

LG Electronics

# 2010 Sustainability Report



COMMITMENT TO  
OUR STAKEHOLDERS

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### LG Electronics Publishes its Fifth Sustainability Report

This report details our sustainability management performance in 2010, and is meant to promote meaningful communication between our company and stakeholders.

#### Features of the Report

**Key Progress and Performance** LG Electronics introduced a Key Progress and Performance to better communicate with the stakeholders regarding sustainability management. The Key Progress and Performance shows factors such as the background, risks and opportunities, mid/long term goals and achievements, and future directions derived from the materiality analysis. These factors will be used as performance indicators of LGE's sustainability management activities and managed for improvements.

**Special Issue** LG Electronics' Union Social Responsibility(USR) is a unique initiative in Korea, acclaimed as best practice amongst its Korean peer companies. 2010 is the year during which USR activities flourished, hence declaring the social responsibility of the labor union. The special issue page outlines USR performance to help stakeholders understand.

**Enhanced Communication** Starting this year, LG Electronics will release an e-book version of its sustainability report to enhance communication with stakeholders. The e-book report, featuring video clips, will allow stakeholders access to current issues and related sites with a simple click.

#### Principles of the Report

This report was written in accordance with the G3 guidelines of the Global Reporting Initiative(GRI) and Accountability Principles Standard(AA1000APS). A primary goal of this report is to communicate important information related to the sustainability of our company and stakeholders using materiality analysis. We have dealt more systematically with material issues by consistently dividing their presentation into three areas: Approach, Performance, and Future Direction.

#### Report Preparation Process

Preliminary data gathering was conducted to improve the reliability of the report's contents and materiality analysis, targeting internal and external stakeholders. The results were reported to the management and a briefing was held for managers from related departments. The contents of the report submitted by departments were reviewed by the management and an external assurance provider.

#### Scope and Period

This report is written based on data for fiscal year 2010, which LGE defines as the period from January 1, 2010 to December 31, 2010, and also refers to significant events occurring in the first half of 2011. This report is intended to be comprehensive, and cover all LGE business sites in Korea and overseas. The currency of this report is the Korean won(KRW), which for convenience has been converted into US dollars(USD) at the 2010 average exchange rate of USD 1 = KRW 1,157. The currency rate as of December 31, 2010 was USD 1 = KRW 1,120.

#### Assurance of the Report

To improve the reliability of the report, LGE commissioned Two Tomorrows(Asia) Limited to undertake independent assurance of LG Electronics Sustainability Report. The assurance statement of Two Tomorrows is provided on pages 83-84.

### Where to find LG Electronics' sustainability management activities



Website: <http://www.lg.com/sustainability>







Environmental Report



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# Key Progress and Performance

	Why is it Important?	Opportunities and Risks	Mid to Long Term Objectives	Major Achievements in 2010	Future Direction
<p><b>Product safety</b></p> <p>P 32</p>	<ul style="list-style-type: none"> <li>CEO's unfailing and uncompromising spirit towards quality</li> <li>Product safety is the criterion on which customers and the community evaluate the product and decide whether or not the product is trustworthy</li> </ul>	<p><b>Opportunity</b> Secure position in the global market by successfully expanding the voluntary protection program(VPP) and enhancing corporate social responsibility(CSR)</p> <p><b>Risk</b> Increased risks from new technologies and reinforcement of regulations related to product safety</p>	<ul style="list-style-type: none"> <li>Achieve World Best Product Safety within 3 years(by 2013)</li> </ul> 	<ul style="list-style-type: none"> <li>Declared 'Quality Vision'</li> <li>Enhanced organization: Adoption of three-stage management mechanism, autonomous management by divisions; organization of product specifications committee and PL (Product Liability) committee</li> <li>Defined the "Product Safety Spirit" in the Product Safety Regulations</li> </ul>	<ul style="list-style-type: none"> <li>Develop employees' awareness on product safety and responsibility</li> <li>Establish corporate culture that considers product safety as the top priority</li> <li>Establish internal test centers with stricter standards than official regulations</li> </ul>
<p><b>Developing greener products</b></p> <p>P 37</p>	<ul style="list-style-type: none"> <li>Increasing interest and requests for green products</li> <li>Improvement of the customers' quality of life, in such ways as reducing electricity bills and creating a healthier living environment</li> <li>Expansion of product environmental regulations, including RoHS, REACH, WEEE and Energy Efficiency Regulations</li> </ul> 	<p><b>Opportunity</b> Lead the market and raise brand image by meeting customers' needs for greener products</p> <p><b>Risk</b> Failure to respond proactively to regulations and customers' needs may lead to business depression</p>	<ul style="list-style-type: none"> <li>Reinforce greener products / green technologies</li> <li>Achieve a yearly total of over KRW 50 trillion in low-carbon purchasing by 2020</li> <li>Gradually replace PVC and BFRs with different materials in accordance with the products' characteristics by December 2014</li> <li>Establish a global e-waste take-back and recycling system / extend take-back volume globally</li> <li>Develop technologies to improve recyclability</li> </ul>	<ul style="list-style-type: none"> <li>Won 11 Green Technology Certification from Korea Institute for Advancement of Technology</li> <li>Concluded the Green Win-Win Growth MOU with suppliers</li> <li>Expanded voluntary replacement of PVC and BFRs</li> <li>Collected 198,984 tons of e-waste globally</li> </ul>	<ul style="list-style-type: none"> <li>Provide customers with information on product environmental performances</li> <li>Support suppliers' to enhance green competence</li> <li>Gradually replace non-regulated hazardous materials such as PVC and BFRs</li> <li>Initiate R&amp;D activities to improve product recyclability</li> </ul>
<p><b>Low-carbon green management</b></p> <p>P 43</p> 	<ul style="list-style-type: none"> <li>Increasing impact of regulations on product level greenhouse gas(GHG) emissions to the business</li> <li>Increasing impact of higher product energy efficiency standard and customers' increased demand of high-efficiency, low-carbon products to the business</li> <li>Increasing importance of the voluntary GHG reduction efforts is emphasized throughout the entire business process and value chain</li> <li>Need to strengthen LGE's competence to carry out enterprise-wide GHG reduction in response to increased corporate social responsibility(CSR) requests against climate change</li> </ul>	<p><b>Opportunity</b> Reduce energy consumption and increase operational productivity through voluntary GHG reduction</p> <p><b>Risk</b> Failure to meet regulations may affect the production and harm LGE's reputation</p> <p><b>Opportunity</b> Enhance competence based on energy efficient products; promote carbon footprint labeled products</p> <p><b>Risk</b> Failure to meet minimum efficiency standards may affect the product sales</p> <p><b>Opportunity</b> Improve overall business efficiency; cost reduction</p> <p><b>Risk</b> Failure to respond to the stakeholders' requests may damage reputation</p> <p><b>Opportunity</b> Build reputation through CSR activities</p> <p><b>Risk</b> Failure to induce the participation of the employees may affect LGE's GHG reduction capability</p>	<ul style="list-style-type: none"> <li>In manufacturing, achieve a yearly GHG reduction of 150,000 tons in 2020, which is about 10% reduction compared to 2008 (Cumulative: 1 million tons of reduction by 2020)</li> <li>In product usage, achieve a yearly reduction of 30 million tons in 2020, compared to 2007 (Cumulative: 200 million tons of reduction by 2020)</li> <li>Establish a system to manage GHG emissions and reductions throughout value chain, including logistics and suppliers by 2015</li> <li>Enhance internal participation and become the world's best climate change leader by 2015</li> </ul>	<ul style="list-style-type: none"> <li>Reduction 160,000 tons of GHG emission compared to 2008</li> <li>Contributed to the reduction of 12.75 million tons of GHG emission by selling more high energy efficient products compared to 2007</li> <li>7 products acquired the Carbon Footprint Label from Korea</li> <li>Announced low-carbon purchase goal to support suppliers' GHG reduction activities</li> <li>CDM business was approved by the Indian government for sales of high energy efficient refrigerators in India</li> <li>Conducted campaigns for GHG reduction throughout the employees' daily activities</li> <li>Participated in Korea Carbon Disclosure Project (CDP) and joined the Carbon Management Global Leaders Club (for two consecutive years)</li> </ul>	<ul style="list-style-type: none"> <li>Expand and reinforce GHG reduction activities to achieve long-term goals even during growth of the business</li> <li>Strengthen market competence through ongoing development of high energy efficient products</li> <li>Expand new green business, including solar cell and LED lighting etc.</li> <li>Strengthen execution in supporting suppliers' GHG reduction</li> <li>Expand the scope of GHG management for logistics</li> <li>Actively share best practices of GHG reduction with suppliers and local communities</li> </ul>
<p><b>Reducing environmental impacts in the manufacturing process</b></p> <p>P 48</p>	<ul style="list-style-type: none"> <li>Responsibility towards the environment is the basis for the survival and prosperity of mankind. Companies must contribute to sustainable growth by minimizing the environmental impact caused by its business activities.</li> </ul>	<p><b>Opportunity</b> Improve the operational efficiency and reduce environmental risks by reducing the use of raw materials, energy, water, etc. in the manufacturing process</p> <p><b>Risk</b> Increasing needs to manage overseas operations' and suppliers' environmental risks and reinforcement of environmental regulations</p>	<ul style="list-style-type: none"> <li>Establish a system to support the suppliers' high environmental-load processes until 2013</li> <li>Improve overseas operations' EESH management level to over 80% of Korean operations until 2013</li> </ul>	<ul style="list-style-type: none"> <li>Established EESH integrated certification system in Korea</li> <li>Established EESH audit system globally</li> <li>Established EESH risk management system</li> </ul>	<ul style="list-style-type: none"> <li>Stabilize the EESH integrated management system's operation</li> <li>Support overseas operations and suppliers for building EESH management capacity</li> </ul>
<p><b>Promoting supply chain CSR</b></p> <p>P 56</p>	<ul style="list-style-type: none"> <li>Improper management of CSR risks throughout supply chain may impact a company retroactively</li> <li>Rising social issues such as minerals from conflict regions and child labor</li> </ul>	<p><b>Opportunity</b> Differentiate and improve the corporate image through proactive supports of suppliers</p> <p><b>Risk</b> Failure to manage suppliers may have a negative effect on the corporate image</p>	<ul style="list-style-type: none"> <li>Set risk management based on "Electronic Industry Citizenship Coalition (EICC)" criteria</li> <li>Conduct regular risk assessment/ corrective actions for suppliers</li> <li>Conduct audit on 25% of high-risk major suppliers by 2013</li> </ul>	<ul style="list-style-type: none"> <li>Joined EICC</li> <li>Conducted pilot audits for outsourcing companies</li> <li>Published Supplier Code of Conduct</li> <li>Designed CSR risk management program for suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Expand the target for CSR risk assessment</li> <li>Establish effective tracking system for conflict minerals</li> </ul>
<p><b>Enhancing social contribution</b></p> <p>P 59</p>	<ul style="list-style-type: none"> <li>Increasing requests from stakeholders to address social issues</li> <li>As a global company, leadership is expected in proactive engagement for CSR issues</li> <li>Improving employees' pride and self-esteem through contributions and volunteer activities</li> </ul>	<p><b>Opportunity</b> Can lead to new business opportunities, not just donations</p> <p><b>Risk</b> Failure to fulfill social responsibilities may have a negative effect on the image as a corporate citizen</p>	<ul style="list-style-type: none"> <li>Contribute to achieve UN MDGs' Goal 1(eliminating poverty) and Goal 7 (securing environmental sustainability) until 2015</li> </ul>	<ul style="list-style-type: none"> <li>Expanded activities for social contributions globally (LG Hope Family in Cambodia and Bangladesh &amp; Life's Green Class in India)</li> <li>Enhanced employee participation programs such as "Life's Good Volunteers"</li> </ul> 	<ul style="list-style-type: none"> <li>Utilize LGE's technology for activities</li> <li>Create synergy by aligning social contribution strategies globally</li> <li>Expand employees' contribution and volunteer opportunities</li> </ul>
<p><b>Corporate culture / Work-life balance</b></p> <p>P 65</p>	<ul style="list-style-type: none"> <li>Good corporate culture constitutes the basis for a company to pursue its business activities</li> <li>Work-life balance based on creativity and autonomy is the driving force in improving the quality of life and productivity</li> </ul>	<p><b>Opportunity</b> Can contribute to the sustainable growth of company by motivated employees</p> <p><b>Risk</b> Failure may adversely affect the employees' quality of life, resulting in decreased performances</p>	<ul style="list-style-type: none"> <li>Improve overall employees' awareness and embodiment of LG Way globally (in 2010, overseas awareness is 87% compared to Korea's index)</li> </ul>	<ul style="list-style-type: none"> <li>More employees' participated in various activities</li> <li>Diversified support programs for the employees and their families</li> </ul>	<ul style="list-style-type: none"> <li>Create a working environment that fosters creativity and autonomy</li> <li>Enhance activities to promote employee satisfaction towards work-life balance</li> </ul>
<p><b>Labor rights protection</b></p> <p>P 69</p>	<ul style="list-style-type: none"> <li>The UN and ILO encourage to respect and protect the workers' human rights</li> <li>LGE complies with the management principle "Respecting Human Dignity" to protect the employees' rights and interests</li> </ul>	<p><b>Opportunity</b> Motivate employees which consequently lead to improved quality and productivity as well as talent attraction</p> <p><b>Risk</b> Failure can lead to not only financial loss but also consumers' confidence loss</p>	<ul style="list-style-type: none"> <li>Improve overseas subsidiaries' level to over 90% of Korean operations by 2015(based on EICC assessment tool)</li> </ul>	<ul style="list-style-type: none"> <li>Established Global Labor Policy</li> <li>Established Supplier Code of Conduct</li> <li>Self-Assessment for 20 sites and on-site audit for 4 sites</li> </ul>	<ul style="list-style-type: none"> <li>Improve global labor-management relationship management</li> <li>Improve suppliers' labor rights protection</li> </ul>

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# Back to basics to achieve sustainability management

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## What is your opinion of sustainability management?

The most important principle for a company to maintain its sustainability is essentially to secure competency in its field through sincere commitment to the basics.

For manufacturers like us, the most important and basic competency is "quality". Quality is our promise to the customer and it cannot be compromised. A company that fails to remain faithful to this promise will inevitably cease to exist.

In addition to customer engagement, commitment to stakeholders is also the company's fundamental role, a responsibility that is no less important than the company's obligation to guarantee the quality of its products.

## What are the major achievements of 2010 in terms of sustainability management?

To successfully achieve sustainability management, it is crucial to establish a company-wide baseline. In 2010, we introduced a "Global Labor Policy", establishing the company's baseline to over 120 worksites and offices worldwide. At the same time, we established a "Supplier Code of Conduct" to encourage our partners' and suppliers' commitment to sustainability management.

In addition, we have been holding consultation meetings with our stakeholders twice a year to better understand their opinions and interests concerning our business. It is our aim to quickly grasp the market's and the stakeholders' sentiments and respond in a proactive manner.

I believe that the Union Social Responsibility(USR) activities being led primarily by the LGE labor union since January 2010 opens a new chapter in labor's commitment to society.

## What is future direction for LG Electronics' sustainability management?

It is essential for LGE to get back to the basics to achieve sustainability management. To neglect consistency and solely seek out the new and trendy is inconsistent with LGE's culture and business philosophy.

We will continue to improve upon our competitiveness and conduct our activities based on the principle of building a sustainable company and harmonized community. At the same time, we will strive to promote a climate that values and respects LG Electronics' Jeong-Do Management philosophy.

May, 2011

**Bon Joon Koo**, Vice Chairman and CEO



# Top Management Messages



**Woody Nam**, Head of Business Innovation Office / President

I believe the basis of sustainability management, and as well the fundamental purpose of the company's sustainable growth, is to enrich our customers' lives through our products and services. LG Electronics strives to deliver on the most demanding expectations through reinforced quality management, enhanced production process efficiency and innovative service. Based on our philosophy "Jeong-Do Management", we will always promote mutual growth with our partners, and establish a healthy and competitive supply chain through the improvement of CSR management.



**Skott Ahn**, Chief Technology Officer(CTO) / President

Green management is not just an indispensable element of corporate sustainability management; it is the core competitive edge of LG Electronics. LG Electronics is committed to achieving green management throughout its entire product lifecycle, from developing green products to proactively responding to environment changes. We will continue to make our best efforts in developing green technologies and solutions to enrich people's lives for a healthy and clean environment.



**Simon Kang**, Head of Global Marketing Office / President

The GMO's role is to support the communication, sales and distribution processes that follow product development and manufacturing. We endeavor to stretch our sustainability management to encompass not only product development but also the subsequent processes. By doing this, we contribute to the long term resolution of social and environmental issues. In turn, our performance will be shared with stakeholders to further reinforce our competitiveness and leadership.



**Young Kee Kim**, Chief Relations Officer(CRO) / Executive Vice President

The key to sustainable management is open communication with stakeholders. If our communication is based on mutual trust, we can certainly find a win-win solution to satisfy both parties. To this end, we will maintain various communication channels, including the current "Stakeholder Consultation", and intensify our efforts to convey stakeholders' expectations and demands to LGE's management.

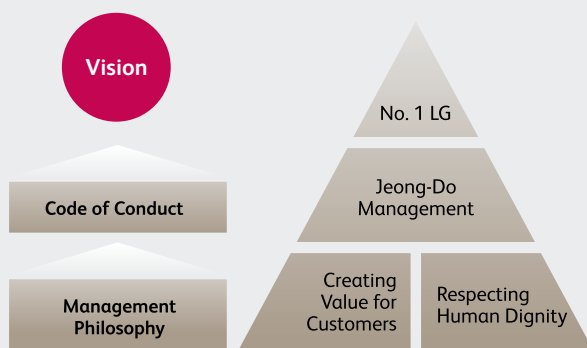


# Our Philosophy

The “LG Way” is LG’s unique management philosophy. It has been with us since LG was founded, and has grown over our decades of experience. Every LG employee is guided by LG Way principles. Following these principles, we are confident that LG Electronics will continue to develop as a corporate entity that earns the respect of all stakeholders. Based on “LG Way” we established and declared a new slogan in 2011.

## LG Way

The LG Way is our basis for attaining the vision of “No.1 LG”. We practice “Jeong-Do Management” in order to achieve our aims of “Creating Value for Customers” and “Respecting Human Dignity”.



## No.1 LG

“No.1 LG” is the ultimate goal that all LG businesses strive to achieve. It means that we will be the leader in the global market by providing our customers with uniquely differentiated value.

## Creating Value for Customers

Creating Value for Customers is the reason for our existence and our core principle. The key function of our management is to constantly increase existing service levels and product value, and to find new ways to create value for our customers.

## Respecting Human Dignity

LG supports the personal development of each employee and uses their abilities to the fullest extent, thereby making our workers a key part of LG’s value creation. We encourage our people to sharpen their personal competitiveness and cultivate a spirit of challenge and passion for their work.

## “Jeong-Do” Management

To earn the trust of our customers and manage our business sustainably over the long term, LG is committed to “Creating Value for Customers”, “Respecting Human Dignity” and practicing “Jeong-Do Management”. This does not only mean that we implement ethical management – it also embodies LG’s unique actions to ensure fair competition and achieve tangible results based on ethical management.

## Corporate Slogan



LGE’s new slogan illustrates the strong will with which LGE will build a brighter future and realize LGE’s vision of becoming No.1 LG. This will mean that LGE needs to approach new challenges and innovation from a different mindset. Accordingly, the slogan involves a new standard of behavior that LGE needs to follow to achieve this goal.

The corporate slogan consists of three key parts, which are interconnected, and gives a direction to becoming No.1. Each of the three key parts comprises of three practices, creating 9 different practices in total.

## Fast Preparation

Fast Preparation means establishing strategy that is differentiated from our competitors and setting challenging targets.



### Innovation

attempt to achieve through innovation before others



### Risk Management

check and prevent potential risk beforehand



### Ownership

think about and carry out work with a sense of ownership

## Strong Execution

Strong Execution means focusing individual passion on achieving our goals by any means.



### Passion

Finish every challenge I begin



### Teamwork

Join efforts to take on bigger challenges



### Speed

Start faster and finish earlier than others

## Smart Working

Smart Working means focusing on work that creates real value from the customers perspective.



### Selection & Concentration

Focus on core tasks that create value



### Customer Centric

Make every decision from the perspective of customers



### Work & Life Balance

Work with enthusiasm and enhance my quality of life



# Corporate Overview and Economic Performance

## Overview of LG Electronics

As of December 31, 2010  
 ( ) : Change in figures compared with the previous year  
 Unit: KRW billion

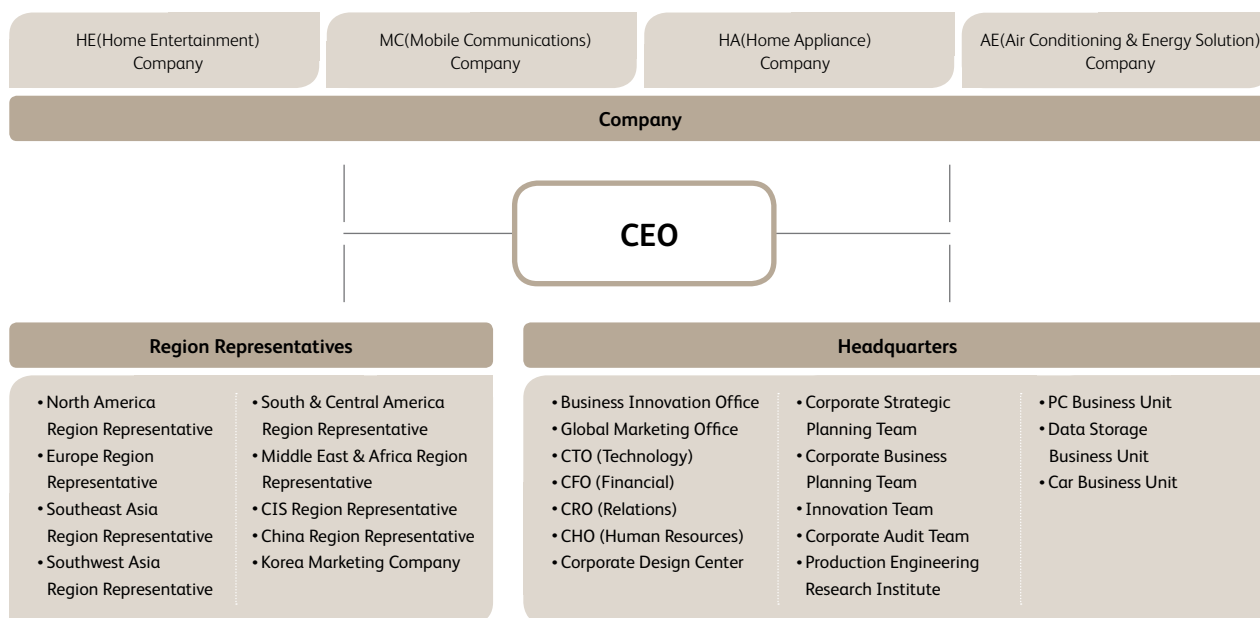
<b>Organization Name</b>	LG Electronics, Inc.	<b>Total Assets</b>	22,975(+831.8)
<b>Location of Headquarters</b>	LG Twin Towers, 20, Yeouido-dong, Yeongdeungpo-gu, Seoul, Republic of Korea	<b>Total Liabilities</b>	13,048.9(+1,793.6)
<b>Industry</b>	Manufacturing	<b>Sales</b>	Parent 29,238.5(-1,274.9) (Domestic : 6,892 / Exports : 22,346.5)
<b>Main Products</b>	Television, Home Theater System, Blue Ray Player, Mobile Phone, Laptop Computer, Refrigerator, Washing Machine, Cooking Appliance, Built-in System Kitchenware, Vacuum Cleaner, Health Care Appliance, Air Conditioner, Monitor, Security System and Commercial Display		Consolidated 55,753.8(+262.6)
<b>CEO</b>	Bon Joon Koo	<b>Operating Profits</b>	Parent(Loss) (1,104.6) (-2,517.1)
<b>Date of Establishment</b>	October 1, 1958		Consolidated 176.5(-2,504.2)
<b>No. of Employees</b>	90,578(+8,442) [Korea : 31,840 / Overseas : 58,738]	<b>Credit Rating</b>	AA(Domestic), Baa3(Moody's), BBB(S&P)
		<b>No. of Shareholders</b>	141,711
		<b>No. of Shares</b>	161,833,806

• In 2010, LGE adopted Korean International Financial Reporting Standards (K-IFRS) in advance and applied it to the 2010 performance. The income statement of 2009 was recreated accordingly. The income statement of 2008 is based on Korean Business Accounting Standards.

LGE undertook corporate-wide organizational reform on December 1, 2010 to reflect its division-oriented, autonomous decision-making structure. Focusing primarily on increased operational efficiency, fast and timely decisions, and responsibility management, the reform aimed at boosting the company's readiness toward future changes. To reinforce business competency through innovative accelerated process, the Process Innovation Office was put directly under CEO supervision for management of quality, six sigma, service and pro-

urement, along with the Global Marketing Office. Business Solutions (BS) Company was removed, and the organization was restructured into four business companies. To increase the synergy effect, the divisions under the BS Company were transferred to the related business companies respectively. The Air Conditioning Company expanded its area to cover solar business, the next generation growth engine, and the LED lighting system business, and was renamed Air Conditioning & Energy Solution(AE) Company.

## Organizational Chart of LG Electronics



Since its establishment in 1958 under the name Goldstar, LG Electronics has grown to become the global leader in the digital industry with its innovative technology and unique products. To become a company built to last, LG Electronics put its best effort into providing differentiated values for customers, as well as preparing for the future without wavering in times of change and crisis.

**BUSINESS OPERATIONS AND MAIN PRODUCTS**

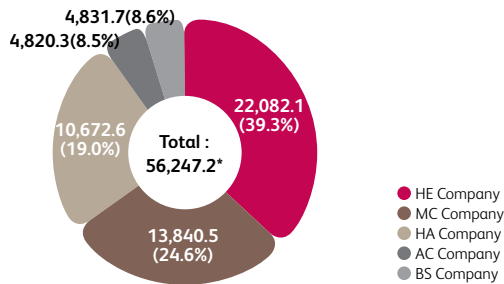
LGE is organized into four business units: Home Entertainment, Mobile Communications, Home Appliance, and Air Conditioning & Energy Solution, each leading the global market through innovative

consumer electronic products, mobile communication devices and home appliance technologies.



**Sales By Company (2010)**

Unit: KRW billion



At the annual shareholders' meeting on March 21, 2011, LGE passed a bill to extend corporate business in its charter to include business related to the environment, including energy audits, energy saving, and pollution prevention. LGE will double its efforts in pioneering new environment-related business in the future.

\* Sales figures by business company include the internal transactions between the companies (KRW 493.4 billion). A percentage of sales by company was calculated based on the organizational structure prior to the 2010 reform.

**Domestic Subsidiaries**

Unit: KRW billion

Company	Main Industries	Capital (Percentage of Ownership)	Sales	Transactional Relationships
HiPlaza	Wholesale & Retail of Electronics	37.20(100.00%)	1,161.6	Product Sales
HiLogistics	Logistics Management / Service	3.60(100.00%)	342.6	Logistics Service
Hi-M Solutek	Other common machine and equipment repair	1.70(100.00%)	38.7	Service
HiTeleservice	Call center and telemarketing service	0.15(100.00%)	21.4	Service
Innovation Investment	New technology business investment	30.00(83.33%)	0.5	Investment Association
KTV Tech Investment	New technology business investment	5.34(99.83%)	0	Investment Association
New Venture Investment	New technology business investment	5.20(96.15%)	0	Investment Association

**SHARED ECONOMIC GAINS(PARENT)**

In the second half of 2010, business growth slowed resulting from reduced global consumption, higher raw material costs, and lower sales prices due to competitors' market expansion. Although the sales of TVs and home appliances increased, the overall sales decreased by 4.2% compared to the previous year due to the drop in the exchange rate and lower mobile device sales price and quantity, to reach a total of KRW 29,238.5 billion. LG Electronics increased financial contributions for its social activities while recording a significant decrease in corporate tax payable due to its weakened profitability. LGE is fulfill-

ing its economic responsibility by sharing the value created through business activities with a variety of stakeholders, such as shareholders, business partners, employees and local communities. LGE strives to improve its business profitability and secure new opportunities for growth to distribute more value to our stakeholders.

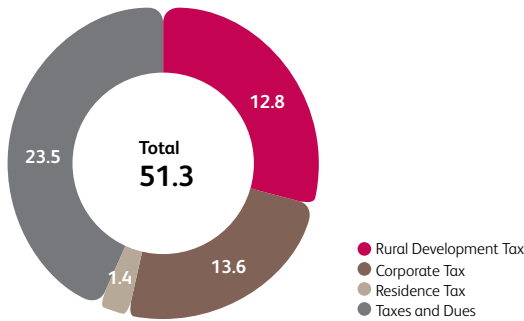
**Dividends**

Category	2008	2009	2010
Net Income (KRW billion)	482.8	2,052.8	-635.9
Earnings Per Share(KRW)	2,992	12,740	-3,929
Total Dividends Paid (KRW billion)	5.72	282.7	3.31
Dividend Payout Ratio(%)	11.85	13.77	-

• In 2010 LGE adopted Korean International Financial Reporting Standards(K-IFRS) in advance and applied it to the 2010 performance. The data of 2008 and 2009 in this table are based on Korean Business Accounting Standards.

**Taxes**

Unit: KRW billion



**LG Electronics' Flow of Economic Value(Parent, 2010)**

Unit: KRW billion



**Economic Value Generated, Distributed and Retained**

Unit: KRW billion

Category	2008	2009	2010
Sales	27,638.5	30,513.4	29,238.5
Financial Profits	1,687.1	2,115.1	2,046.9
<b>Economic Value Generated</b>	<b>29,325.6</b>	<b>32,628.5</b>	<b>31,285.4</b>
Operating Expenses	26,411.6	29,100.9	30,343.1
Wages and Benefits	1,830.9	2,079.5	2,173.5
Capital Costs	164.6	472.5	178.0
Taxes & Dues	132.6	230.8	51.3
Social Contribution	11.9	15.6	21.4
<b>Economic Value Distributed</b>	<b>28,551.6</b>	<b>31,899.3</b>	<b>32,767.3</b>
<b>Economic Value Retained</b>	<b>774.0</b>	<b>729.2</b>	<b>-1,481.9</b>

• Financial Profits: The 2008 financial profits represents the non-operating income. The 2009 and 2010 non-operating income are specified in the financial profits category in accordance with the Korean International Financial Reporting Standards (K-IFRS).  
 • Operating expenses consist of cost of sales and administrative expenses.  
 • Capital costs consist of interest expenses and dividends.  
 • Taxes & dues consist of corporate taxes, public dues, resident tax, and a special tax for rural development.

## GLOBAL NETWORK

LG Electronics renamed its "regional companies" as "region representative", and assigned the role of driving LGE's priority tasks and managing the organization. LGE's global operation consists of eight regional representatives with a total of 90,578 employees worldwide.

### Employees by Country

As of December 31, 2010

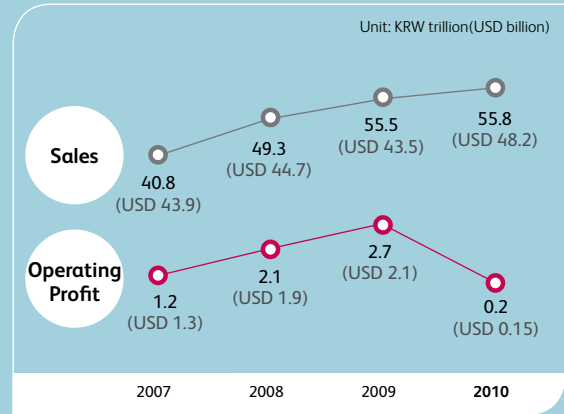
Korea	China	Brazil	Mexico	Poland	Russia	U.S.	Others
31,840 (35.2%)	17,234 (19.0%)	6,406 (7.1%)	5,173 (5.7%)	4,100 (4.5%)	2,529 (2.8%)	2,085 (2.3%)	21,211 (23.4%)

### Current Status of Sales (Parent)

Unit: KRW billion

Category	2008	2009	2010	
Sales	Domestic	6,445.2	6,665.0	6,892.0
	Exports	21,193.3	23,848.4	22,346.5
	Overall	27,638.5	30,513.4	29,238.5
Income before Tax Expenses (Loss)	515.0	1,419.0	(1,077.0)	

### Global Sales and Operating Profit(Consolidated)



USD 1 = KRW 929(2007) / KRW 1,103(2008) / KRW 1,276(2009) / KRW 1,157(2010)

## Global Operations



### Global Sales by Region

Unit: %



● North America ● Europe ● Korea ● South & Central America ● Middle East & Africa  
● Southeast Asia ● Southwest Asia ● CIS ● China ● Japan

\* Exclusion: Headquarters' and manufacturing site's overseas direct sales didn't input in the overseas sales performance.

# 2010 Highlights



## CUSTOMER

▶ **Best Customer Information Protection Certification** • LGE's Korean website and mobile phone website earned the privacy protection mark (e-Privacy Mark) provided by Korea Association for ICT Promotion and sponsored by the Ministry of Knowledge Economy and the Korean Broadcasting Commission.

## ENVIRONMENT

▶ **Towards Greenhouse Gas Reduction** • After announcing its annual goal to reduce a total of 6.1 million tons of greenhouse gas (GHG) emissions (7% increase compared to the previous year based on voluntary GHG reduction target by 2020), LGE contributed to 12.75 million tons reduction of GHG in product usage level and 160,000 tons in production level in 2010.

In product usage, LGE is endeavoring to further reduce 30 million tons of GHG emissions in 2020 compared to 2007 (cumulative: 200 million tons of reduction by 2020). In manufacturing, LGE set a reduction target of 150,000 tons of GHG emissions in 2020 compared to 2008 (cumulative: 1 million tons of reduction by 2020).

▶ **Join Carbon Management Global Leaders Club** • LGE was nominated by Carbon Disclosure Project (CDP) Korea as a Carbon Management Global Leaders Club member (five companies with the best Low Carbon Green Management performance among the 200 largest Korean companies in terms of market capitalization).

• LGE signed an agreement on Carbon Footprint Label with Korea Environmental Industry & Technology Institute to share low carbon products development technology and conduct a joint Green Consumption campaign.

▶ **Greener Products and Technologies** • LGE's LED LCD Monitor (2350V) awarded the world's first Sustainable Product Certification (SPC) from Underwriters Laboratories (UL), the standard institute of U.S.

• LGE's twelve LCD TV models earned Europe's representative environmental certification "EU Eco Label". The respective models will bear the "Eco Flower" mark.

• LGE's Lollipop 2 (LG-SU430) awarded Korea's first certification of the Carbon Footprint Label, certified by the Korean Environmental Industry & Technology Institute and operated by the Korean Ministry of Environment, in the mobile phone category.

• LGE earned a total of 11 Green Technology Certifications from the Korean government owing to its development of thin-layer (130 micron) high-efficiency crystalline silicone solar cell and LED flat screen backlight design technology.

• LGE awarded the Best of Best Grand Prix in Red Dot Award: Communication Design 2010's packaging category owing to its reusable eco-friendly packaging.

• LGE introduced its smart grid technology, a next-generation power grid system, and its geothermal, air-to-water, and air-to-air heat pump systems at the 2010 ASEM Forum (Seoul) under the green future technology theme. LGE also participated in the world's biggest solar energy exhibition, Intersolar 2010 (Munich) to introduce its next-generation high-efficiency module and photovoltaic system.

• LGE developed "solar cell hybrid air conditioning" using solar cell as secondary power (capable of producing up to 70 Wh).



## BUSINESS PARTNER

▶ **Green Education for Suppliers** • To establish a green supply network management system, LGE organized a green education program with the participation of 150 partner companies to share its green supply network management expertise and its low-carbon supply network plan.

▶ **Establishment of Supplier Code of Conduct** • LGE subscribed to the global electronic companies' social responsibility organization "Electronic Industry Citizenship Coalition(EICC)", and published its Supplier Code of Conduct to lead the social responsibilities in accordance with EICC Code for labor, ethics, environment and health & safety.

▶ **Low-carbon Procurement** • LGE launched the "Low-Carbon procurement" plan to purchase over KRW 50 trillion of components annually by the year 2020 from the companies conducting sustainable GHG reduction plans among the 1,500 partners selected based on energy consumption and purchase amount.

## COMMUNITY

▶ **Launching of "Life's Green Class" in India** • LGE launched the "Life's Green Class" in India, a mobile science education program on environment for young people, which has been operating in Korea since 2006.

LGE signed a sponsorship agreement with India's University of Pune to conduct the program in order to spread the importance of the environment through scientific principles to the 70 middle schools near Pune city annually.

▶ **LG Hope Family in Asia with UN WFP** • Following a poverty alleviation program in Africa, LGE concluded MOU with the "United Nations World Food Programme(UN WFP)" for the expansion of infrastructure and poverty alleviation in Asia's least developed countries, Cambodia and Bangladesh, for three years from 2011.

## EMPLOYEE

▶ **Union Social Responsibility(USR)** • For the first time among Korean companies, LGE's labor union announced "Union Social Responsibility(USR)" to seek a growing partnership with the company and declared four practice guidelines.

▶ **Establishment of Global Labor Policy** • Based on LGE's philosophy "Respecting Human Dignity", LGE established and published Global Labor Policy to attribute equal dignity and value to all employees with respect to their work.

▶ **Organizational Restructuring** • To strengthen competence through fast and timely decisions and responsibility management, LGE's new CEO, Bon Joon Koo conducted corporate-wide reform, reorganizing the five companies into four.

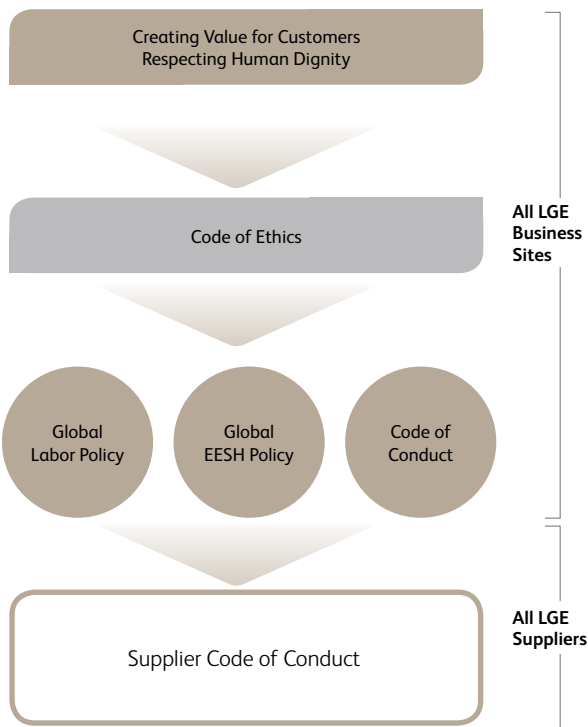
# CSR Management

Pursuing sustainable growth through value creation for stakeholders is LG Electronics' foremost mission. To meet this goal LG Electronics has established four strategic implementation tasks; CSR Governance, CSR Risk Management, Stakeholder Engagement and Strategic Social Contribution, and has been carrying them out to enhance its international competitiveness for Corporate Social Responsibility(CSR).

## CSR POLICIES

LGE has been striving to create value for customers based on 'Respecting human dignity'. To conduct more systematic CSR management on the entire value chain, LGE has established CSR policies related to labor, ethics and environment, adhering to the basic principles of CSR. In addition, LGE established the 'Supplier Code of Conduct' for suppliers to engage their participation in CSR management.

### LG Electronics' CSR Policies



## CSR IMPLEMENTATION TASKS

LGE aims to build long-term collaborative relationships and to provide differentiated values for the stakeholders through not only connecting overall management system and the value chain with CSR, but also improving its technology and product quality.

**CSR Governance** • In 2009, LGE created the decision-making body, the CSR Committee, comprising of C-level officers, presidents of

company and region representative, and chaired by the CEO. Subsequently in 2010, a strategic decision-making process was carried out for activities including membership of the Electronic Industry Citizenship Coalition(EICC) and announcement of Global Labor Policy. The corporate CSR activity plan and cooperation issues are also being shared and discussed on a regular basis through global CSR council which is comprised of the CSR committee members. Following the accession to the United Nations Global Compact(UNGC) in 2009, LGE joined EICC in August, 2010.

EICC is an organization founded in 2004 by eight global electronic companies, including HP and IBM, with their declaration of the EICC Code to lead corporate social responsibility. Currently, over 60 companies worldwide including LGE have joined to share their efforts in resolving the common issues of today's global electronic industry. As one of plans to carry out the activity, LGE reinforced its policy to respect EICC Code in all of its Korean and overseas business sites, and published the Supplier Code of Conduct in October 2010 to provide guidelines for its suppliers to effectively fulfill their respective social responsibilities.

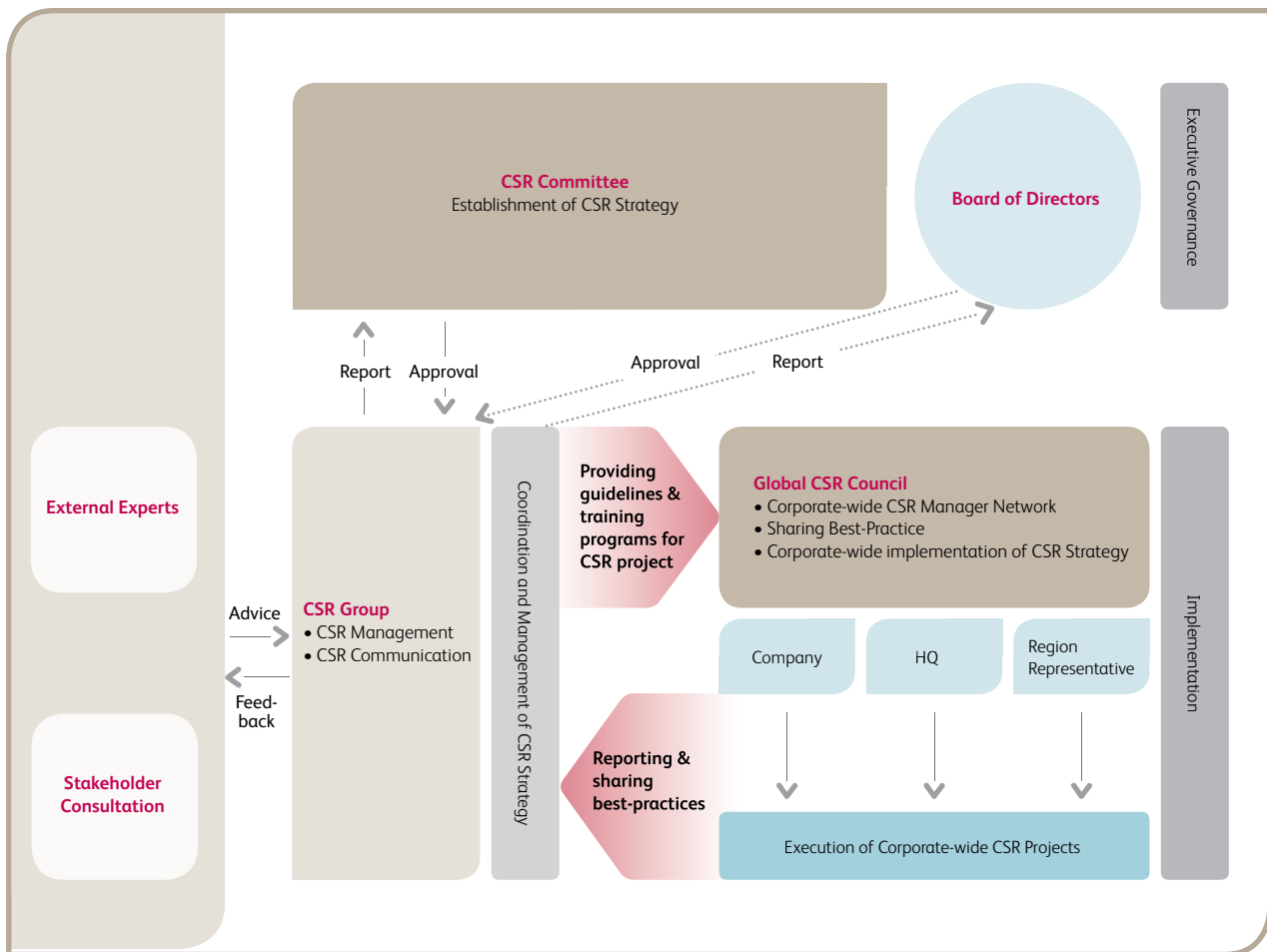
**CSR Risk Management** • LGE is conducting CSR risk management for its Korean and overseas business sites using five criteria: labor, ethics, environment, health & safety, and management system, in accordance with the EICC Code of Conduct. To meet requirements, LGE conducted a Self-Assessment on 20 Korean and overseas business sites using the Electronics Tool for Accountable Supply Chain(E-TASC) in early 2010. E-TASC is an online self-assessment questionnaire system by the EICC designed for Information and Communications Technology(ICT) industry members to analyze their CSR risk management status. In late 2010, LGE selected four from 20 Korean and overseas business sites to conduct an on-site audit. Although no severe risks were detected, additional consulting and periodic monitoring were deemed necessary to improve such weaknesses as supply chain management. Starting in 2011, LGE will conduct periodic self-assessment, on-site audit, consulting and monitoring activities every year on all of its major suppliers as well as Korean and overseas manufacturing sites.

**Stakeholder Engagement** • LGE is actively responding to queries and interview requests from diverse variety of stakeholders, including customers and NGOs(38 cases in 2010). LGE is maintaining periodic communications with the academy, the industry and consulting agencies, and participating in various conferences on CSR manage-

ment. To listen more closely to the expectations of stakeholders, LGE is holding stakeholder consultations with the aid of experts from the government, NGOs, international organizations, academia and the industry for specific subjects semi-annually since 2010. To improve employees' CSR understanding and awareness, LGE is running a CSR training program every month for new employees regardless of work experience. LGE is planning to increase the number of employees to be trained in 2011. Since December 2010, CSR newsletters have been issued to department leaders (biweekly) in order to share the global CSR trend and LGE's CSR activities.

**Strategic Social Contribution** • LGE has also continued to provide diverse social contributions in 2010 focused on sustainable solutions to the environment, poverty, disease, and the United Nations Millennium Development Goals (MDGs), put efforts into its poverty alleviating programs to include the Asia region, and sponsoring the Business for the Environment Global Summit (See pages 59~63).

**LG Electronics' CSR Organization**





## 2010 SELF-ASSESSMENT AND ON-SITE AUDIT

**Target**

- 20 Korean/overseas business sites

**How to**

- Electronics Tool for Accountable Supply Chain(E-TASC)

**Overall evaluation**

- Of the 20 business sites, the average for Korean business sites is relatively higher than overseas business sites' in all criteria(labor, ethics, environment, health & safety and management system)

**Strengths**

- Labor management system in the field of all business sites
- Improvement of employees' moral awareness through Jeong-Do

- Management education and systematic whistle-blower system.
- Generally systematic and higher standardized environment and health & safety management system

**Weaknesses**

- Need to establish a standard procedure for compliance with global standards(EICC Code) including performance evaluation and potential risk assessment etc.
- Need to conduct CSR risk management and training program for suppliers.
- CSR issues do not sufficiently reflect to strategic direction for each business site.

### 2010 Major CSR Activities of LG Electronics

Strategy	Implementation Task	1st Quarter 2010	2nd Quarter 2010	3rd Quarter 2010
<b>Integration</b> Connecting management systems and the value chain with sustainability	<b>CSR Governance</b>	<ul style="list-style-type: none"> <li>• Training program for global CSR Managers</li> <li>• Putting CSR issue on the agenda of CSR Committee(Global social contribution program)</li> </ul>	<ul style="list-style-type: none"> <li>• Putting CSR issue on the agenda of Corporate management support team leaders' meeting (CSR risk management)</li> <li>• Participation in the UN Global Compact Leaders Summit 2010</li> </ul>	<ul style="list-style-type: none"> <li>• Training program for CSR Manager of each company</li> <li>• Putting CSR issues on the agenda of CSR Committee (Joining of EICC)</li> <li>• Joined Electronic Industry Citizenship Coalition(EICC)</li> <li>• Enacted and announced Global Labor Policy</li> <li>• Participation in the EICC forum(Shenzhen, China)</li> </ul>
	<b>CSR Risk Management</b>	<ul style="list-style-type: none"> <li>• Establishment of "2010 CSR risk management" plan</li> </ul>	<ul style="list-style-type: none"> <li>• Self-assessment questionnaire for 20 business sites</li> </ul>	<ul style="list-style-type: none"> <li>• On-site Audit for 4 production sites                      - LGEPN(China)                      - LGEIN(Indonesia)                      - LGEMA(Poland)                      - LGEWR(Poland)</li> </ul>
	<b>Stakeholder Engagement</b>	<ul style="list-style-type: none"> <li>• CSR training program for new employees (entry-level/ experienced) (monthly)</li> <li>• CSR survey with employees/ external experts</li> </ul>	<ul style="list-style-type: none"> <li>• 1st Stakeholder Consultation (Topic: Overall CSR issues)</li> <li>• Publication of 2009 Sustainability report(4th edition)</li> <li>• Launching of USR Supporters; labor union presidents' relief activities in Cambodia</li> </ul>	<ul style="list-style-type: none"> <li>• Global CSR Forum (Topic: LGE's CSR activities)</li> <li>• Two-way communication with the public through Social Network Service(SNS) e.g. Blog, Twitter, Facebook</li> </ul>
<b>Partnership</b> Building relationships between stakeholders and the global community	<b>Strategic Social Contribution</b>	<ul style="list-style-type: none"> <li>• Site visit for alleviating poverty jointly conducted with United Nations World Food Programme (UN WFP) in Africa(Kenya, Ethiopia)</li> <li>• Charity party for LG Group affiliates' executives: Fund for alleviating poverty in Africa</li> </ul>	<ul style="list-style-type: none"> <li>• MOU with International Vaccine Institute(IVI) for cholera vaccination in Ethiopia</li> <li>• Sponsorship for Business for the Environment Global Summit(B4E) and Champions of the Earth(COE) of United Nations Environment Programme(UNEP)</li> <li>• 1st Global Volunteer Day</li> </ul>	<ul style="list-style-type: none"> <li>• Employee blood donation campaign with the public through SNS</li> <li>• Launching of "Life's Green Class" in India</li> <li>• Participation in Korea Sharing Festival</li> </ul>

## 2011 ACTION PLAN

- Establish CSR risk management system in compliance with global standards(EICC Code)
- Establish a standard procedure and guideline for all criteria.
- Conduct self-assessment, on-site audit, consulting and monitoring the actual status of CSR risk management for all Korean and overseas production sites and major suppliers
- Build a capability of working-level staff
- Raise CSR awareness of employees and suppliers

### 4th Quarter 2010

- Enacted and announced 'Supplier Code of Conduct'
- Awarded the Prime Minister's Commendation of Grand Awards for Excellence in Sustainability Management(CRO)
- Selected in Asia-Pacific Index of Dow Jones Sustainability Indexes(DJSI)
- 1st place in Korean Sustainability index in leisure goods sector by Korean Standards Association
- Awarded the best CSR company in Korea by Korea newspaper the Hankyoreh

- Improvement of weak points for each production site
- Establishment of '2011 CSR risk management' plan

- 2nd Stakeholder Consultation (Topic: Responding to climate change)
- CSR Newsletter for department leaders (biweekly)

- MOU with UN WFP for alleviating poverty in Asia (Cambodia, Bangladesh)
- Kimchi sharing event
- MOU with the Ministry of Employment and Labor, the Ministry of Environment, and LGE's Labor Union for Social Enterprises

Pursuing Sustainable Growth through Stakeholder Value Creation



1. 1st place in Korean Sustainability Index in leisure goods sector
2. Training Program for global CSR Managers
3. CSR Newsletter for department leaders
4. Global Labor Policy



The LGE USR mark symbolizes the Labor Union's vision as an eco-friendly leader through harmony and equilibrium between humanity and the environment.

**ADVANCING LABOR-MANAGEMENT RELATIONS**

LGE is leading the advancement of labor-management relations by giving it a new definition where the workers and management do their part based on mutual respect and trust rather than confrontation and hierarchy.

The LGE Labor Union declared Union Social Responsibility(USR) on January 28, 2010, based on a value creating win-win labor relations, and pledged to comply with the provisions of the USR. This social responsibility declaration by LGE's Labor Union signifies responsible future-oriented action to ensure ethical and transparent union activities as the labor union of a major corporation. Such activities include efforts to promote the rights and compensation of union members, and to perform its obligations throughout all areas of society including the economy, the community, and the environment as a responsible member of society.

Through this unprecedented USR charter, LGE's Labor Union has pledged to seek a sustainable partnership with management, and pre-

USR of LGE Labor Union

# Special issue

## Repay the customers' love and fulfill our corporate social responsibilities

LG Electronics' Labor Union, currently making efforts to build an advanced win-win labor relations based on mutual trust between both parties, is striving to overcome the traditional labor campaign paradigm and create a new labor culture. To repay the customers' love and to fulfill our corporate social responsibilities, LG Electronics' Labor Union made the Union Social Responsibility charter declaration in January, 2010. This was the first ever by any company in the world and this declaration was made to reiterate our social responsibility.



sented a new paradigm of labor culture in which the Labor Union leads efforts to create value for customers. In total, the LGE Labor Union pledged to comply with four provisional guidelines as follows:

**Social Responsibility Guidelines of LG Electronics' Labor Union**

1. Respect the coexistence of life within communities and make efforts to protect and maintain the ecosystem
2. Protect the weak and contribute to a harmonious global community
3. Improve Labor Union and promote ethical and transparent management of the company
4. Lead initiatives for management innovation at the work site as the management transparency, and actively participate in such efforts



**DIVERSIFIED AND SYSTEMATIC ACTIVITIES**

The LGE Labor Union has made a detailed plan to implement 7 core areas—Organization Governance, Human Rights, Labor, Environment, Public Beneficial Practice, Consumer Issue, Local Community Involvement and Development—as set forth in ISO26000, and has been taking action systematically according to the plan.

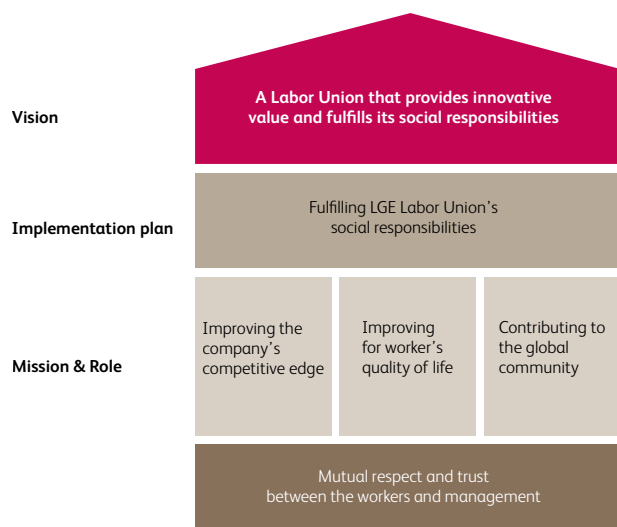
After the declaration of the USR charter in January 2010, LGE's Labor Union held a launching event for USR TDR(Tear Down and Redesign) program in March, launched the USR Supporters, participated in international relief activities in May, and hosted a corporate-wide Global Volunteer Day event and the USR Academic Seminar, jointly held with the Labor Economy Society in June.

2010 was the founding year for the USR. It was the year for the Labor Union to strengthen its own capabilities and transform its awareness. Accordingly, the Labor Union suppliers' transparent management, supported activities for the labor rights of the partners, operated advisory unions, launched low-carbon campaigns, promoted activities for anti-corruption and observance of the law, supported multi-culture scholarship, and poverty alleviation programs' and built its own capabilities and transformed its awareness.

**FUTURE-ORIENTED VISION OF THE LABOR UNION**

The LGE Labor Union presented a new vision for "A Labor Union that provides innovative values to fulfill its social responsibilities" and an implementation guideline to achieve this vision. In addition to the Labor Union's main role of improving the quality of life of the laborers and the company's competitiveness, the LGE Labor Union included the additional mission of contributing to the global community, and has set a goal to achieve its new vision by implementing USR based on the mutual respect and trust between workers and management. By advancing from a "value creating win-win labor relations" which simply portrays a short-term relationship between the workers and LGE management, to future-oriented "socially responsible win-win labor relations", the Labor Union has reached a significant turning-point for labor movement, which was previously dominated by negative viewpoints, strikes, and hostility.

**LG Electronics' USR vision**



**DECLARATION OF LGE LABOR UNION'S CODE OF ETHICS**

Following the declaration of the USR, the LGE Labor Union released the Labor Union Code of Ethics on January 20, 2011. LGE's Labor Union Code of Ethics was established to ensure that the Labor Union will fulfill its social roles and responsibilities in accordance with the USR charter as the Labor Union of a major multi-national conglomerate. All the members of the Labor Union signed LGE's Labor Union's Code of Ethics, which is composed of 7 core actions: These are the standard actions and values which all the Labor Union members have pledged to abide by.

**Code of Ethics of LG Electronics' Labor Union**

1. Transparent Management of the Union
2. Maintaining Respectability
3. Fair Work Practice and Compliance with Relevant Laws
4. Maintaining Confidentiality of Information
5. Not Abusing the Position to Ask Favors
6. Developing a Sustainable Society
7. Protecting the Socially Vulnerable Population and Contributing to the Global Community

**Sang Ho Bae**

Chairman of LG Electronics Labor Union

To repay customers' loyalty and to fulfill the obligations as a corporate citizen, the LGE Labor Union has established a future-oriented direction of "Win-Win Labor Relations" based on social responsibilities. I believe that the mutual growth of LGE and its Labor Union is the starting point of sustainability management. LGE's Labor Union will perform its obligations based on USR and make every effort to lead advanced labor-management culture in the industry.

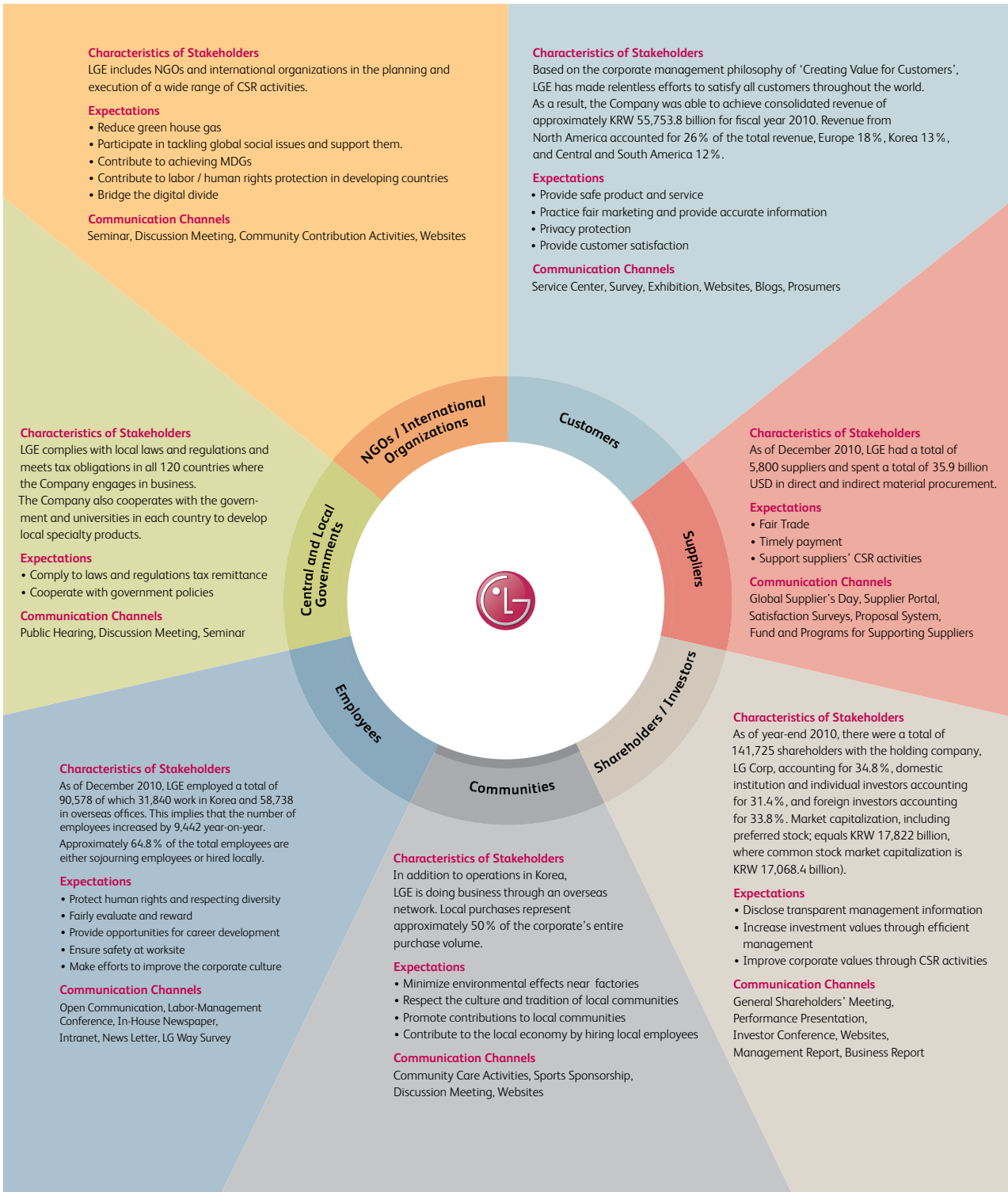


**2011 USR QUALITY ASSURANCE POLICY**

For 2011 USR implementation plan, the LGE Labor Union has given the highest priority to strengthening the basic fundamental role of LGE, which is to create customer value by strengthening quality competitiveness. The Labor Union is planning to establish the "USR quality assurance policy" for all the customers throughout the world and is continuously strengthening its efforts to acquire product leadership. In addition, USR activities will not be limited to the Labor Union members in Korea. The Labor Union is planning to spread USR to the overseas subsidiaries and establish a global network to ensure that USR activities are customized and implemented according to local conditions.

# Stakeholder Engagement

LG Electronics maintains close relationships with stakeholders both in and out of Korea throughout all aspects of LG Electronics' business. LG Electronics will actively communicate with stakeholders to improve value and develop sustainable management. Furthermore, LG Electronics will contribute to the improvement in quality of life for all humanity.



# Stakeholder Consultation on CSR

LG Electronics held the first stakeholder consultation in April, 2010 to improve common understanding for corporate social responsibility(CSR) and to gather input from stakeholders, which will be incorporated into CSR management at LG Electronics.

LG Electronics is now holding a consultation meeting semiannually to promote continuous communication.



## HOW TO OPERATE CONSULTATION

To secure the fairness and neutrality of the Stakeholder Consultation, the meeting is presided over by an independent expert in corporate social responsibility and CSR management.

Stakeholder Consultation consists of an internal panel of LGE management and an external panel of professionals from various fields. Members of the external panel can freely present their opinions from a global perspective as an individual, not as a representative of their organization; and the result of the consultation is recorded and distributed in a form of minutes after being reviewed by the participants, and then made public through the sustainability report.

## KEY INPUTS FROM STAKEHOLDERS

### 2nd Stakeholder Consultation(Dec. 1st, 2010)

- Topic : LGE's Climate Change Initiative and Suggestions for Future CSR Activities
- Moderator : Mr. Han-kyun Roh (Prof. of Kookmin Univ.)

### Opinions on Climate Change Initiative

- Positioning as a leader in addressing climate change
- Planning to launch programs such as global carbon certificates to assess and manage social and environmental impact of products
- Introducing the carbon accounting and management report
- Providing consumers with information on how to reduce greenhouse gas(GHG) during the product use stage
- Providing detailed performance of GHG reduction at product levels

- Developing strategic promotion on greener products and activities
- Providing relevant performance based on an analysis of the environmental impact of products/services

### Opinions on General CSR Activities

- Setting decision making body & work group at the LG group level
- Strengthening performance monitoring and advice process by the board of directors
- Social Impact index to gauge the influence of LGE activities
- CSR campaign to improve consumers' awareness of climate change and encourage behavior changes
- Compliance with the international standard(AA1000SES) for consultative meetings
- Expanded pool of panels to include general customers in consultative meetings
- Advisory committee to convene regularly
- Easy access to information through efficient performance indexes



2nd Stakeholder Consultation

## PARTICIPANTS IN 2ND STAKEHOLDER CONSULTATION



**Mr. Yul Choi**  
President of Korean Green Foundation

**Ms. Nara Luvsan**  
Senior Programme Officer, UNEP

**Mr. Dong-soo Kim**  
Head of Sustainability Mgmt. Center, Korea Productivity Center

**Mr. Jong-dae Kim**  
Prof. of Inha Univ.

**Mr. Michael Watters**  
Head of Climate Change Section, British Embassy, Seoul

**Mr. Young-hoon Kim**  
Director of Policy Coordination Division, Ministry of Environment

**Mr. Jee-in Jang**  
Chairperson of CDP Korea

## PATICIPANTS IN 3RD STAKEHOLDER CONSULTATION



**Mr. Soo Y. Chang**  
Prof. of Industrial & Management Engineering, POSTECH

**Mr. Anthony Flynn**  
Deputy Director-General, IVI

**Mr. Tae-joo Lee**  
President of ODA Watch

**Ms. Sook-hee Baek**  
Director of Public-Private Partnership, KOICA

**Mr. Woo-sung Lee**  
Research Fellow of Science & Technology Policy Institute

**Mr. Peter Van Laere**  
Director, Subregional Office for East and North-East Asia UN ESCAP

- Strategy in response to issue-makers, including government agencies in the public sector and NGOs
- Integrated reporting of financial/non financial performance to prepare for the next generation reporting initiative(e.g. GRI G4 guideline)
- Green jobs for developing countries
- Social contribution programs linked to environmental training
- Support for suppliers to establish their low-carbon management
- Climate Change Award program

### 3rd Stakeholder Consultation(Mar. 28th, 2011)

- Topic : LGE's Current Social Contribution Activities and Future Direction
- Moderator : Mr. Min-gu Jun(Two Tomorrows Asia)

### Opinions on LGE's current activities

- Well structured for addressing local community issues
- Promote beneficiary's self-support and will to change, focusing on the sustainability and UN Millennium Development Goals(UN MDGs)
- Need to reflect LGE's core business into programs

### Opinions on LGE's Future Direction

- Incorporating LGE's business capability such as technology, network, marketing and HR into activities
- Improving the quality of life and purchasing power of people in developing countries using the small-scale new technology(LED, solar cell, etc.) and other appropriate technologies; and expanding the low-income market in connection with the product development
- Contributing to the enhancement of local NGOs capabilities through the public-private partnership and official development assistant
- Setting definite goal and target at planning stage: Specify not only the background of selecting beneficiaries and benefits but also the reputations expected from the activities
- Considering revenue generated in the region when budgeting social contribution activities
- Assessing and monitoring mid/long-term performance on a regular basis
- Introducing mid/long-term volunteering system utilizing employees' expertise for contributing to community and developing employees' capabilities
- Utilizing employees' specialty to cooperate with NGOs and international organizations(e.g. "Global Health Fellowship" of Pfizer)
- Addressing the digital divide using information and communication technology

- Utilizing solar energy technology and mobile communication devices for disaster relief
- Setting up a learning center for the community, or supporting the establishment of a remote training program
- Supporting vocational training programs to nurture local talent
- Supporting female training by using a radio in developing countries
- Securing safe potable water to prevent diseases



3rd Stakeholder Consultation

## ENFORCEMENT OF CONSULTATION RESULTS

Key suggestions from the 3 round of the consultations held from 2010 to the first half of 2011 were reflected in the 2010 materiality analysis. Some of them were also incorporated into management activities (mainly CSR activities) of LGE, and the current activities are reported in this Sustainability Report selectively. Furthermore, the items requiring more efforts will be shared in the next consultation meeting and on the sustainability report to enable continuous improvement.

### Activities and Plan to Enforce Consultation Results

Round	Ongoing / Completed Activities in 2010	Plan in / after 2011
1st Consultation	<ul style="list-style-type: none"> <li>• 1st Global Volunteer Day: Employees' voluntary green activities on the "World Environment Day" every year</li> <li>• Joined Electronic Industry Citizenship Coalition(EICC) and participated in the related activities</li> <li>• Established "CSR risk management" system</li> <li>• Enacted and announced "Global Labor Policy"</li> <li>• MOU with UN World Food Programme(WFP) regarding "LG Hope Family (poverty alleviating program in Asia)"</li> </ul>	<ul style="list-style-type: none"> <li>• Extend "CSR risk management" for major suppliers</li> <li>• 2nd Global Volunteer Day</li> <li>• Participate in 6 work groups of EICC (e.g. Extractives Work Group to address conflict minerals)</li> <li>• Launch "LG Hope Family" in Cambodia and Bangladesh</li> </ul>
2nd Consultation	<ul style="list-style-type: none"> <li>• Reported on CSR agenda to "HR Executive Meeting" of LG Corp.</li> <li>• MOU with Ministry of Environment, Ministry of Employment &amp; Labor, and LGE Labor Union to support social enterprises focused on green growth</li> <li>• Launched "Life's Green Class", an environmental education program for middle school students in India</li> <li>• Started low-carbon green management activity from USR(Union Social Responsibility) perspective</li> <li>• Sponsored the UNEP's B4E (Business for the Environment Global Summit) and Champions of the Earth(COE)</li> <li>• Regular announcement of the greenhouse gas reduction target and performance(annual performance and target in March, and the semi-annual performance in September)</li> <li>• Announced the greenhouse gas reduction plan for suppliers(over KRW 50 trillion by 2020 for low-carbon procurement)</li> <li>• Expanded disclosure of products' carbon information by acquiring 12 carbon footprint labels, for the largest number of models in Korea</li> <li>• Announced GHG reduction plan at the user stage by developing the home appliances in link with the smart grid</li> <li>• Opened the Eco Zone in the key consumer electronics shows such as CES, IFA, KES, and Low Carbon Green Growth EXPO</li> </ul>	<ul style="list-style-type: none"> <li>• Consider the regular report on CSR issues to Board of Directors</li> <li>• Launch Corporate-level CSR campaign</li> <li>• Introduce Key Progress and Performance in the sustainability report for user-friendly information</li> <li>• Support 10 social enterprises focused on green growth</li> <li>• Sponsor UNEP's Champions of the Earth(COE) in 2011</li> <li>• Launch the training program for nurturing young environmental leader</li> <li>• Provide training on climate change (from March; online course available), and support to strengthen the greenhouse gas management capability for suppliers in Korea</li> <li>• Integrate assessment and management of the environmental impact throughout the entire product lifecycle</li> <li>• Obtain more global carbon footprint labels including Korean carbon footprint labels</li> <li>• Consider introducing the carbon accounting system in link with the carbon credit and carbon emission trading</li> <li>• Build the image of leadership in addressing the climate change through proactive response to the stakeholder's requests</li> <li>• Communicate the green features of the products via various media</li> <li>• Establish corporate level stakeholder engagement process aligned with the international standard(AA1000SES)</li> </ul>



# Materiality Analysis

## MATERIALITY ANALYSIS PROCESS

LGE conducts a materiality analysis to systematically manage common concerns raised by key stakeholders as well as major issues that have significant influence on business operations. The materiality analysis is based on the "Five-Part Materiality Test" model by the AA1000 Assurance Standard, taking into comprehensive account internal/external surveys, stakeholder questionnaires, and related international standards.

Once materiality issues are identified, they are prioritized according to stakeholder's interests and their impacts on LGE, and then reviewed and confirmed by top management. To provide a clearer view of our performance, we have detailed the related information in the report and reflected it in the 'Key Progress and Performance' that was adopted from this year.

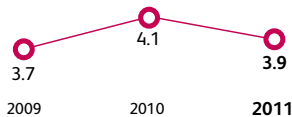
## EXTERNAL EXPERT SURVEY

In December 2010, LGE conducted a survey of our status, including the level of our CSR activities, the areas of interest, and possible improvements of the report, for 200 external CSR experts in Korea and overseas. The result is reflected in the improvement and materiality analysis of the report.

### FUTURE KEY ISSUES

- High-efficiency product development
- Resource recycling and e-waste take-back
- Transparent disclosure of the product related information
- Supply chain CSR risk management
- Communications with local community
- Electromagnetic wave impact management
- Readiness for the new international standards
- Extraction of minerals in conflict regions

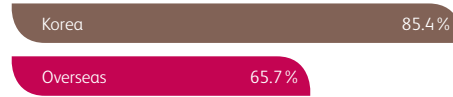
LGE's CSR Status by external expert(out of 5)



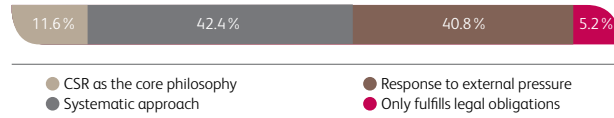
## EMPLOYEE SURVEY

In November 2010, LGE conducted an online survey through the corporate intranet aimed at our 80,000 employees worldwide. Among them, 5,198 employees (Korea 4,732, overseas 466) responded. The result demonstrated that overseas employees required more understanding of CSR, and that LGE needed to reinforce the connection between CSR and the business. Various improvements were devised, including conducting new training programs for overseas subsidiary leaders and issuing a CSR newsletter to department leaders.

## Employees' CSR Awareness(83.6%)



## LGE's CSR Status by Employees



\* Confidence level : 95% , Sampling error : ±1.02%

## MEDIA ANALYSIS

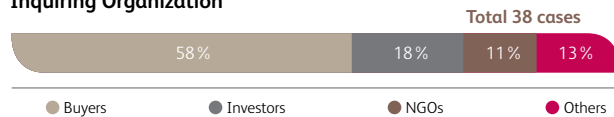
To learn about external stakeholders' areas of interest, LGE analyzed related articles published in the Korean and overseas' press during 2010. As we noted in the previous report, it is not uncommon to see a corporate press release in the newspapers; these articles were excluded from the materiality analysis. Also, we conducted the research towards analyzing negative articles (negative screening). The main issues in the negative articles were the drum washing machine's safety measures (See page 33), Australia's energy labeling (See page 31), and the fear of decline in smart phone business performance.

## EXTERNAL INQUIRY

LGE received a total of 38 CSR related inquiries in 2010 from the external stakeholders including buyers and NGOs. The inquiries are constantly growing, and we expect to incorporate business impact in accordance with the performance equally grow.

The main inquiries were related to LGE and supply chain's overall CSR management policy and performance. Recently, we have had increased inquiries related to the use of the minerals from conflict regions such as Congo. We provide our best efforts to respond faithfully

## Inquiring Organization



### MAJOR INQUIRIES

- Occupational health & safety [page 48-51](#)
- Environmental management system and overall environmental performance [page 48-51, 80-82](#)
- CSR management in supply chain [page 56-57](#)
- Labor rights protection and non-discrimination related status [page 69](#)
- Responding to climate change [page 43-47](#)
- Removing and managing hazardous materials within products [page 37](#)
- E-waste take back and recycling [page 41-42](#)
- Development of Greener Products [page 37-42](#)
- Use of minerals from conflict regions such as Congo [page 56](#)

For more accurate and effective reporting, LG Electronics has selected the most important key issues and reports these to internal and external stakeholders every year. The key issues selected through the materiality analysis process are specifically underlined in the report. Starting this year, performance as well as overall progress of the issues are regularly reported to management.

to each external inquiry, and report key issues to the management to reflect the corporate business activity.

### 2010 MATERIALITY ANALYSIS RESULTS

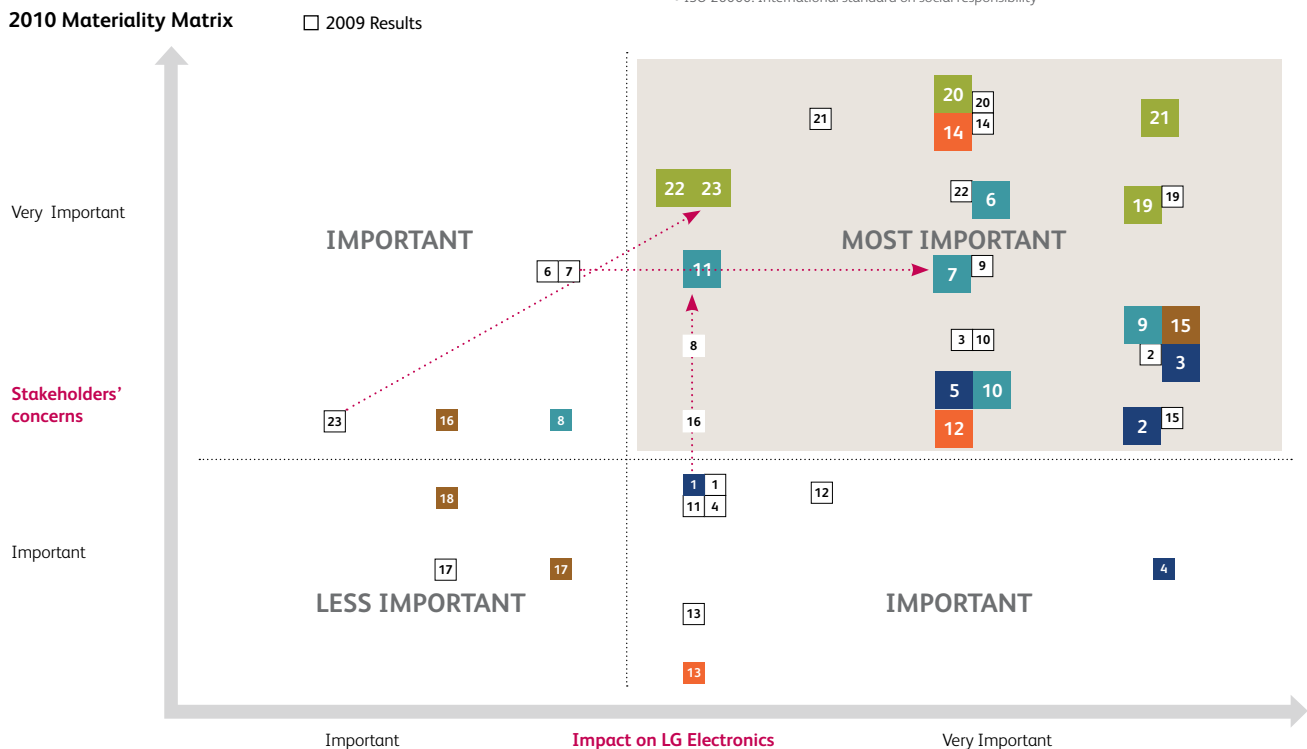
LGE's material issues identified through the materiality analysis are as follows: The issue which shows the most dramatic increase in its importance compared to last year is the management of E-waste. Also, contribution to sustainable consumption and communication and participation in the local community are being observed as new issues in this year. Starting this year, the report will include the trend of each issue in the materiality matrix of each issue; the process was also improved to further detail the selected key issues in the report and 'Key Progress and Performance'(See pages 3~4), and monitor their performances periodically.

### Materiality Analysis Criteria

Criteria	Considered Factors
Internal	A. Short-term financial impacts <b>Management meeting report, Compliance risk,</b> Topics of the corporate magazine
	B. Policy commitment Existence of policy commitment, employee survey
External	C. Peer based norms EICC code of conduct, Tomorrow's Value Rating, DJSI survey
	D. Stakeholder behavior and concerns Experts' feedback, <b>Inquiry from external organizations (buyers, investors, and NGOs), Stakeholder consultation, Assurance management report</b>
	E. Societal norms ISO 26000, GRI, UN Global Compact

- The factors in bold represents the ones added since last year.
- EICC: Electronic Industry Citizenship Coalition
- Tomorrow's Value Rating: The sustainability analysis of the global companies published every year by the Fortune magazine
- DJSI: Dow Jones Sustainability Indexes
- ISO 26000: International standard on social responsibility

### 2010 Materiality Matrix



- |   |  |   |
|---|--|---|
| <p><b>Customer</b></p> <ul style="list-style-type: none"> <li>1 Fair marketing(restrain exaggerated advertisement)</li> <li>2 Customer support and dispute resolution</li> <li>3 Product Safety</li> <li>4 Protecting customers' privacy</li> <li><b>NEW</b> 5 Contribution to sustainable consumption</li> </ul> <p><b>Employee</b></p> <ul style="list-style-type: none"> <li>6 Labor rights protection</li> <li>↑ 7 Non-discrimination</li> <li>8 Fair evaluation and rewards</li> <li>9 Corporate culture/Work-life balance</li> <li>10 Talent attraction and retention</li> <li>↑ 11 Occupational health and safety</li> </ul> | <p><b>Business Partner</b></p> <ul style="list-style-type: none"> <li>12 Fair trade</li> <li>13 Win-Win growth with small and medium enterprises</li> <li>14 Promoting supply chain CSR</li> </ul> <p><b>Community</b></p> <ul style="list-style-type: none"> <li>15 Social contribution</li> <li>16 Developing regional economy</li> <li>17 Protecting local culture, respecting natives' human rights</li> <li><b>NEW</b> 18 Communication and participation to the local community</li> </ul> | <p><b>Environment: Present and Future Generations</b></p> <ul style="list-style-type: none"> <li>19 Development of Greener Products</li> <li>20 Removing and managing hazardous materials within products</li> <li>21 Reducing environmental impacts in the manufacturing process</li> <li>22 Responding to climate change</li> <li>↑ 23 E-waste take-back and recycling</li> </ul> |
|---|--|---|

## Creating Value for Customers

With the management principle of “Creating Value for Customers”, LG Electronics is committed to delivering on its promise to customers of enriching lives through technology innovation. LG Electronics strives to provide its customers worldwide with the best value by reliably supplying products in demand from the customers’ perspective, listening to their feedback, and assisting with fast, accurate, and unique service.



My first work with LGE Started from the participation in TROMMIZ prosumer activity in 2009. TROMMIZ inauguration ceremony was very impressive, and I could feel LGE’s devotion through every detail and effort paid in preparing the event. The family voyage, mother-and-daughter photo contest, it was a memorable experience. Especially, the visit to Changwon production site was a very special experience, which made myself proud of being a member of TROMMIZ. I was surprised at the clean and organized space filled with high-technology equipments where the products were being manufactured. What I liked the most was that LGE was eager to listen to our opinions and communicate with us in various occasions. I really anticipate the company’s efforts to take one step closer to the customers, like its recent policy allowing the customers’ comments in ‘The BLOG’, the company’s official blog to listen to the customers’ voices, and the operation of ‘Life’s Good Studio’, the company’s online live broadcast studio.



**Hyo Eun Kim**  
Power blogger, TROMMIZ member



# Communication with Customers

Based on the Brand Identity(BI) strategy of “Enriching Lives through Technology”, LG Electronics is striving to fulfill its promise customers. In addition to listening to the customers through diverse channels, LG Electronics is actively applying the customers’ opinions to product development, service improvement and marketing activities.

## OUR APPROACH

### • Developing global brand identity

- Brand benefit: Enriching lives through technology
- Brand foundation: Breakthrough innovation
- Brand attributes: Stylish design, Reliability, Smart technology

## OUR PERFORMANCE

### STRATEGIC BRAND COMMUNICATION

Every brand communication at LGE is based on its own brand identity. This is expressed by “Life’s Good”. LGE’s products and services enrich customers’ lives through innovative technology, ultimately making their lives better.

However, since the fundamentals of the market and consumer characteristics differ for each region, LGE has been implementing differentiated customer communication strategies with insight analysis for each region to ensure that the cultural differences for each region are respected. Particularly, LGE conducts Brand Health Index(BHI) surveys in 66 countries around the world on an annual basis to evaluate it’s own brand communication system. The survey is to monitor criteria such as unaided awareness, preference, price premium, and consistency of brand identity, and compare with data from the previous year with emphasis on the establishment of a premium brand identity. LGE identifies the degree of preference of LGE brand and applies the information gained for developing effective brand communication strategy for the regional market.

At the same time, LGE is also performing the brand marketing activities to imprint corporate brand identity in the global market. Since 2009, LGE has been making efforts to create young and dynamic LGE

brand image in the global market. One of the major activities was sponsoring the F1™ race as its global partner. F1™ is recognized as one of the world top 3 sporting events, together with the Olympics and the World Cup, and has more than 600 million fans in about 180 countries. LGE also hosted a global project with YouTube called “Life in a Day”, where users across the world upload videos of their every day lives and some of them were selected for a documentary film. The documentary is to be played at the 2011 Sundance Film Festival and also distributed on YouTube in 25 languages. The documentary will continuously deliver the message of “enriching lives through technology” while imprinting the uniformed brand slogan of “Life’s Good”.



1. Sponsorship for “Life in a Day” project
2. Sponsorship for the F1™ race

### COMMUNICATION FOR PRODUCT DEVELOPMENT

#### A mobile phone that reads books for the visually impaired •

In 2006, LGE developed a mobile phone that can read books. Together with LG U+(former LG Telecom), LGE has donated a total of 6,580 book-reading mobile phones to visually impaired users by 2010. This product was specially designed for visually impaired users based on the feedback from an advisory committee consigned by the Korea Blind Union.

The phone includes the Text To Speech(TTS) feature which converts texts into sound. Moreover, the phone enabled users connect to the



### [CASE] LG Life Tastes Good Championship

#### A SUCCESSFUL GLOBAL COMMUNICATION FUFILLING CONSUMERS’ NEEDS

“LG Life Tastes Good Championship” is the part of HA(Home Appliance) Company’s global communication strategy that has perfectly met the needs of local consumers. The championship has been selected as the “No. 1 Best Practice at the Global Marketing Conference 2010” not only for demonstrating the excellence of the cooking appliances but also for it’s important role in delivering LGE’s brand image enriching people’s lives.

“Auto Book Reading Library” operated by the LG Sangnam Library and access over 5,000 digital voice books in such diverse fields as humanities’, culture, science, and arts.

**Long-Term Care TV for senior citizens** • To develop customized TV for senior citizens in care facilities, LGE visited over 100 care facilities for senior citizens and collected various opinions. Long-Term Care TV provides some special features such as enlarged screen size, radio, schedule reminder, reduced surrounding noise, and simpler remote control so that the elderly can easily control the TV without difficulty. In addition, the TV has an automatic detection feature that turns off the TV when no one is watching it. This feature was designed to save the energy for the elderly who often leave the TV on and forget to turn it off.

**Prosumer Marketing** • LGE has been involve prosumer marketing activity that allows consumers to be directly involve in the development stage of products. One main example of this is the TROMMIZ program, in which 15 housewife bloggers participated in the development phase of the TROMM washing machine. By getting involved with product planning, providing online suggestions, and giving feedback after usage, the selected participants act as a bridge between LGE and consumers. LGE has been expanding the prosumer marketing activities to include all home appliances such as water purifiers, air conditioners, and light wave ovens. In November 2010, LGE’s top management held a forum with its communication partners “The BLOGer”, under the theme “This is what we want from a LGE mobile phone.” The forum helped to find ways to enhance product competitiveness, especially in that of smart phones. Top management want-

ed to listen to the customers’ honest opinions in the market and find solution, Unlike previous communication forums for product launches, this meeting was significant in that top management listened to customers’ voice at pre-planning stage of the product. Throughout the meeting, participating customers criticized the weaknesses of LGE’s smart phones and made suggestions on improvements.

**CUSTOMER INSIGHT MARKETING COMMUNICATION**

LGE has launched events and campaigns covering various concepts tailored to local customers and developed through customer insight marketing strategy. These events and campaigns have been contributing to the enhancement of LGE brand image in the global market as well as growth in revenue.

**Glocalization of customer insight marketing**

Region	Activities
North America	LGE Recycling Challenge Program: Awarding US\$10,000 and inviting a rock group to the school which collects the most waste mobile phones
Brazil	Digital Experience 2010: Showcasing new products based on local insights such as the 3D TV and Chaplin(TV phone) during World Cup season which considers the Central and South American market
Dubai	The Live BORDERLESS™ Campaign: An event for BORDERLESS™ LED TV launch, where the winner gets a ticket for travel around the world for 80 days
Levant	LGE Lebanon Service Car Parade: Promoting the LGE call center by driving across Lebanon in 19 service vans with LGE logo The Air-Conditioner Academy and LGE Dead Sea Ultra Marathon

- 1. Long-Term Care TV for senior citizens
- 2. Book-reading mobile phone
- 3. LGE TROMM washing machine prosumer, TROMMIZ
- 4. Meeting between The BLOGer and R&D center executives at LGE





## RESPONSIBLE MARKETING COMMUNICATION

In addition to complying with local laws and regulations throughout all marketing activities including advertisements, promotion, and sponsorships, LGE implements self corrective and improvement measures in case unintentional violation is identified.

**Correcting Energy Label Marking Error in Australia** • In 2010, LGE identified an error on the annual energy consumption label for some of the side-by-side refrigerator models sold in Australia. As a corrective measure, LGE actively notified the public by contacting the customers individually as well as through mass media advertisement. LGE conducted corrective actions by either exchanging the product free of charge, by offering a full refund, by compensating the difference in the electricity costs.

In addition to this, to provide only verified models to customers, all models exported to Australia are inspected not only by LGE but by the National Certification Lab of Australia to test the energy consumption and performance for double check to ensure that there is no fault with the products. From the corporate business division level, each organization under the HA(Home Appliance) company has established a standard/PL under the Quality Assurance Department. LGE improved its prevention capabilities by strengthening standards that are applied to the testing criteria. Furthermore, LGE is making an effort to prevent quality defects in the future, and have established compliance team in Australia subsidiary.

## ONLINE COMMUNICATION THROUGH SNS

In 2009, LGE launched the official corporate blog, “The BLOG(<http://blog.lge.com>)” and also opened Twitter and Facebook accounts in 2010 as means to communicate with the consumers. Through such efforts, LGE has broadened the contact points with the consumers and has been actively launching SNS marketing and campaign programs to take one step closer to the customers.

## FUTURE DIRECTION

- **Strengthen consistent Brand Identity(BI) in the global market**
- **Launch glocalized marketing strategies based on “Life’s Good” spirit**
- **Improve reliability of the brand through responsible marketing and communication**



### LGE in Spain

Nacho Palou, Power Blogger  
(<http://www.microsiervos.com>)

LGE looks like a credible brand and is perceived as a suitable option for those who do not have a well-formed opinion, as well as for those who do not know the brand and look for advice from others before making their purchase decision. LGE helped the market to move away from a very polarized consumption attitude, in which consumers used to perceive certain brands from certain countries as the only acceptable option for certain products.

Nacho Palou is one of the co-operators of Spain’s power blog called, “Microsiervos.” The blog writes mostly about electronics, technologies, and gadgets.



### LGE in Germany

Gilly, Power Blogger  
(<http://blog.gilly.ws>)

Many people buy LGE products because they have an excellent price to performance ratio. Nevertheless LGE is not as well-known as other producers in this market segment. In the area of mobile phones, LGE does not enjoy a very good reputation as the software of many devices is faulty-especially in the area of high-end smartphones. Many people buy LGE devices because of their great design but are disappointed by the handling afterwards. However, if LGE keeps building new smartphones based on Google Android and offers regular updates to customers, I think it has good prospects on the German market.

The power blog, “Gilly’s Playground,” is run by a person who lives in Berlin using an Internet ID called Gilly. The website is renowned among Germany’s early-adopters for its in-depth reviews on home appliances and devices that the blogger has self-tested.

# Product Safety

## OUR APPROACH

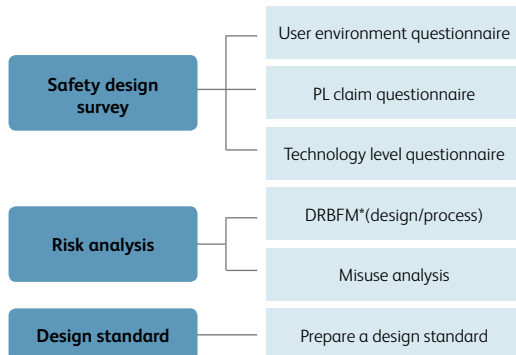
- **Quality Vision: LG Electronics, Perceived as World Best Quality by Customers and Consumers**
- **Product Safety Awareness**
  - Ethics of the management and managers
  - Development of safe products
  - Safety validation
  - PL(Product Liability) claim management
  - Vendor management
  - Talent nurturing

## OUR PERFORMANCE

**Quality Vision** • With the strong encouragement of the CEO, LGE has reinforced to the enterprise QA organization, and is shaping the corporate culture to allow neither the slightest quality problem nor compromise on quality under the vision of “LG Electronics, Perceived as World Best Quality by Customers and Consumers”. LGE is also trying to provide consumers with the high-safety products by promoting enterprise quality activities and quality awareness.

### CONSIDERATIONS FOR SAFE DESIGN

To prevent product safety issues, LGE is focusing on the 3 areas: design defect, manufacturing defect and caution & warning expression defect. LGE also established the safe product development process to protect the consumer rights systematically under the product liability law. For safe product design, LGE considers the followings:



\*DRBFM: Design Review Based on Failure Mode  
(method of design to solve all the problems without omission)

**Strengthened Quality Organizations** • The product safety system has been reinforced by adopting the 3 stage management mechanism – business unit > division > and headquarters, and the relevant professionals are ensuring product safety through regular exchange of information in the product specifications committee and PL(Product Liability) committee.

**Product Safety** • LGE established the product safety regulations including the product safety design checklist to ensure safety proactively, and ongoing efforts are made to enhance the safety awareness of all employees. Product safety regulations provide “product safety awareness” to ensure through product safety.

### PRODUCT SAFETY AWARENESS

#### 1. Ethics of management and managers

In order to perform effective operations for guaranteeing safety, human and material resources shall be supported, as well as providing no defect products through faithful fulfillment of this standard. In the case of the occurrence of continuous claims on similar cases due to defects in the design or extensive defects in the production, active service or measures such as recall shall be taken in order to guarantee the safety of customers.

#### 2. Development of safe products

Continuous researches on safety development shall be carried out to enable the designing of products with the best engineering technology, and shall be applied in product development. Moreover, the safety of our products shall be compared and analyzed with products of competitors to guarantee safety at least above the equal level.

#### 3. Safety verification

Strengthened safety standards shall be established with safety regulations and shall be abided according to laws and regulations related to product safety. Safety shall be verified through a Safety Review, and product safety shall be guaranteed through regular safety verification on mass products.

#### 4. PL claim management

As product safety is of importance to the life and property of customers, the occurrence of safety problems shall be constantly monitored, and reported immediately to Top Management when such PL Claims are detected. Management shall take measures to guarantee the safety of our customers.



LG Electronics places the highest value on providing customers with reliable products which they can use in a safe way. Product safety must be ensured under any circumstance, and product safety has the highest priority over sales objective, product design, marketability and expense issues. All staff at LG Electronics will exert their best effort to observe standards for the product safety system, acknowledging that safety is a fundamental value of products.

**5. Supplier control**

LGE, together with the Ministry of Knowledge Economy, conducted a safety check campaign against old Cathode Ray Tube(CRT) TV for 3 months starting from September 2010. The target TV sets were 25 types of 10+ year-old products, for which inside cleaning and part replacement service were provided.

**6. Fostering human resources**

PS(Product Safety) professionals shall be fostered who can detect expected defects in advance to guarantee product safety, and who can establish countermeasures for development by correctly analyzing causes of accidents.

**FIELD CLAIM MANAGEMENT**

**CRT TV Safety Check Campaign(in Korea)** • LGE, together with the Ministry of Knowledge Economy, conducted the safety check campaign against old Cathode Ray Tube(CRT) TV for 3 months starting from September 2010. The target TV sets were 25 types of 10+ year-old products, for which inside cleaning and part replacement service were provided.

**Voluntary recall of drum washing machine(in Korea)** • For the drum washing machines of 10kg and 12kg capacity produced between August 2003 and October 2008 whose doors cannot be opened from the inside, a voluntary recall was made to replace locking systems(over 400,000 units) and distribute safety caps(over 500,000 units) free of charge(as of March 2011). This campaign will continue all year round so that every customer can use the LGE drum washing machine safely. The drum washing machine(of capacity 10+ kg) on the market after November, 2008 has the structure where the door can be opened from inside.

**Proactive Recall Notice** • LGE announced a recall notice for the drum washing machine lock system through major newspapers and TV advertisements in Korea. LGE also used various online channels e.g., LGE website, blog and Twitter to make the announcement.

**Active Measures** • LGE actively responded to the recall service requests through the use of sales, delivery and service date so that as many customers as possible can receive the service.

**Safety class for children(in Korea)** • LGE is running a campaign to protect children from product related accidents. This safety campaign reflects the strong commitment of the CEO that LGE should not only sell products but also look into the fundamental problems to prevent recurrence of accidents. With safety on top priority, LGE is working its best efforts, through the campaign to establish a culture of using all home appliances and the drum washing machine in a safe way. For this purpose, LGE held safety training sessions in 15,000 pre-schools and elementary schools across the country. The main audience to safety training is preschool children and first/second graders in elementary schools who are vulnerable to accidents. LGE distributed campaign posters, messages to home, safety news letters and training CDs to the relevant schools across the nation. The children training CD includes the safety song and dance video, flash, animation and advanced teaching method which can induce children’s interest. This material is a proven training program jointly produced by the Department of Early Childhood Education, Pusan National University. For more information, please visit the website(<http://www.academysafe.com>).

**FUTURE DIRECTION**

- Address the global PL(Product Liability) through the global IT system
- Nurture the global Product Safety professionals
- Reinforce the in-house product safety regulations and audit activity

1. Safety class for children
2. A poster for safety check campaign
3. Website for safety class





# Customer Satisfaction and After-Sales Services

## OUR APPROACH

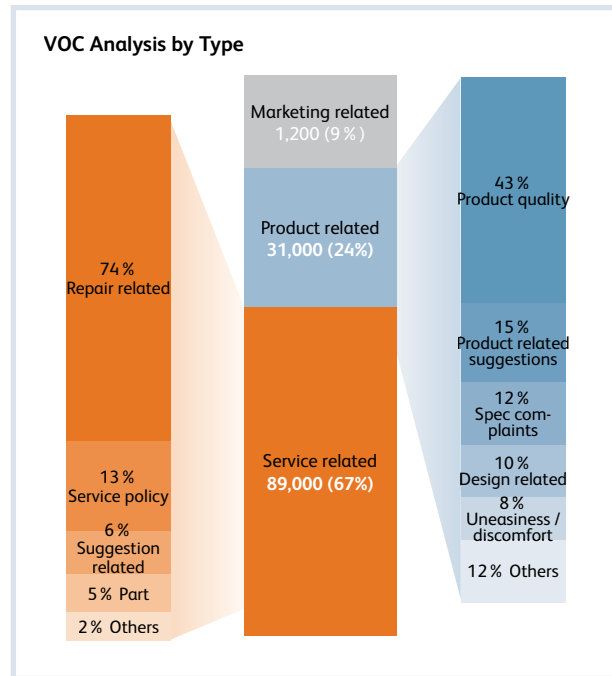
- Innovate the service center and call center based on on the customers' perspective
- Provide a differentiated service
- Build service infrastructure for new products/projects and acquire service competence

## OUR PERFORMANCE

### RESEARCH AND VOC MANAGEMENT TOWARDS BETTER CUSTOMER SATISFACTION

**Enhanced customer satisfaction research** • LGE conducts scientific based research, namely, the Net Promoter Score(NPS) and Customer Satisfaction Index(CSI) results, for better understanding of customer satisfaction and complaints. The NPS helps us analyze the strengths and weaknesses of each of our customer contact points, while the CSI shows customer satisfaction for each of our services and their comparison with our competitors. The research results give us the ability to pinpoint our weaknesses, further our improvements, and double our efforts in bringing higher customer satisfaction.

**Global Voice of Customer(VOC) management** • Since its overseas expansion of VOC management in 2007, LGE has increased VOC collection channels to 10 in 2010. Currently, LGE is managing over 130,000 VOC worldwide. With the expansion of the online community, blog and social networks, LGE is getting web-buzz to keep ourselves in line with online customer opinions.



### INCREASING CUSTOMER VALUE THROUGH CUSTOMER-ORIENTED CONTACT POINT MANAGEMENT

**Call center** • LGE operates its call center over the weekend hours to provide a fast and convenient service for customers. The weekend call centers, currently being operated in 27 countries, will be further extended to cover every region of the world. In addition, we at LGE support the customer with the dedicated specialists to resolve complicated cases through phone calls, and provide remote diagnosis/repair to increase customer's convenience even

#### [CASE] Differentiated Service Activity

##### 1. INDONESIA: SERVICE PROMOTION ACTIVITY



Based on LGE's motto to provide service to the customer anywhere and anytime, LGE is actively promoting our services currently offered in Indonesia along with the call center's contact number through various media (radio, flyers and inserts).

##### 2. INDIA: 10<sup>3</sup> SERVICE



- 1) Confirmation call within 10 days from the date of purchase (inform the public of the call center's contact number)
- 2) Regular visit and courtesy call within 10 weeks from the date of purchase
  - Gather customer complaints on products
  - Provide product cleansing and usage tips
- 3) Second regular visit and courtesy call within 10 months from the date of purchase

##### 3. KOREA: 3 YEARS OF FREE SERVICE TO THE 4 MAJOR HOUSEHOLD APPLIANCES

Since December 2010, LGE has extended its free service period for the 4 major household appliances (TVs, refrigerators, air conditioners, washing machines) from 1-2 years to a maximum of 3 years. The 3 year warranty, offered to membership holders, contributes to increasing customer confidence in the quality of the product.



LG Electronics' philosophy is to provide service for customers at the right time, in the right place, and at the right cost. Based on this principle, LGE promises to deliver a satisfaction level that exceeds our customers' expectations, and strives to provide the highest value to our customers through a fast, accurate and differentiated service based on multi-angle analysis of the customers' satisfaction and expectation levels.

without necessity of in-home service.

To effectively respond to the extended customer service requests, LGE also offers customer responses to cover general issues from product purchase inquiry to user guides.

#### Call Centers Operating all week long(7days) As of February, 2011

Region	Country
North America	U.S., Canada, Mexico
South & Central America	Panama, Venezuela, Argentina, Peru, Chile, Colombia
China	China, Taiwan, Hong Kong
Europe	Greece, Russia, Ukraine, Kazakhstan, Latvia
Asia	Australia, Indonesia, Thailand, Vietnam, Malaysia, Singapore, the Philippines, Japan
Middle East	Turkey, United Arab Emirates



#### SISTERHOOD RELATIONSHIP EVENT BETWEEN KOREA AND OVERSEAS -MIDDLE EAST

LGE carries out various activities to share its service expertise with overseas service centers to improve overseas' service levels. In 2010, LGE established a sisterhood relationship between Korea-Middle East and Korea-Singapore service centers to share our service know-how and increase the service level for overseas customers.

**Service center** • LGE operates 141 service centers in Korea and over 13,000 worldwide. The service network is organized in a systematic and scientific manner, in accordance with the area and population of the regions to maximize its efficiency. To provide a fast and accurate service in line with customer expectations, LGE is further extending the operation of the LG Mobile Service Vehicle, which carries the required tools and components to perform on-site repair services. Our efforts to provide distinguished service centers, customized to each region, are well recognized and appreciated by local customers. The technicians are trained to explain the cause of the problem, the details of the repair, and the necessary preventive measures after repair to keep the customers informed about repair service and therefore increase their satisfaction level.

#### MOBILE REPAIR SERVICE



#### REPAIR SERVICE AND PRODUCT PROMOTION THROUGH MOVING SERVICE BUS



In February 2011, LGE opened a systematized service center in Mali, Africa, for the first time in the global household appliance industry. To cover Africa's wide region, which has a relatively weak service infrastructure, LGE operates a Care & Delight Bus program to offer on-site service to customers. The interior of the bus consists of a repair station where the technicians can repair general household appliances such as mobile phones and TVs, and a waiting room equipped with hi-tech LGE products where customers can rest and experience new technologies while their products are being repaired. The exterior of the bus is used as a billboard to promote LGE's brand and products.

## FUTURE DIRECTION

- Enhance competence through the efficient expansion of service infrastructure
- Improve global service levels through the development and promotion of a differentiated service program
- Increase the consultation and repair service capability



# Environment

## Environment Preservation and Sustainable Growth



LG Electronics is conducting green management to preserve the natural environment, promote the growth of the society, and improve the quality of people's lives. To fulfill its environment duties throughout the entire product lifecycle, LG Electronics pursues an ongoing development of green technology while minimizing the amount of direct and indirect greenhouse gas.

LG Electronics also seeks to reinforce its green business partnerships, strengthen the Global Management System of Energy, Environment, Safety and Health (EESH), and double its efforts in managing discarded electronic products. LG Electronics promises to further the efforts in providing greener products and services to the customers.

A respected company in the 21st century is the one that uses its knowledge and technology to minimize its impact on the environment, restore the ecosystem, and fulfill its social responsibility to help people suffering from natural disasters resulting from climate change.

In regard to this, I think LGE is certainly a respected company, considering all the efforts made and performance achieved in 2010.

LGE reduced greenhouse gas that is not only produced during the development, but also from the product use. To promote the reduction of the greenhouse gas throughout the supply channel, the company initiated the Low-Carbon Purchasing to prioritize the products of the business partners participating in greenhouse gas reduction. Also, the company conducted the installation of solar cells in the presidential palace of Maldives jointly with 350.org, the world's representative non-profit organization against the climate change.

The world is still experiencing from the increase of greenhouse gas, depletion of natural resources, and disruption of the ecosystem. This is a threat to the natural environment, worsening socioeconomic instability and uncertainty of the future. Today, the social and environmental responsibility of a corporation is greater than ever.

As one of Korea's leading companies, I hope that LGE will position itself as one of the 21st century's most representative brands through its value creation and sustainability management.



**Ji In Chang**

Chairperson of Carbon Disclosure Project(CDP) Korea



# Greener Products

With the green product strategy focusing on energy, human and resources, LG Electronics is exerting ongoing efforts to implement its environmental responsibility throughout the whole product lifecycle via partnership with suppliers and management of wasted electronic products, thus to provide customers with products and services that are environmentally consciousness.

## OUR APPROACH

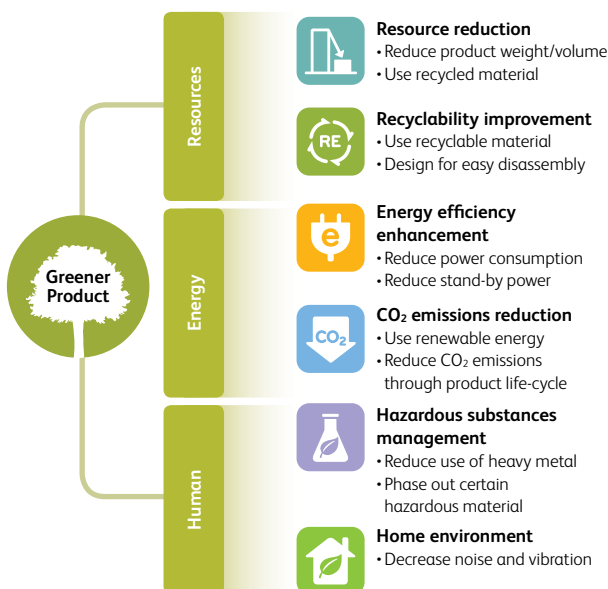
- Continue to increase the number of greener products
- Provide customers with the information on product environmental performance
- Research and develop to increase recyclability of products
- Pursue the green growth jointly with suppliers to extend green management across the whole value chain

## OUR PERFORMANCE

### GREEN PRODUCT STRATEGY

LGE's greener products aim to lower the environmental impact throughout the whole value chain. LGE divides Green Product Strategy into three sectors: Energy, Resources, and Human, and they are based on the eco-design to promote or enhance energy efficiency, resource conservation, and living environment. For more information, please visit the homepage: <http://www.lg.com/global/sustainability/environment/greener-products/index.jsp>

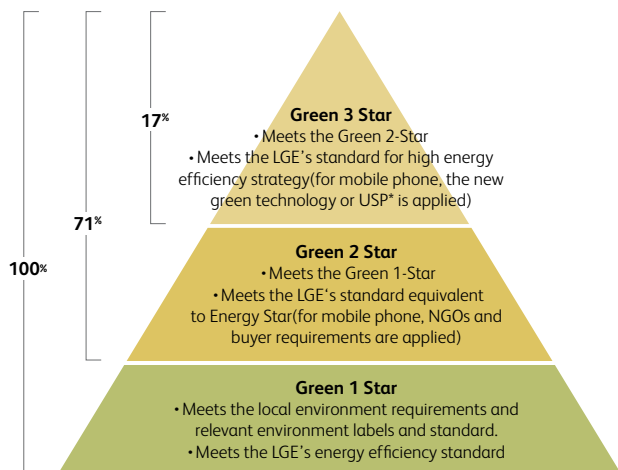
### LG Electronics' Green Product Strategy



### GREEN PRODUCT RATING SYSTEM : Eco-Index

**Eco-Index Rating System** • Eco-Index is LGE's own rating system which quantifies the eco design level of products in terms of their eco-consciousness, and it is used as the tool to manage their environmental performance and goal-setting. LGE meets, in advance, environment regulations such as Energy related product(EU ErP); and divided the product environmental performance rating to Green 1 Star, 2 Star and 3 Star to increase the portion of the products satisfying the relevant requirements(e.g., Energy Star). The rating system is described below. LGE will continue increasing the portion of products meeting the higher Eco-Index.

### Eco-Index Ratings and 2010 Rating Results



**Voluntary Replacement of Hazardous Substances** • All LGE products satisfy the EU RoHS requirements. LGE is also replacing the PVC and brominated flame retardants(BFRs) - which are not subject to the regulations but are known to have environmental impact - af-

### Replacement of Hazardous Substances

<b>Mobile Phone</b>	• PVC replaced for all new models developed after January 2010 • BFR replaced for all new models developed after January 2010, except for some components e.g., IC, transistor, etc.
<b>TV</b>	PVC/BFR replaced for all 2011 newly developed models of insulation sheet and deco sheet; gradually replaced for individual components such as stand, front cabinet, bottom bracket, back cover, etc.
<b>Vacuum Cleaner</b>	PVC/BFR replaced for individual components such as hose, charger, battery, steam pipe, etc.
<b>Home Appliance</b>	PVC/BFR replaced for some electronic components such as cabinet, back cover, stand, packing, etc.

ter safety and reliability test for new PVC/BFR components. We already started replacing the halogen(Cl and Br) contained in the mobile phone PCB, headset and battery several years ago; after January 2010, halogen is not used in all newly developed mobile phones and starting in 2011, all models will be halogen-free. In addition, reduction is under way for ODD(Optical Disk Drive), laptop and LCD TV components. For more information, please visit the homepage: (🌐 <http://www.lg.com/global/sustainability/environment/details-of-hazardous-substances.jsp>)

**GREEN TECHNOLOGY**

Recognizing the impact of electronic products on the environment and human health, LGE announced environment management in 1994 to conduct R&D activities throughout the entire product life cycle so that the impact on environment can be reduced. The key R&D areas include energy efficiency, replacement of hazardous substances, design for improved recyclability, and infrastructure for developing greener products and technologies.

**Green Technology Certifications(by the Korean Government)**

Under the Green Technology Certification system introduced by the Korean Government in 2010, LGE acquired 11 certificates on home appliances, solar energy, LED lighting, etc. These technologies are applied to various products of LGE. For more information, visit the Korea Institute for Advancement of Technology website: (🌐 <http://www.greencertif.or.kr>)

**Green Technology Certifications**

Product	Technology
Refrigerator	High efficiency inverter linear compressor technology
	High efficiency parallel cooling system technology
Washing Machine	Technology for maximizing washing machine capacity using a fixed tub structure
	6-motion washing technology
	Dual injection steam washing technology
Air Conditioner	Ultra-power saving technology using a high efficiency inverter compressor and motion sensor
	High efficiency central air-conditioning system technology
Solar Energy	130-micron thin layer crystalline silicon solar cell technology
LED Lighting	LED flat lighting design technology of high efficiency and high color rendering
TV	High efficiency panel technology for PDP TV
Microwave Oven	Technology reducing the standby power down to 0.9W or less

**GREEN PRODUCT AWARDS AND CERTIFICATIONS**

As of November 2010, LGE products had been recognized with 2,253 certificates for green technology from organizations around the world. The major awards and certifications in 2010 include the following:

**CES 2010 Eco-Design and Sustainable Technology Award, U.S.**

LED LCD TV 47LE8500 received the U.S. CES 2010 Eco-Design and Sustainable Technology Award in U.S.



- Resource saved by 29.3 mm slim design
- Number of assembly screws reduced to increase recyclability
- Smart energy saving function (by 70% vs. traditional CCFL model)

**The UL Sustainable Product Certification(SPC), U.S.**

The monitor E2350V acquired the SPC, the UL green certification.



- Energy conservation by unique LED technology of LGE
- Resource saved by 17.5 mm slim design

**The Best “Eco-Chic” Product in MAISON & OBJET 2010, France**

The refrigerator GB7143A2HZ and GB7143AVRZ for Europe, which adopted linear compressor, was selected as a representative “eco-chic” in MAISON & OBJET 2010, France.



- High efficiency and energy saving function
- Capacity increased by 50 L compared to other product with the same dimensions.

**2010 EISA Green Mobile Phone Award, EU**

The ‘Pop’ phone received the European Imaging and Sound Association(EISA) Award as a green mobile phone.



- Use of recycled material
- Low energy consumption charger
- Solar charger battery pack(Sold as accessory)



**SELECTED GREENER PRODUCTS RELEASED IN 2010**

In 2010, LGE released various products using green technologies such as a hybrid solar air conditioner, refrigerator with a top energy efficiency rating in U.S., mobile phones with recycled plastic, and robot cleaners with improved energy efficiency and reduced noise.

<p><b>Energy efficiency enhancement</b></p> <ul style="list-style-type: none"> <li>• Inverter: Power saving function</li> <li>• Air purifier function operable by max 100 % solar energy; cooling function operable by up to 15 % solar energy vs. minimum power consumption</li> </ul> <p><b>Home environment</b></p> <ul style="list-style-type: none"> <li>• “Human Care Robot” : auto wind direction/volume/temperature control function through sensors</li> <li>• Green-tea HEPA filter    •Platinoid enzyme filter</li> <li>• Deodorization function</li> </ul> <p><b>Hazardous substances management</b></p> <ul style="list-style-type: none"> <li>• Meets EU RoHS requirements</li> </ul> <p><b>Awards &amp; Certifications</b></p> <ul style="list-style-type: none"> <li>• 2010 Green Technology Certification (Inverter and solar technology) - Korea</li> <li>• 2010 Energy Winner Award Grand Prix - Korea</li> <li>• 2010 Green Growth Brand - Korea</li> <li>• Carbon Footprint Label - Korea</li> </ul>	<p><b>Energy efficiency enhancement</b></p> <ul style="list-style-type: none"> <li>• High efficiency charger with standby power 0.03W and energy efficiency 70 % better than conventional charger</li> </ul> <p><b>Hazardous substances management</b></p> <ul style="list-style-type: none"> <li>• Meets EU RoHS requirements</li> <li>• No use of BFRs, PVC and phthalate</li> </ul> <p><b>Recyclability improvement</b></p> <ul style="list-style-type: none"> <li>• 76 % of recycled paper used for package box</li> <li>• Soy ink printing of package box and user manual</li> </ul> <p><b>Resource reduction</b></p> <ul style="list-style-type: none"> <li>• 30 % of recycled plastic used in battery cover</li> </ul> <p><b>Awards &amp; Certifications</b></p> <ul style="list-style-type: none"> <li>• Displayed in CES 2011 - U.S.</li> </ul>
<p><b>Energy efficiency enhancement</b></p> <ul style="list-style-type: none"> <li>• North America energy efficiency rating - Top tier level *</li> <li>• High-efficiency linear compressor</li> <li>• High-efficient/high-luminous LED lighting</li> </ul> <p><b>Resource reduction</b></p> <ul style="list-style-type: none"> <li>• Recycled plastic used (PP and ABS material, 1kg/unit)</li> </ul> <p><b>Hazardous substances management</b></p> <ul style="list-style-type: none"> <li>• Meets EU RoHS requirements</li> <li>• Eco-conscious foaming agent, cyclopentane** adopted</li> </ul> <p><b>Awards &amp; Certifications</b></p> <ul style="list-style-type: none"> <li>• 2010 Green Technology Certification (Linear compressor technology)</li> </ul>	<p><b>Energy efficiency enhancement</b></p> <ul style="list-style-type: none"> <li>• Energy saving</li> <li>- On-mode: 18W    - Power-saving mode</li> <li>• Reduce cleaning time using “Dual Eye” sensor</li> <li>• Li-ion polymer battery</li> </ul> <p><b>Home Environment</b></p> <ul style="list-style-type: none"> <li>• Reduce noise level to 50dB</li> <li>• HEPA filter</li> </ul> <p><b>Hazardous substances management</b></p> <ul style="list-style-type: none"> <li>• Meets EU RoHS requirements</li> </ul> <p><b>Awards &amp; Certifications</b></p> <ul style="list-style-type: none"> <li>• Displayed in CES 2011 – U.S.</li> </ul>



FQ232LASS  
Hybrid solar air conditioner



LG-VN270  
Mobile phone using recycled plastic



LFC21776ST  
Top tier refrigerator



VR5902KL  
Robot Vacuum

\* Top tier level : The efficiency level higher than the Energy Star requirements of US EPA (varies per product; 10% for refrigerator)  
 \*\* Cyclopentane : A substitute for CFC and HCFC

**REINFORCEMENT OF GREEN PARTNERSHIP**

**Green Program Plus - Green Supply Chain Management** • The Green Program Plus(GP Plus) is a proprietary LGE program intended to contribute to the green competitiveness of suppliers and joint growth by providing them with LGE’s know-how. In 2010, based on the Green Program, which was launched in 2005 to address the requirements on hazardous substances contained in products. GP Plus was expanded to include second and third-tier suppliers and incorporate greenhouse gas control, CSR support, etc.

LGE validates new suppliers’ green management capabilities, and existing suppliers are managed through follow-up procedures. New candidates are assessed for their environmental management level, control of hazardous substances, control of green materials/products, and existing suppliers are examined to check if their components comply with LGE’s standards that are recommended to voluntarily manage hazardous substances specified by NGOs, etc. in addition to those defined by LGE in the context of global environmental protection.

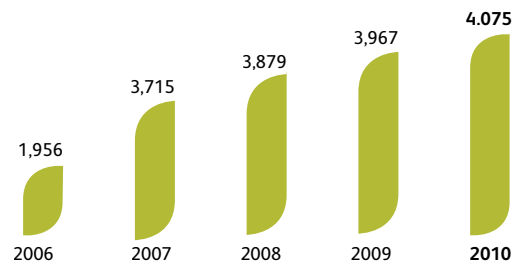
**Green Program Plus / Assessment Criteria for Suppliers**

Screening of New Supplier		Follow-up Screening	
Environmental Management System	20	Hazardous Substances Management	55
Hazardous Substances Management	50	Management of 2nd-tier Suppliers	15
Material/ Product Management	30	Inspection & Validation	30
		Voluntary Phase-out of PVC/BFR	5(extra score)

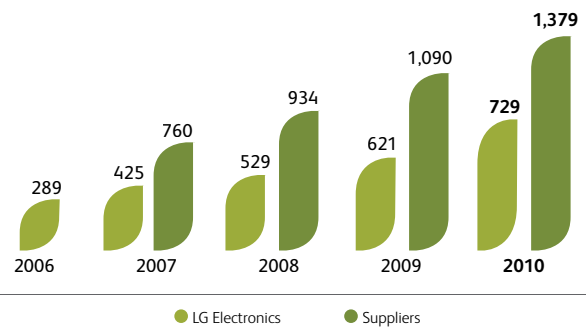
**Expert Training Program for Suppliers** • Since December 2006, LGE has been conducting expert training programs for hazardous substance control policy and LGE’s green policy to suppliers throughout the supply chain.

In 2011, we have plans to open an expert course on GHG management and hazardous substance measurement, as well as provide training opportunities to second and third-tier suppliers.

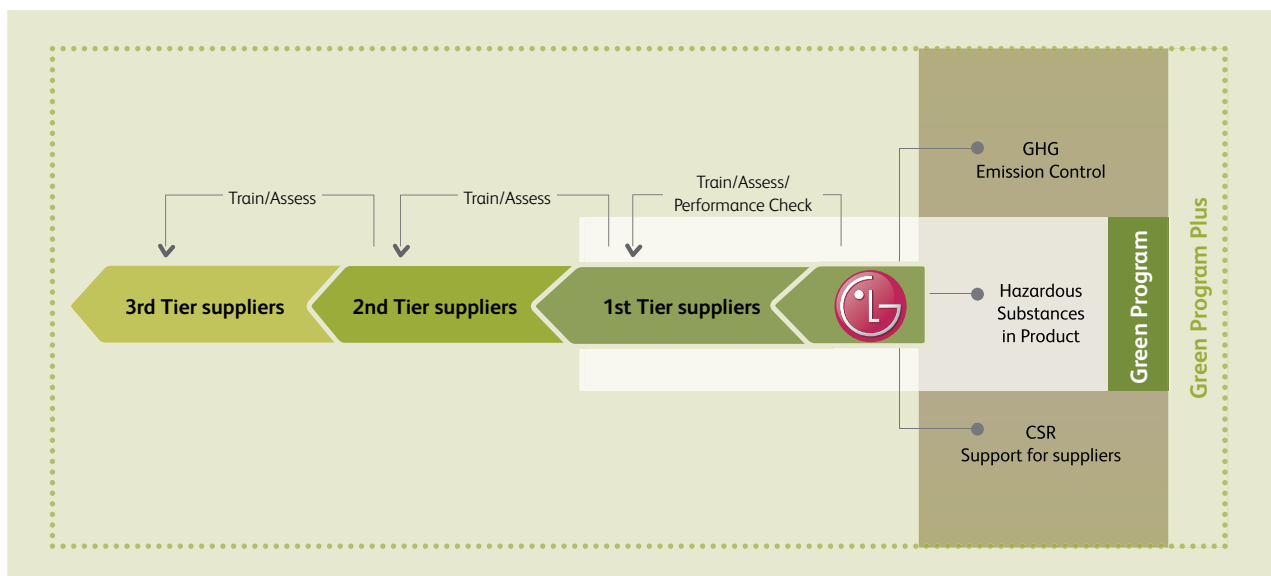
**No. of Green Certified Companies(Cumulative)** Unit : No. of Supplier



**No. of Certified Auditors(Cumulative)** Unit : People



**LG Electronics’ Green Program Plus**





**Low-Carbon Procurement** • LGE is planning to construct a low-carbon supply chain by implementing low-carbon procurement from suppliers who actively participate in the GHG reduction. The low-carbon purchase is intended for selection of preferred suppliers who have the GHG reduction objectives, and the purchase volume will reach KRW 50 trillion in 2020. We will gradually provide suppliers with GHG inventory and monitoring system setup, third party validation, GHG reduction know-how consulting and training services to support their low-carbon green management.

**Green Win-Win Growth MOU with Suppliers** • In November 2010, we concluded a MOU with 3 suppliers on the use of eco-magnesium and carbon credit for green win-win growth. Through the MOU, suppliers will benefit from the expanded sales channels, improved productivity, and carbon credit business know-how; and LGE will benefit from the green technologies of suppliers.

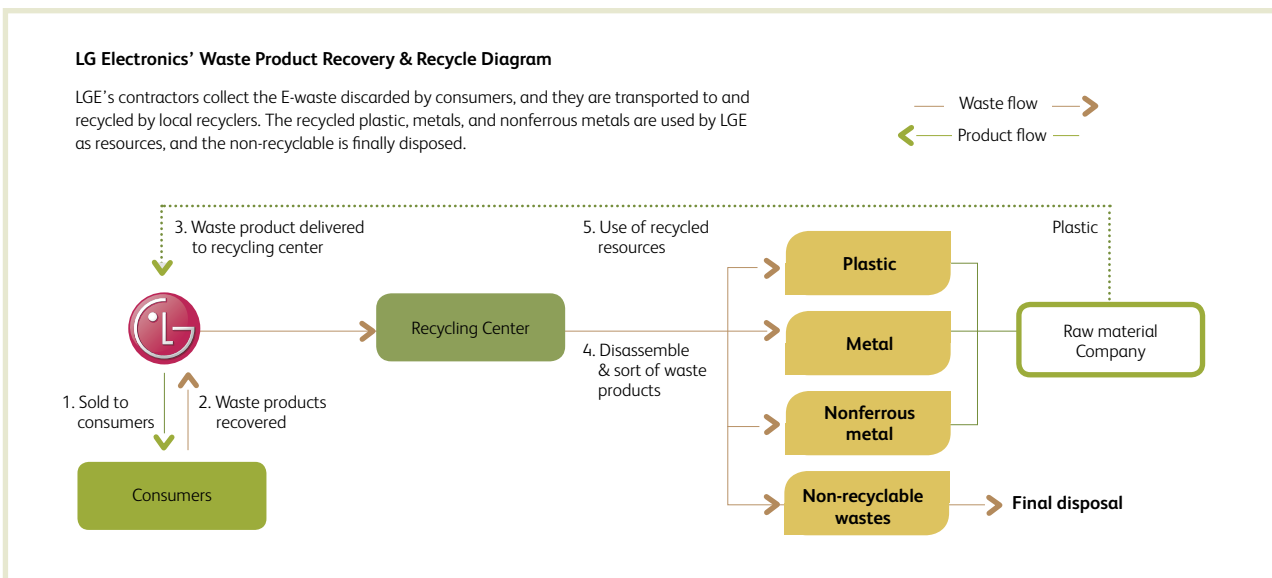
**E-Waste Take-back System and Recycling** • LGE is proactively responding to the EU Waste Electrical and Electronic Equipment (WEEE) regulations and e-waste regulations around the world. It not

only collects waste products based on local regulations and requirements, but is also establishing a take-back system through collaboration with local partners( <http://www.lg.com/global/sustainability/environment/take-back-recycling.jsp>).

LGE is also conducting research on take-back management in some non-regulated areas. To satisfy the WEEE requirements in China slated to take effect July 2011, it is preparing a take-back system jointly with the Chinese government and industrial associations. In addition to this, the company is participating in the Great American Cleanup event of KAB<sup>1</sup> starting March 1, 2011.

In Korea, in addition to the operation of its own recycling center, it collects other e-waste generated in several provinces(MOU with local governments: Geoje city, Ulsan city). To improve resource efficiency across the entire process, LGE has adopted and applied recyclability criteria from the product design stage. The take-back performance of LGE and selected countries is as shown below.

<sup>1</sup> KAB(Keep America Beautiful): The environmental organization in U.S. founded in 1953, focusing on community improvement. KAB holds the Great American Cleanup event where about 4 million people participate every year, engaging in various activities e.g., waste prevention & management (reduction, reuse and recycle) and community forestation.





**Global E-Waste Take-back and Recycling Results**

Unit: Ton

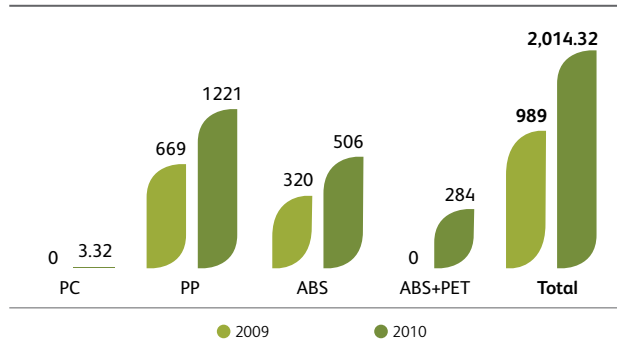
Country	2006	2007	2008	2009	2010
Korea	30,959	37,016	32,540	38,542	<b>43,412</b>
Japan	1,257	2,250	3,570	4,247	<b>3,603</b>
Europe	24,140	38,141	71,090	122,358**	<b>148,284*</b>
North America	124	277	935	2,330	<b>3,685</b>
<b>Total</b>	<b>56,480</b>	<b>77,684</b>	<b>108,135</b>	<b>167,477**</b>	<b>198,984</b>

\* Due to the different reporting system in Europe, some figures are estimated on their own or neighborhood country performances. As a result, data in the next year's report can be changed.

\*\* The figure for 2009 Europe performance was corrected from 107,041 to 122,358 to reflect the actual performance of Greece, Denmark, Romania, Slovakia, UK, Czech, Portugal, Poland and France.

**Types and Usage of Recycled Plastic**

Unit: Ton



**Use of Recycled Resources**

LGE uses recycled materials (e.g. recycled plastic) for resource recycling in addition to management of e-waste. Recycled polypropylene (PP) and acrylonitrile butadiene styrene (ABS) accounts for 667 tons from the 625,000 tons of plastic used in 2009. In 2010, LGE used total 2,014 tons of recycled plastic: 3.3 tons of polycarbonate, 1,221 tons of PP, 506 tons of ABS and 284 tons of ABS+PET.

\* The recycled plastic only refers to the post consumer plastic.

**FUTURE DIRECTION**

- Continue to introduce greener products
- Provide customers with product environmental performance
- Establish a global take-back system
- Develop technologies for recyclability



**COLLECTION & PROCESSING OF WASTE ELECTRONIC PRODUCTS OF LGE (IN EUROPE)**

Daniel Seager,  
Environmental Specialist  
LGE European Standard Center

**How do you collect and process waste electronic products from LGE in the EU region?** The WEEE Directive in Europe requires producers to organise and finance the collection, treatment, recovery and environmentally sound disposal of WEEE. At LGE Europe we take our WEEE responsibilities very seriously since we believe that recycling and the recovery of resources plays a significant role in contributing to sustainable development. In order to meet our obligations, LGE Europe has either jointly founded or partnered with 24 take-back compliance systems in 21 countries and is compliant with the national WEEE regulations in all countries where a producer obligation exists. The current process of WEEE take-back in Europe varies from country to country, but in principle, through membership with our take back systems, LGE finances the collection, treatment, recovery and environmentally sound disposal of WEEE from private households deposited at local collection centers.

**How many waste electronic products do you collect and process in EU region?** LGE collected about 122,358 tons in 2009 and 148,284 tons in 2010, up by 21.19%. The recovery volume is increases gradually every year.

**What's your plan in EU region regarding collection and processing of the waste LGE electronic products?** Unfortunately a lot of elec-

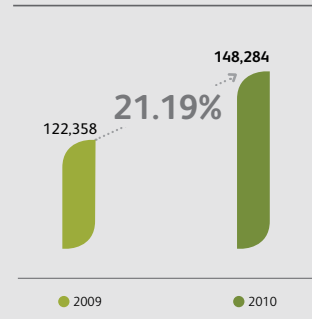
tronic waste still ends up in landfill sites where it cannot be recycled. LGE are working with our partner WEEE schemes to increase public awareness of the importance of recycling WEEE. In the future we hope to see less WEEE entering landfill sites and more WEEE being separately collected and properly treated so as to further reduce the environmental impact of our products.

LGE is also involved with industry associations in Europe which advise policy makers of the importance of achieving better take-back regulations so as to improve the collection and recycling systems in Europe.

LGE will continue to meet all its obligations under the current, and future WEEE regulations and will strive to optimise the take-back process through enhanced partnerships with recyclers and take back-schemes in Europe.

**Waste Products Collected by LGE in EU region**

Unit: Ton



\* 2010 data is preliminary so it is subject to change



Photo of the Remondis, a recycling partner in LGE German Subsidiary



# Low-Carbon Green Management

LG Electronics has established a low-carbon green management system to provide low carbon value to customers through voluntary greenhouse gas(GHG) reduction. Throughout its activities, LGE is endeavoring to pursue the coexistence of the two major values: creating value for customers and stakeholders, and protecting the natural environment.

## OUR APPROACH

- **Manage climate change risk and exploit opportunities**
- **Establish long-term GHG reduction plan**
- **Reinforce 4 major strategies against climate change**
- **Establish low-carbon supply chain management**

## OUR PERFORMANCE

### ESTABLISHMENT AND EXPANSION OF LOW-CARBON GREEN MANAGEMENT

**Voluntary GHG Reduction Target Announcement** • LGE announced its voluntary GHG reduction target in January 2009. The company established a goal to reduce its GHG emissions from manufacturing level by 150,000 tons, equivalent to 10% in 2020 compared to the 2008 baseline(cumulative reduction from 2008 to 2020 is around 1 million tons). For reduction of emissions during product use phase, we set a reduction target of 30 million tons of GHG emissions from the BAU\* in 2020(cumulative reduction from 2007 to 2020 in approx. 200 million tons). To achieve its target, LGE pursues various GHG reduction activities, including manufacturing process innovation, facility improvement, operation improvement, and renewable energy use, and maintains its efforts to develop high-efficiency products.

\* BAU: Business As Usual. Projected GHG emission based on the assumption that the GHG reduction technology and policy are maintained to the current level.

**Low-Carbon Green Management Strategy** • LGE is conducting an enterprise-wide low-carbon green management strategy to provide low carbon value to customers through voluntary GHG reduction. The low-carbon green management strategy is based on 4 major themes: production level GHG reduction through productivity enhancement, product usage level GHG reduction through energy efficiency improvement, business-wide GHG reduction and management, and enhancing social responsibility through the establishment of low-carbon culture.

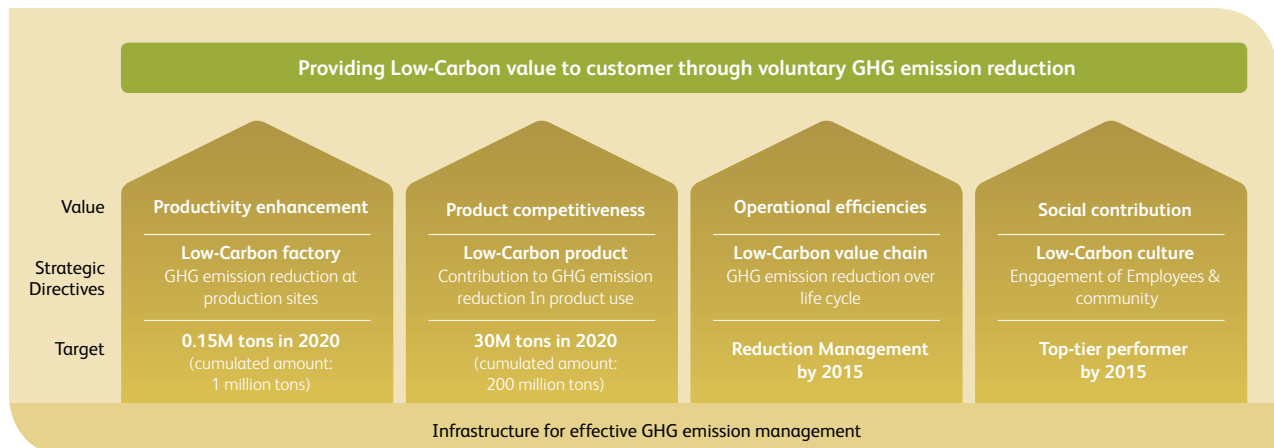
### Low-Carbon Green Management System Establishment

**GHG Inventory Setup** Having completed the GHG inventory setup for its all 12 Korean operations in 2008 for the first time among Korean electronic companies, LGE expanded and completed the GHG inventory setup for its all 29 overseas manufacturing sites in 2009. The company is currently conducting systematic management of its GHG emissions through the Corporate Carbon Management System (CCMS), a GHG management IT system.

To ensure the reliability of data, LGE engages third-party verification. In 2010, the company completed the third-party validation on its 13 manufacturing sites in China.

**Low-Carbon Green Management System** LGE has been managing reduction of GHG in production levels and product usage levels as the company's primary business objective since late 2008. For the low-carbon green management, GHG reduction status is reported to top management team periodically by the Eco Strategy Team. Moreover, LGE has established an Eco-Design Committee, chaired by the Chief Technology Officer and consisting of executives from R&D de-

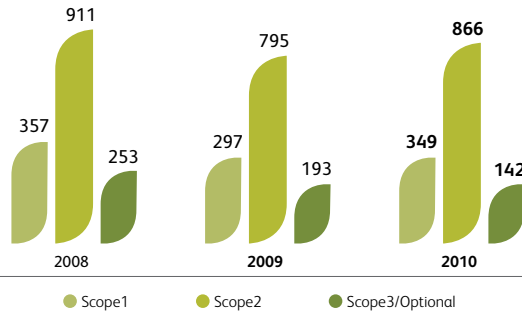
### LG Electronics' Low-Carbon Green Strategy



partments. In the Committee, executives examine and monitor the progress of development for energy-efficient products and technologies, and evaluate the carbon footprint of product at the R&D phase. The 14th committee was held on May 2010.

**GHG Inventory**

Unit: K ton CO<sub>2</sub>-e



- The data include 12 Korean operations and 29 overseas manufacturing operations.
- Calculation Standard : 2006 IPCC Guideline, WRI GHG Protocol
- Scope 3 : Commute Shuttle, lease building (exclude offices smaller than 100 employees work)
- Optional : Refrigerant R-22, Firefighting facilities, Halon, etc.
- The total GHG emissions could be slightly changed after the 3rd party verification.

**Risk and Opportunity of Climate Change** • LG Electronics is conducting corporate-wide measures to minimize the risks from climate change.

**Climate change : Risks and Countermeasures**

Standpoint	Risk	Measure
<b>Regulatory</b>	<ul style="list-style-type: none"> <li>- Stricter energy efficiency standards</li> <li>- GHG &amp; Energy Target Management System by Korean government</li> <li>- Total greenhouse gas emission regulations</li> <li>- Expansion of product's carbon footprint disclosure</li> <li>- Economic measures including carbon tax, border tax, etc.</li> </ul>	<ul style="list-style-type: none"> <li>- Manage energy technology roadmap, develop high energy efficient technology</li> <li>- Complete inventory buildup, conduct third-party verification every year</li> <li>- Set and execute voluntary GHG reduction target</li> <li>- Operate GHG management IT system, perform LCA</li> </ul>
<b>Physical</b>	<ul style="list-style-type: none"> <li>- Production instability due to natural disasters</li> <li>- Worsening employee health</li> </ul>	<ul style="list-style-type: none"> <li>- Enhance safety management system and risk evaluation</li> <li>- Conduct total health program, improve response capability</li> </ul>
<b>Management</b>	<ul style="list-style-type: none"> <li>- Cost increases due to stricter regulation, supply and demand instability etc.</li> <li>- Production instability due to supply chain's functional impairment</li> <li>- Lower product consumption due to the impact of climate change</li> <li>- Stricter company evaluation from investors, NGOs, etc.</li> </ul>	<ul style="list-style-type: none"> <li>- Conduct raw material cost analysis, manage the supply chain</li> <li>- Establish low-carbon supply network</li> <li>- Conduct CSR activity, including appropriate technology</li> <li>- Enhance public communication</li> </ul>

**Climate change: Exploiting opportunities**

Standpoint	Opportunity	Measure
<b>Regulatory</b>	<ul style="list-style-type: none"> <li>- Stricter energy efficiency standards</li> <li>- Expansion of renewable energy usage rules</li> <li>- Initiation of greenhouse gas emissions trading schemes</li> <li>- Increased new business opportunity owing to the green growth policy</li> </ul>	<ul style="list-style-type: none"> <li>- Develop high energy efficient products, national incentive systems</li> <li>- Develop solar cell technology, expand production</li> <li>- Initiate CDM business for high energy efficient refrigerators</li> <li>- Smart grid, LED, geothermal heat pump, etc.</li> </ul>
<b>Physical</b>	<ul style="list-style-type: none"> <li>- Unusual temperature due to climate change</li> <li>- Worsening of water deficit and pollution</li> <li>- Increase of yellow dust</li> </ul>	<ul style="list-style-type: none"> <li>- Enhance the development of high energy efficient air conditioning technology</li> <li>- Reinforce the water purifier, water ionizer and water processing business</li> <li>- Reinforce the air conditioning and air purifier business</li> </ul>
<b>Management</b>	<ul style="list-style-type: none"> <li>- Increase of low-carbon product consumption</li> <li>- Enhanced brand and company image</li> <li>- Expansion of product's carbon footprint disclosure</li> <li>- Energy efficiency improvement through process innovation</li> </ul>	<ul style="list-style-type: none"> <li>- Enhance the development of low-carbon product technology</li> <li>- Expand external communication</li> <li>- Expand voluntary carbon label acquisition</li> <li>- Share CO<sub>2</sub> reduction results through energy efficiency improvement</li> </ul>

**GHG reduction performance in 2010**

Unit: K ton



• To calculate the direct use phase emission, LGE utilizes specific scenarios for customer's product usage by each product. Customer usage scenarios are basically calculated with power consumption, average product usage time, and so on.

**Production Level GHG reduction** • LGE set its target to reduce 100,000 tons in production levels of GHG in 2010 compared to 2008, and achieved a 160,000 ton GHG reduction through diverse activities, including production facility/operation improvement and the energy conversion. Below are the company's main activities to reduce the production level GHG.

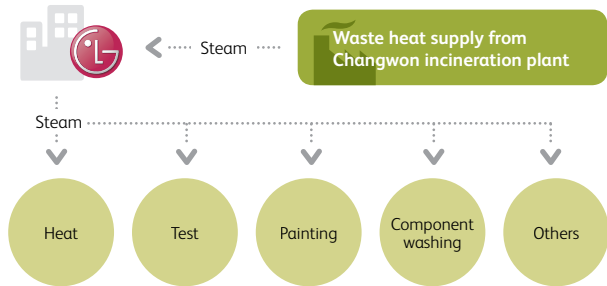
**Facility and operation improvement** LGE achieved a yearly GHG gas reduction of approximately 20,000 tons by improving the energy efficiency of compressors and air handling units, respectively used in the manufacturing facilities of air conditioners as well as household appliances and mobile phones.

**Incineration waste heat recovery system** LGE's Changwon factories invested approximately KRW 7.2 billion to establish a steam supply system operating with waste heat from the incineration plant



of the city. With the introduction of the new system, the company achieved a yearly reduction of 10,000 tons of GHG emission and KRW 3.1 billion of energy consumption compared to the previous LNG system.

**Incineration waste heat recovery system**



**Product Usage Level GHG Reduction** • In 2010, LGE announced its plan to reduce 6 million tons of GHG in the product usage level compared to the 2007 power consumption. The company contributed to 12.75 million ton reduction of GHG through high-efficiency technology development, R&D investment, and low-carbon products.

**Promoting low-carbon consumption through carbon disclosure**

LGE provides carbon footprints of its products with the 3rd party certification. Based on the lifecycle carbon footprint, the company makes efforts to reduce the GHG emission in each required step. In 2008,



**Products with Carbon Footprint Label**

Model	Date of Certification
Commercial electric heat pump -heating/cooling outdoor unit(LRP-N4108D)	August 2010
Vacuum cleaner(VC6860LHAY)	July 2010
Light wave steam oven(MP929NPS)	July 2010
Refrigerator(R-T759MHHGP)	June 2010
Mobile phone(LG-SU430)	June 2010
Air conditioner(FNQ182FASV[FUQ182FAU])	May 2010
LED LCD TV(47SL90QD)	February 2010
Drum washing machine(FR3228WA)	March 2009
Washing machine: motor(WDC246Y01S)	December 2009
Air conditioner: inverter compressor(GKT176DAA)	December 2009
Air conditioner: compressor(GJT240DAA)	November 2009
Refrigerator: linear compressor(FC140NEM)	November 2009

• Source: Korea Environment Technology & Industry Institute (<http://eng.keiti.re.kr/>)

the company’s washing machine(model FR3228WA) received the industry’s first certification from the Carbon Footprint Label program conducted by Korea Environmental Industry & Technology Institute (KEITI). Currently, the company endeavors to expand its carbon labeling certification to other products, including TVs, refrigerators, and air conditioners. In 2010, owing to voluntary carbon disclosure efforts, LGE received a total of 12 carbon footprint labels for its components and products.

**GHG Reduction for the Whole Product lifecycle**

**Logistics GHG reduction target** After establishing the GHG reduction target in production levels and product usage levels, LGE announced its goal to further reduce GHG emissions respective to the transportation distance of each unit weight by 1 % compared to the previous year. In October 2010, the company participated in the vehicle logging device project conducted by the Korea Transportation Safety Authority(KOTSA) to improve the calculation accuracy of the GHG emission during the transportation. The company aims to establish green logistics through modal shifts, energy usage optimization, and employee awareness.

**Low-Carbon Culture**

**GHG reduction activity** In late 2009, LGE Labor Union announced its official establishment of the Union Social Responsibility(USR), and set as its primary objective the expansion of low-carbon culture against climate change. The company published a volume of GHG emitted during major events, and conducted various activities such as tree plantings to offset GHG emissions. Owing to these efforts, the company was awarded the Carbon Neutral Certification from Korea Energy Management Corporation(KEMCO). In addition, the company introduced a low-carbon food menu for employees to induce their awareness on the climate change, and organized a green idea competition to collect employees’ ideas for energy and carbon reduction. The best ideas will be selected and implemented in actual work environments.



1. Carbon neutral tree planting event  
 2. USR low-carbon campaign  
 3. Low-carbon menu campaign  
 4. Low-carbon labor union officers' athletics day

**Online Climate Change Training** • In 2010, LGE expanded the online climate change training previously conducted for all Korean employees in 2009, to overseas employees. The online training, conducted in North America, China and EU regions with the participation of about 20,000 employees worldwide, was intended to promote the awareness of climate change and share LGE's measures against the environmental impact. The program acclaimed with an approximate 76% satisfaction rate.

### Carbon Credit Business

**Approval of CDM business in India** LGE is proceeding with the Clean Development Mechanism(CDM), acquiring carbon credits through sales of high energy efficient refrigerators. The company's initiative was approved by the Indian government in April 2010, marking LGE the world's first company to obtain the approval of CDM through the production of high energy efficient refrigerators (AM0070).

**Sales of low-carbon refrigerators to low income families** In August 2010, LGE participated in the old refrigerator replacement program as a part of Korea Energy Foundation's "low income families energy efficiency improvement project" and supplied 3,000 high energy efficient, refrigerators to low income families. The replacement of low income families' old refrigerators with LGE's high-efficiency refrigerators will yield a yearly reduction of 1,260MWh of energy consumption and 850 tons of GHG. The Korea Energy Foundation has been conducting third-party verification since 2010 to register the carbon reductions obtained through its project as a voluntary carbon credit business under the Voluntary Carbon Standard(VCS).

### Enhancing Cooperation

**Conclusion of cooperation agreement** LGE further enhanced cooperation with external organizations to expand its low carbon green management and strengthen its capability to respond to the climate change. The company signed an agreement with Korea Environmental Industry & Technology Institute in July 2010 to promote the participation and establishment of the Carbon Footprint Label program. In October 2010, LGE concluded an agreement with the Korea Environment Corporation to better respond to GHG restrictions.

It also concluded an agreement with three business partners to promote "green" win-win growth(See page 41) and reinforce the carbon credit business.

**Expansion of Voluntary Efforts** • LGE is actively participating in activities developed by international organizations, including the UN, to fulfill its corporate responsibility towards resolving the climate change issue. In April 2010, the company subscribed to Caring for Climate, one of the initiatives of UN Global Compact, and is currently participating as a member of the steering committee to represent Korean companies. It is also participating in the Electronic Industry Citizenship Coalition(EICC)'s Environmental Sustainability Work Group in joint efforts with the electronic industry to enhance sustainability.

### Join Carbon Green Management Leaders Club by Korea CDP

• LGE was recognized for its low carbon green management and its efforts to respond to the climate change and create low carbon customer value, which yielded a high evaluation score from renowned external organizations. Since 2008, LGE has been participating in the Carbon Disclosure Project(CDP) to enhance corporate sustainability and increase socially responsible investment through low carbon green management. Since the best prize award in 2009, the company has joined by the Carbon Management Global Leaders Club as one of the top Korean companies with outstanding carbon disclosure and reduction performance, demonstrating its leadership in low-carbon green management.

### NEW ENVIRONMENT-ENERGY BUSINESS

**Solar Solution** • Solar power is LGE's new energy business. The company manufactures solar cells and modules based on its 25 years of accumulated expertise in the research and development of solar power. LGE has established a solar module test center, certified as the official test center by the Europe certification body(TÜV Rheinland) and U.S. certification body(UL).

The company has also installed its solar modules at the Gumi 1 Site. Solar power provides up to 20-30% of electricity used in the administration offices. LGE plans to expand its solar power production to 330MW in 2011, and is furthering its efforts in increasing production capacity and in research and development to achieve a revenue goal of KRW 300 million by 2015.



1. Conclusion of cooperation agreement against climate change with Korea Environment Corporation  
2. Solar panel installed in Gumi 1 site's parking lot



**Lighting system** • LGE is currently in development and production of the energy efficient Light Emitting Diode(LED) lighting system and the Plasma Lighting System(PLS) adapted from the plasma emission principle. The company's LED lighting products have received the High Efficiency Energy Equipment Certification from the Korea Energy Management Corporation(Ministry of Knowledge Economy), and its LED flat panel lighting design technology awarded the Green Technology Certification. Also, the company's PLS received two quality certifications from China Quality Certification Center, the indoor lighting system quality certification and the floodlight quality certification.



**Total HVAC System** • LGE provides a total HVAC system, an optimized Heating, Ventilation and Air Conditioning solution adapted to the condition of the site during the building's construction and/or renovation design. The system employs LGE's inverter technology to provide automated control according to the cooling/heating condition and reduce energy consumption. The company is also engaging in the development of green buildings through its line of products using renewable energy, such as "hybrid XEO", which uses geothermal energy.

**Smart Grid Business** • A smart grid, also known as the next generation intelligence power network. It also requires the application of new intelligent technology to the existing electricity network. It also allows utilities and consumers to communicate in real time using two-way digital technology to optimize energy efficiency. LGE has been developing home network technologies and releasing remote controlled products since the early 2000s. Since 2009, the company has participated in Korean government-led smart grid pilot projects as a consortium-leading company. LGE opened the Jeju Smart Grid Showroom where customers can stay in and experience smart grid technologies and appliances. LGE has also been participating in the smart grid pilot project (Smart Watts) led by Achen, Germany, and in

the household charger/discharger pilot project(SCE) jointly with LG Chem in North America region.



**Water Treatment Business** • With plans to foster a water treatment business as a future growth engine, LGE will invest over 500 billion KRW over the next 10 years starting from 2010.

In 2010, LGE developed new water treatment technology in collaboration with GS Neotek and Korad, which was awarded the Environmental Technology Certification from the Korea Environmental Industry & Technology Institute(KEITI), led by the Ministry of Environment. The Company registered two patents and applied five patents related to its new water treatment technology in Korea, and is preparing an international patent application as well.

## FUTURE DIRECTION

- Create low-carbon customer value through voluntary greenhouse gas reduction
- Foster and expand new green business
- Expand the greenhouse gas reduction to the whole value chain
- Enhance social responsibility through the expansion of low-carbon culture

# EESH Management

## OUR APPROACH

- **Mid and long term strategies: Integrate global EESH management and Develop EESH risk management system**
- **Mid and long term action plan**
  - **Energy:** Reduce energy consumption, secure reliable supply of utilities, reduce CO<sub>2</sub>
  - **Environment:** Decrease environmental pollution, reduce environmental management cost, promote environmental protection activity for local community.
  - **Safety:** Manage industrial safety prevention system and Incident Rate(IR), fire risk mitigation and prevention
  - **Health :** Reduce potential occupational illness through Total Health Program(THP), improve working environment

## OUR PERFORMANCE

### KEY STRATEGIC OBJECTIVES FOR EESH IN 2010

#### Develop a globally integrated EESH management system

1. Implement EESH strategy that aligns with corporate policy
2. Develop integrated certification of management system for worksites in Korea
3. Develop a global audit system platform
4. Hold Global EESH Conferences

#### Develop an EESH risk management system

1. EESH activity innovation
2. Hold a Best Practice(BP) expo for first-aid and fire prevention
3. Develop emergency evacuation process for high-rise buildings

**Key Strategic Goals for EESH in 2010** • Based on the corporate management philosophies of “Respecting Human Dignity” and “Creating Value for Customers”, LGE has established the EESH Code, the guideline for EESH activities, that corresponds to the global scale of LGE in 2007 and has been applying the codes ever since. In 2009, various standards for each worksite were integrated and reorganized as a single standard and distributed to all the business divisions to be uniformly applied. In 2010, all the activities for environment, safety and health, as well as the certification of management system were revamped to be consistent which resulted in work efficiency and created synergy effects. However, there was some confusion during the implementation stage and LGE is planning to

strengthen the operation system, review integration of certification of management system for overseas sites, and reorganize the audit system in 2011.

In 2010, the ISO 14001 and OHSAS 18001 systems for all worksites and R&D centers in Korea were integrated to establish a platform for building uniformed EESH strategy. In addition to this, the global capabilities of the EESH managers were enhanced by sharing best practice among worksites as well as conducting technical seminars at the biannual global EESH conference.

LGE also developed an emergency evacuation system at the R&D centers to minimize injuries in case of fire. LGE applied the evacuation simulation for high-rise buildings and conducted actual evacuation exercises to identify potential problems that may occur in real situation and performed improvement activities.

### The 2nd Global Conference for Enhancing the Capacity of EESH Managers

• LGE held the 2nd Global EESH Conference at the Pyeongtaek Learning Center in May 2010, participated by over 200 EESH managers from Korea and overseas. Participants discussed ways to protect the environment, reduce energy consumption, and improve safety activities. They also presented best practices and held technology seminars which improved the awareness level and formed consensus as the global enterprise. Participants were also educated about the Global EESH Management System initiated by headquarters. The conference provided an opportunity for LGE to integrate global EESH activities.

In addition, managers from overseas subsidiaries visited a recycling center in Korea and learned about the advanced recycling system. EESH managers underwent various training programs for each worksite to improve their capabilities. In particular, this conference focused on introducing new technologies and enhancing the capabilities of managers, which resulted in increased NPS index among participants compared to the 1st Conference held in 2008(75% in 2008 → 78.2% in 2010).

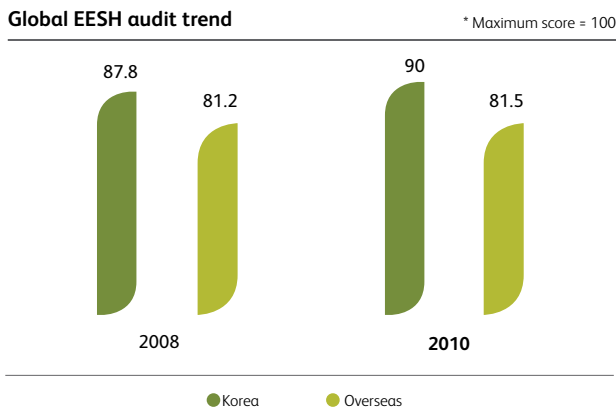
2nd Global EESH Conference





LG Electronics is realizing its vision to become Top Global Company in Energy, Environment, Safety, and Health (EESH) by operating corporate-wide EESH Management System, optimizing energy efficiency applying cleaner production, and improving occupational health and safety.

**Development of EESH Audit System Platform** • LGE has conducted an annual EESH audit from July to October for all worksites (36 sites) globally since 1996. The global EESH audit is conducted to reduce EESH risks at worksites by discovering best practices and performance evaluation. The selected outstanding sites are recognized and awarded each year by the CEO. In 2010, the Gumi production site in Korea and Noida site in India were selected as the most outstanding sites. From the audit process in 2010, LGE learned that it needs to apply an audit checklist that corresponds to newly changing global standards and to nurture qualified auditors. In 2011, LGE is planning to develop a new platform for the global EESH audit system including new checklist and internal auditor training program.



• Internal evaluation is conducted annually but the headquarters' evaluation is conducted biannually.

**Structure of Global EESH audit checklist**

<b>Plan</b>	1. Policy & Leadership
	2. Goal & Plan
	3. Organization / Accountability
	4. Risk Management
	5. Training & Exercise
<b>Execution</b>	6. Response to Emergency
	7. Document Management
	8. Communication
	9. Operation & Management (Energy, Environment, Safety, Health, Fire Prevention, Suppliers)
<b>Measurement</b>	10. Investigation & Analysis
	11. Evaluation & Improvement Management
<b>Improvement</b>	12. Management Review

**Integrated Certification of EESH Management System(in Korea)**

• LGE was the first Korean electronics company to establish a corporate-wide integrated certification system for Environmental Management System(ISO 14001) and Occupational Health and Safety Management System(OHSAS 18001). These were independently established for each worksite. As headquarters integrated and managed certification for six worksites and five R&D centers under a single system, each site's performances can be compared and monitored effectively. Most of LGE's overseas production sites have acquired ISO 14001 and OHSAS 18001 certification. Of 30 overseas offices, 28 have already acquired the ISO 14001 and 21 have acquired the OHSAS 18001(See page 82). The production site in Russia is expected to obtain certification in 2011, and the site in Saudi Arabia is expected to acquire certification in 2012.



**Development of Fire Evacuation Drills and Simulation System for High-Rise Buildings**

• LGE has developed an emergency evacuation system in five R&D centers in high-rise buildings and has been implementing the system. Specifically, employees at the Seocho R&D Center participated in fire evacuation drills in cooperation with the Seocho Fire Department. LGE and the fire department analyzed various situations that may occur in a high-rise building through the pre-evacuation simulation to identify the evacuation process. As a result, full evacuation could be completed within 21 minutes, which is 4 minutes shorter than the simulation.

**A FIRE EVACUATION DRILL AT SEOCHO R&D CENTER**





**Best Practice Expo for First-aid and Fire Prevention** • Environment & Safety Group at headquarters held a Best Practice(BP) expo for first-aid and fire prevention. A total of 11 teams participated in the expo and shared BP for fire prevention at each business site. The expo was focused on proliferating the BP and improving the employees' capability in handling emergency situations. The event was centered not on the professionals but on the employees, which increased employee awareness. The BP expo was held for the first time in an attempt to share know-how between employees at each site and the Fire Prevention Center. LGE is planning to hold the BP expo for first-aid and fire prevention every year to improve crisis management capabilities of employees at all the worksites.



1. Best Practice expo for first-aid and fire prevention  
 2. Certificate of Energy management system(Changwon II plant in Korea and Noida plant in India)

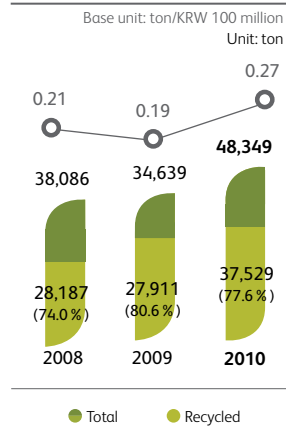
**ACTIVITIES OF PRODUCTION SITES**

**Energy** • LGE has been continuously implementing energy conservation and GHG reduction activities. In 2010, some production sites implemented a pilot energy management system to strengthen monitoring and systematic management of energy conservation activities. Particularly, the Noida plant in India received the world's first EN 16001 certification from the British Standards Institution(BSI). In Korea, the Changwon II plant and Pyeongtaek site received the energy management system certification, from Korea Energy Management Corporation and BSI, respectively. In 2011, LGE is planning to establish an energy management system for the Changwon I plant and Gumi site and prepare for the certification. In addition to such activities, LGE is continuously making improvements on aged and worn-out facilities to ensure a stable energy supply. Particularly, the Changwon II plant installed a 154KV transformer, a circuit breaker, and an emergency power supply back-up system to prepare for the blackout caused by cable malfunction. Please refer to page 44 for more information on energy conservation activities.

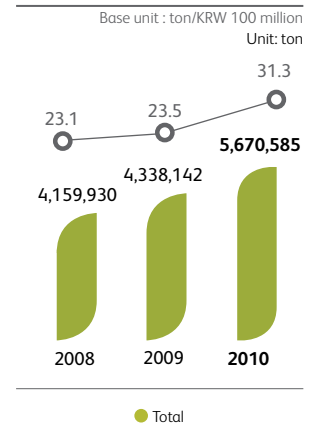
**Environment** • LGE is giving its best effort to improve the manufacturing process and managing the source of pollution by minimizing emission of environmental pollution that is created during the manufacturing process. Production sites in Korea, excepting Cheongju and Gumi, are composed of mostly simple assembly process which generate less environmental pollutants compared to other manufacturing industries. However, LGE is continuously making efforts to seek out

best practice to strictly manage environmental impact. At the Pyeongtaek site, the LCD module packages were previously incinerated, but they are now cleaned and reused. This was achieved through continuous cooperation with partners and resulted in saving incineration and package costs by over 3.6 billion KRW annually (based on monthly production of 30,000 units). At the Cheongju site, the amount of daily wastewater from the membrane production process was reduced from 10 tons to 5 tons, by filtering it once again before discharge. The generated waste and wastewater increased dramatically in 2010 compared to 2009 because of increasing sludge from changed manufacturing process in Gumi PDP site, waste from closed video tape plant in Cheongju site, and waste and mass production initiated from solar plant in Gumi site. Please refer to pages 80 to 82 for environmental data at other sites in Korea and overseas. In addition, LGE's employees are continuously participating in environmental protection activities. In particular, employees are involved in various volunteer activities and participate in events on special days for the environment such as the Water day, Arbor day, Children's day, Ocean day, World Environment day, and Recycling day, to contribute towards environmental protection for the local community.

**Generated and Recycled waste(in Korea)**



**Water usage(in Korea)**

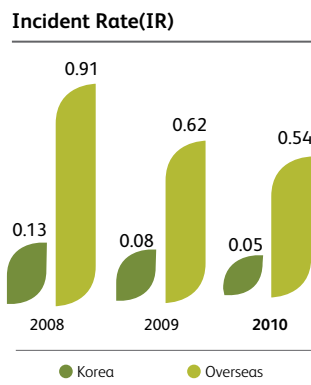


1. Junam reservoir: Natural clean-up activity  
 2. Arbor day: Tree-planting activity  
 3. Ocean day: Stream cleaning activity  
 4. World Environmental day: Environmental protection activity

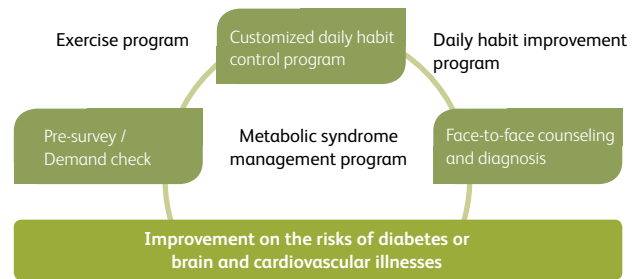


**Safety** • LGE is making an effort to identify potential accidents and share corrective measures by holding BP presentation events. The number of accidents occurring at the Changwon site is decreasing due to the identification of possible causes of accidents and shared BP cases. In addition, LGE’s Labor Union and Honorary Industrial Safety Inspector conducts cooperative investigation of the worksites to ensure a safe, working environment, and compliance with safety and health guidelines. Together with these efforts, LGE has established an accident prevention plan for every seasons and has been implementing various activities to improve awareness of safety and health among employees. In response to the increasing number of traffic due to increase of logistics and new employees at the Pyeongtaek site, LGE installed a Digital DFS(Driver Feedback Sign) system, an audible speed warning system, to prevent traffic accidents. In addition, LGE has been managing the Incident Rate(IR) index since 2008. The IR index is calculated by dividing the number of injury and illness cases with days away from work by the total working hours. Thus, lower value signifies a lower accident rate. Since its first calculation in 2008, the IR index has continuously declined.

**Fire prevention** • LGE has adopted history card and management manual systems for fire prevention facilities to manage facilities in an optimal way. LGE also issues a Non-Conformance Report card to ensure the proper operation of the Standard Operating Procedure(SOP) monitoring system. All employees are trained on the usage of the fire extinguisher which is specially designed for training. In addition, employees at the Fire Prevention Center are dispatched to 119 Emergency Rescue Centers for training on fire extinguishing, emergency rescues and evacuation activities. Moreover, headquarters conducts unannounced drills so that employees can be always prepared for accidents and be aware of response measures. Every worksite has established a cooperative relationship with the local fire department for the safety of local community. For example, the Gumi site has provided direct support such as dispatch of fire engines for five times in 2010. In addition, LGE also conducts regular training to prepare against leakage of hazardous substances at each worksite. Through such activities, LGE is enhancing employees’ awareness on characteristics of hazardous substances and training them for urgent cases.



**Metabolic syndrome management program**



**Health** • LGE has been implementing a Total Health Program(THP) to improve the health of employees. LGE is continuously promoting quit smoking and overweight management programs in all of its business sites while relieving the employees’ stress through psychiatric counseling service. Such efforts allow employees to better focus on their work. In addition, LGE is making an effort to reduce noise and improve the ventilation system for a better working environment. In case of the Changwon I plant, a tornado ventilation hood was installed to reduce welding fume, which significantly improved the working environment. Pyeongtaek site has jointly developed a web-based daily habit control program(for both on and off-line) in cooperation with a university to assist employees with a metabolic syndrome. The program includes 16 weeks of concentrated control and 2 months of post-activities. Employees learned how to self-manage their daily habits and reduced the risk of metabolic syndrome by 16%. Furthermore, every business site reduced the number of smoking rooms or isolated smoking area to prevent non-smokers from second-hand smoking, along with implementing quit smoking programs for smokers. Particularly, Changwon is soon to be declared a smoke-free site in 2011.

**FUTURE DIRECTION**

• **LGE is making efforts to stabilize the integration of the EESH management system, and apply global standards to improve the KPI throughout all areas of EESH.**

1. Development of global EESH audit checklist and training program for auditors
2. Promotion of a leading green company by minimization of pollution and continuous environmental protection activities
3. Adopting Behavior-Based Safety(BBS) concept for developing accident prevention program
4. Reduction of potential fire risks by developing fire risk evaluation index
5. Management of occupational health with the cerebro/cardiovascular illness risk index and Total Health Program(THP)



# Business Partner

## Win-Win Partnership Based on Mutual Trust and Cooperation

Based on the company's philosophy of Jeong-Do management, LG Electronics places the highest importance on the establishment of a fair trade system with its business partners. Through a mutual growth program that emphasizes communication, LG Electronics is promoting its partners to strengthen competitiveness. At the same time, LG Electronics has developed its CSR program to help suppliers foster environmental and social risk management capabilities so that they can well balance their growth.



I sincerely appreciate LGE's efforts in supporting and nurturing its suppliers. LGE not only sets its goal to become the world's best electronics manufacturer, but the company also aims to provide financial and ESH management supports for supplier's business operation and CSR activities. All of these help suppliers attain global competitiveness and achieve growth together. Having a long-term partnership with LGE, I am impressed that the company has built up a comprehensive communication mechanism which encourages suppliers to express opinions and possible improvement, such as Supplier Portal Site and annual Suppliers' Satisfaction Survey, thus facilitating win-win partnership. In addition to this, LGE's CSR strategy is truly visionary, particularly in terms of its constant researches and the introduction of greener products, as well as its continuous work in developing green innovations which are also what AUO advocates and puts stress on. In 2008, AUO unveiled "Green Solution", practicing innovations, procurement, production, logistics, service, and recycling in an environmental friendly manner, and in 2010, we furthermore declared to reduce product carbon footprint by 30% by 2012, aiming to provide greener service and product to our customers. Based on the similar vision, I believe LGE and AUO would be consistently dedicated on developing low-carbon society and act faster on the road to sustainability as we committed.



**LJ Chen**  
President of AU Optronics Corp.



# Business Partners for Win-Win Growth

LG Electronics' USD 35.9 billion global purchasing total demonstrates well the importance of supplier competence for the company. For this reason, we must make our best efforts to support our partners with diverse programs to ensure win-win growth.

## OUR APPROACH

### • Enhancing competence through Win-Win Growth

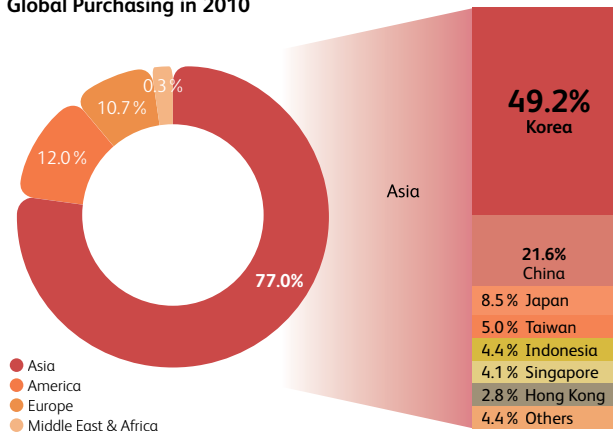
- Promoting stable business through financial support
- Strengthening managerial capability through non-financial support
- Enhancing communication with business partners

**Global Procurement Organizations** • In LGE's procurement organizations, a number of purchasing personnel was adjusted according to the importance of each region, and an overall reduction of 15% was made. Based on data recorded at the end of 2010, 1,694 personnel were working in the world's major purchasing regions (Korea, Russia, Poland, Italy, India, Vietnam, Indonesia, Thailand, Taiwan, Japan, China, U.S., Mexico and Brazil).

## OUR PERFORMANCE

**Global Purchasing Amount** • As of 2010, LGE spent a total of USD 35.9 billion on direct and indirect material costs. Direct material costs occupied around 80% of the total amount, and 77% of the direct material cost was spent in Asia.

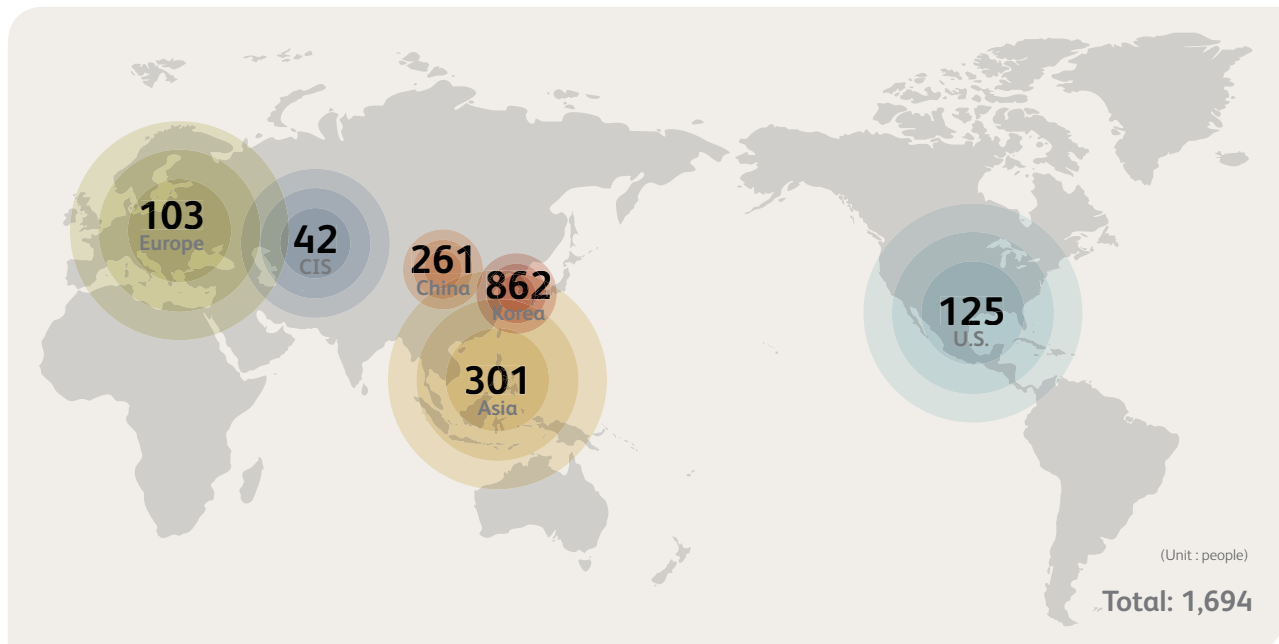
Global Purchasing in 2010



### ENHANCING COMPETENCE THROUGH WIN-WIN GROWTH

LGE continues its efforts towards win-win growth with suppliers to secure global competence. The efforts are driven by "Win-Win Growth" and "Supplier Quality Engineering" organizations. Currently, we are carrying out projects under four categories: education, funds, management innovation, and partner communication, each pursuing technology innovation, core competency development, management innovation, and quality/productivity improvement. All these tasks are performed in parallel with a survey to get suppliers' feedback on our approach and make necessary changes to maximize efficiency.

Purchasing Personnel Distribution of LG Electronics



The relationships with suppliers are established in accordance with LGE's fair trade principle. LGE seeks win-win growth opportunities from a long term perspective by guaranteeing equal opportunities, and respecting relevant regulations in fair and transparent manner. LGE's fair trade activities are described in more detail on page 74.

**Support Program for Suppliers**



**PROMOTING MANAGERIAL STABILITY THROUGH FINANCIAL SUPPORT**

**SUPPORTING FINANCIAL STABILITY**

LGE supports its suppliers' financial stability through various types of financing programs and continuous improvement in payment terms.

**Green Partnership** • In December 2010, LGE promised to provide financial support of KRW 40 billion for 5 years to suppliers selected at

the Small and Medium Enterprise Technology Fair. Prior to this event, during the agreement for win-win cooperation and fair trade with suppliers in September 2010, we announced a program to support outstanding suppliers in their new growth engine projects, including the research and development in solar energy and water processing.

**Financing for Quality and Productivity Improvement** • LGE proposed an enterprise-wide project to conduct a program to fund suppliers' quality enhancement and productivity improvement activities (e.g molding equipment improvement) (2010: KRW 33 billion, 2011 : KRW 37 billion).

**Improvement of Cash Payment Terms** • Since September 2010, LGE has improved its process to increase cash payment rates for sub-contractors to 100% to improve the suppliers' financial status.

**Launch of Win-Win Cooperation Funds** • LGE subsidizes the Win-Win Cooperation Funds to support the working capital needs of suppliers, and offers the lowest interest rate among the competitors (based on data from the Industrial Bank of Korea). To further support suppliers as molding companies forming the basis of the manufacturing industry, we established the Root Industry Performance Bond program to provide deposits as a form of special financing. Additionally, we continue to offer zero-interest funds and network loans to provide ongoing supports for the suppliers' financial stability.

**STRENGTHENING MANAGERIAL CAPABILITY THROUGH NON-FINANCIAL SUPPORT**

**PRODUCTION LEVELING ACTIVITIES THROUGH MANAGEMENT CONSULTING**

**Management Consulting and Business Advisory Council** • In addition to the financial support, LGE operates a business advisory

**ACTIVITIES OF THE COMMISSION OF WIN-WIN GROWTH FOR LARGE AND SMALL COMPANIES**

The Commission of Win-Win Growth for Large and Small companies is a civil organization founded on December 13, 2010, aimed at identifying and discussing social conflicts between large enterprises and small/medium enterprises and providing a pivotal role in reaching an agreement on a neutral ground. The commission comprises of 9 members for the large company, 9 members for the small/medium company, and 6 members for the public sector. Currently, Woody Nam, the Business Innovation office Leader of LGE is appointed as the member of the commission. The commission is planning to introduce the "win-win index" based on the large companies' win-win growth activities to conduct the evaluation of each business category.

**Supporting program for financial stability**

<b>Green Partnership</b>	<b>Financial/Government Agency Connection</b>
<ul style="list-style-type: none"> <li>New core technology investment</li> <li>- Yearly 8 billion, a total support of 40 billion from 2011 to 2015</li> </ul>	<ul style="list-style-type: none"> <li>Network loan support</li> <li>- KRW 133.7 billion (228 suppliers) in 2009</li> <li>- KRW 110 billion (220 suppliers) in 2010</li> <li>Win-Win cooperation funds</li> <li>- LGE KRW 50 billion + KRW 75 billion joint financing</li> </ul>
<b>Cash Payment</b>	<b>Direct Financing</b>
<ul style="list-style-type: none"> <li>100% of subcontractors' payment in cash</li> </ul>	<ul style="list-style-type: none"> <li>Accumulated funding from 2004 to 2010</li> <li>No-Interest financing financing KRW 19.6 billion from 2009 to 2010</li> <li>KRW 10 billion funding in 2011 (planned)</li> </ul>



council consisting of retired procurement managers to strengthen the suppliers' managerial capabilities. The business advisory council is dispatched on the supplier's premises and operates a program to improve supplier's production levels upon request. Also, an on-site consulting activity from the Factory Innovator(FI), organized by LGE employees, is provided in parallel to improve the productivity. LGE aims to achieve its production leveling goal through management consulting and plans to increase the number of supporting staff by 50% by 2012.

**Establishment of the Supplier Quality Engineering(SQE) group** • LGE carries out a specialized program to support suppliers through quality specialists trained within the procurement group to secure the quality of the components and enhance technical supports.

**Vocational Training Consortium** • LGE operates diverse consortium with the collaboration of in-house and the regional training centers to enhance the suppliers' competence. In 2010, a total of 2,298 employees have completed the training courses, which is 50% more than 2009.

**ENHANCING COMMUNICATION WITH SUPPLIERS**

**Supplier Grievance Process** • To further enhance communication with suppliers, LGE operates the Supplier Grievance Process site(<http://ethics.lg.co.kr>) in each of its affiliates to understand supplier opinions.

**2010 Global Suppliers' Day** • Following 2009, LGE has once again organized its "2010 Global Suppliers' Day" in Seoul with the participation of the top 300 global suppliers' CEOs and 600 personnel by procurement teams in the headquarter and companies. During the

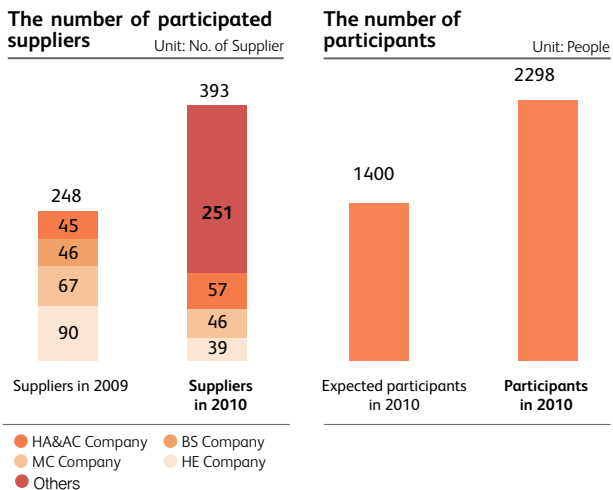
event, the Global Outstanding Supplier Award was given to the winner of each company. The Green Award, newly established in 2010, was also awarded to respective winners. In addition to this, a charity auction of goods donated by LGE was held, raising a total of KRW 60 million to support for Good Neighbors.

**Suppliers' Satisfaction Survey** • Each year, LGE conducts a satisfaction survey for its domestic and overseas suppliers. In 2010, LGE conducted the survey to the top 180 Korea and overseas companies, compared to 122 companies in 2009, and evaluated the overall satisfaction level of purchasing group and contact point. The result was somewhat lower than the previous year. The overall satisfaction level of procurement scored 73.4 out of 100 in 2008. The satisfaction level increased by 1.6 point in 2009, then decreased by 1.0 point in 2010, showing little difference in terms of time series analysis. Overall satisfaction level have gradually increased. Since 2008, with the "will to continue business" increasing approximately one point every year. LGE intends to conduct the suppliers' satisfaction surveys regularly and use them as base data to reinforce partnerships with suppliers.

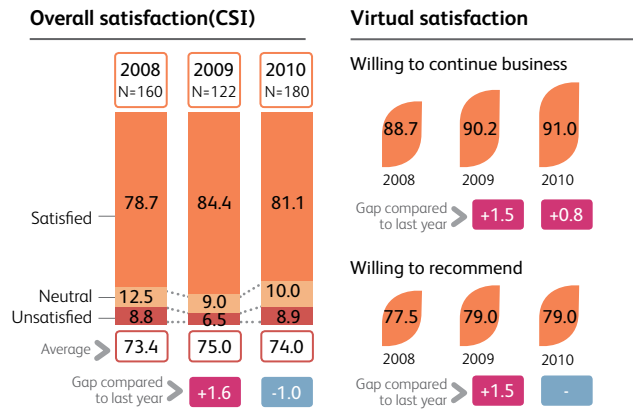
**FUTURE DIRECTION**

- Promote suppliers' financial stability through financial support
- Improve the suppliers' competence through non-financial support such as training and consulting
- Seek Win-Win Growth through fair trade

**Training Program for suppliers**



**Suppliers' Satisfaction Survey results**



- The satisfaction in the overall satisfaction represents the Top 3 rate in the scale of 7; the unsatisfied represents the Bottom 3 rate.
- The average of the overall satisfaction and the virtual satisfaction are represented with the value in the scale of 7 converted to the score of 100.
- A gap compared to last year is the year-on-year scale.

# Promoting Supply Chain CSR

## OUR APPROACH

### Establishing supplier's CSR management system

- Systematizing activities through EICC code
- Establishment of Supplier Code of Conduct
- Measures to prevent the use of illegally mined raw materials

## OUR PERFORMANCE

### SYSTEMATIZING ACTIVITIES THROUGH EICC CODE

Based on Jeong-Do management, LGE fosters win-win growth by supporting its suppliers in building CSR management systems and helping them to succeed in global competition.

To provide a systematized support program, LGE joined Electronic Industry Citizenship Coalition(EICC), a CSR consultative group founded in 2004 with global electronic companies. LGE has since actively participated in EICC's regular meeting and its 6 working groups from 2010. In the future, we plan to conduct suppliers CSR risk management based on EICC Code, along with a training program to enhance supplier ability to conduct autonomous CSR risk management. Suppliers will be encouraged to conduct self-improvement programs to enhance their performance. We expect to improve and expand the overall supply chain's CSR throughout the activity.

### Summary of LG Electronics' Supplier Code of Conduct

<b>Labor and human rights</b>	Non-discrimination/Humane treatment/ Freely chosen employment/Avoidance of child labor/ Working hours/Wages and benefits/Freedom of association
<b>Health and safety</b>	Occupational Safety/Industrial Hygiene/ Emergency preparedness/Occupational injury and illness/Sanitation, Food, and Housing/Physically demanding work/Maintaining machine safety
<b>Environmental impact</b>	Environmental permits and reporting/Hazardous substances/Solid waste and wastewater/Air emis- sions/Pollution prevention and resource reduction/ Product content restrictions
<b>Ethics</b>	Business integrity/Disclosure of information/ Protection of identity/Protection of intellectual property
<b>Materials obtained from mining</b>	Ensure raw materials distributed through the supply chain are legally mined
<b>Management system</b>	Company commitment/Management accountabil- ity and responsibility/Legal and Customer Require- ments/Risk assessment and management/ Improvement objectives/Training and communi- cation/Worker feedback and participation/etc.

### ESTABLISHMENT OF SUPPLIER CODE OF CONDUCT

Based on EICC Code, LGE established and declared its Supplier Code of Conduct in 2010 to assist its suppliers in fulfilling social responsibilities. We are providing Supplier Code of Conduct training programs to the suppliers in Korea as the initial step to obtain voluntary agreement on compliance with the Code of Conduct, and consequently expand CSR from LGE's internal activity to overall supply chain management. Eventually, we plan to expand our activity globally to help every supplier fulfill its social responsibility and achieve long term competence.

### MEASURES TO PREVENT THE USE OF ILLEGALLY MINED RAW MATERIALS

Illegally mined raw materials consist of tantalum, tin, tungsten and other industrial minerals excavated from conflicted regions such as the Democratic Republic of Congo. These minerals are used as core materials for vehicle, cellular phone and PC components. A militant force may get hold of the distribution channel, trade the minerals, and use the profit it earns from the trade to acquire weapons, resulting in child labor, forced labor and other crimes against humanity. The severity of this issue has the world's attention. LGE is conducting necessary measures to prevent the use of illegally mined raw materials. In February 2010, we conducted an internal survey with major tantalum suppliers, and identified the source of origin as Australia and China. We are planning to conduct regular surveys on raw materials, and also expand the scope to fundamentally block the use of illegally mined raw materials. LGE is participating in the industry's joint efforts to prevent the use of illegally mined raw materials, namely EICC's Extractives work group to discuss joint action towards preventive measures.

We also underlined related activities in LGE Supplier Code of Conduct to identify the source of the minerals and prohibit the use of minerals obtained through illegal mining, thus preventing the use of illegally mined raw materials in the supply chain.

### SUPPLIERS' CSR PILOT DIAGNOSIS

In the second half of 2010, LGE selected 4 outsourcing partners for each business area to conduct a pilot diagnosis to identify the status of their respective Corporate Social Responsibility(CSR) and plan improvement activities.

The diagnosis was conducted by the headquarters outsourcing management strategy group, with the following criteria: labor, human rights, ethics, safety, health and environment. The diagnosis was based on key requirements from the ILO Convention, SA 8000, ISO 14001, and OHSAS 18001, following the recommendation of EICC



To ensure sustainable competitiveness in the global market, LG Electronics is supporting its business partners to develop and improve the sustainable management systems. In particular, LG Electronics motivates its business partners to comply with Supplier Code of Conduct, which is based on EICC Code, and encourages them to analyze and improve their weak points through CSR risk management.

in which LGE joined in August. The demo diagnosis was conducted on-site to three outsourcing partners in China and one in Eastern Europe(Poland) The result exposed several common issues of companies in China.

**Diagnosis Result** • The working hours of workers at production sites of outsourcing partners located in China were exceeding the legal limit, and the companies were failing to provide appropriate measures. The regulation against forced labor was weak, and there was no labor management council activity.

- 1) Company A in Yantai, China:
  - Some manufacturing workers exceed legal working hours. Injection molding machine subject to potential problem due to unstable process interval.
  - No policy for labor management council activity.
  - No policy against forced labor.
  - No health center record.
- 2) Company B in Shanghai, China:
  - Some manufacturing workers exceed legal working hours.
  - No labor management council activity.
  - Insufficient record and/or management of harmful substances.
  - PCBA process is close to the dangerous substance repository.
- 3) Company C in Huizhou, China:
  - Most production workers exceed legal working hours.
  - No labor management council activity.
  - Insufficient use of safety equipment.
  - No medical record management system.
- 4) Company D in Poland: No non-compliance detected.

**CSR RISK MANAGEMENT PROGRAM**

LGE plans to launch a comprehensive supply chain (production facility) risk management program based on the EICC process in 2011, and strengthen CSR competence of the suppliers located in Korea and in potential risk countries.

The CSR risk management program to be conducted for around 4,000 manufacturing suppliers consists of four steps. The program (i) will be promoted in order to reach LGE’s all production sites and suppliers, and obtain consent on compliance with the Supplier Code of Conduct, (ii) evaluates the suppliers’ CSR risk, (iii) conducts diagnosis to the high-risk classified suppliers, and encourages improvement, and (iv) keeps monitoring to verify if the improvement is maintained at constant level, and support the suppliers to fulfill their social responsibilities.

**SUPPLIERS’ ENVIRONMENT, SAFETY AND HEALTH(ESH) DIAGNOSIS AND IMPROVEMENT ACTIVITY**

Supplier Support Group in Changwon, Korea carries out periodic training and evaluation of the Environment, Safety and Health(ESH) for HA and AC Companies’ 140 domestic and overseas suppliers. In 2010, we focused on managing high-risk companies, establishing and following suppliers’ ESH audit, and enhancing environmental management. The yearly ESH diagnosis and evaluation on 142 suppliers resulted in 568 non-compliances(environment: 51, safety: 298, fire prevention: 182, health: 37). The improvement rate recorded 98%. Also, we organized the “Suppliers’ ESH Best Practice Competition” to enhance the capabilities of personnel through best practice sharing and encouraged field application and improvement.

Owing to these efforts, the average incident rate with suppliers declined sharply from 0.75% in 2009 to 0.57% in 2010 ; with the increase of capability, the number of partners capable of managing their own ESH increased from 30 to 50.

In 2011, we will focus on the prevention of the suppliers’ ESH risks and conduct monitoring activities and supports to overseas and 2nd-tier suppliers, as well as fostering specialists.

**FUTURE DIRECTION**

- Support sustainable management through suppliers’ CSR management
- Continuous monitoring & preventing the use of illegally mined raw materials

**LG Electronics’ Supplier CSR Risk Management Program**

phase 1 Introduction	phase 2 Assessment	phase 3 Validation	phase 4 Improvement
Initial Assessment & CSR Requirements	Self Assessment & Improvement	Performance Improvement	Trend Analysis & Training
Internal/External Training Programs	Self Assessment Questionnaire (SAQ)	Selection for Audit Target	Continuous Monitoring
SCC* Compliance Agreement		Establishment of Audit Plan	Support for Supplier Competence Development
Initial Risk Assessment(RA1)		Corrective Action Process	Awards & Recognition
		Verification	Periodic & Unannounced Audit

\*SCC : Supplier Code of Conduct







## Community



## Hope for Life's Good

As a global leading corporate citizen, LG Electronics is contributing to achieving the UN Millennium Development Goals under the slogan “Hope for Life’s Good”.



Hunger is solvable, but no single organization can do it alone. That’s why WFP seeks to catalyze change through innovative partnerships in the fight against hunger – such as our partnership with LGE. The leadership being shown by LGE is an example of how the private sector can be a powerful force for good in our world. LGE is driving a global corporate social responsibility movement that helps the achievement of the Millennium Development Goals – of which halving hunger is the first one. LGE has been supporting WFP’s work in Africa since 2009, and is now also supporting the fight against hunger and under-nutrition in Asia, providing poor families with nutritious food while helping to protect them from the effects of climate change. Now that’s a real investment in the next generation!

**Josette Sheeran,**  
Executive Director of UN WFP



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# Social Contribution

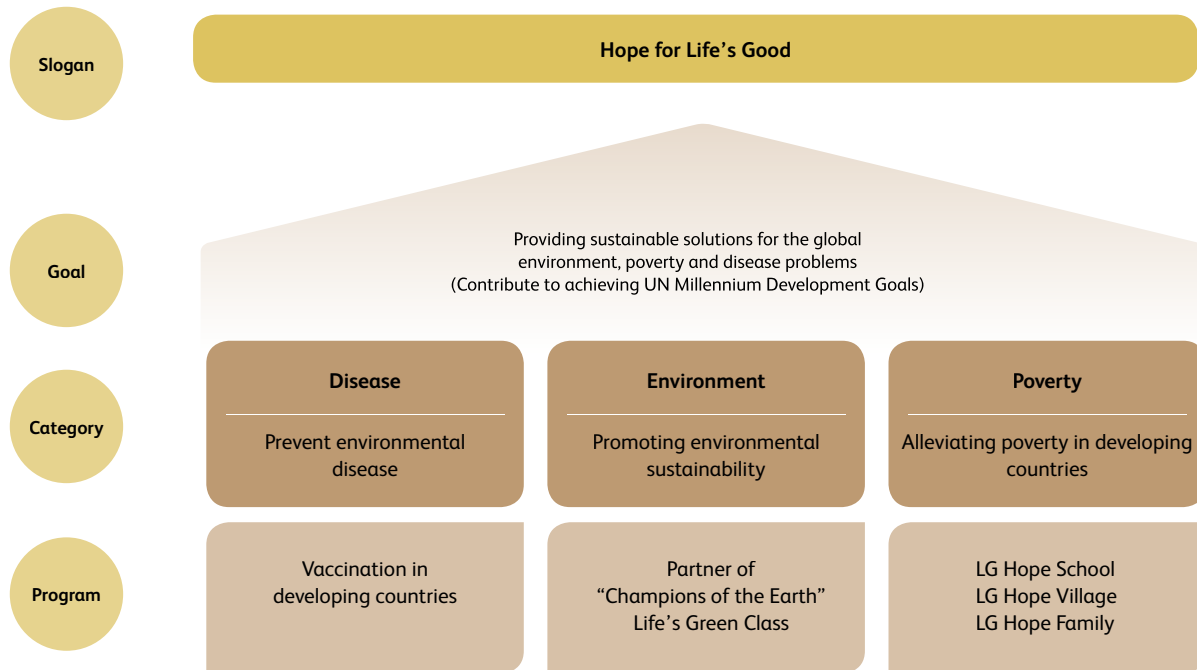
We are strengthening cooperation with both in-house and external individuals to actively respond to global issues and contribute to local communities with a long-term view.

## OUR APPROACH

- Contribute to achieving the UN Millennium Development Goals(UN MDGs)
- Contribute to promoting environmental awareness and alleviating poverty and disease
- Strengthen cooperation with diverse stakeholders

**LGE Social Contribution Framework** • Under the slogan “Hope for Life’s Good”, LGE has been making an effort in the community through activities such as securing environmental sustainability, contributing to eradicate poverty and environmental diseases in developing countries. In particular, the company has been actively implementing activities to improve long term awareness, donations, technical support, human resource fostering, and employee volunteering programs through diverse relevant organizations to achieve a sustainable solution to global issues.

### LG Electronics’ Social Contribution Framework



The UN Millennium Development Goals are eight international development goals that all 192 United Nations member states have agreed to achieve by the year 2015. They have 8 goals including eradicating extreme poverty(Goal 1), and ensuring environmental sustainability(Goal 7).



## OUR PERFORMANCE

### PROMOTE ENVIRONMENTAL AWARENESS



**Champions of the Earth 2010** • LGE has been active as the strategic partner of the UNEP Champions of the Earth since 2009. LGE has sponsored the 2010 Champions of the Earth promoted by the UN to improve environmental awareness. The president of the Maldives Mohamed Nasheed, a Chinese actress Zhou Xun, and 4 others won the 2010 Champions of the Earth award which was categorized into sections such as Policy Leadership, Science & Innovation, Corporation & Vision, and Awareness Improvement.

**Sponsoring the B4E Summit 2010** • LGE was the strategic partner of B4E Summit 2010, hosted by the UNEP, UN Global Compact, and WWF, and sponsored by the Ministry of Environment, Ministry of Knowledge Economy, and the Presidential Committee on Green Growth. LGE presented its strategy on partnership companies sustainability under the title of Sustainability Leadership, and introduced its environment strategy to over 1,000 participants through its exhibition booth, where the participants had the opportunity to have a real-life experience of the Smart Grid and renewable energy.

**Life's Green Class** • The "Life's Green Class" was initiated in 2006 through a partnership with Hanyang University. Through the program, environmental training was conducted by touring science fairs in elementary, junior high and high schools throughout the country using a specially customized vehicle equipped with a high-tech laboratory and video equipment. In 2010, LGE used the specially equipped vehicle and jointly launched an environmental training program with the University of Pune to the 70 middle schools near Pune city annually.

**Emergency Relief for Natural Disasters Caused by Climate Change** • While donating an emergency relief fund for environmental and natural disasters, LGE also operates temporary repair service centers. In 2010, LGE donated emergency relief funds for the victims of the earthquake in Haiti, the floods in Pakistan, and the forest fires in Russia.

### ALLEVIATING POVERTY IN DEVELOPING COUNTRIES



LGE operates the LG Hope Series in Africa and Asia to alleviate poverty and reduce the gap between the rich and the poor. LGE also pursues diverse activities to improve awareness of poverty and hunger.

**LG Hope Series** • Since 2009, LGE has been cooperating with the UN WFP in operating the LG Hope Series toward sustainable development. LGE provided 24,157 children with the opportunity of education in the 15 LG Hope Schools throughout the slum districts in Kenya. LGE also provided green land preservation support and food relief for 15,000 families in the 12 LG Hope Villages in 4 districts of Ethiopia to assist them in adapting to climate change. From 2011, LGE is planning to expand its LG Hope Series to Asia and operate the LG Hope Family program in Bangladesh and Cambodia.

**Global Hunger Elimination Campaign** • In June 2010, LGE jointly launched the hunger elimination campaign with Doctors without Borders to improve awareness of the seriousness of global hunger. In addition to sponsoring the production of documentaries on hunger, LGE has sponsored the airing of the documentary film in 20 majors cities including New York, Toronto, Milan and Rome throughout the world via Infinia TV.



1. Champions of the Earth Awarding Ceremony  
 2. Life's Green Class in India  
 3. LG Hope Family Partnership Signing Ceremony  
 4. LG-IVI Partnership Signing Ceremony



**ELIMINATING DISEASES**



**Vaccination in Developing Countries** • Since 2008, LGE has been sponsoring International Vaccination Institute(IVI) in its vaccine R&D and vaccination efforts to prevent environmental diseases in developing countries. LGE signed a MOU with IVI to supply vaccine from April 2010 to 2013 in Ethiopia, a country with a high death rate caused by cholera. LGE plans to vaccinate 20,000 local residents.

**Blood Donation Campaign**

Since LGE's cooperative agreement in 2004 with the Korea Red Cross as the 1st corporate organization to sign a blood donation agreement, LGE has been actively promoting a corporate-wide blood donation campaign. In 2010, LGE launched the "Share Life Campaign" it supported children with serious diseases by funding them with the amount corresponding to the number of blood donors. Consequently, 1,552 online users via SNS and employees participated in the blood donation program. LGE's blood donation campaign has also been conducted in Russia, Thailand and India.

**EMPLOYEES ENGAGEMENT**



**Life's Good Volunteers** • The "Life's Good Volunteers" are LGE's employees sharing their talent in an attempt to make life better and enrich it. Employees volunteer plan and implement activities using their own or their team's talent. In 2010, a total of 31 volunteer teams launched various events such as cleaning the river, and taking 1st birthday photos of babies of single mothers.

**LG IT Angels** • These are 1:1 visiting computer sessions jointly initiated with the Seoul Society for Rehabilitation of Persons with Disabilities

in 2004 to reduce the information gap for those with severe disabilities. 32 employees of LGE performed visitation PC training in 2010. In addition, LGE also sponsored the Seoul IT Challenge for the Disabled in which the participants of LG IT Angels Programme competed.

**Salary Rounding Fund** • 95.8% of the employees in LGE Korea (30,492 out of 31,840 employees) participate in donating money of less than KRW 1,000(about USD 1) from their salary each month. In 2010, a total of KRW 190,428,107 was raised and donated for emergency natural disaster relief funds.

**Executive Contribution Funds** • To strengthen executives leadership for social responsibility activities, 0.5% of their basic salary has been collected and its matching amount was provided by LGE as the society contribution funds by executives since 2004. 158 executives from LGE Korea(Proportion of Total Executives: 81.9%, as of Jan. 2011) and in 2010, the fund raised KRW 331,586,974. This fund was donated for the vaccine R&D and vaccination of people in developing countries.

**Charity Party for Africa** • To increase employees awareness of poverty in developing countries, the Charity Party for Africa was held at 7 business sites throughout the country, starting from the executives' seminar in March of 2010.

A total of KRW 24,665,000 was raised by selling Ethiopian honey and coffee. This fund was donated to Ethiopia LG Hope Village to purchase books and desks.

**FUTURE DIRECTION**

- Contribute to the UN Millennium Development Goals
- Launch social contribution programs that correspond to the core of LGE's business
- Encourage employee engagement



5. Blood donation campaign  
 6. Life's Good Volunteers  
 7. LG IT Angels  
 8. Charity Party for Africa



# Regional Community Activities Around the World

As a responsible corporate member of the global community, LG Electronics has been pursuing diverse social contribution programs, including donations for the environment, diseases, and poverty, while participating in technical support, talent fostering and volunteer activities.



**KOREA**  
*Environment, Employees*

**Junior Science Class** Employees who have a high interest in the environment and science held short training sessions and provided science classes to socially disadvantaged children for a day. Members from the MC R&D Center participated in the program and provided several science experiment classes.



**KAZAKHSTAN**  
*Disease*

**Healthy Asia with LG** Breast cancer is widely spread disease in Kazakhstan and early diagnostics is very important for saving lives. Kazakhstan subsidiary provides breast cancer diagnosis and promotes local citizens' health awareness with a specially equipped vehicle. In 2010, the program visited rural districts with poor transportation infrastructure and diagnosed 18,423 women. Among them, abnormal symptoms were identified at the early stage for 9,758 women.



**RUSSIA**  
*Disease, Online, Employees*

**Blood Donation** As the first corporate partner of the Russian government in blood donation, Russia subsidiary has designated 12 days of a year as the Blood Donation Day and launched a blood donation event in which 20% of LGE's employees participated. In addition, LGE appointed Olympic medalists, popular singers and other renowned figures as the LG blood donor-ambassadors and encouraged active participation among the local citizens.



**INDONESIA**  
*Environment, Education*

**LG Go Green** 12,500 trees were planted around corporate centers through this program in 2010. **LG Loves Children** In commemoration of the 20th anniversary of Indonesia subsidiary, the company formed a partnership with the community welfare organization, the Sayap Ibu Foundation, and established a school for the homeless and low income family children but also operates a free medical check up and provides medicine on a long-term basis.



Chile



**CHINA**  
*Poverty, Education*

**LG Hope School in Expo** Over 100 students and teachers in 10 LG Hope Schools in China were invited by China Region Representative to the Shanghai Expo LG Week and provided with an opportunity to experience science and culture. The LG Hope School in China is a program in which 1 branch office and 4 plants in China select 10 schools in 4 cities and provide sponsorship.



**KENYA**  
*Disease*

**Support for Prosthesis** For those who do not have their arms or legs by accident, natural disaster and War but did not have the money for proper treatment, this program provided 100 patients with treatment and prosthesis for a new life.



**CHILE**  
*Environment, Online*

**One Click, One Tree** This campaign was launched to build homes for the homeless and to plant trees. Over 120,000 customers took part in the campaign and by matching the number of clicks by the participating customers who watched the environment related video clip online, Chile subsidiary planted 5,000 trees and built homes for 1,200 families.



**INDIA**  
*Environment, Employees*

**Cyclotron Go Green** A cycling campaign was launched to promote awareness of the environment and over 1,000 employees participated in the campaign. In addition, a tree planting event was held in Pune.



**CANADA**  
*Disease*

**The Inside Ride** The Inside Ride is an indoor cycling celebration event dedicated to fundraising in support of childhood cancer charities which are profoundly underfunded. In 2010 over 57 schools and 40 workplaces hosted The Inside Ride. 15,000 people participated in over 100 events; with \$1.2 million raised. 100% of the donations were distributed solely to children's cancer charity initiatives: pediatric oncology hospitals, family funding, pediatric oncology research, year round survivorship support, and educational & vocational counseling for teens.



**POLAND**  
*Employees, Disease*

**Hope for Children** Mlawa subsidiary in Poland donated LCD TV with integrated DVD players to the oncological ward of the Children's Memorial Health Institute. LGE managers visited the institute and met young patients and their parents. LGE's Mlawa subsidiary and its employees care greatly about local children who regularly challenged physically, socially or economically.



# Employee



## Respecting Human Dignity

LG Electronics continues to make efforts to implement its management philosophy of respecting human dignity. Instead of striving for short term achievements, LGE is making an effort to recruit outstanding individuals and foster core human resources, despite difficult business conditions, to ensure long term growth. LGE is also supporting employee sustainable capacity enhancement and is making an effort to form a creative and free corporate culture that encourages innovative ideas.



Adopting a top management philosophy that emphasizes work and life balance sends a good message to employees. From a communications perspective, it is not only consistent with the tenets of LG Way, but it also positively demonstrates top management appreciation for the dedication and hard work of employees. As a newcomer to LGE, it is good to know that it is not “all work and no play,” and that while “Fast, Strong, Smart” is necessary to prevail from a business perspective, we should not forget to refresh and enjoy our lives.

As a global company, there are always going to be challenges. As one of the people responsible for facilitating culture and communications, a big challenge being faced is creating understanding across an organization that is so geographically and culturally diverse. Fortunately, in my short time here I have had the opportunity to work with high caliber LGE professionals and have observed first-hand the importance they place on shared understanding within the organization. From a work-culture perspective, I very much look forward to contributing to an environment that has embraced the collective mission and is actively pursuing new and innovative means by which to achieve it.

**Phillip Anderson**

HQ Corporate Culture Group, LG Electronics





# Corporate Culture / Work-Life Balance

LG Electronics is striving to create a corporate culture based on creativity and autonomy that elevates it to become a true number one. While forming a work environment in which employees work hard and improve their quality of life, it is also making an effort to elevate the standard of living for each individual member.

## OUR APPROACH

- **Objective:** To establish a creative and autonomous corporate culture based on LG Way
- **Strategy:** Implement LG Way based on the communication of trust and respect and contribute to achieving our corporate vision

## OUR PERFORMANCE

**Communication for Solving Problems** • LGE has been continuously making efforts to create a corporate culture based on communication. In particular, the communication culture, promoted under the title of “Open Communication” was transformed in 2010 into “Communication for Solving Problems”, which represents the process of 1:1 communication that solves problems that may occur in the organization. Instead of a simple give and take way of discussing intentions, this process allows an employee to communicate with top management or leaders in a timely manner.

Communication between individuals does not end with just reporting of the problem, but each member views the problem from the owner’s perspective and suggests a solution to the problem. This process increases their sense of belonging and contributes to individual perceptions.

**Efforts to Improve the Working Environment** • Through the LG Way survey held each year, LGE identifies awareness among employees as to whether they believe that they are working in an environment in which creativity and autonomy are respected. LGE is continuously making efforts to improve the environment in accordance with

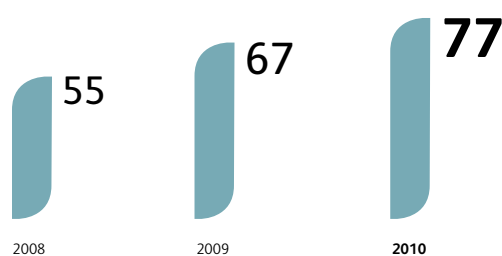
the results of the survey. Employees respond to a questionnaire on the working environment in which they can express their creativity and autonomy, as well as on leadership styles(e.g. I can work with initiative based on my ideas and judgment to achieve my organization’s goals. My supervisor encourages me to try new things that have not been tried before by others, etc).

More importantly, creativity and autonomy is not applied to only LGE but is continuously emphasized throughout all companies in the LG Group as a part of the management philosophy of respecting each member. Each business division at LGE conducts a yearly survey for individual employee satisfaction of their working life. The results of this survey are analyzed and through Focus Group Interview(FGI), improvement issues are identified, and feedback is then provided to each sub-division. Each organization then holds a workshop to develop improvement measures and continuously implements these measures until the next survey is conducted in the following year.

**Participation Culture Based on the Voice of Employees(VOE)** • Another main platform for LGE’s representative corporate culture is its VOE based culture. This is the process of identifying employee perception about major company policies, and after establishment, and then reflecting these views into those policies.

The corporate-wide slogan establishment process is a prime example. Interviews were conducted at all levels of the company to identify the direction the company must take and then a few suggestions were made based on the interviews. A survey was then performed on all company members to select the final slogan. Change Agent(CA) and Digital Board(DB) played important roles in encouraging this employee participation culture to become active. CAs are members that

The “Respect for Creativity and Autonomy” index in LG Way



- Research was conducted on office employees in Korea and overseas.
- Until 2009, the survey was conducted under three categories of Promoting Challenging Experiments, Open Communication, and Empowerment, but starting in 2010, the survey was integrated under the theme of “Respect for Creativity and Autonomy”.



1. Open Communication with top management
2. Digital Board’s event for employee





1. Event for the children of employees at Russian subsidiary  
 2. Singapore Subsidiary's "LG-Night of the stars"  
 3. Creating One Team in our Kenya Subsidiary

lead change in overseas organizations. 415 employees acted as the communicators and motivators in each of their respective organizations last year. DB is a medium for employees in Korea that delivers employee opinions to the top management and performs various roles for the rights of the employees.

VOE is considered first in all the improvement plans and is now a unique part of LGE's corporate culture.

**Handling Grievances and Employee Counseling** • LGE provides stress management and psychological counseling services so that employees can focus on their working life. It operates psychological counseling programs in all corporate branches throughout Korea, and a mobile counseling service is provided for small regional branches. In particular, a counseling service is provided to family members of employees at R&D centers to actively help employees solve their problems.

**Family Participation Activities** • LGE operates various programs for the family members of employees to ensure their work-life balance.

**Family farm at Production Engineering Research Institute** LGE Production Engineering Research Institute has been allocating family farm lots since 2008 so that the employees and their families can visit and experience farm life every weekend.

**HA Company's "Children's Day with Daddy"** Launched in 2004, this program is an event in which the children of the employees come and have a fun day at specially prepared an amusement park in the company.

**CTO Division's "Open Lab"** This is a day on which the technologies being developed at the research center and the center itself is introduced to family members of employees at the R&D center. Various programs are prepared for the family for this day.

**MC Company R&D center "Junior Science Class"** This is a fun experience program that includes a Science Experimental Class and Traditional Music Experience Class for the children of the employees at the R&D center.

**HE Company's "Family Festival"** In addition to showing the work place to their family members, HE Company prepares various programs so that the employees and their family members can have a fun time together at the company.

**Event for children of employees at Russia subsidiary** • LGE's Russian subsidiary invites the children of employees each year to Child Protection Day. The subsidiary gives the children a tour of the offices, production line, and the show room and prepares meals to enjoy with their parents at the employee cafeteria. In addition to this, the subsidiary also has an advertisement program titled LG Family.

**Programs for a Happy Corporate Life** • LGE operates the Creating Fun Work Place program and supports individuals' hobbies so that the employees can enjoy working at the office. It actively encourages employees in Korea to use their Refresh Vacation, which is 3 or more days.

**Singapore Subsidiary's "LG-Night of the Stars"** • The "LG-Night of the stars" was planned for all employees at the Singapore subsidiary to show the company's appreciation for their hard work. This event, in which the employees impersonate famous actors and actresses, included a dance party and activities for everyone to mingle, regardless of their position at the subsidiary.

**Creating One Team in Kenya Subsidiary** • The Kenya office holds team building events, that include sporting events or mountain climbing, at the end of the first and second half of each year to promote team work and create a pleasant working environment for all employees. This event eliminates the barriers of race, gender, assignment type, or position at the subsidiary, and provides good opportunities for everyone to become a member of One Team.

**Support for Informal Group Activities** • Over 216 informal LGE employee groups are active in Korea. LGE provides financial support so that these groups can continue to be active. In particular, the top management participates in these groups and increases interest among members.

## FUTURE DIRECTION

- Achieve No.1 based on the corporate-wide slogan of "Fast, Strong & Smart"
- Firmly root a corporate culture of true open communication
- Strengthen work & life balance

# Talent Management

Based on the corporate philosophy of “Respect for Human Dignity” and “Creating Value for Customers”, LG Electronics has been strengthening fundamentals as a manufacturing company and implementing various HR policies that respect the diversity of LG Electronics employees. The global business leader and life-long training program that fosters each employee as a specialist in their respective field is actively implemented both on and off line.

## OUR APPROACH

- **Mid and Long Term Goal: Hire and train employees who will develop the company into a true global leading company**

## OUR PERFORMANCE

**International HR Recruit Activities** • LGE is planning to hire over 5,000 new employees in 2011(in Korea) to strengthen its R&D capability. As a part of this effort, recruitment events were held in universities in Korea and overseas. In addition, LGE is actively pursuing various recruitment activities such as career development consulting and LG Techno Conference to acquire outstanding individuals throughout the world. HE Company provides internship opportunities to outstanding individuals through its Global Marketing Adventure and corporate-wide Right People Camp(RPC). LGE cooperates with universities through the Industry-University Program and at the same time, actively engages in recruitment activities for outstanding R&D individuals. As for the long term goal, LGE plans to increase its current recruitment ratio to acquire diversity as a global enterprise.

**Overseas Employee Adaptation Program** • When sending employees to an overseas subsidiary, LGE provides a training program involving work, language, culture, and leadership so that the employees can communicate with locals. In addition, LGE assigns these employees a project relevant to the country prior to sending the employee to that country, or sends the employee for a short period of time before permanent assignment to support fast adaptation and increase professionalism.

### Develop Specialists Corresponding to the Training Roadmap

• LGE conducts various training programs based on the corporate-wide training roadmap. Based on the results of the capability evaluation conducted each year, LGE implements a priority handling training program for all employees, designed for each employee’s job. In addition, LGE’s Global e-Learning program was expanded and LGE provides a specialist fostering program for each task and an individual capability development program for all employees.

### Global Talent Training Programs

• LGE has developed local training programs and has been actively making efforts to foster and recruit local professionals. LGE provides the “HR Fostering Program” through the Pyeongtaek learning center and 6 overseas learning centers (Brazil, Singapore, India, China, France, and UAE). In particular, LGE has developed a mandatory Global Training Program and provides the same course to all LGE employees throughout the world. This is LGE’s initiative to strengthen LG Way Leadership and to provide a uniform leadership fostering program to every employee. LGE provides a specialist training program for each job category, a specialized program for the different position levels, and in the case of Korea, LGE also provides in-house and external MBA programs through cooperation with leading universities in Korea.

## FUTURE DIRECTION

- **Establish a standardized training roadmap for overseas and strengthen the mandatory training programs**
- **Strengthen training programs for talented individuals in each region**
- **Increase employees’ opportunities to receive training**

**LG Electronics’ Employee Training Roadmap**

Job Role	Leadership			Grade	Competency	
	Korean	Overseas	Nomination Only or Elective			
Business Leader	EnDP*			G4/G5	Marketing Procurement Supply Chain Management(SCM) Production Quality 6 Sigma HR Finance	
	Executive Vice President (EVP) On-Boarding		Executive Leadership Coaching			
	New Executive Course					
	PBL** On-Boarding	New Team Leader				
Business Successor	Pre Executive			G4		
		G4 On-Boarding				
Group Leader (Manager)		Global Business Leader		G3		
	Advanced Manager		Elective Course for Group Leader			
Group Leader (Manager) Successor	New Manager		Group Leader Leadership Coaching	G2		
	G3 Training					
New Hires	G2 Training			G1		
	G1 Training					
	LGE New Hire					
	LG New Hire					

• In addition, various training programs are provided including in-house & external MBA programs.  
 • EnDP : Entrepreneur Development Program    \*\* PBL : Product Business Leader

# Fair Evaluation and Rewards

LG Electronics strongly believes that people should have proper incentives to produce their best work, and that good work should be amply rewarded. We therefore operate an objective and transparent evaluation and bonus system that takes individual and team achievement into consideration.

## OUR APPROACH

- **HR Principles: Respect each individual’s creativity and freedom(source of value creation)**
- **Mid and Long Term Goal: Acquire Global No. 1 standard organizational capability**
- **Strategic Directions: Improve individual employees’ and the organization’s capability standards through organization and HR development activities**

## OUR PERFORMANCE

**Global Standardization for Assessment Process** • LGE has established corporate-wide standard process and regulations, and it has been applying this towards the evaluation/incentive HR system. Capability evaluation on performance and team capability of office employees is conducted once a year to comprehensively evaluate the employee’s degree of achievement of goals, difficulty of goals, and competitiveness. The performance evaluation will be reflected on the individual’s salary increase & incentive bonus and the capability evaluation will be reflected on promotion.

360-degree multi-faceted evaluation of the leadership of managers is conducted once a year. LGE places high importance on the basic insight of an individual for promotion and conducts a promotion training program to ensure that the promoted employee will possess appropriate insight.

Starting in 2011, an individual performance incentive system will be applied for technical staff semiannually, and LGE is planning to strengthen responsibility towards quality.

### Global Total Reward(GTR) system

GTR Components	Grade	Four Position System(G1-G4) / Role-based Structure
	Basic pay	Role-based compensation / Job-based Basic Pay
	Incentives	Differentiated reward according to individual performance
	Performance Incentive	Annual performance incentive at company level

### Capability Development and Assessment Process

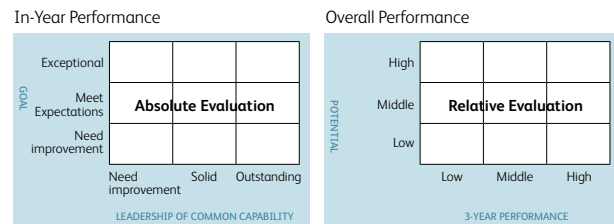


**Continuous Capability Development of Employees** • The current capability level is assessed in all employees and a capability development target is set. To achieve this goal, LGE establishes a capability development plan, and then implements job experience, mentoring and training programs to ensure continuous capability development.

**Promotion and Reward System** • LGE has initiated the Global Total Reward(GTR) system to help it attract top candidates and to respond to increasing global mobility.

However, in the case of overseas subsidiaries, multi-culture and special conditions are considered and the position as well as reward system is flexibly managed. From a long term perspective, the policy that considers multi-culture will be implemented in various ways.

### LG Electronics’ Performance Evaluation System



→ Salary and Bonus

→ Promotion and Staffing

## FUTURE DIRECTION

- **Improve salary competitiveness**
- **Improve differentiated rewards system according to performance**



# Labor Rights Protection

LG Electronics guarantees employees' basic labor rights including freedom to associate and right to negotiate. It is highly praised for its fine labor-management relationship based on the labor union's fulfillment of social responsibilities and future-oriented Win-Win Labor Relations.

## OUR APPROACH

- **Mid to long term goal: Improve the level of overseas sites to up to 90% of Korean sites by 2015 (assessment data based on EICC)**
- **Strategic plans: Motivating employees by protecting labor rights and reducing risks which threaten human/labor rights of suppliers**

## OUR PERFORMANCE

**Respecting Human Dignity** • LGE recognizes the right of all employees and stakeholders to pursue happiness, to work with dignity and to have their value as human beings respected. Accordingly, LGE complies with the standards established by the UN, ILO, OECD, and other international labor organizations as well as labor laws and regulations. It established and announced Global Labor Policy that contains the values to be shared with all stakeholders in August 2010. The Labor Policy includes a regulation that prohibits forced labor that restrains mental and physical freedom, employing minors below the age of 15, and assignment of dangerous tasks to youths under the age of 18. The Labor Policy further prohibits discrimination based on gender and race, promotes compliance with the maximum working hours set forth by the law, payment for overtime, and contributes towards local economic development. In addition, the policy also guarantees employees the freedom to join a union, as well as to join in the activities of the union and freedom to organize. The Labor Policy has been distributed to all the worksites throughout the world and has been complied with as the LGE labor standards.

**Diverse Communication Channels(in Korea)** • All employees of LGE are eligible to join and participate in the activities of labor unions, in accordance with the relevant collective bargaining agreements and labor union regulations. As of year-end 2010, a total of 8,215 employees, representing 27% of our total workforce in Korea, were union members. The union's infrastructure consists of one head office and six branches throughout the country. All union members have voting rights and are eligible to stand for office. In addition to the quarterly labor-management meeting and annual Collective bargaining, LGE communicates various issues, including working conditions, regularly through diverse channels. Both parties negotiate in good faith and with patience on important agendas to reach an agreement. A prime example is the adaptation of a performance-oriented promotion system for production employees that was es-

tablished in 2010 after 3 years of discussion. Through such efforts, the labor and the management achieved their 22nd consecutive year of agreement without dispute at the 2011 Collective bargaining held in February, proving LGE's superiority in labor relations. In addition, LGE also operates the Digital Board to obtain suggestions from both union and non-union members. LGE further makes diverse efforts through various channels to promote effective communication.

**Strengthening Global Win-Win Labor Relations** • In the case of overseas offices, there is higher chance for various labor-management issues to arise due to cultural differences. As a result, LGE has spread the advanced labor-management culture and labor-management know-how to overseas offices as a part of its ongoing efforts to form a global advanced labor-management culture. In 2010, LGE launched the Global Win-Win Labor Relations Project and inspected the labor-management status of subsidiaries in Nanjiang of China, Indonesia, and Poland. LGE advised these office to establish region-specific guidelines that reflect their culture and conditions. Continuing on from 2010 and to 2011, LGE is planning to establish a standard labor-management organization both in Korea and overseas and build an even stronger and more systematic labor-management relationship(See pages 18-19, "2010 Self-assessment and on-site audit" section). In addition, LGE is strengthening the global labor-management network to monitor and evaluate the labor-management relationship in real-time and assign a Green, Yellow, or Red signal corresponding to the situation.

**Establishment of Win-Win Labor Relations based on Social Responsibilities** • The Labor Union of LGE held a declaration event for the Union Social Responsibility(USR) Charter in January 2010. The union has faithfully been complying with the provisions set forth in the Charter and has introduced a new concept of labor union. The union introduced the "Win-Win Labor Relations" based on social responsibilities to the public, and has been making joint efforts with the management to create a healthy and sustainable society. For detailed information, please refer to Special Issue page 20-21.

## FUTURE DIRECTION

- **Improve global labor-management activities**
- **Expand labor rights protection activities for suppliers**



—  
**Management Report**  
**Our Data**  
**Appendix**  
—

# Corporate Governance

Since the creation of LG Group’s holding company structure, LG Electronics has operated with an advanced corporate governance structure, centered on the Board of Directors (BOD). The BOD is committed to upholding the highest standards of management transparency, and to increasing corporate and shareholder value.

## SHAREHOLDERS

As of year-end 2010, LGE’s total shares issued and outstanding were 161,833,806(144,647,814 common stock, and 17,185,992 preferred stock). The number of non-voting shares amounted to 17,949,149, or 11.1% of the total outstanding. LG Corp., the Group’s holding company, owns 34.8% of the shares. At the most recent Annual General Meeting(AGM), the CEO personally updated shareholders on current management issues. Shareholders’ opinions and suggestions were gathered, carefully considered by management and the BOD, and are reflected in corporate policy.

## BOARD OF DIRECTORS

The BOD consists of 7 Directors, 4 of whom are Outside Directors. The directors are elected in accordance with the Korean Commercial Code and other related regulations. The BOD operates independently of any influence from major shareholders and management. The Outside Directors are appointed by the AGM following review by the Outside Directors Candidate Recommendation Committee, to ensure fairness and transparency in the nomination of candidates.

The Outside Directors are recognized professionals who monitor overall corporate management activities and provide substantial advice to management. The BOD actively provides recommendations for important management decisions and conducts unbiased evaluation and supervision of the management.

In 2010, the BOD met 10 times to review 38 agendas(28 approved, 10 reported). The attendance rate by all BOD members was 97%(The attendance of the outside director was 100%).

## COMMITTEES

The BOD is supported by three Board Committees. They are the Audit

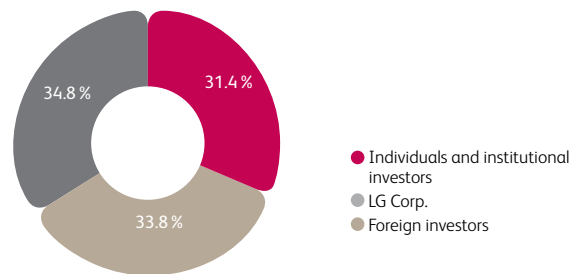
Committee, the Outside Director Candidate Recommendation Committee and the Management Committee. The Audit Committee consists of three Outside Directors, and is responsible for examining corporate financial records and accounting to ensure compliance with the accounting laws and transparency. The Management Committee reviews and determines the agendas delegated by the BOD and ordinary management activities. In 2010, the Management Committee reviewed a total of 52 agendas.

## EVALUATION AND COMPENSATION

Compensation for the BOD members is made within regulations pertaining to BOD compensation that has been approved at the General Shareholder’s Meeting. The evaluation of management and executives of LGE is held annually. Top management and executives are evaluated to determine whether they have set and achieved challenging goals, whether their job objectives composed of quantitative and non-quantitative factors were achieved, as well as their capability through fair and objective process, and appropriate compensation corresponding to the outcome of the evaluation is determined.

## Shareholders Status

As of December 31, 2010

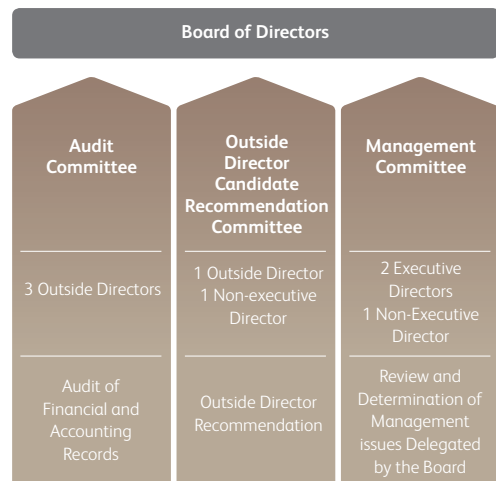


## LG Electronics’ BOD Status

As of March 31, 2011

Category	Name	Career	Remarks
Executive Director	Bon Joon Koo	CEO, Vice Chairman	Management Committee (Chairman)
	Do Hyun Jung	CFO, Executive Vice President	Management Committee
Non-Executive Director	Yu Sig Kang	Vice Chairman of LG Corp.	Chairman of the Board of Directors Outside Director Candidate Recommendation Committee (Chairman) Management Committee
	In Ki Joo	Professor of Yonsei University	Audit Committee(Chairman) Outside Director Candidate Recommendation Committee
Outside Director	Kyu Min Lee	Adviser of SK Research Institute	Audit Committee
	Sang Hee Kim	Attorney (former Vice Minister of Justice)	Audit Committee
	Chong Nam Chu	Professor of Seoul National University	

## Committees



# Compliance Risk Management

LG Electronics regards sound and transparent management practices as essential to achieving individual success and global competitiveness. Throughout our global operations, LG Electronics pledges to comply with local laws and regulations, compete fairly, and uphold the highest standards of corporate conduct.

## EFFECTIVE RISK CONTROL ACTIVITIES AT THE WORKSITE

As a part of our mission to establish “field-oriented risk management”, LGE has continued to implement various measures to promote effective internal control in all kinds of business operations, in all business sites through the development and deployment of corporate policies, training programs and self-review processes.

In 2010, these control activities were systematically monitored for the first time throughout 123 operations of LGE. These efforts have contributed to advancing the level of risk management throughout the company while solidifying Compliance Program as a whole.

## SURVEY ON EMPLOYEES’ AWARENESS LEVEL OF COMPLIANCE

In an effort to better understand employees’ compliance awareness, LGE conducted its first corporate-wide compliance survey. Data was gathered from over 33,000 employees, and was analyzed into 5 elements of “Awareness”, “Tone at the Top”, “Responsibility”, “Prevalence” and “Group Pressure”. Through this survey, LGE was able to calibrate compliance culture within each operation, and build a long-term foundation for nurturing a better compliance culture at LGE.

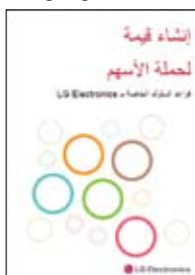
## CODE OF CONDUCT TRAINING IN 16 LANGUAGES FOR ALL NEW AND EXPERIENCED EMPLOYEES

In 2009, LGE conducted a the Code of Conduct training course for approximately 33,000 office-workers throughout the world. In 2010, the course was expanded to all new and experienced workers worldwide. The expanded course has been made available in 16 major languages used within LGE worldwide, and completion rates have improved from 77% in 2009 to 90% in 2010.

### Code of Conduct in 16 Languages



French



Arabic



Chinese(Simplified)



Code of Conduct Online Training Program(French)

## Compliance Risk Management Plan

- **Mid and long term vision and goal:** Establish effective field-oriented compliance risk management system
- **Strategic plans:** Establish a foundation for adopting and operating a corporate compliance system
- **Main achievements in 2010**
  - Improved effectiveness of risk control activities in the field
  - Enhanced employee understanding and awareness of compliance

# Jeong-Do Management

LG Electronics established its Code of Ethics and supplementary guidelines to make clear to everyone in the corporate our high expectations for personal conduct and professional judgment. It applies the same standards to all suppliers and business partners who do business with LG Electronics.

## CODE OF ETHICS HANDBOOK RELEASED IN 3 LANGUAGES

LGE drafted its first edition of Code of Ethics in 1994, based on the Jeong-Do Management. Since Chairman Bon Moo Koo announced LGE's management objectives as Jeong-Do Management and No.1 LG at an inauguration ceremony in 1995, the Code of Ethics has been well complied with throughout LGE. To help familiarize LGE's Code of Ethics and encourage employees to comply with Jeong-Do Management, a handbook was created in English, Korean and Chinese. This handbook not only specifies the LG Way and Jeong-Do Management pursued by LGE, but also includes the ethical guidelines such as Code of Ethics, Code of Ethics Practice Guide, and detailed action definitions, as well as a Q&A format of actions to be taken in the event of violation of Code of Ethics during the course of work.

## GLOBAL TRAINING/PROMOTION ON JEONG-DO MANAGEMENT

LGE recognizes that Jeong-Do Management is not an option but an essential condition for its survival. LGE carries out Jeong-Do Management training programs and promotion activities each year to all the employees to prevent corruption and deeply root Jeong-Do Management culture. In 2010, efforts were made not only with employees in Korea but at global level to include overseas employees. As a result, a total of 18,873 employees completed the training program. In addition, Jeong-Do Management managers in overseas subsidiary

actively promoted the program in diverse ways to get the employees involved with Jeong-Do Management activities and understand its significance.

## JEONG-DO MANAGEMENT TOGETHER WITH SUPPLIERS

In line with the trend of increasing importance of the Win-Win Relationship and CSR Management throughout the world, LGE has fully launched a Jeong-Do Management training program for domestic and overseas suppliers. With the start of training program for suppliers in India and Yentai, China in 2009, the program was expanded to include 141 suppliers in Tianjin, China in 2010. LGE is planning to include suppliers in Europe in 2011. LGE is continuously expanding its Jeong-Do Training Program for suppliers. Through the training programs, suppliers will have better understanding of LGE's Code of Ethics and the objectives related to Jeong-Do management and building a win-win relationship.

## ESTABLISHMENT OF LGE'S COMMON CRITERIA FOR JEONG-DO MANAGEMENT

According to LGE's regulations, employees should report to the Ethics Department if they receive money or valuables from an interested party that is beyond an acceptable amount. But since the valuables were reported in KRW or USD only, it was difficult to apply this regulation in some overseas subsidiaries. Accordingly, new common criteria are set for each region, taking the region's price levels into consideration.

## 2011 IMPLEMENTATION PLAN

Internally, the training and promotion system will be rooted as a part of a corporate principle that will promote self-motivated participation in Jeong-Do Management by every employee. Externally, LGE will continue to make every effort to elevate the level of Jeong-Do Management in order to become an ethical enterprise that leads the electronics industry.



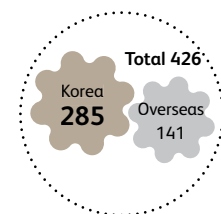
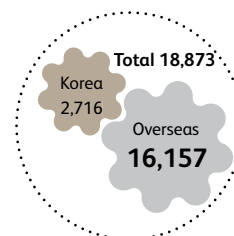
Jeong-Do Management Handbooks in Korean, English, and Chinese



Jeong-Do Management Training Program(2010)

No. of employees(Unit: People)

No. of suppliers(Unit: Suppliers)





# Fair Trade

LG Electronics implements and strengthens fair trade compliance programs to maintain awareness of fair competition rules and proper transaction standards throughout our value chain.

## REINFORCING FAIR TRADE COMPLIANCE ACTIVITIES

Fair Trade Compliance managers are appointed from business divisions and supported by the Fair Trade Compliance Office at corporate headquarters. Training is conducted at each tier of the value chain, fair trade compliance, and initiate improvement activities are strengthened overall through this process. Fair Trade Compliance activities to enable all the employees to recognize that fair competition and trade mean not just complying with laws and regulations but are essential elements of corporate survival in the competitive market.

## CARTEL PREVENTION ACTIVITIES

Cartels have become an issue both in Korea and throughout the world. Accordingly, LGE's CEO, CRO, and Fair Trade Compliance Officer sent e-mail notices to all employees warning them not to participate in cartels. In addition, live training for cartel prevention for employees was expanded to include members of the executive management team, employees of Korea Marketing Company, employees of various business divisions in Korea as well as overseas subsidiaries, reaching over 1,000 employees in 2010.

As part of the training program, participating employees are required to sign a Pledge of Cartel Compliance. In addition, in-depth interviews and audits are held for employees whose duties and responsibilities may expose them to cartels to prevent potential risk of cartel involvement. Furthermore, LGE continuously communicates with the relevant government agencies and law firms both in Korea and overseas to learn from cartel regulation trends and cartel-related cases. LGE integrates the knowledge to the Fair Trade Compliance activities.

## WIN-WIN PARTNERSHIP AND FAIR TRADE AGREEMENT

LGE held the Win-Win Partnership and Fair Trade Agreement Signing Ceremony in September 2010. In the agreement, LGE pledged to provide financial support to 817 partners: KRW 61 billion in direct loans, indirect support of over KRW 270 billion, as well as 100% cash payments for their products and services. LGE has also promised to

support localization of parts, cooperative research and development, certification and procurement of green products, reassignment and other business related supports including training programs for long-term employees, online training, management competency enhancement, and management consulting. LGE will continue to provide the aforementioned support and will make every effort to improve the win-win relationship with its partners in 2011.

## FUTURE DIRECTION

LGE is planning to increase its efforts in reorganizing the system so that each local business division at all levels of the value chain are able to perform self-supporting Fair Trade Compliance activities. Particularly, the Fair Trade Compliance Office at corporate headquarters is planning to visit over 20 overseas subsidiaries in 2011 to monitor their fair trade compliance activities and increase their awareness on this issue.



Live training for cartel prevention for employees

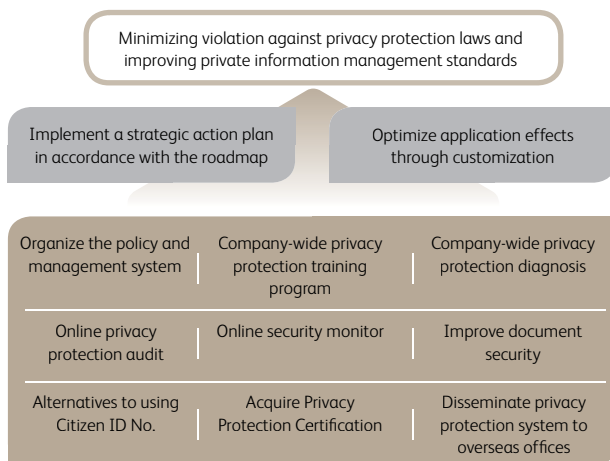
# Privacy Protection

As we face the cutting-edge technology era of the 21st century, global enterprises are making every effort to protect valuable corporate information and customer information. Information security activity is recognized as an essential factor for LG Electronics' sustainable growth and LG Electronics is implementing diverse activities as a world leading enterprise.

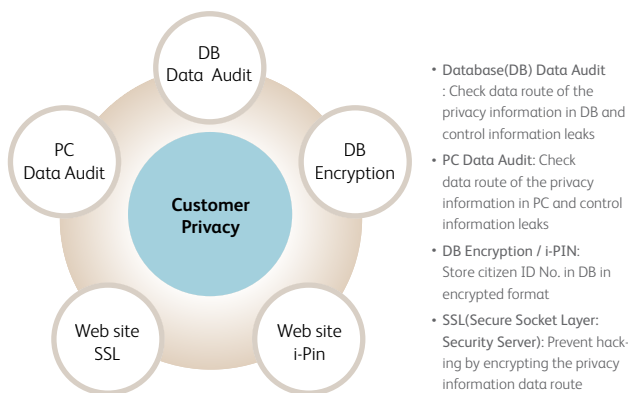
## CUSTOMER PRIVACY

LGE conducts a scheduled privacy protection training program for system operators who directly manage customer information so that leakage of customer information by human error is prevented.

### LG Electronics' Privacy Control Strategy



### Applying Solutions to Secure Customer Privacy



## CERTIFICATION OF PROTECTION FOR SECURING CUSTOMER INFORMATION

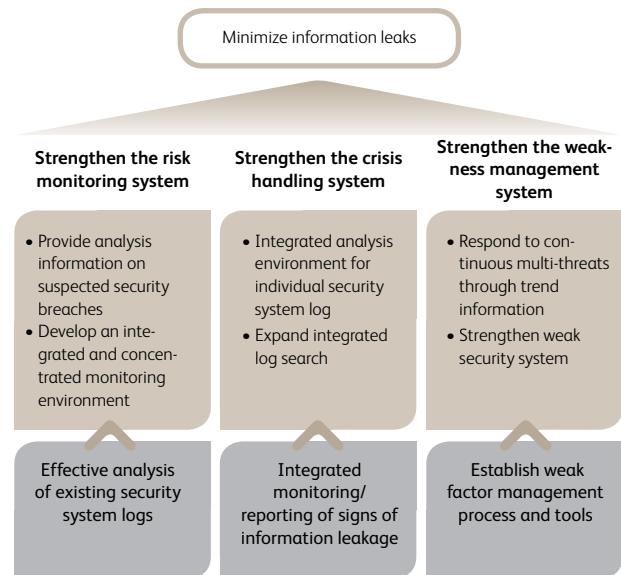


LGE and LG CYON websites protect customer information systematically and technically. LGE was certified as an outstanding privacy protection website by Korea Association for ICT Promotion(KAIT).

## ESTABLISHMENT OF A GLOBAL INFORMATION SECURITY MANAGEMENT SYSTEM

LGE is currently building a monitoring system that detects any attempt to steal corporate and customer information, and is making efforts to build a system that can take measures in the event of an accident. It has minimized the risk of information leakage through integrated management of the Information Security System and by systematically analyzing whether or not the information has been leaked.

### Minimizing information leakage risk by developing an integrated monitoring system



Not only at the business sites in Korea but throughout over 100 subsidiaries LGE operates a corporate-wide information security system. LGE holds "Global Security Conference" and training programs periodically to improve the capability of security managers. LGE performs periodical on-site audits for information security and customer information protection at least twice a year to identify weaknesses.

In 2006, LGE's MC R&D Center was certified by the Global Information Security Management System(ISO 27001), and LGE is operating a global information security management system at all business sites. It has established a risk analysis and management plan for its important management and technology information and has been continuously making improvements to the information security system. LGE has also established an information security system for suppliers. In this respect, LGE provides suppliers with information security training and carries out on-site audits twice a year.

# Economic Data

## 1. Sales Result(Parent) Summarized Income Statement

Unit: KRW million

Category	2010	2009	2008
1. Sales	29,238,503	30,513,436	27,638,515
Domestic Sales	6,892,025	6,665,027	6,445,179
Exports	22,346,478	23,848,409	21,193,336
2. Cost of Sales	24,893,697	23,406,778	20,822,187
3. Gross Profit	4,344,806	7,106,658	6,816,328
4. Selling and administrative expenses	5,449,449	5,694,164	5,589,438
5. Operating Income(loss)	(1,104,643)	1,412,494	1,226,890
6. Financial Income	707,739	1,340,197	2,670,535
7. Financial Expenses	680,091	1,333,720	3,382,401
8. Net Incomes before corporate tax expenses(loss)	(1,076,995)	1,418,971	515,024
9. Corporate Tax Expenses(gain)	(441,121)	272,167	32,238
10. Net Income(loss)	(635,874)	1,146,804	482,786

\* We adopted and applied K-IFRS from 2010 and prepared the income statement of 2009 again based on K-IFRS.  
The income statement of 2008 was prepared based on Korean Business Accounting Standards.

## 2. Asset Status(Parent) Summarized Financial Position

Unit: KRW million

Category	2010	2009	2008
I. Current assets	8,094,379	7,691,694	4,517,638
Trade receivables	7,029,587	6,924,675	3,616,517
Inventory	1,064,792	767,019	901,121
II. Non-current assets	14,880,630	14,451,516	12,820,243
Investments in subsidiaries, jointly controlled and associates	7,844,726	7,897,109	7,879,443
Tangible assets	4,661,430	4,657,140	3,710,704
Intangible assets	725,818	685,917	470,610
Other non-current assets	1,648,656	1,211,350	759,486
<b>Total assets</b>	<b>22,975,009</b>	<b>22,143,210</b>	<b>17,337,881</b>
I. Current liabilities	9,358,809	8,668,430	5,941,588
II. Non-Current liabilities	3,690,072	2,586,825	2,989,488
<b>Total liabilities</b>	<b>13,048,881</b>	<b>11,255,255</b>	<b>8,931,076</b>
I. Paid-in capital	3,017,088	3,017,088	3,461,080
Capital stock	809,169	809,169	809,169
Premium on Capital stock	2,207,919	2,207,919	2,651,911
II. Earned surplus	6,932,015	7,892,549	4,117,223
III. Accumulated other comprehensive income	9,844	11,137	873,395
IV. Other components of equity	(32,819)	(32,819)	(44,893)
<b>Total equity</b>	<b>9,926,128</b>	<b>10,887,955</b>	<b>8,406,805</b>
<b>Total liabilities and equity</b>	<b>22,975,009</b>	<b>22,143,210</b>	<b>17,337,881</b>

\* We adopted and applied K-IFRS from 2010 and prepared the income statement of 2009 again based on K-IFRS.  
The income statement of 2008 was prepared based on Korean Business Accounting Standards.



### 3. MAIN FINANCIAL RATIO(Parent)

#### Stability Ratios Trends

Category	Formula	Ratio		
		2010	2009	2008
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}} \times 100$	86.5%	88.7%	76.0%
Debt ratio	$\frac{\text{Total liabilities}}{\text{Equity capital}} \times 100$	131.5%	103.4%	106.2%
Borrowings and bonds Payable ratio	$\frac{\text{Debt}}{\text{Total assets}} \times 100$	21.8%	15.6%	14.9%
Interest coverage ratio to operating profit	$\frac{\text{Operating income}}{\text{Interest expenses}}$	-7.6 x	7.4 x	11.4 x

\* We adopted and applied K-IFRS from 2010 and prepared the income statement of 2009 again based on K-IFRS. The income statement of 2008 was prepared based on Korean Business Accounting Standards.

#### Profitability Ratios Trends

Category	Formula	Ratio		
		2010	2009	2008
Operating income to sales	$\frac{\text{Operating income}}{\text{Sales}} \times 100$	-3.8%	4.6%	4.4%
Net income to sales	$\frac{\text{Net income}}{\text{Sales}} \times 100$	-2.2%	3.8%	1.7%
Net income to total assets	$\frac{\text{Net income}}{\left( \frac{\text{Total assets at the beginning of the fiscal period} + \text{Total assets at the end of the fiscal period}}{2} \right)} \times 100$	-2.8%	5.2%	3.0%

\* We adopted and applied K-IFRS from 2010 and prepared the income statement of 2009 again based on K-IFRS. The income statement of 2008 was prepared based on Korean Business Accounting Standards.

#### Activity and Growth Ratios Trends

Category	Formula	Ratio		
		2010	2009	2008
Growth rate of sales	$\frac{\text{Sales of the current fiscal year} - \text{Sales of the previous fiscal year}}{\text{Sales of the previous fiscal year}} \times 100 - 100$	-4.2%	10.4%	17.6%
Growth rate of operating income	$\frac{\text{Operating income of the current fiscal year} - \text{Operating income of the previous fiscal year}}{\text{Operating income of the previous fiscal year}} \times 100 - 100$	-178.2%	15.1%	117.3%
Growth rate of net income of the current fiscal year	$\frac{\text{Net income of the current fiscal year} - \text{Net income of the previous fiscal year}}{\text{Net income of the previous fiscal year}} \times 100 - 100$	-155.4%	137.5%	-60.5%
Growth rate of total assets	$\frac{\text{Total assets at the end of the current fiscal year} - \text{Total assets at the end of the previous fiscal year}}{\text{Total assets at the end of the previous fiscal year}} \times 100 - 100$	3.8%	27.7%	20.9%
Assets turnover ratio	$\frac{\text{Sales}}{\left( \frac{\text{Total assets at the beginning of the fiscal period} + \text{Total assets at the end of the fiscal period}}{2} \right)}$	1.3	1.4	1.7

\* We adopted and applied K-IFRS from 2010 and prepared the income statement of 2009 again based on K-IFRS. The income statement of 2008 was prepared based on Korean Business Accounting Standards.

# Social Data

The number of employees working at LG Electronics is 90,578 as of December 31, 2010. Among them, 31,840 work in Korea and 58,738 work in overseas offices. Approximately 64.8% of the total employees are either Korean workers dispatched abroad or locally recruited. Among the Korean employees, temporary employees numbered just 330, or 1.0% of the total. The resignation rate of 4.8% in 2009 was up 1.5% from the previous year. 1.3% of the total employees have disabilities.

The average age of the employees is 35.5 years old(average age for male employees is 37.3) and the female executives account for 1.5%. The average age for female executives is 47.6 years old(the average age level among the male executives is 50.3). The minimum wage for newly hired employees is 322% higher than the government set minimum wage. There is no salary gap between males and females.

Percentage of Temporary Employees, Retired Employees, and Female Employees(in Korea)

s of December 31, 2010



Number of Employees

As of December 31, 2010

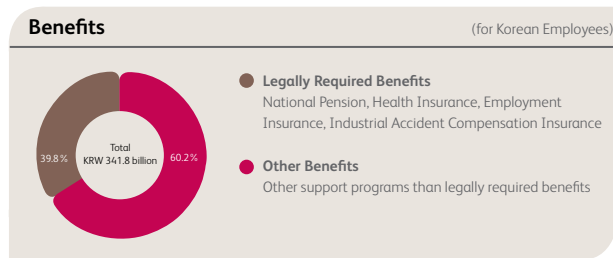
Organization	Total	Korea				Overseas*				
		Executive	Staff	Operator	Others**	Total	Executive	Staff	Operator	Total
HE Company	15,333	33	4,951	2,556	76	7,616	5	2,037	5,675	7,717
MC Company	14,397	40	7,419	2,142	60	9,661	12	2,509	2,215	4,736
HA Company	9,745	14	2,178	2,095	87	4,374	7	1,453	3,911	5,371
AE Company	8,046	17	1,774	1,442	23	3,256	4	1,796	2,990	4,790
CTO	2,922	27	2,754	5	28	2,814	1	107	-	108
Headquarters	5,926	61	2,667	165	55	2,948	2	886	2,090	2,978
Korea Marketing Company	1,171	5	1,165	-	1	1,171	-	-	-	0
North America Region Representative	2,263						6	1,856	401	2,263
Europe Region Representative	3,426						12	3,414	-	3,426
Southeast Asia Region Representative	6,870						3	3,795	3,072	6,870
Southwest Asia Region Representative	4,435						4	2,693	1,738	4,435
South & Central America Region Representative	7,590						4	3,842	3,744	7,590
Middle East & Africa Region Representative	2,025						6	1,782	237	2,025
CIS Region Representative	3,204						6	1,675	1,523	3,204
China Region Representative	3,225						9	3,216	-	3,225
<b>Total</b>	<b>90,578</b>	<b>197</b>	<b>22,908</b>	<b>8,405</b>	<b>330</b>	<b>31,840</b>	<b>81</b>	<b>31,061</b>	<b>27,596</b>	<b>58,738</b>

\* Korean staff working overseas(FSE: Foreign Service Employee) are included in overseas workforce

\*\* Contract workers

### Benefits and Support Programs

LGE helps employees maintain a harmony between their work and personal life. It also increases creativity and competitiveness by improving employee welfare as well as supporting employee leisure activities and benefits such as paid maternity leave.



### Employee Training Time Table

Country / Region	Total Training Hours	Training Hours per Employee
2008 Korea	1,036,706	54.7
2008 Overseas	136,826	5.1
2009 Korea	628,478	31.1
2009 Overseas	169,117	6.3
2010 Korea	963,686	41.7
2010 Overseas	86,963	2.8

\* Training hours in Korea in 2010 increased as a result of the increase in new recruitment (1,960 employees)

\* Training in overseas not conducted during second half of 2010 as a result of Global Organization Restructuring and overseas training system/program revision

### Benefits and Support Programs(for Korean Employees)

<b>Leisure Activities</b>	<ul style="list-style-type: none"> <li>Vacation for Refreshment: Employees plan their yearly vacation at the beginning of the year and are encouraged to freely take their leaves</li> <li>Resort Facilities: Employees have access to 10 resort facilities(including condominiums and pensions) across Korea</li> <li>Informal Groups: Hobby and volunteer groups</li> </ul>
<b>Childbirth and Maternity Leave</b>	<ul style="list-style-type: none"> <li>Lounge and nursing room for female employees: For female employees / pregnant and nursing employees</li> <li>Childcare Facilities : Available in Seoul, Pyeongtaek, Changwon; plans in place for expansion to all business sites</li> <li>Maternity Leave - Paid maternity leave for female employees before and after childbirth(up to 90 days)</li> <li>- Time off offered in the event of a miscarriage / stillbirth(30-90 days), time off for fertility issues(2 days)</li> <li>- Time off given when a spouse gives birth(3 days)</li> <li>- Time off given to raise infants under one year of age(for up to 12 months)</li> </ul>
<b>Housing and Stable Living</b>	<ul style="list-style-type: none"> <li>Housing Loans: Housing loans offered to employees with at least two years of experience of service</li> <li>Domestic Moving Costs: Assistance with moving costs when an employee is transferred</li> <li>Congratulatory / Condolence Money: Support for congratulatory events and funerals of employees and their families</li> <li>Disaster Relief Money: Support offered to employees and their families who have suffered property damage cause</li> </ul>
<b>Medical / Health</b>	<ul style="list-style-type: none"> <li>Medical expenses for employees and family members</li> <li>Group insurance related to disasters; operation of Health Care Center and Counseling Center</li> <li>Paid sick leave: For sick leave due to occupational accidents, 70% of average wages for personal illness, 30-100% of ordinary wages</li> </ul>
<b>Education</b>	<ul style="list-style-type: none"> <li>Scholarship for employees' children / Support for employees entering / reentering educational programs</li> <li>Special lectures on healthcare, financial technology, and family life</li> </ul>
<b>Legally Required Benefits</b>	<ul style="list-style-type: none"> <li>National Pension, Health Insurance, Employment Insurance, Industrial Accident Compensation Insurance</li> <li>Retirement Pension System: Fixed amount guaranteed</li> </ul>
<b>Selective Benefits</b>	<ul style="list-style-type: none"> <li>KRW 1,000,000 worth of points awarded to employees</li> <li>Points can be redeemed for personal development, leisure / health, gift &amp; product purchasing</li> </ul>

### Learning-NET Service

Website	Learning-NET(Korean)	Learning-NET(Global)	Learning-NET(Chinese)
Participants	Korean employees	Korean and overseas employees	Chinese employees
No. of Employees Trained(as of 2010)	163,485	94,416	23,419
No. of Training Courses(as of 2011)	536	517	507
Language	Korean	English, Spanish, Portuguese, etc.	Chinese

# Environmental Data

LG Electronics manages the environmental management standards at 50% stricter than the legal standards, contributing to reducing environmental risks and improving the local environment through such strict management. To increase the reliability of the environment data, LG Electronics ensures that the relevant personnel in all production sites undergo corresponding training sessions, while continuously improve the overall data management system. In this process, LG Electronics identified some errors in the previous year's data due to differing data management systems among sites. LG Electronics will provide a more reliable environmental data through improved management systems.

\* All data correspond to the entire production sites of LGE(6 in Korea and 30 overseas), except the data on Energy and Material

## INPUT DATA

Energy		Unit: TJ		
Period	2008	2009	2010	
Electricity	5,906.37	5,213.07	<b>5,720.85</b>	
Steam	421.91	367.39	<b>390.17</b>	
LNG	1,463.43	1,053.40	<b>1,112.84</b>	
Coal	1,233.16	1,101.25	<b>1,137.22</b>	
Other	558.55	398.54	<b>474.29</b>	
<b>Total</b>	<b>9,583.42</b>	<b>8,133.65</b>	<b>8,835.37</b>	

\* Applicable business sites: Korea(production, office, R&D centers); Overseas(production)

\* Applicable energy usage: Combustion facility in business sites and external electricity and heat usage(excluding energy consumed by vehicles)

\* The energy consumption is calculated based on net heating value

\* Verification status: Korea(2008 - 2010), Overseas(verification is not performed, excepting for China from 2008 to 2009)

\* The data correction can be made in the process of the third party verification.

Water use		Unit: Ton		
	2008	2009	2010	
Korea	4,159,930 (3,574,123)	4,338,142 (3,024,600)	<b>5,670,585</b>	
Overseas	6,354,165 (5,252,002)	5,936,851 (4,820,769)	<b>6,220,628</b>	
<b>Total</b>	<b>10,514,095</b> <b>(8,826,125)</b>	<b>10,274,993</b> <b>(7,845,369)</b>	<b>11,891,213</b>	

\* The numbers in parenthesis "( )" indicate the mistaken data disclosed in the 2009 report. The values have been adjusted to fix the errors occurred during the verification process.

\* The water usage has significantly increased in Korea in 2010 because of the changed manufacturing process in the Gumi PDP site and mass production of the solar cell initiated in 2010.

Ozone depleting chemicals		Unit: Ton		
	2008	2009	2010	
HCFC (R22)	Korea	2,324	1,631	<b>1,509</b>
	Overseas	3,530	3,036	<b>3,023</b>
	<b>Total</b>	<b>5,854</b>	<b>4,667</b>	<b>4,532</b>

Material(in Korea)		
Products Required for Recycling	Released Volume(Ton)	
Refrigerator(General)	<b>102,302</b>	
Refrigerator(for Kimchi)	<b>25,545</b>	
Washing Machine(Top-load)	<b>26,048</b>	
Washing Machine(Front-load)	<b>27,614</b>	
Air-conditioner(Indoor unit)	<b>25,979</b>	
Air-conditioner(Outdoor unit)	<b>44,819</b>	
Television(CRT)	<b>3,130</b>	
Television(LCD, PDP)	<b>19,439</b>	
Personal Computer(Monitor)	<b>6,541</b>	
Personal Computer(Keyboard)	<b>445</b>	
Personal Computer(Desktop)	<b>2,639</b>	
Personal Computer(Lap-top)	<b>552</b>	
Audio(All-in-one type)	<b>81</b>	
Audio(Separated type body)	<b>222</b>	
Audio(Speaker)	<b>631</b>	
Mobile handset(Body)	<b>195</b>	
Mobile handset(Battery)	<b>54</b>	
Mobile handset(Charger)	<b>35</b>	
Printer(Laiser)	<b>328</b>	
Printer(Non-Laiser)	<b>286,599</b>	
<b>Total</b>	<b>286,599</b>	



## OUTPUT DATA

### Air Emission

Unit: Ton

Category	Region	2008	2009	2010
NOx	Korea	2.1 (7.2)	1.5 (6.5)	<b>1.8</b>
	Overseas	103.9(123)	92.6 (108)	<b>114.1</b>
	Total	106.0 (130.2)	94.1 (114.5)	<b>115.9</b>
SOx	Korea	0.3 (1)	0.1 (0.1)	<b>0.4</b>
	Overseas	73.2 (102)	55.6 (67)	<b>89.1</b>
	Total	73.5 (103)	55.7 (67.1)	<b>89.5</b>
Dust	Korea	6.6 (4.8)	4.0 (3.5)	<b>5.0</b>
	Overseas	76.9 (91)	66.5 (81)	<b>80.7</b>
	Total	83.5 (95.8)	70.5 (84.5)	<b>85.7</b>
VOCs	Korea (ppm)	11.5 (0)	14.0 (0)	<b>16.4</b>
	Overseas (ton)	16.0 (29)	21.6 (43)	<b>21.8</b>

\* The numbers in parenthesis "( )" indicate the mistaken data disclosed in the 2009 report. The values have been adjusted to fix the errors occurred during the verification process.

\* In case of VOCs, there was no standard for VOC measurement in Korea so this report presents the average concentration of Total Hydrocarbon (THC) in ppm from the painting facilities.

### Discharges into Water

Unit: Ton

Category	Region	2008	2009	2010
T-P	Korea	0.8	1.5	<b>1.3</b>
	Overseas	0.6	0.6	<b>0.5</b>
	Total	1.4	2.1	<b>1.8</b>
T-N	Korea	33.8 (34.4)	51.3 (52.2)	<b>58.0</b>
	Overseas	5.1 (67)	6.5 (42)	<b>5.3</b>
	Total	38.9 (101.4)	57.8 (94.2)	<b>63.3</b>
SS	Korea	11.5 (13.2)	18.3 (19.2)	<b>38.8</b>
	Overseas	56.9 (151)	32.7 (96)	<b>30.5</b>
	Total	68.4 (164.2)	51.0 (115.2)	<b>69.3</b>
COD	Korea	43.9 (44.2)	54.4 (55)	<b>106.8</b>
	Overseas	100.0 (373)	48.0 (372)	<b>99.2</b>
	Total	143.9(417.2)	102.4 (427)	<b>206</b>

\* The numbers in parenthesis "( )" indicate the mistaken data disclosed in the 2009 report. The values have been adjusted to fix the errors occurred during the verification process.

\* Previous reports included the measurement for general sewerage waste water treatment facility, but this report only includes the waste water facilities directly related to the production.

### Waste

Unit: Ton

Category	Region	2008	2009	2010	
Recycle	Korea	28,187 (30,428)	27,911 (27,894)	<b>37,529</b>	
	Overseas	71,480 (87,839)	68,601 (103,027)	<b>80,472</b>	
	Total	99,667 (118,267)	96,512 (130,921)	<b>118,001</b>	
Landfill	Korea	4,145 (5,476)	1,614 (1,870)	<b>4,368</b>	
	Overseas	29,972 (9,381)	26,766 (8,975)	<b>40,434</b>	
	Total	34,117 (14,857)	28,380 (10,845)	<b>44,802</b>	
Incineration	Korea	5,754 (9,028)	5,114 (4,739)	<b>6,452</b>	
	Overseas	1,561 (478)	898 (620)	<b>1,166</b>	
	Total	7,315 (9,506)	6,012 (5,359)	<b>7,618</b>	
By region	Korea	General	34,255	32,200	<b>45,883</b>
		Hazardous	3,831	2,439	<b>2,466</b>
	Overseas		38,086	34,639	<b>48,349</b>
			103,013	96,265	<b>122,072</b>
Total		141,099	130,904	<b>170,421</b>	

\* The numbers in parenthesis "( )" indicate the mistaken data disclosed in the 2009 report. The values have been adjusted to fix the errors occurred during the verification process.

\* Incineration includes the heat recovery

\* For hazardous wastes, this reports only includes data from Korea, because definition of hazardous wastes differs in each country.

\* The increase in the amount of waste is due to sludge from changed manufacturing process in Gumi PDP site and additional waste from closed video tape plant in Cheongju site.



## Wastewater discharge

Unit: Ton

Region	2008	2009	2010
<b>Korea</b>	2,510,566 (2,646,430)	3,017,428 (3,154,587)	<b>3,922,150</b>
<b>Overseas</b>	1,605,772 (1,631,713)	1,464,472 (1,594,471)	<b>1,493,185</b>
<b>Total</b>	<b>4,116,338</b> (4,278,143)	<b>4,481,900</b> (4,749,058)	<b>5,415,335</b>

\* The numbers in parenthesis "( )" indicate the mistaken data disclosed in the 2009 report.

The values have been adjusted to fix the errors occurred during the verification process.

\* The waste discharge rate has significantly increased in Korea in 2010 because of the changed manufacturing process in the Gumi PDP site and mass production of the solar cell initiated in 2010.

## Safety Data

Category	Region	2008	2009	2010
Fatality (case)	Korea	0	0	<b>0</b>
	Overseas	1	1	<b>0</b>
	<b>Total</b>	<b>1</b>	<b>1</b>	<b>0</b>
Incident (case)	Korea	29	14	<b>12</b>
	Overseas	456	316	<b>333</b>
	<b>Total</b>	<b>485</b>	<b>330</b>	<b>345</b>
Total hours worked (hours)	Korea	44,417,463	36,914,334	<b>47,708,018</b>
	Overseas	100,533,996	102,571,389	<b>122,422,941</b>
	<b>Total</b>	<b>144,951,459</b>	<b>139,485,723</b>	<b>170,130,959</b>

## Global Production Network

	Region	City	Subsidiary	Product	ISO Certification
North America	Mexico	Reynosa	LGERS	LCD/PDP TV, CRT TV, PDP Module	ISO 14001
	Mexico	Monterey	LGEMM	Refrigerator, Oven	ISO 14001, OHSAS 18001
South & Central America	Brazil	Manaus	LGEAZ	TV, DVD, Audio, Car Audio, Microwave Oven, Air Conditioner	ISO 14001
	Brazil	Taubate	LGESP	Monitor, Mobile Phone, Laptop, Washing Machine	ISO 14001
Europe	Poland	Mlawa	LGEMA	TV, Monitor	ISO 14001
	Poland	Wroclaw	LGEWR	Refrigerator, TV	ISO 14001, OHSAS 18001
Middle East & Africa	Egypt	Ismailia	LGEEG	CRT TV, FPD	ISO 14001
	Turkey	Istanbul	LGEAT	Air Conditioner	ISO 14001, OHSAS 18001
	Saudi Arabia	Riaydh	LGESR	Air Conditioner	-
South West Asia	India	Noida	LGEIL	CRT TV, LCD/PDP TV, Monitor, Refrigerator, Air Conditioner, Washing Machine, Compressor, Optical Storage, Mobile Phone	ISO 14001, OHSAS 18001
		Pune			ISO 14001, OHSAS 18001
South East Asia	Thailand	Rayong	LGETH	Washing Machine, Air Conditioner, Compressor,	ISO 14001, OHSAS 18001
	Vietnam	Hung Yen	LGEVN	TV, Monitor, Mobile Phone, Air Conditioner, Washing Machine, Refrigerator, Microwave Oven, Vacuum Cleaner	ISO 14001
		Hai Phong			ISO 14001
Indonesia	Bekasi Tangerang	LGEIN	LCD Monitor, LCD TV, PDP TV, CRT TV, VCR, DVD-P, VCR, COMBI, REC COMBI, DVD-P, DVD-R, BD-P, BD-Home theater, DVD-Home Theater,	ISO 14001, OHSAS 18001 ISO 14001, OHSAS 18001	
China	China	Taizhou	LGETR	Refrigerator, Compressor	ISO 14001, OHSAS 18001
	China	Huizhou	LGEHZ	Media, Optical Storage	ISO 14001, OHSAS 18001
	China	Nanjing	LGEND	Monitor, LCD/PDP TV	ISO 14001, OHSAS 18001
	China	Nanjing	LGEPN	Washing Machine, Motor	ISO 14001, OHSAS 18001
	China	Qinhuangdao	LGEQH	Casting	ISO 14001, OHSAS 18001
	China	Shanghai	LGESH	Security Camera	ISO 14001, OHSAS 18001
	China	Shenyang	LGESY	CRT TV	ISO 14001, OHSAS 18001
	China	Tianjin	LGETA	Microwave Oven, Air Conditioner, Vacuum Cleaner, Compressor, MGT	ISO 14001, OHSAS 18001
	China	Yantai	LGEYT	Mobile Phone	ISO 14001, OHSAS 18001
	China	Kunshan	LGEKS	Telematics, Audio	ISO 14001, OHSAS 18001
	China	Hangzhou	LGEHN	Video Cassette Tape, USB, HDD, Prism Sheet	ISO 14001, OHSAS 18001
	China	Qingdao	LGEQD	Mobile Phone	ISO 14001, OHSAS 18001
CIS	Kazakhstan	Almaty	LGEAK	TV, Washing Machine	ISO 14001, OHSAS 18001
	Russia	Ruja	LGERA	TV, Monitor, Refrigerator, Washing Machine	-

\* No. of Overseas Production sites: 30(No. of Production subsidiary: 27)

\* All 6 Korean production sites have ISO 14001 & OHSAS 18001 certification.



# Independent Assurance Statement

## SCOPE AND OBJECTIVES

LG Electronics has commissioned Two Tomorrows(Asia) Limited to undertake independent assurance of the LG Electronics Sustainability Report 2010.

The assurance process was conducted in accordance with AA1000AS (2008). We were engaged to provide Type 2 assurance, which covers:

- Evaluation of adherence to the AA1000APS(2008) principles of inclusivity, materiality and responsiveness(the Principles) and;
- The reliability of specified sustainability performance information.

Our review of sustainability performance information covered collection and consolidation processes for key data and claims in the report. The following information was outside the scope of our assurance engagement:

- Reporting on non-Korean operations and suppliers. However, our review of Korean activities and data also involved the consideration of information relating to LGE's sustainability management of overseas operations and suppliers, and we have provided some related comments in our observations.
- Financial information in the report.
- Information provided on the LGE's website.
- GHG data. These data were verified by another 3rd party organization.

When evaluating performance information, we used the Global Reporting Initiative's(GRI) Quality of Information Principles.

## RESPONSIBILITIES OF THE DIRECTORS OF LG ELECTRONICS AND OF THE ASSURANCE PROVIDERS

The directors of LGE have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of LGE. However, our statement represents our independent opinion and is intended to inform all LGE stakeholders. We adopt a balanced approach towards all LGE stakeholders.

This is the third year we have provided sustainability assurance for LGE. We had one other contract with LGE in 2007, which was to benchmark their report against global best practice. Two Tomorrows has not been involved in the preparation of the report, nor do we have any other contracts with the company. Our team comprised of MinGu Jun, project leader, as well as Todd Cort, Thomas Krick and InMog Yang. This assurance statement was prepared by the team in English, and reviewed and signed off by Jason Perks, a Two Tomorrows(Asia) Limited Director. Further information, including individual competencies relating to the team can be found at: (<http://www.twotomorrows.com>)

## BASIS OF OUR OPINION

Our work was designed to gather evidence with the objective of providing moderate assurance as defined in AA1000AS(2008). We undertook the following activities:

- Review of LGE's process for identifying and assessing material issues;
- A desk-based review of stakeholder perceptions of the company, brief media sweep and benchmark research with peers to independently check the issues identified through LGE's materiality process;
- Interviews with 10 members of the executive management team, as well as with other senior management team members responsible for the management of material non-financial issues, and with the president of LGE labor union. The interviewee roles were requested by us, and individuals suggested by LGE and agreed by us;
- Review of selected evidence to support issues raised during discussions with managers;

- Site visits to the Seoul headquarters, Pyeongtaek and Changwon manufacturing sites to review procedures and systems for preparing site level sustainability data and the implementation of the sustainability strategy. The sites were chosen by us;
- Review of information provided to us by LGE on its reporting and management processes relating to the Principles, including its approach to stakeholder engagement;
- Review of supporting evidence for key claims in the report;
- Review of the processes for gathering and consolidating data and, for a sample, checking the data consolidation. Sampling was based on prioritised data for the most material issues;
- Facilitation of a stakeholder event to obtain feedback on the future direction of LGE's social contribution approach.

## FINDINGS

We reviewed and provided feedback on drafts of the Report and where necessary changes were made.

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe LGE's Korean operations' adherence to the Principles or its performance. In terms of data accuracy – we are not aware of any data errors that would materially affect the reported data. Nothing has come to our attention to suggest that data has not been properly collated from the operational level.

## OBSERVATIONS

Without affecting our assurance opinion we also provide the following observations.

During the management interviews, we noted significant improvement in top management awareness of sustainability issues despite recent changes to the team. This provides evidence that the sustainability governance structure, including the CSR committee, is working effectively. Recent changes to the CSR council are expected to further improve sustainability governance by enhancing the company's understanding of customers' issues and effective response to them. The changes include enhancement of the council's role and responsibility and assignment of marketing managers to the council to collect and manage customers' expectations regarding LGE's CSR performance. Further improvement of governance can be achieved if roles and procedures for the management of sustainability issues are clearly defined at board level.

While there have been some improvements in terms of balanced reporting, to continue to build credibility with stakeholders, it is recommended that a clear policy should be established and implemented throughout the organization, which ensures balanced disclosure of both positive and negative aspects of the organization's performance.

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

- LGE shows continuous improvement of inclusivity for its customers and also for other key stakeholders. Ultimately, the company's improved understanding of the needs and ideas of stakeholders should be linked to its innovation efforts such as new product development, operational innovation and enhancing social benefits of products. We recommend that LGE establishes official systems to facilitate this linkage.
- LGE discloses the expectations and characteristics of key stakeholder groups and communication mechanisms. To further improve inclusivity, we recommend that LGE reports on procedures for identifying stakeholders and linking their expectations with the company's relevant response.

- It is commendable that LGE holds a stakeholder panel to identify expectations and communicate its response, and that it has extended the panel's role to more specific material issue areas. We recommend that LGE develops a formal stakeholder procedure to make this experimental panel a regular and consistent approach to inclusivity. We also recommend that LGE ensures the key issues raised by stakeholders are discussed at the highest governance bodies, such as the board of directors and/or CSR committee.
- Evaluation and rating schemes of product environmental and social aspects are increasing globally, and due to the expansion of internet and mobile communication technologies, customers' access to the information is expected to increase. It will become increasingly important for LGE to respond systematically to the information providers, based on their significance and relevance to LGE's business. These responses might include preparing comprehensive environmental performance information of its products based on lifecycle based benchmarking analysis with its peer products.
- LGE demonstrates highly commendable approaches to supplier engagement through various programs that covers aspects of control and support. We recommend LGE expands its current focus on major suppliers of large purchasing volume to cover small and medium sized suppliers that have heavy reliance on LGE and those with high social and environmental risks. It is also recommended that LGE enhances management of specific supplier issues including resource traceability in products, human rights and labor standards and energy efficiency of logistics.

**Material issues are those which are necessary for stakeholders to make informed judgments concerning LG Electronics and its impacts.**

- Based on the work undertaken, we are not aware of any issues that are of high materiality for its Korean operations that LGE has not recognised within its report.
- LGE's materiality process demonstrates continuous improvements, which includes enhancing the linkage with the compliance risk management process. To support further improvement, we recommend that the process be formally documented, covering methods, assumptions, materiality threshold criteria, reporting and review procedures at the top management level. It is also recommended that process transparency be enhanced by disclosing the process to stakeholders and taking feedback for further improvement.
- We recommend that LGE ensures social and environmental issues in its key markets are reviewed through the corporate level materiality process and connected to product development to drive innovative products that help solve local environmental and social issues.
- The materiality process can be enhanced further through greater efforts to identify potential environmental issues during the life-cycle of its products e.g. resource extraction, logistics, manufacturing, use and end of life of products.

**Responsiveness concerns the extent to which an organisation responds to stakeholder issues**

- Nothing has come to our attention to suggest that the report does not adequately describe LGE's Korean operations responsiveness to stakeholder issues.
- The newly introduced "Key Progress and Performance" covers context, opportunity and risk factors, performance and mid-long term targets

for key material issues, which is a highly commendable reporting approach that establishes a baseline for consistent reporting of performance. We believe this logical explanation of LGE's key material issues will improve awareness and understanding of internal and external stakeholders.

- Due to the increasing importance of "e-waste", LGE discloses its take-back system to meet the requirements of mature markets and also provides some discussion of its activities in non-regulated markets. We recommend that LGE builds on initial research to further understand the current status of e-waste streams from Korea to developing countries like China and India, to identify problems and possible co-operation opportunities with local stakeholders to develop long-term solutions.
- LGE's innovation processes focus primarily on environmental performance with some discussion of product safety. In the future, we recommend that LGE expands discussion on product innovation efforts for social aspects of products, such as usability for the disabled and elderly, possible solutions for "bottom of the pyramid" including water treatment and micro-energy generation.
- We recommend that LGE discusses employee diversity and equal opportunity issues further. This area is gaining in importance, for example from recent Social Responsibility and reporting standards and guidance. A specific area for enhancement of disclosure is gender diversity, where we recommend providing statistics, related targets and management approaches for improvement.

#### Performance Information

- Nothing came to our attention to suggest that the consolidated data presented within the report and associated claims are not fairly stated.
- We recommend that LGE establishes data collection and quality control processes to improve data quality from the different parts of the company. As the reporting scope and issues are expanded, a data reliability review process, for instance using internal audit, needs to be introduced.
- While there have been improvements in systematic performance reporting, including "Key Progress and Performance", there is still a lack of quantified performance information. We recommend that LGE updates the current qualitative description of targets with quantitative ones and makes reports performance against those targets.

#### Two Tomorrows(Asia) Limited

Seoul Korea  
21st April 2011



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Two Tomorrows (Asia) Limited, trading as Two Tomorrows, is an international consultancy that helps companies to perform better and create value by doing business in a sustainable way.  
www.twotomorrow.com





# Memberships/Awards & Recognition

## Memberships

As of December 31, 2010

Memberships	
Council of Economic Organizations	Korea Invention Promotion Association
Organization of Consumer Affairs Professionals in Business	Korean Association of Occupational Health Nurse
Industrial Health Association	Korea Association of Information & Telecommunication
Korean Society of Mechanical Engineers(KSME)	Korean Industrial Technology Association
Korean Institute of Industrial Engineers(KIIE)	Korea Association of Industrial Designers(KAID)
Korea Industrial Safety Association	Korea Occupational Safety & Health Agency
Korea Chamber of Commerce and Industry	Korean Institute for Industrial Safety
The Republic of Korea National Red Cross	Korea Forum for Progress
The Korean Institute of Electrical Engineers	Korean Society for Noise and Vibration Engineering(KSNVE)
Media Convergence Association(NMF)	GS1 Korea
The Institute for Industrial Policy Studies _Ethics Management Forum	Korea Electronic Safety Association
The Foundation of Korean Industries	Korea Electronics Association
National Industrial Health Association	Korean Battery Recycling Engineering
Sound E-Trade Management Association	Korean Information Display Society(KIDS)
Korea Radio Promotion Association	Telecommunication Technology Association
Federation of Korean Information Industries	Society of CAD/CAM Engineers
Korea Association for ICT Promotion	Korea Home Network Industry Association
Korea Business Council for Sustainable Development(KBCSD)	Korea Association of RFID/USN Convergence
Korea Audit Bureau of Circulations	Korea-U.S. Economic Council, Inc.
Korea Employers Federation	European Information & Communications Technology Industry Association(EICTA)
Korea Economic Research Institute	International Council Society of Industrial Design(ICSID)
Fair Competition Federation	Japan Article Management Promotion Consortium(JAMP)
Accreditation Board for Engineering Education of Korea	Licensing Executive Society Korea(LES Korea)
The Korean Federation of Science and Technology Societies	Quality Brand Protection Committee(QBPC)
Korea Advertiser Association	Trade Related IPR Protection Association(TIPA)
Korea Management Association	Electronic Industry Citizenship Coalition(EICC)
Korea Micro Joining Association(KMJA)	United Nations Global Compact(UNGC)
The Korea International Trade Association	United Nations Global Compact Korea Network(UNGC Korea Network)

## Awards & Recognition

Date	Award	Awarder
December 2010	India subsidiary, National Energy Conservation 2010	India Ministry of Power
December 2010	Grand prize at the Korea Blog Award	Korea Blog Business Association
December 2010	Best of Best Grand Prix at the Red Dot Award with recycled green packaging	Red Dot Award
December 2010	2010 Arabian Sponsorship Award winner	Arabian Sponsorship
November 2010	Grand prize at the 2010 Korea Green Award	Korea Environment Committee Environmental Media
November 2010	The Changwon site, 18 years successive selection as excellent business site for energy reduction	Korea Energy Management Corporation
November 2010	Peru subsidiary, selected as Great Place to Work for the first time in South & Central America.	Peru Newspaper, El Comercio
November 2010	Selected as the best notebook brand in Brazil	Brazil Newspaper, Folha de Sao Paulo
October 2010	Selected as an excellent business site for low carbon management	Korean Committee of Carbon Disclosure Project(CDP)
October 2010	Vice president of Monitor Department, President's Award in commemoration of the Electronics Day	Korea Ministry of Knowledge Economy
September 2010	Selected as the most trusted brand in Indonesia	The Economic Times
August 2010	3 awards at the European Imaging and Sound Association Awards(EISA)	European Imaging and Sound Association Awards(EISA)
August 2010	3 awards at the Cannes Advertising Festival 2010	Cannes Advertising Association
August 2010	MC R&D center, selected as excellent business site for Eco-mileage	Korea Seoul Government
August 2010	Trusted Brand Award 2010	The Reader's Digest Trusted Brand Award(Thailand)
July 2010	2010 Wireless Product the Year Platinum Winner	Mark of Excellence(USA)
July 2010	Green Energy Innovation Award	Environment Certification Institute TÜV Rheinland Group
June 2010	TV, Selected as Top of Mind(TOM) 1 in Brazil	UOL search engine(uol.com.br)
June 2010	Monitor, the world's first UL Sustainable Product Certification(SPC) award	UL(Underwriters Laboratories)
April 2010	Indonesia CIC, Best call Center 2010 Award	Center for Customer Satisfaction and Loyalty

# UNGC INDEX

	The Ten Principles	Our Activities	Related Contents	Page
Human Rights	<p><b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights;</p> <p><b>Principle 2:</b> make sure that they are not complicit in human rights abuses.</p>	<p>Based on corporate management philosophy of Respecting Human Dignity, LG Electronics strives to protect human rights of employees. To ensure fundamental human rights and labor rights of employees as well as those of suppliers, LGE announced Global Labor Policy and Supplier Code of Conduct. Also, LGE is engaging in a series of outreach activities, including participation in the steering committee of the "Company and Human Rights Forum" organized by Korea Human Rights Foundation.</p>	<p>Our Philosophy</p> <p>CSR Management</p> <p>Business Partner</p> <p>Labor Rights Protection</p>	<p>9</p> <p>16-19</p> <p>53-57</p> <p>69</p>
				<p>69</p> <p>53-57</p> <p>16-19</p>
Labour Standards	<p><b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p><b>Principle 4:</b> the elimination of all forms of forced and compulsory labour;</p> <p><b>Principle 5:</b> the effective abolition of child labour; and</p> <p><b>Principle 6:</b> the elimination of discrimination in respect of employment and occupation.</p>	<p>LG Electronics continues its efforts to establish a corporate culture that values the diversity of the employees and fosters creativity and autonomy. Owing to its efforts, LGE is leading an exemplary labor management relationship, achieving 22 consecutive years of collective bargaining and wage negotiation without labor dispute(as of February 2011), and declaring Union Social Responsibility(USR) charter. In addition, LGE joined Electronic Industry Citizenship Coalition (EICC) and established an enterprise-wide policy for the protection of labor rights in overall supply chain. To improve its labor management climate, LGE asked Korean and overseas business sites to conduct a self-assessment(20 business sites) and carried out on-site audit for 4 production sites and 4 suppliers.</p>	<p>Labor Rights Protection</p> <p>Business Partner</p> <p>CSR Management</p>	<p>69</p> <p>53-57</p> <p>16-19</p>
				<p>69</p> <p>53-57</p> <p>16-19</p>
Environment	<p><b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges;</p> <p><b>Principle 8:</b> undertake initiatives to promote greater environmental responsibility; and</p> <p><b>Principle 9:</b> encourage the development and diffusion of environmentally friendly technologies.</p>	<p>LG Electronics strives to contribute to the community's sustainable growth by minimizing harmful environmental impacts resulting from business activities. As a part of its efforts, LGE acquired 11 green technology certifications in development of greener products, concluded a green win-win growth MOU with its suppliers, and expanded its voluntary substitution of PVC and BFRs. For low-carbon green management, LGE surpassed its GHG reduction goals at both the production and product use stages, and further expanded its activities towards suppliers and logistics. LG Electronics' efforts towards facilitating low-carbon culture were acclaimed by Carbon Disclosure Project(CDP) Korea. LGE established an integrated EESH (Energy, Environment, Safety, and Health) certification system and global EESH audit system at its all production sites. In April 2010, LGE joined Caring for Climate, one of initiatives of UN Global Compact, and is currently participating as a member of the steering committee to represent Korean companies.</p>	<p>Environment</p>	<p>37-51</p>
				<p>37-51</p>
Anti-Corruption	<p><b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>LG Electronics' "Jeong-Do Management" is the basis for all action taken by employees. LGE applies the same standard to all suppliers and business partners who do business with LGE. In 2010, it carried various activities, including a distribution of code of ethics handbook, code of ethics promotion and training for Korean/overseas employees and suppliers, and establishment of the global standard. In addition, LGE added the ethics category to the CSR risk management program to monitor its workites' and suppliers' management systems.</p>	<p>Jeong-Do Management</p> <p>CSR Risk Management</p> <p>Business partner</p>	<p>73</p> <p>16</p> <p>53-57</p>
				<p>73</p> <p>16</p> <p>53-57</p>

# GRI INDEX

GRI G3	No.	Disclosure Items	Applicability-Level	Related Contents	Page
<b>Profile</b>					
Strategy and Analysis	1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy	CEO Message		6-7
	1.2	Description of key impacts, risks, and opportunities	Key Progress and Performance, CSR Management, Stakeholder Engagement, Stakeholder Consultation on CSR		3-4, 16-19, 22, 23-25
Organizational Profile	2.1	Name of the organization	Corporate Overview		10-13
	2.2	Primary brands, products, and/or services	Corporate Overview		10-13
	2.3	Operational structure of the organization	Corporate Overview		10-13
	2.4	Location of organization's headquarters	Corporate Overview		10-13
	2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability reporting	Corporate Overview, Global Production Network		10-13, 82
	2.6	Nature of ownership and legal form	Corporate Governance		71
	2.7	Markets served	Corporate Overview and Economic performances		10-13
	2.8	Scale of the reporting organization	Corporate Overview, Financial statement, No. of employees		10-13, 76-77, 78
	2.9	Significant changes during the reporting period regarding size, structure, or ownership	Corporate Overview		10-13
	2.10	Awards received in the reporting period	Awards & Recognition		85
Report Parameters	3.1	Reporting period	Report Overview		2
	3.2	Date of previous report	June, 2010		89
	3.3	Reporting cycle	Report Overview(Annual)		2
	3.4	Contact point for questions regarding the report or its contents	Report Overview		2
	3.5	Process for defining report content	Report Overview, Stakeholder Engagement, Key Progress and Performance		2, 22, 3-4
	3.6	Boundary of the report	Report Overview		2
	3.7	State any specific limitations on the scope or boundary of the report	Report Overview		2
	3.8	Basis for reporting that can significantly affect comparability from period to period and/or between organizations	Report Overview, Korean Subsidiaries		2, 11
	3.9	Data measurement techniques and the bases of calculations	Report Overview, Our Data		2, 22, 76-82
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	Some environmental data in the previous report have been adjusted.		80-82
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods	LGE adopted K-IFRS for financial data		10, 76-77
	3.12	Table identifying the location of the Standard Disclosures in the report	GRI Index		86-88
	3.13	Policy and current practice with regard to seeking external assurance for the report	Report Overview, Independent Assurance Statement		2, 83-84

GRI G3	No.	Disclosure Items	Applic- ation- Level	Related Contents	Page	
<b>Profile</b>						
Governance, Commitments, and Engagement	4.1	Governance structure of the organization		Corporate Governance	71	
	4.2	Indicate whether the chair of the highest governance body is also an executive officer		Corporate Governance	71	
	4.3	The number of members of the highest governance body that are independent and/or non-executive members		Corporate Governance	71	
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body		CSR Organization, Corporate Governance	17, 71	
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives		Corporate Governance	71	
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided		Corporate Governance	71	
	4.7	Process for determining the qualifications and expertise of the members of the highest governance		Corporate Governance	71	
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance		Our philosophy, CSR management, UNGC Index	9, 16-19, 86	
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance		CSR Organization	17	
	4.10	Processes for evaluating the highest governance body's own performance		Corporate Governance	71	
	4.11	Explanation of whether and how the precautionary approach or principle is addressed		Product Safety, Greener product strategy, Low-Carbon green strategy, EESH Management	32-33, 37, 43-47, 48-51	
	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses		Memberships	85	
	4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations		Memberships	85	
	4.14	List of stakeholder groups engaged by the organization		Stakeholder Engagement	22	
	4.15	Basis for identification and selection of stakeholders with whom to engage		Stakeholder Engagement	22	
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		Stakeholder Engagement, Materiality analysis	22, 26-27	
	4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded		Stakeholder Engagement, Stakeholder Consultation, Materiality analysis	22, 23-25, 26-27	
<b>ECONOMIC</b>						
Economic Performance	EC1	Direct economic value generated and distributed	○	Economic Performances	12, 13	
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	○	Opportunities and risks for climate change, Key progress and performance	3-4, 44	
	EC3	Coverage of the organization's defined benefit plan obligations	Δ	Benefits and support programs	79	
	EC4	Significant financial assistance received from government	Δ	Investment-related income tax saving	12	
	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Δ	Percentage of standard entry level wages compared to the national minimum wage in Korea	78	
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	○	Stakeholder engagement, Business partner	22, 53-57	
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	Δ	Talent management, No. of Employees, Employees by country	67, 78, 13	
	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	○	Flow of economic value, Social contribution	12, 59-63	
	EC9	Understanding and describing significant indirect economic impacts	Δ	Flow of economic value, CDM business in India	12, 46	
<b>ENVIRONMENTAL</b>						
Materials	EN1	Materials used by weight or volume	Δ	Input data(Material)	80	
	EN2	Percentage of materials used that are recycled input materials	Δ	The usage of recycled plastic	42	
	EN3	Direct energy consumption by primary energy source	○	Input Data(Energy)	80	
	EN4	Indirect energy consumption by primary source	○	Input Data(Energy)	80	
	Energy	EN5	Production level GHG reduction, EESH Management	Δ	GHG reduction results	44, 50
		EN6	Greener Products, Low-carbon green management, New Environment-Energy business	Δ	Greener products, Production level GNG reduction, Solar solution, Smart grid business	37-39, 44-47
		EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Δ	Low-Carbon green management	43-47
Water	EN8	Total water withdrawal by source	Δ	Input data (Water)	80	
	EN9	Water sources significantly affected by withdrawal of water	X	-	-	
	EN10	Percentage and total volume of water recycled and reused	X	-	-	
Biodiversity	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	LGE's facilities are located in industrial complexes.	-	
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	N/A	LGE's facilities are located in industrial complexes.	-	
	EN13	Habitats protected or restored	N/A	LGE's facilities are located in industrial complexes.	-	
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	N/A	LGE's facilities are located in industrial complexes.	-	
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	N/A	LGE's facilities are located in industrial complexes.	-	
Emissions, Effluents, and Waste	EN16	Total direct and indirect greenhouse gas emissions by weight	○	GHG emissions(Global)	44	
	EN17	Other relevant indirect greenhouse gas emissions by weight	○	GHG emissions(Global)	44	
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Δ	Low-Carbon green management	44-47	
	EN19	Emissions of ozone-depleting substances by weight	○	Input data(Ozone depleting chemicals)	80	
	EN20	NO, SO, and other significant air emissions by type and weight	○	Output data(Air Emissions)	81	
	EN21	Total water discharge by quality and destination	Δ	Output data(Wastewater)	81	
	EN22	Total weight of waste by type and disposal method	○	Output data(Waste)	81	
	EN23	Total number and volume of significant spills	X	None of significant spills occurred in 2010	-	
	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	X	-	-	
	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	X	-	-	

GRI G3	No.	Disclosure Items	Applic- ation- Level	Related Contents	Page
Products and Services	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	○	Greener products, Low-Carbon Green Management, E-waste take back	36-42, 46, 81
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Δ	LCD module package, E-waste take back	50, 41-42
Compliance	EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance	X	No violations in 2010	-
Transport	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	Δ	GHG Inventory, logistics GHG Reduction target	44, 45
Overall	EN30	Total environmental protection expenditures and investments by type	X	-	-
<b>LABOR PRACTICES AND DECENT WORK</b>					
Employment	LA1	Total workforce by employment type, employment contract, and region	○	Employees by country, No. of Employees	13, 78
	LA2	Total number and rate of employee turnover by age group, gender, and region	Δ	Percentage of retired employees	78
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	○	Benefits and support programs	79
Labor/ Management Relations	LA4	Percentage of employees covered by collective bargaining agreements	○	Percentage of labor union members(27%)	69
	LA5	Minimum notice period(s) regarding operational changes	Δ	Labor Rights Protection, Labor - Management communication	69, 67(2009 report)
	LA6	Percentage of total workforce represented in formal joint management worker health and safety committees	X	Applied to all employees	-
Occupational Health and Safety	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Δ	Incident rate, Safety data	51, 82
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	○	EESH management(safety, health)	49, 51
	LA9	Health and safety topics covered in formal agreements with trade unions	X	-	-
Training and Education	LA10	Average hours of training per year per employee by employee category	Δ	Average training hours	79
	LA11	Programs for skills management and lifelong learning and assist them in managing career endings	○	Training Roadmap, Learning-Net service	67, 79
	LA12	Percentage of employees receiving regular performance and career development reviews	○	Fair evaluation(applied to all employees)	68
Diversity and Equal Opportunity	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	○	Corporate governance, No. of Employees	71, 78
	LA14	Ratio of basic salary of men to women by employee category	Δ	Social data(No differences)	78
<b>HUMAN RIGHTS</b>					
Investment and Procurement Practices	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	X	System is not prepared to calculate the number of significant investment agreements that include human rights clauses or that have undergone human rights screening	-
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Δ	LGE conducted on-site audit for 4 suppliers in 2010. LGE is planning to initiate CSR risk audit including human rights indicators for about 20 major suppliers in 2011.	56
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights	Δ	18,873 employees were trained(Code of ethics)	73
Non Discrimination	HR4	Total number of incidents of discrimination and actions taken	Δ	Respecting human dignity, UNGC Index	69, 86
	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	Δ	Labor Rights Protection, UNGC Index	69, 86
Freedom of Association and Collective Bargaining	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	Δ	Joining of EICC, Enactment and announcement of Global Labor Policy and Supplier Code of Conduct	56-57, 16, 19
Forced and Compulsory Labor	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor	Δ	Establishment of CSR Risk Management system for Korea & overseas business sites and major suppliers	56-57, 16, 69
Security Practices	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights	X	-	-
Indigenous Rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	X	-	-
<b>SOCIETY</b>					
Community	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities	X	-	-
	SO2	Percentage and total number of business units analyzed for risks related to corruption	X	System is not prepared to calculate the percentage and total number of business units for corruption risks	-
Corruption	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	Δ	18,873 employees were trained(Code of ethics)	73
	SO4	Actions taken in response to incidents of corruption	Δ	Jeong-Do Management	73
	SO5	Public policy positions and participation in public policy development and lobbying	Δ	Stakeholder Engagement, Cooperation with low carbon policy	22, 43
Public Policy	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	N/A	Prohibited in Korea by law	-
Anti-Competitive Behavior	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Δ	Currently under investigation by the fair trade or antitrust authorities in Korea and the European Union with respect to possible anti-competitive activities among CRT manufacturers.	2010 Financial statements
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	Δ	1 case violation(KRW 141 million) in 2010	-
<b>PRODUCT RESPONSIBILITY</b>					
Customer Health and Safety	PR1	Life cycle 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	Δ	Product Safety, Greener products	32-33, 37-42
	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	Δ	Responsible Marketing Communication	31
Product and Service Labeling	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Δ	Carbon Footprint Label (See Environmental report for details)	45, 2010 Environmental report
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling	○	Responsible Marketing Communication	31
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	○	Communication with Customers	29-31
Marketing Communication	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications	Δ	Communication with Customers, Compliance risk management	29-31, 72
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	X	-	-
Customer Privacy	PR8	Total number of substantiated complaints regarding breaches of Measures customer privacy and losses of customer data	Δ	Privacy protection	75
Compliance	PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	Δ	Responsible Marketing Communication	31

## People Who Participated In This Report



## LG Electronics' Sustainability Report



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