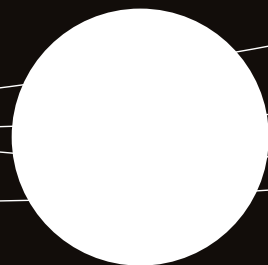


A close-up, high-angle shot of a woman's face, showing her nose, mouth, and teeth as she smiles broadly. The image is cropped on the left and top edges.

ACTION CREATES VALUE

Sustainability Report 2006·2007



Sustainability Report 2006 · 2007

Promise Defines Direction

ACTION CREATES VALUE

Promise defines direction.

Action is the step towards that direction.

Each step creates value and a better world.

LG Electronics' steps are making the world a better place.



Contents

03	REPORT OVERVIEW
	KEEPING PROMISE
	CREATING VALUE
	GREENING THE PLANET
16	CEO MESSAGE
18	INTRODUCTION
	– Opportunity & Challenge
	– Overview of LG Electronics
	– Global Network
	– Core Business
	– Corporate Governance
	– Management by Principle (Jeong-do Management)
	– Corporate Sustainability Management System
	– Risk Management
	– Stakeholder Engagement
	– 2006~2007 Corporate Sustainability Management Highlights

ISSUES MATERIAL TO SUSTAINABLE FUTURE		ACTIVITIES IMPORTANT ENOUGH TO SHARE	
33	CUSTOMER VALUE	63	ECONOMIC PERFORMANCE
	– Principle & Program		– Operating Results
	– Customer Insight Management		– Operating Strategy
	– Customer Communication		– Enhancing Shareholder Value
	– Product Safety		– Distribution by Stakeholder
	– Customer Service Activities		– Value Creation
	– Customer Privacy		
41	EMPLOYEE VALUE	71	ENVIRONMENTAL PERFORMANCE
	– HR Management Strategy & Future Plans		– Key Environmental Achievements
	– Recruiting, Evaluation & Reward		– Responding to Environmental Regulations
	– Leadership and Learning		– Management of Hazardous Substances
	– Benefits and Welfare		– Waste Management
	– Working Environment		– Collection and Recycling of Waste Home Appliance
	– Labor-Management Culture		– Environmental Protection Activities
	– Employee Human Rights		– Communication
	– Communication		– Support for Overseas Business Sites
49	ENERGY AND CLIMATE CHANGE	80	SOCIAL PERFORMANCE
	– Awareness and Countermeasures		– Social Contribution Program
	– GHG Emissions Reduction Program & Achievements		– Win-Win Management
53	DEVELOPMENT OF GREEN PRODUCTS		– Support System for Business Partners
	– Green Product Development Strategy		– Support for Business Partners
	– Green Procurement		– Support Plan for Business Partners
	– Eco-Design		– Fair Trade
	– Eco-Labeling		

91	HISTORY
92	ASSURANCE REPORT
94	GRI INDEX

REPORT OVERVIEW

REPORT PROFILE

This is LG Electronics' second Sustainability Report. We have been disclosing information focusing on our environmental performance since 2002 through our Environmental Report. We published our first Sustainability Report in 2006 which contained detailed information on our overall corporate activities.

This report conveys information related to sustainability management at LG Electronics over the past two years. We look forward to receiving valuable stakeholder feedback through this report. The views of our stakeholders will be incorporated in our management activities and serve as guidance in realizing our vision of becoming one of the world's top 3 electronics/telecommunications companies.

REPORTING SCOPE

The scope of this Sustainability Report is the domestic operations of our headquarters and seven business sites over the period from January 1, 2006, to December 31, 2007. The activities of our subsidiaries and invested companies are not included. However, information on activities and performance from beyond the stated time frame was included when deemed important, in addition to major activities of the overseas operations of LG Electronics. We plan to gradually expand the scope of reporting to include our entire global operations.

REPORTING PROCESS

The publication of this report was overseen by the Corporate Sustainability Management Office which faithfully carried out its duties regarding the preparation of this report including deciding on the report structure and contents as well as obtaining verification of the report contents.

In general, the data herein was provided by the pertinent departments. Aside from exceptional circumstances, data was not produced separately for the purpose of this report.

The activities detailed in this report are based on the Global Reporting Initiative's (GRI) G3 Guidelines and reflect the views of stakeholders. A materiality assessment was conducted to derive the issues of significance to LG Electronics and stakeholders, and the derived issues were duly incorporated in this report.

EXTERNAL ASSURANCE

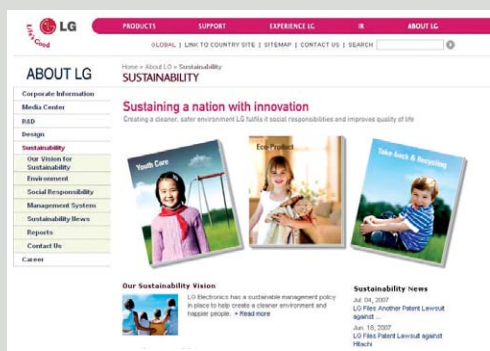
This report has been audited by an completeness agency for its accuracy, completeness and reliability. Please refer to pages 92-93 for the assurance statement.

ADDITIONAL INFORMATION

For more information, please refer to other LG Electronics publications including our Annual Report, brochure, webzine and the Sustainability section on the company website (refer to URL below).

<http://www.lge.com/about/sustainability/main/main.jhtml>

<http://www.lge.co.kr/cokr/about/sustainability>



We recognize this report and sustainability website as a useful and valuable channel of communication with our stakeholders. Going forward, our Sustainability Report will serve as a window for transferring and receiving information with our shareholders, customers, business partners, the government and non-governmental organizations (NGOs), in addition to our LG Electronics family members working around the world.



KEEPING PROMISE

There are many kinds of promises.

Promises made lightly, enduring vows.

Promises made to one person, and those made to the world.

To LG Electronics, there is only one kind of promise.

That is, all promises are precious.

LG Electronics has made many promises,

and we are proud

to have kept those promises.





*It becomes harder to breathe
as you climb higher.
Your body feels like lead and you want to give up.
But you still go on, one step at a time
toward the peak.*

“SMILE” SHARE THE PEAK.

You've reached the top.
The obstacles you've overcome make it all the more rewarding.
Share this moment with friends who cheered you on along the way.



VIEWTY PHONE (LG-KU990)

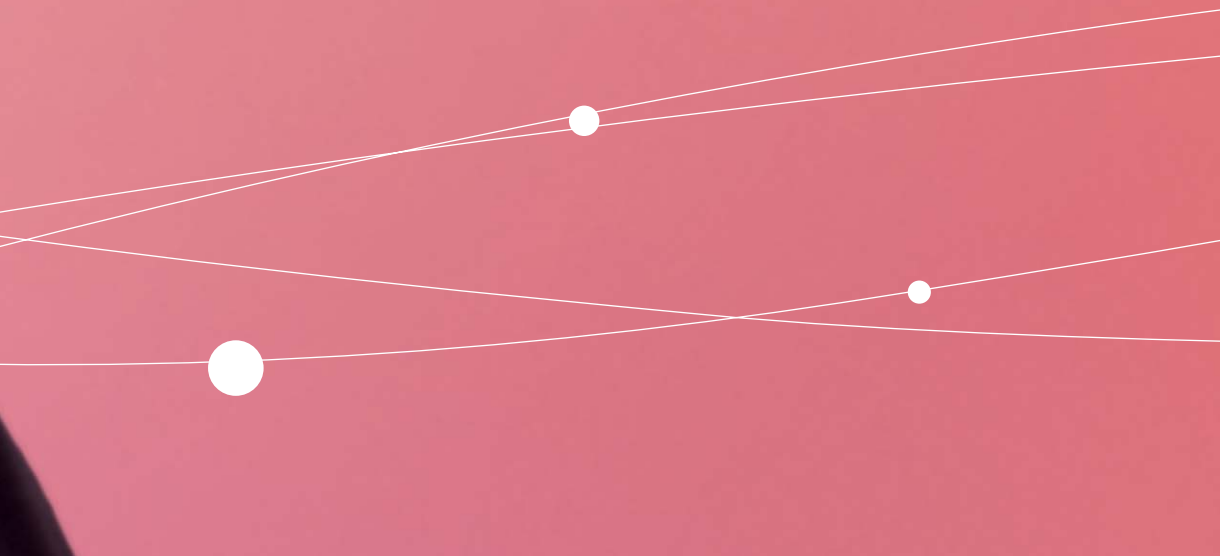
- Equipped with a 5.0 megapixel digital camera
- Leading the market for handsets with high-end functions



CREATING VALUE

We have relentlessly moved forward over the past five decades.
Sometimes we raced ahead at amazing speed,
sometimes we retreated.

Each step has built LG Electronics into what it is today.
Our achievements have gone beyond our imagination.
But what makes us prouder
is the enhanced value we helped to create.



*All eyes focus on your fingertips
as the score comes to life with every turn of the page.
Your wish is to stage an unforgettable performance.*



“SMILE” ADD EMOTION.

The performance is over.
You no longer hear the sweet sound of music,
but you hear something even more beautiful.
The applause and cheers from the audience.
It's a moment of sheer pride.



XNOTE PC (LG-P100)

- Convertible notebook PC with touch screen and swivel LCD
- Wide screen supports powerful 3D graphics



GREENING THE PLANET

The earth is the source of all life.

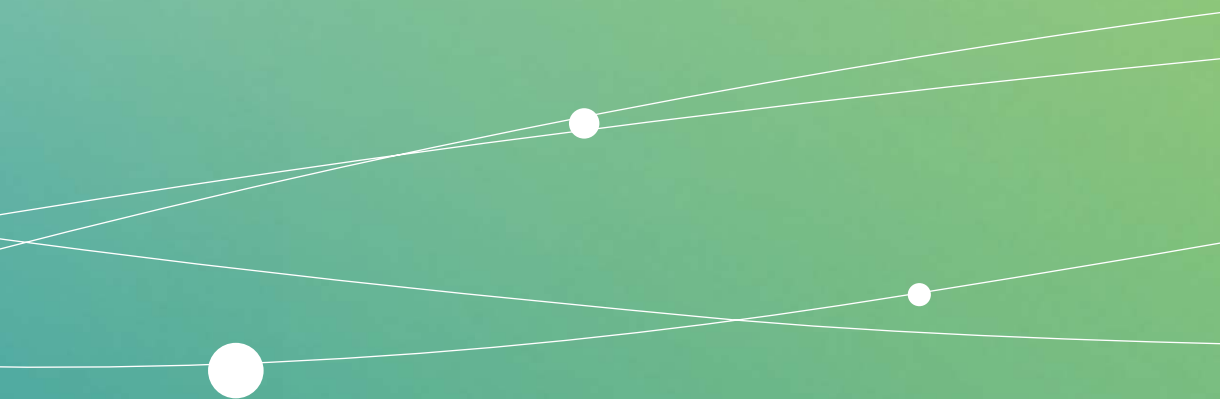
It is a precious legacy

that must be handed down to future generations.

At LG Electronics, we think of the environment in everything we do.

We cannot make a better tomorrow

if our planet loses its vitality.



*Sowing seeds and planting trees.
Watch new life sprout forth
with every drop of your sweat.*



“SMILE” CHERISH LIFE.

New life springs up.
Trees grow taller.
Birds sing once again.
These are the gifts of a green planet.



SCARLET LCD TV (LG60XD)

- Slim and stylish TV
- Automatic picture quality setting based on images on screen (eyeQ Green)
- CES Innovations 2008 Award

CEO Message

We will conduct our business in a transparent and responsible manner with the goal of stakeholder value creation.



To our respected stakeholders

LG Electronics is celebrating its 50th anniversary this year. Our growth over the past 50 years has been grounded on our philosophy of 'creating value for customers' and 'respect-based management.' Our underlying beliefs and strong commitment to our communities are manifested in our efforts to make people's lives happier and more convenient.

Guided by our principles of 'creating value for stakeholders' and 'respecting creativity and autonomy,' we are working toward sustained growth and building LG Electronics into a truly great company respected by all.

We will conduct our business in a transparent and responsible manner with the goal of stakeholder value creation. Moving beyond passive adherence to demands placed on us by society, we will take active steps to increase value for our stakeholders.

We will reject all activities that do not create value and pursue innovation to ensure that we carry out our business in the best possible way and realize a truly global organization that is passionately devoted to value creation.

In addition, we intend to play a more prominent role in delivering environmentally sustainable solutions to protect our planet. The environmental issues like global warming have surfaced as a vital component of doing business to such an extent that those who ignore it are likely to be overlooked by society.

LG Electronics recognized the importance of the environment early on and has been committed to reducing our environmental impact through the development of clean production and green products. We are trying to get to the root of the various environmental problems facing the world today and seeking a companywide approach to addressing them.

We are also continuing with efforts to fulfill our social responsibility. We reaffirmed our commitment with the unveiling of our 'Charter of Corporate Social Responsibility' in 2005. Our employees are taking the initiative in expanding the spirit of sharing and we are constantly seeking ways to make a difference in our communities.

Thorough preparations are being made in terms of the organizational structure to promote corporate sustainability management (CSM). Led by the Corporate Sustainability Management Office which was launched in 2006, we are drawing up strategies to obtain global leadership in CSM, implementing action plans, fostering communication with stakeholders, and practicing integrated management of non-financial risks and performance.

LG Electronics vows to do its best to create value for customers, shareholders and employees in order to reinforce its competitive edge and grow into a world-class corporation respected by stakeholders.

We look forward to your continued encouragement and guidance.

Thank you.



Vice Chairman and CEO **Yong Nam**



INTRODUCTION

Opportunity & Challenge

CUSTOMER VALUE

Based on our basic conviction that ‘the customer is the reason and purpose for service,’ we strive to enhance value for customers. We firmly believe that customer value should take priority in all corporate activities and that companies which fail to do so will find it difficult to survive. With that in mind, all systems and policies at LG Electronics are decided from the customers’ standpoint. At LG Electronics, customer service is not merely the responsibility of the relevant department but recognized as an objective of the entire company. We have adopted companywide systems and processes for customers’ benefit including measures for protection of personal information, grievance handling, prompt after-service and customer communication. We are making multifaceted efforts to develop innovative products to enhance quality of life and to ensure safe and convenient usage of our products.

EMPLOYEE VALUE

LG Electronics is working to secure world-class competencies to join the global top 3. Under our definition of level 5 capability, which refers to the levels of global corporations such as GE and Toyota, various forms of support are available to every member of the organization. We believe we will become a truly global enterprise by creating a setting in which competent and motivated people can perform to their fullest and derive satisfaction from their performance. Building a ‘people company’ where talented people are given the opportunity for self-development is vital to attaining our vision. At LG Electronics, individual employees are working to enhance their market value by carrying out their work in the best possible way with a view to becoming the world’s best. Their efforts are supported by the company’s extensive training program which gives individuals the chance to develop their abilities and gain global experience.

ENERGY & CLIMATE CHANGE

Voluntary initiatives to reduce greenhouse gases and address climate change are helping to shape LG Electronics into a green company. As a company with 36 production facilities around the world, we are guided by an environmentally-friendly vision and strategies befitting a global enterprise. We set up a greenhouse gas inventory starting with our plant in Cheongju to monitor our emission levels. Moreover, we are enhancing production processes and developing technologies to curb greenhouse gas emissions. Life cycle assessments are undertaken to assess emissions throughout a product’s life cycle. After broadly classifying emissions into the production and usage stages, we found that more than 80% is attributed to product usage. We recognize that raising energy efficiency of electronic products could be the most effective way to provide economic benefits to consumers while curbing global warming. Regions such as the EU are tightening regulations on energy efficiency and standby power. Keeping in step with such regulatory trends, LG Electronics is continuing with R&D to acquire the highest grades of energy efficiency for its products.

DEVELOPMENT OF GREEN PRODUCTS

Regulations on hazardous substances (RoHS, REACH), recycling (WEEE), energy efficiency and eco-design (EuP, climate pact) have generated greater demand for green products. Environmental factors are a key determinant of a product’s competitiveness due to heightening environmental awareness among consumers. LG Electronics realizes that meeting these demands is an important part of corporate social responsibility and is leading the way in responding to the changing social trends.

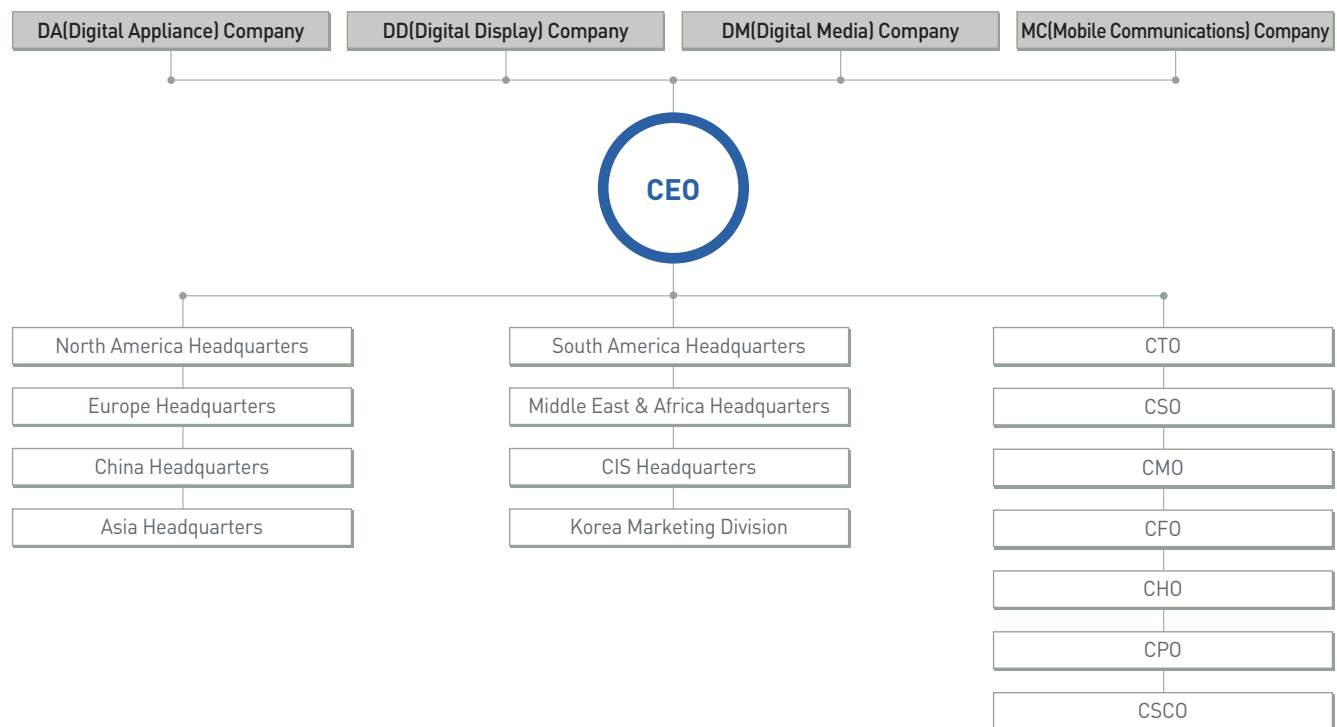
Overview of LG Electronics

ORGANIZATIONAL STRUCTURE

LG Electronics is largely divided into 22 units. On the domestic side, there are four business units, the marketing division, and seven functional divisions in the head office. The overseas network consists of seven regional headquarters and three functional areas (support, R&D, design).

There are seven business sites (in Pyeongtaek, Cheongju, Changwon, Gumi) under the four business units. The overseas operations include 36 sales subsidiaries, 22 production subsidiaries, eight product sales subsidiaries, five service subsidiaries, and branch offices.

◎ ORGANIZATIONAL CHART (AS OF JULY 2008)



Global Network

EUROPE

LGEAG	LG Electronics Austria GmbH
LGEBN	LG Electronics Benelux Sales B.V.
LGECZ	LG Electronics CZ, S.R.O.
LGEDG	LG Electronics Deutschland GmbH
LGEEH	LG Electronics European Holdings B.V.
LGEES	LG Electronics Espana S.A.
LGEFS	LG Electronics France S.A.R.L.
LGEHS	LG Electronics Hellas S.A.
LGEIS	LG Electronics Italia S.P.A.
LGEJE	LG Electronics JIT Europe B.V.
LGELS	LG Electronics European Logistics & Services B.V.
LGEMA	LG Electronics Mława Sp. z o.o.
LGEMF	LG Electronics Mobilecomm France
LGEMK	LG Electronics Magyar KFT
LGEPL	LG Electronics Polska Sp. z o.o.
LGEPT	LG Electronics Portugal S.A.

LGERO	LG Electronics Romania S.R.L.
LGESC	LG Electronics European Shared Service Center B.V.
LGESW	LG Electronics Nordic AB
LGEUK	LG Electronics United Kingdom Ltd.
LGWR	LG Electronics Wroclaw Sp. z o.o.

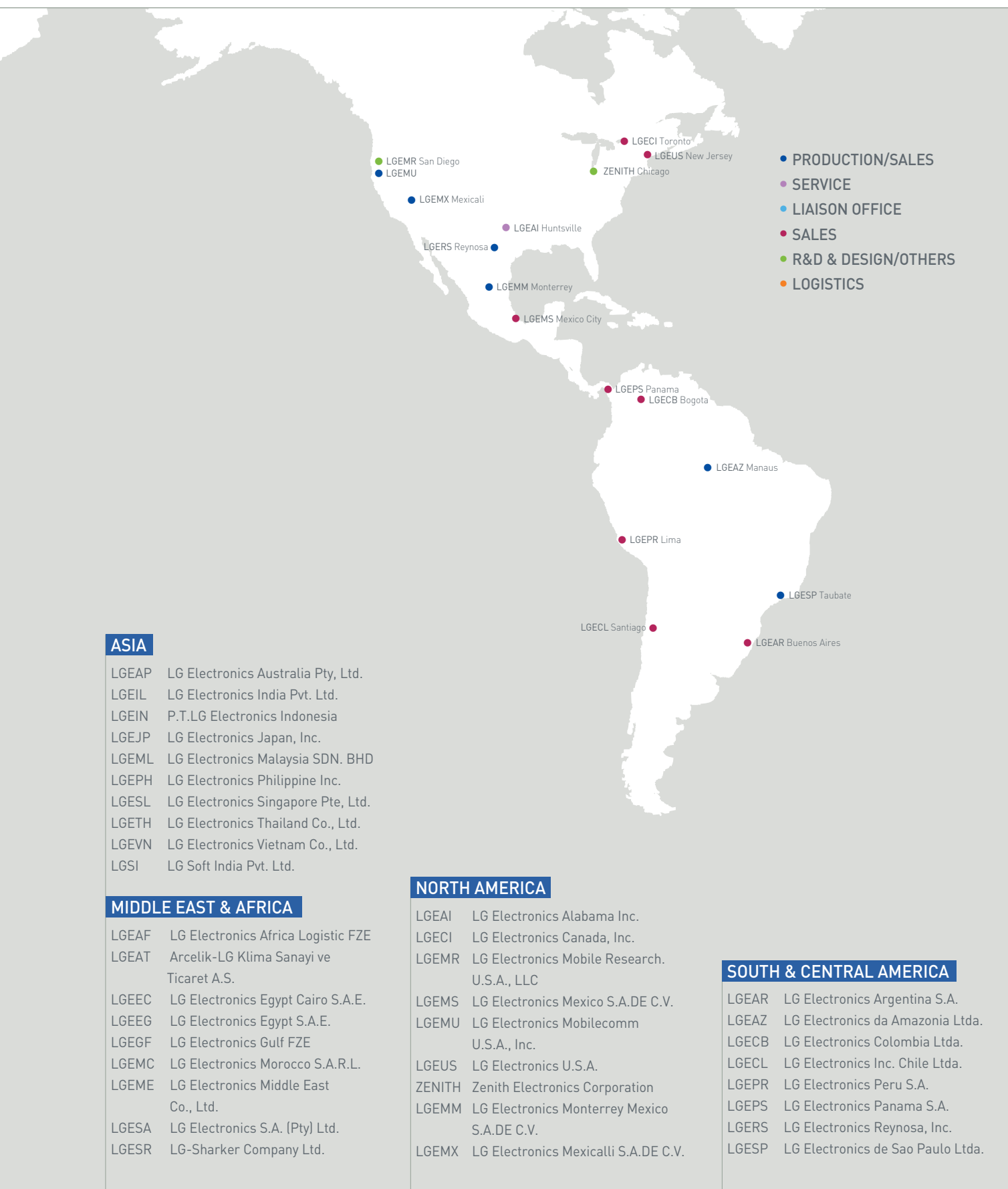
CIS

LGEAK	LG Electronics Almaty Kazakhstan
LGELV	LG Electronics Latvia, LLC
LGERA	LG Electronics Russia, LLC
LGERI	LG Alina Electronics
LGERM	LG Electronics RUS-Marketing, LLC
LGERU	LG Electronics Russia & Ukraine
LGEUA	LG Electronics Ukraine
LGEUR	LG Electronics Ukraine Inc.

CHINA

LGECH	LG Electronics China Holding Company
LGEHK	LG Electronics HK Ltd.
LGEHN	LG Electronics Nature(Hangzhou) Recording Media Co., Ltd.
LGEHZ	LG Electronics Huizhou Ltd.

LGEKS	LG Electronics(Kunshan) Computer Co., Ltd.
LGEND	LG Electronics Nanjing Display Co., Ltd.
LGPNP	LG Electronics(Nanjing) Plasma Co., Ltd.
LGPN	Nanjing LG-Panda Appliances Co., Ltd.
LGQD	Qingdao LG Langchao Digital Communication Co., Ltd.
LGQH	LG Electronics Qinhuaangdao Inc.
LGDR	LG Electronics(China) Research and Development Center Co., Ltd.
LGSH	Shanghai LG Electronics Co., Ltd.
LGESY	LG Electronics Shenyang Inc.
LGTA	LG Electronics Tianjin Appliances Co., Ltd.
LGTR	LG Electronics(Taizhou) Refrigeration Co., Ltd.
LGEYT	Langchao LG Digital Mobile Communication Co., Ltd.
LGTT	LG Electronics Taiwan Taipei Co., Ltd.



EMPLOYEES

The number of employees at LG Electronics stood at approximately 82,000 as of the end of 2007. Of the total, 29,000 were stationed in Korea and 53,000 abroad, meaning that over 60% of our employees are working overseas. The number of overseas employees should continue to increase in line with our localization strategy. Female employees comprise 16% of our total domestic workforce (2% for manager and above) and the figure is on a steady rise. The average age of the entire workforce, male and female, is 33.8 years. Disabled people represent 0.8% of the total workforce.

◎ EMPLOYEE DIVERSITY

Category		Total	Executives	General & Administrative					Technical	Other
				G4	G3	G2	G1	Subtotal		
Total	No. of employees	29,526	241	2,228	7,633	9,080	577	19,518	9,316	451
	%	100	0.8	7.5	25.9	30.8	2.0	66.1	31.6	1.5
	Average age	33.8	49.2	44.1	36.2	29.8	27.1	33.8	33.4	29.3
Male	No. of employees	24,781	236	2,217	7,168	7,702	392	17,479	6,899	167
	%	83.9	97.9	99.5	93.9	84.8	67.9	89.6	74.1	37.0
	Average age	35.2	49.3	44.2	36.4	30.2	27.5	34.5	36.7	35.0
Female	No. of employees	4,745	5	11	465	1,378	185	2,039	2,417	284
	%	16.1	2.1	0.5	6.1	15.2	32.1	10.4	25.9	63.0
	Average age	26.2	43.2	40.3	32.4	27.6	26.2	28.7	24.0	25.9

※ Based on worksites in Korea (as of the end of 2007)

Core Business

LG Electronics is composed of four business divisions: Digital appliance division produces home appliance products and components such as air-conditioners, washing machines, refrigerators, vacuum cleaners, motors and compressors. Digital display division is in charge of manufacturing and selling PDP/LCD TVs, monitors, and PDP panels. Digital media division produces optic storage, PCs, and digital AV products. Mobile communications division is producing and selling mobile phones, telecommunication systems and PCBs.

Our emphasis is on reinforcing technology levels in our core competencies and exploring new businesses that are promising from the customers' perspective. In step with rapid changes in technology, we launched the Time Machine TV series and mobile handsets with touch screens to strengthen our existing product lineup. We are also fostering new businesses with strong potential such as home networking solutions, system air-conditioners, and automotive telematics.

◎ MAIN PRODUCTS BY DIVISION

Category	Main Product
Digital Appliance	Air conditioner, refrigerators, washing machines, vacuum cleaners, microwave ovens, air-conditioner compressors, cool air compressors, MGT, motors
Digital Display	TVs, monitors, PDPs, video tapes, DVD-R Disc, Prism Sheet, Green Sheet
Digital Media	Optical storage, Audio, Notebook PC, DVD-Player/DVD-REC/combi, Security, PDA, Telematics
Mobile Communication	Mobile telecommunications, WLL handsets, telecommunications systems, transmitters & exchangers, Key phone, PBX, PCB

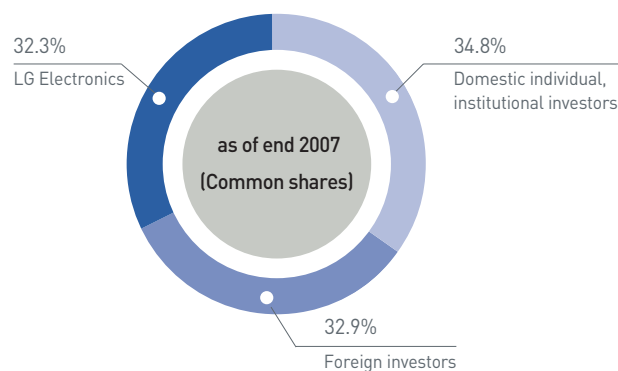
Corporate Governance

CORPORATE GOVERNANCE

The launch of the holding company system laid the groundwork for heightened transparency. The LG Group was able to put an end to the cross-shareholding among affiliates, as the holding company was fully responsible for investments and LG Electronics was able to concentrate on increasing corporate value and its own operations.

In particular, LG Electronics saw the installation of a system of professional management, while a BOD focused system has been improving corporate transparency. In this way, LG Electronics has set up the framework to strengthen business competitiveness at home and abroad, ultimately increasing shareholder and corporate value.

◎ SHARE OWNERSHIP



BOARD OF DIRECTORS

The Board of Directors at LG Electronics currently consists of seven directors, with four of them being outside directors. The outside directors are highly qualified individuals with professional knowledge and experience in key areas. Their main role is to carry out a check and balance function, as well as monitoring the company's overall management activities. The board meets regularly and whenever urgent matters arise. The directors actively participate in the meetings to ensure sound management and to protect the rights of shareholders and creditors. A total of seven BOD meetings were convened in 2007 with the average attendance rate reaching 87.5%.

To ensure that the BOD fulfills its role as the highest decision making body, LG Electronics regularly reports company proceedings to outside directors so that BOD members can deliberate on important matters from the preliminary, decision-making stage. Outside directors are given ample time to digest the detailed and finished material on pending issues prior to attending the board meetings so that they may present impartial views and assessments of issues including major business items, inside trading among affiliates and management operations.

AUDIT COMMITTEE

The audit committee maintains independence, with all of its three members being outside directors. The committee follows separate regulations from those governing the BOD and is accordingly able to independently decide on the committee's operations.

COMMUNICATION WITH STAKEHOLDERS

The general shareholders' meeting is held after the end of each fiscal year and is attended by top management. During the meeting, LG Electronics reports the company's business performance and provides information on issues requiring decisions to its shareholders and listens to their opinions. The investment inquiry page on the company website also offers a venue for shareholders, investors and customers to post and receive answers to any questions or opinions. Disclosures on major management issues related to investor returns are reported in a timely manner to the KRX and issued on the company's homepage in compliance with the Securities & Exchange Act. In addition, Annual Reports and Audit Reports are regularly disclosed. The contents can be accessed at anytime through the Financial Supervisory Service's on-line disclosure system (<http://dart.fss.or.kr>). Shareholders and other investors may also contact the company's IR department or personnel in charge of securities to present their opinions on company management issues. The related departments then examine the opinions and refer them to the management or BOD.

Management by Principle(Jeong-do Management)

DEFINITION

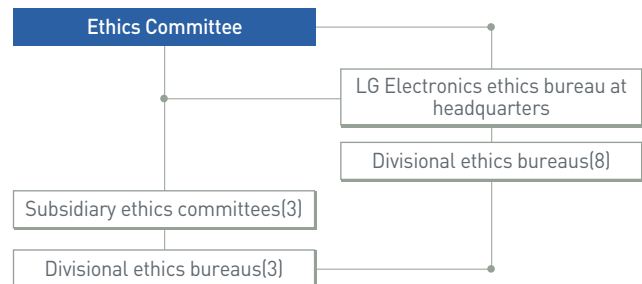
Management by Principle is the way in which LG goes about conducting its business to realize its underlying philosophy of 'creating value for customers' and 'respect-based management.' Going beyond business ethics, it involves producing tangible results based on the capability to thrive and succeed in the face of competition.

We define Management by Principle as abiding by local regulations and business ethics to fulfill corporate social responsibility while also maximizing business results. In 1994, LG Electronics took the initiative in practicing fair and transparent management when it became the first private company in Korea to publish an ethical code (LG Electronics Code of Ethics). In the following year, the company announced its Management by Principle which elaborates on its ethical code. In 2004, the 'LG Code of Ethics' and 'LG Code of Ethics Guidelines for Practice' were established to clearly define the company's high standards of ethical behavior and practices to employees.

ORGANIZATION

The top decision-making body for Management by Principle is the ethics committee which is chaired by the CEO and comprised of executive board members. The ethics bureau is responsible for executing decisions made by the committee and overseeing the actual implementation of Management by Principle and related training.

◎ ORGANIZATIONAL STRUCTURE



● Ethics Committee

- As the highest decision-making body related to Management by Principle, the committee includes the CEO of LG Electronics and other members of the executive board (CTO, CFO, DD Company CEO, DM Company CEO, MC Company CEO, DA Company CEO, CHO, head of Korea Marketing Division, head of Management by Principle Team).
- Propagating top management's commitment to Management by Principle to establish a culture of and encouraging the practice of Management by Principle. In addition, the committee forms related policies and strategies on Management by Principle forwarded by ethics bureaus.

● Ethics Bureau

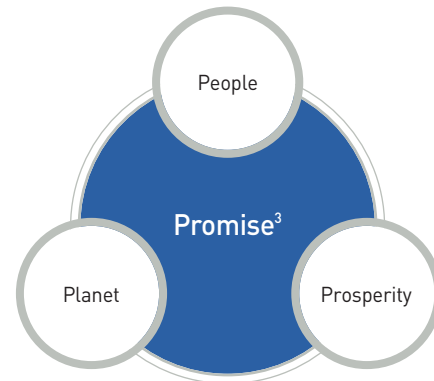
- The ethics bureau at headquarters is directly under the supervision of the LG Electronics Corporate Audit Team and overseas divisional ethics bureaus. The HQ ethics bureau is led by the heads (team leaders) of Corporate Audit groups at each business site, division and affiliate.
- Carries out Management by Principle strategies/policies formed by the ethics committee, manages ethical regulations, establishes and improves related systems, operates system for reporting unfair practices and addresses reported incidents, operates various voluntary reporting systems, provides consultations on issues relating to Management by Principle and ethical regulations, and other activities to promote the establishment and practice of Management by Principle.

Corporate Sustainability Management System

SUSTAINABILITY AT LG ELECTRONICS

Our business philosophy retains the basic spirits of corporate sustainability management. Promise³ refers to our promise for people, planet, and prosperity. It embodies LG Electronics' dream for a world of happiness for our stakeholders and communities, a clean planet well preserved for future generations and a company that builds prosperity via innovation. Through balanced consideration to social, environmental and economic aspects, which form the pillars of sustainable development, LG Electronics is doing its part to build a clean environment and caring society.

⊙ LG ELECTRONICS' PROMISE³

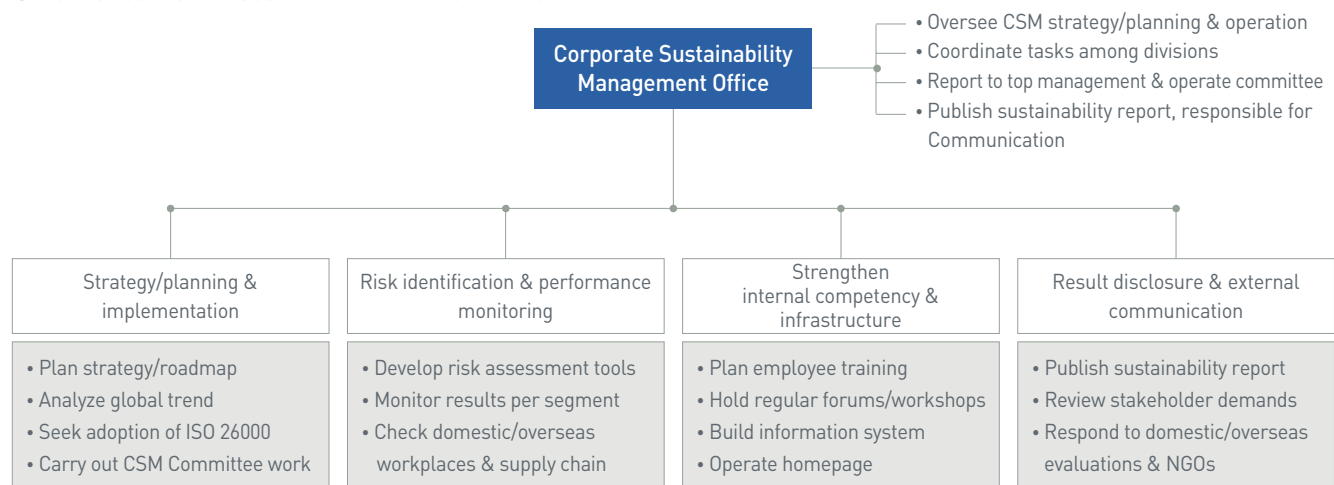


CSM ORGANIZATION AND STRUCTURE

Ever since its establishment, LG Electronics has continued to strive for customer value creation based on its principle of respect-based management. For a more systematic approach to CSM which is fast taking place as a global standard, we created a Corporate Sustainability Management Office in 2007 to build the foundation for company-wide CSM activities. CSM activities at LG Electronics are overseen by the Corporate Sustainability Office and carried out in close cooperation among the related departments. The emphasis is on formulating CSM strategies and roadmap for implementation, stakeholder communication, integrated management of non-financial risks and performance, building up internal competencies, and linking CSM activities with brand management and marketing.

LG Electronics also created the CSM forum centering on the CSM task force and including all company divisions related to management strategy, human resources, social contribution, ethics, finance, corporate culture and the environment. The forum is responsible for promoting in-house understanding of the importance of CSM activities. Forum participants share information on activities pursued by each business division, build networking ties and help to prepare the Sustainability Report among others. The CSM forum is predicted to take on a core company function of plotting strategic direction and pursuing execution programs for a comprehensive and systematic approach to CSM activities at LG Electronics.

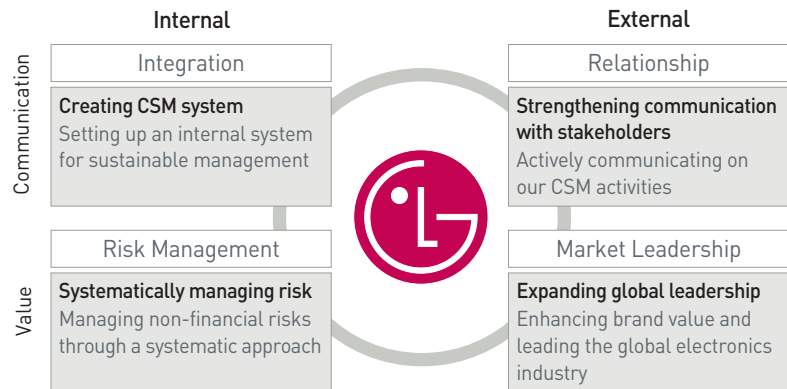
⊙ ROLE OF CORPORATE SUSTAINABILITY MANAGEMENT OFFICE



IMPLEMENTATION

Under the guidance of the Corporate Sustainability Management Office and CSM forum, we have decided on four basic directions for sustainability management and devised programs accordingly. As part of the groundwork and to respond to pertinent issues, the Corporate Sustainability Management Office supervised a review to diagnose the CSM risks of the head office, domestic and overseas worksites and supply chain. The findings were used to draw up guidelines on non-financial risk management. (Including issues on supply chain management, purchasing, environment, labor/human rights, safety & health, and local community relations)

◎ DIRECTION FOR PURSUING CSM



◎ MID/LONG-TERM CSM STRATEGY

Category	2007	2008	2009	2010	2011~
Strategy I	<ul style="list-style-type: none"> Integrating mid/long-term management strategy & CSM strategic issues 				
Creating CSM System	<ul style="list-style-type: none"> Formulating & revising companywide CSM policies, code of ethics, internal regulations Implementing permanent CSM reporting (Management Committee) system Strengthening & promoting roles/functions of Corporate Sustainability Management Office Establishing companywide CSM KPI & performance assessment system 				
Strategy II	<ul style="list-style-type: none"> Identifying & monitoring CSM risks at local/overseas workplace (on a regular basis after trial examination) 				
Systematically Managing Risk	<ul style="list-style-type: none"> Obtaining information on EU & international regulations on CSM/revamping countermeasure & organization Setting up integrated CSM risk management system Building information system on environmental/social accountability actions 				
Strategy III	<ul style="list-style-type: none"> Developing/adopting CSM training program for employees 				
Strengthening Communication with Stakeholders	<ul style="list-style-type: none"> Continual publishing of CSR Report Operating local/overseas stakeholder advisory committee Reputation monitoring of key stakeholders worldwide 				
Strategy IV	<ul style="list-style-type: none"> Forging joint strategic response program with EU & foreign competitors 				
Expanding Global Leadership	<ul style="list-style-type: none"> Managing CSM in supply network Addressing climate change Selection as leading sustainability-driven company in the electronics industry by DJSI Capitalizing on CSM activities in IR (utilize overseas SRI funds) 				

AWARDS

Our progress with sustainability management is being verified by external stakeholders. In December 2007, we were among the winners at the Grand Awards for Excellence in Sustainability Management jointly presented by the Ministry of Knowledge Economy (formerly Ministry of Commerce, Industry and Energy) and the Korea Chamber of Commerce & Industry. We received the honor for our performance related to CSM strategy, non-financial risk management and stakeholder communication. LG Electronics will continue with activities to create value for stakeholders to uphold their trust and grow into a world leading company.



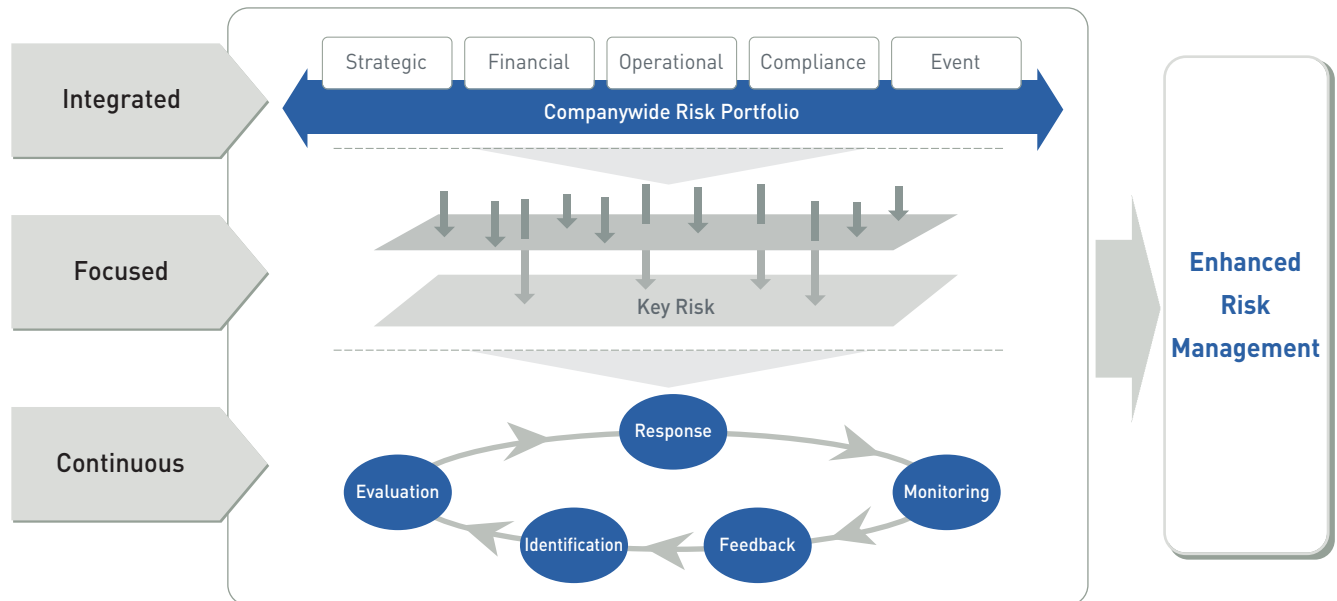
Award for Excellence in Sustainability Management

Risk Management

OVERVIEW OF ERM (ENTERPRISE RISK MANAGEMENT)

Volatility has heightened in the financial markets with sharp movements in foreign exchange and interest rates, while the price of raw materials such as oil and steel have surged. On top of that, tighter regulations are calling for greater management transparency. Amid growing uncertainty in the business environment, LG Electronics adopted ERM (Enterprise Risk Management) to systematically manage risks and maintain stability in its operations.

ERM: CONCEPT AND FEATURES

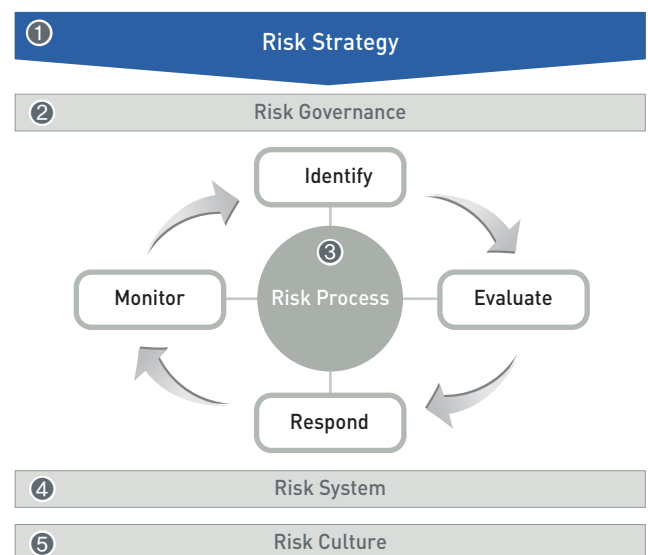


COMPANYWIDE RISK PROFILE

A risk profile was drawn up between May and November of 2007 that identifies the risks facing LG Electronics' entire global network including the domestic operations and the 80 overseas subsidiaries.

Based on the risk profile, we decided on five key components to set up an ERM framework that will enable risk prevention while allowing us to respond swiftly according to pre-formulated measures if a risk does occur.

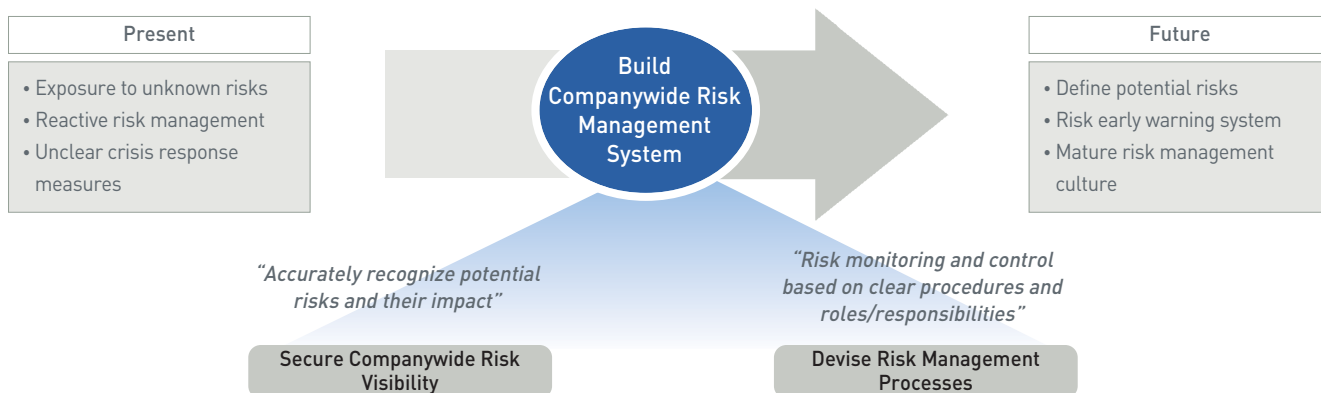
FIVE KEY COMPONENTS



ERM IMPLEMENTATION

Through the adoption of ERM, we have secured risk visibility and devised systematic risk management processes. That has given us the footing to effectively respond to all types of risks and maintain stability.

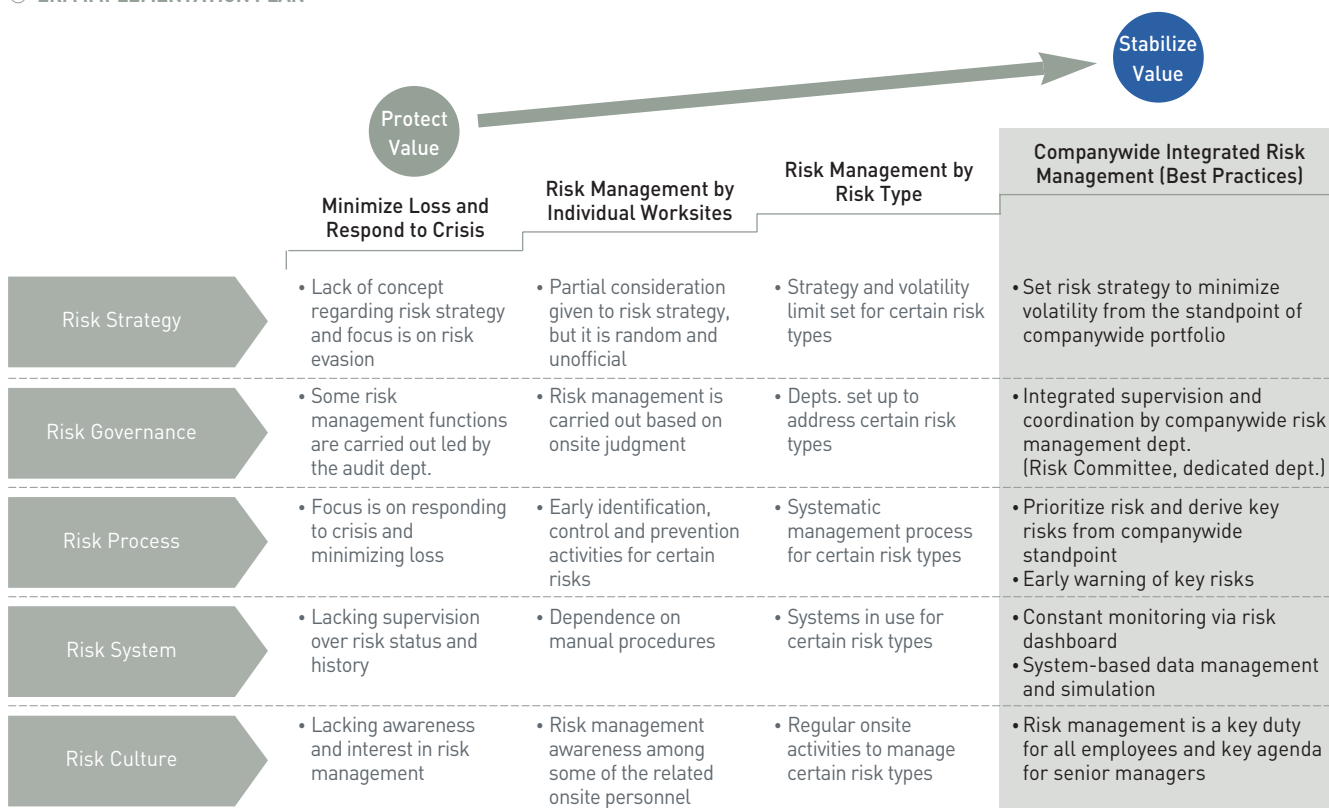
◎ BENEFITS OF ERM



FUTURE PLANS

By implementing ERM, we aim to minimize losses and shift away from a system centered on crisis response and risk management at individual worksites to an integrated risk management framework encompassing our entire organization.

◎ ERM IMPLEMENTATION PLAN



Stakeholder Engagement

IMPORTANCE OF STAKEHOLDER COMMUNICATION

We engage with stakeholders around the world in all aspects of our business activities. Communication with stakeholders is growing in importance as corporate social impact increases and stakeholders make greater demands. Recognizing stakeholder communication as the best way of seeking mutual prosperity, LG Electronics is making every effort to identify and respond to stakeholders' views and needs.

SELECTING MATERIAL ISSUES

At LG Electronics, stakeholder communication takes place through diverse channels. Our commitment to engaging stakeholders also applies to sustainability management as we employ various means to learn about their perceptions and expectations. We have identified corporate sustainability issues that are of interest to stakeholders based on feedback received through the reader survey in our previous sustainability report, media research analysis, interviews and surveys with expert groups, and by deriving best practices and benchmarking sustainability reports of competitors and major global corporations.

We are making continued efforts to reflect corporate sustainability issues raised by stakeholders in our internal decision-making process and systems. Stakeholders' views formed the basis for the structure of our sustainability report. Among the wide range of issues that require our attention, this report focuses on four areas which we believe are particularly important: customer value, employee value, energy and climate change, and development of green products.

◎ STAKEHOLDER COMMUNICATION ON SUSTAINABILITY MANAGEMENT

Communication Method	Period	Explanation
1. Reader feedback on our 2005 sustainability report	Year round	Received reader opinions through the feedback survey in our 2005 sustainability report
2. Interviews with expert groups	Nov. 2006	Gathered expert opinions on our 2005 report through 8 organizations including Samsung Global Environment Research Center and the Korean National Commission on Sustainable Development
3. Telephone survey of general consumers	Nov.~Dec. 2006	Survey on awareness of LG Electronics' sustainability management targeting 1,000 people from the general public in Korea
4. Domestic and overseas media research	Jan. 2008	Study on exposure of LG Electronics' sustainability management in the domestic and overseas media (2006.1.1 ~2007.12.31)
5. Benchmarking competitors' reports	Jan. 2008	Analysis of sustainability reports issued by competitors such as GE, Philips and Panasonic

2006~2007 Corporate Sustainability Management Highlights

WINNER OF LEADING DESIGN AWARDS



In June 2006, LG Electronics declared its commitment to developing great designs and selected concept, style, interface and finish as the four core design skills. Our commitment to design has resulted in a myriad of prestigious awards.

LG Electronics boasted its design leadership at the iF Design Award 2007, one of the most highly regarded design honors in Europe. A total of 21 products were awarded, a huge jump from eleven in 2006 and nine in 2005. Our designs were recognized across a diverse range of products, with the winners including five mobile handsets, three PDP TV products, three Fantasy monitors, four digital media products, Picture Frame ArtCool air conditioners, and three-door refrigerator. At the Design for Asia Award held in Hong Kong in November 2006, our Chocolate phone received the Grand Award.

We also received awards in 29 categories at the 2007 reddot Design Award. That's the most awards won by a home appliances maker and the most ever by a Korean company. The award winning products include the Prada phone which was named 'Best of the Best,' Shine phone, 50-inch PDP TV, notebook, and Art DIOS refrigerator. The chosen products are authorized to bear the reddot quality seal and are recognized worldwide for their outstanding design.

AWARDED IN 11 CATEGORIES AT CES INNOVATION 2007 AWARD



Eleven of our products received innovation awards at CES 2007, the most awards won by a Korean company. The winners included the Chocolate phone which has topped 5 million units in worldwide sales, a FUSIC phone, a 42-inch PDP TV capable of receiving two-way cable data broadcasts, 3-door refrigerator, and steam Tromm washing machine. LG Electronics also garnered the most CES innovation awards in 2004 and 2005, with 17 and 16 respectively. Since 2003, we have picked up 66 innovation awards, making us the biggest winner from Korea.

The CES innovation awards are jointly presented by the Consumer Electronics Association (CEA) and the Industrial Designers Society of America (IDSA) every year. The awardees are selected from around 300 products in roughly 30 categories such as display, mobile phone, home theater, computer component and consumer electronics appliances. Standing for Consumer Electronics Show, CES is held annually in Las Vegas in the US. It is the world's largest electronics trade show and serves as a forum for showcasing the latest products and technologies in consumer electronics.

WINNING HANDSET AT 3GSM WORLD CONGRESS 2007



An LG Electronics phone was selected to lead the GSM Association's '3G For All' campaign. The campaign by GSM Association, the world's largest union of mobile operators, is intended to narrow the regional divide in the global mobile telecom market and promote 3G service. It has received much attention as an opportunity to predict the future landscape of the global mobile handset market. We have secured priority negotiation rights to supply our product and may ship over 10 million units within this year. That would place us in an advantageous position in the next-generation 3G phone market which is poised for rapid growth. Our products drew keen interest at the 3GSM World Congress 2007. The models on display included our 3G and folder phones, the Shine phone and the touch screen-based Prada phone.

ACTIVITIES OF LG ELECTRONICS SOCIAL SERVICE GROUP



The LG Electronics Social Service Group held its 2007 rally on June 27 at the Pyeongtaek learning center. Some 200 people including the joint group leaders Seok Chun Jang, head of the labor union, and Executive VP Young Kee Kim gathered for the event. They listened to presentations on how to respond to natural disasters and accidents and learned about basic emergency care such as CPR. To help victims of typhoons and flooding, the Social Service Group cleaned up flooded homes, removed debris and operated a temporary laundry facility. Additionally, volunteer teams made up of service engineers repaired home appliances damaged by flooding.

UNVEILING OF 'ENERGY SOLUTION' STRATEGY



The unveiling of our business strategy on 'hybrid energy system' and 'energy solution' took place at the Lotte Hotel in downtown Seoul on November 1, 2007. We plan to offer customized 'energy consulting' that spans product development, planning, design, construction and management of energy systems. In short, our strategy is to provide total energy solutions. We intend to offer consulting from the initial stage to provide relevant information to the various parties with decision-making power including building owners, architects, equipment designers, and construction firms. We will also set up systems for real-time monitoring during usage to facilitate maintenance and repairs and provide product recovery and replacement services during the recycling stage.

During the unveiling ceremony, we showcased our hybrid energy systems. These include the hybrid COGEN, which uses LNG to concurrently produce power and hot water, and the hybrid XEO, a system that draws on renewable energy sources such as geothermal energy. Compared to existing systems that require both electricity and gas to provide electric power, hot water and heating/cooling, the hybrid COGEN needs only LNG, thereby reducing power usage by 32% and cutting pollutant emission (eg, CO₂) by 30%. The hybrid energy systems should contribute to managing the demand for electricity and LNG in Korea and to the national policy for diversifying energy sources.

ISSUES MATERIAL TO SUSTAINABLE FUTURE

Creating a clean world where everyone can smile.

LG Electronics is touching people in all corners of the world.

Through innovative products and services, in the workplace, and in many other ways, we are meeting customers, suppliers, employees, shareholders, investors, and our neighbors in local communities.

With each and every encounter,

LG Electronics hopes to create a world where everyone can smile.



CUSTOMER VALUE

Principle & Program

CUSTOMER-FIRST PRINCIPLE

Our principle of enhancing customer value is well represented in Chapter 1 (Responsibilities and Obligations to Customers) of our Code of Ethics which states, "We highly regard the opinions of our customers in the belief that they form the very basics of our business. We seek to secure unconditional trust from our customers by continuously providing them practical values."

Customer Insight Management

IMPORTANCE OF CUSTOMER INSIGHT MANAGEMENT

The advent of digital convergence has triggered a shift in the competitive landscape. As competition knows no boundaries, it has become crucial to not only secure core technologies and information but also to discover latent consumer needs and develop products that meet those needs. This highlights the importance of insight marketing which involves scientifically and strategically identifying consumers' latent needs. LG Electronics adopted new marketing processes, made organizational changes and brought in new global talent from 2007. In December, 150 LG Electronics marketing personnel from around the world gathered for the Global Insight Marketing Conference.

To help all staff involved in marketing, including those who are not marketing professionals, draw up and execute insight marketing strategies, we are implementing 'LG Electronics marketing process.'

CHANGE OF MARKETING ORGANIZATION

Customer insight management has been given first priority since CEO Yong Nam took office. Following an organizational reshuffle, insight marketing teams were set up at the head office and business units in May 2008. More recently, insight marketing teams were created in the regional headquarters for our overseas operations. We have also brought in marketing professionals in fast-moving consumer goods and veterans from prominent marketing consulting agencies to ensure smart technology innovation and clearly differentiate LG Electronics from the competition through marketing.

On the overseas front, we have set up separate insight marketing teams for each strategic regional market which include the Americas, Europe, Central Asia, CIS, and China. Previously, our marketing activities were organized according to the products of each business group (eg, handset, refrigerator/washing machine/air-conditioner, flat screen TV). Our new system enables us to better identify local customer needs and swiftly respond to changes in local market conditions, in addition to promoting stronger communication with local consumers. Under our previous system, marketing strategies varied by product group. That presented hurdles to establishing brand identity in the respective regions and grasping consumer demands. However, the introduction of regional insight marketing teams should help us gain consumer insight into each market and result in consistent brand identity and product marketing.

LG ELECTRONICS MARKETING PROCESS

We developed the 'LG Electronics marketing process' to promote customer insight management throughout our entire organization and to incorporate latent consumer needs when planning, developing and marketing products. This unique process comprises: identifying market trends to find business opportunities and setting up an STP (Segmentation, Targeting, Positioning) strategy, new product introduction, go-to-market, and gathering feedback on products through MOT (Moment of Truth) management. Under this process, 'insight gate' is defined when making major decisions. This is to ensure that decisions and work execution are based on a companywide strategy so that we can plan and develop products with high potential for success.

● Insight Toolkit and Gate

We started developing a toolkit for companywide standardized marketing that reflects consumer insight from the end of 2007. Our target is to complete the toolkit within the first half of 2008. Our main focus is on creating a toolkit that will make insight marketing easy even for people who are not marketing professionals.

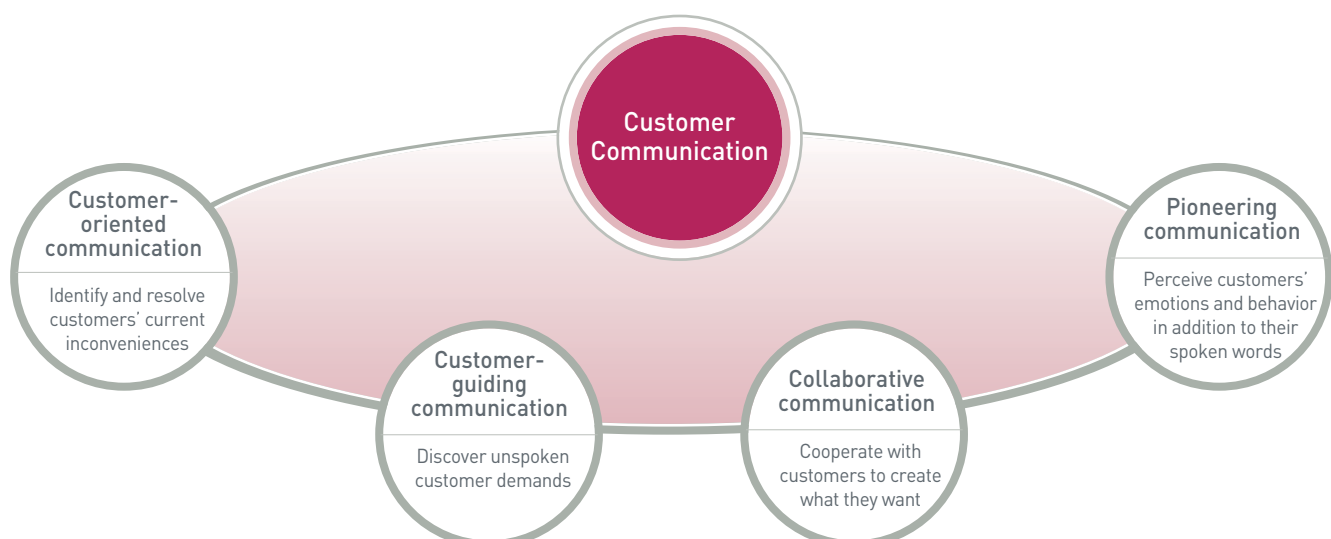
The LG Electronics marketing process employs a gate approach. That is, the product development process is divided into stages and a checklist of essential items is determined for each stage. The checklist must be fully satisfied to move on to the next stage.

Our focus will shift from building the necessary infrastructure to execution from 2008. Our plan is to have each business unit introduce three products that are based on consumer insight rather than technology before the year's end. In addition, the insight marketing team at the head office has drawn up plans for an insight school. It plans to provide training on insight gate, STP strategy and marketing toolkit to the marketing personnel of each business unit and overseas insight marketing teams from June.

Customer Communication

In step with our vision of 'creating value for customers,' we strive to incorporate customers' views and even the needs they have yet to recognize in our products and marketing.

◎ CUSTOMER COMMUNICATION FRAMEWORK



CUSTOMER-ORIENTED COMMUNICATION

Identifying what customers want is an ongoing process at LG Electronics as we try to stay abreast of customer expectations which are rising by the day. We have introduced processes to reflect customers' opinions from the product development stage, and various surveys are conducted to collect their views.

In June 2007, we started developing a next generation handset based on a comprehensive analysis of lifestyles, product usage and purchase patterns of consumers in Europe. We learned about their daily routines, digital product usage patterns, and inconveniences related to cell phone use through consumer diaries, observations and in-depth interviews. This was a change from our earlier approach in which we assembled people by age group and gender to hear about their curiosities regarding mobile phones.



Customer-oriented communication enables us to identify real-life situations and difficulties facing product users from the moment they purchase a product until its disposal. Based on customers' views and the latest trends in the respective countries, we derive ideas to create new products that customers truly want. Going forward, we plan to expand customer-oriented communication across our entire global operations.

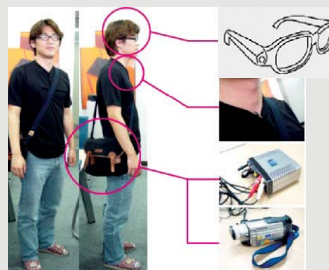
CUSTOMER-GUIDING COMMUNICATION

People's lives are becoming increasingly complex and there always seems to be more that needs to be done. Due to their busy lives, consumers often cannot remember everything that happens during the day.

Given this reality, we use various means to understand consumer thoughts and behaviors in a wide range of situations. These include recording consumers' daily lives through video or web diaries or analyzing their movements using GPS. These efforts have resulted in PAIR™ which delves into consumer lifestyles and needs in the mobile setting and TREAT™ which indicates what consumers value when it comes to leisure life. By using such methodologies to understand the consumer, we are trying to ensure that customer values are reflected in all of our products and services from the development stage. We strive to identify even needs that consumers have yet to recognize and systematically and scientifically apply our findings in product development.

PAIR: Indicates that the purpose of mobile phone use has to do with Personality, Amusement, Intelligence and Relationship

TREAT: Indicates that the values customers seek when it comes to entertainment are Thrill, Refreshment, Expression, Advancement and Togetherness



Video-based tools to record and analyze consumers' daily routine

COLLABORATIVE COMMUNICATION

LG Electronics has various programs to engage consumers from the product development stage. Whereas earlier approaches were largely confined to product reviews and research, we have continuously expanded the scope of consumer participation to seek their input from planning to design and research.

One such example is the 'Cyon prosumer' gathering, which serves as an idea bank that allows us to gather consumer demands and ideas from the planning stage. (Prosumer is a combination of the words producer and consumer and refers to consumers participating in the production process.) Through this forum, consumers suggested doing away with complicated functions and introducing designs that appeal to the senses and a touchpad to replace buttons. That led to the birth of the Chocolate phone.

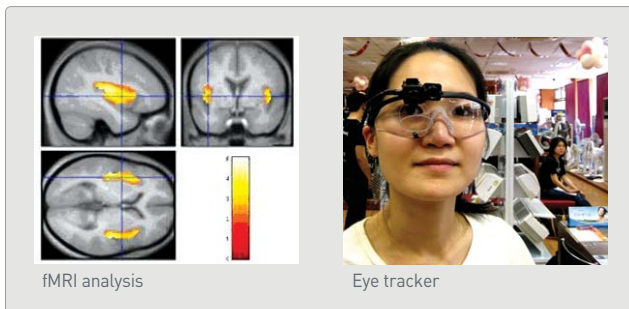


In addition, we have selected early adopters of handsets who show a high degree of participation and creativity. Based on ongoing communication in free and comfortable settings, we are deriving creative ideas that are leading to the development of new products.

PIONEERING COMMUNICATION

Consumer demands are growing more diverse and complex, making it ever more difficult to identify those demands. LG Electronics is taking advantage of cutting edge equipment to pay heed to communication beyond verbal messages.

Satisfaction or dissatisfaction a consumer feels in a brief moment influences a product's image and purchasing decisions. However, such feelings are not always expressed in words. Such non-verbal expressions build up to create consumers' attitude toward our products. At LG Electronics, we are well aware of the importance of consumers' sentiments that are not conveyed through words.



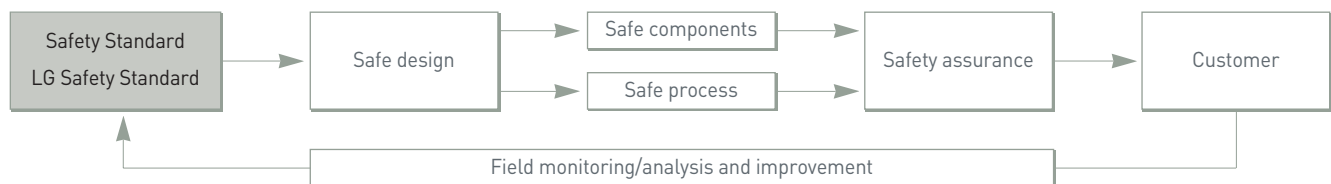
Grasping consumer demands that are not verbally expressed requires the help of advanced equipment, such as eye tracker or fMRI (functional magnetic resonance imaging), and special analysis. To that end, we are cooperating with expert organizations across the globe with a long-term perspective to develop our internal capabilities. Through these efforts, we will continue to strive to create products that live up to the expectations of even fleeting sentiments of consumers.

Product Safety

DEVELOPING SAFE PRODUCTS

LG Electronics places utmost priority on consumer safety. From the designing stage to a product's usage and disposal, we continuously seek ways to improve product safety to prevent risk to consumers' property, health and life caused by a faulty product. We approach product safety from three aspects: design defect, production defect, and warning labels. We observe internal processes for the development of safe products which are aimed at protecting consumer rights in accordance with laws on product liability.

◎ PROCESS FOR DEVELOPMENT OF SAFE PRODUCTS



Safety control of production processes

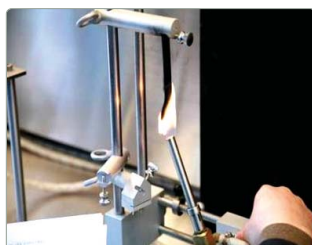
First, we view international safety standards as the minimum required to ensure consumer safety and abide by more stringent internal safety standards that take into account the user environment.

Second, a study of the user environment is conducted prior to product development, while breakdown mode analysis tools are used to predict safety problems such as fire, electric shock, injury and explosion so that safety measures are reflected in the product design. In addition, we also think about possible safety issues after a product is delivered to the customer, from installation and usage to maintenance/repair and disposal. Safety measures are then drawn up depending on scenarios of possible product misuse by the user.

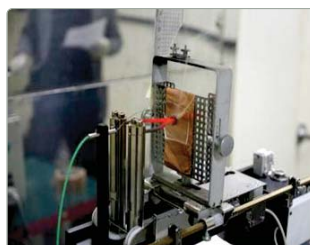
Third, we use field data and breakdown mode analysis to select components that may affect product safety. We keep a close watch over the development and production of the selected components.

Fourth, we analyze the production processes to identify those that may lead to problems such as worker error during product assembly. For such processes, we pay extra attention and hold regular training on precautionary measures and safety checklists.

Fifth, we set safety check standards for each product and conduct safety checks at major stages of the development process. When a flaw is detected, we check the possibility of the problem arising for the corresponding model as well as for other similar models and take prompt corrective measures. Our product safety assurance efforts are comprehensive, spanning from the inspection of PCB board, various components and wiring to the warning labels affixed on products and instruction manuals. For rigorous control over product safety, we carry out testing under general testing conditions and unusual conditions that may arise when a product is used by the consumer. In doing so, we try to replicate all possible circumstances that could lead to a fire inside the testing lab. For that purpose, we have various facilities including a moisture resistance lab and fire analysis lab.



Fire test equipment



Glow wire test equipment



Moisture resistance lab



Fire analysis lab

ELECTROMAGNETIC ENVIRONMENT



Electromagnetic wave testing facility

We maintain testing equipment and personnel at our research labs to prevent product malfunctions caused by electromagnetic waves and to develop products that have immunity to electromagnetic disturbances. We are also taking a proactive approach to the health effects of electromagnetic fields. Studies on this issue are being carried out by international bodies and although some of the potential effects have yet to be proven, LG Electronics is researching ways to prevent such harm. We have quality systems, special equipment and personnel to carry out sample testing by lots for products under development and for those currently in production to check for electromagnetic interference levels.

Customer Service Activities

ENHANCING CUSTOMER VALUE THROUGH AFTER SERVICE

Enhancing customer value is essential in after service because customers form the basis and purpose of after service. It also holds the key to LG Electronics joining the global top 3. To promote our new brand identity, our after service unit was integrated under the CMO in 2008 to realize synergy for customer value enhancement and a higher level of service reliability.

As after service is an extension of the customer's brand experience, we are carrying out the following activities to gain customer trust.

First, we are making continued upgrades of customer communication channels and building a single point for communication to strengthen customer insight management.

Second, we are building a service network that will enhance the quality of service to secure the capability to deliver unrivaled premium service.

Third, we secured the foundation for prompt service through an optimal component forecasting system that allows for more accurate parts procurement.

Fourth, we are pursuing "one call solution" based on our 32 call centers around the world which are manned by highly professional agents boasting extensive product knowledge.

Fifth, we are striving to deliver precise service through our technical bring-up system which combines the skills of authorized service center (ASC) technicians with technical training.

Sixth, we adopted the net promoter score (NPS) and voice of customers (VOC) system to secure more proactive consumer relationships, and we are developing differentiated strategies and customer-oriented KPI by analyzing the gap with customer expectations.

LG Electronics' after service is driven by the motto that repurchases occur when customers are satisfied with the after service on products sold.

GLOBAL AFTER SERVICE STRATEGY

Since 2007, one of our customer activities that stands out most is MOT (Moment of Truth) management. MOT refers to the decisive moment in which a customer gets a certain impression of LG Electronics. To enhance MOT management, we have analyzed and standardized all contact points from the moment a customer calls or accesses our homepage to gain information about a malfunctioning product to when he/she receives a 'happycall.' Further, we continue to discover customer-oriented management indicators to identify with customers and provide customer-oriented services.

● Case by Case Management for Voice of Customer (VOC)

The 'VOC tag system' enables us to pay attention to each view voiced by customers and take a case by case approach to handling complaints. We are developing/expanding VOC tag activities with the purpose of preventing the same complaint from recurring. By incorporating VOC in various ways, including management policy, product design and service, we are aiming to promote active communication with our customers. We look forward to stronger ties with our customers by expanding these activities across our global network.

● Assessing Customer Expectations and Producing Visible Results

Customer tendencies vary by product and region. We assess the diverse customer expectations and take improvement measures by expectation level to create visible results and develop the optimal service model.

◎ AFTER SERVICE (2007)

Category	N/W(Network)	CIC(Customer Info Center)	Parts(Depot)
After services provided	• ASC (Authorized Service Center): 12,000 • Claims: 18 million	• CIC: 32 • Call Volume: 26 million	• Warehouse: 37

● Customer Satisfaction Survey

LG Electronics has been conducting annual customer satisfaction surveys in major countries since 1992. The surveys are intended to assess the levels of after service and customer satisfaction. They give us insight into customers' expectations and demands concerning our services and to identify satisfaction/dissatisfaction factors. The feedback we gain is used to devise strategies to enhance our global competitiveness.

We conducted phone surveys and one-on-one interviews on customers between the ages of 18~69 who received after service during the past year. Surveys were given for services for customers who brought in their products to service centers and for those in which our engineers visited the customers' homes. Questions were asked to determine satisfaction levels, factors for satisfaction/dissatisfaction and expectation levels. From 2007, surveys have been categorized based on the major products groups to get a closer look at customer needs.

Survey results are sent to the pertinent subsidiary or office. The information is used to formulate strategies to meet customer expectations and satisfy their needs.

◎ AFTER SERVICE SATISFACTION SURVEY

Year	2005	2006	2007
No. of countries surveyed	26	18	14

Customer Privacy

LG Electronics is making every effort to enhance security related to server and network data. We operate security devices such as firewalls, IDS (Intrusion Detection System), IPS (Intrusion Protection System), and Web firewalls to prevent unauthorized access and information leaks, thereby protecting customer privacy. We also have an integrated security control system to detect security accidents and ensure prompt countermeasures. Encryption solutions are used to protect data such as customer's personal information and payment details.

NETWORK SECURITY

LG Electronics has an advanced security system for its server and network which includes a two-tier firewall to protect customers' personal information. Personal information and payment details are encrypted using SSL (Secure Socket Layer) of Verisign of the US.

INTERNAL SECURITY MEASURES

We limit the number of employees who can access customers' personal information to a minimum. Authorized personnel are given a password so that other persons cannot access or use the personal information. Along with regular and special training on security issues, we have a designated customer information security manager.

EMPLOYEE VALUE

HR Management Strategy & Future Plans

THE PEOPLE COMPANY

LG Electronics aims to be a 'People Company' that drives excellence from the team of best people. We are committed to creating a workplace where teamwork flourishes and employees can grow and raise their individual competitiveness.

To that end, we have established the Employee Value Proposition designed to reach our goal of becoming a People Company that offers opportunities for growth and attracts the finest talent.

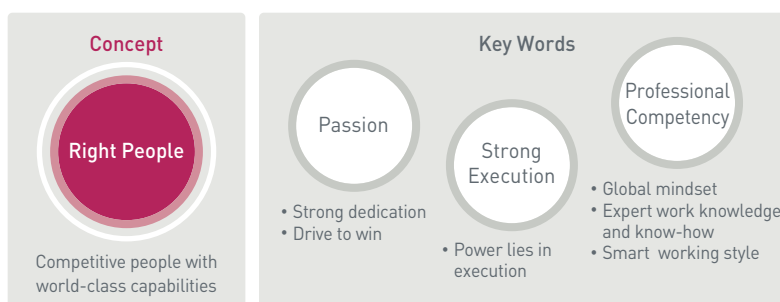
● EMPLOYEE VALUE PROPOSITION

Valuable work	<ul style="list-style-type: none"> • Environment that engages employees in meaningful work • Diverse and challenging work experience • Global experience
Fast development	<ul style="list-style-type: none"> • Offer opportunities for individuals to take the initiative and grow • Climb to the top through continued competency building • Real world training that spurs fast growth
Fair & transparent evaluation	<ul style="list-style-type: none"> • Growth-oriented evaluation process • Detailed evaluation that considers comprehensive elements • Detailed and persuasive assessment feedback
Competitive compensation	<ul style="list-style-type: none"> • Rewards that reflect market value of leaders • Rewards that compensate for enhancing individual competency • Flexible rewards according to performance
Inspirational leader	<ul style="list-style-type: none"> • Foster competent leaders through leadership development • Rights to learn from the best leaders • Motivation through coaching and mentoring

RIGHT PEOPLE

Passion, strong execution and professional competency are the key qualities we envision in the 'Right People,' LG Electronics' ideal employees who are equipped with world-class capabilities to deliver winning performance.

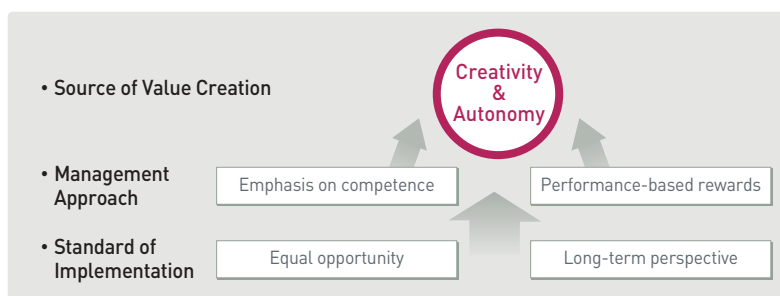
● RIGHT PEOPLE



HR PRINCIPLES

The basic principles guiding our human resource management are respecting the creativity and autonomy of each individual as the source of value creation. We emphasize people's ability and reward performance.

● HR PRINCIPLES



HR SYSTEM

To attain our goal of a 'People Company,' we are committed to supporting the professional growth of each employee. We reflect individual development in the overall HR process such as hiring, evaluation and training to foster greater individual and organizational competencies.

We aspire to be a truly global organization. This vision extends to our HR system, from hiring global top talent to grooming global business leaders and specialists, developing performance management tools, creating growth-oriented evaluation processes and building a reward system that meets global standards. In addition, we strive to discover the best-in-class local employees and foster them to key leadership positions.

Recruiting, Evaluation & Reward

RECRUITING

LG Electronics attracts and recruits the finest people in an effort to raise its organizational competency levels.

- **Hire Best-in-class Outside Talent**
 - Recruit global talent for each function
- **Target Recruiting for R&D Talent**
 - Define target lab based on the technology map
 - Differentiated recruiting activities (industry-academia partnership projects, grants, recommendations, etc)
- **From Mass Hiring to Selective Hiring**
 - Recruiting activities that reflect work characteristics (R&D: 7 + 1 semester, LG Track, Non R&D: internship)
 - Diverse levels of assessments on personality and capabilities
(interview, presentation, biz simulation, problem-solving ability, English proficiency, etc.)

EVALUATION

LG Electronics conducts separate performance, capability and leadership assessments on a regular basis and leverages each assessment data to spur individual growth and organizational development. The field leader frequently offers detailed and immediate feedback on the evaluation results.

- **Performance Evaluation (Quarterly)**
 - Detailed assessment that measures progress made relative to targets, difficulty, competitor index, and long-term health to inspire a spirit of challenge in employees and secure evaluation transparency.
- **Capability Evaluation (Biannually)**
 - Job Capability: As the basis for creating capability measurement tools, define capability evaluation items and levels by clarifying employee development directions for each function. Capability evaluation items were specified as much as possible to identify areas of weaknesses to offer training and other support. Also the Competency Council made up of top experts from each function performs audits on the evaluation to enhance transparency.
 - Common Capability: Evaluate common capabilities required in general.
- **Leadership Evaluation (Annually)**
 - All organization leaders subjected to annual leadership evaluation
 - Leadership Clinic available to help achieve leadership qualities in insufficient areas based on the evaluation results

REWARD

LG Electronics' compensation consists of base pay and variable pay.

◎ REWARD STRUCTURE

Base Pay (accumulative)	Variable Pay (non-accumulative)		
	Incentives	Company Performance reward	Others
<ul style="list-style-type: none"> • Apply progressive increase rate according to annual individual evaluation grade 	<ul style="list-style-type: none"> • Individual incentives for performance excellence <ul style="list-style-type: none"> – Allocate resources according to organizational unit, give out rewards throughout the year 	<ul style="list-style-type: none"> • Pay according to annual business performance <ul style="list-style-type: none"> – According to annual companywide business performance, pay according to organization and individual evaluations) 	<ul style="list-style-type: none"> • Incentive for retention • Pat cash

Leadership and Learning

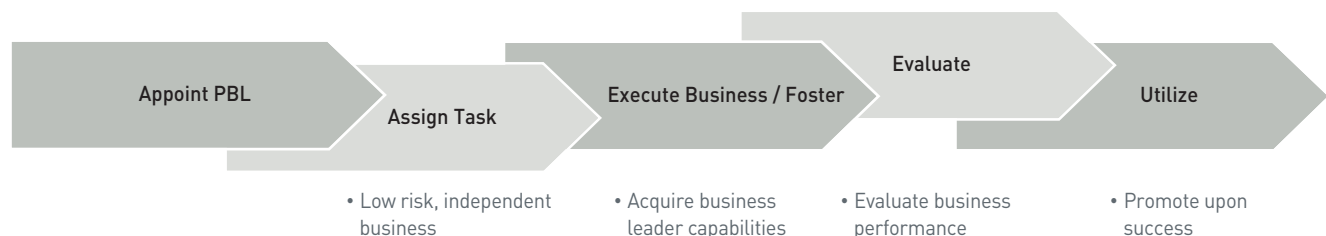
Every year, LG Electronics clarifies core competencies and key tasks required to attain its corporate vision at annual HR sessions. We discuss measures to raise our corporate and individual abilities to global levels and review performance results. The HR session is divided into the organizational development session in the first half of a year and a personnel development session in the second half. The agenda at the organization development session include defining core organizational competencies, analyzing world class capabilities and our gap with those levels, and establishing competency development plans. The personnel development session involves defining competency levels to secure capabilities of core talent, evaluating business leader and key talent abilities, and establishing competency development goals. LG Electronics is striving to build a future filled with professional and personal development opportunities by carrying out consistent and long-term plans devised at each session.

LEADERSHIP PROGRAMS

● Fostering Business Leaders

LG Electronics is grooming business leaders who will take charge of our global operations. Individual abilities of business leaders (head of business unit and subsidiary) are evaluated at the personnel development session. Top executives take part in formulating the competency development plans which are used to implement specialized training programs. High-potential leaders who have excelled in such areas as PBL (Product Business Leader), Action Learning and high-risk tasks including deficit-ridden or new businesses and who have proven their talent in leadership programs are included in a group of CEO candidates.

◎ PBL IMPLEMENTATION PROCESS



● Key Talent Development

Our Leadership Pipeline was created as a long-term framework for personnel development aimed at securing competent employees in key functions. In line with our localization strategy, we place high priority on hiring and grooming local talents. The selected key talents undergo various job training (receive challenging tasks, dispatched to overseas offices, job rotation, etc) and receive such educational opportunities as in-class/action learning courses (for subsidiary leadership candidates) and domestic and overseas MBA programs.

● Expert Training

LG Electronics offers various in-house educational programs customized to foster experts in each function.

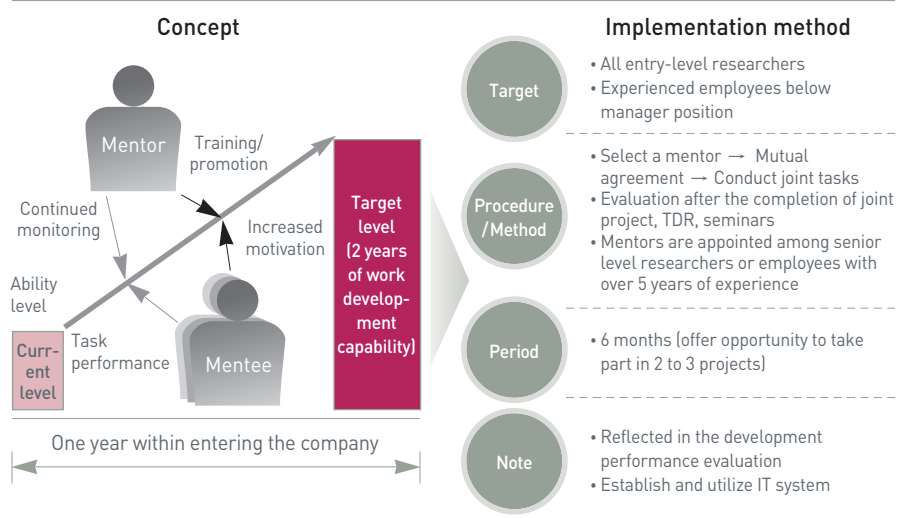
To help our R&D staff reach their full potential, we offer the Techno MBA program and dispatch 100 employees to overseas master/doctoral degree programs every year. In addition, S/W Expert Program and S/W College help train software specialists, while the mentoring system is offered for fast track induction of R&D recruits.

To strengthen marketing capabilities, the Marketing College and Purchasing College courses are open throughout the year. LG Group-level HR College and Accounting College are available to enhance overall human resources capabilities.

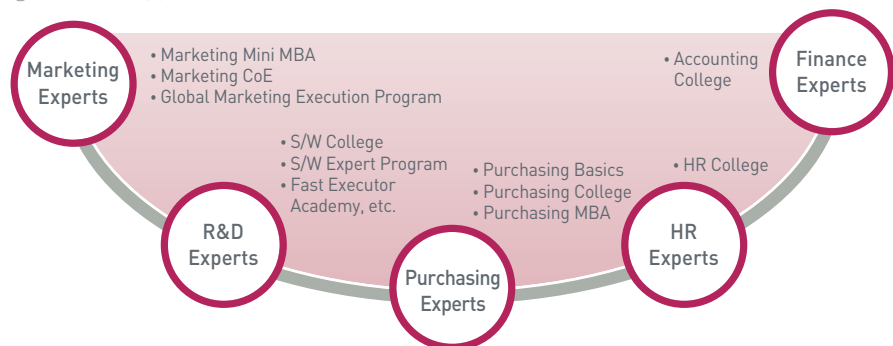
◎ MBA PROGRAM

	Course	Educational Institution & Period	No. of people selected [annual]
Overseas Program	Top MBA	• Centered on Global Top 20 ranked schools (1 year)	Approx. 30
	Techno MBA	• MIT/UIUC and other partner universities (1 year)	
Domestic Program	LG MBA	• Hosted by LG Academy	Approx. 70
	LG EMBA	• 10-11 months	
	LG Techno MBA	• Weekends	
	EMBA DGM	• Helsinki Univ. partnership/weekends (1 year)	
	T-Bird EMBA	• Thunderbird Univ. partnership/ 1 week a month training camp (14 months)	

◎ MENTORING PROCESS FOR NEW EMPLOYEES



◎ EXPERT PROGRAM



◎ TRAINING HOURS PER EMPLOYEE

	[Unit: hour]
2005	119
2006	96
2007	92

※ Global Best: 44.3 hours
Source: American Society for Training & Development Annual Review 2006

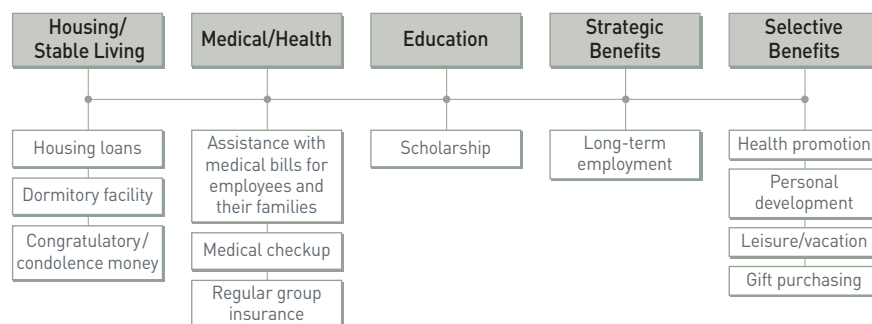
◎ EDUCATIONAL EXPENSES

	[Unit: KRW billion]
2005	37.6
2006	39.7
2007	41.4

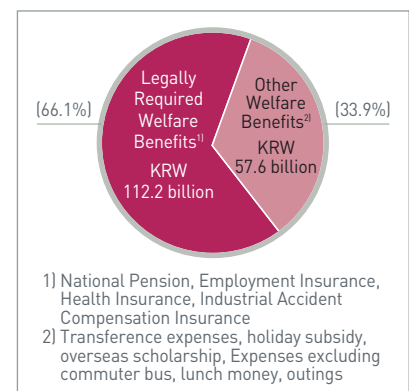
Benefits and Welfare

LG Electronics provides systematic support to our people with the 'life assistance welfare program' which allows employees to enjoy enriching, energetic and stable lives. A number of other benefits are also available to assure employee health and safety. We plan to introduce a selective welfare program in July 2008. The selective system grants specific points to employees who can use them on programs of their choice. Compared to the existing welfare system which offers arbitrary benefits, our innovative program is expected to take employee satisfaction to the next level by effectively reflecting employee needs to deliver competitive benefits.

◎ BENEFITS AND WELFARE PROGRAM



◎ 2007 WELFARE BENEFITS



Working Environment

ENERGY, ENVIRONMENT, SAFETY, HEALTH (EESH) COMMITTEE

LG Electronics' worksites operate an EESH Committee, a labor-management consultation body dedicated to creating a safe working environment. The goal of the committee is attaining the four Nos (No-pollution, No-loss, No-accident, No-illness).

HEALTH AND SAFETY PROGRAM

We take a proactive and systematic approach to reducing the risk of health and safety related workplace accidents. Our initiatives include a safety awareness week organized twice a year in the summer and winter. On the third of every month, union members and the person in charge of safety conduct a joint safety inspection to remedy any safety problems. We are raising employee awareness of health issues through regular training programs. In an effort to promote prevention of safety accidents, we hold an exhibition displaying various cases of workplace injuries. We are also committed to creating pleasant working conditions by conducting in-depth reviews of our workplace environment twice a year. The results are reported to the Ministry of Labor and improvement measures implemented to enhance employee productivity.

◎ COMPOSITION OF EESH COMMITTEE

Employee members

- Head of labor union
- More than 1 honorary industrial safety supervisor designated by employee representative
- 9 or fewer employees from applicable worksites designated by employee representative

Employer members

- Head of applicable worksite (most senior officer of the worksite)
- Safety manager
- Health manager
- 9 or fewer employees designated by the head of worksite

◎ INJURY RATE AND LOST-TIME INJURY FREQUENCY RATE

Company	Workplace Injury Rate		Lost-time Injury Frequency Rate	
	2006	2007	2006	2007
LG Electronics	0.03	0.04	0.06	0.05

※ 1) Workplace injury rate and lost-time injury frequency rate are all limited to work-related accidents

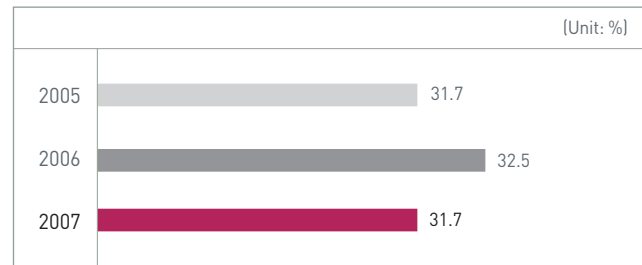
2) Frequency rate: Number of accidents occurred per 1 million work hours a year.
Number of injuries/ Total working hours (2,400 hours) × 1,000,000

Labor-Management Culture

FREEDOM OF ASSEMBLY AND COLLECTIVE BARGAINING

LG Electronics guarantees the freedom of assembly and collective bargaining in accordance with the laws of Korea. All LG Electronics employees are eligible for labor union membership with members retaining the rights to organize and run the union. As of the end of December 2007, nine union chapters are located at nine LG Electronics worksites and all chapters are represented by a main union. Union members have election and voting rights, with union leaders being chosen via anonymous, direct and confidential ballots, thus ensuring complete autonomy from the company.

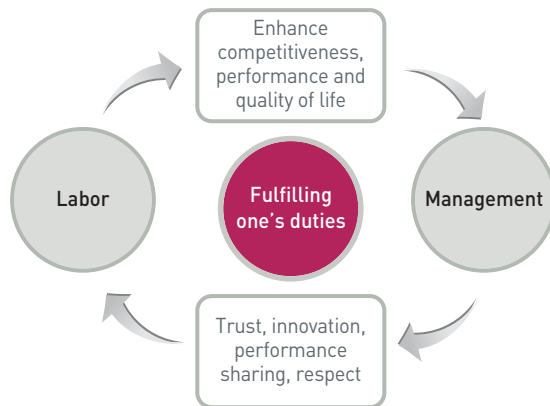
◎ RATIO OF LABOR UNION MEMBERS



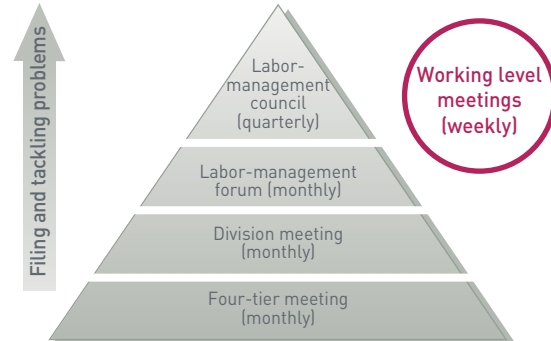
PROGRAMS TO IMPROVE LABOR-MANAGEMENT RELATIONS

LG Electronics has a long-standing tradition of labor-management harmony. Our quarterly companywide Labor-Management Council plays a pivotal role in maintaining trust between the two sides. In addition, the labor-management council in every worksite helps facilitate internal communication and create a foundation for mutual cooperation by ensuring all issues raised are resolved promptly.

◎ LABOR-MANAGEMENT RELATIONS AT LG ELECTRONICS



◎ LABOR-MANAGEMENT COMMUNICATION STRUCTURE

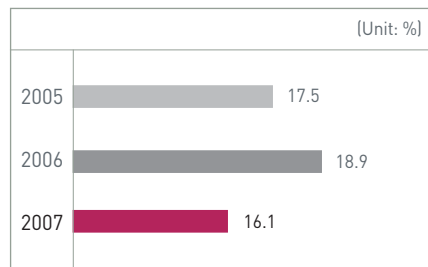


※ Labor-management relations: A new concept in labor-management relations pursued by LG Electronics under which the labor and management faithfully carries out their respective roles, based on mutual respect and trust, for joint value creation.

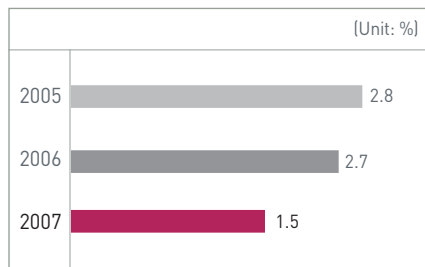
Employee Human Rights

The Labor Standards Act in Korea prohibits forced labor and labor by minors aged 15 or below, and Korea is a member of the International Labor Organization (ILO) and has ratified the ILO convention on child labor. As a corporate citizen serving Korea and the world, LG Electronics abides by these regulations on forced labor and employment of minors. We prohibit unfair treatment and discrimination based on a person's regional background, gender, age, religion or academic background. An employee who feels he/she is a victim of discrimination may express his/her view through the labor union or a variety of other mechanisms available within the company. A sensitive issue in the Korean workplace is gender discrimination related to hiring, promotion, pay, educational opportunity, and retirement. A major principle of HR management at LG Electronics is that we do not discriminate between men and women. Additionally, we are addressing the issue of sexual harassment with grievance procedures and education. At the global level, our overseas units comply with the laws and regulations of the respective country. Most of the overseas employees are of the ethnic origin of the local region.

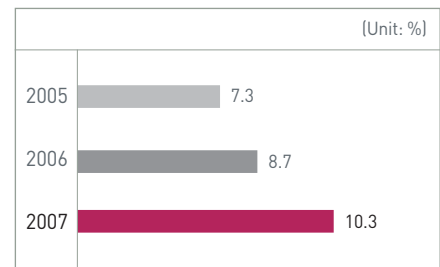
◎ RATIO OF FEMALE EMPLOYEES



◎ RATIO OF TEMPORARY EMPLOYEES



◎ RETIREMENT RATIO



※ 2005 retirement ratio excludes retirees from LG-Nortel split

Communication

Communication functions as the artery of an enterprise. At LG Electronics, there are various channels, both on-line and off-line, for smooth exchange of views and ideas between the levels and between peers.

IN-HOUSE MAGAZINE (Pride LG)

LG Electronics launched its first in-house magazine "GoldStar" in May 1967. For 41 years since then, the magazine has been a primary communication channel for employees. To mark the 40th anniversary of publication, the magazine shifted its focus to offer more business information to keep employees informed about company developments. It plays a pivotal role in promoting communication among our people all across the globe as the magazine is available in both Korean and English.

COMMUNICATION PORTAL SITE (EP Comm.)

In line with the growing popularity of on-line communication, LG Electronics launched a communication portal site open to all employees across the globe. The site called EP Communication offers news and information on company activities, messages from top managers including the CEO, and employees' ideas and opinions on new products and functions. Publication of daily and weekly newsletters also helps to deliver the CEO's management philosophy and key business issues to employees.

VIDEO COMMUNICATION

Video's influence is growing at a rapid pace as one of our most powerful communication channels. Using DVD titles, e-letters and in-house broadcasting service, key business messages such as the CEO's New Year's address are directly delivered to employees, helping them to gain a clear understanding about the company policies and strategies and contribute to maximizing business performance.

VOE (VOICE OF EMPLOYEE)

We conduct monthly VOE (Voice of Employee) polls to review the execution of improvement tasks identified through the LG Way survey. The poll also is a way for us to deliver employee voices to the management. Senior managers assess the poll to identify common employee interest and gauge progress to create an engaging and satisfactory working environment for our people.

LG WAY SURVEY

LG Way is our value system illustrating the company's management vision and action principles. In order to gain insight into how LG Way is being embraced by our employees, we conduct a LG Way survey once a year. The survey results help us to gauge employee satisfaction and provide input to company strategy development and execute improvement measures. The survey is vital to the company in pursuing actual change.

OPEN COMMUNICATION ACTIVITIES

Top-direct communication activities take place in a variety of forms such as special lectures, conferences, and field visits. They enable employees to sufficiently understand the company's operations and conditions, while allowing the management levels to identify and address employees' views and demands in a timely manner. This interchange helps build a foundation that allows workers to fully concentrate on producing results. Meanwhile, we are enhancing effectiveness of open communication with our list of '7 don'ts.'

7 Don'ts for Leaders Things to remember in Open Communication

-  Changing the schedule without prior notification
-  Talking excessively (Self-praise)
-  Interfering while others are speaking
-  Comparing the participants with others
-  Making comments on private issues of participants
-  Ignoring the comments/suggestions
-  Investigating on the questions/suggestions

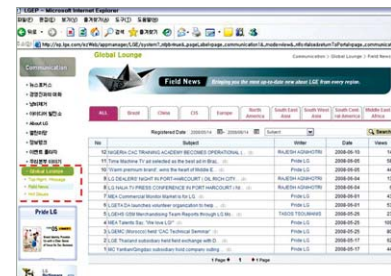
OPEN COMMUNICATION ACTIVITIES (2007)

Category	Korea	Overseas	Average
Head of business units/divisions/CEO	4.7	4.1	4.3
Executives	2.3	1.8	2.2

※ Monthly average of Open Communication per employee

GLOBAL LOUNGE

Of the LG Electronics' 82,000 staff worldwide, employees at our overseas affiliates account for 60% of the total number. In an effort to help them understand current company status and share regional news, we offer an on-line communication channel called the Global Lounge. In addition, weekly CEO messages as well as important news and information are emailed to all our employees on a regular basis.



No.	Registered Date	Subject	Status	Date	Views
14	2008-05-15	14 LG Electronics CEO Message: ACCELERATE RESEARCH & DEVELOPMENT	Public	2008-05-15	14
13	2008-05-15	13 LG Electronics CEO Message: ACCELERATE RESEARCH & DEVELOPMENT	Public	2008-05-15	13
12	2008-05-15	12 LG Electronics CEO Message: ACCELERATE RESEARCH & DEVELOPMENT	Public	2008-05-15	12
11	2008-05-15	11 LG Electronics CEO Message: ACCELERATE RESEARCH & DEVELOPMENT	Public	2008-05-15	11
10	2008-05-15	10 LG Electronics CEO Message: ACCELERATE RESEARCH & DEVELOPMENT	Public	2008-05-15	10
9	2008-05-15	9 LG Electronics CEO Message: ACCELERATE RESEARCH & DEVELOPMENT	Public	2008-05-15	9
8	2008-05-15	8 LG Electronics CEO Message: ACCELERATE RESEARCH & DEVELOPMENT	Public	2008-05-15	8
7	2008-05-15	7 LG Electronics CEO Message: ACCELERATE RESEARCH & DEVELOPMENT	Public	2008-05-15	7
6	2008-05-15	6 LG Electronics CEO Message: ACCELERATE RESEARCH & DEVELOPMENT	Public	2008-05-15	6
5	2008-05-15	5 LG Electronics CEO Message: ACCELERATE RESEARCH & DEVELOPMENT	Public	2008-05-15	5
4	2008-05-15	4 LG Electronics CEO Message: ACCELERATE RESEARCH & DEVELOPMENT	Public	2008-05-15	4
3	2008-05-15	3 LG Electronics CEO Message: ACCELERATE RESEARCH & DEVELOPMENT	Public	2008-05-15	3
2	2008-05-15	2 LG Electronics CEO Message: ACCELERATE RESEARCH & DEVELOPMENT	Public	2008-05-15	2
1	2008-05-15	1 LG Electronics CEO Message: ACCELERATE RESEARCH & DEVELOPMENT	Public	2008-05-15	1

Global Lounge

ENERGY AND CLIMATE CHANGE

Awareness and Countermeasures

LG ELECTRONICS' AWARENESS OF CLIMATE CHANGE

As a generator of a large amount of greenhouse gases (GHG), LG Electronics is committed to establishing clear operational accountability and delivering environmentally sustainable solutions. We meet this commitment with a wide range of actions aimed at minimizing direct and indirect GHG emissions through workplace GHG reduction technology innovations and greater energy efficiency of our products.

OUR ACTIONS

● Reducing GHG Emissions from Operations

We are meeting our social responsibility as a global company through proactive and voluntary compliance with various regulations with a gradual reduction of greenhouse gas emissions at our business sites worldwide.

● Reducing GHG Emissions during Product Use

To decrease GHG emissions during product use, we are raising the proportion of high-efficiency products through ongoing technology innovation. At the current stage, a 5-year TRM (Technology Roadmap) for high-efficiency development has been set up for each product. This will enable us to cut down on indirect greenhouse gas emissions. LG Electronics continuously provides product user guidelines on energy saving and educate them on the importance of minimizing impact on the environment. Our goal is to build a low-carbon business environment by the year 2012 to take greater global leadership on climate change.

● Developing New & Renewable Energy Technology

Our Digital Appliance Division has been leading the world home air conditioner market for the last seven years. Harnessing its 40-year expertise, the unit introduced a newly conceptualized air-conditioning and heating system, the "Hybrid XEO" in April 2007. This environmentally-friendly system consumes less energy than conventional cooling or heating systems that use electricity or gas, and emits no direct greenhouse gases. Separately, we developed the hybrid COGEN which effectively responds to international environmental regulations. The hybrid system reduces greenhouse gas emissions by about 30% thanks to heightened energy efficiency. By concurrently generating heat and electricity, it leads to 32% in energy savings compared to existing systems. Also in 2007, LG Corporation-led solar cell business unit was launched to build the 10 megawatt solar-light system in Korea. The GHG free solar-light generation system is expected to drive dramatic reduction in greenhouse gas emissions from electricity generation.

PLANS & GOALS

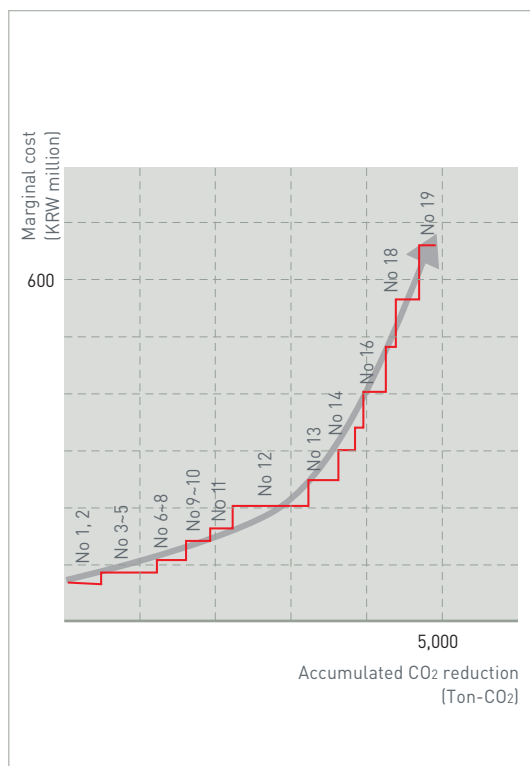
● Reducing Worksite GHG Emissions

As of 2007, LG Electronics operates a total of 36 production facilities worldwide (9 in Korea and 27 overseas). At present, we have completed building greenhouse gas emission inventory at one domestic facility (Cheongju) in accordance with standard international procedures. Moving forward, we plan to create GHG inventories at all our worksites including overseas worksites by June 2009.

Majority of our worksite GHG emissions are from two sources- direct GHG emissions from burning fossil fuels during the production process and indirect emissions from the use of external energy sources such as purchased electric power. To reduce emissions, we have implemented diverse initiatives to improve efficiency in the production process and installed energy generating equipment at each worksite. Such activities have helped Changwon Plant cut its emissions by approximately 5,000 tons in 2007. (Refer to diagrams below)

When GHG inventories in the domestic worksites are completed by the end of August 2008, we plan to initiate an integrated greenhouse gas management system for a companywide GHG emissions reduction program.

◎ CASE OF ENERGY CONSERVATION IN CHANGWON PLANT (2007)



No	Item	Energy Source	CO ₂ Conversion	Investment (KRW mil)
1	Energy saving competition	LNG	372	0
2	KEPCO power contract incentive	Other	150	0
3	Air conditioner time and demand control	Electricity	102	2
4	Coolant system optimization	Electricity	297	3
5	Air pressure optimization	Electricity	521	5
6	Use of inverter pump	Electricity	32	6
7	Eliminating plant steam supply losses	LNG	246	8
8	Using customized transformer for electricity inspection	Electricity	153	10
9	Cleaning by ventilation facility condenser company	Electricity	225	10
10	Steam recovery	LNG	167	16
11	Nighttime fork-lift charging	Other	0	30
12	Use of waste hot water for cooling and heating without supplying steam	LNG	193	50
13	Supplying hot water using boiler wastewater	LNG	495	50
14	Energy patrol	Electricity	1,250	50
15	Integrate boilers considering external load	LNG	72	53
16	Improve boiler efficiency using air pressure waste heat	LNG	365	66
17	Use of emergency underground water as industrial water	Other	0	70
18	Change the production line spot heating system	LNG	244	80
19	Non-purge air dryer	Electricity	174	90

● Plans to Raise Energy Efficiency

Electronics goods have the characteristic of emitting greater amount of greenhouse gases while in use rather than during the manufacturing process. Recent climate change has resulted in increase in use of cooling and heating facilities. Combined with growing demand for digital TVs, GHG emissions are expected to rise even further. At LG Electronics, we are working to reduce emissions by placing top priority on developing high-efficiency products to lower energy consumption during product use.

Currently, all our products comply fully with global regulations of power consumption and standby power such as EuP, Energy Star, Energy Labeling, and MEPS. Recently, energy efficiency of electronic products is a primary request to manufacturers for reducing greenhouse gases with active application of many environmental regulations. LG Electronics is coping with reinforced environmental regulations by establishing a roadmap of technology development by 2012. Moving forward, we plan to obtain top energy efficiency ratings for other product lineups to secure competitiveness and reduce our products' carbon footprint.

● Pilot Certification for Carbon Labeling



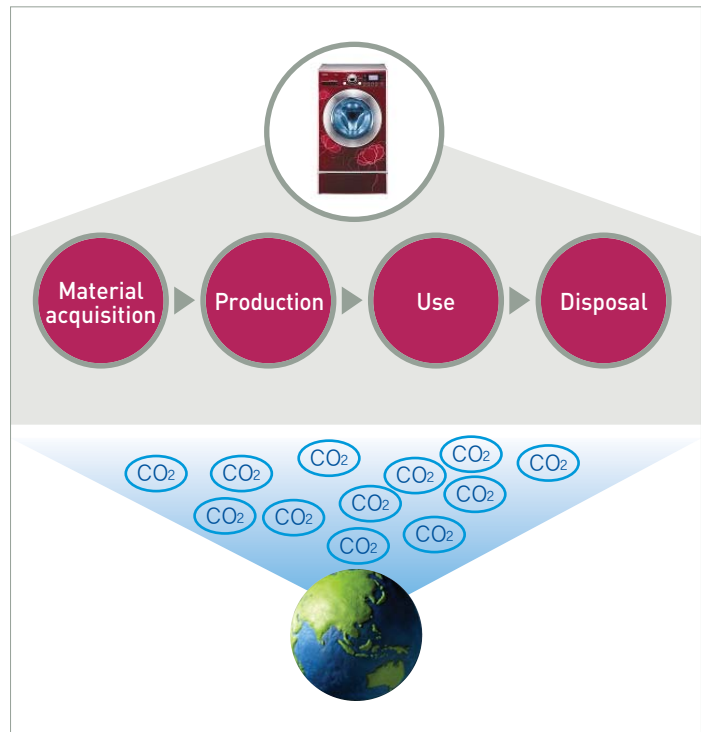
LG Electronics has selected its front loading washing machine for the pilot certification program. We will transparently reveal the amount of greenhouse gases generated throughout the washer's life cycle and receive certification from the authorized agency. In doing so, we will help to spread the practice of buying low carbon products among consumers. The emission information will be used as reference material for our ongoing drive to supply low carbon products.

We plan to expand our supply of low carbon products to give consumers the opportunity to play their part in addressing climate change. We also plan to assess and reveal the amount of greenhouse gas emissions for other electronic appliances we produce.

LG Electronics will step up development of low carbon products by sharing information on greenhouse gases with consumers. We will also do our best to provide consumers with the opportunity to participate in efforts for energy conservation.

Carbon labeling is an initiative led by the Ministry of Environment whereby greenhouse gas emissions generated throughout a product's life cycle are revealed to consumers in a bid to encourage the purchase of low carbon products and reduce greenhouse gases. The ministry is carrying out pilot certification from July to December of 2008 ahead of the system's implementation in 2009. As an active supporter of efforts to cut greenhouse gas emissions, LG Electronics is participating in the pilot process.

● CO₂ EMISSIONS THROUGHOUT PRODUCT LIFE CYCLE

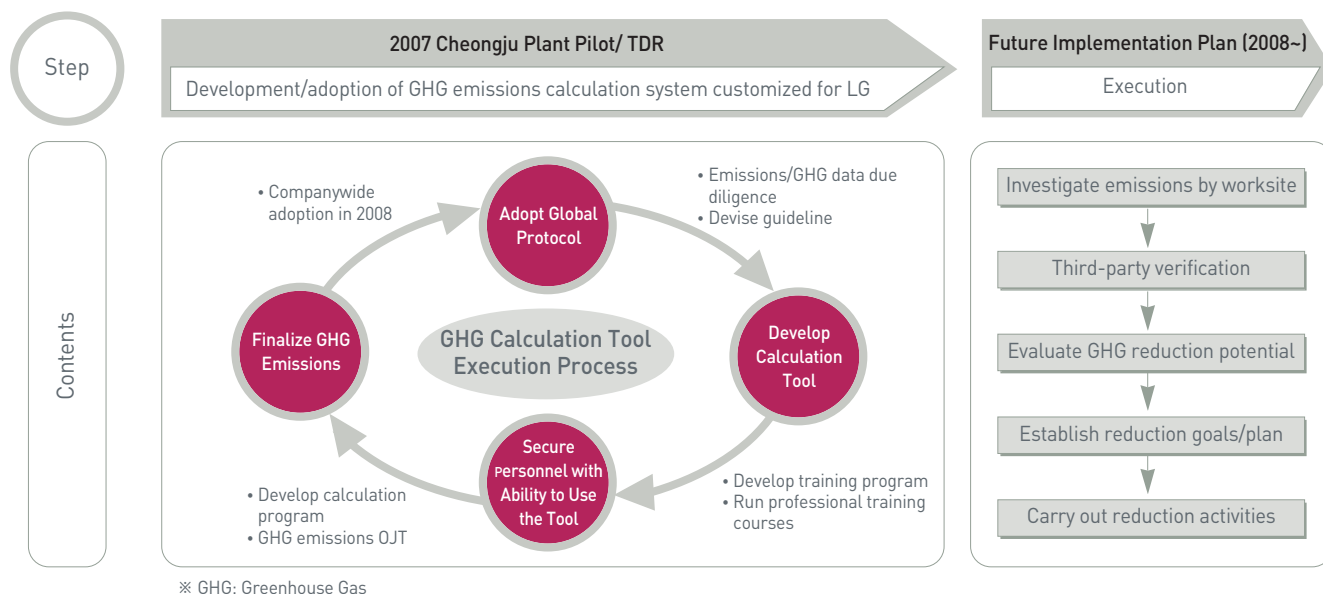


GHG Emissions Reduction Program & Achievements

GHG EMISSION REDUCTION PROGRAM PER WORKSITE

At Cheongju Plant, only a third-party verification remains before completing the GHG inventory while other plants are calculating emissions by energy source such as electricity, gas, oil and steam. In 2007, Cheongju Plant's GHG inventory was created by following the procedure illustrated below.

◎ CREATION OF GHG INVENTORY AT CHEONGJU PLANT



The Cheongju Plant is comprised of two factories. The No. 1 factory includes the RMC facility which produces video tapes and cassettes and the PCB (Printed Circuit Board) manufacturing facility. The N/W facility for information technology related products is located in the No. 2 factory. The Cheongju Plant's GHG inventory details all greenhouse gas emissions from these two factories, including such items as emission from fixed combustion facility (boiler, emergency generator, etc), mobile combustion facility (vehicles), dischargers (ventilator, fire extinguisher, etc) and emissions generated from purchased electricity and steam.

The plant closely monitors emissions of Kyoto Protocol-defined six major greenhouse gases (CO₂, CH₄, N₂O, HCFCs, PFCs, SF₆). In addition, such gases as CFCs, HCFCs and Halon (known contributors to global warming that haven't been defined as greenhouse gases under the Kyoto Protocol) are under strict supervision as optional information.

◎ GREENHOUSE GASES UNDER SUPERVISION AT CHEONGJU PLANT

Greenhouse gases		Emission source
Carbon Dioxide	CO ₂	Boiler, emergency generator, vehicles, GHG fire extinguisher, automated fire extinguishing facility
Methane	CH ₄	
Nitrous Oxide	N ₂ O	
R-134a	C ₂ H ₂ F ₄	High pressure turbo
R-123*	HCFC-123 CHCl ₂ CF ₃	Low pressure turbo
R-11*	CFCl ₃	
R-22*	HCFC-22 CHF ₂ Cl	Screw, air conditioner
Halon*	CF ₃ Br CF ₂ ClBr CHCl ₃	automated fire extinguishing facility, fire extinguisher

※ *GHG not defined under the Kyoto Protocol

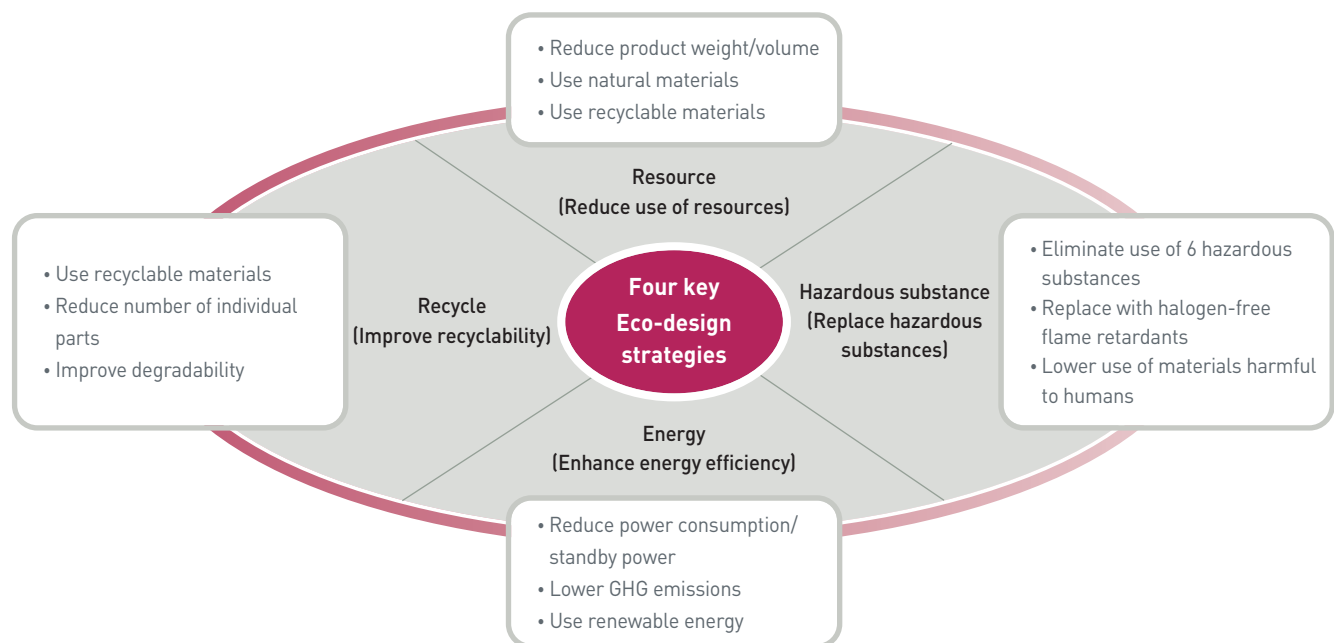
DEVELOPMENT OF GREEN PRODUCTS

Green Product Development Strategy

As the first company in Korea to declare a “Cleaner Environment” in 1994, LG Electronics has a decade-long track record of environmental stewardship. As our guiding principles, we have established four key eco-design strategies - replacing hazardous substances, enhancing energy efficiency, improving recyclability and reducing use of resources.

Moreover, the Environmental Strategy Team has been newly organized under the CTO to be in charge of such tasks as discovering new businesses to reduce GHG emissions and developing technologies for bio plastic production and hazardous substance replacement.

◎ FOUR KEY ECO-DESIGN STRATEGIES



REPLACING HAZARDOUS SUBSTANCES

● Hazardous Substance Management System

In order to check if the parts and materials from outside sources contain hazardous substances, the company has installed XRF (X-ray Fluorescence) equipment in its foreign and domestic workplaces and subsidiaries. Parts and materials which seem to contain such substances should be monitored precisely in the process of mass production.

The system requires suppliers to register hazardous substance information such as homogeneous material data analysis at the initial development stage to eliminate harmful materials from filtering into individual parts.

● Hazardous Substance Analysis Lab

The Environmental Strategy Team operates the hazardous substance analysis lab fully equipped with precise instruments such as ICP, IC, GC-MS, HPLC and VOC chamber. The lab is taking proactive steps to comply with global environmental regulations by formulating hazardous substance management standards through development and standardization of methods analyzing the growing number of substances of concern. Moreover, it supports the substitution of hazardous substances and performs green product verification by identifying and monitoring hazardous material concentration level in products and components.

In February 2005, the lab was certified as an official analysis center by the UL (Underwriters Laboratories), an international organization for product safety testing and certification in the US. Its precise analysis skills were also acknowledged by the German authority TÜV Rheiland, with official certification obtained in May 2006.



ENHANCING ENERGY EFFICIENCY

It is very important to enhance energy efficiency in that it not merely leads to cost reduction but can solve environmental problems such as global warming and exhaustion of natural resources. LG Electronics is taking actions to minimize power consumption in all modes of product use (on-mode, standby mode and off-mode).

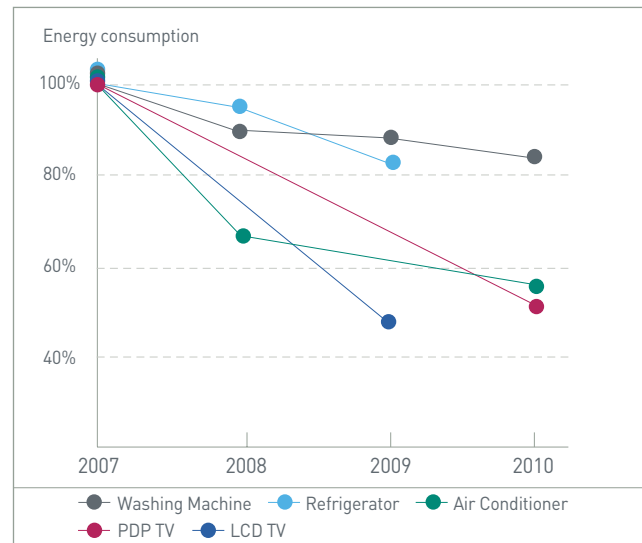
● On-mode Energy Efficiency

Global warming and growing on-mode power use have led to greater consumer demand for on-mode energy efficiency. Given the need, LG Electronics has mapped out 2010 energy consumption targets for each product comparative to 2007 levels and is working to attain the goal by implementing detailed action plans.

◎ ACTION PLAN PER PRODUCT GROUP

Product	Action Plan
Washing Machine	• Adopt Super Heated Steam Method
Refrigerator	• High-efficiency Inverter Linear Compressor
Air Conditioner	• Hybrid Heat Exchanger • Adopt Concentrated Winding Inverter Technology
LCD TV	• High efficiency LED BLU (Back Light Unit)
PDP TV	• Improve Module Efficiency

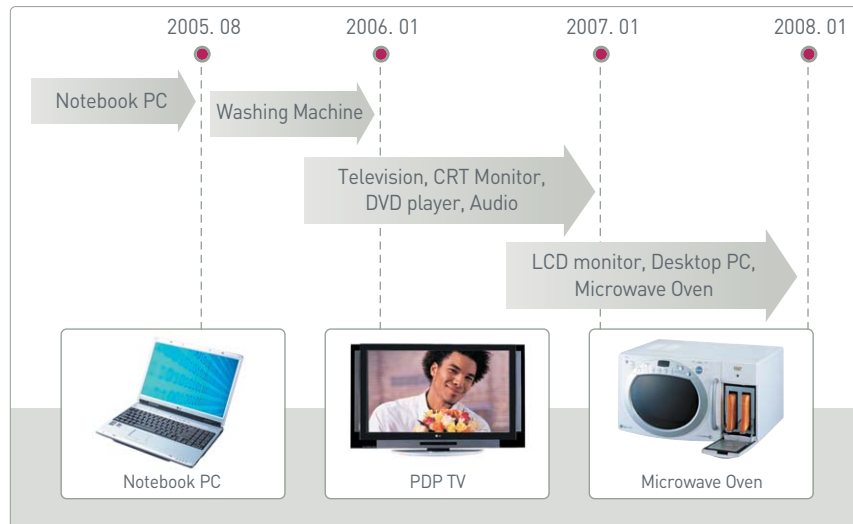
◎ TECHNOLOGY ROAD MAP FOR ENERGY SAVING PER KEY PRODUCT



● Standby Power

LG Electronics designs products to minimize their power consumption not only to boost energy efficiency, but also to reduce standby power which means the power consumed while an appliance is plugged in but not in use. Our plan to reduce standby power to one watt or lower has been set up since August 2005. We already designed many products such as washing machines and LCD TVs which satisfy the plan.

ROAD MAP FOR STANDBY POWER 1W PROGRAM



[Unit: W]

Product	LGE Status
TV	0.3~0.9
Audio	0.8~0.9
DVD	0.6~0.8
Microwave Oven	~1.0
Cell Phone Charger	~0.3
Monitor	0.5~0.9
PC	0.7~1.0
Set-top Box	~0.7
Washing Machine	~0.3
Air-conditioner	0.8~2.3

IMPROVING RECYCLABILITY

LG Electronics is stepping up research efforts to make products more easily recycled to save resources and minimize electronic wastes. Product developers are also delivering tools and guidelines to enhance product recyclability. Moreover, we are working to improve execution capability by integrating the processes for evaluating and improving the recycling rate into the product development cycle.

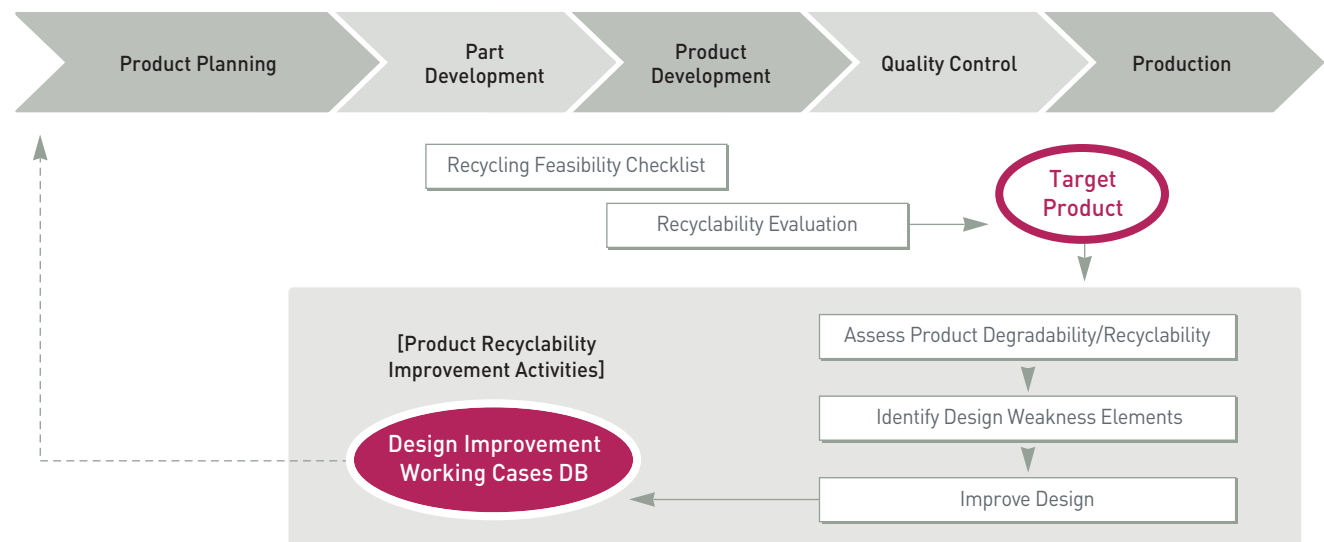
Design for Recycling

Our approach to environmental stewardship incorporates every stage of the product life cycle, starting from product concept and design. Relying on three major design strategies to make recycling easy and efficient, our product developers use tools such as checklists and improvement guidelines to evaluate products and find ideas to make our products environmentally sound.

3 MAJOR DESIGN STRATEGIES FOR IMPROVED PRODUCT RECYCLABILITY

- Design that considers easy identification of and accessibility to parts
- Design that considers easy disassembly of parts
- Design that considers reusability of materials

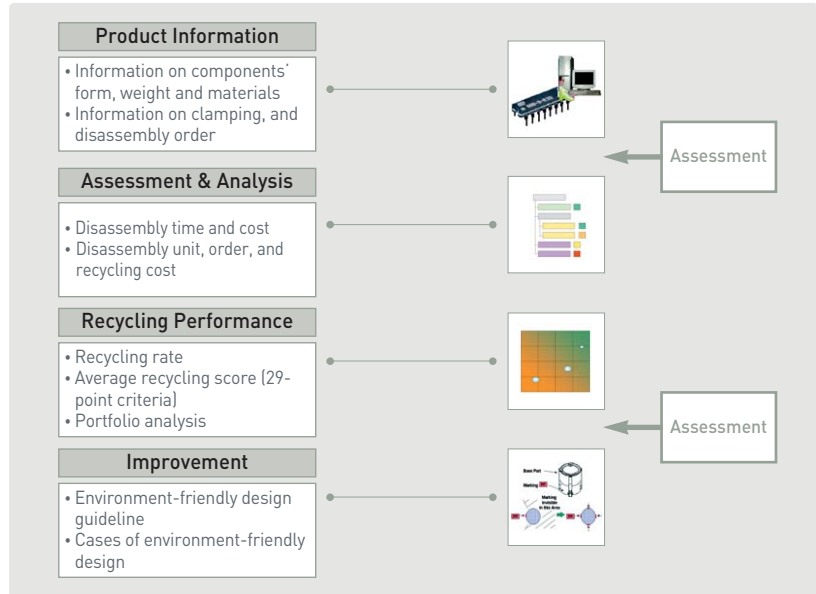
INTEGRATING PROCESS TO IMPROVE RECYCLABILITY INTO THE PRODUCT DEVELOPMENT CYCLE



● Product Recyclability evaluation tool (ATROiD)

In order to lessen the environmental impact of our products during recycling and disposal stages, we partnered with Braunschweig University of Germany to develop Korea's first eco-design software, ATROiD. The software performs analysis and assessment of product recyclability and degradability at the design stage and offers improvement ideas.

◎ ATROiD SYSTEM



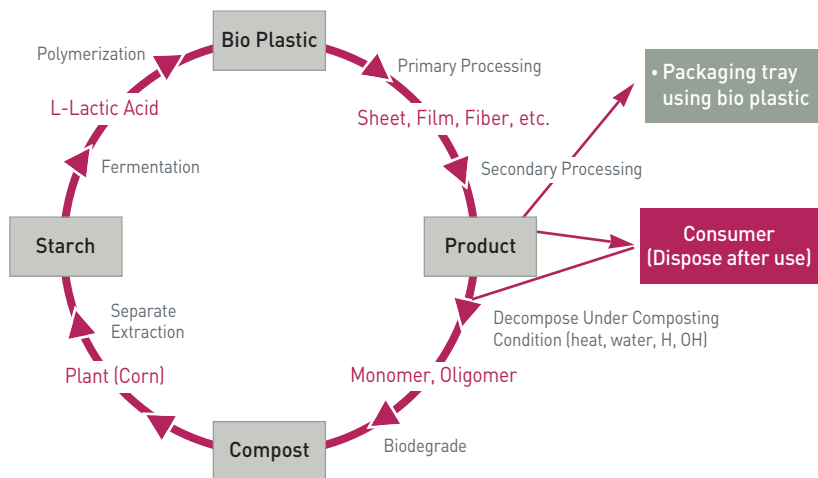
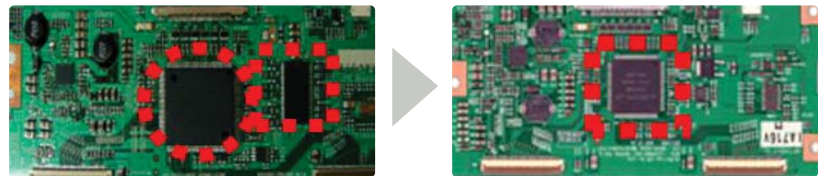
REDUCING USE OF RESOURCES

Reducing a product's overall weight and volume minimizes the use of valuable resources. To that end, we are pursuing optimization of parts design and development of multifunctional integrated circuit components. To address the global challenge of resource exhaustion, we are investing in research and development to incorporate bio plastic technology and recycled materials in our products.

Moreover, fusing two core components with two different functions into one will not only reduce the size of printed circuit board, requiring less material, but ultimately reduce the overall weight and volume of a product.

We are leveraging bio plastic production technology using corn starch extracts to make our products and packaging materials more eco-friendly. Biodegradable plastic made with corn starch is a non-toxic material with unlimited supply that will play a pivotal role in substituting petroleum resources in danger of depletion and protecting our planet.

◎ EXAMPLES OF PARTS INTEGRATION

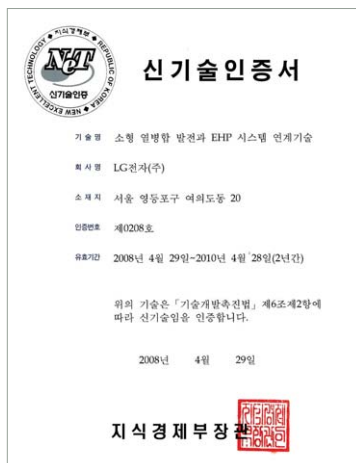
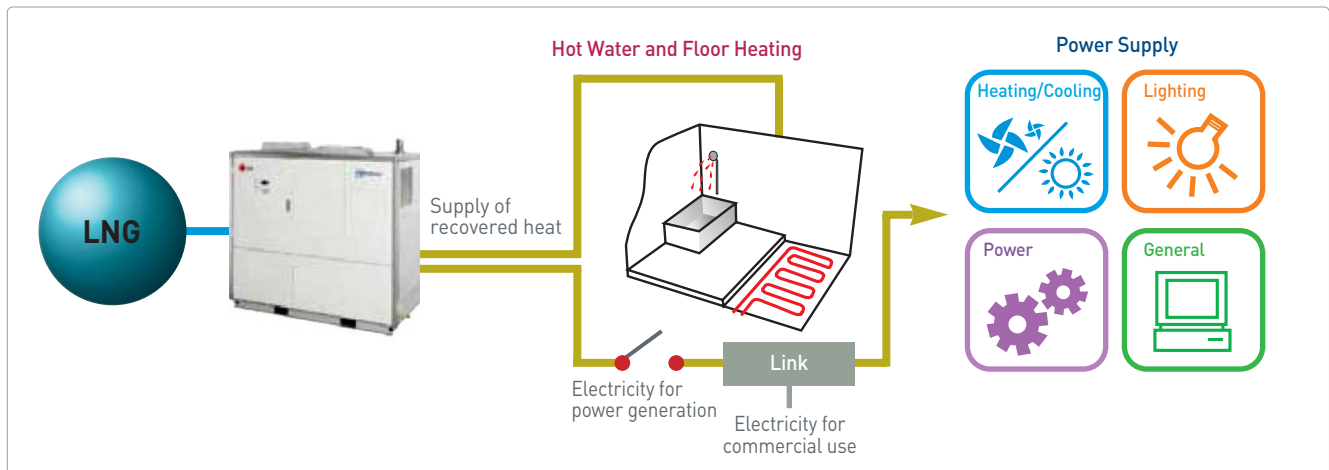


ENVIRONMENTALLY-FRIENDLY HYBRID COGEN

LG Electronics has developed a high-efficiency energy system that uses recovered heat and produces heat and electricity using a generator with liquefied natural gas (LNG) serving as the fuel. The hybrid COGEN contributes to reducing the peak load in summer and resolving the seasonal energy imbalance resulting from summer demand for cooling. The hybrid system also satisfies international environmental regulations as it lowers carbon dioxide emission by 30% compared to existing systems.

Our environmentally-friendly cogeneration solution received the New Excellent Technology (NET) certificate from the Minister of Knowledge Economy at the NET certificate awarding ceremony held at the premises of the Korea Industrial Technology Association in April 2008.

◎ HYBRID COGEN FLOW DIAGRAM



NET Certificate



NET Certificate awarding ceremony



Green Procurement

LGE GREEN PROGRAM (LGE GP)

Joint efforts are essential to reduce hazardous substances. Through its Green Program, LG Electronics purchases environmentally-friendly materials and parts. LG Electronics, its partners and its overseas production subsidiaries are required to acquire LGE GP.

To help our suppliers better respond to the LGE Green Program, we distribute the 'product environmental regulation response manual,' 'RoHS-designated 6 major harmful substances management standards' and other related materials via on-line and off-line channels. The LGE GP's goal is as follows:

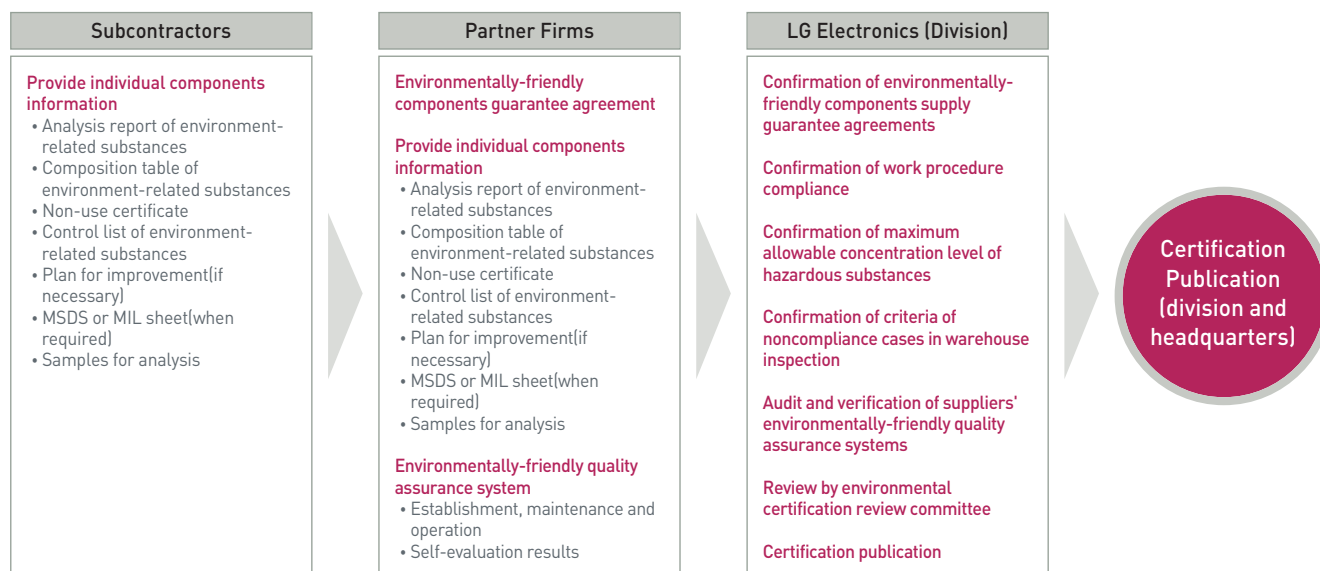
- Comply with national and global hazardous substance-related regulations and provide environmentally-friendly products to customers.
- Prevent the use of hazardous substances, reduce environmental loads and improve environmental performances from raw material and part production phase.
- Enhance environmental consciousness at LG Electronics and our suppliers.

● LGE GP Certification Standards

All individual components, raw materials, packaging materials and supplementary materials supplied to LG Electronics must satisfy our rigorous requirements on maximum allowable concentration level of harmful substances. In addition, LGE GP certification is issued only when our partner firms meet our standards on organizing appropriate operational bodies and establishing a green product quality assurance system.

Product	Environmental Management System	Hazardous Substances & Product Management System		Validity Period	
		Hazardous Substances	Materials/Products	Follow-up Management	Renewal Review
Scores	30 points	40 points	30 points	1 years	2 years
Certification standards	Over 80 points (over 42 points for mandatory items)				
Targets	All partner firms supplying products, components, raw materials and supplementary materials to LG Electronics				

◎ GREEN PROGRAM CERTIFICATION PROCEDURE



● LGE Green Program IT System

LG Electronics launched the LGE Green Program IT System in September 2006. Its mission is to manage and monitor all certification related tasks and data via the Web. These include partner firm information, certification reviewer registration, inspection plan, checklist, self evaluation, reviewer allocation, inspection, inspection results and certification issuance. All hazardous material analysis data are registered and monitored via the hazardous substance information system opened in March 2007. Work related to approval of newly developed components is based on this system.

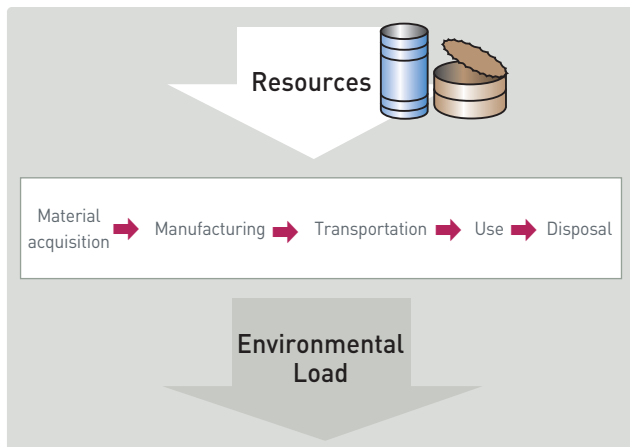


Eco-Design

Eco-design is an environmentally-friendly technique to minimize the environmental impacts of products by taking into account not only the cost and quality, but also environmental aspects in all life cycle stages (e.g. material acquisition, manufacturing, transportation, use, and disposal). Since establishing environmentally-friendly product design guidelines in 2003, LG Electronics has combined the product design process with the new eco-design process which includes a series of activities such as preparing eco-design checklists for designers and establishing eco-design guidelines. The Eco-Index™, LG Electronics' unique performance management index comprised of eco-design evaluation items, has been developed for the purpose of overseeing environmental targets and performance.

LIFE CYCLE ASSESSMENT

For eco-design, LG Electronics introduced the Life Cycle Assessment (LCA) in 1995. Through LCA, we evaluate environmental load quantitatively. By doing so, we draw an optimal way to improve products from the environmental aspect with minimum amount of effort.



◎ LIFE CYCLE ASSESSMENT IT SYSTEM FOR DESIGNERS



ECO-DESIGN CHECKLISTS

LG Electronics' product development process is unique in that experts from relevant departments take part in the review process at the end of each development stage to address any identified problems before moving on to the next stage. The same rule also applies in reviewing the environmental impact of our products. We have developed checklists for inspection in order to secure eco-responsibility. Developers make a final confirmation according to the checklists before proceeding to the next development phase.

ECO-INDEX™

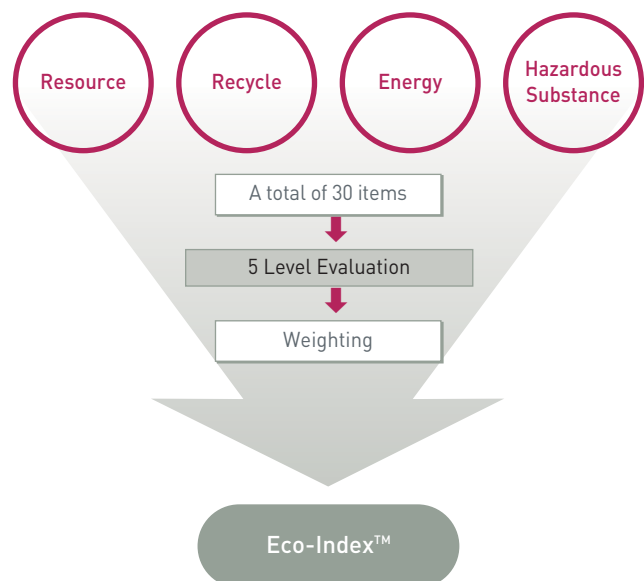
LG Electronics developed the Eco-Index™ which evaluates how well eco-design has been executed in our products through a numerical value. The index is integrated into the development process of all products to give developers directions toward eco-design at the product development stage. It also helps us in assessing our products' environmental performance.

The Eco-Index™, is used as a criteria for granting the LGE Eco-mark certification. Every Eco-Index™, evaluation criterium takes into account the environmental impact of a product. To ensure effective index calculation, we assign weightings according to the characteristics of each product group.

Scope	Scores	Detailed criteria (total 30)
Resource consumption	20 points	Weight, volume reduction, etc
Reuse	20 points	Weight of the recyclable parts, the number of bolts, etc.
Hazardous substances	25 points	PVC / BFR substitute , VOC reduction
Energy	20 points	Standby power, GHG emissions
Others	15 points	Packaging material, noise, etc

※ Scores in each scope may change according to a product group's characteristics

◎ ECO-INDEX™ ASSESSMENT & INDEXATION DIAGRAM



Eco-Labeling

LG Electronics obtains eco labels from Korea Eco-Products Institute to participate in government's priority purchasing program. We are stepping up efforts to win worldwide environmental certifications with a particular focus on the North American market. Meanwhile, we are introducing more products with eco labels to meet consumers' growing demand for green products.

DOMESTIC ECO-MARK (TYPE I)

The eco-mark is awarded to products that reduce environmental impact during the manufacturing and consumption stages and save resources. The label is designed to help companies deliver accurate environmental information about a product to



consumers and to encourage development and production of green products. LG Electronics products awarded with the eco-mark are as shown at the right table.

ECO-MARK AWARDED PRODUCTS

Product Group	No. of Products
Desktop PC	25
Notebook PC	38
Projector	2
Air conditioner	7
Air cleaner	5
Monitor	19
TV	16

EPEAT

EPEAT (Electronic Product Environmental Assessment Tool) is a procurement tool in the US to help institutional purchasers evaluate, compare and select desktop computers and monitors based on their environmental attributes. The complete set of performance criteria includes 51 detailed items. EPEAT evaluates electronic products according to three tiers of environmental performance - Bronze, Silver and Gold. We received the Silver Mark for all its monitor models (13).



Bronze: Product meets all required criteria.



Silver: Product meets all required criteria plus at least 50% of the optional criteria

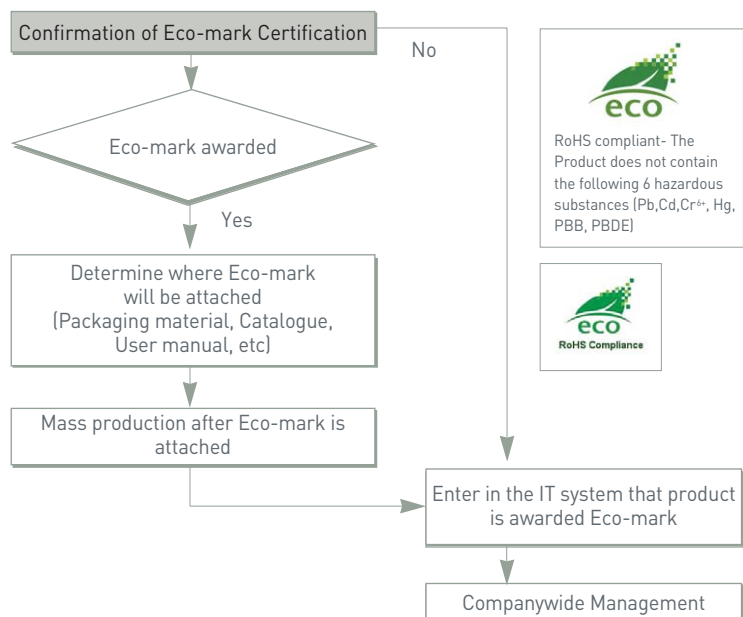


Gold: Product meets all required criteria plus at least 75% of the optional criteria

LG ELECTRONICS ECO-MARK

To promote environment-friendly products, LG Electronics implements its Environment Self-Declaration. Under the Self-Declaration, we developed our own eco-mark symbol and established environmental standards which reflected domestic and overseas environmental regulations as well as customers' needs for eco-friendly products. Among products that pass our strict Eco-Index standard, we award LGE Eco-mark to products that have been selected for environmental information disclosure as a part of our green marketing strategy. Our eco-mark is a visual symbol of a product's environmental friendliness.

LG ELECTRONICS' ECO-MARK CERTIFICATION PROCEDURE



ACTIVITIES IMPORTANT ENOUGH TO SHARE

We hear the sound of applause. It's inspiring us to do more.

LG Electronics has made huge strides in a short span of time.

We have grown into a world leader.

With every stride, our thoughts have also grown.

We think of the earth. We think of our neighbors.

We are toiling for the sustainable development of society.

We hear the sound of applause. It's inspiring us to do more.





ECONOMIC PERFORMANCE

Operating Results

OVERVIEW

2007 was a challenging year for LG Electronics due to a deteriorating external business environment stemming from exchange rate movements, rise in raw material prices and intensified competition in the global marketplace. In spite of such difficulties we were able to make significant progress in cost saving and improve productivity in all sectors of our operations including R&D, Marketing, Service and Corporate Support. This resulted in improvement or growth in sales from the previous year to KRW 23.50 trillion. Exports accounted for 72% of total revenue with KRW 16.98 trillion while domestic sales recorded KRW 6.52 trillion.

Overall, the year was highlighted by impressive progress in profitability. Operating income grew 6% from the previous year to KRW 564.60 billion while ordinary income surged 468% to KRW 1.49 trillion thanks to increase in equity method valuation gains from LG Display and overseas subsidiaries. Net income rose 411% over the previous year to KRW 1.22 trillion.

PERFORMANCE BY BUSINESS DIVISION

● Digital Appliance

Premium products enjoyed continued growth in the Korean and North American markets. Domestic sales grew 15% over the previous year due to increased sales of high-end brands such as Dios refrigerators and air conditioners, which helped to drive revenue growth of 7% to KRW 6.14 trillion. Despite unfavorable exchange rates and surging raw material prices, continued growth of premium brands boosted operating income.

● Digital Display

Flat panel TV prices started to drop rapidly in the second half of 2006 amid intensified competition focused on market leadership. Oversupply of PDP modules continued throughout the first half of 2007 and other negative factors led to a huge loss in the first half of the year. However, this division started to make a turnaround in the second half with narrowing losses on PDP and increased sales of flat panel TVs such as LCD TV. For fiscal year 2007, sales dropped 12% to record KRW 5.14 trillion.

● Digital Media

Successful launch of Super Blu Player laid the foundation for our next-generation HD-grade product business. However, the division reported a small operating loss for 2007 as a slowdown in demand for key products and drop in selling prices resulted in a slight decrease of revenues to KRW 2.71 trillion, down 1% compared to the previous year.

● Mobile Communications

Competitive products and strengthened internal capabilities were driving forces behind this division's healthy performance in 2007, as it recorded growth in both sales and earnings. Strong sales of best selling products such as Shine phone, Prada phone and Viewty phone and cost cutting activities led to operating profit growth and sales of KRW 9.57 trillion won, up 7% from the previous year.

※ Revenue of each business unit includes both external and internal sales.

KEY FINANCIAL RATIOS

Financial ratios including those for growth, profitability and stability showed significant improvement over the previous year. In particular, financial stability indicators improved markedly.

STABILITY

Category	Ratios		
	2005	2006	2007
Current ratio	76.5%	64.5%	63.9%
Debt-to-equity ratio	137.4%	122.9%	98.8%
Total borrowings to total assets	23.5%	18.7%	14.3%
Interest expenses to operating profit	4.6 times	3.6 times	4.7 times

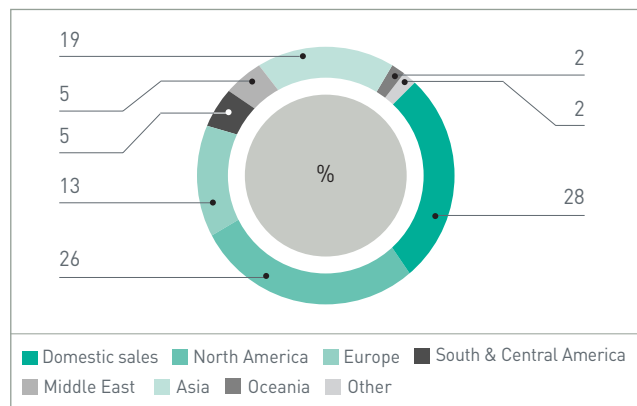
PROFITABILITY

Category	Ratios		
	2005	2006	2007
Operating profit margin	3.8%	2.3%	2.4%
Net profit margin	2.7%	1.0%	5.2%
ROA	5.2%	1.8%	8.9%

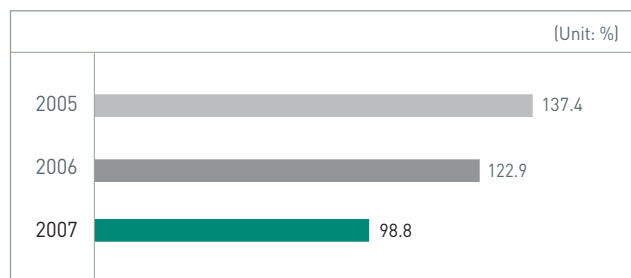
GROWTH AND TURNOVER

Category	Ratios		
	2005	2006	2007
Sales growth	-3.6%	-2.5%	1.4%
Operating profit growth	-26.8%	-41.5%	5.5%
Net profit growth	-54.5%	-63.1%	411.0%
Total assets growth	6.1%	-5.7%	8.4%
Asset turnover	1.7 times	1.7 times	1.7 times

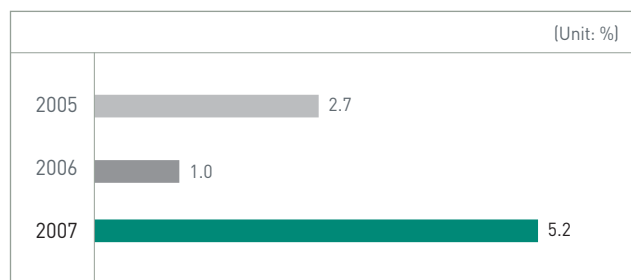
SALES BY REGION



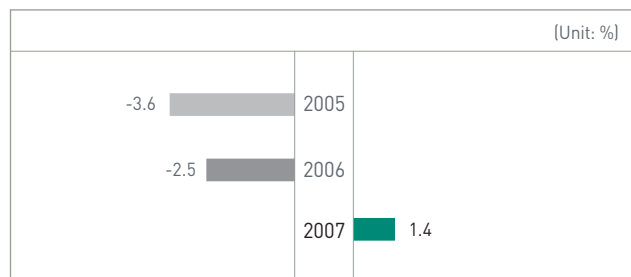
DEBT-TO-EQUITY RATIO



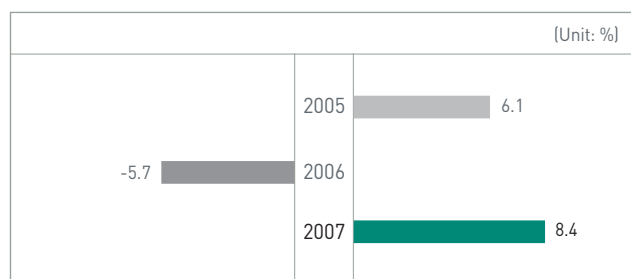
NET PROFIT MARGIN



SALES GROWTH



TOTAL ASSET GROWTH



Operating Strategy

At LG Electronics, we are concentrating our core capabilities across all our business segments to attain the corporate vision of 'Shareholder Value, Customer Value and Employee Value'. Stronger capabilities in the areas of marketing, R&D, SCM (Supply Chain Management) and purchasing will help us stabilize short-term profits while allowing us to build long-term competitiveness. Our 2008 goal is to continue our path of profitable growth with increased sales in premium electronics goods such as flat panel TVs (PDP TV, LCD TV), large-capacity refrigerators and drum washing machines and mobile devices.

We are aggressively pursuing six strategic tasks to attain the vision of becoming a global top 3.

First, going beyond just growth, we have formulated a strategy to improve ROIC (Return on Invested Capital) to achieve profitability-backed growth. Our plan is to focus on raising profitability through product mix optimization and rationalization of models and realizing asset efficiency by reducing inventories and eliminating non-profit generating assets.

Second, we plan to pursue business portfolio optimization by considering growth and profit potential in selecting products and markets and taking bold restructuring actions on sluggish businesses.

Third, in response to polarization of consumption patterns, we will position our products in the premium market segments. In the low-end markets, we will secure an edge with quality rather than price.

◎ SIX KEY STRATEGIC TASKS

1

Focus on improving ROIC rather than just growth
- Attain 20% ROIC by 2010

2

Optimize portfolio

3

Respond to market polarization

4

Innovate technology and differentiate design

5

Strengthen brand investment

6

Reinforce global capability

Fourth, design is a critical element in staying competitive in the global marketplace. As such, we plan to expand investment in design and R&D to lead the market with innovative designs.

Fifth, we plan to build global brand identity through brand repositioning and brand communication innovation.

Sixth, we plan to build a global organization focusing on ROIC improvement, upgrade evaluation methods and strengthen key functions to achieve world-class level of excellence and be proactive in hiring and grooming global talent.

Enhancing Shareholder Value

Our basic principle is to provide useful information to investors in a timely and transparent manner so as to help them make informed decisions on investment.

- Usefulness: Provide information satisfying investors' needs
- Reliability: Fully provide company information without fallacy and bias
- Timeliness: Provide information promptly
- Equality: Provide information to all investors without discrimination

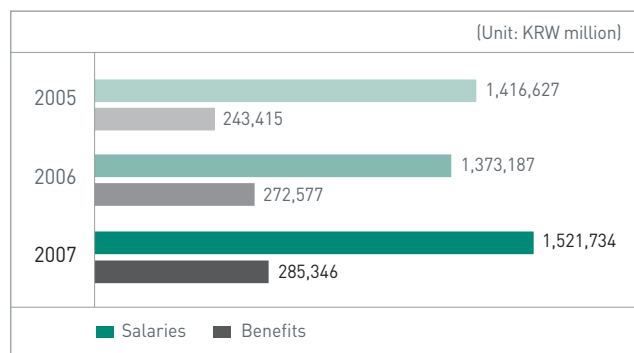
LG Electronics carried out a number of IR activities. These included quarterly earnings release presentations, non-deal roadshows, two theme conferences, 32 conferences organized by securities firms, and about 500 one-on-one meetings annually for the past two years.

Distribution by Stakeholder

PRINCIPLES

Our policy is to maintain dividends at stable levels. Dividends are determined on the basis of adjusted net profit which excludes items not involving cash inflow such as equity method gains. From 2005 to 2007, the dividend payout ratio was in the range of 25~46% on the basis of adjusted net income. The dividend per share based on face value was between 15% and 25% during the Same period.

WAGES



DISTRIBUTION OF ECONOMIC VALUE

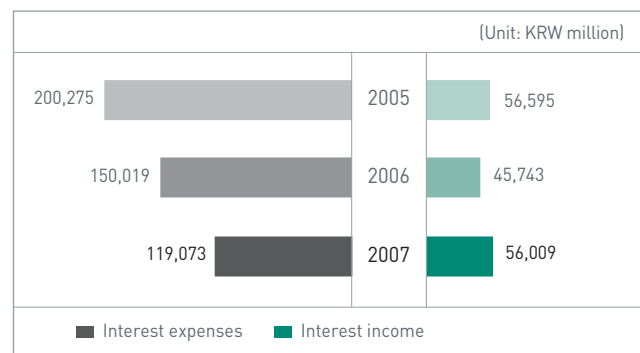
DIVIDENDS

(Unit: KRW million)

Category	2005	2006	2007
Total dividends	199,956	121,659	137,765
Dividend per share (KRW)	1,250	750	850
Dividend ratio (%)	25	15	17
Dividend payout ratio (%)	30.9	50.9	11.3

※ Dividend per share and dividend ratio are based on common shares.

INTEREST EXPENSES



Value Creation

R&D LEADERSHIP

In 2006, LG Electronics succeeded in developing the world's first dual-format Blu-ray/HD-DVD player. With the feat, the company once again showed it retains some of the world's leading optical storage device technology.

We have showcased a string of technology-intensive hit products: a two-door refrigerator with the world's lowest power consumption, high-efficiency steam washing machine, LCD monitor with the world's fastest response speed, Acappella Music Phone, Shine Phone and Prada Phone. Additionally, LG Electronics developed the world's first 60-inch single scan PDP module and the industry-first three-panel production method for 50-inch PDP panels, along with developing the world's first 60-inch single scan PDP module. Efforts are also being made to nurture promising new businesses including next-generation displays such as OLED and flexible displays, and car infotainment systems.

LG Electronics currently operates 30 R&D centers around the world. This global R&D system enables us to secure singular technology, boost common capabilities and detect future growth engines in a speedy manner to reach our vision of becoming a global top R&D house.

CES INNOVATION AWARDS (2005 ~ 2008)

2005	2006	2007	2008
16	11	11	14

INTELLECTUAL PROPERTY RIGHTS

● Patent Strategy

LG Electronics' patent strategy is to expand the value of its patent assets by securing patents for next-generation technologies, pursuing strategic cross-licensing, and improving net royalty income.

- Increasing the value of patent assets by securing patents for next-generation technologies

In order to protect its own technologies and strengthen product competitiveness, active patent development activities are taking place for strategic patents on key technologies and products from the planning stage (for products and leading technologies) to the R&D stage. In addition, we are striving to build future competitiveness by playing a leading role in establishing technology standards. There is heated competition to possess standard technology in the area of multimedia convergence which includes mobile, optical storage and display products. LG Electronics continues to reinforce itself by securing rights to these standard technologies.

- Pursuing cross licensing agreements

With our technological capabilities reaching global top standards and our growing product reputation on the global market, we are facing a growing number of patent disputes and lawsuits. In response, the company is using its secured patent assets to pursue strategic cross licensing with companies that have filed patent lawsuits to induce a win-win situation for all and good will competition.

- Improved balance of patent fees

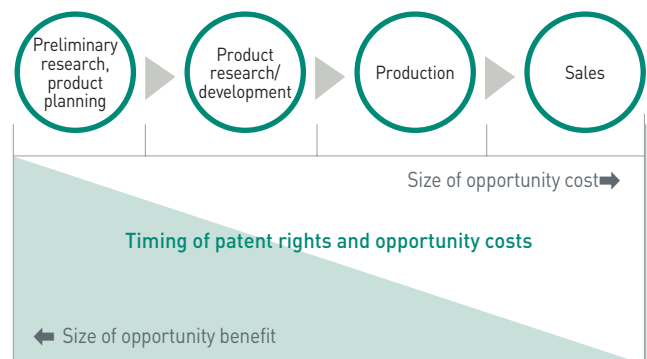
LG Electronics is continuing to improve its balance of patent fees by using the value of its secured patent assets while removing business risks by solving lawsuits and legal disputes in order to strengthen profitability.

● Patent Development Activities

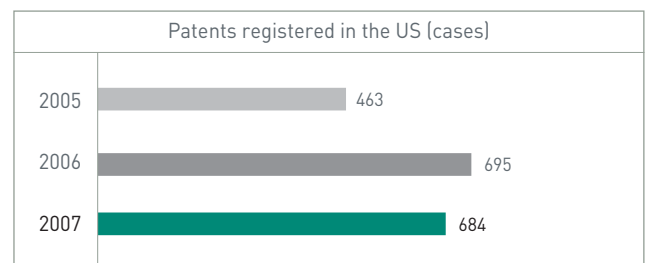
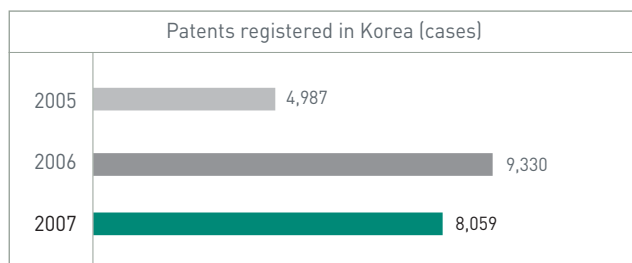
The process of applying for a patent to obtain a patent usually takes two to five years. For this reason, our patent development activities are carried out years before the actual launch of a product, from the stages of preliminary research and product planning.

From the stages of preliminary research and product planning, LG Electronics secures patent rights to new and key technologies that will go into making the products. To strengthen our rights, we secure additional application patent rights to supplement the basic rights during the development stage. LG Electronics is continuing to forge ahead in securing global patent competitiveness by pursuing activities to secure patent rights overseas, especially in strategically important areas including the US, Europe and BRICs economies.

◎ TIMING OF PATENT RIGHTS AND OPPORTUNITY COSTS



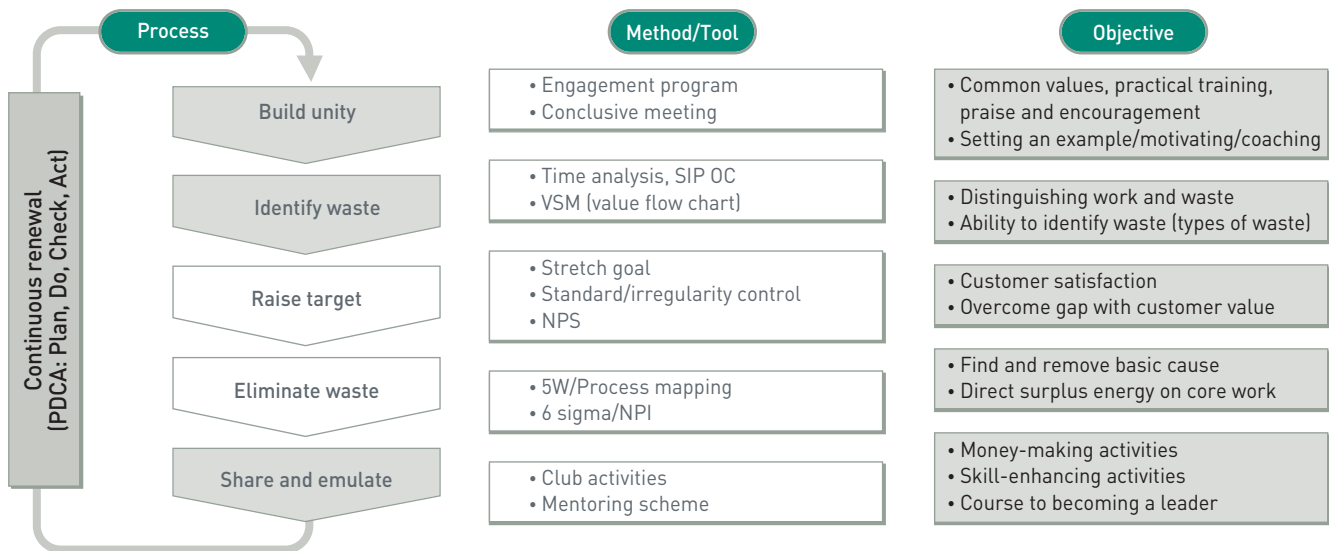
◎ PATENT RIGHTS SECURED BY LG ELECTRONICS



WASTE ELIMINATION AND BEST WORK PRACTICE

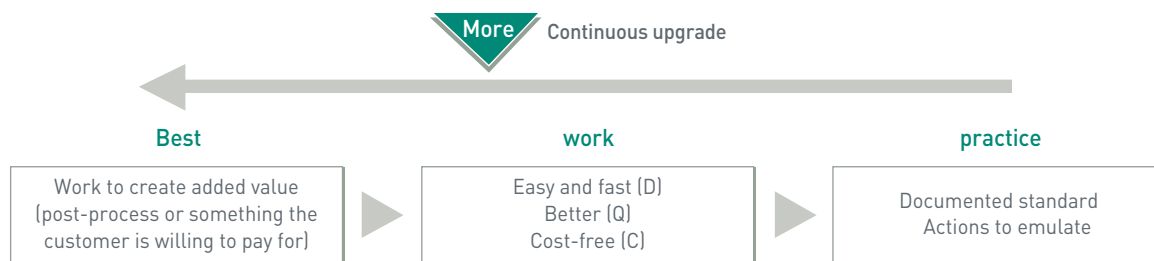
We are pursuing activities to eliminate waste through voluntary participation by all employees. In doing so, we aim to cultivate a strong and intelligent workforce and create leeway, which in turn will enhance performance and customer value. Eliminating waste involves denouncing all actions that do not create value and building an environment for concentration on customer value creation through the best work practice. The ultimate goal is to provide satisfaction to customers, enhance employee skills and deliver profits to shareholders.

● Five Phases of Eliminating Waste



● Best Work Practice

Best work practice documents the procedures for core work processes aimed at creating added value for customers. It is based on the development of the world's best work practice by employees driven by the goal of becoming the best worker. It also documents the wisdom and experience to improve the way work is performed.



◎ ACTIVITIES



Waste elimination activity



Bulletin for ideas on waste elimination



Sharing success cases on waste elimination



CEO, visiting waste elimination site

DESIGN ACTIVITIES

● Goal: 'Designs for Emotion and Trust'

Ever since we introduced the concept of industrial design for the first time in the Korean consumer electronics industry in 1958, we have continued to lead the industry in this field. In June 2006, LG Electronics declared its adoption of 'design management' to represent design as a strategic management resource. In this way, the company is striving to maximize its brand value and change lifestyles through design.

Thanks to such efforts, LG Electronics received the prestigious 'Design Team of the Year 2006' from reddot Design Award, presented only to the world's leading companies in design. In order to create value innovation designs that deliver both emotion and trust surpassing customer expectations, we are continuing to focus on unearthing customer insight through precise targeting, improve usability through universal designs and create environmentally-friendly designs.

● Product Design Reflecting Customer Insight through Precise Targeting

The Wine Phone (models LG-SV300, LG-LV3000) was designed from the initial stages for the 30-something 'wine generation.' Designers directly interviewed the target customer group to understand their needs and requirements. One of the biggest demands of customers in their 30s and 40s was for improved usability, which manifested in the twice-as-large buttons, font-size and speaker. The model received the 9th Ergonomic Design Award from the Ergonomics Society of Korea in 2007.



LG Electronics' Wine Phone (LG-SV300, LG-LV3000)

● Universal Design

Universal design refers to a design that is easy and convenient to use by all. LG Electronics has been applying the seven principles of universal design to the characteristics of an electronic product and divided them into five basic principles (flexibility, recognizability, manipulation, convenience and security) and three additional principles (economic value, aesthetics, environmentally-friendly) to manufacture products that meet the functional and emotional needs of users.

◎ EXAMPLES OF PRODUCTS WITH UNIVERSAL DESIGN



Refrigerator lighting



Easy to read remote controller



Different colored power button

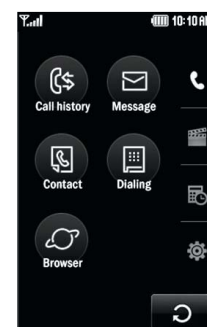


Easy to clean vacuum dust collector

● Product Interface Design

As seen in the Prada phone, acclaimed for its simple and stylistic interface, the importance of interface design is growing with most functions available on a touch-screen, thanks to larger and clearer color screens. LG Electronics is leading the way in creating special value by designing interface that can satisfy the five senses of the user.

More recently, we analyzed data on which functions are used most often in a week, and which buttons are pressed most often in a day. In this way, we boldly streamlined functions to improve user convenience and also reduced development costs.



Prada Phone GUI

● Environmentally-friendly Design

LG Electronics shares with each designer tasks and environmentally-friendly guidelines to produce 'green' design and to produce nature-friendly models.

Plasma TV PG60 boasts an elegant and sleek exterior thanks to its invisible speaker system and front extended glass. The invisible speaker not only adds to the product's look but also reduces environmental waste by using glass, aluminum and stainless steel which are easy to recycle and reuse, realizing quality sound without the use of speaker holes.

The Super Slim Desktop PC 'Black Picasso' is sometimes hailed as a desk-top art piece due to its chiseled form. The back-sprayed transparent ABS is molded using a general injection method and ultrasound welding. Ultrasound welding eliminates the need for an adhesive, thereby contributing to the product's environmentally-friendly nature. For these reasons, the Black Picasso received one of the world's most prestigious design awards, the 2008 iF Material Award.

Paper packaging is an environmentally-friendly alternative to styrofoam and utilizes water-based ink, rather than solvent ink. PVC, a popular form of packaging, is increasingly becoming subject to a stringent list of regulations due to the discovery of harmful substances. This prompted LG Electronics to replace PVC with PP (Polypropylene) in packaging Bluetooth Stereo Headset HBS-250. PP does not produce some 20 harmful substances, including the six (Pb, Cd, Cr⁶⁺, Hg, PBBs, PBDEs) whose use in electrical and electronic goods is banned by the EU. When scrapped, it also produces no soot or odor harmful to the human body or environment. Additionally, the transparency and clarity of PP makes it ideal for packaging accessories, while its robust quality provides an effective protection against external elements. PP also receives high marks in foldability and printability.

◎ DESIGN AWARDS

		2005	2006	2007
Overseas	IDEA, reddot, etc	21	42	65
Domestic	Korea GD, KAID etc	57	51	45



PDP TV - PG60: BOBOS



Super Slim Desktop PC: Black Picasso



Bluetooth Stereo Headset HBS-250 Package

ENVIRONMENTAL PERFORMANCE

Key Environmental Achievements

Since 2006, LG Electronics has pursued activities to improve corporate value by addressing the growing list of environmental regulations and developed the Eco-Index™, thereby laying the foundation for global standards of environmental management.

RESPONDING TO EU RoHS

In July 2005, LG Electronics declared it would halt the use of six harmful substances in products released in the EU. We received a favorable judgment on product sampling evaluation and fully complied with the EU's request for data. Sweden conducted a review of six companies and only three qualified, including LG Electronics. We are thus fully complying with the RoHS directive and committed to carrying out our social responsibility as a global company by banning the use and by reinforcing control of items which are expected to be banned in the future.

PARTICIPATION IN ECO PRODUCT KOREA 2007

LG Electronics participated in Eco-Product exhibition in Korea, 2007 which introduces environmentally-friendly, everyday products and promotes eco-friendly consumption through diverse events and experiences. Through the event, we helped raise environmental awareness among visitors and showed our activities and products which reduce power consumption levels, raise energy efficiency, replace harmful substances and improve the rate of recycling. Products showcased at the event include an LCD TV with Eye-Q function that adjusts the picture's brightness depending on the surrounding light, and Tromm washing machine that provides clean laundry with less power and water use.



DEVELOPMENT OF ECO-INDEX™

In order to present a clear direction on eco-design to product developers, as well as quantitatively manage improvement targets and performance, LG Electronics developed the Eco-Index™, and applied the index to the development process of all product groups (For more information regarding Eco-Index™, please refer to page 60 in the Development of Green Products section of this report)

Responding to Environmental Regulations

EuP DIRECTIVE

The EuP (Energy using Product) directive demands largely two main requirements: energy efficiency and the building of an in-company eco-design system. The current requirements outline energy efficiency and standby energy consumption in the use of a product. Even before the directive was enforced, LG Electronics had strived to improve energy efficiency of its products to protect the environment and reflect consumer needs. As a result, we already satisfied the majority of energy efficiency and standby power levels required by the directive on products covered by the EuP. Furthermore, LG Electronics has established internal energy management goals and a detailed strategy to further improve energy efficiency and standby power consumption levels and is developing products with greater recyclability, reduced resource consumption and alternatives to hazardous substances, in which we anticipate additional regulations in the future. Additionally, in order to develop green products, we are coming up with environmental factors applicable to each product group and are actively employing them in the eco-design system of product development.

WEEE DIRECTIVE

The WEEE (Waste Electrical and Electronic Equipment) directive is another EU-led program that is gaining worldwide support in demanding the responsible collection and recycling of waste electrical and electronic products. LG Electronics established its own recycling rate evaluation standards which enabled it to surpass levels demanded by the WEEE. We are also fully complying with the take-back requirement in regulated regions and furthermore, participating in diverse, voluntary take-back programs. As one example, we are a participant in the Plug-in To e-Cycling Program initiated by the EPA in the US. To actively promote the program, we also sponsored the Buick Invitational PGA tournament. Through the sponsorship, LG Electronics publicized its program to reduce the amount of waste mobile phones and measures to efficiently collect phones. By doing so, we sent a strong message on our commitment to maintaining a clean planet. In other countries, LG Electronics also provides differentiated services and information that are tailored to each region's characteristics and needs.



LG MOBILE PHONE RECYCLING PROGRAM

Attention Nets Fans! LG is proud to introduce their mobile phone recycling program to all you Nets fans. Recycle your old phone or charger at the next Nets home game and receive (2) complimentary tickets to a future game-brought to you by LG Mobile Phones. For more information visit the LG Recycling Station between Gates C&D at all upcoming home games through April 5th. LG-Life's Good.



BUICK INVITATIONAL

199 Days 22 Hrs 58 Min Torrey Pines • February 2-8, 2009

[CORPORATE PACKAGES](#) [TICKETS](#) [PRO AMS](#) [CHARITIES](#) [SPECTATOR INFO](#) [TOURNAMENT INFO](#) [CENTURY CLUB](#) [VOLUNTEERS](#) [HOME](#)

PRESS BOX [Print Version](#)

Mobile Phone Recycling at the Buick Invitational

San Diego based LG Mobile Phones is proud to return for a second year as an official mobile phone partner for the 2009 Buick Invitational at Torrey Pines. PGA policy prohibits the use and possession of mobile phones on the course during play. As an alternate solution, LG has created multiple Mobile Links on the course, providing their phones for complimentary use. Please see spectator guide and area maps for specific LG Mobile Links locations.

In addition to Mobile Links, LG is excited to promote their mobile phone recycling effort. It is estimated that 130 million mobile phones will end up in US landfills this year alone. These devices contain toxic chemicals that when disposed of improperly, could contaminate the land and water supply. As a solution to this growing issue LG offers an effective program to help reduce the amount of mobile phone waste.

Tickets on Sale!
Purchase Online Now!





RoHS DIRECTIVE

The RoHS (Restriction of Hazardous Substance) directive which went into effect in July 2006 bans the use of six hazardous substances (Pb, Hg, Cd, Cr⁶⁺, PBBs and PBDEs) in electrical and electronic equipment placed on the EU market. Since July 2005, a year prior to its enforcement, LG Electronics stopped the use of the six substances in all new products released in the relevant areas. In 2007, we expanded the regions in which such products were released to cover the entire world.

Meanwhile, we have provided systematic support for suppliers to ensure that they do not use the six designated substances in any raw materials and parts submitted to LG Electronics and also attaches an RoHS certification mark. An IT system (HSMS: Hazardous Substance Management System) was developed and put into place to efficiently manage data on the use of hazardous substances in raw materials and parts. With such measures, we issue analysis reports on parts supplied by partner firms from the product development stage and check whether there was any use of hazardous substances according to our own internal standards.

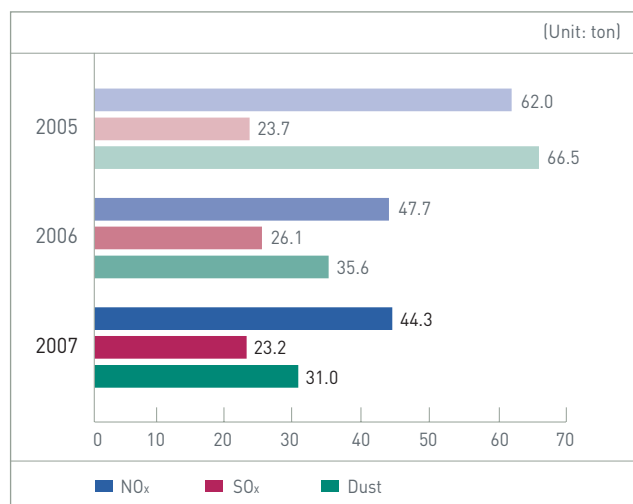
REACH REGULATION

The REACH (Registration, Evaluation and Authorization of Chemical) regulation is a European Community law which went into force on June 2007 and consolidates all of the existing EU regulations on chemical substances. The law requires the registration, evaluation and authorization of all substances that are produced/imported into the EU weighing more than 1 ton, depending on their weight and harmful nature. In response, LG Electronics has been participating in seminars organized by local institutions in order to gather the latest information and keep abreast of electronic industry trends. Additionally, for the first stage of the REACH response, which is prior registration, the company has been studying the intentional emission of substances within finished products, and monitoring/supporting the response of local subsidiaries. The company is also building a detailed strategy and foundation to manage a database on restricted substances and harmful substances within finished products. In the mid- to long-term, LG Electronics will be able to fully comply with the REACH regulation by creating an environmentally-friendly supply network by exercising strict management of suppliers.

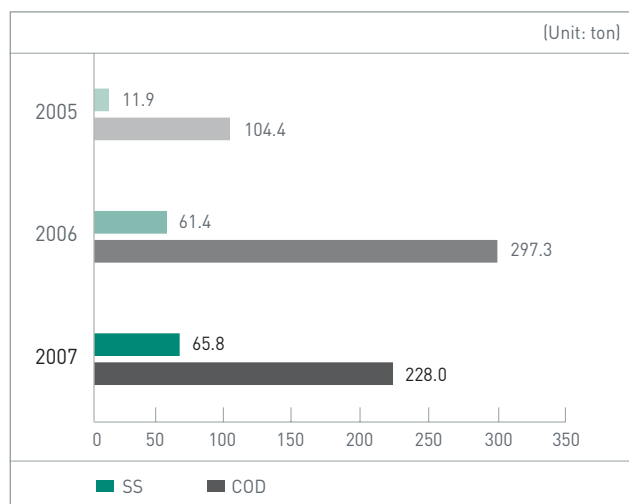
Management of Hazardous Substances

Our business units cannot completely avoid the use of hazardous chemical substances in product manufacturing. LG Electronics has installed and operates a storage facility for toxic substances, and conducts an internal toxic test when using any new chemicals and reports the use of such substances to the Ministry of Environment when they pass the test. In the case of very toxic chemicals, LG Electronics is doing all it can to find a less harmful substitute and in the meantime, is strictly managing the use of such substances. We distribute an MSDS (Material Safety Data Sheet) to inform those using the chemicals about their harmful nature, and conduct safety training for those dealing with hazardous chemical substances.

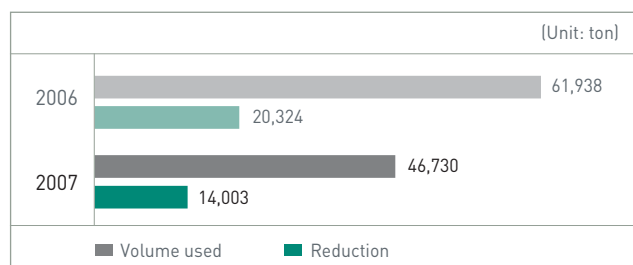
DISCHARGE OF AIR POLLUTANTS



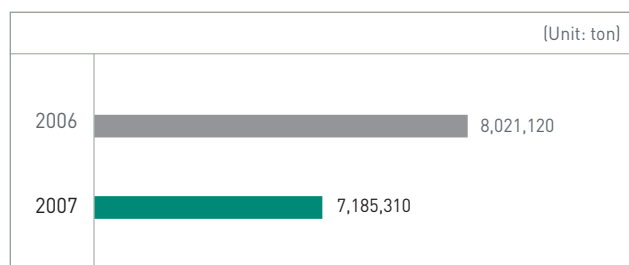
DISCHARGE OF WATER POLLUTANTS



HAZARDOUS CHEMICAL SUBSTANCES



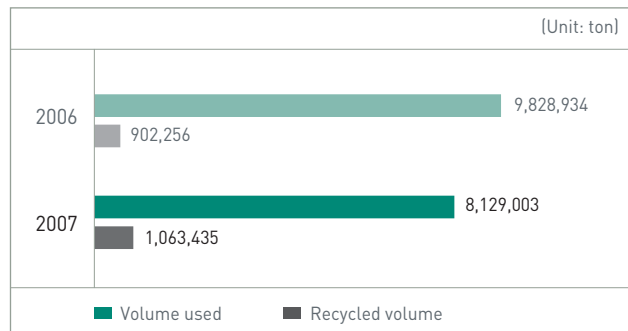
DISCHARGE OF WASTEWATER



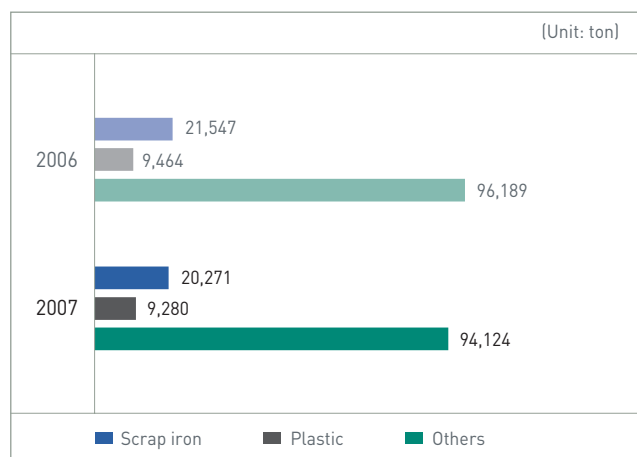
Waste Management

LG Electronics manages the waste produced at its business sites based on more stringent standards than required by the Waste Control Act. Waste treatment companies are selected after a thorough evaluation process which includes a due diligence to ensure their ability to take on and process orders. Reviews are made frequently to prevent any illegal treatment of waste. In addition, activities to reduce waste at the source are being pursued in tandem with our initiative on waste elimination. All waste produced at our business sites are managed and treated in a transparent manner according to the companywide waste management regulation.

WATER



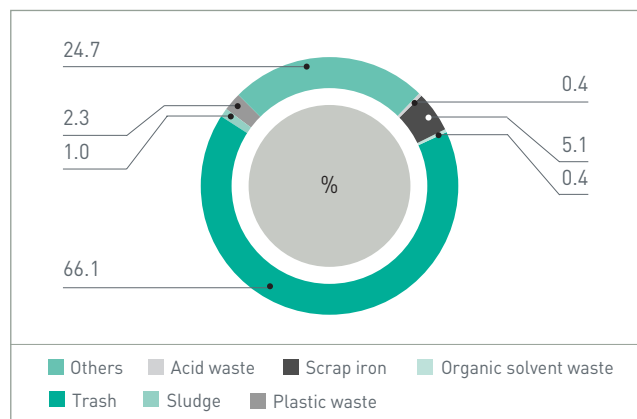
DISCHARGE OF RECYCLABLE WASTE



DISCHARGE OF NON-RECYCLABLE WASTE



COMPOSITION OF WASTE (2007)



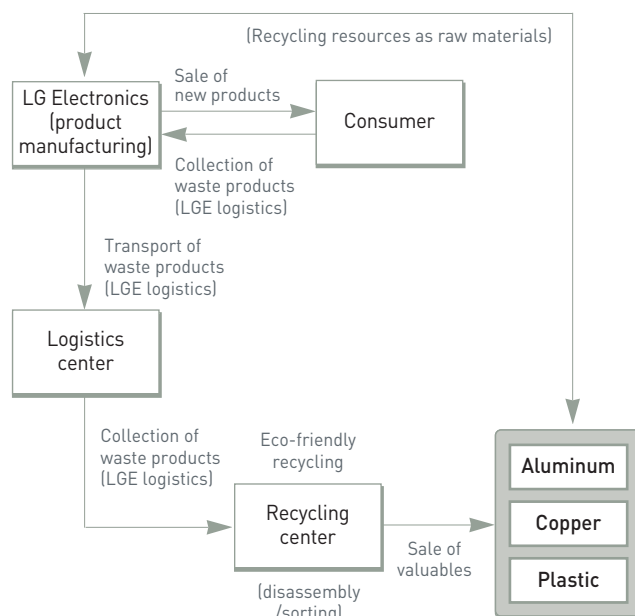
Collection and Recycling of Waste Home Appliance

LG Electronics collects various waste home appliances and treats them in an environmentally-friendly manner at regional RCs (Recycling Centers) throughout Korea (Seoul and metropolitan area, central area, southeastern area, southwestern area, and Jeju-do island). In this way, we are contributing to building a society that values environmental preservation and recycles resources.

We are faithfully executing our role as chair company of the Association of Electronics Environment (chairman: Young Kee Kim), established to promote the efficient recycling of waste electronics. The AEE currently counts 55 manufacturers of electric and electronic goods and 32 recycling centers among its members. It recommends policies/systems and builds/improves collection systems. LG Electronics has been fully meeting its mandatory volume of recycling waste electronic goods every year. Excluding small home appliances, we collected/recycled 1.09 million items in 2007. The figure represents a 16% increase over 2006.

In addition to take-back through our logistics system, LG Electronics operates a collection center in Gumi, Gyeongsangbuk-do province to efficiently deal with waste home appliances generated in that region. We are also doing our part to collect and recycle waste home appliances from army bases in the southeastern part of Korea. In April 2008, in conjunction with the AEE and private recycling companies, LG Electronics constructed an RC in Jangseong, Jeollanam-do province, which is capable of treating 240,000 units of end-of-life refrigerators, washing machines, TVs and other appliances.

◎ COLLECTION OF WASTE HOME APPLIANCES



2007 Recycling Event

Objective: Preserve island environment and fulfill social responsibility

Period : April ~ May, 2007 (ceremony on April 26)

Area: Ongjin-gun, Incheon (Daechong-do Island, Jawol-do Island, Yeonpyeong-do Island, Yeongheung-do Island, Deokjeok-do Island, Buk-do Island)

Participants: Ministry of Environment director, governor of Ongjin-gun, commander of Incheon Defense Command, and 200 others

Achievements: 2,500 units of waste home appliances transported over land/recycled

MOU on regular collections between private/public/army (Ministry of Environment, Incheon City, Incheon Defense Command)

Free after service for home appliances (approx. 150 cases)



RESPONDING TO GLOBAL TAKE-BACK REGULATIONS

LG Electronics is responding to global regulations on the recovery and treatment of waste home appliances and has the basic facilities for collection. Additionally, due to the differing method of recycling and collection sites by each area and the sheer volume of waste products, LG Electronics provides information so that consumers can easily access their relevant take-back points. Additionally, we are continuing with research to introduce elements needed for eco-friendly design in the collection/treatment system by considering economic and environmental factors from the initial product design stage.

● Europe

In August 2005, the WEEE directive took effect whereby home appliance manufacturers are obligated to take back end-of-life products. Each of the EU member countries has its own collection and recycling system. Even before the directive went into force, LG Electronics has been satisfying related regulations of various countries including the Netherlands, Belgium and Sweden. Additionally, we offer recycling information on items sold after August 13, 2005, to local recycling companies when they request such data.



● North America

Collection and recycling regulations are determined by state governments, rather than the federal governments, in North America. California enacted such laws in 2005, while Maine and Maryland followed suit in 2006. LG Electronics complies with state-mandated regulations and participated in the Plug-in To e-Cycling Program led by the US EPA from 2007 as part of its voluntary mobile phone collection strategy and is building an effective take-back system.

Elsewhere, LG Electronics complies with the Consumer Electronics Recycle Law in Japan, and is actively participating in diverse voluntary take-back programs in China and Australia.



Green Box Campaign (China)



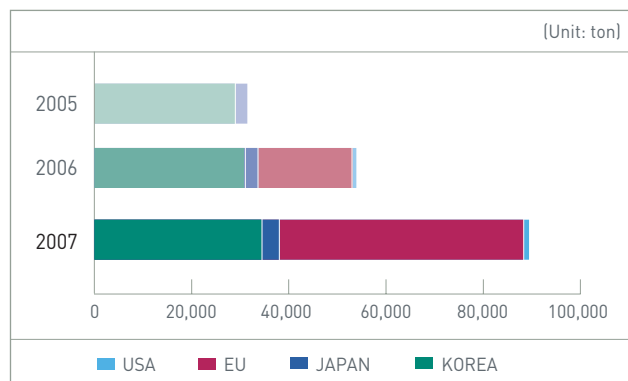
Mobile Muster (Australia)

◎ TAKE-BACK RESULTS

(Unit: ton)

	2005	2006	2007
KOREA	28,415	30,959	36,633
JAPAN	824	1,257	1,665
EU	-	24,140	49,004
USA	-	124	256
TOTAL	29,239	56,480	87,558

(Unit: ton)



Environmental Protection Activities

LOCAL ENVIRONMENTAL ACTIVITIES

As an environmentally-conscious company, LG Electronics regularly carries out various activities to preserve nature. The Green Owner system involves managing parks near business sites, while the 'One Mountain, One River' program helps protect the rivers around our business sites through water quality research and monitoring.

EESH SUPPORT FOR LOCAL SMEs

LG Electronics is expanding win-win partnership with partner firms and regional SMEs into the EESH field by providing support in energy, environment, safety and health sectors.

JOINT ACTIVITIES WITH LOCAL RESIDENTS

We are also helping to raise environmental awareness among the communities in which we operate by offering experimental environment classes for elementary school children, environmental school visits for housewives, tours for public servants in environment-related fields, and newsletters on the regional ecosystems. In addition, the DD headquarters in Gumi hosts sporting events such as the housewives' volleyball tournament, LG marathon, and walking contest, along with cultural events like the youth dream festival and green sketching contest.

Communication

LG Electronics regularly conducts safety and health education for all administrative and technical staff. An environmental training program is also in place to ensure proper treatment and separate disposal of waste at business sites. The 'Field Leader Committee,' comprising supervisors at production sites, contributes to in-house environmental protection activities. Our Pyeongtaek business site invited groups such as the Children Environmental Protection Group to the company for an environmental forum.

On Environment Day 2007, LG Electronics received the Minister of Environment Award for efforts in preserving the environment, and the President's Award in the Product category (air conditioner) at the 2007 Eco-Management Awards.



Environmental cleanup



LG Pennant Housewives' Volleyball Tournament



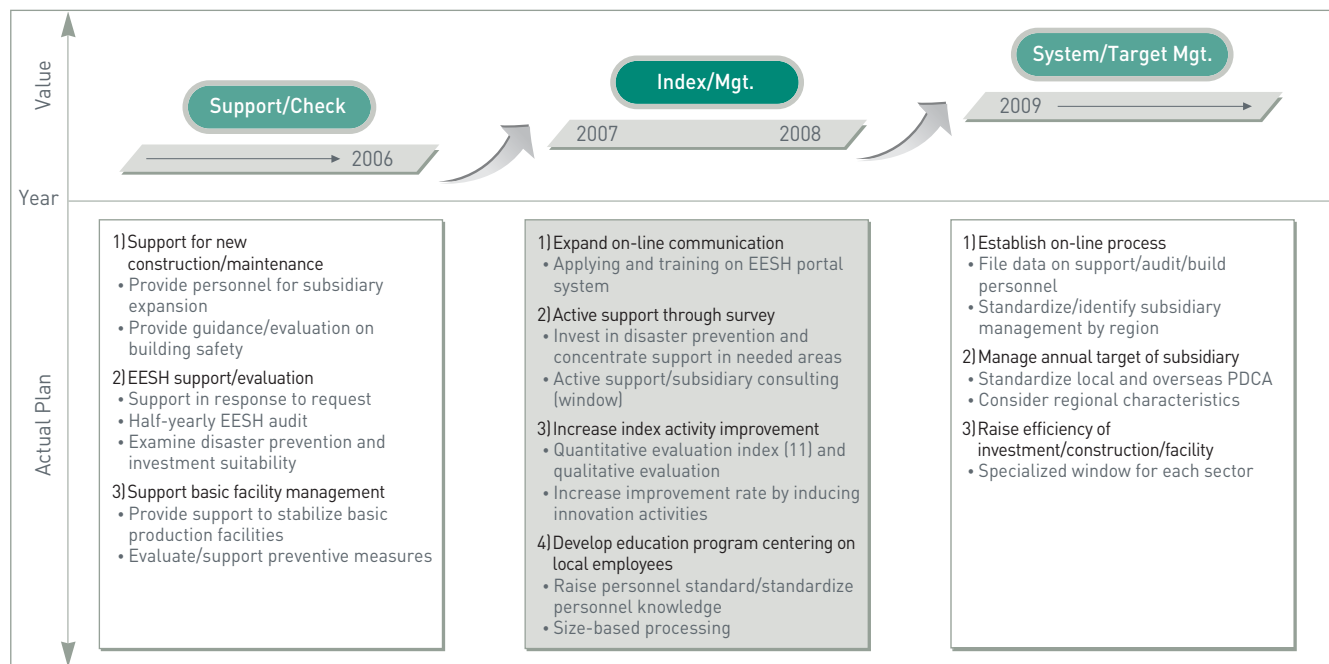
LG Community Walk for Charity



Green Drawing Contest

Support for Overseas Business Sites

LG Electronics performs evaluations on energy, environment, safety and disaster prevention activities on its business sites around the world (32 overseas manufacturing subsidiaries). Subsidiaries that fare well in the evaluation receive rewards and best practices are shared among others. Those that do not perform well are subject to close supervision and receive support to make necessary improvements. Every year, departments and personnel in the environment and safety areas from around the world meet to exchange information.



Sector	Subsidiary	Detail Issue	In Charge	Remarks	
Common	EESH target & level up	All subsidiaries	<ul style="list-style-type: none"> • ESH Target Forum • Core man education for English speaking regions • Core man education for Chinese speaking regions 	Regional HQ/overseas manager in head office	<ul style="list-style-type: none"> • English speaking region: Nov. education, duty counseling • Chinese speaking region: completed in July : jointly executed by each regional HQ
Fire facility	Improvement of fire facility	All overseas production subsidiaries	<ul style="list-style-type: none"> • Design, construction and supervision of fire facilities <ul style="list-style-type: none"> – China subsidiary : 60% progress – India subsidiary : 40% progress 	Regional HQ/overseas manager in head office	<ul style="list-style-type: none"> • China: <ul style="list-style-type: none"> – Completed fire extinguishing plumbing(phase1), pump facilities – Completed plumbing separation and fire protection system construction – Completed fire protection system at all plants • India : <ul style="list-style-type: none"> – Improvement works for disaster prevention under progress
Safety	Voluntary EESH activity	All overseas production subsidiaries	<ul style="list-style-type: none"> • Support region-centered EESH activity program 	Regional HQ/overseas manager in head office	<ul style="list-style-type: none"> • Regional HQ group • Division HR
	Spreading best work practice		<ul style="list-style-type: none"> • Spread best work practice for each duty among ESH staff 	Regional HQ/overseas manager in head office	<ul style="list-style-type: none"> • Support for safety/fire fighting • Support for safety/environment
Environment	Global waste reduction TDR Environmental facility level up	All overseas production subsidiaries	<ul style="list-style-type: none"> • Waste reduction thru 3R activity • Improve waste treatment process • Improve waste treatment facility (TA, TR) 	Regional HQ/overseas manager in head office	<ul style="list-style-type: none"> • Global waste kick off(Jan.~Mar.) • TDR monitoring(Aug. ~ Sept.) <ul style="list-style-type: none"> → All overseas subsidiaries • Improve wastewater treatment facilities • Support for recycling center construction



Presentation on EESH waste elimination activities (Gumi)



EESH Core man training for overseas subsidiary



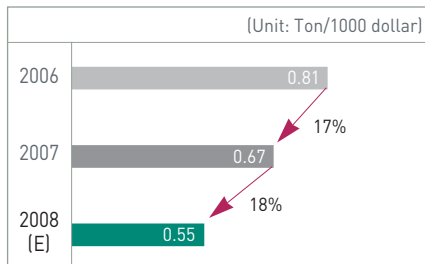
Overseas EESH technical support - pump facility (Brazil)



Benchmarking outstanding Korean worksite (Changwon)

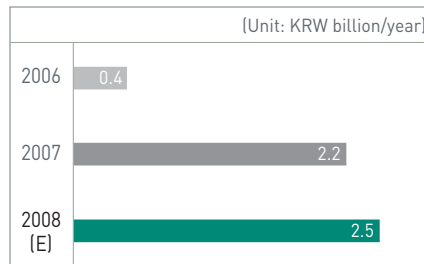
Additionally, LG Electronics realized greater waste elimination activities, reduced costs and lower rate of safety accidents by conducting EESH core man training, supporting overseas subsidiaries' benchmarking of domestic business sites and hosting a Chinese subsidiary forum. Also, each domestic headquarter draws up annual overseas support plans to assist the overseas subsidiaries. In particular, LG Electronics applies global standards in constructing fire prevention facilities and offers close support from the design stage to final testing, as well as the construction and supervision stages.

WASTE INDEX

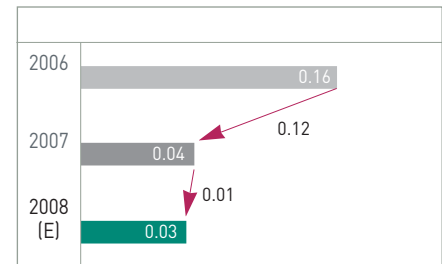


※ Based on wastewater and wastes of ten overseas subsidiaries of DA Company

COST INNOVATION



FSI



※ 1) Based on 11 subsidiaries
2) FSI= Frequency × Severity Index

SOCIAL PERFORMANCE

Social Contribution Program

LABOR-MANAGEMENT FUND

LG Electronics boasts a differentiated social contribution fund system in which the labor union and company work together to raise money for charity. The labor-management fund is created by the company matching part of the annual bonus in donations. The executive fund is another matching grant fund in which LG Electronics matches donations made by its executives.

MAKING DREAMS COME TRUE

LG Electronics supports youths in realizing their dreams through social contribution activities centered on sciences and education.

- **Mobile Electronic Classroom**

A remodeled 9.5 ton truck tours elementary and middle schools around Korea, showcasing an electronic show and a hands-on science class to students. Approximately 70 schools have benefited from the program for the past three years, amounting to about 600 thousand students per annum. It is a representative social contribution program of LG Electronics started in April 2006. The 40-minute electronic show presents scientific principles in an entertaining theater format, while the science experience (approximately 90 minutes long) allows students to try their hands directly at experiencing the related principles.

- **Junior Science Class**

Employees who receive a short training course volunteer as a one-day science teacher. The participatory program utilizes the top research personnel of LG Electronics. Students are given the opportunity to make model airplanes, astrological signs using RGB, and model washing machines, which makes complex electronic principles fun and easy to understand.

- **LG-IVI SLP(Science Leadership Program)**

The first social contribution program by LG Electronics targeting youths from all over the world, offers teenagers with excellent records from low-income families the chance to participate in volunteering and learn about the qualities to become scientists of the future. LG Electronics plans to work with the International Vaccine Institute (IVI) with the program, selecting approximately 60 youths from around the world for the first class of participants in 2008.

SERVING LOCAL COMMUNITIES

- **LG Employee-Management Volunteer Corps**

LG Electronics operates the LG Employee-Management Volunteer Corps for annual disaster relief efforts. Volunteers are sent to areas hit by disasters and carry out relief work including restoration and electronics repair. The group is made up of some 400 volunteers.

- **Let's Go Volunteer Corps**

Let's Go Volunteer Corps is LG Electronics' college student volunteer program aimed at engaging the general public in community activities and offering students more volunteering opportunities. We are aggressively incorporating Let's Go Volunteer Corps in the company's various CSR activities to allow college students to experience how we are making a difference in our communities.

TOGETHER WITH SOCIETY

Since its establishment in 1958, LG Electronics has steadily conducted social contribution activities for the isolated groups in society, helping teen heads of households, supporting female heads of households start their own businesses, and building homes.

● Support for Teen Heads of Households

LG Electronics is a committed sponsor of approximately 400 teen or child headed households. During national holidays such as the New Year and Chuseok when the need for family love is felt more deeply, as well as summer and winter breaks, the company organizes events at its 12 nationwide business sites under special themes such as culture, arts and performances, to bring together the children and their sponsors. Each year, we also provide about KRW 600 million in scholarships, while the labor-management charity fund helps buy uniforms for teens from low-income families. One thousand teen heads of households received KRW 100 million in support in 2006 and KRW 125 million in 2007.

LG IN THE WORLD

Befitting its global presence, LG Electronics conducts social contribution activities around the world that are relevant to the local communities.

● IT Education for Kurds in Iraq

One hundred Kurdish university students were invited to Korea for a two-week IT course. The students were selected on their majoring in IT and English skills. Competition was stiff, resulting in a 15:1 rate of being chosen. The majority of the students who made the final cut hailed from the Kurdish region and were university juniors and seniors. LG Electronics provided education on software related technology and design technology for major projects such as LCD TV, GSM and notebook PCs. Additionally, the students had a chance to visit the Pyeongtaek production line, design center and Science Hall inside the LG Twin Towers.

● Relief Efforts in Peru

LG Electronics offered a helping hand to the survivors of the devastating earthquake that hit the Lima, Chincha and Pisco areas in Peru. The Peru subsidiary contacted various relief agencies to initiate the delivery of emergency goods, which was followed by free repair works on home appliances in the affected areas, and free laundry service for residents in the areas.

● LG Hope Primary School Initiative in China

LG Electronics is carrying out the LG Hope Primary School initiative across China. The LG Hope Primary School project refers to schools sponsored by LG Electronics for impoverished children who are being supported by companies or individuals under the guidance of the Chinese Youth Development Association. As of 2007, a total of 14 schools across China had benefited from the program. The initiative is linked to the Chinese government's Hope Project (a major program in which the Chinese Youth Development Association supports children who cannot study because they have no money to attend school or because there is no school in their neighborhood). LG Electronics participated in the program from 1999 and has been offering systematic support for education in farming and poor areas. Currently, the five Chinese subsidiaries (LGESY, LGETA, LGETR, LGEPN, LGEND/NP) are actively supporting 14 Hope Primary Schools by providing facility donations, scholarships and school building repairs. Aside from material aid, LG Electronics also runs diverse activities such as summer camps and composition contests to open up new possibilities and values to the children.



Mobile Electronic Classroom
(Science education)



Support for teen heads of households



One-day science teacher program
(LGETH)



Food support activities (LGESP)

● Support for Eyesight Recovery Operations

LG Electronics has been funding eyesight recovery operations for the needy in Egypt, Morocco, Pakistan, India and Kenya. In 2007, a total of 8,684 persons received eye-related treatment and surgeries. LG Electronics also provided medical consulting to local clinics.

● Support for Flood Recovery Efforts

On September 28, 2007, LG Electronics held a ceremony at Chengdu, a major city in the western part of China, to donate cash and goods toward recovery efforts from heavy flooding. The cash and goods were mainly channeled toward rebuilding homes and schools in Sichuan Province's Mianyang, Zigong and Deyang, in addition to improving local medical facilities. The total sum of aid was worth 1.32 million yuan (approximately KRW 160 million) and included air conditioners, washing machines and microwave ovens.

The support activities, with direct and indirect participation by 40,000 employees of LG Electronics' China headquarters and 13 production subsidiaries, were recognized by the Chinese electronics industry as being very hands-on and large in scale.

Meanwhile, the Taizhou subsidiary which produces refrigerators hosted an event to present scholarships to impoverished university students in August 2007. To coincide with Teacher's Day in September, the company invited 30 teachers of the LG Hope Primary School to Beijing for a meaningful event. Additionally, the company plans to continue with its support of building new farming villages, a scheme which began in 2007 in Nanjing.



LG-IVI SLP (Vision declaration ceremony)



Supporting LG Hope Primary School



Eyesight recovery operations in India



Signing ceremony between VCS and Cairo National Ophthalmological Hospital

Win-Win Management

LG Electronics has been committed to supporting the growth of its partner firms by enhancing their basic competitiveness. Based on our philosophy of Management by Principle (Jeong-do Management), fair opportunity is granted for all transactions and transactions follow the principle of free competition. By supporting transparent and fair transactions, LG Electronics aims to build a relationship of mutual trust and cooperation with its partner firms and pursue mutual growth over the long term.

◎ PRINCIPLE OF WIN-WIN MANAGEMENT

Equal Opportunity

- We offer equal opportunities to all qualified companies seeking to become our business partners.
- All applicants are registered and selected in a rational manner following a fair and objective evaluation process.

Fair Transaction Procedure

- All business transactions are conducted under equitable circumstances. The terms and procedures of the transaction are to be sufficiently discussed between parties involved.
- The use of prominence in position to execute an unjust transaction is forbidden.
- Information required for a transaction is exchanged through appropriate procedures in a timely manner. Transaction results are evaluated on a regular basis where complementary measures are mutually taken.

Support and Aid for Business Partners

- We support the long-term growth of our dealers and vendors by enhancing their competitiveness through technological and managerial assistance. We share the profits derived from business innovations.
- We pursue cooperation with our dealers and vendors in a mutual effort to promote a health trading environment and maintain a fair trading system.

Support System for Business Partners

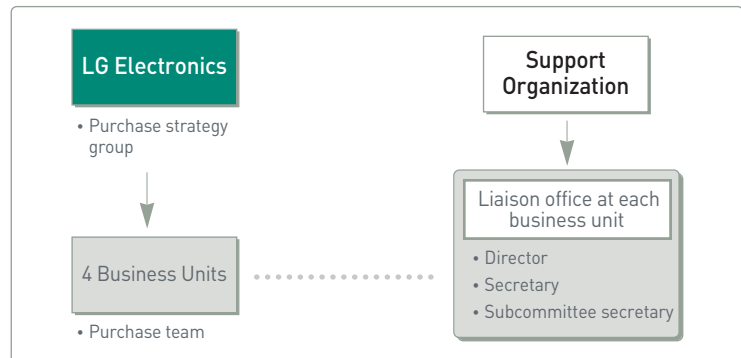
SUPPORT ORGANIZATION

After holding the Great Partnership Convention 2004 in March with some 300 business partners, LG Electronics announced its support measures and created a related team at each regional headquarters to oversee financial support, educational and innovation activity support and personnel support. We are striving to build trust with our business partners and spread the culture of fair trade.

PROCESS OF SELECTING BUSINESS PARTNERS

Based on Chapter 3 (Fair Transactions) of the LG Code of Ethics, LG Electronics grants all qualified companies equal opportunity seeking to become our partner firm. To resolve the difficulties of having to meet all of the purchasing personnel of relevant business departments in addition to the problem of it being difficult to meet them, LG Electronics created an on-line process for opening new transactions in 2006. Improvements were made to the system on two occasions in 2007 to raise fairness and transparency levels, enabling the designation of potential business partners without the need for subjective interference by purchasing personnel.

◎ BUSINESS PARTNER SUPPORT ORGANIZATION








◎ PROCESS FOR NEW BUSINESS TRANSACTIONS WITH LG ELECTRONICS

Request New Transaction
<ul style="list-style-type: none"> Request business transaction through system registration (business partner registers own information) ※ Target: Subsidiary material manufacturers wishing to supply LG Electronics with mass-produced parts LG Electronics Supplier Portal (PU-SPO, http://www.lgesuppliers.com)
Screening
<ul style="list-style-type: none"> Automatic screening by system: Evaluates basic qualities to become partner Review of new technology/new material company (Technical Committee under CTO)
Potential Supplier Pool Registration/Consulting
<ul style="list-style-type: none"> Share information on potential supplier throughout company Consulting by purchasing personnel on model potential suppliers (register/manage consulting records in system)
Selection of New Supplier
<ul style="list-style-type: none"> Selection/proposal of new business partner (purchasing personnel) Review necessity of transaction (Business Partner Selection Committee, etc)
Plant Review
<ul style="list-style-type: none"> Plant review by specialist team (TQRDCME evaluation) ※ T: Technology, Q: Quality, R: Responsiveness, D: Delivery, C: Cost, M: Management, E: Environment
Registration of New Business Partner
<ul style="list-style-type: none"> Sign basic contract and approve registration Create new supplier code

Support for Business Partners

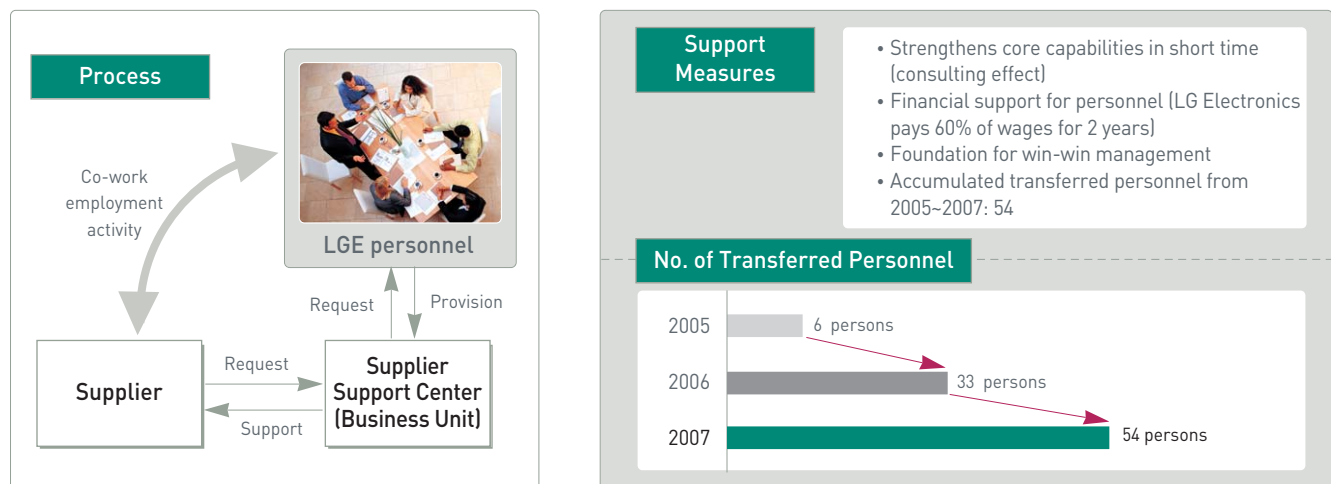
LG Electronics is nurturing business partners with globally leading standards in quality, cost and delivery competitiveness by maintaining organic ties, made possible by objectively and fairly evaluating and managing their capabilities. Suppliers are differentiated and managed according to their evaluation results in order to provide incentive for them to improve their activities. LG Electronics also provides management guidance to support them in their long-term development.

◎ SUPPORT PROGRAMS

 <p>Personnel Support</p> <ul style="list-style-type: none"> • Transfer of middle managers • Support for hiring personnel 	 <p>Educational Support</p> <ul style="list-style-type: none"> • Nurturing personnel at partner firms • Six Sigma training 	 <p>Financial Support</p> <ul style="list-style-type: none"> • Financial support for partner firms • Expanding cash payments 	 <p>Management Innovation</p> <ul style="list-style-type: none"> • Management consulting • Six Sigma consulting 	 <p>Business Partner Suggestion System</p> <ul style="list-style-type: none"> • Suggestions from suppliers • R&D ideas
---	--	--	--	--

PERSONNEL SUPPORT

We are helping partner firms secure highly skilled personnel through a system where experienced managers of LG Electronics shift to partner firms. The system is focused on transferring managerial-level personnel to partner firms to satisfy their need for qualified people. The transferred personnel act as a messenger of innovation, grafting LG Electronics' new processes to that of the supplier, rationalizing management and supporting efforts to enhance productivity. Their presence helps our suppliers improve their key capabilities in a short period of time. To maintain this support measure over the long-term in an efficient manner, LG Electronics offers financial support for transferred personnel (providing 60% of wages for 2 years), and surveys the personnel and head of the supplier on their satisfaction levels with the process for further improvements (accumulated number of transferred personnel from 2005 to 2007 : 54 persons)

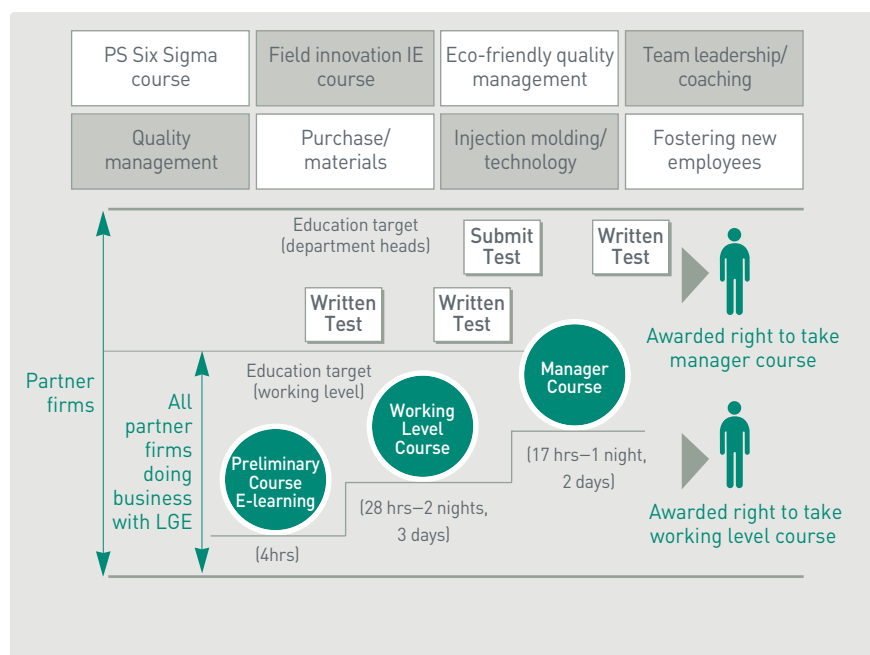


EDUCATIONAL SUPPORT

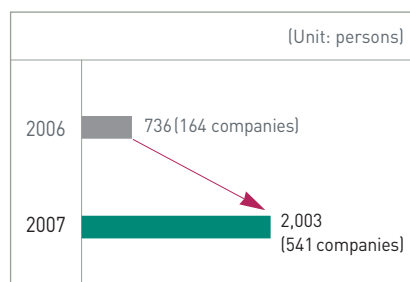
For specialized education that is difficult for partner firms to conduct on their own, LG Electronics offers training free-of-charge. One such measure is the vocational training consortium for SMEs. The consortium is a vocational training course integrating parts and customer service training. On July 1, 2006, LG Electronics was selected by the Ministry of Labor as an operator in the large corporation sector and oversees the LG Electronics Business Partner Vocational Training Consortium.

The consortium, comprising the purchase strategy team of LG Electronics head office, purchasing-related personnel of business units and training department personnel, in addition to representatives of suppliers and a consulting company, discuss the needs of suppliers or develop an educational program. LG Electronics not only has its own in-house learning center but academies throughout Korea, enabling convenient access for employees of partner firms.

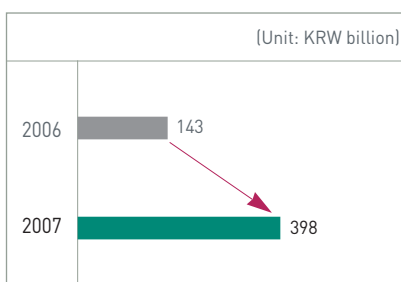
◎ KEY EDUCATIONAL PROGRAMS



◎ TRAINING PARTICIPANTS



◎ TRAINING COSTS



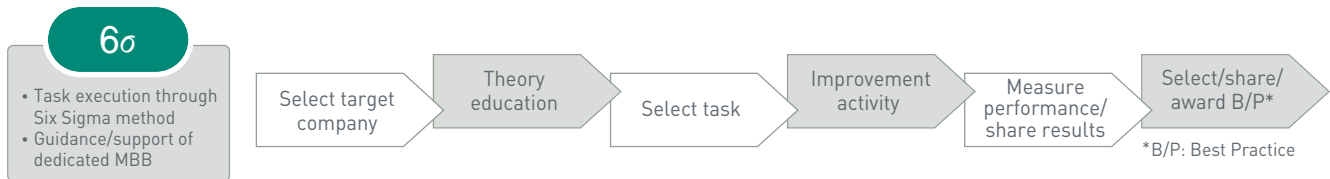
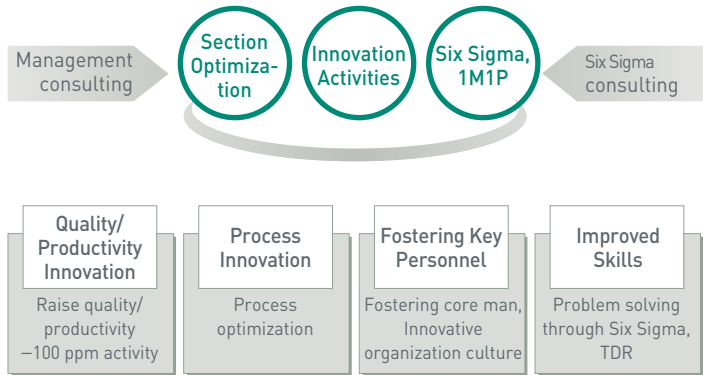
MANAGEMENT INNOVATION SUPPORT

To introduce innovation activities in quality, productivity, cost reduction and processes at suppliers, LG Electronics offers consulting in which we provide in-house and external consultants. Furthermore, we offer Six Sigma consulting activities in which LG Electronics belt holders directly take part and provide support in improvement activities on selected subjects.

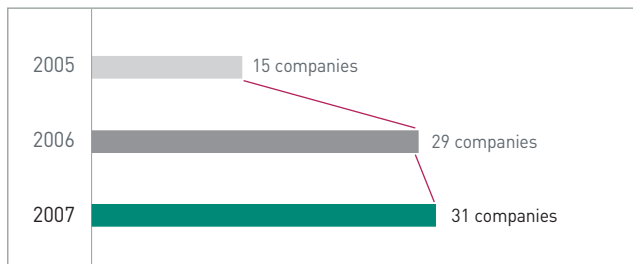
◎ WIN-WIN PARTNERSHIP

Process Building
Consulting Support
Management Innovation Consulting <ul style="list-style-type: none"> Management rationalization, cost reduction, specialized skills, process improvement Increased competitiveness of EMS partner firm ESH Consulting <ul style="list-style-type: none"> Consulting on fire, electric accidents and fire extinguishing safety Support ISO 14000 and eco-friendly activities
IT Support
Support ERP Construction and Provide IT Consulting to Partner Firms <ul style="list-style-type: none"> Increase competitiveness using IT and create foundation for e-business Suggest IT model suitable for partner firms and provide information on solution providers

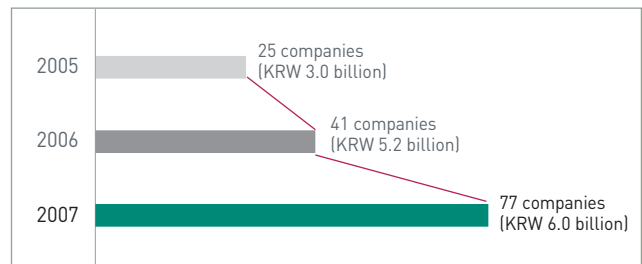
■ Through management process innovation and Six Sigma consulting, induce productivity innovation by business partners



◎ MANAGEMENT CONSULTING



◎ 6σ CONSULTING



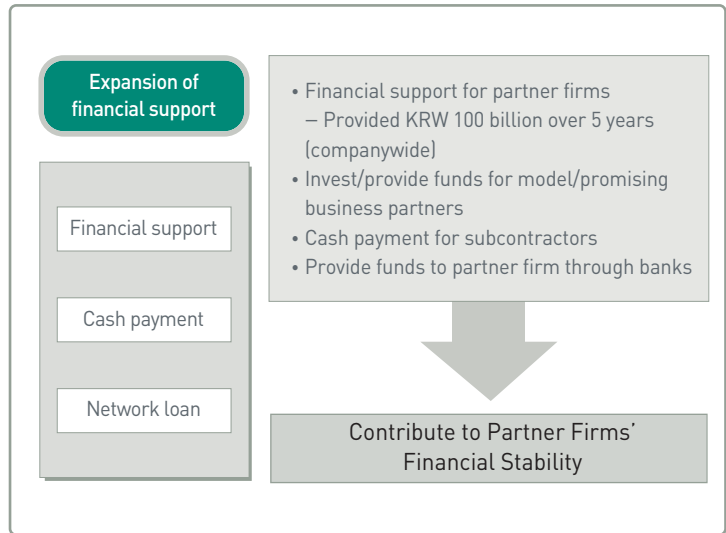
FINANCIAL SUPPORT

LG Electronics is expanding cash payments and activating programs such as network loans to help suppliers achieve financial stability. We invest funds into model suppliers and promising firms to form the foundation for win-win partnerships.

Example of Win-win Partnership at Overseas Subsidiary

In June 2007, the Tianjin subsidiary (LGETA) hosted an open communication event for the first half of the year, inviting the CEOs of 16 model partner firms. At the event, LGETA presented its forecast for business performance in 2007, and plans for quality and EESH support for its partner firms. Following the presentation, representatives of the business partners and LGETA head Hong Shik Yoon confirmed their commitment to win-win growth in production and overall management.

WIN-WIN PARTNERSHIP



ESH SUPPORT

Each business unit of LG Electronics signs a 'Mother Company-Partner Firm Win-Win Cooperative Partnership' agreement and operates a support organization. Cooperative committees convene once a month to share with partner firms information on environment, safety, disaster prevention and health. The committees also present best practices and discuss areas for improvement.

LG Electronics runs a voluntary environmental management cooperative and provides consulting services as well as data on environment and safety issues to partner firms that have an excessive environmental load. Additionally, quarterly reviews on ESH activities at partner firms are conducted with rewards given to the best performers. The supplier ESH mentoring system oversees joint reviews, and regular safety/fire extinguishing training.



GREEN PROCUREMENT

LG Electronics is realizing green procurement on all items, completely eliminating the six major harmful substances. When purchasing office equipment through ServeOne, the company also places priority on purchasing items which have acquired the Eco-mark. To reduce harmful substances in products and minimize the environmental fallout, LG Electronics operates the LGE Green Program, an environmental certification system, in conjunction with partner firms. The program answers to domestic and international regulations on hazardous substances and contributes to preserving the environment by blocking the use of harmful substances in raw material and parts production to provide consumers with eco-friendly products. Designed to encourage our suppliers to become nature-friendly enterprises, the program applies to all of our business partners that provide us with parts, raw materials and supplementary materials.

LG Electronics and all suppliers are evaluated on their environmental management systems and methods for managing hazardous substances within products according to standards set by the Green Program. Those companies that have passed the evaluation receive an environmentally-friendly certification.

● Green Purchasing Results

LG Electronics classifies its green purchases as directly purchased raw materials, products with the Eco-mark and products with reduced hazardous substances acquired through ServeOne.

- **Example of ServeOne Purchases**

- Toilet paper



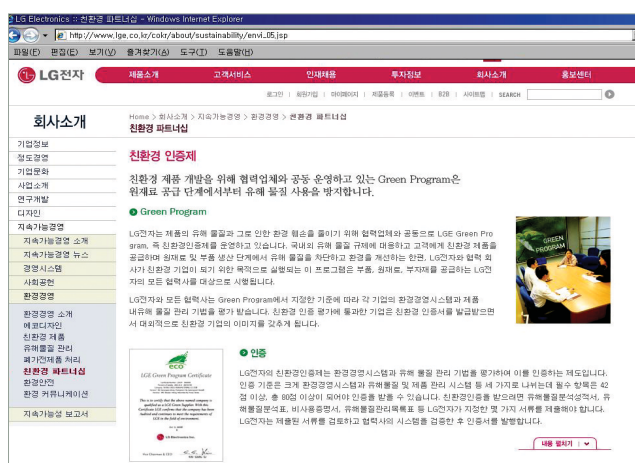
Before (Previous)	After (Jan.2007)
A company B company C company	Consolidated into D company Monthly purchase of KRW 23 million
Toilet paper	Regular toilet paper Recycled toilet paper

- Recycled toner



Before (Previous)	After (Jan.2007)
Brand toner	Switched to E company Monthly purchase of KRW 12 million
Regular toner	Recycled toner

● GREEN PROCUREMENT HOMEPAGE



Support Plan for Business Partners

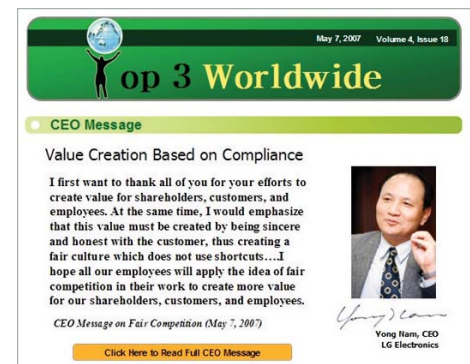
In 2008, LG Electronics plans to focus on the value-creating tasks of nurturing EMS companies, and selecting and growing partner firms. To this end, we will support suppliers in reaching their goals for zero-accident/zero-disaster, support autonomous research activities by partner firms, and concentrate on achieving zero legal risk at suppliers.

Fair Trade

In chapters 2 and 3 of its Code of Ethics, LG Electronics stipulates that “Our global business activities conform to relevant laws and regulations of host nations. At the same time, we employ only fair and just means in securing our competitive advantage in the global market” to stress the importance of fair competition and that “All business transactions will occur based on the principles of fair competition with equal opportunities for all entities to participate. We build trust and cooperative relationships through fair and transparent transactions. Such relationships are built with a long-term perspective for mutual growth” to stress the principle of fair trade. To promote these principles, LG Electronics became the first Korean company in 1995 to introduce fair trade compliance program. We have since set up a related organization and steadily improved related work process, in addition to holding voluntary training and supervision activities. LG Electronics has strived to ensure that the principle of fair competition and trade is followed throughout the company’s value chains.

In 2007, the newly appointed CEO stated the company’s commitment to compliance that stresses value creation. He emphasized that LG Electronics must concentrate on completely eradicating all wrongful means, being sincere and honest with customers and do so based on rightful and fair competition and trade.

In 1996, LG Electronics received the Presidential Prize for its contribution to establishing a culture of fair competition. In 2007, the company received A-level status in its voluntary compliance program from the Fair Trade Commission.



CEO message to employees through the company Intranet, May 2007

FAIR TRADE COMPLIANCE PROGRAM AND IMPLEMENTATION SYSTEM

Our compliance program satisfies the seven key elements demanded by the Fair Trade Commission: 1) CEO’s declaration of commitment to compliance; 2) nomination of compliance manager; 3) construction of internal audit/reporting system on compliance; 4) disciplinary measures for violators; 5) construction of management system for related documents; 6) writing and distribution of compliance guidebook; and 7) education system on fair competition. The Compliance Manager nominated by the BOD supports the CEO, chair of the Compliance Committee and is responsible for managing and supervising the Compliance Bureau which carries out details of the program. Through each sub-committee under the bureau which is divided according to the value chain (finance, purchase, sales and consumer), the Compliance Manager receives reports on the company’s compliance record and makes improvements when needed. Additionally, the compliance manager reports on the status of the company’s compliance program at least once every six months and voluntarily discloses those reports through the stock exchange.

In addition, LG Electronics expanded the scope of the compliance program to protecting consumers and became the first in Korea to introduce the FTC’s CCMS (Customer Complaints Management System). Thanks to its model operation of the system, LG Electronics also earned the first CCMS certificate from the FTC in 2007.

FAIR TRADE PROMOTION ACTIVITIES

The Compliance Bureau provides consulting on more than 100 cases every year. The consulting is provided in order to raise the company's competitiveness through fair competition and transactions, rather than offer passive activities whose only goal is to evade legal risks. Accordingly, and with the grounding of the compliance culture, the bureau's consulting work is growing in importance each year.

In particular, media ads that directly impact consumers' purchasing activities must pass the bureau's screening process before being executed. When establishing or changing various contracts and systems, they must first be subjected to the bureau's review.

LG Electronics has established a mid- to long-term education plan to promote awareness and the culture of fair trade among employees. Training by duty, job level and specialized education are conducted. In 2006, we developed an on-line educational program called 'Code of Conduct' in the entertaining format of a cartoon which was for mandatory viewing by all employees.

Meanwhile, external fair trade experts are regularly invited to speak to related executives, while outside expert lectures and workshops are held for personnel working with ads and subcontractors to raise their understanding of laws and heighten their awareness of compliance. In particular, regular fair trade evaluations are made regarding purchasing and sales to ensure that the training is faithfully reflected in actual operations.

Regarding purchasing personnel who must deal with partner firms on the job, on-line and off-line education is conducted simultaneously. The personnel are obliged to take the increasingly detailed education courses depending on their job position and years of employment. Besides, checklists to aid in their compliance with related laws and company regulations are distributed.

The Compliance Bureau and subcontractor evaluators at each business site check for compliance with the Subcontractor Act more than once a year. Any problems discovered in this process must then be corrected. Meanwhile, training programs targeting our suppliers also include courses on fair competition to promote mutually fair business transactions. At the same time, the education helps our business partners to maintain the same levels of fair competition and transaction when dealing with other companies.

As part of compliance activities regarding subcontractors, LG Electronics became the first Korean company to pledge fair trade and win-win cooperation with subcontractors in 2007. To enable the FTC to evaluate the execution of such promises, LG Electronics signed a 'Subcontractor Fair Trade Agreement.'

The agreement states that the parties accept and will execute the three guidelines prepared by the FTC to ensure strict, self-regulated compliance with subcontractor-related laws. The three guidelines are those on signing a recommended contract between large corporations and SMEs for win-win partnership, guidelines on selecting and managing suppliers, and guidelines on establishing and operating an internal evaluation committee on transactions with subcontractors. Furthermore, the agreement outlines LG Electronics' continuing support for subcontractors in the form of funds, technology and personnel, to realize mutual cooperation and win-win situations.



Declaration of Subcontractor Fair Trade Agreement between LG Electronics and Subcontractors

Our fair trade activities are equally applied to employees both in Korea and overseas countries. In particular, LG Electronics distributed antitrust guidelines and handbooks to all employees around the world in 2006. In 2007, we conducted antitrust preventative education for employees stationed overseas.

History

1958

- Founded as Goldstar

1959

- First to produce tube transistor radio in Korea

1962

- First to export tube transistor radio

1965

- First to produce refrigerator in Korea
- Established a corporation

1968

- First to produce black & white TV in Korea

1970

- First to be listed in stock market among the peers in Korea

1975

- Established Gumi Plant

1976

- Completed Chagwon Plant

1977

- Accomplished KRW 100 billion in sales

1978

- Achieved USD 100 million in overseas sales

1979

- Established Gimhae Plant

1981

- Established Korea's first overseas production line(LGEAI, USA)

1984

- Completed Pyeongtaek Plant
- Exceeded KRW 1 trillion in sales

1986

- Established production lines in Germany(LGEWG)

1987~1988

- Established production lines in Thailand, Mexico, UK, and the Philippines

1991

- Achieved USD 2 billion export in home appliances

1992

- Established 'Environmental Committee'

1994

- Proclaimed 'LG Declaration for a Cleaner Environment'

1995

- Announced Management by Principle
- Renamed 'LG Electronics'
- Acquired Zenith

1996

- Declaration of LEAP 2005

1997

- Started TL (Technology Leadership) 2005

1998

- Reinforced business restructuring

1999

- Launched 'LG Philips LCD'
- Commercialized Korea's first 40-inch PDP TVs
- Proclaimed 'Digital LG Vision'

2000

- Merged with LGIC

2001

- Completed world's second PDP production line in Gumi
- Launched 'LG Philips Displays,' a joint venture for CRT
- Finalized demerger in extraordinary shareholder's meeting

2002

- Split LGE and LGEI
- Unveiled world's first mobile phone with organic EL panel
- Ranked 6th in global mobile handset industry
- Established R&D Center in Beijing, China

2003

- Developed world's first synchronous-asynchronous IMT-2000 mobile phone
- Produced world's first green technology refrigerator, DIOS
- S.S.KIM inaugurated as Vice Chairman & CEO
- Developed world's largest 76-inch PDP TV

2004

- Developed 5th generation chip for digital TV
- Began construction of PDP A3 factory
- Commercialized world's first XGA single scan technology
- Developed world first terrestrial DMB-receiving mobile phone

2005

- Won CES 2005 Innovation Award
- Won top prize for transparent management sponsored by Korea's 5 key economic organizations
- Unveiled the world's first DMB laptop computer
- Declared Charter of Corporate Social Responsibility
- Implemented global consumer service system
- Launched Network Solution Joint Venture, LG-Nortel
- Won Presidential Award for excellence in labor-management culture

2006

- Developed the world's first phones supporting DVB-H and Media FLO
- Launched the world's first dual core CPU notebook PC
- Accumulated TV output topped 200 million units
- Grabbed No.1 spot (quarterly) for the first time since the launch of the PDP panel business
- Declared 'Design Management'
- Named 'Design Team of the Year 2006' from reddot Design Award of Germany (first for a Korean company)
- Developed the world's first 60-inch single scan PDP
- Completion of LCD TV plant in Wroclaw, Poland
- Completion of home appliance plant in Ruza, Russia
- First in the industry to achieve domestic TV sales of KRW 1 trillion
- Developed 50-inch full HD PDP module
- Started production at PDP module plants in Mexico and Poland
- Set up Corporate Sustainability Management (CSM) Office

2007

- Inauguration of Vice Chairman Yong Nam (Jan. 1)
- Received CES Innovation Award at CES 2007 (Super Blue)
- Launched 'Super Blue,' the world's first next-generation dual format player
- Launched Prada phone
- LGE phone selected as winning handset for GSM Association's '3G For All' campaign
- Developed mobile terrestrial DTV technology (MPH)
- Signed sponsorship agreement with UK Premier League's Fulham FC
- Unveiled the world's first HDTV refrigerator capable of receiving digital broadcast signals
- Signed broad patent-licensing agreement with Microsoft of the US
- Accumulated sales of Tromm surpassed 10 million units
- Completion of Gasan R&D Campus
- Entered into energy solution business
- Sales of Chocolate phone reach 15 million units

Assurance Report

To the readers of the LG Electronics Sustainability Report 2006 · 2007

INTRODUCTION

We have been engaged by LG Electronics to review specified information in LG Electronics Sustainability Report 2006 · 2007 (further referred to as The Report). The Report is the responsibility of the company's management. Our responsibility is to issue an assurance report in relation to the scope described below.

CONTEXT AND SCOPE

In The Report LG Electronics describes its efforts and progress in relation to sustainability and reporting. Our engagement was designed to provide the readers of The Report with:

- reasonable assurance on whether the data on financial performance, as specified in the section 'Work undertaken and conclusions' are properly derived from the 2007 Non-consolidated financial statements of LG Electronics.
- limited assurance on whether:
 - the data on Workplace Injury Rate, Discharge of Air Pollutants and Training Hours per Employee for the year 2007 are reliable.
 - the information in the following sections of The Report is fairly stated:
 - Corporate Sustainability Management System (p25 ~ p26);
 - Employee Value (p 41 ~p 48);
 - Energy and Climate Change (p 49 ~ p 52);

'Fairly stated' means that the report properly reflects the information contained in the underlying sources such that it is consistent with the source information.

Reasonable assurance is a higher level of assurance than limited assurance, which is reflected in the nature and depth of the work performed. To obtain a thorough understanding of the financial results and financial position of LG Electronics, the reader should consult the LG Electronics audited Non-consolidated financial statements for the year ended 31 December 2007.

STANDARDS

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE 3000): 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board. Amongst others this standard requires that:

- the assurance team members possess the specific knowledge, skills and professional competencies needed to understand and review the information in The Report, and that they comply with the requirements of the IFAC Code of Ethics for Professional Accountants to ensure their independence;
- when providing limited assurance, which is a lower level than reasonable assurance, a negative form of conclusion is used.

There are no generally accepted standards for reporting sustainability performance. LG Electronics applies its own internal sustainability performance reporting criteria in addition to using the 2006 Sustainability Reporting Guidelines of the Global Reporting Initiative.

CONSIDERATIONS AND LIMITATIONS

Environmental, health, safety and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

WORK UNDERTAKEN AND CONCLUSIONS

● Financial data

We have reconciled the data on financial performance in the section of The Report listed below, with the audited 2007 Non- consolidated financial statements of LG Electronics.

- The economic value information on page 63, 64 and 66

Based on the above, the data on financial performance, as specified above are properly derived from the 2007 Non- consolidated financial statements of LG Electronics for which the independent auditors issued an unqualified audit opinion dated February 26, 2008.

● Specific Sections

For the reliability of the data on Workplace Injury Rate, Discharge of Air Pollutants and Training Hours per Employee for the year 2007 we conducted:

- a review of the data reported by reporting organizations;
- a review of the systems used to generate, aggregate and report these data;
- a review of the data validation process at product division level;
- a review of the calculation made at corporate level;

Based on the above, the data on Workplace Injury Rate, Discharge of Air Pollutants and Training Hours per Employee for the year 2007 do not appear to be unreliable.

For the information in the sections of The Report, as specified above under 'CONTEXT AND SCOPE' we conducted:

- a media and internet search to obtain insight into the relevant sustainability aspects in the reporting period;
- a review of the systems and processes used to generate this information;
- a review of internal documentation and intranet sources;
- interviews with staff in order to assess the information included in the specific sections;

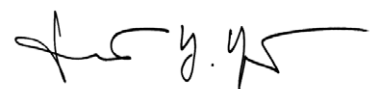
Following our review we discussed changes to the draft Report with LG Electronics and reviewed the final version of The Report to ensure that it reflected our findings.

Based on the above, the information in the sections, Corporate Sustainability Management System, Employee Value, and Energy and Climate Change does not appear to be unfairly stated.

COMMENTARY

Without affecting the conclusions presented above, we believe that following information could be useful to the readers' decision-making process.

We believe that a thorough attention is required for the standardization of data generation, aggregation and reporting scheme for the environment management at various manufacturing units and community contribution activity management. On top of that, we think that LG Electronic needs to readjust organizations handling sustainability issues in order to efficiently drive corporate responsibility. Furthermore, we recommend that LG Electronics try to report negative issues as well through the report.



Yun, Young Gak

Chairman / Group CEO
Samjong KPMG Advisory Inc.
Seoul, September 2008



GRI Index

G3		Disclosure Items	LG Electronics' Responses	Page
Profile				
Strategy and Analysis	1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy	CEO Message	16~17
	1.2	Description of key impacts, risks, and opportunities	CEO Message	16~17
Organizational Profile	2.1	Name of the organization	LG Electronics	-
	2.2	Primary brands, products, and/or services	Core Business	22
	2.3	Operational structure of the organization	Company Profile	19~21
	2.4	Location of organization's headquarters	Seoul, South Korea	-
	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	Overview of LG Electronics	20~21
	2.6	Nature of ownership and legal form	Corporate Governance	23
	2.7	Markets served	Economic Performance	63~64
	2.8	Scale of the reporting organization	Economic Performance	22, 63~64
	2.9	Significant changes during the reporting period regarding size, structure, or ownership		
	2.10	Awards received in the reporting period	Corporate Sustainability Management System, 2006~2007 Highlights	26, 30~31
Report Parameters	3.1	Reporting period	Report Profile	3
	3.2	Date of previous report	Report Profile	3
	3.3	Reporting cycle	Report Profile	3
	3.4	Contact point for questions regarding the report or its contents	Contact information	97
	3.5	Process for defining report content	Stakeholder Engagement	29
	3.6	Boundary of the report.	Report Profile	3
	3.7	State any specific limitations on the scope or boundary of the report	Report Profile	3
	3.8	Basis for reporting that can significantly affect comparability from period to period and/or between organizations	Report Profile	3
	3.9	Data measurement techniques and the bases of calculations	(Described in the relevant pages)	
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	(No major change, explanation per indicator if there is a change)	
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods	(No major change)	
	3.12	Table identifying the location of the Standard Disclosures in the report	GRI Content Index	94~96
	3.13	Policy and current practice with regard to seeking external assurance for the report	Report Profile, Assurance Report	3, 92~93
Governance, Commitments, and Engagement	4.1	Governance structure of the organization	Corporate Governance	23
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer	(Concurrent position)	
	4.3	The number of members of the highest governance body that are independent and/or non-executive members	Corporate Governance	23
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Corporate Governance	23
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	Stipulations on the Board of Directors	
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Corporate Governance	23
	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	23
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance	Corporate Sustainability Management System	25~26
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	Corporate Governance	23
	4.10	Processes for evaluating the highest governance body's own performance	Corporate Governance	23
	4.11	Explanation of whether and how the precautionary approach or principle is addressed	Risk Management	27~28
	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Corporate Sustainability Management System	25~26
	4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	(Sustainability Report 2005)	
	4.14	List of stakeholder groups engaged by the organization	Stakeholder Engagement	29
	4.15	Basis for identification and selection of stakeholders with whom to engage	Stakeholder Engagement	29
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholder Engagement	29
	4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded	Stakeholder Engagement	29

G3		Disclosure Items	Application Level	LG Electronics' Responses	Page
Economic Disclosure on Management Approach					65
Economic Performance	EC1	Direct economic value generated and distributed	△	Economic Performance (Performance per Business Unit, Key Financial Ratios) Distribution by Stakeholder (Dividend, Wages, Interest Expenses)	63-34 66
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	△	LG Electronics' Awareness of Climate Change, Our Actions, Plans & Goals	51
	EC3	Coverage of the organization's defined benefit plan obligations	×	(-)	
	EC4	Significant financial assistance received from government	×	(-)	
Market Presence	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	×	(-)	
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	×	(-)	
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	△	Employees	22
	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	○	Domestic & Overseas Social Contribution Program	80-82
	EC9	Understanding and describing significant indirect economic impacts	×	(-)	
Environmental Disclosure on Management Approach					49, 53, 72
Materials	EN1	Materials used by weight or volume	×	(-)	
	EN2	Percentage of materials used that are recycled input materials	×	(-)	
Energy	EN3	Direct energy consumption by primary energy source	×	(-)	
	EN4	Indirect energy consumption by primary source	×	(-)	
	EN5	Energy saved due to conservation and efficiency improvements	△	Changwon Plant energy conservation program, Plans to raise energy efficiency	49-50
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	△	Development of green products; Reduce use of materials, Improve recyclability, Enhance energy efficiency, Replace hazardous substances	53-56
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	△	Green Procurement	58-59
Water	EN8	Total water withdrawal by source	△	Annual use of water supply	74
	EN9	Water sources significantly affected by withdrawal of water	×	(-)	
	EN10	Percentage and total volume of water recycled and reused	△	Recycled volume of water supply	74
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	×	(-)	
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	×	(-)	
	EN13	Habitats protected or restored	×	(-)	
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	×	(-)	
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	×	(-)	
Emissions, Effluents, and Waste	EN16	Total direct and indirect greenhouse gas emissions by weight	×	(-)	
	EN17	Other relevant indirect greenhouse gas emissions by weight	×	(-)	
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	○	Reducing GHG emissions from operations and during product use by developing new & renewable energy technology	49-50
	EN19	Emissions of ozone-depleting substances by weight	△	Reducing worksite GHG emissions; Changwon Plant energy conservation program	50
	EN20	NO, SO, and other significant air emissions by type and weight	○	Discharge of key air pollutants	73
	EN21	Total water discharge by quality and destination	△	Discharge of key water pollutants	73
	EN22	Total weight of waste by type and disposal method	○	Discharge of recyclable waste	74
	EN23	Total number and volume of significant spills	△	Hazardous chemical substances	73
	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	△	Life Cycle Assessment, Eco-design, Eco-Index, and environmentally-friendly design	59-60 69-70
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category	△	Collection and recycling of waste home appliance, Take-back results	75-76
Compliance	EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	×	(-)	
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	×	(-)	
Overall	EN30	Total environmental protection expenditures and investments by type	×	(-)	

G3		Disclosure Items	Application Level	LG Electronics' Responses	Page
Labor Practices and Decent Work Disclosure on Management Approach					41-42
Employment	LA1	Total workforce by employment type, employment contract, and region	△	Employee Diversity (gender, disabled, etc) Ratio of Temporary Employees	22 47
	LA2	Total number and rate of employee turnover by age group, gender, and region	△	Ratio of retirees	47
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	△	Welfare benefits for full-time workers	45
Labor/Management Relations	LA4	Percentage of employees covered by collective bargaining agreements	○	Ratio of Labor Union Members	46
	LA5	Minimum notice period(s) regarding operational changes	×	(-)	
Occupational Health and Safety	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	△	Applies to all employees	45
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region	△	Workplace Injury Rate & Lost-time Injury Frequency Rate	45
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	△	Health and Safety Program	45
	LA9	Health and safety topics covered in formal agreements with trade unions	△	Energy, Environment, Safety, Health (EESH) Committee	45
Training and Education	LA10	Average hours of training per year per employee by employee category	△	Training Hours per Employee	44
	LA11	Programs for skills management and lifelong learning and assist them in managing career endings		Leadership and Learning	43-44
	LA12	Percentage of employees receiving regular performance and career development reviews	△	Evaluation (Performance, Capability, and Leadership)	42
Diversity and Equal Opportunity	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	△	Employee Diversity	22, 47
	LA14	Ratio of basic salary of men to women by employee category	△	(-)	
Human Rights Disclosure on Management Approach					46
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	×	(-)	
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	×	(-)	
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights	×	Employee Human Rights	46
Non-Discrimination Freedom of Association and Collective Bargaining	HR4	Total number of incidents of discrimination and actions taken	×	(-)	
	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	○	Freedom of assembly and collective bargaining	46
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	○	Labor Standards Act observance and the ILO convention ratification	46
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	○	Labor Standards Act observance and the ILO convention ratification	46
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	×	(-)	
Society Disclosure on Management Approach					80-83
Community	S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities	△	Local environmental activities, EESH support for local SMEs, Joint activities with local resident	77
Corruption	S02	Percentage and total number of business units analyzed for risks related to corruption	×	(-)	
	S03	Percentage of employees trained in organization's anti-corruption policies and procedures	△	Fair Trade Compliance Program and Implementation System and Fair Trade Promotion Activities	89-90
	S04	Actions taken in response to incidents of corruption	△	Applies 'Fair Trade Compliance Program and Implementation System' as disciplinary measures for violators	89
Public Policy	S05	Public policy positions and participation in public policy development and lobbying	×	(-)	
	S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	N/A	Prohibited in Korea by Political Fund Law	
Anti-Competitive Behavior	S07	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	×	(-)	
Compliance	S08	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	△	No violation	89

G3		Disclosure Items	Application Level	LG Electronics' Responses	Page
Product Responsibility Disclosure on Management Approach					33, 37
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.	△	Process for development of safe products and research for the health effects of electromagnetic fields	37~38
	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 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	△	Eco-labeling	61
	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	○	Customer centered Service Evaluation System, Customer Satisfaction Survey	39
Marketing Communication	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications	△	Compliance bureau's screening process	90
	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 customer privacy and losses of customer data	△	Customer Privacy and Internal Security Measures	40
Compliance	PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	×	(-)	

Contact Information

Various departments of LG Electronics contributed to preparing this report to ensure the accuracy of information provided herein. Led by the Corporate Sustainability Management Office, the management strategy, human resources, labor-management, environment and safety, quality and purchasing, communications, investor relations departments assisted with the report. Each of the divisions also gave their input. LG Electronics will continue with efforts to provide accurate information via the Sustainability Report. We look forward to feedback and constructive criticism from all our stakeholders.

Please send all comments on this report via the contact details provided below.

Corporate Sustainability Management Office, LG Electronics, LG Twin Towers
20 Yeoido-dong, Yeongdeungpo-gu, Seoul 150-721, Korea
Tel: +82-2-3777-5512 Fax: +82-2-3777-5338 e-mail: sustainability@lge.com
Homepage: www.lge.com



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