

For a Better Life

LIFE'S GOOD

WITH

LG

"Life's Good with LG" is the official CSR slogan of LG Electronics and conveys our earnest desire for comprehensive communication with stakeholders about our CSR efforts in a variety of areas.

2016-2017 LG Electronics Sustainability Report



REPORT OVERVIEW

In preparing our 2016-2017 Sustainability Report, LG Electronics adopted the G4 guidelines of the Global Reporting Initiative (GRI). As part of the process for implementing the guidelines, we reviewed the previous year's edition and best practice cases from corporations at home and abroad against the latest indices to identify the aspects that are lacking in our report. In order to address these aspects and prepare a more comprehensive and insightful report, we had extensive communication with functional departments, focusing primarily on our strengths and weaknesses. We also reached out to our internal and external stakeholders through a wide range of communication programs to seek their opinions, and performed a materiality analysis to identify the information that is considered material to stakeholders as well as to LG Electronics.

Based on the findings, we tried to introduce information concerning "Material Aspects" as defined by the G4 guidelines. Externally, we worked with a third party assurer to review the analysis results against the aspects perceived as material to industry peers to verify what is missing from each other's list (and vice versa), while internally reviewing the results with related business departments to select and introduce the information that is material and useful both to LG Electronics and to our stakeholders. Articles on material aspects prepared by functional departments were finalized after a review by management and a third party assurer.

REPORTING PRINCIPLES

G4 Guidelines of the Global Reporting Initiative (GRI), UN Global Compact (UNGC) Index, Accountability Principles Standard (AA1000APS), and Stakeholder Engagement Standard (AA1000SES)

REPORTING SCOPE

This report covers all business sites of LG Electronics, both in Korea and overseas, and major supplier sites, including activities and performance in economic, environmental, and social areas.

REPORTING BOUNDARY

Information is organized based on material issues and presented under the "DMA (Disclosure on Management Approach)" for each section.

REPORTING PERIOD

Data from the calendar year 2016, from January 1 to December 31 (for performance in select areas, data from the first half of 2017 was also included)

ASSURANCE

Independent Assurance Statement (Korea Productivity Center)
(See pp. 112-113)

Information Sources concerning
LG Electronics' Sustainability Management Efforts



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Management Report

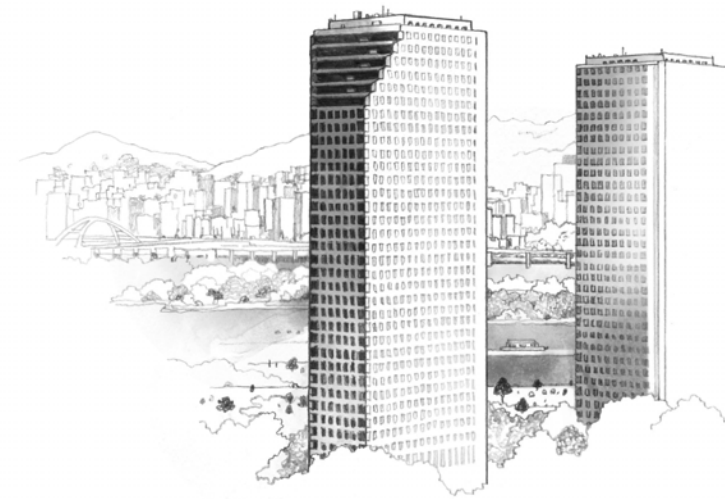
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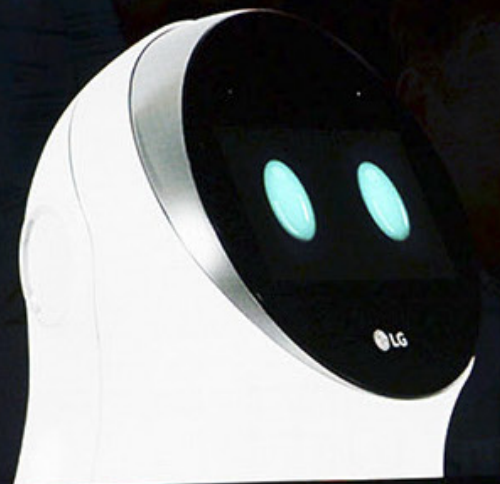
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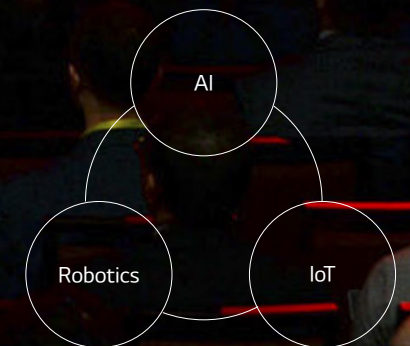
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1 Innovation for a Better Life



TODAY

Emerging technologies such as AI (Artificial Intelligence), robotics, and the IoT (Internet of Things) are expected to bring about the Fourth Industrial Revolution in the foreseeable future. At the World Economic Forum (WEF) held in Davos, Switzerland in January 2016, Klaus Schwab, executive chairman of the WEF, stated, "In its scale, scope, and complexity, the transformation will be unlike anything humankind has experienced before," to underscore the magnitude of this oncoming transformation. These advances in technologies will blur the boundaries between technologies and between industries, and bring about complete connectivity and convergence of technology, accelerating the evolution toward a more "intelligent" society in the process. It is increasingly becoming clear that businesses have no other option but to embrace the oncoming transformation and changing environment to ensure their survival. Based on this recognition, LG Electronics is stepping up its effort to thrive in the coming wave of the Fourth Industrial Revolution. At the Consumer Electronics Show (CES) 2017 held in Las Vegas, LG Electronics unveiled new technology concepts such as IoT home appliances, and airport guide and cleaning robots as part of our initiatives for the Fourth Industrial Revolution, receiving immediate and enthusiastic response.



LG Electronics' Preparation for the Future

Artificial Intelligence (AI)

Widely billed as "man vs. machine," the 2016 Go match between an artificial intelligence system and Se Dol Lee, 9-dan Go professional with 18 world titles, attracted huge interest across the world, and the AI's victory underscored the potential value of the technology—applications across boundaries and the enrichment of human life. LG Electronics has already formed partnerships with global tech companies such as Google and Amazon to develop smartphones, home appliances and TVs with voice recognition features and utilize the deep learning technology to make our products become smarter on their own. Through these efforts, LG Electronics aims to increase the intrinsic value of home appliance products such as smart washing machines that analyze water quality and automatically adjust the washing time for an optimum effect, smart refrigerators that allow users to order groceries via voice command and conserve power by analyzing the use patterns, and smart air conditioners that use less energy and offer greater cooling performance by sensing the location of people.

Robotics

From robots that improve productivity on the factory floor to those that cook or fold laundry, the application of robotics is expanding at a rapid pace. To keep pace with the evolution of robotics, LG Electronics is working hard to develop new types of robots that leverage our core strengths. For instance, LG's robotic vacuum cleaner (HOM-BOT), which moves around the house on its own, could easily evolve into a robotic lawn mower, and airport guide and cleaning robots, which will initially be introduced to airports, will be further developed for B2B applications as well as for applications for hotels and hospitals in the near term. LG Electronics also plans to contribute to creating additional value for human life by developing wearable-type robots that give more muscle strengths to those who carry out tasks that require high muscle strength.

- 1 AirBot serves as a guide and escort at the airport, providing boarding and gate information, and escorting passengers.
- 2 Smart home solution that can control LG's home appliances with voice commands alone by connecting Amazon's AI voice recognition service Alexa to LG Electronics' SmartThinQ Sensor and SmartThinQ Hub.

Internet of Things (IoT)

A great number of digital devices are being connected to one another through network, and this is creating values that didn't exist in the past. Now, smart speakers in our living room understand our discussion and answer our questions about weather or stocks. They also turn off the light or turn on the air conditioner. LG Electronics will create new value in the Fourth Industrial Revolution Era based on technological capability accumulated through our experience in home appliance and insight into the future of our society. If we succeed in turning our vision into a reality, lights will automatically be turned off when we leave the house, and HOM-BOT could take care of vacuuming on its own while we are away from home. Furthermore, through the networking of IoT device sensors, LG Electronics will create a safer and more comfortable smart-home environment where the devices work on their own to maintain the air quality, detect an intrusion by strangers, and check if your child has returned home safely. In addition, in the B2B area, LG Electronics will prepare for the future with smart factories that effectively handle low-quantity production of a variety of goods at a faster pace.



3, 4 LG Hub is an AI home robot that responds to voice commands and is connected to LG appliances.



TOMORROW

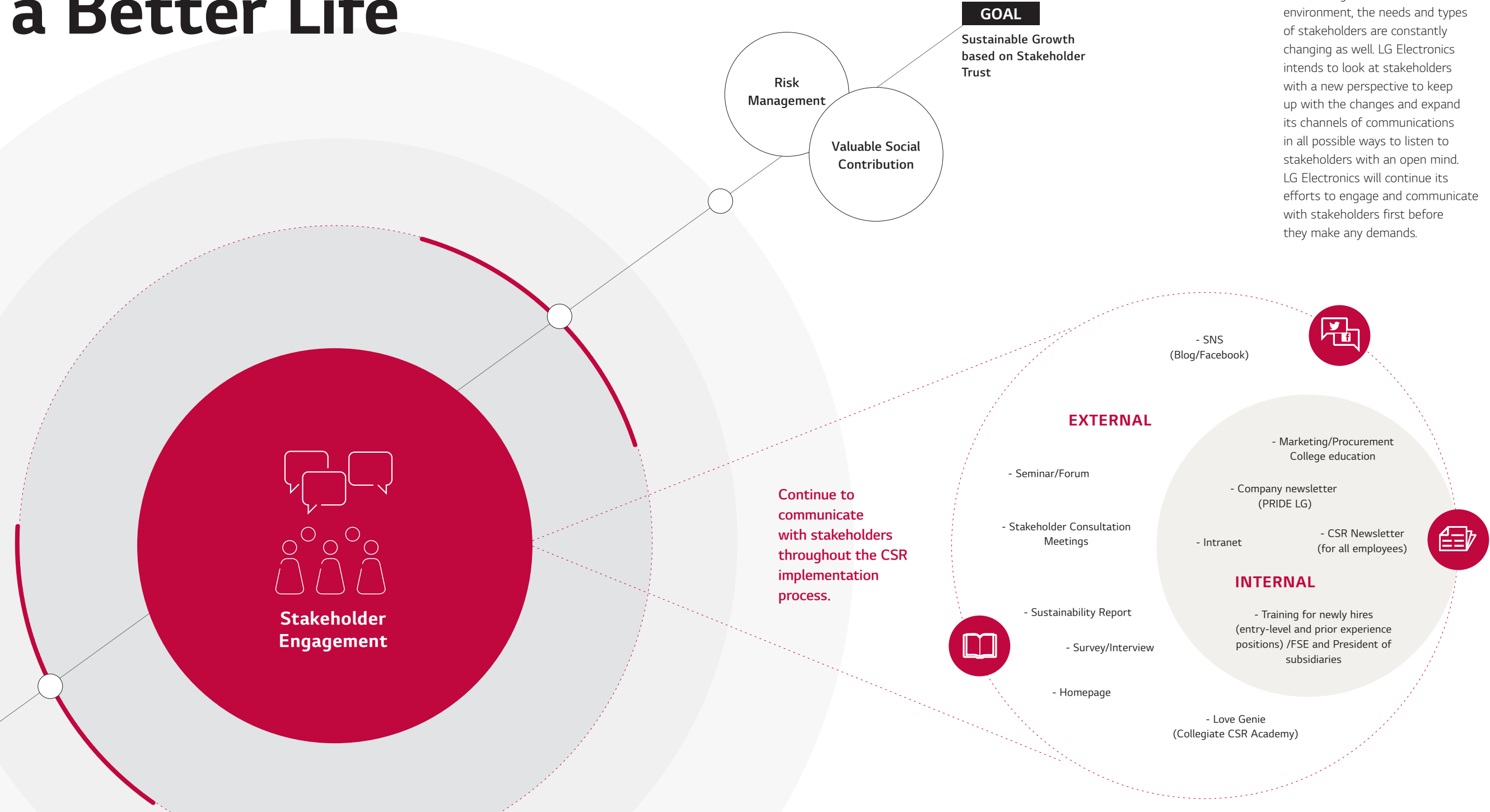
It is difficult to predict how much of innovative changes the Fourth Industrial Revolution will bring in different areas. This makes it all the more important to be well-prepared for the future across areas such as AI, robotics, and the IoT as well as for AR/VR, drones, and autonomous driving. It will become virtually impossible for a business to enjoy a sustained success on its own because the convergence of technology will become a pervasive force. In order to thrive in this new business environment, businesses need to pursue collaborative partnerships with research institutions from various fields, academia, and start-ups. LG Electronics will become more active in its pursuit of open innovation based on collaboration. This will help LG Electronics acquire core future technologies and drive changes in workstyle, which in turn will help us strengthen our existing businesses, while prepare ourselves thoroughly to discover new drivers for future growth.

2 Communication for a Better Life

→ TODAY

Stakeholders are the top priority in LG Electronics' sustainability management system. This is because LG Electronics is a member of an organic ecosystem called society, and stakeholders are the earth that helps LG Electronics to grow healthy and thrive in the ecosystem. LG Electronics aims to be a sustainable company that stakeholders can trust. To this end, LG Electronics is expanding communications with internal and external stakeholders in various ways.

CSR Change Management



! TOMORROW

With changes in the business environment, the needs and types of stakeholders are constantly changing as well. LG Electronics intends to look at stakeholders with a new perspective to keep up with the changes and expand its channels of communications in all possible ways to listen to stakeholders with an open mind. LG Electronics will continue its efforts to engage and communicate with stakeholders first before they make any demands.



3 Cooperating toward a Better Life for All

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Technology that Cares




TODAY

LG Electronics' vision is to become a responsible company to the society by "cooperating toward a better life for all." With this in mind, LG Electronics is putting efforts to solve social issues in all of the countries where it operates in a sustainable way as a true partner. LG Electronics' corporate contribution to the society branches out in three ways. The first one is "Technology that Cares" that adds value to life so that everyone can enjoy a better life; the second one is "Trustworthy Partner" which means communicating with stakeholders; and the third one is "Sharing and Comfort" which means pursuing better lives of many neighbors with the help of sincere participation of employees.

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Trustworthy Partner




TOMORROW

LG Electronics strives for "Social Contribution Worthy of Its Name," which refers to the way of social contribution that reflects LG Electronics' commitment for a better life and the way that LG can excel by leveraging its strengths. LG Electronics' social contribution is, therefore, focused on creating more social value through "Technology that Cares" and "Trustworthy Partner" by selecting areas where LG Electronics can excel. Through these efforts, LG Electronics will strive to realize its slogan, "Life's Good with LG," in every corner of the world.

1. Technology that Cares ——— LG Solar Power Station

LG Electronics operates "Technology that Cares" programs to provide differentiated value to the local community, leveraging products and technologies related to its business. As part of such effort, it installed solar power charging stations in remote villages in Ethiopia, Pakistan, Cambodia, and Sri Lanka. It also operates emergency relief programs using mobile phones. LG Electronics will continue to make use of its products and technologies to enrich the lives of more people.

2. Trustworthy Partner ——— LG Hope Screen

LG Electronics pursues community-focused corporate contribution activities in order to solve community issues effectively. These initiatives are carried out together with experts from various stakeholder groups such as international organizations, NGOs, academia, etc. by forming partnerships built on trust. Going forward, LG Electronics will continue to work harder to resolve community issues by strengthening cooperation based on trust between LG Electronics and its stakeholders.

3. Sharing and Comfort ——— World Environment Day Campaign

To fulfill its social responsibilities as a corporate citizen in all countries where it operates, LG Electronics is actively practicing "Sharing and Comfort" so that employees actively take part on a voluntary basis. In addition to environmental protection initiatives organized in celebration of World Environment Day, our employees participate in global blood donation campaigns and volunteer to help those in need. LG Electronics' social contribution initiatives driven by its employees will be expanded as LG Electronics strives to become a trusted and respected member of the local community.

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Sharing and Comfort




01

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Management Philosophy

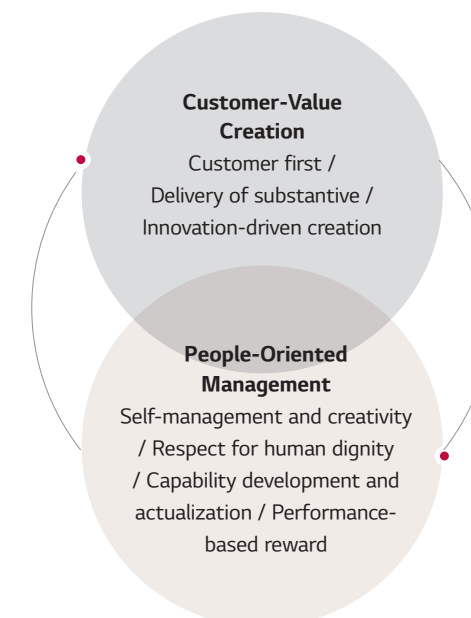
LG Way

The LG Way articulates our belief in attaining the vision of becoming "No. 1 LG" through "Customer-Value Creation" and "People-Oriented Management," the guiding principle for our thoughts and actions, as we stay true to the spirit of "Jeong-Do Management" in our everyday practice.



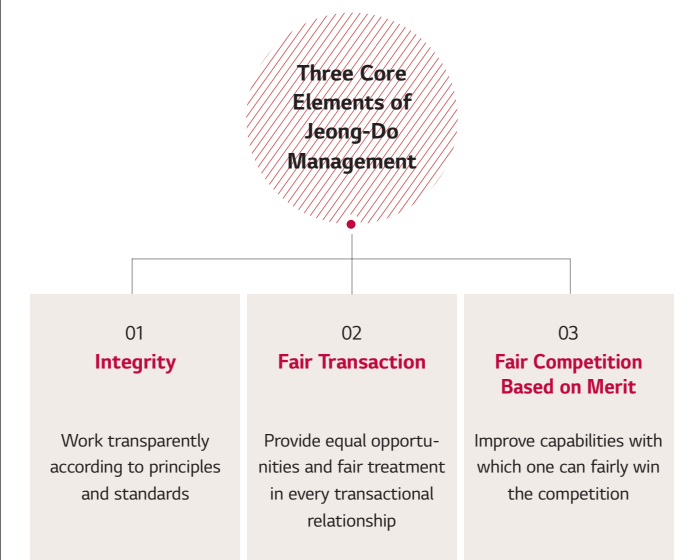
Management Principles

Our management principles are comprised of "Customer-Value Creation," which conveys our business objective, and "People-Oriented Management," our operational principle.



Behavioral Mode

Jeong-Do Management expresses our commitment for strengthening our fundamental competitiveness continuously and competing fairly as we base our professional conduct and business practices on the ethical management standard articulated by Jeong-Do Management.





To stay as a company capable of sustainable growth in the future, LG Electronics aims to become “No. 1 LG that customers truly desire, unfaltering in spite of whatever crisis it is faced with, and will endeavor to implement sustainability management more systematically in all its management activities.

Message from the CEO

To our valued stakeholders:

This year is meaningful as LG marked its 70th anniversary. For the past 70 years, LG Electronics has been leading innovation within LG group and raising brand value by putting its customers first and standing by LG’s founding spirit of entrepreneurship. In order to continue to achieve sustainable growth, we aim to become “No. 1 LG that customers truly desire, unfaltering in spite of whatever crisis it is faced with.” And we will strive to implement sustainability management more systematically across our management activities. In particular, LG Electronics intends to focus on three initiatives so that it can fulfill its role of promoting health throughout the market as well the society as a healthy company on its own.

First, we will take “Profitable Growth” as an important pillar of our business in order to build a firm foundation for sustainable management. We are convinced that only through profitable growth can a company go beyond survival and keep on advancing year on year and accordingly we will dramatically improve the basic competitiveness of our business in a “complete different manner,” and we will shift our business method to generate profits by developing flagship products that bring new value to consumers, as well as further promoting premium brands.

We will link smart businesses to prepare for the future - such as IoT, big data, Artificial Intelligence, and Cloud businesses - with existing ones to advance them into new paradigms of business such as a robot business and we will also promote them as new future growth engines. In addition, we will actively utilize smart

technology to gain a world-class manufacturing competitiveness by applying smart technology in production and manufacturing equipment as well.

Second, we will manage our businesses taking “Quality” and “Safety,” which are the most basic and important promises with our customers as a pillar of our business. We will always keep in mind that quality is the most basic and absolute commitment to building trust with our customers, taking the lead in establishing first-class quality and safety by engaging all our employees, and we will also encourage our suppliers to follow suit.

Finally, we will internalize and settle the ‘Winning Spirit to become No. 1’ and ‘Smart Working Culture.’ We believe that we have established our commitment to seeing the finish line of anything, whatever it takes, once we started off, and this passion and thirst for success is what I believe is the foundation of becoming No. 1.

Also, in the process of transformation, all of our employees will thoroughly stick to Jeong-Do management, which creates performance through fair competence, not expedient or luck by change. Only with these efforts given as a basis can LG Electronics take off as a company that is advanced year on year and respected by the society.

LG Electronics will continue to grow with our customers through our journey of change, fulfill its social responsibilities as a global corporate citizen, and will be a company that can present the hope and vision for the future as a stepping stone for growth for our employees.

We look forward to your continued support and interest.

Thank you.

May 2017
Vice Chairman and CEO
Seong Jin Jo

Management Messages



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

LG Electronics has had a profound impact on the lifestyle and culture of our lives through home appliances. I think we now need to focus on the value that robots are bringing to us. Robots go beyond simply providing technological convenience and create new value by communicating with modern people in their everyday life. Technological trends and social trends are combined to create enormous synergies. Technological development is important in creating value even without manufacturing, but I think paradigm shift is more important than anything else. I believe the role of LG Electronics is to continuously experiment with new perspectives based on LG's founding spirit, check whether it is acceptable to consumers, and present lifestyles and culture of our lives.



Vice President **Charlie Park**
CHO (Chief HR Officer)

LG Electronics' management philosophy is "creating customer value through management based on respect for humanity" and respect for humanity means giving the members of our organization the opportunity to demonstrate their abilities on an equal footing and giving talented individuals the best compensation for demonstrating outstanding performance in their work. Such management will guide the members of our organization to fundamentally improve our customers' life by pioneering innovation based on creative thinking so that ultimately, we can be a company that is loved and respected by members of the society. We are well aware that each and every one of our members is an important asset not just to the company, but to our society and the country. With that in mind, we will keep making efforts to make sure that each member can maximize their potential, grow with the company, and enrich not only their lives but the overall quality of life of the society.



Executive Vice President **Brian Na**
Global Sales & Marketing Officer

Today, there are a growing number of stakeholders who assess corporate social responsibility. LG Electronics not only complies with laws and regulations in various countries around the world, but also focuses on developing products that enable consumers to use LG Electronics products safely and with convenience. In addition, LG Electronics will fulfill its social responsibility by especially paying attention to safety, regulatory, and environmental issues to prevent occurrence of negative issues and to contribute to further advancement of human dignity.



Executive Vice President **Ho Geon Hwang**
B2B Officer

Despite differences depending on countries, the environmentally friendly demands such as Smart Life and Smart Energy are growing and increasingly becoming an important business agenda item. We believe that all of LG Electronics' businesses related to its smart technology development and energy efficiency are in line with the social needs in themselves. The DNA of the business itself forms an axis of the social responsibility, and the area of the social responsibility is gradually expanding to the global level. Rather than being complacent with being a company that sells products, LG Electronics is becoming a company that not only provides comprehensive solutions in areas of smart and eco-friendly business, but also provides services all the way to end customers.



Executive Vice President **Choong Hak Lee**
Business Support Officer

In order to fulfill its corporate social responsibility based on communications with its stakeholders, LG Electronics is making an effort to become a company that betters human life by minimizing negative aspects while maximizing positive impacts through business activities. In particular, we are managing the 'Environment, Health and Safety' for the protection of the local community and workers in accordance with international standards throughout the entire value chain. In addition, we strive to contribute to the achievement of UN Sustainable Development Goals through valuable social contribution activities for the betterment of the local and the global communities.

Who We Are

LG Electronics is a global leading innovator and provider of electronics, mobile communications devices and home appliances, and conducts its operations through four business companies: Home Entertainment (HE), Mobile Communications (MC), Home Appliance & Air Solution (H&A) and Vehicle Components (VC). LG Electronics has been sparing no effort in advancing its business and technology portfolios following the three strategic directions: enhancing our position in the premium market, accelerating the shift to B2B operations, and securing drivers for future growth. LG Electronics made changes to its management structure in December 2015 and adopted a group leadership structure to empower business companies and strengthen accountability. In December 2016, LG Electronics readopted the one-CEO management structure to facilitate fast response to ever changing business conditions and effectively align the executional strength of our organization.

CORPORATE PROFILE (AS OF DECEMBER 31, 2016 / CONSOLIDATED)

Name	LG Electronics Incorporated
Location of Headquarters	LG Twin Towers, 128 Yeoui-daero, Yeongdeungpo-gu, Seoul, Korea
Industry	Manufacturing
Major Products	TV, Home Theater System, Mobile Handset, Laptop Computer, Refrigerator, Washing Machine, Cooking Appliance, Built-in System Kitchen Appliance, Vacuum Cleaner, Health Care Appliance, Air Conditioner, Monitor, Automotive Navigation System, Stereo System, Video System, Security System, Commercial Display, etc.
President	Seong Jin Jo
Date Established	October 1, 1958
Number of Employees	75,150 (37,912 in Korea and 37,238 overseas)
Total Assets	KRW 37,855.3 billion
Total Liabilities	KRW 24,498.5 billion
Credit Rating	Korea: AA (Stable), S&P: BBB (Negative), Moody's: Baa3 (Negative)
Number of Shareholders	186,629
Sales	Parent: KRW 28,743.2 billion Consolidated: KRW 55,367.0 billion
Operating Income	Parent: KRW -290.5 billion Consolidated: KRW 1,337.8 billion



CORPORATE HISTORY

1958-1999

An Innovative Start

1958	Establishes Gold Star, now LG Electronics, giving birth to Korea's electronics industry
1959	Introduces Korea's first radio, the first of the many delights to be delivered by LG Electronics
1965	Introduces Korea's first refrigerator
1966	Introduces Korea's first Black & White TV
1978	Exceeds USD 100 million in exports
1982	Establishes an overseas production base in Huntsville (U.S.), a first for a Korean company
1995	Rebrands the company to LG (Renaming and CI renewal)
1999	Officially launches LG-Philips LCD

2000-2009

Global Brand LG

2005	Takes the lead in the U.S. drum washing machine market
2008	Develops the world's first LTE mobile modem chip
2009	Becomes the world's second largest LCD TV brand

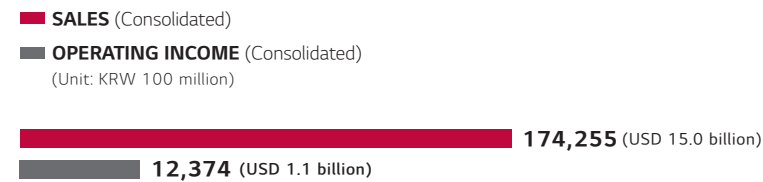
2010-PRESENT

Faster and Smarter

2011	Introduces the Cinema 3D Smart TV, masterfully integrating the 3D TV technology and smart TV features
2012	Introduces the world's largest 84-inch UHD Cinema 3D Smart TV
2013	Introduces a wide range of easy and convenient smart devices and appliances; Launches the Vehicle Component business company
2014	Introduces the world's first 4K OLED TV and the Web OS Smart TV; Introduces the G3 Smartphone with the Quad HD display
2015.03	Completes the Haiphong Campus in Vietnam. Expected to grow into a global production hub by 2028.
2015.06	LG technologies are included in the "70 Major Scientific and Technological Achievements" organized by the Ministry of Science, ICT and Future Planning in celebration of the 70th Anniversary of Independence. (GoldStar Radio A-501, GoldStar Black & White TV, lithium-ion battery, LCD backlight film, the new global medicine Factive, and linear compressor technology)
2015.07	Introduces the TROMM Twin Wash The Ultra OLED TV (65EG9600) is named the "King of TV".
2016.01	LG drum washing machine remains the bestselling washing machine model in the U.S. market for nine consecutive years.
2016.03	Launches LG SIGNATURE, an ultra-premium home appliance brand. Concludes the annual collective bargaining and wage negotiations without dispute for the 28th consecutive year.
2016.07	Gram 15 sets a Guinness World Record for the lightest laptop model.

What We Do

LG Electronics is successfully building a high-end brand image by further strengthening its leadership in OLED TV and continually enhancing its fundamentals, while leading the popular market expansion of UHD TVs with affordable models. We will continue to build up our position as a premium brand with improved product mix and cost competitiveness to strengthen our profit base.



Portion of Sales

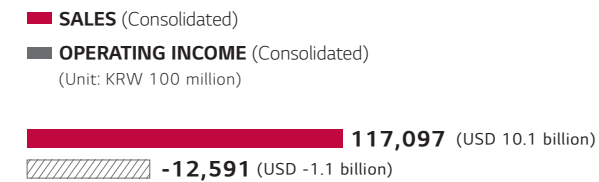
31.5%

Management Message

LG Electronics will continually expand its premium product portfolio with OLED products as the core driver, while being closely attuned to customer value. As part of such efforts, we are always exploring ways to align the best value sought by our customers and the best value that we can deliver, ultimately creating products that skillfully reconcile the two. At HE, we believe that it is time to prepare ourselves for the next 100 years and develop a vision that will sustain us through the next century. What we clearly understand is that it is ultimately the trust of our customers that will determine the sustainability of LG Electronics as a business in the future to come. We also understand that the sustainability of our business will be ensured when we remain faithful to fundamental values such as customer trust, people and emotional bond with our customers with a long-term perspective that spans ten to twenty years.

President, HE Company
Executive Vice President - Bong Seok Kwon

Our mobile communication business strives to deliver singular products by merging our superior technology with exquisite designs and innovative ideas, continually enhancing customer value. In the second half of 2016, we actively implemented initiatives for streamlining our business structure as a foundation for a successful turnaround in mobile handsets.



Portion of Sales

21.1%

Management Message

At MC, we are keenly aware of the fact that smartphones have become an integral part in our customers' waking life. Based on this recognition, we place a particular emphasis on details that ensure customer safety and convenience such as product safety, screen quality, battery quality, heating issues and single-hand control. In line with these efforts, we are committed to product stewardship and spare no effort to make our slogan, "Let's make products that we can proudly recommend to our loved ones with full confidence," a reality. In addition, we fully embrace responsible sourcing as our standard business practice as well as our basic social responsibility. For instance, we have considered using a process that enables a slimmer design in the process of developing the G6. However, we gave up on that option because nickel was used in the process and changed our design for the product model.

President, MC Company
President - Juno Cho

HE (Home Entertainment)



MC (Mobile Communications)



— LG Electronics is fast-emerging as the global premium home appliance brand with high-end product offerings that merge our superior technology and cost competitiveness such as LG SIGNATURE. Our air solution business is also posting strong performance and leading the market thanks to our highly productive global production network that serves as a strong foundation for our technological leadership and product competitiveness.

■ SALES (Consolidated)
 ■ OPERATING INCOME (Consolidated)
 (Unit: KRW 100 million)



Portion of Sales

31.1%

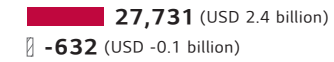
Management Message

At LG Electronics, our foremost mission is to deliver greater comfort to people of the world and enrich their lives. Our mission not only predefines the customer value that we should strive to deliver but also defines the path that leads us faster to the important milestone. In this sense, we believe that our responsibility to our customers is to scrupulously fulfil our social responsibility as a corporate member of society. Based on this conviction, we spare no effort to help our society to grow in tandem with LG Electronics, and take this mission seriously.

President, H&A Company
 President - Dan Song

— Leveraging our organizational experience and capability in mobile communications, LG Electronics is leading in-vehicle LTE solutions and expanding our market leadership in global telematics markets, while working continuously to deliver singular products in automotive displays, stereos and navigation systems through group-wide collaboration. Going forward, the VC company will make an overarching effort to expand its EV component business, building on the momentum created by the mass production of components for GM's Bolt EV commenced in the second half of 2016.

■ SALES (Consolidated)
 ■ OPERATING INCOME (Consolidated)
 (Unit: KRW 100 million)



Portion of Sales

5.0% (etc. 11.2%)

Management Message

Changes in the automobile market are creating opportunities for LG Electronics. The market transition from conventional cars to EVs require technologies such as display, camera, UX and motors, what we already have, and superior engineering capability to integrate these technical elements, again what we already have. LG Electronics pursues strategic partnerships that transcend conventional client-supplier relations, and proposes to pioneer new markets together. LG Electronics will offer new ideas and implementable technologies, and together with our strategic partners, develop products that incorporate customer feedback to deliver new customer value. Through this innovative approach, we will make a clean departure from conventional customer-supplier relationships and become true "Innovation Partners" for sustainable and shared growth.

President, VC Company
 President - Woo Jong Lee

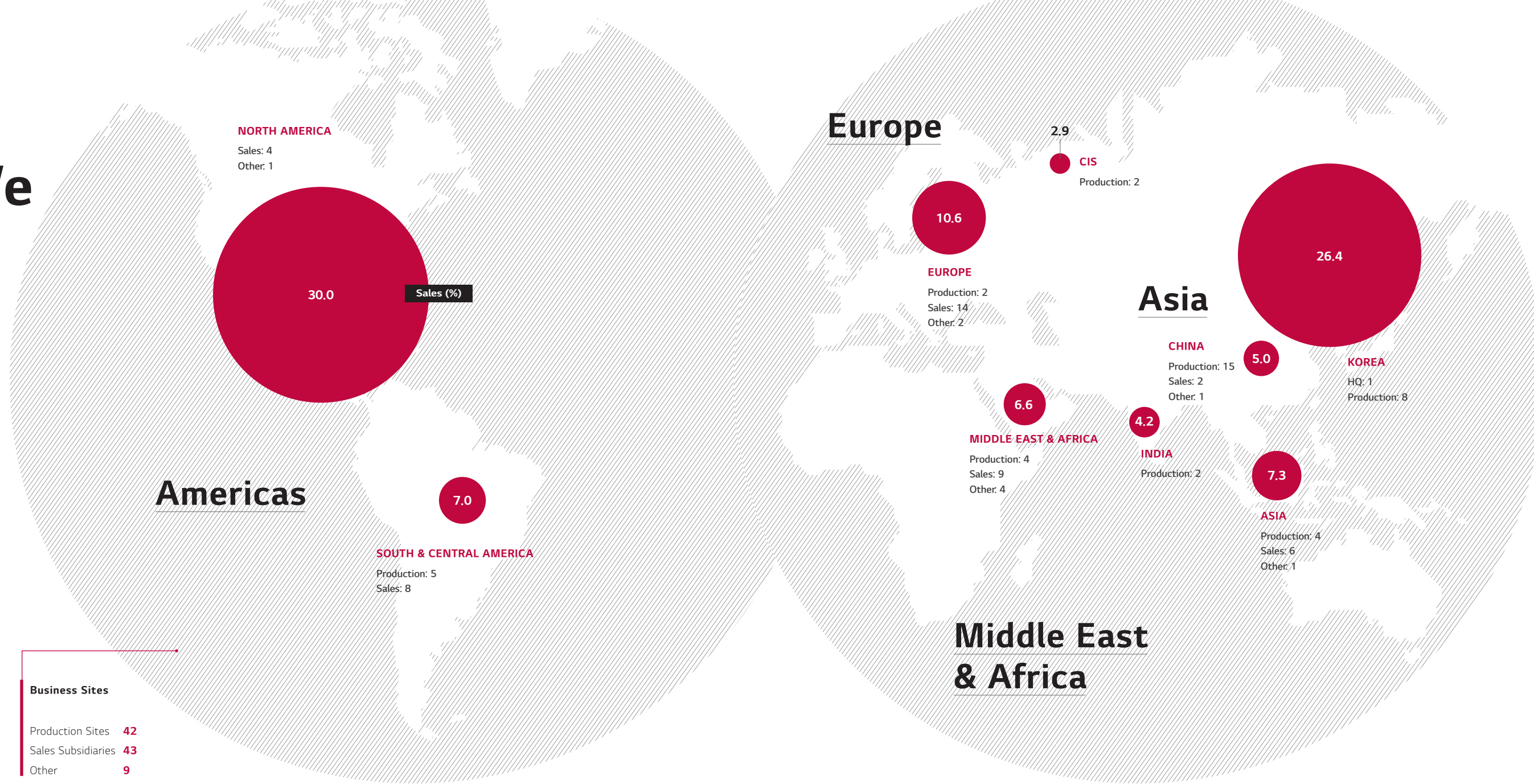
H&A (Home Appliance & Air Solution)



VC (Vehicle Components)



Where We Operate



Business Sites

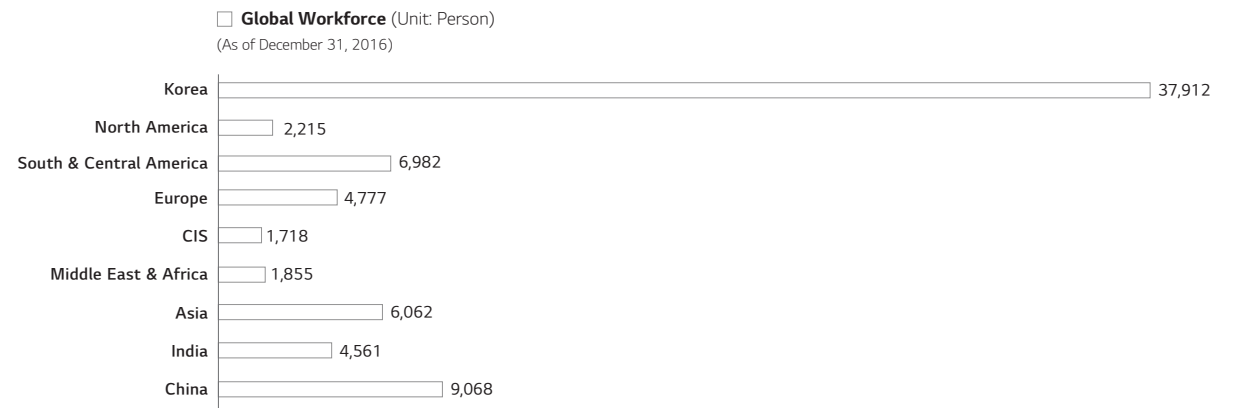
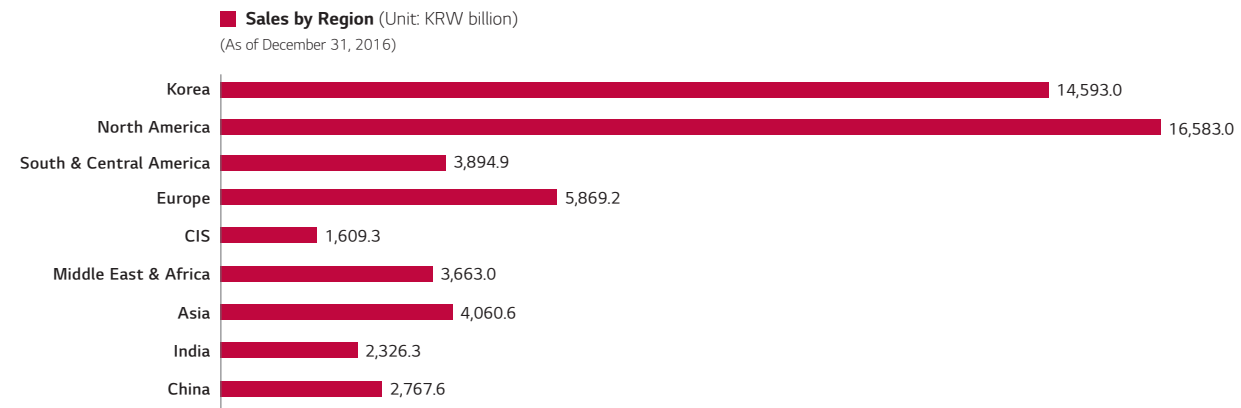
Production Sites	42
Sales Subsidiaries	43
Other	9

Total Sales
(Unit: KRW billion)

55,367.0

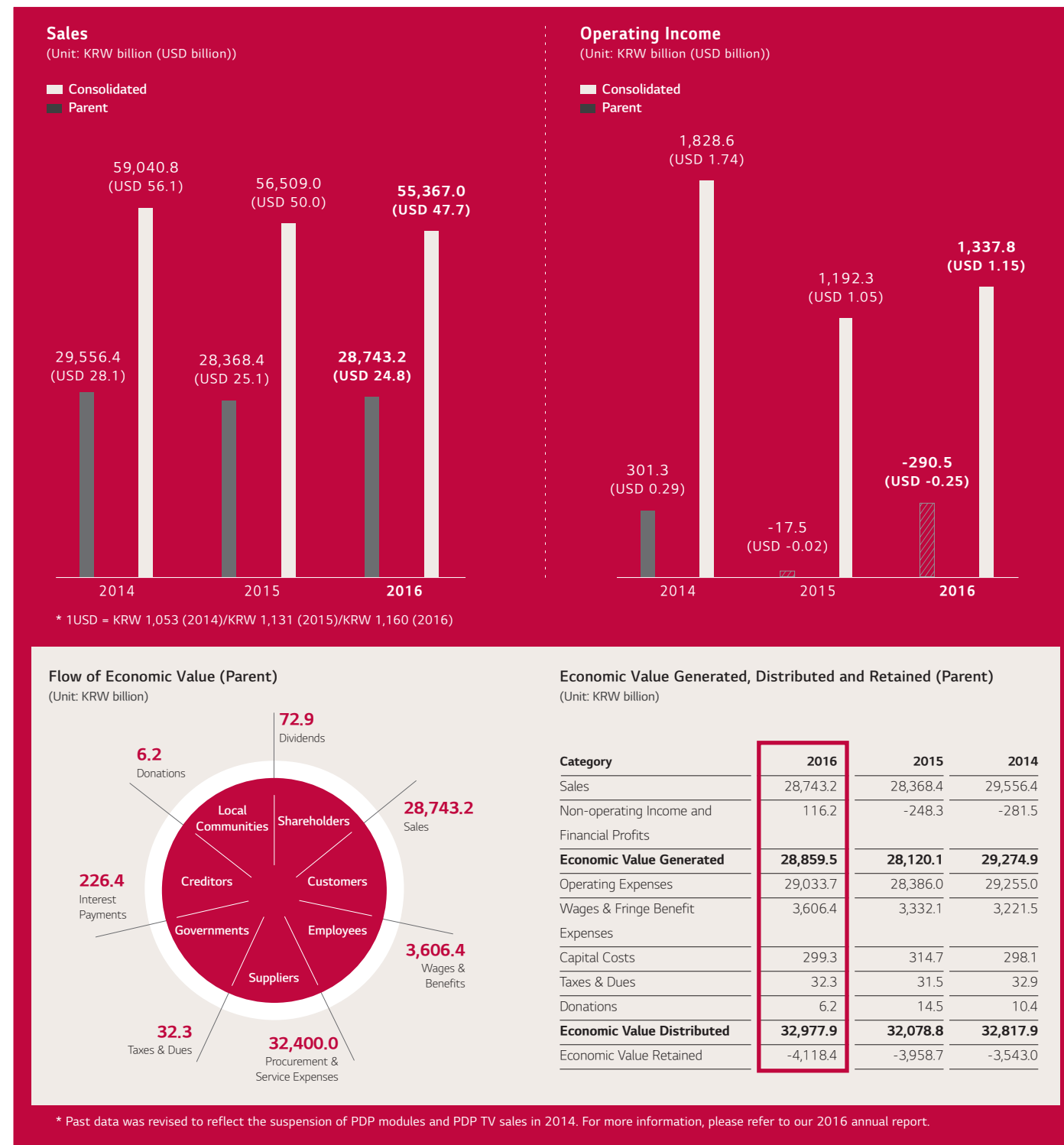
Total Number of Employees

75,150



What We Achieved

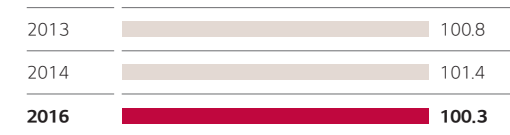
Financial Performance



Non-financial Performance

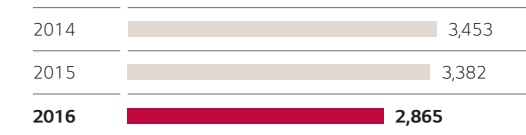
Customer

Global CSI (Customer Satisfaction Index) (Unit: points)



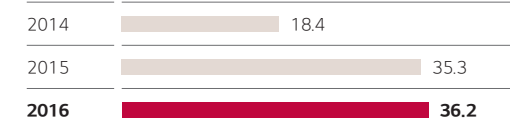
* Conducted on a bi-annual basis.

In-class Quality Training (Unit: person)

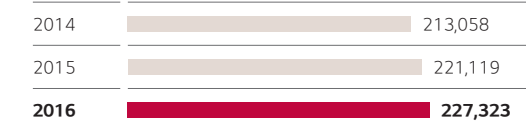


Environment

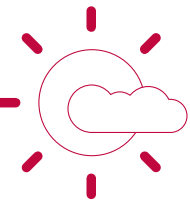
GHG Emissions Reduction from the Production Stage (Unit: 10K ton CO₂e)



e-Waste Collection (Unit: ton)

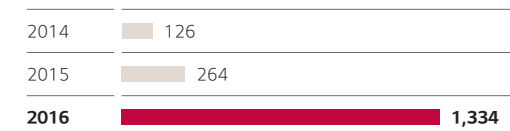


* 2015 figures are updated.

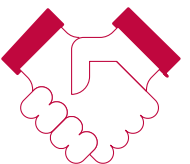
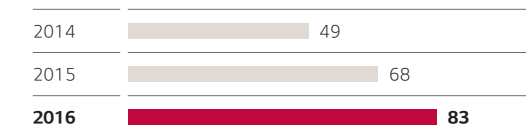


Supplier

Supplier Self-Assessment (Unit: EA)

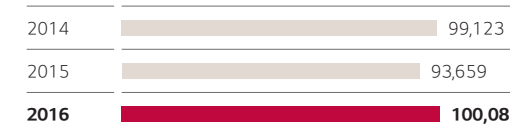


Percentage of Smelters Certified as Conflict-free



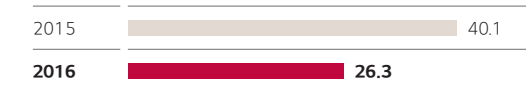
Community

Number of Employees participating in Social Contribution Initiatives

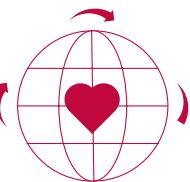


* Figures were revised following the changes to our data collection and aggregation standards.

Donations (Unit: KRW billion)

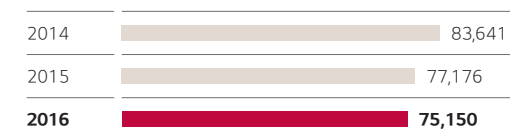


* Charitable donations by our overseas subsidiaries have been included since 2015. (Percentage of charitable donations decreased due to a decline in spending on one-time events.)

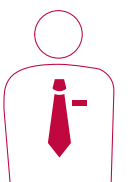
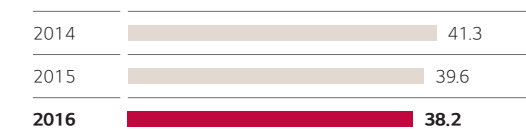


Employee

Number of Employees



Training Costs (Unit: KRW billion, Korea)



CSR Management

Corporate Social Responsibility as Practiced by LG Electronics

LG Electronics is committed to fulfilling its responsibility as a corporate citizen, earning the trust and respect of our customers and society in the process. Based on our management principles of "Customer-Value Creation" and "People-Oriented Management," LG Electronics strives for sustainability management that takes into consideration the society, environment, and economy in a holistic and balanced manner. LG Electronics respectfully complies with the Universal Declaration of Human Rights, the International Labor Organization (ILO)'s Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, and the OECD Guidelines for Multinational Enterprises, as well as the most rigorous international standards for sustainability management, including the guidelines prescribed by the SASB (Sustainability Accounting Standards Board) and the ISO 26000 Social Responsibility Standard. We are also in full compliance with the UN Global Compact and the EICC Code of Conduct, and regularly revise our sustainability management policies, as well as our internal standards and processes, to ensure their conformance with international standards and customer requirements. As part of our ongoing initiatives to reduce supply chain CSR risks, we incorporated CSR requirements into our regular and ad-hoc supplier assessment in 2016, and established the Supplier Code of Conduct Guidelines in 2017.

Let us strive to become a company respected by customers and society. If we fail to earn the trust and respect of society, we fail to achieve sustainability as a business, even if we have in place an advanced business structure and management system. Each and every action we take should be aimed at making our customers' lives better. In addition, we need to further ensure transparency in our business management to honor the trust bestowed by investors and society, and become the first to extend a helping hand to those in need.

2017 New Year Speech by Bon Moo Koo, Chairman of LG Corp.

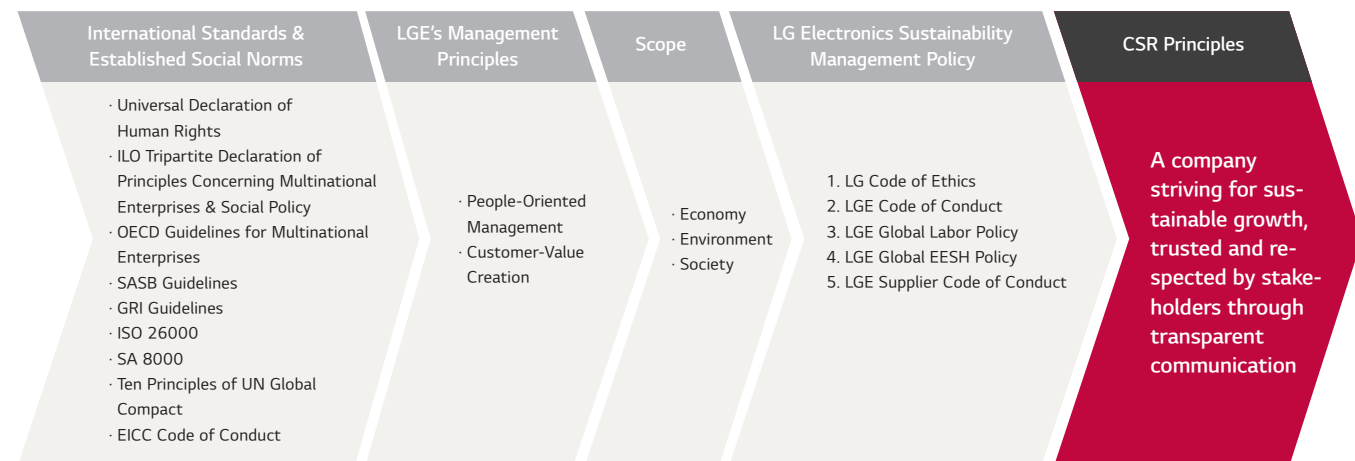
Integrated Management of CSR Initiatives

As part of our efforts to ensure that our commitment towards corporate social responsibility creates profound and consistent impact, LG Electronics engages in a broad range of initiatives to integrate CSR into our business management and everyday business practices. First, LG Electronics runs a wide range of employee CSR awareness programs. Our training programs consist of position-specific courses targeting new hires (entry-level and prior experience positions), FSE candidates and subsidiary presidents, and job-specific training courses such as the Procurement College for procurement staff, the Win-Win Growth Management College for employees from our suppliers, and workshops for procurement staff based overseas. We also employ training materials tailored to different training targets such as latest cases and videos to increase the effectiveness of our training. For instance, we use case-based training materials and open discussions for new hires with prior experience to increase the practical implications of the training. Additionally, we use the biweekly CSR newsletter and employee message board to share the latest CSR trends, while operating a volunteering information board to promote employee participation in social contribution initiatives and share our performances. Second, we have established a system that facilitates multi-department collaboration based on the recognition that CSR requires involvement and efforts across the board. LG Electronics has in place the Sustainability Management Council (Executive Council and Working-level

CSR Training (Unit: person)

Category		2016	2015	2014
Offline	Position-Specific	1,253	2,052	989
	Job-Specific	371	334	336
Online	-	478	557	463
Total		2,102	2,943	1,788

LG Electronics CSR Principles



CSR Staff Council) comprised of executives in charge of CSR issues and working-level staff from the related departments (the CSR team, the HR team, the ethics bureau, the environment & safety team, the procurement team, etc.) The executive council convenes on an annual basis, while the staff council meets on a semiannual basis to review our progress and performances. Through the council, LG Electronics compiles improvement initiatives at the beginning of the year, and develops corporate-level programs. In 2016, we selected a total of thirteen improvement initiatives, completing 100 percent of them (as of April 2017). At the staff council, we discuss and decide on stakeholder requirements requiring multi-departmental efforts, including those from customers, while delegating the issues that require executive decision-making, such as system improvements, to the executive council convened in the second half of the calendar year. In 2017, the compliance team will join the staff council to support effective response to growing compliance requirements. Third, the CSR team participates in corporate-level and organization level management meetings to brief top management on emerging CSR risks and present cause-marketing programs, which takes advantage of our products and technologies to address local community issues to achieve both economic and social values. LG Electronics established CSR as part of the official duty of the Board of Directors and briefs the board members on important CSR issues as part of our efforts to align our social contribution initiatives and management direction. In December 2016, the board was briefed on trends in CSR regulations and our new social contribution framework that reflects the United Nations Sustainable Development Goals (SDGs).

Stakeholder Engagement

LG Electronics strongly believes that trust is a basis for mutually respectful relationships. As part of our efforts to earn the trust of our stakeholders, LG Electronics carefully listens to the voice of our stakeholder and ensures transparency in our communication. Our stakeholder groups are: shareholders, investors, assessment agencies, consumers, the media, customers, suppliers, employees, industry peers,

academia, opinion leaders, local and central governments, NGOs, and international organizations. LG Electronics employs a broad range of communication channels, creating customized messages and carefully selecting the most effective channel for each of our stakeholder groups. Stakeholder requirements collected through these channels are addressed in a timely manner through collaboration with related departments.

If our stakeholders such as NGOs, media outlets and investors request confirmation on emerging issues, LG Electronics discloses the information transparently following the appropriate procedures. Through these communication efforts, we were able to build healthy and collaborative relationships with NGOs. In 2016, LG Electronics responded to requests made by NGOs such as KTCN Watch, Amnesty International, CEREAL, SOMO and Greenpeace. Our communication with these NGOs helped us collect their opinions on CSR risks at our production locations and suppliers, based on which we identified improvement initiatives and required implementation.

In order to facilitate interactive stakeholder communication, we actively use social networking services, including our official social network accounts and the "Social LG Electronics" website, as an effective interactive communication channel for introducing LG Electronics' sustainability initiatives and receiving stakeholder feedback.

Taking advantage of our diverse stakeholder communication channels, LG Electronics will continue to make a wide range of efforts to communicate our sustainability management initiatives to external stakeholders and seek their feedback. In 2017, as part of our efforts to promote engagement with B2B customers, we plan to actively support training and collaboration initiatives aimed at enhancing the CSR awareness and capability of our B2B sales staff, one of our key contact points with our B2B customers.

Stakeholder Communication

Stakeholder Group	Communication Strategy
Shareholders, Investors & Assessment Agencies	Receive feedback on how to improve our sustainable management by disclosing and assessing our CSR initiatives.
Consumers & Media	Receive feedback on every stage of the product life cycle and promote sustainable consumption.
Customers	Comply with their CSR requirements and collaborate on developing products that address social issues.
Suppliers	Provide CSR consulting and support for CSR risk management and voluntary CSR training.
Employees	Raise CSR awareness and promote voluntary participation through training and promotion programs.
Industry Peers	Benchmark best practices, collaborate, and form a cooperative network (EICC) to address industry CSR issues.
Academia & Opinion Leaders	Receive feedback on how to improve our CSR initiatives and conduct joint research.
Central & Local Governments	Comply with laws and regulations, and support policies.
NGO & International Organizations	Contribute to resolving community issues through partnerships based on technologies that care.

Organization Chart for LG Electronics CSR & Sustainability Management



Stakeholder Consultation on CSR

Stakeholder Consultation on CSR

In 2010, LG Electronics initiated Stakeholder Consultation on CSR to obtain the valuable opinions of stakeholders and experts, and incorporate them into our business and sustainability management. To address the expectations of diverse stakeholder groups, our stakeholder consultation touches upon all aspects of CSR—including labor rights, environmental protection and community issues—and invites experts from government agencies, academia, NGOs and international organizations for their insight. Our executives also attend consultation sessions that cover the issues under their purview to hear expert opinions, and participate in discussions to shape the future of our sustainability management. This semiannual consultation has been held 13 times to date, and over 90 experts from various professional fields have participated.

Key Takeaways from 2016 Stakeholder Consultation

In 2016, LG Electronics convened the stakeholder consultation session twice, once in Korea and once in the U.S. In celebration of the tenth anniversary of our sustainability report, the 12th Stakeholder Consultation on CSR held in Korea was designed to take stock of our sustainability management over the past decade and explore a roadmap for the next ten years. Organized in two tracks, the consultation session reviewed our progress and performance in the five material aspects of CSR management (customer, the environment, supplier, employee and community) in one track and facilitated the exchange of expert opinions on our stakeholder consultation and sustainability report in another.

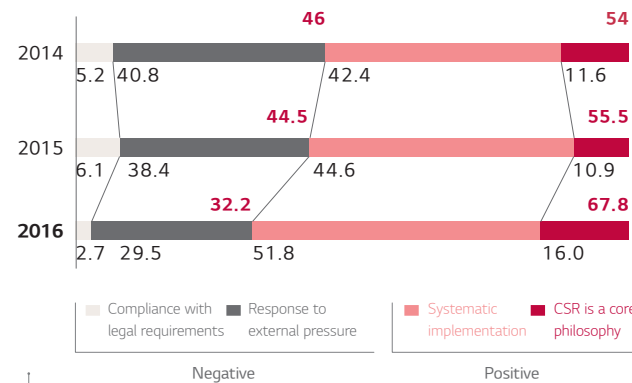
In conjunction with the consultation session, LG Electronics conducted an online survey to assess employee awareness on CSR and their perception of our progress and performance in this area. The results indicate that 67.8 percent of the employees gave positive responses to the progress we have made over the past ten years. Furthermore, 16.0 percent also believed that CSR had become one of the core values that constitute our management philosophy. A majority of the respondents most positively evaluated our progress in “transparency in internal and external communication” and “continuous increase in employee participation in social contribution initiatives.” Our employees, however, found our CSR initiatives lacking in “longer term strategy and effective implementation system.”

Future Direction

LG Electronics will continue our stakeholder consultation on CSR. In 2017, we plan to seek expert opinions to explore our responses to newly emerging stakeholder expectations on a global scale, including businesses’ role in meeting the United Nations’ Sustainable Development Goals (SDGs). Environmental issues, one of our key sustainability management areas, are another topic that we plan to discuss at this year’s stakeholder consultation. Opinions collected through stakeholder consultation are carefully reviewed and drafted into our improvement plan through discussion with related departments. The final plan is then incorporated into corporate-level action items and presented to the sustainability management council and the board of directors before implementation.

Employee Survey on the Past Ten Years of LG Electronics’ CSR Management

01 How do you rate LG Electronics’ CSR management over the past ten years? (Unit: %)



Compared to our past surveys (2010-2012), positive responses have increased and negative responses decreased.

+13.8

Our employees maintained the position that our CSR management should evolve from responding to external pressure to implementing initiatives based on a longer-term strategy.

02 What is the greatest achievement over the past ten years in CSR management? (Unit: %)

Aspect	Korea	Overseas
1. Continuous increase in employee participation in social contribution initiatives	22.8	21.6
2. Transparency in internal and external communication	21.9	20.9
3. Recognition by external organizations	17.6	13.5
4. Reduction in GHG emissions and increase in high-efficiency products	15.7	15.9
5. Global implementation of the e-waste take-back service	12.7	13.2
6. Long-term strategy and effective implementation system	5	12.7

12th Stakeholder Consultation



Topic CSR Management at LG Electronics: Present and Future (October 31, 2016)

Moderator Min Gu Jeon (Director, BSI Group Korea)

Participants Jay Young Kang (Secretary-General, Korea Commission for Corporate Partnership), Soon Won Kwon (Professor, Division of Business Administration, Sookmyung Women's University), Chang Sub Kim (Director of Public-Private Cooperation, KDIICA), Hoh Kim (Founder, Head Coach & Lead Facilitator, THE LAB h), Chang Heum Lee (Environment Industry and Technology Division Director, Environmental Policy Office, Ministry of Environment)

Agenda
 ① A Review of LG Electronics' Achievements in CSR (including employee survey results)
 ② LG Electronics' Response to the Age of Risks: CSR and Organizational Resilience (Presentation)
 ③ LG Electronics and CSR Management – Shaping the Next Ten Years (Discussion)

13th Stakeholder Consultation



Topic Understanding the Accessibility Regulations in the U.S. & Stakeholder Feedback (November 29 to 30, 2016)

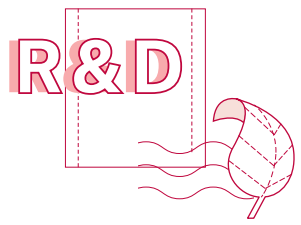
Number of Participants 29 (experts from local accessibility and disability organizations)

Agenda
 ① Our Product Compliance with the US FCC's Accessibility Regulations
 Legal Advice on Compliance with Accessibility Regulations + Advice on Enhancing Product & Service Accessibility
 ② Establishing Accessibility Service at the U.S. Customer Centers
 ③ Enhancing the System for Providing Information to B2B Clients

Key Inputs from 2016 Stakeholder Consultation on CSR & Our Progress

Discussion Topic	Feedback	Progress & Implementation Plan	Status	
12th	Customer	· Raise stakeholder awareness on LG Electronics' achievements in CSR	· Raise stakeholder perception through media campaigns including the sustainability report	Implemented
	Environment	· Engage in media promotions with an emphasis on preemptive initiatives (i.e. developing environmentally friendly products).	· Feature LG Electronics' achievements in environmental load reductions from the source phase on the sustainability report	To be implemented in 2017
	Supplier	· Develop a win-win growth plan for the Fourth Industrial Revolution (mutual growth powered by innovations).	· Develop the report content around LG Electronics' R&D support programs and industry-academia projects.	To be implemented in 2017
	Community	· CSR branding is required: Develop your message around the impact that CSR programs have created. · Build and maintain the image of social contribution programs that personify what LG Electronics stands for.	· Adopt result-based performance management for social contribution programs. · Develop a branding strategy for LG Electronics' social contribution programs.	To be implemented in 2017
13th	Employee	· Develop a comprehensive recruiting strategy for the Fourth Industrial Revolution. · Prepare to help older employees maintain and boost productivity in an aging society. · Create a corporate culture that promotes employee ideas and creativity.	· Establish a recruiting and HR development strategy to secure required talent (taking into account factors such as required skill sets, training and diversity). · Operate a life planning program for employees and health management support program for older employees. · Operate internal and external ventures and employee idea contests.	Implemented
	Compliance	· Legal advice on compliance with US FCC regulations on accessibility and advice on enhancing accessibility features	· In most part, LG Electronics satisfies compliance requirements, but some menu options and messages require revisions.	To be implemented in 2017
	System	· Enhance customer service in accessibility and the process for providing accessibility information to B2B clients.	· Plan to expand braille manuals to all products and services and conduct accessibility awareness training at service subsidiaries. · Enhanced the process for requesting and providing accessibility information.	Implemented

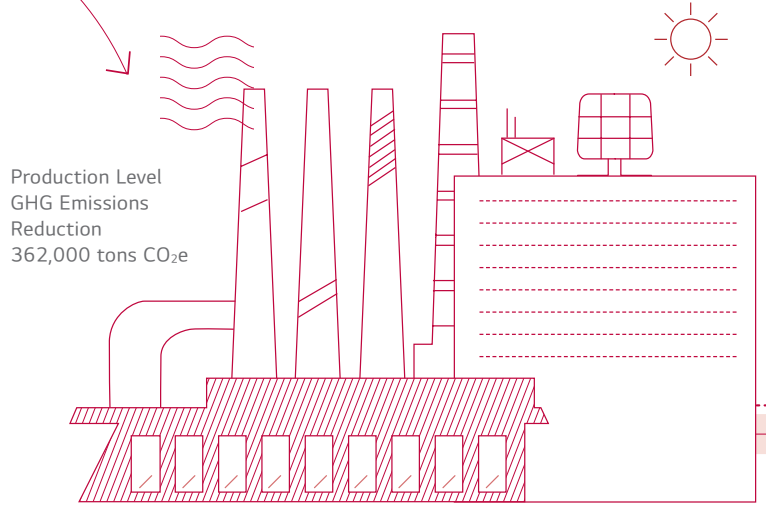
Responsible Management of Our Value Chain



Developing Eco-friendly/High Efficient Products & Products that Address Local Issues

- Research (Technology) & Development (Design)**
- Compliance with standards on hazardous substances (DfE)
 - Design for easy disassembly (DfD)
 - Development of products tailored to local needs (Supporting Issue Resolution)
 - Enhanced accessibility for senior citizens and people with disabilities

- Energy efficiency improvement for production facilities and equipment
- Implemented a solar power system to business locations. (generated 6,900 MWh in 2016)



Protecting the Human Rights of Workers & Ensuring Safe Working Conditions

- | | | |
|--|------------------------------------|---|
| <p>Lower-tier Suppliers</p> <ul style="list-style-type: none"> · Supplier CSR risk management (CSR risk assessment at 1,334 supplier locations & CSR audit at 40 locations) · Requires compliance with the Supplier Code of Conduct in the Master Purchase Agreement · Regular and ad-hoc supplier assessment (penalty involved) · Green supply chain management (GP Plus) · 161 supplier employees completing the Green Expert Program · Reduction of 1,300 ton GHG emissions through energy management assessment | <p>First-tier Suppliers</p> | <p>Production Sites</p> <ul style="list-style-type: none"> · CSR risk assessment at all 37 production sites (28 sites rated "Low Risk," completed 94 percent of improvement initiatives) · Age verification process (Strict prohibition of child labor) · Working hour management, etc. · EESH management at logistics and supplier locations · Industrial safety and health management |
|--|------------------------------------|---|

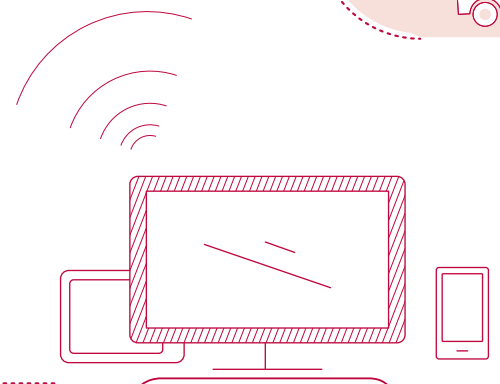
Smelters

- Use of 230 Conflict Free Smelters (CFS) (Use rate: 83 percent)

Mines

- Initiatives to address human rights issues at extraction sites (Active member of the EICC CFSI & RRM)

Responsible Sourcing



High Quality Products

- Products**
- No hazardous content
 - 517 ENERGY STAR-certified products (U.S.)
 - Extended product life

Green Logistics

- Reduction of **8.6 percent** packing materials
- Reduction of **8.7 percent** empty space from product packages



Customer Satisfaction through High Service Quality

- Customers (Consumers)**
- Average time required to complete service (overseas): 3.1 days
 - Rate of repeat service request (global): 4.8%
 - Customer satisfaction rate compared to competitors: 100.3 points



Disposal

- Compliance with the EU WEEE and local regulations

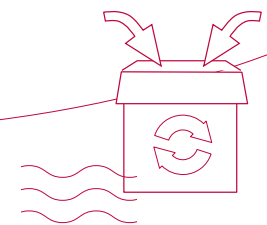
Responsible Disposal & Maximizing Resource Recycling

- Free e-Waste Take-back Service Offered at **83** locations across **50** countries



e-Waste

ECO



Use of recycled materials
5,302 tons of PCR plastics

Materiality Analysis

Materiality Analysis

In order to systematically manage CSR issues that our stakeholders find particularly important, LG Electronics performs a materiality analysis based on the Five-Part Materiality Test of AA1000SES, the international standard for stakeholder engagement. We identify material issues through a two-step process: First, we create an issue pool by carefully reviewing latest CSR trends in Korea and overseas, after which we perform an assessment based on stakeholder interest and impact on LG Electronics. Material issues, which are finalized after a review by the management and the assurer, are fully disclosed, along with a detailed review of our performances and future directions concerning these issues, in the sustainability report and the corporate website.

Materiality Analysis Criteria

The criteria for our material analysis are explored and selected based on industry international standards, stakeholder interest identified through stakeholder consultation and media analysis, social norms, short-term financial implications and internal policy, inquiries from external stakeholders and our responses, and management awareness. For our 2016-2017 analysis, we selected 37 issues in the following five areas: consumer, the environment, fair trade, community, and labor rights. We also took into account the 17 United Nations Sustainable Development Goals (SDGs) and 169 targets in the prioritization of the issues.

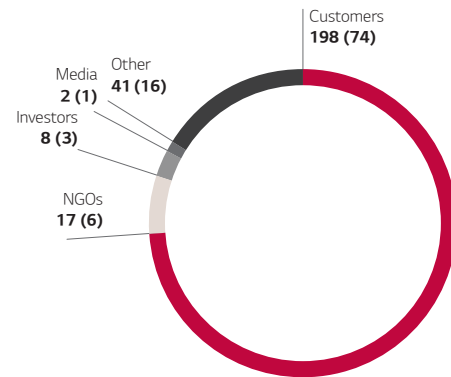
Key Stakeholder Interest

In 2016, a total of 266 inquiries were made pertaining to sustainability management and CSR issues by external stakeholders, a slight increase from the previous year. Customer inquiries accounted for the largest share, reflecting the growing requirements for supply chain management across industries (mobile communication, IT, retail, automobile, etc.), which in turn drove an increase in customer inquiries and requirements concerning CSR management for reasons such as supplier selection and regular supplier assessment. The bulk of our stakeholder inquiries and requirements were about EESH (Energy, Environment, Safety, and Health) issues and the CSR risk management system, with supplier related requirements increasing sharply. LG Electronics will continue to scrupulously collect and respond to stakeholder requirements, while incorporating such requirements into our business management.

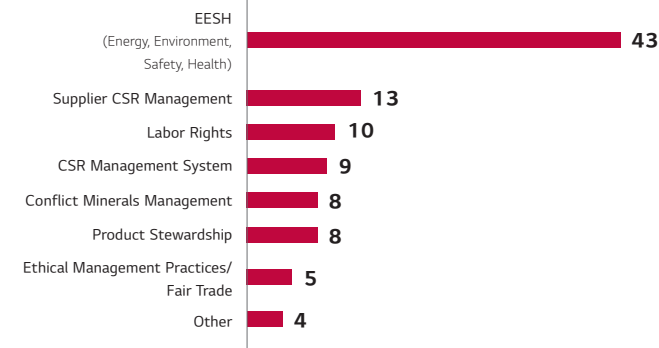
Materiality Analysis & Implications

Material issues identified through the previous year's analysis (2015-2016) were incorporated into our 2016 corporate-level improvement initiatives for sustainability management. As part of our follow-up management efforts, we established a supplier CSR risk management system to facilitate suppliers' voluntary improvement efforts, while supporting our subsidiaries and suppliers to establish a CSR management system and take control of their CSR risk management efforts. We also carried out self-assessments and CSR on-site audits at our outsourcing suppliers. As part of our "consumer campaigns that em-

Analysis of 2016 External Stakeholder Inquiries
(Unit: EA, (%))



Topics of Inquiries
(Unit: %)



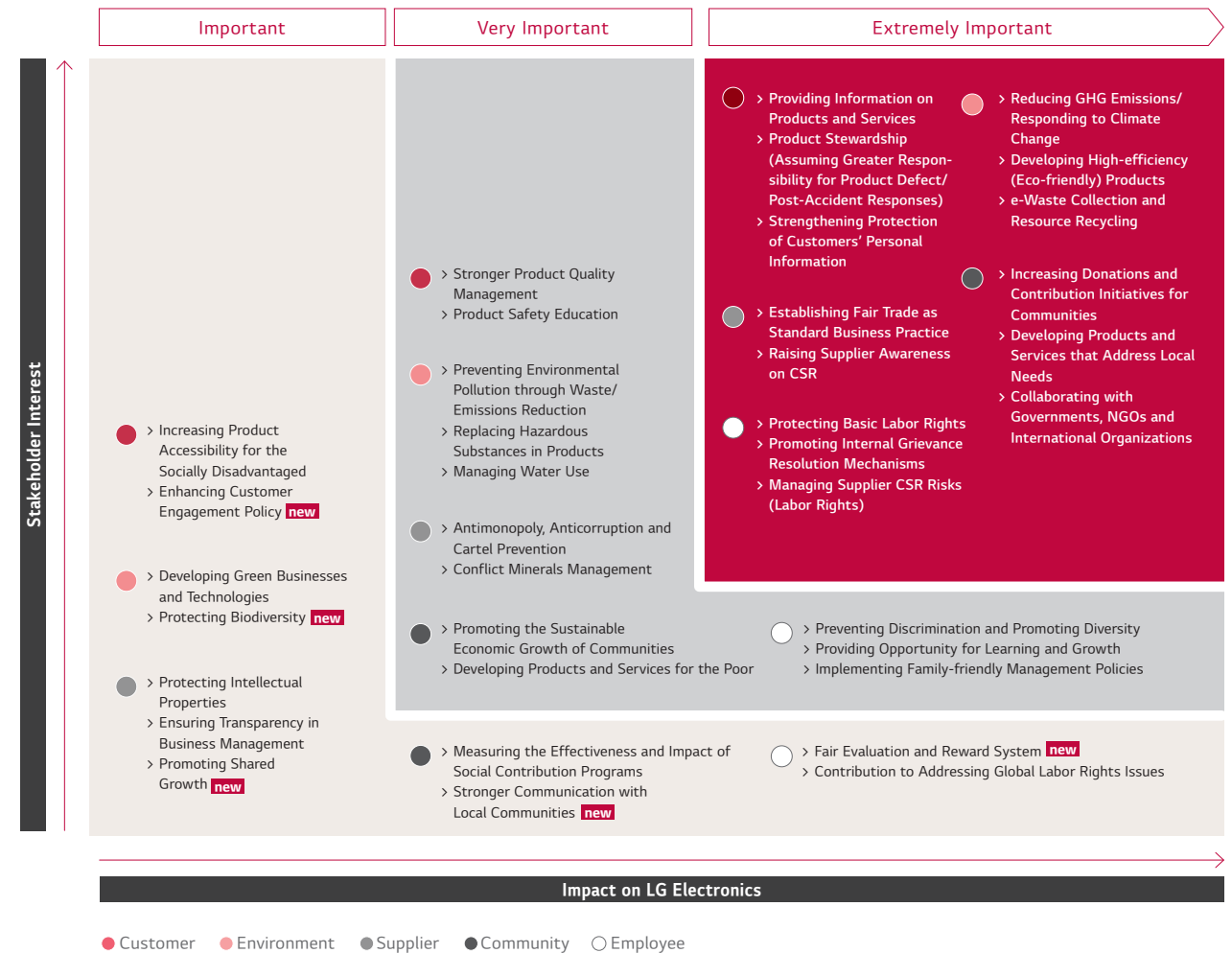
power communities," we organized events at 41 locations across the world in celebration of World Environment Day 2016. In 2017, with our 2016-2017 materiality analysis results as a point of departure, LG Electronics will develop and implement improvement initiatives through collaboration among HQ, business organizations and relevant departments from respective subsidiaries, and share the outcome with our stakeholders.

2016-2017 Materiality Analysis Results

In our 2016-2017 materiality analysis, "Product Stewardship (Assuming Greater Responsibility for Product Defect/Post-Accident Responses)" and "Providing Information on Products and Services" ranked high in the consumer area following the previous year. This shows that customer interest in our post-accident responses is continually increasing. We also find it significant that "Initiatives for Collecting Customer Opinions" have newly emerged as a material issue. For the environment, our stakeholders have found "Reducing GHG Emissions" and "Developing High-efficiency Products" as material issues, which can be expected, given the strong interest expressed by external stakeholders—43 percent of external stakeholder inquiries from the previous year were directed at environmental issues, safety and e-waste management. In the environment area, "Protecting Biodiversity" emerged as a material issue in this year's analysis. With demand for responsible sourcing

growing in importance, "Enhancing CSR across Supply Chain" still take priority in the fair management area. Our stakeholder expectations for "Increasing Donations and Contribution Initiatives for Communities" are still high in the community area, and has captured the attention of stakeholders. For labor rights, "Protecting Basic Labor Rights" is the issue that has been consistently raised by our stakeholders, while regulations and customer requirements on "Preventing Child Labor and Forced Labor" are increasing continually. In this area "Ensuring Fairness in Evaluation and Rewards" have newly emerged as a material issue.

2016-2017 Materiality Analysis Results



Key Progress and Performance

1

Customers

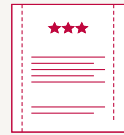
Product Safety

Risks associated with product safety are increasing with the proliferation of new technologies and a faster implementation cycle. With this increase in risks comes an increasing demand for corporates to take greater responsibility for the safety of their products and provide more information on products and services. In line with this trend, customer rights and regulations related to product safety are being strengthened as well.

Business & Sustainability Management Strategy

- 1) Firmly establish quality assessment and management as part of the product and technology development process.
- 2) Reduce risks through preemptive response to product safety regulations.
- 3) Heighten employee awareness and accountability.

Major Achievements in 2016



100.3 Points

- 1) Product Quality Training Performance (2,865 participants, 129 sessions)
- 2) Customer Satisfaction Level (compared to competitors, global markets)

Mid- to Long-term Goals

- 1) Foster experts in product quality and safety.
- 2) Continually strengthen accountability in product quality management.

Protection of Personal Information

Implementation of emerging technologies is giving rise to risks associated with data security and privacy. In line with this trend, customer rights and regulations related to data privacy are being strengthened as well.

Business & Sustainability Management Strategy

- 1) Establish a strong prevention and response system against breach of personal information and proprietary technologies.
- 2) Heighten employee awareness and accountability.

Major Achievements in 2016

ISO 27001

- 1) International Standard on Information Security Management System
- 2) CES Innovation Award in Accessibility Technology Received the award for the **Second Consecutive Year**



Mid- to Long-term Goals

Ensure subsidiaries and suppliers to acquire independent management capabilities in information security.

2

Environment

Development of Products with Greener Features

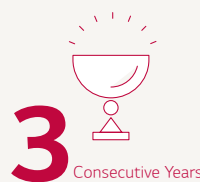
Customer demand for eco-friendly products is on the rise, leading to stronger regulations and international standards on the environmental impact of products. Product and technology innovations are expected to improve the lives of customers such as lowering their energy bill or improving their living environment. Stakeholder interest in e-waste take-back and resource recycling is growing as well.

Business & Sustainability Management Strategy

Strengthen management requirements for assessing the environmental impact of our products (Eco Index).

Major Achievements in 2016

"Sustained Excellence" at the 2016 ENERGY STAR Partner of the Year Awards Received the Top Honor for the third consecutive year



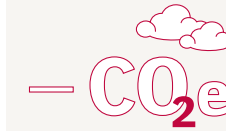
Mid- to Long-term Goals

Manage the environmental impact of our products and our performance with the Eco Index.
- Increase the percentage of Green 3 Star products to 80 percent by 2020.

Business & Sustainability Management Strategy

Expand the disclosure of carbon footprint and reduce carbon emissions throughout the lifecycle of our products.

Major Achievements in 2016



Reduced GHG emissions associated with product use and acquired low carbon labels.
- Contributed to reducing **42.83 million tons of GHG emissions** associated with product use (compared to the base year 2007)

Mid- to Long-term Goals

Reduce GHG emissions associated with product use.
- Reduce 60 million tons by 2020 compared to the base year 2007.
- Reduced 400 million tons (cumulative) from 2008 through 2020.

Business & Sustainability Management Strategy

- 1) Reduce the use of resources and expand the e-waste take-back and disposal system.
- 2) Voluntarily replace hazardous substances in our products.

Major Achievements in 2016

227,323 tons in total

- 1) e-waste take-back and disposal service
- **83 locations across 50 regions and countries** including Korea, Japan, Europe, U.S., Australia, India and Latin America



- 2) Strengthened the management of hazardous substances in our products and used in our production process.

- 3) Green Management Training Support for **161 Employees** from **85 Suppliers**

Mid- to Long-term Goals

- 1) Continually expand the e-waste take-back service to include more regions and countries.
- 2) Expand target product groups for hazardous substance replacement.

Climate Change Response

Social and regulatory demand is increasing for low-carbon and environmentally-minded production processes.

Business & Sustainability Management Strategy

- Make our production locations greener.
- Manage and reduce GHG emissions and energy use.
 - Reduce water use (intensity target per revenue).

Major Achievements in 2016



36.2 (10K tons CO₂e) ↓

GHG emissions associated with production (compared to the base year 2008)

Mid- to Long-term Goals

- 1) Reduce GHG emissions associated with production.
- Reduce 150,000 tons of GHG emissions by 2020 compared to the base year 2008.
- 2) Reduce water use associated with production (intensity target per revenue).
- Reduce water use by 20 percent by 2020 compared to the base year 2007.

EESH Management at Production Sites

NGO monitoring and consumer awareness on EESH (Energy, Environment, Safety, and Health) issues are increasing, while social expectations for end-product producers to take greater responsibility for EESH risks throughout their supply chain have become a prevailing trend in recent years.

Business & Sustainability Management Strategy

- 1) Enhance the global EESH management system.
- 2) Establish supply chain EESH management as requirements.

Major Achievements in 2016



- 1) EESH compliance audits at 9 overseas production subsidiaries achieved **84%** improvement rate (Cumulative).



78%

e-Waste Recycling Rate (Global)

- 3) Implemented GEARS 3.0, LG Electronics' EESH assessment system.
- 4) Engaged in EESH compliance campaigns.

Mid- to Long-term Goals


- 1) Expand the implementation of the Global EESH Management System.
- 2) Enhance EESH management capabilities at overseas locations.
- 3) Manage supply chain EESH risks.

3

Suppliers

Win-Win Growth

Social demand for win-win partnerships between large corporations and SMEs is growing continuously.

<p>Business & Sustainability Management Strategy</p> <ol style="list-style-type: none"> 1) Implement the Five Win-Win Growth Initiatives. 2) Establish the supplier assessment process by enhancing procurement and subsidiary capabilities. 	<p>Major Achievements in 2016</p>  <p>Trained 2,520 employees from 347 suppliers</p> <p>Win-Win Growth Academy</p>	<p>Mid- to Long-term Goals</p> <p>Expand support programs to include second- and third-tier suppliers</p>
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Supplier CSR

Supplier CSR risks may result in a huge controversy as concerns over CSR issues such as unlawful extraction of commodities and forced/child labor are raised continuously.

<p>Business & Sustainability Management Strategy</p> <ol style="list-style-type: none"> 1) Establish a system for tracking the origin and content of conflict minerals in our products. 2) Establish an early detection system for supply chain CSR risks. 	<p>Major Achievements in 2016</p> <p>Self-assessment 1,334 Suppliers</p> <p>CSR On-site Audit 40 Suppliers</p> <ol style="list-style-type: none"> 1) Supplier CSR Risk Assessment 2) Use Rate of CFSP-certified Smelters: 83% 	<p>Mid- to Long-term Goals</p> <ol style="list-style-type: none"> 1) Manage supply chain CSR risks based on the EICC standard. <ul style="list-style-type: none"> - Increase CSR audit for suppliers in the high-risk group (25% or higher). 2) Establish an advanced response system for regulations on conflict minerals. <ul style="list-style-type: none"> - In addition to 3TG minerals, establish a response system for non-regulated minerals such as cobalt.
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4

Community

Sustainable Economic Growth of Communities / Engagement and Collaboration with Communities

Stakeholders are increasingly expecting business to contribute more to addressing community issues, as well as to utilize their core competencies in supporting the financial sustainability of local communities. Business are also shifting their approach to local communities from the beneficiary of their charitable giving to a potential market.

<p>Business & Sustainability Management Strategy</p> <ol style="list-style-type: none"> 1) Contribute to achieving SDGs that are closely related to our businesses and core competencies. (First Priority: Goals 3, 7, 8, 11 and 12) 2) Develop products and technologies that address local issues. 	<p>Major Achievements in 2016</p>  <p>Expanded social contribution initiatives that leverage our products and technologies.</p> <ul style="list-style-type: none"> - Offered accessibility app development training. - donated our solar power system to hospitals, etc. 	<p>Mid- to Long-term Goals</p> <ol style="list-style-type: none"> 1) Contribute to achieving SDGs. 2) Develop and distribute products and technologies that address local issues.
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Business & Sustainability Management Strategy

Build trust-based and collaborative partnerships with stakeholders.

Major Achievements in 2016

Social Contribution Initiatives in Partnership with Governments, International Organizations, Business Partners, Local Governments and Academia

- LG Hope Screen, LG Social Fund (130 Corporate Beneficiaries)



Mid- to Long-term Goals

Develop and implement social contribution partnership programs through stakeholder engagement and collaboration.

Business & Sustainability Management Strategy

Promote employee participation in social contribution initiatives with more opportunities and support programs

Major Achievements in 2016

Global Employee Social Contribution Events

1) Global Blood Donation Campaign

29 Locations

1,696 Employees



2) World Environment Day
41 Business Locations in **24 Countries**

Mid- to Long-term Goals

Promote employee volunteering and donation programs.

5

Employees


Promote Corporate Culture

Work-life balance helps enhance employee satisfaction and productivity.

<p>Business & Sustainability Management Strategy</p> <p>Create a corporate culture that promotes employee work-life balance.</p>	<p>Major Achievements in 2016</p>  <p>1,474 Employee Suggestions & Comments</p> <ol style="list-style-type: none"> 1) Implemented employee care programs such as workstyle improvement initiatives and flexible work schedules. 2) Implemented the "Let's Open Up" Program 	<p>Mid- to Long-term Goals</p> <p>Establish a corporate culture that promotes employee work-life balance and free-flowing communication.</p>
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Protecting the Labor Rights of Employees

Non-compliance may result in financial losses as well as damaging brand value and consumer trust, while proactive protection of labor rights may lead to improved quality and productivity.

<p>Business & Sustainability Management Strategy</p> <ol style="list-style-type: none"> 1) Improve policy to better protect the labor rights of workers. 2) Ascertain our performance through third-party audit and encourage voluntary improvement efforts by expanding CSR audits. 3) Enhance the efficiency of our assessment by integrating and reconciling departmental assessment criteria with the EICC requirements. 	<p>Major Achievements in 2016</p> <p>Average Score 88.2 Points</p> <ol style="list-style-type: none"> 1) Implemented In-depth Self-Assessment (ISAQ) (Moderate Risk Group: 9 out of 37 locations) 2) 4 Sessions of EICC Third-Party Audit, 12 Sessions of Internal Audit 3) Amended and Distributed the Supplier Code of Conduct 	<p>Mid- to Long-term Goals</p> <ol style="list-style-type: none"> 1) Achieve "Low Risk" at 100 percent of our production sites. 2) Help subsidiary CSR staff develop their capabilities to enhance subsidiary-level CSR risk management. 3) Enhance our response to labor rights regulations and monitoring by NGOs.
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Materiality Report

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With Our Customers

Key Performance in 2016

CES Innovation Award

2 consecutive years

Accessible Tech

129 sessions

2,865 employees

Product Quality Training

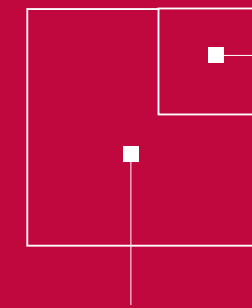
ISO 27001 Certification

International Standard on Information Security Management System



WHAT ARE IMPORTANT ISSUES?

Our Focus



- Providing Information on Products and Services
- Product Stewardship (Assuming Greater Responsibility for Product Defect/Post-Accident Responses)
- Strengthening Protection of Customers' Personal Information

- Stronger Product Quality Management
- Increasing Product Accessibility for the Socially Disadvantaged

<Impact Boundary>

Customer, Investor

HOW WE MANAGE IT?

Our Approach

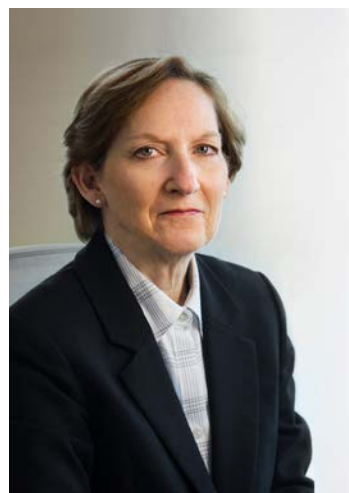
LG Electronics ensures that safe products are delivered to customers by strengthening accountability in our quality management. We also have in place a corporate-level response system to safeguard and effectively manage our information assets including customers' personal information.

Our Evaluation

LG Electronics incorporates customer requirements into enhancing the quality of our products, service policies and processes, while making every effort to ensure product quality and safeguard customers' personal information as part of our ongoing efforts to increase customer satisfaction.

Future Direction

- 1) Heighten employee awareness on product safety and establish clear accountability.
- 2) Establish a corporate culture that places the foremost priority on product safety.
- 3) Support suppliers in establishing information security management system.



At Hilton, we believe that we can use our passion for hospitality to make a lasting, positive difference in people's lives and the wider world. Hilton and LG Electronics have a shared commitment to managing our environmental footprint, preserving our natural resources, and positively impacting local economic development. Together, we have implemented a sustainable solution to dispose of used TVs by replacing them with new LG Hospitality televisions, covering 100 percent of the recycling costs. This initiative supports a commitment to reduce electronic waste and encourage others to make environmentally smart choices.

JUDY PINES

Director Sustainability & Responsible Sourcing
Hilton Hotel Group

LG SIGNATURE Soars as LG Electronics' True Premium Brand

Brand Campaigns in Major Global Markets

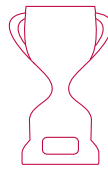
LG SIGNATURE is our ultra-premium home appliance brand, offering exceptional performance, refined minimalist designs, and an intuitive user experience responsive to use patterns with a lineup of premium products that stay true to their essence. Following up on the brand's successful debut at the CES 2016, LG Electronics launched a worldwide brand campaign in major cities across the world such as New York, Paris and London. Our campaign aims to effectively convey the premium image of the LG SIGNATURE brand by offering a genuine "state-of-the-art" brand experience to customers in key markets. With LG SIGNATURE as our core offering, LG Electronics will continue to expand our presence and capabilities in the premium home appliance market based on a mid- to long-term strategic roadmap.

Communication in its True Class

In order to position LG SIGNATURE as a one-of-a-kind, ultra-premium brand, LG Electronics made a radical departure from the traditional approaches that rely on one-way communication of product information such as hardware specs or technical features. Our brand promotion campaign for LG SIGNATURE focuses on creating an emotional bond with our customers based on the brand philosophy, "The Art of Essence," through advertisements as well as promotional events and spaces that offer a first-hand brand experience to customers with discerning taste in metropolises that shape trends in the arts and culture such as New York, Paris and London. For instance, the "LG SIGNATURE in the City" campaign juxtaposes LG SIGNATURE products with iconic architectural buildings in major cities around the world, underscoring both the aesthetic quality and functionality of the products that parallel those of the sublime structures. Our brand promotion space, which offers a first-hand experience with the brand and products, also took an unconventional approach, adopting

LG SIGNATURE

The Art of Essence



CES 2017

over **120** Awards

the look and feel of an art gallery to create a space where LG SIGNATURE products are appreciated as artwork is in an art gallery. These “true-class” efforts helped us raise the brand profile of LG SIGNATURE and establish the premium image of the brand in major markets. While existing LG brands have the image of a “friendly, trustworthy and caring” brand, LG SIGNATURE has gained the image of a “luxurious, refined, specialized brand that offers a great product design.”

Global Roll Out

Following LG SIGNATURE's successful Korean debut in the first half of 2016, LG Electronics introduced the ultra-premium brand to key markets such as the U.S. and Europe. The brand promotion campaign in Korea strived for “true class” to convey the premium image of the brand with TV commercials featuring the ballerina Sue Jin Kang and the fashion model Yoon Joo Jang, the “art” marketing projects, and the online photo exhibition, “Appliance, Reborn into Art,” delivering a consistent but unconventional brand message. We also created a “brand zone” for LG SIGNATURE at premium offline channels such as department stores and engaged in VIP marketing programs to the premium image of the brand.

In the U.S., we created the “LG SIGNATURE Art Gallery” in front of the Rockefeller Center and hosted a brand launching event that attracted international attention. We also took the “art gallery” concept on the road, touring nine major cities and hosting a brand roadshow at high-end shopping malls. The “LG SIGNATURE Gallery” was also introduced to the U.K., Germany and France to offer an opportunity to



1 - Print Advertisement for LG SIGNATURE TV
2 - Brand Promotion Space & Event for LG SIGNATURE



intuitively experience home appliance products that deliver unparalleled aesthetics and functionality. In 2017, we plan to launch the ultra-premium brand to major Asian markets including China and the Middle East.

Recognitions at Global Trade Shows

LG Electronics Receives Over 120 Awards at the CES 2017

As one of the market leaders in the global electronics industry, LG Electronics regularly participates in prominent international trade shows such as the CES, the IFA, the MWC and the ISE, setting industry trends with cutting-edge products and new technologies. In January 2017, LG Electronics showcased an extensive lineup of market-leading products under the theme, “Innovation for a Better Life” at the Consumer Electronics Show (CES) 2017, the largest trade show of its kind in the world. In this event participated by more than 3,600 industry players, we received over 120 prestigious awards including “Best of the Best” CES 2017, which is given to the best product showcased at the show, as a vote of confidence in our superior technology. First unveiled at the CES 2017, the LG SIGNATURE OLED TV “W” Series was an instant success, receiving immediate and enthusiastic response. At just 4mm thin including the wall mount, the “W” series TV models can be mounted completely flat against the wall, just like a piece of painting. The strong response

from media outlets and industry experts culminated with the LG SIGNATURE OLED TV “W” being honored with two different awards from Engadget: Best of the Best CES 2017, which is awarded to the best of the products at the show, and the Best TV Product Award. The official online media partner for the show announced the news with a comment, “LG Electronics is changing our living rooms with TV models that look more like a work of modern art than any television out there,” and praised that the W series offers the sound and picture quality that rivals real life. The LG SIGNATURE OLED TV “W” Series was also honored by other major media outlets, including the Wall Street Journal, CNET, CNN Money and TechRadar, earning more than 30 awards. Reviewed.com, which is an affiliate of USA Today specializing in electronics reviews, named the OLED TV its “Editor’s Choice” with a comment, “LG Electronics showed the true potential of OLED with a picture quality close to a perfection and a design like an artwork.”

LG Electronics showed the true potential of OLED with a picture quality close to a perfection and a design like an artwork.

At the CES 2017, LG Electronics also received major awards for core home appliance products. For instance, the LG Smart InstaView Refrigerator with the Knock-on Magic Space featuring the Web OS was selected the best product by eight different media outlets including TechRadar, Techlicious and Expert Reviews and named “Editor’s Choice” by Reviewed.com. Our robot products also made a successful debut at the CES 2017. Controlling home appliances, lightings and security system over the home WiFi, the Hub Robot serves like a butler, and named the best product by six different media outlets including Wired, Telegraph, The Verge and SlashGear. The Airport Guide Robot was selected as the best product by Advertising Age.

Other LG Electronics products honored at the CES 2017 include: the TROMM Mini-Washer, which can be used as a second washer in combination with other drum washing machine models (washing machine models produced after 2009 with 15kg capacity or larger), the CordZero Stick Vacuum featuring the micro-sized, high performance Smart Inverter Motor, which spins 16 times faster than the jet engine, the SJ9 High Resolution Sound Bar with Dolby Atmos, the LG Gram Laptop with longer battery hours, and the ProBeam, which combines a smart TV with a full HD projector rated at 2000 lumens.

TWICE, the official media outlet for the show, bestowed its “Super Pick Winner” Award to the LG brand in recognition for our technology innovation and exhibition techniques, which is a first for a brand, and not a product, to receive the Honor.

LG SIGNATURE Gallery Receives Two iF Design Awards at the IFA 2016

At the Europe’s largest electronics and technology show, the IFA held in September 2016, LG Electronics made a splash with the LG SIGNATURE Gallery, a brand promotion space that embodies the design philosophy of the brand “The Art of Essence.” Featured at the gallery were the works by the British interactive designer Jason Bruges, who creatively reinterpreted the core technology and true essence of LG SIGNATURE products into art pieces. Planned and developed as an art product that delivers a one-of-a-kind experience, the LG SIGNATURE Gallery offers a first-hand brand



1 - LG SIGNATURE Gallery
2 - IFA 2016

experience to customers with discerning taste, and was introduced to major cities as part of the brand’s worldwide launching events. The LG SIGNATURE Gallery also received the iF Design Award 2017, one of the major international design awards, in communication and interior architecture for excellence in design, winning two of the seven main award categories.



LG SIGNATURE Gallery

Customer Engagement through Customer Service

It is our goal in customer service to maximize customer satisfaction and deliver the very best value to our customers through fast, precise and friendly service that stays true to our core fundamentals. In order to achieve this goal, LG Electronics not only strives to deliver customer-centric service that imparts a lasting impression, but also engages in social contribution initiatives that positively impact communities around the world.

Increasing Satisfaction with Service that Stays True to the Basics

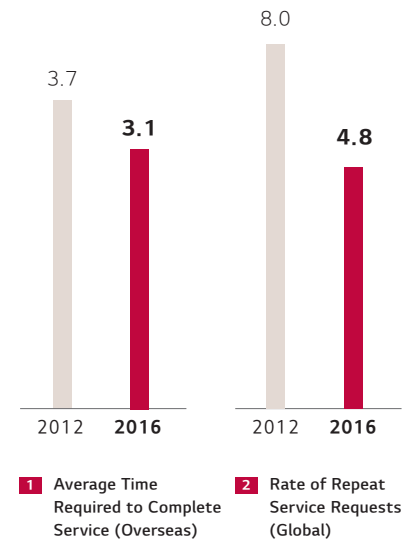
As part of our ongoing efforts to improve customer experience, LG Electronics delivers high-quality service through a network of directly-managed service locations around the world. We placed a particular emphasis on minimizing customer inconveniences through expedient service, reducing the average time required to complete a service request to 3.1 days (2016) from 3.7 days (2012) in overseas locations. We were also able to reduce the rate of repeat service requests, which frustrates customers the most, from 8.0 percent (2012) to 4.8 percent (2016, Global) by enhancing repair capabilities and techniques. In addition, we conduct a wide range of customer feedback surveys to measure customer satisfaction with our service. As a result, LG Electronics received a rating of 100.3 points compared to our global competitor in the CSI (Customer Satisfaction Index) survey. LG Electronics will continue to use customer feedback surveys to gain insight and address issues as part of our efforts to enhance our customer service.

We strive for service that identifies with customer needs and puts customers' best interests at heart, creating a lasting impression that wins the hearts of customers.

Customer-centric Service that Delights Customers

LG Electronics has in place a system to carefully review the "Voice of Customers (VOC)" and incorporates the findings in addressing customer needs down to minor inconvenienc-

Average Time Required to Complete Service & Rate of Repeat Service Requests
(Unit: days, %)



es. We also incorporate customer insight into enhancing our business processes, promoting a corporate culture that places the foremost value on customers. LG Electronics Korea's service division, in particular, places a strong emphasis on customer-centric service that leaves a lasting impression and makes ongoing efforts for improvements. As a result, LG Electronics received the Presidential Commendation for Excellence in Service Innovation in the National Quality Innovation category at the 42nd Korean National Quality Award. Our commitment to customer-centric service enabled us to receive the Korea Fair Trade Commission's Customer Centered Management (CCM) Certification for five consecutive years and rank first for two consecutive years in home appliance after-sales service in the K-CSBI (Korea Customer Surprise Brand Index) released by the Korea Brand Management Association and sponsored by the Ministry of Industry, Trade and Energy. As part of our efforts to achieve excellence in customer service, LG Electronics has recently overhauled the customer support page (all national editions) on our website (LG.com) to increase customer convenience. This customer-centric upgrade was implemented to provide customers with an easy and intuitive user experience throughout the entire service process—from customer inquiries to service requests—and more varied and detailed self-diagnosis content.

Social Contribution Initiatives by Our Customer Service Division

LG Electronics' service divisions around the world engage in social contribution initiatives

that make good use of their customer-centric service attitude and technical expertise, such as offering free repair service in disaster-stricken areas, operating service tours at remote locations and volunteering for training programs as instructors. Here is a close look at local initiatives by our regional service divisions:

Korea_ "Extending the Heart"

LG Electronics Korea's service division offers free repair service on our products used at welfare facilities under the "Extending the Heart" program. Our service engineers also regularly visit welfare facilities nationwide to offer preventative checks-ups on appliances and help the facilities maintain a clean environment.

Ethiopia_ "Technical Training at LG-KOICA Hope TVET College"

In 2014, LG Electronics and the Korea International Cooperation Agency (KOICA) established the LG-KOICA Hope TVET College in Ethiopia to provide vocational training to young Ethiopians. In addition to basic technical training courses, the school offers special training on a regular basis, which are led by instructors from the Middle East & Africa Region Representative's service subsidiary or "Master Repair Engineers" dispatched from LG Electronics Korea.

Panama_ "Service Fest"

LG Electronics Panama's service division hosts an annual service festival in low-income areas and offers free repair service for products whose warranty period have expired.



1 - Received the Presidential Commendation for Excellence in Service Innovation (Korea)
2 - Technical Training at LG-KOICA Hope TVET College (Ethiopia)

India_ "Service Camp" in Flood-affected Regions

LG Electronics India's service division operates a free repair service camp in disaster-stricken areas. Most recently, we set up a service camp at Chennai, a region devastated by the heaviest rainfalls in more than 100 years, and provided free repair service for electronics products damaged by the flood. LG Electronics also operated a free laundry facility and supplied power to areas suffering from black-outs using the motorbikes used by our repair engineers as portable generators.

Securing Product Quality & Safety

Our Vision for Product Quality

LG Electronics developed a clear vision for product quality, "LG Electronics, Perceived as the World's Best Quality by Customers and Consumers (Product Quality is the Best Marketing Tool)," and is following up on this vision with a full range of initiatives. Encouraged by our CEO's strong commitment towards product quality, we defined product quality as the core value in our business management and ensure the quality of our products before they reach the market—the best way to earn the complete trust of our customers. Product safety, in particular, takes the highest priority over any other aspect of our business operations such as sales targets, product design, marketability, and costs. As part of our efforts to deliver the safest and highest quality products to our customers, we developed standards for quality assurance activities such as "Employee Creed on Product Quality" and "Ten Quality Assurance Guidelines," and promote a corporate culture that places the foremost emphasis on principles and fundamentals in all stages of our product process.

Enhancing the Product Safety Assurance System

We have strengthened our product quality inspection on new products and models to ensure safety and quality from the very first stage of our product process. As part of our efforts to further enhance product safety, we conduct extra tests on core components such as batteries to test their safety in real consumer use conditions as well as on a component level. We are also continuously enhancing our monitoring and management of product liability (PL) risks, ensuring early detection of PL risks and timely and effective response in the unfortunate event of a PL incident. These efforts not only help us avoid PL incidents, but also prevent a PL incident from escalating into a crisis or the same incident from recurring.



Impact Test on Batteries

Purpose	Determine if an external impact causes the battery to catch on fire or explode.
Test Method	Place a 16mm diameter bar on top of a fully charged battery and drop a 9.1 kilogram weight from the height of 61 centimeters.
Expected Result	The impact does not cause a fire (sparks) or explosion.

Cultivating Quality Specialists with Strong Capabilities & Initiative

LG Electronics operates the Quality College Program in Korea to train professionals with core capabilities and strong drive in product quality and safety. In 2016, we provided 129 sessions of group training, with a total of 2,865 individuals completing the program. With a primary focus on enhancing our employee capability and expertise in product quality and safety, the Quality College Program offers expert-track courses such as Product Liability (PL) Specialist, CRE¹ and CQE² to support our employees in the development of advanced product and safety capabilities accredited by certification programs such as the CFE³, CRE and CQE. Our overseas subsidiaries also develop and operate local product quality and safety training programs.

Global Initiatives to Prevent PL Risks

In December 2016, LG Electronics conducted a voluntary recall of portable air conditioners (500,000 units) manufactured between July 2010 and May 2014 and sold in North America. The voluntary recall was initiated due to the possibility of an electrical component (for splash motors used for removing condensate) in these products overheating and igniting,

posing a fire and burn hazard. Although these products fully satisfied product safety standards in North America and the probability of these products causing fires was extremely low (four out of 500,000 units, or 0.00079 percent), LG Electronics decided to proactively report this case to the U.S. Consumer Product Safety Commission (CPSC) and voluntarily recall these products pursuant to the procedures discussed with the agency in order to ensure the safety and satisfaction of all of our customers.

- ¹ CRE
Certified Reliability Engineer
- ² CQE
Certified Quality Engineer
- ³ CFEI
Certified Fire & Explosion Investigator

Enhancing Accessibility for Senior Citizens & Customers with Disabilities

LG Electronics' Accessibility Policy

As a leading electronics maker and responsible global corporate citizen, LG Electronics is committed to making our products accessible for all customers, particularly the socially disadvantaged. We are working hard to ensure that all groups of our customers enjoy the full benefits and conveniences offered by our products. In 2012, we created a corporate-level task force team (TFT) dedicated to achieving this meaningful goal and launched a project to develop accessibility features for mobile phones, smart TVs, monitors, PCs, and home appliances with a longer-term goal of expanding the application to a broad range of products and services.

As part of our efforts to incorporate the voice of customers requiring greater accessibility into product and service development, we are expanding collaboration with accessibility-related stakeholders from Korea, the U.S. and Europe, and conducting user tests with the help of disability organizations and customers with disabilities. In addition, we have implemented the WCAG 2.0 (international web accessibility standard) Level AA specifications to our corporate website, while having in place the Accessibility section on our corporate website (global and U.S. editions) to communicate our accessibility policy and to make information on our products' accessibility features easier to access.

As part of our ongoing efforts to develop and improve accessibility features, in 2016 we actively participated in international conferences on accessibility for people with disabilities (the CSUN Conference, the HLA Convention, the M-Enabling Summit, etc.) to reach out to experts in the field and keep ourselves current on the latest accessibility technologies and trends. We also invited U.S. disability organizations and the National Center for Accessible Media (NCAM) to our Stakeholder Consultation on CSR to collect user expectations and incorporate the results into upcoming models, fulfilling our responsibility as a corporate citizen. These efforts led to the development of the "Quick Apps" function, which allows users to easily control the font size on their Smart TVs and directly access the content and service they want with the press of a button on the remote. Thanks mainly to these efforts, LG Electronics received the CES Innovation Award in the Accessible Tech category for the second consecutive year at the CES 2017.

1

Accessibility

Accessibility refers to the design of products, devices, services, or environments (primarily those featuring the latest technology) for socially disadvantaged people, such as senior citizens and people with disabilities, to ensure that all features and information is equally accessible for both users with and without disabilities, regardless of their technical levels.

2

WCAG 2.0

Guidelines published by the World Wide Web Consortium (W3C), the international standard organization for the World Wide Web, for making web content more accessible for all types of users, primarily for senior citizens and people with disabilities.

3

NCAM (National Center for Accessible Media)

A U.S. based research organization dedicated to research projects on accessibility for people with disabilities

Major Initiatives for Enhancing Accessibility

2012

- Enhanced accessibility to the global edition of the corporate website (2012-Present)
- Established a development system for accessibility features: mobile handsets, smart TVs and other media products
- Launched a taskforce dedicated to enhancing accessibility: develop accessibility features for mobile handsets, smart TVs and other media products

2013

- Launched annual stakeholder consultation with disability organizations based in North America (2013-Present)
- Joined the Home Appliance Accessibility Forum (HAAF) of the Korea Electronics Association (KEA) (2013-Present)
- Launched a program for conducting user tests with and collect feedback from users with disabilities (2013-Present): smartphone and smart TV models (Korea and the U.S.)
- Selected as a product "Recommended by Sprint CEO" at the M-Enabling Summit¹⁾ (June 2013)
- Signed an MOU with the Korea Blind Union (July 2013)
- Introduced the Mini TV for the vision and hearing impaired (Model Name: M2352-PN)
- Signed an MOU with the QoLT Center²⁾ at Seoul National University (August 2013)

2014

- Sponsored the QoLT contest hosted by HCI³⁾ (January 2014)
- Korea-US technical exchange on QoLT accessibility (January 2014): HERL⁴⁾, University of Pittsburg / Carnegie Mellon University⁵⁾
- Launched a task force dedicated to enhancing accessibility of home appliance products (September 2014-Present): engage with disability organizations and users with disabilities to collect user feedback on home appliance accessibility (Korea and North America)
- Established a system for providing braille product manuals in Korea (2014-Present)
- The US Contact Center exclusive service for customers with disabilities (2014-Present): braille product manuals, customer service, etc.
- Sponsored the rehabilitation facility at Nowon Welfare Center for People with visual impairments (September 2014)

2015

- Conducted accessibility test on smart TVs with the NCAM (U.S.) (2015-2016)
- Donated 12,000 units of the Mini TV for the vision and hearing impaired
- Conducted accessibility test on all-in-one PC models with the NCAM (U.S.)

2016

- Received the CES 2016 Innovation Award (Accessible Tech Category): 65-inch 4K LED TV (65UH7700)
- Produced and distributed the G4 braille manual for customers with visual impairments (February 2016)

2017

- Received the CES 2017 Innovation Award (Accessible Tech Category): TV 65-inch 4K OLED / LED TV w/Accessible Technologies (65B7 / 65UJ7500)

1) M-Enabling Summit: An international conference jointly hosted by the U.S. Federal Communications Commission (FCC) and the United Nations International Telecommunication Union (ITU) aiming to improving accessibility to mobile technologies for senior citizens and persons with disabilities. The conference is attended by mobile technology experts, policy makers, and respected scholars from around the world

2) QoLT (Quality of Life Technology) Center: A government-funded research institute in Korea dedicated to improving accessibility for persons with disabilities.

3) HCI (Human-Computer Interaction): An academic association in Korea that studies human-computer interactions and hosts a QoLT contest for mobile accessibility apps

4) HERL (Human Engineering Research Laboratories): A research institute at the University of Pittsburg dedicated to improving the mobility and function of people with disabilities

5) Human-Computer Interaction Institute and Robotics Institute: Research institutes at Carnegie Mellon University specializing in HCI (Human-Computer Interaction) and robotics research to develop accessibility technologies for automotive applications

Our Efforts towards Enhancing Accessibility

Vision Features

- "Talkback" screen reader for verbal feedback on screen content and changes
- Font size control
- Control option for resizing and reorganizing screen content
- "Touch Zoom" by tapping the screen for zoom in/out
- High screen contrast/color inversion/share control
- Call termination with the power button

Motor Features

- "Touch Feedback Time" (Touch & Hold Delay)
- "Touch Assistant": A floating menu that gives access to common features
- Screen time out
- Hold delay to activate input options
- Single-touch calibration
- HW convenience features for keyboard input (repeat keys, fixed keys, slow keys, etc.)
- "Knock-on" & "Knock" code

Hearing Features

- Caption support
- LED alert
- Flash alert
- Turn off all sounds
- Audio type (Stereo/Mono)
- Sound Balance (Left/Right)

Cognition & Other

- Limit access to menu options and features (Guest mode)
- "Touch Control Areas" to limit touch control in the selected area of screen (for autistic children, etc.)

Vision Features

- Screen reader (Verbal feedback on screen content and text messages)
- Password reader
- "Hands Free" mode (Spoken alert for incoming calls and text messages)
- Screen brightness control

Motor Features

- Automatic screen activation
- "Knock" code

Hearing Features

- Call quality optimization
- Vibration alert

Cognition & Other

- Three physical keys (Top: Quick setting, Middle: App list, Bottom: Go back)



Vision Features

- "Magic Zoom": single-click access to photo and video zoom in without quality deterioration
- Verbal feedback with easy and convenient pitch, volume and speed control

Motor Features

- Intuitive control supported by the wheel and pointing gesture
- Optimum UI offering intuitive icons and easy content reorganization

Hearing Features

- "Clear Voice" for minimum background noise
- Caption support

Cognition & Other

- Shade control for menu options, Font size control
- Remote control for cursor size and pointing speed
- Quick Apps: instant and direct access to desired service and content by a single click on remote

Vision Features

- "Talk Back" screen reader for verbal feedback on screen content and changes
- Minimum screen brightness
- Screen color adjustment, color inversion, customized calibration
- Font size control
- Call termination with the power button

Motor Features

- "Touch Feedback Time" (Touch & Hold Delay)
- "Touch Assistant": a floating menu that gives access to common features
- Screen time out
- "Knock-on" & "Knock" code

Hearing Features

- Caption support
- LED alert
- Flash alert
- Volume control (turn off all sounds)
- Sound type (Stereo/Mono)
- Sound balance (Left/Right)

Cognition & Other

- Limit access to menu options and features (Guest mode)
- "Touch Control Areas"

Information Security & Protection of Personal Information

Response to Changes in Data Protection Regulations

In December 2016, LG Electronics established the Data Protection FD, an executive-level organization, as part of our efforts to ensure effective response to newly emerging regulatory risks and security trends associated with data privacy and to better protect the personal information of our customers and corporate information assets.

DPO in Response to the EU General Data Protection Regulation (GDPR)

Set to replace the existing data protection directive effective May 2018, the EU General Data Protection Regulation (GDPR) mandates both data controllers and data processors including private companies to appoint a Data Protection Officer (DPO) whose primary responsibility is to ensure that the rights of data subjects are being protected throughout the process of collecting, using and providing their personal information. This new requirement signals an increase in corporate responsibility and role in the protection of personal information. In response to this regulatory change, LG Electronics established the Data Protection FD and reorganized internal data privacy organizations around the new executive-level body to ensure systematic response to data privacy risks. Furthermore, we are implementing every technical and management measure in our disposal to further strengthen our protection for customers' personal information and prevent infringement upon the rights of our customers in the process of handling their personal data.

Monitoring & Analysis of Changes in Data Protection Regulations

As a global corporation whose operations span international boundaries, LG Electronics implements real-time responses to proactively manage changes in external conditions and establish compliance with local data protection and privacy laws and regulations. Based on the recognition that recent regulatory changes carry far-reaching implications that transcend national borders, we have reorganized our data protection and privacy process and organizations around the Data Protection FD and streamlined the reporting system to ensure corporate-level response to risks arising at our overseas subsidiaries. In 2017, we also plan to identify high-risk locations and regions and provide corporate-level support to the overseas subsidiaries located in these countries to enhance their capabilities in data protection and privacy.

Initiatives for Personal Data & Privacy Protection (Privacy by Design)

Recent advances in digital technology gave rise to smart products, and fast-evolving technologies such as the IoT and machine learning are emerging as the "next big thing" in the electronics and information technology sector. These "smart" technologies and products, however, caused a dramatic increase in the collection of personal data including the behavioral patterns of individuals, increasing risks such as privacy infringement and hacking. In order to better protect our customers from rising security threats, LG Electronics has in place an independent organization dedicated to ensuring the security of all of our smart and IoT products against potential risks associated with data protection and privacy. Furthermore, we established "Privacy by Design" as our

governing principle in product planning and development and carry out a review of legal and technical compliance with data protection and privacy requirements at each stage of product planning and development, as the foremost measure for ensuring that the data collected by our systems, products and apps is fully protected. LG Electronics will continue to strengthen our process and inspire all of our employees to become a key enabler in achieving "Privacy by Design."

Our Principles on Personal Data Protection & Privacy

In our privacy policy, LG Electronics adopts a broad and comprehensive definition of personal data to not only include simple personal information (name and phone number) related to an individual who can be identified from those data, or from a combination of those data and other information, but also to extend to any information that carries potential for infringing upon the privacy of an individual. In collecting, using and providing, and destroying such information, LG Electronics scrupulously complies with local and international laws, regulations and industry practices at every step of the process and carries out the review process in strict compliance with our principles for personal data protection.

Data Protection at the Product Planning and Development Stage

As part of our efforts to ensure the privacy policy compliance of all our products, systems and apps that handle customers' personal information, LG Electronics requires the "data protection and privacy compliance" assessment on all of our products from the early stage in the product planning and development process, applying this standard to all of our products and services with no exception including B2C, B2B and B2E products. Through this process, LG Electronics delivers only the products that are in full compliance with our privacy policy.

Ensuring Data Security for Our Products (Security by Design)

Strengthening Security for IoT Products & Internal and External Systems

The LG Electronics Information Security Analysis Center (LGE ISAC) is our internal information security organization dedicated to identifying security vulnerabilities in our major IoT products and services by employing mock hacking attacks. In 2016, the LGE ISAC conducted security assessments on 18 products and services from 13 products groups and addressed the security issues identified through the process. In 2017, we expanded the scope

of our security assessment to include existing products, and initiated regular security risk assessments on internal and external systems that store sensitive data and personal information.

Product Software Security & Process Standardization

As part of our efforts to strengthen the security of our product software, LG Electronics developed the LG-Secure Development Lifecycle (SDL), which incorporates the "Security by Design" concept into our software development process, and is currently engaged in standardizing the process. The LG-SDL ensures the development of secure software by carrying out key security assurance activities at each stage of the software development lifecycle, designing and implementing security features, and detecting and eliminating potential vulnerabilities from early in the development stage. In 2017, we plan to apply this process to all of our products as part of our corporate-wide initiative to enhance the security of our products.

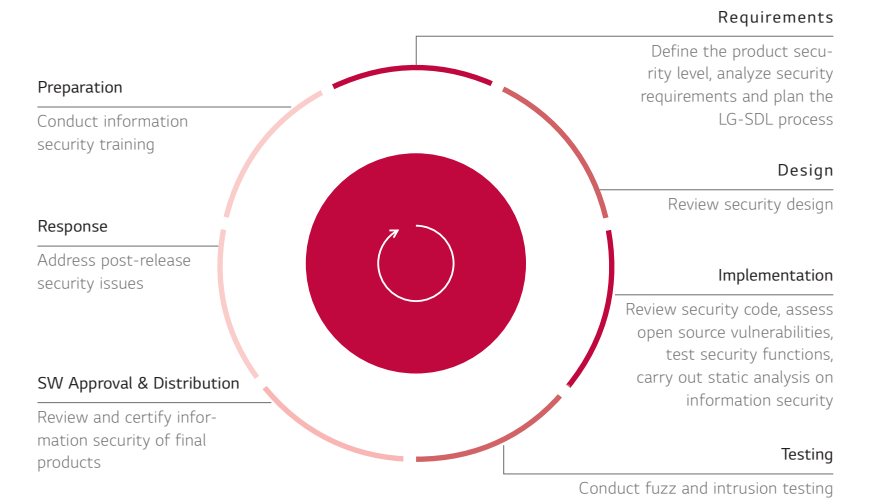
LG Smart TV Certified for Excellence in Information Security

In January 2016, LG Electronics' Smart TV platform WebOS 3.0 acquired the "TTA Verified" certification awarded by the Telecommunication Technology Association (TTA), the largest IT security technology certification agency in Korea. This marked the first instance of a Smart TV model acquiring an information security certification in Korea. Featuring the latest information security technology, LG Electronics' WebOS 3.0 safeguards the privacy and personal data of our customers by expediently detecting and blocking an in-



1 - Smart TV Certified for Excellence in Information Security
2 - Global Information Security Conference

LG-SDL: Activities by Process



trusion by apps from unidentified sources. As part of our efforts to deliver a convenient but secure Smart TV experience to our customers, LG Electronics will effectively respond to the fast-evolving IT environment and keep abreast of the highest level of information technology development.

Ensuring Mutual Growth through Information Security Capabilities

In order to upgrade our management system for personal data protection and information security across the board, LG Electronics offers training and support to information security managers from our overseas subsidiaries and suppliers.

Global Information Security Conference

The Global Information Security Conference is part of our corporate-level initiative to enhance the professional capabilities of our information security managers from overseas subsidiaries. In the annual conference, we present best practices in personal data protection and information security from our business sites in Korea and overseas and honor overseas subsidiaries that showed excellence in information security management to enhance our information security practices across the board. In 2016, over 96 personal data protection and information security managers from 67 overseas subsidiaries came together in China, U.S., Dubai and Vietnam for regional conferences to share best practices and exchange their professional knowhow on making our business locations and information assets secure and protected. Through these initiatives, our subsidiaries have developed capabilities in personal data protection and information security to independently identify and manage local security risks.

Information Security Workshop for Suppliers

As part of our efforts to ensure mutual growth in information security, LG Electronics hosts an annual information security workshop for CEOs and information security managers from our suppliers. In 2016, CEOs and information security managers from 215 suppliers came together for lectures on industrial espionage cases, the Unfair Competition Prevention and Trade Secret Protection Act, supplier guidelines on personal data protection and information security, and Q&A and information sharing annual sessions.

ISO 27001 Certification

In 2016, LG Electronics acquired the ISO 27001 Certification on all of our business locations in Korea, completing a strong information security management system. The ISO 27001 Certification is the most recognized international standard in information security and awarded to businesses that have in place an effective information security management system after a careful assessment on 114 items in 14 areas including information security policy, physical security and security incident tracking. The certification is a strong proof that LG Electronics has in place an information management system that effectively responds to internal and external security threats such as data breach, hacking attacks and malware infections. The ISO 27001 Certification serves as the final piece that completes our personal data protection and information security management system, together with local and international certifications including the Personal Information Management System (PIMS) Certification and the BS 10012 Personal Information Management Certification (British Standard).

BASIC PRINCIPLES ON DATA SECURITY & PRIVACY

01 - Collection of Minimum Amount of Information

We collect a minimum amount of information absolutely needed in providing our service. We absolutely avoid collecting extra information for future uses.

02 - Protection of Right to be Informed

In collecting information, we always inform our customers in advance the type of information we collect, the purpose of collecting the information, and the retention period for the collected information and obtain their consent.

03 - Measures to Ensure Data Security

In transferring and storing personal information, we implement all necessary technical, physical and management measures such as access control, access privilege management, maintenance of access log and data encryption.

04 - Use of Information within Collection Purposes

We strictly prohibit the use of personal information for purposes other than the intended ones. In providing the information to a third party, we inform customers in advance and obtain their consent.

05 - Safe Disposal of Collected Information

We destroy the personal information that served its purposes and lapsed the retention period without delay and ensure that the information is completely destroyed and unrecoverable.

With the Environment

Key Performance in 2016

- >Product Use Level
42.8 million tons CO₂e
- >Production Level
362,000 tons CO₂e
- GHG Emissions Reduction**
- 227,323** tons
e-Waste Collected & Disposed
- 78%**
Waste Recycling Rate (Global)



WHAT ARE IMPORTANT ISSUES?

Our Focus

- Reducing GHG Emissions/ Responding to Climate Change
- Developing High-efficiency (Eco-friendly) Products
- e-Waste Collection and Resource Recycling
- Preventing Environmental Pollution through Waste/ Emissions Reduction
- Managing Water Use

<Impact Boundary>
NGOs, Governments, Communities

HOW WE MANAGE IT?

Our Approach
LG Electronics makes continued efforts to minimize the environmental impact of our products throughout their lifecycle and to develop greener products. In line with our group-level green management strategy "Green 2020," we are implementing a broad range of initiatives to make our production locations greener, develop products with greener features and strengthen our "green" business portfolio.

Our Evaluation
As part of our efforts to develop products with greener features, LG Electronics assesses and manages the environmental impact of our products with the Eco Index, while enhancing our EESH management based on the "Green 2020" group-level initiative and reviews the progress and performance of related initiatives on an ongoing basis.

Future Direction

- 1) Continuously strengthen the requirements for products with greener features.
- 2) Step up GHG emissions and energy management / reduction efforts across our value chain.
- 3) Upgrade the Global EESH Management System.



We are proud that LG Electronics is partnering with BSI to respond to key sustainability challenges. LG Electronics are leading the way by integrating their EESH management systems and adopting global best practice principals and guidelines. Due to changing consumer and shareholder expectations, the rise of transparency and organizational behaviour in supply chains and managing CSR issues is constantly changing with new priorities and expectations. LG Electronics continues to embrace these challenges by adopting programs to build supplier performance and accountability. We look forward to seeing the progress that LG Electronics makes in managing EESH risk in its supply chain and believe that this will provide a solid foundation for LG Electronic's Jeong-do management to build greater organization resilience.

DAVID HORLOCK
Managing Director
BSI Asia Pacific

Products with Greener Features

Strategic Directions

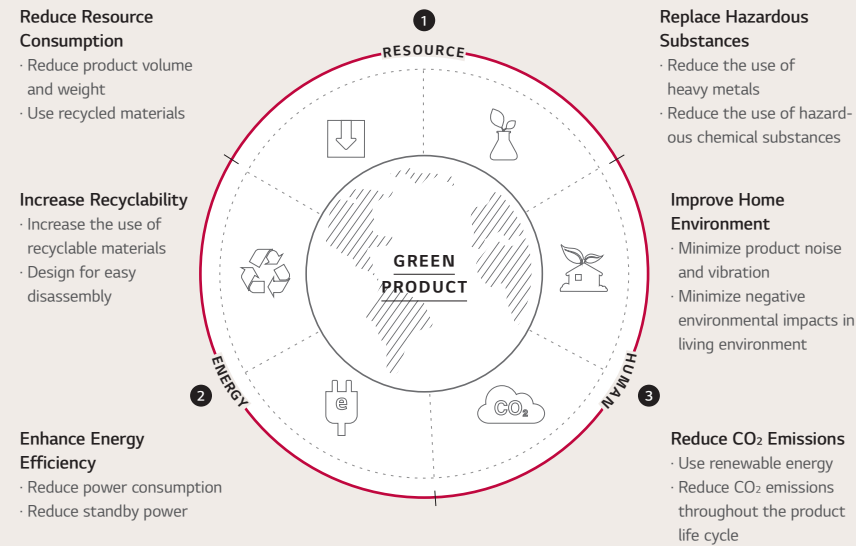
In response to a growing concern for environmental issues and tightening regulations, LG Electronics strives to make products greener and reduce the environmental impact of our products throughout their life cycle (sourcing, production, distribution and disposal/recycling). To this end, we have in place a strategic framework for developing technologies and products that takes into account three core factors: human, energy and resources; and carry out critical tasks aimed at expanding the development of products with greener features, promoting green communication, and strengthening green partnerships. We also implement the Eco Index (internally developed indices to quantify environmental performance and establish targets) to support our systematic approach to developing greener features for our core products (TVs, mobile phones, refrigerators, washing machines, air conditioners, and monitors). LG Electronics manages environmental performance and tar-

gets for each of our products based on the index to expand the positive impact created by our development efforts towards products with greener features.

Performance & Target Management for Products with Greener Features

LG Electronics uses the Eco Index, our internal standard for quantitatively assessing the environmental performance of all our products, and categorizes our product models into three tiers (Green 1 Star, Green 2 Star, and Green 3 Star) based on their environmental performance with the objective of expanding the percentage of Green 3 Star products, which satisfy higher environmental standards. To date, LG Electronics has consistently outperformed all annual targets set by the "strategic framework for products with greener features" since the adoption of the Eco Index, and contributed to expanding the range of eco-friendly products. We also carefully manage and continuously revise the index to incorporate changes in the product development environment and maintain its effectiveness. LG Electronics will

Strategy for Products with Greener Features

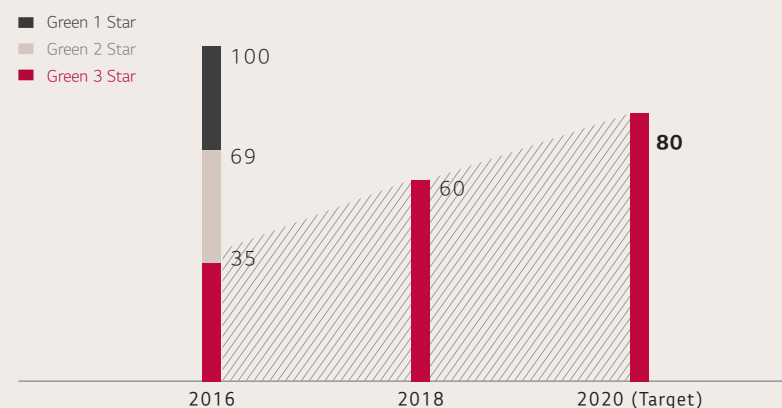


Rating Requirements for Eco Index

Core Assessment Criteria

Category	Green 1 Star ->	Green 2 Star ->	Green 3 Star ->
Energy	Satisfies energy standards	Satisfies market standards on energy efficiency	Achieves competitive advantage (high efficiency)
Human	Complies with regulations on hazardous materials	Replaces hazardous substances voluntarily and proactively	
Resource	Complies with regulations on recycling	Offers design features for efficient resource use	
Innovation	-	Leads the market in terms of greener features	

2016 Performance in Products with Greener Features & Mid- to Long-Term Targets (Unit: %)



continue to develop and expand products with greener features that address customer needs by carefully assessing and managing the environmental performance of our products with the Eco Index.

Life Cycle Assessment (LCA) for Products

Since 2002, LG Electronic has used Life Cycle Assessment (LCA) to accurately quantify and manage the environmental impact associated with the life cycle of our products. In compliance with international standards (ISO 14040 series) for environmental performance assessment tools, the LCA is a technique used to measure the environmental impact associated with all the stages of a product's life cycle, identify improvement, and it is used primarily in the development of eco-friendly products. As part of our efforts to firmly establish our product assessment process based on the LCA, we created the Life Cycle Inventory (LCI) database for core product categories in 2011, with which we perform life cycle assessment on seven product categories (TV, monitor, washing machine, refrigerator, mobile phone, and residential/commercial air conditioning system) on an annual basis. We also assess the global warming impact and the life cycle carbon footprint of our products and disclose the data through our corporate website and sustainability report, while ascertaining the integrity of the information through third-party certifications such as the Carbon Footprint Label, the Low Carbon Certificate, the Carbon Neutral Certificate (Korea), and the Carbon Trust Product Footprint Label (Europe). In 2016, the ecodesign of our Styler Clothe Caring System acquired the Carbon Trust Product Footprint Label (U.K.) and the TUV Green Product Mark (Germany), finally, LCIE^① which is the most prominent non-profit assessment agency in France has verified the Styler as an official 'Eco-Design' product. We also acquired the Green Technology Product Certification awarded by the Ministry of Trade, Industry and Energy of Korea, and are work-

^① **LCIE (Laboratoire Central des Industries Electriques, The Central Laboratory of Electrical Industries of France):** LCIE's Ecodesign certification is given to a product that has substantially lowered its environmental impact from the previous model through a comparative life cycle assessment of factors that create environmental impacts, such as energy consumption, use of resources, and hazardous content.

Product Carbon Footprint Assessment, Breakdown by Life Cycle Phase (Unit: %)

Category	Pre-Production	Production	Transport	Product Use	Disposal
TV	12.59	0.05	1.40	84.94	1.01
Monitor	7.49	0.03	0.54	90.95	0.99
Washing Machine	37.50	0.29	1.14	57.06	4.02
Refrigerator	20.33	0.19	1.29	77.88	0.31
Commercial Air Conditioner	4.46	0.37	0.25	78.22	16.71
Residential Air Conditioner	0.56	0.02	0.03	95.14	4.25
Mobile Phone	26.23	0.01	6.50	66.83	0.43

ing to expand the "green" technology to other products such as laptops, monitors and ovens. Taking advantage of our experience in the LCA and accumulated data, LG Electronics developed the Simplified LCA tools to assess the potential environmental impact of our mobile phone, TV and home appliance products in the planning phase, and incorporate the results into the development of eco-friendly products.

Product Stewardship

Voluntary Replacement of Hazardous Substances

As a global corporation, LG Electronics is keenly aware of our responsibility for the health of people and the environment and fully complies with international environmental regulations, including RoHS and REACH, strictly prohibiting the use of regulated substances (lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB), and polybrominated diphenyl ethers (PBDE)) in our products. Moreover, we are proactively replacing other substances that are hazardous to the human body. For instance, we are continuously developing alternative technologies and components to replace or reduce the use of substances that are not currently regulated but believed to be hazardous to the human body and the ecosystem, such as polyvinyl chloride (PVC) and brominated flame retardants (BFRs). As a result of our ongoing efforts, we were able to remove PVC and BFRs from all of our mobile phone products in 2010, followed by phthalate and beryllium in 2011 and antimony trioxide in 2012. PVC cables in our UHD and

OLED TV products have been substituted with PVC-free materials. We also introduced laptop free of PVC and BFRs, while implementing a PVC-free skirt lower to all of our refrigerator products in 2013. Our primary focus in R&D efforts is to replace hazardous or potentially hazardous substances in our products and components while maintaining the highest level of quality, and expand the practice to as many products as possible. In 2015, we also replaced HBCD (Hexabromocyclododecane), a type of brominated flame retardant, from all of our products and packing materials, as part of our preemptive response to the EU's POPs (persistent organic

focus

Performance in Replacing Hazardous Substances



01 - Smart Phone, Smart Watch, G-pad

- Removed PVC and BFRs from all models (2010)
- Removed phthalate and beryllium from all models (2011)
- Removed antimony trioxide from all models (2012)



02 - OLED/UHD TV

- Adopted PVC-free cables
- Adopted mercury-free display panel



03 - Laptop

- Introduced PVC/BFR-free models in 2013 (except for FPCB, Bare PCB, battery, adapter, keyboard, cable, touch pad, thermal module, cable connector, and power cord)



04 - Monitor

- Adopted PVC-free LCD modules for all models (2011)
- Adopted PVC- and BFR-free LCD modules for all models (2013)



Number of ENERGY STAR Products

517
(Products sold in the United States)

pollutants) regulations. In 2016, we revised our supply chain management protocol to disclose all of the biocidal substances used in our products to prevent the issues such as the deaths in Korea caused by toxic humidifier disinfectants, and are thoroughly managing our production process to ensure that such substances are not used in our processes.

Enhancing Energy Efficiency

In an effort to make our products more energy efficient, LG Electronics has established the Technology Road Map (TRM) and instituted specific targets for each product, striving to hit every milestone. Although all of our products fully satisfy international energy regulations such as ErP (Energy related Product), we are not easing back on our efforts to reduce energy and standby power consumption and have set more demanding goals and targets internally.

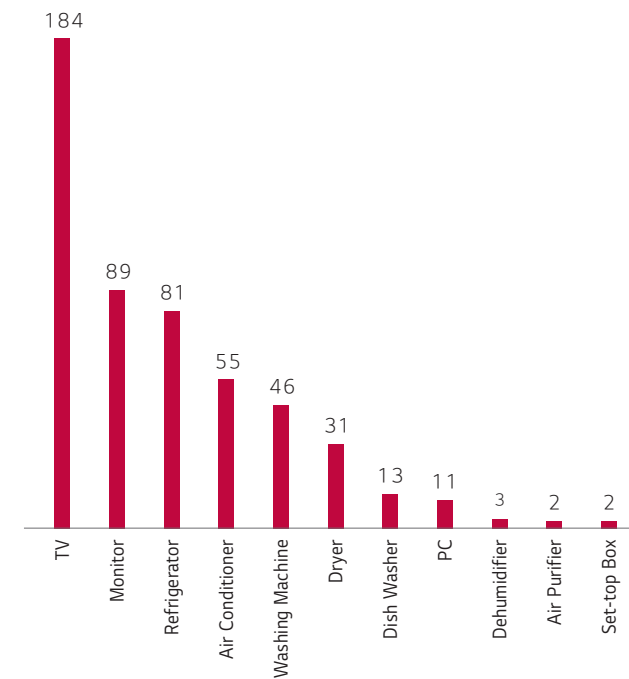
ENERGY STAR

ENERGY STAR is a certification program established by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy to promote energy-efficient consumer products. In 2016, LG Electronics has been recognized by the EPA with the ENERGY STAR Partner of the Year-Sustained Excellence Award, garnering the top honor for three consecutive years. LG Electronics has also been recognized as the ENERGY STAR Partner of the Year for the fifth consecutive year since 2012 for continued leadership in protecting the environment, such as offering a greater number of ENERGY STAR-certified product models, raising consumer awareness on energy efficiency, and training employees on energy issues.

Reduction of GHG Emissions

In order to encourage and facilitate a low-carbon life style among consumers, LG Electronics measures the total amount of GHG emissions produced throughout the life cycle of our major products (carbon footprint) and discloses the data, while making a concerted efforts to reduce GHG emissions produced in all stages of their life cycle, such as making our products lighter, reducing the use of resources, to enhancing energy efficiency. In particular, LG

Number of ENERGY STAR Products



Green Technology Certification Acquired by LG Electronics (Korea)

Technology	Date Certified	Valid through
Smart energy saving for monitors through backlight adjustments	2016-03-10	2019-03-09
Technology for reducing standby energy consumption for laptops	2016-02-18	2019-02-17
Energy- and water-saving Turbo Shot washing technology	2013-11-21	2018-11-20
Design technology for a high color rendering PLS lighting system	2013-11-21	2018-11-20
Gas stove production technology for reducing CO emissions with ceramic heating plates	2015-10-14	2018-10-13
Design technology for energy efficient multi-core application processors	2015-01-29	2018-01-28
High-efficiency gas heating pump with engine optimization technology	2014-11-20	2017-11-19
Eco-friendly compressor for water purifiers	2012-08-30	2017-08-29
Energy- and water-saving Turbo Shot washing technology II (for drum washing machine)	2014-08-26	2017-08-25
Parallel double evaporator cycle for refrigerators	2014-08-26	2017-08-25
Six-Motion washing technology	2014-08-26	2017-08-25
Clothes dryer and clothes management system using a heating pump	2014-08-26	2017-08-25
Inverter linear compressor for refrigerators	2014-08-26	2017-08-25
Energy-saving smart TV design technology with OPC and intelligent sensors	2014-07-17	2017-07-16

Electronics plans to contribute to the reduction of GHG emissions associated with product use by developing and introducing highly energy-efficient products, with a target to reduce emissions by 60 million tons by 2020, compared to BAU¹ levels from the baseline year 2007. By meeting the target, LG Electronics will contribute to reducing approximately 400 million tons of GHG emissions associated with product use (cumulative). To this end, in 2016 we put great effort into introducing products with highly energy-efficient features, contributing to a reduction of GHG emissions associated with product use by 42.83 million tons (compared to the 2007 energy consumption). In order to achieve the reduction target by 2020, LG Electronics plans to push forward with a broad range of initiatives for enhancing energy efficiency.

Resource Reduction

Improving Materials & Structure

LG Electronics puts great efforts into maintaining the highest level of material quality and product structure from the initial phase of product development and collaborates with recyclers to increase recyclability, ease disassembly, and product performance while reducing form factor size and weight wherever possible. We were able to achieve a weight reduction of approximately 13 percent (1kg) in our 2016 27-inch monitor model (27UD68P) compared to the previous model (27MU67) of the same size with improved materials, while reducing the volume of the product and the weight of the packing materials by 8 percent and 24 percent respectively through an improved product structure, increasing the recyclability of the product and ensuring ease of disassembly.

Use of Recycled Materials

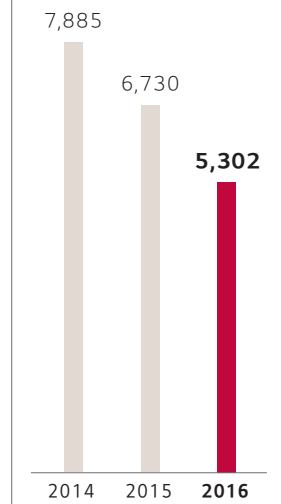
As part of our efforts to promote recycling and the efficient use of resources, LG Electronics utilizes recycled plastics in some of its product components following careful stability and reliability tests. Through these efforts, recycled materials are used in our washing machine, refrigerator, air quality solution, smartphone, TV, and monitor products, with a total of 5,302 tons of post-consumer recycled (PCR) plastics being used in 2016 for our products. LG Electronics used 5,617 tons of PCR plastics in 2013, 7,885 tons in 2014, and 6,730 tons in 2015. In the long term, we will develop substitute parts and technologies to continuously expand our use of recycled plastics, and systematically manage our performance in the use of recycled plastics in each of our product groups.

e-Waste Management

e-Waste Management Efforts (Overseas)

LG Electronics provides e-waste take-back service pursuant to Waste Electrical and Electronic Equipment (WEEE) regulations and lo-

Annual PCR Plastics Consumption (Unit: ton)



focus

2016 Materials and Structures Improvement Case



2015

2016

Model Name	27MU67	27UD68P
Screen Size	27 inch	27 inch
Product Weight	Approx. 7.7 kg	Approx. 6.7 kg
Product Volume	0.071m ³	0.065m ³
Package Weight	Approx. 1.41 kg	Approx. 1.07 kg
Number of Components	282	244

¹

BAU (Business as Usual):
Projected GHG emissions based on current level assumptions of GHG reduction technology and policy

cal requirements around the world. Currently, LG Electronics offers the service to customers from 83 regions in 50 countries (as of the end of 2016), and is continually expanding the program. We are also in the process of establishing a take-back system in countries planning to implement WEEE regulations after 2017, such as Chile and the Philippines, by carefully reviewing local regulations and maintaining an open dialogue with governmental and industry organizations in order to implement the appropriate responses. Based on these efforts, we plan to contribute to environmentally responsible disposal of e-waste. LG Electronics also offers information on its e-waste take-back system and related activities on its website (<http://www.lg.com/global/recycling>) for our stakeholders.

Green Packaging

In 2012, LG Electronics introduced its Greener Packaging Design guidelines to reduce the weight and volume of our product packages and promote the reuse and recycling of packaging materials. The guidelines were initially implemented for select TV and mobile phone products, and later expanded to include all

products in 2013. We also built a database that lists recycled pulp content of the paper stock used for our product packages, and we use the data to increase the recycled pulp content of the paper stock used in our product packaging. Since 2014, we have set targets for annual reduction rates (use of packaging materials, volume of packages, and empty space inside the packages) at the business division level, and reviewed performance on a semiannual basis.

In 2016, we also implemented the guidelines for the package design of new product models and assessment of their environmental performance. As a result, we were able to reduce the use of packaging materials and empty space inside the packages for new products 8.6 percent and 8.7 percent respectively despite an increase in size for some products. In 2017, as part of our effort to maximize our green packaging performance, LG Electronics plans to discover green packaging best cases and share them at packaging technology workshops, and to run a green packaging system at the business division level.

Green Partnerships

Green Program Plus

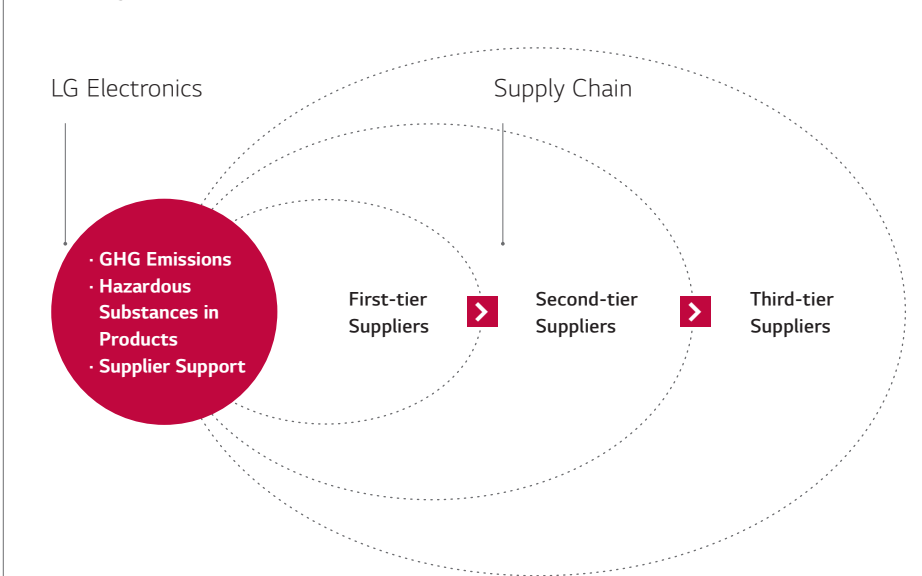
As part of our efforts to enhance "green" competitiveness across our supply chain and promote mutual growth, LG Electronics operates Green Program Plus (GP Plus), a sustainability management program for our supply chain, and uses the program to help our suppliers improve their environmental performance by transferring our green technologies and related knowhow.

Initially implemented in 2005 to manage hazardous substances as a regulatory response, this program has been expanded to include GHG emissions at our supplier sites and upgraded to GP Plus. Not only does the program help us build strong green partnerships and promote our suppliers' competitiveness in sustainability management, it also enables us to identify risks existing in our supply chain and address global regulatory requirements.

Training and Technology Support for Suppliers

In order to strengthen green partnerships with its suppliers, LG Electronics provides annual training on compliance response for hazardous substances, green technology, and GHG emissions management to environmental management staff from our suppliers and our employees in charge of the partnership. In 2013, we also introduced a new program to foster experts in collecting hazardous substance data (Environmental Data Collection Expert Program), and provide training to the equipment testing operators from our suppliers, improving the technical capabilities of our suppliers in managing and measuring hazardous substances and ensuring the integrity of the data. In 2016, a total of 161 participants from 85 Korea-based suppliers completed the training and built their expertise. As part of our efforts to help our suppliers establish a cleaner production system and build a green supply chain, LG Electronics participated in the Global Green Partnership Project of the Ministry of Trade, Industry and Energy, and is providing support to 14 suppliers that have established overseas operations (India, Vietnam and Russia) for our projects in the areas of production process assessment, energy use assessment, chemical substance use analysis, and replacement of hazardous substances in products.

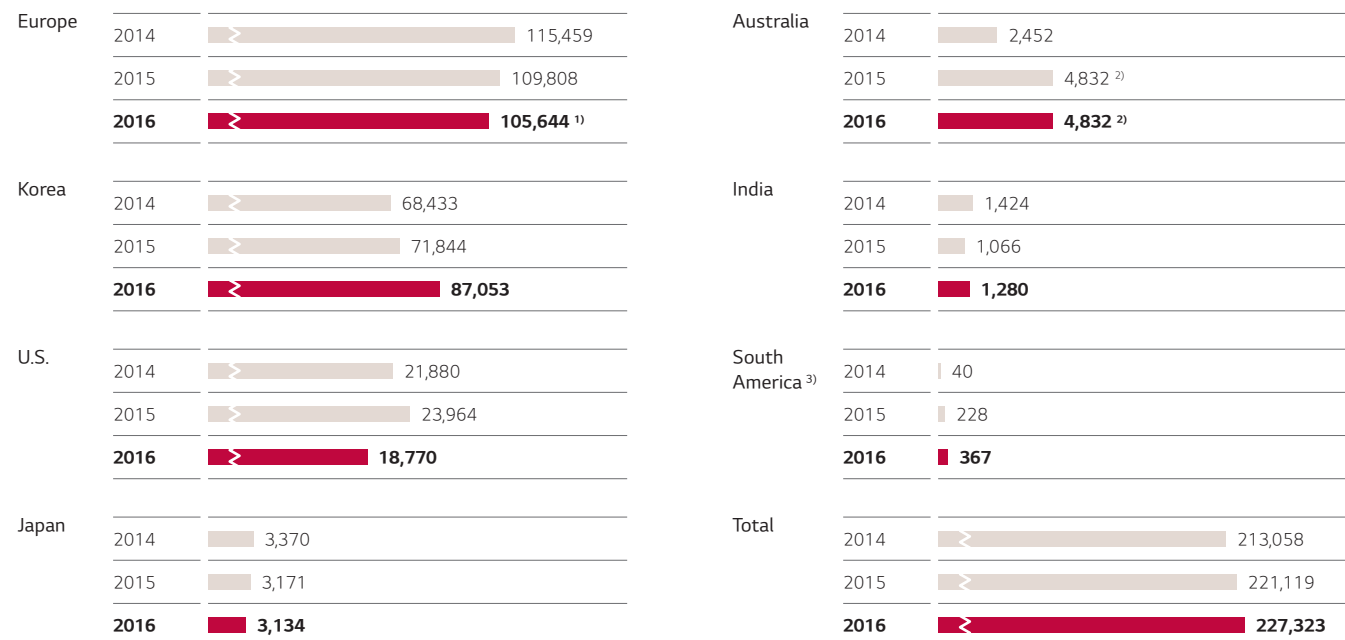
Green Program Plus



2016 Green Expert Training

Program	Session	Training Target	Number of Participants	Curriculum
Green Expert Working Level Capacity Building	Fifth	Managers & Working-level Staff from Suppliers	91	<ul style="list-style-type: none"> Introduction to Environmental Regulations Management & Analysis Technology for Hazardous Substances Hazardous Substance Management System (HSMS) GHG Emissions Management
Measurement of Hazardous Substances - Practical Application	Fifth	Environmental Inspectors from Suppliers	70	<ul style="list-style-type: none"> LGE Standards for Managing Hazardous Substances Measuring XRF (Theory) Measuring XRF (Practice)

e-Waste Take-back and Recycling Performance by Country (Unit: ton)



As the reporting period for e-waste collection performance varies from country to country, figures for some countries presented in this report are estimates (based on the performance from the previous year or the data from the neighboring countries). As such, those figures may be adjusted slightly in the next year's report.

1) Figures for some European countries are estimates.

2) Australia: 2015 figures are updated / 2015 data was presented as the reporting period for e-waste collection performance in 2016 was not concluded as of this writing.

3) South America: Brazil, Colombia, and Peru

Green Packaging Improvement Case

01 MC

Product Model V32 → V33 (Smartphone model for the Japanese Market)

Improvement Reduced the use of materials by adopting a foldable structure for the cardboard box

Amount of Materials Used Reduced: 105g/unit → 50g/unit

Logistics Costs Reduced: KRW 525/unit → KRW 250/unit

Product Model V480 → V525 (8-inch Tablet PC)

Improvement Improved the package to achieve weight reduction as well as to reduce the time required to box the product by changing the structure of cardboard inserts from two types to one

Amount of Materials Used Reduced: 159g/unit → 129g/unit

Logistics Costs Reduced: KRW 795/unit → KRW 645/unit

02 HE

Product Model All LCD TV 49UJ65 Models Produced in Korea (2016 model → 2017 model)

Improvement Reduced from five layers (DW) to three layers (SW) by optimizing the package box strength

Amount of Materials Used Reduced: 2.9kg/unit → 1.8kg/unit

Logistics Costs Reduced: USD 3.18/unit → USD 2.56/unit



Awards

1 LG Electronics Receives Top Honor at ENERGY STAR Awards for Third Consecutive Year

LG Electronics was honored by the U.S. EPA with the 2016 ENERGY STAR Partner of the Year - Sustained Excellence Award for the third year running. We have also earned the ENERGY STAR Partner of the Year Award and the ENERGY STAR Climate Communicator Award, respectively, for five and three consecutive years. Launched in 1993 by the U.S. EPA, the ENERGY STAR Award is regarded as one of the most prestigious recognitions for achievements in energy and environment. The Sustained Excellence Award is particularly significant as the award is given to businesses or organizations that have demonstrated continued leadership in protecting the environment by consistently earning "Partner of the Year" for two or more years. LG Electronics was recognized for its commitment to improving the environment and energy efficiency in the United

States, such as offering a greater number of ENERGY STAR certified product models, raising consumer awareness on energy efficiency, and engaging in employee outreach programs on energy issues. In 2015, LG Electronics acquired the ENERGY STAR certification for more than 500 product models in a range of product categories including TVs, washing machines, refrigerators and monitors, up 15 percent from the previous year. U.S. EPA Administrator Gina McCarthy also applauded LG Electronics for its accomplishment. "LG demonstrates a strong commitment to energy efficiency and to preserving a healthy planet for future generations," she said in her comment.



Underscoring our leadership in responsible electronics recycling, LG Electronics was recognized by the U.S. Environmental Protection Agency (EPA) with the 2016 Gold Tier Award, the top-level recognition in the EPA's Sustainable Materials Management (SMM) Electronics Challenge. The award is given to electronics manufacturers, brand owners and retailers that environmentally dispose 100 percent of the used electronics they collect through third-party certified electronics recyclers. Presented at the CES 2017 Sustainability Day event, the Gold Tier Award recognizes our significant contributions to the EPA's SMM Electronics Challenge goals by increasing the amount of used electronics collected for reuse and recycle, striving to send 100 percent of used electronics collected to certified third-party recyclers, and publicly sharing detailed information about our electronic management practices. As a global leader in responsible e-waste management, LG Electronics will continue our efforts towards the environmentally responsible disposal and recycling of e-waste with renewed commitment.

2 U.S. EPA Honors LG Electronics with SMM Gold Tier Award for Third Consecutive Year



U.S. EPA Sustainable Materials Management (SMM):
- A voluntary program that encourages electronics manufacturers, brand owners and retailers to work towards sending 100 percent of the used electronics they collect from the public, businesses and within their own organizations to third-party certified electronics recyclers to prevent illegal export of e-waste and increase the recycling rates.

EESH Management System

Objectives & Achievements in EESH Management

In April 2010, LG Corp., the holding company of LG Electronics, announced the group-level environmental management initiative Green 2020, which conveyed LG Corp.'s commitment towards a "greener workplace," "greener products" and "greener new businesses." In line with the vision and strategy conveyed in Green 2020, LG Electronics also set its own EESH (Energy, Environment, Safety, and Health) management initiatives and targets, and is pressing forward with their implementation. At our annual performance and strategy consensus meetings, we review progress with Green 2020 and related initiatives.

EESH Policy

In July 2015, LG Corp. established the "LG Safety & Environment Policy" and the "Seven Principles for the Safe Working Environment" as the group-level green management framework, and is communicating the significance of EESH management to our employees through diverse channels to raise employee awareness and affect positive changes in their everyday practice. In line with the group-level strategy for green management and EESH principles, LG Electronics has established our own EESH Policy, and shared the guidelines with our employees. We also strive to attain our EESH vision: "to protect the environment of the Earth, promote the sustainable development



<http://www.lg.com/global/sustainability/environment/vision-and-policy>

LG Electronics EESH Policy

EESH Targets & Performance

Mid- to Long-term Targets	KPI	Target Year	2016 Performance
GHG Emissions Reduction	150,000 tons in reduction (1 million tons in cumulative reductions)	2020 (Base Year 2008)	362,000 tons in reduction
Water Use Reduction	20% in reduction (Intensity target per revenue)	2020 (Base Year 2007)	32%
Global EESH Management System Implementation	100% in ISO 14001 acquisition 100% in OHSAS 18001 acquisition 100% in ISO 50001 ¹⁾ acquisition	2020 2020 2025	93% 80% 40%
EESH Capability Enhancement at Overseas Locations	All locations rated Low Risk or higher	2020	82%

¹⁾ Based on 14 locations with an annual energy bill of USD 2 million or higher

Green 2020

LG Green 2020 Three Management Goals

LG Electronics Mid- to Long-Term Goals for Green Business Sites

Greener Sites

- Reduce GHG Emissions by **40%** (intensity target per revenue in KRW)
- Reduce water use by **30%** (intensity target per revenue in KRW)
- Strengthen the EESH Management System

Greener Products

- Reduce use-level GHG emissions by **60 million tons** annually through the maximization of energy efficiency (more than 400 million tons, cumulative)

Greener Businesses

- Expand the percentage of green new businesses in the Group's total sales to **15%** or higher by 2020

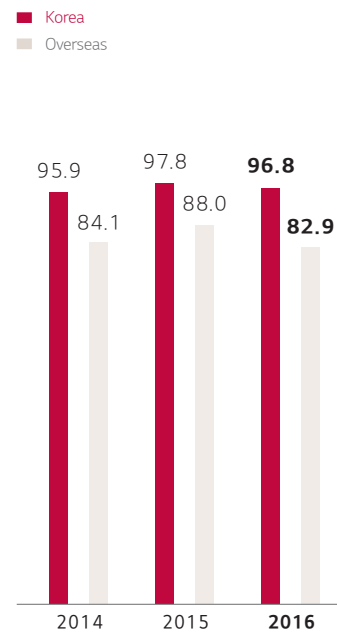
- Reduce production-level GHG emissions by **150,000 tons** (Compared to the base year 2008)
- Reduce water use by **20%** (Compared to the base year 2007, intensity target per revenue in KRW)
- Expand the global implementation of EESH Management System
- Enhance and stabilize the EESH capacity at overseas sites

of society, establish a corporate culture that facilitates an advanced level of EESH practices, and achieve our goal of becoming Global No.1 in EESH management." Since EESH guidelines, regulations and standards were first established in 2009, LG Electronics has revised and updated the system in response to fast-changing and emerging risks. We also implemented the corporate-level EESH management system in 2010 and are working to acquire the ISO 14001, the ISO 50001, and the OHSAS 18001 certifications for all of our production locations.

EESH Audit

As part of our efforts to become Global No.1 in EESH management, LG Electronics developed the Global EESH Audit Rating System (GEARS) internally and performs an EESH audit on its production and R&D locations in Korea and overseas on an annual basis to identify EESH issues in advance and prevent those issues from developing into serious risks. Based on the audit results, we rate the level of EESH management at each of our production and R&D sites (excellent, good, average and poor) and implement improvement initiatives to bring up the rating to "excellent (95 points or higher)" across our locations. After improvement initiatives are identified, we report the findings to the head of the location and subsidiary, and monitor the progress and performance at each site on a regular basis to ensure successful implementation. In 2016, we implemented GEARS 3.0, the advanced version of GEARS with stronger requirements, in order to respond preemptively to growing stakeholder expectations on EESH risk management and toughening regulatory requirements across the globe. Our new and upgraded GEARS 3.0 not only requires a higher level of EESH management standard that exceeds the compliance of laws and regulations, but also adopts management criteria developed based on EESH risks identified through audits on our production locations to ensure effectiveness. In our 2016 EESH au-

Past Three-Year EESH Audit Results
(in 100 point scale)



* A decline in the 2016 score is due mainly to changes in checklist items.

dit performed based on the upgrade system, production and R&D locations in Korea were rated "excellent" with an average score of 97 points, while overseas locations scored 83.0, down five points from the previous year. LG Electronics will continue our efforts to enhance EESH management capabilities at our overseas subsidiaries through EESH audits based on GEARS.

EESH Compliance Risk Management System

As part of our efforts to ensure effective response to global EESH regulations, we implemented the EESH Compliance Risk Management System in 2014, through which we monitor changes in EESH legislations and regulations around the world and monitor compliance performance at all of our locations. EESH risk assessment conducted by the company's Korea headquarters target all of our production subsidiaries to evaluate their compliance performance and identify issues based on the requirements in ten different areas (general environment, air quality, water quality, waste, chemical substances, hazardous materials, general safety, facilities and equipment, emergency readiness, and industrial health) with the assistance of experts in local EESH regulations. Our 2015 assessment on eleven Chinese subsidiaries and 2016 assessment on Latin American and South Asian subsidiaries

have identified, respectively, 323 and 230 major/minor issues. We have addressed 84 percent of the identified issues except for those that require mid- to long-term plan. In 2017, LG Electronics plans to perform compliance risk assessment on ten subsidiaries in Europe, CIS and Africa, while continuously monitoring and managing the progress of improvement initiatives.

Strengthening Business Continuity Management (BCM) System

LG Electronics is keenly aware of internal risks such as safety-related accidents/disasters as well as of external risks such as climate change impacts and terrorist attacks (external), and the serious implications they have on our business operations. In order to fully prepare ourselves against such unforeseen events, ensure business continuity, and protect customer and shareholder value, LG Electronics implemented the Business Continuity Management (BCM, ISO 22301), and is continuously expanding and enhancing the system. Since we first introduced the BCM to the mobile production line at the Pyeongtaek Plant in 2008, we have been expanding the system to other locations. In November 2014, our Pyeongtaek mobile production line became the first to acquire the ISO 22301 certification in Korea. In 2016, the Gasan R&D Campus became the first of our R&D locations to complete the BCM implementation, and the Vehicle Component Company (Incheon, Korea) also implemented the system. We are also expanding the system

to our overseas locations and completed the BCM implementation at our Vietnamese subsidiary in 2016. LG Electronics will continue to expand the BCM implementation and ISO certification to all of our business companies. As part of our efforts to strengthen our BCM infrastructure, we will also develop training programs and operate BCM committees to improve our organizational capabilities in business continuity management. Through these efforts, LG Electronics will strengthen our capabilities in forecasting future risks, fully prepare ourselves against such risks, and enhance the efficiency of our risk responses to build a strong sustainable management system that the stakeholders and society trust.

Employee EESH Training

LG Electronics is strengthening EESH awareness training across its value chain, offering training programs tailored specifically for different employee groups (positions/business functions) as part of our efforts to minimize EESH risks. In line with the EESH Policy of LG Corp., the holding company of LG Electronics, we have our promotion candidates complete the "EESH Essentials for LG Employees," a training program comprising courses on EESH management theories and workshops. Furthermore, our employees from the EESH management functions are required to complete the three-day advanced course as well as the five-day introductory course to gain further expertise. We also require FSE candidates, who are preparing for a overseas transfer, to



complete EESH training, and conduct the same training at overseas production locations on a semiannual basis. In 2016, LG Electronics strengthened EESH training for our EESH staff in China, conducting train-the-trainer sessions in July to foster EESH training specialists in charge of EESH training for promotion candidates. In September 2016, LG Corp. organized training sessions on China's EESH regulations and compliance benchmarking for EESH staff from the Tianjin region. In 2017, we plan to develop and carry out EESH practical training for our production staff. LG Electronics will continue to enhance our EESH training programs to promote employee awareness on EESH and establish EESH compliance as an integral part of their everyday practice.

Management of Energy, GHG Emissions and Water Use

Climate Change Response

As a responsible corporate member of the global community, LG Electronics recognizes the serious implications of climate change and is proactively responding to related risks and opportunities. LG Electronics considers climate change response as critical part of our business management, and established "Green 2020," a corporate-level initiative for climate change response through which we set reduction targets and implement a full range of initiatives aimed at improving our performance. We are sparing no effort to make our production facilities and equipment more energy efficient, reduce GHG emissions from our production sites, and increase the use of renewable energy sources. In addition, we are making

preemptive business decisions to transform risks into opportunities through products and businesses that address the negative impact of climate change, such as expanding energy efficient products in our product portfolio and developing new energy businesses.

Climate Change Response System

LG Electronics is implementing a broad range of initiatives as part of our efforts towards climate change response. In order to ensure the transparency and efficiency of our initiatives, we also have in place internal and external communication systems as follows:

1 - Executive Decision Making Council

Under the leadership of LG Corp., LG Electronics develops our strategy for the Green 2020 initiative, and regularly briefs top management on the progress and carefully reviews our performance through performance presentations and green management meetings.

2 - Risk Management

LG Electronics manages risks associated with climate change through our Compliance Risk Management (CRM) System, based on which we develop and implement our climate change response strategy. We also have in place the EESH Emergency Management Committee to prevent industrial accidents at our production locations in Korea and overseas.

3 - From Risk to Opportunity

LG Electronics is transforming risks associated with climate change into business opportunity with products and services that curb the negative impact of climate change, such as developing eco-friendly products under the leadership of the Energy Business Center, while participating in Clean Development Mechanism (CDM) projects and "carbon-off-set" businesses to obtain carbon credits.

4 - Internal & External Communication

LG Electronics actively engages with our stakeholders through internal and external communication channels to promote our initiatives for climate change response and

EESH Compliance Risk Assessment on Overseas Subsidiaries

Target Locations for Compliance Risk Assessment

11 locations

(All production subsidiaries in China)

2015

9 locations

Brazil (2), Mexico (3), India (2), Vietnam, Indonesia Tangerang

2016

10 locations

Poland (2), Russia, Kazakhstan, Turkey, Egypt, Saudi Arabia, South Africa, Thailand, Indonesia Cibitung

2017

Risk Mitigation Rate

87%

(Completed 282 out of 323 issues)

2015

80%

(Completed 183 out of 230 issues)

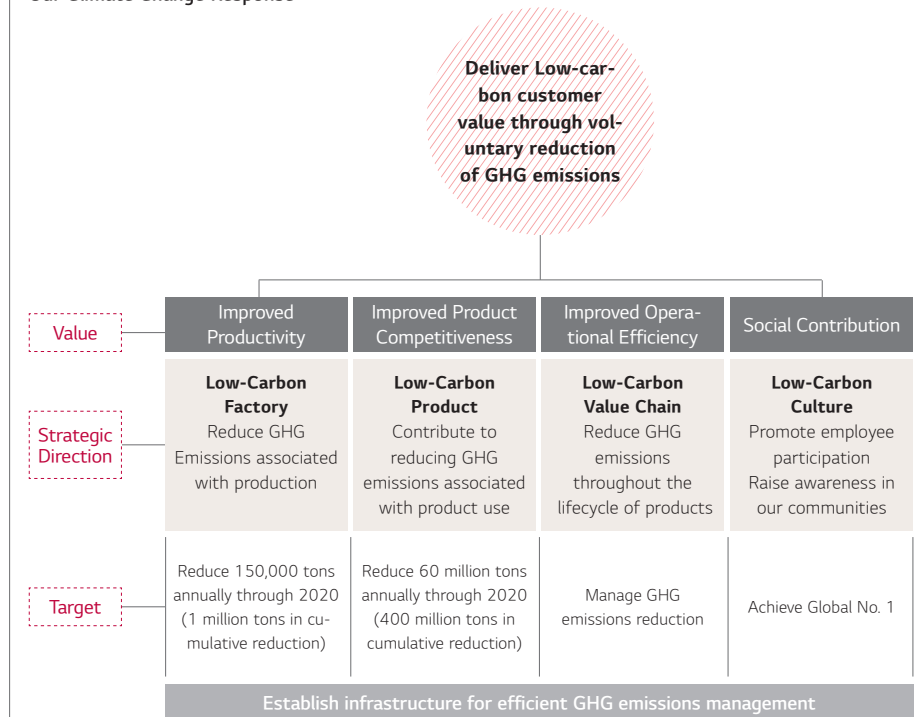
2016

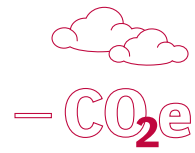
Inspection in Progress

2017

* 84 percent of cumulative improvement rate (465 out of 553 issues)

Our Climate Change Response





Amount of GHG Emissions Reduction

362,000 tons

(Compared to the Base Year 2008)

heighten employee awareness on climate change. In particular, we disclose our strategy and initiatives for climate change response in a clear and transparent manner as part of our compliance with CDP and DJSI requirements. Our initiatives also include regular employee newsletter on energy issues through which we share climate change related issues with our employees to raise their awareness.

GHG Emissions Reduction Target & Performance Management System

In 2009, LG Electronics established the mid-to long-term reduction targets for GHG emissions and has since continued to engage in a wide range of efforts to improve our performance. To this end, we are implementing the “four strategic directions” for climate change response, which is comprised of initiatives aimed at expanding investments in high efficiency equipment, enhancing the operational efficiency of facilities and equipment, expanding the use of renewable energy, and promoting employee energy-saving activities. We have set a target to reduce 150,000 tons of production-level GHG emissions by 2020 (ten percent reduction from the base year 2008), through which we expect to reduce a total of approximately one million tons (cumulative) of GHG emissions between 2009 and 2020. To this end, LG Electronics also sets a

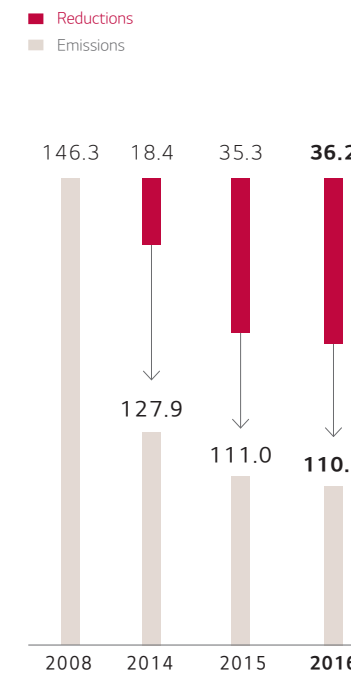
reduction target for the year and manages GHG emissions accordingly. In 2016, we outperformed the annual target by 262,000 tons, achieving a reduction of 362,000 tons compared to the base year 2008.

In addition, LG Electronics acquired the ISO 50001 certification for our production and R&D facilities to establish a management system for our energy saving and GHG emissions reduction performance, and is adhering to the emissions trading scheme implemented by the Korean government.

Making Our Production Facilities & Equipment More Energy Efficient

LG Electronics established a user-based corporate energy management system to further improve GHG emissions reduction performance at our production locations. As a first step in this direction, we created an energy map as a tool for analyzing, assessing and improving the energy flow and energy efficiency of our production facilities and equipment, and implemented the system at the Pyeongtaek production site in 2015. LG Electronics is now expanding the system to other locations, with the Gumi production site and the Woomyeon R&D Campus completing the implementation in 2016. We also adopted the Energy Performance Indicator (EnPI) for the Gumi production site and analyze our reduction perfor-

Production-Level GHG Emissions Reduction Performance
(Unit: 10K tons CO₂e)

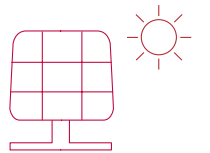


mance at the location in order to scientifically assess production-level energy efficiency and manage our performance based on quantitative measures. We plan to expand the initiative to include all of our business sites to promote energy efficiency and contribute to GHG emissions reduction. LG Electronics is also in the process of implementing a smart factory system as part of our efforts to enhance production-level energy efficiency, while improving our EnPI to acquire the Energy Champion Certification awarded by the Korean government.

Reducing Production-level GHG Emissions & Expanding Use of Renewable Energy

LG Electronics is reducing energy use by improving the operational efficiency of production and general facilities and continually expanding our investments in high-efficiency equipment. In 2015, we implemented an automated control system as part of our Factory Energy Management System (FEMS) to save energy and effectively manage peak energy demand, contributing to a reduction of GHG emissions. Our Changwon Plant became the first Korean facility to acquire the FEMS certification from the Korea Energy Agency, and we have expanded the system to include the Pyeongtaek and Gumi sites in 2016. We also made an investment in the processing system for sulfur hexafluoride (SF₆) gas generated by solar panel production, achieving a reduction

of about 160,000 tons of GHG emissions in 2016 (certified by a third-party assessment agency). We plan to expand the implementation to include other production locations, which is expected reduce about 300,000 tons of GHG emissions annually. LG Electronics continues to expand the use of energy sources that produce no GHG emissions by adopting solar power generating systems and expanding renewable energy purchases. We have expanded solar power generating systems at our Changwon and Gumi sites in Korea to secure a combined capacity of 5.4 MW each, producing a total of approximately 6,900 MWh (cumulative) in 2016 and reducing about 3,217 tons of GHG emissions. Office buildings in the United States and Europe are also increasing their purchase of renewable energy. In 2016, US facilities reduced a total of 1,285 tons of GHG emissions through renewable energy purchases, while our European office buildings avoided 825 tons of GHG emissions. Since 2014, all of our production and R&D locations in Korea have participated in the Power Demand Management project, a new government energy initiative for generating profits by saving electric power used at plants or buildings. LG Electronics manages our power use by voluntarily reducing energy use during



Solar Power Generated

6,900 MWh

(As of 2016)

LG Electronics fully recognizes the serious implications of climate change, one of the most pressing environmental issues of our time, and is proactively responding to related risks and opportunities.

peak hours and complying with the energy use requirements implemented based on reserve power levels, to ensure a stable power supply for our production sites as well as to contribute to stabilizing the nation's power supply. LG Electronics will continue to actively participate in government-led energy initiatives, including a new pilot project for energy efficiency, as part of our efforts to reduce energy use and promote energy efficiency.

Response to Risks & Opportunities associated with Climate Change

Category	Risk	Response
Regulatory	<ul style="list-style-type: none"> Implementation of the Emissions Trading Scheme Stronger energy standard for products 	<ul style="list-style-type: none"> Operate IT system for GHG emissions management and set reduction targets Establish corporate-level standard for regulatory response, and implement high-efficiency facilities and equipment Perform LCA on major products and acquire certifications required for conducting carbon footprint assessment on production locations internally
Physical	<ul style="list-style-type: none"> Increase in natural disasters Negative impact on employee health 	<ul style="list-style-type: none"> Strengthen EESH compliance assessment on production locations and major facilities Acquire ISO and OHSAS certifications for all production locations
Business Conditions	<ul style="list-style-type: none"> Rising costs due to tougher regulations and supply chain disruptions Decline in purchasing power Stringent standard for corporate assessment by investors and NGOs 	<ul style="list-style-type: none"> Analyze commodity prices and manage supply chain Expand CSR initiatives including distribution of required technology Strengthen internal and external communication
Category	Opportunity	Response
Regulatory	<ul style="list-style-type: none"> Stronger energy standard for products Rising energy prices and growing requirements for the use of renewable energy Implementation of the Emissions Trading Scheme 	<ul style="list-style-type: none"> Pursue new business opportunities in smart grid, LED, geothermal heating/cooling, etc. Expand development and production in new business areas such as solar cell technology
Physical	<ul style="list-style-type: none"> Rise in average global temperature Deteriorating air and water quality 	<ul style="list-style-type: none"> Pursue a CDM project with high efficiency refrigerators Expand the air conditioner and HVAC system business Expand the air purifier, water purifier and ion water purifier business
Business Conditions	<ul style="list-style-type: none"> Growing demand for low-carbon products Improved brand and corporate profile Growing demand for the disclosure of product carbon footprint 	<ul style="list-style-type: none"> Expand the development of highly efficient, low-carbon product technology Increase engagement with external stakeholders Proactively acquire carbon footprint and low carbon labels



Emissions Trading System

Included in the Korean Emissions Trading System in 2014, LG Electronics engages in diverse initiatives to earn certified emission reductions (CERs) to meet reduction targets based on the government-assigned GHG emissions cap. Under the emissions trading scheme, businesses can earn CERs by helping suppliers reduce GHG emissions and have the reduction amount recognized as their own performance in GHG emissions reduction. In response to the new system, LG Electronics partnered with its suppliers to develop eco-friendly products and parts. The first project in line is to replace the magnesium used in mobile phones with KM-3G, the eco-friendly substitute for the mineral. By replacing magnesium with the new material, LG Electronics expects to cut SF₆, a type of GHG used in our production process, by almost half. The reduction in SF₆ achieved through this process will be translated to CERs based on methodologies and monitoring processes to be developed in the near future. Through this project, we expect to reduce about 10,000 tons of GHG emissions annually, and profits generated from CERs will be shared with our suppliers. As part of our win-win partnership program, LG Electronics also plans to provide our suppliers with the monitoring equipment required for this project.

In addition, LG Electronics is pursuing a Clean Development Mechanism (CDM) project in India, which was approved by the United Nations

Framework Convention on Climate Change (UNFCCC)¹ in 2013. Through this project, we plan to acquire carbon credits in exchange for the sales of highly efficient refrigerators in India, and earned 6,954 tons of carbon credits in February 2015. It was the first among CDM projects to acquire carbon credits through the production and sales of appliances, and we expect to obtain 70,000 tons in carbon credits in 2017 after third-party verification and approval by the UNFCCC. We also plan to donate a portion of the profits from this project to local communities in the form of scholarships to women and children from low-income households.

Energy Observer Activities

In 2014, LG Electronics renamed its employee energy monitoring taskforce as Energy Observer and further expanded its role and activities. The Energy Observer group is composed of energy experts from the respective

production or R&D locations in Korea, and engages in activities to save energy (monitor energy use and equipment, screen for power and steam leakage, and minimize energy loss), ensure compliance with internal and external energy requirements (regular inspection of energy equipment and management of winter/summer energy targets) and promote energy saving practices. LG Electronics will share success cases from the Energy Observer activities with our production sites in Korea as well as in overseas locations to expand our energy-saving initiatives.

Expanding GHG Emissions Management across Value Chain

LG Electronics not only strives to reduce GHG emissions by managing its energy use at production locations, but also contributes to reducing GHG emissions at the end-use level through new energy businesses. We are supporting the development of eco-friendly automobiles with our EV components and battery packs, and plans to expand the solar panel production line at our Gumi plant in 2017.

In 2016, LG Electronics participated in the Energy Partners Project led by the Ministry of Trade, Industry and Energy and transferred our energy saving knowhow to 15 suppliers. We helped these suppliers reduce 1,300 tons of GHG emissions annually through energy performance assessment and save KRW 300 million by making their facilities more energy efficient. In order to support the program beneficiaries as they continue their energy management efforts, LG Electronics also provided energy management training to supplier staff and invited them to our Chagwon Plant 1 for a tour of the Factory Energy Management System (FEMS).



¹ UNFCCC (United Nations Framework Convention on Climate Change): The executive committee for the United Nations Clean Development Mechanism

Management System for Water Resources

In order to reduce water use across our value chain, LG Electronics set reduction targets as part of the Green 2020 initiative and is engaging in a broad range of initiatives. LG Electronics aims to reduce water use by 20 percent by 2020 compared to the base year 2007 and keeps close track of the amount of water it uses and reuses at its production and R&D locations in Korea and overseas. In 2016, the total volume of water used at our production sites in Korea and overseas (including some R&D facilities in Korea) amounted to approximately 9.80 million tons, and 0.31 million tons of the water was reused.

In addition to our efforts to reduce water use at our production locations, LG Electronics implements a range of initiatives to lower water use across our value chain. For instance, we are continually introducing water efficient products such as washing machine models that feature a more efficient water supplying mechanism. In line with our initiatives to increase recycling of industrial waste water at our production locations, our Noida Plant in India built a zero-discharge system that recycles all industrial wastewater generated by the plant and reuses it after treatment for production or landscaping. We also have in place a contingency plan based on which our production locations maintain emergency water sources to continue their operations for two days or longer in event of a water supply interruption.

In 2016, LG Electronics took part in the CDP Korea Water Disclosure Program, and acquired Leadership A, the highest level in water management, in recognition for our efforts in water resource management. We also received the 2016 CDP Water Best Award for excellence in water management.

Enhancing & Expanding EESH Management

Strengthening Chemicals Management

LG Electronics established the LG Chemicals Management System (LGCMS) in 2013, and performs preliminary safety and environmental screening on all chemicals stored and used at our R&D sites as well as at our production sites in Korea through this system. We also require this screening process to be carried out on chemicals directly purchased or imported for R&D uses as well as for production. Despite our careful chemicals management effort, in March 2016, an employee at our third tier supplier that produces mobile phone components was injured from methanol used in

Wastewater Discharge in Korea

Production Sites	Woomyeon R&D	Cheongju	Gumi	Changwon	Jeonju
Secondary Treatment Facility	Tancheon Water Reuse Center	Cheongju Sewage Treatment Center	Gumi Sewage Treatment Center	Deokdong Sewage Treatment Center	Samnye Sewage Treatment Center
Discharged into	Tan Stream	Seoknam Stream	Gwangam Stream	Jinhae Bay	Mangyeong River

* Based on production sites in Korea with an internal waste water treatment facility

Global Water Use in 2016

(Unit: K ton)

Water Supply

01- Municipal Water
3,739

02- Industrial Water
3,501

03- Ground Water
2,182

Water Discharged

04- Internal Treatment Facility
3,647

05- External Treatment Facility & Other
5,466

06- Water Reused
309

* Scope 2 (indirect water use) was excluded from the water supply data.

the production process and suffered damage to his vision. Immediately upon learning about the incident, LG Electronics carried out an inspection of methanol use at all of our supplier locations and implemented follow up measures, discontinuing the use of methanol and replacing it with a safer alternative. In order to prevent the same incident from occurring again, LG Electronics is also implementing a full range of follow up measures to strengthen our chemicals management system and promote workplace safety.

In addition, LG Electronics is collaborating with external agencies to establish much stronger standards in harmful substance and safety management by cross referencing chemical substances used for our production against the list of carcinogenic, mutagenic, and reprotoxic (CMR)² substances compiled by research organizations such as the International Agency Research on Cancer (IARC). In 2017, we will continue our efforts to create a safe work

environment, and implement the strengthened standards for hazardous substance management, ensuring the safety of our employees and employees at our supplier locations.

Strengthening Safety Management System

In November 2016, a fire broke out at our production site in Mexico, caused by a short circuit of the wires from the refrigerator production line. Fortunately, the fire left no injuries and fatalities as our employees evacuated the premises immediately after the first fire, which was promptly extinguished thanks to

² CMR (Carcinogenic, Mutagenic and Reprotoxic)

the swift intervention of the local fire department and our effective response coordination. After the incident, LG Electronics conducted an inspection to identify fire hazards at all of our production and R&D locations in Korea. As part of our comprehensive risk management measures against major industrial accidents such as fire and explosion, we focused on fire hazards like flammable acoustic absorbents and old cables, which could cause ignition and promote fire growth, and addressed the issues. Sparks from everyday objects like old cables and power strips catch fire, often exacerbated by flammable acoustic absorbents and panels. In order to eliminate such fire hazards, we changed all power strips at our production and R&D locations to surge protector strips, and replaced flammable materials to nonflammables as preemptive measures to ensure safety. With the incident as a reminder of the importance of workplace safety, LG Electronics will spare no effort to make our production and R&D locations safer and prevent the same incident from occurring again.

In 2016, LG Electronics also implemented the Risk Management Best Practice (RM BP) Initiative, through which we require overseas production subsidiaries not only to make improvement efforts to address risks identified through our assessment, but also to develop an improvement plan based on a deep-dive analysis of root causes, and ultimately prevent the same incident from occurring again. To this end, we have developed a tool for managing individual risk factors and a detailed roadmap for addressing risks factors identified over the past five years. We also produced and distributed a risk management manual as part of our efforts to enhance EESH management capabilities throughout our value chain. In 2016, our Thai production subsidiary implemented the program, with our Mexican production subsidiary planning for implementation in 2017. LG Electronics plans to expand the program to include all of our product groups to further strengthen our EESH management system.

Fire Hazards & Responses

Location	Fire Hazard	Response	Implementation
Fire Occurrence	Old cables	Identify sections for cable replacement, issues with insulation, etc.	To be completed by September 2017
	Failed initial intervention	Install the sprinkler system	68%
Fire Growth	Flammable acoustic absorbents	Replace with nonflammable or fire-retardant materials	82%
	Flammable wall finish	Replace with nonflammable materials	78% (Korea)

Expanding EESH Management Across Value Chain

LG Electronics is expanding the scope of EESH management from production, business and R&D locations to include warehouse facilities and supplier sites. To this end, we established the warehouse disaster readiness and safety management system in 2015 and conducted assessment on all of our warehouse facilities around the world in 2016. Our disaster readiness and safety management assessment is comprised of performing self-assessment, rating the results into four different levels (A to D), and providing the necessary support to underperforming facilities (C and D), which will include improvement consulting coordinated by the EESH department and other related departments. Between February and March 2017, we also carried out fire risk assessment on our warehouse facilities, following the process of performing self-assessment, and conducting fire safety assessment on 50 locations from nine subsidiaries identified to pose fire risks.

As a preemptive measure to identify EESH risks across our value chain, LG Electronics performed fire safety assessment on all of our production subsidiaries and suppliers overseas over a two-month period from December 2016, with a particular emphasis on fire and electrical safety. Based on the results, LG Electronics will provide support to address safety issues and monitor the progress on a regular basis as part of our efforts to eliminate EESH risks before they materialize into actual harm.

Enhancing Employee Safety & Health Employee EESH Compliance Campaign

In 2016, LG Electronics engaged in the "EESH Compliance Campaign" to raise employee awareness on EESH. Designed to establish EESH compliance as everyday practice of our employees at production lines as well as in their everyday life, the campaign was comprised of a wide range of initiatives that promote employee EESH awareness including



1,2 - Emergency Preparedness Drill (Gumi A1 Plant, Korea)

ing the labor-management pledge for EESH compliance organized as part of our labor union's USR initiatives. In clear expression of our strong commitment, all members of LG Electronics, including the CEO, signed a pledge for EESH compliance. In a survey on the effectiveness of the campaign, 88 percent of our employees responded that the campaign had helped heighten their EESH awareness, and 95 percent said they would continue to partake in the campaign initiatives. In 2017, LG Electronics plans to carefully monitor our EESH compliance performance, while developing and implementing a mid- to long-term roadmap to establish EESH compliance as part of our corporate culture.

Promoting Employee Health & Enhancing Working Conditions

As part of our initiatives to promote employee health, LG Electronics is focusing on providing health management support to employees with health problems, particularly for those with conditions relating to the four major health risks, which include hypertension, diabetes, high cholesterol levels and liver diseases. Through this program, LG Electronics selects high-risk employee groups and arranges for them to receive proper medical care. We also provide these employees with a range of health management support, preparing a health management plan for disease prevention and treatment and liaising with organization leaders for additional support such as work schedule rearrangement and fitness training. In recognition for our efforts to promote employee health, the Changwon Plant II received a commendation from the Korea Occupational Safety and Health Agency in the first half of 2016 for excellence in promoting employee health. In order to create a workplace free of production process that produce excessive noise, our Changwon Plant I made facility investments and implemented improvement initiatives, measuring the noise levels at the production lines, replacing tools that produce excessive noise and developing new welding techniques to lower the noise levels. LG Electronics also participated in the Visiting Artist program cosponsored by the Ministry of Culture, Sports and Tourism and the Korean Artist Welfare Foundation and organized the "Art Café" program to offer our employees with a time to enjoy the arts and relieve work stress. For this program, artists from diverse disciplines visited our business sites and staged live music performances and art exhibitions, helping our employees take a breather from a hectic work week and wind down through a pleasant encounter with the arts. This program was a creative approach to promoting the mental health of employees, bringing the arts into the organization and closer to its members. LG Electronics will continue to explore ways in which we can create a healthier and safer working conditions for our employees.

Minimizing Environmental Impact Increasing Recycling Rates for Waste LG Electronics makes ongoing effort to reduce solid waste through recycling by making continuous investments in environmental facilities and implementing process innovation. As part of our efforts to improve the recycling system for solid waste, LG Electronics installed compactors at our production locations to minimize the volume of solid waste and make the recycling process more efficient. In 2016, we analyzed the content of waste water discharged from the Gumi A1 Plant and replaced the chemical agent used for wastewater treatment to improve the water quality for recycling. Through these efforts, we are now able to recycle wastewater sludge and divert it from landfills, enhancing the recycling rate at the plant from 50 percent in 2015 to 85 percent in 2016. LG Electronics will continue our effort to minimize waste generation and expand the scope of recycling, striving for a recycling system that transforms all waste into resources.

Strengthening Management of Environmental Pollutants

LG Electronics spares no effort in minimizing the negative impact of our business activities to local communities and the environment. We manage air and water pollutants at levels 50 percent lower than what is required by law,

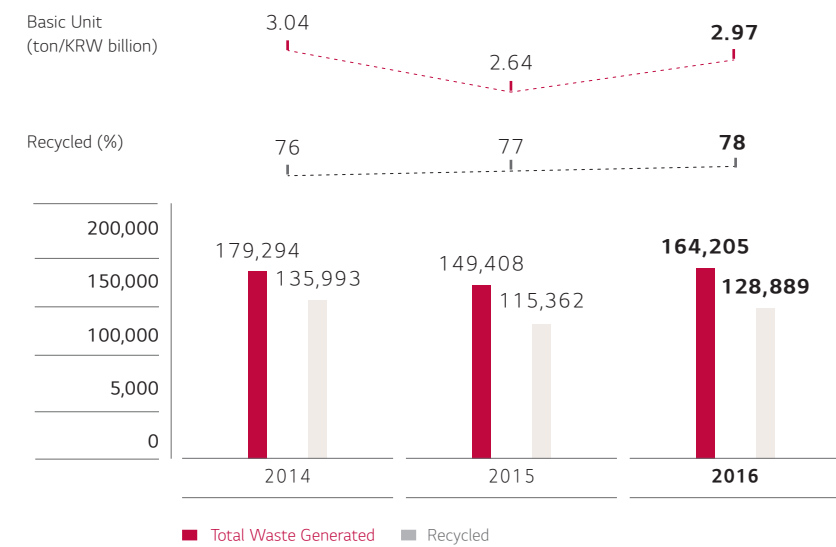
focus

Taking Your safety and health is a Promise to Your colleagues and for the happiness for Your family.

EESH Compliance Campaign

Campaign Activities	Activity	Expected Benefits
Executive Message	Message from the CEO and the Chairman of the Labor Union	Convey strong EESH commitment of the company leadership
Pledge for EESH Compliance	Pledge for EESH Compliance by management and employees	Raise employee awareness on the significance of EESH compliance
Employee Awareness Campaign	Awareness campaign on basic safety practices, health management and team parties	Create a corporate culture that promotes safe and healthy employee practices
Employee Participation	<ul style="list-style-type: none"> Site-level health promotion activities Workplace safety employee morale boosting activities in Korea and overseas Management-Labor Pledge (USR Initiative) Survey on the effectiveness of the campaign 	<ul style="list-style-type: none"> Take direct and specific actions Encourage voluntary employee participation

Waste Generated and Recycled (Unit: ton)



* Recycling does not include heat recovery through incineration.

and strive to minimize the amount of pollutants discharged through constant monitoring and management efforts. As part of our investment in environmental protection, LG Electronics also performs regular inspection of our facilities and equipment for environmental management, and immediately replaces, repairs or upgrades outdated facilities and equipment.

ENVIRONMENTAL DATA

Input Data

Energy (Unit: TJ)

	2016	2015	2014
Electricity	4,918	4,454	5,976
Steam	460	427	626
LNG	1,086	979	1,086
Coal	-	227	862
Other	882	682	624
Total	7,346	6,769	9,174

- Applicable business sites: 16 Korean (production, office and R&D) and 51 overseas (production and office) sites
- Applicable energy usage: Combustion facilities in business sites, and external electricity and heat usage (excluding energy consumption by vehicles)
- Energy consumption was calculated based on the net calorific value. Steam includes the consumption of steam recovered from waste heat generated at our domestic locations.
- Verification status: Third party assurance was completed on all Korean and overseas production sites (2008-2016).
- Data correction may occur after the third party verification.

Water (Unit: K ton)

	2016	2015	2014
Korea	5,642	4,843	6,346
Overseas	4,157	4,649	4,946
Total	9,799	9,492	11,292
Intensity (K ton/KRW 10 billion)	1.77	1.68	1.91

- Applicable business sites: 13 Korean (production and R&D) and 31 overseas (production) sites; data for Korean sites covers the Scope 2 data (indirect water use)
- Verification status: Third party assurance was completed on all Korean sites (2012-2016).
- Data correction may occur after the third party verification.

Ozone-depleting Substances (Unit: ton)

	2016	2015	2014
HCFC (R22) Korea	290	336	514
Overseas	1,340	1,876	2,842
Total	1,630	2,212	3,356

- Applicable business sites: 16 Korean (production, office and R&D) and 51 overseas (production and office) sites
- Verification status: Third party verification was completed (2012-2016).

Output Data

GHG Emissions (Unit: K ton CO₂e)

		2016	2015	2014
Korea	Scope 1	191	250	173
	Scope 2	357	314	458
Overseas	Scope 1	150	162	222
	Scope 2	403	384	426
Total		1,101	1,110	1,279
Intensity (Kton CO ₂ e/KRW 100 billion)		1.99	1.96	2.17

- Applicable business sites: 16 Korean (production, office and R&D centers) and 51 overseas (production and office) sites
- Based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, the WRI's GHG Protocol, etc.
- Verification status: Third party assurance was completed on all Korean and overseas production sites (2008-2016).
- Data correction may occur after the third party verification.

GHG Emissions (Unit: ton CO₂e)

		2016	2015	2014
Scope 3	Leased Properties	8,991	9,267	9,134
	Domestic Logistics	-	39,198	40,960
	Business Trips	57,743	54,463	57,348
	Commuter Vehicles	-	5,188	5,179

- Verification status: Third party assurance was completed on emissions from leased buildings and employees' business trips (2011-2016).
- GHG emissions associated with logistics and employee travels (Korea) have been excluded from the list of items for GHG emissions accounting and reporting since 2016.

Air Emissions (Unit: ton)

	Region	2016	2015	2014
NOx	Korea	6.9	7.4	5.0
	Overseas	52.6	50.0	76.3
	Total	59.5	57.4	81.3
SOx	Korea	0.4	3.2	1.5
	Overseas	45.8	43.5	53.8
	Total	46.2	46.7	55.3
Dust	Korea	8.6	7.7	12.7
	Overseas	21.9	35.1	45.2
	Total	30.5	42.8	57.9
VOCs	Korea	25.3	22.3	27.9
	Overseas	3.6	3.7	3.8

* Corrected typos in 2015 data.

Output Data

Wastewater Discharge (Unit: ton)

	2016	2015	2014
Korea	3,017,007	2,326,903	3,000,014
Overseas	629,993	283,189	727,516
Total	3,647,000	2,610,092	3,727,530

- A decline in wastewater discharge in 2014 was largely due to the discontinuation of PDP operations (see our 2016 annual report)

Waste Generation (Unit: ton)

	Region	2016	2015	2014
Recycle	Korea	40,277	32,201	34,101
	Overseas	88,612	83,160	101,892
	Total	128,889	115,361	135,993
Incineration	Korea	6,340	5,530	6,425
	Overseas	2,908	3,141	4,883
	Total	9,248	8,671	11,308
Landfill	Korea	3,852	4,023	4,956
	Overseas	22,216	21,353	27,037
	Total	26,068	25,376	31,993
Total	Korea (General)	49,254	40,507	43,691
	Korea (Hazardous)	1,215	1,247	1,791
	Korea Total	50,469	41,754	45,482
	Overseas Total	113,736	107,654	133,812
	Total	164,205	149,408	179,294

- This report only presents the hazardous waste data from Korea as the definition of hazardous wastes varies from country to country.
- Heat recovery is included in incineration.

Health & Safety Data

Safety Data

	Region	2016	2015	2014
LTIFR ¹⁾	Korea	0.07	0.14	0.07
	Overseas	1.37	1.31	2.78
	Average	0.90	0.91	1.85
OIFR ²⁾	Korea	0	0	0
	Overseas	0	0	0
	Total	0	0	0
Fatality (No. of case)	Korea	1	1	0
	Overseas	1	0	0
	Total	2	1	0
Incident (No. of case)	Korea	5	11	5
	Overseas	184	189	358
	Total	189	200	363
Total Hours Worked	Korea	75,518,529	76,691,953	66,960,575
	Overseas	134,335,842	143,751,926	128,960,370
	Total	209,854,371	220,443,879	195,920,945

- 1) LTIFR: Lost-Time Injuries Frequency Rate (Number of lost-time injuries x 1,000,000)/(Total hours worked in accounting period)
 - 2) OIFR: Occupational Injuries Frequency Rate (Number of occupational illness cases x 1,000,000)/(Total hours worked in accounting period)
- LG Electronics has employees who work in special conditions or who work with special materials undergo a special medical checkup on an annual basis. The results indicate that none of our employees contracted occupational diseases for the period between 2014-2016.

With Our Suppliers

Key Performance in 2016

- > CSR Self Assessment
1,334 suppliers
- > CSR On-site Audit
40 suppliers
- Supplier CSR Risk Assessment
347 Suppliers
- Win-Win Growth Academy
2,520 employees
- Use Rate for CFSP-certified Smelters
83 %



WHAT ARE IMPORTANT ISSUES?

Our Focus



<Impact Boundary>

Governments, Suppliers

HOW WE MANAGE IT?

Our Approach

LG Electronics is continually expanding our initiatives for sustainable win-win growth and supply chain risk management. We also strive to contribute to achieving the United Nations Sustainable Development Goals in the areas of "Decent Work and Economic Growth" and "Responsible Consumption and Production."

Our Evaluation

As part of our initiatives to build trust-based partnerships with our suppliers, LG Electronics ensures transparency and fairness in our transactions with suppliers through the voluntary Fair Trade Compliance Program. We also have in place the supply chain risk management program to support our suppliers in their compliance with Jeong-Do Management and related laws and regulations as well as in fulfilling their social responsibilities.

Future Direction

- 1) Build sustainable partnerships for shared growth.
- 2) Strengthen the system to facilitate effective supply chain risk management.
- 3) Build a full and complete (100%) inventory of any conflict minerals used in our products.



The partnership between Yuyang DNU and LG Electronics began in 1987. It is this long-standing partnership and LG Electronics' win-win growth programs, such as the quality/productivity improvement initiative and the industrial innovation movement for second-tier suppliers, that helped us overcome challenges and build a foundation for a sustained growth amidst a business environment that is constantly in a state of flux. Yuyang DNU and LG Electronics are continuously expanding the scope of our partnership and joint initiatives, collaborating on smart factory implementation and new product development project. We will continue to support LG Electronics as a strategic business partner, helping LG Electronics achieve "Global No. 1" and create a greater future for both.

SANG OK KIM
CEO, Yuyang DNU

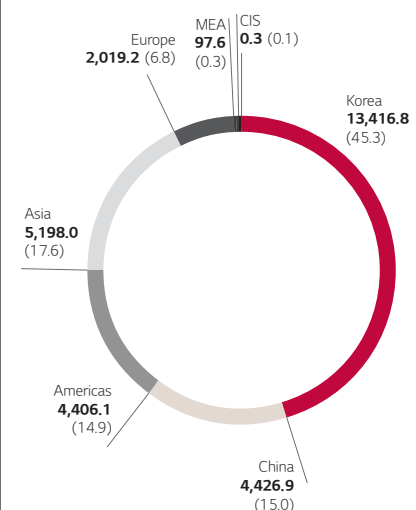
Procurement & Supply Chain

Procurement Performance & Supply Chain

LG Electronics categorizes its business partners as "direct suppliers" and "indirect suppliers" and manages partner companies accordingly. Direct suppliers provide raw materials and components used by LG Electronics to manufacture products or components, while indirect suppliers provide services other than direct purchases such as advertisement, IT and other services.

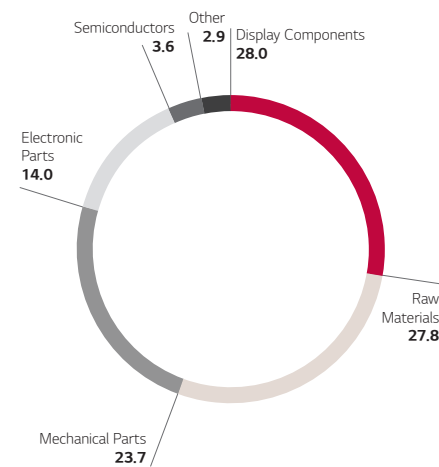
In 2016, company-wide purchases from direct suppliers amounted to KRW 29.6 trillion, with KRW 23 trillion or 78 percent of the total taking place in the Asian region including Korea and China. LG Electronics partners with over 800 companies in Korea and 2,000 companies abroad, making transactions of over KRW 100 million with 2,500 companies, which represent 81 percent of the total number of partners. LG Electronics currently manages a list of approximately 5,000 eligible partner companies including current partners, and removes

2016 Direct Purchases by Region
(Unit: KRW billion, %)

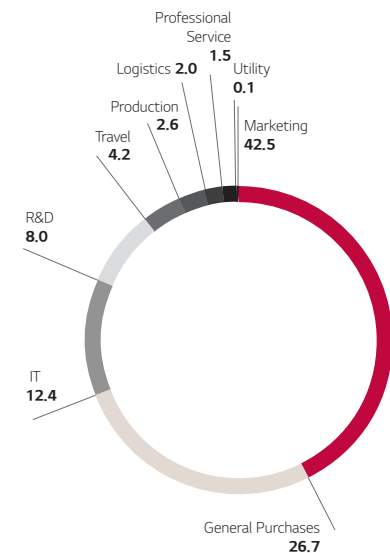


companies who have no dealings with LG Electronics or with a history of quality problems. Through this process, we continually expand the amount of business transactions with high performing partners to create an "A-list" of top suppliers. In 2016, LG Electronics began new partnerships with 20 companies, including fifteen in Korea and four in China. Indirect suppliers are managed separately by the General Procurement (GP) department, which is in charge of indirect purchases.

2016 Direct Purchases, Breakdown by Product
(Unit: %)



2016 Indirect Purchases, Breakdown by Category
(Unit: %)



2016 Amount and Percentage of Local Purchases by Key Subsidiaries by Product
(Unit: KRW billion)

Subsidiary	Product	Total Purchase Amount	Local Purchases	Percentage
Korea		15,690.6	11,258.6	72%
Nanjing, China (LGEPN)	Washing Machine	853.3	532.6	62%
Yantai, China (LGEYT)	Mobile Phone	775.2	699.0	90%
Qingdao, China (LGEQD)	Mobile Phone	419.7	166.6	40%
Nanjing, China (LGEENT)	Monitor	1,307.3	674.6	52%
Taizhou, China (LGETR)	Refrigerator	482.9	410.1	85%
Rayong, Thailand (LGETH)	Air Conditioner	522.6	446.7	85%
Monterey, Mexico (LGEEMM)	TV	1,749.8	36.3	2%
Other		7,763.5	3,124.2	40%
Total		29,564.9	17,348.6	59%

A total of KRW 2.8 trillion in indirect purchases were made in 2016 from these companies, including KRW 1.8 trillion from Korea. LG Electronics works with approximately 700 indirect suppliers in Korea, with over KRW 100 million in transactions with 58 percent of these companies.

Our Supply Chain Management System

LG Electronics considers all of our suppliers in our supply chain as valuable business partners. Based on this recognition, we closely adhere to the principles of fair trade to ensure a level playing field for our suppliers, while building partnerships of mutual trust and cooperation through transparent and fair business practices with strict compliance to related laws and regulations. As a part of these efforts, LG Electronics established the "3 Philosophies and 5 Principles for Win-Win Growth" and works to ensure that all our employees from procurement to other relevant departments fully understand our philosophies and principles, and put them into practice. This information is also made available to our stakeholders including our suppliers through the Win-Win Growth website (<https://winwin.lge.com>) as a basis for mutual trust and partnerships. Based on these philosophies for win-win growth, LG Electronics established the "5 Win-Win Growth Objectives," and is pushing forward with the initiatives.

In response to growing concerns in the international community for social and environmental issues associated with the corporate supply chain and rising regulatory pressure from national governments, LG Electronics is strengthening its supply chain risk management, continually assessing risks along the supply chain, and implementing timely and

effective responses in case of unfortunate events. LG Electronics believes that these efforts will not only help us create a system that ensures sustainable win-win growth and effective supply chain management, but also bring us closer to achieving "Good Health and Well Being (Goal 3)," "Decent Work and Economic Growth (Goal 8)," and "Responsible Consumption and Production"—crucial milestones in the roadmap for a sustainable future laid out by the United Nations Sustainable Development Goals (SDGs).

Sustainable Win-Win Growth

In May 2011, LG Electronics reaffirmed our commitment to shared growth with our suppliers at the "LGE Win-Win Growth Camp" and has since set win-win growth initiatives on an annual basis, continually expanding support programs for our suppliers. As part of our efforts to firmly incorporate win-win growth as an integral aspect of our management philosophy, we also expanded our win-win growth organizations and revised our executive performance evaluation program to include win-win growth performance in assessment criteria. Based on this framework for win-win growth, we identify action items on an annual basis to promote supplier competitiveness, while expanding support to second- and third-tier suppliers as part of our broader commitment to support every partner company develop global competitiveness. Thanks to these efforts, LG Electronics received the "Most Excellent" rating in the 2016 Fair Trade & Win-Win Partnership Assessment by the Korean Commission for Corporate Partnership and the Korea Fair Trade Commission in, receiving the honor for the second consecutive year.

Support for Building Global No.1 Competitiveness

LG Electronics has in place a variety of support programs to help our suppliers build world-

Our Supply Chain Management System

3 Philosophies (No.1 Spirit + Shared Drive)

- | | | |
|---|---|--|
| 1 | 2 | 3 |
| In pursuance of win-win growth, LG Electronics strives to help suppliers grow into strong companies with Global No.1 competitiveness. | Suppliers are a valuable source of LG Electronics' business competitiveness and partners in innovation. | In pursuance of win-win growth, LG Electronics should not simply share existing resources but strive to share the benefits from growing competitiveness achieved through ongoing innovation. |

5 Principles (Innovation + Jeong-Do Management)

1. LG Electronics must reinvent and discipline itself first to comply with global level processes and rules.
2. Carefully select suppliers that have competitiveness, and then provide support that creates profound impact.
3. Establish clear standards for Global No.1 first, then set goals and execute plans accordingly.
4. Comply with fair and transparent standards with discipline, and cooperate with each other.
5. Make long-term and ongoing efforts based on communication and trust.

Major Activities

Sustainable Win-Win Growth

- Support for building Global No.1 competitiveness
- Support for developing next-generation technology
- Financial support
- Training & HR support
- Process innovation

Strengthen Supply Chain Risk Management

- Jeong-Do management and compliance management
- Financial health
- Fire safety
- Labor rights, ethics, environment, health and safety
- Conflict Minerals

Expected Benefit

Working Together to Achieve SDGs

- | | | |
|--|--|---|
| | Goal 3 Ensure healthy lives and promote well-being for all at all ages | 3.9 Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination. |
| | Goal 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all | <p>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.</p> <p>8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.</p> <p>8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.</p> |
| | Goal 12 Ensure sustainable consumption and production patterns | 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle. |

class quality, production and technological capabilities because we clearly understand that, to a producer of end-products like LG Electronics, the competitiveness of our suppliers directly translates to our own competitiveness. Supplier competitiveness is becoming even more important in our ability to deliver competitive products and to respond to the constantly changing market, fast-evolving customer needs and shrinking development lead times, and deliver competitive products.

To this end, LG Electronics provides our suppliers with capability-building support to foster suppliers with exceptional production and technological capabilities and capacity for global operations. Prior to initiating a support program, LG Electronics consults the top managers from the supplier side to clearly understand "where they are" and "what they need," and reach a consensus on "where to go." We incorporate the results into our support programs to motivate our suppliers and build teamwork among our support staffs and suppliers, ensuring that they work towards the same goal and successfully address weaknesses and build up strengths.

LG Electronics also places a particular emphasis on creating a sustainable impact with the support programs and helps suppliers develop capacity to independently implement and manage improvement initiatives in the long term. In addition, we select and share best practices with other suppliers at supplier networking events, creating a benchmarking opportunity for our suppliers from the same industry. LG Electronics is also investing time and effort into fostering internal experts specialized in running supplier support programs, while assisting our suppliers build a pool of internal experts.

In 2016, we were able to address chronic defect issues and enhance productivity for 95 suppliers by focusing our support on enhancing quality and production system and optimizing supply chain management. Encouraged by this program's success, we are extending the same support to our suppliers' overseas and local subsidiaries.

Support for the Development of Next-Generation Technology

LG Electronics engages in on-going initiatives for strengthening suppliers' capabilities in next generation technologies.

1 - Green Partnership Program

Our Green Partnership Program aims to strengthen the next-generation technology capabilities of Korea's small and mid-size enterprises through joint or sponsored R&D projects. From 2011 to 2016, LG Electronics

invested approximately KRW 60.6 billion to find and develop top suppliers with key technologies and R&D capabilities, and plans to increase our investments in the initiatives.

2 - Expanding Support for Government Programs

LG Electronics actively participates in government R&D support programs for small and medium enterprises (SMEs) such as the Purchase-Guaranteed Technology Development Program and the Cost-Saving Joint R&D Program. We also opened the Chungbuk Center for Creative Economy and Innovation at the Chungbuk Chapter of the Korea Invention Promotion Association in February 2015. The facility will serve as our support center for local startups and ventures in the digital and biotech fields to achieve growth and capture overseas markets by helping them develop ideas into technologies and create markets for their products.

3 - Support for Developing and Protecting Core Technologies

In order to promote local production of major equipment and parts and help our suppliers develop technological competitiveness, we are expanding support for supplier R&D projects. As part of our efforts to better protect supplier technology, we utilize the Technology Escrow Service for new technologies developed through joint R&D projects with our suppliers. Under the Technology Escrow Service, government organizations take stewardship of suppliers' technology to safeguard the supplier's rights to the technology, and LG Electronics bears all costs incurred by using the service. The number of service cases has increased every year, from 104 in 2014 and 106 in 2015 to 175 cases in 2016.

4 - Patent Partnerships and Patent Platform for Suppliers

As part of our efforts to help SMEs increase sales and strengthen technological competitiveness, LG Electronics operates a patent sharing program for small and mid-sized suppliers and provides access to our technology patents, the source of true competitiveness. In 2016, we opened 129 patents to 31 suppliers, and provided support for processing patent registration, handling patent disputes, and establishing a legal or equitable proprietary right to their technology.

Financial Support

LG Electronics makes continuous efforts to ensure our suppliers' financial and operational stability and support their investment for capacity expansion through a broad range of direct and indirect financial support including funding support and favorable payment terms.

1 - Funding Support

LG Electronics has provided zero-interest, direct funding support to suppliers as part of our efforts to improve productivity and quality, expand capacity and facility, establish overseas operations for LGE projects, and develop advanced technologies, providing a total of KRW 250.4 billion in financial support between 2004 and 2016. As part of our efforts to ensure the financial stability of our suppliers, LG Electronics partners with financial institutions and provides low-interest funding to suppliers. LG Electronics established a KRW 200 billion

LG Electronics is continually implementing support programs to help our suppliers in the development of next generation technologies.

Win-Win Growth Fund in conjunction with the Industrial Bank of Korea (IBK) and the Korea Development Bank (KDB) to provide low-interest loans. In 2016, 111 first-tier suppliers and 99 second-tier suppliers received KRW 94.6 billion and KRW 40 billion, respectively, through the program.

In addition, LG Electronics operates a wide range of financial support programs such as Network Loans, the Overseas Business Partnership Program, and the Win-Win Growth Guarantee Support Program in partnership with financial institutions, and is continuously expanding the scope of program beneficiaries from suppliers based in Korea to suppliers who have established overseas operations to support LG Electronics projects.

As part of our initiatives to help our suppliers gain competitiveness in global markets, LG Electronics has in place support programs such as the overseas partnership program and the commodity sourcing support program, through which we offer extended financial support and legal advice.

2 - Improving Payment Conditions & Making Early Payments

As part of our efforts to relieve our suppliers of cash-flow issues, LG Electronics has increased the frequency of payment processing and adjusted the payment schedule in favor of our suppliers. LG Electronics processes invoices from suppliers twice a month and makes payments in cash within ten days of invoice processing. Additionally, we make payment to suppliers earlier than scheduled before national holidays (New Year's Day and Thanksgiving) to improve suppliers' financial management and employee welfare.

3 - Implementation of Win-Win Payment System

LG Electronics' Win-Win Payment System ensures that our payment terms to our first-tier suppliers (cash or note payable) are extended to second- and third-tier suppliers as well and that payments to these companies are processed accordingly. LG Electronics operates the system in partnership with seven major banks in Korea and processed KRW 6.8 trillion in payments to suppliers through the system in 2016.

Training & HR Support

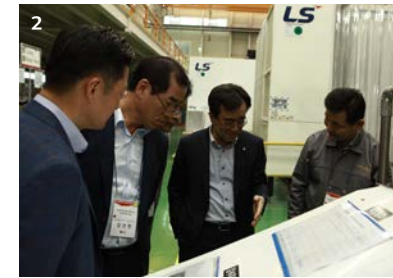
LG Electronics continues to expand its training support to first- and second-tier suppliers in order to help them boost their core competitiveness in HR development and management.

1 - Win-Win Growth Academy

In order to help our suppliers boost their employee capabilities, LG Electronics established a dedicated training facility for supplier training (Win-Win Growth Academy) at our training facility. We also set up a consortium with a local university (Changwon National University) to enhance the accessibility of training programs to our local suppliers and their employees, as well as to provide a wide range of training courses on core technical processes, including courses designed to enhance the quality of metal/plastic molding products. A total of 2,520 employees from 347 suppliers completed these training programs in 2016.

2 - Recruiting and Consulting Support

LG Electronics sponsors job fairs hosted by government agencies and major media outlets to provide suppliers with access to competent and experienced professionals. We also offer consulting by over 200 internal and external experts from relevant fields such as quality, productivity and core business competencies to make a sustainable impact on our suppliers' capability development and competitiveness.



1 - 2016 LG Group Pledge for Fair Trade
2 - Quality and Productivity Improvement Support
3 - Purchasing Meeting for SMEs

Process Innovation

As part of our initiatives to solidify the foundation for win-win growth through internal process innovation, LG Electronics operates a broad range of programs aimed at enhancing communication with our suppliers.

1 - Enhancing Communication & Resolving Supplier Concerns

In order to build strong partnerships for shared growth, LG Electronics has in place diverse channels for communication with suppliers. In order to share the company's major policies and effectively address supplier grievances, LG Electronics has in place the Win-Win Growth website and the e-VOS (Voice of Suppliers). Recognized certification agencies are enlisted to carry out periodic partnership satisfaction surveys in order to understand the various issues suppliers face, and LG Electronics spares no effort in trying to address these issues. Our employees from the Purchasing Department regularly visit suppliers as part of our commitment to addressing any difficulties faced by our partners under our principle of "One Company One Decision."

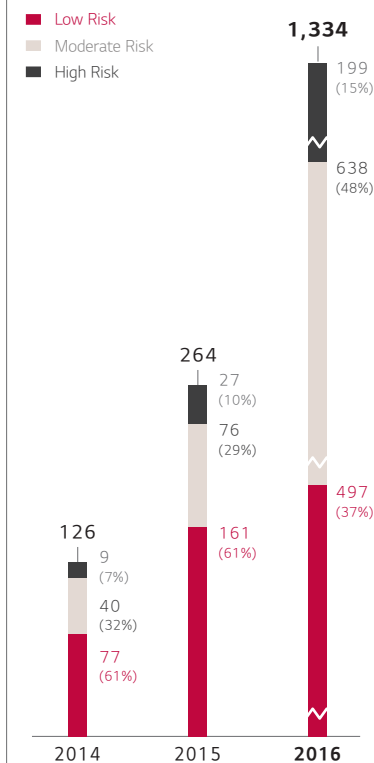
2 - Open Partnership Process & Purchasing Meetings

As part of our process for discovering new technologies and materials, LG Electronics has in place the "New Partnership Application Process" feature on our supplier portal and invites companies with no previous history of working with LG Electronics to submit business ideas. LG Electronics also actively participates in purchasing meetings with SMEs organized by local governments or the Collaboration Foundation of Big and Small Companies, holding meetings with 17 companies in 2016 to provide them with a chance to open a business relationship with LG Electronics, further expanding business opportunities for our nation's SMEs.

3 - Supplier Online Shopping Mall

LG Electronics provides employees of our suppliers with several benefits that our own employees receive, under the same conditions. Operated as part of our employee benefit programs, the online shopping mall (<http://with.lglife.com>) provides a wide range of services including employee care services (self-development, leisure activities, etc.), special prices for selected products, and gift request services.

Supplier CSR Risk Assessment Results (Summary)
(Unit: EA)



Supplier Risk Management

LG Electronics clearly understands that risks in our supply chain could not only have a direct impact on our business operations but also undermine our brand value, and has in place a supplier Risk management system to identify potentials risks, and mitigate or prevent such risks from materializing through timely response.

Jeong-Do Management & Compliance

As a framework for fair and transparent business transactions with our suppliers, LG Electronics defined transparency in the selection of suppliers and fairness in the process as our internal requirements pursuant to the LG Code of Ethics and the LG Electronics Code of Conduct. We also handle all of our business transactions with suppliers through the procurement system to ensure transparency and fairness throughout the procurement process. We also adopted the "Four Business Practices for Corporate Partnerships and Shared Growth" established by the Korea Fair Trade Council to ensure fairness in subcontracting practices, and monitor and review our compliance with laws and regulations on fair trade and subcontracting on a regular basis.

Management Stability & Financial Soundness

LG Electronics understands that management and financial risks such as restructuring, reckless business expansion and a drop in credit rating suffered by our first-tier suppliers are likely to have a negative impact on the management and financial stability of our second- and third-tier suppliers. As part of our efforts to mitigate such risks, LG Electronics conducts regular credit rating assessment of major suppliers (selected based on transaction amounts), and manages suppliers that require financial improvement through monitoring.

Fire Safety

Fire is one of the major industrial safety risks and could cause a great damage to our suppliers such as fatalities and loss of corporate assets, which may in turn cause disruptions in our business operations. In order to address fire safety risks at our suppliers, LG Electronics requires our suppliers to carry out self-assessment and performs fire safety audit on a regular basis with a particular emphasis on fire prevention measures such as safety check for firefighting and electrical equipment, management quality of flammable materials, and fireproofing of key production equipment. We require our suppliers to immediately address the fire risks identified through our fire safety audit. On our recommendation, our suppliers

also adopted an advance-notice system for all jobs that produce sparks, smokes and flames, which requires a safety plan to be prepared and posted at least five days prior to carrying out the process. In addition, LG Electronics produced and distributed a fire safety guide book to raise supplier awareness on the importance of fire safety in their everyday practice.

CSR Risk (Labor Rights, EESH)

As part of our initiatives for systematic CSR risk management throughout our supply chain, LG Electronics operates a supplier CSR Risk management program through the Procurement Center. Under this program, we reviewed supplier compliance with CSR requirements using an in-depth self-assessment questionnaire (iSAQ) developed internally based on the EICC Code of Conduct and audit criteria. After a careful review and analysis of the assessment results, LG Electronics identifies suppliers requiring our assistance and dispatch our CSR experts to support their improvement initiatives. Our CSR experts meet with the CEO and COO from the supplier side to emphasize the critical nature of CSR risk management, share CSR requirements from our customers, and provide expert support in addressing the risks. In 2016, LG Electronics began to expand this program from major suppliers to include all of our suppliers in Korea and overseas.

CSR Self-Assessment for Global Suppliers

In 2016, LG Electronics evaluated the CSR compliance performance of global suppliers in business relationships with its 27 overseas production subsidiaries using the In-depth Self-Assessment Questionnaire (iSAQ). A total of 1,334 suppliers participated in this year's assessment, up 430 percent from the previous year, with 199 suppliers being categorized as "high risk." As a follow-up for the self-assessment, LG Electronics carried out CSR audit at 40 supplier locations categorized as "high risk" including eleven major suppliers (top 80

In order to systematically manage CSR risks throughout our supply chain, LG Electronics is expanding our supplier CSR risk management program to include all of our suppliers in Korea and overseas.

percent based on transaction amount), and engaged in improvement initiatives to address non-conformances identified through the process.

Training Programs to Foster Global Supplier CSR Risk Management Specialists

In 2016, LG Electronics began to transfer the task ownership of global supply chain risk management from the Procurement Team at Korea HQ to overseas production subsidiaries as part of our initiatives to increase the effectiveness of our efforts through supplier CSR risk management tailored to local conditions. We're transferring the task ownership in multiple phases, and as a first step in the process, assigned a contact point for supplier CSR risk management from the procurement staff at each of our overseas subsidiaries. As part of our initiatives to enhance the capability of CSR risk management staff at overseas locations, we had supplier CSR risk managers from Chinese production subsidiaries participate in CSR risk group training sessions organized by LG Corp. from September 7 to 9, 2016.

CSR On-site Audit

In 2016, LG Electronics expanded our CSR audit program from suppliers located in Korea and China to include suppliers in business relationship with our production subsidiaries in

Vietnam and Mlawa, Poland, where our production lines are continually expanding, and conducted CSR audit in these four regions through the collaboration between the Procurement Team at Korea HQ and CSR experts. Following the CSR audit, we launched a support program to help our suppliers address non-compliance cases identified through the audit, engaged in improvement initiatives, and shared the outcomes. Prior to CSR audit, our CSR experts had a meeting with the CEO and the site manager from the supplier side to share the information on global CSR regulations, the international CSR standard launched in 2010 (ISO 26000), CSR risks faced by the supplier, and the significance of supply chain risk management. As part of this session, our CSR experts and suppliers also reviewed their business strategy that effectively manages potential CSR risks.

Korea

In Korea, LG Electronics selected 20 major suppliers (based on transaction amount) from Gyeongbuk, Gyeongnam and Gyeonggi Provinces from Korean suppliers categorized as "high risk" through the CSR self-assessment, and carried out CSR audit. A majority of non-compliances identified through our audit came from failure to comply with international standards for industrial safety and health. Our suppliers addressed the issues immediately, except for those requiring longer-term commitment such as revisions to company rules on hiring. LG Electronics advised our suppliers to establish these items as a long-term initiative and encouraged them to make ongoing improvement efforts.

China

In China, LG Electronics carried out CSR audit at eleven suppliers located in Tianjin and Nanjing in September 2016. Our audit identified areas of non-compliance such as lack of official guidelines on ethical management and conduct. LG Electronics required improvement on these issues and provided documents on ethical management as a reference. As part of our initiatives to enhance the CSR risk management capability of our overseas subsidiaries, we also conducted training for CSR risk management staff from our Chinese subsidiaries and helped them build capabilities to take ownership of CSR risk management for the region, which geographically represents the largest number of our overseas suppliers



1, 2 - Supplier CSR On-site Audit (Korea)

Vietnam

In Vietnam, LG Electronics conducted CSR audits of five supplier locations. Our audit identified non-compliances at some of our supplier sites, mostly in industrial safety and health such as inadequate management of chemical materials and fire safety equipment. Inadequate emergency response process was another non-compliance case identified through our audit. LG Electronics launched a consulting program to help our suppliers address the issues identified through the audit and jointly engaged in improvement initiatives over a period of two months. We also discovered that the effectiveness and accuracy of self-assessment of our Vietnamese suppliers was compromised due to our suppliers lacking an understanding of the self-assessment questionnaire as well as other communication errors. In light of the situation, LG Electronics will engage in initiatives to raise supplier awareness on the self-assessment questionnaire such as conducting training sessions and distributing guidelines.

Poland

In Poland, LG Electronics performed CSR audits of four supplier locations in Mlawa. Our audit revealed that our Polish suppliers were in strict compliance with local laws and regulations, except for minor issues that were immediately addressed, such as lack of ethical management guidelines and poor record keeping on emergency evacuation drills. Our Polish suppliers were the only audit locations that employed foreign nationals, and we were satisfied to confirm that these workers were treated fairly pursuant to related laws and regulations.

Conflict Minerals Management

LG Electronics Conflict Minerals Policy

LG Electronics has been tracing the origins of the tin, tungsten, tantalum and gold (3TG) used in our products since 2011 in response to concerns of human rights abuses and the sourcing of these minerals. Although raw minerals extraction and mining activities do not occur directly within the sphere of influence of our operations, we are deeply concerned about these issues as a corporate citizen committed to respecting human rights across our entire value chain.

Since introducing our approach to managing conflict minerals in 2012, we have performed regular review and update of our programs and made the information available on our global website to reflect our continuous efforts to support responsible sourcing. Our initiatives also include aligning our management program with international guidelines and industry best practices for source minerals from conflict-affected areas, and strengthening relevant requirements in our Supplier Code of Conduct and other contractual agreements. In 2015, we further enhanced our conflict minerals management program in pursuit of our goal to support conflict-free sourcing in ten conflict-affected countries¹ including the Democratic Republic of the Congo (DRC) and nine neighboring countries through the various initiatives outlined below.

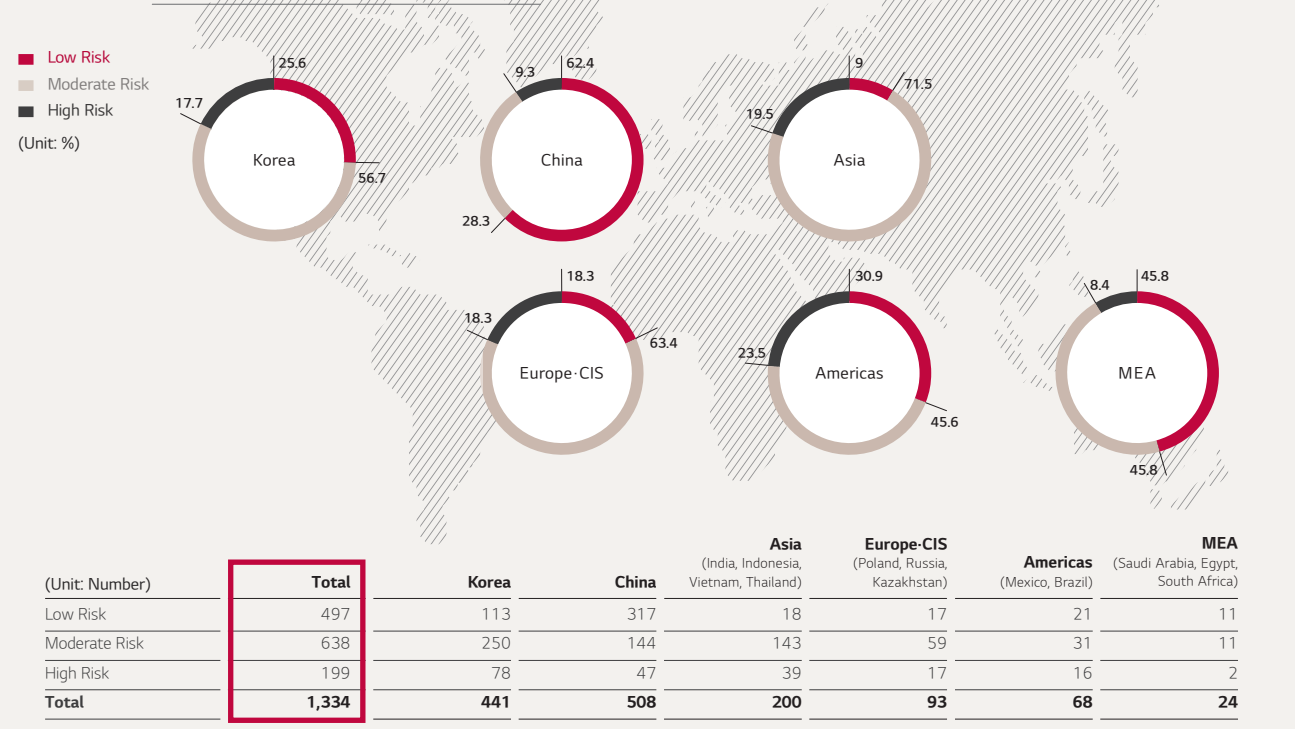
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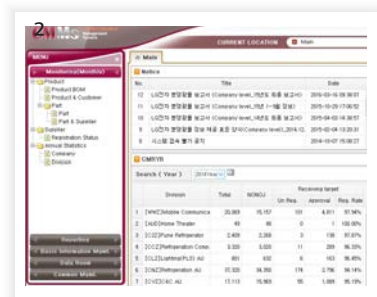
Ten Conflict-affected Nations:
Democratic Republic of Congo, Angola, Burundi, Central African Republic, Republic of Congo, Rwanda, South Sudan, Tanzania, Uganda, Zambia



10 Countries

Supplier CSR Risk Levels by Region





1 - Conflict Minerals Policy on Our Global Website
2 - Conflict Minerals Management System (CMMS)

Conflict Minerals Management System - Improvements and Training

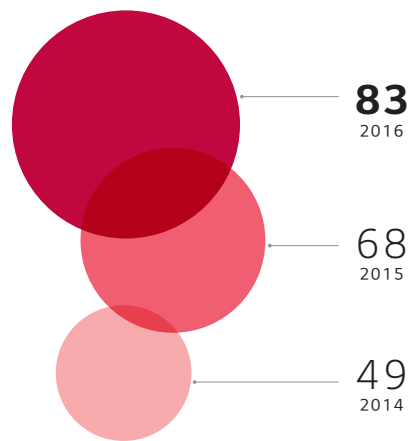
As part of our regulatory response to the conflict minerals issue, LG Electronics established a corporate-level taskforce and launched a system in 2013 to support 3TG traceability, called the Conflict Minerals Management System (CMMS). Through the CMMS, we collect, validate and manage information from our suppliers on the use of 3TG minerals in components and parts supplied to us, as well as information on the origins of mineral sourcing and compliance with the Conflict-free Smelters Program. Since 2015, we have performed an assessment on supply chain risks associated with conflict minerals to improve the quality of the data reported to us by our suppliers. Based on the results, we conduct necessary training, require improvements, and perform reassessment to enhance data reporting quality. LG Electronics will continue to review and update the information to reflect changing business conditions and support our suppliers in conflict minerals management efforts. In 2013, LG Electronics launched a group training program designed to enhance supplier awareness on conflict minerals and approaches for collecting relevant information, as part of our support initiatives for ensuring effective supplier response to regulations on conflict minerals and to our requirements related to conflict minerals. In addition to these group training sessions, LG Electronics operates a Q&A board on the CMMS to support effective responses for conflict minerals management.

In 2016, we enhanced our internal systems to help our business organizations in Korea and overseas subsidiaries effectively manage customer requirements on conflict minerals. LG Electronics is continually working to strengthen partnerships with suppliers and business customers to effectively respond to this issue, while expanding collaboration with external organizations such as the Korea International Trade Association (KITA) and the Conflict Free Sourcing Initiative (CFSI), an EICC-led initiative for conflict minerals. Through these partnerships, we actively participate in or sponsor seminars and workshops on the issue, and implement support programs that help our Korean and overseas suppliers respond to regulations on conflict minerals. We are also responsive to requests for information from stakeholders including customers and civil society, while conducting partnership and consulting programs with outside experts to continuously improve the company's conflict minerals management standards and systems.

Efforts to Expand the Number of CFS-certified Smelters

LG Electronics makes its best effort in ensuring that 3TG minerals extracted from the mines controlled by armed groups in conflict-affected regions are not used in the industry. We also believe in the benefits of the entire industry working together to more effectively address these challenges, and actively participate in the Conflict Free Sourcing Initiative (CFSI) for improved due diligence, reporting and smelter engagement. Our stakeholders also demand credibility and transparency

CFSP Compliant Smelters
(Unit: %)



in conflict-free sourcing – we are meeting that challenge by increasing the percentage of conflict-free validated smelters and refiners in our supply chain. As part of these efforts, in September 2014, LG Electronics teamed up with LG Display, LG Chem and LG Innotek and formed the "LG Family Conflict Mineral Response Council" to engage in coordinated initiatives to increase the number of CFS-certified smelters in our collective value chain, sending out an advisory letter to establish the expectation that our suppliers source from Conflict Free Smelters (CFS) on an annual basis. We also encourage smelters and refiners in our value chain to acquire CFS certification, sharing new information on smelters with CFSI to support efforts to keep global smelter information up to date. As a result of these efforts, our usage rate of smelters and refiners found compliant to the CFSI's Conflict Free Smelter Program reach 87 percent if we include four percent of smelters in the process of undergoing a CFS audit. (2016: CFS 83 percent, 2015: CFS 68 percent, 2014: CFS 49 percent)

Tin Working Group Activities for Tin Mines in Bangka Island, Indonesia

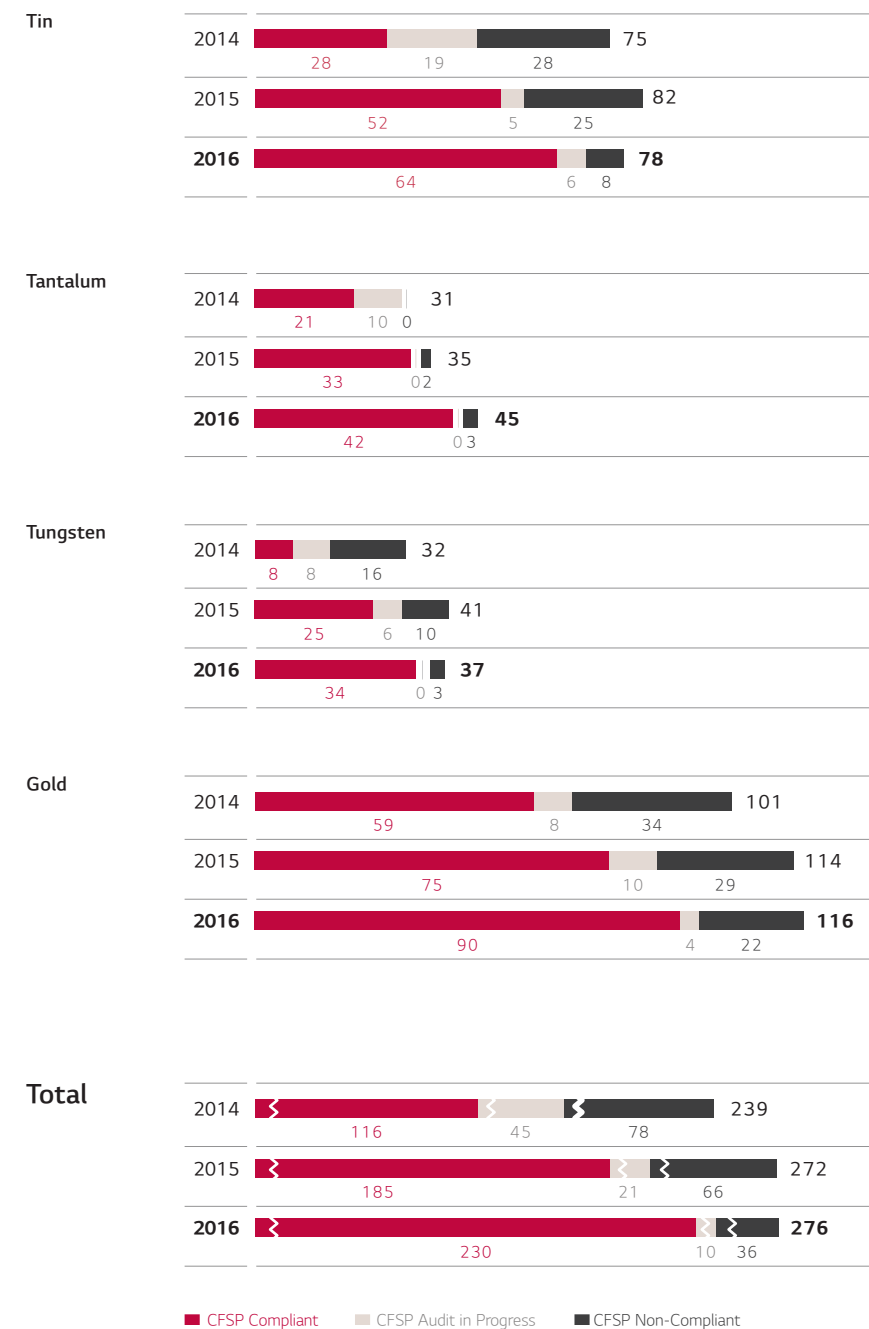
As part of its broader commitment to responsibly sourced or mined materials in its supply chain, LG Electronics continued to support the Sustainable Trade Initiative (IDH) in 2016 as a member of the Tin Working Group (TWG). The goal of the Group is to positively contribute to addressing the sustainability challenges of tin mining in Banka-Belitung, Indonesia, a significant global source of tin. Since 2013, the TWG has undertaken a number of key initiatives to better understand the local situation, engage local stakeholders and gain commitments from key actors to take actions to promote more sustainable forms of mining. These initiatives have included research and analyses of local conditions; endorsements from government; partnerships with local industry, the development of a 2020 sustainable roadmap and incentives guide; and, hiring local partners to oversee roadmap implementation, continue government engagement and policy strengthening activities. The program is also exploring ways for reclamation of mines and alternative livelihoods for local families whose earning is largely dependent on mining. While we believe that much has been accomplished since we joined the TWG four years ago, we recognize that achieving a sustainable solution is a journey and success depends on continued collaboration with local stakeholders, government, and broader industry. Beginning in 2017, the work of the TWG will be car-

ried out under the auspices of the Electronics Industry Citizenship Coalition (EICC) and we will continue to partner for ways to achieve constructive progress as a downstream tin user.

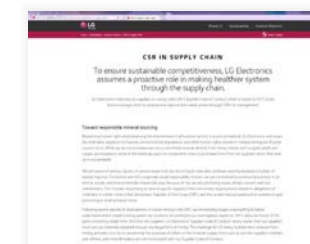
Cobalt Mining & Child Labor Issues

In January 2016, Amnesty International exposed human rights violations including child labor in the cobalt mining industry in the DRC, prompting a call for manufacturers to trace how cobalt is being extracted and introduced to their supply chain. LG Electronics also received inquiries from customers and NGOs on the issue. As stipulated in our Supplier Code of Conduct, LG Electronics prohibits the use of illegally procured commodities including conflict minerals, and was able to confirm that the company made no direct purchase of cobalt. However, our due diligence revealed that 3,750 components supplied by our first-tier suppliers contained cobalt (as of 2015). Although we were able to trace the origin of the mineral used in most of our products back to China, the Philippines and Indonesia, we could not discover the origin of cobalt contained in some components. LG Electronics takes this matter very seriously and is committed to collaborating with multi-stakeholder initiatives working to address and resolve mineral mining issues such as conflict minerals, cobalt and tin mining in Bangka-Belitung, Indonesia. Based on this conviction, LG Electronics became a member of the Responsible Raw Material Sourcing Initiative (RRMI) launched in November 2016 by the EICC and is looking into participating in the Responsible Cobalt Initiative (RCI) led by the Chinese government. We also made our position and policy on responsible sourcing available on our corporate website as part of our efforts for communication with our stakeholders. LG Electronics will continue to work towards a sustainable solution for minerals issues including cobalt based on communication and collaboration with our stakeholders.

CFSP (Conflict-Free Smelter Program) Compliance Status of LGE 3TG Mineral Smelters
(Unit: Case)



<http://www.lg.com/global/sustainability/business-partner/csr-in-supply-chain>



LG Electronics' Position on Responsible Sourcing

With the Community

Key Performance in 2016

54 countries

93 business locations

100,081 employees

Employee Participation in Social Contribution Initiatives

83 teams **1,904** employees

Life's Good Volunteer Groups

60,741 beneficiaries

Public Health Promotion Campaigns in Asia



WHAT ARE IMPORTANT ISSUES?

Our Focus



<Impact Boundary>

Communities, NGOs, International Organizations, Employees

HOW WE MANAGE IT?

Our Approach

With "Cooperating Toward a Better Life for All" as the vision for our social contribution initiatives, LG Electronics strives to empower communities with programs that address major social issues and contribute to the longer-term development of communities, as part of our commitment towards "Technology that cares, Trustworthy partner, Sharing and comfort."

Our Evaluation

As part of our efforts to create greater impact and make long-term contribution through our social contribution initiatives, LG Electronics carries out annual assessment and uses the results to upgrade our programs.

Future Direction

- 1) Develop products and technologies that address local issues.
- 2) Provide education and training opportunities to the socially disenfranchised from emerging markets and developing countries.
- 3) Promote employee participation in volunteering and charitable giving.



Computer is God's gift for people with disability. Nowhere in the time of human history is this true than ever than at present. Recent advancements in computation, SNS and cloud computing have made smartphones not only eyes, ears and voice for people with disability but to become their source of information and connection with the world. LG Electronics shares this value of improving the qualities of life of people with disability through technology. Thanks to them, we successfully embarked on new mission in less known region of the United Arab Emirates to educate college students both the awareness and programming skills. All this would not have been possible without LG's commitment which I am very grateful.

SANG MOOK LEE
 Prof. of Seoul National University and
 the Director of Quality of Life
 Technology Center

Life's Good with LG

Our Goal for Social Contribution

In September 2015, at the United Nations, 193 world leaders adopted the Sustainable Development Goals (SDGs) as a global commitment for the sustainable development. Expected to serve as a roadmap for sustainable development through 2030, this future development framework comprises 17 goals and 169 targets covering a broad range of economic, social and environmental issues, and places a particular emphasis on the role of civil society including the private sector as well as expanded partnerships between stakeholders in achieving these ambitious goals.

As a responsible global corporate citizen, LG Electronics honors the intent and purpose of the SDGs and embraced these goals as one of the primary objectives in our social contribution efforts. In support of the valuable cause, we reexamined and reestablished the principles that govern our social contribution efforts through discussions with our key stakeholders and management, and identified five of the 17 SDGs as our priority. Following these new

guidelines, LG Electronics continuously develops and implements initiatives that contribute to achieving the SDGs, and monitors the impact and effectiveness of our efforts on a regular basis.

Our Principles for Social Contribution

LG Electronics believes that empathy in our thoughts and consideration in our actions are building better lives for all in the human society. In order to attain this vision, LG Electronics set three strategic directions and is putting them into action. First, we will deliver a differentiated value to those in need with our products and technologies. To this end, we are developing and distributing products and technologies that help communities address social and environmental issues. Second, we will value our partnerships with stakeholders and make best effort in incorporating their feedback into our social contribution initiatives. We have in place a wide range of communication channels through which we identify stakeholder expectations and collaborate with our stakeholders to design and implement more effective social contribution initiatives. Third,

LG Electronics and the Sustainable Development Goals (SDGs)

LG Electronics carefully studied the Sustainable Development Goals and associated targets, and assessed their relevance to our own goals for CSR initiatives, taking into account overall management conditions such as the nature and purpose of our business, and future opportunities and risks. As a result, we were able to identify and prioritize five Sustainable Development Goals that have a considerable relevance to our goals, businesses, and core competencies. Based on these priorities, we also identified countries where LG Electronics can create a positive impact, social issues faced by communities in these countries, and the relevance of the issues to our business and competences in order to implement programs that only LG Electronics can deliver. LG Electronics plans to focus our energy and resources on the SDGs that are highly relevant to our own businesses and core competencies, and support the valuable causes with a renewed commitment.

01 - SDGs 02 - Relevance to LG Electronics 03 - Programs & Impact

<p>3 GOOD HEALTH AND WELL-BEING</p> <p>Ensure healthy lives and promote well-being for all at all ages</p>	<p>Social Issues Need to ensure access to clean drinking water and enhance hygiene and public health in underdeveloped countries.</p>	<p>Relevance to LG Electronics Has products that can contribute to alleviating the issues such as refrigerators and water filtration systems.</p>	<ul style="list-style-type: none"> · In South East Asia, contributed to enhancing hygiene and public health by expanding the mobile clinic service. · Contributed to reducing diseases transmitted by mosquitos by introducing mosquito away air conditioner in countries with a poor sanitation and hygiene system, such as Bangladesh.
<p>7 AFFORDABLE AND CLEAN ENERGY</p> <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<p>Social Issues Demand for new and renewable energy sources is growing in advanced countries, lowering the consumption of conventional energy sources, while demand for stable power supply is strong in underdeveloped countries with poor infrastructure.</p>	<p>Relevance to LG Electronics Operates new energy businesses such as solar power generation and ESS.</p>	<ul style="list-style-type: none"> · In Pakistan and Syria, contributed to securing access to stable power supply through programs that retrofit hospitals and school libraries with solar power systems.
<p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>Promote inclusive and sustainable economic growth, employment and decent work for all</p>	<p>Social Issues Need to foster young talent through employment and training.</p>	<p>Relevance to LG Electronics Has organizational capabilities to invest in employee training and support for start-up entrepreneurs.</p>	<ul style="list-style-type: none"> · In Korea, provides support to social economy organizations in the environmental sector through the LG Social Fund.
<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>Make cities inclusive, safe, resilient and sustainable</p>	<p>Social Issues Contribute to enhancing energy efficiency, expanding water filtration systems, and protecting biodiversity and World Heritage sites.</p>	<p>Relevance to LG Electronics Responsible for protecting World Heritage sites as a corporate member of the community. Has campaign infrastructure such as large digital billboards that can be used in promoting valuable causes.</p>	<ul style="list-style-type: none"> · Organized the World Environment Day event with "Protecting World Heritage Sites" as the theme. More than 4,000 employees from 41 business sites volunteered at the event. Also used our New York Time Square billboard and OLED TVs for raising awareness on the protection of UNESCO World Heritage sites.
<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> <p>Ensure sustainable consumption and production patterns</p>	<p>Social Issues Support developing countries in enhancing their capabilities in science and technology to promote sustainable production and consumption, while minimizing the negative impact to communities through support programs.</p>	<p>Relevance to LG Electronics Has in place programs that help people achieve financial self-sustainability, promote local economy and provide vocational training in electronics repair in developing countries.</p>	<ul style="list-style-type: none"> · In Ethiopia, operates a vocational school in electronics repair, helping students develop technical capabilities through special lectures by our "Master Service Engineers" and training opportunity at our service subsidiary for Middle East and Africa in UAE.

each and every member of LG Electronics will work together to explore ways in which we can help our neighbors in need and build a better life together. As part of these efforts, our employees actively participate in diverse activities that make their communities a better place through volunteer work and talent donation.

Our 2016 Achievements and Assessment

Throughout the year 2016, LG Electronics engaged in a broad range of initiatives to empower communities in which we operate. More than 100,000 employees (cumulative) actively involved themselves in a range of social contribution initiatives at 93 different LG Electronics locations across 54 countries. We also allocated a total of KRW 26.3 billion in social investment, of which KRW 6.2 billion was administered by the parent company for charitable donations. If we take a closer look at our KRW 26.3 billion social investment (consolidated), 78 percent of our budget was expended for community initiatives, with 11 percent each being administered in cause-based CSR marketing programs and charitable donations. Support programs for education and academic research accounted for 33 percent of our social investment, while 22 percent went to sponsorship programs for the arts, culture and sports. Programs for win-win growth, social welfare and environmental protection accounted for, respectively, 18 percent, 9 percent, and 8 percent of the total investment.

Future Direction

As a responsible corporate citizen, LG Electronics is committed to utilizing our core capabilities to enhance the social value for those in need and from disadvantaged backgrounds with our core capabilities, creating a community where everyone is respected and valued. To this end, we engage and collaborate with a diverse group of stakeholders, and incorporate their feedback into continuously enhancing our social contribution programs. Going forward, we will continue to do our part through "technology that cares, Trustworthy partner and Sharing and comfort" to create a better future for the humanity, and earn the trust of our customers in the process.

Social Investment in 2016
(Unit: % / Consolidated)



Technology that Cares

Overview

LG Electronics strives to create differentiated service value through our products and technologies and build a better life for every member of our society. As a global corporation with business operations throughout the world, LG Electronics strives to help communities and engage community members by developing and distributing products and technologies that address local issues, including social and environmental concerns. In emerging markets with high growth potential such as Asia and Africa, we implement initiatives that address the specific needs of each community, such as operating vocational schools, introducing mosquito away air conditioners, developing accessibility apps for the disabled, and building solar-powered hospitals. We will expand inter-departmental collaboration to create "technology that cares" and build a better life for all.

LG Hope Community in Ethiopia

In 2012, LG Electronics teamed up with LG Corp. and World Together to launch the LG Hope Community to help low income families in Ethiopia achieve sustainable livelihoods. LG Hope Village, the first program of the LG Hope Community initiative, was conceived to help farmers—who constitute 80 percent of the country's population—achieve sustainable livelihoods with training on farming techniques and income generation initiatives for community members. For this project, we established a five-hectare pilot farm in Sendafa of the Oromia region. In 2016 alone, we trained 50 com-





LG-KOICA
Hope TVET College

200 Students

community leaders in horticulture, and succeeded in harvesting 1,800 kilograms of garlic, one of the major cash crops introduced through the program. Another program is LG-KOICA Hope TVET College, which was established in 2014 to provide vocational training to young Ethiopians and help them become professional repair technicians. As of March 2017, more than 200 students enrolled in the school's electronics and ICT device repair courses. In order to provide the best possible learning experience, we dispatched our Master Repair Engineers to the school to lead two advanced sessions, and organized a student field trip to our Dubai service location. Our students are performing exceptionally well in the national certification test: 98 percent of our graduates acquired the Level I (entry) and Level II (intermediate) certifications (as of the end of 2016). Our employees are also contributing to a scholarship program for the descendants of Korean War veterans. Thus far, a total of 146 students have benefited from the scholarship program, which is operated with contributions from LG Group employees (LG Electronics, LG Corp., LG Chem, LG Display, and LG Uplus).

Public Health Promotion Campaigns in Asia

In 2013, LG Electronics launched a health promotion campaign in Myanmar for medically underserved people, and later expanded the program to include Bangladesh and Cambodia. Through this program, LG Electronics visits medically underserved communities and pro-



1 - Public Health Promotion Campaign in Cambodia
2 - Solar-powered Hospital in Pakistan

vides free medical service as well as health-hygiene awareness classes that cover various health topics, such as nutrition, and personal hygiene. As of March 2017, we organized 18 health awareness campaign sessions to provide free medical service and medical supplies to over 60,000 individuals, and hosted health-hygiene awareness classes and cultural events for visitors. In Bangladesh, we teamed up with Good Neighbors in the second half of 2016 to reduce the onset rate of waterborne diseases, building a community drinking water system and a water supply system for individual households in four different farming villages. For this project, we drilled a 100 meter-deep tube well to find a groundwater source free of iron and arsenic contamination for the purpose of supplying safe drinking water. In India and Bangladesh, we introduced the mosquito away air conditioner, which features a special ultrasonic wave to chase away or slow down malaria-carrying mosquitoes, to prevent diseases transmitted by mosquitos. We also engaged in a mosquito control campaign such as source reduction activities, control activities in low income neighborhoods, and awareness classes on diseases transmitted by mosquitos. In India, we engaged in control activities in 83 locations across low income neighborhoods in New Deli, enhancing living conditions for more than 1.1 million local residents.

Social Contribution through Our Products & Technologies

In 2016, LG Electronics engaged in social contribution programs that take advantage of "technology that cares" in addressing local issues. For instance, we cooperate with Seoul National University's QoLT Center, local disability organization Sharjah City for Humanitarian Services (SCHS), and the Startup Campus to offer accessibility app development training (AT EDUCOM, Assistive Technology Education & Competition) in the UAE with the participation of Korean and UAE college students to raise awareness on accessibility in the country. LG Electronics partnered with World Vision to provide a stable power supply to the emergency room at local health offices in Pakistan, which suffers from power supply problems, and we leveraged our solar power technology to retrofit the facilities with a solar power system. We also set up a health camp and provided a free medical service at the location. In Syria, we provided solar power generation equipment to two hospital locations.

Trustworthy Partner

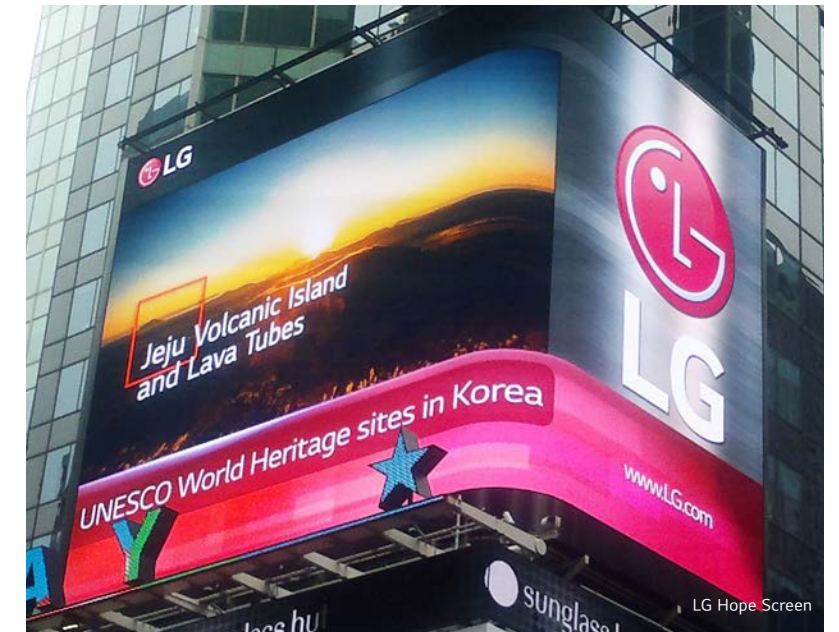
Overview

With "Life's Good with LG" as our CSR slogan, LG Electronics actively engages and collaborate with stakeholders to identify local needs and develop effective social contribution initiatives. We also pursue partnerships with national and local governments to gain insight into local conditions, while expanding the impact of our social contribution initiatives through collaboration with organizations that have expertise in addressing local issues, including government agencies, local governments, International Organizations and NGOs. Based on the partnerships and mutual respect with stakeholders, LG Electronics will further our efforts to turn our CSR vision into reality in communities across the world.

LG Electronics will further our efforts to turn our CSR slogan, "Life's Good with LG," into reality in communities across the world.

LG Social Fund: Support for Social Economy Organizations in the Environmental Sector

Since 2011, LG Electronics, in partnership with LG Chem, has operated the LG Social Fund to provide support to promising social economy organizations in the environmental sector. The program provides selected social economy organizations a wide range of support tailored to their needs, such as free or interest-free financing, productivity consulting from the LG Electronics Labor Union, and office space at the LG Social Campus, which reopened after a renovation and extension in 2016. We also offer management support through training and seminar sessions, networking opportunities, overseas training, and marketing and promotion support, with a total of 130 organizations receiving support since its inception. In a survey conducted on our 2016 beneficiaries, about 93 percent of the respondents answered that the LG Social Fund had helped them grow and develop as a business. We also commissioned a third party (Korea Social Responsibility Institute, KOSRI) to as-



sess the program and incorporated the results into developing a support plan and managing the program, as part of our ongoing efforts to enhance the operational efficiency of the LG Social Fund.

Collegiate CSR Academy, "Love Genie"

In 2014, LG Electronics launched Love Genie, the collegiate CSR Academy, to foster CSR experts and promote social responsibility among college students – future leaders of our society. In 2016, the Academy welcomed 30 college students and offered systematic training and mentoring on CSR issues such as labor, human rights, ethics, the environment, health & safety and social contribution. We also supported the students as they independently planned and executed CSR projects, and to the team with the highest performance record, we provided an opportunity to visit our overseas CSR program sites. We also help our graduates find a career opportunity in CSR organizations at business corporations or in NGOs and other social organizations, and offer regular lectures and networking opportunities to help graduates develop expertise. More information on Love Genie and their activities is available on their official blog (www.lovegenie.co.kr).

LG Hope Screen

Since 2011, LG Electronics has made our marketing assets available to international organizations and NGOs as part of our efforts to raise public awareness on social issues such as the environment.

In 2016, we offered our Times Square, New York City digital billboard to the United Nations Environment Programme (UNEP), the United Nations Global Compact (UNGC), and the Cultural Heritage Administration of Korea to feature campaign videos for World Environment Day, the UN Leaders' Summit, and UNESCO World Heritage sites, contributing to heightening public awareness on the valuable causes championed by these organizations.



1 - 2016-17 LG Social Fund Festival
2 - Love Genie Visit to Overseas CSR Site



Life's Good
Volunteers

83 teams
1,904
employees

Sharing and Comfort

Overview

In line with LG Electronics' commitment towards social contribution, our employees are actively volunteering their time and talents for causes that help their communities. Guided by the Charter of Social Contribution established in 2005 and the LG Social Contribution Policy introduced in 2012 by LG Corp., we strive to create a corporate culture that encourages our employees to volunteer and practice the act of sharing, and support their efforts with a broad range of policies and programs.

Employee Volunteer Programs

In 2005, employees at LG Electronics organized, on their own initiative, a workplace volunteer groups and have practiced the act of sharing over the past 12 years, contributing their time and talents to help those in need and addressing community issues. Throughout the year 2016, 1,904 employees from 83 volunteer groups participated in a wide range of volunteer projects, such as running science classes and soccer classes for local children, preparing meals for the elderly, and participating in local clean-up dives using their skin and scuba diving skills.

We strive to create a corporate culture that encourages our employees to take part in the act of sharing in their communities.

In 2015, our employees with professional expertise came together and formed the Life's Good Volunteer's Pro to provide pro-bono work for non-profit organizations, which require professional services in their operations, but are unable to obtain such services due to financial or other reasons.

As part of our efforts to promote employee volunteering, LG Electronics introduced the Workday Volunteer Program in 2013. Under the program, employees can take up to eight hours of paid leave per year to volunteer on weekdays. In 2016, 434 employees took advantage of this program and volunteered their time to assist the operations of a food kitchen, make baby stuff for single mothers and help



1 - Workday Volunteer Program
2 - Festive Food Sharing on New Year's Day

children with disabilities have a fun day out on Children's Day.

Donation Programs

More than 95 percent of LG Electronics Korea employees are contributing to the Salary Round Up Fund, which employees raise by pledging KRW 1,000 from their monthly salaries to help low income families. Over 86 percent of LG Electronics Korea executives are also participating in the Executive Contribution Fund, founded in 2004 in support of our social contribution initiatives. In 2016, the fund was used for empowering communities across the world, including scholarship programs for the descendant of Korean War veterans, accessibility app development training in the UAE, construction of solar-powered school libraries and hospitals in Pakistan, and health promotion campaigns in South East Asia. Since 2011, we have also hosted the "Life's Good Day" event at company cafeterias on a bimonthly basis to offer our employees an opportunity to participate in giving all year round. On these special days, company cafeterias offer a simpler menu at a reduced price, and employees who choose that menu pay the original price and donate the difference. In 2016, all proceeds from the Life's Good Day



World Environment Day
Campaign

7 business sites
Korea

34 business sites
Overseas

events were directed to helping children from multicultural families struggling with their Korean language skills, with a donation of book readers containing book recordings made by employee volunteers and 500 titles of children's books. Over the past six years, about 420,000 employees (cumulative) have participated in the events and raised approximately KRW 180 million.

In addition, LG Electronics engaged in employee initiatives that combine charitable giving and volunteering, such as knitting baby caps for newborn babies in Africa, volunteering at food kitchens and offering festive food for those in need on the New Year's Day.

Global Employee Engagement

As part of our efforts to promote employee participation in social contribution initiatives both in Korea and overseas, LG Electronics organizes every year global scale volunteer events, the Global Volunteer Day and the Global Blood Donation Week. The Global Volunteer Day event is observed at our business sites across the world in celebration of World Environment Day (June 5), and organized in conjunction with our labor union's Union Social Responsibility (USR) initiatives. In 2016, employees from 41 business sites in 24 countries organized events in line with the year's theme, "Protect World Heritage Sites & the Environment."

We also host the Global Blood Donation Week for a period of two weeks in September and encourage our employees to participate in blood donation to raise employee awareness on the importance of donating blood. In 2016, 1,696 employees from 29 business sites in Korea and overseas participated and donated blood. In celebration of Cosmonautics Day, LG Electronics Russia invited astronauts to the employee blood donation event, while our employees in Thailand left a proof shot on the official SNS account after donating blood. In Korea, we ran an SNS campaign and pledged KRW 10,000 for each donation made by our employees and KRW 1,000 for each message of support posted on social media sites. The campaign raised a total of KRW 20 million, which was donated to the Social Welfare Society and the Purme Foundation to be used for treating children suffering from rare and incurable diseases or congenital anomalies.



World Environment Day Campaign (Korea)

AROUND THE WORLD



01 - Kenya
Limb Operation
 Since 2006, LG Electronics Kenya has operated a program that provides prosthetic limbs to Kenyans who lost their limbs to fire, traffic accident or disease. Over the past decade, more than 700 patients have benefited from this amputee support program run in partnership with the orthopedic surgery department at the PCEA Kikuyu Hospital. In 2016, the program invited a Kenyan woman who had lost both of her arms to produce and fit electronic arm prostheses for her.

02 - Iran
LG Gold Kids
 LG Electronics Iran, in partnership with the local NGO Mehrafarin, operates the LG Gold Kids Program, which helps children and teenagers follow their dreams with a broad range of support. Launched in 2013, the program has since offered over 10,000 hours of gifted education classes and 1,800 hours of mentoring to more than 200 children and teenagers. In October 2016, we also opened the LG Gold Kids Training Center in Teheran to provide a better learning environment.

03 - India
Republic Day Campaign
 In celebration of Republic Day, LG Electronics India ran a campaign, pledging part of the proceeds from each product sold and donated the proceeds to the National Defense Fund. We also invited our customers to post a message of hope for members of the country's armed forces at LG stores. The campaign raised approximately INR 10 million (KRW 170 million), which was delivered to the Minister of Defense in an official ceremony. During the campaign period, our customers posted about 114,000 messages, which is in the process of being confirmed as an official Guinness World Record.

04 - USA
No Kid Hungry
 LG Electronics USA partnered with the nonprofit organization No Kid Hungry to help end childhood hunger and educate families about healthy cooking and eating habits. In addition to being a premier national partner of No Kid Hungry, we served as the official home appliance sponsor of Taste of the Nation, the culinary fundraiser series for No Kid Hungry and contributed to the success of the event. This fundraiser series was held in major cities across the country, including Washington D.C., New York, Los Angeles, Chicago and Miami.

05 - Russia
Smile Contest
 LG Electronics Russia ran a fundraising campaign for children suffering from brain diseases in partnership with the Khabensky Foundation dedicated to helping pediatric brain cancer patients. In one of the campaign events "Smile Contest," we encouraged our customers to post a picture of themselves smiling on our website and pledged RUB 100 for each picture posted. The event was a great success with over 5,000 customers posting their pictures to support this valuable cause. We also selected one of our TV, refrigerator, washing machine and mobile phone products every month and pledged RUB 10 for each product sold, donating all proceeds to the fundraising campaign.

06 - China
LG Hope School
 Since 2009, LG Electronics China has been providing scholarship support and school supplies to six LG Hope Primary Schools. In 2016, we hosted a writing contest and awarded 120 children. The Top 36 students from the contest were also invited to Beijing for a tour of LG Electronics China's headquarters and the Nanjing Plant, and a visit to the Shanghai Expo for a great learning experience.

07 - Korea
HE Company, Life's Good Day
 Since 2015, our HE Company's Pyeongtaek Digital Park has teamed up with employees from Hanwoori, our subsidiary and standard workplace for the disabled, to organize a support program for their alma mater, Seongsim School for the Deaf. Through this program designed to offer encouragement to students and present a vision for their future, careers and independent life, we provide a broad range of support and activities to students such as mentorship, career exploration activities, science classes, a field trip to an arboretum, and talk sessions with their alumni in order to give hope and offer encouragement for their future endeavors.

08 - Korea
H&A Company, Dream Soccer Class
 Since 2015, our employees with experience in competitive soccer at H&A Company's Changwon Plant I have been running a visiting soccer class program (Dream Soccer Class) for local group home children and hosting a soccer competition on a semiannual basis. We also donated soccer balls, uniforms and training equipment for children under the care of welfare facilities.



With the Employee

Key Performance in 2016

28 Consecutive Years
No Dispute in Collective Bargaining & Wage Negotiations

>Business Function College

14 Tracks

>Job Training

880 Courses

Employee Training System

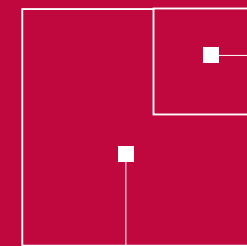
88.2 Points

Average iSAQ Performance of Our Production Locations



WHAT ARE IMPORTANT ISSUES?

Our Focus



- Protecting Basic Labor Rights
- Promoting Internal Grievance Resolution Mechanisms
- Managing Supplier CSR Risks (Labor Rights)

- Preventing Discrimination and Promoting Diversity
- Implementing Family-friendly Management Policies

<Impact Boundary>

Employees, Suppliers

HOW WE MANAGE IT?

Our Approach

LG Electronics develops and operates an HR system that takes into account local conditions, while ensuring equal opportunity for all employees across geographic locations. We also have in place a comprehensive range of support programs to help our employees to develop their professional capabilities as well as to motivate both individuals and organizations to change and innovate continuously.

Our Evaluation

As part of our efforts to acquire and develop talented professionals, LG Electronics has set "strengthening HR fundamentals" as our key HR objective and is pushing forward with initiatives to achieve this goal, while operating a one-on-one caring program to help our employees map out their career objectives and develop training plans accordingly.

Future Direction

- 1) Create a corporate culture that promotes work-life balance.
- 2) Ensure that real improvements are made by strengthening inspections and audits.
- 3) Enhance systems and processes to better protect the labor rights of our employees and workers at our supplier locations.



I am an Argentinean and member of LGE Argentina with an experience of working at Korea HQ for a year. Everyone at LGEAR shows great passion and enthusiasm for his or her work as our colleagues at Korea HQ do. What makes us so passionate about work is the pride we have in our organization and products. We take great pride in our product process that takes the environment into consideration, the quality and innovation of our products, and marketing & service that reaches out to customers, and the HR system that nurtures talent across business areas. Together with my colleagues at LGEAR, I will work towards the value that LG Electronics set out to achieve, with renewed passion and enthusiasm.

AYELEN NIRENBERG
HR Team, LGE Argentina

No. 1 HR System that Grows in Tandem with the Organization

HR Philosophy

LG Electronics strives to foster "individuals who are attuned to the LG Way and strong on execution." The LG Way articulates our belief in attaining the vision of becoming "No. 1 LG" through "Customer-Value Creation" and "People-Oriented Management," the guiding principle for our thoughts and actions, as we stay true to the spirit of "Jeong-Do Management" in our everyday practice. Jeong-Do Management expresses our commitment to the continuous strengthening of our fundamental competitiveness and fair competition as we base our professional conduct and business practices on ethical management standards. LG Electronics develops and operates HR systems aligned to the LG Way, under which we manage and support our employees.

Key HR Initiative for 2017

After decades of strong growth, the global economy has been trapped in a pattern of persistent low growth, which has been causing disruptive changes in the business landscape and compelling corporations to seek a new management style, business structure, and corporate culture. In order to achieve sustainable growth in this changing environment, LG Electronics strives for HR innovation to motivate both individuals and organizations to change and innovate continuously, and help them maintain and strengthen their drive for innovation.

To this end, in 2016, we changed our method of employee performance evaluation from relative assessment to absolute assessment, while introducing peer review to address the limitations of vertical assessment and further ensuring fairness in employee evaluation. As part of our initiatives to redefine HR's role as a strategic enabler in the rapidly changing business environment, we implemented big data-driven HR analytics as a measure for systematic and scientific HR support. Additionally, we identified "strengthening HR

fundamentals” as our key initiative for 2017, and is working on enhancing HR fundamentals through the expanded One-on-One Caring System and other programs designed to promote the sustained development of individual capability.

In 2017, LG Electronics intends to undertake three key HR initiatives: reengineering our HR systems and programs in response to the shift in the HR management paradigm; reshaping workstyle to ensure sustained business performance and the growth of individual employees; and reorganizing our HR operations around global talent. These efforts will help LG Electronics achieve the “No. 1 HR system that grows in tandem with the organization.

LG Electronics strives to foster “individuals who are attuned to the LG Way and strong on execution” with “Customer-Value Creation” and “People-Oriented Management” as our management principles.

Reengineering our HR Systems in Response to the Shift in the HR Management Paradigm

After six decades of sustained growth, LG Electronics is marching forward into the Fourth Industrial Revolution, which is marked by emerging technologies and network industries. In preparation for the new industrial era, the HR division of LG Electronics is reengineering our systems and programs to embrace the change and take another leap forward. As a first step in the process, we are driving a shift from the seniority-based position/ranking system to the performance/role system, diversifying HR systems through the Global HR Portal, and implementing big data analytics with the HR index.

Reshaping Workstyle for Sustained Business Performance and the Growth of Individual Employees

As part of our efforts to promote both sustained business performance and the professional growth of individual employees, LG Elec-

tronics has managed organizational goals and individual performance through the One-on-One Caring System, while reshaping our workstyle based on the Career Development Plan. In addition, we developed and implemented an ongoing performance management system, the Work Talk program, to complement the One-on-One Caring System in the areas of individual performance management and capability development. This new program fully embraces the workstyle of the new “digital native” generation and respects the individuality of our employees in encouraging changes in their workstyle. Through these efforts, the driver of our employee performance management is shifting from managers to individual employees, encouraging them to voluntarily and independently manage their individual performance. We expect these changes will help us maximize our organizational performance.

Reorganizing HR Operations around Global Talent

In order to effectively support our business operations that span international boundaries, LG Electronics continuously works to find and acquire quality talent through an HR system centered on acquiring global talent. As part of our initiatives, we participate in the Techno Conference, a global recruitment event held in Korea and the United States hosted by our holding company, LG Corp., and operate a comprehensive range of recruiting programs, including regular recruitment events at major universities and countries. During the event, we invite more than 300 talented professionals and students (PhD or master’s degree candidates) to hold technology seminars and interviews and job fairs. We also have in place the Industry-Academia Scholarship Program, which offers scholarships to bright students from promising fields on the condition that they join our company after graduation. Other talent acquisition programs include the “Dream Mentoring Program,” through which our R&D professionals evaluate the expertise, creativity, and interpersonal skills of candidate students over a long period of time to acquire young talents in advance and ensure recruitment success; “Code Challenger,” a competition organized to discover talented professionals; Industry-Academia Joint R&D Projects, through which we collaborate with major universities and discover bright students in the process; and “LG Track,” through which we recruit bright students and groom them into young professionals tailored for LG Electronics by encouraging them to take required courses.

Performance-driven HR Development Strategy

2017 Strategy for Employee Development

Our employee development strategy for the year 2017 aims to discover drivers for sustained growth and promote business performance through intensive training programs for business leaders and high potential employees who are expected to make a direct and profound impact on our business performance. To this end, we established the three strategic directions: “Tailored Support for Improved Business Performance,” “Training Support for Developing Capabilities in New and Strategic Businesses,” and “Promoting Continuous On-the-Job Learning.” In support of these initiatives, we plan to continually expand training programs that are tailored to the development needs of our business organizations and individual employees.

Tailored Support for Improved Business Performance

1 - Business Leaders and High Potential Employees: Developing Capabilities for Future and Current Assignments

In order to groom business leader candidates and high potential employees into future leaders who can drive customer value creation and market leadership, LG Electronics offers advanced training programs that help these talented individuals develop capabilities required for their future roles as well as for their current assignments. For instance, we have our high potential employees carefully evaluated on their capabilities by the Assessment Center, undergo training based on the results, and perform a simulation business project to put into practice what they have learned from the training programs and identify and address areas that require improvement. In addition, we offer training programs tailored to each development track to help our employees acquire skills required for their roles in advance.

2 - Enhancing Employ Capability with the Function College

As part of our efforts to guide all of our employees through a development path that satisfies both the employee’s individual needs and our business needs, LG Electronics has in place the Function College System, under which our employees develop a career roadmap through the One-on-One Caring program and receive necessary training. Our employees perform a self-assessment by identifying capabilities they already have and capabilities they need

to acquire, and take training courses required to achieve their development goals. In order to better support employees in their training, LG Electronics established the Business Function College for each of its 14 business functions, and offers more than 880 courses taught by over 1,500 internal experts. All of our employees are required to acquire function credits and systematically develop their professional capabilities in the process.

Training Support for New and Strategic Businesses

In response to fast-changing industry and technology environments, LG Electronics continues to develop and implement a training system that addresses the HR needs of our new and strategic business ventures in a timely manner and helps the organization secure competitiveness in the long run. Our primary focus is on providing training courses that enhance our employee performance in the execution of business initiatives, and increasing the effectiveness of training with case-based learning, thereby nurturing competent professionals who make a direct and measurable contribution.

focus

LG Electronics Consortium for HRD Ability Magnified Program (CHAMP)

Named a “Best Training Center” by the Ministry of Employment and Labor for five consecutive years, LG Electronics CHAMP was established in 2006 to deliver a quality training service. CHAMP training programs are largely organized into courses that help workers acquire skill sets in high demand from suppliers and that assist workers currently on the job or hiring candidates to improve their skills with job-specific training.

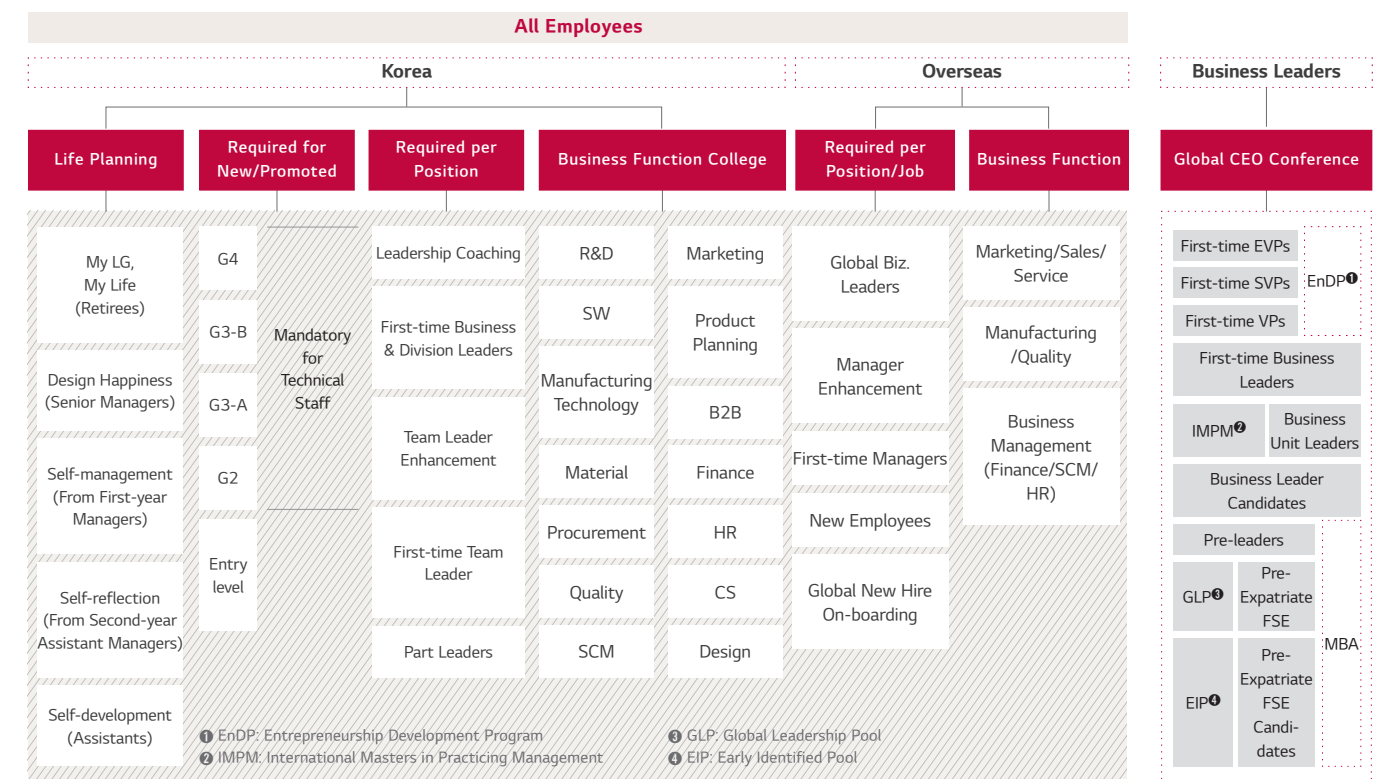
01 - Establishing the First Corporate College in Korea

In 2012, we launched “LG Electronics College,” the first corporate college certified by the Ministry of Employment and Labor, establishing itself as a corporate training organization that offer workers currently on the job or hiring candidates with continuing education for expert-level professional development. Comprised of two departments (Open Recruiting and Skill Development), the program offers nine courses.

02 - Training Program for Supplier Competitiveness and Win-Win Growth

As part of our initiatives to promote supplier competitiveness and shared growth, we offer a training program specifically designed for employees from suppliers. This program supports suppliers to develop internal training programs customized for different positions, jobs, and functions and offers courses on leadership development and skills improvement. These training programs help LG Electronics’ efforts towards win-win growth and mutual partnerships with suppliers by enhancing the capability of employees from our suppliers.

Employee Training System



Employee Overview (Unit: Number of Employees)

By Region

Category	No. of Employees	Percentage
Korea	37,912	50.4%
China	9,068	12.1%
CIS	1,718	2.3%
Europe	4,777	6.4%
India	4,561	6.1%
Japan	204	0.3%
Middle East & Africa	1,855	2.5%
North America	2,215	2.9%
Central and South America	6,982	9.3%
Asia	5,858	7.8%
Total	75,150	100.0%

By Job and Gender

Category	By Job	Total (Full-time + Temporary)	Female	Percentage
Korea	Business Staff	29,499	4,273	14.5%
	Production Staff	8,172	1,499	18.3%
	Executives	241	3	1.2%
	Total	37,912	5,775	15.2%
Overseas	Business Staff	21,344	5,822	27.3%
	Production Staff	15,831	4,795	30.3%
	Executives	63	-	-
	Total	37,238	10,617	28.5%
Overall	Business Staff	50,843	10,095	19.9%
	Production Staff	24,003	6,294	26.2%
	Executives	304	3	1.0%
	Total	75,150	16,392	21.8%

By Age Group

Age Group	No. of Employees	Percentage	Korea	Overseas
20s and under	19,774	26.3%	7,232	12,542
30s	33,651	44.8%	17,499	16,152
40s	15,767	21.0%	9,361	6,406
50 or older	5,958	7.9%	3,820	2,138
Total	75,150	100.0%	37,912	37,238

Workforce Diversity

Female Employees (Unit: Number of Employees)

	2016	2015	2014
Korea	5,775	5,954	6,049
Overseas	10,617	11,320	13,820
Total	16,392	17,274	19,869
Percentage	21.8%	22.4%	23.8%

Turnover Rate (Full time/Unit: %)

	2016		2015		2014	
	Total	Female	Total	Female	Total	Female
Korea	4.8	6.0	4.5	5.8	6.0	7.8
Overseas	24.0	25.8	27.0	30.1	22.7	24.3
Total	14.4	19.0	16.3	22.4	15.1	19.4

Maternity & Childcare Leave (Korea/Unit: Number of Employees)

	Gender	2016	2015	2014
Number of Employees on Maternity & Childcare Leave	Male	99	59	59
	Female	624	661	542
Percentage of Employees Returning after Leave	Male	85%	93%	97%
	Female	95%	98%	99%
Percentage of Employees Remaining at Work for 12 Months or Longer after Returning from Leave (=Retention Rate)	Male	69%	72%	100%
	Female	91%	87%	98%

Percentage of Non-regular Employees (Korea)

Year	Percentage
2016	1.0
2015	1.1
2014	1.1

Percentage of Employees with Disabilities (Korea)

Year	Percentage
2016	1.86
2015	1.72
2014	1.71

Key Training Index (Korea/Business Staff)

	2016	2015	2014
Total Training Costs (Unit: KRW 100 million)	382.2	396.2	413.2
No. of Employees Completing Group Training	95,223	97,425	90,412
No. of Group Training Sessions per Employee (Average)	3.2	3.2	3.1

Average Number of Years in Service

	2016	2015	2014	
Korea	Male	12.0	11.4	10.8
	Female	8.2	7.4	6.6
Overseas	Male	7.3	7.1	6.3
	Female	6.5	6.3	5.4
Total	9.3	8.8	7.9	

Employee Benefits and Support Programs (Korea)

Performance of Employee Benefits and Support Programs (Unit: KRW 100 million)

	2016	2015	2014
Legally Required Benefits	2,297	2,226	2,193
Optional Benefits	1,233	1,196	1,276
Total	3,530	3,422	3,469

· Legally Required Benefits: National Pension, Health Insurance, Employment Insurance, Industrial Accident Compensation Insurance
 · Optional Benefits: Support programs other than legally required benefits

Employee Benefits and Support Program (Korea)

1 Leisure Activity Support	5 Education Support
2 Childbirth and Maternity Support	6 Legally Required Benefits
3 Medical / Health Support	7 Optional Benefits and Support Programs
4 Housing and Stable Living	

Promoting Continuous On-the-Job Learning

1 - Promoting Problem-Solving

LG Electronics utilizes consulting sessions and seminars as an opportunity to "introduce learning into real life business assignments," successfully completing the assignment at hand and enhancing the problem-solving ability of our employees at the same time. Operated fluidly as part of the actual business process without an established format or setting, the program also helps us enhance business performance. For strategic technologies in R&D, we organize consulting and study sessions with experts for the project team. Based on such efforts, we continuously enhance our product quality and performance, and ultimately achieve "Customer-Value Creation."

2 - Expanding Real-Time Training for Employees

As part of our efforts to expand training opportunities for our employees, LG Electronics offers an extensive range of remote training sessions to help our employees receive training regardless of time and location. We are continually expanding global real-time training sessions led by internal training specialists in Korea and overseas, and implement Micro Learning sessions (online lecture series composed of ten-minute sessions on the same topic) to help our employees participate in the programs of their choice at a time of their convenience.

3 - Promoting Self-Learning

In order to help our employees better respond to the fast-changing business and technology environment, LG Electronics encourages our employees to proactively seek knowledge in emerging technologies and expanding our support for our employees in their self-learning efforts. In particular, we encourage our employees to expand from lecture-oriented group learning sessions to embrace more diverse forms of learning environments such as seminars and study groups and take control of their own professional development. For instance, our Business Function College has expanded seminars and community activities in its curriculum to motivate our employees' voluntary efforts for learning and knowledge sharing.

Corporate Culture & Work-Life Balance

Workstyle Unique to LG Electronics

With the LG Way as the common value shared by every member of the organization, LG Electronics strives for a strong organization and the happiness of individual employees. Because we believe that the happiness of our employees, both personal and professional, leads to strong business performance and makes our organization strong, and that again makes our employees happier. This virtuous cycle creates positive energy that drives sustained growth, helping us achieving market leadership and No.1 LG. Based on this conviction, LG Electronics spares no effort to create a corporate culture that bolsters this virtuous cycle.

LG Electronics strives to achieve market leadership and No. 1 LG by creating a virtuous cycle in which the happiness of our employees leads to strong business performance and makes our organization strong, and that again makes our employees happier.

We also understand that financial rewards alone will not bring our employees true contentment. In addition to recognition for their hard work and time for a satisfying personal life, our employees deserve an opportunity to grow professionally and feel a sense of reward from their work, achieving individual growth in tandem with the advancement of the organization. In a truly strong organization, employees engage in free-flowing communication and drive changes in workstyle, continually motivating themselves to innovate and meeting organizational goals through strong execution. An organization and its members are a community of shared destiny, and form mutually beneficial relationships. Based on this recognition, LG Electronics strives to create an ideal balance between the best interest of our employees and corporate culture as part of

our initiatives to build a truly strong organization and achieve No. 1 LG.

Our Initiatives to Enhance Employee Workstyle

As part of our initiatives to build a strong organization supported by happy employees, LG Electronics operates a broad range of programs as outlined below.

1 - Flexible Work Schedule Policy

LG Electronics has in place a flexible work schedule policy to accommodate varying circumstances of individual employees. For instance, employees with a child under the age of eight are allowed to vary their arrival and/or departure times (07:00-10:00) with the approval of their organization leader. We also allow employees to schedule their arrival times after a long work day.

2 - "Let's Open Up" Program

In 2016, LG Electronics launched the "Let's Open Up" program to promote the free flow of communication between management and employees. An initiative led by the Chief Human Resource Officer (CHO), the program encourages employees to make improvement suggestions anonymously via the internal online opinion board. Through this program, we have received 1,474 postings and comments on our HR system, workstyle improvement and employee benefits. Our employee suggestions on improving the HR system include the adoption of absolute assessment in employee performance evaluation, improvement of the job rotation system, leadership assessment for team leaders, childcare leave for male employees, and improvement of the hiring process. For workstyle improvement, our employees offered ideas on operating the Smart Working Committee, expanding communication channels for workstyle improvement, and enhancing our production and quality process innovation. We also received suggestions on employee holidays such as employee sabbaticals, two-week summer holidays and a day without team leaders, as well as ideas for promoting work-life balance including a pilot program for adopting flexible work schedules on a corporate level. LG Electronics incorporated many of these suggestions into HR programs, and more ideas are currently under review for implementation. Conceived by the HR organization, the "Let's Open Up" program is expanding to other organizations including the Quality Center, the CTO organization and the VC Company. We are fast-tracking ideas agreed by employees, related departments and management to effectively promote positive changes in the

organization. This program is bringing about positive changes in the organization by engaging employees in the discussion process and encouraging them to take initiative in driving changes.

3 - Upgraded Quarterly Morning Meeting

LG Electronics operates the quarterly morning meeting as a program for direct communication between top executives and employees. We have recently upgraded the format in which our employees ask questions and top executives answer them. Prior to the meeting, we conduct employee surveys to identify their questions on our business strategy and its impact on their future, and relay their questions to top executives, based on which top executives present their answers publicly at the meeting. In our quarterly morning meeting, top executives also discuss their management philosophy to mobilize employee support for business projects.

4 - Smart Working Committee

Launched in 2016 as part of our initiatives to drive positive changes in employee workstyle, the Smart Working Committee addresses chronic issues that affect business functions and divisions. Through the committee, we identify positive changes initiated by employees voluntarily and develop them into corporate-level initiatives for building up our fundamentals. Success cases are shared throughout the organization to be used as reference or implemented immediately.

Work & Life Balance

LG Electronics strives to create a great environment for its employees to perform at work and enjoy fulfilling personal lives. Based on this conviction on work-life balance, we support our employees to utilize their capabilities to the fullest extent and grow professionally with the organization, while ensuring that our employees have a satisfying personal life outside work.

Korea

In 2014, LG Electronics launched the Smart Working Day program, which ensures that our employees finish and leave work on time at least one day a week. Implemented at all of our business sites, this program encourages our employees to focus on their work during the day, finish and leave work on time, and spend time with their families or for personal needs. We also have in place employee sabbaticals: in addition to a five-day vacation offered in every fifth year of their service, employees now can take sabbatical leaves for two to five weeks. We have changed our summer vacation

rules: employees now can take one week to two weeks of summer vacation by combining the four days of paid summer holidays and their personal days. Other work-life balance programs include "Refresh Day" to have all of our employees from each business location take a monthly day-off in turn, and a refresh program for developers who have to handle huge workload during a project, allowing them to take a "refresh" vacation after a project is concluded.

Counseling Center

LG Electronics operates a counseling center at eleven business locations in Korea to help our employees effectively cope with professional and personal stress with the help of fulltime professional counselors. Counseling centers extend their service to the family members of our employees to promote work-life balance, while ensuring employee productivity through restored emotional stability. LG Electronics also provides group counseling through the centers to promote communication, stress control and leadership development, which in turn improves teamwork and employee productivity. In 2016, counseling centers handled 4,234 sessions of individual counseling and 335 sessions of group counseling. Records showed that our employees sought counseling for personal and relationship issues (23 percent), work stress (8 percent), and career development issues (6 percent). The operational objective and role of counseling centers are clearly defined pursuant to the standard operational rules for counseling centers and related laws and regulations on protection of personal information. Our counseling centers

provide their service in strict compliance with confidentiality regulations and protect the privacy of employees who receive counseling.

Overseas

Our overseas subsidiaries offer a hugely-diverse range of programs and activities designed to promote the benefits of a healthy work-life balance. For example, India Software Lab, as always celebrates and honors its key instruments of constant support and growth, through an Open Door policy. For this event the families of our employees are invited to the office where a series of activities, aimed at entertaining them – adults and children alike, are organized. This year's event was preceded by an audition for an in-house talent competition at India Software Lab, on 19th December 2016. The innumerable entries for the same showed the enthusiasm shared by our employees and their eagerness to be a part of the entire event. The finalists from of this round competed in front of the families on the day of the event in a talent competition. These competitions were judged by a panel of internal judges who enjoyed the event as much as the participants and their families. Apart from these competitions, the Christmas workshop (Card making, Christmas Character making, Smiley Ball Décor), Selfie-Booth, Wishing Cone for children etc. were proceeded. A number of fun and exciting snacks were also served through live counters creating an excitement especially for children. The day came to an end with a Lucky Draw where the members won exciting LG products ranging from washing machines and refrigerators to water purifiers and mobile phones.



Open Door - India Software Lab

Protection of Labor Rights



Global Labor Policy

Korean

http://www.lge.co.kr/lgekr/company/about/sustainability/stakeholder-engagement/labor_human_rights.jsp

English

<http://www.lg.com/global/sustainability/employee-labor-rights-protection>

Global Labor Policy

LG Electronics complies with international standards as well as labor laws and regulations, such as the Universal Declaration of Human Rights by the United Nations, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, the OECD Guidelines for Multinational Enterprises, the UN Global Compact Ten Principles, and the EICC Code of Conduct. In 2010, LG Electronics established the Global Labor Policy and has since made two rounds of revisions to the literature. The latest edition of our Global Labor Policy has been translated into 20 different languages for distribution to all our business locations throughout the world and made available from our corporate website (Korean and English).

Supplier Code of Conduct

In 2016, we also updated our Supplier Code of Conduct to incorporate the new provisions introduced to the Global Labor Policy in the second round of revision, which prohibit "charging recruitment fees to employees" and "putting young workers on overtime or on night shifts" and ensure "employee rights to bargain collectively and to engage in peaceful assembly." The new edition of the Supplier Code of Conduct has been translated into Korean, English and Chinese, and made available from our supplier portal (<https://www.lgesuppliers.com>). We also updated our Master Purchase Agreement to establish the new provisions as the basic requirements for all of our suppliers. LG Electronics will also develop and distribute the corresponding action guidelines and conduct training to raise supplier awareness on our policy.



Global Labor Policy

Labor rights related clauses in Supplier CoC



- 1 Voluntary work (prohibition of forced labor)
- 2 Prohibition of hiring child and management of juvenile workers
- 3 Prohibition of excessive overtime
- 4 Wages and welfare
- 5 Humane treatment
- 6 Prohibition of discrimination
- 7 Guaranteeing the freedom of association

Labor Relations (Korea)

Labor-Management Relations is a term adopted by LG Electronics to replace the conventional term "labor-company relations," which is charged with negative connotations such as conflict and vertical relationships, and to convey our conviction that labor and management can create exceptional value together by fulfilling their respective roles. All employees of LG Electronics are eligible to join the labor union, which is one of the two pillars in our labor-management relations, under the labor collective agreement and the union bylaws. Union membership totaled 7,835 employees (about 21% of all employees in Korea) as of the end of 2016.

In addition to official meetings, such as quarterly labor-management council meetings and annual wage negotiations and collective bargaining, LG Electronics engages in ongoing communication with the Labor Union through diverse channels to discuss labor conditions and other labor-management issues. In particular, we immediately contact the union and hold a discussion when major changes are made in our businesses. Agreements made in the collective bargaining meetings are applied to all Korean employees, including non-union members. At the collective bargaining meeting held in March 2017, we agreed on a pay raise and the revision of HR rules, such as improvements to the employee housing loan program. LG Electronics is proud to report that we have been able to conclude annual bargaining without dispute for the past 28 years.

In order to also incorporate the voices of non-union members, LG Electronics has in place the Junior Board (Business Staff Council). In 2016, a total of 17 cases of employee grievances were reported to the Employee Grievance Resolution Process through the Junior Board, and six of these cases have been resolved, including expanding funeral support to include grandparents from the mother's side, implementing employee sabbaticals at the corporate-level, and increasing eligibility for the family medical care support program.

Grievance Resolution Channels

LG Electronics has in place a wide range of grievance resolution programs through which our employees directly report their grievances to the contact at the Employee Assistant (EA) team via email or hotline. As part of our process to protect the identity of employees who report their grievances, we also have in place the WOW (Way of Working) message board on our intranet as a channel for reporting employee grievances. Once reported, employee grievances are handled by the contact at the EA following the appropriate procedure, which include review and investigation. We also have the online grievance reporting page on the Jeong-Do Management website in three different languages (Korean, English and Chinese).

CSR Risk Management Program

Selection of Assessment Targets & Self-Assessment

LG Electronics joined the EICC in 2010 and has since operated a CSR risk management program for all of its production locations. In 2016, we conducted self-assessment at all of our 37 production sites (Seven in Korea, eleven in China, five in Americas, four in Europe & CIS, four in Middle East & Africa, and six in Asia), except for two locations (Jeonju and Shenyang) to be closed.

Since LG Electronics implemented the EICC SAQ (Self-Assessment Questionnaire) as an assessment tool in 2011, our goal has been improving self-assessment performance across our production sites. In our 2015 assessment, our production locations averaged 92.8 points, with all of them rated as "low risk." Based on the results, we concluded that our initial goal has been met, and decided to introduce In-depth SAQ (iSAQ), an internally developed self-assessment tool with stronger requirements. Developed based on the EICC Validated Audit Program (VAP) and implemented in 2016, iSAQ is a streamlined version of the EICC VAP comprised of 120 questions, approximately 30 percent of the EICC SAQ questions, but requires

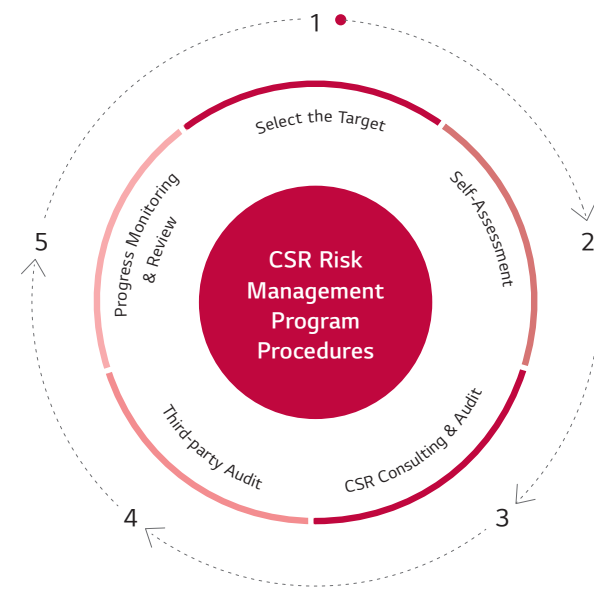


North America Compliance Taskforce

backup documents on core criteria to increase the accuracy and integrity of the assessment. In our 2016 assessment based on iSAQ, our production locations averaged 88.2 points, with 28 locations being categorized as "Low Risk" and nine locations as "Moderate Risk." None of our production locations was categorized as "High Risk." Our production locations categorized as "Moderate Risk" include two locations in China, one in Americas (Mexico), three in Middle East & Africa and one in Asia. Our assessment identified a total of 195 non-conformances, and 94.4 percent (184 cases) of the cases have been fully addressed as of December 2016.

In response to the increasing requests for CSR risk management at non-production subsidiaries, LG Electronics conducted CSR self-assessment at two of our non-production subsidiaries located in the U.S. Our assessment identified nine cases that require improvement efforts, and eight of the cases have been fully addressed. Critical issues identified through the assessment have been transferred to the North America Compliance Taskforce for ongoing management. Through these efforts, we were able to enhance the compliance management system at the subsidiary and heighten compliance awareness of employees from related departments. LG Electronics plans to

LG Electronics CSR Risk Management Program Procedures



Regional Risk-level by Risk Area (Based on Self-Assessment)

	Total	Labor	Health & Safety	Environment	Ethics / Suppliers
Korea	○	○	○	○	○
China	○	○	○	●	○
Americas	○	○	○	○	●
Europe- CIS	○	●	○	○	●
MEA	●	●	○	●	●
Asia	○	○	○	○	●
Total	○	○	○	○	●

○: Low Risk ●: Moderate Risk ●: High Risk

continually expand our CSR risk management program to include non-production subsidiaries.

CSR Audit & Improvement Consulting

As a follow-up process for our CSR self-assessment, LG Electronics carries out CSR audit and improvement consulting at production locations selected based on their risk levels and impact on our business operations. In 2016, we visited twelve locations (including six in China) and provided consulting to support their improvement efforts. In our audit and consulting sessions at our Chinese locations, LG Electronics carried out the process with a particular emphasis on 22 items including recruitment fees, employment contract, student workers, and dispatched/subcontract workers. As a result, we identified non-conformances such as failure to provide a copy of employment contract, inadequate age verification process for dispatched/subcontract workers, and inadequate verification of supplier/labor agency compliance with labor laws and regulations. Based on the results, we required our production subsidiaries to address the issues immediately.

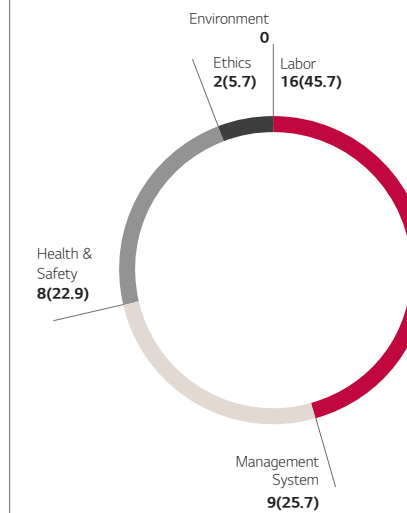
In 2016, LG Electronics newly introduced audit criteria developed based on the latest edition of the EICC VAP (V5.1), and implemented the updated requirements to our supplier assessment as well.

Third Party Audit

In addition to self-assessment, LG Electronics voluntarily submits to a third-party audit as part of our initiatives to ascertain the integrity of our audits and enhance CSR risk management capabilities at our production locations.

Third-party Audit Results in 2016

Non-conformance by Category (Unit: EA, %)



Health & Safety (Unit: EA)

Occupational Safety	2
Emergency Preparedness	2
Occupational Injury and Illness	1
Sanitation, Food and Housing	1

Labor (Unit: EA)

Freely Chosen Employment	3
Young Workers	3
Working Hours	7
Wages & Benefits	3

Management System (Unit: EA)

Management Accountability and Responsibility	1
Legal and Customer Requirements	1
Risk Assessment and Risk Management	1
Audits & Assessments	2
Supplier Responsibility	4

Ethics (Unit: EA)

Protection of Identity and Non-Retaliation	2
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In 2016, we submitted to a total of eight sessions of third-party audits following requests from our customers, and four of these sessions were conducted by the EICC Validated Audit Process (VAP). Non-conformances identified through these audit sessions include excessive working hours and inadequate management of employee working hours, inadequate management of emergency exits, and failure to assess supplier CSR risks. The bulk of non-conformances were from "Labor" (46%), and we required our production subsidiaries to address the issues immediately. LG Electronics will continually increase our participation in third-party audit as part of our initiatives to improve working conditions at our production locations in Korea and overseas.

Improvement Initiatives &

Ongoing Monitoring

LG Electronics makes ongoing efforts to address CSR issues identified through CSR self-assessment, internal CSR audit and third-party audit. We select issues that occur at multiple locations or that require corporate-level efforts and manage them as mid- to long-term initiatives through discussions with related departments in order to ensure enduring changes. In 2016, LG Electronics selected addressing issues associated with working hours and implemented a range of improvement initiatives, such as monthly monitoring on working hours at each production location and reporting the results to top management. For instance, our emergency response center located at the Pyeongtaek site satisfied the legal standard for working hours in Korea but exceeded the international standard. We have addressed this issue through changes in shift schedules and improvement on employee schedule management. We also shared site-level improvement cases (i.e. strengthening age verification in the hiring process, and eliminating discriminatory wordings or requirements in job opening notices and hiring conditions, etc.) with CSR staff at our production locations to promote site-level improvement efforts (See "Improvement Cases").

Awareness Campaign & Other Initiatives

LG Electronics fully understands that site-level management capabilities are vital in effective CSR risk management. Based on this recognition, LG Electronics is strengthening training for our management, including subsidiary president candidates and FSE candidates, while continually engaging in awareness initiatives such as assigning a site-level contact point for CSR risk management. In 2016, we organized a CSR workshop with the labor relations department. During the four-day workshop, the 22 participants shared information on the latest assessment criteria and best practice cases. LG Electronics also participated in the CSR auditor training program organized by LG Corp. in China, and 28 HR and procurement staff members from our Chinese locations completed the training.



Global CSR/EA Workshop

Improvement Case



01 Improved Age Verification in the Hiring Process

Site A strengthened age verification in its hiring process to prevent candidates from submitting forged or counterfeit IDs or assuming the identity of other. Under the improved process, site A uses an ID scanner to verify forged or counterfeit IDs and conduct two rounds of interview on candidates suspected of using the ID of others. Site A also requires labor agencies to implement the same level of verification process and double-check the results themselves.



02 Eliminated Discriminatory Requirements from Hiring Conditions

Site B removed the age requirement from their hiring conditions due to potential discrimination. Site B also conducts regular employee training to raise employee awareness on our Global Labor Policy, which includes provisions that ban forced and child labor as well as workplace discrimination.



03 Eliminated Disciplinary Wage Deduction & Enhanced Disciplinary Procedures

Site C eliminated disciplinary wage deduction from its disciplinary procedures through management-labor agreement and notified all employees of the revision. Site C also adopted a new process that provides employees with an opportunity to challenge the final disciplinary action determined at the disciplinary committee.



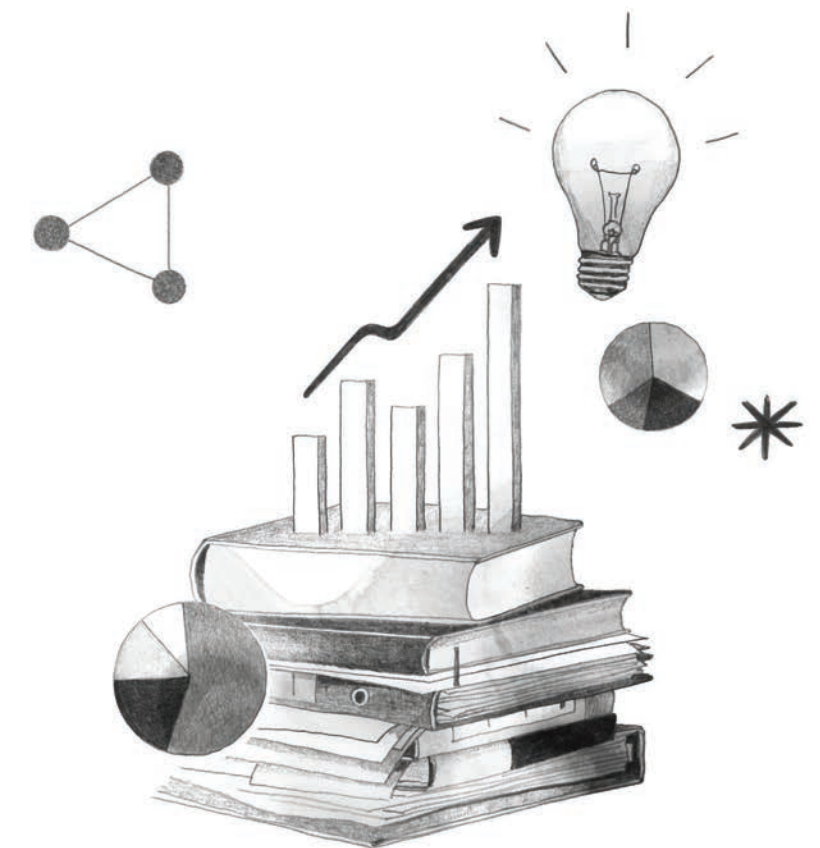
04 Enhanced Management System for Employee Working Hours

In order to prevent employees from exceeding standard working hours and comply with local labor laws and international standards (60 hours per week and one day off per week), site D revised its management policy and process for working hours. Site D also began monitoring of weekly working hours and day-offs to identify employees who clock excessive overtime hours and analyze the reasons, implementing improvement measures and limiting overtime hours. Site D now requires the entire overtime applications to undergo an approval process in advance, and mandates the department leader to give an alternative day-off to employees who, under unavoidable circumstances, completed two-days of successive overtime work.

03

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Corporate Governance

Board of Directors & Independence

The Board of Directors is composed of seven members including four outside directors. Board members are reinstated based on performance evaluations at the end of their three-year tenure, during which directors carry out their duties independently, free from any influence of major shareholders and management. LG Electronics also has in place a compliance process to screen business transactions for potential conflict of interest and verify their board approval status before they come into effect. This compliance process was implemented to prevent directors from pursuing personal gains, for themselves or for a third-party, with business opportunities obtained through their positions as a board member, and thereby incurring unforeseen losses to shareholders in the process.

Grounds of Ineligibility for Outside Directors

- Directors, executive directors and employees who are engaged in the regular business of the relevant company, or directors, auditors, executive directors and employees who have engaged in the regular business of the relevant company within the latest two years
- The principal, his/her spouse, lineal ascendants, and lineal descendants, in cases where the largest shareholder is a natural person
- Directors, auditors, executive directors and employees of the corporation, in cases where the largest shareholder is a corporation
- The spouses, lineal ascendants, and lineal descendants of directors, auditors and executive directors
- The directors, auditors, executive directors and employees of a parent company or a subsidiary company of the relevant company
- Directors, auditors, executive directors and employees of a corporation which has a significant interest in the relevant company, such as business relations with the company
- Directors, auditors, executive directors and employees of another company for which directors, executive directors and employees of the relevant company serve as directors and executive directors

Board Activities

The board not only actively provides recommendations for important management issues but also carries out unbiased assessment and supervision of key management activities. Outside directors in particular serve as objective supporters by keeping management in check and offering sound management advice. In 2016, the board convened seven times to review 51 agendas (41 for approval and ten for briefing), including a motion for "self-dealing" by directors. Also, a new board member was appointed to replace the two outside directors whose tenure had ended or had resigned during the calendar year. The at-

tendance rate for board members averaged 100 percent following the installment of the new director. In order to ensure that board members are closely attuned to and fully engaged with CSR issues, the board is briefed on CSR issues and initiatives, such as potential economic, social and environmental risks and impact identified through stakeholder engagement and the publication of the Sustainability Report. We also provide outside directors with assistance to fully engage themselves in management activities, i.e. organizing a visit to our global business sites to help them gain insight into our frontline operations.

Board Committees

The board is supported by three board committees: Audit Committee, Management Committee, and Outside Director Candidate Recommendation. Comprised entirely of three outside directors to maintain complete independence from major shareholders and management, the Audit Committee carries out its core duties of fiduciary and management oversight to achieve fairness and integrity in corporate management as well as to assure transparency and conformance in corporate accounting. In 2016, the Audit Committee convened six times to review 13 agendas (nine for briefing and four for approval). The Management Committee reviews and makes decisions on the agendas delegated by the board and other management issues. In the previous calendar year, the Management Committee reviewed a total of 42 agendas. The Outside Director Candidate Recommendation Committee is comprised of two outside directors and one inside director to ensure fairness and transparency in the nomination of candidates. Qualified candidates are chosen by the committee through a stringent selection process prior to the Annual General Meeting (AGM) and recommended to the AGM for appointment

Evaluation & Compensation

Compensation for board members is made in conformance with the guidelines pertaining to board compensations and as approved by the AGM. Management officers and executives undergo year-round performance evaluation, upon which the appropriate level of compensation is determined and awarded. They are evaluated comprehensively based on whether they have set and achieved challenging goals in financial, social and environmental aspects, whether they have met their business objectives comprised of quantitative and non-quantitative targets, as well as on their professional capabilities.

Board Members (As of March 31, 2017)

	Name	Title/Position	Last Appointed in	Note
Non-executive Director	Bon Jun Koo	Vice Chairman	March 2017	Management Committee
Inside Director	Seong Jin Jo	Representative Director & CEO	March 2016	Chairman of the Board, the Management Committee, and the Outside Candidate Recommendation Committee
	David Jung	Representative Director & CFO	March 2017	Management Committee
Outside Director	Chang Woo Lee	Professor, Business Administration, Seoul National University	March 2016	Chairman of the Audit Committee
	Joon Keun Choi	Former CEO, Hewlett-Packard Korea Ltd.	March 2015	Audit Committee, Outside Candidate Recommendation Committee
	Dae Hyung Kim	Former Asia/Pacific CEO, GE Plastics	March 2016	Audit Committee, Outside Candidate Recommendation Committee
	Yong Ho Baek	Professor, Graduate School of Policy Science at Ewha Womans University	March 2017	

Compliance Risk Management

Embracing Compliance as a Key Indicator of Performance

We believe that strong leadership and oversight by management is critical to ensuring compliance. Based on this conviction, LG Electronics has adopted compliance as a key performance indicator to create a corporate culture that promotes full compliance. For instance, we have clearly specified compliance as one of the core duties and responsibilities in job descriptions of relevant employees, and implemented compliance KPIs for top management in 2016. As the next step, we will develop objective process for assessing compliance performance at each business organization and make an effective use of the results in firmly establishing compliance as a standard business practice.

Shift to Local-level Compliance Risk Management

First introduced in 2008, our corporate-level policy and business process for compliance risk management have since been implemented at more than 110 business units and subsidiaries in Korea and overseas, and used for monitoring and managing our compliance initiatives and performance. Our corporate-level policy and business process also helped us raise employee awareness on compliance both in Korea and overseas, and served as a foundation for establishing a strong compliance risk management system at our business locations across the world. Encouraged by the progress at the corporate level, we shifted the focus of our compliance risk management efforts to promoting local- and regional-level initiatives, empowering our subsidiaries to take control of their compliance risk management efforts and develop initiatives that are tailored to the local regulatory climate.

Identifying High Priority Risks Down to the Organizational Level

In 2016, LG Electronics conducted organizational-level compliance risk assessment, in which all of our business units and subsidiaries in Korea and overseas identified risk factors associated with local compliance requirements and business conditions, with the corporate-level compliance risk pool (69 risks in total) as reference. Through this global initiative, we have identified a total of 1,386 priority risks (cumulative) and past noncompliance cases, and reviewed our compliance risk management efforts, i.e. business standard and process, online and offline training programs and other initiatives. The HQ compliance team will use the results in providing tailored feedback and support, and in bolstering our compliance performance such as promoting best practices across organizations.

Managing Compliance Risks at the Organizational Level

Our compliance risk management efforts thus far have primarily been led by the Korea HQ with business units and subsidiaries implementing the compliance policy and process developed at the corporate level. In 2016, however, LG Electronics shifted our compliance leadership to individual organizations with the "Compliance Monitoring and Reporting System for Overseas Subsidiaries." This site-specific compliance risk management system empowers business units and subsidiaries to independently track and monitor legal and regulatory requirements in the country, identify and manage the priority risks that require their attention, and share the progress with the leaders and executives of their organizations at the quarterly compliance committee. We expect that these efforts will help our business units and subsidiaries take leadership in compliance risk management by enhancing their orga-

nizational capabilities in identifying their priority risks specific to the country, and engaging in effective risk management initiatives.

Compliance Training & Survey

As part of our efforts to raise employee awareness on compliance, LG Electronics has in place a wide range of online and offline training programs, and conducts employee training on an annual basis both in Korea and overseas. In 2016, we produced a 90-second video promoting compliance awareness and delivered it to all of our employees via email. This video was also screened at our key business locations to engage employees and encourage participation. The regular online compliance training that followed the video promotion was organized with illustrations of actual cases (internal and external) to help employees clearly understand compliance requirements related to their work. In response to the Improper Solicitation and Graft Act in Korea, we developed a training program to inform our Korean employees on the new anti-graft law that went into effect in September 2016 and its implications for employee conduct. Since 2010, LG Electronics has conducted annual compliance surveys to identify at-risk organizations and factors that may undermine employee compliance. Our 2016 survey achieved a response rate of 80 percent with the participation of 39,161 employees (49,119 in total).

Online Compliance Training in 2016

	Completion Rate (%)	Number of Training Targets	Number Completed	Number Not Completed
Total	90.0%	49,294	44,350	4,944
Korea	94.8%	30,108	28,547	1,561
Overseas	82.4%	19,186	15,803	3,383

Offline Compliance Training in 2016

	Number of Sessions	Number of Trainings
New Team Leader Training	8	259
New Hire Training (Experienced)	7	473
FSE Candidate Training	6	215



1 - Pre-event Promotional Video
2 - 2016 Online Compliance Training

Jeong-do Management

Strong Commitment towards Jeong-Do Management

"Jeong-Do Management" is LG Electronics' unique guideline for employee conduct, and conveys our commitment towards fair competition based on ethical management practices, best expressed in the following statement: "Our commitment toward Jeong-Do Management and compliance is not only a promise to ourselves, but also a solemn pledge to our customers and society. Non-compliance does not, in any circumstances, work in favor of the company." Based on this conviction, LG Electronics requires both our employees and our suppliers to conduct themselves fully in line with Jeong-Do Management.

Code of Ethics

The LG Code of Ethics sets forth the tone and direction for ethical management practices, and is comprised of the "Code of Ethics," the public declaration of our ethical values, and the "Guidelines for Practice," which provides employees with practical guidelines for their conducts. Since it was first introduced in 1994, the Code of Ethics has undergone five rounds of amendments, through which the literature has been complemented by related rules and action guidelines. In order to promote employee understanding of LG Electronics Employees' Code of Ethics, the literature has been translated into 14 different languages and distributed 105 subsidiaries worldwide.

Voluntary Reporting System

The LG Code of Ethics strictly prohibits employees from receiving any gifts (cash and/or valuables) from interested parties. Employees who have received such gifts in unavoidable circumstances must report such incidents and return the items. If returning the gift is not possible, employees must donate it to charity and send an official letter signed by an LG Electronics executive to the party which provided the gift and their company's CEO, requesting that such gift-giving not be repeated, along with documented proof of the donation. We also hold an in-company auction for gifts that could not be returned or donated, and the entirety of the proceedings are directed to our social contribution programs.

Jeong-Do Management Training & Awareness Campaigns

LG Electronics provides training on Jeong-Do Management to underscore our belief that "Jeong-Do Management is not an option, but

rather an implicit requirement for the very survival of the company" and help our employees embrace the common principles behind this philosophy. In 2016, we conducted group training for Jeong-Do Management awareness in Korea and overseas for 9,056 employees and 208 suppliers. We also organize actual non-conformance cases into case studies and make them available from the online message board and the Jeong-Do Management Portal to prevent recurrence of the same irregularities. In addition, LG Electronics produces and distributes Jeong-Do Management newsletters as part of our initiatives to raise employee awareness on Jeong-Do management.

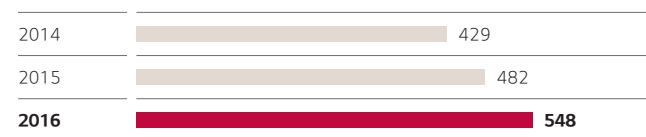
Whistleblower System

LG Electronics operates the Jeong-Do Management Portal, the online whistleblower system (<http://ethics.lg.co.kr>), and a mobile reporting system to receive reports concerning any actions in violation of Jeong-Do Management, such as acceptance of gifts from interested parties, lack of transparency in supplier selection, improper acquisition of the shares of the company's business partners, illegal/improper use of company assets, manipulation of documents/figures, misleading/falsified reports, etc. In addition, we utilize the Win-Win Growth website to collect anonymous reports concerning unfair and unjust treatment suffered by our external stakeholders.

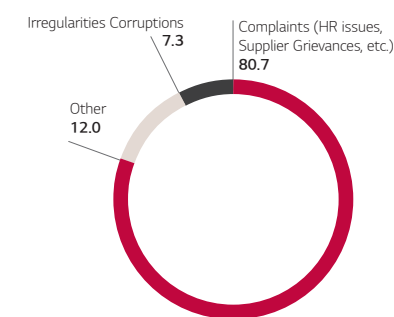
Jeong-Do Management Counseling Center

In order to respond to employee inquiries on Jeong-Do Management, LG Electronics operates the Jeong-Do Management Counseling Center and offers one-on-one counseling on the everyday practice of Jeong-Do Management. For employee convenience, counseling is offered via diverse channels including intranet, phone, and email. In 2016, the center received a total of 130 inquiries. Frequently discussed topics are organized into FAQs to be shared with our employees and used for employee training programs.

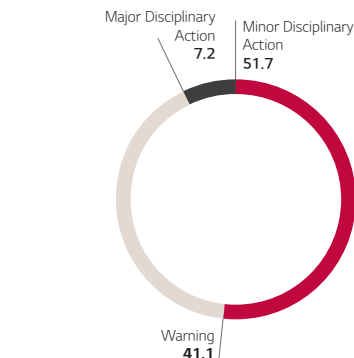
Number of Cases Reported – Past Three Years (Unit: %)



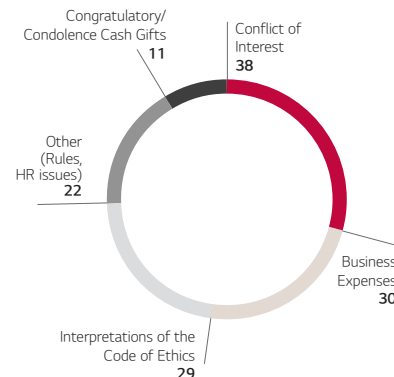
Type of Cases Reported (Unit: %)



Actions Taken (Unit: %, Including reports and self-assessment)



Inquiries to Counseling Center (Unit: EA)



Fair Trade

Fair Trade Compliance

LG Electronics is fully committed to fair competition and fair trade as part of our effort to put into practice the "LG Way," the guiding principle for our thoughts and actions. We have in place the Fair Trade Compliance Program as our core process for addressing compliance risks and promoting mutual growth with our stakeholders through partnerships defined by trust and cooperation. Based on the program, LG Electronics implements our fair trade initiatives such as communication of top management's strong commitment toward fair trade compliance, promotion of action guidelines, regular employee awareness training, and routine monitoring against non-compliance.

Initiatives to Promote Fair Trade Practice

Cartel

In 2016, LG Electronics clearly communicated management's strong stance against any attempt to form a cartel and carried out online training to raise employee awareness on the issue. Furthermore, we provided additional training for our employees whose business functions are naturally more vulnerable to the risks of antitrust infringements. As part of our cartel prevention measures, we also carried out surprise inspections of our major business locations both in Korea and overseas to prevent employees from making contact with our competitors, since such actions may be misconstrued as an act of collusion. In 2017, we will update our cartel prevention manual, incorporating actual cases and revisions in relevant laws and regulations, and heighten monitoring efforts to raise employee awareness and prevent non-compliance.

Unfair Trade and Unfair Labeling & Advertising

In 2016, LG Electronics performed a careful analysis to identify compliance risks associated with the Act on Fair Labeling and Advertising, and conducted employee training based on the findings to prevent non-compliance. In 2017, we plan to revise our business process to ensure that all of our labels and advertisements are screened for potential non-compliance. We also carried out an extensive review of our agency and dealership agreements in order to establish compliance with the Act on Fair Transactions in Agency and Dealership Businesses (effective as of December, 2016), while implementing a document retention policy to upgrade our management process. In 2017, we will heighten our monitoring efforts against compliance risks associated with fair trade and make further improvement.

Subcontracting Practices

In order to ensure fairness and transparency in our subcontracting transactions and promote a healthy business ecosystem, LG Electronics conducts training on a regular basis to raise employee awareness on compliance with the Fair Transactions in Subcontracting Act, while implementing business process improvements and conducting regular inspections. In particular, we revised our internal standard for pricing, ordering and handling technical data, establishing a corporate-wide system for ensuring employee compliance with related laws and regulations. In recognition of our efforts, LG Electronics received the "Excellent" rating in the Fair Trade & Win-Win Growth Partnership Agreement Observance Assessment conducted by the Korea Fair Trade Commission for the second straight year. In 2017, we will continue our efforts towards ensuring fairness and transparency in our subcontracting practice.

Cartel Compliance Newsletter (September 2016)

EU issued its highest-ever cartel fine of € 2.93 billion for participating in a cartel

The European Commission has imposed a record fine of € 2.93 billion on five European truck makers.

According to the Commission, Europe's biggest truck makers operated a price-fixing cartel for 14 years going back to 1997, and the existence of the cartel was revealed by MAN, one of the cartelists who blew the whistle on the cartel.

Antitrust violations, such as price-fixing cartels, can cause irrecoverable damage to the Company including, but not limited to, **the imposition of substantial fines and incurring legal expenses** to defend the Company in follow-on actions.

Company Name	Fine
Company M	€ 1,2 billion
Company B	€ 670 million
Company D	€ 1 billion
Company E	€ 490 million
Company D	€ 750 million

In case of unavoidable contact with a competitor, employees must report and obtain approval through the Reporting and Approval Program for Contacts with Competitors (RAPCC) procedure. For further inquiries, please contact your local legal counsel.

Thank you.

04

Appendix

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Economic Data

Summary of Consolidated Statements of Income (Unit: KRW million)

	2016	2015	2014
1. Net sales	55,367,033	56,509,008	59,040,767
2. Cost of sales	41,630,293	43,635,063	45,299,122
3. Gross profit	13,736,740	12,873,945	13,741,645
4. Selling and marketing expenses	12,398,977	11,681,654	11,913,088
5. Operating income	1,337,763	1,192,291	1,828,557
6. Financial income	490,593	542,586	416,660
7. Financial expenses	884,051	903,084	752,456
8. Gain (loss) from equity method	268,738	359,510	304,419
9. Other non-operating income (expenses)	(491,326)	(598,178)	(578,910)
10. Profit (loss) before income tax	721,717	593,125	1,218,270
11. Income tax expense	595,402	340,154	539,761
12. Net profit from continuing operations	126,315	252,971	678,509
13. Net loss from discontinued operations	-	(3,828)	(177,152)
14. Profit (loss) for the year	126,315	249,143	501,357

* LG Electronics discontinued the operation of all PDP modules and PDP TVs as of 2014. Accordingly, all PDP-related profit/loss accounts were reclassified into a "net loss from discontinued operations" account, with past income statements used for comparison revised as well.

Summary of Consolidated Statements of Financial Position (Unit: KRW million)

	2016	2015	2014
I. Current Assets	16,990,563	16,397,613	17,482,698
Trade receivables	7,059,889	7,093,352	7,683,915
Inventories	5,171,015	4,872,676	5,711,273
Other current assets	4,759,659	4,431,585	4,087,510
II. Non-current Assets	20,864,706	19,916,283	19,585,722
Investments in jointly controlled entities and associates	5,104,558	4,841,861	4,594,461
Tangible assets	11,222,428	10,460,298	10,596,853
Intangible assets	1,571,087	1,473,280	1,394,336
Other non-current assets	2,966,633	3,140,844	3,000,072
Total assets	37,855,269	36,313,896	37,068,420
I. Current liabilities	15,744,364	14,779,691	15,680,577
II. Non-current liabilities	8,754,163	8,550,718	8,396,746
Total liabilities	24,498,527	23,330,409	24,077,323
I. Paid-in capital	3,992,348	3,992,348	3,992,348
Capital stock	904,169	904,169	904,169
Share premium	3,088,179	3,088,179	3,088,179
II. Retained earnings	9,233,416	9,016,546	9,081,044
III. Accumulated other comprehensive loss	(1,028,962)	(1,171,979)	(1,143,557)
IV. Other components of equity	(209,708)	(210,343)	(210,412)
V. Non-controlling interest	1,369,648	1,356,915	1,271,674
Total equity	13,356,742	12,983,487	12,991,097
Total liabilities and equity	37,855,269	36,313,896	37,068,420

* For more details, please refer to our Annual Report available at our corporate website.

http://www.lge.co.kr/lgekr/company/ir/archive/FrontBoardListAllCmd.laf?actcode=LGE_IRMR&mcnode=IRMR&lang=K

EESH & Quality Certifications

At all production sites company-wide (As of March 31, 2017)

Region	Subsidiary	Country	City	Certification					
				Environmental Management	Health & Safety	Energy	Business Continuity Management	Quality	
China	LGENT	China	Nanjing	ISO 14001	OHSAS 18001	-	-	ISO 9001	
	LGENB	China	Nanjing	-	-	-	-	ISO 9001, ISO/TS 16949	
	LGENV	China	Nanjing	-	-	-	-	ISO 9001, ISO/TS 16949	
	LGEHZ	China	Huizhou	ISO 14001	OHSAS 18001	ISO 50001	-	ISO 9001	
	LGEKS	China	Kunshan	ISO 14001	OHSAS 18001	-	-	ISO/TS 16949	
	LGEQD	China	Qingdao	ISO 14001	OHSAS 18001	ISO 50001	-	ISO 9001	
	LGEYT	China	Yantai	ISO 14001	OHSAS 18001	ISO 50001	ISO 22301 (Mobile Phones)	ISO 9001	
	LGEHN	China	Hangzhou	ISO 14001	OHSAS 18001	-	-	ISO 9001	
	LGETR	China	Taizhou	ISO 14001	OHSAS 18001	-	-	ISO 9001	
	LGETA	China	Tainjin	ISO 14001	OHSAS 18001	-	-	ISO 9001	
	LGEQH	China	Qinhuangdao	ISO 14001	OHSAS 18001	-	-	ISO 9001, ISO/TS 16949	
	LGEQA	China	Qingdao	ISO 14001	OHSAS 18001	ISO 50001	-	ISO 9001	
	LGEPN	China	Nanjing	ISO 14001	OHSAS 18001	ISO 50001	-	ISO 9001	
	South America	LGEMM	Mexico	Monterey	ISO 14001	OHSAS 18001	-	-	ISO 9001 & ISO 17025
		LGEMX	Mexico	Mexicali	ISO 14001	-	-	-	ISO 9001
		LGERS	Mexico	Reynosa	ISO 14001	-	-	-	ISO 9001
		LGESP_M	Brazil	Manaus	ISO 14001	-	-	-	ISO 9001, ISO/TS 16949
		LGESP_T	Brazil	Taubate	ISO 14001	-	-	-	ISO 9001
Europe	LGEMA	Poland	Mlawa	ISO 14001	OHSAS 18001	ISO 50001	-	ISO 9001, ISO/TS 16949	
CIS	LGEWR	Poland	Wroclaw	ISO 14001	OHSAS 18001	ISO 50001	-	ISO 9001	
Africa	LGERA	Russia	Ruza	ISO 14001	OHSAS 18001	-	-	-	
	LGEEG	Egypt	10th of Ramadan	ISO 14001	-	-	-	ISO 9001	
Asia	LGESA	South Africa	Johannesburg	-	-	-	-	-	
	LGEAT	Turkey	Kocaeli	ISO 14001	OHSAS 18001	-	-	ISO 9001	
	LGESR	Saudi Arabia	Riyadh	ISO 14001	OHSAS 18001	-	-	ISO 9001	
	LGEAK	Kazakhstan	Almaty	ISO 14001	OHSAS 18001	-	-	ISO 9001	
	LGEIL_P	India	Pune	ISO 14001	OHSAS 18001	-	-	ISO/IEC 17025	
	LGEIL_N	India	Noida	ISO 14001	OHSAS 18001	ISO 50001	-	ISO 9001	
	LGEIN	Indonesia	Cibitung	ISO 14001	OHSAS 18001	-	-	ISO 9001	
	LGEIN	Indonesia	Tangerang	ISO 14001	OHSAS 18001	-	-	ISO 9001	
	LGEVH	Vietnam	Haiphong	ISO 14001	OHSAS 18001	-	ISO 22301(IV)	ISO 9001	
	LGETH	Thailand	Rayong	ISO 14001	OHSAS 18001	ISO 50001	-	ISO 9001	
Korea	LGEKR	Korea	Pyeongtaek	ISO 14001	OHSAS 18001	ISO 50001	ISO 22301 (IV, Mobile Phones)	ISO 9001, ISO/TS 16949, ISO/TL 9000	
		Korea	Gumi_TV	ISO 14001	OHSAS 18001	ISO 50001	-	ISO 9001	
		Korea	Gumi_Solar	ISO 14001	OHSAS 18001	ISO 50001	-	ISO 9001	
		Korea	Changwon1	ISO 14001	OHSAS 18001	ISO 50001	-	ISO 9001	
		Korea	Changwon2	ISO 14001	OHSAS 18001	ISO 50001	-	ISO 9001	
		Korea	Cheongju	ISO 14001	OHSAS 18001	ISO 50001	-	ISO 9001	
		Korea	Incheon	ISO 14001	OHSAS 18001	ISO 50001	ISO 22301(VC)	ISO 9001, ISO/TS 16949	
		Korea	Pyeongtaek Chiller	ISO 14001	OHSAS 18001	-	-	ISO 9001	

Memberships/Awards & Recognition

Memberships

Association

Council of Economic Organizations	Korea Business Council for Sustainable Development (KBCSD)	Korea Listed Companies Association (KLCA)
International Vaccine Institute		Korean Society for Noise and Vibration Engineering (KSNVE)
Organization of Consumer Affairs Professionals in Business	Korea Audit Bureau of Circulations	Korea Smart Grid Association
Industrial Health Association	Korea Investor Relations Service	Korea Association of Smart Home
Korean Society of Mechanical Engineers (KSME)	Korea Employers Federation	Korea Electronics Association
Korea Chamber of Commerce and Industry	Korea Economic Research Institute	Korea Products Safety Association
The Korean Institute of Electrical Engineers	Fair Competition Federation	Korea Intellectual Property Protection Association (KIPRA)
Korean Academy for Trade Credit Insurance	Accreditation Board for Engineering Education of Korea	Korea Intellectual Property Association (KINPA)
Maekyung Safety and Environment	Korea Advertiser Association	Society of CAD/CAM Engineers
Korea Chemicals Management Association	Korea Management Association	Korean Association for supporting SDGs
International Council Society of Industrial Design (ICSID)	Korea Display Industry Association	Trade Related IPR Protection Association (TIPA)
GS1 Korea	Korea Micro Joining Association (KMJA)	ZigBee Alliance
The Foundation of Korean Industries*	Korea International Trade Association	Electronic Industry Citizenship Coalition (EICC)
Korea Electronics Association (Private Sector Council for Electronics Trade Promotion)	Korea Invention Promotion Association	United Nations Global Compact (UNGC)
Korea Radio Promotion Association	Korea Association of Information & Telecommunication	UNGC Korea Network
Korea Association for ICT Promotion	Korean Industrial Technology Association	
	Korea Association of Industrial Designers (KAID)	

* Discontinued membership in 2017.

Awards & Recognition

Date Awarded	Awards & Recognitions	Awarded by
February 2016	Received a total of 31 awards including the Best New Mobile Handset at the MWC 2016.	GSM Association (GSMA)
April 2016	Received the 2016 ENERGY STAR Partner of the Year - Sustained Excellence Award.	United States Environmental Protection Agency (EPA)
June 2016	Received the Partner of the Year Award and the Intersolar Award in the Photovoltaics (PV) category at the Intersolar Europe 2016.	Intersolar Europe
August 2016	Received the EISA Award.	European Imaging and Sound Association (EISA)
August 2016	Received the Gold Award at the 2016 International Design Excellence Awards (IDEA).	Industrial Designers Society of America (IDSA)
September 2016	Listed on the Dow Jones Sustainability World Index (fifth consecutive year).	S&P Dow Jones Indices and RobecoSAM of Switzerland
December 2016	LG SIGNATURE received the Presidential and the Minister's Awards at the 2016 Design Excellence Awards.	Ministry of Trade, Industry and Energy, Korea Institute of Design Promotion
December 2016	Received the Good Design Award for 16 products.	Japan Institute of Design Promotion
January 2017	Received the CES Innovation Award for 120 products, including the Best of the Best Award at the CES 2017.	Consumer Electronics Association (CEA)
March 2017	31 products won their categories and one product received the iF Gold Award at the iF Design Award 2017.	iF International Forum Design
April 2017	Received the top honor at the 2017 Milano Design Awards.	Milano Design Week
April 2017	Named the 2016 Good Partner.	General Motors

Independent Assurance Statement

To the Stakeholders of LG Electronics:

The Korea Productivity Center (the "Assurer") was requested by LG Electronics to provide an independent assurance on the "LG Electronics 2016-2017 Sustainability Report" (the "Report") and hereby provides the following assurance statement.

Responsibility and Independence

LG Electronics is entirely responsible for all information and opinions presented in this Report. The Assurer is solely responsible for the assurance statement on the content of the "Report". As an independent assurance agency, the Assurer was neither involved in the process of preparing this "Report" nor in any conflicts of interest that may undermine our independence.

Assurance Standards

The independent assurance was performed in accordance with Type 1 and moderate level of assurance engagement based on the AA1000AS (2008) assurance standards. Type 2 assurance engagement was applied to such specific indicators as water usage, waste management, and occupational incidents which need the verification of reliability in data collection process. The assurance statement checked the suitability of inclusivity, materiality, and responsiveness by following the AA1000APS (2008) assurance principles. Moreover, it verified whether the information on the Report is compliant to the GRI G4 Guideline standards.

Limitations

The Assurer conducted an assurance engagement on LG Electronics' 2016 performance by following the assurance standards above. We verified the reliability of LG Electronics' performance on the Report in the following manners: financial data were verified through the financial statement and disclosed documents audited by an auditing agency, and other data including GHG data and homepage linkage, etc. were verified with the existing assurance results. Furthermore, on-site inspection was limited to the Seoul headquarters and the Pyeongtaek production site, and if further assurance process is performed, the result may change accordingly.

Methodology

The following method was used to provide the assurance about the Report:

- 1 > Verified whether requirements from the Core Option of the GRI G4 Guidelines were fulfilled.
- 2 > Verified consistency with the principles dictating the content and quality of sustainability reports based on the GRI G4 Guidelines.
- 3 > Verified the objectivity and appropriateness of the key issues selected and the content of the Report by conducting media research and a benchmark analysis.
- 4 > Verified the suitability of the information and expression errors through a comparison analysis with other publications.
- 5 > Verified the feasibility of LG Electronics' sustainability management strategies and executives' message presented in the Report through interviews with core executives.
- 6 > Verified the evidence of data and information, internal process, and system through an on-site inspection of the Seoul headquarters and Pyeongtaek production site.
- 7 > The scope and boundaries of the assurance process have been conducted according to the boundaries of the time period, region, and value chain of the report. Therefore, the scope of the assurance process meets 100 percent coverage of the non-consolidated revenue of the company, and data regarding the supply chain has not been included unless specified.

Findings & Conclusion

The Assurer verified that the Report accurately and fairly illustrates LG Electronics' sustainability management activity and performance. Moreover, through the assurance, the Assurer verified that LG Electronics' Report fulfilled the requirements of the GRI G4 Guidelines' Core Option. In the case of General Standard Disclosures, the Assurer verified that the Report is written in compliance with the requirements of the Core Option. For Specific Standard Disclosures, the Assurer reviewed the Disclosure on Management Approach (DMA) and indicators about material issues by using the reporting criteria process below. The

Assurer also reviewed the indicators regarding the non-material aspects of the Specific Standard Disclosures, and the results are included separately in the GRI/UNGC Index.

1 - Inclusivity: Participation of Stakeholders

The principle of inclusivity articulates that organizations should include stakeholders in the process of developing strategic responses to and achieving sustainability. In this regard, the Assurer could verify that LG Electronics made various efforts to abide by and improve the principle of inclusivity in 2016. The Assurer verified that LG Electronics categorizes its stakeholders into nine groups, including shareholders, customers, employees, and suppliers, and that the company actively communicates with its stakeholders and collects a range of opinions. In particular, the Assurer evaluated as excellent the fact that the company is building a communications system suitable for its expanded social responsibility activities through the continuous promotion of the biannual Stakeholder Consultation.

2 - Materiality: Significant Issue Identification and Reporting

The principle of materiality articulates that organizations should focus on issues relevant and material to both the organization and its major stakeholders. The Assurer found that LG Electronics successfully identified issues relevant and material to the company and its major stakeholders based on a reasonable materiality analysis process. LG Electronics conducts a materiality test every year based on the "Five-Part Materiality" Model of AA1000SES (2008), and it deduced 13 core issues in 2016. The Assurer could verify that the activities and key performance of the core issues are evenly covered in each page of the Report.

3 - Responsiveness: Response to Issues

The principle of responsiveness articulates that organizations should be responsive to the issues that may influence the performance of their stakeholders. The Assurer found that LG Electronics successfully identified issues which may impact stakeholders' performance, implemented measures to address them, and adequately presented relevant information in the Report. LG Electronics monitors changes in the key issues in the five areas including customers, the environment, suppliers, community, and employees, and responds to such changes with specific strategies. The Assurer particularly commends that the company analyzes the internal and external environments related to each issue and manages performance with mid- and long-term goals.

Recommendations

Upon appraising LG Electronics' various efforts and performance for enhancing its sustainability, the Assurer makes the following proposals for future publications of the Report and a higher standard of sustainability.

1 - Measuring external social and environmental effects

There is a need to calculate and manage the financial impact of the positive and negative social and environmental effects occurring from business activities. Through this, stakeholders will be able to recognize LG Electronics' sustainability management activities as financial information and appropriately evaluate the company's value.

2 - Expanding reporting on regional issues

Sustainability management issues may emerge in diverse ways in different countries. There is a need for LG Electronics to consider expanding the scope of reporting to include sustainability management activities not only from a global perspective, but also at the regional level by examining the important issues in the countries in which it operates.



June 2017

Sun Jik Hong

Korea Productivity Center / CEO
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The Sustainability Management Center of the Korea Productivity Center is an assurance agency officially certified by AccountAbility [the organization that established AA1000, the international standard for stakeholder participation and verification] and is qualified to conduct independence assurance engagements. Our Assurance Committee is comprised of competent experts who have in-depth experience in sustainability management consulting and assurance and have completed the relevant training.

- AA1000AS (2008): The AA1000 Assurance Standard (2008) is an international assurance standard, set by AccountAbility, that provides the method of reporting sustainability management issues by evaluating the organization management on performances, compliance with principles, and reliability of performance information.
- AA1000APS (2008): The AA1000 AccountAbility Principles Standard (2008) is an international assurance standard set by AccountAbility that provides the principles of the AA1000 standards.

Sub Category	Material Issues	DMA & Indicators
Customer	<ul style="list-style-type: none"> · Providing Information on Products and Services · Product Stewardship (Assuming Greater Responsibility for Product Defect/ Post-Accident Responses) · Strengthening the Protection of Customers' Personal Information 	DMA- With Our Customers PR1, PR2, PR3, PR4, PR5, PR6, PR8, PR9
Environment	<ul style="list-style-type: none"> · Reducing GHG Emissions/Responding to Climate Change · Developing High-efficiency (Eco-friendly) Products · e-Waste Collection and Resource Recycling 	DMA-With the Environment EN2, EN3, EN5, EN6, EN7, EN8, EN15, EN16, EN17, EN18, EN19, EN20, EN21, EN22, EN23, EN26, EN27, EN28, EN30
Supplier	<ul style="list-style-type: none"> · Establishing Fair Trade as Standard Business Practice · Raising Supplier Awareness on CSR 	DMA- With Our Suppliers G4-12, G4-13, G4-14, G4-57, E C9, EN32, EN33, L A14, LA15, HR1, HR4, HR5, HR6, HR10, HR11, SO3, SO4, SO5, SO7, SO8, SO9
Community	<ul style="list-style-type: none"> · Increasing Donations and Contribution Initiatives for Communities · Developing Products and Services that Address Local Needs · Collaborating with Governments, NGOs and International Organizations 	DMA- With the Community EC7, EC8, SO1
Employee	<ul style="list-style-type: none"> · Protecting Basic Labor Rights · Promoting Internal Grievance Resolution Mechanisms · Managing Supplier CSR Risks (Labor Rights) 	DMA- With Our Employees G4-10, G4-11, L A1, LA2, LA3, LA4, LA5, LA9, LA10, LA11, LA12, LA13, LA14, LA15, LA16, HR4, HR5, HR6, HR7, HR8, HR9, HR10, HR11, HR12

GRI/UNGC Index

GRI Index (● Full Reporting ● Partial Reporting ○ Not Reported)

General Standard Disclosures	G4.0	Indicators	Location of Disclosure	Level of Reporting	Page Number
Strategy and Analysis	G4-1	Statement from the most senior decision-maker of the organization, concerning strategies for sustainability management and organizations to support the strategies	President Message	●	14-15
	G4-2	Description of key impacts, risks, and opportunities	Management Messages, Key Progress and Performance	●	14-17, 36-39
Organizational Profile	G4-3	Name of the organization	Who We Are	●	18-19
	G4-4	Primary brands, products, and/or services	Who We Are, What We Do	●	18-23
	G4-5	Location of the organization's headquarters	Who We Are, Where We Operate	●	18-25
	G4-6	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Where We Operate	●	24-25
	G4-7	Nature of ownership and legal form	Who We Are, Corporate Governance	●	18, 104
	G4-8	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Who We Are, Where We Operate, What We Achieved	●	18-19, 24-27
	G4-9	Scale of the reporting organization (including number of employees, net sales, total capitalization, and products and services)	Who We Are, What We Do, Where We Operate, Economic Data	●	18-27, 109
	G4-10	Total number of employees (including the total number of employees by employment contract and gender, the total number of permanent employees by employment type and gender, the total workforce by employees and supervised workers and by gender, the total workforce by region and gender, whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors), and significant variations in employment numbers)	Who We Are, Where We Operate, Employee Overview	●	18, 25, 96
	G4-11	Percentage of employees covered by collective bargaining agreements	Protection of Labor Rights	●	99
	G4-12	Description of the organization's supply chain	Procurement and Supply Chain	●	73-74
G4-13	Significant changes during the reporting period regarding size, structure, ownership, or supply chain	Who We Are, What We Do, Where We Operate, Procurement and Supply Chain	●	18-27, 73-74	
G4-14	Whether and how the precautionary approach or principle is addressed by the organization	CSR Management	●	28-29	
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	CSR Management, Memberships/Awards & Recognitions, GRI Index	●	28-29, 111, 114-117	
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organizations	Memberships/Awards & Recognitions	●	111	
Identified Material Aspects and Reporting Boundaries	G4-17	List of all entities included in the organization's consolidated financial statements or equivalent documents, and any entities included in the organization's consolidated financial statements or equivalent documents but not covered by the report	2016 Annual Report, 2016 Business Report	●	GRI Index
	G4-18	Process for defining the report content and the Aspect Boundaries, and how the organization has implemented the Reporting Principles for defining report content	Report Overview, CSR Management, Materiality Analysis	●	2, 28-29, 34-35
	G4-19	List of all the material Aspects identified in the process for defining report content	Materiality Analysis	●	34-35
	G4-20	Description of the Aspect Boundary within the organization for each material Aspect	DMA to Five Key Aspects	●	42, 52, 72, 82, 92
	G4-21	Description of the Aspect Boundary outside the organization for each material Aspect	DMA to Five Key Aspects	●	42, 52, 72, 82, 92
	G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	Restated portion of data	●	27, 58, 70
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Report Overview	●	2	
Stakeholder Engagement	G4-24	List of stakeholder groups engaged by the organization	CSR Management	●	28-29
	G4-25	Basis for identification and selection of stakeholders with whom to engage	CSR Management, Stakeholder Engagement	●	28-35
	G4-26	The organization's approach to stakeholder engagement (including frequency of engagement by type and by stakeholder group)	CSR Management, Stakeholder Engagement	●	28-35
	G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns (key topics and concerns by stakeholder group)	CSR Management, Stakeholder Engagement	●	28-35
	G4-28	Reporting period for information provided	Report Overview	●	2
	G4-29	Date of the most recent previous report	Report Overview, June, 2017	●	2, 119
	G4-30	Reporting cycle	Report Overview	●	2
	G4-31	Contact point for questions regarding the report or its contents	Report Overview	●	2
	G4-32	GRI index ("in-accordance options, GRI Content Index, external assurance, etc.)	Independent Assurance Statement, GRI Index	●	112-117
	G4-33	Policy and current practice with regard to seeking external assurance for the report, the scope and basis of any external assurance provided, the relationship between the organization and the assurance providers, and the involvement of the highest governance body or senior executives in seeking assurance for the organization's sustainability report	Report Overview, Independent Assurance Statement	●	2, 112-113
Governance	G4-34	Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts (including key focus of each committee)	CSR Management, Corporate Governance	●	28-29, 104
	G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	CSR Management, Corporate Governance	●	28-29, 104
	G4-36	Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	CSR Management, Corporate Governance	●	28-29, 104
	G4-37	Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	Corporate Governance	●	104
	G4-38	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	Corporate Governance	●	104
	G4-39	Composition of the highest governance body and its committees	Corporate Governance	●	104

General Standard Disclosures	G4.0	Indicators	Location of Disclosure	Level of Reporting	Page Number	
Governance	G4-40	Whether the Chair of the highest governance body is also an executive officer	Corporate Governance	●	104	
	G4-41	Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members (including those for subcommittees)	Corporate Governance	●	104	
	G4-42	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	Corporate Governance	●	104	
	G4-43	Roles of the highest governance body and senior executives in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	Corporate Governance	●	104	
	G4-44	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	Corporate Governance	●	104	
	G4-45	Processes for evaluation of the highest governance body's performance and actions taken in response to evaluation of the highest governance body's performance	CSR Management, Corporate Governance	●	28-29, 104	
	G4-46	Role of the highest governance body in the identification and management of economic, environmental and social impacts, risks, and opportunities, and whether stakeholder consultation is used to support the highest governance body's identification and management of such impacts, risks, and opportunities	Corporate Governance	●	104	
	G4-47	Role and impact of the highest governance body in the identification and management of economic, environmental and social risks	CSR Management, Corporate Governance	●	28-29, 104	
	G4-48	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	Corporate Governance	●	104	
	G4-49	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	CSR Management, Corporate Governance	●	28-29, 104	
	G4-50	Process for communicating critical concerns to the highest governance body	CSR Management, Corporate Governance	●	28-29, 104	
	G4-51	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	Corporate Governance, 2016 Business Report	●	104, GRI Index	
	G4-52	Remuneration policies and evaluation criteria for the highest governance body and senior executives	2016 Business Report	●	GRI Index	
	G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	2016 Business Report (Approved at AGM)	●	GRI Index	
	G4-54	Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees		○		
	G4-55	Ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees in the same country		○		
	Ethics and Integrity	G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Jeong-Do Management	●	106
		G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity	Compliance Risk Management, Jeong-Do Management, Fair Trade	●	105-107
		G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	Jeong-Do Management	●	106
	ECONOMIC					
Economic Performance	EC1	Direct economic value generated and distributed	Shared Economic Gains	●	26	
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Key Progress and Performance, Exploring Opportunities and Managing Risks Associated with Climate Change	●	37, 64	
	EC3	Coverage of the organization's defined benefit plan obligations	Employee Benefits and Support Programs	●	96	
	EC4	Financial assistance received from government	Shared Economic Gains	●	26	
Market Presence	EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	The starting salary for new employee with college education was 226% higher than the legal minimum wage	●	GRI Index	
	EC6	Proportion of senior management hired from the local community at significant locations of operation		○		
Indirect Economic Impacts	EC7	Development and impact of infrastructure investments and services supported	Shared Economic Gains, Social Investment	●	26, 85	
	EC8	Significant indirect economic impacts, including the extent of impacts	What We Achieved	●	26-27	
Procurement Practices	EC9	Proportion of spending on local suppliers at significant locations of operation	Procurement and Supply Chain	●	73-74	
ENVIRONMENTAL						
Materials	EN1	Materials used by weight or volume		○		
	EN2	Percentage of materials used that are recycled input materials	Resource Reduction	●	57	
Energy	EN3	Energy consumption within the organization	Environmental Data	●	70	
	EN4	Energy consumption outside of the organization		○		
	EN5	Energy intensity		○		
	EN6	Reduction of energy consumption	GHG Emissions Reduction, Reduction Efforts at Our Business Sites	●	57, 64-65	
	EN7	Reductions in energy requirements of products and services	Enhancing Energy Efficiency	●	56	

GRI/UNGC Index

GRI Index (● Full Reporting ● Partial Reporting ○ Not Reported)

Specific Standard Disclosures	G4.0	Indicators	Location of Disclosure	Level of Reporting	Page Number
Water	EN8	Total water withdrawal by source	Reducing Water Use, Environmental Data	●	67, 70-71
	EN9	Water sources significantly affected by withdrawal of water	Reducing Water Use	●	67
	EN10	Percentage and total volume of water recycled and reused	Reducing Water Use, Environmental Data	●	67, 70-71
Biodiversity	EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Protecting Biodiversity (As our production sites are all located in industrial complexes, the biodiversity indicators are not applicable.)	●	GRI Index
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas			
	EN13	Habitats protected or restored			
	EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk			
Emissions	EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Environmental Data (GHG, Output)	●	70
	EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Environmental Data (GHG, Output)	●	70
	EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Environmental Data (GHG, Output)	●	70
	EN18	Greenhouse gas (GHG) emissions intensity	Environmental Data (GHG, Output)	●	70
	EN19	Reduction of greenhouse gas (GHG) emissions	GHG Emissions Reduction	●	53, 57, 63-66, 70
	EN20	Emissions of ozone-depleting substances (ODSs)	Environmental Data (ODSs)	●	70
	EN21	NOx, SOx, and other significant air emissions	Environmental Data (Air Emissions)	●	70
Effluents and Waste	EN22	Total water discharge by quality and destination	Environmental Data (Waste Water Discharge)	●	67, 71
	EN23	Total weight of waste by type and disposal method	Minimizing Discharge of Waste, Environmental Data	●	69, 71
	EN24	Total number and volume of significant spills	No Significant Spills Occurred in 2016	●	GRI Index
	EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention (2) Annex I, II, III, and VIII, and percentage of transported waste shipped internationally		○	
EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	Waste Water Discharge	●	67	
Products and Services	EN27	Extent of impact mitigation of environmental impacts of products and services	Products with Greener Features, EESH Management at Business Sites	●	52-71
	EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Green Packaging	●	58-59
Compliance	EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No significant cases occurred in 2016	●	GRI Index
Transport	EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce		○	
Overall	EN31	Total environmental protection expenditures and investments by type	Social Investment in 2016	●	85
Supplier Environmental Assessment	EN32	Percentage of new suppliers that were screened using environmental criteria	CSR in Supply Chain	●	77-79
	EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	CSR in Supply Chain	●	77-79
Environmental Grievance Mechanisms	EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	Jeong-Do Management	●	106
Social					
Labor Practices and Decent Work					
Employment	LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Global Workforce	●	96
	LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Employee Benefits and Support Programs	●	96
	LA3	Return to work and retention rates after parental leave, by gender	Global Workforce	●	96
	LA4	Minimum notice period(s) regarding significant operational changes	Protection of Labor Rights (Labor Relations)	●	99-100
Labor/Management Relations	LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Protection of Labor Rights (Labor Relations)	●	99-100
	LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	EESH Management, Incident Data	●	68-69, 71
Occupational Health and Safety	LA7	Workers with high incidence or high risk of diseases related to their occupation	EESH Management	●	68-69
	LA8	Health and safety topics covered in formal agreements with trade unions	EESH Management	●	68-69
	LA9	Average hours of training per year per employee by gender, and by employee category	Employee Training	●	96
Training and Education	LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Employee Training System	●	95
	LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Employee Development Strategy	●	94
	LA12	Percentage of individuals within the organization's governance bodies and percentage of employees per employee category in each of the diversity categories (including gender, age group, minority group, and other indicators of diversity)	Global Workforce	●	96
Equal Remuneration for Women and Men	LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	2015-2016 LGE Sustainability Report (80p) -Fair Evaluation & Reward System	●	GRI Index
Supplier Assessment for Labor Practices	LA14	Percentage of new suppliers that were screened using labor practices criteria	Supplier CSR Management	●	77-79
	LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	Supplier CSR Management	●	77-79
Labor Practices Grievance Mechanisms	LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	Protection of Labor Rights (Grievance Resolution System), Jeong-Do Management	●	100, 106

Specific Standard Disclosures	G4.0	Indicators	Location of Disclosure	Level of Reporting	Page Number
Human Rights					
Investment	HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Supplier CSR Management	●	77-79
	HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Compliance Management, Jeong-Do Management	●	105-106
Non-discrimination	HR3	Total number of incidents of discrimination and corrective actions taken	Jeong-Do Management	●	106
	HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Supplier CSR Management, Protection of Labor Rights	●	77-79, 99-102
Freedom of Association and Collective Bargaining	HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Supplier CSR Management, Protection of Labor Rights	●	77-79, 99-102
	HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Supplier CSR Management, Protection of Labor Rights	●	77-79, 99-102
Security Practices	HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	All security staffs have received training on human rights	●	GRI Index
Indigenous Rights	HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	As our production sites are all located in industrial complexes, the indigenous rights indicator is not applicable.	●	GRI Index
Assessment	HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	Protection of Labor Rights	●	99-102
Supplier Human Rights Assessment	HR10	Percentage of new suppliers that were screened using human rights criteria	Supplier CSR Management	●	77-79
Human Rights Grievance Mechanisms	HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	Supplier CSR Management	●	77-79
	HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	Protection of Labor Rights (Grievance Resolution System), Jeong-Do Management	●	100, 106
Society					
Local Communities	SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Social Contribution	●	82-91
	SO2	Operations with significant actual or potential negative impacts on local communities	EESH Management, Environmental Data	●	61-63, 70-71
Anti-corruption	SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Compliance Management, Jeong-Do Management	●	105-106
	SO4	Communication and training on anti-corruption policies and procedures	Compliance Management, Jeong-Do Management	●	105-106
	SO5	Actions taken against corruption	Jeong-Do Management	●	106
Public Policy	SO6	Total value of political contributions by country and recipient/beneficiary	Korea's Political Funds Act prohibits corporate contributions to political campaigns and parties.	●	GRI Index
Anti-competitive Behavior	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Fair Trade	●	107
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Fair Trade	●	107
Supplier Assessment for Impacts on Society	SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Supplier CSR Management	●	77-79
	SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	Supplier CSR Management	●	77-79
Grievance Mechanisms for Impacts on Society	SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	Grievance Resolution System	●	100
Product Responsibility					
Customer Health and Safety	PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Products with Greener Features	●	53-55
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Product Stewardship	●	55-58
Product and Service Labeling	PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant products and service categories subject to such information requirements	Products with Greener Features	●	53-55
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Compliance Management, Responsible Marketing Communication	●	105, 117
	PR5	Results of surveys measuring customer satisfaction	Customer Satisfaction Initiatives	●	46
Marketing Communications	PR6	Sale of banned or disputed products	Jeong-Do Management	●	106
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes		○	
Customer Privacy and Compliance	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Protection of Personal Information	●	50-51
	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Compliance Management, Responsible Marketing Communication	●	105, 117

Responsible Marketing Communication: LG Electronics fully complies with all applicable laws and regulations pertaining to marketing & communication activities including advertisements, sales promotions and sponsorships in countries where we operate, and follows up on non-conformances with voluntary improvement efforts (2011-2012 Sustainability Report pp.28-29).

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Ten Principles	Our Activities	Related Content	Page Number
Human Rights	Based on our management philosophy "People-oriented Management," LGE respects and complies with the standards, laws and regulations established by international institutions and organizations such as the Universal Declaration of Human Rights by the United Nations to ensure fundamental human rights and labor rights of employees as well as those of our suppliers.	Management Philosophy 13 CSR Management System 28-29 Win-Win Growth 72-77 Supplier CSR Risk Management 77-79 Protection of Labor Rights 99-102	
Labour Standards	LGE continues its efforts to establish a corporate culture that values the diversity of our employees and promotes creativity and autonomy. Owing to its efforts, LGE is leading an exemplary labor management relations, reaching an agreement in collective bargaining and wage negotiations without labor dispute for 28 consecutive years (as of March 2017) and declaring Union Social Responsibility (USR) charter. Additionally, LGE joined the Electronic Industry Citizenship Coalition (EICC), established an enterprise-wide policy for protecting labor rights across the supply chain and amended Master Purchase Agreement accordingly.	Protection of Labor Rights 99-102 Win-Win Growth 72-77 Supplier CSR Risk Management 77-79 CSR Management System 28-29	
Environment	LGE strives to contribute to the society's sustainable growth by minimizing negative environmental impacts from our business activities. LGE made great strides in improving energy performance and carbon disclosure in development of greener products. The company also surpassed its GHG reduction targets across products' life cycle, while being highly recognized by the Carbon Disclosure Project (CDP) Korea for its efforts towards promoting low-carbon culture. LGE strengthened the integrated EESH (Energy, Environment, Safety, and Health) certification system and global EESH audit system at all production sites. LGE is currently participating as a member of the steering committee represent Korean companies at Caring for Climate.	With the Environment 52-71	
Anti-Corruption	LGE's "Jeong-Do Management" is a guiding principle for all action taken by employees. To help our employees remain true to the spirit of Jeong-Do Management, LGE established Code of Ethics and Conduct Guidelines. LGE also applies the same standard to all suppliers and business partners. LGE translates and distributes code of ethics handbook and requiring employees and suppliers to sign a pledge for Jeong-Do Management. Additionally, LGE maintains the ethics category in its CSR risk management program to monitor its business sites' and suppliers' ethics management systems.	Jeong-Do Management 106 Protection of Labor Rights 99-102 Win-Win Growth 72-77 Supplier CSR Risk Management 77-79	

LG Electronics' Sustainability Reports



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