its business to meet market demand by reconsidering its projects to scale down or adjust project periods, on the one hand, and carrying out new projects with a focus on governmental policy projects with its financial conditions under consideration, on the other.

Management Efficiency

LH aims to cut cost in each process of its land housing projects. It adopted various business feasibility verification systems for cost management in each project stage and saw a KRW 1.1243 trillion in debt in 2014 by taking the bold step of cutting cost in each stage of land projects, from licensing to compensation to construction. Also, we could save KRW 206.3 billion through the housing construction cost management that faithfully reflected basic performance and economic feasibility. In addition, we could slash KRW 23.4 billion in labor cost, welfare expenses, and operating cost through the management efficiency drive joined by all employees including the CEO.

Results of the debt reduction program through business efficiency

Classification	Debt Reduction Program by 2017	Result*
Cost reduction in land and housing project	<ul style="list-style-type: none"> Land development cost (KRW 2.2 trillion) Housing construction cost (KRW 776.4 billion) 	<ul style="list-style-type: none"> Land development cost (KRW 1.1243 trillion) Housing construction cost (KRW 206.3 billion)
Reduction in labor cost and operating cost	<ul style="list-style-type: none"> Labor cost and welfare expenses (KRW 9.3 billion) Operating cost (KRW 59.9 billion) 	<ul style="list-style-type: none"> Labor cost and welfare expenses (KRW 8.6 billion) Operating cost (KRW 14.8 billion)
Total	KRW 3,0456 trillion	KRW 1,3540 trillion

Maximization of Withdrawal through All-out Sales

LH fulfilled 74 percent of its targeted debt cut by introducing competition with the private sector in sales as part of last-pitch effort to sell through the sales target management system. In 2014, we applied the system to 31 departments for more rigorous assessment and consolidated weekly management and incentives, achieving record-breaking KRW27.2 trillion in supply since the integration. We operated a hotline for prompt and efficient decision in sales and established a management system for each lot. We also reinforced responsible management by naming a liaison staffer to the headquarters and branch offices in each of 12 districts for focused management in order to manage those districts closely.

Results of the Debt Reduction Program

LH could establish a virtuous cycle of business structure with KRW 21.7 trillion and KRW 15.2 trillion in cost through its aggressive debt reduction plan. We could also cut KRW 7.2 trillion in debt from the previous year, achieving debt reduction for the first time since the integration. Thanks to such achievements in debt cut, LH's credit rating was adjusted upward from A1 to Aa3, which is equivalent to that of the Korean government.

Business Restructuring Based on New Demand Probability Models

Downsizing

- Corporate downsizing within the boundary of financial capacity
- Debt increase slowed down, but debt gradually increased
- * Mid and long-term financial program: debt cut by KRW 13.4 trillion Limited debt reduction



Restructuring

- Demand-centered restructuring in response to economic and social changes
- Effort made to cut debt
- * Debt reduction program: KRW 16.4 trillion (+KRW 2.9 trillion)

Stable Housing Support

Issues 02

→ Materiality

LH was launched to improve quality of life by realizing national residential stability. In line with the government's policy that emphasizes national residential stability and universal housing welfare, LH is expected to play more vital roles in society. We are committed to constructing and supplying public rental housing for the residential stability of low-income families and solving housing instability for the future generation.

→ Approach

Strategic goal	• To embody universal residential welfare
Relevant Department	• Housing Welfare Planning Office, Housing Welfare Project Office, Housing Asset Management Office
Strategic task	• Residential stability for low-income families, improvement in the rental housing operation and management system, enhancement of integrated residential welfare services to improve quality of life for tenants
Assessment	• Assessment of the project achievements, internal performance assessment, customer satisfaction with public corporations
Feedback	• Meetings for review of project achievements



Strategy

We aim to strengthen our roles as a public organization by fulfilling our supply target of 2.7 million rental housing units by 2023. We also strive to play a leading role in introducing future-oriented housing by taking preemptive measures in response to changes in population and social changes and growing demand for safety and others.



Achievements

- 23,000 units of Happy Housing construction project approved by the government (102%)
- Expansion of the construction of rental housing from 43% in 2012 to 92% in 2014 among the total projects approved by the government
- Supply of 30,000 housing units through purchase and lease (105%)
- Fulfillment of its public roles for residential stability by over-achieving goals of obtaining permission from the government to start construction and completing construction.



Future plans

We plan to expand housing sales and lease from 81 % to 83.1% with local government's capacity under consideration in 2014 to meet the government's goal. We also plan to increase unsold housing and apply an interest rate lower than market interest rate (2.45% annually) for tenant convenience. In addition, we will expand our projects with a year-on-year increase of 140% in approval by the government, 111 % in construction, and 110% in completion.

Support for Residential Stability

Stable Supply of Rental Housing

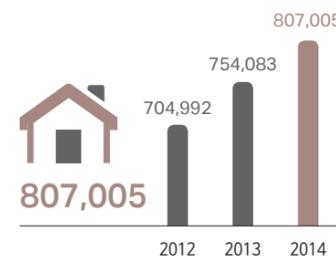
Increase in the Supply of Rental Housing

LH is committed to providing people in need with a broad choice of homes for people in each income bracket through diverse customized public housing projects. The types of rental housing supplied by LH include national rental housing, public rental housing, and permanent rental housing.

With soaring jeonse (lump-sum deposit) prices for rental housing, the government has come up with various measures for the stabilization of jeonse prices, such as increase in the supply of public rental housing, early move-in to rental housing, adjustment of the move-out period for residents in the apartment complexes before reconstruction, and increase in jeonse loans. For instance, we supplied 62,000 new rental housing units in 2014, contributing to the residential stabilization of over two million people in 800,000 households.

No. of Rental housing units supplied in each year

No. of rental housing units in operation



Rental housing supply in the present

(Unit: Units)

Classification	2014	No. of houses supplied (accumulated)	No. of people		
Total	62,111	807,005	2,011		
Permanent rental housing	• Low-rent housing available permanently for low-income families	1,407	141,150	222	
National rental housing	• Long-term low-rent housing for low-income families	15,770	405,733	1,095	
Public rental housing, etc.	• Rental houses that can be purchased by the tenants after a rental for 5 to 10 years. • Housing for a rental for 50 years, long-term jeonse, rental housing for foreigners, etc.	13,520	63,823	164	
Buy-to-let housing (including houses sold in a bankruptcy, urban development, etc.)	• Multi-household houses that are purchased by LH and provided to low-income families at low rents	7,662	91,850	248	
Jeonse rental	Low-income families	• Jeonse houses LH sublets to low-income families at low rents	15,889	63,071	282
	Newlyweds	• Jeonse houses LH sublets to low-income newlyweds in urban areas	3,542	20,622	
	College students	• Rental houses designed to support college students from low-income families	3,650	14,335	
Children as head of household	• Jeonse housing for households headed by children, rental housing provided for the residential stabilization of children as the head of household	671	6,421		

Increase in Buy-to-Let and Jeonse Rental Housing for Low-income Families

To keep up with the government's policy for residential stabilization for people in need, LH has made a concerted effort to focus on the consistent supply of buy-to-let and jeonse rental houses available for immediate move-in in areas with the volatile rental housing market in the short run and will continue to support people in need of housing related support. In 2014, we formulated a plan to secure 23,000 jeonse houses to fulfill the goal set by the Korean government in 2014 and supply them early in 2015. We then signed contracts with eligible people in need in urban areas with the instable jeonse market and increased financial support to KRW 5 million per household for early move-in in 2015. As a result, we could supply 23,752 jeonse houses, exceeding a target of 22,620 jeonse houses, or 105 percent, in 2014, which accounted for 85 percent of 27,853 housing units, the total number of jeonse houses provided by the government.

Support for Residential Stability

LH's Support for the Government's Jeonse House Target

Year	Government's Target	Local Governments' Target	LH	Targets fulfilled by LH (%)
2014	27,000 units	4,000 units	23,000 units	84%
2015	35,000 units	5,000 units	30,000 units	85%

Support for Early Move-In to Newly Built Apartment Complexes

LH supported the early move-in to the newly built rental apartment complexes as a short-term measure to relieve the demands of jeonse houses in the peak moving season. LH supported move-in to 6,200 apartments in eight newly built apartment complexes, which were scheduled to be moved in from September to the end of December, 2014, by November that year, one month ahead of schedule. We also expanded the supply of permanent rental housing to support people in the lowest income bracket.

Consistent Construction of Public Rental Housing

Increase in Rental Housing Construction

Amid the continuous stagnation of the real estate business and the demand-supply imbalance in the rental housing market, the consistent construction of rental housing is critical for the stabilization of the rental housing market and the residential stability of homeless people. LH undertook the Happy House project and the public rental housing REITs in the full swing, supplying 44,000 rental housing units, up 21 percent from the previous year. We also supplied 33,000 rental houses including houses for national rental, permanent rental, and the Happy House project, contributing to the promotion of the governmental policy for the increase of rental houses.

Increase in Rental Housing Construction

(Unit: 10,000 units)

Classification	Total	Existing Project			New Project	
		Public rental housing	National rental housing	Permanent rental housing	Happy House	Public rental housing REITs
2013	3.7	1.0	2.3	0.4	-	-
2014	4.4	0.4	0.8	0.2	2.3	0.7

Consistent Increase of Public Housing

LH has contributed to stably supplying public housing by carrying out the public housing projects with the goals set in consideration of the government's housing policy. In 2014, we exceeded the initial goal of the project by obtaining approval of the construction of 48,000 houses, starting constructing 55,000 houses, and completing the construction of 53,000 houses in 2014 and fulfilled its public duty for housing stabilization.

Goals and Results of the Housing Supply Project in 2014

Classification	Goal	Result	Fulfillment
Approval obtained for construction	40,000 units (including 35,000 rental housing)	48,000 units (including 44,000 rental housing)	121% (124%)
Construction started	53,000 (including 43,000 rental housing)	55,000 units (including 44,000 rental housing)	103% (104%)
Construction completed	47,000 (including 27,000 rental housing)	53,000 units (including 32,000 rental housing)	112% (119%)

Happy House Project for the Future

Current Status of the Happy House Project

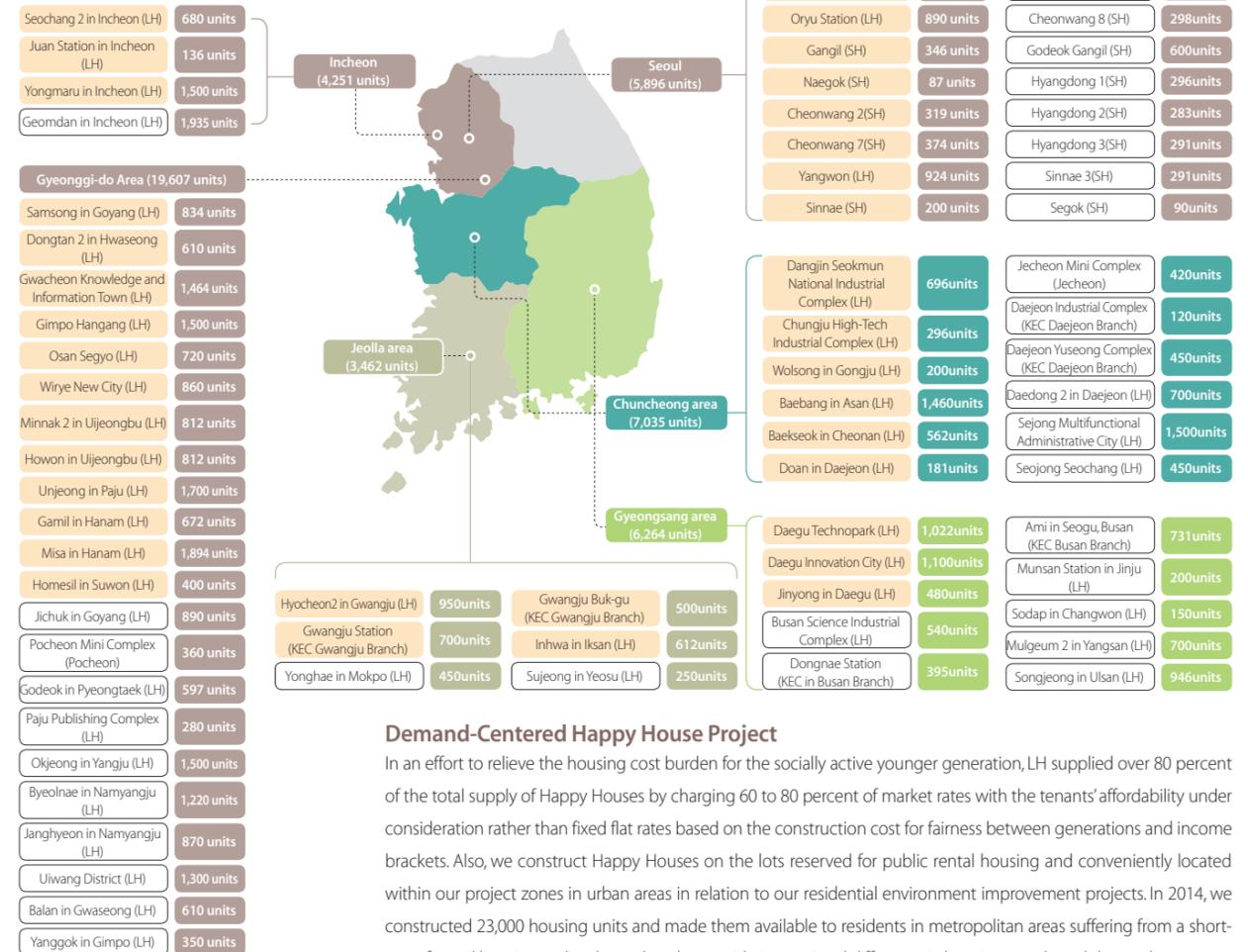
LH is committed to embodying housing welfare for everyone by expanding eligibility for rental housing to include college students and newlyweds in addition to low-income families. Happy Houses are a type of low-rent public housing designed to be supplied to college students, newlyweds, and young people entering the workforce at convenient locations for work and transportation in support so that they can cut expenses on housing and social costs. Happy Houses are built along with various community facilities such as national and public child care centers, job centers, and small libraries, serving as cultural spaces for communication and public welfare. LH plans to supply most of the government target of 140,000 Happy Houses by 2017.

Happy House: Overview

Happy House: Overview

Classification	Description
Goal	Residential stability and improvement of residential welfare for the younger generation
Eligibility	College students, newlyweds, and career starters, etc.
Size(exclusive use area)	45m2 or smaller
Major locations	Areas in close proximity to housing and jobs

- Districts approved for the project in 2014
- Districts for the project in 2015



Demand-Centered Happy House Project

In an effort to relieve the housing cost burden for the socially active younger generation, LH supplied over 80 percent of the total supply of Happy Houses by charging 60 to 80 percent of market rates with the tenants' affordability under consideration rather than fixed flat rates based on the construction cost for fairness between generations and income brackets. Also, we construct Happy Houses on the lots reserved for public rental housing and conveniently located within our project zones in urban areas in relation to our residential environment improvement projects. In 2014, we constructed 23,000 housing units and made them available to residents in metropolitan areas suffering from a shortage of rental housing earlier than others by considering regional difference in housing supply and demand.

Homeland Competitive- ness

Issues 03

→ Materiality

LH was launched with the aim of taking the lead in national economic development through efficient use of land. To keep up with the government policy for the embodiment of creative economy, vitalization of the local economy, and the establishment of the foundation for the unification of Korea, LH undertakes various projects to enhance national competitiveness. We carry out national policy projects to take the initiative in providing production bases for driving national competitiveness and balanced land development.

→ Approach

Strategic goal	• Creation of a city with an area of 850km ²
Relevant Department	• Industry and Economy Office, National Policy Project Planning Office, Inter-Korean Cooperation Office, Gaeseong Branch, Overseas Project Office, Overseas Project Office
Strategic task	• Creation of industrial complexes
Assessment	• Project Goal fulfillment assessment, internal performance assessment
Feedback	• Review meetings, Cooperative monitoring meetings, performance review reports



Strategy

LH is committed to increasing Korea's capacity to innovate industrial complexes, developing local strategic bases for economic vitalization, and consolidating the foundation for economic development in the future. In particular, we are carrying out inter-Korean cooperative projects and overseas projects as part of our preparation for the unification of Korea and the opening of new markets abroad.



Achievements

- 3.83 million-square meter lots for economic bases supplied by using diverse sales strategies, exceeding target supply (136%)
- Investment worth KRW 10.4 billion attracted through flexible negotiation skills and improvement of environmental conditions
- Investment for the development of a cluster in a joint industry-university-research effort attracted (390,000 m²) as a foundation for local economic development
- Entry to markets abroad through support by private businesses (20) and stable profits



Future plans

LH will continue to discover new business models and regions for the stable supply of industrial lots. We will also set reasonable goals reflecting the goals set by the government and improve our capacity to fulfill the goals.

Enhancing National Land Competitiveness

Improvement of the Capacity to Innovate Industrial Complexes

Creation of the Creative Economy Valley

LH supplies lots equipped with quality infrastructure in areas in favorable environmental conditions to attract businesses and ultimately contributes to balanced regional development and national industrialization. The industrial paradigm is shifting now from large-scale developmental projects based on the equipment industry to high-tech-based small and medium-scale specialized development projects. Considering the fact that there are not many business areas around urban centers that reflect the characteristics of high-tech and prospective service businesses, LH aims to create various specialized industrial complexes, such as the Creative Economy Valley, urban high-tech industrial complexes, and local specialized industrial complexes, for the vitalization of the local economy. In particular, LH is pushing its project for the creation of the Creative Economy Valley with the aim of solving the problems the Pangyo Techno Valley has due to the lack of spaces for expansion and developing the ecosystem of the creative economy. There have been concerns about the delay of approval for the creation of the Creative Economy Valley as the landmark of the creative economy by the government due to conflicts of interest among various relevant administrative departments and local governments without concrete ideas about the project. However, LH could give shape to various ideas about the project and suggest a practical master plan, defining roles of each organization and establishing cooperative systems among them.

Expanded designation as the Urban High-Tech Industrial Complexes

The urban high-tech industrial complexes are the industrial complexes designated within urban regions for the promotion of the high-tech industries, including the knowledge industry, culture industry, and IT industry. High-tech businesses prefer locations near cities with a wealth of human resources and technology, but the areas designated as industrial complexes were mostly on the outskirts of cities. Moreover, the creation of an urban high-tech industrial complex in a metropolitan area entails a heavy burden of land cost, while that in a small local city tends to increase reckless demand for development by the local government and the political circles. LH utilizes relatively cheap green-belt areas and creates an assessment system designed to assess suggestions by the local governments to develop nine urban high-tech industrial complexes in response to a paradigm shift in the industry.

LH initially created three urban high-tech industrial complexes in readily accessible metropolitan areas that require development cost. It went on to choose six more regions based on the suggestions by local governments for the discovery of innovative high-demand businesses that ensure profitability, contributing to local economic vitality.

Urban High-Tech Industrial Complexes and Expected Effects

Region	Industrial Complex		Support and Effect
Area I	Area (Unit: thousand m ²)	Description	Job creation (Unit: no. of people)
Incheon	233	Industrial complex linked with the Southeast National Industrial Complex	2,540
Daegu	169	Eco-friendly complex in proximity to housing and jobs	1,807
Gwangju	195	R&D-based research complex related to the Gwangju High-Tech District 1	2,119
Total	597		6,466
Area II	Area (Unit: thousand m ²)	Description	Financial support (Unit: KRW 100 million)
Daejeon	106	High-tech industries, such as biotechnology and ICT	10
Ulsan	300	Automobile-related specialized industry, energy-related industry	15
Namyangju	283	High-tech industries based on smart grid and renewable energy	7
Gyeongsan	295	Cluster based on IT convergence, LED convergence, and R&D	60
Suncheon	181	R&D, MICE, and business service bases in the Gwangyangman region	14
Jeju	164	Complex based on IT and culture, system s/w development, etc.	21
Total	1,329		127

Enhancing National Land Competitiveness

Designation of Business Districts as Specialized Local Industrial Complexes

In accordance with the government's policy to boost the local industries, LH designated several preferred business districts, where demand for specialized local industries was high, in partnership with local governments, and formulated a plan for the project in December, 2014. We then selected three model districts where demand for specialized industries were secured and local governments participated in creating guidelines for the project. We will continue to do our best to boost the creative economy by enhancing industrial competitiveness and creating jobs through the construction of the customized industrial complexes that make the best of the strengths the regions have for the promotion of the specialized industries.

Project for the Creation of the Specialized Local Industrial Complexes

Region	Specialized Industry	Strengths	Area	Suggestions and Compromises
Jinju	Carbon fiber	• A cluster of carbon fiber-related businesses, academia, and research cluster including Hyosung Carbon Plant	825,000m ²	• Support of over 1 percent of construction cost
Jinju and Sacheon	Aviation	• Korea's largest aviation industrial cluster	1,650,000m ²	• Provision of vity-owned land for free
Milyang	Nano convergence	• A cluster of nano-related organizations, including the University of Nano Science and Technology	1,650,000m ²	• Purchase of unsold industrial lots (three years after the completion of construction)

Vitalization of the Regeneration of Old Industrial Complexes

In April 2014, LH inspected 83 industrial complexes across the nation jointly with the Ministry of Land, Infrastructure, and Transport, the Ministry of Trade, Industry and Energy, Korea Research Institute for Human Settlements, and Korea Industrial Complex Corporation to come up with customized measures to enhance their competitiveness. In an effort to promote the project for the regeneration of old industrial complexes LH has undertaken since 2009, we proposed the revision of relevant laws and the legislation proposed by lawmakers for the revision of the "Industrial Sites and Development Act" was completed in November 2014. We also promoted the model project of the Seo Daegu Industrial Complex with the premise of support by the local government and assurance of high demand and profitability and signed an MOU with Daegu City in December 2014. As a result, Daegu City provided LH with a buffer green space for free, which helped LH relieve the financial burden of the project and carry out the project for land use and land regeneration in relation to the surrounding conditions.

Expansion of the Economic Base in Local Cities

Support for the Self-sufficiency of Local Cities

LH is developing local cities in accordance with its mid- and long-term yearly plan to lay the foundation for the growth of the national economy. In order to vitalize investment in the free economic zone LH is developing and attract businesses to it, LH is improving the investment climate by revising relevant laws and upgrade the traffic network and infrastructure in it. As major projects designed to elevate the global stature of the international city in Cheongna in Incheon have been delayed for several years due to conflicts among governmental institutions, LH signed an agreement to solve problems of each project and start carrying out the projects in full swing. As a result, LH signed a contract for the Hana Dream Town in July 2014 and for City Tower in November 2014. It also opened Hosu Park in September 2014 ahead of schedule. In addition, we expanded major traffic networks for better accessibility before the Incheon Asian Games 2014. We also formed a task force team consisting of local residents, LH, and the local government to consider the introduction of the new mode of transportation, Bi-modality Tram, as a long-term traffic improvement project.

* Bi-modality Tram: A new mode of transportation that can run on the road like a bus or on the railway automatically like a subway. It boasts high fuel efficiency, punctuality, and large-capacity accommodation.

Criteria for the Participation in New Projects

As more and more local governments want to participate in the projects for the development of free economic districts, LH assesses each candidate city and selects the cities with potential for growth as local economic bases on the basis of the criteria set by LH. LH selected two candidate cities in five years since 2008 for review in accordance with revised laws and LH's own verification system. In November 2014, LH formulated investment attraction strategies based on the mid- and long-term goal for the attraction of investment into project for the creation of Hana Dream Town by 2017. LH then selected potential investors of the demand-driven project in each district for negotiation. As a result of its effort to attract investment in the industrial-academic clusters as local economic bases, LH could see a 387 percent increase in investment from the previous year.

Investment Attraction Strategies

District	Regional Goal	Project
Cheongna in Incheon	• Projects that can create synergistic effects with the launch of Hana Dream Town	• International financial complex: selection of project operators (March 2015)
Yeongjong in Incheon	• Tourism, leisure, and education facilities that utilize location advantages	• Business proposals by investors of resort complexes accepted (July 2014) • Negotiation with overseas education institutions (May 2014)
Myeongji in Busan	• Large-scale projects that can promote the brand of the local economic district	• Global campus town: contract stated to be signed in 2014 • Development of business lots: selection of developers (August 2014)

Improvement of Residential Conditions

As the relocation of public institutions to Sejong City is in the final stage, the population of Sejong City jumped from 19,000 (including 5,822 civil servants) in 2012 to 76,000 (including 16,500 civil servants) in 2014. LH is making an effort to improve residential conditions in the administrative city by expanding facilities in diverse areas including housing, transportation, medicine, and education and operating cultural programs to enhance quality of life for newly settled civil servants as well as local residents. In order to promote the sustainable growth of Sejong City, LH enacted the "Criteria for the Support for the Attraction of Self-sufficient Facilities in the Multifunctional Administrative City" and succeeded in luring 64 investors, including Korea University and Chungnam University Hospital.

Improvement of Residential Conditions in Sejong City

Housing	• Households increased from 3,225 in 2013 to 16,696 in 2014 (increased 5.2 times from the previous year)
Commercial Facilities	• Commercial facilities increased from 240 in 2012 to 2,526 in 2014 • Hospitals, restaurants, markets, etc. • Two wholesale stores opened near Cheongsa and Cheotmaeul and launch of Costco finalized (June, 2014)
Transportation	• Daejeon-Sejong City-Osong (express buses increased from 21 to 27), bus operation increased from 80 times to 110 times a day • More access roads to government buildings and residential streets in apartment complexes increased (140 km out of 388 km)
Medical Service	• Chungnam University Sejong Hospital in the new LH building (13 medical departments and emergency clinic)
Education	• Schools increased from 7 in 2012 to 59 in 2014
Culture and Leisure Infrastructure	• Water parks near the Bangchukcheon stream, Geumgaerguri Ecological Wetland Park • Recreational sporting facilities including pathways and bike lanes, facilities for train and bike tours, etc.

Enhancing National Land Competitiveness

Consolidation of the Basis for Economic Growth in the Future

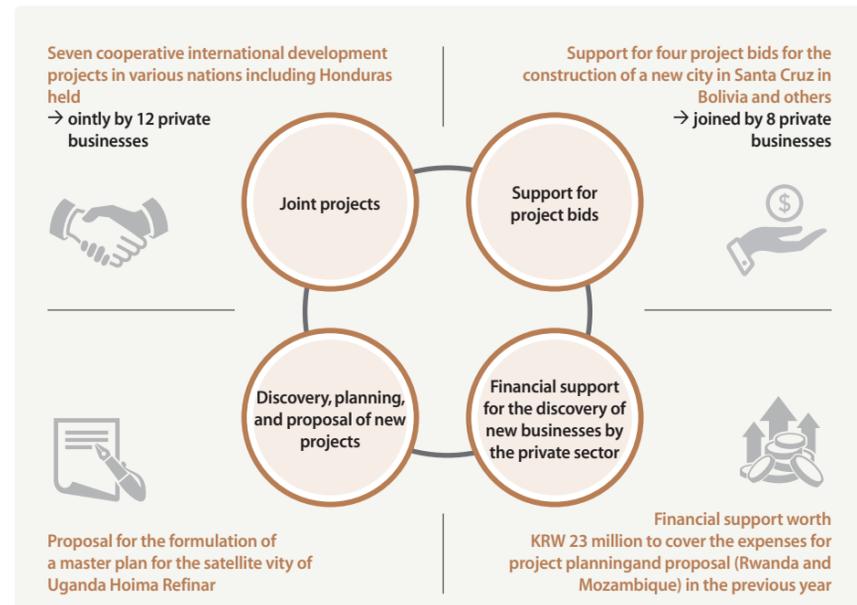
Inter-Korean Cooperative Projects

In its effort to take preemptive action in response to changes in the relationship between the two Koreas and Korean government policy and secure a basis for future-oriented sustainable businesses, LH is active in discovering inter-Korean cooperative projects that reflect the Korean government policy. In November 2011, LH was named the organization responsible for drawing up the basic plan for the DMZ World Eco-friendly Peace Park in partnership with relevant LH departments and private institutions. We aim to participate in the project for the creation of Peace Park by successfully fulfilling the task and consolidating our capacity for future projects, contributing to laying the foundation for the unification of Korea.

Foundation for the Vitalization of Businesses Abroad

LH is vomicited to fulfill its public roles by supporting local engineering companies for their stable entry to markets abroad. Armed with its public confidence and technological prowess and experience in urban and housing development areas, LH formed a cooperative system with local civil engineering and design businesses and undertook seven international cooperative development projects in Honduras and other nations jointly with 12 private organizations. It also supported eight private businesses for their bids for four projects in Santa Cruz in Bolivia and other global cities. We also have engaged in cooperative projects with various nations to lay the foundation for private businesses to make forays into overseas markets and supported small and medium-sized businesses for their activities on the world stage by utilizing local civil servants. In November 2014, LH successfully held the Asia-Pacific housing and urban ministerial conference with an attendance of 170 officials from 29 nations, consolidating its international cooperative network. In addition, LH won a bid from Multilateral Development Bank (MDB) for the first time, opening up a new market abroad. LH will continue to do its best to serve as a public coordinator that supports private businesses for their entry to overseas market and a master developer of a public-private joint venture.

LH's Support of Private Businesses for their Overseas Projects



Ethical Management

Issues 04

→ Materiality

The sustainable growth of a company lies in ethical management. Corruption and malpractice cause business aggravation and violation of human rights. It also has a negative effect on society and environment as a whole. Accordingly, stakeholders want an ethical organization with integrity. LH faithfully abides by laws and ethical standards in business operations in order to earn stakeholders' trust.

→ Approach

Strategic Goal	• To consolidate the ethical management system through the reinforcement of national monitoring (2014)
System	• (Basic norms) Ethics charter and employee code of conduct • (Detailed standards) guidelines for public interest disclosure, guidelines for the prohibition of complimentary golf outing and speculative acts
Relevant Department	• (Planning and management) qualitative and quantitative expansion of the integrity ombudsman, installation of an ombudsman assistance team • (Practice and inspection) standing auditor, auditor, Anti-corruption taskforce
Strategic Task	• Reinforcement of external monitoring and public activity • Consolidation of internal bonding through communication
Assessment	• (External) assessment of integrity, company policy on anti-corruption, and sustainable management • (Internal) internal performance assessment, diagnosis of ethics
Feedback	• Implement of measures for integrity, ethical management, and sustainable management • Review of the fulfillment of the tasks suggested by integrity ombudsman



Strategy

Under the vision of "Clean LH with the people," LH has established ethical and transparent management strategies linked with mid-term management goals of the corporation. As a result of a consistent effort, LH raised its integrity rating one step through its monitoring program in 2013 and reinforced its ethical management system through tighter external monitoring, emphasis on public activity, and internal bonding through communication. In particular, we take preemptive action to prevent corruption and any misconduct and strive to spread integrity by launching



Achievement

Rated "mediocre" in the assessment of the anti-corruption prevention measures
 Rated AAA (93.5) in the sustainable management assessment



Future Plan

LH is in the process of developing additional ethical management index for external investigation in its prompt response to a recent corruption incident. We also strive to spread anti-corruption and integrity messages in the firm. In 2015, we plan to make it compulsory to submit a report on retirees when signing a private contract and tighten anti-corruption measures by adopting the degradation system (i.e., incentive reduction). In addition, we will come up with measures to prevent illicit favors and solicitation and promote integrity through peerless integrity campaigns

Ethical Management

Ethical Management System

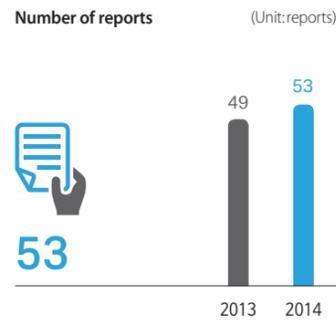
LH has consolidated its ethical management system in a bid to fulfill its ethical management goals in relation to its firmwide strategic goals in 2014. It practices ethical management by revising its code of ethics with changes in a business environment under consideration. In 2014, we stipulated job attitude in relation to lectures given outside LH, integrated a prohibited gift handling system, and drew up detailed guidelines for the purchase and use of gift certificates for transparency. We also increased the number of external watchdogs of integrity ombudsman from three to five in order to reflect opinions about management in a diverse way and lay the foundation for business transparency. Moreover, we redesigned the ethics education program for efficiency. We expanded in-house training for executives and invited experts for special lectures on integrity. We also emphasize field education and operate a customized education program by expanding the online education program curriculum and period.

Corruption Prevention Program

In LH, five relevant departments assess integrity practices in six areas with high potential for corruption, including land compensation and supply, construction inspection, quality test, facility maintenance and repair, rental housing management, and personnel business. Also, we reflect individual employees' integrity practice in the internal performance assessment to promote work ethics and integrity. Moreover, we publish a handbook of the code of conduct for employees and diagnose employees' ethical consciousness and integrity five times a year regularly to reinforce personal ethics. We encourage employees' participation in ethical management by revising the internal report system in relation to ethical management. The internal report system is designed to establish voluntary reporting, which resulted in an increase of the number of reports to 53, or an 8 percent increase, from the previous year. In addition, we make the company regulations open to the public in order to enhance transparency and increased the number of items for public announcement, such as the use of gift certificates. We strive to meet people's rights to know about our activities for policy fulfillment by sharing plans for business stabilization and implementation of government 3.0.

Spread of Integrity as Part of Life

With growing public interest in anti-corruption as the basis, LH, along with the Anti-Corruption & Civil Rights Commission and Transparency International Korea, led the launch of the Korean Network on Anti-Corruption and Transparency in September 2014 with a participation of 35 institutions. As an audit organization representing public corporations in the anti-corruption governance, LH is in charge of investment transfer and cost allotment and stages the private-public-governmental integrity campaign to expand the realm of its integrity practices and spread integrity practices as part of life. In addition, LH holds the "Clean Win-Win Meeting" with its suppliers on a regular basis as part of its effort to spread integrity practice and prevent corruption.



[Future Plan in Accordance with External Assessments]

- Compulsory reporting about the retired employees and their recent activities in case when signing a private contract
- Formulation of anti-corruption measures for the prevention of illicit favors and solicitation involving relevant employees
- Adoption of the degradation system (incentive reduction) as part of the punishment of employees who violated anti-corruption policy
- Promotion of LH's peerless integrity education and practices

Ethical Management Monitoring

LH monitors and gathers customer feedback to strengthen ethical management activities. In 2014, LH became the first public corporation to establish the integrity ombudsman preliminary monitoring request procedure to expand proactive monitoring functions. We consult with the integrity ombudsman about suggestions before revising the system and reflect the recommendation of the integrity ombudsman to improve the practicality of the system and increase the participation of outside watchdogs in management. In addition, LH has undergone outside assessments, such as the integrity survey, anti-corruption policy assessment, and sustainable management assessment by the Anti-Corruption & Civil Rights Commission, and responded promptly to the assessments to stress ethics in management. In the wake of a recent corruption-related incident uncovered by outside monitors and the consequent fall of LH's general integrity index, LH is developing the ethical management index for outside audit as part of its action plan in 2015.

Integrity Ombudsman Preliminary Monitoring Request Procedure



Result of Internal and External Assessments

Classification	2012	2013	2014
General Integrity Index	Grade 5(8.15)	Grade 4 (8.11)	Grade 4 (7.82)
Anti-Corruption Policy Assessment	Excellent	Excellent	Average
Internal Integrity Assessment	9.06	9.58	9.68
Sustainable Management Assessment	AAA (93.8)	AAA (90.4)	AAA (93.5)

Voluntary Internal Control

LH carries out preventive audit activities through system improvement, including cooperation between relevant departments and audit departments and expansion of voluntary inspection. We inspect propriety of firmwide internal control of the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control framework components (in areas related to accounting, spending, bond management, information and communication, etc.) to analyze weaknesses of internal control and revise them. We analyze the activities that have been pointed out repeatedly so that the audit department sets tasks to be fulfilled and the relevant departments take voluntary action to correct them. Also, we created manuals for various areas, including product inspection from the market perspective and control of tax risk elements, through collaboration among various departments. In addition, we utilize the checklist that reflects high-risk factors for each department to review its observance of the management guidelines internally and suggested voluntary revision or audit exemption. In particular, we adopted the whistle blowing system in July 2014 and punished one employee after the in-depth internal investigation of 73 reports submitted. LH stipulates in its "Employees' Code of Conduct" and "Employment Regulations" that employees are prohibited from accepting special treatment or borrowing money from people involved in the projects or job-related people. Accordingly, an employee who was involved in a bribery scandal in relation to real estate brokerage and advertising outsourcing was dismissed from his or her position.

* COSO internal control framework components consist of control environment, risk assessment, control activities, information and communication, and monitoring.

Human Resources Management

Issues 05

→ Materiality

The sustainability of a company lies in recruiting talents who meet the image a company desires and nurturing them into core personnel with professional expertise. The longevity of a company requires a performance-based reward system without any discrimination and a pleasant workable environment that ensures work-life balance for employees. We are acutely aware of the social issues that have been addressed consistently, such as employment without discrimination, equal opportunities and diversity, gender pay equity, win-win labor-management relationship, and employees' safety and health, among others, and strive to improve them.

→ Approach

Strategic Goal	• To lay the business foundation for performance creation through advancement in organization, personnel relations, and performance management
System	• ILO, compliance with related regulations including Labor Standards Act, company regulations on employment, etc.
Relevant Department	• Personnel Management Office, Labor Relations Office
Assessment	• Periodic performance assessment (by team and by quarter), internal management assessment
Feedback	• Tour presentation about organization and personnel management • Performance management consulting



Strategy

LH is committed to developing its employees' capacity and increasing the number of women managers. We also strive to maintain fairness in personnel management.



Achievement

- Social equity in employment and promotion
- Increase in female management through the promotion system (111 female employees promoted in 2014)
- Competency-based promotion system through a new personnel relations system for fair personnel management
- Establishment in performance-based annual wage system for executives and installation of the job-based pay system for non-supervisory workers



Future Plan

We will adopt the practical annual wage system that can enhance work efficiency and productivity by reflecting individual capacity and performance in the pay system. We will also upgrade the performance management system by incorporating diverse opinions on the performance management system through training and conferences and improving the personal assessment system.

Talent Management

Employee Data

As of 2014, the total number of LH employees is 6,121, a 5.5 percent decrease from the previous year. We strive to effectively utilize our current human resources for debt reduction and business stabilization. As a result of our effort to recruit female workers and nurture them, female employees are on the rise consistently with 20.3 percent of the total employees. As of 2014, the average annual wage of a newly recruited employee is KRW 25.49 million, roughly 195 percent of the legal minimum wage.

Employment Data

Classification	2012	2013	2014
No. of total employees	6,510	6,477	6,121
No. of total irregular employees	362	326	388
Ratio of female employees (%)	18.7	18.9	20.3
Ratio of female employees holding team leader positions or above (%)	1.1	1.6	1.8
Ratio of employees with physical disabilities (%)	3.8	4.9	4.0

Employee Data per Job Level and Gender

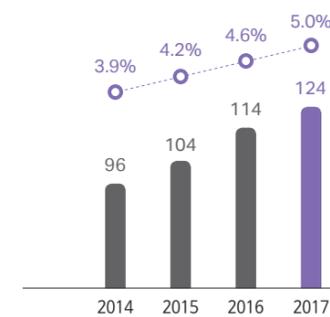
(Unit: persons)

Job level	Employees	Male	Female
Executives	7	7	-
Level 1	74	72	2
Level 2	427	424	3
Level 3	1,938	1,860	78
Level 4	2,660.30	2,209.30	451
Level 5	28	12	16
Level 6	602.4	239	363.4
Others	383	337	46

* As of December 2014 (except employees on military duty and parental leave for over six months, as well as those slated to take maternity leave)

Target ratio of female managers

(Unit: persons)



Ensuring Diversity

Expansion of the Female Workforce

LH does not discriminate its employees based on sex in terms of employment, duty assignment, training, and wage. We have strived to increase the female workforce since the adoption of the female recruitment target system in 2012. In order to increase the number of female managers, we provided women employees with leadership training programs and, as a result, 111 female workers were promoted through the position promotion system in 2014, which exceeded the target of 96 employees by 15. We have promoted female employees based on the goals we set for the yearly female manager ratio and the duration required for a female employee to get promoted. As a result, we could shorten the duration for the promotion of female workers by over a year or more than the goal duration. In addition, we increased the number of female workers in the promotion review committee to ten to raise the ratio of the female promotion review committee members.

Employment Based on Social Equality

LH provides equal employment and promotion opportunities for all its employees without any discrimination based on sex, age, regional origin, and education and makes an effort to maintain diversity in employment. In 2014, for instance, we recruited a total of five people, including one woman, two local talents, and three engineering majors due to the management stabilization program and, consequently, our lack of capacity to hire a large number of employees. In an effort to address issues related to aging population and senior poverty, we have maintained the senior employment program and recruited 2,000 seniors in 2014 for diverse tasks, including the safety inspection of LH rental housing facilities, tenant surveys, and support for seniors living alone.

Employment Data

(Unit: persons)

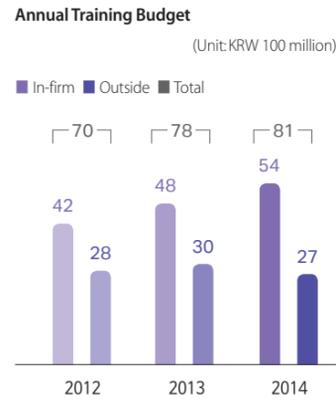
Category	2012	2013	2014
New regular recruits	486	17	5
Youth interns (with high school diploma)	508 (100)	546 (106)	318 (63)
Senior employees	2,000	3,000	2,000
Workers in short-term employment	160	102	109

Talent Management

Talent Nurturing

Talent Nurturing Strategy

LH aims to nurture talents equipped with a sense of social responsibility, customer-centered creative expertise, and a team spirit as the basic capacity. To that end, we run a training program designed to produce value-oriented creative talents, trend-setting leaders, and performance-oriented experts. In 2014, we expanded the core-value training into a cyber training program in a bid to organize all employees to fulfill our vision.



Training Program Data

(Unit: persons)

Classification	2013	2014
Total	67,055	68,228
Core value/leadership capacity development	706	2,366
Work capacity	1,905	2,195
Long-term commissioned education/in-firm university	200	239
Self-development (language training, licenses)	2,088	2,175
Career development (retirement, continuing education)	333	261
Others (seminars, integrity, legal education, etc.)	46,773	40,843
Cyber/distance education	15,050	20,149

Customized Training Program

LH operates a variety of training programs based on surveys on demand for training and discovery of necessary capacity and offers tailored training programs to meet individual needs based on personal capacity assessment. We held the leader capacity training program 11 times for 303 newly promoted employees and the professional asset manager program twice for financial project staffers. In 2014, we expanded the execution of the in-firm budget in accordance with the expansion of in-firm education programs, including job training and professional certificate programs.

No. of Participants in Training Programs per Rank

(Unit: persons)

Rank	2012	2013	2014
Total	49,489	67,055	68,228
1	493(1%)	670(1%)	1,001(1%)
2	3,704(8%)	4,733(7%)	4,934(7%)
3	15,406(31%)	23,008(34%)	22,260(33%)
4	29,886(60%)	38,644(58%)	40,033(59%)

Career Development Training

LH provides its employees with diverse training programs tailored to each rank. LH Land and Housing University offers two degree programs, including construction management and construction technology for employees without college degrees and 40 employees attend the specialized LH job program and the field training program. We also offer the defined benefit retirement pension plan for retiring employees for their stable life after retirement and provide them with retirement planning and life design education programs. In addition, we provide retirement planning and life planning for employees preparing for retirement within 10 years can receive training in mid-to-long term financial redesigning, and retirement preparation through the LH Future Planning Academy. In addition, we provide employees preparing to retire three years later with business startup and career change programs.

Performance-based Organizational Culture

Fairness in Personnel Management

In accordance with the CEO's determination, LH launched a new personnel system based on three principles in human relations: performance, competency, and balance, in a bid to improve management constitution and lay the foundation to overcome crises through personnel innovation. We replaced the seniority-based duty assignment system with the multi-faceted competency rating system to improve the job performance appraisal system and build a promotion and evaluation system that values high-performance organizations and individuals. We will continue to improve our personnel system by identifying and analyzing factors that hinder fairness in promotion and cause employees' distrust.

Reward in Proportion to Performance

LH's personnel system had been based on seniority with a lack of practical difference in wages and personnel matters, but it placed a twice greater emphasis on performance assessment and upgraded the performance management system based on the reasonable organizational and individual assessment. We also expanded the performance-based annual wage system for executives to meet the criteria suggested by the government by paying the high-performance executives over twice as much as the low-performance executives and paying over 30 percent of the total annual salaries as the performance-based annual salaries.

We will develop a practical annual wage system that reflects each employee's competence and performance fairly to improve work efficiency and ultimately productivity by 2017.

Reasonable Reward System

Category	Performance-related Pay	Basic Annual Wage	Personnel	Reward	Others
High-performance	Organization	Wage difference up to twice between the highest and the lowest	Promotion/education benefit	Reward	-
	Individual			Recognition/Reward money	-
Low-performance	Organization	Wage difference up to three times between the highest and the lowest (accumulative)	Low-performers Transferred temporarily	-	Performance management consulting
	Individual			-	Capacity improvement program

Industrial Accidents

(Unit: %)



Health and Safety

LH abides by the "Occupational Safety and Health Act," "Labor Standards Act," and "National Health Insurance Act" for the health and safety of its employees. It also installed the Industrial Safety and Health Committee for the safety and health of labor and management. We allow our employees to have a medical examination at least once a year on a regular basis and installed the "Occupational Safety and Health Center" in 2014 for the promotion of employees' health. Also, we offer the weight management program (for 120 employees) and stress-related counseling programs (over 250 times) for employees. In addition, we conduct a workplace safety assessment and industrial safety and health education on a regular basis and manage workplace safety in accordance with the regulations on negligence-related accidents and disasters.

Rights Management

Issues 06

→ Materiality

Issues on human rights, including prohibition of discrimination, sexual equality, the right to collective negotiation, child labor, forced labor, and aboriginal rights have been constantly addressed. Also, there is a global consensus that organizations are responsible for the protection of individual rights affected by labor. LH is committed to protecting human rights of its employees, partners, customers, and natives in the workplace.

→ Approach

Strategic Goal	• To lead business stabilization through a win-win labor-management relationship
Relevant Department	• Labor Relations Office
Strategic Task	• Improvement of the wage and welfare programs for irregular employees and embodiment of an organizational culture based on communication and understanding between labor and management
Assessment	• Internal management assessment (Labor-Management Council)
Feedback	• Daily and weekly performance assessment, performance analysis, survey, etc.



Strategy

LH strives to improve its wage and welfare programs in order to expand the flexible working hour system and create a pleasant workplace with equal opportunities. We build mutual trust and understanding and improve communication based on partnership between labor and management.



Achievement

- Additional pay raise for irregular workers, payment of the job-based wage to unlimited contract workers, and school expenses covered for employees' children, promotion of irregular workers to unlimited contract position (94 employees)
- No legal action or sanctions caused by discrimination reported during the reporting period



Future Plan

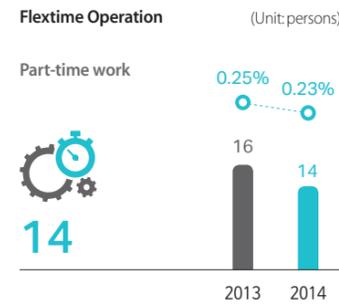
We will continue to improve the wage and welfare programs for irregular workers and eliminate discriminatory factors in the personnel relations system. Also, we will do our best to create a pleasant workplace environment through employees' grievance management.

Human Rights Management

Prohibition on Discrimination

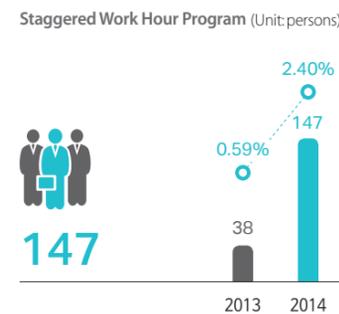
Improvement of Labor Conditions for Employees without College Degrees

LH consistently improves its wage and welfare programs for employees without college degrees, unlimited contract workers, and irregular employees. Employees without college degrees start their career in LH as level-6 workers and paid 85 percent of the initial pay of employees with college degrees (level 5). They are given career opportunities including promotion or pay raise roughly equivalent to the initial pay of employees with college degrees after six years. They receive the welfare program identical with that for regular workers and have the opportunity to earn bachelor's degrees at the in-house university.



Improvement of Labor Conditions for Irregular Workers

LH started paying the basic job-related pay to unlimited contract workers and irregular employees, changed the title of unlimited contract workers from "assistant workers" to "workers," and launched the financial aid program for the education of employees' children in 2014. We also promoted 94 short-term workers to unlimited contract position, allowing them to join core projects and receive 90 percent of the average initial pay of employees with college degrees.



Creating a Sound Workplace

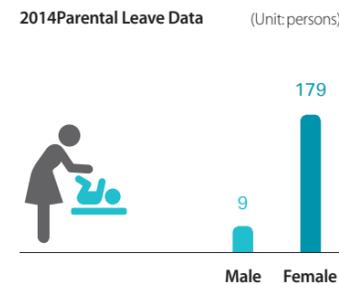
Vitalization of Flextime

Due to LH's recent intense drive for management efficiency for debt reduction and welfare cutbacks, LH employees are under mounting stress, especially now when the LH Headquarters is slated to move to a local city soon. In order to help its employees maintain an ideal work-life balance, LH aims to improve quality of life to improve work efficiency. In accordance with the CEO's decision to implement flextime in August 2014, the number of LH workers who utilize flextime for various purposes, such as child rearing, study, medical treatment, has increased 2.9 times.



Work-Life Balance

LH expands its support for employees' childbirth and parenting to address Korea's demographic problems, such as low birthrate and aging population. LH runs two daycare centers with a capacity of up to 270 children. It created the parental leave program in July 2014 and 91 percent of eligible employees are now taking advantage of the program. LH has also encouraged its employees to use annual vacation leave in an effort to relieve employees' long workload. In its effort to improve its organizational culture, LH created a long-term vacation program in 2014, which would allow employees to take at least five days or longer off, and reflected employees' use of annual leave in the internal assessment. As a result, the number of employees who used annual leave and the long-term vacation program has increased. LH also has run customized programs, which are designed to build family bonds, such as Parent Camp, Family Camp, and Couple Camp, seven times. A total of 660 LH workers have joined the programs and 93.6 percent of them showed their satisfaction.



Human Rights-related Grievance Management

LH held the "Self-Searching Workshop" in order to help emotional laborers, the first point of contact with customers, relieve their stress and boost their morale. The workshop was held eight times and over 400 employees joined it. In order to create a workable environment, we also underwent an objective diagnosis of the sexual harassment prevention system by an outside organization and conducted in-depth interviews and surveys. In doing so, we have come up with nine measures for institutional improvement, including the vitalization of the anonymous report system and punishment of employees convicted of sexual assault.

Human Rights Management

Creation of an Organizational Culture based on a Win-Win Labor-Management Relationship

A Win-Win Labor-Management Relationship

LH is committed to maintaining fair labor relations management and balanced management based on law and principles and preventing labor-management conflicts by drawing up a crisis management manual under the multiple labor system. We have strived to build consensus by operating a labor-management taskforce and implementing cooperative measures for a labor-management agreement and earn trust by taking aggressive action to boost employees' morale. As of 2014, a total of 4,954 employees or 90.5 percent of the employees belong to labor unions.

Organizational Culture with Active Communication and Consensus between Labor and Management

An Organizational Culture Based on Communication and Consensus between Labor and Management LH has solved various pending issues related labor and management through diverse channels of communication and offered accurate information about management-related problems faced by the corporation in case when there are serious changes in business activity. In 2014, LH utilized both official channels of communication, such as wage bargaining and labor-management meetings, and unofficial channels of communication, such as labor-management lunch meetings and weekend sporting activities, to consolidate two-way communication channels and build a firmwide consensus for management stabilization, succeeding in communicating with an open mind directly with each other. LH operates employees' grievance management program to handle and complaints about various issues related to working conditions of the field employees and prevent conflicts of interest between field workers and office workers.

LH Channels of Communication in 2014

Classification	Communication Channel and Result
Collective	Collective bargaining held 6 times and working-level bargaining held 7 times
	Open labor-management meetings held 4 times
	Labor-management council division meetings held 141 times and 571 issues handled (87.7% of issues accepted)
	Labor-labor-management joint workshop (labor-management suppliers- union executives)
	Labor- management joint workshop (management- both unions) with 180 people in attendance
	CEO - labor union branch manager lunch meetings (twice a week)
	CEO monthly morning assembly held 12 times and special assembly held once
	Nationwide field conference about pending issues about management (March 4 ~ 24), workshops held 5 times
	Labor-labor-management joint meetings about headquarters relocation held 3 times
	Two surveys on labor-management relations and organizational convergence (all employees)
Official	Organizational culture-related idea contest (135 ideas entered and 23 comments)
	CEO - employee lunch with an open mind (188 employees in 51 departments)
	CEO letters and emails (7), on-site inspection (33 offices)
	899 complaints handled by the grievance management office
	108 comments on new personnel relations system and 1,646 LH suggestions
	3,450 post-in notes for communication
	48 green-ink letters (hit 128,599 times)
	Labor-labor-management informal meetings on a regular basis held 63 times
	CEO - union head meetings on a regular basis (including weekend meetings)
	GpGgi program (7,351 employees in 83 departments)
Unofficial	Self-driven field experience of local culture joined by 446 employees
	1,368 comments posted on the labor union anonymous bulletin board
	LH news (twice a month), LH in-house newsletter (once a month)

Labor Union Data

Classification	LH Labor Union	LH Labor Union
Background	Korea National Housing Corporation (H)	Korea Land Corporation (L)
No. of Union Members	3,067	1,887
Superior Organization	Federation of Korean Trade Unions, Public Services International	Federation of Korean Trade Unions, Federation of Korean Public Industry Trade Unions

Customer Satisfaction

Issues 07

→ Materiality

As the government focuses on residential welfare more than on development, there is growing attention being drawn to LH's roles and social contribution. As LH was launched with the aim of achieving national housing stabilization, LH is committed to providing the products and services customers are satisfied with. To that end, we will supply quality land and housing at affordable prices and establish a demand-centered residential welfare service system for customer delight.

→ Approach

Strategic Goal	• To achieve customer delight
System	• Customer Charter, core service standards
Relevant Department	• General Affairs Department, General Affairs & Customer Satisfaction Office, CS leader and manager of each office, Safety and Disaster Prevention Department in Construction Safety Office
Strategic Task	• Management for customer satisfaction, regulatory reform, etc.
Assessment	• Public-service Customer Satisfaction Index (PCSI)



Strategy

LH gives top priority to its customers in all business affairs and strives to provide its customers with the utmost services. We are developing houses tailored to customer demand by reflecting changes in life-style and population and social structure. We strive to sharpen the competitive edge of our products by reflecting customers' demand in designing houses and embody customer satisfaction and customer safety throughout the whole process from design to construction to supply.



Achievement

- Scored 95.6 (grade-A) at the Public-service Customer Satisfaction Index (PCSI) by the Ministry of Strategy and Finance
- Established a regulatory reform hot-line system
- Created a safe residential environment for residents



Future Plan

LH will expand its CS activities and defect maintenance and spread safety consciousness nationwide. We will also adopt the marketing tag system to better reflect and manage customers' opinions and improve the customized designing process for customer safety and satisfaction.

Customer Delight

Customer Satisfaction Management System

CS Strategy

LH aims to embody customer-oriented management to enhance customer satisfaction through its mid- and long-term CS strategy. We will strive to enhance public trust as a top-notch institution in customer satisfaction by providing customer-oriented services. We utilize the Public-service Customer Satisfaction Index (PCSI) conducted annually by the Ministry of Strategy and Finance for service improvement. LH scored 95.6 in the PCSI in 2014, up 9.5 points from the previous year.

Organization

LH is taking the initiative in carrying out CS activities by selecting a CS leader and a manager in each department headed by the Management Support Headquarters to fulfill firmwide CS management. We build an organic cooperative system that links the field with the headquarters through the CS Management Committee, CS Management Advisory Committee, and CS Working-Level Committee. Also, we assess each department's fulfillment of the CS goals assigned to it and offer performance-based rewards to employees as part of its effort to boost employee engagement for the improvement of customer satisfaction.

Information Disclosure and Information Security Policy

Expansion of Information Disclosure

LH launched the LH 3.0 for openness, sharing, communication, and cooperation in line with the Government 3.0 policy that stresses communication and cooperation through active disclosure and sharing of public information. In order to guarantee the public rights to know and encourage them to participate in the government administration based on information available, LH started providing one-click services for the public in 2013 for the public to have ready access to public data, such as the integrated rental housing DB and increased proactive disclosures from 112 to 133.

Reinforcement of the Information Security System

Information leakage and other incidents that threaten cybersafety and the constant evolution of sophisticated hacking techniques call for tighter national information security policy. Accordingly, LH upgraded its information security guidelines and built an information security management system in a bid to protect its information security environment in accordance with the relocation of the headquarters. We created a cyber attack management manual and revised detailed guidelines for information security, the cyber risk management manual, and DDoS attack manual for systematic information protection. We also implemented LH Clean Day in every quarter to boost security awareness and perform a PC diagnosis and provided periodic training in cyber security for all employees including security-related staffers. We have taken various measures to prevent accidents related to information security and, as a result, we received a rating for excellence for two consecutive years at the information security management assessment by the Nation Information. We will reflect the information security index in internal assessment to encourage active security activities and reinforce the protection of internal information resources through network separation.

Personal Information Protection Practices

LH makes a concerted effort to prevent the leakage of customers' private information collected in relation to business activity. We analyzed the private information management process in 42 systems for 60 tasks and selected 20 tasks in eight areas for improvement. In 2014, we 810,000 records of unnecessary private information and codified three million records. We have fulfilled 17 tasks, including the creation of an informed consent form for private information collection.

Public-service Customer Satisfaction Index (PCSI)

Classification	2012	2013	2014
Customer satisfaction	Excellent	Fair	Grade-A

*The PCSI assessment in 2014 is based on relative grading (S, A, B, C) in accordance with the PCSI master plan by the Ministry of Strategy and Finance.

Communication with Customers

VOC Management

LH operates the VOC (voice of customer) system for integrated management of customers' opinions and complaints. We promptly respond to the information collected through diverse VOC channels in accordance with the related regulations and procedures. In particular, we share useful opinions and complaints with relevant departments to reflect them in our mid- and long-term management strategies. We make the criteria for VOC classification by type and process of sorting out VOCs open to the public through our webpage.

Hot-line System for Regulatory Reform

LH launched a hot-line system designed to respond promptly to customers' suggestions on diverse regulations that cause inconvenience throughout the whole construction processes including compensation, design, construction, sale, lease, and defect repair. We gather VOCs related to regulations and review them for reward. We reviewed 83 customers' suggestions by December, 2014, implemented three of them, including early return of the bid bond, since the launch of the system in April 2014.

LH Call Center

LH runs LH Call Center to provide customers with counseling services in all areas about LH projects, including LH plans for land and housing supply and plan schedules, required documents, and information about LH, among others. We also offer counseling services by phone, text message, and email as well as ARS services and the LH alert for areas of interest.

Integrated Rental Housing Portal

LH provides customers with beneficiary-centered customized information service through its integrated rental housing portal that contains information about all rental housing across the nation.

Customized construction and services to meet customers' needs

LH strives to meet customers' needs in constructing and providing services by incorporating VOCs gathered through diverse channels.

In 2014, LH built the Customer Suggestion Feedback System to review the action taken to reflect customers' suggestions and needs in housing design. We operate diverse channels of communication with our customers to better understand their needs and incorporate VOCs in housing design, housing supply, and housing management.

[Customer Suggestion and Feedback System]



VOC analysis

- Housing design-related VOCs analyzed in 2013 (1,148 VOCs)
- Joint field inspection by sales and design departments



Listening to VOCs

- Survey of contractors and sales counselors
- Interviews with the head of the management office of the newly built apartment complex



M/H preliminary assessment

- Preliminary assessment of the model houses of newly built apartment complexes (Mokgam in Siheung, Dongtan in Hwaseong, Galmae in Guri)



Customer Assessment Team

- Comparison with private M/H
- Improvement of management facilities in apartment complexes

First review: Housing Sales Team (22 issues identified)

Second review: Working-level Committee (16 issues identified)

Marketing Tag System

* Marketing Tag System: A system designed to assign an identification number to each customer suggestion that can contribute to quality improvement and manage and review how the suggestions are reflected in housing design.

Customer Delight

Enhancement of Customer Convenience

Improvement of the Supply and Contract System

As the period of application acceptance for the candidate tenants of national rental housing is not fixed and complicated required documents cause customer inconvenience, LH decided to accept the applications four times a year on a regular basis during the fixed periods so that customers could prepare for the application in advance. We operated the fixed application acceptance system on a trial basis in November 2011 and saw an increase of the number of applicants. Also, we streamlined the candidate tenant selection processes from the existing five steps to three steps and cut the number of items for point assignment from ten to four. In addition, we reduced the number of required documents from 36 to 8. The tenants of rent buy-to-let multi-household housing had to visit the LH office in person for contract renewal or contract cancellation because buy-to-let multi-household houses are scattered across the nation and there is no buy-to-let multi-household housing management office. With the simplification of the procedure, however, we could simply send official mails to customers without undergoing complicated processes and handle customer services more efficiently while improving customer convenience through online application submission.

Facility Improvement and Maintenance and Management Service

In response to tenants' demand for the installation of sash windows on the hallway to keep heavy rain draining into the hallway and prevent freezing, LH is installing sash windows in 112 apartment complexes (91,000 units) since 2011 and gradually replacing asbestos-containing materials with non-asbestos materials in 114 community centers. Also, we replace the elevators, heating system, sidewalk blocks, and balcony windows of 82,000 apartments in 78 rental apartment complexes what are 15 years old or older with new ones. We run a call center for repair-related counseling since March 2014 to provide customers with standardized counseling services and promptly handled the calls for customer satisfaction. We have expanded the counseling channels nationwide since August. Currently, 74 counselors are working for tenants in 900,000 rental apartments across the nation.

Responsibility for Products and Services

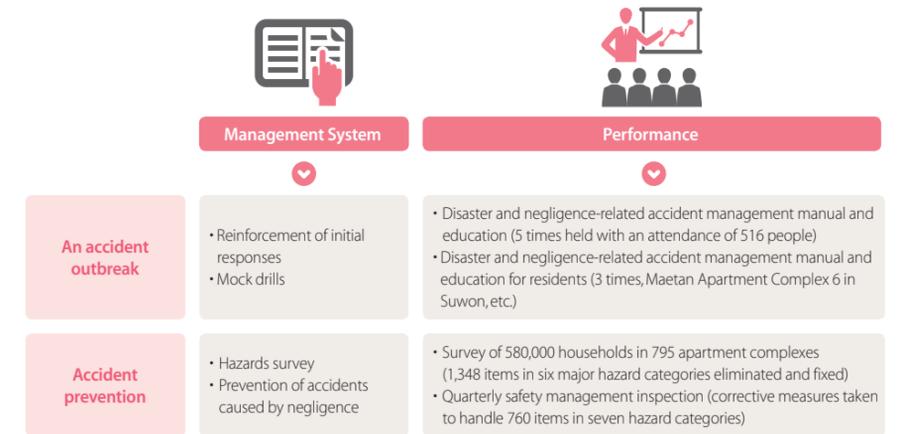
Measures for Zero Defects in Public Housing

In its effort to take a leap forward to earn customers' trust, LH formulated a comprehensive strategy for quality innovation and zero defects in each process, including design, construction, and move-in and, as a result, saw a 10 percent decrease in defects per household from 0.42 in 2013 to 0.38 in 2014. We have adopted the housing quality expert system for layout verification at the beginning of construction to remove factors with defect potential and safety issues, ensuring housing quality with zero defects. We have also introduced the resident evaluation system for prompt, precise, and friendly defect repair services, which allows residents to inspect their apartments and evaluate the constructor, to minimize defects. In addition, we updated fire extinguishing facilities and CCTV design criteria in public housing and distributed guidebooks and stickers to raise public awareness of safety.

Resident Safety

The disaster management systems tend to be run mostly in the construction sites, but LH has established a comprehensive emergency management plan for the residents' life and property. It conducted mock drills for the heads of the apartment complex management offices and provided education programs for effective initial responses. In 2013, LH conducted aerial training once in 2013 and mock drills three times in 2014. Also, LH took measures to prevent disasters by eliminating hazards. For instance, LH conducted a survey of hazards in 2014 and eliminated or fixed 1,384 risk factors, such as shoe racks, balcony shelves, kitchen furniture, sinks, and loosely placed built-in cabinets, and elevators, and carried out a safety inspection in each quarter and took corrective steps to ensure safety in seven areas, including construction, public works, electricity, machinery, landscape, and elevators.

Disaster and Safety Management Practice for Residents



Responsibility for the Provision of Information about LH Service

LH clearly explains major content the service it provides through printed documents. In terms of advertisement, we comply with the laws and regulations of the Korea Advertising Review Board. All our business activities including marketing also abide by relevant laws and firmwide guidelines.

Creation of Safe Towns

As safety has become a major social issue, LH applies findings of various case studies for crime and disaster prevention to the designs of new towns and builds safety reinforcement systems to create safe towns. We create safety model towns through various safety tests and research and evaluation of crime prevention and traffic safety in existing new towns and expanding integrated control systems in parks and schools. We also separated the traffic flows for students from those for adults and built an entrance control system for students' safety as part of its plan for the creation of school facility complexes. As Korea is expected to become a post-aged society in 2026 due to low birth rates and population aging and consequent structural changes in social population, it is imperative to build a town which protects social minorities. LH has come up with criteria for designing a town, such as land use for seniors, children, and people with physical disabilities and open spaces, and installed road surface marking and speed bumps in Hyocheon in Jeonju. We also created a women and family-friendly park in Wirye New Town on a trial basis and plan to increase such parks through monitoring.

Shared Growth

Issues 08

→ Materiality

As the global business environment is rapidly changing due to technological development and diversity, a company should be able to form a network with a variety of stakeholders in order to see sustainable growth. Building a win-win partnership with various organizations including suppliers and creating shared value lead to shared growth and, ultimately, national economic development. We are committed to contributing to national economic development by realizing national residential stability through shared growth with suppliers and becoming a world-class land and housing service provider through efficient land use.

→ Approach

Strategic Goal	• To achieve shared growth and leap forward to become a top-notch company through a firmwide win-win partnership
System	• Mutual Partnership Act
Relevant Department	• Department relevant to shared Growth, Shared Growth Commission
Strategic Task	• Regulatory reform and institutional improvement, expansion of benefit sharing and expansion of support for small and medium-sized companies, expansion of the opportunity of small and medium-sized companies to participate directly, feedback, enhancement of awareness of shared growth
Assessment	• Assessment of the public organizations' effort for shared growth



Strategy

LH is doing its best to fulfill its plan for the promotion of shared growth and achieve shared growth with small and medium-sized businesses through a win-win partnership. We pursue practical win-win partnership by expanding benefit sharing, building cooperative systems with various relevant organizations, and allowing small and medium-sized businesses to directly participate in mutual partnership more actively.



Achievement

- Won the Presidential award for its contribution to opening new markets for small and medium-sized businesses through the launch of the "Four-Step Support System for the Opening of New Markets for Small and Medium-Sized Businesses"
- Support for small and medium-sized businesses through the expansion of the benefit sharing system (increase of tasks for benefit sharing and reward of benefit sharing)
- Establishment of the order of fair trade through regulatory reform and the foundation for a win-win partnership



Future Plan

- Establishment of a shared growth system incorporating organizational mission for the capacity to take action for shared growth
- Active discovery of hidden tasks for benefit sharing for expansion
- Support for improvement in small and medium businesses' perception through communication and outsourcing
- Effort to raise shared growth rating through the fulfillment of tasks in conjunction with the policy recommended by the government and investment in shared growth

Shared Growth

Shared Growth Promotion System

2014 LH Shared Growth Project

Goals for shared growth

To leap forward to become a model company through the launch of a firmwide win-win partnership system

Strategic Goal

- Regulatory reform and systematic improvement for win-win partnership (5 examples)
- Expansion of benefit sharing and support for small and medium businesses (5 examples)
- Increase of opportunities for small medium businesses' direct participation (4 examples)
- Enhancement of the feedback system and awareness of shared growth (4 examples)

Win-win Partnership Training Data

Year	Employee Training	Supplier Training
2012	178 employees (for newly recruited)	• Win-win Partnership Clean Meeting for 57 people
2013	1,730 employees (training in construction supervision, training on tour on subcontracting transactions)	• Win-win Partnership Clean Meeting for 494 people
2014	874 employees (training in construction supervision, workshop on unfair subcontracting)	• Win-win Partnership Clean Meeting for 494 people for 1,042 people • Special training for 40 employees relevant to subcontractors

LH does its best to build a sustainable management system through shared growth for a brighter and sounder future of Korea. For the creation of a healthy corporate ecosystem and realization of the creative economy through win-win partnership with small and medium businesses, we are determined to fulfill the following:

Strategy for Shared Growth

LLH's suppliers include 215 construction businesses and 377 contractors for design, survey, and impact evaluation, among others. We aim to fulfill our social responsibility by promoting fair gain sharing and prohibiting unfair trade. We set our practical goals every year to reflect them in our plan for the promotion of shared growth, reinforcing the shared growth system that incorporates the government policy and organizational mission. In 2014, we set out 18 strategic tasks with "leaping forward to become an excellent business in shared growth through the launch of a firmwide win-win partnership system."

Expansion of Relevant Departments

LH installed a department responsible for shared growth in 2013 in order to promote shared growth along with the department. In 2014, we added six more departments to the Department of Shared Growth. We also hold a regular meeting in each quarter and periodic special meetings in partnership with the Shared Growth Promotion Committee to inspect to review and support the progress of the projects.

Monitoring

LH conducts the supplier satisfaction surveys in seven areas, including public administration, evaluation and inspection, subcontract, safety and environment, professionalism, responsibility, and integrity. In 2014, we held the Win-win Partnership Clean Meeting with small and medium businesses to collect their opinions. Especially, we launched the Shared Growth Center to focus on practical win-win partnership, which is designed to provide small and medium businesses with one-stop service by promptly handling grievances among small and medium businesses. We collected and solved 68 grievances in 2014.

Spread of Win-win Partnership

LH is committed to raising awareness of shared growth firmwide by developing practical programs for shared growth both internally and externally. We enacted and proclaimed the Shared Growth Charter that reflects our determination to push shared growth and opened a website devoted exclusively for information on shared growth. We also set "The Value of 'Together' with LH" as its motto for advertisement. We run various training programs for employees at local headquarters and branch divisions, such as training in construction supervision training on tour on subcontracting transactions on a regular basis, and for suppliers, such as the "Win-win Partnership Clean Meeting" and training on tour on subcontracting transactions.

LH Shared Growth Charter

- One, We will recognize small and medium businesses as our win-win partners and take the lead in developing them through consistent communication and systematic improvement.
- Two, We will take the lead in sharpening the competitive edge of small and medium businesses on the global stage through our systematic support system for technological development and opening of new markets for their products.
- Three, We will make a concerted effort to vitalize communication among diverse parties and eradicate unfair trading practice. We will also actively participate in establishing win-win partnership for the fair construction industry by complying with related laws and regulations.
- Four, We will present new value of shared growth in the public sector with the firm belief that the growth of small and medium businesses leads to LH's growth. These are the top four values of business administration we pursue. We will do our best to fulfill win-win partnership and shared growth with small and medium businesses as our goal.

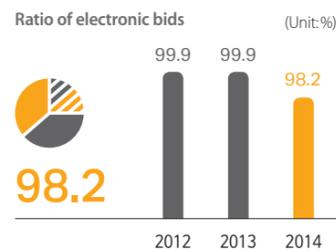
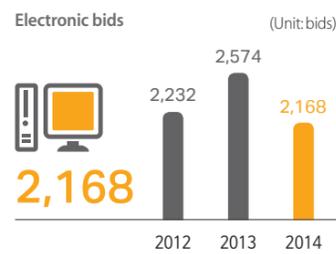
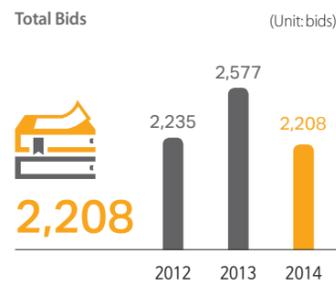
Shared Growth

Establishing a Fair Trade System

Adoption of the Bidding System based on Comprehensive Evaluation on a Trial Basis

LH adopted the bidding system based on comprehensive evaluation in June 2014 on a trial basis to replace the lowest bidding system for public construction projects worth over KRW 30 billion and applied it to 11 projects, including the construction of Homaesil B8 Block Apartment Complex in Suwon, Gyeonggi-do. The comprehensive evaluation system, a bidding system designed to select the successful bidder by evaluating capacity in construction work, bid price, and social responsibility of each bidder, allowed LH to ensure the quality of construction and raise the basic cost so as to distribute proper costs to the subcontractors. In an effort to prevent problems caused by the lowest bidding system, LH evaluated the bid prices and the appropriateness of the bid price per each type of work and subtracted points in case the bid price was over 15 percent lower than the basic cost. We also raised the subcontract prices to at least 82 percent of the bid price, contributing to the establishment of the bidding system based on the comprehensive bid evaluation.

Electronic Bids Data



* Large-scale development: The successful bidder is selected not by a construction contract in accordance with the Act on Contracts to Which the State is a Party but by a land supply method.
 ** Turnkey: The successful

Transparency in Bidding and Contracting Practices

LH is striving to improve transparency in bidding and contracting practices. We internally institutionalized the prohibition of private contracts with LH retirees and built a retiree inquiry system to ensure transparency in private contracts and made it compulsory to hold a Contract Deliberation Committee meeting when imposing sanctions on unfair parties. We also revised the guidelines to make it mandatory for outside committee members to attend the meeting to ensure fairness in the sanctions. All the biddings at LH are conducted by electronic bidding system to enhance transparency. Electronic biddings in 2014 accounted for 100 percent except 31 turnkey-based projects and nine large-scale projects for which electronic biddings are not possible.

Supplier Evaluation Process

LH shares its awareness of integrity with its suppliers by requiring the successful bidders and contractors to sign the Integrity Memorandum of Agreement. We monitor our suppliers' practices by checking the payment monitoring system and subcontract transactions to evaluate the suppliers' sustainable management activities. Also, we are focusing on minimizing the impact of our suppliers on the environment and society by capitalizing on internal systems such as subcontract transaction guidelines and inspection task guidelines. In addition, we inspect the possibility of human rights violation in the stage of reviewing risks for cooperation or investment. We make it a rule not to be involved in transactions with suppliers and subcontractors that have a record of human rights violations or engage in controversial activities that may violate human rights.

Adoption of the Voluntary Fair Trade Inspection System

LH has adopted the voluntary fair trade inspection system in the headquarters, local headquarters, and branch divisions on a regular basis. We identified 47 incidents that violate the fair trade act, such as status abuse, and took action to draw up detailed plans for improvement.

Subcontract Transactions

LH operates a subcontract center consisting of 137 employees in each branch division to check subcontract transactions biannually and payment status every month on 3,784 subcontractors at 408 work sites. In 2014, we expanded the Win-win Partnership Clean Meeting and training for employees related to subcontract transactions, resulting in a 44 percent decrease in unfair trade practices from previous year and a 27 percent down in the number of illegal subcontract transactions from the previous year, or 109 incidents.

Fair Payment Practice

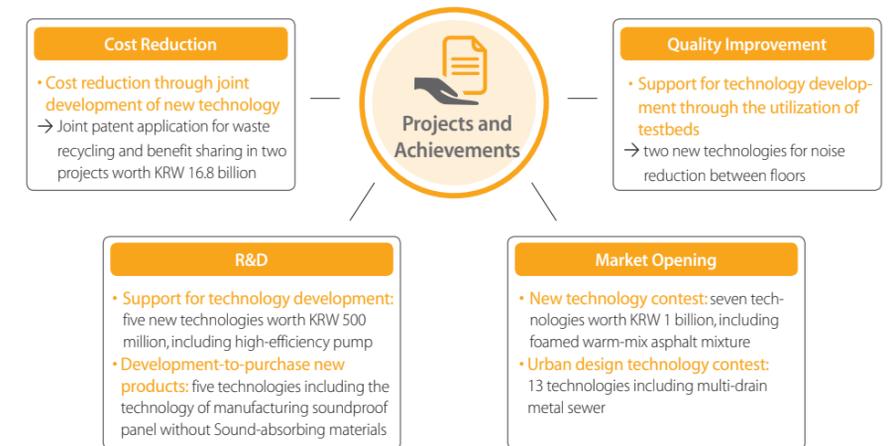
LH aims to create a fair construction environment through fair payment practices. We adopted the payment monitoring system jointly with banks in seven districts including Siheung Eungye District on a trial basis and found it effective in preventing late payment, achieving "zero overdue wages." Driven by the success of the payment monitoring system, we plan to adopt the overdue wage record management of each supplier along with practical measures to take action in order to prevent recurrence of overdue payment and arouse attention. We plan to manage the overdue management record of each supplier through the Construction Technology Information System (COTIS) and reflect it in the PQ evaluation by deducting points (0.5~3points).

Support for Small and Medium Businesses

Expansion of Benefit Sharing

LH has continued its effort to improve various systems and institutions by establishing a LH-style win-win partnership model by preventing unfair subcontract and, further, focusing on spreading benefit sharing. We actively operate the Shared Growth Promotion Committee to expand the benefit sharing system by reflecting the characteristics of each institution. We identified tasks for benefit sharing in four areas, including cost reduction, quality improvement, R&D, and market opening, and, as a result, saw an increase in the number of private contracts and the amount of benefit sharing. Benefit sharing allows us to introduce outstanding technology and innovative products to the field, ensuring cost cut and quality improvement in construction work, one the one hand, and helps small and medium businesses enhance their credibility and open new markets through the public verification of their technology and products

Benefit sharing System

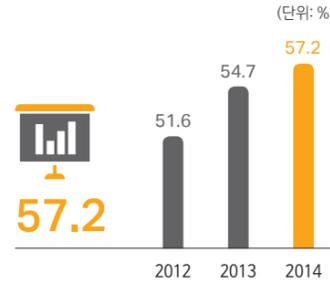


Increase in opportunities for small and medium businesses' participation

The proportion of the joint-venture system with prime contractor will increase from 5 percent to 40 percent LH plans to expand the adoption of the joint-venture system with the prime contractor in its effort to lower the barriers to market entry for small and medium businesses. We increased the number of districts to adopt the joint-venture system with the prime contractor from three in 2013 to eight in 2014. Also, we have revised the evaluation criteria in relation to bidding and contracting in order to increase support for businesses run by women and hold contests for new technology, new materials, and new construction methods, leading to practical win-win partnership with small and medium businesses through communication with them and support for their entry to new markets and capacity building.

Shared Growth

Products by small and medium businesses purchased



Small and Medium Business Product Purchasing Policy

LH faithfully adheres to the small and medium business product purchase quota system in accordance with the government policy by selecting the public purchase support manager in each department. We encourage social minority-owned businesses to participate in bids by increasing bids for special as well as general construction works and adding points to businesses with excellent management conditions. We also expand the permissible range of private contracts to give small and medium businesses more opportunities to participate in bids.

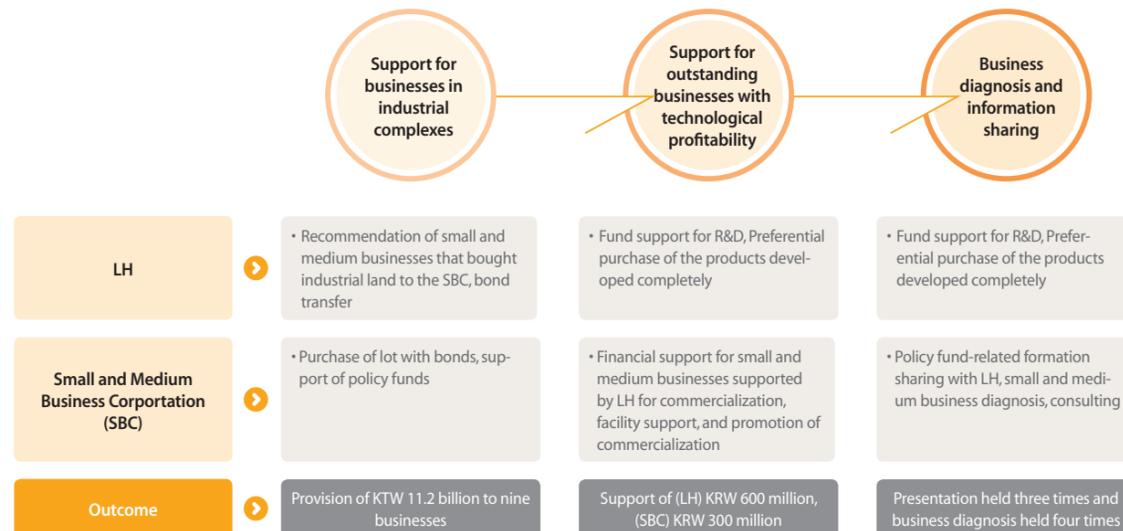
Small and medium and other social minority-owned business products purchased (Unit: 100 million)

Businesses	2012	2013	2014
Small and medium businesses	52,985	59,928	60,911
Women-owned businesses	2,379	3,344	3,368
R&D businesses	480	507	948
Green businesses	266	741	1,675
Social enterprises	11	15	47

Support for the Economic Activity of Small and Medium Businesses in Industrial Complexes

An analysis of small and medium businesses in the industrial complexes nationwide shows that the number of businesses with 300 or less employees accounts for 97.8 percent as of the third quarter of 2014, calling for support of small and medium businesses for their early and stable settlement in industrial complexes. In order to support economic activities of small and medium business in industrial complexes, LH signed a MOU with the Small and Medium Business Corporation (SBC) in June 2014 for the establishment of a cooperative system designed to utilize business strengths. We then provided small and medium businesses with direct loan services by utilizing the money from land sales as policy funds to help them solve problems caused by their location and promote the commercialization of the outstanding technology produced by small and medium businesses, contributing to the vitalization of the local economy and employment.

Support for small and medium businesses through the building of a cooperative model with public organizations



Community Contribution

Issues 09

→ Materiality

As the business activity of and management of a company has a great economic, social, and environmental impact on local communities, CSR (corporate social responsibility) activities, especially those based on business characteristics, are highly emphasized. In order to earn the public trust and meet growing public expectations for CSR activities, we should push our limits further to contribute to realizing national development and happiness by fulfilling our social responsibilities for local communities.

→ Approach

Vision	• To become a reliable top-notch public organization through CSR activities
System	• Sharing Fund, Matching Grant
Relevant Department	• Social Contribution Department, LH Sharing Volunteer Corps, CSR Advisory Committee (inspection body)
Strategic Task	• Improvement of residential welfare, contribution to local communities, vitalization of volunteer work
Assessment and Monitoring	• Consultation with outside organizations (CSR Advisory Committee, private organizations), employees' opinions (CSR workshops, surveys, etc.) CSR activity evaluation (internal assessment after the termination of CSR projects, assessment by an outside organization)
Feedback	• CSR performance measurement system



Strategy

LH aims to improve quality of life for residents of local communities and improve the local environment for the development of local communities, cherishing the value of sharing and participation.



Achievement

- Employees' CSR activities for 61,274 hours (10 hours per person)
- KRW 6.7 billion budget executed for CSR activities



Future Plan

- Expansion of support for the improvement of residential welfare for local residents
- Improvement of the environment of local communities

Contribution to Local Communities

CSR Promotion System

Strategy

Aiming to realize its vision to become a reliable top-notch public corporation through its CSR activities, LH is pushing various CSR projects by building the CSR promotion system based on its goal of establishment and realm of business. To that end, LH is carrying out 11 tasks by focusing on enhancing residential welfare, contributing to local communities through green activities for the improvement of the worn-out environment while preserving clean nature, and practicing CSR activities for sharing.

Strategy for CSR Activities



Background

LH carries out CSR activities led by its CSR Corps and Sharing Volunteer Corps in 33 branch divisions across the nation, along with the CSR Advisory Committee, an inspection body designed to ensure efficient CSR Activities. Moreover, we have adopted an incentive system to encourage employees to actively participate in CSR activities, operating the CSR performance index that reflects the number of hours individual employee spends for CSR activities and selects excellent examples of one-branch division with one brand. Outstanding departments and employees are rewarded. LH's CSR activity is supported financially by the company budget (donation) through the matching grant and employee's Sharing Fund.

Feedback System

LH is committed to carrying out SCR activities beneficiaries are satisfied by consistently improving its SCR practices. We review and improve our SCR activities through consultation with outside organizations, including the CSR Advisory Committee and private organizations, and their reviews. In 2014, we developed the CSR Evaluation Index bases on the surveys we conducted in order to consolidate our SCR practices. We also inspected ten community-based social enterprises from July to December and launched a project for the development of a SCR performance measurement and evaluation model.

LH's Specialized Residential Welfare Improvement activitie

Customized CSR Activities for Rental Housing Tenants at All Phases of Life

LH is engaging in CSR activities for rental housing tenants at all phases of life so that rental housing can not only meet the housing needs of low-income families but it also can become a happy space with vitality. We create jobs for tenants, support tenants who want to stand on their own feet, create an environment ideal for children's education, and support tenants to enjoy a happy family life throughout their lives from childhood to old age.

Strategy for CSR Activities

Childhood	<ul style="list-style-type: none"> Education and childcare service for children of rental housing tenants 	<ul style="list-style-type: none"> Local childcare centers: 37 Mentoring program: agreement signed with 17 colleges for 220 children Meal service for children: 3,206 children in 106 rental apartment complexes nationwide
Adolescence	<ul style="list-style-type: none"> Scholarship for children of rental housing tenants 	<ul style="list-style-type: none"> A total of 261 children with KRW 1.3 million per person
Young Adults	<ul style="list-style-type: none"> Support for the launch of community-based social enterprises for job creation for tenants Joint wedding ceremonies for tenants 	<ul style="list-style-type: none"> Jobs created for 257 tenants in 30 social enterprises Joint wedding ceremony held every year for 270 people in total and financial support provided for couples' honeymoon
Old Age	<ul style="list-style-type: none"> Recruitment of seniors Gimjang making event and rice cake soup sharing 	<ul style="list-style-type: none"> Jobs created for 2,000 seniors Gimjang gimchi and rice cake soup making for living-alone seniors Gimchi distributed to 950 seniors

Community-based Social Enterprises in Operation

Rental Housing Complex	Major Business
Seonghwa in Cheongju	<ul style="list-style-type: none"> Local food business Sharing Cafe Libraries and study rooms
Yulha in Daegu	<ul style="list-style-type: none"> Safe lunch box Safe vegetable garden Happy Counseling Office
Iksan in Jeollabuk-do	<ul style="list-style-type: none"> Vegetable Garden Food service Farmer's market
Paju in Gyeonggi-do	<ul style="list-style-type: none"> Lunch box delivery Side dish sales Culture and welfare service

Support for Employment and Self-Reliance through the Launch of "Community-based Social Enterprises"

Started in 2010, the "Community-based Social Enterprise" system not only creates jobs for rental housing tenants but it also helps develop local communities qualitatively, realizing social value. LH has been providing low-income tenants of rental housing complexes with jobs and social services by supporting the creation of "community-based social enterprises," which produce, sell, and trade products and services to meet the needs of tenants and reinvest the profit generated from the economic activities for the sustainable development of local communities. As of 2014, a total of 30 community-based social enterprises are in operation.

Support for Education and Scholarships

LH provides support for the education of children of low-income families living in rental housing. We run 37 local children's centers in the community centers in rental housing complexes nationwide to provide tenants with childcare and education services. We also run a mentoring program jointly with 17 colleges to help children of low-income families make their dreams come true by providing them with academic tutoring, career counseling, and other interactive activities. In addition to the mentoring service, we offer practical support through scholarships worth 350 million annually for the college education of children of rental housing tenants.

Contribution to Local Communities

Support for Tenant Happiness

LH has provided children from double-income families and low-income households with free lunches during school vacation periods since 2005. As of 2014, LH is offering free lunches to children living in 106 rental housing complexes. We support for tenants' happiness by hosting joint wedding ceremonies for local residents, including rental housing tenants and multi-cultural couples, who have not yet married, due to financial difficulties. All expenses for the wedding and honeymoon are covered by LH. Started in 2004, the joint wedding ceremony is held every year and 270 people tied the knot in 2014.

Support for Local Communities

Improvement of the Social Environment of Local Communities

LH is engaging in the project for the "Creation of Eco-friendly Communities" by utilizing its technological prowess and the expertise of its human resources for the improvement of the worn-out environment of local communities. We created 34 eco-friendly parks and playgrounds and walkways in old worn-out residential areas across the nation and are working on 12 more areas in 2015. We also undertake a home improvement project for living-along seniors, flophouse occupants, and other people living in poor conditions by repairing and replacing damaged roof areas and restrooms and installing new flooring and wallpapering. In 2014, 11 households in Gyeonggi-do were chosen for the home improvement project.

Local Community Vitalization

LH is contributing to vitalizing local communities by utilizing its assets for VSR activities. We run the "Vegetable Garden Sharing" program by utilizing LH-owned land that has been left unsold for a long time. For instance, we turned the 15,000 square meter land in Heungdeok in Yongin, 9,000 square meter land in Haga, Jeongju, and 13,000 square meter land reserved for school construction in Yulha, Daegu, into vegetable gardens for local communities for free. We then supply the vegetables produced in the gardens to local childcare centers and local nursing homes and other facilities for senior citizens, urging local residents to participate in social contribution activities. We also have joined forces with local governments, rental housing management offices, tenants, and welfare centers to run win-win partnership councils for community vitalization for rental housing tenants. In 2014, LH formed residential welfare governance in conjunction with local communities and increased governance complexes to 737 across the nation.

Sharing Activities by LH Volunteer Corps

Sharing Fund, a Financial Source for LH's CSR Activities

LH's CSR activities are led by the LH Volunteer Corps, along with employee's voluntary participation and volunteer activities. LH employees are making contributions through voluntary payroll deductions from KRW 1,000 up to KRW 50,000 a month. The money thus collected is donated for social causes or disaster relief as LH employees' contribution or used as a financial source for various CSR activities by LH Volunteer corps in local communities. In 2014, 78 percent of LH employees, or 5,012 people, joined the effort to collect KRW 340 million in total.

Expansion of Employee Participation

LH employees are actively participating in firmwide CSR activities. In 2014, LH launched the "One Branch Division One Brand" project to help the local community where each branch belonged to, by visiting socially vulnerable people, donating their skills, assisting with personal care needs, such as bathing, or distributing food. A total of 5,374 LH employees participated in a variety of activities, including gimchi and briquette delivery to the underprivileged and repairing of worn-out houses. In 2014 alone, LH employees committed 61,274 hours in total, which translates into ten hours per person.

Promotion of Social Contribution through Collaboration

LH is promoting joint CSR activities through collaboration with other organizations for efficient CSR practice. We joined the Union Corporate Committee, a labor-management volunteer organization, to engage in global CSR activities by helping 40 multicultural families from Vietnam through medical service, services for family members in Vietnam. LH took the responsibility for the home improvement project. Also, LH collaborated with local governments, businesses, and broadcasting networks to build a public children's center for children of low-income families living in Hwacheon-gun, a remote mountainous area. LH and its employees supported for construction expenses and provided volunteer work.



①Children tenants scholarships ②Sharing garden ③Wood playground gaejangsik ④Joint tenants wedding

Employee volunteering

Green Business

Issues 10

→ Materiality

As global warming deepens the environmental crisis, causing draught, flood, heat wave, and ecosystem destruction and the consumption of fossil fuel-based energy leads to the rapid increase of greenhouse gas emissions, the whole world is not making a concerted effort to minimize their environmental impact. The Korean government is pushing the low carbon green growth policy in the wake of the recent energy crisis and climate change with increasing natural disasters. In line with the government's vision, LH aims to take the lead in fulfilling the government's vision by focusing on the construction of green housing and the improvement of energy efficiency.

→ Approach

Strategic Goal	• To construct green cities, lay the foundation for the green industry, build green housing, improve energy efficiency, build a greenhouse emissions reduction system, and realize green management
System	• Environment-related guidelines
Relevant Department	• Complex Technology Office, Environment and Traffic Office, General Affairs and Customer Satisfaction Office, Urban Facilities Office
Strategic Task	• Establishment of a greenhouse gas reduction system and realization of green management



Strategy

LH pursues eco-friendly land development, eco-friendly urban development, collective energy programs, and clean development mechanism (CDM) projects in order to fulfill its environmentally-friendly vision in constructing and supplying housing. To that end, we are emphasizing the environment management system in organization administration and business management.



Achievement

• Purchased green products worth KRW 167.5 billion



Future Plan

Firmwide emphasis on the practice of energy conservation

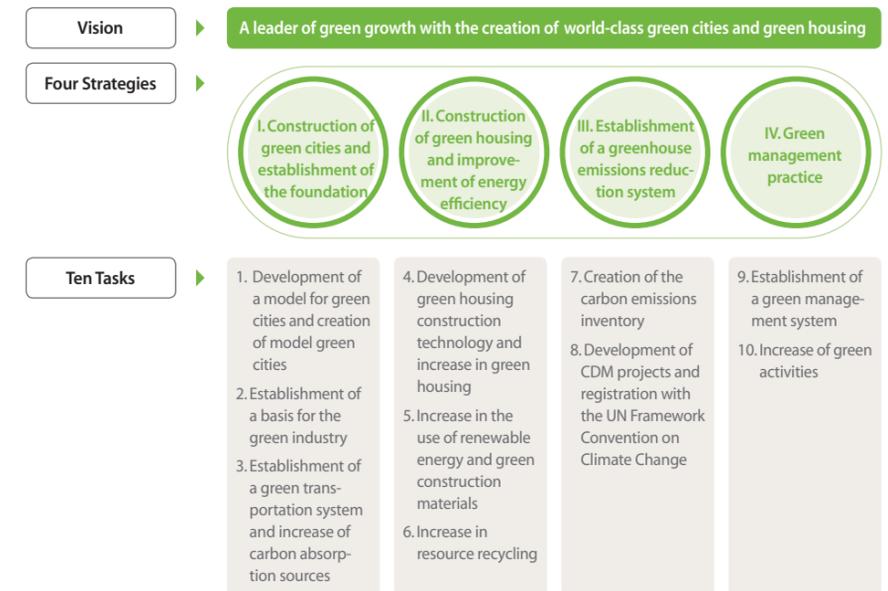
Green Management

Green Management Promotion System

Green Management Strategy

In accordance with the Korean government's "low carbon green growth" policy, LH has formulated four strategies and ten tasks to fulfill its vision of "becoming a leader of green growth with the creation of world-class green cities and green housing." We will do our best to minimize greenhouse gas emissions and environmental pollution through business activities and management systems with environmental aspects under consideration.

Vision and Strategy for Green Management



Organizations for Green Management Practice

LH is pushing various projects, including green city and CDM projects and green housing and renewable energy distribution projects with the Green Growth Department Technology Standard. The General Office and Customer Satisfaction Office is in charge of industrial safety and public health among the tasks related to energy conservation in the headquarters. Also, the Green Growth Promotion Committee reviews and makes decisions about various issues related to green management practice, while the Energy Conservation Promotion Committee focuses on efficient energy management and conservation.

Green Management System

LH makes a special effort to minimize the impact of all aspects of its business operations on the environment in accordance with the environmental policy. We take various environmental aspects related to the impact of our organizational and business activities on the environment under consideration when setting the environmental goals of each department and utilize environment-related laws, industrial criteria and standards that are applied to our environment-related organizations and product services in our work. We have continued to perform various tasks to improve the environment, such as environment impact assessment and preliminary damage inspection and assessment for ISO 14001 certification.

Green Management

Greenhouse Gas Emissions Reduction System

Establishment of the Carbon Emissions Inventory

In an effort to reduce 30 percent of greenhouse gas emissions by 2020, LH has applied the Green City Carbon Emissions Inventory to city planning and the green model city expansion plan. We use the city carbon emissions inventory in order to manage carbon emissions of each green category, such as construction, renewable energy, transportation, and resources, among others, in addition to the total carbon emissions of the city. We monitor carbon emissions in each area through the online carbon emissions analysis system (<http://co2analysis.lh.or.kr>). This system is also used for setting unit reduction target and developing CDM projects through the analysis of economic feasibility.

Development of CDM Projects

LH is joining efforts to address environmental change at home and abroad, such as the UN UNFCCC (United Nations Framework Convention on Climate Change). In 2009, LH registered the renewable energy project in Sosabeol district in Pyeongtaek into the UNFCCC; since then, LH continues to develop CDM projects for urban development in order to secure carbon emission trading rights.

As a result, LH translated its achievement in reducing greenhouse gas emissions through the installation of solar power generation facilities in public rental housing into a CDM project and registered the "CDM for the Program for the Application of the Renewable Energy Systems to Apartment Houses in Korea" with the UNFCCC in May 2013. The installation of the solar power generation facilities we support is expected to reduce greenhouse gas emissions equivalent to planting 61 million pine trees and secure 180 thousand tons of carbon emission trading rights by 2030.

Minimization of Environmental Impact

Energy Conservation Drives

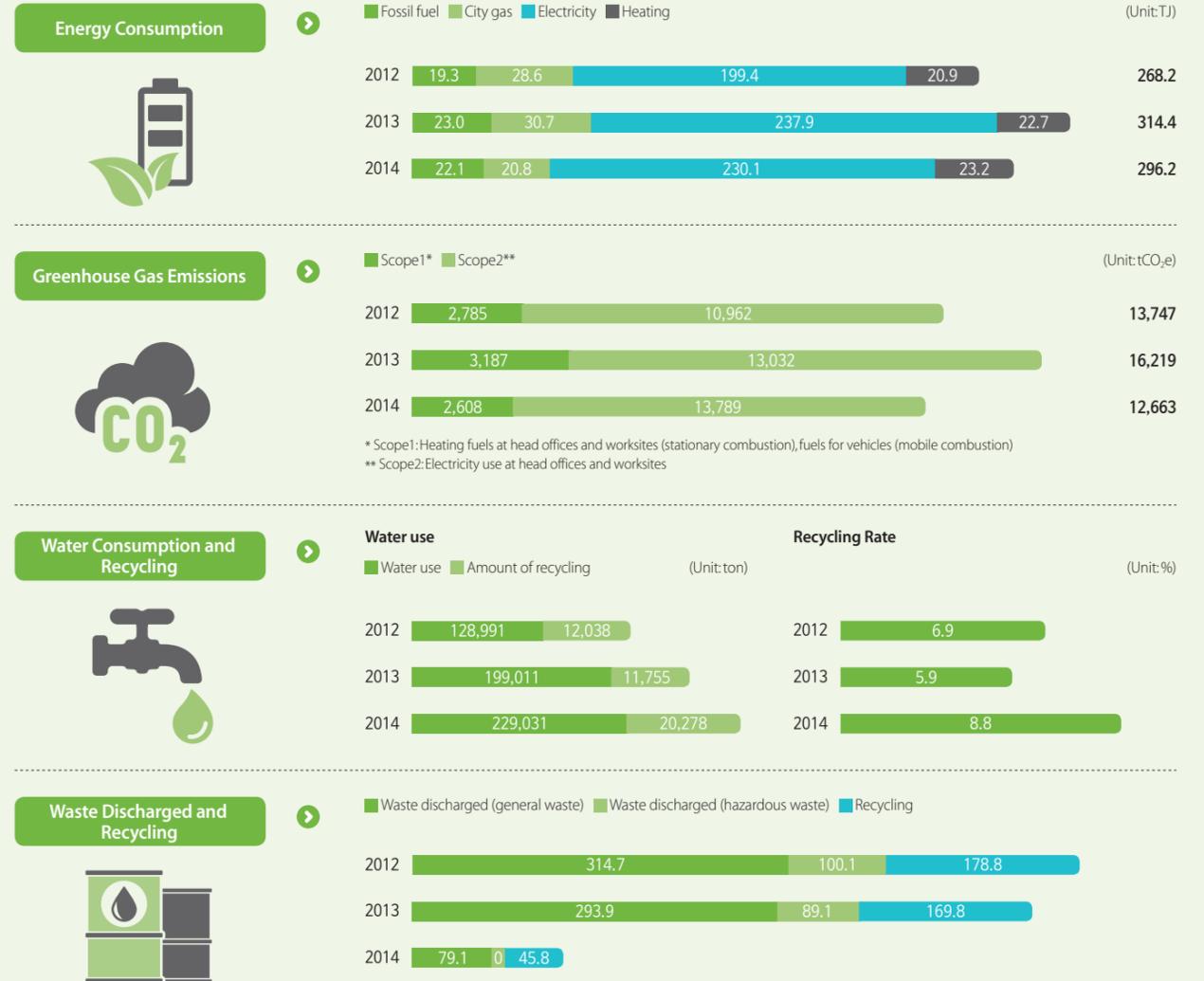
LH is making diverse efforts to reduce the use of fossil fuel in its business operations, such as replacement of business-purpose vehicles with hybrid and other eco-friendly vehicles, and reduce direct energy use through the implementation of a car pool system, designation of a car-free day, and shuttle bus operation between company buildings. In accordance with the government's "Guidelines for the Rationalization of Energy Use in Public Organizations," LH has adopted a firmwide commitment to energy best practices. We maintain the optimal indoor temperature, limiting the operating time of cooling and heating as well as ventilation systems. We also turn office lights off during lunch hours and use LED lights and energy-efficient office devices to make energy saving as part of everyday life.

Wastewater and Harmful Substance Management

LH manages and treats harmful substances strictly in accordance with relevant regulations. Sewage from LH headquarters and local branches is processed at the local sewage treatment plants.

Species Diversity Management

LH manages ecological and species diversity data, including environmental preservation areas and green rating, by utilizing a spatial database to minimize the environmental impact of land and housing development projects. We utilize this data for species diversity protection through various activities, such as research on endangered species and preservation and designation of habitats.



The Super Energy-Efficient New LH Office

The LH's new office in Jeonju, Jeollabuk-do employs cutting-edge energy saving technology. The winner of the Ministry of Land, Infrastructure, and Transport Super Energy-Saving Architectural Model Project Awards, the LH Jeonju Office building is designed to use the minimum energy through the use of energy-efficient building materials, such as high-performance insulation materials, Low-E triple pane windows, a green roof, LED lights, and other equipment through passive design. This is expected to be Korea's first architectural structure with a total building area of 100,000 square meters or bigger that can save 149.5kWh/m² of energy consumption annually. LH plans to build a childcare center next to the office as an energy-neutral building. This new LH office in Jeonju consumes 150kWh/m² of energy annually, which amounts to roughly one third of the energy consumption of ordinary buildings, or 500kWh/m², and cuts energy consumption by over 50 percent more than energy-efficiency grade-1 buildings. The new office is also equipped with water-saving plumbing fixtures and a water recycling system, as well as water resources saving technology, that enable us to use rain and heavy water for various purposes, such as landscaping irrigation, toilet flushing, and cleaning.

Eco-friendly Urban Development



Issues 11

→ Materiality

The reduction of greenhouse gas emissions and air pollution and the improvement of energy efficiency have come to the fore as critical for a business, a nation, and further, the whole world. In order for a nation to sharpen its competitive edge, the development of green technology and green industries are critical for as new growth engines that maintain balance between economic growth and the environment. LH strives to fulfill low carbon land development, spatial creation, and a green transportation system for the improvement of land competitiveness.

→ Approach

Strategic Goal	• To create eco-friendly, future-oriented green cities
Relevant Department	• New Town Project Office and Land Development Office
Strategic Task	• Eco-friendly green city development with future demand and quality of life under consideration
Assessment	• Internal performance evaluation, internal and external assurance by outside experts.
Feedback	• Business Promotion Inspection Meeting, Technology Fair (on a regular basis)



Strategy

LH aims to create a human-centered urban environment through eco-friendly and safe development and supply of cities. In order to enhance value by developing land and cities in an eco-friendly way, LH builds low-carbon green cities, minimizing greenhouse gas emissions and energy consumption.



Achievement

- Green transportation system established in Dongtan 2 in Hwaseong
- Energy-saving technology applied to school facilities, saving 11.8 percent of total heating energy need and 30 percent of energy on average,
- Use of renewable energy increased
- Use of eco-friendly recycled materials increased



Future Plan

Increase in the use of renewable energy and LED lights

Green energy source	Green energy to be used each year					
	2015	2016	2017	2018	2019	After 2020
Renewable energy	15%	18%	21%	24%	27%	30%
LED light	60%	60%	100%	100%	100%	100%

Creation of Eco-friendly Towns

Creation of Green Towns

Response to Climate Change in Town Development and the Construction Industry

As developing towns and constructing and supplying housing have a great impact on the environment, LH takes preemptive step to address the issue. We have built an efficient water-cycle system in response to climate change in the process of carrying out diverse projects, taking the lead in constructing green towns with ecosystem under consideration for the preservation of the natural environment. We aim to create green towns equipped with eco-friendly architectural structures and renewable energy facilities. We also make a great effort to minimize waste throughout the whole process from housing design to construction to operation to redevelopment. We plan to undertake various projects with the environment under consideration by applying eco-friendly technology and efficiently using energy sources resulting in greenhouse gas emissions reduction and effective responses to climate change.

Application of Low Impact Development

As urbanization and consequent change in patterns of land use cause diverse environmental problems, such as flood and ground subsidence, LH makes the best of low impact development in creating eco-friendly green towns with the future of the environment and quality of life under consideration. Low impact development refers to a land planning technology that minimizes the impact of development on the natural water-cycle system through effective management of stormwater runoff. We aim to establish a healthy water-cycle system by reinforcing flood and water purification functions and creating natural drainage conditions by increasing the infiltration of rainfall effluent. In 2014, we applied low impact development technique to the housing construction in Tangeong in Asan and the design of the housing in Godeok in Pyeongtaek on a trial basis to create eco-friendly towns by reducing stormwater effluent and pollutant discharge while increasing underground water through rainwater infiltration and reducing thermal island effect.

Collective Energy Project

LH engages in collective energy projects within industrial complexes, through which it provides customers with heat and electricity generated from cogeneration plants, heat boilers, and resource retrieval facilities.

LH carries out the collective energy projects, which are designed to collectively supply heat and energy generated from energy facilities such as cogeneration plants, heat boilers, and resource retrieval facilities to users in residential and commercial districts. We undertook collective energy projects in the Southwest district in Daejeon and the Baebang district in Asan, contributing to the national energy and electricity supply strategy through substantial energy conservation and peak load reduction. In addition, we strive to protect the ozone layer by using pollution-free refrigerant for this system and improve air quality by utilizing clean fuel and LNG, operating cutting-edge pollution prevention facilities, and reducing fuel consumption.

Effect of Collective Energy Projects

Large-scale energy conservation	Reduction of greenhouse gas emissions	Pleasant residential environment	Contribution to nation electricity supply strategy	Contribution to peak load reduction in the summer	Less reliance on oil

Creation of Eco-friendly Towns



Rooftop green power plant



Children in Ecological Park

Creation of a "Bike Model City" for a Green Transportation System

LH established a 198km-long bike trail, the longest of its kind in new towns in Korea, in the Dongtan 2 district in Hwaseong and paved it with an innovative material ideal for bike trails. We created a bike trail network consisting of four types of roads, including intercity road, artery road, local distribution road, and feeder road. In July 2014, we installed the trail on a trial basis and are now expanding it firmwide.

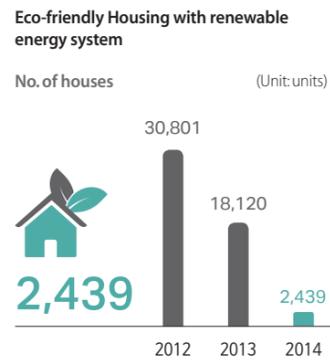
THE Green Story

The Green, an environmentally-friendly architecture and future-oriented housing construction technology learning center, serves as a PR room for Bogeumjari Housing and green growth policy and, at the same time, a site for hands-on experience of green technology in everyday life. The rooftop of the center, an "environmentally-friendly rooftop ecological park," features solar and other renewable energy facilities with the "nature in convergence with green technology" as the theme. We plan to develop models for energy-efficient green model apartment complexes in new towns and quantify carbon emission quantity of each green factor. We also aim to create eco-friendly spaces in conjunction with natural environment for humans in perfect harmony with nature in an urban environment. LH practices green management by creating the Dongtan 2 district in Hwaseong as a new town with zero fossil fuels, the Geomdan district in Incheon as an energy self-sufficient town, and the Tangeong district in Asan as a new-concept residential area.

Efficient Use of Resources and Energy

Increase in the Use of Renewable Energy

In an effort to build eco-friendly energy-efficient towns, LH has carried out a project for the supply of diverse types of renewable energy since 2006 and installed solar energy generators, fuel cells, and small wind power facilities in 107,311 rental housing units in 150 districts across the nation by 2014, contributing to saving power consumption. Also, we increased the use of solar energy and other renewable energy in environment plant facilities to improve energy efficiency and, ultimately, cut social costs. We installed renewable energy utilization system in three districts, including Dongtan 2 district in Hwaseong for food waste treatment and renewable energy facilities in 26 places including schools in the same district. Also, we used LED lights in 28 districts including Misa in Hanam for energy.



* 107,311 housing units in 150 districts(cumulative)

Application of Energy-Efficient Technological Elements to School Facilities

LH analyzed energy consumption patterns in school facilities and drew up ways to apply energy-saving technological elements. In 2014, we installed windows, cooling and heating systems, automatic standby power shutdown system, and ceiling windows for light and ventilation in newly built school facilities, succeeding in cutting energy consumption by 30 percent. As the energy used in the cafeteria accounts for 34 percent of the total energy consumption, we are planning to use solar energy for hot water in the kitchen on a trial basis. We are also reviewing the application of renewable energy to the heating and cooling systems, geothermal energy, solar energy panel inclination adjustment system, and the like.

Recycling of Eco-friendly Recycled Materials

LH developed waste recycling technology by forming a public-private joint partnership for the economic treatment of waste in landfill discovered in its worksites, recycling the waste by investing only one third of the expenses for waste incineration. In 2014, LH cut roughly 300,000 tons of combustible waste buried in the housing development district in Myeongji in Busan and developed the technology of recycling the combustible waste into nine tons of solid fuel jointly with private institutions.

Appendix

Third-party Assurance Report	70
GRI G4, ISO 26000 Index	72
Awards / Memberships	78
Sustainable Management Initiatives	79

Third Party's Assurance Statement

To the Readers of 2015 LH Sustainability Report:

Foreword

Korea Management Association Registration and Assessments (KMAR) has been requested by of Korea Land & Housing Corporation (hereinafter referred to as 'LH ') to verify the contents of its Sustainability Report 2015 (the Report). LH is responsible for the collection and presentation of information included in the Report. Our responsibility is to carry out assurance engagement on specific data and information in the assurance scope stipulated below.

Scope and standard

LH describes its efforts and achievements of the sustainability activities in the Report. KMAR performed a Type 2, moderate level of assurance using AA1000AS (2008) as an assurance standard. We evaluated the adherence to Principles of Inclusivity, Materiality and Responsiveness, and the reliability of the selected GRI G4 indices as below, where professional judgment of the practitioner of KMAR's assurance team was exercised as materiality criteria.

The team checked whether the Report has been prepared in accordance with the 'Core Option' of GRI G4 which covers the followings.

- Reporting Principles
- General Standard Disclosures
- Specific Standard Disclosures
 - Generic DMA of each of following material aspects
 - Economic Performance : G4-EC1, G4-EC2, G4-EC3
 - Market Presence : G4-EC5
 - Indirect Economic Performance : G4-EC7, G4-EC8
 - Material : G4-EN1, G4-EN2
 - Energy : G4-EN3, G4-EN4, G4-EN5, G4-EN6, G4-EN7
 - Water: G4-EN8, G4-EN10
 - Biodiversity : G4-EN11, G4-EN12, G4-EN13
 - Emissions : G4-EN15, G4-EN16, G4-EN18, G4-EN19
 - Effluents and Waste : G4-EN23, G4-EN26
 - Products and Services : G4-EN27
 - Transport : G4-EN30
 - Overall : G4-EN31
 - Employment : G4-LA1, G4-LA2, G4-LA3
 - Labor/Management Relations : G4-LA4
 - Occupational Health and Safety : G4-LA5, G4-LA6, G4-LA7, G4-LA8
 - Training and Education : G4-LA9, G4-LA10, G4-LA11
 - Diversity and Equal Opportunity : G4-LA12
 - Equal Remuneration for Women and Men : G4-LA13
 - Supplier Assessment for Labor Practices : G4-LA14, G4-LA15
 - Labor Practices Grievance Mechanisms : G4-LA16
 - Non-discrimination : G4-HR3
 - Freedom of Association and Collective Bargaining : G4-HR4
 - Child Labor : G4-HR5
 - Forced or Compulsory labor : G4-HR6
 - Indigenous Rights : G4-HR8
 - Assessment : G4-HR9
 - Supplier Human Rights Assessment : G4-HR10, G4-HR11
 - Human Rights Grievance Mechanisms : G4-HR12
 - Local Communities : G4-SO1, G4-SO2
 - Anti-corruption : G4-SO3, G4-SO4, G4-SO5
 - Compliance : G4-SO8
 - Supplier Assessment for Impacts on Society : G4-SO10
 - Grievance Mechanisms for Impacts on Society : G4-SO11
 - Customer Health and Safety: G4-PR1
 - Product and Service labeling: G4-PR3, G4-PR4, G4-PR5
 - Customer Privacy: G4-PR8

The data and information related to the boundary outside of LH such as suppliers, contractors, etc. are not covered by our assurance engagement

Our approach

In order to verify the contents of the Report within an agreed scope of assurance in accordance with the assurance standard, KMAR's assurance team has carried out an assurance engagement as follows:

- Reviewed sustainability related data and reporting process
- Reviewed Internal materials
- Interviewed people in charge of preparing the Report

Our conclusion

Based on the results we have obtained from material reviews and interviews, we had several discussions with LH on the revision of the Report. We reviewed the Report's final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, the assurance team could not find any inappropriate contents in the Report to the compliance with the principles stipulated below. Nothing has come to our attention that causes us to believe that the data and information included in the verification scope are not presented appropriately.

Inclusivity

Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

- LH is developing and maintaining stakeholder communication channels in various forms and levels in order to make a commitment to be responsible for the stakeholders. The assurance team could not find any critical stakeholder group left out during this procedure.

Materiality

Materiality is determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions, and performance of an organization or its stakeholders.

- LH is determining the materiality of issues found out through stakeholder communication channels through its own materiality evaluation process, and the assurance team could not find any critical issues left out in this process.

Responsiveness

Responsiveness is an organization's response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions, and performance, as well as communication with stakeholders.

- The assurance team could not find any evidence that LH's counter measures to critical stakeholder issues were inappropriately recorded in the Report.

We could not find any evidence the Report was not prepared in accordance with the 'Core Option' of GRI G4.

Recommendation for improvement

We hope the Report be actively used as a tool for communication with stakeholders and recommend the following for continuous improvements of the Report.

- The company needs to set up integrated management system and feedback process in regarding to sustainability management-related performance indicators.
- The company needs to report quantitative performance indices in regarding to sustainable management-related activities.

Our independence

With the exception of providing third party assurance services, KMAR is not involved in any other LH business operations that are aimed at making profit in order to avoid any conflicts of interest and to maintain independence.



June, 2nd, 2015
CEO Ki Ho Park

K. H. Park

GRI G4, ISO 26000 Application Level

General Standard Disclosure

● Reported ◐ Partially Reported ○ Not Reported ⊕ N/A

GRI Index	G4 Contents	ISO 26000	Core Theme and Issue	Fulfillment Status	Page	Remark
Strategy and Analysis						
G4-1	A statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability		Respect for international code of conduct / Organizational governance / Setting goals of an organization for social responsibility	●	4-5	
G4-2	Key impacts, risks, and opportunities	4.7 / 6.2 / 7.4.2		●	4-5	
Organizational Profile						
G4-4	Name of the organization			●	10	
G4-4	Primary brands, products, and services			●	10-11	
G4-5	Location of the organization's headquarters			●	10	
G4-6	The number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report		Fundamental principle and rights of labor / Labor practice(overview, principles, and considerations) / employment and labor relation / working conditions and social protection / social dialogue / job creation and skill development / voluntary initiative for social responsibility	●	10	
G4-7	Nature of ownership and legal form			●	10	
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	6.3.10 / 6.4.1- 6.4.2 / 6.4.3 / 6.4.4 / 6.4.5 / 6.8.5 / 7.8		●	10-11	
G4-9	Scale of the organization			●	10-12	
G4-10	The number of employees			●	41	
G4-11	The percentage of total employees covered by collective bargaining agreements			●	46	
G4-12	The organization's supply chain			●	52-53	
G4-13	Any significant changes during the reporting period			●	10	
G4-14	Statement about whether the precautionary approach or principle is addressed by the organization			●	13,20-21	
G4-15	A list of externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses			●	79	
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organizations			●	78	
Identified Material Aspects and Boundaries						
G4-17	A. The organization's consolidated financial statements or equivalent documents. B. Any entity included in the organization's consolidated financial statements or equivalent documents but not covered by the report.			●	4	
G4-18	A. The proves for defining the report content and the Aspect Boundaries B. Explanation of how the organization has implemented the Reporting Principles for Defining Report Content			●	18-19	
G4-19	All the material aspects identified in the process for defining report content			●	18-19	
G4-20	The Aspect Boundary within the organization			●	18-19	
G4-21	• Reporting if the Aspect is not material for all entities within the organization A. The list of the entities or groups of entities included in G4-17 for which the Aspect is not material or, B. The list of entities or groups of entities included in G4-17 for which the Aspect is material • Any specific limitation regarding the Aspect Boundary within the organization	5.2 / 7.3.2 / 7.3.3 / 7.3.4	Awareness of social responsibility / Relation and decision on materiality about core themes and issues of organizations / influence of an organization / priority setting for handling issues	●	18-19	
G4-22	The effect of any restatements of information provided in previous reports and the reasons for such restatements			●	About This Report	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries			●	About This Report	
Stakeholder Engagement						
G4-24	A list of stakeholder groups engaged by the organization			●	16	
G4-25	The basis for identification and selection of stakeholders with whom to engage			●	16	
G4-26	The organization's approach to stakeholder engagement (by type and by stakeholder group)	5.3	Stakeholder engagement and identification	●	16	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and the organization's response to those key topics and concerns			●	16-17	

● Reported ◐ Partially Reported ○ Not Reported ⊕ N/A

GRI Index	G4 Contents	ISO 26000	Core Theme and Issue	Fulfillment Status	Page	Remark
Governance						
G4-34	The governance structure of the organization, including committees of the highest governance body, any committees responsible for decision-making on economic, environmental, and social impacts			●	13	
G4-35	The process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees			●	13	
G4-36	Reporting about whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body			◐	13	
G4-37	Report on processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics			○		
G4-38	The composition of the highest governance body and its committees			●	13	
G4-39	Report on whether the chair of the highest governance body is also an executive officer			●	13	
G4-40	The nomination and selection processes for the highest governance body and its committees and the criteria used for nominating and selecting highest governance body members, including • Whether and how diversity is concerned • Whether and how independence is considered • Whether and how expertise and experience relating to economic, environmental and social topics are considered • Whether how stakeholders (including shareholders) are involved			●	13	
G4-41	Process for the highest governance body to ensure conflicts of interest are avoided and managed. • Report on whether conflicts of interest are disclosed to stakeholders, including, as minimum: • Cross-board membership • Cross-shareholding with suppliers and other stakeholders • Existence of controlling shareholders • Related party disclosures			●	13	
G4-42	The highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	6.2 / 7.4.3 / 7.7.5	Organization governance / Establishment of organizational governance and system for social responsibility performance improvement	◐	13	
G4-43	The measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics			○		
G4-44	A. The process for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics B. Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum changes in membership and organizational practice			◐	13	
G4-45	A. The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities B. Report on whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities			○		
G4-46	Report on the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics			◐	13	
G4-47	The frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities			○		
G4-48	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered			○		
G4-49	The process for communicating critical concerns to the highest governance body			○		
G4-50	The nature and total number of critical concerns that were communicated to the highest governance body			◐	13	
G4-51	A. Remuneration policies for the highest governance body and senior executives for the types of remuneration B. Report on how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives			●	13	
G4-52	The process for determining remuneration. Report on whether remuneration consultants are involved in determining remuneration and whether they are independent of management			●	13	
Ethics and Integrity						
G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics			●	37-39	
G4-57	The internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	4.4 / 6.6.3	Ethical behavior / anti-corruption	●	37-39	
G4-58	The internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity			●	37-39	

GRI G4, ISO 26000 Application Level

Category: Economic

● Reported ① Partially Reported ○ Not Reported ◎ N/A

GRI Index	G4 Contents	ISO 26000	Core Theme and Issue	Fulfillment Status	Page	Remark
Economic Performance	G4-EC1	6.8.1-6.8.2 / 6.8.3 / 6.8.7 / 6.8.9	participation and contribution to local communities (summary, principle and considerations) / participation in local communities, social investment	●	12	
	G4-EC2		Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations	●	62-63, 66-67	
	G4-EC3	6.8.7	Wealth and income creation	●	42	
Market Presence	G4-EC5	6.3.7 / 6.3.10 / 6.4.3 / 6.4.4 / 6.8.1-6.8.2	Discriminated and vulnerable groups / fundamental principle and rights of labor / employment and labor relation / working conditions and social protection / participation in local communities (summary, principle and considerations)	●	41	
	G4-EC6		Proportion of senior management hired from the local community at significant locations of operation	○		
Indirect Economic Impacts	G4-EC7	6.3.9 / 6.8.1-6.8.2 / 6.8.7 / 6.8.9	Economic, social and cultural rights / participation and contribution to local communities (summary, principle and considerations) / creation of wealth and income / social investment	●	31, 33-36, 60	
	G4-EC8	6.3.9 / 6.6.6 / 6.6.7 / 6.7.8 / 6.8.1-6.8.2	Economic, social and cultural rights / promotion of social responsibility in value chain / respect for property right / approach to essential services / participation and contribution to local communities (summary, principle and considerations) / job creation and development of functions / creation of wealth and income / social investment	●	28-31, 50-51, 59-60	

Category: Environmental

GRI Index	G4 Contents	ISO 26000	Core Theme and Issue	Fulfillment Status	Page	Remark
Material	G4-EN1	6.5.4	Sustainable use of resources	①	65	
	G4-EN2		Percentage of materials used that are recycled input materials	①	65	
Energy	G4-EN3		Energy consumption within the organization	●	64-65	
	G4-EN4		Energy consumption outside of the organization	●	64-65	
	G4-EN5	6.5.4	Sustainable use of resources	①	64-65	
	G4-EN6		Reduction of energy consumption	①	64-65	
	G4-EN7		Reductions in energy requirements of products and services	●	65-68	
Water	G4-EN8		Total water withdrawal by source	●	65	
	G4-EN9	6.5.4	Sustainable use of resources	○		Urban infrastructure is used for water and there is no LH office that affects water sources.
	G4-EN10		Percentage and total volume of water recycled and reused	●	65	

● Reported ① Partially Reported ○ Not Reported ◎ N/A

GRI Index	G4 Contents	ISO 26000	Core Theme and Issue	Fulfillment Status	Page	Remark
Biodiversity	G4-EN11		Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	●	64	
	G4-EN12	6.5.6	Conservation of nature, biodiversity and restoration of natural habitats	①	64	
	G4-EN13		Habitats protected or restored	①	64	
	G4-EN14		Total number of IUCN list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	○		
Emissions	G4-EN15		Direct greenhouse gas (GHG) emissions (SCOPE 1)	●	65	
	G4-EN16		Indirect greenhouse gas (SCOPE 2)	●	65	
	G4-EN17		Other indirect greenhouse gas (GHG) emissions (SCOPE 3)	○		
	G4-EN18		Greenhouse gas (GHG) emissions intensity	●	65	
	G4-EN19	6.5.3, 6.5.5	Anti-pollution, relief and application of climate change	●	65	
	G4-EN20		Emissions of ozone-depleting substances (ODS)	○		Wastewater is purified by urban sewage treatment infrastructure and is not directly discharged into nature.
	G4-EN21		NOx, SOx, and other significant air emissions	○		
	G4-EN23		Total weight of waste by type and disposal method	●	64-65, 68	
	G4-EN24		Total number and volume of significant spills	○		
Effluents and Waste	G4-EN25	6.5.3, 6.5.4, 6.5.6, 6.6.6, 6.7.5	Sustainable use of resources, conservation of nature, biodiversity and natural habitats Value chain Promotion of social responsibility, sustainable consumption	○		
	G4-EN26		Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	①	64	
Products and Services	G4-EN27	6.5.4, 6.7.5	Sustainable use of resources, sustainable consumption	●	66-68	
	G4-EN28		Percentage of products sold and their packaging materials that are reclaimed by category	○		
Compliance	G4-EN29	6.5.4, 6.6.6	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	◎		No violation committed
Transport	G4-EN30		Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	●	64-65	
Overall	G4-EN31		Total environmental protection expenditures and investments by type	●	66-68	
Supplier Environmental Assessment	G4-EN32		Percentage of new suppliers that were screened using environmental criteria	①	54	
	G4-EN33		Significant act and potential negative environmental impacts in the supply chain and actions taken	●	54	
Environmental Grievance Mechanisms	G4-EN34		Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms	●		

GRI G4, ISO 26000 Application Level

Category: Social

● Reported ◐ Partially Reported ○ Not Reported ⊙ N/A

GRI Index	G4 Contents	ISO 26000	Core Theme and Issue	Fulfillment Status	Page	Remark
Sub-Category: Labor Practice and Decent Work						
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	6.4.3	Employment and employment relations	●	41
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	6.4.4 / 6.8.7	Labor conditions and social protection / wealth and income creation	●	44-45
	G4-LA3	Return to work and retention rates after parental leave, by gender	6.4.4	Labor conditions and social protection	●	45
Labor/management Relations	G4-LA4	Minimum notice periods regarding operational changes (including whether these are specified in collective agreements)	6.4.3 / 6.4.5	Employment and employment relations / social dialogue	●	46
	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs			●	43
Occupational Health and Safety	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender			●	43
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation			●	43,45
	G4-LA8	Health and safety topics covered in formal agreements with trading unions			●	43
Training and Education	G4-LA9	Average hours of training per year per employee by gender, and by employee category	6.4.7	Human resources development and training at workplaces	●	42
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	6.4.7 / 6.8.5	Human resources development and training at workplaces / job creation and skills development	●	42
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	6.4.7	Human resources development and training at workplaces	●	42
Diversity and Equal Opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	6.2.3 / 6.3.7 / 6.3.10 / 6.4.3	Decision-making process and structure/ discrimination and vulnerable groups/ basic principles and rights at work/employment and employment relations	●	13,41
Equal Remuneration for Women and Men	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	6.3.7 / 6.3.10 / 6.4.3 / 6.4.4	Discrimination and vulnerable groups /basic principles and rights at work/ employment and employment relations/ labor conditions and social protection	●	41
Supplier Assessment for Labor Practices	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria			●	53
	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken			◐	53-55
Employment (sex, new, temporary)	G4-LA16	Number of grievances about labor practice filed, addressed, and resolved through formal grievance mechanisms	6.3.6	Grievance management	◐	53
Sub-Category: Human Rights						
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken			●	45
Freedom of Association and Collective Bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights			●	46
Child Labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor			●	44
Forced or Compulsory Labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor			●	44
Security Practices	G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations			○	
Indigenous Rights	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken			●	59-60

● Reported ◐ Partially Reported ○ Not Reported ⊙ N/A

GRI Index	G4 Contents	ISO 26000	Core Theme and Issue	Fulfillment Status	Page	Remark
Assessment	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments			◐	44
Supplier Human Rights Assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria			●	54
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken			●	53-55
Human Rights Grievance Mechanisms	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms			●	45
Sub-Category: Society						
Local Communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs			◐	57-58, 61
	G4-SO2	Operations with significant actual and potential negative impacts on local communities			◐	50-51
Anti-corruption	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified			●	37-39
	G4-SO4	Communication and training on anti-corruption policies and procedures			●	37-39
	G4-SO5	Confirmed incidents of corruption and actions taken			●	37-39
Public Policy	G4-SO6	Total value of political contributions by country and recipient/beneficiary			⊙	As a public organization, LH is not allowed for lobbying by law.
Anti-competitive Behavior	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes			⊙	N/A
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations			●	39
Supplier Assessment for Impacts on Society	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society			●	53-54
	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken			◐	53-55
Grievance Mechanisms for Impacts on Society	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms			◐	39, 49, 53
Sub-Category: Product Responsibility						
Customer Health and Safety	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement			●	50-51
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycles, by type of outcomes			⊙	N/A
Product and Service Labeling	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements			●	51
	G4-PR4				●	51
	G4-PR5	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes			●	47-48
Marketing Communications	G4-PR6	Sale of banned or disputed products			●	50-51
Customer Privacy	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications (including advertising, promotion, and sponsorship, by type of outcomes)			⊙	N/A
	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data			●	48
Compliance	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services			⊙	N/A

Awards/Memberships

Awards in 2014

Date	Description
2014.01	Selected by TV Chosun as 'The Korea's influential CEO in 2014' in corporate social responsibility sector
2014.03	Awarded in the 1st Gyeonggi-do City Kitchen Garden Contest hosted by Gyeonggi Green & Agriculture Promotion Foundation
2014.05	"LH's deregulation" selected as an exemplary case in Public Institutions Workshop
2014.11	Cited for support for distribution of new technology product in the "2014 New Technology Application Contest" organized by Ministry of Trade, Industry and Energy (MOTIE) and Korean Agency for Technology and Standards (KATS)
2014.12	Selected as the most outstanding public corporation in the assessment of public corporations' preparation for the future
2014.12	"Public Rental Housing REIT" was awarded in the Best Practice Context hosted by Ministry of Land, Infrastructure, and Transport

Membership

UN Global Compact	Korean Network on Anti-Corruption and Transparency	Korean Society of Civil Engineers	Architectural Institute of Korea
Korea Planners Association	Korea Institute of Ecological Architecture and Environment	The Korean Institute of Illumination and Electrical Installation Engineers	Korean Association for Housing Policy Studies
The Korean Housing Association	Korea Construction Promotion Association	The Korean Institute of Landscape Architecture	Urban Design Institute of Korea
Korea Industrial Technology Association	Korean Society of Transportation	Korea Concrete Institute	The Society of Air-conditioning and Refrigerating Engineers of Korea
The Korean Society for Noise and Vibration Engineering	The Korean Institute of Power Electronics	Korea Industrial Safety Association	Korea Electric Engineers Association
Korea Energy Engineer Association	Korea Personnel Improvement Association	Korean Society of Water and Wastewater	Korea Fire Safety Association
Korean Geotechnical Society	Korea Water Resources Association	Korean Society of Road Engineers	International contractors Association of Korea
The Society of Air-conditioning and Refrigerating Engineers of Korea	Architectural Institute of Japan	Japan Society of Civil Engineers	The Japanese Geotechnical Society
American Society of Civil Engineers Engineers	American Concrete Institute	American Planning Association	Korean Institute of Electrical Installation

Sustainable Management Initiative

UNGC Membership and Support

As a member of the UN Global Compact since June 2014, LH reports its fulfillment of the Global Compact's ten principles.

Principle	Practices by LH
Human Rights	
Principle 1 Businesses shall support and respect internationally declared human rights.	Creation and operation of basic principle on human rights protection (ethics charter)
Principle 2 Businesses shall make utmost efforts to avoid involvement in human rights violations.	
Rule of Labor	
Principle 3 Businesses shall support freedom of association and endorse practical application of the right for collective bargaining.	Fostering communication channel between labor and the management
Principle 4 Businesses shall exclude all kinds of forced labor.	Labor and management collaboration program
Principle 5 Businesses shall abolish child labor efficiently,	Expansion of education for labor and management
Principle 6 Businesses shall eliminate discrimination in employment and business.	Observation of Labor Standards Act and employment rules
Environment	
Principle 7 Businesses shall support preventive approach to environmental issues.	Establishment of a system to reduce greenhouse gas emission
Principle 8 Businesses shall perform measures to promote environmental accountability.	Purchase of 'Green Products'
Principle 9 Businesses shall promote development and dissemination of eco-friendly technology.	Building eco-friendly green cities
Anti-corruption	
Principle 10 Businesses shall be opposed to all kinds of corruptions including illegal acquisitions and bribes.	Creation and operation of Ethical Standards and strengthened internal control system



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