

# LIFE'S GOOD

WITH

"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.

# LG

2014-2015 LG Electronics Sustainability Report

## 2014-2015

# LG ELECTRONICS SUSTAINABILITY REPORT



# REPORT OVERVIEW

## LIFE'S GOOD WITH LG



Everyone at LG Electronics strives to create the very best value for customers, values that bring excitement and conveniences into their lives. Furthermore, LG Electronics carries out its responsibilities as a corporate citizen with great energy and passion, from helping those in need to protecting the environment of the earth, in an effort to bring greater happiness to our stakeholders, including customers, investors, and communities. The ultimate goal LG Electronics strives for through its sustainability management efforts is to help all our stakeholders achieve sustainable happiness.

## REPORT OVERVIEW

In preparing our 2014-2015 Sustainability Report, LG Electronics adopted the G4 guidelines of the Global Reporting Initiative (GRI). As part of the new process for implementing the latest edition of 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 business 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 our stakeholders. Articles on material aspects prepared by business 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 (for the detailed scope of reporting, please refer to notes for each table).

## 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 2014, from January 1 to December 31 (for performance in select areas, data from the first half of 2015 was also included)

## ASSURANCE

Independent Assurance Statement (Korea Productivity Center) (See pp. 84-85)

## GUIDANCE SYSTEM



Directed to the section of this report containing related or detailed information



Directed to the website containing information concerning the content of this report

## Information Sources concerning LG Electronics' Sustainability Management Efforts



LG Electronics Corporate Website

WWW.LG.COM/SUSTAINABILITY



LG Electronics Annual Report

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..... **CEO Message** .....



**“We are doing our best to remember that our stakeholders, including customers, are the absolute and enduring standard that drives our thinking, inspires our actions, and propels us forward through changing environments and global trends.”**

**What do you think is the most important for sustainability management at LG Electronics?**

In a rapidly changing business environment, we cannot afford to remain still; we have to constantly think about ways to achieve growth and advance our businesses. At the same time, we have to always remember that our customers are the absolute and enduring standard that drives our thinking, inspires our actions, and pushes us forward, as we focus on creating positive impact on the world. Throughout this process, we always take “Jeong-do Management” as our guiding principle, because strict compliance with the law and standards is both the starting point and ultimate goal of our efforts to become a truly global corporation.

**Please tell us about LG Electronics’ achievements in sustainability management in 2014.**

In 2014, we made organization-wide efforts to build and strengthen fundamentals, the very foundation for sustainable and enduring growth. As a result, the strength of our organization is improving, and we are thoroughly preparing to secure opportunities in our future businesses. In addition, both our employees and management are carefully identifying actions and practices required for sustainable management and putting them into practice. We are also defining practices that we need to adopt in conducting business, while directing our interest and energy towards issues that affect both individuals and societies to fulfill our responsibility as a corporate citizen. I am convinced that all of these efforts will come together and help us establish sustainability management as our core strength.

**What is the direction of LG Electronics’ sustainability management?**

I strongly believe that first and foremost, corporations must focus on the primary purpose of doing business in order to contribute to society as well as to achieve sustained growth. To this end, it is important for corporations to identify changes both in customers and global trends, to think and prepare in advance, and to execute measures that respond to these changes in a careful and thorough manner. The business landscape around us is shifting constantly and becoming more complex with diverse and intertwined interests creating uncertainties. In order to overcome such challenges and achieve growth, we need to draw on strengths not only from within our organization but also from the outside world, creating synergy greater than the simple sum of our own strengths. In order to further strengthen our capabilities for sustainable management, LG Electronics will actively engage with stakeholders for their valuable opinions, while sharing our market intelligence and customer insight obtained directly from the frontline of business operations.

I would like to respectfully ask all of our stakeholders and partners to continue to encourage us and support us in our endeavors. Thank you.

May 2015  
Vice Chairman and CEO

**Bon Joon Koo**



## Management Messages



### 1. Jong Sik Kim

#### Chief Operating Officer/President

Sustainability at LG Electronics means not only achieving financial performance but also making contributions to the society as a whole. We strive to provide safer and better products by focusing on quality and to remain competitive by standardizing business processes and building a flexible supply chain. We also know that such efforts must be carried out in a socially responsible manner, which is why we pursue our shared growth strategy and emphasize green management across all stages of our value chain.

### 2. Skott Ahn

#### Chief Technology Officer/President

In today's business world, technological innovation alone does not guarantee success. Now we have to introduce technical advances that are closely attuned with social changes and needs. We have therefore made a systematic effort to create convergence solutions that integrate our capabilities and resources from all business areas. As part of our effort to better serve our society with technological innovation, we plan to expand our horizons and focus on more value-adding businesses, including health care, new & renewable energy, and vehicle components.

### 3. Wayne Park

#### Global Sales & Marketing Officer/Executive Vice President

The importance of risk management is increasing with prolonged uncertainties at home and abroad. As a proactive response to such a business climate, we are preparing our business operations for all possible scenarios, making comprehensive investment in infrastructure and capacity

building, and developing new business models in order to maintain business sustainability. As a responsible member of society, we also strive to grow together with communities where we operate and deliver consumer-oriented products.

### 4. Ho Geon Hwang

#### Chief Human Resource Officer/Senior Vice President

LG Electronics is preparing to take the next leap forward by boosting innovations in business structure and process and by accelerating the development of market-leading products. The HR division, in turn, has been making diverse efforts to nurture a corporate culture that supports such changes, developing a new work practice paradigm and a more flexible organizational structure. We have also shifted from a collective to an individual style of employee management to fully support individual self-development, adopting more extensive training programs and implementing the One-on-One Employee Care System. In addition, we are making progress in further empowering local employees to strengthen competitiveness in our overseas business sites.

### 5. Choong Hak Lee

#### Business Support Officer/Executive Vice President

As a responsible corporate citizen, LG Electronics strives to fulfill its duties in all areas of business, including labor, ethics, safety, and the environment, both at home and abroad. We hope to make a positive impact on all those around us through committed CSR efforts that cater to the needs of the beneficiaries. We will continue to communicate closely with our stakeholders and make the extra effort to touch the heart of each and every individual we come in contact with.

## Management Philosophy

Born out of the founding philosophies and refined over the years, the LG Way serves as the guiding principle for all LG employees in their thoughts and actions, and has been the foundation for the growth and success of LG Electronics. It articulates our belief in attaining the vision of becoming “No. 1 LG” through “Customer-Value Creation” and “People-Oriented Management” as we base our business practices on the principles of “Jeong-Do Management.”

### Management Principles

Our management principles, “Customer-Value Creation” and “People-Oriented Management,” express LG Electronics’ absolute commitment for its customers and employees. “Customer-Value Creation” conveys our responsibilities and obligations to customers, while “People-Oriented Management” represents our promise to employees that we will treat them with respect and reward them fairly based on merit and performance.

**Customer-Value Creation:** LG Electronics’ first and foremost goal is to know customer needs before they themselves do and deliver products and services that far exceed their expectations. We are confident that we will be able to deliver maximum value to customers by providing “game-changing” products and services through ongoing innovation.

**People-Oriented Management:** We strive to create a corporate culture that helps us attract high quality talent around the world and nurture them into professionals with global competitiveness. Our corporate culture helps employees reach their full potential by providing constant motivation and celebrating individual excellence through a merit-based and fair employee reward system. LG Electronics will continue to work

towards its vision of becoming “No. 1 LG” with a corporate culture that rewards individual excellence, celebrates creativity, and respects autonomy.

### No. 1 LG

“No. 1 LG” is the ultimate goal that every LG business strives to achieve. It also stands for our ambition to become a market-leading company recognized and respected by peers and the broader market through global competitiveness built on sound and transparent business practices.

[Becoming “No. 1 LG” is not something we can achieve overnight. It will only become a reality when all of us embrace the vision and put into practice “Customer-Value Creation,” “People-Oriented Management,” and “Jeong-Do Management” in our everyday work with unwavering commitment towards becoming “No. 1”.]

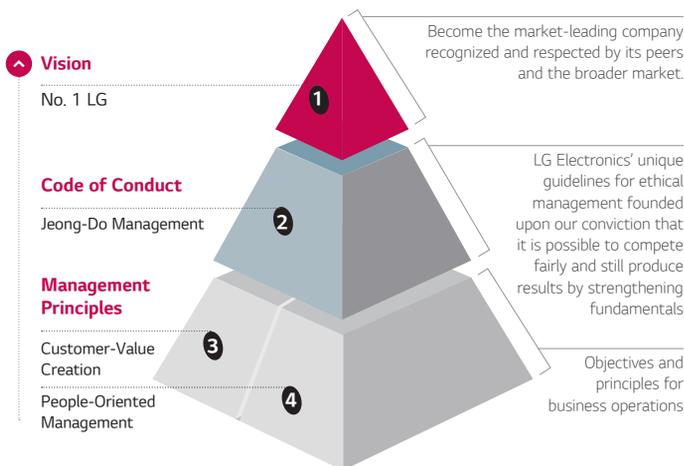
–From the LG Code of Ethics

[The future that I envision for LG is a company that strives to become the best of the best in the world. In order to achieve this, we need to embrace challenge wholeheartedly, taking on what others dismiss as “impossible” or dare not to try, and succeed.] –From Chairman *Bon Moo Koo’s* 1995 inauguration speech

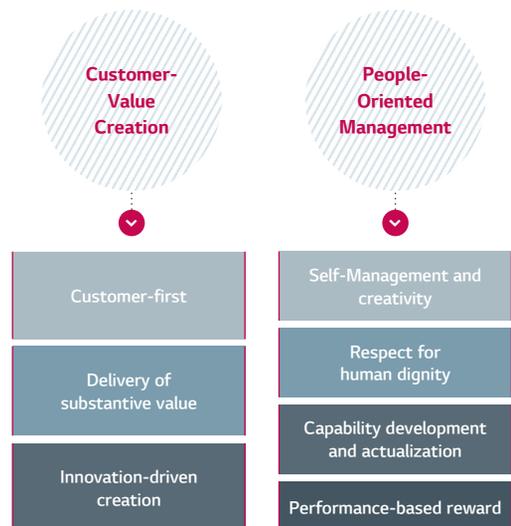
### Jeong-Do Management

“Jeong-Do Management” is the guideline for business practices born out of our strong conviction that it is possible to compete fairly and still produce results by continuously strengthening our fundamentals. With honesty, sincerity, and fairness as guiding principles, LG Electronics will strive to come out on top in every competition fairly and squarely by striving for goals with passion and capturing the hearts of customers with innovations.

### LG Way



### Management Principles



## Corporate Governance

### Shareholders

As of year-end 2014, LG Electronics' total shares issued and outstanding were 180,833,806 (common stock: 163,647,814, preferred stock: 17,185,992). Of the total outstanding shares, non-voting shares amounts to 9.9% (17,949,162 shares). The largest shareholder, LG Corp. (the LG Group's holding company), currently holds 30.5% of the total shares. Every year, the Chairman of the Board of Directors (BOD) personally briefs shareholders on our business performance at the Annual General Meeting (AGM) and receives feedback from shareholders on management issues that require decision-making. LG Electronics also maintains the investor inquiry section on its corporate website to collect investor and customer feedback on its business performance and management issues, and present its responses to investor/customer inquiries and feedback. Shareholders' opinions and suggestions are also incorporated into corporate policies and business operations after a careful review by management and the BOD.

### Strengthening Independence of the BOD

A total of seven members serve on the Board of Directors, including four Outside Directors. Board members serve a three-year term, and re-statement is determined based on performance evaluations at the end of their terms. Directors perform their duties independently, free from any influence of major shareholders and management. LG Electronics also has in place a compliance system to review business transactions for potential conflicts of interest and verify the BOD approval status of such transactions. This system was implemented to prevent directors from pursuing personal profits for themselves or a third-party through business opportunities obtained by using their positions as a Board member, and incurring unforeseen losses to shareholders in the process. If a business transaction has not obtained the BOD's approval, the Board is briefed on the transaction to commence the approval process.

### Role of the BOD

The BOD actively provides recommendations for important management issues and conducts unbiased evaluation and supervision of management activities. In particular, Outside Directors monitor overall corporate management activities and keep management in check, while offering sound and objective management advice. In 2014, the BOD held seven meetings to review a total of 52 agendas (41 for approval, 11 for briefing),

including the approval for "Self-Dealing" by directors. Of the 52 agendas, 51 were approved in its original form, and one was approved after revision. The average attendance rate for BOD members was 100%. The BOD is briefed annually on CSR issues and activities, including potential economic, social, and environmental risk and impact identified through stakeholder engagement (i.e. Stakeholder Consultation on CSR) and our Sustainability Report, to ensure that BOD members are closely attuned with CSR issues.

### BOD Committees

The BOD is supported by three BOD Committees – the Audit Committee, the Outside Director Candidate Recommendation Committee and the Management Committee. The Audit Committee is comprised entirely of three Outside Directors and is responsible for oversight and monitoring to ensure fair corporate management as well as accounting transparency and conformance. In 2014, the Audit Committee held five meetings to review a total of 13 agendas (10 for briefing and three for approval). The Management Committee reviews and determines the agendas delegated by the BOD and other ordinary management activities. In 2014, the Management Committee reviewed a total of 41 agendas. Pursuant to Article 542.8 of the Commercial Law of Korea, the Outside Directors Candidate Recommendation Committee carefully selects qualified candidates for Outside Directors to ensure fairness and transparency in the nomination of candidates and recommends selected candidates to the AGM for appointment.

### Evaluation and Compensation

Compensation for BOD members is made in conformance with the regulations pertaining to BOD compensations and as approved by the AGM. The evaluation of management and executives of LG Electronics is conducted year round. Top management and executives are evaluated on whether they have set and achieved challenging goals in financial, social and environmental areas, whether their business objectives, comprised of quantitative and non-quantitative factors, were achieved, as well as their professional capabilities based on a fair and objective process. Appropriate compensation is determined and made based on the outcome of the evaluation.

### Board Directors (As of March 31, 2015)

Type	Name	Title	Date Appointed	Note
Inside Director	Bon Joon Koo	CEO, Vice Chairman	March 2014	Management Committee (Chairman)
	David Jung	Representative Director/CFO, President	March 2014	Management Committee
Non-executive Director	Yu Sig Kang	Vice Chairman, LG Management Development Institute	March 2014	Chairman of the BOD/Management Committee/ Recommendation Committee (Chairman)
Outside Director	Chong Nam Chu	Professor, Mechanical & Aerospace Engineering, Seoul National University	March 2013	Audit Committee
	Chang Woo Lee	Professor, Business Administration, Seoul National University	March 2013	Audit Committee (Chairman)
	Joon Keun Choi	Former CEO, Hewlett-Packard Korea Ltd.	March 2015	Audit Committee/ Recommendation Committee
	Man Pyo Hong	Lawyer	March 2015	Recommendation Committee

## Compliance Risk Management

### Compliance and Validity Assessment

Pursuant to the amendment to the Commercial Law of Korea (effective as of April 2012) mandating the adoption of a compliance control standard, the Chief Compliance Officer of LG Electronics conducts compliance management and validity assessment on the following criteria, and briefs the Board on the outcome on an annual basis (this year's briefing completed in February 2014).



#### LG Electronics Compliance Policy

- Contents of the corporate compliance policy
- Compliance risk assessment and management system
- Compliance check and reporting system
- System and process for ensuring the independence of the Chief Compliance Officer
- Disciplinary system to sanction non-conformance

### Promoting Employee Awareness on Compliance

#### Compliance Day

In an effort to communicate its strong commitment towards compliance management, LG Electronics organized the "Compliance Day" event as part of the "Monthly Morning Meeting" in March 2014 (at the corporate headquarters). In order to underscore the significance of compliance management, we introduced the legal and regulatory landscape and major compliance issues, and distributed the Code of Conduct booklet to help our employees clearly understand their roles and responsibilities in

the company-wide compliance management effort. The event was also broadcast live on the corporate broadcasting system to raise compliance awareness of employees from all business locations in Korea (29,771 employees in total).

#### Campaign for Clear and Transparent Communication

In recognition of the importance of transparency, straight-forwardness, and ethics awareness in corporate communication, our Legal function division and Compliance Bureau are leading the "Clear and Transparent Communication" campaign to enhance employee communication. Launched on July 1, 2014, the one-year campaign aims to raise employee awareness on the importance of clear and transparent communication and to prevent communication mishaps, such as careless comments that could be deemed legally questionable or offensive to the public.

#### Regular Compliance Training

In 2014, LG Electronics conducted in-class compliance training for newly appointed organization leaders and newly hired managers (27 sessions for 910 participants). We also organized compliance workshops for executives from various business functions, such as R&D, production, sales, and business management, (seven sessions for 881 participants) and for employees from selected business sites (four sessions for 345 participants) to provide specialized compliance training tailored specifically to their needs.

#### Compliance Portal

LG Electronics renewed the compliance section from its corporate intranet and launched the Compliance Portal. With the new and upgraded site, it has become easy and convenient for employees to access the Company's compliance policies and programs, track the compliance management performance of each organization, and verify feedback from corporate headquarters.

#### Compliance Portal



#### Campaign for "Clear and Transparent Communication"



## Jeong-Do Management

### Strong Commitment toward Jeong-Do Management

“Jeong-Do Management” is LG Electronics’ unique guideline for employee conduct, and conveys our belief that it is possible to compete fairly and still come out on top by constantly strengthening our fundamentals. This is clearly expressed in the CEO’s statement: “Our commitment toward Jeong-Do Management and compliance not only is a promise to ourselves, but also a solemn pledge to our customers and society. Non-compliance, under any circumstances, does not work in favor of the Company.” Based on this strong commitment, LG Electronics requires both our employees and our suppliers to conduct themselves in line with Jeong-Do Management.

### Whistleblower System

LG Electronics has in place a whistleblower system (<http://ethics.lg.co.kr>) to receive internal and external reports concerning any actions in violation of the Employee Code of Ethics and 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. We also have strong measures in place to thoroughly protect the identity of whistleblowers. In addition, we utilize the Win-Win Growth website to collect anonymous reports concerning unfair and unjust treatment suffered by our external stakeholders. Over the past three years, a total of 1,352 claims were reported and handled through the whistleblower system and the Win-Win Growth website.

### Counseling Center

In order to respond to employee inquiries on Jeong-Do Management, our Ethics Bureau Team established a counseling center and offers one-on-one counseling on the everyday practice of Jeong-Do Management via intranet, phone, and email. In 2014, the Center received a total of 101 inquiries, and most of them were about the interpretations of the Code of Ethics (16 cases), acceptance of congratulatory/condolence cash gifts (30 cases), appropriate procedures for handling such gifts and other matters related conflict of interest, i.e. taking on outside work or teaching job (20 cases), and how to deal with business expenses (15 cases).

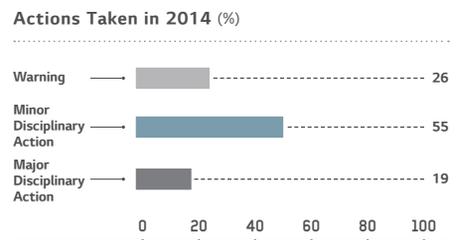
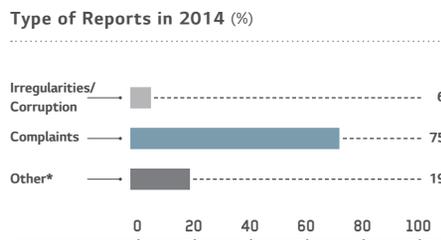
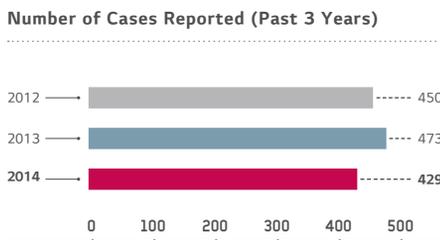
Inquirers can choose to disclose the details of their inquiries, but if they choose to remain anonymous, we also make every effort to protect their identity and the details of their inquiries. Frequently discussed topics are also organized into FAQs and included in training materials used both in Korea and overseas.

### Global Jeong-Do Management Training

In 2014, as part of its effort to heighten employee awareness on Jeong-Do Management at overseas locations, LG Electronics conducted the “Jeong-Do Management Masters” program around the world. Training Masters, those who completed the “train-the-trainer” program, are now leading local Jeong-Do Management activities such as Jeong-Do Management related training, promotion, and employee communication, Code of Ethics counseling, and receiving and handling inquiries. Training Masters also played an integral role in Jeong-Do Management training, conducting in-class training for 13,369 employees and 648 suppliers. The training program covers theories and practice of Jeong-Do Management, including internal and external case studies, and is designed to help our employees and suppliers make choices that prevent irregularities and corruption by heightening their awareness. In 2015, we plan to further strengthen “train-the-trainer” programs for Jeong-Do Management instructors based in our overseas subsidiaries as part of our effort to ensure that Jeong-Do Management is established as an everyday practice at our overseas locations.

### Promoting Jeong-Do Management

In addition to regular Jeong-Do Management training programs, LG Electronics is actively promoting Jeong-Do Management to create a corporate culture that encourages ethical conduct. In order to prevent similar problems from occurring repeatedly, we share actual cases (violations) on the intranet bulletin board to inform employees on potential issues and raise their awareness. We also distribute the “Jeong-Do Management Newsletter” for executives to promote exemplary conduct and help our employees embrace Jeong-Do Management in their everyday business practice.



\* Other: HR Issues, Supplier Grievances, etc.

## Fair Trade

### Fair Trade Compliance

LG Electronics is fully committed to fair competition and trade as part of our effort to put into practice the “LG Way,” the guiding principle for our thoughts and actions. A core processes for ensuring fair competition and trade is our Fair Trade Compliance Program, comprised of activities to raise employee awareness and to improve the internal control process. Through the program LG Electronics repeatedly conveyed top management’s strong commitment toward fair trade compliance, established action guidelines, conducted regular employee training, and performed routine monitoring against non-compliance.

### Activities to Promote Fair Trade Compliance

#### Cartel

In 2014, as part of our anti-collusion measures, top management’s strong sentiment against any attempt to form a cartel was clearly communicated to employees, and online training was provided to all employees. We also conducted in-class training for sales & marketing staff, who are classified as “high-risk” due to the nature of their work. In addition, we also carried out on-the-spot inspections of major business offices both in Korea and overseas to prevent employees from making contact with our competitors, since such actions may be misconstrued as collusion. In 2015, we plan to develop detailed guidelines for each business function in order to heighten employee awareness against non-compliance.

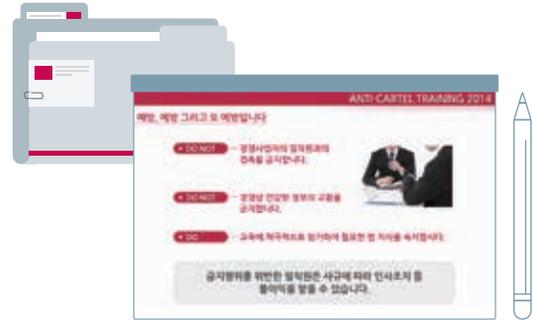
#### Unfair Trade and Unfair Labeling & Advertising

In 2014, LG Electronics conducted training for new hires to raise awareness against unfair trade practices. Existing employees also received training on unfair trade practices and prevention based on their business functions, i.e. sales & marketing, R&D, etc. We also have in place a two-tier screening process against compliance risks associated with labeling and advertising. Under this internal control system, staff members in charge of labeling and advertising are required to perform initial screening against non-compliance, after which legal and compliance departments conduct a follow-up review to minimize compliance risks. In 2015, we plan to look into our sales processes and further strengthen the system against risks associated with non-compliance.

#### Subcontracting to Suppliers

In 2014, LG Electronics conducted training for employees from Procurement to raise awareness on compliance with the Fair Transactions in Subcontracting Act. Also, we carefully reviewed the business processes of each business function and implemented effective preventative measures against unfair practices associated with subcontracting, such as price slashing, changing purchase orders, and inappropriately demanding and misappropriating technical data. We developed a new business process in order to successfully prevent the practice of demanding and misappropriating technical data from subcontractors. In recognition of our outstanding effort, we were rated “Excellent” in the Fair Trade & Win-Win Growth Partnership Agreement Observance Assessment conducted by the Korea Fair Trade Commission, and commended for our exemplary commitment to win-win growth and excellent performance in the area.

### 2014 Cartel Prevention Training



### Checklist against Unfair Labeling & Advertising

**Applicable to all forms of labeling and advertising that inform consumers on the features of the business or its products and terms and conditions of transactions,**

including flyers, pamphlets, samples, posters, the internet, sign boards, digital billboards, video images, and print publications, or other means of communication similar to the aforementioned.

→ Internal training materials are also considered as advertising if the said material is exposed to consumers.

FALSE OR EXAGGERATED LABELING AND ADVERTISING	
False labeling/advertising, or excessively exaggerated labeling/advertising, or the concealment or white-washing of any fact in labeling/advertising	<input type="checkbox"/>
Labeling/advertising that exaggerates the quality, performance, size, and/or quantity of the product	<input type="checkbox"/>
Labeling/advertising of non-existing functions	<input type="checkbox"/>
Labeling/advertisement that falsely claims that the product is recommendation by and/or received an award from an expert group, research institute, and/or prominent organizations	<input type="checkbox"/>
Labeling/advertising that misleads consumers to believe that the approval and/or award received for part of the features, quality and/or models was received for the entirety of a product's features, quality, and/or range of models	<input type="checkbox"/>
Labeling/advertising that exaggerates the value of an award and/or certification received by the product	<input type="checkbox"/>

\* Must check all items that present risks associated with unfair labeling and advertising, and rectify.

# WHO WE ARE

Since its establishment in 1958, LG Electronics has been a leading technology innovator in consumer electric/electronic products and mobile communication devices, emerging as a global leader in the industry over this period. Today, all our 83,000 employees at LG Electronics are working with the company's proprietary technologies at 128 business sites around the world in order to contribute to the economic development of Korea and the prosperity of the international community.

## Corporate Profile

(As of December 31, 2014)

1 - Organization Name	LG Electronics, Inc.
2 - Location of Headquarters	LG Twin Towers, 128 Yeoui-daero, Yeongdeungpo-gu, Seoul, Korea
3 - Industry	Manufacturing
4 - Main Product	TV, Home Theater System, BluRay Player, Mobile Handset, Laptop Computer, Refrigerator, Washing Machine, Cooking Appliance, Built-in System Kitchenware, Vacuum Cleaner, Health Care Appliance, Air Conditioner, Monitor, Security System, Commercial Display, etc.
5 - CEO	Bon Joon Koo, David Jung
6 - Date of Establishment	October 1, 1958
7 - No. of Employees	83,641 (Korea 37,835/ Overseas 45,806)

## Overview

(As of December 31, 2014/Consolidated)





# WHAT WE DO

## \_OUR BUSINESS

- HE Home Entertainment**
- MC Mobile Communications**
- H&A Home Appliance & Air Solution**
- VC Vehicle Components**

Today, LG Electronics is a dominant leader in the fields of TVs, mobile phones, air conditioners, washing machines and refrigerators, making us a global leader in technological innovation for consumer electronic products, mobile communication devices, and home appliances. In a strategic move to sustain sound growth while continuing to create higher value from our core businesses, LG Electronics has reorganized its previous five business divisions into four by integrating the Home Appliance (HA) and Air Conditioning & Energy Solution (AE) businesses into the H&A business division. We also established three new organizations: The Innovation Business Center will prepare for future businesses and discover new business models; the B2B Division was set up as part of our company-wide drive for B2B operations; and the Energy Business Center will pursue energy-related businesses, such as solar power, lighting, and energy storage systems (ESS). This has allowed LG Electronics to complete an efficient framework for establishing future growth engines under the new four business divisions: HE (Home Entertainment), MC (Mobile Communications), H&A (Home Appliance & Air Solution), and VC (Vehicle Components).



# WHO WE ARE





# HE (Home Entertainment)

LG Electronics became a pioneer in the market after introducing popular ultra-HD TV sets and the world's first OLED TV sets. Featuring our own operating system for smart devices, the WebOS, our smart TVs offer a unique user experience (UX) and significantly enhance user convenience.

## Management Message

We aim to lead the market by delivering differentiated customer value that only LG Electronics can provide. To this end, we have taken a major step forward from focusing on technological innovation to implementing business initiatives based on accurate identification of market needs. By reinforcing high value markets such as OLED TV (in which we have leading-edge technology) and integrating home and personal devices, we are providing real value for customers with even smarter products, and improve the quality of their lives.

HE Company President / Executive Vice President  
**Bong Seok Kwon**



**Sales, Consolidated**  
 (Unit: KRW billion)

# 19,378.6



TVs for people with visual and hearing disabilities p. 32



TV, all-in-one PC and monitor replaced hazardous substances p. 39

Resource reduction case by improving materials p. 41



////////// **MC** (Mobile Communications)

Based on our unrivaled hardware capabilities, LG Electronics' differentiated product line-up features competitively designed products that are both attractive and innovative, such as the G3, G4 and G Flex 2 smartphones. We also pulled ahead of our competitors in the wearable device market after introducing the newest line of G-Watch and G-Watch R smart-watch models.

**Management Message**

As the smartphone market matures, customer requests become more diverse, and competition grows even fiercer, LG Electronics has strengthened its position in premium markets through the G3, while sustainably strengthening its brand value through differentiated design and innovative products. We will not be satisfied with the current status quo – we will concentrate on ground-breaking improvement in customer experience, thus sustainably maximizing customer value. Through the timely launch of competitive models, establishment of a virtuous circle structure, and increased profitability through a more efficient resource distribution system, we will continue our evolution as a company that contributes to customers and society through the promotion of social affluence via mobile devices.

MC Company President / President  
**Juno Cho**

 **Sales, Consolidated**  
(Unit: KRW billion)

15,057.4

-  Book-reading smartphones for people with visual impairments  p. 32
-  Mobile phone replaced hazardous substances  p. 39
-  Green packaging improvement  p. 42
-  Green product certification in Europe  p. 45





MC







**Sales, Consolidated**  
(Unit: KRW billion)

# 16,102.3

## H&A (Home Appliance & Air Solution)

Our major appliances, especially refrigerators, washing machines and air conditioners, far surpass the competition in terms of product capacity and energy efficiency, which also ensures industry-leading profitability for LG Electronics in terms of cost competitiveness.

### Management Message

LG Electronics is leading the global home appliance market through its creation of unprecedented value and pursuit of continuous innovation. We provide new value to customers with products that possess differentiated competitive advantages through total home solutions, such as IoT technology, and service that far exceeds the mere integration of business areas centering on existing devices. Additionally, we were the first home appliance company in 2014 to secure CERs, and with our eco-friendly product development and production process, we have received the ENERGY STAR Partner of the Year-Sustained Excellence Award. We will continue to pursue responsible management in the future by following the tenets of LG's Jeong-Do management, which is based on our management principle of "Customer-Value Creation."

H&A Company President / President  
**Seong Jin Cho**



Clothes dryers qualified for ENERGY STAR

44 p.

EcoHybrid Heat Pump Dryer earned ENERGY STAR Emerging Technology Award

44 p.

Green Product of Year

45 p.



Donated solar powered refrigerator

64 p.





**Sales, Consolidated**  
(Unit: KRW billion)

8,502.5

## VC & etc. (Vehicle Components & etc.)

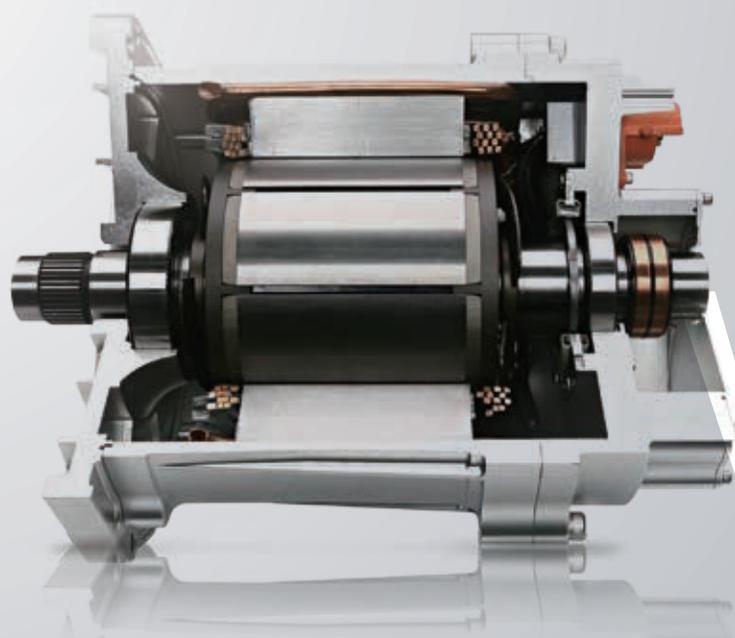
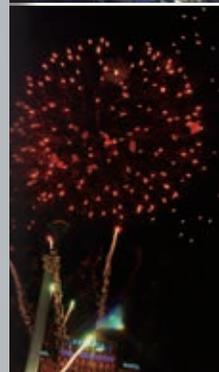
We are constantly raising the bar in terms of safety and environmental standards for automobiles through the development of engine components, HVAC\* systems, and vehicle battery pack based on our superior motor and compressor technologies. By offering integrated automobile component design services, LG Electronics is able to offer the most reliable customer service and maintain unparalleled customer trust.

\*HVAC: heating, ventilation, air conditioning

### Management Message

LG Electronics' VC Company is strengthening its foundation for sustainable growth by expanding product portfolio and securing differentiated technological capabilities. As with all our product lines, and as leaders of eco-friendly environmental practices, we are responsible for ensuring environmental responsibilities of our company, and are doing our best to build eco-friendly businesses through ongoing R&D investments and creating new growth drivers. In addition, we are working to establish a model for win-win collaboration. To this end, we have partnered with over thirty electric vehicle (EV) component suppliers as an ecosystem-wide effort to grow together as the world's leading EV component makers.

VC Company President / President  
**Woo Jong Lee**

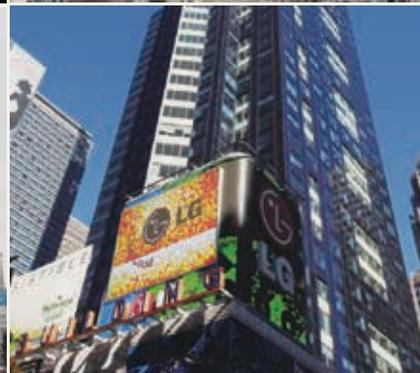


VC

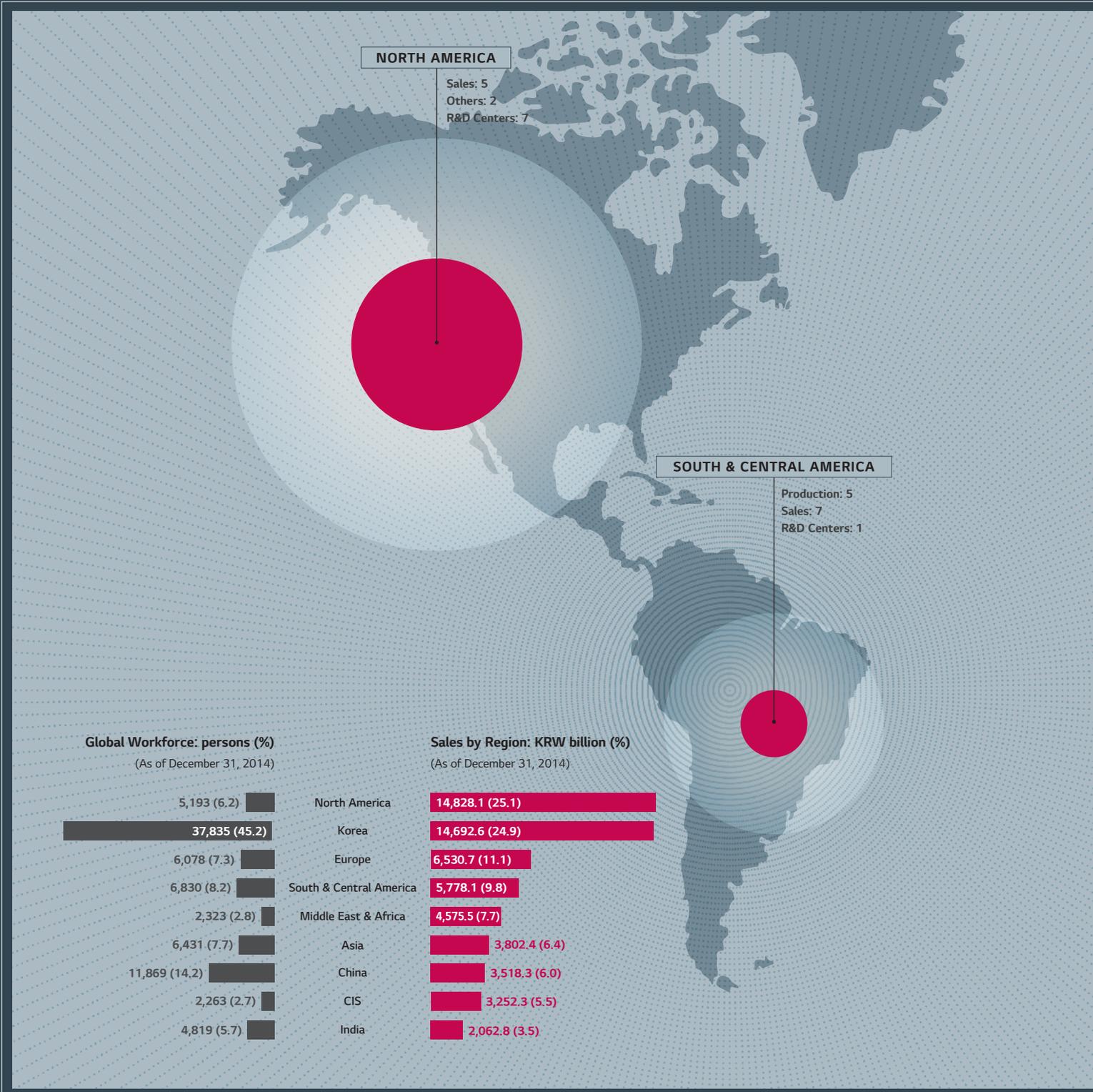


Life's  
Good with LG

As a multinational corporation with business operations in 200 countries worldwide, LG Electronics conduct business in a sustainable and transparent manner, drawing on its accumulated know-how and cutting-edge technologies—as well as enterprising spirit that embraces change, innovation, and social responsibility. We are proud to offer differentiated value to all our stakeholders by making its slogan, “Life’s Good,” into a reality in a digital world where everyone leads a more affluent and convenient life. Through top-quality change and innovation initiatives, we are growing as a sustainable company by consistently endeavoring towards a higher quality of life for customers all around the world.



# WHERE WE OPERATE

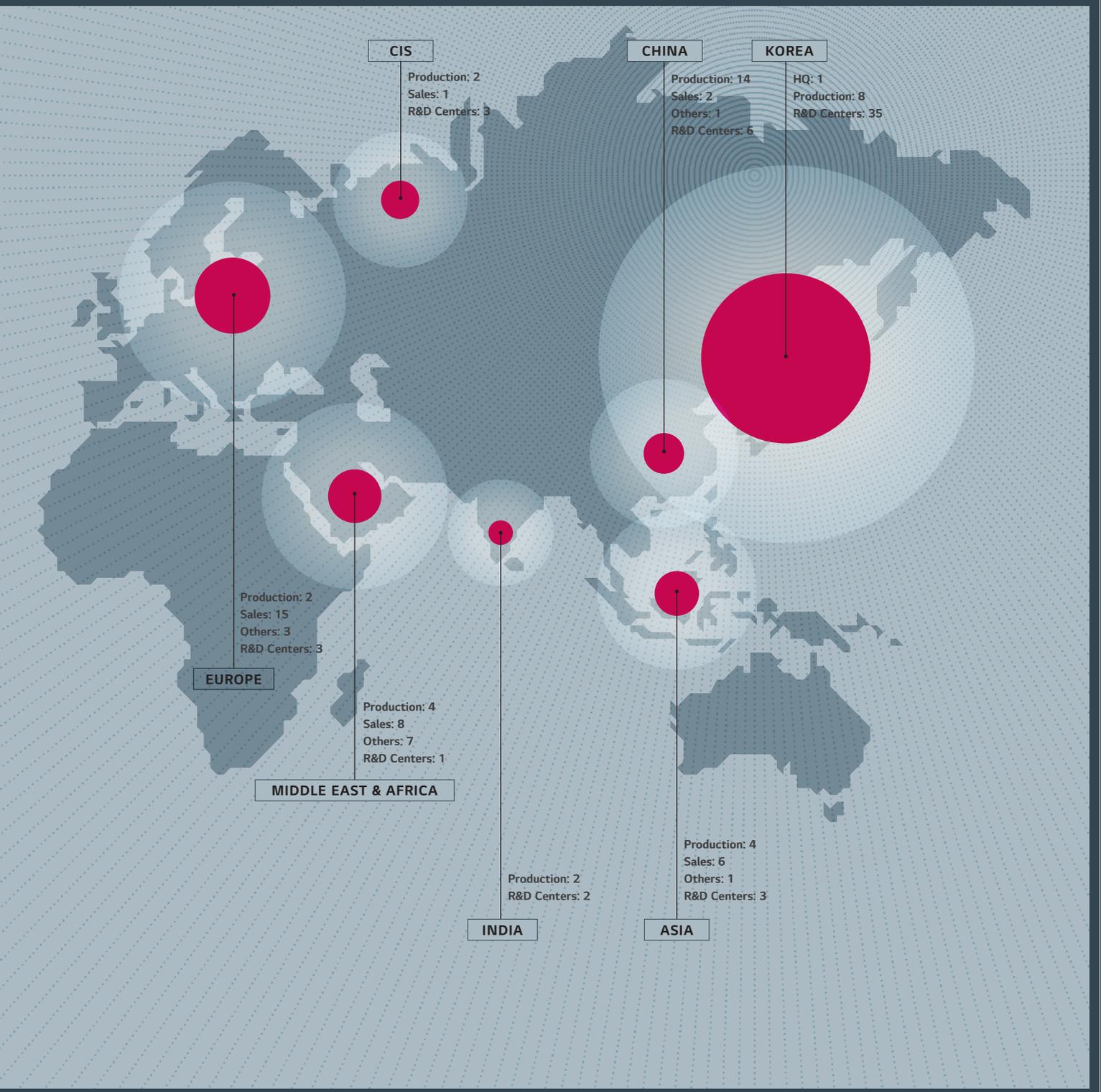


Total No. of Employees **83,641**



Total Sales KRW **59.04** TRILLION

LG Electronics is a global company that serves customers across the world through a vast network of production, sales, service, and R&D locations, with business operations in more than 200 countries. As we constantly expanding our presence internationally, our innovative technologies and products are changing the lives of customers in Europe, North America, and emerging markets in Asia, the Middle East and South America.



# WHAT WE ACHIEVED

## Financial Highlights

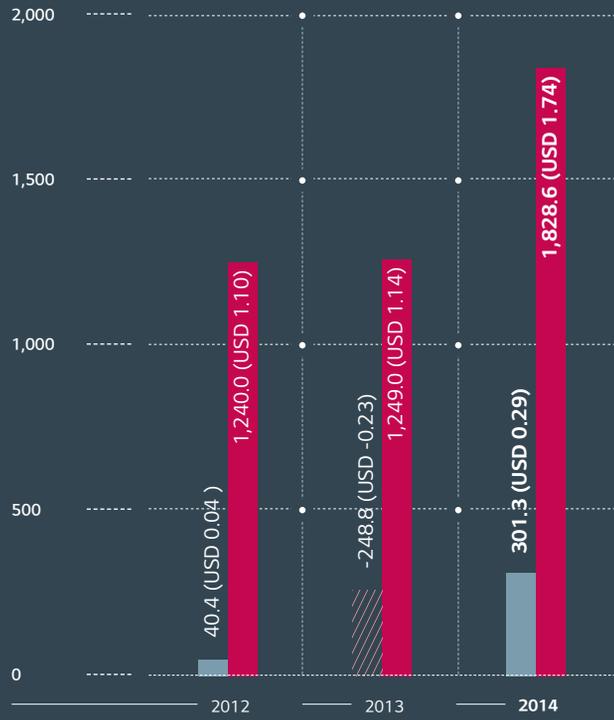
### Sales

(Unit: KRW billion (USD billion))



### Operating Income

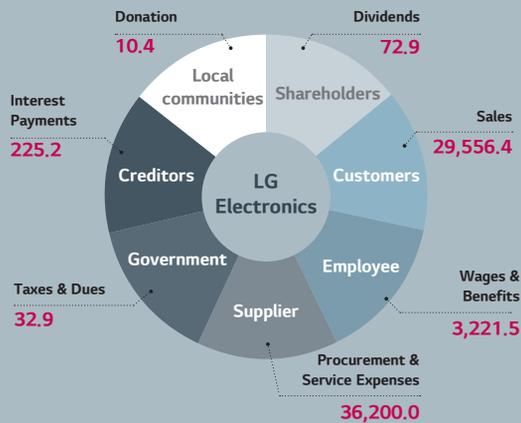
(Unit: KRW billion (USD billion))



■ Parent ■ Consolidated

1USD = KRW 1,127 (2012)/KRW 1,095 (2013)/KRW 1,053 (2014) · Past data was revised to reflect the suspension of PDP modules and PDP TV sales.

### Flow of Economic Value (Unit: KRW billion/Parent)



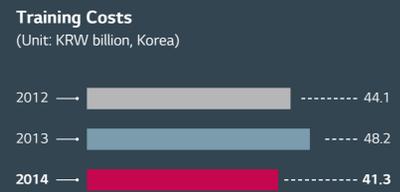
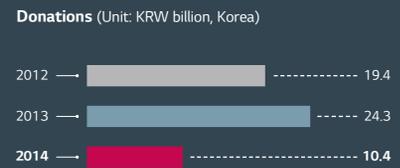
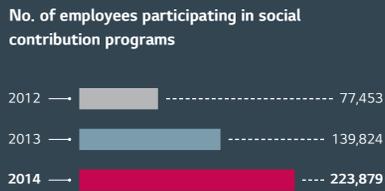
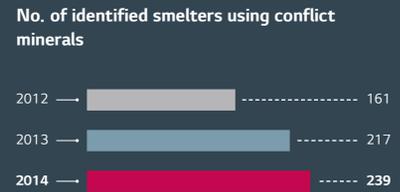
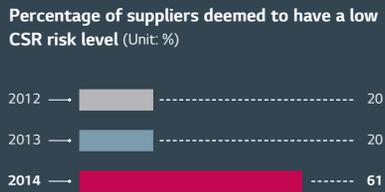
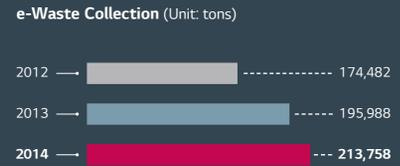
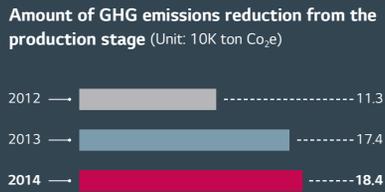
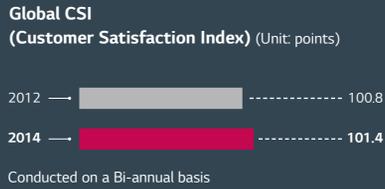
### Economic Value Generated, Distributed, and Retained (Unit: KRW billion/Parent)

Category	2013	2014
Sales	27,095.6	29,556.4
Non-operating Income and Financial Profits	3.4	-281.5
<b>Economic Value Generated</b>	<b>27,099.0</b>	<b>29,274.9</b>
Operating Expenses	27,344.3	29,255.0
Wages & Fringe Benefit Expenses	3,092.5	3,221.5
Capital Costs	232.1	298.1
Taxes & Dues	28.9	32.9
Donations	24.3	10.4
<b>Economic Value Distributed</b>	<b>30,721.9</b>	<b>32,817.9</b>
Economic Value Retained	-3,623.0	-3,543.1

Past data was revised to reflect the suspension of PDP modules and PDP TV sales.

In 2014, LG Electronics achieved outstanding financial results in all business areas, including sales and operating income, which speaks volumes of the progress we made in terms of our business competitiveness. By taking advantage of our strong competitive edge, we will sustain growth as a company that offers its stakeholders higher benefits and greater value through top business performance results and leading corporate social responsibility initiatives.

### Non-financial Performance



# CSR MANAGEMENT

## Principles for Sustainability & CSR Management

Based on its management principles of Customer-Value Creation and People-Oriented Management, LG Electronics pursues sustainability management that is balanced with the triple bottom line—society, the environment, and the economy. We also comply with the most rigorous international standards as well as labor laws and regulations, such as the Universal Declaration of Human Rights, the ILO’s Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, the OECD’s Guidelines for Multinational Enterprises, the UN Global Compact, and the EICC Code of Conduct. Every year, we review international standards and related laws and regulations, incorporating new requirements into our sustainability management policies as well as our Code of Ethics and Code of Conduct. In order to ensure we always carry out the ethical and social responsibilities our stakeholders expect of us, LG Electronics maintains its role as a healthy organization in the market ecosystem and assumes a proactive role in making the system healthier with our products and services. Furthermore, we are committed to caring for communities we operate in, assist underprivileged people getting back on their feet, engage and communicate with a variety of stakeholders throughout this process, and form trust-based relationships with everyone we are in contact with. Our ultimate goal of sustainability management principles is to reflect the different voices of our stakeholders in our management activities and to generate differentiated value for them which will serve as a firm foundation for a company’s sustainable growth.

## Sustainability & CSR Management System

In April 2012, LG Electronics amended a certain provision of its BOD bylaws to include corporate social responsibility activities as part of BOD’s official duty, and to strengthen the BOD’s commitment toward Sustainability and CSR issues. At the meeting held in November 2014, key sustainability performances over the year and its future plans by key issues were also reported to the BOD members. Since 2009, LG Electronics has operated its CSR Committee (comprised of top executives including CEO), to brief executives on major CSR agenda and obtain top management decisions on the issues. In addition, we report on CSR issues—buyer requests, risk assessment results, and social contribution efforts—in management meetings at each business company, in which company president and executives participate in to raise management awareness on CSR issues and facilitate improvement efforts. In 2014, we launched a company-wide Executive Council for Sustainability Management, which consists of HQ executives in charge of labor/human rights, ethics, environmental management, and supply chain management. The Executive Council plays a leading role to decide CSR agenda which are reported to the BOD and CSR Committee and to strengthen our task execution while also to promote inter-departmental collaboration through a timely and smooth decision-making process. With our working-level CSR Staff Council, which consists of CSR managers from headquarters, business companies, and overseas subsidiaries, it is organized into three working-level groups that each handle stakeholder engagement, social contribution, and risk management issues. The council

### LG Electronics' Principles for Sustainability & CSR



is entrusted with formulating specific action plans and improvement measures for each area and translating our CSR objectives into actual performance initiatives, as well as training CSR managers to help their competency-building efforts.

Since 2012, LG Electronics has participated in the LG CSR Committee and Management Council, which is led by LG Corp., and whose mandate is to establish group-level directions for social contribution and assessing performance, and to improve risk assessment criteria. In 2014, LG Group affiliates organized the China LG CSR Committee, which is led by LG Electronics, to ensure joint response efforts to specific sustainability issues and to maintain active communication channels with diverse stakeholders. As the facilitator, the China CSR Bureau develops integrated sustainability management strategies focused on the Chinese market, while also offering CSR risk management training to CSR staffs at local subsidiaries and publishing the local subsidiary's Social Contribution Report in China. In 2015, the first Chinese version of LGE Sustainability Report will be published in China. Additionally, a stakeholder consultation meeting on CSR will be held in July, 2015.

**Awareness Building on Sustainability & CSR**

LG Electronics fully understands training and awareness programs are integral to incorporating CSR efforts into our business practices. We've been operating regular CSR training course by positions including new employees, expatriates and subsidiary presidents etc. and CSR curriculum by functions for marketing and procurement staffs. Also, we're operating a Korean and English version of online training program since launched in 2014. Additionally, we regularly send out a biweekly CSR newsletter to all our employees and inform them about latest CSR trends and to raise awareness by using internal on/offline board, website and SNS accounts etc., while we're keeping track of our employees' CSR awareness level through an annual LG Way Survey.

**Awards & Recognitions**

In September 2014, LG Electronics became the first Korean company to be named an Industry Leader in Leisure Equipment & Products and Consumer Electronics at the 2014/2015 DJSI World Indices. LG Electronics was also singled out as the Industry Group Leader in Consumer Durables & Apparels on the same List. This was our 3rd time in a row to be listed on the DJSI World Indices. At the same time, we were listed on the DJSI Asia-Pacific Indices for a 5th straight year and the DJSI Korea for a 6th consecutive year. In January 2015, we ranked 51st on the Davos World Economic Forum's Global 100 Most Sustainable Corporations in the World. This was not only our 2nd straight year to be named to this list, but we shot up 31 notches, from 82nd, in 2014. In addition, we were named to the Asia Future Forum's East Asia 30 in 2014, and received commendation from Korea's Minister of Public Safety and Security for our work in building safe communities. That same year we were awarded the Ministerial Prize from the Indonesian Investment Coordinating Board (BKPM) for our excellent CSR practices and earned the Ministerial Prize at the Korea-Myanmar CSR Excellence Awards. Additionally, we won the Best Environmental Protection Prize at the Korea-China CSR Forum & Awards in 2014.



01



02



03



04



05

- 01: Included in the 2014/2015 DJSI World Indices and selected an Industry Leader in Leisure Equipment & Products and Consumer Electronics
- 02: Awarded Ministerial Prize at the Korea-Myanmar CSR Excellence Awards
- 03: Listed in the 2014 East Asia 30
- 04: Awarded the Indonesia's BKPM Ministerial Prize for excellent CSR performance
- 05: Awarded the Best Environmental Protection Prize at the Korea-China CSR Forum & Awards

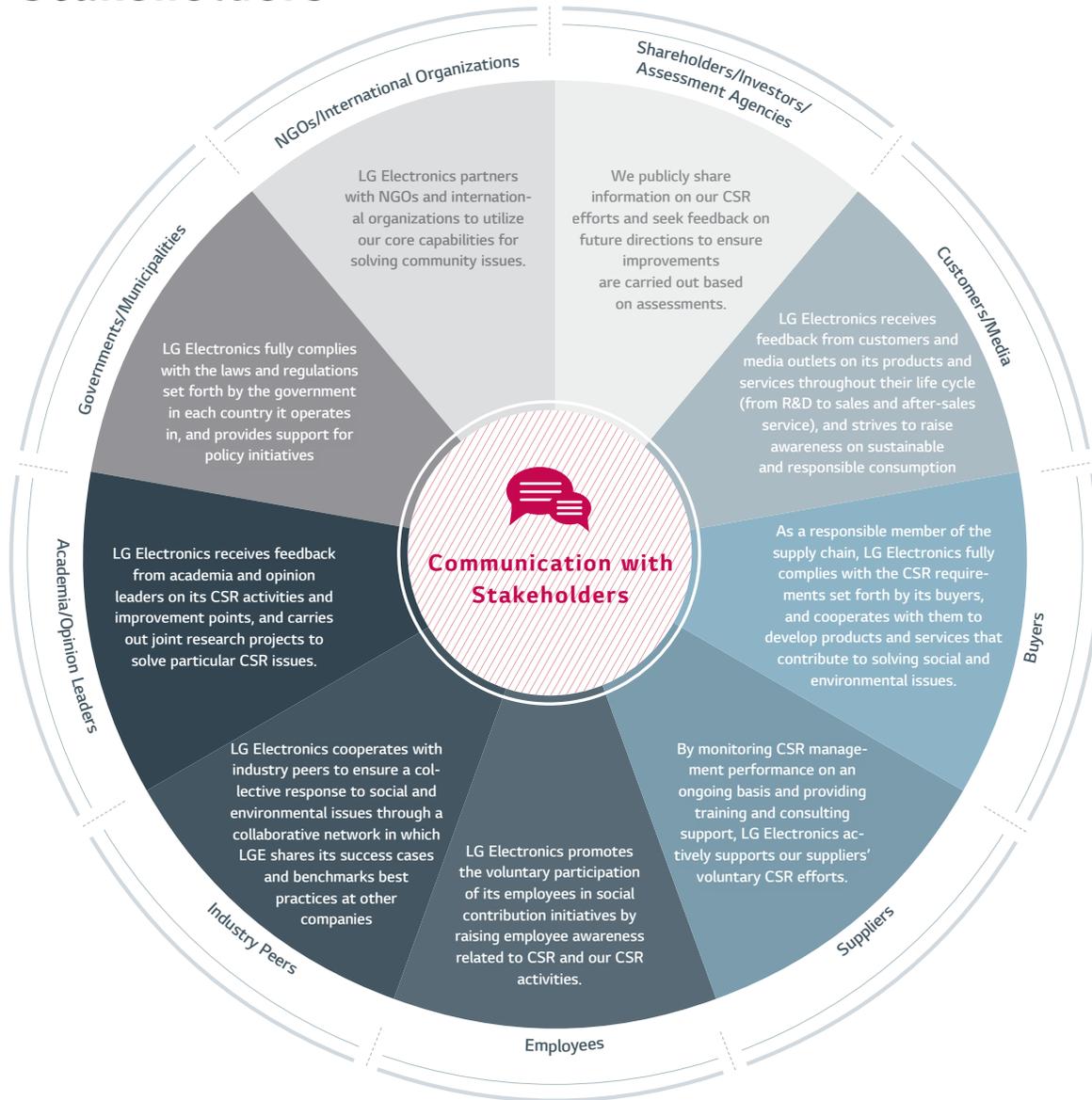
**Organization of LGE Sustainability & CSR Management**



**LGE's CSR Training Program (Unit: persons)**

Category		2013	2014
Offline	By position	3,268	989
	By function	484	336
Online	-	1,533	463
Total		5,285	1,788

# Communication with Stakeholders



**Q** What is the LG Electronics' process for stakeholder engagement?

**A** LG Electronics prioritizes its sustainability issues of high concern with stakeholders by group and then analyzes their opportunities and risks to determine the best way to communicate with each stakeholder group. Based on the results, we gather and understand stakeholders' needs and expectations by using a diverse communication channels. And then, we feedback to the stakeholders on our activities and performances reflected their opinions to encourage greater stakeholder participation in our business activities.

**Q** Why stakeholder engagement is important?

**A** LG Electronics fully understands listening to stakeholders' opinions on a wide range of issues is imperative to clarify that what matters are most important to them and to inspire their participation in our CSR initiatives. This is actually quite significant, as it is not a form of unilateral communication, but more of an interactive communication channel between LG Electronics and its stakeholders, which is ultimately reflected in its actual business activities. Because stakeholders believe that their opinions - concerns or expectations - will become the foundation for LG Electronics' sustainable growth.

**Q** What is LGE's future direction for communication with stakeholders?

**A** We will continuously invite our stakeholders to a place for a free discussion through stakeholder consultation and training programs. Furthermore, we are constantly developing new communication channels, such as campaigns to raise public awareness about CSR activities. In order to ensure that our stakeholders' expectations and demands are promptly reflected in our business activities, we will further promote the functions of our CSR Council and raise the top management's CSR awareness, thereby enhancing our overall governance for sustainability management.

# Stakeholder Consultation on CSR

Launched in 2010 as a semi-annual event, LG Electronics' Stakeholder Consultation is a main channel for communicating with stakeholders. In 2014, we tried to make a change in the way we operate this program to allow a more customer-friendly approach to all agenda items.

## The 8th Consultation Meeting (Korea, May 26, 2014)

### Invitation for Customers to Participate in Discussions

We introduced a new concept, free discussions with 30 panels including customers and our employees as well as CSR experts from government, academia, assessment agencies, international organizations and NGOs at the 8th consultation meeting held on May 26, 2014. The most different features is that all participants can freely exchange their opinions on specific topics.

### Free Discussion in Three Groups

Under the theme of "Products and Idea for contribution to society", three groups comprised of 10 panels freely discussed on separated group topics after expert's presentation. The main purpose was to brainstorm on effective ways to contribute to society through our products, technologies and infrastructures. Working-level staffs from sales, marketing, product planning departments and R&D centers participated in discussions to share their opinions with all panels and gather good ideas from them.

### Discussion Topics

- Topic 1 – Contribution to local communities by developing products specialized to local needs
- Topic 2 – Protection of children/youths from illegal and harmful internet content and contribution to solving smartphone addiction
- Topic 3 – Enhancement of accessibility for the socially vulnerable

### Commitment to Sustainability Management

The consultation meeting provided us with an opportunity to assure our stakeholders of our commitment to consistent practices of sustainability management based on a mid-to long-term sustainability roadmap, while also serving to raise employee sustainability awareness and motivate inter-departmental collaboration for sustainability management purposes.



01



02



03



04



05

## The 9th Consultation Meeting (U.S., September 23, 2014)

### The First Overseas Consultation

We held our second meeting of 2014—and our first overseas consultation meeting—in Washington D.C. to listen to voices of our international stakeholders. 10 panels from numerous social welfare institutes for the disabled, including the American Association of People with Disabilities were invited to the 9th consultation meeting held on Sep. 23. All panels discussed on LGE's role to promote accessibility for people with disability. LG Electronics explained on its various sustainability activities and listened carefully to local stakeholders' opinions.

### In-depth Discussions on Specific Topics

At the meeting on promoting accessibility, participants were in general quite positive about LG Electronics' commitment and proactive responses to enhance safety and convenience for people with disability when using its products. At the same time, stakeholders in attendance asked LG Electronics to increase their disability employment rate, promote diversity within its workforce, and strengthen product innovation to enhance the quality of life for people with disability. We will select some of the most feasible suggestions and opinions for internal review, and reflect them in its future product development and business activities.

### Plans to expand global consultations

Moving forward, LG Electronics plans on expanding the scope of its consultation meetings to other overseas markets, such as China and Europe. As we continue to communicate with diverse stakeholders on local issues, we will also consider local expectations to reflect in our future business planning and activities.

01, 02: The 8th Consultation Meeting  
03, 04, 05: The 9th Consultation Meeting

# Creating Value for Stakeholders

Communication at Each Stage of the Value Chain

## BACKGROUND

- Limited accessibility issues for people with disabilities
- A rising need for products and services that ensure greater disability convenience

- Tackling issues such as human rights infringements, environmental disruptions, and bribes associated with conflict minerals

## ROLES

### Value Chain

#### R&D

##### R&D for products that contribute to society and our business

It is our objective to generate financial profits and address social and environmental issues through our products and technologies. To this end, we share information with NGOs, international organizations, and government agencies (receive/provide advice), and partner with these organizations for joint R&D projects to identify stakeholder needs early on from the development stage.

#### PROCUREMENT

##### Responsible sourcing & supply chain management

Committed to an ethical and responsible supply chain, LG Electronics conducts regular CSR assessment (labor rights, human rights, the environment, and health & safety) on commodity/parts suppliers and outsourcing service providers. At the same time, we closely cooperate with industry peers and associates, NGOs related to labor & human rights, as well as with buyers and suppliers, to establish CSR assessment criteria, and to conduct assessment and training.

## PRACTICE ACTIVITIES

### Developing and providing products for improving accessibility for the disabled

- Gathering ideas regarding disability-friendly products from disability associations, such as the Korea Blind Union and the Social Welfare Center for Disabilities, at the initial stages of product development and asking for their advice on function improvements related to product tests
- Introducing smartphones that feature an e-book app service from LG Sangnam Library
- Enhancing partnerships with LG U+, Korea Communications Agency, and the Korea Communications Commission



Book-reading smartphones for the visually impaired 32P



TVs for the visually and hearing impaired 32P

### Establishing a conflict minerals management system

- Revising the Suppliers' Code of Conduct and master purchase agreement; advising suppliers to establish their own conflict minerals policies
- Having suppliers register their use of any conflict minerals use, or information concerning the origins of and the use of smelters, with our conflict minerals management system
- Raising suppliers' awareness on conflict minerals
- Establishing joint response system with industrial peers and NGOs



Teaching suppliers/SMEs about importance of dealing with conflict minerals 58P



On-the-spot surveys on Bangka Island 59P

## FUTURE DIRECTIONS

- Establishing an R&D system for the disabled to access technologies/products, providing Braille manuals for our products, improving web accessibility for the disabled, and running a customer service center for the disabled to improve access to our entire product and customer services
- Regular technical exchanges and consultations with universities, research institutes, and disabled associations

- Checking with suppliers on the use of conflict minerals in products/components and smelters (recommending using smelters that are certified)
- Sharing information and education with suppliers in Korea and overseas production sites
- Continuing dialogues and collaboration efforts with NGOs to address conflict mineral issues, including tin from Bangka Island

- The growing importance of protecting workers' labor/human rights in the electronics industry

- Local community issues (e.g. water scarcity in Mexico, the livelihood of refugees in the DR Congo)

- Selecting Ethiopia as a priority country for supporting underdeveloped countries' self-reliance

**PRODUCTION**

**MARKETING & SALES**

**+ α**

**Protecting employees' labor/human rights and the environment**

LG Electronics maintains an ongoing communication channel with its labor union and Junior Board to protect employee rights and improve working conditions, while also working hard to protect the environment in and around our production sites as well as the production process itself. Additionally, we cooperate with government agencies, municipalities, industry peers and associations, and environmental NGOs to establish standards, conduct assessments, and provide consultation.

**Protecting customer rights and conducting a cause marketing**

In our marketing communication activities (ads, promotions, sponsorships), LG Electronics strives for responsible marketing that protects customer rights. We also partner with NGOs, international organizations, and media outlets to organize cause marketing programs that connect product sales and charitable opportunities in a bid to encourage customers to take part in addressing community issues through production consumption or to participate in social contribution programs as volunteers.

**Contributing to solve local community issues**

LG Electronics strives to contribute to achieve UN Millennium Development Goals by helping self-reliance of the underprivileged through its products and technologies. To this end, we seek feedback from government agencies, local residents, academia, and opinion leaders. Also, we're operating partnership programs with NGOs and international organizations and provide our customers and employees with opportunities to take part in donation and /or volunteering activities for solving community issues.

**Risk management efforts at production sites**

- Addressing grievances and regular opinion collection through internal communication channels, such as Labor-Management Council and Junior Board Council
- Compliance with international standards through memberships to UNGC and EICC
- Regularly conducting self-assessment and on-site audit by the 3rd party at production sites
- Training employees to raise their awareness on labor/human rights, the environment and health & safety issues



LG Electronics' Global Labor Policy



75P

Participation in industrial and association activities



75P

**Product-linked CSR marketing**

- Hosting a global cooking contest featuring lightweight ovens in partnership with the World Food Programme (WFP); raising funds to support female refugees from the Congo (USD 5 donation for every recipe entry)
- Planning a cause marketing campaign in collaboration with Mexican electronics dealers to donate USD 30 for every washing machine sold in Mexico in order to buy water tanks for low-income families suffering from water scarcity problems
- Encouraging consumer participation in campaigns through the media and SNS promotions



Supporting female Congolese refugees to be self-supportive



65P

Donation of water tanks in Mexico



71P

**Ethiopia's LG Hope Community**

- Self-reliance project in partnership with local governments, KOICA, and World Together, such as promoting agricultural productivity and running vocational schools
- Meetings with local central/regional governments and local residents to select beneficiaries of the program
- Collaborating with experts from different areas, including Cheonan Yonam University and LGE employees with related technologies, to establish the basic infrastructure required for self-reliance aimed at local residents: installing demonstration farms, wells, solar charge stations; manufacturing solar chargers and solar-powered carts



LG Hope Community



63P

LG Hope Vocational School (TVET College)



63P

- Distributing our Global Labor Policy in 18 languages to our business operations worldwide and continuing to improve the effectiveness of policies (e.g. abolition of wage deductions from disciplinary options)
- Establishing a company-wide risk management program at all our production sites: establishing regular self-assessment measures and improvement tasks
- Expanding CSR training to further raise employee awareness

- Continuing CSR marketing activities by using our products, technologies, and infrastructure to address pending issues in local communities where we operate, while contributing to our own business as well
- Increasing cause marketing campaigns in which customers can easily take part in
- Continuing communication and cooperation efforts with local governments, NGOs, and international organizations to uncover important local issues

- Sponsoring vocational schools to train technicians for higher agricultural productivity and A/S services for electronic appliances
- Continuing dialogue and partnerships with local governments, NGOs, international organizations, and beneficiaries of the program to improve the projects
- Raising our brand image with prospective customers by supporting their financial self-reliance

# Materiality Analysis

LG Electronics performs a materiality analysis to systematically manage material CSR issues based on the AA1000SES (Stakeholder Engagement Standards) Five-Part Materiality Test.

## Materiality Analysis Process

Every year, LG Electronics conducts a materiality analysis to systematically manage material CSR issues based on the "Five-Part Materiality Test" of AA1000SES. We identify material issues through a two-step process. First, we create an issue pool by carefully reviewing the latest CSR trends in Korea and overseas, then we weigh their interest to our stakeholders and impact on our business to outline key material issues. Finalized through a review by top management and a third party assurer, these material issues constitute the main content of our sustainability reports. We then disclose a detailed review of our performance and future directions concerning these issues on our corporate website. Material issues are also presented at our semi-annual stakeholder consultation meetings as key agenda items, and utilized in establishing our environmental and social contribution programs. They are also used as an important reference source when formulating marketing campaigns.

## Materiality Analysis Criteria

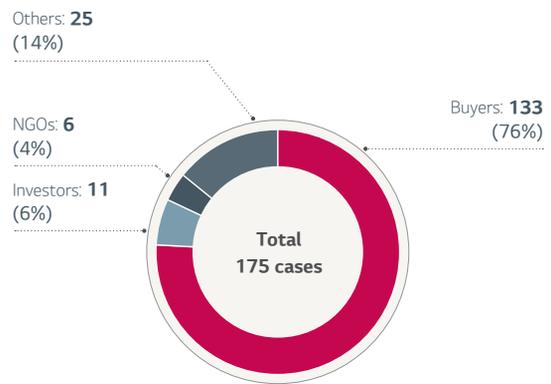
The criteria for our materiality analysis consists of external standards (industry standards, stakeholder interest, and social norms) and internal standards (short-term financial impact and internal policy/awareness). In order to make an objective assessment on just one key factor, stakeholder interest, we conduct surveys with experts, the public, and employees, then perform an analysis of stakeholder consultation results, external stakeholder inquiries, media coverage, and benchmarking issues of the industry.

## Key Stakeholder Interest

In 2014, LG Electronics received a total of 175 inquiries and opinions from external stakeholders concerning our sustainability management and CSR issues, an increase of 87 cases (99 %) from the previous year. Inquiries made by buyers accounted for 76 percent of the total inquiries, reflecting a huge increase in buyer inquiries on our CSR management practices and performance. This was mainly due to global efforts towards heightened supply chain management across industries (wireless communications, IT, hospitality, automobile, etc.) and a corresponding increase in CSR requirements in their new supplier selection and existing supplier evaluation processes. The main topics of inquiries and requests were about our current policies regarding conflict minerals, product stewardship (hazardous substance management, product life-cycle assessment), and supply chain management. We sincerely answered all these inquiries, while also reporting on key issues to the top management for reflection in our future business activities.

In terms of the LG Way Survey, which was conducted with LG Electronics employees in Korea and overseas, results showed that 71 percent of respondents think positively of the company's sustainability management and CSR activities.

## Analysis Results of External Stakeholder Inquiries & Requests (2014)



## Inquiry Topics (Unit: %)

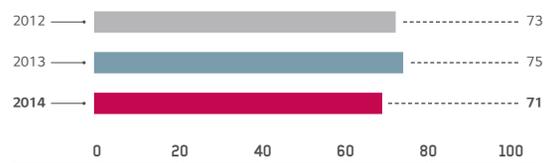
Conflict minerals	16
Product stewardship	16
EESH (Energy, Environment, Safety, Health)	14
Supply chain management	13
CSR management system	12
Labor/Human rights	12
Anti-corruption/Fair trade	10
Others*	7

\* Information security, business continuity, supplier diversity

## 2014 LG Way Survey Results

(% 41,739 employees responded from Korea and overseas)

Q : LG Electronics is fully aware of the materiality of the social, environmental and financial responsibilities of a business.



### Utilization of Materiality Analysis Results

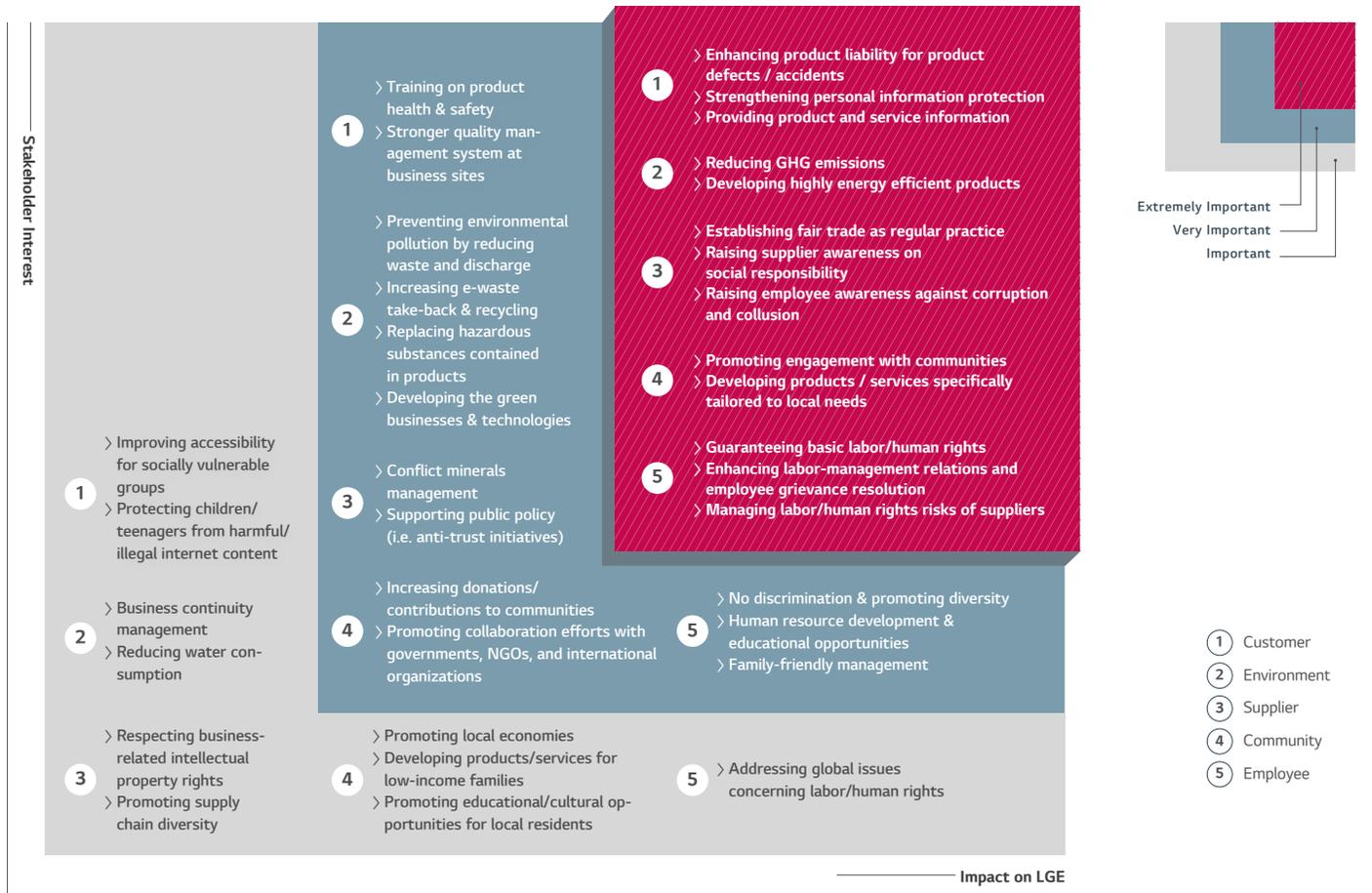
LG Electronics incorporated some of the material issues identified from the previous materiality analysis results in its 2014 company-wide sustainability improvement tasks. In 2015, we will distribute our revised stakeholder engagement guidelines including a manual on company-wide grievance handling system, to all business sites based on survey results on the current status of all subsidiaries in Korea and overseas. Additionally, we held a global stakeholder consultation meeting in the U.S. in 2014 to expand the scope of our communication with stakeholders, specifically with the global community, governments, NGOs and international organizations. The same type of meeting is scheduled to take place in China in 2015. Furthermore, we're operating partnership programs with local/central governments, NGOs, and international organizations for our CSR marketing projects, mobile medical clinic projects in emerging markets throughout Asia and the LG Hope Community program in Ethiopia. In an effort to expand the scope of our CSR risk management program from the current component suppliers to OEM & ODM manufacturers, we singled out a specific number of companies in 2014 and are now working hard to conclude improvement initiatives, including CSR compliance, in the purchase agreement provisions. Based on 2014-2015 materiality analysis results, related departments from headquarters and business companies will collaborate to develop corporate-level improvement tasks for 2015 with the progress and performance results to be reported on in next year's edition of our sustainability report.

### 2014 Materiality Analysis Results

According to the 2014-2015 materiality analysis findings, customer privacy protection has emerged as the top priority issue, while product liability (assuming greater responsibility for product defects/post-accident responses) and product/service accessibility remained important material issues to our stakeholders when it came to LGE's customer service. Environmentally, no substantial changes took place except for the emergence of one new material issue, a business continuity management in times of disaster/crisis. This reflects the change of stakeholders awareness and interest resulted in recent natural disasters and Korea's customer information leakage scandal and its impact on businesses.

In tandem with the rising importance of supply chain management in the electronic industry, promotion of CSR awareness throughout the supply chain was emerged as material issues. Also, labor/human rights-related risk management in the supply chain was a top priority issue in the labor/human rights field. In addition, rising concerns about diversity promotion in North America and Europe gave rise to stakeholder concern regarding diversity throughout the supply chain as well as non-discrimination and diversity in the workforce in both of these markets. Although there were no emerging issues in the local community field, LGE's social contribution directions focused on utilizing its core products, technologies and infrastructure pushed the developing products/services customized to local needs and stronger engagement with local communities upward in the priority rank of material issues.

### 2014-2015 Materiality Analysis Metrics



# KEY PROGRESS AND PERFORMANCE

Area //////////////// CSR Material Issues ///// Background & Implications //////////////// Long-term Goals ////////////////

Customer	Product safety & personal information protection	<ol style="list-style-type: none"> <li>1) Top management's stronger commitment towards higher quality products/services</li> <li>2) More stringent regulations on product safety internationally</li> <li>3) Voluntary reinforcement for product safety and corporate social responsibility</li> <li>4) Emerging risks in product safety with the adoption of new technologies</li> <li>5) Stricter regulations on protecting customer privacy and personal information</li> </ol>	<ol style="list-style-type: none"> <li>1) Striving to raise LG Electronics' brand recognition as the world's best quality products</li> <li>2) Achieving the world's best product quality/safety standards</li> <li>3) Establishing an information security management system throughout the supply chain</li> </ol>
Environment	Product with greener features	<ol style="list-style-type: none"> <li>1) Growing customer interest and demand for greener products</li> <li>2) Innovation in the practical quality of customers' lives (i.e. lower electric bills and healthier living conditions)</li> <li>3) More rigid international environmental regulations, including RoHS, REACH, WEEE and other international energy efficiency regulations</li> </ol>	<ol style="list-style-type: none"> <li>1) Enhancing the energy efficiency of products</li> <li>2) Reducing 60 million tons of GHG emissions from product use by 2020 (compared to total energy consumption in 2007)</li> <li>3) Increasing the use of recycled materials and enhancing our e-waste management system</li> </ol>
	EESH management	<ol style="list-style-type: none"> <li>1) Rising social needs and regulations on low-carbon and eco-friendly management practices</li> <li>2) Growing need for cutting risk factors regarding the environment and safety issues in advance</li> <li>3) Minimizing the negative impact on the environment and promoting CSR activities alongside local community development</li> <li>4) Rising customer awareness and rights for the environment and safety issues</li> </ol>	<ol style="list-style-type: none"> <li>1) Reducing 150,000 tons CO<sub>2</sub>e of GHG emissions from the production stage by 2020 (compared to 2008)</li> <li>2) Cutting down on intensity water use target per revenue in KRW by 20% (compared to 2007)</li> <li>3) Establishing the Global EESH Management System</li> <li>4) Enhancing EESH management at overseas operations</li> </ol>
Supplier	CSR in supply chain & management of conflict minerals	<ol style="list-style-type: none"> <li>1) Social demand for win-win growth between large companies and SMEs</li> <li>2) Contributing to the Korean government's creative economy drive through partnerships that realize new technologies</li> <li>3) Negative public sentiment in the event of suppliers' CSR risks</li> <li>4) Increasing of social risks concerning illegal mining and child labor                             <ul style="list-style-type: none"> <li>- U.S. legislation implemented in 2012, EU legislation in development</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>1) Strengthening suppliers' self-management capacity of CSR risks</li> <li>2) Implementing a risk management system based on EICC standards                             <ul style="list-style-type: none"> <li>- Conducting regular risk assessment and implementing corrective actions</li> <li>- Auditing 25% of major suppliers from the high-risk group</li> </ul> </li> <li>3) Establishing a system for regulatory responses to conflict minerals issues</li> </ol>
Local Community	Social contribution activities	<ol style="list-style-type: none"> <li>1) Supporting local communities' self-reliant efforts through our core competencies and business acumen</li> <li>2) Rising public demand to address social issues in collaboration with local communities and stakeholders</li> <li>3) A shift in perspective: seeing new opportunities in charitable works</li> <li>4) Inspiring employees' self-respect through volunteer activities</li> </ol>	<ol style="list-style-type: none"> <li>1) Contributing to achieve UN Millennium Development Goals(MDGs)</li> <li>2) Contributing to community issues by using our products/infrastructure</li> <li>3) Establishing a system to support employee participation in social contribute activities</li> </ol>
Employee	Corporate culture & protection of labor/human rights	<ol style="list-style-type: none"> <li>1) CEO's business philosophy: respecting others through harmony and solidarity</li> <li>2) Enhancing employee satisfaction and productivity through a healthy work &amp; life balance</li> <li>3) Enhancing productivity and quality through the protection of employees' labor rights</li> <li>4) Legal risks undermining customer confidence and leading to financial losses</li> </ol>	<ol style="list-style-type: none"> <li>1) Establishing a corporate culture that promotes a healthy work &amp; life balance</li> <li>2) Bringing the risk level down to low at all production sites</li> <li>3) Strengthening internal regulations to meet all EICC standards</li> </ol>

By drawing on its extensive global network, LG Electronics is engaging and collaborating with diverse stakeholders as it enhances the performance of its CSR initiatives. In particular, we have been making consistent progress in achieving our mid-to long-term goals, which were set for key issues from each area, in order to maximize the efficiency of our programs. As a result, our CSR activities continue to grow in value and significance for all of our stakeholders.

Major Achievements in 2014

Future Directions

- 1) In-class quality training (142 sessions, 3,453 employees)
- 2) Scrapping 8 million people's personal information
- 3) Employee training on privacy protection (97% of Korean staffs, 93% of global staffs already completed)
- 4) Global Customer Satisfaction Index (CSI) results: 104.1 points

- 1) Enhancing employee awareness of product safety and quality responsibility
- 2) Reducing safety risks through preemptive responses to safety regulations in each country
- 3) Establishing a strict quality control system at the product development stage and stronger quality assessment criteria
- 4) Supporting suppliers' information security systems

- 1) Awarded top honor—the Sustained Excellence Award—at the 2015 Energy Star Partner of the Year Awards for a second year in a row
  - 500 Energy Star-certified models in 2014; up 18% from 2013 in sales of Energy Star-certified products
- 2) Acquisition of carbon labeling and increased reduction in product use-level of GHG emissions
  - Carbon labeling on 42 models, five low-carbon product models and one carbon-neutral product model
  - Decreasing GHG emissions associated with product use by 40 million tons CO<sub>2</sub>e, 2 million tons CO<sub>2</sub>e less in GHG emissions than the previous year
- 3) Expanding the scope of Green Packaging Design Guidelines to all products
  - An 8% reduction in package usage, a savings of KRW 39.8 billion
- 4) 213,758 tons of e-waste collected
  - Korea, Japan, Europe, U.S., Australia, India, and South America

- 1) Continuously raising internal standards for greener products
- 2) Reducing GHG emissions associated with product use by improving product energy efficiency
- 3) Increasing and improving disclosure on our product carbon footprint information and reducing carbon emissions from the entire life-cycle of our products
- 4) Increasing e-waste recycling/Use of recycled materials
- 5) Voluntary replacement of hazardous substances

- 1) Reducing 184,000 tons CO<sub>2</sub>e in GHG emissions from the production process
- 2) Reducing water use by 5.4 percent compared to 2013 (intensity use)
- 3) The first Korean home appliances maker to acquire carbon credits (6,954 tons) for contribution to the UNFCCC CDM project (manufacturing and sales of high-efficiency refrigerators in India)
- 4) Obtained ISO 22301 certification on the mobile phone assembly line at LGE's Pyeongtaek plant
- 5) Named to the Honors Club by CDP Korea for top performance in addressing climate change
- 6) Changwon Site received the National Assembly Forum on Climate Change's top prize at the Korea Green Company Awards

- 1) Expanding GHG/energy management and reduction efforts across business processes
- 2) Increasing the effectiveness of our Global EESH System
- 3) Constantly raising environment/safety management practices at overseas operations and expanding sustainability management practices on a company-wide level
- 4) Strengthening the low-carbon resource circulation management system to achieve zero waste
- 5) Strengthening our fire prevention and risk management system

- 1) EICC-related self assessment at 126 major suppliers' operation sites and providing on-site consulting to three suppliers
- 2) CSR risk check on suppliers in China/Asia: quick surveys on 815 suppliers and on-site audits on 69 suppliers (including the 12 suppliers featuring the highest risks)
- 3) Establishing and strengthening the criteria/stipulations/agreements concerning conflict materials
- 4) Increasing transactions with CFS-certified smelters (19% in 2013 → 49% of CFS compliant and 15% on-going CFS audit in 2014)
- 5) Identified 239 smelters using conflict minerals

- 1) Establishing suppliers CSR assessment process by enhancing the competencies of procurement staffs and subsidiaries
- 2) Tracking the content and origin of conflict minerals used in our products/components; raising the data accuracy
- 3) Supporting the growth of CFS with Korea and overseas conflict minerals-related organizations
- 4) Monitoring relevant regulations in other markets (e.g. the EU) and developing responsive measures

- 1) Social contribution programs by using our products/technologies
  - Smartphones for fighting the Ebola virus; home appliances customized to local needs; LG Hope Screens
- 2) Social contribute activities in the vicinity of our operations (220,000 employees from 90 operations in 56 countries)
- 3) CSR slogans at 25 subsidiaries in 20 countries
- 4) Workday Volunteer Program (Korea, 739 employees/4,476 hours)

- 1) Contributing to achieve UN Sustainable Development Goals (SDGs)
- 2) Developing products and technologies that address issues in local communities
- 3) Fostering young talents from underprivileged backgrounds in emerging and developing markets
- 4) Promoting employees' voluntary participation for volunteer activities

- 1) 90% of all our production sites have achieved a low risk level
- 2) On-site audits about CSR risks at 11 production sites in China and Asia
- 3) Six cases of EICC third party auditing

- 1) Creating a productive corporate culture that ensures a healthy work & life balance
- 2) Improving systems to protect labor rights
  - Diversity management, grievance resolution framework, labor/human rights impact assessment, maternity policies
- 3) Encouraging practical improvements through independent third party CSR audits and on-site audits
- 4) Increasing the effectiveness of on-site audits by aligning the relative departments' assessment criteria to EICC standards

**BOUNDARY**

- ORGANIZATION
- OUTSIDE OF THE ORGANIZATION



# With Our Customers

**OUR FOCUS**

According to our 2014 Materiality Analysis, 1) Enhancing Product Liability for Product Defects/Accidents 2) Strengthening Personal Information Protection 3) Providing Product and Service Information were identified as the most material issues, followed by "Product Quality Management" and "Accessibility for Socially Disadvantaged People."

**OUR APPROACH**

LG Electronics places customer safety as its top most priority and is continuously improving its product quality management system. We also have in place the Corporate Information Security Policy in line with global standard, upon which we take proactive steps to eliminate risks of breach of personal information from the fundamental level, including measures such as suspension of collecting personal information and disposal of the existing sets of personal data. In addition, we are expanding the product and service information we provide in order to respond to customer needs in a timely manner.

**OUR EVALUATION**

As part of our ongoing efforts towards increasing customer satisfaction, LG Electronics utilizes VOC and the Global Customer Satisfaction Index survey to identify customer requirements and incorporate them into enhancing our product quality, and service policy and system.

**STAKEHOLDER STATEMENT**



**OUR PERFORMANCE**

**104.1** points

Score Received in Global Customer Satisfaction Index (CSI)

**8** million

Number of Sets of Personal Information Disposed



Korea: **97%**

Overseas: **93%**

Percentage of Employees Received Training on Personal Information Protection

**FUTURE DIRECTION**

<p>Raise Employee Awareness on Product Safety and Liability on a Fundamental Level</p>	<p>Establish a Corporate Culture that Places Product Safety as its Top Most Priority</p>	<p>Support Suppliers in Establishing Information Security Management System</p>
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LG Electronics (LGE) is a major supplier of multimedia systems for Renault. We acknowledge that LGE is a leader in Asia regarding Corporate Social Responsibility (CSR) and that LGE has implemented its core CSR activities on a global scale. The company has created many best practices in addressing environmental issues such as emissions, energy consumption, product life cycles and as well as social issues such as establishing a strong Health and Safety policy. LGE has also given great focus on community development, upholding human rights to all of its employees, labor related issues, and customer related matters. Since 2004, Renault has worked to raise supplier awareness on CSR issues and incorporated CSR requirements into its supplier referencing and selection process as well. For these reasons, in October 2014, Renault awarded LGE a special recognition for having displayed its CSR awareness and effectively demonstrating CSR efforts on a global scale.

Senior Manager, Co-Innovation and Sustainable Development Department, Renault

**Stephan. Lasfargue**



## COMMUNICATION WITH CUSTOMERS

### Strong Presence at International Trade Shows (CES/IFA)

As one of the market leaders in the global electronics industry, LG Electronics regularly participates in prominent international trade shows, setting industry trends with cutting-edge products and new technologies. In January 2014, we unveiled the world's first 4K Flexible OLED TV at the international CES, the world's largest electronics and technology trade show, drawing the intense attention of both industry professionals and global media outlets. Also, we claimed the CES Best of Innovation Award for the 77-inch Ultra HD Curved OLED TV and received the CES Innovation Award for 14 other products. In September 2014, we also participated in the IFA (Internationale Funk Ausstellung; International Radio Show), Europe's largest electronics and technology trade show. With the slogan "Innovation for a Better Life," we showcased our advanced smart home technologies and the circular "G Watch R" smart watch, receiving an enthusiastic response from industry professionals and major IT media outlets.

### LG InnoFest, Strategic Showcase for Regional Marketing

LG Electronics hosts the "LG Innovation Festival (InnoFest)" roadshow to showcase strategic products targeted for the regional market. The annual roadshow tours major overseas locations to introduce products, technologies, and marketing strategies tailored specifically to the



RECEIVED THE CES INNOVATION AWARDS

regional markets to major buyers and press members in a festive atmosphere. The 2014 roadshow kicked off in Istanbul in February (for MEA), before visiting Venice in March (for Europe) and Seoul in April (for Asia). The 2014 events featured an expanded range of products in home appliances (refrigerators and washing machines) and consumer electronics (TV, A/V, and smartphone products). At LG Electronics, Region Representatives assume the leadership of business operations in their respective markets, and events like the LG InnoFest serve as an effective global marketing platform. Building on the success of the roadshow, we will continue to expand local-area marketing activities to satisfy customers around the world.

### Sports Marketing

LG Electronics believes that sports sponsorship is one of the most effective ways to engage with customers around the world on a more approachable level. We also understand that sports sponsorship is, and should be, a long-term and dedicated commitment to honor the sport and its fans. In 2014, we invited the German professional football club Bayer 04 Leverkusen for the "LG-Bayer 04 Leverkusen Korea Tour 2014." LG Electronics is the official sponsor of the Bundesliga football club, which is famous among Korean football fans for having the Korean national team member Heung Min Son in the squad. The tour was a great success, attracting huge crowds at every stop. A portion of the proceeds from the tour was donated to the Korean Youth Football Association. We also organized the nation's first international women's baseball competition, the LG Cup Women's International Baseball Tourna-



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**CUSTOMER COMMUNICATION**

- 01: Strong Presence at Leading International Trade Shows (CES/IFA)
- 02: LG InnoFest, Product Road Show for Regional Partners
- 03: Organized and Hosted International Women's Baseball Tournament
- 04: Sponsors International Cricket Council (ICC)
- 05: LG "Superb Picture Quality" Campaign
- 06: OLED TV Digital Content

ment, and hosted its inaugural event in August 2014. The tournament is expected to expand the infrastructure and fan base of the sport. As a long time supporter of cricket leagues and official sponsor of the International Cricket Council since 1999, we ran the online campaign "LG 100 Greatest Fans" in celebration of the 2014 ICC World Cup and delighted cricket fans from countries such as India, Australia, and South Africa. In addition, we sponsor Major League Baseball, the U.S. National Collegiate Athletic Association (NCAA), and select LPGA and KPGA tour professionals in order to reach out to fans of various sports.

**Digital Marketing**

Content marketing is one of the hottest and newest concepts in digital marketing today. We are utilizing digital media as an effective vehicle for two-way communication with customers and building an innovative and emotionally engaging brand image with creative and appealing digital content.

**Who Ruined Jenny's Wedding?**

With a grand mansion as the backdrop, a beautiful outdoor wedding is in progress. Suddenly, festive balloons start bursting and splattering paint inside, turning the picture-perfect ceremony into a complete disaster. The scene shifts to a detective receiving a call from the police

inspector seeking his help in identifying the culprit. This CSI-like offbeat "whodunit" video was created to naturally highlight the superb picture quality and technology of LG products with a fun story. Without setting their foot in the actual "crime" scene, the detective and the police inspector get closer to the truth with the LG OLED TV and the LG smartphone. As the mystery unfolds, viewers experience the exquisite picture quality of our products.

**Funny Cats and Dogs Video Watching LG 4K OLED TV**

This video was conceived from the question, "Can we have our customers experience the LG 4K OLED TV's amazing picture quality, albeit indirectly, through videos?" This charming video features cats and dogs whose curiosity reaches its peak by the animals on the LG 4K OLED TV. The picture quality is so great that the cats and dogs react to every move of the animals appear on the TV screen and try to chase them into the TV. The video does not directly talk about the quality of the TV; it just lets viewers have an immersive viewing experience delivered by the LG 4K OLED TV's superb picture quality and ultra-slim bezel design as they enjoy amusing and adorable images.

**A New Brand intent for LG Electronics**

In celebration of the 20th anniversary of LG brand name declaration, we established a new brand intent to further strengthen our brand image as "the market-leading innovator." A brand intent conveys what we aspire to become and what we want our customer to see us as a brand. It consists of functional and emotional attributes, which are clearly defined so that every member of the organization can engage in corporate-wide branding effort with a precise understanding of the brand ideal. According to the brand intent, we will strive to provide customers with something new, beautiful, and convenient through every product and service, and help our customers perceive LG Electronics as progressive, refined and engaging brand providing the best solution to customers. We plan to carefully implement the new brand intent to all business areas including products, marketing, corporate culture, and become an innovative brand that delivers a better life to its customers.



**WHO RUINED JENNY'S WEDDING?**

(<https://www.youtube.com/watch?v=gNhyqReYx0>)

**FUNNY CATS AND DOGS VIDEO WATCHING LG 4K TV**

(<https://www.youtube.com/watch?v=rJl7HVTMc-4>)

**A NEW BRAND INTENT**

**PERFORMANCE ATTRIBUTES**

**PERSONALITY ATTRIBUTES**

Unexpected innovation that creates anticipation and pride

Always staying ahead, with a passion to provide a better life for customers

Performance, quality, and design providing aesthetic satisfaction

Dedication to perfection that creates style and sophistication

Convenient usability that everyone can intuitively enjoy

Keenly observing and fully understanding customers to provide the best solution



## COMMUNICATION BASED ON CUSTOMER SERVICE

### Improving Customer Service through NPS Survey and VOC Management

LG Electronics assesses local customer service programs implemented by overseas subsidiaries with the Net Promoter Score (NPS) and makes ongoing improvement efforts with a focus on detractor management. Standardized in 2012, the NPS questionnaire contains ten questions about the customer's choice of service request channel, satisfaction with the call/repair experience, the quality and speed of repair service, the quality of service information provided before/after the repair service, and repair costs. The survey is conducted monthly on at least 3% of the repair cases processed in the previous month (performed on approximately 230,000 cases in 2013 and 200,000 cases in 2014). Based on the results, we have a monthly interview with the subsidiary's president to review their service process, and provide feedback to related teams for follow-up measures. Corporate headquarters also regularly monitor subsidiaries' performance on service improvement. As the result of our collective efforts, the scores for the repair time and technical issues that showed a high percentage of detractors improved by 2.7% and 0.6%, respectively, from the previous year, while product quality related issues improved by 5.3%, compared to 2013.

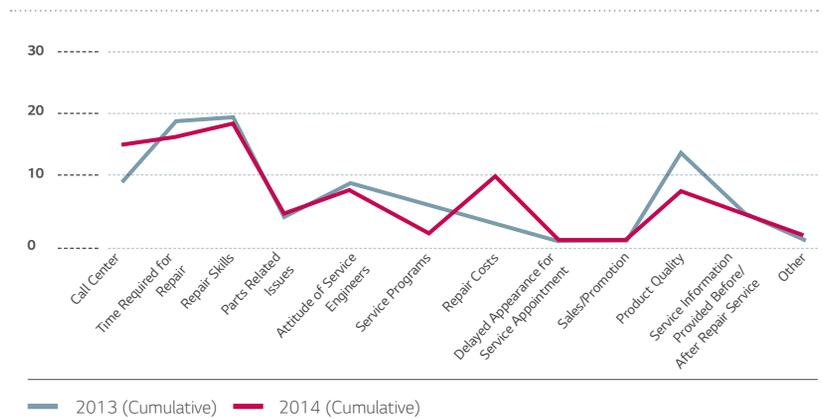
In Korea, we utilize the Customer Satisfaction Index (CSI) and the Voice of the Customer (VOC) to reduce customer dissatisfaction and improve the service quality of its call center, service center, and store networks. In addition, we have in place a support system to facilitate fast resolution of customer dissatisfaction, and provide feedback on customer handling. We also incorporate customer feedback into improving product quality and service policy and programs based on a regular review process. As a result, we scored 101.4 points in the 2014 global CSI, 0.6 point higher than the previous survey results (100.8 points). As part of its efforts to improve customer satisfaction, LG Electronics will continue to expand channels for customer feedback to include Long Message Service (LMS).

### Delivering Premium Value with Premium Service Programs

The growing demand for premium electronics products is creating the needs for service programs that offer premium service. In response to such needs, LG Electronics developed the Premium Service Package for global implementation and is in the process of expanding the program to overseas markets. In September 2014, our Indonesian Subsidiary launched a special membership program for customers who have purchased select premium products to improve customer satisfaction. Special benefits include "Home Doctor" (repair service by repair engineers exclusive to the program) and "Angel Assistant" (exclusive channel for product information and service requests).

In Colombia, we offer free installation with purchase of premium products along with other cost saving benefits

Ratio of NPS detractor (Unit: %)



2014 GLOBAL CSI (POINTS)



HELP LIBRARY, VIDEO TUTORIAL  
(www.lg.com/us/support/videos)

such as free de/reinstallation, free regular maintenance-checkups, and free parts replacement. The service program also sends out a gift to customers on their anniversaries to express our appreciation and emotionally engage with customers.

In Korea, customers covered by the Exclusive Care Program are provided with repair service from repair engineers who only handle service requests for the program and enjoy early access to new product trials. This premium service package will be expanded to include all overseas locations by the end of 2015 when we expect our service workforce and training infrastructure to be ready for a full implementation.

### Enhancing Website Features to Help Customers with Simple Fixes

In the second half of 2014, the largest number of inquiries to our service call center were about use instructions and simple troubleshooting tips (43.4%), followed by service policy (12.4%) and service center and dealer locations and contact info (10.8%). To better assist our customers, we set up the "Help Library + Video Tutorial" section on all national editions of our corporate website and provide use instructions, common indicators of problems, and simple troubleshooting tips to help our customers quickly diagnose and work out minor issues themselves. In order to ensure the quality and consistency of information, the CS Management Group at corporate headquarters took charge of developing multinational content for this section, which has grown substantially from approximately 11,000 entries in 2013 to over 24,000 entries in 2014. The Korean edition of the website features Flash video tutorials to provide easy-to-follow tips and received a positive response from our customers (satisfaction rates for video vs. static content: 91:78).

### Help Library, Video Tutorial



## ENHANCING ACCESSIBILITY FOR PEOPLE WITH DISABILITIES

### LG Electronics Accessibility Policy

Advances in science and technology and growing social awareness have resulted in the improvement of welfare programs, policies and support systems for the socially disadvantaged such as senior citizens and people with disabilities. As a responsible global corporate citizen, LG Electronics is committed to making our products and services accessible for all customers, including the socially disadvantaged, and carrying out various R&D projects to enhance the accessibility<sup>1)</sup> of our products and services. We also have in place the Accessibility section on our corporate website (global and U.S. editions) to communicate our accessibility policy and provide information on major accessibility features of our products. In addition, we have implemented the WCAG 2.0<sup>2)</sup> specifications to the global edition (LG.com) and national editions (36 countries including U.S. and EU) of our corporate website to make it more accessible to people with visual impairments.

### Making Our Products More Accessible

LG Electronics established a dedicated accessibility taskforce at all business companies, starting with the MC and HE Companies in 2012 and completing with the H&A Company in the second half of 2014. We also set up a development process for accessibility products and technologies during the same period. Based on the process, we are developing a wide range of products with accessibility features to provide all of our customers with easy access to product functions. In 2014, we hosted the third accessibility workshop with the U.S. National Center for Accessible Media, select U.S. disability organizations (for people with visual, hearing, and physical disabilities), and the law firm Wiley & Rein, and introduced accessibility features on LG products (smartphones and TVs). We take the workshop as an invaluable opportunity to collect VOC from people with visual, hearing, and physical disabilities, and actively incorporate their feedback into developing new products in an effort to make our products and services more accessible. In addition to the technical aspects of accessibility, we had an opportunity to discuss accessibility in terms of corporate social responsibility and corporate governance, and the role of LG Electronics as a global corporate citizen in this area. To support rehabilitation training for people with visual impairments, we donated home appliances (refrigerators and washing machines) to the Nowon Welfare Center for People with visual impairments. We are working together with the Korea Blind Union to receive feedback and suggestions from people with visual impairments and incorporate them into improving our products. As part of our efforts to enhance the accessibility of new products, we also partnered with Korea Nazarene University, which specializes in welfare and rehabilitation, for industry-academia cooperation projects to test and assess the accessibility and accessibility functions of LG home appliances and to transform new ideas into actual product improvements.



#### LG ELECTRONICS ACCESSIBILITY POLICY

1: [www.lg.com/global/sustainability/customer/accessibility](http://www.lg.com/global/sustainability/customer/accessibility)

2: [www.lg.com/us/accessibility/index.jsp](http://www.lg.com/us/accessibility/index.jsp)

#### 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 information is equally accessible for both people 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.



ACCESSIBILITY SECTION ON LG.COM (GLOBAL/US EDITIONS)

### Raising Social Awareness of Accessibility

In order to raise social awareness on accessibility, LG Electronics participates in the workgroup under the Home Appliance Accessibility Forum (HAAF) of the Korea Electronics Association (KEA) and takes part in developing laws and regulations, standard and guideline roadmaps, and training programs concerning accessibility. In addition, LG Electronics is a member of the Technical Committee on Home Appliance Accessibility Design Standards and in that capacity, helped establish the national standard for the "Accessibility of the Opening and Closing Device for Home Appliances" (KSA 7251, Notice Number: 2014-0729) in November 2014. We are also taking part in establishing the national standard for accessibility of input devices for home appliances starting from the second half of 2014. In order to improve accessibility in the mobile environment, we are playing an active role in industry-wide efforts towards enhancing "Guidelines for the Accessibility of Mobile Applications (Ministry of Government Administration and Home Affairs Notice Number: 2011-38, Issued September 22, 2011)" led by the Ministry of Science, ICT, and Future Planning. As part of our effort to raise social awareness on accessibility and collect user feedback, LG Electronics actively participates in research societies for ICT accessibility, forums on user interface standardization, and seminars for information accessibility organized by the government, industry peers, and academia to share research results and exchange information with external experts.



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#### RAISING SOCIAL AWARENESS OF ACCESSIBILITY

01 : Accessibility Workshop with US Disability Organizations

02 : Rehabilitation Room at the Nowon Welfare Center

03 : Session of the Technical Committee on Home Appliance Accessibility Standards

## PRODUCT QUALITY & SAFETY

### Securing Product Quality & Safety

#### Our Vision for Product Quality

Based on our strong vision for product quality, “LG Electronics, Perceived as the World Best Quality by Customers and Consumers,” we will make no compromises on product safety, we also work on creating and fostering a corporate culture that does not tolerate quality issues, no matter how insignificant those issues may seem. Led by top management who express strong commitment towards product safety, we are thoroughly complying with the fundamentals and principles in all stages of our product process that includes product design, sourcing, production, marketing, product use, and customer service. We consider product safety the highest priority that comes before any other aspects of our business operations, higher than sales targets, product design, marketability, and costs, and are making every effort to deliver safer products to consumers.

#### Stronger Accountability for Quality Management

LG Electronics established the Product Testing Laboratory under the Quality Center to strengthen accountability for product quality management. In 2013, we implemented certification and approval process for key product parts such as motors and PCB assemblies, expanding our quality inspection system from new products/models to include product parts. In order to facilitate product quality improvement early in the development phase, we established the Development Quality Testing Lab at all our business companies to assess development quality from the business company level, enforcing our corporate-level quality system supported by the three-tier quality assessment process (business unit, business company, and HQ).

#### Cultivating Product Quality and Safety Experts

In 2012, LG Electronics established the Quality College Program to offer training on product quality to employees (Korean and overseas) and core personnel from its suppliers. In 2014, the Quality College Program provided 142 in-class training sessions with a total of 3,453 individuals completing the program. With a primary focus on enhancing our employees’ product quality capacity, the College offers expert track courses for product liability (PL), green products, and product reliability, as well as position- and assignment-specific training courses, including the preparator courses for U.S. Certified Fire and Explosion Investigator (CFEI), Certified Quality Engineer (CQE), and Certified Reliability Engineer (CRE) certifications.

#### Stronger Global Product Liability (PL) Response

LG Electronics conducted a voluntary recall of PC power cord (650,000 units) manufactured between January 2010 and October 2012. The voluntary recall was initiated due to defective parts (produced by Taiwan’s Linetek) contained in the power cord marked LS-15, which was provided together with some of our PC products. LG Electronics



[WWW.LG.COM/GLOBAL/SUSTAINABILITY/CUSTOMER/CHILD-SAFETY-ONLINE.JSP](http://WWW.LG.COM/GLOBAL/SUSTAINABILITY/CUSTOMER/CHILD-SAFETY-ONLINE.JSP)



[WWW.ICTCOALITION.EU/GALLERY/75/ICT\\_REPORT.PDF](http://WWW.ICTCOALITION.EU/GALLERY/75/ICT_REPORT.PDF)

proactively informed consumers about the recall in progress with advertisement on TV, newspaper, online news outlets, and corporate website to encourage consumers to make voluntary contact, and ensure replacement of the defective power cord.

### Protecting Children from Harmful Information Online

In 2012, LG Electronics joined the ICT Coalition for Children Online, an industry alliance organized by 22 companies from across the information and communications technology (ICT) sector. The ICT Coalition aims to raise young Internet users’ awareness on dangers lurking in cyber space and to help and guide them in dealing with challenges associated with their Internet use. The Coalition’s efforts towards protecting young Internet users closely coincide with our awareness on the issue. As part of its ongoing efforts, between 2013 and 2014, the ICT Coalition drafted a set of principles to be adopted to protect children online. The draft was finalized as the “First Report on the Implementation of the ICT Principles” after an assessment and reporting by an independent consultancy.

In 2015, the Coalition will reach out to high-level institutions in Europe to communicate the future of the online ecosystem and the positive role of the Internet for children and teenagers, which will also have positive impact on LG Electronics. In order to raise awareness on protection of children online among related EU agencies, the ICT Coalition has decided to draft a white paper that incorporates inputs from all 22 members of the Coalition. The first draft will be made available at the end of the first half of 2015 and will include forecasts and discussions on future challenges that the ICT sector can only overcome with direct support from the agencies.

#### First Report on the Implementation of the ICT Principles



## INFORMATION SECURITY & PROTECTION OF PERSONAL INFORMATION

### Global Information Security Policy

#### Implementation of Global Standard Policy

With the Corporate Information Security Regulations as the governing principle, LG Electronics established the Corporate Information Security Rules and the Personal Information Protection Rules as the policy standard for corporate information security and personal information protection. All related policies conform to these rules to ensure that information security management at all business sites is operating at the highest level. These measures allow us not only to maintain a high level of information security management across the board, but also to enhance our corporate credibility by ensuring policy consistency across all business sites.

### Proactive Measures to Protect Personal Information

#### Suspension of Collecting Unnecessary Personal Information and Disposal

LG Electronics recently disposed of more than eight million sets of personal information collected from registered website users. Although our corporate website previously required customers to register their personal information to provide features such as access to product information and manuals, we have taken off part of the clause, "limited to registered members," from our terms of service and suspended the collection of personal information and disposed the personal information previously collected and maintained. Now, our corporate website provides product



MDM  
Mobile Device  
Management

information and other convenience features to all customers including registered members. We strongly believe that suspending the collection of unnecessary personal information all together is a more fundamental and effective solution against risks such as breach of personal information than collecting such information and making best effort to protect it.

### Response to Laws on Protection of Personal Information

LG Electronics bases its policies and actions concerning personal information protection on the OECD Eight Privacy Principles, and makes every effort towards complying with the local privacy and data protection laws, such as the Data Protection Principles (DPP) of the European Union and the Children's Online Privacy Protection Act (COPPA) of the United States. As part of our compliance efforts, we are in the process of signing the Data Transfer Agreement (DTA) between HQ and our European subsidiaries to honor one of the core compliance requirements of the DPP, and fully comply with the prohibition on collecting the personal information of children, one of the main requirements of the COPPA. Based on close communication and collaboration between our information security and legal teams, LG Electronics carefully monitors privacy protection legislations around the world and responds to them as immediately as possible. Thanks to our vigilant response, LG Electronics received no customer complaints concerning breach or protection of personal information in 2014.

### Enhanced Security Control for Smart Devices

#### Implementation of Smart Device Security Solution, Mobile Device Management (MDM)

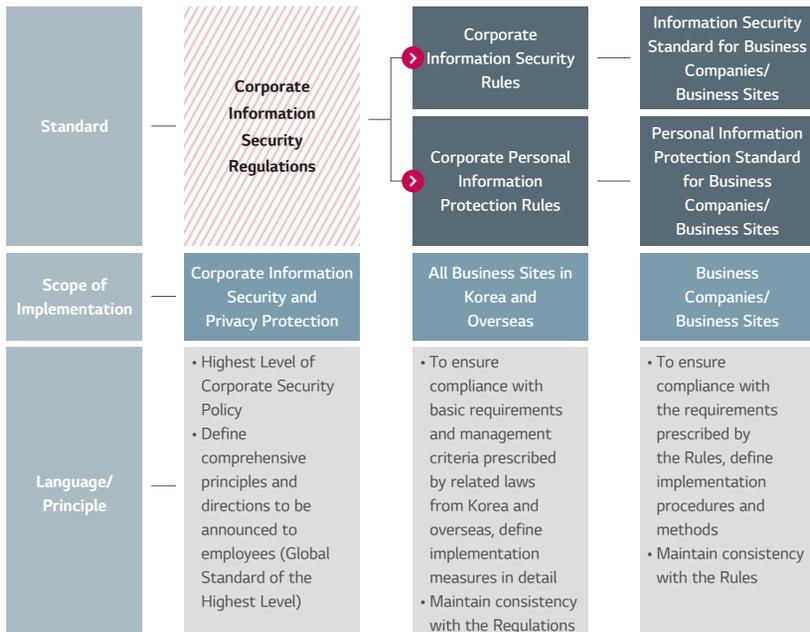
As mobile office and smart work are becoming common practice, security risks associated with smart devices, such as breach of information via smart devices, are also on the rise. In order to address this security threat, LG Electronics implemented an information security solution specifically developed for smart devices. This solution is installed on the smart devices of everyone (both internal and external) who has access to our business sites including our employees and blocks camera functions, screen capture, voice recording, internet access via external Wi-Fi connection, and Bluetooth file transfer to prevent security issues. Going forward, LG Electronics will continue its efforts towards preventing security risks.

### Developing Global Security Specialists

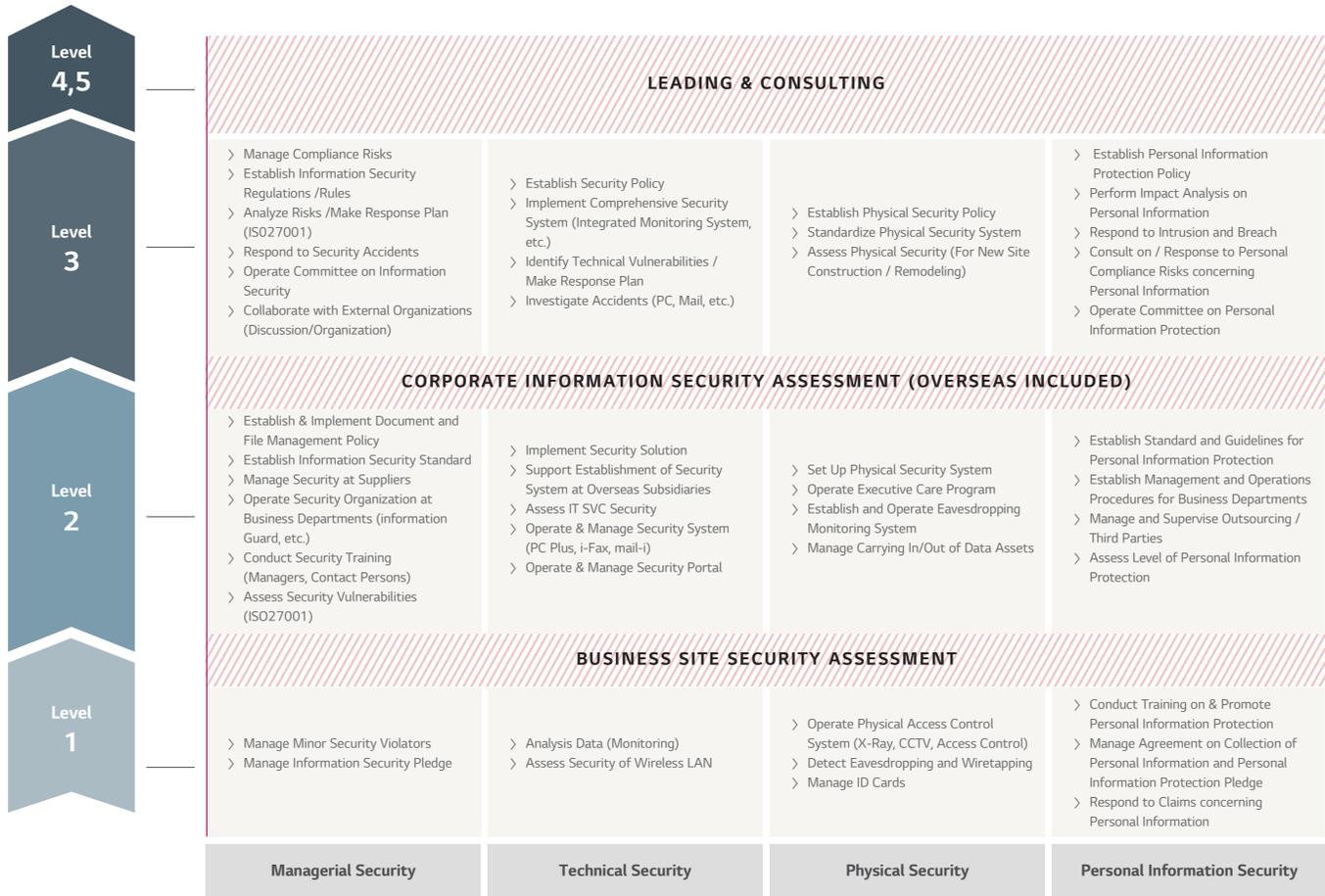
#### Establishment of Roadmap for Capability Development

In order to raise employee awareness on information security at the fundamental level, LG Electronics is focusing on improving the capabilities of security managers at our business sites in both Korea and overseas. In particular, we developed a roadmap for each specialty (managerial security, physical security, technical security, personal information security, etc.) and defined clearly the level of expertise required from security managers at each step to ensure that an improvement in individual capability directly leads to an increase in the quality of information security at the corporate level.

#### Implementation of Global Standard



**Roadmap for Corporate Capability Development**



**Promoting Acquisition of Security Certification**

In order to motivate security managers to focus on developing their professional expertise, LG Electronics incorporates the acquisition and maintenance of security related professional certifications into individual KPI.

Certification	Number of Certification Holders
CISA: Certified Information Systems Auditor	16
CISSP: Certified Information Systems Security Professional	17
CPPG: Certified Privacy Protection General	32
ISO27001 Auditor (ISO: International Organization for Standardization)	26
ISE: Industrial Security Expert	31

**Training Performance**

In 2014, 97.4% of our Korean employees and 93.3% of overseas employees (excluding those on long-term leave) completed online training on information security and personal information protection. We also conducted the Global Security Training simultaneously in four different

regions (China, Dubai, Indonesia, and Panama) with the participation of 78 security managers from 59 subsidiaries in order to enhance the capabilities of managers and to discuss regional security issues.

Additionally, we conduct hospitality training for staff in charge of security at our business site to raise their awareness of sexual harassment and improve case-by-case response to customers. This training is conducted to prevent infringement on human rights that may occur during the performance of security procedures, which ultimately helps us to protect the human rights of both our employees and customers who visit our business sites.



**CAPABILITY DEVELOPMENT FOR SECURITY MANAGERS**

Training for Suppliers

**BOUNDARY**

- ORGANIZATION
- OUTSIDE OF THE ORGANIZATION



# With the Environment

**OUR FOCUS**

According to our 2014 Materiality Analysis, 1) Reducing GHG Emissions 2) Developing Highly Energy Efficient Products were identified as the most material issues, followed by "Preventing Environmental Pollution" and "E-Waste Take-back and Resource Recycling."

**OUR APPROACH**

As part of our efforts to reduce product-level and production-level GHG emissions, LG Electronics has quantified GHG emissions associated with a product's life cycle, which we then use to identify improvement points and manage our performance. We also operate the EESH (Energy, Environment, Safety, and Health) Management System to comprehensively manage our initiatives and performance in these areas.

**OUR EVALUATION**

In line with the group-level green management initiative "Green 2020," LG Electronics established the "Three Management Goals" of creating green business sites (to reduce GHG emissions and water use), aimed at increasing products with greener features (to reduce use-level GHG emissions), and expanding sales in green new businesses. These management goals provide us with the baseline for monitoring our progress and take actions to improve our performance.

**OUR PERFORMANCE**

Product Use Level:

**40** million tons CO<sub>2</sub>e

Production Level:

**184K** tons CO<sub>2</sub>e

Amount of GHG Emissions Reduced

**98%**

Percentage of Business Sites Certified for Environmental Management System (ISO14001)



**39.8** billion KRW

Amount Saved with Green Packaging

**213,758** tons

Amount of E-waste Collected

**FUTURE DIRECTION**

<p>Continue to Strengthen Standards for Products with Greener Features</p>	<p>Strengthen Our Management and Reduction Efforts Concerning GHG Emissions / Energy Use Associated with Our Business Operations</p>	<p>Further Enhance the Global EESH System</p>
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**STAKEHOLDER STATEMENT**



Since 1974, LG Electronics has used CSA Group's third party testing, certification and verification services for a broad range of products. For more than 40 years of our collaboration, we shared the same vision and value of providing innovative, efficient and sustainable products and services to consumers around the world. LG Electronics has been a leader in using sustainability standards that help identify environmentally friendly products using a life cycle approach and go well beyond simply meeting the traditional energy performance benchmarks. The latest example and one of many, is the gas double oven range which was the first in the world to meet the new sustainability standard for household cooking appliances and receive the CSA Group sustainability mark in February, 2015. CSA Group has developed a sustainability mark to help retailers, regulators and consumers identify products that meet the environmental performance requirements of these standards. CSA Group is proud to work with organizations like LG Electronics that consistently demonstrate their commitment to environmental protection and a more sustainable world.

President & CEO, CSA Group  
**Ash Sahi**



## PRODUCTS WITH GREENER FEATURES

### Strategic Directions

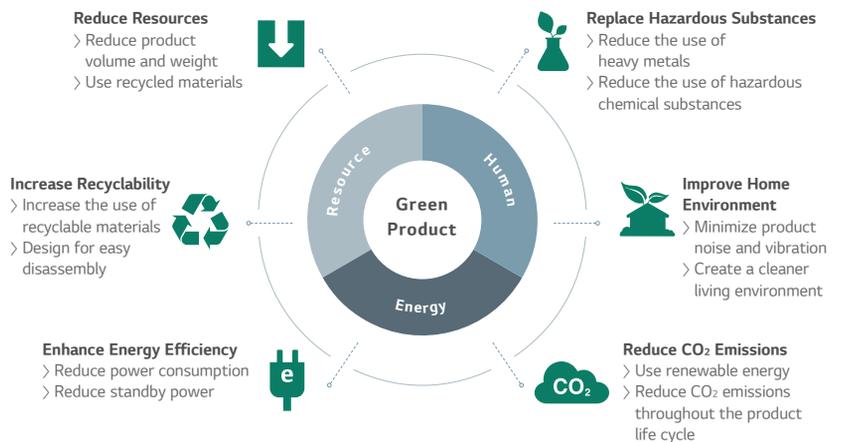
As part of our ongoing effort to enhance customer value, LG Electronics strives to make our products greener by reducing the environmental impact of our products throughout their life cycle. To this end, we have in place a strategic framework for developing technologies and products that takes account three core factors: human, energy and resources. Our actions to identify and carry out critical tasks are based on the “strategic framework for products with greener features.” We also implemented 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), and manage environmental performance and targets for each of our products.

### Performance & Target Management for Products with Greener Features (Eco Index)

LG Electronics has consistently outperformed all annual targets set by the “strategic framework for products with greener features” since the 2011 adoption of the Eco Index, the internal standard for assessing the environmental performance of our products. The first company under the LG Group to implement this type of index, LG Electronics uses the Eco Index to rate every product model from our core product groups into three tiers (“Green 1 Star, Green

2 Star, and Green 3 Star”) based on their environmental performance with the goal of expanding the percentage of Green 3 Star products. In 2015, we revised the Eco Index and strengthened its performance criteria to fully accommodate customers’ diverse needs and stronger requirements for environmental performance, while reestablishing mid-to long-term targets based on our 2014 performance upon the expiration of the first management phase in 2014. LG Electronics will 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.

### Strategy for Products with Greener Features



**Rating Criteria for Eco Index**

Category	Core Assessment Criteria		
	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	

**2014 Performance for Products with Greener Features & Mid-to Long-Term Targets (Unit: %)**



**Product Life Cycle Assessment (LCA)**

In compliance with international standards (ISO 14040 series) for environmental performance assessment tools, LCA is a technique to measure the environmental impact associated with all the stages of a product's life cycle (sourcing, production, distribution, product use, and disposal/recycling), identify improvement tasks, and validate the performance of improvement efforts. Since 2002, we have put great energy into quantifying the environmental impact associated with the life cycle of all our products, and use the data to minimize the negative environmental impacts of our products. As part of our efforts to quantify and manage carbon emissions produced throughout our products' life cycle, we created the Life Cycle Inventory Database for eight product categories (TV, monitor, washing machine, refrigerator, solar module, mobile phone, and residential/commercial air conditioning system) in 2011, through which we identify the vulnerable stages and factor in environmental impact from the initial stage of product development. We also assess the life cycle carbon footprint of seven product categories on an annual basis and disclose the data on our corporate website.

**Product Carbon Footprint, Breakdown by Life Cycle Phase (% As of December 31, 2014)**



## PRODUCT STEWARDSHIP

### Voluntary Replacement of Hazardous Substances

As a global electronics maker, LG Electronics is keenly aware of its responsibility for the health of people and the environment and fully complies with international regulations on hazardous substances, including RoHS and REACH. As part of our efforts to replace and reduce substances that are believed to have negative impacts on human health and the environment, we do not use regulated substances (lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB), polybrominated diphenyl ethers (PBDE)) in our products. Moreover, we are proactively replacing substances that are not currently regulated but believed to be hazardous, such as PVC (Polyvinyl Chloride), BFRs (Brominated Flame Retardants). As a result of our ongoing R&D effort, all our mobile phone products are free of PVC and BFRs as of 2010, and PVC cables in our UHD/OLED TV products have been replaced with substitute materials. We also introduced laptop and all-in-one PC models free of PVC and BFRs, and in 2013,

we developed a PVC-free skirt lower (parts for reducing noise) and applied it to all refrigerator models. In 2014, we introduced a vacuum cleaner with PVC-free hoses. LG Electronics will continue with R&D efforts to replace hazardous materials and further expand the use of substitute materials in our products.

### 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 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. LG Electronics has been recognized by the EPA with the 2015 ENERGY STAR Partner of the Year-Sustained Excellence Award and the 2015 ENERGY STAR Partner of the Year-Climate Communications Award 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. Previously, LG Electronics has recognized as the ENERGY STAR Partner of the Year for three consecutive years since 2012.

#### CASE STUDY

### Performance in Replacement of Hazardous Substances



#### MOBILE PHONE

- Replaced PVC and BFRs with substitutes in all models by 2010
- Replaced beryllium and phthalate substitutes in all models by 2011



#### LAPTOP / ALL-IN-ONE PC

- Introduced PVC/BFRs-free models in 2013 (excluding FPCB, Base PCB, battery, adaptor, keyboard, cables, touchpad, thermal module, and power code)



#### ULTRA HD/OLED TV

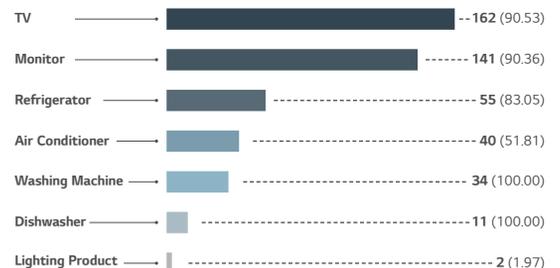
- Applied PVC-free internal cables in all models



#### MONITOR

- Applied a PVC-free LCD module to all models in 2011
- Applied a PVC/BFRs-free LCD module to all models in 2013

#### Number of ENERGY STAR Certified Products (Unit: EA, %)



Figures in parentheses are the percentage of ENERGY STAR certified product models in all LGE products sold in the U.S.

**Reduction of GHG Emissions**

In order to encourage and facilitate a low-carbon life style, LG Electronics measures the total amount of GHG emissions produced throughout the life cycle of our major products and disclose the data on the products, while making concerted efforts to reduce GHG emissions produced in all stages of their life cycle.

**GHG Emissions Certificates & Low Carbon Certificates**

In 2014, 195 of our products (cumulative) acquired carbon emissions related certificates in Korea and overseas. (Korea: GHG Emissions Certificate (151 models), Low Carbon Certificate (38 models), Carbon neutral Certification (1 model) / Overseas: CarbonFree®, U.S. (2 models), Climatop<sup>1)</sup>, Switzerland (1 model), and LCIE<sup>2)</sup>, France (2 models))

**Reducing GHG Emissions from Product Use**

LG Electronics plans to contribute to the reduction of GHG emissions associated with product use by developing and introducing highly energy efficient products. We have established a target to reduce 60 million tons of GHG emissions from BAU<sup>3)</sup> (2007) by 2020. By meeting the target, LG Electronics will contribute towards a total reduction of about 400 million tons (cumulative) of GHG emissions associated with product use between 2008 and 2020. In order to meet the 2020 target, LG Electronics will press forward with its initiatives for enhancing energy efficiency.

**2014 Low Carbon Product Certifications (Korea)**

Technology	Base Model	Certified Model	CO <sub>2</sub> Reductions vs. Base Model	Period
Refrigerator	R-F955VDSB	R-F955EDSB	122.48 kg CO <sub>2</sub>	7 Years
Air Conditioner	FNQ186PANW/ FUQ186PAU	FNQ187VEPW/ FUQ187VEU	373 kg CO <sub>2</sub>	7 Years
Air Conditioner	FNQ186PANW/ FUQ186PAU	FNQ187VFPW/ FUQ187VEU	373 kg CO <sub>2</sub>	7 Years
Air Purifier	-	LA-V069DW	Reduced CO <sub>2</sub> emissions	7 Years
Air Purifier	-	LA-V069DL	(83.3 kg CO <sub>2</sub> ) below the lowest	7 Years
Air Purifier	-	LA-V069DLR	achievable emissions rate	7 Years
Air Purifier	-	LA-V069DWR	(122.19 kg CO <sub>2</sub> )*	7 Years

\*Lowest Achievable Emissions Rate (LWER): A product's lowest achievable emissions specified by "Eco-Label Certification Guidelines" from the Korea Environmental Industry and Technology Institute (Products that satisfy the LWER can receive the Eco-Label without a base model)

**1) CLIMATOP:**

A certification issued to climate friendly products by Climatop, the low carbon certification agency in Switzerland

**2) LCIE:**

Laboratoire Central des Industries Electriques

**3) BAU (BUSINESS AS USUAL) :**

Projected GHG emissions based on current level assumptions of GHG reduction technology and policy

**Resource Reduction**

**Improving Materials**

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, the ease of disassembly, and product performance while reducing form factor size and weight wherever possible. Based on such efforts, we were able to achieve a weight reduction of approximately 9 percent (0.7kg) in our 2014 32 inch TV model (Model: 32LB555B) compared to the previous year's model (32LN5400) of the same size.

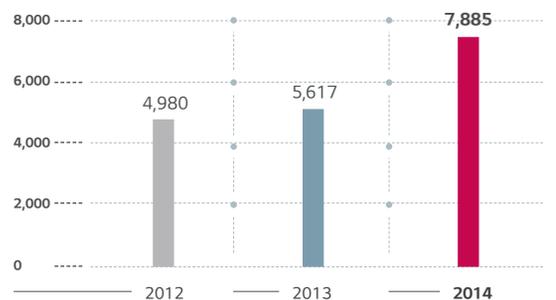
**Use of Recycled Materials**

As part of our efforts to promote recycling and efficient use of resources, LG Electronics utilizes recycled plastics in some of its product components following careful stability and reliability tests. In 2014, LG Electronics used a total of 7,885 tons of Post-Consumer Recycled (PCR) plastics, continually increasing use from 4,980 tons in 2012 and 5,617 tons in 2013. In the long term, we will develop substitute parts and technologies to continuously expand our use of recycled plastics over time, and systematically manage the use of recycled plastics in each of our product groups.

**Certification of Green Technology Acquired by LG Electronics**

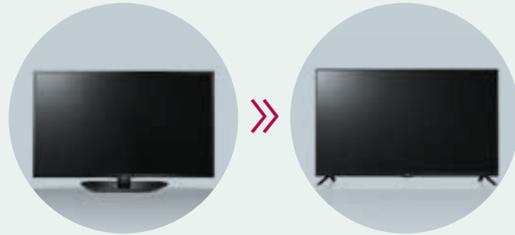
Technology	Date Certified	Valid Until
Design technology for low power multi-core application processor for mobile devices	2015-01-29	2017-01-28
High efficiency gas heat pump technology leveraging engine optimization technology	2014-11-20	2016-11-19
High efficiency parallel two evaporator cycle refrigeration system Technology	2014-08-26	2016-08-25
"Turbo Shot" clothes rinsing technology that uses less energy and water II (for drum washing machines)	2014-08-26	2016-08-25
High efficiency inverter linear compressor technology for refrigerators	2014-08-26	2016-08-25
6-Motion Wash Technology	2014-08-26	2016-08-25
Gas heat pump clothes dryer and care machine	2014-08-26	2016-08-25
Design technology for low power smart TVs featuring OPC and intelligent sensors	2014-07-17	2016-07-16
High efficiency N-type solar cell & its application to high power PV modules	2013-12-19	2015-12-18
High CRI PLS lighting design technology	2013-11-21	2015-11-20
"Turbo Shot" clothes rinsing technology that uses less energy and water	2013-11-21	2015-11-20
LED tube technology that replaces fluorescent lamps	2013-05-16	2015-05-15
Environment friendly compressor technology for water filtration systems	2012-08-30	2016-08-29

**Annual PCR Plastics Consumption (Unit: ton)**



CASE STUDY

**2014 Resource Reduction Case**



	2013	2014
Model	32LN5400	32LB555B
Screen Size	80 cm / 32 inch	80 cm / 32 inch
Product Weight	Approx. 6.4kg	Approx. 5.7kg
Number of Bolts	38	25
Number of Screw Types	7	5

**e-Waste Management**

**e-Waste Management Efforts (Overseas)**

LG Electronics collects e-waste in accordance with Waste Electrical and Electronic Equipment (WEEE) regulations and local requirements around the world and offers information on its e-waste takeback system and related activities on its website (<http://www.lg.com/global/recycling>). In 2014, we launched an e-waste takeback service in Belarus, Costa Rica, and Colombia, and expanded the program to include 78 regions in 47 countries from 75 regions in 44 countries in 2013. We are also in the process of establishing a takeback system in regions and countries planning to implement WEEE regulations (New Zealand, Russia, Argentina, Ukraine, Washington D.C., and Chile) by carefully reviewing local regulations and maintaining an open dialogue with governmental and industry organizations in order to make appropriate responses.

**e-Waste Management Efforts (Korea)**

**Free Takeback Service for Major Household Appliances**  
In 2014, LG Electronics launched a free takeback service for major household appliances, available nationwide upon request and not requiring for product purchase. Unlike the previous system, in which e-waste was collected upon delivery and installation of new appliances, the new takeback system allows consumers to make a request at their nearest LG Bestshop. These disposed appliances, collected by a dedicated collection team, are delivered to be processed in an environmentally safe manner at regional recycling centers located nationwide. Thanks to this new takeback system, consumers can dispose of their old appliances much more easily and collection rates also continue to increase. LG Electronics will strive to deliver green services that satisfying customer needs and take the leadership in promoting sustainable resource recycling in our society.

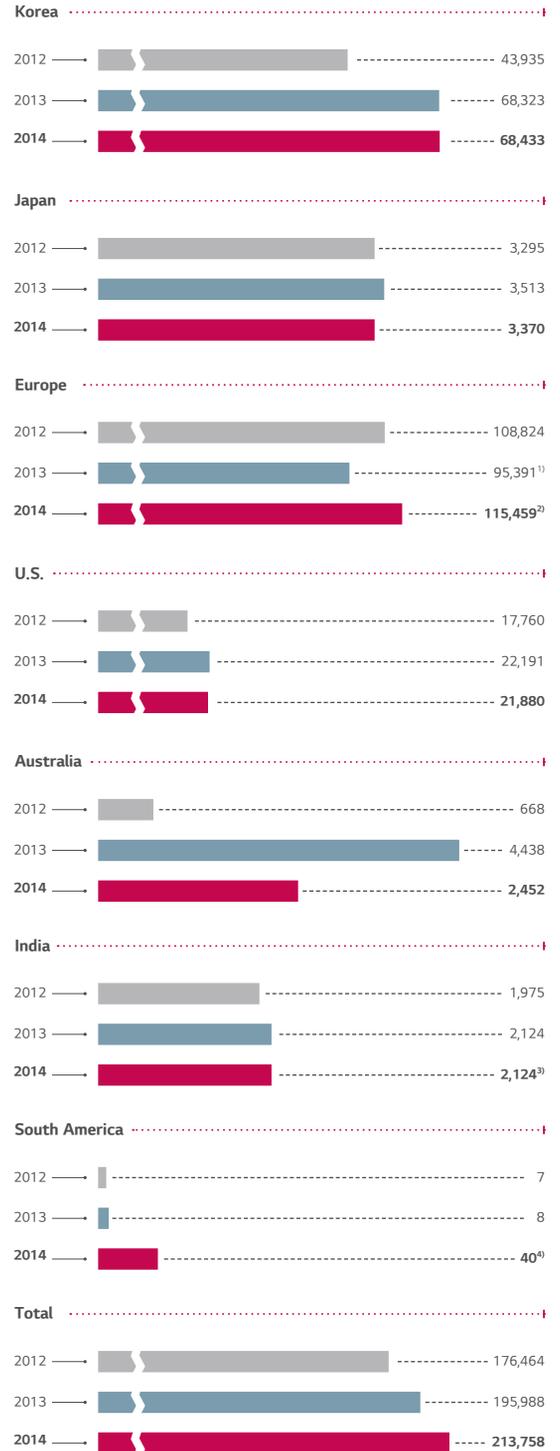


**E-WASTE TAKEBACK / DISPOSAL SERVICE**  
([www.lg.com/global/recycling](http://www.lg.com/global/recycling))



**FREE TAKEBACK SERVICE FOR MAJOR HOUSEHOLD APPLIANCES (KOREA)**  
([www.lgservice.co.kr/cs\\_lg/board/CSServiceNoticeViewCmd.laf?cSeq=17748](http://www.lgservice.co.kr/cs_lg/board/CSServiceNoticeViewCmd.laf?cSeq=17748))

**e-Waste Takeback 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) Estimated figures for some European countries have been revised (82,952 → 95,391).  
2) Figures for some European countries are estimates.  
3) India: 2013 and 2014 performance will be made available on June 30, 2015  
4) Brazil, Colombia, and Peru



01



02

**E-WASTE MANAGEMENT**  
01, 02: Campaign for Collecting Used Mobile Phones

**Campaign for Collecting Used Mobile Phones (Korea)**  
 Since 2005, LG Electronics has participated in a nation-wide campaign to collect used mobile phones in a partnership with the Ministry of Environment, mobile phone makers, and wireless carriers. Mobile phones contain precious metals (gold, silver, rare metals, etc.) that can be recycled to save energy and resources if handled in an environmentally safe manner. The introduction of smartphones, however, created a higher demand for used phones, and shortened shelf lives relegated many outdated phones to a life left forgotten in drawers and storage, making it even more challenging to collect and recycle used phones. In order to alleviate the situation, LG Electronics is actively participating in the national campaign and engaging in initiatives to collect mobile phones left unused at homes as part of our effort towards environmental protection and resource recycling. All proceeds from recycling used mobile phones are given back to society through programs for our neighbors in need, deftly combining two meaningful causes: resource recycling and giving back to society.

**Green Packaging**

In 2012, LG Electronics introduced its Greener Packaging Design guidelines to reduce the weight and volume and promote the reuse and recycling of packaging materials. The guidelines were initially implemented for portions of TV and mobile phone products, later expanded to all products in 2013. We also built a database that lists recycled pulp content and hazardous-substance content of the paper stocks used for our product packages and use the data to increase the recycled pulp content of the paper stocks used in our product packaging. In 2014, we established targets for annual reduction rates (use of packaging materials, volume of packages, and interior packaging space) at the Business Company level and reviews performance on a semiannual basis. We also use the guidelines to design packages for new product models and assess their environmental performance. Thanks to these efforts, we were able to reduce the use of packaging materials for new products by eight percent despite an increase in size for some products, while saving KRW 39.8 billion in costs. In 2015, as part of our effort to promote 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 Company level.

CASE STUDY

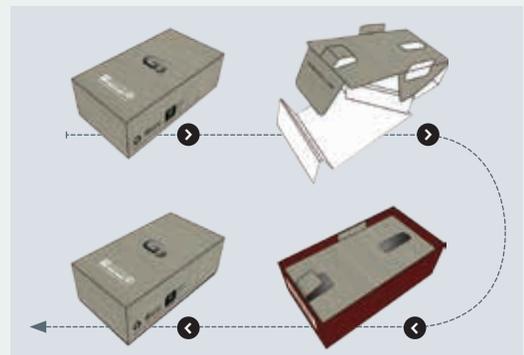
**Green Packaging Improvement Cases**



**G3 Packaging (LG - LS990)**

**Used Recycled Paper Stock**  
 For the G3 packaging designed for the North American market, developed and used a **100 percent recycled special paper stock** produced from recycled pulp

**Used Environmentally Expanded the use of halogen free ink**, which is harmless to people, to all product packages



## GREEN PARTNERSHIPS

### Green Program Plus

LG Electronics operates the “Green Program Plus (GP+),” a sustainability management program for its supply chain, and uses the program to manage hazardous substances at our suppliers from the component level. This program has been expanded to parts procurement and GHG emissions, and includes second-tier and third-tier suppliers as well as first-tier suppliers to expand our green partnerships. Not only does the program help us promote our suppliers’ competitiveness in sustainability management, but it also enables us to identify risks existing in our supply chain and address them proactively. LG Electronics also monitors and assesses the green management system as well as the capacity of our existing and new suppliers on an ongoing basis.

### Supplier Training

In order to strengthen green partnerships with suppliers, LG Electronics provides annual training on green technology, compliance response and GHG emissions management to suppliers (staff members for environmental management) and our employees in charge the partnership. In



F60 Packaging (MS395)

**Reduced Weight through Structural Changes**  
In order to better accommodate the automated packaging process, eliminated the blister (pulp mold tray) and changed the structure from a folding box to an all-in-one tray glued together on three sides (61g → 48g)



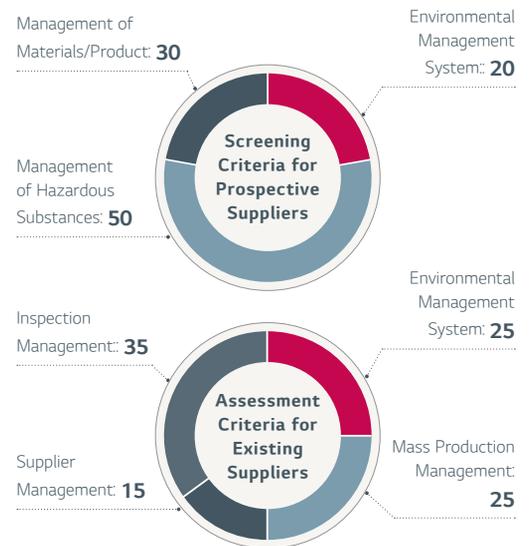
GREEN EXPERT PROGRAM



GREEN AUDITOR PROGRAM

2014, 233 employees from suppliers (Green Expert Program) and 89 employees from LG Electronics (Green Auditor Program) completed the training. We also introduced a new program to foster experts in collecting hazardous substance data (Environmental Data Collection Expert Program) in 2013, and conducted training for the equipment testing operators from our suppliers, all in an effort to improve the credibility of collected data and hazardous substance management systems. In 2014, a total of 142 supplier employees completed the program, and we plan to further expand training targets in 2015.

### Supplier Green Management Audit Criteria (based on 100 point scale)



- A checklist applicable to the supplier is used.

### Green Expert and Green Auditor Training in 2014

Participants	Course	Sessions	Training Target	Number of Participants	Training Content
Supplier Employees	Green Expert Program	9th	Managers & Staff Members from Suppliers' Environmental Departments	233	<ul style="list-style-type: none"> <li>Introduction to Environmental Regulations</li> <li>Management &amp; Analysis Technology for Hazardous Substances</li> <li>Hazardous Substance Management System (HSMS)</li> <li>GHG Emissions Management</li> </ul>
	Measurement of Hazardous Substances – Practical Applications	8th	Environmental Inspectors from Suppliers	142	<ul style="list-style-type: none"> <li>LGE Standards for Managing Hazardous Substances</li> <li>Measuring XRF (Theory)</li> <li>Measuring XRF (Practice)</li> </ul>
LG Electronics Employees	Green Auditor Program	3rd	Internal Staff in Charge of Supplier Audit & Internal Staff from Related Departments	89	<ul style="list-style-type: none"> <li>Introduction to Environmental Regulations</li> <li>Management &amp; Analysis Technology for Hazardous Substances</li> <li>Hazardous Substance Management System (HSMS)</li> <li>Life Cycle Assessment (LCA)</li> <li>GHG Emissions Management</li> </ul>
	Measurement of Hazardous Substances Expert Program	3rd	Internal Environmental Inspectors	63	<ul style="list-style-type: none"> <li>LGE Standards for Managing Hazardous Substances</li> <li>Measuring XRF (Theory)</li> <li>Measuring XRF (Practice)</li> </ul>

# Environmental Awards



## UNITED STATES

### ISRI Design for Recycling Award

In March 2015, LG Electronics received the 2015 Design for Recycling Award from the Institute of Scrap Recycling Industries (ISRI), a US industry organization promoting recycling, for our outstanding contribution to products designed with recycling in mind. This annual award honors corporations that prioritize recyclability in the design and manufacture of their products or services based on their use of non-hazardous materials, environmentally-conscious production process, and recyclability. LG Electronics was recognized for its ongoing efforts to develop and deliver recycling-friendly products that are free of hazardous substances, use recycled and recyclable plastics, and adopt smaller and lighter packaging. The ISRI is an industry association that enjoys high profile and positive reputation in North America, representing businesses in the region's recycling supply chain. LG Electronics received the award on April 25, during the 2015 ISRI Convention in Vancouver, Canada.

### Fourteen LG Electronics Clothes Dryers Qualify for ENERGY STAR

LG Electronics acquired the ENERGY STAR certification for all 14 of its clothes dryer models (six gas dryer and eight electric dryer models) slated for introduction in North America this year. Beginning this year, the U.S. Environmental Protection Agency (EPA) is strengthening its ENERGY STAR program to residential clothes dryers and began awarding the label to clothes dryers that use approximately 20 percent less energy annually than what is required by the new minimum efficiency standards effective as of 2015. It is also worth noting that



ISRI  
CONVENTION  
2015

Design for  
Recycling Award



LG Electronics became the first to qualify for the ENERGY STAR label for its gas dryer models. Our new EcoHybrid Heat Pump Dryer, the 2014 ENERGY STAR Emerging Technology Award winner, was among the new ENERGY STAR qualified dryer models. Major clothes dryer products from LG Electronics also offer diverse convenience and energy-saving features such as True Steam (dramatically reduces wrinkles and odors) and Sensor Dry (automatically adjusts drying time based on moisture levels). The Green Product of the Year Awards honor products that achieved exceptional environmental performance and market reception with the aim of promoting green product markets and green consumerism. The selection process for this award involves consumers as well as experts from related fields.

### Clothes Dryer Earns ENERGY STAR Emerging Technology Award from the U.S. EPA

LG Electronics has been recognized by the U.S. EPA with the 2014 ENERGY STAR Emerging Technology Award for its new EcoHybrid Heat Pump Dryer. First introduced at the 2014 International CES, the world's largest consumer electronics and technology tradeshow, the EcoHybrid Dryer was recognized by the U.S. EPA for the potential to save significant amounts of energy and GHG emissions. Unlike conventional electric dryers that waste considerable amounts of energy, EcoHybrid Heat Pump Dryer utilizes heat pump technology to capture and recycle energy generated during the drying process and saves up to 50 percent more energy than conventional electric dryers. It also offers cutting-edge features such as Smart Diagnosis, which helps users to easily diagnose simple product issues with their smartphones. LG Electronics will continue to introduce technologies that maximize energy efficiency while maintaining dryer performance to maintain its leadership in the high efficiency clothes dryer market.

As a global corporation with business operations throughout the world, LG Electronics puts great energy into protecting the environment as part of our CSR initiatives. Our efforts in environmental management are rewarded with meaningful and tangible results every year, inspiring us to press forward and helping us earn trust from diverse stakeholder groups and international organizations with global reputation and influence.



## KOREA

### Order of Industrial Service Merit (Bronze Tower) for Achievements in Green Management

The Changwon Production Group leader was honored with the Order of Industrial Service Merit (Bronze Tower) for achievements in promoting green management at the 2014 Green Management Excellence Awards. In 2009, Changwon Production Site established a steam supply system that captures and recycles the heat generated from the Changwon city's incineration facility and has utilized the heat for production processes and building heating, reducing approximately KRW 2.1 billion in energy costs and about 4,000 tons of GHG emissions on an annual basis. The Site implemented a wide range of green initiatives that include retrofitting its facilities with high efficiency LEDs and solar panels to save energy and reduce GHG emissions.

### Most Number of "Green Product of the Year" Awards in the Electronics Industry

In 2015, five of our product models were named the "Green Product of Year" by the Korea Green Purchasing Network. Winning this award for five different product models was the best performance to LG Electronics and a first for the industry. This year also marks the fifth consecutive year for LG Electronics to earn the recognition for a major product. The Green Product of the Year Awards honor products that achieved exceptional environmental performance and market reception with the aim of promoting green product markets and green consumerism. The selection process for this award involves consumers as well as experts from related fields.



GREEN  
MANAGEMENT  
Bronze Tower



"KIZON"  
WEARABLE BAND  
Green Product  
Certification in  
Europe



Year	Green Product of the Year
2010	1 product model (Refrigerator)
2011	1 product model (Refrigerator)
2012	3 product models (Refrigerator, Light Wave Oven, and Water Purifier)
2013	3 product models (Air Conditioner, Washing Machine, and Vacuum Cleaner)
2014	5 product models (Washing Machine, Air Conditioner, Refrigerator, Bedding Vacuum Cleaner, and Gas Range)



## GERMANY

### Green Product Certification in Europe for "KizON" Wearable Band

KizON became the first wearable device to acquire the Green Product mark from TÜV Rheinland, one of the most renowned standard certification agencies in Europe. The agency finally approved the KizON for Green Product mark through a rigorous testing and validation process based on the following criteria: content of hazardous materials, CO<sub>2</sub> emissions, recyclability, and CSR performance of the production plant. The KizON has already earned Korea's Eco-Label from the Ministry of Environment in June 2014 by satisfying the following requirements: reducing the electromagnetic wave level, pollutions from heavy metals, and negative impacts on the environment. Children wearing the band can make a direct outbound call to the pre-registered parents with just a press of a button, and incoming calls are automatically answered after ten seconds to prevent any missed calls from their parents, helping concerned parents track children's whereabouts around the clock. The KizON also lets parents set a desired interval for receiving the current location of their children wearing the band by utilizing network information from the GPS, mobile base stations, and Wi-Fi networks, and alerts parents when the battery is low.

## EESH MANAGEMENT SYSTEM

### Green 2020

In April 2010, the LG Group announced the group-level environmental initiative “Green 2020” (Three Management Goals), which showed that LG Group’s commitment towards environmental performance does not stop at mere compliance but strives to set and achieve significantly higher standards. In line with Green 2020, LG Electronics also established its own initiatives and targets and is pressing forward with their implementation. At our annual performance and strategy consensus meetings, we review progress and make necessary adjustments.

Recognizing the growing importance of EESH management, we added EESH to our management criteria for green business site under the Green 2020 initiative in 2014, which completed the criteria together with GHG emissions and water resource.

### EESH Management System

Since EESH guidelines and regulations were first established in 2009, LG Electronics has improved on those guidelines and regulations and developed them into a comprehensive framework comprised of 22 regulations and 16 guidelines (as of year end 2014), based upon which we operate the EESH Management System. In Korea, we implemented the EESH Management System at our production sites from 2010. As for overseas production sites, our Mexicali subsidiary (Mexico) acquired the ISO14001 certification (Environmental Management Systems) in 2014, while the Nanjing washing machine production subsidiary (China) and Thailand subsidiary acquired the ISO50001 and the GB/T23331 (Energy Management Systems), respectively, in March 2015.

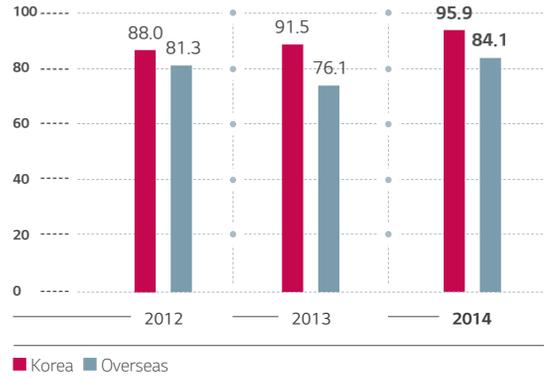


PERCENTAGE OF PRODUCTION SITES CERTIFIED FOR ISO 14001 (ENVIRONMENTAL MANAGEMENT SYSTEM)



EESH CERTIFICATION p.82

### Internal EESH Audit Results (in 100 point scale)

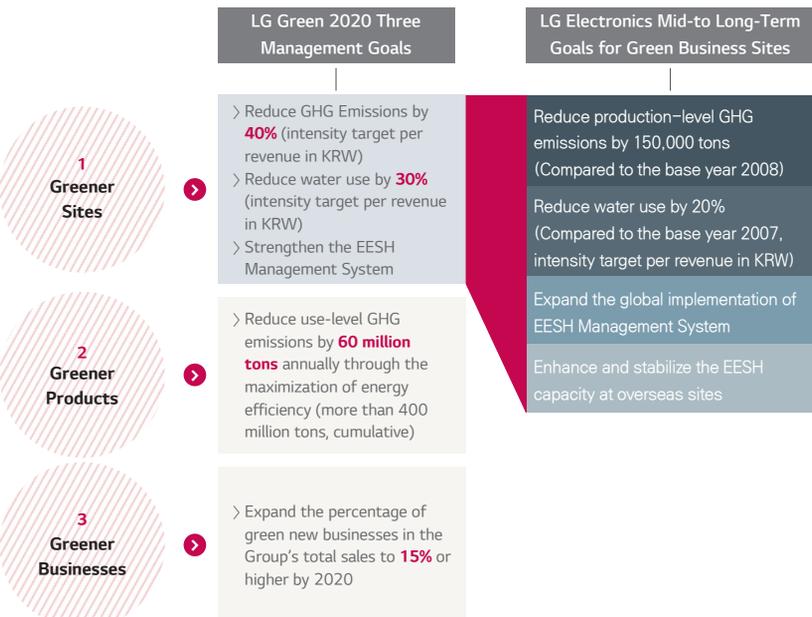


In 2013, scores for our overseas production sites were lower than the year earlier mainly due to changes in the assessment method.

### EESH Audit

LG Electronics performs an EESH audit on its production and R&D sites in Korea and overseas to identify EESH issues in advance and prevent those issues from developing into risks. First introduced in 2005, our annual EESH audit program bases its assessment criteria on the key requirements of the EESH Management System, which are used to evaluate each production site on its compliance with regulations and internal standards. In 2014 EESH audit, Korean sites improved their score to 95.9 points from 91.5 points in the previous year, while overseas sites also increased their score to 84.1 points from 76.1 points. Based on the audit results, each site formulates and implements an improvement plan whose progress is carefully managed and approved by the subsidiary president, and the subsequent audit reflects the results of such improvement initiatives.

### Green 2020

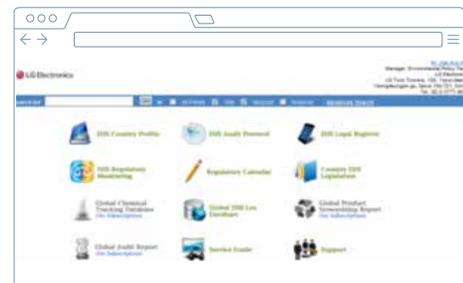


### Strengthening EESH Risk Management System

#### Implementation of EESH Compliance Monitoring System

LG Electronics strives to stay current and compliant with EESH legislations and regulations in countries around the world, and carefully monitors site-level compliance performance on an ongoing basis. In 2014, we developed efforts into a management system to monitor compliance per-

### EESH Compliance Monitoring System



formance at all our production sites. This system not only allows us to obtain the latest information on local EESH regulations both at the corporate and production site level, but also provides a snapshot look of the compliance performance of the entire production sites to help us make informed and preemptive responses to local EESH regulations. In 2015, LG Electronics plans to perform compliance risk assessment and management on a regular basis, beginning with the production sites in China.

**Implementation of Business Continuity Management (BCM) System**

With environmental and safety related accidents/disasters growing in scale and diversity, a single devastating event could threaten the very foundation of a company or, worse still, force it out of business. In order to fully prepare itself against such unforeseen events and ensure business continuity, LG Electronics implemented the Business Continuity Management (BCM) System for mobile phone production lines in 2008. As part of efforts to better manage the system and promote stakeholder confidence, we began to pursue the ISO 22301 certification at the corporate level in 2014, with our mobile production line at the Pyeongtaek Plant becoming the first to acquire ISO 22301 in Korea in November the same year.

The Yantai Subsidiary also acquired ISO 22301 to complete the full BCM implementation of our mobile production facilities in 2015. LG Electronics plans to expand the BCM System to the rest of the production sites both in Korea and in overseas by 2017 and manage our BCM performance through the BCM Council.

**Employee Training for Heightened EESH Awareness**

Since 2013, LG Electronics has offered EESH awareness training to all its employees. In the first half of 2014, we conducted the training for overseas employees, while Korean employees received the same training on global EESH issues / cases and corporate EESH management strategy and initiatives in the second half of the year. We also offer EESH training programs tailored specifically for different employee groups (subsidiary presidents, expatriates, etc.), and require EESH members to complete the advanced course developed by LG Corp. In 2015, we plan to include EESH awareness as a mandatory course in all training for promotion candidates.



INTERNATIONAL CERTIFICATION FOR BUSINESS CONTINUITY



PERFORMANCE IN PRODUCTION-LEVEL GHG EMISSIONS REDUCTION

1) BdMS: Building Management System  
2) BPAM: Building Performance Analysis Manager

**MANAGEMENT OF ENERGY AND ENVIRONMENT AT BUSINESS SITES**

**GHG Emissions and Energy Reduction**

**Reduction of Production-Level GHG Emissions**

In 2009, LG Electronics established the four strategic directions for climate change response and has been engaging in a wide range of efforts to improve our performance. We have set a target to reduce 150,000 tons of production-level GHG emissions by 2020 (10% reduction), through which we expect to reduce a total of approximately one million tons (cumulative) of GHG emissions between 2009 and 2020. In 2014, we set a target to reduce 78,000 tons of GHG emissions from the base year 2008 across our business sites and strived to achieve the target. As a result, we exceeded the target by 106,000 tons, a reduction of 184,000 tons from the base year 2008.

**Reduction of Production-Level Energy Use**

**Improving Operational Efficiency of Equipment and Facilities**

LG Electronics continuously works to optimize and minimize our energy use by improving the efficiency of our facilities and production processes. We use the results of regular energy assessments performed by our internal experts to design and carry activities such as optimizing capacity/control (of motors, pumps and utility equipment of cooling towers), enhancing the differential pressure of air compressors, minimizing zero-load operations, and optimizing the washing process.

**Expanding Investments in High Efficiency Equipment and Facilities**

As part of our efforts to reduce energy use, LG Electronics is expanding investments in high efficiency equipment and facilities. We have replaced the lighting systems with LEDs across our business sites to reduce 2,800 tons of GHG emissions in 2014, and invested in automated control systems BdMS<sup>1)</sup> and BPAM<sup>2)</sup> to improve our capacity for peak-time control, which also help reduce GHG emissions.

Production-Level GHG Emissions Reduction Targets and Performance (Unit: 10K tons CO<sub>2</sub>e)



**Expanding the Use of Renewable Energy**

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 business sites in Korea to secure a combined capacity of 5.4 MWh, producing a total of approximately 6,900 MWh (cumulative) in 2014 and reducing about 6,217 tons of GHG emissions. Office buildings in the United States and Europe are also increasing their purchase of renewable energy. In 2014, US facilities purchased a total of 3,109 MWh of renewable energy, while our European office buildings used 2,586 MWh of renewable energy at the same year.

**Promoting Employee “Energy Observer” Activities**

In 2014, LG Electronics renamed the employee energy monitoring taskforce to “Energy Observer,” strengthening “observer” activities to promote energy saving at our sites. Each of the “Employee Energy Observer” group is composed of three to ten energy experts from the business sites (production site, R&D center, or business organization), and engages in activities to monitor energy use patterns and habits, screen for power and steam leakage, and minimize energy loss. The performance of observer groups is reflected upon major KPIs to motivate energy observers to stronger performance.

**Expanding GHG Management Across Value Chain**

**Office Building GHG Management**

Since 2008, we have managed the GHG emissions of office buildings in Korea. In 2014, a total of 9,134 tons of GHG was emitted from office buildings, including the leased office spaces that house more than 100 fulltime employees. In order to reduce GHG emissions from major office buildings at our overseas locations, we have set mid- to long-term reduction targets for office buildings in the United States and Europe and managed them accordingly. LG Electronics USA has set an ambitious target to reduce GHG emissions in U.S. operations by 50% by 2020. To achieve this target, the subsidiary joined the EPA led “Green Power Partnership” that encourages organizations to reduce their environmental impact by using renewable energy. LG Electronics USA is also reducing U.S. logistics-related emissions in supply chain by using freight carriers that participate in the EPA’s SmartWay program. European subsidiaries have set targets to reduce 15% of GHG emissions from office buildings by 2020 from the base year 2010, via diverse range of measures that include installing solar panels and expanding the use of renewable energy.

**Logistics & Business Travels**

Total GHG emissions from logistics activities in Korea in 2014 amounted to 40,960 tons CO<sub>2</sub>e, down 847 tons from the previous year. We plan to further reduce GHG emissions from logistics activities through ongoing efforts toward logistics system improvement, energy use optimization, and IT system implementation. In 2014, the total

GHG emissions associated with employee business travels by employees in Korea amounted to 57,348 tons.

**Clean Development Mechanism**

LG Electronics’ Clean Development Mechanism (CDM) project in India was finally approved by the UNFCCC (United Nations Framework Convention on Climate Change) in 2013. Through this project, we plan to acquire carbon credits in exchange for the sales of highly efficient refrigerators in India, and finally in February 2015, we earned 6,954 tons of carbon credits, which translate into CO<sub>2</sub> reductions equivalent to planting 570,000 30 year-old pine trees. It was the first among CDM projects to acquire carbon credits through the production and sales of appliances, and we expect to reduce 5.8 million tons of GHG emissions annually over the next ten years. We also plan to donate a portion of the profits from the project to local communities in the form of scholarships to women and children from low income households.

**Management of Water Resources**

LG Electronics aims to reduce 20% of water use by 2020 compared to the base year 2007 (intensity target per revenue in KRW) and keeps close track of the amount of water it uses and reuses at its production sites in Korea and overseas. In 2014, the total volume of water used at our production sites in Korea and overseas (including some R&D facilities in Korea) amounted to approximately 11.29 million tons, and 1.08 million tons of the water was reused. Although we estimate that the volume of water used at our business sites will continue to increase due

CASE STUDY



**Carbon Disclosure**

Selected as Member of CDP Korea’s “Carbon Management Honors Club”

LG Electronics was selected as a member of the CDP (Carbon Disclosure Project) Korea’s “Carbon Management Honors Club,” a recognition given to businesses for excellence in climate change responses.



**Energy Saving Best Case**

Participation in Earth Hour Light-Off Event

In order to raise awareness of energy conservation and express of its support for environmental protection initiatives, LG Electronics participated in the Earth Hour event organized by the World Wildlife Fund and turned off the lights at all business sites in Korea and North America (including the Time Square digital billboard) for one hour. Inspired by the Earth Hour event, we plan to run an internal campaign entitled “Energy Conservation Day” and hold a voluntary light-off event once a month.

to production capacity expansion for solar panels and our growing business portfolio (new businesses, including EV components), we are implementing a comprehensive range of conservation initiatives to manage our water use and reuse across our production sites in an effort to meet the target. For instance, the Gumi and Changwon Plants in Korea reuse heavy water after treatment, and the Noida Plant in India built a zero-discharge system that recycles all industrial wastewater from the plant and reuses it after treatment. Thanks to such efforts, the percentage of re-used water in the total volume of water used has increased to 10 percent and is rising continuously.

LG Electronics monitors and manages the amount of wastewater generated and pollutants discharged into the river in full compliance with local laws and regulations. In Korea, the wastewater generated at our production sites is treated in two steps – first at the internal wastewater treatment facility and later at the local sewage treatment plant – before it is discharged into rivers. We manage the pollutant levels of the wastewater 50 percent lower than what is required by law and strive to minimize the amount of pollutants discharged into rivers through constant monitoring and management efforts.

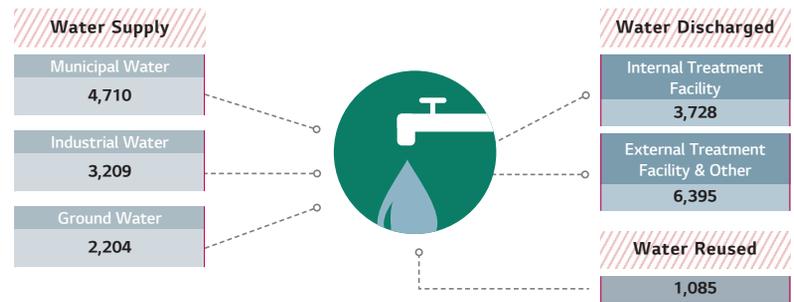
**Minimizing Waste Discharge**

We make ongoing efforts to increase recycling rates of waste generated at our production sites by minimizing the amount of waste that is discharged, increasing recyclability through separate disposal, and implementing environmentally friendly treatment processes. Ruza Plant in Russia processes waste in an environmentally safe manner at the internal recycling center opened in May 2014 based on the “thorough and thorough” separate disposal of waste generated by the plant and suppliers located on the premises. Thanks to the recycling center, the production site’s recycling rate has increased by 170 percent. Our Manaus Plant in Brazil installed a packaging material compressor to minimize the volume of waste discharged and increased the efficiency of the separate disposal process. Based on these site-level initiatives for improving recycling rates, our corporate-wide waste recycling rates are increasing every year. In 2015, we will continue to make efforts to minimize waste generation and increase recycling rates by implementing extensive improvement efforts.



THE GUMI TV AND SOLAR PRODUCTION PLANTS RECEIVE THE GREEN COMPANY AWARDS

**Global Water Use in 2014 (Unit: K ton)**



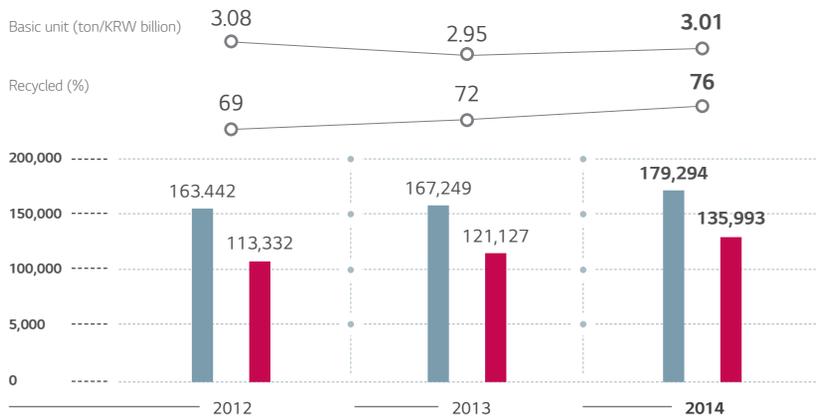
As for the data on water supply, Scope 2 (indirect water use) was excluded from this table.

**Wastewater Discharge in Korea**

Production Sites	Woomyeon R&D Center	Cheongju Center	Gumi Center	Changwon Center	Jeonju Center
Secondary Treatment Facility	Tancheon Water Reuse Center	Cheongju Sewage Treatment Center	Gumi Sewage Treatment Center	Deokdong Sewage Treatment Center	Samrye 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

**Waste Generated and Recycled (Unit: ton)**



■ Total Waste Generated ■ Recycled

Basic unit was recalculated due to revisions to the income statement from the 2014 resolution of the PDP business  
Recycling does not include heat recovery through incineration

CASE STUDY

**Named Green Company by Ministry of Environment (Korea)**



In recognition of its achievements in environmental management (including dramatic reductions in environmental pollutants, conservation of energy and resources, and establishment of the EESH management system), LG Electronics was named a “Green Company” by the Ministry of Environment. With our Gumi TV plant and Solar plant acquiring the Green Company designation in 2014, all

our six production sites that handle mass production (Pyeongtaek, Cheongju, Gumi (TV, Solar), and Changwon (1, 2), Jeonju will relocate to Pyeongtaek) now acquired the Green Company designation. Inspired by the achievement, LG Electronics plans to take a stronger leadership in environmental management and aim for targets that exceed compliance levels.

## HEALTH & SAFETY MANAGEMENT AT BUSINESS SITES

### Strengthening Chemicals Management

#### Chemicals Management (Korea)

Since establishing the LG Chemicals Management System (LGCMS) in 2013, LG Electronics performs preliminary safety and environmental screening on all chemicals stored and used at production sites. All the chemicals that arrive at facilities are managed through the LGCMS, and we also require suppliers to undergo preliminary screening through the system before delivering their products in an effort to minimize compliance risks prior to the arrival of chemicals. We also enhanced monitoring performance on the amount used and implemented initiatives to prevent industrial chemical accidents, such as establishing emergency response and chemicals risk assessment process to strengthen user-level safety management.

In 2014, LG Electronics signed an MOU with Ajou University to establish an advanced graduate program on chemical materials and provide support for program operations. Under the program, we share our extensive knowhow on chemicals management and chemical management system implementation and provide students with a summer/winter internship opportunity to help them apply their knowledge to actual projects.

#### Gumi (Solar) Plant Acquires Grade P for Process Safety Management Report

Gumi Solar Plant is required to submit a Process Safety Management (PSM) report regulated by the government. PSM is a regulatory system that requires production sites retrofitted with equipment and facilities that manufacture, handle, and store hazardous and/or dangerous substances/materials regulated by the law to draft and submit a PSM report, which is then evaluated and validated by authorities, to prevent grave industrial accidents such as leaks, fire, or explosion caused by such materials.

In 2014, LG Electronics was evaluated on its preventative measures and preparedness for grave industrial accidents, such as suffocation caused by toxic gas leakage or hazardous and/or dangerous substances/materials, and received the highest grade "P."

### Strengthening Safety Management at Business Sites

#### Assessment by External Experts

LG Electronics receives regular consulting from professional agencies specializing in safety, fire prevention, environmental protection, energy, and production equipment to assess the safety and environment of production sites and R&D facilities. Safety and environment assessment evaluates the system safety, production equipment safety, process safety management, power supply system safety, and fire readiness of production sites. Assessment from a third party agency ensures accurate and objective identification of risks that may be overlooked by internal staff, which are then incorporated into prevention and improvement efforts and utilized as a basis for advancing our accident prevention and workplace safety performance.

#### Safety Assessment on New Construction Projects and Production Processes

As part of our efforts towards safety and environmental compliance and risk prevention, LG Electronics provides support for safety assessment prior to the commencement of new construction projects and the implementation of new production processes. In 2014, we provided comprehensive safety and environment support for the plant construction projects in Egypt and Vietnam, including the organization of a safety and environment team and implementation of fire prevention facilities and a safety management system, and helped our production subsidiaries conduct safety assessment and make a soft landing. In order to measure the effectiveness of our support for safety assessment, we also provide post-assessment evaluation and support. In 2015, we plan to provide support for safety assessment plant construction and new process implementation and monitor the process as part of efforts to manage associated risks, including an increase in insurance costs, regulatory noncompliance, and the development of risks into full blown issues.

#### Safety Accident Prevention for Construction Service Providers

In January 2015, we hosted a pledge ceremony for creating a safe worksite based on win-win partnerships with the participation of construction service providers. In the event attended by over 30 CEOs from construction companies involved in our Solar Business, and eight executives and team managers from LG Electronics, we conducted safety awareness training for CEOs, held a pledge signing cere-



MOU ON ESTABLISHING ADVANCED GRADUATE PROGRAM ON CHEMICALS (AJOU UNIVERSITY)

### Safety & Environment Assessment by External Experts

Category	2013	2014	2015 (Plan)
Korea	Changwon (1, 2), Pyeongtaek	-	Gumi 1, Woomyeon R&D, Gasan R&D
Overseas	-	11 sites in China (Syenyang, Huizhou, Tianjin, Qingdao(QA, QD), Yantai, Qinhuangdao, Nanjing (NT, PN), Taizhou, Hangzhou)	Mexico (Mexicali, Monterey, Reynosa), Brazil (Taubate, Manaus)



01



02



03

**BUSINESS SITE AND EMPLOYEE EFFORTS FOR SAFETY MANAGEMENT**

01: Pledge Ceremony for Construction Safety | 02: Activities for Improving Working Conditions | 03: Health Rainbow

mony (for compliance with safety rules) and toured the construction site to raise the safety awareness of project participants. We will continue to work on raising safety awareness of our partners such as top executives from construction companies and suppliers.

**Strengthening Fire Prevention Efforts**

As part of our Fire Risk Index (FRI) initiative, LG Electronics mapped the risks associated with business sites and translated them into an index to use the index as the metrics for risk management, while continuously reducing fire risks through improvement efforts. Based on advanced standards for disaster risk management including the FM Global standards and the NFPA Code, we identified 20 key fire safety factors from the viewpoint of reinsurers to set up the FRI, and has continuously refined the index to further segment risk levels. We assessed all Korean sites and overseas production subsidiaries against the FRI and made improvements where necessary. Through the initiative, we have developed a standard index against which we can assess the fire safety performance. The index also enables us to make comparative analyses of business sites and to establish site-specific improvement measures. We plan to conduct FRI-based fire risk assessment on production sites throughout the world at least on a tri-annual basis and strengthen our monitoring.

**Promoting Employee Health & Enhancing Working Conditions (Korea)**

We run employee health promotion programs on an annual basis. Seocho and Woomyeon R&D Campuses participate in a health program called "Health Rainbow," which is comprised of seven sub programs (diagnosis and counseling) to address health issues that commonly affect professionals including metabolic syndromes, work stress, and chronic fatigue and pain. The metabolic syndrome program also participated in the "Urban Walkabout for Health" project organized by the Seoul Metropolitan Government and the Life Insurance Philanthropy Foundation, placing first among 20 teams by reducing on average 11.63 of body fat (12.1kg of weight on average). In preparation of medical emergencies, we installed automated external defibrillators and designated emergency response personnel from

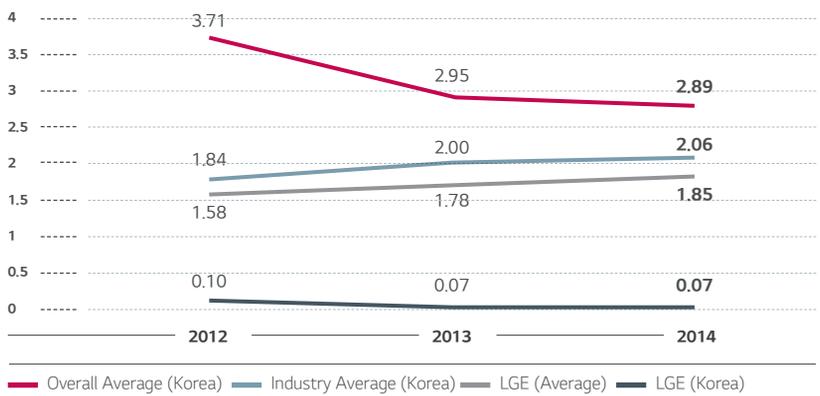
each floor to receive CPR training.

We also make diverse efforts to improve working conditions for employees. At Changwon Plant, we organized items requiring performance of tasks in airtight spaces based on health and standards and improved the production process to ensure employee safety. At the Gasan R&D Campus, we enhanced the ventilation performance of old research equipment by increasing the volume of airflow or replacing the equipment when it was impossible to raise the airflow, thereby enhancing efficiency by 80 percent (on average) and addressing the odor problem caused by deteriorated ventilation performance.

**FRI (Fire Risk Index) Implementation Results & Plan**

Category	2013	2014	2015
Korea	Changwon (1, 2), Pyeongtaek	Changwon 1, Cheongju, Incheon	Changwon 2, Gumi 1, Pyeongtaek
Overseas	-	Brazil (Taubate, Manaus)	Mexico (Mexicali, Monterey, Reynosa)

**Lost-Time Injuries Frequency Rate (LTIFR)**



• In our previous reports, incident rate was used to present this data. After LIFR was adopted for compliance with international standards, our 2011 and 2012 data was converted to an LTIFR  
 • IRs for 2011 and 2012 have been recalculated into TLFDRs  
 • LTIFR: Lost-Time Injuries Frequency Rate (Number of lost-time injuries x 1,000,000) / (Total hours worked in accounting period)  
 • Figures for overall average (Korea) and industry average (Korea) are based on data released by the Korea Worker's Compensation & Welfare Service. Industry here refers to the electronic product manufacturing industry

**BOUNDARY**

- ORGANIZATION
- OUTSIDE OF THE ORGANIZATION



# With Our Suppliers

**OUR FOCUS**

According to our 2014 Materiality Analysis,  
 1) Establishing Fair Trade as Regular Practice  
 2) Raising Supplier Awareness on Social Responsibility  
 3) Raising Employee Awareness against Corruption and Collusion were identified as the most material issues, followed by "Managing Conflict Minerals."

**OUR APPROACH**

In order to conduct fair trade with suppliers based on mutual trust, LG Electronics proactively communicates with its suppliers and implements the No. 1 Supplier Program to help them build and maintain business competitiveness. In addition, we provide ongoing support to assist our suppliers in complying with CSR requirements in labor/human rights, and business ethics.

**OUR EVALUATION**

Based on our Fair Trade Compliance Program, LG Electronics guarantees an equal opportunity in its business transactions with suppliers and provides a wide range of support to help them develop global business competitiveness. In addition, we also operate the Supplier CSR Risk Management Program.

**OUR PERFORMANCE**

**20.3** trillion won

Amount Paid Out for Local Procurement

EICC Self Assessment:

**126** suppliers

CSR Audits/Consulting:

**3** suppliers

Improving Supplier CSR

Assessment:

**815** suppliers

Audit:

**69** suppliers

Number of Suppliers from China / Asia Received CSR Audit

**239**

Number of Smelters Identified to be Using Conflict Minerals

**FUTURE DIRECTION**

Strengthen CSR Audit Program	Help Suppliers Develop Capabilities for CSR Risk Management	Establish Origin Tracking System for 3TG Minerals Contained in Our Products	Track 100% of Conflict Minerals Contained in Our Products
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**STAKEHOLDER STATEMENT**



For more than two decades, Smart Electronics has strived to contribute to the development of Korea's electronics industry as an electronics parts producer, particularly through the localization of electronics parts. Although we have faced numerous challenges, we were able to overcome many crises and achieved business competitiveness thanks in large part to proactive and systematic support from LG Electronics (LGE). Taking advantage of LGE's wide range of mutual growth programs, we were able to secure quality and production competitiveness building on the convergence of automation and information technologies. LGE also inspired us to review our perspective on quality improvement and to implement systematic quality initiatives. Currently, we are working on inventory reduction and quality innovation with assistance from LGE. In the long term, we will transform our business model to create high added value based on ongoing efforts towards product/production innovation and world-class QCDS capability. We believe that LGE will stand by our side as a valuable partner through our endeavor to become one of the global leading producers in circuit protection devices.

CEO, Smart Electronics, Inc.

**Sin Wook Kang**



## PROCUREMENT PERFORMANCE

### Procurement Performance & Supply Chain

LG Electronics categorizes its business partners as “direct suppliers” and “indirect supplies” in order to more effectively manage partner companies. Direct suppliers provide raw materials and components used by LG Electronics to manufacture products or components. In 2014, company-wide purchases from direct suppliers amounted to 33.7 trillion won, an approximately 10% increase compared to the previous year, with 25.1 trillion won or 75% of the total taking place in the Asian region including Korea. LG Electronics partners with over 1,100 companies in Korea and 1,900 companies abroad, making transactions of over 100 million won with 2,300 companies, representing 75% of the total number of partners. LG Electronics currently manages a list of approximately 5,000 eligible partner companies, including approximately 3,000 current partners, through a process that removes companies who have no dealings with LG Electronics or with a history of quality problems, and providing strong support to partners for expanding the amount of business transactions and creating a “crack team” of top suppliers. In 2014, LG Electronics began new partnerships with 59 companies, including nine in China and four in Egypt.

Indirect suppliers, managed by the General Procurement (GP) department, are partner companies that provide services other than direct purchases such as advertisement and IT services. A total of 2.5 trillion won in indirect purchases were made in 2014 from these companies, including 1.4 trillion in Korea. LG Electronics works with



CORPORATE-WIDE  
DIRECT PURCHASES  
IN 2014

approximately 800 indirect suppliers in Korea, with over 100 million won in transactions with 52% of these companies. Overseas subsidiaries are expanding the scope of their partnerships with indirect suppliers by boosting the purchasing capabilities of each subsidiary with close cooperation with headquarters’ GP department. In 2015, LG Electronics transferred its indirect purchasing department from Finance to Procurement as part of a reorganization effort in order to boost purchasing capabilities and maximize purchasing leverage.

### Supplier Compliance with CSR Guidelines

LG Electronics evaluates new suppliers using not only business-related standards such as quality and technological prowess but with a new set of corporate social responsibility (CSR) standards such as labor rights, human rights, and ethics. LG Electronics requires every supplier to sign an agreement for compliance with “Jeong-Do Management” and the Supplier Code of Conduct as part of the Master Purchase Agreement, and to establish a business process that can provide a safe working environment for all employees of the supplier, preserve their dignity and protect the environment. In December 2014, LG Electronics held the “Supplier Basic Guidelines Signing Ceremony” as part of an effort to reaffirm the adherence of every partner company to these guidelines.

### Creating No.1 Suppliers

LG Electronics operates the “Competitive Capability Support Program” together with our major suppliers to nurture partners who have unique technology and leading

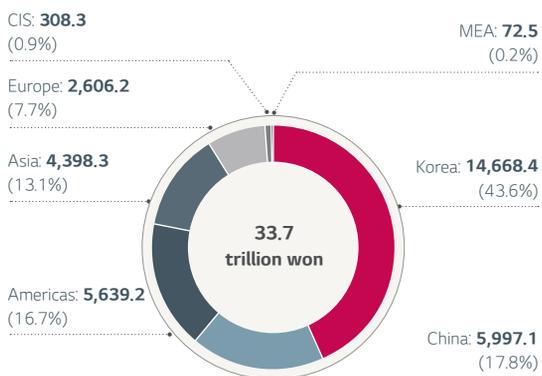
manufacturing process while at the same time capable of carrying out global operations. Expert consultants and support staff create a single team with the supplier to address any deficiencies and provide support for creating a permanent maintenance system that can ensure the highest level of competency. In 2014, LG Electronics provided dedicated support for creating solid quality management and manufacturing systems and optimizing SCM through the program, successfully addressing chronic quality issues and improving productivity. In 2015, LG Electronics expanded the program to include the overseas arms and subsidiaries of partner companies. We understand that the competitiveness of our suppliers determines the competitiveness of LG Electronics; based on this awareness, we will continue to create new programs and expand our support, as well as focus on enhancing the capability of our expert staff who are tasked with assisting our suppliers.



**WIN-WIN GROWTH PORTAL**  
(<https://winwin.lge.com>)

**2014 Supplier Direct Purchases by Region**

(Unit: KRW billion)



**Local Purchases by Key Subsidiaries by Product in 2014** (Unit: KRW billion)

Subsidiary	Local Purchase Amount	Local Purchase (%)	Total Purchase Amount
LGEKR Korea	12,352.1	71%	17,419.3
LGEPN Nanjing, China	848.2	87%	979.5
LGEYT Yantai, China	663.7	56%	1,182.0
LGEQD Qingdao, China	219.3	45%	484.4
LGENT Nanjing, China	632.8	64%	985.6
LGETR Taizhou, China	447.3	84%	534.3
LGETH Rayong, Thailand	424.9	69%	619.8
LGERS Reynosa, Mexico	75.6	4%	1,798.9
Other	4,634.2	48%	9,686.2
<b>Total</b>	<b>20,298.1</b>	<b>60%</b>	<b>33,690.0</b>

**PRINCIPLES FOR WIN-WIN GROWTH**

**3 Philosophies and 5 Principles**

LG Electronics closely adheres 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 of 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 and related departments fully understand our philosophies and principles and put them into practice. This information is also made available to our suppliers through our Win-Win Growth Website (<https://winwin.lge.com>).

**Strong Implementation of “5 Win-Win Growth Objectives”**

LG Electronics reaffirmed its commitment to pushing through its 5 Win-Win Growth Objectives during the “LGE Win-Win Growth Camp” in May, 2011. In 2013, the company reorganized the objectives’ specific action plans, and in the following year concentrated on carrying out these action plans to nurture No. 1 suppliers while expanding support to second- and third-tier suppliers as part of the company’s efforts to support every partner company develop global competitiveness as world-class No. 1 suppliers. A skills council was established to provide core competitive capabilities to our suppliers as part of a support system tailored to the needs of our suppliers. This program has been expanded to include the suppliers of our overseas companies.

**Supporting the Growth into Global No.1 Partners**

LG Electronics is engaged in a variety of support programs to provide our suppliers with world-class quality, production and technological capabilities by boosting their core competitiveness. When our suppliers join LG Electronics in an overseas venture, we provide operational funding support for purchasing local land, buildings and facilities as well as assistance for local investment (including legal counsel), aimed at ensuring that our suppliers can take root quickly in the local environment and stabilize their management system.

**Support for Developing Next-Generation Technology**

LG Electronics aims to strengthen the next-generation technology capabilities of our suppliers through the Green Partnership Program. From 2011 to 2014, LG Electronics invested approximately 40 billion won to find and develop top suppliers with key technologies and R&D capabilities. In December 2014, LG Electronics launched a program to support suppliers participating in our patent sharing program. LG Electronics has also continued to support the development of small and medium enterprises (SMEs) as well as the national industry by strengthening technology partnerships with SMEs via the Korean government’s Purchase-Guaranteed Technology Development Program. In



**DEVELOPING NEXT-GENERATION TECHNOLOGY**

Technology Partnership Award

recognition for these efforts, LG Electronics received the Technology Partnership Award from the Small and Medium Business Administration in December 2014.

**Financial Support**

LG Electronics makes continuous efforts to ensure our suppliers' financial stability by supporting them with direct and indirect funding and improving payment schedules and periods. LG Electronics has provided zero-interest, direct funding support to suppliers for efforts to improve productivity and quality, expand capacity and facility, establish overseas operations for LGE projects, and develop advanced technologies, providing a total of 210.4 billion won in financial support between 2004 and 2014.

LG Electronics partners with financial institutions to provide low-interest funding to suppliers to ensure their financial stability. LG Electronics established a 162.5 billion won Win-Win Growth Fund in conjunction with the Industrial Bank of Korea (IBK) to provide low-interest loans, through which 108 second-tier suppliers received 44 billion won in 2014 alone. In addition to the Fund, LG Electronics operates a wide range of financial support programs including Network Loan in association with financial institutions, the Overseas Business Partnership Program, and the Win-Win Growth Guarantee Support Program. We are continuously expanding the benefits we offer to cover not only our domestic suppliers but to suppliers who have established overseas operations for LGE projects.

**Training & HR Support**

LG Electronics continues to expand its support in training and HR management to first- and second-tier suppliers in order to help them boost their core competitiveness through talent management and capability development. As a part of these efforts, LG Electronics established a dedicated training facility for supplier training (the Win-

Win Growth Academy) at the LG Electronics Learning Center. We also set up a consortium with a local university (Changwon National University) and the Collaboration Foundation of Big and Small Companies, 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 and welding. A total of 3,060 employees from 410 suppliers completed these training programs in 2014.

**Process Innovation**

LG Electronics operates a number of programs aimed at enhancing communication with suppliers, while solidifying the foundations of win-win mutual growth through internal process innovation. The Win-Win Growth Website provides a platform for sharing the company's major policies in order to enhance communication and grievance resolution, and receive supplier grievances and feedback from suppliers through the e-VOS (Voice of Suppliers) feature. Recognized certification agencies are enlisted to carry out periodic partnership satisfaction surveys in order to understand the various issues suppliers face and assess real-world needs, and LG Electronics spares no effort in trying to address these issues. The company's Purchasing Department regularly visits suppliers as part of our commitment to addressing any difficulties faced by our partners under our principle of "One Company One Decision," and received a total of 1,310 VOS cases from 423 suppliers in 2014 as part of our efforts to address the concerns of our suppliers.

**Purchasing Meetings**

LG Electronics established the "New Partnership Application Process" feature as part of its supplier portal to strengthen the company's process for discovering new technologies and materials, which allows 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 government authorities and the Collaboration Foundation of Big and Small Companies, holding meetings with 18 companies in 2014 to provide them with a chance to open a business relationship with LG Electronics, further expanding business opportunities for our nation's SMEs.

**Supplier Online Shopping Mall**

LG Electronics provides employees of our suppliers with several benefits that our employees receive, under the same conditions. The Supplier Online Shopping Mall provides a wide range of services including staff care services (self-development, discounts for leisure activities, etc.), special prices for select products, and gift request services, which employees of our suppliers can use by directly accessing the shopping mall website.



SUBMISSIONS  
FILED UNDER  
e-vos



[WWW.LGESUPPLIERS.COM](http://WWW.LGESUPPLIERS.COM)



SUPPLIER ONLINE  
SHOPPING MALL  
(<http://with.lgelifecare.com>)

## SUPPLIER CSR MANAGEMENT

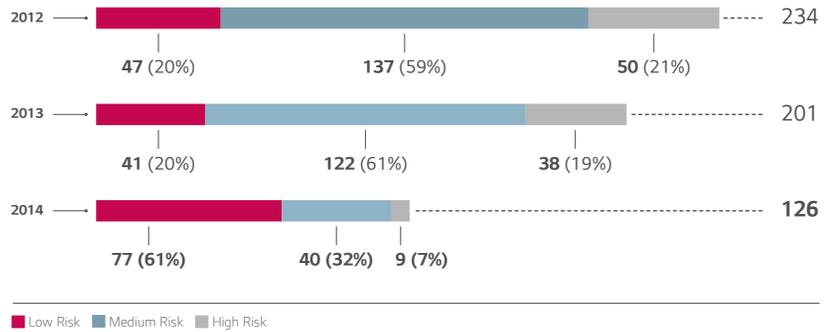
### Supplier CSR Risk Management

LG Electronics understands that supply chain CSR risk management is vital, and operates a supplier risk management program (for assessment and improvement) through the Win-Win Growth teams of the Procurement Center as part of our efforts to protect the rights of the employees of our suppliers and ensure a safe working environment. In 2014, a survey was conducted to review major CSR risk factors among suppliers in China and the Asian region, where CSR risks such as child labor and forced labor are often reported in the industry. The results of the survey were shared with our suppliers to promote voluntary improvement efforts, and consultants from LG Electronics worked with selected suppliers to supported selected suppliers to implement corrective actions.

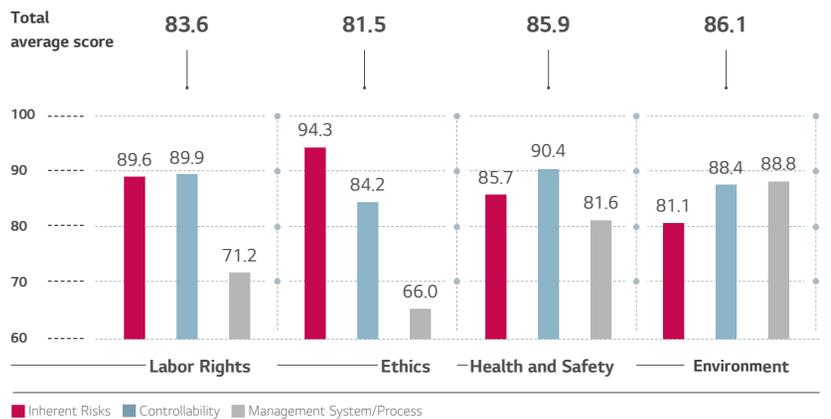
### EICC Online Self-Assessment System Launched

In 2014, LG Electronics evaluated the CSR compliance of major suppliers by using EICC-ON, the EICC online self-assessment system. A total of 126 facilities participated in this year's assessment through the system, a decrease of 75 facilities compared to 2013. The assessment allowed suppliers to more objectively and systematically understand their CSR status, and provided them with data that could be presented to partners other than LG Electronics that may request such information. Nine facilities were categorized as "high risk" following the assessment, and on-site consulting programs were launched for three of these facilities. LG Electronics plans to continue the CSR self-assessment program in 2015 for our major suppliers.

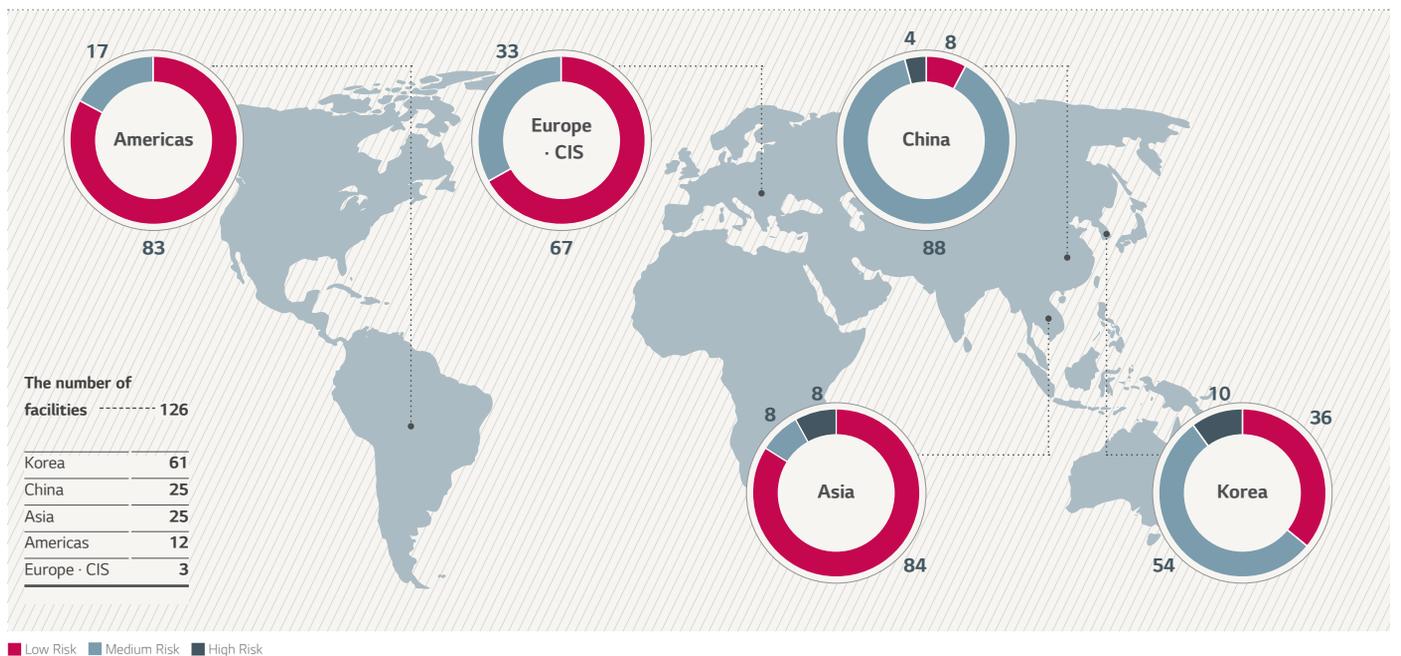
Supplier CSR Risk Assessment Results (Unit: EA)



Supplier CSR Risk Levels by Type and Category (Unit: %)



2014 Supplier CSR Risk Levels (Unit: %)



**China & Asia On-Site Assessment**

LG Electronics carried out a CSR quick survey of 815 suppliers in China and the Asian region in the second half of 2014. The survey identified a total of 293 issues, the majority of which have been fully addressed as of March 2015.

**China Assessment Results**

A total of 746 suppliers for 11 subsidiaries were surveyed in China. The survey was composed of 21 items including 12 items related to HR and labor management and nine items related to environment, safety and health. The categories of HR and labor relations tracked child labor, night shift work by minors, minimum wage, and disciplinary wage deduction and fine systems. Survey items covering environment and safety, while the health criteria included failure to provide personal protection equipment, violations of environmental laws, and chemical substance management. The survey identified nine high risk companies, 516 medium risk companies, and 221 low risk companies. LG Electronics carried out on-site inspections of a total of 41 major suppliers including the nine suppliers identified as high risk, discovering 205 corrective action plans (average

of five per supplier). Fully 100% of these issues were resolved, and we continue to invite our suppliers to sign an MPA (Master Purchase Agreement) that includes CSR requirements (current signing rate: 98.6%).

**Asia Assessment Results**

Following our assessment of suppliers in China, LG Electronics conducted a survey of 69 major suppliers of five overseas subsidiaries of LG Electronics in Asia (Thailand, 1; India, 2; Indonesia, 2), a region that has seen frequent reports of child labor, forced labor, and environmental issues in the industry. The results identified three high risk companies, 51 medium risk companies, and 15 low risk companies. LG Electronics carried out on-site inspections of a total of 28 suppliers including the three suppliers identified as high risk (Thailand, 8; India, 10; Indonesia, 10) discovering 88 corrective action plans (average of three per supplier), and resolved 86 issues representing 97.7% of the total. LG Electronics will continue to review the CSR status of major suppliers of our overseas companies in China and other countries, and actively support efforts to address and resolve deficiencies.

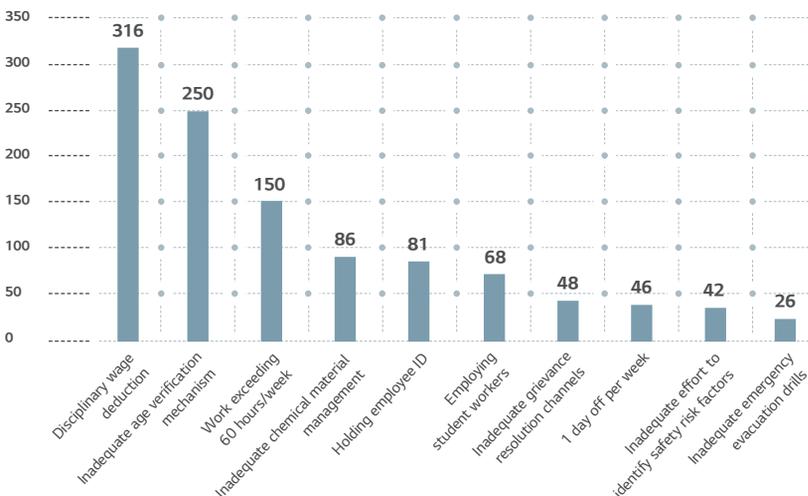
**Survey Results (China)**



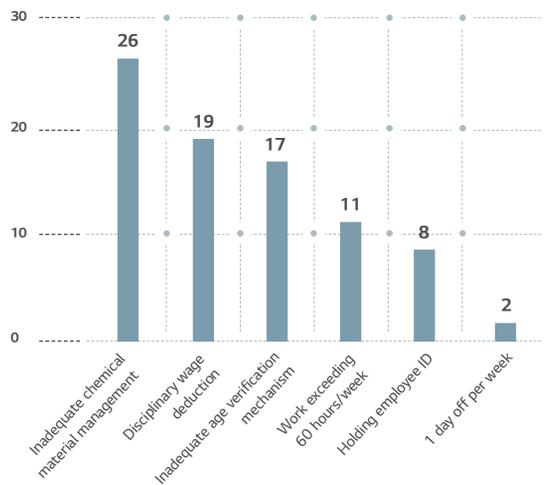
**Survey Results (Asia)**



**Types of Non-compliance and Number of Violations (China)**



**Types of Non-compliance and Number of Violations (Asia)**



## CONFLICT MINERALS MANAGEMENT

### LG Electronics Conflict Mineral Policy

As a responsible corporate citizen committed to respecting human rights, LG Electronics is deeply concerned about the human rights abuses that may be associated with mineral sourcing of tin, tungsten, tantalum and gold from the Democratic Republic of Congo (DRC) and neighboring countries.<sup>1)</sup> In response, LG Electronics has put in place a conflict minerals policy and a conflict minerals management program aligned with one of the leading industry efforts, the Conflict Free Sourcing Initiative (CFSI) and related international guidelines. The company's conflict minerals policy is publicly available on LG Electronics website, as well as information regarding our latest activities to address this ongoing issue. LG Electronics recently revised provisions on conflict minerals in the Master Purchase Agreement and the Supplier Code of Conduct, to ensure that the four conflict minerals (tantalum, tin, tungsten and gold, also collectively referred to as 3TG) used in products supplied to LG Electronics or its procurement network do not originate from mines that are controlled by, or provide financial support to, armed groups in the region.

**1) CONFLICT REGIONS:**  
Democratic Republic of Congo, Angola, Burundi, Central African Republic, Republic of Congo, Rwanda, South Sudan, Tanzania, Uganda, Zambia



**ON-SITE AND COLLECTIVE TRAINING FOR SUPPLIERS ON CONFLICT MINERALS**

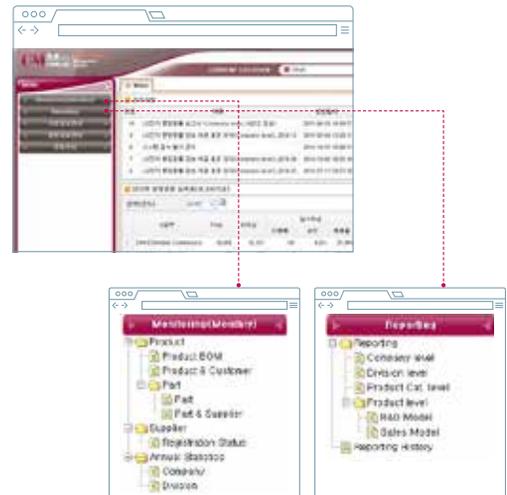
### LGE Conflict Minerals Policy from the Corporate Website



### Conflict Mineral Management System - Improvements and Training

LG Electronics operates a corporate-level cross-functional task force team, in order to respond proactively to regulations on conflict minerals. In September, 2013, LG Electronics launched the Conflict Minerals Management System (CMMS) that collects information on the usage of 3TG minerals as well as on their origin and smelting facilities from the CFSI CMRT (Conflict Minerals Report Templates) reported to us by our suppliers. This system has allowed LG Electronics to compile conflict mineral information on over 90% of components that use 3TG and meet requests for information from customers, NGOs and corporate evaluation agencies. LG Electronics also conducts consulting and partnership programs with outside experts to continuously improve the company's conflict minerals management standards and systems. In addition, LG Electronics operates a training program designed to enhance awareness of conflict minerals and collect relevant information. Through the program, 653 employees received training in 2013, and 611 additional employees from 338 companies received training in 2014 during on-site visits and regional collective training sessions. In 2015, training programs will be conducted both internally as well as with suppliers covering the latest revisions to the CMRT as well as on the current status of regulations. LG Electronics also operates a Q&A board as part of the CMMS in order to provide additional support to suppliers, and actively participates in seminars and workshops organized by the Korea Electronics Association (KEA) and the CFSI, as part of our efforts to support small and medium enterprises in addressing issues related to conflict minerals.

### Conflict Minerals Information Monitoring & Reporting System



### CASE STUDY

#### SUPPLIER CODE OF CONDUCT

Materials not obtained through illegal and unethical ways

Suppliers shall have a policy to prevent the use of materials sourced through any illegal and unethical ways. (e.g., minerals sourced from mines controlled by armed groups, fibers sourced from logging in high conservation value forest areas or prohibited areas).

As part of or in addition to such policy, suppliers shall have a conflict minerals policy and establish reliable systems to assure that the tantalum, tin, tungsten and gold (collectively 3TG) in the products, parts, components and/or materials that they manufacture for or supply to LGE (collectively "LGE supplied products") do not directly or indirectly finance or benefit armed groups that are perpetrators



of serious human rights abuses in the Democratic Republic of the Congo or an adjoining country. Suppliers shall exercise due diligence on the source and chain of custody of 3TG in LGE supplied products and make their due diligence measures available to LGE upon request. Suppliers shall also respond promptly to LGE requests for information regarding the results of their due diligence, including but not limited to the country of origin or smelters and refiners of 3TG in LGE supplied products.

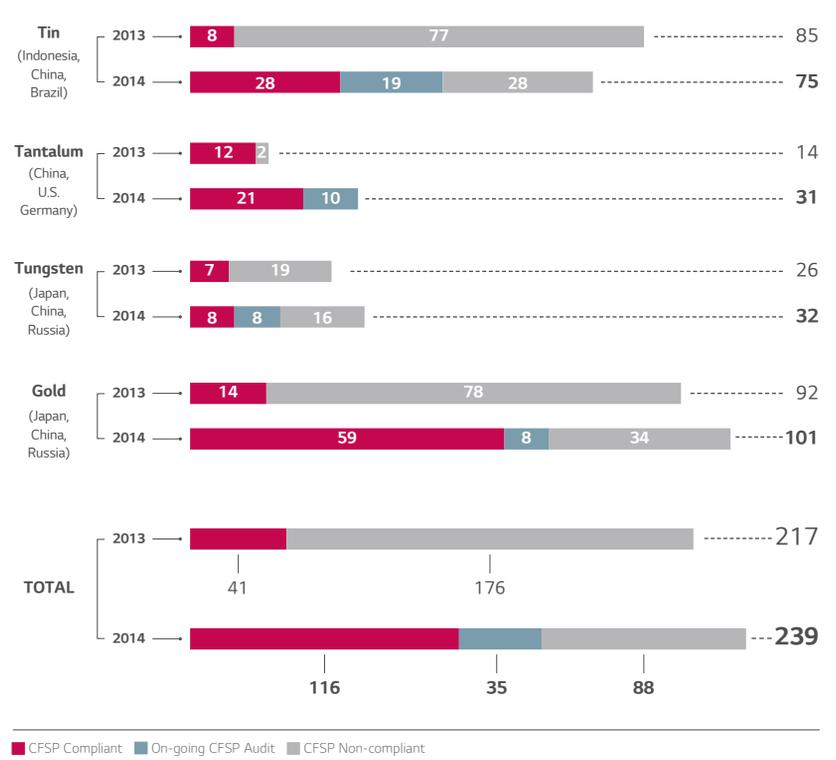
**Efforts to Expand the Number of CFS-certified Smelters**

LG Electronics is a corporate member of the Conflict Free Sourcing Initiative, a joint initiative of the Electronics Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative (GeSI), to support conflict free mineral sourcing. Through communications with its suppliers, LG Electronics is establishing the expectation that our suppliers source from Conflict Free Smelters (CFS) found compliant with the Conflict Free Smelter Program, or an alternative facility assessment program, where available. In September, 2014, the “LG Family Conflict Mineral Response Council” was formed in cooperation with affiliates including LG Display, LG Chem and LG Innotek. This project was created to review the status of smelters in the supply networks of these four LG companies, and advisory letters were sent to more than 250 non-CFS certified smelters to recommend certification. New information collected during this process is shared with CFSI to keep global smelter information up to date. LG Electronics is also participating in smelter outreach to encourage gold smelters in Korea to become validated under the CFS program. As a result of the CFSI’s collaborative, multi-industry effort, LG Electronics usage rate of smelters and refiners validated compliant to the CFS program has increased significantly (to 49%) compared to 19% in 2013.

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

LG Electronics is an active participant in environmental preservation efforts in the Bangka Island region in Indonesia, one of the world’s top producers of tin. LG Electronics was an inaugural member of the TWG (Indonesian Tin Working Group) that was launched in July, 2013, and is convened by the Sustainable Trade Initiative (IDH). LG Electronics participates in regular meetings to explore ways to source tin in Bangka Belitung, Indonesia in a way that aligns with responsible business practices, and has also visited the region for a first-hand account of the issues on the ground. The TWG aims to provide support for addressing issues that threaten the sustainability of tin mining and smelting activities in the Bangka Belitung, as well as to promote local development and fight poverty. As a part of these efforts, the TWG is utilizing a local convening team from the second half of 2014 to work closely with the Indonesian government, local smelters and miners, downstream users of tin and local civil society to collaborate on more responsible tin mining practices. As a member of the TWG, LG Electronics has expressed its support to key Indonesian government ministries for sustainable tin mining practices in Bangka Belitung and will fulfill its roles in aiding the Indonesian government as well as local communities sustain these environmental protection efforts.

**LGE 3TG Mineral Smelter CFS (Conflict-Free Smelter Program) Compliant Status**



( ) represents location of major smelters.



**ASSISTING SMEs RESPOND TO CONFLICT MINERALS REGULATIONS**

2015 KEA-CFSI International Conference on Conflict Minerals

**BOUNDARY**

- ORGANIZATION
- OUTSIDE OF THE ORGANIZATION



# With the Community

**OUR FOCUS**

According to our 2014 Materiality Analysis, 1) Promoting Engagement with Communities and 2) Developing Products / Services Specifically Tailored to Local Needs were identified as the most material issues, followed by "Promoting Cooperation with Local Authority / NGOs" and "Increasing Donation and Social Contribution."

**OUR APPROACH**

As a responsible member of the international community, LG Electronics is fully aware of global issues that require a global response and we strive to contribute to the inclusive and sustainable development of human society. To this end, we put great energy into social contribution initiatives that are specifically tailored to local needs, leverage our products and technologies, and promote employee participation.

**OUR EVALUATION**

LG Electronics utilizes a proprietary checklist to assess the impact of individual social contribution initiatives on its business and on our society. Based on the results, we continuously search for ways in which we can contribute to society by utilizing our core competences and strengths.

**OUR PERFORMANCE**

Sites:

**56** countries

**90** business sites

Participation:

**220,000** employees

Participation in Social Contribution initiatives



**20** countries

**25** subsidiaries

Number of Countries and Subsidiaries that Adopted CSR Slogan

**739** employees,

**4,476** hours

Number of Employees Who Used Workday Volunteer Program (Korea) and Number of Hours Logged in the Program

**FUTURE DIRECTION**

Develop Products and Technologies that Support to Resolve Local Issues	Support to Foster Young Generation in Emerging Markets and Developing Countries	Expand Employees Engagement in Volunteering and Donation
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**STAKEHOLDER STATEMENT**



During the Ebola response, LG Electronics was one of the first organizations to respond to OCHA's call for help. By contributing 2,000 handsets to health workers and affected people during the crisis, LG Electronics provided invaluable mobile solutions for community based activities associated with 60 Ebola Treatment Units (ETU) and for the surrounding communities. They were used for data assessment/analysis, social mobilization and payment systems in support of essential services to affected communities within the three Ebola affected countries. They also provided airtime and satellite connectivity in support of key data gathering for humanitarian actors to better carry out their work. This rapid response on such priority issues is an excellent model for the future and one which the United Nations Office for the Coordination of Humanitarian Affairs will use to develop relationships between the private sector and the global humanitarian community, and to showcase what can be achieved through collaboration.

Assistant Secretary-General and Deputy Emergency Relief Coordinator  
UN OCHA (United Nations Office for the Coordination of Humanitarian Affairs)

**Kyung Wha Kang**



## OUR ACHIEVEMENTS IN SOCIAL CONTRIBUTION

### Background

Established in the year 2000 with the commitment of 191 world leaders as the international pledge for the eradication of world poverty and hunger, the United Nations Millennium Development Goals (MDGs) have entered the final year of their 15-year timeframe (2000-2015). The international community is now working together on the future development framework, the Post-2015 Development Agenda and Sustainable Development Goals (SDGs), a set of proposed targets covering a broad range of sustainable development issues, including inclusive economic growth, social advancement, and environmental protection. Achieving these ambitious international development goals will certainly require a global response from all groups of stakeholders, including government, civil society as well as private sector.

### Principles for Social Contribution

As a responsible member of the international community, LG Electronics is fully aware of global issues that require a global response and strives to contribute to the inclusive growth and sustainable development. To this end, we put great energy into social contribution initiatives, especially stressing efforts to protect the environment and expand access to education by leveraging our core business competences.

Life's  
Good with LG

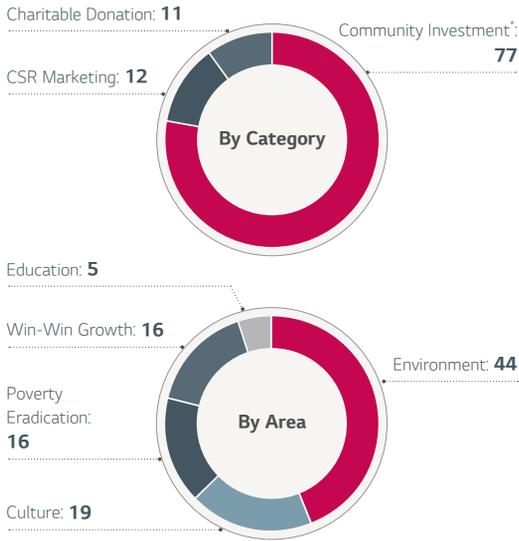
THIS CSR SLOGAN OF  
LG ELECTRONICS CONVEYS  
THE MESSAGE, "WITH LG,  
LIFE'S ALWAYS GOOD."

In order to effectively respond to global issues, we established three principles that govern the operations of our social contribution initiatives. First, we will strive to gain trust and encourage participation of stakeholders through social contribution programs designed to address local issues. Second, we will expand the impact and range of our contribution by utilizing our products and technologies. Third, we will engage with communities and bring about change at the local level by promoting employee participation in the forms of time, talent, and monetary donations.

### Our Achievements in 2014 and Evaluation

Throughout the year 2014, LG Electronics engaged in a wide range of initiatives to give back to communities in which we operate with active involvement of more than 220,000 employees (cumulative) from both Korea (14 sites) and overseas (76 subsidiaries from 55 countries). In 2014, LG Electronics made a total of KRW 10.4 billion in donations (parent) and administered approximately KRW 79.5 billion for social contribution programs and related areas in overseas locations. The size of direct donations by the parent company in 2014 decreased from the previous year due to a considerable increase in direct donations and social contribution initiatives by our overseas subsidiaries. This also resulted in an overall increase in employee participation by 80,000 individuals. Every year, LG Electronics assesses the impact of individual social contribution initiatives on its business operations and society in general with our own detailed checklist. Based on the results, we continuously search for ways in which we can contribute to society by leveraging our core competences and strengths.

**2014 Social Investment** (Unit: % / Korea)



Strategic contribution to partner organizations is listed under "Community Investment"

**2014 Social Investment**

In 2014, social investment made by LG Electronics (parent company) went to: CSR marketing programs organized in conjunction with business projects (12%), charitable donation (11%), and community investment (77%). By program category, our contributions were directed to: environmental protection (44%), cultural programs (19%), and poverty eradication (16%). Community investment made up the largest share because our social contribution initiatives in Korea are mostly designed to address the issues affecting the communities that host our business sites. In 2014, 71 percent of our overseas spending on social contribution programs was directed to CSR marketing. A bulk of this spending (61%) was allocated to cultural programs since such projects often require relatively large budget per program.

**2014 LG Electronics Social Contribution Model**

INPUTS	OUTPUTS	IMPACTS
<p><b>Amount</b></p> <ul style="list-style-type: none"> <li>&gt; Korea: KRW 10.4 billion</li> <li>&gt; Overseas: KRW 79.5 billion</li> </ul>	<p><b>Community Support</b></p> <ul style="list-style-type: none"> <li>&gt; Supported socially disadvantaged people from the surrounding areas of our business sites</li> <li>&gt; Sponsored and supported welfare facilities</li> </ul>	<p><b>Social Impact</b></p> <ul style="list-style-type: none"> <li>&gt; Community development increases 30% of income in LG Hope Village in Ethiopia</li> <li>&gt; Technical and vocational capacity building for 75 students entered LG Hope TVET College in Ethiopia</li> </ul>
<p><b>Location</b></p> <ul style="list-style-type: none"> <li>&gt; Korea: 14 business sites</li> <li>&gt; Overseas: 76 business sites from 55 countries</li> </ul>	<p><b>Stakeholder Engagement</b></p> <ul style="list-style-type: none"> <li>&gt; Maximized impact based on partnerships with local NGOs and buyers</li> </ul>	<p><b>Business Impact</b></p> <ul style="list-style-type: none"> <li>&gt; Empowered the organization by promoting employee participation</li> <li>&gt; Building brand awareness through mobile medical and cultural services for about 50,000 people --in Asia</li> </ul>
<p><b>Number of Participants</b></p> <ul style="list-style-type: none"> <li>&gt; Korea: 90,071</li> <li>&gt; Overseas: 133,808</li> </ul>	<p><b>Synergy with Business</b></p> <ul style="list-style-type: none"> <li>&gt; Korea: Issued 55 press releases</li> <li>&gt; CSR slogan adopted by 25 subsidiaries in 20 countries</li> </ul>	

**MAJOR SOCIAL CONTRIBUTION PROGRAMS**

**Life's Good with LG: "Think Global, Act Local"**

As a global corporation with business operations throughout the world, LG Electronics operates social contribution programs that address local issues. In Asia and Africa, emerging markets with high potential for growth, we implement initiatives that address the specific needs of each country to make our CSR slogan, "Life's Good with LG," come to life. In the mid-to long-term, LG Electronics plans to develop social contribution programs in conjunction with core capability such as products and technologies for communities in need of social infrastructure, while striving to help communities address their local issues by collaborating with professional organizations.

**Health Awareness Campaigns in Asia**

LG Electronics first launched the health awareness campaign in 2013 for medically underserved people in Myanmar and expanded the program to include Bangladesh and Cambodia in 2014. Recognizing that rural communities in these countries have limited access to medical and cultural services, we developed a program that provides free medical service and cultural events to address their needs. In Myanmar, we teamed up with the Seoul National University Hospital to visit eight medically underserved towns in the country's rural regions and provide free medical check-up, while partnering with Good Neighbors in Bangladesh to tour seven provincial towns and provide free medical check-up and health-hygiene awareness classes. In Cambodia, we visited five towns and provided free medical/dental check-up and health-hygiene awareness classes. In the year 2014, LG Electronics organized 22 health awareness campaign sessions to provide free medical service to over 12,400 people and hosted health-hygiene awareness classes and cultural events for 33,117 people.



HEALTH AWARENESS CAMPAIGN IN CAMBODIA



01



02

**LG HOPE COMMUNITY**

01: LG Hope Village | 02: LG Hope TVET College

**LG Hope Community**

As part of its longer-term commitment for expanding global CSR programs, LG Electronics launched the LG Hope Series in 2009 for those in need in Asia and Africa. Since 2012, we also have been working together with LG Corp. in Ethiopia to run the LG Hope Community, which aims to help low income Ethiopians achieve sustainable livelihoods.

**Self-Sustainable Farming Village: LG Hope Village**

With more than 80 percent of Ethiopia’s population depend their livelihoods on farming, LG Electronics is focusing on R&D projects and training programs to increase agricultural productivity, thus assisting the country’s farming families to achieve sustainable livelihoods. In 2012, LG Electronics launched the LG Hope Community in Sendafa of the Oromia region. In 2013, we focused on establishing basic infrastructure for the community, such as wells, roads, and solar power stations. In 2014, we constructed a 5-hectare pilot farm in the community and began training young community leaders on techniques for small-scale vegetable and chicken farming with cooperation from World Together (NGO) and Cheonan Yonam College. We estimate that these efforts have increased the income of



community members by more than 30 percent since the initial stage of this project. We also supply electricity to the community with the LG Solar Station and the Mobile Solar Charging Kit. According to the full survey conducted at the end of 2014 by LG Electronics on the impact of the program, 150 households from the community expressed the most satisfaction with clean drinking water, followed by roads (for improving access to markets), power station, and vegetable gardening classes. For the next three years, LG Electronics plans to focus on transferring farming techniques to community members, which we believe will increase the quality of life and real income for these people by helping them create new sources of income.

**Talent Cultivation: LG Hope TVET College**

In 2014, LG Electronics opened a vocational school in Ethiopia to foster a technical workforce for the country by leveraging its strength in electronics repair. The school will train 75 students annually through its three-year electronics repair course. In order to increase the effectiveness of training, we plan to send out our Master Repair Engineers to teach the class. We expect this program to help meet the workforce demand from the local industry as well as to create income sources for young Ethiopians. This program is operated as part of public and private partnership programs with the Korea International Cooperation Agency (KOICA), which has extensive experience in international development projects and comprehensive knowledge of local conditions.

**LG Hope Vaccination**

Since 2010, LG Electronics has worked together with the International Vaccine Institute (IVI) to develop cholera vaccines and vaccinate Ethiopians against the disease. The cholera vaccine developed by the IVI obtained clinical approval from the WHO in 2013 and has been administered to more than 40,000 people as of March 2015. In addition to the vaccination program, LG Electronics provides hygiene awareness class to help prevent the contraction of the disease.

**Emergency Relief**

LG Electronics actively participates in international emergency relief effort for countries and regions hard hit by natural disasters, such as hurricanes and earthquakes. In August 2014, LG Electronics, together with LG Corp., made a donation to the Red Cross Society of China to help more than 230,000 victims of the Ludian earthquake (Yunnan Province). Our donation was used to establish LG Hope Schools in the county. In December 2014, LG Electronics donated 2,000 units of smartphones to assist the international Ebola response coordinated by the UN OCHA. These smartphones are being used for monitoring the situation and collecting critical data in Ebola-affected regions, including Liberia and Sierra Leon.

CASE STUDY



**Nagash Guttata Tullu  
(Farmer, LG Hope Community)**

“I am a proud father of two children and farmer from Sendafa. I started my own vegetable garden after attending the vegetable farming class at the pilot farm run by the LG Hope Community Program. I have seen people from other villages growing vegetables before but never thought it would work here as well. As I learned at the pilot farm, I planted some

carrot seeds and carefully watered them for four months. To my pleasant surprise, I was able to harvest carrots and make three months’ worth of income. I am very proud of myself for harvesting carrots successfully and feel quite confident about trying different crops. Now, I am thinking about planting garlic, onion, and corn in my vegetable garden.”



01



02



03

**LOCAL SPECIFIC SOCIAL CONTRIBUTION** 01: Love Genie | 02: LG Social Fund  
**SOCIAL CONTRIBUTION LEVERAGING PRODUCTS AND TECHNOLOGIES** 03: Solar Powered Refrigerator

**Financial Support for Social Enterprises: LG Social Fund**

Based on multi-lateral partnerships with LG Chem, the Ministry of Employment and Labor, the Ministry of Environment, and NGOs, LG Electronics is strengthening its financial support for social economy, particularly for social enterprises, cooperatives, community enterprises, and social ventures in the environmental sector. Since 2011, we have operated the “LG Social Fund” and provided support to 53 organizations (excluding repeat beneficiaries) over the past four years. The LG Social Fund primarily provides financial support to social economy organizations, offering free financing during their start-up phase and interest-free loans during their growth/maturity phase. Beneficiaries also receive a wide range of management support, including management training, networking support, and productivity consulting from the Labor Union of LG Electronics. In 2014, we held a contest for college students to submit ideas for promoting social economy, with the top five teams rewarded with special awards.

**CSR Supporters: Love Genie**

As part of its social contribution initiatives that promote stakeholder involvement, LG Electronics launched “Love Genie” in 2014. “Love Genie” is a collegiate CSR supporters group that plans and executes CSR initiatives independently. We provided support to 45 students (from 30 different universities), including mentoring and training on CSR issues (labor, the environment, and human rights) over a four-month period to help them plan and execute CSR initiatives on their own initiative. Love Genie members engaged in activities to promote diverse CSR issues, including the environment, multiculturalism, and disability awareness. They also posted their activities on the group’s official blog ([www.lovegenie.co.kr](http://www.lovegenie.co.kr)), which attracted over 4,000 visitors a month.



LOVE GENIE  
 ([www.lovegenie.co.kr](http://www.lovegenie.co.kr))

**Innovations for a Better Life:**

**Creating Value with Products and Technologies**

LG Electronics strives to achieve sustainable growth by utilizing its products and technologies to make “innovation for a better life.” Our vision is coming together around the world through initiatives that take advantage of our products and technologies. We also established the CSR marketing committee to facilitate regular collaboration between related departments and plans to use it as a framework for expanding opportunities for developing products and implementing technologies that contribute to society.

**Solar Powered Refrigerator: Sudan and Peru**

LG Electronics developed a solar powered refrigerator for Sudanese and Peruvian residents living in regions that have no power supply and donated 20 units through World Vision. The refrigerators will be used at local facilities for children and the elderly that require refrigerators to store medical and food supplies, including vaccines.

**Solar Power Generation System: Sri Lanka and Cambodia**

In order to help communities improve their power infrastructure, the Labor Union of LG Electronics donated solar power generation systems to Cambodia and Sri Lanka. After carefully considering what local residents need most urgently to improve the quality of life and education, the Labor Union decided to donate solar power generation systems and ancillary equipment. Thanks to the systems, local children are now able to use computers in a well-lighted and air conditioned classroom for the first time in their lives and make encounters with advanced technology through videos. The Labor Union also installed solar powered streetlights for the low-income neighborhood to provide a safer environment to local residents.

CASE STUDY

**Home Appliances with Local-specific Features**



In order to make “innovation for a better life,” LG Electronics put great energy into identifying social issues specific to each region and developing products that address such local issues. Introduced in 2012 to select markets in Africa and Asia, the “Mosquito Away” Air Conditioner features a special ultra sonic wave generator to chase away malaria-bearing mosquitoes, which pose great health and hygienic risks in these regions. We also introduced the battery powered TV to help TV viewers in Africa

who are frustrated by frequent power disruption. For consumers from regions with extreme heat exposure such as India, Middle East, and Africa, we developed the “Ever Cool” refrigerator, which is designed to keep the interior temperature as constant as possible during a blackout. In addition, we have introduced smartphones for people with vision impairments and TV products for people with hearing disabilities to improve accessibility and bridge the information gap.

**Marketing Infrastructure: 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 sustainable development. This year, we offered our Times Square (U.S.) and Piccadilly Circus (U.K.) digital billboards to the UNEP, the WFP, and the UN Global Compact to feature public announcement videos. In 2014, we also joined forces with the Bundesliga football club Bayer 04 Leverkusen and offered uniform advertisement rights to a local children’s heart foundation. The Leverkusen squad members also auctioned off their autographed posters and donated all the proceeds to the foundation.

**Employee Participation Programs, Inspired by Creativity and Autonomy**

Employees are actively involved in our social contribution initiatives, 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, we strive to create a corporate culture that promotes employees’ voluntary participation in social contribution efforts. We will continuously provide corporate-level policy support to expand employee participation at every business site and to create more opportunities for talented employees to share their professional expertise and knowledge with communities.

**Workday Volunteer Program (Korea)**

As part of our efforts to promote employee volunteering, we 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 2014, 739 employees took advantage of the program and volunteered a total of 4,476 hours (up 200 hours from the previous year) to help people with disabilities make their field trips, take care of babies at the facility for single mothers, and install heaters for elderlies who live alone.

**Volunteer Programs (Korea)**

Since 2005, LG Electronics has operated employee volunteer groups, which were officially launched as the talent donation program, “Life’s Good Volunteers” in 2010. Throughout the year 2014, 1,533 employees from 117 volunteer groups participated in a wide range of volunteer projects, such as running science classes for the local children’s center and providing free electronics repair service to welfare facilities. The number of volunteer group members increased by 50 people from the previous year.

**Donation Programs (Korea)**

LG Electronics has in place diverse donation programs to make it easy for employees to make donations. One of these programs is the Salary Round Up Fund, which is raised by participation of more than 95 percent of Korea employees who set aside approximately KRW 1,000 from their monthly salaries. Launched in 2004, the Executive Contribution Fund is another employee donation program



THE LABOR UNION OF LG ELECTRONICS DECLARED THE UNION SOCIAL RESPONSIBILITY (USR) AS A PLEDGE TO TAKE ON GREATER SOCIAL RESPONSIBILITIES.

operated with the voluntary participation of about 82 percent of Korean executives. In 2014, the fund was used to support health awareness campaign in Asia and the LG Hope Vaccination in Ethiopia. We also operate “Life’s Good Day” at company cafeterias across 14 business sites in Korea. On these special days, company cafeterias offer a reduced price menu, and the employees who choose that menu pay the original price and donate the difference. In 2014, more than 83,000 employees participated to support children waiting for adoption, welfare centers for the disabled, and soup kitchens for homeless people.

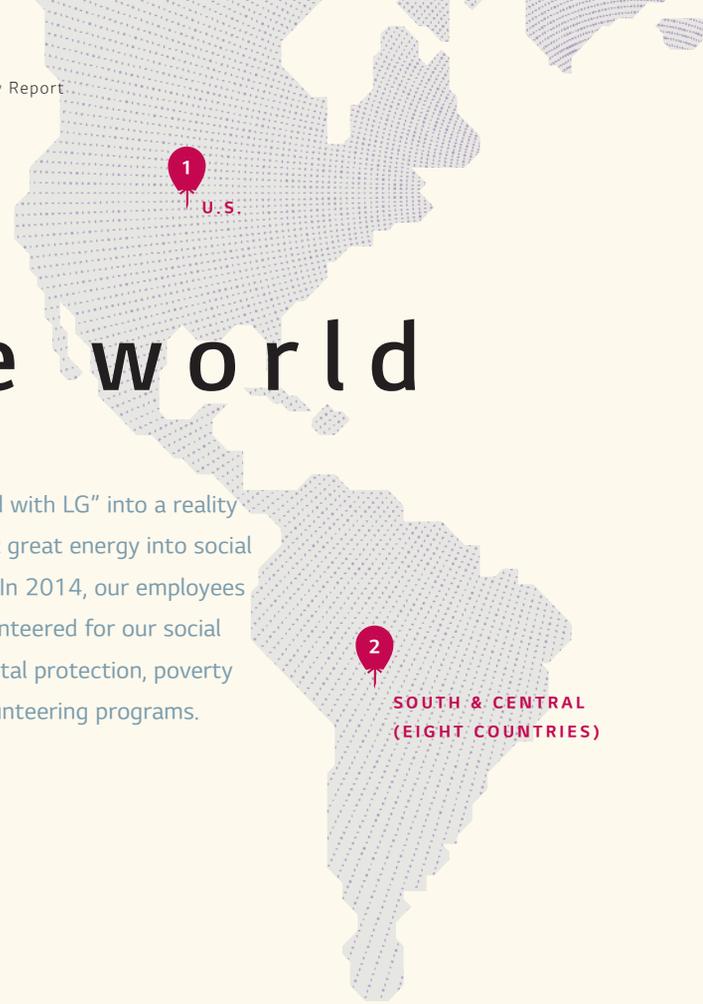
**Global Employee Engagement**

As part of its efforts to promote employee participation in social contribution initiatives both in Korea and overseas, LG Electronics organizes global scale volunteer events on a semiannual basis. In celebration of World Environment Day (June 5), we have been organizing the “Global Volunteer Day” event since 2010 across the world as part of the Labor Union’s initiatives. In 2014, employees from 14 business sites in Korea and 25 overseas subsidiaries (including China, Russia, and Sweden) organized events in line with this year’s theme “Raise Your Voice Not The Sea Level.” In addition, we have been organizing the annual “Global Blood Donation Campaign” in October to raise employee awareness on the importance of blood donation. In 2014, 3,778 employees from 14 business sites in Korea and 16 overseas subsidiaries participated. In conjunction with the event, we ran an SNS campaign in Korea, pledging KRW 1,000 for each message posted on social media sites. The fund raised through the campaign was donated to treat young leukemia patients.



**SOCIAL CONTRIBUTION INITIATIVES WITH EMPLOYEE PARTICIPATION**

01: Mural Painting Project | 02: Global Blood Donation Week | 03: Life’s Good Day



# Around the world

In order to make our CSR Slogan “Life’s Good with LG” into a reality across communities where we operate, we put great energy into social contribution efforts that address local needs. In 2014, our employees from 90 business sites in 56 countries volunteered for our social contribution initiatives, including environmental protection, poverty eradication, education, and employee volunteering programs.



**North America \_ U.S.**  
**NCAA COACHES COOK-OFF™**

1

In order to help address teenage obesity, LG Electronics USA hosted its annual “LG Coaches’ Cook-off” at the NCAA (National Collegiate Athletic Association) Men’s Basketball Tournament. Under the slogan, “Do Game Day Right” grade school basketball coaches selected by “Project Fit America ” showed off their cooking skills to win the fitness program grant for their schools.



**Central & South America**  
**LG SMILE CAMPAIGN**

2

Eight subsidiaries from Central and South America Region HQ (Argentina, Mexico, Colombia, etc.) ran a joint SNS campaign. Customers were encouraged to post a picture of them smiling on the campaign’s social media sites, for which LG Electronics pledged a set amount of donation. The fund raised through the campaign was used for the construction of houses for low income families, providing corrective plastic surgery for children with cleft lips or cleft palates, and renovating a dilapidated children’s hospital.



**Africa \_ Algeria**  
**FOR A LONG LASTING SMILE**

3

In celebration of Ramadan, employees from LG Electronics Algeria visited low income families to present clothes to over 600 children. The subsidiary also invited more than 100 children from the southern region for a fun day at the beach over their summer break.



**Europe \_ Hungary**  
**FLOOD CSR ACTIVITIES**

4

LG Electronics operated the “LG Helps Flood Victims” program to help thousands of victims from Croatia, Serbia, Bosnia, and Herzegovina who were hard hit by the worst flooding in their history. As part of the program, LG Electronics provided free repair service and operated a free laundry facility at three different locations. We also donated home appliances (refrigerators and ovens) to over 300 households.



**Middle East\_Iran**  
**LG GOLD KIDS**

5

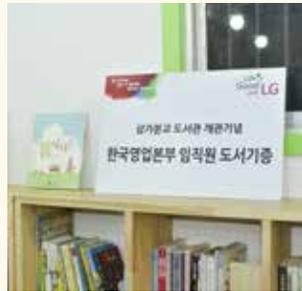
Launched in 2013 to promote community development, the Gold Kids Program offers free IQ and aptitude tests to children and teenagers aged between 6-16 and provides specially designed education programs and scholarships to gifted young Iranians. We plan to take a long-term approach to education for children and provide the assistance our children need in order to help them grow into bright and healthy members of society.



**CIS \_ Russia**  
**AIR MARATHON OF KINDNESS**

6

As the first corporate partner for the Russian government to champion the blood donation issue, LG Electronics Russia organizes large-scale blood donation campaigns. In 2014, we organized 13 blood donation events with the participation of 1,348 people including employees. In addition, LG Electronics Russia also hosts the Seliger Forum to improve the education environment for young Russians.



**Asia \_ Korea**  
**COMMUNITY LIBRARY PROJECT**

7

With some 500 books donated by colleagues, employees from the Korea Marketing Company built a community library at a small branch school in a small and remote island. While they were staying in the island to prepare the library, employees built bookshelves for the library together with school children and hosted a movie screening using a small beam projector, which was a rare entertainment for the island residents.



**Asia \_ Korea**  
**JUNIOR SCIENCE CLASS**

8

Over 30 research engineers from the H&A Company's Changwon Plant 1 participated in the local science festival and hosted a science class with the robot vacuum cleaner science kit. More than 300 children participated in the program and had a great time learning and having fun with science kit.

**BOUNDARY**

- ORGANIZATION
- OUTSIDE OF THE ORGANIZATION



# With Our Employees

**OUR FOCUS**

According to our 2014 Material Analysis, 1) Guaranteeing Basic Labor/Human Rights 2) Enhancing Labor-Management Relations and Employee Grievance Resolution 3) Managing Labor/Human Rights Risks of Suppliers were identified as the most material issues, followed by "Prohibition of Discrimination," "Diversity Management," and "Family-Friendly Management."

**OUR APPROACH**

LG Electronics implements a fair and balanced HR management program across the global network with minor adjustments for local circumstances, and provides ongoing support to help individual employees develop their professional capabilities. In addition, we are committed to protecting labor/human rights of our employees and to building an advanced and progressive labor-management relations based on the Union's Social Responsibility efforts.

**OUR EVALUATION**

LG Electronics strives to motivate employees by actively protecting their labor/human rights and to reduce risks associated with labor/human rights across its supply chain. We also run a grievance resolution process through multiple channels to promptly address any issues that our employees face.

**OUR PERFORMANCE**

**11** production subsidiaries

Number of Sites in China / Asia Received CSR Audit

**6** cases

Number of Cases Received EICC Third Party Audit

**90%**

Percentage of Production Sites Identified as Low Risk



**FUTURE DIRECTION**

Create Corporate Culture that Promotes Work & Life Balance	Encourage Improvement by Expanding CSR Audit	Enhance Systems to Better Protect Workers' Human Rights
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**STAKEHOLDER STATEMENT**



As part of our efforts to become a high performance subsidiary, LGEYT (Yantai) is currently running an HR program to empower local employees and encourage them to take leadership by boosting employee motivation, self-discipline, and capabilities. Implemented year-round, this program has generated a great response from employees with creative and interesting initiatives that include team building and helped employees at LGEYT realize the importance of diversity, self-development, smart working, creativity, and empowerment based on professional achievements. The program also improved our communication efficiency and helped our employees develop trust-based professional relationships with each other based on mutual trust. Motivated and empowered, everyone at LGEYT is working together to build a subsidiary in which employees take leadership and initiative.

HR Manager, LGEYT (Yantai)  
**Yuan Wang**



## GLOBAL WORKFORCE

In order to support its global operations, LG Electronics operates more than 100 subsidiaries and R&D centers throughout the world and strives to achieve and maintain sustainable growth together with its global workforce. As of year-end 2014, we employed 83,641 individuals across the globe (Overseas: 45,806, Korea: 37,835). The number of our overseas workforce includes all employees from production subsidiaries, major sales subsidiaries, and R&D centers. Approximately 40 percent of our overseas business staff work in marketing/sales, while about 15 percent of them working in R&D.

### Regional HR Meeting

We hold regular meetings with HR organizations from each region (North, Central & South America, Asia, Europe, CIS, and Middle East & Africa) to ensure a full and successful implementation of the standardized Global HR System across global network. In addition, we maintain close working relationships with HR managers from region representatives/subsidiaries through routine meetings and discussions on the initiative. Also, we are taking a flexible approach to managing our organizations and workforce, adjusting guidelines to accommodate local conditions while pressing forward with issues requiring uniform implementation across the global network.

### Moving to Next Level with Global Talents

To ensure an equal opportunity for all employees, we manage and support both Korean and overseas employees under the same HR system. It is our plan to have local em-

ployees, regardless of their nationality or ethnicity, assume the leadership at our overseas subsidiaries and lead our businesses to success. To this end, we make every effort to provide comprehensive development opportunities to overseas employees.

### Diversity Management

We established the Global Labor Policy, which strongly renounces and prohibits discrimination, and aims foremost to ensure that all our employees are embraced as part of a team, regardless of their nationality, gender, race, and education level, and that they are assigned to a position that best suits their individual aptitudes and capabilities. We are continuously establishing and improving our policies and systems so that no employees are subjected to discrimination or are inconvenienced. In addition, we make every effort to create a working environment in which employees from diverse backgrounds, including women, foreigners and people with disabilities, are respected and given fair opportunities to utilize their individual capabilities to the fullest extent. As of year-end 2014, female employees made up approximately 24 percent (Overseas: 30%, Korea: 16%) of the entire workforce, and we are making ongoing efforts to recruit and develop female talent in Korea where the percentage of female employees lags behind that of overseas sites. More than 600 employees took advantage of our maternity leave program in 2014, up 22 percent from the previous year. In addition, we are working to reduce the percentage of non-regular workers to improve the financial stability of our employees, while encouraging our business organizations to hire people with disabilities to increase their representation in the workforce.

### Employee Diversity Management Overview (Korea / Unit: Number of Employees)

Category		2012	2013	2014
Female Employees <sup>1)</sup>	Korea	5,795	6,244	<b>6,049</b>
	Overseas	15,587	14,456	<b>13,820</b>
	Total Female Employees	21,382	20,700	<b>19,869</b>
	(Global)			
	Percentage of Female Employees (Global)	24.7%	24.1%	<b>23.8%</b>
Number of Employees on Maternity Leave	Male	16	26	<b>59</b>
	Female	403	466	<b>542</b>
Percentage of Employees Returning after Maternity Leave	Male	94%	92%	<b>97%</b>
	Female	99%	99%	<b>99%</b>
Percentage of Employees Remaining at Work for 12 Months or Longer after Returning from Leave (=Retention Rate)	Male	90%	82%	<b>100%</b>
	Female	96%	97%	<b>98%</b>
Percentage of Non-Regular Employees		1.4% <sup>2)</sup>	1.7%	<b>1.1%</b>
Percentage of Employees with Disability		1.3%	1.4%	<b>1.7%</b>

1) Previous data has been revised to reflect the inclusion of non-regular employees in the total number of workforce.

2) Our 2014 report misstated the percentage of non-regular workers (2.7%).

### Retirement Pension Fund

In compliance with the operating guidelines set forth by the Korean government, LG Electronics offers retirement pensions to employees who have been in service for a year or longer upon their resignation. For overseas employees, the program adheres to guidelines prescribed by the local government and is managed to suit local conditions. In an effort to ensure stable pension payments to our employees, we are operating the "Retirement Annuity Insurance Fund." Our employee turnover rate was much higher overseas because a high percentage of our overseas subsidiaries are located in emerging economies with much less stable social, economic, and cultural conditions than Korea. We also hire back retiring or resigning employees with excellent track records and capabilities as advisor or consultants.

### Turnover Rate (Unit: %)



· Figures in parentheses are the turnover rates for female employees.

· Revised misstated data from the last year's report.

## TALENT ACQUISITION & CULTIVATION

### Acquiring Talented Individuals

Despite the unfavorable business climate, LG Electronics continuously works to find and acquire quality talent through a comprehensive range of recruiting activities, including regular recruitment events at major universities and countries (US, Germany, UK, and Korea). We also participate in the recruitment event hosted by our holding company LG Corp. called the Techno Conference, which is held both in Korea and the U.S. on annual basis. In the event, we invite more than 300 talented professionals and students to hold technology seminars and interviews. In addition, we operate industry-academia cooperation programs with major universities that have science and technology programs related to our business in an effort to discover quality talent in advance. As part of the program, we also operate the "LG Track" to recruit bright students and groom them into young professionals tailored for LG Electronics by encouraging them to take required courses. We also have in place the Industry-Academia Scholarship Program, which offers scholarship to bright students from promising fields on the condition that they would join us after graduation. Our "Dream Mentoring Program" has R&D professionals evaluate the expertise, creativity, and social skills of candidate students over a long period of time to make comprehensive evaluation and ensure recruitment success in the long term. Our talent acquisition efforts extend to regular recruitment events (2-3 times a year) for Korean students studying at major science and engineering universities in North America and Japan. We also maintain close communication with Korean student associations at foreign universities and make one-on-one retention efforts to keep attractive candidates interest in working for LG Electronics.

### HR Development Programs Tailored to Individual Needs

LG Electronics has in place a comprehensive range of employee development programs and makes ongoing effort to enhance our programs, which focus on providing support tailored to the career development needs of individual employees. At the core of our employee development programs is the regular "One-on-One Caring" interview with organization leaders, which aims to guide all our employees through a development path that satisfies both individual needs and business needs. In addition, we established the HIPO (High Potential Individual Pool) program to enhance the capabilities of overseas employees who possess great potential and invite them to work and train at HQ (Korea). Organized into short- and long-term tracks, the program trains approximately 30 HIPOs a year, and has trained a total of 145 high potential employees since 2010. We also assign a set number of young Korean employees to overseas locations (Middle East & Africa, Central & South America, South East Asia, and China) every year to develop regional experts. We also offer for talented employees to

acquire advance degrees. Under this program, select employees receive an opportunity to work towards an MBA, Master / Ph.D., or other professional degree/certification at major universities in both Korea and overseas.

**HR Development System**

In an effort to foster greater talent based on a longer-term strategy, LG Electronics offers three different career development tracks (Business Leader, Function Leader, and Expert) to satisfy disparate career development needs and offers a wide range of training programs tailored specifically to their career development tracks and stages.

**Motivating Employees with Fair Evaluation & Reward System**

We have a single standardized process that governs the evaluation and incentive systems for all our employees. Our performance-based evaluation process takes a relative approach to raise the effectiveness of evaluation and facilitate differentiated compensation. Although there is no salary gap between male and female employees, all employees are evaluated based on their achievement against individual and group performance targets for the fiscal year, and rewarded accordingly. Extraordinary performance is rewarded by differentiated compensation to motivate our employees to strive for strong performance. As of 2014, the starting salary for newly hired employees with a college degree in Korea was 273.3 percent high-

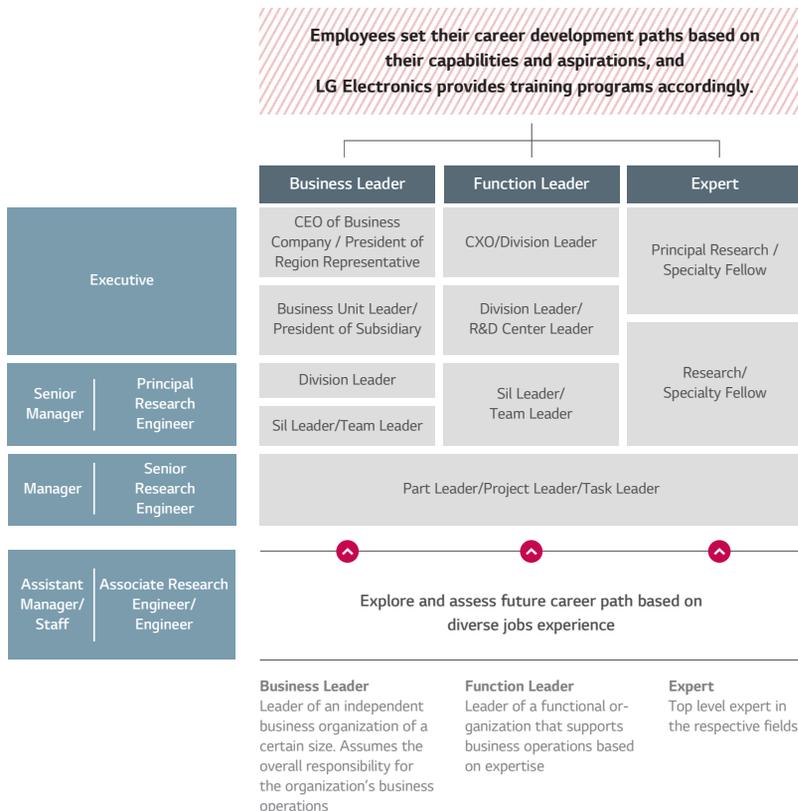
er (business staff) than the legal minimum wage. There is no salary gap (base salary) between newly hired male and female employees, and all employees are rewarded fairly based on individual performance and capabilities to motivate our employees.

**Employee Training System**

**Job Training Program / Mandatory Training Program**

In order to help our employees achieve both individual and organizational growth, LG Electronics operates the Job Training Program as part of the Company's employee training system. Under this program, employees are required to establish their own Career Development Program (CDP), which is followed up by the One-on-One Caring System, and complete training programs accordingly. Based on the CDP, employees assess the level of their capabilities by identifying capabilities they have and capabilities they need to develop. Based on the results, employees receive a training plan and undergo training programs accordingly. In order to better support employees on their training, we established the Business Function College for each of its 14 business functions and offers more than 800 on- and offline courses. Under this training system, employees must complete at least two hours training per a year. In order to help our employees acquire capabilities required for their positions and functions in advance, we also develop a roadmap that assigns mandatory and elective courses for individual employees. In addition to courses offered at the Business Function College, study groups and seminars are organized to support our employees to acquire professional knowledge and expertise.

**HR Development System**



**Key Training Index (Business Staff/Korea)**

Category	Training Costs (in KRW billion)	Number of	
		Employees Completed In-Class Training	Number of In-Class Training Sessions per Individual
2014	41.3	90,412	3.1
2013	48.2	93,215	3.1
2012	44.1	79,594	2.9

**Number of Training Hours per Individual (Business Staff/Korea)**

Category		All Staff					Executive Manager
		Assistant Manager	Manager	Senior Manager	Executive Manager		
2014	All	78	130	68	65	59	21
	Online	18	20	19	20	13	9
	Offline	60	110	49	45	46	12
2013	All	93	171	66	70	58	19
	Online	18	18	20	20	15	4
	Offline	75	153	46	50	43	15
2012	All	85	144	67	71	57	56
	Online	9	8	9	11	11	4
	Offline	76	136	58	60	46	52

**Life Planning Program**

LG Electronics has in place the Life Planning Program (retirement consulting, internal training specialist track, etc.) to help its employees better prepare for retirement and making a career change after retirement. Furthermore, we offer continuing support and training to help our employees identify their personal traits and strengths through the process of self-development, self-reflection, and self-management, based on which they can prepare themselves for a meaningful professional and personal life after retirement.

**Leveraging Consulting as Training and Problem Solving Opportunity**

In 2014, we expanded opportunities for utilizing consulting sessions as a training opportunity for “completing the assignment at hand.” Although they are not officially reflected on our training performance index, learning opportunities, such as consulting sessions and seminars. 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.”



LEVERAGING CONSULTING AS TRAINING



[HTTP://HRD.LGE.COM](http://hrd.lge.com)

CASE STUDY

**LG Electronics Consortium for HRD Ability Magnified Program (CHAMP)**

Named the Best Training Center by the Ministry of Employment and Labor for four 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 skillsets in high demand from SMEs and that assist workers currently on the job to improve their skills.

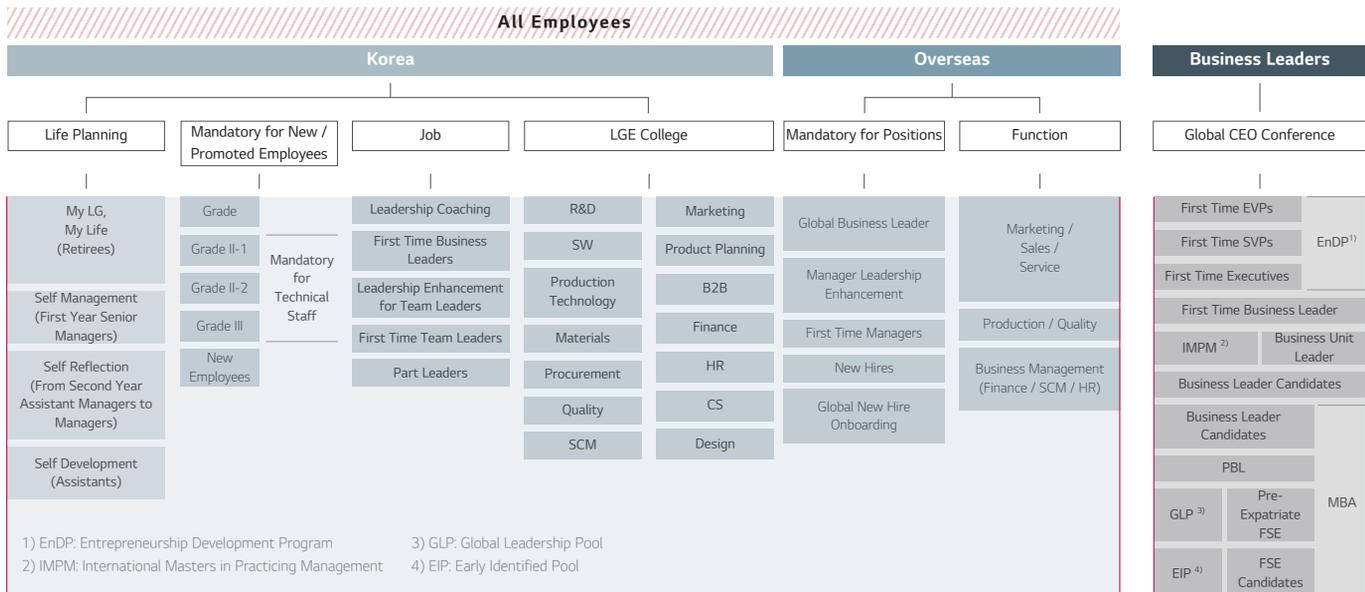
**Establishing the First Corporate College in Korea**

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 develops domain experts with continuing education for professional development. It is operated primarily as an education program that helps suppliers’ employees to receive education. Comprised of three departments (Open Recruiting, Win-Win Partnership, and Skill Development), the program offers 13 courses with no tuition.

**Training Program for Supplier Competitiveness and Win-Win 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.

**HR Development System**



## CORPORATE CULTURE & WORK-LIFE BALANCE

### Working Style Unique to LG Electronics

LG Electronics puts great energy into fashioning a working style unique to LG Electronics and a corporate culture that celebrates creativity and autonomy, which form the foundations of our efforts to achieve leadership in the global market. As part of a comprehensive range of initiatives organized to this end, we have the Monthly Morning Meeting led by the CEO and attended by all our employees to facilitate communication that enables fast response to ever-changing markets and enhanced business performance. In order to promote communication between organizations and employee groups, we also have in place leadership meetings and team workshops. At team workshops, which serve as change activities led by employees, team members identify capabilities they need to develop as a team (including the leader) and action plans based on the role they are required to play as a team given the present business situation.

In addition, LG Electronics organizes diverse forms of discussion sessions between organizations and employee groups to promote synergy and collaboration. Moreover, we strive to create a workplace that helps our employees maintain work & life balance and feel content with their personal and professional lives with a wide range of corporate-level initiatives.

### Organizational Alignment for Fast Execution

In line with the CEO's strong commitment towards promoting communication, we clearly present the direction for our business management to all our employees at our quarterly morning meetings to form a consensus and motivate employees' voluntary participation and execution. This approach to communication was expanded to all business companies and plays an integral part in promoting participatory communication between management and employees (top-down and bottom-up). Our business companies make conscious efforts to share corporate-level management issues with their members to promote understanding and consensus among employees, while implementing initiatives to boost executional performance on change activities under the slogan, "Changes From Within."

### Change Activities Led by Employees

At LG Electronics, we have team workshops to boost the sense of belonging and cohesion among employees based on their voluntary involvement and to promote unrestricted and free communication. Team workshops review topics such as improving the meeting/reporting style, establishing a roadmap for organizational capacity building, and creating an action plan for business projects. At the team workshop organized on a semiannual basis, our employees assess the previous action plan against actual performance to review progress and changes in the organization, taking it as an opportunity for employee-led change activities.



IGNITE LG



NUMBER OF PRODUCT IDEAS SUBMITTED TO CORPORATE IDEAS BULLETIN BOARD

Our employees also participate in product idea contests organized on the IDEAS bulletin board launched in 2005, and their creative ideas serve as a fresh driver for our business growth. As of February 2015, the bulletin has received more than 25,000 ideas from our employees.

### Ignite LG

Launched in 2011, "Ignite LG" is an open forum for our employees to share their knowledge and experience. LG Electronics created this forum to "Ignite" the creative energy of both its organizations and employees by encouraging our employees to offer up their valuable knowledge and experience voluntarily and without pressure. We expect "Ignite LG" to help us create an open and inclusive corporate culture in which knowledge and experience of great diversity are shared openly and celebrated.

### Communication Systems that Promote Synergy and Collaboration

In order to resolve conflicts and prevent potential issues by promoting communication between organizations and employee groups, LG Electronics implements a comprehensive range of communication programs including "Cross Open Communication" and "Harmony 1+1," through our systematic communication channels. Designed to maximize our strength, which is horizontal communication, and promote inter-organizational synergy, Cross Open Communication is a discussion session between executives and members from a different business unit aims to promote inter-organizational understanding. Harmony 1+1 is a communication program that aims to address the silo effect and create a strong synergistic effect through collaboration by promoting active inter-team discussions (one-on-one or multiple teams).

## Work & Life Balance

### Korea

As part of our efforts to create a workplace in which employees feel happy and content, LG Electronics has in place a wide range of initiatives to help our employees achieve work & life balance. At LG Electronics, we believe that the happiness of our employees, both personal and professional, leads to strong business performance, and that work & life balance is an integral part of making our employees happy. Based on such conviction, we designated "Core Hours," during which our employees can solely concentrate on their individual tasks without any distraction. In order to help our employees focus on their work, we abstain from having meetings, reporting sessions, or discussion sessions, and try to keep our internal business communication to a minimum. In line with this corporate-level initiative, employees are making best effort to increase their productivity, and organization leaders are also setting examples by refraining from issuing last minute orders during these hours.

In addition, each of our business site has a "Family Day" to encourage its members to leave work on time and spend quality time with their families on weekdays. This program is implemented to encourage employees to finish work on time by being productive and leave early to spend time with their families. On Family Day, the Junior Board makes an announcement on the internal broadcasting system and sends out email to remind employees and help them manage their time efficiently. Based on these programs, LG Electronics intends to promote employee productivity and establish the "smart working-style" as an integral part of our corporate culture.

We also provide a counseling center and employee lounge at each business site to help our employees effectively cope with professional and personal stress. Counseling centers offer professional diagnoses on psychological and emotional health and provide advice on how to handle emotional stress and restore stability. In addition, we send out a message card and small gift to employees' children to congratulate their matriculation to elementary school, or to wish them their best on their college entrance exam. In 2014, a total of 2,728 children and teenagers received this token of recognition. In addition, we make company cars available to our employees (Special Car Event) and help them celebrate special occasions with their loved ones.

### Overseas

Our overseas subsidiaries also offer diverse programs and events designed to promote employees' work & life balance based on their comprehensive understanding of local cultures. In celebration of Children's day, our Mexicali Subsidiary in Mexico invited employees and their family members to fun rides and fantastic shows at a theme park, presenting gifts to children while providing employees with a great time with their families. In order to show our appreciation for their hard work and provide them with a great time of relaxation and entertainment, our Pune Plant in In-

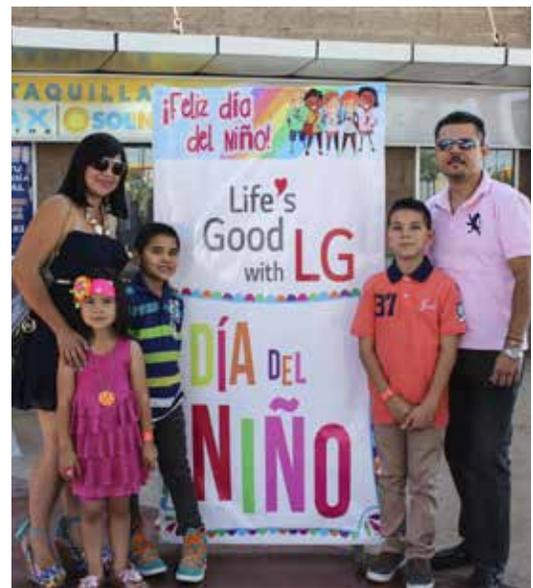
dia invited employees and their family members to "2014 Annual Day" hosted at the plant premises. The event featured a carnival for children and offered a banquet for all, to great pleasure of the guests. In celebration of cultural diversity, our Philippines Subsidiary hosted the LG Electronics Multicultural Festival. In the event, employees from Philippines, Malaysia, Thailand, Mexico, and Korea put on a performance in their traditional costumes, and enjoyed an opportunity to understand and appreciate each other's culture. As part of its social contribution initiatives, our Latvia Subsidiary participated in the largest charity race in the region to support children with disabilities. Employees formed groups and ran the 10-kilometer race together to show their support for disabled children. The initiative was praised for successfully combining three great causes: social contribution, teamwork building, and promotion of individual health.



01



02



03



04

#### PROGRAMS FOR EMPLOYEE WORK & LIFE BALANCE

01: Annual Day at LGE Pune India  
02: Multicultural Festival at LGE Philippines

03: Children's Day Event at LGE Mexico Mexicali  
04: Team Building Day at LGE Philippines

## PROTECTION OF LABOR RIGHTS

### 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 Multi-national Enterprises and Social Policy, the OECD Guidelines for Multinational Enterprises, the UN Global Compact, and the EICC Code of Conduct.

In August 2010, LG Electronics established the Global Labor Policy, which recognizes and advocates the rights of all employees to pursue happiness, to work with dignity, and to be respected as human beings. It has been translated into 18 different languages for distribution to all our business sites throughout the world and made available from our corporate website. Following the amendments to the EICC Code of Conduct and Validated Audit Program (VAP) in 2015 (Version 5.0, effective as of April 1, 2015) implemented to strengthen the language of the Code and audit requirements, we plan to revise the Global Labor Policy and other related policies, as well as to update implementation guidelines for each clause in an effort to help our business sites protect the human rights of our employees.

### 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 fulfill their respective roles and create exceptional value together. All employees of LG Electronics are eligible to join the Labor Union of LG Electronics, which is one of the two pillars in our labor-management relations, under the labor collective agreement and the union bylaws, and as of year-end 2014 has a membership of 7,716 employees (about 21% of all employees in Korea). 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 issues. In particular, we immediately contact the Union and have a discussion when major changes are made in our businesses. Agreements made in collective

bargaining are applied to all Korean employees, including non-union members.

At the collective bargaining held in March 2015, we agreed on a pay raise and the revision of HR rules, such as the inclusion of the Union's founding anniversary in the substitute holiday program. LG Electronics is proud to report that we have been able to conclude annual bargaining without dispute for the past 26 years. In order to also collect the voices of non-union members, LG Electronics has in place the Junior Board (Business Staff Council) and utilizes diverse communication channels, such as regular meetings with different business units and employee groups (based on positions, jobs, etc.).

### Grievance Resolution

LG Electronics has in place a grievance resolution process at all of its production subsidiaries. Under these programs, employees directly report their grievances to the contact person at the EA (Employee Assistant) Team via email or hotline, which is then handled by the contact person following the appropriate procedures that includes review and investigation. Our production subsidiaries in Turkey and Mexico receive and process employee grievances via kiosks installed at their premises, and this system is shared as a best practice case. LG Electronics guides its subsidiaries to have in place a system to protect the identity of employees who report their grievances.

#### EICC CODE OF CONDUCT

([www.eiccoalition.org/standards/code-of-conduct/](http://www.eiccoalition.org/standards/code-of-conduct/))



#### CASE STUDY

### Employee Grievance Resolution System Using Kiosks

Our production subsidiary in Turkey installed kiosks across its business site, with which employees report their grievances and check the processing status.



### CSR Risk Management Program

#### Results of CSR Risk Self-Assessment

LG Electronics assesses its production sites for their compliance with CSR requirements on a semiannual basis with the EICC's self-assessment tools. In 2014, we conducted the self-assessment at all of our 37 production sites (seven in Korea and 30 overseas), excluding the three sites that have closed (Shanghai, China; and Haiphong and Hung Yen, Vietnam). In the assessment, our production sites averaged 89.18 points, up 0.93 point from 2013 (88.25 points). The percentage of production sites rated to be at low risk also increased to 89.2 percent, up 6.7 percent from 2013 (82.5%). We plan to increase the number of assessment targets to 39 sites in 2015. The assessment also showed that our production sites in Middle East and Africa have a relatively high risk level. As such, we are going to place this region under extensive management.

#### LABOR & HUMAN RIGHTS SECTION OF THE EICC CODE OF CONDUCT (VERSION 5.0)

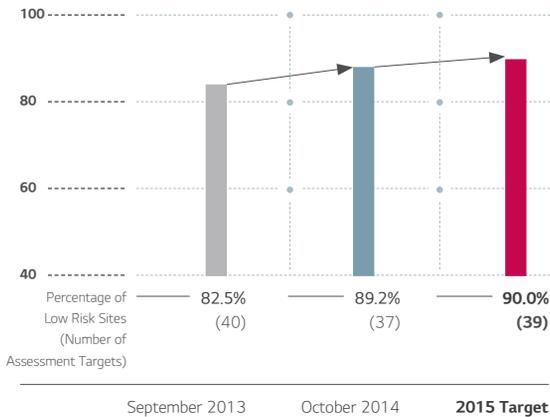


#### LABOR

- Freely Chosen Employment (Prohibition of Forced Labor)
- Young Workers (Expanded Application of Child Labor)
- Working Hours
- Wages and Benefits
- Humane Treatment
- Non-Discrimination
- Freedom of Association

Some of the labor/human rights issues identified in the 2013 assessment have been addressed, as shown in the right. However, we have concluded that production subsidiaries' effort towards addressing forced labor and child labor issues at their supplier sites still requires much improvement. As discussed in the CSR Management component of the Suppliers section in this report, we plan to conduct regular inspections on suppliers at high-risk regions in 2015 to eliminate CSR risks associated with forced labor and child labor from our supply chain.

**NUMBER OF LOW RISK SITES BASED ON EICC SELF-ASSESSMENT & 2015 TARGET**



**LG ELECTRONICS CSR RISK MANAGEMENT PROGRAM**



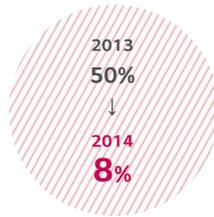
**RISK LEVEL BY COUNTRY/REGION**

Category	Total/Average	Labor	Ethics	Environment	Health & Safety	Management System
Korea	○	●	○	○	○	○
China	○	○	○	○	○	○
Asia	○	○	○	○	○	○
Europe/CIS	○	○	●	○	○	○
Americas	○	○	○	○	●	●
Middle East & Africa	●	●	●	●	●	●

**RISK LEVEL BY COUNTRY/REGION BASED ON RISK TYPE**

Category	Inherency (Risk)	Controllability (Control)	Management System (Management)
Korea	○	○	○
China	○	○	○
Asia	○	○	○
Europe/CIS	○	○	○
Americas	●	○	●
Middle East & Africa	●	●	●

○: Low Risk ●: Medium Risk ●: High Risk



**COLLECTION OF PERSONAL INFORMATION THAT MAY SERVE AS GROUNDS FOR DISCRIMINATION**



**INADEQUATE AGE VERIFICATION PROCESS**



**SITE INSPECTION ON CHEMICALS MANAGEMENT STATUS**

**Promoting Improvement through Third Party Audit**

In addition to the EICC Self-Assessment, we are improving our working conditions through third party audits. In 2014, a total of six production sites (Gumi, Changwon 1, 2, Taizhou, Nanjing, and Turkey) participated in the EICC VAP (Validated Audit Program: Third Party Audit), through which a total of 88 non-conformances were identified. Of the 88 non-conformances cited, 76 of them had been addressed (86%, as of March 20, 2015). The bulk of non-conformances were from "Health & Safety" and "Labor" (78%). We plan to take a mid-to long-term approach to the issues that are difficult to address in the short term, such as "compliance with international standards on working hours." Although it is impossible to make a direct comparison from the previous year, we saw a slight increase in the percentage of non-conformances in the Health & Safety category. With the international requirements for Health & Safety, as well as the Environment, becoming increasingly tougher, we plan to incorporate tightened requirements into our checklist for the 2015 assessment in an effort to strengthen our CSR risk management across production sites.

**Special Inspection on Child Labor and Forced Labor**

As labor issues continue to plague the electronics industries in China and Asia, we performed due diligence on our production subsidiaries in the regions. Although none of the 11 target sites (6 from China, 2 from India, 1 from Thailand, and 2 from Indonesia) was cited for child labor, we found a total of 78 non-conformances, including the inadequate management of employment agreement, and 65 of these issues that were identified (83%) had been addressed as of March 2015. We sent out a letter in the name of the COO (October 2014) to underscore the significance of the child labor issue. We also plan to enhance our production subsidiaries' compliance with CSR requirements through special inspections and CSR audits in 2015.

**Fostering CSR Auditors at Subsidiaries in China**

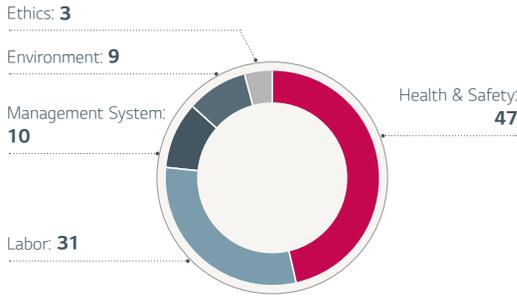
After our inspections in China, it became clear that we needed to develop the CSR audit capabilities of managers at our Chinese subsidiaries. We conducted the training at the Beijing Learning Center in October 2014 for 22 HR and procurement managers on the EICC's audit criteria and methodologies. In 2015, we plan not only to conduct the same training but also to have those who completed the training perform internal and supplier audits.



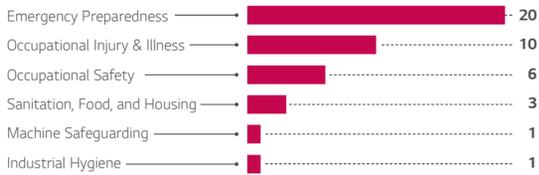
**KEY MESSAGES IN THE LETTER FROM THE COO**

- Absolutely avoid hiring children (under 16 years of age)
- Use underage workers (teenagers ages 16 and 17) in limited capacity and in strict compliance with the local labor laws, including those on working hours
- Strengthen management of staffing agency in business with the subsidiary (inclusion of the clause on avoidance of child labor in the contract, measures for strengthening age verification, etc.)

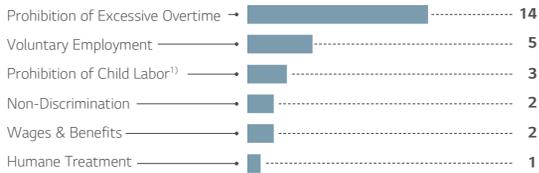
**NUMBER OF NON-CONFORMANCES CITED IN THIRD PARTY AUDIT, BREAKDOWN BY CATEGORY (Unit: %)**



**Health & Safety (Number of Non-Conformances)**



**Labor (Number of Non-Conformances)**



**Management System (Number of Non-Conformances)**



**Environment (Number of Non-Conformances)**



**Ethics (Number of Non-Conformances)**



<sup>1)</sup> Although no instances of child labor was found in the inspection, our subsidiaries were cited for non-conformance in related areas (no procedure to assist underage children found working, inadequate age verification process, etc.).

CASE STUDY

**Improvement Cases**

LG Electronics strives to protect the labor rights of our employees by implementing a comprehensive set of internal and external audit programs, including the EICC Self-Assessment Questionnaire and Validated Audit Program (VAP).



1

**Management of Working-Hour Index**

In order to prevent employees from working excessive hours and comply with international standards (60 hours per week), Site A maintains and manages the working-hour index on a weekly basis. Based on the index, the subsidiary requires organizations and individuals who keep excessive hours to identify the cause and correct the situation. Site A also has in place an approval process for work on a holiday, which requires a sign-off by the subsidiary president. Site B manages employees' working hours with its time and attendance management system, through which the subsidiary sends out an automatic email report to organization leaders on working hours and issues a recommendation for corrective measures when the total working hours of the organization exceed the management target.

3

**Exclusive Production Line for Student Workers**

As part of its contribution to the development of the local community, Site D hires some of students from vocational schools as apprentices. In order to carefully manage working conditions and working hours for these students, the subsidiary operates a separate production line. As the production line is fully staffed with students and only operated during the daytime on weekdays, students are never required to work overtime or on the night shift.

4

**Collection of CSR Compliance Agreement from Suppliers**

As part of its efforts to prevent child labor, Site E required its suppliers to only hire workers aged 16 or older. The subsidiary also requires employees from its suppliers to sign a CSR compliance agreement in addition to their employment agreement. On the CSR agreement, Site E also offers information for its CSR hotline, through which employees can report CSR non-compliances.

2

**Management of Employment Agreement in Digital Format**

Site C scans the original copy of the employment agreement with its employees and makes them available to employees through the HR information system (kiosk). This prevents the loss of the employment agreement, which serves as the proof of voluntary employment and outlines the basic rights of employees.

01: Weekday/Daytime Only Production Line for Student Workers  
02: HR Information System (Print out available)



01



02

# APPENDIX

<b>79</b>	<b>Economic Data</b>
<b>80</b>	<b>Environmental Data</b>
<b>83</b>	<b>Social Data</b>
<b>84</b>	<b>Independent Assurance Statement</b>
<b>86</b>	<b>Memberships/Awards &amp; Recognition</b>
<b>87</b>	<b>GRI/UNGC Index</b>
<b>91</b>	<b>Past LGE Sustainability Reports/ Contributors to Report Preparation</b>

## Economic Data

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

Category	2012	2013	2014
1. Net sales	53,107,542	56,772,302	59,040,767
2. Cost of sales	40,541,846	43,596,152	45,299,122
3. Gross profit	12,565,696	13,176,150	13,741,645
4. Selling and marketing expenses	11,325,744	11,927,139	11,913,088
5. Operating income	1,239,952	1,249,011	1,828,557
6. Financial income	438,239	408,341	416,660
7. Financial expenses	796,805	776,954	752,456
8. Gain (loss) from equity method	86,917	126,000	304,419
9. Other non-operating income (expenses)	(350,671)	(416,854)	(578,910)
10. Profit (loss) before income tax	617,632	589,544	1,218,270
11. Income tax expense	470,299	358,472	539,761
12. Net profit from continuing operations	147,333	231,072	678,509
13. Net loss from discontinued operations	(44,531)	(8,368)	(177,152)
14. Profit (loss) for the year	102,802	222,704	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)

Category	2012	2013	2014
<b>I. Current Assets</b>	<b>16,308,435</b>	<b>16,325,058</b>	<b>17,482,698</b>
Trade receivables	7,332,761	7,117,402	7,683,915
Inventories	5,074,500	4,838,830	5,711,273
Other current assets	3,901,174	4,368,826	4,087,510
<b>II. Non-current Assets</b>	<b>18,457,615</b>	<b>19,203,006</b>	<b>19,585,722</b>
Investments in jointly controlled entities and associates	4,182,878	4,329,583	4,594,461
Tangible assets	9,889,204	10,341,993	10,596,853
Intangible assets	1,222,302	1,363,690	1,394,336
Other non-current assets	3,163,231	3,167,740	3,000,072
<b>Total assets</b>	<b>34,766,050</b>	<b>35,528,064</b>	<b>37,068,420</b>
<b>I. Current liabilities</b>	<b>14,514,292</b>	<b>15,014,004</b>	<b>15,754,349</b>
<b>II. Non-current liabilities</b>	<b>7,546,011</b>	<b>7,824,691</b>	<b>8,322,974</b>
<b>Total liabilities</b>	<b>22,060,303</b>	<b>22,838,695</b>	<b>24,077,323</b>
<b>I. Paid-in capital</b>	<b>3,992,348</b>	<b>3,992,348</b>	<b>3,992,348</b>
Capital stock	904,169	904,169	904,169
Share premium	3,088,179	3,088,179	3,088,179
<b>II. Retained earnings</b>	<b>8,723,950</b>	<b>8,885,523</b>	<b>9,081,044</b>
<b>III. Accumulated other comprehensive loss</b>	<b>(675,098)</b>	<b>(907,440)</b>	<b>(1,143,557)</b>
<b>IV. Other components of equity</b>	<b>(242,111)</b>	<b>(231,229)</b>	<b>(210,412)</b>
<b>V. Non-controlling interest</b>	<b>906,658</b>	<b>950,167</b>	<b>1,271,674</b>
<b>Total equity</b>	<b>12,705,747</b>	<b>12,689,369</b>	<b>12,991,097</b>
<b>Total liabilities and equity</b>	<b>34,766,050</b>	<b>35,528,064</b>	<b>37,068,420</b>

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&MNCODE=IRMR&LANG=K](http://www.lge.co.kr/LGEKR/COMPANY/IR/ARCHIVE/FRONTBOARDLISTALLCMD.LAF?ACTCODE=LGE_IRMR&MNCODE=IRMR&LANG=K)

## Environmental Data

### INPUT DATA

#### Energy (Unit: TJ)

Category	2012	2013	2014
Electricity	6,093	5,732	5,976
Steam	770	616	626
LNG	1,202	1,091	1,086
Coal	1,160	1,067	862
Other	409	555	624
<b>Total</b>	<b>9,634</b>	<b>9,061</b>	<b>9,174</b>

- 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 (excluded energy consumption by vehicles)
- Energy consumption was calculated based on the net calorific value. Steam covers the consumption of steam recovered from waste heat in domestic
- Verification status: Third party verification completed (2008-2014), except for refrigerant emissions
- Data correction may occur after the completion of third party verification

#### Water (Unit: K ton)

Category	2012	2013	2014
Korea	5,498	6,921	6,346
Overseas	6,046	4,562	4,946
<b>Total</b>	<b>11,544</b>	<b>11,483</b>	<b>11,292</b>
Intensity	2.17	2.02	1.91

(K ton/KRW 10 billion)

- Applicable business sites: 13 Korean (production and R&D) and 31 overseas (production) sites, Korean data covers Scope 2 (indirect water use)
- Verification status: Third party assurance was completed on all Korean sites (2012-2014)
- Data correction may occur after the completion of third party verification

#### Ozone-depleting Substances (Unit: ton)

Category	2012	2013	2014
HCFC	772	514	514
(R22)	2,548	3,419	2,842
<b>Total</b>	<b>3,320</b>	<b>3,933</b>	<b>3,356</b>

- Applicable business sites: 16 Korean (production, office and R&D) and 51 overseas (production and office) sites
- Verification status: Third party verification completed (2012-2014)

### OUTPUT DATA

#### GHG Emissions (Unit: K ton CO<sub>2</sub>e)

Category	2012	2013	2014	
Korea	Scope 1	145	144	173
	Scope 2	517	499	458
Overseas	Scope 1	264	237	222
	Scope 2	425	409	426
<b>Total</b>	<b>1,351</b>	<b>1,289</b>	<b>1,279</b>	
Intensity	2.54	2.27	2.17	

(K ton CO<sub>2</sub>e/KRW 100 billion)

- 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.
- Intensity figure was recalculated as sales were revised after the income statements were changed as a result of the discontinued operation of all PDP modules and PDP TVs
- Verification status: Third party assurance was completed on all Korean and overseas production sites (2008-2014)
- Data correction may occur after the completion of third party verification

#### (Unit: ton CO<sub>2</sub>e)

Category	2012	2013	2014	
Scope 3	Leased Properties	9,377	10,196	9,134
	Domestic Logistics (Transport)	42,344	41,807	40,960
	Business Trips	72,400	50,481	57,348
	Commuter Vehicles	5,075	3,679	5,179

- Verification status: Third party assurance was completed on emissions from leased buildings and employees' business trips (2011-2014)

#### Air Emissions (Unit: ton)

Category	Region	2012	2013	2014
NOx	Korea	2.2	3.2	5.0
	Overseas	74.3	75.3	76.3
	<b>Total</b>	<b>76.5</b>	<b>78.5</b>	<b>81.3</b>
SOx	Korea	0.8	0.4	1.5
	Overseas	46.7	46.4	53.8
	<b>Total</b>	<b>47.5</b>	<b>46.8</b>	<b>55.3</b>
Dust	Korea	7.3	9.9	12.7
	Overseas	66.5	39.5	45.2
	<b>Total</b>	<b>73.8</b>	<b>49.4</b>	<b>57.9</b>
VOCs	Korea (THC)	28.3	16.7	27.9
	Overseas	6.8 (30.3)	3.3 (27.8)	3.8

- Overseas VOCs data was revised, as previous data accidentally included internal suppliers' figures
- The figures in parentheses represent those which were disclosed in the previous report

**Waste Water Discharge** (Unit: ton)

Category	2012	2013	2014
Korea	3,783,044	3,789,726	3,000,014
Overseas	1,252,379	1,234,801	727,516
<b>Total</b>	<b>5,035,423</b>	<b>5,024,527</b>	<b>3,727,530</b>

• Wastewater emissions declined in 2014 with the discontinuation of PDP operations (see the separate Business Report)

**Waste Generation** (Unit: ton)

Category	Region	2012	2013	2014
Recycle	Korea	30,332	29,003	34,101
	Overseas	83,000	92,124	101,892
	<b>Total</b>	<b>113,332</b>	<b>121,127</b>	<b>135,993</b>
Incineration	Korea	7,012	7,280	6,425
	Overseas	7,004	5,000	4,883
	<b>Total</b>	<b>14,016</b>	<b>12,280</b>	<b>11,308</b>
Landfill	Korea	5,432	5,261	4,956
	Overseas	30,662	28,581	27,037
	<b>Total</b>	<b>36,094</b>	<b>33,842</b>	<b>31,993</b>
<b>Total</b>	<b>Korea</b>	<b>39,636</b>	<b>39,309</b>	<b>43,691</b>
	<b>(General)</b>			
	<b>Korea</b>	<b>3,140</b>	<b>2,235</b>	<b>1,791</b>
	<b>(Regulated)</b>			
	<b>Korea</b>	<b>42,776</b>	<b>41,544</b>	<b>45,482</b>
	<b>Total</b>			
<b>Overseas</b>	<b>120,666</b>	<b>125,705</b>	<b>133,812</b>	
<b>Total</b>				
<b>Total</b>		<b>163,442</b>	<b>167,249</b>	<b>179,294</b>

• 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**

Category	Region	2012	2013	2014
LTIFR <sup>1)</sup>	Korea	0.1	0.07	0.07
	Overseas	2.16	2.41	2.78
	<b>Total</b>	<b>1.58</b>	<b>1.78</b>	<b>1.85</b>
OIFR <sup>2)</sup>	Korea	0	0	0
	Overseas	0	0	0
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
Fatality (No. of case)	Korea	0	2	0
	Overseas	0	0	0
	<b>Total</b>	<b>0</b>	<b>2</b>	<b>0</b>
Incident (No. of case)	Korea	5	3	5
	Overseas	279	302	358
	<b>Total</b>	<b>284</b>	<b>305</b>	<b>363</b>
<b>Total Hours Worked</b>	<b>Korea</b>	<b>50,830,658</b>	<b>45,885,203</b>	<b>66,960,575</b>
	<b>Overseas</b>	<b>128,970,653</b>	<b>125,296,405</b>	<b>128,960,370</b>
	<b>Total</b>	<b>179,801,311</b>	<b>171,181,608</b>	<b>195,920,945</b>

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 2012-2014

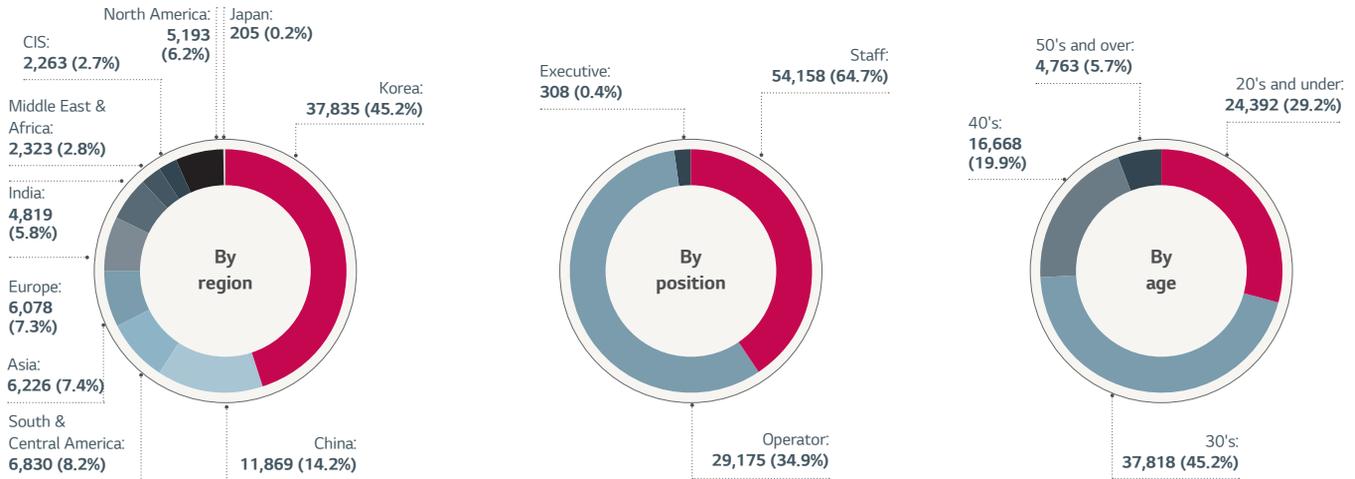
## EESH CERTIFICATION

At all 39 production sites company-wide (As of March 31, 2015)

Region	Subsidiary	Country	City	Environmental Management	Health & Safety	Energy	Quality
North, Central & South America	LGEMX	Mexico	Mexicali	ISO 14001	-	-	ISO 9001
	LGERS	Mexico	Reynosa	ISO 14001	-	-	ISO 9001
	LGEMM	Mexico	Monterey	ISO 14001	-	-	ISO 9001
	LGEBR	Brazil	Taubate	ISO 14001	-	-	ISO 9001
		Brazil	Manaus	ISO 14001	-	-	ISO 9001
Europe	LGEMA	Poland	Mlawka	ISO 14001	-	-	ISO 9001
	LGEWR	Poland	Wroclaw	ISO 14001	OHSAS 18001	-	ISO 9001
	LGEAK	Kazakhstan	Almaty	ISO 14001	OHSAS 18001	-	ISO 9001
	LGERA	Russia	Ruja	ISO 14001	OHSAS 18001	-	-
Middle East & Africa	LGEEG	Egypt	Ismailia	ISO 14001	-	-	ISO 9001
	LGEAT	Turkey	Istanbul	ISO 14001	OHSAS 18001	-	ISO 9001
	LGESR	Saudi Arabia	Riyadh	ISO 14001	OHSAS 18001	-	ISO 9001
	LGESA	South Africa	Yohanesberg	-	-	-	-
Asia	LGEIL	India	Pune	ISO 14001	OHSAS 18001	-	ISO 9001
		India	Noida	ISO 14001	OHSAS 18001	ISO 50001	ISO 9001
	LGETH	Thailand	Rayong	ISO 14001	OHSAS 18001	ISO 50001	ISO 9001
	LGEVH	Vietnam	HaiPhong	ISO 14001	OHSAS 18001	-	ISO 9001
	LGEIN	Indonesia	Cibitung	ISO 14001	OHSAS 18001	-	ISO 9001
		Indonesia	Tangerang	ISO 14001	OHSAS 18001	-	ISO 9001
China	LGENT	China	Nanjing	ISO 14001	OHSAS 18001	-	ISO 9001
	LGESY	China	Shenyang	ISO 14001	OHSAS 18001	-	ISO 9001
	LGEHN	China	Hangzhou	ISO 14001	OHSAS 18001	-	ISO 9001
	LGEHZ	China	Huizhou	ISO 14001	OHSAS 18001	-	ISO 9001
	LGEKS	China	Kunshan	ISO 14001	OHSAS 18001	-	ISO/TS16949
	LGEQD	China	Qingdao	ISO 14001	OHSAS 18001	GB/T23331	ISO 9001
	LGEYT	China	Yantai	ISO 14001	OHSAS 18001	GB/T23331	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
	LGEQA	China	Qingdao	ISO 14001	OHSAS 18001	-	ISO 9001
	LGEPN	China	Nanjing	ISO 14001	OHSAS 18001	GB/T23331	ISO 9001
Korea	LGEKR	Korea	Pyeongtaek	ISO 14001	OHSAS 18001	ISO 50001	ISO 9001, ISO/TS16949
		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 9001, ISO/TS16949
	Korea	Jeonju	ISO 14001	OHSAS 18001	-	ISO 9001	

## Social Data

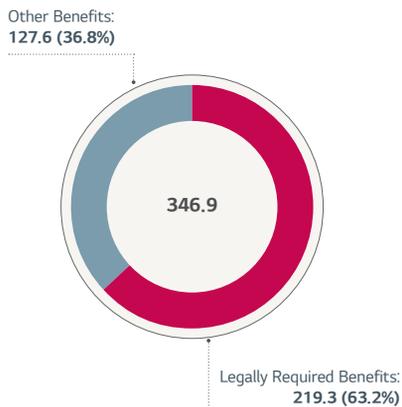
Employees Data: Total 83,641 (As of December 31, 2014)



### Employee Benefits and Support Programs (Korea)

LG Electronics has in place systematic employee benefits and support programs to provide employees with personal time for vacation, child birth, and maternity leave. Our diverse benefits and support programs help our employees achieve work & life balance and promote creativity at workplace.

Employee Benefits (Unit: KRW billion/Korea)



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

### Employee Benefits and Support Programs (Korea)

Leisure Activities	<ul style="list-style-type: none"> <li>• Vacation: Employees are encouraged to plan annual vacations at the beginning of every year</li> <li>• Resort Facilities: Employees have access to 10 resort facilities (i.e. condominiums and pensions) across Korea</li> <li>• Informal Groups: Hobby and volunteer groups</li> </ul>
Childbirth and Maternity Leave	<ul style="list-style-type: none"> <li>• Lounge and nursing room for female employees: For female employees and pregnant/nursing employees</li> <li>• Childcare Facilities (Available in Seoul, Pyeongtaek and Changwon)                             <ul style="list-style-type: none"> <li>Plans in place for expansion to all business sites</li> </ul> </li> <li>• Maternity Leave: - Paid maternity leave for female employees before/after childbirth (up to 90 days)                             <ul style="list-style-type: none"> <li>- Time-off offered in the event of miscarriage/stillbirth (5-90 days),</li> <li>- Time-off offered for fertility issues (2 days)</li> <li>- Time-off offered to employees whose spouse has given birth (5 days)</li> <li>- Time-off offered to employees to raise infants and children under the age of eight or in the second grade (one year limit)</li> <li>- Reduced work hours offered to employees during child-rearing years (15-30 hours/week)</li> </ul> </li> </ul>
Housing and Stable Living	<ul style="list-style-type: none"> <li>• Housing Loans: Housing loans offered to employees who have served at least two years</li> <li>• Relocation Costs: Assistance offered to employees who relocated for work related reasons, such as transfer</li> <li>• Congratulatory/Condolence Cash Gift: Support for congratulatory events and funerals of employees and their families</li> <li>• Disaster Relief Support: Financial support offered to employees and their families who have suffered property damages caused by natural disasters</li> </ul>
Medical/Health	<ul style="list-style-type: none"> <li>• Health check-ups for employees and spouses, and medical expense subsidies for employees and their direct family members</li> <li>• Collective industrial/health insurance coverage, health management centers, and psychological counseling centers</li> <li>• Paid sick leave: 70% of average wages are offered to employees on sick leave due to occupational injuries, 33-100% of wages to employees on sick leave due to illnesses</li> </ul>
Education	<ul style="list-style-type: none"> <li>• Scholarship for employees' children: Support for employees starting/resuming their education</li> <li>• Special lectures on healthcare, personal finance/investment, family life, etc.</li> </ul>
Legally Required Benefits	<ul style="list-style-type: none"> <li>• National Pension, Health Insurance, Employment Insurance, Industrial Accident Compensation Insurance</li> <li>• Retirement Pension: Fixed benefits</li> </ul>
Optional Benefits	<ul style="list-style-type: none"> <li>• KRW 1,000,000 worth of points awarded to employees annually</li> <li>• Points can be redeemed for personal development, leisure/health, gift &amp; product purchasing</li> </ul>

## 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 2014-2015 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" with LG Electronics, 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 AA1000AS (2008) assurance standards. Type 2 assurance engagement was applied to such specific indicators as water usage, waste management, and occupational incidents which need verifying reliability in data collection process. The assurance statement checked suitability of inclusivity, materiality, and responsiveness by following AA1000APS (2008) assurance principles. Moreover, it verified whether the information on the Report is compliant to GRI G4 Guideline standards.

### Limitations

The Assurer conducted an assurance engagement on LG Electronics' 2014 performance by following the assurance standards above. We verified the reliability of LG Electronics' performance on the Report in 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 existing assurance results. Furthermore, on-site inspection was limited to Seoul headquarters and 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 on 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 objectivity and appropriateness of key issues selected and content in the Report by conducting media research and performing benchmark analysis.
- 4 Verified the suitability of the information and expression error through comparison analysis with other publication.
- 5 Verified feasibility of LG Electronics' sustainability management strategies and executives' message presented in the Report through interviews on core executives.
- 6 Verified the evidence of data and information through on-site inspection on Seoul headquarters and internal process and system.

### 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 GRI G4 Guideline's Core Option. In case of General Standard Disclosures, the Assurer verified that the Report is written in compliance with the requirements of Core Option. For Specific Standard Disclosures, the Assurer reviewed Disclosure on Management Approach (DMA) and indicators about material issues by using the reporting criteria process below.

Sub Category	Material Issues	DMA & Indicators
Customer	<ul style="list-style-type: none"> <li>- Enhancing Product Liability for Product Defects / Accidents</li> <li>- Strengthening Personal Information Protection</li> <li>- Providing Product and Service Information</li> </ul>	<b>DMA- With our Customers</b> PR1, PR2, PR3, PR4, PR5, PR6, PR8, PR9
Environment	<ul style="list-style-type: none"> <li>- Reducing GHG Emissions</li> <li>- Developing Highly Energy Efficient Products</li> </ul>	<b>DMA-With the Environment</b> EN3, EN5, EN6, EN7, EN15, EN16, EN17, EN18, EN19, EN27, EN28
Supplier	<ul style="list-style-type: none"> <li>- Establishing Fair Trade as Regular Practice</li> <li>- Raising Supplier Awareness on Social Responsibility</li> <li>- Raising Employee Awareness against Corruption and Collusion</li> </ul>	<b>DMA- With the Suppliers</b> G4-12, G4-13, G4-14, G4-57, EC9, EN32, EN33, LA14, LA15, HR1, HR4, HR5, HR6, HR10, HR11, SO3, SO4, SO5, SO7, SO8, SO9, SO10
Community	<ul style="list-style-type: none"> <li>- Promoting Engagement with Communities</li> <li>- Developing Products / Services Specifically Tailored to Local Needs</li> </ul>	<b>DMA- With the community</b> EC7, EC8, SO1
Employee	<ul style="list-style-type: none"> <li>- Guaranteeing Basic Labor/Human Rights</li> <li>- Enhancing Labor-Management Relations and Employee Grievance Resolution</li> <li>- Managing Labor/Human Rights Risks of Suppliers</li> </ul>	<b>DMA- With our employees</b> G4-10, G4-11, LA1, LA2, LA3, LA4, LA5, LA9, LA10, LA11, LA12, LA13, LA14, LA15, LA16, HR4, HR5, HR6, HR7, HR8, HR9, HR10, HR11, HR12

**Inclusivity: Participation of Stakeholders**

The principle of inclusivity articulates that organizations should include stakeholders in the process of developing strategic response to and achieving sustainability. In this regard, the Assurer could verify that LG Electronics put various efforts to abide by and improve the principle of inclusivity in 2014. LG Electronics categorizes its key stakeholders into nine groups including shareholders/assessment agencies, customers, employees, and business partners. The Assurer verified that LG Electronics clearly defines each stakeholder group’s communication channel and expectations, and proactively collects stakeholders’ opinions through communication channels. In particular, LG Electronics’ Stakeholder Consultation on CSR, held biannually, is highly valued as it creates actual changes through responsive measures inspired by feedbacks from the meeting.

**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 2014. The Assure could verify that activities and key performance of the core issues are evenly covered in each page of the Report.

**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. For the core issues, LG Electronics established its strategies in the five areas: customer, the environment, supplier, community, employee, and strengthens its response to them. The Assurer especially commends LG Electronics for expanding the scope of CSR activities to supply chain and business locations overseas.

**Recommendation**

Upon appraising LG Electronics’ various efforts and performance for enhancing its sustainability, the Assurer proposes below for future publications of the Report and higher standard of sustainability.

- 1 LG Electronics’ activities in each area including the environment, social contribution, and ethics are excellent and they are making a transition to a performance based management system. We recommend that LG Electronics create an integrated management system that can create synergy among activities and performance in each area
- 2 There are limited changes in core issues in the past several years. LG Electronics should review the process in order to swiftly identify and respond to issues relevant to its business by taking measures that include implementing a new methodology for the materiality analysis, creating a new response system for other CSR issues, etc.
- 3 Global CSR activities such as the “LG Hope Series” is an exemplary case in value creation, which also is similar to CSV. We expect LG Electronics to engage in these activities continuously, taking account all aspects of its business.



The Sustainability Management Center of Korea Productivity Center is an assurance agency officially certified by AccountAbility [organization established AA1000, the international standard for stakeholder participation and verification] and is qualified to 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): AA1000 Assurance Standard (2008) is an international assurance standard, set by AccountAbility, that provides method of reporting sustainability management issues by evaluating the organization management on performances, compliance with principles, and reliability of performance information
- AA1000APS (2008): AA1000 AccountAbility Principles Standard (2008) is an international assurance standard set by AccountAbility that provides principles of AA1000 standards.

May 2015

Sun Jik Hong  
Korea Productivity Center / CEO

Dong Soo Kim  
Director

Ki Hwan Lee  
Team Leader

Sung Sang Lee  
Team Leader

## Memberships/Awards & Recognition

### Memberships

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

### Awards & Recognition

Date	Awards/Recognitions	Organization
Mar. 2014	Winner of 26 awards at the 2014 iF Design Awards	iF Design Awards
Mar. 2014	Recipient of 33 prizes, including grand prizes in two categories, at the 2014 Red Dot Design Awards	Red Dot Design Awards
Apr. 2014	Awarded the 2014 ENERGY STAR Partner of the Year Award & the ENERGY STAR Sustained Excellence Award	Environmental Protection Agency (EPA)
May 2014	Took home the top prize in the small TV category at the SEAD Awards	Super-Efficient Equipment and Appliance Deployment (SEAD)
May 2014	Winner of the Grand Prize at the 2014 Ergonomics Design Awards for LG 77-inch flexible OLED TV	Ergonomics Society of Korea
Jul. 2014	Recipient of six prizes at the 18th Energy Winners of the Year Awards	Consumers Korea, Ministry of Trade, Industry & Energy
Jul. 2014	Winner of a gold prize, two silver prizes and two bronze prizes at IDEA 2014	Industrial Designers Society of America (IDSA) International Design Excellence Awards (IDEA)
Aug. 2014	<ul style="list-style-type: none"> <li>Named European High-End TV 2014-15 for the LG 77-inch Ultra-Curved HD OLED TV</li> <li>Recipient of a European Advanced Smartphones 2014-15: G3 label</li> </ul>	European Imaging and Sound Association (EISA)
Sep. 2014	<ul style="list-style-type: none"> <li>Listed to the DJSI World Index for the third straight year</li> <li>Singled out as the industry group leader for Leisure Equipment &amp; Products and Consumer Electronics</li> </ul>	S&P Dow Jones Indices RobecoSAM
Oct. 2014	Winner of the Innovation Prize at the Korea Electronics Show 2014 for LG 77-inch Ultra-Curved OLED TV	Korea Electronics Association (KEA)
Nov. 2014	Took home 10 prizes at the CES 2015 Innovation Awards	Consumer Electronics Association (CEA), Industrial Designers Society of America (IDSA)
Nov. 2014	Winner of the Prime Minister's Prize for Excellence for the company's operation of a top corporate in-house child care center	Ministry of Health & Welfare
Dec. 2014	LG 55-inch OLED TV named one of the Top 10 TVs of the Year	Consumer Report
Dec. 2014	Winner of the Presidential Prize at the Excellent Design Awards for four consecutive years for LG 105-inch Ultra-Curved HD TV	Ministry of Trade, Industry & Energy, Korea Institute of Design Promotion

## GRI/UNGC Index

GRI Index			● Full Reporting ● Partial Reporting ○ Not Reported			
	G3.1	G4.0	Indicators	Related Contents	Application Level	Page
Strategy and Analysis (2)	1.1	G4-1	Statement from the most senior decision-maker	CEO Message	●	4-5
	1.2	G4-2	Provides a description of Key impacts, risks, and opportunities	Top Management Messages, Key Progress and Performance	●	4-6, 26-27
Organizational Profile (14)	2.1	G4-3	Report the name of the organization	Who we are	●	12
	2.2	G4-4	The primary brands, products, and services	What we do	●	12-13, interleaf
	2.4	G4-5	The location of the organization's headquarters	Who we are, Where we operate	●	12-15
	2.5	G4-6	The number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	Where we operate	●	14-15
	2.6	G4-7	The nature of ownership and legal form	Corporate Governance	●	8
	2.7	G4-8	The markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Who we are, What we do, Where we operate	●	14-17
	2.8	G4-9	Scale of the organization	Who we are, What we do, Where we operate	●	14-17
	LA1	G4-10	Total workforce	Where we are, Employees by Country	●	14, 69-70, 83
	LA4	G4-11	The percentage of total employees covered by collective bargaining agreements	Protection of Labor Rights	●	75
		G4-12	The organization's supply chain	Procurement Performance & Supply Chain	●	53-54
	2.9	G4-13	Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	Who we are, What we do, Where we operate, Procurement Performance & Supply Chain	●	12-17, 53
	4.11	G4-14	Whether and how the precautionary approach or principle is addressed by the organization	CSR Management System, CSR in Supply Chain	●	18-19, 56-57
	4.12	G4-15	List Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Membership/Awards & Recognition	●	86
	4.13	G4-16	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization	Membership/Awards & Recognition	●	86
Identified Material Aspects And Boundaries (7)	2.3	G4-17	A. All entities included in the organization's consolidated financial statements or equivalent documents. B. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report	Who we are, What we do, Where we operate, LG Electronics Business Report 2014, LG Electronics Annual Report 2014	●	12-17
	3.5	G4-18	A. The process for defining the report content and the aspect boundaries. B. How the organization has implemented the reporting principles for defining report content.	Stakeholder Engagement & Communication, Materiality analysis	●	18-19, 20-23, 24
		G4-19	List all the material Aspects identified in the process for defining report content	Materiality analysis	●	24-25
	3.6	G4-20	For each material Aspect, report Aspect Boundary within the organization	Disclosure on Management Approach	●	28, 36, 52, 60, 68
	3.7	G4-21	For each material Aspect, report the Aspect Boundary outside the organization	Disclosure on Management Approach	●	28, 36, 52, 60, 68
	3.10	G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	Some data from the previous report have been adjusted.	●	16, 70, 80-81
	3.11	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Report Overview	●	2
Stakeholder Engagement (4)	4.14	G4-24	List of stakeholder groups engaged by the organization	Stakeholder Engagement & Communication	●	20-23
	4.15	G4-25	Basis for identification and selection of stakeholders with whom to engage	Stakeholder Engagement & Communication	●	20-23
	4.16	G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholder Engagement & Communication, Stakeholder Consultation on CSR, Materiality analysis	●	20-23, 24-25
	4.17	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, including through its reporting	Stakeholder Engagement & Communication, Stakeholder Consultation on CSR, Materiality analysis	●	20-23, 24-25
	Report Profile (6)	3.1	G4-28	Reporting period such as fiscal or calendar year for information provided	Report Overview	●
3.2		G4-29	Date of most recent previous report (if any)	June, 2015	●	GRI Index
3.3		G4-30	Reporting cycle such as annual, biannual	Report Overview	●	2
3.4		G4-31	Provide the contact point for questions regarding the report or its contents	Report Overview	●	2
3.12		G4-32	GRI Index ('In accordance' option, GRI Content index, and the external assurance report)	Independent Assurance Statement, GRI Index	●	84-85, 87-90
3.13		G4-33	A. Policy and current practice with regard to seeking external assurance for the report. B. If not included in the assurance report accompanying the sustainability report, the scope and basis of any external assurance provided. C. Relationship between the organization and the assurance providers. D. Whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report	Report Overview, Independent Assurance Statement	●	2, 84-85
Governance (22)		4.1	G4-34	Report the governance structure of the organization, including committees of the highest governance body	Corporate Governance, CSR Management System	●
		G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	Corporate Governance, CSR Management System	●	8, 18-19
		G4-36	Report 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, CSR Management System	●	8, 18-19
	4.4	G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics If consultation is delegated, describe to whom and any feedback processes to the highest governance body	Corporate Governance	●	8
	4.1	G4-38	Report the composition of the highest governance body and its committees	Corporate Governance	●	8
	4.2	G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	Corporate Governance	●	8
	4.7	G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	Corporate Governance	●	8
	4.6	G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed	Corporate Governance	●	8
	4.6	G4-42	Report the highest governance body's and senior executives' roles 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	●	8

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● Full Reporting ◐ Partial Reporting ○ Not Reported

	G3.1	G4.0	Indicators	Related Contents	Application Level	Page
	4.6	G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	Corporate Governance	●	8
	4.10	G4-44	A. Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment B. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice	Corporate Governance	●	8
	4.9	G4-45	A. The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities B. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities	Corporate Governance, CSR Management System	●	8, 18-19
		G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	Corporate Governance	●	8
		G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	Corporate Governance, CSR Management System	●	8, 18-19
		G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	Corporate Governance	●	8
	4.4	G4-49	Report the process for communicating critical concerns to the highest governance body	Corporate Governance, CSR Management System	●	8, 18-19
		G4-50	Report the 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	CSR Management System	●	18-19
	4.5	G4-51	Report the remuneration policies for the highest governance body and senior executives	Corporate Governance, LG Electronics Business Report 2014	◐	8, GRI Index
		G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization	LG Electronics Business Report 2014	◐	GRI Index
	4.4	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	LG Electronics Business Report 2014	●	GRI Index
		G4-54	Report the 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 (excluding the highest-paid individual) in the same country		○	
		G4-55	Report the 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 (excluding the highest-paid individual) in the same country		○	
Ethics and Integrity (3)		G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Jeong-Do Management	●	10
		G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	Compliance Risk Management, Fair Trade	●	9, 11
		G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	Jeong-Do Management	●	10
	G3.1	G4.0	Indicators	Related Contents	Application Level	Page
DMA		G4-DMA	Report why the Aspect is material Report how the organization manages the material Aspect or its impacts Report the evaluation of the management approach	Disclosure on Management Approach	●	28, 36, 52, 60, 68
<b>Economic</b>						
Economic Performance (4)	EC1	EC1	Direct economic value generated and distributed	Shared Economic Gains	●	16
	EC2	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Exploring Opportunities and Managing Risks	●	GRI Index
	EC3	EC3	Coverage of the organization's defined benefit plan obligations	Associated with Climate Change	●	83
	EC4	EC4	Financial assistance received from government	Social Data (Benefits and Support Programs)	●	16
Market Presence (2)	EC5	EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Shared Economic Gains	●	71
	EC7	EC6	Proportion of senior management hired from the local community at significant locations of operation	Talent Acquisition & Cultivation	○	
Indirect Economic Impacts (2)	EC8	EC7	Development and impact of infrastructure investments and services supported	Shared Economic Gains, Social Contribution	●	16, 61-62
	EC9	EC8	Significant indirect economic impacts, including the extent of impacts	Shared Economic Gains, Social Contribution	◐	16, 61-62
Procurement Practices (1)	EC6	EC9	Proportion of spending on local suppliers at significant locations of operation	Procurement Performance & Supply Chain	●	53
<b>Environmental</b>						
Materials (2)	EN1	EN1	Materials used by weight or volume	Environmental Data	●	80-81
	EN2	EN2	Percentage of materials used that are recycled input materials	Life Cycle Assessment	●	41-42
Energy (5)	EN3,4	EN3	Energy consumption within the organization	Environmental Data	◐	80
		EN4	Energy consumption outside of the organization		○	
		EN5	Energy intensity	Environmental Data	●	80
		EN6	Reduction of energy consumption	Low-carbon Management, Minimizing Environmental Impact at Our Business Sites	●	40, 47-51
		EN7	Reductions in energy requirements of products and services	Product with Greener Features, Low-Carbon Management	●	38-40, 47-49
Water (3)	EN8	EN8	Total water withdrawal by source	Water Use Management, Environmental Data	●	48-49, 80-81
	EN9	EN9	Water sources significantly affected by withdrawal of water	Water Use Management	◐	49
	EN10	EN10	Percentage and total volume of water recycled and reused	Water Use Management, Environmental Data	●	48-49, 80-81
Biodiversity (4)	EN11	EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas	LG Electronics' facilities are located in industrial complexes.	●	GRI Index
	EN12	EN12	Description of significant impacts of activities, products, and services on Biodiversity		●	
	EN13	EN13	Habitats protected or restored		●	
	EN15	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		●	

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● Full Reporting ○ Partial Reporting ○ Not Reported

G3.1		G4.0		Indicators	Related Contents	Application Level	Page
Emissions (7)	EN16	EN15	Direct greenhouse gas (GHG) emissions	Environmental Data (Input Data (GHG))	●	80-81	
	EN16	EN16	Energy indirect greenhouse gas (GHG) emissions	Environmental Data (Input Data (GHG))	●	80-81	
	EN17	EN17	Other indirect greenhouse gas (GHG) emissions	Environmental Data (Input Data (GHG))	●	80-81	
	EN18	EN18	Greenhouse gas (GHG) emissions intensity	Environmental Data (Input Data (GHG))	●	80-81	
	EN18	EN19	Reduction of greenhouse gas (GHG) emissions	Low-carbon Management	●	47-49, 80-81	
	EN19	EN20	Emissions of ozone-depleting substances (ODS)	Environmental Data (Ozone Depleting Chemicals)	○	80-81	
	EN20	EN21	NOx, SOx, and other significant air emissions	Environmental Data (Air Emissions)	●	80-81	
Effluents and Waste (5)	EN21	EN22	Total water discharge by quality and destination	Environmental Data (Air Emissions)	●	80-81	
	EN22	EN23	Total weight of waste by type and disposal method	Minimizing Discharge of Waste, Environmental Data	●	49, 80-81	
	EN23	EN24	Total number and volume of significant spills	No Significant Spills Occurred in 2013	●	GRI Index	
	EN24	EN25	Weight of transported, imported, exported, or treated waste deemed hazardous	Wastewater Discharge	○	49	
	EN25	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	Wastewater Discharge	●	49	
Products and Services (2)	EN26	EN27	Extent of impact mitigation of environmental impacts of products and services	With the Environment	●	36-51	
	EN27	EN28	Percentage of products sold and their packaging materials that are reclaimed, by category	Life Cycle Assessment	●	42-43	
Compliance (1)	EN28	EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	None of significant spills occurred in 2014	●	GRI Index	
Transport (1)	EN29	EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	Low-carbon Management, Environmental Data	●	48	
Overall (1)	EN30	EN31	Total environmental protection expenditures and investments by type		○		
Supplier Environmental Assessment (2)	EN32	EN33	Percentage of new suppliers that were screened using environmental criteria	Supplier Compliance, Supplier CSR Management	●	53, 56-57	
	EN33	EN34	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Supplier CSR Management	○	56-57	
Environmental Grievance Mechanisms (1)	EN34	EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms		○		
<b>Social</b>							
<b>Labor Practices and Decent Work</b>							
Employment (3)	LA2	LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Global Workforce, Social Data	○	69-70, 83	
	LA3	LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Social Data	●	83	
	LA15	LA3	Return to work and retention rates after parental leave, by gender	Global Workforce	●	70	
Labor Management Relations (1)	LA5	LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Labor Relations	●	75	
Occupational Health and Safety (4)	LA6	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	Labor Relations	●	75	
	LA7	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	Incident Rate, Safety Data, EESH Management	●	50-51, 81	
	LA8	LA7	Workers with high incidence or high risk of diseases related to their occupation	EESH Management	○	50-51	
	LA9	LA8	Health and safety topics covered in formal agreements with trade unions	EESH Management	○	50-51	
Training and Education (3)	LA10	LA9	Average hours of training per year per employee, by gender, and by employee category	Talent Management	●	71	
	LA11	LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Talent Management	●	71-72	
	LA12	LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Global Workforce, Talent Management	●	69-70, 71	
Diversity and Equal Opportunity (1)	LA13	LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Global Workforce, Social Data	●	69-70, 71, 83	
Equal remuneration for women and men (1)	LA14	LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Fair Evaluation and Rewards	●	71	
Supplier Assessment for Labor Practices (2)	LA14	LA14	Percentage of new suppliers that were screened using labor practice criteria	Supplier Compliance	●	53	
	LA15	LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	Supplier CSR Management	●	56-57	
Labor Practices Grievance Mechanisms (1)	LA16	LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	Labor Relations	●	77	
<b>Human Rights</b>							
Investment (2)	HR1	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	●	56-57	
	HR3	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, Jeong-Do Management	●	9, 10	
Non-discrimination (1)	HR4	HR3	Total number of incidents of discrimination and corrective actions taken	Jeong-Do Management	●	10	
Freedom of Association and Collective Bargaining (1)	HR5	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	●	56-57, 75-77	
Child Labor (1)	HR6	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	●	56-57, 75-77	
Forced or Compulsory Labor (1)	HR7	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	●	56-57, 75-77	
Security Practices (1)	HR8	HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	Train all security staff about human rights	●	GRI Index	
Indigenous Rights (1)	HR9	HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	LG Electronics' facilities are Located in Industrial Complexes	●	GRI Index	
Assessment (1)	HR10	HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	Protection of Labor Rights	●	75-77	

GRI Index

● Full Reporting ◐ Partial Reporting ○ Not Reported

G3.1		G4.0		Indicators	Related Contents	Application Level	Page
Supplier Human Rights Assessment (2)	HR2	HR10	Percentage of new suppliers that were screened using human rights criteria		Supplier Compliance	●	53
		HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken		Supplier CSR Management	●	56-57
Human Rights Grievance Mechanisms (1)	HR11	HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms		Jeong-Do Management, Grievance Resolution System	●	10, 75
<b>Society</b>							
Local Communities (2)	S01	S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs		Social Contribution	●	60-67
		S02	Operations with significant actual and potential negative impacts on local communities		EESH Management, Environmental Data	●	46-47, 82
Anti-corruption (3)	S02	S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified		Compliance, Jeong-Do Management	●	9, 10
		S04	Communication and training on anti-corruption policies and procedures		Compliance, Jeong-Do Management	●	9, 10
		S05	Confirmed incidents of corruption and actions taken		Jeong-Do Management	●	10
Public Policy (1)	S06	S06	Total value of political contributions by country and recipient/beneficiary		Prohibited in Korea by Law	●	GRI Index
Anti-competitive Behavior (1)	S07	S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		Fair Trade	●	11
Compliance (1)	S08	S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		Fair Trade	●	11
Supplier Assessment for Impacts on Society (2)		S09	Percentage of new suppliers that were screened using criteria for impacts on society		Supplier Compliance	●	53
		S010	Significant actual and potential negative impacts on society in the supply chain and actions taken		Supplier CSR Management	◐	56-57
Grievance Mechanisms for Impacts on Society (1)		S011	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms		Grievance Resolution System	◐	75
<b>Product Responsibility</b>							
Customer Health and Safety (2)	PR1	PR1	Percentage of significant products and services categories for which health and safety impacts are assessed for improvement		Eco-Index	●	37-38
		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		Responsible Communication	◐	90
Product and Service Labeling (3)	PR3	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 services subject to such information requirements		Product with Greener Features, Product Stewardship, Green Partnership	●	37-42
		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, Responsible Communication	◐	9, 90
		PR5	Results of surveys measuring customer satisfaction		Improving Communication with Customer Service	●	31
Marketing Communications (2)	PR6	PR6	Sale of banned or disputes products		Jeong-Do Management	◐	10
		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 (1)	PR8	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		Personal Information Protection	●	34-35
Compliance (1)	PR9	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		Compliance, Responsible Communication	◐	9, 90

\* 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).

UNGC Index

Ten Principles	Our Activities	Related Content	Page	
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	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	7
	Principle 2: make sure that they are not complicit in human rights abuses.		CSR Management System	18-19
Labour Standards	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	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 26 consecutive years (as of March 2015) 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 standard purchase agreement forms accordingly.	Win-Win Growth	52-55
	Principle 4: the elimination of all forms of forced and compulsory labour;		Supplier CSR Risk Management	56-57
	Principle 5: the effective abolition of child labour; and		Protection of Labor Rights	75-77
	Principle 6: the elimination of discrimination in respect of employment and occupation.		Win-Win Growth	52-55
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges;	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.	Supplier CSR Risk Management	56-57
	Principle 8: undertake initiatives to promote greater environmental responsibility; and		CSR Management System	18-19
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.		With the Environment	36-51
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	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	10
			Protection of Labor Rights	75-77
			Win-Win Growth	52-55
			Supplier CSR Risk Management	56-57

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**LG Electronics' Sustainability Reports**



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