

# Harmonizing Human Beings with Nature

Sustainability Report 2014



## About This Report

### Purpose of the Report

This is the third sustainability report published by Korea Land & Housing Corporation (hereinafter "LH"). It details LH's efforts to promote sustainability management practices and initiatives as well as the company's economic, social, and environmental performances. LH will continue to actively communicate and grow with all stakeholders by reporting information transparently and meaningfully.

### Scope and Period

This report covers LH's sustainability activities and performances from January 1 through December 31, 2013, and when necessary to provide time-series trends, data of the three most recent fiscal years were utilized. Reporting scope includes the headquarters and regional offices, and reporting period is 1 year.

### Principles and Standards

This report was compiled in accordance with the Global Reporting Initiative 3.1 guidelines and verified by an independent assurance agency to ensure its reliability and quality. Details regarding the assurance results are available in the assurance statement set forth in the Appendix.

### Additional Information

More detailed information is on the LH homepage and Korean and English version of the reports can be downloaded in the PDF form. Please refer to the following contact information for any further inquiry or opinion about our sustainability report.

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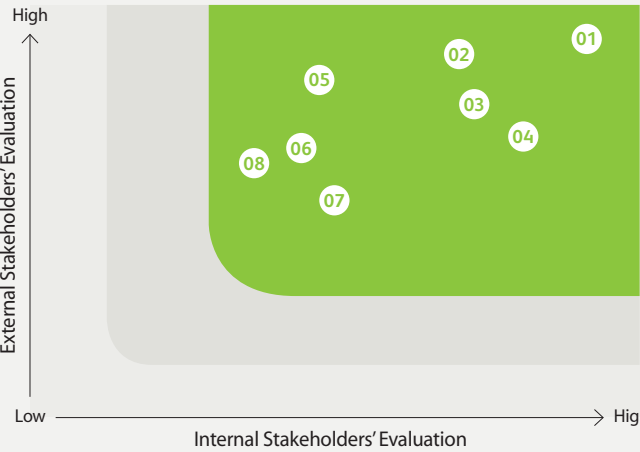
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What Matters Most?

LH performs surveys and materiality assessment every year with regard to 6 major stakeholders – customer, people, central and local government, local community, supplier, and employee - in order to identify the most material issues for sustainable growth. In 2013, stakeholders selected 8 issues including ‘securing financial soundness and profitability’ as the most material issues to be reported.

\* More details on communications with stakeholder and materiality assessment are available on page 18.



Materiality	
Key issues for 2014	
01	Securing financial soundness and profitability
02	Building customer trust
03	Expanding awareness of environment through eco-friendly businesses
04	Strengthening anti-corruption and ethical management activities
05	Increasing awareness of shared growth with suppliers
06	Enhancing service responsibility
07	Developing and implementing residential stability policy for people in need
08	Operating green management system

Key Issues in 2013

Rank ▶	01	02	03	04	05	06	07	08
Material Issue ▶	<b>Securing financial soundness and profitability</b>	<b>Building customer trust</b>	<b>Expanding awareness of environment through eco-friendly businesses</b>	<b>Strengthening anti-corruption and ethical management activities</b>	<b>Increasing awareness of shared growth with suppliers</b>	<b>Enhancing service responsibility</b>	<b>Developing and implementing residential stability policy for people in need</b>	<b>Operating green management system</b>
Why is This Important? ▶	 <p>It is important to recover fundamental financial soundness through securing profitability to respond to increasing interest in financial status of the public enterprises.</p>	 <p>As a public corporation responsible for people's residence, we have to focus on providing stable housing conditions, delivering customer satisfaction, and conducting sound management activities.</p>	 <p>We should dedicate to constructing environmental cities and buildings to ensure eco-friendly housing spaces and expand the awareness of environment.</p>	 <p>As a public corporation that operates for the national interest, eradicating bad practice and corruption is important to maintain transparency.</p>	 <p>To fulfill the ‘creative economy’, one of national tasks of the new government, it is crucial to successfully carry out shared growth with SMEs.</p>	 <p>To satisfy the needs of customers who settled in housing complexes LH provides, various services should be offered.</p>	 <p>We should focus on securing housing stability and welfare services for the underprivileged people in order to fulfill the role as a public corporation.</p>	 <p>As a leader in green growth, we have to build advanced green management system and proactively apply it to our business activities.</p>
How LH has Done! ▶	We enforce the sales responsibility system to secure profitability and enhance financial soundness through continuous management innovation.	LH was selected the ‘excellent achievement in the advancement of public enterprise’ in recognition of our efforts to normalize management conditions and conduct campaigns for high integrity.	We are committed to expanding eco-friendly businesses. To this end, we are laying the foundation for U-Eco City Project and green businesses and continuously developing CDM projects that utilize new and renewable energy.	The ethical management guide book was published to settle a corporate culture that emphasizes transparency and integrity. It contains ethical regulations, code of ethical conducts, and case studies.	We are contributing to strengthening SME's capability by strongly supporting their new technology development and paving the way for their entrance into overseas markets.	An enterprise-wide CS organization headed by the CS Management Committee is being operated. In addition, we assign CS goals to every department and check the practices to ensure service responsibility.	We are expanding the supply of rental housing and implementing beneficiary customized housing welfare services for child headed families and senior citizens.	LH has established 4 visions and key 10 strategic tasks for green growth and its environmental activities and performances are clearly announced to the public every year.
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## CEO's Message



### LH will take step by step towards a company that can last a century.

To give people better life and work and better home is the reason for LH's existence.

Since the establishment, LH has been playing an important role in ensuring people's housing stability and balanced development of national land through building and supplying rental housing, developing new cities and housing sites, and community development.

**As the development age fades, changes in society, economy and policy driven by low birthrate, aging, and increasing single household are becoming great challenges to LH.**

We well understand that it is essential to break with stereotypical ideas and methods in the era of mass development and mass supply, and concentrate on needs of time and people. LH's management normalization is a road to become a sustainable company that meets the needs of time and the nation.

**It starts from unleashing management innovation and securing financial stability to ensure our role as a public corporation.**

To this end, we are creating a functional organization by introducing capability and performance based personnel management system and emphasizing autonomy and responsibility in jobs. Based on these efforts, we are reducing debt through sales promotion and securing financial structure to faithfully conduct national projects.

**We are contributing to national housing stability by providing various housing welfare services that all people enjoy equal benefits.**

LH is not only expanding supply of rental housing but also providing various customized housing services such as purchased rental and long-term lease to meet individual economic conditions, which helps people in need secure housing stability.

**We think of coexistence between people and nature as first and fulfill our social responsibility to build a world where everyone is happy together.**

LH is committed to leading Korea's green growth by constructing eco-friendly houses and green cities. It also conducts a range of social contribution activities such as caring children in rental housing complexes. Furthermore, we are performing customer satisfaction management through consumer-oriented services, reinforcing shared growth with the partnering companies, and striving to become a company of high integrity and transparency based on strict ethical standards. With a clear perception that people and the nation are the foundation of our company, we will devote ourselves to contributing to the development of the government, local communities, suppliers, employees, and all people.

**We will do our best on each and every step to become a company that can be loved and trusted by people and consequently last a century.**

President and CEO of LH

이재영



# ABOUT LH

**Adding value to national land  
and delivering  
happiness to people**

Transparent, Clean,  
and Trustable Public  
Corporation

Preemptive risk management  
and actions

The value of people is the first priority at LH. We make a concerted effort to realize housing stabilization of people and efficiently develop national land, contributing to the improvement of quality of life and national economic growth. In addition, we are committed to creating happier tomorrow by pursuing sustainability management. LH will grow into a sustainable company that is loved and trusted by people.

Customized ethical education  
in 2013

**9,529** persons

Attendance rate of non-executive  
directors in 2013




**97.7** %

## Corporate Profile

### Overview of LH

LH was established to lead the national economic development by providing better residential environment for the nation and efficiently managing the land. With high recognition that people are the first priority in corporate management, we always emphasize public benefits and take the lead of national land and housing policies, providing better lives and housing environment.

(As of the end of December 2013)

<b>Company name</b>	Korea Land & Housing Corporation	<b>No. of Employees</b>	
<b>Headquarters</b>	172 Dolma-ro, Bundang-gu, Seongnam-si, Gyeonggi-do		<b>6,477</b> persons
<b>CEO</b>	Jae-young Lee	<b>Total Asset</b>	
<b>Purpose of Establishment</b>	<ul style="list-style-type: none"> <li>Acquisition, development, banking and supply of land</li> <li>Urban development and maintenance</li> <li>Construction, supply, and maintenance of houses</li> </ul>		<b>KRW 173.42</b> trillion
<b>Date of establishment</b>	October 1, 2009	<b>Sales</b>	
			<b>KRW 18.27</b> trillion

### Mission & Vision

With the vision of becoming a top-class land and housing service provider that creates happy lives, we are engaging in developing housing complexes and green cities for residential stability of people and improvement of quality of their lives as well as contributing to the nation's economic growth through efficient land development.

Mission ▶

Spearheading the improvement of quality of life and national economic growth through ensuring stable housing for people and efficient utilization of national land

Vision ▶

A top-class land and housing service provider that creates happy living environments

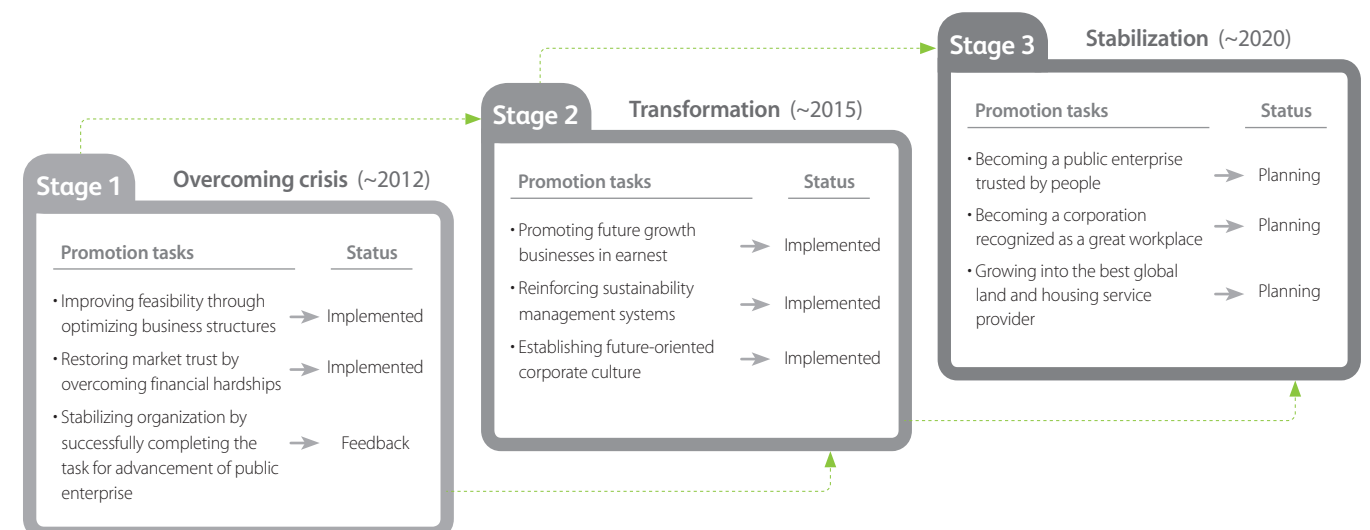
Strategic Direction ▶

Strategic Tasks ▶



### Performances of the LH 2020 Strategy

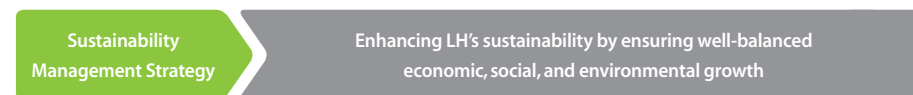
The 'LH 2020 Mid and Long-term Project' was prepared to secure financial stability and fulfill its role as a public corporation and it has been conducted since 2012. We have strived to recover the feasibility of projects by realigning project areas between 2012 and 2013, which allows us to restore market trust.



## Sustainability Management Promotion System

### Sustainability Management Strategy

LH increases corporate sustainability by ensuring well-balanced economic, social, and environmental growth. To this end, we have set up three key sustainability management strategies - strengthening business competitiveness, leading low carbon green growth, and contributing to local communities. These strategies are conducted by drawing and performing detailed strategies and tasks by each sector.



## Corporate Governance

### Executive director

Name	Position	Gender
Yeong-do Kim	Standing Auditor	Male
In-eok Jung	Vice President & Head of Planning & Finance Div.	Male
Sang-hu Lee	Head of Housing Welfare Div.	Male
Ho-won Lee	Head of City Environment Div.	Male
Byeong-yeol Yoo	Head of Public Housing Div.	Male
Hyeon-ju Lee	Head of National Project Div.	Male

\* 7 directors including heads of divisions

### Non-executive director

Name	Position	Gender
Chan-sun Nam	Director of the Foundation for Broadcasting Culture	Male
In-dong Song	Deputy Mayor of Daejeon	Male
Duk-seok Chae	Chairman of K-Reits & Partners Co., Ltd.	Male
Seon-yong Kim	Vice president of Higen Motor Co., Ltd.	Male
Seon-nam Kim	President of Gwangnam Ilbo	Male
Chan-gil Kim	Chairman of the Korea Housing Managers Association	Male
Ju-sun Yoon	Vice Chairman of Korea Institute of Urban Planners	Male
Seung-cheol Wi	Examiner of Gyeonggi-do City Planning Construction	Male

### 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 7 executive directors and 8 non-executive directors and chaired by the senior non-executive director. Heads of divisions and directors are appointed by the Executive Nomination Committee, consisting of professionals in academia, administrative agencies, and research institutes, in order to ensure transparency in nominating and evaluating director candidates. Full-fledged operation of the BOD prevents delay in decision making.

### Activation of the BOD Activities

The BOD meetings are held regularly and extraordinarily to make timely decision making on major issues. In 2013, a total of 16 meetings were held, through which 30 issues were solved and 8 issues were up for consideration. To prevent conflict of interests within the BOD, any member specially related to the issue is restricted to the decision making.

### Subcommittees under the BOD

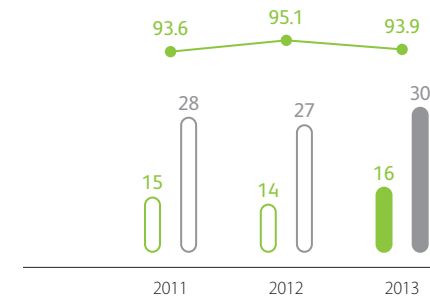
LH has established subcommittees and audit committees under the BOD to strengthen deliberation on issues and improve feasibility and soundness. Also, onsite subcommittees are proactive in preliminary reviewing major projects at sites, which contribute to improving the degree of project completion. In 2013, subcommittees held 10 meetings and made preliminary reviews on 21 issues. The Audit Committee held 6 meetings and deliberated 15 issues.

### Reinforcing the Role of Non-executive Directors

To reinforce the role of non-executive directors and expand their management engagements, LH provides them with information on management issues and supports their visits to sites and other activities. In 2013, they participated in major issues such as organizing sales compensation council, inspecting HR system, realigning organizational structure, and study on feasibility of the Gimpo Metro Line. They also visited our worksites including housing complexes in Cheongna Yeongjon and Wirye and Land & Housing Research Center in Daejeon. Furthermore, we expanded the number of non-executive directors from 58 to 87 and capitalized on their expertise in the fields of finance, management, conflict settlement, and organization.

### BOD Activities

- No. of BOD meetings
- Attendance Rate (%)
- No. of resolutions



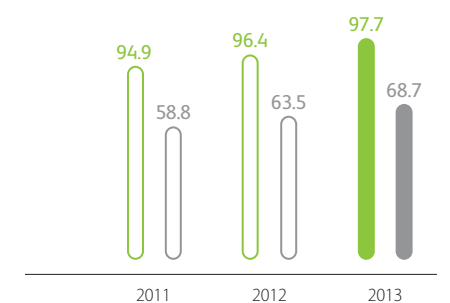
### Preliminary Review Ratio by Subcommittees

- Preliminary review ratio (%)



### Activities of Non-executive Directors

- Attendance rate of non-executive directors (%)
- Ratio of statements by non-executive directors (%)



## Ethical and Transparent Management

### The Most Ethical Company in Korea



Won awards for  
**2** consecutive years

### Ethical and Transparent Management Promotion System

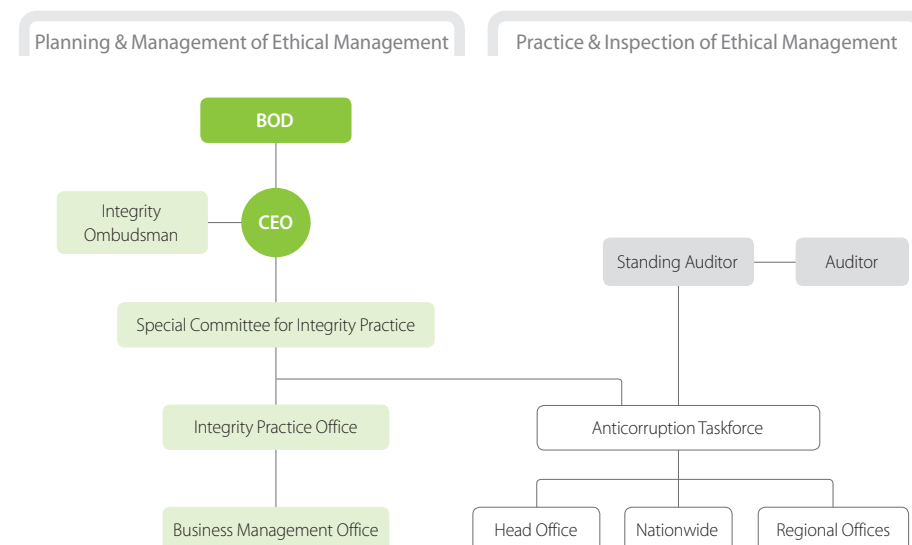
#### Strategy

Under the vision of 'Clean LH Together with People', we have established ethical and transparent management strategies linked with mid and long-term management goals of the corporation. To achieve this, we are developing and practicing concrete action plans.



#### Responsible Organization

We realigned the organization responsible for ethical and transparent management into planning & management sector and practice & inspection sector. In 2013, under the CEO, the Special Committee for Integrity Practice was established to inspect employees' practices of ethical and transparent management. This committee, consisting of vice president, ombudsman and heads of integrity measurement related departments, inspects performances in ethics and integrity of each department.



#### Integrity Management by Responsible Department of Head Office

Practices and performances in integrity of 6 sectors with high possibility of corruption - land compensation and supply, construction inspection, quality test, facility maintenance and repair, rental housing management, and HR affairs - are managed by 5 responsible departments at head office. Their performances are reflected to internal evaluation to encourage employees to practice ethics and integrity.

### Companywide Ethical and Transparent Activities

#### Building Participative Ethical and Transparent Management System

LH has built a participative ethical and transparent management system to encourage employees' voluntary ethical practices. We also gave advance notices on 8 cases such as development business regulation, revised the code of conduct in accordance with recommendation of the integrity ombudsman, and promoted various activities to attract employees' participation in ethical and transparent practices.



#### No. of cyber integrity education graduates in 2013



**9,529**  
(47% increase from the previous year)

#### Internalization of Employees' Awareness Of Ethics

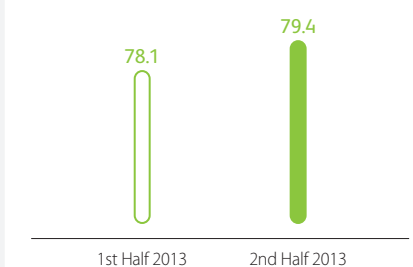
Various online and offline education programs are provided to raise employees' awareness of ethics and integrity. In particular, matters related to ethical and transparent management were added to online education courses for acquiring promotion qualification. We also newly established the 'e-Compass', a portal site for ethics and integrity, to communicate proposals and information with regard to sustainability management among employees. Furthermore, we distributed ethical management guidebook and leaflets to inform the importance of social responsibility.

#### Best Practice

##### 【 LH EMDEX, Self-developed Ethical Management Index 】

In 2013, we developed the LH EMDEX, a self-evaluation index for ethical management. The LH EMDEX is biannually drawn up by checking the level of practice index with 26 questions on 7 areas - ethical and transparent management, internal communication, internal control, transparency, customer satisfaction, and sustainability management. It helps to diagnose the awareness of ethics by position and gender and prepare systematic and optimized ethics strategies.

##### LH EMDEX Trend





## Risk Management

### Risk Management System

LH has stipulated standards and procedures to manage risks within the sustainability management regulation. All threats, uncertainties, and possibilities to lose opportunities that disturb the implementation of our business plans and achievement of objectives are considered as "risks". Risks that materialize and substantially harm LH's management practices and reputations are regarded as "crises". And the crises are reclassified into management crisis, disaster crisis, communication crisis, and conflict crisis to be managed in priority.

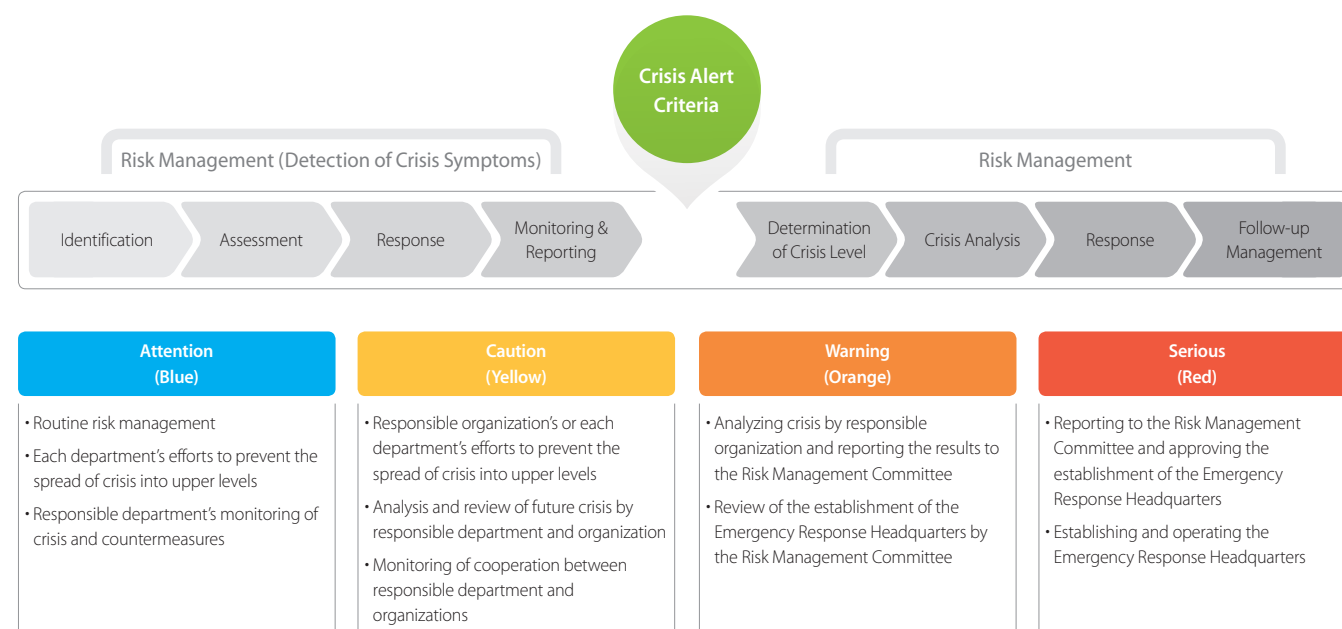
Management Crisis	Disaster Crisis	Communication Crisis	Conflict Crisis
<ul style="list-style-type: none"> <li>• Crisis by external environment</li> <li>• Strategic crisis</li> <li>• Operating crisis</li> <li>• Financial crisis</li> </ul>	<ul style="list-style-type: none"> <li>• Natural disaster</li> <li>• Artificial disaster</li> <li>• Data disaster</li> <li>• Contingency in North Korean projects</li> </ul>	<ul style="list-style-type: none"> <li>• Negative media coverage</li> </ul>	<ul style="list-style-type: none"> <li>• Conflicts with stakeholders</li> </ul>



### Responsible Organization

The Risk Management Committee, as the supreme decision-making body in risk management, concludes policies, strategies, and action plans to respond to risks. The committee is chaired by the CEO and vice president acts as the CRO (Chief Risk Officer). The Risk Management Team under the committee supervises overall risk management operations and support tasks, and risk management staff consisting of the head of each department, chief of team, and manager address risk issues in a timely manner. In contingencies, the Risk Response Headquarters analyzes the crisis, maps out countermeasures, and monitors overall responses.

### Risk and Crisis Management Process



## Stakeholder Engagement

### Stakeholders of LH

LH defines customers, people, central government & local governments, local communities, suppliers, and employees as its 6 key stakeholder groups, with which the corporation is strengthening communications. We are very active in announcing our sustainability activities, listening to stakeholders' opinions, and meeting social needs and expectations through operating communication channels.

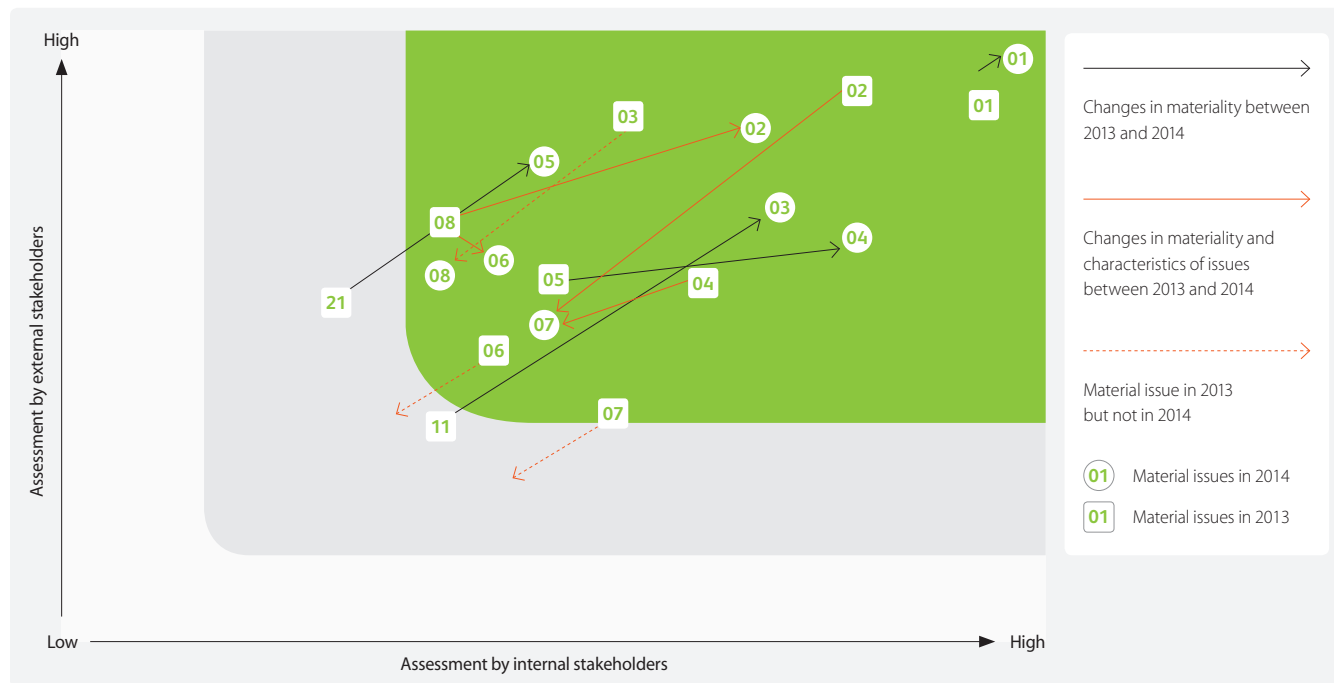
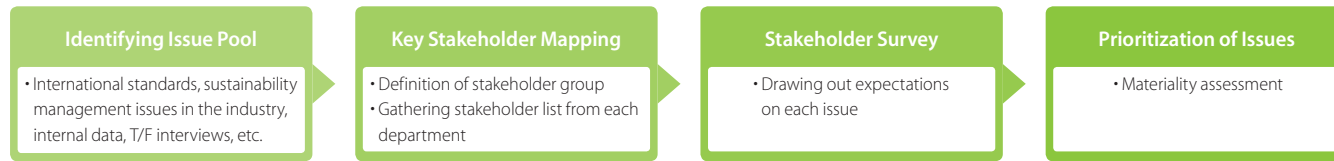




## Stakeholder Engagement

### Materiality Assessment

LH is always listening to various stakeholders' voices through communication channels with them and online and offline media. To select the issue pool, we analyze media, benchmark companies in the industry, and interview internal and external stakeholders every year. A total of 24 issues selected through these processes are evaluated and realigned in terms of stakeholders' interest and impact on our organization.



Rank	Material issues in 2012	Rank	Material issues in 2013	Rank	Material issues in 2014
01	Securing financial soundness and profitability	01	Securing financial soundness and profitability	01	Securing financial soundness and profitability
02	Creating jobs and participating in economy vitalization policies	02	Efficient land management and housing stability of people	02	Securing customer trust
03	Customer satisfaction management	03	Vitalizing construction industry	03	Expanding environmental awareness through eco-friendly businesses
04	Business restructuring and management innovation	04	Urban redevelopment and improvement of housing welfare	04	Enhancing anti-corruption, integrity, and ethics practices
05	Shared growth with suppliers	05	Enhancing anti-corruption, integrity, and ethics practices	05	Expanding awareness of shared growth with suppliers
06	Efficient land management and housing stabilization of people	06	Developing and distributing eco-friendly technologies	06	Reinforcing service responsibility
07	Establishing transparent and fair trade practice	07	Expanding overseas businesses	07	Developing and enforcing housing stability policy for people in need
08	Social contribution to local communities	08	Customer satisfaction management	08	Operating green management system

# STAKEHOLDER SURVEY

### Stakeholder Survey

#### Identifying Stakeholder Issues

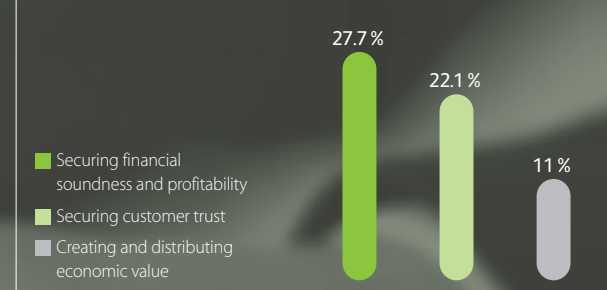
In 2013, stakeholders chose 'securing financial soundness and profitability' for two consecutive years as the most important issue for LH to improve sustainability. This resulted mainly from media's intensive approach to 295 public enterprises' current management status and ensuing requirements on their management normalization activities. Additionally, the social paradigm shift from development to welfare aroused stakeholders' interest in social and environmental issues beyond economic issues.

#### Survey Results

##### Economic Issues

Stakeholders inside and outside of LH selected 'securing financial soundness and profitability', 'securing customer trust', and 'creating and distributing economic value' as the most important issues that LH should respond preferentially.

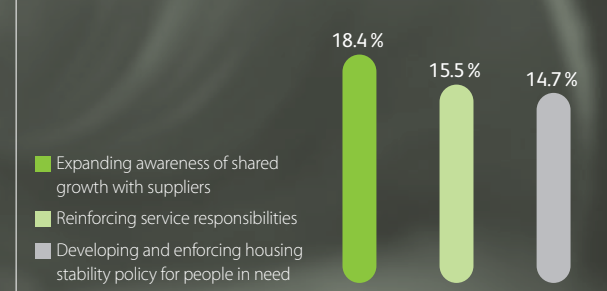
##### Stakeholders' Key Material Issues



##### Social Issues

Our stakeholders hoped LH to further focus on raising awareness of shared growth with suppliers, enhancing service responsibility, and developing policies to ensure housing stability of people in need as a public corporation aiming for the improvement of quality of people's lives.

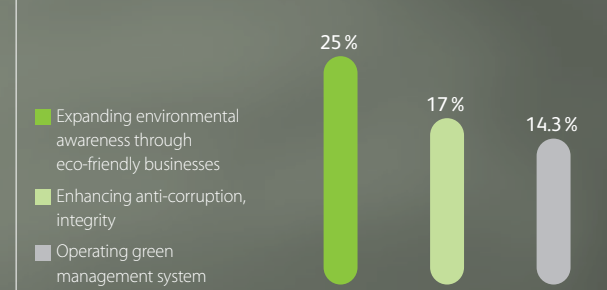
##### Stakeholders' Key Material Issues



##### Other Internal and External Environmental Issues

Expanding environmental awareness through eco-friendly businesses, enhancing anti-corruption, integrity, and ethics practices, and operating green management system were selected as material issues for other environmental aspect by our stakeholders.

##### Stakeholders' Key Material Issues



# ECONOMY

LH will do its best to  
deliver happiness and  
valuable life to people

Innovation for management  
normalization and  
performances

Realizing people's  
housing stability and  
universal housing welfare

LH is improving its financial soundness through employee's constant effort and innovation towards management normalization. Based on these efforts, we are providing people with living spaces and building a better life for the neighbors in need. To fulfill our role as the company responsible for people's housing stability and welfare, we are committed to developing new technologies and new businesses as well as implementing national projects and improving housing welfare for people.

Decrease in debt ratio in 2013

8 %p

No. of rental houses operated by LH  
(as of 2013)

754 thousand houses



## Stakeholder Interview

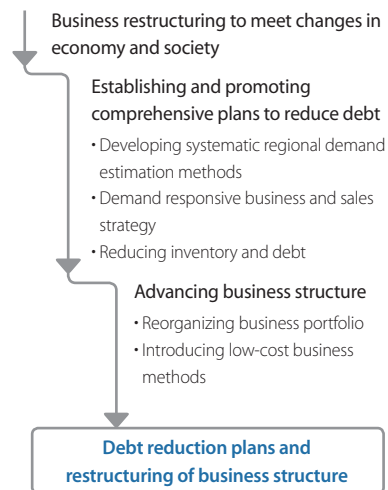


**Yeon-ik Choi**  
Director of Daewoo  
Engineering & Construction

Daewoo E&C, as a customer and a business partner of LH, engages in developing land and constructing apartments and landscapes. We also supply apartments by directly purchasing land developed by LH, contributing to people's housing stability and creating economic value. Daewoo E&C and many other construction companies were able to overcome difficulties from long-term construction market recession and reduce managerial risks by participating in LH's public projects. I hope LH will pave the way for growth of private construction companies by continuously demonstrating its leadership as Korea's representative land and housing company inside and outside of the nation. Currently, most of the private construction companies have hard time in securing credibility and managing risks when entering large construction projects in overseas markets such as new city development. However, if we together with LH enter the overseas markets by capitalizing on LH's capabilities and knowhow ranging from project development to technological or financial supports, new growth engines will be further developed. Daewoo E&C hopes LH will continue to generate reasonable earnings through various development projects at home and abroad, enhance publicity such as people's housing stability, and realize sustainable growth.

## Promoting Management Normalization

### The 2<sup>nd</sup> Business Restructuring



### Management Innovation

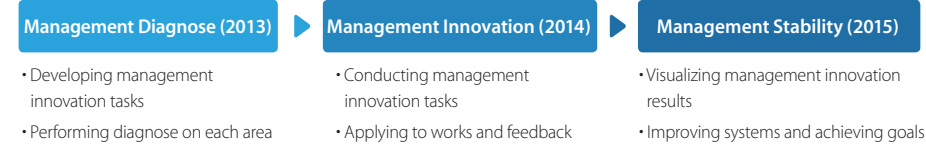
#### Promoting the 2<sup>nd</sup> Business Restructuring

Since the launch of LH as an integrated public corporation in 2009, we have reduced KRW 112 trillion in costs by successfully restructuring development projects in 138 districts. Our management normalization has also been accelerated by promoting the 2<sup>nd</sup> business restructuring to meet changes in economy and society from 2013. To enhance fundamental financial soundness and reduce debt, we have concentrated on business method diversification, cost reduction, all-out sales, system improvement, and employee relocation. As the result, in 2013, debt-to-equity and financial debt-to-equity declined by 8% and 11%, respectively.

#### Roadmap for Comprehensive Management Innovation

To promote systematic management innovation and maximize execution, LH established the Management Innovation Roadmap in 2013. According to the roadmap, we have performed diagnosis on each area of business, identified innovation tasks, and prepared the 'Comprehensive Plans for Financial Soundness and Management Innovation'. We will perform the tasks and reach the management normalization as scheduled.

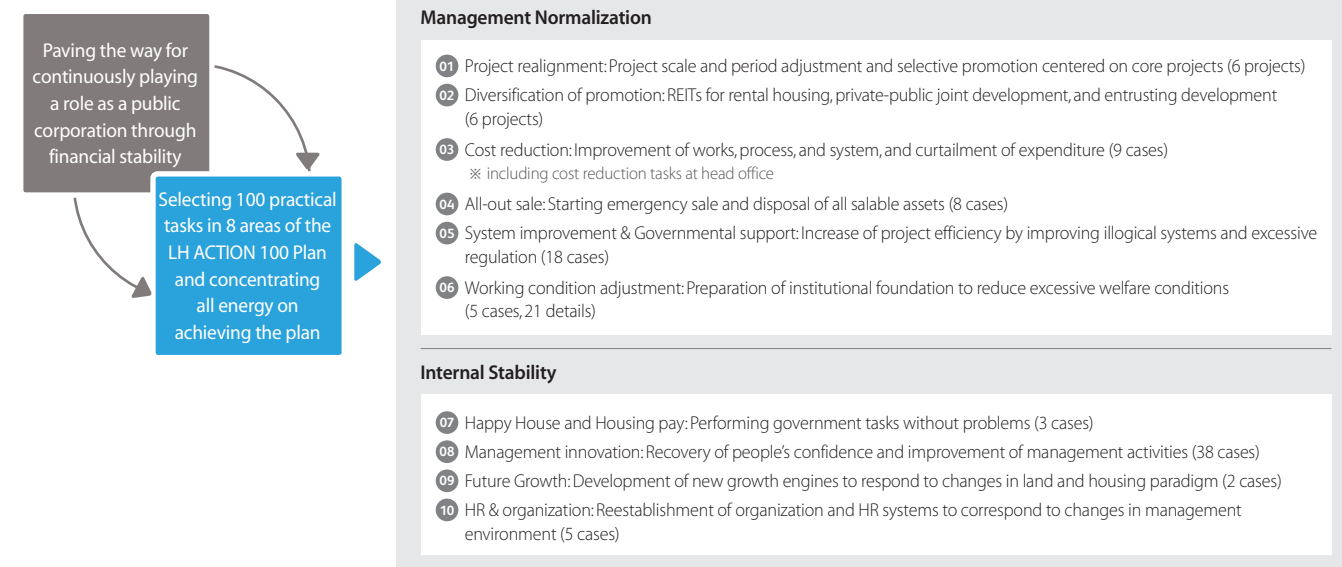
#### Management Innovation Roadmap



#### Identifying Tasks for Management Normalization and Internal Stability

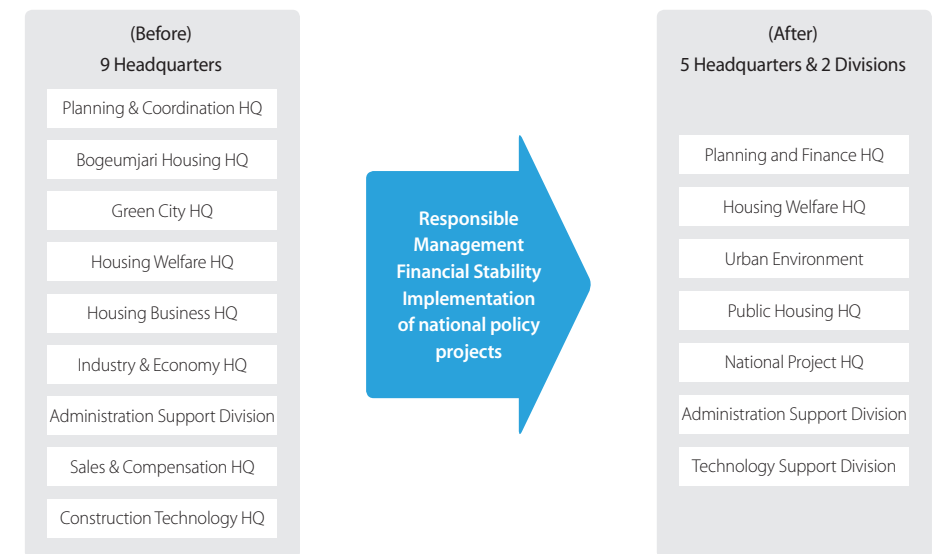
LH conducted a management innovation task contest with all employees to select plans for financial improvement and management innovation. Additionally, we identified 100 tasks in 10 areas to perform management normalization to meet government policy. Details are as follows: 52 tasks in 6 areas for management normalization such as project adjustment, cost reduction, and all-out sales, and 48 tasks in 4 areas for internal stability such as management innovation and future growth engines.

### Summary of LH Action 100 Plan



### Reorganization for Innovation

In August 2013, LH established a responsible management system through reorganization in order to emphasize autonomy and responsibility by each division. The evaluation of each division's contribution to financial improvement was also introduced, which enhanced the responsibility of each business division on companywide debt level. These actions are expected to enable each division to actively manage debt and encourage companywide sales.

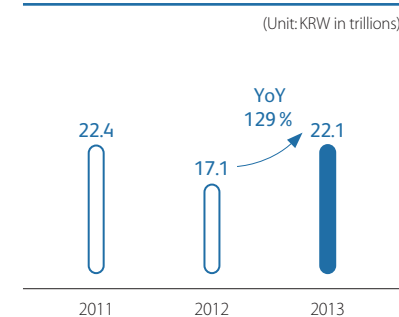


### Settling Virtuous Circle of Business Structure

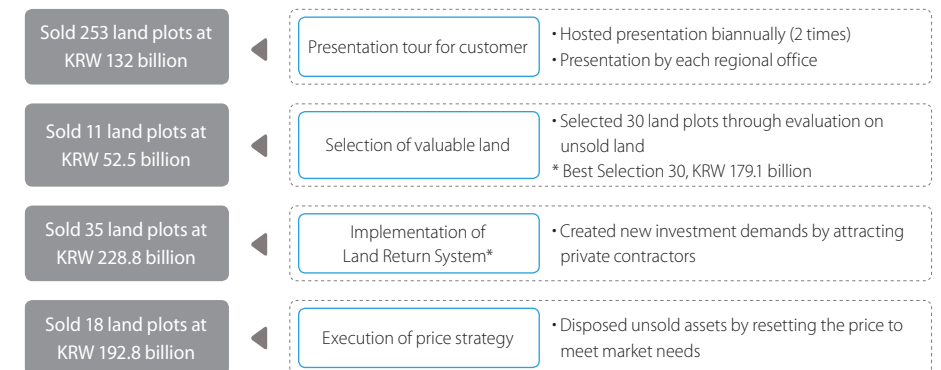
#### Enhancing Marketing Activities

LH builds a virtuous circle of profit and financial stability through enhancing sales and marketing activities. As the result of companywide marketing activities and consumer-customized provision, we were able to achieve KRW 22.1 trillion, a KRW 1.7 trillion over the annual target, in sales withdrawal in 2013, for the first time since the corporate integration.

#### Sales Withdrawal Trend



#### Marketing Activities to Create Potential Demand

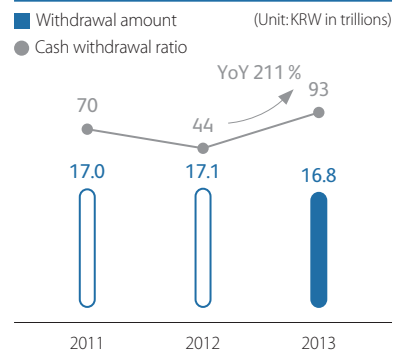


\* Land Return System: A sale promotion strategy to reduce investors' risks by ensuring the return of contract deposits when they exercise the return right after a certain period of the contract



## Promoting Management Normalization

### Sales Withdrawal Trend



### Companywide Efforts for Sale

By dedicating to companywide all-out efforts for sale and early withdrawal of investment expenditures, LH has broken out of a vicious circle of increases in loans and debt-to-equity. We have signed sales management contract in September 2013 to introduce competition between regional headquarters and conducted a sales target management system. Within 3 months of implementing these efforts, we were able to achieve KRW 6.2 trillion in sales, a 37% of total sales in 2013. In a bid for the sales target management system, we simultaneously implemented the withdrawal maximization plan and retrieved KRW 16.8 trillion, a 116% over the target. The scale of sales targets will be extended to from current KRW 0.5 trillion to KRW 1 trillion in the future in order to strengthen sales activities and withdrawal.

#### 【 Project Home Ownership by LH, 'Buy House 2013' 】

Under the slogan, 'sale is the only way to survive', each division hosted a sales determination contest and conducted the street sales promotion campaign named as Project Home Ownership by LH, 'Buy House 2013'. While the campaign publicized the government policy and information on company owned land, house, and commercial facilities to people, it also enabled all employees to be armed with a sense of crisis and share the importance of sale for sustainable growth with them.

### Securing Stable liquidity

#### Diversification of Financing

LH has stably secured funds needed for the implementation of the government's real estate policy by redeeming KRW 10.1 trillion and newly raised KRW 11.3 trillion in 2013. Especially, diversified fundraising methods such as issuing foreign bonds, structured notes, and ABSs accounted for 19.2% of total funds by raised KRW 2.17 trillion in 2013 and reduced about KRW 5.8 billion in interest cost. KRW 2.2 trillion was raised from major public investment institutions.

#### 【 Declaration of Loan Freeze 】

In November 2013, the CEO Jae-young Lee declared a plan to stop increasing loans from corporate bonds since 2014 by issuing bonds equivalent to the amount of maturity with the exception of the national housing fund loan. Our CEO's strong will to reduce debt led to securing trust in LH from financial market and solidified the foundation for financing. Particularly, we were able to expand the scale of fundraising from overseas markets from USD 200 million to USD 400 million in issuing foreign bonds based on Swiss franc at the end of year thanks to upgraded corporate trust.

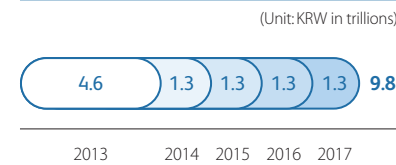


### Improvement of Financial Structure

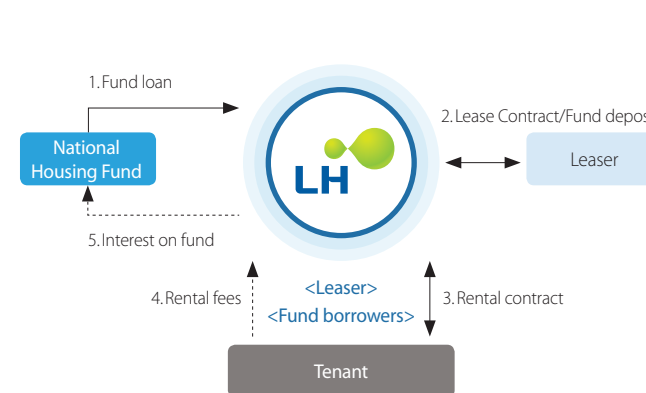
#### Revision of Lease Business Structure

In November 2013, LH has changed leasing business structure from 'loan method' to 'fund entrustment method' to improve financial structure. Loan method has kept increasing financial debt because LH borrows loans for leasing from the Housing Fund and subleases to tenants. Meanwhile, fund entrustment method makes it possible for LH to subleases to tenants after signing the lease with the Housing Fund without loans, which does not occur liabilities. In doing so, LH reduced financial debt of KRW 4.6 trillion in 2013 and the scale will be extended to KRW 9.8 trillion by 2017. Therefore, this method is expected to enable LH to deviate from financial burden.

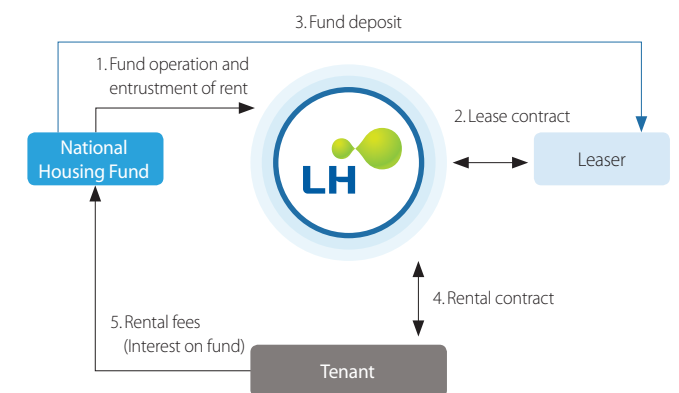
#### Expected effect of financial debt reduction



#### Fund Financing Method

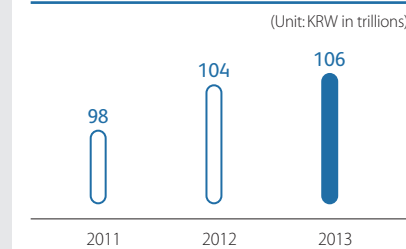


#### Fund Entrustment Method

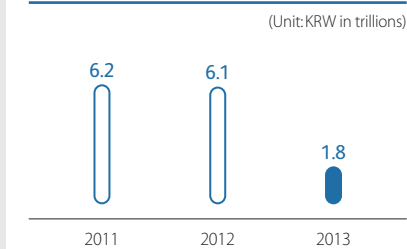


### Performance in Management Normalization in 2013

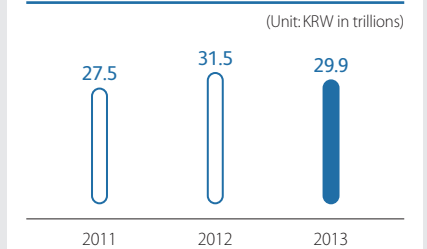
#### Financial debt



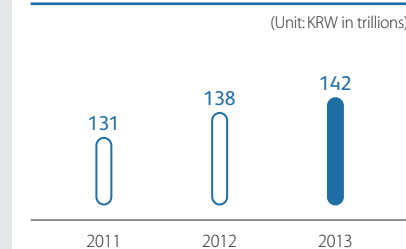
#### Growth rate of financial debt



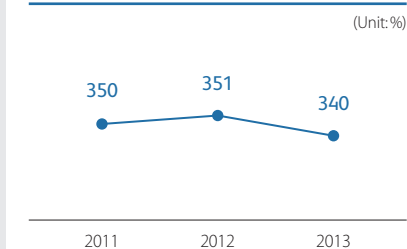
#### Stockpiled land



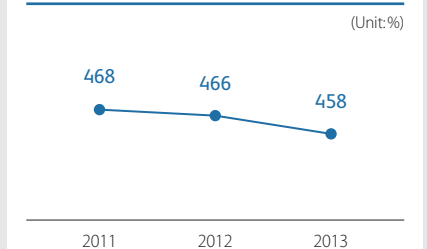
#### Total debts



#### Financial debt ratio



#### Debt-to-equity



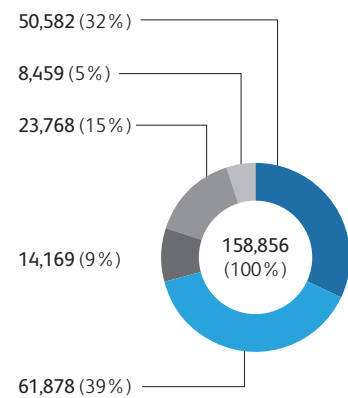
## Fulfilling People's Housing Stability

### Status of LH's Rental House Construction

Classification	Unit	2011	2012	2013
House for sale	Units	29,402	31,137	7,232
House for rent	Units	34,074	41,357	48,326
Rental ratio	%	54	57	87

### Accumulated Supply Results of Customized Rental Housing by Type (2004~2013)

- Purchasing rental house for multiple-household (Units)
- Lease of existing houses
- Lease for college students
- Lease for newlyweds
- Lease for household heads without parents



### People's Housing Stability

#### Expansion of Rental Housing Supply

In accordance with changing real estate market trend, our construction plans centered on public sale have been adjusted and, as a result, the supply of public rental housing was expanded from 80 thousand to 110 thousand units on an annual basis. LH is expanding the supply of rental housing to meet the government's policy towards universal residential welfare for low-income households. In 2013, 48 thousand units out of total 55 thousand units started the construction as rental housing. As a result, the rate of starting rental housing construction increased to 87%.

#### Beneficiary Customized Housing Welfare

Our customized housing welfare business contributes to providing stable residential spaces to people without home ownership. We have prepared various lease types, such as national rental housing, public rental, and permanent rental, that varies on customers' income level. Recently, purchased rental and lease types are increased to secure housing stability of the privileged due to the limitation of supplying rental housing by new construction. In 2013, LH provided a total of 29,725 units by purchased rental and lease, achieving 158,856 units for a decade. This figure accounted for 89.3% of the government's supply.

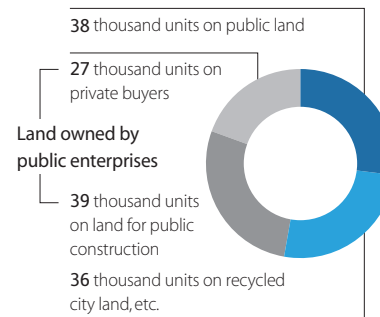
Permanent Rental	• Permanent rental housing with inexpensive rental cost
National Rental Housing	• Houses for people who want to have ownership
Public Rental	• Houses that tenant can receive ownership after 5 year rental
Purchasing rental house for multiple-household	• Renting out houses with low price for low-income class after purchasing house for multiple-household
Lease	<ul style="list-style-type: none"> <li>Existing houses • Subleasing houses to low-income class by leasing existing houses</li> <li>Newlyweds • Subleasing houses to low-income newlyweds by leasing existing houses in cities</li> <li>College students • Easing the burden of housing expenses on low-income college students</li> <li>Household heads without parents • Supporting residential stability of household heads without parents and children and teenagers of disadvantaged class</li> </ul>



#### 【 A New Concept of Permanent Rental Housing, 'Saerom Village' 】

In November 2013, a move-in to the permanent rental housing built for low-income households restarted for the first time in 20 years. LH will continue to promote the 'Saerom Village' project to construct residential buildings with social welfare facilities and permanent rental housing on the spare land within existing permanent rental housing complexes in order to ensure housing stability of the lowest income class. The 'Saerom Village' project will contribute to improving the quality of life beyond just residential spaces for the lowest income class.

### Happy House Supply Plan by Land Type



\* Annual supply plan: 26 thousand units in 2014 and 38 thousand units a year since 2015

### Happy House

LH is promoting the Happy House business in accordance with the government's housing market normalization plan released on April 1, 2013. This is a new public rental housing business that supplies houses built on land near public transportation to solve housing instability of socially active classes such as newlyweds, career starters, and college students. Starting the construction of 4,702 units in 7 pilot districts, LH plans to provide 140 thousand units meeting the government's policy by 2017.

## Happy House Project



### Stable supply of 'Happy House' is necessary for young classes to help them reduce housing expenses and create new urban culture.

Happy House helps young classes, who have been excluded from housing welfare, by reducing their housing and social expenses. It started from the paradigm shift of residential welfare point of view from provider to consumer. It will contribute to raising industrial activities of young classes by curtailing social expenses for commute to schools and jobs and transportation as well as residential expenses. We will also create new city spaces to activate local economy, culture, and public interest through the Happy House business.

### Happy house will be built as a space of sustainability.



#### Happy house will be built as a young and energetic residential town.

- 80% of units will be provided first to socially active class such as newlyweds, career starters, and college students
- Rental fee under the market price



#### Happy house vitalizes local economy.

- Vitalizing local economy by attracting younger class with purchasing power
- Activating cities by repairing places that are worn out or neglected



#### Happy house will become a space of communication, culture, and welfare.

- Providing spaces of communication and harmony by building parks and cultural spaces the complex
- Strengthening welfare programs for childcare, education, culture, and leisure that tenants prefer



#### Happy house provides jobs for tenants and local residents.

- Providing jobs for tenants and local residents by placing social enterprises and start-up & employment support centers
- Improving residential conditions for workers at regional industrial complexes

### Rental Housing by Type

Classification	Happy House	Public Rental (10 years)	National Rental Housing	Permanent Housing
Purpose	Improving housing stability and welfare for younger class	Supporting people who want to own houses	Supporting housing stability of low-income class	Supporting housing stability of lowest income class
Target	College students, newlyweds, and career starters	Members of subscription deposit	Low-income households with under 4th class in income	Welfare recipients and other lowest income class
Size (exclusive use space)	Under 45m <sup>3</sup>	Under 85m <sup>3</sup>	Under 60m <sup>3</sup>	Under 45m <sup>3</sup>
Location	Area that are easy to commute	New cities and other housing areas	New cities and other housing areas	-

## Fulfilling People's Housing Stability

### Satisfaction Survey for National Rental Housing

(Unit: Points)		
Classification	2012	2013
Product and service	78.9	80.6
Management	79.8	82.8
Residential condition	74	76

### Cost Saving in Heating per Permanent Rental Housing Households in 2013



KRW **205** thousand

## Realization of Housing Welfare

### House-Poor Aids

In 2013, LH started the operation of 'Hopeful Rental Housing REIT's' program to purchase apartments from owners who suffered from large debts and unsalable apartments. When selling their apartments through this program, they can repay their debts and still get to live in the same apartments for 5 years. As this program ensures people who are suffering from debts and deterioration of apartment value against moving residential spaces, it has been receiving the greatest response out of all house-poor policies and a total of 895 households have signed contracts as of December 2013.

### Supporting Housing Stability of Rental Tenants

To enhance the housing welfare of rental tenants, LH constructed the demonstrative housing welfare governance in 92 complexes in November 2011. Currently, we are operating the governance in 160 complexes and expanding customized residential welfare activities to serve senior citizens, job creation, and youth education in accordance with the characteristics of each complex.



**Car Sharing (LH's Happy Car)**  
**50** complexes



**Meals for Children**  
**105** complexes



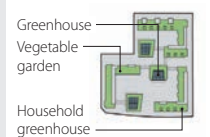
**Study Rooms**  
**38** locations

### Improving Old Rental Housing Facilities

LH is proactive in repairing worn-out rental housing and increasing energy efficiency to improve residential environment. In 2013, we spent KRW 70 billion on improving 104 thousand permanent public rental houses. In addition, we changed heating facilities of 20,966 units in 22 complexes from diesel-fueled to LNG-fueled system, which allowed tenants to save KRW 4.3 billion in heating annually.

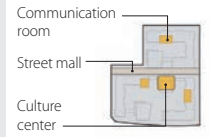
#### Productive Life with Nature

- Rooftop vegetable garden and public greenhouse
- Household greenhouse



#### Communicative Senior Life

- Communication room at every building
- Multi-cultural facility



#### 【 Happy 100 Senior House 】

To respond to the 100 aging society, LH started the Happy 100 pilot project to enhance residential welfare of senior class. This project includes expanding medical treatment and community programs and building safe and pleasant residential spaces. We selected Soha district in Gwangmyeong as the candidate for this project and are developing a pilot project model with forming a council consisting of specialists in welfare. This project will take the lead in building differentiated residential spaces where senior citizens can enjoy their old-age lives with nature and health.

#### Design Concept for Space Composition

##### DAY CARE CENTER

Constant medical treatment and health consultation



##### HEALING PLACE

Customized spaces within the complex (vegetable garden, greenhouse, communication room, etc)



##### BARRIER FREE

Barrier free home and complex

## Major Achievements in 2013

### New Housing Supply

(Units)			
Classification	2011	2012	2013
Project approved by government	86,978	84,002	40,392
Public sale	36,633	43,902	3,673
Rental housing	50,345	40,100	36,719
Supply of houses	70,256	58,528	64,728
Public sale	21,330	24,288	26,940
Rental housing	48,926	34,240	37,788

### New Rental Housing Supply

(Units)			
Classification	2011	2012	2013
Purchasing rental house for multiple-household	4,436	3,357	7,079
Total	11,711	24,190	22,646
Existing house	6,492	8,277	14,283
Lease Newlyweds	4,509	4,906	3,905
College students	107	10,349	3,713
Child household heads	603	658	745
SUB TOTAL	16,147	27,547	29,725
National Rental Housing	26,893	20,495	19,991
Public rental	9,283	9,971	15,363
Permanent rental	-	-	482
SUB TOTAL	36,176	30,466	35,836

### Rental Housing Operation

(Units)			
Classification	2011	2012	2013
Number of rental housing units	658,709	704,992	754,083



## Securing New Growth Engines

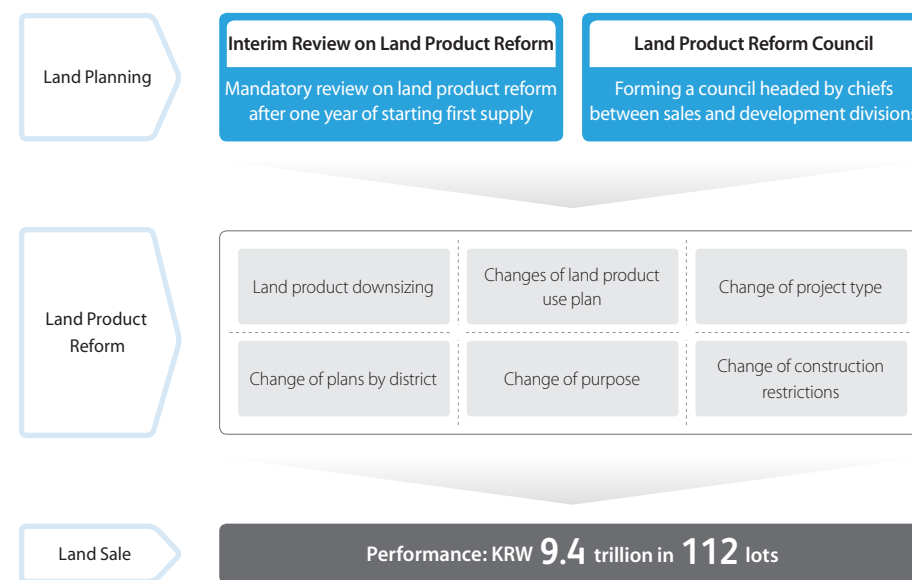
### Building Foundations for New Businesses

#### Developing New Business Models to Increase Asset and Product Value

Raising the value of land and housing is one of LH's core business activities. To this end, we have created values by focusing on city development and social overhead capital (SOC) projects. Meanwhile, the oversupply of houses and sufficient infrastructure require a paradigm shift to increasing added-value of existing cities and developing new business models. To respond to this change, LH is dedicating to developing new business models to increase asset and product value such as land product reform and city regeneration.

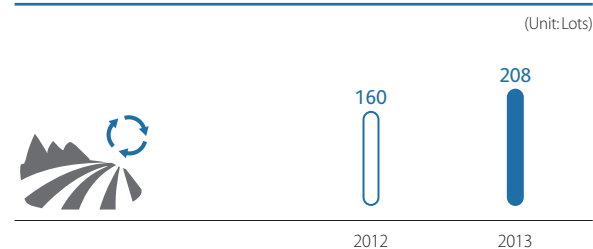
#### Land Product Reform

LH is raising the real estate value through land product reform. Land Product Reform is a market-oriented planning activity by changing the shape, size, and purpose of lands to meet customers' needs. To activate land product reform and land sale, LH has introduced the interim review on land product reform and is operating the land product reform Council.

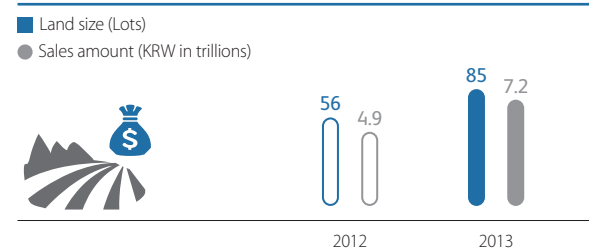


#### 【 Performances in Land Product Reform 】

##### Land Product Reform



##### Land Sale



Won an Award at the Korea Residential Service Award in 2013



Won an Award at the Overseas Construction Award in 2013

#### U-City (Ubiquitous City)

LH is strengthening the city competitiveness by developing the U-City (Ubiquitous City) where cutting-edge IT infrastructure and ubiquitous information service are converged. Integrated platforms that connect cities' main functions such as administration, traffic, welfare, environment, and disaster prevention have already been built in Sejong City, Dongtan district in Hwaseong, and Cheongna district in Incheon. In particular, we completed an intelligent integrated security system to effectively prevent violent crimes. Also LH won an award at the Korea Residential Service Award in 2013.

### Overseas Business

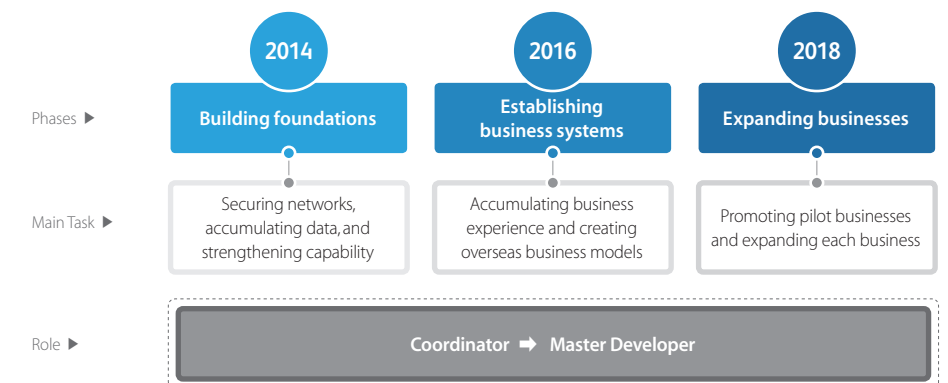
#### Performances in Oversea Business

In 2013, LH began overseas development projects in Brazil, Vietnam, and Myanmar and focused on preparing package-typed project models, laying the foundation for overseas business that would create high added values in the future. In recognition of our overseas city development and supports for domestic companies' penetration into overseas markets, we won the grand prize at the Overseas Construction Awards in March 2013.

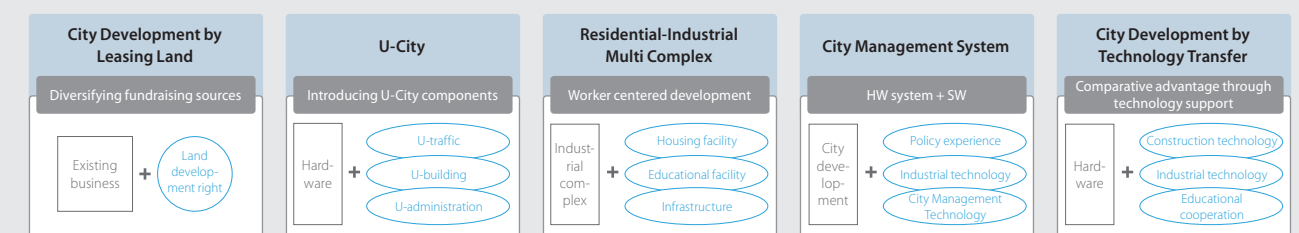
#### Solidifying the Foundation for Overseas Business

LH has adjusted its mid-term overseas business strategy to support domestic construction companies which have lost competitiveness in receiving new orders from resource-rich countries such as Saudi Arabia and Qatar despite low-price strategy. To this end, we are focusing on building wider global networks, supporting information exchange, and solidifying the foundation for overseas business. New business models to ensure profitability will be developed with the establishment of substantial overseas business promotion systems by 2016. LH, as a comprehensive developer, is committed to leading overseas business.

#### 5-Year Overseas Business Promotion Strategy



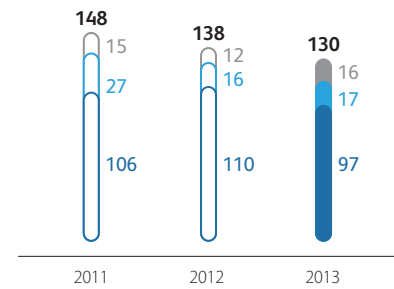
#### 【 High Value-added Package Type Overseas Business Model 】



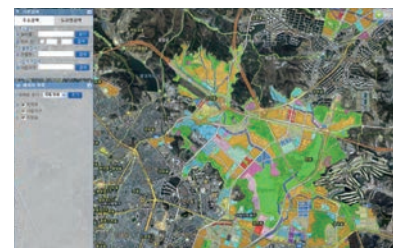
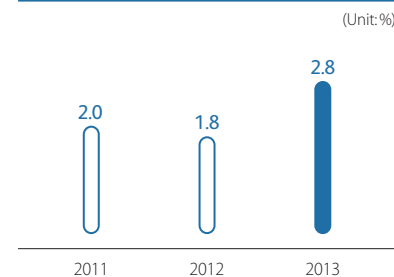
## Securing New Growth Engines

### Implementation of Research Tasks

■ In-company tasks (Unit: Cases)  
 □ General entrusted tasks  
 □ National entrusted tasks



### Cost Reduction Rate



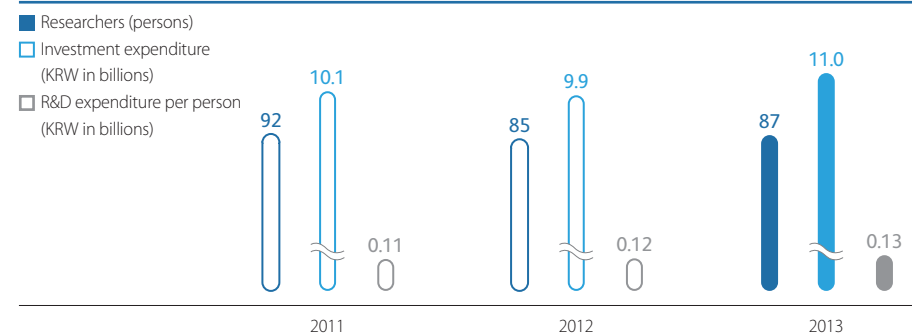
Gwanggyo district shown on LH's spatial information application system

## Strengthening Technology and R&D

### New Technology & New Construction Method R&D

LH is concentrating on developing new technologies and construction methods to lead future businesses. Our cutting-edge U-City technologies are introduced to the Sejong City project and the 2nd new city project. We have also conducted more than 100 R&D projects every year.

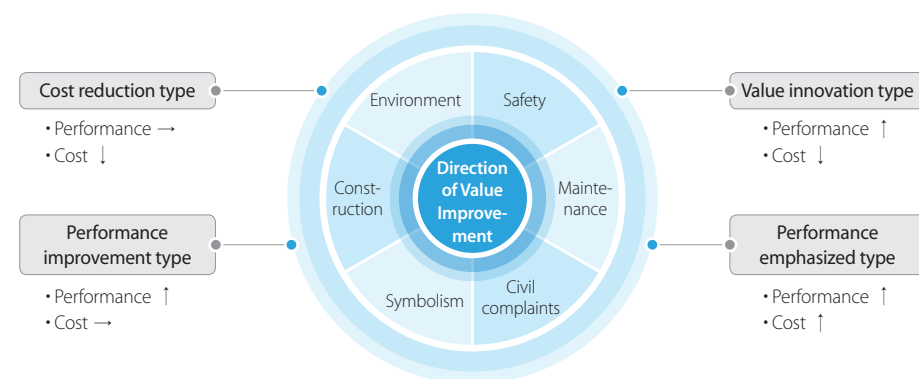
### R&D



### VE (Value Engineering) in Design

VE (Value Engineering) is a business management technique that pursues cost reduction and higher product value simultaneously by leading changes in product life cycle ranging from planning to design, construction, sales, and services. LH has applied VE into the design stage to prepare an optimum product design and ensure economic feasibility and validity of field application. In 2013, a total of KRW 438.8 billion was reduced through VE in design stage and we won the Minister's award from the Ministry of Land, Infrastructure and Transport.

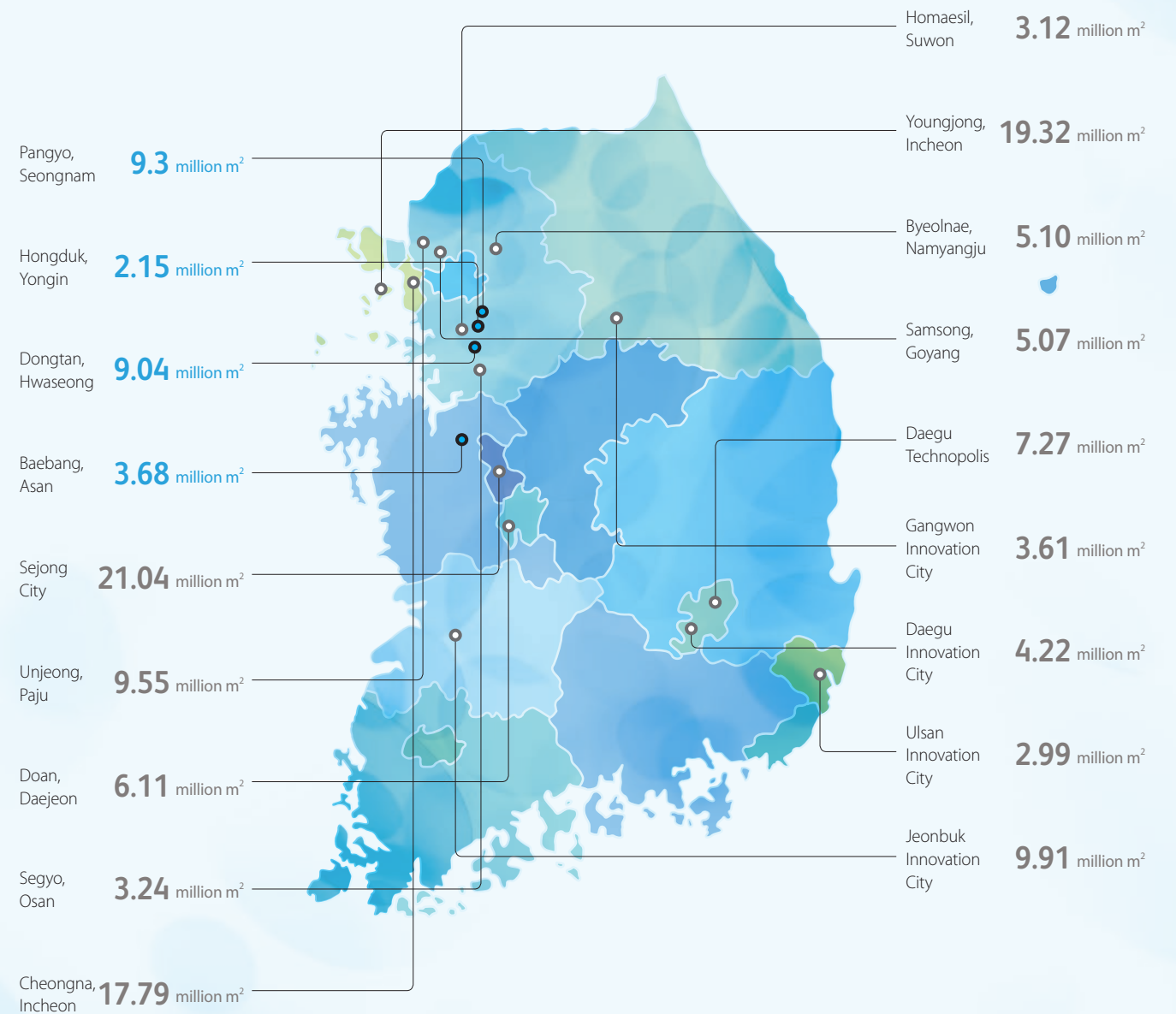
### Type of Design VE



### Building Spatial Big Data

LH is promoting the spatial big data system project to integrate and manage government's spatial data. To do so, LH signed an agreement with the Ministry of Land, Infrastructure and Transport in May 2013 and established mid and long-term strategies. The spatial big data system was first launched to the public through the Onnara real estate website. This website offers information on the price trend and prospect of real estate in the nation and statistical data related to real estate. LH will continue to improve the spatial information application system to support scientific policy projects and enhance public housing welfare services.

## Status of U-City Project



● Completion of construction    ○ Under construction

## Economic Performances

### Creating and Distributing Economic Value

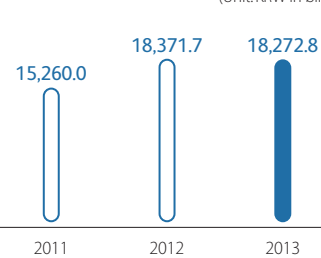
Even while placing great efforts on management normalization, LH is effectively investing its business resources in securing future growth engines. We provide various solutions related to real estate encompassing housing welfare services to land development projects such as city space creation. Results from such businesses are returned to society and all stakeholders.

### Distribution of Economic Value to Stakeholders



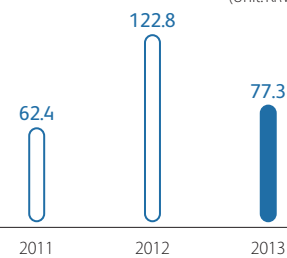
#### Economic Value Created

(Unit: KRW in billions)



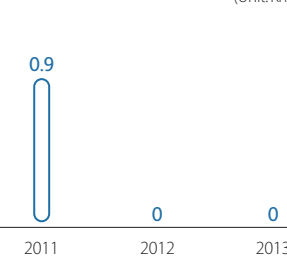
#### Shareholders

(Unit: KRW in billions)



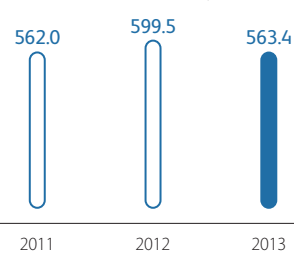
#### Government

(Unit: KRW in billions)



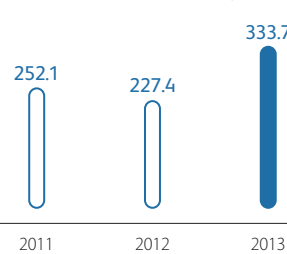
#### Employees

(Unit: KRW in billions)



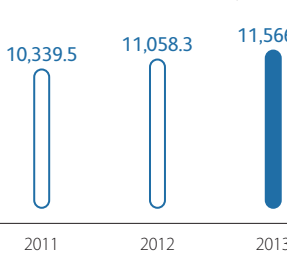
#### Local Communities

(Unit: KRW in billions)



#### Suppliers

(Unit: KRW in billions)



### Financial Statements

Classification	Details	Content	Unit	2011	2012	2013
Key economic performances	Total sales		KRW in billions	15,260	18,372	18,273
	Sales breakdown	Land Development	KRW in billions	7,638	12,291	10,892
		Housing Construction	KRW in billions	6,522	4,858	6,116
		Housing Welfare	KRW in billions	750	846	884
		Subsidiary Business	KRW in billions	350	378	381
	Operating Profit		KRW in billions	1,090	1,409	830
	Net Profit		KRW in billions	791	1,205	711
Summarized financial position	Assets	Current assets	KRW in billions	92,250	95,037	97,076
		Non-current assets	KRW in billions	66,223	72,724	76,343
		Total assets	KRW in billions	158,473	167,762	173,419
	Liabilities	current liabilities	KRW in billions	34,109	38,184	39,364
		Non-current liabilities	KRW in billions	96,462	99,938	102,967
		Total liabilities	KRW in billions	130,571	138,122	142,331
	Equities	Capital stock	KRW in billions	22,414	23,076	23,889
		Others	KRW in billions	5,488	6,564	7,195
		Total equity	KRW in billions	27,902	29,640	31,084
Key Financial Indicators	Growth	Sales growth	%	16	20.4	-0.5
		Net Profit Growth	%	55	52.4	-41
	Profitability	Return on Asset	%	0.5	0.7	1.8
		Return on Equity	%	2.8	4.1	10.2
	Stability	Current ratio	%	270.5	248.9	246.6
		Quick Ratio	%	26	26	26
		Debt-to-equity	%	468	466	457.8
		Financial Debt Ratio	%	350	351	340
		Equity Ratio	%	17.6	17.7	17.9
	Productivity	Gross value added to assets	%	4	4.2	3.7

Classification	Details	Content	Unit	2011	2012	2013
Reduction of interest costs	Interest rate	Weighted average interest rate for funding	%	4.15	3.5	3.17

Classification	Details	Content	Unit	2011	2012	2013
Classified accounting	Sales	Total	KRW in billions	15,260	18,372	18,273
		Independent businesses	KRW in billions	4,716	8,482	9,442
		National projects	KRW in billions	10,544	9,890	8,831
	Operating profit	Total	KRW in billions	1,090	1,409	830
		Independent businesses	KRW in billions	369	510	-171
		National projects	KRW in billions	721	899	1,001
	Net profit	Total	KRW in billions	791	1,205	711
		Independent businesses	KRW in billions	142	349	-85.8
		National projects	KRW in billions	649	856	797
	Liabilities	Total	KRW in billions	130,571	138,122	142,331
		Independent businesses	KRW in billions	62,967	76,765	81,979
		National projects	KRW in billions	67,604	61,358	60,352



# SOCIETY

We are committed to make a better society through social contribution activities



LH, as Korea’s largest public corporation, makes a concerted effort to satisfy its social responsibilities and duties. Our commitment to ethics and integrity allows us to increase management transparency and gain higher trust from all stakeholders. We will also continue to expand our social contribution activities that pursue fair society, shared growth with local communities, job creation, and cultural and environmental supports in order to contribute to making a better society.

Total Volunteer Hours of Employees in 2013	Purchasing Products from SMEs in 2013
65,848 hours	KRW 5,992.8 billion



## Stakeholder Interview



**Nam Sang-oh**  
Secretary General of the  
Citizens for Decent Housing

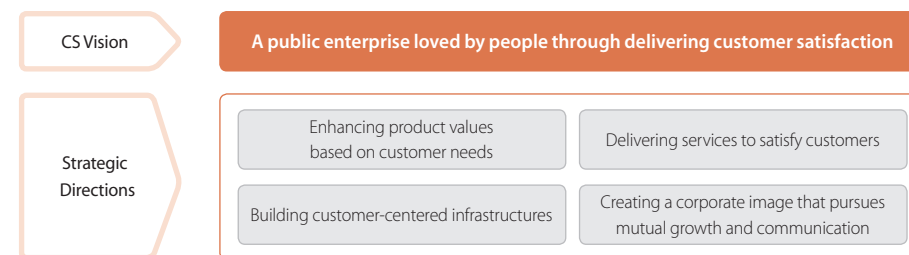
Since the summer of 2005, the Citizens for Decent Housing and LH have been jointly engaging in services to feed children who are living in rental housing complexes. This social contribution program includes delivering lunch boxes to children of low-income families or dual-income families and providing educational and cultural programs during vacation, which is well received by beneficiaries, their parents, complex management staff, and residents. In summer 2013, we provided food services to 100,800 people in 107 housing complexes, through which 210 jobs were created. In addition, 300 volunteers provided a total of 105 talent donation classes such as Korean paper art, balloon art, reading, and etiquette lessons, in which 240 members of LH Community Service Group joined food service, dish-washing, and one-day lessons. I believe social contribution of LH offers people with poor housing conditions practical assistance and invigorates residents in public rental housing complexes. Today, social contribution is recognized as an essential and high-level responsibility in corporate management. I know that LH is dedicating to implementing social contribution activities in the field of housing welfare, ecological environment, and social welfare in order to realize its vision to lead the improvement of quality of people's life, housing stability, and national economy. To efficiently use your corporate resources, it is necessary to prioritize your social contribution programs in accordance with importance and focus efforts on core programs. In particular, considering the housing voucher program that will be reorganized this year and the introduction of government-led housing welfare worker system, LH needs to adopt new social contribution programs that can connect its housing welfare governance system, social welfare, and public services. Moreover, it's a good idea to strengthen partnerships with NGOs in order to expand social contribution activities related to housing welfare in rental housing complexes.

# Customer Satisfaction Management

## CS Management Framework

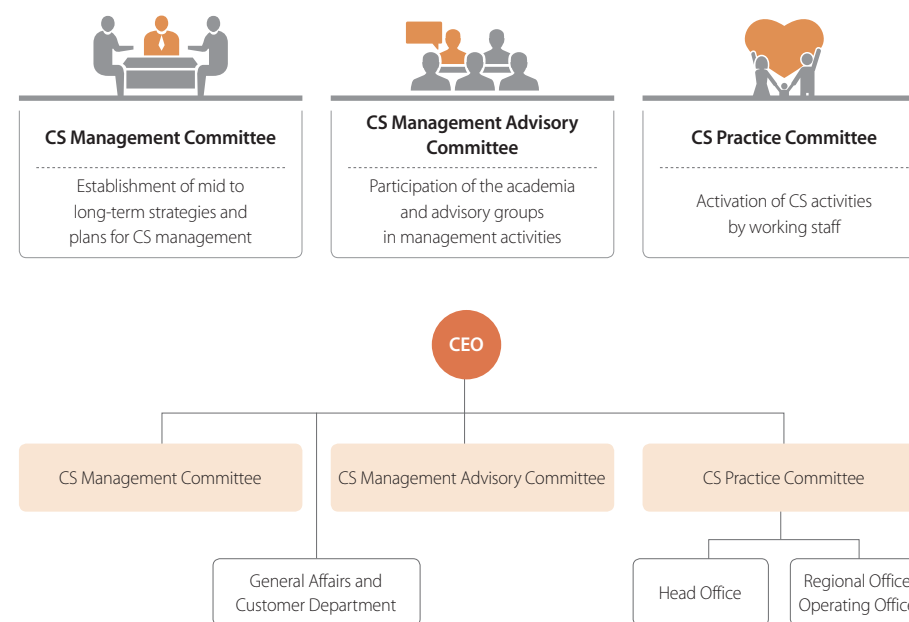
### CS Strategy

Under the 'LH's Mid to Long-term CS Management Strategy 2015', we are promoting the following four strategic directions and tasks to achieve our CS vision 'A Public Enterprise Loved by People through Delivering Customer Satisfaction'. Our CS level is assessed through the customer satisfaction survey conducted by the Ministry of Strategy and Finance with regard to public enterprises, and the results are reflected to our management strategies. We will continue to enhance our responsibility for customer service by practicing CS management throughout the company.



## Responsible Organization

Our CS management is efficiently conducted through a companywide responsible organization. The CS Management Committee under the CEO establishes mid to long-term strategies and plans for CS management and the CS Management Advisory Committee consisting of academia and advisory groups engages in presenting improvements of mid to long-term strategies and analyzing performances. The CS Practice Committee plays a role for concluding cooperation in CS activities between head office and worksites as well as assigning CS targets to each department and checking their practices.

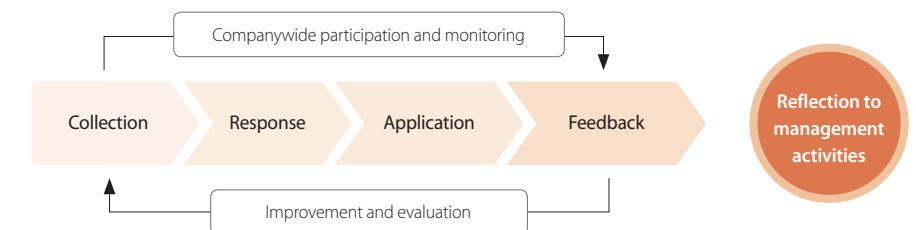


## Building the Customer Satisfaction System

### VOC Management

LH is operating the VOC system for integrated management of customers' opinions, advices, and complaints. Those collected through various VOC channels are rapidly responded and treated and the processes are checked in real time not to be omitted. Significant opinions and complaints are shared with relevant departments and improvement plans are reflected to our mid to long-term management strategies.

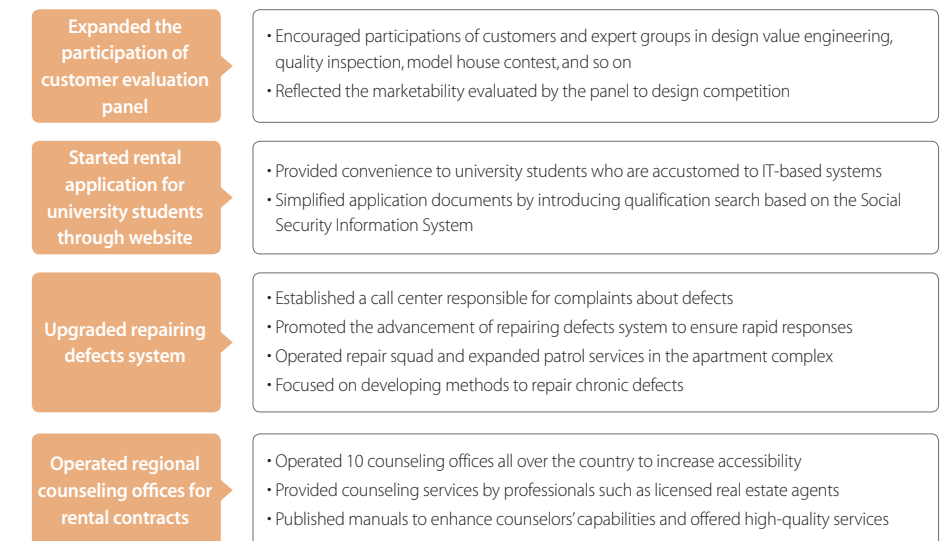
### Response to VOCs



### Improvement of Customer Service

We have endeavored to improve our product quality and design to satisfy various customers' needs. Our customized design and customer service have contributed to raising the quality of housing condition and upgraded service and product systems mitigated inconveniences and complaints. In addition, we have installed more counseling offices for rental contracts in the nation to help residents resolve their unstable housing conditions and provide supports for stable housing.

### Service Improvements in 2013



LH's Counseling Office for Rental Contracts

## Customer Satisfaction Management

### Special CS Lecture Tour in Worksites



25 worksites  
2,477 participants

(Year 2013)



CS Leader 25 persons  
CS Manager 2,477 persons

### Enhancing CS Capabilities

#### Campaign for Customer Happiness

Various campaigns are conducted to establish CS culture and make employees cultivate CS mind. The campaign '3 UP for Customer Happiness' motivates employees to serve customers and the 'LH Smile Contest' to select 14 employees who are excellent in customer response attracts voluntary participation. In addition, the results and spirit of customer satisfaction are shared among all employees through in-company broadcasting, webzine, and films related to CS activities.

#### CS Training Programs

We provide various and effective CS training programs. The CS lecture tour at worksites contributes to expanding opportunities for customer contact and our CS trainings for frontline employees make it possible to offer the same kinds of services to customers at any workplace. Our CS capabilities have also been elevated through in-company specialized CS trainings and commissioned trainings to professional CS institutes.

#### Accelerating CS Activities

Business Support Division, as the control tower of CS management, is responsible for enhancing CS capabilities of all business units. Employees who are designated as CS leaders and managers of each department take the head in CS activities and help colleagues voluntarily put CS management into practice. This system escalates CS capabilities of each department and consequently of the company.

### Evaluation on CS Performances

LH introduced the CS mileage system in order to raise CS mind of employees and encourage voluntary CS activities and established a compensation system connecting the result of customer satisfaction survey and internal evaluation. This compensation system based on a year-round CS monitoring helps us enhance customer-centered management and provide customers with better services.

#### Tightening the linkage between customer satisfaction and internal evaluation

- Reflecting the results of CS evaluation on public enterprises to internal evaluation indices of responsible departments of head office and regional offices
- Reflecting the satisfaction level of residents including maintenance status and responses to complaints

#### Introducing CS mileage system

- Operating mileage systems to activate CS activities
  - Individual: participation in collective CS trainings, completion of cyber trainings, and awards in competitions
  - Department: sharing CS activities, awards in competitions, etc.

#### Building performance compensation system

- Rewards based on results of CS evaluation and monitoring of customer response
  - Awarded 14 departments and 36 employees with excellent results
- CS mileage
  - Awarded 2 departments and 14 employees with excellent results

## Highlights in 2013



### Task Force to Increase Housing Quality

A task force consisting of engineers and onsite staff was launched in order to increase housing quality and customer satisfaction by preventing repetitive and structural defects. A total of 37 members from 5 teams participated in the task force headed by the chief of Housing Project 2, and they engage in worksite inspection, design review, and supports for system improvement. The task force preferentially selected Wirye, Osan, Goyang, and Gwanggyo Districts for its activities. Based on analysis data, minor defects are promptly corrected on sites and significant defects are comprehensively treated to preemptively prevent errors in design and construction. After the dissolution of the task force, we will continue to make a concerted effort to prevent defects by sharing the results of repairing defects and check lists as well as conducting design reflux and recall systems.



#### Onsite Responses to Unsatisfactory Affairs

Total **294** cases  
(1<sup>st</sup> stage: 124, 2<sup>nd</sup> stage: 170)

### LH Howdy Monitoring Group

The 'LH Howdy Monitoring Group' consists of housewives with high interest and professionalism in housing. We preferentially select members who are living in the metropolitan area and LH's apartments because they have high understanding of housing quality and tasks. They mainly engage in identifying improvements of LH's houses from an objective point of view of customers.



### Publication of a Manual Containing Housing Information

To provide rental housing residents with welfare information, we published a manual that helps them easily understand requirements such as qualification, process, and so on to receive welfare services by LH, the central government, and local governments. This manual also contains information about LH's housing welfare and various social welfare services for low-income families, female and multicultural households, children, adolescent, disabled, senior citizens, health, and jobs. We distributed this manual not only to the government, local governments, and relevant institutions, but also LH's regional offices, housing welfare centers, and rental housing complex offices to be accessible to the residents.



### Opened a Website for Ownership & Lease Housing

LH opened a website for ownership and lease housing customers in July 2013. This website helps customers easily access to information about for ownership and lease housing and contributes to improving the quality of customer service and efficiency of administrative works.





## Social Contribution Activities

### Social Contribution Framework

#### Strategy

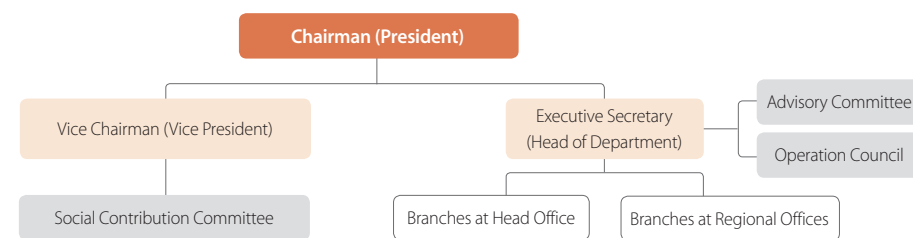
LH realigned the vision and strategic directions for social contribution that reflect the purpose of corporate establishment, management activities, and the characteristics of its businesses.



#### Responsible Organization

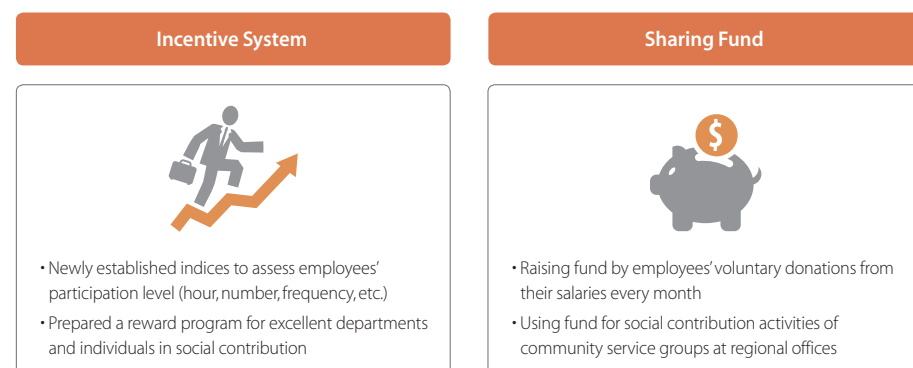
LH conducts social contribution activities centered on in-company 33 community service groups and has the Social Contribution Committee to secure efficiency. In addition, we strive to maximize performances in social contribution by organizing independent groups together with social welfare institutions and relevant public institutions.

#### LH Community Service Group



#### Attracting Voluntary Participation from Employees

We have realigned systems to attract voluntary participation from employees. A new performance index reflecting the rate of participation in social contribution activities was introduced, through which we grant incentives and prizes to offices and employees with high index. In addition, the Sharing Fund which is raised and operated by employees' voluntary participation helps them feel worth to directly contribute to society. A total of 5,429 employees have participated in the Sharing Fund in 2013.



### LH's Specialized Social Contribution Activities

#### Community-based Social Enterprises

LH supports the establishment of community-based social enterprises to contribute to improving the quality of lives of rental housing residents and developing local communities. Starting in 2010, community-based social enterprises have engaged in producing and selling products and services that can reflect regional characteristics and realize social value. And their earnings generated from economic activities are reinvested for the development of local communities. Their businesses have been extended to educational and cultural services for the underprivileged as well as operation of local childcare centers in rental housing complexes. We will continue to help community-based social enterprises develop their businesses and contribute to local communities.

#### Joint Wedding Ceremony for "Happy Companionship"

Every year since 2004, we have hosted joint wedding event named as 'Happy Companionship' for multicultural households who are living in our rental housing complexes and had not yet gotten married because of financial problems. Expenses for wedding, reception, and honeymoon are entirely provided by LH. A total of 120 couples have gotten married until 2013. LH is committed to becoming a public corporation that can provide residents with happiness beyond just building houses and developing cities.

#### Improvement of Local Environmental Conditions

LH is conducting a unique social contribution to lend its land spaces for free which have been unsold for a long time to residents. These land spaces are lent in groups of five residents and cultivated as vegetable gardens. Fresh vegetables produced on the gardens are donated to low-income households, childcare centers, and facilities for the elderly in local communities. In addition, LH is proactive in transforming old and vulnerable playgrounds into environment-friendly and safe ones, in which local children and residents participate. Through these efforts, LH is committed to building ecologically sustainable local communities where nature and people are able to coexist.

#### Developing Social Contribution Programs by Industry-University Collaboration

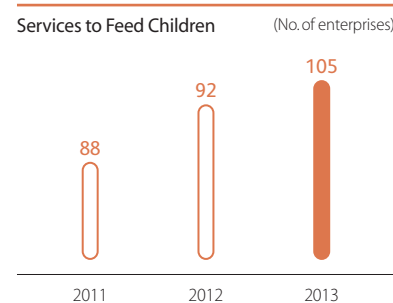
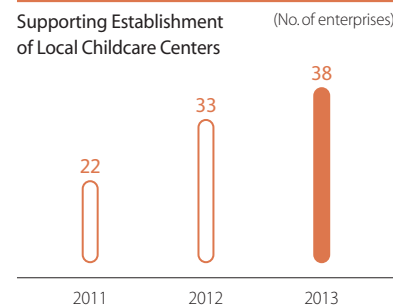
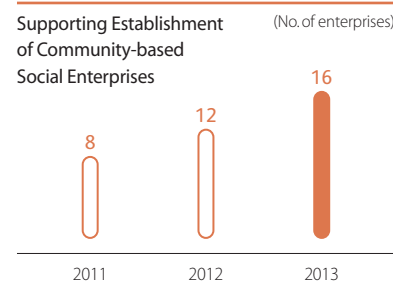
We are promoting collaboration projects with other institutions in order to conduct concrete and efficient global social contribution activities. In August 2013, we signed an MOU contract to jointly develop global social contribution programs with Yeungnam University. It was prepared to create synergy by integrating LH's experiences and knowhow in building housing complexes and developing land spaces and Yeungnam University's professionalism in economic development research and education. Currently, the two bodies are focusing on developing and implementing social contribution programs to offer better housing conditions and quality of lives to people of developed countries.

Moreover, we jointly organized the UCC (Union Corporate Committee) with congenial public institutions and have been implementing global volunteer services with them. In 2013, the committee members visited 380 local families of multicultural households from Vietnam and provided volunteer services that made the most of their business characteristics. LH focused on repairing and improving old houses.

#### Major Businesses of Community-based Social Enterprises

Rental Complex	Major Businesses
Seonghwa in Cheongju	<ul style="list-style-type: none"> <li>Local food business</li> <li>Operation of Sharing Café</li> <li>Libraries and study rooms</li> </ul>
Yulha in Daegu	<ul style="list-style-type: none"> <li>Safe lunch box</li> <li>Safe vegetable garden</li> <li>Happiness Counseling Office</li> </ul>
Iksan in Jeollabuk-do	<ul style="list-style-type: none"> <li>Vegetable garden</li> <li>Food service</li> <li>Farmer's market</li> </ul>
Paju in Gyeonggi-do	<ul style="list-style-type: none"> <li>Delivery of lunch box</li> <li>Selling of side dishes</li> <li>Culture and welfare service</li> </ul>

#### Improvement of Rental Housing Environment





## Social Contribution Activities

### Social Contribution Programs Tailored to Life Cycle

#### Childhood



#### Adolescence



#### Young Adults



#### Old Age



LH is committed to implementing social contribution activities to offer practical assistance by developing differentiated programs tailored to each age group.

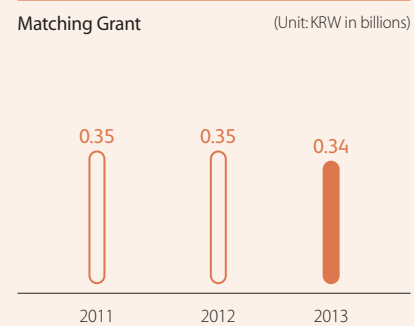
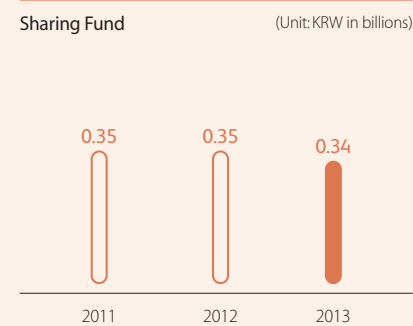
Activities	Performances
Education and childcare services for children who are living in rental houses	Mentoring program: 215 children Feeding services: 3,228 children
Operation of the 'Visiting Museum' for underprivileged children	First won the Encouragement Award at the Best Practice Competition hosted by the Ministry of Land, Infrastructure and Transport
Launch of Dream Housing Bankbook for teen heads of household	A total of 155 teen heads opened the bankbook.
Scholarship supports for low-income households (Ginkgo Tree Foundation)	Provided scholarships to 462 teens of low-income households in Seongnam
Continuous expansion of community-based social enterprises to create jobs	Hired 233 employees at 16 companies
Holding joint wedding events for unmarried multicultural households who are living in leased houses	A total of 120 couples have been married.
Volunteer services such as bathing, cleaning, and delivering side dishes	Served 200 senior citizens who live alone in permanent rental houses all over the country
Kimchi-making event (2 thousand heads of napa cabbage)	Delivered kimchi to 379 senior households

**UNICEF & Save the Children**  
Selected as an excellence in child-friendly management

**JTBC**  
Won the CSR Leader Award in Mutual Growth in 2013

**Chosun Biz**  
Won the Love-Sharing Social Contribution Award in 2013

#### Social Contribution Performance



## Highlights in 2013



- ① Supporting the establishment of community-based social enterprises
- ② Visiting senior citizens on the New Year's Day
- ③ Participating in restoration of flood damages
- ④ Delivering briquettes to people in need
- ⑤ Holding joint wedding ceremony
- ⑥ Building eco-friendly playground in rental housing complexes
- ⑦ Feeding children in rental housing complexes
- ⑧ Kimchi-making event
- ⑨ Mentoring program for children in rental housing complexes
- ⑩ Supporting the establishment of local childcare centers



## Shared Growth and Win-win Partnership

### Shared Growth Framework

#### Strategy

In 2013, we established a new plan named as 'Beautiful Companionship' in order to successfully promote shared growth with SMEs. We also ran a contest for shared growth ideas from all employees and collected opinions of expert employees at each sector, through which key four strategies were drawn up to secure sustainable shared growth.



#### Responsible Organization

We organized the Win-win Partnership Promotion Committee head by the chief of Business Support Division and the committee holds a meeting every quarter and extraordinary meetings when necessary. The committee checks the practice of promotion tasks, supports shared growth activities, increase employees' awareness of win-win partnership, and encourage them to practice.

#### Creating LH's Unique Win-win Partnership Model

LH intends to expand the joint-venture system with prime contractor that enables us to directly select subcontractors instead of turn-key base contracts that the contractors choose the lowest bidder. The proportion of the joint-venture system with prime contractor will increase from 5% in 2013 to 40% in 2016.

### Expanding Communications with SMEs

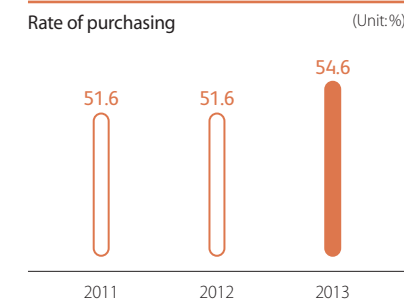
#### Activating Interactive Communication

LH investigates the level of suppliers' satisfaction in the fields of general administration, evaluation & inspection, subcontract, safety & environment, professionalism, responsibility, and integrity. Also, we collect opinions of site workers through discussion meetings with suppliers and strive to strengthen relationships. In 2013, our 21 business divisions held 47 meetings, through which a total of 367 grievances were collected and entirely solved.

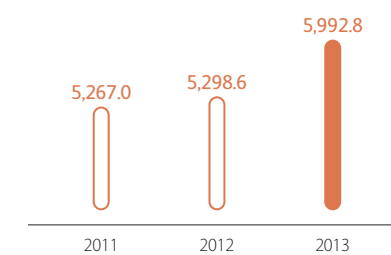
#### Providing More Training Programs

Training programs for employees and suppliers have been expanded to diffuse the culture of win-win partnership. We have provided our regional offices and business divisions with regular in-house training programs 21 times and suppliers with trainings to eradicate unfair subcontracts and bad habitual practices 30 times during the year. LH will continue to strive to settle the culture of sustainable shared growth and win-win partnership.

#### Purchasing of SME Products



#### Total amount of purchasing (Unit: KRW in billions)



### Supporting SMEs to Enhance Capabilities

#### Economic Assistance

LH established the 'SME Support Group' to continuously promote product purchasing from SMEs and increased the number of personnel responsible for purchasing over 5 times. In 2013, products purchased from SMEs amounted to KRW 5.9 trillion, a KRW 700 billion increase over the previous year, and accounted for 54.6% of total purchasing. The rate of purchasing from SMEs has increased for 3 years in a row.

### Fair Competition

#### Enhancing Transparency in Bidding Process

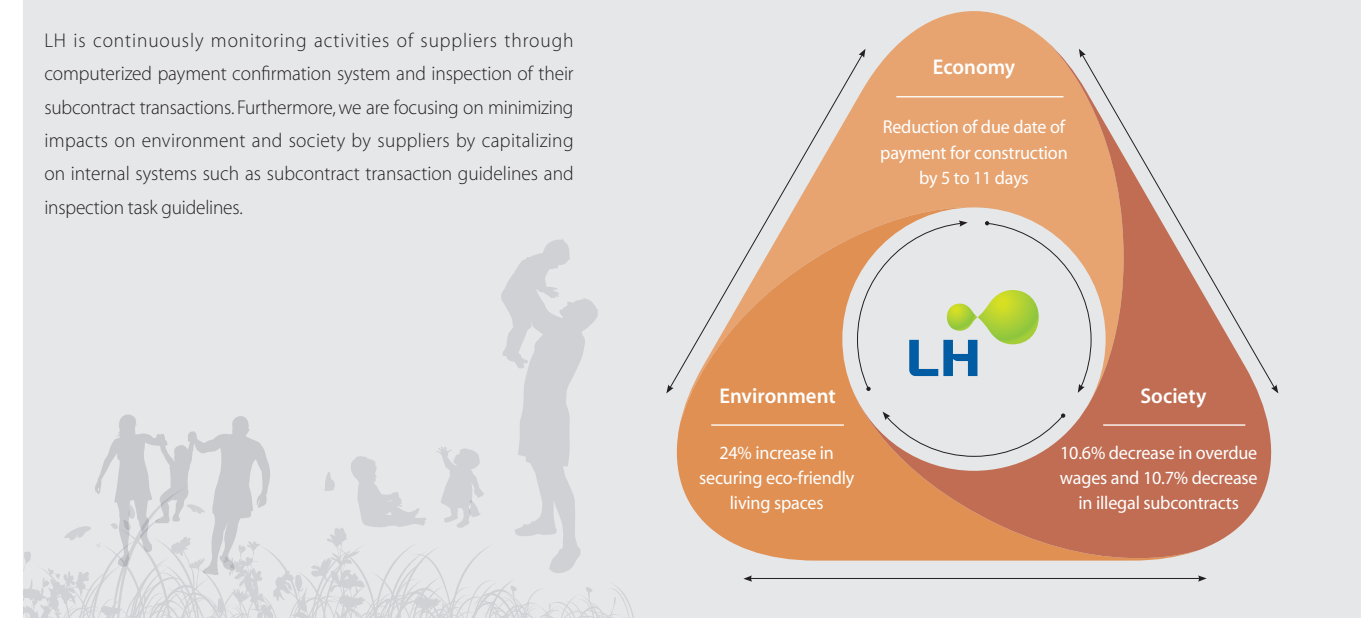
All of the biddings except for turnkey base projects at LH are conducted by electronic bidding system to enhance transparency. Electronic biddings accounts for about 99.88% of total ones. Our entire bidding announcements are linked to the G2B (Government-to-Business) system and ALIO (All Public Information in One) system so that whenever we announce biddings on the in-house electronic procurement system, those are automatically loaded up on the government system for the public announcement.

#### Tightening Subcontract Transactions

The payment confirmation task force consisting of 133 employees at 23 headquarters checks payment status every month and subcontract transactions biannually on 4,125 subcontractors at 556 worksites. As a result, the number of illegal subcontract transactions and the amount of overdue wages decreased 10.7% and 10.6%, respectively, year on year.

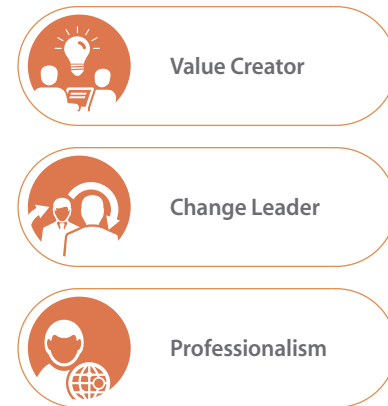
#### 【 Evaluation Process for Business Partners 】

LH is continuously monitoring activities of suppliers through computerized payment confirmation system and inspection of their subcontract transactions. Furthermore, we are focusing on minimizing impacts on environment and society by suppliers by capitalizing on internal systems such as subcontract transaction guidelines and inspection task guidelines.



# Human Resource Management

## LH's HR Model



## Status of Employees

LH does not discriminate against the level of education, age and gender, proactively complies with related regulations, and performs ability-centered employment. We also provide equal employment opportunities to high school graduates, disabled, people of national merit, and other people who are living in non-capital regions. In 2013, we hired 17 new employees and additional 26 employees based on social equality.

	Classification	Unit	2011	2012	2013
Total	Full-time position	Persons	6,495	6,703	6,477
	Temporary position	Persons	424	362	326
	Youth interns	Persons	439	389	546
Gender equality	Female employees among full-time positions	%	17.2	18.2	18.4
	Female employees among manager positions	%	0.8	1.1	1.6
Socially disadvantaged people	Disabled employees among full-time positions	%	2.4	2.6	2.5
Turnover	Turnover rate	%	0.8	2.6	0.5

\* Some figures were changed in accordance with the change of guidelines to announce the status of employees by the Ministry of Strategy and Finance

## Employment Based on Social Equality

### Expanding Senior Employment

In a bid for solving social problems from aging and senior poverty, LH has expanded the senior employment. In 2013, a total of 3,000 seniors, an increase of 1,000 people year-on-year, were employed and working period was also extended by one month. They have engaged in inspecting facility safety, checking conditions of residents, and supporting other senior citizens who live alone, contributing to helping socially disadvantaged people in local communities. We will continue to hire senior employees under the purpose of solicitude for the socially disadvantaged.

### Cultivating Talented High School Graduates

In 2013, a total of 194 high school graduates joined LH and the figure was the largest among public corporations. They have been provided with various training programs and job experiences to enhance their capabilities. We also support their registrations to the LH Land & Housing University to provide them with opportunities for gaining bachelor's degree and running parallel with study. In addition, the field-office rotational working system is conducted to cultivate field specialist. LH will expand the employment of high school graduates to fulfill the job creation policy of the government and foster future talents.

## Talent Cultivation Programs

Classification	Courses	No. of Participants
Total	1,249	67,055
Core value/ capability as a leader	4	706
Job capability	31	1,905
In-house university/ commissioned education	12	200
Self-development and career development	102	49,195
Cyber education	1,100	15,050

## Cultivating Talents

### Strategy to Cultivate Talents

To strengthen professionalism of each job and position and cultivate core talents, LH is operating various educational programs encompassing basic theory, problem solution, field reaction capability, and other tailored training courses.



### Nurturing Core Talents

We are strengthening the utilization of specialized staff at each business area. More specialized staff has been sent into housing welfare and rental asset management areas that require higher professionalism. We also created new positions that are appropriate for specialized staff such as expense confirmation, defect maintenance, land management, and licensing support. In addition, we respond to various issues that occur at each business site in timely manner by arranging specialized staff in equilibrium. Meanwhile, an asset management specialist cultivation program was established to perfectly support house-poor people through 'Rental House REIT's' program which was one of national tasks and to prepare the expansion of real estate related financial businesses.

### Education Process Based on Life Cycle

The LH Land and Housing University is running job education programs specialized in LH businesses to nurture high school graduates as specialists in land and housing sectors. Graduates of the LH Land and Housing University are recognized as regular university graduates according to the Lifelong Education Act and can become talents armed with job capability. Also, we provide retirement planning and life planning for the retiring employees. Employees within 10 years of retirement can receive educations such as mid-to-long term financial planning, life redesigning, and retirement preparation through the LH Future Planning Academy. For employees within 3 years of retirement, education programs to support their business startups or career changes are provided.

### Cultivation of Female Talents

We are operating education programs to prevent career discontinuity of female employees and foster women managers. Female employees at LH are able to participate in preliminary manager course and leadership development course. We also encourage interchanges among female employees to give motivation to become female specialist. These activities are expected to strengthen the diversity in our businesses.

## Number of LH Land and Housing University Freshmen



40 persons



Starting Ceremony for Senior Employees



Welcoming Ceremony for high school graduates



## Human Resource Management

### Number of Labor-Management Council Meetings Held in 2013



150 times



Growing Together Festival

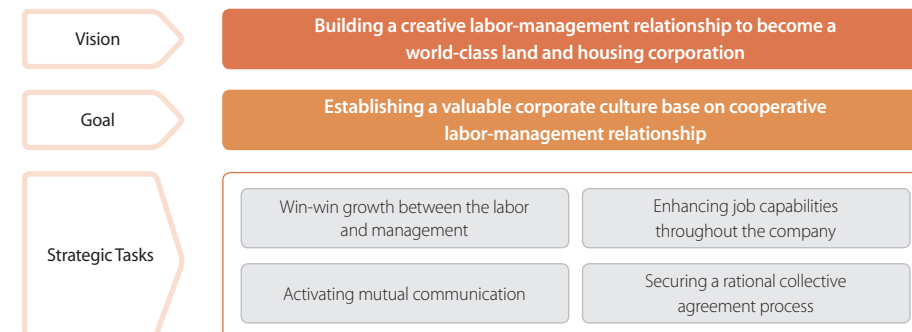


Joint Workshop for Plural Labor Unions

### Advancing the Labor-Management Relationship

#### Win-win Strategy between the Labor and Management

With the vision of building a creative labor and management relationship, LH is focusing on the following 4 strategic tasks.



#### Building a Win-win Labor-Management Relationship

LH strives to resolve conflicts from significant changes in management activities and decision-making such as reorganization or personnel transfer by performing active communications with the labor union. In 2013, there were conflicts related to the establishment of the 3rd labor union and dissatisfaction at promotion between the labor and management. These conflicts have been resolved through continuous meetings, discussions, and implementation of consultation on building new human resource system.

#### Strengthening Communication between the Labor and Management

In 2013, LH enhanced the role of organizations for labor-management cooperation, through which inefficiency from repetitive works about pending issues between labor and management was eliminated. Moreover, we have been proactive in collecting employees' opinions on pending issues of management since opening a communication channel for all employees in October 2013. Through this communication channel, a total of 28 opinions related to labor conditions such as HR, welfare, and education have been collected, of which 13 cases have been applied. Our existing communication channels - Open Labor and Management Meeting, LH Coexistence Committee, Youth Lunch Day, GpGgi Activity, and LH Healing Camp - have also been more vitalized and contributed to resolving labor-management issues and forming a consensus.

### Best Practice

#### LH Healing Camp

We have been hosting the LH Healing Camp program composed of body and mind trainings such as yoga, meditation, and tracking, lecture on health, and self-reflection. This program, which was prepared to create the GWP (Great Work Place), has provided employees with mental stability and contributed to building energetic and healthy corporate culture. LH Healing Camp received 4.23 points out of 5 on satisfaction in 2013.



### Number of Maternity Leaves in 2013



Total **206** cases  
(19 cases by male employees)

### Family-friendly Management

#### Supporting Work-Life Balance

Various family-friendly programs are being implemented to support the balance between work and family. We have expanded childbirth and childcare supports and increased the number of in-house nursery facility from 155 to 210 so that female employees prevent discontinuity of their career from the burden of childcare. Also, every Wednesday is designated as Family Day to encourage employees to spend time with their families. Every last Wednesday is designated as a Home-Run Day. On the Home-Run Day, company dinner and overtime work is banned and company's intranet is shutoff to encourage employees to get off work early and expand family-friendly corporate culture.

#### Improving the Flexible Working Program

At LH, flexible working program is conducted in a bid to actively respond to the governmental policy and improve productivity through work-life balance. Since 2011, we have been carrying out flexible working hour and working hour reduction for infant care. In particular, this program has helped employees care for their children. In 2013, flexible working programs were integrated and expanded for vitalization. We also provided executives, high ranked employees, and staff responsible for flexible working with educations to improve their awareness of advantages of flexible working program.

#### Various Welfare Programs

##### Family-friendly programs

- Program: Filial Duty Camp, Family Camp, and Child Camp
- Result: 53.9% increase in participation (836 participants)

##### EAP programs

- Program: Psychological inspection and consultation, Healing Workshop, and special lectures by celebrities
- Result: 250% increase in participation (200 participants)

##### Encouragement of using annual leaves

- Program: Annual Leave Plan, Refresh Leave, Holiday-linked Leave, and reflection of the result of using annual leaves to internal evaluation
- Result: Improvement of work efficiency



# ENVIRONMENT

LH will make a concerted effort to create a clean environment.

Building a Greener World through  
Environmental Management

Focusing on Eco-friendly  
Land Development

LH dedicates to achieving the vision in environmental management, conducting environmental land development, and reducing energy use through green management. We are also demonstrating the leadership in eco friendliness by developing eco-friendly cities and buildings, reducing GHG emissions, and engaging in district heating & cooling and CDM projects. We will continue to expand eco-friendly activities in our businesses and strengthen the environmental management system.

Contribution to Generating  
Energy in 2013

**55,285** MWh

Increase in Purchasing Eco-friendly  
Products (compared to 2012)

**279** %



## Stakeholder Interview



**Lee Moon-Hyung**  
Chairperson of the Environ-  
mental Impact Assessment  
Association

The Environmental Impact Assessment Association predicts environmental impacts of the development business, performs analysis and researches on environmental impact, and promotes eco-friendly construction through supporting technology development, environmental laws and system enhancement and performance evaluation management. I know well that LH is active in participating in evaluating and practicing environmental policies by capitalizing on its professionalism in developing land and housing and deep understandings of related laws. The corporation is also leading the development of eco-friendly cities by establishing an effective water-cycle system to cope with climate change such as flood and drought and minimizing damage to the land and ecosystem. These efforts to preserve natural environment and provide pleasant living environment brought a knock-on effect to improve satisfaction of residents. I hope LH's excellent eco-friendly construction knowhow to be applied to the supply of housing in the future. I also expect that LH will establish a system to minimize the generation of waste and expand the use of new and renewable energy in entire construction processes by considering the product life cycle encompassing design, construction, and rebuilding. By doing so, LH will continue to demonstrate the leadership in environmental management.

## Environmental Management

### Strategies and Tasks

Korea has a vision in green growth to become one of world's top 7 green countries by 2020. With the vision of 'leading the green growth initiatives through building world-class eco-friendly cities and housing', LH is committed to implementing the following 4 key strategies and 10 major tasks to spearhead the national green growth.



### Overview of Green Growth Activities

LH's environmental management strategy and tasks start from the concept of creating eco friendliness of cities, infrastructures, and their networks. The components of eco-friendly city networks include eco-friendly buildings and new and renewable energy facility. LH strives to effectively use energy and resources in constructing and managing eco-friendly cities and its components. These efforts contribute to reducing greenhouse gas emissions and efficiently respond to climate change. Through this comprehensive environmental management system, LH will lead the national green growth policy.



## Environmental Technology and Construction

### Building Green Cities and Laying the Foundation for Green Businesses

#### Developing Environmental Cities

To protect nature and provide urban residents with ecological environment, LH creates a green network in which ecological corridors, wide plants, forest, and ecological habitats are located. We also construct ecological cities with blue network that offers water-related spaces by utilizing stream water in the city. Byeolnae District in Namyangju, the 2nd Seochang District in Incheon, and Han River New Town in Gimpo have been constructed as eco-friendly cities. Especially, Byeolnae District in Namyangju won the grand prize at the '13th Natural Environment Award' on November 22, 2013.



Won the Grand Prize at the Natural Environment Award



#### 【 Byeolnae District in Namyangju 】

Byeolnae District in Namyangju is LH's representative eco-friendly residential city that is integrated with our city development knowhow. Residents are able to experience various ecological environments as Byeolnae District is located around Bulam Mountain and small streams such as Deoksong Stream, Yongam Stream, and Siksong Stream. Also, Byeolnae District has the Automatic Clean Net System to collect residential waste through a network of underground transfer pipe and the Clean Center which disposes gas created by waste incinerator with the pyrolysis fusion method. These systems provide residents with pleasant living environments.

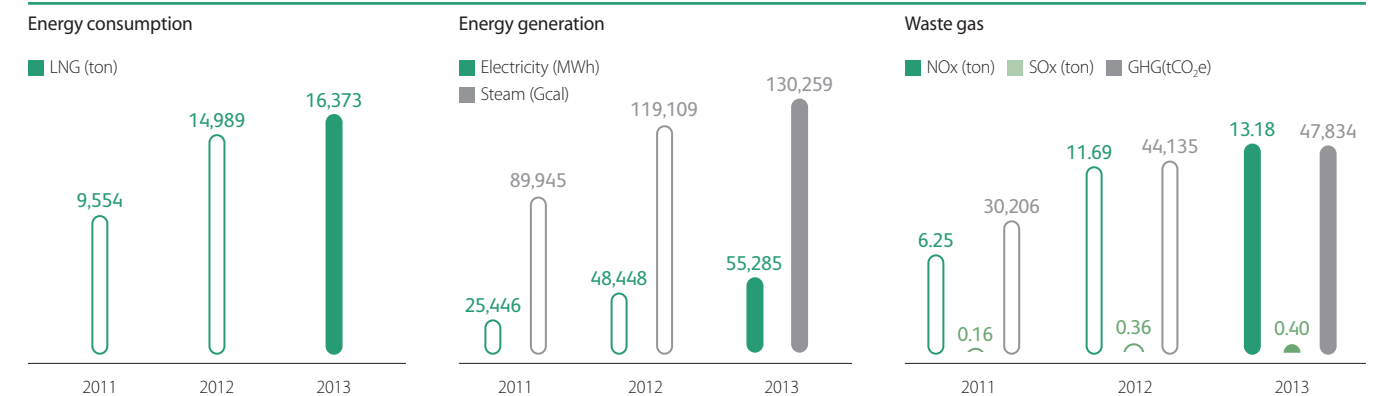
#### Laying the Foundation for Green Businesses

LH is engaged in energy business within industrial complexes, through which the corporation provides customers with heat and electricity generated from cogeneration plants, heating boilers, and resource retrieval facilities. This system ensures maximum 20% higher energy efficiency than individual heating, contributing to national energy and electricity supply strategy. Particularly, LH uses pollution-free refrigerant for this system to protect the ozone layer and utilizes clean fuel and nitrogen oxide reduction facilities to minimize emissions of greenhouse gas, sulfur oxide and nitrogen oxide.

#### Building Green Transport System

We have built a Green Transport System which can increase the speed of transportation and reduce exhaust gases. In the U-City, the intelligent traffic system and intelligent public transportation services are provided to let residents enjoy pleasant traffic environment. Moreover, our efforts to advance the traffic system contribute to creating a pleasant and safe city and improving residents' quality of life.

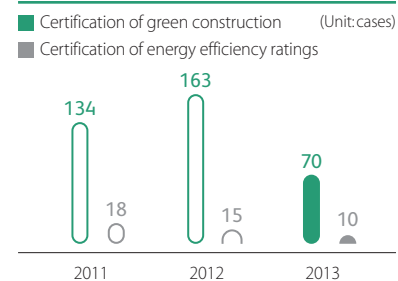
#### Performance in District Energy Business in Doan, Daejeon



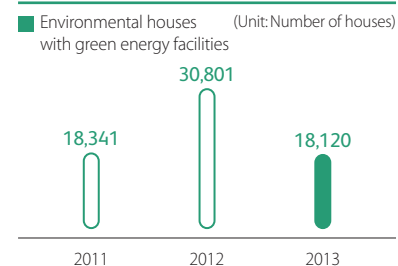


## Environmental Technology and Construction

### Certification Status



### Construction of Environmental Houses with Green Energy Facilities



#### PASSIVE ITEM

Construction methods to increase energy efficiency

<b>Southern exposure</b>	<ul style="list-style-type: none"> <li>Location of southern exposure</li> <li>Natural light condition</li> <li>Minimizing open spaces and window size in north side</li> </ul>
<b>Air tightness and high insulation</b>	<ul style="list-style-type: none"> <li>Introducing the passive housing method</li> <li>High-efficiency window system (10~30% reduction)</li> </ul>
<b>Awning</b>	<ul style="list-style-type: none"> <li>Reducing cooling load in summer</li> <li>Promoting outside awnings</li> <li>Installing automatic awnings over living room windows</li> </ul>
<b>Green building</b>	<ul style="list-style-type: none"> <li>Planting on the rooftop and wall</li> </ul>

#### ACTIVE ITEM

Adoption of high-efficiency materials in the fields of electricity and machinery

<b>Ventilator for waste heat recovery</b>	<ul style="list-style-type: none"> <li>House</li> <li>School</li> </ul>
<b>Temperature-controlled hot water distributor</b>	<ul style="list-style-type: none"> <li>Detached house, row house, apartment, and school</li> </ul>
<b>High-efficiency lighting equipment</b>	<ul style="list-style-type: none"> <li>School</li> </ul>
<b>Standby electricity cutoff outlet</b>	<ul style="list-style-type: none"> <li>Detached house and apartment</li> <li>Living room of row house and residential and commercial building</li> </ul>

### 【 Expanding Green Construction Materials 】

Our unique design applied by green materials has played a role in reducing greenhouse gas emissions. We applied not only passive items such as high-performance insulation materials, super-insulated vacuumed glass windows and doors, and outside insulation system but also active items such as geothermal energy and high energy-efficiency devices to the apartments in Gangnam Bogeumjari District. These apartments became Korea's first Green Home Model Complex that proved 60% reduction in energy consumption compared to previous ones. Our top rated energy-efficiency planning and expansion of green materials use lead us a step closer to the low carbon, low energy, and eco-friendly living environments.

### Cost Reduction by Waste Recycling

Classification	Price (KRW in thousands/ton)	Quantity (Thousand tons)	Amount (KRW in billions)
Incineration (1)	160	300	48.0
Production (2)	65	300	19.5
Fuel Selling (3)	20	90	1.8
Amount of cost reduction (1)-(2)+(3)	115	90	30.3

### Expanding Resource Recycling

The pace of developing waste recycling technology has still underperformed the needs of society. To economically deal with enormous wastes amounting to 550,000 m3 generated from our construction sites, we have developed waste recycling technologies through forming partnerships with the private companies. As a result, we succeeded in recycling waste by just investing a third expenses compared to existing incineration method. These technologies are currently taking the step of patent application after the verification from the Ministry of Environment. We also continue to apply these technologies into our all business sites and other public corporations' projects.

## Response to Climate Change and Carbon Economy

### Building the GHG Emissions Reduction System

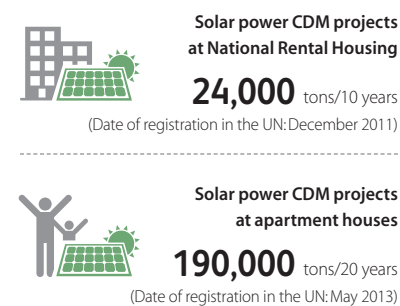
#### Establishing the Carbon Emissions Inventory

LH use the city carbon emission inventory for managing carbon emissions of each green element such as construction, new and renewable energy, transportation, resource, and others as well as total carbon emissions of the city. All employees of LH can easily access the carbon emission analysis system via online (<http://co2analysis.lh.or.kr>) to monitor carbon emissions in each area. This system is also used for setting unit reduction target and developing CDM projects through the analysis of economic feasibility. To achieve our plan to reduce 30% of greenhouse gas emissions by 2020, we are introducing the Green City Carbon Emission Inventory into the city planning and expanding the Green Model Cities.

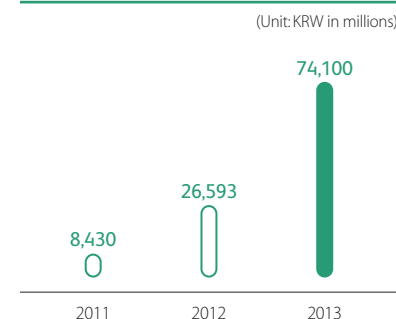
#### Developing CDM Projects and Registering in the UN Framework Convention on Climate Change

Since registering the new and renewable energy project in Sosabeol district in Pyeongtaek into the UNFCCC (United Nations Framework Convention on Climate Change) in 2009, LH has been continuously searching for CDM projects to register on the UNFCCC in order to secure carbon emission trading rights. As the result, the 'CDM Project for New and Renewable Energy System Introduction to Apartments in Korea', which installed solar power generation facilities in the National Rental Housing complexes, was registered on the UNFCCC in May 2013. This project is expected to reduce greenhouse gas emissions equivalent to planting 61 million pine trees and secure 180 thousand ton of carbon emission trading rights by 2030. In 2014, LH will continue to promote new and renewable energy business and acquire carbon emission trading rights through installing solar powered generation facilities in 2,435 apartments in 3 districts.

#### Reduction of Carbon Emissions through CDM Projects



#### Purchasing of Environmental Products



### Practicing Green Management

#### Establishing Green Management System

LH established the Green Growth Committee in 2010 to assist decision making and green management related works. Also, to continuously strengthen the companywide green company activities, we have been implementing internal and external environmental campaigns and encouraging employees to participate. To expand green purchasing, we have designated the introduction of green materials as one of key 10 tasks. Furthermore, we have been proactive in establishing and practicing electricity saving plans in a bid to prevent national power shortage during the summer.

#### Reduction of Direct Energy Use

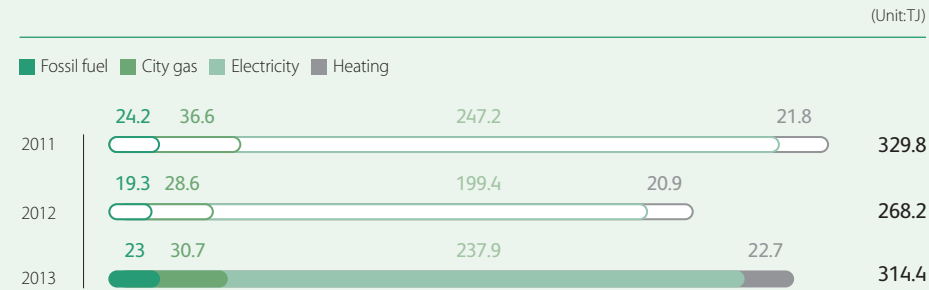
Efforts to decrease fossil fuel usage in our businesses have continued as well. We have changed our business-purpose cars into hybrid and other eco-friendly vehicles and implemented car pool system, car free day and shuttle bus operation between the company buildings to reduce direct energy usage in business activities.

#### Reduction of Indirect Energy Use

In accordance with the government's 'Guidelines to Promote Usage Rationalization of Public Institutions', LH has prepared and practices energy saving plans. The plans included maintaining the optimal indoor temperature (summer: over 28°C, winter: under 18°C), limiting operating time of air-conditioning and ventilation system, operating elevators to stop every other floor, turning off lights during lunch hour, and using LED lights and highly efficient office devices to make a habit of reducing indirect energy.

## Environmental Performances

### Energy use

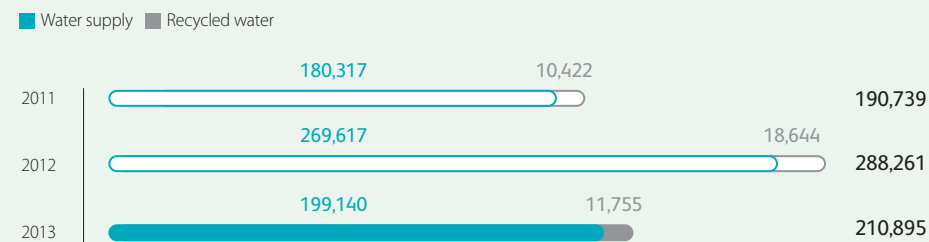


### Water resource management



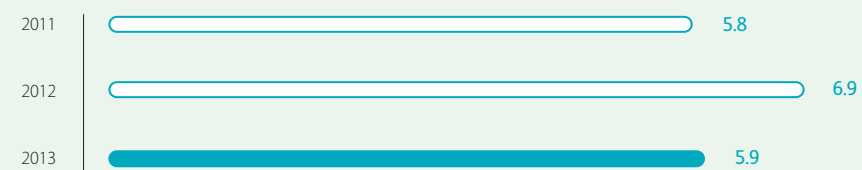
#### Water supply and recycled water

(Unit: ton)

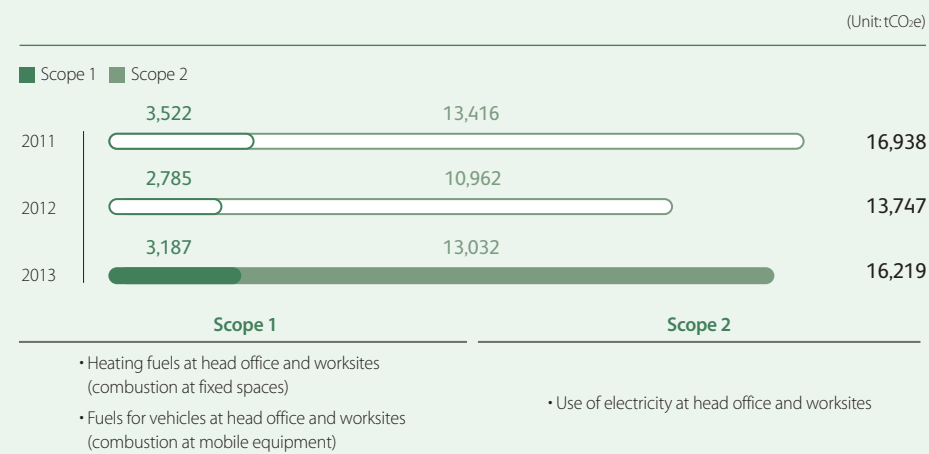


#### Rate of recycling

(Unit: %)



### GHG emissions



# APPENDIX

General Indicators of Sustainability Management	60
Sustainability Management Initiatives	62
Independent Assurance Statement	64
GRI Index	66
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Organization Chart and Membership of Associations	71

## General Indicators of Sustainability Management

### Organizational Profile

#### 2.6 Shareholders

(Unit: KRW in millions)

Shareholders	Shareholders' equity	Paid-in capital	Percentage (%)
Government	25,710,000	19,983,471	86.6
Korea Finance Corporation	4,290,000	3,095,750	13.4
Total	30,000,000	23,079,221	100.0

### Corporate Governance

#### 4.5 Compensation for directors and executives

The operations of the Board of Directors are assessed by external evaluators through annual government-led management assessments. LH pays annual salaries to executive directors differentially in accordance with the government-led management assessments.

### Economic

#### EC3. Coverage of the organization's defined benefit plan obligations

##### Four Major Insurance Programs

(Unit: KRW in billions)

Classification	Employee Contributions	LH Contributions	Total
Medical Insurance	14.4	14.4	28.8
National Pension	13.0	13.0	26.0
Vocational Accident Insurance	-	3.7	3.7
Employment Insurance	2.9	6.7	9.6

#### EC5. Ratio of standard entry level wage compared to local minimum wage

The standard entry level annual wage stood at KRW 25.82 million in 2013, which was about 21.2% larger than legal minimum wage.

### Environmental

#### EN11 ~ EN15. Biodiversity management

To minimize the environmental impact of land and housing development projects, LH conducts preliminary environmental assessments to examine the suitability of development and perform main environmental impact assessments of projects that are set to be initiated in accordance with the Environmental Impact Assessment Act. The company also manages ecological and biodiversity data, including environmental preservation areas and natural

ratings, by utilizing a spatial database to minimize the environmental impact of land and housing development projects. Based on this data, we are committed to protecting biodiversity by conducting researches on endangered species, preserving and designating habitats.

#### EN23 ~ EN25. Management of wastewater and harmful substances

Harmful substances are strictly managed and treated in accordance with applicable regulations. Sewage from LH's head office and regional offices is processed at sewage treatment plants.

#### EN29. Environmental impacts of transporting products, materials, and employees

LH operates business shuttle buses, implements car-free day programs, and encourages the use of bicycles for commuting and short-distance business travel in a concerted effort to reduce significant environmental impacts from transporting employees.

### Labor

#### LA4. Percentage of employees covered by collective bargaining agreements

The company guarantees workers' rights to exercise freedom of association, collective bargaining, and collective action pursuant to the applicable regulations and collective agreements. They can freely join the labor union or withdraw from it. Nonunion members are also entitled to several systematic measures, including grievance management procedures, to protect their standard labor rights. As of the end of 2013, 91.9% of the entire staff was unionized.

#### LA6. Percentage of total workforce represented in formal joint management-worker health and safety committees

The Occupational Safety and Health Committee is being operated to jointly deliberate and respond to safety and health issues. The number of the committee members was 20 in 2013.

#### LA7. Rate of work-related accidents

(Unit: %)

Classification	2011	2012	2013
Rate of work-related accidents	0.1	0.1	0.02

#### LA12, LA14. Fair performance evaluation and compensation

(Unit: %)

Classification	2011	2012	2013
Rate of application of performance evaluation	100	100	100

#### LA15. Return to work and retention rates after parental leave

(Unit: Persons)

Classification	2011	2012	2013
Employees on parental leave	181	201	206
Employees returning after parental leave	99	150	58

### Human Rights

#### HR1 ~ HR2. Protection and inspection of human rights of suppliers and subcontractors

Even though there is no stipulated regulation on human rights, we inspect the possibility of human rights violations 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, which are likely to breach human rights regulations or have violated such rules through examining their corporate backgrounds. In addition, we conduct annual integrity inspections of suppliers and subcontractors.

#### HR4. Total number of incidents of discrimination and actions taken

LH does not discriminate employees by gender, educational background, age, religion, origin, or physical disability. We comply with No. 111 (Agreement on Discriminatory Treatment in Employment and Vocation) of ILO convention. We have not had any legal actions or penalties taken against us due to discrimination during the reporting period.

#### HR11. Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms

LH aggregates a variety of complaints through the Integrity Ombudsman Program, MCA (Master Clean-up Agency), audit branches, and Integrity Practice Specialized Committee. We have received no complaints regarding human rights violations in 2013.

### Social

#### SO4. Actions taken in response to incidents of corruption

LH actively engages in anti-corruption initiatives. We have established a system to allow employees to report bribery attempts to eradicate bribery and kickbacks that impede operating fairness. We also make it compulsory to prohibit land and housing trades and report relevant transactions to prevent illegitimate insider trading. We have detected four incidents of corruption and responded with disciplinary actions in 2013.

#### SO8. Total number of monetary fines and sanctions against non-compliance with laws and regulations

LH conducts educations for construction engineers to prevent unfair subcontracting practices and informs the relevant authorities of these violations. We have detected 38 violations in 2013, of which 37 cases took administrative actions and the remaining one case was corrected.

### Product Responsibility

#### PR4, PR7. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information, labeling, and marketing communication

We clearly explain major contents of products and services we provide through printed documents and prohibit overstatement and false information. In terms of advertisement, we comply with the laws and regulations of the Korea Advertising Review Board. All our business activities including marketing also comply with relevant laws and companywide guidelines.

#### PR8. Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

LH established customer privacy policies concerning access control, authority management, and follow-up audits to protect personal information. There was no complaint with regard to private information leakage in 2013.



## Sustainability Management Initiatives

### UNGC

Having joined the UN Global Compact (UNGC) in June 2010, LH has been reporting its compliance with the 10 key principles including human rights, labor, environment, and anti-corruption through its sustainability reports. UNGC detailed its “Communication on Progress (COP)” regulations to encourage corporations to fulfill their social responsibilities and promote communications with stakeholders. LH compiled its 2014 Sustainability Report in accordance with the “Advanced Level” standards of newly published COP regulations.

UNGC Advanced Level		GRI 3.1	Page
1	The COP describes key aspects of the company's high-level sustainability strategy in line with Global Compact principles.	4.1~4.8	10,11,13,60
2	The COP describes effective decision-making processes and systems of governance for corporate sustainability.	4.9~4.10	13
3	The COP describes engagement with all important stakeholders.	4.14~4.17	17~19
4	The COP describes actions taken in support of broader UN goals and issues.	4.12	54,63
5	The COP describes robust commitments, strategies, or policies in the area of human rights.	HR1, HR3~HR4, LA4, LA9	15,50,60,61
6	The COP describes effective management systems to integrate the human rights principles.	HR11	61
7	The COP describes effective monitoring and evaluation mechanisms of human rights Integration.	SO4	61
8	The COP describes key outcomes of human rights integration (including GRI).	HR3~HR4	15,61
9	The COP describes robust commitments, strategies, or policies in the area of labor.	LA1, LA3~LA4	48~52
10	The COP describes effective management systems to integrate the labor principles.	LA9	50
11	The COP describes effective monitoring and evaluation mechanisms of labor principles Integration.	LA4	60
12	The COP describes key outcomes of integration of the labor principles (including GRI).	LA1~LA2, LA4, LA7~LA8, LA10~LA11, LA13	43,44,48,49,51,60
13	The COP describes robust commitments, strategies, or policies in the area of environmental stewardship.	EC2	57
14	The COP describes effective management systems to integrate the environmental principles.	EN26	55
15	The COP describes effective monitoring and evaluation mechanisms for environmental stewardship.	EN26	55
16	The COP describes key outcomes of integration of the environmental principles (including GRI).	EN3~EN5, EN8, EN11, EN16, EN18, EN22, EN27, EN30	56~58,60
17	The COP describes robust commitments, strategies, or policies in the area of anticorruption.	SO4	61
18	The COP describes effective management systems to integrate the anti-corruption principles.	SO2~SO3	15
19	The COP describes effective monitoring and evaluation mechanisms for the integration of anti-corruption.	HR11, SO4	61
20	The COP describes key outcomes of integration of the anti-corruption principles (including GRI).	SO2~SO4, SO7~SO8	15,46,47,61
21	The COP describes implementation of the Global Compact principles in the value chain.	HR1~HR3	15,61
22	The COP provides information on the company's profile and context of operation.	1.1~1.2, 2.1~2.10	10,11,60,70,71
23	The COP incorporates high standards of Integrity and disclosure.	3.1~3.13	1,18,64~65,66~69

### ISO 26000

The ISO 26000 is an International Standard for social responsibility launched by the International Organization for Standardization (ISO) in November of 2011. It provides a comprehensive guideline that represents diverse management integration guidelines and seven key issues: corporate governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development. LH has developed its own list of items for evaluation to ensure continuous compliance with the ISO 26000.

● Complete ● Partial ○ Non-disclosure

Topic	Key issues	Relevant GRI Index	Level of Disclosure
6.2 Organizational governance	6.2.3 Decision-making processes and structures	1.1, 1.2, 2.3, 4.1~4.17	●
6.3 Human Rights	6.3.3 Due diligence	HR1~HR2, HR5~HR7	●
	6.3.4 Human rights risk situations	HR5~HR7	●
	6.3.5 Avoidance of complicity	HR1~HR3, HR5~HR8	●
	6.3.6 Resolving grievances	HR1, HR4, HR9	●
	6.3.7 Discrimination and vulnerable groups	HR4, HR6~HR7, HR9, LA13~LA14	●
	6.3.8 Civil and political rights	HR5, HR9	●
	6.3.9 Economic, social, and cultural rights	SO1, PR1~PR2, EC8~EC9	●
	6.3.10 Fundamental principles and rights at work	HR4~HR7, Labor DMA, LA4, LA14	●
6.4 Labor practices	6.4.3 Employment and employment relationships	HR2, HR4~HR5, HR8, LA1~LA5, LA13~LA14	●
	6.4.4 Conditions of work and social protection	LA3~LA5, LA14, EC5	●
	6.4.5 Social dialogue	HR5, LA4~LA5	●
	6.4.6 Health and safety at work	LA6~LA9	●
	6.4.7 Human development and training in the workplace	LA10~LA12	●
6.5 Environment	6.5.3 Prevention of pollution	EN19~EN24	●
	6.5.4 Sustainable resource use	EN1~EN10, EN25~EN27, EN29	●
	6.5.5 Climate change mitigation and adaptation	EC2, EN16~EN18	●
	6.5.6 Protection of the environment, biodiversity, and restoration of natural habitats	EN11~EN15, EN25	●
6.6 Fair operating practices	6.6.3 Anti-corruption	SO2~SO4	●
	6.6.4 Responsible political involvement	SO5~SO6	●
	6.6.5 Fair competition	SO7	●
	6.6.6 Promoting social responsibility in the value chain	HR2, HR8, PR1~PR2, EC6, EC9, EN26, EN29	●
	6.6.7 Respect for property rights	HR9, SO1, SO7~SO8, EC9	●
6.7 Consumer issues	6.7.3 Fair marketing, factual and unbiased information and fair contractual practices	PR3~PR4, PR6~PR7	●
	6.7.4 Protecting consumers' health and safety	PR1~PR5	●
	6.7.5 Sustainable consumption	PR1~PR5, EN26~EN27	●
	6.7.6 Consumer service, support, and complaint and dispute resolution	PR3~PR7, PR9	●
	6.7.7 Consumer data protection and privacy	PR8	●
	6.7.8 Access to essential services	PR5, EC9	●
	6.7.9 Education and awareness	PR3~PR7	●
6.8 Community involvement and development	6.8.3 Community involvement	SO5~SO6, LA8, EC1, EC8	●
	6.8.4 Education and culture	LA8, EC8	●
	6.8.5 Employment creation and skills	SO1, LA11, EC6~EC9	●
	6.8.6 Technology development and access	EC8~EC9	●
	6.8.7 Wealth and income creation	SO1, SO8, EC1, EC6~EC9	●
	6.8.8 Health	LA8	●
	6.8.9 Social investment	EC1, EC8~EC9	●

## Independent Assurance Statement

### Introduction

Det Norske Veritas Certification Ltd.(hereinafter referred to as 'DNV') has been commissioned to carry out assurance engagement on Korea Land & Housing Corporation (hereinafter referred to as 'LH CORP.') Sustainability Report 2014(hereinafter referred to as 'the Report'). This engagement focused on the information provided in the Report and the underlying management and reporting processes.

This Assurance Statement is intended for the readers of the Report. LH CORP. is responsible for the collection, analysis, aggregation and presentation of all information within the Report. DNV's responsibility regarding this Assurance engagement is to the management of LH CORP. only, in accordance with terms of reference and scope of work agreed. The assurance engagement is based on the assumption that the data and information provided to us is complete, sufficient and true. DNV disclaims any liability or responsibility to a third-party for any decisions, whether investment or otherwise, based upon this Assurance Statement.

### Scope of Assurance

The verification was carried out in March and April 2014. The scope of work agreed includes the following:

- Sustainability policy, initiatives, practices and performance, as described in the Report. These were verified at company level.
- Cross-check data and information from the calendar year 2013 against disclosures in ALI public information in One and the state-owned organization management performance evaluation report and internal documents and records.
- Processes for defining the boundaries, focus and content of the Report.
- Review of the extent to which the principles and requirements of the Global Reporting Initiative (GRI) Guidelines for Sustainability Reporting (GRI G3.1) are reflected in the Report.
- The extent to which the principles of Materiality, Inclusivity and Responsiveness are adopted. The reliability of the information within the Report was verified under Moderate level of assurance.

### LIMITATIONS

The engagement excluded the sustainability management, performance and reporting practices of LH CORP's suppliers, contractors and any third-parties mentioned in the Report. DNV did not interview external stakeholders as part of this Assurance Engagement.

### Verification Methodology

DNV is a leading provider of sustainability services, including verification of sustainability reports. Our environmental and social assurance specialists work in over 100 countries. DNV was not involved in the preparation of any information presented in the Report and did not provide any services to LH CORP. during 2013~2014 that could compromise the independence or impartiality of our work. Our assurance engagement was planned and carried out in accordance with the DNV Protocol for Verification of Sustainability Reporting (VeriSustain™).

In that respect, the Report has been evaluated against the following criteria:

- Adherence to the principles of Materiality, Completeness, Neutrality, Reliability, Responsiveness and Stakeholder inclusiveness, as set out in DNV Verification Protocol for Sustainability Reporting, and
- The GRI Sustainability Reporting Guidelines G3.1 and its Application Levels.

As part of the verification DNV has challenged the sustainability-related statements and claims made in the Report. In reaching our conclusion, we have undertaken the following work;

- Performed sample-based reviews for determining material issues to be included in the Report;
- Examined relevant documents, data and other information requested by DNV and made available by LH CORP.;
- Checked that the Report fulfils the requirement of GRI Application Level.

### Conclusions

In DNV's opinion, the Report provides a reliable and fair representation of LH CORP's policy, practices and performance in 2013.

Based on the work undertaken as part of this Assurance Engagement, DNV believes that the Report generally meets the principles, content and quality requirements of GRI G3.1 and the requirement of GRI Application Level 'A+'. We have evaluated the Report's adherence to the following principles:

**Inclusivity I** Good. LH CORP. has engaged with a wide range of stakeholders. The stakeholder engagement is practised throughout the organization. The Report covers the ways it engages with stakeholders. The documented process of stakeholder engagement is confirmed with management performance evaluation report. 6 Stakeholder groups which are Customer/Employees/National citizen/Federal and local Government/ Local community/Supplier and contractor are identified in the Report with main issues about which the respective stakeholders are concerns.

**Responsiveness I** Acceptable. Stakeholders' views, interests and expectations sought from the survey are considered in preparation of the Report and in formulation of LH CORP's sustainability management approach. The Report needs to provide more detailed information with regard to how the material issues disclosed in the previous report were managed and what performance were resulted from the sustainability management during the reporting period. In addition, providing key performance indicators for the highly material issues determined in the Report will improve the monitoring the progress of sustainable management. LH CORP. is recommended to establish quantitative objectives corresponding to respective material issues and regularly monitor and measure the performance. These needs to be reported in the sustainability report of next year.

**Materiality I** Good. The materiality determination process is clearly presented in the Report. Inputs from a wide range of sources are considered for materiality determination including the needs and concerns of stakeholders, media analysis, peer-based norms, and survey, interviews. The Report generally provides an account of performance on the issues that are most significant to LH CORP's activities and which are most relevant to its stakeholders.

### Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported to LH CORP's management in addition to the recommendations above. However, these do not affect our conclusions on the Report and are provided to encourage continual improvement.

- Establish sustainability targets and periodically monitor progress against those;
- To expand sustainability evaluation of contractors and suppliers.



Seoul, Korea  
April 2014

**In Kyo Ahn**  
Country Manager

## GRI Index

● Complete   ● Partial   ○ Non-disclosure   N/A Not applicable

GRI 3.1	Description	Page	Reported	Remarks
<b>Vision and Strategy</b>				
<b>Strategy and Analysis</b>				
1.1	Sustainability statement of CEO	7	●	
1.2	Key impacts, risks, and opportunities	7	●	
<b>Organizational Profile</b>				
2.1	Name of the organization	10	●	
2.2	Primary brands, products, and/or services	10~11	●	
2.3	Operational structure of the organization	10	●	
2.4	Location of organization's headquarters	10	●	
2.5	Number of countries where the organization operates	10~11	●	
2.6	Nature of ownership and legal form	62	●	
2.7	Markets served	10~11	●	
2.8	Scale of the reporting organization	71	●	
2.9	Significant changes regarding size, structure, or ownership	10~11	●	
2.10	Awards received in the reporting period	70	●	
<b>Report Parameters</b>				
3.1	Reporting period for information provided	1	●	
3.2	Date of most recent previous report	1	●	
3.3	Reporting cycle	1	●	
3.4	Contact point for questions regarding the report or its contents	1	●	
3.5	Process for defining report content	18	●	
3.6	Boundary of the report	1	●	
3.7	State any specific limitations on the scope or boundary of the report	1	●	
3.8	Basis for reporting on joint ventures and subsidiaries	1	●	
3.9	Data measurement techniques such as performance indicators	1	●	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	1	●	
3.11	Significant changes of scopes and boundary of report	-	●	No significant changes
3.12	Standard Disclosures in the report	66~69	●	
3.13	Matters related to assurance of the report	64~65	●	
<b>Corporate Governance, Commitments, and Engagement</b>				
4.1	Governance structure of the organization	10, 13	●	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	13	●	
4.3	The number of members of the highest governance body that are independent and/or non-executive members	13	●	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	13	●	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	60	●	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	13	●	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body	13	●	
4.8	Internally developed statements of mission or values, codes of conduct, and principles	11	●	
4.9	Procedures of the BOD for overseeing sustainability management	13	●	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	13	●	

● Complete   ● Partial   ○ Non-disclosure   N/A Not applicable

GRI 3.1	Description	Page	Reported	Remarks
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	16	●	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	62~63	●	
4.13	Memberships in associations and/or national/international advocacy organizations	71	●	
4.14	List of stakeholder groups engaged by the organization	17	●	
4.15	Basis for identification and selection of stakeholders with whom to engage	17	●	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	17~19	●	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	17~19	●	
<b>Economic Performance Indicators</b>				
EC1	Direct economic value generated and distributed	34	●	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	57	●	
EC3	Coverage of the organization's defined benefit plan obligations	60	●	
EC4	Significant financial assistance received from government	32	●	
EC5	Range of ratios of standard entry level wage compared to local minimum wage	60	●	
EC6	Policy, practices, and proportion of spending on locally-based suppliers	47	●	
EC7	Procedures for local hiring and proportion of senior management hired from the local community	-	N/A	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	26~28, 34, 42~44	●	
EC9	Understanding and describing significant indirect economic impacts	34	●	
<b>Environmental Performance Indicators</b>				
EN1	Materials used by weight or volume	58	●	
EN2	Percentage of materials used that are recycled input materials	58	●	
EN3	Direct energy consumption by primary energy source	58	●	
EN4	Indirect energy consumption by primary source	58	●	
EN5	Energy saved due to conservation and efficiency improvements	56~58	●	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	56~58	●	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	56~58	●	
EN8	Total water withdrawal by source	58	●	
EN9	Water sources significantly affected by withdrawal of water	-	N/A	As water is supplied by infrastructure of cities, there is no worksite to affect water sources.
EN10	Percentage and total volume of water recycled and reused	58	●	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	60	●	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	60	●	
EN13	Habitats protected or restored	60	●	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	60	●	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	60	●	
EN16	Total direct and indirect greenhouse gas emissions by weight	58	●	
EN17	Other relevant indirect greenhouse gas emissions by weight	58	●	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	57	●	



GRI Index

● Complete ❶ Partial ○ Non-disclosure N/A Not applicable

GRI 3.1	Description	Page	Reported	Remarks
EN19	Emissions of ozone-depleting substances by weight	55	●	We do not use ozone layer-depleting substances.
EN20	NOx,SOx,and other significant air emissions by type and weight	55	●	
EN21	Total water discharge by quality and destination	-	N/A	As wastewater is purified through infrastructure of cities,there is no wastewater to be directly discharges.
EN22	Total weight of waste by type and disposal method	58	❶	
EN23	Total number and volume of significant spills	60	●	
EN24	Weight of transported,imported,exported,or treated waste deemed hazardous under the terms of the Basel Convention Annex I,II,III,and VIII,and percentage of transported waste shipped internationally	-	N/A	
EN25	Identity,size,protected status,and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	60	●	
EN26	Initiatives to mitigate environmental impacts of products and services,and extent of impact mitigation	55	●	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	-	N/A	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	58	●	No cases of violation
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations,and transporting members of the workforce	60	●	
EN30	Total environmental protection expenditures and investments by type	56,57	●	
Labor Practices and Decent Work Performance Indicators				
LA1	Total workforce by employment type,employment contract,and region	48	●	
LA2	Total number and rate of employee turnover	48	●	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	49~51	●	
LA4	Percentage of employees covered by collective bargaining agreements	60	●	
LA5	Minimum notice period(s) regarding operational changes	50	❶	
LA6	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	60	●	
LA7	Rates of injury,occupational diseases,lost days,and absenteeism,and number of work-related fatalities by region	60	❶	
LA8	Education,training,counseling,prevention,and risk-control programs in place to assist workforce members,their families,or community members regarding serious diseases	43~44,51	●	
LA9	Health and safety topics covered in formal agreements with trade unions	50	●	
LA10	Average hours of training per year per employee by employee category	49	●	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	49	●	
LA12	Percentage of employees receiving regular performance and career development reviews	60	●	
LA13	Composition of governance bodies and breakdown of employees per category	13,48	●	
LA14	Ratio of basic salary of men to women by employee category	60	❶	
LA15	rn to work and retention rates after parental leave	51,61	❶	
Human Rights Performance Indicators				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	61	●	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	61	●	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations,including the percentage of employees trained	15	❶	
HR4	Total number of incidents of discrimination and actions taken	61	●	

● Complete ❶ Partial ○ Non-disclosure N/A Not applicable

GRI 3.1	Description	Page	Reported	Remarks
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk,and actions taken to support these rights	50	●	
HR6	Operations identified as having significant risk for incidents of child labor,and measures taken to contribute to the elimination of child labor	-	N/A	No cases
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor,and measures to contribute to the elimination of forced or compulsory labor	-	N/A	No cases
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	-	N/A	No cases
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	-	N/A	No cases
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	14,47	❶	
HR11	Number of grievances related to human rights filed through formal grievance mechanisms	61	●	
Society Performance Indicators				
SO1	Programs that assess and manage the impacts of operations on communities	42	❶	
SO2	Percentage and total number of business units analyzed for risks related to corruption	15	❶	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	15	●	
SO4	Actions taken in response to incidents of corruption	61	●	
SO5	Public policy positions and participation in public policy development and lobbying	-	N/A	Public institution is banned from lobbying
SO6	Total value of financial and in-kind contributions to political parties,politicians,and related institutions by country	-	N/A	No cases
SO7	Total number of legal actions for anticompetitive behavior,anti-trust,and monopoly practices and their outcomes	46,47	●	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	61	●	
SO9	Operations with significant potential or actual negative impacts on local communities	-	N/A	No cases
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	47	❶	
Product Responsibility Performance Indicators				
PR1	Lifecycle stages in which health and safety impacts of products and services are assessed for improvement,and percentage of significant products and services categories subject to such procedures	39	●	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle,by type of outcomes	-	N/A	No cases
PR3	Type of product and service information required by procedures	32	●	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling,by type of outcomes	61	●	
PR5	Practices related to customer satisfaction,including results of surveys measuring customer satisfaction	39	●	
PR6	Programs for adherence to laws,standards,and voluntary codes related to marketing communications,including advertising,promotion,and sponsorship	39	●	
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	61	●	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	61	●	
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	-	N/A	No cases

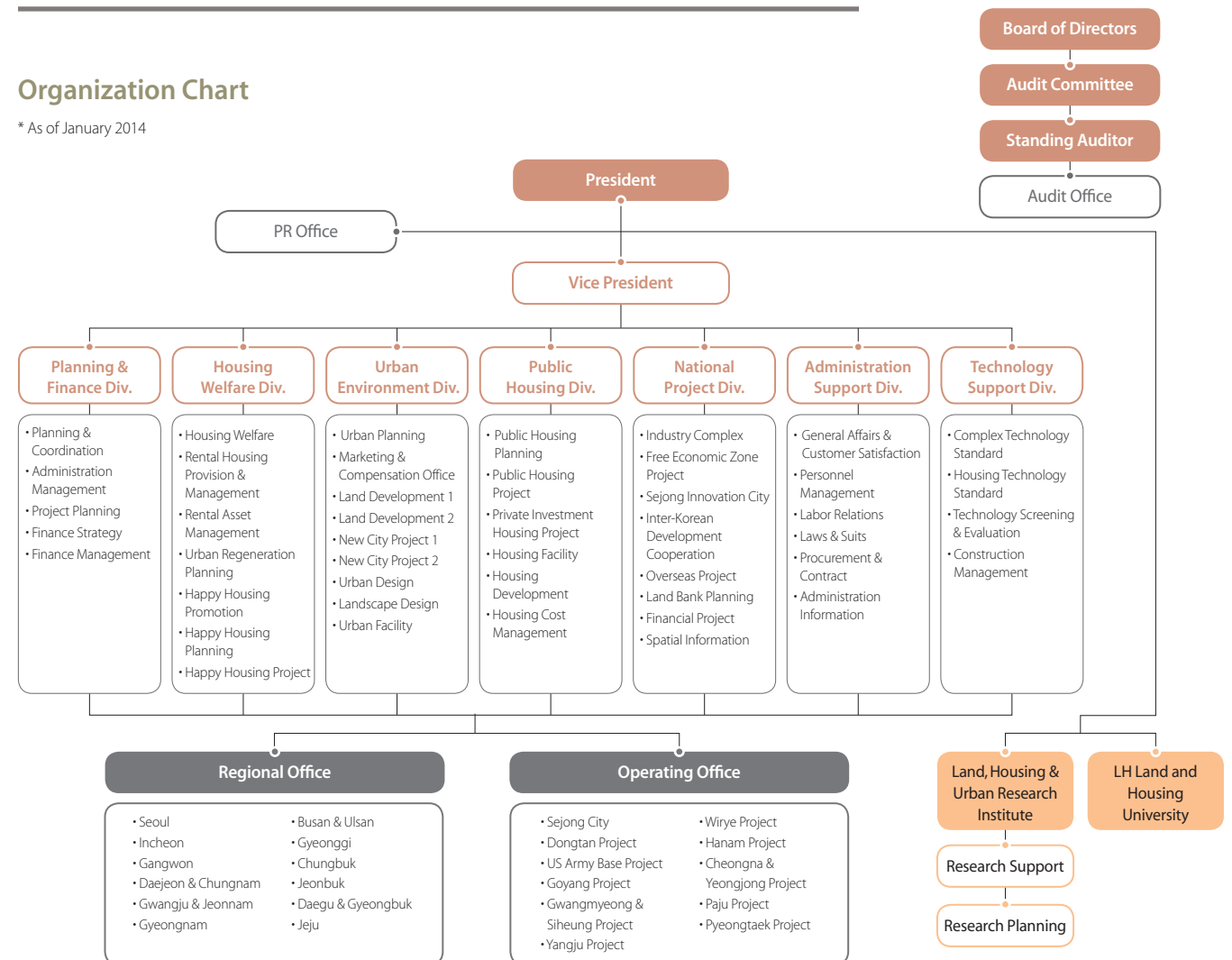
## Awards

Awards	Organizations	Year
Presidential Citation in the Housing Welfare Institution Sector	President	2013
Best Award, Regular Censorship to Celebrate the 38th Anniversary of Civil Defense Corps	Ministry of Security and Public Administration	2013
Grand Prize, 13th Natural Environment Award	Ministry of Environment	2013
Excellent Institution in HR Development	Ministry of Education	2013
Excellent Prize in the Public Sector, Value Engineering Awards	Ministry of Land, Infrastructure and Transport	2013
Encouragement Award, Excellent Case Competition in Land and Transport	Ministry of Land, Infrastructure and Transport	2013
Minister Citation for Job Creation Supports	Ministry of Employment and Labor	2013
Minister Citation for Land and Transport Jobs	Ministry of Land, Infrastructure and Transport	2013
Minister Citation for Revision of Enforcement Ordinance for Housing Construction	Ministry of Land, Infrastructure and Transport	2013
NIS Director Citation for the Evaluation of Information Security Control	National Intelligence Service	2013
Korea Management Award	Korea Management Association	2013
Excellent Prize, Technology Innovation Management Award	Korea Software Industry Association	2013
Top Ratings in KoBEX-SM (2 years in a row)	The Institute for Industrial Policy Studies (Ministry of Trade, Industry and Energy)	2013
Excellent Case for UNICEF's Child-friendly Management	UNICEF & Save the Children	2013
Excellent Corporation, 2013 Korea's Co-prosperity Conference	Seoul Economic Daily	2013
Korea's Most Ethical Corporation (2 years in a row)	Korea Ethics Academy, Sisa Journal	2013
Grand Prize, Love-Sharing Social Contribution Award	Chosun Biz	2013
2013 CSR Leader for Co-existence	JTBC	2013
Grand Prize in the Ubiquitous Sector, Korea Housing Service Award	Money Today	2013

## Organization Chart and Membership of Associations

### Organization Chart

\* As of January 2014



### Membership of Associations

UN Global Compact	Transparent Society Agreement Practice Conference for Public Corporations	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	American Concrete Institute	American Planning Association	Korean Institute of Electrical Installation Engineers



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