

Sustainability Report 2013

Harmonizing Human Beings with Nature

Connection,
Completeness,
Joy,
and Harmony



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Korea Land & Housing Corporation is
building a world in harmony with the nature
that surrounds us.
LH is committed to ensuring harmony and
happiness across the world.

● About This Report

Purpose of the Report | This report is the second sustainability report published by Korea Land & Housing Corporation (hereinafter “LH”) since our integration. It details LH's efforts to promote sustainability management practices and initiatives as well as the company’s economic, social, and environmental performances.

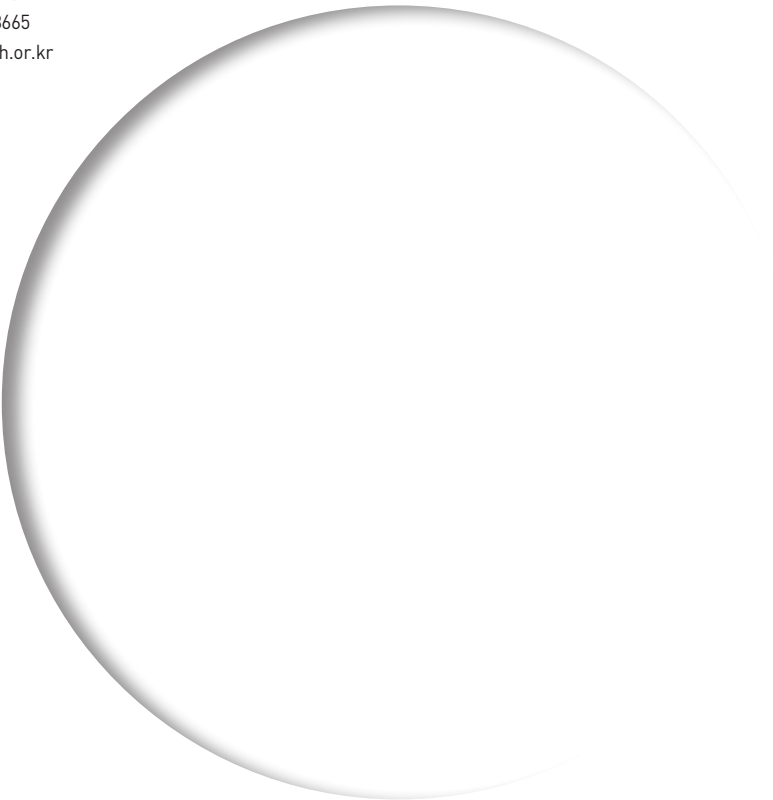
LH's performances were reviewed by an independent assurance agency to increase the reliability of data, while stakeholders were also engaged to aggregate and reflect their areas of interests with regard to the company's sustainability management practices in the report. We hope that this report will help enhance communication with our stakeholders as LH wishes to grow together with them.

Scope and Period | This report covers the sustainability management state and performances undertaken by LH for a period between January 1 and December 31, 2012. All the performances specified in this report are denominated in the Korean won.

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

Inquiry | Please refer to the following contact information for any further inquiries or to obtain additional information regarding LH's sustainability report.

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CEO's Message



Dear stakeholders of Korea Land & Housing Corporation,

I deeply appreciate your overwhelming care and support toward Korea Land & Housing Corporation (hereinafter referred to as "LH").

LH has normalized its management last year so that we could stabilize our operations and expand our business presence. I believe that LH has successfully strengthened its footing to fulfill its public responsibilities for the interests of citizens as a public enterprise. Such accomplishments are based on the contributions and effort of our employees and the consistent support and care of stakeholders. We make the following pledges to sustain public wellness based on our past achievements.

First, we will place our top priority on the stabilization of public wellness.

Although there were concerns about LH's unstable financial stability when it was officially launched several years ago, the company successfully addressed such anxieties and posted the largest revenue among the nation's public enterprises last year. Such outstanding performance was achieved as all our executives and employees strived to cope with the challenges. As we have reshaped our financial structure and improved management through our diligent work, we have been expanding our public responsibilities of stabilizing the nation's residential rental market and revitalizing the construction sector. LH will continue to spearhead efforts to help stabilize housing supplies for the nation's population and stimulate the economy.

Second, we will lead our efforts to enhance social values and ensure mutually beneficial partnerships with stakeholders.

Based on social contributions, inclusive growth initiatives, customer satisfaction, and human resource management, LH carries out our utmost efforts to fulfill our responsibilities as a public enterprise. As a result of striving to enhance public welfare and render services in a customer-oriented manner through social contribution activities based on our unique resources, LH earned high customer satisfaction ratings for four consecutive years. LH was also the first among public enterprises to found an in-house four-year college, aiming to help employees reinforce their competences and competitiveness. We will continue our efforts to enhance values for our stakeholders.

Third, we will be committed to building a greener future through promoting eco-friendly construction.

LH directly and indirectly contributes to capping greenhouse gas emissions through building ecological cities that ensure a harmonious lifestyle between nature and humans and promoting eco-friendly housing fueled by renewable energy sources to address climate change. The company also actively engages in eco-friendly office operation initiatives and consistently conducts education regarding green growth. We will internalize practices of efficient energy use throughout our operations to lead green management initiatives.

All LH executives and employees are committed to expanding LH's sustainable growth potential through reflecting communications with stakeholders in our management practices and creating common values by fulfilling our social responsibilities. We sincerely ask for your continued support for our efforts and advances in ensuring the efficient use of land and stable public welfare.

Thank you.

April 2013
Lee Jisong
CEO of Korea Land
& Housing Corporation

이 지 송

Highlights

Harmonizing Human Beings with Nature

NO. 1

LH normalizes management within 3 years after establishment

Since its launch three years ago, LH posted a record income and substantially reduced financial debts ratio last year despite ongoing economic depressions, and has played a role in accelerating its recovery.



NO. 2

LH sees state management rating jump

LH has earned an A in top management rating and a B in institutional rating in the 2011 Public Institution Management Assessment. Both ratings are a full grade higher than those from the previous year.



NO. 3

LH hires 500 new employees

LH hired 500 new employees, the company's first hiring after its establishment. Among them, 200 employees did not have college degrees, representing the largest employment of high school graduates by a public enterprise ever.



NO. 4

LH successfully accomplishes Sejong City project, "Innovation City" projects, and other state-run projects

LH has successfully fulfilled large-scale state-run projects, including the relocation of government institutions to Sejong City and Innovation City.



NO. 5

LH provides 10 thousand rental houses for college students

LH successfully finalized its project of providing 10,000 rental houses to help low income college students reduce their financial burden.



NO. 6

Residents move in the first publicly constructed "Bogumjari Apartments" in Gangnam

Low income households without house ownership started moving in the first "Bogumjari Apartments" in Gangnam in September 2012, which were constructed to help these households buy affordable houses.



NO. 7

LH founds the first four-year college among public enterprises

LH became the first public enterprise to found a four-year in-house college, "LH Land and Housing College", after obtaining approval from the Ministry of Education, Science, and Technology



NO. 8

LH hires seniors and youth interns

LH hired 2,000 senior job seekers and 500 youth interns to help mitigate unemployment among the elderly and younger generations, making a great contribution to the government's attempts to create jobs.



NO. 9

LH earns high customer satisfaction ratings for 3 consecutive years

LH has obtained the highest rating in the customer satisfaction survey conducted by the Ministry of Strategy and Finance with regard to public enterprises, verifying the company's achievements in operating processes and system innovation.



NO. 10

LH starts constructing a new head office building in Jinju

LH held the groundbreaking ceremony for its new head office building in Jinju Innovation City in Gyeongsangnam-do in November 2012, vowing to contribute to the local economy as a member of the community.



• •

Happier tomorrow

Bringing special value for the future

LH strives to become the most beloved public enterprise through its commitment to providing better residential environments for the nation. We have established sustainable management strategies, engaging in corresponding specific missions to ensure well-balanced economic, social, and environmental development. We also pursue transparent and ethical management practices to gain public trust. We will continue our efforts to aggregate various opinions through communication channels with stakeholders and expand public welfare to fulfill our responsibilities as a public enterprise that supports public residential welfare.

Economy,
Environment,
Society and the
Public



3,903

Customized Integrity
Education Completed
3,903 trainees
(As of 2012)

95.1

BOD Attendance rate
95.1%
(As of 2012)

LH contributes to enhancing public
welfare and developing the economy

To Ensure Happiness
For Everyone



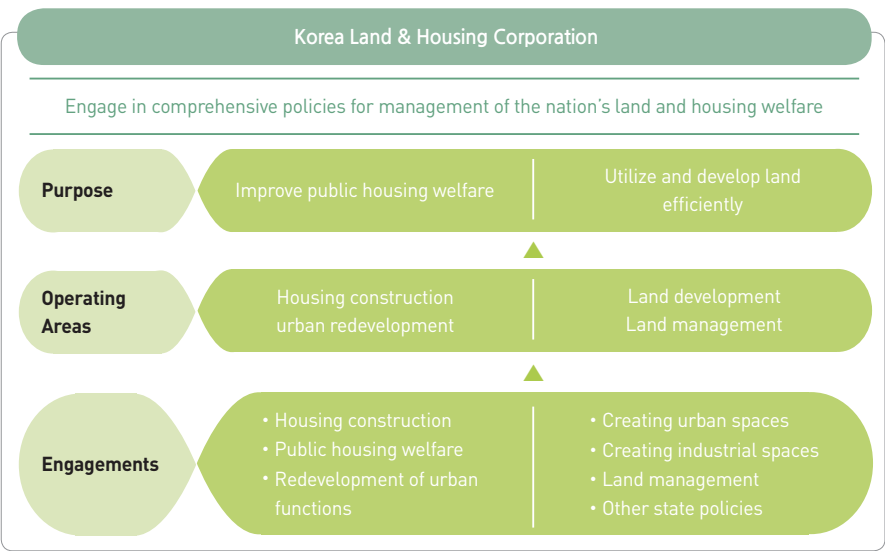
Corporate Outline

LH was established to provide a better residential environment for the nation through enhancing the quality of housing and making efficient use of land. By understanding the perspective of the public to place top priority on public benefits, LH endeavors to become a well-respected and reliable public enterprise.

[As of the end of December 2012]

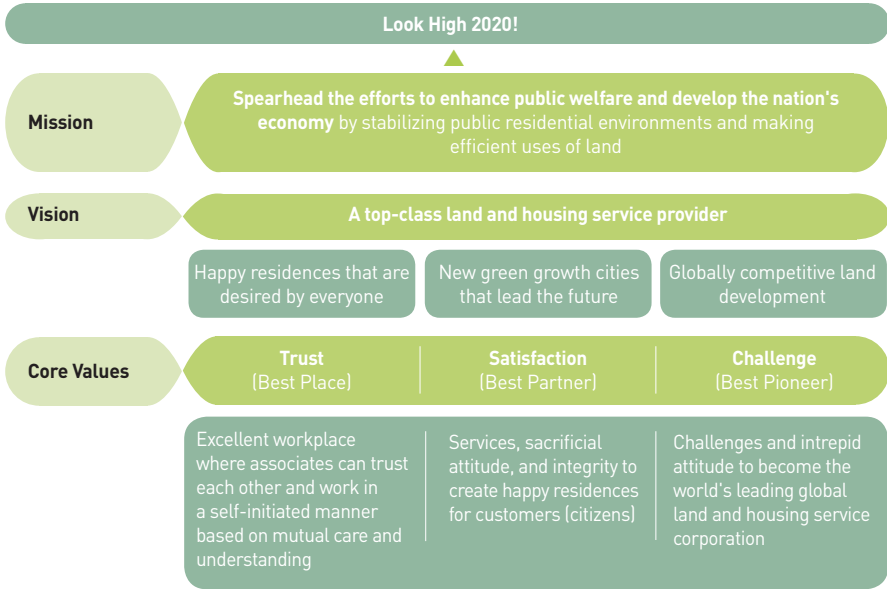
Company	Korea Land & Housing Corporation
Headquarters	172 Dolma-ro, Bundang-gu, Seongnam-si, Gyeonggi-do
CEO	Lee Jisong
Purpose of Establishment	Engage in acquisition, development, retention and supply of land, urban development and redevelopment, construction, supply, management of housing to enhance public residential welfare and efficiency in land use while contributing to economic development
Foundation	October 1, 2009
Total Assets	167,761.6 billion won
Revenue	18,371.7 billion won
Organization	Headquarters, 12 regional divisions, 6 project divisions and 13 direct project units
Key Subsidiaries and Affiliates (Stock Ownership)	Korea Housing Management Co., Ltd. (100%), Hannuri Co., Ltd. (62.5%), Korea Real Estate Investment & Trust Co., Ltd. (31.3%), Korea Construction Management Corp. (38.6%)

Key Functions



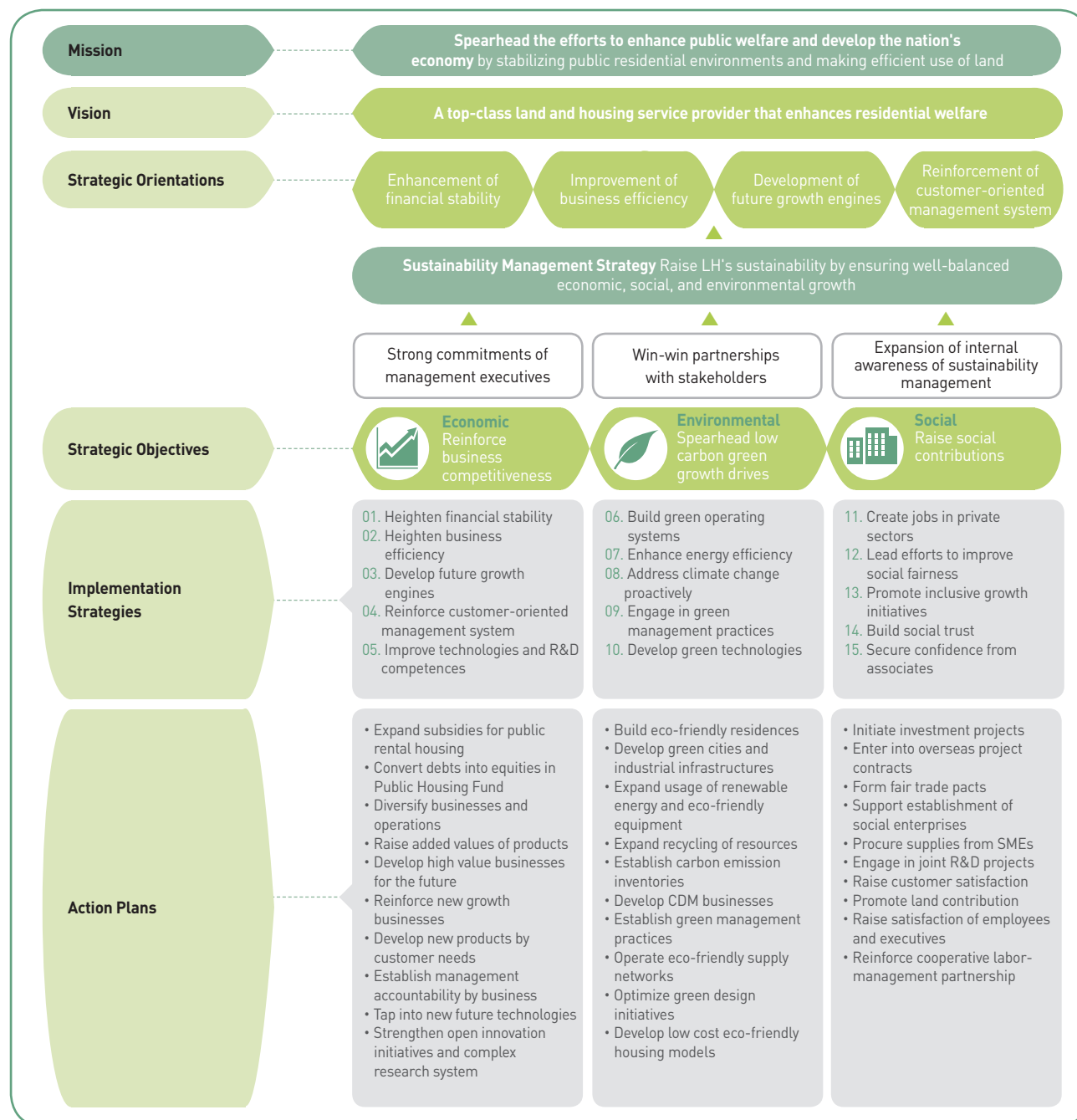
Missions and Visions

LH has established a vision of becoming a “top-class land and housing service provider that enhances residential welfare” to achieve its purposes (mission) of establishment. Based on the core values of trust, satisfaction, and challenge, all LH employees are endeavoring to develop LH into a public service provider that helps enhance public welfare and establish footing for the nation's economic development.



Sustainability Management Strategies

LH is set to increase values for stakeholders related to the company's sustainability performances by ensuring well-balanced economic, social, and environmental growth. LH has designated four key strategic orientations—enhancement of financial stability, improvement of business efficiency, development of future growth engines, and reinforcement of the customer-oriented management system—and currently engages in implementation strategies and action plans associated with these orientations.



| Operation of BOD |

Categorization	Unit	2012
Number of BOD Meetings	session	14
Resolutions	case	27
Preliminary Review Ratio	%	59
Revisions in Resolution	case	3
Attendance	%	95.1
Ratio of statements by non-executive directors	%	63.5

| Subcommittees |

Planning and Management Subcommittee	Deliberate on planning, management support, and research engagements
Housing Welfare Subcommittee	Deliberate on Bogeumjari Apartment projects, housing welfare, housing projects, sales and compensation
Green Development Subcommittee	Deliberate on green city, industrial economy, and construction technologies

BOD Structure

The Board of Directors (BOD) consists of six executive directors and eight non-executive directors. The senior non-executive director shall chair the board so as to ensure sound management checks on the CEO. Non-executive directors are appointed by the Executive Nomination Committee to help make decisions efficiently and rationally. The BOD is operated in a transparent and independent manner, allowing key decisions regarding economic, social, and environmental aspects to maximize the interests of stakeholders through checks and balances and enhance LH's sustainability.

Operation of BOD

Monthly BOD meetings are held to promote the board's functions and make business decisions in a timely manner. Ad hoc meetings are also convened when a review or resolution is required. Those regular and ad hoc BOD meetings allow us to determine key management issues on time. The BOD held 14 meetings in 2012, handling 27 issues.

Subcommittees of BOD

The Planning and Management Subcommittee, Housing Welfare Subcommittee, Green Development Subcommittee, and Audit Committee were established under the BOD to review the agenda in depth and hold management in check more efficiently. A total of nine joint or independent subcommittee meetings were held in 2012. Through these meetings, the subcommittees have examined 16 different issues. The Audit Committee also held six meetings and reviewed 11 agenda items.

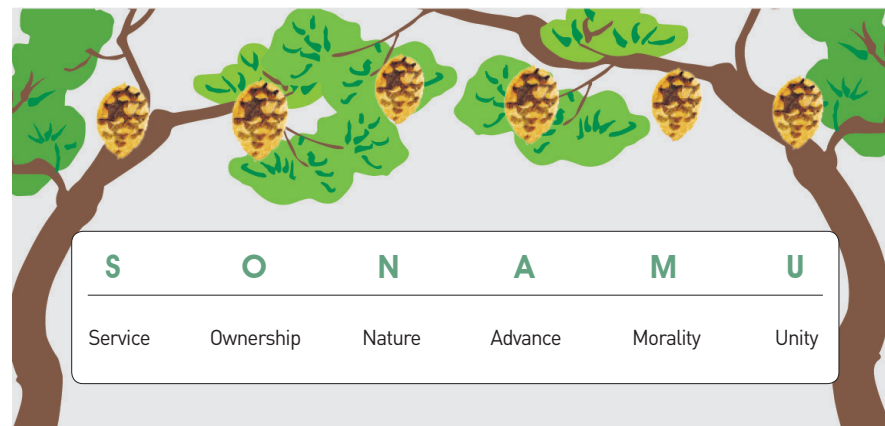
Reinforcing Roles of Non-Executive Directors

Experts in business management, administration, accounting, law, social affairs, or media are appointed as non-executive directors of LH to add influence to the voices of the BOD. We attempt to support management engagement of non-executive directors by providing LH's management information and allowing them to tour local and overseas operating locations and participate in symposiums and events.

Non-executive directors have engaged in interviews of high school graduate applicants, work and tasks of the Executive Nomination Committee, legal and accounting audits, and employee orientations in 2012. They have also toured a variety of local operating locations, including the Bogeumjari Apartment projects in Pangyo Seongnam, Dongtan Hwaseong, and Gangnam. Suggestions from non-executive directors regarding improvement of audit procedures carried out by independent auditors and the Internal Audit Committee were reflected in the new accounting audit procedures. As non-executive directors proposed to hire more employees among youth interns, LH has mapped out a new plan to add more credit for youth interns. These are just a few examples of how LH actively attempts to enact the business suggestions of non-executive directors.

SONAMU, LH's Ethical Management Brand

LH focuses its resources on ensuring integrity for the public based on its ethical management vision of “establishing a sustainability management foundation by satisfying customers with a clean reputation”. We also developed an ethical management brand [SONAMU Management] in 2012 to embed transparent and ethical management practices into our corporate cultures. The Sonamu pine, an evergreen, represents LH's ethical and transparent management commitments and our associate's strong and everlasting devotions to the development of LH and the nation.



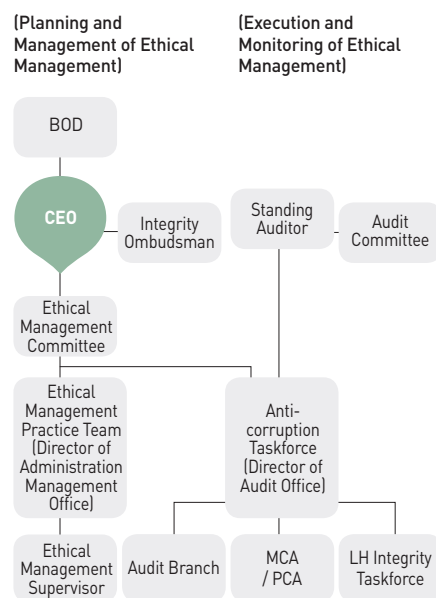
Expanding Ethical Management Organization

We have established the Ethical Management Committee under the control of the CEO to supervise LH's overall ethical management practices as the control tower. The committee also has an Ethical Management Practice Team and Anti-corruption Taskforce under its wing. The Ethical Management Practice Team plans and supervises ethical management practices while the Anti-corruption Taskforce executes and monitors them. Anti-corruption Taskforce manages audit units, MCA (Master Clean-up Agency), PCA (Partner Clean-up Agency), and LH Integrity Taskforce to promote ethical management practices among many different departments and regions.

Revising Ethical Standards

LH has overhauled its ethical standards to better reflect changes in business environments and engage in transparent and ethical management practices. The sustainability management regulations were amended to stipulate new terms of restraining voluntary dismissal of executives involved in fraud. The Integrity ombudsman program was also newly added to the regulations while the guidelines regarding the whistleblower program were revised to raise the maximum reward to 3 billion won from 2 billion won. Under the new guidelines, review procedures are waived for small-scale rewards (100 thousand won or less) to expand incentives for fraud reporting. The codes of conducts for employees were amended to make it compulsory for employees to take Integrity education classes so that they may further develop their integrity and lead ethical initiatives.

| Ethical Management Organization |



Promoting Anti-corruption and Integrity Initiatives

LH is operating a Integrity mileage program to encourage its employees to pay more attention to integrity and voluntarily engage in ethical management practices. The program is designed to offer mileage credits to LH's employees for their online and offline engagements in transparent practices, granting rewards to outperforming individuals and departments in accordance with mileage credits. LH is also operating the Integrity ombudsman program to improve the procedures of project ordering, bidding, and contracting for recommendation and to monitor unethical practices. The company has authorized the Integrity ombudsman program to request audits to ensure its efficient application. We are also carrying out efforts to amend regulations, upgrade policies, reduce costs, and produce effective outcomes.

Reinforcing Ethical Education for Employees

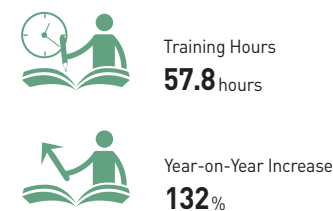
LH engages in a variety of educational programs to raise employees' awareness of integrity and ethics by preventing corruption risks and internalizing integrity into the organizational culture.

Integrity Education	<ul style="list-style-type: none"> • Conduct integrity training for newly hired employees (1 to 2 hours, 470 employees) • Conduct integrity training for promoted employees at Level 2 to 4 (318 employees)
Online Education	<ul style="list-style-type: none"> • Online integrity training and education over codes of conducts with case studies (6,498 employees)
Special CEO Education	<ul style="list-style-type: none"> • Conduct ethical and integrity training consistently • Morning addresses and general manager meetings (7 sessions)
Special Education	<ul style="list-style-type: none"> • Integrity academy (15 hours, 119 employees) • Customized integrity education (1 to 2 hours, 3,903 employees) • In-house integrity training by department (throughout the year)

Enhancing Internal Audit Competences

LH conducts internal audits to promote transparent and ethical organizational cultures and establishes long-term educational roadmaps to provide educational programs customized for auditors' experiences and responsibilities as well as reinforce internal audit competences. LH also made it compulsory for auditors to take educational sessions and outsourced educational services to external educational agencies, increasing training hours per auditor by 172% in 2012. An audit advisory group consisting of internal and external professionals was also formed to raise audit quality. LH exchanges data and conducts cross-audits with similar public institutions such as Korea Southern Power and Korea Rural Community Corporation to ensure objectivity and clarity of audit functions.

| Training Hours per Auditor (2012) |



• Anti-corruption and Integrity Rally

LH held an "Anti-corruption and Integrity Rally" on May 2, 2012, to discourage corruption and promote transparent organizational cultures. LH's executives and employees signed Integrity Pledges to comply with the ethics charters and codes of conducts, reject corruptive practices such as bribery and kickbacks, and fulfill social responsibilities. They also vowed to lead transparent practices.

Risk Management System

LH specifies risk control standards and procedures in “Sustainability Management Regulations” to secure long-term growth sustainability. All threats, uncertainties, and lost opportunities that disturb the implementation of business plans and achievement of objectives are considered “risks”. Risks that materialize and substantially harm LH’s management practices and reputations are regarded as “crises” and are classified into four different categories.

Categorization	Description
Management Crisis	<div>• External environment crisis</div> <div>• Operating crisis</div> <div>• Strategic crisis</div> <div>• Financial crisis</div>
Disaster Crisis	<div>• Natural disaster</div> <div>• Data disaster</div> <div>• Artificial disaster</div> <div>• Contingency in North Korean projects</div>
Communication (Publicity) Crisis	<div>• Negative media coverage</div>
Conflict Crisis	<div>• Conflicts with stakeholders</div>

Risk Management Organization

The Risk Management Committee is the supreme decision-making body regarding risk controls, determining risk policies, strategies, and corresponding countermeasures. The committee is chaired by the CEO while the Vice President acts as CRO (Chief Risk Officer). The Risk Management Team supervises overall risk management operations and appoints risk managers by department to address risk issues in a timely manner. In contingencies, the Risk Management Division analyzes the crisis, maps out countermeasures, and monitors overall responses.



Risk and Crisis Management Process



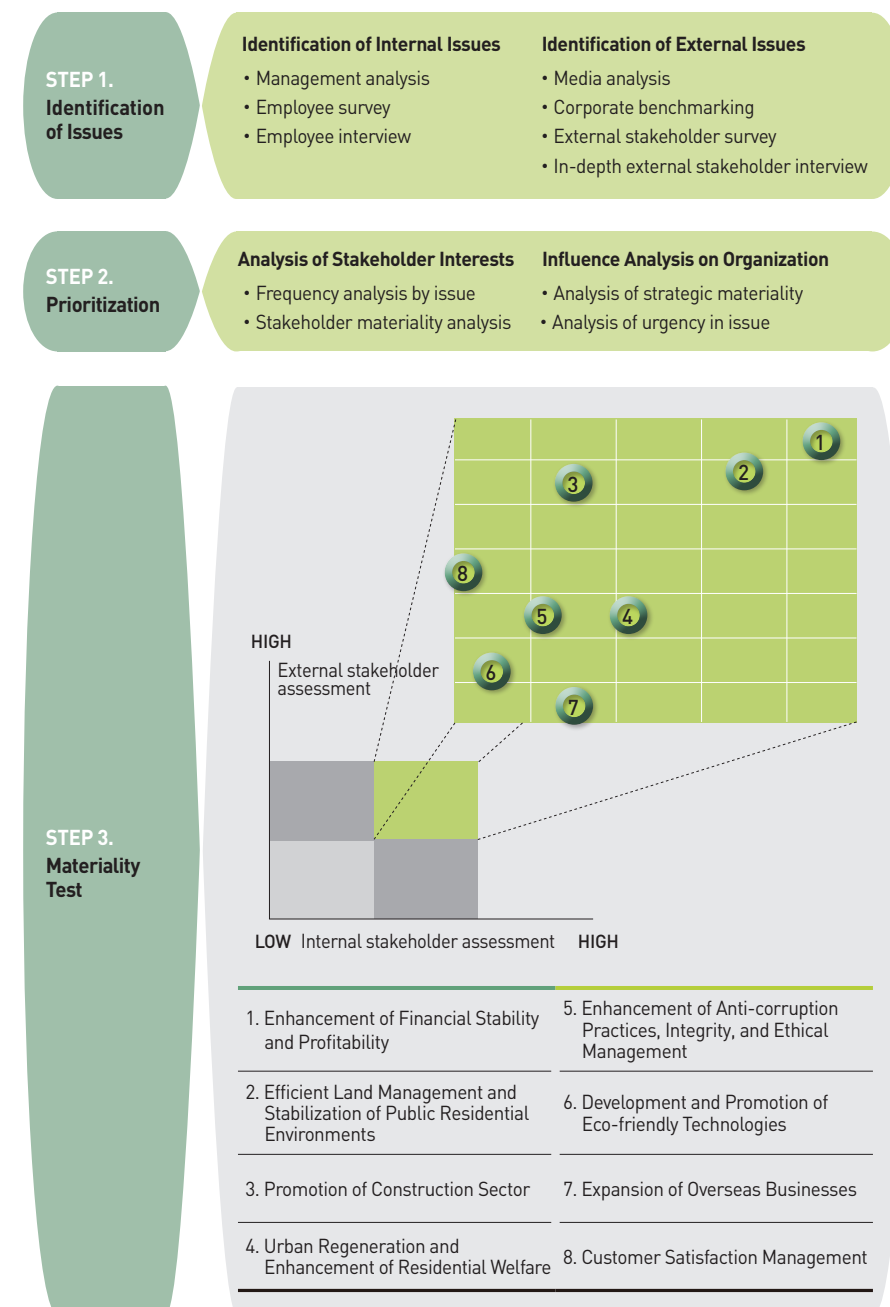
LH Stakeholders

LH classifies its stakeholders into six major groups: customers, employees, citizens, government and local administrations, local communities, and business partners. We are currently operating regular or temporary communication channels in accordance with the materiality and influences of stakeholders. We are attempting to collect a variety of stakeholders’ opinions and demands and reflect them in our corporate operations to increase their satisfaction and LH’s sustainability.



Materiality Test

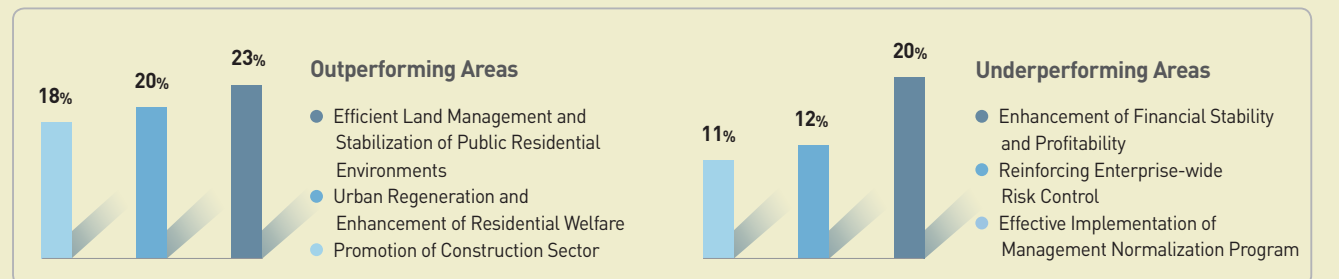
LH uses the following structured approach to identify crucial issues and reflect them in sustainability reports to communicate with internal and external stakeholders. We have conducted a survey with key stakeholders to aggregate various feedback and interviewed external professionals to discuss and analyze identified issues in depth and prioritize them for reporting purposes.



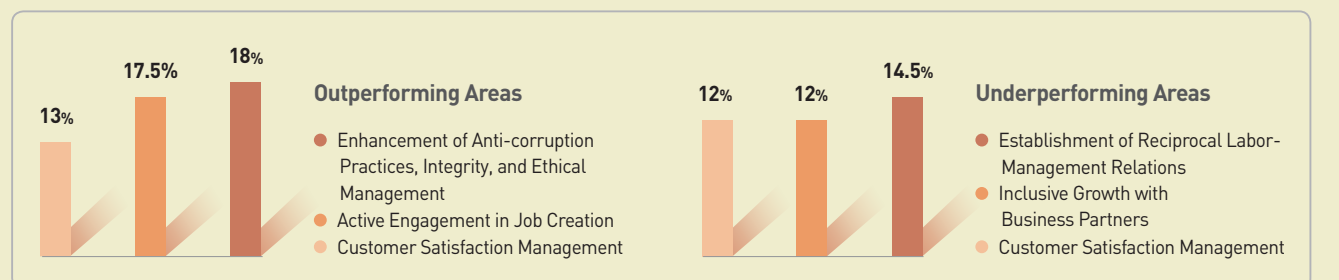
Stakeholder Survey

Outline | LH conducted the 2013 Stakeholder Survey to reflect key areas of interest and the opinions of internal and external stakeholders in sustainability reports. The survey was conducted for four days from February 25 to 28, 2013. Approximately 1,200 internal stakeholders and 113 external stakeholders participated in the survey. LH will actively utilize stakeholders' evaluations and opinions regarding enhancement to our sustainability management practices.

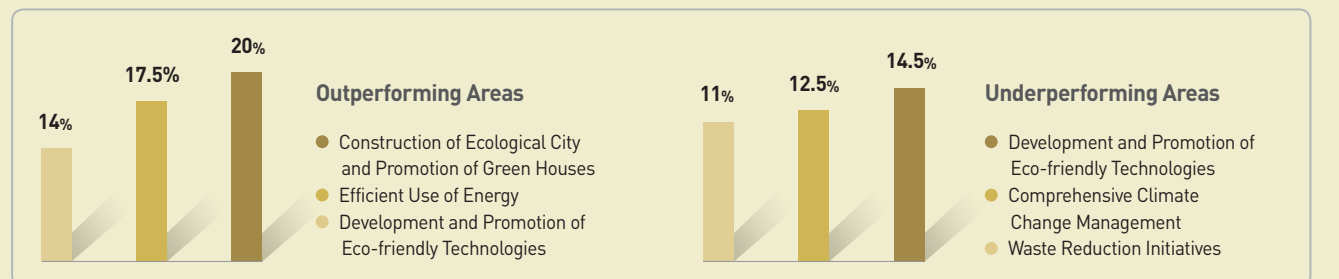
Economic Engagements | According to the responses from internal and external stakeholders, LH was found to demonstrate great performances in "Efficient Land Management and Stabilization of Public Residential Environments" and "Urban Regeneration and Enhancement of Residential Welfare" as a leading construction enterprise, but needs to enact further efforts for the "Enhancement of Financial Stability and Profitability".



Social Engagements | In the social category, respondents gave high ratings to "Enhancement of Anti-corruption Practices, Integrity, and Ethical Management" while they pointed out that improvements are required in the "Establishment of Reciprocal Labor-Management Relations".



Environmental Engagements | Regarding environmental engagements, respondents pointed out that LH outperformed in "Construction of Ecological City and Promotion of Green Houses", but needed more improvement in "Development and Promotion of Eco-friendly Technologies" and "Comprehensive Climate Change Management". "Development and Promotion of Eco-friendly Technologies" was included in both outperforming and underperforming areas, demonstrating that LH stakeholders have a high interest in this issue.





Stakeholder Interview



1.Economic



STX Construction

Kim Youngmok
Director

We are expecting various initiatives for enhancement of public residential environments

As STX Construction takes charge of "Uirye New Town Housing Construction Project (District 2)" and seven other project sites, we engage in active cooperation with LH to ensure complete management and undertaking of construction, safety and environmental operations. LH has carried out many different land and housing development projects. I especially believe that the company fulfills its public responsibilities of procuring residences for underprivileged, implementing housing welfare projects, and launching green growth initiatives.

LH's public welfare projects, however, were influenced by the company's harsh restructuring since its foundation. In order to enhance public housing welfare, LH should ramp up its efforts to engage in housing welfare projects and provide housing aid to the underprivileged to stabilize housing supplies as a public enterprise. The company needs to enhance stability in housing supplies for tenants rather than expanding housing supplies quantitatively as the housing penetration rate exceeds 100%. LH is also required to expand its overseas presence based on its reliability and expertise. LH should secure public support for its projects and engagements to mitigate concerns about its responsibilities and businesses and assure sustainability. I think it will create synergy with local constructors for inclusive growth if it raises public reliability through active publicity engagements and customer management.

2.Social



Housing Welfare Foundation

Lee Yoonjae
Vice Chairman

We are expecting LH to stabilize housing supplies for the nation and economy as a public enterprise

The Housing Welfare Foundation is a public foundation established to enhance the housing welfare of disadvantaged citizens such as residents of poor housing conditions or temporary lodgings, offering rental houses, financial aid on rental deposits, and dream housing savings program. It also engages in various social contribution activities to cooperate with LH to ensure housing welfare and independence for underprivileged.

LH engages in constructing and supplying Bogeumjari Apartments, managing rental housing, providing customized rental residences, renovating houses for urban regeneration and social welfare, and offering comprehensive housing welfare services in consideration of life cycles to stabilize the housing market and enhance residential environments. Such engagements help improve the quality of life and expand social contributions based on LH's social responsibilities and commitments as a public enterprise.

I want LH to continue to pay attention to the disadvantaged and develop a variety of housing welfare programs. I also want LH to undertake diverse social contribution activities based on ongoing housing stabilization policies to build its own presence. Such engagements are expected to enhance housing welfare for the disadvantaged and create jobs for local communities to facilitate economic independence and act as the "leading welfare service provider" to ease regional and economic imbalances.

3.Environmental



Korea Environment Institute

Choi Sangki
Ph.D.,

We are expecting LH to lead environmental construction initiatives as a public enterprise

Korea Environment Institute (KEI) reviews environmental impact assessment reports to examine appropriateness of location, suitability of plans, and environmental impact reduction programs. KEI and LH shared opinions regarding environmental plans and pollution reduction measures through environmental impact assessment reports and conducted field surveys for urban development and industrial complex construction projects to pursue optimal solutions.

I think LH embraces opinions about environmental protection and engages in environmental initiatives more actively than other institutions. LH builds ecological cities, supplies eco-friendly housing featuring both convenience and economic feasibility, develops environmentally friendly green houses customized for the Korean market, establishes carbon credit inventories through green city projects, and undertakes CDM projects.

In addition to such undertakings, we expect LH to lead more efforts as eco-friendly products and technologies increasingly gain attention and become commercialized. Since ecological cities and eco-friendly housing can be defined in many different ways, the corresponding specific standards shall be set forth to specify the scope and criteria for ecological cities. Urban plans and housing complex plans also need to be established to minimize energy consumption and waste production in consideration of both individual residences and entire housing complexes. We hope LH will actively establish plans to build ecological cities and environmentally friendly housing through differentiating itself from other public enterprises.

Korea's economy can fulfill its growth potentials through communication.

Korea Land & Housing Corporation carries out a variety of public projects, including housing construction and supply, urban development, land development, and residential welfare services. By effectively accomplishing these projects, LH helps stabilize the housing market, provides advanced housing welfare services to the underprivileged, and makes efficient use of land to create social value through creating happier residential environments. LH will also fulfill its public responsibilities through such efforts and build future growth potential by securing financial stability.

National
Economic
Growth and
Efficient Land
Management



72,000

Construct 72,000
units of Bogeumjari
Apartments
(As of 2012)

27,500

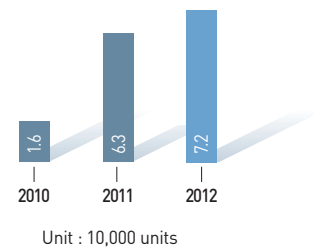
Acquire and supply
27.5 thousand units
of customized rental
housings
(As of 2012)

Improving the Nation's Economy
**Increases our
Happiness**



Efficient Land Management and Stabilization of Public Residential Environments

| Bogeumjari Apartments Constructions |



Stabilizing Public Residential Environments

Bogeumjari Apartment Project | Bogeumjari Apartments are small-sized residences that are constructed or acquired by the government for sale or rental to help underprivileged people and low income households without home ownership ease their concerns about housing. The government plans to provide 1.5 million Bogeumjari Apartment units by 2018. LH has obtained operating approvals for over 450,000 Bogeumjari Apartment units (83%) of the 540,000 units provided by the government through 2012. As the government is set to supply 320,000 units in the greenbelt in the Seoul Metropolitan Area, LH has specified 13 districts (160,000 units) among 21 districts (200,000 units) by 2012. In line with such efforts, residents started moving into Bogeumjari Apartments in Gangnam, Seoul in September 2012. Starting with the move-in, new Bogeumjari Apartments are being readied to hit the market. Upcoming supplies are expected to enable low income households without house ownership to gain housing security as a wide range of affordable rental apartments will be available for them.

• Residents start moving into Gangnam Bogeumjari Apartments



Residents started moving into state-financed residences in the A2 Block of the Gangnam Bogeumjari Apartment District, the very first apartments of the Bogeumjari Apartment project designed to help low income households without house ownership purchase affordable houses, on September 14, 2012. The district was designated as the site for the Bogeumjari Apartment project along with Seocho Seoul, Wonheung Goyang, and Misa Hanam around three years and four months ago as the project was initiated in May 2009. About 6,800 apartment units (including approximately 1,350 units procured by private housing constructors) are scheduled to be sold through 2015. 492 units, 54%, of 912 units in the A2 block were granted to special beneficiaries such as first-time house buyers, households supporting aged parents, and families with many children. The remaining 420 units, 46%, were sold to buyers without house ownership.

Housing Design and Architecture | LH endeavors to develop a variety of floor plans for smaller residences and enhance the quality of public housing designs. In April 2012, the company has developed 24 new floor plans (13 plans for regular sales and 11 plans for rentals) for rental and public housing to be built with registered copyrights. Such diverse options allow residents to choose residences in accordance with their respective tastes and circumstances. As the number of single-person or two-person households increase due to the growing number of baby-boomer retirees and singles, LH developed two-in-one small-sized house designs, which are currently being applied to housing construction projects around colleges, subway stations, and hinterlands of industrial complexes. Once a portion of newly built houses are leased, it is expected to alleviate the shortage of rental houses to some extent. The company is also developing a mini-sized urban house design, "Sharing Housing", with a size of 20m² for a single resident as part of the efforts to cope with changes in demands.

| Two-in-One Housing Floor Plan |



Sharing-type Floor Plan



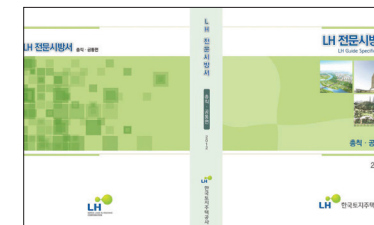
Twin-type Floor Plan



Duplex-type Floor Plan



LH Real Estate Map

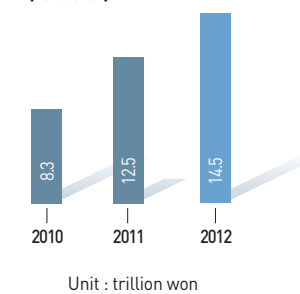


LH Specification Guideline

Housing Sales and Supply | LH is committed to revamping its systems to ensure reasonable pricing, stabilize the housing market, and reinforce comprehensive land and housing marketing initiatives. As smartphones are now being used by 20 million users across the nation, LH developed a new smartphone application, "LH Sales Data", offering LH's sales data regarding land, apartments, and commercial facilities on the real-time basis to satisfy customer needs and revitalize supplies. We also developed "Real Estate Map" (map.lh.or.kr) and initiated corresponding services in September 2012 to enable users to view sales data regarding land, housing and commercial facilities, and relevant spatial data. The map service feeds map images, aerial photographs, real housing sales prices, officially assessed land prices, and information regarding surroundings. It also features a search function to provide customized information, including specific regional data and sales prices, to users.

Quality Improvement and Construction Management | LH is committed to increasing quality and fostering inclusive growth by establishing an efficient construction backup system. We published the "LH Specification Guidelines" in June 2012 to upgrade urban development and housing construction technologies and standardize construction technologies. The guideline includes design and construction standards, respectively operated by Korea Land Corporation and Korea Housing Corporation, as well as new regulations, instructions, and technologies. It also incorporates technical standards that are specified by LH as standards for local construction projects. Environmental guidelines featuring eco-friendly aspects, such as renewable energy facilities designed to address emerging demands and eco-friendly landscaping, are emphasized. Directions regarding urban information technology facilities, the U-city, were also newly specified in the guideline. The LH Specification Guideline is the nation's first standard that systematically integrates urban development and housing construction technologies, which would help in the development of local construction technologies and improve quality.

| Orders |



Establishment of Residential Spaces

Urban Development Program | LH is leading several projects including the Bogeumjari Apartments, redevelopment zoning, new towns, public rental housing districts, and urban redevelopment to stabilize the housing market and systematically develop cities. We have developed self-sustaining cities based on locally customized development plans in 2012 and established footing for the improvement of business feasibility and profitable business structures through overhauling urban development regulations and taking on pilot development projects for urban regeneration. Starting with the Prime Minister's Office, central government institutions began to be relocated to Sejong City in September 2012. LH is gearing up efforts to prepare construction sites and construct apartments to build a sophisticated town.



• Establishment of Sejong City

As Sejong City was launched in July 2012 so that central government institutions started moving into the newly developed city last year, the city was reshaped into a complex administrative town. Sejong City is located in Yeongi-gun of Chungcheongnam-do and Changki-myun of Gongju, and is about 72.91km² in area, about three quarters the size Seoul. The urban development project broke ground in August 2007, which means that it took five years to realize the first outcome. 6,520 households and 12 government institutions, including the Ministry of Land, Infrastructure and Transport have moved into the city in 2012 alone. A total of 52 government organizations are scheduled to be relocated to Sejong City by 2014, which will turn the city into Korea's administrative hub and second capital.

Efficient Land Management and Stabilization of Public Residential Environments

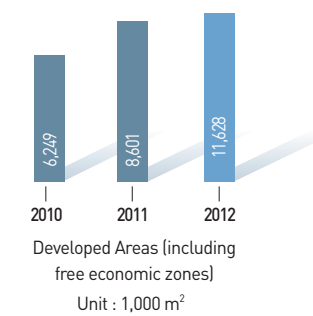
Residential Land Development | LH is committed to developing comfortable and competitive housing sites. The company has reinforced its product competitiveness by upgrading the business feasibilities of project districts and cutting costs and carried out optimized projects in line with changes in demand and business environments in 2012. We also upgraded the competitiveness of housing site development projects by expanding the usage of self-sustaining facilities, easing restrictions on the number of households in block-type residential districts, revising the Special School District Act, and amending regulations in a reasonable manner. The compensation statistics app and potential land investment research report services were launched to heighten customer-oriented marketing initiatives, shifting the constructor-oriented business paradigm into a customer-oriented one, enacting customer-oriented management initiatives to build attractive cities.

• LH Outstanding Land Investment Research Report



LH published the "LH Potential Land Investment Research Report (Best Selection 30)" regarding high potential lands that the company owns and released it through websites and local financial institutions. The report covers a total of 31 land plots, including several general commercial districts, central commercial districts, business and facility districts, which includes descriptions about each land lots, corresponding development concepts in line with land features, analysis of land and construction costs, profit analysis conducted in consideration of prices of neighboring commercial districts, and profitability forecasts. It was also released through internal computing networks and PB centers of financial institutions to diversify publicity channels.

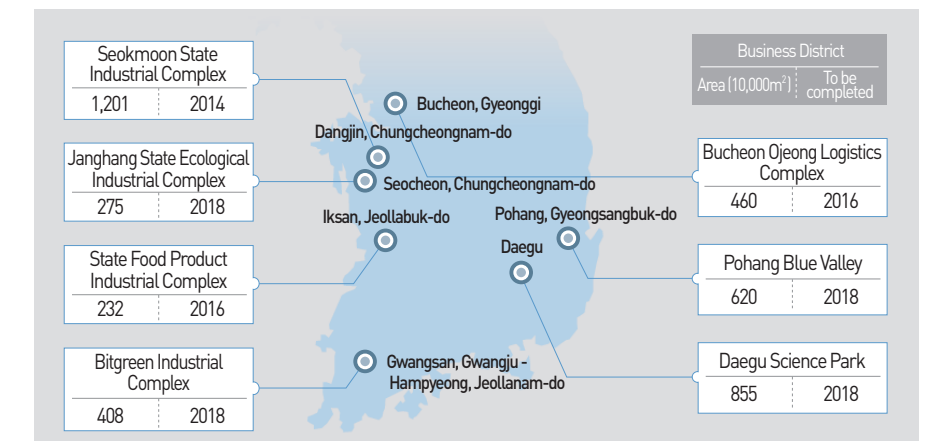
| Development of Industrial Infrastructures |



Reinforcing National Competitiveness

Development of Industrial Complex | LH has established and supplied 22 industrial districts, covering a 2,222,000m² area, through reforming its land inventories in 2012. We are also seeking to establish four state industrial parks, including Janghang State Ecological Industrial Complex, to brace for future demands in a timely manner. As part of the nation's growth promotion projects, LH engages in building a state-run food product industrial cluster and an international science business belt and holds a research forum regarding the regeneration of deteriorated industrial spaces to cope with new policy demands. Such engagements allow us to expand capacities for leading industrial complex regeneration projects. We plan to develop customizable industrial complexes to attract foreign investors and local corporations that have overseas operations as free trade agreements (FTA) come into effects, which would help Korea become a global high-tech industrial hub due to the economic benefits from FTAs.

Key Development Projects



New City Development Project in Hassi Messaoud, Algeria

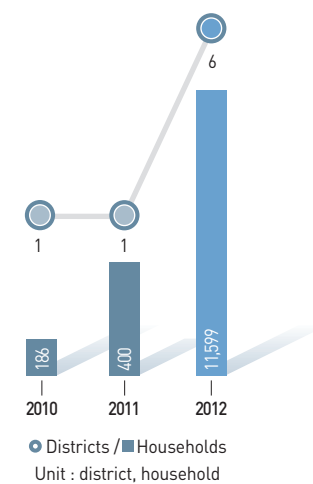
Overseas Projects | LH actively engages in overseas projects to help private enterprises tap into overseas markets and create jobs. Under the management guidelines instructed by CEO Lee Jisong, LH has been focusing on supporting overseas urban development projects undertaken by private developers using its expertise and technical prowess in urban development rather than leading overseas investment projects directly since 2009. Instead, LH is focusing on improving its financial structures and expanding its public functions. Spurred by such efforts, we have won and are working on several projects in many countries such as Algeria and South Sudan. We also help Korean corporations tap into overseas urban development projects and jointly propose suggestions for new interstate projects on behalf of the government, spearheading private and public joint collaboration projects.



• Overseas Urban Development Center

LH opened the "Overseas Urban Development Center" in October 2012 to support fast-growing overseas urban development projects. The center was established pursuant to the [Overseas Construction Promotion Act] amended in January. The facility will play a leading role in overseas urban development projects carried out by local corporations through developing new urban development models, providing data, and fostering experts. The center is set to establish a comprehensive database covering local and overseas urban development data, develop overseas urban development models, and set up joint state and private collaboration networks to allow private enterprises to actively make inroads into offshore markets.

| The commencement of work records in Urban Regeneration Projects |



Urban Developments

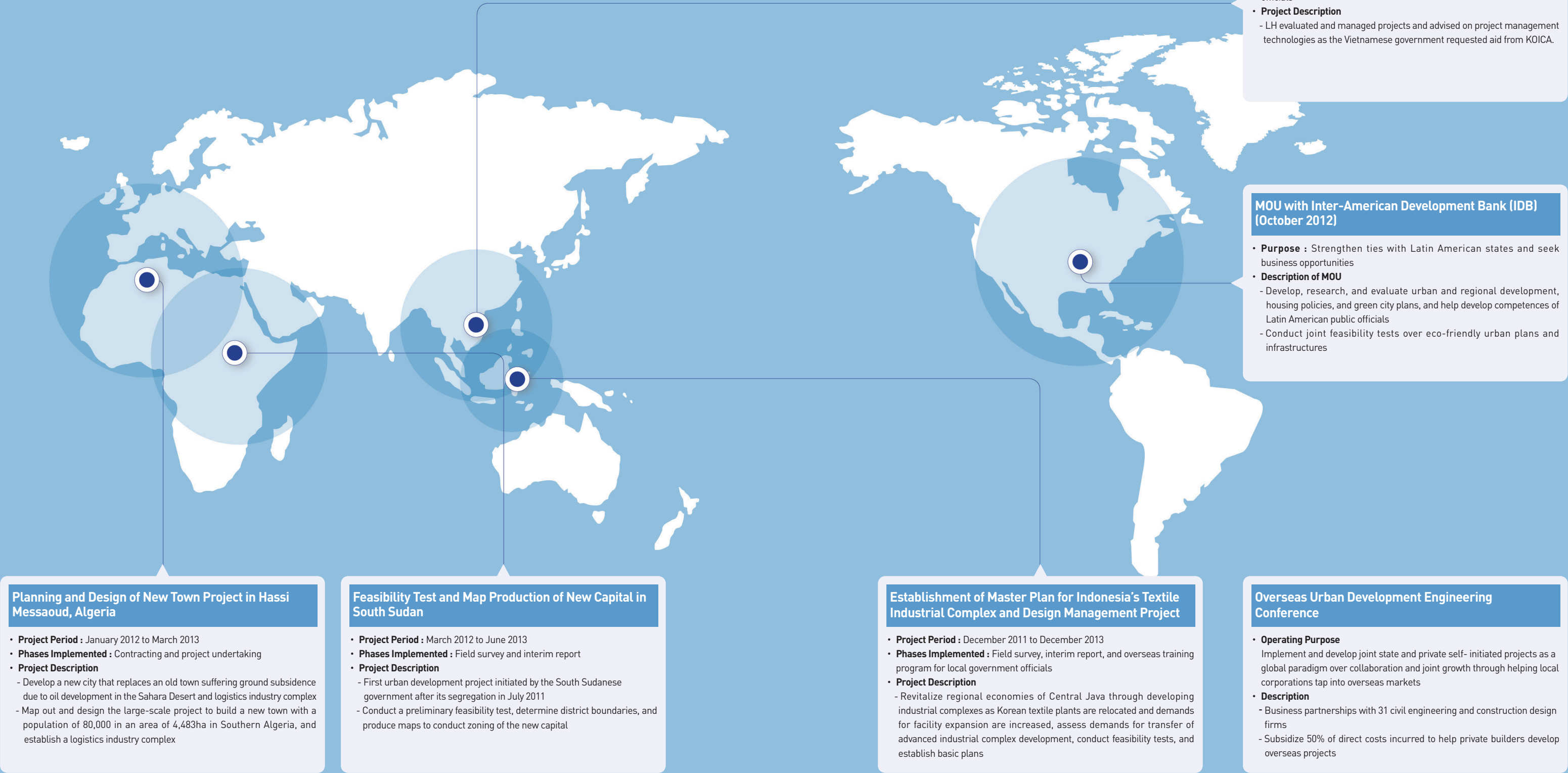
Urban Regeneration Projects | The projects are designed to physically reshape deteriorated areas and improve economic, social and cultural environments to sustain consistent urban growth. LH continues to expand its presence in urban regeneration projects and diversify types of business. We have built more affordable housing to help mitigate the shortage of urban rental housing in 2012. We also plan to develop a new urban regeneration business model to overcome the limitations of past urban regeneration projects and ensure sustainability in business, aiming to establish housing environment renovation plans and reflect the establishment of policies such as the [Special Act on Promoting and Supporting Urban Regeneration]. LH is coordinating regional development programs for urban regeneration and strengthening its public responsibilities by reinforcing coordinating functions and carrying out urban regeneration programs after the enactment of new regulations to enhance its urban competitiveness and the quality of life for urban residents.

• Development and Application of Eco-friendly Demolition Technologies



LH advances its efforts to develop new technologies to enhance the competitiveness of urban regeneration projects as new future growth engines. Predicting that demands for urban regeneration would expand rapidly in the coming two or three years, Land & Housing Institute is making large investments in cultivating professional personnel and new technologies to develop eco-friendly advanced demolition technologies. Using these new technologies, LH is deploying newly developed state-of-the-art demolition equipment to ongoing projects and cooperating with affiliated corporations to develop and secure advanced technologies. We are also set to standardize eco-friendly demolition standards and techniques.

Overseas Projects



Operation and Management of Rental Housing

| Supply and Operation of Rental Housings |



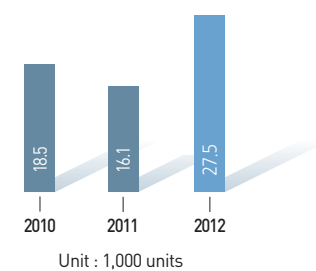
LH is offering rental housing to ensure residential security for households without house ownership and underprivileged and undertaking efforts to enhance the quality of housing welfare services through efficiently operating rental housing and maintaining optimal maintenance.

LH has hired 3,000 senior associates to supplement the understaffed operation of the leasing service and to create jobs for the elderly. LH also engaged in renovating environmental features, conducting safety checks of facilities, and surveying residents. We initiated safety checkup services for solitary senior residents to prevent them from perishing alone in June 2012. We have also been renovating deteriorated public rental houses since 2009 and completed digitalization of TV signal transmission facilities for rental houses to improve residential functionality.

We have established and initiated a comprehensive housing database system to optimize maintenance of deteriorated leasing assets, stipulated the "Asset Management Guidelines on Compensations for Residents", and started heating rental housing with cleaner fuel instead of heavy oil to enhance resident's satisfaction with housing. We also mapped out profitability enhancement plans to minimize losses from rental services. In addition to such efforts, we proposed a plan to raise profitability of rental services to the government and the National Assembly and established a policy response team to lead the government to expand aid to rental housing for long-term leasing.

Stable Supply of Customizable Rental Housings

| Acquisition and Supply of Customizable Rental Housings |



LH currently supplies customizable rental houses to ensure better housing for the disadvantaged class. We have placed top priorities on mitigating social anxieties through leasing residences to college students, securing stable leasing customization services, and raising operating efficiency through improving operating processes in 2012.

Providing 10,000 rental houses to college students (2.3 applicants per house)

- Background : College students suffer from shortage of available rental housing.
- Engagements :
 - Ease restrictions over size and guarantee insurance application
 - Cooperate with real estate brokers and external experts organically
 - All associates looked for residences available for leasing.
- Achievements : The cumulative number of rental houses topped 10,000 units in December 2012.

Securing growth potentials for customizable leasing program

- Background : Residents increasingly suffered difficulties due to deterioration of rental housing.
- Engagements :
 - Demolish deteriorated rental apartments for reconstruction
 - Acquire and lease newly constructed apartment buildings to alleviate shortage of rental housing in urban areas
- Achievements : Develop new businesses and stabilize operations.

Establishing efficient management plan

- Background : LH increased rental housing inventories.
- Engagements :
 - Overhaul fire insurance process for rental houses
 - Conduct tenant surveys systematically
 - Help find tenants for unrented housing and manage pricing systematically
 - Improve acquisition and leasing processes
- Achievements : Enhance operating efficiency and improve financial stability.



College students applying for LH leasing program

Comprehensive Housing Welfare Service

Housing Renovation for the Socially Disadvantaged | LH engages in housing renovation projects to ensure better residential environments for the underprivileged class and boost energy efficiency. LH reinforces structural safety of roofs, renovates interiors, and provides green house services to the current and past recipients of basic state subsidies whose housing requires renovations or maintenance. We have granted 6 million units respectively to each of the 6,000 households in 2012 alone.

Rental Housing Welfare Enhancement Program | The Ministry of Land, Infrastructure and Transport, Woori Bank and Housing Welfare Foundation have formed the "Dream Housing Ownership and Leasing Savings Partnership" in July 2012 to encourage minor household heads without parents to save money in housing subscription saving accounts with incentive grants for economic independence. LH leases shops in permanent rental complexes to social enterprises at a cost that is 70% cheaper than market price rent to support social enterprises and create jobs for residents. We are also operating a variety of programs such as scholarships for low income children in local communities to support the disadvantaged class.

Family-friendly Welfare Facilities | In consideration of recent social trends such as low birthrate, the growing number of double-income families, and the aging population, LH started building comprehensive welfare facilities in rental housing complexes in 2012. We have built the "Happy Senior Center" featuring upgraded services for senior residents, and "Happy Kids" facilities, offering diverse childcare and an educational and secure environment to help parents.



Happy Senior Center features larger facilities and programs customized for senior residents to address the fast-aging population.



"Happy Kids" facilities offer more childcare services, a kid's cafe, and after-school services.



• "Housing Service Grand Prize" in Public Sector Category

LH received the "Housing Service Grand Prize" in the public sector category at an award ceremony (held by Money Today) in May 2012, which was attended by over 100 representatives of construction industries. LH led initiatives to build green cities and apartment complexes fueled by renewable energy to ensure future-oriented housing services. The company also earned high credits for its contributions to developing low cost rental apartments into residences that feature better job opportunities, education, and welfare services.

Best Practice among Housing Welfare Governance✧

As low income residents of LH rental housing increasingly demand self-supportive programs, childcare services, community engagements, and other social welfare services, LH established a housing welfare governance program with private service providers to enhance residential services and the quality of life for residents. LH will continue to expand housing welfare governance engagements to ensure better housing welfare to people and turn LH rental housing complexes into cozy community.



Healthy Village Program - Healthcare Activities

Senior Healthcare Class
(Jelmi Complex II in Jangyu, Gimhae)
Considering the relatively aged residents in the complex, LH offers healthcare classes to allow seniors to enjoy their everyday lives, enhance health, and revitalize their living. In cooperation with the Gimhae Branch of the National Health Insurance Corporation, LH offers three weekly 1-hour training sessions for singing, yoga, and dancing to senior residents, which has drawn an immensely positive response.



Happy Village Program - Festivals and Entertainment

Cultural Experience Program for Defectors from North Korea
(LH Complex 2 in Kumo, Uijeongbu)
Considering that many defectors from North Korea reside in this town, LH offers cultural programs to help them satisfy their cultural desire and stably settle down in South Korea. Participants can learn how to craft house-made soaps and skin essence every Tuesday through the program. We also offer quarterly childcare and parenting classes to help residents narrow the cultural gaps with their children.



Clean Village Program - Eco-friendly Landscaping and Cultural Programs

Community Flower Garden
(Humancia in Sagok, Seocheon)
LH operates environmental management programs to promote the residents' engagements in community activities and environmental enhancement. Residents have placed flowerpots to clarify boundaries between sidewalks and roadways to prevent illegal parking. They also clean the town on their own with apartment managers on a monthly basis. LH commissioned weed removal services to residents to create jobs and offer new sources of income.



Love Village Program - Protection for children and teens

Safety Programs and Patrols for Crime Prevention
(LH Complex 20 in Hopyeong, Namyangju)
LH operates community patrol services to protect children from a variety of crimes that have frequently occurred. A total of 12 community representatives, residents, and apartment managers voluntarily participate in the patrol program to monitor low-safety locations and areas to prevent violence and theft. They also guide runaway teenagers to return to their houses to prevent potential crimes.



Cozy Village Program - Care for the Underprivileged and Senior Residents

Celebration for Seniors
(Complex 1 in Guyoung, Ulsan)
LH holds parties for seniors on Parent's Day and Senior's Day to promote respect for senior residents and inter-generational harmony by offering meals and entertainment. We also donate rice cakes made by children to senior residents on the Korean Thanksgiving Day and hold the New Year's greeting ceremony on New Year's Day.



Community Engagement - Enhance communications, resolve issues, and help residents find jobs within the complex

Job Placement Information Center
(Geomsan, Gimje)
LH operates the Job Placement Information Center to help unemployed residents find jobs due to limited information, even though they are desired to work. The program offers jobs to residents in accordance with their skills and capabilities in partnership with corporations and private enterprises based in Jeollabuk-do and Gimje.



Progresses in Management Normalization

Vowing to “change everything except the name”, CEO Lee Jisong has conducted a large-scale reform of overall management since 2009. LH formed the Special Financial Restructuring Committee consisting of experts in private sector to identify underlying causes of debt. Based on such efforts, the company has identified 100 key missions for financial restructuring to enable systematic management. The labor union and LH jointly announced contingency management initiatives to promote sales and lower costs by 10% through intensive survival programs. LH’s entire staff has accepted a temporary 10% cut of wage while the company engaged in an decisive layoff so that over 1,000 employees were dismissed. We also simplified and unified operating systems to maximize productivity.

Normalized Management

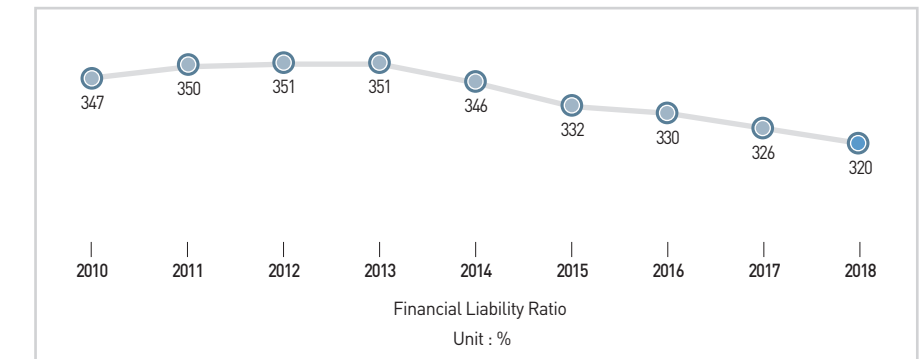
As all employees worked together in unison, LH has set up some standards to normalize management based on financial soundness three years after its foundation. We saw revenue, net profits, and sales increase compared to the outcomes posted when the company was established. Financial debt ratio and increments are also shrinking fast, which demonstrates that LH is overcoming the liquidity crisis and is gaining momentum to restore profitable business cycles through a variety of indicators.

Reinforcing Public Responsibilities

LH has set up plans to reduce financial liabilities and restored cross subsidy structures to regain financial soundness and maximize synergies so that the company is set to ensure sustainability management practices. Considering the ongoing economic uncertainties and the housing crunch weighing on low income households, LH will fulfill its conventional duties and expand its public responsibilities for housing welfare to become a more functional public enterprise, offering benefits from integration to the nation and its population.

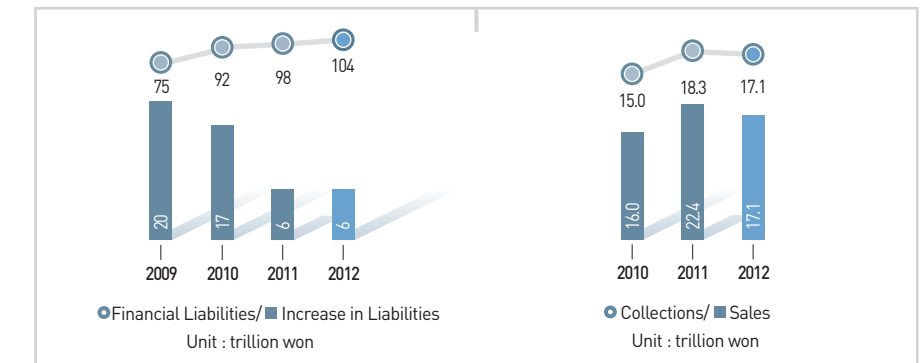
Improvements in Management

LH set to reduce financial debt burden












Decelerating Debt Growth

Improving Sales and Collections

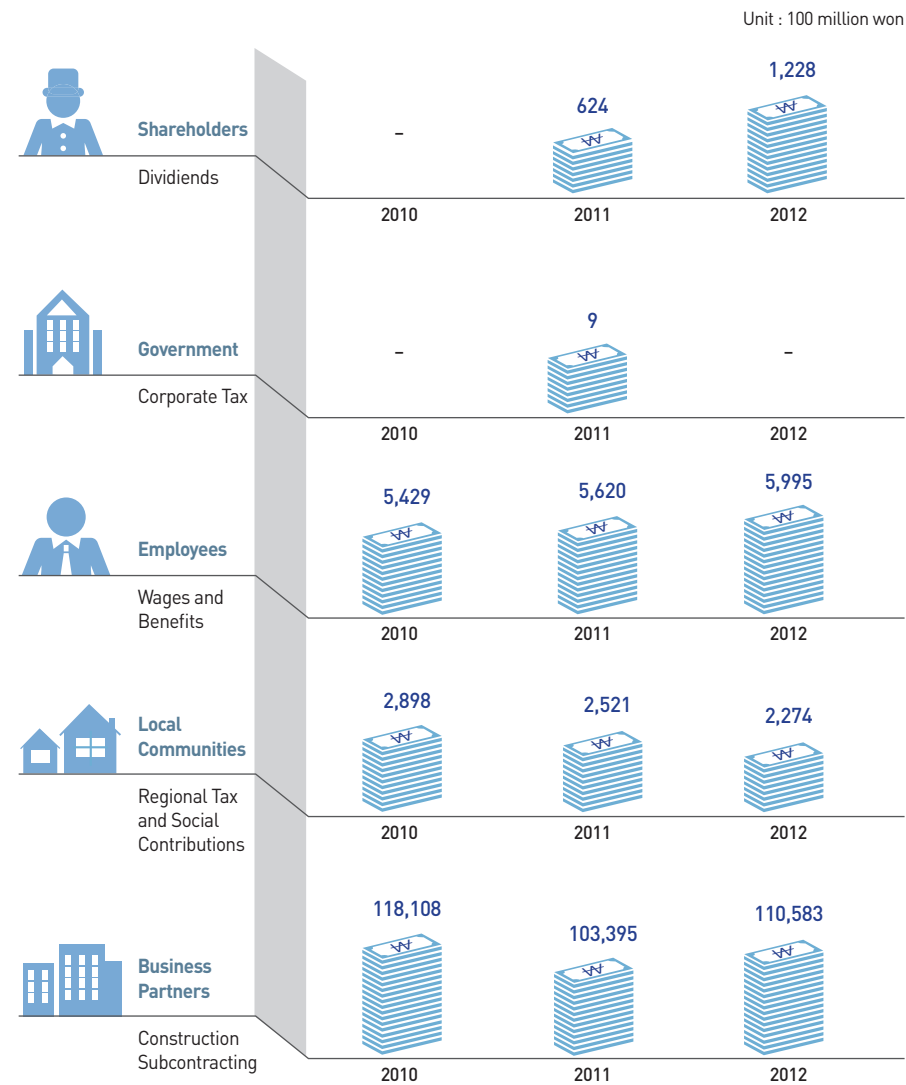


HISTORY

● Integration	● Crisis	● Sharing	● Commitment	● Challenge	● Passion	● Effort	● Consensus	● Outcome	● Hope
October 2009	November 2009	January 2010	August 2010	December 2010	March 2011	May 2011	January 2012	February 2012	April 2012
									
Establishment of LH Conflicts between associates intensified, and concerns about job security increased.	Urgent Operations 72 trillion won in financial liabilities incurred 8.1 billion won in interest expenses every day.	Conversation with CEO LH's new management missions were proposed and shared with the entire staff.	Announcement of Contingency Management CEO actively led the wholehearted commitment of the entire staff.	Announcement of Management Normalization Plan Mapped out and implemented 110 specific normalization action programs.	Field Conversation with Protesters of Paju Unjeong District Completed business restructuring, amounting to 121 trillion won through cutting and delaying investments.	Sales Orientation for Products in the Second area of Sejong City Project 22.4 trillion won in total sales, 21.8 trillion won in project budget.	Public Institution Workshop Built common understandings about LH to attract state support.	Establishment of Profitable Business Structures Set up standards for management normalization early.	Employment of New Associates Created jobs and enhanced sustainable growth potentials.

Creation and Distribution of Economic Values

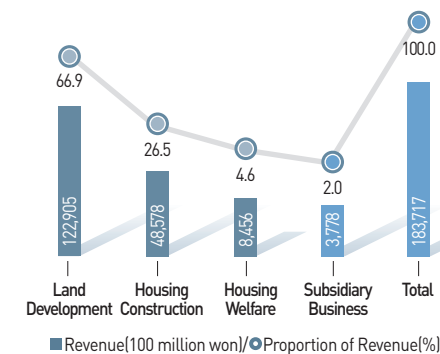
LH distributes its economic values that are created through business activities to stakeholders by using a variety of channels, including tax payment, job creation, contributions to local communities, and cooperation with business partners.



Indirect Economic Contribution

Expanding Social Infrastructures within Local Communities | LH contributes to the nation's economy through building social overhead capital (SOC) incidental on housing construction and urban development. We have built roadways, parks, greens, water supply systems, parking lots, public facilities, school facilities, and sewage systems for voluntarily up to 2012, leading the efforts to expand local infrastructures.

| Revenue by Category (2012) |



Financial Status

Key Economic Performances

Unit : 100 million won

Categorization	2010	2011	2012
Revenue	131,606	152,600	183,717
Operating Profit	10,587	10,898	14,085
Net Profit	5,100	7,905	12,047

• The 2011 operating profit was assessed using the new assessment method as the IFRS came into effect.

Key Financial Indicators

Unit : %

Categorization		2010	2011	2012
Growth Indicators	Revenue Growth	-	16.0	20.4
	Net Profit Growth	-	55.0	52.4
Profitability Indicators	Return on Asset	0.3	0.5	0.7
	Return on Equity	1.9	2.8	4.1
Stability Indicators	Liquidity Ratio	282.6	270.5	248.9
	Debt Ratio	461.2	468.0	466.0
	Equity Ratio	17.8	17.6	17.7
Productivity Indicators	Total Equity Investment Efficiency	3.5	4.0	4.2

• As the IFRS came into effect in 2010, the growth indicators for 2010 are not assessable.

Condensed Balance Sheet

Unit : 100 million won

Categorization		2010	2011	2012
Assets	Current Assets	853,800	922,496	950,372
	Noncurrent Assets	624,987	662,234	727,244
	Total Assets	1,478,787	1,584,730	1,677,616
Liabilities	Current Liabilities	302,127	341,089	381,841
	Noncurrent Liabilities	913,138	964,623	999,380
	Total Liabilities	1,215,265	1,305,712	1,381,221
Equities	Shareholder's Capital	216,400	224,139	230,760
	Miscellaneous	47,122	54,880	65,635
	Total Equities	263,522	279,019	296,395

LH moves forward to help realize your dreams

Korea Land & Housing Corporation carries out efforts to fulfill its social responsibilities by reinforcing support for the disadvantaged class and revitalizing internal and external communication in association with its public responsibilities of ensuring stable housing supplies to low income class, developing lands to contribute to the nation's economy as a public enterprise, engaging in transparent corporate management practices to help improve society, creating jobs, and leading efforts to sustain social fairness and joint growth initiatives. We will turn LH into a publicly reliable corporation by conducting customer satisfaction management to impress both internal and external customers.

An Infinite
possibility
of Korea by
consistent social
engagement



2,600

LH CSR + 2,600
participants
(As of 2012)

3,000

300 new employees with
college degrees
200 new employees with
high school degrees
2,000 senior employees
500 youth interns
(As of 2012)

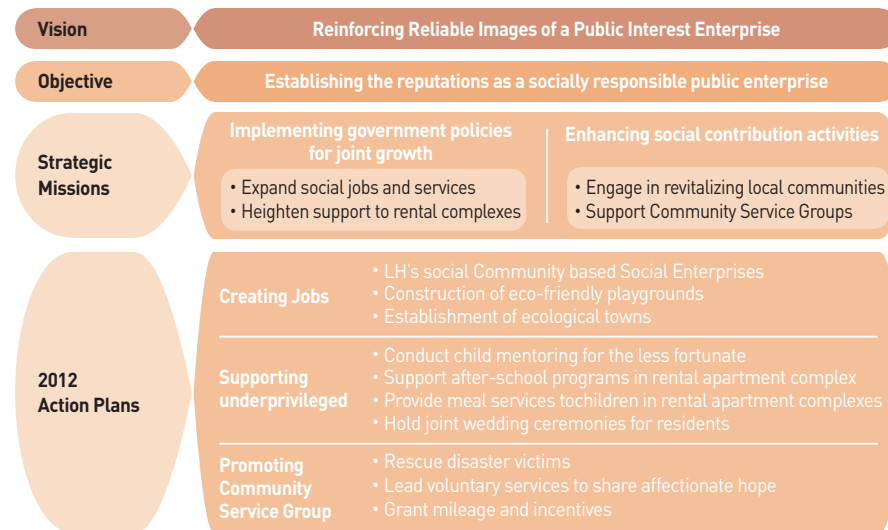
by Offering Opportunities to All People

**Bring your hopes and
Dreams**



Social Contribution System

LH established strategic social contribution plans in association with management activities and identified high priority action plans for implementation in 2012.



Activities by LH Community Service Group

LH founded 'LH Community Service Group' in order to engage in social contribution activities consistently and systematically on the awareness that contributions and engagements help develop The LH and society from a long-term perspective. The LH Community Service Group undertakes voluntary engagement and enterprise-wide social contribution activities. It also actively conducts social contribution activities by branch. Advanced training is offered to associates to enhance the capabilities of employees and branches while incentive programs are launched in accordance with voluntary service engagements. Mileage management systems are established by each branch and individually to promote voluntary engagements. The LH also set up an emergency rescue engagement system, LH CSR+.

| 2012 CSR + Services |



• Branch Branding

Each branch and department develops a social contribution engagement brand to implement social contribution activities in line with their unique operations and regional circumstances. The programs consist of consistent activities that are associated with LH's services, but are differentiated from the activities of other branches or corporations. LH provides aid and education to the underprivileged, offers medical care to residents, supports cultural and sports events, engages in environmental protection initiatives, helps farmers, and develops and supports programs to help resolve community issues to develop unique and consistent localized projects.



LH receives the National Sharing Grand 2012 from the Minister of Health and Welfare

| LH Aid to Community based Social Enterprises |

Categorization	2010	2011	2012
Cumulative Foundations of Social Enterprises (companies)	3	8	12
Job Creation (persons)	60	95	111



2012 Social Contribution Business Award



LH's Child Culture Class

Key Activities in 2012

Child Mentoring | "Child Mentoring" is one of LH's leading social contribution programs through which college students provide customized personal tutoring to children without parents, students from single parent houses and help them enhance their social skills through emotional engagements. Both employees and volunteering students of local colleges from single parent houses in partnerships with LH are selected as mentors. Approximately 200 children without parents and students from single parent houses or under the care of group houses in LH rental housing nationwide receive aid from LH mentoring programs, enjoying educational and emotional benefits through a variety of activities. Recognizing LH's contributions in helping low income children grow healthy, the company was recognized by the Minister of Health and Welfare with the 2012 Korea Social Contribution Award.

Community based Social Enterprises | Community based Social Enterprises are designed to produce and sell products and services reflecting their regional features and reinvest profit proceeds in various projects to achieve the objectives and values of local communities. LH currently helps establish "community-based social enterprises" providing services and creating jobs for residents of public rental housing complexes and their neighbors. LH rents commercial spaces in rental apartment complexes to social enterprises at a discount and spends rental proceeds to finance the maintenance of rental housing complexes. LH has conducted collective education and management consulting services to share its expertise with social enterprises, helping to consistently and stably maintain their businesses.

Vacation Meal Program | The "Vacation Meal Program" was initiated at the Public Housing Complex in Maetan, Suwon, in 2005 to allow disadvantaged children in the complex to enjoy vacations in a healthy way. LH provides safe foods and cultural entertainment classes to children of the complex during vacations, helping them enjoy a variety of benefits and creating jobs for local communities. The LH Community Service Group also participated in the program to wash dishes and educate children as single-day instructors to ensure that the children learn healthy eating habits. LH received the 9th Social Contribution Business Award for its contributions to child health and local communities.

Child Culture Class | Child Culture Class is a cultural education program designed to provide interesting experiences for underprivileged children, helping culturally deprived children develop more pride in Korean history and culture and develop positive attitudes. The class is also prepared to ensure well-directed child care services. "The Archaeological Program and Prehistoric Cultural Experiences!" was offered in 2012. Each of the five different sessions were offered to 30 child participants during vacations.

Reinforcing CSR Capabilities of Employees

LH provides advanced training to allow social contribution associates to improve their competencies and operates a reward program to promote voluntary social contribution engagement. The company also conducts collective education to help associates strengthen CSR competencies by raising understanding of social contribution programs. The LH Social Service Award was also newly established to grant prizes to the two most outstanding volunteers and a department demonstrating excellent social contribution performances, promoting voluntary and active social contribution engagement.

Social Contribution Calendar❖



January Rice Donation Event

Approximately 30 associates of the LH Community Service Group delivered a rice pack (10kg) to each household in Jinju Gajwa Complex 1 and Jinju Pyeonggeo Complex 2 (1,107 households in total). Most of these households are in the lowest or second lowest income brackets, receiving basic government welfare subsidies.



March Preservation of National Parks

LH's Jeollanam-do engaged in environmental protection activities, restoring the damaged drainage system on mountain trails in cooperation with the management office of National Park Mountain Naejang.



May Children's Day Festival

LH holds children's day festivals every year to allow child household heads, children of foster families, singleparent children, and children of multicultural families to enjoy this special day.



February Briefing of "Child Mentoring" Services

LH held a briefing regarding "Child Mentoring" services in 2011, presenting cases by college students, awarding prizes to outperforming volunteers, and holding a mentoring photo contest.



April Granted 3 Million won of scholarships to Child Household Heads without Parents

LH's Gyeonggi Division granted 3 million won of scholarships to 10 child household heads and children of foster families in its rental housing complexes as the division received prize money from its outstanding social contribution activities.



June "Hand & Wall" Wall-painting Program

The Gangwon Division financed an initiative to paint a mural on the old wall of Banseok Childcare Center under the theme of the Little Prince, brightening the neighboring alley.



July Vacation Meal Program

LH provided safe meal services to the children of rental housing complexes through its meal service program during vacations and offered cultural classes to allow children to enjoy a wide range of experiences.



September Disaster Rescue Initiatives

Over 90 volunteers from regional divisions helped restore the areas devastated by flood at project sites in Gyeongsangbuk-do Innovation City.



November Cleaning for Busan Marathon

LH sponsored the 14th Busan Marathon, one of the largest local events attracting more than 10,000 runners, and helped clean the roadways on Ulsukdo Bridge.



August "School Attack" Summer Mentoring Camp

In cooperation with Soongsil University, LH engaged in mentoring programs to help the students of Jeodong Elementary School in the Isle Ulleung enhance their creativity through games and experiences under the three different themes of English, science, and play for five days.



October Joint Wedding Ceremony for "Happy Companionship"

LH held a joint wedding ceremony for 15 couples in a LH rental housing in Gyeongsangnam-do and Jinju.

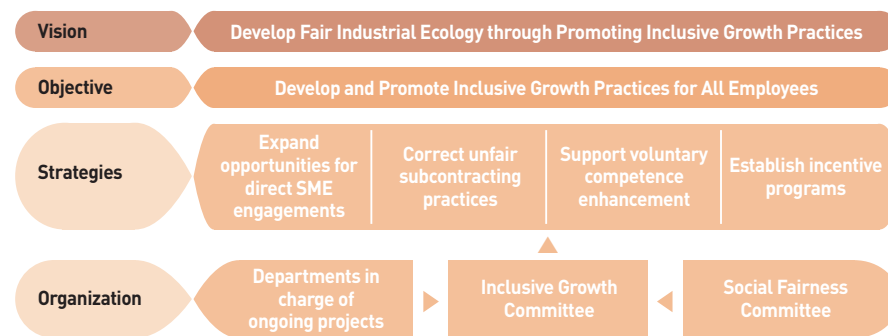


December Sharing Kimchi Festival

LH granted kimchi to low income households in rental apartments, who particularly suffered in winter, to bring comfort to underprivileged neighbors.

Inclusive Growth Framework

LH established 25 specific inclusive growth programs in four different categories in 2012 to successfully accomplish the government's inclusive growth policies and promote inclusive growth practices. In addition to such efforts, we have formed the Inclusive Growth Committee to consistently implement initiatives and reinforce collaboration. We also examined the progress in each specific assignment to lead inclusive growth initiatives. We plan to establish and execute an inclusive growth model for the construction industry to lead partnerships among constructors.



Establishing Social Fairness

LH overhauled screening systems to correct unfair trade practices, operated transparent bidding procedures, and formed an organization whose exclusive purpose was addressing complaints and problems. We have checked problems of subcontractors and conducted interviews to tap into solutions within 10 days after receiving subcontracting documents. We also made it compulsory for constructors to enter into a "Fair Trade and Inclusive Growth Pact" with subcontractors to promote corporate partnerships among constructors. We expanded advance subcontracting payment programs, specified appropriate wage rates for construction workers, and initiated subcontracting payment confirmation programs. In addition, we have differentiated low cost subcontractors and operated contracting examination taskforces to offer fair business opportunities to SMEs and revamp systems to protect the underprivileged.

• Open Examination on Public Involvement

LH adopted the nation's first "open examination on public involvement" in 2012. Participants viewed the designs of bidders in the preliminary screening process and cast their votes after open presentation sessions to select the group of bidders. LH executives, local administration officials, experts, and citizens evaluated the group to select finalists, which was followed by discussions and assessments conducted by internal and external members to select the winner based on the ratings. A new screening system was introduced to render engagements by a variety of classes in examining designs for major buildings to ensure open management practices and spearhead screening frameworks of local public institutions.



Design exhibition



Opening the ballot box in the presence of bidders



Integrity pledges by bidders

SME Sponsorship

Easing Prequalification (PQ) Standards | LH has eased credit qualifications to expand bidding opportunities for its construction projects. We have applied relatively strict qualification standards to bidders compared to other institutions, and some constructors consequently found it difficult to participate in bidding. As the ongoing depression in the construction sector recently deteriorated the financial status of constructors and their credit ratings, many mid-sized constructors found it increasingly difficult to bid for projects. We expect the adjusted regulations to stimulate the construction sector and promote partnerships between SMEs and larger corporations by expanding opportunities to SMEs.

Procurement of SME's Newly Developed Products | LH operates the "Construction Technology Forum[sjj.lh.or.kr]" as part of its efforts to further promote construction technologies of SMEs. The system is designed to help SMEs, who find it challenging to promote its construction technology development, post their own technologies on the website for publicity. Using this website, the associates of LH and construction companies are able to search and retrieve construction technology data as needed. We plan to further develop the forum to ensure joint growth with SMEs and spearhead innovation and development of construction technologies.



Construction Technology Forum

Free Patent Licenses for SMEs | LH started leasing its patents and registered designs to SMEs free of charge in December 2011 to pursue the inclusive growth of the construction industry. LH has made 84 patents, including preferential applications of joint proprietors, available for use among 202 unused patents. We are set to expand free patent services through aggregating the opinions of joint proprietors, which incorporate technologies over materials and the processing of construction, civil engineering, and electricity.

Vocational Training for Construction Engineer | LH has conducted seven lectures and vocational training sessions for construction engineers between June and September 2012 to promote construction management programs related to inclusive growth and increase relevant awareness. The training program was implemented for field engineers with regard to construction management programs and subcontracting operations. Such efforts helped form partnerships among LH associates, vendors, and subcontractors and ensure self-initiated quality enhancement.



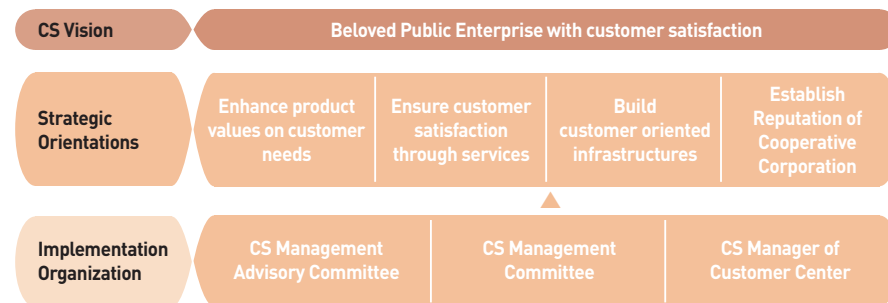
Vocational Training for Construction Engineers

Stimulating Construction Industry

As the Four Major Rivers Restoration Project was finalized and the government's spending in SOC projects was cut, the civil engineering sector faced a recession in 2012. The housing market also adversely affected housing construction, causing a slowdown in both the civil engineering and construction sectors. Given such circumstances, LH placed orders in the third quarter ahead of schedule to spur the local construction market. The company also shortened procedures for tender notice, screening, and contracting to accelerate the process from order placement to completion. In consideration of the ongoing financial challenges in the construction sector, LH made advanced payments for 2013 projects in 2012 to help stimulate the construction sector.

CS Management Framework

LH established long-term customer satisfaction management (CS management) strategies based on our businesses to contribute to public interests and enhance management performances. The company will engage in customer-oriented management practices and foster sustainable initiatives to lead its associates to increase commitments to public benefits and engage in CS management practices.



CS Management Roadmap

LH specified core issues leading up to 2015 quarterly and operates long-term roadmaps to raise customer satisfaction. The system has been established in 2012 and is scheduled to be upgraded in 2013. We will establish LH's unique CS identities and improve public awareness by sincerely engaging in our missions.



Reinforcing CS Capacity

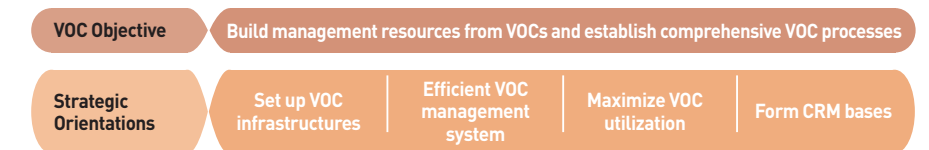
LH engages in CS monitoring and CS training for employees to reinforce its CS capacity. We have monitored 2,179 phone calls from customers and 111 customer visitations in 2012 alone, which helped us earn a high rating according to the monitoring results conducted in December. LH also conducted customer satisfaction enhancement workshops, in-house group training such as customer service training, professional external education such as the "Call Center KS Certification Training" to improve the service quality of the call center, and online and video education. A total of 1,492 participants attended the in-house group training sessions in 2012 alone, up 24% from the previous year. LH has set up expedited report networks between regional branches and headquarters to ensure rapid responses to customer complaints. The company also examines past performances related to the customer charter on a regular basis.



CS Enhancement Workshop

Establishing Comprehensive VOC Management System

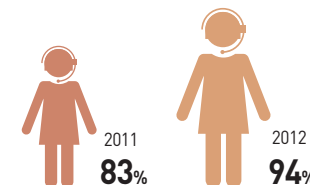
LH mapped out a long-term VOC (Voice of Customer) strategy in 2012 for the comprehensive management of VOC such as customer inquiries, purchases, and complaints. The company held three different training workshops based on the joint studies conducted by research associates to improve its overall execution capacity. LH has established long-term VOC strategies and data system establishment plans that reflect the benchmarking outcomes, VOC analysis results, and survey responses. We expect such initiatives to raise efficiency of VOC services and maximize data utilization.



LH Call Center

LH provides customized professional counseling services to customers in a quick, accurate, and friendly manner to completely prevent customer complaints and ensure customer satisfaction. In addition to such services, we established the LH Call Center service standards to ensure the service quality of the call center. We also conduct regular self-assessments, two annual external evaluations, and customer satisfaction survey to improve the quality of our services. Customer complaints have been reduced by 321 cases in 2012 while customer service efficiency increased 11%. LH has won KS service certifications for two consecutive years. We will continue to enhance the quality of our customer service by standardizing and upgrading our operating processes.

| LH Call Center Response Rate |



Power Customer Satisfaction Campaign

LH carries out the Power Customer Satisfaction Campaign to resolve complaints regarding customer services and improve LH's image. We designated Mondays as Power Friendliness Days and engaged in a variety of customer service activities, including customer service training broadcasts, CS smile contest, photo events, and friendly naming event to encourage associates to internalize customer services.

• LH Smile Contest

LH holds smile contests to enhance the friendliness of customer service associates and promote active customer service through voluntary engagement. Seven winners were selected among employees nominated in six different areas of sales, repair and urban regeneration, housing welfare, and rental housing supply in consideration of their contributions to promoting CS services, communication with internal and external customers, CS service level, and the charm of their smiles.



Sales
Ryu Seunghee
Assistant Manager



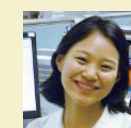
Reparation and Urban-regeneration
Oh Dooseon
Assistant Manager



Housing Welfare and Rental Supply
Chung Youngwoo
Senior



Rental Property Management
Lee Donghyuk
Intern



Hosing Project
Cho Ara
Assistant Manager

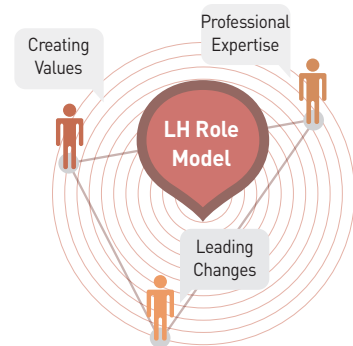


Development
Han Cheolhee
Employee



Others
Moon Seungchan
Manager

| LH Role Model |



Status of Employees

LH seeks associates that can create value, spearhead changes, and maintain their professional expertise. The company strictly bans discrimination by gender and offers equivalent salary scales to both male and female employees. LH eradicated restrictions on educational background and age to ensure capability-based hiring. We also enforce affirmative action for socially disadvantaged applicants. A total of 6,703 employees were working at LH as of the end of 2012.

Categorization		Unit	2010	2011	2012
Total	Full-time employees	persons	6,629	6,495	6,703
	Temporary employees	persons	1,134	992	1,099
	Youth interns	persons	282	439	389
Gender Equality	% of female employees among full-time associates	%	17.0	17.2	18.2
	% of female general managers among full-time associates	%	0.8	0.8	1.1
Socially Disadvantaged Employees	% of disabled employees among full-time associates	%	2.3	2.4	2.6
Turnover Rate		%	1.6	0.8	2.6

Creating Jobs

LH has carried out the Job 3000 project as part of the efforts to fulfill its social responsibilities by creating many jobs. The project was established to create 3,000 jobs, including 500 full-time associates, 2,000 senior employees, and 500 youth interns.

Opportunities for College Graduates | LH hired 297 new employees for the first time since integration. We applied merit-based fair employment standards to attract human resources with various backgrounds and experiences. We are set to fulfill our social responsibilities as a public enterprise by helping the government create jobs and more efficiently carry out housing welfare services and government policy projects.

Opportunities for High School Graduates | LH hired 200 high school graduates for the first time since integration, the largest number of high school graduates hired by a public enterprise. High school graduates account for 40% of new hires, far above the 20% recommendation by the government. Prospective graduates from 653 vocational high schools nationwide applied for LH's job offerings despite the harsh competition (roughly 10 applicants for each opening). Among the applicants, 200 graduates were finally selected. LH hires high school graduates in line with the government's youth employment policies and plays a leading role in ensuring advanced employment practices to compensate employees for their competence rather than degrees or backgrounds. LH is planning to offer educational opportunities for associates with high school degrees to study at LH Land and Housing College to close educational gaps and develop them into professional talents. We will also upgrade the promotion program to offer equal promotion opportunities to both high school and college graduates to extend merit-based personnel management practices.



Welcoming Ceremony for New Employees



LH Senior Associate Welcoming Ceremony

Senior Associates | Spurred by the positive social response to LH's senior employment program, the first such attempt by a public enterprise, we have hired 2,000 senior employees in 2012 alone. They were deployed to LH rental apartments to assist in management for eight months. The senior employment program offered job opportunities to qualified senior job seekers, allowing them to utilize their experience and expertise for society and gain self-confidence. 87.2% of the senior associates responded that they were willing to recommend the program to others, demonstrating high job satisfaction.

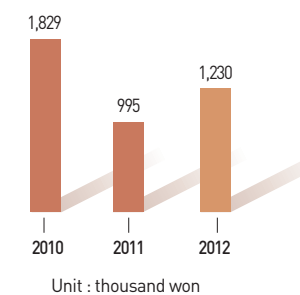
Youth Interns | LH hired 500 youth interns(400 college graduates and 100 high school graduates) to support the government's job initiatives and mitigate youth unemployment. We have hired 100 more interns than the previous year to expand opportunities for young job seekers to develop their careers and find jobs. Interns were deployed to LH's regional branches, business divisions, and operating locations to engage in internships for seven months. We plan to encourage youth interns to seek employment during their internships and grant additional credits to high performing interns in their applications for full-time employments.

Human Resource Development

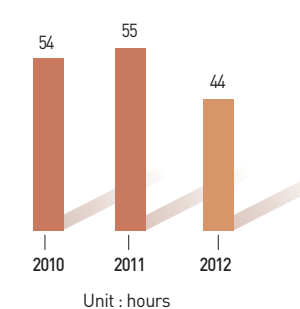
Education and Training | LH provides a variety of educational programs conforming to our role model and business features to executives and employees. In 2012, we have enhanced practical and vocational training programs that enable employees to develop field skills and focused on fostering field experts and helping new employees quickly adapt to their operating environments by utilizing internal expertise enhancement curriculums. We are set to offer training programs customized for each department and operation to maximize the educational effects and train core talents for the future.

LH Land and Housing College | LH established the "LH Land and Housing College" that is customized for LH's operations in 2012 to foster competent experts and provide employees with learning opportunities. The college started offering classes in March 2013. Based on operating knowhow built on field experiences and various studies conducted by the Land & Housing Institute, LH Land and Housing College will offer a wide range of customizable education related to the company's operations. It is also planned to establish lifetime education infrastructures for high school graduates and retirees to enhance their competencies and narrow knowledge gaps. The college will raise organizational productivity and reinforce LH's competitiveness by training practical and field-oriented human resources.

| Educational Expense per Employee |



| Training Hours per Employee |



First-rate Land and Housing Education Institution for Globalization with the Nation

Comprehensive Education

- Support field-oriented management practices
- Train human resources that can resolve problems at LH
- Promote customized and self-initiated education

Lifetime Education

- Integrate education into operations
- Lifetime education for employees
- Well-structured education from job placement to retirement

Competence Education

Long-term Education

Lifetime Education

Certified In-house College

Welfare Benefits

Sustaining Work-Family Balance | LH supports a variety of welfare programs, policies, and education to allow employees to maintain the balance between their work and families. We raised childbirth grants and multichild allowances to encourage childbirth and implemented flexible work programs for employees with children. We also built a childcare facility within the company to ease childcare burdens on our employees. Family-friendly programs for better communication were also initiated to strengthen balances between families and work as well as promote their confidence. LH engaged in family travel programs, counseling services for children's education, stress control programs for mental health, and retirement aid programs, boosting the morale and pride of employees and further improving the company's competitiveness.

Family-friendly Program | Four different programs are currently available as LH's family-friendly programs. We also survey the satisfaction of participating associates and their families so that we can update the programs and improve their quality.



Healing Camp

Healing Camp is a mental therapy program for married employees, offering psychological counseling and role education through mental education sessions, conducting workout programs and diet education for husbands and wives.

[Satisfaction Rating]



4.43 out of 5



Family Camp

Family Camp is designed to enhance harmony and mutual understanding between employees and their families. This program is usually offered to employee's families in the summer, attracting positive responses from employees that desire to spend quality time with their families.

[Satisfaction Rating]



4.56 out of 5



"Filial piety" Camp

"Filial piety" Camp is a travel program for the parents of employees, contributing to familyfriendly management practices and raising the pride of LH associates and families.

[Satisfaction Rating]



4.58 out of 5



Child Camp

Child Camp provides employees' children with opportunities to experience various cultural and artistic benefits and participate in community programs so that they are able to develop their creativity and personalities and pursue better career paths. The program helps improve employee's satisfaction and build relation-oriented corporate cultures.

[Satisfaction Rating]



4.54 out of 5



Launch of Social Partnership Committee

Retirement Aid | LH offers systematic training programs to help retirees maintain mental stability and prepare for their future. Phased educational programs are offered to prospective retirees annually so as to maximize the educational effects through group training, online education, and commissioned education related to re-employment and business startups. Customized person-to-person consulting services are also offered to prospective retirees based on individual assessments to help them prepare for their post-retirement plans.

Upgrading Labor-Management Relations

LH Social Partnership Committee | The Social Partnership Committee was jointly established by LH's labor unions for the first time among public enterprises to prevent irrationalities that are likely to occur during collective bargaining and promote organizational unity. LH's two labor unions discuss various issues regarding personnel management, organization, and welfare through the committee. We are set to allow labor unions to prepare proactive solutions for internal conflicts, after which LH joins the coordinating efforts by the two labor unions to seek better solutions. The Social Partnership Committee of the unions will prevent conflicts between them and promote further unity and cooperation among the labor unions and LH through active engagement.



Enhancing Labor-Management Communication | LH highlights the importance of union-friendly communication approaches and strengthens bilateral communications between trade unions and the CEO to effectively resolve ongoing issues. The company also established the CEO hotline to enable the CEO to directly listen to the voices of employees. In addition to such efforts, female grievance management commissioners were appointed to handle the grievances of female associates, such as gender discrimination and sexual harassment. LH is operating a wide range of grievance management channels, including personnel management and anti-corruption hotlines, to motivate employees and encourage them to further devote themselves to LH's operations.



• LH Labor-Management Festival

LH held a labor-management festival in November 2012 to build common understandings among labor unions and LH, strengthen mutual solidarity, and promote harmony and unity among associates. The event included several programs such as cultural convergence programs, membership training sessions, and conversations with union leaders to help attain better understanding of ongoing issues. LH has expanded the communication channels between the company and employees and reconfirmed commitments to attaining management objectives by improving labor-management relations.

We will lead Korea's economic development through eco-friendly initiatives

Korea Land & Housing Corporation is building green cities, constructing energy-efficient environmental housing, developing new renewable energy technologies, initiating CDM projects, and adopting eco-friendly materials to advance green growth drives in the construction sector. We will continue to develop and implement businesses ensuring sustainable growth, coordinate conflicts in the course of development rationally, tap further into renewable energy sources, and establish ecofriendly construction plans in consideration of LCA. We engage in environmental management practices to sustain eco-friendly growth initiatives and technologies in the development of land, cities, and housing while spearheading new technological trends.

Hopeful Korea
established
through Green
Growth Drives



30,801

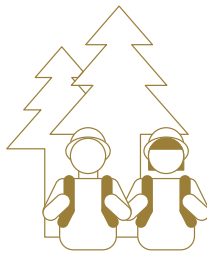
Application of solar
power system to
30,801 households
(as of 2012)

26,593

Eco-friendly products
purchased
KRW 26,593 million won
(As of 2012)

Pursuing environmental
management practices

for eco-friendlier
developments

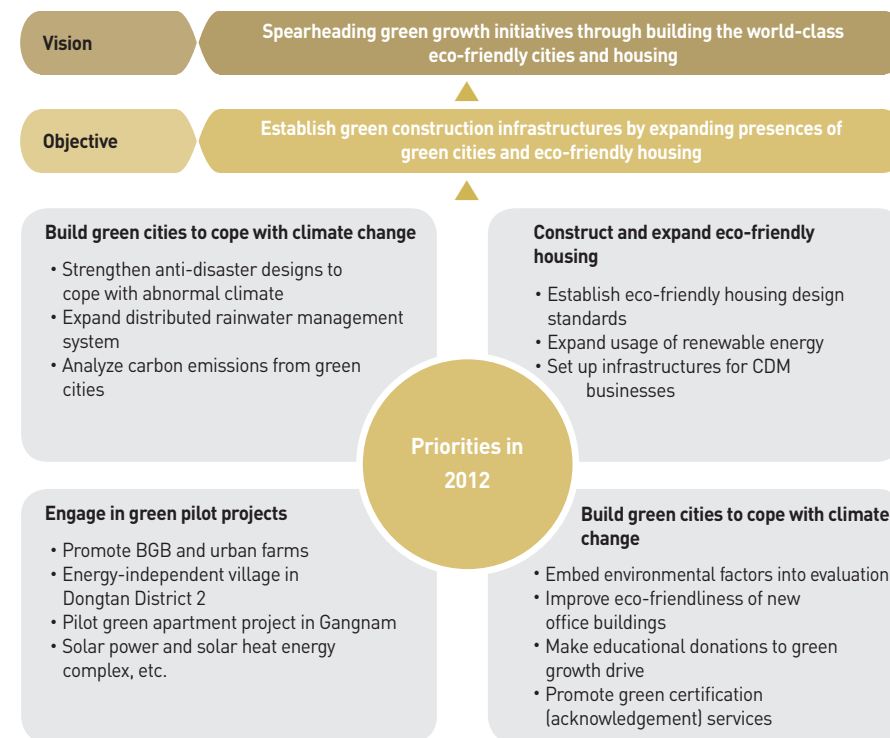


LH's Environmental Management

Development of Ecological Cities and Promotion of Green Houses

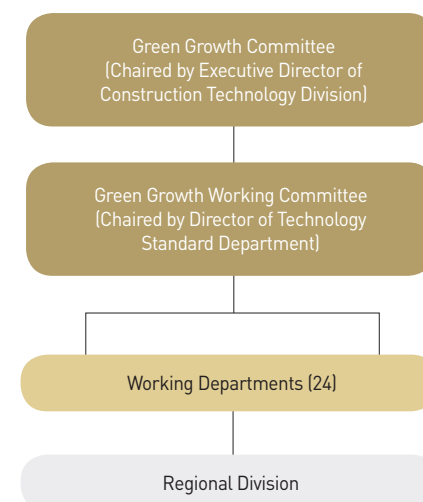
Green Growth Initiatives

Having set up a vision of “spearheading green growth initiatives through building world-class eco-friendly cities and housing” in 2010, LH has been implementing four key strategies and 10 major action plans. In order to “establish green construction infrastructures through expanding presences of green cities and eco-friendly housing”, we have specified 57 specific missions and actively engaged in management practices for future growth potentials and sustainable growth in 2012.



Implementation Organization

LH is operating the Green Growth Committee to engage in eco-friendly businesses. We have revised operating guidelines and expanded the number of participating departments to 24 from 22 in April 2012 to increase the functionalities of these working committees. Each working committee and the Green Growth Committee convened in May and June, examining LH green growth initiatives and action plans in 2012. Driven by the committee's engagements, LH will comprehensively manage relevant operations and actively and efficiently engage in green growth initiatives by ensuring inter-department cooperation and preventing overlapped investments.



Green Growth Committee

Developing Green Cities to Cope with Climate Change

LH is building housing complexes on stricter groundwork standards and anti-disaster designs and applying rainwater management to the water recycling system (of Uirye New Town) to effectively cope with climate change. We have also developed carbon emission analysis systems and prepared operating manuals to develop green cities by cutting greenhouse gas emissions. The carbon emission analysis system is designed to measure the carbon emissions of cities and residences and utilize the corresponding outcomes to reduce greenhouse gas emissions for new city development by establishing phased targets.

We will also carry out efforts to register the CDM project for the solar power program that was certified by the Korean government (in July 2012) with the UN and tapped into a variety of new projects to expand carbon credits to continuously lead the development of low carbon green cities.



• **New Bike Road Network in Korea**

LH is planning to extend bike roads stretching 1,041km across 12 new cities such as Seongnam Pangyo, Hwaseong Dongtan 1, and Gimpo Hangang to actively implement eco-friendly green growth policies. The road network is 1.6 times longer than the bike roads along Korea's four main rivers (633km). We will improve bike infrastructures and initiate public bike rental programs to further embed bicycles, one of the major forms of eco-friendly transport, into urban transportation in the years to come.

Construction and Expansion of Eco-friendly Housing

Establishment of Eco-friendly Housing Designs | LH is establishing design standards related to energy functionality in accordance with the “Energy-efficient Architectural Standards” and “Standards and Functional Specifications of Eco-friendly Housing”. We have mapped out plans to raise the energy performance index (EPI) to at least 74 by installing insulative windows, improving the insulation functionalities of walls and roofs, and applying automatic power factor regulators and established insulation standards that conform to published design requirements. We also provided optimal design schemes, satisfying published standards and lowering costs to raise the satisfaction of house buyers and residents by cutting maintenance costs. Such initiatives are estimated to lower maintenance expenses by 323 thousand won and 206 thousand won for apartments with areas of 74m² and 26m², respectively, on an annual basis.



• **Playground Remodeling for Eco-friendliness**

The remodeling of playgrounds for eco-friendliness is the longest running social contribution program conducted by LH. The company has rebuilt decrepit and dangerous playgrounds into safe and environmentally friendly locations for children and residents since 2006. We have adopted a new design program to enable residents' engagement based on the belief that we can make contributions to residents and local communities by remodeling playgrounds. Each eco-friendly playground built by LH offers unique features such as promenades, elements of fun adventure, cultural and artistic factors, and ecological protection.

Expanding Renewable Energy Supply | LH has been expanding the usage of renewable energy resources in its rental housing complexes since 2006 to save energy and ensure energy independence for communities. We are also carrying out efforts to extend the coverage of renewable energy and working on many different pilot projects.

We have installed solar power systems for 30,801 households in 39 residential districts, particularly rental housing complexes where many low income households live, in 2012 alone. LH is also carrying out pilot projects for the development of new energy sources and technologies such as small-sized wind power generators and vacuum tube solar collectors. A pilot project is being implemented to introduce a small-scale wind power generation system to 327 households in a rental housing complex in Daejung, Seogwipo. Solar power and heating systems were also installed in the Goyang Samsung A16 block to raise the residential complex's energy efficiency.

LH will continue its efforts to utilize renewable energy resources and reduce the energy cost burden for low income residents. We will also ensure energy welfare and build eco-friendly housing that produce energy to reduce the energy consumption and greenhouse gas emissions of buildings and construct energy-independent housing in the future.

Green Pilot Projects

LH enhances the eco-friendliness of construction and expands the footing for green cities and eco-friendly housing complexes by engaging in green pilot projects.

Development of Energy-independent Village in Dongtan District 2

- Set up district development plans and obtain authorization since new guidelines were established in 2012
- Aim to reduce energy consumption by 70% before 2017

Pilot Green House Project in Seoul Gangnam A7BL District

- Carry out a pilot project to build apartments consuming 60% less energy than conventional constructions to expand green housing, and develop infrastructures for energy-independent housing
- Establish construction plans for energy efficiency, and test functions after initiating the construction project in 2011 (actually in October 2012)

• Pilot Green Housing Complex



Green houses are residential buildings that minimize the usage of energy consumed for air conditioning and lighting and fossil fuel. For the new residential designs, renewable energy facilities such as heating systems based on solar and thermal heat or solar power generators, high efficiency insulators, LED lamps, and water-saving equipment are applied to the construction of eco-friendly housing. LH created a roadmap to build 750,000 energy-efficient and eco-friendly houses by 2018. We plan to utilize highly energy-efficient materials in consideration of costs and renewable energy systems for several pilot projects. We are currently building a localized pilot green housing complex in Gangnam, Seoul. Advanced insulators, natural heat collectors, LED lamps, and renewable energy resources are expected to lower energy consumption by more than 60% compared to conventional housing.

• LH Community Kitchen Garden

Pollution and contamination are growing threats to our society: industrialization and urbanization have separated cities from farms, resulting in the overexpansion of cities and the dwindling of green areas. In response to growing demands for the preservation of ecology and upgrading of urban environments, LH launched a community kitchen garden program to utilize untapped land owned by the company.

The LH Community Kitchen Garden project is designed to utilize LH's land inventories that have remained unsold or been stockpiled for a long time to reduce maintenance expenses and prevent the illegal use of land from producing contaminants. Urban farms help purify air for better air quality and improve landscapes. They also feature a variety of functions such as the absorption and recycling of rainwater and the prevention of urban warming, thus restoring urban ecologies and adding ecological elements to cities.

The gardens are developed to ensure eco-friendly and organic farming in line with four key principles and three major orientations. Urban farmers shall not use chemical pesticides, herbicides, fertilizers, and plastics (four key principles). They are also supposed to use self-made fertilizers, engage in traditional farming, and cooperate with neighbors within the community (three major orientations). Participants must complete mandatory training sessions related to eco-friendly organic farming and donate a portion of their produce to underprivileged.

In addition to environmental benefits, the community kitchen gardens can be also utilized to contribute to social values by using LH's unique business operations. The "Act on Promotion of and Support to Urban Farming" was passed last May, aiming to employ 5 million urban farmers by 2020. This comes in line with the resources owned by LH, a public land and housing service provider. We expect the program to develop new social contribution initiatives and create jobs on urban farms by associating public interests in urban farming with contribution cultures. By utilizing the "vegetable donation program" for the underprivileged, we are also set to help correct dietary imbalances. We are offering untapped land inventories to urban residents to allow them to develop land into urban farms and provide fresh vegetables to underprivileged. We also plan to collect vegetable donations from urban farmers to help socially disadvantaged households achieve healthier lifestyles through social welfare centers located in rental apartment complexes. For LH's community kitchen garden project, sites were selected and infrastructures were established in 2012. We will operate urban farms in various forms that will promote community engagement or donation in 2013.



Green Office

Energy-saving Practices | LH has established energy-saving plans and is actively engaging in energy efficiency initiatives pursuant to the “Public Institution Energy Efficiency Enhancement Guidelines”. We are attempting to reduce energy consumption by complying with indoor air-conditioning guidelines (28℃ or above in summer, 18℃ or below in winter), restraining use of air-conditioning and ventilation facilities, making efficient use of elevators, turning off lights during lunch hours, and adopting LED lamps and high efficiency office appliances.

New Eco-friendly Office Building | The new head office building located in Jinju Innovation City, Gyeongsangnam-do, is designed to power at least 10% of its system with renewable energy resources. LH also obtained the highest eco-friendly construction rating and highest preliminary energy efficiency rating for the building design, demonstrating high energy efficiency. The new construction represents LH’s sustainability, including common spaces open to local residents, workplaces for higher productivity and barrier-free environments for the socially disadvantaged.

Green Procurement | LH preferentially purchases eco-friendly official supplies, electronic appliances, and materials. We regularly conduct education for purchasing officers and monitor procurements made by branches across the nation throughout the year to expand green procurement practices on an enterprise-wide basis.

Green Communication

Promoting Green Growth Businesses | LH operates the Green Gallery to externally promote eco-friendly businesses, allowing visitors to experience eco-friendly housing and green growth policies. We are also offering tour programs for professionals in civic organizations and foreign government officials. We started publishing the Green News in June 2012 and conduct quarterly exhibition events to promote eco-friendly housing technologies

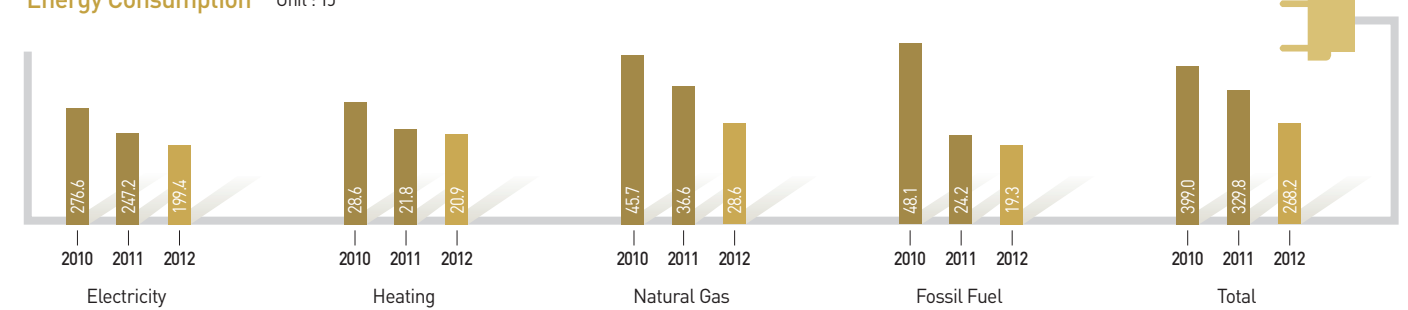
Operating Educational Donation Program for Green Growth | LH entered into the “Educational Donation Pact for Green Growth” with the Ministry of Education and the Presidential Committee on Green Growth to develop educational programs in line with LH’s businesses.

Categorization	Green Lifestyle Festival	Eco-friendly Housing, Green City
Targets	Elementary school students	Middle and high school students
Location	The Green Gallery	The Green Gallery, Uirye Exhibition Hall
Education	Making solar-powered toys	Making Korean traditional house miniatures
Performance	12 sessions (attended by 180participants)	6 sessions (attended by 90 participants)

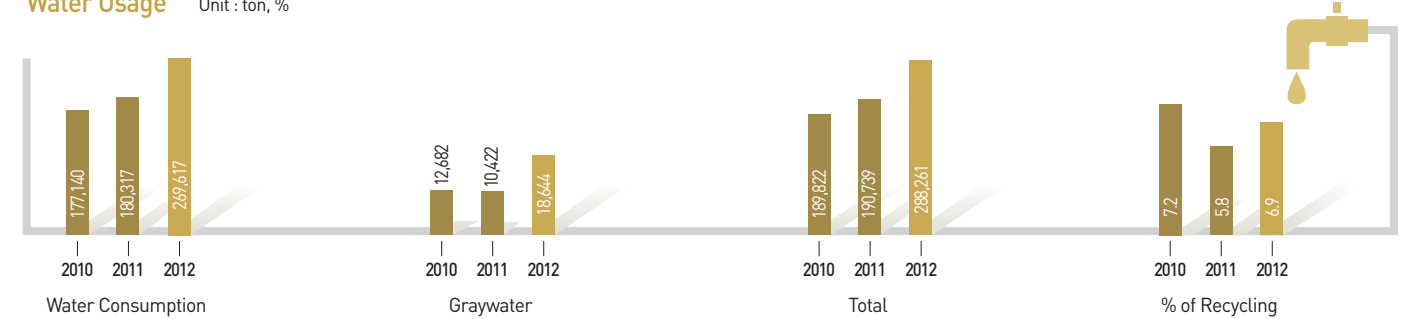
Sponsoring Green Architecture Festival | LH has sponsored the Green Architecture Festival held by the Presidential Commission on Architecture Policy to enhance the company’s roles in eco-friendly construction. LH’s Daegu Yulha Complex 2, which served as the athletes’ accommodations during the World Championship in Athletics, is a fine example of LH’s outstanding green architecture technologies and has won the top prize and a minister’s award from the Ministry of Culture, Sports, and Tourism.

Key Environmental Performances

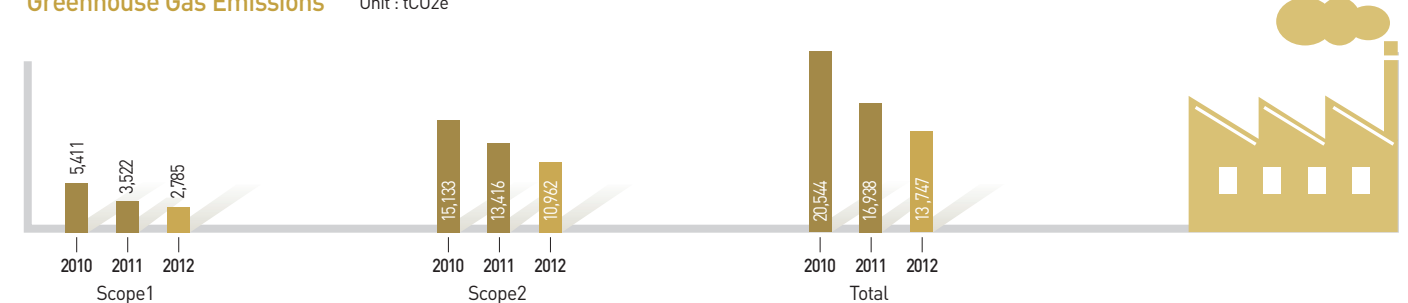
Energy Consumption Unit : TJ



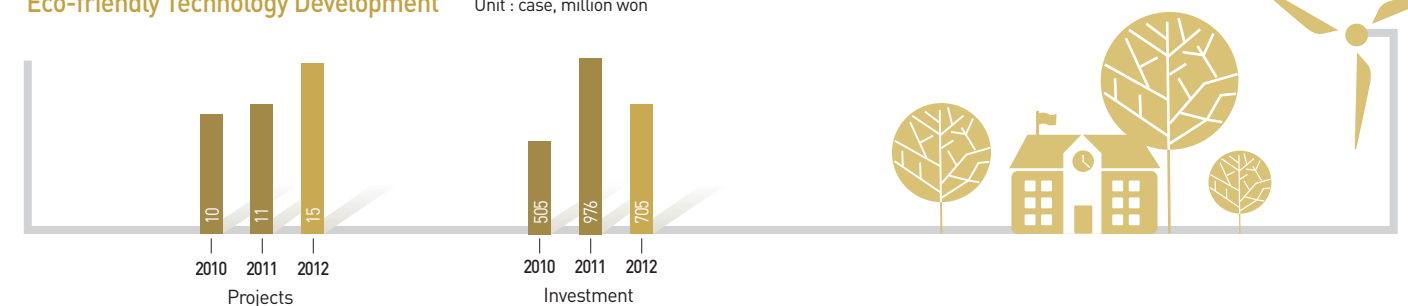
Water Usage Unit : ton, %



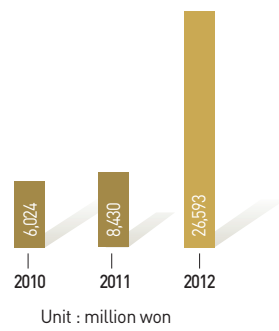
Greenhouse Gas Emissions Unit : tCO2e



Eco-friendly Technology Development Unit : case, million won



| Eco-friendly Procurements |



The Green Gallery Tour Program for Foreign Government Officials

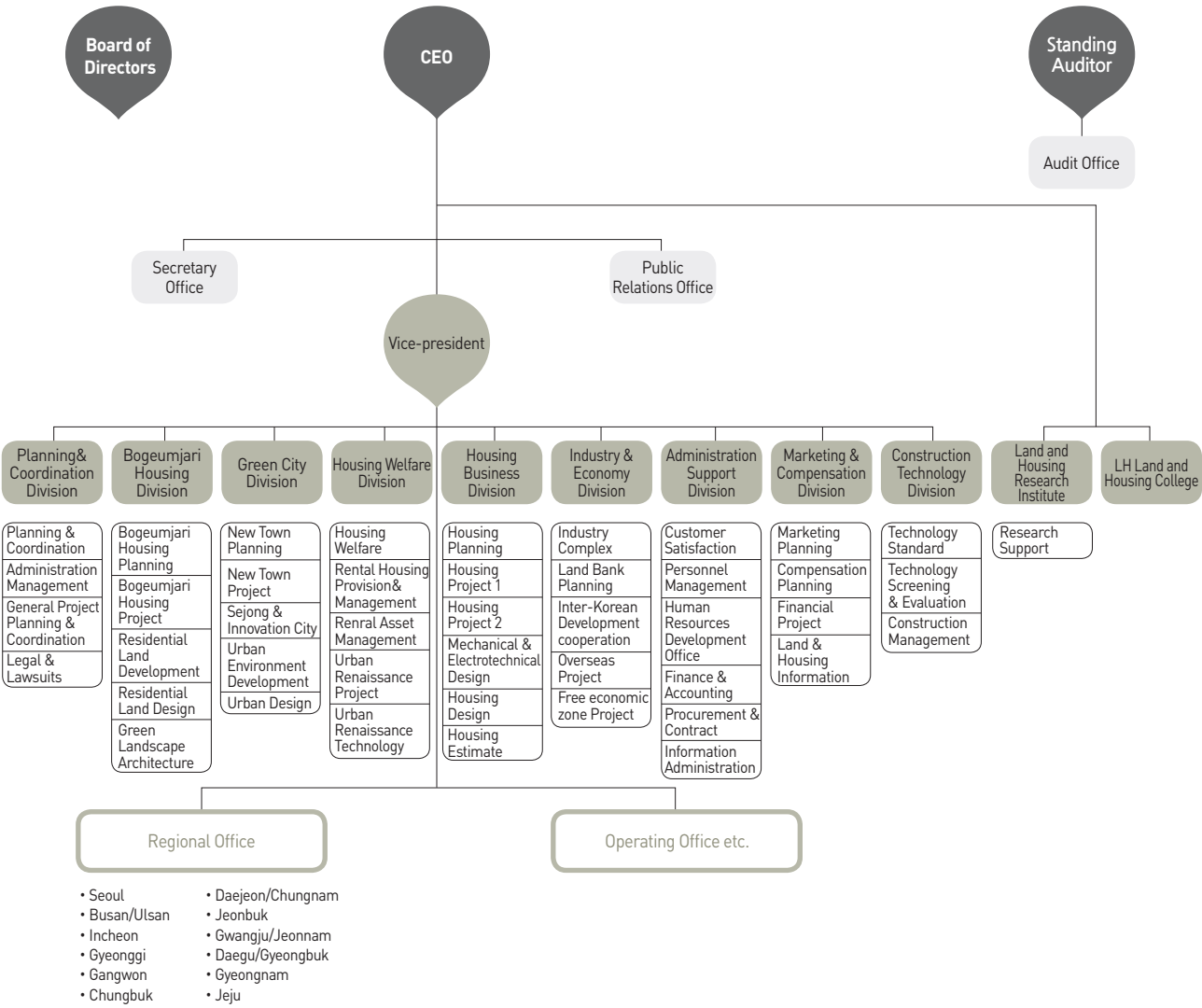
2013
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Organizational Chart and Memberships

Organizational Chart



Memberships

Policy Council of Transparent trust society, Anti-Corruption & Civil Rights Commission	American Society of Civil Engineers	The Korean Institute of Power Electronics	Korea Ubiquitous City Association
	Better Social Enterprise Network	Korea Construction Engineers Association	The Korean Housing Association
Architectural Institute of Korea	Korea Auditors Forum for Progress	The Korean Archaeological Society	Korean Association for Housing Policy Studies
Korean Society of Transportation	Ginkgo Youth Leadership Foundation (Sponsor)	Korea Area Electricity Association	Korea Association of Regional Air-Conditioning and Heating
The Society of Air-conditioning and Refrigerating Engineers of Korea	Architectural Institute of Japan	Korea Institute for Structural Maintenance Inspection: KSMI	Earthquake Engineering Society of Korea
Korea Electric Association	The Japanese Geotechnical Society	The Korean Museum Association	Korea Concrete Institute
Korean Society of Civil Engineers	Japan Society of Civil Engineers	Korean Association of Air Conditioning Refrigerating and Sanitary Engineers	Environmental Impact Assessment
American Planners Association	The Korean Institute of Illuminating and Electrical Installation Engineers	The Korean Society for Noise and Vibration Engineering	International contractors Association of Korea
American Concrete Institute			The United Nations Global Compact

Sustainability Management Initiatives

UNGC Index

Having joined the UN Global Compact (UNGC) in June 2010, LH has been reporting its compliance with the 10 key principles in the human rights/labor/environment/anti-corruption domains through sustainability reports on an annual basis. UNGC detailed its “Communication on Progress (COP)” regulations to encourage corporations to fulfill their social responsibilities and promote communications with stakeholders. LH compiled its 2013 Sustainability Report pursuant to the “Advanced Level” standards of newly published COP regulations.

UNGC Advanced Level		GRI 3.1	Pages
1	The COP describes key aspects of the company's high-level sustainability strategy in line with Global Compact principles.	4.1-4.8	10, 12, 16, 50, 63
2	The COP describes effective decision-making processes and systems of governance for corporate sustainability.	4.9-4.10	15, 63
3	The COP describes engagement with all important stakeholders.	4.14-4.17	16-20
4	The COP describes actions taken in support of broader UN goals and issues.	4.12	61-62
5	The COP describes robust commitments, strategies, or policies in the area of human rights.	HR1, HR3-HR4, LA4, LA9	14, 64, 65
6	The COP describes effective management systems to integrate the human rights principles.	HR11	66
7	The COP describes effective monitoring and evaluation mechanisms of human rights Integration.	S04	66
8	The COP describes key outcomes of human rights integration (including GRI).	HR3-HR4	14, 65
9	The COP describes robust commitments, strategies, or policies in the area of labor.	LA1, LA3-LA4	47, 48-50, 64
10	The COP describes effective management systems to integrate the labor principles.	LA9	64
11	The COP describes effective monitoring and evaluation mechanisms of labor principles Integration.	LA4	64
12	The COP describes key outcomes of integration of the labor principles (including GRI).	LA1-LA2, LA4, LA7-LA8, LA10-LA11, LA13	47, 48, 50, 64, 65
13	The COP describes robust commitments, strategies, or policies in the area of environmental stewardship.	EC2	53-57
14	The COP describes effective management systems to integrate the environmental principles.	EN26	53-57
15	The COP describes effective monitoring and evaluation mechanisms for environmental stewardship.	EN26	53-57
16	The COP describes key outcomes of integration of the environmental principles (including GRI).	EN3-EN5, EN8, EN11, EN16, EN18, EN22, EN27, EN30	54, 55, 57, 58, 63, 64
17	The COP describes robust commitments, strategies, or policies in the area of anticorruption.	S04	66
18	The COP describes effective management systems to integrate the anti-corruption principles.	S02-S03	14, 66
19	The COP describes effective monitoring and evaluation mechanisms for the integration of anti-corruption.	HR11, S04	66
20	The COP describes key outcomes of integration of the anti-corruption principles (including GRI).	S02-S04, S07-S08	14, 66
21	The COP describes implementation of the Global Compact principles in the value chain.	HR1, HR2, HR3	14, 65
22	The COP provides information on the company's profile and context of operation.	1.1-1.2, 2.1-2.10	3-4, 9, 15, 17, 23-32, 60, 63, 74
23	The COP incorporates high standards of Integrity and disclosure.	3.1-3.13	1, 16, 20, 67-72

ISO 26000

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

[Level of disclosure : ● Complete ① Partial ○ Non-disclosure]

Topic	Key issues	Relevant GRI Index	Level of Disclosure
6.2 Organizational governance	6.2.3 Decision-making processes and structures	1.1, 1.2, 2.3, 4.1~4.17	①
	6.3.3 Due diligence	HR1, HR2, HR5, HR6, HR7	●
	6.3.4 Human rights risk situations	HR5, HR6, HR7	●
	6.3.5 Avoidance of complicity	HR1, HR2, HR3, HR5, HR6, HR7, HR8	●
6.3 Human Rights	6.3.6 Resolving grievances	HR1, HR4, HR9	●
	6.3.7 Discrimination and vulnerable groups	HR4, HR6, HR7, HR9, LA13, LA14	●
	6.3.8 Civil and political rights	HR5, HR9	●
	6.3.9 Economic, social, and cultural rights	S01, PR1, PR2, EC8, EC9	●
	6.3.10 Fundamental principles and rights at work	HR4, HR5, HR8, LA1, LA2, LA3, LA4, LA5, LA13, LA14	●
	6.4.3 Employment and employment relationships	HR2, HR4, HR5, HR8, LA1, LA2, LA3, LA4, LA5, LA13, LA14	●
6.4 Labor practices	6.4.4 Conditions of work and social protection	LA3, LA4, LA5, LA14, EC5	●
	6.4.5 Social dialogue	HR5, LA4, LA5	●
	6.4.6 Health and safety at work	LA6, LA7, LA8, LA9	●
	6.4.7 Human development and training in the workplace	LA10, LA11, LA12	①
6.5 Environment	6.5.3 Prevention of pollution	EN19-EN24	①
	6.5.4 Sustainable resource use	EN1-EN10, EN25, EN26, EN27, EN29	①
	6.5.5 Climate change mitigation and adaptation	EC2, EN16-EN18	●
	6.5.6 Protection of the environment, biodiversity, and restoration of natural habitats	EN11-EN15, EN25	①
6.6 Fair operating practices	6.6.3 Anti-corruption	S02, S03, S04	●
	6.6.4 Responsible political involvement	S05, S06	●
	6.6.5 Fair competition	S07	●
	6.6.6 Promoting social responsibility in the value chain	HR2, HR8, PR1, PR2, EC6, EC9, EN26, EN29	●
	6.6.7 Respect for property rights	HR9, S01, S07, S08, EC9	●
6.7 Consumer issues	6.7.3 Fair marketing, factual and unbiased information and fair contractual practices	PR3, PR4, PR6, PR7	①
	6.7.4 Protecting consumers' health and safety	PR1, PR2, PR3, PR4, PR5	●
	6.7.5 Sustainable consumption	PR1, PR2, PR3, PR4, PR5, EN26, EN27	●
	6.7.6 Consumer service, support, and complaint and dispute resolution	PR3, PR4, PR5, PR6, PR7, PR9	①
	6.7.7 Consumer data protection and privacy	PR8	●
	6.7.8 Access to essential services	PR5, EC9	●
	6.7.9 Education and awareness	PR3, PR4, PR5, PR6, PR7	①
6.8 Community involvement and development	6.8.3 Community involvement	S05, S06, LA8, EC1, EC8	●
	6.8.4 Education and culture	LA8, EC8	●
	6.8.5 Employment creation and skills	S01, LA11, EC6, EC7, EC8, EC9	●
	6.8.6 Technology development and access	EC8, EC9	●
	6.8.7 Wealth and income creation	S01, S08, EC1, EC6, EC7, EC8, EC9	●
	6.8.8 Health	LA8	●
	6.8.9 Social investment	EC1, EC8, EC9	●

Sustainability Management General

Organizational Profile

Shareholders (2.6)

[Unit: million won]

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

• As of the end of December 2012

Corporate Governance

Assessment of Directors and Executives (4.5)
The operations of the board of directors are assessed by external evaluators through annual government-led management assessments. LH pays annual salaries to executive directors differentially in accordance with the government-led management assessments.

Sustainability Management Framework (4.9, 4.10)
LH operates sustainability management organizations based on its cooperation with working departments to ensure sustainability management practices and performances in the economic, social, and environmental domains. In general, the Administration Management Department currently supervises sustainability management practices while the board of directors examines issues pertaining to sustainability management.

Economic

Coverage of the organization's defined benefit plan obligations (EC3)
LH introduced a pension program to help retirees and their families secure financially stable livelihoods.

[Four Major Insurance Programs]

Categorization	Unit	Employee Contributions	LH Contributions	Total
Medical Insurance	100 million won	141	141	282
National Pension	100 million won	129	129	258
Vocational Accident Insurance	100 million won	-	8	8
Employment Insurance	100 million won	27	62	89

• As of the end of December 2012

Ratio of standard entry level wage compared to local minimum wage (EC5)
The standard entry level wage was 200% larger than the minimum wage in 2012.

Environmental

Biodiversity management (EN11 ~ EN15)
LH manages ecological and biodiversity data, including environmental preservation areas and natural ratings, by utilizing a spatial database to minimize the environmental impact of land and housing development projects. Based on this data, we exclude ecologically valuable areas from development projects and designate significant habitats as protected areas to preserve the ecological system. We also conduct preliminary environmental assessments to examine the suitability of development and perform environmental impact assessments of projects that are set to be initiated pursuant to the Environmental Impact Assessment Act.

Air emissions management (EN19 ~ EN20)
LH is measuring air quality to keep the residents around project locations healthy by preventing air pollution. The company also conducts regular inspections to fend off air contaminants. We are currently carrying out measures to reduce carbon emissions to minimize air pollutants and ozone-depleting substances caused by projects.

Labor

Management of wastewater, waste, and harmful substances (EN21 ~ EN25)
LH strictly manages and handles harmful substances in accordance with applicable regulations. Sewage from LH's head office and regional branches is processed at sewage treatment plants so that we do not produce any environmental impact due to sewage.

Violations of environmental regulations (EN28)
As a public enterprise exclusively in charge of housing construction and land development, LH strictly complies with the environmental regulations and standards.

Environmental impacts of transporting products, materials, and employees (EN29)
LH operates commuting and business shuttle buses, implements car-free day programs, and recommends the use of environmentally friendly vehicles and bicycles for commuting and short-distance business travel so that we do not produce significant environmental impact in transporting our employees.

Right to exercise freedom of association and collective bargaining (LA4, HR5)
LH guarantees workers' rights to exercise freedom of association, collective bargaining, and collective action pursuant to the applicable regulations and collective agreements. LH ensures that workers can freely join the labor union or withdraw from it. Nonunion members are also entitled to several systematic measures, including grievance management procedures, to protect their standard labor rights. As of the end of 2012, 89% of the entire staff was unionized.

Minimum notice period regarding significant operational changes (LA5)
LH shares the company's significant issues with employees and aggregates their opinions through a variety of labor-management communication channels. We are also officially supporting the ILO Tripartite Declaration and UNGC and comply with specific regulations. When policies or plans related to personnel management and work conditions are newly established or changed in accordance with collective agreements, we give prior notice to employees to allow them to improve operating stability and gain confidence in the company.

Percentage of total workforce represented in formal joint management-worker health and safety committees (LA6)
LH established the Vocational Safety and Health Committee, which consists of 20 members. We have also stipulated joint labormanagement safety and health regulations in collective agreements.

Rates of work-related accidents (LA7)

Categorization	Unit	2010	2011	2012
Work-related accidents	%	0	0.1	0.1

Health care program (LA8 ~ LA9)
LH engages in various health care programs to ensure health and safety for associates and their families. We offer up to 500 thousand won to each employee and his or her spouse for medical checkups. We have also provided flu shot programs to our associates at headquarters and local branches in October 2012. The healing camp was held to help associates mitigate their stress and enhance mental health while online psychological tests and professional counseling services were offered to raise the effectiveness of EAP. We are currently developing childbirth incentive programs to finance infertility treatments, grant childbirth bonuses, and provide additional allowances to families with multiple children.

Sustainability Management General

Labor

Percentage of employees receiving regular performance and career development reviews (LA12)

Categorization	Unit	2010	2011	2012
Proportion of performance assessment application	%	100	100	100

Composition of BOD (LA13)

Categorization	Name	Current Title	Expertise	Gender
Executive	Lee Jisong	President	-	Male
	Kim Youngjin	Standing Auditor	-	Male
	Chung Ineok	Vice President	-	Male
	Seong Jeungsoo	Head of Green City Division	-	Male
	Cho Seongphil	Head of Housing Welfare Division	-	Male
	Park Chanheung	Head of Construction Technology Division	-	Male
	Kim Joongkwang	Former Director of Gwangju Bureau, PBC	Media	Male
Non-executive	Ham Seongdeuk	Professor of Korea University	Management/Administration	Male
	Cho Yongseong	Chairman of Diepetane Seoul Co.,Ltd.	Management/Administration	Male
	Kim Yonghan	Former Executive Director, CBS	Media	Male
	Jeong Mingun	Vice President of Deloitte Korea	Accounting	Male
	Jeon Woojeong	Chief Attorney of Lawfirm Yoolwoo	Law	Male
	Nam Chansoon	Former Director of the Foundation for Broadcast Culture	Media	Male
	Song Indong	Former Deputy Mayor of Daejeon	Management/Administration	Male

Return to work and retention rates after parental leave (LA15)

Categorization	Unit	2010	2011	2012
Employees on parental leave	person	109	181	201
Employees returning after parental leave	person	60	99	150

• Employees returning from parental leave include employees that spent parent leave for the previous year.
(Other employees are currently on parental leave.)

Human Rights

Suppliers and contractors that have undergone screening on human rights and actions taken (HR1 ~ HR2)

Since discriminatory, compulsory, and child labor is strictly prohibited under law, LH does not conduct human rights examination when making investments or forming business partnerships. We are trying, however, not to be involved in transactions with corporations that are likely to breach human rights regulations or have violated such rules through examining their corporate backgrounds. In addition to such efforts, we conduct annual integrity inspections over our business partners to examine their integrity and Integrity.

Employee training on policies and procedures concerning aspects of human rights (HR3)

LH conducts sexual harassment prevention education for the entire staff at least once a year as per Article 4 of the Act on Prohibition and Restriction of Gender Inequality to protect human rights of female associates that constitute a minority group within the company.

Total number of incidents of discrimination and actions taken (HR4)

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

Elimination of child and compulsory labor (HR6 ~ HR7)

LH complies with the “Convention Concerning the Prohibition and Immediate Actions toward the Elimination of the Worst Forms of Child Labour” of ILO and the labor standards of the UN Global Compact. Since our establishment, LH has not violated any regulations regarding compulsory or child labor. We strictly ban child labor.

Percentage and total number of operations that have been subject to human rights reviews and /or impact assessments (HR10)

LH conducts integrity assessments over all its operating locations with regard to relations with business partners and engages in internal ethical management evaluations on a regular basis to enhance human rights protection and fairness. We are also attempting to assess the impacts of fire accidents and flood and restrain illegal employment practices.

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

LH aggregates a variety of complaints through the Integrity Ombudsman Program, MCA (Master Clean-up Agency), and audit branches. We have received no complaints regarding human rights violations in 2012.

Percentage and total number of business units analyzed for risks related to corruption (S02)

LH applies codes of ethics over all its operations to ensure Integrity.

Actions taken in response to incidents of corruption (S04)

LH actively engages in anti-corruption initiatives. We have established a system to allow employees to report bribery attempts to eradicate bribery and kickbacks that impede operating fairness. We also make it compulsory to prohibit land and housing trades and report relevant transactions to prevent illegitimate insider trading. We have detected three incidents of corruption and responded with disciplinary action in 2012 alone.

Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices (S07 ~ S08)

LH conducts education for construction engineers to prevent unfair subcontracting practices and informs the relevant authorities of these violations. We have detected 11 violations in 2012. Administrative actions were taken with regard to six violations while the remaining five cases were corrected.

Type of product and service information required by procedures (PR3)

LH provides a variety of business information on LH’s projects, including land development and housing construction, through many different channels such as public notices, website postings, press releases, and smartphone applications, to ensure accurate understanding of its business.

Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling (PR4, PR7)

LH categorizes customers and offers different services corresponding to each category to meet their needs. The company also operates a VOC system to ensure customer satisfaction. We comply with applicable regulations and operating guidelines in engaging in marketing and sales activities such as advertising and sponsorship.

Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data (PR8)

LH established customer privacy policies concerning access control, authority management, and follow-up audits to protect personal information. We have not had any complaints regarding privacy from customers during the reporting period.

Social

Product Responsibility

Assurance Statement

Introduction

Det Norske Veritas Certification Ltd. (hereinafter referred to as ‘DNV’) has been commissioned to carry out assurance engagement on Korea Land & Housing Corporation (hereinafter referred to as ‘LH’) Sustainability Report 2013 (hereinafter referred to as ‘the Report’). This engagement focused on the information provided in the Report and the underlying management and reporting processes.

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

Scope Assurance

This assurance service was conducted in March 2013. The scope of DNV’s Assurance Engagement included verification of the following. :

- Sustainability policy, initiatives, practices and performance, as described in the Report. These were verified at company level.
- Cross-check data and information from the calendar year 2012 against disclosures in ALI public information in One and the state-owned government-led management assessments report and internal documents and records.
- Processes for defining the boundaries, focus and content of the Report.
- Review of the extent to which the principles and requirements of the Global Reporting Initiative (GRI) Guidelines for Sustainability Reporting (GRI G3.1) are reflected in the Report.
- The extent to which the principles of Materiality, Inclusivity and Responsiveness are adopted. The reliability of the information within the Report was verified under Moderate level of assurance.

Limitations

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

Verification Methodology

DNV is a leading provider of sustainability services, including verification of sustainability reports. Our environmental and social assurance specialists work in over 100 countries. DNV was not involved in the preparation of any information presented in the Report and did not provide any services to LH during 2012-2013 that could compromise the independence or impartiality of our work. Our assurance engagement was planned and carried out in accordance with the DNV Protocol for Verification of Sustainability Reporting (VeriSustain™).

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

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

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

- Visited LH’s office in Bundang, Gyeonggi-Do, Republic of Korea;
- Performed sample-based reviews for determining material issues to be included in the Report;
- Examined relevant documents, data and other information requested by DNV and made available by LH;
- Checked that the Report fulfils the requirement of GRI Application Level.

Conclusions

In DNV’s opinion, the Report provides a reliable and fair representation of LH’s policy, practices and performance in 2012. Based on the work undertaken as part of this Assurance Engagement, DNV believes that the Report generally meets the principles, content and quality requirements of GRI G3.1. and the requirement of GRI Application Level ‘A+’. We have evaluated the Report’s adherence to the following principles:

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

Responsiveness : Acceptable. Stakeholders’ views, interests and expectations sought from the survey are considered in preparation of the Report and in formulation of LH’s sustainability management approach. The Report needs to provide more detailed information with regard to how the material issues disclosed in the previous report were managed and what performance were resulted from the sustainability management during the reporting period. In addition, providing key performance indicators for the highly material issues determined in the Report will improve the monitoring the progress of sustainable management. LH is recommended to establish quantitative objectives corresponding to respective material issues and regularly monitor and measure the performance. These needs to be reported in the sustainability report of next year. Materiality: Good. The materiality determination process is clearly presented in the Report. Inputs from a wide range of sources are considered for materiality determination including the needs and concerns of stakeholders, media analysis, peer-based norms, and survey, interviews. The Report generally provides an account of performance on the issues that are most significant to LH’s activities and which are most relevant to its stakeholders.

Opportunities for Improvement

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

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

April 2013 Seoul, Korea

Kwak Seunghyun
Lead Verifier

Ahn Inkyoon
Country Manager

Antonio Astone
Assurance Engagement
Reviewer
Sustainability Services



Note : Assurance engagement was conducted based on the Report written in Korean. In the event of ambiguity or contradiction in the Report between English version and Korean version, Korean one shall be given precedent.

GRI Index

[Level of disclosure : ● Complete ⓪ Partial ○ Non-disclosure]				
GRI 3.1	Description	Page	Reported	Remarks
Vision and Strategy				
ViStrategy and Analysis				
1.1	Sustainability statement of CEO	3-4	●	
1.2	Key impacts, risks, and opportunities	15, 17	●	
Organizational Profile				
2.1	Name of the organization	9	●	
2.2	Primary brands, products, and/or services	23-32	●	
2.3	Operational structure of the organization	60	●	
2.4	Location of organization's headquarters	9, 60	●	
2.5	Number of countries where the organization operates	9	●	
2.6	Nature of ownership and legal form	63	●	
2.7	Markets served	23-32	●	
2.8	Scale of the reporting organization	9	●	
2.9	Significant changes regarding size, structure, or ownership	-	●	No significant changes during the reporting period
2.10	Awards received in the reporting period	74	●	
Report Parameters				
3.1	Reporting period for information provided	1	●	
3.2	Date of most recent previous report	1	●	
3.3	Reporting cycle	1	●	
3.4	Contact point for questions regarding the report or its contents	1	●	
3.5	Process for defining report content	16-20	●	
3.6	Boundary of the report	1	●	
3.7	State any specific limitations on the scope or boundary of the report	1	●	
3.8	Basis for reporting on joint ventures and subsidiaries	9	●	
3.9	Data measurement techniques such as performance indicators	1	●	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	-	N/A	Not applicable
3.11	Significant changes of scopes and boundary of report	-	●	No significant change
3.12	Standard Disclosures in the report	69-72	●	
3.13	Matters related to assurance of the report	67-68	●	
Corporate Governance, Commitments, and Engagement				
4.1	Governance structure of the organization	12	●	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	12	●	
4.3	The number of members of the highest governance body that are independent and/or non-executive members	12	●	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	16, 50	⓪	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	63	●	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	12	⓪	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body	12	●	
4.8	Internally developed statements of mission or values, codes of conduct, and principles	10	●	
4.9	Procedures of the BOD for overseeing sustainability management	63	●	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	63	●	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	15	●	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	61-62	●	
4.13	Memberships in associations and/or national/international advocacy organizations	60	●	

[Level of disclosure : ● Complete ⓪ Partial ○ Non-disclosure]				
GRI 3.1	Description	Page	Reported	Remarks
4.14	List of stakeholder groups engaged by the organization	16	●	
4.15	Basis for identification and selection of stakeholders with whom to engage	16	●	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	16-20	●	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	17-20	●	
Economic Performance Indicators				
DMA		10-11		
EC1	Direct economic value generated and distributed	35	●	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	53-57	●	
EC3	Coverage of the organization's defined benefit plan obligations	63	●	
EC4	Significant financial assistance received from government	-	N/A	Not applicable
EC5	Range of ratios of standard entry level wage compared to local minimum wage	63	●	
EC6	Policy, practices, and proportion of spending on locally-based suppliers	-	N/A	Not applicable
EC7	Procedures for local hiring and proportion of senior management hired from the local community	-	N/A	Not applicable
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	35	●	
EC9	Understanding and describing significant indirect economic impacts	35, 40, 44, 47	●	
Environmental Performance Indicators				
DMA		53		
EN1	Materials used by weight or volume	-	N/A	Not applicable
EN2	Percentage of materials used that are recycled input materials	-	N/A	Not applicable
EN3	Direct energy consumption by primary energy source	58	●	
EN4	Indirect energy consumption by primary source	58	●	
EN5	Energy saved due to conservation and efficiency improvements	54-55, 57	⓪	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	54-55, 57	⓪	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	57	⓪	
EN8	Total water withdrawal by source	58	●	
EN9	Water sources significantly affected by withdrawal of water	-	N/A	Not applicable
EN10	Percentage and total volume of water recycled and reused	58	●	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	63	⓪	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	63	⓪	
EN13	Habitats protected or restored	63	⓪	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	63	⓪	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	63	⓪	
EN16	Total direct and indirect greenhouse gas emissions by weight	58	●	
EN17	Other relevant indirect greenhouse gas emissions by weight	-	N/A	Not applicable
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	54-55	●	
EN19	Emissions of ozone-depleting substances by weight	63	⓪	
EN20	NOx, SOx, and other significant air emissions by type and weight	63	⓪	
EN21	Total water discharge by quality and destination	64	⓪	
EN22	Total weight of waste by type and disposal method	64	⓪	
EN23	Total number and volume of significant spills	64	⓪	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	64	⓪	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	64	⓪	

GRI Index

[Level of disclosure : ● Complete ⓪ Partial ○ Non-disclosure]				
GRI 3.1	Description	Page	Reported	Remarks
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	53-57	●	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	-	N/A	Not applicable
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	64	⓪	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	64	●	
EN30	Total environmental protection expenditures and investments by type	57-58	●	
Labor Practices and Decent Work Performance Indicators				
DMA		47-50		
LA1	Total workforce by employment type, employment contract, and region	47	●	
LA2	Total number and rate of employee turnover	47	●	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	48-50	●	
LA4	Percentage of employees covered by collective bargaining agreements	64	●	
LA5	Minimum notice period(s) regarding operational changes	64	●	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	64	●	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	64	●	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	64	●	
LA9	Health and safety topics covered in formal agreements with trade unions	64	●	
LA10	Average hours of training per year per employee by employee category	48	●	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	50	●	
LA12	Percentage of employees receiving regular performance and career development reviews	64	●	
LA13	Composition of governance bodies and breakdown of employees per category	65	●	
LA14	Ratio of basic salary of men to women by employee category	47		
LA15	Return to work and retention rates after parental leave	65	●	
Human Rights Performance Indicators				
DMA		47-50, 65-66		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	65	●	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	65	●	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	14, 65	●	
HR4	Total number of incidents of discrimination and actions taken	65	●	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	64	●	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	66	●	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	66	●	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	-	N/A	Not applicable
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	-	N/A	Not applicable
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	66	●	
HR11	Number of grievances related to human rights filed through formal grievance mechanisms	66	●	

[Level of disclosure : ● Complete ⓪ Partial ○ Non-disclosure]				
GRI 3.1	Description	Page	Reported	Remarks
Society Performance Indicators				
DMA		13, 30-32, 65		
S01	Programs that assess and manage the impacts of operations on communities	30-32, 39-42	●	
S02	Percentage and total number of business units analyzed for risks related to corruption	66	●	
S03	Percentage of employees trained in organization's anti-corruption policies and procedures	14	●	
S04	Actions taken in response to incidents of corruption	66	●	
S05	Public policy positions and participation in public policy development and lobbying	-	●	Lobbying is prohibited during participation in the establishment of public policies.
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	-	●	Not applicable
S07	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	66	●	
S08	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	66	●	
S09	Operations with significant potential or actual negative impacts on local communities	-	N/A	Not applicable
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	30-32	●	
Product Responsibility Performance Indicators				
DMA		45-46		
PR1	Lifecycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	45, 63	⓪	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	-	N/A	Not applicable
PR3	Type of product and service information required by procedures	66	●	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	66	●	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	45-46	●	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	45-46	⓪	
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	66	●	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	66	●	
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	-	●	2012 No payment performance

Definitions

Terms	Definitions
Building with Grade 1 Energy Efficiency Rating	Houses designed to conserve energy by more than 33.5% by improving insulation, windows and doors, ventilation, and boiler performance.
Climate change	The concept of climate change as defined in the UNFCCC refers to the change in the global atmosphere observed during a comparable period that resulted from direct and indirect human activities, in addition to the natural variability of the climate.
Barrier-free design	A people-oriented design that is visually open and allows the disabled, children, senior citizens, and pregnant women to move around the space without help.
Social Overhead Capital	Basic services, including roads, ports, railroads, etc., required to facilitate economic activities which are not directly used for production activities.
New and Renewable energy	A concept that includes three new energy types (hydrogen, fuel cell, liquefied coal gas) and eight renewable energy types (solar heat, photovoltaics, bio-energy, wind power, water power, geothermal heat, tidal energy, waste energy).
United Nations Global Compact (UNGC)	A voluntary global compact on social responsibility that encourages businesses and UN organizations to support the ten principles (human rights, labor, the environment, and anti-corruption, etc.) through a partnership.
Stakeholder	A person or group that is affected by an organization's actions; usually includes shareholders, debenture holders, as well as employees, consumers, and partner companies.
Prequalification (PQ)	Prequalification is a process in which a project initiator comprehensively evaluates the construction experiences, technical expertise, management, status and reliability of bidders, selects competent constructors, and grants bidding qualifications to them to prevent defective construction efforts.
Automatic Power Factor Regulator	Automatic Power Factor Regulator is equipment that converses power utilities by minimizing electricity loss and enhancing electricity efficiency.
Vacuum Tube Solar Collector	Vacuum Tube Solar Collector is technology designed to minimize heat loss on panels and enhance solar energy efficiency.
Solar House	Houses that are powered by a solar generating system, which takes the light and heat from the sun via solar panels and converts it into energy.
Environmental Impact Assessment	To predict, analyze, and evaluate the environmental impacts of infrastructures such as roads, ports, railroads, airports, and industrial complexes, and land reclamation projects.
CDM (Clean Development Mechanism)	A joint initiative by advanced countries and developing countries to reduce greenhouse gases. It allows advanced countries to conduct emission reductions projects in developing countries, and to utilize them to meet a part of their caps once the emission reductions are deemed as real and additional via an assessment by the administrative structure of the UNCDM and the certification of CDM Executive Committee.
CS (Customer Satisfaction)	A measure of how products and services of a company meet the expectations of a customer.
Global Reporting Initiative (GRI)	An organization established with the help of UNEP in 1997 to develop guidelines for sustainability reporting.
ISO 26000	An International Standard for social responsibility launched by the International Organization for Standardization (ISO) in November of 2011. It provides a comprehensive guideline that includes numerous other existing guidelines on seven key issues: corporate governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development.
Returning Corporation (to Korea)	Returning corporations refer to companies that have run overseas facilities for over two years, but build or expand domestic manufacturing facilities because they lack domestic production operations or decide to sell, liquidate, or scale down on overseas facilities.
VOC (Voice of Customers)	Customers' expectations and/or requests regarding the products and services provided by the company.

Awards

Awards	Organizations	Year
Structure of the Year Award – Silver Prize (Head of Society's Award)	Ministry of Land, Transport, and Maritime Affairs, Society of Civil Engineers	2010
Korea National Apartment Awards – Grand Prize (Minister's Award)	Korea Economic TV	
Selected as a Successful Case of Inclusive Growth	Digital Chosun Ilbo	
Korea Landscape Awards – Presidential Prize	Korea Institute of Landscape Architecture	
2010 National Value Engineering Exposition – Excellence Award	Ministry of Land, Transport, and Maritime Affairs	
2010 Korea Concrete Institute Awards – Best Technology Award	Korea Concrete Institute	
2011 Housing Service Awards – Top Excellence Award in Leased Apartments Category	Ministry of Land, Transport, and Maritime Affairs	2011
2011 CEO of the Year – Grand Prize in Social Responsibility Category	Korea Economic Daily	
Environmental Living Culture Awards – Customer Satisfaction Award in Housing Category	Korea Economic Daily	
2011 Digital Land Expo – Silver Prize	Ministry of Land, Transport, and Maritime Affairs	
Korea's Best Apartment Awards – Top Excellence Award (Minister's Award)	Korea Economic TV	
Public-Private Best Partnership – Excellence Prize for "Mentor and little friends", a mentoring program for underprivileged students	Public-Private Partnership Forum (Sponsored by: Ministry of Public Administration and Security, Korean Chamber of Commerce, Federation of Korean Industries, etc.)	
Green Construction Awards – Grand Prize in Housing Welfare	Asia Today	2012
Green Living Culture Awards – Grand Prize in Shared Growth Category	Herald Business	
Minister's Award in Market for New Product Category	Ministry of Knowledge Economy	
2011 National Value Engineering Exposition – Excellence Award	Ministry of Land, Transport, and Maritime Affairs	
2011 Value Engineering Awards – Award Certificate	Korea Construction Value Engineering Research Institute	
2011 Daejeon Energy Conservation Awards	KEMCO	
2011 Korea Concrete Institute Awards – Best Technology Award	Korea Concrete Institute	2012
Korea Green Construction Awards – Grand Prize	Seoul Daily	
Open Employment Award	Ministry of Employment and Labor	
Korea's Most Ethical Corporation	Fortune Korea	
Korea's Leading Brand - Grand Prize	Donga.com, iMBC, Hankyung.com	
Korea's Most Beloved Brand - Grand Prize	ChosunBiz i	
Korea Housing Service Award - Grand Prize	Money Today	2012
6th Asia Economic Daily Apartment Brand - Grand Prize	Asia Economic Daily	
12th FN Housing and Construction Power Brand Grand Prize	Financial News	
2012 Korea Economic Daily Housing Grand Prize	Korea Economic Daily	
Excellent Prize in the 16th Apartment Award	Maeil Business	
2012 Korea Housing Award - Grand Prize	Money Today	
7th Asia Construction Award - Grand Prize	Asia Economic Daily	2012
2012 Social Contribution Award - Grand Prize	Korea Economic Daily	
4th Aju Business Construction Award - Grand Prize	Aju Business	
Korea Social Contribution Award - Grand Prize	Ministry of Health and Welfare	
2012 Asia Today Green Construction Award - Grand Prize	Asia Today	
5th Green Housing Award - Excellence Prize	Hankook Ilbo, Korea Housing Association	
3rd Korea Green Construction Award - Grand Prize	Seoul Daily	2012 (4 consecutive years)
21st Korea Construction Culture Award - Grand Prize	Ministry of Land, Transport, and Maritime Affairs, KIRA, Seoul Economic Daily	



Harmonizing Human Beings with Nature

Connection, completeness, joy, and harmony