



# REPORT OVERVIEW

## **PURPOSE OF THE REPORT**

This is LG Electronics' fourth Sustainability Report. It is our sincere goal to become the world's best electronics manufacturer; to us, that means growing into the industry's most innovative corporate and finding unlimited ways to enrich people's lives. This Report details our sustainability management performance in 2009, and is meant to promote meaningful communication between ourselves and our stakeholders.

## **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 corporate and stakeholders using the Materiality Analysis method. Material issues are therefore addressed systematically, with each being divided into three discussion categories: Approach, Performance and Future Direction.

## **PROCESS OF PREPARING THE REPORT**

Preliminary data-gathering began in January, 2010, so as improve the reliability of the Report's content and process of Materiality Analysis. Results were reported to the corporate's management and a briefing was held for related functional departments. Reporting results submitted by departments were reviewed and assured by senior management and external bodies. Beginning in 2010, the English report will be published prior to the Korean report. The 2010 Sustainability Report is scheduled for publication in June, 2011.

## **SCOPE AND PERIOD**

This Report is written based on data for fiscal year 2009, which LG Electronics defines as the period from January 1, 2009 to December 31, 2009, and also refers to significant events occurring in the first half of 2010. This Report is intended to be comprehensive, and cover all LG Electronics worksites 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 2009 average exchange rate of USD 1 = KRW 1,276.40. The exchange rate on December 31, 2009 was USD 1 = KRW 1,167.60.

## **INDEPENDENT ASSURANCE**

LG Electronics' adherence to the Accountability Principles Standard (AA1000APS) and the reliability of the information of the report was assured by Two Tomorrows, an independent assurance provider. The assurance statement of Two Tomorrows is provided on page 78-81.

## **MORE INFORMATION**

Please refer to the following for additional information;

LG Electronics Annual Report

LG Electronics Environmental Report

Corporate Website ([www.lge.co.kr](http://www.lge.co.kr) (Korean), [www.lg.com](http://www.lg.com) (Global)) ㉠

Financial Supervisory Service's electronic disclosure system ([dart.fss.or.kr](http://dart.fss.or.kr)) ㉠

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2009 LG ELECTRONICS  
SUSTAINABILITY REPORT

**SUSTAINABILITY**  
= ∑ **INNOVATION**

Seeking sustainability  
throughout innovation;

LG Electronics has been pursuing sustainable  
development throughout innovation that enrich  
stakeholders' lives.

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LG Electronics spares no effort to respond to the concerns of our stakeholders with innovative solutions.



### **What is the starting point for LG Electronics' sustainability management?**

All our business activities are based upon LG's management charter, which defines our commitment to act responsibly toward our local communities, create value for our customers, and pursue the best interests of our shareholders. We see this as a "Respect for Human Dignity" management approach, and it works hand-in-hand with our everyday business philosophy of enriching the lives of our customers. This is the basis of LG Electronics' corporate value creation, and the foundation upon which we base our responsibilities to our investors and all other stakeholders. Underpinning this philosophy is our Vision to be the "World Best at Enriching Lives through Innovation". An integral part of achieving this Vision is to meet our obligation toward the global community by pursuing a path of sustainable growth and development. This is LG Electronics' basic commitment toward sustainability management.

### **What are your major business results for 2009?**

Despite the slowdown in economic activity resulting from the global financial crisis, LG Electronics was able to meet all of its financial targets for the year. We introduced new and differentiated products and services, and actively penetrated overseas markets. Our global marketing capabilities were sharpened in the past year, and the corporate management structure was made more transparent and rational.

In terms of sustainability management, we reorganized our Corporate Social Responsibility (CSR) Committee and CSR Council to enhance their capabilities to achieve their mission of implementing CSR activities throughout our global operations. We also established a new CSR risk management system to provide valuable input into sustainability-related decision-making processes. Our Labor Union and its members are also onboard with CSR strategies, and have shown a firm appreciation for the importance of sustainability by launching Union Social Responsibility (USR) programs.

### **What is the future direction of LG Electronics' sustainability management?**

We see "the market" as an ecosystem, and individual companies as living creatures within it. This analogy implies that while companies are nurtured by the ecosystem, they must also play an active role in preserving the health of the system. LG Electronics therefore operates as an eco-friendly corporate that actively manages its CO<sub>2</sub> emissions, and participates in many community-care projects.

Our corporate strives to respect the opinions of all stakeholders, and to deal with community issues in a manner that respects and nurtures the health of our ecosystem. LG Electronics is committed to fulfilling its responsibility as a caring corporate citizen, and to responding to the concerns of our stakeholders with innovative ideas and solutions.

Thank you.

MAY 2010

Vice Chairman and CEO **Yong Nam**



## TOP MANAGEMENT MESSAGE

An enterprise is like an organism that exists as part of an ecosystem; it thrives based on its relationships with other creatures. In the case of businesses, these may be considered its stakeholders and most importantly, its customers. It is only possible for everyone to thrive if the entire system creates value, and that is what we see as our primary role in the system: to create differentiated value for others, which LG Electronics does under its corporate slogan "Creating Value for Customers".

Open, two-way communication with all stakeholders is a cornerstone of LG Electronics' CSR policy. We place the highest priority on listening to the needs and concerns of our stakeholders, and communicating transparently with them so that they can clearly understand the corporate's actions and decisions.

Another prominent characteristic of our CSR activities is the high level of union involvement, which began as a Union Social Responsibility (USR) movement in 2010. Together, LG Electronics and its union are growing value by collaborating synergistically and maintaining open communications with our stakeholders.

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



Two-way communication is one of our top priorities.

The importance of labor-management relations based on trust and mutual respect cannot be overemphasized. Recognizing this as one of the most crucial characteristics of a sustainable business, LG Electronics has spent many years developing wholesome and respectful relationships with its labor organizations.

Over the past 50 years, LG Electronics' labor union has grown into one of the most exemplary unions in Korea, thanks to the combined effort of the corporate, its customers, shareholders and, naturally, its employees. To demonstrate their appreciation for the good will and support of the corporate's other stakeholders, our union has taken on new responsibilities as a member of the community and assumed the mission of being an active Union Social Responsibility (USR) organization.

The social responsibility activities carried out by LG Electronics in cooperation with its union will support the overall goals of the corporate's sustainability management. The union has pledged to make every effort to meet society's expectations and fulfill its social obligations, thereby playing a leading role in helping LG Electronics to grow into a world's best company.

Chairman of the LG Electronics Labor Union **Jun Su Park**



Union Social Responsibility is our commitment for stakeholders.

The advanced state of our eco-friendly management is a major competitive edge for LG Electronics. We are enriching people's lives through the development of innovative technologies, as well as by being a responsible corporate with regard to social and environmental issues.

CTO (Chief Technology Officer) / President

**Woo Hyun Paik**



We believe that sustainable growth hinges on complete management transparency. LG Electronics is committed to strengthening its global procurement policies to move beyond strategic sourcing, and developing a supplier network that realizes our goal of fully sustainable procurement.

CPO (Chief Procurement Officer) / Executive Vice President

**Thomas K. Linton**



The basic element of all our communications is the simple and inspiring message, "Life's Good". LG Electronics strives to create value and enrich our consumers' and customers' lives through every contact we have with them.

CMO (Chief Marketing Officer) / Executive Vice President

**Dermot J.M. Boden**



Like all companies, LG Electronics must earn profits and reward its investors to thrive and even survive. However, we believe there are many ways to achieve that objective, and we are choosing to achieve it through enriching people's lives. We don't believe that those two objectives must be in conflict with each other. And that philosophy leads us to take seriously opportunities to do things like create profitable offerings that improve the environment.

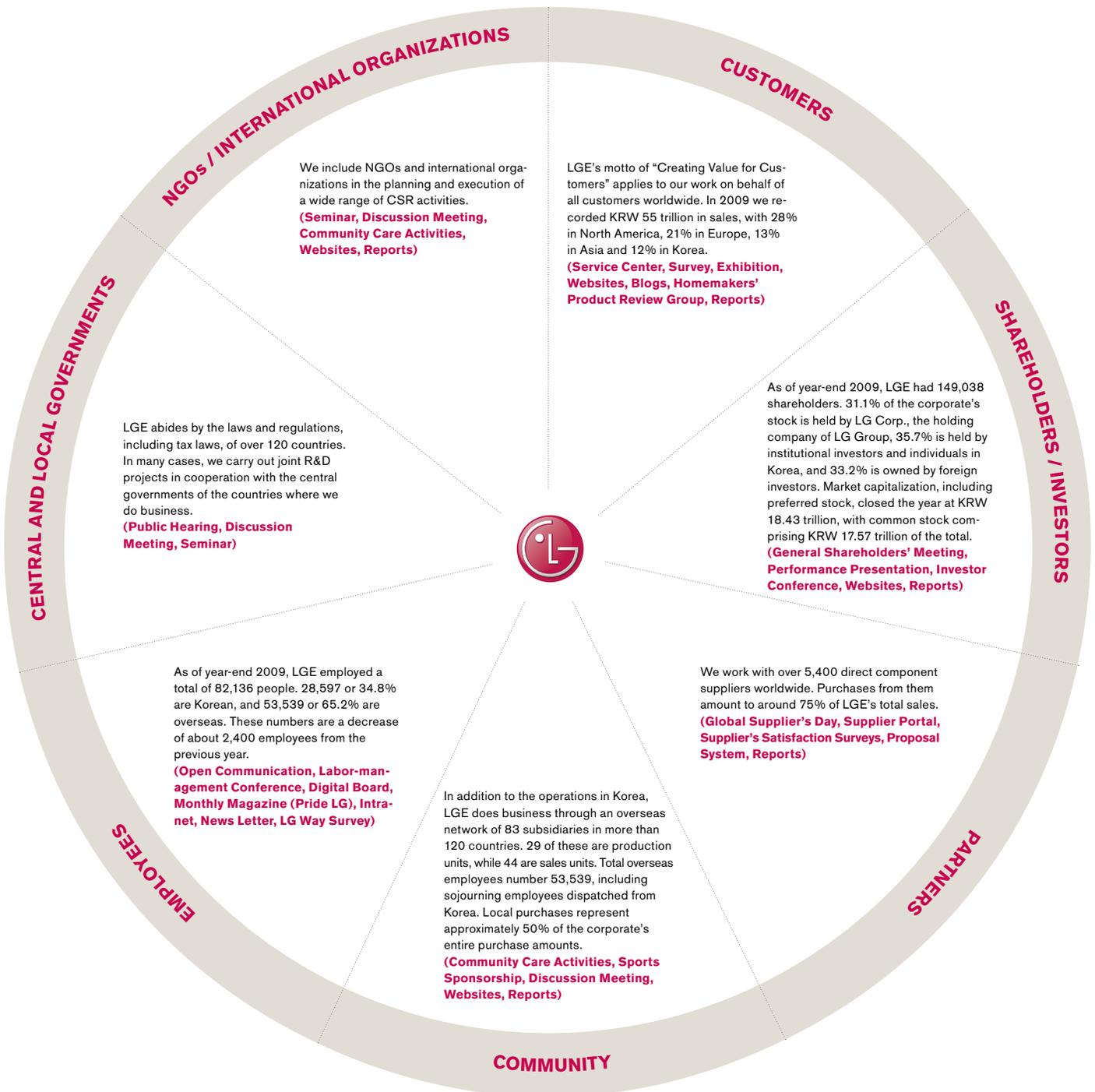
CSO (Chief Strategy Officer) / Executive Vice President

**Bradley A. Gambill**



# STAKEHOLDER ENGAGEMENT

LG Electronics works to involve stakeholders in everything we do. We are committed to being a corporate that communicates openly with stakeholders, earns their trust, and uses their feedback to guide management decisions.



## CUSTOMERS

LGE's motto of "Creating Value for Customers" applies to our work on behalf of all customers worldwide. In 2009 we recorded KRW 55 trillion in sales, with 28% in North America, 21% in Europe, 13% in Asia and 12% in Korea.  
**(Service Center, Survey, Exhibition, Websites, Blogs, Homemakers' Product Review Group, Reports)**

## SHAREHOLDERS / INVESTORS

As of year-end 2009, LGE had 149,038 shareholders. 31.1% of the corporate's stock is held by LG Corp., the holding company of LG Group, 35.7% is held by institutional investors and individuals in Korea, and 33.2% is owned by foreign investors. Market capitalization, including preferred stock, closed the year at KRW 18.43 trillion, with common stock comprising KRW 17.57 trillion of the total.  
**(General Shareholders' Meeting, Performance Presentation, Investor Conference, Websites, Reports)**

## PARTNERS

We work with over 5,400 direct component suppliers worldwide. Purchases from them amount to around 75% of LGE's total sales.  
**(Global Supplier's Day, Supplier Portal, Supplier's Satisfaction Surveys, Proposal System, Reports)**

## COMMUNITY

In addition to the operations in Korea, LGE does business through an overseas network of 83 subsidiaries in more than 120 countries. 29 of these are production units, while 44 are sales units. Total overseas employees number 53,539, including sojourning employees dispatched from Korea. Local purchases represent approximately 50% of the corporate's entire purchase amounts.  
**(Community Care Activities, Sports Sponsorship, Discussion Meeting, Websites, Reports)**

## EMPLOYEES

As of year-end 2009, LGE employed a total of 82,136 people. 28,597 or 34.8% are Korean, and 53,539 or 65.2% are overseas. These numbers are a decrease of about 2,400 employees from the previous year.  
**(Open Communication, Labor-management Conference, Digital Board, Monthly Magazine (Pride LG), Intranet, News Letter, LG Way Survey)**

## CENTRAL AND LOCAL GOVERNMENTS

LGE abides by the laws and regulations, including tax laws, of over 120 countries. In many cases, we carry out joint R&D projects in cooperation with the central governments of the countries where we do business.  
**(Public Hearing, Discussion Meeting, Seminar)**

## NGOs / INTERNATIONAL ORGANIZATIONS

We include NGOs and international organizations in the planning and execution of a wide range of CSR activities.  
**(Seminar, Discussion Meeting, Community Care Activities, Websites, Reports)**

# STAKEHOLDERS' FEEDBACK AND MATERIALITY ANALYSIS

LG Electronics gathered input from major stakeholder groups by carrying out an in-depth Materiality Analysis. Their feedback was used in designing the process of the Materiality Analysis and in improving this Report, thereby strengthening the foundation for the corporate's overall CSR activities. We credit this consultative process with helping us to greatly improve the defining process of materiality and content of this Report.

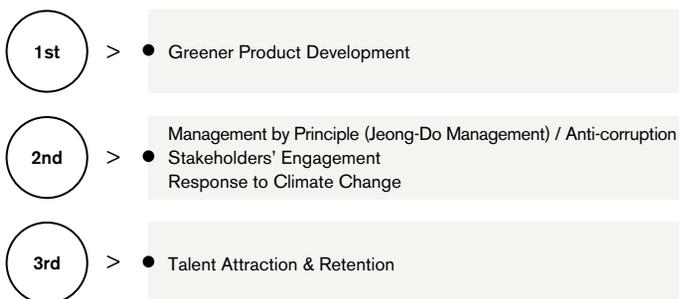
## EXPERTS SURVEY

In January of 2010, 70 external experts in various CSR disciplines were asked to provide constructive suggestions for the improvement of LGE's Sustainability Report, and also to comment on the corporate's overall performance in areas related to their individual expertise. The feedback generated from this panel of experts was used to guide the Materiality Analysis and framework of this Report.

### SUSTAINABILITY MANAGEMENT LEVEL (THE HIGHEST SCORE: 5)



### MAJOR INTERESTED AREAS



### EXPECTED MATERIAL ISSUES IN THE NEAR FUTURE

- Development of high-efficiency / greener products
- Development of economical products
- Promoting information accessibility
- Protection of consumers' privacy
- E-waste management in developing countries
- Promoting partners' CSR
- Product safety
- Innovation capability

### SUGGESTION FOR THE PREVIOUS REPORT

- Proposal of specific goals and improvement direction
- Containing stakeholders' detailed feedback
- Notice of stakeholders' opinion reflection procedures
- Notice of obligations and authorities of officers' sustainable management
- Proposal of mid- and long-term strategies on social issues
- Choice of reader-oriented vocabularies
- Better readability of the Report

## EMPLOYEE SURVEY

In February of 2010, over 60,000 LGE's Korean and overseas employees were asked to comment on the corporate's CSR activities. A total of 3,429 employees responded to the survey (2,732 in Korea and 697 from other countries). The respondents' comments indicated that the corporate needs to create interactive programs and training materials to improve employees' understanding of CSR issues and their importance. As such, LGE is already at work on developing upgraded CSR training programs for new hires and current employees.

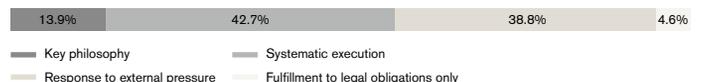
### EMPLOYEES' CSR AWARENESS: 91.4%



### MAJOR ISSUES

- 1) General public: Anti-corruption (46.5%)
- 2) Customers: Customer satisfaction / services (74.5%)
- 3) Environment: Green product development (63.4%)
- 4) Partners: Win-win partnerships with small and mid-sized companies (48.8%)
- 5) Community: Social contribution (44.9%)
- 6) Employees: Work-life balance (37.5%)

### LG ELECTRONICS' STATUS OF CSR



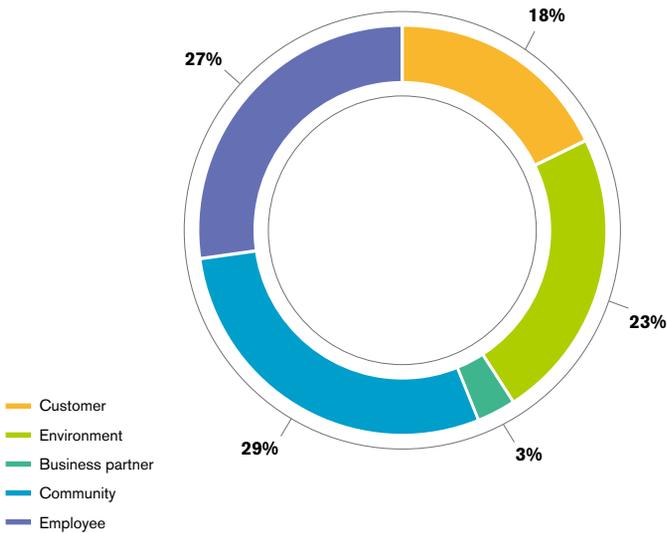
**MEDIA ANALYSIS**

We analyzed 34,923 Korean media articles in 2009 in order to gain the fullest possible understanding of stakeholder concerns and community expectations. Some contents produced by LGE were used by the commercial media, and were therefore excluded from the Materiality Analysis. The remaining contents were highly educational in terms of revealing the viewpoints of a wide range of stakeholders. Going forward, we will expand the coverage to worldwide media and analyze potential risks by negative screening methodology.

**IMPROVEMENT OF THE REPORTING FRAMEWORK**

The feedback gathered from the various surveys we have conducted has been used to improve the Report's structure. In particular, we have dealt more systematically with material issues by consistently dividing their presentation into three areas: Approach, Performance and Future Direction. LGE will continue gathering feedback from stakeholders and using it to improve future Reports.

**FREQUENCY OF MEDIA EXPOSURE FOR EACH STAKEHOLDER**



**IMPROVEMENT PLAN**

REPORT STRUCTURE IMPROVEMENT PLAN	IMPROVEMENT
Description of the Materiality Analysis Process	<ul style="list-style-type: none"> <li>• Disclosure of contents of surveys</li> <li>• Introduction of Five-Part Materiality Test model</li> <li>• Ensuring direct participation from stakeholders</li> </ul>
Methods for Handling Material Issues	<ul style="list-style-type: none"> <li>• Dividing into three discussion categories: Approach, Performance and Future Direction</li> </ul>
Supplementing Stakeholders' Major Concerns	<ul style="list-style-type: none"> <li>• Detailed description on suppliers' CSR</li> <li>• Strengthening anti-corruption activities, in line with UNGC principles</li> <li>• Summarized findings from interviews with major stakeholders</li> </ul>
Improving Readability	<ul style="list-style-type: none"> <li>• Use of graphic elements, such as graphics, charts and photos</li> <li>• Clear division of each section</li> </ul>

**FIVE-PART MATERIALITY TEST MODELS**

	Five-Part Materiality Test Items	LG Electronics' Consideration
Internal	A. Short-term financial impacts	Frequency of exposure in corporate magazines, Short-term financial impacts
	B. Policy commitment	Existence of policy commitment, Employee survey
External	C. Peer based norms	EICC, Tomorrow's value rating, DJSI
	D. Stakeholders' behavior and concerns	Experts' feedback, Request from clients / investors, NGOs' survey
	E. Societal norms	ISO 26000, GRI, UN Global Compact

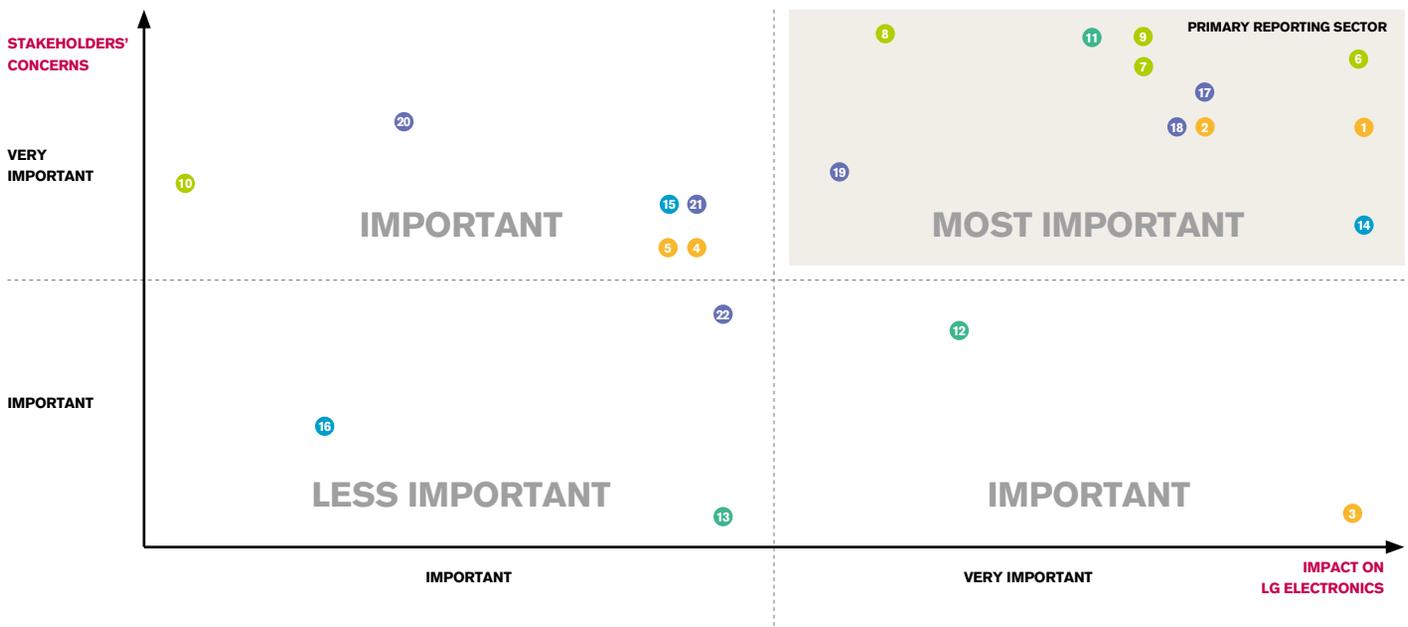
※ EICC: Electronic Industry Citizenship Coalition  
 Tomorrow's Value Rating: Evaluation on global corporations' sustainability by Two Tomorrows, a sustainability consulting firm  
 DJSI: Dow Jones Sustainability Indexes  
 ISO 26000: International standards on Social Responsibility  
 GRI: Global Reporting Initiative

### MATERIALITY ANALYSIS

The Materiality Analysis provides a rational framework to manage the concerns of major stakeholders and the major issues that affect, or are affected by, the corporate's business activities. Beginning with this year's Report, a more detailed and systematic Materiality Analysis was conducted, as we have instituted the "Five-Part Materiality Test" model provided by assurance standard AA1000.

The identified material issues are written into detailed reports and submitted to senior management, who is responsible for coordinating the corporate's response. Going forward, we will work to improve the Materiality Analysis methods at the individual work-unit level by reviewing the analysis tools.

MATERIALITY MATRIX (2009)



#### CUSTOMER

- 1 Strengthening customer service and communication
- 2 Ensuring product safety
- 3 Developing customer-friendly products
- 4 Protecting customers' privacy
- New! 5 Promoting fair marketing

#### ENVIRONMENT: Present and Future Generations

- 6 Developing greener products (increasing efficiency of energy and resources)
- 7 Responding to climate change
- 8 Reducing environmental impacts in the process of production
- 9 Removing and managing hazardous materials contained in products
- 10 Managing discarded electronic products

#### BUSINESS PARTNER

- ↑↑ 11 Increasing CSR of supply chains
- 12 Fair trade
- ↓ 13 Win-win partnerships with small and mid-sized companies

#### COMMUNITY

- 14 Social Contribution – Supporting needy people
- 15 Developing regional economy
- New! 16 Respecting natives' human rights

#### EMPLOYEE

- 17 Activating corporate culture / Work-life balance
- ↑ 18 Talent attraction and management
- 19 Fair evaluation and rewards
- ↑ 20 Protecting human rights / respecting diversity
- 21 Win-win relationships between labor union and management
- 22 Occupational health and safety

# STAKEHOLDER CONSULTATION ON CSR

NEW

LG Electronics held a stakeholder consultation meeting in April, 2010, with the aim of openly sharing information and collecting the opinions of diverse stakeholders with regard to the corporate's future direction and execution of our CSR and sustainability objectives.

“LG Electronics is growing value by collaborating synergistically and maintaining open communications with our stakeholders”



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

## DISCUSSION 1

What is Corporate Social Responsibility?

### MODERATOR

Any discussion about corporate social responsibility must take note of the diverse interests of the economy, the environment and human communities. The term of CSR has emerged along with sustainable development and sustainability, and these are now well-established ideas in international agreements, codes, standards and policy guidelines. Good examples are the GRI Guidelines for Sustainability Reports, the AA1000 standard for sustainability assurance, the UN Global Compact, and ISO 26000, which will be unveiled in October, 2010. Respective stakeholder groups have different expectations for what CSR should embody and accomplish. These different expectations create both risks and opportunities when a corporate communicates with its stakeholders. With open and proactive engagement on the issues they care about, we can often reach a deeper level of understanding and build trust with our stakeholders.

#### Moderator

Mr. MG Jun (Two Tomorrows)

#### Stakeholders

Mr. Jin Woo Lee (Federation of Korean Trade Unions)  
 Ms. Seon Ae Jeong (Korea Human Rights Foundation)  
 Mr. Chun Seung Yang (KOSIF, Korea Sustainability Investing Forum)  
 Ms. In Rae Park (National Council of Homemakers' Classes)  
 Ms. Cynthia Jones (WFP, World Food Programme)  
 Mr. Edward Reed (Asia Foundation)

#### LG Electronics

Mr. Young Kee Kim (CRO, Executive Vice President)  
 Mr. Sang In Hwang (Labor Management Team Leader, Vice President)  
 Mr. Soon Kil Baik (CS Management Team Leader, Vice President)  
 Mr. In Dong Kim (Eco Planning Group Leader)  
 Mr. Kenny Kim (Environmental Compliance Group Leader)  
 Mr. Cheong Seok Lee (Compliance Team, Group Leader)  
 Mr. Joong Kwon Joh (Communications 2 Group Leader)  
 Mr. Hyun Sik Kim (CSR Group Leader)



**PARTICIPANT A**

The concept of CSR is broad and wide-ranging, but international consensus is being reached through standardization activities such as ISO 26000. A passive definition of CSR might include a business' attempts to minimize its negative externalities and impact on the local community, and turn them positive. A more rigorous definition would include active efforts of business to ensure the sustainability of the local community, countries and even the entire planet.

Two years ago, the dominant view was that companies adopted CSR slogans and programs in order to burnish their PR image and gain a competitive advantage. More recently, CSR has come to be viewed as a matter of compliance with regulations. This change reflects the shift in public mood, whereby social responsibility is no longer an option for companies, but a business imperative due to the ever-increasing number of regulations and treaties.

**PARTICIPANT B**

I think that most people used to think of CSR as mainly donations to charity. However, as people began to understand the impact that companies have on society, the idea of CSR changed. Now it encompasses the entire relationship that companies have with society.

I assume that CSR's purpose is to minimize the negative impacts of business on society, and maximize the positive. In that sense, I think LGE has done a good job of taking proactive stances on climate change, poverty and disease prevention. In the future, I expect to see LGE's CSR activities become more closely connected with its core business activities.

**PARTICIPANT C**

One common phrase that I think describes the CSR spirit properly is "Doing well by doing good". My concern is that the impact of businesses on the environment and society is increasing, but the needs of the world's poor are being ignored. More than one billion people live on less than one dollar a day. Collectively, they are called the Bottom of the Pyramid, and they often are not even considered to be part of the global economy. Companies in the electric and electronics industries have a significant role to play in supporting these people's rise out of

poverty, and developing affordable, durable, green products that will enrich their lives.

**PARTICIPANT D**

As the influence of business grows, so do society's expectations. Many of the world's most famous companies have active and vibrant CSR programs, and it is proper that Korean companies should meet the highest CSR standards in the global economy. In particular, when designing new products and services, we should make sure to accommodate the needs of society's poorest and most vulnerable, and to protect the rights of all consumers.

**PARTICIPANT E**

Corporate activities affect people throughout the production, distribution and consumption stages of the value chain. The impact should be taken into consideration not just by companies but by all the members of the society. Concern over the impact that business activities have on society has led to the drafting of many related regulations. Companies should go beyond compliance with these regulations and make more efforts to create positive externalities for society. For example, if a case of human rights violation occurred, the business needs to demonstrate it is making efforts to provide a solution and give more consideration to balancing interests when conflicts occur between stakeholders. Especially, companies and all the members of the society should make sure that the basic human rights of those at the Bottom of the Pyramid are not violated.

**PARTICIPANT F**

I think of CSR sort of like a maze. There is only one entrance, but once inside, you can follow many different paths. It is the same with companies; they commit themselves to CSR by walking through the door, but once inside, there are innumerable ways they can practice good citizenship. One way to be sure that you are following the right path is to look to the leaders in CSR and follow their example. As there are many initiatives driving CSR, including standardization of ISO 26000, companies must take proactive approaches to CSR, considering it as a wise investment for the future, rather than a cost.



**DISCUSSION 2**

What are  
your expectations from  
LG Electronics?

**MODERATOR**

Based on the discussion and mutual understanding of the concept of CSR, let us take a look at the material CSR issues that LGE is expected to cover and focus on. In this session, LGE's management will be engaging and, when possible, responding to your comments and expectations. Through this session LGE will be provided with an opportunity to reconfirm its material socio-economic, social and environmental stances, and take further feedback for its future sustainability policies, strategies and operational performance management.

**PARTICIPANT A**

I saw a recent news story about LGE's union declaring its intention to practice USR (Union Social Responsibility). This caught my attention because I had never before heard of such a thing, and it raised my expectations for tangible, proactive action by the union.

I also learned that the company was experiencing labor-management problems at some overseas locations, including Brazil. I sincerely hope that LGE will apply the same standards of labor relations to the company's overseas workplaces as it does here in Korea. One suggestion might be for LGE to set aside one day for all employees to think about, discuss and understand LGE's history and traditions.

**PARTICIPANT B**

I don't think that Korean companies are very concerned about human rights. Note how their production operations are increasingly being offshored to countries with poor human rights track records. As stakeholders become ever more concerned about human rights issues related to sourcing of raw materials from disputed regions, like Coltan, and operations in countries with no ILO (International Labor Organization) treaty, multinational companies should carefully consider the issue. A good approach could be doing research on the human rights situations in every country it operates in, and implement strategic management approaches. Also, it is necessary to join the EICC and reinforce partnerships with the local NGOs.

It is very important for companies to implement transparent disclosure of corporate information. Especially, internal guidelines and various stakeholder engagement channels should be in place to facilitate proactive communication with challenging and difficult stakeholders.

I learned recently that LGE has released a new product, the "Book-reading Mobile Phone". I look forward to hearing about other ways that LGE is working to bridge the digital divide.

**PARTICIPANT C**

I am already aware of LGE's various CSR activities. I recommend that LGE report on its specific greenhouse gas reduction targets annually, and disclose its social contribution activities together with quantitative data including targets and percentage-of-sales spending. I also assume that the demanding nature of Korean consumers is one of the main factors that enabled LGE's high levels of customer satisfaction and customer service.

**PARTICIPANT D**

I think that Korea has a rather poor image in Southeast Asia, and I hope that LGE will take the lead in raising the country's reputation in the region with various proactive activities. Effective strategies might be focusing on anti-poverty activities, as Korea did during its development, including local economic development and job-creation projects, rather than just donating money. While LGE's "take-back" activities in developed markets are matured, further efforts are expected to be made to eliminate "e-waste" to underdeveloped countries. Electromagnetic fields' impact on human health remains as a long-term sustainability issue. LGE should conduct related research, and provide consumers with objective information about their progress.

**PARTICIPANT E**

As 87% of LGE's sales come from foreign markets, and especially the sales volume from developing countries is growing rapidly, LGE must provide greater support for these countries. I would like to see LGE raise its spending on anti-poverty measures to the same levels as its spending on in-country marketing, and seek for business opportunities realized through this approach.

**PARTICIPANT F**

As a highly visible and respected multinational enterprise, LGE has an obligation to disclose detailed company information that encompasses current management activities and encourages positive engagement with its stakeholders. Especially, systematic reporting through a sustainability report on climate change response is recommended, as it did for CDP (Carbon Disclosure Project). I think the company's main CSR risks are climate change, human rights and supply chain management, so I expected to see LGE's proactive response to reduce these risks.

**MODERATOR**

I would like to thank you all for sharing your views with us. Everything we discussed today will be relayed to the senior management of the company and LGE will officially respond to your expectations and queries by the end of September of this year.

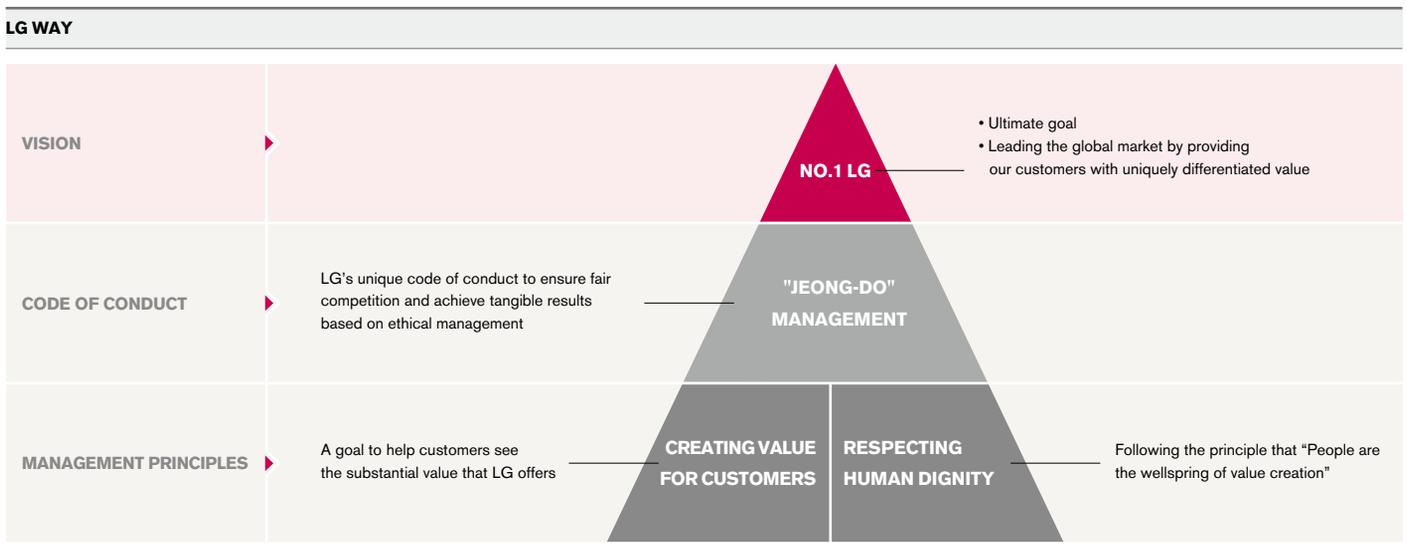
Thank you again.

# OUR PHILOSOPHY



The “LG Way” is LG’s unique management philosophy. It has been with us since the Group’s founding, and grown over our decades of experience. Every LG employee is guided by its principles. Following the LG Way, we are confident that LG Electronics will continue to develop as a corporate that earns the respect of all stakeholders.

<b>LG WAY</b>	The LG Way is the basis for attaining our vision of “No.1 LG” as we practice “Jeong-Do Management”; by which we achieve our aims of “Creating Value for Customers” and “Respecting Human Dignity”.
<b>NO.1 LG</b>	“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. “No.1 LG” is a company that customers rely on, that investors trust, that top-caliber professionals are motivated to work for, and competitors seek to emulate.
<b>CREATING VALUE FOR CUSTOMERS</b>	The key function of our management is to constantly increase existing service levels and product value, and find new ways to create value for our customers. We are able to do this because of ceaseless management innovation and our ability to help customers see the substantial value that LG offers.
<b>RESPECTING HUMAN DIGNITY</b>	LG supports each employee to develop personally and use 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. Our motto is “Respecting Human Dignity”, and we see it as our moral obligation to treat every employee in accordance with this creed.
<b>JEONG-DO MANAGEMENT</b>	To earn the trust of our customers and manage our business sustainably for 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. With these philosophies deeply rooted in the minds of all LG employees, our company can continue to earn customer trust and grow into a No.1 company.



# CORPORATE OVERVIEW AND ECONOMIC PERFORMANCES

## World best at enriching lives through innovation

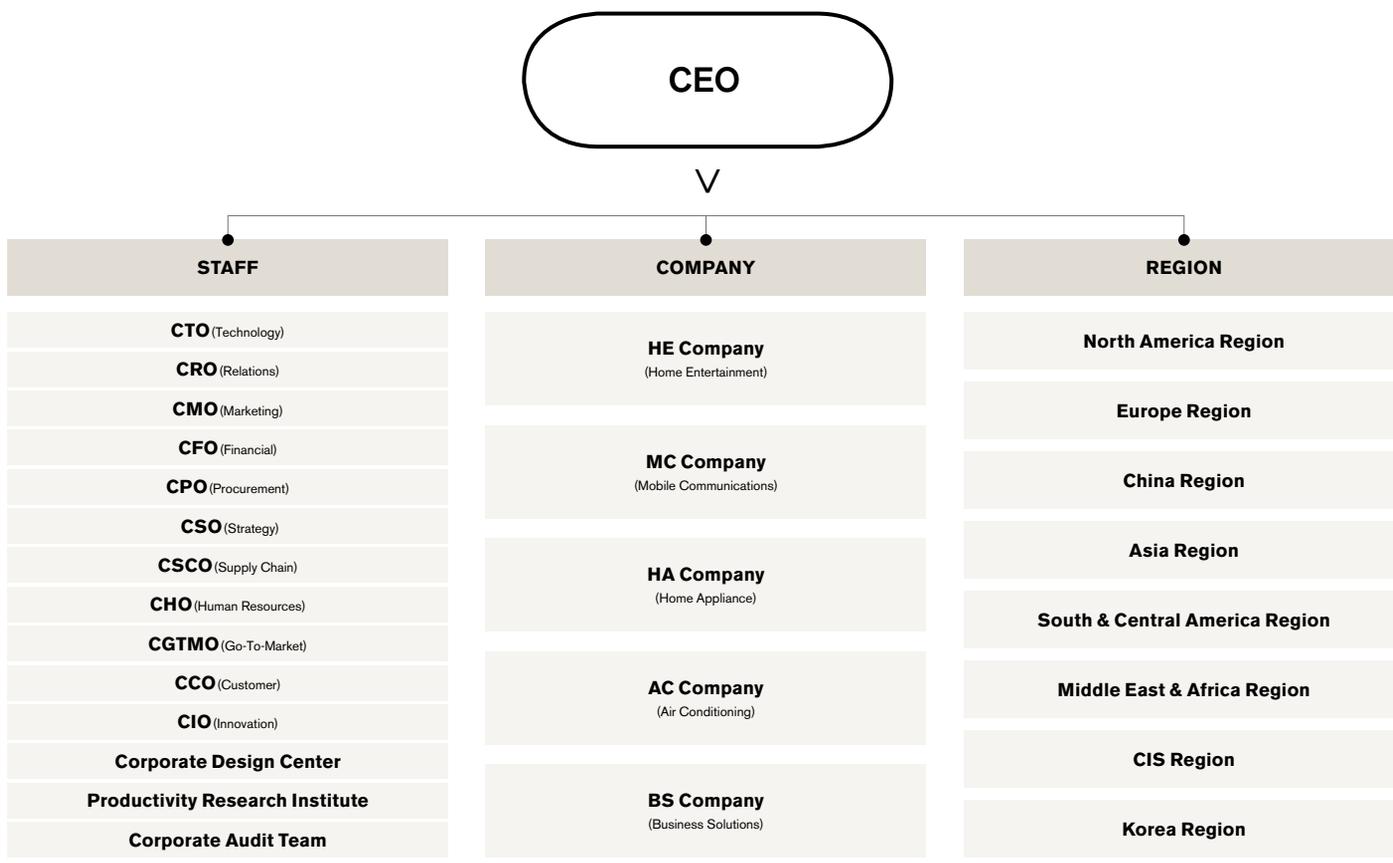
Since our establishment in 1958 under the name Goldstar, LG Electronics has epitomized “Innovation Leadership” in the global market by continually introducing innovative products and advanced services. Our goal is to be the “World best at enriching lives through innovation”, and we work harder every day to strengthen our competitive edge by finding new ways to create value for our customers.

### OVERVIEW OF LG ELECTRONICS

As of December 31, 2009 / ( ): Change in figures compared with the previous year / Unit: KRW billion

<b>Organization Name</b>	LG Electronics, Inc.	<b>Total Assets</b>	21,577.2 (+4,239.3)
<b>Location of Headquarters</b>	LG Twin Towers, 20, Yeouido-dong, Yeongdeungpo-gu, Seoul, Korea	<b>Total Liabilities</b>	11,417.4 (+2,486.3)
<b>Industry</b>	Manufacturing	<b>Sales</b>	<b>Parent</b> 30,513.4 (+2,874.9)
<b>Main Products</b>	Televisions, Home Theater System, Blue Ray Player, Mobile Handsets, Notebook Computers, Refrigerators, Washers, Cooking Appliances, Built-in System Kitchen Utensils, Vacuum, Health Care Appliances, Air-conditioner, Monitor, Security System and Commercial Display		(Domestic: 6,665.0 / Exports: 23,848.4)
		<b>Consolidated</b>	55,524.1 (+6,191.1)
<b>CEO</b>	Yong Nam	<b>Operating</b>	<b>Parent</b> 1,614.8 (+387.9)
<b>Date of Establishment</b>	October, 1, 1958	<b>Profit</b>	<b>Consolidated</b> 2,885.5 (+752.5)
<b>No. of Employees</b>	82,136 (Korea: 28,597 / Overseas: 53,539)	<b>Credit Rating</b>	AA (Domestic), Baa3 (Moody's), BBB (S&P)
		<b>No. of Shareholders</b>	149,038
		<b>No. of Shares</b>	161,833,806

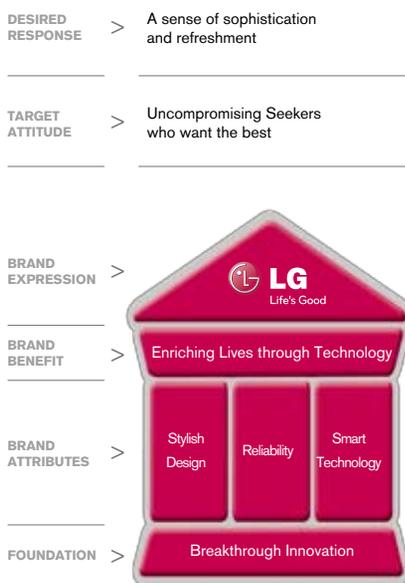
### ORGANIZATIONAL CHART



## BUSINESS OPERATIONS AND MAIN PRODUCTS

LGE has epitomized "Innovation Leadership" in the global market by continually introducing innovative products and advanced services. Our goal is to be the "World best at enriching lives through innovation", and we work harder every day to strengthen our competitive edge by finding new ways to create value for our customers.

### LG GLOBAL BRAND IDENTITY HOUSE



### BRAND IDENTITY

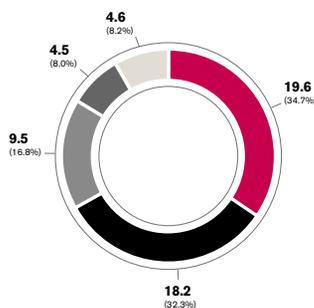
LGE enriches people's lives by applying innovative technologies to create products that bring joy to life.



### SALES BY COMPANY (2009)

- HE Company
- MC Company
- HA Company
- AC Company
- BS Company

Unit: KRW trillion (%)



Sales figures reported by each business company are total sales before deduction of internal transactions between companies. The corporate's total sales (KRW 55.52 trillion) in 2009 are reported after netting out internal transactions (KRW 925.3 billion).

### DOMESTIC SUBSIDIARIES

Unit: KRW billion

Corporation Name	Main Industries	Capital (percentage of ownership)	Sales (2009)	Transactional Relationships
LG Innotek	Electronics Machinery and Instruments	85.7 (50.56%)	2,229.8	Parts Supply
Hiplaza	Wholesale & Retail of Electronics	37.2 (100%)	901.5	Product Sales
Hi Logistics	Logistics Management / Service	3.6 (100%)	312.6	Logistics Service
System Air-con	Service / Construction	1.7 (100%)	25.7	Service
Engineering	/ Wholesale & Retail	(100%)		

## GLOBAL SALES

The global operating environment in 2009 was made difficult by several recessionary factors, including reduced consumption, price competition and exchange rate volatility. LGE has made successful efforts to reduce our internal operating costs and raise productivity. On the sales end, demand for mobile handsets and flat-screen televisions

picked up in the second half of 2009, lifting worldwide sales to KRW 55.52 trillion, an annual increase of 12.6%. Revenue growth combined with efficiency improvements to produce an operating profit of KRW 2.89 trillion, up 38.1% over the previous year.

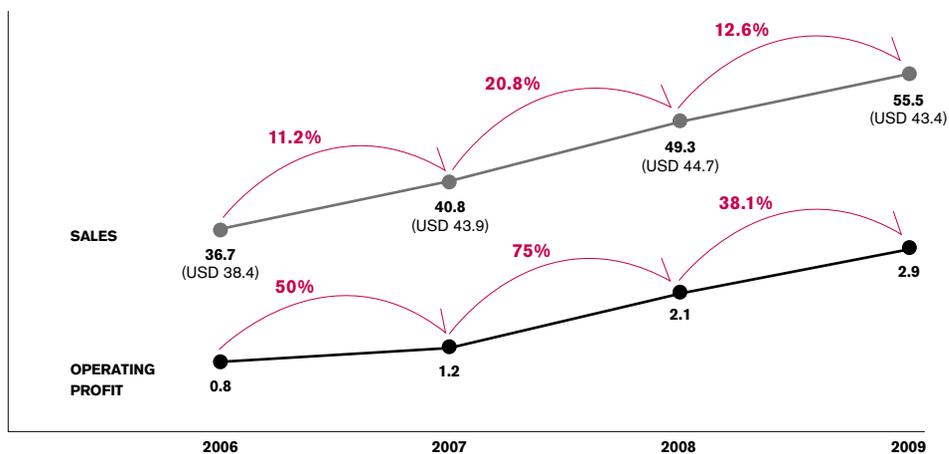
### CURRENT STATUS OF SALES (PARENT)

Unit: KRW billion

Category	2007	2008	2009
Total	23,501.9	27,638.5	30,513.4
Sales Domestic	6,520.4	6,445.2	6,665.0
Exports	16,981.5	21,193.3	23,848.4
Recurring Profit	1,486.9	515.0	2,516.6

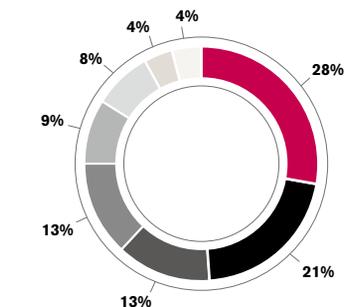
### GLOBAL SALES AND OPERATING PROFIT (CONSOLIDATED)

Unit: KRW trillion (USD billion)



1 USD = KRW 955 (2006) / KRW 929 (2007) / KRW 1,103 (2008) / KRW 1,276 (2009)

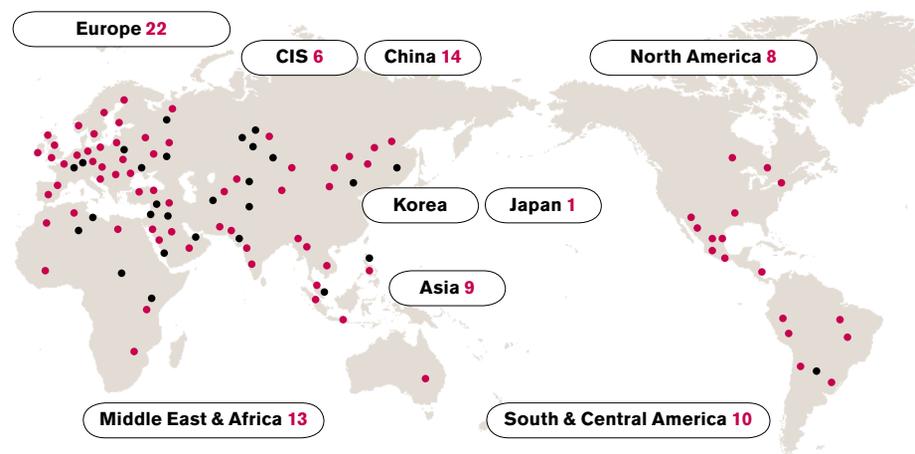
### SALES BY REGION (2009)



- North America
- Europe
- Asia
- Korea
- South & Central America
- Middle East & Africa
- China
- CIS

### GLOBAL OPERATIONS

The number of in the map represents that of overseas consolidated subsidiaries



● Subsidiaries 83 ● Liaison offices 31

**SHARED ECONOMIC GAINS (PARENT)**

Total sales in 2009 reached KRW 30.51 trillion (as recorded at parent), which is a record high annual sales figure for LGE. Labor costs recorded an increase as greater benefits were extended to employees, including medical insurance, and capital costs rose in line with new facility investments and capitalized R&D expenses. Taxes and dues rose as a result of growing income tax obligations, and the corporate's budget for social contribution works was also increased. LGE gets direct and indirect support from the Korean government to offset

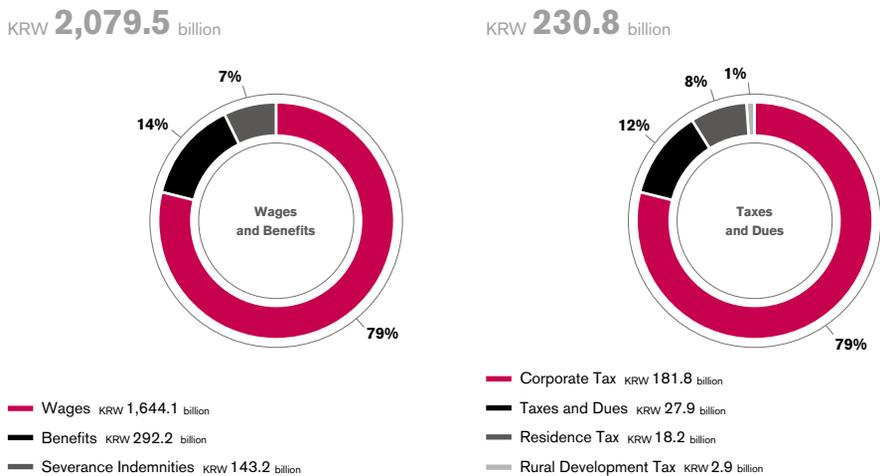
facilities investments and operating costs related to national policy research projects. Domestic investment-related income tax savings amounted to KRW 50.65 billion.

At LGE, we believe we have a financial responsibility to share the corporate's value-creation with all stakeholders, including shareholders, business partners, employees and local communities. One of our primary motivations for finding new growth drivers and pursuing higher profits is to create more value to share with others.

**DIVIDENDS**

	2007	2008	2009
<b>Net Income</b> (KRW billion)	1,222.4	482.8	205.3
<b>Earnings Per Share</b> (KRW)	7,584	2,992	12,740
<b>Total Dividends Paid</b> (KRW billion)	137.8	57.2	28.3
<b>Dividend Payout</b>	11.27	11.85	13.77
<b>Ratio (%)</b>			

**WAGES AND BENEFITS / TAXES AND DUES**



**ECONOMIC VALUE CREATED AND DISTRIBUTED (PARENT)**

Unit: KRW billion

	2007	2008	2009
Revenue	23,501.9	27,638.5	30,513.4
Non-Operating Income	1,863.2	2,670.5	3,492.4
<b>Economic Value Generated</b>	<b>25,365.1</b>	<b>30,309.0</b>	<b>34,005.8</b>
Operating Expenses	22,937.3	26,411.6	28,898.6
Wages and Benefits	1,826.9	1,830.9	2,079.5
Capital Costs	256.8	164.6	390.5
Taxes & Dues	47.2	132.6	230.8
Social Contribution	15.3	11.9	15.6
<b>Economic Value Distributed</b>	<b>25,083.5</b>	<b>28,551.6</b>	<b>31,615.0</b>
<b>Economic Value Retained</b>	<b>281.6</b>	<b>1,757.4</b>	<b>2,390.8</b>

\* Operating expenses consist of sales costs 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.

**LG ELECTRONICS' FLOW OF ECONOMIC VALUE (PARENT, 2009)**

Unit: KRW billion



## 2009 HIGHLIGHTS

**01**  
JANUARY

### CES 2009 INNOVATIONS AWARDS

LGE received 14 Innovations Awards at the Consumer Electronics Show 2009 (CES): 2 for display products, 5 for mobile handsets, 3 for home electronics, 3 for audio/visual products and 1 for computer peripherals. In particular, LG Dare (LG-VS9700), a full touch-screen handset, and a combined steam-washing machine and dryer unit were honored with "Best of Innovations".



**03**  
MARCH

### 20 CONSECUTIVE YEARS OF DISPUTE-FREE COLLECTIVE BARGAINING

During the recent negotiations to renew the collective and wage agreements, LGE's labor union agreed to a three-year wage freeze in order to help the corporate overcome the current economic slump. Labor and management were also able to reach an agreement on job creation and support for small and mid-sized suppliers, financed partially with savings realized through cost-reduction initiatives. With this agreement, LGE continues its proud tradition of 20 consecutive years of dispute-free collective bargaining with its union.



### COMPLETION OF SEOCHO R&D CAMPUS

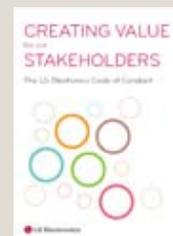
LGE completed construction of the Seocho R&D Campus in Seoul, Korea, after a construction period that began in March, 2006. The total investment for the 125,000 sqm facility, which has 25 stories above ground and 5 below, was KRW 260 billion. Three thousand R&D staff members are at work in the Campus, playing a pivotal role in the development of next-generation growth drivers and research of digital convergence. The corporate's Design Center has also moved into the Campus, which will result in the creation of value-adding synergies as design and product development teams work together from the earliest product planning stages.



**05**  
MAY

### ESTABLISHMENT OF COMPLIANCE CODE OF CONDUCT

LGE unveiled the corporate compliance Code of Conduct in May, setting forth the basic principles and guidelines that ensure our compliance with the laws and regulations of the countries where we operate. The Code helps our employees to be aware of the need to observe the laws of the various nations where LGE does business, and promotes a corporate culture of respect for the law.



**08**  
AUGUST

### ESTABLISHMENT OF THE GLOBAL GREEN IT SYSTEM

In response to the strengthening of environmental regimes in Europe and other regions, we established the Global Green IT System to help us comprehensively manage the environmental risk of entire products and worksites, both at Korea and overseas. The System lets us access and manage information related to full life-cycles of products and business activities, and assess their environmental risks with real-time monitoring.



## 09 SEPTEMBER

### WOODROW WILSON AWARD FOR CORPORATE CITIZENSHIP

LGE received the Woodrow Wilson Award for Corporate Citizenship in September. The Award is sponsored by the Woodrow Wilson International Center for Scholars, a prominent public policy forum in the US. It recognizes outstanding achievements in the areas of community involvement, business performance and management innovation. The Center has been honoring individual, public sector and corporate recipients since 1999. This was the first time a private-sector Korean company has won the Award.



## 10 OCTOBER

### TOP KOREAN COMPANY FOR RESPONSE TO CLIMATE CHANGE

The Carbon Disclosure Project's Korea committee selected LGE as the best-performing company - among 100 large Korean corporations - for our achievements in low-carbon green management.

### OFFICIAL LABORATORY FOR NEWLY-REGULATED HAZARDOUS MATERIALS

Germany's TÜV Rheinland is the leading environmental certification institute in Europe. It designated LGE as its official laboratory partner for analyzing newly-regulated hazardous materials. The designation means that LGE is able to carry out its own analysis and certification of new products, which will save about KRW 10 billion in certification expenses each year.



## 11 NOVEMBER

### PRESIDENTIAL AWARD FOR IT INNOVATION

In November 2009 LGE received the Presidential Award for IT Innovation from Korea's Ministry of Knowledge Economy. The Award specifically recognized the corporate's new efficient electronic tagging system that is designed to automatically manage total product information ranging from parts composition, production process and date, to quality grade. To this end, LGE attached electronic tags to television products and related materials, and installed tag-reading devices in suppliers' plants, production lines and warehouses. As a result, we calculate that the corporate has saved KRW 10 billion in costs on a yearly basis. LGE also increased the corporate's direct shipping rate by 21%, referring to the delivery of products from plants to customers without going through a warehouse.



## 12 DECEMBER

### SIGNATORY TO THE UN GLOBAL COMPACT (UNGC)

Last December, LGE joined the UNGC, a UN-sponsored treaty defining the international community's standards for corporate social responsibility. The treaty binds its signatories to fulfill 'The Ten Principles' in the fields of human rights, labor standard, environment, anti-corruption. LGE will be a proactive and enthusiastic supporter of the Compact, and meet our obligations in all countries and markets where we operate.



### DECLARATION OF GREEN VISION 2012

The Changwon Plant unveiled its "Green Vision 2012", an action plan for practicing eco-friendly green management. A key provision is the promise to eliminate about 10 million tons of CO<sub>2</sub> emissions by 2012, compared with 2007 levels. This will have the same environmental impact as planting 3 billion pine trees.



### PRODUCTION OF SOLAR CELL MODULES

LGE is promoting renewable energy technologies as important next-generation growth drivers. To propel this growth, we transferred control of the corporate's solar cell business from CTO to AC Company. In December of 2009, we began mass production of 120 MW solar cell modules (size 1M\*1.6M). The line has the capacity to produce 520,000 modules annually, which is enough to provide the full electric power needs of about 40,000 households per year.



### RECORD SALES AND EARNINGS RESULTS

LGE recorded its strongest business performance ever in 2009. The corporate set dual records for global sales and operating profit, at KRW 55.52 trillion and KRW 2.89 trillion, respectively. These figures represent a 12.6 percent rise in sales and a 38.1 percent increase in operating profit. Mobile phones and televisions were the main drivers of growth.



**295,372** visitors

LG Electronics launched “The BLOG” in March, 2009, to provide an open online communication channel with our customers. A primary subject of the website is “Aesthetic Design”, and it attracts many uncensored comments from users, which is a first among Korea’s corporate blogs. In 2009, a total of 295,372 users visited The BLOG, leaving some 6,811 comments on the bulletin board. In recognition of the high quality of this ground-breaking and interactive resource, The BLOG was selected as the top corporate blog in the 2009 Korea Blog Awards.

LGE has embraced the risks and opportunities of the social networking era. Despite understandable concerns about the possibility of negative comments being posted, they launched a corporate blog that welcomes all internet users to comment about their experiences with the corporate and its products. The BLOG’s content goes beyond basic descriptions of products and services, incorporating an interactive design theme that invites users to take part in content creation. I was impressed that LGE used its online blog as part of the corporate’s proactive response to safety issues with washing machines. Specifically, they disseminated accident-prevention information through the blog and Twitter. LGE uses social networks such as Twitter to gather opinions from consumers and enhance the level of communication with customers. The only concern I have is that LGE might view these online communication channels as a temporary experiment, or something that is too risky to continue. People who use social networking tools expect consistency, and they will appreciate LGE’s continuing efforts to foster close customer relationships through various technological media.

Streaming Video SNS Planning Team of Daum Communications / Power Blogger (Online Nickname: Radiokidz)

**Jung Kyoon Kim**





## COMMUNICATION WITH CUSTOMERS

LG Electronics operates various communication channels to gather feedback and remain responsive to the Voice of the Customer (VOC). Information about their desires and expectations is used in future product development, service improvements and marketing campaigns.



TV ad for drum-type washing machines promotes the product's steam function by showing a smog-covered urban landscape changing to a clean and green city

### OUR APPROACH

#### Global Brand Identity

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

### OUR PERFORMANCES

#### BRAND COMMUNICATION

##### Global Brand Image

LGE is building a global brand image based on the corporate's brand identity (BI) of "Enriching lives through technology". The BI embodies our passion and commitment to developing innovative technologies that enrich people's quality of life. LG presents the 'human face' of technology, driven by our passion for making a real difference to how people enjoy life.

Based on the BI, LGE continuously promotes the "Life's Good" story through advertising campaigns across all regions and product categories. Subsequent market research confirmed that the public had a positive reaction to our "Life's Good" message, and that consumer opinion of LGE and their intention to purchase our products had increased.



Ad for LGE televisions emphasizes the sophisticated design and cutting-edge technology, interposed with a dynamic city skyline

#### COMMUNICATION FOR PRODUCT DEVELOPMENT

##### Response to Customer Needs

LGE piloted the "Global Experience Action Learning" program for sixty of our best employees this year. Fifteen teams of four members each traveled through the high-value North American and European markets to study and experience MOT (Moment of Truth: Customer Interface), and gain first-hand knowledge of our customers' needs and desires.

#### PARTICIPANT INTERVIEW (GLOBAL EXPERIENCE ACTION LEARNING)

##### Q. What was the purpose of project, and where did you go?

We visited Netherlands and Germany to learn how the cycling public uses their mobile phones.

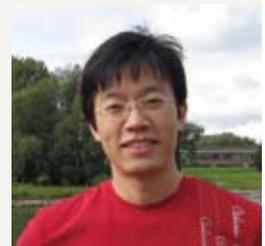
##### Q. Were there any differences between your initial assumptions and what you actually observed?

Since bicycles are a common means of transportation in Europe, we thought that many people would be using their phones while on the move. We found, however, that people seldom used their phones in public, and so we came up with the idea of expanding the functionality of the phones, such as by creating handset-based navigation accessories, rather than emphasizing the communication function.

##### Q. What is the most important thing you learned from the program?

The need to begin the product development process by first of all asking ourselves "What do customers want from our products, and how can we offer them even more value than they expect?"

**Seung Hyun Park**  
Research Engineer, Mobile Handset  
R&D Center, Development Lab. 2





Ideation Program - InnoJump

**“Aero Comfort System”  
in India**



**“Buckingham 2”  
in Europe**



**“Pro: Centric”  
in North America**



**“Mecca Phone 2”  
in the Middle East  
and Africa**



**“Times”  
in Brazil**



**“Prime”  
in China**



**Locally-tailored Products**

We approach all our business decisions by first asking ourselves “What do customers really want, and how can we create the most value for them?” Our corporate communications convey our commitment to personalized service and customized solutions that meet each person's individual needs.

**LGE’S LOCALLY-TAILORED PRODUCTS**

- Allow customers maximum control over their environment by combining ceiling fan and air conditioner controls in a single remote, much like the set-top boxes used with televisions.
  - Take note of the fact that many families use the air conditioner and ceiling fan at the same time while at home.
  - Focus on the customer benefit of a comfortable night's sleep for the whole family, as either the fan or the air conditioner can maintain the proper temperature while the other device is turned off for the night.
- Customer Response: The system is user-friendly, and the ceiling fan timer function helps us save energy costs.**

- Market research in Europe reveals that additional costs are incurred when a water supply pipe is fitted to provide aqua dispenser functionality, but the refrigerator's design aesthetic suffers.
- The solution is to move a reservoir inside the refrigerator, and connect the dispenser to the reservoir.
- Supply pipe installation costs are eliminated.
- Home interior design is improved.

**Customer Response: Customers appreciated the convenience of being able to load the reservoir with the beverage of their choice, as well as the cost savings associated with the new design.**

- Address dual concerns from the hotel market for access to pay-per-view broadcasts for their guests, and copyright protection concerns on the part of film companies.
- Resolve the issue by applying Digital Rights Management (DRM) and duplication prevention technologies.
- Streaming video duplication is prevented by loading “Pro: Centric”, a DTV-receiving platform, onto hotel-room television sets.
- To add value, a 90-degree swivel stand is supplied, along with a Remote Jack Pack (RJP) that allows the television to play streaming video from a camcorder or notebook computer.

**Customer Response: Hotel guests are satisfied with the variety of content available to them, and the ability to interface their own media devices with the television.**

- Muslim customers pray in the direction of Mecca five times per day, and frequently read the Koran.
- Add value by building in an azimuth compass that points toward Mecca from any location in the world. Also include voice and text scripture from the Koran.
- The phone notifies its owner of prayer times and other religious events with a built-in calendar for the Muslim holy year.

**Customer Response: The product is excellent for Muslim customers on business trips or holidays to non-Muslim countries, making it easier for them to follow their normal religious routines.**

- Capitalize on the fact that Brazilians are huge soccer fans.
- Offer personal phone products with a built-in widget that enables users to search the latest soccer news of the Brazilian Football Association.
- Support Windows Mobile 6.5 for effective browsing.
- Add further improvements such as dual speakers and “Sliding Panel”-type start-up screen.

**Customer Response: I love the fact that I can get soccer news anytime, anywhere with the widget function. Call quality is excellent and the QWERTY keyboard makes it easy to create text messages.**

- Note that Chinese consumers often add sanitizers when using their washing machines.
- Meet the need to improve upon the conventional drum-type washers, which require users to add the sanitizer directly to the clothing, with the disadvantage of sanitizer residue remaining on the clothing after washing.
- Offer a simple sterilization option, whereby the washing process begins with a 10-minute sanitizer rinse when the user selects the sterilization feature.
- Provide a built-in chute for adding sanitizer.

**Customer Response: It is much more convenient, now that I no longer have to do a separate sterilization process before washing my clothes.**



- 01 "TROMMIZ", a Prosumer Project for TROMM Washer
- 02 "TROMMIZ" is undertaking the mission to conceptualize the homemaker's ideal washing machine
- 03 Product developers and engineers visit homes and businesses where new air conditioners have been installed
- 04 CSR post on "The BLOG": Post and Comments from "Growing Hope in an Ethiopian Mountain Village"
- 05 "The BLOG" received the top award in the corporate category of the 2009 Korea Blog Awards

### Prosumer Marketing

To ensure that we stay current with rapidly-evolving consumer tastes and demands, LGE conducts "Prosumer" marketing for each new product, which allows target consumers to participate in the process of product design, review and improvement. The "Cyon Prosumer" project, for example, produced the 2005 "Chocolate Phone", which was highly successful among early adopters. Even now, the participants remain engaged with product upgrades, planning and PR events. In September, 2009, the "TROMMIZ" prosumer project was launched with fifteen homemakers actively blogging during the design, testing and PR phases of the Washer. (TROMM is a Korean brand for drum washers.)

### COMMUNICATION FOR PRODUCT & SERVICE IMPROVEMENT

We gather, analyze and respond to the Voice of the Customer (VOC) through all possible communication channels, including phone, website, e-mail and point-of-service. Since May of 2009, our Air Conditioning Company staff, including product developers and engineers, have visited homes and businesses where new air conditioners have been installed. They gather feedback and apply any problems or advice to the improvement of next-generation products, and also listen to customer assessments of the service process, installation waiting time and technicians' courtesy.

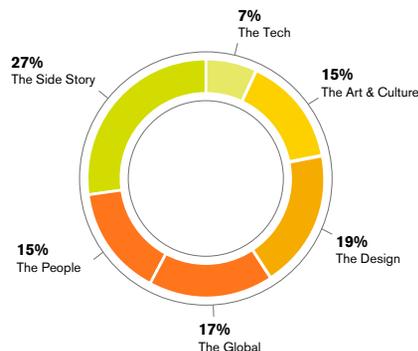
### ONLINE COMMUNICATION

#### "The BLOG"

LGE opened a new online communication channel in March of 2009, naming it "The BLOG". The BLOG is different from conventional corporate blogs in that it goes deeper into specialized topics like Design, Technology, People, Arts & Culture and Global Perspective. Twelve in-house writers comment on design, HR, CSR, R&D, marketing and PR, and twelve external writers add content that fosters two-way communication from within and outside the corporate. This was also the first Korean online platform on which LGE allowed customers to post their own comments. In recognition of the innovation and high quality of The BLOG, it received the top award in the corporate category of the 2009 Korea Blog Awards, sponsored by the Korea Blog Business Association and the Korea Press Foundation.

• The BLOG: [blog.lge.com](http://blog.lge.com)

#### PROPORTION OF POSTINGS PER CATEGORIES



#### The BLOG Operation in 2009

- Post: 243
- Comments: 6,811
- Track-back: 831
- Number of Accumulated Visitors: 295,372

\*Track-back: One of the main functions of blog. When information is copied from one post to another, a link to the first post is automatically created.

### FUTURE DIRECTION

- Build a consistent global brand identity
  - "Enriching Lives through Technology"
- Promote communication with customers about LGE's "Life's Good" message





01 On-line Training for Product Liability (PL)  
 02 Notice of Drum Washer Safety Use Campaign  
 03 Safety Education in Preschool  
 04 PL Forum in China

**DRUM WASHER SAFETY CAMPAIGN**

To protect children from accidents in the home, LGE has conducted a top-down review of the safety of its drum washers. Our mission was to completely prevent all types of safety risk, even in the event of customer carelessness or misuse. Specifically, we wanted to address the possibility that a child might enter the machine and be unable to get out once the lid is closed. LGE is now carrying out a public education campaign to alert customers to this potential danger.

We are carrying out a product recall and modification campaign to replace locking systems free of charge on over one million machines produced between August 2003 and October 2008. The new locks can be manipulated from inside the machine. LGE has also provided safety covers to any customer with drum washers.

LGE safety staff visit preschools and elementary schools to provide demonstrations for teachers on the safe use of drum washers. We have also produced streaming video content for websites and blogs so as to reach the highest number of people. Understanding that collaboration is important in the case of a crisis, we work with the Korean Agency for Technology and Standards and the Korea Consumer Agency to plan for, prevent and manage safety accidents.

**PRODUCT LIABILITY (PL) FORUM IN CHINA**

In November, 2009, LGE hosted a PL Forum for CEOs of 60 parts suppliers in China. The purpose was to raise suppliers' awareness of the importance LGE places on product safety, which includes the management of safety issues on the part of our suppliers. The Forum included programs on safety management, case studies illustrating best practices, and the signing of a safety management pledge. We believe that this exercise has made a significant contribution to the overall safety of the corporate's supply stream, and to realizing our goal of PL Claim Zero. Prior to the Forum, 4-day PL training courses were provided for PL engineers of LGE subsidiaries in China.

**FUTURE DIRECTION**

- Operate a compliance risk committee for managing product safety risk
- Develop a Global IT System for real-time information sharing for handling overseas safety claims
- Introduce safety chief engineer position for safety review & coaching at product development phase

**EPISODE: THE INCREDIBLE STORY OF AN LG MOBILE HANDSET**

LGE's customer service center in USA received an almost unbelievable report of a mobile handset that was dropped from an airplane. In early April, 2009, Oscar L. Rodriguez, a pilot living in North Carolina, accidentally dropped his handset (EnV, LG-VX9800) from an altitude of 250 meters while practicing an emergency descent. Naturally, Mr. Rodriguez expected that his handset would have been smashed to pieces upon impact. However, two days later he received a call from a colleague. A neighbor had found the phone on the ground and discovered a familiar phone number stored in the memory. He contacted the colleague to return the phone, which was still in perfect working condition, and without a scratch on it. Mr. Rodriguez wrote in an e-mail "People don't believe it when I tell them, but it's true. It's incredible that LGE can make such resilient phones. From now on I won't buy a phone from anyone else."



LG-VX9800

# CONSUMER SATISFACTION AND AFTER-SALES SERVICES

LG Electronics defines consumer satisfaction as exceeding our consumers' expectations in every respect. To achieve this, we carry out intensive market research to determine the needs and expectations of consumers. After-sales service is also continuously executed to drive creative and innovative service activities that deliver consumer satisfaction.

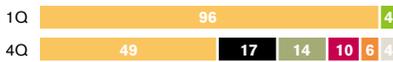
## OUR APPROACH

- Service vision: Consumer experience innovator
- Mid-and long-term goals: Reaching 65% of service Net Promoter Score (NPS) by 2012
- Strategic directions: Offering differentiated services at every touch point; Strengthening innovative service activities for brand identity alignment; Future preparation for new products and new business models

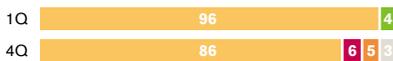
## DIVERSIFICATION OF VOC CHANNEL WORLDWIDE

Unit: %

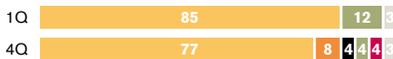
### CIS



### Europe



### Middle East & Africa



## OUR PERFORMANCES

### RESEARCH AND "VOICE OF THE CUSTOMER" (VOC) MONITORING FOR CONSUMER INSIGHT DEVELOPMENT

#### More Advanced Consumer Satisfaction Surveys

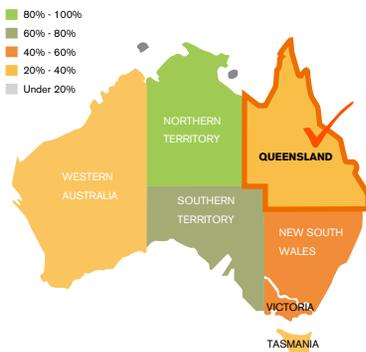
LGE has adopted Moment of Truth (MOT) and Net Promoter Score (NPS) methodologies in surveying our consumer base, which helps to illuminate the relative strengths and weaknesses of particular services at every MOT step. NPS is a framework that analyzes individual service experiences using subjective questionnaires. This approach yields higher-quality results than objective questionnaires. By adopting a scientific approach to consumer research, we hope to pre-empt complaints and develop a perception among the consuming public that LGE is a corporate that can be counted on to deliver satisfaction.

#### Voice of the Customer (VOC)

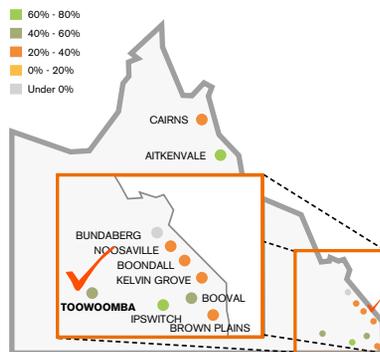
LGE began extending VOC management to our entire international network in 2007. The VOC system allows systematic monitoring of customer attitudes and makes problem-solving a straightforward process. Initially launched using only the telephone channel, LGE now has more than ten channels through which to hear the Voice of the Customer.

## NPS RESEARCH/ANALYSIS CASES (AUSTRALIA) - SPECIFIC ANALYSIS ON SERVICE CENTERS, CITIES AND COUNTRY

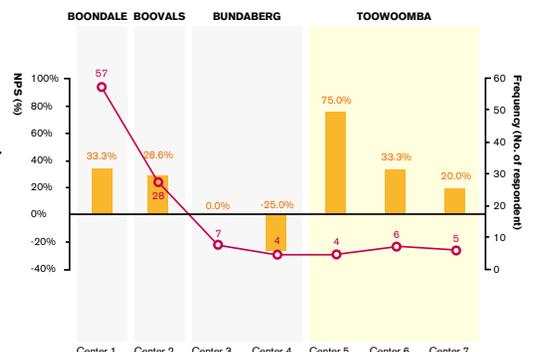
### 1. ANALYSIS BY STATE



### 2. ANALYSIS BY CITY (QUEENSLAND)



### 3. ANALYSIS BY SERVICE CENTER (TOOWOOMBA)





01 E-mail Campaign (USA)  
 02 Service Center in Jordan  
 03 New Concept of Service Center in Karachi, Pakistan  
 04 Sisterhood Relationship for Services

**Consumer Satisfaction Case: E-mail Campaign (USA)**

LGE is always looking for new ways to reach our consumers and satisfy their diverse needs thru VOC management. In June, 2009, we launched an e-mail campaign in the USA to provide a variety of content to registered owners of LGE products. The contents include welcome greetings, product usage tips, streaming video information and reminders to change filters, which help consumers to use products more effectively.

**CONSUMER TOUCH POINT MANAGEMENT FOR BRAND VALUE IMPROVEMENT**

**Call Centers**

The role of LGE's call centers has evolved beyond simply receiving repair request calls. LGE uses a variety of telecommunications channels to deliver customer services. These include Short Message Service, interactive websites, chat windows and more. Also, LGE continues to set up infrastructure and training programs for First Contact Resolution of consumer concerns. Consumers can resolve their problems quickly and accurately thanks to these efforts.

**Service Centers**

LGE operates 124 service centers in Korea and about 13,000 overseas. Every service engineer is considered a front-line customer service representative, and their training reflects the corporate's priority on providing completely satisfactory customer service with every after-sales contact. As part of the service process, our engineers are trained to give clear explanations of technical issues and advice on proper product usage.

**FUTURE DIRECTION**

- Establishing service systems and policy for new products and new businesses
- Developing websites based service contents and improving remote service
- Offering consistent service look and feel (user manual, service manual, warranty cards)

**SISTERHOOD RELATIONSHIPS FOR SERVICES**

To facilitate the spread of best practices, LGE established sisterhood relationships between Korea and overseas service centers in 2009. These new connections are helping our staff share knowledge and ideas to improve service quality in Korea, Singapore, India, China, the Middle East and Africa.

**SHARING CUSTOMER SERVICE KNOW-HOW**

**Raising Customer Service Capabilities of International Dealers**

LGE invited the CEOs of 20 major merchandisers in 10 countries of the Middle East and Africa, and shared with them our insights on customer service over the course of one week in September 2009. They studied case studies of Korean success stories, introduced the concept of customized service,

taught how to resolve virtually any complaint within 30 minutes, and learned from one another's individual experiences. Although each company and country had its own unique operating situation, the week-long event helped everyone involved to upgrade their customer service processes and grow corporate value. Here in Korea, LGE's Customer Service Center is reaching out to sister dealerships worldwide to strengthen cooperative ties and share best practices.

**CASES FOR DIFFERENTIATED SERVICES**

**Free Repairs in Disaster-stricken Regions**



**India 211 Service**

1. Call up within 2 hours to set up appointment
2. Visit within 1 day
3. 1 Hour Time Slot for visit as per customer





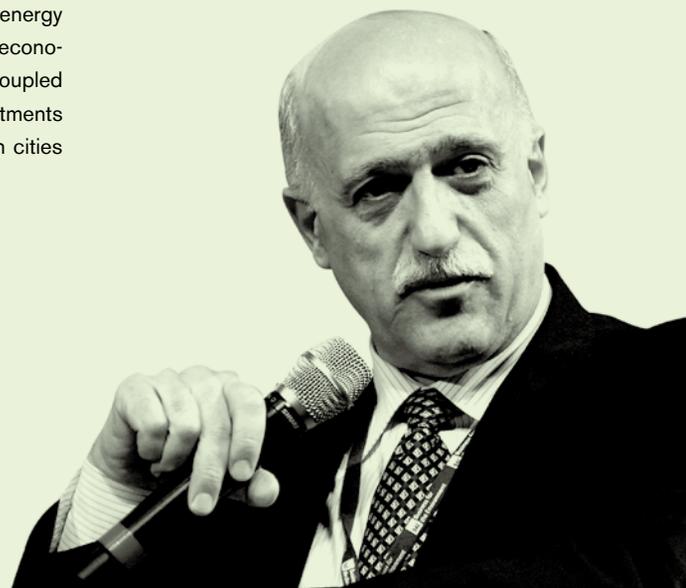
# 5.70 million tons

In January of 2009, LG Electronics announced a voluntary commitment to reducing the corporate's greenhouse gas emissions by 30 million tons during the usage stage of product by customers (BAU basis), and 150,000 tons in the manufacturing stage (absolute reduction basis) by 2020. In 2009, we achieved 5.45 million tons, and 250,000 tons in each stage. These tangible results were honored by CDP Korea, which awarded LG Electronics the "Nuri Award" prize for best climate change information disclosure.

"Innovation, Resource Efficiency, Energy Efficiency and Responsible Production will be the drivers of the global green economy; in this context LGE has an outstanding position as an innovative company, in electronics of course, but not only in this field. Considering the huge share in energy consumed by buildings, cities and transport systems, investment in resource and energy efficiency, through life-cycle, supply and value chain, will be essential for promoting green economies, which will have a major impact on countries, companies and consumer spending. Coupled with responsible production, giving due concern to safety and social welfare, these investments could help the global community in making the necessary changes to create low carbon cities and reduce humanity's carbon and resources footprint."

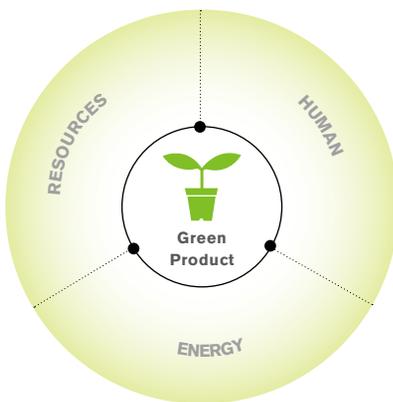
Chief Sustainable Consumption and Production Branch UNEP / DTIE

**Arab Hoballah**



## GREENER PRODUCTS

### GREEN PRODUCT STRATEGY DIRECTION



#### ENERGY

##### Energy Efficiency Enhancement

- Reduce power consumption
- Reduce standby power

##### CO<sub>2</sub> Emissions Reduction

- Use renewable energy
- Reduce CO<sub>2</sub> emissions through product life-cycle

#### RESOURCES

##### Resource Reduction

- Reduce product weight / volume
- Use recycled material

##### Recyclability Improvement

- Use recyclable material
- Design for easy disassembly

#### HUMAN

##### Hazardous Substances Management

- Reduce use of heavy metal
- Phase out certain hazardous material

##### Home Environment

- Decrease noise and vibration

LG Electronics is developing greener products based on three elements: Energy, Human, and Resources. To manage the whole life-cycle of the products, LG Electronics implemented Eco-Design in the product design process and developed Eco-Index to assess the environmental impact of a product. LG Electronics is committed to fulfilling its environmental responsibility by providing environmentally conscious products and services.

### OUR APPROACH

- LGE's strategic direction for greener products is to minimize the environmental load in every process of the product. At the highest perspective, it is composed of three factors - Energy, Human, and Resources - and based on a design of higher energy efficiency, reduction in raw/subsidiary materials, and improvements in the living environment.

### OUR PERFORMANCES

#### ENERGY

LGE's energy strategy focuses on two key areas: an improvement in energy efficiency and reductions in greenhouse gas emissions during manufacturing. As product energy efficiency improves, greenhouse gas emissions decrease, which allows customers to reduce electricity bills. As a global enterprise, we try to make a difference in our environment and future generations by reducing greenhouse gas emissions throughout the life-cycle.

##### Energy Efficiency

**Enhancing Energy Efficiency** | We push forward improvements in products' energy efficiency first by formulating the five-year Technology Road Map (TRM) for each product line, and then achieving the detailed goals. We have already met Energy-Related Products (ERP) regulation and also set our own future goals and detailed strategy to reduce energy consumption and standby power.

**Reduction of Standby Power** | Following our Technology Road Map, LGE has reduced the standby power requirements of electronic products including washing machines, televisions and battery chargers to below 1 Watt. We expect to further reduce this figure to 0.5 Watts by 2013, in line with advances in both technology and regulatory regimes.

##### Reduction of Greenhouse Gases

To help us monitor our progress in reducing greenhouse gas emissions from our production processes, LGE created and continually updates its greenhouse gas inventory. We also provide education programs for employees and teens to teach them about environmental conservation and ways to reduce their carbon footprint.

#### RESOURCES

There are two improvements in resources: lower resource usage and higher recycling rates. The strategy to lower resource usage includes: to reduce extraction of raw materials by decreasing the weight and volume of products; and to reduce the burden on nature by utilizing recycled materials. As part of our effort to improve human convenience and resource sustainability, our strategy for recycling performance involves in simplifying connection between parts and improving raw materials to make recycling easier.



**PACKAGING MATERIALS IMPROVEMENT CASES**



- Recycling Paper Use
- Soy Ink Printing
- Liquid Coating instead of Vinyl Coating

**Reducing Resource Use**

We develop slim design products to minimize the use of resources as well as for ease of use. We manage energy and water usage in connection with our waste elimination activities to use resources effectively during manufacturing process.

**Recyclability Improvement**

We set standards internally and practice them to manufacture products after considering environmental issues such as degradation and ease of recycling at the product development stage. We use a systematic and effective process involving evaluation and supporting tools such as checklists of recycling evaluation, recycling performance evaluation, and a guide for recycling design. In 2009, the usage of recycled plastic within our product was 1,034 tons.

**RECYCLING IMPROVEMENT PROCESS**



**THREE DESIGN STRATEGIES FOR PRODUCT RECYCLEABILITY IMPROVEMENT**

- Design to facilitate identification and access to parts
- Design to facilitate disassembly
- Design to facilitate materials recycling

**TIME TABLE FOR HAZARDOUS SUBSTANCES PHASE-OUT IN NEW PRODUCTS**

Substances	Prout	Schedule
PVC	Cell phones	2010~
	TVs / Monitors / PCs	~2012
	Home appliances /	~2014
	Air conditioners	
BFR	Cell phones	2010~
	TV s / Monitors / PCs	~2012
	Home appliances /	~2014
	Air conditioners	
Phthalates	Cell phones	~2012
	TVs / Monitors / PCs	~2012
	Home appliances /	~2014
	Air conditioners	
Antimony	Cell phones	~2012
	TVs / Monitors / PCs	~2012
	Home appliances /	~2014
	Air conditioners	
Beryllium	All product	~2012
	Cell phone: absence of any BeO	

**HUMAN**

LGE is performing activities of replacing hazardous substances in the products as far as possible. We are particularly applying technology for reducing noise and vibration in our washing machines, refrigerators, vacuum cleaner and etc. We meet the international environmental regulations on hazardous substances and pursue the development of products that will replace hazardous substances and improve our living environment.

**Hazardous Substance Reduction**

LGE is researching and developing technology for the management and replacement of hazardous substances. Besides product development, we continuously operate our Green Program for vendor management and monitor hazardous substance use throughout the entire process of product manufacturing. In order to thoroughly test the content status of hazardous substance in the parts that enter LGE, we are operating our hazardous substance testing system. And for the parts and products with higher possibility of containing hazardous materials, we are frequently monitoring the process to manage the hazardous substances.

**Environmental Laboratory** | In 2009, by TÜV Rhineland, the lab has been credited for analysis 15 kinds of high risk chemical materials (SVHC) which were added on the EU REACH (Registration, Evaluation, Authorization & Restriction of Chemicals) at the end of 2008 and for the volatile organic compounds (VOCs) that are emitted when using electronics. It was also recognized as the ISO 17025 certified testing lab for Europe RoHS 6 hazardous substances, phthalate, and 27 water quality items for which its test and analysis ability was internationally recognized.

**Home Environments**

We also apply anti-bacteria and anti-allergic technology to improve the customers' living environment where the products are used; to reduce the noise and vibration during product use, we conduct continuous research. In addition, through studying the application of bio-plastic and other materials, we are putting more effort into developing greener products. To ensure our products can be used more pleasantly, we will continue this pursuit in the future.

01

### Solar Cell Rechargeable Mobile Phone

#### GD510 (POP)



02

### EISA Awards-received Mobile Phone

#### KM900 (Arena)



03

### CES Eco Design and Sustainable Technology Awards-received Television

#### 47LE8500



## GREENER PRODUCTS IN 2009

### CO<sub>2</sub> Reduction

**Eco-UI:** This application informs users of how much greenhouse gas has been eliminated, along with the equivalent number of newly-planted trees, from using a solar cell recharger

**Solar Cell Recharging Function:** Placing the phone in 100kLux of sunlight for eleven minutes provides enough battery power to make a three-minute phone call

### Packaging

**Packaging:** Recycling paper use (87%), soy ink printing, using water-coating instead of vinyl coating, paper tray instead of plastic tray, packaging volume reduction (53.4% ↓)

**Manual:** Recycled paper use (20%), soy ink printing

### Energy Efficiency

Use of Highly Efficient Charger

**Charger Reminder Function:** Beeps when battery is fully charged, thereby reducing energy consumption

### Hazardous Substances Management

Satisfy Europe RoHS and standards on nickel elution on external parts

**Use of Non-hazardous Substances:** Stainless upper case (stainless steel), tempered glass touch display

### Awards

EISA awards - Green mobile phone

### Energy Efficiency

**Smart Energy Saving:** Up to 70% less electricity consumption compared with existing CCFL-type models

### Reduced Resource Consumption

Fewer resources used by slimming full LED product to 29.3mm in thickness

### Improved Recyclability

Reduce the use of scrolling hardware by simplifying parts assembly processes

### Hazardous Substances Management

Application of mercury-free lamp

Satisfying European RoHS regulations

### Awards

CES 2010 Innovation Awards - Eco design and sustainable technology



# 04

World's first UL Sustainable Product Certification (SPC)-received Monitor

**E2350V**



**Energy Efficiency**

Smart Energy Saving: Up to 40% less electricity consumption compared with existing LCD monitor (W2363V-WF.AEU) – existing model 42.9w → E2350V 26.5w

**Hazardous Substances Management**

Use of LED back light unit for lamps

**Home Environment**

Auto Bright Function: Automatically adjusts screen brightness in response to changes in ambient lighting

Time Control Function: Power button signals when the monitor has been in use for longer than one hour

**Certifications**

EPEAT Gold,  
Energy Star 5.0,  
UL SPC Acquisition

# 05

Korean Carbon Footprint Label Certification-received Washer

**FR4331SA**



**Energy Efficiency**

Application of linear compressor

**Hazardous Substances Management**

Use of natural refrigerant (R600a) (Source: IPCC)

Certification of asbestos-free products

**Reduced Resource Consumption**

Markings on plastic products weighing more than 25 grams indicate recyclable materials

Product design promotes easy disassembly and recycling of used parts

**Certifications**

Korean Carbon Label Certification: Carbon Labeling is a system designed to encourage consumers to make green purchasing decisions by providing information on the carbon impact of marked products

**FUTURE DIRECTIONS**

Mid- and Long-term Directions

- Establish green product assessment systems
- Accelerate the competitiveness of products for high energy efficiency
- Devise a road map for development of eco-friendly technologies
- Establish a green marketing base

# LOW CARBON GREEN MANAGEMENT

## EXECUTIVE STATEMENT ON GREENHOUSE GAS REDUCTION

“Let’s proactively participate in CO<sub>2</sub> reduction activities - CTO Division” (2009)

Global warming caused by CO<sub>2</sub> is emerging as an important issue in the global business environment.

The CTO Division emits about 5% of the corporate’s total emissions annually.

We must understand that CO<sub>2</sub> is not only a problem for humans and the environment - it is a crucial part of our business operations and it affects the corporate directly.

Climate change has emerged as the most important environmental issue for consumers worldwide. Formulating an effective response to climate change is therefore an essential part of any corporate’s growth strategy. LG Electronics, as a global leader in its field, is working hard to continue enriching people’s lives with low carbon green management.

## OUR APPROACH

- Explore opportunities and manage risks from climate change issues
- Establish mid- and long-term greenhouse gas reduction goals
- Implement 4 strategies to respond to climate change
  - Reduce greenhouse gas emission from manufacturing to enhance productivity
  - Reduce greenhouse gas emission in product use to improve product competitiveness
  - Expand greenhouse gas reduction that raise operating efficiency
  - Foster and expand a low carbon culture throughout the corporate and the society

## OUR PERFORMANCES

### CLIMATE CHANGE OPPORTUNITIES AND RISKS

LGE, initiated by an Environment Strategy Team under CTO (Chief Technology Officer) Division aims not only to prevent our business from various threats concerning climate change issues but also to turn the risk into sustainable growth. Even if the impact of climate change below is similar to most companies in an industry, LGE is trying to make best use of climate change issues through deploying our own low carbon green management strategy.

### Low Carbon Green Management Strategy

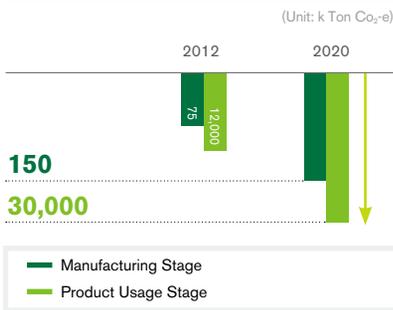
LGE’s low carbon green management strategy is comprised of 4 main elements: reducing greenhouse gas from manufacturing to enhance productivity; reducing indirect greenhouse gas from product use of customers by developing highly energy-efficient products; increasing operation efficiencies of value chain by reduction management of greenhouse gases emission; contributing to low carbon society by leading employees to reduce greenhouse gases voluntarily in their work and life and propagating this culture into local societies. Also, LGE has been enhancing overall systematic measures for effective greenhouse gas management such as establishing the greenhouse gas inventory, third party inspection, work process standardization and introduction of the IT system.

## OPPORTUNITIES AND RISKS FOR CLIMATE CHANGE

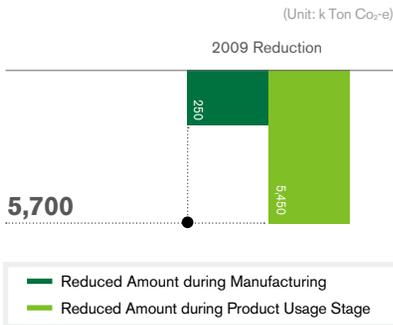
	Risks	Opportunities
Regulatory	<ul style="list-style-type: none"> <li>- Stricter regulation and requirement on product energy efficiency</li> <li>- Carbon label regulation for product footprint</li> <li>- Reporting requirements or limitation of greenhouse gas emission</li> <li>- Economic policies like carbon tax, border tax etc.</li> </ul>	<ul style="list-style-type: none"> <li>- Incentive for energy-efficient products as a result of tighter regulations</li> <li>- New business opportunities in solar cell, geothermal cooling, LED lighting, building energy management and smart grid due to green growth policy of government</li> <li>- Carbon trading scheme as a potential tool for additional profit source</li> </ul>
Physical	<ul style="list-style-type: none"> <li>- Operational risk concerning unstable energy supply</li> <li>- latent hazard from increasing natural disasters</li> <li>- Negative impact on employees' health</li> </ul>	<ul style="list-style-type: none"> <li>- Increased demand for healthcare related products</li> <li>- Possibility for differentiation corresponding to consumer lifestyle changes</li> <li>- Increased demand from social infrastructure investment</li> </ul>
Others	<ul style="list-style-type: none"> <li>- Cost increase due to regulation compliance activities and unstable supply of energy and resources</li> <li>- Probable production bottleneck due to functional failure in supply chain</li> <li>- Reduced consumer spending power resulting from climate-induced economic challenges</li> <li>- Impairment of LGE brand and reputation due to inadequate response to climate change evaluation of stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>- Cost savings from development of new technologies targeted at energy efficiency and production process improvements</li> <li>- Increased demand for greener products and probable first-mover advantage</li> <li>- Improved corporate image and higher value resulting from excellent response to climate change evaluation of stakeholders</li> </ul>



**LGE'S GREENHOUSE GASES REDUCTION TARGET**



**REDUCTION RESULTS OF 2009**



**Greenhouse Gas Reduction Target and Results**

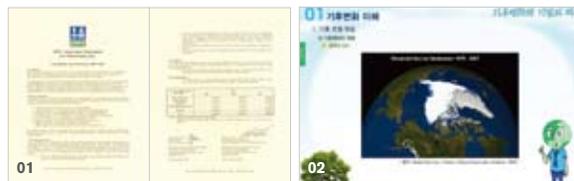
In January 2009, LGE announced its goal of reducing greenhouse gases by 150,000 tons from manufacturing, using 2008 as baseline and by 30 million tons from customers' product use in 2020 compared to the business as usual emission referred to 2007. In this regard, we have been promoting the establishment of greenhouse gas inventories for Korea and overseas sites, efficient facility management and the development of low carbon and high energy-efficient products. In 2009, LGE has reduced 250,000 tons from manufacturing stage compared to the emission in 2008 and about 5,450,000 tons from customers' product use compared to the business as usual emission referred to 2007 and we will continuously help customers lower carbon footprint. To calculate emission from product use, we utilize specific scenarios for product usage by product which consist of power consumed and time used.

**Greenhouse Gas Inventory**

LGE completed the greenhouse gas inventory for its all of Korean and overseas manufacturing operations. In 2008, greenhouse gas inventory and third party inspection were completed in 12 Korean business operations including all the factories such as Pyeongtaek, Changwon, Gumi etc.(from 2005 to 2007) In 2009, greenhouse gas inventory was completed for 29 overseas manufacturing operations and third party inspection will be completed step by step for the whole corporate. LGE operates a Corporate Carbon Management System (CCMS) to systematically manage the corporate's overall greenhouse gas emissions, from raw material selection through to final scrapping of products.

**Employee Education**

In 2009, LGE provided an online education program, fully focused on climate change issues, to more than 20,000 employees in Korea. Various subjects including causes and phenomena of climate change along with the related risks and opportunities for companies were covered during the education program. The employees' satisfaction level with the education was very high, at 87%. This education is planned to expand and include overseas employees in 2010. We have also developed and are operating a development program to raise environment experts while offering environmental seminars to executive-level managers.



01 DNV Third Party Verification Certification  
02 Online Education on Climate Change

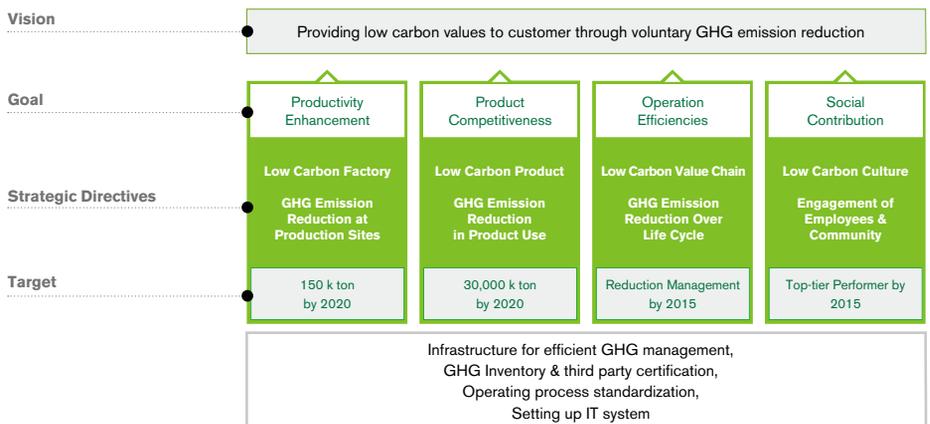
**GREENHOUSE GAS EMISSION (GLOBAL)**

(Unit: k Ton Co<sub>2</sub>-e)

	2007	2008	2009
Scope 1	354	357	298
Scope 2	954	921	777
Scope 3 / Optional	252	251	204
<b>Total</b>	<b>1,560</b>	<b>1,529</b>	<b>1,279</b>

\* The data correction can be made in the process of the third party verification in 2010  
 \* Assessment Criteria: 2006 IPCC (Intergovernmental Panel on Climate Change) Guidelines, and WRI GHG Protocol  
 \* Scope 3: Reported data are limited to emission from commuting shuttle bus service and rented building (Twin towers in Seoul, Korea)  
 \* Optional: R-22 Refrigerant, Firefighting Facilities and Halon

**LOW CARBON GREEN MANAGEMENT STRATEGY**



\* GHG: Greenhouse Gas



01 A Ceremony for Awarding 2009 Carbon Labeling Certification  
 02 Received the 2009 CDP Korea "Nuri Award"  
 03 Signed a Cooperation Agreement with the Korean Energy Management Corporation  
 04 Solar Cell / Module Product Plant View (Gumi, Korea)  
 05 LGE's Solar Cell / Module

### Low Carbon Product Development

LGE is devoting to reduce indirect greenhouse gases emission during the whole life-cycle of product. In this perspective, for specific products, we estimate life-cycle greenhouse gas emission at the development stage and apply specific reduction technologies or measures for reduction of GHG. In 2008, LGE participated in the pilot program for 'Carbon footprint label' certification of Environmental Industry & Technology Institute and received the certification for a washing machine in 2009. Also a refrigerator compressor and two air conditioner compressors got the certification in 2009. Through participating in this kind of carbon labeling program, we hope to disclose more information on our products' carbon footprint to consumers and to help consumers make a reasonable decision when they want to purchase greener products.

#### PRODUCTS CERTIFIED BY "CARBON FOOTPRINT LABEL" FROM KOREA ENVIRONMENTAL INDUSTRY & TECHNOLOGY INSTITUTE

Drum Washer  
FR3228WA



Refrigerator Compressor  
FC140NEM



Air Conditioning Compressor  
GJT240DAA, GKT141DAA



### Cooperation with Low Carbon Policy

LGE works closely with governmental and non-governmental bodies to tackle climate change issues. In November of 2009, the corporate signed a cooperation agreement with the Korean Energy Management Corporation governing LGE's response to climate change policies and low carbon green growth. We also participated in the 2009 Carbon Disclosure Project (CDP) Korea, and received the "Nuri Award" for being the corporate with the best disclosure performance.

### Solar Cell Business

In line with our strategy to pursue growth from new environmental business opportunities, LGE is preparing to launch a solar cell business. We are building two production lines with a combined annual capacity of 240MW, which involves converting the Gumi PDP Plant to a solar cell facility. Capital expenditure is expected to reach KRW 220 billion by the end of 2010. The two lines began producing solar cells and modules based on polysilicon wafer technology in early 2010.

### FUTURE DIRECTIONS

- Contribute to sustainable growth by providing low carbon value to customers
- Meet our social obligations and promote the development of a low carbon society by spreading a low carbon culture
- Establish low carbon management systems to improve energy efficiency and achieve greenhouse gas reduction targets
- Explore new growth drivers in green business fields and create new sources of value

# EESH MANAGEMENT

LG Electronics is realizing Global Top Company in the EESH area through corporate level EESH management system operation, energy efficiency optimization, eco-friendly process & product development, business site safety & health, and employee health improvement activities. Also, by providing differentiated customer value, LG Electronics is pursuing earth environment preservation, sustainable social advancement, and improve the quality of life for stakeholders.



01 Global EESH Policy  
 02 2009 EESH Awards Ceremony  
 03 Private-public Cooperative Environment Protection Activities  
 04 EESH Rounding of Pune Plant in India

## OUR APPROACH

- Mid- and Long-term Strategies: Establishment of global EESH management and EESH risk management systems
- Mid- and Long-term Plans
  - Energy: Reduced energy consumption, safe procurement of utilities, CO<sub>2</sub> reduction
  - Environment: Reduced environmental pollutants, environment management cost saving, community environment improvement
  - Safety: Industrial safety promotion and Incident Rate (IR) management, fire risk elimination and prevention
  - Health: Work environment improvement and reduction of potential occupational illnesses through Total Health Program (THP)
- Major Activities in 2009
  - Publication of global EESH principles & policy
  - Energy consumption reduced at every worksite; building energy management system
  - Bolstered corporate's eco-friendly image and expanded "3R" (reduce, reuse, recycle) activities of wastes
  - Strengthened safety management and fire prevention procedures at worksites
  - Improved emergency response capability and launched "Total Health Program"

## OUR PERFORMANCES

### ENERGY

LGE drives constant reductions in the energy consumed by production processes. The energy management systems of our Changwon Plant have been certified by the Korea Energy Management Corporation, and employee education campaigns conducted by LGE's worksites have emphasized energy saving strategies for every process from product design to final scrapping. The Changwon Plant recorded the best performance in 2009, with a 9% reduction of energy index (energy consumption per production).

### ENVIRONMENT

2009 was a year in which LGE focused on improving the community environment by reducing pollution generation from every production process. We transferred green technologies to ten parts suppliers by participating in "Environmental Doctor System", which is designed to support the environmental activities of parts suppliers in Pyeongtaek, Korea.

LGE carries out "3R" (reduce, reuse, recycle) activities at all worksites so as to reduce waste volumes and increase efficiency. Our Pune Plant in India is fitted with rainwater recycling facilities, natural light equipment and ventilation systems, and its employees donate volunteer hours to community clean-up campaigns. EESH meetings are held every Friday for all production managers, at which these activities are reviewed and improved.



01 Safety Day  
 02 Joint Labor-Management Inspection  
 03 Risk Foresight Training  
 04 Safety Campaign

**SAFETY**

LGE's Safety Management System was designed to help the corporate meet its social obligation of green growth. A key component of the system is continuous risk assessment and operational improvements to minimize the potential for high-risk events to occur. To this end, we study every work process and gather a large volume of data to identify risky business activities and improve them. The corporate's EESH Committee meets periodically to oversee the process of instilling a safety management culture within our organization, from the CEO to line-workers, under the direct oversight of a cadre of professional safety management supervisors.

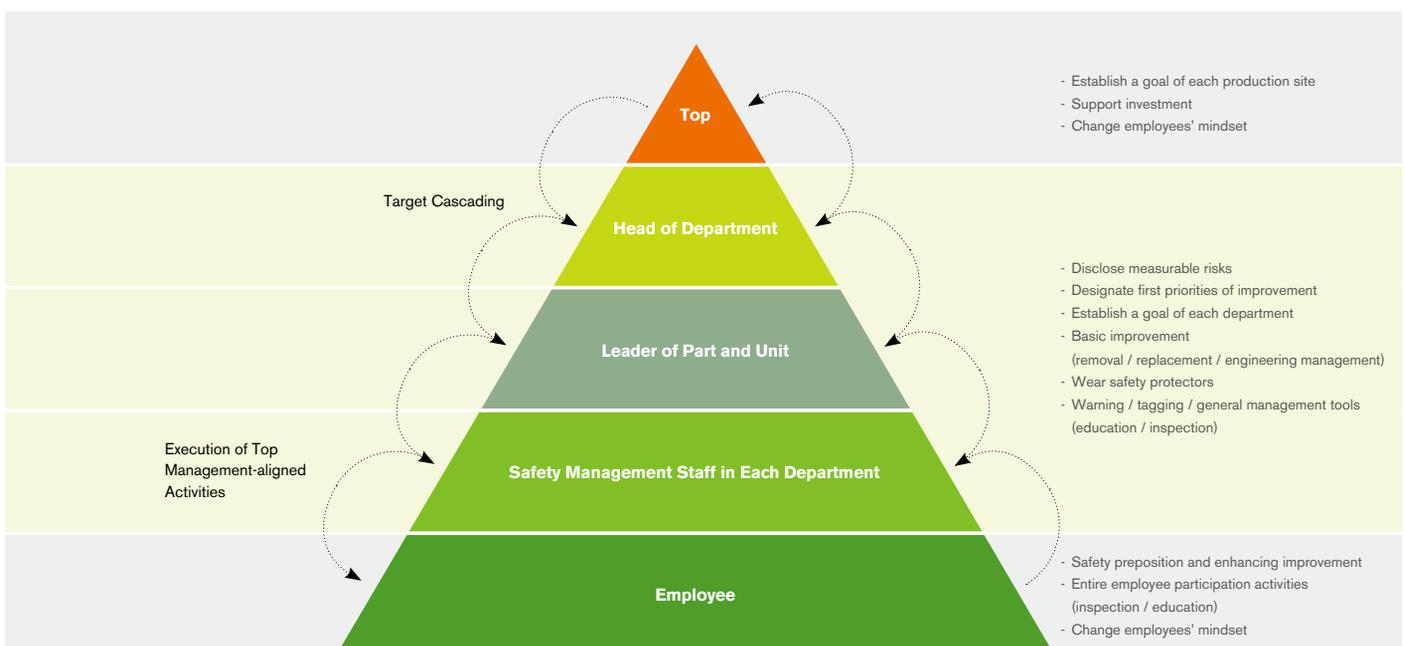
The CEO takes ultimate responsibility for setting safety management goals and ensuring that work is done to control risk factors and ensure the continuity of the corporate's management. Safety supervisors may be Heads of Division, team and unit leaders or safety managers. They implement Standard Operating Procedure (SOP) activities at the line-worker level so that safety risks are monitored and controlled at the source of potential hazard.

The Safety Management department communicates with senior management and worksite supervisors to ensure the adequacy of safety-related hardware and software. The department also operates prior assessment systems, Machine Safeguard and Lockout-Tagout programs. The priority of any safety program is the welfare of employees involved in actual work processes, and the safety systems are designed to facilitate convenience of use and operation, thereby increasing compliance.



Green Hand Campaign

**SAFETY MANAGEMENT SYSTEM**



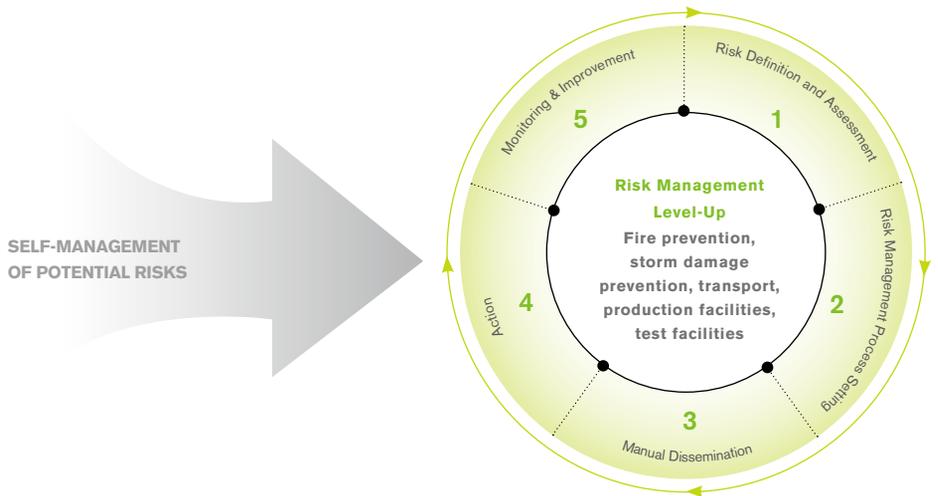


01 Fire Drill  
 02 External Panel Change (Nonflammable)  
 03 England's TESCO Logistics Center Benchmarking

### FIRE PREVENTION

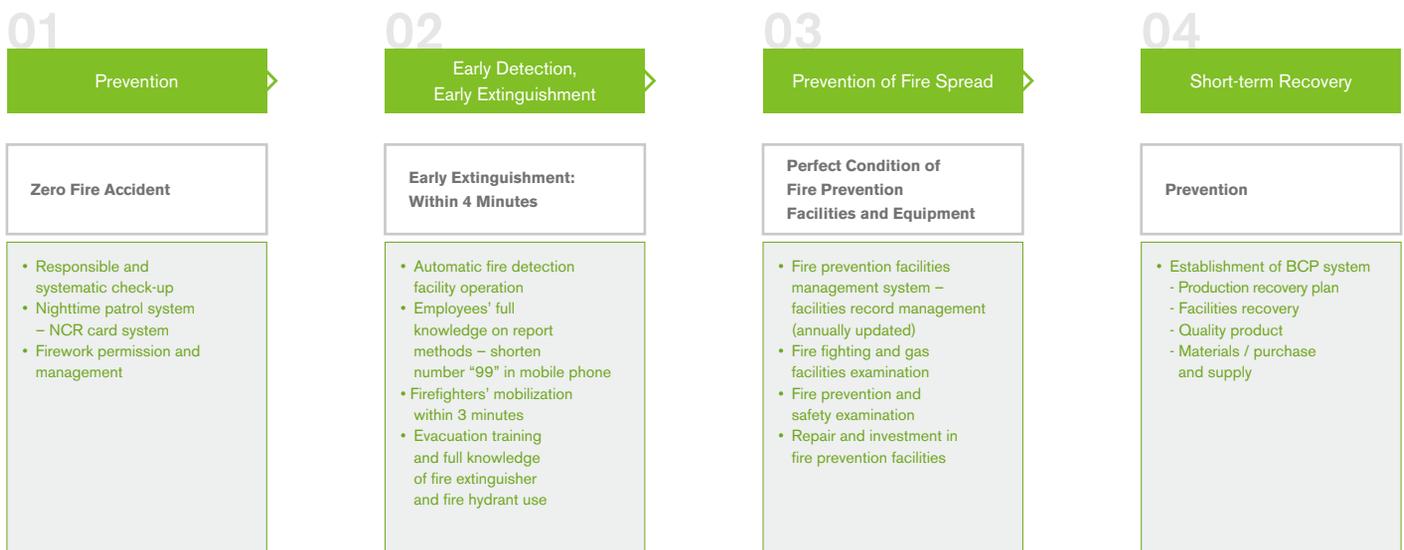
A key part of LGE's risk management program is repeated emergency response training, particularly fire safety management. Every worksite carries out regular fire fighting and evacuation drills so as to ensure an adequate response to any real emergency. To further strengthen fire safety practices, LGE safety managers in Korea completed fire safety engineering courses at Edinburgh University. During their stay in England, they also benchmarked the fire prevention systems of TESCO's main logistics center. Since 2007, LGE has been working with Rushbrook, a British risk consultancy, to carry out a fire risk evaluation on the Changwon, Gumi and Pyeongtaek Plants. The results were used in creating mid- and long-term management strategies for corporate-wide fire safety management. As a direct result of the evaluation, sprinkler systems were extended and outer walls were replaced with fireproof panels. These and other measures, including an effective Business Continuity Plan, resulted in the corporate's 2009 fire insurance premiums being lowered by 37.4%, compared to the previous year. (The insurance coverage is for Korea operations.)

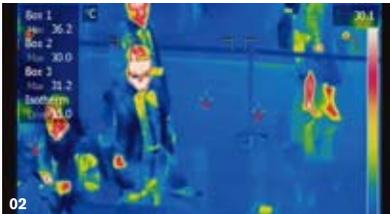
#### FIRE RISK MANAGEMENT PROCESS



SELF-MANAGEMENT OF POTENTIAL RISKS

#### FIRE PREVENTION MANAGEMENT PROCESS





01 PGM Operation for Employees' Overweight Management  
02 Response to Influenza A (Operation of Infrared Cameras)

**HEALTH**

Our Total Health Program (THP) for employees includes regular medical checkups, an expansive health promotion program and on-call emergency treatment if necessary. On noticing that overweight was an increasing problem among employees, we worked with the nurses of our in-house Health Promotion Office and outside professionals to launch exercise programs for our office staff. The average body fat ratio of participants was decreased by 5.9%.

Automatic heart defibrillators have been installed at each LGE worksite, and we offer complimentary first-aid education to any employee who wishes to participate. Each year, we hold an emergency response contest to focus our staff on how to respond properly to medical emergencies. The Comprehensive Emergency Response Offices at the corporate's Head Office communicate daily with all overseas sites to guide their emergency strategies.

LGE has installed infrared cameras and hand sanitizer units at all workplaces, and taken other measure to prevent the spread of Influenza A. During the peak of the recent epidemic, we used teleconferencing technology in place of group meetings so as to minimize the possibility of infection.

**FUTURE DIRECTIONS**

- Integrate each site's ISO 14001 and OHSAS 18001 system to manage at HQ
- Improve corporate-wide EESH risk response capability;
  - Boost recycling and reduce waste to lower environmental risk
- Extend and apply the business continuity plan
- Continue enhancing THP program to improve employee health

**GREEN VISION 2012 BY HA / AC COMPANIES**

The Changwon Plant (HA & AC Company) held a ceremony on December 10, 2009 to declare the launch of "Green Vision 2012". About 200 guests from inside and outside the company attended, including local government officials and heads of NGOs. The Plant announced its intention to stand at the forefront of low carbon green growth, and gave a target of about 10 million tons (88,000 tons in production, 9.97 million tons in product use) fewer tons of CO<sub>2</sub> per year by 2012, compared with 2007. Four "Action Plans" were unveiled, along with campaigns and support groups to advance the Plans. Since September of 2009, Changwon Plant has systematically reduced its overall CO<sub>2</sub> emissions by introducing real-time CO<sub>2</sub> monitoring systems that measure the CO<sub>2</sub> emissions from total production processes. This system is the first of its kind in the Korean electronics industry.

**Four Action Plans of Green vision 2012**

1. Company-wide CO<sub>2</sub> reduction campaign
2. Installation of CO<sub>2</sub> reduction systems in overall production processes
3. Secure product leadership through 'Green Product' strategies
4. Establish Green Partnerships with communities and partners



Cooperation Agreement for Promoting Eco-friendly Environment

- 01 Agreement with Suppliers
- 02 Green Supporter's Activity
- 03 Green Vision Task Members



03



## BUSINESS PARTNER



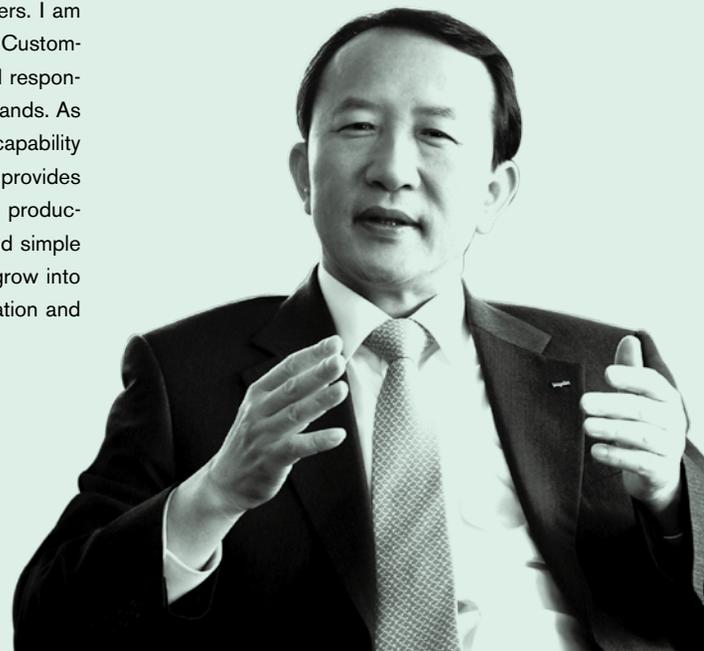
USD **32.3** billion

The corporate's total purchases in 2009 came to USD 32.3 billion, which indicates the importance of building and maintaining win-win relationships with our business partners. Our suppliers are selected through fair and transparent processes, and we support their operations by helping with business infrastructure development such as ESH (Environment, Safety, and Health), management consulting and finance. We also provide communication programs, technology, and training that helps our partners upgrade their capabilities in many areas.

I thank LGE for being such a reliable business partner of Hynix Semiconductor. LGE is clearly the type of company that understands the importance of communication with customers. I am also particularly impressed by the corporate's Sustainability Management Principles and Customer Insight Management; the first represent a rational and systematic approach to social responsibility, while the second is a system for responding precisely to detailed customer demands. As a supplier of key components to LGE, I commend the corporate for its value creation capability and the way it works to maintain win-win relationships with its business partners. LGE provides financial, technological and manpower support that helps other companies to improve productivity; this helps the entire network to participate in LGE-led innovation that goes beyond simple customer satisfaction or product quality improvements. I sincerely hope that LGE will grow into Korea's representative company, and demonstrate to the world how continuous innovation and sustainability management can work together to create incredible value.

President and CEO of Hynix Semiconductor Inc.

**Oh Chul Kwon**



# RESPONSIBLE BUSINESS PARTNER

LG Electronics is committed to achieving growth together with our business partners in a spirit of continuous cooperation and win-win partnership. By improving our work processes, providing continuous attention and support, LG Electronics and its suppliers thrive to realize a true win-win partnership. This partnership serves as an important foundation to form a strategic supply chain for LG Electronics.

## OUR APPROACH

- Goal: Become a globally competitive procurement entity
- Strategic Initiatives: Global strategy & policy, cost competitiveness, process innovation, world's best workforce, resource leverage, organization / structure transformation



01 Global Procurement Policy  
02 Procurement Executive Council at the Third Quarter of 2009

## OUR PERFORMANCES

### GLOBAL PROCUREMENT ORGANIZATION

LGE's global procurement organization underwent significant restructuring in 2009. The Corporate Procurement Engineering Team and General Procurement Team were newly created, while the China IPOs (international procurement offices) in Shanghai, Shenzhen, Hong Kong and Taiwan were consolidated into the Greater China Procurement Center.

#### PROCUREMENT POLICY CONTENTS

1. Role of Procurement	7. Potential/New Supplier Sourcing and Registration
2. Authority and Approval	8. Supplier Selection and Price Determination
3. SOD (Separation of Duties)	9. Supplier Performance Evaluation
4. Business Code	10. Contract Agreements and Work Authorizations
5. Legal and Social Requirements	11. Asset Management
6. Supplier Management	12. Risk Management

## GLOBAL PROCUREMENT RESOURCES

### PROCUREMENT PERSONNEL

- Korea **983**
- China **411**
- Asia **215**
- Europe **89**
- CIS / Middle East & Africa **117**
- North America / South & Central America **183**

(Unit: people)

**TOTAL: 1,998**

### PROCUREMENT ORGANIZATION : 24 BUSINESS SITES



CUSTOMER



ENVIRONMENT



BUSINESS PARTNER



COMMUNITY



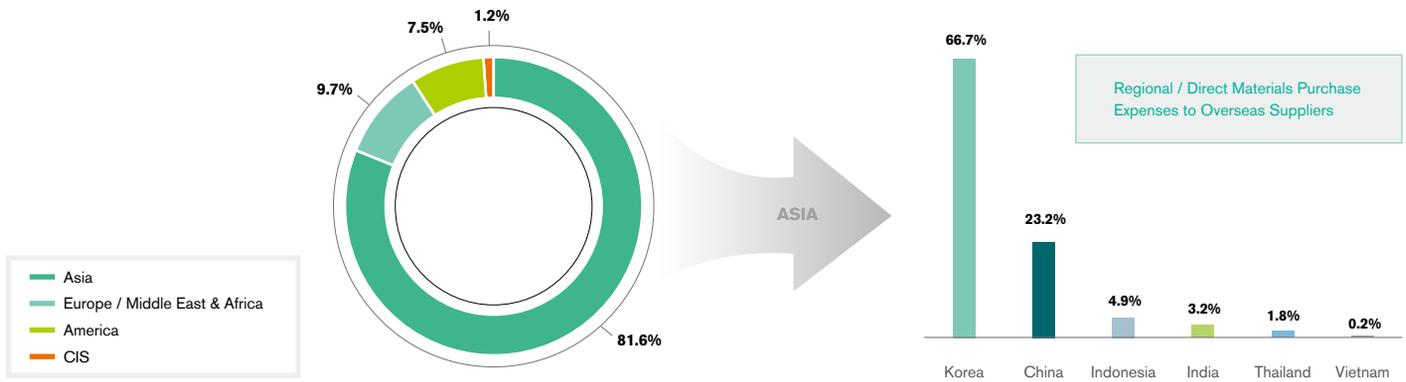
EMPLOYEE



### Global Procurement Results

Total purchases in 2009 amounted to USD 32.3 billion, including direct and indirect purchases worldwide. Direct materials costs were about 3.8 times higher than indirect costs.

#### GLOBAL PROCUREMENT RESULTS (2009)



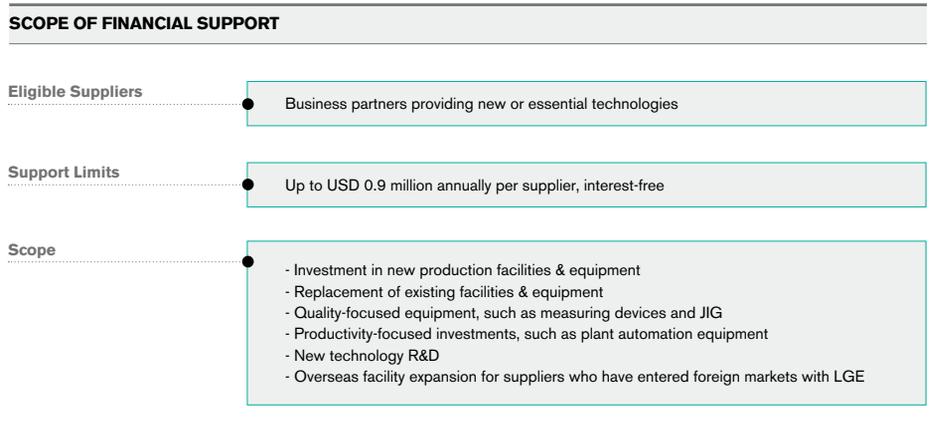
### SUPPLIER SUPPORT SYSTEM

#### Support Unit

LGE provides financial and other supplier relations support for our suppliers through the Global Procurement Strategy Team. The team reports directly to the CPO and drives the win-win initiatives at corporate level by working with the procurement teams of LGE companies.

#### Supplier Selection

LGE emphasizes transparency and fair trade as hallmarks of our supplier relationships. In accordance with our Code of Ethics, LGE's bidding processes are open to all qualified suppliers. We operate a Purchasing Supplier management system (PU-SMS) that evaluates suppliers objectively, and have registered new suppliers since 2006.





## Financial Support

Each year, LGE has budgeted USD 9 million to be used for financial support of excellent suppliers. In 2009, we lowered the budget limit, instead providing interest-free loans and making 100% cash payments for parts supplied, which has helped our suppliers to stabilize their operations during the recession.

### DIRECT FINANCIAL SUPPORT

(Unit: USD million)

Investment in equipment & facilities  
Development of cutting-edge technologies  
Eco-friendly production  
Control of hazardous materials

	2004	2005	2006	2007	2008	2009	Total
	16.7	14.7	12.3	4.9	3.1	8.6	60.3

## Training Support

Since being designated as a job training consortium operator by Korea's Ministry of Labor in 2006, LGE has trained the employees of many of our business partners. The consortium has received "A" grades from the Ministry for three consecutive years, in recognition of the high quality of training and spirit of mutual cooperation that it fosters. We offer IT training free of charge, and operate learning academies across Korea where our employees and partners' employees attend classes free of charge. The fundamental purpose of the consortium is to support the corporate's long-term cooperative partnerships and help us to attain global competitiveness together with our main suppliers.

### TRAINING

Category	2006	2007	2008	2009
No. of participants (persons)	736	2,003	1,115	2,920
No. of suppliers participated (suppliers)	164	541	534	626
Education & Training cost (USD million)	0.12	0.36	0.19	0.23



01 2009 Global Supplier's Day, CEO Lecture

02 2009 Global Supplier's Day, CPO Lecture

03 2009 Global Supplier's Day, Charity Event

## COMMUNICATION WITH SUPPLIERS

### 2009 Global Supplier's Day

LGE hosted a Global Supplier's Day event on March 19, 2009, inviting the CEOs of our top 281 suppliers, as identified by the purchasing teams of our business Divisions and Head Office. We presented our vision and strategies for fostering win-win partnerships, and distributed awards for top suppliers in various categories. The event also raised USD 59,000 for UNICEF in a charity auction of donated items.

### AWARDS-RECEIVED SUPPLIERS

Grade	Company	Supplier
Global Number 1	Home Entertainment	MStar Semiconductor, Inc
Number 1	Home Appliance	SUNGJIN ELECTRON CO., LTD.
Number 1	Air Conditioning	ZHEJIANG SANHUA CO., LTD.
Number 1	Mobile Communications	HK HIGH TECH CO., LTD.
Number 1	Home Entertainment	DONGKWANG PRECISION CO., LTD.
Number 1	Business Solutions	KWANG SUNG ELECTRONICS CO., LTD.

### GLOBAL SUPPLIER'S DAY

No	Date	Location
1st	21th May 2008	Seoul
2nd	19th March 2009	Changwon
3rd	7th April 2010	Seoul



Supplier Portal Site

### Suppliers Satisfaction Survey

LGE carried out a supplier satisfaction survey in November, 2009. Among the 122 suppliers surveyed, the satisfaction index score was 75%, which was 1.6% higher than the 2008 score of 73.4%. 82.3% of respondents said that LGE is an excellent business partner, implying that our corporate maintains better supplier relations than our competitors. Indicators designed to measure the corporate's integrity were satisfactory, but awareness and understanding of "Management by Principle" (Jeong-Do Management) at both overseas and Korean worksites were found to be low. More effort will therefore be made to promote Jeong-Do Management at all LGE worksites, which we believe will contribute to building the corporate's positive image among the public, our suppliers and our workforce.

### Open Dialogue with Suppliers

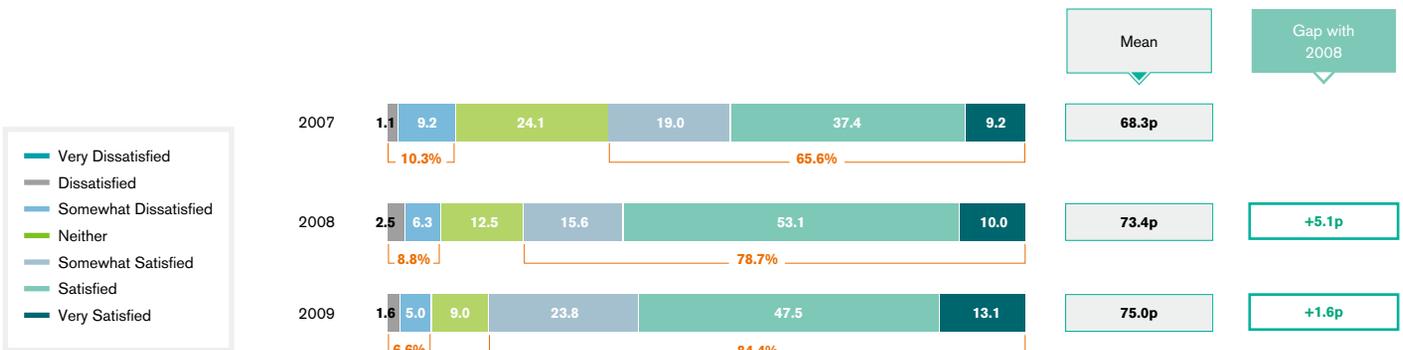
LGE makes various communication channels available to hear the concerns of our suppliers, which helps to ensure the transparency of all our business transactions.

#### SUPPLIER COMMUNICATION PROGRAMS

Programs	Operation Cycle
Supplier Portal Site	Always
New Supplier Registration System	Always
Open Innovation Portal Site	Always
Suppliers' Satisfaction Survey	Once a year
Evaluation & Awards for Existing Suppliers	Once a year
Global Suppliers' Day	Once a year
Procurement Executive Council	Once a quarter

#### 2009 SUPPLIER SATISFACTION SURVEY RESULT

(unit: %)



**ESH TRAINING FOR SUPPLIERS**

**ESH Technology Exchange (Electronic System)**

2009. 04. 23 Participation **98%**

Excellent case sharing of electronic system business

**ESH Technology Exchange (Cutting)**

2009. 09. 03 Participation **93%**

Excellent case sharing of cutting business

**Suppliers' ESH B.P Sharing (the 1st part )**

2009. 05. 21 Participation **100%**

B.P case study presentation at the first half of the year

**Suppliers' ESH B.P Sharing (the 2nd part)**

2009. 12. 18 Participation **100%**

B.P case study competition in 2009

**Bench-marking of Environment Activities**

2009. 07. 22 Participation **7** Companies

Environment mentoring in 2009

**Supporting Suppliers' ESH Management**

LGE has created a Subcontractor Development Group under the CPO Division, and mandated it to evaluate and support the ESH (Environment, Safety, and Health) activities of our suppliers. In 2009, LGE focused on providing advice and support for Korean and overseas suppliers to upgrade and take charge of ESH management on their own.

**ESH SUPPORTS FOR SUPPLIERS**

Classification	No. of Participated Suppliers		No. of Supports	
	2008	2009	2008	2009
Major Suppliers	45	43	160	69
1st Vendor	150	88	220	164
<b>Total</b>	<b>195</b>	<b>131</b>	<b>380</b>	<b>233</b>

**SUPPORT FOR MAJOR SUPPLIERS' ESH ACTIONS (2009)**

**Support for Suppliers-led ESH Actions**

1. Suppliers' ESH goal sharing and monitoring
2. ESH audit version-up (ESH + eco-friendly area)
3. Differential support according to suppliers' levels

**ESH Competence Improvement and Increasing Support for the 1st Vendors**

1. Skill-up of suppliers' ESH leaders
  - ESH technology exchange (quarterly) - Suppliers' ESH B.P sharing (half-yearly) - High risk suppliers mentoring (quarterly)
2. ESH B.P (half-yearly)

**Major Suppliers' ESH Management Base**

1. Overseas subsidiaries' suppliers' ESH checkup / improvement
2. Suppliers' EESH news sharing (biweekly)

**FUTURE DIRECTIONS**

- Disclose and apply a transparent Global Procurement Policy
- Prepare for joining the Electronic Industry Citizenship Coalition (EICC)
- Establish a Supplier Code of Conduct
- Maintain 100% cash payments to small and mid-sized suppliers
- Allocate budget for interest-free loans to suppliers
- Provide free on- and offline training
- Establish verification systems to prevent use of illegally-mined raw materials by suppliers





# 72,700 people

In cooperation with the UN WFP, in 2009 LG Electronics selected 13 schools in Kenya to be “LG Hope School”, and 12 districts in Ethiopia as “LG Hope Village”. The schools provide meal assistance and an improved education environment, while the villages receive assistance geared toward promoting self-sufficiency and environmentally-sustainable agriculture. A total of 72,700 people have so far benefited from these programs.

#### **Comment of LG Electronics CSR**

Since 2008, LGE supported IVI to help the world's poorest people with vaccine science. As a leading global enterprise based in Korea, LGE has set an exemplary model of a responsible global corporate citizen through its support of the IVI. LGE and IVI have common interest that made this partnership possible with LGE supports. The IVI has plans to expand vaccine projects in Africa to help people, addressing on cholera, typhoid, and other diseases. LGE informed us about their strong will to support people in Africa who suffer with poverty and diseases. I strongly believe that we will have great synergy in supporting health needs in Africa.

#### **Suggestion for LG Electronics CSR**

The social contribution activities of LGE seem unique and special. Its CSR activities are delivering funds with the goal of supporting Africa through cooperation with all LGE companies and labor unions. I suggest LGE to continue this very visionary CSR strategy. We are highly grateful to LGE's vision and leadership, and look forward to a successful partnership over the next three years.

IVI Director General

**John D. Clemens**



## SOCIAL CONTRIBUTION

We strive to be consistent and systematic in carrying out our social contribution activities. In the fourth quarter of 2008, LG Electronics decided to review the current status of LG Electronics' corporate social contribution activities with McKinsey Consulting Group. We then created a blueprint for the corporate's worldwide community care involvements for the next several years. In 2009, we began full-scale implementation of the plan, making contributions to raise environmental awareness, alleviate global famine and combat infectious diseases. Our commitment is for the long term, and LG Electronics will never shy away from fulfilling our responsibilities as a caring corporate citizen. To provide total solutions for solving problems related to the environment, poverty and disease around the world, LG Electronics continues to provide continuous and systematic contributions to global society.

### OUR APPROACH

- Theme: Environment, Poverty, Disease
- Goal: Offering total solutions for solving problems related to environment, poverty, and disease around the world
- Slogan: A love, turning dreams into reality

### OUR PERFORMANCES

#### ENVIRONMENT

##### Life's Green Class

This program has been conducted in partnership with the "Hanyang Teenager into Science and Technology" of Hanyang University since 2006. Its purpose is to inform young people of the importance of environmental protection, and to teach them how to be more eco-friendly in their daily lives and consumption patterns. We specially designed a customized 9.5 ton truck to carry the latest scientific displays and media contents, and toured it throughout the country two to three times a month to perform 40 minute demonstrations with an environmental theme, followed by offering the children a chance to have hands-on scientific experiences for 90 minutes.

##### • 2009 Accomplishments

The program welcomed visitors or attended festivals 50 times, providing information to 309,438 participants.

##### Sponsor 'Champions of the Earth' (COE)

LGE signed an agreement with the UN Environment Programme (UNEP) to act as a corporate sponsor of COE for three years. Established in 2004, the Champions of the Earth is a global award presented each year by the UNEP to outstanding environmental leaders. Many people consider it to be the "Nobel Prize" for environmental achievement. The award ceremony takes place at the Business for Environment (B4E) Global Summit, which is the leading international conference for dialogue and business-driven action for the environment. It is attended by CEOs and senior executives from some of the world's largest multinational corporations, government leaders, international agencies and NGOs, who meet to discuss resource and energy efficiency, green growth strategies, clean tech innovations and partnerships. LGE will be a lead sponsor of the 2010 awards, as the B4E Summit is scheduled to be held in Korea this year.

##### Science Leadership Program (SLP)

LGE has partnered with the International Vaccine Institute (IVI) since 2008 to conduct the Science Leadership Program (SLP). The Program's aim is to foster young leaders who will take the initiative in solving environmental problems around the world. In 2009, the Program was attended by more than 300 teenagers, with around 50 teens in 5 countries completing the Program. The top two participants are given the opportunity to travel internationally and gain first-hand knowledge of the environmental issues facing developing countries.



01



02



03



04

01, 02 Life's Green Class

03 MOU for Sponsoring Champions of the Earth

04 2009 SLP 4 Days and 3 Nights Leadership Camp

## POVERTY

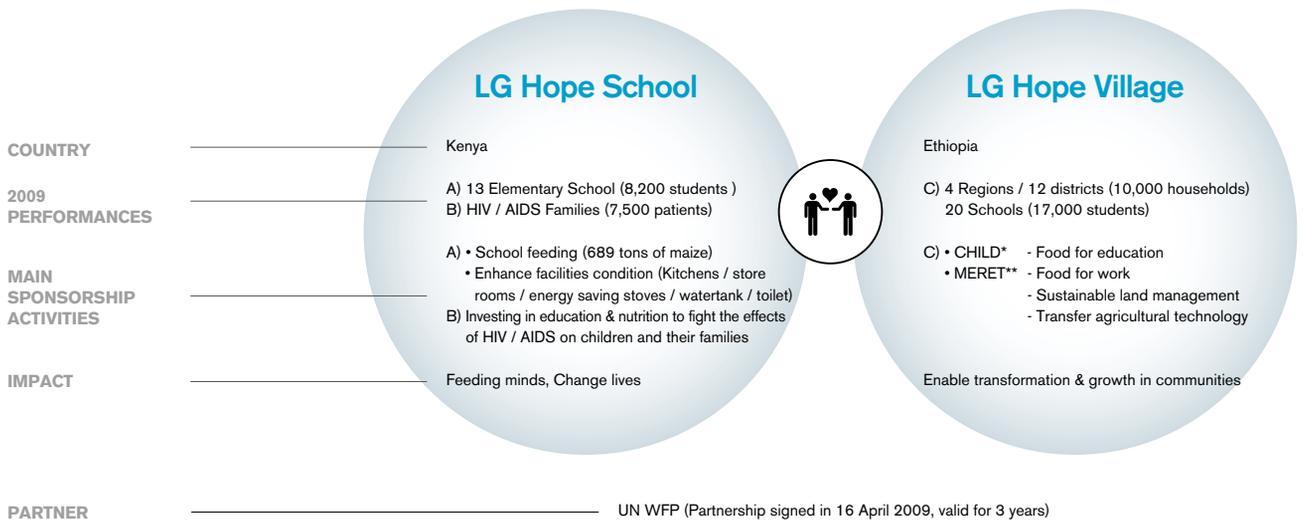
In April of 2009, LGE signed an agreement with the UN World Food Programme (WFP) to help the neediest people in Africa achieve self-sufficiency. As part of this agreement, we founded LG Hope School in Kenya and LG Hope Village in Ethiopia.

• **Expected Effect**

- Breaking out a vicious circle of poverty through the creation of constant education environment (LG Hope School)
- Promoting self-support capability by offering comprehensive solution to each village (LG Hope Village)

### UN WFP PARTNERSHIP PROGRAM (LG HOPE SCHOOL / LG HOPE VILLAGE)

**Purpose** - To provide sustainable solutions through managing environmental resources and enhancing self-sufficiency capacity in food in the Africa



\* CHILD: Children In Local Development

\*\* MERET: Managing Environmental Resources to Enable Transitions to More Sustainable Livelihoods

### ACTIVITIES IN AFRICA AND FEEDBACK (LG HOPE SCHOOL / LG HOPE VILLAGE)



#### A letter from Africa

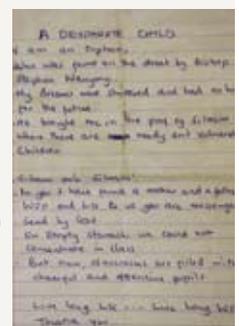
I am an orphan who was found on the street by Bishop Stephen Wanyonyi. I had no hope for the future, and no dreams to pursue. He brought me to the pool of Siloam, where there were many other unfortunate children.

.....

Now I have a mother and a father.

For us, LG and WFP were like messengers sent from heaven. We used to be so hungry we couldn't pay attention in school. Now our classes are filled with happy faces and eager learners. Long live LG...Long live WFP!

Thank you.





- 01 Distribution of Edible Vaccine  
 02 Supporting Francisco P. Felix Elementary School in Philippines that Suffered Severe Typhoon Damage  
 03 Launch of 2009 Labor-Management Volunteer Corps  
 04 Employee Volunteer Activity - Beautiful Secho Village Recreating

## DISEASE

### Vaccination

LGE is a sponsor of the International Vaccine Institute (IVI), in support of its work to prevent environmental disease and distribute vaccines for cholera and Dengue fever in poor countries. We also fund R&D programs that target vaccine development in Africa and Southeast Asia. To date, about 50,000 Tanzanians have received vaccinations as a direct result of our involvement with IVI.

## FUNDRAISING

### Executive Fund

Corporate executives volunteer to donate 0.5% of their monthly gross income to charity each month, and LG provides a matching grant. The funds are used for local community care projects. In 2009, 226 corporate executives, or 84.6% of the total, participated in this fundraising program.

### Salary Rounding Fund

Every month, paychecks of participating employees are rounded off to the nearest KRW 1,000 (about USD 1), and the funds are donated to charity. In 2009, 95% of Korean employees participated in this program, which raised KRW 194 million. The majority of funds were handed over to the International Red Cross for earthquake relief in Indonesia. We also purchased relief supplies for three Philippine cities (Pasig, Cainta and Marikina) that suffered severe typhoon damage.

## VOLUNTEER WORK

### Labor-Management Volunteer Corps

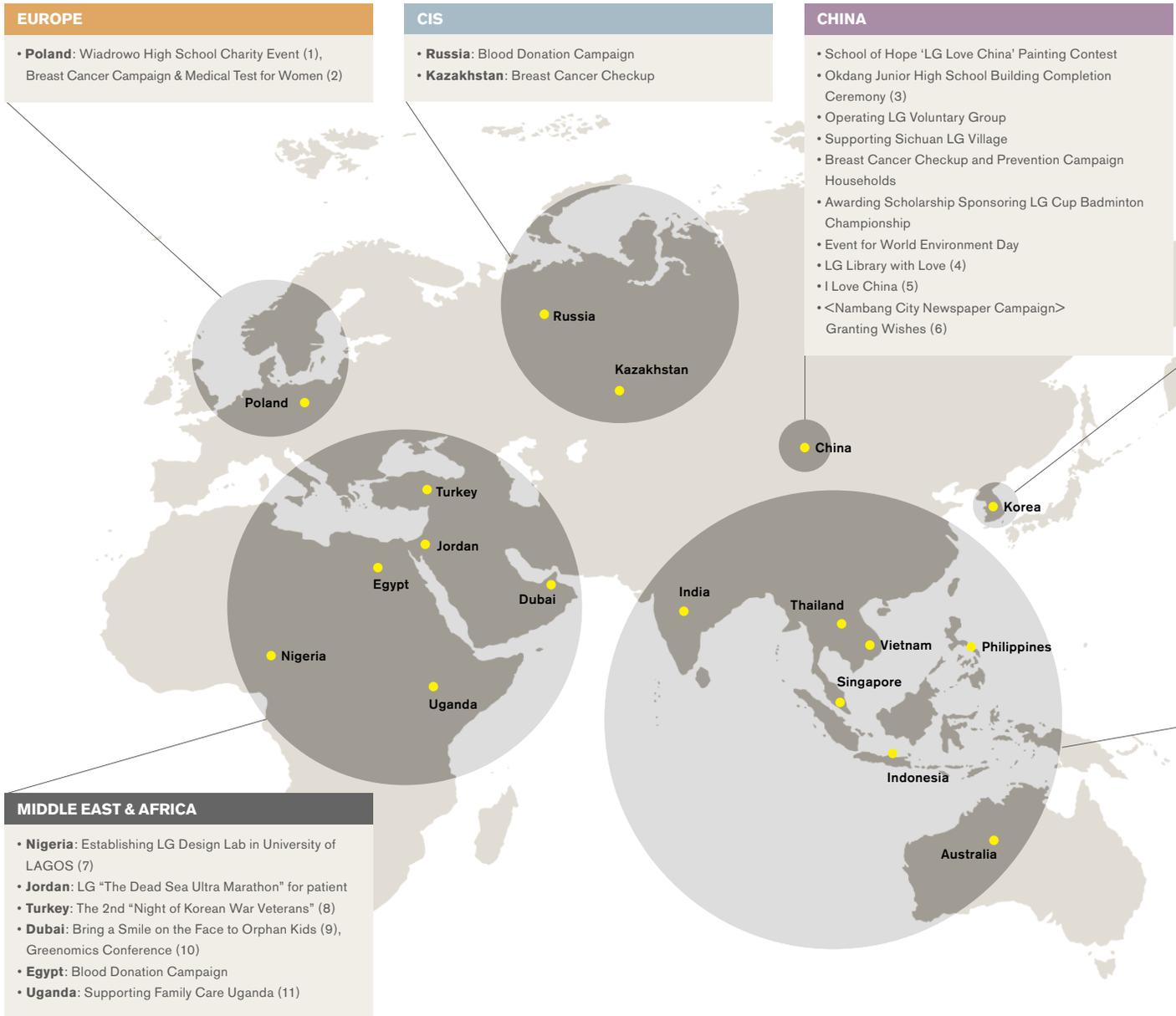
Labor-Management Volunteer Corps is co-directed by the Head of the LGE Labor Union and the corporate's Chief Relations Officer (CRO). Its membership comprises 350 service staff and 200 personnel from Head Office and the five business companies. A significant feature of this Group is the joint participation of labor and management. In 2009, the Group's main volunteer work was on behalf of Holt Ilsan Welfare Town, a facility for physically disabled children.

### Volunteer Contest

LGE encourages a spirit of active and innovative volunteerism by providing a financial incentive of KRW 1 million to any employee volunteer group that submits an acceptable volunteer proposal. In 2009, a total of 120 teams carried out volunteer activities in a wide range of welfare and public service areas.

## FUTURE DIRECTIONS

- Aligning each Company's social contribution activities with corporate social contribution strategy
- Offering total solutions for solving problems related to environment, poverty and disease around the world
- Conducting social contribution activities in developing countries (Africa / Asia)
- Developing a variety of volunteer programs



EUROPE



MIDDLE EAST & AFRICA



**KOREA**

- Junior Science Class (12)
- LG IT Angels (13)
- Blood and Corneal Donation Campaign (14)
- Green Mountain Love Campaign
- Sponsorship for Teen Heads of Households
- Kimchi-making Events (15)
- Coal Sharing Events (16)

**NORTH AMERICA**

- **Mexico:** Supporting "Villa De Las Ninias"
- **USA:** "LG Gives Back" Volunteer Event (17)

# LG ELECTRONICS WORKSITE SOCIAL CONTRIBUTION ACTIVITIES

**ASIA**

- **Singapore:** Asia Foundation MOU
- **India:** Fire Fighting, Blood Donation Campaign, LG Medical Center
- **Indonesia:** Earthquake Relief Fund (Padang / West Java earthquake) (18), LG Love School (19), Supporting Small and Mid-sized Companies
- **Australia:** Pink Ribbon Day, Donation for Regions that Suffered Forest Fire Damage
- **Thailand:** Supporting Wat Wang Yai Chim School (20)
- **Vietnam:** Supporting Welfare Facilities
- **Philippines:** Supporting Regions that Suffered Severe Typhoon and Flood Damage

**SOUTH & CENTRAL AMERICA**

- **Peru:** Boiling Water Drinking Campaign (21), Peru's First lady NGO Children Helping Program
- **Haiti:** Delivering food and goods
- **Brazil:** Clothing Campaign for Helping Homeless People, Volunteering for Shelter (22)

**KOREA**



**NORTH AMERICA**



**ASIA**



**SOUTH & CENTRAL AMERICA**





## EMPLOYEE



# 17,000 employees

LG Electronics thrives because of the culture of innovation that we promote throughout the corporate. As part of this effort, we held the “Global Innovation Competition” in 2009, inviting employees to participate by sharing their ideas on LG Electronics’ “Innovation Culture”. A total of 17,000 employees participated, with 8,700 ideas being submitted for consideration and adaptation by the corporate’s management.

LGE, a global company with complex supply chain, gives me lots of opportunities to grow. I like atmosphere at work as it encourages us to be more creative, innovative and at the same time challenges us to reach our potential. In my SCM career, LGE put a lot of effort to develop different programs for capability development especially in SCM area like On-line training, Conferences etc. Plus, evaluation & compensation system is based on individual work results so it gives me a stimulus to work harder and develop my capabilities. Nowadays we are really exposed to everyday stress due to overwork or challenging projects at work. LGE is one of the companies that emphasize the importance of work-life balance by encouraging employees to leave earlier on Friday to spend more time with the family members and even provide some tools to monitor the progress of work-life balance by using dashboards. I look forward to developing my capabilities and keeping work-life balance in LGE through improvements on system for employees.

Supply Innovation Group, CSCO Division

**Bulukh Yana**



# CORPORATE CULTURE / WORK-LIFE BALANCE



01 Open Communication at UK  
02 Global Innovation Competition Rewards

LG Electronics maintains an internal network of diverse communication channels through which our various work units can freely communicate with one another. We strive to also provide a high level of employee welfare and nurture a corporate culture in which every employee can enjoy a harmonious balance of work and family life.

## OUR APPROACH

- Employees are empowered to further the corporate mission through executing the “LG Way”, which is founded on trust, respect and open communication
- The corporate creates value for itself and its employees by enabling them to make use of the full range of their abilities

## OUR PERFORMANCES

### Open Communication

Communication is a key element of LGE's corporate culture, and is essential to accomplishing our vision of being the “World Best at Enriching Lives through Innovation”. Open communication between team leaders and individual work units helps everyone to take pride in our shared accomplishments, and motivates employees to complete each job to the best of their abilities. In 2009, the CEO held communication meetings eight times every month, in which the CEO could interact freely with employees. These meetings served to share our corporate vision and strategies, and provide guidance on individual work duties.

### Innovation Culture

LGE promotes a culture of “Creativity & Autonomy” as part of our drive to grow into an innovation leader. In 2009, 17,000 employees participated in a breakthrough idea contest called “Global Innovation Competition”, which generated approximately 4,000 fresh and useful ideas. A further 8,700 ideas were submitted through the corporate’s online Communication Portal. LGE is now reviewing this wealth of innovative suggestions to proactively develop profitable and sustainable business models.

### LG Way Index

The “LG Way” is LG's unique management philosophy. It is the basis for attaining our vision of “NO.1 LG” as we practice “Jeong-Do Management”; by which we achieve our aims of “Creating Value for Customers” and “Respecting Human Dignity”.

LGE carries out an “LG Way Survey” each year to determine how deeply-rooted the LG Way has internalized at the work-unit level. The results, which effectively represent the voice of our employees, are used to guide overall management activities and decision-making throughout the year.



Global Innovation Competition Poster

## EMPLOYEE SURVEY RESULTS FOR CREATIVE WORKING ENVIRONMENT

Source: 2009 LG Way Index / Unit: % (Positive response rate)

Factor		2007	2008	2009
Creative Working Environment	Stimulate Challenge	54	56	62
	Open Communication	56	59	70
	Empowerment	44	56	72



01~04 CA Activities  
05 Counseling Center

### Change Management by Employees

Change Agent (CA) and Digital Board (DB) tools are part of our corporate's bottom-up methods for promoting communication throughout our organization. CAs play the role of leading organizational change at overseas work sites, fostering dialog and motivating superior performance among their work units. The main role of the CA is to gather the Voice of Employees (VOE) and relay it to senior management, as well as to ensure that employee feedback is incorporated into team management. The CA program was launched in 2009 with 466 participants. DB, meanwhile, is a representative organization for white collar employees in Korea. It serves as a bridge between staff and management, and organizes a variety of programs related to employee rights and benefits.

### Waste Elimination

LGE focus on Waste Elimination, which specifically means the elimination of unnecessary tasks so that our people can focus on key work duties, and thereby have more free time to create new value at work and enjoy themselves with their families. Excellent examples of waste elimination are shared via the online employee portal and through offline staff presentations.

### Employee Counseling

LGE provides free access to psychologists and counselors, with the aim of helping employees to resolve any personal or work-related difficulties they may have. In 2009, the corporate established corporate counseling centers in Seoul and Pyeongtaek, in addition to three branch offices. Each facility is staffed by independent, outside professionals. As of year-end 2009, LGE had developed a two-week in-house counseling education program, and used it to train in-house counselors.

#### • Major Activities

Psychoanalysis, technical training on psychological therapies, health management guidance (nutrition and exercise), evaluation tools such as HRV Stress tests and other psychological indexes.

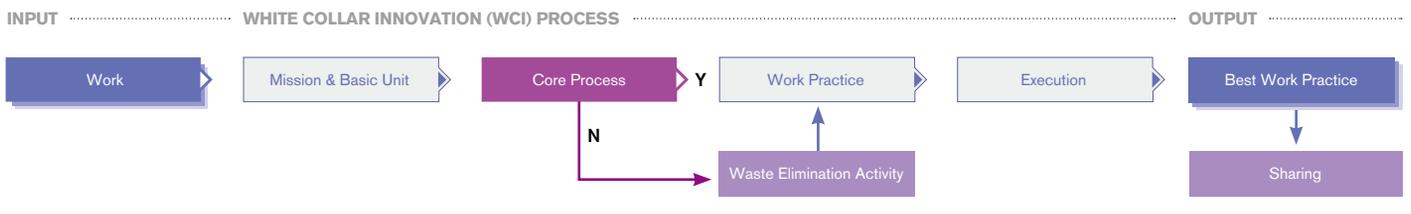
### Family-friendly Activities

LGE understands the importance of work-life balance, and tries to create a family-friendly atmosphere within our workplace so that employees feel that their lives outside the office are valued and respected. The Changwon Plant, for example, has celebrated "Children's Day with their Fathers" every year since 2004. The MC Company invites employees' families to visit the office occasionally to learn about the company and understand the importance of the work we do. Across the entire organization, LGE is spreading a "leave work on time" message to enable workers to spend sufficient time with their families at the end of the day. We also hold "Family Day" - type events at various work-sites throughout the year. Through these and other efforts, LGE is leading the industry in creating a work environment that supports healthy, happy family life.

## FUTURE DIRECTIONS

- Internalizing innovation culture
- Internalizing the LG Way at overseas work units
- Acceleration of Waste Elimination activities

## WASTE ELIMINATION



# TALENT MANAGEMENT



01 LG Techno Conference: Interview & Attraction  
 02 HE Company's Recruiting Program - Global Marketing Adventure (GMA) 2009

## SPECIALTY DEVELOPMENT PROGRAMS

### GTM

- GTM capability strengthening course (8 courses)

### SCM

- Certificated courses for talents: CPM, CSCP

### Marketing

- LG Way marketing core process
- B2B capabilities
- Breakthrough innovation marketing

### Procurement

- CPO function capability courses (4 courses)
- Procurement basic course to subsidiary

### HR

- Develop & deliver Global HR training courses

### Production & Quality

- 7 courses based on career path

### Finance

- Pre-FA Academy for Finance Analyst

## LIFELONG EDUCATION PROGRAMS

### Personal Development Programs

- In-house language courses
- Online IT / language courses
- Correspondence courses
- Celebrity lectures

### Degree Programs

- Master's degree courses within the corporate (Kyungpook National University, Ajou University, Pusan National University, and more)
- Bachelor's degree courses within the corporate (Yonam Institute of Digital Technology, Yeungjin College, and more)

LG Electronics utilizes a variety of recruiting channels to secure top-quality global talent. Once employed, they are given many opportunities throughout their careers to make use of lifelong education resources and develop into global business leaders.

## OUR APPROACH

- Mid- and Long-term Goals: Securing top-quality global talent to accomplish our vision "World best at enriching lives through innovation."
- Strategic Objectives: Globalization, employee value proposition, leadership, empowerment

## OUR PERFORMANCES

### Global Campus Recruiting

LGE holds annual recruiting seminars at universities in Korea, and conducts semi-annual recruitment tours of business schools, engineering schools and graduate programs in North American, Europe and Japan. Top candidates are offered door-to-door consulting service to make their transition to life in Korea go more smoothly.

### Global Internship / Co-op Programs

We operate a global summer internship program that pairs LGE staff with Korean students studying at overseas universities to carry out joint projects. The students get the opportunity to apply the theory they learn in classes to real-world R&D and business activities, and to become exposed to LGE's corporate culture. The corporate also accesses quality R&D talent by carrying out periodic exchanges of personnel and technology with Korean and foreign universities.

### Specialty Development Programs

The job training programs offered to LGE staff are custom-tailored to each employee, based on annual performance evaluation results. We also provide employee development programs at the Company level.

### Global Manpower Training Programs

LGE operates domestic and overseas Training Centers in Korea and overseas (Paris, Sao Paulo, Singapore, Beijing, Nanjing, Dubai, and India) that serve as the focal points of the corporate's HR development programs. Using our "Learning Net" intranet facilities, the Centers coordinate education programs, online education, foreign language courses, book learning and special lectures.

## EMPLOYEE EDUCATION AND TRAINING (2008~2009)

Year	Region	Training Hour (hours)	Number of Participants (person)	Average Training Hour (hours)
2008	Korea	1,036,706	18,819	55.08
	Overseas	136,826	25,445	5.37
2009	Korea	628,478	20,019	31.39
	Overseas	169,117	26,315	6.42

## FUTURE DIRECTIONS

- To benefit from the widest range of talents, LGE views the entire world as its recruiting pool. We use micro blogging to enable easy communication and information exchange among our global workforce, and we are studying ways to apply innovative web 2.0 tools to personal study and new-hire job training in the near future.

# FAIR EVALUATION AND REWARD



LG Electronics believes strongly that people should have proper incentives to put forth their best work, and that good work should be amply rewarded. We therefore operate an objective and transparent evaluation and bonus system that takes into account both individual and team-level performance.

## OUR APPROACH

- Mid- to Long-term Goals: Work units with top global competitiveness
- Strategic Directions
  - Establish HR management policies that meet international standards
  - Improve job performance by fostering open communication across job ranks, and offer rewards based on clear KPIs

## OUR PERFORMANCES

### Evaluations

LGE has established clear and rational corporate-wide job evaluation standards, and employs them as part of an HR system that assigns incentives and bonuses in a fair manner. Personal evaluations are carried out semiannually for office staff, and multidisciplinary leadership training is provided to team leaders once per year. Technical staff are evaluated semiannually using job-specific criteria that may include knowledge, teamwork, personal responsibility, leadership, management potential and individual performance.

### Functional Capability Development

After assessing the results of individual performance evaluations, LGE sets future Functional Capability Development targets for each employee, devises customized plans and targets, and helps employees to reach their targets through ongoing monitoring and training.

### Reward System

We operate a Global Total Reward (GTR) system that helps our corporate to attract top candidates and meet our need to secure employees with the ability to work in international job settings.

**GLOBAL TOTAL REWARD SYSTEM**

GTR Components

**Grade Structure**

- 4-Grade (G1 to G4) + Executive
- Role-based structure

**Base Salary**

- Global job-based pay structure
- Pay increases awarded according to each employee's annual performance evaluation

**Short-term Incentives**

- Combined incentives are calculated in accordance with individual and work-unit (Business Company / Region) performance results

**Etc.**

- Retention grant

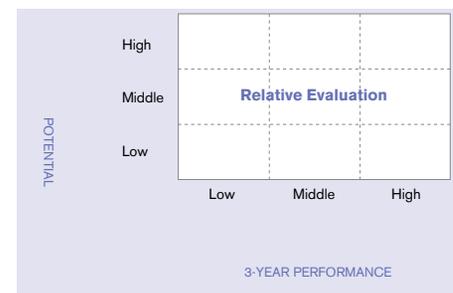
**PERFORMANCE EVALUATION SYSTEM**

**IN-YEAR PERFORMANCE**



→ Salary and Bonus

**OVERALL PERFORMANCE**



→ Promotion and Staffing

## FUTURE DIRECTIONS

- LGE strives to meet the highest global standards in fashioning globally-competitive HR systems. We grant team leaders the authority and responsibility to develop the individual capabilities of staff under their supervision.

# MANAGEMENT REPORT

60	Corporate Governance
61	CSR Management
63	Compliance Risk Management
64	Anti-corruption
65	Fair Trade
66	Privacy Protection
67	Labor Management

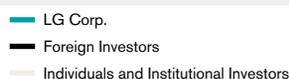
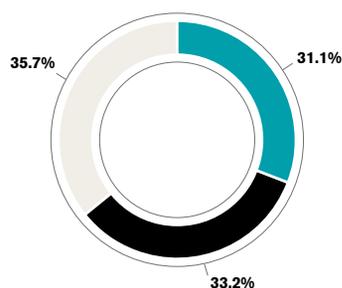


## CORPORATE GOVERNANCE

Since the creation of LG Group's holding company structure in 2003, LG Electronics has operated with an advanced corporate governance structure, centered on the Board of Directors. The BOD is committed to upholding the highest standards of management transparency, and to increasing corporate and shareholder value.

### SHAREHOLDER COMPOSITION

As of December 31, 2009



### COMMITTEES UNDER BOD

#### Board of Directors

##### Audit Committee

3 Outside Directors

Examine the corporate's financial records and accounting systems

##### Outside Director Candidate Recommendation Committee

1 Outside Director  
1 Inside Director

Recommend Outside Director Candidates

##### Management Committee

3 Inside Directors

Review and determine ordinary management matters, as entrusted by the Board

### Shareholders

As of December 31, 2009, LGE's total outstanding common stock totaled 144,647,814 shares, and preferred stock 17,185,992 shares. 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, owned 31.1% 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 reflected in corporate policy.

### Board of Directors

The BOD consists of 7 Directors, 4 of whom are Outside Directors. The BOD operates independently of any influence from major shareholders and the 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 the corporate's overall management activities and provide substantial advice to the management. The BOD's main role is to provide strategic guidance on important issues and evaluate the effectiveness of the corporate's management. In 2009, the BOD met 9 times to review 29 agenda items (20 approved, 9 reported), including the management's mid- and long-term business strategy. The attendance rate by the Outside Directors was 95%.

### 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 first consists of three Outside Directors, and is responsible for examining the corporate's financial records and accounting systems to ensure their legitimacy. The Management Committee reviews and determines ordinary management matters, as entrusted by the BOD. It reviewed a total of 42 agenda items in 2009.

### Evaluation and Compensation

Compensation amounts for the Outside Directors and Inside Directors are set in accordance with relevant regulations, and within limits prescribed by the AGM. Directors' performance is evaluated annually, and compensation amounts are determined by qualitatively and quantitatively considering the evaluation results, achievement of targets, and professional dedication.

### BOARD OF DIRECTORS

As of March 31, 2010

Board	Name	Career	Remarks
	Yong Nam	CEO	Management Committee
	David Jung	CFO	Management Committee
Inside	Yu Sig Kang	CEO of LG Corp.	Chairman of the Board of Directors Outside Director Candidate Recommendation Committee Management Committee
	In Ki Joo	Professor at School of Business, Yonsei University	Audit Committee (Chairman) Outside Director Candidate Recommendation Committee
Outside	Kyu Min Lee	Adviser of SK Research Institute for SUPEX Management (former the chief editor at DongA Daily Newspaper)	Audit Committee
	Sang Hee Kim	Attorney (former vice-minister of Ministry of Justice )	Audit Committee
	Chong Nam Chu	Professor at School of Mechanical and Aerospace Engineering, Seoul National University	

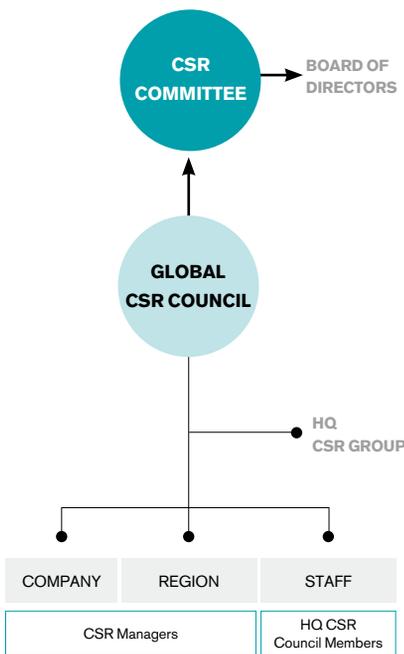
# CSR MANAGEMENT

The basis for LG Electronics' corporate social responsibility is our management principles of "Creating Value for Customers" and "Respecting Human Dignity". We are committed to fulfilling our responsibilities and earning the world's trust and respect as a caring corporate citizen.

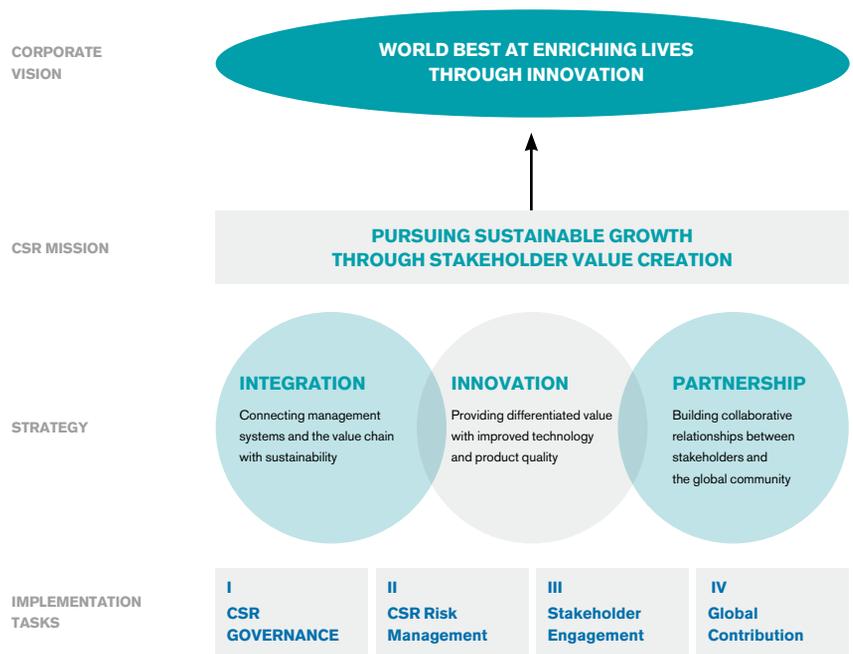
## CSR Implementation System

Our CSR activities are an inseparable part of our strategies for sustainable growth and the accomplishment of our vision: "World Best at Enriching Lives through Innovation". To this end, LGE has laid out the following strategic imperatives: Ensure that every management activity is carried out with a CSR-oriented mindset; Create differentiated value for stakeholders through innovation; Nurture win-win partnerships with all stakeholders in a spirit of mutual trust.

### CSR GOVERNANCE



### CSR FRAMEWORK



2009 2nd Half CSR Council

## CSR Governance

2009 was a year of great progress in LGE's CSR operations. We created the top-decision-making body, CSR Committee, comprised of C-level officers, presidents of company/region, and chaired by the CEO. The Committee's mandate is to deliberate on and set corporate-wide CSR strategies and policies, such as the decision to join the UN Global Compact. Below the CSR Committee, the working-level CSR Forum of the corporate's Head Office was expanded to form the CSR Council, which comprises CSR managers of each company and region. In the near future, we will expand CSR Councils for each subsidiary and empower them to instill a CSR mindset in their organizations and respond to related issues within the scope of their operations and local communities. To further raise employee awareness of CSR issues, we will include a "CSR Understanding" module in the training programs of all new recruits, and launch online education programs in 2010.



01 CSR Workshop with BT  
02 No.1 prize at 2009 Korea Sustainability Index

### CSR Risk Management

As LGE has grown in stature to become a world-class corporate, the expectations of our business partners, customers, investors and external stakeholders – such as NGOs – are also growing. In particular, they are not interested merely in our CSR achievements, but in our internal CSR management and processes. The global community is increasingly vocal in its demands that large multinationals play an active role in solving international issues.

In 2009, LGE carried out self-assessments of the labor, ethics and ESH (Environment, Safety & Health) status of factories including our overseas businesses, so as to effectively manage the corporate's comprehensive CSR risk. No serious risks were found as a result of these surveys, but needs for supplemental policies were uncovered. We will therefore draft corporate-wide labor policy, and release them in the first half of 2010. Also, in accordance with our obligations under the UN Global Compact, we will ensure that the Ten Principles are implemented and enforced throughout our value chain. To manage CSR risks systematically, LGE is adopting E-TASC, an internationally-recognized CSR online assessment tool that can be extended to eventually include our business partners.

### Stakeholder Engagement

LGE recognizes the importance of providing a variety of channels through which to engage our various stakeholders. In 2009 we responded to queries and interview requests from more than twenty institutions, clients and NGOs. In September, LGE visited foreign-based clients such as Vodafone, O2 to conduct dialogues on CSR and introduce the corporate's CSR programs and philosophies. In November, we participated in a workshop that was offered as a follow-up to British Telecom's CSR audit in August. Beginning in 2010, LGE will launch a program of forming various stakeholder panels to increase the corporate's engagement with internal and external stakeholders.

### Global Contribution

In the past year, LGE's overseas revenues accounted for 87% of the corporate's total sales. As such, we feel a strong obligation to be actively involved with solving international issues in such areas as environmental protection, famine and disease. In recognition of our wide-ranging efforts on these fronts, LGE was honored with the Woodrow Wilson Award for Corporate Citizenship in September of 2009. More detailed information about our global contribution can be found on page 48-53.

## CSR RISK EVALUATION RESULTS (2009)

<div style="border: 2px solid #00AEEF; border-radius: 20px; padding: 10px; width: fit-content; margin: 0 auto;">Self-assessment Results</div>	>	<ul style="list-style-type: none"> <li>● - <b>Labor:</b> Due to an absence of clear corporate policies, systematic management of overseas subsidiaries and suppliers needed to be developed.</li> <li>● - <b>ESH:</b> International standards such as ISO 14001 (Environment) and OHSAS 18001 (Health and Safety) have been established at 95% of the corporate's production subsidiaries. The management of these systems is satisfactory, but the ESH evaluation and support systems for business partners require strengthening.</li> <li>● - <b>Ethics:</b> Systematic ethics management at the individual level is operating smoothly, but business-level systems vary among subsidiaries. Self-assessments of risk and effective monitoring systems need to be developed.</li> </ul>
<div style="border: 2px solid #00AEEF; border-radius: 20px; padding: 10px; width: fit-content; margin: 0 auto;">Key CSR Plan (2010)</div>	>	<ul style="list-style-type: none"> <li>● - Corporate-wide review and modification of CSR policies for each business sector</li> <li>● - Finalize and unveil the corporate global procurement policy</li> <li>● - Systematic change management                         <ol style="list-style-type: none"> <li>1) Strengthen the capabilities of CSR Managers</li> <li>2) Regularly evaluate CSR risk using E-TASC</li> <li>3) Initiate CSR training program for all employees</li> </ol> </li> </ul>

# COMPLIANCE RISK MANAGEMENT



We regard 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.



01 LGE Compliance Code of Conduct  
 02 Risk Improvement Education  
 03 Education on Price-fixing, Product Specifications, PL and Subcontracting

## Compliance Risk Management Plan

- Mid- to Long-Term Goal: Establish an effective business unit-based compliance risk management system
- Strategic Direction: Establish a foundation for adopting and operating an enterprise compliance system
- 2009 KPI: Define compliance-related corporate policies and principles

## Compliance Code of Conduct

In May of 2009, LGE established the "LGE Compliance Code of Conduct". The Code contains the basic principles and practical action guidelines for complying with laws and regulations throughout the world. It is also directed toward instructing corporate members on tangible ways to create value for customers, employees, business partners, local communities and all other stakeholders. In August, 2009, LGE launched a mandatory online education course to help the corporate's entire employee base to learn and understand the Code.

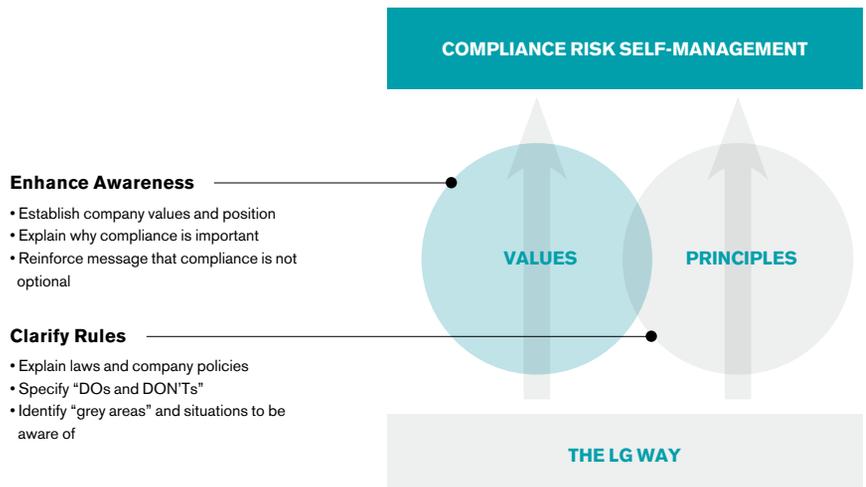
## Compliance Risk Improvement Activities

LGE works to steadily improve the compliance levels of each work unit, and establish systems to enable our work units to resolve their own compliance issues independently. To this end, we distributed self-evaluation kits and manuals covering such topics as product specifications, product safety, advertisement compliance, toxic materials and use of subcontractors. We also continuously monitor our work units' improvement activities to ensure that these efforts contribute towards a real reduction of compliance risk.

### RISK IMPROVEMENT SOLUTION

RISK FACTOR	SOLUTION
Awareness	On-line Training
	Off-line Training
Knowledge	Letter (Top management)
	Principle
Process	Manual
R&R	Checklist

### PURPOSE OF LG ELECTRONICS' COMPLIANCE CODE OF CONDUCT



# ANTI-CORRUPTION



LG Electronics' "Jeong-Do Management" is the basis for all actions taken by the corporate's employees as they compete fairly in the world's free markets to create value for LG Electronics and its stakeholders. We established the Code of Ethics and supplementary guidelines to make clear to everyone in the corporate our high expectations for personal conduct and professional judgment. We apply the same standards to all suppliers and business partners who do business with LG Electronics.

"Eliminating all possibility of unfair business practices is essential for LG Electronics to leap forward as a leading global company."

from the CEO message



01 "Jeong-Do Management" Posters, Part of an Internal PR Campaign  
 02 "Jeong-Do Management" Newsletters are Translated into Many Languages  
 03 Whistle-blowing System

## Code of Ethics

The Code of Ethics consists of ethical principles-Code of Ethics-, Guideline for Practices, explanation of the Code of Ethics. This contains sufficient information to guide proper action in a variety of scenarios. LGE has had the manual translated into 14 languages, and uses it as part of ongoing company-wide ethics education programs.

### SPECIFIC ACTION RULES

1. LGE employees ("employees") shall not accept money from a stakeholder for any reason. When offered gifts, employees shall respectfully refuse or return them.
  2. Employees shall not accept meals, drinks or entertainment from any stakeholder, nor request any stakeholder to pay for entertainment expenses.
  3. Employees may not impose a real or implied burden on stakeholders by informing them of personal events such as weddings, funerals, etc. In case any gift of congratulations is received that exceeds socially-accepted norms, employees shall return the excess amount.
  4. Employees shall not accept from stakeholders any convenience or subsidy, such as support for business trips and vacations, business expenses or sponsorships. In cases where such support is received for the purpose of performing work duties more efficiently, employees shall pay a fair price for the support.
  5. Employees may not borrow any type of asset from a stakeholder, nor accept any financial guarantee from them. Employees also shall not lend money or any other asset to a stakeholder, nor guarantee their debts.
  6. Employees may not receive any promise or guarantee from stakeholders pertaining to employment, payments or contracts to be fulfilled after the employee leaves LGE's employment.
  7. Employees shall not wrongfully acquire listed or unlisted stocks of companies that do business with LGE.
  8. Employees shall strictly observe fair-trade laws and regulations.
  9. Employees shall fully protect all supplier information.
  10. Employees shall not harm the reputation of LGE by abusing their position or authority.
- \* Code of Ethics: [www.lg.com/global/about-lg/corporate-information/our-vision/jeong-do-management.jsp](http://www.lg.com/global/about-lg/corporate-information/our-vision/jeong-do-management.jsp)

## Education and PR

"Jeong-Do Management" is not optional at LGE; rather, it is considered essential for the long-term survival of the corporate. We promote a principles-based work culture with internal PR campaigns and employee training programs that help to prevent corrupt or non-compliant actions by our employees.

Our corporate worked hard in 2009 to propel our global PR and staff education at overseas worksites. Using the "Jeong-Do Management" website and corporate intranet website, we presented cases of best practices and infractions, so as to pre-empt non-compliant actions and support proper conduct throughout the organization. LG Code of Ethics handbooks were also distributed among the staff, and their content was reinforced with quizzes and surveys.

## Whistle-blowing System

LGE's Ethics Bureau and Audit Team stand ready to receive and investigate all reports of ethical violations, which may be submitted by customers, employees, business partners and even competitors. The identity of informants and the details of reports are held strictly confidential, and the online reporting channel is a secure website. Only a limited number of bonded employees are able to access the contents of such reports, and LGE will not divulge any information related to whistleblowers without their prior consent. Further, the corporate promises to take full responsibility to make good on any loss or disadvantage suffered by whistleblowers as a consequence of their using the ethical violation reporting system.

### RESULTS OF EDUCATION FOR EMPLOYEES (2009)

REGION	NO. OF TRAINED
Korea	1,339
Overseas	13,361
<b>Total</b>	<b>14,700</b>

### RESULTS OF EDUCATION FOR PARTNERS (2009)

HQ	COMPANY	TOTAL
46	350	396

# FAIR TRADE

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



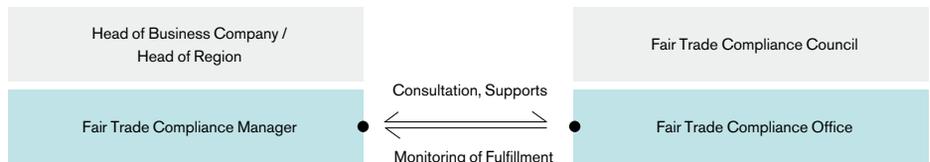
01 Fair Trade Manual  
02 Online Education on Cartel Prevention

### Fair Trade Compliance System

LGE appointed a Fair Trade Compliance Manager for each Company in October, 2009. Their responsibilities are to provide education and lead activities to promote voluntary compliance, as well as review and enhance their Company's compliance levels. Based on their internal reviews, they create action plans to achieve tangible improvements. They also have authority to direct changes to business processes that will promote fair competition. The Managers are overseen and supported by the Fair Trade Compliance Office of corporate headquarters.

In December, 2009, fair trade standards were established corporate-wide, with reinforcing adjustments made for each Company. Fair trade manuals in five areas – cartel, unfair transactions between affiliates, subcontracting and advertising – were published and distributed to relevant teams.

#### FAIR TRADE COMPLIANCE MANAGEMENT SYSTEM



### Cartel Prevention

LGE provides annual employee education on this subject at both Korean and overseas sites via online. A total of 36,715 employees completed the course in 2009, and approximately 120 company executives completed a special course. In September of 2009, LGE surveyed employees to promote a self-compliance mindset about cartel.

### Fair Trade Agreement with Subcontractors

LGE signed a pledge in October of 2007 committing the corporate to a "Fair Trade Agreement with Subcontractors". The following November, LGE received an "A" grade from the Korea Fair Trade Commission for its treatment of small and mid-sized business partners. Since then, LGE has entered into additional agreements or extended existing agreements each year, and will remain committed to a policy of fair trade with its smaller suppliers.

### Zero Violations of Fair Trade Act

Providing strong evidence of LGE's efforts to promote a culture of self-compliance, the corporate recorded zero violations of the Fair Trade Act in 2009. Corporate performance on fair trade metrics is reported to the Board of Directors, and disclosed annually to the Korea Exchange.

### Future Direction

LGE will establish a culture of self-compliance throughout the corporate, by enhancing Companies / Regions' own compliance activities. And we will also identify major risk factors for each Region, and take preemptive steps to mitigate such risks.

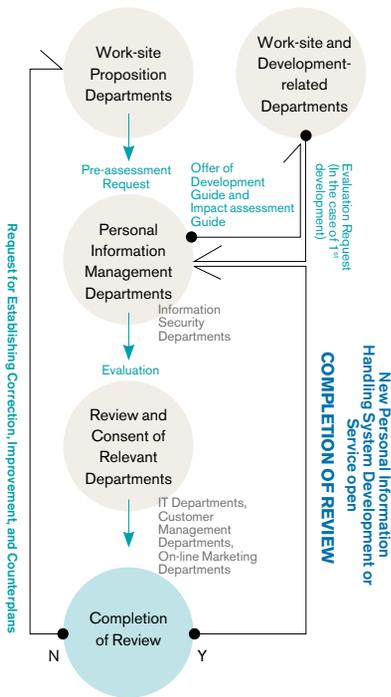
# PRIVACY PROTECTION

LG Electronics treats customer information as sacrosanct, and goes to great lengths to protect it and to abide by all laws related to information security. We have various internal systems in place to prevent information leaks and earn the trust of our clients.



01 Personal Information Handling Staff Education  
02 i-Pin Application to LGE Website

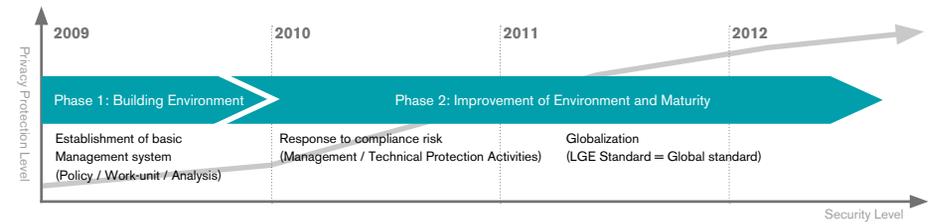
## PRE-IMPACT ASSESSMENT PROCESS



## Personal Information Protection System

As people become increasingly aware of the losses caused by information leaks, the importance of information security is growing. In August, 2009, the Korean government revised regulations regarding the management and safeguarding of personal information. LGE used the announcement to unveil our own goal of expanding the corporate's information security systems to all subsidiaries worldwide by 2012. We have also devised plans to achieve our goal of zero compliance risk at Korean operations, which will then be extended to our entire global network.

## MID- AND LONG-TERM STRATEGIES OF PRIVACY PROTECTION



## Personal Information Protection Activities

We have developed comprehensive information protection plans that eliminate any vulnerabilities in our information management processes. Access by outside parties is strictly controlled, and data is encoded to prevent hacking, alteration or loss.

## PERSONAL INFORMATION PROTECTION ACTIVITIES

1. Internal Customer Information Management Plan	Establish and execute mid- to long-term strategies and conduct semi-annual training
2. System Access Control	Periodic examination of access records (monthly) / data storage (for more than 6 months)
3. Prevention of Access History Corruption	Minimize access rights and change passwords semiannually
4. Encryption of Personal Information	Database encryption and storage; communication network encoding

## Improvement of Personal Information Protection System

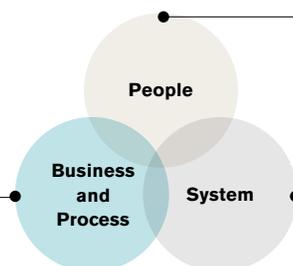
To ensure the absolute security of customer information, LGE carries out three types of constant improvements to our information management systems:

1. Prevention of leaks by staff in charge of collecting, using, storing and managing customer data.
2. Construction of world-class information-handling systems.
3. Improvement of customer service through correct handling and storage of data.

## PERSONAL INFORMATION PROTECTION SYSTEM

### Customer Information Protection System

- Establish and enforce preventive measures to guard against leaks
- Apply international data protection standards (BS10012)
- Check and support data security measures at overseas worksites



### Management of Data-handling Staff

- Establish information access levels for staff and provide education on customer information security
- Conduct periodic checks of staff computers to detect mishandling of customer information
- Strengthen the capabilities of data-handling staff through education and acquisition of certificates/licenses

### Technical Protection Activities

- B2C Web site: i-Pin and network encryption
- DB: Monitoring system operation
- Other: Identification number masking

# LABOR MANAGEMENT

LG Electronics guarantees employees' fundamental labor rights such as freedom of association and collective bargaining. LG Electronics spares no effort to establish future-oriented advanced labor-management relationships based on mutual trust.



01 2009 Collective Bargaining Meeting  
02 2009 Labor-Management Benchmarking

### Respecting Human Dignity

LGE recognizes the right of all employees and stakeholder to pursue happiness, to work with dignity and to have their value as human beings respected. In early 2010, LGE will unveil a comprehensive labor policy that details the corporate's commitment to following labor laws and codes, and satisfying all labor standards defined by such international organizations as the UN and ILO.

### Signal-light System

Our labor-management methods at each worksite are based on a signal-light system (green, yellow and red). We place locally-recruited managers in charge of local staff at overseas facilities, so as to minimize the possibility of friction based on cultural differences. In the past, LGE had difficulty in negotiating with its union in Brazil because the counterpart is from industrial union which is subject to political issues. Now, labor-management relations are harmonious and business operations are stabilized, thanks to the use of an external expert mediator and efforts on both sides to improve communication.

### Labor-Management Communication in Korea

All employees of LGE are eligible to join and participate in the activities of labor unions, in accordance with relevant collective bargaining agreements and labor unions regulations. As of year-end 2009, a total of 7,716 employees, representing 26% of our total workforce in Korea, were union members. The union's infrastructure consists of one head office and six branches throughout Korea. All union members have voting rights and are eligible to stand for office.

Joint labor-management conferences are held each quarter, and collective bargaining takes place once per year. In addition to these official meetings, there is an open channel of communication for discussing important issues at any time. Decisions on major issues take place based on bilateral discussions over a suitable time frame. The result of this arrangement has been a proud tradition of dispute-free labor relations and collective bargaining for twenty consecutive years. LGE strives to develop win-win relationships with both union and non-union employees, believing this is fundamental to our goal of becoming a top-tier global enterprise.

In September, 2009, labor and management representatives visited Finland, Sweden and Norway to benchmark the EU's most advanced countries for labor-management relations. Working with expert external advisors, our union has taken the initiative in devising innovative community-service projects that raise the prestige of the corporate and the union. In December, 2009, the union created a Union Social Responsibility (USR) initiative to systematically coordinate social responsibility activities.

### Union Social Responsibility (USR)

Understanding that the labor union can be a tool for influencing the opinions of stakeholders with respect to the corporate, the union in Korea recently declared that it will assume a new role as a supporter of local communities, in addition to its traditional function of protecting employees' rights and benefits. The union will undertake a variety of projects in the areas of environmental protection, community support, economic development and aid for the unfortunate. These activities will all take place under the name of USR, through which the union has committed itself to socially-responsible behavior.





OUR DATA  
ECONOMIC  
DATA

## FINANCIAL STATEMENT (PARENT)

### SUMMARIZED INCOME STATEMENT

Unit: KRW million

Category	2007	2008	2009
Sales	23,501,935	27,638,515	30,513,436
Domestic sales	6,520,386	6,445,179	6,665,027
Exports	16,981,549	21,193,336	23,848,409
Cost of Sales	18,339,833	20,822,187	23,418,287
Gross profit	5,162,102	6,816,328	7,095,149
Selling and administrative expenses	4,597,518	5,589,438	5,480,328
Operating income	564,584	1,226,890	1,614,821
Non-operating income	1,863,165	2,670,535	3,492,409
Non-operating expenses	940,836	3,382,401	2,590,611
Income before income taxes	1,486,913	515,024	2,516,619
Income tax expense	264,518	32,238	463,784
Net income	1,222,395	482,786	2,052,835

### SUMMARIZED FINANCIAL POSITION

Unit: KRW million

Category	2007	2008	2009
I. Current assets	2,827,427	4,517,638	7,445,727
Quick assets	1,881,857	3,616,517	6,678,708
Inventory	945,570	901,121	767,019
II. Non-current assets	11,509,191	12,820,243	14,131,449
Investment assets	6,438,300	7,879,443	8,975,153
Tangible assets	4,037,055	3,710,704	3,644,343
Intangible assets	398,481	470,610	448,250
Other non-current assets	635,355	759,486	1,063,703
<b>Total assets</b>	<b>14,336,618</b>	<b>17,337,881</b>	<b>21,577,176</b>
I. Current liabilities	4,587,662	5,941,588	8,013,221
II. Non-current liabilities	2,539,441	2,989,488	3,404,162
<b>Total liabilities</b>	<b>7,127,103</b>	<b>8,931,076</b>	<b>11,417,383</b>
I. Capital stock	809,169	809,169	809,169
II. Capital surplus	2,559,605	2,651,911	2,668,644
III. Capital adjustments	(44,893)	(44,893)	(44,893)
IV. Accumulated other comprehensive income	98,968	873,395	661,531
V. Earned surplus	3,786,666	4,117,223	6,065,342
<b>Total shareholders' equity</b>	<b>7,209,515</b>	<b>8,406,805</b>	<b>10,159,793</b>
<b>Total liabilities and shareholders' equity</b>	<b>14,336,618</b>	<b>17,337,881</b>	<b>21,577,176</b>

## MAIN FINANCIAL RATIO (PARENT)

### TRENDS OF RATIOS STABILITY

Category	Formula	Ratio		
		2007	2008	2009
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}} \times 100$	61.6%	76.0%	92.9%
Debt ratio	$\frac{\text{Total liabilities}}{\text{Equity capital}} \times 100$	98.9%	106.2%	112.4%
Borrowings and bonds payable ratio	$\frac{\text{Debt}}{\text{Total assets}} \times 100$	14.3%	14.9%	13.2%
Interest coverage ratio to operating profit	$\frac{\text{Operating income}}{\text{Interest expenses}}$	4.7 times	11.4 times	15.0 times

\* The values shown above for assets, liabilities and equity capital are stated as of the end of the fiscal year. Debt includes short- and long-term borrowings, the current portion of long-term debt and debentures.

### TRENDS OF RATIOS PROFITABILITY

Category	Formula	Ratio		
		2007	2008	2009
Operating income to sales	$\frac{\text{Operating income}}{\text{Sales}} \times 100$	2.4%	4.4%	5.3%
Net income to sales	$\frac{\text{Net income}}{\text{Sales}} \times 100$	5.2%	1.7%	6.7%
Net income to total assets	$\frac{\text{Net income}}{\left( \frac{\text{Total assets at the beginning of the fiscal period} + \text{Total assets at the end of the fiscal period}}{2} \right)} \times 100$	8.9%	3.0%	10.6%

\* Net income and loss adjusted to the values shown above for equity capital

### TRENDS OF RATIOS ACTIVITY AND GROWTH

Category	Formula	Ratio		
		2007	2008	2009
Growth rate of sales	$\frac{\text{Sales of the current fiscal year} - \text{Sales of the previous fiscal year}}{\text{Sales of the previous fiscal year}} \times 100-100$	1.4%	17.6%	10.4%
Growth rate of operating income	$\frac{\text{Operating income of the current fiscal year} - \text{Operating income of the previous fiscal year}}{\text{Operating income of the previous fiscal year}} \times 100-100$	5.5%	117.3%	31.6%
Growth rate of net income of the current fiscal year	$\frac{\text{Net income of the current fiscal year} - \text{Net income of the previous fiscal year}}{\text{Net income of the previous fiscal year}} \times 100-100$	411.0%	-60.5%	325.2%
Growth rate of total assets	$\frac{\text{Total assets at the end of the current fiscal year} - \text{Total assets at the end of the previous fiscal year}}{\text{Total assets at the end of the previous fiscal year}} \times 100-100$	8.4%	20.9%	24.5%
Assets turnover ratio	$\frac{\text{Sales}}{\left( \frac{\text{Total assets at the beginning of the fiscal period} + \text{Total assets at the end of the fiscal period}}{2} \right)}$	1.7	1.7	1.6



## OUR DATA

# SOCIAL DATA

As of December 31, 2009, LGE's total workforce numbered 82,136. Of these, 28,597 are located in Korea, and 53,539 are based overseas. The latter figure includes Korean nationals on sabbatical to foreign worksites. About 65% of the total workforce is therefore based outside of Korea. We have also recruited six highly qualified foreign management officers, who are now dedicating themselves to increasing LGE's corporate value. Among the Korean employees, temporary employees numbered just 484, or 1.7% of the total. The resignation rate of 3.3% in 2009 was up 0.1% from a year earlier. Our percentage of disabled persons on the workforce was up 0.1% to 1.0%, or 294 people.

15% of LGE's Korean employees are female, with an average age of 28.3. The average age among male employees is 36.9. Females comprise 12.2% of administrative staff, and 22.6% of operator at production. They also make up 1.8% of the corporate's senior management officers, with an average age of 44.2 (the average age of male management officers is 49.1). The starting salary of new hires is 344% of the national minimum wage (based on administrative staff salaries). There is no difference between the basic salaries of male and female employees, and it is the corporate's policy to fairly reward all staff according to their individual capabilities.

### PERCENTAGE OF TEMPORARY EMPLOYEES, RETIRED EMPLOYEES, AND FEMALE EMPLOYEES (KOREA)

Unit: %

#### Temporary Employees



#### Retired Employees



#### Female Employees



Number of Employees: 82,136 (Permanent: 81,652, Temporary: 484)

### WORKFORCE STATUS (PERMANENT)

As of December 31, 2009 / Unit: people

Classification	Total	Korea				Overseas				
		Executive	Staff	Operator	Sub Total	Executive	Staff	Operator	Sub Total	
Head Quarter	4,839	81	4,274	180	4,535	2	301	1	304	
Company	HE		27	3,207	2,514	5,748	8	2,478	8,638	11,124
	MC	13,553	43	7,021	2,229	9,293	8	2,213	2,039	4,260
	HA	9,017	17	1,888	1,891	3,796	7	1,428	3,786	5,221
	AC	6,894	9	1,318	1,117	2,444	1	1,897	2,552	4,450
	BS	1,189	11	1,145	5	1,161	-	28	-	28
	<b>Sub Total</b>	<b>47,525</b>	<b>107</b>	<b>14,579</b>	<b>7,756</b>	<b>22,442</b>	<b>24</b>	<b>8,044</b>	<b>17,015</b>	<b>25,083</b>
Region	Korea	1,136	8	1,128	-	1,136	-	-	-	-
	North America	2,112					8	1,655	449	2,112
	Europe	3,086					12	3,074		3,086
	Asia	9,945					9	5,655	4,281	9,945
	South & Central America	6,105					4	2,414	3,687	6,105
	Middle East & Africa	1,498					5	1,351	142	1,498
	CIS	2,582					4	1,279	1,299	2,582
	China	2,824					10	2,812	2	2,824
<b>Sub Total</b>	<b>29,288</b>	<b>8</b>	<b>1,128</b>	<b>-</b>	<b>1,136</b>	<b>52</b>	<b>18,240</b>	<b>9,860</b>	<b>28,152</b>	
<b>LGE Total</b>	<b>81,652</b>	<b>196</b>	<b>19,981</b>	<b>7,936</b>	<b>28,113</b>	<b>78</b>	<b>26,585</b>	<b>26,876</b>	<b>53,539</b>	

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

**GLOBAL PRODUCTION NETWORK**

Region	Country	City	Company	Products	
America	Mexico	Mexicali	LGEMX	-	
	Mexico	Reynosa	LGERS	LCD TV, PDP TV, CRT TV, PDP Module	
	Brazil	Manaus	LGAEZ	TV, DVD, Audio, Car Audio, Air Conditioner	
	Mexico	Monterey	LGEMM	Refrigerator, Microwave Oven	
	Brazil	Taubate	LGESP	Monitor, Mobile Phone, Notebook PC	
Europe	England	Wales	LGWEA	-	
	Poland	Mlawa	LGEMA	TV, Monitor	
	Poland	Wroclaw	LGWR	Refrigerator, TV	
Middle East & Africa	Egypt	Maadi (Head Office)	LGEEG	CRT TV, FPD	
		Ismailia (Factory)			
	Turkey	Istanbul	LGEAT	Air Conditioner	
	Saudi Arabia	Riyadh	LGESR	Air Conditioner	
Asia	India	New Delhi / Pune	LGEL	CRT TV, LCD TV, PDP TV, Monitor, Refrigerator, Air Conditioner Washing Machine, Compressor, Optical Storage, Mobile Phone	
	Thailand	Bangkok Rayong	LGETH	Washing Machine, Air Conditioner, Compressor, TV	
	Vietnam	Hanoi	LGENV	TV, Monitor, Air Conditioner, Washing Machine Refrigerator, Microwave Oven, Vacuum Cleaner	
	Indonesia	Jakarta	LGEIN	LCD Monitor, LCD YV, PDP TV, CRT TV, VCR, COMBI, REC COMBI, DVD-P DVD-R, BD-P, BD-Home Theater, DVD- Home Theater, Audio, Refrigerator	
	China	Taizhou	LGETR	Refrigerator, Compressor	
China	China	Huizhou	LGEHZ	Media, Optical Storage, Car Audio	
	China	Nanjing	LGEND	Monitor, LCD TV, PDP TV	
	China	Nanjing	LGEPN	Washing Machine, Motor	
	China	Qinhuangdao	LGEQH	Casting	
	China	Shanghai	LGESH	Set-Top-Box, CCD	
	China	Shenyang	LGESY	TV	
	China	Tianjin	LGETA	Microwave Oven, Air Conditioner, MGT, Vacuum Cleaner, Compressor	
	China	Yantai	LGEYT	Mobile Phone	
	China	Kunshan	LGEKS	Telematics	
	China	Hangzhou	LGEHN	DVD-Recordable, Video Cassette Tape, USB, HDD, Prism Sheet	
	China	Qingdao	LGEQD	Mobile Phone	
	CIS	Kazakstan	Almaty	LGAEK	TV, Washing Machine
		Russia	Moscow	LGERA	TV, Monitor, Audio, Refrigerator, Washing Machine
Ruza (Factory)					

**E-LEARNING**

LGE employees can access learning contents anytime, anywhere through the Korean, English, Spanish, Portuguese and Chinese language sites of Learning-NET.

**LEARNING-NET SERVICE**

Website	Learning-NET (Korean)	Learning-NET (Global)	Learning-NET (Chinese)
Participants	LGE's Korean employees	LGE's Korean and overseas employees	LGE's employees in China
No. of Participants	112,346	77,119	31,311
No. of Study Courses	191	559	607
Language	Korean	English / Spanish / Portuguese	Chinese

**NEW RECRUIT EDUCATION PROGRAMS**

Year	New Recruit Education	Compulsory Education	Total
2008	1,343	3,328	4,671
2009	1,170	1,476	2,646

Unit : people

\* The number of students decreased in 2009 due to the change in registration qualification to the compulsory education.

## 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.

### BENEFITS AND SUPPORT PROGRAMS (FOR KOREAN EMPLOYEES)

<b>Leisure Activities</b>	<ul style="list-style-type: none"> <li>• Vacation: Employees are encouraged to take an annual vacation</li> <li>• Resort Facilities: Employees have access to 10 resort facilities (including condos and pensions) across Korea</li> <li>• Informal Groups: Hobby and volunteer groups (currently over 30 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:                         <ul style="list-style-type: none"> <li>- 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> </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 caused by a natural disaster</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 700,000 worth of points awarded to employees</li> <li>• Points can be redeemed for personal development, leisure / health, gift &amp; product purchasing</li> </ul>

### BENEFITS (FOR KOREAN EMPLOYEES / 2009)

Unit: KRW billion



— Legally Required Benefits:  
National pension, employment insurance, health insurance, industrial accident compensation insurance

— Other Benefits: Other support programs other than legally required benefits



OUR DATA  
ENVIRONMENTAL  
DATA

E-WASTE TAKE-BACK AND RECYCLING

To proactively cope with the Waste Electrical and Electronic Equipment (WEEE) regulations proliferating worldwide, LGE offers a customized e-waste take-back service meeting local needs and requirements in the countries where the e-waste regulations are effective, and also provides take-back services voluntarily in some countries. Moreover, LGE evaluates the product recyclability in the product design process based on LGE recyclability self-assessment manual. Through these series of activities, the actual results from the take-back & recycling system from most of countries are increasing.

GLOBAL E-WASTE TAKE-BACK AND RECYCLING RESULTS

Unit: Ton

Country	2005	2006	2007	2008	2009
Korea	28,415	30,959	37,016	32,540	38,542
Japan	824	1,257	2,250	3,570	4,247
Europe	-	24,140	38,141	71,090	107,041
North America	-	124	277	935	2,330
<b>Total</b>	<b>29,239</b>	<b>56,480</b>	<b>77,684</b>	<b>108,135</b>	<b>152,160</b>

2009 RECYCLE PROGRAMS IN USA



LG ecoMobilization<sup>SM</sup>

“When the Earth wins, you win.” That’s the underlying premise of LG ecoMobilization<sup>SM</sup>, an innovative mobile phone recycling initiative that makes it both easy and rewarding for consumers to help reduce the hazardous effects of e-waste on the environment. In 2009 through LG ecoMobilization<sup>SM</sup>, LG Mobile USA was able to recycle over 250,000 phones, chargers and other handheld electronic devices.



LG Skycharger™ at CES 2009

LG Skycharger™ was launched for the first time at CES 2009 as a way to bring awareness to LG ecoMobilization<sup>SM</sup> and to showcase the power of renewable energy. The particular design (MK2) is the only model of its type in existence in the world and is capable of charging up to 104 mobile phones per hour. It runs completely on renewable energy which is produced from a wind turbine and solar panels mounted on top of the unit.



Bay Area Rapid Transit (B.A.R.T.) Recycling Program

For a total of 9 weeks in the San Francisco / Oakland, California area LG Mobile deployed a network of secure phone recycling receptacles, out of home advertising and a public relations campaign to help collect consumer’s used mobile phones, chargers and accessories for recycling. The program was the first environmentally friendly integrated marketing camp.



Denver e-cycling Collection Event

LG Electronics & LG Mobile combined forces with Waste Management Inc. and local NBC affiliate 9 News Denver to hold an e-cycling collection over one weekend in Denver, Colorado. The event had over 6,000 cars attend and collected over 320 tons of electronics including, televisions, mobile phones, game consoles and much more were recycled from the event.

## INPUT DATA (ENVIRONMENT)

## ENERGY

Unit: TJ			
	2007	2008	2009
Electricity	5,956.93	5,973.08	5,018.48
Steam	626.50	487.48	401.61
LNG	1,212.78	1,485.75	1,010.09
Coal	1,268.64	1,233.16	1,101.25
Other	828.46	558.55	395.78
<b>Total</b>	<b>9,893.31</b>	<b>9,738.02</b>	<b>7,927.21</b>

\* Scope: (12 Korean worksites + 29 overseas production subsidiaries)

\* Vehicle's combustion within worksites is not included due to energy use in worksites

\* The data correction can be made in the process of the third party assurance in 2010

## WATER USE

Unit: Ton			
	2007	2008	2009
Overseas	5,179,381	5,252,002	4,820,769
Korea	5,431,345	3,574,123	3,024,600
<b>Total</b>	<b>10,610,726</b>	<b>8,826,125</b>	<b>7,845,369</b>

## OZONE DEPLETING CHEMICALS

Unit: Ton				
		2007	2008	2009
CFC	Overseas	2,559,500.0	2,148,586.0	1,559,172.0
	Korea	1.4	2.2	1.6
	<b>Total</b>	<b>2,559,501.4</b>	<b>2,148,588.2</b>	<b>1,559,173.6</b>
HCFC (R-22)	Overseas	5,131,720.0	4,322,691.0	3,150,042.0
	Korea	3,109.0	2,335.0	1,640.0
	<b>Total</b>	<b>5,134,829.0</b>	<b>4,325,026.0</b>	<b>3,151,682.0</b>

## HAZARDOUS CHEMICAL SUBSTANCES

Unit: Ton			
	2007	2008	2009
Overseas	651	550	346
Korea	32,329	19,681	20,398
<b>Total</b>	<b>32,980</b>	<b>20,231</b>	<b>20,744</b>

## MATERIAL (KOREA)

		Unit: Ton
Major Products		Released Amount
Refrigerator (General)		99,005
Refrigerator (Kimchi)		27,433
Washer (General)		23,044
Washer (Drum)		24,590
Air-conditioner (Indoor)		26,379
Air-conditioner (Outdoor)		44,799
Television (CRT)		8,520
Television (LCD, PDP)		28,879
Personal Computer (Monitor)		7,220
Personal Computer (Keyboard)		412
Personal Computer (Desktop)		2,382
Personal Computer (Notebook)		870
Audio (All-in-one)		80
Audio (Separated type body)		
Audio (Speaker)		197
Mobile Handset (Main body)		564
Mobile Handset (Battery)		270
<b>Total</b>		<b>294,644</b>

## OUTPUT DATA (ENVIRONMENT)

## AIR EMISSION

		Unit: Ton		
		2007	2008	2009
NOx	Overseas	139.0	123.0	108.0
	Korea	10.4	7.2	6.5
	<b>Total</b>	<b>149.4</b>	<b>130.2</b>	<b>114.5</b>
SOx	Overseas	89.0	102.0	67.0
	Korea	1.1	1.0	0.1
	<b>Total</b>	<b>90.1</b>	<b>103.0</b>	<b>67.1</b>
Dust	Overseas	70.0	91.0	81.0
	Korea	5.2	4.8	3.5
	<b>Total</b>	<b>75.2</b>	<b>95.8</b>	<b>84.5</b>
VOCs	Overseas	6.0	29.0	43.0
	Korea	0	0	0
	<b>Total</b>	<b>6.0</b>	<b>29.0</b>	<b>43.0</b>

## WASTE

		Unit: Ton		
		2007	2008	2009
Recycle	Overseas	84,249	87,839	103,027
	Korea	42,585	30,428	27,894
	<b>Total</b>	<b>126,834</b>	<b>118,267</b>	<b>130,921</b>
Landfill	Overseas	10,490	9,381	8,975
	Korea	7,545	5,476	1,870
	<b>Total</b>	<b>18,035</b>	<b>14,857</b>	<b>10,845</b>
Incineration	Overseas	574	478	620
	Korea	10,479	9,028	4,739
	<b>Total</b>	<b>11,053</b>	<b>9,506</b>	<b>5,359</b>

\* Incineration includes data for heat recovery

## WASTEWATER DISCHARGE

		Unit: Ton		
		2007	2008	2009
Overseas		1,708,434	1,631,713	1,594,471
Korea		3,979,687	2,646,430	3,154,587
<b>Total</b>		<b>5,688,121</b>	<b>4,278,143</b>	<b>4,749,058</b>

## DISCHARGES INTO WATER

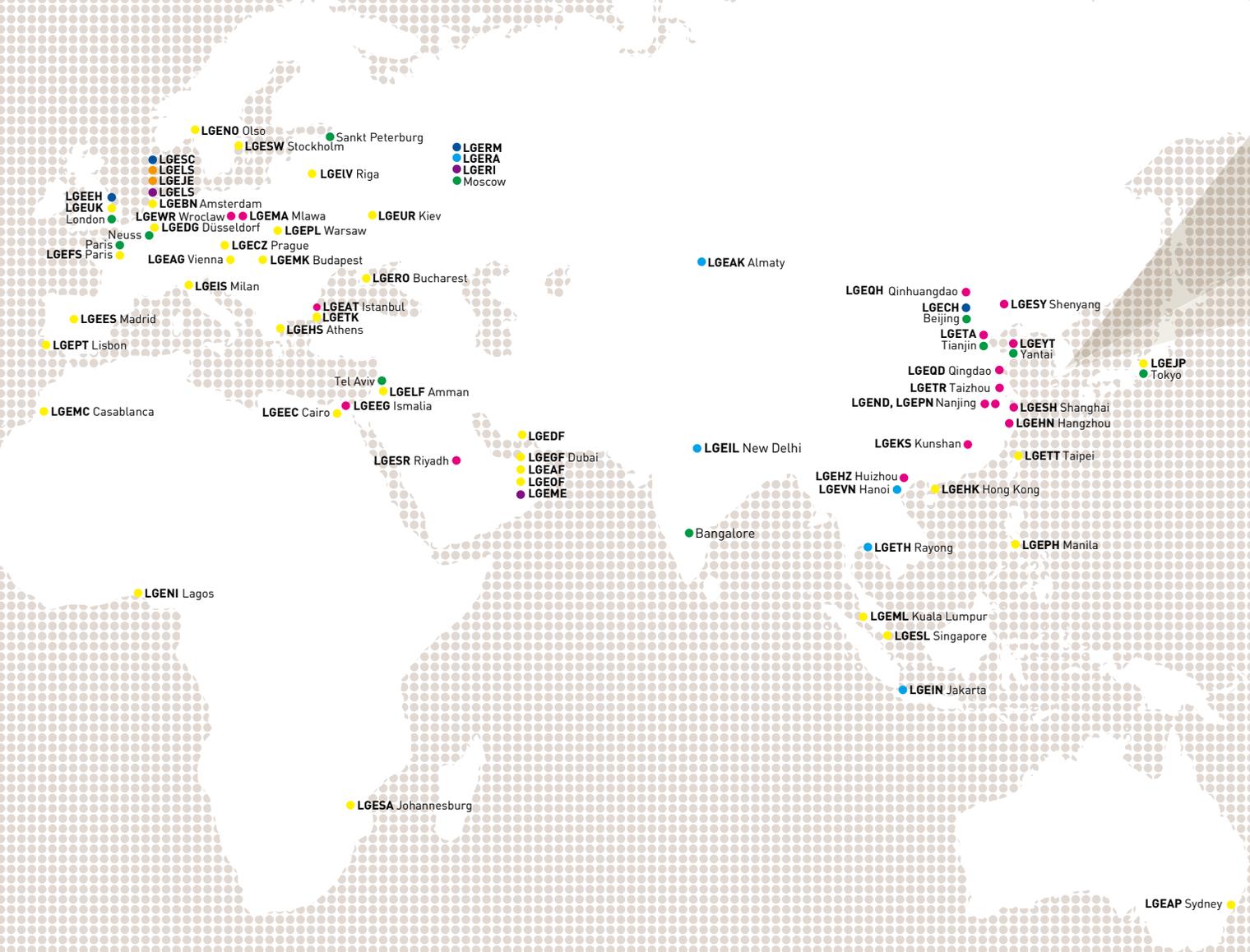
		Unit: Ton		
		2007	2008	2009
T-N	Overseas	78.0	67.0	42.0
	Korea	2.8	34.4	52.2
	<b>Total</b>	<b>80.8</b>	<b>101.4</b>	<b>94.2</b>
SS	Overseas	139.0	151.0	96.0
	Korea	95.3	13.2	19.2
	<b>Total</b>	<b>234.3</b>	<b>164.2</b>	<b>115.2</b>
COD	Overseas	384.0	373.0	372.0
	Korea	53.8	44.2	55.0
	<b>Total</b>	<b>437.8</b>	<b>417.2</b>	<b>427.0</b>

## Safety Data

## SAFETY

		2007	2008	2009
Fatality (Case)	Overseas	-	1	-
	Korea	-	1	-
	<b>Total</b>	-	<b>2</b>	-
No. of Lost Workday	Overseas	2,781	2,446	1,876
	Korea	3,229	10,174	2,710
	<b>Total</b>	<b>6,010</b>	<b>12,620</b>	<b>4,586</b>
Incident Cases (Case)	Overseas	269	410	241
	Korea	9	9	11
	<b>Total</b>	<b>278</b>	<b>419</b>	<b>252</b>

# GLOBAL NETWORK



## COMPANY & REGION

### DOMESTIC COMPANIES

- MC / BS Company (Pyeongtaek, Gyeonggi-do)
- HE Company (Gumi, Gyeongsangbuk-do)
- HA/AC Company (Changwon, Gyeongsangnam-do)

### OVERSEAS REGIONS

- Korea Region (Seoul, Korea)
- North America Region (New Jersey, USA)
- South & Central America Region (Sao Paulo, Brazil)
- Europe Region (London, UK)
- China Region (Beijing, China)
- Asia Region (Singapore)
- Middle East & Africa Region (Dubai, UAE)
- CIS Region (Moscow, Russia)

## PRODUCTION

### DOMESTIC BUSINESS SITES

- Changwon (Gyeongsangnam-do)
- Gumi (Gyeongsangbuk-do)
- Pyeongtaek (Gyeonggi-do)
- Cheongju (Chungcheongbuk-do)

### OVERSEAS PRODUCTION SUBSIDIARIES

- North America (3)
- South America (2)
- Europe (3)
- Middle East & Africa (3)
- Asia (4)
- China (12)
- CIS (2)

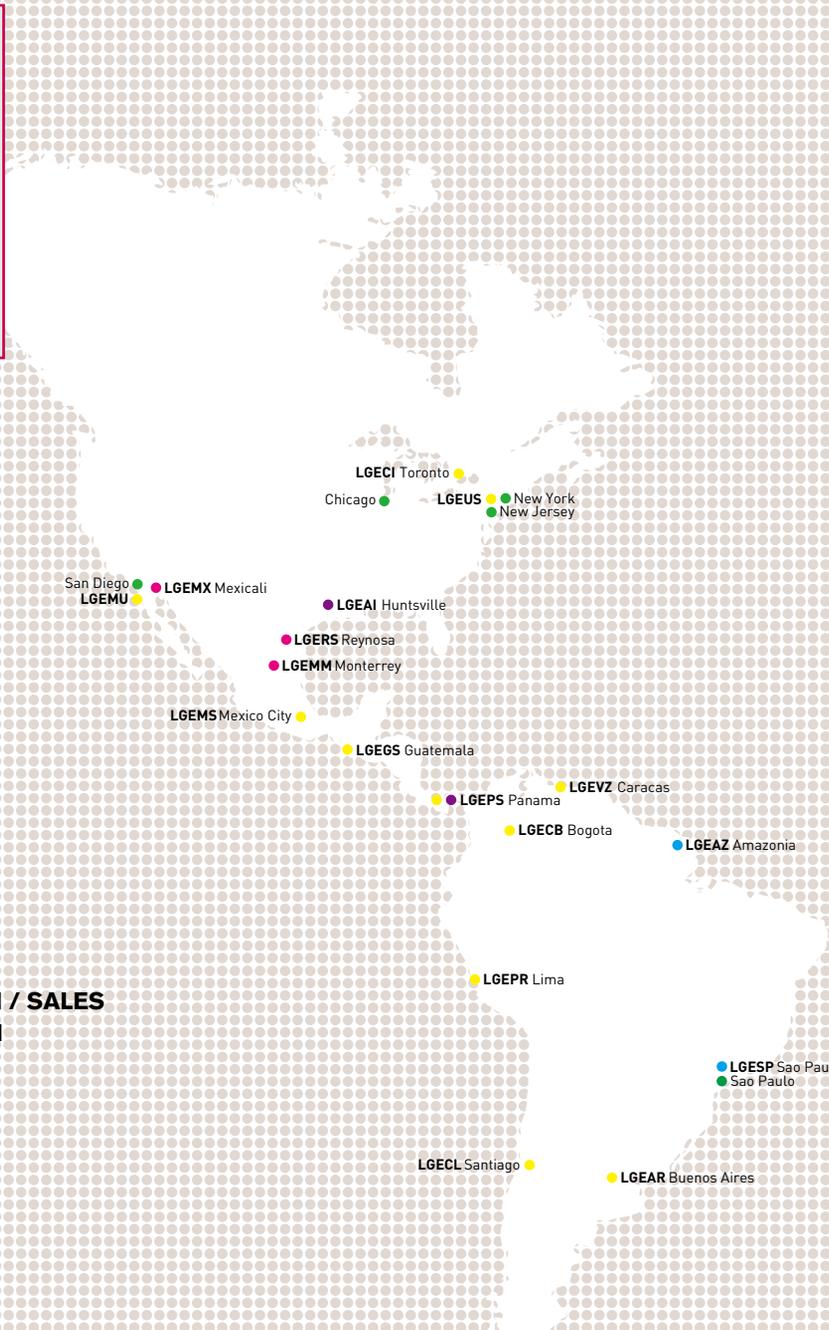
## MARKETING & SALES AND OTHER BUSINESS ACTIVITIES

### OVERSEAS MARKETING & SALES SUBSIDIARIES

- North America (4)
- South America (7)
- Europe (15)
- Middle East & Africa (9)
- Asia (6)
- Oceania / CIS (3)

### OVERSEAS OTHER SUBSIDIARIES

- (Logistics / Service / Marketing / Holding companies)
- North America (2)
  - Europe (4)
  - Middle East & Africa (1)
  - Asia (1)
  - Oceania / CIS (2)



- PRODUCTION / SALES
- PRODUCTION
- SALES
- SERVICE
- LOGISTICS
- R&D DESIGN
- OTHERS

**R&D CENTERS**

**DOMESTIC R&D CENTERS**

LG Electronics Advanced Research Institute (Umyeon-dong, Seoul)  
 HACC Research Laboratory (Changwon, Gyeongsangnam-do)  
 LCD TV Research Laboratory (Pyeongtaek, Gyeonggi-do)  
 HAC Research Laboratory (Gasan-dong, Seoul)  
 Productivity Research Institute (Pyeongtaek, Gyeonggi-do)  
 System IC Center (Umyeon-dong, Seoul)  
 Mobile Communication Research Laboratory (Kasan-dong, Seoul)  
 Multimedia Research Laboratory (Yangjae-dong, Seoul)  
 Display Research Laboratory (Umyeon-dong, Seoul)  
 Corporate Design Center (Yangjae-dong, Seoul)  
 Digital TV Research Laboratory (Seoul University)  
 Mobile Communication Technology Research Lab (Anyang, Gyeonggi-do)  
 Data & Storage Research Laboratory (Yangjae-dong, Seoul)  
 Software Center (Yangjae-dong, Seoul)

Media Research Laboratory (Pyeongtaek, Gyeonggi-do)  
 Business Solution Research Laboratory (Pyeongtaek, Gyeonggi-do)

**OVERSEAS R&D CENTERS**

Tokyo Research Laboratory (Tokyo, Japan)  
 LGEDJ (Tokyo, Japan)  
 LGEDA (New York, U.S.A.)  
 LGTCM (Moscow, Russia)  
 LGSI (Bangalore, India)  
 Triveni Digital (New Jersey, U.S.A.)  
 Russia R&D Laboratory (St. Petersburg, Russia)  
 South & Central America R&D Laboratory (Sao Paulo, Brazil)  
 LGTCE (Neuss, Germany)  
 LGEDC (Beijing, China)

Yantai R&D Center (Yantai, China)  
 China R&D Lab (Beijing, China)  
 LGTCI (Tel Aviv, Israel)  
 Zenith (Chicago, U.S.A.)  
 Tianjin Research and Development Center (Tianjin, China)  
 LGEDE (London, U.K.)  
 Europe R&D Lab (Paris, France)  
 North America R&D Laboratory (San Diego, U.S.A.)

# INDEPENDENT ASSURANCE STATEMENT

## Scope and objectives

LG Electronics commissioned Two Tomorrows (Asia) Limited to undertake independent assurance of the 2009 LG Electronics Sustainability Report.

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 LG Electronics' 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 LG Electronics website.
- GHG data. These data were verified by another 3rd party organization.

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

This is the second year we have provided sustainability assurance for LG Electronics. We had one other contract with LG Electronics in 2007, which was to benchmark their previous 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 Thomas Krick, Prof. HanKyun Rho, InMog Yang and SangMook Park. This assurance statement was prepared by the team in English, and reviewed and signed off by Jason Perks, CEO, Two Tomorrows (Asia) Limited. Further information, including individual competencies relating to the team can be found at: [www.twotomorrow.com](http://www.twotomorrow.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 LG Electronics' process for identifying and assessing material issues.
- A desk-based review of stakeholder perceptions of the company, and a comparison of the issues commonly seen as significant by stakeholders and peers with those identified through LG Electronics materiality process.
- Interviews with 6 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 LG Electronics labour union. The interviewees were chosen by us.
- Review of selected evidence to support issues discussed with managers.
- Review of information provided to us by LG Electronics on its reporting and management processes relating to the Principles, including its approach to stakeholder engagement.
- 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 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 convening to obtain feedback on LG Electronics sustainability 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 LG Electronics' 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 came to our attention to suggest that data have not been properly collated from the operational level.

### Observations

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

Since the publication of the previous sustainability report 2007/2008, LG Electronics has clearly progressed its approach to managing corporate sustainability. Major steps forward include the assignment of responsibilities for sustainability management amongst LG Electronics' major international subsidiaries, first steps towards an evaluation of these subsidiaries sustainability performance, as well as the development of global procurement international subsidiaries, first steps towards an evaluation of these subsidiaries sustainability performance, as well as the development of global procurement guidelines that include specifications of LG Electronics'

expectations of its suppliers' ethical, environmental and social performance. Further development of LG Electronics' sustainability programme will require stronger alignment of what different functions within the business currently understand to be the company's approach to sustainability and corporate responsibility. We also recommend that LG Electronics should consider how to establish a more comprehensive understanding of suppliers' and subsidiaries' actual sustainability performance.

**INCLUSIVITY CONCERNS THE PARTICIPATION OF STAKEHOLDERS IN DEVELOPING AND ACHIEVING AN ACCOUNTABLE AND STRATEGIC RESPONSE TO SUSTAINABILITY.**

- LG Electronics sustainability report reflects the company's strong commitment to inclusivity, and its approach to engaging with a range of stakeholders in Korea aligns with this commitment. However, the degree to which social and environmental issues are discussed as part of engagements with stakeholders can in some cases be strengthened. For example in relation to LG Electronics' engagement with the Korean Government, engagement with mainstream investors, as well as engagement with the end-users of its products.
- The company can demonstrate a track record of inclusivity with its Korean suppliers. We recommend that LG Electronics seeks to transfer the experience from this dialogue in its efforts to drive sustainability into international subsidiaries and suppliers' operations.
- LG Electronics is planning to increase the engagement of employees and middle management in the delivery of the sustainability agenda. This area of effort will be crucial to achieving the planned improvements to future management and performance.
- We recommend that LG Electronics further develop arrangements for involving relevant stakeholders in the company's process for evaluating commercial opportunities that may lie in addressing social and environmental issues.

**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 LG Electronics has not recognised within its report.
- LG Electronics' overall process for identifying material issues on the global level as well as in Korea is comprehensive in scope. The process evaluates the significance of issues against suitable criteria and draws information from a broad variety of external and internal sources, including stakeholder engagements and research conducted by the Corporate Social Responsibility Group.
- The quality of internal communication on material issues amongst staff and middle-management will benefit from a more coherent definition of the concepts of CSR and sustainability. Integration of the materiality determination process with the enterprise risk management system has evolved over the last year. In addition the materiality process is now more sensitive to significant social and environmental risks within LG Electronics' supply chain. However these management arrangements remain priorities for further development. To support these developments, we recommend that further integration of internal CSR and environmental management teams be considered.

## **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 LG Electronics' Korean operations responsiveness to stakeholder issues.
- We recommend that LG Electronics increase efforts to assess and promote the quality of ESH management amongst suppliers. Factoring EHS performance into procurement decisions is also a prerequisite to adhering to the Electronic Industry Citizenship Coalition's code of conduct, which we understand the company intends to join.
- The Union Social Responsibility programme is a unique initiative in Korea, and should be considered as best-practice amongst its Korean peer companies. We recommend expanding the scope of this initiative to also cover overseas operations' labour unions, as well as national and global trade unions and other external labour organisations.

## **PERFORMANCE INFORMATION**

- Nothing came to our attention to suggest that the consolidated data presented within the report and associated claims are not fairly stated. Across different geographical regions, we found evidence that LG Electronics' approach to data management remains fragmented and reliant on ad-hoc systems that differ amongst different parts of the company. It can be expected that this will result in different levels of data quality between divisions and business sites.
- To improve the ability of stakeholders to make informed decisions about LG Electronics diverse business divisions, we recommend separate reporting on key indicators for individual business divisions and main operating regions.
- LG Electronics' report provides extensive qualitative descriptions of management procedures and progress. There is, however, a lack of quantified performance information to assess the outcomes of the application of these procedures and processes. Addressing this imbalance should be a priority for future performance management and reporting efforts.
- Setting targets and reporting progress towards achieving targets should also be seen as a key priority for the further development of LG Electronics performance management.

**TWO TOMORROWS (ASIA) LIMITED**  
**SEOUL KOREA**  
**27<sup>th</sup> MAY 10**



**Jason Perks**  
Director



**MinGu Jun**  
Project Leader



**Thomas Krick**  
Senior Consultant



**InMog Yang**  
Senior Associate

## MEMBERSHIPS / AWARDS AND RECOGNITION

MEMBERSHIPS		
Council of Economic Organizations	The National Academy of Engineering of Korea	Korean Institute of Information Scientists and Engineers
Organization of Consumer Affairs Professionals in Business	The Korean Federation of Science and Technology Societies Korea Management Association	The Korean Information Display Society Telecommunication Technology Association
Korea Industrial Safety Association	Korea Display Industry Association	Korea Information and Communications Society
Korean Medical Association	Korea Digital Cable Laboratories	Korea Chemicals Management Association
The Republic of Korea National Red Cross	Korea Digital Cable Forum	Korea-U.S. Economic Council, Inc.
The Institute of Electronics Engineers of Korea	Korea Association of Robot Industry	The Korean-American Association
The Korean Institute of Electrical Engineers	Korea Wireless Internet Standardization Forum	International Contractors Association of Korea
Mae Kyung Safety and Environment Institute	The Korea International Trade Association	Korean Association of Environmentally Friendly Enterprises
Korea Industrial Technology Association _CTO Club	The Korean BioChip Society	Institute of Electrical and Electronics Engineers
The Institute for Industrial Policy Studies _Ethics Management Forum	Korea Invention Promotion Association The Korean Society of Broadcast Engineers	Korea Investor Relations Service
Center for Asian Law	Korea Industrial Complex Corp.	Japan Article Management Promotionconsortium
Korea Embedded Software Industry Council	Korea Association of Industrial Designers	Licensing Executive Society Korea
The Foundation of Korean Industries	The Korean Institute for Industrial Safety	Quality Brand Protection Committee
The Korean Institute of Power Electronics	Korea Association Service	Trade Related IPR Protection Association
Korea Radio Promotion Association	Korea Forum for Progress	TPEG Forum Korea
CIO Forum of the Federation of Korean Information Industries	Korea Fire Safety Association Korea Software Industry Association	UPnP (Universal Plug and Play) Forum US ATSC Forum
Institute of Control, Robotics and Systems	Korea Engineering and Consulting Association	WFK – German Research institute for cleaning technology
Korea Business Council for Sustainable Development	GS1 Korea	WiMAX Forum
Unification IT Forum	Korea Electrical Contractors Association	WirelessHD Consortium
Korea Audit Bureau of Circulations	Korea Electronic Safety Association	UN Global Compact
Korea Employers Federation	Korea Electric Engineers Association	UN Global Compact Korea Network
Korea Economic Research Institute	Korea Electronics Association	

### AWARDS AND RECOGNITION

Date	Award	Awarder
Dec. 2009	Valuable Company Award of the Year in China	China Annual Management Assembly
Nov. 2009	Presidential Award for Korea IT Innovation	Korea's Ministry of Knowledge Economy
Nov. 2009	Most Promising Award at the 2009 Innovation Design Ceremony China	State Intellectual Property Office of P.R. China, China National Science and Technology , and People's Government of Jiangsu Province, China
Oct. 2009	DJSI Korea (Sector leader in the leisure goods industry)	Dow Jones Indexes / SAM / Korea Productivity Center
Oct. 2009	Top domestic company for response to climate change	The Korean Committee of Carbon Disclosure Project (CDP)
Oct. 2009	LG air-conditioners were selected as the Best But Product in Australia	Australia Consumer Association
Sept. 2009	Customer Innovation Award at the 2009 Innovation Management Awards	BearingPoint (Consulting Firm), L'Expansion (Economic Journal of France), Ecole des Ponts Paris Tech, and TNS Sofre (market research firm)
Sept. 2009	Woodrow Wilson Award for Corporate Citizenship	Woodrow Wilson International Center, USA
Aug. 2009	Korean Sustainability Index (Leader in Electronics Sector)	Korean Standards Association
Aug. 2009	4 awards at the European Imaging and Sound Association Awards	European Imaging and Sound Association
May. 2009	Selected as the best 3G mobile handset maker in China	CCID, an IT research firm in China
Apr. 2009	Selected as a digital TV partner with China's CCTV	CCTV in China
Apr. 2009	LG Call Center in China was selected as the best service provider	QQ.COM, a portal site in China
Mar. 2009	Selected as the best mobile handset maker in 2009 at the Mobile News Awards	Mobile News, an IT journal of England
Jan. 2009	Presidential Award for the Best Design in Indonesia	Government of Indonesia
Jan. 2009	14 awards at the CES 2009 Innovation Awards	Consumer Electronics Association (CEA) and Industrial Designers Society of America (IDSA), USA

# GRI INDEX

GRI G3	DISCLOSURE ITEMS	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	Dialogue with CEO 4-5
	1.2	Description of key impacts, risks, and opportunities	Dialogue with CEO, Top management messages, Opportunities and risks for climate change, CSR management 4-7, 35, 61-62
Organizational Profile	2.1	Name of the organization	Corporate overview 16
	2.2	Primary brands, products, and/or services	Corporate overview 16
	2.3	Operational structure of the organization	Corporate overview 16-17
	2.4	Location of organization's headquarters	Corporate overview 16
	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	Stakeholder engagement, Global operation, Global network 8, 18, 76-77
	2.6	Nature of ownership and legal form	Corporate governance 60
	2.7	Markets served	Corporate overview and economic performances 16-19
	2.8	Scale of the reporting organization	Corporate overview, Financial statement, No. of employees 16-19, 68-69, 70
	2.9	Significant changes during the reporting period regarding size, structure, or ownership	(No significant changes) -
	2.10	Awards received in the reporting period	Awards & recognition 82
Report Parameters	3.1	Reporting period	Report overview 2
	3.2	Date of previous report	July, 2009 Back cover
	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, Stakeholders' feedback and materiality analysis 2, 9-11
	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, Domestic subsidiary 2, 17
	3.9	Data measurement techniques and the bases of calculations	Report overview, Stakeholder engagement, Stakeholders' feedback and materiality analysis 2, 8-11
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	(None re-statement) -
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods	(No significant changes) -
	3.12	Table identifying the location of the Standard Disclosures in the report	GRI index 83-86
	3.13	Policy and current practice with regard to seeking external assurance for the report	Report overview, Independent assurance statement 2, 78-81
Governance, Commitments, and Engagement	4.1	Governance structure of the organization	Corporate governance 60
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Corporate governance 60
	4.3	The number of members of the highest governance body that are independent and/or non-executive members	Corporate governance 60
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Corporate governance 60, 28 (2008 report)
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	Corporate governance 60
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Corporate governance 60
	4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	Corporate governance 60
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance	CSR management, Our philosophy, UN Global Compact 61-62, 15
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	CSR management 61-62
	4.10	Processes for evaluating the highest governance body's own performance	Corporate governance 60
	4.11	Explanation of whether and how the precautionary approach or principle is addressed	Greener product strategy, Low carbon green strategy, EESH policy 31, 35-36, 38
	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Membership 82
	4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	Membership 82
	4.14	List of stakeholder groups engaged by the organization	Stakeholder engagement 8
	4.15	Basis for identification and selection of stakeholders with whom to engage	Stakeholder engagement 8
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholder engagement, Stakeholders' feedback and materiality analysis 8-11
	4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded	Stakeholders' feedback and materiality analysis, Stakeholder consultation on CSR 9-14

● Fully Reported ● Partially Reported ○ Not Reported N/A Not Applicable

GRI G3	DISCLOSURE ITEMS	APPLICATION LEVEL	RELATED CONTENTS	PAGE
<b>ECONOMIC Disclosure on Management Approach</b>				18, 19, 30
Economic	EC1 Direct economic value generated and distributed	●	Economic performances	18-19
Performance	EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change	●	Opportunities and risks for climate change	35
	EC3 Coverage of the organization's defined benefit plan obligations	●	Retirement pension system	72
	EC4 Significant financial assistance received from government	●	Investment-related income tax saving	19
	EC5 Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	●	Percentage of standard entry level wages compared to the national minimum wage	70
	Market Presence	EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	●	Stakeholder engagement, Procurement resources and results
EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation		●	Human resources recruitment and development, No. of employees	57, 70
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	19, 49-53
EC9 Understanding and describing significant indirect economic impacts		●	Stakeholder engagement, Flow of economic value, No. of employees	8, 19, 70
<b>ENVIRONMENTAL Disclosure on Management Approach</b>				42
Materials	EN1 Materials used by weight or volume	●	Input data (Material)	74
	EN2 Percentage of materials used that are recycled input materials	●	The usage of recycled plastic	32
Energy	EN3 Direct energy consumption by primary energy source	●	Input data (Energy)	74
	EN4 Indirect energy consumption by primary source	●	GHG emissions	36
	EN5 Energy saved due to conservation and efficiency improvements	●	GHG reduction results	36
	EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	●	Greener products, Low carbon green management	31-37
	EN7 Initiatives to reduce indirect energy consumption and reductions achieved	●	Low carbon green management	35-37
	Water	EN8 Total water withdrawal by source	●	Input data (Water)
EN9 Water sources significantly affected by withdrawal of water		○	-	-
EN10 Percentage and total volume of water recycled and reused		○	-	-
Bio Diversity		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)
EN17 Other relevant indirect greenhouse gas emissions by weight		●	GHG emissions (Global)	36
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved		●	Low carbon green management	35-37
EN19 Emissions of ozone-depleting substances by weight		●	Input data (Ozone depleting chemicals)	74
EN20 NO, SO, and other significant air emissions by type and weight		●	Output data (Air Emissions)	75
EN21 Total water discharge by quality and destination		●	Output data (Wastewater)	75
EN22 Total weight of waste by type and disposal method		●	Output data (Waste)	75
EN23 Total number and volume of significant spills		○	None of significant spills occurred in 2009	-
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		○	-	-
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		○	-	-
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	31-37, 73
Services	EN27 Percentage of products sold and their packaging materials that are reclaimed by category	●	Packaging materials improvement cases, E-waste take back	32, 73
Compliance	EN28 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	○	No violations in 2009	-
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	●	GHG emissions	36
Overall	EN30 Total environmental protection expenditures and investments by type	○	-	-

● Fully Reported ● Partially Reported ○ Not Reported N/A Not Applicable

GRI G3		DISCLOSURE ITEMS	APPLICATION LEVEL	RELATED CONTENTS	PAGE
<b>LABOR PRACTICES AND DECENT WORK</b> Disclosure on Management Approach					66
Employment	LA1	Total workforce by employment type, employment contract, and region	●	No. of employees	70
	LA2	Total number and rate of employee turnover by age group, gender, and region	●	Percentage of retired employees	70
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	●	Benefits and support program	72
Labor/ Management Relations	LA4	Percentage of employees covered by collective bargaining agreements	●	Percentage of labor union members	67
	LA5	Minimum notice period(s) regarding operational changes	●	Labor-management communication (One month)	67
Occupational Health and Safety	LA6	Percentage of total workforce represented in formal joint management worker health and safety committees	●	Applied to all employees	39
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	●	Safety data	75
	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)	39, 41
Training and Education	LA9	Health and safety topics covered in formal agreements with trade unions	●	EESH management (safety, health)	39, 41
	LA10	Average hours of training per year per employee by employee category	●	Average training hours	57
	LA11	Programs for skills management and lifelong learning and assist them in managing career endings	●	Education programs, E-learning	57, 71
Diversity and Equal Opportunity	LA12	Percentage of employees receiving regular performance and career development reviews	●	Fair evaluation (applied to all employees)	58
	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	60, 70
	LA14	Ratio of basic salary of men to women by employee category	●	Social data (No differences)	70
<b>HUMAN RIGHTS</b> Disclosure on Management Approach					66
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	○	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	●	LGE will initiate supplier's CSR audit including human rights in 2011.	43,46
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights	●	14,700 employees were trained - (17.9% of total employees)	64
Non- Discrimination	HR4	Total number of incidents of discrimination and actions taken	●	Respecting human dignity, UNGC index	67, 86
Freedom of Association and Collective Bargaining	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	●	Labor management, UNGC index	67, 86
Child Labor	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	●	Join UN Global Compact, Publication of procurement policy, Respecting human dignity, UNGC index	21, 43, 67, 86
Forced and Compulsory Labor	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	●	Join UN Global Compact, Publication of procurement policy, Respecting human dignity, UNGC index	21, 43, 67, 86
Security Practices	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights	○	-	-
Indigenous Rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	○	-	-
<b>SOCIETY</b> Disclosure on Management Approach					54, 60
Community	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities	●	Stakeholder engagement, Social contribution	8, 49-53
Corruption	SO2	Percentage and total number of business units analyzed for risks related to corruption	○	System is not prepared to calculate the percentage and total number of business units for corruption risks	-
	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	●	14,700 employees were trained - (17.9% of total employees)	64
	SO4	Actions taken in response to incidents of corruption	●	Anti-corruption	64
PublicPolicy	SO5	Public policy positions and participation in public policy development and lobbying	●	Stakeholder engagement, Cooperation with low carbon policy	8, 37
	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	●	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	2009 Financial statements
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	●	See SO7 indicator	2009 Financial statements

● Fully Reported ● Partially Reported ○ Not Reported N/A Not Applicable

GRI G3	DISCLOSURE ITEMS	APPLICATION LEVEL	RELATED CONTENTS	PAGE
<b>PRODUCT RESPONSIBILITY</b> Disclosure on Management Approach				
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	● Greener product, Product safety	23-26, 28, 31 31-34, 26-27
	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	● Product safety	26-27
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	● Low Carbon product development (See environmental report for details)	37 Environmental report
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling	○ -	-
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	● Communication with customer, Consumer satisfaction	23-25, 28-29
Marketing Communication	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications	● Communication with customer, Compliance risk management	23-25, 63
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	○ -	-
Customer Privacy	PR8	Total number of substantiated complaints regarding breaches of Measures customer privacy and losses of customer data	● Privacy protection	66
Compliance	PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	● See SO7 indicator	2009 Financial statements

## UNGC Index

THE TEN PRINCIPLES	OUR ACTIVITIES	RELATED CONTENTS	PAGE
<b>HUMAN RIGHTS</b>			
<b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights; and	Based on our philosophy 'Respecting human dignity', LGE recognizes the right of all employees and stakeholder to pursue happiness, to work with dignity and to have their value as human beings respected. Publication of 'Global Procurement Policy' and preparation of 'Global labor policy' is executed for the protection of human rights in our value chain. LGE is also participating 'Company and human rights forum', hosted by 'Korea human rights foundation', as a formal member.	Our philosophy	15
<b>Principle 2:</b> make sure that they are not complicit in human rights abuses.		CSR management	61-62
		Labor management	67
		Responsible business partner	42-47
<b>LABOUR STANDARDS</b>			
<b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	LGE guarantees employees' fundamental labor rights such as freedom of association and collective bargaining. Also, LGE continues its proud tradition of 20 consecutive years of dispute-free collective bargaining with its union. Publication of 'Global Procurement Policy' and preparation of 'Global labor policy' is executed for the protection of labor rights in our value chain.  To manage systematically, LGE is adopting E-TASC, an internationally-recognized CSR online assessment tool that can be extended to eventually include our business partners.	CSR management	61-62
<b>Principle 4:</b> the elimination of all forms of forced and compulsory labour;		Labor management	67
<b>Principle 5:</b> the effective abolition of child labour; and		Responsible business partner	42-47
<b>Principle 6:</b> the elimination of discrimination in respect of employment and occupation.			
<b>ENVIRONMENT</b>			
<b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges;	LGE has embraced its responsibility as a global corporation and is proud to be doing its part by leading voluntary greenhouse gas (GHG) emission reduction programs and developing greener products, while also performing Energy, Environment, Safety & Health (EESH) management activities that focus on precautionary measures to protect the environment.	Environment	30-41
<b>Principle 8:</b> undertake initiatives to promote greater environmental responsibility; and			
<b>Principle 9:</b> encourage the development and diffusion of environmentally friendly technologies.			
<b>ANTI-CORRUPTION</b>			
<b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.	LGE's "Jeong-Do Management" is the basis for all actions taken by the corporate's employees as they compete fairly in the world's free markets to create value for LGE and its stakeholders. We established the Code of Ethics and supplementary guidelines to make clear to everyone in the company our high expectations for personal conduct and professional judgment. We apply the same standards to all suppliers and business partners who do business with LGE.	Anti-corruption	64

**LG ELECTRONICS'  
SUSTAINABILITY REPORTS**

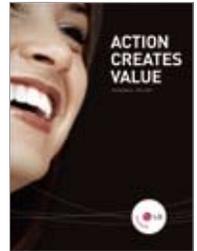
2005

**2005 SUSTAINABILITY REPORT**  
PUBLISHED IN OCT. 2006



2006

**2006-2007 SUSTAINABILITY REPORT**  
PUBLISHED IN OCT. 2008



2008

**2008 SUSTAINABILITY REPORT**  
PUBLISHED IN JULY 2009



2009

**2009 SUSTAINABILITY REPORT**  
PUBLISHED IN JUNE 2010





This report was printed with soy-based ink on eco-friendly paper.