

## ACTIVITIES IMPORTANT ENOUGH TO SHARE

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

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

We have grown into a world leader.

With every stride, our thoughts have also grown.

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

We are toiling for the sustainable development of society.

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



# ECONOMIC PERFORMANCE

## Operating Results

### OVERVIEW

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

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

### PERFORMANCE BY BUSINESS DIVISION

#### ● Digital Appliance

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

#### ● Digital Display

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

#### ● Digital Media

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

#### ● Mobile Communications

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

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

## KEY FINANCIAL RATIOS

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

### STABILITY

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

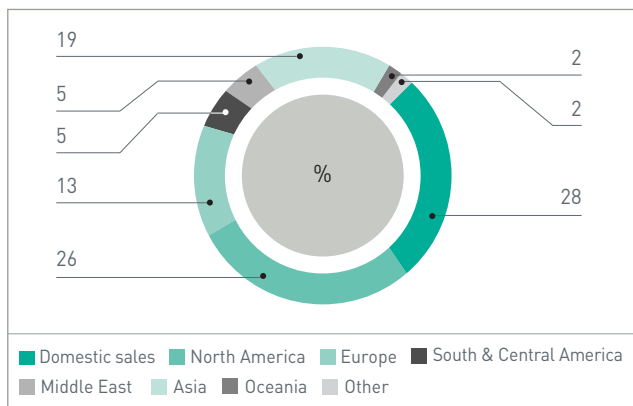
### PROFITABILITY

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

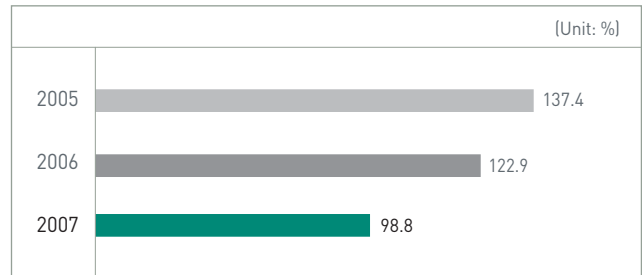
### GROWTH AND TURNOVER

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

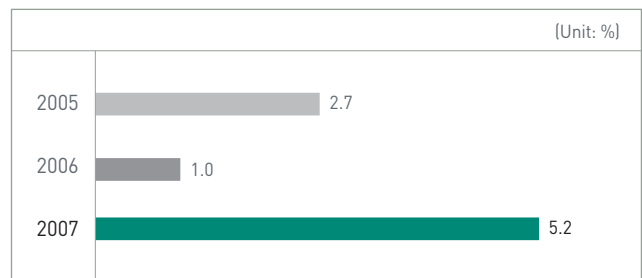
### SALES BY REGION



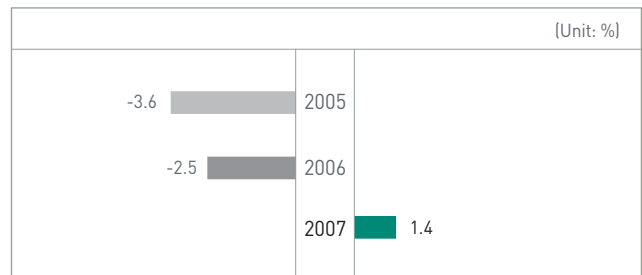
### DEBT-TO-EQUITY RATIO



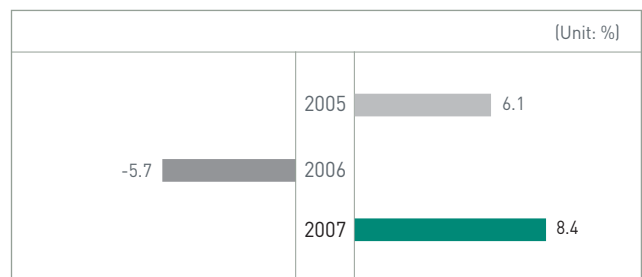
### NET PROFIT MARGIN



### SALES GROWTH



### TOTAL ASSET GROWTH



# Operating Strategy

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

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

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

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

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

## ◎ SIX KEY STRATEGIC TASKS

- 1 Focus on improving ROIC rather than just growth  
- Attain 20% ROIC by 2010
- 2 Optimize portfolio
- 3 Respond to market polarization
- 4 Innovate technology and differentiate design
- 5 Strengthen brand investment
- 6 Reinforce global capability

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

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

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

# Enhancing Shareholder Value

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

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

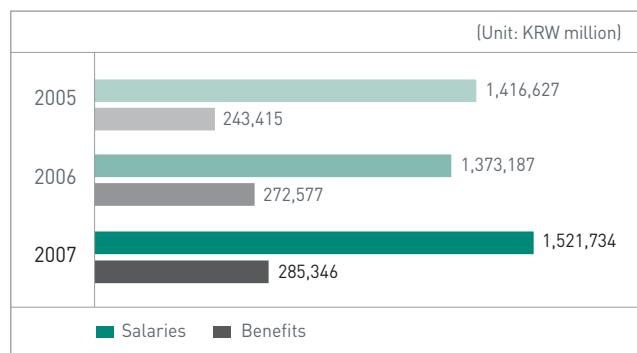
LG Electronics carried out a number of IR activities. These included quarterly earnings release presentations, non-deal roadshows, two theme conferences, 32 conferences organized by securities firms, and about 500 one-on-one meetings annually for the past two years.

# Distribution by Stakeholder

## PRINCIPLES

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

### WAGES



## DISTRIBUTION OF ECONOMIC VALUE

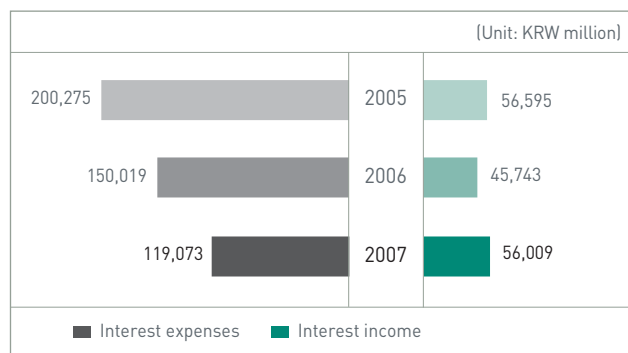
### DIVIDENDS

(Unit: KRW million)

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

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

### INTEREST EXPENSES



# Value Creation

## R&D LEADERSHIP

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

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

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

### CES INNOVATION AWARDS (2005 ~ 2008)

2005	2006	2007	2008
16	11	11	14

## INTELLECTUAL PROPERTY RIGHTS

### ● Patent Strategy

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

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

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

- Pursuing cross licensing agreements

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

- Improved balance of patent fees

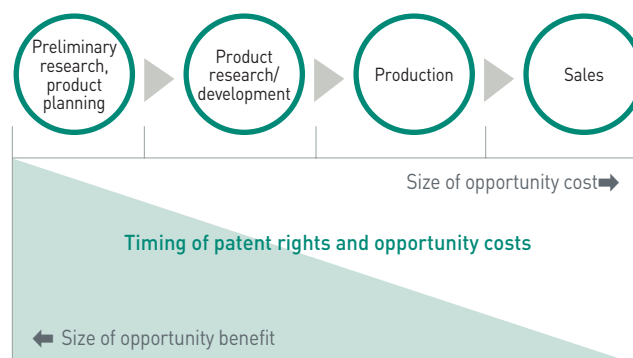
LG Electronics is continuing to improve its balance of patent fees by using the value of its secured patent assets while removing business risks by solving lawsuits and legal disputes in order to strengthen profitability.

### ● Patent Development Activities

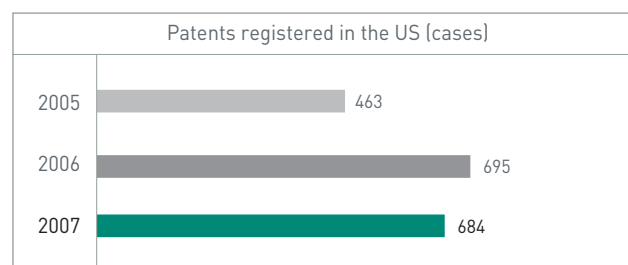
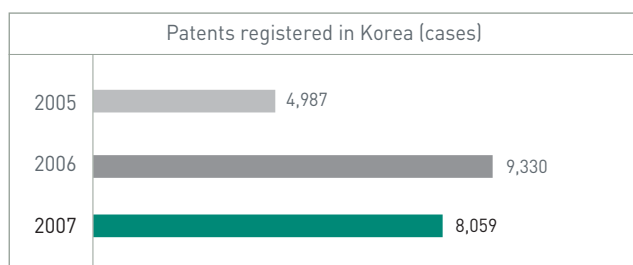
The process of applying for a patent to obtain a patent usually takes two to five years. For this reason, our patent development activities are carried out years before the actual launch of a product, from the stages of preliminary research and product planning.

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

### ◎ TIMING OF PATENT RIGHTS AND OPPORTUNITY COSTS



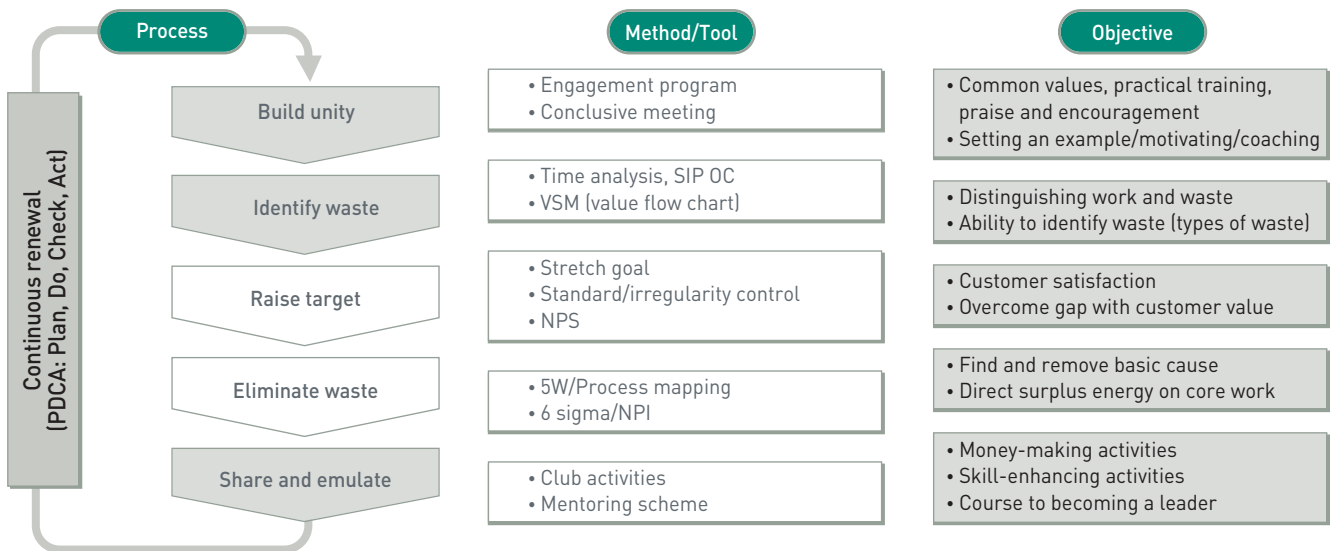
### ◎ PATENT RIGHTS SECURED BY LG ELECTRONICS



## WASTE ELIMINATION AND BEST WORK PRACTICE

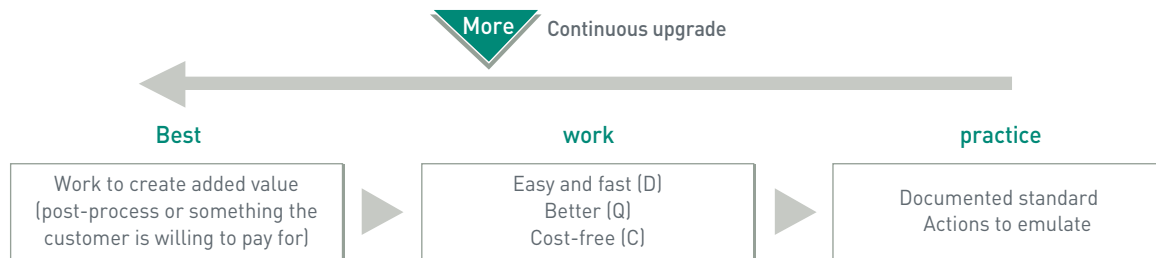
We are pursuing activities to eliminate waste through voluntary participation by all employees. In doing so, we aim to cultivate a strong and intelligent workforce and create leeway, which in turn will enhance performance and customer value. Eliminating waste involves denouncing all actions that do not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

### ● Five Phases of Eliminating Waste



### ● Best Work Practice

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



### ◎ ACTIVITIES



Waste elimination activity



Bulletin for ideas on waste elimination



Sharing success cases on waste elimination



CEO, visiting waste elimination site

## DESIGN ACTIVITIES

### ● Goal: 'Designs for Emotion and Trust'

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

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

### ● Product Design Reflecting Customer Insight through Precise Targeting

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



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

### ● Universal Design

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

### ◎ EXAMPLES OF PRODUCTS WITH UNIVERSAL DESIGN



Refrigerator lighting



Easy to read remote controller



Different colored power button

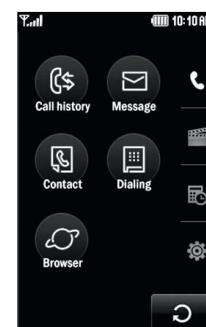


Easy to clean vacuum dust collector

### ● Product Interface Design

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

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



Prada Phone GUI



● **Environmentally-friendly Design**

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

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

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

Paper packaging is an environmentally-friendly alternative to styrofoam and utilizes water-based ink, rather than solvent ink. PVC, a popular form of packaging, is increasingly becoming subject to a stringent list of regulations due to the discovery of harmful substances. This prompted LG Electronics to replace PVC with PP (Polypropylene) in packaging Bluetooth Stereo Headset HBS-250. PP does not produce some 20 harmful substances, including the six (Pb, Cd, Cr<sup>6+</sup>, Hg, PBBs, PBDEs) whose use in electrical and electronic goods is banned by the EU. When scrapped, it also produces no soot or odor harmful to the human body or environment. Additionally, the transparency and clarity of PP makes it ideal for packaging accessories, while its robust quality provides an effective protection against external elements. PP also receives high marks in foldability and printability.

◎ **DESIGN AWARDS**

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



PDP TV - PG60: B0B0S



Super Slim Desktop PC: Black Picasso



Bluetooth Stereo Headset HBS-250 Package

# ENVIRONMENTAL PERFORMANCE

## Key Environmental Achievements

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

### RESPONDING TO EU RoHS

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

### PARTICIPATION IN ECO PRODUCT KOREA 2007

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



### DEVELOPMENT OF ECO-INDEX™

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

# Responding to Environmental Regulations

## EuP DIRECTIVE

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

## WEEE DIRECTIVE

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

**LG MOBILE PHONE RECYCLING PROGRAM**

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

**BUICK INVANTIONAL**

Torrey Pines - February 2-8, 2009

180 Days - 22 Hrs - 58 Min

CORPORATE PACKAGES | TICKETS | PRO-AMS | CHARITIES | SPECTATOR INFO | TOURNAMENT INFO | CENTURY CLUB | VOLUNTEERS | HOME

**PRESS BOX**

Mobile Phone Recycling at the Buick Invitational

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

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

Tickets on Sale! Purchase Online Now!

Cart is empty

BUICK BUICKS

## RoHS DIRECTIVE

The RoHS (Restriction of Hazardous Substance) directive which went into effect in July 2006 bans the use of six hazardous substances (Pb, Hg, Cd, Cr<sup>6+</sup>, PBBs and PBDEs) in electrical and electronic equipment placed on the EU market. Since July 2005, a year prior to its enforcement, LG Electronics stopped the use of the six substances in all new products released in the relevant areas. In 2007, we expanded the regions in which such products were released to cover the entire world.

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

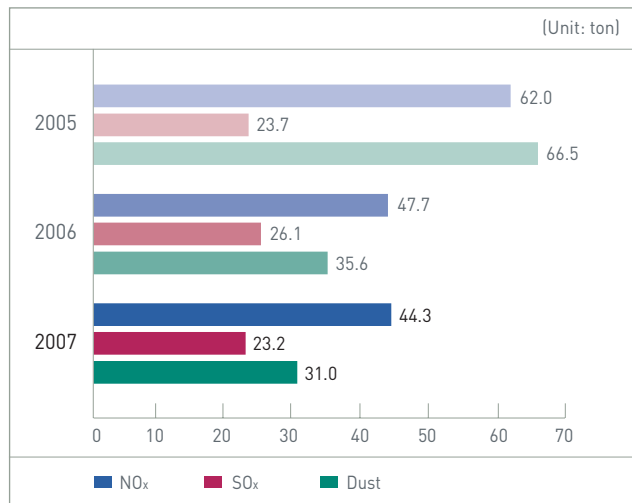
## REACH REGULATION

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

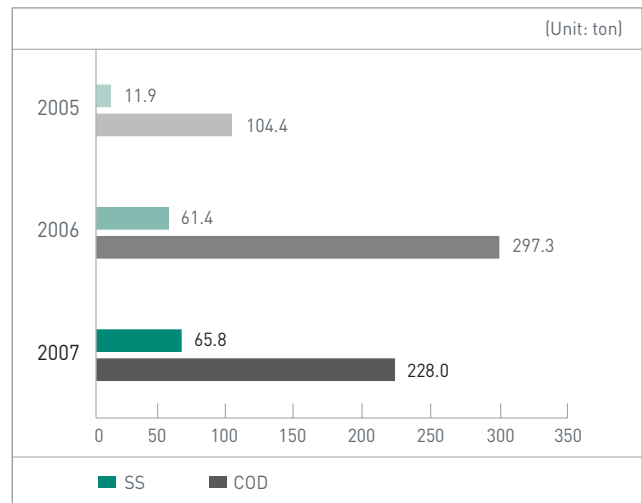
## Management of Hazardous Substances

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

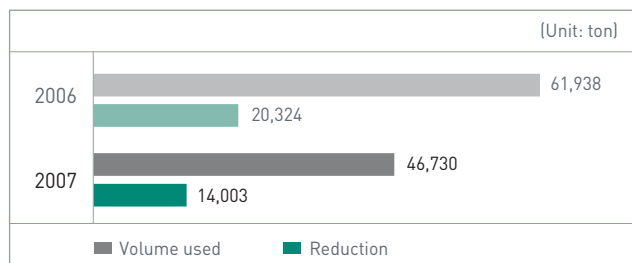
### DISCHARGE OF AIR POLLUTANTS



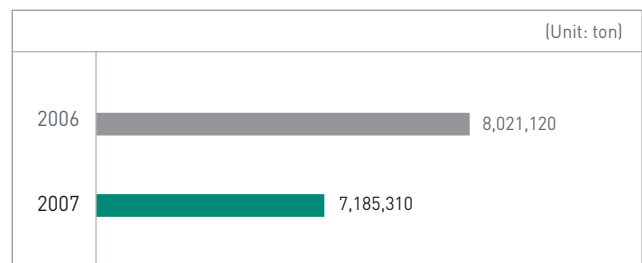
### DISCHARGE OF WATER POLLUTANTS



### HAZARDOUS CHEMICAL SUBSTANCES



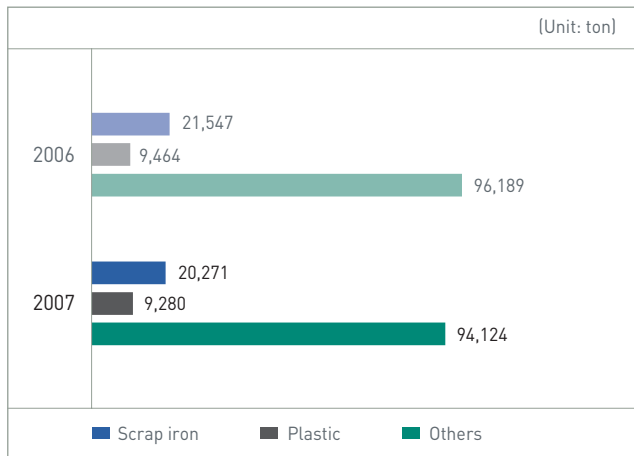
### DISCHARGE OF WASTEWATER



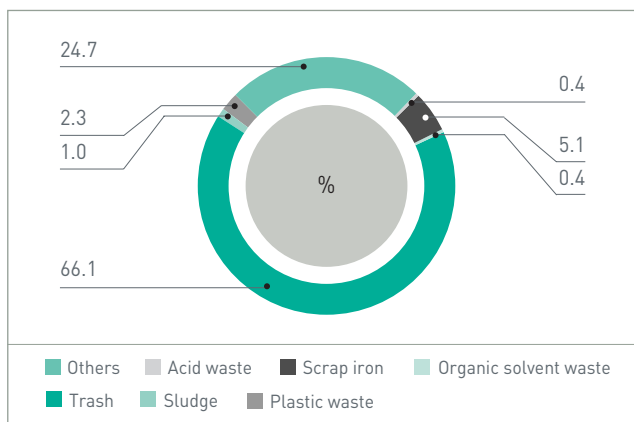
# Waste Management

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

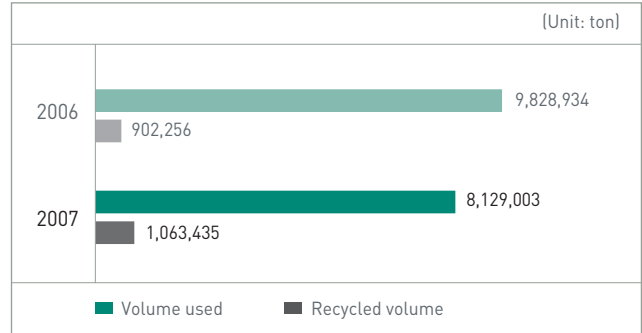
## DISCHARGE OF RECYCLABLE WASTE



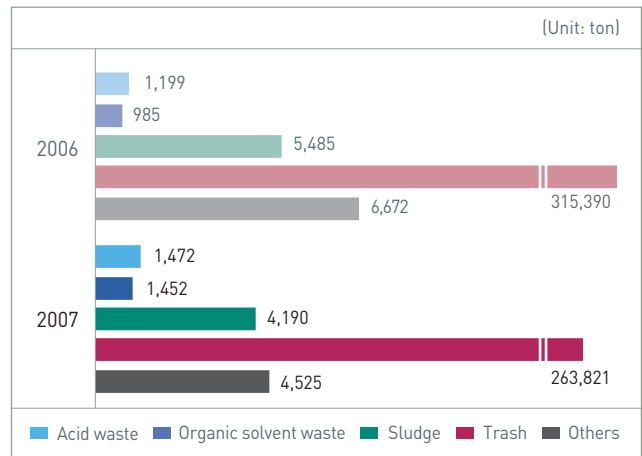
## COMPOSITION OF WASTE (2007)



## WATER



## DISCHARGE OF NON-RECYCLABLE WASTE



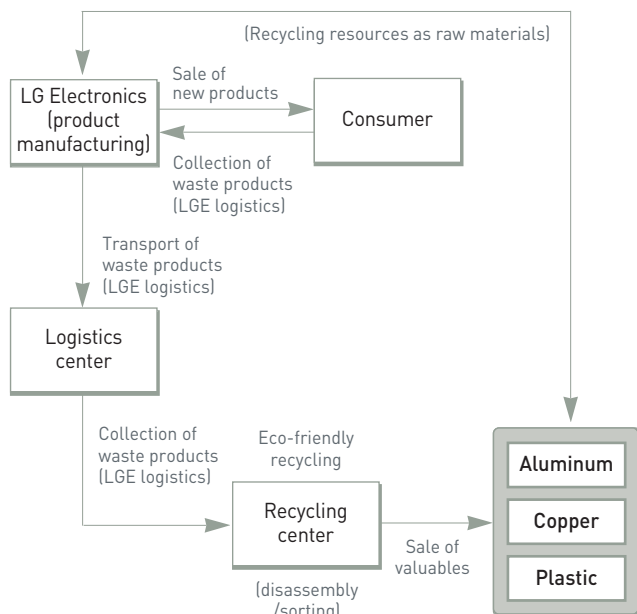
# Collection and Recycling of Waste Home Appliance

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

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

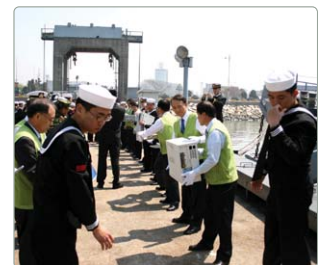
In addition to take-back through our logistics system, LG Electronics operates a collection center in Gumi, Gyeongsangbuk-do province to efficiently deal with waste home appliances generated in that region. We are also doing our part to collect and recycle waste home appliances from army bases in the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

## ◎ COLLECTION OF WASTE HOME APPLIANCES



## 2007 Recycling Event

**Objective:** Preserve island environment and fulfill social responsibility  
**Period :** April ~ May, 2007 (ceremony on April 26)  
**Area:** Ongjin-gun, Incheon (Daechong-do Island, Jawol-do Island, Yeonpyeong-do Island, Yeongheung-do Island, Deokjeok-do Island, Buk-do Island)  
**Participants:** Ministry of Environment director, governor of Ongjin-gun, commander of Incheon Defense Command, and 200 others  
**Achievements:** 2,500 units of waste home appliances transported over land/recycled  
 MOU on regular collections between private/public/army (Ministry of Environment, Incheon City, Incheon Defense Command)  
 Free after service for home appliances (approx. 150 cases)



## RESPONDING TO GLOBAL TAKE-BACK REGULATIONS

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

● **Europe**

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



● **North America**

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

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



Green Box Campaign (China)



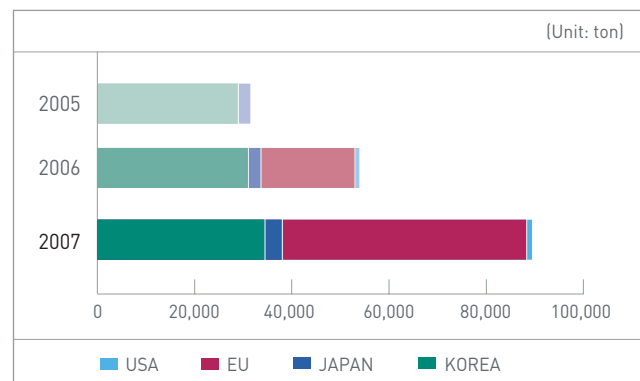
Mobile Muster (Australia)

◎ **TAKE-BACK RESULTS**

(Unit: ton)

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

(Unit: ton)



# Environmental Protection Activities

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## LOCAL ENVIRONMENTAL ACTIVITIES

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

## EESH SUPPORT FOR LOCAL SMEs

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

## JOINT ACTIVITIES WITH LOCAL RESIDENTS

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

# Communication

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

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



Environmental cleanup



LG Pennant Housewives' Volleyball Tournament



LG Community Walk for Charity

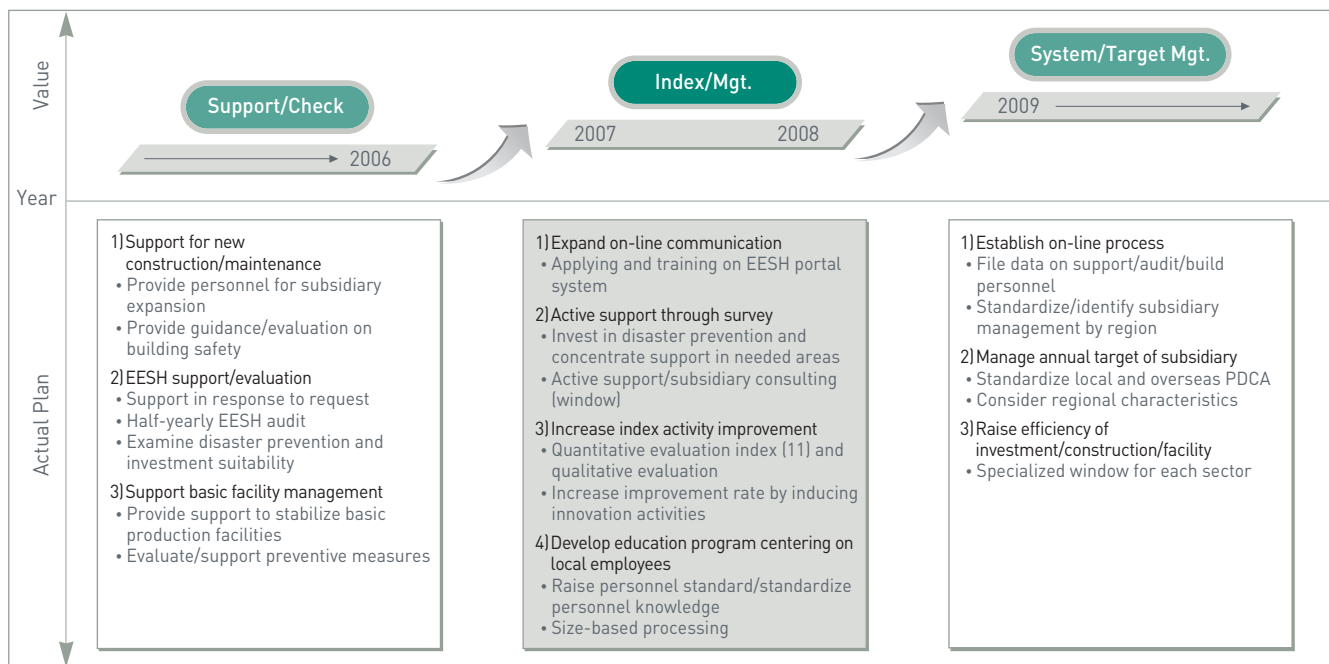


Green Drawing Contest



# Support for Overseas Business Sites

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



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



Presentation on EESH waste elimination activities (Gumi)



EESH Core man training for overseas subsidiary



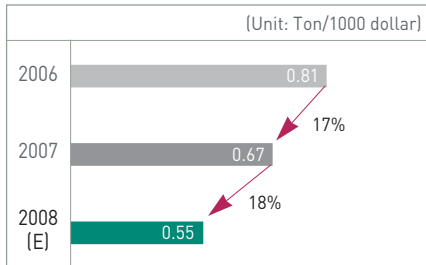
Overseas EESH technical support - pump facility (Brazil)



Benchmarking outstanding Korean worksite (Changwon)

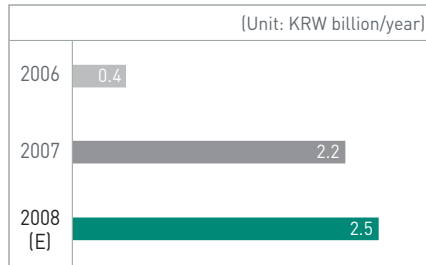
Additionally, LG Electronics realized greater waste elimination activities, reduced costs and lower rate of safety accidents by conducting EESH core man training, supporting overseas subsidiaries' benchmarking of domestic business sites and hosting a Chinese subsidiary forum. Also, each domestic headquarter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

◎ WASTE INDEX



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

◎ COST INNOVATION



◎ FSI



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

# SOCIAL PERFORMANCE

## Social Contribution Program

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### LABOR-MANAGEMENT FUND

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

### MAKING DREAMS COME TRUE

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

- **Mobile Electronic Classroom**

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

- **Junior Science Class**

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

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

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

### SERVING LOCAL COMMUNITIES

- **LG Employee-Management Volunteer Corps**

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

- **Let's Go Volunteer Corps**

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

## TOGETHER WITH SOCIETY

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

### ● Support for Teen Heads of Households

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

## LG IN THE WORLD

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

### ● IT Education for Kurds in Iraq

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

### ● Relief Efforts in Peru

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

### ● LG Hope Primary School Initiative in China

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



Mobile Electronic Classroom  
(Science education)



Support for teen heads of households



One-day science teacher program  
(LGETH)



Food support activities (LGESP)

● **Support for Eyesight Recovery Operations**

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

● **Support for Flood Recovery Efforts**

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

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

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



LG-IVI SLP (Vision declaration ceremony)



Supporting LG Hope Primary School



Eyesight recovery operations in India



Signing ceremony between VCS and Cairo National Ophthalmological Hospital

## Win-Win Management

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

◎ **PRINCIPLE OF WIN-WIN MANAGEMENT**

**Equal Opportunity**

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

**Fair Transaction Procedure**

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

**Support and Aid for Business Partners**

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

# Support System for Business Partners

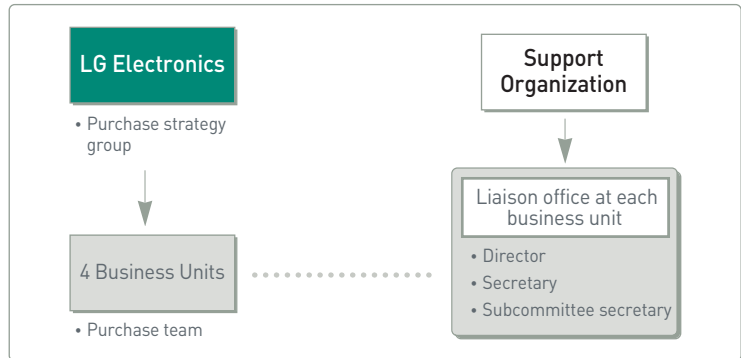
## SUPPORT ORGANIZATION

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

## PROCESS OF SELECTING BUSINESS PARTNERS

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

### ◎ BUSINESS PARTNER SUPPORT ORGANIZATION








### ◎ PROCESS FOR NEW BUSINESS TRANSACTIONS WITH LG ELECTRONICS

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

# Support for Business Partners

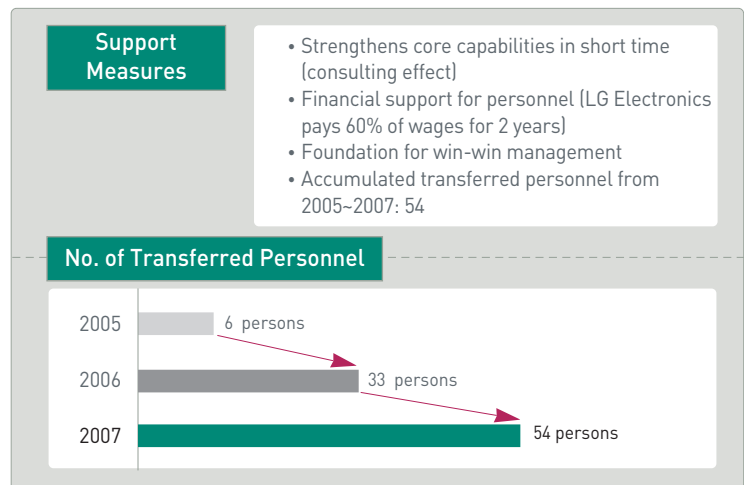
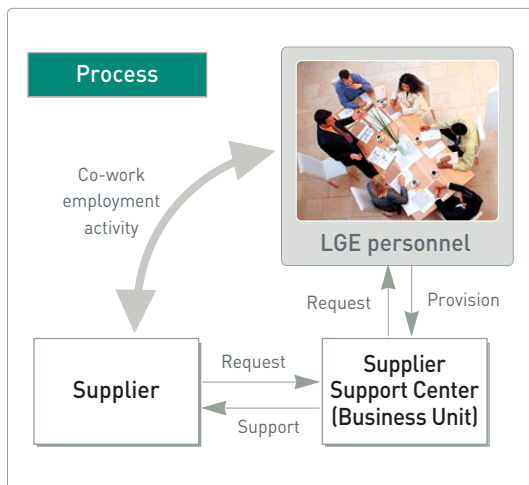
LG Electronics is nurturing business partners with globally leading standards in quality, cost and delivery competitiveness by maintaining organic ties, made possible by objectively and fairly evaluating and managing their capabilities. Suppliers are differentiated and managed according to their evaluation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

## ◎ SUPPORT PROGRAMS

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

## PERSONNEL SUPPORT

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

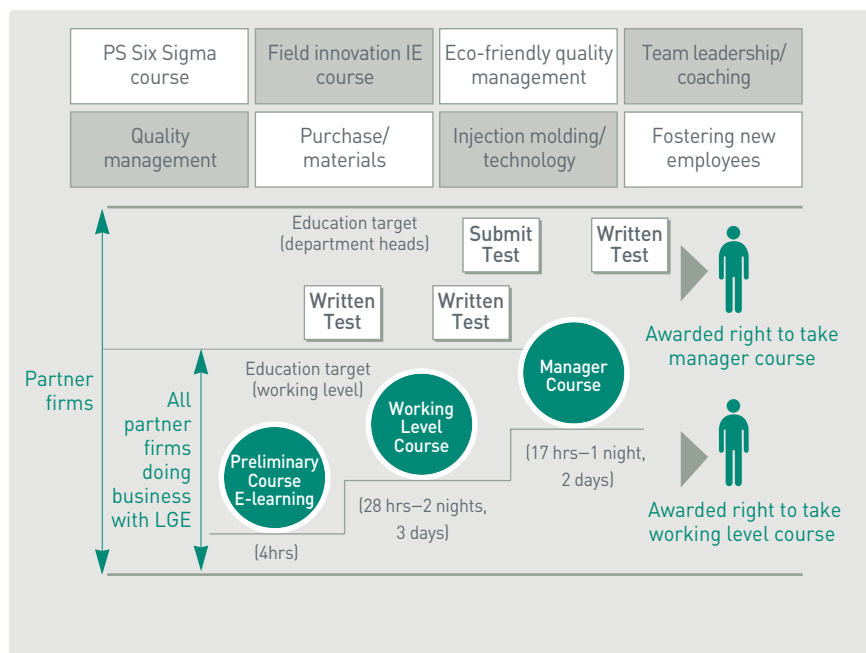


## EDUCATIONAL SUPPORT

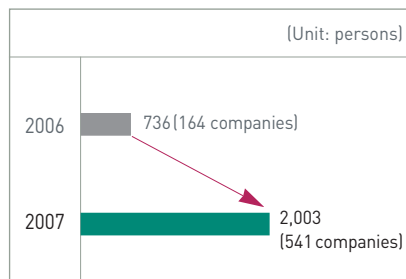
For specialized education that is difficult for partner firms to conduct on their own, LG Electronics offers training free-of-charge. One such measure is the vocational training consortium for SMEs. The consortium is a vocational training course integrating parts and customer service training. On July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

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

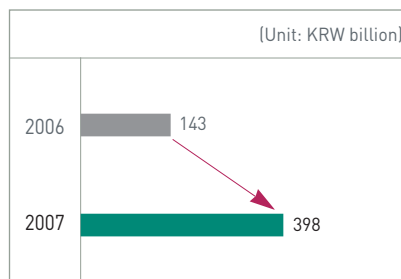
### ◎ KEY EDUCATIONAL PROGRAMS



### ◎ TRAINING PARTICIPANTS



### ◎ TRAINING COSTS





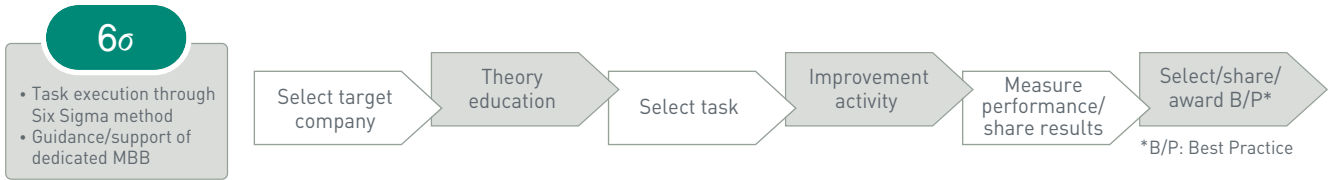
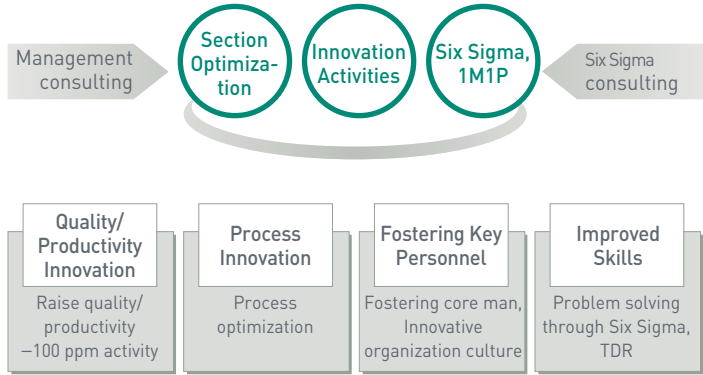
## MANAGEMENT INNOVATION SUPPORT

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

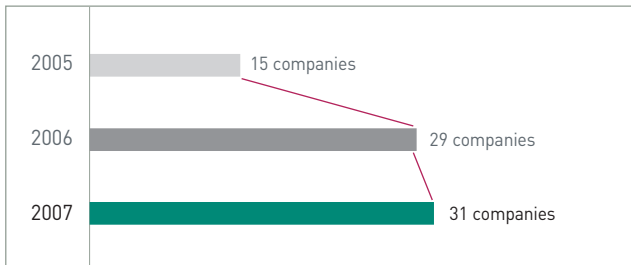
### WIN-WIN PARTNERSHIP

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

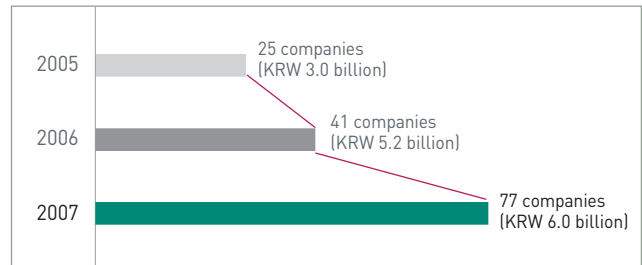
■ Through management process innovation and Six Sigma consulting, induce productivity innovation by business partners



### MANAGEMENT CONSULTING



### 6σ CONSULTING



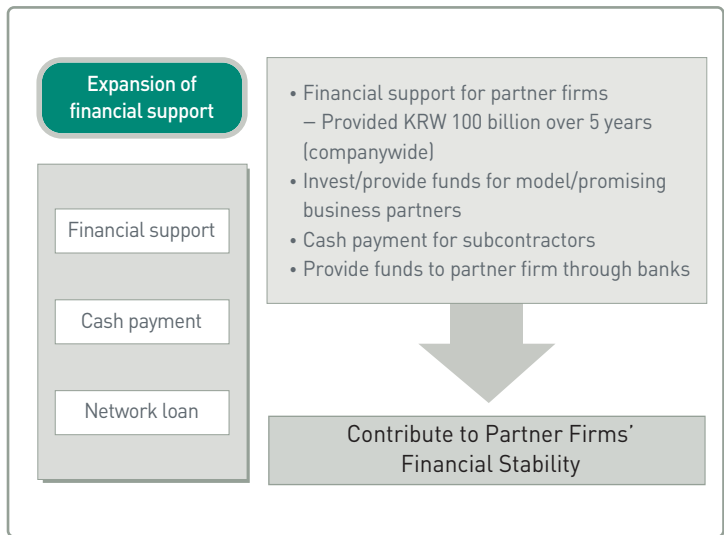
## FINANCIAL SUPPORT

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

### Example of Win-win Partnership at Overseas Subsidiary

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

### WIN-WIN PARTNERSHIP



## ESH SUPPORT

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

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



## GREEN PROCUREMENT

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

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

### ● Green Purchasing Results


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

### ◎ GREEN PROCUREMENT RESULTS


Item	2007 1H		2007 2H	
	No. of items	Amount (KRW mil)	No. of items	Amount (KRW mil)
Eco-mark products	706	816	750	860
Products with reduced hazardous substances (ServeOne) (lead, mercury, chrome, cadmium, etc)	3	93	3	100
Products with reduced hazardous substances (LGE) (lead, mercury, chrome, cadmium, etc)	1,102	3,823	1,200	4,200
Total	1,811	4,732	1,953	5,160

### ● Example of ServeOne Purchases

– Toilet paper

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

– Recycled toner

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

### ◎ GREEN PROCUREMENT HOMEPAGE

# Support Plan for Business Partners

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

## Fair Trade

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

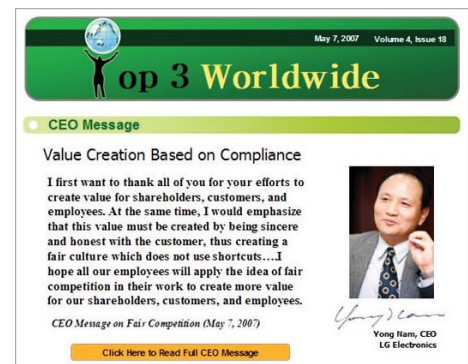
In 2007, the newly appointed CEO stated the company’s commitment to compliance that stresses value creation. He emphasized that LG Electronics must concentrate on completely eradicating all wrongful means, being sincere and honest with customers and do so based on rightful and fair competition and trade.

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

### FAIR TRADE COMPLIANCE PROGRAM AND IMPLEMENTATION SYSTEM

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

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



CEO message to employees through the company Intranet, May 2007

## FAIR TRADE PROMOTION ACTIVITIES

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

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

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

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

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

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

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

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



Declaration of Subcontractor Fair Trade Agreement between LG Electronics and Subcontractors

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

# History

1958

- Founded as Goldstar

1959

- First to produce tube transistor radio in Korea

1962

- First to export tube transistor radio

1965

- First to produce refrigerator in Korea
- Established a corporation

1968

- First to produce black & white TV in Korea

1970

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

1975

- Established Gumi Plant

1976

- Completed Chagwon Plant

1977

- Accomplished KRW 100 billion in sales

1978

- Achieved USD 100 million in overseas sales

1979

- Established Gimhae Plant

1981

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

1984

- Completed Pyeongtaek Plant
- Exceeded KRW 1 trillion in sales

1986

- Established production lines in Germany(LGEWG)

1987~1988

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

1991

- Achieved USD 2 billion export in home appliances

1992

- Established 'Environmental Committee'

1994

- Proclaimed 'LG Declaration for a Cleaner Environment'

1995

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

1996

- Declaration of LEAP 2005

1997

- Started TL (Technology Leadership) 2005

1998

- Reinforced business restructuring

1999

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

2000

- Merged with LGIC

2001

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

2002

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

2003

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

2004

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

2005

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

2006

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

2007

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

# Assurance Report

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

## INTRODUCTION

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

## CONTEXT AND SCOPE

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

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

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

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

## STANDARDS

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

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

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

## CONSIDERATIONS AND LIMITATIONS

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

## WORK UNDERTAKEN AND CONCLUSIONS

### ● Financial data

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

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

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

### ● Specific Sections

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

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

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

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

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

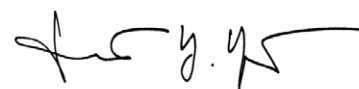
Following our review we discussed changes to the draft Report with LG Electronics and reviewed the final version of The Report to ensure that it reflected our findings.

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

## COMMENTARY

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

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



**Yun, Young Gak**

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

