2014-2015 LG International Sustainability Report

LG International

About this Report

Overview

This is the 2014-2015 Sustainability Report published by LG International, making this LGI's second report. These regularly released reports are our way of openly sharing information about our performance and sustainable management, improving communication with all our stakeholders.

Scope and Period

This sustainability report details the activities of LGI's business at home, as well as major overseas investment corporations. It also introduces businesses related to our equity invested subsidiaries. We also report the sustainable management of domestic business sites in the economic, environmental, and social sectors. Data from 2012 to 2014 is included in this report to illustrate changes that now affect our current situation. Moreover, we use overseas economic indicators for mutual comparison, with monetary figures converted to KRW or USD.

Compilation and Assurance Standards

This report is in compliance with the GRI G4 Core Options. We also used an outside verification institution to ensure this report's credibility and improve quality. You can find more information about these assurance results in the assurance statement in the Appendix.

Contact for additional information on the report

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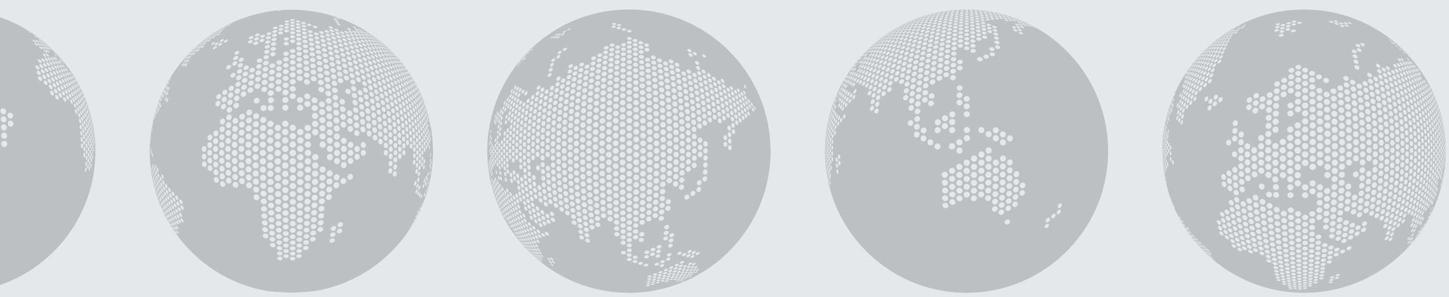


■ CEO Message

I sincerely appreciate your continuing support for LGI. I would like to take this chance to address our efforts to become a more sustainable company.

We at LGI have been working diligently in various projects to lay the groundwork for sustainable growth. In 2014, we completed the acquisition of shares of GS E&R and secured the rights to supply coal. In Turkmenistan, we ordered an ethane cracker project worth three billion US dollars. We are also working on follow-up projects to secure new growth engines.

In 2015, LGI will grow into a "Global Business Challenger" while staying true to our management philosophy. We have defined our goal with three major concepts: "People First", "Principle Centric" and "Future-driven".

LGI will walk together organically.
By sharing the same business mindset in a harmonious working environment, we can turn crises into opportunities for success. We at LGI share a vision of progress, going *THE WAY_**FORWARD*** together. In these times of change, our executives and employees will persistently strive to develop the capabilities to work "sincerely, persistently, and uniquely."

LGI will become a sound company with its own capability and passion in a fair and square way.
We will establish "Jeong-Do" Management culture and fair practices of transaction environment through expanding "Jeong-Do" Management education in all business sites and reinforce business transaction standards.

LGI will become a company that fulfills its social responsibilities.
We believe that we still have a long way to go. We are focusing on building solidarity, fulfilling our social responsibilities, and improving our communication with society. We also understand the importance of environmental and safety management for sustainable business. That is why our company will continue to promote a culture of environment, safety, and health in compliance with the stipulated standards and principles.

We at LGI are striving to hear our stakeholders' opinions: by learning from each other and working together, I believe that we can produce and share the very best value.

Thank you.

CEO of LG International

Song Chi-ho

Contents

■ LGI's New Vision System

LGI is a global business that is taking on the challenge of building a better future in the resources development, projects, and trading sector.
At LGI, we share our plans for the future as part of our resolution to grow together with customers, partners, and employees as we pioneer *THE WAY_**FORWARD***, our company's slogan.

Global Business Pioneering "*THE WAY_FORWARD*"

"Our Promise"

LGI pledges to grow together with customers, partners, and employees.

People First	LGI considers people as our most important asset for creating value. Our management prioritizes the happiness and satisfaction of all our talent.
Principle Centric	LGI always complies with the principles and ethics and implements fair and transparent management.
Future-driven	LGI secures future competitiveness by creating new business models for sustainable growth.

"Our Competency"

LGI has the core capability to "persistently, and uniquely" carry out resources development, projects, and trading business.

Business Insight	Capability to analyze and understand the expertise of the business regarding customers, markets, and industries to seek business opportunities
Business Organizing	Establish a system for plan and implementing business development
Operational Excellency	Develop and efficiently operate an optimal operation and management system for each business unit
Risk Management	Manage predictable risks in advance and responding to risks swiftly

"Our Value"

Sharing information and value is part of "LGI's DNA"

Professionalism
- Work smarter based on expertise and pursuing consistent improvement
- Grow into experts, learning from analysis and personal reflection

Challenging possibility
- Seek new opportunities, driven by dreams and passion for the future
- Set stretch goals and carry out various attempts to achieve these goals

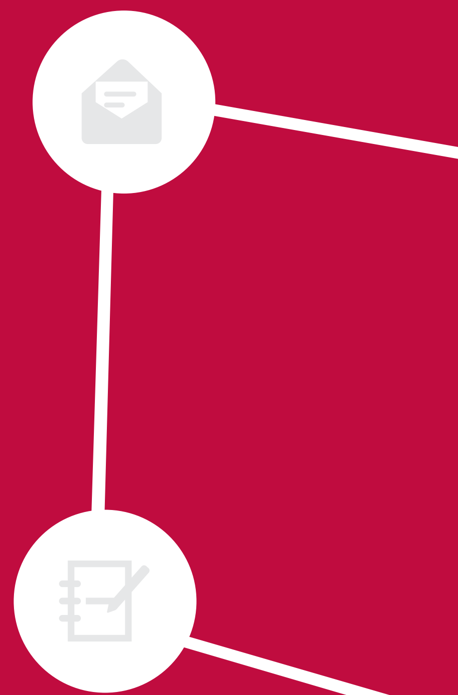
Mutual consideration
- Acknowledge and encourage performance and efforts for mutual growth
- Understand and respect each other's differences and demonstrating teamwork

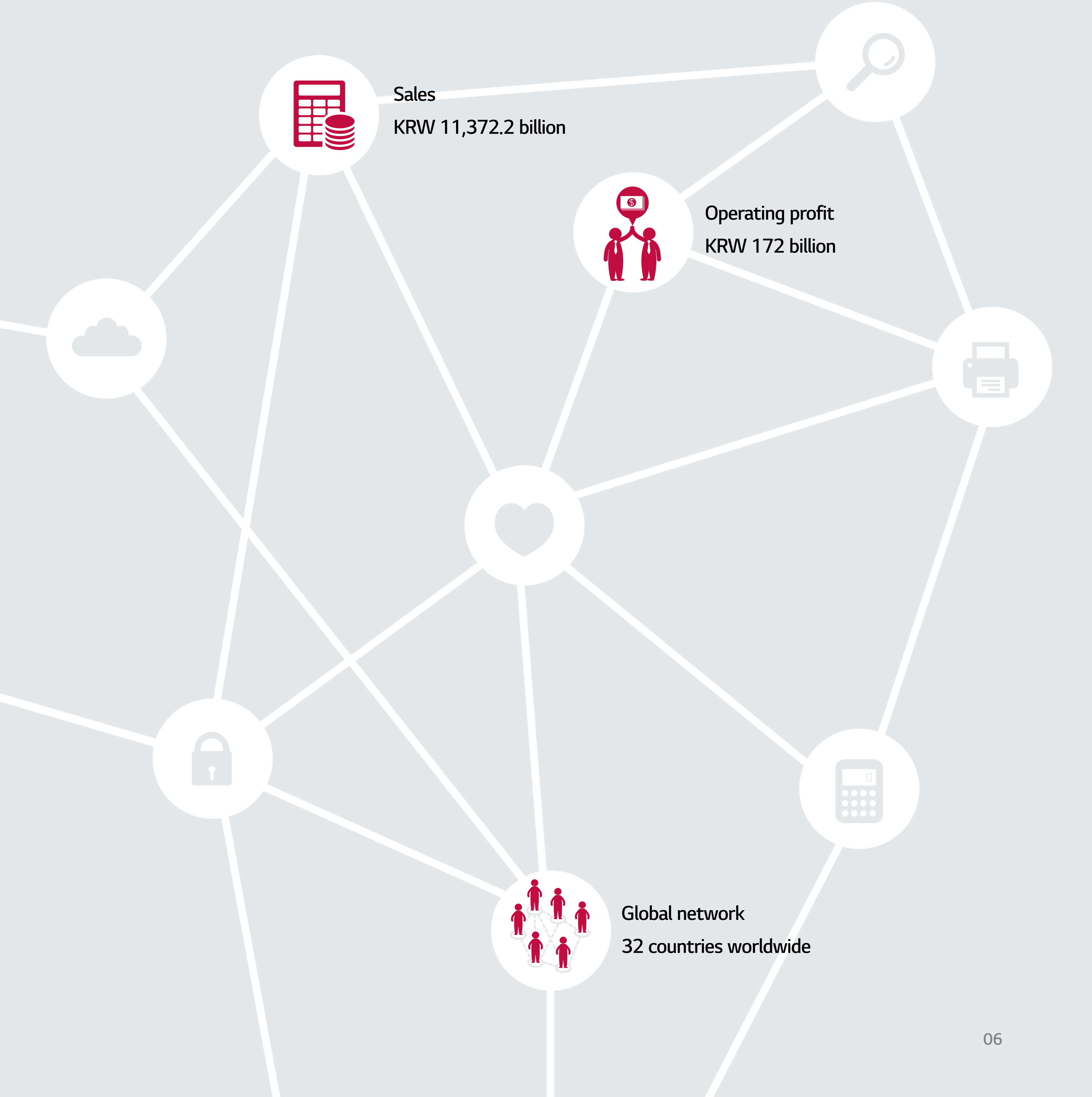
Communication to lead new thinking
- Create new ideas through meaningful communication based on mutual trust
- Open and enthusiastic communication

Creative cooperation
- Create synergy as an open organization without barriers
- Combine internal and external capability to achieve business goals

Thorough implementation
- Willingness and persistence to see tasks and projects to the very end
- Pursue completeness based on ownership and responsibility

Ⅰ. Company Overview




Sales
KRW 11,372.2 billion
Operating profit
KRW 172 billion
Global network
32 countries worldwide

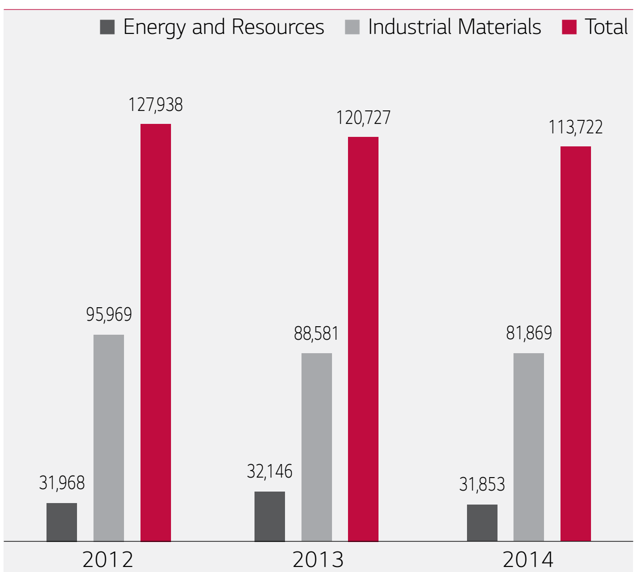
1. Company Profile

1) LGI Overview

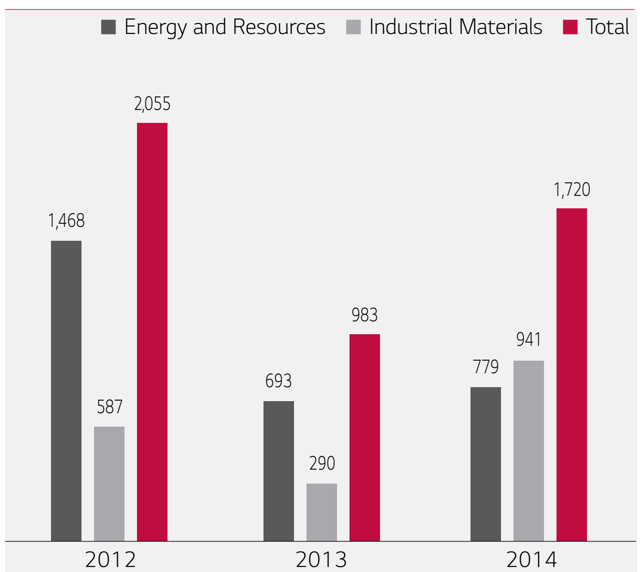
LGI is a general trading company that operates in the energy, raw materials, and industrial materials sector. Through our work and achievements, we've contributed to the growth of Korea's export and economy. We are continuously expanding our assets and portfolio, and are able to generate stable profits by connecting businesses in resource development, projects, and trading.

2) Business Performance

Sales for each business sector (Unit: KRW 100 million)



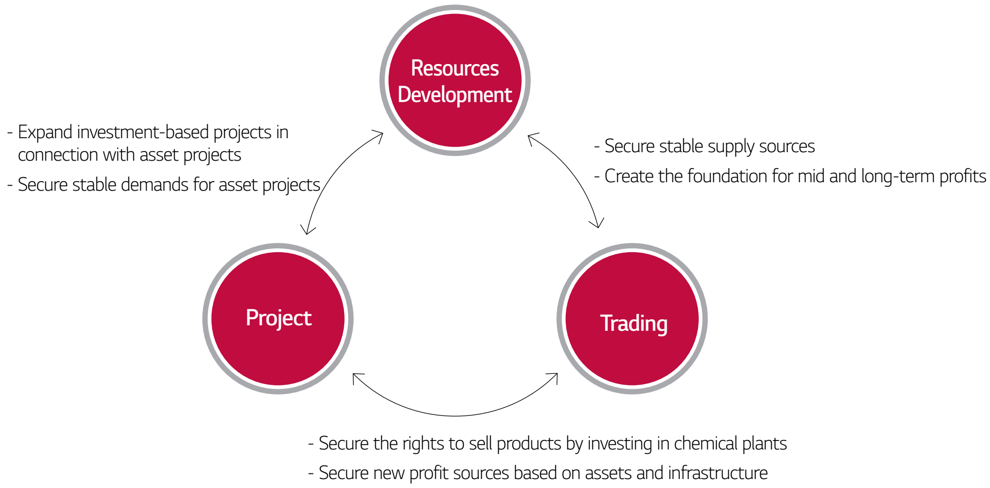
Operating profit for each business sector (Unit: KRW 100 million)



2. Business Overview

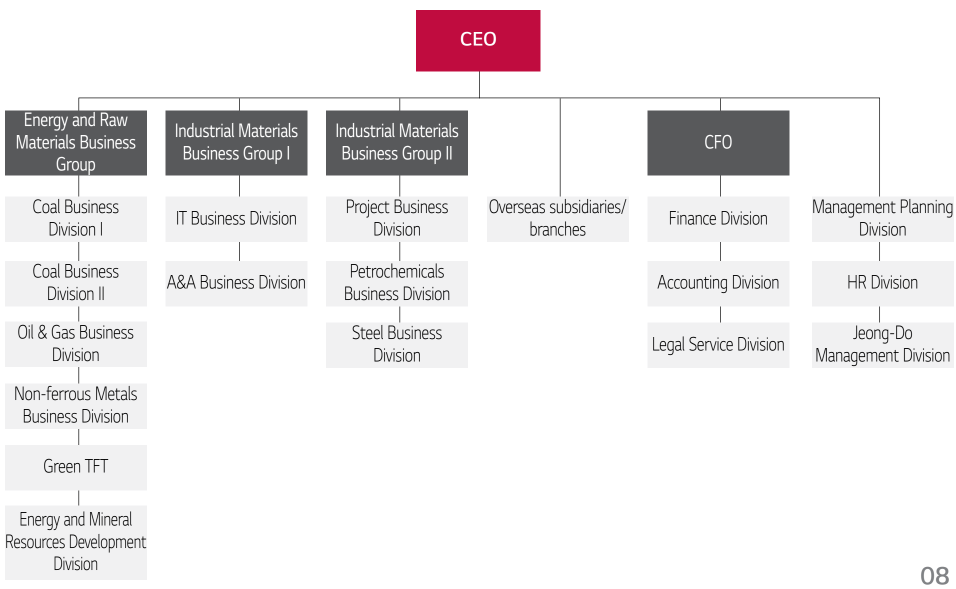
1) Medium and Long-term Strategies

LGI maximizes synergy through intelligently connecting resources development, projects, and trading business. We've secured stable profits in the project/trading business by strengthening investment in not only the downstream sector, but also the upstream sector to supplement variability in our resource businesses.



2) Business Sectors Overview

LGI develops a balanced business portfolio and operates a system for stable business.
In each domestic business sector, we implement responsible management to promote autonomy and responsibility.



3) Current Status of Major Businesses in the Energy and Raw Materials Business Group

Our company makes smart investments with accumulated experiences related to in resources development and finances. We are also continuingly making the best use of our existing investment assets. Through these efforts, we ensure the stability of our asset portfolio and increase trading volume.

Coal

Korea's No. 1 coal trader with strong foundation for supply and demand

- Produce 12+ million tons of coal per year
- "Korea's No. 1 coal trader" deal with ten million tons of coal per year
- Acquire GS E&R shares (which operates coal-fired power plants)

• Key projects:
  - Indonesia MPP/GAM, China Wantugou, Australia Ensham coal mine, etc.

• Supply coal to power plants and steel mills sourcing from Indonesia, China, Australia and Russia

Oil and gas

Shares in about 20 mining areas for production and exploration.

- Total output Oil 9,500bbl/d Gas 40mmscf/d

• Key projects:
  - Oman Block 8, Kazakhstan ADA, GeoPark Chile/ Colombia, Vietnam 11-2, Qatar LNG, etc.

Non-ferrous Metals

Aim to become "Asia's No. 1 non-ferrous metals trader" through systemic investment

- Deal with 750,000 tons a year
- Share 31% of demands for aluminum in Korea
- Develop and operate Korea's first copper mine

• Key projects:
  - US Rosemont, etc.

• Trade concentrates and base metals in a triangular scheme

Palm

Complete value-chain from plantation operations to palm oil production and trading

- Operate a palm plantation
- Produce 60,000 tons of CPO (crude palm oil) a year

• Key projects:
  - Palm oil from Indonesia, etc.

• Export palm oil and engage in afforestation, agriculture

4) Current Status of Major Businesses in the Industrial Materials Business Group I

LGI is improving operation profit and stability through auto design and offering solutions. We are also involved in helicopter repair and parts, and are expanding our auto & aviation business.

IT

Trade provisions related to logistics and financial services for vendors and producers

- Secure globally known suppliers and buyers
- VMI service providing customer-oriented high added value

- Electronic parts/equipment trading
  - Export trade for electronic parts like LCD panels, ODD, and mobile parts
- VMI[1] – Business
  - Support purchase, sales, distribution, and finance between vendors and manufacturers in supplying and trading parts

Auto & Aviation

Provide core parts as well as facility/design service

- Win an order for a project from overseas complete car companies
- Operate aviation repair and trading business with stability in priority

- Provide auto design and solutions to realize auto companies in emerging countries
- Support helicopter repair and technology
- Business with regard to ESS (Energy Storage System)

[1] VMI: Vendor Management Inventory. Services provided to support packages for purchase, sales, and distribution between the vendor and manufacturer.

5) Current Status of Major Businesses in the Industrial Materials Business Group II

LGI has enhanced profitability by continuously winning orders and expanding investment. We are investing in chemical plants and private-owned generation projects, as well as trading for petrochemical/steel products.

Project

Develop projects for national development and high added-value in connection with trading for resources development

- Develop and invest in power plants
- Develop and invest in chemical plants, and craft the best plans for presentation-based projects

- Winning an EPC[1] order for plants
- Develop and invest in overseas private power plants
- Develop and invest in infrastructure projects

Petrochemical

Secure stable suppliers and realize infrastructure-based trading

- Secure rights to sell products based on urea fertilizer, sulfur, polyethylene, and polypropylene
- Handle largest amount of methanol in Korea

- Trade petrochemical products
- Secure rights to sell products by investing coal/oil/gas based chemical plants

Steel

Provide steel products for global electronic and auto companies

- Secure major global partners
- Provide customized steel products and services

- Trade steel products in Korea, China, Europe, as well as Southeast and Southwest Asia
- Operate a steel processing center

[1]EPC: Engineering, Procurement, Construction

3. Global LG International

Overseas Network and Major Investment Assets

Global network : About 60 networks and investment targets in 32 countries

- 6 overseas subsidiaries
- 22 branches and 13 contact offices
- 21 major investment targets

- Headquarters/Overseas subsidiary
- Coal
- Oil/Gas
- Steel processing center
- Green project
- Project

Asia

Seoul	**Hong Kong**	**Singapore**	**Tokyo**
Shanghai	Beijing	Erdos	Chongqing
Shenzhen	Guangzhou	Taipei	Jakarta
Bangkok	Hochiminh	Wuhan	Qingdao
Dalian	Yangon	Hanoi	Manila
Kuala Lumpur	Osaka	New Delhi	Mumbai

Europe / CIS

Frankfurt	Moscow	Ashgabat	Istanbul
Almaty	Kiev	Vladivostok	Yakutsk
Nizhny	Warsaw		

Middle East / Africa

Dubai	Tehran	Amman	Algiers
Johannesburg			

North·South America / Oceania

Los Angeles	Sao Paulo	Santiago

II. Major Sustainability Issues


Operate self-risk assessment system
EHSS check for overseas investment corporations
44.6 hours for education hours per capita
Employees' wage donation system
100% of employees have returned after parental leave.

1. Risk Management

Necessity of risk management

Prepare for potential problems and instability is one of the fundamentals of doing business. As various financial risks—market risks, credit risks, liquidity risks, and environmental and social risks—have gradually increased, we need systems in place to manage them.

LGI's approach

LGI defines eight major risk items in the economy, society, and environment sectors and operates risk management. Our company effectively makes investment decisions to identify and cope with potential risks we might encounter while carrying out new projects.

Performance

Goals	Performance
Reorganize our risk management system	Classification and management of risks Implementing a self-diagnosis system for risks
Reinforce financial risk management	Enhance capability to deal with risks related to exchange rate and interest rate
Define ethical risks and expanding response strength	Deal with ethical risks through continuous checks and education
Establish and operating an investment risk management system	Establish investment risk management processes and consistently enacting them

1) Categorization and Definition of Risks

LGI minimizes potential risks for financial performance by operating a risk management program for overall business. We define eight major risk items—including price risk and environmental risks in overseas countries—and operate our own risk management system. Through these efforts, we've successfully prevented many possible accidents and harmful incidents.

Eight major risks

Category	Content
Price Risk	Possibility of profit loss and damage caused by changes in product price
Financial Risk	Possibility of profit loss and damage caused by changes in foreign exchange rate and interest rate
Distribution Risk	Possibility to incur unexceptional costs for transportation, storage, and cargo handling
Non-Performance Risk	Possibility of profit loss and damage due to lack of trust and ability to implement the contract by contract parties, guarantors, and agents
Inventory Management Risk	Possibility to suffer poor inventory management due to a rapid decrease in inventory, versatility of products, constraint in sales places, and change in trends
Risk of Inability to Exercise Rights	Possibility of profit loss and damage caused by failure to claim legal charges due to an unfair contract, verbal contract, contract with insecure rights and duty, and contract in violation of relevant legislation
Environmental Risk	Possibility of profit loss and damage due to external environmental elements
Payment Risk	Possibility of profit loss and damage due to problems in collecting sales payment and investment loss

2) Risk Management in Consideration of Economic and Social Elements

Economic Risk Management

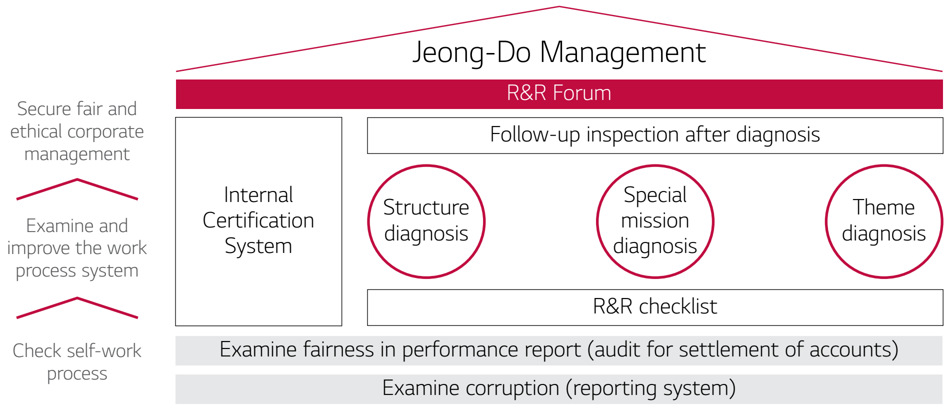
LGI's Foreign Exchange Risk Management Group works to prevent potential foreign exchange risks in overseas transactions and fund management. This group is divided into a Foreign Exchange Risk Management Committee, department for dealing with foreign exchange risk, and Management Department. We prepare for interest rate risk by using our system for sharing domestic and global funds and minimizing external funds. We also manage interest rate risk in advance by regularly monitoring interest rate trends regularly and responding appropriately when risks arise.

Prevention of Errors and Corruption

LGI regularly conducts checks of company-wide processes and systems, which are carried out by business departments, relevant departments, and the Management Diagnosis Team. Through these checks, we minimize non-financial risks, such as ethical risks, and prevent errors and corruption.

Operating Self-diagnosis System for Risks

We operate an "Internal Management System" in which employees conduct regular self-diagnosis twice a year to prevent risks in our daily work. Our company also uses the R&R (Risk & Return) Checklist for all transaction cases in advance to prevent any potential risks related to conducting business. LGI implements various activities to prevent long-term and large-scale incidents and autonomously implements improvements.



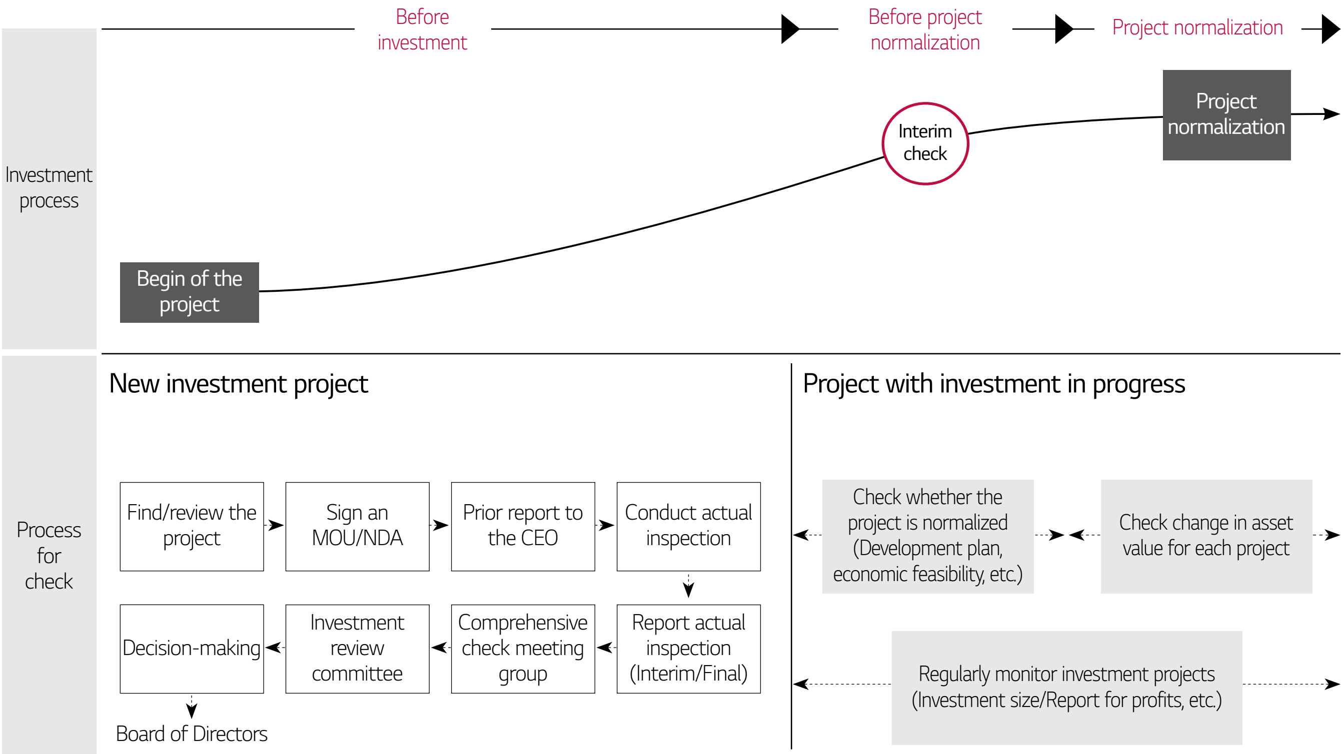
R&R (Risk & Return) Forum

LGI headquarters and overseas subsidiaries hold the R&R Forum twice a year to continuously build our awareness of risk management. We comprehensively cultivate risk management capability by sharing on-site cases of success and failure for risk management and examining business risks.

3) Investment Risk Management

Reinforce the Investment Risk Management System

At LGI, we use a decision-making process for investment to identify and deal with potential risks when entering new projects and making investment decisions. This helps us reinforce risk checking when making investment decisions for new projects. Our system also improves investment stability by making sure that projects are normally conducted after there are changes in investment and asset value.



Case Examples for Investment Risk Management

By using our risk management system, we prevented foreign exchange risk in Hasang hydroelectric power plant, Indonesia, by identifying operation risks and paying for electricity charges with USB. For our investment projects in Iraq and Brazil, we are making investment decisions by considering economic and social risks as we review the feasibility of these projects. Our company also reduces instability in management activities by conducting more comprehensive risk management, including risks that are specific for each country and the local communities where we do business.

2. Human Resources Development (HRD)

Necessity of HRD

In the rapidly changing global economy and unstable business environment, we need a strategy to train the best and talented people. By maximizing our employees' capabilities, we can attain a competitive edge that will set our company apart from the rest.

LGI's approach

To become a "Global Business Challenger", we will achieve stability and growth by training "professional trading company employees who challenge the future with customers and create new value."

Performance

Goal	Performance
Systemize education for employees	Leadership education, mandatory job education, and education for reinforcing professional capabilities relevant to each business department
Reinforce global capability	Education for new employees and dispatched employees and education for global staff members

1) HRD System

LGI operates various programs for cultivating "professional trading company employees who challenge the future with customers and create new value." By conducting OJT, coaching, project implementation, job circulation, and education, we help our talented employees accumulate job experience and improve their skills.

Education System Map

Our company uses an education system map to provide suitable education programs at various levels, from regular staff members to general managers. Employees learn the skills to grow into professional trading company employees and internalize professional capability based on their own long-term plans for career development.

		Regular staff	Assistant Manager	Manager	Deputy General Manager	General Manager
Required education	Leadership	LG new employee training		Leadership I	Leadership II	Leadership by Team Leader
		LGI new employee training				
		Promotion to Assessment Manager	Promotion to Manager	Promotion to Deputy General Manager	Promotion to the General Manager	
	Job	Mandatory for the job I Trade practices Negotiation Finance	Mandatory for the job II Business planning Profitability analysis			
Education for selection					LG MBA	Aalto MBA Prospective business operator
Education for professional job		Resources development academy, Course for resources development experts				
		Accounting/Finance college				
Education for global capability		Dispatched employees: Education before dispatching new dispatched employees, Common job education for the position in charge of managing a subsidiary				
		Global staff: Education for improving job capability (invitation to headquarters), LG Way education, Local job education				

2) HRD Programs

We operate various education programs to build leadership, mandatory job capability, and professional capability for each business department.

Total education expenses

KRW 15.7 billion

Education expenses for each person

KRW 2.5 million

Total education hours

28,272 hours

Education hours for each person

44.6 hours

Leadership Capability

LGI operates leadership education programs for a wide range of positions, from executives to regular staff members. For executives, the company provides courses such as coaching, course for external chief executives, and LG EnDP (Entrepreneurship Development Program). The company provides team leaders with a team leader leadership course, external MBA (Aalto MBA), and LG MBA, while providing Managers and Deputy General Managers who plan to become even better leaders with the Leadership I and Leadership II courses. In this way, employees can systematically develop the leadership skills that they will need as they advance in LGI.

Mandatory Job Capability

LGI supports relevant education systemically so that anyone who joins the company can operate business and grow further based on knowledge in trade. Through "Mandatory Job Education I" for regular staff members, the company conducts basic education for trade business, negotiation, and sales and financial basics, while "Mandatory Job Education II" for Assistant Mangers is performed to provide education for business planning, business development/analysis of business feasibility and financing, and case examples for business.

Professional Capability for Each Business Department

LGI provides education programs for improving professional capability by considering the characteristics of each business department. For employees in charge of developing resources, the company supports professional education related to resources development in and out of the company. LGI also helps employees to learn the latest trends and information related to trading by participating in overseas conferences.

Programs for Fostering New Employees

LGI implements education for new employees to enhance their adaptability after joining the company. We help new employees learn what they'll need to know—such as the ins and outs of trade business, addressing issues, and business communication—to fully understand our businesses and work in various jobs. After placing new employees at actual business sites, we offer care programs so that they can receive one-on-one OJT from mentors for three months and rapidly grow into exceptional professionals.

3) Education for Reinforcing Capability of Global Staff Members

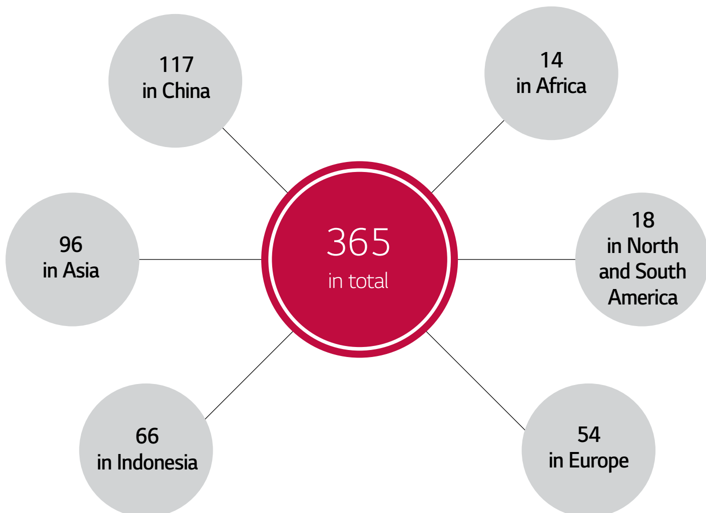
LGI invites global staff members working at overseas subsidiaries and branches to our headquarters to enhance their understanding of LG and LGI and improve their job capability. Our company not only provides education about our visions and business, but we also build up their sense of belonging and value as a member of LGI by carrying out exchange between OJT by business departments and participants.

Overseas global staff members

365people

Global Staff Members by Region

(Unit: Person)



(As of the end of April 2015)

Interview

Amano Tomohiro, Manager at LGI Japan Subsidiary

It's been 12 years since I've joined the LGI Japan Subsidiary, pursuing my interest in trade business. For me, LGI is a company making great efforts in narrowing the cultural gap by providing various "programs for understating local culture." Among its various programs, the LG Way education program for global staff members was really helpful for me to understand our code of conduct as LGI employees. When I participated in the program for skill reinforcement for overseas subsidiaries/branches in 2013, the program gave me the opportunity to broaden my view of different cultures and gain a real sense of pride as part of LGI. There is more proactive discussion, and information is actively shared during exchange training between subsidiary workers and subsidiary/branch workshops. This creates new business opportunities and solidifies relations between the subsidiaries. As a natural result, these activities improve the competitiveness of all of LGI's global staff members.

3. EHSS Management of Investment Corporations (Environment, Health and Safety, and Society)

Necessity of EHSS management

As environment and health/safety regulations get stricter across the world, we've also been getting more requests for improving environment and health/safety in business regions. Environment and health/safety management at our business sites greatly impacts our health, safety, and even our product supply. We fully understand that it is necessary to fully consider environment and health/safety measures in all of our processes.

LGI's approach

LGI checks and manages environmental/social impacts on the local community throughout all management activities. Our company's management system not only considers the legal requirements related to environment and health/safety in each country, but also core international standards such as international standards like ISO14001 and OHSAS18001, IFC Guideline, and ICMM's ten major principles.

Performance

Goal	Performance
Conduct activities for checking EHSS	Make regular on-site EHSS[1] checks for investment corporations and reinforcing management

[1] EHSS: As an abbreviation for Environmental, Health & Safety and Social, EHSS refers to the overall management of the environmental, health/safety, and social sector.

1) Reinforce the Health/Safety Management System

LGI has reestablishing our reporting system for incidents to reinforce environment and health/safety management. We subdivided the reporting system for hazardous chemical substances and expanded the extent of inspection for potential impacts on internal and external sectors. Our company improved the level of health/safety by executing standards that can be followed by all executives and employees.

2) Environment and Health/Safety Check Activities

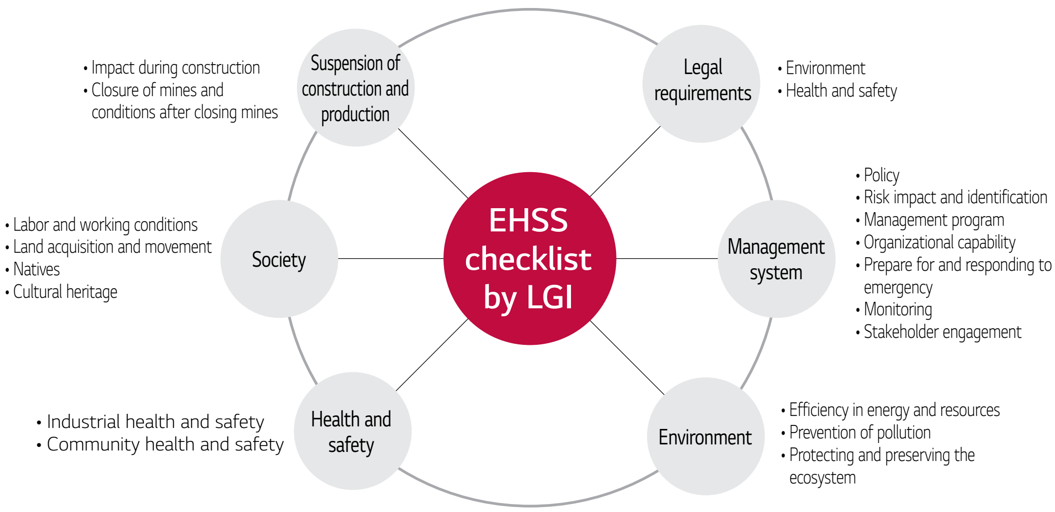
Reinforce EHSS Check (Environmental, Health & Safety and Social) for Investment Corporations

LGI implements an EHSS check for overseas investment corporations by considering the international environment and health/safety management standards and legislations in each country. We objectively assess the current status of EHSS by conducting an on-site check based on the EHSS checklist with experts from the British Standards Institution (BSI). We then ensure continuous improvement by making improvement measures, which are optimized for each local area to follow up after these checks.

EHSS Check Process

Identify characteristics of subsidiaries for check and developing the checklist	• Identify overall characteristics such as business type and position of a subsidiary for assessment and relevant legislations • Develop the checklist
Conduct self-check for EHSS checklist by subsidiaries	• Self-check by utilizing the checklist for each subsidiary → Collecting/Analyzing results
Check with visiting on-site areas by external experts	• Review of result of self-check and establishing a plan for assessment by external experts • On-site visiting assessment by an external professional institution
Analyze the result and drawing improvement points	• Quantify EHSS performance based on result analysis and identifying risk
Establish and implementing plans for improvement	• Select priorities for improvement and making an improvement plan • Execute the improvement plan and monitoring

EHSS Checklist Sectors



3) Current Status of EHSS Check for Investment Corporations

Mega Prima Persada (MPP) coal mine

Eastern Kalimantan, Indonesia

[MPP] Checking the current status of safety management at the coal-mining site

We conducted activities for improving potential environmental impacts in operating business such as waste, water quality, and environmental recovery. Our company is also establishing an environment and health/safety management system for partners. We checked the process of storing and processing waste and made improvements environment and health/safety sector through a workshop for all suppliers. We strive to prevent water pollution and preserve the environment by reducing the amount of precipitating agent used and reinforcing plantations for minimizing deposits.

Ganda Alam Makmur (GAM) coal mine

Eastern Kalimantan, Indonesia

We made oil storage management a top priority task to manage the waste and water quality and prevent oil leakage. We reinforced management of storage for temporary waste and are improving on-site water quality by checking the pH level of the settling reservoir on a daily basis.

[GAM] Newly created settling reservoir

Palm Plantation/CPO Mill

Western Kalimantan, Indonesia

[Palm] Checking drills for fire and emergency cases at CPO Mill

To acquire ISPO[1)] certification in 2014, LGI strengthened activities for improving environment and health/safety and will acquire ISPO certification in 2015. Afterwards, we will continue striving to earn RSPO[2)] certification.

[1)] ISPO: An acronym for Indonesian Sustainable Palm Oil, a certification system in Indonesia that promotes and develops eco-friendly palm plantations

[2)] RSPO: An acronym for Roundtable on Sustainable Palm Oil, an international certification system to produce sustainable palm oil

Tianjin Steel Flower Electric & Machinery Co., Ltd. (steel processing center)

Tianjin, China

We relocated the center which was designed with solar power and geothermal heat in 2014. To find/deal with on-site environmental and health/safety risks at an early stage, we conduct regular diagnosis.

[Tianjin Steel Flower Electric & Machinery Co., Ltd.] Internal appearance of the newly shifted plant

Guangzhou Steel Flower Electric & Machinery Co., Ltd. (steel processing center)

Guangzhou, China

We have focused on accident prevention through emergency training and regular education. We are continuously carrying out activities to manage waste and find risk elements in advance.

[Guangzhou Steel Flower Electric & Machinery Co., Ltd.] Checking on-site safety

4. Realizing Favorable Work Environment

Necessity of making favorable work environment

A work-friendly environment can improve management performance since it helps promote employees' concentration and optimize their capabilities. A better environment also means better communication. It improves work efficiency by accelerating mutual understanding and enables faster decision making through active communication.

LGI's approach

To systematically and continuously improve corporate culture, LGI sets the direction for change in leadership, participation, communication, and system, and conducts the relevant activities.

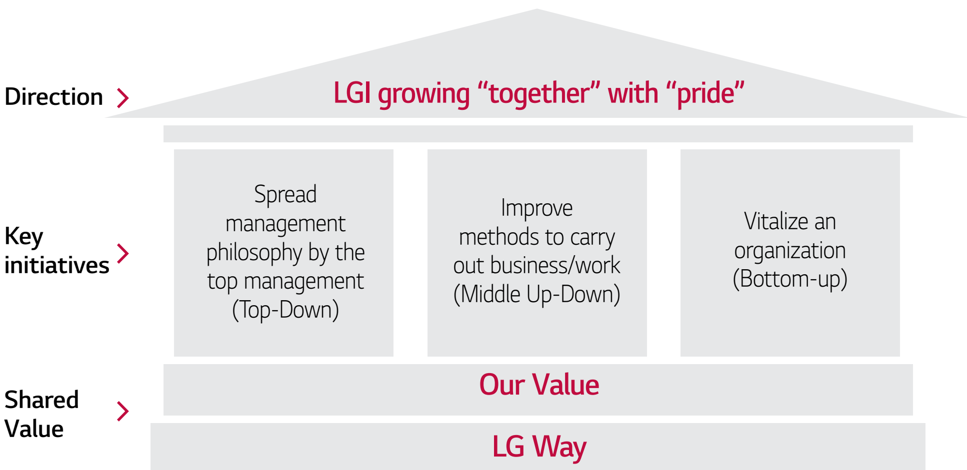
Performance

Goal	Performance
Top management taking the lead in Spreading management philosophy	Hold meetings for each position level, such as i-Round and CEO meeting
Improve methods to carry out business/work	Inter-Teambuilding Program, Change & Growth Workshop, Campaign for compliance with basics
Vitalize employees and the organization as a whole	Programs for helping new leaders to adapt to an organization, Workshop for development of business departments/team organizations

1) Corporate culture

Aims for corporate culture

In our work, we want to create a "corporate culture for mutual growth with value." We set "spreading top management as management philosophy," "improving methods to carry out business and work," and "vitalizing the company" as key initiatives. We will realize these initiatives in our activities in pursuit of our values, the LG Way.



Activities to Change Corporate Culture

LGI has swiftly spread its management philosophy to build mutual understanding among executives and employees, improve work methods, and realize a creative corporate culture. In 2015, we are planning a new vision system, which implements programs to develop each business department and enhance communication and teamwork. We also hold in-company cultural lectures to enhance cultural knowledge and values for executives and employees.

Spread management philosophy by the top management	i-Round	• Content: Share management strategy and direction by top management continuously • Performance: Conduct six times a year
	Meeting with each position by the CEO	• Content: Share management philosophy of top management and listening to opinions from employees • Performance: Conduct eight times a year
Improving methods to carry out business/work	Inter-Teambuilding Program	• Content: Promote cooperation through mutual understanding and addressing major issues • Performance: Conduct seven times a year
	Change & Growth Workshop	• Content: Improve corporate culture of overseas subsidiaries/branches and supporting promotion of change • Performance: Supervise CIS regions and conducting workshop for Beijing Subsidiary
	Campaign for complying with basics	• Content: Establish the environment for immersion in work by changing employees' awareness • Performance: Conduct eight times a year
Vitalizing an organization	Assimilation Program	• Content: Supporting adaptation to the organization by providing newly appointed leaders with education • Performance: Conduct eight times a year
	Workshop for developing business departments/team organizations	• Content: Provide a customized program considering organization's issues to enhance communication and teamwork • Performance: Conduct seven times a year
	Cultural lecture	• Content: Cultivate cultural knowledge and promoting vitalization of an organization • Performance: Conduct twice a year

Holding i-Round

LGI holds i-Round every other month to improve two-way communication between management and employees, as well as share strategies and direction. The CEO directly explains the overall business strategy for employees and holds external lectures for related themes. In this way, we share LGI's goals and promote empathy and willingness, which are the basis for achieving these goals.

2) Balance between Work and Life

Employees' Welfare System

LGI operates a welfare system to enhance work efficiency, increase employee satisfaction, and ensure work-life balance.

Snowboard club building teamwork through activities

Category	Support
Leisure life	Club activities
Stabilizing daily life	Fund for houses and operating the LG Love Daycare Center and other programs to improve family relations
Medical treatment and health issues	Medical expenses and health check-up for employees
Others	Celebrate long-service

Operate Psychology Counseling Programs

LGI operates psychology counseling programs to help all our employees enjoy happier, healthier. The "Heart n Heart" psychology counseling center helps employees by providing personal counseling with resident psychology counselors. The center also offers various sessions to help employees deal with job stress, satisfaction in marriage, and the overall mental health of their children. Counseling and other activities are also provided to help employees deal with their individual stress.

Provide one-on-one professional counseling service for problems in daily life such as work-related stress, personal relations, and family issues

Provide programs to vitalize communication among group members and enhance cohesion within the organization

Provide psychological examination on various issues such as personality, aptitude, personal relations, and marital relations

Operate various programs such as Happy Family, one-on-one counseling for new employees, "Expressing Gratitude," webzine, and mailing

5. Social Contribution Activities

Necessity of social contribution activities

The roles of a corporation have expanded into public areas, such as addressing social issues. Stakeholders also want corporations to develop neighboring regions near overseas business sites to help society.

LGI's approach

For the sake of social contribution activities that will give the best possible help to local areas, LGI collects requests from civic groups and local residents by holding public hearings and presents the directions for social contribution activities.

Performance

Goals	Performance
Promote the donation system by executives and employees	Selected donation targets and contributed donations
Reinforce social contribution activities for young people	Promoted Lunchbox with Love
Contribute to developing overseas business sites	Repaired bridges in Indonesia

Accumulated performance by the executives and employees donation system

Number of participants

442 people

Delivering Lunchbox

1) Voluntary Social Contribution Activities by Executives and Employees

Our company operates a social contribution program to give voluntary donations from executives and employees through deduction in wages. The company also encourages in-company donation culture by operating the 1:1 Matching Grant System, in which the company matches the donations of employees. In 2014, 442 executives and employees participated in the donation efforts, and we collected the participants' opinions to decide how to use their contributions. LGI has set "social contribution activities for giving dreams and hopes to children and young people in poor conditions" as our direction for social contribution.

Social Contribution Activities with Executives and Employees

Using the voluntary donations from executives and employees, LGI supports Lunchbox with Love for 150 children in Eunpyeong-gu, Seoul so they can enjoy healthier, balanced meals. The company encourages employees to participate in voluntary work on the weekdays by implementing a system that guarantees voluntary work time. We are also having the team to participate in delivering lunchbox (Lunchbox with Love) every week on weekdays, to take part in volunteer works since 2015.

2) Customized Social Contribution Activities

LGI considers building win-win relationships with local residents to be important in operating overseas business sites. We proactively enact local social contribution activities: we have established a school in a nearby region, supported scholarships, and carried out projects to improve local residents' quality of life. We also provide necessary support for local residents by reestablishing social contribution activities that are related to our company's business and plans.

Social Contribution Activities by Investment Corporations in Indonesia

MPP coal mine

Establish and repairing roads in neighboring villages

Support English education for elementary school students

GAM coal mine

Support the event for Independence Day in Indonesia

Support electricity supply in the village

Palm plantation

Open transport roads for neighboring residents

Support facilities such as wells and storage tanks

Operating Local-friendly Projects

LGI manages potential impacts on the local community that may be caused from resources development and investment. We hold a public hearing to reflect residents' opinions as much as possible and prevent negative impacts on their lives. We strive to implement activities that support the local community in cooperation with local suppliers.

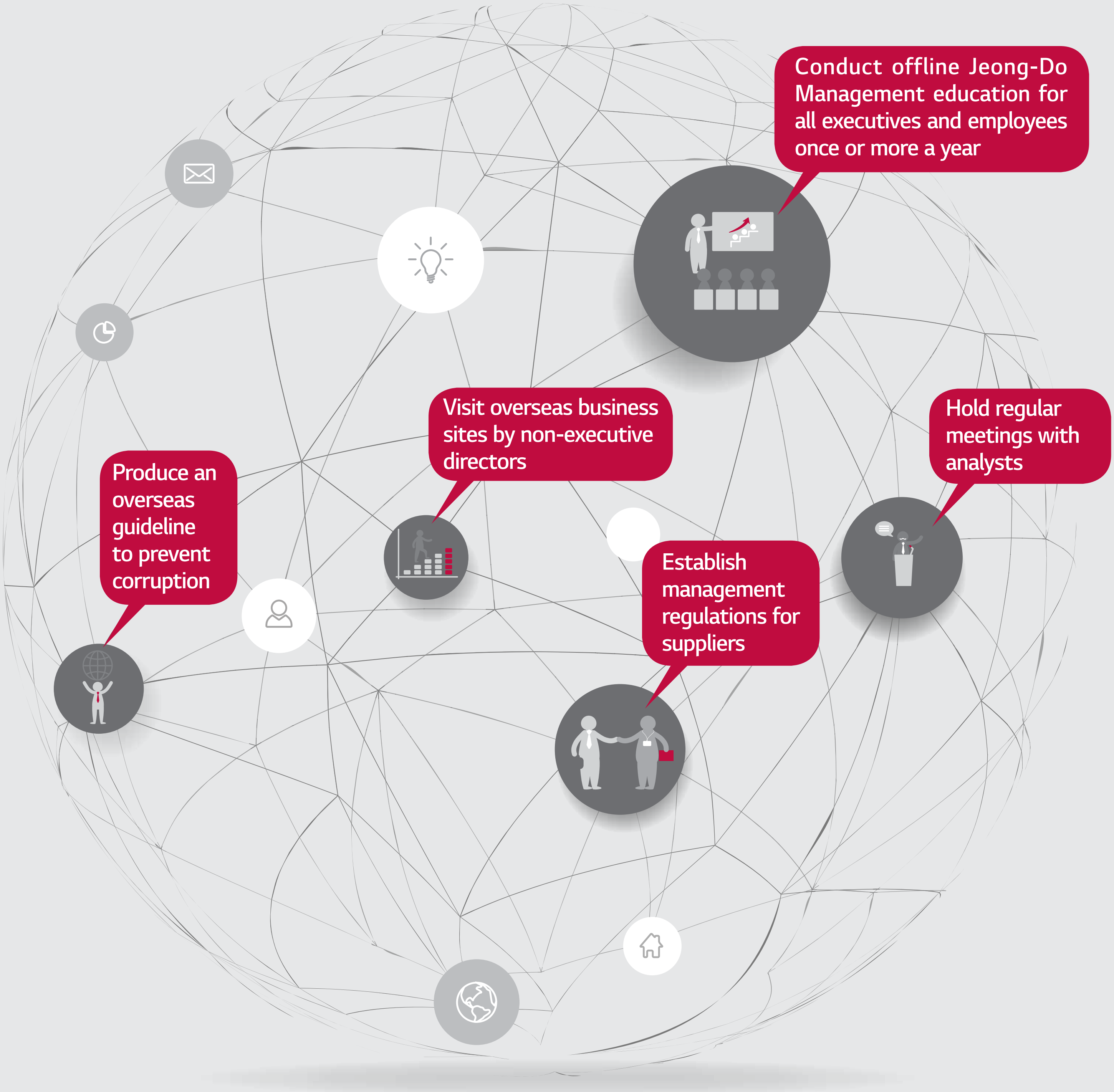
Best Practice Bridge Repairs in Indonesia

In Sekadau Province near the LGI-operated palm plantation in Indonesia, there were three old bridges in desperate need of renovation. About a hundred children cross these dangerous bridges on their way to school and home every day, and local residents cross by foot or motorcycle.
LGI believes that repairing bridges is not just a social contribution activity, but a matter of necessity for the local residents. We've repaired all three bridges, upgrading them to concrete bridges in 2015. When the bridge reconstruction is completed, the local residents' lives will be much safer.

Existing decrepit wooden bridge

Reconstructing the bridge into a concrete bridge

Ⅲ. Current Status of Sustainable Management

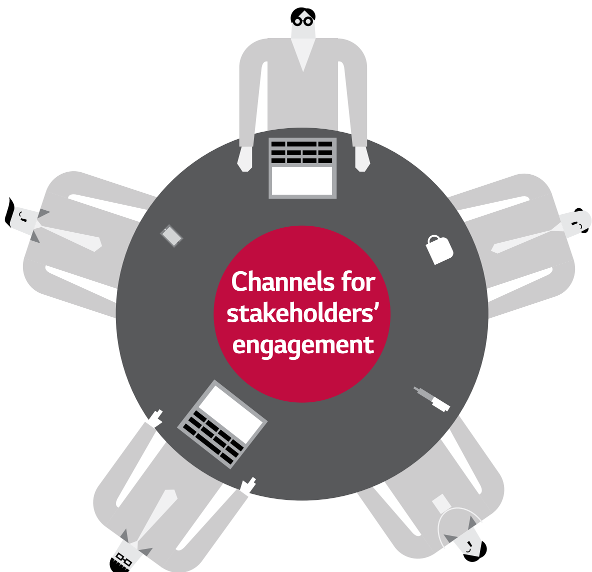

Conduct offline Jeong-Do Management education for all executives and employees once or more a year
Visit overseas business sites by non-executive directors
Hold regular meetings with analysts
Produce an overseas guideline to prevent corruption
Establish management regulations for suppliers

1. Communication with Stakeholders

1) Reinforcing Communication

LGI uses stakeholder engagement channels to realize mutual growth with all our stakeholders, including executives and employees, customers, local community, partners, and shareholders. We collect various opinions about the company in various ways, depending on the characteristics of stakeholders. We are also developing a sustainable management system by reflecting stakeholders' opinions in our management activities.
We strive to build stakeholders' trust by transparently including LGI's activities and performance in this report. We've taken special care to address issues of interest or concern, which were raised by stakeholders for 2014.

Customers
- Channels for stakeholders' engagement
  Website, Customer Satisfaction Center, Call Center
- Issues of interest or concern
  Conducting business with secured profitability and stability



Shareholders
- Channels for stakeholders' engagement
  Business report, regular shareholders meeting, regular analyst meeting
- Issues of interest or concern
  Creating continuous performance, enhancing sound corporate value

Executives and employees
- Channels for stakeholders' engagement
  Conversation with the CEO, survey and meeting, psychology counseling center
- Concerned issues
  Satisfaction by executives and employees, performance assessment and reward, balance between work and life

Partners
- Channels for stakeholders' engagement
  Meeting for sharing work, regular assessment, workshop
- Concerned issues
  Win-win growth with partners, improving communication

Local community
- Channels for stakeholders' engagement
  Website, voluntary work by executives and employees, public hearing for local residents
- Concerned issues
  Social and environment responsibilities, vitalizing the local community

2) Materiality Evaluation Process

LGI has selected major issues by using its materiality evaluation process. This evaluation comprehensively considers interests from stakeholders (collected through surveys), business impacts of international initiatives, standards for similar industries, issues of interest or concern by competitors, and media exposure.

Identify overall issues in the trading business
- International standards, sustainable management issues in similar business, internal materials, interview with executives and employees, etc.

Analyze business impacts
- Prioritize each type of impact
- Conduct quantitative analysis for issues in the industry

Survey for stakeholders
- Draw expectations for each issue

Decide priorities in issues
- Assess materiality for each issue

3) Result of Materiality Estimation

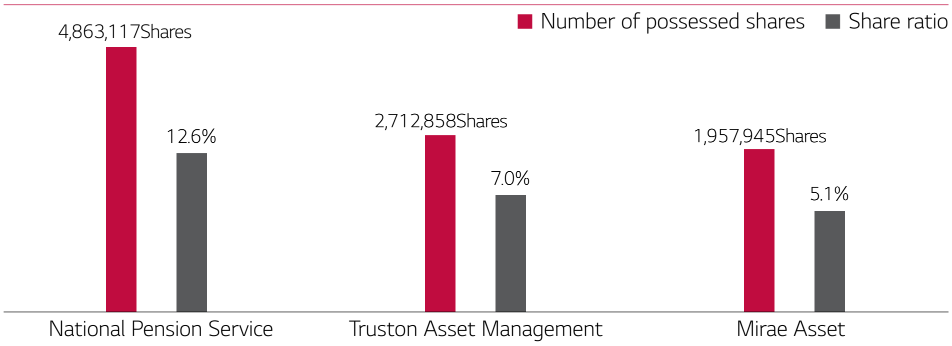
A total of six core themes were selected, after considering impacts on stakeholders' interests and business, and reported in each page as follows.

Category	Major issue	page
1	Lay the foundation for long-term business and securing stable future growth engines	15, 21
2	Carry out social contribution activities reflecting the business characteristics	28
3	Respect local culture at overseas business sites and using a localization strategy	21, 28
4	Establish strategy for developing global talent	18, 25
5	System for operation and investment risk management	15
6	Eco-friendly management system (Establishing strategy and process)	21

2. Governance Structure

1) Composition of Shareholders and Communication

As of the end of 2014, LGI has issued a total of 38,760,000 shares, made major decisions for the company by holding the annual shareholders' meeting, and reflected opinions from shareholders regarding management. We provide shareholders with the necessary information by announcing major management issues on our company's website and through the Data Analysis, Retrieval, and Transfer System of the Financial Supervisory Service.



2) Current Status of the Board of Directors

The Board of Directors has the authority for making the top decisions in major management issues and is composed of six members (two executive directors, one director, and three non-executive directors). The director is also the chairperson of the Board of Directors; non-executive directors help realize fairness in the decision-making process, and they are experts in different sectors such as finance, law, and resources development.

Category	Name	Major career and position
Non-executive director	Kim Dong-uk	Former) CEO and President of Hyundai Engineering
	Jeong Un-o	Current) Professor of Business Administration Department at Seoul National University Current) President of Korea Academic Society of Taxation
	Han Min	Current) Professor at Graduate Law School at Ewha Woman's University
Director (Chairperson of the Board of Directors)	Ha Hyeon-hoe	Current) President of LG Co., Ltd.
Executive directors	Song Chi-ho	Current) President and CEO of LGI
	Heo Seong	Current) CFO of LGI

(As of the end of April 2015)

3) Operation of the Board of Directors

Rate of participation by non-executive directors (2014)

94%

The Board of Directors holds regular meetings, and in the event of a major management issues, a temporary Board of Directors meeting is held. In 2014, the company held Board of Directors meetings seven times and moved 27 bills (bills for approval and report). To ensure that non-executive directors' understand the agendas, the Board of Directors explains major issues at least seven days before the meeting.

4) Subcommittees under the Board of Directors

LGI operates two subcommittees under the Board of Directors, the Audit Committee, and Non-executive Director Recommendation committee, to support efficient operation of the Board of Directors.

Audit Committee

The Audit Committee monitors overall management and enhances transparency in accounting information. The committee is composed of three non-executive directors, and it secures independency by appointing audit members who have no interest relations. In 2014, the committee held meetings six times and approved and reported 12 bills.

Non-executive Director Candidate Recommendation Committee

With a director as the chairperson and two non-executives as members, the Non-executive Director Recommendation Committee secures fairness and independency by strictly appointing non-executive directors. In 2014, the committee held one meeting to appoint one new non-executive director.

Non-executive Directors' Visit to Overseas Business Sites

Our company helps non-executive directors better understand our company by encouraging them to visit overseas business sties. In December 2014, non-executive directors went to Indonesia to check relevant projects at our business sites.
LGI continues to send non-executive directors to overseas business sites to help them to make more practical and reasonable decisions.

3. Jeong-Do Management

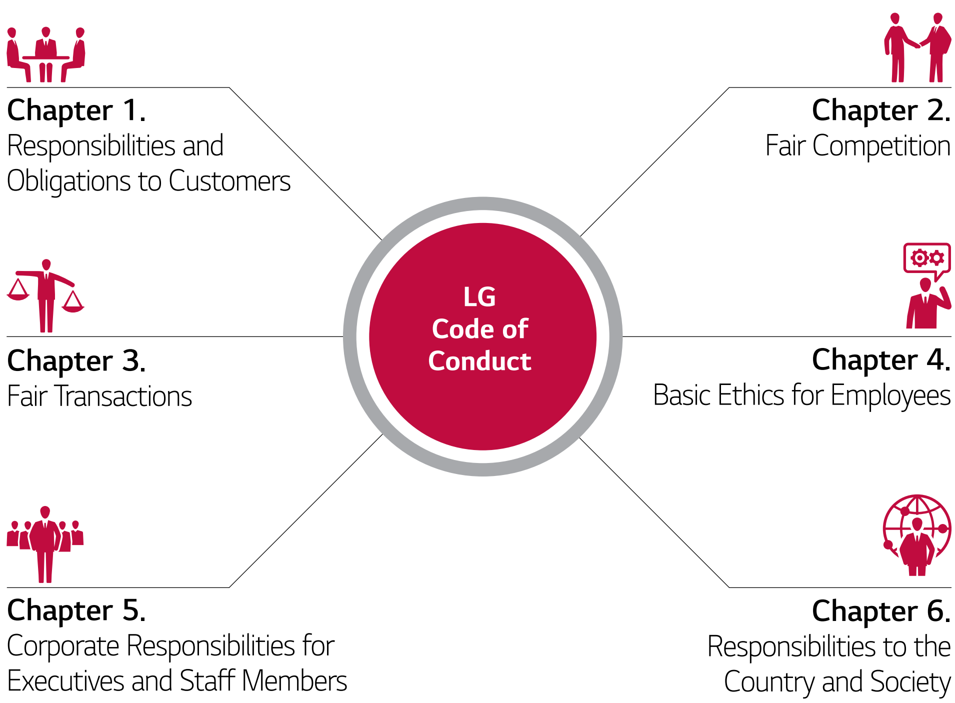
1) LG Jeong-Do Management System

LG Jeong-Do Management (Ethical Practice Management)

Jeong-Do Management is LG's unique code of conduct: our company pledges to pursue ethical management practices and constantly develop its business capabilities. Our code of conduct not only applies to fair management, but also to our goals to improve skills to gain competitiveness.

LG Code of Ethics

Our company upholds two major management principles, "Customer-Value creation" and "People-Oriented Management." We promote autonomy and a strong sense of responsibility among all employees under our management charter. By establishing the code of ethics as the standards for proper behavior and value judgment for all executives and employees, we make it the duty of all executives and employees to realize Jeong-Do Management.



2) Current Status of Carrying out Jeong-Do Management by LGI

Poster for Jeong-Do Management

Organizations for Jeong-Do Management

LGI operates an organization in charge of Jeong-Do Management under the CEO's leadership. In 2014, it was reorganized to have executives. The organization was examined and improved fair trade, compliance with laws and regulations, and prevention of bribes for not only executives and employees, but also our partners.

Promotion team of Jeong-Do Management culture	Ethics Bureau	• Establish and operate a necessary management system for autonomous compliance activities for LG Code of Ethics • Carry out activities to settle the culture of Jeong-do Management • Operate a system for risk management
Operating team of Jeong-Do Management	Corporate Audit Team	• Regularly diagnose business departments, overseas subsidiaries, offices, and branches • Diagnose special missions and reports • Examine and improve the system for work process

Completing Offline Jeong-Do Management Education One Time or More a Year by All Executives and Employees

Jeong-Do Management

Our company regularly conducts online and offline Jeong-Do Management education for all executives and employees at the headquarters and overseas subsidiaries and branches, as well as for partners. All executives and employees complete the offline Jeong-Do Management education course one time or more a year. In 2014, a total of 1,022 employees completed the offline Jeong-Do Management education program. All executives and employees also write an oath to execute Jeong-Do Management: this prevents overseas bribe transactions each year and ensures our active participation in ethical management.

Jeong-Do Campaign

LGI conducts various campaigns to enhance understanding and engagement of executives and employees for Jeong-Do Management.
For instance, we issue a periodical for Jeong-Do Management (newsletter) twice a month for the headquarters and once a month for global staff members. This makes Jeong-Do Management easier to understand in our daily lives. Our company also continuously promotes Jeong-Do Management with Jeong-Do Management posters and the "Welcome, Ethics Bureau."

4. Law-abiding Management

Current Status of Carrying out Law-abiding Management by LGI

Law-abiding Guideline

To build our awareness and understanding of laws and regulations, we've produced and shared the law-abiding guideline for our company. LGI presents explanations and case examples on relevant regulations in various sectors such as foreign exchange, customs, fair trade, information protection, intellectual property, and product liability, to improve our compliance with laws and regulations.

Guideline for Prevention of Overseas Corruption

By reflecting LGI's characteristics with the large ratio of overseas projects, we produced and distributed the guideline for overseas anti-corruption acts in each country to prevent overseas corruption. The guideline provides detailed information on the recently-amended FCPA (Foreign Corrupt Practices Act) to share stricter standards and encourage compliance with the laws and regulations against corruption.

System for Rewarding People Who Report Corruption and Irregularities

LGI operates a system for giving rewards to people who report corruption and irregularities. This reinforces transparency and responsibility and prevents corruption and irregularity practices that undermine customer value. We receive reports on practices that violate the LG Code of Ethics and Jeong-Do Management, such as giving and receiving money and valuable/treats. We protect the identities of people who report, as well as give them rewards.

Interview

Yang Chun-seung, Executive Director of Korea Sustainability Investing Forum

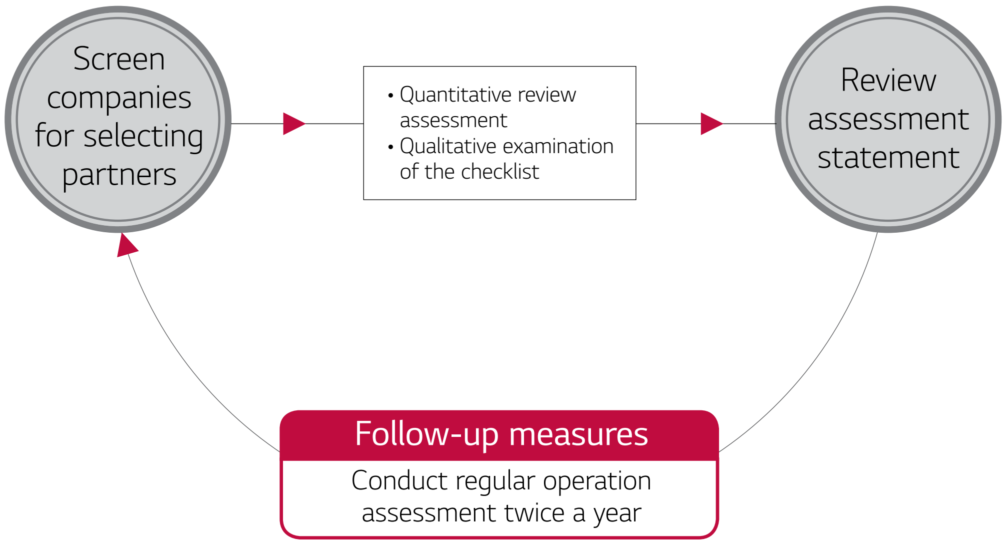
More and more corporate social responsibilities have become legalized with the growing importance of sustainable management grows. The legalization of CSR has been carried out in various countries such as Europe and India. The EU made it mandatory to open the performance of corporate sustainable management externally to encourage transparent communication with stakeholders. In publishing their sustainability report in 2015, following the first one in 2014, LGI strives to broaden communication with stakeholders.
LGI needs to continuously reinforce communication with stakeholders for sustainable management activities in connection with our projects. In carrying out various overseas projects, they also need to collect various opinions from local stakeholders. I sincerely hope that LGI continuously grows into a sustainable company.

5. Win-win Growth with Partners

Win-win Growth System with Partners

Establishing Regulations on Management of Suppliers

LGI recognizes the significant impact of win-win growth with business partners, and so we have established the "Regulations on Management of Suppliers" in 2014. Through these regulations, we conduct not only review assessment in selecting partners, but also operation assessment twice a year after selecting them. We maximize cooperation with our partners by preparing appropriate improvement measures for each situation, depending on the operation assessment results.



Enhancing Transparency in Selecting Partners

LGI enhances executives and employees' awareness of transparent trade through fair trade education. We strive to execute fair trade and contracts by using a fair trade guideline when signing contracts with partners.

6. Performance for Sustainable Management

1) Economy

Creation of Economic Value (amount of sales)

(Unit: KRW 100 million)

Category	2012	2013	2014
Energy and Raw Materials Business Group	31,968	32,146	31,853
Industrial Materials Business Group	95,969	88,581	81,869
Total	127,938	120,727	113,722

Distribution of Economic Value

(Unit: KRW 100 million)

Category	Content	2012	2013	2014
Executives and employees	Personnel expenditure and welfare benefits	985	940	807
Government	Corporate tax	707	304	264
Shareholders	Dividend [1]	193	193	116

[1] Written based on the year of distributing dividend

Current Status of Retirement Pension

Category		Unit	2012	2013	2014
Operation	DB[1]	KRW 100 million	263	334	291
Amount	DC[2]	KRW 100 million	5	5.4	4
Subscription	DB	Person	637	701	605
Number of people	DC	Person	10	13	12

[1] DB: Defined Benefit Plan in which pension is received as a single payment after retirement

[2] DC: Defined Contribution Plan in which severance pay is annually calculated and received

Wage for New Employees Compared to the Legal Minimum Wage

LGI has no gender discrimination in remuneration and complies with the Minimum Wage Act. The wage for new employees in 2014 (as of basic salary) is 290% compared to the legal minimum wage.

2) Environment

Amount of energy use

Category	Unit	2012	2013	2014
Total amount of use	TJ	42.1	41.2	41.0
Gas (LNG)	TJ	80,308	90,487	72,386
Electricity	Mwh	1,806	1,722	1,666

Water resource management

(Unit: Ton)

Category	2012	2013	2014
Water supply	16,110	12,131	10,002

* LGI does not use and manage recycled water.

Waste management

(Unit: Ton)

Category	2012	2013	2014
Total amount of waste	8.94	5.88	11.41
Recycled waste	33.14	23.80	17.57

* Total amount of waste refers to waste excluding recycled waste.

Direct and indirect GHG emissions

(Unit: tCO_2eq)

Category	2012	2013	2014
Direct and indirect GHG emissions	1,006	983	953

Efforts to Minimize Environmental Impacts on Business Sites

LGI conducts environmental impact assessment for each country before launching a project. We then carry out the project after checking compliance with the relevant laws and regulations. Our company also implements regular examinations and reports for environmental impacts to manage the discharge of pollutants and preserve biodiversity.

Cases in Violation of Laws and Regulations on Environment

There are no cases in which laws and regulations regarding environment were violated in 2014.

3) Society

Total Workforce by Employment Type, Employment Contract, and Region[1]

Category		Unit	2012	2013	2014
Disabled		%	0.4	0.6	1.2
Women	Employees	%	21.5	21.5	25.2
	Managers[2]	%	4.4	4.4	5.2
Patriots and veterans		%	1.7	2.1	2.1
Based on contract	Permanent	Person	725	705	618
	Temporary	Person	19	19	16

[1] As this figure includes dispatched employees from overseas subsidiaries, there is a difference from the number of people on the business report.

[2] Standard for managers: Above mangers

Number and Ratio of Retirement by Employees[1]

Category	Unit	2012	2013	2014
Number of retired employees	Person	56	38	55
Retirement ratio	%	7.1	5.4	8.7

[1] Based on voluntary retirement

Communication with Executives and Employees

Although LGI has no labor union, the company shares changes in major projects by holding regular and periodic meetings with employees. We respond to grievances by consulting with organization managers or the HR team, holding regular face-to-face consultation three times a year. LGI is also preparing a place for regularly consulting grievances on the in-company intranet. In 2014, a total of 20 cases were reported and addressed.

Support for health and safety for executives and employees

LGI operates relevant regulations to improve health and safety for all executives and employees. Our company provides various health promotion programs to support executives, employees, and even their family members. We also conduct regular examinations on health and safety by operating a consultative body for executives and employees. In 2014, there were no cases in violation of the Occupational Safety and Health Act due to risks in health and safety.

Incidents Such as Injury, Occupational Disease, Days of Loss, and Absence

In 2014, there were no injured or damaged people at domestic business sites.

Assessment of Performance by Executives and Employees

LGI provides fair opportunities by considering the capability of executives and employees, focusing on capability and performance. Our company also provides fair reward based on contribution by each individual and work in connection with performance.

Remuneration for the Board of Directors

Limitation on remuneration for the Board of Directors is determined by general shareholders' meetings based on the articles of association. The performance assessment of the management and executives over the year appropriately determines their remuneration. In 2014, the amount of average remuneration for each person was KRW 330 million.

Maternity leave[1]

Category	Unit	2012	2013	2014
Returning employees with one year and over of employment	Person	3	7	7
Rate of returning to the workplace after maternity leave	%	100	100	100
Rate of working for one year and over after maternity leave	%	100	100	100

[1] Based on female executives and employees

Parental leave[1]

Category	Unit	2012	2013	2014
Returners with one year and over of employment	Person	6	10	5
Rate of returning to the workplace after parental leave	%	100	100	100
Rate of working for one year and over after parental leave	%	100	100	80

[1] Based on male and female employees

Protection of Human Rights

In accordance with the LG Code of Ethics, LGI respects the cultural practices and social values for each country by signing an investment contract. We comply with relevant legislations by prohibiting child labor and forced labor at the headquarters and overseas subsidiaries.

Prohibition of Discrimination for Executives and Employees

LGI prohibits discrimination against gender, nationality, religion, academic background, age, region, and disability. In 2014, there were no cases of legal measures or sanctions due to discrimination at the company.

Report of Corruption and Irregularities by Executives and Employees

In 2014, a total of six cases were reported, and follow-up measures were taken.

Education for prevention of sexual harassment

Category	Unit	2012	2013	2014
Number of people completing education for prevention of sexual harassment	Person	647	674	532
Rate of completing education for prevention of sexual harassment	%	97	96	99

Education for Operation of an Organization for Information Security and Managers

LGI operates an organization for information security to protect personal information and in-company information. The information security group conducts practical tasks for carrying out the information protection policy. The group also implements regular monitoring for information security by operating a consultative body for information security. We conduct education on regular basis to enhance employees' expertise and awareness of information security, who are in charge of handling personal information.

Protection of Customer's Personal Information

LGI has established and complied with the personal information protection guideline for the systemic protection of personal information. In 2014, there were no grievance cases due to personal information security issues.

Grievances Regarding Human Rights Raised by the Official Mechanism Conveying Grievances

There are no grievance cases regarding human rights.

Receiving Prize for Public Policy, Establishing Public Policy, and Participating in Lobbying Activities

LGI strictly prohibits lobbying and illegal practices in accordance with the LG Code of Ethics.

Legal Measures for Unfair Competition and Monopoly Practices

In 2014, there were no cases in which legal measures were taken against us due to unfair competition and monopoly practices.

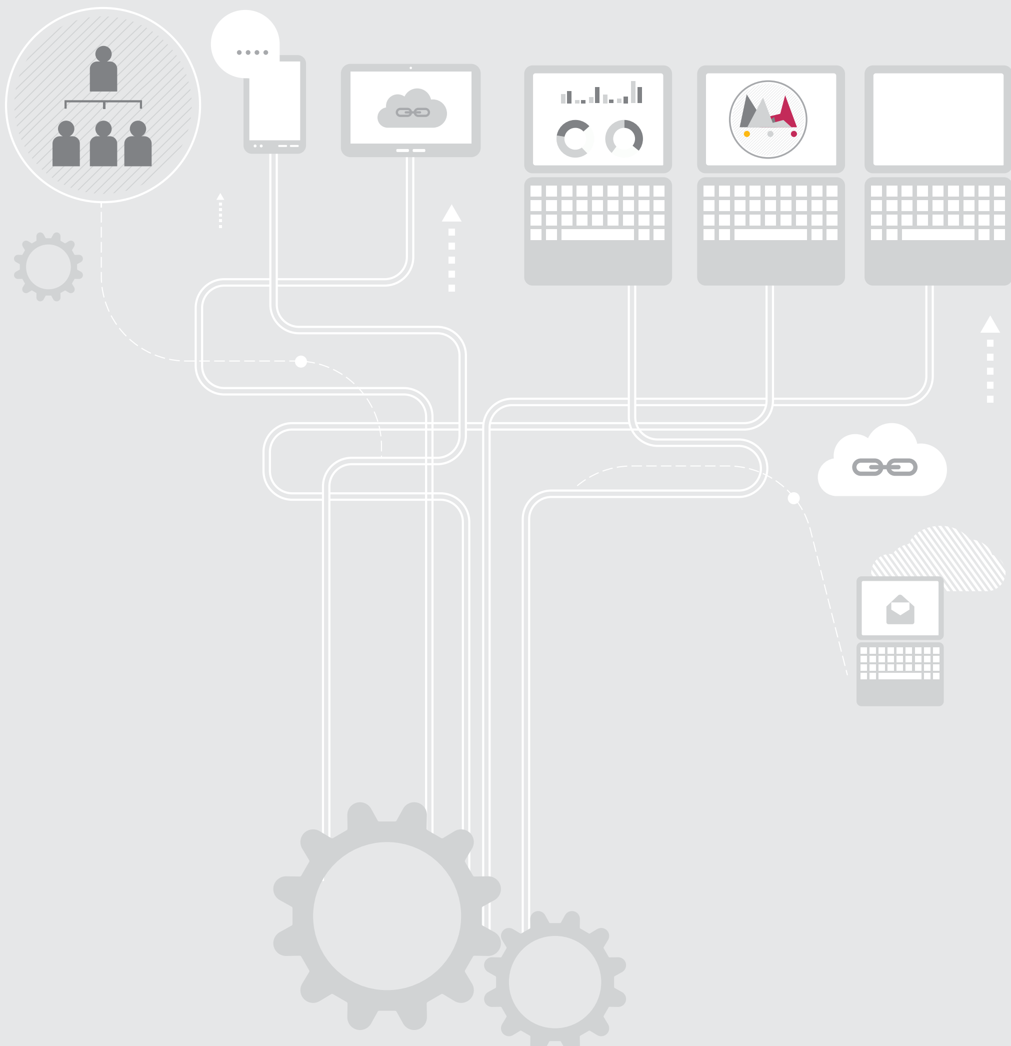
Penalty and Sanctions on Violation of Legislations and Regulations

In 2014, there were no cases of penalty and sanctions imposed against us for violation of legislation and regulations.

Autonomous Compliance with Regulations, Standards, and Rules Regarding Marketing Communication

To enhance customer satisfaction, LGI complies with relevant regulations and standards. We also collect and handle VOC on the company's website and Call Center. In 2014, there were no cases of infringement on the protection of customer rights and interests.

Appendix



1. Independent Assurance Statement

To: The Stakeholders of LG International Corp.

Introduction and objectives of work

IMCSR (the 'assurance provider' hereafter) has been engaged by LG International Corp. to conduct an independent assurance of its 2014-2015 LG International Sustainability Report (the 'Report' hereafter). This assurance statement applies to the related information included within the scope of work described below. This information and its presentation in the Report are the sole responsibility of the management of LG International Corp. The assurance provider was not involved in the drafting of the Report. Our sole responsibility was to provide independent assurance on its content.

Scope of work

The assurance process was conducted in line with the requirements of the Assurance Standard AA1000AS (2008) Type1 assurance. The scope of work included:

- Data and information included in the Report for the reporting period;
- Appropriateness and robustness of underlying reporting systems and processes, used to collect, analyze and review the information reported;
- Evaluation of the Report against the main principles of the AA1000 Assurance Standard (2008);
  - Inclusivity
  - Materiality
  - Responsiveness
- Evaluation against GRI G4 'In Accordance' Criteria;

The moderate level of assurance has been applied.

Methodology

As part of its independent assurance, the assurance provider undertook the following activities:

- Interviews with relevant personnel of LG International Corp.;
- Review of documentary evidence produced by LG International Corp.;
- Audit of performance data;
- Site visits;
- Review of data and information systems for collection, aggregation, analysis and review;
- Review of stakeholder engagement activities;

Our work was conducted against standard procedures and guidelines for external assurance of sustainability reports.

Our findings

On the basis of our methodology and the activities described above, it is our opinion that:

- The information and data included in the Report are accurate, reliable and free from material mistake or misstatement;
- The Report provides a fair representation of sustainability activities over the reporting period;
- The information is presented in a clear, understandable and accessible manner,
- LG International Corp. has established appropriate systems for the collection, aggregation and analysis of relevant information;
- The Report properly reflects the organization's alignment to and implementation of the AA1000 Assurance Standard(2008) principles of Inclusivity, Materiality and Responsiveness in its operations. Further detail is provided below;

Alignment with the principles of AA1000AS (2008)

Inclusivity

LG International Corp. has processes in place for engaging with range key stakeholders including employees, customers, community, business partners, stockholders and has undertaken a number of formal stakeholder engagement activities.

Materiality

The Report addresses the range of environmental, social and economic issues of concern that LG International Corp. has identified as being of highest material importance. The identification of material issues has considered both internal assessments of risks and opportunities to the business, as well as stakeholders' views and concerns.

Responsiveness

LG International Corp. is responding to those issues it has identified as material and demonstrates them in its Disclosures on Management Approach (DMA).

- Based on our work, it is our opinion that the Report has been prepared in accordance with the 'Core Option' of GRI G4. Further detail is provided below;

General Standard Disclosures

The assurance provider reviewed General Standard Disclosures, and believes that the Report meets the Core Option requirements of General Standard Disclosures.

Specific Standard Disclosures

The assurance provider reviewed Material Aspects, DMAs and Indicators, and believes that the Report meets the Core Option requirements of Specific Standard Disclosures.

Key areas for ongoing development

Based on the work conducted, we recommend LG International Corp. to consider the following:

- LG International Corp. is advised to implement more strategic stakeholder engagement programs by identifying key stakeholders and build the management system in order to manage and disclose stakeholder engagement performance;
- LG International Corp. is required to consider development of Key Performance Indicators and incorporating or refining existing KPIs in order to demonstrate strategies and business models which lead to the creation of value over the short, medium and long term;

Limitations and Exclusions

Excluded from the scope of our work is any assurance of information relating to:

- Activities outside the defined assurance period;
- Expressions of opinion, belief, aim or future intention by LG International Corp. and statements of future commitment;

Statement of independence, impartiality and competence

No member of the assurance team has a business relationship with LG International Corp. We have conducted this assurance independently, and there has been no conflict of interest.

The assurance team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes, and an excellent understanding of standard methodology for the assurance of sustainability reports.

IMCSR AA1000 Licensed Assurance Provider 000-171

Hyunlee

April, 2015
Hyun Lee, CEO&Founder, IMCSR

2. GRI 4.0 Index

Aspect	Index	Description	Page	External Assurance
1. General Standard Disclosures				
1) Strategy and Analysis	G4-1	Statement from the most senior decision-maker	2	45~46
2) Organizational Profile	G4-3	The name of the organization	1	45~46
	G4-4	The primary brands, products, and services	8~10	45~46
	G4-5	The location of the organization's headquarters	1	45~46
	G4-6	The number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	11~12	45~46
	G4-7	The nature of ownership and legal form	35	45~46
	G4-8	The markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	11~12	45~46
	G4-9	Scale of the organization	8~10, 41~42	45~46
	G4-10	Total workforce	42	45~46
	G4-11	The percentage of total employees covered by collective bargaining agreements	42	45~46
	G4-12	The organization's supply chain	40	45~46
	G4-13	Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	1	45~46
	G4-14	Whether and how the precautionary approach or principle is addressed by the organization	15~17	45~46
	G4-15	List Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	51	45~46
	G4-16	Memberships in associations (such as industry associations) and/or national/ international advocacy organizations in which the organization	51	45~46

Aspect	Index	Description	Page	External Assurance
3) Identified Material Aspects and Boundaries	G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents	7	45~46
	G4-18	The process for defining the report content and the Aspect Boundaries	33~34	45~46
	G4-19	List all the material Aspects identified in the process for defining report content	33~34	45~46
	G4-20	For each material Aspect, report Aspect Boundary within the organization	1, 33~34	45~46
	G4-21	For each material Aspect, report the Aspect Boundary outside the organization	2, 34~35	45~46
	G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	2, 34~35	45~46
	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	1	45~46
4) Stakeholder Engagement	G4-24	List of stakeholder groups engaged by the organization	33	45~46
	G4-25	Basis for identification and selection of stakeholders with whom to engage	33	45~46
	G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	33	45~46
	G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	33	45~46
5) Report Profile	G4-28	Reporting period such as fiscal or calendar year) for information provided	1	45~46
	G4-29	Date of most recent previous report (if any)	1	45~46
	G4-30	Reporting cycle such as annual, biannual	1	45~46
	G4-31	Provide the contact point for questions regarding the report or its contents	1	45~46
	G4-32	Report the 'in accordance' option the organization has chosen	1	45~46
	G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report	45~46	45~46
6) Governance	G4-34	Report the governance structure of the organization, including committees of the highest governance body	35~36	45~46
7) Ethics and Integrity	G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	37~39	45~46

2. GRI 4.0 Index

Aspect	Index	Description	Page	External Assurance
2. Specific Standard Disclosures				
Economic				
1) Indirect Economic Impacts	DMA	Disclosures on management approach	28	45~46
	G4-EC7	Development and impact of infrastructure investments and services supported	28~30	45~46
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	28~30	45~46
Environmental				
1) Effluents and Waste	DMA	Disclosures on management approach	21	45~46
	G4-EN23	Total weight of waste by type and disposal method	41	45~46
Labor Practices and Decent Work				
1) Occupational Health and Safety	DMA	Disclosures on management approach	21	45~46
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	42	45~46
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	42	45~46
2) Training and Education	DMA	Disclosures on management approach	18	45~46
	G4-LA9	Average hours of training per year per employee, by gender, and by employee category	19	45~46
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	18~20	45~46
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	42	45~46

Aspect	Index	Description	Page	External Assurance
Human Right				
1) Investment	DMA	Disclosures on management approach	15	45~46
	G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	17	45~46
	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	42~43	45~46
2) Indigenous Rights	DMA	Disclosures on management approach	28	45~46
	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	41~43	45~46
Society				
1) Investment	DMA	Disclosures on management approach	28	45~46
	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	28~30	45~46
2) Anti-corruption	DMA	Disclosures on management approach	15	45~46
	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	15~17, 37~39	45~46
	G4-SO4	Communication and training on anti-corruption policies and procedures	15~17, 37~39	45~46
	G4-SO5	Confirmed incidents of corruption and actions taken	39	45~46
3) Anti-competitive Behavior	DMA	Disclosures on management approach	15	45~46
	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	43	45~46

3. Awards and Memberships

Awards Received

Title	Conducted by	Year
Commendation for overseas resources development	Energy & Mineral Resources Development Association of Korea	2014
Prime Minister's Commendation on Annual Trade Day	Korea International Trade Association	2013
Minister of Trade, Industry & Energy's Commendation on Annual Trade Day	Korea International Trade Association	2013
1st place in trading field, Korean Sustainability Index (KSI)	Korea Standards Association	2013
Minister of Trade, Industry & Energy's Commendation on Annual Trade Day	Korea International Trade Association	2012

Membership of Organizations and Associations

Association name	Date of membership
Private-Public Economic Cooperation Committee for Central Asia	September 2014
Korea Bar Association (Seoul)	April 2014
New York Bar Association	March 2014
Society of Petroleum Engineers	January 2014
Korea-Indonesia Companion Council	September 2013
Future energy Forum	April 2013
Korean Society of Mineral and Energy Resources Engineers	April 2012
Korea Customs Logistics Association	November 2010
Korea-Oman Friendship Association	November 2009
Energy & Mineral Resources Development Association of Korea	April 2007
Korea-Japan Economic Association	March 2007
Korea Plant Industries Association	February 2005
Korea Paper Association	January 2004
Korea Investor Relations Service	May 2002
Integrated Defense Council for Gumi National Industrial Complex	January 2002
Trade Division Director Council	January 2002
Gumi Chamber of Commerce	January 2002
Korea Chemicals Management Association	December 1997
International Contractors Association of Korea	January 1997
Korea Economic Research Institute	August 1987
Federation of Korean Industries	September 1978
Korea Listed Companies Association	January 1976
Korea Association of National Emergency Plan	May 1975
Korea International Trade Association	November 1971
Korea Chamber of Commerce & Industry	November 1953

4. Checklist for ISO 26000

The International Organization for Standardization (ISO) has launched the International Standard providing guidelines for social responsibility, named ISO 26000, in November 2011. It covers the 7 core subjects of organizational governance, human rights, labor practices, environment, fair operating practices, consumer issues, and community involvement and development, as well as many existing guidelines on management integrations. LG International assures its compliance with ISO 26000 under continuous management.

Topic	Key Issues	Page	ISO 26000 Index	
Organizational Governance	Decision-making Processes and Structures	33	6.2	6.2.3
Human Rights	Due Diligence	42~43	6.3	6.3.3
	Human Rights Risk Situations			6.3.4
	Avoidance of Complicity			6.3.5
	Resolving Grievances			6.3.6
	Discrimination and Vulnerable Groups			6.3.7
	Civil and Political Rights			6.3.8
	Economic, Social and Cultural Rights			6.3.9
	Fundamental Principles and Rights at Work			6.3.10
Labor Practices	Employment and Employment Relationships	18~20 25~27 42~43	6.4	6.4.3
	Conditions of Work and Social Protection			6.4.4
	Social Dialogue			6.4.5
	Health and Safety at Work			6.4.6
	Human Development and Training in the Workplace			6.4.7
The Environment	Prevention of Pollution	21~24 41	6.5	6.5.3
	Sustainable Resource Use			6.5.4
	Climate Change Mitigation and Adaptation			6.5.5
	Protection of the Environment, Biodiversity and Restoration of Natural Habitats			6.5.6
Fair Operating Practices	Anti-corruption	37~40 43	6.6	6.6.3
	Responsible Political Involvement			6.6.4
	Fair Competition			6.6.5
	Promoting Social Responsibility in the Value Chain			6.6.6
	Respect for Property Rights			6.6.7
Consumer Issues	Fair Marketing, Factual and Unbiased Information and Fair Contractual Practices	43	6.7	6.7.3
	Protecting Consumers' Health and Safety			6.7.4
	Sustainable Consumption			6.7.5
	Consumer Service, Support, and Complaint and Dispute Resolution			6.7.6
	Consumer Data Protection and Privacy			6.7.7
	Access to Essential Services			6.7.8
	Education and Awareness			6.7.9
Community Involvement and Development	Community Involvement	28~30	6.8	6.8.3
	Education and Culture			6.8.4
	Employment Creation and Skills Development			6.8.5
	Technology Development and Access			6.8.6
	Wealth and Income Creation			6.8.7
	Health			6.8.8
	Social Investment			6.8.9

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