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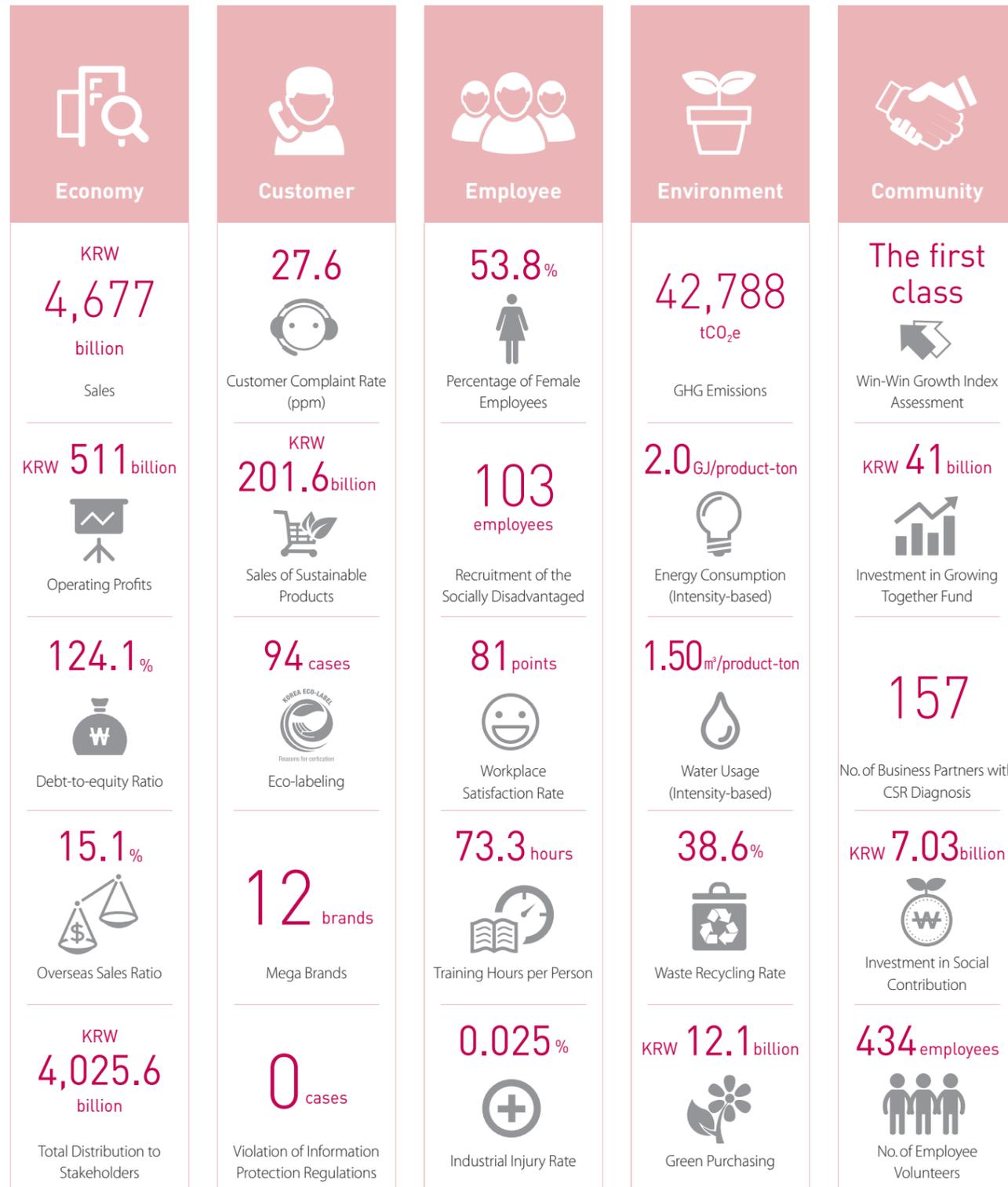
2014 LG H&H CSR Report

Healthy Beautiful Refreshing

for people and
the planet



2014 CSR Key Figures



* The economic data is based on the consolidated accounting of LG H&H and its subsidiaries, while the data of customers, employees, environment and community is based on the non-consolidated accounting.

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CEO Message

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“ We will strengthen our competitiveness as a world-class company and create values through sustainable management activities for shared growth with our business partners and the community, environmental safety, and fair trade. ”

I'd like to express my sincere gratitude to our stakeholders for your continued support and patronage to LG Household and Health Care.

The year 2014 has been exceptionally calm for us. The recent economic recession in advanced countries, the financial instability of emerging nations, and the slowdown of the Chinese economy have resulted in the global market filled with unlimited competition. This means a business cannot survive without securing strong competitiveness to dominate the market. Despite the unfavorable business environment, LG H&H has achieved continuous growth for ten consecutive years, thanks to our enthusiasm and determination. LG H&H will further improve our existing businesses and secure medium and long-term growth engines to lead the global market. All our employees will strive to create and enhance future values for stakeholders by aggressively participating in sustainable management activities.

Securing Medium and Long-term Growth Engines

LG H&H is actively expanding its target markets in regions where our overseas subsidiaries have already entered.

We are working to spread K-Beauty to more than 20 countries around the globe, including the U.K., Canada, Australia, Russia, Japan, and other countries in the Middle East. By gauging the scale and potential of the future markets, LG H&H will focus on the markets in the Great China Region including China with top priority, and gradually expand our influence to the markets in the U.S. and Japan.

Conducting Strategic Management Activities

LG H&H has reinforced the CSR system based on the company-wide integrated risk management for fulfilling our social responsibilities. Thanks to LG H&H's success in sustainable management, we have been listed on the Dow Jones Sustainability Index Asia Pacific for five years in a row. Our company also won the Carbon Disclosure Project Award and was recognized among the East Asia 30, a list of the Top 30 CSR performers in Korea, China and Japan. We will continue our efforts to be recognized as a more reliable company that is valued and respected by the community.



Creating Future Values

LG H&H creates future values by communicating with various stakeholders including customers, shareholders, employees, and business partners. We will strengthen our competitiveness as a world-class company and create values through sustainable management activities for shared growth with our business partners and the community, environmental safety, and fair trade. Our company will expand environmentally safe product lines with carbon reduction labels, leading the eco-friendly consumption trends. We will also conduct various CSR activities in accordance with our business strategy to support women and the youth who are our key consumers.

This 2014 CSR Report is a productive result of LG H&H's efforts to pursue the happiness of customers, shareholders, community, business partners, and employees. As a leading global enterprise in sustainable management, we will pledge to continue our efforts to observe the ten principles of the UN Global Compact and become a trustworthy company.

I look forward to your continued support for the bright future of LG H&H.

Thank you.

June 2015
CEO & Vice Chairman
Suk Cha

Overview

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Overview of Company and Businesses

Company Overview

LG H&H is one of the leading companies handling Fast Moving Consumer Goods (FMCG) in Korea, with its headquarters located in the area of Gwanghwamun in Seoul, Korea and overseas subsidiaries in China, Vietnam, the U.S. and Japan.

LG H&H's workplaces at home and abroad and its subsidiaries, including Coca-Cola Beverage, HAITAI Beverage and THEFACESHOP, have a total of 9,566 employees and operate a variety of businesses in the fields of Healthy (household goods), Beautiful (cosmetics) and Refreshing (beverages) to provide consumers with value.

Current Status

* Based on the consolidated accounting

Company Name	LG Household & Health Care Ltd.	Company Name	KRW 3,828,348 million
Address	LG Gwanghwamun Building, 58 Saemunan-ro, Jongro-gu, Seoul	Total Capital	KRW 1,708,503 million
Foundation Date	January 1947	Sales	KRW 4,677,010 million
CEO	Suk Cha	Operating Profits	KRW 511,040 million
Business Type	Household goods, cosmetics, beverages	Credit Rating	AA for the bond rating, A1 for the commercial paper rating (based on the non-consolidated accounting)
No. of Employees	9,566 employees (1,844 local employees at overseas subsidiaries included)		

Organization Chart



Current Status of Subsidiaries at Home and Abroad (as of the end of December 2014)

(Unit: %)			(Unit: %)		
Name of Subsidiary	Location (Headquarter)	Share	Name of Subsidiary	Location (Headquarter)	Share
Coca-Cola Beverage	Yangsan, Korea	90.0	LG Household & Health Care Trading (Shanghai) Co., Ltd.	Shanghai, China	100.0
HAITAI Beverage	Seoul, Korea	100.0	LG H&H Taiwan	Taipei, Taiwan	100.0
THEFACESHOP Co., Ltd.	Seoul, Korea	100.0	LG VINA Cosmetics Co., Ltd.	Dong Nai, Vietnam	60.0
CNP Cosmetics	Seoul, Korea	86.0	LG HAI	California, USA	100.0
Beijing LG Household Chemical Co., Ltd.	Beijing, China	78.0	Ginza Stefany Inc. (GSI)	Tokyo, Japan	70.0
Hangzhou LG Cosmetics Co., Ltd.	Hangzhou, China	81.7	Everlife Co., Ltd.	Fukuoka, Japan	100.0
			Fruits & Passion Boutiques Inc.	Quebec, Canada	100.0

Business Overview

Since it pioneered the cosmetics and toothpaste markets for the first time in Korea, LG H&H has pursued the achievement of healthy and beautiful lives for its customers. LG H&H has grown to become the top company in the living culture segment in the country by operating businesses in three fields, including cosmetics, household goods and beverages, which help consumers to achieve more beautiful, healthy and refreshing lives with a variety of daily products.

Beautiful (Cosmetics Business)



The Beautiful Business aims to nurture global top brands with high-quality products to achieve the dream of healthy beauty. We will swiftly stabilize the existing businesses in overseas regions where we started to pioneer the global market beyond Korea, and at the same time expand our businesses to new markets, thereby emerging as a leading company in the era of globalization.

Healthy (Household Goods Business)



The Healthy Business contributes to creating a convenient and healthy life culture by selling diverse products related to oral care, skin care, hair care, laundry, cleaning and baby care. With differentiated new products with a high level of functions, we will continue to develop premium products and provide new values to consumers.

Refreshing (Beverage Business)



The Refreshing Business encompasses a range of beverage products of Coca-Cola Beverage, which takes charge of production and sales in Korea of Coca-Cola products that have long been loved by consumers around the world with unique refreshing flavors, as well as of HAITAI Beverage, which produces beverages including Sunkist Family Juice series and Sunny 10. Beyond the current beverage market, we will step into the markets of functional beverages and dairy products to provide consumers with not only products for general health but also high-value products that contain strengthened nutritious ingredients.



Brands and Major Products



Whoo
www.whoo.co.kr

"The history of Whoo" is the brand of the premium royal concept that was created in 2003 by modernistically reinterpreting the secret beauty formula of the royal court descended from heaven, which was devoted only to emperors and empresses. Based on Gongjinbidan, one of the three secret beauty formulas of the royal court, the products are made of precious medicinal ingredients such as gold wild ginseng, deer antlers and snow lotus herb. With these products, the brand is leading a new submarket of royal cosmetics in the prestige cosmetics market.

O HUI
www.ohui.co.kr

O HUI is the representative prestige brand of LG H&H, and was launched based on scientific research on the skin of Korean women. Pursuing the motto that reads "Realization of Beauty as the Dream of Every Woman", the brand offers a new prospect in the field of cosmetics by developing innovative ingredients and technologies. Recently, the brand has pioneered the future of cosmetics by developing cutting-edge biotechnological cosmetics through a strategic partnership with the CHA Hospital.

Sum37
www.sum37.co.kr

Launched in 2007, this innovative brand has introduced high-functional, hypo-allergenic and naturally fermented cosmetics and accomplished KRW 100 billion a barometer of mega brands within only three years. With its products that are free of artificial fragrances, pigments and preservatives and help to recover original long-lasting vitality of skin with natural fermentative functions, the brand has settled natural fermentation as a new category in the cosmetics market.

Sooryehan
www.sooryehan.co.kr

Sooryehan was launched in 2003 as a leading masstige medicinal herbal cosmetic brand, which was developed through modern reinterpretations of secret formulas for outstanding beauty (Soorye) that had long been passed down through the generations. The brand delivers elegant beauty tips based on trust in precious natural ingredients and traditional formulas for balanced and harmonious skin care.

Beyond
www.beyond.co.kr

The Beyond brand was launched in 2005 as a naturalistic total beauty brand. Based on the ten principles of its eco-friendly philosophy, including environmental-friendly concepts, fair trade, minimization of chemical preservatives, and opposition to animal testing, the brand has released products for the beauty of both humans and nature as a leading safe cosmetic brand in Korea.

THEFACESHOP
www.thefaceshop.com

Launched in 2003, THEFACESHOP has pursued the concept of "sophisticated naturalism" and released skin-friendly cosmetic products with natural ingredients under the slogan of "Natural Story." Since the brand was incorporated as a subsidiary into LG H&H in January 2010, it has produced diverse cosmetics with upgraded quality through technical cooperation and provided customers with values as a natural brand.

Belif
www.belifcosmetic.com

Belif was created in 2010 with the concept of inheriting the knowledge of British herbal experts and traditional herbal processing methods passed down from 1860 for applying the effect of excellent ingredients to your skin. The brand provides true herbal cosmetic products by using only natural herbs with outstanding effects for improving your skin through traditional approaches complemented by a safe and innovative extracting technique.

Isa Knox
www.isaknox.co.kr

Isaknox was launched in 1995 with the product design based on the skin data from over 100,000 Korean women. It is a leading functional cosmetic brand in the masstige channels such as cosmetic stores and large supermarkets. Carrying out the project called "Reducing the Age of Your Skin by Half," which aims to reduce your skin age when it is impossible to turn back your real age, the brand has released high-functional cosmetic products for the beauty of women.

TECH
www.lgcare.com

Launched in 1999, TECH has ranked first in market share for many years as a top detergent brand, which features a strong sterilization and bleaching effect that gives the same result as boiling laundry. Furthermore, the brand has unveiled Han-lp detergent, a product optimized for laundry that is washed after being worn once, to keep up with the rapidly changing new lifestyles and lead changes in the detergent market.

ON:THE BODY
www.lgcare.com

ON:THE BODY, a body care brand released in 2011, has drawn attention as an emotion-driven brand that utilizes naturalistic ingredients and motifs of flowers and perfumes, reflecting emotion-driven needs in the body care market that features value-based consumption. In 2013, the brand reinforced its image by releasing perfume line products and secured its position as the second brand in the market by releasing facial foam and body lotion products.

Jayeonpong
www.lgcare.com

Jayeonpong, the top dishwashing detergent brand in Korea, utilizes natural ingredients to strengthen its cleansing effect and functions and minimize skin irritation by carefully selecting every single ingredient. By applying the complex ion cleansing system, the products of this brand boast an excellent cleansing effect and long-lasting small and abundant foam to wash as many dishes as possible. Part of the profits from the sales of Jayeonpong is donated to the Beautiful Foundation to contribute to communities.



Babience
www.babience.com

Launched in 2012, Babience pursues "science for babies" and takes the initiative of strengthening the powdered milk market that has stagnated by introducing ready-to-eat liquid baby formula for the first time in Korea. In addition to liquid baby formula, the brand has released a variety of products: French Premium, the baby formula products directly imported from France, First Clean, the safe detergent and fabric conditioner line for babies that has earned the trust of mothers, First Skin, a naturally fermented cosmetics for babies, ATOverol, which helps cure dry and itchy skin, and First Cotton, the disposable gauze towel line. With these products, Babience has gained ground as a brand that provides complete solutions for baby care.

Method
www.ilovemethod.com

Introduced to Korea in 2012, Method is a top American eco-friendly premium household item brand that features the fragrance of paradise and safe ingredients that are even drinkable. Its refined design and classy image have brought the products of this brand a great deal of popularity, especially as gifts for guests at a child's first birthday party or a housewarming party. With various product categories including hand soap as its representative product and detergent for dishwashing and bathroom cleaning, the brand is creating a new market for premium household items.

Perioe
www.perioe.co.kr

Released in 1981, Perioe is a leading oral care brand in Korea that provides a broad spectrum of products including toothpaste, toothbrush, mouth rinse, and teeth whitening products. It has nurtured two main products: "Total 7," a toothpaste product that solves various oral problems with a single product and "Total 360," a new toothbrush item that is equipped with three-dimensional slanted ultra-thin bristles to smoothly brush every crevice of your teeth. With these products, the brand has overwhelmed its rival brands and remained first in market share.

Saffron
www.lgcare.com

Launched in 1979, Saffron has performed as a front-runner since it achieved the first rank in the market in 2011. By identifying and reflecting the lifestyles and needs of consumers, the brand recently released Saffron with Flower Vinegar, the first fabric softener product without cationic surfactant in the world, maintaining its leadership in the market share despite strong challenges from imported products.

Elastine
www.elastine.co.kr

Since 2001, when it was launched under the slogan, "Hair is Also Part of the Skin," Elastine has pioneered the premium shampoo market in Korea. The brand has released a variety of unique products, including Elastine Perfume Shampoo and Organist Shampoo, utilizing its technical skills based on hair science. It had led the new market and retained the top position in market share for 11 years in a row.

Coca Cola
www.cocacola.co.kr

Coca Cola is truly the top brand that sells more than a billion beverages per day worldwide. Since its launch in the U.S. in 1915, the brand has long been loved by consumers around the world and continuously provided them with the brand value, "Happiness in a Bottle," beyond simply selling beverages.

Fanta
www.fanta.co.kr

Fanta, one of the five top soft drink brands in the world, has long been popular among teenagers since it was first introduced to Korea in 1968. The main flavors include orange, pineapple and grape, and the brand recently added strawberry flavor to the list of products. By continuously releasing new products, the brand is bringing pleasure to its consumers.

Georgia
www.georgiacoffee.kr

Georgia, the top canned coffee brand in the world, has attracted attention with its premium coffee products by considering consumers' taste for premium coffee and the well-being trend. The Georgia Emerald Mountain Blend, in particular, is made by blending ingredients with Emerald Mountain coffee beans, which are recognized as the top 2% of the Colombian Arabica coffee beans, providing a soft taste and deep coffee aroma.

Minute Maid
www.minutemaid.kr

Minute Maid is the No. 1 juice brand, which has been loved by consumers around the world for 60 years and ranked first in worldwide sales. Juice products of this brand are made from properly ripe fruit that are in season. The brand has established its image as a premium juice brand that pursues healthy lifestyles with its various fruit and vegetable juice products containing vitamins and other nutritious ingredients.

POWERADE
www.powerade.kr

Launched under the slogan, "Sports Is My Everything," POWERADE has long been loved particularly by athletes. The ION4 system, which supplements four types of electrolytes that are excreted in sweat, is applied to products of this brand to make them perfect for sports activities.

Sunkist
www.htb.co.kr

Sunkist, a global fruit and beverage brand with a 108-year-old history, was introduced to Korea in 1986 through the license contract with HAITAI Beverage. It has consolidated its position in the beverage market, targeting all ages by releasing a variety of products, including Sunkist Family Juice, Sunkist Ade, and other trendy items.

GangWon PyeongChangSoo
www.htb.co.kr

This drinking water brand is from the primeval forest in Pyeongchang, a clean area surrounded by 198 hectares of state-owned forest. It has been designated as the official drinking water brand of the 2018 Winter Olympics in Pyeongchang.

VIO Soonsoo
www.cocacola.co.kr

VIO Soonsoo boasts the clean and pure taste of water, secured by quality check by global beverage brand Coca-Cola. It is an eco-friendly product, reflecting increasing the interest of consumers in the environment.

2014 Business Status and Future Plans

2014 Business Status

LG H&H has reinforced its position in the market by establishing its stable business portfolio, which consists of three categories of business: Healthy, Beautiful, and Refreshing. The domestic economy, however, has contracted due to the economic recession of advanced nations, unstable financial status of emerging countries, and economic slowdown in China. In order to overcome this situation, the company is trying to secure the top position in the market and strengthen the competitiveness of its brands. In terms of the Beautiful business, Whoo, the premium royal cosmetic brand, has shown rapid growth with the increased number of shops in department stores and door-to-door sales counsellors, expanding its share in the prestige cosmetic market. In China, the reputation of the Whoo brand was firmly established as a prestige cosmetic brand, increasing its sales in duty-free shops at home and in China. THEFACESHOP also reorganized its business foundation by increasing the number of items on sale. We have also reinforced the groundwork for our online business by complementing the organization and infrastructure and increasing the number of channels in online shopping malls in response to the rapidly growing online market in China.

Overseas Business in 2014

Beautiful (Cosmetics)

The value of the global market of general and edible cosmetics is estimated at a few hundred trillion KRW. Since the cosmetic market has shown steady growth as a promising market for the future, LG H&H is reinforcing the competitiveness of its products and core technologies and investing in building new brands. We expanded the number of Whoo items in the Chinese market, and established its reputation as a prestige brand through Korean Wave marketing with top Korean celebrities. THEFACESHOP also reorganized its business groundwork by increasing the number of items on sale, opening brand shops and strengthening the store management system.

Healthy (Household Goods)

In terms of the Healthy business, the company has performed its business capability by focusing on the markets in Japan, Russia, and China, while continuously pioneering new markets in other overseas regions. In the Japanese market, we have strengthened our competitiveness by reducing the production cost in response to the weak yen strikes that have continued since 2013. In China, we obtained approval from the Chinese government to lay the groundwork for business and secured price competitiveness through direct trade for the diaper and liquid baby formula business, reducing the distribution phase. We are also trying to expand the sales of Babience and Toddien by building partnerships with distribution channels for baby products.

Refreshing (Beverages)

HAITAI Beverage has been faced with unfavorable conditions due to the bad economy in Japan, Brazil, and Russia, but it expanded business in China, one of the main target markets, and resumed business in Iran, where the company had to undergo many limitations on export, thereby accomplishing record high performance with sales reaching KRW 19.9 billion won, a 13% increase from the previous year.

Business Plans for 2015

In terms of the Beautiful business, LG H&H is continuously strengthening its competitiveness as a prestige brand, expanding masstige brands as premium brands, and aggressively responding to the growing number of duty-free shops and online malls. We are planning to reinforce the premium image of Whoo as a medicinal herbal cosmetic brand and nurture it as the No. 1 premium brand in Asia by expanding its sales in duty-free shops and overseas markets. We will secure competitiveness by vitalizing the direct purchase of foreign consumers and the number of online B2C channels to expand our business foundation in promising online markets. When it comes to the Healthy business, the company will continue to seek new business opportunities and nurture the brands of the main categories as premium brands. We will also continue to expand and promote brands for babies and kids, develop new business opportunities by embracing the complaints and needs of consumers, strengthen the distinctiveness of main products in the categories of oral care, detergent, shampoo, and body care, and expand sales by focusing on duty-free shops. In terms of the Refreshing business, the company has made continuous efforts to strengthen its leadership in the market with new products and improve the competitiveness of production cost. We will release leading products to reinforce our coffee and functional beverage businesses and expand investment to increase productivity and reduce production cost.

Prospects for Regional Markets in 2015

In China

China is the second largest force in the global cosmetic market, recording the high average annual growth rate of 10%. Considering that only 10% of the total Chinese population consumes cosmetic products, the market is expected to show steady growth in the future.

LG H&H increased sales by 201% from the previous year, focusing on the Whoo brand by emphasizing the differentiated concept of empresses, excellent quality, and the design preferred by Chinese consumers. Considering the recent rapid growth of Whoo, we will nurture this brand as a top class brand by carrying out VIP marketing that encourage consumers to covet the brand, along with a focus on other prestige cosmetic brands with their excellence already appreciated by Chinese consumers, such as Su:m37° brand to which fermentation science is applied.

In the Middle East and the U.S.

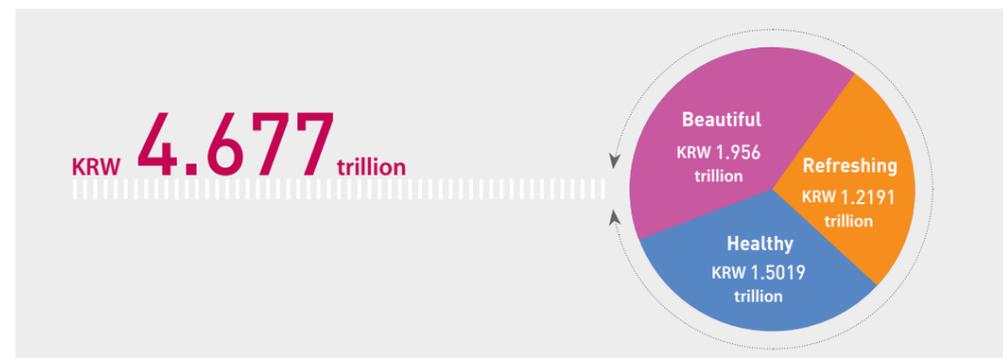
As the Korean Wave has recently spread to the Middle East, an increasing number of consumers there have demonstrated their preference for Korean products. Considering this trend, the markets in the Middle East present growth potential for Korean companies. LG H&H currently sells products from THEFACESHOP in Arab Emirates and Saudi Arabia and from VDL (color makeup brand) and LACVERT in Iran. We are applying marketing strategies optimized for the Islamic culture by conducting the Ramadan promotion. In the Arab Emirates, we are looking for regions to open new stores, focusing on large cities in Dubai and Abu Dhabi.

In the U.S., Belif opened a store at Sephora in March 2015, and is expanding the number of stores and strengthening its position in Sephora by making investment in marketing. THEFACESHOP opened flagship stores, starting from the one in Santa Anita in late 2014, and is planning to expand its business in the U.S. by monitoring the response of consumers and continuously increasing the number of stores.

Creation and Distribution of Economic Values

LG H&H has reinforced its position with the top brands in the naturalistic cosmetic market, expanded the market share in department stores, and strengthened its leadership in the household item market. As a result, the company recorded KRW 4.677 trillion of sales and KRW 511 billion of operating profits in 2014, an 8% and 3% increase from the previous year, respectively.

Economic Performance (based on the consolidated accounting of LG H&H and its subsidiaries)

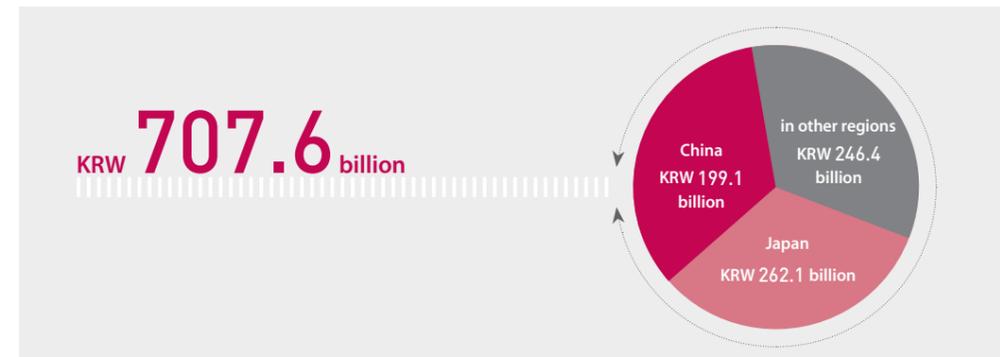


Distribution of Economic Performance (Domestic)



In 2014, LG H&H achieved a total of KRW 707.6 billion of sales in overseas market: KRW 199.1 billion in China, KRW 262.1 billion in Japan, and KRW 246.4 billion in Vietnam and other regions.

Economic Performance in Overseas Markets



Distribution of Economic Performance (Overseas)



Medium and Long-term Business Strategies and Integrated CSR Management

Vision and Medium and Long-term Strategies

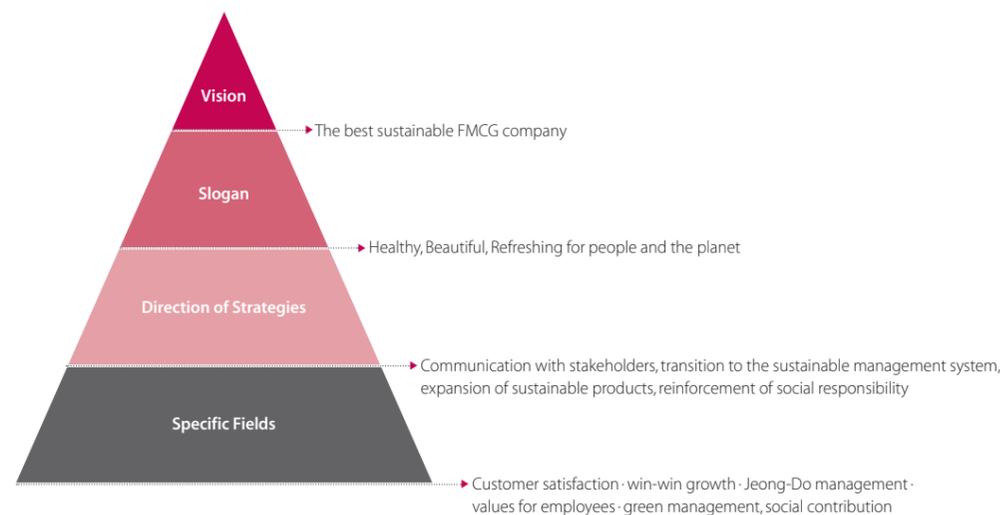


LG H&H pursues its vision of becoming the top life culture company that helps consumers realize their dreams and beauty. Based on core values—a focus on consumers, continuous innovation, professionalism and swift response to customers—the company will provide the best values in its three categories of business—cosmetics, household items and beverages—to help its customers to lead more beautiful, healthy, and refreshing lives.

We will strengthen the portfolio for the medium and long-term balanced growth throughout all business categories, expand our distribution coverage to increase our products' accessibility to consumers, and implement our company-wide integrated risk management system for sustainable growth.

CSR Vision

LG H&H's CSR vision is to become the top sustainable FMCG enterprise. In order to fulfill its social responsibility, the company has established four strategies, including communication with various stakeholders, the improvement of environmental efficiency in production, purchase and logistics, social contribution activities for women and teenagers, and the expansion of sustainable products, and promotes sustainable management in six fields.



Core Fields of CSR Activities

● Achieved ◐ Partially achieved or ongoing ○ Not achieved

Field	Performance summary and 2015 Goal			
	Performance in 2014	Level of Achievement	Plans for 2015	Target Timing
General CSR Affairs	Held the CSR Committee meetings (4 times)	●	Hold the CSR Committee meetings (4 times)	Quarterly
	Published the 5th CSR Report	●	Publish the 6th CSR Report	Second quarter
	Included in the DJSI Asia Pacific (for 5 consecutive years)	●	Conduct the DJSI Assessment	Third quarter
Consumer Satisfaction	Held an expert panel meeting (once)	●	Hold expert panel meetings (2 times)	First and third quarters
	Conducted the VOC registration and management	●	Conduct the VOC registration and management	Year-long
	Carried out preventive activities against recurrence of complaints from consumers	●	Carry out preventive activities against recurrence of complaints from consumers	Year-long
Win-Win Growth	Conducted the CSR diagnosis of 157 major business partners	●	Conduct the CSR diagnosis of 200 major business partners	Year-long
	Recognized as the first class in the Win-Win Growth Index Assessment	●	Achieve the first class in the Win-Win Growth Index Assessment	Second quarter
Jeong-Do Management	Expanded education for Jeong-Do Management	●	Conduct education for Jeong-Do Management	Year-long
	Reinforced the preventive activities against corruption	●	Operate the evaluation system of Jeong-Do Management	Year-long
Values for Employees	Diversified the employment of female employees (time-selective part-timers, etc.) and promoted the culture of gender equality	●	Strengthen the communication process through regular consultation activities of each group of employees	Year-long
	Operated health improvement programs	●	Provide opportunities for sharing the knowledge and experience of internal and external experts	Year-long
Green Management	Expanded the examination of GHG emissions at subsidiaries	●	Expand the range of evaluation of GHG emissions of HAITAI Beverage	Second quarter
	Performed the ESH evaluation	●	Conduct the ESH evaluation	Year-long
Social Contribution	Operated representative social contribution	●	Continue to conduct and vitalize the Global Eco Leader Project	Third quarter
	Launched the Global Eco Leader Project	●	Carry out other social contribution activities	Year-long

* The result of the 2014 Win-Win Index Assessment is based on performance as of the publication date of the report

CSR Committee

Composition of CSR Committee

In order to accomplish its CSR vision, LG H&H has organized the CSR Committee as a decision-making body to identify a variety of issues, conduct preliminary mediation, and establish plans for activities and reinforced its integrated sustainable management system by holding quarterly meetings. Under the leadership of CHO, the committee is comprised of the heads of the relevant departments and of the business planning and management departments of seven specific fields. For responsible decision-making, the result of the operation of the committee is reported to the CEO, and even to the Board of Directors depending on issues.



Stakeholder Engagement and Materiality Test

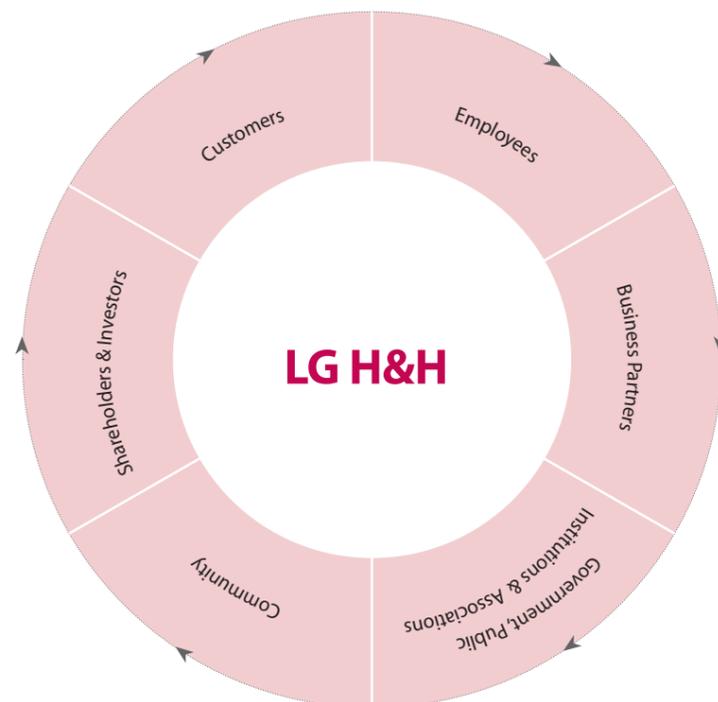
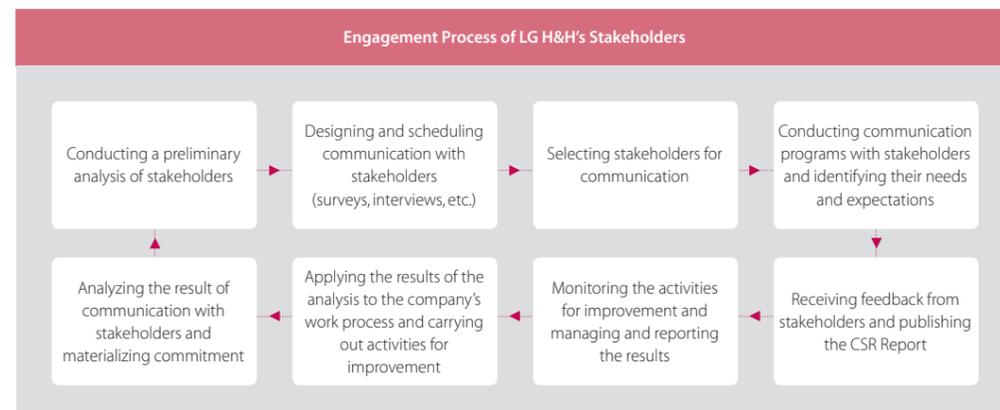
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Selection of Stakeholders & Communication

For sustainable management of the company, it is crucial to collect the opinions of stakeholders and reflect them in management.

LG H&H is pursuing transparent and active communication to encourage its stakeholders to participate in setting the goal of sustainable management and its implementation.

Channels for Communication with Stakeholders



Each department operates a communication channel with stakeholders on a constant basis, and the CSR Team conducts surveys of stakeholders and panel meetings every year as part of the process of the Materiality Test.

Major stakeholders are classified into six categories: customers, employees, shareholders & investors, business partners, community, and government, public institutions & associations. The company is trying to identify and handle the expectations and needs of its stakeholders properly.

	Key Activities	Communication Channel	Frequency
 Customers	Receiving feedback from customers on products and services	Company website, brand websites	Frequently
		CS Portal, VOC, call center	Frequently
		Housewife monitoring agents, prosumers	8 times per year
		Brand awareness surveys, brand satisfaction surveys	Bimonthly
		Complaints and feedback from customers	Frequently
 Shareholders & Investors	Participating in the strategic decision making process related to businesses of the company	CSR surveys of customers	Annually
		IR Website	Frequently
		Business reports, general meetings of shareholders	Annually
		Conference	Irregularly
		IR Roadshow	Biannually
 Community	Participating in the decision-making process related to contribution to local community	Community Committee	Biannually
		Panel meetings with NGO experts	Annually
		Public affairs (consumers & government institutions), launching events for the press	Irregularly
		Social contribution programs, CSR surveys of community	Annually
 Employees	Conducting surveys of employees on opinions and satisfaction related to the company's management strategies and implementation	Labor-Management Committee, Company Meeting	Quarterly
		Meetings with specific levels of employees	Monthly
		Satisfaction surveys of employees	Annually
		Complaint handling programs, idea innovation i-30	Frequently
		Employees Committee, Industrial Safety Committee	Quarterly
		Intranet, company newsletter, SNS (on a constant basis)	Frequently, 6 times per year
CSR survey of employees	Annually		
 Business Partners	Promoting the win-win growth with business partners	Integrated purchase portal	Frequently
		General meetings and seminars of business partners	Annually
		Win-Win Growth Committee of business partners	Triennially
		Technical support for business partners	Frequently
		CEO Academy of business partners	Annually
		Jeong-Do Management Channel	Frequently
 Government, Public Institutions & Associations	Participating in the decision-making process related to government policies	Meetings with managers of sales outlets, CSR survey of business partners	Annually
		Asia Carbon Footprint Seminar	Annually
		Korea Environmental Industry & Technology Institute	Irregularly
		Participation in government challenges and conference	Irregularly
		Recycling associations, Korea Fire Safety Association	Quarterly

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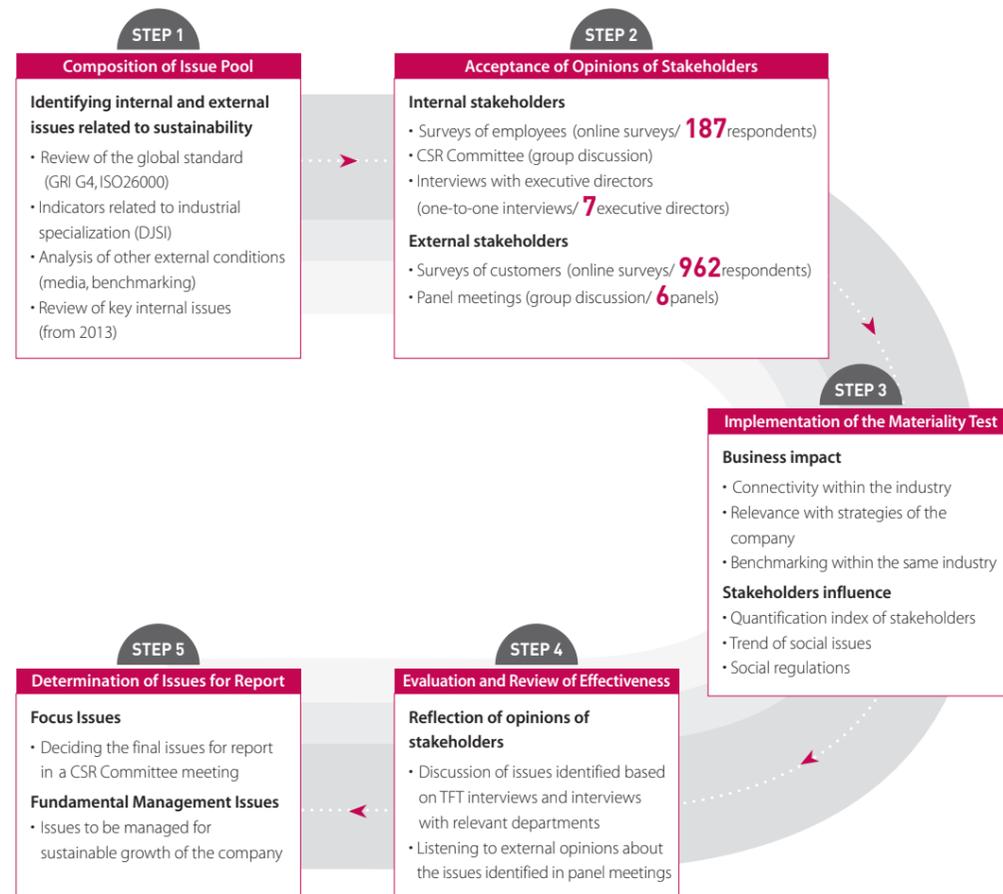
Materiality Test

Materiality Test Process

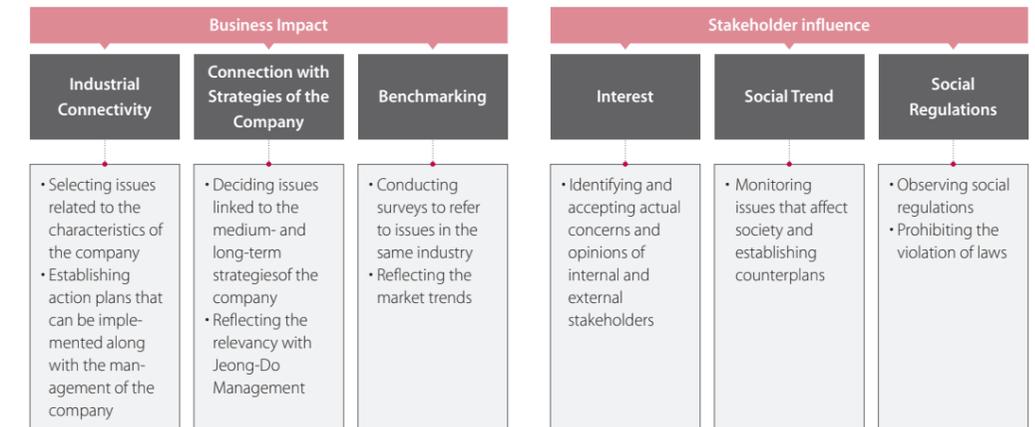
Based on the 5-part Materiality Test of AccountAbility, the issue pool was organized with consideration of the global standard, guidelines, the analysis of external conditions and key internal management-related issues. In accordance with AA1000SES, the global standard for the participation of stakeholders, we conducted surveys of employees, received opinions from experts, and reflected opinions of customers who are the key target of the company's management and of executive directors who have the rights to make decisions. Then we conducted the Materiality Test in five phases to identify the impact of LG H&H's businesses and the connectivity with our stakeholders.

We divided key issues into two categories to effectively explain to our stakeholders about our activities aimed at responding to such issues. The first category is the Focus Issue. Issues in this category were selected as they had more significance compared to the previous year, and the contents were organized based on relevant activities of LG H&H conducted in 2014.

The second category is the Fundamental Management Issue. Issues in this category needed regular management to increase sustainability of the company, and the contents were comprised of the management framework, goals and performance.



Standards of Materiality Test



Matrix of Result of Materiality Test

LG H&H conducted the Materiality Test with consideration of the impact of businesses and the stakeholders influence, and selected the issues with a high degree of significance. Through the internal discussion, we classified these issues into two categories: four issues as the Focus Issues to report as priority and seven issues as the Fundamental Management Issues to manage and report on a regular basis.



1. These issues are included as they are managed as priority within the company, although these were not considered in the Materiality Test.
 2. These issues are included as they are managed as priority within the company, although these were not considered in the Materiality Test.
 3. These issues are also included in the Focus Issues, but are included in this category as well for the explanation of additional contents managed separately within the company.

Report Methods of Key Issues

LG H&H reorganized the Researched Issues, which were selected using the GRI G4 Index in the Materiality Test, as the Reported Issues based on the relevance of each issue, and classified them into two categories: Focus Issues and Fundamental Management Issues.

The Focus Issues are reported in detail in the section of the main activities of LG H&H conducted in 2014 with the data of performance and detailed cases, and the Fundamental Management Issues are reported with the overview and system of the company and constantly managed.

	Aspect of Issue	Researched Issue	Reported Issue	Relevance of Issue	Pages of Issue
Focus Issues	Health and safety of customers	Strengthening the safety of products and improving the health of consumers	Strengthening the safety of products	Since products of the company are cosmetics and beverages, with which consumers come into direct contact, the health and safety of consumers should be considered as priority.	pp. 28 - 31
	Products & services	Endeavoring to reduce the environmental effect of packaging materials of products	Enhancing environmental efficiency	Improving the efficiency of packaging materials can help resolve environmental issues including GHG emissions and contribute to reducing the production costs, thereby enhancing the level of satisfaction of consumers and community.	pp. 32 - 33
	Raw materials, water resources, waste & wastewater	Utilizing resources in an efficient way			
	Emissions	Reducing GHG emissions			
	Employment, diversity & equal opportunities, training & education	Securing the diversity of the composition of human resources and providing equal opportunities	Respecting the diversity of employees and guaranteeing equal opportunities	The respect of human rights related to gender, religion, race and age is a basic virtue. Guaranteeing the diversity of employees can contribute to improving the competitiveness of the company in the global arena.	pp. 34 - 35
	Indirect economic impact, community	Conducting activities to contribute to the participation and development of local community	Conducting activities to contribute to the participation and development of local community	The contribution to and investment in community can increase the trust of consumers and also lead to short- and long-term performance for the development of both the company and community.	pp. 36 - 37
Fundamental Management	Governance		Governance	The transparency of the company can be enhanced by releasing the present state of fair and systematic management of the company.	pp. 40 - 41
	Anti-corruption, impediment to fair competition	Reinforcing ethical management and making systematic efforts to prevent corruption	Jeong-Do Management	The company can grow into an exemplary and transparent leading enterprise by observing the philosophy of LG Group—ethical management and fair competition. Strengthening Integrated Risk Management System and reinforcing compliance and securing personal information can improve company's capability.	pp. 42 - 46
		Observing and reinforcing the principle of fair trade			
		Customer information protection and information protection system			
		Integrated Risk Management			
	Product service & labeling, economic performance	Making efforts to address complaints of customers	Satisfaction of customers	By actively communicating with consumers and reflecting their opinions, the company can enhance the level of satisfaction of customers, a key group of stakeholders, and make this process lead to the mutual growth of customers and the company.	pp. 47 - 49
		Securing future growth engines by conducting R&D and expanding investment			
		Providing proper information on products and prohibiting misleading advertisement			
	Energy, water resources, waste & wastewater	Utilizing energy resources in an efficient way and reducing energy consumption	Green management	Based on the "Green Management 2020," one of the LG Group's strategies, the company can resolve and prevent global environmental issues and build trust with various stakeholders including customers.	pp. 50 - 53
		Reducing water consumption and protecting water resources at each water intake station			
Managing wastewater					
Reusing, recycling and utilizing waste					
Handling harmful substances safely and strengthening safe management					
Training & education, labor-management relations, equal payment for male and female employees	Fostering and nurturing human resources	Values of employees	The company can increase the level of satisfaction of employees and create an exemplary corporate culture by improving the working conditions and welfare of employees, and respond to the globalization of the market by reinforcing the capacity of employees.	pp. 54 - 59	
Environmental assessment of suppliers, evaluation of the impact of suppliers to society	Pursuing the win-win growth with business partners	Win-win growth	The company can build trust with other cooperative companies by developing partnerships, and foster mutual growth in the long term by providing them with various types of support.	pp. 60 - 63	
Indirect economic impact, community		Contribution to society	The company can increase the level of satisfaction and trust of community and establish an exemplary image as a global enterprise by making an actual contribution to community beyond simply making monetary donations.	pp. 64 - 66	

Panel Meetings

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Participants Six experts in the fields of the CSR activities, an LG H&H executive director in charge of CSR affairs, etc.

Major agenda of the discussion

- 1) General opinions on the CSR Report of LG H&H
- 2) Opinions on the overall CSR activities
- 3) Opinions on major issues and suggestions for improving the report



Wol-gu Gang (Head of Women's Human Rights Commission of Korea)

"It is crucial to reinforce the corporate culture in which female employees can achieve good performance, and to diversify activities to support them."

The proportion of female employees of LG H&H is 53.8%, which is higher than that of other companies. Recently, there has been growing concerns in society for the disruption of careers of women and diversity at work. LG H&H, a company with a high proportion of female staff, should consider such issues. I hope the company complements its official grievance procedure mechanism related to women's welfare, including the sexual harassment counseling center and gender equality programs, thereby presenting the company's activities for creating a healthy corporate culture in the report properly.



Gi-ryong Kim (CEO of PlanM)

"It is suggested for the company to strive social contribution activities."

LG H&H is one of the representative consumer-friendly enterprises that pursue customer-driven management. It will be desirable to highlight the contents of social contribution activities for each group of stakeholders in the report. It will better show the company's sincerity toward global social contribution activities in a bigger picture to those who would read the CSR report.

If the report concretely presents issues related to social contribution and explains in what direction the company conducts relevant activities, consumers will better understand LG H&H's social contribution activities.



Yeon-hwa Kim (Head of Korea Consumer Affairs Institute)

"The company should build trust with consumers through its CSR report."

In order to build trust with consumers, the report should provide a detailed explanation of LG H&H's activities. In particular, it should explain the method of management of its business partners and the composition of its products, to alleviate consumers' safety concerns.

It is also necessary to focus on consumer-driven issues with higher priority, emphasize the distinctiveness of the company based on its strengths, and honestly explain problematic issues related to products for consumers who expect sincerity from the company.



From left to right) CEO Gi-ryong Kim, Professor Heung-su Park, LG H&H's Executive Director Heon-young Park, Head Wol-gu Gang, Head Yeon-hwa Kim, Head Jae-eun Kim, Head Dong-jin Choe

Jae-eun Kim (Head of the Institute for Industrial Policy Studies)

"I hope the CSR report can help create the image of a customer-driven company."

Reports of LG H&H are basically well equipped with contents and indicators required by the global standard. However, it is time to employ a new method, including the composition of consumer-oriented contents rather than business-oriented contents for the report. In addition, the data of overseas activities as well as domestic activities should be added to the report since it is a report of the global company.

To this end, it is necessary to conduct the Materiality Test from the internal and external aspects in balance and add social issues to prepare a more advanced report.



Dong-jin Choe

(Head of Korea Research Institute for Environment & Development)

"It is essential to set detailed goals for environmental performance."

LG H&H has laid solid groundwork for the management of environment-related data. However, it needs to mention detailed activities or plans, including a target for GHG emissions reduction or water consumption target.

Also, it is necessary to illustrate detailed issues and activities related to the environment rather than comprehensive contents, thereby demonstrating the efforts of LG H&H for environment.



Heung-su Park (Professor at Yonsei University)

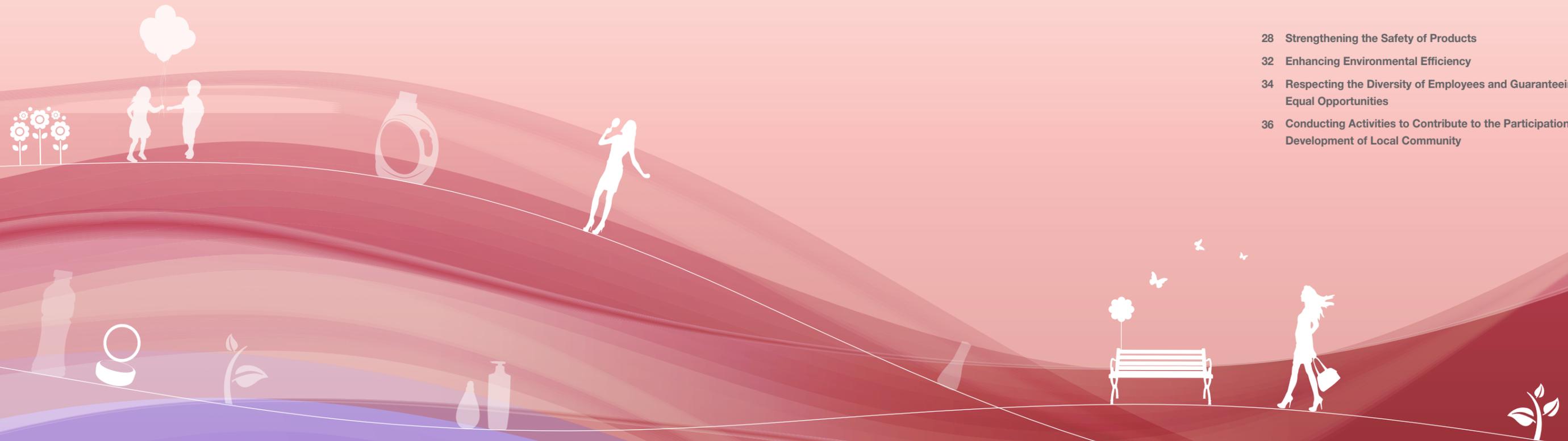
"The report needs to be organized with a focus on issues as priority."

The report should present in detail the excellence of LG H&H's products and technologies and how the company is dealing with the long-term changes in the market including globalization. Once we set frames of issues in priority and organize the report by focusing on issues, the company's effort for constant growth will be presented better.



Heon-young Park (Executive Director of LG H&H in charge of CSR affairs)

Focus Issues & Business Cases



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BUSINESS CASE

#1. Development of Products That Contain Nature

European anti-aging cosmetic product 'THE THERAPY'

The naturalistic cosmetic brand THEFACESHOP obtained the handmade blending therapy in Marche with a 200-year history and developed THE THERAPY, a European naturalistic anti-aging cosmetic product that consumers can use without concerns for safety.

THE THERAPY is an anti-aging cosmetic product developed based on the handmade blending therapy, a traditional medicinal plant therapy that was passed down for 200 years in Marche, Italy. We collect marigold flowers, bay leaves and olives at the right time when the effect of these ingredients is at its maximum, and manually extract components of the ingredients in the optimum ratio for six weeks based on the traditional Marche therapy without heating or mechanical processing to prevent the loss or contamination of active ingredients.

The advantages of natural handmade cosmetics are maximized in this product with artificial elements excluded as much as possible. According to the result of the monitoring of the product, consumers were highly satisfied with texture and safety of the product. Among all skin care products of the company, this product has recorded the lowest rate of complaints from consumers.

Organic cosmetic product 'Beyond True Eco Wrinkle Essence'

The brand Beyond developed a functional essence for wrinkle care, which is made from 100% organic ingredients only to maximize the trust of consumers in the components of the product.

Beyond True Eco Wrinkle Essence is a 100% organic anti-wrinkle product, which is made from plants cultivated in an organic method without the use of pesticides or chemical fertilizers on clean land, after three years of waiting for soil to recover.

With a new functional element for wrinkle care, this is a reliable product aimed to alleviate skin irritation caused from chemical compositions and improving wrinkle problems. By producing eco-friendly products and conducting environment-friendly management with concerns for people and environment, Beyond is leading the organic beauty product market as an exemplary brand that puts its philosophy of naturalism into practice.

Naturalistic Shampoo 'Organist Natural Herb Vinegar Nutritional Shampoo'

Considering the recent growing interests of consumers in products with safe and natural ingredients, Organist developed a safe shampoo that contains 100% plant-based surfactants, organic oil and fermented vinegar made from five types of organic herbs. With its unique ingredients developed by LG H&H, the product prevents the loss of nutrition from hair and improves the feeling of using the product by filling in gaps in the cuticle layer of hair and providing a silky touch.

Organist is contributing to the growth of LG H&H by reinforcing its position in the shampoo market with naturalistic products.



① THE THERAPY ② Beyond True Echo Wrinkle Essence ③ Organist Natural Herb Vinegar Nutritional Shampoo

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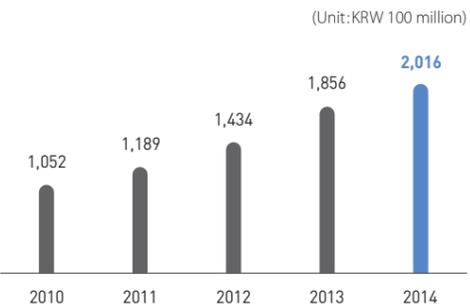
FOCUS ISSUES

Strengthening the Safety of Products

The health and safety of consumers are vital factors that should be considered as top priority. We will always pay attention to the concerns and worries of consumers when handling materials, find fundamental solutions for complaints about our products in daily life of consumers and pursue the health and safety of all, and constantly conduct R&D for the environment and the society where we live all together.

Efforts and the outcome to secure the safety of products

Sales of sustainable products between 2010 and 2014



8% Proportion of the sales of sustainable products from the total sales of LG H&H

Definition of sustainable products of LG H&H
 Products that create constant profits for the company based on the contribution to the health and safety of consumers and the company's social and environmental responsibility

BUSINESS CASE

#2. Development of Safe Products through Participation of Consumers

Saffron with Flower Vinegar

Saffron conducted interviews with 103 housewives to identify the reason why they did not use fabric softeners and collect complaints about existing products that made consumers avoid using softeners. Based on their feedback, the company developed Saffron with Flower Vinegar, which has a gentle flower scent using vinegar, an ingredient familiar to housewives, instead of using chemical substances such as cationic surfactant that are included in most existing fabric softeners.

Launched under the slogan of "Sterilization with Flower and Vinegar Providing Vivid Fragrance without Damp Feeling," Saffron with Flower Vinegar prevents the damp smell when wet laundry is dried indoors in rainy, yellow-dust, and winter seasons so that consumers can use the product without worry. It boasts differentiated quality, meeting the expectations of housewives for laundry products: it removes detergent residue and gives a fresh and neat feeling, as if the laundry was dried in the sun. This product is contributing to keeping the top position of the brand by fulfilling a unique niche in the concentrated natural softener market.

Saffron with Flower Vinegar	VS	Other ordinary fabric softeners
 <ul style="list-style-type: none"> Lotus vinegar (deodorizing effect) Vinegar (detergent residue-removing effect) Citric acid (softening effect) 	<p>Main ingredients</p>	<ul style="list-style-type: none"> Cationic surfactant (softening and anti-static effects)
<ul style="list-style-type: none"> Anti-static component, stabilizing component 	<p>Functional ingredients</p>	<ul style="list-style-type: none"> Stabilizing component, skin protection component, acidity controlling component
<ul style="list-style-type: none"> Vivid fragrance of flowers 	<p>Fragrance</p>	<ul style="list-style-type: none"> Soft and gentle fragrance

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BUSINESS CASE

#3. Development of Products for the Safety of Consumers, Nature, and Society

Han-lp Detergent Reducing Time for Laundry by Half

Nowadays, consumers tend to wash their clothes after wearing them only once (what "Han-lp" means). Due to such a trend, a growing number of consumers worry about damage to clothes, which can be caused by frequent washing and rinsing. Han-lp Detergent Reducing Time for Laundry by Half does not leave detergent residues as it does not contain petroleum surfactant, fluorescent whitening agent, or paraben. It uses 100% plant-based cleaning agents to eliminate the factors that unnerve consumers. In particular, foam-alleviating surfactant and formula are applied to this product, enabling swift and easy washing of clothes, even at the speed course setting that takes only half of the time ordinarily spent for laundry. With this function, the product also contributes to reducing the consumption of energy including electricity and water.



Comparison of foam left after rinsing laundry once



BUSINESS CASE

#4. Laying the Groundwork for the Sustainable Production of Palm Oil

RSPO certification for products

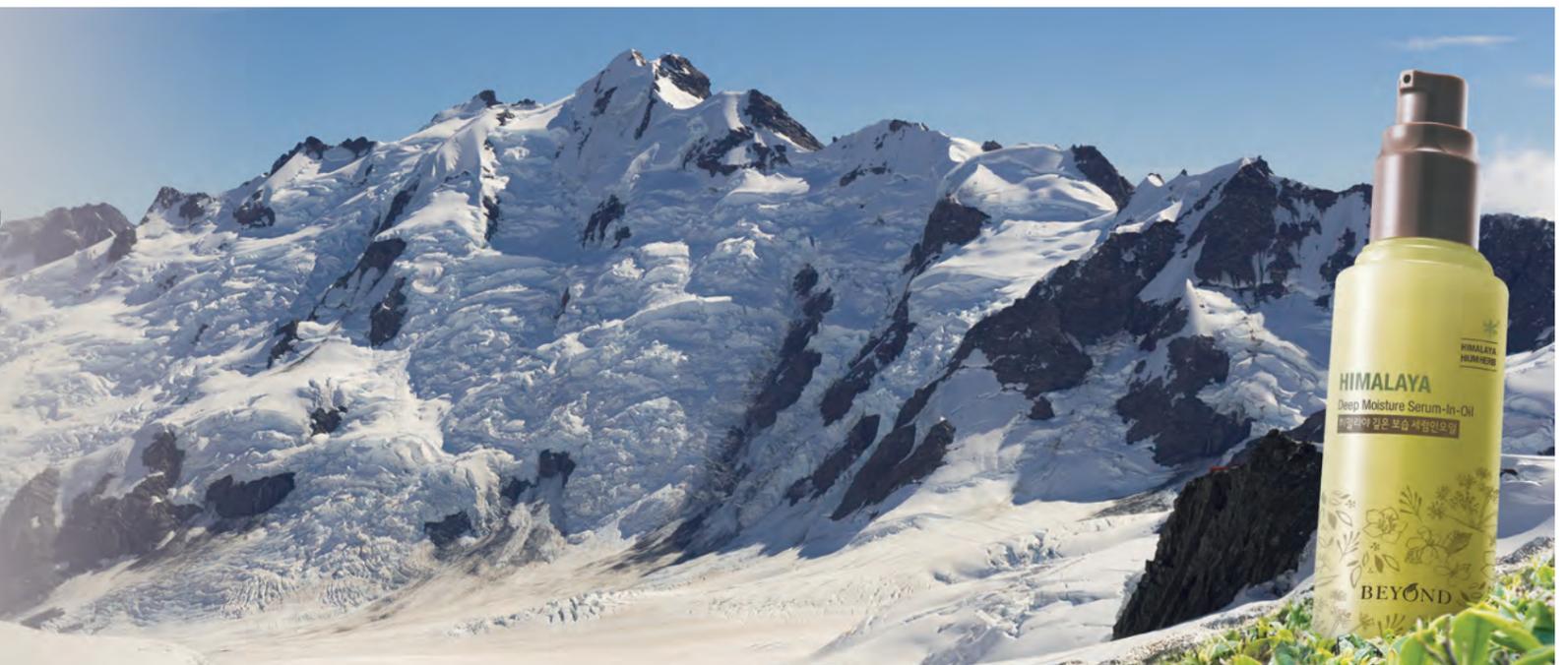
The Roundtable on Sustainable Palm Oil (RSPO) was jointly founded by companies and environmental organizations in 2003 to avert the environmental destruction caused by the production of palm oil. The RSPO certification is granted to palm oil products produced in accordance with strict eco-friendly and social standards, not causing any damage to forest and land that are important to wild animals and the local community. LG H&H identified the demand of overseas purchasers in Europe and Australia for environment-friendly surfactant and predicted the expansion of the market of surfactant produced in accordance with strict eco-friendly and social standards. Therefore, our company prepared for the RSPO certification to lay the groundwork for preemptively responding to the market condition and actively coping with changes in the market, and eventually obtained the certification in 2014.



Special Case

Establishment of the Beyond Cluster in the Himalayas in Nepal

Launched at the end of 2014, the Beyond Himalaya Deep Moisture line features products that contain HIUM herb, a wild plant that grows at an altitude of over 3,000 meters in the Himalayas in Nepal. The products, made from herbs collected by residents in Mugu and Humla in Nepal, provide moisture and vibrant energy to your skin. Mugu and Humla are the least-developed areas in Nepal. Under the MOU agreement with Good Neighbors, these areas supply high-quality herbs to LG H&H for the development of new ingredients of cosmetics, while our company provides local residents in these areas with basic technologies for processing plants as ingredients of cosmetics. In this way, our company can create the environment in which the local residents can stand on their own feet and receive 10-15% more payment compared to what they have received through fair trade. This process is expected to contribute to increasing the income of the residents. Furthermore, we held an event to provide mules as gifts to those who were suffering from hardships in transporting goods, eventually providing a total of 20 mules that can be used by 400 households. As an exemplary case of open innovation as part of the Creating Shared Value (CSV) activities, LG H&H develops good ingredients and provides quality products to customers, while it helps residents in Nepal to overcome their economic hardships by increasing their technical capacity and establishing the foundation for the herb industry.





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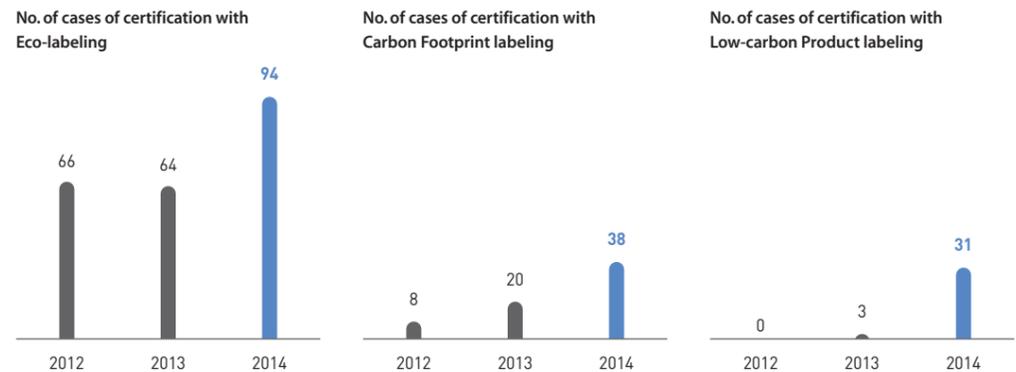
02

FOCUS ISSUES

Enhancing Environmental Efficiency

LG H&H has made continued efforts to develop and produce products that minimize our environmental impact. Our company has carried out a variety of activities to enhance environmental efficiency: expanding the production of certified items with Eco-labeling and Carbon Footprint labeling to meet the eco-friendly needs of consumers and reduce GHG emissions; reducing the use of packages by improving the structure of containers with consideration for the environmental impact of packaging materials; and reducing the use of plastic materials.

Efforts and the outcome to increase the environmental efficiency



BUSINESS CASE

#1. Increasing Profitability by Improving Environmentally Efficient Containers

Improving and reducing the weight of containers of cosmetics

As LG H&H understands the need for protecting environment and reducing resource consumption, we participated in the pilot project led by the Ministry of Environment to improve and voluntarily reduce the weight of containers of cosmetic products. The container for Su:m37° Secret Repair Concentrate was manufactured by simplifying the airless pump system to maintain the pumping function while reducing the weight of the container by 75%. The investment in producing the mold for the container was reduced by one third, enhancing the productivity and maximizing the efficiency of the use of resources. Su:m37° Secret Repair Concentrate won the First Prize granted by the Minister of Environment in the 4th Eco-friendly Packaging Contest for its eco-friendly container, the first of its kind in the cosmetics market.



Applying an eco-friendly ultra-light container to a mineral water product

ViO Soonsoo is an environment-friendly water product created with consideration for the protection of environment. By using an ultra-light eco-friendly container, the consumption of plastic was reduced by 22%, thereby alleviating carbon emissions. In addition, the container can be easily crushed after drinking the water in it, so it is possible to reduce the volume of waste when recycling the container. A total of 193 million bottles of the product were sold between 2010 and 2014, which means approximately 386 tons of CO₂ were reduced, a feat that the previous bottle used for Soonsoo could not accomplish. This is equal to the amount of CO₂ absorbed by 494,000 10-year-old pine trees over a year.

Total volumes of ViO Soonsoo (2010-2014)



BUSINESS CASE

#2. Reducing the Production Cost by Innovating Packaging Materials

The uniformity of quality was enhanced by optimizing the thickness of refilling packages and plastic bags for detergents and fabric softeners for laundry, and the consumption of plastic was minimized by resetting and standardizing the criteria of materials. In this way, the annual consumption of plastic decreased by 57 tons. The size of packaging was reduced by 17% by resetting and standardizing the size of packages using paper, reducing a total of 22.6 tons of paper consumption per year.

	Reduced amount of packaging materials	Reduced production cost
Plastic		
Refilling package	18 tons	KRW 40 million
Plastic bag	39 tons	KRW 70 million
Carrier bag for gift packages	51 tons	KRW 180 million
Paper		
Paper package for powdered detergent	23 tons	KRW 110 million

BUSINESS CASE

#3. Reducing the Production Cost through Eco-friendly Logistics

In order to materialize an eco-friendly logistics system for green growth, we have endeavored to integrate the base for logistics, utilize large-size vehicles, rationalize the routes of transportation, and expand the use of environment-friendly vehicles. We are improving our logistics capabilities with a focus on strengthening our response to fast-growing online channels and cosmetic business.

(Unit: KRW million)

Classification	Reduced expenses
Improved loading rate of palettes	170
Changed base for the import and export of products	330
Reduced expenses thanks to the integrated logistics system	350
Enhanced efficiency of transportation and delivery	210
Utilization of Eco-friendly vehicles	900
Total	1,960



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03

FOCUS ISSUES

Respecting the Diversity of Employees and Guaranteeing Equal Opportunities

LG H&H prohibits all types of discrimination related to sex, religion, race, and age, and guarantees equal opportunities to respect the diversity and human rights of employees. Our company respects the creativity and autonomy of all employees and supports them to develop and fully exercise their capabilities.

LG H&H actively manages the diversity of human resources since people are the driving force behind improving our company's competitiveness in business and in the global market

Efforts and the outcome to respect the diversity



BUSINESS CASE

#1. Female-Employee-Friendly Management

Establishment of the system and culture for female workers

LG H&H has realized that it is crucial to pursue female-employee-friendly management focusing on securing and retaining talented female human resources for sustainable growth, and has actively made efforts to manage the company in that way since 2005. Our company must learn from our female employees and their perspective since we produce and sell goods such as cosmetics and household items that are mainly bought and used by female consumers. Since 2005, our company has hired more female employees and actively cultivated female managers. As of 2014, female employees account for 53.8% in the total staff of LG H&H and 12.5% of the total executive directors, which is twice or more than the average proportion in other large companies (14.7% in the total employees, 4.7% in the total executive directors). These efforts have made a positive influence on not only the provision of equal opportunities and the management of diversity, but also our business performance. As of 2014, the proportion of female employees increased by 49% from 2005, sales increased by 4.8 times, and operating profits increased by 7.3 times. LG H&H is working to prevent sexual harassment by conducting our dignity education program.

Obtaining the certification as a family-friendly company

LG H&H has created an environment where female employees can freely benefit from the rules related to pregnancy, childbirth, and child-rearing as part of the natural life cycle without worrying needlessly about other factors. As of 2014, 100% of the pregnant female employees took prenatal and postnatal maternity leave; 100% of the male employees whose wife was pregnant took paternity leave after their children were born. All employees who returned to work from their maternity/paternity leave resumed the same work and were paid the salary under the rule of the company.

As of 2014, 85% of those who had taken maternity leave came back to work, and they were never discriminated

regarding their duty or salary. Furthermore, the going-and-leaving-work-on-time system, the flexible time system, and the simultaneous vacation time for all employees are part of the differentiated culture of LG H&H, aimed at respecting employees who want to balance work and home life. Based on these efforts, the company obtained the certification as a family-friendly enterprise from the Ministry of Gender Equality and Family in 2014, which was an opportunity for our company to be appreciated by the government for its female-staff-friendly management style.

BUSINESS CASE

#2. Respecting the global diversity (multiple cultures)

LG H&H has grown into a company that targets the global market. It is essential for our company to respect diversity in regards to overseas staff (employees who are hired by overseas subsidiaries). The proportion of overseas businesses has gradually increased by five-fold from KRW 143.8 billion in 2005 to KRW 707.6 billion in 2014.

LG H&H operates nine subsidiaries and has 1,844 local employees outside Korea, including China, Japan, the U.S., and Vietnam, working on the successful localization of the company and its products.

We are committing our best efforts for the job training, performance management, and education for managers to help local employees at our overseas subsidiaries to develop their skills and competencies at LG H&H as they work to realize their visions for their careers.

The operating system of LG H&H overseas subsidiaries is in the process of switching over to the new system, in which a core local employee who has been trained by the company and has a wide range of experience in a relevant overseas region becomes a person in charge of the subsidiary and operates local businesses. In case of our subsidiaries in Japan, Singapore and Taiwan, a core local employee takes charge of the operation of the subsidiary in each country as the president.

GLOBAL INTERVIEW



Janice, President of the subsidiary in Taiwan

“It was very impressive that LG H&H provides reasonable compensation, depending on each person’s performance, and runs detailed and customized programs to nurture local employees.”

I am Janice, the president of the LG H&H’s subsidiary in Taiwan. Before I started to work here, I used to work for a trading company which handling LG products. I was hired when the subsidiary was established in Taiwan. I was in charge of the marketing of as a vice president. I focused on understanding marketing channels and consumers and conducted activities to pioneer new markets, which contributed to the company’s improved performance. As the company appreciated my ability and contributions, I was appointed President of the subsidiary in Taiwan in 2014. All employees will exert full efforts for our company to grow into the No. 1 cosmetic and household item brand in Taiwan.



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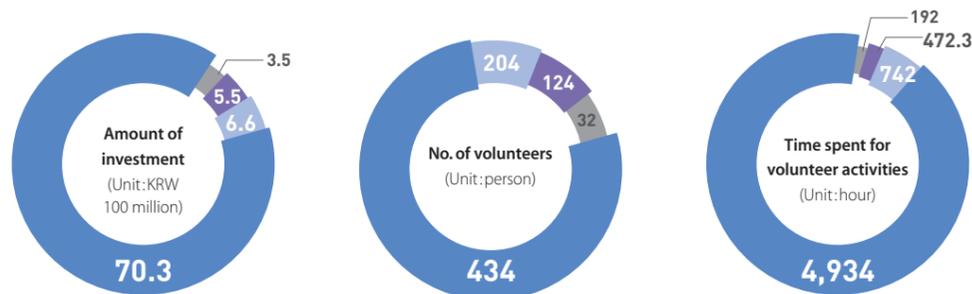
FOCUS ISSUES

Conducting Activities to Contribute to the Participation and Development of Local Community

LG H&H considers corporate social contribution activities as an essential responsibility, and we endeavor to pursue both social values and corporate values. Activities for contributing to local community are necessary social investments, and we try to put our sincerity into these activities to build trust with consumers. We will promote the virtuous cycle of communication in a constant and systematic method for the mutual growth of the company, consumers, and community by making social investment for improving the infrastructure of local communities and changing the social system beyond simple charity activities.

Efforts and the outcome to undertake social contribution activities

● LG H&H ● Coca-Cola Beverage ● HAITAI Beverage ● THEFACESHOP



BUSINESS CASE

#1. Social Contribution Activities for Nurturing Global Environmental Leaders

Global Eco Leader

LG H&H finds it important to make social investment that can improve the infrastructure of local communities and bring about changes in the social system. As we believe that environmental education for teenagers is an essential process of social investment, we launched "the Global Eco Leader." This is a new social contribution program aimed to bring about changes in home, school, and community by first changing the small habits of teenagers. It ultimately promotes the virtuous cycle of communication for mutual growth, thereby actively responding to global environmental issues.

The Global Eco Leader groups consists of 25 environment clubs from all over the country. Each club is given a mission and holds monthly meetings with environment teachers or college student mentors to make its own portfolio related to various types of habits and environment. In the 12th Meeting of the Conference of the Parties to the Convention on Biological Diversity held in last October, the company sponsored the UN Youth Model Conference on Biological Diversity, in which 200 elementary, middle, and high school students shared their ideas about the significance of biological diversity and obtained knowledge and experience related to the need for the protection of biological resources to become true global eco leaders.

In the completion ceremony of the Global Eco Leader program at the end of the year, we give exemplary participants prizes, including those granted by the Minister of Environment and the Superintendent of Education of Seoul. We will continue to develop the program as a representative social contribution activity to cultivate and nurture teenage environmental leaders.

'Borrowing Earth Camp' for eco-friendly habits

"Borrowing Earth Camp" was designed in cooperation with the industry-academic collaboration foundation at Ewha Womans University, led by Myung-hee Kang, an educational technology professor. The quality of the program was enhanced through the supervision of the team. Although the ultimate goal of the program was to build good habits, we believed that there should be motivating strategies and intriguing factors for an educational program for teenagers, so we added competitions and games to the program for fun. In addition, 27 LG H&H employees, including researchers and marketing staff, donated their time and talent to give lectures, providing answers to the students' questions about their future careers.

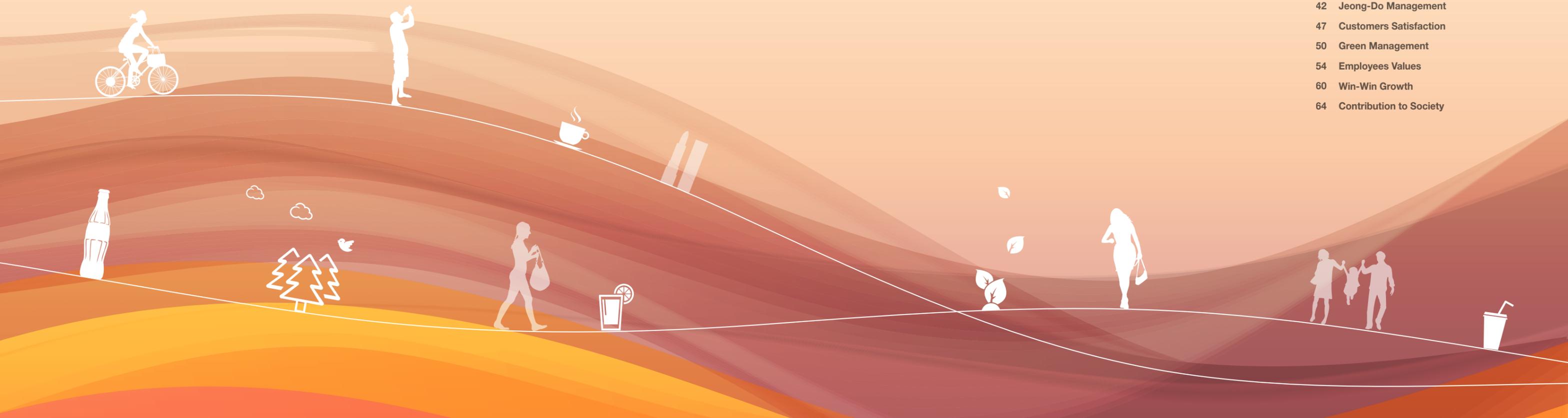
The company will expand the "Borrowing Earth School" to provide various educational benefits by utilizing The free learning semester system, an educational project led by the government.

Global Eco Leader Activities in 2014

- Apr.** The launch ceremony of Global Eco Leader and the Earth Day event
- Aug.** Borrowing Earth Camp
- Sep.** Youth Environment Festival
- Oct.** UN Youth Model Conference on Biological Diversity
- Dec.** The completion ceremony of Global Eco Leader

Fundamental Management

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Governance

LG H&H pursues the independent operation of the Board of Directors (BOD), which consists of two inside executive directors, one non-executive director, and four outside directors. Our company also runs the Audit Committee and the Outside Directors Nomination Committee to secure the transparency of the decision making process.

Composition and Operation of BOD

The BOD monitors and inspects major management issues and performs the core role in the decision making process by providing suggestions. As mentioned above, the BOD is comprised of two inside executive directors, one non-executive director, and four outside directors. Our company secures the independent rights of the outside directors to let them freely provide their expert opinions in major decision making processes from the aspect of sustainable management. They perform thorough evaluation and review of performance of our company. In order to help outside directors to fulfill their roles as members of the top decision-making body in the company, designated staff in charge of supporting the outside directors provide sufficient information and explanation to the directors in advance for thorough analysis and examination on proposed agendas. The BOD meeting is held on a regular basis according to the annual operation plan, and a temporary BOD meeting can be conducted when there is an urgent need for making decisions on a particular agenda. In order to prevent a conflict of interest, a director who has a special interest in any proposed agenda shall not have the right to vote on such proposal in accordance with the Commercial Law and the rules of the BOD.

The remuneration for the members of the BOD combines the basic annual salary within the limit of payment for directors approved in the general meeting of shareholders and the bonus dependent on the management performance of the company.

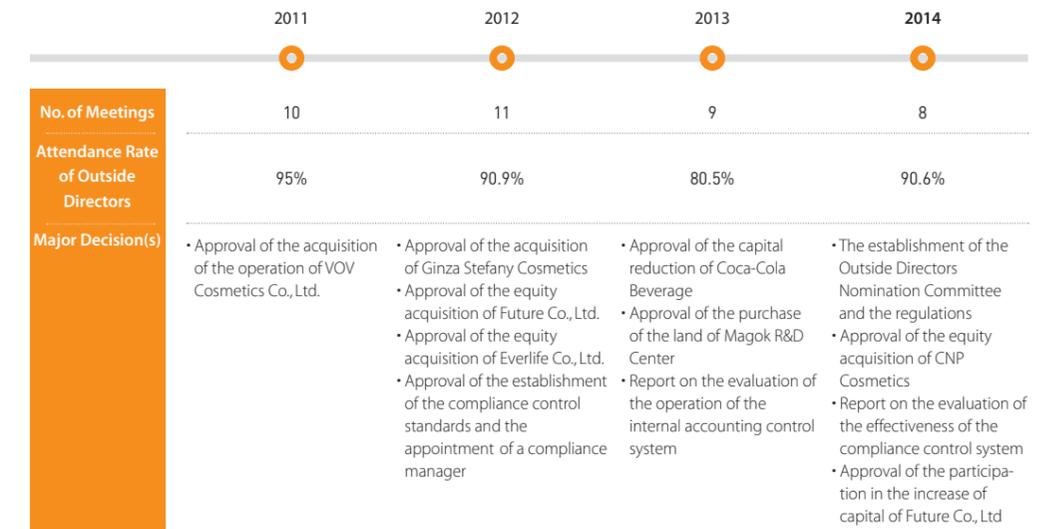
Restrictions on the Qualification of Directors for Ensuring Independence

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

Members of the BOD

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

BOD Meetings



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

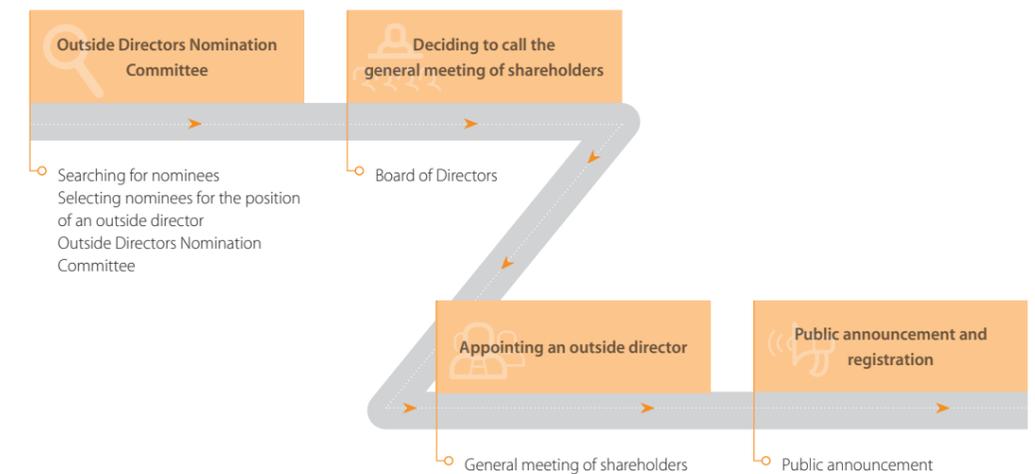
Audit Committee

The Audit Committee establishes internal audit plans and handles audit-related affairs independently. In accordance with the relevant regulations, the committee consists of three outside directors and held four meetings in 2012, four in 2013, and five in 2014.

Outside Directors Nomination Committee

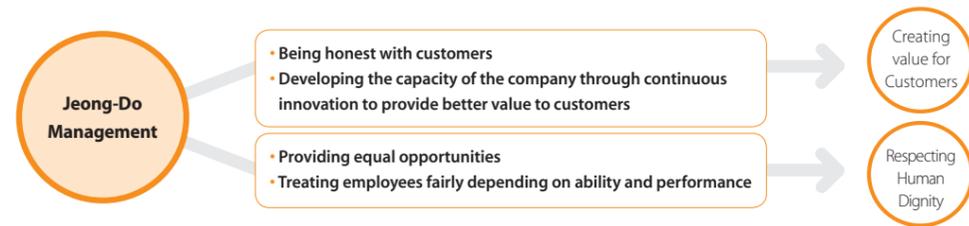
The Outside Directors Nomination Committee, a subcommittee of the BOD, nominates an outside director with consideration for a candidate's expertise in his/her field, including economy, environment, and society. The BOD decides final nominees, and the final decision on the appointment of an outside director is made in the general meeting of shareholders. Following this procedure, two outside directors were newly appointed in 2014.

The Operation Process of the Outside Directors Nomination Committee



Jeong-Do Management

LG H&H makes continuous efforts to boost its capacity based on ethical business management to put the principle of Jeong-do management into practice. The active efforts of our employees for Jeong-Do Management will entrench LG's management philosophy, "Creating value for Customers" and "Respecting Human Dignity" in the corporate mindset and contribute to growing the company into a top global corporation.



Company-wide Jeong-Do Management Activities

In order to establish the Jeong-Do Management culture, LG H&H has organized the Management Diagnosis Team and the Ethical Affairs Team to check and improve how employees observe and fulfill instructions of the CEO, conduct education programs and campaigns to prevent corruption, run the cyber center to handle complaints and reports, and operates the bribery reporting system. All employees, including those of subsidiaries, should pledge to observe the principle of Jeong-Do Management. All business partners should also submit a written pledge when they are first registered as partners, vowing to participate in the Jeong-Do Management activities.

Jeong-Do Management Education and Campaign

Every year, the company conducts the Jeong-Do Management education programs for each level or type of position and for each subsidiary under the supervision of the division of Jeong-Do Management. If a particular department requests a separate education opportunity, then the team in charge visits the department and provides training programs. Our company has carried out the Jeong-Do Management education programs for various departments to date, including the beverage sales department, the purchasing department and the secretary's office for directors. It has also conducted the online (mobile) education to disseminate the culture of Jeong-Do Management to employees in sales positions. In 2014, our company also held an offline workshop for employees at GSI and Everlife in Japan to establish the Jeong-Do Management culture at overseas subsidiaries.

Jeong-Do Management Assessment System

In order to encourage the leaders of each division to voluntarily foster the Jeong-Do Management culture, our company has introduced the system of evaluating the Jeong-Do Management activities based on indicators and started to implement this system in January 2015. The assessment indicators were designed by quantifying the number of disciplinary action cases, the implementation rate of diagnosed tasks, information security, and the completion rate of education programs.

Education programs led by the Jeong-Do Management Division

Employees of GSI and Everlife in Japan **181** employees

Education programs at the request of particular departments

Jeong-Do Management dignity education for all employees	10 times
Off-line education for sales personnel of Coca-Cola Beverage	23 times
Off-line education for sales personnel of HAITAI Beverage	4 times
Off-line education for new BC employees	4 times
Off-line education for secretaries of directors	Once
Off-line education for employees of the purchasing department	Once

Education programs for business partners

Jeong-Do Management education for business partners **2** times for **182** corporations

Bribery Reporting System

Bribery between stakeholders is prohibited regardless of reason. All employees are requested to participate in the campaign to prevent them from giving and receiving gifts from other employees and business partners on New Year's Day and Chuseok (Korean Thanksgiving Day). If any employee receives a gift for some unavoidable reason, then the employee should report it to the Ethical Affairs Team. The team then directly donates the gift to organizations which the company sponsors, or puts it up for auction within the company and uses the proceeds as donation. In 2014, the company supported five organizations, including the Kyonam Welfare Center for the Disabled and Cheongam Senior Care Center, with goods worth around KRW 5.4 million.

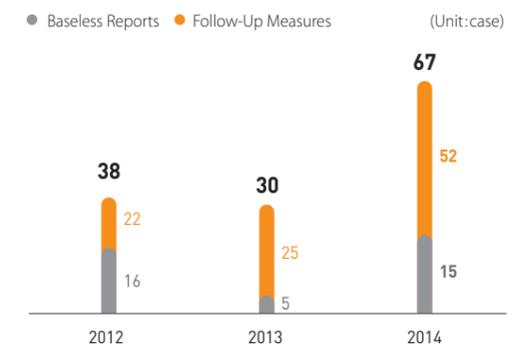
Corruption Report Reward Program

In May 2014, we introduced the reward system for corruption reports to prevent any wrongdoings that undermine the values for consumers, including taking bribes from external stakeholders for work-related reasons and employees' causing damage and loss to the company by violating the principle of Jeong-Do Management through illegal transactions.

Cyber Sinmungo, the Corruption Report System

Our company operates Cyber Sinmungo, the cyber center to which anyone can report any type of behaviors of employees that violate LG's ethics rules, including unfair work handling and bribery based on the abuse of authority. Our company investigates reported cases by conducting preliminary and on-the-spot investigations, and then takes disciplinary actions, improves the work process, or conducts the Jeong-Do Management education programs as follow-up measures, thereby creating a transparent and fair corporate culture. In 2014, a total of 67 cases were reported, and we took follow-up actions for 52 cases that appeared to be true or probable. In addition to the cyber center, our company receives corruption reports through various channels, including phone calls, written mails, fax, and personal visits.

Cases Reported to Cyber Center



* 88 employees subject to severe / 31 light disciplinary actions in 2014
 * LG Household & Health Care and 3 subsidiaries (Coca-Cola Beverage, HAITAI Beverage, THEFACESHOP)

Compliance with Fair Trade Standards

Operation of the Program for Voluntary Observance of Fair Trade Standards

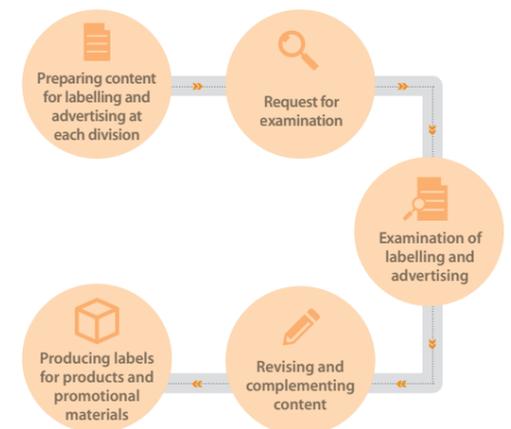
Several types of business activities, including collusion, the trade pattern in the sales division, and subcontracting, were selected as areas that require voluntary observance of fair trade standards to follow relevant regulations and pursue fair competition. Our company carries out preventive activities by inspecting the marketing, sales, and purchasing divisions more than once a year.



Compliance with Regulations Related to the Provision of Product Information

To achieve sound development for the company and earn the trust of our customers, LG H&H operates the internal compliance process in accordance with the company's standards of labelling and advertisement. We are committing our best efforts to observe relevant regulations by designating staff in charge of preliminarily checking the relevant laws and regulations to prevent any distortion of information provided to consumers.

Management Process of Labelling and Advertisement for Products



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Integrated Risk Management

LG H&H established the integrated company-wide risk management system to deal with a variety of potential risk factors that may affect the company's businesses through preventive means. The system is comprised of four specific fields, and the department in charge of each field identifies risk factors on a frequent basis, and then conducts internal inspection and takes actions against relevant issues, thus minimizing potential risks.



Integrated Risk Management Process



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Potential Risks and Countermeasures

Classification	Details of risks	Potential impact on businesses	Countermeasures
Protection of personal information	Risks from the aspect of legal and financial reputation, which arise with a growing significance of the protection of personal information of customers and employees	The leak of personal information is punishable with a fine up to KRW 500 million and civil suit, and can harm our company's reputation.	Diagnosis of information security, the establishment of the personal information protection system, education programs for employees and business partners
Fair trade	Risks related to the violation of regulations, which arise with tightened fair trade regulations and a growing awareness	A violation of fair trade regulations is punishable with a fine up to 10% of the total sales and suspension of business, and can harm our company's reputation.	Operation of programs for compliance with fair trade regulations, education programs for employees

Compliance Risk Management

Compliance issues related to our business activities at home and abroad have been on the steady increase every year. Preliminary management, rather than post management, is a more efficient and advanced measure for dealing with compliance issues. Recently, many advanced countries such as the U.S. and Europe and also China, the largest trading partner of Korea, have strengthened sanctions against collusion and corruption. Accordingly, there is a growing need for responding to such changes in the global market.

Compliance Risk Management

LG H&H has established the compliance management process to design measures to check and manage compliance risks in each major segment of domestic and overseas businesses. In terms of the overseas subsidiaries, our company checked risks of its three major subsidiaries in China and established proper plans based on the compliance management process.

Establishment of Internal Legal System

Our company has established an internal legal system to improve the efficiency of contract management tasks, systematically review contracts by establishing the work process, and trace the history of the examination and conclusion of contracts. We expect that this new legal system will increase our efficiency in handling legal affairs, systematically and accurately manage our history of contracts, and eliminate unnecessary repeated work. Our company's Global Legal Affairs System (GLAS) was introduced to systematically and efficiently manage various legal issues that emerge in the overall business of the company. This system was designed to be operated in multiple languages and enable an integrated management of overseas

subsidiaries to strengthen our company's global capability for dealing with expanded overseas businesses. The name of the system (GLAS) also implies that we will lead with a law-abiding management culture, which is as transparent as glass, based on this system.

Internal Accounting Control System

Operation of Internal Accounting Control System

Operation and inspection of the internal accounting control system | Our company has an internal control procedure operated by all members of the company on a constant basis, which is aimed at providing reasonable assurance for the reliability of financial reports. The system is comprised of 14 control structures, including the purchasing, sales, and logistics segments, and 144 control activities. In 2014, we not only operated the internal accounting control system, but also reexamined the level of the internal control system from the financial aspect to draw up items requiring improvement.

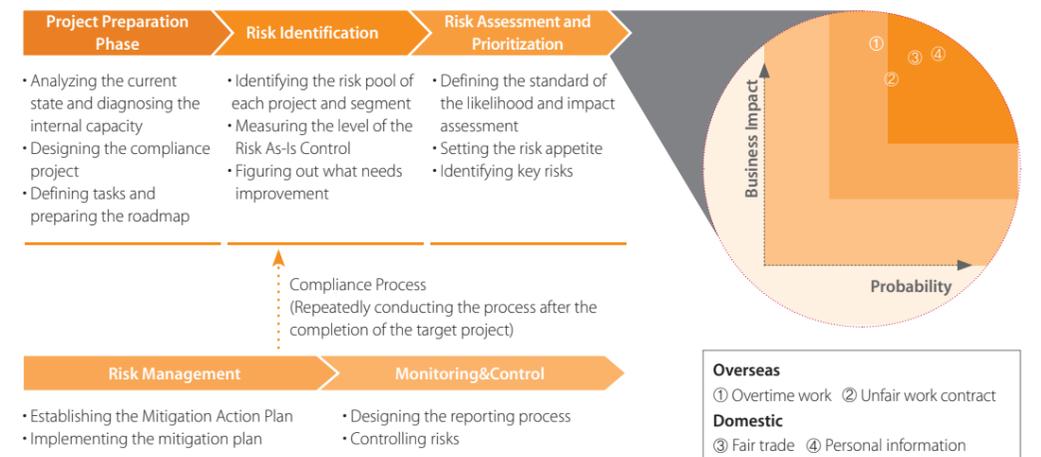
Implementation of the internal control assessment at overseas subsidiaries

For the application of the Act on External Audit of Stock Companies targeted listed companies in Korea, we conducted assessment of the internal control systems of major overseas subsidiaries. This would increase the reliability of the consolidated financial statements, and help us identify tasks for improvement of inadequate cases.

The result of the assessment of the internal accounting control system

The management confirmed that all the internal control systems were being properly operated as designed, and the external auditor (EY Han Young) also announced that LG H&H's internal accounting control system was efficiently operated as of December 31, 2014.

Compliance Risk Management Process



Protection of Personal Information

In order to secure trust in personal information security for customers, LG H&H strives to prevent the leak of personal information by establishing our privacy policy and conducting education for employees and business partners. In 2015, we will appoint a Chief Information Officer to strengthen the protection of information of our customers.

Privacy Policy

Modification of Personal Information Management Process

Our company revised the personal information management system and process to observe the Personal Information Protection Act and the Act on Promotion of Information and Communications Network Utilization and Information Protection, Etc., the regulations that prohibit the collection and use of resident registration numbers, and to comply with regulations related to the acquisition of the consent of customers when collecting personal information and the acquisition of additional consent when providing information to a third party.

Disposal and the prohibition on the collection of resident registration numbers | The revised system does not collect or use resident registration numbers of customers. The information collected by the previous system has been completely eliminated. Now we collect and keep only the minimum information of customers such as the date of birth and mobile phone numbers.

Revision of the sign-up process | In order to prevent any mistakes or omissions in the procedure of obtaining consent from customers when collecting personal information, we revised the membership sign-up process to prevent compliance risks by choosing the online registration. In addition, we only use the information of customers to provide membership services if they did not agree with the provision of their information to a third person, and do not provide their information to other corporations.

Education and Diagnosis of Employees and Business Partners

To protect personal information, LG H&H conducts education programs for all of its employees and those of business partners, and monitors and supervises its business partner that manages personal information on consignment basis.

Education of employees and business partners | LG H&H carries out education on the protection of personal information twice a year on the internal portal of the company and the shop management system. We provide additional offline education to the staff in charge of handling personal information.

Diagnosis of the security of consigned company for managing personal information | We consigned personal information management tasks to professional companies for customer service. We carried out the security diagnosis on all consigned companies based on the self-diagnosis of these companies and on-the-spot inspection.

Reinforcing the Information Protection System

Strengthening the Internal Leak Prevention System

LG H&H operates our own system for document security, print security, storage device control, and network monitoring to prevent the leakage of internal information. Along with the existing security system, we complemented and newly established the security system to block new routes of information leakage based on new storage devices such as smartphones and the mobile work environment. In this way, our company strengthened the monitoring system on internal information downloads from outside the company through VPN, the control of external data transfer using PCs taken out from the company premises, and the control of access by unapproved users to the internal system.

Strengthening the Firewall System against External Hackers' Attack

We implement various measures to prevent attacks of external hackers, including anti-virus software, encrypted communication, web firewall, DB firewall, DB encryption, response service against Advanced Persistent Threat (APT), hacking simulations for the purpose of removing weaknesses, and the network partitioning system. We also enhanced the internal network environment and established a new security system, which will be operated along with the existing system, to eliminate fundamental vulnerable factors and to block new types of hackers' attack and malware.

Obtaining of Information Security Management System (ISMS) Certification

On December 30, 2014, LG H&H and THEFACESHOP obtained the ISMS certification to systematically manage personal information and maintain an adequate level of security for the information protection system by constantly dealing with changes.

Customers Satisfaction

Sustainability Context

Customer satisfaction is a fundamental factor for sustainable growth. It is closely linked to securing and retaining customers and also affects our brand value. In order to meet rapidly changing demands of customers, LG H&H actively responds to customers by listening to their opinions through various channels and preventing the recurrence of complaints.

Our Commitment & Strategy

LG H&H wishes to provide products and service with the perfect level of quality to exceed the expectations of consumers and lead the market. To this end, we employ various strategic actions: listening to customers' opinions, strengthening the communication process, preventing the recurrence of the same complaints, establishing the standards for company-wide quality checks, reinforcing the management of the quality of samples and products for mass production, patent management, and joint development of products using external assistance (open innovation).

Our Progress & Objective

In 2015, our company will expand the quality monitoring process and conduct the intensive management of major business partners to reinforce our management of the quality of products for mass production. This will increase the quality of our overall products and services. We will also implement stricter standards in our inspections for harmfulness in cosmetic products.

Key Performance Indicators (KPIs)

Rate of dissatisfaction of customers (PPM)



Performance Summary and 2015 Goal

● Achieved ○ Partially achieved or ongoing ○ Not achieved

Key Issues	Performance in 2014	Level of Achievement	Plans for 2015	Target Timing
Listening to customers' opinions and strengthening the communication process	Received and managed VOCs	●	Receiving and managing VOCs	Year-long
Preventing the recurrence of the same complaints	Conducted activities to prevent the recurrence of the same complaints from customers	●	Conducting activities to prevent the recurrence of the same complaints from customers	Year-long
Standardizing the company-wide quality check	Improved the internal quality check manual	●	Promoting the standardization according to the integration of QA segments	Year-long
	Improved the internal document management system	●	Accumulating quality-related documents within the system and conducting education and campaign	Year-long
Capacity of managing the quality of samples	Established the Q-NPD process for equipment	●	Continuously operating and complementing the Q-NPD system and Q-Library	Year-long
	Conducted the quality cross check between business sites and the inspection of implementation	●	Expanding the scope of cross check between business sites to address major quality issues	Year-long
Capacity of managing the quality of products for mass production	Expanded the scope of monitoring of business partners (beverages, functional health food)	●	Conducting the quality monitoring at beverage distribution centers	Year-long
		●	Conducting the intensive management of monitoring of major business partners	Year-long

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Customer Satisfaction and Quality Management

Listening to customers' opinions and improving products

LG H&H operates the integrated call center to identify and respond to complaints, questions, and suggestions about products and services of the company. In addition, the company shares customers' opinions, reactions, and demands collected by offline store staff, who deal with customers in person, on the internal network in real-time. The quality department monitors these opinions, preemptively identifies drawbacks of products, and utilizes them in finding solutions, minimizing complaints from customers.

Strengthening the capacity to manage the quality of products in the development phase

For the purpose of reflecting the needs of customers and eliminating errors in the phase of developing products, LG H&H started to include the essential quality check items (Q-Gate) in the development process of new products in 2012. As a result, the dissatisfaction rate of new products, which were supposed to cause complaints frequently in the early stage, decreased by around 40%. Our company could also minimize trial and error in the product development phase by establishing the database with previous failed cases related to quality.

We will expand the scope of the system by providing customized designs for products using quality-related big data and expanding the quality warning system.

Reinforcing the capacity of managing business partners

Since 2013, LG H&H has prepared quality check guidelines and shared them with its business partners that manufacture products for the company.

The guideline illustrates quality management tips and requirements dependent on relevant regulations, features of product and production conditions for every type of products including household items, cosmetics, beverages, and functional health food. To enable self-diagnosis of the level of satisfaction of requirements, our company designed the checklist and provided it to business partners so they can easily use it for quality checks.

Strengthening the level of quality check through reorganization

LG H&H's quality assurance department used to be operated as a sub-group of each division, taking charge of the quality assurance and examination of materials and finished products in the mass production phase. In order to enhance the quality of products, the department was elevated to the QA division, which manages every quality assurance team at each business site in the integrated system.

In this way, the independence of QA-related tasks and the function of interdepartmental inspection will be reinforced while quality information is actively shared between departments and tasks are more easily handled in the standardized process.

Tightening the harmfulness of cosmetic products

To secure the safety of consumers, the company applies standards to products that are stricter than required by the Ministry of Food and Drug Safety. This standard is applied to all processes in material selection and product development to design and produce safer products. Our company examines not only our own products developed but also those developed or produced by consigned companies before the selection and launch of these products.

We do everything possible so that consumers can use safe products that have passed our quality check standard.

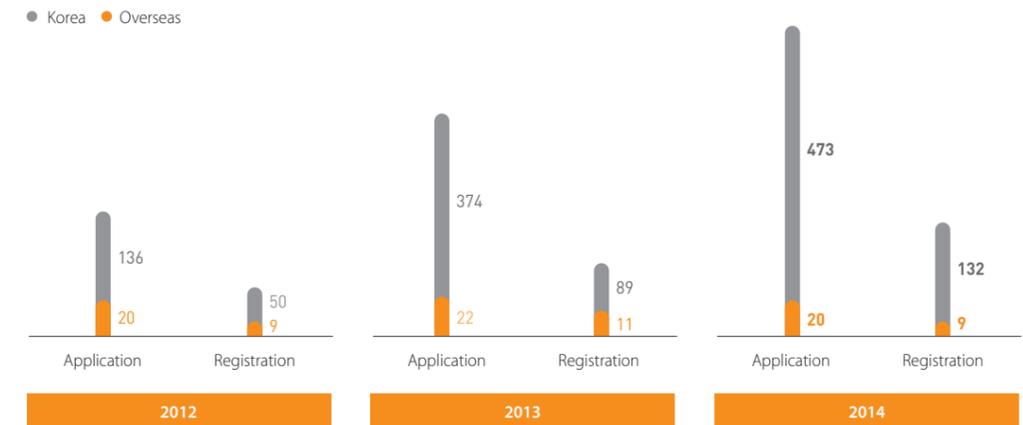
Patent management for quality management

In addition to the improvement of product quality, LG H&H has continuously tried to develop new technologies to reduce production cost and offer reasonable selling prices. We strive to find new functions that customers are not aware of, as well as develop new technologies to find new business opportunities.

By managing the R&D performance in a systematic way based on the patent application at home and abroad, LG H&H protects its new and differentiated technologies and provides reliable values for consumers, offering superior price and functions.

Through patent application for advanced technologies, including bioconjugation technologies, dental functional patch technologies, and micro-needle drug delivery technologies, our company is strengthening the protection of our products with which consumers actually feel and enjoy their effects. We also protect the new technology market by applying for patents of differentiated technologies, including filter-replacing mask technologies and cationic-surfactant-free softener technologies.

Status of patent application and registration



Open innovation cases



LG H&H strengthens our internal technical capacity through open innovation, using a system for actively utilizing external resources, and maximizing synergy from collaboration with external resources. In addition to constant exchange and networking with internal and external research institutes, universities, startups, technology trading organizations, and raw material suppliers, our company has received around 100 suggestions related to patent technologies and business collaborations on the i-CONNECT website (iconnect.lgcare.com) that was opened in 2009. Based on these suggestions, we have released a new product.

In 2014, we found an excellent technology from an external source related to beauty equipment, applied our company's own design, and developed a new type of cleansing equipment. This new concept of cleansing equipment features a spinning control system, which enables the automatic switching of the direction of rotation in an upright internal structure, which is the first of its kind in Korea. The soft daily brush for deep cleansing of dirt in pores and the white pearl brush for weekly removal of dead skin cell enable speedy and effective cleansing. Its compact design makes it easy and convenient to grab and use this beauty device.

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Cases of addressing complaints from customers



Hair-dye products

As hair-dye products consist of multiple items in a package, several customers complained that some items were missing in the process of production and distribution or while customers were using the products. To address this problem, we developed a device to conduct a thorough examination in the phase of production and redesigned the package by connecting all items for fundamental improvement. This greatly reduced complaints from customers.



Perioe 46cm Long-lasting Cool Mint Toothpaste

When a particular type of raw material was first stored, the company checked the pesticide residue test report before using them. We did not, however, conduct the direct residue test in the past, so the Ministry of Food and Drug Safety took an administrative measure on our company. We improved the raw material examination system and adjusted the cycle of the storage of raw materials: we now directly conduct the test every time in accordance with the relevant regulations.

Green Management

Sustainability Context

Nowadays, our society faces the diverse environmental impacts caused by business activities, including the exhaustion of natural resources, pollution, climate change, and biological diversity issues. All businesses must reduce environmentally harmful elements, including the reduction of GHG emissions, protection of water resources, and management of wastewater and harmful substances. Based on our responsibility to the environment, LG H&H has identified the impact of our business activities on environment and enacted efforts to reduce it.

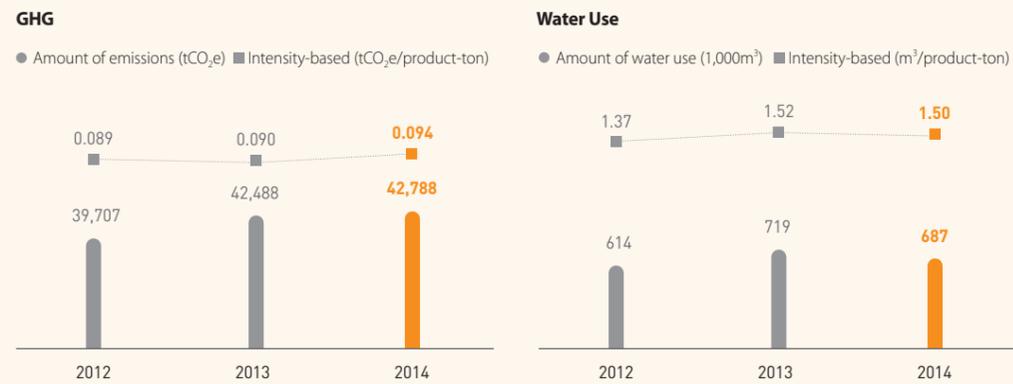
Our Commitment & Strategy

According to the Green Management 2020 strategies, LG H&H has established and operated the system to respond to climate change. We systematically manage water, waste, and harmful substances that have a direct influence on the environment to minimize the environmental impact of its business activities.

Our Progress & Objective

In 2015, our company will classify the amount of GHG emissions in the phase of sales and transportation of HAITAI Beverage for thorough management. We will establish the GHG inventory system at our business site in Iksan.

Key Performance Indicators (KPIs)



* Non-consolidated data

Performance Summary and 2015 Goal

Key issues	Performance in 2014	Level of Achievement	Plans for 2015	Target timing
Responding to climate change and reducing GHG emissions in businesses	Examined the GHG emissions at business sites of HAITAI Beverage in Pyeongchang and Cheorwon	●	Examining the GHG emissions in the phase of sales and logistics of HAITAI Beverage	2 nd quarter
	Establishing the GHG inventory system at the business site of HAITAI Beverage in Iksan	○	Establishing the GHG inventory system at the business site of HAITAI Beverage in Iksan	3 rd quarter
Minimizing the environmental impact in all processes	Conducted the ESH assessment	●	Conducting the ESH assessment	Year-long
	Purchased green products	●	Purchasing green products	Year-long
	Achieved zero environmental accident	●	Managing environmental and safety accidents	Year-long

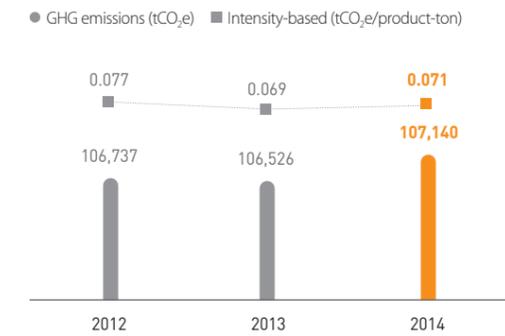
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Responding to climate change and reducing GHG emissions in business

Management of GHG emissions

GHG emissions are largely caused by the direct and indirect consumption of energy. Accordingly, LG H&H runs constant monitoring on major energy-consuming facilities. We conduct activities to reduce energy consumption by improving and making investment in the current system.

GHG emissions



* Based on the combined data of LG H&H, Coca-Cola Beverage and HAITAI Beverage

GHG Emissions Reduction Cases

Replaced with LED lightings	Reducing 156,479 kWh of electricity and 69.7 tCO ₂ e of emissions
Established coolant circulating pump inverters	Reducing 417,600 kWh of electricity and 196 tCO ₂ e of emissions
Replaced with high-efficient diffusers	Reducing 231,264 kWh of electricity and 108 tCO ₂ e of emissions
Replaced old high- and low-pressure valves	Reducing 19,564 Nm ³ of LNG, 52 tCO ₂ e of emissions

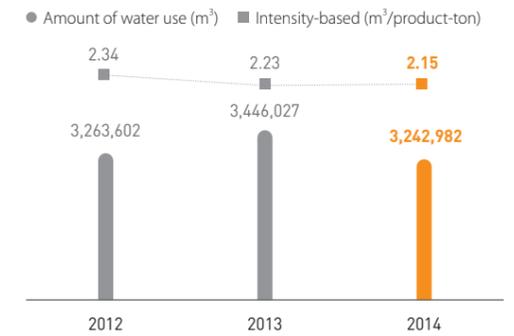
Participating in the Carbon Disclosure Project (CDP)

The CDP is a global project aimed at providing accurate corporate information to enable financial institutions and institutional investors to measure climate-change-related investment risks and opportunities more accurately. By using this information, they can also reflect climate-change-related investment risks in their portfolios in a more systematic way. LG H&H has participated in the CDP surveys every year since 2009. Our company ranked first in the carbon management sector in the consumer goods division in the 2014 CDP Korea Award, a sustainability assessment method to identify countermeasures of listed companies in response to climate change.

Water Resource Management

Water resources are utilized in various ways at every business site. Particularly in Korea, where the shortage of water resources is seriously considered, water resource management has great significance. LG H&H is a company that uses an enormous amount of water resources, which is why we are making efforts to resolve such issues by utilizing and recycling water efficiently.

Amount of water use



* Based on the combined data of LG H&H, Coca-Cola Beverage and HAITAI Beverage

Water resource protection

Business site in Yeosu | This site supplies water resources for farming at the request of local residents in the rice-planting season or dry season each year. As part of fulfilling its environmental responsibility, our company supplies discharged water, which used to be wastewater from the business site and was purified by physical precipitation, biological treatment, and chemical coagulation treatment. To secure the stable amount of water, our company is operating a storage that can contain 80 tons of discharged water.

Amount of water supplied for farming in 2014



Reusing washing water in the process

Our company organized a task force for water reduction and installed facilities to reuse washing water that is disposed from the business site. In this way, the company improved the water use index by 6%.

Wastewater Management

Investment in wastewater treatment facilities

Business site in Yeosu | Our company is reinforcing the facilities by making KRW 3.9 billion of investment for efficient wastewater treatment. By using the wastewater treatment method based on anaerobic digestion, it is possible to maximize the efficiency of organic decomposition, secure stable quality for water, produce steam by using biogas generated in the treatment process, and reduce the amount of sludge by 70%. The expense for electricity required to treat wastewater can also be reduced by 50%, increasing overall eco-friendly efficiency.

Prevention of the leak of leachate

Business site in Yeosu | Our company started to improve facilities to prevent the leak of leachate (water pollutant substances), which are generated in the process of storage and treatment of returned or defective products. We are consistently working to remove any possibility of leachate being discharged with rainwater through spillways toward public waters.

Recycling resources

In order to increase the recycling rate of waste generated in the production process, LG H&H is making continuous efforts for recycling and reusing waste by conducting education on separating waste for employees on a regular basis and frequently checking the state of separating waste.

Handling Harmful Substances and Strengthening the Safety Management

Prevention of the leak of raw materials

Business site in Cheongju | Our company made investment in facilities to be prepared against potential incidents, in which raw materials stored in outdoor tanks might be leaked due to the corrosion of facilities and pipes and flow into the spillways, leading to the spread of damage outside the business site. We installed monitors within the manufacturing site where staff work and CCTV and wastewater-blocking facilities at spillways surrounding the outdoor tanks. It thus became possible to monitor the places with high potential risk factors in real-time and to operate block switch at the occurrence of leakage accidents, removing the possibility of the leakage of pollutants and collecting them swiftly to prevent environmental incidents.

Prevention of soil pollution

Business site in Ulsan | We improved facilities surrounding outdoor tanks to prevent soil pollution around the detergent and fatty acid storage site, which can be caused by the leakage of chemical substances.

Replacement of raw materials with harmful substances

Business site in Cheongju | We have reduced the risk factors related to the treatment of raw materials by replacing part of them with those containing no harmful chemical substances.

In 2014, we replaced the KOH and SUNBIO TM90, toxic substances, with ordinary raw materials, thus reducing risk factors related to the use of harmful chemical substances.

Improvement of facilities for raw materials

Business site in Cheongju | We improved facilities to immediately respond to the leakage of raw materials and reduce the range of damage in the process of raw material input by tank lorries. By installing a trench at the position where tank lorries stop, we prevented environmental and chemical incidents. We also installed a trench at the position where lorries of the outdoor storage tank for glycerin and other raw materials for cosmetics stop. This trench prevents raw materials from spreading further in case of leakage.

Installation of CCTVs at risky blind spots

Business site in Ulsan | In order to identify the occurrence of problems related to pumps and pipes within the business site in real-time, we installed CCTVs at spots vulnerable to accidents and strengthened supervision.

Investment in improving safe environment

LG Group and LG H&H jointly conducted the safe environment diagnosis last year to enhance and develop the capacity of managing safe environment in the business site. Since 2013, KRW 11.5 billion of investment have been made for 984 cases to improve our capability to manage a safe environment.



Central Prevention Center at the business site in Yeosu

Green Purchasing and Waste Management

Green purchasing and recycling

LG H&H established the green purchasing regulations in August 2006 to minimize the impact on human health and environment by purchasing green products, and maintain a pleasant environment and contribute to leading sustainable lives by efficiently using limited resources. The Coca Cola Beverage has also participated in the voluntary agreement on green purchasing since 2008.

* Green products are goods that contribute to reducing the consumption of resources and alleviating pollution, unlike other ordinary products and services for the same use.

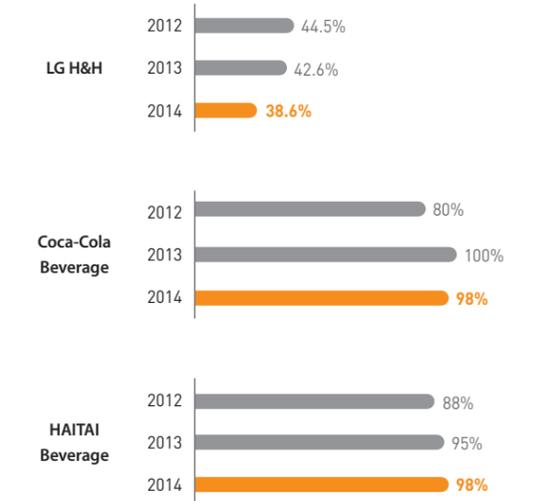
Green purchasing

(Unit: KRW million)		
2012	2013	2014
14,942	17,535	12,103

* The purchasing cost decreased due to the reduced volume and price of the relevant product.

* Non-consolidated data. (Data of LG H&H)

Rate of waste recycling



Special Case



Perspective image of the Integrated Distribution Center in Cheonan

Establishing an eco-friendly distribution center complex

LG H&H expanded the scale of the Sejong Distribution Center for online sales and established the automation facilities to enhance the shipment capacity. Our company is now focusing on improving its logistics service and productivity to keep up with plans for expanding direct management outlets and online overseas reversed direct purchase. In addition, construction of about 49,600 m² of the distribution center complex within a HAITAI Beverage's plant in Cheonan is expected to be completed in October 2015. This complex will be jointly used by HAITAI Beverage and the integrated cosmetics center to secure the medium and long-term responsive capacity of each division. The complex was designed as an eco-friendly building, which harmonizes well with the surrounding landscape and green areas, and will be operated as an environment-friendly logistics center that grows together with nature.

Employees Values

Sustainability Context

For the sustainability and social responsibility of the company, it is essential to enhance the values of employees through constant investment. Due to the growing need for desirable working conditions based on fair performance evaluation and compensation and for social security including safety and welfare, LG H&H strives to enhance the Employee Value Proposition (EVP) as a company that employees want to work for. We care about the health, safety, and welfare of employees, cultivating their capabilities and creating a corporate culture that can lead the market.

Our Commitment & Strategy

LG H&H respects the creativity and autonomy of employees, provides equal opportunities, and responds to the globalization of the market based on reasonable compensation, depending on employee performance. Our company puts top priority on employee safety and makes efforts to create an exemplary corporate culture by fostering communication with employees.

Our Progress & Objective

In 2015, the company is planning to conduct various activities as part of its efforts to grow into a top corporation in both the domestic and overseas markets. We will also utilize diverse internal and external channels to reinforce our employees' skills and talents.

Key Performance Indicators (KPIs)



* Non-consolidated data

Performance Summary and 2015 Goal

● Achieved ◐ Partially achieved or ongoing ○ Not achieved

Key issues	Performance in 2014	Level of Achievement	Plans for 2015	Target timing
Improving the health and safety of employees	Operated the health improvement program	●	Operating the health improvement program	Year-long
	Managed industrial accidents (safety/fire incidents)		Managing industrial accidents (safety/fire incidents)	
Securing differentiated human resources for each type of work	Strengthened the employment of global professional human resources for each type of work	●	Strengthening the network for the employment of global professional talent for each type of work and local staff	Year-long
	Operated the career talk session in the customized open recruitment fair in a new concept		Securing differentiated talent through open recruitment regardless of so-called specs	
Operating HR focusing on field work leaders	Established the performance-linked compensation management system led by field work leaders	●	Stabilizing the operation of performance-linked compensation management system led by field work leaders	Year-long
	Operated the programs for global talent cultivation and overseas dispatch on a constant basis		Establishing the talent cultivation program for China experts considering the expansion of business in China, and operating the program by connecting it with entrepreneur nurturing programs including MBA in China	
Strengthening the global capability	Provided business experience to internally-nurtured employees by putting them in charge of overseas businesses	●	Organizing the composition of the company and human resources with consideration for the leadership in the global N-Commerce market	Year-long
	Systematically conducted overseas businesses by newly establishing the department in charge of comprehensive overseas business management		Concentrating the company's capacity by reorganizing the R&R of global businesses	
Respecting diversity	Hired local entrepreneurs for three overseas subsidiaries (Japan, Taiwan)	●	Securing and nurturing the pool of core local talents in the Great China region and Southeast Asia	Year-long
	Obtained the certification as a family-friendly company		Signing a MOU with Korea Employment Agency for the Disabled to establish a subsidiary for the disabled	
Establishing the win-win relation between labor and management	Respected female human resources and diversified employment	●	Creating a culture of gender equality and disseminating the culture to subsidiaries	Year-long
	Continued the regular consultative body activities and strengthened communication		Conducting consultative body activities of each type of work on a regular basis, thus strengthening communication	
Establishing a market-leading organizational culture	Disseminated an exemplary corporate culture to lead the market	●	Making opportunities to share knowledge and experience of internal and external experts	Year-long
	Conducted the self-development process for each level of position		Conducting new innovative activities, growing into a top-class corporation with top class dignity	

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Strengthening the Capacity of Company for Global Businesses

LG H&H strives to secure key talent and operates global education programs to help us grow into a global corporation that implements a system to keep up with expanded overseas businesses.

Securing and nurturing key local talents

For the stable and long term operation of overseas businesses, we need local talent who have keen insight into the local market and consumers. LG H&H is trying to secure and nurture local talents, focusing on the key positions of overseas subsidiaries. We run a program for hiring foreign students from countries in the Great China region who are residing in Korea, increasing their work capabilities, teaching them our corporate culture through internship programs, and dispatching them to subsidiaries in China.

Organizing the integrated department in charge of managing all overseas subsidiaries

For the systematic operation of overseas businesses, which is essential for our company's future growth, LG H&H newly organized a department in charge of planning, development, and marketing of products for overseas subsidiaries. Internal capabilities for nurturing the global brand are concentrated in this department, and now we can see the outcomes.

Enhancing the global capacity of internal employees

We provide education programs to secure and reinforce the global capacity of internal employees to respond to the growth of overseas business and the expansion of strategic points. We run the Global MBA program for supporting selected employees with two-year MBA programs at prestigious colleges for the purpose of nurturing global leaders in the marketing, finance and HR departments. We also operate the local expert cultivation program by dispatching employees to China and Japan for eight months. This increases their awareness of the local culture and characteristics, helps them form social networks, and improves their foreign language skills. In 2014, we provided the Global Expertise Course—a mini version of the internal MBA course—aimed at developing language and global business capability. As of 2015, 47 people have graduated from this course.

No. of trainees of the global education in 2014



Securing Differentiated Human Resource Depending on Type of Work and Operating the Individual Salary Management system

LG H&H operates an HR system that is differentiated for each type of function and increased the efficiency of work and level of satisfaction of employees. Implementing this system has resulted in improved performance for the company.

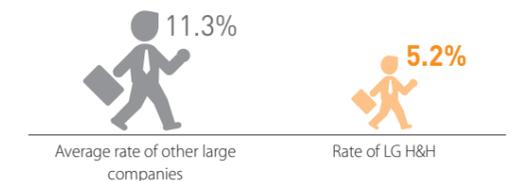
Operating differentiated employment program for each type of function

LG H&H has an employment procedure that starts from resume examination and moves on to the test phase, interviews, internship programs, and the seminar camp outside Korea for each type of function, including marketing, sales, and R&D. In this way, the company has remarkably reduced the early defection rate of employees, giving candidates the right to choose a suitable position for themselves and helping them swiftly adapt to their new roles.



Talk concert 'Career Talk'

The early defection rate of new employees



* Data from Korea Employers Federation

Operating the Performance-Based Fair Compensation System

The provision of fair compensation dependent on the type of work is a most fundamental value that enables employees to concentrate on their work, motivating employees and increasing their satisfaction with the company. In this expanded system, field work leaders have discretionary power, and the system has been extended to all office and technical staff. Sales employees are also paid, depending on their capabilities and performance under this merit-based system. In this way, our company has laid the groundwork for fair compensation for performance.

Securing Health and Safety

Safe environment education

One of the key business goals of LG H&H is to secure the health and safety of employees, visitors, and even third parties. In 2014, the LG Group conducted the safe environment diagnosis targeting all business sites at home and abroad. In 2015, we also started safe environment education, which had been prepared for about a year. Our company is strengthening communication by publishing the safe environment newsletter and hosting workshops.

Safe education for new employees | All new employees are required to take CPR and AED training programs. The company also conducts special lecture programs on "the significance of safe business environment" by inviting external experts to increase awareness to realize safe environments. Moreover, "Safety and Environment," a two-hour program, is included in the curriculum for promotion, and there is also a five-day basic course for strengthening expertise in the field of safe environment. The company will arrange an intensive course in the near future to train leaders in the field of safety and environment.



CPR training for new employees

Improving Health and Safety culture

LG H&H conducts campaigns to improve health and safety culture with a new theme every year. In order to attract attention from employees and encourage participation, campaigns should include events and activities in which employees voluntarily participate.

Health and Safety Campaign

2012	
Wearing protective equipment 	Think twice about risks. Develop your own safe style! (Wearing safety shoes and vests for delivery staff)
2013	
Prevention of driving under the influence 	Wait a minute. You need to stop drinking. You'll regret it if your license is revoked or suspended or if you're fined!
2014	
Prevention of musculoskeletal diseases 	Go away, backaches! Let's keep straight back! Prevent backaches by following these 3N steps!



Standing signboards for campaigns

Establishing the infrastructure for health diagnosis and improvement

In order to protect, maintain, and improve the health of employees, the company supports annual comprehensive health checks for all employees over age 35 and general health checks for those under 35. Our company also supports the spouses of employees, giving them opportunities to receive these same health checks every other year.

In 2015, we established the infrastructure for health checks and improvement to increase accessibility to information. In this system, employees can see the changes in their health condition with graphs that visualize the major health indicators based on the result of health checks over the last three years. Even after the period of health checks, employees can receive high-quality health management services, including a consultation with a doctor about the results of the health check anytime throughout the year and an emergency request for treatment (at university hospitals).

Cooperation for health and safety for coexistence

In order to fulfill our social responsibility for health and safety, LG H&H actively participates in the project of cooperation for health and safety for coexistence led by the Ministry of Employment and Labor and carries out exemplary activities. To strengthen enthusiasm in these efforts, we stipulated the support for business partners in its environmental, safety, and health policies in 2014.

As part of the support for business partners, we completed the risk factor assessment on all our work with business partners and supported the budget for installing and improving facilities to realize safer work processes. The employees of business partners can use our welfare facilities, including shower booths, gyms, cafeterias, and staff lounge, alongside LG H&H employees.



Operation of the Group of Cooperation for Health and Safety for Coexistence

Operation of anti-smoking program

In order to prevent the harmful consequences from smoking and protect employees from diseases including lung cancer, LG H&H consistently operates anti-smoking programs. From 2015, our company will impose a ban on smoking within the company building to actively participate in the government policy. We will allow smoking only at designated outdoor areas and expand the anti-smoking campaign to all business sites.

The result of anti-smoking program

(Unit: person)

Classification	No. of participants	No. of those who quit smoking	Success rate
LG H&H	20	9	45%
Coca-Cola Beverage	51	13	25%



Establishing the infrastructure for health diagnosis and improvement

Classification	Before 2014	From 2015
Scheduling and escheduling doctor appointments	<ul style="list-style-type: none"> Scheduling appointments was too inconvenient for sales and production department staff and their spouses (required to use intranet website) Rescheduling was only possible by phone 	<ul style="list-style-type: none"> Appointment scheduling can be done via PC, mobile phones, and call center outside the company and at home. Rescheduling is available in real-time via the website or phone (hospital's call center).
Hospital selection and health check items	<ul style="list-style-type: none"> Difficult to compare health check items at each hospital due to use of complex terms and tables. 	<ul style="list-style-type: none"> Health check items and hospitals can be compared (up to three hospitals). More hospital info is available, and staff and their spouses can now use multiple hospitals.
Result of health check	<ul style="list-style-type: none"> Employees needed to use the same hospital to implement health check history. 	<ul style="list-style-type: none"> Health check results can be checked on the website. The accumulated history from different hospitals can now be accessed. Graphs are used to make it easier to compare and check the major health indicators.
Doctor consultation	<ul style="list-style-type: none"> Consultation was only possible at the same hospital. It was difficult to consult with a doctor about general health issues. 	<ul style="list-style-type: none"> Medical personnel can be consulted via the website or phone (call center). The call center provides reservation-based service in case of request for urgent treatment. Information about diseases can be always found on the website. The webzine is delivered by e-mail, providing information on major diseases according to the health check results.

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Creating an Exemplary Corporate Culture

Successful settlement of Smart Station

We have promoted the Smart Station to nurture field-based sales activities by expanding the opportunities and time for communication with customers beyond the existing desk-job-based sales activities.

Revamping the existing concept, we started to consider the office as a place for preparation for field activities under the concept of "Field Equal to Office." After the introduction of the Smart Station, LG H&H's sales employees start work in the field and go home after completing their task there. Naturally, the travel time between the office and the business partner's site has reduced. In this system, employees can work efficiently by only doing essential tasks in the office, which helps to balance work and life.

Advantages from the introduction of the "Smart Station"

(Unit: %)

Advantages	
Realizing the significance of field work and increasing the time for field activities	60
Using time efficiently	13
Reducing unnecessary works and meetings in the office	10
No particular change	8
Handling works independently and increasing the responsibility	5
Increasing exchange with staff of other departments	3
Expanding communication based on SNS	1
Total	100

* Respondents: All employees currently working in the Smart Station system

Conducting the high-class dignity program

From 2012, all LG H&H employees are required to take the high-class dignity program. The company presents the top class standard for behaviors to keep up with our growing reputation as a No. 1 corporation. In 2015, the program has covered various issues related to the power harassment, balance between work and life, healthy culture of staff gathering, a corporate culture respecting female workers, fair evaluation and compensation, and clear separation between public and private matters. Starting from the program held in March targeting directors and heads of divisions, this education will be provided for all employees.

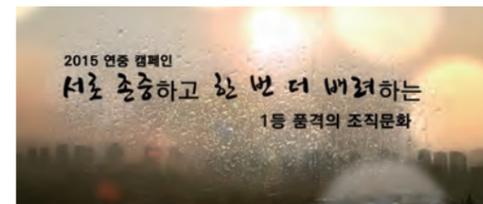
Providing opportunities for sharing knowledge and experience of internal and external experts

Given the fast changing consumer trends and more severe competition in the market, LG H&H employees need new ideas and inspiration to break old and limited ways of thinking. In this context, LG H&H conducts the special quarterly lecture for insight, in which all employees can learn

expertise and examine various business cases with experts from various fields. These activities help improve their work-related insight and come up with fresh ideas.

Promoting the campaign for mutual respect and solicitude

Respect and consideration towards other people has actually become a serious social issue. We are running a campaign to remind people of our culture of mutual respect and solicitude, basic values that are easily forgotten at work. Starting with the theme of "A Word of Solicitude" in March 2015, the campaign promoted various themes related to staff gathering, excessive overtime work, corporate culture respecting female workers, factionalism, and clear separation between public and private matters, which can easily arouse empathy and can really be put into practice. We are planning to maximize the effect of the campaign by producing video clips.



A scene in the video clip of the campaign of March, "A Word of Solicitude"

Carrying out the Design-Led Innovation Workshop

In response to fast changing consumer sentiments and global business conditions, the company conducted the Design-Led Innovation Workshop by inviting Erin Cho, a professor at Parsons Design School who is renowned as the author of Outrun. The workshop, which was held in January for the 1st half of the year and is planned to be held in upcoming July, is comprised of members with various perspectives from each division and position. Participants concentrate on generating ideas without caring about work-related affairs. The detailed concepts developed by each group will then go through the prototyping process. This workshop will serve as a driving force for the company to find market-leading values for customers after three to five years, beyond the simple problem-solving process that flows from an analysis of the current situation to the development of products.



The workshop in the 1st half of the year

Sales staff IDEA innovation activities (IDEA Mall)

LG H&H designed the IDEA innovation activities to make the best use of ideas from sales staff, who work closest to our customers. Sales staff can figure out imminent changes and consumers and suggest the most realizable ideas.

This program will strengthen our company's internal capacity by obtaining short-term ideas for product development and securing a communication route for external ideas.

The IDEA Mall embraces ideas based on the web system consisting of eight channels used by sales staff. Once they participate in the program, they are granted compensation. The one who comes up with the best idea will be granted special compensation, and this system considers both the quality and quantity of ideas.

The bulletin board for ideas is divided into two categories: one for free suggestions to collect ideas for new product development, and the other for subject suggestions for the company-wide idea contest. Starting with Boom-Up as part of the IDEA Mall activities, LG H&H will create a new driving force for innovation.

IDEA Mall operation process



Reliable Labor-Management Relation

Operation of the labor-management communication channel

The operation of the labor-management communication channel is aimed at sharing issues emerging in the work process and listening to constructive opinions from employees. We discuss solutions together, increasing the engagement level and efficiency of everyone within the company.

We run a broad range of communication channels, including the Beauty consultant committee (which works very closely with consumers), labor-management committee at each business site, meetings of each division and corporate culture meeting, as well as employee committees for each type of work, such as marketing, sales, design, and R&D. Through these channels, the company can have more opportunities to approach its employees, listen to the voices of our employees (VOE), identify problematic issues, and resolve them swiftly.

Operation of the labor-management communication channel

Classification	Operation cycle	Details
Employees committee meeting	Quarterly	Listening to VOEs from representatives of the employee committees, finding issues and solutions
Beauty Consultant committee meeting	Quarterly	Listening to VOEs from sales employees, finding issues and solutions
Meetings of the labor-management committee at each business site	Quarterly	Conducting surveys and collecting opinions from production staff at each business site, coming up with solutions, and receiving feedback
Meetings of each division	Yearly	Conducting meetings with employees led by the head of each division, receiving feedback for each agenda
Corporate culture meeting of each division	Twice a month (or on a constant basis)	Identifying the atmosphere of the working field of each division, listening to VOEs

Unionization rate

(Unit: %)

Classification	2012	2013	2014
LG H&H	27.7	23.5	23.8
Coca-Cola Beverage	93.9	94.9	96.3
HAITAI Beverage	82.0	74.9	77.1

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Win-Win Growth

Sustainability Context

Our relationships with business partners are very important since they give us competitiveness edges in production costs and product quality. Recently, the roles of corporations are extended from support for coexistence with small and mid-sized companies to sustainable management. In keeping up with this trend, LG H&H is pushing forward the building of cooperative relationships based on trust in various aspects such as the competency of business partners and CSR.

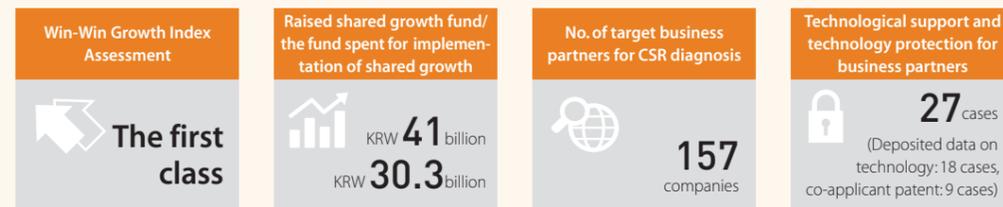
Our Commitment & Strategy

To trust a business partner as its companion and strengthen the relationship of coexistence positively contributing to its business, LG H&H sets "fusion purchase making hope and happiness together" as a vision for shared growth of the corporation and our partners. Together, we are building a cooperative coexistence culture where everyone is happy.

Our Progress & Objective

In 2015, our company is focusing on support for joint development of new technologies to contribute to reinforcement of R&D competency of business partners. We also plan to expand the CSR diagnosis and consulting programs for business partners to increase their sustainability.

Key Performance Indicators (KPIs)



Performance Summary and 2015 Goal

● Achieved ○ Partially achieved or ongoing ○ Not achieved

Key issues	Performance in 2014	Level of Achievement	Plans for 2015	Target timing
Strengthening communication with business partners	Held a general meeting with business partners (once)	●	Holding a general meeting with business partners (once)	2 nd quarter
	Held the Win-win Growth Committee meetings (3 times)	●	Holding the Win-win growth Committee meetings (3 times)	Year-long
	A manager/team member visited a business partner (manager: twice a month / team member: 4 times a month)	●	A manager/team member is visiting a business (partner manager: twice a month / team member: 4 times a month).	Year-long
	Held a meeting with business partners (twice)	●	Holding a meeting with business partners (twice)	Year-long
Strengthening competitiveness of business partners	Adjusted raw and subsidiary materials by linking with exchange rates	●	Adjusting raw and subsidiary materials by linking with exchange rates	Year-long
	Increased the amount of money spent on purchase at business partners by at least 1%	●	Increasing the amount of money spent on purchase at business partners by at least 1%	Year-long
	Managed technology data escrow systems for 18 cases	●	Managing technology data escrow systems for 18 cases	Year-long
Expanding financial aid for business partners	Maintained cash payment ratio at 100% (subcontractors: paid 100% in cash)	●	Maintaining cash payment ratio at 100% (subcontractors: paying 100% in cash)	Year-long
	Raised a 41-billion Win-win growth fund	●	Managing the 41-billion Win-win growth fund	Year-long
Strengthening fairness and transparency	Conducted major business partner CSR diagnosis on 157 partners	●	Conducting major business partner CSR diagnosis on 200 partners	Year-long
	Conducted major business partner purchase diagnosis on 157 partners	●	Conducting major business partner purchase diagnosis on 200 partners	Year-long

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Communication channels with business partners

Management of Open forum

To maintain relationships with business partners in terms of fair and transparent transactions and discover and improve a form of a potential unfair transaction, a department for precision management runs a system of Ethics Hotline claims, while a purchase department manages the Open forum channel.

Win-win growth Committee meetings with business partners

The committee is a consultative body for win-win growth deliberation which was introduced in 2012 to optimally manage the systems for LG H&H and its business partners. By regularly communicating with the representatives of major business partners, LG H&H and our partners develop ideas for win-win growth, which are considered necessary at the moment. We discuss the introduction of a win-win growth system and support items for the system's soft landing. In 2014, a total of 4 meetings were held, including a general meeting, and major deliberation agendas included: deliberation on beneficiaries of LG Growing Together Fund, deliberation on beneficiaries of interest-free direct capital loan, and deliberation of selection of consulting program beneficiary for business partners' increased productivity.

Reinforcement of business partners' competitiveness

Financial support

We help our business partners make decisions on various investment-related issues including new technology development, increase in process competency, and market development. Our company also establishes and manages different financial support programs to ultimately contribute to improving our business partners' competitiveness. The Win-win growth fund was raised by LG H&H and a financial institution (IBK corporate bank).

When our company donated a fund, the financial institution matched it at a certain rate. LG H&H increased the fund from 31.25 billion won in 2013 to 41 billion won in 2014 and manages the fund so that 11 billion won of the fund can first be allocated to secondary business partners, thereby expanding the support range of the Win-win Fund within a supply chain.

Support for overseas expansion

To practically support the increase in sales of business partners in overseas markets, our company has actively supported our business partners' participation in overseas exhibitions since 2013. Our company acted as a proxy in the application for participation of exhibitions, supported the dispatching of local manpower, installed exhibition booths, and paid all expenses for the interior design of booths for 6 companies in 2013 and for 10 companies in 2014. With our help, those companies participated in global cosmetics exhibitions and increased their sales. Our company is consistently reinforcing our role as a bridge of overseas business between business partners and overseas markets.

Support for overseas expansion

(Unit: KRW million)

Classification (participating companies)	Major counsel results	Sales effect
2013 (6 companies)	Exported 25 types of containers for cosmetics (Taejin Chemical)	153
	Exported 2 types of luxury containers for toner (Minjin)	16
	Exported 12 types of airless containers (Tap Korea)	106
2014 (10 companies)	Exported 5 types of raw materials including PP B360F (Darin)	51
	Did marketing activities by using 5 types of samples related with hair and soap Hair (Soky C&T)	2
	Carried out a process for export agreement on 15 types of products including rouge and eyeshadow (Zenisce)	-
Total (16 companies)	Secured overseas customers in countries including China, Thailand, Egypt, and Malaysia.	325



Participation in a beauty exhibition in Thailand

Technical support

CGMP authentication support | With help from our experts at LG H&H, our company helps cosmetics OEM manufacturers or toll processing business partners to get Cosmetic Good Manufacturing Practice (CGMP) certification, which is the standard for excellent cosmetics manufacturing and quality management. We provided consulting services including close communication with experts from the examination of certification document and site inspection to final certification acquirement. As a result, 5 companies obtained the certification in 2014.

Co-applicant patent support | To reinforce business partners' competitiveness of production technologies, production costs, and product quality in the mid and long terms, we manage various technical support programs such as joint technology development, optimization of process, and quality enhancement. Our company supports co-applicant patent for joint R&D results, and we also take the lead in protection of unique technologies of business partners through a technology data deposition system. Together, KLYN and LG H&H developed an extremely thin sheet-type sponge under the "Su:m37" brand: the needs from LG H&H integrated with this technology owned by the business partner. During the integration process, LG H&H supported a fund of 43 million won for KLYN.

R&D cooperation | Since 2015, LG H&H plans to carry out R&D cooperation programs by conducting expensive tests or experiments related to subsidiary materials for packaging. This helps business partners since LG H&H handles their packaging testing needs with our packaging research department. Our business partners without the measuring equipment and facilities for packaging would otherwise need to request external test institutions to conduct the tests.

Total consulting programs for our business partners | Through the "productivity innovation partnership" project, we help our primary and secondary business partners get three-dimensional diagnoses and improvement programs, receiving direct consultation from specialized institutions. For our secondary and other business partners, we conduct the Industrial Innovation 3.0 project to support quality/manufacturing innovation. We invest 100% of economic profit, including improvement in quality/meeting deadlines/production costs, resulting from the increased productivity through the supporting program in business partners to grow trustworthy relationships between our company and business partners with the belief that they are achieving win-win growth.

Management of new technology proposal exhibition

To reflect new and excellent ideas for technology owned by a business partner and realize them in products, our company runs the New Technology Proposal Exhibition where relevant departments-marketing, operation, overseas and R&D-voluntarily promote new technology. We actively support the participation of business partners, leading to the creation of sales for them. When an adopted product needs to be additionally developed, we supports the development funds by using a purchase conditional development fund (500 million won per year).

Management of new technology proposal exhibition



Green partnership

By integrating our know-how for environment management and production technology with high efficiency, the project helps our business partners to improve their management systems in terms of environment, safety, energy and GHG. The project is a supporting program for risk management to help us all maintain stable and long terms partnerships.

- Overall management of research tasks
- CO₂ expulsion management system plan for business partners
- Supported selected business partner with energy diagnosis/map to improve energy facilities
- Enacted improvements during overall research and follow-up management

- Organize training for carbon management and eco-friendly business practice.
- Build a foundation for carbon management system and response to climate change.
- Identify the carbon footprint of the complete production process of the 24 items from partners.
- Publish carbon management reports.

- Made energy diagnoses on 24 companies and maps for improvement
- Set tasks and solutions to improve the 24 companies processes and facilities

Educational support

CEO academy | For management and preparatory managers working for our business partners, we run once-a-year CEO academy in which invited lecturers share their wisdom. In 2014, the academy received a fervent response for lectures such as "Lessons for overcoming crises learned from classics" by Jae-hee Park, Professor at Sungkyunkwan University, "Mega trends of future society" by Young-sook Park at the UN Future Forum, and a lecture related with labor regarding economic democratization by a manager of Labor-Management Planning team at LG H&H.

TPM and FTA response-related education | Our company has implemented an education program for cultivating TPM (Total Productive Maintenance) experts for our business partners' field staff since 2013. In 2014, our company invited a TPM specialized lecturer from the Korean Standards Association to a class with 29 workers from 24 business partners. The overall satisfaction with the class was high. We provided educational programs to improve abilities to address a radically-changing FTA trade environment, execute the process of origin certification, custom clearance, and tax refund (all of which are required in foreign transactions), and address problems that occur during the processes. These programs provided information on imports and exports for 33 workers from 27 business partners, helping them smoothly carry out their business activities.

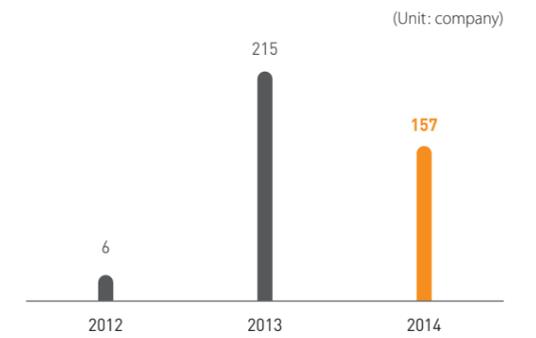
Other activities

Sharing achievement system | Our company runs a task process, and we make agreements on collaborative tasks, sharing our goals with our business partners in advance. When these goals are achieved, our company fairly distributes the fruits of the tasks. In 2014, we registered 8 achievement-shared tasks, and we plan to register at least 30 more tasks in 2015.

Evaluation of business partners and CSR management

LG H&H strives to select a business partner fairly and transparently through a business partner selection and registration process. To select a new business partner, we first conduct document examination and a credit test. We then conduct a due diligence test with a test team made up of the people in charge of purchase, materials, quality, production, design, the research center, and marketing. Our company reflects the ESR evaluation results to overall purchase assessment and uses these assessment results as criteria for giving incentives such as quantity allocation, the Win-win growth fund, and technical support.

Purchase diagnoses & CSR diagnoses



* The criteria for selecting a target company were adjusted to a high level in 2014, and the number of business partners for CSR diagnoses decreased.

CEO's communication with secondary business partners

In order to consolidate the company's enthusiasm for win-win growth with our business partners and to resolve irrational transaction issues or hardships, the CEO of LG H&H (Suk Cha, Vice Chairman) makes regular visits to secondary business partners. In 2014, he visited SPI Korea (printing labels for containers of cosmetics) in August and Joopong Corporation (injection molding for tubes of cosmetics) in December. Along with the regular visits (twice a month) of the directors in charge of purchasing to business partners, the CEO's visit will be continued as part of the communication activities of the management to resolve our partners' hardships.



CEO's visit to secondary business partners

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- 42 Jeong-Do Management
- 47 Customers Satisfaction
- 50 Green Management
- 54 Employees Values
- 60 Win-Win Growth
- 64 Contribution to Society

Contribution to Society

Sustainability Context

Local communities are important for maintaining sustainability since they provide the right for a company to run its businesses. LG H&H is aggressively contributing to the development of local communities to strengthen our relationships between such communities. We are doing our best to perform our roles as a corporate citizen as required by interest groups in the communities by meeting global trends.

Our Commitment & Strategy

To pursue social values and address problematic issues, we are implementing various activities, practically contributing to local communities together with monetary donation. To effectively achieve the goals of our philanthropic activities, LG H&H improves the effects of the activities by linking them with the characteristics of our company.

Our Progress & Objective

LG H&H plans to more actively implement such philanthropic activities in 2015 through which the company can draw out positive changes in local communities and expand the company's positive influence. In particular, it will focus on the spread of programs including "Global Eco Leader" whose purpose is to draw out social investments (e.g. education on environment.)

Key Performance Indicators (KPIs)



* Non-consolidated data

Performance Summary and 2015 Goal

● Achieved ○ Partially achieved or ongoing ○ Not achieved

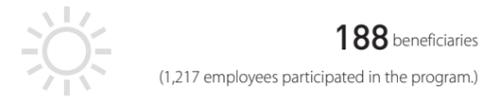
Key issues	Performance in 2014	Level of Achievement	Plans for 2015	Target timing
Reinforcement of linkage between social responsibility activities and business activities	Run the Perioe Kids School and education programs for oral health of kids in local communities	●	Keeping running the programs for oral health of kids in local communities	Year-long
	Expanded O Hui Beautiful Face Campaign, support for surgery and Healing Camps	●	Increasing the quality of support for surgery and Healing Camps	Year-long
	Launched Global Eco Leader	●	Activating Global Eco Leader	Year-long
Expansion of influence on a change of local communities	Donated to and conducted voluntary works at Beautiful Store by increasing the number of volunteers and donations	●	Increasing the number of volunteers and donating a greater variety of more items	Year-long
	Increased benefits to local communities from activities of Food Bank and Community Chest Of Korea	●	Increasing benefits to local communities through nationwide distribution of benefits	Year-long
	Increased the number of beneficiaries of Happy Smile Fund and Smile Together and support for those programs	●	Increasing the number of beneficiaries and reinforcing the content of support for the programs	Year-long
	Continued and increased support for artists of WHOO Praise for Hae-geum	●	Continuing and increasing support for artists of WHOO Praise for Hae-geum	Year-long
	Expanded campaigns of HIMANGO (mango tree for hope) and vocational education programs and kindergarten projects in HIMANGO Village	●	Keep expanding vocational education programs and kindergarten projects in HIMANGO Village	Year-long

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Sharing a half of a bean (Happy Smile Fund)

LG H&H helps women to realize their dreams by supporting and developing their capabilities and self-reliance. To this end, we support the health of single-parent matriarchs. Every year, the company raises a matching fund called "Happy Smile Fund" by collecting spare money from the salaries of employees and uses the fund to help single-parent matriarchs pay for health examinations and other medical services.

No. of beneficiaries of Happy Smile Fund



Perioe Kids School

"Perioe Kids School" project is an educational program on oral hygiene required for infants. It helps kids to maintain good oral hygiene, even when they grow up, and is the most representative social contribution program of the company. The program, through which the company spread the correct general knowledge on oral hygiene to the general public (including teachers at kindergarten, parents, and children), has been continuously implemented by "Perioe," an oral hygiene product brand that has been around since 2004.

A dental hygienist from LG H&H visits educational institutions for preschool children, who then educates the children on oral hygiene and sets up a program that teaches how to brush your own teeth in an elementary school. Our company's dental hygienist has visited more than 200 schools, kindergartens, and child welfare institutions every year and has implemented educational programs on oral hygiene for as many as 160 thousand children so far.

No. of children who participated in Perioe Kids School



Perioe Kids School

Campaign for HIMANGO (Mango tree for Hope)

HIMANGO campaigns are overseas relief social contribution activities that were started to improve self-reliance and health maintenance of the people in barren Southern Sudan in Africa. Our company distributes seedlings from mango trees as the one and only solution for the nutritional imbalance of children in the region. We educate the locals on how to grow these trees and, by doing so, help them become more self-reliant. In addition, the company built a "HIMANGO Village" and provides sewing education for women and carpentry classes for men to support their economy, education, and self-reliance as a community.



Campaign for HIMANGO (Mango tree for Hope)

Beautiful Store and Sharing Pack activities

The employees of LG H&H and their families have participated in supporting senior citizens who live alone and are vulnerable members in society. We understand the difficulties of these people marginalized in our society, and continuously participate in social activities such as Beautiful Store and Sharing Pack, which marks its 10th anniversary in this year.

In the "Beautiful Friday Event" that was held in November, employees donated 38,103 articles, sold them, and donated the profits from the event to marginalized people in the local community.



Sharing Pack activities

Good seed campaign, a self-reliance program for women of multi-cultural families

LG H&H started the Good Seed Campaign, a new social contribution activity which supports multi-cultural families. This campaign is an activity which extends the human rights of multi-cultural families, migrants living in this country, and increases their welfare through the World Village Love Sharing, which is the biggest NGO for multi-cultural families in South Korea. In March, together with Global Village Love Sharing, our company provided various cosmetic products for different individuals and institutions including immigrants, charity organizations, and women in multi-cultural families from China, Russia, Indonesia, Sri Lanka, and Bangladesh. We hoped to support and cheer up the women in multi-cultural families so that they do not lose confidence and succumb to loneliness in a foreign country.



Good Seed Campaign

Seed Sharing Supporters, the supporting program of THEFACESHOP for ethnic Korean students from China

Our company runs a program to support ethnic Korean students from China through which the company involves international students in South Korea to help multi-cultural families. We thus engage in volunteer work and supports the self-reliance of such families as a part of the "Good Seed Campaign." We plan to recruit university and graduate students who are interested in volunteer work for immigrants as "supporters for Seed Sharing". Part of the plan is to get them to help educate children of immigrant families and participate in events for supporting multi-cultural families, including a charity bazaar at a local community. In this way, the supporters grow and gain valuable experience, and the children of multi-cultural families also get the help that they need.



Activities of Seed Sharing Supporters

Conservation activities of places near business sites

Business site in Gwangju | Our company implements activities for purifying rivers and streams twice a year to improve water quality and preserve the ecosystem.

Business sites in Onsan and Yeosu | To promote interest in the importance of water and spread activities for fulfilling our love for water, we cooperate with local authorities and businesses to conduct purifying activities for streams, river, and beaches.



Conservation activities at the business site in Yeosu

Business site in Cheongju | By actively making an agreement with Guem River Basin Environmental Office in 2012, our company is conducting purifying activities for Miho stream, the major stream of Geum River basin. In 2014, we conducted purifying activities for the water's edge and underwater purifying activities by participating in "Resolution Conference for Reviving the Miho Stream and Soro Stream."

Business site in Ulsan | To mark the day of world's water every year, our company promotes interest in the importance of water and expands activities for fulfilling our love for water by conducting purifying activities for rivers, streams, and beaches through cooperation with 59 neighboring business sites, social organizations, and competent authorities. In addition, our company is pushing forward the "One-company, One-river campaign," in which we clean the surroundings of Hoeya River near our business site once a month by cooperating with LG Hausys and LG Chem.



Purifying activities of the Ulsan business site for rivers and streams

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Summary of Financial Statement

Financial statement

(Unit: KRW million)

Classification	LG H&H [consolidated]		LG H&H [non-consolidated]		Coca-Cola Beverage [consolidated]		THEFACESHOP [consolidated]		HAITAI Beverage [non-consolidated]	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	I. Current Assets	1,214,261	981,075	813,961	570,079	147,843	167,982	133,169	140,222	56,638
Cash and cash equivalents	338,067	143,045	268,105	58,476	12,794	22,579	20,208	26,966	1,357	976
Short-term finance balance	18,400	12,500	16,400	12,500	2,000	-	-	-	-	-
Accounts and notes receivable	408,256	410,540	268,358	270,098	77,690	86,268	38,709	41,521	22,776	22,984
Other bonds	18,657	13,013	22,017	1,594	5,377	11,274	4,390	9,845	849	1,438
Inventories	411,299	375,625	226,333	212,324	47,331	44,808	66,149	57,710	30,528	31,308
Investments in subsidiaries	-	-	4,197	-	-	-	-	-	-	-
Non-current assets as held for sale	-	6,749	-	6,749	-	-	-	-	-	-
Other current assets	19,582	19,603	8,552	8,339	2,651	3,053	3,713	4,179	1,127	612
II. Non-current assets	2,614,087	2,454,029	1,877,784	1,755,735	436,147	426,338	173,263	151,612	211,427	192,518
Long-term finance balance	1,030	1,027	18	18	6	6	3	3	1,000	1,000
Other long-term bonds	83,045	71,030	44,589	44,202	8,010	7,444	27,801	18,405	3,600	3,060
Available-for-sale financial assets	1,385	1,635	385	524	1,000	1,000	-	-	-	-
Stocks for subsidiaries	-	-	1,383,748	1,319,886	-	-	-	-	-	-
Stocks for affiliates and joint companies	50,321	45,434	26,268	26,268	-	-	-	-	-	-
Deferred tax assets	2,892	780	20,490	5,714	1,590	90	13,092	9,385	-	-
Property	1,102,367	1,022,142	330,968	286,980	419,692	411,991	38,719	29,995	206,126	187,768
Investments in properties	23,277	23,605	22,160	22,386	-	-	-	-	-	-
Goodwill	699,976	669,395	-	-	4,176	4,176	44,411	45,098	-	-
Intangible assets	646,145	616,496	46,101	47,612	1,596	1,556	49,048	48,601	701	689
Other non-current assets	3,648	2,486	3,057	2,145	76	76	190	124	-	-
Total assets	3,828,348	3,435,104	2,691,745	2,325,814	583,989	594,320	306,432	291,834	268,065	249,836
I. Current liabilities	1,035,674	981,692	601,781	518,879	108,645	176,221	109,147	97,618	90,156	87,673
II. Non-current liabilities	1,084,171	978,036	-	755,059	31,029	23,631	9,734	12,721	28,680	16,142
Total liabilities	2,119,845	1,959,727	601,781	1,273,938	139,674	199,852	118,881	110,339	118,836	103,815
Capital stock	88,589	88,589	88,589	88,589	50,000	50,000	1,018	1,018	87,642	87,642
Capital surplus	97,326	97,326	97,326	97,326	48,072	48,072	64,314	64,314	58,805	134,823
Retained earnings	1,689,040	1,414,672	1,114,975	937,328	346,244	296,396	114,672	107,309	3,307	(75,918)
Accumulated other comprehensive income	(158,450)	(118,673)	(24)	81	-	-	(3,360)	(2,749)	-	-
Other reserves	(79,078)	(73,057)	(71,449)	(71,449)	-	-	10,554	10,554	(526)	(526)
Non-controlling interests equity	71,076	66,519	-	-	-	-	353	1,048	-	-
Total capital	1,708,503	1,475,377	1,229,417	1,051,876	444,316	394,468	187,551	181,495	149,228	146,021

Income statement

(Unit: KRW million)

Classification	LG H&H [consolidated]		LG H&H [non-consolidated]		Coca-Cola Beverage [consolidated]		THEFACESHOP [consolidated]		HAITAI Beverage [non-consolidated]	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	Sales revenue	4,677,010	4,326,255	2,513,352	2,238,175	1,017,160	1,021,989	610,141	547,236	271,115
Costs of goods and services sold	2,101,828	2,031,823	1,153,299	1,107,466	584,090	580,924	208,281	178,703	182,104	175,082
Gross profit or loss	2,575,181	2,294,432	1,360,053	1,130,709	433,070	441,065	401,859	368,533	89,011	85,319
Selling and administrative expenses	2,064,142	1,798,021	1,050,988	892,649	358,711	341,883	332,844	273,598	84,252	77,319
Operating income	511,040	496,412	309,065	238,060	74,359	99,182	69,015	94,935	4,759	8,000
Finance income	9,485	15,242	46,277	40,735	332	1,625	264	589	53	25
Finance expenses	37,541	37,389	34,790	34,996	715	154	786	177	1,030	901
Other non-operating profit and loss	(8,240)	(4,388)	(2,469)	(13,898)	423	207	(3,053)	(720)	(955)	(188)
Profit and loss regarding equity method	5,467	3,579	-	-	-	-	-	-	-	-
Income loss before income taxes expenses	480,212	473,456	318,083	229,901	74,399	100,860	65,440	94,628	2,827	6,936
Corporation tax	125,647	107,804	68,763	52,940	20,357	23,878	17,764	21,080	774	(12,125)
Net income or loss	354,565	365,653	249,319	176,960	54,041	76,982	47,676	73,548	2,053	19,061

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Environmental Performance

Classification	Unit	Domestic			Overseas				
		2012	2013	2014	2012	2013	2014		
 Product volume	LG H&H	Ton	446,881	473,967	457,091	Beijing, China	6,998	7,497	6,977
	Coca-Cola Beverage	Ton	697,391	713,868	690,638	Hangzhou, China	301	557	639
	HAITAI Beverage	Ton	250,277	359,785	363,010	Dong Nai, Vietnam	1,907	2,101	2,253
 Energy	LG H&H	TJ	770	899	915	Beijing, China	16	17	21
	Coca-Cola Beverage	GJ/Product-Ton	1.722	1.896	2.002	Hangzhou, China	2.278	2.293	3.068
	HAITAI Beverage	GJ/Product-Ton	1.352	1.242	1.246	Dong Nai, Vietnam	11.392	6.455	5.746
 Green house gas	LG H&H	tCO ₂ e	39,707	42,488	42,788	Beijing, China	826	891	1,109
	Coca-Cola Beverage	tCO ₂ e/Product-Ton	0.089	0.090	0.094	Hangzhou, China	0.118	0.119	0.159
	HAITAI Beverage	tCO ₂ e/Product-Ton	0.503	0.981	1.024	Dong Nai, Vietnam	6.288	6.115	5.612
 Water	LG H&H	m ³ (Water)	613,586	719,422	687,031	Beijing, China	13,771	15,598	16,003
	Coca-Cola Beverage	m ³ (Recycling water)	139,331	144,200	59,565	Hangzhou, China	-	-	-
	HAITAI Beverage	m ³ (Recycling water)	82,611	57,532	42,872	Dong Nai, Vietnam	-	-	-
 Waste	LG H&H	kg/Product-Ton	12.971	13.189	15.499	Beijing, China	207	236	221
	Coca-Cola Beverage	kg/Product-Ton	6.605	5.367	7.267	Hangzhou, China	29.581	31.479	31.676
	HAITAI Beverage	kg/Product-Ton	1.653	1.930	2.638	Dong Nai, Vietnam	18.717	19.604	27.011
 Waste water	LG H&H	m ³	122,356	128,975	122,400	Beijing, China	10,920	12,369	12,802
	Coca-Cola Beverage	m ³	1,053,363	1,121,014	1,083,530	Hangzhou, China	2,433	2,515	2,955
	HAITAI Beverage	m ³	210,059	225,458	218,850	Dong Nai, Vietnam	38,428	29,520	36,673

Classification	Unit	Domestic			Overseas		
		2012	2013	2014	2012	2013	2014
LG H&H	Ton	8.9	13.4	10.7	0.5	0.7	3.5
	kg/Product-Ton	0.020	0.028	0.023	0.072	0.087	0.503
Coca-Cola Beverage	Ton	15.6	14.8	15.0	0.5	0.5	0.6
	kg/Product-Ton	0.022	0.021	0.022	1.600	0.849	0.971
HAITAI Beverage	Ton	7	1.4	1.6	3.3	0.9	1.5
	kg/Product-Ton	0.027	0.004	0.004	1.733	0.407	0.668

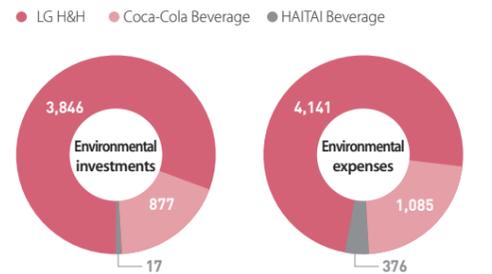
Amount of using raw materials (Domestic)

Classification	2012	2013	2014
LG H&H	206,230	204,770	223,499
Coca-Cola Beverage	107,055	106,899	167,127
HAITAI Beverage	33,194	30,579	29,098

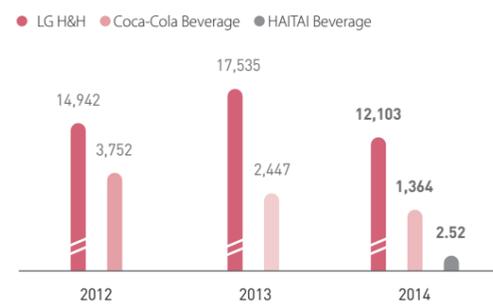
Amount of recycling containers

Classification	2012	2013	2014
LG H&H	10,336	12,048	14,017
Coca-Cola Beverage	36,218	36,146	36,496
HAITAI Beverage	5,647	5,478	6,451

Expenses and investments in environmental protection



Green purchase performance



Amount of water intake from each supply source

Classification	Environmental investment	2012	2013	2014
LG H&H	Water supply (Industrial + Domestic water)	278,037	429,241	396,681
	Ground water	270,416	250,633	236,341
	River water	65,133	39,548	54,008
	Total	613,586	719,422	687,031
Coca-Cola Beverage	Water supply (Industrial + Domestic water)	1,211,892	1,214,270	1,148,853
	Ground water	434,504	427,760	396,911
	River water	383,345	406,105	341,531
	Total	2,281,303	2,371,365	2,186,973
HAITAI Beverage	Water supply (Industrial + Domestic water)	485,481	273,936	257,290
	Ground water	134,794	371,546	378,636
	Logistics and water supply	-	10,454	7,623
	Total	702,886	713,468	686,422

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Social Performance

Number of employees based on each employment type

Classification	2012	2013	2014	
LG H&H	Employment type	3,104	3,555	3,720
	Temporary	578	352	286
	Disabled	29	34	36
	Diversity	57	54	58
	Veterans	9	9	9
	Foreigners	1,774 / 1,908	1,825 / 2,082	1,850 / 2,156
Coca-Cola Beverage	Employment type	2,108	2,101	2,117
	Temporary	341	359	315
	Disabled	57	57	56
	Diversity	45	48	49
	Veterans	2	1	1
	Foreigners	2,321 / 128	2,316 / 144	2,288 / 144
HAITAI Beverage	Employment type	692	749	751
	Temporary	97	147	126
	Disabled	18	19	17
	Diversity	4	6	9
	Veterans	0	0	0
	Foreigners	739 / 50	823 / 73	807 / 70
THEFACESHOP	Employment type	321	380	399
	Temporary	3	12	8
	Disabled	5	4	5
	Diversity	4	6	7
	Veterans	2	3	2
	Foreigners	190 / 134	227 / 165	239 / 168

Number of retired employees (Retirement rate)

Classification	2012	2013	2014
LG H&H	155(5.0)	174(4.9)	217(5.8)
Coca-Cola Beverage	291(11.9)	288(11.7)	275(11.3)
HAITAI Beverage	122(15.5)	119(14.5)	151(17.2)
THEFACESHOP	40(12.3)	33(8.4)	27(6.6)

Creating jobs

Classification	2012	2013	2014
LG H&H	639	606	441
Coca-Cola Beverage	323	333	234
HAITAI Beverage	125	161	129
THEFACESHOP	39	43	26

* Due to change in the internal calculation standard, the data for 2012 and 2013 has been changed. LG H&H data is based on permanent employees.

Training and education

Classification	Unit	2012	2013	2014
LG H&H	Number of education participants	17,864	20,759	27,691
	Education hours for each person	77.1	70.7	73.3
	Education and training expenses for each person	KRW 991,607	1,411,260	1,166,265
Coca-Cola Beverage	Number of education participants	789	501	4,417
	Education hours for each person	3.6	4.2	8.6
	Education and training expenses for each person	KRW 56,132	114,813	103,225
HAITAI Beverage	Number of education participants	130	165	363
	Education hours for each person	1.3	0.3	2.0
	Education and training expenses for each person	KRW 108,924	100,415	73,025
THEFACESHOP	Number of education participants	4,710	5,687	6,856
	Education hours for each person	73.2	72.5	105.1
	Education and training expenses for each person	KRW 1,144,432	750,046	1,285,230

Parental leave

(Unit:%)

Classification		2012	2013	2014
LG H&H	Rate of employees returning to work after parental leave	81	95	83
	Retention rate of 1-year parental leave	78	85	77
Coca-Cola Beverage	Rate of employees returning to work after parental leave	-	75	50
	Retention rate of 1-year parental leave	-	100	50
HAITAI Beverage	Rate of employees returning to work after parental leave	-	100	67
	Retention rate of 1-year parental leave	-	33	100
THEFACESHOP	Rate of employees returning to work after parental leave	-	92	91
	Retention rate of 1-year parental leave	-	100	83

CSR assessment for suppliers (New companies)

(Unit:company)

Classification	2012	2013	2014
Total number of new suppliers selected by the company or considered as a contract partner	-	169	123
Total number of new suppliers evaluated in accordance with the CSR assessment standard	-	17	27
Ratio of new suppliers evaluated in accordance with the CSR assessment standard	-	10.1%	22.0%

CSR assessment for suppliers

(Unit:company)

Classification	2012	2013	2014
Number of suppliers targeted for CSR assessment standard	6	215	157
Number of suppliers acquiring the score less than 70 in CSR assessment	0	10	13
Number of suppliers with a score of less than 70 in CSR assessment which have agreed to improve issues detected in the CSR assessment	0	10	13
Number of suppliers whose contract is terminated due to low CSR level based on the result of CSR assessment	0	0	0

Activities for supporting reinforcement of suppliers' competitiveness

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Classification	2012	2013	2014
Support for technical protection (Deposit for technical materials/Joint patents)	11 cases (4/7)	31 cases (10/21)	27 cases (18/9 cases)
Signing a contract for win-win growth (Suppliers for LGH/primary-secondary suppliers)	80/172	80/227	108/330
Expenses for creating/executing win-win growth fund	KRW 30 billion/ 25.8 billion	KRW 31.25 billion/ 27.99 billion	KRW 41 billion/ 30.3 billion
Supporting pioneering the overseas market (Participating company/Sales effect)	-	6 companies/ KRW 275 million	10 companies/ KRW 53 million
Expenses for proposing and purchasing new technology (Number of products/Expenses for purchase)	-	28 products/ KRW 573 million	36 products/ KRW 2,863 million
Education	513 companies / 671 persons	221 companies/ 497 persons	363 companies/ 734 persons

Anti-corruption education

Classification		Unit	2012	2013	2014
LG H&H	Number of employees who completed anti-corruption education	Person	All employees	587	All employees
	Ratio of employees who completed anti-corruption education	%	100	15	100
Coca-Cola Beverage	Number of employees who completed anti-corruption education	Person	All employees	1,780	All employees
	Ratio of employees who completed anti-corruption education	%	100	78	100
HAITAI Beverage	Number of employees who completed anti-corruption education	Person	All employees	600	All employees
	Ratio of employees who completed anti-corruption education	%	100	67	100
THEFACESHOP	Number of employees who completed anti-corruption education	Person	All employees	311	All employees
	Ratio of employees who completed anti-corruption education	%	100	79	100
Business Partners	Number of suppliers which completed anti-corruption education	No. of suppliers	222	178	182

Corruption cases

(Unit:case)

Classification		2012	2013	2014
LG H&H	Number of identified corruption cases	10	11	25
	Cases for punished or dismissed employees due to corruption	14	25	22
	Cases for terminating or not renewing contract with suppliers due to corruption	-	-	1
Coca-Cola Beverage	Number of identified corruption cases	6	8	14
	Cases for punished or dismissed employees due to corruption	51	46	57
	Cases for terminating or not renewing contract with suppliers due to corruption	-	-	-
HAITAI Beverage	Number of identified corruption cases	3	5	5
	Cases for punished or dismissed employees due to corruption	31	35	35
	Cases for terminating or not renewing contract with suppliers due to corruption	-	-	-
THEFACESHOP	Number of identified corruption cases	3	1	8
	Cases for punished or dismissed employees due to corruption	-	3	5
	Cases for terminating or not renewing contract with suppliers due to corruption	-	-	-

Government Subsidiary for 2014

(Unit:KRW million)

Project name	Government agency	Cost	Notes
Developing enzyme materials with excellent skin stability	Ministry of Health and Welfare	135	2013.11~2014.11
Establishing skin types for each gene type and developing customized effective components	Ministry of Health and Welfare	280	2013.11~2014.11
Developing special mask pack materials with a new concept and form for improving effectiveness	Ministry of Health and Welfare	135	2013.11~2014.11
Assessing effectiveness of cosmetics based on plant stem cells and securing stability in cosmetic form	Ministry of Health and Welfare	40	2013.11~2014.11
Developing Mutanase enzyme with remarkable capability for disassembling plaque	Ministry of Health and Welfare	200	2013.11~2014.11
Developing peptide materials with stem cells activated for well-aging skincare	Ministry of Health and Welfare	250	2013.11~2014.11

Current Status of Major External Assessment and Awards in 2014

Classification	Award	Institution for assessment/award
The Most Trusted and Respected Company in Korea	1 st Prize in the cosmetics industry, one of 30 All-Star major companies	KMAC
Korea Great Work Place Index (K-GWPI)	One of the best 30 companies and 1 st Rank in the cosmetics industry	KMAC
1 st Best Award for Health and Environment in Korea	Prize by the Minister of the Health and Welfare in the health and welfare sector	Ministry of Environment, Ministry of Health and Welfare, Ministry of Agriculture, Food, and Rural Affairs
2014 Win-win Growth Index	The first-class	Korean Commission for Corporate Partnership
Dow Jones Sustainability Index	Listed in Asia-Pacific region for five consecutive years (Daily products sector)	Dow Jones/SAM/KPC
30 Best Companies in East Asia for 2014	Best company for socially responsible management in Korea, Japan, and China	Hankyoreh Economic Research Institute
23 rd Best Company Award by Citizens' Coalition for Economic Justice	Best company in the metal, non-metal, and chemical businesses	Citizens' Coalition for Economic Justice
Reddot Design Award 2014	Main prize for the communication design sector (Beyond)	Reddot
Chinese Consumers' Favorite Korean Goods	Bamboo Salt Toothpaste	People's Daily, China
Winner for Korea's Innovative Products 2014	Isaknox X2D2 Metal Cushion Foundation	KMAR
Best Prize in the Contest for Eco-friendly Packaging	Prize by the Minister of Environment (Sum37 th Secret Repair Concentrate)	Ministry of Environment
Carbon Disclosure Project (CDP)	1 st rank in the consumer goods industry	CDP Committee
Won the CSV Award in Korea	Won the Win-Win Growth segment	Korean Academic Society of Business Administration

Associations and Memberships in 2014

KISANHYUP	Federation of Korean Industries	Korean Society of Toxicology
Korea Products Safety Association	CSV Society	Korea Environmental Engineers Association
Korean Business Council for the Arts	Korea Food Industry Association	Korea Industrial Technology Association
Green Company Council	Fair Competition Federation	Korea Cosmetic Association
Korea Chemicals Management Association	KOSHA Autonomous Safety Club (Korea Occupational Health and Safety Agency)	Korea Environmental Preservation Association
Korean Association of Occupational Health Nurses	Korea Customs Logistics Association	Korea Fire Safety Association
Korea Industrial Safety Association	Organization of Consumer Affairs Professionals in Business	UN Global Compact
Korea Environmental Industry & Technology Institute	Korea Intellectual Property Protection Association	HACCP Councils
Korea Listed Companies Association	Korea International Trade Association	Korea Personnel Improvement Association

Current Status of Management System Certificate in 2014

Classification	ISO 14001	OHSAS 18001	Green company	ISO 9001	HACCP	KS
LG H&H	Cheongju/Ulsan/Onsan	Cheongju/Ulsan	Cheongju/Ulsan/Onsan	Cheongju/Ulsan/Onsan/Naju	N/A	Cheongju/Ulsan
Coca-Cola Beverage	Yeoju/Yangsan/Gwangju	Yeoju/Yangsan/Gwangju	Yeoju/Gwangju	Yeoju/Yangsan/Gwangju	Yeoju/Yangsan/Gwangju	N/A
HAITAI Beverage	Cheonan/Pyeongchang/Cheorwon	Cheonan/Pyeongchang/Cheorwon	-	Cheonan/Pyeongchang/Cheorwon	Cheonan	N/A

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GRI G4 Index

Classification	G4	Indicators	Remarks	Page	
Strategy and analysis	G4-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability		4-5	
	G4-2	Description of key impacts, risks, and opportunities		12-13, 20-23	
Organizational profile	G4-3	Name of the organization		6	
	G4-4	Primary brands, products, and/or services		7-13	
	G4-5	Location of organization's headquarters		6	
	G4-6	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report		6, 12-13	
	G4-7	Nature of ownership and legal form		6, 14-15	
	G4-8	Market served		6, 12-13	
	G4-9	Scale of the reporting organization		6-7, 14-15, 68	
	G4-10	Total workforce		6, 71	
	G4-11	Percentage of employees covered by collective bargaining agreements		59	
	G4-12	Organization's supply chain		60-63	
	G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.		86	
	G4-14	Precautionary approach or principle by the organization		44-45	
	G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.		75-80	
	G4-16	Memberships in associations (industrial associations, etc.) or national/international advocacy organizations		74	
	Identified material aspects and boundaries	G4-17	All entities included in the organization's consolidated financial statements or equivalent documents and any entity not covered in this report		68
		G4-18	Process for defining the report content and the aspect boundaries and methods to apply the reporting principles for defining report content		86
G4-19		All the material aspects identified in the process for defining report content		21-23	
G4-20		Aspect boundary within the organization for each material aspect		20-23	
G4-21		Aspect boundary outside the organization for each material aspect		20-23	
G4-22		Effect of any restatements of information provided in previous reports, and the reasons for such restatements	Annotating the revised data	-	
G4-23		Significant changes from previous reporting periods in the scope and aspect boundaries	No significant change	-	
Stakeholder engagement		G4-24	List of stakeholder groups engaged by the organization		18-19
		G4-25	Basis for identification and selection of stakeholders with whom to engage		18-19
		G4-26	Organization's approach to stakeholder engagement		18-19
	G4-27	Key topics and concerns that have been raised through stakeholder engagement and organization's response		18-25	
	G4-28	Reporting period for information provided		86	
Report profile	G4-29	Date of most recent previous report	2014.6.30	-	
	G4-30	Reporting cycle		86	
	G4-31	Contact point for questions regarding the report or its contents		86	
	G4-32	Organization's method for "in accordance"		86	
	G4-33	Organization's policy and current practice with regard to seeking external assurance for the report		86	

Classification	G4	Indicators	Remarks	Page	
Governance	G4-34	Governance structure of the organization, including committees of the highest governance body		6, 16-17, 40-41	
	G4-35	Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees		16-17, 40-41	
	G4-36	Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topics, and whether post report directly to the highest governance body		16-17, 40-41	
	G4-37	Process for consultation between stakeholders and the highest governance body on economic, environment, and social topics, to whom consultation is delegated if applicable, and any feedback processes to the highest governance body		16-17, 40-41	
	G4-38	Composition of the highest governance body and its committees (Executives or non-executives, Independence, Tenure on the governance body, Number of each individual's other significant positions and commitments, and the nature of the commitments, Gender, Memberships of under-represented social groups, Competences relating to economic, environmental, and social impacts, Stakeholder representation)		16-17, 40-41	
	G4-39	Whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)		16-17, 40-41	
	G4-40	Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members (Whether and how diversity is considered, Whether and how independence is considered, Whether and how expertise and experience relating to economic, environmental, and social topics are considered, Whether and how stakeholders are involved)		16-17, 40-41	
	G4-41	Processes for the highest governance body to ensure conflicts of interests are avoided and managed (Cross-board membership, Cross-shareholding with suppliers and other stakeholders, Existence of controlling shareholders)		16-17, 40-41	
	G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social impacts		16-17, 40-41	
	G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics		16-17, 40-41	
	G4-44	Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics (Whether such evaluation is independent or not, and its frequency)		16-17, 40-41	
	G4-45	Highest governance body's role in the identification and management of economic, environmental, and social impacts, risks, and opportunities		16-17, 40-41	
	G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics		16-17, 40-41	
	G4-47	Frequency of the highest governance body's review of economic, environmental, and social impacts, risks, and opportunities		16-17, 40-41	
	G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material aspects are covered		16-17, 40-41	
	G4-49	Process for communicating critical concerns to the highest governance body		16-17, 40-41	
	G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them		16-17, 40-41	
	G4-51	Remuneration policies for the highest governance body and senior executives		16-17, 40-41	
	G4-52	Process for determining remuneration		40-41, 55	
	Ethics and integrity	G4-53	How stakeholders' views are sought and taken into account regarding remuneration (if applicable)		40-41
		G4-54	Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	Business Report	-
		G4-55	Ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	Business Report	-
		G4-56	Organization's values, principles, standards and norms of behavior such as conduct and codes of ethics		42-43
		G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity		42-43
		G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity		42-43

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Aspect	Material Aspect	DMA & Indicators	Remarks	Page
Economy				
Economic performance	√	DMA		12-13
		EC1	Direct economic value generated and distributed	14-15, 68
		EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	50-51
		EC4	Financial assistance received from government	73
Market presence		EC5	Range of ratios of standard entry level wage by each gender compared to local minimum wage at significant location of operation	No difference in the entry level wage between genders -
		EC6	Proportion of senior management hired from the local community at significant locations of operation	90% (based on managers at overseas business sites) -
Indirect economic impacts		EC7	Development and impact of infrastructure investments and services supported	36, 65-67
		EC8	Significant indirect economic impacts, including the extent of impacts	36, 64-66
Procurement/Sourcing practices		EC9	Proportion of spending on local suppliers at significant locations of operation	KRW 1.308 trillion and 114 million (based on domestic business sites) -
Environment				
Materials		EN1	Materials used by weight or volume	70
		EN2	Percentage of materials used that are recycled input materials	70
Energy	√	DMA		50
		EN3	Energy consumption within the organization	69
		EN5	Energy intensity	69
Water	√	DMA		50
		EN8	Total water withdrawal by source	71
		EN9	Water sources significantly affected by withdrawal of water	51-52, 66, 70
		EN10	Percentage and total volume of water recycled and reused	51
Emissions	√	DMA		50
		EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	50-51, 69
		EN18	Greenhouse gas (GHG) emissions intensity	69
		EN19	Reduction of greenhouse gas (GHG) emissions	51
Effluents and waste	√	DMA		50
		EN22	Total water discharge by quality and destination	70
		EN23	Total weight of waste by type and disposal method	69
		EN24	Total number and volume of significant spills	70
		EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	66
Products and services	√	DMA		28, 32
		EN27	Extent of impact mitigation of environmental impacts of products and services	32-33
		EN28	Percentage of products sold and their packaging materials that are reclaimed by category	53
Compliance		EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No sanctions and fines -
Transport		EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	33, 53
Overall		EN31	Total environmental protection expenditures and investments by type	28-33, 36, 70
Supplier environmental assessment	√	DMA		60
		EN32	Percentage of new suppliers that were screened using environmental criteria	60, 63, 70
		EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	60-63
Labor				
Employment		LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	55, 71
		LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	54-59
		LA3	Return to work and retention rates after parental leave, by gender.	35, 73
Labor/management relations		LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Two months -
Occupational health and safety		LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	56
		LA7	Workers with high incidence or high risk of diseases related to their occupation	56-57
		LA8	Health and safety topics covered in formal agreements with trade unions	56-57

Aspect	Material Aspect	DMA & Indicators	Remarks	Page
Labor				
Training and education	✓	DMA		54
		LA9	Average hours of training per year per employee by gender, and by employee category	54, 72
		LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	54-55
Diversity and equal opportunity	✓	LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	54-55
		DMA		34, 54
Equal remuneration for women and men	✓	LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	34-35, 71
		DMA		34, 54
Supplier assessment for labor practices	✓	LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	-
		DMA		60
		LA14	Percentage of new suppliers that were screened using labor practices criteria	72
Human rights	✓	LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	60-63
		DMA		
Non-discrimination	✓	HR3	Total number of incidents of discrimination and corrective actions taken	N/A
		DMA		34
Freedom of association and collective bargaining	✓	HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	54-59
		DMA		60
Supplier human rights assessment	✓	HR10	Percentage of new suppliers that were screened using human rights criteria	60, 72
		DMA		
Social				
Local communities	✓	S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs	All business sites
		S02	Operations with significant actual and potential negative impacts on local communities	N/A
Anti-corruption	✓	DMA		42-43
		S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	42-43, 73
		S04	Communication and training on anti-corruption policies and procedures	42-43, 73
Anti-competitive behavior	✓	S05	Confirmed incidents of corruption and actions taken	42-43, 73
		DMA		43
Compliance	✓	S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	60, 63, 73
		DMA		45
Supplier assessment for impacts on society	✓	S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Two times (as of 2014)
		DMA		60
		S09	Percentage of new suppliers that were screened using criteria for impacts on society	63, 72
Grievance mechanisms for impacts on society	✓	S010	Significant actual and potential negative impacts on society in the supply chain and actions taken	60-63
		S011	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	43
Product responsibility				
Customer health and safety	✓	DMA		28, 47
		PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	28-31
		PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	48
Product and service labeling	✓	DMA		47
		PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	47-49
		PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	47-49, 73
		PR5	Results of surveys measuring customer satisfaction	47
		PR6	Sale of banned or disputed products	48
Marketing communication	✓	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	73
		PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	46-47

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Food Processing Sector Disclosures (FPSD)

Food Processing Sector Disclosures (FPSD) is an indicator which has been revised based on the existing Food Processing Sector Supplement (FPSS). The FPSD is applied limitedly to the Coca-Cola Beverage and HAITAI Beverage of LG H&H.

Aspect	Sector Disclosure	Page	Remarks	
Economy	Procurement/Sourcing practices	FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy	60-63, 77
		FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	53, 70
Social	Labor/management relations	FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country	-
	Healthy food with reasonable price	FP4	Nature, scope and effectiveness of any programs and practices (in-kind contributions, volunteer initiatives, knowledge transfer, partnerships and product development) that promote access to healthy lifestyles, the prevention of chronic disease, access to healthy, nutritious and affordable food, and improved welfare for communities in need	28-31, 65-66
		FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	69
	Product and service labeling	FP8	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements	47-49
		FP9	Percentage and total of animals raised and/or processed, by species and breed type	-
	Animal welfare	FP10	Policies and practices, by species and breed type, related to physical alterations and the use of anesthetic	-
		FP11	Percentage and total of animals raised and/or processed, by species and breed type, per housing type	-
		FP12	Policies and practices on antibiotic, anti-inflammatory, hormone, and or growth promotion treatments, by species and breed type	-
		FP13	Total number of incidents of significant non-compliance with laws and regulations, and adherence with voluntary standards related to transportation, handling, and slaughter practices for live terrestrial and aquatic animals	-

Sustainability Accounting Standards Board (SASB) Major Issues in Each Industry

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

Aspect	Issue	Non-alcohol beverage sector	Daily life and personal product sector	Page
Environment	Energy management	●		50-53, 69
	Water management	●	●	50-53, 69-70
Social	Health and nutrients	●		56-57
	Transparent labeling and marketing	●		42-43, 47-49
Innovative	Management and innovation of packaging cycle	●	●	28-33
	Product composition safety		●	28-33
Governance structure	Management of supply chain	●	●	60-63

* The non-alcohol beverage sector is applied to Coca-Cola Beverage and HAITAI Beverage, while the daily and personal product sector is applied only to LG H&H.
 * Major issues for the currently presented industries were written in reference to the SASB Consumption draft version.

UNGC Communication on Progress

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

Classification	LG H&H system and policy	Relevant activity	Page
Human rights			
Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights	Code of Ethics Chapter 1. Responsibilities and Duties for Customers 1. Respecting Customers	Ratio of purchasing products verified by the internationally recognized and credible standard for reasonable production	PP. 34-35 PP. 54-57
Principle 2. Businesses make sure that they are not complicit in human rights abuse.	Chapter 5. Responsibilities for Executives and Employees 2. Fair Treatment		
Labor rules			
Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Knowhow for Operating the Labor-management Council Code of Ethics		
Principle 4. Businesses should eliminate all forms of forced and compulsory labor.	Chapter 5. Responsibilities for Executives and Employees 1. Respecting Human Beings	LG H&H continuously makes extensive efforts to train employees into autonomous and creative talented people.	PP. 58-59
Principle 5. Businesses should abolish child labor effectively.			
Principle 6. Businesses should eliminate discrimination in respect of employment and occupation.	2. Fair Treatment		
Environment			
Principle 7. Businesses should support a precautionary approach to environmental challenges	Code of Ethics Chapter 6. Responsibilities for the Country and Society		
Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.	Environmental Protection • Policy on Environmental Health and Safety	LG H&H continues to carry out activities enhancing environmental value by considering environmental impacts on the supply chain by business activities.	PP. 32-33 PP. 50-53
Principle 9. Businesses encourage the development and diffusion of environmentally friendly technologies	• Regulations on Environmental Management		
Anti-corruption			
Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.	Code of Ethics Chapter 2. Fair Competition 2. Legal Compliance Chapter 4. Basic Ethics for Executives and Employees 4. Fair Implementation of Work	LG H&H executes its Code of Ethics, Regulations on Code of Ethics, and its guideline by considering the Jeong-Do Management code of acts for executives and employees. Our company reflects those codes to the standard agreement to help our suppliers to comply with these regulations.	PP. 42-43

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Greenhouse Gas Assurance Statement



LG H&H Co., Ltd.

Foreword

The Korean Foundation for Quality has been requested by LG H&H Co., Ltd. to conduct verification for "Report on GHG Emissions at Business Sites in 2014" (hereinafter referred to as the "Inventory Report"), including GHG emissions from January 1 to December 31 in 2014. The CEO of LG H&H has the responsibility for writing the inventory Report in accordance with the "Administrative Guideline for the Greenhouse Gas Target Management System" (No. 2014-186 of Notification by the Ministry of Environment). The Korean Foundation for Quality has the responsibility to conduct verification and provide assurance opinions based on ISO14064-3 and the assurance procedure to identify whether the Inventory Report and data on GHG emissions in the report were written and calculated pursuant to the verification standard.

Independence of Assurance

The Korean Foundation for Quality has no interest relations in the pursuit of profits in the overall business activities of LG H&H Co., Ltd. other than the tasks for independent assurance. The Korean Foundation for Quality also does not have biased opinions for any stakeholders of LG H&H Co., Ltd.

Scope of Assurance

The scope of verification by Korean Foundation for Quality for the Inventory Report is as follows.

- 1) All facilities with greenhouse gas emissions at domestic business sites under the control for operation and ownership of LG H&H Co., Ltd.
- 2) Other director emissions with regard to commute buses and waste treatment (Scope 3)

Limitation of Assurance

Accuracy and completeness of data on emissions in the Inventory report have unique limitations depending on the methods to confirm, calculate, and estimate the characteristics and figures of those data.

Results of Assurance

The Korean Foundation for Quality has presented the following results for data on GHG emissions in the report in accordance with the verification procedure by ISO14064-3, etc.

- 1) The Inventory Report by LG H&H Co., Ltd. was properly written in accordance with the "Administrative Guideline for the Greenhouse Gas Target Management System."
- 2) According to the result of the materiality test for GHG emissions at all LG H&H's domestic business sites in 2014, significant discordance was found in the fact that the company only meets the level of less than 5% compared to the total amount of emissions by companies with less than 500,000 tCO₂-eq in accordance with the requirement in the "Administrative Guideline for the Greenhouse Gas Target Management System."

(Unit: tCO₂-eq)

Reporting period	Direct emissions	Indirect emissions	Subtotal	Other indirect emissions	Total emissions
2014.1.1 ~ 2014.12.31	5,833	36,955	42,788	4,899	47,687

May 20, 2015
CEO of Korean Foundation for Quality Dae-hyeon Nam



Coca-Cola Beverage

Foreword

The Korean Foundation for Quality has been requested the Coca-Cola Beverage to conduct verification for the "Report on GHG Emissions at Business Sites in 2014" (hereinafter referred to as the "Inventory Report"), including GHG emissions from January 1 to December 31 in 2014. The CEO of Coca-Cola Beverage has the responsibility for writing the inventory Report in accordance with the Administrative Guideline for the Greenhouse Gas Target Management System (No. 2014-186 of Notification by the Ministry of Environment). The Korean Foundation for Quality has the responsibility to conduct verification and provide assurance opinions based on ISO14064-3 and the assurance procedure to identify whether the Inventory Report and data on GHG emissions in the report were written and calculated pursuant to the verification standard.

Independence of Assurance

The Korean Foundation for Quality has no interest relations in pursuit of profits in the overall business activities of the Coca-Cola Beverage other than the tasks for independent assurance. The Korean Foundation for Quality also does not have biased opinions for any stakeholders of the Coca-Cola Beverage Company.

Scope of Assurance

The scope of verification by Korean Foundation for Quality for the Inventory Report is as follows.

- 1) All facilities with greenhouse gas emissions at domestic business sites under the control of operation by Coca-Cola Beverage
- 2) Other director emissions with regard to commute buses and waste treatment (Scope 3)

Limitation of Assurance

Accuracy and completeness of data on emissions in the Inventory report have unique limitations depending on the methods to confirm, calculate, and estimate the characteristics and figures of those data.

Results of Assurance

Korean Foundation for Quality has presented the following results for data on GHG emissions in the report in accordance with the verification procedure by ISO14064-3, etc.

- 1) The Inventory Report by Coca-Cola Beverage was properly written in accordance with the "Administrative Guideline for the Greenhouse Gas Target Management System."
- 2) According to the result of the materiality test for GHG emissions at all Coca-Cola Beverage domestic business sites in 2014, significant discordance was found in the fact that the company only meets the level of less than 5% compared to the total amount of emissions by companies with less than 500,000 tCO₂-eq in accordance with the requirement in the "Administrative Guideline for the Greenhouse Gas Target Management System."

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(Unit: tCO₂-eq)

Reporting period	Direct emissions	Indirect emissions	Subtotal	Other indirect emissions	Total emissions
2014.1.1 ~ 2014.12.31	25,374	19,943	45,317	520	45,837

May 20, 2015
CEO of Korean Foundation for Quality Dae-hyeon Nam



HAITAI Beverage

Foreword

The Korean Foundation for Quality has been requested by HAITAI Beverage to conduct verification for "Report on GHG Emissions at Business Sites in 2014" (hereinafter referred to as the "Inventory Report"), including GHG emissions from January 1 to December 31 in 2014. The CEO of HAITAI Beverage has the responsibility for writing the inventory Report in accordance with the Administrative Guideline for the Greenhouse Gas Target Management System (No. 2014-186 of Notification by the Ministry of Environment). The Korean Foundation for Quality has the responsibility to conduct verification and provide assurance opinions based on ISO14064-3 and the assurance procedure to identify whether the Inventory Report and data on GHG emissions in the report were written and calculated pursuant to the verification standard.

Independence of Assurance

The Korean Foundation for Quality has no interest relations in pursuit of profits in overall business activities of HAITAI Beverage other than the tasks for independent assurance. Korean Foundation for Quality also does not have biased opinions for any stakeholders of HAITAI Beverage.

Scope of Assurance

Verification was conducted for all facilities with greenhouse gas emissions at domestic business sites under the control of operation by HAITAI Beverage.

Limitation of Assurance

Accuracy and completeness of data on emissions in the Inventory report have the unique limitation depending on the methods to confirm, calculate, and estimate the characteristics and figures of those data.

Results of Assurance

Korean Foundation for Quality has presented the following results for data on GHG emissions in the report in accordance with the verification procedure by ISO14064-3, etc.

- 1) The Inventory Report by HAITAI Beverage was properly written in accordance with the "Administrative Guideline for the Greenhouse Gas Target Management System."
- 2) According to the result of the materiality test for GHG emissions at all HAITAI Beverage's domestic business sites in 2014, significant discordance was found in the fact that the company only meets the level of less than 5% compared to the total amount of emissions by companies with less than 500,000 tCO₂-eq in accordance with the requirement in the "Administrative Guideline for the Greenhouse Gas Target Management System."

(Unit: tCO₂-eq)

Reporting period	Direct emissions	Indirect emissions	Total emissions
2014.1.1 ~ 2014.12.31	10,012	9,023	19,035

May 20, 2015
CEO of Korean Foundation for Quality Dae-hyeon Nam

Independent Assurance Report

Introduction

DNV GL Business Assurance Korea.(hereinafter "DNV GL") is commissioned to carry out the assurance engagement of the 2014 CSR Report (hereinafter "the Report") of LG Household & Health Care Ltd(hereinafter "LG Household & Health Care").This engagement focused on the information provided in the Report and the underlying management and reporting processes.LG Household & Health Care is responsible for the collection, analysis, aggregation and presentation of all information within the Report.DNV GL's responsibility in performing the work follows 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 authentic.LG Household & Health Care's stakeholders are the intended recipients of the assurance statement.

Scope of Assurance

This Assurance Engagement covered data from the calendar year 2014.The scope of DNV GL's Assurance Engagement includes only for operations under control of LG Household & Health Care and major subsidiary companies in Korea and overseas the review and assessment of followings:

- Evaluation of adherence to Accountability principles provided in AA1000 Accountability Principles Standard (APS) 2008 with Type 2, a moderate level of assurance as stated in AA1000 Assurance Standard (AS) 2008.
- Verification of disclosures to check the Report is prepared 'In accordance' with the GRI Guidelines G4 (Core option) (Verification on aggregated level of data and activities that refers to the period between January and December in 2014)

Limitation

The engagement excluded the sustainability management, performance and reporting practices of LG Household & Health Care's suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Any financial information from LG Household & Health Care's annual report and company reporting on operations in 2014 or other sources are not included in the scope of the Assurance. Economic performances based on the financial data were cross-checked with internal documents and the audited financial statements.The aggregation and calculation process for building economic performances is reviewed and tested by the verification team.The baseline data for Environment and Social performance are not verified,while the aggregated data are used for the verification.The qualitative statements directly addressed in the GRI Content Index are not verified but the audit team has just confirmed that the indicator is reported in the GRI Content Index. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Verification Methodology

The Assurance Engagement was planned and carried out in accordance with the AA1000AS(2008). As part of the verification, we challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls. Assurance Statement Nr.: AS_PRJC-524549-2015-AST-KOR_E Page 2(3) In accordance with the Protocol, the Report was evaluated with regard to the following criteria: DNV GL has examined and reviewed documents, data and other information made available by LG Household & Health Care and interviewed with personnel responsible.

We acquired the information and technical data from the certified management systems. We performed sample-based audits of;

- The process for determining the materiality of the contents to be included in the Report;
- The process for generating, gathering and managing the quantitative and qualitative data included in the Report.
- The accuracy of data verified.
- Visit to LG Household & Health Care Head office in Seoul and major sites (Gwangju, Anyang, Cheonan, Cheongju) in Korea in April 2015.

Conclusion

In DNV GL's opinion, the Report provides a reliable and fair representation of LG Household & Health Care's Sustainability policy, practices and performance in 2014. DNV GL confirms that the report is 'in accordance' with the Guidelines – Core. Further conclusions and observations on the Adherence to the principles of Inclusivity, Materiality and Responsiveness, as set forth in the AA1000APS(2008) are made below:

Inclusivity | Regarding sustainability issues, LG Household & Health Care has engaged with a wide range of stakeholders. 6 Stakeholder groups which are Customers, Shareholders/Investors, Suppliers, Employees, Government/Stateowned-organization/Industry association, and Local communities are defined in the Report. The regular communication channels for stakeholders are in operation and conducting yearly stakeholder survey and expert panel meeting are considered to be good practices.

Materiality | The materiality determination process is clearly presented in the Report. Sustainability issue pool to identify material issues is formed by analysing international standards, industry specific performance indicators and external business environment based on peer group sustainability report and media coverage and Internal important issue. Stakeholders' view on the material issues were sought with survey and then, the material issues are prioritized by combining business impact and stakeholder relevance of the respective issues. We believe selected eleven material issues are identified and prioritized based on the stakeholder's opinion.

Responsiveness | Stakeholders' views, interests and expectations have been considered in the preparation of the Report. eleven material issues selected through the materiality determination process are reported as 'Focused Issues (4)' and 'Fundamental Management issues(11)'. The report presents information effectively including DMAs and management approach, key indicators trend for recent three years, performance and activities of 2014 and plan for 2015 which correspond to key material issues.

Findings in relation to specific sustainability performance information | DNV GL has evaluated the nature and extent of LG Household & Health Care's adherence to the AA1000 Accountability Principles as described above. In addition, the reliability of data and information is evaluated for Type 2 Assurance. DNV GL has interviewed the personnel responsible for the data and information in order to figure out the generation, aggregation and processing of data and information and reviewed the relevant documents and records based on which the statements in the Report are addressed. The reporting of the management performance presented in the Report make it possible to understand the company's impact in economic, social and environmental areas, as well as the company's achievements in those regards. LG Household & Health Care has developed an effective methodology for gathering the specific information and data respectively for reporting. The data owners interviewed are able to demonstrate to trace the origin and the data source of the specific data and information are identifiable. From our analysis of the data and information, and LG Assurance Statement Nr.: AS_PRJC-524549-2015-AST-KOR_E Page 3(3) Household & Health Care's processes, we conclude that the data and information included in the Report are the results of stable and repeatable activities.

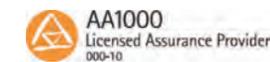
Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported to LG Household & Health Care's management. However, these do not affect our conclusions on the Report and are provided to encourage continual improvement.

- LG Household & Health Care has been conducting consistent management activities in accordance with the Sustainability Management Roadmap for three years (2013-2015). We expect LG Household & Health Care continue to set up long-term sustainability strategy going forward to realize the CSR vision of 'Best Sustainable FMCG(Fast Moving Consumer Goods) company.
- As LG Household & Health Care has held a variety of business and the number of overseas customers is growing, the progressive and continuous widening of the Report's boundaries, through the inclusion of new businesses and relevant issues, is very significant. From the point of view of continuous improvement, there is a need to be clearer about the reporting period and reported physical boundaries and consider relevant stakeholders equally.
- Implementation of systematic monitoring and internal auditing of quantitative data will help ensure more accurate and reliable data.

Statement of Competence and Independence

DNV GL is a leading provider of sustainability services, including the verification of sustainability reports. Our environmental and social assurance specialists operate in over 100 countries. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the verification process.



In-Kyoon Ahn
Country Representative
DNV GL Business Assurance Korea Ltd.

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About this report

Report Overview

Since the first CSR report was published in 2010, LG H&H has opened our sustainable management activities every year. With this sixth report, LG H&H aims to disclose company's activities for sustainable management in a transparent way and utilize the report as a channel to reflect stakeholder opinions to management more proactively. Our company will continue to publish the report each year.

Reporting Period and Scope

The reporting period is from January 1 to December 31, 2014. For some items, data for 2013 and 2013 were used to compare trends. When timeliness in information is considered more important than any other elements, information on activities and performances in 2015 was partially included. The reporting scope includes LG H&H and its domestic and overseas subsidiaries, and where the mentioned reporting scope is different has a separate mark.

Principles and Standards for Writing the Report

This report has been written in accordance with G4 Core option of the GRI(Global Reporting Initiative), an international reporting guidelines. The report reflected issues in food and beverage, cosmetics, and daily product sector presented in the GRI Sustainability Topics for Sector to select material issues suitable for the industry.

Report Assurance

To enhance accuracy in data and content presented in the report and ensure a balanced report, this report received verification from an independent verification institution. Information and opinions on verification such as the verification standard and scope can be found in the assurance statement in pages 84-85 in the report.

Inquiry about the Report

If you need any additional information on this report, please contact the following department.

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Cover Story

LG H&H presents its efforts toward creating global growth engine and value for the future.



LG H&H sincerely appreciates the people who helped to publish the CSR report.

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