

*Insight for you!*



# About this Report

## ● 2008 LG ELECTRONICS SUSTAINABILITY REPORT

This is LG Electronics' third sustainability report. By fulfilling what we call Promise<sup>3</sup>—People, Planet, Prosperity—we aim to become one of the world's top electronics companies. It is our sincere goal to bring about a society where not only our employees but all of humankind play a role in ensuring that the cleaner, healthier Earth can be passed down from generation to generation, and that LG Electronics can grow into a world-class corporation through leading innovation. The report contains our 2008 sustainability management performances and is meant to promote meaningful communication based on this information.

## ● REPORTING PRINCIPLES

This report was written in accordance with GRI (Global Reporting Initiative) G3 guidelines, with the purpose of documenting the most important information for LG Electronics and all of its stakeholders through materiality analysis.

## ● SCOPE AND PERIOD

The scope of this report mainly covers the period January 1, 2008 to December 31, 2008, with some significant activities in the first half of 2009. The report focuses on the operations of LG Electronics' headquarters and business sites in Korea. However, some activities at overseas operations were also included in the report, with plans in place to gradually expand the report's scope to include the entire global operations of LG Electronics.

The default currency unit of this report is the Korean won (KRW). Global sales were converted by applying the 2008 average exchange rate (based on the earliest official basic exchange rate of each day), KRW 1,102.59 per 1 U.S. dollar (USD), while the basic exchange rate as of December 31, 2008 was KRW 1259.50.

## ● EXTERNAL ASSURANCE

This report has been assured by a third-party agency, Two Tomorrows, for its adherence to materiality, inclusivity, and responsiveness principles. Please refer to pages 76-79 for the Two Tomorrows assurance statement.

## ● ADDITIONAL INFORMATION

For more information on this report, please refer to other LG Electronics publications including previous annual reports, environmental report, and the corporate's official websites ([www.lge.com](http://www.lge.com)).

## ● CONTACT

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2008 LG ELECTRONICS  
SUSTAINABILITY REPORT

## Insight for you

Seeking sustainable growth based on stakeholder insight

LG Electronics has been making every effort to explore stakeholder's needs proactively and reflect it into business. In order to increase stakeholder value by doing such efforts, LG Electronics is growing its capacity for sustainability management focused on these domains—Performance, Strategy, Governance & Management, and Engagement.

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LG Electronics wants all of its stakeholders to be happy and prosperous.  
In fact, its founding spirit was to provide top value for every single consumer.  
That spirit has long been a driving force to develop devices  
that would enrich people's lives and cutting-edge technology  
that would change the world.

A company that wants to help society and care for the underprivileged;  
A company that is always considering people's happiness and the health of the planet...  
These goals are what make LG Electronics a truly sustainable corporate.  
By looking at the world in a positive, warmhearted way,  
LG Electronics has become a corporate that makes people's dreams come true.



*Insight for you!*

Is there any TV that can accurately reflect the cultural characteristics of a particular region or country?

### Locally-customized TV

- The Middle East: TVs that read the Koran out loud and display 114 Islamic scriptures (PG35, 42/50 inch)
- Nigeria: TVs that support the country's three major languages through subtitles (FU6R/ 21 inch)



Our TV is usually on for a long time, but we want it to be better for our eyes and not consume so much energy.

### LCD TV (X-CANVAS David)

- With the Eye Q Green function, users can adjust the brightness of the screen with a microscopic sensor
- Energy consumption is slashed by 70% with energy-saving, high-efficiency light source technology



●  
TVs are a gateway to information and a vital part of many people's everyday lives. Consumers should be able to have access to the information they need wherever they are in the world. With its unsurpassed advanced technology, LG Electronics is solving problems related to language, energy, user convenience, and the environment.



Is there a cell phone out there that is tailored to people over the age of 40?



### Wine phone

- Convenient elements and functions such as a bigger screen and buttons, easy-to-use menu, and a text window that makes words bigger so they are easy to read
- Winner of Grand Prize at the 9<sup>th</sup> Ergonomics Design Awards, with 1.75 million units sold in just two years

Have you done anything to make cell phones easier to use for the visually challenged?



### Reading Cell Phone 1&2

- Voice guide option, voice recognition & transformation function, and audio books (from LG Sangnam Library)
- Complimentary phones have been given to 2,000 visually challenged men and women

It is often quite difficult to charge my cell phone battery when I go out. Is there any way around that?



### Eco-friendly Phone

- Solar-powered batteries
- The cell phone has a solar panel on its battery cover and gives 3 minutes of talk time for every 10 minutes it is exposed to the sunlight



●  
In an age of mobile communication, everyone should be able to enjoy the benefit of cell phones with absolute ease and convenience. LG Electronics believes no one should be left out in the information age. Everyone should be able to enjoy the cutting-edge conveniences and features of today's cell phones, which is exactly what LG Electronics is making happen in the information age.



Home appliances run on electricity. While it is inevitable that energy will be consumed in some form, LG Electronics is proud to offer products that care for the planet's environment, minimize energy consumption, and take into consideration the health of the user. At LG Electronics we care deeply not just about our customers, but about the environment and the future as well, a fact that is reflected in all of our products.



**It would be great if there were a washing machine that thought about the environment and its customer's health.**



### Washing Machine (TROMM)

- Reduction of annual energy consumption by 21% with a DD (Direct Drive) motor that eliminates the belt drive of the wash drum
- EDP-certified as an eco-friendly product by TÜV Rheinland, Germany (EU's environment & safety certification institute)
- Allergy care, safe rinsing, and a "free-up" design that minimizes shock to a user's waist and knees
- Winner of the Ergonomics Society of Korea's Grand Prize at the 10<sup>th</sup> Ergonomics Design Awards

**I'm worried about the cost of electricity because our refrigerator is on all the time.**



### Refrigerator (DIOS)

- Reduction of annual energy consumption by 39% with the improvement of cool air circulation efficiency that makes use of a linear compressor
- Recipient of an energy-related award (Ministry of Knowledge Economy Prize) three years in a row



**LG air conditioners are the pride of LG Electronics.**  
**After many years of achieving the world's highest sales in the industry,**  
**our accumulated sales finally reached 100 million units in 2008,**  
**Which was the first time this had ever been accomplished in the industry.**  
**In the future, LG Electronics will work hard to create pleasant,**  
**eco-friendly residences, offices, and combined use spaces as a global,**  
**Total HVAC company that offers solutions for a wide range of**  
**air conditioning requirements, from residential and office cooling,**  
**heating and ventilation to complete energy systems in buildings.**



**Is there any way to get a cool, refreshing breeze to follow me?**

**Are there any outdoor units that occupy a lot less space than others?**

**Are there any air conditioners which take care of family health as well?**

### **Residential Air Conditioner Human-Body Sensor Function**



- Automatically adjusts the temperature and the cooling force according to the number of people in a room and their precise location in the room
- Twice faster at cooling than existing air conditioners, with reducing electricity costs by 56%

### **Commercial Air Conditioner Multi V**



- Maximization of space efficiency with a smaller, more compact size when compared to existing products of the same kind
- Reduction of annual energy consumption by 20% compared to existing models

### **Air Conditioners That Prevent Bird Flu**



- Anti-virus effect through a positive/negative ionizer
- Selected as one of Indonesia's Top brands for two years straight in the Solo Post Best Brand Index air conditioner category



Can more than one person use the same computer at the same time?



### Network Monitor

- Commercial monitors connect one computer to up to 11 monitors
- Especially useful at government agencies and private institutes
- Saves people money, cuts down on energy use

Can hotels offer consumers the latest movies without worrying about the illegal copy?



### Hotel TVs

- "Proidiom" solution to prevent the illegal copy of digital contents
- Optimal for movie services

Can companies maintain security without installing separate cables?



### IP Security System

- Remote control is made possible by logging on to the Internet anywhere, using wireless video transmission technology
- Early detection & prevention of security threats using artificial intelligence monitoring



● LG Electronics' business solutions are gradually expanding to wider areas such as monitors, commercial display systems, car audio systems, and security solutions.

Based on the superior technology LGE has accumulated in the field of electronics/IT, we provide optimum solutions for client companies, allowing us to pursue growth alongside them.

## CEO Message

**SEEKING SUSTAINABLE  
GROWTH BASED ON  
STAKEHOLDER INSIGHT**



J U L Y 2 0 0 9

Vice Chairman and CEO Yong Nam

## To all of our Distinguished Stakeholders,

Last year LG Electronics was forced to deal with some unprecedented challenges and uncertainties in the global management environment due to the worldwide economic crisis. Nonetheless, we were still able to post our best performance results ever, while also strengthening our position as a global corporation in both name and substance. However, our success was not limited to the financial sector. LG Electronics attained remarkable results after fortifying its global corporate capabilities and brands, and enhancing its technology and design innovation. Outstanding performance was also achieved in new product development. This is particularly significant since these results improved the overall health of the company on a fundamental level.

For sustainable growth to become a reality, it is imperative to assuage the fear and concerns of all stakeholders, from customers to shareholders to employees, reassuring everyone of the potential growth of our company. LG Electronics is pursuing the following core tasks in the field of sustainability management in order to continuously increase customer value and strengthen the health of the company:

We have established a new organization for top sustainability decision-making and have reinforced a cooperative system with related functional groups.

We are making public the implementation process and achievements of sustainability management in a transparent and reliable manner, and cooperating and communicating with customers, communities, and related experts as well.

With respect to corporate social responsibility and the observation of international standards, we are poised to create a system that manages non-financial performances and risks on an integrated basis.

For low-carbon, cleaner production and improvement in the efficient use of resources, we are innovating product development and design capabilities, while also making great strides to minimize the impact of every aspect of our business on our planet's ecosystem.

We are expanding our current business portfolio into eco-friendly/health-friendly fields such as renewable energy and healthcare solutions.

The key to realizing our vision of becoming a sustainable corporation lies in how we harmoniously link the nature of corporate management with the principle and strategies of sustainability, and how we actually implement them. I can assure you that LG Electronics will continue to explore new opportunities and growth engines, allowing us to become a leading multinational corporation that is both trusted and respected by its stakeholders through a deeper understanding of sustainability and its application to everyday management. Thank you.



## Top Management Messages

### INCREASING CUSTOMER VALUE BY ENHANCING ECO-FRIENDLY COMPETITIVENESS



One can never overestimate the importance of the environment as a factor in sustainable development, especially since customers are becoming more aware of environmental issues with each passing day. Ever since it published an environment declaration in 1994, a first for any Korean company, LG Electronics has devoted itself to research and development in order to increase customer convenience as well as to protect the environment.

LG Electronics is actively responding to climate changes by reducing its greenhouse gas emissions throughout the product life cycle. With such a reduction goal in place, we are enhancing our competitive edge in terms of our greener products by proactively joining a carbon footprint (carbon labeling) pilot project. At the same time, we are committed to more thoroughly managing our workplace environment by creating a greenhouse gas emissions inventory for each of business sites in Korea. Through our efforts, we also became the first Korean electronics company to obtain international verification (Greenhouse gas inventory 2005~2007).

Even as we provide consumers with products that minimize greenhouse gas emissions by improving energy efficiency and producing safer products through effective management of toxic materials, we continue to maximize profitability. Additionally, LG Electronics is conducting co-management, information sharing, and supporting training in cooperation with all of its partners.

We believe that these measures will enhance customer value, as LG Electronics intensifies its efforts to become even more competitive with greener products and to fully satisfy the needs of all its customers.

CTO (Chief Technology Officer) / President **Woo Hyun Paik**

### SUSTAINABILITY IS EVERYBODY'S RESPONSIBILITY



At LG Electronics we believe sustainability is the responsibility of every business partner in our supply ecosystem. Therefore, we insist that our suppliers fully comply with the same rigid specifications and performance standards pursued within LG. Our procurement personnel are carefully trained, and held to the highest ethical standards. We believe that Jeong-do Management, or "the right way," is essential to both good business results and sustainable operations around the world.

Annually we also conduct a Global Supplier's Day. At this event we communicate our requirements and expectations, centering on transparent business conduct and ethics. Workshops are also held during this gathering, where both LG Electronics executives and supplier executives can share, discuss and collaborate on improved ways of doing business.

At LG Electronics we also survey our suppliers to gather their opinions and incorporate their concerns into our operating practices, which is why we conduct an annual global supplier survey. This past year the perception of LG Electronics as a customer increased by 5 points and continued to track ahead of our competition as a customer of choice.

Finally, 80 percent of LG Electronics revenue is purchased. The combination of material and nonmaterial procurement drives our profitability, growth and future sustainability, and the community of professionals that make up this function recognize their role and responsibility in helping LG Electronics achieve ongoing success.

CPO (Chief Procurement Officer) / Executive Vice President **Thomas K. Linton**

## STRENGTHENING GOVERNANCE FOR CORPORATE SUSTAINABILITY MANAGEMENT



Stakeholder value creation is the ultimate goal of LG Electronics. We are managing every aspect of our business in a transparent and responsible manner in the name of stakeholder value creation as we seek to become a sustainable global corporation.

The sustainability management efforts we have carried out at LG Electronics as core tasks are gaining momentum through a company-wide system that has been in place since 2007. Around LG Electronics' CSM office, related departments cooperate closely to devise roadmaps to implement CSM strategies, promote communication with stakeholders, diagnose and manage non-financial risks on an integrated basis, and strengthen our corporate capabilities.

LG Electronics achieved a significant milestone when it established a Corporate Sustainability Management Committee under the Senior Executive Management Council, the top decision-making organization at the company. This committee has significantly enhanced execution power in managing sustainability.

In our bid to join the UN Global Compact, a platform which has set global standards for human rights, labor, environment, and anti-corruption, LG Electronics has worked hard to ensure full compliance throughout the company with our sustainability management principles.

LG Electronics will consistently gain competitiveness as a world-class corporation in the future as it continues to earn the trust and admiration of its stakeholders as well as the public.

CSD (Chief Supporting Division) / Executive Vice President **Young Kee Kim**

## VALUE-ADDED LABOR-MANAGEMENT RELATIONS ARE THE STARTING POINT OF GROWTH



To become a corporation of sustainable growth and development, a solid labor-management relationship based on trust is more important than anything else, and cannot be overemphasized.

LG Electronics experienced the most challenging time in its corporate history when two labor strike cases broke out, one in 1987 and another in 1989, leading to a significant loss in profits and a dramatic drop in market share. Labor and Management took this opportunity to reestablish relations between the two parties, moving from a vertical and confrontational relationship of "labor-company" to one of "labor management," where both parties are seen as equals. Since then both sides have worked hard to develop a cooperative partnership based on mutual trust and respect.

As a result, LG Electronics is now seen as an excellent example of a company with sound labor management relations, and is proud of its 19 straight years of dispute-free negotiations since 1990.

Above all else, labor-management relations at LG Electronics are characterized by the continuous efforts of each side to create new value through mutual cooperation. Both labor and management are trying to fulfill what they call the "social responsibility of a corporation" by actively participating in fund-raising events and volunteer work as well as providing top-quality products and services.

LG Electronics' labor union will spare no effort to help the company take that next step forward to become a sustainable, world-class entity, empowering it to achieve not only its economic duty as a company, but also its social and environmental responsibilities.

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

## 2008 Highlights

### LG ELECTRONICS' 50<sup>TH</sup> ANNIVERSARY

LG Electronics was founded as Goldstar, Korea's first electronics company, in 1958 and has since grown to become an influential global corporation. In commemoration of its 50<sup>th</sup> anniversary, which fell in March 2008, LG Electronics put together a book called *50 years of LG Electronics*, a four-volume series that looks at the company's history from its earliest days when it was just entering the electronics industry to today. LG Electronics will only get more competitive as it moves one step closer to becoming one of the world's top companies. At the same time it will not relent in its pursuit of developing new original technologies, building on 50 years of tried and tested business capabilities.

### RECORD-HIGH BUSINESS PERFORMANCE

With KRW 49,333 billion in sales and KRW 2,133 billion in operating profit (consolidated), LG Electronics set a record-high performance in 2008. These outstanding results were made possible thanks to LG Electronics' best performance ever in the mobile phone sector and its sustained efforts to explore new markets, expand investment in R&D, brands and design, and reduce costs despite the global economic slump.

### ACTIVELY SEEKING NEW GROWTH ENGINES

LG Electronics hired new R&D personnel in its solar cell business unit under Chief Technology Officer, Woo Hyun Paik, in late April of 2008 and is currently working on turning a part of its PDP production line in Gumi, Gyeongsangbuk-do into a solar cell business. Also, the existing four companies at LG Electronics have been reorganized into five in order to strengthen LG Electronics' health care business and its B2B solution business, as well as to support new businesses at LG Electronics.

### 19 YEARS OF DISPUTE-FREE NEGOTIATIONS ON WAGES AND COLLECTIVE AGREEMENTS

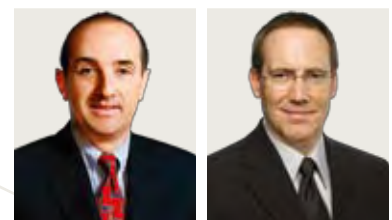
According to 2008's "Collective Negotiations for Renewing Wages and Collective Agreements," LG Electronics' labor union agreed to a wage freeze for two straight years. Both labor and management have done their best to achieve transparent management and bring about a dispute-free workplace in an effort to create new jobs and stabilize employment based on growth. The two sides also agreed to give back KRW 100 million to society from the money not spent on wage hikes. As such, LG Electronics has been able to continue its proud tradition of dispute-free negotiations for the past 19 years.

### RECRUITING TOP FOREIGN MANAGEMENT

Since the start of Dermot J. M. Boden's tenure as Executive Vice President (CMO) in December 2007, a total of five foreign executives have been brought in at the top management level (CPO, CSCO, CHO, CGTMO), exemplifying the company's drive to become a global corporation in every aspect — from corporate culture and work process to corporate capabilities — with 50,000 of the company's 80,000 employees currently working overseas and as much as 80 percent of sales made abroad.

### REVISION AND DISTRIBUTION OF CODE OF ETHICS IN 14 LANGUAGES

After the creation and declaration of the LG Group's 1994 "Code of Ethics" LG Electronics updated and merged its "Code of Ethics-Guidelines for Practice" and "Explanation of LG Code of Ethics-Guidelines for Practice" both of which provide guidelines for employees and suppliers on corporate ethics, into one book for use by the LG Corporation in 2004. This was then translated and distributed in 14 languages including English and Chinese. In addition, Jeong-do Management training was given to over 12,000 employees at sites in Korea and abroad, and an "Code of Ethics" put in place for employees at LG Electronics and suppliers. There are plans to revise this "Code of Ethics" in 2009 to reflect recent changes in the management environment.





**ANNOUNCEMENT OF GREENHOUSE GAS EMISSIONS REDUCTION PLAN**

At the last Consumer Electronics Show (CES), held in Las Vegas in January 2009, LG Electronics announced a plan to reduce its greenhouse gas emissions. LG Electronics' eco-friendly policy, pursued in tandem with the company's "Life's Good when it's green" program, aims to reduce 150,000 tons of greenhouse gases in manufacturing and 30 million tons of greenhouse gases in products by 2020. For products, the emissions will be gradually cut throughout the whole life cycle of products, from raw materials to disposal.

**DECLARATION OF SUBCONTRACTOR FAIR TRADE AGREEMENT**

LG Electronics has been pursuing a win-win partnership with subcontractors based on its "principle of global partnership" since May 2007. In November 2008, the company held a special ceremony to announce its subcontractor fair trade agreement, making it clear that it will strengthen trust and cooperation between itself and its subcontractors through transparent management. LG Electronics is helping its suppliers to improve their competitiveness by providing training for employees and technical support, professional support when necessary, and financial support. Moreover, it will advance the period of payment from the previous 60 days (from delivery to payment) to 30 days and always pay in cash.

**ESTABLISHING NEW DIRECTION OF SOCIAL CONTRIBUTION PROGRAMS**

In order to match its status as a global corporation which focuses on environmental and poverty issues, LG Electronics decided to increase its community contributions. To raise awareness about environmental pollution and climate change, there are also plans to support 'Champions of the Earth,' the key environmental awards program of the United Nations Environment Programme (UNEP), as well as holding international conferences by 2012. Furthermore, in cooperation with the World Food Programme (WFP) we will help lay a foundation for the underprivileged to help themselves starting with efforts to famine alleviation in Africa.

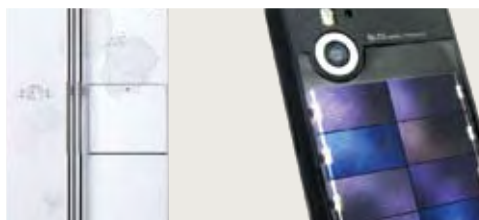
**RECIPIENT OF 2008 CES INNOVATIONS AWARDS IN 13 CATEGORIES AND DESIGN AWARDS IN 11 CATEGORIES**

In January 2008, LG Electronics received CES Innovations Awards for 13 products including its flat screen TVs (5 categories), mobile phones (4), home electronics (2), audio products (1), and video products (1). In total LG Electronics has now been the recipient of 79 Innovations Awards since 2003. CES Innovations Awards are given to approximately 300 products (in 30 categories) which demonstrate superior excellence in technology and design at the annual Las Vegas Consumer Electronics Show by the Consumer Electronics Association (CEA) and the Industrial Designers Society of America (IDSA). In addition, 11 LG Electronics products received 'iF Design Award 2008' and 'Red dot Design Award 2008' respectively.

**DEVELOPING GREENER PRODUCTS AND PRODUCTS TO BRIDGE THE DIGITAL DIVIDE**

When it comes to developing new products, LG Electronics is at the forefront of protecting the environment. Examples of this include our Linear Compressor refrigerator, LED BLU notebook, and solar-powered mobile phones and accessories. In fact, our innovative refrigerator has been awarded with a prestigious Energy Winner prize by Consumers Korea for three consecutive years. To put this in perspective, our Linear Compressor refrigerator saves 39% more energy a year than existing products, while our LED BLU notebook laptop saves 73% more energy a year than similar products out there on the market because of its LED backlights.

LG Electronics is also developing products to close the digital divide and help benefit the underprivileged. Good examples of this include our first- and second-generation book-reading phones for the visually impaired, which were developed in September 2006 and July 2008, respectively. With this cell phone, users can access the LG Digital Talking Book (DTB) Library, a virtual library for the visually impaired run by LG Sangnam Library, and download thousands of audio books. Users can also have menu items and text messages read out to them as well.



# About LG Electronics

Since it started operations as Goldstar in 1958, LG Electronics has been leading the electronics industry in Korea and overseas with its innovative technology and products. In order to position itself as a leader in the electronics industry and usher in a new era, with the goal of becoming one of the top electronics corporations in the world through accomplished design management and strengthened R&D, LG Electronics has been producing some of the world's best products—often before anyone else—for more than 50 years.

## [OVERVIEW OF LG ELECTRONICS]

As of December 31, 2008 / ( ): Change in figures compared with the previous year  
Unit: KRW billion

<b>ORGANIZATION NAME</b>	LG Electronics
<b>LOCATION OF HEADQUARTERS</b>	LG Twin Towers, 20, Yeouido-dong, Yeongdeungpo-gu, Seoul, Korea
<b>INDUSTRY</b>	Manufacturing
<b>MAIN BRANDS</b>	XCANVAS, CYON, WHISEN, TROMM, DIOS, XNOTE, CYKING, FLATRON
<b>MAIN PRODUCTS</b>	TVs, Mobile Telecommunications Devices, Air Conditioners, Washing Machines, Refrigerators, Notebook PCs, Monitors, Optical Storage
<b>CEO</b>	Yong Nam
<b>DATE OF ESTABLISHMENT</b>	October 1, 1958

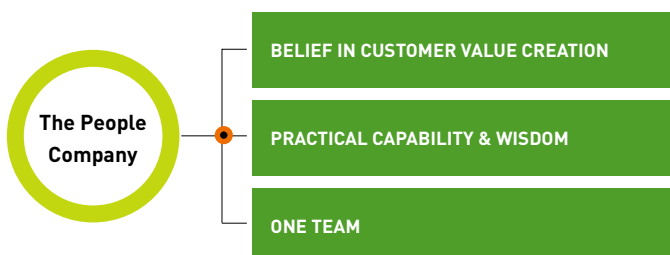
<b>NO. OF EMPLOYEES</b>	84,090 (Korea: 27,087/ Overseas: 57,003)
<b>TOTAL ASSETS</b>	17,337.9 (+3,001.3)
<b>TOTAL LIABILITIES</b>	8,931.1 (+1,804)
<b>SALES</b>	<b>PARENT</b> 27,638.5 (+4,136.6) (Domestic: 6,445.2 / Exports: 21,193.3)
	<b>CONSOLIDATED</b> 49,333 (+8,485.1)
<b>OPERATING PROFIT</b>	<b>PARENT</b> 1,226.9 (+662.3)
	<b>CONSOLIDATED</b> 2,133.0 (+899.3)
<b>CREDIT RATING</b>	AA- (Domestic), Baa3 (Moody's), BBB (S&P)
<b>NO. OF SHAREHOLDERS</b>	143,713
<b>NO. OF SHARES</b>	161,833,806

## [ORGANIZATIONAL CHART]



## [VISION]

'The People Company' is, where a company achieve outstanding performance by one team with talented individuals, who are obsessed with customer value creation and who attain the world's best practical capability and wisdom.



## [ SIX STRATEGIC INITIATIVES ]

1. ENHANCEMENT OF PERFORMANCE MANAGEMENT
2. BUSINESS PORTFOLIO RESHAPING
3. CUSTOMER CENTRIC PROCESS
4. BUILDING PREMIUM BRAND
5. INNOVATION
6. GLOBALIZATION



*The perfect harmony of stylish design & smart technology.*



Home Entertainment

[BUSINESS DOMAINS]

**HOME ENTERTAINMENT (HE)** • LG Electronics wants to make life more enjoyable for consumers with its home entertainment equipment, which is easy to use and full of emotional appeal. LG Electronics produces the most eye-catching LCD TVs and PDP TVs, home theater systems with unbelievably crisp sound quality, cutting-edge high-definition Blu-ray players, and optical disk drives such as the Super Multi Blue, Super Multi, CD-RW, and DVD-ROM drives.

**HOME APPLIANCE (HA)** • By analyzing consumers' living patterns and understanding exactly what they want at home, LG Electronics is leading the world's home electronics market with a steady supply of premium brand home appliances. LG Electronics is constantly launching new trends in appliances for the home by creating artistic products that are as functional and technologically advanced in use as they are stylish in design.

**BUSINESS SOLUTIONS (BS)** • LG Electronics is unveiling a new future alongside its customers as it grows its B2B business, providing a wide range of monitors with distinctive features and unforgettable designs that B2B display customers can see in hotels, hospitals, and other public places, as well as car infotainment solutions for the telematics and audio systems which will be installed in futuristic cars.

**MOBILE COMMUNICATIONS (MC)** • A leading provider of mobile products in the global marketplace, LG Electronics has never stopped producing the latest telecommunication technology ever since it released the world's first CDMA phone. With its sophisticated design and top-of-the-line features, LG Electronics has long captured the imagination of consumers around the world, creating new trends with each new model it releases.

**AIR CONDITIONING (AC)** • With its internationally recognized world-class technology and design, LG Electronics will become one of the world's top HVAC equipment manufacturers & suppliers by 2012. In order to meet this goal, and to establish itself as a total HVAC provider in the truest sense, LG Electronics will not relent in its exploration of uncharted territories in the industrial HVAC equipment field, including central HVAC systems, HomNet networks, building management solutions (BMS), and the renewable energy.



Mobile Communications



Home Appliance



Air Conditioning



Business Solutions

[DOMESTIC SUBSIDIARIES]

Unit: KRW billion

CORPORATION NAME	MAIN INDUSTRIES	CAPITAL (PERCENTAGE OF OWNERSHIP)	SALES (2008)	TRANSACTIONAL RELATIONSHIPS
LG Innotek	Electronics Machinery and Instruments	60.1 (50.06%)	1,415.6	Parts Supply
LG Micron	Electronics Parts Manufacturing	53.9 (52.02%)	895.3	Parts Supply
Hiplaza	Wholesale & Retail of Electronics Products	37.2 (100%)	784.3	Product Sales
Hi Logistics	Logistics Management Service	3.6 (100%)	290.9	Logistics Service



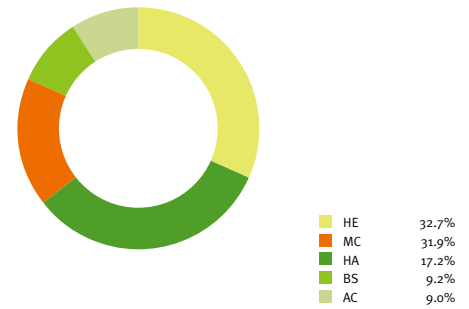
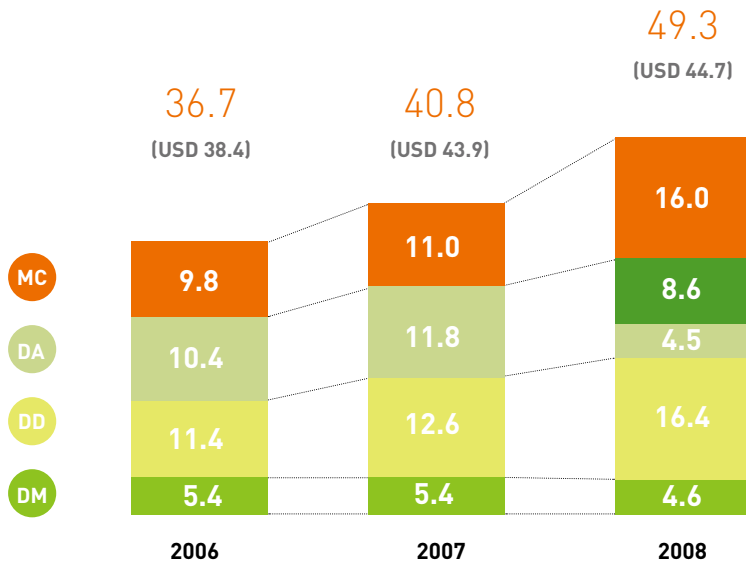
# Economic Performances

Due to a deterioration in the external business environment stemming from a global economic recessions, a rise in raw material prices, and intensified competition in the global marketplace, 2008 was a challenging year for LG Electronics. Despite these difficulties, the company made significant progress in cost-saving measures, while improving productivity in all sectors of operations including R&D, marketing, customer service and corporate support. Furthermore, the worldwide growth of LG Electronics' premium products and a rising exchange rate against other major currencies resulted in an 18% increase in sales over the previous year for the company, bringing total sales to KRW 27.64 trillion. Exports accounted for 77% of total revenue, or KRW 21.19 trillion, while domestic sales were KRW 6.44 trillion. Operating profit rose to KRW 1.23 trillion because of improved performances in the corporate's main business, especially its mobile handsets and LCD/PDP TVs. When its overseas corporations were taken into account, LG Electronics also witnessed a record year for sales and operating profit, which reached KRW 49.33 trillion and KRW 2.13 trillion, respectively.

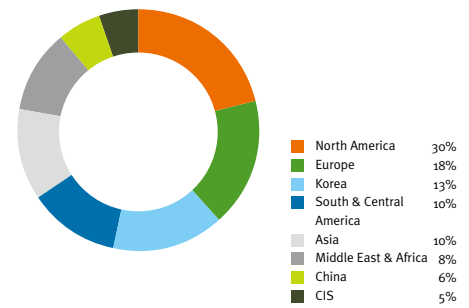
[GLOBAL SALES]

Unit: KRW trillion (USD billion)

[SALES BY COMPANY]



[SALES BY REGION]



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

▶ Sales amounts per company are calculated before deductions and account for inter-company trade, with total sales (KRW 49.33 trillion) in 2008 calculated after deducting the amount of inter-company trade (KRW 83.67 billion) from the total sales amounts of all LGE companies.

▶ Up until 2007, sales were divided among the existing four companies: Digital Appliances (DA), Digital Display (DD), Digital Media (DM), and Mobile Communications (MC)

[CURRENT STATUS OF SALES (PARENT)]

Unit: KRW billion

CATEGORY	2006	2007	2008
Total	23,170.7	23,501.9	27,638.5
Sales			
Domestic	5,947.3	6,520.4	6,445.2
Exports	17,223.4	16,981.5	21,193.3
Recurring Profit	261.8	1,486.9	515.0

[GLOBAL MARKET SHARE OF MAIN PRODUCTS]

Unit: %

PRODUCT	2006	2007	2008	OTHERS
Mobile Handsets	6.4	7.2	8.6	SA
Air Conditioners	6.4	6.6	6.8	In-house Estimation
Monitors	6.9	9.2	9.4	Display Search
LCD TVs	6.9	8.0	9.5	Display Search
Washing Machines	9.8	10.0	10.1	Gfk/Stevenson Data
Refrigerators	10.4	11.2	11.6	Gfk/Stevenson Data

## Creation and Distribution of Economic Value

In 2008, LG Electronics recorded KRW 27.64 trillion in sales (parent), its highest amount ever. This remarkable performance was the result of a growth in sales of innovative products based on consumer insight, as well as a rise in the Korean exchange rate against other major currencies. Although the cost of labor showed no significant changes from the previous year, capital costs dropped dramatically because of loan repayments based on better sales performances. Taxes and dues also increased in line with a rise in corporate taxes due to a sales increase and changes in tax law, while there was a drop in the amount of money the company donated compared to the previous year. In addition, LG Electronics received government subsidies in 2008 when it joined a series of national research projects and invested in certain facilities, with the company's total amount of investment-related corporate tax exemptions reaching KRW 127.3 billion.

## Flow of Economic Value among Stakeholders

LG Electronics wants to fulfill its economic responsibility by giving back the economic value generated through its business activities to various stakeholders, including shareholders, partners, and employees, as it vows to continue distributing more value by further improving profitability and securing new growth engines in the future.

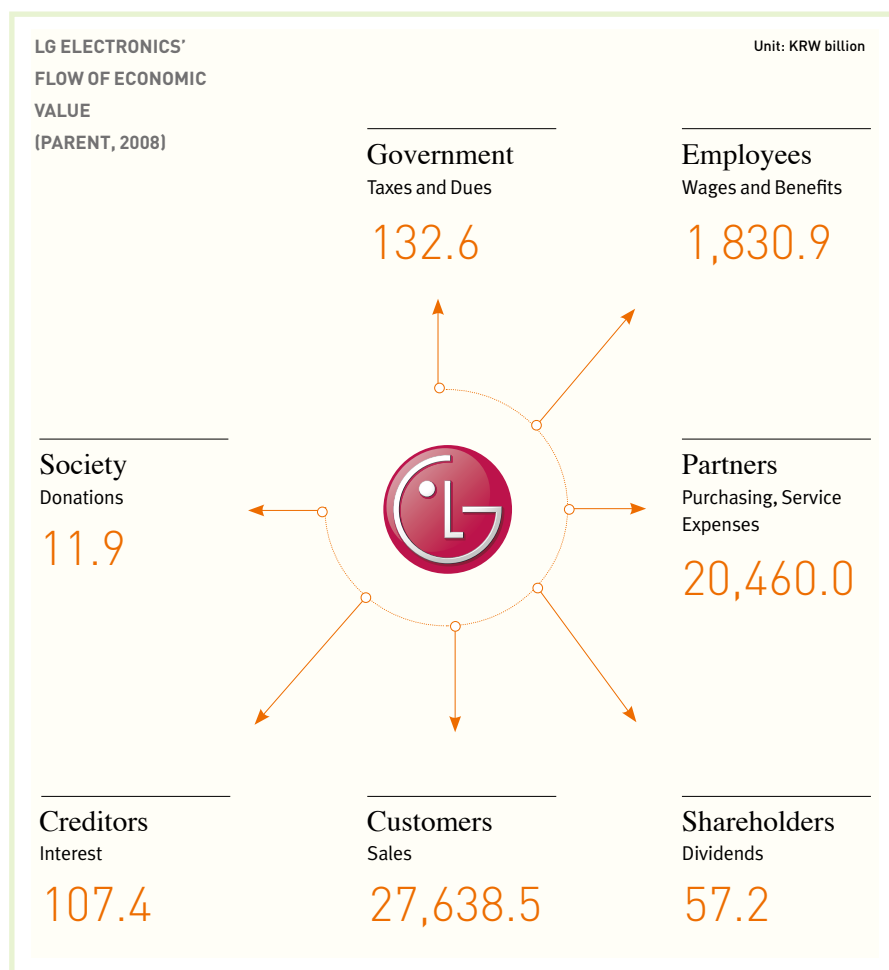
### [ECONOMIC VALUE CREATED AND DISTRIBUTED]

Parent / Unit : KRW billion

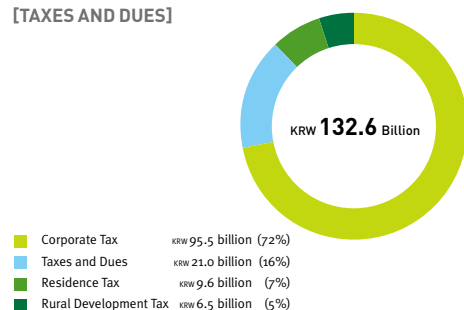
CATEGORY	2006	2007	2008
<b>Economic Value Generated</b>	<b>23,925.1</b>	<b>25,365.1</b>	<b>30,309.0</b>
Revenue	23,170.7	23,501.9	27,638.5
Non-Operating Income	754.4	1,863.2	2,670.5
<b>Economic Value Distributed</b>	<b>24,824.2</b>	<b>25,083.5</b>	<b>28,551.6</b>
Operating Expenses	22,635.8	22,937.3	26,411.6
Wages and Benefits	1,818.1	1,826.9	1,830.9
Capital Costs	271.7	256.8	164.6
Taxes & Dues	82.9	47.2	132.6
Donations	15.7	15.3	11.9
<b>Economic Value Retained</b>	<b>-899.1</b>	<b>281.6</b>	<b>1,757.4</b>

▶ Operating expenses consist of sales costs and administrative expenses.

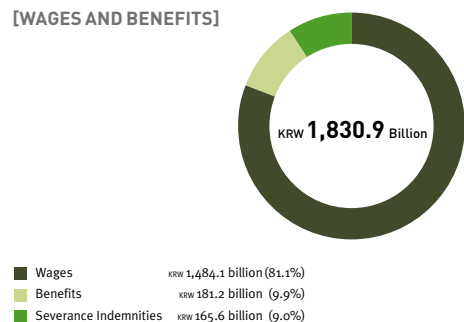
▶ Taxes & dues consist of corporate taxes, public dues, resident tax, and a special tax for rural development.



### [TAXES AND DUES]



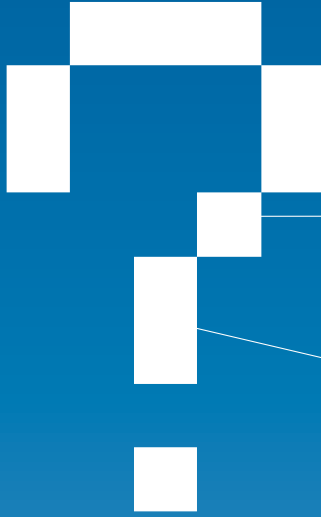
### [WAGES AND BENEFITS]



### [DIVIDENDS]

CATEGORY	2006	2007	2008
Net Income (KRW billion)	239.2	1,222.4	482.8
Earnings Per Share (KRW)	148.0	758.4	299.2
Total Dividends Paid (KRW billion)	121.7	137.8	57.2
Dividend Payout Ratio (%)	50.86	11.27	11.85

▶ Net income and net income per share in 2006 were recalculated by applying revised accounting standards.



# Questions Concerning LGE's Pursuit of Sustainability

## CORPORATE SUSTAINABILITY MANAGEMENT SYSTEM

### CORPORATE GOVERNANCE PAGE 22

LG Electronics was the first Korean corporation to establish a holding company system. Since then it has been strengthening its business competitiveness and corporate value by ensuring fair and transparent management that is centered around its Board of Directors.

### SUSTAINABILITY MANAGEMENT PAGE 24

After drawing up its own CSM principles, LG Electronics created an array of related organizations to make sure it could pursue sustainability, such as CSM Committee, CSM Council, and CSM Office. LG Electronics strives to be a top global company that is both sustainable and respected.



# 1.

Do the CSM activities that LG Electronics carries out contribute to its economic performances in a practical way?

# 2.

Does LG Electronics' top management consider sustainability as an important factor when making decisions?

# 3.

Who exactly are considered as important stakeholders and how does LG Electronics communicate with them?

## **STAKEHOLDER ENGAGEMENT** PAGE 26

LG Electronics has established a variety of channels to communicate and cooperate with various stakeholders—from shareholders and consumers to suppliers, communities, and employees—while also doing its utmost to increase mutual trust between and among every group.

## **MATERIALITY ANALYSIS** PAGE 28

To attain better results from its CSM activities as well as a fair evaluation concerning the results, LG Electronics carried out a materiality analysis in three steps. Through the materiality test, the interests of every stakeholder were faithfully reflected in this report.

# Corporate Governance

The LG Group launched a holding company system in 2003, a first for a Korean corporation. This laid the groundwork for heightened transparency, as the LG Group was able to put an end to cross-shareholding among affiliates. With the holding company now fully responsible for investments, LG Electronics was able to concentrate on increasing its corporate value and its own operations. LG Electronics also saw the installation of a professional management system under Vice Chairman and CEO Yong Nam, while a business system centered around its Board of Directors has been steadily improving corporate transparency. This has allowed LG Electronics to set up a framework to strengthen business competitiveness at home and abroad, ultimately increasing shareholder and corporate value.

## Shareholders

As of the end of 2008, the total number of shares issued by LG Electronics stood at 161,833,806, with the main shareholder being the holding company, the LG Group (31% of total shares). At the Annual General Shareholders' Meeting, held after the end of each fiscal year and attended by top management, LG Electronics not only reports on the company's business performance and provides information on issues requiring a decision from its shareholders, but also listens carefully to every shareholder's opinion. Disclosures on major management issues related to investor returns are reported in a timely manner to the Korea Exchange (KRX) and posted on the company's homepage as well. Shareholders and other investors can also contact the company's IR department or the personnel in charge of securities to present their opinions on company management issues. The related departments then thoroughly go over the opinions before passing them along to management or the Board of Directors so that corporate policies and management accurately reflect the sentiments of its shareholders.

### [SHAREHOLDER COMPOSITION]

As of December 31, 2008 / Unit: %

LG CORP.	FOREIGN SHAREHOLDERS	KOREAN INDIVIDUALS & INSTITUTIONS
31.1	26.8	42.1

## Board of Directors

The Board of Directors at LG Electronics is independent from the corporation's main shareholders. Management also has four outside directors, accounting for more than half of all directors at LG Electronics. To guarantee fairness and independence in the selection process, outside directors are chosen at a general shareholders' meeting after a thorough screening process by the Outside Director Candidate Recommendation Committee.

The main role of the outside directors is to serve as a check and balance as well as to monitor the company's overall management activities. They present an impartial view and assessment of issues, including major business issues and management operations. LG Electronics also provides an opportunity for its outside directors to visit business sites in Korea and abroad, giving them the chance to actively participate in management, while offering them training sessions hosted by the Korea Association of Directors.

In 2008, seven shareholders' meetings were held to deliberate 25 cases, including the acquisition of a solar cell investment permit, with a 78.6 percent average attendance rate for outside directors. Furthermore, outside directors and executive directors are paid in compliance with related regulations that fall within the remuneration limit for directors, an amount that must first be approved at a general shareholders' meeting.

## Committee

### ● AUDIT COMMITTEE

The Audit Committee maintains its independence by requiring all three of its members to be outside directors. Following separate regulations from those governing the Board of Directors, the committee's main role is to carry out accounting and audit practices.

### ● OUTSIDE DIRECTOR CANDIDATE RECOMMENDATION COMMITTEE

The Outside Director Candidate Recommendation Committee, which has the right to nominate candidates when selecting new outside directors, consists of one in-house director and one outside director.

### ● MANAGEMENT COMMITTEE (WITHIN THE BOARD)

The Management Committee deliberates and votes on everyday management issues as well as cases entrusted to it by the Board of Directors, and deliberating on a total of 41 cases in 2008.

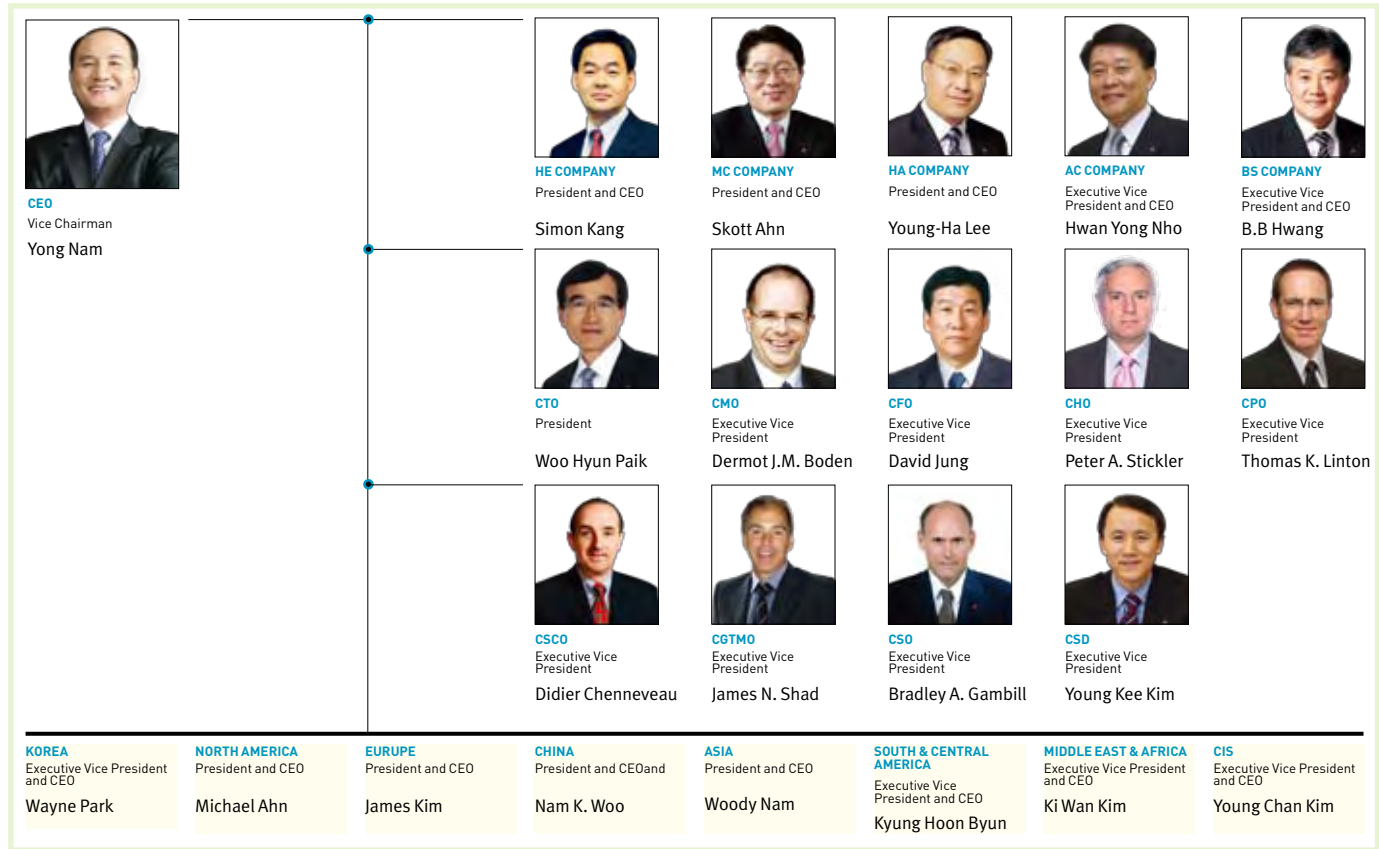
### [MEMBERS OF THE BOARD OF DIRECTORS]

[As of the end of July 2009]

CATEGORY	NAME	POSITION	REMARKS
Internal	Yong Nam	Vice Chairman and CEO	- Management Committee
	David Jung	LG Electronics CFO (Executive Vice President)	- Management Committee
	Yu-Sig Kang	LG Corp. CEO (Vice Chairman)	- Chairman (BOD) - Outside Director Candidate Recommendation Committee - Management Committee
External	Sang Hee Kim	Ex-Vice Minister of Justice	- Audit Committee
	Kyu Min Lee	Ex-Managing Editor, Dong-a Daily News	
	In Ki Joo	Professor, Yonsei University	- Chairman (Audit Committee)
	Sung-Won Hong	Ex-President, Jeollanamdo Innovation Agency for Strategic Industry	- Outside Director Candidate Recommendation Committee - Audit Committee

[TOP MANAGEMENT]

As of the end of July 2019



Top Management

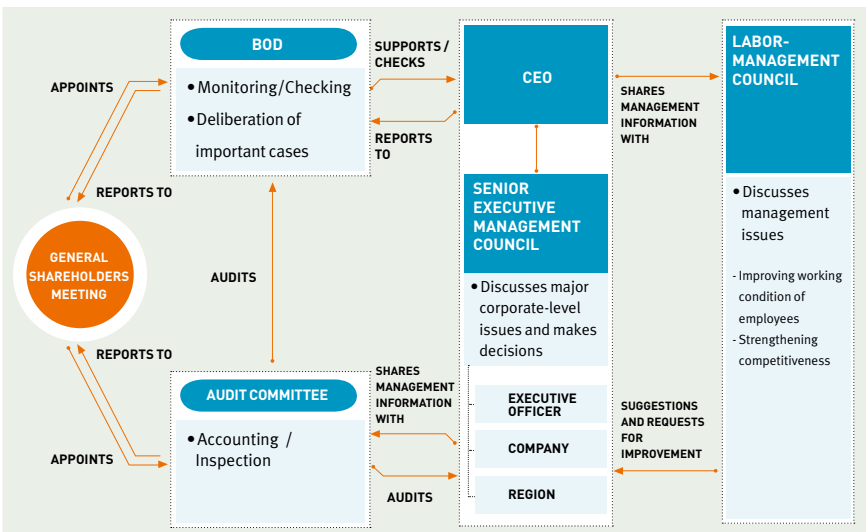
The top management at LG Electronics consists of Vice Chairman and CEO Yong Nam, five presidents in charge of LGE's five companies, one head for each of the nine business functions, and eight presidents responsible for the eight respective regions. Some of our top management was recruited from global corporations with excellent performance records and as part of a team they all have now committed themselves to increasing

LG Electronics' global competitiveness while also helping to establish a working process that meets the global standards.

Executives are evaluated in an impartial manner through an annual assessment whereby they are asked about the challenges they have overcome and the goals they have set and achieved throughout the year. The way in which they are rewarded or not depends entirely on whether they have met their targets, both quantifiable and non-quantifiable, which is based on an integrated evaluation of individual capabilities.

[LG ELECTRONICS' DECISION-MAKING PROCESS]

At LG Electronics, the Board of Directors plays a crucial role in the decision-making process. The Audit Committee consists entirely of outside directors to guarantee transparency and independence from management. In addition, LG Electronics has established an advanced holding company system, so that professional managers are able to focus exclusively on business. Decisions specific to a company/region are made and implemented by each president (of the respective company/region), while issues concerning LG Electronics' headquarters are dealt with by the CEO on the advice of the CXO. Important issues affecting the entire corporation are dealt with at the Senior Executive Management Council, where top management (presidents of companies and regions, CXO) gather to make significant decisions.





# Sustainability Management

Ever since its establishment, LG Electronics has continued to strive for corporate sustainability management (CSM) based on respect-based management and customer value creation. Through balanced consideration of social, environmental and economic aspects, which form the pillars of sustainable development, LG Electronics is doing its part to bring about a cleaner environment and a more conscientious society.

## Corporate Sustainability Management System

LG Electronics will focus its management efforts on stakeholder value creation by connecting the essence of corporate management with the principles, strategies, and tools of CSM.



## Establishment of CSM Principles

LG Electronics established its CSM principles in order to fulfill its social responsibility in a systematic way. A global leader in the electronics industry, priority is always placed on stakeholders and on innovation, thereby providing the highest value to the company's stakeholders.

### CSM PRINCIPLES

1. LG Electronics' (LGE) sustainability management principles have become the standard against which company-wide management values are judged.
2. LGE enhances our customers' quality of life by offering innovation products.
3. LGE continues to create revenue for stakeholders and investors by means of technological developments and innovative management.
4. LGE encourages self-realization and offer rewards to acknowledge the creativity and individuality of our employees.
5. LGE is constantly evolving, together with our suppliers, through fair trade and collaborative relationships.
6. Based on our broad perspective that takes every process into consideration, LGE contributes to the creation of a pleasant environment by minimizing the environmental impact created during production.
7. In our role as a corporate citizen, LGE performs social contribution activities to fulfill our social responsibilities.
8. LGE takes both the opinions of our stakeholders and social impact into consideration when establishing strategies and launching new enterprises.
9. LGE evaluates the success of our corporate sustainability management principles and provide regular updates, both inland and overseas.

## PREPARING TO JOIN THE UN GLOBAL COMPACT

The UN Global Compact is a set of principles designed to have organization fulfill their social responsibilities and improve corporate practices through voluntary participation with the goal of realizing a sustainable global economy and solving issues related to globalization. With the goal of joining the UN Global Compact in 2009, LG Electronics is in the midst of carrying out an assessment throughout the corporate on human rights, labor issues, environment, and anti-corruption, as it plans to use this as a chance to raise awareness among employees and as a starting point to establish an improvement plan in all of these areas.

## CSM Governance

For a more systematic approach to CSM, which is fast taking root as a global standard in business, LG Electronics has established Corporate Sustainability Management Committee (CSM Committee) as top decision-making body. The quarterly CSM Committee consists of CEO as a chairman, each president of company/region, and C-Level executives. The CSM Committee is responsible for approving corporate CSM strategy and policy such as joining the UN Global Compact and operates sub committees including Jeong-do management and supply chain sustainability.

The CSM Council and CSM Office are implementation body to carry out strategic tasks, which are decided by CSM Committee. The CSM Council consists of managers in headquarters and each company/region to discuss and perform corporate-wide tasks including corporate strategy, human resources, labor-management, environment & safety, social contribution, ethics, fair trade, corporate communication, and IR. The CSM Office is responsible for promoting in-house understanding of the importance of CSM activities, coordinating and supporting of tasks, building up networking ties, and publishing sustainability report, among its responsibilities.

Based on these CSM governance, LG Electronics has been focusing on formulating CSM strategies and the implementation of roadmaps, strengthening stakeholder communication, integrating the management of non-financial risks and performance evaluation, building up

internal competencies, and linking CSM activities with brand management and marketing. LG Electronics will make every effort to carry out corporate-wide CSM activities as well as reflect multiple stakeholders' opinion into business.



### [CSM RISKS AND PROJECTS BY SECTOR]

FUNCTIONAL ISSUES	POTENTIAL RISKS	SECTOR PROJECTS
<b>HUMAN RIGHTS/ LABOR PRACTICES</b>	<ul style="list-style-type: none"> <li>• Non-financial risks related to overseas sites and supply chains require better management</li> </ul>	<ul style="list-style-type: none"> <li>• Reinforce corporate policy on human rights/labor practices</li> <li>• Manage corporate sustainability/non-financial risks</li> </ul>
<b>PROCUREMENT/ETHICS</b>	<ul style="list-style-type: none"> <li>• Non-financial factors (concerning transactions with suppliers, diagnosis and support of suppliers) need to be incorporated</li> </ul>	<ul style="list-style-type: none"> <li>• Establish contractual requirement on suppliers to be in compliance with ethics</li> <li>• Supply chain sustainability/non-financial risk management</li> </ul>
<b>CLIMATE CHANGE</b>	<ul style="list-style-type: none"> <li>• Carbon risks related to process/products</li> <li>• Focused on compliance with regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Establish a global response system to UNFCCC</li> <li>• Participate in Carbon Disclosure Project (CDP)</li> <li>• Secure carbon emission credit (mid-, long-term goal)</li> </ul>
<b>ESTABLISHMENT OF GLOBAL COLLECTION/ DISPOSAL SYSTEM OF E-WASTE</b>	<ul style="list-style-type: none"> <li>• Collect/dispose of E-waste focused on Korea</li> <li>• Respond to Waste Electrical and Electronic Equipment (WEEE) Directive</li> <li>• Globally integrated environmental management system is required</li> </ul>	<ul style="list-style-type: none"> <li>• Establish a global system of collecting and disposing of E-waste (in cooperation with federal/local governments, and telecommunications carriers)</li> <li>• Promote campaigns to collect E-waste</li> </ul>
<b>DIFFERENTIATE GREEN/SOCIAL BRANDS</b>	<ul style="list-style-type: none"> <li>• Lack of consistency in promotion</li> <li>• Need to integrate green/social aspects into brands</li> </ul>	<ul style="list-style-type: none"> <li>• Build sustainable/eco-friendly brands (global communication)</li> <li>• Link CSM to marketing</li> </ul>
<b>NON-FINANCIAL RISKS MANAGEMENT</b>	<ul style="list-style-type: none"> <li>• Insufficient non-financial strategies/goals in social and environmental sectors</li> <li>• Systematic approach to non-financial performance (data) management needed</li> </ul>	<ul style="list-style-type: none"> <li>• Expand corporate non-financial risk evaluation/diagnosis</li> <li>• Monitor risks/performances by division</li> </ul>
<b>PUBLICATION OF SUSTAINABILITY REPORTS</b>	<ul style="list-style-type: none"> <li>• Limited to domestic business sites and headquarters</li> <li>• Insufficiently reflects the needs of stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Publish reports based on the Global Reporting Initiative's (GRI) sustainability reporting guidelines criteria and which are authorized by a third party</li> <li>• Have CSM Council play a greater role</li> </ul>
<b>COMMUNICATION WITH STAKEHOLDERS</b>	<ul style="list-style-type: none"> <li>• Improve management performances in non-financial (social and environmental) sectors</li> <li>• Insufficient disclosure of CSM performances</li> </ul>	<ul style="list-style-type: none"> <li>• Communicate more CSM information and performances to external stakeholders</li> <li>• Selected as a leading CSM corporation</li> </ul>

# Stakeholder Engagement

We engage stakeholders around the world in all aspects of our business activities. Well aware that building mutual trust with stakeholders is the most important factor to guaranteeing the long-term sustainable growth of a corporation, LG Electronics is opening a wide range of communication channels to respect and respond to the concerns of stakeholders.

MAIN STAKEHOLDERS	STAKEHOLDER CHARACTERISTICS	PRIMARY RESPONSIBILITIES
<b>CUSTOMERS</b>	In line with its vision of creating greater value for our customers, LG Electronics aims to satisfy a variety of customers around the world. LG Electronics had total sales of KRW 49 trillion globally, with 30% in North America, 18% in Europe, and 13% in Korea in 2008.	<ul style="list-style-type: none"> <li>• Increase customer satisfaction</li> <li>• Supply safe products and services</li> <li>• Fair marketing, provide accurate information</li> <li>• Protect customer privacy</li> </ul>
<b>SHAREHOLDERS/ INVESTORS</b>	As of 2008 year-end, the total number of LG Electronics shareholders was 143,713, with the aggregate value of the listed common stock standing at KRW 10,819.7 billion. Shareholders consisted of the holding company, LG Corporation (31.1%), individuals (42.1%), and foreign investors (26.8%).	<ul style="list-style-type: none"> <li>• Publish transparent management information</li> <li>• Enhance investment value through increased efficiency of management</li> <li>• Improve corporate value through CSR activities</li> </ul>
<b>SUPPLIERS</b>	LG Electronics currently has roughly 5,500 suppliers (those with global direct materials costs), with purchasing accounting for about 80% of total sales.	<ul style="list-style-type: none"> <li>• Fair trade</li> <li>• Prompt payments</li> <li>• Support suppliers' activities related to CSR</li> </ul>
<b>COMMUNITIES</b>	LG Electronics has 82 overseas subsidiaries in more than 120 countries. With 30 production subsidiaries and 41 sales subsidiaries, the number of local employees working for LG Electronics has reached 57,003 (inclusive of Korean employees stationed in foreign countries), while the amount of local purchases makes up roughly half of total purchases (based on global purchasing results).	<ul style="list-style-type: none"> <li>• Minimize adverse impact on the immediate environment and its vicinity</li> <li>• Respect local cultures and customs</li> <li>• Promote social contribution programs</li> <li>• Hire local residents and contribute to local economies</li> </ul>
<b>EMPLOYEES</b>	As of the end of 2008, the total number of employees at LG Electronics was 84,090, of whom 27,087, or 32.2%, were domestic employees, with 57,003, or 67.8%, working overseas, marking a 2,000-employee increase over the previous year.	<ul style="list-style-type: none"> <li>• Protect human rights and respect diversity</li> <li>• Fair evaluation and rewards</li> <li>• Continuous career development opportunities</li> <li>• Ensure safe and healthy work environments</li> </ul>
<b>FEDERAL/LOCAL GOVERNMENTS</b>	In the more than 120 countries where it is doing business, LG Electronics is complying with all local and federal laws and regulations and adhering to federal tax laws. It is also participating in many joint R&D projects with local governments.	<ul style="list-style-type: none"> <li>• Comply with all regulations</li> <li>• Pay taxes</li> </ul>
<b>NGOs / INTERNATIONAL ORGANIZATIONS</b>	When it comes to CSR activities, LG Electronics supports and cooperates with NGOs and international bodies.	<ul style="list-style-type: none"> <li>• Reduce greenhouse gas emissions</li> <li>• Participate in and support efforts to address global social issues</li> </ul>



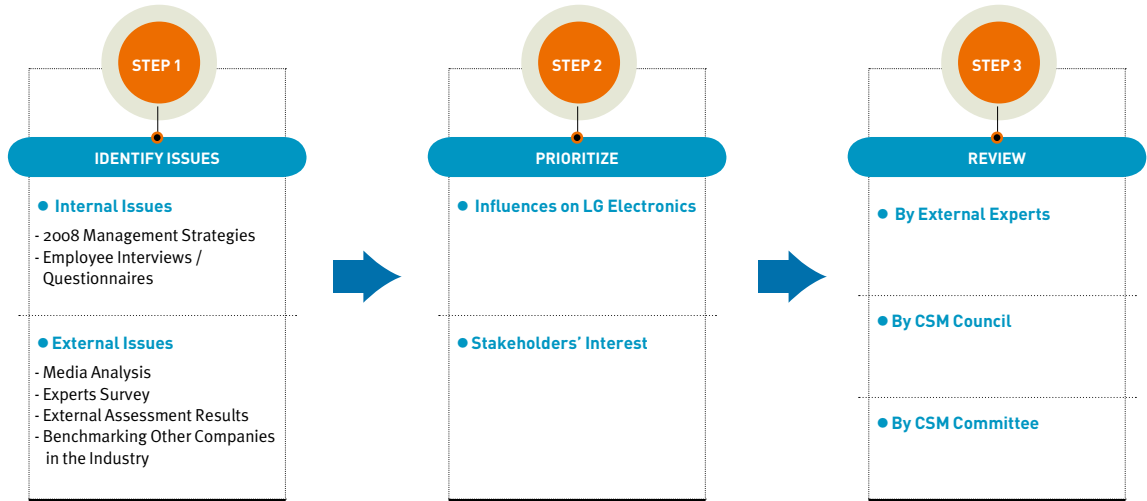
COMMUNICATION CHANNELS	DETAILS
VOC (Voice of Customer)	Receive customer opinions, transfer information to related departments, and offer feedback
Customer Satisfaction Survey	Annual commissioned survey (Korea); bi-annual in-house survey (overseas)
Corporate Client Questionnaire	Inquiry about current CSR status (environment, labor, human rights) at LGE
Standby Power 1W Program	Cooperation with Consumers Korea for "Standby 2010" campaign
General Meeting of Shareholders	Approve business performances and nominate directors on an annual basis
Earnings Release Presentations	Quarterly earnings release presentations and briefings on major issues
Investor Conferences in Korea and Overseas	Participate in conferences organized by securities firms; one-on-one meetings explaining business performances and other major issues / One-on-one/Group meetings with visiting institutional investors
One-on-One and Group Meetings	Visits and one-on-one meetings with investors
Announcement of Non-deal Roadshows	Publish important management information including legal obligations
IR Website	Release of IR-related information on website
Global Supplier's Day	LGE's top 300 suppliers, LGE executives, and Purchasing Manager get together to share ideas on corporate vision and exchange results with each other
Supplier Suggestion System	Reflect the ideas of suppliers to improve R&D and the management process while also promoting mutual development
Supplier Satisfaction Survey	Supplier survey on overall competency of LG Electronics includes ways to improve purchasing, product and service quality, R&D
Evaluation & Awards for Suppliers	Incentives or penalties based on regular evaluation of supplier performance and transactions
Support and Nurture Suppliers	Raise competitiveness through the active support of personnel, training, and consulting
Environmental Awards Conference	Raise public awareness on climate change and the environment
'Life's Green' Class (formerly Mobile Electronic Classroom)	Tour hands-on science classes at Korean elementary and middle schools
IVI SLP Love Green (Science Leadership Program)	Nurture talented youth around the world through environmental education and volunteering
LG Labor-Management Volunteer Corps	Volunteer Corps for relief efforts in disaster-stricken areas
Employee Volunteer Contest	Support employees who do volunteer work
LG IT Angels (IT Volunteer Corps)	One-on-one visits and training for the underprivileged to help bridge the digital divide
Digital Board	Representative body for general and administrative workers, delivering member opinions to management through the Digital Board Council
Open Communication	Communication efforts in a variety of forms such as special lectures, conferences, and field visits between management/leaders and general employees
LG Way Survey	Survey to gauge employee satisfaction and needs
VOE (Voice of Employees)	Survey to understand improvement tasks and provide input to management
Specialized Committee to Respond to Environmental Regulations on Products	Provide advice to comply with environmental regulations handed down from the Korean Agency for Technology and Standards
Consumer Policy Committee	Deliberate and settle consumer policies at Fair Trade Commission
PL Committee	Discuss Korea Electronics Association's (KEA) PL policies and related issues
Business Conferences	Discuss and cooperate on consumer issues and policies
Korean Committee for Carbon Disclosure Project (CDP)	Release facts on carbon emissions and discuss how to address climate changes
United Nations Environment Programme (UNEP)	Support 'Champions of the Earth' Award (2010-2012) and host international conferences
World Food Programme (WFP)	Work together on eradicating starvation in African countries such as Kenya and Ethiopia
International Vaccine Institute (IVI)	Assist a Science Leadership Program (SLP) which supplies vaccines to underdeveloped countries



# Materiality Analysis






Before releasing its third sustainability report, LG Electronics carried out an in-depth materiality analysis. The report was published to effectively deal with a variety of issues as well as the changing concerns and influence of stakeholders, as diverse groups of stakeholders had emerged and the business environment had changed. This year's report is designed to better address the interests of outside stakeholders based on the results of the materiality analysis. The analysis was carried out in three steps, and while taking into account the AA1000AS (a standard for sustainability report assurance) and GRI G3 guidelines, LG Electronics was able to identify issues that have a significant influence on its management and that stakeholders would be greatly interested in. In the future, LG Electronics will go one step further to strengthen the link between sustainability and its management strategies.

## [MATERIALITY ANALYSIS PROCESS]



## [MATERIALITY MATRIX]

STAKEHOLDERS' INTEREST	Very important	<b>Customers</b> - Protect customer privacy  <b>Employees</b> - Communication between labor and management - Protect human rights and prevent discrimination  <b>Suppliers</b> - Fair trade - Promote supplier's CSR	<b>Shareholders/Investors</b> - Strengthen CSM management leadership - Communication with stakeholders - Strengthen sustainability management system  <b>Community</b> - Increase social contribution  <b>Environment</b> - Manage waste electrical and electronic products	<b>Customers</b> - Responsibility for products and services - Guarantee product safety  <b>Employees</b> - Vitalize organizational communication/ work-life balance - Fair evaluation and rewards  <b>Suppliers</b> - Win-win partnership with SMEs (small-/medium-sized companies)	<b>Environment</b> - Reduction of greenhouse gas emissions and disclosure of related information - Development of greener products
		Important	<b>Customers</b> - Provide ample information on products and services  <b>Shareholders/Investors</b> - Transparency of corporate governance  <b>Employees &amp; Environment</b> - Manage healthy and safe workplace and energy-saving activities	<b>Customers</b> - Customer satisfaction and services - Strengthen communication with customers  <b>Employees</b> - Career development and lifelong education  <b>Shareholders/Investors</b> - Improve non-financial risk management	<b>Community</b> - Community activities  <b>Environment</b> - Develop renewable energy
		Important	Very important	INFLUENCES ON LG ELECTRONICS	

CATEGORY	ISSUES	PAGE NUMBERS
 <b>RAISING CUSTOMER VALUE</b>	<ul style="list-style-type: none"> <li>- Consumer Insight Management</li> <li>- Product Safety</li> <li>- Customer Satisfaction</li> <li>- Communication with Customers</li> <li>- Privacy Protection</li> </ul>	34-41
 <b>ENVIRONMENTAL LEADERSHIP</b>	<ul style="list-style-type: none"> <li>- Greenhouse Gas Emissions Reduction</li> <li>- Development of Renewable Energy Technology *</li> <li>- Development of Greener-Products</li> <li>- Management of Waste Electrical and Electronic Products</li> <li>- EESH Management</li> </ul>	42-53
 <b>RESPONSIBLE BUSINESS PARTNER</b>	<ul style="list-style-type: none"> <li>- Win-Win Partnership</li> <li>- Fair Trade</li> <li>- Suppliers' CSR *</li> </ul>	54-59
 <b>COMMUNITY ENGAGEMENT</b>	<ul style="list-style-type: none"> <li>- Social Contribution</li> <li>- Community Activities *</li> </ul>	60-65
 <b>IMPROVING EMPLOYEE VALUE</b>	<ul style="list-style-type: none"> <li>- Fair Evaluation and Rewards</li> <li>- Career Development and Lifelong Education</li> <li>- Vitalizing Organizational Communication/Work-Life Balance *</li> <li>- Protection of Human Rights and Prohibition of Discrimination/Improvement of Work Environment</li> <li>- Labor-Management Communication</li> </ul>	66-73

\* Newly reported issues in 2008

## Media Analysis

As part of its materiality analysis, LG Electronics looked over 24,542 news articles from the domestic media in 2008, identifying the types and relative importance of sustainability management issues raised by outside stakeholders as well as the influence of such issues on the corporation. All of the major sustainability management issues are listed in the following table by stakeholder.

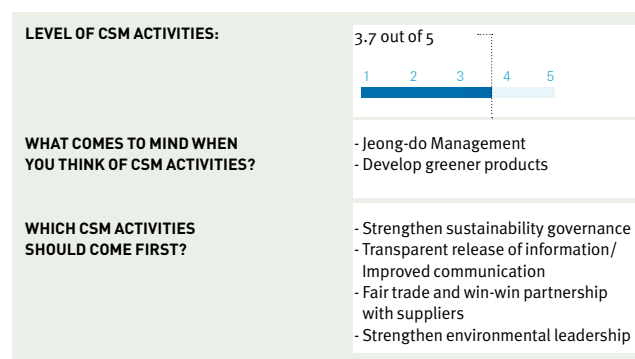
[MAJOR CSM ISSUES IDENTIFIED THROUGH DOMESTIC MEDIA ANALYSIS]

STAKEHOLDERS	MAJOR ISSUES
Shareholders/ Investors	Management by Principle (Jeong-do Management), sustainability governance
Customers	Responsibility for products and services, product safety
Suppliers	Fair trade, win-win partnership with suppliers
Community	Social contribution, communication with local residents
Employees	Vitalize organizational communication, career development, communication
Environment	Develop greener products, reduce greenhouse gas emissions, increase energy efficiency of products, develop renewable energy technology

## Experts Survey

In February 2009, 70 outside CSM experts were asked to comment on LG Electronics' sustainability management report and its CSM activities. This provided a good opportunity to reflect on previous efforts through expert views on future improvement plans as well as positive assessment on current CSM activities. LG Electronics plans on expanding the scope of this survey to include more respondents, including experts from overseas.

[RESULTS OF SURVEY ON LG ELECTRONICS' CSM ACTIVITIES]



## 2009 Winning in Recession



### Increased Organizational Efficiency through CWR

In December 2008, LG Electronics opened a “Crisis War Room” (CWR) at its twin-tower headquarters. The CWR is playing a critical role in providing a bridge between LGE’s five companies, its eight regions, and its C-level divisions to manage detailed tasks and cut costs.

More specifically, LG Electronics chose 11 tasks to overcome the current economic recession and prepare itself for the upcoming post-recession era, coordinating roles for each company, region, and C-level division, which it has been closely monitoring since then. These 11 practical tasks had been expanded from 2009’s original top three tasks of market intelligence, cost reduction & cash flow improvement, as well as restructuring.

Under the 2009 corporate banner of “Winning in Recession” (WIR), LG Electronics formed and began running a WIR Task Force Team at each of its companies and divisions. These task force teams are in charge of improving the flow of logistics, reducing fees and charges, and providing better services. They are also reducing overhead, manufacturing, and production costs at each division.

#### PRACTICAL TASKS TO OVERCOMING CURRENT RECESSION

##### MARKET INTELLIGENCE

1. Quick market intelligence (QMI)
2. Sales performance tracking

##### COST REDUCTION & CASH FLOW IMPROVEMENT

3. Overhead reduction
4. Material and manufacturing cost reduction
5. Working capital and cost reduction by SCM innovation
6. Product portfolio/SKU optimization
7. Improvement of R&D efficiency
8. Improvement of marketing efficiency

\*SCM : Supply Chain Management  
SKU : Stock Keeping Unit

##### RESTRUCTURING

9. Improvement of organization efficiency
10. Manufacturing footprint optimization
11. Business portfolio restructuring

With the world economic outlook appearing bleak, financial markets shrouded in uncertainty and the real economy slowing down, LG Electronics feels it is imperative to turn this crisis into an opportunity for future growth, which is why it is carrying out long-term initiatives to this end. By focusing its capabilities on reorganizing its business portfolio, LG Electronics will be able to secure profits and long-term growth, while remaining flexible in its business operations in order to increase its market share despite market volatilities.



## Implementation of Cost Reduction Project

LG Electronics is pushing ahead with a cost-cutting plan that will save it a total of KRW 3.2 trillion—KRW 1.2 trillion in purchasing and KRW 2 trillion in other expenses—by 2009. This project involves not just the Korean headquarters, but every division of the corporation, including manufacturing, all five of LGE's companies, and 84 overseas subsidiaries (as of late June 2009).

After taking every opportunity to improve its cash flow, including cutting unnecessary expenses, positive results are starting to show in inventory cuts, conversion of accounts receivable into cash, supply chain management (SCM) optimization, and integrated purchasing.

More than anything else, LGE's Waste Elimination Activities, a program that has been promoted throughout the corporation since 2007, is playing a key role in cost reduction. Employees at LG Electronics around the world are posting ideas to eliminate waste in the business process, and the results are included in a one-page report on the Waste Elimination bulletin board, part of LGE's portal site. There is also an award for best practices that motivates employees to commit themselves even further to cost reduction.

## Meeting the Highest Global Standards

Since December 2007 LG Electronics has replaced six of its nine top management executives with foreign Executive Vice Presidents. It has also hired over 200 professionals in major divisions such as purchasing, SCM management, and marketing to better meet the highest global standards. LG Electronics believes the standardization of work processes and a supporting system based on an organizational structure adhering to the most exacting global standards makes a business infinitely more efficient.

To accomplish this, 20% of LGE's administrative and general workers have been assigned to take part in TDR (Tear Down and Redesign) activities in a bid to strengthen core capabilities through improvement of the work process, paving the way for future growth engine industries at LG Electronics.

### SUCCESSFUL WASTE ELIMINATION CASES

- Purchasing cost of consumable materials reduced: 25-30% decrease per division from the previous year through integrated purchasing and Waste Elimination Activities
- Domestic/overseas business travel expenses reduced: more than 20% of costs cut through increased use of KTX trains, cheaper airlines, and teleconferencing
- Product and advertising costs reduced: billions of won in costs cut from simplifying user manuals for mobile phones, changing TV screen cleaning materials, and reducing TV commercial time overseas (from 30-second spots to 15-second spots).





# Questions Concerning LGE's ★ CSM Activities

## MATERIAL ISSUES

### RAISING CUSTOMER VALUE PAGE 34

- Consumer Insight Management
- Product Safety
- Customer Satisfaction
- Communication with Customers
- Privacy Protection

### ENVIRONMENTAL LEADERSHIP PAGE 42

- Greenhouse Gas Emissions Reduction
- Development of Renewable Energy Technology
- Development of Greener Products
- Management of Waste Electrical and Electronic Products
- EESH Management

# 1.

What do major stakeholders expect from  
LG Electronics?

# 2.

Does LG Electronics effectively provide  
the value its stakeholders want?

# 3.

What is LG Electronics doing to ensure  
the creation of greater value?

## **RESPONSIBLE BUSINESS PARTNER** PAGE 54

- Win-Win Partnership • Fair Trade • Suppliers' CSR

## **COMMUNITY ENGAGEMENT** PAGE 60

- Social Contribution • Community Activities

## **IMPROVING EMPLOYEE VALUE** PAGE 66

- Fair Evaluation and Rewards • Career Development and Lifelong Education • Vitalizing Organizational Communication/Work-Life Balance
- Protection of Human Rights and Prohibition of Discrimination/Improvement of Work Environment • Labor-Management Communication

01

RAISING  
CUSTOMER  
VALUE



● Based on the principle of creating even greater value for customers, LG Electronics is providing products that consumers want, offering safer products with differentiated services, while also protecting customer information.

CATEGORY	CONSUMER INSIGHT MANAGEMENT	PRODUCT SAFETY	CUSTOMER SATISFACTION/COMMUNICATION/ PRIVACY PROTECTION
<b>2008 Major Achievements</b>	<ul style="list-style-type: none"> <li>Opened a global marketing portal site</li> <li>Integrated consumer insight management into Marketing Division</li> <li>Completed an exclusive office for identifying consumer insights</li> <li>Developed region-specific products (Nigerian TVs, Indian refrigerators, Indonesian A/Cs to fight bird flu)</li> </ul>	<ul style="list-style-type: none"> <li>LGE's CTO a recipient of a 2008 UL (Underwriters Laboratories Inc.) "Leaders in World Safety" award</li> <li>Certified as a Bluetooth Qualification Test Facility</li> <li>Joonho Park, LGE's chief R&amp;D researcher, received a special commendation from Korea's prime minister on World Standards Day (for adoption of advanced safety analysis method)</li> <li>Established a global quality information management system</li> </ul>	<ul style="list-style-type: none"> <li>Promoted Voice of Customers (VOC) system globally</li> <li>Offered region-differentiated services ("Zero Consumer Complaints" campaign in Korea, 211 system in India, 777 service in Australia)</li> <li>Development and use of service center location optimization program</li> </ul>
<b>Opportunities and Risk Factors</b>	<ul style="list-style-type: none"> <li>Improve capability to identify consumer insights and reflect them in developing new products</li> <li>Diversified and segmented consumer needs</li> </ul>	<ul style="list-style-type: none"> <li>Increase of new risks with new technologies</li> <li>Opportunity to enhance brand image with safe products</li> </ul>	<ul style="list-style-type: none"> <li>Ensured necessary conditions for systematic management of VOC</li> <li>Raise customer expectations about service</li> <li>Need to improve customer service skill according to development of diverse new products</li> <li>Risks for privacy infringement</li> <li>Increased regulatory risks as regulations get stricter</li> </ul>
<b>Future Direction</b>	<ul style="list-style-type: none"> <li>Extend consumer insight activities into Product Planning Division and R&amp;D Division</li> <li>Establish infrastructure for global marketing</li> <li>Come up with marketing roadmap for greener products</li> </ul>	<ul style="list-style-type: none"> <li>Improve product design with safety in mind</li> <li>Improve product quality control process to gain competitive edge</li> </ul>	<ul style="list-style-type: none"> <li>Enhance the role of call centers as hubs of customer communication</li> <li>Establish corporate-wide privacy protection system</li> <li>Take preventive measures against personal information leaks</li> </ul>
<b>Related Teams and Divisions</b>	<ul style="list-style-type: none"> <li>GBS IM Team &amp; INI Team, CMO Division</li> </ul>	<ul style="list-style-type: none"> <li>Consumer Cooperation Group at each region</li> <li>Quality Strategy Group, CMO Division</li> <li>Eco Strategy Team, CTO Division</li> </ul>	<ul style="list-style-type: none"> <li>CS Operation Group &amp; CS Strategy Group, CS Management Team, CMO Division</li> <li>Information &amp; Security Group, CSD</li> </ul>

# Consumer Insight Management

Consumer insight helps identify hidden meanings in consumer feedback, such as discovering latent consumer needs or value that they themselves might not be aware of and applying this information to our products. LG Electronics is making every effort to explore consumer insight and to reflect it in product development and marketing, thereby increasing consumer value.

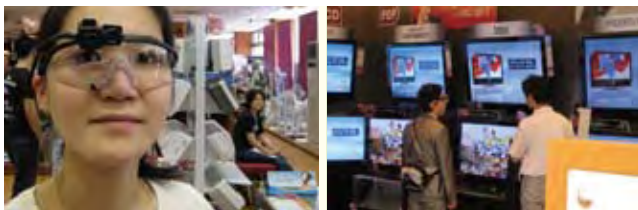
## Identifying Consumer Insights and Raising Consumer Value

Insight marketing only becomes more important during a recession because it helps in the understanding and identification of consumers' hidden desires and needs, while reflecting them in the development of new products. LG Electronics is devoting itself to understanding consumer needs to increase consumer value by developing products that reflect consumer insights, and actively communicating with consumers and to enhancing internal marketing capabilities.

## Identifying Consumer Needs through Advanced Consumer Research Tools

Using the very latest methodology, LG Electronics is conducting a thorough observation and carrying out surveys to discover the "hidden needs" of consumers, needs which consumers themselves might not even be aware of or hesitate to express for fear of what others might think.

Two examples of this include neurological research, which is used to study the latent responses of consumers to products or commercials, and measuring the eye movement of potential consumers who are outfitted with special camera-mounted goggles. Both of these test groups are observed and analyzed to help develop optimal products.



Consumer Insight Survey Using Eye Tracker

## Establishment of Educational Programs and Infrastructure to Strengthen Marketing Capabilities

Since 2008 LG Electronics has hosted Marketing Managers Capability Building (MMCB) training sessions and Country Marketing Insight (CMI) workshops in every major country where LGE is active, strengthening the capability of marketing personnel. Through these programs, LG Electronics is improving its ability to plan and market new products that reflect the needs of local consumers by sharing best practices, survey methodologies, and Segmentation-Targeting-Positioning (STP) training, all of which help uncover vital consumer insight.

LG Electronics opened a global marketing portal site as an in-house marketing center in July 2008 so that marketing personnel around the world could share and learn from important best practices as well as marketing strategies and activities. LGE will continue to expand the portal and strengthen its function as a Global Insight Hub.



1. Global Marketing Portal  
2-3. Marketing Education (China)

### A CONSUMER INSIGHT SUCCESS

#### NIGERIAN TV



Nigerian TV was developed by LG Electronics Africa Logistic FZE (LGEAF) to support the on-screen display (OSD) of the country's three major languages (Ibo, Yoruba, and Hausa). Released in May 2008, Nigerian TV sparked an explosive response from local consumers by improving on previous TVs, which until then had only supported English text. Other features, such as the CRT TV rotating stand (especially useful for larger families) and higher volume range for loud surroundings, were also included to reflect the unique conditions of the local environment based on newly identified consumer insights. LG Electronics has positioned itself as the runaway market leader in Nigeria—over 50% of market share in big ticket items such as air conditioners, refrigerators, and TVs—thanks to active marketing efforts that truly reflect consumer insights.



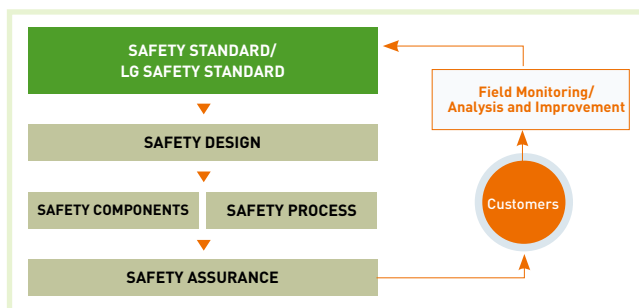
## Product Safety

LG Electronics places the utmost priority on consumer safety. From the design stage to a product's usage and disposal, LGE continuously looks for ways in which to improve product safety to prevent any risk to a consumer's health or property caused by a faulty product. In addition, it is continuing to improve process management and quality so that consumers can feel more safe with product made by LG Electronics.

### Developing the Safest Products

We approach product safety from three angles: design defects, production defects, and warning labels. LG Electronics pays close attention to internal processes for the development of safe products. This is aimed at protecting consumer rights in accordance with product liability laws.

#### [SAFE PRODUCT DEVELOPMENT PROCESS]



First, LG Electronics views international safety standards as the absolute minimum requirement to ensure consumer safety, abiding by even more stringent internal safety standards that take into account the user's environment.

Second, a study of the user environment is conducted prior to product development, while breakdown mode analysis tools are used to predict potential safety problems such as fires, electric shock, injuries and explosions so that safety measures can be aptly reflected in the product design. In addition, LGE considers possible safety issues after a product is delivered to the consumer, 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, field data and breakdown mode analysis are used to select components that may affect product safety. LG Electronics then keeps a close watch over the development and production of the selected components.

Fourth, production processes that may lead to problems are analyzed and identified. LGE pays extra special attention to such processes, holding regular training on precautionary measures and safety checklists.

Fifth, safety check standards are in place for every product. LGE also conducts safety checks at every major stage of the development process. If and when a flaw is detected, LG Electronics checks for the possibility of

the same problem arising in a corresponding model as well as for other similar models before carrying out prompt corrective measures. LG Electronics' product safety assurance efforts are comprehensive, spanning from the inspection of the printed circuit board (PCB) to the various components and wiring in a product to the warning labels affixed on products and instruction manuals. For rigorous control over product safety, LGE also conducts testing under both general and unusual testing conditions that may arise when a product is used by a consumer. In doing so, every possible scenario that could lead to a fire is pored over inside a testing lab. To that end LGE maintains a host of various facilities, including a moisture resistance lab and a fire analysis lab.

### Electromagnetic Environment

More and more, products become ever-more sophisticated using GHz broadband, there are growing concerns among consumer groups about the electromagnetic interference (EMI) of high-performance products, especially those using GHz broadband. Some time in the future, EMI regulations will have to be standardized internationally and applied forcefully, which is something that LG Electronics is already preparing for.

EMI sites that can conduct GHz broadband EMI tests are required to satisfy 6 dB or less of Site VSWR (Voltage Standing Wave Ratio), but the current technology of verifying the validity of EMI sites was not able to meet the standard. That is why LG Electronics developed the Site VSWR Validation Technology for GHz broadband, allowing it to lay the groundwork for conducting GHz broadband EMI tests and obtain the absorber optimization technology necessary to implement EMI Sites. This technology is supported at EMI sites at every LGE company.

Furthermore, with quality control systems, special facilities, and trained personnel to verify EMC suitability, LGE provides technical support for the standardization and analysis of prior standards with its new products.

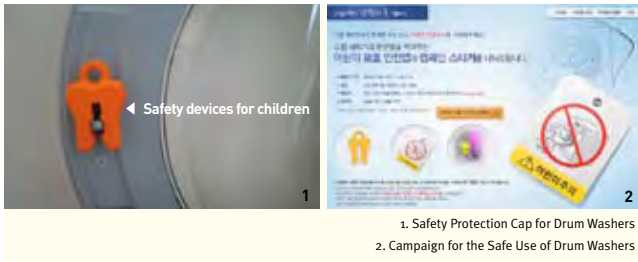


1. EMI Test  
2. Battery Tester

## Increasing Product Safety

### ● CAMPAIGN LAUNCHED FOR THE SAFE USE OF DRUM WASHERS

LG Electronics carried out a safety campaign for drum washing machine users in October 2008, handing out free safety devices and stickers for children. The aim of the campaign was to prevent any possible child-related accidents in households that had kids. The safety device was designed to keep the door of the washers from shutting when not in use. Through this campaign, more than 40,000 safety devices have been distributed to consumers. LG Electronics will continue to develop safer and more convenient products as it makes sure it raises awareness about the safe use of its drum washers.



### ● NOTEBOOK BATTERY CHECKUP

In early 2008, there was an unfortunate accident involving our Z-series notebook battery, so inspections were conducted by outside specialized institutions, the Korea Electrotechnology Research Institute and Inter-tek. After reconstruction experiments, the cause of the accident was determined to be more about environmental factors than any mechanical flaws. Still, LGE conducted free checkups and replacements of notebook batteries to prevent the same accident from happening again. A total of 29,000 Z-series units which had been sold from January to December of 2007 are eligible for a free checkup and replacement, with 53.3% of them having been replaced through this service up until now.

## Improving Product Quality

To guarantee product quality that meet consumers' expectation, LG Electronics operates step-by step quality control system from product development to manufacturing and service.

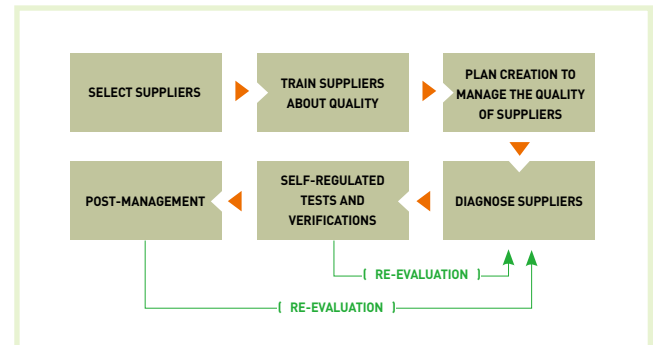
### ● QUALITY INFORMATION MANAGEMENT SYSTEM

LG Electronics operates a quality information system to collect, analyze and process information about product standards around the world, giving it the ability to make use of diverse quality information both inside and outside the corporation, which ultimately improves quality and allows LGE to manage product quality in a more systematic way. Through this system, LG Electronics gathers and analyzes information about quality loss cost data and field data inside and outside the corporation. In addition, a global quality monitoring system was put in place in 2008 to detect and provide early warning about any potential quality problems so that swift measures could be taken to correct them.

### ● SUPPLIERS' SELF-REGULATED TEST AND CERTIFICATION SYSTEM

LG Electronics runs a self-regulated test and certification system for its suppliers to innovate the quality of their parts. Under this system, suppliers evaluate their own products to assure their quality, while parts from suppliers that meet LGE's standards do not need to go through any other tests. This initiative has not only helped raise awareness among suppliers about quality control, but has also strengthened their competitiveness. At the same time, it has raised the level of competitiveness for every LG Electronics product even more.

#### [SUPPLIERS' SELF-REGULATED TEST AND CERTIFICATION PROCESS]



### ● GQA (GREAT QUALITY AWARD) SYSTEM

LG Electronics' Great Quality Award (GQA) system is a proprietary quality control system that is operated by company basis. Through this GQA system, which was implemented in 1997, relevant business unit and manufacturing & production subsidiaries are monitored and checked for their quality management results and quality assurance systems on an annual basis, with awards being handed out to those business units and subsidiaries with excellent records. This system helped to raise awareness about quality control and improve capabilities to manage quality, with systematic guidance and system optimization being offered for unsatisfactory sectors not meeting these rigid standards.

### CTO, 2008 UL LEADER IN WORLD SAFETY



Last December, President and Chief Technology Officer (CTO) Woo Hyun Paik was recognized as 2008's "Leader in World Safety" by one of the most prestigious safety standard agencies in North

America, Underwriters Laboratories (UL). LG Electronics continues to spearhead consumer protection efforts by promoting product safety.

## Customer Satisfaction

Through an analysis of customer expectations as they relate to service, LG Electronics is always keeping up with which service items customers want most, as it continues to provide the best service possible.

### Providing Top Customer Responsiveness through LGE's Service Department

After LG Electronics adopted a "Moment of Truth" (MOT) management system in 2007 to thoroughly analyze every aspect of the customer experience with LG brands from a customer's point of view, LGE sought to provide the highest customer satisfaction anytime, anywhere. Today, LG Electronics is continuing its efforts to improve the quality of service by segmenting the process which customers can go through, as well as developing an optimized service program for each step of the customer service process.

We will conduct a host of activities to provide customers with even more than they expect through continuous innovation of our services, both in terms of quality and scope.

### Taking Customers' Past Experiences into Account

Under the motto of Consumer Experience Innovator, LG Electronics keeps bettering its range of services and level of expertise. Today, LGE is expanding its range of services by optimizing every consumer touch point beyond the simple customer complaint management carried out in the past. By improving the distinguished elements that LGE explores and subsequently offers customers as brand building drivers, its service expertise is improving to the point that it is going beyond securing the efficiency of service operations.

#### ● CALL CENTERS

LG Electronics operates 36 call centers around the world which all focus on listening carefully to customers about an array of topics, from how to use LGE products to any suggestions customers might have in dealing with complaints. LG Electronics never stops trying to improve the quality of its call center service.

A case in point is First Call Resolution, which allows customers to resolve a problem they have on their first call. The aim of this program is to deal with a customer inconvenience in the fastest, most effective way possible. At present, First Call Resolution is employed at all of LGE's call centers worldwide.

There is also a push going on at LG Electronics to increase customer satisfaction through the efficient control of the number of agents on hand at any given time based on an accurate estimate of how many customer service calls there will be. While expert agents can guide customers on the phone so that they can easily take care of simple problems

on their own, LGE's remote repair system lets them receive helpful services for digital products without requiring a visit from a service engineer.



#### SURVEY PROCLAIMS LG ELECTRONICS' CALL CENTER SERVICE TOPS IN CHINA

The LG Electronics Chinese Call Center topped a list of home appliance makers in a quality survey conducted by China's CIC (Consumers Information Center), which carried out the survey on major companies operating in China in the fields of home appliances, communication, and computers.

According to the survey, conducted on March 15, World Consumer Rights Day, QQ.COM, the biggest portal site in China, ranked LG Electronics No. 1, with high scores in every field including agent response, speed, and problem-solving capabilities. Four Chinese companies, including Media and Glanz, followed LGE to round out the top five companies on the list.

#### ● SERVICE CENTERS

LG Electronics tracks the rate of "one-visit resolutions" to resolve customer complaints as quickly as possible. This is based on an analysis of customer needs, whereby customer satisfaction is maximized when a service engineer makes just one visit to accurately diagnose and fix a problem. To ensure the smooth operation of this system, LG Electronics has 124 domestic service centers and 13,000 overseas service centers, and is in the midst of establishing an integrated service network through continuous optimization.



To complement the limitations of overseas markets, which, unlike Korea, are mostly run as multi-brand service centers, LG Electronics is also focusing its efforts on enhancing customer satisfaction by expanding LG Direct Mobile Service to 250 vehicles, which it did in 2008. With this service, engineers can visit customers instead of having customers go to a service center.



LG Direct Mobile Service Vehicle

● **SERVICE ENGINEERS**

LG Electronics believes that accurate feedback about maintenance work, as well as results after providing customer service, lead to increased customer satisfaction and product value. This has also led to LGE providing thorough tech training for service engineers.

Building on this, LG Electronics set up a system to share educational materials with service engineers around the world, and is strengthening specialized training programs by running an educational website and conducting online interactive training sessions where instructors and service engineers can interact.

In addition, LGE continues to provide three pieces of key information when offering service: what part(s) was fixed, the cause of the failure/problem, and how to prevent the same problem(s) from recurring in the future.



1-2. Service Skill Olympics  
3. Interactive Technical Training

**HELPING ELIMINATE WASTED STANDBY POWER  
IN HOME ELECTRONICS**

**HOME ENERGY DOCTOR SERVICE**

Electronic equipment consumes standby electricity when it remains plugged in whether in use or not. This wasted standby power can add up to as much as 11% of one's monthly electricity bill. LGE's Home Energy Doctor Service teaches consumers methods on how best to save energy at home.

In 2008, LG Electronics entrusted service engineers as "Home Energy Doctors." Since then they have been at the forefront of efforts to save standby energy along with the Korea Energy Management Corporation (KEMCO). Their main activities include promoting 32 methods to save energy in 13 kinds of home electronics and distributing brochures. These energy-saving measures are easy to put into practice in everyday life. Three examples include regularly cleaning air conditioner filters, decreasing the brightness of your TV screen by 30 percent, and adjusting the suction power of your vacuum cleaner depending on how dirty a room is.

**INTERVIEW**

**JONG-SOO LEE, ENGINEER,  
7TH SERVICE SKILL OLYMPICS  
GRAND PRIZE WINNER**



I always think positively, and never give up until I find a solution to the problem and can complete the repair. This habit gave me today's honor, I believe. As I have done so far, I will continue to work together with my colleagues, give them technical support, and grow together.

\* The Service Skill Olympics, which marked its 7th anniversary in 2008, are an annual event that brings together LGE's top 33 service engineers to compete in fixing electronic products in just 90 minutes.





# Communication with Customers

LG Electronics has a variety of channels to communicate with customers, through which we are able to listen to what they have to say and deliver this to the relevant departments as quickly as possible. As such, LGE can reflect each customer's unique voice to improve our products, marketing, and service.

## Voice of Customers (VOC) Management

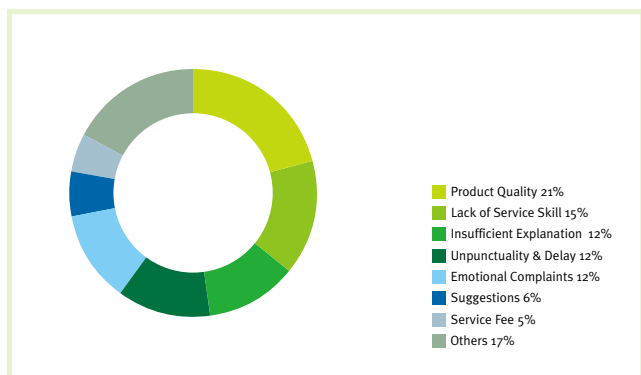
LG Electronics takes each and every customer opinion seriously, reflecting them all in the work process through its Management for Voice of Customers (VOC) System. The VOC Tag System enables LGE to pay attention to each customer's opinion and to take a case-by-case approach to handling any complaints collected over the phone, through LGE's corporate homepage, or by e-mail. Each one is tagged with a cause for complaint and transferred to the related department, with the entire process being closely monitored at each step of the way. This system is maintained based on a firm belief that every customer complaint should be addressed and resolved.

In addition, LG Electronics employees—from top to bottom—are working together to pay attention to whatever customers have to say, as is clearly illustrated when one sits in on a regular session of listening to customers' opinions and the discussion of solutions that follows at the Management Meeting attended by senior executives.

## Consumer Satisfaction Surveys

LG Electronics adopted the Net Promoter Score (NPS) and Voice of customers (VOC) systems to ensure a more proactive response to customer needs. This is an improvement on the existing Consumer Satisfaction Index (CSI), which offered respondents answer choices, whereas the (NPS) asks customers a single question that can be rated from 0-10, enabling an in-depth analysis of customer needs. At the same time, LG Electronics has been developing a unique NPS survey package to increase the quality of its surveys and to take a diverse approach to the results of the survey. Through these consistent efforts to strengthen consumer communication, LG Electronics is drawing itself one step closer to its customers.

[TYPES OF CUSTOMER COMPLAINTS AT VOC] Korea / Cases received for the period Mar.-Dec. 2008



[2008 SUMMARY OF COMMUNICATION AT LGE.COM (GLOBAL)] Unit: Cases, %

TYPE OF COMMUNICATION	NO. OF QUESTIONS	NO. OF RESPONSES	RESPONSE RATE
Media Contacts	143	130	91
Job Training	15	2	13
Recruitment	89	3	3
Press Releases	13	12	92
Sponsorships	56	37	66
Advertising	17	10	59
Mailing Lists	25	15	60
Financial Report	194	81	42
Stock Information	143	83	58
<b>Total</b>	<b>695</b>	<b>373</b>	<b>54</b>

[APPLYING NPS RESULTS TO IMPROVE SERVICE (USA)]



[2008 SUMMARY OF ONLINE COMMUNICATION (KOREA)] Unit: People, Cases, %

BRANDS	DOMAIN	NO. OF SUBSCRIBERS	NO. OF QUESTIONS	NO. OF ANSWERS	RESPONSE RATE
XCANVAS	http://www.xcanvas.com	2,134	1,791	1,501	84
<small>(Home theater system included)</small>					
XNOTE	http://xnote.co.kr	140,416	16,103	15,958	99
FLATRON	http://flatron.lge.co.kr	344	1,807	1,576	87
TROMM	http://www.tromm.co.kr	2,339	384	375	98
DIOS	http://dios.lge.co.kr	2,398	675	630	93
WHISEN	http://www.whisen.com	2,568	1,107	949	86
DIOS Built-In	http://diosbuiltin.lge.co.kr	503	110	110	100
WHISEN Air Purifier	http://www.whisenac.co.kr	657	170	168	99
CYKING	http://cyking.lge.co.kr	860	169	124	73
B2B	http://b2b.lge.co.kr	4,856	79	54	68
<b>Total</b>		<b>157,075</b>	<b>22,395</b>	<b>21,445</b>	<b>96</b>

# Privacy Protection

LG Electronics complies with all relevant laws and regulations concerning privacy to protect the personal information of customers. We also take several preventative measures against the illegal leaking of personal information and improve the reliability of customer privacy protection on an ongoing basis.

## LGE's Personal Information Protection Management System

In order to heighten the reliability of our customers' privacy protection, LG Electronics has created principles and policies about privacy protection and established the following management system, which it complies with in a systematic manner.

LGE's Personal Information Protection Management System is divided into the following four areas to minimize compliance risks and to protect personal information more systematically: Management System, Accident Prevention System, IT Security System, and Operating System.

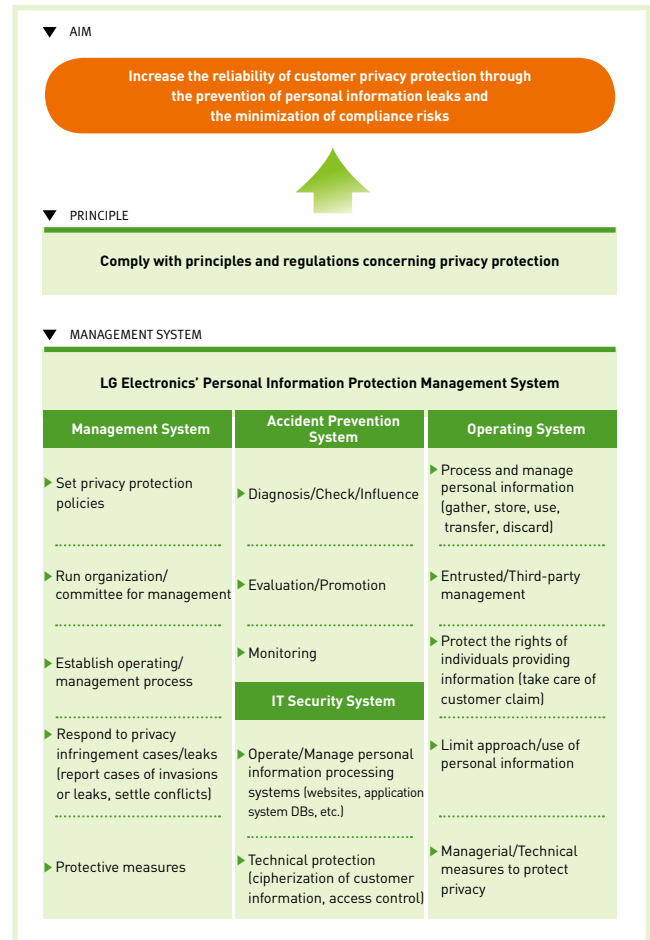
## Major Activities

LG Electronics has been focusing its privacy protection efforts on the subscribers of its websites. However, we are well aware of the necessity and importance of privacy protection, which is why we have expanded our efforts to all of the personal information gathered by LG Electronics (including personal information collected offline) and are carrying out protective measures for more systematic and thorough protection.

Moreover, we have established corporate-wide privacy policies, improved our management system, standardized the operation and management process, and built a response system for possible information leaks or privacy invasions. Also, we are taking preventive measures such as offering regular checkups and diagnosis of privacy protection.

At the same time, the security awareness program has been developed to train personnel dealing with personal information and general employees on a regular basis, while a variety of technical measures have been carried out to deal with any potential security loopholes in processing personal information.

### [PERSONAL INFORMATION PROTECTION MANAGEMENT SYSTEM]



### [LG ELECTRONICS' PRINCIPLES OF PRIVACY PROTECTION]

- 1) Collection Limitation** • Personal information should be collected in a fair and legal way. No one is allowed to collect personal information for any other purpose than those purposes which have been approved in advance so that the company can better provide service to the customer.
- 2) Data Quality Principle** • No more personal information than is absolutely necessary must be collected, and everything possible should be done to keep the information accurate and current.
- 3) Purpose Specification** • Personal information collected should have a specific purpose(s) and should be limited to serve that purpose(s).
- 4) Use Limitation** • Personal data should not be disclosed, made available or otherwise used for purposes except : 'with the consent of the data subject' or 'by the authority of law.'
- 5) Security Safeguards** • Personal information should be provided in a systematic way and with reasonable protection against such risks as illegal approach, destruction, use, modification, or release.

- 6) Openness** • Open policies relating to a customer's personal information protection should be established and the "directions to process personal information" should be created and relayed to the information providers.
- 7) Individual Participation** • Information providers should be guaranteed the right to withdraw their agreement, to require to see/provide/correct, to deny requests to see/correct/delete information, and be given the right to a legal representative about the information they have provided. The company should also respond immediately to the information provider's request with the appropriate measures and publish or inform the information provider of the results.
- 8) Accountability** • The company should take every measure necessary to safeguard the security of personal information, ensuring that the principles and responsibilities of personal information protection are observed.

02

ENVIRONMENTAL LEADERSHIP



● LG Electronics has embraced its responsibility as a global corporation and is proud to be doing its part by leading voluntary greenhouse gas (GHG) emission reduction programs and developing greener products, while also performing Energy, Environment, Safety & Health (EESH) management activities that focus on preventative measures to protect the environment.

Category	GREENHOUSE GAS EMISSION REDUCTION/ DEVELOPMENT OF RENEWABLE ENERGY TECHNOLOGY	DEVELOPMENT OF GREENER-PRODUCTS/ MANAGEMENT OF WASTE ELECTRIC & ELECTRONIC PRODUCTS	EESH MANAGEMENT
<b>2008 Major Achievements</b>	<ul style="list-style-type: none"> <li>• Recipient of the CDP 'Woorim Award'</li> <li>• Joined carbon footprint (carbon labeling) pilot project</li> <li>• Established greenhouse gas inventory for all LGE workplaces in Korea (verified by a third party)</li> </ul>	<ul style="list-style-type: none"> <li>• Increased cost innovation, reduced the environmental impact and GHG emissions by slimming down mobile phone packaging</li> <li>• Cost-effective and eco design of washing machines and refrigerators</li> <li>• Built nationwide take-back system in the U.S.</li> </ul>	<ul style="list-style-type: none"> <li>• Changwon 1 Plant awarded top prize in waste minimization (President's commendation)</li> <li>• Hosted a Global EESH Conference</li> </ul>
<b>Opportunities and Risk Factors</b>	<ul style="list-style-type: none"> <li>• Take the initiative in dealing with greenhouse gases by establishing GHG infrastructure and exploring CDM business opportunities</li> <li>• Possibility of greenhouse gas regulation being a trade barrier in certain countries (e.g. climate change bills in the U.S. and Australia)</li> </ul>	<ul style="list-style-type: none"> <li>• Secure price premium with greener products</li> </ul>	<ul style="list-style-type: none"> <li>• Toughen regulations related to the recovery of waste home appliances</li> <li>• Established Business Continuity Plan (BCP) system</li> </ul>
<b>Future Direction</b>	<ul style="list-style-type: none"> <li>• Establish greenhouse gas inventory for overseas sites</li> <li>• Establish greenhouse gas inventory for major suppliers</li> <li>• Participate in mandatory CO<sub>2</sub> emissions labeling</li> <li>• In-house greenhouse gas reduction campaign</li> </ul>	<ul style="list-style-type: none"> <li>• Develop green flagship products</li> <li>• Strengthen voluntary take-back activities</li> </ul>	<ul style="list-style-type: none"> <li>• Instituted global EESH instructions and standards</li> </ul>
<b>Related Teams and Divisions</b>	<ul style="list-style-type: none"> <li>• Eco Strategy Team, CTO Division</li> <li>• Environment/Facility Groups at each company</li> </ul>	<ul style="list-style-type: none"> <li>• Eco Strategy Team, CTO Division</li> <li>• Environment &amp; Safety Group, CSD</li> <li>• Environment &amp; Safety Group at each company</li> </ul>	<ul style="list-style-type: none"> <li>• Environment &amp; Safety Group, CSD</li> <li>• Environment &amp; Safety Group at each company</li> </ul>

# Greenhouse Gas Emissions Reduction

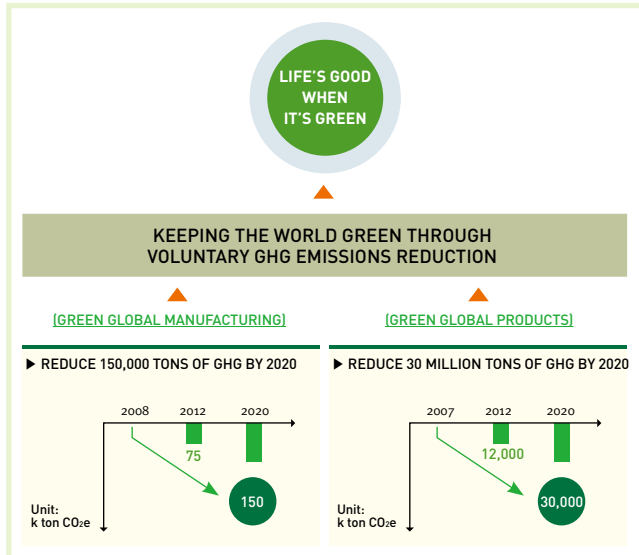
## Greenhouse Gas Emissions Reduction Goal

LG Electronics is acutely aware of our planet's environmental problems due to greenhouse gas (GHG) emissions and is making various efforts to minimize its own influence on the environment. For instance, LGE is developing technologies to reduce greenhouse gases generated in the workplace. By continuously increasing the energy efficiency of its products, LG Electronics is also working to reduce the indirect greenhouse gases emissions when products are used.

In manufacturing, our target is to reduce 150,000 tons of GHG between 2008 and 2020. LG Electronics is actively reducing its emissions by optimizing its manufacturing system and process, while also replacing inefficient facilities. Additionally, we are planning to apply different reduction programs tailored to each specific workplace, and categorize and manage the potential amount of gases reportedly causing global warming other than the recognized six key greenhouse gases.

With respect to products, our GHG emissions target is 30 million tons by 2020, as compared with the BAU (Business As Usual) scenario from 2007. We have also created detailed plans and strategies for each product group to reduce GHG emissions by improving energy efficiency. These efforts have, among other things, earned LG Electronics some environment-related awards. For example, with the world's lowest level of energy consumption, LGE's refrigerator (R-T686UHLW) won top prize at the 2008 Korean Energy Winner Awards, while other LG Electronics home appliances (an air purifier, a microwave, and an air conditioner) received awards as well.

### [GREENHOUSE GAS (GHG) EMISSIONS REDUCTION GOAL]

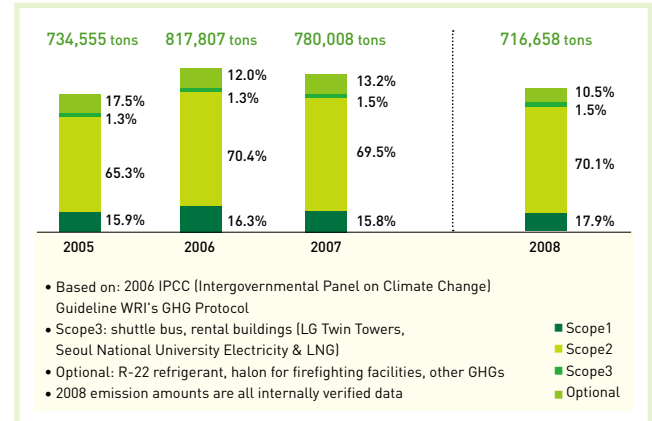


LG understands how important it is to respond to climate change, which is why it has surveyed the greenhouse gas emissions situation at all of its domestic workplaces, acquiring an international verification in the process, a first for a Korean home electronics corporation. LG Electronics will not stop in its efforts to make the world a better place for future generations to come.

## Greenhouse Gas Emissions

Step by step, LG Electronics has been creating a greenhouse gas (GHG) inventory to establish effective strategies for managing and reducing its GHG emissions. In 2008, the GHG inventory for all nine of its business sites in the nation was completed, making LG Electronics the first home appliances maker to acquire an international verification in December of the same year. Taking this one step further, LGE plans on building an inventory that includes 32 overseas sites (including 28 overseas subsidiaries) in the near future. In 2008, the corporation's GHG emissions stood at 716,658 tons, an 8.1% decrease from the previous year.

### [CORPORATE GHG EMISSIONS (DOMESTIC)]



## Certification for Carbon Labeling



LG Electronics voluntarily joined the Ministry of Environment's pilot certification program for carbon labeling to promote its eco-friendly nature to consumers. This standard was established to assess the amount of GHG generated throughout a product's life cycle, with LGE's steam washing machine becoming the first washing machine to be certified by this program in February 2009. LG Electronics offers consumers the chance to play a direct role in responding to climate change by increasing supplies of low carbon products, as it continues to reduce its overall GHG emissions.

LG Electronics offers consumers the chance to play a direct role in responding to climate change by increasing supplies of low carbon products, as it continues to reduce its overall GHG emissions.



**INTERNATIONAL VERIFICATION OF LG ELECTRONICS' GHG INVENTORY**

In December 2008, LG Electronics had Det Norske Veritas (DNV), a third-party Norwegian GHG verification agency, verify that its management of GHG and GHG emissions matched international standards, assuring all of LGE's stakeholders that the GHG emissions (CO<sub>2</sub>, HFCs, etc.) it had measured and published were both objective and reliable. This made LG Electronics the first home appliances maker in Korea to be internationally verified in this category.

In response to this, Vice President and Director of the Eco Strategy Team Jong Min Shin said, "As each workplace is able to analyze GHG emissions and the amount of future reductions, GHG reduction is going to gain momentum. Cost reduction is also expected to occur through manufacturing process innovation and decreased energy consumption."

In February 2008, LG Electronics established an Eco Strategy Team under the umbrella of the CTO in order to effectively respond to changes in eco-friendly regulations at home and abroad, as well as to develop new business opportunities related to climate change.



**RECIPIENT OF THE CDP WOORIM AWARD**

LG Electronics participated in the 6th Carbon Disclosure Project in October 2008, and was subsequently named the winner of the CDP Woorim Award, which is handed out to the best-performing company among the first CDP participants by the Korea CDP Committee.



## Development of Renewable Energy Technology

LG Electronics is committing itself to minimizing GHG emissions at its workplaces and in its products by developing renewable energy. LGE is fully open to new product ideas that use renewable energy and in participating in a corporation-sponsored solar light system.

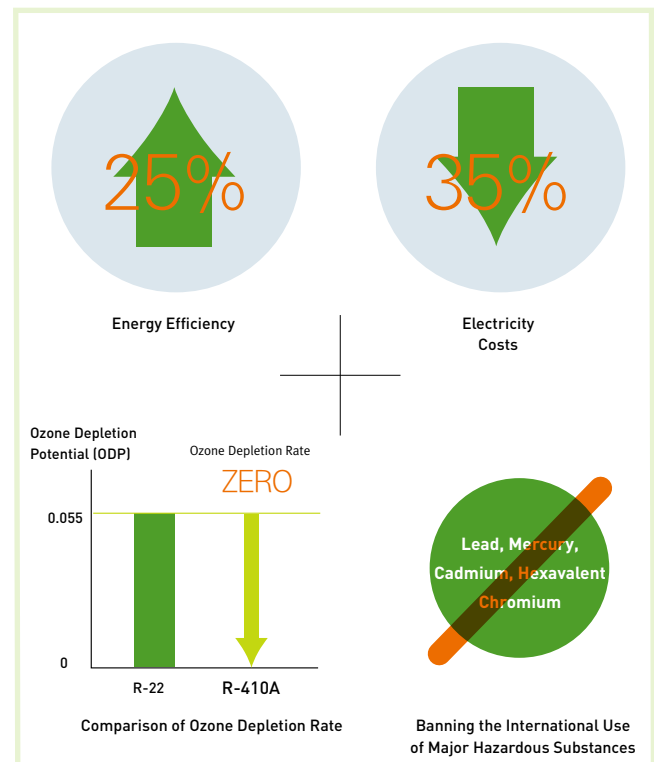
### Hybrid XEO – Direct Contact Heat Exchange Method

In April 2007, LG Electronics introduced Hybrid XEO, which is an air-conditioning and heating system that draws on geothermal energy. The hybrid system increases energy efficiency by 25%, and reduces electricity consumption by approximately 35%.

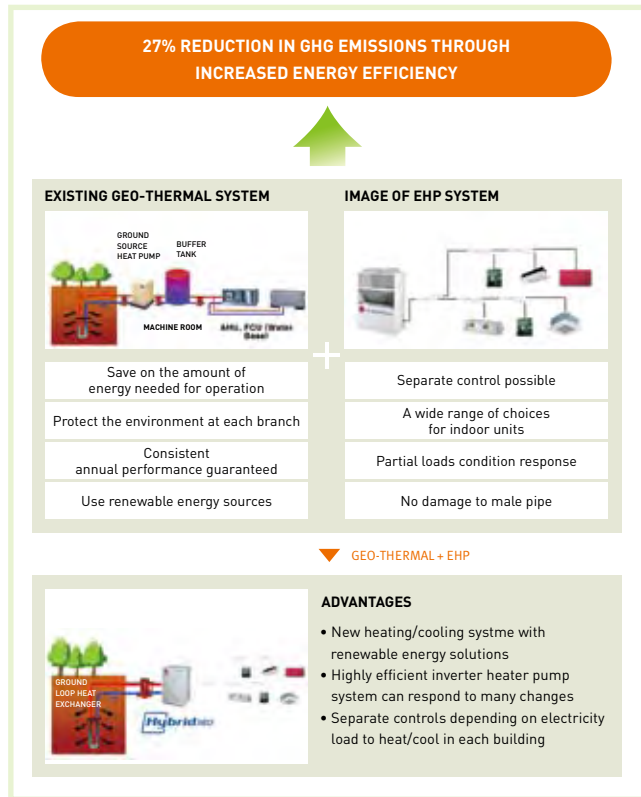
The Hybrid XEO is a new air-conditioning system with maximum efficiency that uses geothermal energy as a source for both heating and cooling. Thanks to its direct contact heat exchange method, it can effectively save energy, and it is even possible to run the air-conditioning system separately in each room.

Also, this new system uses an eco-friendly refrigerant, R410A, to maximize energy efficiency. R410A is a green refrigerant whose ozone depletion rate is 0. Furthermore, it is also reduced the environmental impact from hazardous substances such as lead, mercury, cadmium, and hexavalent chromium.

**[ENVIRONMENTAL IMPACT OF HYBRID XEO SYSTEM]**



[OVERVIEW OF HYBRID XEO SYSTEM]



\*EHP: Electric Heat Pump

## Solar Cells

LG Electronics continues to make great strides in its R&D efforts to nurture its solar cell business as a next-generation growth engine. In 2008, LGE decided to establish a new production line in Gumi, Gyeongsangbuk-do, and will invest approximately KRW 222 billion in the project. The Gumi production line consists of two lines, with each line eventually able to produce up to 120 MW of power, making crystal solar cells and modules using silicon wafers.

## Development of Greener Products

LG Electronics is developing greener products based on three crucial factors: Resource, Human, and Energy. To manage the whole product life cycle, LGE introduced the idea of Eco Design, while also developing and utilizing Eco Index.

### Green Product Strategy

The Green Product Strategy at LG Electronics is meant to minimize environmental impact throughout the entire product life cycle. This strategy can largely be divided into three fields: Resource, Human, and Energy.

The resource strategy consists of reducing the use of resources and recycling even more than we do now. To be more specific, LGE aims to reduce new material acquisition, meaning increased R&D efforts to reduce the weight and volume of products. The strategy also includes reducing any negative impact on nature by using recycled substances and biological raw materials, while the recycling element calls for activities to simplify the fastening of parts and improvement of materials so that they are easier to recycle after the disposal of a product.

Overall, the strategy is centered on greener products and includes activities to prevent the intentional use of hazardous substances, replacing them with safer substances instead. LG Electronics is also very

conscious about enhancing the living environment with special functions such as anti-allergic and anti-bacterial functions.

LG Electronics' energy strategy is a response to international concern about climate change and economic issues, including a rise in oil prices, and can largely be divided into energy efficiency enhancement and GHG emission reduction throughout the production process. Energy efficiency enhancement means reducing power consumption as well as the standby power necessary for consumers to use our products. At the same time it provides consumers with the practical economic benefit of reducing energy costs even as it helps prevent climate change. By reducing GHG emissions throughout the production process, LG Electronics is also fulfilling its responsibility as a global company that cares deeply about our planet and its future inhabitants.

[ECO PRODUCT STRATEGY]



Resource


● **RESOURCE USE REDUCTION**

Reducing the overall weight and volume of a product can reduce the use of valuable resources. To that end, LG Electronics is pursuing the optimization of parts design and the development of multifunctional integrated circuit components. In addition, LGE is investing in R&D to incorporate bio-plastic technology and recycled materials in our products so that we can address the global challenge of resource exhaustion. By developing integrated circuit components, that is, fusing two core components with two different functions into one, it not only reduces the size of printed circuit boards, which requires less material, but it ultimately reduces the overall weight and volume of a product.


As a means of addressing a way to solve our planet's resource exhaustion problem, LG Electronics is also leveraging bio-plastic production technology using corn starch extracts, making LGE's products and packaging materials more eco-friendly. Biodegradable plastic made with corn starch is a material available in an unlimited supply and is already playing an important role in providing a substitute for petroleum resources, which are in danger of depletion, while protecting our planet at the same time.

**DEVELOPMENT OF GREENER CELL PHONE PACKAGING**


LGE has reduced the size of packages for cell phones by an average of 26 percent through the optimization and slimming down of the package structure. Loading efficiency has also been increased by 16 percent through the design of loading methods (with respect to cell phone shipping) that adhere to the ISO standard pallet size. LG Electronics' cell phone packages are tested for their vibration, durability, and compression in order to assure reliability, and test results prove they all meet relevant standards.



**IMPROVEMENT RESULTS**



CO<sub>2</sub> emissions reduced by 19%  
[16,844 tons a year]



Eco Index improved by 23% on average

● **RECYCLING ENHANCEMENT**

Part of LGE's constant R&D has to do with simplifying the methods for fastening parts and increasing the use of recyclable materials in order to enhance the ability for our products to be recycled. In addition, LG Electronics is establishing a comprehensive recycling system around the world as well. (See pp. 49-50)

Human

● **HAZARDOUS SUBSTANCE MANAGEMENT**

LG Electronics is strengthening its efforts to develop technology and parts that replace hazardous substances as well as the network to supply them to suppliers. In order to check if the parts and materials from outside sources contain hazardous substances, LGE has installed XRF (X-ray fluorescence) equipment at its overseas and domestic business sites and subsidiaries. Parts and materials which appear to contain such substances will be closely monitored in the process of mass production.

The system also requires suppliers to register hazardous substance information such as homogeneous material data analysis at the initial development stage, with LG Electronics approving development projects only after a careful examination to reduce the use of harmful materials from filtering into individual parts.

[SCHEDULE FOR REDUCING THE HAZARDOUS SUBSTANCES IN NEWLY DEVELOPED PRODUCTS]

SUBSTANCES	TIMELINE BY PRODUCT
PVC	• Cell phones: 2010 • TVs, monitors: 2012 • Home appliances/Air conditioners: 2014
BFR	• Cell phones : 2010 • TVs, monitors : 2012
Phthalates	• Cell phones : 2012 • TVs, monitors : 2012 • Home appliances/air conditioners: 2014
Antimony	• Cell phones : 2012 • TVs, monitors : 2012
Beryllium	• Cell phones : absence of any BeO • TVs, monitors : 2012

● **LIVING ENVIRONMENT CARE**

LG Electronics wants to give additional functions to consumer such as anti-allergic and anti-bacterial function so that consumer feels pleased to use our products. LGE is accelerating its efforts to develop quality products that will improve consumers' satisfaction about well-being concept through such things as a massagers, water purifiers, and water softeners.

[LGE PRODUCTS CERTIFIED FOR THEIR ABILITY TO ENHANCE USERS' WELL-BEING]

CERTIFICATIONS (CERTIFYING ORGANIZATIONS)	PRODUCT
BAF (British Allergy Foundation)	Vacuum cleaners, Air purifiers, Washers
KAF (Korea Asthma Allergy Foundation)	Washers
SF mark (Korea Yarn & Fabric Inspection Testing Institute [FITI])	Air purifiers
SLG 5 Star (SLG Prof-und Zertifizierungs GmbH)	Vacuum cleaners

Energy

LG Electronics understands that global warming is caused by the excessive emission of greenhouse gases, and has responded to this by conducting a wide range of activities aimed at curbing emissions that are caused by corporate activities.

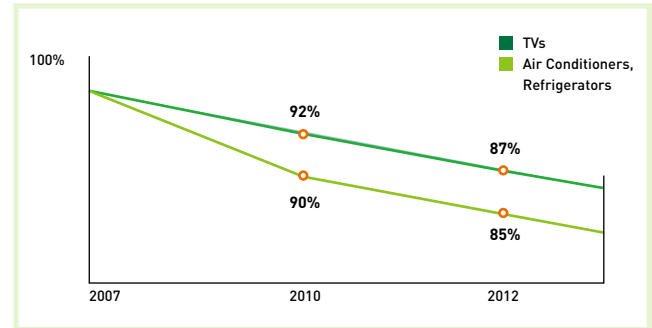
Electric/electronic products generally emit a greater amount of greenhouse gases while in use than they do during the manufacturing phase. As a result, LG Electronics not only places the utmost priority on energy efficiency when developing products, but also on decreasing greenhouse gas emissions through the reduction of power consumption. LGE will continue to manage and improve the consumption of on-mode power and standby power with the goal of reducing 12 million tons of CO2 emissions by 2012 and 30 million tons by 2020.

● **ENERGY EFFICIENCY ENHANCEMENT**

To improve on-mode energy efficiency, LG Electronics created a five-year roadmap for each product group and has already achieved some concrete goals. Certain product groups, including washing machines and monitors, have reached the highest level of energy efficiency in the industry, but LGE will continue to acquire competitiveness with the highest level of energy efficiency and reduce greenhouse gas emissions caused by power consumption for all its other product groups as well.

LG Electronics not only meets Energy Star standards, a directive on products but also covers by the EuP regulation and which indicates a product with high energy efficiency. LGE has also established its own internal energy management goals and a detailed strategy to further improve energy efficiency and standby power consumption levels.

[ENERGY SAVING ROADMAP FOR MAJOR PRODUCTS]



● **STANDBY POWER REDUCTION**

If an appliance remains plugged in, it is still consuming power even when it is not in use. Such unnecessarily consumed power is called standby power. As part of its efforts to minimize standby power, LGE came up with a plan in August 2005 to reduce this to one watt or less. As it stands, most LG Electronics products, including air conditioners, refrigerators, washing machines, and TVs, meet the rigid standards of this plan, with washing machines and cell phone chargers each consuming just 0.5 watts (or less) of standby power.

[CURRENT STATUS OF STANDBY POWER FOR MAJOR PRODUCTS AND PLANS]

Unit: Watt

PRODUCTS	2008 LEVEL	AFTER 2010
TVs	0.3~0.9	0.1~0.5
DVD players	0.6~0.8	~0.5
Electronic microwave ovens	0.8~1.5	~1.0
Cell phone chargers	~0.3	~0.15
Monitors	0.5~0.9	0.1~0.5
Notebook computers	0.7~1.0	0.4~1.0
Washing machines	0.3~0.9	0.3~0.5
Room air conditioners	0.3~1.0	0.2~0.5

● **GREENHOUSE GAS EMISSIONS REDUCTION**

LG Electronics recognizes the importance of responding to climate change and is carrying out a wide array of activities in order to reduce greenhouse gases that are generated in the company's value chain. Please see "Greenhouse Gas Emissions Reduction (page 43)" for more details.



## Eco Design

By introducing the concept of PDCA (Plan, Do, Check, Act), LG Electronics plans to minimize the environmental impact of its products throughout the product life cycle. To this end, LGE has set up an Eco Design Committee and developed its very own Eco Index, which it manages online and offline, demonstrating how serious it is about improving its environmental performance through multiple approaches.

### ● ECO DESIGN

**Concept** • Eco Design is an eco-friendly technique to minimize the environmental impact of products. This is accomplished by taking into account not only the cost and quality of a product, but also the environmental aspects at every stage of the life cycle, from material acquisition to design and manufacturing to use and disposal.

**Process** • Eco Design at LG Electronics 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. As a consequence, LGE can effectively realize environmental performance in each development stage, designing products with improved functions and quality. This is all done using a checklist for each stage through an Eco Design System that LG Electronics established in 2003.

### ● ECO DESIGN COMMITTEE

In order to plan and produce greener products with the entire product life cycle in mind, LG Electronics organized a company-wide Eco Design Committee, naming its Chief Technology Officer as the committee's chairman and the heads of each LGE product group's R&D center as its members. The Eco Design Committee expansively discusses relevant issues, such as practical ways to improve products and company-wide strategy, even as it actively responds to environmental issues through swift decision-making by executives.

### ● ECO INDEX

**Concept** • Eco Index is LGE's unique index to evaluate, through a numeric value, how well a particular Eco Design has been executed in a product for the purpose of assessing each product's environmental performance at the product development stage. This index is used as a tool to provide detailed Eco Design guidelines and quantitatively manage the environmental performance of LG Electronics products. In 2009, LGE's Eco Index is scheduled to be improved for even higher efficiency.

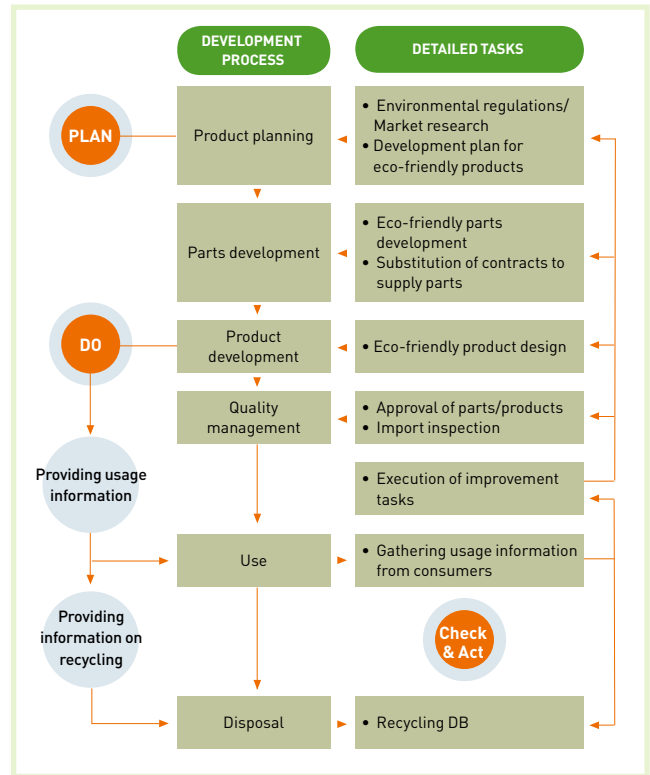
**Standards** • A total of 30 items are used for the evaluation, and the resulting index is also used as a criterion for granting LGE Eco-Mark certification.

#### [ECO INDEX ASSESSMENT CATEGORIES AND ITEMS]

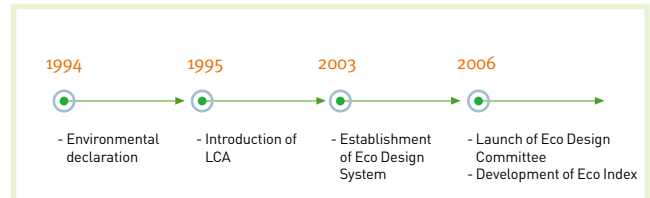
CATEGORIES	DETAILS (30 ITEMS IN TOTAL)
Resource Consumption	Reduction of weight, volume, etc.
Recycling	Weight of recyclable parts, number of bolts, etc.
Hazardous Substances	PVC/BFR substitute, VOC reduction
Energy	Standby power, greenhouse gas emissions
Others	Packaging material, noise, etc.

\*Scores in each field may change according to a product group's characteristics.

#### [ECO DESIGN PROCESS]



#### [PROCESS OF ESTABLISHING AN ECO DESIGN SYSTEM]



#### A LEADING EXAMPLE

##### DEVELOPMENT OF COST-EFFECTIVE ECO-TECHNOLOGY FOR FRIDGES AND WASHING MACHINES

Beyond traditional R&D activities that focus on cost reduction, LG Electronics is carrying out R&D activities that both reduce costs and improve environmental performance. As part of such efforts, LGE developed a cost-effective eco-technology for washing machines and refrigerators (the two product groups that require relatively more resources) that it then applied to its other products. For the purpose of this research, many departments, including product developers and eco design experts, cooperated to achieve an optimum solution.

By adopting recycled plastic of equal quality with that of new plastic material, reducing the number of screws used, changing adhesion methods, and improving packaging structure, LGE's washing machines and refrigerators enhanced Eco Index Standard by 20% and 13%, while reducing the production cost of those same two items by KRW 2.28 billion and KRW 0.59 billion, respectively.

# Management of Waste Electrical and Electronic Products

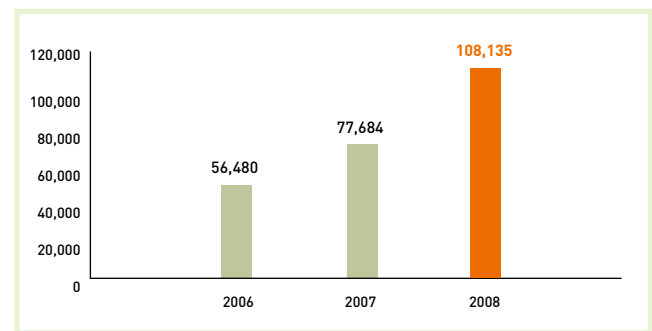
In terms of the whole life cycle of its products, LG Electronics runs voluntary take-back programs that are customized to meet the specific demands of each country. In 2008, we collected and treated a total of 108,135 tons of waste electrical/electronic products in North America, Europe, and Asia.

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 has established its own recycling rate evaluation standard, enabling it to surpass WEEE levels, and is fully complying with take-back requirements in regulated regions. Furthermore, LGE is participating in diverse voluntary take-back programs to increase the quantity of collected material, like the Plug-In To eCycling program initiated by the U.S. EPA and which LGE takes part in. In a bid to actively promote the program, LG Electronics sponsored the Buick Invitational PGA tournament. Through this sponsorship, LGE publicized its program to reduce the number of waste mobile phones as well as its measures to efficiently collect used phones. By doing so, we sent a strong message that backed up 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 particular characteristics and needs.

LG Electronics is responding to global regulations on the recovery and treatment of waste electrical and electronic products, with basic facilities in place for such collections. Additionally, due to the differing method of recycling and collection sites in each area – on top of the sheer volume of waste products – LG Electronics provides consumers with the information they need so they can easily access their relevant take-back points. Also, LGE is continuing with its research on Eco Design by taking economic and environmental factors into consideration from the initial product design stage, ensuring that easy recycling is made possible when collecting and treating waste products.

[ANNUAL TAKE-BACK OF WASTE ELECTRICAL AND ELECTRONIC PRODUCTS]

Unit: Tons



[COLLECTION OF WASTE ELECTRICAL AND ELECTRONIC PRODUCTS BY REGION]

Unit: Tons

REGION	2006	2007	2008
Korea	30,959	37,016	32,540
Japan	1,257	2,250	3,570
Europe	24,140	38,141	71,090
North America	124	277	935
<b>Total</b>	<b>56,480</b>	<b>77,684</b>	<b>108,135</b>

## TAKE-BACK PROGRAMS BY REGION

### KOREA

In order to help bring about a society that recycles its resources, LG Electronics collects various waste home appliances before disassembling/classifying them at advanced recycling centers (RCs). Resources that are recycled include copper, aluminum, and plastic. It is also notable that LG Electronics is dutifully executing its role as chair company of the Association of Electronics Environment (Chairman: Young Kee Kim/LGE's CSD), which was established to promote the efficient recycling of electronic waste. In January 2008, LGE's recycling center in the Honam area officially began following other LGE recycling centers in Metropolitan Seoul, central Korea, the Yeongnam region, and Jeju Island. In June of that same year LGE also participated in an event called "Recycle

2008," held jointly by civil, public, and military organizations in Tongyeong, Korea. Moreover, LG Electronics has conducted various other activities, including a waste cell phone take-back campaign, which, all told, has helped collect a total of 32,540 tons of waste electronic goods.



TAKE-BACK PROGRAMS BY REGION

EUROPE

In August 2005, the WEEE Directive took effect, obligating home appliance manufacturers to take back end-of-life products. Each EU member country has its own collection and recycling system. LG Electronics has been satisfying related regulations in each WEEE member country it operates in, which includes the Netherlands, Belgium and Sweden, three nations that had their own regulations in place on collecting waste home appliances even before the WEEE Directive went into effect in August 2005. Additionally, LGE offers recycling information and data on items sold after August 13, 2005 to local recycling companies upon request.

JAPAN

In order to comply with Japan's Consumer Electronics Recycle Law, LG Electronics joined Ecology Net along with companies like Matsushita and JVC. An active recycler of waste home appliances, LG Electronics satisfies the required collection quantity and recycling rate for refrigerators, washing machines, air conditioners, TVs, and PCs as stipulated by Japanese law. Besides this, LGE also runs a voluntary collection & recycle system for waste PCs.

OTHERS

Elsewhere, LG Electronics is actively participating in diverse voluntary take-back programs, such as in China and Australia.

NORTH AMERICA

Collection and recycling regulations are determined by each state or provincial government in North America. California, for example, enacted such laws in 2005 and Maine and Maryland followed suit a year later. LG Electronics not only complies with state-/province mandated regulations but also operates the LG National Take-back & Recycling Program in cooperation with Waste Management, one of America's biggest recycling companies. The LG program facilitates customers who are disposing of home appliances free of charge around the U.S., with plans in place to expand take-back events even more.

Further to this, LGE is establishing its own effective take-back system for mobile phones and operating an environmental program as well.



Green Box Campaign (China)



Mobile Muster (Australia)

# EESH Management

In order to minimize the environmental impact caused by business activities, LG Electronics established what it calls an EESH management system while also operating optimum pollution prevention facilities.

## EESH (Energy, Environment, Safety, Health) Management System

LG Electronics operates a corporate-wide EESH management system – centered on LGE’s Environment & Safety Groups – at its headquarters and other business sites. The EESH vision and policy statement was recently revised and LG Electronics is now in the midst of developing a global integration process with the goal of setting up an EESH management system that incorporates overseas subsidiaries as well. In the future, LG Electronics will continue to maximize efficiency and execution ability through an integrated EESH management system that is truly global.

### EESH MANAGEMENT VISION

LG Electronics will realize Global Top Company in EESH area through corporate level EESH management system operation, energy efficiency optimization, environment friendly process & product development, business field site safety & health and employee health improvement activities. Also, by providing differentiated consumer value, LG Electronics will pursue earth environment preservation and sustainable social advancement and improving quality of life for stakeholders.

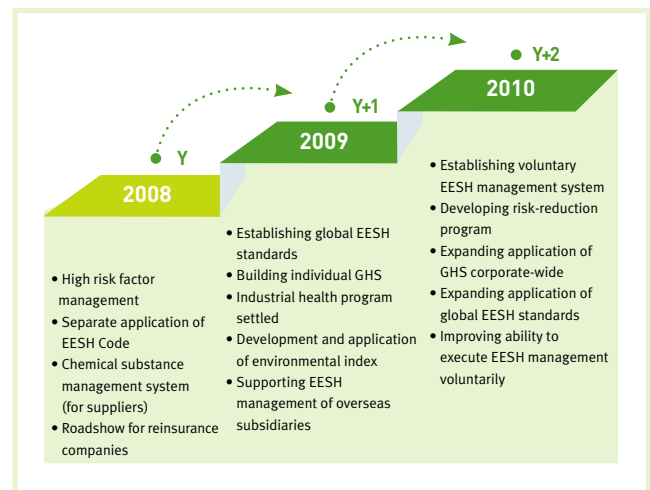
## Global EESH System Operating Process

Environment & Safety Group (ESG) laid the foundation for the operation of LGE’s global EESH standards by integrating its PEMI (plan, execution, monitoring, improvement) cycle as well as its global EESH policy. In addition, ESG has facilitated PEMI activities at all of LGE’s business sites through 12 core elements.

### [GLOBAL EESH MANAGEMENT STRUCTURE]



### [THREE-YEAR STRATEGIC TASKS FOR CORPORATE-WIDE EESH MANAGEMENT]



\* GHS : Global Harmonized System

## Global EESH Conference

The 1st Global EESH Conference was held on June 13, 2008 and had a total of 143 participants (50 from overseas subsidiaries, 93 from domestic business sites and R&D centers). The conference lasted for five days and included a chance for participants to learn about Changwon 2 Plant-LG Electronics’ best EESH business site in 2007. Participants were also given the opportunity to report on a wide variety of content, such as best EESH management practices at each business site, while sharing progress related to EESH with one another as well. Plans are currently in place to make the EESH Conference a biannual event, through which LGE’s EESH culture will be expanded from a global point of view.

### [EESH MANAGEMENT BUSINESS SITE CERTIFICATIONS]

LG Electronics established a global EESH system by operating organizations with both ISO 14001 and OHSAS 18001 certifications. Unit: Sites

LOCATION	NO. OF BUSINESS SITES	ISO 14001-CERTIFIED BUSINESS SITES	OHSAS 18001-CERTIFIED BUSINESS SITES
Korea	5	5	5
Overseas	32	31	31
<b>Total</b>	<b>37</b>	<b>36</b>	<b>36</b>

\* These figures do not represent R&D centers.



## Minimization of Environmental Impact

To minimize the environmental impact caused by the production process, LG Electronics is working hard to build and operate pollution prevention facilities, improve the manufacturing process for reducing resource consumption, and enhance the recycling rate. As a result of these efforts, LG Electronics did not violate a single environmental regulation or have any hazardous substance leakages in 2008, as was the case in 2007 as well. By exchanging LGE's PCB business with LG Microns' PRP (PDP Rear Plate) business, LG Electronics was able to reduce its overall impact on the environment.

### ● INPUT MANAGEMENT

As its manufacturing process focuses primarily on assembly, LG Electronics has relatively less negative impact on the environment in its use of energy and water than companies in many other industries. Regardless, in its pursuit to become a top global company LG Electronics is doing everything it can contribute to sustainable development from a global perspective, reducing its overall environmental impact by using limited resources efficiently.

### ● EMISSIONS AND WASTE MATERIALS MANAGEMENT

LG Electronics stably operates treatment facilities to minimize pollutants that include emissions into the air, discharge into the water, and other waste created during the production process. Yet through activities such as process improvement and clean production, LGE is also strengthening precautionary approaches to prevent pollution before it occurs.

## Biodiversity Protection

Most LG Electronics business sites are located inside industrial complexes, so the surrounding areas usually do not have high biodiversity values. Nonetheless, one thing LGE is doing to protect ecosystems is running a campaign to purify one river per business site. In addition, LG Electronics was a corporate sponsor for Ramsar Convention at Changwon 2008, an event designed to protect wetlands globally, and has supported environmental protection activities for Upo Swamp and Junam Reservoir, with Changwon Plant with funds and volunteering.

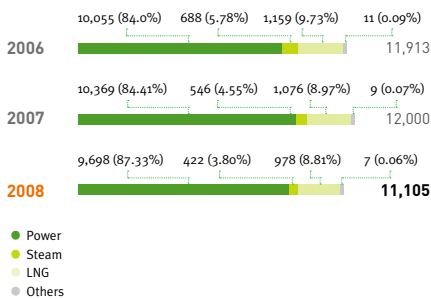


Natural Purification Activities for Upo Swamp

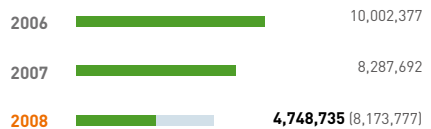


### [INPUT MANAGEMENT]

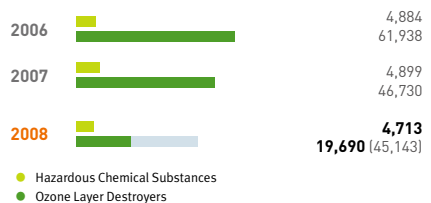
#### ENERGY Unit: TJ



#### WATER USE Unit: Tons



#### HAZARDOUS CHEMICAL SUBSTANCES AND OZONE LAYER DESTROYERS Unit: Tons



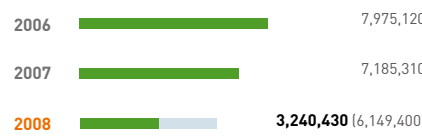
### [EMISSIONS AND WASTE MATERIALS MANAGEMENT]

[ ] : Figures include data from LG Micron's PCB business Unit: Tons

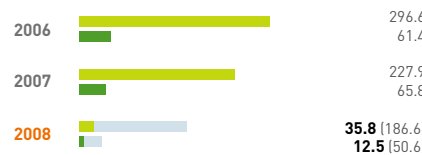
#### EMISSIONS IN THE AIR



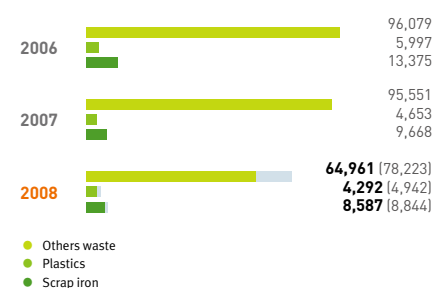
#### WASTEWATER DISCHARGE



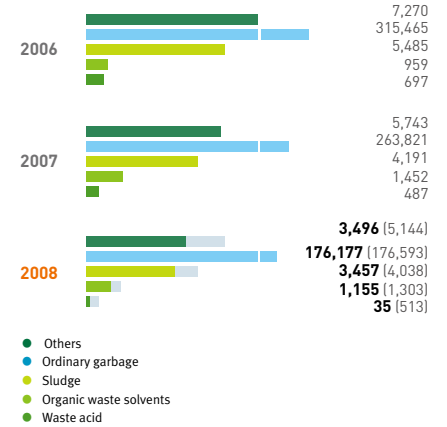
#### DISCHARGES INTO WATER



#### RECYCLABLE WASTE



#### NON-RECYCLABLE WASTE



\*Although LG Electronics reduced its overall impact on the environment in 2008 after exchanging its PCB business with LG Micron's PRP business, data from the existing PCB business is also shown here to provide a comparative analysis.

## Business Continuity Management

By establishing a system to respond to emergencies, and by training employees at each business site, LG Electronics practices thorough risk management in the environment and safety sectors. In fact, LGE has strengthened measures for each stage of risk management in the following ways: precautionary prevention, early detection, fire prevention, spread prevention, and early recovery. LG Electronics has also put together a systematic plan to minimize the impact of any potential crisis.

To be more specific, it came up with a business continuity plan (BCP) which focuses on quickly acquiring full production capability through substitute business sites. Such efforts on the part of LG Electronics have positively impacted suppliers as well as overseas subsidiaries, contributing to the reduction of risks throughout the whole supply network.

Furthermore, the LG Electronics Disaster Prevention Center, which is present at every one of LGE's business sites, plays an active role in fighting fires that break out in local communities. Indeed, the LG Fire Brigade at LGEIL often goes out to fight fires in nearby areas, taking the initiative in protecting not just LG Electronics, but the lives and property of neighbors as well. This kind of meritorious service has been recognized several times by local governments for excellence in industrial safety and corporate citizenship activities.

## High Risk Factor Management

In order to improve risk management and establish mid- and long-term fire strategy, LG Electronics conducted extensive fire strategy consulting, starting with its business sites in Gumi and Pyeongtaek in 2007. This consulting was carried out by Rushbrook, a British risk surveyor for reinsurers.

In July 2008, we visited Lloyd's Market, the biggest insurance market in Britain, after we held a roadshow for British reinsurance companies to promote LG Electronics' top-quality non-financial risk management. As a result, LGE earned the trust of many prestigious insurance companies, reducing about 15% of its total fire insurance fees for its business sites in Korea.



Training for Fire Fighting and Disaster Prevention



### LOCAL HEROES

## LG FIRE BRIGADE (INDIA)

LG Electronics has a factory in Pune, India through its Indian subsidiary, LGEIL, which also has its own fire brigade that is setting a fine example in terms of fire safety. On February 18, 2009, the Indian newspaper Sakal reported in detail on a fire that broke out at a Pepsi plant near LG's Pune Plant and how the LG Fire Brigade put out the fire:

"At 11:30 a.m., a large fire broke out after an LPG tank at the plant began leaking. The damaged plant requested help from local fire stations and nearby plants. The LG Fire Brigade arrived at the site of the fire one minute after learning of the situation. It then proceeded to efficiently put out the fire, extinguishing it completely in just 50 minutes. It also prevented any loss of human life and ensured that it did not escalate into a much bigger disaster. One injured person from the fire (an employee from the damaged plant) was urgently rushed to hospital by an ambulance provided by LG Electronics."

The LG Fire Brigade also played a leading role in preventing the spread of a fire in January at Apollo Tire, which was located inside the same industrial complex as LGEIL's factory. In fact, the LG Fire Brigade helped put out four fires in 2008 alone, fulfilling its responsibility to surrounding communities. Additionally, the brigade guides suppliers in precautionary improvement activities through fire safety checks using heat detectors. In October 2008, the LG Fire Brigade opened the EESH Training Center at LGE's Pune Plant as well, offering EESH training to all employees. At LG Electronics, every department also selects their own Fire Ambassador for volunteer fire prevention activities. Through such efforts, the Pune Plant was chosen as LG Electronics' best EESH business site in 2007, scoring impressive results in the 2008 EESH evaluation, too.



03

RESPONSIBLE BUSINESS PARTNER



● LG Electronics is overcoming all of the economic risks it encounters through a win-win partnership with its suppliers, allowing for sustainable support and smooth communication. By voluntarily carrying out fair trade in an ethical fashion, LG Electronics is being reborn as a responsible business partner.

Category	Win-Win Partnership	Fair Trade	Suppliers' CSR
<b>2008 Major Achievements</b>	<ul style="list-style-type: none"> <li>Introduced CPO system and reshuffled procurement organization, reset procurement strategy direction</li> <li>Hosted 1<sup>st</sup> Global Supplier's Day, strengthened communication by conducting a suppliers' satisfaction survey</li> <li>Increased supplier satisfaction up 5.1 percent compared with the previous year</li> </ul> <p>(Results from Suppliers' Satisfaction Survey)</p> <p>2007: 65.5% Satisfied, 10.3% Very Satisfied, Average 68.3p</p> <p>2008: 78.8% Satisfied, 8.8% Very Satisfied, Average 73.4p</p> <p>Legend: Very Dissatisfied, Dissatisfied, Somewhat Dissatisfied, Neither, Somewhat Satisfied, Satisfied, Very Satisfied</p>	<ul style="list-style-type: none"> <li>Signing and declaration of Subcontractor Fair Trade Agreement for the first time in Korea (Oct. 2007) and revision (Nov. 2008)</li> <li>Online education for all employees on the prevention of cartels</li> <li>Abiding by the Anti-Monopoly Law in China</li> <li>Increasing positive recognition of LGE's activities by outside organizations like the Korea Fair Trade Commission</li> <li>LGE's voluntary compliance program given A rating (2007)</li> <li>CCMS (Customer Complaints Management System) certificate (2007)</li> <li>Evaluation on the execution of Subcontractor Fair Trade Agreement given A rating (2008)</li> </ul>	<ul style="list-style-type: none"> <li>Prepared establishment of Global Procurement Policy</li> <li>Hosted supplier conferences to improve ESH</li> <li>Promoted the sharing of ESH technologies between industries</li> <li>Established and signed an annual ESH plan</li> <li>Assisted suppliers with chemicals management system</li> </ul> <p>*CSR (Corporate Social Responsibility) *ESH (Environment, Safety, Health)</p>
<b>Opportunities and Risk Factors</b>	<ul style="list-style-type: none"> <li>Economic crisis makes financial support difficult; advantageous time for trading with competitive supplier</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening laws, regulations and observation regarding fair trade in Korea and abroad</li> <li>Reinforcing activities to increase fair trade awareness for all employees</li> </ul>	<ul style="list-style-type: none"> <li>Determining where suppliers' CSR capabilities need to be strengthened due to tougher regulations in domestic and international manufacturing markets and the environment</li> <li>Areas where sustained, long-term investment of time, cost, and effort are required</li> </ul>
<b>Future Direction</b>	<ul style="list-style-type: none"> <li>Carry out 100% cash settlements</li> <li>Fund support (Limit ↓, support with no interest)</li> <li>Training support (provide free training programs)</li> </ul>	<ul style="list-style-type: none"> <li>Establishment and revision of fair trade policy for each business area</li> <li>Reinforcement of compliance activities for employees at overseas subsidiaries</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen supplier-initiated preventive measures against accidents</li> <li>Differentiated ESH support depending on supplier level</li> <li>Establish ESH technology exchange and training development courses</li> </ul>
<b>Related Teams and Divisions</b>	<ul style="list-style-type: none"> <li>Global Procurement Planning Group, CPO Division</li> <li>Procurement Team at each company and region</li> <li>Learning Center, CHO Division</li> </ul>	<ul style="list-style-type: none"> <li>Government Relations Team, CSD</li> <li>Compliance Team, CSD</li> <li>Corporate Audit Team</li> </ul>	<ul style="list-style-type: none"> <li>Global Procurement Strategy Group, CPO Division</li> <li>Environment &amp; Safety Group, CSD</li> <li>Procurement Team at each company and region</li> </ul>

# Win-Win Partnership

LG Electronics operates a direct support program to strengthen its partnership with suppliers as well as its win-win co-work activities with them. Through strengthened win-win communication that came about after the introduction of the Procurement Division's CPO system, LG Electronics is successfully overcoming the current economic crisis together with its suppliers.

## Win-Win Management with Suppliers

All trade with LG Electronics takes place under a free competition principle, with the opportunity for equal participation guaranteed for everyone according to Jeong-do Management. LG Electronics aims to realize development for itself and its suppliers, which is why it establishes relationships of mutual trust and cooperation through fair, transparent trade.

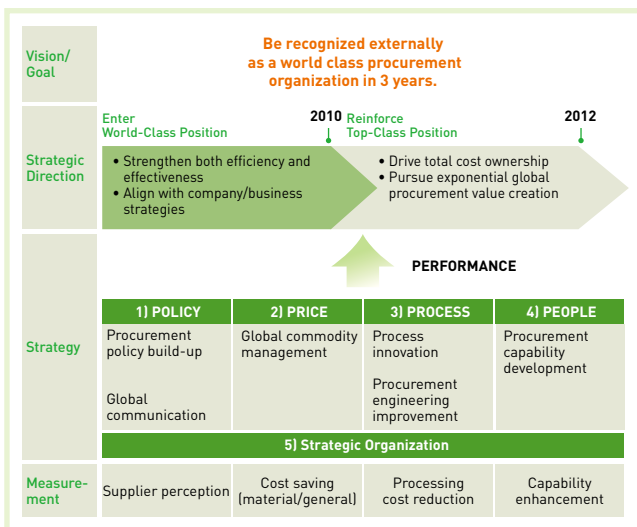
## Goals and Strategies of Win-win Management

Well aware that their total purchases account for as much as 80% of total revenue, LG Electronics has always been trying to grow alongside its suppliers by strengthening their competitiveness. Still, it re-established its strategic direction for purchasing and refurbished its Support Division for suppliers to effectively deal with the recent economic crisis as any responsible business partner would do in a similar situation.

### ● CHANGING THE STRATEGIC DIRECTION OF PROCUREMENT

LG Electronics will begin with tasks that have high urgency and efficiency after selecting mid- to long-term tasks based on priority, with the main goals of strengthening its capabilities and the introduction of advanced procurement methods. In particular, it will focus on three areas—General Procurement, Procurement Engineering, and China—utilizing advanced procurement methods from 2009 onwards.

### [NEW TRENDS IN PROCUREMENT GOALS AND STRATEGIES]



### ● INTRODUCTION OF CPO SYSTEM AND PROCUREMENT ORGANIZATION RESTRUCTURING

LG Electronics restructured the procurement organizations in each company and region by unifying them all into one Procurement Team leader-integrated system centered around Chief Procurement Officer (CPO) and Executive Vice President Thomas K. Linton, whom the company recruited in January 2008.

### [GLOBAL PROCUREMENT RESOURCES]

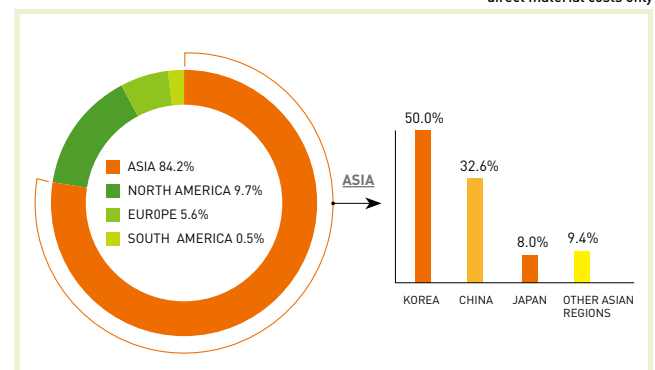


### ● GLOBAL PROCUREMENT RESULTS (2008)

In 2008, total purchases amounted to KRW 39.38 trillion (on a global basis, direct/indirect material costs included), with domestic and overseas costs being roughly equal. Direct material costs were about 2.5 times higher than indirect material costs.

### [GLOBAL PROCUREMENT RESULTS (2008)]

Global supplier spending by region/ direct material costs only





## Support System for Suppliers

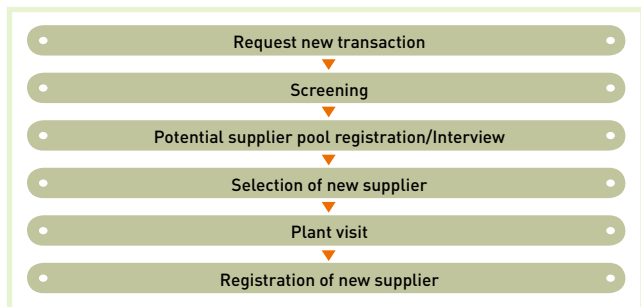
### ● SUPPORT ORGANIZATION

While focusing support on the set-up of business infrastructure, such as personnel, training, funding, and management/ESH consulting, LG Electronics is also forming a support organization centered on the company's global procurement strategy group, which reports directly to the CPO and the Procurement Teams at each of LGE's five companies.

### ● PROCESS OF SELECTING SUPPLIERS

Transparency and fairness are concepts that LG Electronics has continuously emphasized with suppliers. LGE is especially committed to offering equal opportunity for suppliers registration and selection to every supplier that has met the new partner requirements as detailed in LGE's Code of Ethics. Additionally, LG Electronics has implemented a corporate integrated process for new supplier registration since 2006, with a PU-SMS (Purchasing Supplier Management System) in place to ensure objective evaluations.

#### [NEW SUPPLIER REGISTRATION PROCESS]

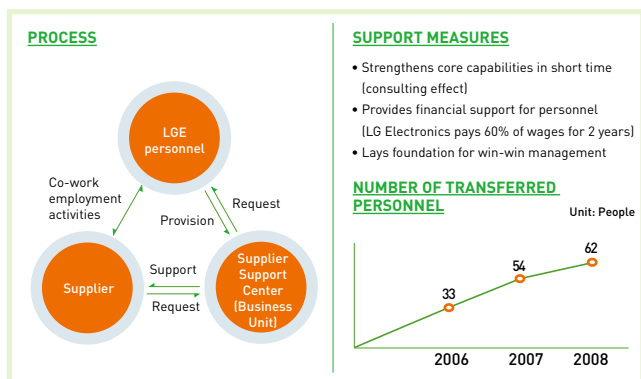


## Support Programs for Suppliers

### ● PERSONNEL SUPPORT

Through its leading personnel transfer policy, LG Electronics is able to hire the very best personnel and strengthen the core capabilities of its suppliers. This policy also plays a crucial role in helping to form close relationships with suppliers while supporting the integration of the corporation's new processes with suppliers, rationalizing management, and improving productivity. To this end, LG Electronics offers financial support and conducts satisfaction surveys for personnel who have been transferred as well as to supplier representatives in an effort to make the transfer policy even better.

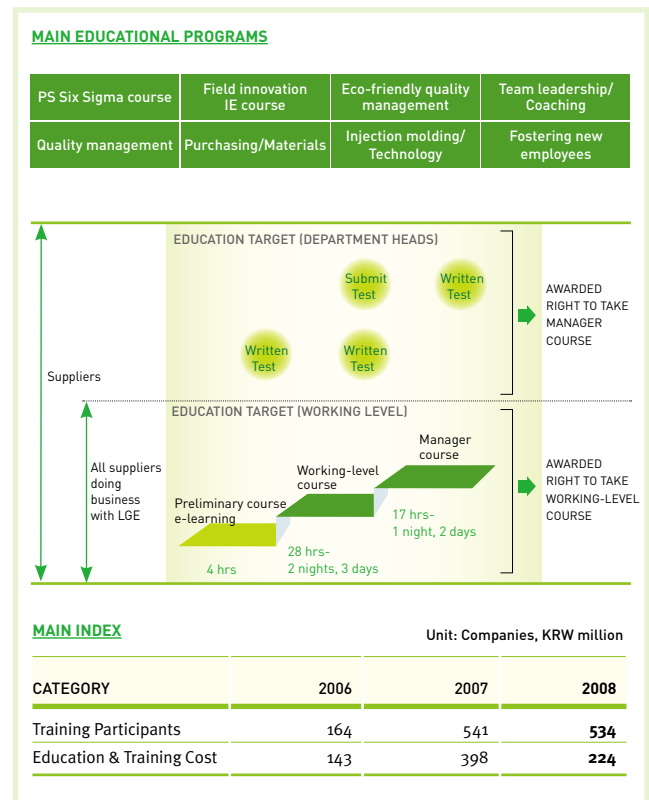
#### [STATUS OF PERSONNEL SUPPORT]



### ● TRAINING SUPPORT

After being selected as one of the operating organizations by Korea's Ministry of Labor in July 2006, LGE has been operating the LG Electronics Business Partner Work Training Consortium. This consortium continues to develop training programs, led by the Corporate Procurement Strategy Team, relevant personnel of other LG Electronics procurement teams, and the Learning Competency Development Group. These programs are either provided free to suppliers directly or employees of suppliers can attend any of a number of academies across Korea at no extra cost. Recently, after numerous requests from suppliers, LG Electronics also established a new team leadership program.

#### [STATUS OF TRAINING SUPPORT]



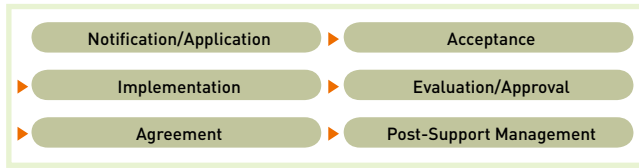
### ● FINANCIAL SUPPORT

Every year LG Electronics allocates KRW 20 billion for the financial stabilization of its suppliers through direct investment in exceptional suppliers or promising companies. From 2009, LGE will provide interest-free financial support in exchange for lower loan limits, giving a substantial boost to suppliers that find it hard to raise capital. In addition to direct financial support, LGE will make 100% cash payments and facilitate network loans in collaboration with financial institutions and government agencies.

[SCOPE OF FINANCIAL SUPPORT]

<b>SUPPORT TARGET</b>	• Suppliers and companies designated as strategically supported (those with new/core technologies)
<b>SUPPORT LIMIT</b>	• Maximum of KRW 2 billion per supplier
<b>SCOPE OF SUPPORT</b>	<ul style="list-style-type: none"> <li>• Investment in new facilities for new products (parts)</li> <li>• Investment for replacing existing facilities</li> <li>• Investment in testing facilities, measuring instruments, and JIG for quality improvement</li> <li>• Investment in factory automation for productivity improvement</li> <li>• Investment in cutting-edge technology development</li> <li>• Investment in equipment for suppliers that have entered overseas market with LGE</li> </ul>

[PROCESS OF FINANCIAL SUPPORT]



[STATUS OF FINANCIAL SUPPORT]

**DIRECT FINANCIAL SUPPORT**

**Purpose of Support:**

- Investment in equipment & facilities/development of cutting-edge technology/eco-friendly efforts/improvement regarding hazardous substances
- Scheduled to provide KRW 100 billion over a period of 5 years: maximum of KRW 2 billion per company

	2004	2005	2006	2007	2008
Unit: KRW billion	18.7	16.5	13.8	5.5	3.5
<b>Total (2004~2008)</b>	<b>58</b>				

**SUPPORTING NETWORK LOANS IN ASSOCIATION WITH FINANCIAL/GOVERNMENT ORGANIZATIONS**

**KRW 83.9 billion**  
286 companies

Accumulated figures between 2004 and 2008

● **MANAGEMENT/ESH SUPPORT**

As part of its management and Six Sigma consulting support, LG Electronics provides internal/external consulting services for innovation in quality, productivity, cost saving and work process. Each company at LG Electronics has also signed a Parent Company-Supplier Win-Win Partnership agreement. Meetings are held on a monthly basis to share ESH information with suppliers on the environment, safety, disaster prevention, health care and more, as well as success cases and matters that require improvement.

[MANAGEMENT CONSULTING/SIX SIGMA CONSULTING/ESH SUPPORT RESULTS]

**DETAILS**

**TARGET COMPANIES:** Suppliers selected through evaluation

**SUPPORT PERIOD:** On average 3 to 6 months

**SUPPORT:**

- **MANAGEMENT INNOVATION CONSULTING**
  - Dispatching professional consultants
  - Organizing an Innovation Team with the supplier's CEO as its head
  - Rationalization of management, cost reduction, specialized skills, and work process improvement
- **SIX SIGMA CONSULTING**
  - Six Sigma skills, 100ppm and 5S activities, and other innovation activities
- **ESH CONSULTING**
  - Fires, electrical accidents, fire extinguisher safety
  - Supporting ISO 14000 and eco-friendly activities

**SUPPORT RESULTS**

**684 COMPANIES**  
More than 300 people

**500 COMPANIES**  
More than 200 people

2007    2008

Communication with Suppliers

● **2008 GLOBAL SUPPLIER'S DAY**

On May 21, 2008, LG Electronics held a Global Supplier's Day, inviting CEOs from its top 300 suppliers based on an evaluation carried out at the headquarters and by company procurement teams. At the event, LGE shared with suppliers its vision and strategies for win-win partnerships and granted Global No.1 Outstanding Supplier Award (Qualcomm in 2008) and small & medium contribution awards (4 companies) based on the performance evaluation of suppliers.

In addition, LG Electronics hosted a fundraising auction with items donated by the corporation and other participants. It raised approximately KRW 66 million and contributed all of it to the United Nations Children's Fund (UNICEF).



1. 2008 Global Suppliers Day's Awards Ceremony  
2. Charity Auction for UNICEF

● **OPEN DIALOGUE WITH SUPPLIERS**

Through various communication programs, LG Electronics provides encouragement for suppliers and listens to their opinions and challenges, while also guaranteeing transparency in all business transactions.

[SUPPLIER COMMUNICATION PROGRAMS]

PROGRAMS	OPERATION CYCLE
Supplier Portal	Opened
New Supplier Registration System	Opened
Supplier Suggestion System	Opened
Suppliers' Satisfaction Survey	1 / Year
Evaluation & Awards for Existing Suppliers	1 / Year
Global Supplier's Day	1 / Year
Procurement Executive Council	1 / Quarter

● **SUPPLIERS' SATISFACTION SURVEY (CONDUCTED IN NOVEMBER 2008)**

According to a survey on suppliers' satisfaction, which included LG Electronics' top 160 suppliers, the overall satisfaction level rose 5.1 percent, from 68.3 percent in 2007 to 73.4 percent. Respondents said the greatest reason to work with LG Electronics had to do with its "stable and sustained delivery system as well as its smooth partnership." When compared to the competition, the survey showed that suppliers are satisfied for the most part with LG Electronics' response speed, contingency measures, improved process of delivery and inspection, overall attitude of employees, integrity, and transaction practices, though they are less happy about its requests about prices and inconsistencies in purchasing orders (PO).

Based on these results, which seem to indicate a need to improve sub-processes through closer partnerships, LG Electronics will focus its efforts on strengthening its feedback system before and after the business process.

# Fair Trade

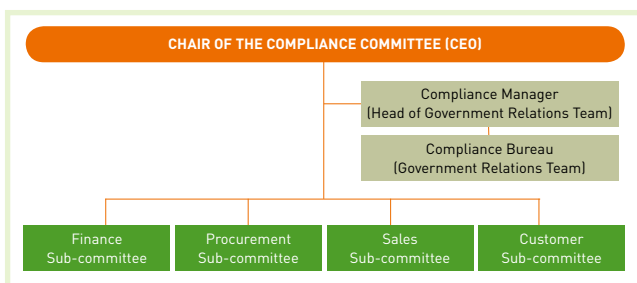
LG Electronics reinforced its Fair Trade Compliance Program based on the principles of fair trade and competition throughout the company's value chains. LGE pursues fair and transparent trade with its suppliers as well as free and fair competition with all competitors.

## Principles of Fair Trade and Competition

In order to implement its "Principles of Fair Trade and Competition," as stipulated in chapters 2 and 3 of its Code of Ethics, LG Electronics introduced a Fair Trade Compliance Program in 1995, the first time a Korean company had ever done this. Since then LGE has set up a related organization and held voluntary training and supervision sessions on a continual basis, while improving the work process as well. Every year, LG Electronics' CEO also reaffirms the company's Commitment to Compliance.

## Fair Trade Compliance Program Structure

LG Electronics' compliance program meets the seven key elements that are required by the Fair Trade Commission. The Compliance Manager, who is 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 the details of the program. The committee supports each sub-committee under the bureau, which is divided up according to the value chain, and reports on the status of the company's compliance program once every six months to the BOD before voluntarily disclosing those reports through the stock exchange.



## Fair Trade Compliance Activities

When signing contracts, establishing policies, and executing advertisements with suppliers, LG Electronics' working-level departments should consult with the Compliance Bureau in advance, which will then examine risk factors that may occur in the work process of major teams and departments, such as those related to purchasing and sales, through regular diagnostic evaluation (1/year) and irregular evaluation (on demand), ensuring that verified problems are improved without fail. Also, related personnel are obliged to take increasingly detailed online/offline education courses, depending on their job position and years of employment.

### [FAIR TRADE EDUCATION]

CATEGORY	OFFLINE EDUCATION			ONLINE EDUCATION
	Course	Target	Frequency	Frequency
	Introductory Procurement Course	Supply Management Course	Special Education	e-Fair Trade Course
	Working level	Manager	Organization leader	Working level, Leader
2007	Every six months 30 people/3 hrs	One time 30 people/3 hrs	Procurement Strategy Meeting (20 people, including executives)	11 times
2008	Every six months 30 people/3 hrs	One time 30 people/ 3 hrs each time	Procurement Strategy Meeting (20 people, including executives) Special education for members of companies' Procurement teams	7 times

## 2008 Major Activities

### ● EXECUTION OF SUBCONTRACTOR FAIR TRADE AGREEMENT

LG Electronics faithfully executed the Subcontractor Fair Trade Agreement, which was signed in October 2007 between LG Electronics and its subcontractors, and was given an A rating in its execution of the agreement by the Fair Trade Commission in November 2008. LGE encouraged its affiliates to join all related activities and ended up signing the agreement once again with six major affiliates.

### ● ONLINE EDUCATION FOR THE PREVENTION OF CARTELS

For the benefit of all employees, LG Electronics conducted online education to ban cartels, with employees signing a written promise to make every effort to prevent the creation of a cartel.

### ● VOLUNTARY COMPLIANCE MEASURES TAKEN FOR CHINA'S ANTI-MONOPOLY LAW

Through regular e-mails, LG Electronics kept employees up to date with the main content of China's Anti-Monopoly Law and matters to be attended to regarding it in the run up to the law taking effect (Aug. 2008). In September 2008, outside experts were brought in and education on this issue was conducted for heads of finance/sales teams and departments throughout the China Region. In December of the same year, similar education was carried out for heads of sales teams and departments in Korea.

### VIOLATION OF FAIR TRADE LAW AND CORRECTIVE ACTION

In January 2008, the Fair Trade Commission handed down a fine of KRW 180 million after an employee event at LG Powercom was declared unfair trade. In order to prevent such violations in the future, LG Electronics shared all the relevant facts with employees and conducted corrective education for the teams and departments that had been in charge.

# Suppliers' CSR

Recognizing that the social and environmental responsibility of suppliers is in line with its sustainability management, LG Electronics makes every effort to help suppliers improve their CSR competitiveness through continuous development and discussions with its suppliers.

## Enactment of Global Procurement Policy

LGE is preparing for the enactment of the Global Procurement Policy (to be declared in the second half of 2009) with the aim of strengthening the social, environmental and economic capabilities of its suppliers. The Global Procurement Policy, which has been handled mainly by the CPO Division's Global Procurement Strategy Group, will include LGE's comprehensive procurement principles as well as its commitment to improving strategy, HR, and systems and pricing for the sustained performance of suppliers.

## Training Programs on Jeong-do Management

LG Electronics has held seminars to share related activities and training programs on Jeong-do Management (LG's unique ethical management way) for employees of its suppliers. Since August 2008, LGE has conducted training on Jeong-do Management for overseas suppliers as well, starting with its subsidiaries in Qingdao and Yantai, China. Furthermore, the company is actively advancing Jeong-do Management through promotional events and LG Electronics' CEO messages.

[STATUS OF JEONG-DO MANAGEMENT TRAINING]

Unit: Companies

CATEGORY	KOREA	OVERSEAS	TOTAL
No. of Suppliers	201	69	270

## ESH Evaluation Management

LG Electronics has a suppliers' development group as part of the Procurement Team of HA company which conducts training in ESH and evaluation. In 2008, training focused on raising awareness of supplier representatives and technology exchanges between industries as well as training people in charge. In particular, we empowered our suppliers even more in ESH sectors by reflecting monitoring results concerning supplier assessment (based on the agreed ESH annual plan in the 1<sup>st</sup> quarter) at a signing ceremony with management representatives.

## Support for management of chemical substances

LG Electronics signed an MOU with the Korea Occupational Safety & Health Agency to ensure it made efforts to enhance the capability of its suppliers to manage hazardous chemicals and improve their work environment. A total of 147 suppliers have been led to assess and improve their manage-

ment of toxic chemical substances, and provided support to establish an overall safety and health management system.

### [KEY ACTIVITIES FOR SUPPORT ESH]

FRONTLINE-ORIENTED ESH EVALUATION AND IMPROVEMENT
<ul style="list-style-type: none"> <li>ESH evaluation and improvement review through regular visits</li> <li>Supervisor/manager training to increase safety awareness</li> <li>Suppliers' In-house Safety and Health Management</li> <li>Energy loss-related consulting and environment-related mentoring</li> </ul>
THEME-BASED SUPPORT AND TOP-QUALITY ESH TRAINING
<ul style="list-style-type: none"> <li>Identify key coaching points for suppliers and provide support accordingly</li> <li>Hold ESH technology exchange events on a quarterly basis</li> <li>Provide ESH information to prevent similar accidents</li> <li>Encourage suppliers to manage FSI (Frequency Severity Indicator)</li> </ul>
FEEDBACK SYSTEM
<ul style="list-style-type: none"> <li>Operate a system to manage a schedule for ESH visits/evaluation results/improvement status</li> <li>One-on-one training for new people in charge</li> <li>Implement a "strike-out" system (warning e-mail and notice to suppliers)</li> <li>Provide relevant ESH information to attract interest</li> </ul>

### [STATUS OF TEACHING AND TRAINING]

#### ► COACHING RESULTS

Unit: Companies, Cases

CATEGORY	NO. OF SUPPLIERS	FREQUENCY OF SUPPORT
2007	108	279
2008	195	380

#### ► ESH TRAINING RESULTS

ITEM	DATE	ATTENDANCE	REMARKS
ESH Technology Exchange (injection)	2008.10.29	95%	Sharing the top ESH injection supplier cases
ESH Technology Exchange	2008.12.17	96%	Sharing the top ESH sheet metal supplier cases (sheet metal)
Supply Staff Coaching/Training	2008	-	Supply vehicle safety management/number of accidents
Environmental facility Benchmarking	2007.7.24	7 suppliers	Air water, waste equipment management B/M

### NON-FINANCIAL RISK DIAGNOSIS AND MANAGEMENT

LG Electronics plans to develop a process to diagnose risk factors in the social and environmental aspects of business starting in 2009. It will then create and distribute non-financial risk management guidelines through a pilot diagnosis project, diagnosing and managing the risks of our suppliers as well as all of LGE's business sites.



04

COMMUNITY ENGAGEMENT



● LG Electronics is making a wide range of efforts to fulfill its social responsibility as a corporation as well as its business obligation to contribute to the national economy, all the while doing its part to help create a harmonious society for everyone.

Category	Social Contribution	Community Activities
<b>2008 Major Achievements</b>	<ul style="list-style-type: none"> <li>Utilization of Salary Fund: contributed KRW 1.2 billion (1997-2008)</li> <li>LG IT Angels: IT education for 23 people over the course of 454 hours /Winner of the 1st Korean Volunteer Prize</li> <li>Mobile Electronic Classroom: 20,298 students at 41 schools</li> <li>The 3<sup>rd</sup> Let's Go Volunteer Corps: 50 teams (900 members), benefiting 25,000 people/Recipient of Grand Prize (participation/experience) at the 4<sup>th</sup> Korea ThinkContest Awards</li> <li>First private corporation to host an international environmental conference</li> </ul>	<ul style="list-style-type: none"> <li>Community Activities bonds at 82 overseas subsidiaries</li> <li>Local employment: Total 57,003 people (including Foreign Service Employees)</li> <li>Three local managers promoted to executive level</li> <li>Local procurement result: approximately 50% of total global procurement</li> <li>Top Foreign Enterprise of Investment award in Indonesia</li> <li>Opened Europe Design Center in London, England (promoting strategic alliances with local design educational centers and companies)</li> </ul>
<b>Opportunities and Risk Factors</b>	<ul style="list-style-type: none"> <li>Availability to utilize global network</li> <li>Enhance brand image through volunteer activities</li> <li>Possibility of slowdown due to economic stagnation</li> </ul>	<ul style="list-style-type: none"> <li>Promote local economy by expanding purchases and employment in each respective area</li> <li>Strengthen ability to create economic value through improved relationships with local residents</li> <li>Overcome cultural barriers with local residents</li> </ul>
<b>Future Direction</b>	<ul style="list-style-type: none"> <li>Support for UNEP's 'Champions of the Earth' Awards and hold international conferences</li> <li>Famine Alleviation Activities in Africa with World Food Programme (WFP)</li> </ul>	<ul style="list-style-type: none"> <li>Increase proportion of local managers</li> <li>Regular communication with local residents through localized marketing efforts</li> </ul>
<b>Related Teams and Divisions</b>	<ul style="list-style-type: none"> <li>CSR Group, Labor Management Team, CSD</li> <li>Community Contribution Team, Marketing Team at each company and region</li> </ul>	<ul style="list-style-type: none"> <li>HR Team (HR &amp; Labor Management Team), Global Procurement Planning Group, CPO Division</li> <li>Procurement Team, HR Team, and Marketing Team at each company and region</li> </ul>

# Social Contribution

LG Electronics is well aware that even the underprivileged have hopes and dreams. That is why we reach out to those most in need through CSR activities that form an integral part of who we are as a corporate citizen. Today, every one of our employees is helping to put the corporation at the forefront of carrying out our corporate social responsibility, working together to realize our management motto of “respect-based management.”

## Making Dreams Come True

Under the CSR motto of “A love that makes dreams come true,” LG Electronics has been spearheading efforts to create a better future by helping people achieve their dreams. As such, LGE has created an atmosphere where employees are encouraged to do volunteer work, while also inspiring those most in need to be strong and follow their dreams.

## Goals and Operating System

LG Electronics is conducting a wide range of philanthropic activities such as fundraising (through its Executive Fund and Salary Fund) and hosting employee volunteer contests. Furthermore, LGE is raising awareness about the environment and alleviating famine through partnerships with NGOs/NPOs in the world.

### [ORGANIZATION AND SYSTEM]



### ● FUNDRAISING ACTIVITIES

**Executive Fund** • The Executive Fund is a charity fund made up of donations from executives who give 0.5% of their salary to the fund every month, an amount that is then matched by LG Electronics.

**Salary Fund** • 95% of Korean employees (27,951 participants in 2008) were each voluntarily rounding down their monthly paychecks to the nearest KRW 1,000 and donating the change to use for volunteer activities and charities inside and outside the corporation.

### [SALARY FUND CHARITABLE CONTRIBUTIONS]

Unit: KRW

YEAR	DESCRIPTION OF DONATIONS	AMOUNT
1997	Support for children with rare diseases	7,168,100
2001	Relief for earthquake victims in India/ Fertilizer for North Koreans/Support for employee family members with muscular diseases	135,000,000
2002	Support for flood victims/Children with cancer in Russia/Eligible employees	204,852,020
2003	Support for surviving families of the Daegu subway disaster/Eligible employees	78,000,000
2004	Support for eligible employees	69,000,000
2005	Support for muscular disease rehabilitation center/Eligible employees	286,000,000
2006	Support for flood victims/Eligible employees	172,564,000
2007	Support for muscular disease rehabilitation center/Eligible employees	106,000,000
2008	Support for earthquake victims in Myanmar and China/Muscular disease rehabilitation center/Eligible employees	116,000,003
Total		1,174,581,123

### ● LOVE IN MOTION

**LG Labor-Management Volunteer Corps** • The LG Labor-Management Volunteer Corps is a volunteer group comprised of over 600 employees which is brought together to help with cleaning up hard-hit emergency disaster areas, such as the relief work it carried out in areas ravaged by typhoons Rusa (2002), Maemi (2003), and Nari (2007). As of last year, a total of 10,000 Volunteer Corps members had been sent to disaster areas, helping victims clean up destroyed homes and repair electronic appliances.

**Employee Volunteer Contest** • Employees can submit volunteer ideas, out of which 50 teams are selected to be given KRW 1 million each to implement their plans. The money can be used for volunteer activities or donated to a social welfare organization. These contests have been held twice every year, since 2005.

## Main Activity Programs

### ● LOVE & CARE

**Global Famine Alleviation** • LG Electronics signed an agreement with the UN WFP in April 2009 and is currently supporting school meal programs and AIDS patients in impoverished areas of Nairobi, Kenya. LGE is also making improvements in Ethiopia, helping that nation become more self-sufficient by supplying people there not just with food, but with farming technologies and facilities as well.

[FAMINE ALLEVIATION ACTIVITIES (2009)] Unit: People

CATEGORY	FOOD SUPPORT	OTHER FORMS OF SUPPORT	EXPECTED NUMBER OF BENEFICIARIES
Kenya	11,000	2,000	13,000
Ethiopia	16,000	14,500	30,500

**LG IT Angels** • In an effort to bridge the digital divide, the LG IT Angels, (a volunteer corps made up of LG IT professionals) have been conducting one-on-one computer training programs along with the National Rehabilitation Center in Seoul since 2004.

[STATUS OF LG IT ANGELS ACTIVITIES] Unit: People / Hours

CATEGORY	2004	2005	2006	2007	2008	TOTAL
No. of Volunteers	33	58	21	14	23	149
No. of Beneficiaries	33	58	21	14	23	149
No. of Hours	612	1,112	364	278	454	2,820

**Junior Science Class** • R&D researchers are trained and then sent out as one-day instructors to help children become more familiar with science through interesting hands-on scientific programs, such as making model planes and creating a frame of constellations with RGB optical fibers.

**Volunteer Activities by Business Sites** • Each company and region is also participating in volunteer activities: sharing kimchi and coal in the winter with the financially disadvantaged and elderly men and women who live alone, helping keep people's homes warm, and donating blood. LG Electronics also maintains close ties with residents by holding charity bazaars aimed at developing local communities, as well as offering scholarships and giving out school uniforms to teen heads of households. In addition, LG Electronics is proud to offer industrial scholarships, promote its Guardian Angel Fund (for terminally ill children), and regularly invites disabled people to cultural performances.



1. Signing Ceremony for MOU with WFP  
2. Famine Alleviation (Kenya, Ethiopia)



LG IT Angels



### ● GLOCALIZATION

**China** • LG Electronics has been carrying out its LG Hope Primary School initiative across China since 1999, while also supporting the "I Love China" campaign for donations, scholarships, and medical support. In May 2008, LGE supported the reconstruction effort of a collapsed middle school, donated relief funds (KRW 3.5 billion), and ran a 24-hour laundry service for victims of the 2008 Sichuan earthquake.

**Asia** • LG Electronics is a big supporter of "LG Champion Quiz," a TV show that offers scholarships for academically gifted students in Asian countries such as Thailand, Vietnam, and the Philippines, and in Latin American nations such as Panama and Guatemala. Since 2004, LGE has been conducting emergency relief throughout Asia, while also waging an anti-drug campaign in Thailand and the Philippines.

Kimchi sharing campaign



Coal sharing campaign



Keeping people's homes warm



Cultural performances for the disabled



Guardian Angel Fund







1. LG Hope Primary School Initiative (China)  
2. Free ophthalmology examination (India)  
3. Charitable events during Ramadan (Egypt)

● ENVIRONMENT

**Environmental Awards Conference** • Along with the United Arab Emirates government, LG Electronics co-hosted an international conference on the environment, the first time this had been carried out by a private Korean enterprise. LG Electronics also plans on supporting Champions of the Earth, the key environmental awards program of the United Nations Environment Programme (UNEP), and holding international conferences from 2009 to 2012.

**'Life's Green' Class** (previously Mobile Electronic Classroom) • LG Electronics has special tours around primary and middle schools throughout the country two to three times a month to perform 40-minute demonstrations with an environmental theme, offering kids the chance to then have a hands-on scientific experience for 90 minutes. This is a reorganized environmental version of the old Mobile Electronic Classroom, which was in operation for three years.

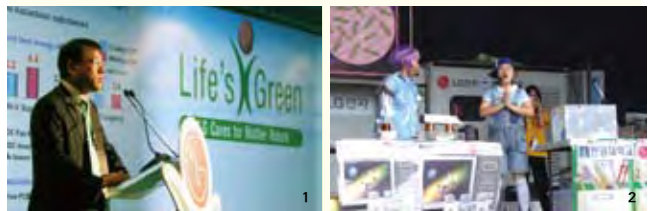
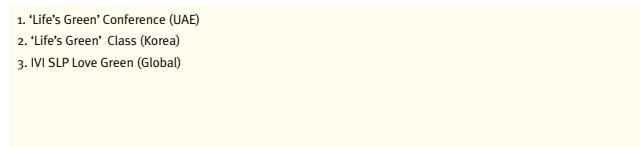
**IVI SLP Love Green** • This partnership program with the International Vaccine Institute (IVI) is striving to prevent environment-related diseases in underdeveloped countries. At the same time, it is trying to nurture young talent from around the world through education and volunteer activities. In 2008 alone, 60 youths went through this program, with plans to expand the program so that 250 youths benefit from it in 2009.

**For a Greener World** • Through its wildlife protection efforts, environmental facilities tours, and One Mountain, One River per business site program, LG Electronics has helped purify and preserve nature. It has also raised funds to help citizens in Taean, Korea who were devastated by an oil spill there in 2008. Ecology experts and LGE's Employee Volunteer Corps were sent in to assist in the clean-up as well.

**Middle East and Africa** • Since 2002, LGE has been financing cleft lip and palate charity operations for children in Pakistan, Egypt, Morocco, Kenya, and Nigeria. In 2007 and 2008, a total of 19,351 visually-impaired people also benefited from the free eye diagnosis and eyesight recovery operations that LG Electronics covered.

**Russia/CIS** • The LG Festival is meant to benefit local Russian citizens from small cities with little or no access to cultural events. Furthermore, LGE supports children's soccer and "Thanks from LG" events to help children with leukemia.

**South and Central America** • Relief work, emergency aid, and donations from LGE have gone a long way to assist people in South and Central America in their recovery from natural disasters like earthquakes, especially in the Peruvian cities of Lima, Chincha Alta, and Pisco. LG Electronics has also supported cleft lip and palate charity operations for children from financially disadvantaged families in Colombia.



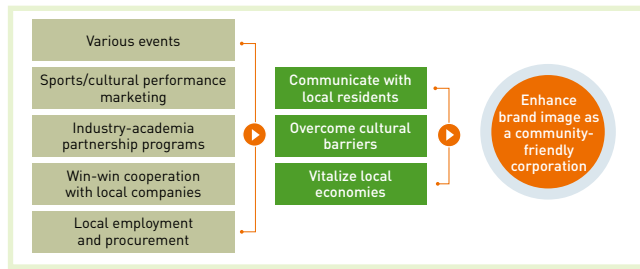
# Community Activities

LG Electronics is promoting continuous communication with local residents through employment, procurement, sports and cultural events, and marketing to overcome cultural barriers, thereby contributing to the revival of local economies.

## Working Closely with Communities

LG Electronics is doing its utmost to grow alongside communities by reaching out and communicating to local residents, as well as by vitalizing local economies.

### [WIN-WIN STRATEGY WITH COMMUNITIES]



### ● EXPAND LOCAL EMPLOYMENT AND PROCUREMENT

As of December 31, 2008, a total of 82 overseas subsidiaries and 7 regions excluding Korea region (China, South and Central America, CIS, North America, Europe, MEA [Middle East and Africa], Asia) had hired 57,003 local residents (including foreign service employees).

In addition, three local managers—North American Region Team Director Peter Reiner, San Diego Subsidiary Team Director Ehtisham Rabbani, and European Region Team Director Ji Eun Lee—were promoted to LGE's executive level, strengthening localized management. In addition, the proportion of local procurement result is relatively high, with about 50% of total procurement result (direct material cost from global procurement) being made locally.

### [STATUS OF OVERSEAS PRODUCTION SUBSIDIARIES]

As of Dec. 31, 2008

REGION	COUNTRY/CITY	SUBSIDIARY	PRODUCT
NORTH AMERICA	MEXICO	LGEMX	LCD TV/Monitor,
	MEXICALI		Mobile Phone
	MEXICO	LGERS	LCD TV, PDP TV,
	REYNOSA		CRT TV, PDP Module
	MEXICO	LGEMM	Refrigerator, Oven
	MONTERREY		
	BRAZIL	LGEAZ	TV, DVD, Audio,
	AMAZONIA		Air Conditioner
	BRAZIL	LGESP	Monitor,
	SAO PAULO		Mobile Phone, PC
EUROPE	U.K.	LGEWA	Be in liquidation
	WALES		
	POLAND	LGEMA	TV, Monitor
	MLAWA		
	POLAND	LGEWR	Refrigerator, TV
	WROCLAW		
MIDDLE EAST & AFRICA	EGYPT	LGEEG	DY, FBT, Tuner, TV
	ISMALIA		
	TURKEY	LGEAT	Air Conditioner
	ISTANBUL		
	SAUDI ARABIA	LGESR	Air Conditioner
	RIYADH		
ASIA	INDIA	LGEIL	TV, Monitor, Refrigerator,
	NEW DELHI/		Air Conditioner,
	PUNE		Washing Machine, Compressor, PC, Optical-Storage, Mobile Phone

REGION	COUNTRY/CITY	SUBSIDIARY	PRODUCT
ASIA	THAILAND	LGETH	Washing Machine,
	RAYONG		Air Conditioner, Compressor, TV
	VIETNAM	LGEVN	TV, Monitor,
	HANOI		Air Conditioner, Washing Machine,
			Refrigerator,
			Microwave Oven, Vacuum Cleaner
	INDONESIA	LGEIN	LCD Monitor, CRT Monitor,
	JAKARTA		LCD TV, PDP TV, CRT TV, VCR Combi, Rec Combi,
			DVD Player, DVD Recorder, Home Theater, Audio, Refrigerator
	CHINA	CHINA	LGETR
	TAIZHOU		
	CHINA	LGEHZ	Media, Optical Storage, Car Audio
	HUIZHOU		
	CHINA	LGEND	Monitor, LCD TV, PDP TV
	NANJING		
	CHINA	LGEPN	Washing Machine, Motor
	NANJING		
	CHINA	LGEQH	Casting
	QINHUANGDAO		
	CHINA	LGESH	Set-Top-Box, CCD
	SHANGHAI		

REGION	COUNTRY/CITY	SUBSIDIARY	PRODUCT
CHINA	CHINA	LGESY	TV
	SHENYANG		
	CHINA	LGEYT	Mobile Phone
	YANTAI		
	CHINA	LGEKS	PC, Telematics
	KUNSHAN		
	CHINA	LG ETA	Microwave Oven,
	TIANJIN		Air Conditioner, MGT, Vacuum Cleaner, Compressor
	CHINA	LG ENP	PDP Module
	NANJING		
CHINA	LGEHN	DVD-Recordable, Video Cassette Tape, USB, HDD, Prism Sheet	
HANGZHOU			
CHINA	LGEOD	Mobile Phone	
QINGDAO			
CIS	KAZAKSTAN	LGEAK	TV, Washing Machine
	ALMATY		
	RUSSIA	LG ERA	TV, Audio, Refrigerator,
	MOSCOW		Washing Machine



● **VARIOUS EVENTS**

LGE offers a wide variety of interesting events including a Tromm washing machine trial program (TROMM Safe Care Supporters) and cooking classes for brides-to-be and housewives in Korea. It also hosts the Happy Family Pictures Festival in Nigeria, B-boy contests in Ecuador and Venezuela, and the LG SolarDOM Cooking Competition in the UAE, Saudi Arabia, Iran, and South Africa.

● **SPORTS/CULTURAL PERFORMANCE MARKETING**

LGE sponsors the LG Dead Sea Ultra Marathon in Jordan and the LG Amsterdam Tournament, a soccer match held between professional European club teams. It also sponsors the LG Skins Game and the LG Action Sports Championship in the USA, the ICC Cricket World Cup in India, UK, and Australia, and the LG Hockey Games in Northern Europe. LG Electronics is also proud to support cultural performances like Cirque du Soleil's "Alegria" in Korea. Additionally, in the hope of discovering tomorrow's next top singers, LGE did some star marketing of its own by sponsoring 'LG Starz Talent' in Thailand and 'My Starz, LG' in Malaysia.

● **INDUSTRY-ACADEMIA PARTNERSHIP PROGRAM**

In Syria, LGE's Middle East and Africa (MEA) region opened the LG CAC Lab at Damascus University's College of Engineering. It is also inviting academically gifted students to Korea and offering them scholarships. Moreover, LG Electronics has formed a partnership with the American University in Dubai, whose professors lecture at the LG MEA Marketing School, which LG opened in June 2008.

● **WIN-WIN COOPERATION WITH LOCAL COMPANIES**

In November 2008, LGE hosted a workshop on the benchmarking of its success in Dubai and business in general in the Middle East for representatives of small and medium enterprises (SMEs). It plans to hold this workshop on a regular basis to support SMEs' overseas business and to lead win-win partnerships.



1. Happy Family Pictures Festival
2. SolarDOM Cooking Competition
3. LG Amsterdam Tournament Sponsorship
4. LG MEA Marketing School
5. Support for SMEs' overseas business

**TOP FOREIGN ENTERPRISE OF INVESTMENT AWARD**

**LGE INDONESIA**

In December 2008, LGE became the first Korean enterprise to be presented with the Indonesian government's Top Foreign Enterprise of Investment award, which is handed out to the foreign enterprise that most contributes to the development of the local economy. The award is presented based on the evaluation of local experts in categories such as  $\Delta$ R&D investment  $\Delta$ technological development  $\Delta$ financial performance  $\Delta$ product quality and value  $\Delta$ eco-friendly management  $\Delta$ excellent corporate governance  $\Delta$ Social Contribution.



**LG TOWN OF EASTERN EUROPE**

**LGE MLAWA, POLAND**

Mlawka was no more than a country town until LG Electronics launched its business there in 1999. Now this small city has reestablished itself as one of the most vibrant communities in Eastern Europe. LGE invested a total of USD 166.8 million (KRW 233.5 billion), including an LCD and PDP manufacturing line expansion, between 2005 and 2007. At present, 4 million units of LCD TVs and PDP TVs are being produced there, with sales over KRW 2 trillion.

There are now 3,000 local residents working at the LGE plant. However, when suppliers are factored in, LG Electronics helps employ approximately 4,500 people, accounting for more than half of the total workforce of a city whose population is 30,000. As more jobs were created, the unemployment rate nosedived from 25% in 2000 to 7% in 2008, creating a real commercial zone. In addition, the rate of tax payment has also increased to more than double the city budget, from ZI 31 million (KRW 14.9 billion) in 2000 to ZI 65 million in just eight years.

LG Electronics also established a branch at the Ciechanów Institute of Engineering to promote the employment of local residents. Most of the 84 students in the electrical engineering department are scheduled to join LGE after graduating.



05

IMPROVING  
EMPLOYEE  
VALUE



● Not only does LG electronics operate a systematic manpower development program and evaluation and reward program, it also fosters employee creativity and competitiveness by respecting human rights and diversity, vitalizing communication inside the organization, and improving the work environment so that employees can enjoy work-life balance.

Category	Fair Evaluation and Rewards/ Career Development and Lifelong Education	Vitalizing Organizational Communication, Work-Life Balance/Protection of Human Rights and Prohibition of Discrimination, Improvement of Work Environment	Labor-Management Communication
<b>2008 Major Achievements</b>	<ul style="list-style-type: none"> <li>• Appointment of local resident as South Africa subsidiary president</li> <li>• Decrease in ratio of temporary employees and retirees; increase in ratio of disabled employees</li> <li>• Completion of expert development system by job category</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment and improvement of various communication channels</li> <li>• Translation and distribution of code of ethics in 14 languages</li> <li>• Collective training on Jeong-do Management for 12,000 executives and employees in Korea and abroad</li> <li>• Implementation of selective benefit plans</li> <li>• Continuation of retirement pension system</li> <li>• Vitalization of industrial safety and healthcare activities in workplaces</li> </ul>	<ul style="list-style-type: none"> <li>• Collective agreement on payment without labor disputes for 19 consecutive years</li> <li>• Global labor-management conferences held overseas in places such as the Middle East and Africa (held annually since 2002)</li> <li>• Improvement of labor-management relations at LG Electronics subsidiaries in China (diagnostic evaluation of labor-management relations and follow-up management conducted)</li> </ul>
<b>Opportunities and Risk Factors</b>	<ul style="list-style-type: none"> <li>• Global economic slump has led to greater emphasis on manpower competitiveness</li> <li>• Necessity of establishing personnel management system for managing various types of manpower</li> </ul>	<ul style="list-style-type: none"> <li>• Greater employee pride and organizational commitment through vitalization of communication</li> <li>• Increased need for reinforcing protection of human rights for employees</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthened NGO observation of human rights and labor issues at business sites and among suppliers in Korea and abroad</li> </ul>
<b>Future Direction</b>	<ul style="list-style-type: none"> <li>• Development of training programs to improve employee job capabilities</li> <li>• Stabilization of expert development programs and expansion of experts pool</li> <li>• Fostering locally-hired core talent and business leaders</li> <li>• Strengthening global leadership for successful overseas commerce</li> </ul>	<ul style="list-style-type: none"> <li>• Overall revision of code of ethics and strengthening of educational programs regarding Jeong-do Management</li> <li>• Exploring new benefits and welfare programs and complementing existing programs by responding to employee requests</li> <li>• Expansion of health and safety education so that employees understand related issues more clearly</li> </ul>	<ul style="list-style-type: none"> <li>• Diagnostic evaluation of LG Electronics' workplaces in Korea and abroad in terms of human rights, labor, and labor-management relations/Establishment and distribution of global guidelines/Establishment of continuous management system on several issues</li> <li>• Execution of strategy to establish high-performance organization</li> </ul>
<b>Related Teams and Divisions</b>	<ul style="list-style-type: none"> <li>• HR Team (HR &amp; Labor Management Team) of HQ</li> <li>• HR Team (HR &amp; Labor Management Team) at each company and region</li> </ul>	<ul style="list-style-type: none"> <li>• Labor Management Team and Corporate Business Support Team, CSD</li> <li>• Corporate Audit Team</li> <li>• Human Resource &amp; Labor Management Group, Corporate Culture Group at each company and region</li> </ul>	<ul style="list-style-type: none"> <li>• Labor Management Team, CSD</li> <li>• Human Resource &amp; Labor Management Group at each company and region</li> <li>• Labor union headquarters and branches</li> </ul>

## Fair Evaluation and Rewards

LG Electronics operates a fair and reasonable evaluation and reward system that takes into consideration both individual and team achievements in order for employees and organizations to continuously exhibit their greatest capabilities.

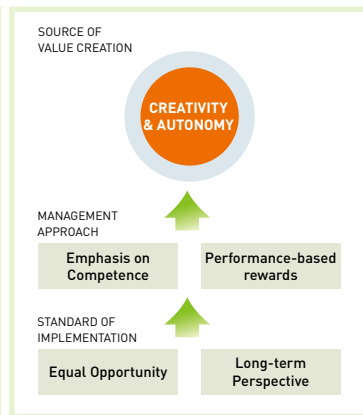
### The People Company

With an aim to be “The People Company,” LG Electronics inspires excellence from the very best people in the field. We are committed to creating a workplace where teamwork flourishes and employees have every opportunity to improve upon their individual competitiveness.

#### [THE PEOPLE COMPANY]



#### [HR PRINCIPLES]



### Recruiting, Evaluation and Rewards

To attain our goal of becoming “The People Company,” we are committed to supporting the professional growth of each and every employee. From the hiring process to evaluations and rewards, LG Electronics inspires individual development in each step of the HR process.

#### [RECRUITING, EVALUATION AND REWARDS]

- RECRUITING**
- Hire Best-in-Class Outside Talent
    - Recruit global talent for each function
  - Target Recruiting for R&D Talent
    - Specialized recruiting activities for R&D talent (industry-academia partnership projects, grants, recommendations, etc.)
  - Selective Hiring
    - Recruiting activities that reflect pertinent work characteristics (R&D: 7 + 1 semester, LG Track, Non R&D: internship)
    - Diverse levels of assessments concerning personality traits and capabilities (interviews, presentations, business simulation models, problem-solving abilities, English proficiency, etc.)
- EVALUATION**
- Performance Evaluation: (biannually) Detailed assessment that measures progress made relative to targets, difficulty of work, competitor index, and long-term health
  - Capability Evaluation: (biannually) Job capabilities and other common capabilities
  - Leadership Evaluation: (annually) 360-degree evaluation for organization leaders
- REWARDS**
- Base Pay: Apply increase rate according to annual individual evaluation grade
  - Incentives: Individual incentives for top-quality performances
  - Company Performance Reward: Pay according to annual business performance
  - Others: Retention grants and other payments

## Career Development and Lifelong Education

LG Electronics understands how important it is to foster manpower in its bid to make itself “The People Company.” That is why it operates programs to nurture global business leaders and experts by job category as well as running lifelong learning programs. As a consequence, employees at LGE are given every opportunity to reach their maximum potential in terms of their capabilities.

### Development Plans and Systems

LG Electronics defines employee core competence in five steps, with HR sessions divided into an organizational development session (defining core organizational competencies → analyzing any gaps between an employee’s capabilities and the world-class capabilities he or she is expected to demonstrate → establishing competency development plans) in the first half of the year and a personnel development session (defining levels of each core competence → evaluating business leaders and key talent abilities → establishing competency development goals) in the second half.

#### ● BUSINESS LEADER PROGRAMS

Since 2007, LG Electronics has operated PBL (Product Business Leader) and RBL (Regional Business Leader) programs to train future business leaders. A list of future CEO candidates is drawn up from leaders who have demonstrated a high potential and have excelled in such areas as PBL and RBL training, action learning, and high-risk tasks, including deficit-ridden businesses or new businesses. In addition, a business leader training course is offered as part of the PBL program. As of 2008 year-end, a total of 789 people had completed the course, with 80 of them going on to become PBLs.

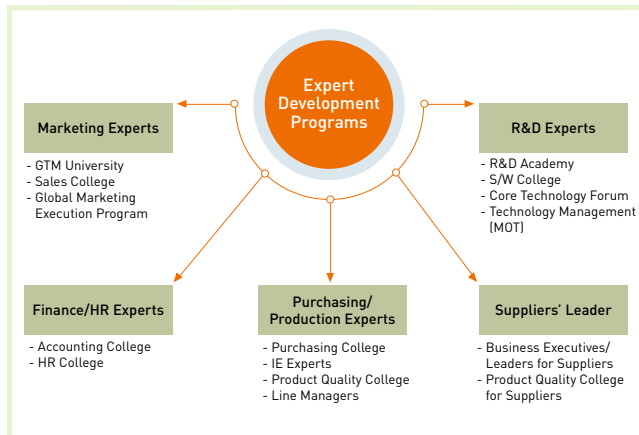
[HUMAN RESOURCE DEVELOPMENT PROGRAM]



● **EXPERT DEVELOPMENT PROGRAMS**

In order to nurture top marketing experts, LG Electronics opened its own school, GTM University, where it operates working level courses and manager courses. Our Purchasing Division also runs courses that teach negotiation and strategy skills for purchasing, while the R&D Division operates an R&D academy and a software academy at the company's research labs. LG Electronics runs an Accounting College, an HR College, and offers courses that help employees acquire international certificates (CPM, PMP, etc.) as well.

[EXPERT DEVELOPMENT PROGRAMS]



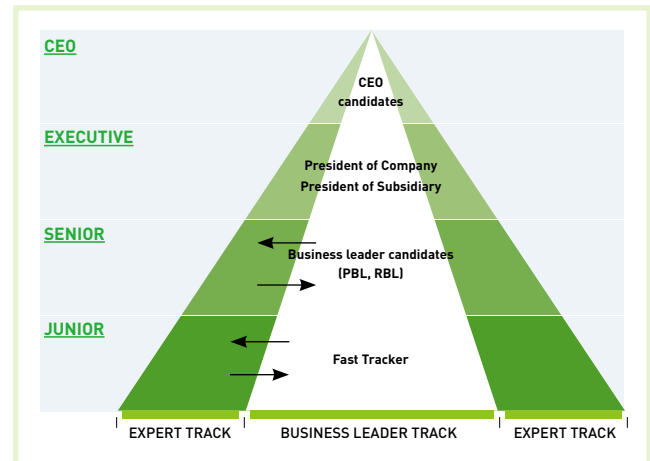
● **DEGREE PROGRAMS**

LG Electronics is proud to support core talent who are managers (or above manager in rank) in their pursuit of a degree program. The program is divided into overseas degree courses and domestic courses (full time & part time), whereby selected employees have all their expenses paid for them. After the completion of one's degree, they are required to work for LG Electronics for a certain period of time.

● **PERSONAL DEVELOPMENT AND LIFELONG EDUCATION**

LG Electronics provides continuous learning opportunities such as language courses, correspondence courses, and celebrity lectures through an online education system that makes use of the company-wide intranet (Learning Net). It also conducts collective training at learning centers in Pyeongtaek and Gumi, Korea. From 2007, six overseas learning centers

[PROCESS OF FOSTERING BUSINESS LEADERS]



have also been running global manpower development programs for LG Electronics employees in Beijing, Dubai, Paris, Nanjing, Sao Paulo, and Singapore.

[DEGREE PROGRAMS]

			Unit: People
CATEGORY	COURSES	EDUCATIONAL INSTITUTIONS & PERIODS	NO. OF PEOPLE SELECTED (Annually)
Overseas Program	Overseas MBA	Centered on internationally -recognized top 20 schools (1 year)	20
	IMP	McGill University Consortium (1 year)	
Korean Program	LG MBA	LG Academy (1 year)	150
	EMBA DGM	Helsinki University partnership/weekends (1 year)	
	T-Bird MBA	Thunderbird University partnership/1 week a month training camp (14 months)	
	R&D degrees	Korea University, Pusan National University, Kyungpook National University	

[LIFELONG EDUCATION PROGRAMS]

CATEGORY	MAJOR PROGRAMS	DEPARTMENTS IN CHARGE
Personal Development	-In-house language courses -Online IT/Language courses -Correspondence courses -Celebrity lectures	Personnel Development Group at Changwon, Gumi, and Pyeongtaek business sites
Lifelong Education	-Master's degree courses within the company (Kyungpook National University, Ajou University, Pusan National University, and more) -Bachelor's degree courses within the company (Yonam Institute of Digital Technology, Yeungjin College, and more)	

● **INDIVIDUAL TRAINING**

e-Learning Program • Korean (267), English (343), and Chinese (607) courses currently offered

							Unit: People
CATEGORY	LEADERSHIP	LANGUAGE DEVELOPMENT	PROFESSIONAL	TECHNOLOGY	IT	TOTAL	
2007	49,428	7,552	8,327	6,316	7,680	79,303	
2008	49,335	12,659	6,212	6,961	2,460	77,627	

**Support Program for Language Skill Improvement •**

- Types of Education: Online, telephone, and small group classes
- Languages: English, Chinese, Japanese
- Method: Courses for every level and ability

**Support Program for Certificate Acquisition** • Helping employees to acquire certificates in related educational programs

Unit: People

CATEGORY	CERTIFIED PUBLIC LABOR ATTORNEY	PMP	CPSM (PURCHASING)	CRE/COE (PRODUCT QUALITY)	TOTAL
2007	3	18	86	70	177
<b>2008</b>	<b>3</b>	<b>34</b>	<b>64</b>	<b>95</b>	<b>196</b>

● **COLLECTIVE/FIELD TRAINING**

**New Employee and Grade Training Programs** • Employees are obliged to take certain training courses in order to develop skills to carry out their roles according to their job level (from entry-level positions to executives), with their results being used as basic data for employee assessment. It is mandatory for employees to take grade training courses in order to be considered for promotion.

Unit: People

CATEGORY	NEW EMPLOYEE TRAINING	REQUIRED GRADE TRAINING	TOTAL
2007	1,500	5,067	6,567
<b>2008</b>	<b>1,343</b>	<b>3,328</b>	<b>4,671</b>

# Vitalizing Organizational Communication/Work-Life Balance

**In-house field training programs** • Expert program, video training, mentoring, CoP and CoE programs, technology expert pool for each and every business site

[INVESTMENT IN EDUCATION AND TRAINING IN KOREA]

**TRAINING HOURS PER EMPLOYEE**

Unit: Hour



**EDUCATION & TRAINING COST PER EMPLOYEE**

Unit: KRW thousand



At LG Electronics, there are various channels, both online and offline, for the open exchange of views and ideas inside the organization. LGE also provides an enhanced level of company life and corporate culture in which there is a harmony between an individual, their work, and their family.

## Various Communication Channels

LG Electronics is creating an organizational culture where smooth communication is realized through various online/offline channels.

[EMPLOYEE USE OF PERSONNEL SERVICE CENTER]

Unit: Case

CATEGORY	TOTAL NO. OF CASES	NO. OF CASES TREATED			TOTAL
		CALL	E-MAIL	CALLBACK	
2007	92,763	81,714	13,895	3,892	99,501
<b>2008</b>	<b>98,802</b>	<b>81,289</b>	<b>20,500</b>	<b>4,555</b>	<b>106,344</b>

[JEONG-DO MANAGEMENT TRAINING]

Unit: People

CATEGORY	TRAINING FOR PROMOTION	JOB TRAINING	TOTAL
Korea	3,135	1,351	4,486

CATEGORY	CHINA	EUROPE	OTHER COUNTRIES	TOTAL
Overseas	4,144	2,445	812	7,401

\* Separate Jeong-do Management training was conducted for candidates for promotion, employees taking required job training, and employees at certain overseas subsidiaries.

[COMMUNICATION CHANNELS]

<b>DIGITAL BOARD</b>	As an organization that represents both general and administrative workers, the Digital Board Council delivers employee opinions about working conditions and the work environment to management (headquarters: quarterly/ companywide: every six months)
<b>OPEN COMMUNICATION</b>	Continuous meetings for communication between management/ leaders and employees in the form of special lectures, conferences, field visits (CEO's participation in 2008: average 8.3 times a month)
<b>VOE (VOICE OF EMPLOYEE)</b>	Improvement tasks reviewed through LG Way Survey; monthly polls conducted to deliver the thoughts of employees to management
<b>LG WAY SURVEY</b>	Identifying employee satisfaction and demands (annually)
<b>PRIDE LG</b>	In-house magazine in English & Korean (monthly) whose role is to deliver information on management
<b>EP COMMUNICATION</b>	Operation of a portal site; news and bulletin board; publication of a daily newsletter
<b>VIDEO COMMUNICATION</b>	DVDs, e-newsletters, in-house broadcasting services
<b>GLOBAL LOUNGE</b>	Operation of an online news site for employees of overseas subsidiaries; weekly newsletters sent out
<b>HR SHARED SERVICE CENTER</b>	Inquiries through telephone, e-mail, intranet bulletin board (regular operation)
<b>CYBER-SINMUNGO (BULLETIN FOR REPORTING CASES OF CORRUPTION)</b>	Reports on any violations of Jeong-do Management (regular operation)
<b>JEONG-DO MANAGEMENT TRAINING</b>	Collective training about Jeong-do Management

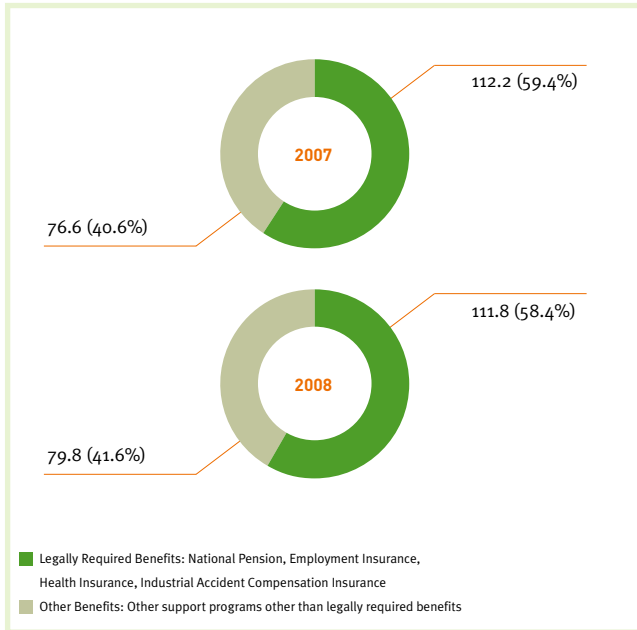


## Work-Life Balance/ Improvement of Employee Welfare

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

### [BENEFITS]

Unit : KRW billion



### [BENEFITS AND SUPPORT PROGRAMS]

<b>LEISURE ACTIVITIES</b>	<ul style="list-style-type: none"> <li>• Vacation: Employees are encouraged to take an annual vacation</li> <li>• Resort Facilities: Employees have access to 10 resort facilities (including condos and pensions) across Korea</li> <li>• Informal Groups: Hobby and volunteer groups (currently over 30 groups)</li> </ul>
<b>CHILDBIRTH AND MATERNITY LEAVE</b>	<ul style="list-style-type: none"> <li>• Lounge and nursing room for female employees: For female employees/pregnant and nursing employees</li> <li>• Childcare Facilities: Available in Seoul, Pyeongtaek, Changwon; plans in place for expansion to all business sites</li> <li>• Maternity Leave:                             <ul style="list-style-type: none"> <li>- Paid maternity leave for female employees before and after childbirth (up to 90 days)</li> <li>- Time off offered in the event of a miscarriage/stillbirth (30-90 days), time off for fertility issues (2 days)</li> <li>- Time off given when a spouse gives birth (3 days)</li> <li>- Time off given to raise infants under one year of age (for up to 12 months)</li> </ul> </li> </ul>
<b>HOUSING AND STABLE LIVING</b>	<ul style="list-style-type: none"> <li>• Housing Loans: Housing loans offered to employees with at least two years of experience at the company</li> <li>• Domestic Moving Costs: Assistance with moving costs when an employee is transferred</li> <li>• Congratulatory/Condolence Money: Support for congratulatory events and funerals of employees and their families</li> <li>• Disaster Relief Money: Support offered to employees and their families who have suffered property damage caused by a natural disaster</li> </ul>
<b>MEDICAL/HEALTH</b>	<ul style="list-style-type: none"> <li>• Medical expenses for employees and family members</li> <li>• Group insurance related to disasters; operation of Health Care Center and Counseling Center</li> <li>• Paid sick leave: For sick leave due to occupational accidents, 70% of average wages/ For personal illness, 30-100% of ordinary wages</li> </ul>
<b>EDUCATION</b>	<ul style="list-style-type: none"> <li>• Scholarship for employees' children/Support for employees entering/reentering educational programs</li> <li>• Special lectures on healthcare, financial technology, and family life</li> </ul>
<b>LEGALLY REQUIRED BENEFITS</b>	<ul style="list-style-type: none"> <li>• National Pension, Health Insurance, Employment Insurance, Industrial Accident Compensation Insurance</li> <li>• Retirement Pension System: Fixed amount guaranteed (to be introduced in 2009)</li> </ul>
<b>SELECTIVE BENEFITS</b>	<ul style="list-style-type: none"> <li>• KRW 700,000 worth of points awarded to employees</li> <li>• Points can be redeemed for personal development, leisure/health, gift &amp; product purchasing</li> </ul>

## Protection of Human Rights and Prohibition of Discrimi- nation/Improvement of Work Environment

LG Electronics prohibits the discrimination in the workplace of any employee based on gender, age, regional background, religion or disability. Every employee is given equal opportunity in all areas and is evaluated solely on their personal abilities. Each LGE business site supports employees so that they can work in a safe and pleasant environment.

### Respecting Human Dignity

Under the philosophy of "Respecting human dignity," LG Electronics protects employees' rights and interests. While abiding by Korea's Labor Standards Act and the International Labor Organization's (ILO) regulations on labor, the corporation also prohibits the unfair treatment and discrimination in the workplace of people based on regional background, gender, age, religion, or academic background in the hiring, firing, promoting, or retiring of any employee, as well as when offering benefits/rewards or educational opportunities. Any employee who feels they have been the victim of discrimination may express their grievance through the labor union or through a variety of other channels available at the

company. LGE's Korean business sites and overseas units must all comply with the laws and regulations of the respective host country as well. Most overseas employees are of the ethnic origin of the local region, and we prohibit the forced labor of any human being and the recruitment of minors 15 years of age or younger.

### ● DIVERSE HUMAN RESOURCES

The total number of employees at LG Electronics stood at approximately 84,000 as of 2008 year-end. Of that number, 27,000 were stationed in Korea and 57,000 were abroad, meaning that over 68% of LGE's employees work overseas (an 8% increase over the previous year). LG Electronics was also very active in its recruitment of executives from countries

[STATUS OF GLOBAL EMPLOYEES]

Unit : People

CATEGORY	DOMESTIC				OVERSEAS				TOTAL
	EXECUTIVE	STAFF	OPERATOR	SUB TOTAL	EXECUTIVE	STAFF	OPERATOR	SUB TOTAL	
Headquarters	72	4,278	17	4,367	1	286	1	288	4,655
Company									
DA Company	21	3,073	4,866	7,960	8	3,160	6,201	9,369	17,329
DD Company	22	2,624	130	2,776	8	2,364	7,970	10,342	13,118
DM Company	12	1,359	774	2,145	2	839	4,486	5,327	7,472
MC Company	43	6,299	2,340	8,682	4	2,253	1,792	4,049	12,731
Sub Total	170	17,633	8,127	25,930	23	8,902	20,450	29,375	55,305
Region									
Korea	8	1,149		1,157					1,157
China					12	2,917	3	2,932	2,932
North America					9	1,614	546	2,169	2,169
Europe					10	2,958	2	2,970	2,970
Asia					5	5,404	4,331	9,740	9,740
CIS					4	1,313	1,143	2,460	2,460
South & Central America					5	2,312	3,853	6,170	6,170
Middle East & Africa					4	1,170	13	1,187	1,187
Sub Total	8	1,149		1,157	49	17,688	9,891	27,628	28,785
Total	178	18,782	8,127	27,087	72	26,590	30,341	57,003	84,090

\*Global level (as of 2008 year-end) / Korean staff working overseas (FSE: Foreign Service Employee) are included in overseas workforce.

other than Korea, and at present the corporation has six foreign C-level executives as of July 2009, including the CHO, each of whom is positively contributing to LGE's diverse management while also enhancing the value of the corporation as a whole. The 353 temporary employees (non-regular positions) represent 1.3% of LGE's total workforce, with disabled people representing 0.9% (270 people), a 0.1% increase over the previous year. Finally, the retirement ratio was 7.1% in 2008, a 3.2% decrease over the previous year.

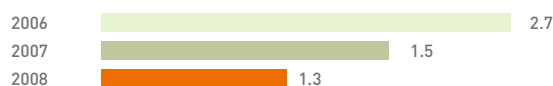
● GENDER EQUALITY AND PREVENTION OF SEXUAL HARASSMENT

The number of females working at LG Electronics in Korea represents 15.7% of the corporation's workforce. Their average age is 31 (the average for male employees is 39.5), with 11.6% doing general/administrative work, and 24.1% doing technical work. Females make up 1.6% of the total number of executives and their average age is 44.3 (the average for male executives is 48.9). The 2008 entry level wages for LGE employees was 303% higher than the legally required minimum wage (general & administrative jobs). LG Electronics is proud to pay its employees based solely on their abilities with absolutely no regard to whether someone is male or female when it comes to the basic salary. LGE also holds quarterly mentoring sessions for female executives and mid-level managers, at which they can share advice on how best to solve problems and overcome difficulties associated with child-rearing and the work environment, as well as tips on how to become more effective organizational leaders. Additionally, LG Electronics has strict guidelines in place to prevent sexual harassment at its workplaces around the world and provides education for employees on the issue every year. Any problem or accusation raised in a formal manner is dealt with by LGE's Grievance Committee and, when deemed necessary, disciplinary action is taken by the corporation.

[PERCENTAGE OF TEMPORARY EMPLOYEES, RETIRED EMPLOYEES, AND FEMALE EMPLOYEES]

Unit : %

TEMPORARY EMPLOYEES



RETIRED EMPLOYEES



FEMALE EMPLOYEES



\* In 2008, the PCB business unit was transferred to a subsidiary, and the number of female technical employees decreased.

● **ORGANIZATIONAL OPERATION OF GLOBAL LEADERS**

Although LG Electronics does standardize its organizations, systems, and work processes, it is LGE's global leaders – regardless of their race, nationality, regional background, and gender – at the center of its operations. Our global leaders are adept at open-mindedly accepting and integrating various cultures into their work, and all employees are encouraged to achieve and maintain world-class capabilities.

**INTERVIEW**

**SOUTH AFRICA SUBSIDIARY PRESIDENT**

In order for LG Electronics to be a truly global corporate entity, it needs to first form close ties with local customers and employees as well as with those that make up the distribution network. For LGE, hiring someone locally as president of an overseas subsidiary paved the way for it to really take off as a global brand.



**PEET VAN ROOYEN**  
 -2008 LGE's South Africa subsidiary president  
 -2002 Hired by LG Electronics  
 Sales manager, Home Appliance Division

The biggest merit of a locally hired president is that they can work with more continuity than a Korean president. With a wide variety of cultures and 11 official languages coexisting in South Africa, there is a lot of opportunity for South African organizational culture and Korean organizational culture to collide and cause difficulties. The president of this particular subsidiary would face indescribable challenges if he or she were not from South Africa. Thus, I solve problems while pursuing constant communication and listening to a range of different voices. I also plan to concentrate on strengthening LGE's South African subsidiary by acquiring excellent human resources and operating the organization more efficiently than ever before.

**Safe and Pleasant Workplaces**

Every one of LG Electronics' business sites in Korea has an EESH (Energy, Environment, Safety, Health) Committee whose goal is to attain the four Nos (No-pollution, No-losses, No-accidents, No-illnesses), as they carry out a wide range of industrial safety programs.

● **INDUSTRIAL SAFETY PROGRAM**

We conduct a standard operating procedure (SOP) to control for risks in each sector by appointing those people who are actually working at industrial facilities as the people in charge of industrial safety so that they can manage potential risks which may appear hidden at business sites even when there is no risk.

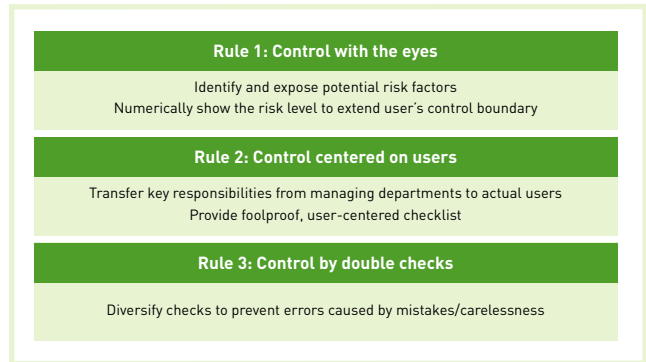
[INJURY RATE AND LOST-TIME INJURY FREQUENCY RATE]

Unit : %

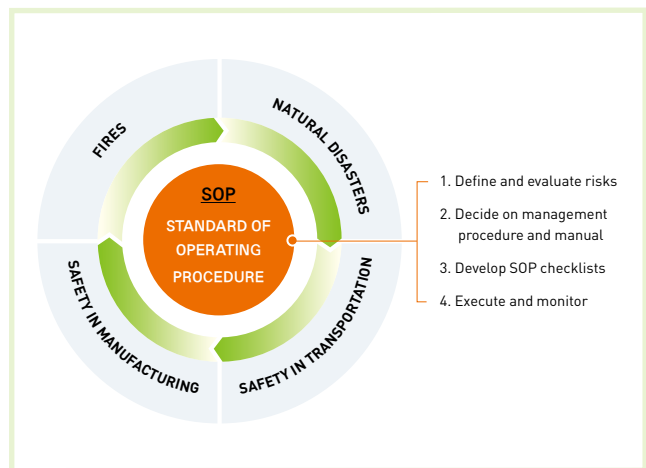
WORKPLACE INJURY RATE		LOST-TIME INJURY FREQUENCY RATE	
2007	2008	2007	2008
0.04	0.02	0.05	0.11

1) The workplace injury rate and lost-time injury frequency rate are all limited to work-related accidents  
 2) Frequency rate: Number of accidents per 1 million work hours a year.  
 Number of injuries/Total working hours (2,400 hours) X 1,000,000

[RULES OF RISK MANAGEMENT]



[FLOW OF RISK MANAGEMENT PROCEDURE]



● **INDUSTRIAL HEALTHCARE PROGRAM**

To improve the health of employees at all business sites, LG Electronics is running a campaign called Healthcare 333, which is designed to reduce a person's body fat by over 3 kilograms with more than 3 exercise sessions per week over the course of 3 months.

[HEALTHCARE 333 CAMPAIGN]



# Labor-Management Communication

LG Electronics guarantees the freedom of assembly and collective bargaining and vitalizes labor-management communication based on a relationship of mutual trust. As a result, LGE is now recognized as an exemplary case in labor-management relations.

## Current Status of LGE Labor Union

As stipulated by collective agreement, employees working at each business site are eligible for labor union membership. As of 2008 year-end, the union had 7,906 members (27.6% of LGE's total workforce). There are seven union branches, with each branch represented by one central union. Union members have both election and voting rights.

## Communication through Labor-Management Council

At LG Electronics, management and labor hold a Labor-Management Council every quarter. The Labor-Management Council is operated companywide, discussing labor-management issues, including working conditions, at every business site. In addition, LGE pursues smooth communication through various channels like division meetings and forums. Important subjects such as changes in business and union member status are handled through this conference system, with advance notice given to participants so that they have ample time to prepare and so that all legally required standards can be taken into consideration.

Annual collective wage bargaining is not a simple round of bargaining but a series of mutual interactions in which labor and Management solve management issues together based on a spirit of mutual trust and respect. After coming to a shared understanding about the management environment through the Global Labor-Management Council and other related meetings, employee demands are reviewed before a joint labor-management workshop is held to discuss the issue(s). Only then is a formal agreement completed.

As a result, LG Electronics has created a tradition of completing collective wage bargaining without any labor disputes for 19 years in

a row, while being recognized as an exemplary company, as is evidenced with LGE's many awards including the Award for Labor-Management Cooperation, the Presidential Award for Labor-Management Culture (2005), and the Grand Prize for Transparent Management (2005) from the Korean government and other economic organizations.

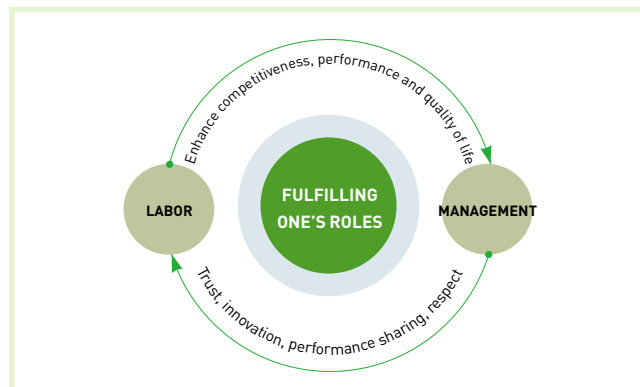
## Precautionary Management through Labor-Management "Traffic Light" Structure

One example of LG Electronics' efforts to maintain and further develop its long tradition of labor-management cooperation is the management system it has developed through a labor-management "traffic light" structure. The system is designed to evaluate labor-management relations at each business site using pre-defined tools, allowing them to turn on a green, yellow or red light based on real-time conditions. LGE also operates training programs and other related projects so that each LG Electronics subsidiary can run on a green light. In 2008, evaluation & management was conducted for all of LGE's subsidiaries and suppliers in China, and we are now in the preparatory stage to expand it throughout LG Electronics globally.

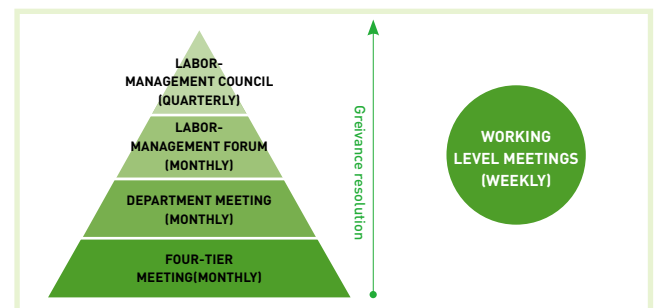
### [PHILOSOPHY AND VISION OF LABOR-MANAGEMENT RELATIONS]



### [LABOR-MANAGEMENT RELATIONS AT LG ELECTRONICS]



### [LABOR-MANAGEMENT COMMUNICATION STRUCTURE]





# Global Network

## COMPANY & REGION

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

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

## PRODUCTION

**DOMESTIC BUSINESS SITES** • Changwon, Gyeongsangnam-do; Gumi, Gyeongsangbuk-do; Pyeongtaek, Gyeonggi-do; Cheongju, Chungcheongbuk-do

**OVERSEAS PRODUCTION SUBSIDIARIES** • North America (3), South America (2), Europe (3), Middle East & Africa (3), Asia (4), China (13), CIS (2)

## MARKETING & SALES AND OTHER BUSINESS ACTIVITIES

**OVERSEAS MARKETING & SALES SUBSIDIARIES** • North America (4), South America (5), Europe (15), Middle East & Africa (9), Asia (6), Oceania/CIS (2)

**OVERSEAS OTHER SUBSIDIARIES (Logistics/Service/Marketing/Holding companies)** • North America (1), Europe (4), Middle East & Africa (1), Asia (1), Oceania/CIS (3)





**R&D CENTERS**

**DOMESTIC R&D CENTERS** • Umyeon R&D Campus (Umyeon-dong, Seoul), DAC Research Institute (Changwon, Gyeongsangnam-do), PDP TV/LCD TV Research Institute (Gumi, Gyeongsangbuk-do), PDP Research Laboratory (Gumi, Gyeongsangbuk-do), DA Research Institute (Gasan-dong, Seoul), Productivity Research Institute (Pyeongtaek, Gyeonggi-do), System IC Center (Yeoksam-dong, Seoul), Mobile Communication Research Laboratory (Gasan-dong, Seoul), Digital Media Research Institute (Umyeon-dong, Seoul), Digital Display Research Institute (Umyeon-dong, Seoul), Design Center (Umyeon-dong, Seoul), Digital TV Research Institute (Yeoksam-dong, Seoul), Next Generation Wireless Communications Research Center (NWRC) (Seoul National University Research Park), Digital Storage Research Institute (Anyang, Gyeonggi-do), S/W Center (Bundang, Gyeonggi-do), Digital Media Product (Umyeon-dong, Seoul)

**OVERSEAS R&D CENTERS** • Tokyo Research Laboratory (Tokyo, Japan), LGEDJ (Tokyo, Japan), LGEDA (New York, U.S.A.), LGTCM (Moscow, Russia), LGSJ (Bangalore, India), Triveni Digital (New Jersey, U.S.A.), Russia R&D Laboratory (St. Petersburg, Russia), South & Central America R&D Laboratory (Sao Paulo, Brazil), LGTCE (Neuss, Germany), LGEDC (Beijing, China), Yantai R&D Center (Yantai, China), China R&D Lab (Beijing, China), LGTCI (Tel Aviv, Israel), Zenith (Chicago, U.S.A.), Tianjin Research and Development Center (Tianjin, China), LGEDE (London, U.K.), Europe R&D Lab (Paris, France), North America R&D Laboratory (San Diego, U.S.A.)

[ APPENDIX ]

[GLOBAL NETWORK](#) PAGE 74

[MEMBERSHIPS/AWARDS & RECOGNITION](#) PAGE 81

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[GLOSSARY](#) PAGE 85

# Independent Assurance Statement

## Scope and objectives

LG Electronics commissioned Two Tomorrows (Asia) Limited to undertake independent assurance of the Sustainability Report 2008.

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

- Evaluation of adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness (the Principles) and;
- The reliability of specified sustainability performance information. Our review of sustainability performance information covered collection and consolidation processes for key data and claims in the report, with the following exceptions:

\* AA1000 is the international de-facto standard for sustainability assurance developed based on a multi-stakeholder engagement.

AA1000AS(2008) consists of two separate core documents:

- AA1000AS (Assurance Standard): minimum requirements for each element of the assurance process.
- AA1000APS (Accountability Principles Standard): the criteria for the Accountability Principles

Our review of sustainability performance information covered collection and consolidation processes for key data and claims in the report, with the following exceptions:

- Reporting on non-Korean operations and suppliers was outside the scope. However, we undertook a desk-top review of related descriptions and provide some related comments in our observations.
- Financial information in the report was outside the scope of this assurance;
- Information provided on the LG Electronics website was not assured.
- GHG data was verified by another 3rd party organization. We checked whether this verified data was adequately presented in the report; When evaluating the performance information, we used the Global Reporting Initiative's (GRI) Quality of Information Principles.

## Responsibilities of the directors of LG Electronics and of the assurance providers

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

We had one other contract this year with LG Electronics to benchmark their previous report against Global best practices in Sustainability Management, but have not been involved in the preparation of the report, nor do we have any other contracts with the company. This is the first year that we have provided assurance for LG Electronics.

Our team comprised of MinGu Jun, project leader, as well as Thomas Krick, InMog Yang and SangMook Park. Further information, including individual competencies relating to the team can be found at: [www.twotomorrows.com](http://www.twotomorrows.com).

## Basis of our opinion

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

- Review of previous report and preliminary identification of assurance priorities;
- Review of LG Electronics' materiality assessment alongside a media review to identify the current sustainability issues that could affect LG Electronics and are of interest to stakeholders;
- Interviews with 3 executive vice presidents, as well as with senior managers responsible for the management of sustainability issues. We chose the managers for interview;
- Review of selected evidence to support issues discussed with managers;
- Review of information provided to us by LG Electronics on its reporting and management processes relating to the Principles, including its approach to stakeholder engagement;
- Site visits to the Seoul headquarters, Pyeongtaek and Changwon manufacturing sites to review procedures and systems for preparing site level sustainability data and the implementation of the sustainability strategy. The sites were chosen by us;
- Review of supporting evidence for key claims in the report;
- Review of the processes for gathering and consolidating data and, for a sample, checking the data consolidation. Sampling was based on prioritised data for the most material issues;
- An independent assessment of LG Electronics Reporting against the B+ Application Level for the Global Reporting Initiative (GRI) G3 Guidelines.

## Findings

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

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe LG Electronics adherence to the Principles or its performance. In terms of data accuracy – we are not aware of any data errors that would materially affect the reported data. Nothing came to our attention to suggest that this has not been properly collated from the operational level, nor that the assumptions utilised were inappropriate.

In our opinion the report meets the GRI G3 application level B+.

## Observations

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

Since the publication of the previous sustainability report 2006/2007, LG Electronics has significantly progressed its approach to managing corporate sustainability issues, particularly in relation to the development of the company's internal management arrangements and awareness, as well as the systemisation of its approach to stakeholder engagement. This approach includes the establishment of the Sustainability Management Committee and the Corporate Sustainability Management Council, which is a leading example of sustainability governance in Korea. The approach also provides for exemplary labour engagement practices within Korea.

A key area for development lies within the further integration of the company's management mechanisms for sustainability issues, as some of these currently run parallel to each other, or to other relevant management activities, without being fully integrated. The roll out of sustainability management approaches to LG Electronics' worldwide operations and suppliers presents another main challenge that will require increasing attention in the coming years.

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

- LG Electronics' sustainability report reflects a commitment to being accountable to a broad range of its Korean stakeholders. Stakeholder participation procedures like the LG Way survey and the supplier suggestion system amongst others, serve to inform and consult key stakeholders such as employees, investors, suppliers and customers. However, the companies' engagements with governments, local communities and civil society organisations could benefit from being more transparent, more interactive and – in the case of the latter two – more easily accessible for a broader range of stakeholder representatives.
- There are clear links between the participation procedures for several stakeholder groups and the internal decision making at all levels of management. We suggest that these procedures are expanded to also allow civil society and community organisations' to inform top-level decision making procedures within the organisation.

**MATERIAL ISSUES ARE THOSE WHICH ARE NECESSARY FOR STAKEHOLDERS TO MAKE INFORMED JUDGMENTS CONCERNING LG ELECTRONICS AND ITS IMPACTS.**

- Based on the work undertaken, we are not aware of any material issues that LG Electronics has not recognised within its report.
- LG Electronics' overall process for identifying material issues on the global level as well as in Korea is comprehensive in scope, evaluates the significance of issues against suitable criteria and draws information from a broad variety of external and internal sources, including stakeholder engagements and research conducted by the Corporate Sustainability Management office. In regards to employees, the company's existing survey mechanisms provide a comprehensive picture of staff perceptions that inform internal decisions and team management procedures.
- Room for improvement lies in the integration of the materiality determination process with the enterprise risk management system, as well as the degree to which the materiality process is sensitive to significant social and environmental risks within LG Electronics' supply chain. The openness to inputs from civil society organisations can also be developed further.
- The definitions of material issues currently provided within the report would benefit from being more specific. This would help to focus management efforts.

**RESPONSIVENESS CONCERNS THE EXTENT TO WHICH AN ORGANISATION RESPONDS TO STAKEHOLDER ISSUES**

- LG Electronics has made significant progress this year in demonstrating responsiveness to its stakeholders. A variety of communication procedures, engagements and partnerships offer a range of opportunities for developing appropriate responses, and internal capabilities for delivering on commitments are maturing. The company's commitment to supporting local suppliers and the Open Communication programme for employees are examples of such responsiveness.

- LG Electronics can improve the degree to which some of its sustainability programmes address the company's most material impacts. This is particularly applicable for LG Electronics community environmental protection programmes which don't necessarily address all of the direct and indirect social and environmental impacts that stakeholders are concerned about.
- Stakeholder concerns regarding social impacts may also require increased attention in the future, especially in regards to the social impacts of products. This particularly applies to LG Electronic's approach to addressing the global digital divide with its product portfolio.
- Although top-level decision-maker's awareness of the importance of sustainability has been increasing, the degree to which stakeholder concerns are considered when decisions with implications for material issues are taken can still be improved.

#### PERFORMANCE INFORMATION

- A more systematic and formal information management approach covering global operations is recommended, as the current approach is reliant on ad-hoc systems that sometimes result in different levels of quality between divisions and business sites.
- We recommend that future reports describe or provide references to more detailed descriptions of the methods used to gather and report performance data.
- To enable stakeholders to assess LG Electronics' performance on environmental compliance, this needs to be described in the context of quantified relevant regulatory requirements.
- We recommend a tighter focus on the time period for reporting, as some performance information is not within the specified reporting period of 2008.
- To improve clarity we recommend reporting data that shows the development of key performance indicators over time. Setting targets and reporting against them should also be seen as a key priority for the further development of LG Electronics performance management.

**TWO TOMORROWS (ASIA) LIMITED**  
**SEOUL KOREA**  
**7TH JULY 09**



**Jason Perks**  
DIRECTOR



**MinGu Jun**  
PROJECT LEADER



**Thomas Krick**  
SENIOR CONSULTANT



**InMog Yang**  
SENIOR ASSOCIATE



# Financial Statements

## ● SUMMARIZED INCOME STATEMENT

Unit: KRW million

CATEGORY	2008	2007	2006
Sales	27,638,515	23,501,935	23,170,719
Domestic sales	6,445,179	6,520,386	5,947,330
Exports	21,193,336	16,981,549	17,223,389
Cost of Sales	20,822,187	18,339,833	17,727,403
Gross profit	6,816,328	5,162,102	5,443,316
Selling and administrative expenses	5,589,438	4,597,518	4,908,402
Operating income	1,226,890	564,584	534,914
Non-operating income	2,670,535	1,863,165	754,381
Non-operating expenses	3,382,401	940,836	1,027,492
Income before income taxes	515,024	1,486,913	261,803
Income tax expense	32,238	264,518	22,600
Net income	482,786	1,222,395	239,203

## ● SUMMARIZED BALANCE SHEET

Unit: KRW million

CATEGORY	2008	2007	2006
I. Current assets	4,517,638	2,827,427	3,160,377
Quick assets	3,616,517	1,881,857	2,056,723
Inventory	901,121	945,570	1,103,654
Non-current assets	12,820,243	11,509,191	10,069,765
Investment assets	7,879,443	6,438,300	4,756,950
Tangible assets	3,710,704	4,037,055	4,256,321
Intangible assets	470,610	398,481	462,217
Other non-current assets	759,486	635,355	594,277
<b>Total assets</b>	<b>17,337,881</b>	<b>14,336,618</b>	<b>13,230,142</b>
I. Current liabilities	5,941,588	4,587,662	4,901,328
II. Non-current liabilities	2,989,488	2,539,441	2,393,998
<b>Total liabilities</b>	<b>8,931,076</b>	<b>7,127,103</b>	<b>7,295,326</b>
I. Capital stock	809,169	809,169	809,169
II. Capital surplus	2,651,911	2,559,605	2,219,993
III. Capital adjustments	[44,893]	[44,893]	[44,893]
IV. Accumulated other comprehensive income	873,395	98,968	528,317
V. Earned surplus	4,117,223	3,786,666	2,422,230
<b>Total shareholders' equity</b>	<b>8,406,805</b>	<b>7,209,515</b>	<b>5,934,816</b>
<b>Total liabilities and shareholders' equity</b>	<b>17,337,881</b>	<b>14,336,618</b>	<b>13,230,142</b>

The revised Equity Method of the Korea Financial Accounting Standards No. 15 was applied retroactively to figures for the 6th period.

## Memberships/Awards & Recognition

### MEMBERSHIPS

As of Dec. 31, 2008

Council of Economic Organizations	Environmental Management Council	The Korean Information Display Society
KISANHYUP	Korea Economic Research Institute	Telecommunication Technology Association (TTA)
The Korea Chamber of Commerce & Industry	The Korea Fair Competition Federation	Korea-U.S. Economic Council, Inc.
The Republic of Korea National Red Cross	The Korea Federation of Science and Technology Societies	The Korean-American Association
The Institute of Electronics Engineers of Korea	Accreditation Board for Engineering Education of Korea	European ICT Industry Association (EICTA)
Center for Asian Law	The National Academy of Engineering of Korea	Korea Investor Relations Service
Ethical Management Forum	Korea Management Association	International Trademark Association (INTA)
The Foundation of Korean Industries	The Korea International Trade Association	Japan Article Management Promotion-consortium (JAMP)
CIO Forum of the Federation of Korean Information Industries	Korea Invention Promotion Association (KIPA)	LESK (Licensing Executive Society Korea)
Korea Association of Information & Telecommunication	KAITS	Quality Brand Protection Committee (QBPC)
Korea Business Council for Sustainable Development (KBCSD)	The Korean Institute for Industrial Safety	Trade Related IPR Protection Association (TIPA)
Unification IT Forum	Korea Listed Companies Association	
Korea Employers Federation	Korea Forum for Progress	
	Korea Electronic Safety Association (KESA)	

### AWARDS & RECOGNITION

Jan.1–Dec. 31, 2008

DATE RECEIVED	AWARDS & RECOGNITION	ORGANIZER
2008. 01	2008 CES Innovations Award (13 categories)	Consumer Electronics Association (CEA), USA Industrial Designers Society of America (IDSA), USA
2008. 04	The Vietnam Labor Medal	Government of Vietnam
2008. 06	iF Design Award 2008 (11 categories)	International Forum Design, Germany
2008. 06	2008 Red dot Design Award (11 categories)	Design Zentrum Nordrhein Westfalen, Germany
2008. 07	Energy Winner Award (Grand Prize and the Minister of Knowledge and Economy Prize)	Ministry of Environment, Ministry of Knowledge and Economy, Korean Energy Management Corporation, Consumers Korea
2008. 07	Red Cross Society of China Medal	The Red Cross Society, China
2008. 10	Selected as the Most Admired Multi-National Company in India	<i>4Ps</i> (Indian magazine), India
2008. 10	CDP Woorim Award	The Korean Committee of Carbon Disclosure Project (CDP)
2008. 11	Social Contribution Prize at the 2008 Competitiveness Forum for Chinese Companies	<i>China Business Journal</i> , China
2008. 11	Changwon 1 Plant awarded the top prize in waste minimization (President's commendation)	Ministry of Environment
2008. 12	CTO chosen as Global Safety Leader of the Year	UL (Underwriters Laboratories), USA
2008. 12	Selected as the top training organization for a consortium of small- and medium-sized businesses (2 years in a row)	Ministry of Labor
2008. 12	Selected as a company that encourages breast-feeding in the workplace	The Korean Committee for UNICEF, Ministry of Gender Equality
2008. 12	Brands of the Year Award 2008	Standards & Quality Control Authority, Pakistan
2008. 12	Investment Award 2008 (selected as the top foreign enterprise)	Government of Indonesia

# GRI Index

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	EN21	Total water discharge by quality and destination	△	Wastewater discharge	52
	EN22	Total weight of waste by type and disposal method	○	Total weight of recyclable/unrecyclable waste	52
	EN23	Total number and volume of significant spills	○	Minimization of environmental impact (no hazardous substance spills)	52
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	x	-	-
	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	x	-	-
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	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	○	Benefits and support programs	70
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	LA5	Minimum notice period(s) regarding operational changes	○	Communication through Labor-Management Council	73
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	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights	○	Jeong-do Management, Prevention of sexual harassment and grievance procedures	69-71
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Indigenous Rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	x	-	-
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	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	-
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<b>PRODUCT RESPONSIBILITY Disclosure on Management Approach</b>				<b>34, 42, 54</b>	
Customer Health and Safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	△	Development of greener products, Product safety	45-47, 36-37
	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	△	Certifications for carbon labeling	43
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling	×	-	-
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	○	Communication with customers	40
Marketing Communication	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications	△	Fair trade compliance, Community activities	58, 64-65
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	△	Non-compliance with fair trade and corrective measures	58
Customer Privacy	PR8	Total number of substantiated complaints regarding breaches of Measures customer privacy and losses of customer data	△	Privacy protection	41
Compliance	PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	×	-	-

## Glossary

- **CDM (Clean Development Mechanism):** An arrangement whereby countries with a greenhouse gas reduction commitment invest in projects that reduce emissions in developing countries as an alternative to emission reductions in their own countries.
- **CoP (Community of Practice)/CoE (Community of Excellence):** CoP refers to the process of group activities that is organized in the form of a non-regular community for capability enhancement and personal development by organization members who have common interests; CoE is a community of selected experts who solve problems as they consult and share opinions with one another in an effort to deal with job-related problems in an organization.
- **Consumer Insight:** A process whereby a consumer's hidden needs are identified scientifically and strategically, with the results then applied to product development and marketing.
- **Digital Divide:** The increasing gap between people with effective access to new digital and information technology and those with very limited or no access at all in the age of the digital economy.
- **EuP (Energy using Products) Directive:** Eco-friendly design directive that requires businesses to build energy-efficient ecodesign systems for greener product design, primarily around the EU.
- **GHG (Greenhouse Gases):** Atmospheric gases that contribute to the greenhouse effect. Well-known examples include CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>o, HFCs, and SF<sub>6</sub>.
- **GHG Inventory:** A type of emissions inventory developed for statistically managing corporate greenhouse gas emissions, and which systematically manages GHG emissions by listing emissions sources by facility, process, and business site.
- **Global Compact:** A voluntary policy initiative under the UN which former Secretary-General Kofi Annan encouraged global economic leaders to join. The UN Global Compact stipulates the responsibilities of businesses that are committed to aligning their operations and strategies with 10 principles in the areas of human rights, labor, the environment and anti-corruption. As of April 2009, over 7,000 organizations (roughly 70 in Korea) around the world had joined the Global Compact.
- **GRI (Global Reporting Initiative):** An organization established mainly by the American environmental organization CERES and the UNEP. After issuing its first GRI G1 Guidelines in 2000, it published its G2 and G3 Guidelines in 2002 and 2006, respectively.
- **ISO 26000:** International standards regarding social responsibility currently being developed, with the International Standardization Organization (ISO) at the center of these efforts. ISO 26000 comes in the form of guidelines to help organizations in the midst of conducting social responsibilities. As of April 2009, the Committee Draft (CD) had been published, with the final version now being worked on. Final publication is scheduled for 2010.
- **Jeong-do Management:** LG Electronics' unique management method of abiding by local regulations and business ethics to fulfill corporate social responsibility while also maximizing business results.
- **Labor-Management Relations:** A new concept in labor-management relations pursued by LG Electronics under which management and labor faithfully carry out their respective roles based on mutual respect and trust for the purpose of joint value creation.
- **LG Way Survey:** LG Way is our own value system that illustrates LGE's management vision and action principles. In order to gain insight into how LG Way is being embraced by our employees, we conduct an LG Way survey on an annual basis.
- **MOT (Moment of Truth):** A term that refers to the moment when a business comes in contact with a customer for the first time. The MOT theory states that a business should provide desirable services in an effort to capture the hearts of customers in a short amount of time – the veritable moment of truth – as a company's behavior at the contact point with a customer greatly influences customer satisfaction from that time on.
- **Plasma:** Plasma is a partially ionized gas, containing electrons with positive charges and ions with negative charges. Plasma is often called “the fourth state of matter” because it is distinct from solids, liquids, and gases.
- **Selective Benefits:** A benefits program that enables employees to precisely select the items they need among a variety of benefits.
- **TDR (Tear Down & Redesign):** A management innovation activity, TDR activities seek to literally tear down and redesign existing work processes.
- **Waste Elimination Activity:** A practical approach to wisdom management that aims to cultivate a stronger and more intelligent workforce and create leeway in an organization, which in turn enhances performance.
- **WEEE (Waste Electrical and Electronic Equipment) Directive:** A directive that instructs businesses to satisfy designated collection and recycling rates of waste electrical and electronic equipment. With the EU spearheading this effort, the WEEE Directive is now gaining momentum around the world.

# Stakeholder Questionnaire

We thank all our stakeholders for taking the time to read LG Electronics' Sustainability Report. Your feedback is of great value to us and will certainly help in publishing a better report in the future.

## 1. Which of the following groups best describes your affiliation with LG Electronics?

- LG Electronics employee  
  Shareholder and investor  
  Customer  
  Supplier  
 Civic activist  
  Local resident  
  Press  
  Student/Academic group  
 Expert on sustainable management  
  Others

## 2. Which of the following parts of this report were you most interested in?

(You may check more than one category.)

- Introduction  
  LG Electronics Profile  
  CSM System  
  Winning in Recession  
 Raising Customer Value  
  Environmental Leadership  
  Responsible Business Partner  
 Community Engagement  
  Improving Employee Value  
  Appendix

## 3. Please indicate how much you agree with each of the following statements.

(1) Strongly disagree (2) Disagree (3) No opinion (4) Agree (5) Strongly agree

	(1)	(2)	(3)	(4)	(5)
The report was easy to read, with easy terms and simple descriptions.					
The content of the report was effectively expressed through the design of the report.					
The report contains a wide array of important content.					
The content of the report is reliable.					
The report has given me a good understanding of LG Electronics' sustainable management.					
The report is satisfactory overall.					
I will recommend this report to others.					

## 4. Did your opinion about LG Electronics change after reading this report?

- Positively changed  
  No change  
  Negatively changed

Feel free to write down any opinion you might have concerning LG Electronics' sustainability report.

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## LG ELECTRONICS' SUSTAINABILITY REPORTS

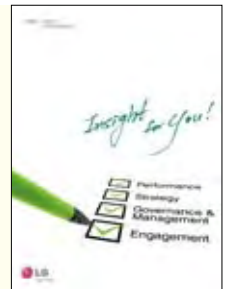
- 2005 Sustainability Report  
(Published in Oct. 2006)



- 2006-2007 Sustainability Report  
(Published in Oct. 2008)



- 2008 Sustainability Report  
(Published in July 2009)



### G3 Guideline Application Level

We hereby state that this report, confirmed by a world-renowned verification organization, was written with the intent of satisfying all GRI G3 Guideline requirements at the level of B+.



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