



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

2015-2016 LG Electronics Sustainability Report



OUR PATH TO SUSTAINABILITY

Dear stakeholders

This year marks the 10th anniversary of our sustainability report. Over the course of this ten-year period, LG Electronics strived to achieve sustainable growth, guided by our corporate management philosophy, "Customer-Value Creation" and "People-Oriented Management." And we did make great progress thanks to the enduring trust and support from our stakeholders. LG Electronics will continue to communicate with our stakeholders and strive to build a sustainable organization and sustainable business.

OUR PATH TO SUSTAINABILITY: PAST 10 YEARS

LG Electronics 2005-2015 History
in Sustainability Management



2005
Released in October 2006

2005 PROMISE³

- Organized the information under three aspects, "Society," "the Environment" and "Economy" based on the Triple Bottom Line
- Implemented the Global Reporting Initiative (GRI) guidelines
- Launched the CSM taskforce in charge of sustainability management
- Declared RoHS compliance



2006-2007
Released in October 2008

2006-2007 ACTION CREATES VALUE

- Implemented the GRI G3 guidelines
- Identified material issues based on a materiality analysis
- Internally developed the Eco-Index™ (Quantitatively expresses the Eco-design levels of products)



2008
Released in July 2009

2008 INSIGHT FOR YOU

- Segmented stakeholder groups for more effective engagement
- Listed on the DJSI Korea for the first time
- Established the Principles for Sustainability Management
- Hosted the First Global EESH Conference
- Completed the full GHG inventory of all business locations in Korea (including 12 production sites), a first for Korea's electronics industry



2009
Released in June 2010

2009 SUSTAINABILITY = Σ INNOVATION

- Organized the report into two parts, "Materiality" and "Management"
- Implemented a more systematic reporting approach, under which the content is organized into three sections, "Approach," "Performance," and "Future Direction"
- Expanded the scope to include all LG Electronics business locations in Korea and overseas
- Held the inaugural Stakeholder Consultation on CSR
- Operated the CSR council composed of contact points from related departments
- Listed on the DJSI Asia-Pacific for the first time
- Joined the UN Global Compact
- Completed the full GHG inventory for all business locations in Korea and overseas
- Launched the CSR Committee chaired by the CEO and participated by the presidents of the business companies, the managing directors of the region representatives, and C-level executives at headquarters



2010
Released in May 2011

2010 COMMITMENT TO OUR STAKEHOLDERS

- Adopted the Key Progress and Performance table
- Featured a special section to highlight the labor union's declaration of USR
- Joined the Electronic Industry Citizenship Coalition (EICC)
- Established the Stakeholder Consultation on CSR as a regular event (semiannual basis)
- Established and released the Global Labor Policy
- Declared the Union Social Responsibility (USR)



2011-2012
Released in May 2012

2011

LG WAY TO SUSTAINABILITY

- Implemented the GRI G3.1 guidelines
- Acquired the Green Management System Certification, a first in Korea
- Conducted EICC self-assessment for all manufacturing sites and major suppliers
- Published the statement on conflict minerals



2012-2013
Released in June 2013

2012-2013

LIFE'S GOOD &

- Revised the provisions on the Board of Directors in the Article of Association to establish corporate social responsibility (CSR) as an official duty of the board and began a CSR board briefing
- Revised and released the Global Labor Policy
- Signed an MOU with the US Environmental Protection Agency (EPA)



2013-2014
Released in June 2014

2013-2014

LIFE'S GOOD WITH LG

- Established the LG Electronics CSR slogan, "Life's Good with LG"
- Implemented the GRI G4 guidelines
- Introduced a diagram to illustrate value created across the value chain
- Launched the CSR committee in China
- Introduced CSR aspects to New Supplier selection process

2014-2015

LIFE'S GOOD WITH LG

- Published the Chinese edition of our sustainability report
- Organized corporate information into three sections, "Who We Are," "What We Do," and "Where We Operate"
- Topped the list as the "Industry Leader (Leisure Equipment & Products and Consumer Electronics Category)" on the DJSI for the first time (Industry Group: Durables & Apparel Industry, also named the Industry Group Leader)



2014-2015
Released in June 2015

2015-2016

LIFE'S GOOD WITH LG

- Released the tenth edition
- Featured the special section "Progress and Impact of Sustainability Management of LG Electronics from 2005 to 2015"
- Topped the list as the "Industry Leader" for the second consecutive year
- Listed on the DJSI World for the fourth consecutive year (listed on the DJSI Asia-pacific for the sixth consecutive year and the DJSI Korea for the seventh consecutive year)
- Achieved 100 percent Low-Risk level for all manufacturing sites by EICC self-assessment



2015-2016
Released in June 2016



Download the PDF Version of Our Sustainability Report: Scan the QR code to access all editions of our sustainability report.

REPORT OVERVIEW

In preparing our 2015-2016 Sustainability Report, LG Electronics adopted the G4 guidelines of the Global Reporting Initiative (GRI). As part of the process for implementing the guidelines, we reviewed the previous year's edition and best practice cases from corporations at home and abroad against the latest indices to identify the aspects that are lacking in our report. In order to address these aspects and prepare a more comprehensive and insightful report, we had extensive communication with functional departments, focusing primarily on our strengths and weaknesses. We also reached out to our internal and external stakeholders through a wide range of communication programs to seek their opinions, and performed a materiality analysis to identify the information that is considered material to stakeholders as well as to LG Electronics.

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

REPORTING PRINCIPLES

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

REPORTING SCOPE

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

REPORTING BOUNDARY

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

REPORTING PERIOD

Data from the calendar year 2015, from January 1 to December 31 (for performance in select areas, data from the first half of 2016 was also included)

ASSURANCE

Independent Assurance Statement (Korea Productivity Center)
(See pp. 91-92)

Information Sources concerning

LG Electronics' Sustainability Management Efforts



LG Electronics Corporate Website
<http://www.lg.com/global/sustainability>

LG Electronics Annual Report

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CSR Team, LG Electronics | LG Twin Towers, 128 Yeoui-daero,
Yeongdeungpo-gu, Seoul, Korea

Email: sustainability@lge.com Tel: 82-2-3777-3263

MATERIALITY REPORT



With Our Customers

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A decade has passed since LG Electronics released the inaugural issue of its sustainability report in 2006. Over the course of this ten-year period, LG Electronics made determined and sustained efforts to achieve sustainable growth and shared our progress and achievements with our stakeholders through this report. Here is a snapshot of what we have achieved and what has changed over the past decade since our first sustainability report was released.



RESPONSIBILITY FOR THE FUTURE HAS ITS ROOTS IN THE PAST

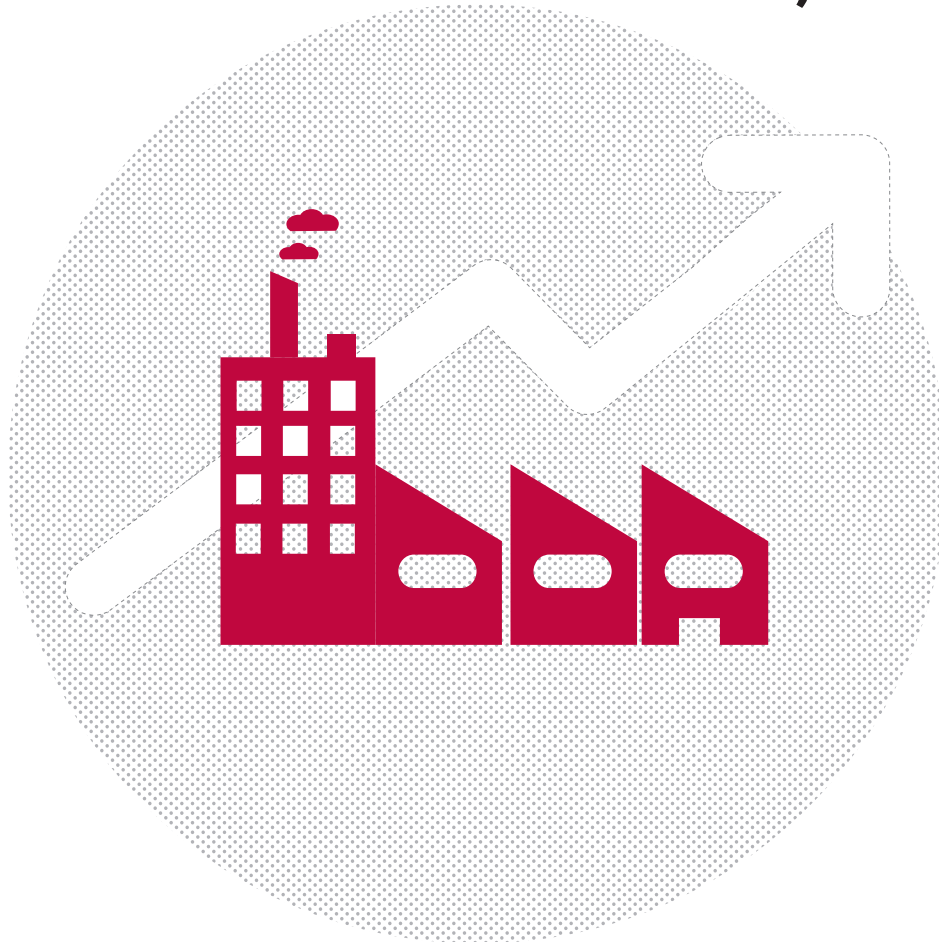
2005-2015 Progress and Impact of LG Electronics' Sustainability Management

Increasing Sales

During this period, our sales grew by 27 percent, or KRW 12.06 trillion, from KRW 44.445 trillion in 2005 to KRW 56.509 trillion in 2015. LG Electronics ranked 175th in the Fortune Global 500, the annual list compiled by the US business magazine Fortune that ranks the top 500 corporations worldwide. LG Electronics will strive to deliver satisfaction to our customers with a sense of responsibility that equals the size of our global operations.

2005-2015 Sales

+12,063.9 KRW billion
(12.06 KRW trillion)



Expanding Business

The number of our business locations (Korea and overseas) increased by 19 from 77 in 2005 to 96 in 2015, which was largely attributable to our growing overseas operations in emerging markets in the Middle East, Africa and Central and South America. LG Electronics will strive to best serve the disparate needs of customers from different regions with ongoing product and technology innovations.

2005-2015 Number of Global Locations

+19 Sites

Less GHG Emissions

In 2015, LG Electronics emitted a total of 1.11 million tons of greenhouse gas, achieving a reduction of 353,000 tons from the base year 2008 and outperforming its 2020 reduction target set in 2009. In addition to our ongoing efforts to reduce production-level GHG emissions, LG Electronics will implement initiatives to cut GHG emissions across our entire value chain, such as managing GHG emissions from our office buildings and expanding renewable energy purchases.

2008-2015 GHG Emissions Reduction

-353,000 tons CO₂e



More Take-backs

As part of our efforts towards “resource recycling and zero waste,” LG Electronics provides e-waste take-back service around the world. In 2015, LG Electronics collected and responsibly disposed 212,496 tons of e-waste, seven times the amount collected in 2005 (29,239 tons). LG Electronics will continue to take the leadership in promoting resource recycling and building a zero-waste world.

2005-2015 e-Waste Take-backs

+183,257 tons

Friendship with Society

In 2015, a total of 93,659 LG Electronics employees participated in social contribution initiatives, a 340 percent increase from 27,888 employees in 2005. This also indicates that our social contribution programs have grown in number and range along with the interest and awareness of our employees. In order to make our slogan "Life's Good with LG" a reality, LG Electronics will continue to do our part to empower communities and advance human welfare across the world.

2005-2015 Employee Participation in Social Contribution Initiatives

+65,771 Employees



Partnership with Suppliers

In 2015, LG Electronics' company-wide purchases from suppliers amounted to KRW 30.6 trillion, an increase of about KRW 6.8 trillion compared to 2005. Based on the conviction that the competitiveness of our suppliers directly translates into our own competitiveness, LG Electronics will actively communicate and work with suppliers to form fair and mutually beneficial business partnerships and help our suppliers build world-class competitiveness.

2005-2015 Procurement Performance

+6.8 KRW trillion

PRESIDENT MESSAGE

With advances in technology changing and transforming our lives at an accelerated speed, LG Electronics believes that it is an important part of our social responsibility to understand where these changes lead us and demonstrate to our stakeholders that we are making every effort to stay ahead of the changing environment.



Seong Jin Jo
President



Juno Cho
President



David Jung
President

LETTER TO THE STAKEHOLDERS

To Our Stakeholders

This year marks a decade since LG Electronics released the inaugural issue of our sustainability report in 2006 to communicate to stakeholders our efforts in this area. In our first report, we clearly articulated that “Customer-Value Creation” and “People-Oriented Management” are the two principal tenets of our management philosophy. Through this statement, we wanted to convey our steadfast conviction that sustainability management for LG Electronics begins with our commitment to customers and is achieved through respect for our employees.

Over the course of this ten-year period, LG Electronics strived to communicate our philosophy for sustainability management –“Customer-Value Creation” and “People-Oriented Management”– and our achievements in this area. And we did make great progress, which was scrupulously shared with our stakeholders through this report. In celebration of this significant milestone, LG Electronics looks forward to discuss the future. With advances in technology changing and transforming our lives at an accelerated speed, we believe that it is an important part of our social responsibility to understand where these changes lead us and demonstrate to our stakeholders that we are making every effort to stay ahead of the changing environment.

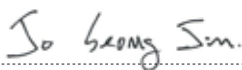
Over the past five years, LG Electronics focused our organizational efforts on enhancing the fundamental strengths of our businesses, affecting positive changes in our product and technology portfolio and placing our operations well on the sound path for advancement. As we were looking to the future to follow through with our preparations, we were also constantly looking back on the past to reexamine our achievements and determine if we were indeed creating value that truly matters to our customers. As part of this effort, we set our goal for this year as “taking the initiative to create change” and “taking management responsibility” and are moving forward to achieve these goals.

Firstly, to take the initiative to create change, we will establish “preparation for competition” and “selection and concentration” as part of our business practice and build our executional capability to further strengthen our market leadership. We will closely track changes in customers and markets and make preemptive preparations and responses through fast and thorough execution, which will help us secure opportunities to stay ahead and write the rules of the future competition. Secondly, to take management responsibility, we will ensure that those who take the responsibility are given the authority to deliver the expected results. To this end, we will reorganize our management structure around business companies to facilitate fast decision-making and fast execution. Taking management responsibility also means that we are assuming the responsibility for the environment and humanity through our business management and practices. LG Electronics takes this responsibility seriously and will strive to honor it across our business management and operations.

LG Electronics stands at a critical juncture for taking another great step forward. Your enduring trust and support are invaluable for the success of our determined efforts to build a better and more hopeful future for humanity. With your trust and support, everyone at LG Electronics will take initiative, drive change and do his or her very best to earn your trust, meet your expectations and build a better future.

Thank you.

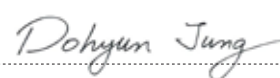
May 2016
President



Seong Jin Jo



Juno Cho



David Jung

MANAGEMENT MESSAGES



CTO / President
Skott Ahn

As lines are blurring across industries and new technologies are emerging and evolving at an accelerated speed, we need to take a strategic approach to technology development and assume the leadership through "selection and concentration" in order to deliver technology innovations that really matter to our customers. LG Electronics strives to maximize our strengths and capabilities to drive technology innovations and pursue collaborative partnerships across expertise, businesses and industries as part of our efforts to enrich the lives of people through the power of technology. Furthermore, we will continue to introduce products and technologies that address social issues and deliver unique value. Based on this strategic and targeted approach to technology development, we will not only achieve customer satisfaction but also create customer value that only LG Electronics can deliver.



Global Sales &
Marketing Officer /
Executive Vice President
Brian Na

In today's global market, corporate social responsibility is considered the obligation as well as the voluntary commitment of a reputable business. LG Electronics strives to honor this social obligation and achieve sustainable growth by engaging our employees and leveraging our products to address environmental, labor rights and human rights issues across the globe, and creating value for our stakeholders that include customers and suppliers. We are also fully convinced that these efforts are the path that leads us to "Innovation for a Better Life." LG Electronics will continue to honor its corporate social responsibility and make the best and sincerest effort to communicate to our stakeholders the values that we strive for.



CHO /
Executive Vice President
Ho Geon Hwang

LG Electronics clearly understands that trust is one of the foremost imperatives of sustainable growth and continuously explores new formats and ideas to build a corporate culture that breeds trust and resilience against the fast changing business climate. As part of our initiatives to build trust between the organization and individual employees, we operate internal communication programs such as "Let's Open Up" to collect the opinions and grievances of our employees and follow up on the issues through resolution. LG Electronics also operates the One-on-One Employee Caring System and a comprehensive range of employee training programs that satisfy the disparate development needs of our employees to create an environment where unique individual strengths are celebrated, promoted and cultivated to the fullest extent.



Business Support Officer /
Executive Vice President
Choong Hak Lee

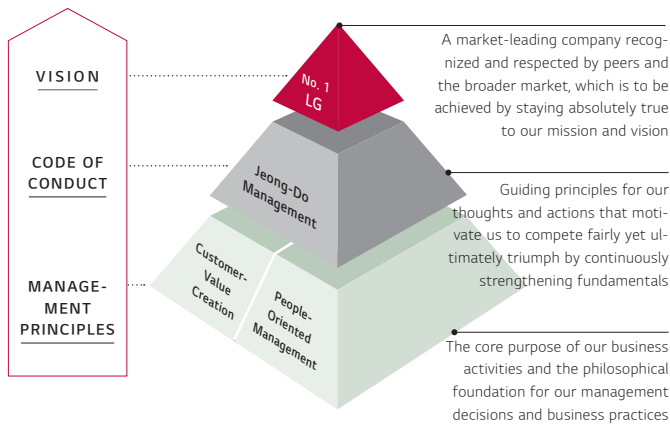
As part of its efforts to fulfill its social responsibility, LG Electronics not only strives to deliver products that create customer value but also operates programs that empower the socially disadvantaged and support social economy organizations. Our programs go a step further than expending our resources through charitable giving by creating positive and enduring impact based on close communication and collaboration with beneficiaries. LG Electronics also strives to make social investments that empower communities as well as advance our businesses by leveraging our world-class capabilities in products and technologies.

MANAGEMENT PHILOSOPHY

LG Way

Representing LG's unique corporate culture, the LG Way articulates our belief in attaining the vision of becoming "No. 1 LG" through "Customer-Value Creation" and "People-Oriented Management" as we stay true to the principles of "Jeong-Do Management" in our everyday practice.

LG Way



Jeong-Do Management

Jeong-Do Management expresses our commitment for building up fundamentals continuously and competing fairly as we base our practices on ethical management, through which concrete results are produced. The management principles of LG Electronics are actualized by putting Jeong-Do Management into practice.

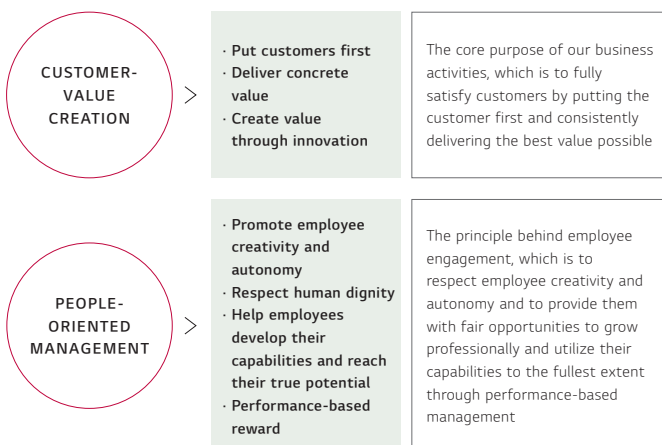
Jeong-Do Management



Management Principles

LG Electronics' management principles not only govern our business decisions and practices but also serve as the philosophical foundation for our sustainability management. Customer-Value Creation and People-Oriented Management – the two tenets that form our management principles – articulate LG Electronics' commitment towards customers and employees: to fulfill our responsibilities and obligations to customers, and to respect employees and compensate them fairly based on merit and performance.

Management Principles

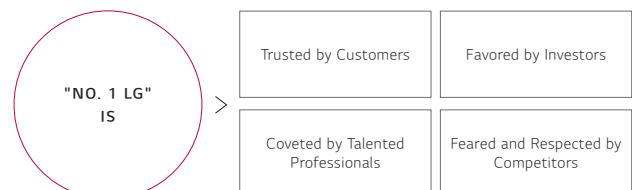


"No. 1 LG"

What we aspires to achieve ultimately through Jeong-Do Management and management principles is to become "No. 1 LG," a market-leading company recognized and respected by peers and the broader market.

Aspires to Become "No. 1 LG"

- 1 - Compete on the global stage and triumph over world-class companies
- 2 - Achieve clear and decisive dominance over the competition to enjoy premiums, particularly in brand power and prices.
- 3 - Become a dominant player that set new market trends through a constant stream of No. 1 products and services



CORPORATE GOVERNANCE

Shareholders

The Chairman of the Board of Directors (Board) personally debriefs shareholders on our business performance at the Annual General Meeting (AGM) and receives their feedback on the management issues that require decision-making. LG Electronics also maintains the "Investor Inquiry" section on the corporate website to collect feedback from investors and customers on our business performance and management issues, as well as to present our responses to their inquiries and feedback. The opinions and suggestions are carefully reviewed by the Board and management and incorporated into corporate policies and business operations.

<http://www.lg.com/global/investor-relations/company-info>

Independence of the Board

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

Board Activities

The Board not only actively provides recommendations for important management issues but carries out unbiased assessment and supervision of key management activities as well. Outside Directors, in particular, serve as objective supporters by keeping management in check and offering sound management advice. In the 2015 calendar year, the Board held seven meetings to review 46 agendas (38 for approval and eight for debriefing), including a motion for "self-dealing" by Directors. In 2015, new Board members were appointed to replace the two Outside Directors whose tenure ended in the calendar year. The attendance rate for Board members averaged 100 percent following the installment of the new Directors. In order to ensure that Board members are closely attuned to and fully engaged with CSR issues, the Board is briefed CSR issues and initiatives, such as potential eco-

nomi, social, and environmental risk and impact identified through stakeholder engagement (Stakeholder Consultation on CSR) and the publication of the Sustainability Report. We also provide Outside Directors with assistance to fully engage them in management activities, i.e. organizing a visit to our business sites both in Korea and overseas to help them gain insight into our frontline operations or arranging training programs, such as outside director workshops offered at the Korea Institute of Directors.

Board Committees

The Board is supported by three Board committees – the Audit Committee, the Outside Director Candidate Recommendation Committee, and the Management Committee. Comprised entirely of three Outside Directors to maintain complete independence from major shareholders and management, the Audit Committee carries out its core duties – fiduciary and management oversight – to achieve fairness and integrity in corporate management as well as to assure transparency and conformance in corporate accounting. In 2015, the Audit Committee was convened five times to review 14 agendas (ten for debriefing and four for approval). The Management Committee reviews and issues decisions on the agendas delegated by the Board as well as on other management matters. In the previous calendar year, the Management Committee reviewed a total of 49 agendas. The Outside Director Candidate Recommendation Committee makes candidate recommendations for outside directors. Comprised of two Outside Directors and one non-executive director to ensure fairness and transparency in the nomination of candidates, the committee is organized prior to the AGM and carefully selects qualified candidates, who are recommended to the AGM for appointment.

Evaluation and Compensation

The compensation for Board members is provided in conformance with the regulations pertaining to board compensations and as approved by the Annual General Meeting. Management officers and executives of LG Electronics are subjected to year-round performance evaluation, upon which the appropriate level of compensation is determined and awarded. They are evaluated comprehensively based on whether they have set and achieved challenging goals in financial, social and environmental aspects, whether their business objectives – comprised of quantitative and non-quantitative targets – were achieved, as well as on their professional capabilities.

Board Members (As of Jun 30, 2016)

	Name	Title/Position	Last Appointed in	Note
Inside Director	Bon Joon Koo	Vice Chairman	March, 2014	Chairman of the BOD Chairman of the Recommendation Committee
	David Jung	Representative Director / President	March, 2014	Chairman of the Management Committee
	Juno Cho	Representative Director / President	March, 2016	Management Committee
	Seong Jin Jo	Representative Director / President	March, 2016	Management Committee
Outside Directors	Chong Nam Chu	Professor, Mechanical & Aerospace Engineering, Seoul National University	March, 2016	Audit Committee
	Chang Woo Lee	Professor, Business Administration, Seoul National University	March, 2016	Chairman of the Audit Committee
	Joon Keun Choi	Former CEO, Hewlett-Packard Korea Ltd.	March, 2015	Audit Committee Recommendation Committee
	Man Pyo Hong*	Lawyer	March, 2015	Recommendation Committee
	Dae Hyung Kim	Finance Director, PT Sevenedu Indonesia	March, 2016	

* Resigned from May 31, 2016

COMPLIANCE RISK MANAGEMENT

Yearly Compliance Risk Management Priority

In an effort to create a management culture that promotes compliance and stays true to the basics, LG Electronics has carried out a wide range of compliance risk management activities since 2008. Our initial effort was mainly focused on implementing a compliance risk management system and advancing management levels. Our priority has transitioned to clearly communicating the organization's strong commitment towards compliance and establishing compliance as a standard management practice.

Compliance Survey

As part of our efforts to create a corporate culture where management embraces compliance as a good business practice and employees feel comfortable with bringing up compliance related issues, LG Electronics has been conducting annual compliance survey on all office employees in Korea and overseas since 2010. Composed of five questions that assess compliance awareness of individual employees, compliance leadership, and employee awareness of current compliance practices, the survey is used for identifying factors that undermine employee compliance and making necessary improvements.

On-site Compliance Check

In 2015, LG Electronics selected risk factors that require extra management effort and conducted on-site compliance check to make key improvements in the areas that present chronic issues. Based on it, we addressed improper business processes and practices, moving closer to a workplace that promotes fair competition and protects stakeholder interests.

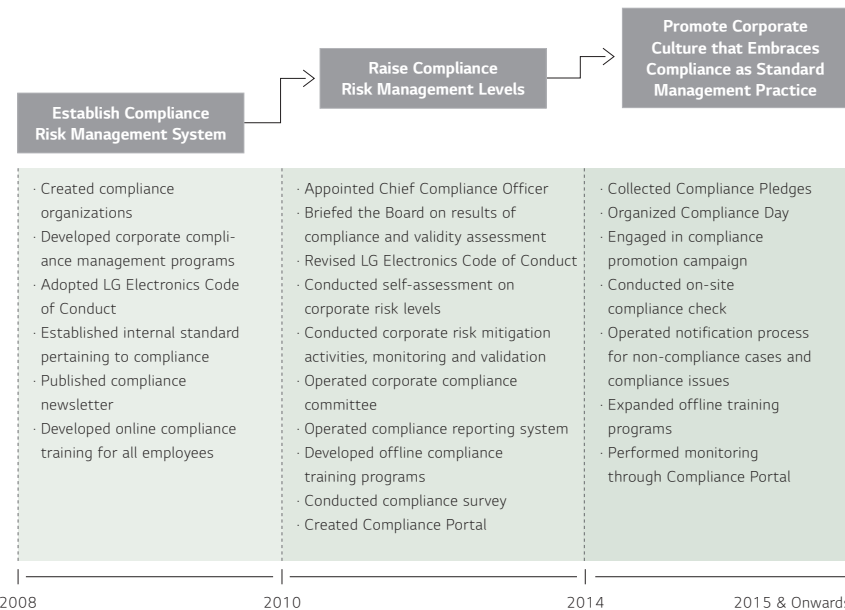
Monitoring and Assessment through Compliance Portal

Over 110 LG Electronics business units and overseas subsidiaries engage in compliance risk management activities on a regular basis following the corporate compliance risk management program. Headquarter compliance team and risk owners monitor each organization to ascertain their performance of compliance risk management activities and assess the validity. In 2015, we systemized and consolidate the process into the Compliance Portal to facilitate real-time communication with corporate headquarters on the entire process, from planning to assessment, and enable timely and responsible compliance risk management for all of our organizations.

Compliance Training and Collection of Compliance Pledge

In an effort to establish compliance as a standard management practice through increased employee awareness on compliance, LG Electronics conducts a wide range of compliance training every year. In 2015, we conducted online training that featured case studies of examples related to the Code of Conduct to help employees fully understand the portion of the Code that applies to their work, with 97 percent of office employees worldwide (49,498 out of 51,060) completing the online course. Our multi-dimensional effort to raise employee awareness on compliance also includes in-class training per position or business site, leadership workshops and employee pledges for compliance.

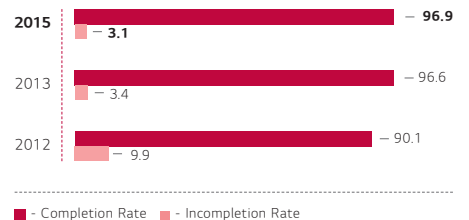
Yearly Priority



Compliance Survey Targets and Response Rate (July, 2015)

Category	Number of Targets	Number of Respondents	Response Rate
Business Korea	29,452	25,625	87%
Staff Overseas	20,566	16,515	80%
Total	50,018	42,140	84%

Online Training and Completion Rate (Unit: %)



* Substituted with Compliance Day in 2014

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 with confidence by constantly strengthening fundamentals. LG Electronics' commitment toward Jeong-Do Management is expressed in the following 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 conviction, LG Electronics requires both our employees and our suppliers to conduct themselves fully in line with Jeong-Do Management.

Code of Ethics

LG Electronics' Code of Ethics sets forth the tone and direction for ethical management – one of the core pillars of Jeong-Do Management. The LG Electronics Code of Ethics is comprised of the "Code of Ethics," the public declaration of our ethical values, the "Guidelines for Practice," which provides employees with practical guidelines for their conducts, and the "Explanation of Guidelines for Practice" for detailed information about the concept and philosophy behind the action guidelines. In order to promote employee understanding of LG Electronics Employees' Code of Ethics and establish Jeong-Do Management as a standard business practice for employees, the Code of Ethics has been translated into 14 different languages and distributed worldwide. The supplementary Handbook was produced in Korean, English, Chinese, Spanish, Polish, and Arabic and distributed to employees who speak the respective languages. The Handbook not only provides information about the LG Way, the concept and philosophy behind Jeong-Do Management and a full text of the Code but also a Q&A section to offer guidance about how to act in real life situations and handle ethical dilemmas.

Voluntary Reporting System

The LG Electronics' Code of Conduct prohibits employees from receiving any gifts (cash and/or valuables) from interested parties. Employees who have received such gifts must report such incidents and return the items. If returning the gift is not possible, employees must donate it to charity. We also hold an in-company auction for gifts that could not be returned, and the entire proceedings are directed to our social contribution programs.

Jeong-Do Management Training and Promotion

LG Electronics provides training on Jeong-Do Management to underscore our belief that "Jeong-Do Management is not an option but an implicit requirement for the very survival of the company" and help our employees embrace the common principles behind this philosophy. In 2015, we con-

ducted in-class Jeong-Do Management training in Korea and overseas for 15,670 employees and 564 suppliers. The training is comprised of basic theories, internal and external case studies, and guidelines for everyday practice to help our employees and suppliers voluntarily embrace Jeong-Do Management and make conscious choices that prevent corruption and irregularities from occurring. In 2016, we plan to strengthen employee training to establish Jeong-Do Management as an everyday business practice. In addition to regular training, we also engage in Jeong-Do management promotion to create a corporate culture that stays true to the basics. We share actual non-conformance cases on the company bulletin to prevent recurrence of the same irregularities, and produce and distribute Jeong-Do Management newsletters as part of our efforts to motivate employees to become active practitioners of Jeong-Do management.

Whistleblower System

LG Electronics has in place a whistleblower system (<http://ethics.lg.co.kr>) to receive 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. The system is open to both employees and external stakeholders, including customers and suppliers, and has 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.

Jeong-Do Management Counseling Center

In order to respond to employee inquiries on Jeong-Do Management, LG Electronics operates the Jeong-Do Management Counseling Center and offers one-on-one counseling on the everyday practice of Jeong-Do Management. For employee convenience, counseling is offered via intranet, phone, and email. In 2015, the center received a total of 110 inquiries, with the majority of cases involving the interpretations of the Code of Ethics (16 cases), acceptance of congratulatory/condolence cash gifts (18 cases), appropriate procedures for handling such gifts, issues related to conflict of interest, i.e. taking on outside work or teaching jobs (26 cases), and how to deal with business expenses (32 cases). Inquirers can choose to disclose the details of their inquiries, but if they choose to remain anonymous, we make every effort to protect their identities and the details of their inquiries. Frequently discussed topics are organized into FAQs and used for employee training both in Korea and overseas. In 2016, we plan to expand the use of Jeong-Do Management FAQs to areas other than training and share them with employees on a regular basis.

Number of Cases Reported



Type of Cases Reported (Unit: %)



* Other: HR issues, supplier grievances, etc.

Actions Taken (Unit: %)



FAIR TRADE

Fair Trade Compliance

LG Electronics is fully committed to fair competition and fair trade as part of our effort to put into practice the “LG Way,” the guiding principle for our thoughts and actions. A core process for ensuring fair competition and fair trade is our Fair Trade Compliance Program, comprised of initiatives for raising employee awareness and enforcing the internal control process. As part of our efforts to establish fair trade compliance as a standard business practice, LG Electronics repeatedly conveys top management’s strong commitment toward fair trade compliance, places emphasis on conformance with conduct guidelines, conducts regular employee training, and carries out routine monitoring against non-compliance.

Initiatives for Promoting Fair Trade Compliance

Cartel

In 2015, LG Electronics clearly communicated the management’s strong sentiment against any attempt to form a cartel and conducted online training to raise employee awareness on the issue. We also provided additional in-class training for sales and marketing staff whose business functions are naturally more vulnerable to antitrust infringements. As part of our cartel prevention measures, we carried out surprise inspections of our 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. Additionally, we have implemented a standard for managing competitive intelligence in order to guide our employees to obtain and utilize information lawfully and fairly without incurring compliance risks associated with the Monopoly Regulation and Fair Trade Act. In 2016, we plan to develop interactive online training content to heighten employee awareness against non-compliance.

Unfair Trade and Unfair Labeling & Advertising

In 2015, LG Electronics updated our internal checklist for screening against compliance risks associated with labeling and advertising, and conducted training for employees to help them clearly understand compliance risk issues and make sound judgments based on the knowledge. In 2016, we plan to thoroughly review the entirety of our agency and dealership agreements in order to establish our compliance with the Act on Fair Transactions in Agency and Dealership Businesses (to be enacted in December 2016) and ensure full and complete conformance with the requirements.

Subcontracting Practices

In 2015, LG Electronics conducted training for procurement staff to raise awareness on compliance with the Fair Transactions in Subcontracting Act, while reviewing and enhancing our business processes as a preventative measure against unfair business practices in subcontracting. In particular, we have implemented an internal process in order to successfully prevent the practice of demanding and misappropriating technical data from subcontractors and conducted training to ensure employee compliance with the process. In recognition of our outstanding efforts, we were rated “Excellent” in the Fair Trade & Win-Win Growth Partnership Agreement Observance Assessment conducted by the Korea Fair Trade Commission. In 2016, as part of our efforts to establish the new process as a standard business practice, we plan to conduct regular site inspections and ensure fair transactions in subcontracting.

Cartel Compliance Newsletter

Three Common Misunderstandings about Anticompetitive Activities

October 2015

- 1. Anticompetitive activities (i.e. Cartels) benefit the company.**
 No Enormous amounts of money and time are lost due to huge fines, litigation costs and loss of business opportunities.
- 2. Cartels will never be exposed.**
 No Cartels are easily exposed through leniency programs and due to continuous developments in investigation strategies.
- 3. Employees will not be personally disciplined by the Company for anticompetitive activities because they did it for the Company.**
 No Any employee can be subject to disciplinary actions since participating in anticompetitive activities is a violation of the “Antitrust Laws”.

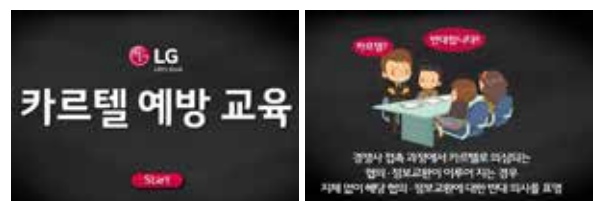
Employees can be Held Liable for Competition Law Violations

August 2015

PENALTIES AND FINES FOR INDIVIDUALS

	Korea Imprisonment: Three years Fines: KRW 200M		USA Imprisonment: Ten years Fines: USD 1M
	Japan Imprisonment: Three years Fines: JPY 5M		France Imprisonment: Four years Fines: EUR 75,000
	Canada Imprisonment: Five years Fines: CAD 1M		Australia Imprisonment: Ten years Fines: AUD 220,000

Cartel Prevention Online Training



WHO WE ARE

LG Electronics is a global leading innovator and provider of electronics, mobile communications devices and home appliances, and conducts its operations through four business companies: Home Entertainment (HE), Mobile Communications (MC), Home Appliance & Air Solution (H&A) and Vehicle Components (VC). LG Electronics has produced significant results, such as expanding its B2B operations and successfully launching its auto component business, through concerted efforts towards building advanced business portfolio, facilitating technology innovation and enhancing operational capacity. In order to facilitate fast response to ever changing business conditions and further bolster growth, LG Electronics made changes to our organization structure in December 2015 to empower business companies. Under the new structure, each of the business companies take full responsibility and authority for their business operations, making decisions and mount responses based on the business conditions of their respective markets.

Corporate Profile (As of December 31, 2015 / Consolidated)

1	Name	LG Electronics Incorporated
2	Location of Headquarters	LG Twin Towers, 128 Yeoui-daero, Yeongdeungpo-gu, Seoul, Korea
3	Industry	Manufacturing
4	Major Products	TV, Home Theater System, Mobile Handset, Laptop Computer, Refrigerator, Washing Machine, Cooking Appliance, Built-in System Kitchen Appliance, Vacuum Cleaner, Health Care Appliance, Air Conditioner, Monitor, Automotive Navigation System, Stereo System, Video System, Security System, Commercial Display, etc.
5	President	Seong Jin Jo, Juno Cho and David Jung
6	Date Established	October 1, 1958
7	Number of Employees	77,176 (37,904 in Korea and 39,272 overseas)
8	Total Assets	KRW 36,313.9 billion
9	Total Liabilities	KRW 23,330.4 billion
10	Number of Shareholders	193,866
11	Sales	KRW 56,509.0 billion
12	Operating Income	KRW 1,192.3 billion
13	Credit Rating	Korea: AA (Stable), S&P: BBB (Negative), Moody's: Baa3 (Stable)

Corporate History

1958-1969

An Innovative Start

1958	Establishes Gold Star, now LG Electronics, giving birth to Korea's electronics industry
1959	Introduces Korea's first radio, the first of the many delights to be delivered by LG Electronics
1965	Introduces Korea's first refrigerator
1966	Introduces Korea's first Black & White TV

1970-1999

Growth, Globalization and Face for the Future

1978	Exceeds USD 100 million in exports
1982	Establishes an overseas production base in Hunttsville (U.S.), a first for a Korean company
1995	Rebrands the company to LG (Renaming and CI renewal)
1999	Officially launches LG-Philips LCD

2000-2009

Global Brand LG

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

2010-Present

Faster and Smarter

2011	Introduces the Cinema 3D Smart TV, masterfully integrating the 3D TV technology and smart TV features
2012	Introduces the world's largest 84-inch UHD Cinema 3D Smart TV
2013	Introduces a wide range of easy and convenient smart devices and appliances; Launches the Vehicle Component business company
2014	Introduces the world's first 4K OLED TV and the Web OS Smart TV; Introduces the G3 Smartphone with the Quad HD display

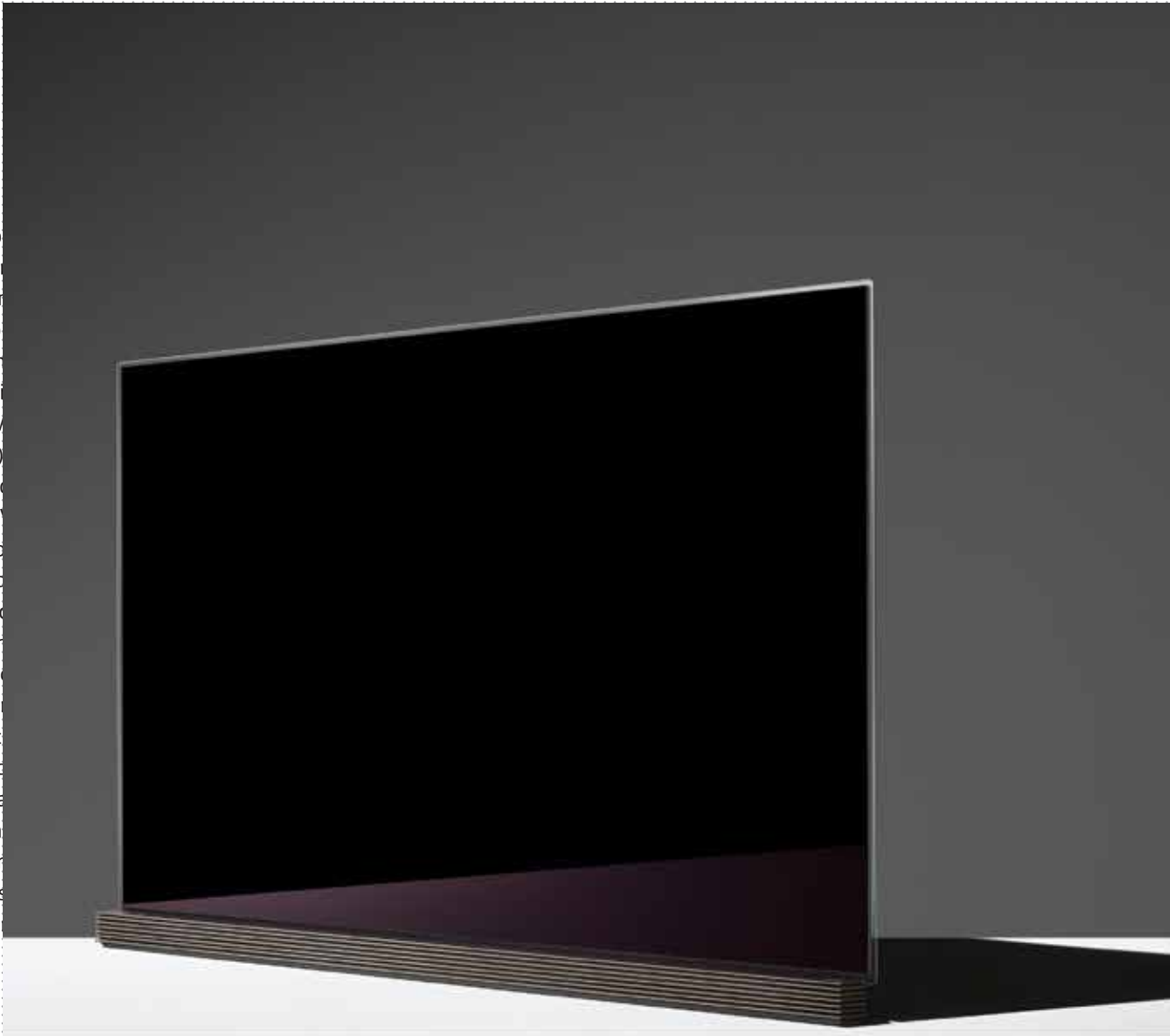
WHAT WE DO

_ OUR BUSINESS

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

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LG Electronics is a global innovator and provider of electronics, mobile communication devices and home appliances. It conducts its operations through four business companies: Home Entertainment (HE), Mobile Communications (MC), Home Appliance & Air Solutions (HAAS), and Vehicle Components (VC). LG Electronics has produced significant results, such as its B2B operations and launching its auto component business, through concerted efforts towards building advanced portfolio, facilitating technological innovation and enhancing capacity. In order to faithfully respond to ever-changing market conditions and further growth, LG Electronics restructured its organization starting in December 2015 to four business companies. Under the leadership of each of the business companies, we will take full responsibility and execute their business operations with sound decisions and mount results based on the business strategies of their respective markets.



Sales (Consolidated)

(Unit: KRW 100 million)



Operating Income (Consolidated)

(Unit: KRW 100 million)



Home Entertainment

HE

LG Electronics has maintained and further strengthened its market position as a total solution provider that can fulfill the disparate needs and wants of our customers. In our core TV business, LG Electronics successfully established itself as a premium brand by introducing the world's first OLED TV to the consumer market, while leading the popular market expansion of UHD TVs with affordable models, all in an effort to take leadership of the market with products that create a unique value for our customers.

MANAGEMENT MESSAGE

LG Electronics always looks to achieve long-term and sustainable growth rather than being driven by short-term financial results. To this end, we make continuous efforts to further develop our strengths, while pursuing a growth strategy built around products and services that deliver greater customer value, such as the OLED TV. We also strive to create a virtuous circle where all members of our organization look and work towards the same objective to boost morale and produce exceptional results, through which we further raise our employee confidence.

HE Company President / Executive Vice President

Bong Seok Kwon



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Mobile Communications

MC

Our mobile communications business strives to create singular products by skillfully merging our superior competitiveness in hardware with exquisite designs that attract immediate response from customers. In 2015, for instance, we introduced a series of products that took some of the most frequently used features and reinterpreted them with creative ideas and beautiful designs. We are also closely collaborating with Google in a wide range of projects that explore the future of mobile communications, while continuously introducing smart watch models that deliver both classical timepiece design and cutting-edge customer experience.

MANAGEMENT MESSAGE

As part of our efforts to create products that our customers desire, LG Electronics strives to deliver value that really matters to our customers. For instance, we are trying to make the customer experience more fun and excitement with our multimedia devices such as cameras. To this end, we developed the G5 platform and publically released its software and hardware information to build an open and accessible ecosystem around the platform, to drive our evolution into a business that collaborates and thrives with customers. Through these efforts, we intend to expand the reach and functionality of our products and increase the fun and enjoyment in customer experience, ultimately delivering unique value to our customers and enriching their lives.

MC Company President / President

Juno Cho





Sales (Consolidated)

(Unit: KRW 100 million)

143,996 (USD 12.7 billion)

Operating Income (Consolidated)

(Unit: KRW 100 million)

-483 (USD -0.04 billion)

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LG Electronics is a global innovator and provider of electronics, mobile computing devices and home appliances. It conducts its operations through four business companies: Home Entertainment (HE), Mobile Communications (MC), Home Appliance & Air Solutions (HAAS) and Vehicle Components (VCS). LG Electronics has produced significant results, such as its B2B operations and launching its auto component business, through continued efforts towards building advanced technology portfolio, facilitating technological innovation and enhancing production capacity. In order to better respond to ever-changing market conditions and further growth, LG Electronics restructured its organization starting in December 2015 to focus on its core business companies. Under the leadership of each of the business companies, they will bear full responsibility and accountability for their business operations and decisions and mount robust strategies based on the business characteristics of their respective markets.

Sales (Consolidated)

(Unit: KRW 100 million)



Operating Income (Consolidated)

(Unit: KRW 100 million)



Home Appliance & Air Solution

H&A



Leveraging our competitive strengths in core components, our home appliance unit is continuously introducing large capacity and high efficiency products and strategic offerings tailored to satisfy local needs. LG Electronics is also showing strong performance in air solutions thanks to our highly productive global production network, a series of competitive product releases, and our exceptional capability in energy efficiency, delivering overarching and ingenious solutions to customers.

MANAGEMENT MESSAGE

Despite unfavorable business conditions, LG Electronics continues to deliver robust and sustained growth by focusing on building solid and profitable operations. We strive to provide our customers with a brand-new value that only LG Electronics can deliver based on our superior technology, creative ideas and premium market strategy. Our innovations go a step further than simply delivering new functions and features by focusing on the intrinsic purpose and value of our products and services, which is to deliver performance and convenience improvements that really matter to our customers and, ultimately, enrich their lives. LG Electronics will continue to search for ways in which we can contribute to addressing social and environmental issues and empowering communities across the globe, while building a better life for people around the world with our products and technologies.

H&A Company President / President

Seong Jin Jo



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LG Electronics is a global innovator and provider of electronics, mobile communication devices and home appliances. It conducts its operations through four business companies: Home Entertainment (HE), Mobile Communications (MC), Appliance & Air Solutions (AAS), and Vehicle Components (VC). LG Electronics has produced significant results, such as expanding its B2B operations and launching its auto component business, through continuous efforts towards building advanced technology portfolio, facilitating technological innovation and enhancing production capacity. In order to fully respond to ever-changing market conditions and further drive growth, LG Electronics restructured its organization starting in December 2015 to focus on its four business companies. Under the leadership of each of the business company presidents, they have full responsibility and authority for their business operations, decisions and investments based on the business strategy of their respective ma-

Vehicle Components & etc.

VC & ETC.

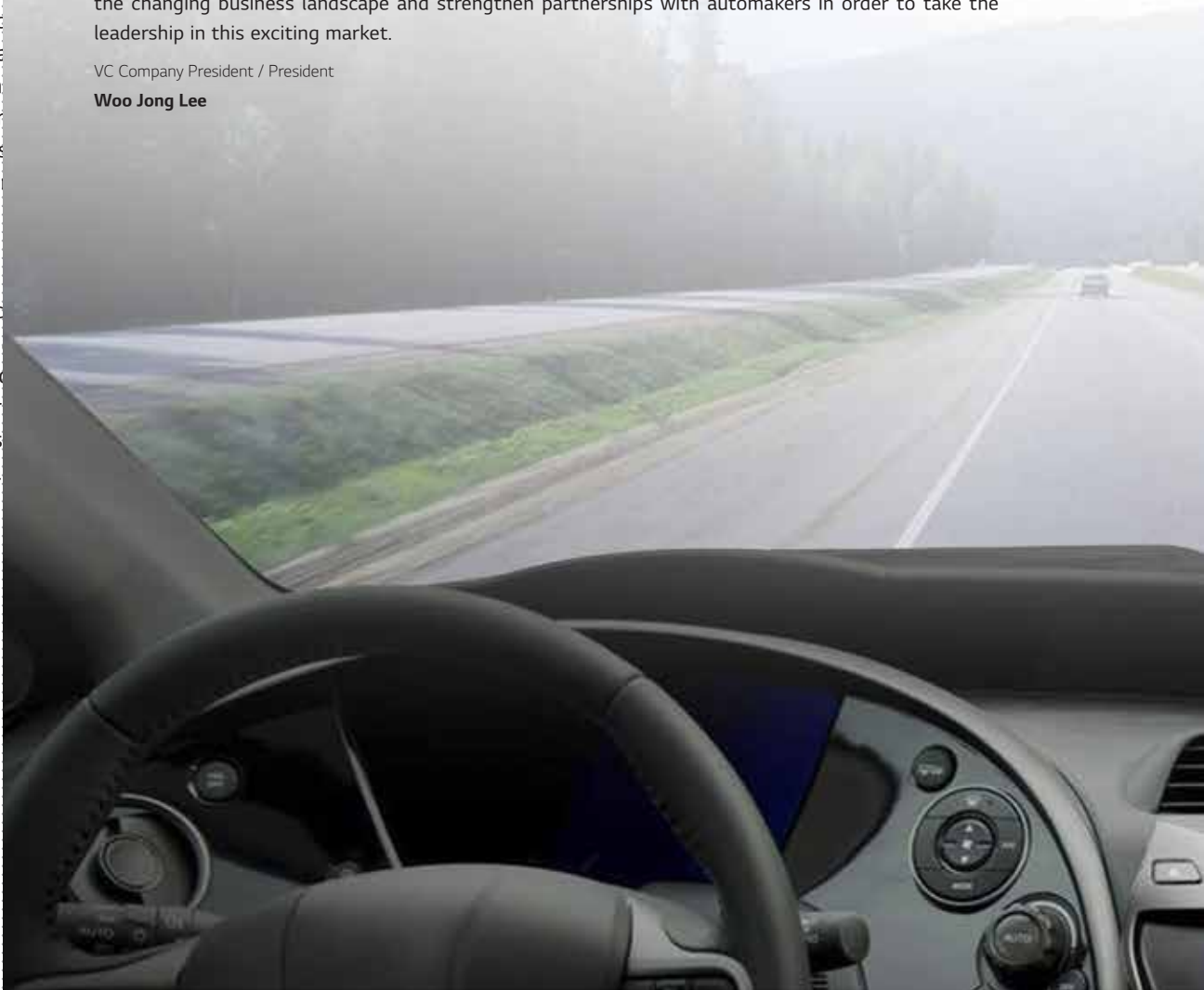
Convergence is emerging fast as one of the core competencies required to compete in the future automobile market. Leveraging our world-class competitiveness in electric, electronic and communications technologies, LG Electronics is continuously strengthening its position in car infotainment systems, electronic auto components, and EV components, and building growth drivers for the future. In October 2015, we were selected as a strategic partner by General Motors and invited to participate in the development of the Chevrolet Bolt EV, another achievement in our ongoing effort towards expanding business partnerships in the vehicle component market.

MANAGEMENT MESSAGE

This year not only presents risks arising from the slumping global economy and intensifying competition, but also provides a range of opportunities created by the popularization of EVs and advances in connected car technology. LG Electronics promotes high performing, environmentally friendly EVs by supporting advances in self-driving technology with our extensive engineering knowhow and increasing their competitiveness through user-centric innovations built on our rich experience in mobile user environment. LG Electronics will continue to develop new products and business models that master the changing business landscape and strengthen partnerships with automakers in order to take the leadership in this exciting market.

VC Company President / President

Woo Jong Lee



→ Who We Are / What We Do



Sales (Consolidated)

(Unit: KRW 100 million)

 **81,806** (USD 7.2 billion)

Operating Income (Consolidated)

(Unit: KRW 100 million)

 **2,016** (USD 0.18 billion)



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Life's Good with LG

LG Electronics is a global innovator and provider of electronics, mobile computing devices and home appliances. It conducts its operations through four business companies: Home Entertainment (HE), Mobile Communications (MC), Home Appliance & Air Solutions (H&A) and Vehicle Components (VC). LG Electronics has produced significant results, such as its B2B operations and launching its auto component business, through continued efforts towards building advanced product portfolio, facilitating technological innovation and enhancing production capacity. In order to fully respond to ever-changing market conditions and further growth, LG Electronics restructured its organization starting in December 2015 to focus on its core business areas. Under the leadership of each of the business companies, they will take full responsibility and accountability for their business operations and decisions and mount strategies based on the business needs and interests of their respective markets.

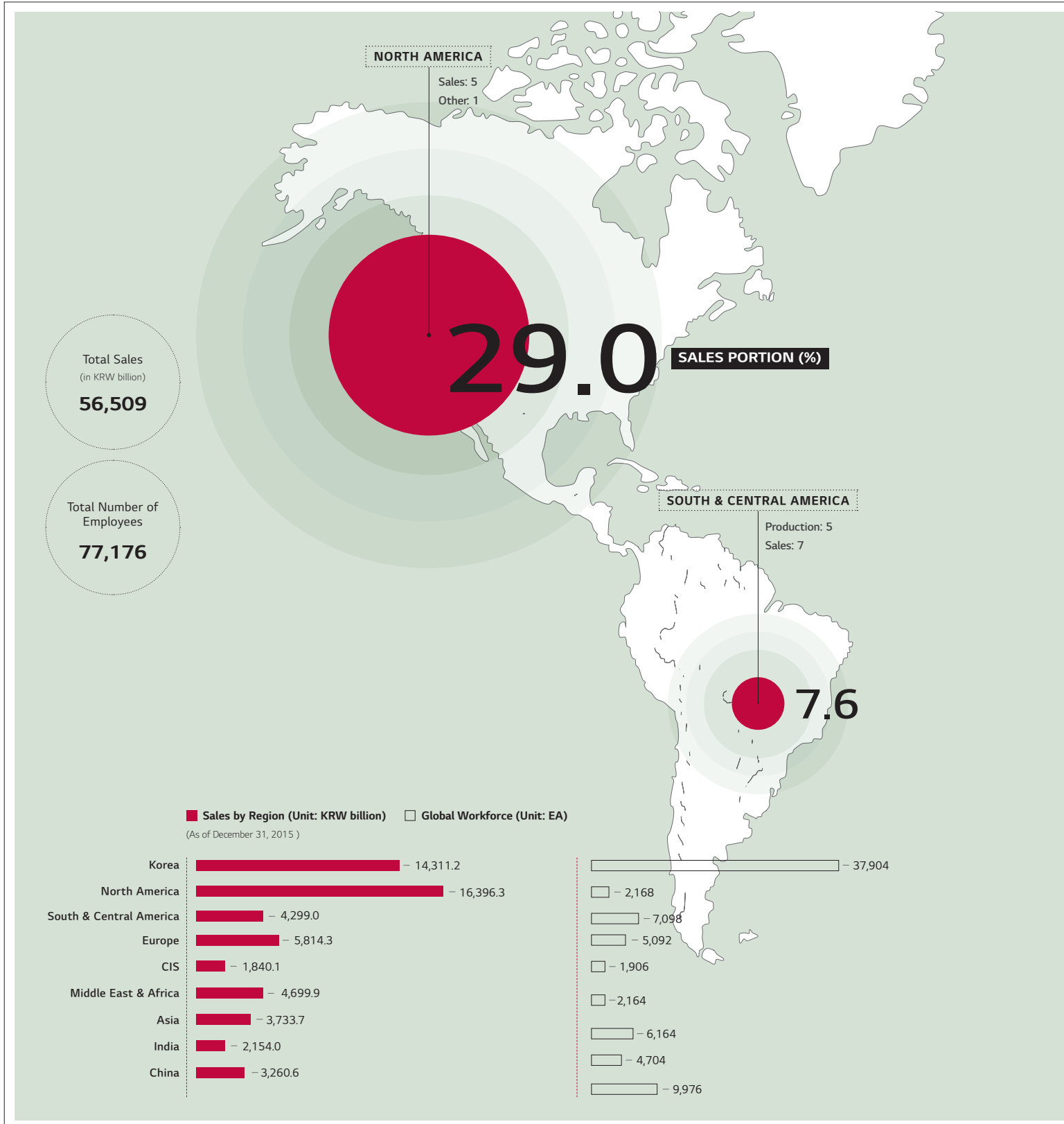
Supported by superior technology and creativity that nurtures innovation and guided by our commitment towards the advancement of our society and humanity, LG Electronics has in place successful operations in over 200 countries and promotes transparent and sound business practices across its vast global network. We are continuously delivering exceptional performance in our four core business areas (HE, MC, H&A and VC), earning trust and recognition from customers worldwide with ongoing technology and product innovations. LG Electronics will continue to lead innovations and creative disruptions to make our slogan "Life's Good" a reality and take everyone to a digital world full of life-changing convenience.



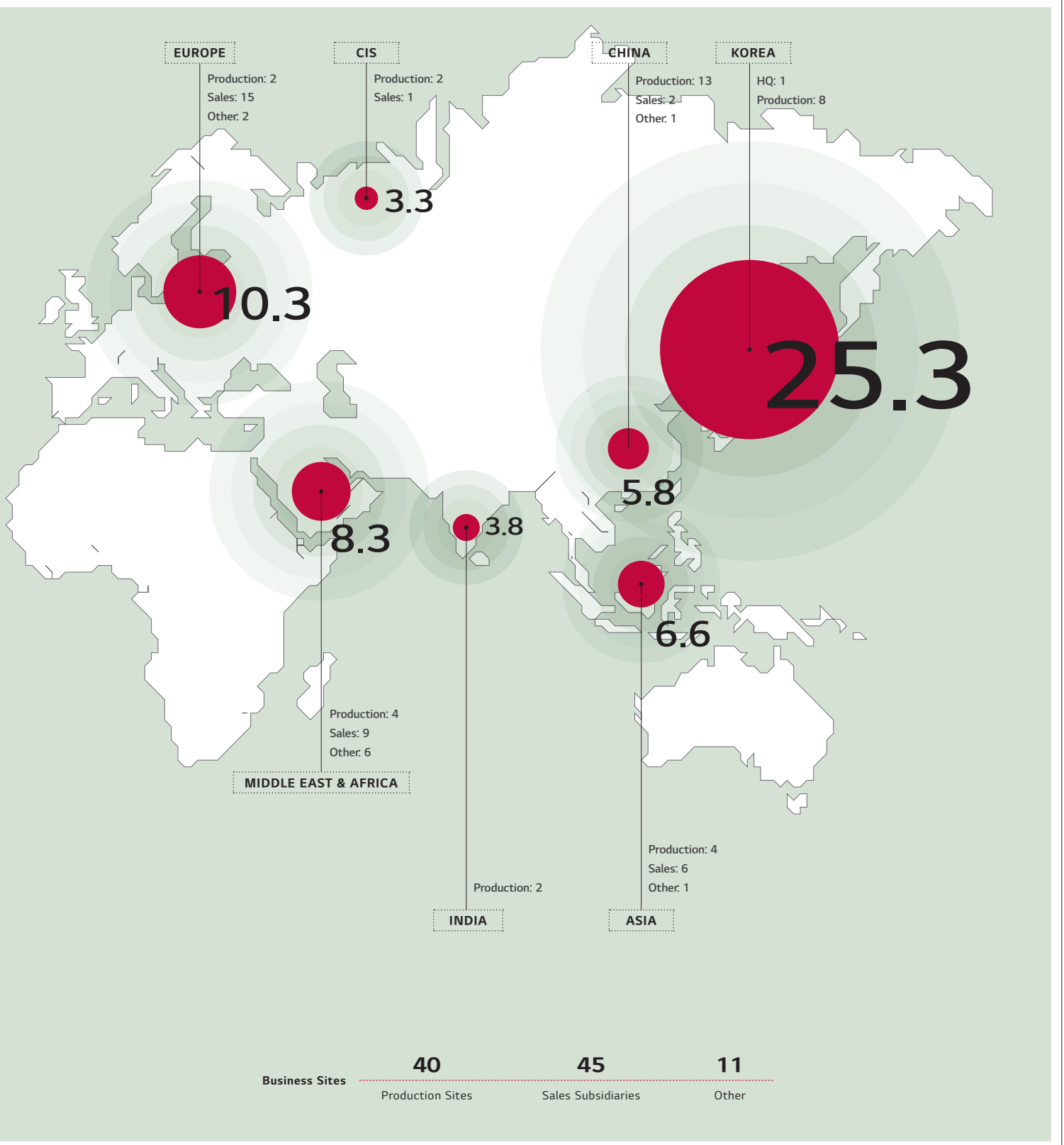
AWARDED PRODUCTS

- 01 Reddot Design Award**
 LG OLED TV (65EG9600)
 Ultra Wide Monitor (34UC97)
 All-in-One PC
 CyKing (K94BGN)
 CyKing (C74BGQ.3)
 LG G Flex 2
- 02 iF Design Award**
 OLED TV (65EG9600)
 LG G3
 LG G Watch R
- 03 VDE Certification for Precision Color Reproduction**
 Certified by the VDE for precision color reproduction
- 04 CES 2015 Innovation Awards**
 LG OLED TV 55EG9600
 LG G Flex 2 (10 awards)
- 05 Pin Up Design Award**
 LG TROMM Styler (S3BER)
 LG TROMM Twin Wash (F17WBC)
 Steam Humidifier (HH300BEE)
- 06 Compasso d'Oro (Golden Compass) Awards**
 LG Bottom Freezer Refrigerator (F877DN55)
- 07 British Allergy Foundation Certified**
 LG TROMM (FH21VB1C)
 Air Purifier (AS110WAW)
- 08 IDEA(International Design Excellence Awards)**
 LG Steam Humidifier (HH300BEE)
 LG Watch Urbane LTE (earned the main prize)
- 09 EISA Award**
 LG G4 (Best Product in the smartphone camera category)
 LG Watch Urbane (Best Product in the wearables category)

WHERE WE OPERATE



→ Where We Operate

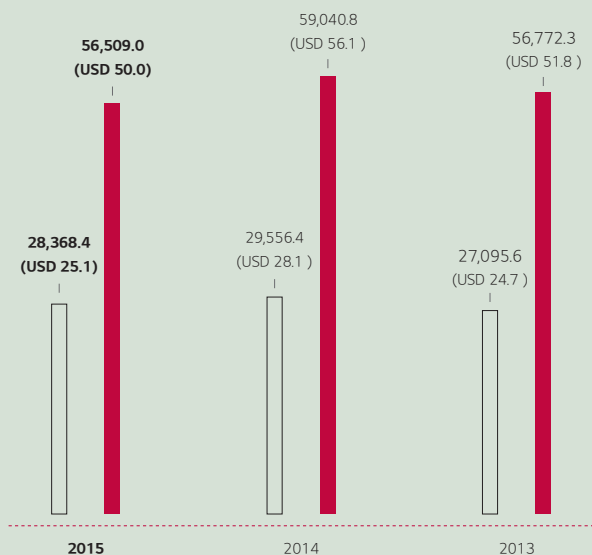


WHAT WE ACHIEVED

FINANCIAL HIGHLIGHTS

SALES

(Unit: KRW billion (USD billion))



□ Parent ■ Consolidated

1USD = KRW 1,095 (2013)/KRW 1,053 (2014)/KRW 1,131 (2015)

OPERATING INCOME

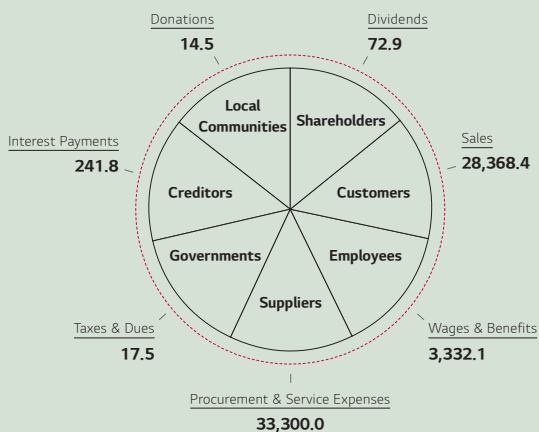
(Unit: KRW billion (USD billion))



□ Parent ■ Consolidated

1USD = KRW 1,095 (2013)/KRW 1,053 (2014)/KRW 1,131 (2015)

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



Economic Value Generated, Distributed, and Retained

(Unit: KRW billion/Parent)

Category	2015	2014	2013
Sales	28,368.4	29,556.4	27,095.6
Non-operating Income and Financial Profits	-248.3	-281.5	3.4
Economic Value Generated	28,120.1	29,274.9	27,099.0
Operating Expenses	28,386.0	29,255.0	27,344.3
Wages & Fringe Benefit Expenses	3,332.1	3,221.5	3,092.5
Capital Costs	314.7	298.1	232.1
Taxes & Dues	31.5	32.9	28.9
Donations	14.5	10.4	24.1
Economic Value Distributed	32,078.8	32,817.9	30,721.9
Economic Value Retained	-3,958.7	-3,543.0	-3,622.9

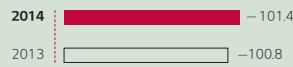
* Past data was revised to reflect the suspension of PDP modules and PDP TV slaes in 2014. For more information, please refer to our annual report.

-> What We Achieved

NON-FINANCIAL PERFORMANCE

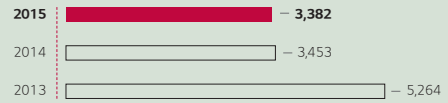
CUSTOMER

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



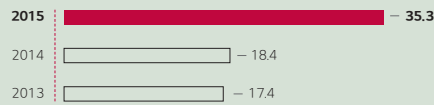
Conducted on a Bi-annual basis

In-class quality training (Unit: person)

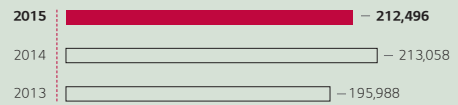


ENVIRONMENT

Amount of GHG emissions reduction from the production stage (Unit: 10K ton Co2e)

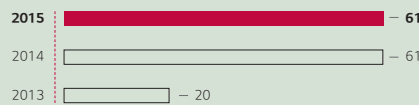


e-Waste Collection (Unit: ton)

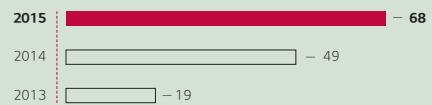


SUPPLIER

Percentage of suppliers deemed to have a low CSR risk level (Unit: %)

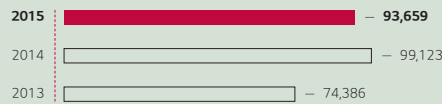


Percentage of identified smelters certified as conflict-free (Unit: %)



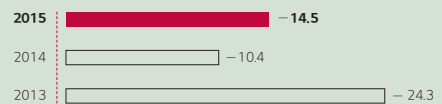
COMMUNITY

No. of employees participating in social contribution programs (Unit: person)



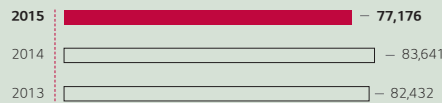
Figures for 2013 and 2014 were revised following the changes to our data collection and aggregation standards.

Donations (Unit: KRW billion, Korea)

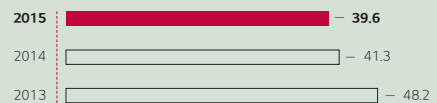


EMPLOYEE

No. of employees (Unit: person)



Training Costs (Unit: KRW billion, Korea)



CSR MANAGEMENT

Principles for CSR

Based on our management principles of “Customer-Value Creation” and “People-Oriented Management,” LG Electronics strives for sustainability management that takes into consideration the society, environment, and economy in a holistic and balanced manner. LG Electronics respectfully complies with the Universal Declaration of Human Rights, the International Labor Organization (ILO)’s Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, and the OECD Guidelines for Multinational Enterprises, as well as the most rigorous international standards for sustainability management, including the guidelines prescribed by the SASB (Sustainability Accounting Standards Board) and the ISO 26000 Social Responsibility Standard. We are also in full compliance with the UN Global Compact and the EICC Code of Conduct, and regularly revise our sustainability management policies, as well as our internal standards and processes, to ensure their conformance with international standards and customer requirements.

In order to fulfill the ethical and social responsibilities that our stakeholders expect of us, LG Electronics not only works to become a healthy member of the market ecosystem but also assumes a proactive role in making the system healthier through our business practices, products, and services. Moreover, we strive to care for our communities and empower the socially disadvantaged, engaging and communicating with a variety of stakeholders throughout this process. The ultimate goal of our sustainability management is to reflect the different voices of our stakeholders in our management activities and create differentiated value for them, thereby building a strong foundation for a sustainable growth.

CSR Management System

LG Electronics established CSR as part of the official duty of the Board of Directors, which is debriefed on important CSR issues. We also have in place the CSR Committee as a subcommittee of the Executive Management Committee (comprised of top executives, including the Presidents) to brief executives on CSR issues and secure an executive decision on the issues. In addition, we report CSR issues (i.e. latest CSR issues, customer requirements, risk assessment results, social contribution initiatives, etc.) in management meetings at each Business Company, which is led by the company president and participated by executives, in order to raise management awareness on CSR issues and facilitate decision-making on action plans and solutions. In order to implement action plans, we have established the Sustainability Management Council (Executive Council and Working-level CSR Staff Council) comprised of executives in charge of CSR issues and working-level staff from the related departments (the HR/labor management team, the environmental policy team, the ethics bureau, and the win-win growth bureau), and review the progress on a quarterly basis.

In 2015, the Sustainability Management Council convened one session of the Executive Council meeting to review the progress for the year and discuss the 2016 plans, and held two sessions of the Working-level CSR Staff Council meeting, through which a total of ten improvement tasks and action plans were presented and implemented. In addition, we host Stakeholder Consultation sessions on a semiannual basis to ensure that the requirements from our stakeholders are heard and met, while conducting regular workshops for employees tasked with CSR risk management and social contribution initiatives to discuss the latest issues and enhance their professional capabilities.

LG Electronics CSR Principles



PROMOTING EMPLOYEE AWARENESS ON CSR

01,02: Book-Reading Mobile Phones https://youtu.be/ZyS0v_M5Btk

03: SNS Pictorial News



Promoting Employee Awareness on CSR

As part of our efforts to establish sustainability management as an everyday business practice of our employees, LG Electronics runs a broad range of employee awareness programs. Our training programs consist of position-specific courses targeting new hires (entry-level and prior experience positions), sojourning employees and subsidiary presidents, and job-specific training courses for employees in marketing and procurement, enhancing the effectiveness with case-based training materials and open discussions. We also offer online courses in Korean and in English to provide access to all employees across geographies. Additionally, we use the biweekly CSR newsletter and on-and off-line employee bulletins to share the latest CSR trends and raise awareness.

LG Electronics assesses and analyzes employee CSR awareness with the annual LG Way Survey, in which we include questions on our sustainability management efforts. Based on our assessment, we identify business functions and positions that show low levels of awareness and make targeted interventions. In 2016, we plan to take a more direct approach to our awareness initiatives with programs such as onsite CSR training and mailing service to working-level staff.

Stakeholder Communication

As part of our efforts towards effective communication with our stakeholders, LG Electronics employs a broad range of communication channels, creating customized messages and carefully selecting the most effective

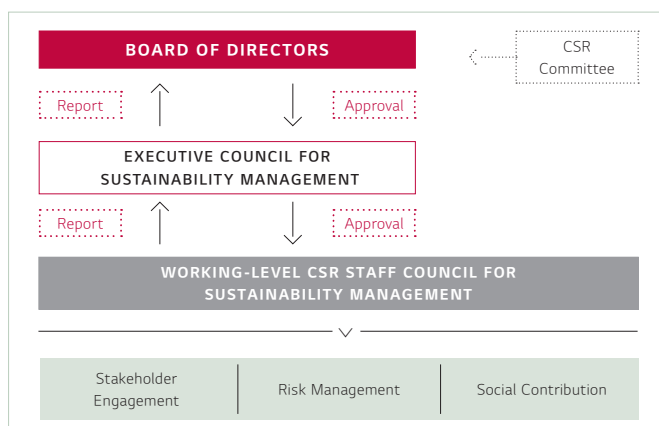
channel for each of our stakeholder groups. Our stakeholder groups are: shareholders, investors, assessment agencies, consumers, the media, customers, suppliers, employees, industry peers, academia, opinion leaders, local and central governments, NGOs, and international organizations. We have in place a communication plan for each group of the stakeholders.

In order to facilitate interactive stakeholder communication, we actively use social networking services, including our official social network accounts and the "Social LG Electronics" website, as an effective channel for introducing LG Electronics' sustainability initiatives and receiving stakeholder feedback. For instance, in 2015, we produced a video introducing our book-reading mobile phone for the vision impaired and distributed it via our social network channels, while creating pictorial news for more effective communication. In 2016, LG Electronics will continue to make a wide range of efforts to communicate our sustainability management initiatives to external stakeholders.

CSR Training (Unit: person)

Category		2015	2014	2013
Offline	Position-Specific	2,052	989	3,268
	Job-Specific	334	336	484
Online	-	557	463	1,533
Total		2,943	1,788	5,285

Organization Chart for LG Electronics CSR & Sustainability Management



Stakeholder Communication

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

STAKEHOLDER CONSULTATION ON CSR

2010 ~ 2015 Stakeholder Consultation on CSR



Stakeholder Consultation: Key Progress and Performance

Discussion Topic	2010	2011	2012	2013	2014	2015	2016
1st (April 2010) CSR in General	<ul style="list-style-type: none"> · Joined EICC · Launched Global Volunteer Day · Launched Life's Green Class in India 			<ul style="list-style-type: none"> · Implemented Weekday Volunteer Program · Introduced TV for Vision Impaired People 			
2nd (December 2010) Climate Change Response	<ul style="list-style-type: none"> · Established/Announced Global Labor Policy · Established CSR Risk Management System · Announced Low Carbon Procurement Plan · Established/Announced Supplier Code of Conduct · Expanded Disclosure of Product Carbon Footprint · Launched USR Promotion for Low-Carbon Culture 			<ul style="list-style-type: none"> · Expanded Product Groups for Life Cycle Assessment · Enhanced Evaluation System for Products with Greener Feature 			
3rd (March 2011) Social Contribution to Local Communities							
4th (April 2012) Product Safety/Quality	<ul style="list-style-type: none"> · Launched Support Program for Startup Social Enterprises in the Environment Sector 					<ul style="list-style-type: none"> · Launched Workday Volunteer Program in China 	
5th (November 2012) Labor/Human Rights							
6th (May 2013) Supplier CSR Risk							
7th (October 2013) Stakeholder Engagement System							
8th (May 2014) Open Discussion with Consumers							
9th (September 2014) Accessibility for Persons with Disabilities in North America							
10th (July 2015) CSR in China							
11th (December 2015) Social Economy							

Background

In 2010, we launched Stakeholder Consultation to create an opportunity to take stock of our initiatives and performance in CSR and to incorporate the valuable opinions of stakeholders into our sustainability management. Our semiannual Stakeholder Consultation has since been held 11 times, facilitating discussions on all aspects of CSR that are relevant to our business such as the environment, product safety, and accessibility for persons with disabilities. More than 80 experts in various CSR topics from government agencies, academia, NGOs, and international organizations have been invited to the consultations to provide their opinions and insights.

Key Performance

LG Electronics incorporates key stakeholder suggestions into our business operations, follows up on the progress, and communicates the information through the corporate website and sustainability reports. In an effort to broaden the scope of stakeholder engagement, we have expanded Stakeholder Consultation to overseas locations, hosting the event in the U.S. and China. As part of our commitment towards stakeholder engagement, we will continue to develop Stakeholder Consultation as the central component of our stakeholder communication.

As part of our effort for an inclusive and accurate representation of stakeholder interests, we are opening up the program to a broader range of stakeholder groups. For instance, we invited consumers to the 8th session and hosted an open discussion on cause-based or socially motivated products and initiatives. In the 11th session, members of social economy businesses and collegiate social economy clubs were invited and participated as the audience. Our ongoing effort that went into making the program more relevant and effective has been received favorably by stakeholders, creating a consensus that Stakeholder Consultation has become a reliable and transparent communication program unique to LG Electronics.

Future Direction

LG Electronics will continue to expand the scope of stakeholder engagement to overseas, particularly through Stakeholder Consultation. We will explore ways in which we can contribute towards achieving the United Nations Sustainable Development Goals (SDGs) as well as the sustainable development of the global community with the program. As part of our effort to expand the scope of stakeholder engagement, we will reach out to diverse stakeholder groups, including consumers, for their participation in new engagement formats, such as discussions and open talks on sustainability issues.

Key Inputs from Stakeholder Consultation

10th

- **Topic** : Corporate Social Responsibility in China and Role of Local Businesses
- **Moderator** : Shan Huidе (S. Manager, Public Affairs Cooperation Team, LGECH)
- **Panels** : Zhong Hongwu (Director, Research Center for Corporate Social Responsibility, Chinese Academy of Social Sciences), Wang Ping (Director, International Affairs, Red Cross Society of China), Hui Ran (President, China Next Generation Education Foundation), Wang Yi (Director, Teacher Training Center, China Youth Development Foundation), Wang Zhongping (Founder, Horizon Corporate Volunteer Consultancy), and Wang Dezhi (Director, Migrant Workers' Home)

China was the second overseas location for our Stakeholder Consultation following the U.S. Hosted under the theme of “Corporate Social Responsibility in China and Role of Local Businesses,” experts from social organizations such as the Chinese Academy of Social Sciences and the Red Cross Society of China shared their opinions on the impact of CSR initiatives of LG Electronics China and discussed areas for improvement. The experts commended LG Electronics China for its CSR effort across the areas, while urging us to step up the effort towards improving the lives of vulnerable groups in the country.

11th

- **Topic** : Role of Young Koreans and LG Electronics in Prompting Social Economy
- **Moderator** : Yong Bok Cho (Dean and Professor, Busan National University)
- **Panels** : Jong Gul Kim (Professor, Graduate School of International Studies, Hanyang University), Dae Joong Lee (Manager, Presidential Committee on Young Generation), Sang Keum Park (Executive Director, Social Solidarity Bank), Min Jung Seo (Head of Seoul Youth Hub), and Hyun Kyung Jo (Director of Social Economy Center, Hankyoreh Economy and Society Research Institute)
- **Audience** : Representatives from resident businesses at LG Social Campus and members of collegiate social economy clubs

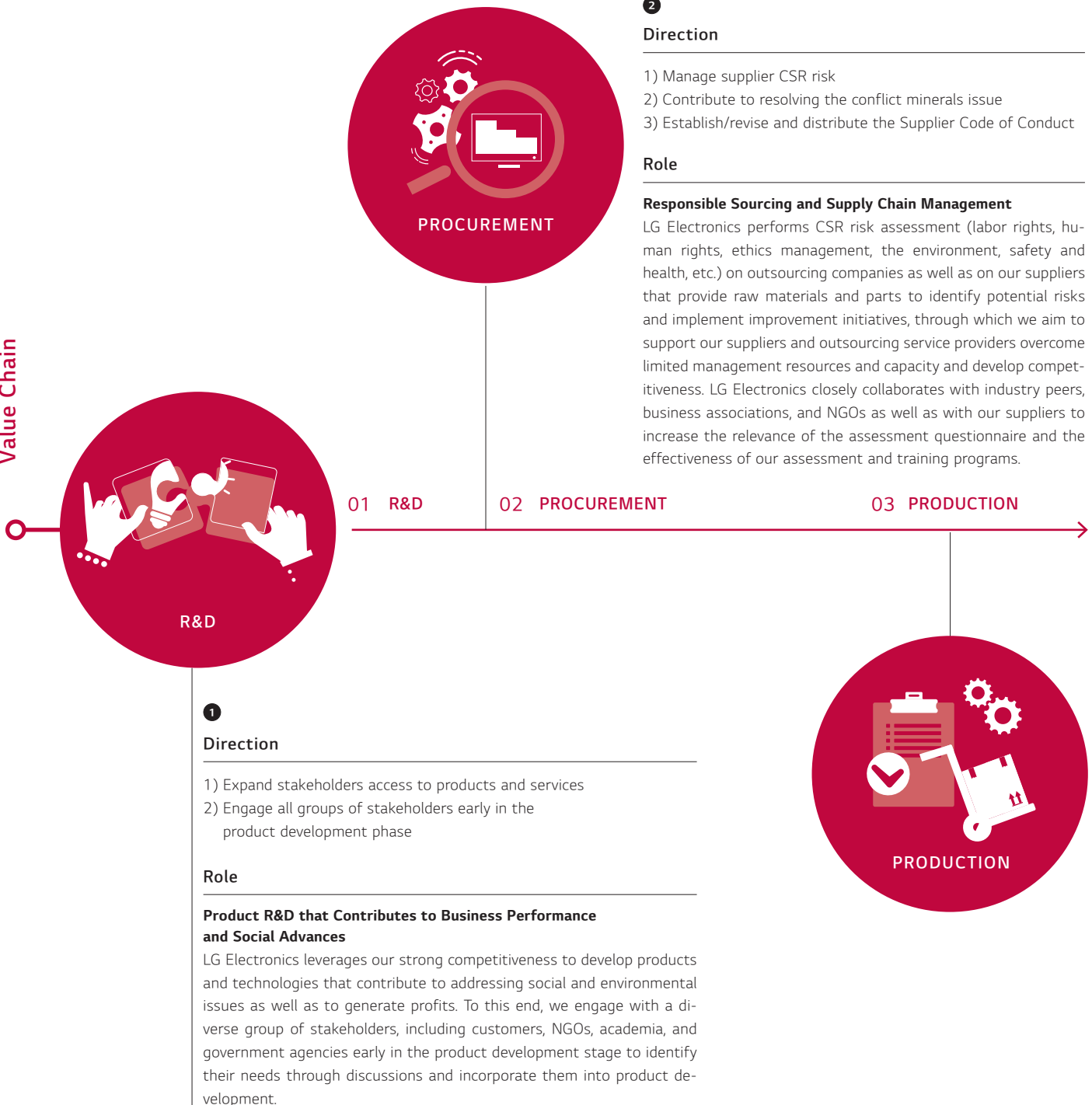
The 11th Stakeholder Consultation was held under the theme of “Role of Young Koreans and LG Electronics in Prompting Social Economy” at the LG Social Campus located in Korea University. In promotion of the stable development of social economy, LG Electronics partnered with LG Chem and established LG Social Campus – an office complex offered free of charge to social economy businesses. While the experts commended LG Electronics for diversifying its list of social economy support programs to office space lease, many urged for further effort towards job creation, training support, and networking opportunities.

Key Inputs and Implementation Plan in 2015

Discussion Topics	Feedback	Progress & Implementation Plan	Status
The 10th (Dec. 9 2015, Seoul)	CSR System/Policy	Operate “Committee for Executives based in China” Implement programs to promote employee volunteering	Launched “Committee for Executives based in China” Implemented (2014-Present)
	Signature Social Contribution Program	Develop signature social contribution program	Implemented (2016)
The 11th (Dec. 9 2015, Seoul)	Office Space Support	Provide young people with space for networking and encouragement	Implemented program offering a day off per 15 volunteer hours Launched “Fun Summer Break with LG” Implemented (2015)
	Talent Development	Support talent development to promote social economy	Expanded use of LG Social Campus at Korea University Established LG Youth Scholarship Program for social economy sector Under review
	Connection with LG	Create jobs for young people in social economy sector	To be reviewed upon launch of LG S.F. Under review

STAKEHOLDER ENGAGEMENT ACROSS VALUE CHAIN

Value Chain



1

Direction

- 1) Expand stakeholders access to products and services
- 2) Engage all groups of stakeholders early in the product development phase

Role

Product R&D that Contributes to Business Performance and Social Advances

LG Electronics leverages our strong competitiveness to develop products and technologies that contribute to addressing social and environmental issues as well as to generate profits. To this end, we engage with a diverse group of stakeholders, including customers, NGOs, academia, and government agencies early in the product development stage to identify their needs through discussions and incorporate them into product development.

2

Direction

- 1) Manage supplier CSR risk
- 2) Contribute to resolving the conflict minerals issue
- 3) Establish/revise and distribute the Supplier Code of Conduct

Role

Responsible Sourcing and Supply Chain Management

LG Electronics performs CSR risk assessment (labor rights, human rights, ethics management, the environment, safety and health, etc.) on outsourcing companies as well as on our suppliers that provide raw materials and parts to identify potential risks and implement improvement initiatives, through which we aim to support our suppliers and outsourcing service providers overcome limited management resources and capacity and develop competitiveness. LG Electronics closely collaborates with industry peers, business associations, and NGOs as well as with our suppliers to increase the relevance of the assessment questionnaire and the effectiveness of our assessment and training programs.

03 PRODUCTION

PRODUCTION

LG Electronics strongly believes that stakeholder engagement across our value chain not only has a direct impact on our sustainability management performance but also serves as the first step towards building mutually beneficial partnerships with our suppliers and maximizing customer value through the highest quality of products and services. We are striving to build trust-based relationships with our stakeholders through effective engagement across our value chain and fulfill our responsibility as a global corporate citizen by doing our part for the healthy growth of the market ecosystem.



4

Direction

- 1) Expand cause-marketing programs that leverage our products, technologies and infrastructure
- 2) Develop and run social contribution campaigns that engage consumers and employees

Role

Protection of Customer Rights and Cause-Marketing Programs

As part of our efforts to fulfill the responsibilities that we have towards customers, LG Electronics places the highest priority on protecting customers' rights in the marketing and sales of our products. We also develop and run marketing programs that effectively link product sales and charitable giving to provide customers with an opportunity to involve themselves in resolving issues in their communities. In addition, LG Electronics develops the CSR management framework and communicates the concept to employees in order to raise their awareness on CSR issues

04 MARKETING & SALES



05 +α

3

Direction

- 1) Manage CSR risks at the production sites of LG Electronics
- 2) Establish/revise and distribute the Global Labor Policy and the EESH Management Policy
- 3) Expand CSR training to raise employee awareness

Role

Protection of the Labor Rights and Human Rights of Employees and Protection of the Environment

LG Electronics monitors the working conditions at its business locations on an ongoing basis and implements improvement initiatives in order to better protect employee rights and improve their working conditions. In addition, we make a wide range of efforts to protect the environment at and around our production plants as well as during the production process. To this end, we actively engage with our internal stakeholders including the labor union and the junior board, while closely collaborating with external stakeholders, such as government agencies, industry organizations, and NGOs.

5

Direction

- 1) Support people from developing countries achieve self-reliance
- 2) Raise the brand profile and image in emerging markets
- 3) Continually engage and collaborate with International Organizations and program beneficiaries and local governments.

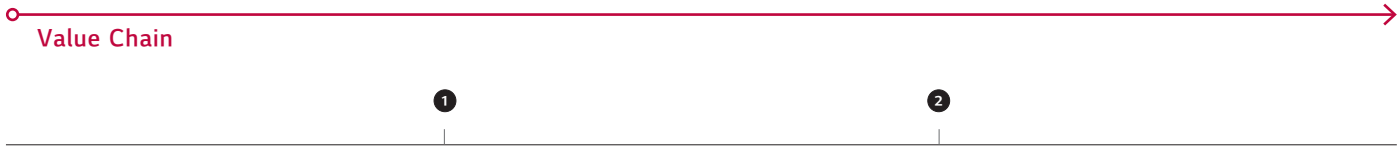
Role

Contribution to Addressing Community Issues

LG Electronics strives to contribute to achieving the United Nations Sustainable Development Goals by helping the underprivileged from underdeveloped nations become self-reliant with our products and technologies. To this end, we seek feedback from government agencies, local residents, academia, and opinion leaders and, based on the opinions collected through this process, join forces with NGOs and international organizations to operate partnership programs. We also provide customers and employees with opportunities to take part in addressing community issues through charitable giving and volunteering.

01 R&D

02 PROCUREMENT



Activities

LG Electronics puts to good use our exceptional capabilities in technology, developing products that advance valuable causes, such as enhancing accessibility.

Since 2006, LG Electronics has developed and donated "book-reading" mobile phones for the visually impaired, along with access to the LG Sangnam Library's "Digital Talking Book Library," and in 2014 developed a TV that provides audio descriptions of the screen images and replaces sounds with text captions for persons with vision or hearing impairments. As part of our efforts to address local issues with our technology, we also introduced the battery-charged TV and the "ever-cool" refrigerator for the regions that suffer power supply issues.

In 2014, LG Electronics developed a solar-powered refrigerator, donating 20 units to welfare centers located in Kenya and Peru to be used for storing medical and food supplies for children and elderly people.

Earlier in 2012, we also developed the mosquito-away air conditioner, which features a special ultrasonic wave to chase away malaria-carrying mosquitoes (female Anopheles mosquitoes). LG Electronics has sold over 70,000 units of the air conditioner model in Nigeria, and later released the product in South East Asia, helping communities protect themselves from infectious diseases such as dengue fever and malaria.

LG Electronics engages in a comprehensive range of support programs as part of its efforts to build mutually beneficial partnerships with its suppliers. In 2010, LG Electronics established the Supplier Code of Conduct that sets forth ethical and behavioral standards that must be adhered to by our suppliers. In 2015, we revised the language of the Code to increase clarity and effectiveness, while adopting provisions against placement or recruitment fees charged to employees to establish compliance with changes in international regulations and standards on the practice. The revised code was published in Korean, English and Chinese and made available on our corporate website. We also updated the Master Purchase Agreement to incorporate the revisions. As part of its efforts to build an environmentally responsible supply chain, LG Electronics pursues "green" partnerships with its suppliers through Green Program Plus, gradually expanding the program targets from our first tier suppliers to include second and third tier suppliers as well. We also offer training programs to train green experts and green auditors to further our operational effectiveness.

LG Electronics strongly encourages supplier compliance with fair trade (anti-cartel, etc.) requirements, signing the Pledge for Fair Trade and Win-Win Growth with our first and second tier suppliers in 2015 in order to reaffirm our collective commitment towards the goal. To this end, we offer CSR training to our procurement staff and managers from our suppliers.



Book-reading
Mobile Phones



Pledge for
Fair Trade and
Win-Win Growth



Solar-powered
Refrigerator



Supplier
Site Inspections

03 PRODUCTION

04 MARKETING & SALES

05 +α

3

LG Electronics implements a broad range of CSR risk management programs at all of our production sites, while continually upgrading our programs to accommodate customer requirements as well as international standards such as the EICC Code of Conduct and to ensure that the human rights and dignity of our employees are protected and respected and they are provided with a safe work environment.

We conduct CSR self-assessments on all of our production sites on an annual basis to identify potential risks and make improvements, while performing internal or external audits on select production sites. In 2016, we adopted an advanced self-assessment process to increase the accuracy of our assessment and the effectiveness of our improvement efforts.

In order to address the regulatory responses against forced labor, we conducted due diligence survey on our production sites to assess practices on recruitment fees and the working conditions for foreign workers, and implemented necessary measures to ensure that the human rights and dignity of foreign workers are respected and protected. In China, we also performed site inspections to assess CSR risks associated with recruiting workers through staffing agencies, through which we identified inadequacies concerning employment agreements. We have requested staffing agencies to address the issue, while requiring our production subsidiaries to adopt the Master Purchase Agreement with provisions on CSR requirements to ensure compliance by staffing agencies.

4

LG Electronics closely collaborates with International Organizations and NGOs to advance valuable causes in the marketing and sales of its products.

In 2015, LG Electronics hosted the exhibition *Reunion with Korea's Cultural Heritage*, which brought back Korea's cultural heritage artifacts held by major museums located in six different countries (France, Germany, the United States, Russia, Japan and Canada) by capturing the images of the artifacts and antiquities in ultra high resolution and displaying them on the OLED TVs. LG Electronics also operated the OLED "Perfect Black" Gallery during the 2015 United Nations Climate Change Conference (COP 21) in Paris and showcased on OLED TVs the enduring legacy and beauty of over 100 UNESCO World Heritage sites, including Macquarie Island (Australia), the Galapagos Islands (Ecuador), the Cultural Landscape of Bali (Indonesia) and Angkor Wat (Cambodia), which are threatened with destruction by climate change.

In addition, LG Electronics offers health promotion campaign that tour medically underserved regions in Myanmar, Cambodia and Bangladesh and provides free health checks and health-hygiene awareness classes. The health promotion campaign is operated in partnerships with local medical associations, with LG Electronics providing the buses and medical equipment and local medical professionals carrying out health checks and awareness classes. In 2015, we also developed and ran a health promotion campaign tailored specifically for female workers in Cambodia, with a total of 39,918 individuals benefitting from the program throughout the year.

5

In 2014, LG Electronics opened a TVET College in Ethiopia to train a technical workforce for the country by leveraging its strength in electronics repair, while operating the LG Hope Village program to help local farmers achieve sustainable livelihoods through agricultural productivity improvement.

In Korea, LG Electronics has provided support to social economy organizations in the environmental sector through the LG Social Fund since 2011, 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 productivity consulting from our Labor Union's experts in productivity.

LG Electronics also actively participates in international emergency relief efforts for countries and regions hard hit by natural disasters such as hurricanes and earthquakes. In 2013, we offered our solar power generation systems to support the recovery effort for typhoon victims in the Philippines, while donating 2,000 smartphones in 2014 to assist the international Ebola response coordinated by the UN OCHA. After a 7.8 magnitude earthquake struck Nepal in 2015, we also provided smartphones to assist the relief effort.



Inspections for Production Sites



OLED Perfect Black Gallery



Vocational School in Ethiopia



Education for Production Sites



Health Promotion Campaign



Solar Power Generation Systems in the Philippines

MATERIALITY ANALYSIS

Materiality Analysis Process

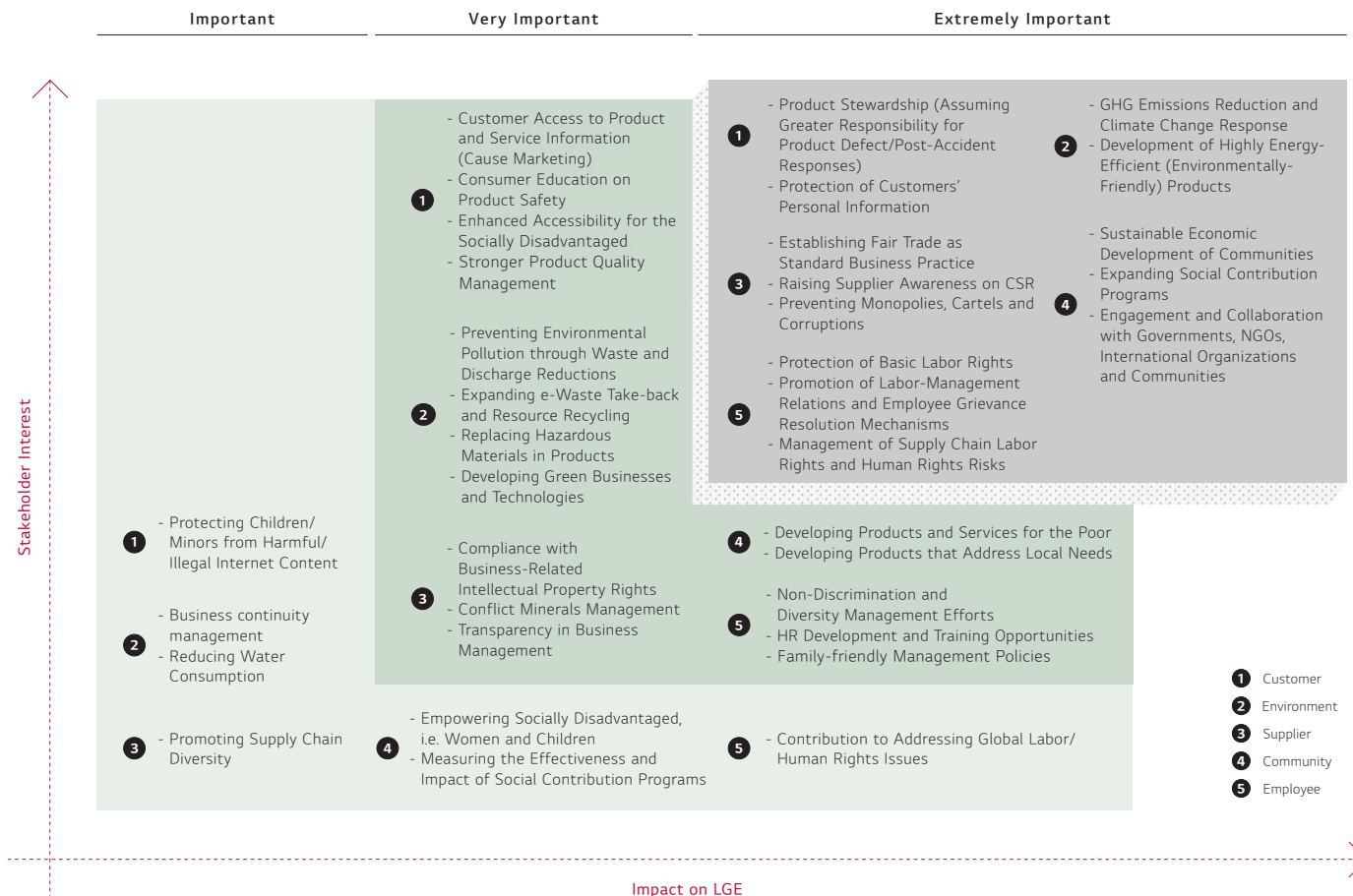
In order to systematically manage CSR issues that our stakeholders find particularly important, LG Electronics performs a materiality analysis based on the Five-Part Materiality Test of AA1000SES, the international standard for stakeholder engagement. (Detailed information on standards and procedures for this analysis is available in our previous sustainability reports and on our corporate website.) <http://www.lg.com/global/sustainability/csr-framework/csr-management-system>

2015 Materiality Analysis Results and Implications

In 2015, a total of 263 inquiries were made on CSR issues by external stakeholders, up by 88 cases (approximately 50%) from the previous year. Customer inquiries accounted for the largest share at 75 percent, reflecting the

growing requirements for supply chain management across industries (mobile communication, retail, IT, automobile, etc.), which in turn drove an increase in customer inquiries and requirements concerning production environment and supplier management. The issues identified through the previous year's analysis (2014-2015) were reported to management, and material issues were incorporated into our 2015 corporate-level improvement tasks for sustainability management. As part of our follow-up management efforts, we performed audits and post-audit inspections on the suppliers of our subsidiaries to facilitate their voluntary improvement efforts, while establishing or revising corporate-level industrial safety standards. We also amended our Global Labor Policy, and developed a longer-term strategy for our social contribution programs. Additionally, LG Electronics is continually developing consumer campaigns that aim to empower our communities.

2015-2016 Materiality Analysis



2008-2016 Materiality Analysis

Priorities and Issues Identified through Our Material Analysis

In the past decade, LG Electronics has performed a material analysis on an annual basis and shared the results in our sustainability reports. In the customer aspect, "Product Stewardship (Assuming Greater Responsibility for Product Defect/Post-Accident Responses)" and "Product Safety" are the issues that have been consistently raised by our stakeholders since 2008; their scope has now expanded to include "Consumer Education on Product Safety" and "Protection of Customers' Personal Information."

For the environment, our stakeholders have found "Reducing GHG Emissions" and "Products with Greener Features" as material issues, which can be expected, given that our primary business discipline is manufacturing. With supply chain management increasingly gaining more importance in the electronics industry, "Fair Trade" and "Enhancing CSR across Supply Chain" still take priority in the fair management aspect, while "Anti Corruption" and "Conflict Minerals Management" are fast emerging as material issues.

Following the adoption of the United Nations Sustainable Development Goals (SDGs), "Measuring the Effectiveness and Impact of Social Contribution Programs" has emerged as a material issue in the community aspect, while stakeholders were found to believe that LG Electronics could empower communities by "Developing Products that Address Local Needs" and "Devel-

oping Products and Services for the Poor." For labor rights and human rights, "Enhancing Labor Relations," "Promoting Internal Grievance Resolution Mechanisms," and "Protecting Human Rights" are the issues that have been consistently raised by our stakeholders, with "Preventing Child Labor and Forced Labor" and "Managing Risks Associated with Labor Rights and Human Rights across Supply Chain" gaining importance in this aspect.

Our analysis also found that CSR issues requiring international regulatory responses or reflecting our stakeholder requirements are likely to emerge as material issues.

Future Direction

As part of our ongoing efforts to systematically manage CSR issues, LG Electronics will closely track industry trends and stakeholder interests, including the level of their interest, to perform a material analysis that reflects the latest industry trends and stakeholder interests. Based on the analysis results, LG Electronics will develop corporate-level improvement initiatives and manage material issues accordingly, supported by the concerted efforts of related organizations at corporate headquarters, business companies, and subsidiaries. Our performance will be disclosed clearly to stakeholders through our sustainability report and corporate website.

Trends in Material Issues from 2008-2016 Sustainability Reports

Aspect	Issues	2008-2010	2011-2012	2013-2014	2015-2016
Customer	· Product Stewardship (Assuming Greater Responsibility for Product Defect/Post-Accident Responses)	1		1	1
	· Product Safety	1	1	3	
	· Protection of Customers' Personal Information	2	1	2	1
	· Customer Access to Product and Service Information (Cause Marketing)	2	2	1	
Environment	· GHG Emissions Reduction and Climate Change Response	1	1	1	1
	· Development of Highly Energy-Efficient (Environmentally-Friendly) Products	1	1	1	1
	· Reduction of Environmental Impact Associated Production/ Management of Waste and Discharge from Production Sites	1	1	2	2
	· Replacement of Hazardous Materials in Products	1	1	2	2
Supplier	· Establishing Fair Trade as Standard Business Practice	2	1	1	1
	· Conflict Minerals Management		3	2	2
	· Raising Supplier Awareness on CSR			2	1
Community	· Sustainable Economic Development of Communities	1	2	2	1
	· Expanding Social Contribution Programs	3	3	3	1
	· Ongoing Engagement with Community	3	3	1	
Employee	· Human Rights Protection, Non-Discrimination and Diversity Management	3	2	1	1
	· Promotion of Labor-Management Relations and Employee Grievance Resolution Mechanisms	2	1	1	1
	· Protection of Basic Labor Rights (including Prohibition of Child Labor and Forced Labor)			2	1
	· Management of Supply Chain Labor Rights and Human Rights Risks			2	1

Primary Secondary Tertiary

KEY PROGRESS AND PERFORMANCE

Area	Material CSR Issues	Background & Implications	Long-term Goals
Customer	Product Safety / Protection of Personal Information	<ol style="list-style-type: none"> 1) New risks emerge as the adoption of new technologies increases 2) Stakeholder expectations for voluntary efforts by corporations for product safety are growing in breadth and depth 3) Nations across the globe are implementing increasingly tougher regulations on product safety and protection of personal information 4) Management's strong and unwavering commitment towards product safety and protection of personal information 	<ol style="list-style-type: none"> 1) Implement quality assessment and management processes early in the product and technology development stage 2) Establish a prevention / response system against personal or technical data breaches 3) Make preemptive responses to regulations on product safety and protection of personal data to reduce risks 4) Raise employee awareness and strengthen accountability
Environment	Developing Products with Greener Features	<ol style="list-style-type: none"> 1) Customer interest and demand for greener products are growing sharply 2) Environmental regulations and international standards on products are growing in numbers and implications 3) Greener products have the potential to affect positive changes in customers' lives, such as lower energy bills and improved living conditions 	<ol style="list-style-type: none"> 1) Strengthen internal management standards for greener products 2) Reduce use-level GHG emissions by improving energy efficiency of products 3) Increase and improve the disclosure of product carbon footprint information, and reduce GHG emissions throughout a product's life cycle 4) Reduce the use of resources and enhance the e-waste take-back system 5) Voluntarily remove hazardous or potentially hazardous substances in our products
	Climate Change Response / EESH Management	<ol style="list-style-type: none"> 1) Demand for and regulations on voluntary energy / GHG reduction efforts are becoming stronger 2) NGOs' monitoring against EESH risks and consumer awareness on EESH are raising continuously 3) Working towards minimizing negative EESH factors in their supply chain has been established as standard practice for the companies that produce and deliver the final products to the market 	<ol style="list-style-type: none"> 1) Build "green" production sites <ul style="list-style-type: none"> - Manage and reduce GHG emissions and energy use - Reduce water use (intensity target per revenue) 2) Upgrade the global integrated EESH management system 3) Request EESH management across the supply chain
Supplier	Win-Win Growth / CSR in Supply Chain / Conflict Minerals Management	<ol style="list-style-type: none"> 1) Social expectation on win-win growth has increased 2) Contribute to "Creative Economy" through partnerships that promote innovation 3) CSR risks in supply chain hurt the company's reputation 4) Social issues requiring responses, such as illegal mining, forced labor and child labor, are growing in breadth and depth 	<ol style="list-style-type: none"> 1) Press forward with the Five Win-Win Growth Objectives 2) Establish supplier CSR risk assessment as a standard process by empowering procurement business functions and subsidiaries 3) Establish a system that tracks the origin and content of conflict minerals in our products 4) Establish an early warning system for supply chain CSR risks <ul style="list-style-type: none"> - Compliance and regulatory climate, monitoring activities by NGOs, etc.
Community	Social Contribution / Sustainable Growth of Communities / Engagement and Collaboration with Communities	<ol style="list-style-type: none"> 1) Stakeholder demand for business involvement in addressing local issues is growing continuously 2) Empower communities by leveraging our core competencies 3) Shift in perspective: view social contribution not only as an act of charitable giving but also as a chance to capture new customers and markets 4) Employee participation in social contribution initiatives leads to an increased sense of pride 	<ol style="list-style-type: none"> 1) Contribute to achieving SDGs that have considerable relevance to our goals, businesses, and core competencies (first priority: Goals 3, 7, 8, 11 and 12) 2) Develop products and technologies that address local issues 3) Build partnerships with stakeholders that promote collaboration and mutual trust 4) Provide our employees with policy support and opportunities to participate in charitable giving and volunteering
Employee	Corporate Culture / Protection of Labor/Human Rights	<ol style="list-style-type: none"> 1) Increase employee satisfaction and productivity through support programs for work-life balance 2) Failure to comply with laws and regulations may lead to damages to consumer confidence and brand image as well as to financial losses 3) Enhance quality and productivity by protecting the labor rights of our employees 	<ol style="list-style-type: none"> 1) Create a corporate culture that promotes work-life balance 2) Enhance our systems, processes and programs to better protect the human rights of our employees <ul style="list-style-type: none"> - Diversity management, grievance resolution mechanisms, human rights risk assessment, childcare support programs, etc. 3) Ensure the integrity of assessment through third-party audits and increase the number of internal audits 4) Effectively reconcile the EICC requirements and assessment criteria from related internal organizations to increase the effectiveness of the internal assessment

Major Achievements in 2015

Future Directions

- 1) Completed group training on quality (Trained 3,382 individuals in 120 sessions)
- 2) Established a new organization tasked with improving the quality of parts from suppliers
- 3) Acquired the ISO 10002 Quality Management – Customer Satisfaction Certification for service centers in Korea
- 4) Assessed risks associated with data privacy based the OECD Eight Privacy Principles (conducted on over 100 overseas subsidiaries)
- 5) Conducted employee training on protecting personal information (completed by 98.5% of Korean employees and 94% of overseas employees)

- 1) Train internal experts in quality / product safety
- 2) Continually strengthen product quality and safety management system
- 3) Assess data privacy risks at our business sites and supplier and implement improvement initiatives to build site-level management capacity

- 1) Completely revised the Eco Index to strengthen requirements
- 2) Received the top honor at the 2015 ENERGY STAR Partner of the Year Awards
 - Sustained Excellence for the second consecutive year
- 3) Reduced use-level GHG emissions and acquired carbon labels
 - Reduced 41 million tons of GHG emissions associated with product use (compared to baseline year 2007)
 - Product models with carbon certification for 2015: Carbon Footprint Label (109 products), Low Carbon Certificate (32 products), Carbon Neutral (one product)
- 4) Increased the use of post consumer recycled plastics to 6,730 tons
- 5) Collected and processed 212,496 tons of e-waste
 - Offered the take-back service in 80 regions in 47 countries (Korea, Japan, Europe, the United States, Australia, India, Central and South America, etc.)
- 6) Removed HBCD (brominated fire retardant) entirely from our products for Korean and European markets

- 1) Assess and manage the environmental performance of our products with the Eco Index
 - Increase the share of “Green 3 Star” products to 80 percent by 2020
- 2) Reduce GHG emissions associated with product use
 - Reduce 60 million tons of GHG emissions by 2020, compared to baseline year 2007
 - Reduce GHG emissions by 400 million tons between 2008 and 2020
- 3) Increase the use of recycled packaging materials and implement a green packaging development process at the business company level
- 4) Expand the e-waste take-back service to include a large number of countries
- 5) Expand target product groups for removing hazardous substances

- 1) Reduced production-level GHG emissions by 353,000 tons (Compared to 2008)
- 2) Increased energy saving facilities and expanded renewable energy purchases
 - Power generated from solar power generation system (Gumi and Changwon): 6,900MWh
 - Renewable energy purchases by office buildings in the United States and Europe → A reduction in 2,770 tons of GHG emissions
- 3) Improved EESH assessment performance across the board for the third consecutive year
 - 88.0 points for overseas and 97.8 points for Korea
- 4) Built a water inventory to manage site-level water use and discharge
- 5) Implemented the new EESH management system and performed EESH compliance risk assessment on the 11 production subsidiaries in China
- 6) Acquired the ISO 22301 Business Continuity Management Systems Certification (Pyeongtaek, Yantai and Vietnam)

- 1) Reduce production-level GHG emissions
 - Reduce 150,000 tons by 2020, compared to baseline year 2008
- 2) Reduce production-level water use (Intensity target per revenue)
 - Reduce 20 percent of water use by 2020 compared to the base year 2007 (intensity target per revenue)
- 3) Expand the implementation of the global integrated EESH management system to include overseas subsidiaries
- 4) Enhance the EESH management capacity of overseas subsidiaries across the board
- 5) Manage supply chain EESH risks

- 1) Rated “Most Excellent” in Fair Trade & Win-Win Partnership Assessment in Korea
- 2) Conducted a CSR risk assessment on suppliers
 - EICC self-assessment (264 suppliers), CSR audit (12 of the 27 high risk suppliers)
 - Inspections on the suppliers of our Chinese subsidiaries: quick survey for 669 suppliers and site inspection for 19 suppliers
- 3) Included provisions requiring compliance with the Supplier Code of Conduct in the Master Purchase Agreement and incorporated CSR requirements into regular supplier assessment
- 4) Increased the percentage of CFS-certified smelters in our supply chain to 68 percent
- 5) Enhanced the data accuracy of the conflict minerals management system (information on smelters and the origins)
 - Conducted training for 658 employees from 539 suppliers in Brazil, Mexico and China

- 1) Expand support programs to include second and third tier suppliers
- 2) Manage supply chain CSR risks based on the EICC standard
 - Conduct supplier CSR risk assessment on a regular basis and implement improvement initiatives
 - Perform CSR audits on a set percentage of suppliers rated to be at high risk (Over 25%)
- 3) Continually upgrade the regulatory response system for conflict minerals
 - Enhance the integrity and reliability of the data for the conflict minerals management system
 - Expand our response system to fully address toughening regulations

- 1) Established a new framework and guidelines for our social contribution programs
 - Conducted an expert interview and survey on the impact of our social contribution programs and incorporated the results
 - Participated in projects that measures the impact businesses have on sustainable development and converted the results into an index
- 2) Expanded the social contribution programs that leverage our products and technologies
 - Training program for web accessibility app development, solar-powered libraries, OLED “Perfect Black” Gallery, etc.
- 3) Partnered with government agencies, international organizations, buyers, municipalities and academia to engage in social contribution programs
 - Emergency relief efforts for Nepal (United Nations and buyers), LG Social Fund (Ministry of Employment, Ministry of Environment and academia), etc.
- 4) Our employees participated in volunteer events at 89 locations in 48 countries (90,000 employees in 2015, cumulative)

- 1) Contribute to achieving the United Nations SDGs
- 2) Develop and distribute products and technologies that address local issues
- 3) Develop and operate social contribution programs based on engagement and collaboration with stakeholder groups
- 4) Expand programs that facilitate charitable giving and volunteering by employees

- 1) Expanded employee care programs through a wide range of initiatives, i.e. working style improvement, grievance resolution mechanisms, female employee day, etc.
- 2) Revised and distributed the Global Labor Policy and implementation guidelines
 - Incorporated revisions to the EICC Code of Conduct and toughening international regulations against forced labor
- 3) Conducted the EICC self-assessment: all of our production locations (39) were rated to be at low risk
- 4) Third-party Audit: three cases (Mexicali, Pune and Nanjing Washing Machine Production)
- 5) Performed internal CSR risk audit on six production subsidiaries in China
- 6) Conducted a workshop for CSR managers at production sites in Korea and overseas

- 1) Establish a corporate culture that promotes work-life balance and communication
- 2) Strengthen CSR risk management for all of our production sites
 - Bridge the gap in the results (non-conformances) between self-assessment and audit (including third-party audits)
 - Facilitate site-level independent CSR risk management at production sites in Korea and overseas by enhancing the management capabilities of CSR managers
- 3) Strengthen responses to regulations on labor rights and NGOs’ monitoring efforts

With Our Customers

WHAT IS IMPORTANT?

Our 2015 materiality analysis identified the followings as the most important issues:

- 1) Product Stewardship
(Assuming Greater Responsibility for Product Defect/Post-Accident Responses)
 - 2) Protection of Customers' Personal Information
- Our stakeholders also found "Access to Product and Service Information" and "Fair Marketing Practices" to have a high importance.

HOW WE MANAGE IT?

Our Approach

LG Electronics ensures that safe products are delivered to customers through our quality management system and implements a comprehensive range of measures to safeguard and effectively manage our information assets including customers' personal information.

Our Evaluation

As part our efforts to deliver satisfaction to our customers, LG Electronics uses a broad range of customer satisfaction surveys and local marketing programs to identify customer needs and requirements and incorporate the information into improving the quality of our products, services and processes, while making every effort to safeguard customers' personal information.

Future Direction

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

Stakeholder Statement



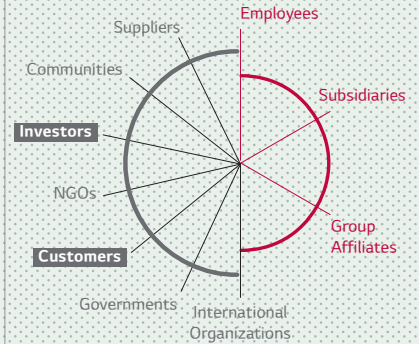
LG Electronics has been, and continues to be, one of Sears Holdings' most collaborative retail partners over the last 10 years with respect to providing high quality, innovative, sustainable, and energy efficient products for our mutual customers. LGE's contribution to our success as a leading retail destination in appliances has been demonstrated in multiple ways: LGE has co-sponsored the annual SHC Green Leadership Summit for the last 5 years; jointly promoted energy efficient products, programs, and strategies in partnership with the Kenmore Brand team; contributed to SHC's recognition as an ENERGY STAR Retail Partner of the Year-Sustained Excellence Award recipient for the past 4 years; and supported SHC's membership in EPA's Responsible Appliance Disposal program. Lastly, SHC has looked to LGE as a benchmark while establishing our corporate sustainability mission and organizational structure over the last 3 years. LGE's continuous commitment to processes and products that are environmentally responsible have provided valuable guidance for us.



Paul Campbell
Sears Holdings Corporation
Director-Sustainability/
Green Leadership

BOUNDARY

- / Internal Stakeholders
- / External Stakeholders



Our Performance



772 points

Satisfaction Survey on Mobile Phone Aftersales Service in Korea (Consumer Insight)



120 sessions

3,382 employees

Quality Training



Korea
98.5%

Overseas
94%

Information Security Training for Employees

Engaging Customers

Strong Presence at International Tradeshows

With the slogan "Innovation for a Better Life," LG Electronics is actively participating in high profile international trade shows and setting industry trends with market-leading products and technological innovations. In January 2016, LG Electronics unveiled its new ultra-premium brand, LG SIGNATURE at the Consumer Electronics Show (CES) 2016, the largest trade show of its kind in the world. In addition to the highly sophisticated SIGNATURE products, LG Electronics showcased an extensive lineup of market-leading products, including the "Unrivaled" OLED TV, the premium kitchen appliance package, and cutting-edge IT devices. Response from major media outlets and industry experts was immediate and enthusiastic, earning our products more than 50 prestigious awards including the Best of CES 2016 Award in the TV category from Engadget, the show's official online media partner. LG Electronics' presence was also prominent at the Europe's largest electronics and technology show, the IFA (International Funkausstellung; International Radio Show), in September 2015. In the scaled-up exhibition space (a 43 percent increase in booth space compared to the previous year making LG Electronics' presence the largest ever at the show), LG Electronics presented a wide array of differentiated products and technologies that cater specifically to European consumers, making a strong statement of LG Electronics' ambition for expanding our presence in the global premium electronics market. Visitors were particularly impressed with the visual marvels produced by our ultra-large size OLED wall constructed with 64 units of the "New Concept" OLED TV. Rising toward the atrium ceiling at the entryway to our exhibition space, the media wall reproduced the breathtaking view of constellations shining bright against the pitch-black night sky by juxtaposing the radiant colors from landscape images and famous artworks against the true-black background created by the OLED TV. The show organizers, just as captivated as visitors by the incredible picture quality and LG's superior display technology, invited the CEO of LG Display, one of the LG Group affiliates, as the keynote speaker. His speech, "OLED will bring revolution to people's lives," generated a strong response from the show participants. In addition to the cutting-edge products that showcase our superior display technology, LG Electronics introduced an extensive lineup of high-efficiency premium appliances that cater to European consumers, headlined by the "Entirely New" TWIN Wash. LG Electronics plans to maintain our strong



01 -



02 -



03 -



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- CUSTOMER COMMUNICATION

- 01: LG Electronics Booth at CES 2016
- 02: LG Electronics Press Conference at CES 2016
- 03: LG InnoFest 2015 MEA / Europe
- 04: LG InnoFest 2015 Asia
- 05: LG Cup Women's International Baseball Tournament

presence in international trade shows to lead global trends with our products and technological innovations that enrich the lives of customers.

InnoFest, Strategic Showcase for Regional Marketing

LG Electronics hosts the LG "InnoFest" roadshow to showcase strategic products targeted for the regional market and strengthen partnerships with local buyers. Short for "Innovation Festival," the name "InnoFest" captures the quality of the event that was first launched in 2013 to celebrate innovation and partnership in a festive atmosphere. Through this unique global marketing platform, LG Electronics introduces our differentiated products, technologies, and business strategies in line with the slogan, "Innovation for a Better Life."

In January 2015, we hosted the Europe and MEA LG InnoFest in Lisbon, Portugal. More than two hundred buyers and LG employees from the regions came together and made the event a true celebration. The president of the prominent industry association EISA (European Imaging and Sound Association) also made an appearance at the event and spoke highly of LG Electronics' superior display and sound technologies.

In February 2015, over 400 major buyers and journalists from 15 major Asian countries came together at Kota Kinabalu, Malaysia for the "LG InnoFest 2015," at which we introduced new products and business strategies targeting the region. During the event, LG Electronics provided participants with hands-on demonstrations of the highly energy efficient appliances that cater to regional consumers, including the OLED TV, and hosted a presentation on marketing best cases from our major buyers in different countries. We also had an open discussion on how to build mutually beneficial partnerships and drew an enthusiastic response from buyers. Building on the success of the InnoFest, LG Electronics will continue to expand local marketing initiatives to better serve customers around the world.

Sports Sponsorship based on Genuine Respect for the Sport

In 2014, LG Electronics launched the LG Cup Women's International Baseball Tournament to promote and expand the infrastructure and fan base of women's baseball, a sport with a lot of potential for growth in popularity. Marked as the first international women's baseball competition in Korea, the LG Cup was organized to create more official matches for passionate female baseball players, whose enthusiasm for the game is often tested by the lack of opportunities to play competitively. Prior to the establishment of the LG Cup, only three in-

ternational competitions were available for female baseball players: the Women's Baseball World Cup, the "Phoenix Cup" WBSC Hong Kong International Women's Baseball Tournament, and the Guam Women's Baseball Cup. Club teams (organized and run by amateur players), in particular, were forced to be content with only two tournaments, the annual Phoenix Cup (launched in 2008) and the Guam tournament (launched in 2015), since the World Cup is a competition contested by national teams. In order to increase international matches for female club players, LG Electronics, in cooperation with the Women's Baseball Association Korea and the World Baseball Softball Confederation, established the LG Cup International Women's Baseball Tournament and held the inaugural event in 2014, attracting huge interest as the first international women's baseball competition held in Korea. The baseball community, as well as the sports community in general, was impressed and encouraged by LG Electronics' genuine interest and efforts for the sport. With the LG Cup, Korean female baseball players now have a total of four international tournaments to compete for. In August 2015, LG Electronics, in association with the Women's Baseball Association Korea, hosted the LG Cup at the LG Champions' Park located in Icheon, with more than 170 players competing for eight teams (two from Korea) from Korea, Japan, the U.S., Hong Kong, Taiwan, and India giving their all in the games to contest for the trophy.

New Ultra Premium Brand LG SIGNATURE

LG SIGNATURE, Exquisite Blend of Meaningful Innovation and Timeless Aesthetics

In January 2016, LG Electronics unveiled the ultra-premium LG SIGNATURE at the Consumer Electronics Show. Marked as our first-ever premium brand, LG SIGNATURE is the perfect embodiment of our slogan, "Innovation for a Better Life." The highly sophisticated products include the "Picture on Glass" OLED TV that offers a fully immersive viewing experience, a highly efficient and quiet washer evolved from the Twin Wash through design innovation, a refrigerator that preserves freshness with the "Knock on" and "Auto Door Open" functions, and an air purifier that both cleans and humidifies the air while visually indicating the process. Inspired to create products that define the "true premium" that only LG can deliver, LG Electronics launched a project under the leadership of the Design Committee, composed of top decision makers including the CEO, the presidents of Business Companies, and key executives. In order to define the "true premium" that only LG can deliver, we started from a careful study on what constitutes "premium" through observations of and interviews with consumers of premium products and their experience with other premium appliance brands. The results clearly indicated that "high-end products or luxury items that serve as status symbols" was not the answer. Careful consideration guided us to the conclusion that the premium value that only LG can

deliver only comes from providing customers with a holistic experience based on the high quality achieved by focusing on the intrinsic purpose of the product. Based on the insight, we set out to develop products that reflect and deliver the values highly prized by the consumers of premium appliances – uncompromised performance that serves the intrinsic purpose of the product, refined and timeless aesthetics, and unparalleled convenience and comfort. We also designed and implemented a new process to ensure that the final products maintain the integrity of initial plans and designs, which were in the past often compromised due to technical challenges and profitability issues during the development and mass production stages. This uncompromising development policy received a vote of confidence and full support from top management, giving birth to the LG SIGNATURE that stays true to the essence and achieves both unparalleled convenience and timeless aesthetics. The ultra-premium products that redefine "true premium" were introduced at prominent international trade shows such as the CES, and became a huge success with the media and buyers alike.

LG Electronics plans to carefully manage LG SIGNATURE to stay faithful to its brand identity, "The Art of Essence," while continuing to communicate the brand philosophy to customers with discerning tastes and offer more information on the SIGNATURE products (www.LGSIGNATURE.com). We will also introduce LG SIGNATURE products in major markets such as Korea, the U.S. and Europe, and expand the products selectively, catering to varying consumer needs in different regions.

LG SIGNATURE

LG SIGNATURE "THE ART OF ESSENCE"
(www.LGSIGNATURE.com)



The Art of Essence



Customer Engagement based on Customer Service

Increasing Customer Satisfaction through Enhancing Service Quality

As part of our efforts to provide customers with quality service, LG Electronics is continuously expanding the network of directly-managed service locations around world. As a result, the share of service requests handled by directly-managed service centers increased to 40.0 percent (2015) from 27.4 percent (2012). The expanded service infrastructure greatly helped us enhance the quality of our service, reducing the average time required to complete a service request to 3.1 days (2015) from 3.7 days (2012) in overseas locations. In Korea, our improvement effort was particularly effective in increasing the same-day service rate from 52 percent (2012) to 66 percent (2015). In order to enhance the quality and level of service, we also placed emphasis on reducing repeated service requests since customers feel most frustrated by having to repeat their service requests in order to resolve an issue. We were able to reduce the rate from 8.0 percent (2012) to 5.3 percent (2015) through a wide range of initiatives including additional training for service engineers and effective management of recurring service / repair issues.

"Humanism" Service

With "Humanism Service" as its motto, LG Electronics Korea's service division strives to delight customers with attentive and accommodating service. The slogan, "Skills in Hands and Customers at Heart," clearly conveys what we strive to achieve through "Humanism Service" – closely connect with customers and make them feel genuinely cared for with attentive and accommodating service. Customers responded favorably to our genuine efforts, earning us a high score (772 out of 1,000 points) in Consumer Insight's 2015 customer satisfaction survey on mobile handset after-sales service to edge out the competition, and placing us first in the K-CSBI (Korea Customer Surprise Brand Index) for home appliance after-sales service.

Our company's service part is also expanding its role in the community with social contribution initiatives, which was previously limited to touring service and free repair service. In 2015, we broadened the scope of initiatives to environmental cleanup, donation, and product education. The Seogwipo Center, for example, launched a cleanup campaign for the Jeju Olle Trails, and other locations are also developing or engaging in regular programs that serve the needs of their communities.

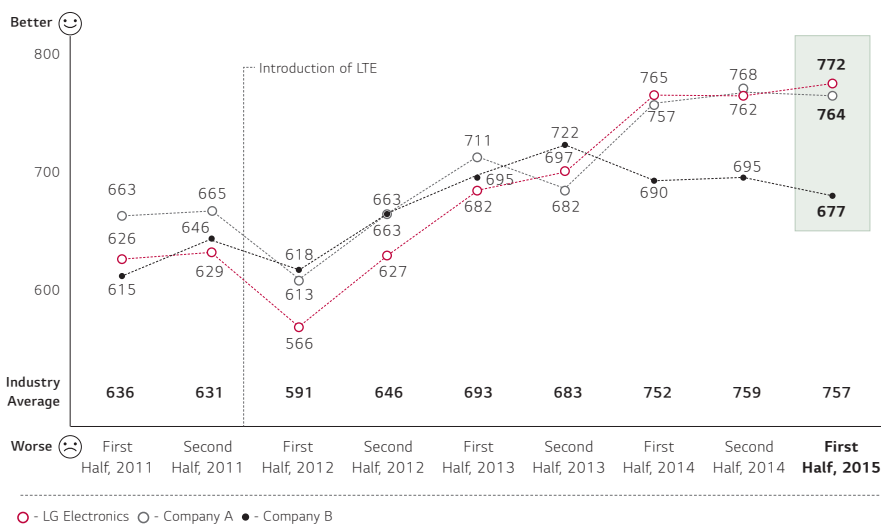
The spirit behind our "Humanism Service" of faithfully serving the community is expanding to overseas locations. For instance, our service part operated a free repair camp and laundry facility in Chennai, India to alleviate inconveniences suffered by flood victims, while our Vietnamese service part engaging in charity activities such as a visit to a

nursing home in Ho Chi Minh City. In China, our service engineers on service visits routinely check the air pollutant levels at home and the acid levels of detergent, which created a huge controversy in the country. In Korea, as part of our forward-thinking service that takes care of issues and inconveniences before they even become a problem, we sent out text messages that direct our customers to our "DIY" video in order to help them prevent their washing machines and pipes from freezing and bursting during the extended cold wave, or to assist them to quickly and easily resolve the issue when the unfortunate event occurs.

Enhancing Customer Experience through "VOC" Management

LG Electronics actively reviews the "Voice of Customers (VOC)" and incorporates the findings – including those from the regular NPS (Net Promoter Score) analysis – into improving our service process. In 2015, LG Electronics Korea adopted a daily online VOC monitoring meeting to enhance service process and policy, implementing changes to identified issues (168 cases) and reducing customer complaints by 4.5 percent compared to the previous year. We also incorporate customer insight into enhancing our business processes, promoting a corporate culture that place the foremost value on customers and developing corporate-level customer satisfaction initiatives. Our efforts helped us become the first Korean electronics maker to acquire the international standard for customer satisfaction (ISO 10002¹⁾), and receive the Customer Centered Management (CCM²⁾) Certification for five years straight, also a first in the industry. VOC is also used effectively by our sales subsidiaries in Taiwan and the Philippines in enhancing customer satisfaction through the "Happy Visit" program. Based on reviews of VOC, our service engineers visit customers who registered complaints and provide a free checkup on their home appliances. In order to ensure that VOC is reflected on our service efforts, many of our overseas subsidiaries have their service managers accompany technicians to a service visit on a regular basis to create an opportunity to directly communicate with customers and discover improvement points at the frontline of customer interactions.

Customer Satisfaction Survey on Mobile Handset After Sales Service Conducted by Consumer Insight (out of 1,000 points)



Q. Based on the all aspects of service, including the accessibility of the service location, the atmosphere inside, repair procedures and results, and kindness / expertise of the service staff, how do you rate your experience with the after-sales service you have received most recently?

* Assessment method revised in the first half of 2014 (overall satisfaction levels are assessed after measuring the satisfaction levels for the four service dimensions of the after-sales service location)

1) ISO 10002

International standard on customer satisfaction guidelines for complaints handling in organizations

2) CUSTOMER CENTERED MANAGEMENT CERTIFICATION

A national certification managed by the Korea Consumer Agency and issued by the Fair Trade Commission. Assesses whether a corporation structures its management activities around customers and their satisfaction, and makes ongoing improvements to achieve the objective.

Making Our Products Accessible for All of Our Customers

LG Electronics Accessibility Policy





As a leading electronics maker and responsible global corporate citizen, LG Electronics is committed to making our products accessible for all customers, particularly the socially disadvantaged, and we are working hard to ensure that all groups of our customers enjoy the full benefits and conveniences offered by our products. In 2012, we created a corporate-level task force team (TFT) dedicated to achieving this meaningful goal and launched a project to develop accessibility features for mobile phones, smart TVs, monitors, PCs, and home appliances with a longer term goal of expanding the application to a broad range of products and services. As part of our efforts to incorporate the voice of customers requiring greater accessibility into product and service development, we are expanding collaboration with accessibility-related stakeholders from Korea, the U.S. and Europe, and conducting user tests with the help of disability organizations and customers with disabilities. In addition, we have implemented the WCAG 2.0 (international web accessibility standard) Level AA specifications to our corporate website, while having in place the Accessibility section on our corporate website (global and U.S. editions) to communicate our accessibility policy and to make information on our products' accessibility features more accessible. As part of our ongoing efforts to develop and improve accessibility features, in 2015, we actively participated in international conferences on accessibility for people with disabilities (the CSUN Conference, the HLAA Convention, the M-Enabling Summit, etc.) to expand our exchanges with experts in the field and keep ourselves current on the latest accessibility technologies and trends. We also operated a focus group on the V10 smartphone with Horizons for the Blind, a non-profit organization for persons with visual impairments based in North America, to collect user feedback and incorporate the results into upcoming models, and published 20 video manuals for audiences with different types of disabilities in order to more effectively communicate the accessibility features of our mobile phones (<http://www.lg.com/us/accessibility/mobile/how>).

Major Initiatives for Enhancing Accessibility

Initiative

2012	<ul style="list-style-type: none"> Launched a mobile phone donation program through which LG Electronics develops and donates mobile phones for the vision impaired: 14,000 units (2006 - Present, Korea) Enhanced accessibility to the global edition of the corporate website Established a development system for accessibility features: Mobile handsets, smart TVs and other media products Launched a taskforce dedicated to enhancing accessibility to develop accessibility features for mobile handsets, smart TVs and other media products
2013	<ul style="list-style-type: none"> Launched stakeholder consultation with disability organizations based in North America (2013 - Present) Joined the Home Appliance Accessibility Forum (HAAF) of the Korea Electronics Association (KEA) Launched a program for conducting user tests with and collect feedback from users with disabilities (2013 - Present): Smartphone and smart TV models (Korea and the U.S.) Signed an MOU with the QoLT Center¹⁾ at Seoul National University Signed an MOU with the Korea Blind Union Introduced the Mini TV for the vision and hearing impaired (Model Name: M2352-PN) The LG Optimus F3 selected as a product "Recommended by Sprint CEO" at the M-Enabling Summit²⁾
2014	<ul style="list-style-type: none"> Launched a task force dedicated to enhancing accessibility of home appliance products: Engaged with disability organizations and users with disabilities to receive their feedback on home appliance accessibility (Korea and North America) Established a system for producing and distributing braille product manuals in Korea The US Contact Center launched exclusive service for customers with disabilities: Braille product manuals, customer service, etc. Supported the rehabilitation facility at Nowon Welfare Center for People with visual impairments Sponsored the QoLT contest hosted by HCI³⁾ Korea-US technical exchange on QoLT accessibility (January 2014): HERL⁴⁾, University of Pittsburg / Carnegie Mellon University⁵⁾
2015	<ul style="list-style-type: none"> Conducted accessibility test on smart TVs with NCAM (U.S.) Donated 12,000 units of the Mini TV for the vision and hearing impaired Conducted accessibility test on laptop models (All-in-one PC) with NCAM (U.S.)

Our Efforts towards Enhancing Accessibility

	Vision Features	Hearing Features
G5 	<ul style="list-style-type: none"> TalkBack screen reader Screen brightness control (Option for minimum brightness) Screen shade / contrast control Font size control (Options for larger letter sizes) Screen color inversion Screen hue control Call termination with power button Black & White screen / screen black out 	<ul style="list-style-type: none"> Caption service LED flash alert Flash alert Volume control (Turn off all sounds) Audio type control (Stereo/Mono) Sound balance control (Right/Left)
LG Watch Urbane LTE 	<ul style="list-style-type: none"> TalkBack screen reader (Spoken alert for screen mode changes & text reading) Password reading Hands-free mode (Spoken alerts for incoming calls and messages) Control for screen brightness 	<ul style="list-style-type: none"> Voice quality optimization Vibration alert
UHD TV 	<ul style="list-style-type: none"> Magic Zoom: Single-click command for picture zoom in/out. Magnifies images without compromising picture quality for users with poor eye sight Spoken alert for easy control of pitch, volume, and speed 	<ul style="list-style-type: none"> Clear Voice for minimum ambient noise Caption service
G PAD 10.1 	<ul style="list-style-type: none"> TalkBack screen reader Screen brightness control (Option for minimum brightness) Screen shade / contrast control Font size control Screen color inversion Screen hue control Color calibration control Call termination with power button 	<ul style="list-style-type: none"> Caption service LED flash alert Flash alert Volume control (Turn off all sounds) Audio type control (Stereo / Mono) Sound balance control (Right / Left)

2016

- Received the CES 2016 Award for accessibility technology: 65-inch 4K LED TV w/Accessible Technologies (65UH7700)
- Produced and distributed the G4 manual for customers with visual impairments

1) QoLT (Quality of Life Technology) Center in Korea:

Korean government-funded research institute dedicated to improving accessibility for persons with disabilities.

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

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

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

5) CARNEGIE MELLON UNIVERSITY: A research institute at Carnegie Mellon University specializing in HCI (Human-Computer Interaction) and robotics research to develop accessibility technologies for automotive applications

Ensuring Product Quality and Safety

A Clear Vision for Product Quality

Backed by the Presidents' strong commitment, we have developed a clear vision for product quality: "LG Electronics, Perceived as the World's Best Quality by Customers and Consumers." In order to fulfill this vision, we always consider product safety to be the highest priority over any other aspects of our business operations such as sales targets, product design, marketability, and costs. We strictly adhere to the principles and fundamentals in all stages of our product process, from product design to sourcing, production, marketing, product use, and customer service, and place the foremost value on delivering safe and quality products to consumers.

Enhancing Accountability for Quality Management

As part of our efforts to strengthen accountability for product quality management, LG Electronics established the Product Testing Laboratory under the auspices of the Quality Center to take leadership of the following initiatives.

1. Initiatives to Ensure Product Safety

We have expanded our product quality inspection to new products and models to ensure safety and quality from the very first stage of our product process, while developing and implementing safety standard for product design and testing procedures as extra steps to ensure product quality and safety.

2. Initiatives to Ensure Product Component Safety

We have implemented a certification and approval process for core safety components, expanding our quality inspection system to include product parts. We are also working with our core parts suppliers to ensure product safety across our supply chain, assisting our suppliers in assessing their safety capabilities and addressing any identified issues.

3. Initiatives to Prevent PL Risks

In order to improve our PL (Product Liability) response capability, we have implemented a PL risk detection system based on enhanced monitoring and response management efforts. This system allows timely and effective response in the unfortunate event of a PL incident, helping us not only to prevent the incident from escalating into a crisis but also to prevent the same incident from recurring.

4. Initiatives to Strengthen Quality Assessment Organizations and Systems

In an effort to facilitate product quality improvement from early in the development stage, we have established a development quality assessment organization at all Business Companies and introduced an organization dedicated to ensuring product and parts quality at our suppliers, enforcing our corporate-level quality system throughout the supply chain as well as within the organization.

Cultivation of Product Quality and Safety Specialists

LG Electronics launched the Quality College Program in 2012 to offer training on product quality and safety to employees (Korean and overseas) and core personnel from suppliers. With a primary focus on enhancing our employee capability in product quality and safety, the Quality College Program offers 16 position- and job-specific courses as requirements and 20 expert track courses as electives, including Advanced PL, Green Auditor Certification, and Six Sigma. We also provide seven courses for employees undergoing job or role changes, such as "Business Leader" candidates, entry-level recruits, new hires, and newly promoted managers. In 2015, we provided 45 in-class training courses in 120 sessions, with a total of 3,382 individuals completing the program. The Quality College has trained more than 12,000 individuals and offered a total of 404 sessions over the past three years.

In order to cultivate quality experts in highly specialized areas, we also offer preparation courses for Certified Reliability Engineer (CRE¹⁾) and Certified Quality Engineer (CQE²⁾) examinations, and recently opened a course for U.S. Certified Fire and Explosion Investigator (CFEI³⁾).

1) CRE: Certified Reliability Engineer

2) CQE: Certified Quality Engineer

3) CFEI: Certified Fire & Explosion Investigator

Motor Features **Cognition & Other Features**

- | | |
|---|---|
| <ul style="list-style-type: none"> • Control for touch feedback time (Touch & Hold Delay) • Touch Assistant offering direct access to major functions • Automatic screen timeout • "Knock-on" touch control for activating / deactivating the screen • "Knock-code" touch control for locking / unlocking the screen | <ul style="list-style-type: none"> • Guest mode for access control • Control option for touch control areas • Touch& Hold for call receiving |
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|---|--|
| <ul style="list-style-type: none"> • Automatic screen on • Knock-code | <ul style="list-style-type: none"> • Three physical buttons (Top for quick setting, Middle for pulling up the app list and Bottom for going back) |
|---|--|

- | | |
|--|--|
| <ul style="list-style-type: none"> • Intuitive control options supported by the wheel and the pointing gesture • UI optimized for user needs, offering intuitive icons and editable menu options | <ul style="list-style-type: none"> • Shade control for menu options • Control for the remote control cursor (including size) |
|--|--|

- | | |
|---|---|
| <ul style="list-style-type: none"> • Control for touch feedback time (Touch & Hold Delay) • Touch Assistant offering direct access to major functions • Automatic screen timeout • "Knock-on" touch control for activating / deactivating the screen • "Knock-code" touch control for locking / unlocking the screen | <ul style="list-style-type: none"> • Guest mode for access control • Control option for touch control areas |
|---|---|

Information Security & Protection of Personal Information

Global Information Security Conference

The Global Information Security Conference is part of our corporate-level initiatives to enhance professional capabilities of our information security managers. In the annual conference, best practices at our business sites are introduced to enhance our information security practices across the board. In 2015, over 120 information security managers from Korea and overseas subsidiaries came together at the conference to share best practices and exchange their professional knowhow on making our business sites and information assets secure and protected.

Information Security Training for Employees

In order to raise employee awareness on information security, LG Electronics conducts employee training on an annual basis, with 98.5 percent of Korean employees and 94 percent of overseas employees completing the training in 2015. Additionally, we provide position-specific training (for security staff, employees handling personal information, new hires, organization leaders, etc.) to help our employees acquire the knowledge and skills necessary to prevent infringement of personal information and protect proprietary information, and apply the knowledge in their work practices.

Ensuring Information Security with Suppliers

We are working with our suppliers to ensure information security across our supply chain. One such effort is information security training for our suppliers, offered on an annual basis to CEOs and information security managers from our suppliers. In 2015, we provided information security consulting to select suppliers (14 in total), performing security assessment to identify and address security vulnerabilities and conducting employee training. LG Electronics and suppliers also signed an agreement for win-win growth in information security to confirm our mutual commitment.

Protecting the Nation's Industrial Technology (Korea)

LG Electronics received a commendation for Distinguished Service in Industrial Technology Security (Awarded to the Leader of the Corporate Business Support Department at HQ) from the Ministry of Industry, Trade, and Energy at the Fifth Industrial Technology Security Day Ceremony held in October, 2015. The commendation was awarded in recognition for LG Electronics' contribution to safeguard-



01: Global Security Conference
 02: Commendation for Distinguished Service in Industrial Technology Security
 03: Agreement for Win-Win Growth in Information Security with Suppliers
 04: GSI (Global Security Index) System
 05: BS10012 Certification

ing the nation's industrial technology. LG Electronics has taken active part in strengthening the nation's defenses against international economic espionage. Our multi-dimensional efforts include ongoing support for initiatives led by the Korea Association of Industrial Technology Security. With an emphasis on raising industry awareness, we also share our security management knowhow through a wide range of programs, including security seminars and workshops given to information security managers from large corporations and SMEs in Korea.

Industrial Security Operation of the GSI System

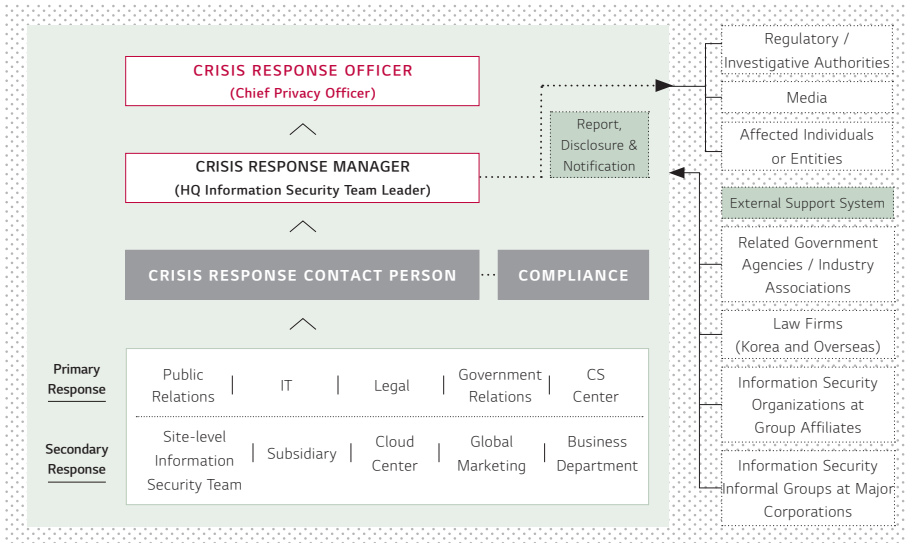
In order to better protect and manage our information assets and the personal information provided to us, LG Electronics developed the Global Security Index (GSI), a corporate information security management system. Implemented to promote employee awareness of and engagement in information security, the GSI is composed of individual- and team-level security practices (Team Security Score), site-level security practices (Korea, Security Index), and subsidiary-level security practices (Overseas, Security Index).

The GSI serves as a highly effective tool, used extensively by internal organizations tasked with security in promoting employee commitment and establishing information security as a standard business practice. We also built a system to leverage the GSI to the fullest extent, and use the system to discover and propagate best practices as well as to manage security practices. Additionally, the system effectively supports the development of annual security plan and implementation guidelines, and creates an environment conducive to more vigilant security efforts.

Personal Information Protection Certifications

LG Electronics makes every effort to safeguard personal information provided by customers, and ascertains our efforts and results externally through domestic and international certifications. In 2012, we acquired the PIMS (Personal Information Management System) Certification, issued by the Korea Communications Commission and managed by the Korea Internet and Security Agency, and have our management system validated on an annual basis through the reinstatement process. In 2015, we acquired the BS10012 certification (British Standard Data Protection Specification for a Personal Information Management System), demonstrating our commitment to customer privacy and personal information protection internationally as well. We will continue to work on acquiring and retaining PIMS

Global Crisis Response System



certifications in Korea and overseas to demonstrate our commitment to customer privacy and earn customer trust across the globe.

Global Compliance Risk Management

National governments across the world are strengthening laws and regulations on personal data and privacy protection, as attested by the European Union’s plan to implement stronger and more extensive data protection regulations, Russia’s new personal data localization law, and amendments to China’s Consumer Protection Act which extend the law’s coverage to the protection of personal information and privacy. As a global corporation whose operations span international boundaries, LG Electronics is implementing real-time responses to establish compliance with local data protection and privacy laws and regulations.

In order to maintain compliance in our policies and practices concerning personal information, LG Electronics developed a compliance rating system in full conformance with the OECD Eight Privacy Principles, and assesses our compliance level in areas such as management system, data lifecycle, and system protection measures. More than 100 overseas subsidiaries use the rating system to verify their conformance in each area and rate their compliance management performance as green (excellent), yellow (average), or red (poor). The rating system allows us to effectively manage compliance risks at overseas subsidiaries, whose physical distance often presents challenges in compliance risk management.

LG Electronics ultimately aims to create a personal information management system in which com-

pliance risks concerning personal information are identified, addressed, and managed at the subsidiary level. To this end, we plan to launch a project that promotes subsidiary-level compliance management in 2016.

Response System for Personal Data Breaches

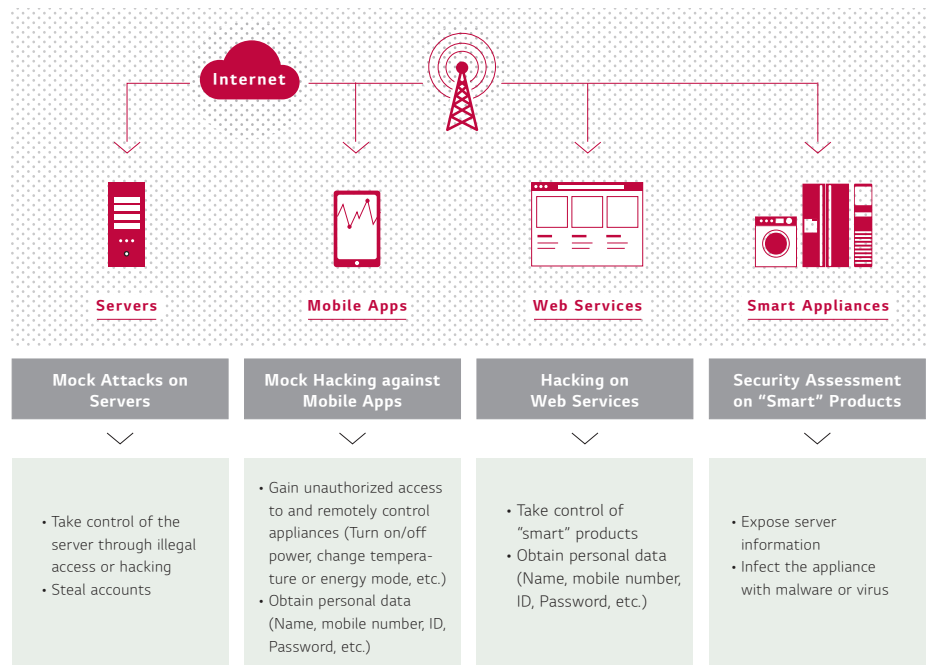
According to our analysis on personal data breaches that have struck large corporations in recent

years, failure to mount an effective response, not the data breach itself, was the principle cause for the greatest damage to both customers and the corporations. Based on the insight, LG Electronics assessed main types of data breaches and improved our response system through repeated simulations against each type of data breach. We are confident that our response system is fully ready to make a timely, accurate, and best possible response in the unfortunate event of a personal data breach, protecting customers and stakeholders and remaining faithful to their trust.

Addressing IoT · Vulnerabilities Enhancing System and Network Security

As part of efforts to safeguard personal and proprietary information, LG Electronics is working to build an information security system in full compliance with international standards. To this end, we have in place the LG Electronics Information Security Analysis Center (LGE ISAC), which develops an internal checklist based on international standards prescribed by the Open Web Application Security Project (OWASP), such as the OWASP Top 10, and conducts mock attacks and hackings against our products, applications, and systems based on the checklist in order to identify and remediate any vulnerabilities. LG Electronics also implemented the Wireless Intrusion Prevention System (WIPS) at all business sites in Korea to address the security vulnerabilities of Wireless LAN.

LG Electronics Information Security Analysis Center (LGE ISAC)



With the Environment

WHAT IS IMPORTANT?

Our 2015 materiality analysis identified the followings as the most important issues:

- 1) GHG Emissions Reduction and Climate Change Response
 - 2) Development of Highly Energy-Efficient (Environmentally-Friendly) Products
- Our stakeholders also found "Replacing Hazardous Materials in Products" and "Expanding e-Waste Take-back and Resource Recycling" to have a high importance.

HOW WE MANAGE IT?

Our Approach

LG Electronics makes continued efforts to minimize the environmental impact of our products throughout their lifecycle and to develop greener products, while implementing diverse initiatives to build "green" production sites via an integrated environmental management system.

Our Evaluation

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

Future Direction

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

Stakeholder Statement

”

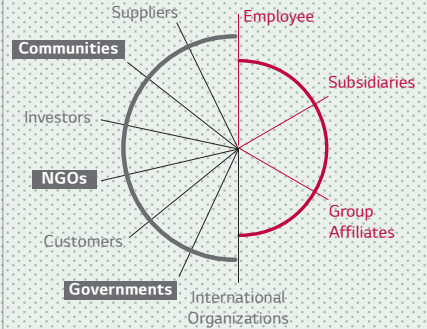
It is no longer enough for today's companies to make a profit for shareholders. They are also expected to make a positive contribution to society and the environment. LGE deserves credit for responding to this trend by quantifying its environmental impacts in financial terms. It is one of a small but growing group of visionary and pioneering companies that strive to monetise the societal impacts of their nonfinancial performance. For 2015-16, KPMG True Value has helped LGE to understand and explain its primary environmental impacts in terms of air, water, waste and ground pollutants for LGE's sites within Korea. We are proud that KPMG member firms are assisting LGE on this important journey and that LGE has chosen to use KPMG's True Value methodology. While this is a promising start, we look forward to a two-tiered approach by LGE for the next steps: to increase the number of quantifiable indicators (whether environmental or social), and expand such efforts to global sites. Ultimately, True Value shall enable LGE to take decisions that will increase its positive impacts in the future, and reduce its negative ones, potentially on a worldwide scale.



Adrian King
KPMG International
Global Head of Sustainability Services

BOUNDARY

- / Internal Stakeholders
- / External Stakeholders



Our Performance



Product Use Level
Reduced **41.0**
million tons

Production Level
Reduced **353,000**
tons
GHG Emissions



212,496 tons
e-Waste Collected



ISO 22301
(Pyeongtaek, Yantai and Vietnam)
Business Continuity Management System Certification



77 %
Recycling Rate

Products with Greener Features

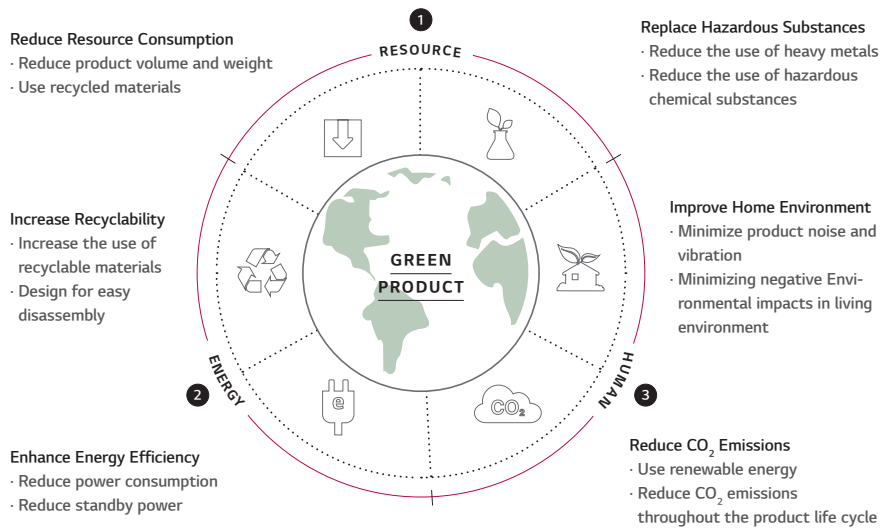
Strategic Directions

As part of our ongoing effort to enhance customer value, LG Electronics strives to make our products greener and reduce the environmental impact of our products throughout their life cycle. To this end, we quantify and analyze the environmental impact of our products at every stage of their life cycle; implement the “strategic framework for products with greener features” takes into account the three core factors of human, energy and resources; and identify and carry out critical tasks based on these factors. We also implement the Eco Index (internally developed indices to quantify environmental performance and establish targets) to support our systematic approach to developing greener features for our core products (TVs, mobile phones, refrigerators, washing machines, air conditioners, and monitors). LG Electronics manages environmental performance and targets for each of our products based on the index to expand the positive impact created by our development efforts towards products with greener features.

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

In 2011, LG Electronics adopted 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 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 range of eco-friendly Green 3 Star products. 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 and contributed to expanding the range of eco-friendly products. We also carefully manage and continuously revise the index to incorporate changes in the product development environment and maintain its effectiveness. In 2015, we revised the Eco Index and strengthened its performance requirements to fully accommodate customers’ diverse needs and growing requirements for environmental performance. 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

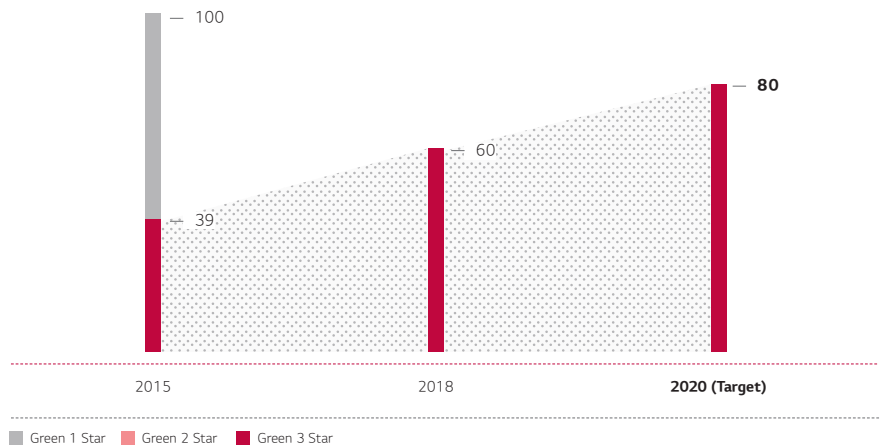


Rating Requirements for Eco Index

Core Assessment Criteria

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

2015 Performance in Products with Greener Features & Mid- to Long-Term Targets (in percentages)



Life Cycle Assessment (LCA) for Products

In compliance with international standards (ISO 14040 series) for environmental performance assessment tools, the Life Cycle Assessment (LCA) is a technique used 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 used this technique to quantify 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 strengthen our product assessment process based on the LCA, we created the Life Cycle Inventory (LCI) database for core product categories (TV, monitor, washing machine, refrigerator, solar module, mobile phone, and residential/commercial air conditioning system) in 2011, with which we perform life cycle assessment on seven product categories (TV, monitor, washing machine, refrigerator, mobile phone, and residential/commercial air conditioning system) on an annual basis. We also assess the life cycle carbon footprint and environmental impact of our products



01 -



02 -

01, 02: Acquired First LCIE Certification for Washing Machine Model

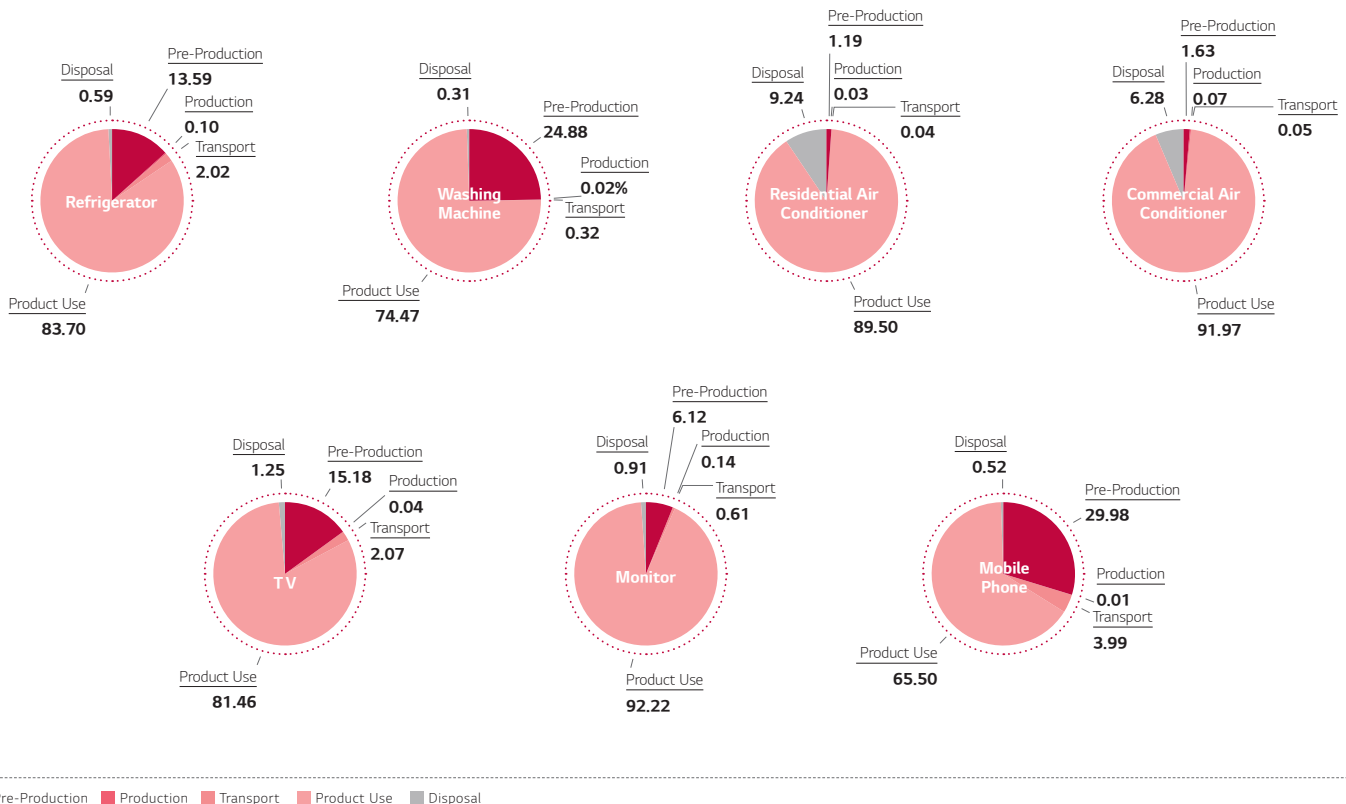
1) CLIMATOP: A certification issued to climate friendly products by Climatop, the low carbon certification agency in Switzerland.

2) LCIE (Laboratoire Centraldes Industries Electriques, The Central Laboratory of Electrical Industries of France):

LCIE's Ecodesign certification is given to a product that has substantially lowered its environmental impact from the previous model through a comparative life cycle assessment of factors that create environmental impacts, such as energy consumption, use of resources, and hazardous content.

and disclose the data through our corporate website and sustainability report, while ascertaining the integrity of the information through third-party certifications such as the Carbon Footprint Label, the Low Carbon Certificate, the Carbon Neutral Certificate (Korea), the CarbonFree Label (North America), and the CLIMATOP¹⁾ Label (Europe). In 2015, LG Electronics introduced a residential air conditioner model that uses the R-32 refrigerant, which produces 60 percent less GHG emissions than the existing product (R-410a), and acquired the Low Carbon Certificate. We also performed a comparative life cycle assessment for our new drum washing machine model (F84912WH) to ascertain its improved environmental performance from the previous model, acquiring the first Ecodesign certification for a washing machine model from LCIE²⁾, the most prominent non-profit assessment agency in France. As part of its ongoing efforts to develop greener features for its products, LG Electronics also developed the simplified LCA tool to assess potential environmental impact early on in the product development stage and implement to the development process for mobile phones, TVs, and home appliances.

Product Carbon Footprint Assessment, Breakdown by Life Cycle Phase (Unit: %, as of Dec. 31, 2015)



Product Stewardship

Voluntary Replacement of Hazardous Substances

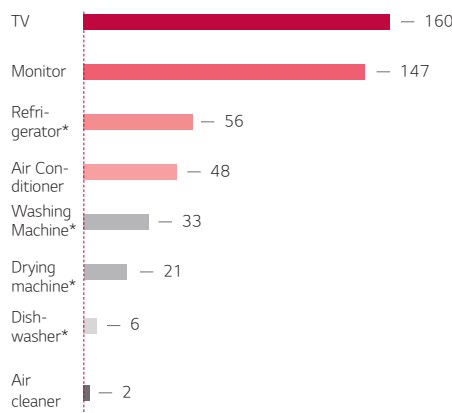
As a global electronics maker, LG Electronics is keenly aware of its responsibility for the health of people and the environment and fully complies with international regulations on hazardous substances, including RoHS and REACH. As part of our efforts to replace and reduce substances that are believed to have negative impacts on human health and the environment, we are continually replacing and reducing the use of regulated substances (lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB), and polybrominated diphenyl ethers (PBDE)) in our products. Moreover, we are proactively replacing substances that are not currently regulated but believed to be hazardous to the human body and the ecosystem, such as polyvinyl chloride (PVC) and brominated flame retardants (BFRs).

As a result of our ongoing efforts, we removed PVC and BFRs from all our mobile phone products in 2010, followed by phthalate and beryllium in 2011 and antimony trioxide in 2012. PVC cables in our UHD/OLED TV products have been substituted with PVC-free materials. We also introduced laptop and all-in-one PC models free of PVC and BFRs, while implementing a PVC-free skirt lower to all of our refrigerator products in 2013 and releasing vacuum cleaner models with PVC-free hoses in 2014. Our primary focus in R&D efforts is to replace hazardous or potentially hazardous substances in our products and components while maintaining the highest level of quality, and expand the practice to as many products as possible. As part of our preemptive response to the EU's POPs (persistent organic pollutants) regulations, we also replaced HBCD (Hexabromocyclododecane), a type of brominated flame retardant, from all of our products for European markets in 2015, and are expanding the practice to other global markets.

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.

Number of ENERGY STAR Products (Unit: EA)



* These figures are based on our basic product models, and the number of certified models actually increases after derivative models are included.

ENERGY STAR

ENERGY STAR is a certification program established by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy to promote energy-efficient consumer products. In 2015, LG Electronics has been recognized by the EPA with the ENERGY STAR Partner of the Year-Sustained Excellence Award, garnering the top honor for two consecutive years. LG Electronics has also been recognized as the ENERGY STAR Partner of the Year for four consecutive years since 2012 for continued leadership in protecting the environment, such as offering a greater number of ENERGY STAR-certified product models, raising consumer awareness on energy efficiency, and training employees on energy issues.

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Performance in Replacing Hazardous Substances



>1

Smart Phone, Smart Watch, G-pad

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



>2

OLED/UHD TV

- Adopted PVC-free cables
- Adopted BFR-free housing/stand
- Adopted mercury-free display panel



>3

Laptop and All-in-One PC

- Introduced PVC/BFR-free models in 2013 (except for FPCB, base PCB, battery, adaptor, keyboard, cables, touchpad, thermal module, and power cord)



>4

Monitor

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

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 (carbon footprint) and discloses the data, while making concerted efforts to reduce GHG emissions produced in all stages of their life cycle, such as making our products lighter, reducing the use of resources, and enhancing energy efficiency.

In particular, LG Electronics plans to contribute to the reduction of GHG emissions associated with product use by developing and introducing highly energy-efficient products, with a target to reduce 60 million tons by 2020, compared to BAU¹⁾ levels from baseline year 2007. By meeting the target, LG Electronics will contribute to reducing approximately 400 million tons of GHG emissions associated with product use (cumulative). To this end, in 2015 we put great effort into introducing products with highly energy-efficient features, contributing to a reduction of GHG emissions associated with product use by 41 million tons (compared to the 2007 energy consumption). In order to achieve the reduction target by 2020, LG Electronics plans to push forward with a broad range of initiatives for enhancing energy efficiency.

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

Resource Reduction

Improving Materials and Structures

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. In 2015, we were able to achieve a weight reduction of approximately 30 percent (0.56kg) in our 2015 15-inch laptop model (Model: 15Z950) compared to the previous year's model (U560) of the same size with improved materials, while reducing the number of components and fastening parts by, respectively, 27 percent and 16 percent through an improved product structure.

2015 Low Carbon Product Certifications (Korea)

Year Certified	Product	Model	Valid through	Year Certified	Product	Model	Valid through
2015	Air Cleaner	LA-V069DLR	2017-08-27	2013	Refrigerator	R-D413PF5M	2016-09-29
2015	Air Cleaner	LA-V069DWR	2017-08-27	2013	Refrigerator	R-D413PF5S	2016-09-29
2014	Air Conditioner	FNQ187VEPW/	2017-07-29	2013	Refrigerator	R-D413PF5K	2016-09-29
		FUQ187VEU		2013	Refrigerator	R-D413PF5W	2016-09-29
2014	Air Conditioner	FNQ187VFPW/	2017-07-29	2013	Refrigerator	R-D413PF5C	2016-09-29
		FUQ187VEU		2013	Refrigerator	R-D413PF5D	2016-09-29
2014	Air Cleaner	LA-V069DW	2017-08-27	2013	Refrigerator	R-D413PF5WA	2016-09-29
2014	Air Cleaner	LA-V069DL	2017-08-27				
2014	Refrigerator	R-F955EDSB	2017-08-27				

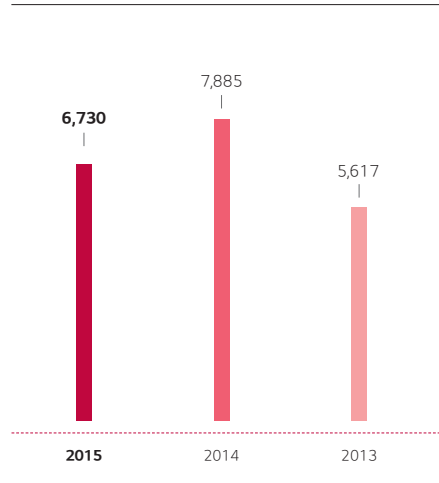
Green Technology Certification Acquired by LG Electronics (Korea)

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

Use of Recycled Materials

As part of our efforts to promote recycling and the efficient use of resources, LG Electronics utilizes recycled plastics in some of its product components following careful stability and reliability tests. Based on such efforts, recycled materials are used in our washing machine, refrigerator, air quality solution, smartphone, TV, and monitor products. In 2015, LG Electronics used 6,730 tons of post-consumer recycled (PCR) plastics, slightly down from the previous year after continually increasing from 4,980 tons in 2012 to 5,617 tons in 2013 and 7,885 tons in 2014. The decline in our use of PCR plastics was largely due to low oil prices, which reduced the competitiveness of recycled materials. 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.

Annual PCR Plastics Consumption (Unit: ton)



e-Waste Management

e-Waste Management Efforts (Overseas)

LG Electronics provides e-waste take-back service in accordance with Waste Electrical and Electronic Equipment (WEEE) regulations and local requirements around the world. Currently, LG Electronics offers the service to customers from 80 regions in 47 countries (as of the end of 2015), and is continually expanding the program. We are also in the process of establishing a take-back system in countries planning to implement WEEE regulations after 2016, such as Russia, Vietnam, Chile and the Philippines, by carefully reviewing local regulations and maintaining an open dialogue with governmental and industry organizations in order to make the appropriate responses. Based on these efforts, we plan to contribute to environmentally responsible disposal of e-waste. LG Electronics also offers information on its e-waste take-back system and related activities on its website (<http://www.lg.com/global/recycling>) for our stakeholders.



01 -



02 -

- e-WASTE MANAGEMENT (KOREA)

01: Free e-Waste Take-back Service

02: Collection Box for Used Mobile Phones

e-Waste Management Efforts (Korea)

Free Take-back Service for Major Home Appliances

Since 2014, LG Electronics has operated a free take-back service for major household appliances, available nationwide upon request and without requiring product purchase. Unlike the previous system, in which e-waste was collected upon delivery and installation of new appliances, this new take-back system allows consumers to make a request at their nearest LG Bestshop for collection service, carried out by our dedicated collection service team. Thanks to this new take-back system, consumers can dispose of their old appliances much more easily in an environmentally responsible manner, and collection rates also continue to increase. In 2016, LG Electronics plans to expand the service targets to include B2B customers and take the leadership in promoting sustainable resource recycling in our society.

Collection Box for Old Mobile Phones

Collecting and recycling old mobile phones requires extra caution and care as those phones contain sensitive personal data, which needs to be securely removed before the phones are destroyed or recycled. To this end, LG Electronics operates a secure and environmentally-responsible process to collect and dispose or recycle old mobile phones. LG Electronics also runs an annual campaign to promote the recycling of old mobile phones. In 2015, we expanded the campaign to include consumers and implemented a year-round collection system, which was previously limited to the campaign period. Under the new collection system, LG Electronics collects old mobile phones through collection boxes installed at the LG Bestshop stores and service locations nationwide. These disposed phones are delivered to be processed in an environmentally safe manner at reputable recycling centers. LG Electronics will strive to deliver green services that satisfy customer needs and take the leadership in promoting sustainable resource recycling in our society.

FOCUS

2015 Materials and Structures Improvement Case



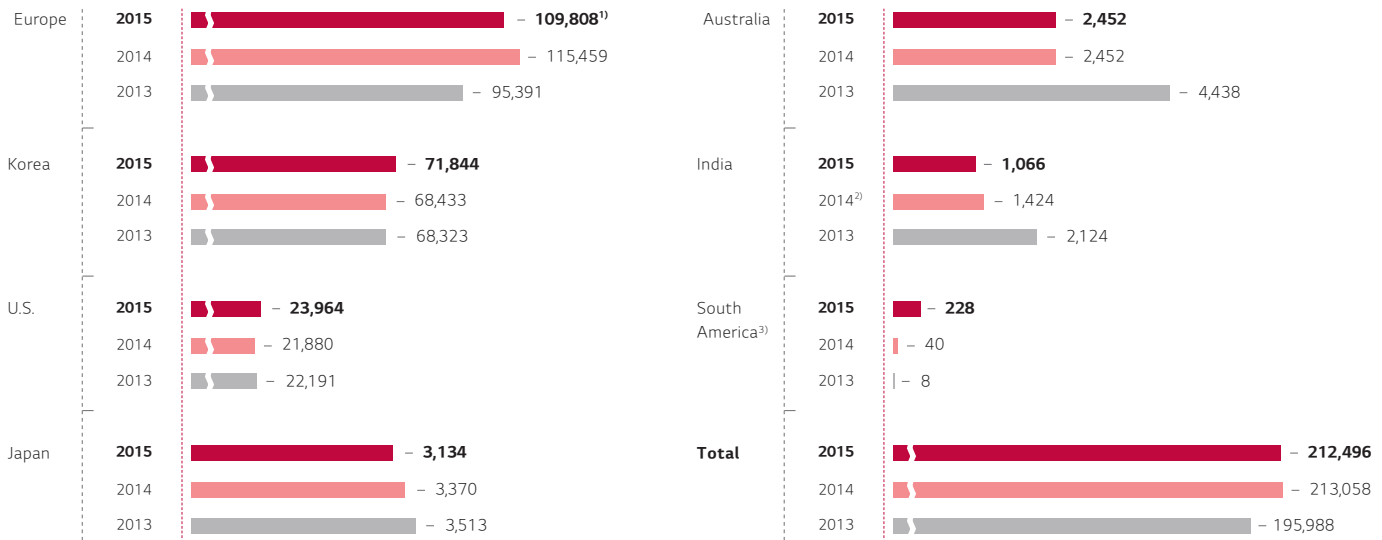
>2014



>2015

Model	U560	15Z950
Screen Size	15.6 inch	15.6 inch
Weight	Approx. 1.95 kg	Approx. 1.39 kg
Volume	1.889 m ³	1.410 m ³
Number of Types of Plastic Materials	3	1
Number of Components	1,747	1,105
Number of Fastening Parts	63	53
Number of Types of Fastening Screws	1	1

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



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

1) Figures for some European countries are estimates | 2) 2014 India figures are updated | 3) South America: Brazil, Colombia, and Peru

Green Packaging

In 2012, LG Electronics introduced its Greener Packaging Design guidelines to reduce the weight and volume of our product packages and promote the reuse and recycling of packaging materials. The guidelines were initially implemented for select TV and mobile phone products, later expanded to include 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. Since 2014, we have established targets for annual reduction rates (use of packaging materials, volume of packages, and interior packaging space) at the business company level, and reviewed performance on a semiannual basis. In 2015, we also implemented the guidelines to designing packages for new product models and assessing their environmental performance. Thanks to these efforts, we were able to reduce the use of packaging materials and empty space inside the packages for new products by, respectively, 0.2 percent and 4.7 percent despite an increase in size for some products. In 2016, 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.

FOCUS

Green Packaging Improvement Case



Package Box for 7 inch Tablet_LK430

Weight ↓	Logistics Costs ↓
148g → 133.5g	KRW 740 --> KRW 667.5

Changed the paper-folded pad with pulp-molded pad to reduce weight and logistics costs



Package Box for 8 inch Tablet_VK815

Weight ↓	Logistics Costs ↓
246g → 160g	KRW 1,230 --> KRW 800

Time Required for Boxing the Product ↓

Improved the package to achieved weight reduction as well as to reduce the time required boxing the product by making it easy to place accessories into the box and perform barcode scanning

Green Partnerships

Green Program Plus

LG Electronics operates "Green Program Plus (GP Plus)," a sustainability management program for its supply chain, and uses the program to help our suppliers improve their environmental performance by transferring our green technologies and related knowhow. Initially implemented in 2005 to manage hazardous substances as a regulatory response, this program has been expanded to include GHG emissions at our supplier sites and upgraded to GP Plus, a comprehensive management program for environmental performance. 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 global regulatory requirements.

01 -



02 -



01, 02: Green Program Plus Training for Suppliers

Training and Technology Support for Suppliers

In order to strengthen green partnerships with its suppliers, LG Electronics provides annual training on green technology, compliance response for hazardous substances, and GHG emissions management to suppliers (staff members for environmental management) and our employees in charge of the partnership. In 2013, we also introduced a new program to foster experts in collecting hazardous substance data (Environmental Data Collection Expert Program), and provide training to the equipment testing operators from our suppliers, improving the technical capabilities of our suppliers in managing and measuring hazardous substances and ensuring the integrity of the data. In 2015, 163 participants from suppliers (Green Expert Program) completed the training. LG Electronics plans to expand the training to include our suppliers in overseas locations.



Package for Global Mid-end Phone Models

Size ↓

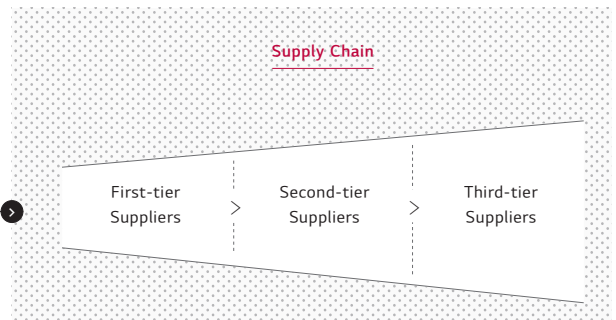
146 X 95 X 56(mm) → 142 X 71 X 53(mm)

Achieved volume reduction with the compact design

Green Program Plus



- GHG Emissions
- Hazardous Substances in Products
- Supplier Support



2015 Green Expert Training

Program	Session	Training Target	Number of Participants	Curriculum
Green Expert Working-level Capacity Building	Fourth	Managers & Working-level Staff from Suppliers'	92	<ul style="list-style-type: none"> · Introduction to Environmental Regulations · Management & Analysis Technology for Hazardous Substances · Hazardous Substance Management System (HSMS) · GHG Emissions Management
Measurement of Hazardous Substances – Practical Applications	Fourth	Environmental Inspectors from Suppliers	71	<ul style="list-style-type: none"> · LGE Standards for Managing Hazardous Substances · Measuring XRF (Theory) · Measuring XRF (Practice)

Environmental Awards

01 Receives Top Honor from U.S. Green Building Council New Jersey Chapter



01 LG Electronics Receives Top Honor from U.S. Green Building Council New Jersey Chapter for Outstanding Achievement and Best Practices in Green Building and Sustainability

The U.S. Green Building Council New Jersey Chapter honored LG Electronics USA at its annual Emerald Awards Gala, held on October 30, 2015. The LEED advocacy group recognized LG Electronics' commitment towards green building and sustainability practices, which was clearly demonstrated through the new design for the company's North American Headquarters in Englewood Cliffs that will create a world-class, sustainably-designed building complex, and the company's efforts to protect the iconic vistas and integrity of the Palisades Park, a National Natural and Historic Landmark, by making design changes (lowering the height of the complex, etc.) through ongoing discussion and collaboration with local conservation groups.

02 LG Electronics Receives Top Honor for Two Consecutive Years at ENERGY STAR Awards LG Electronics was honored by the U.S. EPA with the 2015 ENERGY

ENERGY STAR Partner of the Year - Sustained Excellence Award for the second year running. The company has also earned the ENERGY STAR Partner of the Year Award and the ENERGY STAR Climate Communicator Award, respectively, for four and two consecutive years. Launched in 1993 by the U.S. EPA, the ENERGY STAR Award is regarded as one of the most prestigious recognitions for achievements in energy and environment. The Sustained Excellence Award is particularly significant as the award is given to businesses or organizations that have demonstrated continued leadership in protecting the environment by consistently earning "Partner of the Year" for several years in a row.

LG Electronics was recognized for its commitment to improving the environment through energy efficiency in the United States, such as offer-

04 President of LG Electronics USA Receives Responsible CEO of the Year Award



ing a greater number of ENERGY STAR certified product models, raising consumer awareness on energy efficiency, and engaging in employee outreach programs on energy issues. LG Electronics also partnered with ENERGY STAR on ENERGY STAR Change the World Tour community service events and generated a strong response from community members. Additionally, we donated our "ENERGY STAR Most Efficient" products (TVs, washing machines, etc.) to community centers in the greater Denver and Boston areas, successfully integrating our community outreach programs and energy awareness campaigns.

03 U.S. EPA Honors LG Electronics with Top-Level Gold Award in Electronics Recycling Challenge

In recognition of its leadership in responsible electronics recycling, LG Electronics was honored by the U.S. Environmental Protection Agency with the Gold Tier Award, the top-level recognition in the EPA's Sustainable Materials Management (SMM) Challenge.

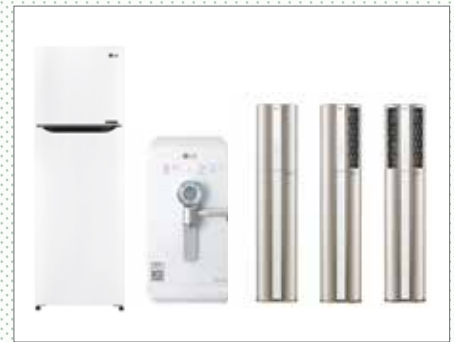
The Gold Tier Award recognizes LG's significant contributions to the EPA's SMM Electronics Challenge goals by advancing the responsible management of used electronics through third-party certified recycling and publicly sharing detailed information about its electronic management practices. According to the EPA, the award also recognizes "LG's dedication to increasing consumer awareness about the importance of third-party certified recycling through nationwide education and outreach efforts."

The award also recognized LG Electronics' collection and responsible recycling of nearly 25,000 tons of used electronics, diverting solid waste from landfills. This avoided the release of the equivalent of more than 64,000 tons of CO₂ into the atmosphere. According to the EPA, the positive environmental impact of the company's responsible recycling is equal to taking 12,300 passenger cars off the road for a year or saving enough energy to power more than 8,000 U.S. homes for a year.



05 Receives Most Number of Energy Winner Awards in Electronics Industry

06 Receives Green Product of the Year Awards for Three Products, Best Performance in Industry



In December 2012, LG Electronics became the first electronics maker to sign an MOU with the EPA, through which we pledged to implement initiatives for energy saving and using renewable energy sources in our business locations (office space, warehouse, etc.) and report our performance to the EPA on an annual basis (June). The EPA also shares this information through its official reports.

04 President of LG Electronics USA Receives Responsible CEO of the Year Award

William Cho, president and CEO of LG Electronics USA, was named the 2015 Responsible CEO of the Year by Corporate Responsibility (CR) Magazine, the US publication specializing in covering case studies, best practices, and trends in the corporate responsibility profession. The magazine is a leading voice in corporate responsibility with more than 20,000 paid subscriptions and offices in the United States, Belgium, the United Kingdom, and Singapore. In its statement announcing this year's award winners, CM Magazine recognized LG Electronics for its ongoing efforts towards environmentally responsible product innovation, and assessed that under Cho's leadership, LG Electronics had established sustainable management as the core principle of its business management and practices.

05 LG Electronics Receives Highest Number of Energy Winner Awards in Electronics Industry

LG Electronics was honored with Energy Winner awards for 62 models across 13 product categories at the 19th Energy Winner Awards (July 2015), the best performance by an electronics maker. Organized and hosted by Consumers Korea, the non-governmental consumer rights advocacy group, and the Ministry of Trade, Industry and Energy and sponsored by the Ministry of Environment and the Korea Energy Agency,

the Energy Winner of the Year Awards recognize highly energy-efficient products as well as businesses that have demonstrated leadership in promoting energy efficiency based on an assessment process led by a consumer advocacy group. At the award ceremony, LG Electronics received the Ministry of Environment Award for its NeOn2, the premium PV module featuring a double-sided cell structure with the world's best efficiency rate of 19.5 percent for six-inch (15.67 cm) N-type wafers. The company was also honored with the Energy Technology Award for the high-ceiling flat LED lighting solution featuring thermal design; and the Energy Efficiency Award for the Bottom-Freezer refrigerator (V9500), which achieved the lowest energy consumption in Korea with a high-efficiency inverter linear compressor. LG Electronics also won Energy Winner awards across a wide range of product categories, including the UHD TV, the Twin Wash drum washing machine, the Black Label full-automatic washing machine, and the Dual-Outlet air conditioner.

06 LG Electronics Receives Green Product of the Year Awards for Three Products, Best Performance in Industry

LG Electronics received the 2015 Green Product of the Year Award, organized and hosted by the Korea Green Purchasing Network and sponsored by the Ministry of Environment, for three different products: the Dual-Outlet air conditioner (F-Q160PT1W), the Top-Freezer refrigerator (R-B261GBW), and the hot and cold water purifier (WD501GW). This also marks the sixth consecutive year that the company has earned the recognition for a major product and the fourth straight year for achieving the best performance in the industry with the most number of winners. The Green Product of the Year Awards honor products that achieved exceptional environmental and energy performance with the aim of promoting green product markets and green consumerism.

EESH Management System

EESH Policy

LG Electronics' EESH (Energy/Environment/Safety/Health) management system is mainly comprised of three pillars – green production sites, green new products and green new businesses, as defined by our group-level environmental initiative "Green 2020." In line with Green 2020, LG Electronics also established its own initiatives and targets and is pressing forward with their implementation, reviewing and making necessary adjustments at our annual performance and strategy consensus meetings. Recognizing the growing importance of EESH management, LG Electronics set reduction targets for GHG emissions, resource consumption (energy and water) and accident rates, and tracks our progress and performance in these areas on an ongoing basis. In July 2015, we also established the "LG Electronics Guidelines for EESH Management" and the "Seven Principles for the Safe Working Environment" as part of our management framework for EESH, and launched a comprehensive range of initiatives through diverse channels to raise employee awareness and affect positive changes in their everyday practice.

In line with the group-level green management strategy and EESH management targets, LG Electronics developed the corporate-level EESH Policy, based on which we strive to protect the environment of the Earth, promote the sustainable development of society, establish a corporate culture that facilitates an advanced level of EESH practices,

LG EESH Policy



As part of its efforts to stay true to the management principle, "People-Oriented Management," LG has established EESH as one of the core elements of the company's sustainable business management and complies with the following policies to deliver differentiated products and services to customers.

- ❶ Comply with related laws and regulations and establish EESH management that satisfies international standards.
- ❷ Implement the EESH management system and continuously improve the system.
- ❸ Establish compliance as a standard business practice and create a safe and comfortable work environment.
- ❹ Facilitate innovation throughout the product process in order to deliver environmentally-friendly products and services.
- ❺ Actively provide our suppliers and communities with support to promote EESH.
- ❻ Disclose information to ensure transparency and communicate with stakeholders with sincerity.

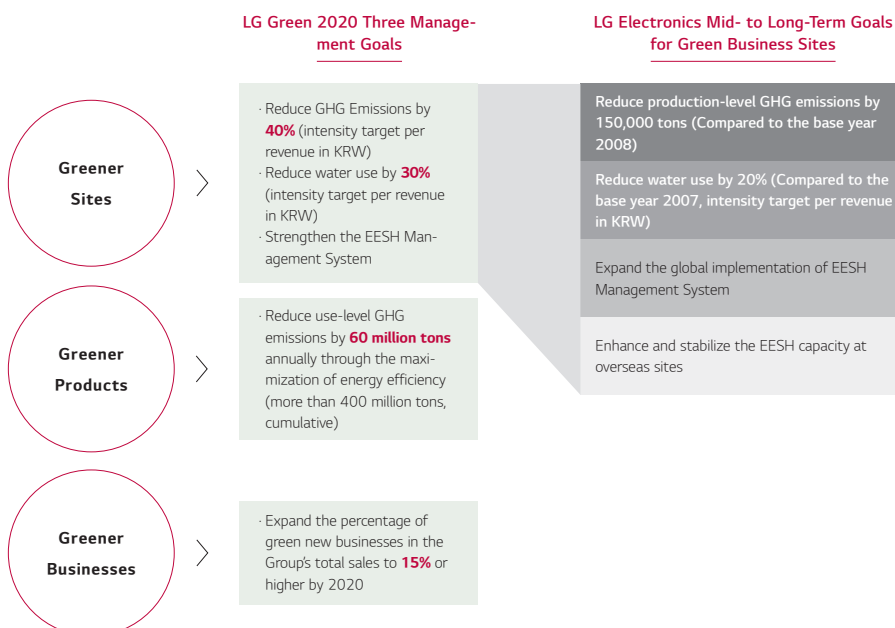
In order to comply with these policies, place priority on EESH in all of our business activities.

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

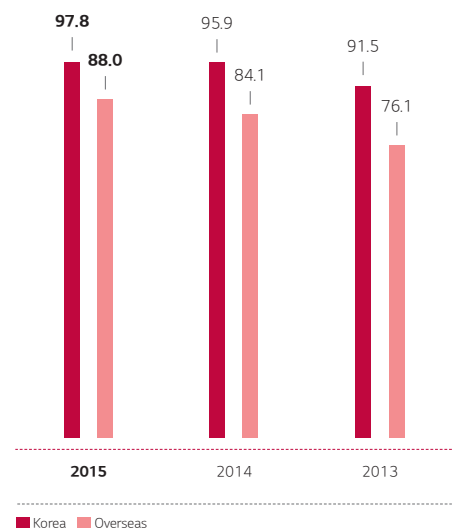
EESH Audit System

As part of our efforts to ensure EESH compliance across the board and become Global No.1 in EESH management, LG Electronics developed the Global EESH Audit Rating System (GEARS) and performs an EESH audit on its production and R&D locations in Korea and overseas on an annual basis to identify EESH issues in advance and prevent those issues from developing into serious risks. Based on the audit results, we rate the level of EESH management at each of our production and R&D sites (excellent, good, average, and poor) and implement improvement initiatives to bring up the rating to "excellent" across our locations. In the 2015 EESH audit, production and R&D locations in Korea improved their score to 97.8 points, up 2.0 point from the previous year, while overseas locations also increased their score by four points to 88.0. Based on the audit results, each site formulated and implemented an improvement plan whose progress is carefully managed and approved by the subsidiary president to ensure successful execution.

Green 2020



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



In 2016, we plan to implement GEARS 3.0, the advanced version of GEARS with stronger requirements, in order to make preemptive responses to growing EESH risks and regulatory requirements.

EESH Compliance Risk Management System

As part of our efforts to stay current and compliant with EESH legislations and regulations in 15 countries where our production sites and R&D centers are located, we implemented a risk management system in 2014, through which we monitor changes in EESH legislations and regulations around the world and monitor compliance performance at all of our production and R&D locations. In order to mount effective responses to EESH compliance risks, the company's Korea headquarters also conduct risk assessment on overseas subsidiaries to evaluate their compliance performance and identify issues based on the requirements in ten different areas (general environment, air quality, water quality, waste, chemical substances, hazardous materials, general safety, facilities and equipment, emergency readiness, and industrial health). In 2016, LG Electronics plans to perform compliance risk assessment on its subsidiaries in Brazil, Mexico, India, Vietnam and Indonesia, following its 2015 assessment on 11 subsidiaries located in China, as part of a plan to complete the assessment on all overseas subsidiaries by 2018. Our 2015 assessment on the Chinese subsidiaries identified some 300 major/minor issues, which we intend to address within the year.

Expanding 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, in an extreme case, force it out of business. In order to fully prepare itself against such unforeseen events and ensure business continuity, LG Electronics began the implementation of the Business Continuity Management (BCM, ISO



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02 -

- Supplier EESH Training

- 01: e-Learning screen for 2015 Employee EESH training
- 02: Received the "Commendation for Excellence" at the Chemical Safety Management Best Practice Presentation Hosted by the Ministry of Environment

22301) System in 2008. As a result, our mobile production line at the Pyeongtaek Plant became the first to acquire ISO 22301 in Korea in November 2014, followed by other production facilities for B2B operations including our Yantai subsidiary in China and the IVI Business Unit's Pyeongtaek facility (2015). In 2016, we plan to expand the BCM implementation to include other production facilities for our B2B operations, including the Vietnamese subsidiary (2016) of the IVI Business Unit. We also began the BCM implementation for our R&D locations, with the Gasan R&D Campus to complete the implementation by July 2016. Our Vehicle Component Business Company will also implement the BCM system in the second half of 2016.

Employee EESH Training

Since 2013, LG Electronics has offered EESH awareness training to all of its employees in order to establish EESH management as part of our employees' everyday practice. In 2015, we conducted group-level EESH training to heighten employee awareness across the companies under the LG group. In addition to internal employee training programs and compulsory training programs required by the Occupational Safety and Health Act, we also offer EESH training programs tailored specifically for different employee groups (position/business function). In 2015, we included EESH training in the required training programs for promotion candidates (assistant managers, managers, and senior managers), while offering advanced training courses for FSEs, subsidiary presidents, and employees from the EESH business functions (Korea). In 2016, we plan to offer advanced EESH training programs for our EESH staff in China. LG Electronics will continue to enhance our training programs to promote employee awareness on EESH and establish EESH compliance as an integral part of their everyday practice through training programs tailored for different employee groups (position/business function/region).

Enhancing EESH Management

Strengthening Chemicals Management

As part of efforts to safely manage all chemical materials stored and used at our suppliers' as well as at our production sites, LG Electronics established the LG Chemicals Management System (LGCMS) in 2013. Through this system, LG Electronics performs preliminary safety and environmental screening on all chemicals stored and used at production sites, minimizing compliance risks and effectively preventing industrial chemical accidents. We also revised our internal requirements for chemical safety training and standards for management facilities to establish compliance with related laws and regulations, while offering awareness training to employees.

Our effort towards safety management has been widely recognized, receiving the "Commendation for Excellence" at the "Large and SME Partnerships for Chemical Safety Management: Best Practice Presentation" hosted by the Ministry of Environment in October 2015, during which our cases were presented at the presidential briefing for business innovation and the following discussion session.

EESH Compliance Risk Assessment on Overseas Subsidiaries

2015	2016 (In Progress)	2017 (Planned)
<p>11 subsidiaries in China Shenyang, Huizhou, Tianjin, Qingdao (QA, QD), Yantai, Qinhuangdao, Nanjing (NT, PN), Taizhou, Hangzho</p>	<p>9 subsidiaries Brazil (Manaus, Taubate), Mexico (Mexicali, Monterey, Reynosa), India (Noida, Pune), Vietnam, Indonesia (Tanggerang)</p>	<p>Europe, Asia, Middle East & Africa</p>

Strengthening Safety Management System

As part of our initiatives to incorporate our growing awareness on the importance of risk management against large-scale industrial accidents such as fire and explosion and respond to increasing requirements for fire readiness from reinsurance providers, LG Electronics implements the Fire Risk Index (FRI) to assess our fire risk management and identify potential risks. The FRI maps the fire risks associated with our production sites and translates them into diagrams and metrics for risk management, based on which we manage and reduce fire risks through improvement efforts. In 2015, we performed the FRI-based fire risk assessment on six of our Korean sites (Gumi Solar Plant, Changwon Plant 1 and 2, Cheongju Plant, Incheon Campus, and Pyeongtaek Digital Park) and five of our overseas production subsidiaries (Taubate and Manaus in Brazil and Monterey, Reynosa, and Mexicali in Mexico). The assessment results are categorized into three groups (high-risk, medium-risk, and low-risk) and managed accordingly, with the goal of lowering the risk levels to “low” at all of our business sites. In addition, LG Electronics receives third-party consulting on safety management for explosion risk areas to address risks associated with the growing number of production sites handling flammables and old production equipment. In 2015, we received consulting on three production sites (Gasan R&D Campus, Changwon Plant 2 and Pyeongtaek Digital Park) and carefully inspected areas on the premises that poses a high risk of flammable substance leakages. Based on the results, we are implementing initiatives to lower fire and explosion risks by ensuring that the volume and speed of a leakage is contained to a minimum level even in emergency situations.

Expanding EESH Management Across Value Chain

LG Electronics is expanding the scope of EESH management from production, business and R&D locations to include warehouse facilities and supplier sites. To this end, we established the warehouse disaster readiness and safety management system in 2015 and conducted assessment on ten different warehouse facilities around the world, including New Jersey (two locations) and Dallas in the United States, Nanjing in China, New Deli (three locations) in India, and three locations in Indonesia. In 2016, LG Electronics plans to further strengthen the management system by integrating it with the quality assessment performed across our value chain. Our disaster readiness and safety management assessment is comprised of performing self-assessment on the five different management areas of construction, use, security, risk exposure and management, rating the results into four dif-

ferent levels (A to D), and providing the necessary support to under-performing facilities (C and D) which will include improvement consulting coordinated by the EESH department and other related departments. To be implemented from 2016, this new assessment will be conducted on all of our warehouse facilities on a semiannual basis.

Promoting Employee Health & Enhancing Working Conditions

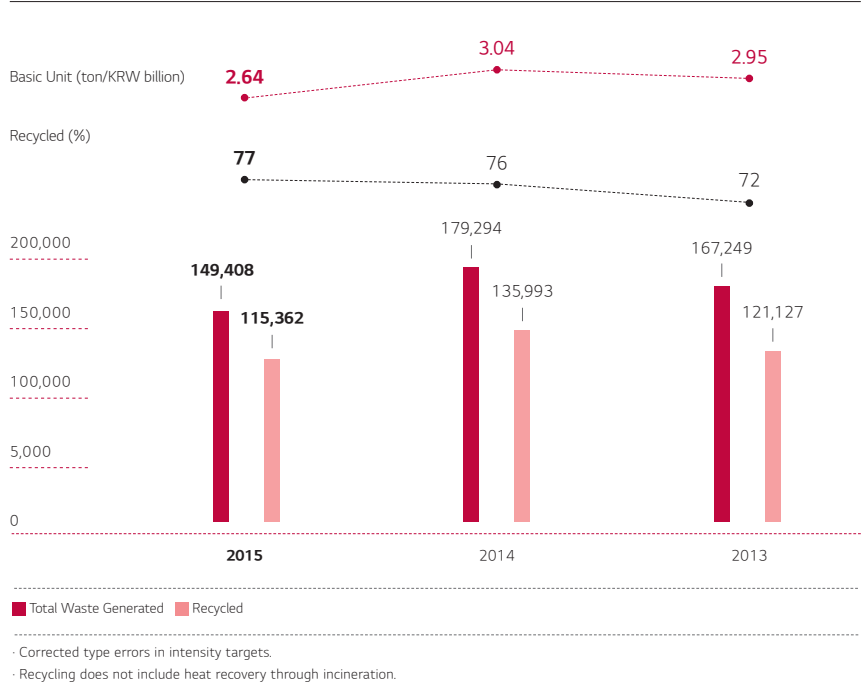
As part of our efforts to promote employee health, LG Electronics runs employee health promotion programs on an annual basis. Since 2014, the Seocho and Woomyeon R&D Campuses have participated in a health program called “Health Rainbow,” which is comprised of seven subprograms (Diet King, Stamina King, Walking King, etc.). As part of the Diet King program activities, our employees participated in the “Urban Walkabout for Health” project organized by the Seoul metropolitan government and placed first and second among 24 teams from 11 companies by reducing on average 11.37 percent of body fat (10.12 kg of body weight

on average). We also provided site-level (Twin Towers, Changwon, and Gumi) support to employees with high risk for developing the four major illnesses (hypertension, diabetes, hyperlipidemia, and liver diseases) to receive health counseling and treatment, while offering art and music therapy sessions to help our employees relieve work-related stress. Our Changwon Plant implemented noise control process – measuring the noise levels at the production lines, replacing automated shapers, and installing soundproof covers and work spaces – to protect our employees against excessive noise and improve working conditions.

Increasing Recycling Rates for Waste

LG Electronics makes ongoing effort to reduce solid waste through recycling by making continuous investments in environmental facilities and implementing process innovation. As part of these efforts, LG Electronics improved the recycling system for solid waste at Manaus, Brazil in 2014 and installed a press to compress and bale disposed packaging materials at our Haiphong Plant in Vietnam

Waste Generated and Recycled (Unit: ton)



FRI (Fire Risk Index) Implementation Results & Plan

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

in 2015 to minimize the volume of solid waste and improve efficiency in recycling process. As part of our efforts to increase recycling rates, we also revised our recycling process to dispose plastic packaging materials in an environmentally responsible manner, which were previously classified as general waste and incinerated. LG Electronics will continue to work on minimizing waste from our business sites and expand the list of recyclable materials to ultimately achieve full recycling and zero waste.

Strengthening Management for the EESH System

LG Electronics implemented a corporate EESH portal in 2000 to facilitate the systematic management of our EESH initiatives while improving efficiency in our risk management efforts and management system operations. The EESH portal organizes business processes into a system to help our employees carry out related tasks with increased efficiency. In 2015, the EESH Portal underwent an overhaul to incorporate stakeholder and legal requirements, streamline the business process, improve user convenience, and accommodate the needs of overseas production subsidiaries. Comprised of sections for energy, environment, safety and EESH certification and related menu options, the upgraded portal was made available to Korean employees in February 2016 and will be opened to overseas subsidiaries in 2017 to improve business efficiency across the board.

Management of Energy, GHG Emissions and Water Use

Reduction of Production-Level GHG Emissions

In 2009, LG Electronics established the mid- to long-term reduction targets for GHG emissions and has since continued to engage in a wide range of efforts to improve our performance. To this end, we are implementing the four strategic directions for climate change response, which is comprised of initiatives for expanding investments in high efficiency equipment, enhancing the operational efficiency of facilities and equipment, expanding the use of renewable energy, and promoting employee energy-saving activities. We have set a target to reduce 150,000 tons of production-level GHG emissions by 2020 (ten percent reduction), through which we expect to reduce a total of approximately one million tons (cumulative) of GHG emissions between 2009 and 2020. To this end, LG Electronics also sets a reduction target for the year and manages GHG emissions accordingly. In 2015, we outperformed the annual



01: News Article on Health Rainbow
 02: Health Rainbow Activities
 03: Corporate EESH Portal

target by 265,000 tons, achieving a reduction of 353,000 tons compared to the base year 2008.

Expanding the Use of Energy-Saving Solutions and Renewable Energy

LG Electronics is reducing energy use by improving the operational efficiency of production and general facilities and continually expanding our investments in high-efficiency equipment. In 2015, we implemented an automated control system as part of our Factory Energy Management System (FEMS) to save energy and effectively manage peak energy demand, contributing to a reduction of GHG emissions. Our Changwon Plant became the first Korean facility to acquire the FEMS certification from the Korea Energy Agency, while our Gumi Solar Plant implemented the processing system for SF₆ gas used in solar panel production, achieving a reduction of about 4,600 tons of GHG emissions in December alone. 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 2015 and reducing about 9,650 tons of GHG emissions. Office buildings in the United States and Europe are also increasing their purchase of renewable energy. In 2015, US facilities reduced a total of 1,490 tons of GHG emissions through renewable energy purchases, while our European office buildings avoided 1,280 tons of GHG emissions.

Since 2014, our production and R&D locations in Korea have participated in the Power Demand Management project, a new government energy initiative for generating profits by saving electric power used at plants or buildings. LG Electronics manages our power use by voluntarily reducing energy use during peak hours and complying with the energy use requirements implemented based on reserve power levels, to ensure a stable power supply for our production sites as well as to contribute to stabilizing the nation's power supply. LG Electronics will continue to actively participate in government-led energy initiatives, including a new pilot project for energy efficiency, as part of our efforts to reduce energy use and promote energy efficiency.

Energy Map for Production Facilities

LG Electronics is making a shift from a supplier-based energy management system to a user-based corporate energy management system to further improve our GHG emissions reduction performance at our production sites. As part of our initiative to analyze, assess and improve the energy flow and energy efficiency for our production facilities and equipment, we created a map in 2015 that plots the energy use by each of our production facility and equipment at our Pyeongtaek site, based on which we plan to expand the initiative to include all of our business sites. As part of our initiatives to increase energy efficiency and reduce GHG emissions at our production sites, we will also use the energy map to improve our monitoring and performance assessment system and facilitate user-based performance management system. LG Electronics also organized a consulting team comprised of energy experts to provide our production sites with advice on and solutions for enhancing energy efficiency. In 2015, the consulting team provided ten subsidiaries with consulting on improving energy efficiency and implemented initiatives for reducing GHG emissions. The issues identified in this process are addressed immediately. For instance, our Tianjin subsidiary replaced the boiler system and switched to another fuel source to reduce a total of KRW 1.2 billion in annual operations costs.

Expanding GHG Management Across Value Chain

Since June 2008, we have closely managed the GHG emissions of office buildings in Korea. In 2015, a total of 9,267 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 longterm 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 percent by 2020. To achieve this target, the subsidiary joined the EPA-led "Green Power Partnership" and "SmartWay," which encourage organizations to reduce their environmental impact by using renewable energy. European subsidiaries have set targets to reduce 15 percent of GHG emissions from office buildings by 2020 from the base year 2010, via a diverse range of measures that include installing solar panels and expanding the use of renewable energy. LG Electronics also manages GHG emissions associated with logistics operations and business trips by employees. In 2015, a total of 39,198 tons of GHG was emitted from our logistics operations, down 1,760 tons from the previous year.

GHG emissions associated with business trips by our employees also declined to 54,463 tons. We will continue to improve our performance in Scope 3 GHG emissions reduction by enhancing our logistics system and energy efficiency and expanding the use of IT systems.

Management System for Water Resources

LG Electronics aims to reduce 20 percent of water use by 2020 compared to the base year 2007 (in-



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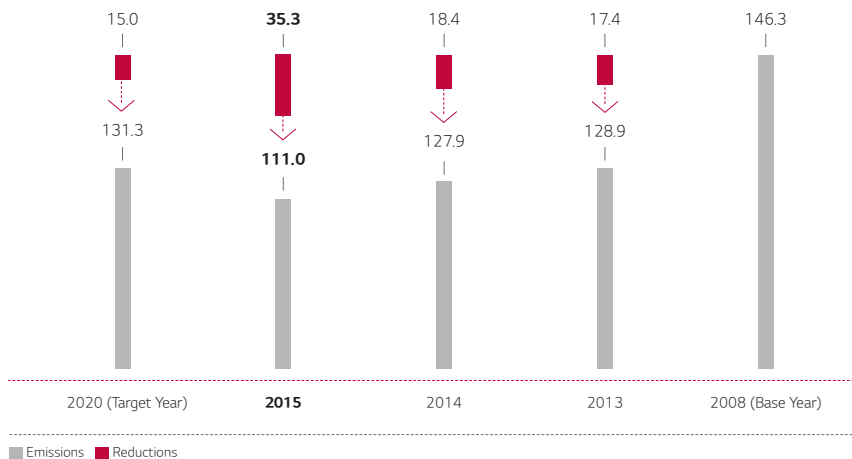
- 01: Selected as Member of CDP Korea's "Carbon Management Honors Club" for the Second Consecutive Year
- 02: KM-3G Casting Process
- 03: Monitoring System for Certified GHG Reductions

tensity target per revenue) and keeps close track of the amount of water it uses and reuses at its production and R&D locations in Korea and overseas production subsidiaries. In 2015, the total volume of water used at our production sites in Korea and overseas (including some R&D facilities in Korea) amounted to approximately 8.66 million tons, and 0.75 million tons of the water was reused. As part of our efforts to carefully monitor and manage the amount of water use and wastewater discharged, we began to build a corporate-level water inventory with a plan to complete the process by 2016. Based on the inventory, we intend to develop upgraded water resource management plans and responses, such as managing water sources, performing intensity target analysis, improving water quality, calculating the local unit price for water resource, and responding to disruptions in the water supply. For instance, our production plants that use groundwater often experience disruptions in production due to water quality issues. Our Russian production site frequently experiences clogged water supply hoses caused by groundwater with high lime content. In order to address the quality issues associated with groundwater, we organized a corporate level taskforce and are implementing solutions. For example, our Tianjin subsidiary stopped using groundwater altogether from the second half of 2015 to protect groundwater resources and switched its source of water supply to the municipal water supply system. As part of our efforts to mount an effective response, we will share solutions developed by the taskforce and success stories from their initiatives, while continually improving our water resource management system.

Emissions Trading System

Included in the Korean Emissions Trading System in 2014, LG Electronics engages in diverse initiatives to earn certified emission reductions (CERs) to meet reduction targets based on the government-assigned GHG emissions cap. Under the emissions trading scheme, businesses can earn CERs by helping suppliers reduce GHG emissions and have the reduction amount recognized as their own performance in GHG emissions reduction. As part of its efforts to earn CERs, LG Electronics partnered with its suppliers to develop eco-friendly products and parts. The first of its project is to replace the magnesium used in mobile phones with KM-3G, the eco-friendly substitute for the mineral. By replacing magnesium with the new material, LG Electronics expects to cut SF₆, a type of GHG, used in our production process to half. The reduction in SF₆ achieved through this process will be translated to CERs based on methodologies and monitoring processes to be developed in the near

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



future. Through this project, we expect to reduce about 10,000 tons of GHG emissions annually, and profits generated from CERs will be shared with our suppliers. As part of our win-win partnership program, LG Electronics also plans to provide our suppliers with the monitoring equipment required for this project.

In addition, LG Electronics is pursuing a Clean Development Mechanism (CDM) project in India, which was approved by the 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 earned 6,954 tons of carbon credits in February 2015. It was the first among CDM projects to acquire carbon credits through the production and sales of appliances, and we expect to 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.



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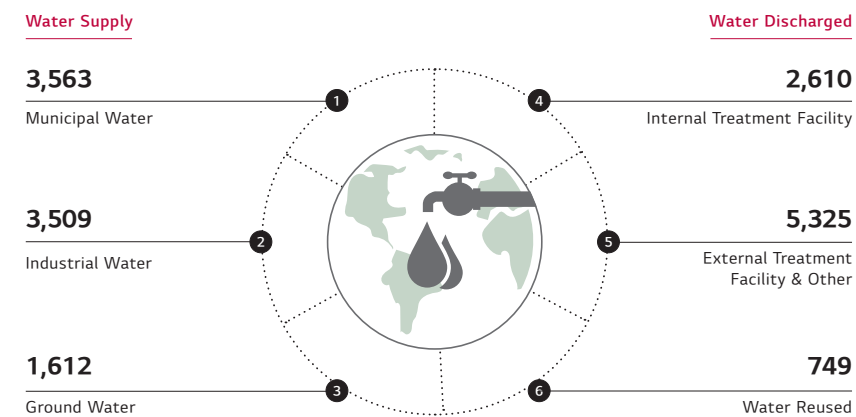
01: Energy Observer Initiatives
02: Energy Diagnosis

tions. The Energy Observer group is composed of over 50 energy experts from the business sites (energy facility and equipment operators), and engages in activities to save energy (monitor energy use and equipment, screen for power and steam leakage, and minimize energy loss) and promote energy saving, as well as other initiatives to ensure compliance with internal and external energy requirements (regular inspection of energy equipment and management of winter/summer energy targets). In 2015, Energy Observers also identified energy saving opportunities in energy-supplying facilities and equipment as well as in energy-consuming facilities and equipment, saving approximately KRW two billion from our total energy bill (approximately KRW 100 billion). LG Electronics will share success stories from the Energy Observer activities with our production sites in Korea and overseas as part of efforts to expand energy-saving initiatives.

Energy Observer Activities

LG Electronics operates "Energy Observer," the employee energy monitoring taskforce, to promote employee-led energy saving activities at 12 of our business sites, including production and R&D loca-

Global Water Use in 2015 (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	Cheongju	Gumi	Changwon	Jeonju
Secondary Treatment Facility	Tancheon	Cheongju	Gumi	Deokdong	Samrye
Water Reuse Center	Center	Sewage Treatment Center	Sewage Treatment Center	Sewage Treatment Center	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

CASE STUDY

LG Electronics White Paper on EESH Risks Management



In April 2016, LG Electronics published the *White Paper on EESH Risk Management*, which comprehensively covers our management principles for EESH management, studies on response cases from Korea and overseas, and our site-level EESH management performance (production/R&D locations and overseas subsidiaries). Organized into two parts (for the year 2015 and from the company's establishment to the present), the white paper reviews and analyzes EESH accident cases and our EESH management performance, putting the data into perspective by presenting implications and insights. The white paper also presents corporate-level plans for EESH risk management and consolidated risk management to ensure the sustainable development of LG Electronics, and is expected to serve as guidelines for advancing our EESH management system and developing effective accident response plans.

Environmental Data

INPUT DATA

Energy (Unit: TJ)

Category	2015	2014	2013
Electricity	4,454	5,976	5,732
Steam	427	626	616
LNG	979	1,086	1,091
Coal	227	862	1,067
Other	682	624	555
Total	6,769	9,174	9,061

- Applicable business sites: 16 Korean (production, office and R&D) and 51 overseas (production and office) sites
- Applicable energy usage: Combustion facilities in business sites, and external electricity and heat usage (excluding energy consumption by vehicles)
- Energy consumption was calculated based on the net calorific value. Steam includes the consumption of steam recovered from waste heat generated at our domestic locations.
- Verification status: Third party verification completed (2008-2015), except for refrigerant emissions.

Water (Unit: K ton)

Category	2015	2014	2013
Korea	4,843	6,346	6,921
Overseas	4,649	4,946	4,562
Total	9,492	11,292	11,483
Intensity (K ton/KRW 10 billion)	1.68	1.91	2.02

- Applicable business sites: 13 Korean (production and R&D) and 31 overseas (production) sites; data for Korean sites covers the Scope 2 data (indirect water use)
- Verification status: Third party assurance was completed on all Korean sites (2012-2015).

Ozone-depleting Substances (Unit: ton)

Category	2015	2014	2013
HCFC Korea	336	514	514
(R22) Overseas	1,876	2,842	3,419
Total	2,212	3,356	3,933

- Applicable business sites: 16 Korean (production, office and R&D) and 51 overseas (production and office) sites
- Verification status: Third party verification completed (2012-2015).

OUTPUT DATA

GHG Emissions (Unit: K ton CO₂e)

Category	2015	2014	2013
Korea			
Scope 1	250	173	144
Scope 2	314	458	499
Overseas			
Scope 1	162	222	237
Scope 2	384	426	409
Total	1,110	1,279	1,289
Intensity (K ton CO ₂ e/KRW 100 billion)	1.96	2.17	2.27

- 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 figures were recalculated to reflect the revised sales figures 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 (2008-2015).

GHG Emissions (Unit: K ton CO₂e)

Category	2015	2014	2013
Scope 3 Leased Properties	9,267	9,134	10,196
Domestic Logistics (Trip)	39,198	40,960	41,807
Business Trips	54,463	57,348	50,481
Commuter Vehicles	5,188	5,179	3,679

- Verification status: Third party assurance was completed on emissions from leased buildings and employees' business trips (2011-2015).

Air Emissions (Unit: ton)

Category	Region	2015	2014	2013
NOx	Korea	9.0	5.0	3.2
	Overseas	46.5	76.3	75.3
	Total	55.5	81.3	78.5
SOx	Korea	2.9	1.5	0.4
	Overseas	43.5	53.8	46.4
	Total	46.4	55.3	46.8
Dust	Korea	7.0	12.7	9.9
	Overseas	35.1	45.2	39.5
	Total	42.1	57.9	49.4
VOCs	Korea	18.1	27.9	16.7
	Overseas	3.7	3.8	3.3

Wastewater Discharge (Unit: ton)

Category	2015	2014	2013
Korea	2,326,903	3,000,014	3,789,726
Overseas	283,189	727,516	1,234,801
Total	2,610,092	3,727,530	5,024,527

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

Waste Generation (Unit: ton)

Category	Region	2015	2014	2013
Recycle	Korea	32,201	34,101	29,003
	Overseas	83,160	101,892	92,124
	Total	115,361	135,993	121,127
Incineration	Korea	5,530	6,425	7,280
	Overseas	3,141	4,883	5,000
	Total	8,671	11,308	12,280
Landfill	Korea	4,023	4,956	5,261
	Overseas	21,353	27,037	28,581
	Total	25,376	31,993	33,842
Total	Korea (General)	40,507	43,691	39,309
	Korea (Hazardous)	1,247	1,791	2,235
	Korea Total	41,754	45,482	41,544
	Overseas Total	107,654	133,812	125,705
	Total	149,408	179,294	167,249

· 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	2015	2014	2013
LTIFR ¹⁾	Korea	0.14	0.07	0.07
	Overseas	1.31	2.78	2.41
	Average	0.91	1.85	1.78
OIFR ²⁾	Korea	0	0	0
	Overseas	0	0	0
	Total	0	0	0
Fatality (No. of case)	Korea	1	0	2
	Overseas	0	0	0
	Total	1	0	2
Incident (No. of case)	Korea	11	5	3
	Overseas	189	358	302
	Total	200	363	305
Total Hours Worked	Korea	76,691,953	66,960,575	45,885,203
	Overseas	143,751,926	128,960,370	125,296,405
	Total	220,443,879	195,920,945	171,181,608

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 2012-2015.

With Our Suppliers

WHAT IS IMPORTANT?

Our 2015 materiality analysis identified the followings as the most important issues:

- 1) Establishing Fair Trade as Standard Business Practice
 - 2) Raising Supplier Awareness on CSR
- Our stakeholders also found "Conflict Minerals Management" and "Compliance with Intellectual Property Rights" to have a high importance.

HOW WE MANAGE IT?

Our Approach

In line with our principle for fair trade, LG Electronics ensures fair and equal opportunities for all of our suppliers and strives to build mutually beneficial partnerships based on trust. We also provide a wide range of support to help our suppliers fulfill their social responsibility.

Our Evaluation

As part of our commitment towards fair trade, LG Electronics operates the voluntary Fair Trade Compliance Program, while continuously expanding support programs to help our suppliers build world-class competitiveness in product, quality and technology. We also have in place a supplier CSR risk management program.

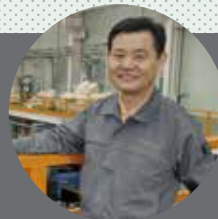
Future Direction

- 1) Strengthen CSR audits
- 2) Help suppliers strengthen their capabilities in CSR risk management
- 3) Establish the origin tracking system for the four major minerals used in our products
- 4) Build a full and complete inventory of any conflict minerals used in our products

Stakeholder Statement

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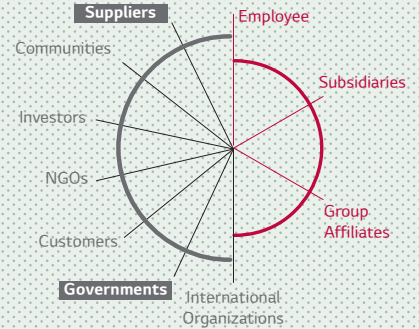
Ecorea Industrial Co. is growing in size and expanding in capability thanks to comprehensive support from LG Electronics, such as production process innovation initiatives, joint product development projects, and investment support for production equipment. We were also able to overcome recent management challenges through LG Electronics' overseas business partnership program. LG Electronics' win-win growth programs designed to enhance supplier capability have made a profound impact on Ecorea in various ways. For instance, the FI-11 initiative helped us heighten employee awareness on quality and improve our site management capability. With the support from LG Electronics, we have developed new injection molding techniques such as in-mold labeling (IML) and in-mold decoration (IMD) for large-scale applications, and are producing components for LG Twin Wash with the new processes, thus contributing to enhancing the competitiveness of LG Electronics products. Going forward, Ecorea will strive to become the "Global No. 1" producer of quality injection-molded components that facilitate product innovation.



Tae-Young Jeong
 Ecorea Industrial Co.
 CEO

BOUNDARY

- / Internal Stakeholders
- / External Stakeholders



Our Performance



17.9 trillion won (59%)
 Amount of Local Purchases



6 Companies
86 Patents
 Patents Shared



EICC Self Assessment
264 Suppliers
 Onsite CSR Consulting
12 sites
 Supplier CSR Risk Assessment



68%
 Percentage of CFSP Certified Smelters

Procurement & Supply Chain

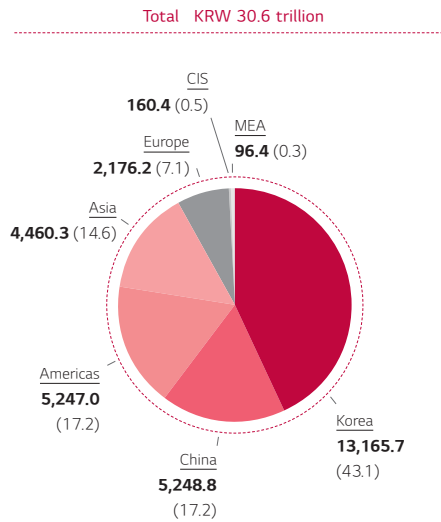
Procurement Performance & Supply Chain

LG Electronics categorizes its business partners as “direct suppliers” and “indirect suppliers” in order to more effectively manage partner companies. Direct suppliers provide raw materials and components used by LG Electronics to manufacture products or components, while indirect suppliers provide services other than direct purchases such as advertisement and IT services.

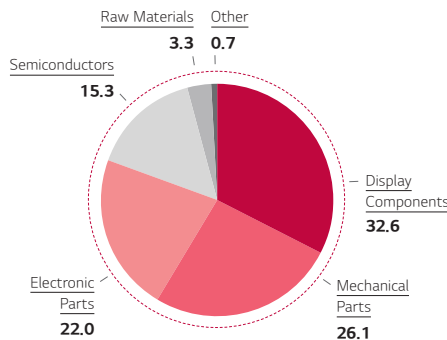
In 2015, company-wide purchases from direct suppliers amounted to KRW 30.6 trillion, with KRW 22.9 trillion or 75 percent of the total taking place in the Asian region including Korea and China. LG Electronics partners with over 1,000 companies in Korea and 1,600 companies abroad, making transactions of over KRW 100 million with 2,100 companies, which represent 79 percent of the total number of partners. LG Electronics currently manages a list of approximately 5,000 eligible partner companies, including 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 2015, LG Electronics began new partnerships with 56 companies, including eight in China and five in India.

Indirect suppliers are managed separately by the General Procurement (GP) department, which is in charge of indirect purchases. A total of KRW 2.7 trillion in indirect purchases were made in 2015 from these companies, including KRW 1.8 trillion in Korea. LG Electronics works with approximately 700 indirect suppliers in Korea, with over KRW 100 million in transactions with 58 percent of these companies.

2015 Direct Purchases by Region
(Unit: KRW billion / %)



2015 Direct Purchases, Breakdown by Product
(Unit: %)



3 Philosophies and 5 Principles for Win-Win Growth

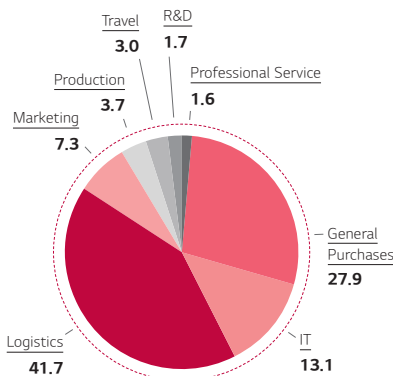
LG Electronics closely adheres to the principles of fair trade to ensure a level playing field for our suppliers, while building partnerships of mutual trust and cooperation through transparent and fair business practices with strict compliance to related laws and regulations. As a part of these efforts, LG Electronics established the “3 Philosophies and 5 Principles for Win-Win Growth” and works to ensure that all our employees from procurement and related departments fully understand our philosophies and principles and put them into practice. This information is also made available to our stakeholders, including our suppliers, through our Win-Win Growth Website (<https://winwin.lge.com>).

Based on these philosophies for win-win growth, LG Electronics established the “5 Win-Win Growth Objectives,” and is pushing forward with the initiatives. Our commitment and performance in the area has been widely recognized, being rated “Most Excellent” in the 2015 win-win growth partnership assessment by the Korea Commission for Corporate Partnerships and the Korea Fair Trade Commission.



Win-Win Growth Website

2015 Indirect Purchases, Breakdown by Category
(Unit: %)



2015 Amount and Percentage of Local Purchases by Key Subsidiaries by Product (Unit: KRW billion)

Subsidiary	Total Purchase Amount	Local Purchases	Percentage
Korea (LGEKR)	15,540.9	10,920.0	70
Nanjing, China (LGEPN) Washing Machine	792.5	450.9	57
Yantai, China (LGEYT) Mobile Phone	957.5	841.9	88
Qingdao, China (LGEQD) Mobile Phone	663.1	260.7	39
Nanjing, China (LGEND) Monitor	1,195.3	714.6	60
Taizhou, China (LGETR) Refrigerator	490.0	384.3	78
Rayong, Thailand (LGETH) Air Conditioner	487.1	412.8	85
Monterey, Mexico (LGE MN) TV	2,083.0	251.5	12
Other	8,345.3	3,638.8	44
TOTAL	30,554.7	17,875.5	59

3 Philosophies and 5 Principles for Win-Win Growth

Philosophy




No.1 Spirit + Shared Drive

↓

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

Principle



Innovation + Jeong-Do Management

↓

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

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, reorganizing the objectives' specific action plans in 2013. In order to further enhance the performance of our win-win growth objectives and intensify our implementation efforts, in 2015 we focused on nurturing No. 1 suppliers while expanding support to second- and third-tier suppliers as part of our broader commitment to support every partner company develop global competitiveness.

Support for Building Global No.1 Competitiveness

LG Electronics has in place a variety of support programs to help our suppliers build world-class quality, production and technological capabilities because we fully understand that the competitiveness of our suppliers is directly translated to our own competitiveness. Supplier competitiveness is becoming even more important in our ability to respond to the constantly changing market, fast-evolving customer needs and shrinking development lead times, and deliver competitive products.

To this end, LG Electronics provides our suppliers with capability-building support to foster suppliers with exceptional production and technological capabilities and capacity for global operations.

Prior to initiating a support program, LG Electronics has a discussion with top managers from the supplier side to clearly understand "where they are" and "what they need," and reach a consensus on "where to go." We incorporate the results into our support programs to motivate our suppliers and build teamwork among our support staff and suppliers, ensuring that they work towards the same goal and successfully address weaknesses and build up strengths.

LG Electronics also places a particular emphasis on creating a sustainable impact with the support programs and helps suppliers develop capacity to independently implement and manage improvement initiatives in the long term. In addition, we select and share the program's success stories with other suppliers, creating a benchmarking opportunity for our suppliers from the same industry. LG Electronics is also putting great energy into fostering internal experts specialized in running supplier support programs, while assisting our suppliers build a pool of internal experts.

In 2014, we were able to address chronic defect issues and enhance productivity by focusing our support on establishing quality and production system and optimizing supply chain management at our suppliers. In 2015, we extend the same support to our suppliers' overseas and local subsidiaries.

Support for Developing Next-Generation Technology

As part of our efforts to help our suppliers build enduring competitiveness and achieve sustainable growth, LG Electronics engages in on-going initiatives for strengthening suppliers' capabilities in next generation technologies.

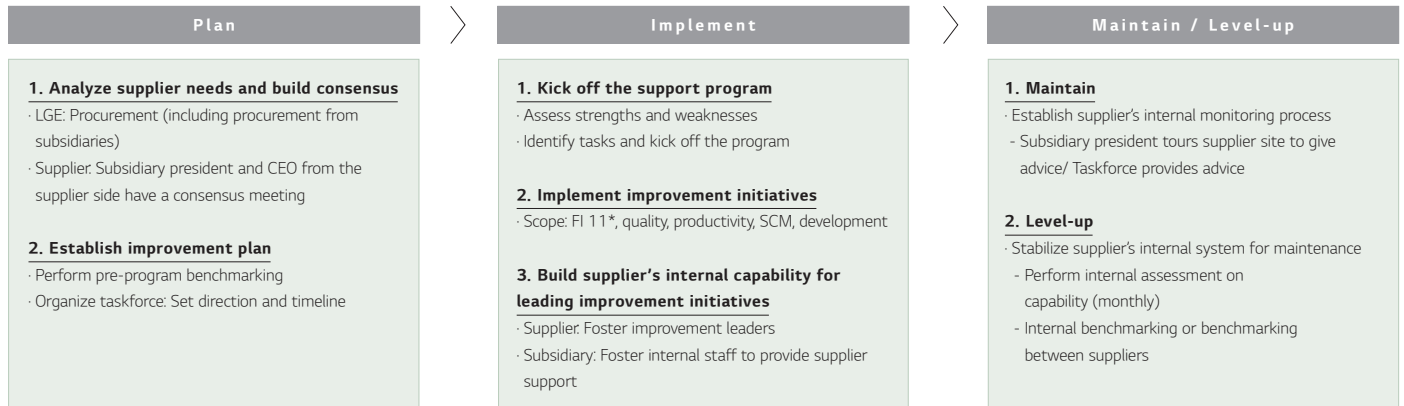
Green Partnership Program

Our Green Partnership Program aims to strengthen the next-generation technology capabilities of Korea's small and mid-size enterprises through joint or sponsored R&D projects. From 2011 to 2015, LG Electronics invested approximately KRW 55 billion to find and develop top suppliers with key technologies and R&D capabilities, and plans to increase our investments in the initiatives.

5 Win-Win Growth Objectives

	Objectives	Support Programs
1	Support for Building Global No.1 Competitiveness in Production / Quality	Capability Improvement Support, Profit Sharing, Consulting, Partnerships for Overseas Business
2	Support for Developing Capabilities in Next Generation Technology	Localization, R&D Partnerships, Technology Escrow Service, Patent Partnerships
3	Financial Support	Zero-interest / Low-interest Loans, Guarantee Support
4	Training & HR Support	Free Training Programs (LGE Learning Center, Changwon National University, etc.)
5	Internal Process Improvement – Strong Execution and Enhanced Communication	VOS, Win-Win Growth Website, Grievance Reporting Mechanism, etc.

Process for Capability Building Support Program



* FI (Factory Improvement) 11: Eleven rules (on quality, production process, equipment, etc.) that suppliers must observe at their production sites to build strong capability in site management

Expanding Support for Government Programs – Chungbuk Center for Creative Economy and Innovation

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 government support programs for SMEs, such as the Purchase-Guaranteed Technology Development Program and the Cost-Saving Joint R&D Program. In order to further expand our support for SME-driven technological innovations, we opened the Chungbuk Center for Creative Economy and Innovation at the Chungbuk Chapter of the Korea Invention Promotion Association in February 2015. The newly opened facility will serve as our support center for local startups and ventures in the digital and biotech fields to achieve growth and capture overseas markets by helping them develop ideas into technologies and create markets for their products.

Support for Developing and Protecting Core Technologies

In line with our strong commitment to promoting Korea's parts and materials industry, we are expanding support for major equipment and parts produced locally. In order to better protect supplier technology, we utilize the Technology Escrow Service for new technologies developed by our suppliers. Under the Technology Escrow Service, government organizations take stewardship of suppliers' technology to safeguard the supplier's rights to the technology, and LG Electronics bears all costs incurred by using the service. The number of service cases has increased every year, starting from three in 2011, 51 in 2012, 81 in 2013, 104 cases in 2014 and reaching 106 cases in 2015.

Patent Partnerships and Patent Platform for Suppliers

As part of our efforts to facilitate sustainable growth of SMEs and technology ventures, LG Electronics launched a patent sharing program for small and mid-sized suppliers and provided access to patents, the source of true competitiveness. In partnership with the government's "Creative Economy" initiatives, we also share our comprehensive patent portfolio through the Chungbuk Center for Creative Economy and Innovation (free and fee-based) and help SMEs and venture-backed companies expand sales and build competitiveness. In 2015, we opened 86 patents to six companies and helped them increase sales and strengthen competitiveness. In addition, we are helping our suppliers in registering their patents, responding to patent disputes, and establishing rights to proprietary technologies by supporting the implementation of a patent platform.

Financial Support

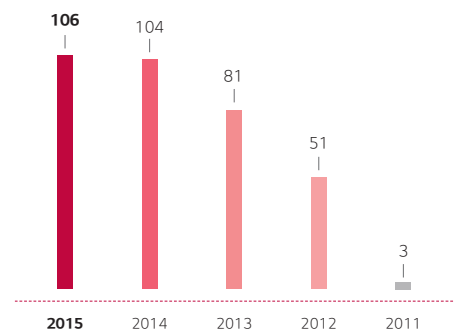
LG Electronics makes continuous efforts to help our suppliers address cash flow and working capital issues and ensure their financial stability by supporting them with direct and indirect funding and improving payment schedules and periods.

Funding Support

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 KRW 230.4 billion in financial support between 2004 and 2015.

As part of our efforts to ensure the financial stability of our suppliers and build a strong foundation for shared growth, LG Electronics partners with financial institutions and provides low-interest funding to suppliers. LG Electronics established a KRW 200 billion Win-Win Growth Fund in conjunction with the Industrial Bank of Korea (IBK) and the Korea Development Bank (KDB) to provide low-interest loans, through which 114 second-tier suppliers received KRW 47.8 billion in 2015 alone. In addition to the Fund, LG Electronics operates a wide range of financial support programs including Network Loans in association with financial institutions, the Overseas Business Partnership Program, and the Win-Win Growth Guarantee Support Program, and is continuously expanding the scope of program beneficiaries to include overseas suppliers.

Technology Escrow Service (Unit: Case)



Improving Payment Conditions & Making Early Payments

LG Electronics processes invoices from suppliers twice a month and makes payments in cash within ten days of invoice processing. We also adjust the payment schedule (increase the frequency of payment processing or shorten the payment period) to relieve our suppliers of financial constraints. Additionally, we make payment to suppliers earlier than scheduled before national holidays (New Year's Day and Thanksgiving) to improve suppliers' financial management and employee welfare.

Implementation of Win-Win Payment System

LG Electronics has implemented the Win-Win Payment System to ensure the management stability of our second-tier suppliers. The system ensures that large corporations' payment terms to their first-tier suppliers (cash or note payable) are extended to second- and third-tier suppliers as well and that payments to these companies are processed accordingly. LG Electronics partnered with seven major banks in Korea and, between July and December 2015, processed KRW 2.3 trillion in payments to suppliers through the system.

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.

Win-Win Growth Academy

As a part of these efforts, LG Electronics established a dedicated training facility for supplier training (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 1,992 employees from 282 suppliers completed these training programs in 2015.

Recruiting and Consulting Support

LG Electronics sponsors job fairs hosted by government agencies and major media outlets to provide suppliers with opportunities to recruit competent and experienced professionals. We also provide consulting by over 200 internal / external experts



01: Purchasing Meetings
 02: A Seminar on Win-Win Payment System
 03: Annual Supplier Meeting: Pledge for Win-Win Growth
 04: Supplier Online Shopping Mall

from relevant fields such quality, productivity and core business competencies to make a direct and sustainable impact on our suppliers' capability development and competitiveness.

Process Innovation

LG Electronics operates a number of win-win growth programs aimed at enhancing communication with suppliers, while solidifying the foundations of win-win mutual growth through internal process innovation.

Enhancing Communication & Resolving Supplier Concerns

In order to enhance communication with suppliers and effectively address supplier grievances, LG Electronics has in place the Win-Win Growth website as a platform for sharing the company's major policies, and receives supplier grievances and feedback 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 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."

New Partnership Process & 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 13 companies in 2015 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 (Korea)

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



SUPPLIER ONLINE SHOPPING MALL
<http://with.lglifecare.com>

CASE STUDY

Dongyang Industry: Win-Win Partnerships for Overseas Production



LG Electronics has in place production, sales and service subsidiaries and R&D centers throughout the world, forming the vast network that supports the company's operations in more than 200 countries. Supported by the global network, LG Electronics is showing robust growth with innovative products and technologies in emerging markets in Asia, Middle East and Africa, and Latin America, as well as in advanced markets including Europe and North America.

In support of our global strategy for enhancing product competitiveness in overseas markets through production localization, LG Electronics invites our top suppliers to establish overseas operations in locations where we have established or plan to build a production base. Through this program, LG Electronics helped a total of 50 suppliers establish production facilities at 82 locations in 14 countries (as of 2015), putting into practice our conviction that supplier competitiveness directly translates into our own competitiveness.

Dongyang Industry is one of this program's most successful stories, inspiring other suppliers to follow suit and setting a great example for win-win growth. A supplier of TV components, Dongyang Industry has a long-standing partnership with LG Electronics that began in 1989. Through the program, the company first established production facilities in Nanjing, China in 2000 and since set up production operations in five more countries, including Poland, Indonesia, Mexico and Russia, expanding their annual sales to over USD 170 million. Its Vietnamese subsidiary is the most recent example of this joint initiative, established in January 2015 in parallel with LG Electronics' Vietnamese production subsidiary (LGEVH) to supply TV and washing machine components to LGEVH with 400 employees.

In the initial phase of their operations in Vietnam, Dongyang required our support in stabilizing its mass production of injection-molded components for TV and washing machine products. In response to Dongyang's request, LG Electronics dispatched three production-innovation experts from the Win-Win Growth team to support the company in

setting up the necessary production lines and equipment for three months, and succeeded in stabilizing the production process in a timely manner.

In addition, LG Electronics provided financial and administrative support, including financing for setting up overseas operations, acquiring a lease for establishing the production facility, and dealings with local government agencies, to help the company firmly ground its operations in Vietnam. LG Electronics provided a zero-interest direct funding of KRW 2 billion to support the company set up production facilities and equipment, leased a supplier wing at the plant complex for the company, and helped their local incorporation process that included acquisition of permits and licenses. Our comprehensive support greatly helped Dongyang set up local production operations and stabilize their production process quickly.

After Dongyang Industry commenced mass production, we implemented another round of support initiatives designed to stabilize mass production and improve production management to resolve the loss cost issue created by quality and productivity losses. Our production experts provided systematic support for three months from January 2015 with impressive results, increasing productivity in production process (UPPH) by 35 percent and improving efficiency in equipment operations by 20 percent. LG Electronics also transferred its knowhow on production process innovation and productivity improvement, helping the company build capabilities to implement their own production innovation initiatives.

Through this win-win partnership, LG Electronics was able to secure a steady stream of quality components and deliver high quality products to customers, while Dongyang industry expanded their markets to overseas at minimum risk, creating an exemplary case of win-win growth. Dongyang Industry is again looking into setting up operations at another overseas location jointly with LG Electronics to achieve its aspiration of becoming a world-class injection molded component producer.

Supplier CSR Risk Management

Supplier CSR Risk Management

LG Electronics understands that supply chain CSR risk management is vital, and operates a supplier CSR Risk management program through the Procurement Center. As the first step in the process, LG Electronics performs a CSR risk assessment on the top 80 percent of our suppliers (based on transaction amount) using the EICC's Self-Assessment Questionnaire (SAQ). Based on the results, we identify suppliers that need to address CSR risks such as forced labor and child labor, and dispatch our CSR experts to support their improvement initiatives. Our CSR experts have a meeting with the CEO and COO from the supplier side to emphasize the critical nature of CSR risk management, conduct CSR risk management training and provide expert support in addressing the risks.

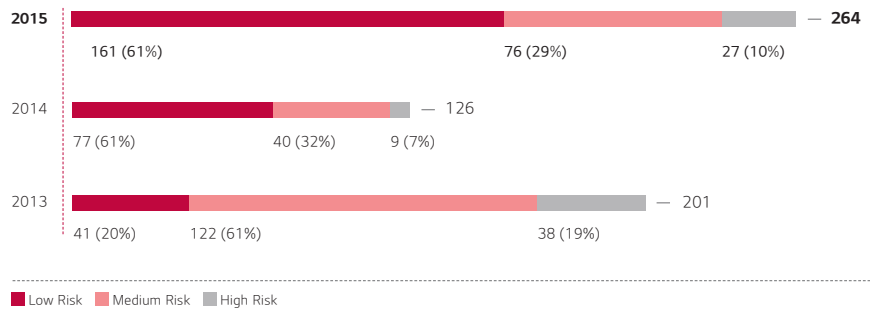
Ensuring Supplier Compliance

LG Electronics has in place a multi-dimensional process to screen suppliers who wish to conduct business with the company, through which we assess prospective suppliers' compliance with CSR issues such as labor rights, human rights and ethics as well as their business capabilities such as quality and technology. We have also introduced CSR performance indicators to our regular assessment of existing suppliers. In addition, we require our suppliers to sign the Supplier Code of Conduct and Compliance Agreement as part of our Master Purchase Agreement, and to establish a business process that ensures a safe working environment and respect for their employees as well as business practices that are environmentally responsible.

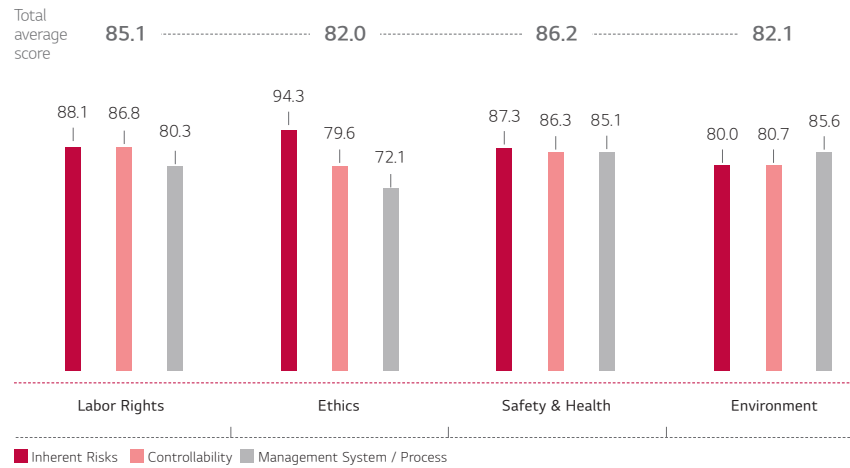
EICC Online Self-Assessment

In 2015, LG Electronics evaluated the CSR compliance of major suppliers (top 80 percent based on transaction amount) by using EICC-ON, the EICC online self-assessment system. A total of 264 facilities participated in this year's assessment through the system, more than double the number from the previous year. Twenty-seven facilities were categorized as "high risk" following the assessment, and onsite consulting programs were launched for 12 of these facilities (44%). We believe that growing social interest in CSR risk management and promotion and training efforts from our Procurement Center were largely responsible for the increase in supplier participation. LG Electronics plans to continue and expand the CSR self-assessment program in 2016.

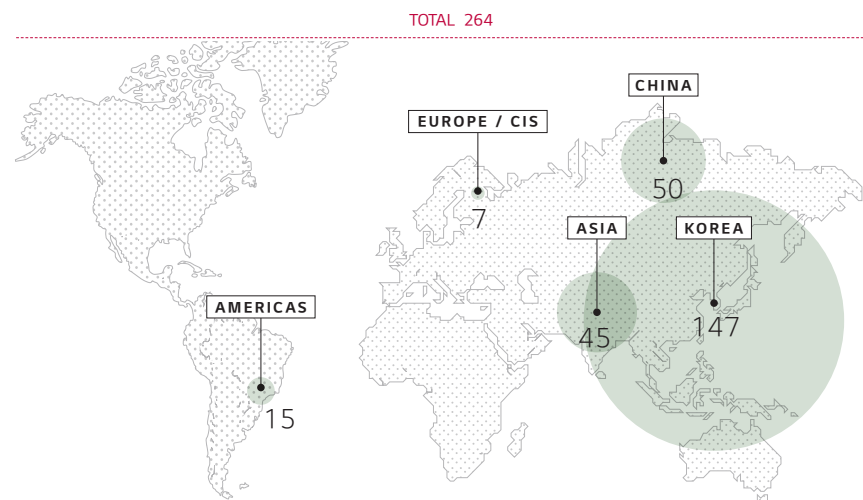
Supplier CSR Risk Assessment Results (Summary) (Unit: EA)



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



Number of Suppliers Assessed by EICC-ON



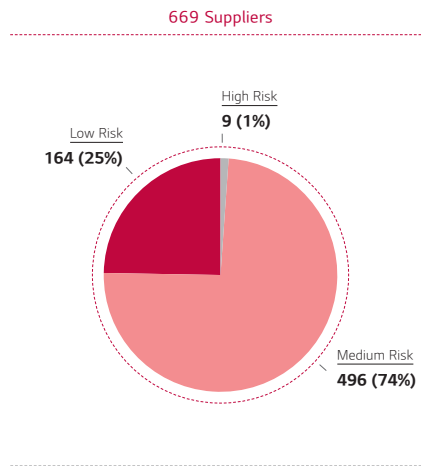
CSR Risk Management for Suppliers in China

Results of Onsite CSR Audit in China

In 2015, all of our subsidiaries in China assigned a staff member dedicated to supply chain CSR management to further improve our supplier CSR management. LG Electronics also carried out a CSR quick survey of 669 Chinese suppliers that have business deals with our 11 subsidiaries in China. The survey is composed of 21 items including 12 items related to HR and labor management and nine items related to environment, safety and health.

We focused on tracking child labor, night shift or overtime work by minors (student workers), and compliance with the legal minimum wage with the survey, and required our suppliers to provide personal protective equipment and necessary training to their workers and to enhance their management of chemical materials. The survey identified nine high-risk companies, 496 medium-risk companies, and 164 low-risk companies. LG Electronics carried out onsite CSR audits of a total of 19 major suppliers including the suppliers identified as high risk, discovering 174 corrective action plans (average of nine per supplier). Fully 100 percent of these issues were resolved, and we continue to invite our suppliers to sign an MPA (Master Purchase Agreement) that includes CSR requirements.

Quick Survey Results: Suppliers in China



Type of Non-Compliance & Number of Violations

HR/ Labor	1. Age verification mechanism	317
	2. Disciplinary wage deduction	231
	3. Holding employees' identifications	141
	4. One day off per week	54
	5. Working hours exceeding 60 per week	52
	6. Grievance resolution channels	43
	7. Student worker management	39
	8. Employment contract	8
	9. Support for healthcare costs (insurance)	5
	10. Legal minimum wage	4
	11. Employment of child workers	3
	12. Sexual harassment / discrimination	1
Environment/ Safety & Health	13. Chemical management	59
	14. Compliance with environmental laws & regulations (water, air, waste discharge)	56
	15. Safety hazards in work environment	25
	16. Emergency evacuation drills	25
	17. Occupational health & safety	13
	18. Personal protective equipment	13
	19. Hazardous work or night shift of young workers	2
	20. Risk assessment	2
	21. Internal inspection of fire safety equipment	0

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Major Improvement Cases

Improved Age Verification Process

In order to prevent the employment of children under the legal minimum age, Company A in China introduced a clause prohibiting child labor to their company bylaws and implemented an ID scanner to improve their age verification process. As part of their effort to prevent child labor, Company B in Korea introduced a clause that requires age identification to their service agreement with staffing agencies to ensure that a proper age verification process is carried out against workers placed by staffing agencies, while conducting employee training on their policy and procedures against child labor.

Eliminated Disciplinary Wage Deduction

In order to honor the principle that workers should be paid for the hours that they work, Company C revised their disciplinary rules to remove wage deduction from the disciplinary options and instead incorporated disciplinary issues into their employee performance evaluation to protect the minimum wage and benefits for their workers.



1. CSR Risk Management Training for Suppliers
2. Machine Hazard Signs for Foreign Workers

Improved Employment Contract Process

Company D in China kept both copies of the employment contract with their workers for reason of administrative convenience, while Company E in Korea did not maintain a copy of employment contract with their workers hired from 2012. After our onsite CSR audit and consulting, both companies revised their employment contracts to establish compliance with the latest labor laws to prevent risks associated with forced labor, and amended their company bylaws to ensure provision of a hard copy of the employment contract to the employee.

Ensured Health & Safety for Foreign Workers

In order to ensure safety of foreign workers on high-risk production equipment and processes, Company F in Korea conducts safety training in their native languages and provides manuals produced in their native languages. The company also scrupulously maintains all test and maintenance records on their production and safety equipment.

Conflict Minerals Management

LG Electronics Conflict Mineral Policy

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

Since introducing our approach to managing conflict minerals in 2012, we have performed regular program reviews and implemented improvements to reflect our continuous efforts to support responsible sourcing. This includes initiatives to update our conflict minerals policy available on our global website; align our management program with international guidelines and industry leading best practices for companies to source minerals from conflict-affected areas; strengthen our Supplier Code of Conduct and other contractual agreements; and, respond to the voices of various stakeholders.

In 2015, we further enhanced our conflict minerals management program in pursuit of our goal to support conflict-free sourcing in the Democratic Republic of the Congo (DRC) and neighboring countries through the various initiatives outlined below.

Conflict Mineral Management System - Improvements and Training

LG Electronics established a conflict minerals management program in 2013, including forming a corporate-level cross-functional taskforce and launching a system to support 3TG traceability, called the Conflict Minerals Management System (CMMS). Through the CMMS, we collect information from our suppliers on the use of 3TG minerals in components and parts supplied to us, as well as information on the origins of mineral sourcing. In 2015, we performed an assessment on supply chain risks associated with conflict minerals to improve the quality of the data reported to us by our suppliers. Based on the results, we conducted necessary training to improve data reporting quality and we continue to support our suppliers in these efforts. In addition, LG Electronics operates a training program designed to enhance awareness on conflict minerals and approaches for collecting relevant



- 01: LGE Conflict Minerals Policy on the Corporate Website
- 02: Conflict Minerals Management System (CMMS)
- 03: Supplier Support Program for Conflict Mineral Response
- 04: CFSI Membership Logo

information. Through the program, 653 employees from 333 suppliers received training in 2013, and 611 employees from 338 suppliers received training in 2014 through regional sessions. In 2015, we focused our training efforts on Brazil, Mexico and China, through which 658 employees from 539 suppliers completed necessary programs. In addition to these group training sessions, LG Electronics operates a Q&A board as part of the CMMS to support effective responses for conflict minerals management, offers regular and ad-hoc training to share information on regulatory trends, and provides updates on revisions to the industry standard reporting template (CMRT).

As responsible sourcing is increasingly gaining importance, we continue to expand our training programs for suppliers and have increased awareness programs with key internal teams to improve customer response and reporting requirements for conflict minerals (including additional awareness training for our U.S. sales force which is a primary customer point of contact). As part of our efforts to support small and medium enterprises, LG Electronics actively participates in seminars and workshops organized by the Korea Electronics Association (KEA) and the Conflict Free Sourcing Initiative (CFSI). We are also responsive to requests for information from stakeholders including customers and civil society, while conducting partnership and consulting programs with outside experts to continuously improve the company's conflict minerals management standards and systems.

Efforts to Expand the Number of CFS-certified Smelters

It is LG's policy that tin, tantalum, tungsten and gold contained in our products shall not be derived from sources that finance or benefit armed groups in the DRC or adjoining countries. We strongly believe in the benefits of the entire industry working together to more effectively address these challenges and we continue as an active member and participant in the Conflict Free Sourcing Initiative (CFSI), including programs for improved due diligence, reporting and smelter engagement. Our stakeholders also demand credibility and transparency in conflict-free sourcing - we are meeting that challenge by increasing the percentage of conflict-free validated smelters and refiners in our supply chain. In September 2014, LG Electronics teamed up with LG Display, LG Chem and LG Innotek and formed the "LG Family Conflict Mineral Response Council" to engage in coordinated initiatives to increase the number of CFS-certified smelters in our collective value chain. In 2015, LG Electronics also sent out an advisory letter to establish the expectation that our suppliers source from Conflict Free Smelters (CFS). We supported smelter outreach to provide technical support to smelters in Korea who wished to acquire CFS certification, and shared new information on smelters with CFSI to support efforts to keep global smelter information up to date. As a result of these efforts, our usage rate of CFSP-certified smelters has increased to 68 percent; that percentage increases to 76 percent when including smelters in the process of undergoing a CFS audit (2014: CFS 49 percent, 2013: CFS 19 percent).

1) Conflict Regions: Democratic Republic of Congo, Angola, Burundi, Central African Republic, the Republic of Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia, as defined by the U.S. Securities and Exchange Commission's Conflict Minerals Final Rule

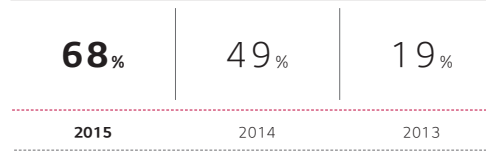
Tin Working Group Activities for Tin Mines in Bangka Island, Indonesia

LG Electronics is also actively engaged in an initiative to help support sustainable forms of tin mining in Bangka-Belitung, Indonesia, one of the world's top producers of tin. According to our due diligence survey, Indonesia is a source of tin that is used in our products and as a result of concerns raised over local mining conditions LG Electronics joined a multi-stakeholder work group to explore ways to responsibly source tin while continuing to support the local economy and community livelihoods. The Sustainable Trade Initiative (IDH) Tin Work Group, including members of the private sector, civil society and industry groups, completed its third year of activities in 2015 and achieved several significant milestones.

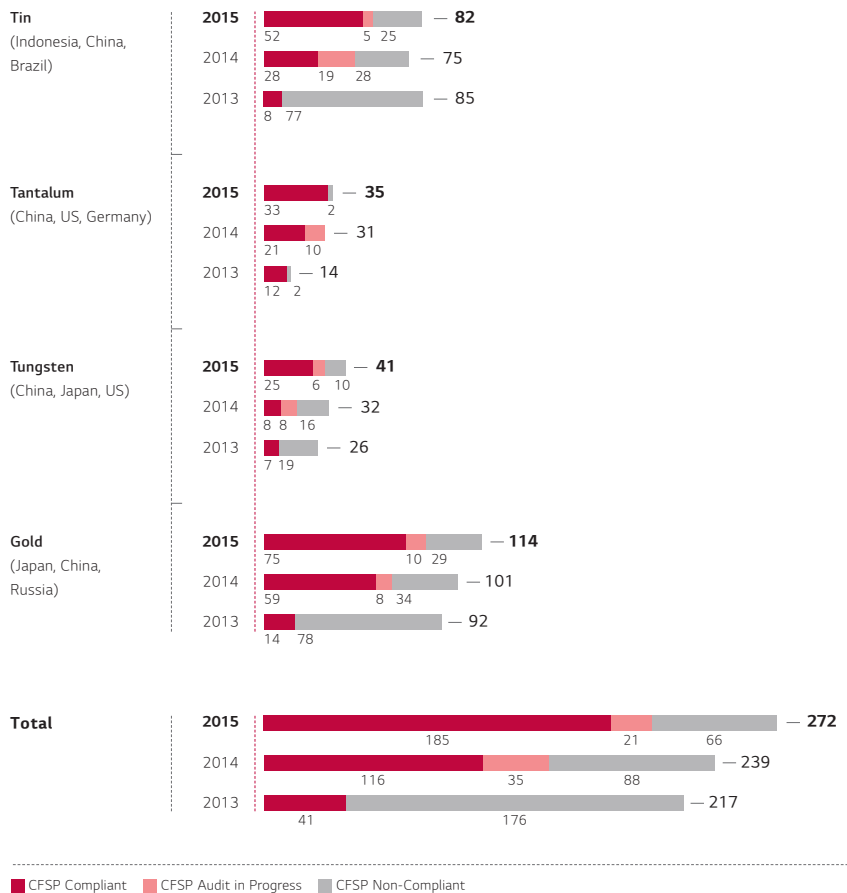
With the help of local conveners, the group carried out meetings with both local and national government officials in Indonesia to communicate the importance of this issue for international companies who source from the area. The group also collaborated with local industry to develop a four-year roadmap, which will serve as a framework for activities to pursue more sustainable tin sourcing practices.

Together with TWG members, LG met with local smelters in Jakarta in December 2015 to agree on the 2016-2020 roadmap and confirm their commitment to implement responsible tin mining operations. In addition, an incentives guide was prepared for tin users to help advance implementation of the roadmap and support more sustainable tin mining practices. LG Electronics has endorsed the principles of this guide and is committed to supporting the next phase of project activities under the tin working group.

CFSP Compliant Smelters



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



* Countries in parentheses indicate the location of major smelters.

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Stakeholder Engagement (Meeting with Delegations from Rwandan Government)

To gain new perspectives, we participated in a stakeholder meeting with the government of Rwanda to understand progress in the region for conflict-free sourcing programs, as well as to learn firsthand the impacts of the conflict minerals regulation in Rwanda. The delegation from the Republic of Rwanda was visiting Washington D.C. in July 2015 to promote investment and trade, particularly in minerals. In addition to meeting with U.S. government, the delegation requested to meet with industry to share Rwanda's commitment and progress to sever the link between conflict minerals and violence. LG Electronics attended a briefing with the Rwandan government, along with the EICC and other industry representatives to discuss Rwanda's progress toward addressing conflict minerals in the last 5 years and the impacts of the U.S. regulation on its local economy.



With the Community

WHAT IS IMPORTANT?

Our 2015 materiality analysis identified the followings as the most important issues:

- 1) Expanding Social Contribution Programs
- 2) Helping Communities Achieve Sustainable Economic Growth
- 3) Engagement and Collaboration with Governments, NGOs, International Organizations and Communities

Our stakeholders also found "Developing Products and Services for the Poor" to have a high importance.

HOW WE MANAGE IT?

Our Approach

LG Electronics strives to empower communities with programs that address major social issues and contribute to the longer-term development of communities with a wide range of initiatives that reflect the spirit conveyed in our slogan, "technology that cares, partnerships built on trust, and sharing that engages all."

Our Evaluation

As part of our ongoing efforts to enhance the positive impact of our social contribution programs, LG Electronics assesses the impact of our social contribution initiatives on its business operations and the society and incorporates the results into our initiatives to ensure that our objectives and social values are aligned and advance in the same direction.

Future Direction

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

Stakeholder Statement

”

KOICA as a leading grant aid agency of Korea has made efforts to implement development cooperation projects by mobilizing the private sector expertise and knowledge to achieve the SDGs. LG-KOICA Technical Vocational Education and Training (TVET) College in Ethiopia is a project linked to one of the four initiatives*, "Better Education for Africa Rise." This project is considered a best practice for realizing the concept of inclusive business creating shared value (CSV), operating a vocational institute specialized in electronics repair by combining the core business competency of LG Electronics and expertise in development cooperation of KOICA. I sincerely look forward to creating synergy with LG Electronics through close cooperation and achieving the SDGs together.

* Better Life for Girls, Safe Life for All, Science, Technology and Innovation for Better Life, and Better Education for Arica Rise.



In Shik Kim
Korea International Cooperation Agency (KOICA)
President

BOUNDARY

- / Internal Stakeholders
- / External Stakeholders



Our Performance



48 countries

89 business locations

90,000 employees

Participation in Social Contribution Initiatives



85 teams

Life's Good Volunteers



3 countries

26 sessions

Health Promotion Campaign in Asia

Our Principles and Achievements

Background

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

Our Principles for Social Contribution

In order to honor the intent and purpose of the Sustainable Development Goals, LG Electronics reexamined and reestablished the principles that govern our social contribution efforts through intense discussions with our key stakeholders and management. Following these new guidelines, we will work towards expanding the impact and range of our contribution in addressing social issues, and, in the longer term, affecting positive and enduring changes in our communities. Going forward, LG Electronics will strive for "technology that cares, partnerships built on trust, and sharing that engages all" in order to contribute to improving the quality of life across the world.

Our 2015 Achievements and Assessment

Throughout the year 2015, LG Electronics engaged in a broad range of initiatives to empower communities in which we operate. More than 90,000 employees (cumulative) actively involved themselves in a range of social contribution initiatives at 89 different LG Electronics locations across 48 countries. LG Electronics also made a total of KRW 40.1 billion in social investment (consolidated, direct donations by the parent company and social investment budgets at subsidiaries), of which KRW 14.5 billion was administered by the parent company for charitable donations.

Our Social Investment in 2015

In 2015, 91 percent of our social investment budget was expended for community initiatives, with 8.8 percent and 0.2 percent being administered in charitable causes and cause-based CSR marketing programs, respectively (consolidated). A 18 percent increase in community initiatives is attributed to change in our accounting approach towards consolidation, which caused big-ticket items (sponsorship programs for the arts, culture and sports, etc.) to be included in the category. Sponsorship programs

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LG Electronics and SDGs

LG Electronics carefully studied the Sustainable Development Goals and associated targets and assessed their relevance to our own goals and targets for CSR initiatives, taking into account overall management conditions such as the nature and purpose of our business, and future opportunities and risks. As a result, we were able to identify nine Sustainable Development Goals that have a considerable relevance to our goals, businesses, and core competencies, and prioritized the goals to strategize our actions. LG Electronics plans to focus our energy and resources on the SDGs that are highly relevant to our own businesses and core competencies, and support the valuable causes with a renewed commitment.

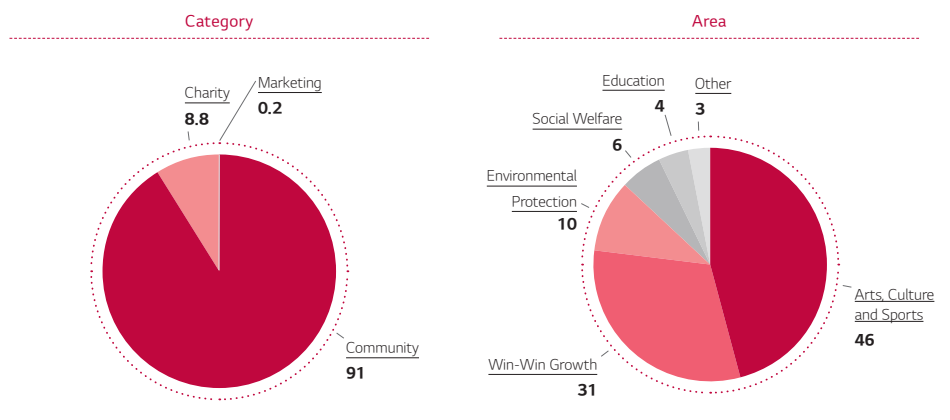
First Priority

				
Goal 3	Goal 7	Goal 8	Goal 11	Goal 12
Ensure healthy lives and promote well-being for all at all ages	Ensure access to affordable, reliable, sustainable and modern energy for all	Promote inclusive and sustainable economic growth, employment and decent work for all	Promote inclusive and sustainable economic growth, employment and decent work for all	Ensure sustainable consumption and production patterns

Second Priority

				
Goal 4	Goal 6	Goal 9	Goal 13	Goal 16
Ensure inclusive and quality education for all and promote lifelong learning	Ensure access to water and sanitation for all	Build resilient infrastructure, promote sustainable industrialization and foster innovation	Take urgent action to combat climate change and its impacts	Promote just, peaceful and inclusive societies

Social Investment in 2015 (Unit: % / Consolidated)



for the arts, culture and sports accounted for 46 percent of our social investment, while 31 percent went to win-win growth initiatives. Programs for environmental protection, social welfare and education accounted for, respectively, 10 percent, 6 percent, and 4 percent of the total investment.

Life's Good with LG

Background

Every year, LG Electronics assesses the impact of individual social contribution initiatives on its business operations and the society with our own detailed checklist, and incorporates the results into our initiatives for the following year. In addition to the regular assessment, in 2015 we conducted expert group interviews and surveys to collect stakeholder feedback, and established the principles that govern our social contribution efforts.

Cooperating toward a Better Life for All

LG Electronics' vision for social contribution, conveys our belief that empathy in our thoughts and consideration in our actions are building a better life for all in the human society. As a responsible corporate citizen, LG Electronics also supports the United Nations Sustainable Development Goals and what these goals set out to achieve for the humanity. In support of the valuable cause, we established three strategic directions for social contribution initiatives. First, we will deliver differentiated value to those who need our products and technologies. To this end, we are developing and distributing products and technologies that help address social and environmental issues in our communities. Second, we value opinions from each of our stakeholders, and will make every effort to engage and collaborate with our stakeholders through diverse channels, incorporating the outcome into our business operations. Third, each and every member of our

organization will continuously explore the ways in which we could help our neighbors in need and build a better life together, and volunteer our time, effort, and expertise to create a community where everyone feels respected and valued.

Future Direction

LG Electronics plans to carefully monitor and assess our social contribution programs over the next three years in order to rebuild our programs by aligning our objectives and social expectations, and to report the progress in our sustainability report. Through this process, we will create social contribution programs that integrate our goals and stakeholder expectations, including those from our customers.

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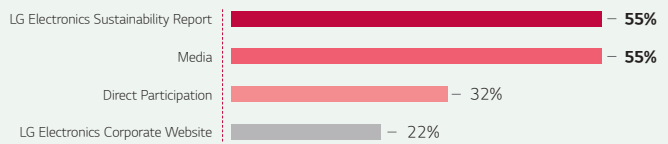
Survey on Our Social Contribution Initiatives

- PERIOD** Conducted between October 10 to 20, 2015
- TARGET** Conducted on 120 internal and external stakeholders (based on the number of responses)
- RESULT** All respondents selected up to three multiple response options

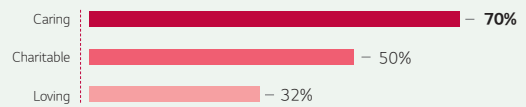
Social Contribution Framework



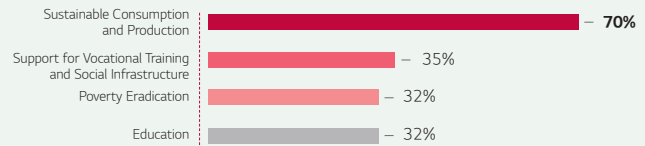
Through which channel did you become aware of LG Electronics' social contribution efforts?



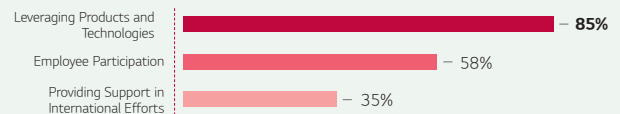
Which image do you have about LG Electronics' social contribution programs?



In which area do you think LG Electronics can make the most impact?



Which is the best way for LG Electronics to make a contribution?



Social Contribution Programs

Technology that Cares

LG Electronics strives to create differentiated value for those who need our products and technologies to build a better life for themselves and their neighbors. As a global corporation with business operations throughout the world, LG Electronics strives to help communities and engage community members by developing and distributing products and technologies that address local issues, including social and environmental concerns, while developing education programs that ensure the sustainability of our collective achievements. In Asia and Africa, emerging markets with high potential for growth, we implement initiatives that address the specific needs of each community, such as operating vocational schools, developing and distributing accessibility apps for the disabled, and building a solar-powered library. We will expand inter-departmental collaboration (product planning, marketing, service, etc.) to create “technology that cares” and build a better life for our neighbors.

LG Hope Community in Ethiopia

In 2012, LG Electronics teamed up with LG Corp. and World Together to launch the LG Hope Community to help low income families in Ethiopia achieve sustainable livelihoods.

LG Hope Village, the first program of the LG Hope Community initiative, helps farmers achieve sustainable livelihoods with training on farming techniques and income generation initiatives for community members. In 2015 alone, we trained a total of 60 community leaders in farming and animal husbandry, and introduced cash crops that perform well in local soil and climate conditions, such as garlic and beetroot, to the local farming community. The program also provided 23 families with micro credit to setup a small-scale chicken farm.

Another program from the LG Hope Community initiative is LG-KOICA Hope TVET College, which was established in 2014 to provide vocational training to young Ethiopians. As of March 2016, more than 130 students were enrolled in the school’s electronics and ICT device repair courses and working hard to become professional repair technicians. In order to provide the best possible learning experience, we dispatched our Master Repair Engineers to the school to lead two advanced sessions, and organized a student field trip to our Dubai service location. Students are responding enthusiastically to our efforts, performing exceptionally well in the national certification test: 98 percent of our graduates acquired the Level I (entry) certification, with 98 percent of them successfully advancing to Level II (intermediate) certification (as of the end of 2015).



01 -



02 -



03 -



04 -



05 -

- SOCIAL CONTRIBUTION PROGRAMS: TECHNOLOGY THAT CARES

- 01: Health-Hygiene Awareness Class in Ethiopia
- 02: Health Promotion Campaign in Myanmar
- 03: Health Promotion Campaign in Cambodia
- 04: AT EDUCOM in UAE
- 05: “OLED Perfect Black Gallery”

In addition, LG Electronics is working with the International Vaccine Institute (IVI) to protect the people of Ethiopia against AWD (Acute Watery Diarrhea), administering cholera vaccines to more than 40,000 people and conducting health-hygiene awareness classes for over 60,000 schoolchildren. Our employees are also contributing to a scholarship program for the descendants of Korean War veterans. Thus far, a total of 146 students have benefited from the scholarship program, which is operated with contributions from LG Group employees (LG Electronics, LG Corp., LG Chem, LG Display, and LG Uplus).

Public Health Promotion Campaigns in Asia

LG Electronics first launched a health Promotion campaign in 2013 for medically underserved people in Myanmar, and expanded the program to include Bangladesh and Cambodia in 2014. Through this program, LG Electronics visits medically underserved communities and provides free medical service as well as health-hygiene awareness classes that cover various health issues, such as hypertension, diabetes, nutrition, and personal hygiene. We also organize small cultural events for community members visiting the campaign venue, such as a photo session with the LG Pocket Photo printer and 3D movie screenings, turning the health awareness campaign into a neighborhood festival. In the year 2015, LG Electronics organized 26 health awareness campaign sessions in the three countries to provide free medical service and medical supplies to over 40,000 individuals and hosted health-hygiene awareness classes and cultural events for more than 51,000 people.

Addressing Community Issues

In 2015, LG Electronics engaged in social contribution programs that take advantage of “technology that cares” in addressing local issues. For instance, LG Electronics partnered with World Vision to enhance the learning environment for public school students in Pakistan, which suffers from power supply problems, and built solar-powered libraries leveraging our solar power technology. As part of our efforts to create a better world for people with disabilities, we cooperated with Seoul National University’s QoLT Center in the UAE to raise awareness on accessibility for the disabled and to offer accessibility app development training (AT EDUCOM) to the country’s college students. In France, LG Electronics set up and ran the “OLED Perfect Black Gallery” during the 2015 United Nations Climate Change Conference (COP 21) in Paris in order to highlight the enduring legacy and beauty of World Cultural Heritage sites with the OLED TV’s superb picture quality.

Trustworthy Partner

As a responsible member of communities where we operate, LG Electronics actively engages with stakeholders to identify local needs and incorporates their opinions into our social contribution initiatives. We also pursue partnerships with national and local governments to gain insight into local conditions, while expanding the impact of our social contribution initiatives through collaboration with organizations that have expertise in addressing local issues, including International Organizations and NGOs. Based on the partnerships and mutual respect with stakeholders, LG Electronics will further our efforts to turn our CSR vision into reality, conveyed in the slogan "Life's Good with LG," in communities across the world.

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

Since 2011, LG Electronics has operated the LG Social Fund to promote social economy organizations in the environmental protection and management sector, as part of our boarder commitment to advancing the Korean economy. Managed in partnership with LG Chem, the Ministry of Employment and Labor, the Ministry of Environment and NGOs, the LG Social Fund is a multilateral partnership for social economy. The program selects social economy organizations with innovative "green economy" ideas and provides a wide range of support, such as financing, management consulting, promotions and office space, with a total of 91 organizations receiving support since its inception. In 2014, we also launched the Social Economy Promotion Contest for college and graduate students and recognize excellent ideas with an award. Since 2015, the program has offered free office and collaboration space to social economy organizations at the LG Social Campus located in the Industry-Academia Cooperation Center at Korea University.

Emergency Relief

After a 7.8 magnitude earthquake struck Nepal in April 2015, LG Electronics, together with our local buyer Chaudhary Group, built and donated 100 prefab housing units to victims of the disaster. We also donated 500 mobile phones to the Nepal Scouts through the United Nations Office for the Coordination of Humanitarian Affairs (UN OCHA) to assist their relief efforts, and dispatched repair engineers to offer free repair service to earthquake victims. In Myanmar, we donated medical supplies to more than 820 families affected by the floods that hit the country in August 2015, and provided support for the nation's relief efforts through the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI).

- 01 - 
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- SOCIAL CONTRIBUTION PROGRAMS: PARTNERSHIPS BUILT ON TRUST

- 01,02: LG Social Fund
- 03,04: Emergency Relief in Nepal
- 05: Love Genie
- 06: LG Hope Screen

Collegiate CSR Academy, "Love Genie"

In 2014, LG Electronics launched Love Genie, the collegiate CSR Academy, to foster CSR experts and promote social responsibility among college students – future leaders of our society. In 2015, the Academy welcomed 30 college students and offered systematic training and mentoring on CSR issues such as labor, human rights, ethics, the environment, health & safety and social contribution. We also supported the students to independently plan and execute CSR projects, including initiatives for resolving waste management and poverty issues. Additionally, we also help our graduates find a career opportunity in CSR or social contribution organizations at business corporations or in NGOs and other social organizations. More information on Love Genie or initiatives led by Love Genie members is available on their official blog (www.lovegenie.co.kr).

LG Hope Screen

Since 2011, LG Electronics has made our marketing assets available to international organizations and NGOs as part of our efforts to raise public awareness on social responsibility and encourage members of the public to do their part in resolving social issues. In 2015, we offered our Times Square, New York City digital billboard to the UNEP and UN to feature campaign videos for World Environment Day and International Youth Day, and contributed to heightening public awareness on these important causes.

Participation in UN Global Compact Projects

In 2014, LG Electronics agreed on an MOU with the United Nations Global Compact and participated in a research project for Private Sustainability Finance. We also took part in the Poverty Footprint Initiative led by Oxfam and Unilever to develop a methodology for assessing and measuring the impact businesses have on sustainable development.

Sharing and Comfort (Sharing that Engages All)

Our employees are actively involved in LG Electronics' social contribution efforts, volunteering their time and talents for causes that help their communities. Guided by the Charter of Social Contribution established in 2005 and the LG Social Contribution Policy introduced in 2012 by LG Corp., we strive

to create a corporate culture that promotes voluntary participation in social contribution efforts and empathy in actions. We also continuously provide corporate-level policy support to initiatives undertaken as part of LG Electronics Labor Union's Social Responsibility (USR), which was instituted in 2013 as the world's first CSR pledge by a labor union, to promote employee participation in giving and volunteering at every business site and create more opportunities for talented employees to share their professional knowledge and expertise in helping their neighbors in need.

Employee Volunteer Programs

In addition to volunteering their time, employees at LG Electronics apply their personal hobbies, special skills, and professional expertise in helping their neighbors in need and addressing community issues, including pro-bono work for non-profit organizations. Our employee volunteer groups, organized in 2005 by our employees on their own initiative, have played the central role in our employee social contribution efforts across communities. In 2010, we officially launched the "Life's Good Volunteers" as an employee talent donation program. Throughout 2015, 760 employees from 85 volunteer groups participated in a wide range of volunteer projects, such as photographing portraits for the elderly, running science classes for children, and providing free electronics repair service to welfare facilities. In addition, employees with professional expertise came together and formed the Life's Good Volunteer's Pro to provide pro-bono work for non-profit organizations, which require professional services in their operations, but are unable to obtain such services due to financial or other reasons. The group members put into use their professional expertise to support valuable causes championed by non-profit organizations by designing their logos, translating professional literature, and developing smart phone apps.

Donation Programs

More than 95 percent of LG Electronics Korea employees are contributing to the Salary Round Up Fund, which is raised by employees who pledge approximately KRW 1,000 from their monthly salaries to help low income families. Over 82 percent of LG Electronics Korea Executives are also participating in the Executive Contribution Fund, founded in 2004 in order to support social contribution initiatives that leverage our technologies and core competencies in addressing social issues. In 2015, the fund was used for empowering communities across the world, and supported the health promotion campaign in South East Asia, accessibility app development training in the UAE, earthquake relief



- SOCIAL CONTRIBUTION PROGRAMS SHARING THAT ENGAGES ALL

- 01: Life's Good Volunteers
- 02: Workday Volunteer Program
- 03: Social Contribution with Love Genie (Korea)
- 04: World Environment Day (China)
- 05: World Environment Day (Greece)
- 06: Global Blood Donation Week (Russia)

efforts in Nepal, and construction of a solar-powered library for school children in Pakistan. Since 2011, we have also hosted the "Life's Good Day" event at company cafeterias on a bimonthly basis. On these special days, company cafeterias offer a simpler menu at a reduced price, and employees who choose that menu pay the original price and donate the difference. In 2015, all proceeds from the Life's Good Day events were directed to employee initiatives that combine charitable giving and volunteering, such as packing and delivering food and gift bags for flophouse residents, and assisting the operations of food kitchens. Over the past five years, a total of 308,787 employees (cumulative) have participated in the events and raised approximately KRW 130 million.

Global Employee Engagement

As part of our 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 organized the Global Volunteer Day event since 2010 across the world in conjunction with the Labor Union's USR initiatives. In 2015, employees from 28 business sites in Korea and overseas (including the U.S., China, and Mexico) organized events in line with the year's theme, "Seven Billion Dreams. One Planet. Consume with Care." We also host the annual Global Blood Donation Week in September to raise employee awareness on the importance of donating blood. In 2015, over 3,500 employees from 35 business sites in Korea and overseas participated and gave blood. LG Electronics Russia took the blood donation campaign on the road and toured the country, switching the modes of transportation from buses to rail and airplane. The campaign broke the Russian record for the longest distance covered by a campaign and was listed by the Guinness World Records Russia. In conjunction with the global event, we ran an SNS campaign in Korea, pledging KRW 1,000 for each message of support posted on social media sites. The fund raised through the campaign was used for treating pediatric cancer patients, and LG Electronics also donated 83 LG Kids Pad tablet PCs for the young patients.

Around the World



BRAZIL (Paraisopolis CSR Project)

In celebration of LG Electronics' 20 years in Brazil, LG Electronics engaged in social contribution activities in Paraisopolis, one of Sao Paulo's poorest communities. We donated uniforms to more than 300 members from a local children's football club and provided funding for a neighborhood orchestra and ballet troupe whose members are comprised of local children and residents.



BENELUX REGION (Capture Optimism)

In the Benelux region, LG Electronics ran Capture Optimism, a photo project that searches for hope that withstands challenges and tough environments. Ten amateur photographers selected by the program traveled to remote areas around the world with the LG G4 smart phone and captured the images of people who find hope and positive answers despite the challenges they might face. Select images from the project were featured on the program's website and auctioned off for donations.



KAZAKHSTAN (LG Care)

As part of our efforts to create a community where everyone is treated with consideration and kindness, we created a website where customers can share their experience of receiving such warmth and care. The heartwarming stories posted by our customers were shared across social media accounts, and the kind individual in the story that received the most number of "like" votes was selected as the winner and received an LG product voucher as a gift.



SYRIA (LG Quiz Show)

As part of our efforts to be part of "Syria is in Our Hearts" and send a message of hope to Syrians suffering from the nation's civil war, LG Electronics hosted a scholarship quiz contest and awarded a college scholarship to the final winner.



In order to turn our CSR Slogan "Life's Good with LG" into reality, LG Electronics puts great energy into social contribution efforts that empower communities in which we operate. In 2015, more than 90,000 employees from 89 business sites in 48 countries volunteered for our social contribution initiatives, including the programs presented below.



TAIWAN (Life's Good with Hope, Dare to Dream)

In Taiwan, LG Electronics teamed up with ten college students to run a project that helps children's dreams come true. The project toured ten schools in the country's rural region with the student volunteers and listened to the children talk about their dreams, capturing the interview on video. We posted their stories online and encouraged the public to help the children realize their dreams through online voting.



CHINA (Happy Summer Break with LG)

LG Electronics and LG Group affiliates in China partnered with the China Next Generation Education Foundation and ran the Happy Summer Break program, under which 1,000 college students from farming areas visit their hometowns during summer break and participate in projects that address local issues, such as delivering gifts to 3,000 children of migrant workers across the regions.



KOREA (LG IT Angels)

Founded by employees from the MC Company, LG IT Angels is a volunteer group that strives to enhance access to IT products and services for the disabled. For more than 13 years, members of LG IT Angels have visited severely disabled people or disabled people from multi-cultural families at their homes and provided one-on-one tutoring on how to use PCs and smartphones. The volunteer group also sponsored the IT Contest for Persons with Disabilities, which provides computer-savvy individuals with disabilities an opportunity to showcase their computing skills.



KOREA (Dreams on T-shirts)

Since 2013, designers from the Corporate Design Center have put their artistic sensibilities and skills to good use for charitable causes. This year, the designers created family photo albums for single parent families and helped them preserve their precious memories. They also presented the children with T-shirts after drawing a picture picked by the children on the T-shirt.



With Our Employees

WHAT IS IMPORTANT?

Our 2015 materiality analysis identified the followings as the most important issues:

- 1) Protection of Basic Labor Rights
 - 2) Promotion of Labor-Management Relations and Internal Grievance Resolution Mechanisms
 - 3) Management of Supply Chain Labor Rights and Human Rights Risks
- Our stakeholders also found "Anti Discrimination and Diversity Management Efforts" and "Family Friendly Management Policies" to have a high importance.

HOW WE MANAGE IT?

Our Approach

LG Electronics develops and operates an HR system through which we manage and support both Korean and overseas employees and ensure equal opportunity for all employees across geographic locations, while providing a comprehensive range of support programs to help our employees to develop their professional capabilities. We also strive to create a corporate culture that motivates both individuals and organizations to change and innovate continuously.

Our Evaluation

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

Future Direction

- 1) Establish a corporate culture that promotes work-life balance
- 2) Ensure that real improvements are made through site inspections and audits
- 3) Enhance systems and processes to better protect the human rights of our employees

Stakeholder Statement



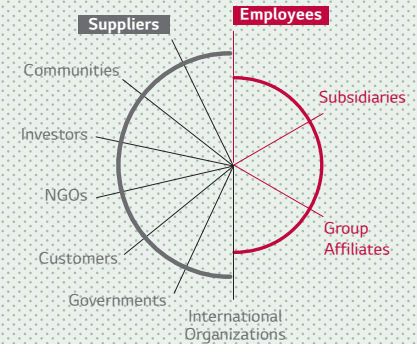
Although LGEVH (LG Electronics Vietnam Haiphong) is one of the new additions to LG Electronics, we are successful at organizing programs and activities for building strong trust and relationships among employees and for improving our business performance. We are also interested in training employees to improve their capabilities and apply their knowledge to work. Furthermore, HQ supporters make a visit to the subsidiary and support us with enthusiasm. Especially, both leaders and employees at LGEVH work together to achieve the same goal. Therefore, we believe that we will become one of the strongest subsidiaries of LG Electronics in the near future.



Do Thi Ngoc
 LGEVH Subsidiary
 HR team

BOUNDARY

- / Internal Stakeholders
- / External Stakeholders



Our Performance



100%
 EESH Levels at
 Our Production Sites



For **27** Consecutive
 Years
 Concluded Annual
 Collective Bargaining and
 Negotiations without
 Dispute



26,000 Ideas
 Number of Entries to
 Product Idea Contest



Business Function College
14 tracks
 Job Training
830 courses
 Employee Training System

Global Workforce

Global HR System

LG Electronics has established the LG Way as a set of governing principles for individual thoughts and actions as well as for its business management and practices. We also strive to foster "individuals who are attuned to the LG Way and act upon the principles," and develop and operate an HR system aligned to the LG Way, under which we manage and support both Korean and overseas employees to ensure equal opportunity for all employees across geographic locations.

Key HR Initiative

After decades of strong growth, the global economy is trapped in persistent low growth that is causing disruptive changes in the business landscape and compelling corporations to scramble for a new management style, business structure, and corporate culture. In order to achieve sustainable growth in this volatile environment, LG Electronics strives to create a corporate culture that motivates both individuals and organizations to change and innovate continuously. To this end, LG Electronics identified strengthening core HR capabilities as its key HR initiative, through which we intend to acquire and foster talented individuals, not only to prepare them for the future but also to groom them to taking leadership of the changes that will shape the future. As part of this initiative, LG Electronics is expanding the "One-on-One Caring" HR management system and upgrading its IT resources, including the adoption of big data analytics. In addition, we are enhancing and expanding our HR infrastructure to strengthen the fundamentals of our HR system and management, based on which we intend to fully support employees in developing their individual capabilities, and build a matrix organization structure best suited for LG Electronics.

Innovations to Build a New Organization for a New Business Structure

As part of our efforts to build an agile organization that efficiently accommodates a new business structure, LG Electronics continues to develop and implement forward-thinking HR systems and programs that support our future business needs and strategies, taking into account critical factors such as the arrival of a new generation of workers, challenging business conditions in a low-growth environment, a fast-changing social structure, and our longer-term business strategy. We are placing particular emphasis on creating an agile organization capable of responding to future business needs by innovating our organization structure to release the full potential of our business and workforce with a job- and performance-based HR management sys-



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- GLOBAL TALENT ACQUISITION PROGRAMS

01: LG Techno Conference

02: LG "Code Challenger" Contest

tem and forward-thinking position management. In addition, we operate a broad range of talent development and employee motivation programs to promote global employee engagement. Our primary focus is on offering HR development programs that provide 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 their organization leaders, which aims to create a profound impact on the professional growth of our employees. This program is offered to all our employees in both Korea and overseas, helping them develop a clear roadmap for professional growth with tailored support.

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 2015, our employee turnover rate was 4.5 percent in Korea and 27.0 percent overseas, continuing the trend of higher turnover rates at overseas locations compared to Korea. The higher turnover rates in overseas locations are mainly due to the consolidation or dissolution of our subsidiaries following the global economic slump and a decrease in production volumes, and the fact that a high percentage of our overseas subsidiaries are located in emerging economies with much less stable social and economic conditions than Korea. In addition, we hire back retiring or resigning employees with excellent track records and capabilities as advisors or consultants as part of our retention and management efforts for high performers.

Diversity Management

LG Electronics aims foremost to ensure that all our employees are respected and embraced as part of a team, regardless of their nationality, gender, ethnicity, and disability, and that they are given an opportunity to use their individual capabilities to the fullest extent. We also ensure that no employees of LG Electronics suffer discrimination or disadvantage because of their gender, ethnicity, education level or religion. As of year-end 2015, female employees made up approximately 22 percent (Overseas: 29%, 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 our overseas locations. To this end, we support our female employees to achieve work-life balance, and encourage them to benefit from our childcare leave program to avoid career disruption from childcare issues. As a result, a growing number of employees are taking advantage of the program, up 20 percent from the previous year, with 720 employees taking maternity or childcare leave in 2015. 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.

Acquisition of Global Talent

Despite the unfavorable business climate created by the sputtering global economy and stagnant growth, LG Electronics continuously works to find and acquire quality talent through a comprehensive range of recruiting programs, including regular recruitment events at major universities and countries, such as the United States, Germany, the United Kingdom, China and Korea. We also participate in the Techno Conference, a global recruitment event held in Korea and the United States hosted by our holding company, LG Corp. During the event, we invite more than 300 talented professionals and students (PhD or master's degree candidates) 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. We also host the LG Day event for bright students from major universities in Korea, and provide career counseling as well as information on our recruitment process. We also have in place the Industry-Academia Scholarship Program, which offers scholarship to bright students from promising fields on the condition that they join our company after graduation. Our "Dream Mentoring Program" has our R&D professionals evaluate the expertise, creativity, and interpersonal skills of candidate stu-

dents over a long period of time to make a comprehensive evaluation and ensure recruitment success in the long term. As part of our efforts to discover talented professionals, LG Electronics hosts a range of contests such as "Code Challenger." As part of our industry-academia programs, we collaborate on R&D projects with major universities and discover bright students in the process, while operating the "LG Track" to recruit bright students and groom them into young professionals tailored for LG Electronics by encouraging them to take required courses. Our talent acquisition efforts extend to regular recruitment events (two to three times a year) for Korean students studying at major science and engineering universities in North America and Japan. We also make one-on-one recruitment efforts to keep attractive candidates interested in working for LG Electronics.

Development Programs for High Potential Employees

As a long-term strategy to foster high potential employees, LG Electronics offers three different career development tracks (Business Leader, Function Leader, and Expert) to satisfy the disparate career development needs of our employees. We also assign a set number of young Korean employees (managers and assistant managers) to overseas locations (Middle East & Africa, Central & South America, South East Asia, and China) every year to develop the regional experts required by global corporations. We also offer talented employees opportunities to acquire advanced 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. As part of employee development initiatives from our overseas subsidiaries, we operate the HIPO (High Potential Individual Pool) on-the-job training (OJT) program. Organized into short- and long-term tracks, the program trains approximately 30 HIPOs a year, and has trained a total of 180 high potential employees from 2010 to 2015.

Motivating Employees with a Fair Evaluation & Reward System

LG Electronics has in place a single standardized process that governs the evaluation and incentive systems for all our employees. We implement the relative performance based evaluation process to raise the effectiveness of assessment and facilitate differentiated compensation. There is no salary gap between male and female employees, and all employees are evaluated based on their achievement against individual and group performance targets for the calendar year, and rewarded accordingly. As of 2015, the starting salary for entry-level employ-



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- EMPLOYEE ENGAGEMENT PROGRAMS

01: LG Family Open Day (India R&D Center)

- DIVERSE TRAINING METHODS

- 02: Multi-Party Global Real-time Remote Training (Korea-Brazil)
- 03: Real-time Remote Training via Smartphone
- 04: Staff Feedback via Instant Messaging in a Real-time Remote Training Session
- 05: LG Live Studio

ees with a college degree in Korea was 226 percent higher than the legal minimum wage, and all employees are rewarded fairly based on individual merit and performance.

Employee Development Strategy

Employee Training Programs for Market Leadership

Advanced Training for Business Leader Candidates /High Potential Employees

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

Enhancing Employ Capability with the Function College

In line with our motto, "Strong Organization, Satisfied Employees," LG Electronics has in place a comprehensive range of employee development programs that aim to guide all of our employees through a development path that satisfies both the employee's individual needs and our business needs. To this end, we require our employees to develop a career roadmap through the One-on-One Caring program, based on which employees perform a self-assessment by identifying capabilities they already have and capabilities they need to acquire. Based on the results, we develop a training roadmap that assigns mandatory and elective courses required to achieve their development goals. In order to better support employees on their training, LG Electronics established the Business Function College for each of its 14 business functions, and offers more than 830 on- and offline courses through which individual employees receive training prescribed by the training roadmap. Through this program, all of our employees can acquire the credit hours required by our HR system (for promotion, etc.) and develop their capabilities based on a detailed and precise plan.

Training Support for New and Strategic Businesses

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

Life Planning Program

In addition to training programs developed for different positions, jobs and business functions, LG Electronics has in place the Life Planning Program (retirement consulting, internal training specialist track, etc.) to help its employees better prepare for retirement as well as for 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 fulfilling professional and personal life after retirement. In 2015, LG Electronics provided 79 hours of training per employee (office staff/Korea), and expended a total of KRW 39.6 billion on employee training, which translates to KRW 1.34 million per employee based on the average number of employees in the year.

Enhancing the Efficacy and Efficiency of Training (Advanced Training Programs)

Leveraging Consulting and Seminars as Training and Problem Solving Opportunities

LG Electronics utilizes consulting sessions and seminars as an opportunity to introduce learning into real life business assignments, successfully completing the assignment at hand and enhancing the problem-solving ability of our employees at the same time. 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."

Detailed Training Courses

LG Electronics provides a comprehensive set of customized training courses carefully designed based on the input from over 1,500 experts from 75 subprograms under the 14 tracks offered at the Business Function College. We are implementing the flipped classroom approach to these group training sessions, under which trainees go over the instructional content before the training, and have discussions on real-life business issues in group sessions to identify business solutions, which in turn improves the problem-solving skills of individual employees.

Introducing Diverse Training Methods

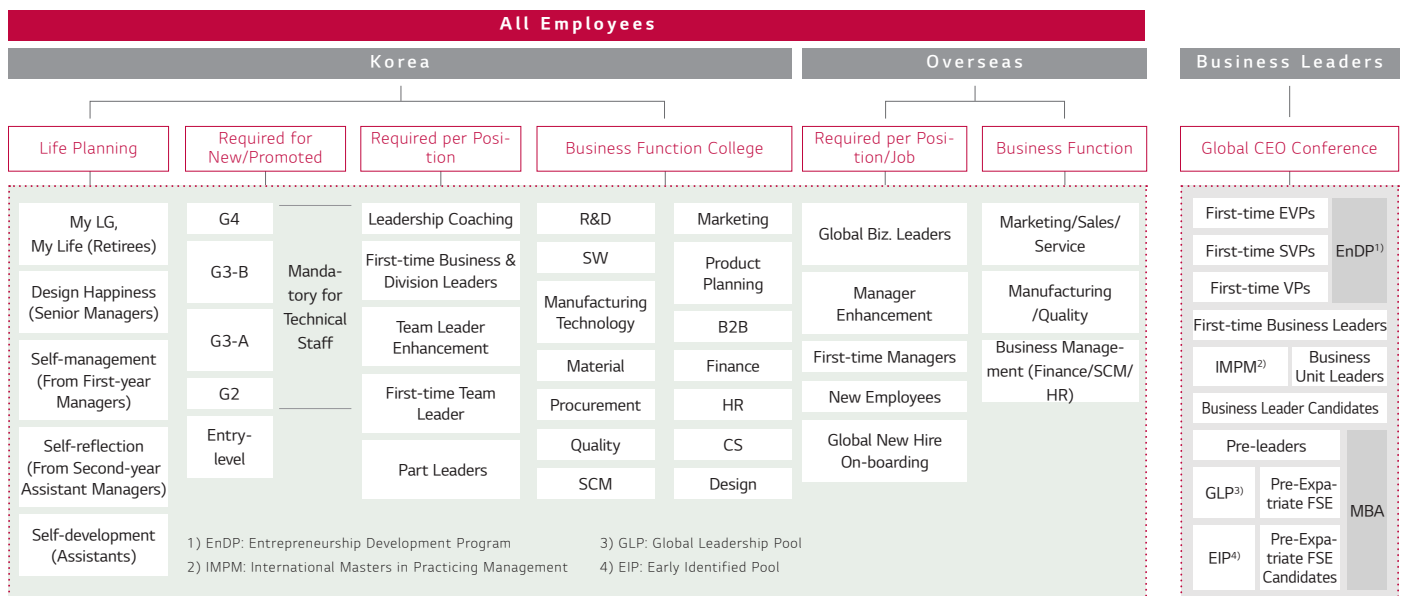
As part of our efforts to expand training opportunities for our employees, LG Electronics offers an extensive range of remote training sessions to help

our employees receive training regardless of time and location. Thanks to this training system, our overseas employees can check the live-cast schedule, which is prepared and published annually, and participate in the programs of their choice at a time of their convenience. Remote training sessions also facilitate two-way discussion between the instructor and participants to facilitate active learning. In addition to the group session participants, other employees can also check in to provide feedback and assessment. We also support employee study groups to motivate their voluntary efforts for learning and knowledge sharing. As part of our efforts to introduce new training methods and improve the effectiveness of our employee training, LG Electronics is active in implementing new learning assistant technologies, such as virtual reality (VR) and augmented reality (AR).

LG Electronics Consortium for HRD Ability Magnified Program (CHAMP)

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

Employee Training System



Employee Overview (Unit: Number of Employees)

By Region			By Job and Gender				By Age Group					
Region	No. of Employees	Percentage	Category	By Job	Total (Full-time + Temporary)	Female	Percentage	Age Group	No. of Employees	Percentage	Korea	Overseas
Korea	37,904	49.1%	Korea	Business Staff	29,650	4,409	14.9%	20s and under	22,554	29.2%	8,392	14,162
China	9,976	12.9%		Production Staff	8,004	1,544	19.3%	30s	34,702	45.0%	17,720	16,982
CIS	1,906	2.5%		Executives	250	1	0.4%	40s	14,655	19.0%	8,500	6,155
Europe	5,092	6.6%		Total	37,904	5,954	15.7%	50 or older	5,265	6.8%	3,292	1,973
India	4,704	6.1%	Overseas	Business Staff	22,588	6,208	27.5%	Total	77,176	100.0%	37,904	39,272
Japan	215	0.3%		Production Staff	16,621	5,111	30.8%					
Middle East & Africa	2,164	2.8%		Executives	63	1	1.6%					
North America	2,168	2.8%		Total	39,272	11,320	28.8%					
Central and South America	7,098	9.2%	Overall	Business Staff	52,238	10,617	20.3%					
Asia	5,949	7.7%		Production Staff	24,625	6,655	27.0%					
Total	77,176	100.0%		Executives	313	2	0.6%					
				Total	77,176	17,274	22.4%					

Workforce Diversity

Female Employees (Unit: Number of Employees)



Category	2015	2014	2013
Korea	5,954	6,049	6,244
Overseas	11,320	13,820	14,456
Total	17,274	19,869	20,700
Percentage	22.4%	23.8%	24.1%

Turnover Rate (Full time / Unit: %)



Category	2015		2014		2013	
	Total	Female	Total	Female	Total	Female
Korea	4.5	5.8	6.0	7.8	4.3	6.3
Overseas	27.0	30.1	23.1	24.5	27.4	32.3
Total	16.3	22.4	15.3	19.5	17.0	24.7

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



Category	Gender	2015	2014	2013
Number of Employees on Maternity & Childcare Leave	Female	661	542	466
Percentage of Employees Returning after Leave	Female	98%	99%	99%
Percentage of Employees Remaining at Work for 12 Months or Longer after Returning from Leave (=Retention Rate)	Female	87%	98%	97%

Percentage of Non-regular Employees (Korea)



Category	2015	2014	2013
2015	1.1%		
2014		1.1%	
2013			1.7%

Percentage of Employees with Disabilities (Korea)



Category	2015	2014	2013
2015	1.72%		
2014		1.71%	
2013			1.36%

Key Training Index (Korea/Business Staff)

Category	2015	2014	2013
Total Training Costs (Unit: KRW 100 million)	396.2	413.2	482.3
No. of Employees Completing Group Training	97,425	90,412	93,215
No. of Group Training Sessions per Employee (Average)	3.2	3.1	3.1

Average Number of Years in Service

Category	2015	2014	2013
Korea	10.8	10.1	9.6
Overseas	6.8	6.0	5.7
Total	8.8	7.9	7.5

Employee Benefits and Support Programs (Korea)

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

Category	2015	2014	2013
Legally Required Benefits	2,226	2,193	2,029
Optional Benefits	1,196	1,276	1,310
Total	3,422	3,469	3,339

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

Employee Benefits and Support Program (Korea)

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

Corporate Culture & Work-Life Balance

Working Style Unique to LG Electronics

LG Electronics puts great energy into fashioning a working style that is unique to LG Electronics and a corporate culture that celebrates employee initiative and creativity, which form the foundations of our efforts to achieve the vision of No.1 LG. We place a particular emphasis on creating a culture that promotes seamless communication between employees and management, through which we align our efforts towards the rapid execution of business initiatives. In addition, we are implementing change activities that engage every member of the organization, while developing effective programs that promote inter-organizational collaboration and create synergy. LG Electronics also operates a broad range of employee care programs in order to help our employees achieve professional growth and fulfilling personal lives within the organization.

Organizational Alignment for Fast Execution

As part of our efforts to form a consensus and motivate employees, LG Electronics discusses the latest market conditions and our strategic responses and presents the direction for our business management at the Quarterly Morning Meeting attended by all of our employees. In order to ensure that this approach to communication is expanded across the company, we have organization-level leadership meetings and team-level workshops. Our leadership meetings serve as a device for aligning the organization to collective goals and boosting executional performance, while providing our management leaders with an opportunity to define and communicate their leadership style to mobilize the support that can assist them in exercising strong leadership and producing results. At our team workshops, team members review our as-is processes to establish a roadmap for organizational capacity building and boost our longer-term performance, and develop change initiatives and action plans, taking it as an opportunity for employee-led change activities. Organized on a semiannual basis (in the first and the second half), the team workshops also serve as a venue for sharing the change initiatives that have produced excellent results to provide a learning opportunity for the participants.

Change Initiatives Led by Employees

As part of our efforts to boost our executional performance and teamwork, LG Electronics continues to implement programs that directly or indirectly

engage employees in our management efforts and motivate them to lead change initiatives. In 2005, we launched the Product Idea Contest through which we have received more than 26,000 ideas from our employees (as of February 2016). Our employees also offer ideas on how to improve our meeting / reporting style and maximize synergy across the organization, share their business know-how, and suggest management ideas to organization leaders on the "working style improvement" section of the IDEA board set up in July 2014. We have received a total of 332 employee ideas (as of February 2016), and one of the most popular posts on the online message board generated more than 48,000 views and over 1,500 comments.

Promoting Collaboration and Synergy

In order to promote collaboration between organizations and employee groups and create inter-organizational synergy, LG Electronics implements a comprehensive range of communication programs including "Cross Open Communication," "Harmony 1+1," and "New Business Leader Soft Landing." Designed to resolve conflicts and prevent potential issues by promoting communication and understanding, these programs help address working-level business issues.

Cross Open Communication

Designed to leverage the strengths of lateral communication and maximize inter-organizational synergy, Cross Open Communication is a discussion session between executives and members from a different business unit, and serves as an effective mechanism for promoting inter-organizational understanding and for building top-to-bottom teamwork.

Harmony 1+1

Harmony 1+1 aims to remove organizational silos and create synergy through collaboration by bringing together two or more teams that collaborate on a business project to discuss potential issues and possible solutions in their working relationships. The program also encourages participating teams to develop and agree on their respective action plans, and track their implementation to ensure successful resolution.

New Business Leader Soft Landing

This program provides new leaders and their team members with an opportunity to communicate, develop rapport, and build top-to-bottom teamwork early on in the new leader's tenure. Although similar in nature and purpose with Cross Open Communication, this program requires a session to be held within three months of the new leader's arrival

CASE STUDY

Female Employee Day at the Changwon Plant



In celebration of International Women's Day, LG Electronics' H&A Company hosted the Female Employee Day at the Changwon Plant in March 2016. Organized to boost the morale of female employees as part of our employee care initiatives, the event featured opening remarks titled "Women, Future Leaders" by the H&A president and the lecture "Female Leadership Found in TV Shows," and was attended by more than 400 female employees from the location. In his opening remarks, the president of the H&A Company urged our female employees to "grow into future leaders, striking a balance between your personal vision and the organization's and overcoming challenges with a strong sense of responsibility, passion, aspiration, and pride for yourself and for all those who support you, including your colleagues." Female employees enjoyed themselves at the event and said they felt energized and inspired. Going forward, LG Electronics will develop and offer more regular employee care programs to boost employee morale, including those that cater specifically to our female employees.

Work-Life Balance

At LG Electronics, we believe that the happiness of our employees, both personal and professional, leads to strong growth and business performance in the longer term. We know that when an organization understands its employees and makes them happy, the rest – great performance, great products, great service, and a great brand – will happen on its own. A strong and viable organization supported by happy employees will in turn become a great environment for its employees to develop professionally and enjoy fulfilling personal lives. In line with this conviction, LG Electronics strives to create a corporate culture that facilitates work-life balance for our employees.

Korea

In order to help our employees grow professionally with the organization and enjoy fulfilling personal lives, LG Electronics has in place a wide range of initiatives to help our employees achieve work-life balance. As the first step towards this goal, we strive to create a productive working environment so that our employees don't have to stay late to finish their work. To this end, LG Electronics is implementing the "smart working day" to establish "finishing and leaving work on time" as a standard practice for our employees, creating an environment where they can focus on their work during the day, finish and leave work on time, and spend time with their families or for personal needs.

We also provide a counseling center and employee lounge at every 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. LG Electronics also provides group counseling to promote teamwork and build trust among employees, which in turn improves employee productivity.

Our employee care programs are extended to their family members as well. Every year, we send out a message card and small gift to the children of our employees to congratulate their enrollment into elementary school, or to wish them their best on their college entrance exam. In 2015, a total of 2,951 children and teenagers received this token of recognition through our employee family care program. In addition, we make company cars available to our employees (Special Car Event) and help them celebrate special occasions with their loved ones.



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02 -



03 -



04 -



05 -



06 -

- 01: COUNSELING CENTER
- 02: LGEIL (NOIDA, INDIA)
- 03: LGETH (THAILAND)
- 04: LGEUS (UNITED STATES)
- 05, 06: LGEHN (VIETNAM)

Overseas

LG Electronics' overseas subsidiaries also offer diverse programs and events designed to promote employees' work-life balance based on their comprehensive understanding of local cultures. Our programs and events bring excitement, relaxation, and diversity to employees' lives.

Our Noida subsidiary in India celebrates the year's achievements with an annual function. During this event, employees and their families are welcomed on to the LG site and enjoy activities ranging from traditional lighting ceremonies, dances, songs, and games for children, organized to express our appreciation for their work and highlight the importance of family in their lives.

Maintaining both peak mental and physical condition is essential for all employees. With that in mind, our Rayong Plant in Thailand offers employees a chance to stay healthy and fit with the LG Fitness Center, opened in 2015. This facility allows employees to maintain control over their health and fitness, to utilize their free time doing something constructive, and to build strength for the challenges ahead.

LG Electronics America also holds several events every year to encourage employees to strike the right balance in their everyday lives. Perhaps the most notable of these is the LG Electronics Annual Volleyball Tournament, where ten teams compete to win the trophy. This forms part of the Summer Picnic, a major employee event for many organizations in the U.S.

One of the most popular events in the year for employees in Vietnam is the LG Festival, which is held in celebration of the spirit of togetherness as well as of competition and cooperation. There are a variety of sporting, musical and dramatic contests, with awards given to the best teams in all categories. This program keeps employees motivated, and encourages them to achieve more and more progress in the years ahead.

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 Multinational Enterprises and Social Policy, the OECD Guidelines for Multinational Enterprises, the UN Global Compact, and the EICC Code of Conduct. In line with these standards and regulations, 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 20 different languages for distribution to all our business sites throughout the world and made available from our corporate website. In 2015, we revised our Global Labor Policy and updated implementation guidelines accordingly to incorporate the amendments to the EICC Code of Conduct, as well as to reflect the growing international movement to regulate the practice of forced labor. In this round of revision, we introduced new provisions that prohibit "charging recruitment fees to employees" and "putting minors on overtime or on night shifts" and that ensure "employee rights to bargain collectively and to engage in peaceful assembly," and strengthened the corresponding audit requirements.

Labor Relations (Korea)

Labor-Management Relations is a term adopted by LG Electronics to replace the conventional term "labor-company relations," which is charged with negative connotations such as conflict and vertical relationships, and to convey our conviction that labor and management can create exceptional value together by fulfilling their respective roles.

All employees of LG Electronics are eligible to join the labor union, which is one of the two pillars in our labor-management relations, under the labor collective agreement and the union bylaws. Union membership totaled 8,004 employees (about 21% of all employees in Korea) as of the end of 2015. In addition to official meetings, such as quarterly labor-management council meetings and annual wage negotiations and collective bargaining, LG Electronics engages in ongoing communication with the Labor Union through diverse channels to discuss labor conditions and other labor-management issues. In particular, we immediately contact the union and hold a discussion when major changes are made in our businesses. Agreements made in collective bargaining meeting are applied to all Korean employees, including non-union members. At the collective bargaining meeting held in March

2016, we agreed on a pay raise and the revision of HR rules, such as changes to the dates for the regular bonus payment. LG Electronics is proud to report that we have been able to conclude annual bargaining without dispute for the past 27 years. In order to also collect the voices of non-union members, LG Electronics has in place the Junior Board (Business Staff Council) and operates 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 Employee Assistant (EA) team via email or hotline, which is then handled by the contact person following the appropriate procedures that includes review and investigation. LG Electronics also guides its subsidiaries to have in place a system to protect the identity of employees who report their grievances. 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.

Revisions to the Global Labor Policy



(Article 2) Avoidance of Forced Labor

Introduced a provision that prohibits charging recruitment fees to employees.

(Article 3) Prohibition of Child Employment

Introduced a provision that prohibits putting minors (under 18) on overtime or on night shifts.

(Article 4) Fair Treatment

Expanded the list of grounds for discrimination to include color, age and pregnancy.

(Article 5) Working Hours

Explicitly adopted the EICC standard on working hours (60 hours per week).

(Article 6) Wages and Benefits

Introduced a provision that prohibits implementing wage deduction as a disciplinary action.

(Article 7) Voluntary Association

Introduced a provision that ensures employee rights to bargain collectively and assemble peacefully

CSR Risk Management Program

CSR Risk Self-Assessment

LG Electronics assesses all of its production sites for their compliance with CSR requirements such as the EICC Code of Conduct on a semiannual basis. In 2015, we conducted the EICC self-assessment at all of our 39 production sites (Eight in Korea and 31 overseas). In this year's assessment, our production sites averaged 92.76 points, up 3.58 point from 2014 (89.18 points), with all of them rated as "low risk" (33 low-risk sites in 2014). Since we have achieved our initial goal of improving self-assessment performance across our production sites, we plan to implement an in-depth self-assessment with stronger requirements. In 2015, we made extensive management efforts in the Middle East and Africa region, where our production sites showed a relatively high risk level in the 2014 assessment. As a result, none of the regions showed elevated risk levels in the assessment conducted in the second half of 2015.

A total of 78 issues were identified as requiring improvement efforts in our 2015 assessment, and of the 78 issues identified, 60 (77%) have been addressed (as of year-end 2015). In 2016, we plan to manage the rest of the issues together with newly emerging CSR issues, such as placement or recruitment fees.

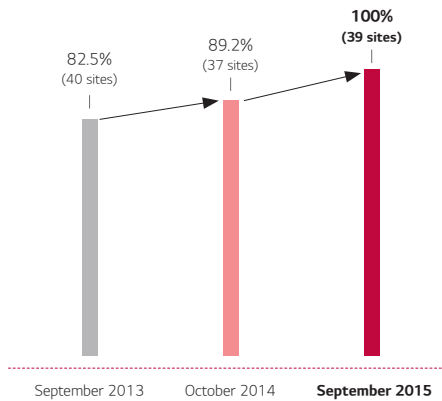
Third-party CSR Audit

In addition to the EICC Self-Assessment, we are improving our working conditions through third-party audits. In 2015, a total of three production sites (Mexicali, Mexico; Pune, India; and Nanjing, China) participated in the EICC VAP (Validated Audit Program: Third Party Audit), through which a total of 53 non-conformances were identified. We are making ongoing efforts to address the issues. The bulk of non-conformances were from "Health & Safety" and "Labor" (74%). As part of our efforts to improve working conditions for our employees, we plan to overhaul our self-assessment questionnaire in 2016 to incorporate strengthened audit requirements and to address the issues identified through the assessment in a more timely manner.

Special Inspection in China

As labor issues continue to plague the electronics industries in China, LG Electronics performs inspection on our production subsidiaries in the country on an annual basis. In 2014, we focused on identifying issues concerning child labor and forced labor through our due diligence efforts. In 2015, we performed due diligence on six production sites (self-assessment questionnaire and site inspection) to assess the management of labor agencies and student workers. Although none of the target sites was cited for child labor, we identified some issues concerning the management of student workers and concluded that ongoing monitoring is required. We also found some instances where labor agencies had failed to comply with local labor laws (failure or delay in social security insurance filing, inadequate management of employment contracts, etc.), and implemented corrective actions immediately. In addition, we implemented corrective actions against non-conformance with emerging global CSR standards, such as requiring employees to bear the costs for health checks performed in the hiring process.

Number of Low Risk Sites based on EICC Self-Assessment



() : Figures in parentheses indicate the total number of sites underwent assessment.

LG Electronics CSR Risk Management Program Procedures



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

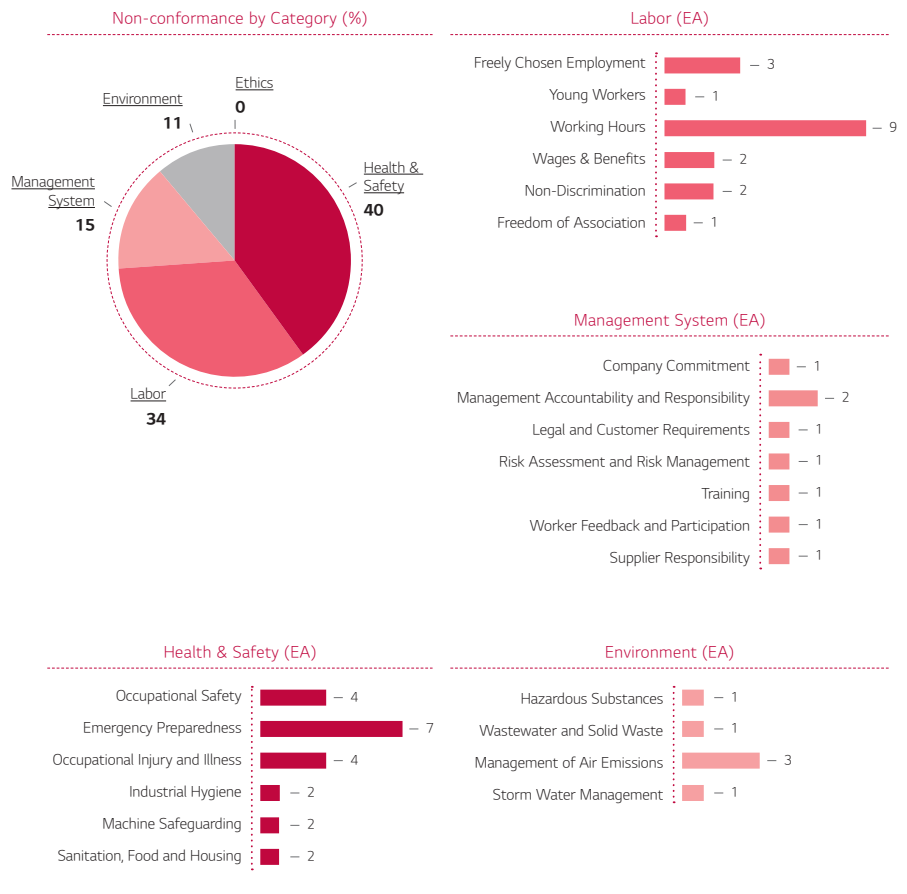
Country/Region	Total / Average	Labor	Ethics	Environment	Health & Safety	Management system
Korea	○	○	○	○	○	○
China	○	○	○	○	○	○
Asia	○	○	○	○	○	○
Europe/CIS	○	○	○	○	○	○
America	○	○	○	○	○	○
MEA	○	○	○	○	○	○

Risk-level by Region

Country/Region	Inherency	Controllability	Management System
Korea	○	○	○
China	○	○	○
Asia	○	○	○
Europe/CIS	○	○	○
America	●	○	○
MEA	○	○	○

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

Third-party Audit Results



APPENDIX

- 88** Economic Data
- 89** EESH Certification
- 90** Memberships/Awards & Recognition
- 91** Independent Assurance Statement
- 93** GRI/UNGC Index
- 97** Contributors to Report Preparation

ECONOMIC DATA

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

Category	2015	2014	2013
1. Net sales	56,509,008	59,040,767	56,772,302
2. Cost of sales	43,635,063	45,299,122	43,596,152
3. Gross profit	12,873,945	13,741,645	13,176,150
4. Selling and marketing expenses	11,681,654	11,913,088	11,927,139
5. Operating income	1,192,291	1,828,557	1,249,011
6. Financial income	542,586	416,660	408,341
7. Financial expenses	903,084	752,456	776,954
8. Gain (loss) from equity method	359,510	304,419	126,000
9. Other non-operating income (expenses)	(598,178)	(578,910)	(416,854)
10. Profit (loss) before income tax	593,125	1,218,270	589,544
11. Income tax expense	340,154	539,761	358,472
12. Net profit from continuing operations	252,971	678,509	231,072
13. Net loss from discontinued operations	(3,828)	(177,152)	(8,368)
14. Profit (loss) for the year	249,143	501,357	222,704

· 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	2015	2014	2013
I. Current Assets	16,397,613	17,482,698	16,325,058
Trade receivables	7,093,352	7,683,915	7,117,402
Inventories	4,872,676	5,711,273	4,838,830
Other current assets	4,431,585	4,087,510	4,368,826
II. Non-current Assets	19,916,283	19,585,722	19,203,006
Investments in jointly controlled entities and associates	4,841,861	4,594,461	4,329,583
Tangible assets	10,460,298	10,596,853	10,341,993
Intangible assets	1,473,280	1,394,336	1,363,690
Other non-current assets	3,140,844	3,000,072	3,167,740
Total assets	36,313,896	37,068,420	35,528,064
I. Current liabilities	14,779,691	15,680,577	14,947,542
II. Non-current liabilities	8,550,718	8,396,746	7,891,153
Total liabilities	23,330,409	24,077,323	22,838,695
I. Paid-in capital	3,992,348	3,992,348	3,992,348
Capital stock	904,169	904,169	904,169
Share premium	3,088,179	3,088,179	3,088,179
II. Retained earnings	9,016,546	9,081,044	8,885,523
III. Accumulated other comprehensive loss	(1,171,979)	(1,143,557)	(907,440)
IV. Other components of equity	(210,343)	(210,412)	(231,229)
V. Non-controlling interest	1,356,915	1,271,674	950,167
Total equity	12,983,487	12,991,097	12,689,369
Total liabilities and equity	36,313,896	37,068,420	35,528,064

· 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

EESH CERTIFICATION

At all production sites company-wide (As of March 31, 2016)

Region	Subsidiary	Country	City	Environmental			Business Continuity		
				Management	Health & Safety	Energy	Management	Quality	
North, Central & South America	LGEMX	Mexico	Mexicali	ISO 14001	-	-		ISO9001	
	LGERS	Mexico	Reynosa	ISO 14001	-	-		ISO9001	
	LGEMM	Mexico	Monterey	ISO 14001	-	-		ISO9001 & ISO17025	
	LGEBR	Brazil	Taubate	ISO 14001	-	-		ISO9001	
		Brazil	Manaus	ISO 14001	-	-		ISO9001	
Europe	LGEMA	Poland	Mlawa	ISO 14001	-	ISO 50001		ISO9001	
	LGWVR	Poland	Wroclaw	ISO 14001	OHSAS 18001	ISO 50001		ISO9001	
	LGAK	Kazakhstan	Almaty	ISO 14001	OHSAS 18001	-		ISO9001	
	LGERA	Russia	Ruja	ISO 14001	OHSAS 18001	-		-	
Middle East & Africa	LGEEG	Egypt	10th of Ramadan	ISO 14001	-	-		ISO9001	
	LGAT	Turkey	Kocaeli	ISO 14001	OHSAS 18001	-		ISO9001	
	LGESR	Saudi Arabia	Riyadh	ISO 14001	OHSAS 18001	-		ISO9001	
	LGESA	South Africa	Yohanesberg	-	-	-		-	
Asia	LGEIL	India	Pune	ISO 14001	OHSAS 18001	-		ISO9001	
		India	Noida	ISO 14001	OHSAS 18001	ISO 50001		ISO9001	
	LGETH	Thailand	Rayong	ISO 14001	OHSAS 18001	ISO 50001		ISO9001	
	LGEVH	Vietnam	HaiPhong	ISO 14001	OHSAS 18001	-	ISO22301 (IVI)	ISO9001	
	LGEIN	Indonesia	Cibitung	ISO 14001	OHSAS 18001	-		ISO9001	
Indonesia		Tangerang	ISO 14001	OHSAS 18001	-		ISO9001		
China	LGEND	China	Nanjing	ISO 14001	OHSAS 18001	-		ISO9001	
	LGESY	China	Shenyang	ISO 14001	OHSAS 18001	-		ISO9001	
	LGHN	China	Hangzhou	ISO 14001	OHSAS 18001	-		ISO9001	
	LGHZ	China	Huizhou	ISO 14001	OHSAS 18001	-		ISO9001	
	LGKS	China	Kunshan	ISO 14001	OHSAS 18001	-		ISO/TS16949	
	LGQD	China	Qingdao	ISO 14001	OHSAS 18001	ISO 50001		ISO9001	
	LGEYT	China	Yantai	ISO 14001	OHSAS 18001	ISO 50001	ISO22301 (Mobile Phones)	ISO9001	
	LGETR	China	Taizhou	ISO 14001	OHSAS 18001	-		ISO9001	
	LGETA	China	Tainjin	ISO 14001	OHSAS 18001	-		ISO9001	
	LGQH	China	Qinhuangdao	ISO 14001	OHSAS 18001	-		ISO9001	
	LGQA	China	Qingdao	ISO 14001	OHSAS 18001	-		ISO9001	
	LGEPN	China	Nanjing	ISO 14001	OHSAS 18001	ISO 50001		ISO9001	
	Korea	LGEKR	Korea	LG Digital Park	ISO 14001	OHSAS 18001	ISO 50001	ISO22301 (IVI, Mobile Phones)	ISO9001, ISO/TS16949
			Korea	Gumi_TV	ISO 14001	OHSAS 18001	ISO 50001		ISO9001
Korea			Gumi_Solar	ISO 14001	OHSAS 18001	ISO 50001		ISO9001	
Korea			Changwon1	ISO 14001	OHSAS 18001	ISO 50001		ISO9001	
Korea			Changwon2	ISO 14001	OHSAS 18001	ISO 50001		ISO9001	
Korea			Cheongju	ISO 14001	OHSAS 18001	ISO 50001		ISO9001	
Korea			Incheon	ISO 14001	OHSAS 18001	ISO 50001		ISO9001, ISO/TS16949	
Korea			Jeonju	ISO 14001	OHSAS 18001	-		ISO9001	

MEMBERSHIPS/ AWARDS & RECOGNITION

Memberships

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

Awards & Recognition

Date Awarded	Awards & Recognitions	Awarded by
January 2015	Received the CES Innovation Award for 41 products at the CES 2015, including the Best of CES Award	Consumer Electronics Association (CEA)
March 2015	Received the Global Mobile Award (Best Smartphone 2015) at the Mobile World Congress 2015	GSM Association (GSMA)
April 2015	Received the 2015 ENERGY STAR Partner of the Year - Sustained Excellence Award	United States Environmental Protection Agency (EPA)
June 2015	Received the Intersolar Award in the Photovoltaics (PV) category at the Intersolar Europe 2015	Intersolar Europe
June 2015	Received the Gold Prize and Silver Prize for two products each, at the Excellence in Design Awards 2015	Appliance Design Magazine
July 2015	Received the Ministry of Environment Award at the 19th Energy Winner of the Year Awards	Consumers Korea
August 2105	Received the EISA Award for four products at the 2015-2016 EISA Awards	European Imaging and Sound Association (EISA)
September 2015	Received the Good Design Award for 18 products	Japan Institute of Design Promotion
September 2015	Listed on the Dow Jones Sustainability World Index (four consecutive years)	S&P Dow Jones Indices and RobecoSAM of Switzerland
September 2015	Named the Green Product of the Year	Green Purchasing Network
November 2015	Received the CES Innovation Award for 21 products at the CES 2016	Consumer Electronics Association (CEA) and Industrial Designers Society of America (IDSA)
November 2015	Received the Red Dot Design Award for 13 products and the Red Dot Brand of the Year 2015	Red Dot Award
December 2015	Received the Compasso d'Oro (Golden Compass) Award	Associazione per il Disegno Industriale (ADI, Association for the Industrial Design of Italy)
March 2016	25 products won their categories and three products received the iF Gold Award at the iF Design Award 2016 Award	iF International Forum Design
March 2016	Received the Overdrive Award	General Motors

INDEPENDENT ASSURANCE STATEMENT

To the Stakeholders of LG Electronics

The Korea Productivity Center (the "Assurer") was requested by LG Electronics to provide an independent assurance on the "LG Electronics 2015-2016 Sustainability Report" (the "Report") and hereby provides the following assurance statement.

Responsibility and Independence

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

Assurance Standards

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

Limitations

The Assurer conducted an assurance engagement on LG Electronics' 2015 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 the 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 the GRI G4 Guidelines were fulfilled.
- 2 - Verified consistency with the principles dictating the content and quality of sustainability reports based on the GRI G4 Guidelines.
- 3 - Verified objectivity and appropriateness of key issues selected and content in the Report by conducting media research and benchmark analysis.
- 4 - Verified the suitability of the information and expression errors through comparison analysis with other publications.
- 5 - Verified the 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, internal process and system through on-site inspection on Seoul headquarters and Pyeongtaek production site.
- 7 - The scope and boundaries of the assurance process has been conducted according to the boundaries of the time period, region, and value chain of the report. Therefore, the scope of the assurance process meets 100 percent coverage of the non-consolidated revenue of the company, and data regarding the supply chain has not been included unless specified.

Findings & Conclusion

The Assurer verified that the Report accurately and fairly illustrates LG Electronics' sustainability management activity and performance. Moreover, through the assurance, the Assurer verified that LG Electronics' Report fulfilled the requirements of the GRI G4 Guidelines' Core Option.

In 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. The Assurer also reviewed the indicators regarding the non-material aspects of the specific standard disclosures, and the results are included in the GRI/UNGC Index.

Sub Category	Material Issues	DMA & Indicators
Customer	<ul style="list-style-type: none"> • Product Stewardship (Assuming Greater Responsibility for Product Defect/ Post-Accident Responses) • Protection of Customers' Personal Information 	DMA- With Our Customers PR1, PR2, PR3, PR4, PR5, PR6, PR8, PR9
Environment	<ul style="list-style-type: none"> • GHG Emissions Reduction and Climate Change Response • Development of Highly Energy-Efficient (Environmentally-Friendly) Products 	DMA- With the Environment EN2, EN3, EN5, EN6, EN7, EN8, EN15, EN16, EN17, EN18, EN19, EN20, EN21, EN22, EN23, EN26, EN27, EN28, EN30
Supplier	<ul style="list-style-type: none"> • Establishing Fair Trade as Standard Business Practice • Raising Supplier Awareness on CSR • Preventing Monopolies, Cartels and Corruptions 	DMA- With Our Suppliers 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"> • Sustainable Economic Development of Communities • Expanding Social Contribution Programs • Engagement and Collaboration with Governments, NGOs, International Organizations and Communities 	DMA- With the Community EC7, EC8, SO1
Employee	<ul style="list-style-type: none"> • Protection of Basic Labor Rights • Promotion of Labor-Management Relations and Employee Grievance Resolution Mechanisms • Management of Supply Chain Labor Rights and Human Rights Risks 	DMA- With Our Employees 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

INDEPENDENT ASSURANCE STATEMENT

1. 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 2015. The Assurer verified that LG Electronics categorizes its stakeholders into nine groups, including shareholders, customers, employees, and suppliers, and that the company actively communicates with its stakeholders and collects a range of opinions. In particular, the Assurer appreciated the fact that the company expanded the biannual Stakeholder Consultation on CSR to the United States in 2014 and to China in 2015, establishing a communication system suitable for invigorated CSR activities.

2. Materiality: Significant Issue Identification and Reporting

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

3. Responsiveness: Response to Issues

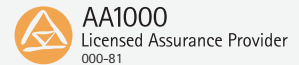
The principle of responsiveness articulates that organizations should be responsive to the issues that may influence the performance of their stakeholders. The Assurer found that LG Electronics successfully identified issues which may impact stakeholders' performance, implemented measures to address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

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 - The scope of sustainable management activities in each area has been extended to, and reinforced in, overseas business sites. We recommend that LG Electronics establish a companywide integrated management system through which the company can monitor and manage the performance of sustainable management in various areas including overseas business sites.

- 2 - The financial effects of sustainable management activities in several areas, such as environment and social contributions, have been calculated. We recommend that the company manage the financial effects of various activities by linking to the sustainable management strategies to enhance the efficiency and effectiveness of sustainable management in the future.
- 3 - The direction setting for CSR activities in connection with the SDGs (Sustainable Development Goals) is an approach with which the company can actively participate to resolve global issues. We expect LG Electronics to show exemplary cases as a global company based on continuous activities and performance management.



June 2016

Sun Jik Hong
 Korea Productivity Center / CEO
 Sun Jik Hong

D. S. Kim
 Director Dong Soo Kim

Yang Ho Lee
 Team Leader Yang Ho Lee

Tae Min Kim
 Researcher Tae Min Kim

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.

GRI/UNGC INDEX

GRI Index

● Full Reporting ○ Partial Reporting ○ Not Reported

General Standard Disclosures	G4.0	Indicators	Location of Disclosure	Level of Reporting	Page Number	
Strategy and Analysis	G4-1	Statement from the most senior decision-maker of the organization, concerning strategies for sustainability management and organizations to support the strategies	President Message	●	8-9	
	G4-2	Description of key impacts, risks, and opportunities	Management Messages, Key Progress and Performance	●	8-10, 32-33	
Organizational Profile	G4-3	Name of the organization	Who We Are	●	16-17	
	G4-4	Primary brands, products, and/or services	Who We Are, Economic Performance	●	16-17, interleaf	
	G4-5	Location of the organization's headquarters	Who We Are, Economic Performance	●	16-19	
	G4-6	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Where We Operate, Economic Performance	●	18-19	
	G4-7	Nature of ownership and legal form	Corporate Governance	●	12	
	G4-8	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Where We Operate, Economic Performance	●	18-21	
	G4-9	Scale of the reporting organization (including number of employees, net sales, total capitalization, and products and services)	Where We Operate, Economic Performance	●	18-21	
	G4-10	Total number of employees (including the total number of employees by employment contract and gender, the total number of permanent employees by employment type and gender, the total workforce by employees and supervised workers and by gender, the total workforce by region and gender, whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors), and significant variations in employment numbers)	Global Network, Employee Profile	●	18, 82	
	G4-11	Percentage of employees covered by collective bargaining agreements	Protection of Labor Rights	●	85	
	G4-12	Description of the organization's supply chain	Win-Win Growth	●	61	
	G4-13	Significant changes during the reporting period regarding size, structure, ownership, or supply chain	Economic Performance, CSR in Supply Chain	●	16-21, 61	
	G4-14	Whether and how the precautionary approach or principle is addressed by the organization	CSR Management, CSR in Supply Chain	●	22-23, 66-67	
	G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Memberships/Awards & Recognitions	●	22, 90, 93-96	
	G4-16	Memberships of associations (such as industry associations) and national or international advocacy organizations	Memberships/Awards & Recognitions	●	90	
	Identified Material Aspects and Reporting Boundaries	G4-17	List of all entities included in the organization's consolidated financial statements or equivalent documents, and any entities included in the organization's consolidated financial statements or equivalent documents but not covered by the report	Who We Are, Economic Performance, 2015 Annual Report, 2015 Business Report	●	16-21
G4-18		Process for defining the report content and the Aspect Boundaries, and how the organization has implemented the Reporting Principles for defining report content	CSR Management, Stakeholder Engagement, Materiality Analysis	●	22-31	
G4-19		List of all the material Aspects identified in the process for defining report content	Materiality Analysis	●	30-31	
G4-20		Description of the Aspect Boundary within the organization for each material Aspect	DMA to Five Key Aspects	●	34, 42, 60, 70, 78	
G4-21		Description of the Aspect Boundary outside the organization for each material Aspect	DMA to Five Key Aspects	●	34, 42, 60, 70, 78	
G4-22		Effect of any restatements of information provided in previous reports, and the reasons for such restatements	Restated portion of data	●	33, 48, 54, 58	
G4-23		Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Report Overview	●	2	
G4-24		List of stakeholder groups engaged by the organization	CSR Management	●	22-23	
G4-25		Basis for identification and selection of stakeholders with whom to engage	CSR Management, Stakeholder Engagement	●	22-31	
G4-26		The organization's approach to stakeholder engagement (including frequency of engagement by type and by stakeholder group)	CSR Management, Stakeholder Engagement	●	22-31	
Stakeholder Engagement	G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns (key topics and concerns by stakeholder group)	CSR Management, Stakeholder Engagement	●	22-31	
	G4-28	Reporting period for information provided	Report Overview	●	2	
	G4-29	Date of the most recent previous report	June, 2015	●	GRI Index	
	G4-30	Reporting cycle	Report Overview	●	2	
	G4-31	Contact point for questions regarding the report or its contents	Report Overview	●	2	
	G4-32	GRI index ("in-accordance options, GRI Content Index, external assurance, etc.)	Independent Assurance Statement, GRI Index	●	91-96	
	G4-33	Policy and current practice with regard to seeking external assurance for the report, the scope and basis of any external assurance provided, the relationship between the organization and the assurance providers, and the involvement of the highest governance body or senior executives in seeking assurance for the organization's sustainability report	Report Overview, Independent Assurance Statement	●	2, 91-92	
	Governance	G4-34	Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts (including key focus of each committee)	Corporate Governance, CSR Management	●	12, 22-23
		G4-35	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	●	12, 22-23
		G4-36	Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	Corporate Governance, CSR Management	●	12, 22-23
G4-37		Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	Corporate Governance	●	12	
G4-38		Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	Corporate Governance	●	12	
G4-39		Composition of the highest governance body and its committees	Corporate Governance	●	12	
G4-40		Whether the Chair of the highest governance body is also an executive officer	Corporate Governance	●	12	
G4-41		Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members (including those for subcommittees)	Corporate Governance	●	12	
G4-42		Processes for the highest governance body to ensure conflicts of interest are avoided and managed	Corporate Governance	●	12	

GRI Index

● Full Reporting ● Partial Reporting ○ Not Reported

General Standard Disclosures	G4.0	Indicators	Location of Disclosure	Level of Reporting	Page Number	
Governance	G4-43	Roles of the highest governance body and senior executives in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	Corporate Governance	●	12	
	G4-44	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	Corporate Governance	●	12	
	G4-45	Processes for evaluation of the highest governance body's performance and actions taken in response to evaluation of the highest governance body's performance	Corporate Governance, CSR Management	●	12, 22-23	
	G4-46	Role of the highest governance body in the identification and management of economic, environmental and social impacts, risks, and opportunities, and whether stakeholder consultation is used to support the highest governance body's identification and management of such impacts, risks, and opportunities	Corporate Governance	●	12	
	G4-47	Role and impact of the highest governance body in the identification and management of economic, environmental and social risks	Corporate Governance, CSR Management	●	12, 22-23	
	G4-48	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	Corporate Governance	●	12	
	G4-49	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	Corporate Governance, CSR Management	●	12, 22-23	
	G4-50	Process for communicating critical concerns to the highest governance body	Corporate Governance, CSR Management	●	12, 22-23	
	G4-51	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	Corporate Governance, 2015 Business Report	●	12, GRI Index	
	G4-52	Remuneration policies and evaluation criteria for the highest governance body and senior executives	2015 Business Report	●	GRI Index	
	G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	2015 Business Report (Approved at AGM)	●	GRI Index	
	G4-54	Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees		○		
	G4-55	Ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees in the same country		○		
	Ethics and Integrity	G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Jeong-Do Management	●	14
		G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity	Compliance Risk Management, Jeong-Do Management, Fair Trade	●	13-15
G4-58		Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	Jeong-Do Management	●	14	

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● Full Reporting ● Partial Reporting ○ Not Reported

Specific Standard Disclosures	G4.0	Indicators	Location of Disclosure	Level of Reporting	Page Number
DMAs	G4-DMA	* Reasons why the Aspect is material, and the impacts that make the Aspect material * How the organization manages the material Aspect or its impacts * Mechanisms for evaluating the effectiveness of the management approach, the results of the evaluation of the management approach, and any related adjustments to the management approach		●	34, 42, 60, 70, 78
ECONOMIC					
Economic Performance	EC1	Direct economic value generated and distributed		●	20
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change		●	GRI Index
	EC3	Coverage of the organization's defined benefit plan obligations		●	82
	EC4	Financial assistance received from government		●	20
Market Presence	EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation		●	80
	EC6	Proportion of senior management hired from the local community at significant locations of operation		○	
Indirect Economic Impacts	EC7	Development and impact of infrastructure investments and services supported		●	20, 71
	EC8	Significant indirect economic impacts, including the extent of impacts		●	20-21
Procurement Practices	EC9	Proportion of spending on local suppliers at significant locations of operation		●	61
ENVIRONMENTAL					
Materials	EN1	Materials used by weight or volume	Environmental Data	●	58-59
	EN2	Percentage of materials used that are recycled input materials	Product Stewardship	●	46
Energy	EN3	Energy consumption within the organization	Environmental Data	●	58
	EN4	Energy consumption outside of the organization		○	
	EN5	Energy intensity	Environmental Data	●	58
	EN6	Reduction of energy consumption	GHG Emissions Reduction, Reduction Efforts at Our Business Sites	●	46, 55-57
	EN7	Reductions in energy requirements of products and services	Products with Greener Features, Reducing Production-level GHG Emissions	●	43-44, 55-57
	EN8	Total water withdrawal by source	Reducing Water Use, Environmental Data	●	56-59
Water	EN9	Water sources significantly affected by withdrawal of water	Reducing Water Use	●	56-57
	EN10	Percentage and total volume of water recycled and reused	Reducing Water Use, Environmental Data	●	56-57, 59
Biodiversity	EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Protecting Biodiversity (As our production sites are all located in industrial complexes, the biodiversity indicators are not applicable.)	●	GRI Index
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		●	
	EN13	Habitats protected or restored		●	
	EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk		●	

GRI Index

● Full Reporting ● Partial Reporting ○ Not Reported

Specific Standard	Disclosures	G4.0 Indicators	Location of Disclosure	Level of Reporting	Page Number	
Emissions	EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Environmental Data (GHG, Output)	●	58	
	EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Environmental Data (GHG, Output)	●	58	
	EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Environmental Data (GHG, Output)	●	58	
	EN18	Greenhouse gas (GHG) emissions intensity	Environmental Data (GHG, Output)	●	58	
	EN19	Reduction of greenhouse gas (GHG) emissions	GHG Emissions Reduction	●	42, 46, 55-56, 58	
	EN20	Emissions of ozone-depleting substances (ODSs)	Environmental Data (ODSs)	●	58	
	EN21	NOx, SOx, and other significant air emissions	Environmental Data (Air Emissions)	●	58	
	Effluents and Waste	EN22	Total water discharge by quality and destination	Environmental Data (Waste Water Discharge)	●	56-57, 59
		EN23	Total weight of waste by type and disposal method	Minimizing Discharge of Waste, Environmental Data	●	54, 59
		EN24	Total number and volume of significant spills	Not Applicable	●	GRI Index
EN25		Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention (2) Annex I, II, III, and VIII, and percentage of transported waste shipped internationally		○		
EN26		Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	Waste Water Discharge	●	56-57	
Products and Services	EN27	Extent of impact mitigation of environmental impacts of products and services	Products with Greener Features, EESH Management at Business Sites	●	42-59	
	EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Product Stewardship	●	48-49	
Compliance	EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Not Applicable	●	GRI Index	
Transport	EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	GHG Emissions Reduction	●	56, 58	
Overall	EN31	Total environmental protection expenditures and investments by type	Social Investment in 2015	●	71	
Supplier Environmental Assessment	EN32	Percentage of new suppliers that were screened using environmental criteria	CSR in Supply Chain	●	66-67	
Environmental Grievance Mechanisms	EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	CSR in Supply Chain	●	66-67	
	EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms		○		
SOCIAL						
Labor Practices and Decent Work						
Employment	LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Global Workforce	●	82	
	LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Employee Benefits and Support Programs	●	82	
	LA3	Return to work and retention rates after parental leave, by gender	Global Workforce	●	82	
Labor/Management Relations	LA4	Minimum notice period(s) regarding significant operational changes	Protection of Labor Rights (Labor Relations)	●	85	
Occupational Health and Safety	LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Protection of Labor Rights (Labor Relations)	●	85	
	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	EHS Management, Incident Data	●	53-55, 59	
	LA7	Workers with high incidence or high risk of diseases related to their occupation	EHS Management	●	53-55	
	LA8	Health and safety topics covered in formal agreements with trade unions	EHS Management	●	53-55	
Training and Education	LA9	Average hours of training per year per employee by gender, and by employee category	Employee Training	●	82	
	LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Talent Acquisition and	●	81	
	LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Fair Evaluation & Reward System	●	80-81	
Diversity and Equal Opportunity	LA12	Percentage of individuals within the organization's governance bodies and percentage of employees per employee category in each of the diversity categories (including gender, age group, minority group, and other indicators of diversity)	Global Workforce	●	82	
Equal Remuneration for Women and Men	LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Fair Evaluation & Reward System	●	80	
Supplier Assessment for Labor Practices	LA14	Percentage of new suppliers that were screened using labor practices criteria	Supplier CSR Management	●	66-67	
Labor Practices	LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	Supplier CSR Management	●	66-67	
Environmental Grievance Mechanisms	LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	Jeong-Do Management, Protection of Labor Rights (Grievance Resolution System)	●	14, 85	
Human Rights						
Investment	HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	CSR in Supply Chain	●	66-67	
	HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Compliance Management, Jeong-Do Management	●	13, 14	
Non-discrimination	HR3	Total number of incidents of discrimination and corrective actions taken	Jeong-Do Management	●	14	
Freedom of Association and Collective Bargaining	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	CSR in Supply Chain, Protection of Labor Rights	●	66-67, 85	
Child Labor	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	CSR in Supply Chain, Protection of Labor Rights	●	66-67, 85-86	
Forced or Compulsory Labor	HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of all forms of forced or compulsory labor	CSR in Supply Chain, Protection of Labor Rights	●	66-67, 85-86	
Security Practices	HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	All security staff has received training on human rights.	●	GRI Index	
Indigenous Rights	HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	As our production sites are all located in industrial complexes, the indigenous rights indicator is not applicable.	●	GRI Index	
Assessment	HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	Protection of Labor Rights	●	85-86	
Supplier Human Rights Assessment	HR10	Percentage of new suppliers that were screened using human rights criteria	CSR in Supply Chain	●	66	
Human Rights Grievance Mechanisms	HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	CSR in Supply Chain	●	66-67	
	HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	Jeong-Do Management, Protection of Labor Rights (Grievance Resolution System)	●	14, 85	

GRI Index

● Full Reporting ○ Partial Reporting ○ Not Reported

Specific Standard Disclosures	G4.0	Indicators	Location of Disclosure	Level of Reporting	Page Number
Society					
Local Communities	SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Social Contribution	●	70-77
	SO2	Operations with significant actual or potential negative impacts on local communities	EESH Management, Environmental Data	●	52-54, 58
Anti-corruption	SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Compliance Management, Jeong-Do Management	●	13, 14
	SO4	Communication and training on anti-corruption policies and procedures	Compliance Management, Jeong-Do Management	●	13, 14
Public Policy	SO5	Actions taken against corruption	Jeong-Do Management	●	14
	SO6	Total value of political contributions by country and recipient/beneficiary	Korea's Political Funds Act prohibits corporate contributions to political campaigns and parties.	●	GRI Index
Anti-competitive Behavior	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Fair Trade	●	15
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Fair Trade	●	15
Supplier Assessment for Impacts on Society	SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Supplier Compliance	●	66
	SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	CSR in Supply Chain	○	66
Grievance Mechanisms for Impacts on Society	SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	Grievance Resolution System	○	85
Product Responsibility					
Customer Health and Safety	PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Eco Index	●	43-44
	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	Fair Trade, Responsible Marketing Communication	○	15, 96
Product and Service Labeling	PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant products and service categories subject to such information requirements	Products with Greener Features	●	43-49
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Compliance Management, Responsible Marketing Communication	○	13, 96
Marketing Communications	PR5	Results of surveys measuring customer satisfaction	Customer Satisfaction Initiatives	●	37
	PR6	Sale of banned or disputed products	Jeong-Do Management	○	68
Customer Privacy and Compliance	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		○	
	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Protection of Personal Information	●	40-41
	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Compliance Management, Responsible Marketing Communication	○	13, 96

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	<p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p>	<p>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.</p>	Management Philosophy	11
			CSR Management System	22-23
Labour Standards	<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labour;</p> <p>Principle 5: the effective abolition of child labour; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p>	<p>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 27 consecutive years (as of March 2016) and declaring Union Social Responsibility (USR) charter. Additionally, LGE joined the Electronic Industry Citizenship Coalition (EICC), established an enterprise-wide policy for protecting labor rights across the supply chain and amended Master Purchase Agreement accordingly.</p>	Supplier CSR Risk Management	66-67
			Protection of Labor Rights	85-86
			Win-Win Growth	60-65
			Supplier CSR Risk Management	66-67
			CSR Management System	22-23
			With the Environment	42-59
Environment	<p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p>	<p>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.</p>		
Anti-Corruption	<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>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.</p>	Jeong-Do Management	14
			Protection of Labor Rights	85-86
			Win-Win Growth	60-65
			Supplier CSR Risk Management	66-67

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MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM



CONTRIBUTORS TO REPORT PREPARATION

Corporate Business Administration Legal Team
In Heui Ahn

Compliance Team
In Kyoung Lee

Ethics Bureau Team
Hyun Ah Suh

Fair Trade Team
Eric Ryu

Brand Strategy Task
Jun Hyoung Park

Information Security Team
Hye Jin Lee

PL/Safety Team
Eun Yong Song

CS Planning Team
Ma Eum Han

Product Testing Laboratory
Sang Hyuk An, Yeo Jin Song,
Dong Ha Park, Jin Hyoung Oh,
Ji yong Lee, Young soo Sim

NA Regulatory & Environmental Affairs
Chirstine Ackerson

Environment & Safety Department
Min Chul Shin, Young Woo Lee,
Kil Jae Kang

Procurement Center
Jong Tae Woo, Hye Hyun Hong,
Hee Seung Ahn, Jun Hyuk Yoo

CHO Division
Seung Hwan Shin, Joaquim Hong,
Yong Eun Kim, Gyu Nam Kim,
Jin Hoon Kim

CSR Team
Min Seok Kim, Ho Sung Joo, Jung Min Song,
Se Won Min, Ji Young Kim, Hyun Jin Jeon,
Seong Mi Hwang, Chang Woo Yu,
Yong Hee Kim, Jung Hyun Park

PLANNING/DESIGN

IM creative
Tel : 82-2-303-4266

TRANSLATION

G&G Language Service

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