Life's Good
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Promise 3 refers to our promise for people, planet, and prosperity. It embodies LG Electronics' dream for a world of happiness for our stakeholders and communities, people who can wholeheartedly say “Life’s Good”... a clean planet well preserved for future generations... and a company that builds prosperity via innovation...
REPORT OVERVIEW AND SCOPE

Basic information
LG Electronics began publishing its annual Environmental Report in 2002. By publishing our first Sustainability Report in 2005, our aim is to share information on our management activities and performance, and furthermore our future direction, with various stakeholders.

The first Sustainability Report by LG Electronics is characterized by the following:
First, we have divided our corporate activities into social, environmental and economic activities based on the triple bottom line approach. A separate section at the beginning of the report is dedicated to an overview of our overall management system.

Second, the contents of this report are based on the international guidelines of GRI (Global Reporting Initiative), which is widely regarded as the international standard. In principle, this report was compiled based on GRI guidelines of 2002 and referenced the draft of G3 guidelines. The report also covers all other management activities and performance information deemed pertinent to stakeholders.

Third, the process of understanding our shortcomings in drawing up this report and taking the necessary steps for improvement is as important as publishing the results of corporate sustainability management.

LG Electronics regards this report as the first step in publishing Sustainability Reports on an annual basis to provide detailed information on our corporate sustainability management activities and performance.

Report scope and process
The scope of this Sustainability Report is the domestic operations of our headquarters and ten business sites over a period from January 1, 2005, to December 31, 2005. The activities of our subsidiaries and invested companies are not included. However, information on activities and performance from beyond this timeframe was included when deemed important, in addition to major activities of the overseas operations of LG Electronics.

The various activities covered in the report reflect the views of general stakeholders based on the 2002 GRI guidelines.

External assurance
This report has been externally audited by Samjong KPMG for its accuracy, entirety and reliability. Please refer to page 94 and 95 for the assurance statement.

More information
For more information, please refer to other LG Electronics publications including our Annual Report, brochure, website and newsroom (www.lge.co.kr, www.lge.com). We recognize this report as a useful and valuable channel of communication with our stakeholders. Going forward, our Sustainability Report will serve as a window for transferring and receiving information with our shareholders, customers, business partners, the government and non-governmental organizations (NGOs), in addition to our LG Electronics family members working around the world.
Through balanced consideration to social, environmental and economic aspects, which form the pillars of sustainable development, LG Electronics is doing its part to build a clean environment and caring society.
Dear stakeholders,

Since its inception in 1958, LG Electronics has led the development of Korea’s electronics industry. In doing so, we also contributed to advancing the Korean economy and helped raise the quality of life for all. Our unrelenting commitment to challenge and innovation shows us to bring even more comfort and convenience into our lives. This ongoing quest exemplifies the pursuit of sustainable growth at LG Electronics.

The business community faces more changes than ever before. Innovation is a crucial element in doing business and surviving in an ever-changing world. However, innovation has a limited impact when restricted only to the economic side of business and cannot guarantee the long-term growth of a company. Innovation must also encompass the social and environmental dimensions to ensure sustainable growth. This concept is fast spreading around the world. Corporate sustainability management has become a catchphrase for all companies seeking continued growth.

Our goal here at LG Electronics is to grow into a globally competitive company that is highly trusted by its stakeholders. In keeping with current trends, we are introducing our activities and accomplishments through our Sustainability Report 2005.

Our business philosophy retains the basic spirit of corporate sustainability management. Over the past fifty years, we have nurtured our business under the guiding principles of ‘Creating Value for Customers’ and ‘Respect-based Management.’ The diverse efforts to make life more comfortable and enjoyable are rooted in our deep respect for fellow man and new ideas. Based on the two goals of creating value for our stakeholders and respecting the creativity and freedoms of mankind, we are to complete our transformation into a company that is demanded of the 21st century.
Our business philosophy retains the basic spirit of corporate sustainability management.

Corporate sustainability management is a vital tool in reaching our vision of joining the global top-3 electronics and telecommunications company. It is our firm belief that the pursuit of sustainability through balanced development of society, the environment and economy will not only raise our corporate value, but ultimately benefit all of our stakeholders. We are currently devising concrete plans to realize this goal and to make the following three promises.

The first is our economic promise.
The battleground for the electronics industry has never been more predatory and companies that lack innovation are being left in the dust. LG Electronics is looking beyond its success so far and is preparing long-term strategies to create blue ocean markets through innovation. This forward-looking stance will power our growth into the global top-3 electronics and telecommunications firm by 2010. Additionally, we are well aware that any profits and benefits gained and the added value created are only truly meaningful when they can be increased on a sustainable basis. Growing the profits and benefits of stakeholders, this is our economic promise to you.

The second is our environmental promise.
Drawing upon our achievements in environmental management, LG Electronics will attempt a more pioneering and encompassing approach to secure global leadership in this area. In response to the growing number of product and environmental regulations, we reorganized our ‘Eco-Design Committee’ at the end of 2005. Vast amounts of resources and efforts are being injected into clean production, with the focus on preventing pollution. Environmental activities are central to our corporate sustainability management and we will continue to expand the program beyond related departments to the entire company.

The third is our social promise.
As with our slogan “Life’s Good,” LG Electronics has constantly strived to make a brighter, happier society. Following the formation of a social fund made up of employee contributions and a volunteer team, we declared the ‘Charter of Corporate Social Responsibility’ in 2005 and laid the groundwork for increasingly systematic social responsibility activities. Going one step further, LG Electronics will strictly adhere to corporate ethical standards and strengthen its systems and programs to promote mutual growth with employees and stakeholders.

Preparing this report provided us with an opportunity to reflect upon our efforts to translate our values on sustainable growth into concrete ways in which we do business. During the process, we confirmed that corporate sustainability management is a very important issue to our stakeholders who expect real growth from the company. For our part, we promise to do our all as a responsible member of the global village to pursue sustainable growth and mutual prosperity. We look forward to your continued support and encouragement along the way.

Thank you.

Vice Chairman and CEO
S. S. Kim

Our business philosophy retains the basic spirit of corporate sustainability management.
Company Information

OVERVIEW

Since our inception in 1958, spirit of embracing challenge and innovation has driven our growth into a leading electronics, information and communications goods maker. Today, it continues to open up new markets in the high-tech digital sector including digital TVs, home network systems, PDPs and mobile handsets, in addition to its home appliance business. To achieve our vision of seizing among the global top 3 electronics and telecommunications firms by 2013, we are focusing our capabilities on development and introducing world leading products to improve our performance in core business areas as well as discovering new, promising businesses to lead our growth in the coming generations.

MAIN PRODUCTS AND MARKETS

Sales breakdown in 2005

<table>
<thead>
<tr>
<th>Mobile Communications</th>
<th>Digital Appliance</th>
<th>Digital Display</th>
<th>Digital Media</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>Refrigerators, microwave ovens, air conditioners, washing machines, air purifiers, home motors, TVS, VTRs, DVD players, camcorders, PAL, NTSC, SECAM, S-VHS, PAL-M, PAL-N.</td>
<td>Monitors, TVs, PDPs, projectors, DVD drives, DCDVs</td>
<td>Grinding, polishing, painting, or processing, optical storage, DVD players, S-VHS, D-VHS, camcorders, VHS, CD players, DVD players, VCRs, video cassette recorders, TVS, VTRs, DVD players, camcorders, PAL, NTSC, SECAM, S-VHS, PAL-M, PAL-N.</td>
</tr>
</tbody>
</table>

Sales breakdown:

- Korea
- Other markets

Institute of Technology/Research Institute of Production
### Global Networks

**Europe**
- LG Electronics Middle East
- LG Electronics North America
- LG Electronics South America
- LG Electronics Southeast Asia
- LG Electronics Western Australia

**Middle East and Africa**
- LG Electronics Middle East
- LG Electronics North America
- LG Electronics South America
- LG Electronics Southeast Asia
- LG Electronics Western Australia

**Asia**
- LG Electronics Middle East
- LG Electronics North America
- LG Electronics South America
- LG Electronics Southeast Asia
- LG Electronics Western Australia

**Central & South America**
- LG Electronics Middle East
- LG Electronics North America
- LG Electronics South America
- LG Electronics Southeast Asia
- LG Electronics Western Australia

**Global Organization and Location**

<table>
<thead>
<tr>
<th>Region</th>
<th>Company Name</th>
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<tbody>
<tr>
<td>Europe</td>
<td>LG Electronics Mobilecomm Ltd.</td>
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<td>LG Electronics Mobile Europe</td>
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<td>LG Electronics Mobile Italy</td>
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<td>LG Electronics Mobile U.K.</td>
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<td>LG Electronics Mobile Mexico</td>
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**Legend**
- Production / Sales
- Service
- Culture Office
- Sales
- R&D / Design / Others
- Logistics
Company Information

HISTORY

Digital Management Settlement Period(2000-Present)

2005. 12 Started operating CRM Task
12 Strengthened Eco-design committee
12 Won Presidential Award for excellence in labor-management culture
11 Awarded No.7 in the global CWNA maker in 2Q
11 Launched Network Solution joint venture, LG-Nortel
09 Named top brand in South Africa for 3 straight years
09 Implemented global consumer service system
08 Declared Charter of Corporate Social Responsibility
07 Unveiled the world’s first DMB laptop computer
06 LG cell phones no.1 in the North America CDMA market for 2 straight years
05 Completed construction of integrated research center
04 Won Presidential Award for excellence in labor-management culture
03 Launched Network Solution Joint Venture, LG-Nortel
02 Developed world’s first synchronous-asynchronous IMT-2000 mobile phone
01 Declared 2005 as the ‘Year of Fast Execution’
01 Won CES 2005 Innovation Award
2004. 11 Developed world’s first terrestrial DMB-receiving mobile phone
06 Commercialized world’s first XGA single scan technology
05 Began construction of PDP A3 factory
02 Developed 5th generation chip for digital TV
2003. 12 Developed world’s largest 76-inch PDP TV
10 Succeeded in flat-panel television business
09 Commercialized world’s first 40-inch PDP TVs
05 Launched ‘LG Philips LCD’
04 Developed first digital TV suited for Korean market
03 Renamed ‘LG Electronics’
02 Announced Management by Principle
1999. 07 Proclaimed ‘Digital LG Vision’
05 Commercialized Korea’s first 40-inch PDP TVs
04 Developed first digital TV suited for Korean market
03 Acquired Zenith
02 Announced LG Electronic
2001. 12 Finalized demerger in extraordinary shareholder’s meeting
07 Launched ‘LG Philips Displays,’ a joint venture for CRT
05 Completed world’s second PDP production line in Gumi
2000. 09 Merged with LGIC
Digital Management Period(1999)

1999. 07 Proclaimed ‘Digital LG Vision’
05 Commercialized Korea’s first 40-inch PDP TVs
04 Developed first digital TV suited for Korean market
03 Acquired Zenith
02 Announced LG Electronic
1998. 12 Re-admitted business restructuring
1997. 01 Started EL (Technology Leadership) 2005
1996. 03 Designation of LAMP 2005
1995. 07 Acquired Zenith
06Announced LG Electronic
02 Announced Management by Principle
1994. 04 Proclaimed ‘LG Declaration for a Cleaner Environment’
1993. 08 Established Environmental Committee
1991. 12 Achieved USD2 billion export in home appliances
1997. 08 Established production lines in Thailand, Mexico, UK, and the Philippines
1996. 10 Established production lines in Germany(LGEWG)
1994. 12 Exceeded KRW1 trillion in sales
1993. 04 Established Korea’s first overseas production line(‘LG’, GVA, USA)
1991. 11 Established Gimhae Plant
1991. 12 Achieved USD10 billion in overseas sales
1989. 11 Established Changwon Plant
1988. 10 Established production lines in Indonesia(GVAV, KLAV)
1986. 12 Exceeded KRW1 trillion in sales
1984. 05 Completed Pyeongtaek Plant
1981. 04 Established Korea’s first overseas production line(GVAC, USA)
1979. 11 Established Gimhae Plant
1978. 12 Achieved USD5 billion in overseas sales

Growth Period(1974-1977)

1977. 12 Achieved KRW100 billion in sales
1976. 11 Completed Chagwon Plant
1975. 06 Established Gunwi Plant
1974. 04 First to be listed in stock market among the peers in Korea
1973. 08 First to produce black & white TV in Korea

Foundation Period(1958-1970)

1965. 06 Established a corporation
05 Established a corporation
04 First to produce refrigerator in Korea
03 First to produce tube transistor radio
1961. 11 First to produce tube television in Korea
1958. 10 Founded as GoldStar

1968. 12 Established production lines in Germany(LGEWG)
1967. 01 Established Chagwon Plant
1965. 06 Established a corporation
1964. 12 Exceeded KRW1 trillion in sales
1963. 11 First to produce tube transistor radio
1961. 11 First to produce tube television in Korea
1960. 09 Merged with LGIC
1959. 11 First to export tube transistor radio
1958. 10 Founded as GoldStar

1968. 12 Established production lines in Germany(LGEWG)
1967. 01 Established Chagwon Plant
1965. 06 Established a corporation
1964. 12 Exceeded KRW1 trillion in sales
1963. 11 First to produce tube transistor radio
1961. 11 First to produce tube television in Korea
1960. 09 Merged with LGIC
1959. 11 First to export tube transistor radio
1958. 10 Founded as GoldStar
MEMBERSHIP IN MAJOR ASSOCIATIONS

BEST (Business Ethics in the Source of Top Performance) Forum - joined in 2004
- Obtain best practice and information on ethical management
- Obtain time-flow from leading overseas companies
- Participate in regular forums (eight times a year) and workshops

Korean Business Council for the Arts (Moonreal) - joined in 2003
- The Council is a private non-profit group founded to foster
  sponsorships between business and the arts community.
- As part of its corporate social responsibility, the company is
  supporting cultural and artistic events.

Korea Business Council for Sustainable Development (KBCSD) - joined in 2002
- Group of industry leading local companies sharing their
  commitment to corporate sustainability management practices.
- Activities include responding to international trends and issues
  concerning corporate sustainability management. Partnership with
  World Business Council for Sustainable Development (WWCD)

Certification of environmental and social management system (manufacturing plants in Korea)

<table>
<thead>
<tr>
<th>Business site</th>
<th>ISO 14001</th>
<th>OHSAS 18001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pyeongtaek</td>
<td>Sep. 1995</td>
<td>Apr. 1999</td>
</tr>
</tbody>
</table>

Korea Electronics Association (KEA) - Environmental Management Council - joined in 2001
- LG Electronics Executive Vice President Lee Soon Kwon currently acting as non-standing chairman of Environmental Management Council
- The Environmental Management Council generates environment-related policies for the electronics industry, cooperates with related local/international organizations to support component makers

Association of Electronics Environment - joined in 2000
- As the chair company of the association, LG Electronics is undertaking
  the following as part of its corporate social responsibility activities to
  establish a resource-recycling society:
  - Pursuing a recycling, material aid project in the electronics sector
  - Supporting policies to encourage manufacturers to assume
    responsibility for recycling
  - Promoting collection/disposal and recycling of waste electronic goods

Certification of environmental and social management system (overseas manufacturing plants)

<table>
<thead>
<tr>
<th>Region</th>
<th>Overseas subsidiary</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>LGEMIA</td>
<td>2002</td>
</tr>
<tr>
<td>North America</td>
<td>LGEMBY</td>
<td>2002</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>LGEMIA</td>
<td>2002</td>
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<td></td>
<td>LGEAM</td>
<td>2004</td>
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<td>2007</td>
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<td>LGEAM</td>
<td>2008</td>
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<td>LGEAM</td>
<td>2009</td>
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<tr>
<td>China</td>
<td>LGEMIA</td>
<td>2002</td>
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<tr>
<td></td>
<td>LGEAM</td>
<td>2004</td>
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<td></td>
<td>LGEAM</td>
<td>2005</td>
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<tr>
<td>Middle East &amp; Africa</td>
<td>LGEAM</td>
<td>2005</td>
</tr>
</tbody>
</table>

Awards for social, ethical, environmental performance

<table>
<thead>
<tr>
<th>Date</th>
<th>Organization</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2003</td>
<td>Ministry of Environment</td>
<td>Presidential Award for Outstanding Environment Management Company at World Environment Day</td>
</tr>
<tr>
<td>Nov. 2005</td>
<td>Ministry of culture/Art Business newspaper</td>
<td>Award for Managing Environmental Management (award best company in manufacturing division)</td>
</tr>
<tr>
<td>Apr. 2006</td>
<td>Korean Government</td>
<td>Moonreal Order of Industrial service merit for labor-management cooperation</td>
</tr>
<tr>
<td>June 2006</td>
<td>IBM Business Consulting (Bling Bio)</td>
<td>Selected one of 20 Most尊敬 Companies in Korea (environmental management division)</td>
</tr>
<tr>
<td>Oct. 2006</td>
<td>Ministry of Environment and Culture Business newspaper</td>
<td>Grand Award for Environment Management Awards (print marketing division)</td>
</tr>
<tr>
<td>Jan. 2007</td>
<td>Korean Government</td>
<td>Grand Award for Environment Management Award</td>
</tr>
<tr>
<td>Mar. 2005</td>
<td>For business group (KOEI, KIO, KTS, KTM)</td>
<td>Presidential Award for Outstanding Environment Management Award</td>
</tr>
<tr>
<td>Nov. 2005</td>
<td>Korean Government</td>
<td>Presidential Award for Labor Management Culture</td>
</tr>
</tbody>
</table>
For a more systematic execution of corporate sustainability management (CSM), which is taking root as a global standard, LG Electronics created a CSM task force at the end of 2005 to lay the foundation for company-wide CSM activities.

**MANAGEMENT PHILOSOPHY**

Since its establishment in 1958, LG Electronics has steadfastly adhered to its management philosophy of ‘creating value for customers’ and ‘respect-based management’ in pursuing growth over the past half-century. By creating value for our customers, we mean to continually endeavor to maximize customer satisfaction by providing them with unrelenting value.

By customer, we do not limit the definition to consumers who buy and use our products. For us, the word encompasses our various stakeholders including shareholders, employees, business partners and members of our community. In sum, the goal of our corporate activities is constant innovation that will bring unrelenting value and satisfaction to all customers. We strive to deliver supreme commitment to our customers, sustainable profits to our shareholders and investors, self-actualization and fair compensation to our employees, joint development to our business partners, and a clean environment and enhanced quality of life to society.

Respect-based management refers to running our organization in a way so that each comprising member is able to develop and demonstrate his/her abilities to the fullest by respecting individual creativity and autonomy, under the basic principle that our people are the heart and soul of all value. This philosophy entails putting people at the center of all management activities and overseeing operations so that every individual is able to fulfill their capabilities in a performance-based environment that encourages creativity and autonomy.

The business philosophy of LG Electronics, which has formed the foundation of our business activities, reflects the basic spirit of CSM. The starting point of social activities at LG Electronics which promote greater happiness and comfort is our unwavering commitment to improving lives for all people in our society and to new ideas. This philosophy thus serves as the framework for CSM at LG Electronics.
VISION
LG Electronics' vision

Goals
- For our customers: Provide premium value to customers
- For our shareholders: Maximize investment returns
- For our business partners: Recognize as partner for mutual growth and cooperation
- For our employees: Provide great opportunities, spirit, and rewards

Business strategy
- Maximize customer value by providing total solution to customers based on competitiveness in each of the mobile, display, media and appliance areas
- Respond to changes in market game rules and improve competitiveness while maintaining sight of business foundation based on product leadership
- Fortify premium strategy market centering on customer value, promote alliances and outsourcing in non-core sectors, strengthen ‘soft’ capabilities (brand, design, key technology) and pursue top-tier level operations
- Seek future growth engines

Strategic tasks
- Improve portfolio
  - Focus on securing competitiveness in existing businesses in accordance to mission of each business domain
  - Strengthen foundation for parts business and merge new business items and services for mid- to long-term goal
  - Increase value by uncovering new business models such as total solution provider

- Innovate management process
  - Upgrade marketing, product planning and SCM capabilities to understand customer needs and quickly respond to the market
  - Focus on company-wide purchasing and branding

- Strengthen organization capabilities
  - Conduct early R&D to prepare for future
  - Construct infrastructure for global management
  - Attract and nurture key personnel

Portfolio improvement

Business Mission
Mid-term Strategy
- Commercialization of growth/profit creators
- Lead in DVD and PDP market
- Maintain industry-leading profitability
- Respond to digital convergence

Portfolio improvement
- Concentrate on R&D and design to create hit products
- Harness the company’s technology/IP core solution
- Increase value stemmimg on advanced markets/premium products
- Expand from home appliances to products for mobile and car use
- Innovate management process
- Upgrade marketing, product planning and SCM capabilities to understand customer needs and quickly respond to the market
- Focus on company-wide purchasing and branding
- Strengthen organization capabilities
- Conduct early R&D to prepare for future
- Construct infrastructure for global management
- Attract and nurture key personnel
Ever since its establishment, LG Electronics has continued to strive for customer value creation based on its principle of respect-based management. For a more systematic approach to CSM which is fast taking place as a global standard, we created a CSM task force team at the end of 2005 to build the foundation for company-wide CSM activities. LG Electronics also created the CSM forum centering on the CSM task force and including all company divisions related to management strategy, human resources, social contribution, ethics, finance, corporate culture and the environment. The future is responsible for promoting in-house understanding of the importance of CSM activities. Forum participants share information on activities pursued by each business division, build networking ties and help to prepare the Sustainability Report among others. The CSM forum is predicted to take on a core company function of plotting strategic directions and pursuing execution programs for a comprehensive and systematic approach to CSM activities at LG Electronics.

LG Electronics plans to pursue four basic directions for CSM through the CSM task force and forum and pursue a program that is derived from the directions for each business domain. First, an internal system for CSM such as the organization and system will be further expanded so that each business domain can practice economic soundness, environmental friendliness and social responsibility. Second, financial risk and non-financial risks including those in Korea and overseas related to the environment and social issues will be systematically managed through diligent examination and monitoring. Third, the diverse communication channels with various stakeholders will be utilized for a more systematic monitoring of their opinions and demands and better reflection of them in company policies and corporate activities. The publication of the Sustainability Report is in line with such efforts. Fourth, we will build global leadership in Korea and abroad through a branding strategy that is linked to our CSM activities. Through these activities, LG Electronics aims to achieve top marks in economic, environmental and social performance, to gain greater trust and respect from customers and society, and fuel our growth into one of the global top-3 in the electronics and telecommunications industry.
BLUE OCEAN MANAGEMENT

Through the creation of new markets, new methods and new systems, Blue Ocean management will lead our innovative management style to maximize efficiency and form the solid foundation to achieve our goal of joining the global top-3.

BLUE OCEAN MANAGEMENT

Why Blue Ocean management?

One of the biggest changes brought on by the era of digital convergence has been the limitless expansion of competition, as all competition structures are reorganized and boundaries between industries are broken down. With the changing landscape of competition, companies must also change the way they survive. Only those companies possessing core technology, information and original ideas can dominate.

Innovation has so far driven growth at LG Electronics, but we must produce more eye-catching results through a more innovative paradigm shift to achieve our ultimate vision of ranking among the global top-3 electronics and telecommunications firms by 2010. This has resulted in the need for a Blue Ocean strategy.

What Blue Ocean means for LG Electronics

Here at LG Electronics, we define Blue Ocean as radically strengthening our organizational capabilities and upgrading our business structure to focus on high-growth, high-profit business areas in the five key management areas of Blue Ocean Products, Blue Ocean Biz Model, Blue Ocean Work, Blue Ocean System and Blue Ocean People. In addition, Blue Ocean is a term for all of our innovation activities. To increase our ability to realize the Blue Ocean strategy, we aim to maximize efficiency by employing existing innovation tools for product value, product efficiency and logistics efficiency.

2BY10 - Goal of our Blue Ocean strategy

Our ultimate goal in pursuing the Blue Ocean strategy is to increase our sales, profits, and shareholder value from 2005 levels by 2010. 2BY10 will serve as the direction in guiding all employees as they immerse themselves in Blue Ocean thinking and strive to achieve unparalleled results.

Emerging as global top-3 through Blue Ocean

As stated in our 2008 New Year’s commencement address, Blue Ocean signififies our original style of management to achieve the highest levels of management efficiency through the creation of new markets, new methods, and new systems. However, this does not mean we will blindly pursue only those items which are new. Just as important as pioneering Blue Ocean territory, we believe it is also crucial to boldly compete in those areas that call for it. For this reason, our Blue Ocean strategy is to create a company that wins over the competition and thus creates the backbone of our journey to the ranks of the global top-3.

■ "Create a differentiated, new market" LG Chairman Bon-Moo Koo Praises Innovation■

“A global company must create basic and differentiated values that cannot be copied by others.” But a quote from LG Group Chairman Bon Moo Koo, who has recently been stepping up on-site management, to the CEOs of each LG group company, this pointed out that in order to become a truly global company, one must provide differentiated value and asked that they actively employ the Blue Ocean strategy to this end. Blue Ocean is fast emerging as a major management strategy. Blue Ocean refers to creating a new, ‘blue ocean’ market that has no competition, instead of engaging in fiercely competitive, ‘red ocean’ markets. At the LG Group CEO seminar on the 25th, Koo said, “Aside from general improvements such as simple cost-cutting measures and increasing productivity, we must concentrate on searching ways to provide value to our customers and efforts on differentiating ourselves.” For this reason, Koo also handed out awards to teams inside the LG group which demonstrated exemplary innovation during the past year. Awarded included the development team for GSM mobile handsets at the North American office of LG Electronics, the 6th generation process team of LG Phillips LCD, and the LG Chem team which developed polaroids.

The Hankyoreh, May 25, 2005 -

Sustainability Report 2005
THE LG WAY AND MANAGEMENT BY PRINCIPLE

LG Electronics strives for Management by Principle in which we abide by local regulations and ethical business guidelines to engage in business in a transparent and honest manner, fulfill our corporate responsibility to society, and maximize results.

UNDERLYING BELIEFS

LG Electronics firmly believes that Management by Principle is the most basic condition and core value to becoming a great company. We will practice fair competition and trade, and adhere to ethical guidelines to grow into a trusted, respected global company.

Concept and results

We define Management by Principle as abiding by local regulations and business ethics to fulfill corporate social responsibility while also maximizing business results. In 1994, LG Electronics took the initiative to practice fair and transparent management when it became the first private company in Korea to publish an ethical code (LG Electronics Code of Ethics). In the following year, the company announced its Management by Principle which elaborates on its ethical code. In 2004, the ‘LG Code of Ethics’ and ‘LG Code of Ethics Guidelines for Practice’ were established to clearly define the company’s high standards of ethical behavior and practices to employees.

firm commitment

One of the clearly stated principles often repeated by the company CEO is that "whoever is responsible for activities that go against the spirit of Management by Principle will be severely punished so that their example will serve as a warning to others." "The company regards those who manipulate management data as deserving harsher retribution than those who embezzle company funds. This is because incorrect data could eventually lead to the downfall of a company over several years." Such statements by the CEO are frequently shared with all employees to reaffirm the company’s commitment to transparent management.

MANAGEMENT BY PRINCIPLE

LG Electronics represents LG’s core beliefs, values, and aspirations. It illustrates a vision structure that guides the thoughts and actions of LG people in achieving the ultimate goal of becoming the No. 1 LG. It stipulates the way in which this goal is reached through the practice of Management by Principle, and the realization of LG’s commitment to ‘creating value for customers’ and ‘respect-based management.’

Management by principle signifies more than ethical management: it refers to management that creates actual results based on competency that can win over the competition.

LG WAY

Conduct

LG’s unique standard of conduct to win fairly over the competition by building our ability based on ethical management

Vision

Management philosophies

Management by Principle

Creating value for customers

Honesty towards customers

Consistent improvement and innovation to provide greater value to customers

Respect-based management

Fair opportunities

Impartial treatment depending on ability and performance

The LG WAY

All efforts aimed at becoming No. 1 LG must be based on Management by Principle.

No. 1 LG

Firm commitment

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European HQ conducts course to train Management by Principle lecturers

On September 28 and 29, 2005, the Netherlands-based European headquarters of LG Electronics conducted a course on training lecturers on Management by Principle. The course was prepared by the Corporate Audit Group and European HQ Audit Group and open to the 15 companies under supervision of the European HQ. The Management Assessment Group plans to expand the program, currently provided to workers in Korea, to local employees at foreign offices through on-and offline training courses.

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MANAGEMENT BY PRINCIPLE AND PROGRAMS

Corporate culture of adhering to the basics

With regular refining of corporate standards and the introduction of a business process map, the company is enhancing its function to control major operations and processes. At the same time, it is striving to have the practice of adhering to the basics as part of our corporate culture. The standardization and automation of the payment settlement process raises the timeliness and accountability of our transparency.

Management by Principle organization

The top decision-making body for Management by Principle is chaired by the CEO and features the ethics committee, comprised of executive board members. The ethics bureau is responsible for executing decisions made by the committee and overseeing the actual implementation of Management by Principle operations.

[Ethics Committee]
- Composition: As the highest decision-making body related to ethical regulations, the committee is chaired by the CEO of LG Electronics. Other members include members of the executive board (CTO, CFO, CEO Company, MC Company CEO, President of LG Electronics Institute of Technology, head of HR, head of Korea Marketing, Management Assessment Team leader).
- Regular meeting held every half-year
- Role: Propagating top management's commitment to Management by Principle to establish a culture of and encouraging the practice of Management by Principle. In addition, the committee forms related policies and strategies on Management by Principle forwarded by ethics bureaus.

[Ethics Bureau]
- Composition: The ethics bureau at headquarters is directly under the supervision of the LG Electronics Corporate Audit Team and oversees divisional ethics bureaus. The HQ ethics bureau is led by the heads (team leaders) of Corporate Audit groups at each business site, division and affiliate.
- Role: Carries out Management by Principle strategies/policies formed by the ethics committee, manages ethical regulations, establishes and improves related systems, operates systems for reporting unfair practices and addresses reported incidents, operates various voluntary reporting systems, provides consultations on issues related to Management by Principle and ethical regulations, and other activities to promote the establishment and practice of Management by Principle.

Voluntary reporting system

In the instance of an individual possessing listed/non-listed securities of a business partner firm, which is forbidden by the Code of Ethics, the individual should voluntarily report to the ethics bureau and immediately stop the trade of and dispose of the said securities. The acceptance of bribes and gifts received during holidays or after promotions should also be voluntarily reported to the ethics bureau through the Management by Principle homepage, upon which the said goods are to be returned. When the goods cannot be returned to their sender, they are donated to social charities or religious groups. In addition, a letter signed by an executive requesting the end of such gift-giving and a copy proving the goods' donation is to be delivered to the sender and head of the sender's company.

Reporting system

Our reporting system is designed to prevent violations of ethical regulations, eliminate corruption and realize the full potential of Management by Principle. We have installed measures including clearly stating the following statement to protect the reporters from any retaliation, “Without the expressed consent of the reporting person, the person’s identity and any information pertaining to the person’s identity will not be revealed. Any disadvantages suffered by the person due to any failure to protect the person’s identity shall be reimbursed and all responsibility will be taken.”
Management System - Management by Principle

Diverse programs to practice Management by Principle

- Collection of written promises to practice Management by Principle
  All employees and partner firms of LG Electronics and all of its subsidiaries are required to sign and submit written declarations to practice Management by Principle on a regular/irregular basis. New recruits and newly promoted personnel must submit the written promises while managers must present their statements on an annual basis.

- Distribution of guidelines for Management by Principle
  Guidelines on Management by Principle are published and distributed in a booklet form to senior managers. The booklets enable managers to easily access guidelines which must be adhered to so that they can set an example and encourage the establishment of Management by Principle throughout the company.

- Training on Management by Principle
  We are conducting training sessions to emphasize the importance of Management by Principle. Employees working in Korea and those stationed overseas are required to undergo cyber training and group courses at least once a year. The target group was expanded in 2005 to include locally hired employees at overseas offices. The training course concentrates on theory, examples and actual methods of practicing Management by Principle to prevent any corruption or unlawful activities by employees.

- Publishing Management by Principle
  Mistakes or violations uncovered during the assessment process are posted on the company’s online message board or homepage so that all employees can access the case studies. This enables us to present the right behavioral standards and prevent the recurrence of similar incidents. To also promote interest in the LG Code of Ethics, an introduction of the regulations and summary are sent to employees via e-mail. A quiz event encourages understanding and practice of Management by Principle.

- Management by Principle survey
  The survey is conducted every year to check employee and partner firm perceptions on Management by Principle and to gain basic information for improvements. The surveys assess the levels of Management by Principle practiced by the company and employees, rating various Management by Principle activities and points for improvement.

CODE OF ETHICS

In 1994, LG Group established the "LG Code of Ethics" and since 2004, the separate ethical codes of LG Electronics and its affiliates have been merged into the "LG Code of Ethics" and "LG Code of Ethics Guidelines for Practice" in coordination with LG Corp. This was designed to set a uniform standard for ethical behavior as part of the Group’s initiative to practice fair and transparent management among all employees and partner firms.

The LG Electronics Code of Ethics was drawn up to establish the ethical basis and standards for sound assessment to which the company and employees must abide by. It is divided into the Code of Ethics, Guidelines for Practice and Explanation of Guidelines for Practice. Among them, the LG Code of Ethics presents the direction to which LG companies and employees should strive for.

- Chapter 1. Responsibilities and obligations to customers
- Chapter 2. Fair competition
- Chapter 3. Fair transactions
- Chapter 4. Basic ethics for employees
- Chapter 5. Corporate responsibilities to employees
- Chapter 6. Responsibilities to society and country

The LG Code of Ethics Guidelines for Practice details each chapter of the LG Code of Ethics into each item for practice and operational system, and shares the same structure as the LG Code of Ethics. The "LG Code of Ethics Guidelines for Practice Manual" features even more detailed examples and behavioral guidelines so that employers can readily understand Chapter 3 (Fair Trade) and Chapter 4 (Basic employee ethics). The LG Code of Ethics Guidelines for Practice Manual is divided into:

- Chapter 1. Receiving gifts from stakeholders
- Chapter 2. Having an unfair stake in business partners
- Chapter 3. Lacking transparency in selecting partner firms
- Chapter 4. Using company assets in an illegal/unfair manner
- Chapter 5. Manipulating and falsely reporting documents/numbers
- Chapter 6. Violating other ethical regulations

※Reference p90~91 of Code of Ethics
INTERNAL CONTROL SYSTEM

An internal control system enables us to realize transparent management through the operation of an efficient system and voluntary risk control activities.

INTERNAL CONTROL SYSTEM

CEO/CFO certification procedure

The revised Securities & Exchange Act led to the adoption of the CEO/CFO certification system in April 2004 for more stringent audit of internal accounting. LG Electronics also has an operations report certification system for heads of overseas offices as well as the heads of domestic business sites and headquarters. Unfair reporting of incorrect performance is regarded as false reporting and the offender is subject to stern measures such as disciplinary actions and even dismissal.

Control self assessment

To promote autonomous improvement of our internal control system, in addition to preventing or speedily identifying any major incidents, CSA (control self assessment) has been conducted twice yearly since 1998 so that management and working level personnel can self-assess any business risks and the internal control situation. From the first half of 2005, CSA has been conducted through our own system and our plan is to expand the program to all areas after an initial adoption for the business units such as purchasing, finance and foreign marketing.

Risk monitoring system (RMS)

RMS is geared toward a systematic and continued management of any signs of irregularities in the work process to reduce the possibility and scale of irregularities. This is done through the early detection inside the organization and is also designed to incite self-awareness on any signs of irregularities among field personnel. The pilot project was launched in 2004 centering on purchasing and marketing segments and we plan to expand the program to all segments following actual implementation in the purchase segment in 2005.

Internal audit (management assessment)

The aim of management assessment is to eliminate any irrational factors existing inside the organization, protect company assets, maintain the credibility and appropriateness of management information, as well as to check on any factors that hinder the company from reaching its vision. The ultimate goal is to form a fair corporate culture. A professional management assessment (internal audit) organization has been erected for efficient and professional management assessment. The team is responsible for in-depth diagnosis of each professional area and for providing management consulting to boost operational efficiency. The organization has been divided into each function for maximum efficiency.

- Systematic operations by establishing standards
- Facilitating efficient operations
- Analysis of risk-causing factors
- Early detection of risk through data analysis
- Support for efficient management and optimization of work processes
- Strengthening of self-assessment activities for risk

Implementation of CEO/CFO certification system and overseas office head, company heads, business HQ certification system
CORPORATE GOVERNANCE

LG Electronics is striving for an advanced form of corporate governance to enhance corporate value and management transparency.

The launch of the holding company system laid the groundwork for heightened transparency. The LG Group was able to put an end to the cross-shareholding among affiliates, as the holding company was fully responsible for investments, and LG Electronics was able to concentrate on increasing corporate value and its own operations.

Following Vice Chairman S. S. Kim's appointment as CEO in October 2003, LG Electronics saw the installation of a responsible management system under a professional administrator, while a BOD-centered management system has been working to improve corporate transparency. In this way, LG Electronics has set up the framework to strengthen business competitiveness at home and abroad, ultimately increasing shareholder and corporate value.

Ownership status

- Domestic individual, institutional investors: 31.56%
- Foreign investors: 41.24%
- LG Corp.: 23.56%

(as of end of 2005, common shares)

LG Group structure

- Resolving cross-shareholding
- Responsible management by professional manager
- BOD-centered management

Corporate transparency

- Business competitiveness
- Maximizing shareholder and corporate value

LG Corp.

LG Electronics

LG Hwing (LG's Holding Company)

LG Group structure (as of end of June 2006)
**BOARD OF DIRECTORS**

The Board of Directors at LG Electronics currently consists of seven directors, with four of them being outside directors. This ensures BOD independence from the major shareholders and management. Additionally, the BOD retains a two-member Outside Director Recommendation Committee comprising outside directors. The recommended nominees are voted on at the next shareholders’ meeting.

The outside directors are highly qualified individuals with professional knowledge and experience in key areas. Their main role is to carry out a check and balance function, as well as monitoring the company’s overall management activities. Three outside directors are also members of the company’s Audit Committee and are able to exercise their rights to evaluate the company’s internal control system and appointment of external auditors.

In early December of every year, LG Electronics sets the schedule for BOD meetings for the following year. By principle, the board meets regularly once a month and whenever urgent matters arise. The directors actively participate in the meetings to ensure the company’s sound management and to protect the rights of shareholders and creditors. This results in a high attendance rate. A total of 13 BOD meetings were convened in 2005 with the average attendance rate reaching 83.4%.

To ensure that the BOD fulfills its role as the highest decision-making body of the company, LG Electronics regularly reports company proceedings to outside directors so that BOD members can engage in lively discussions on important matters from the preliminary, decision-making stage. Outside directors in turn are given ample time to digest the detailed and finished material on pending issues prior to attending the board meetings so that they may present impartial views and assessments of issues including major business items, inside trading among affiliates and management operations.

The outside directors are also given the opportunity for on-site assessment. Visits are arranged for them to production sites as well as the overseas offices and distribution markets. The company helps outside directors take an active role in company management by enabling their participation in outside director training programs hosted by the Korean Directors Association.

**AUDIT COMMITTEE**

The audit committee maintains independence, with all of its three members being outside directors. The committee follows separate regulations from those governing the BOD and is accordingly able to independently decide on the committee’s operations.

To further ensure transparency and independence, the audit committee is chaired by renowned accounting expert Il-sup Kim. The committee receives preliminary reports on quarterly business results and conducts half-yearly checks on the internal accounting management system. Members also discuss key issues facing the company and see faithfully carrying out their role as a management supervisory organization.

In addition, the committee members approve the appointment of outside auditors after carefully reviewing candidates’ professionalism, independence, reputation, service capability, and ability to audit international businesses, as well as any possible business conflicts with the Company.
COMMUNICATION WITH STAKEHOLDERS

LG Electronics seeks accurate understanding of the diverse opinions, demands and interests of its stakeholders, and reflects them in its decision making process.

We are influenced by and influence a wide variety of local and overseas stakeholders through our business activities. LG Electronics is constantly striving to listen to their opinions and needs, which are then reflected in our business decisions. Key to these efforts is communication between management and stakeholders via the appropriate channels. We plan to examine the possibility of establishing an integrated operation to enhance communication with our stakeholders.

SHAREHOLDERS & INVESTORS

The general shareholders’ meeting is held after the end of each fiscal year and is attended by top management. During the meeting, LG Electronics reports the company’s business performance and provides information on issues requiring decisions to its shareholders and listeners to their opinions. The investor inquiry page on the company’s website also offers a venue for shareholders, investors and customers to post and receive answers to any questions or opinions. Disclosures on major management issues related to investor returns are reported in a timely manner to the KRX and issued on the company’s homepage in compliance with the Securities & Exchange Act. In addition, Annual Reports and Audit Reports are regularly disclosed. The content can be accessed anywhere through the Financial Supervisory Service’s online disclosure system (http://dart.fss.or.kr).

Shareholders and other investors may also contact the company’s IR department or personnel in charge of securities to present their opinions on company management issues. The related departments then examine the opinions and refer them to the management or BOD.

CUSTOMERS

LG Electronics is delivering greater customer satisfaction with its customer-oriented service system, increased service engineer training and the introduction of a customer-centric service evaluation system.

- Customer-oriented service system: For greater customer convenience, we offer a home doctor service in which customers can designate their preferred engineer and receive free service in the event of repeated malfunctions.
- Service engineer training: To ensure that all service engineers work with a service mindset, we carry out service mindset training, customer-response course, and role-playing contest. To enhance technical ability, we have a grading system to assess an engineer’s technical competency. We also hold a Technology Olympics to select the most outstanding service engineer. We select the best engineers in each category under the master system, while our grand master scheme selects the master of masters.
- Customer-oriented service evaluation: We conduct the happycall and customer impression evaluation and a customer satisfaction survey on a regular basis among customers who have received our services. By doing so, we can assess customer satisfaction levels to reinforce our strengths and make immediate improvements in areas of weakness.

COMMUNICATION SYSTEM - Communication with stakeholders
EMPLOYEES
LG Electronics has the highest respect and esteem for its employees. Having the top quality personnel is the most important factor towards reaching our goal of joining the global top-3. We believe that we can improve our own competitiveness by selecting the top people and by further nurturing their capabilities and are thus offering various support activities to that end.

LG Electronics firmly believes that management-labor harmony holds the key to boosting employee morale and satisfaction. Our support for employees includes help with career development, problem-solving, and training. We constantly strive to boost professionalism among our workforce and actively share company information.

In our view, an ideal management-labor relationship is one that fosters solar creations, which subsequently strengthens a company's competitiveness and enhances the quality of life for employees. Both labor and management share the view that the desire and practice of solving problems based on a mutually beneficial relationship is closely linked to the company's survival. Our corporate culture has been widely recognized as a model example in the business community, and we received the Presidential Award for our labor-management culture in 2005.

BUSINESS PARTNERS
Early on, we recognized that we cannot realize sustainable growth based solely on our survival strategy and business activities. Therefore, we have consistently worked towards greater cooperation with all of our business partners. Apart from promoting the LGE Green Program among our partner firms to effectively respond to the ever-growing list of regulations regarding a product's impact on the environment and to enhance our competitiveness, each business domain provides support activities to promote the growth and business practices of our small- to mid-sized partners. Such activities take place across a wide range, including environment technology, process management, industrial safety and before support, and training support.

CENTRAL AND LOCAL GOVERNMENTS
As a leading presence in the domestic electronic industry, LG Electronics is increasing its cooperation with local governments, central government and related organizations at each of our local and overseas business sites. In Korea, we belong to industry groups in order to take an active role in the process of formulating related policies and regulations by expressing our industry opinion. Our position as a key member on various industry groups propels us to faithfully execute our role as industry leader. Through our successful business activities, we have played a prominent role in contributing to the economic development of countries and local governments.

NGOs & CIVIC GROUPS
We recognize the importance of not only international groups which have global influence but also that of various civic groups who work actively in regional communities. We embrace communication with them to induce more constructive discussions with them on relevant matters. In preparing this Sustainability Report, we exchanged opinions with the Center for Corporate Social Responsibility (CCSR) and listened to the views of Korea Green Foundation in the process of formulating our CSR strategy. Going forward, we plan to examine ways to increase our communication channels with NGOs so that we may continuously improve upon our CSR levels and contribute more to the sustainable development of mankind.

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LG Electronics Call Center tops HSI ranking for home appliance service
Korea Management Association Consultants (KMAC) announced the 2006 list of companies whose call centers were certified with the HSI (Home Service Index). The call center service index rates the quality of call center service received by the customers. The 2006 list was compiled through a survey of 19 call centers from 19 industries over a period from April 20th to May 24th. The mystery research method was employed using a monitoring sheet (960 samples) of call center employees connected to the main call center phone number. Among them, LG Electronics' Call Center recorded total marks of 94.8% to top the home appliance service sector. Vice Chairman S. S. Kim stressed the need for continuous quality improvement, saying, “There is no eternal No. 1. This only means we must try even harder so that customers acknowledge that our call center is the best.”
■ 2005 CES Innovation Award

LG Electronics participated in the 2005 CES (Consumer Electronics Show) held at Las Vegas in January 2005 with the third largest booth among some 2,400 exhibitors. CES is the biggest digital consumer electronics exhibition in the world. A total of 16 LG Electronics display products and high-tech mobile phones were presented with product innovation awards. This marked the second year in a row that the company won the greatest number of awards. Additionally, Microsoft and Intel both showcased convergence technology using LG Electronics products in their keynote speeches. The company’s 71-inch PDP TV and mobile phone which is capable of taking high-resolution photos were highly rated. The 17-inch LCD monitor ‘Flatron 1730’ received the top innovation award in the computer parts division.

■ 2005 Transparent Management Grand Prize

In January 2005, LG Electronics won the grand prize in the first Transparent Management Awards, which was jointly organized by Korea’s five representative economic organizations of KEF, KCCI, FKI, KITA and KFSB. The award recognizes excellence in transparent management, labor-management relations, and social contributions and environmental management. After an initial evaluation by a panel of experts, candidates undergo an interview before a final judgment by the main jury comprising social leaders including Yong-Deuk Lee, chairman of the Korean Federation of Trade Unions. By winning the top prize at the 2005 Transparent Management Awards, LG Electronics won recognition for its continued efforts in promoting BOD-oriented management and operation of an independent audit committee, pursuit of ethical management, and operation of an independent audit committee. LG Electronics also highly praised for its continued efforts in promoting BOD-oriented management and operation of an independent audit committee, pursuit of ethical management, and operation of an independent audit committee.

■ 2005 Presidential Award for Labor-Management Culture

LG Electronics received the Presidential Prize in the large business segment at the 2005 Labor Culture Awards presented by the Labor of Ministry on December 15, 2005. Two major labor-management conflicts erupted at LG Electronics toward the end of the 1980s. The company managed to overcome those difficulties through concerted efforts for survival. Since 1993, the vertical labor-management order was replaced by a horizontal relationship whereby both sides forged a partnership for mutual cooperation. LG Electronics has been highly praised for its new labor-management culture. The company has been highly praised for its new labor-management culture. The company’s new labor-management culture has been highly praised for its new labor-management culture. The company has been highly praised for its new labor-management culture. The company has been highly praised for its new labor-management culture. The company has been highly praised for its new labor-management culture. The company has been highly praised for its new labor-management culture. The company has been highly praised for its new labor-management culture. The company has been highly praised for its new labor-management culture.

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LGE Green Program
LG Electronics is well aware that joint efforts are essential in efforts to reduce hazardous substances which are used in products. Since January 2005, the company has been conducting the LGE Green Program with partner firms. The program awards certification to partner firms that have established an eco-friendly quality assurance system that satisfies LG Electronics standards. The certification standards are largely divided into the environmental management system and the hazardous substances and product management system. They are aimed at raising environmental awareness at partner firms.

Through the program, LG Electronics is able to avoid the inclusion of harmful raw materials supplied by partner firms and the use of such substances during the manufacturing process. By producing only environmentally-friendly products, the company is also able to prevent environment-related accidents.

Declaration of the Charter of Corporate Social Responsibility and expanded employee participation in social contribution activities
LG Electronics announced the slogan for its new Charter of Corporate Social Responsibility in an event at the LG Twin Towers in Seoul on April 10th. With some 100 LG volunteers in attendance, the company declared that it will include social contribution as an integral part of its management and fulfill its obligations as a responsible corporate citizen. The company also plans to employ the charter as a guideline in determining policies and action plans for a more systematic social contribution program.

In August 2005, the company collected ideas from employees concerning the entire process of social contributions, including the composition of a volunteer team, volunteering activities, action plans, budget, and activity report. A charity fund made up of donations from the company and labor union has been used in volunteer activities for neighbors in need. Employees from the learning center tutor youths, while network institute researchers provide IT lessons in addition to PC repairs and donations. For their part, design center employees run free art classes for children, while the company’s hiking club members have taken part in supporting physical activities for the handicapped. The increased participation of employees in social contribution activities has not only enhanced company-wide awareness of giving back to the community, but also increased overall job and sense of satisfaction among the employees.
Promise³
A world filled with smiles and happiness...

A world of "we" rather than "I" is the world envisioned by LG Electronics. It would be impossible to imagine LG Electronics without its employees or customers. Our business partners, shareholders and other numerous stakeholders are also a vital component of our organization. For us, "we" includes all of our stakeholders.
HUMAN RESOURCES MANAGEMENT

Right People
We embrace the philosophy of “Great Company, Great People,” whereby only great people can create a great company. LG Electronics seeks competent people who fit in the LG culture.

HR Principles
LG Electronics is creating working environments that will enable all its members to demonstrate their capabilities, be intent on their own work, and create value.

[Creativity & Autonomy] An individual’s creativity is the source of creating value. We respect diversity and autonomy so that each can exercise his/her own creativity to the fullest extent.

[Equal opportunity] Equal opportunity builds trust between people. We ensure everyone an equal opportunity regardless of gender, race, age, religion or nationality.

[Emphasis on competence] We have adopted competence as the most important criterion for making personnel decisions.

[Long-term perspective] Maintaining a long-term perspective is the foundation of our human resource policies. Human resource programs should be designed with a long-term perspective and implemented with dedication and persistence.

[Performance-based rewards] Rewards based on performance are essential for human motivation. Performance results will be fairly evaluated and rewarded accordingly.

Human resources committees
[Domestic] HR development committee and subcommittees
Recognizing that people are a crucial factor for sustainable growth, we place priority on attracting and retaining top talent. The highest body dealing with HR issues is the HR Development Committee, which is composed of the LG Electronics CEO and the CEOs of each business unit. The committee meets every other month to discuss various HR issues such as nurturing key position successors, organizational changes, and revisions to regulations on HR management. The HR Development Committee plays an important role in reinforcing the abilities of the current executive team and in fostering the top executives of tomorrow.

Each of the business units has a HR development subcommittee. The subcommittees are chaired by the head of the respective business unit and meet every other month. Their functions include nurturing future leaders, selecting candidates for key training programs, and deciding on overseas deployments.
LG Electronics is stepping up the scope and pace of its global operations. In line with the global drive, the overseas subsidiaries have been actively fostering local talent to prepare them for key positions. To that end, each overseas unit has set up a successor development committee to nurture local employees who have a deep understanding of LG Electronics’ core values and businesses. Various education programs are available to the local units and their personnel to assist with the endeavor.

Efforts to nurture local workers have the full backing of the top executives. Moreover, the importance of employee development is recognized by everyone at LG Electronics and resources are increasingly being allocated for that purpose. The strong commitment to helping people grow is instilling a greater sense of pride among the workforce serving at our overseas units and has been vital to retaining key personnel.

**Human resources management program**

**Recruiting and Hiring** LG Electronics strives to attract and retain high-talented people by offering opportunities for development and diverse movements.

Our recruiting team travels across the globe to bring on board highly talented people from all parts of the world. Various steps are being taken to enhance the competencies of employees at our overseas subsidiaries. One example is the Global HPI (High Potential Individual) program which gives outstanding local workers the opportunity to receive training and work in Korea.

**Overseas hiring activities**

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**Developing Right People** With the goal of ‘developing global entrepreneurs,’ this program nurtures a pool of potential successors to execute and manage projects. The selected people are given the opportunity to attend MBA courses (about 100 persons annually) and other in-depth training programs.

We also have programs to foster specialists in various functions. For this purpose, the functions have been divided into product planning, marketing, research & development, production, purchasing and management. These colleges prepare future managers under a step-by-step approach. Our technology convergence seminars and action learning program for marketing well represent our focus on integrating learning and job performance. Our education and training system is designed so that what is learned can be directly applied on the job.

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People  • Employees

| Developing talents | Potential future CEOs have to demonstrate traits that are aligned to the culture and objectives pursued by LG Electronics. The company’s succession plan forms the basis of human resources development programs at the leadership levels. |
| Career management | We support career development for all employees by putting the emphasis on actual job duties. Along with clear goal-setting, coaching and feedback are used to help workers carve out their career paths. To support the goals of each individual, we have a system under the leader’s guidance. Employees can also take advantage of our e-learning system. |
| Recruiting and developing leaders | - Development program based on the company’s succession plan  - Annual leadership evaluation and coaching  - CEO-led Leader Development meeting on regular basis (on position rotation, customized overseas training, overseas deployment, etc.)  - Recruiting and developing young talents  - Hiring process to select people who are fit with the company’s values  - Developing through challenging job assignment and appropriate motivations  - Mandatory training requirements for each job grade |
| Online learning system | We have created an online learning system to promote personal development among all employees. Mandatory training is set for each level in the organizational hierarchy and on-the-job learning is actively encouraged. As a means of motivating employees, we have adopted an internal curriculum whereby each employee is required to complete 48 hours of training each year. Over 95% of salaried workers in general and administrative roles receive annual training of 40 hours or more. |
| Comparison between LG Electronics and ASTD survey (2005) | ▶ | Fig. 2. Comparison between LG Electronics and ASTD survey (2005)  ▶ | Based on average foreign exchange rate in 2005 (1 USD: KRW 1,024.30) | ASTD: American Society for Training & Development | Figures in brackets are the average of benchmarked global firms. |

<table>
<thead>
<tr>
<th>Format</th>
<th>Role of labor cost in investment</th>
<th>Training cost per person</th>
<th>Training hours per person</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-the-job learning</td>
<td>76% (60%)</td>
<td>KRW 1,136 million (KRW 1,471 million)</td>
<td>60.7 hours (60 hours)</td>
</tr>
<tr>
<td>On-site training</td>
<td>44% (24%)</td>
<td>Pre-learning before job execution  - Voluntary on-site implementation  - Roles/tasks assigned to subordinates  - TDR, coaching, etc.</td>
<td></td>
</tr>
<tr>
<td>Collective training</td>
<td>21% (12%)</td>
<td>Job rotation  - Customized overseas training  - Pre-learning before job execution  - Pre-learning before job execution  - Pre-learning before job execution  - TDR, coaching, etc.</td>
<td></td>
</tr>
<tr>
<td>Online learning system</td>
<td>8% (5%)</td>
<td>Provided by HR development team, on-site agencies, TDR, coaching, etc.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Category</th>
<th>Features</th>
<th>Format</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-the-job learning</td>
<td>- On-the-job training based on level of progress  - Job rotation  - TDR, coaching, etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-site training</td>
<td>- Pre-learning before job execution  - Voluntary on-site implementation  - Roles/tasks assigned to subordinates  - TDR, coaching, etc.</td>
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</table>

Transitions to an SME is beneficial for all parties involved. For the individual, the move enables them to continue utilizing their skills and know-how in a new setting. On the other hand, the SME is able to gain insight into the workings of a large corporation. Moreover, the transition has the effect of creating new job opportunities for older and experienced workers. |

- Career coaching & feedback mechanism  - Mandatorily coaching on quarterly basis  - Comprehensive and transparent feedback  - Enhanced individual development  - Skill away from conventional training towards on-the-job learning (emphasis on workplace learning) |

Education Innovation given by the Chinese government in 2005. It received the Grand Prize in Corporate Learning innovation given by the Chinese government in 2005.
Compensation
- The monetary compensation package for employees consists of the annual base pay, incentive pay, performance bonus, and various benefits.

- Monthly salary (12 times a year), regular bonus (8 times a year)
- Compensation based on individual performance
- Making graded incentive budgets on job family
- Non-accumulated pay
- Performance bonus
- Adjust annually based on the annual business unit performance results

Benefits
- Paid whenever the occasion arises
- Compensation package
- Category
  - Individual (gold, silver, bronze) Medal, cash award, overseas trip
  - Group Plaque, cash award, overseas trip
  - Group Medal, cash award
  - Individual Plaque, cash award

Awards
- The monetary compensation package for employees consists of the annual base pay, incentive pay, performance bonus, and various benefits.

- Motivation for performance (Non-monetary)
  - About 1% of the workforce is selected to participate in MBA programs annually
  - Purpose is to enforce global business competency, perspective for business management

- LG Great People Award
  - Role model in R&D activities (each division, each country)
  - Outstanding performance (gold, silver, bronze)
  - Medal, cash award, overseas trip

- Best R&D TDR Award
  - Group that contributes to the company by producing outstanding results in R&D
  - Individual who contributes to the company and serves as a role model for others in patent application

- Environment/Safety Award
  - Individual who contributes to the company by producing outstanding results in EESH activities (each division, each country)
  - Individual who contributes to the company by producing outstanding results (core values and achievements)

- Inventor of the Year
  - Individual who produces results by changing process & people with innovative ideas

- Innovation Award
  - Individual who produces results by changing process & people with innovative ideas

- Organization & Workforce Structure

- Overseas units and personnel

<table>
<thead>
<tr>
<th>Region</th>
<th>Overseas units</th>
<th>No. of local subsidiaries</th>
<th>No. of local branch offices</th>
<th>Total</th>
<th>No. of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>22</td>
<td>3</td>
<td>25</td>
<td>3,500</td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>9</td>
<td>5</td>
<td>14</td>
<td>5,100</td>
<td></td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>11</td>
<td>5</td>
<td>16</td>
<td>9,900</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>16</td>
<td>8</td>
<td>24</td>
<td>20,100</td>
<td></td>
</tr>
<tr>
<td>Central Asia</td>
<td>8</td>
<td>3</td>
<td>11</td>
<td>1,200</td>
<td></td>
</tr>
<tr>
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<td>6</td>
<td>5</td>
<td>11</td>
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<td></td>
</tr>
<tr>
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<td>5</td>
<td>8</td>
<td>13</td>
<td>1,200</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>75</td>
<td>44</td>
<td>119</td>
<td>46,000</td>
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</table>
LG Electronics has a strong commitment to ensuring that our employees lead healthy and fulfilling lives. Our welfare support system is designed to maximize employee well-being according to the life cycle of the individual. We offer a wide range of support to provide convenience and stability in our workers' lives.

**Housing assistance**
Dormitory facilities are available for employees deployed to the provinces, while financial assistance is provided for home purchase and lease.

**Bonus and holidays for special occasions**
The company shares the sorrows and happinesses of its employees to promote unity and a sense of belonging. Employees are granted bonus and holidays for both sad and happy occasions such as weddings or the death of a loved one.

**Education allowance**
To help ease the financial burden on employees and support their children's education, the company provides full tuition assistance from middle school to university.

**Medical assistance**
Various forms of medical support are offered to promote employee health. They include annual check-ups and financial assistance with medical bills. Assistance with medical fees is available to employees' families as well through the company welfare fund. We have also adopted the group insurance system.

**Discounts on purchase of LG Group products**
Our staff can purchase products of LG affiliates below the market price. This means benefits for both employees and their families.

**Support for leisure activities**
Achieving work-life balance is important to maintaining productivity and vitality in the workplace. Employees can avail themselves to resorts in Korea and abroad as well as condominiums nationwide. We also provide opportunities to watch various sporting events and support cultural activities to create a lively work environment.
LABOR-MANAGEMENT COMMUNICATION

LG Electronics shares information on major issues with the labor union and all employees through the labor-management council. The council is the highest labor-management communication body. It is composed of the top executives and senior leaders of the labor union and meets on a quarterly basis. One step below is the labor-management forum, which brings together labor and management representatives at the business unit level. The forums are held once every month. Monthly meetings are also held where the members of a division meet with the division head. On the field, a four-tier meeting takes place, with the four levels including lower-ranking employees and supervisors.

LG Electronics uses a system of bottom-up communication to work out various issues and resolve difficulties faced by employees. The emphasis is on resolving problems where they occur. It also operates a counseling center where workers can consult with professional counselors to resolve personal problems such as work stress and interpersonal conflict.

Labor-management council
The labor-management council promotes harmony in the workplace and contributes to advancing the economy by working toward the shared goals of employee well-being and sustainable growth of the company. Based on mutual understanding and cooperation, the council seeks ways to make the company more competitive and enhance productivity. The council addresses labor-management issues that affect the entire company. The labor representatives are the union leaders (including the heads of factory chapters), while the management is represented by the CEO, CFO and CTO. Each of the business sites has its own lower level council that deals with issues pertaining to the respective site. These lower bodies comprise the division heads and vice officers.

Labor-management forum (for each business unit and plant)
The forum deals with common issues within a business unit (labor relations, productivity, product quality, working conditions, etc.) and items not resolved at division meetings and four-tier meetings. Issues not resolved at the forum are referred to the labor-management council at the business site level.

Division meeting
Discussions are held on a regular basis to tackle labor-management issues at the group level and difficulties facing employees.

Four-tier meeting (section chief, line staff manager, foreman, labor representative)
These meetings bring together on-site supervisors and labor representatives to discuss pertinent issues. Unresolved matters are referred to the labor-management forum.

Counseling center
A counseling center has been set up at each business site to help employees concentrate on their work duties. The center provides timely and professional advice to employees whose work is suffering due to organizational or personal conflicts.

Labor-management relations: A new concept in labor-management relations pursued by LG Electronics under which the labor and management faithfully carry out their respective roles, based on mutual respect and trust, for joint value creation.
Employee engagement
Voluntary participation by all employees is essential to promoting a sound corporate culture. That prompted LG Electronics to introduce the ‘CA (Change Agent)’ organization.

All constituents of LG Electronics including the overseas subsidiaries have CAs. The CAs are working-level staff, i.e., assistant managers or managers. Their role is to gain a clear understanding of the direction of change pursued by the company and to implement change activities in their respective workplace.

The main program carried out by CAs is the ‘MGT (Making a Great Team)’ activities. Under MGT, a CA works to make his/her team the most competitive through team surveys and workshops with the purpose of finding areas where improvement is needed. Activities are then carried out to make the necessary changes. The MGT activities are at the center of the CA organization which was adopted in 2004. The CAs have now become a core organization at LG Electronics for ensuring competitiveness.
Communication innovation

Communication functions as the artery of an enterprise. At LG Electronics, there are various channels, both online and offline, for smooth exchange of views and ideas between the ranks and between peers. At the heart of our communication system are the ‘Top-Direct Communication activities’ which are spearheaded by the top management.

Top-Direct Communication activities take place in a variety of forms such as special lectures, conferences, and field visits. They enable employees to sufficiently understand the company’s operations and conditions, while allowing the executive officers to identify and address employees’ views and demands in a timely manner. This interchange helps build a foundation that allows workers to fully concentrate on producing results.

System-process link

To ensure that activities for change in the corporate culture are not merely one-time events, but an ongoing effort to make the company more competitive, LG Electronics is strengthening the link between system and process. This starts with our recruiting practice. We require potential new hires to take our unique aptitude test, the Right People Selection Test, so that we can select people who match LG Electronics’ idea of the ‘Right People.’ Another systematic framework to promote the ‘Right People’ is the Right People Competency Evaluation conducted on all employees once a year.

Additionally, we have been conducting an annual survey of all employees since 2004. The survey is designed to analyze and identify activities needed to realize our goal of a ‘Great Company and Great People.’ The survey provides a framework in which the company can identify the satisfaction levels and demands of all our workers, including those at our overseas subsidiaries. The employee input is reflected in our change activities.
HUMAN RIGHTS

Human rights activities

The Labor Standards Act in Korea prohibits forced labor and labor by minors aged 15 or below, and Korea is a member of the International Labor Organization (ILO) and has ratified the ILO convention on child labor. As corporate citizen serving Korea and the world, LG Electronics abides by these regulations on forced labor and employment of minors.

In Korea, we carry out production and sales activities in various locations including Seoul, Gumi, Changwon, and Pyeongtaek. Most of the domestic employees are Koreans; thus, racial identity and racial discrimination is not a major issue. Nonetheless, we prohibit unfair treatment and discrimination based on a person’s hometown, sex, age, religion or academic background. An employee who feels he/she is a victim of discrimination may express his/her view through the labor union or a variety of other mechanisms available within the company.

A sensitive issue in the Korean workplace is gender discrimination related to hiring, promotion, pay, educational opportunity, and retirement. A major principle of HR management at LG Electronics is that we do not discriminate between men and women. Additionally, we are addressing the issue of sexual harassment with grievance procedures and education.

At the global level, our overseas units comply with the laws and regulations of the respective country. Most of the overseas employees are of the ethnic origin of the local region. We have yet to formulate our overall principle on human rights of the global units at the headquarters level, but they are under review and should be finalized by 2007.

We state ‘respect-based management’ when we formulate our management principle. Recognizing the importance of human rights, we continue to refine the related systems and procedures.

LABOR-MANAGEMENT RELATIONS

Shift from cooperation for survival to value creation

Labor-management relations at LG Electronics are based on the pursuit of value creation in which both sides work to reinforce corporate competitiveness and enhance employees’ quality of life. We view this relationship as one involving transactions between people, interests, and life. As such, labor-management relations can be seen as an organic system where any living system, change and innovation is imperative for survival and growth. Staying competitive entails the skills and executive ability to resolve problems with a global perspective. Both labor and management believe that engagement with the attitude of ‘starting with me, in one direction, from the easy tasks’ is the path to competitiveness.

Horizontal relationship built on trust

The two major labor disputes of 1987 and 1989, which took place amid the tumult of the democracy movement in Korea, marked a turning point in labor-management relations at LG Electronics. Previously, there had been a vertical relationship, with the focus on protecting one’s own interests. But that was replaced by a horizontal relationship based on mutual trust and respect under which workers and managers pursed the shared goal of raising competitiveness and enhancing quality of life. It was at this time that LG Electronics recognized that labor-management cooperation is a core management task. We learned the precious lesson that labor-management cooperation cannot be achieved without transparency and mutual trust and respect, and that labor-management cooperation is essential to building a competitive company and enhancing quality of life.

The views of the labor union and employees are reflected when making major decisions, and the company takes steps to enable their participation. The company is striving to maintain and advance the horizontal labor-management relationship. For instance, the first step is the labor union branch office when managers visit a business site. While the top executives focused on changing the culture and perception, on-site supervisors played a pivotal role in implementing change, helping to establish a new order in labor relations.
Labor-management relations at LG Electronics

- Enhance competitiveness and quality of life
- Trust, innovation, performance sharing, respect

Future vision of labor-management relations

- Making a No. 1 LG is up to us.

What is the labor union’s philosophy on labor-management relations?

- Labor and management should maintain a win-win relationship based on mutual trust and respect whereby problems are resolved through dialogue. The union will continue to advance the relationship for value creation, so that union members may enjoy better working conditions and greater work stability through the growth of the company. This is our idea of the ultimate picture of labor activities. Stable labor-management relations are vital to making LG Electronics one of the global top 3 by 2010. And in order to win on the global stage, efforts must be made so that labor-management relations are a core factor for competitiveness. The union has to take the initiative and undertake activities to raise corporate value. That is the picture of labor-management relations that leads to value creation.

Seog-Chun Jang/Chairman of Labor Union

Voluntary participation

As its trust in the company recovered, the labor union made voluntary efforts for greater productivity and quality innovation. The union took the initiative to market products and provide services offered by the company. It also played at the forefront of social contribution activities.

The LG Electronics’ Social Service Group, jointly launched by the labor and management, carried out various activities such as visits to welfare facilities, a campaign to promote local agricultural products, an environmental protection drive, and helping teenage heads of households. Employees also started to see themselves as proactive agents in greenwashing business results, rather than mere bystanders.

Voluntary participation

Future vision of labor-management relations

- No. 1 labor-management relations for value creation
- Partnership of equals and innovation for management roles
- Unwavering mutual trust and respect

Future vision of labor-management relations

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CUSTOMERS

LG Electronics strives to realize customer satisfaction guided by its ‘customer-first approach’ under which ‘the customer is the reason and purpose for service’.

CUSTOMER-ORIENTED ACTIVITIES

Customer-oriented principle
Since launching our services in 1963, we have been making every effort to satisfy customer needs with diverse service schemes and advanced IT infrastructure. Foremost, the customer has to be the priority in customer service. We are guided by our ‘customer-first approach’ under which ‘the customer is the reason and purpose for service.’ LG Electronics always thinks from the standpoint of the customer when devising systems and policies with a view to emerging as a global service leader most admired by customers.

Our basic philosophy on customer service is that only firms chosen by the customer can survive. Building on that belief, we foster service engineers and service centers that treat customers like family. Our aim is to treat our customers like our family members and loved ones. Akin to someone planning ahead to spend precious time with a loved one, we strive to be ever prepared to best serve our customers.

LG Electronics-style service engineers not only have the necessary technical skills, but also have the mindset to understand the customer’s inconvenience caused by a malfunctioning product. That means the service engineers possess appropriate interaction skills, a warm smile, and the heart to empathize with the customer.

Customer service is not just in the job scope of the customer service department; it is an objective shared by the entire company. Along with the customer service staff, all employees of the service centers are aware that repurchases occur when customers are satisfied with the services accompanying a product. That is why customer service forms the basis of all decisions.

Customer-first program
To meet customer needs and demands, the customer service department runs a customer-oriented service system and continues to improve the service center environment. Training is consistently provided to service center staff and performance is assessed through a customer-oriented service evaluation system.

Customer-oriented service system
- Holiday service: This is a unique service introduced in 2006 to deal with emergency repairs needed on weekends and public holidays and for the convenience of double-income couples.
- 30-minute service for cell phones: We introduced this service for mobile phone products because we understand that the customer’s time is precious. Under this scheme, it takes no longer than 30 minutes to repair a mobile phone, from the moment a customer walks into the service center to the time the work is complete.
- Service at one go: We provide swift and precise services so that customers do not have to bring in products apart for repeat problems or malfunctions. About 90% of services are completed in one go, and the figure is steadily rising.
- There are various other measures we offer for customer convenience. They include the appointment service (our staff visit at a pre-set time); engineer real-name system (to reduce the uncertainty caused by a stranger’s visit); home doctor service (the customer designates the service engineer); and free repair upon repeat malfunctions. We also have a service system for remote areas for residents of isolated and hard-to-reach places and provide free repairs for flood victims.

In June 2006, we introduced the CCMS (Customer Complaint Management System), through which problems arising between the company and consumers are resolved without intervention by a third party. Under an internal cooperative framework, we promptly and precisely handle matters from the filing of customer complaint to post-management. CCMS is aimed at realizing the company’s management philosophy of ‘creating value for customers’ and represents our customer-oriented approach.

Service engineer training
To instill a service mindset among our service engineers, we provide them with service mindset training, a customer-response course, and role-playing contest. Their technical skills are assessed via a grading system for technical competency. A Technology Olympics is held to select the most outstanding service engineer. We also select the best engineers in each category under the master system, while our grand master scheme honors the master of masters.
**Sustainability Report 2005**

**Customer-oriented service evaluation** We conduct the happycall and customer impression evaluations and a customer satisfaction survey on a regular basis. The respondents are customers who have received our services. By doing so, we assess customer satisfaction levels to reinforce our strengths and make immediate improvements in areas of weakness.

**Customer-oriented service centers** Customer assistants are deployed in the front lines to provide assistance from the moment a customer enters a service center. The centers also provide free parking. To make customers feel at ease, they can speak face-to-face with service engineers while their products undergo repair. This gives them a chance to have explanations on the problem and on how to effectively use the product. The service centers feature free battery recharging stations, drinking water, and mobile phone sterilizers for customer use. A space is set aside for Internet access for people who need to take care of urgent business. Customers may give suggestions or express complaints through feedback cards placed at the centers.

**PRODUCT CONVENIENCE**

**Design management**

Early on, LG Electronics predicted that the convergence of design and cutting edge technology will spur revolutionary changes in lifestyles and foster a new culture. In 1958, we became the first home appliance company to introduce the concept of industrial design. Over the years, we have persisted with efforts to enhance lifestyles and maximize brand power through design. Design was selected as one of our four core competencies in 1999 and we declared ‘design management’ in 2006.

LG Electronics has been an important force in leading design trends. With the purpose of creating premium quality designs that catch the customer’s fancy at first sight, we strive to generate distinct concepts and forms that appeal to the senses. At the same time, we also work to create more convenient products. We conduct research into the customer interface and adopt environmentally-friendly materials and processes that respect man and nature. What we pursue is the utmost in aesthetics and convenience for our customers.

The Design Center works in close cooperation with the Environmental Technology Committee and shares common standards. The center introduced TDR (Tear Down and Redesign) for eco-friendly designs. It organizes various seminars and issues a guideline for joint development with related companies to promote the concept of green design.

A representative outcome of such efforts is the Flatron monitor. This product does not contain environmentally hazardous substances as it is produced with PC-ABS projection finishing without halogens. All components are also safe for the environment, and the product features silver nano particles (ceramic particle that emits negative ions). These efforts were acknowledged in 2005 as LG Electronics was given the IF Material Award, the world’s most prestigious design award.

For multimedia products such as the notebook PC, we use materials that can be recycled or reused. Instead of plastics, we use magnetar which is reusable and blocks electromagnetic waves. We also developed designs that facilitate assembly, dismantling, and disposal. We limit the usage of gluing for the product exterior and post-processing paint that harms the environment, and use eco-friendly materials that do not contain cadmium or lead.

We are increasingly shifting towards eco-friendly designs with reusable materials. For product exteriors, we do not use oil-based coating which may look attractive but is difficult to dispose of. Instead, we use water-based ink, for which disposal is easy although costs are high. We are also developing packaging structure and design to seek alternatives to using styrofoam for shock absorption in packaging.

Environmental-friendly designs exemplify LG Electronics’ respect for people in conducting its business. Along with the value offered by the product itself, we aim to provide innovative value to customers to reflect their needs, dreams and hopes. We aspire to being a sustainable business that fulfills its social responsibilities to shape a brighter future.
PRODUCT SAFETY

We give the utmost consideration to product safety throughout the entire production process from the initial design stage in order to prevent injury and property damage resulting from defective products.

Ensuring consumer safety is a priority task at LG Electronics. We approach product safety from three aspects: design defect, production defect, and warning labels.

Response system

Korea introduced the Product Liability Act to protect the rights and interests of consumers. In accordance with this law, LG Electronics has set up a product safety system that covers the entire organization. A dedicated body has been set up at the headquarters, each division and each business unit to enable organic information-sharing.

Enhancing product safety

In accordance with the Product Liability Act enacted in Korea in August 2002, our domestic business sites have set up the necessary systems/professional staff to address product safety. While our overseas sites have a weaker systematic framework for dealing with product safety, their activities are supported by the business units and headquarters so that they may respond in a timely manner.

All new products are subject to inspection procedures at various stages, starting with the development phase, to assure they meet high safety standards. For products that are mass produced, sampling is done on a regular basis to examine if there are any problems regarding product safety. When a problem is uncovered, corrective action is taken immediately regardless of the chances of that problem arising.

When a flaw is detected, we check the possibility of the problem arising for the corresponding model as well as for other similar models and take prompt corrective measures. Our product safety assurance efforts are comprehensive, spanning from the inspection of PCB board, various components and wiring to the warning labels affixed on products and instruction manuals.

The Quality/Purchase Team is responsible for quality matters for the entire company. Within the team are the PL Planning Center (PLD) and PL/Safety Group (PLS). Each business unit and division has a dedicated PL committee member.

At the highest level, the PL Technology Committee meets once a quarter with the headquarters overseeing the meetings. These meetings serve as a forum for exchange of technological information. Each business unit organizes the PL TSC (Technology Specialist Council) meeting, in which division PL committee members participate. At the next level below, each of the departments hold a monthly PL subcommittee meeting.
INFORMATION SECURITY

Basic principle
LG Electronics recognizes that the protection of personal information forms the basis of building trust with the customer. In the course of conducting our business, we operate a website and collect personal information from online members. We use such data only for the purpose of online transactions and for enhancing customer convenience. We continue to reinforce our information security system to safeguard customer information.

Network security
LG Electronics has an advanced security system for its server and network which includes a two-tier firewall to protect customers’ personal information. Personal information and payment details are encrypted using SSL (Secure Socket Layer) of Verisign of the US.

Internal security measures
We limit the number of employees who can access customers’ personal information to a minimum. Authorized personnel are given a password so that other persons cannot access or use the personal information. Along with regular and special training on security issues, we have a designated customer information security manager.

For rigorous control over product safety, we carry out testing under general testing conditions and unusual conditions that may arise when a product is used by the customer. In doing so, we try to replicate all possible circumstances that could lead to a fire inside the testing lab. For that purpose, we have various facilities including a moisture resistance lab and fire analysis lab.

Product safety test/analysis equipment
- Moisture resistance lab: Testing for moisture resistance, fire hazard, arc detection, and electric shock
- Fire analysis lab: Testing for probability and fire spreading

Building a global service network
Environment test lab
Electromagnetic waves test lab
Holiday service
SOCIAL CONTRIBUTION
LG Electronics’ caring and giving philosophy supports various community enrichment initiatives to help fulfill cherished dreams and hopes of our neighbors.

SOCIAL CONTRIBUTION OUTLINE
Social contribution goals and principles
| Goals | Reinforce corporate image through strategic social contribution activities. Contribute to improving business performance and achieve vision of becoming global top-3 through strengthened organizational unity and vigor. |
| Principles | Connect long and short-term management goals. Select and concentrate. Maximize existing resources and encourage participation by employees and executives as well as outside stakeholders. Forge corporate image and brand value through proactive communication. |

Charter of Corporate Social Responsibility
As a global company, LG Electronics fulfills its social responsibility by showing love for those who have dreams and contributing to making a better society where everyone can lead a happy life.

1. LG Electronics actively supports those who strive to reach (realize) their dreams
2. LG Electronics operates its corporate citizenship programs by forming partnerships between labor and management, executives and employees, customers and local community citizens, and related NPO/NGOs.
3. LG Electronics conducts its corporate citizenship activities from a long-term perspective.
4. LG Electronics focuses on the areas of social welfare, education and cultural activities by means of sponsorship, financial aid and volunteer work.
5. As a global corporate citizen LG Electronics conducts its corporate citizenship activities wherever it does business.

Budget for social contribution activities by sector
In 2005, LG Electronics’ directly operated contribution activities focused primarily on social welfare programs followed by education/schools/academic research, culture/arts/sports, and emergency relief efforts.

<table>
<thead>
<tr>
<th>Sector</th>
<th>2005 Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social welfare</td>
<td>KRW1.2 billion</td>
</tr>
<tr>
<td>Education/schools/academic research</td>
<td>KRW60 million</td>
</tr>
<tr>
<td>Culture/arts/sports</td>
<td>KRW150 million</td>
</tr>
<tr>
<td>Environmental preservation</td>
<td>KRW200 million</td>
</tr>
<tr>
<td>Total spending on directly-run programs</td>
<td>KRW900 million</td>
</tr>
</tbody>
</table>

Social contribution expenditure by sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>2005 Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social welfare</td>
<td>KRW2.6 billion</td>
</tr>
<tr>
<td>Education/schools/academic research</td>
<td>KRW3 billion</td>
</tr>
<tr>
<td>Culture/arts/sports</td>
<td>KRW1.5 billion</td>
</tr>
<tr>
<td>Environmental preservation</td>
<td>KRW0.7 billion</td>
</tr>
<tr>
<td>Total spending on directly-run programs</td>
<td>KRW4.8 billion</td>
</tr>
</tbody>
</table>

Other

<table>
<thead>
<tr>
<th>Sector</th>
<th>2005 Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social welfare</td>
<td>KRW3 billion</td>
</tr>
<tr>
<td>Education/schools/academic research</td>
<td>KRW4.1 billion</td>
</tr>
<tr>
<td>Culture/arts/sports</td>
<td>KRW13.1 billion</td>
</tr>
<tr>
<td>Environmental preservation</td>
<td>KRW4.1 billion</td>
</tr>
<tr>
<td>Total spending on directly-run programs</td>
<td>KRW17.9 billion</td>
</tr>
</tbody>
</table>

Note: Environmental preservation expenses above total to social contribution-related campaign activities.
- **Social contribution history**

  - 2002: Launched a fund-raising campaign to help teenage family heads
  - 2003: Provided a free after-sale service in its roadshow in flood-ravaged areas
  - 2004: Sponsored the Moscow Marathon Contest
  - 2005: Sponsored the UN’s 50th Development 2002, held in South Africa
  - 2006: Provided a special free service to regions flooded by heavy rains
  - 2007: Provided urgent circulation service to flood-damaged areas
  - 2008: GoldStar launched sisterhood programs with underprivileged children
  - 2009: LG Electronics sponsored “Social Service through Products” as its company motto
  - 2010: GoldStar adopted “Social Service through Products” as its company motto
  - 2011: GoldStar launched campaigns to form sisterhoods with schools on isolated islands
  - 2012: GoldStar sponsored the French government’s campaign to combat cancer
  - 2013: GoldStar sponsored U.S. LA LG Wiltern Theatre
  - 2014: LG Electronics sponsored the World Summit on Sustainable Development 2002, held in South Africa
  - 2015: LG Electronics sponsored a concert for handicapped people in China
  - 2016: LG Electronics sponsored a visit to Korea by Greek soldiers who had served in the Korean War
  - 2017: LG Electronics sponsored a visit to the bereaved families of Turkish soldiers in the Korean War
  - 2018: LG Electronics sponsored free surgical operations in the Middle East and Southeast Asia
  - 2019: LG Electronics sponsored an event for the bereaved families of Turkish soldiers in the Korean War
  - 2020: LG Electronics sponsored free surgical operations for harelip and cataracts
  - 2021: LG Electronics sponsored the World Summit on Sustainable Development 2002, held in South Africa
  - 2022: LG Electronics sponsored a visit to the bereaved families of Turkish soldiers in the Korean War
  - 2023: LG Electronics sponsored free surgical operations for harelip and cataracts
  - 2024: LG Electronics sponsored a visit to the bereaved families of Turkish soldiers in the Korean War
  - 2025: LG Electronics sponsored free surgical operations for harelip and cataracts
  - 2026: LG Electronics sponsored a visit to the bereaved families of Turkish soldiers in the Korean War
  - 2027: LG Electronics sponsored free surgical operations for harelip and cataracts
  - 2028: LG Electronics sponsored a visit to the bereaved families of Turkish soldiers in the Korean War
  - 2029: LG Electronics sponsored free surgical operations for harelip and cataracts
  - 2030: LG Electronics sponsored a visit to the bereaved families of Turkish soldiers in the Korean War

**Sustainability Report 2005**
SOCIAL CONTRIBUTION PROGRAM - DOMESTIC INITIATIVES

Since its foundation in 1958, LG Electronics has been carrying out far-reaching and diverse social contribution programs, spanning volunteer work, social welfare, and education. Our initiatives include supporting 5,000 child-headed households which started in 2003, carrying out blood donation drives, providing free meals for the homeless, and taking part in the Habitat for Humanity program to build affordable housing for people in need. Education is another primary area of focus. By sponsoring LG Electronics Junior Science Class, a computer education program for the seriously disabled, and youth mentorship initiative, we encourage our employees to use their capabilities to improve their communities and people’s lives.

Since 2004, LG Electronics has partnered with non-profit organizations to help build a healthy society. We organized the Goodwill Blood Donation Drive with Korea Red Cross. Attended by over 5,000 people, it demonstrated our commitment to help those in need. Also in 2004 and 2005, we teamed up with Beautiful Store and held Beautiful Saturday Bazaar. In 2004, we collected some 90,000 items and sold them in 20 stores nationwide. In 2005, the event was held in 12 stores in Seoul and Gyeonggi-do area including LG Twin Tower in Yeouido where 32,000 employees volunteered as salespeople and sold an estimated 40,000 donated items. All proceeds were delivered to charity organizations sponsoring low-income elderly living alone and child-headed households.

Participation

Social contribution funds - LG Electronics’ executives including the CEO donate 1% of their wage to the funds every month. Employees and the labor union have also been contributing 1% of their bonuses to the funds since 2004, with the company matching that amount in donation as well. LG Electronics’ generous donation to social contribution funds is a testament to our company-wide spirit of giving.

Volunteering in action - We are reaching out to our communities through volunteer programs in which all our employees can take part in. For one, we have teamed up with Habitat for Humanity to build affordable housing for people in need. We have donated KRW480 million from our labor-management social contribution funds and KRW240 million from our social contribution budget to the project and some 700 employees volunteered their time to build houses in Chuncheon, Guryegun, Gangneung, Pohang, and Seoul. Our volunteer work has extended to helping the homeless by providing free meals which started in November 2004 and donating winter coats during Christmas time. In addition, some 1,000 volunteers join hands every winter to make ‘tteokguk’, the staple Korean dish, in eight regions around the country including Seoul, Pyeongtaek, Gumi, Changwon and Busan which are delivered to isolated neighbors in our communities.

With our communities - Since 1994, LG Electronics’ Changwon branch labor union has been sponsoring mentally challenged children at ‘Hwanmyung House’. The facility has been undergoing financial difficulties due to lack of government assistance. In addition, the company’s LA business unit held a campaign to donate 10,000 bouquets to the less fortunate.
Employees at LG Electronics’ Korea Marketing Division are contributing their services to local community initiatives to help the elderly living alone, child-headed households and others that require assistance in Daejeon, Daegu, Gyeongsangbuk-do and Gyeonggi-do. In particular, everyone working in Suwon, Gyeonggi-do, donated blood for local children suffering from leukemia and held a charity concert for local residents.

Meanwhile, LG Electronics’ Learning Center is involved in a program to support the visually impaired. Volunteers read for the blind and take part in making basic materials for printing in Braille. In September 2004, the center sponsored an information search competition for the visually impaired in Gyeongsang-do which was aimed at bringing the internet closer to the blind community.

The company’s DA division is working with underprivileged children. It invited 200 orphans from Sungyook Orphange in Milyang City and children who are in charge of their households to an event where they enjoyed some fun time with families of employees.

Promise of hope

| Bringing dream and love to children | We hope for a world in which children can spread their wings and reach their individual potential. In 2003, LG Electronics raised KRW1 billion in social contribution funds to sponsor 500 children who head their households. We will continue to support them through financial and mentorship programs until they grow up to be responsible members of society.

Other programs for child-headed households include summer camp and winter camp where children learn the significance of giving and teamwork. Also in partnership with Korea’s Make-A-Wish Foundation, we grant the wishes of children with life-threatening illnesses to give them hope, strength and joy. We will continue to support those children with cancer, kidney disease, and other serious diseases to help brighten their lives.

| Bringing a hopeful future to teenagers | Laying a foundation in which our youth can dream of a bright future is the duty of individuals, companies, society and the country. Since 2004, we have been holding the ‘LG Electronics Junior Science Class’ for underprivileged youths once a week during summer vacations. Last year, the company’s top researchers participated in these classes attended by some 500 youths to explain complex theories of electronic technology in an easy and fun way. Participating children and teenagers were given a chance to experiment and make products on their own. Science kits were handed out as gifts.

Also since 2004, volunteers comprised of researchers and employees in Seoul and Gumi have been meeting with children from less fortunate backgrounds once a week after school during the school term to offer academic guidance and mentorship. We will continue to educate and inspire young people so that they can pursue their dreams.

| Bringing hope to the disabled | Sharing is what makes us and our society beautiful. LG Electronics is directing our resources towards initiatives that demonstrate how technology teaches lives and makes dreams of our less fortunate neighbors a reality.

For those with serious disabilities but a strong desire for knowledge, we provide customized IT training services according to their needs as well as the nature and degree of their disabilities. We also operate ‘LG Wings of Information’, an one-on-one computer education program for the seriously disabled in order to expand their connection to the world and increase their independence.
People • Social contribution

SOCIAL CONTRIBUTION PROGRAM - GLOBAL INITIATIVES

LG Electronics is actively addressing the needs of overseas communities where we have a presence. As part of our worldwide philanthropic efforts to help friends in remote and impoverished regions, we have been providing financial assistance to House of Boys in Mexico since 2000. In China, we have been carrying out the 'I Love China' campaign which has helped cement our reputation as a socially responsible company. In addition, we set up a LG Hope Primary School in the city of Shenyang to offer children there a chance for better education.

Since 2000, we have been offering free surgical operations for children with cleft lips and cleft palates in the Middle East and Africa. In Thailand we partnered with the Thai government to sponsor an anti-drug campaign and joined the 'Walk across the country' event to promote public awareness. Our other global social contribution programs include donating used personal computers to orphans (Egypt), sponsoring a soccer team made up of disabled youth (Netherlands), and funding for construction of children's cancer center (Russia) and anti-cancer campaign (France). We have also sent the trust of local communities for our immediate response and diverse initiatives to support relief efforts during the tsunami crisis in South Asia in 2004.

China: I Love China, 爱在中國

Just as difficult times help to strengthen the bond between two individuals, so too would LG Electronics like to strengthen its bond with China, by helping China during difficult times. In 2003, when the shock of the SARS epidemic overwhelmed China, LG Electronics rallied to combat the spread of the disease, and launched the 'I Love China, 爱在中國' campaign. We, together with the people of China, worked to distribute hygiene supplies, donated antibacterial home appliances, and contributed to the creation of a healthy, hygiene culture. Also, in 2004 we threw the '1 Love China Festival', which involved touring small and medium-size Chinese cities in greater need of cultural exposure and experience than their larger counterparts.

Meanwhile, as a corporate citizen of China, LG Electronics actively organizes and participates in charity events. We established the LG Hope Primary School in Shenyang, China, and provided to the school free projection TVs, PCs and other educational audio visual appliances. We donated 200,000 Yuan (approximately US$25,000) to the Chinese Youth Development Association for the establishment of the LG Hope Primary School. In Korea, we established the Hospital of Goodwill, supported impoverished students, and provided free surgical operations to treat cleft lip patients from poverty-stricken families. Since 2000, we have been sponsoring the LG Mobile Phone Golden Apple program through Chinese CCTV, forming a close relationship with China's younger generation. On LG Day, designated as such by the city of Huizhou, in association with local citizens, we organize a diverse range of social, cultural, and sporting events. As a corporate citizen of China, LG Electronics is committed to continued involvement in corporate social responsibility-based activities, with a view to winning over the hearts and minds of the people of China.

Asia: Think Asia

As a corporate citizen of Asia, LG Electronics endeavors to be involved in the accomplishments and progress of the regional community, and in doing so become a faithful, like-minded friend. In Thailand, we held a 'Long march across the nation for drug elimination' event in connection with Thai government’s drug elimination program in 2002. In 2004, we provided free surgical operations to 208 blind people, restoring their vision through donation to underprivileged patient support association in Vietnam. In addition, we sponsored Bridge of Hope, a TV program involving making phone calls of goodwill in Malaysia.

Also, we lends materials, as well as a spiritual helping hand, to citizens experiencing difficulties, thus earning the trust and confidence of the local people. In 2001, we provided assistance in India’s earthquake restoration work. In 2004, we launched various aid campaigns to alleviate the difficulties of tsunami-afflicted Southeast Asian areas including Korea, India, Thailand, and other Asian nations.

Since 1999, we have been sponsoring the LG Champion Quiz TV program, which began in Thailand, and is now also held in Vietnam, Indonesia, and Singapore.
the Philippines, Indonesia, Kazakhstan, as well as other nations. The LG Champion Quiz program, aired in a prime time slot over the weekend, achieves high ratings, attracts enthusiastic responses from these nations, and is acclaimed as a leading program for the public’s benefit. As such, we run Scholarship Quiz programs in Asian nations, where there exists a strong passion for education and learning and a genuine interest to invest in human resources, in order to foster skilled, talented individuals. This campaign also positions LG Electronics as a people-oriented corporation that contributes to the development of local communities.

Africa: New Life and New Hope

Through specific corporate social activities in the Middle East and Africa, LG Electronics endeavors to be readily accessible to the people of these countries. Since 2000, we have provided free surgical operations to patients born with a cleft lip in undeveloped areas in the Middle East, and throughout Africa. In 2002 we provided this free operation in Pakistan and Egypt, in Morocco in 2003, in Kenya in 2004, and in Kenya and Morocco in 2005, giving new hope and a renewed joy to the children undergoing the surgery. We remain committed to continuing this free service to those in need.

In U.A.E (Dubai) and Saudi Arabia, we operate the Dubai Women’s Club, a health program for women. We also recently launched a campaign to donate used PCs to orphanages in Egypt. In these ways, we participate in diverse corporate social activities to position LG Electronics as a more readily accessible corporation.

Russia / CIS: A Friendly Corporation in Eurasia

LG Electronics acts as a friend to the people in Russia and CIS, conducts corporate social activities such as cultural programs, and encourages the development of talented individuals, in its bid to be readily accessible to the community.

The LG Festival, held annually since 1999, is a cultural event that tours the major cities of Russia and invites local participation. The LG Festival incorporates the Children’s LG Picture-Drawing Contest, the Miss LG Pageant, the LG Karaoke Contest, as well as other events, thus creating an essential festival in which locals can participate.

The LG Festival tours small and medium-size Russian cities with less experience of culture than their larger counterparts. Events such as folk performances, singing championships, celebrations, donations of social and welfare funds, and other regional culturally friendly events, turn the small and medium-sized cities of Russia into exciting festival playgrounds every weekend. The LG Festival was established to give something back to rural communities in areas isolated from the cultural benefits of their big-city neighbors. The festival has now spread to over 150 cities across Russia, making it the greatest regional festival in the nation and boosting the LG brand.

We also work to develop the talents of individuals throughout Russia and the Ukraine through the Scholarship Quiz program. We facilitate computer classes for children in Kazakhstan and other nations, and donated funds toward the establishment of the Child Cancer Center in Russia. Through activities such as these, LG Electronics conducts a diverse range of corporate social activities.

Europe: Uniting the Hearts of Europe

LG Electronics conducts a diverse range of cultural events to foster European culture. We contribute to regional social development and cultural sponsorships. In organizing these events, we win over the affections of the people of Europe.

For three years in a row from 2003, LG Electronics threw the LG Charity Concert in Prague, Czech Republic, which aimed to support youth scholarships. In Spain, we sponsored the Millennium Concert, building a reputation of faithfully fulfilling social responsibilities. In France, we sponsored the Tale of Chunhyang Opera Performance in Paris, and the Koreans Living in France Festival. In the United Kingdom, we held the LG London Korean Festival, thus promoting Korean culture.
Meanwhile, in France, LG Electronics officially sponsors the annual anti-cancer campaign, which in 2005 was jointly organized by the French government and France’s Cancer Association, to combat cancer and raise public awareness of cancer. To this end, we held a Picture-Drawing Contest and a Video Contest on the theme of combating cancer, targeting children from some 100 primary schools nationwide. In these ways, we work toward regional social development.

North America: Culture-loving Corporation
In the United States, LG Electronics donates money to underprivileged members of the community, and conducts various corporate social activities for the benefit of the community, involving the stations, libraries and other institutions.

In particular, we sponsor LA Wiltern Theatre, a performance hall designated as a U.S. national cultural legacy. Established in 1931, Wiltern Theatre attracts over 300,000 people annually, and is a hub of U.S. popular culture. With LG’s sponsorship, it is now named Wiltern LG, and is widely acclaimed for its renowned performances. We also sponsor a world-famed New York’s Fashion Week, as well as the Nanta Performance, which promoted Korean culture, and attracted the attention of local opinion leaders. These events have helped us further boost our corporate image of developing and sponsoring culture.

Central and South America: Spreading Influence
In Central and South America, ranging from Mexico to Brazil, LG Electronics conducts community-oriented corporate social activities in sectors such as society, culture, sports, and education. In doing so, it further boosts its boxed image. Since 2000, we sponsored La Villa de las Niñas (House of Girls) in Mexico. Through this occasion, students from the House of Boys of Korea had opportunities to visit Mexico’s presidential palace and perform symphonies in 2003 and 2004. Also, in 2005, we sponsored the student image from the House of Boys of Mexico to have them perform in Korea, a move that considerably helped promote friendly ties between Korea and Mexico.

In addition, we support the Small Jesus Society in Brazil, providing free meals to poverty-stricken people in Sao Paulo. The Peru subsidiary officially sponsored the Official National Festival of the Peruvian Horse of Step, a traditional cultural festival, and youth- oriented Latin Cup 2004. LG Electronics’ Scholarship Quiz program for high school students is also held in Panama, Venezuela, and Guatemala, and helps raise popular interest in education.

People • Social contribution

LG Electronics held an event to declare the slogan for its Charter of Corporate Social Responsibility at Yeouido’s Twin Tower on April 10, 2005. In attendance were Vice President Young-Kee Kim, head of Human Resources and some 100 LG Electronics volunteers. The declaration affirmed the company’s commitment to include social contribution as an integral part of its management activities and to obligate it as a responsible corporate citizen. The Charter of Corporate Social Responsibility establishes the foundation that guides LG Electronics’ efforts to make a positive impact on local communities. The company chose “Sharing love, fulfilling dreams” as its slogan after reviewing some 500 works submitted to its social contribution slogan competition.

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Global Sponsorship

We sponsor sports activities that people all over the world love and enjoy, thereby encouraging them to share their passions and tapping into LG Electronics’ sponsors sports events around the world, which energizes people’s life, and instills passion and the sense of reconciliation in their hearts.

Football

- Tournament Sponsorship

The LG Cup is an international match accredited by FIFA, and is now the region’s top soccer championship open to females in 1997. The Middle East and Africa are suffering deep rooted religious and social conflicts. To the people in this region, football is passion itself, and a festival to ease discrimination and conflict. The LG Cup inspires them to love of great things.

LG is the official sponsor of the 2006 Egypt Africa Cup of Nations, held in the 2006 Egypt Africa Cup of Nations. The Africa Cup of Nations, organized by the Confederation of African Football (CAF), has been held every two years since 1957, and is the continent’s greatest championships game participated by different nations. This championship has prompted Africa to emerge as a new football power, making the two soccer powerhouses, Europe and South America, LG also became the Fair Play Player Award together with CAF to further enhance the spirit of sports. Besides, we are the official sponsor of the LG Champions Tournament, in competition among Europe’s premier football clubs, and a famous pre-season tournament in Europe.

- Team Sponsorship

We are the official sponsor of the Sao Paulo Football Club, one of Brazil’s most popular football teams. Sao Paulo is the soccer teams having the LG Cup in various championships. This naturally elevates the LG brand recognition and Korea’s national image. Also, we are the official sponsor of the Olympic Sprint Football Club. France’s famous football team, with the sponsorship LG has positioned as a reliable and esteemed brand in France. In addition, we officially sponsor France’s professional league (Ligue 1) clubs, FC Lens, Saint-Etienne, and Montpellier. France’s national football team (Germany, Hungary, Greece, Russia and Iraq).

Golf

Women’s Open is the most prestigious women’s golf tournament, attracting the world’s best women golfers. LG Electronics’ sponsors the US Women’s Open to inject excitement and vitality into women’s golf. Artistic tournaments have been held until 2006, but it has already become Korea’s premier major tournament and LPGA’s national title game. With world’s top women players participating in the tournament, it has earned the reputation as the future version of the US Women’s Open. Its popularity is demonstrated by the fact that the event draws the most number of TV viewers and spectators in the gallery among domestic women’s golf tournaments.

Action Sports

We sponsor the Action Sports Championship, which is a favorite sport among young people around the world. Action Sports, also called Extreme Sports, are risky, adventurous leisure sports. Standard events are Aggressive Inline, Skateboard, Bicycle Motocross (BMX), and Freestyle Motocross (FMX). The year 2005 also saw the opening of the world’s largest LG Action Sports Championship in Manchester, UK, and LG Action Sports Championship USA in Los Angeles, USA. In particular, 2018 champions from 30 countries around the world who had won in the regional qualifications competed for the world championship. Moreover, we fully sponsor the LG Pro Tour Game featuring famous international pro champions, helping them further enhance their talents to the full and contributing to the development of Action Sports.

Cricket

Cricket is the most loved sport in the UK, Australia, India, South Africa, and other British Commonwealth countries. LG Electronics’ drains joy with their. The Cricket World Cup is the most authoritative cricket championship in the world, and it is held every four years. We sponsored the 2003 South Africa Cricket World Cup, thereby setting the trend for the host nation and other participating countries. Our activities have become an effective way to deeply endear the company to these local communities. Moreover, we sponsor various championships organized by the International Cricket Council. Especially, since 2005, we have been exclusively sponsoring the ICC Ranking System, thereby making a great contribution to the further development of Cricket.

Ice Hockey

Ice hockey is the national sport for Northern European nations, where it is more popular than football, allowing players to release their youthful energy and passion on the ice rink. Through an agreement with the National Ice Hockey Association, we are sponsoring the Ice Hockey Game starting in 2006. LG Electronics provides plasma TVs and mobile phone experiential space in the stadium, and holds various events to further delight for hockey fans, thus enhancing our status as well as contributing to local communities in the region.
LG Electronics was the first in Korea to introduce a voluntary compliance program to promote fair trade. Recently, each of the divisions has been strengthening support for business partners in this area.

FAIR TRADE

LG Electronics has been at the forefront of introducing the Fair Trade Commission-proposed Compliance Program. We are very much committed to performing with integrity for fair competition and transparent transactions with rival companies, partner firms and consumers. The Compliance Program outlines our conduct aimed at prevention and early detection of any action in violation of the Fair Trade Act. Here at LG Electronics, we have in place one of the best compliance systems that encompass training, analysis and consulting.

Our Compliance Program lays down specific principles that guide us in our day-to-day activities. For our initiative in practicing fair and transparent management, we were awarded the Presidential Prize in 1996. In 2001, we overhauled our entire corporate ethics program to meet the standards set forth in the Compliance Program. The Fair Trade Commission’s Compliance Committee comprised of representatives from the private sector formulated seven essential requisites enabling companies to voluntarily comply with the Fair Trade Act. The core requisites in LG Electronics’ Compliance Program are explained below.

Operation of compliance teams & appointment of compliance manager

In May 1995, the company set up the ‘LG Electronics transparent culture promotion committee,’ the policy-making body responsible for fair trade issues. The ‘working group for transparent culture’ comprised of senior officials and the ‘transparent culture promotion bureau’ (currently the transparent culture group), were also established as permanent bodies. They were instrumental in outfitting the company with a compliance system and carried out various corporate activities to reinforce transparency and fair business practices.

In February 2002, we reorganized the compliance bureau into three sub-committees of finance, marketing and purchasing to enhance efficiency. The company also appointed the head of the international cooperation team (currently Executive Vice President Sang-Geun Nam) as the compliance manager during the first regular board meeting in 2002.

In early 2006, the consumer sub-committee was added to the three existing sub-committees and started activities as a trial business participant for the Consumer Complaints Management System under preparation by the Fair Trade Commission.

Distribution of compliance manual

LG Electronics was the first domestic company to draw up and distribute compliance guidelines in 1995. Since then, six different types of guidelines have been issued. Currently, we are preparing revised job manuals based on the Fair Trade Commission’s key precedents.

- Job manual for compliance (comprehensive)
- Job manual for compliance (marketing)
- Job manual for compliance (contract)
- Cases of unfair transaction
- Job manual to prevent unfair collective action
- Job manual to prevent insider trading

Fair trade training

We provide comprehensive training to all our employees to foster awareness of compliance and reinforce their commitment to abide by compliance policies. In particular, we are focusing on e-learning via the company intranet to allow more employees to take part in the training. The training is a prerequisite for employees in related areas to equip them with full understanding of the Fair Trade Act.

CEO’s declaration of commitment to compliance

In February 1994, LG Electronics implemented its code of ethics based on its commitment to Management by Principle. The company became the first in Korea to adopt the Compliance Program, with the CEO pledging to voluntarily comply with the Fair Trade Act. The entire workforce also vowed to observe the Compliance Program. In February 2002, the company revised its compliance policies in line with the prerequisites set forth by the Fair Trade Commission. We made a disclosure to the Korea Stock Exchange of the fact and the CEO reiterated his commitment for voluntary compliance through e-mails and electronic bulletin to employees.
In order to prevent unfair transactions by raising employee awareness and rectifying problems, we conduct regular analysis by business function more than once a year. Moreover, we provide consultancy on various questions put forth by related departments to facilitate implementation of a voluntary and proactive fair trade culture.

**Regular analysis conducted by business area**
- Analysis and evaluation of contractors (for purchase departments of business units)
- Analysis and evaluation related to marketing (for departments of Korea Marketing division)
- Analysis and evaluation on insider trading (for finance department)

**Programs**

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**Consulting**

- When implementing policies related to financial marketing/purchase
- When drawing up various contracts (provisions), regulations and guidelines
- When carrying out corporate marriages such as business transfer and stock acquisition
- When executing corporate marriages and other advertisements
- When signing contracts

**Regulation on disciplinary action against employees violating Fair Trade Act**

In January 2002, we established disciplinary regulations for employees who violate the Fair Trade Act or are involved in actions in which the Fair Trade Commission has identified as being in violation of the Act. Wrongdoers are subject to penalties as decided by the Personnel Disciplinary Committee.

**Establish document management system**

All materials and documents generated while running the Compliance Program such as the CEO’s declaration, compliance manual and other training, analysis and consulting materials fall under the responsibility of the compliance manager. They are stored and managed by the transparent culture group which serves as the bureau of compliance committee.

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SUPPORTING OUR BUSINESS PARTNERS

LG Electronics has in place a support group for its business partners in each of the company’s business areas. Considering the nature of the electronics business, assistance is provided in areas such as environmental regulations. We also help our partner firms raise their awareness of ESH (environment, safety and health) and fire safety. Based on company-wide guidelines, each department of the four divisions offers insight in the pertinent areas directly to partner firms.

Environment, Safety and Health (ESH) support

The DA division classifies the level of partner firms’ ESH performance into four grades from A to D. Based on this classification, the division selects four groups according to their business. The four groups are electronics, environment, safety and health. LG Electronics maps out a support plan according to the partner firm's management level in each of these areas.

Management & evaluation

When starting new business transactions with potential partner firms (e.g., in-house service providers, subcontractors, purchase/material firms), we first analyze the given information on these companies and evaluate their level of performance in areas including operations, quality management, cost management, delivery date management, financial structure, environment and safety. The assessment results are used as the basis for determining whether to start business with these companies following review by the Fostering Committee.

SUPPLEMENTARY SERVICES

To support partner firms, we offer a variety of services such as systematic management, training, technology transfer, and information sharing.

The following diagram illustrates the general work process related to the selection of partner firms, subsequent registration of business transactions, training, evaluation, decisions to continue business and follow-up.
ESH activities

The DA division organized an ESH team under the Purchase Strategy department in 2004 and has been conducting a comprehensive training program for major partner firms (112 EMS and partner firms, key overseas partner firms). These regular training sessions are geared towards improving our partner firms’ ESH performance level. The ESH team visits the partner firms for site training. The frequency of visits is between once a quarter and once every half a year depending on the assessment of the partner firm’s ESH level. We seek solutions to identified problems during meetings with a company head when providing on-site assistance.

LG Electronics is also encouraging each partner firm to appoint an ESH core-person to carry out related tasks. The core-person plays a pivotal role as a communication channel between LG Electronics and the partner firm in resolving environmental and safety issues. In order to improve environmental and safety management capabilities, we conduct regular evaluations and provide ESH-related consulting. The evaluation outcome is used as a part of our purchase assessment data (EM assessment & ESS assessment) on partner firms. This means that LG Electronics’ assessment is a systematic process that not only assesses a partner firm’s quality, productivity and price but also its ESH practices.

We also foster abilities of ESH core-persons through regular ESH training opportunities and by allowing access to LG Electronics’ weekly ESH training materials. In accordance to our annual plan regarding seasonal issues and problems, ESH core-persons receive relevant information and support from LG Electronics that enable them to come up with appropriate solutions. In particular, we employ the ESH core-person communication channel to facilitate quick response in times of natural disasters (typhoon or heavy snow).

Meanwhile, we are working with the overseas partner firm support department to provide regular support in improving our international suppliers’ ESH practices. Our primary focus is on helping China after which we plan to expand assistance to all other global locations.

Supporting partner firms’ ESH activities

- Frequency of Training
  - EMS (44 companies)
  - Training by rating
  - On-site training once every 6 months
  - Current: Once every 2 months (concentrated training by area)

- Recipient company’s CEO and ESH leaders attend meetings before and after training, similar to consulting service
- Training provided jointly with management consultant for partner firms receiving consulting service

- Training method
  - Announce improvements from previous training (independently by partner firm)
  - Share training direction
  - Requests from the partner firm
  - On-site inspection (includes department head)
  - Focused inspection by theme
  - Detailed explanation on problems
  - Propose improvements
  - Other items to be shared

- Training findings on-site training prior meeting

- Support double safety features on machinery, equipment, etc.
  - Provide safety features for injection molding machine
  - Provide maintenance of fire detector and components

- Machine
  - Upgrade skills on ESH management measures
  - Environmental-related laws & checklists
  - Concept of fire hazards and managing fire risk locations
  - Training for information delivery system
  - How to respond when an accident occurs
  - Overhaul contact system & draw up measures for mutual cooperation

- Partner firm employees
  - Forecast risks (identify problems) & safety inspection before starting work

- Partner firms
  - Over 400 employees
  - Forecast risks (identify problems)

- Under 400 employees

- Training for partner firm ESH core-person on preventing accidents
  - Stretching exercise at a partner firm to prevent muscle and joint injuries
Supporting implementation of EMS (ISO 14001)

Since 2004, the DA division has been mobilizing a team within the Purchase Strategy department to support partner firms’ implementation of environmental management system. The unit assisted 12 firms in 2004 and 18 in 2005 in their efforts to set up a framework to respond to RoHS (Restriction of Hazardous Substances), which regulates the use of certain hazardous substances in electrical and electronic equipment. The DM and MC divisions also recognized the importance of improving partner firms’ level of environmental practices from the standpoint of source control. From July to October 2005, the two divisions established a schedule to pursue related tasks by phases and provide systematic assistance to partner firms so they can obtain environmental management certification.

| 1st phase: Definition | In this phase, we decided on specific goals to pursue and the operation period by assessing the conditions of partner firms.

- **Definition**
  - Partner firm ISO 14001 certification

- **Qualitative**
  - Partner firms implement ISO 14001 system (voluntary certified processes for voluntary/continued operations)
  - Companies that received certification support pass LG Green Program to ensure quality & safety
  - TDR team members improve their consulting skills

- **Assessment Grade**
  - 50.1 points
  - 88.7 points

- **Results of first LG Green Program review by Quality Planning Group**

| 2nd phase: Measurement/Analysis | We identified what is needed to implement the environmental management system at our partner firms via benchmarking. Based on these findings, we selected detailed tasks. In order to provide a model that is most appropriate to each partner firm in responding to RoHS directives, we compared key requirements and the model structure of the existing ISO 14001 standards and LG Green Program, LG Electronics’ in-house compliance guidelines. The comparison was aimed at confirming appropriateness of the set goals and enabling continued improvements.

- **ISO 14001 model**
  - Environmental Policy
  - Management Review
  - Environmental Management
  - Plan for Improvement
  - Plan for Improvement
  - Checking and corrective

- **Period:** July 11 ~ Oct. 11 2005
- **Schedule per phase**
  - Definition: 7/26 ~ 7/11 2005
  - Measurement: 7/12 ~ 8/12 2005
  - Analysis: 8/13 ~ 9/16 2005
  - Improvement: 9/17 ~ 10/11 2005

- **Management**
  - Environmental Management
  - Plan for Improvement
  - Checking and corrective

- **Implementation and operation**
  - Managing the points of change
  - Managing outside contractors
  - Managing inadequate goods
  - Managing material
  - Parts confirmation 
  - Inspection upon entry

- **Management of hazardous substances**
  - Plans for improvement
  - Managing inadequate goods
  - Managing the points of change
  - Managing outside contractors
  - Managing outside contractors

- **Environmental management**
  - Policy & strategy
  - Internal inspection
  - Training
  - Communication
  - Planning
## 3rd Phase Imporvements

The following table depicts progress in major activities per action item.

### Major activities

<table>
<thead>
<tr>
<th>Action Item</th>
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<tr>
<td>Upgrade skill for persons in charge</td>
<td>Environmental trend/requirements explanation, Environmental impact evaluation method, Eco-friendly certification system explanation, action items by Co.</td>
<td>* Complete training (3 courses)</td>
</tr>
<tr>
<td>Conduct environmental management evaluation and implementation process</td>
<td>Analyze and improve environmental friendliness of products, Establish/Implement gaps through evaluation findings, <em>audit</em> Evaluate environmental impact setup standards</td>
<td>* Conduct environmental impact evaluation method process * Complete process (3 teams)</td>
</tr>
<tr>
<td>Establish items per company</td>
<td>Establish and carry out action items in 1st visit: Evaluate environmental impact/ Set up standards</td>
<td>* Complete standard establishment (3 teams)</td>
</tr>
<tr>
<td>Internal Inspection</td>
<td>Implement internal inspection processes, Conduct environmental impact evaluation (12 firms)</td>
<td>* Conduct internal inspection (12 teams)</td>
</tr>
<tr>
<td>Environmental substance oversight process</td>
<td>Identify oversight status/analyze check list, Establish and execute processes</td>
<td>Establish process for substance oversight</td>
</tr>
<tr>
<td>LG Certification review</td>
<td>Additional individual instruction for weak companies</td>
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### Key improvement activities

#### [ 3rd Phase: Improvements ]

The following table depicts progress in major activities per action item.

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### 4th phase: Management & future plan

We plan to carry out such tasks as follow-ups, quarterly training and provision of environmental information after upgrading the environmental management system of our partner firms for continued improvements. Also, LG Electronics plans to provide its expertise in operational management after reviewing the instruction details for partner firm inspection and inappropriate action items to be employed on the field. The following table illustrates the key contents.

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<td>Conduct operation of EMS, Conduct internal audit, Support preliminary inspections and review findings, Rationalize application of management standards (hazardous substance management, etc.)</td>
<td>Audit schedule for follow-up</td>
<td>Certification agency’s follow-up audit, audit corporation, Support partners’ follow-up inspections</td>
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<td>Conduct environmental training</td>
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<td>Overquarter</td>
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<td>Provide information regarding environmental, safety, and related laws/regulations</td>
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A beautiful future for generations to come...

Caring for the planet is an inherent corporate responsibility. As a global environmental leader, LG Electronics faithfully carries out its duties to preserve our precious planet. Our environmental awareness is evident in all of our products and processes. We are committed to doing all we can to pass on a safe and pleasant world to future generations.
ENVIRONMENTAL MANAGEMENT SYSTEM

Since proclaiming the "LG Declaration for a Cleaner Environment" in 1994, LG Electronics has been carrying out various activities under its long-term strategy for environmental management and creation of eco-friendly products.

ENVIRONMENT AND SAFETY VISION

■ Environment and Safety Vision
LG Electronics strives to continuously improve technologies and conduct R&D to ensure sustainable development and improve quality of life. These continuous efforts are aimed at providing the best service to customers and handing over a safe and pleasant environment to generations to come.

■ Environment and Safety Declaration

LG Electronics, embracing Management by Principle, has been endeavoring to minimize environmental pollutants and safety-related accidents in the workplace related to the process of creating and business activities, and furthermore to keep the natural environment clean and protect people’s health. However, the non-existence issue related to the environment, safety and health requires corporations to act out their social roles positively and proactively, and provide an opportunity to create new product value.

Thus, LG Electronics seeks to improve the environment, safety and health through its accumulated experience and innovative technological development, cooperate closely with communities, and ensure wholesome and sustainable development for the whole world.

All of the executives and employees are aware that these efforts are the foundation to realizing a superior LG, and vow to fulfill their respective responsibilities with full dedication and integrity.

Ⅰ. LG thinks first of the environment, safety and health in all stages of its management activities, and takes such occasions as opportunities to create customer value.

Ⅱ. LG establishes and thoroughly observes strict criteria based on environment, safety and health-related laws and regulations of regions and nations.

Ⅲ. LG regularly assesses the results of its activities relating to environmental, safety and health issues, and subsequently publicizes the results.

Ⅳ. All executives and employees at LG are deeply aware of their social responsibilities for conserving the environment, and positively participate in communities’ environment conservation efforts.

Ⅴ. LG evaluates in all stages ranging from planning to disposal, to proactively develop environment-friendly products.

Ⅵ. LG continuously develop technologies and techniques relating to environment, safety and health, to keep all work processes and equipment environment-friendly and safe.

Ⅶ. We step up mutual understanding and cooperation with the communities, regarding environment, safety and health, and expand international cooperation and exchanges.
LG Electronics has defined its medium- and long-term strategy to pursue environmental management and environment-friendly product-related activities more systematically. This strategy eventually aims at the completion of CSM and has been executed as environment-related activities among all our business activities. Through three strategic structures beginning from 2001, LG Electronics has extended its environmental management to CSM level.

Environmental management beginning from 2001 extended its category to EESH (Energy, Environment, Safety and Health) management, after reflecting the new business atmosphere in 2004. Furthermore, it was integrated into the CSM category in 2005.

### EESH Direction

**Category 1**
- Enhancing corporate value through preparatory measures on regulations
  - Taking preparatory measures on tightening domestic and overseas regulations based on our capability relating to the work environment, safety and health. Creating a dominant position in the industry and enhancing corporate value through the implementation of the measures.

**Category 2**
- Maximizing organizational capability
  - Improving performance indicators
  - Positioning as a leading global company
  - Strengthening organizational capability, system, and the company's position into the global top-3.

**Category 3**
- Expanding our internal management system
  - Expanding our internal management system to our overseas workplaces and business partners based on our managerial strength. Enhancing corporate value through management of non-financial dimensions.

### ENVIRONMENT AND SAFETY STRATEGY

LG Electronics has defined its medium- and long-term EESH strategy as follows:

#### 2001 - 2003
Separate management of environment, safety and health activities

#### 2003 - 2005
Combining EESH (Energy, Environment, Safety and Health) activities into an EESH system and introducing a sustainable development concept as a key management strategy

- Infrastructure is set up; organization is reshuffled; environmental activities are combined with social responsibility activities

#### 2005 - CSM
Stabilize CSM to be a global leader in social responsibility and environmental activities

- Global leadership is secured through CSM

### Three phases for environmental management

1. **2001 - 2003**
   - Separate management of environment, safety and health activities

2. **2003 - 2005**
   - Combining individual activities into an EESH system and introducing a sustainable development concept as a key management strategy

3. **2005 - CSM**
   - Stabilize CSM to be a global leader in social responsibility and environmental activities

Mid- to long-term action plans for the environmental management strategy and environment-friendly products strategy currently carried out at LG Electronics include integrated EESH activities and CSM activities.
To address heightened control on the total amount of pollutants released in air and water, LG Electronics has been strengthening various measures to respond to new regulations since 2004. This proactive stance to head off potential problems that may arise from new regulations has always been one of LG Electronics’ basic management principles. We are placing an added emphasis on proactive action in the wake of recent moves toward toughening environmental regulations both at home and abroad. In the same light, we are pursuing an electronic waste recovery and recycling program to respond to extended producer responsibility (EPR).

We also plan to take step-by-step actions beginning with building our Greenhouse Gas Emission Inventory after the year 2006 to meet the challenges of climate change agreement (Kyoto Protocol) which recently went into effect. On top of our existing activities, our focus will be on increasing clean production through development of eco-friendly products, introducing environmental accounting for effective environmental management, and carrying out green marketing to improve corporate value.

**Environment and energy**

- To address heightened control on the total amount of pollutants released in air and water, LG Electronics has been strengthening various measures to respond to new regulations since 2004.
- This proactive stance to head off potential problems that may arise from new regulations has always been one of LG Electronics’ basic management principles.
- We are placing an added emphasis on proactive action in the wake of recent moves toward toughening environmental regulations both at home and abroad.
- In the same light, we are pursuing an electronic waste recovery and recycling program to respond to extended producer responsibility (EPR).
- We also plan to take step-by-step actions beginning with building our Greenhouse Gas Emission Inventory after the year 2006 to meet the challenges of climate change agreement (Kyoto Protocol) which recently went into effect.
- On top of our existing activities, our focus will be on increasing clean production through development of eco-friendly products, introducing environmental accounting for effective environmental management, and carrying out green marketing to improve corporate value.

**Safety and health**

- LG Electronics organized a task force to build a disaster prevention system. Specific actions including a musculoskeletal disease prevention program have been taken by the task force from early 2005.

- In addition, measures to restrict the use of hazardous substances have been carried out from late 2005 as part of our eco-products strategy in the wake of strengthening global regulations on hazardous substances. Each production site manages hazardous substances to prevent accidents.

**Integration**

- Since 2000, we have been committed to securing experts in environmental and safety areas and improving their capabilities. Moreover, the leadership made the decision to foster a committee whose main activity is to pursue company-wide sustainable growth.

- Our other initiatives include implementing an environmental performance evaluation system, promoting the use of an information system and managing an eco-friendly/society-friendly supply chain.

- This sustainability report has been compiled upon our achievements in these areas. In 2006, we have been placing greater emphasis on sustainability by taking actions aimed at making a positive difference.

- It is also our aim to improve the ESH performance level at all our local and global business sites.
EESH SYSTEM

Organization for environmental management

- Environmental Management Committee/Eco-Design Committee
  - Founded in 1992 and composed of top management members, the Environmental Management Committee (currently Environmental Management Committee) of LG Electronics discusses and determines environmental targets and policies in consideration of the whole life cycle of products, from design to management, distribution, and disposal. With the increasing demand for environmentally-friendly products, the Environmental Technology Committee composed of top research and development people, was separately organized. In January 2006, LG Electronics once again expanded and reshuffled the Environmental Technology Committee and newly founded the Eco-Design Committee. The Committee specializes in the design of eco-products and development of production technologies and their application.

- Environmental Management Committee
  - Determines company’s environmental management policy, strategy and targets
  - Administrates periodic monitoring for planning and implementation of core projects
  - Performs regular audits for environmental management regulation compliance

- Eco-Design Committee
  - Judges and executes the company-wide eco-design strategy
  - Promotes eco-design activities in product development procedures
  - Supports the development of new environmental technology and propagates it

Internal auditing system

- To achieve sustainable improvement in environment, safety and health performances and reduce the EESH-related risks, LG Electronics has developed and implemented the EESH management system based on the ISO 14001 standard since 1995, and utilized OHSAS 18001 since 1999. According to the procedures required by these standards, each division (MC, DA, DD, and DM) implements an internal audit once a year. In addition, the company identifies any potential risk to be corrected through cross checks if necessary.

- Moreover, company-wide assessment of EESH of workplaces both in Korea and overseas is conducted based on performance indicators. The results are reflected in the record of auditees to make further improvements.

<table>
<thead>
<tr>
<th>Type</th>
<th>Details</th>
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</thead>
<tbody>
<tr>
<td>Follow-up audit</td>
<td>Certification maintenance audit by ISO 14001/18001 certificate bodies</td>
</tr>
<tr>
<td>Division audit</td>
<td>Internal audit of each division by management</td>
</tr>
<tr>
<td>Cross Check</td>
<td>As needed</td>
</tr>
<tr>
<td>SME assessment</td>
<td>EESH performance assessment and rewards</td>
</tr>
</tbody>
</table>

EESH auditing and assessment

- Certification maintenance audits by ISO 14001/OHSAS 18001 certification bodies
- Internal audit of each division by management
- Internal audit of each plant by division
- Cross checks at needed
- EESH performance assessment and rewards
EEESH IT System
LG Electronics’ implementation of the EESH IT System is aimed at improving cost efficiency by eliminating the source of waste that arises from off-line work and supporting business activities through index management. The system is comprised of six modules (energy, environment, construction, safety, EESH management, overseas support). Each module compiles EESH performance data which is used as a valuable resource in company operations.

Environmental performance evaluation
In 2005, LG Electronics launched the Environmental Performance Evaluation System to ensure systematic management of environmental activities and to raise overall performance levels. The system is designed to cover not only the environmental aspect but safety and health related activities as well.

As illustrated in the above diagram, such means as benchmarking and analysis of current status were employed to develop an index system and set up individual indices that best manage the company’s ESH activities. Subsequently, the index model and index numbers, which are methods for describing the compiled index, were determined. The process underwent several revisions at the workshops for the company’s environment and safety group as well as those responsible for ESH at each division and business unit level. Their opinions and business conditions were taken into account in drawing up the final environmental performance evaluation system.
The basic framework of our performance evaluation system has a direct connection to our environmental management strategy. As depicted in the below diagram, our strategy direction and the structure of performance evaluation system are organically interrelated. They facilitate the management of each index while at the same time help attain strategic goals. The structure is designed not only to improve ESH performance but to ultimately contribute to the company’s sustainable development. The system’s five elements were built upon the BSC (Balanced Scorecard) concept which enables a company to clarify its vision and strategy and translate them into action. The system entails an interconnected, step-by-step process that enhances products’ environmental soundness and management activities through employee training. It also improves the internal work process and actively communicates results to the stakeholders. Although we have yet to devise the index system that includes the financial aspect, we plan to complement the system so that it encompasses such factors as stakeholder collaboration and financial results. The entire index is comprised of 18 items that act as the basis for measuring the level of environmental performance at the company level. This is used as the criteria to measure the level of ESH management activities at the division, business unit and workplace level. Using a baseline of 100 for the year 2005, the system will calculate results starting in 2006.
### EESH risk management

In order to remove risks and uncertainties from business activities, effectively recover from any emergency, and to minimize loss, [LG Electronics](www.lge.com) has defined a multi-step action plan and has conducted response drills for possible emergency situations.

Quick communication of an emergency or accident should be ensured to protect employees’ safety and health. For fire accidents, training and drills are repeatedly carried out to make sure the initial response is taken within two minutes.

Storm and flood damages are likely to occur in summer. The impact of a natural disaster depends on how well we are prepared for it. LG Electronics proactively checks facilities for any risk and hazard to prepare for storms and flood. We also have strengthened the risk management system by developing and using emergency response scenarios.

In order to minimize the influence of an emergency or accident in our workplaces on the communities, LG Electronics works together with external organizations through close communication on the situation. We prevent the spread of an incident’s impacts and control the access of local residents.

When an emergency strikes in the community and help is called for, fire trucks and in-house fire brigades are immediately dispatched to control the emergency in its early stages and to help rescue and recovery.

[Advanced Disaster Prevention System] Each workplace at LG Electronics operates a disaster prevention center, which suppresses fire at its early stage, monitors and removes fire hazards, and inspects fire fighting equipment.

The centers have fire trucks and well-trained professional staffs. Training and drills are regularly held to minimize the issues from fires as well as natural disasters such as typhoon and floods.

LG Electronics has not only complied with local fire laws but also applied LG Electronics Fire Codes (LFC), which was developed by adapting international fire standards such as National Fire Codes and Factory Mutual for LG Electronics’ sites.

LFC stipulates the installation of fire safety equipment including sprinklers at the level of advanced countries so that fire prevention and control can be achieved more consistently and systematically. We applied the codes to every workplace in Korea and those overseas. English version and Chinese version have been distributed to this end.
LFC mandates the installation and maintenance of fire safety equipment such as sprinklers to satisfy international fire standards. The regulation is aimed at reducing fire risks and carrying out fire prevention and control in a more systematic and effective manner.

The LFC is translated into English and Chinese and are applied at all LG Electronics sites worldwide.

Under the LFC, new and renovated LG sites are required to be equipped with the automatic fire sprinkler system. The existing buildings are also installing firefighting equipment, going beyond the requirement stipulated in the domestic law. We have invested more than KRW10 billion in sprinkler system installation in our major buildings since 2003.

\[\text{Assessment of risk management at workplaces} \]

All workplaces of LG Electronics are regularly assessed for their performance of EESH as well as disaster prevention. For this, self-assessment is carried out and close assessments are made by internal and/or external experts. The results of the assessments are used as basic data for various activities to enhance the safety level in workplaces.

In particular, they are used to determine the fire insurance premium, thus linking the EESH management with economic effects. Sites having good EESH performance spend less in terms of insurance premium, and the savings is reinvested in EESH activities.

\[\text{Introduction of advanced fire control technologies} \]
The equipment in new or expanded buildings or structures is installed in accordance with LFC and international standards. In addition, aggressive investment has been made in advanced technologies for safety management. These technologies are not just introduced as they are, but properly modified for our workplaces to ensure their availability and effectiveness.

Where normal fire control technologies are not effective due to abnormally high fire risk or special processes, Performance Based Design (PBD) is applied to prevent accidents and to minimize the damage even in case of accident. In PBD, fire modeling and escape simulations are made to improve fire equipment and fire control measures.

When designing a sprinkler system, for example, the fire modeling is carried out to determine the distribution of heads and the discharge per head optimizing the sprinkler system installation in our major buildings.

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ENVIRONMENT-FRIENDLY PRODUCTS

LG Electronics is taking steps to reduce the use of hazardous substances, raise energy efficiency, and promote recycling to provide environment-friendly products for our customers.

STRATEGY FOR DEVELOPMENT OF ECO-FRIENDLY PRODUCTS

In line with the global trend to develop eco-friendly products to meet a range of environmental challenges and secure advanced production technology, LG Electronics has finalized the development strategy with the following goals: ban the use of hazardous substances in products, adopt lead-free technology in all products and improve the recycling rate.

HAZARDOUS SUBSTANCES MANAGEMENT

Overview

LG Electronics declared it would eliminate the six hazardous substances specified in the EU’s RoHS Directive from all its products in July 2005. In order to accomplish this objective, LG Electronics established hazardous substance management standards and deployed environmentally friendly production systems. In addition, the company is well aware that joint efforts are essential. Through its Green Program, LG Electronics prohibits the use of hazardous substances in all its products including packaging materials and batteries.

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<tbody>
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<td>PVC, Polychloro-identify</td>
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<tr>
<td></td>
<td>Phthalate</td>
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<td></td>
<td>Mercury and its compounds, excluding alkylic</td>
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<td></td>
<td>Other chlorinated flame retardants</td>
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<td></td>
<td>Other brominated flame retardants (PBB and PBDE excluded) (Ex.: TBBP-A, etc.)</td>
</tr>
</tbody>
</table>

Hazardous substance content verification system
LG Electronics operates a hazardous substance content verification system to check if the parts and materials from outside sources contain hazardous substances. The company has installed XRF (X-ray Fluorescence) equipment in its foreign and domestic workplaces and subsidiaries to check whether or not its products or parts and materials contain hazardous substances. Parts and materials which seem to contain such substances as a result of screening analysis should be analyzed precisely in the hazardous substances analysis lab.

In addition, the company monitors the products and parts that may contain hazardous substances in the mass production process whenever necessary.

Hazardous substances analysis lab
The Quality Management Team, located at LG Electronics’ headquarters, runs a lab fully equipped with precision analysis instruments such as ICP, GC-MS, FT-IR to analyze hazardous substances to accurately measure levels of hazardous substances. The team has developed and standardized methods to analyze and test hazardous substance content in products as a response to environmental regulations. The lab, certified as an official lab by the UL (Underwriters Laboratories) in February 2005 and by TUV Rheinland in May 2006, has gained recognition for its ability to accurately analyze hazardous substances. In addition, the company participates in the assessment done by external organizations like Agency for Technology and Standards to guarantee the quality of in-house tests while it enhances the reliability of internal analyses through regular assessment of skills, education, workshops and six sigma activities.
**ENERGY EFFICIENCY**

It is very important to enhance energy efficiency, as it not only leads to cost reduction but also helps solve environmental problems such as global warming and exhaustion of natural resources. LG Electronics designs electronics products to minimize their power consumption to not only boost energy efficiency, but also to reduce standby power which means the power consumed while an appliance is plugged in but not in use. Our plan to reduce standby power to one watt or lower has been set up since August 2005. We already designed many products which satisfy that standard. Our efforts to raise energy efficiency play an important role in improving the image of our products.

**What is Energy Saving Label?**

It is a voluntary agreement that encourages manufacturers to adopt a standby power saving mode and minimize standby power consumption in their products. The label assures the energy saving function of an appliance and is attached to products that satisfy government standards for high energy efficiency. The product with the label has 30 to 50 percent higher energy efficiency than other products. LG Electronics has been certified with the energy saving label for its major product categories including TVs (217 units), computers and monitors (331 units), microwave ovens (131 units), DVD players and cell phone chargers.

**Road map for standby power 1W program**

- **2005. 08**
  - Notebook PC
- **2006. 01**
  - Washing machine
- **2007. 01**
  - Television, CRT monitor, DVD player, Audio
- **2008. 01**
  - LCD monitor, Desktop PC, Microwave oven, Notebook PC
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IMPROVING PRODUCT RECYCLABILITY

Reusing or recycling waste products is imperative in conserving the earth’s resources and mitigating electronic waste generation. The worldwide demands to reduce environmental impact is growing and to address this pressing issue, LG Electronics is continuing its research into facilitating recycling of its products.

Eco-design that incorporates recyclability

Our approach to environmental stewardship incorporates every stage of the product life cycle, starting from product concept and design. Relying on three major design strategies to make recycling easy and efficient, our product developers use tools such as checklists and improvement guidelines to evaluate products and find ideas to make our products environmentally sound.

Strategies and tools for improving recyclability

<table>
<thead>
<tr>
<th>Design guidelines for accessibility of disassembly tools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Components that need pre-treatment before disassembly must be designed to offer better accessibility.</td>
</tr>
</tbody>
</table>

Cases of improvement in accessibility

- In order to disassemble marked component, accessibility to parts have been improved as shown in the picture on the right.

- Arrows show the locations of fasteners
- Fasteners are not visible
- Difficulty in accurately positioning disassembling tools
- Unable to discern the type of fastener used
- Able to know the type of fastener used (e.g. #8 or Phillips)

Strategies and tools for improving recyclability

- Strategies and tools for improving recyclability
- Fishbone diagram
- Design guidelines for accessibility of disassembly tools
- Eco-friendly design guidelines for improved recyclability
- Case studies for assessment of recyclability
- Checklists for evaluating recyclability
- Evaluation sheet on recycling rate & recovery rate

3 major design strategy for improved product recyclability

- Design that considers easy identification of and accessibility to parts
- Design that considers easy disassembly of parts
- Design that considers reusability of materials

Arrows show the locations of fasteners
Enable positioning of disassembling tools
Planet - Environment-friendly products

ECO-DESIGN

Eco-design is an environmentally-friendly technique to minimize the environmental impacts of products by taking into account not only the cost and quality, but also environmental aspects in all life cycle stages (e.g., material acquisition, manufacturing, transportation, use, and disposal). Since establishing environment-friendly product design guidelines in 2003, LG Electronics has combined the product design process with the new eco-design process which includes a series of activities such as preparing eco-design checklists for designers and establishing eco-design guidelines.

Integration with product development process

LG Electronics’ product development process is unique in that after each phase, experts from related departments conduct inspections to identify problems and make appropriate corrections before moving on to the next phase. We apply the same procedure to improve the environmental quality of our products. To this end, we have created major task checklists to secure environmental soundness of our products in every development phase. Designers check to make sure that the product meets all requirements before handing it over to the next development phase.

Web-based Eco-Design System

LG Electronics has developed and is using a web-based Eco-Design system which enables product developers to execute a series of eco-design processes within the identical systematic framework. By offering quick and easy access to evaluation tools for the entire development process and recycling, this system facilitates analysis of environmental soundness of a product. In addition, developers can get ideas for product improvements by searching for information on environmentally-friendly products or eco-design guidelines in the web-based system. Linked to SIMS (Management system of Partner firm information) and LIMS (computer system for request analysis of hazardous substances), it operates as an efficient environmental portal system for LG Electronics products. 

Life Cycle Assessment

To conduct eco-design, LG Electronics introduced the Life Cycle Assessment (LCA) ten years ago. Through LCA, we evaluate environmental load quantitatively throughout a product’s life from raw material acquisition through production, transportation, use and disposed. By doing so, we also an optimal way to improve products from the environmental aspect with minimum amount of effort.

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ATROiD

In 1996, LG Electronics developed ATROiD, the first Korean eco-design software, in collaboration with Germany’s Technical University Braunschweig. ATROiD was created to reduce the environmental effect of recycling and burying waste products. ATROiD helps designers assess the impact of their proposed design on disassembly and recycling at the earliest design stage, and also gives them improved ideas.

ECO-MARK

LG Electronics Eco-Mark

As part of efforts to promote environment-friendly products, LG Electronics introduced its Environment Self-Declaration. Under the Self-Declaration, the company developed its own eco-mark symbol and established environmental standards which reflected domestic and overseas environmental regulations as well as customers’ needs for eco-friendly products. All products of LG Electronics are assessed according to the Eco-Index, the company’s own environmental standard. Products that satisfy the standard are labeled with the Eco-Mark. The label also provides detailed information about the environmental friendliness of these products.

Environmental Label Certification (Environmental labeling)

The environmental mark and the Environmental Declaration of Products (EDP) address the need for heightened environmental vigilance on products and services. They also serve the purpose of promoting supply and demand of products and services with minimal impact on the environment through accurate and prompt communication of relevant information. LG Electronics is striving to uphold our commitment to effectively deliver eco-friendly products to customers and to meet the highest degree of integrity.

Environmental Labels (Type II)

The Eco-Labeling program operated by Korea Eco-Products Institutes encourages environmentally sound production and consumption by awarding the label to products with reduced environmental impact. It is also an effective way for companies to inform consumers of a product’s environmental soundness.

Under the law to promote procurement of green products, the government and public agencies are obliged to purchase environment-friendly products. LG Electronics has won the Eco-Labeling certification for its air cleaners, power-saving computers and air conditioners. We plan to expand the product pipeline to include TVs and other appliances.
Example of eco-friendly product

LG Electronics has developed and is applying many types of environmentally-friendly components that go into our products. We are also working to enhance product efficiency through eco-design to minimize the impact on our natural surroundings. With these efforts, we not only manufacture products that meet international environmental standards, but also enhance our brand value by setting up technological barriers.

Drum washing machine, TROMM

- Direct drive motor
  - Effect: Greater energy efficiency
  - 16% reduction in electricity usage, 21% increase in washing power

- Steam function
  - Effect: Greater energy efficiency
  - 14% reduction in electricity usage, 44% reduction in water usage

- Four-level free PM for case (cabinet)
  - Effect: Elimination of hazardous substance
  - Application of Cr3+

- Optimal cabinet design for reduced volume and weight
  - Effect: Less resource consumption, enhanced recyclability

- Steam function
  - Effect: Greater energy efficiency
  - 16% reduction in electricity usage

- Reduced noise (10dB)

- Optimal cabinet design for reduced volume and weight
  - Effect: Less resource consumption, enhanced recyclability

- Drum washing machine, TROMM
  - Effect: Greater energy efficiency
  - 51% reduction in electricity usage, 44% reduction in water usage

- 21% increase in washing power

- Drum washing machine, TROMM
  - Effect: Greater energy efficiency
  - 16% reduction in electricity usage

- Reduced noise (10dB)

- Optimal cabinet design for reduced volume and weight
  - Effect: Less resource consumption, enhanced recyclability

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Example of eco-design

Air-conditioner | LG Electronics is receiving the spotlight in Europe, where there is high interest in environmentally-friendly products, with its air-conditioners, the ‘Multi V’ and ‘MPS (Multi Power System)’ inverter system. These are system air-conditioners that use a new eco-friendly refrigerant and high-efficiency inverter. The MPS employs the new refrigerant R-410A which does not damage the ozone layer. Efficiency is boosted with the use of several small compressors, as opposed to the previous use of a single compressor, so that compressors operate as necessary depending on the load. The new inverter system was completed using the Whisen proprietary technology. Operating costs can be reduced by up to 60% compared to air-conditioning/heating devices with a single-speed compressor.

The new inverter method allows for optimal control of a single large compressor. It is based on the multi-compressor technology, which comprises a DC inverter compressor and several high-efficiency single-speed compressors. The adoption of this technology has enabled precise control depending on the cooling/heating load, leading to ultra energy-efficient heating and cooling.

MPS (Multi Power System) is an energy-conserving system capable of optimal operation at each level of fan speed. To ensure optimal operation depending on the indoor and outdoor temperatures and to reduce unnecessary energy usage, the outside unit contains multiple compressors.

Refrigerator | LG Electronics developed the world’s first refrigerator with a linear compressor to achieve a maximum 30% boost in energy efficiency. In addition, the noise produced when the compressor either starts or stops running has been reduced, as well as the noise during operation. The refrigerator features a linear compressor, removing the need for a crank mechanism to convert rotary motion into reciprocating motion. The result is a reduction in noise and energy consumption, and consequently less environmental impact.

Moreover, LG Electronics refrigerators employ an eco-friendly foaming agent (cyclopentane). Cyclopentane does not destroy the ozone layer and has virtually no effect on global warming. Recently, the insulation function has been radically enhanced by reducing the cell size of the insulating material, polyurethane foam. Insulation has improved by 12.5% and the energy consumption of freezer/refrigerator has been lowered by 7%.

| Refrigerator | LG Electronics is receiving the spotlight in Europe, where there is high interest in environmentally-friendly products, with its air-conditioners, the ‘Multi V’ and ‘MPS (Multi Power System)’ inverter system. These are system air-conditioners that use a new eco-friendly refrigerant and high-efficiency inverter. The MPS employs the new refrigerant R-410A which does not damage the ozone layer. Efficiency is boosted with the use of several small compressors, as opposed to the previous use of a single compressor, so that compressors operate as necessary depending on the load. The new inverter system was completed using the Whisen proprietary technology. Operating costs can be reduced by up to 60% compared to air-conditioning/heating devices with a single-speed compressor.

The new inverter method allows for optimal control of a single large compressor. It is based on the multi-compressor technology, which comprises a DC inverter compressor and several high-efficiency single-speed compressors. The adoption of this technology has enabled precise control depending on the cooling/heating load, leading to ultra energy-efficient heating and cooling.

MPS (Multi Power System) is an energy-conserving system capable of optimal operation at each level of fan speed. To ensure optimal operation depending on the indoor and outdoor temperatures and to reduce unnecessary energy usage, the outside unit contains multiple compressors.

Refrigerator | LG Electronics developed the world’s first refrigerator with a linear compressor to achieve a maximum 30% boost in energy efficiency. In addition, the noise produced when the compressor either starts or stops running has been reduced, as well as the noise during operation. The refrigerator features a linear compressor, removing the need for a crank mechanism to convert rotary motion into reciprocating motion. The result is a reduction in noise and energy consumption, and consequently less environmental impact.

Moreover, LG Electronics refrigerators employ an eco-friendly foaming agent (cyclopentane). Cyclopentane does not destroy the ozone layer and has virtually no effect on global warming. Recently, the insulation function has been radically enhanced by reducing the cell size of the insulating material, polyurethane foam. Insulation has improved by 12.5% and the energy consumption of freezer/refrigerator has been lowered by 7%.
Hazardous substances contained in electrical and electronic equipment have been receiving much attention in recent years. In the EU, the Restriction of Hazardous Substances (RoHS) Directive went into effect on July 1, 2006. The RoHS Directive restricts the use of six hazardous materials (lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyl (PBB) and polybrominated diphenyl ether (PBDE)) in the manufacture of electronic and electrical equipment. The US, Japan and China are also moving to adopt similar regulations. The move to restrict the use of hazardous substances is an irreversible trend, and LG Electronics is focusing on R&D to keep pace with these developments.

For instance, LG Electronics has switched to smokeless materials that are lead-free to solder components on a printed circuit board (PCB). Cr6+ coating has been replaced by aluminum and tin coating, while brominated flame retardants PBB and PBDE have been replaced by inorganic flame retardants.

LG Electronics has acquired third-party certification for RoHS compliance from TUV Rheinland for four products: LCD TV (May 2006), air conditioner (March 2006), mobile handset (March 2006), and drum washing machine (March 2006). Under this certification system, a third party assessment is used to verify that an entire product, not just certain components, made by an electrical/electronic product maker satisfy the requirements of the EU’s RoHS Directive.

In the case of washing machines, the certification was obtained not for just one model, but all models in the TROMM series. Components that go into all of the models were inspected for RoHS compliance. For all four mentioned product categories, LG Electronics was the first in the world to acquire third-party certification for RoHS compliance. Hence, the image of LG products as being environmentally-friendly will be enhanced not only in Europe, but the entire world. The certification also helps enhance LG as a premium brand.
ECO-FRIENDLY MANUFACTURING PROCESS

LG Electronics is striving for process efficiency by realizing a clean working site and lower energy use, through the reduced output of pollutants.

ENERGY AND WASTE

Fossil fuels remain the prime source of energy and are responsible for causing global warming and atmospheric pollution such as acid rain and photochemical smog. As the use of non-polluting energy sources has yet to become widespread, LG Electronics is doing its part to protect our earth by minimizing the waste and use of energy and water through measures such as recycling wastewater.

Although the release of various pollutants has risen due to our increased production volume, we are continually making efforts to reduce the discharge of pollutants compared to sales. We also have in place strict in-house standards regarding pollutant emissions (under 50% of legal standards) in all of our anti-pollution facilities. The basic cause of increased pollutant discharges lies in inefficient manufacturing management.

LG Electronics is promoting the economizing and reuse of resources to reduce discharges of waste matter compared to production volume. In particular, with our process for operational innovation, we are studying the optimal management points of environment-related facilities and applying them to the way we do business. Each manufacturing site also presents its own ideas for reducing waste matter, which are then shared within the company in various environment-related training courses and improvement activities.

LG Electronics aims to ensure clean business sites by improving the work process and reducing pollutant emissions. We also continue to make our workplaces safer by investing in areas that are deemed potentially dangerous. Our environment-related spending is made so that pollutant materials are recycled and do not end up as secondary environmental pollutants. Safety-related costs are mainly for maintaining facilities to prevent accidents, while health-related spending is devoted to maintaining the health of our employees. For more information on data and investment costs related to management of energy and pollutant emissions, please refer to pages 92–93.

Improving process efficiency through energy saving measures

LG Electronics continues to promote a campaign to economize energy used during the manufacturing process. As of the end of 2005, energy use (basic unit) was managed at the 1.24TOE/KRW100 million level. Additionally, there are plans to start a project to decrease emissions of greenhouse gases based on pertinent regulations which are fast becoming reality.

Plan for reducing energy costs

- Switch over to clean fuels (1994–)
- Enhance energy efficiency (basic unit) by 5–10%
- Promote energy use campaign at each business site
- Enter voluntary agreement on lowering energy use
- Build system for greenhouse gas management
- Prepare for regulations on product energy efficiency
- Implement projects to reduce greenhouse gas emissions
- Establish production of new and renewable sources of energy
- High-energy efficient products
Planet - Eco-friendly manufacturing process

**RESOURCE MANAGEMENT**

**EPR (Extended Producer Responsibility)**

LG Electronics has been an active proponent of the EPR system since its introduction in 2003 and has assumed the role of chairing company of the Association of Electronics Environment (AEE: chairman Young-Kee Kim). With 47 member firms, the Association’s main activities include recommending national policies and systems, in addition to building and improving collective systems. All this is based on trust among member companies and a close cooperative relationship with recycling firms.

LG Electronics (product manufacturing) - Consumer Logistics center (Recycling resources as raw materials)
- Sale of new products
- Collection of waste products (LGE logistics)
- Transport of waste products (LGE logistics) (disassembly /sorting)
- Eco-friendly recycling
- Sale of valuables

**EPR (Extended Producer Responsibility) scheme**

By area
- Gyeonggi Province
  - Metropolitan RC (Yongin City)
  - Narae RC (Hwasung City)
  - Main operator: Association of Electronics Environment
- Chungnam Province
  - Metropolitan RC (Daegu City)
  - Gumi RC (Gumi City)
  - Main operator: Private
- Jeonbuk Province
  - Metropolitan RC (Jeonju City)
  - Main operator: Private
- Gyeongsangbuk Province
  - Metropolitan RC (DA
    Changwon City)
  - Main operator: LG Electronics
  - Distribution Administration (Headquarters)
  - DA (Changwon City)
  - DD (Gumi City)
  - DM (Pyeongtaek City)
  - MC (Pyeongtaek City)

**EPR (Extended Producer Responsibility)**

- Collection of waste home appliances
  - Refrigerator
  - Washing machine
  - Air-conditioner
  - Television
  - Monitor
  - PC
  - Monitor
  - Mobile phone

**EPR (Extended Producer Responsibility)**

- Collection of waste home appliances (LGE logistics)
  - Refrigerator
  - Washing machine
  - Air-conditioner
  - Television
  - Monitor
  - PC
  - Monitor
  - Mobile phone

**RESOURCE MANAGEMENT**

**EPR (Extended Producer Responsibility)**

LG Electronics is dedicated to building a resource-recycling society, which is crucial to sustainable development that aims for balance between economic development and environmental preservation. We collect waste electronic goods from consumers and break them down in an environmentally friendly manner to be re-used as copper, aluminum and plastic.

LG Electronics has been an active proponent of the EPR system since its introduction in 2003 and has assumed the role of chairing company of the Association of Electronics Environment (AEE: chairman Young-Kee Kim). With 47 member firms, the Association’s main activities include recommending national policies and systems, in addition to building and improving collective systems. All this is based on trust among member companies and a close cooperative relationship with recycling firms.

**EPR (Extended Producer Responsibility)**

- Collection and recycling of waste electronic goods' collection via reverse sales routes and local governments
  - 3 recycling centers operated by members, 7 treatment centers operated by other private firms

**EPR (Extended Producer Responsibility)**

LG Electronics’ Chilseo RC
- Handling capacity: 250,000 units/year
- Completed date: August 29, 2001
- Location: Chilseo Industrial Complex in Chilseo-myeon, Haman-gun, Gyeongsangnam-do

**EPR (Extended Producer Responsibility)**

- 2006 joint recycling event with private firms, government and society
  - Collection and recycled waste electronic goods and provided free TVs for home appliance recycling
  - Participation by Ministry of Environment, Mipo City mayor, Mipo water, DRACO, NICIC, etc.
  - Helped build a collection system in islands experiencing difficulties in collection/recycling of waste goods
  - Promised regular collection/recycling

**EPR (Extended Producer Responsibility)**

- PR learning center for recycling electronic goods
  - Created PR learning center for recycling electronic goods at Chilseo RC
  - Opening on March 7th, 2006

**EPR (Extended Producer Responsibility)**

- Visits by environment funds, research institutes, etc.
- Visits by students (elementary/middle/high schools, universities)

**EPR (Extended Producer Responsibility)**

- Major activities of AEE
  - Collection, treatment and recycling of waste electronic goods
  - Conducting fact-finding research and providing information on recycling
  - International cooperation on environmental and recycling

**EPR (Extended Producer Responsibility)**

- AEE collection and recycling of waste electronic goods
  - Collection via reverse sales routes and local governments
  - 3 recycling centers operated by members, 7 treatment centers operated by other private firms

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- Collection of waste home appliances
  - Refrigerator
  - Washing machine
  - Air-conditioner
  - Television
  - Monitor
  - PC
  - Monitor
  - Mobile phone

**EPR (Extended Producer Responsibility)**

- Visits by environment funds, research institutes, etc.
- Visits by students (elementary/middle/high schools, universities)
SUPPORT TO OVERSEAS WORKPLACES

LG Electronics has provided 33 overseas plants with necessary EESH support.

<table>
<thead>
<tr>
<th>Supporting activities</th>
<th>Training</th>
<th>Certifications</th>
</tr>
</thead>
</table>
| Legal compliance (1998~2000) | - Support system established  
- Basic inspection of all plants completed |  
- ISO 14001 certification  
- Risk prevention training |
| Prevention activities (2001~2004) | - Audits and supports given to necessary plants  
- Independent audit systems for plants in China |  
- ISO 14001 certification  
- EESH system started |
| Managed achievements (2005~) | - Intensive audits and supports |  
- Comprehensive EESH system implemented |

- Each overseas plant is supported by the Environment & Safety Group of each division (e.g. MC, DD division etc.)
- Headquarters supported 33 overseas plants for fire safety.
- Plants in China have been provided with special support by headquarters’ EESH experts from 2005.

Disaster prevention at overseas business sites

LG Electronics provides regular technological guidance and assessments for those overseas business sites which have relatively outdated disaster prevention management systems and facilities such as those in China and Southeast Asia. In this way, the company helps to secure the safety of workers and minimise property loss.

For two months from October 2004, the company conducted a detailed assessment of disaster prevention systems at each of its 33 overseas business sites through professional local and overseas consulting companies. Where problems were identified, short- and long-term plans were established to correct them, resulting in a considerable improvement in overall safety levels.

<table>
<thead>
<tr>
<th>Supporting Plan</th>
<th>Training</th>
<th>Certifications</th>
</tr>
</thead>
</table>
| - ISO 14001 certification  
- Risk prevention training |  
- EESH organization in overseas plants  
- EESH training (pilot test for local cultures considered)  
- Risk prevention training expanded |  
- ISO 14001 certification  
- EESH system started |
OCCUPATIONAL HEALTH

To promote the health of our employees, LG Electronics operates a diverse range of health-management programs and various activities at each business site to improve the working environment.

OCCUPATIONAL HEALTH MANAGEMENT ACTIVITIES

All of the company’s domestic business sites continue to maintain certification for health and safety management system (OSHAS 18001). By establishing separate in-house health and safety regulations, our working conditions adhere to stricter standards than local and overseas laws. Additionally, each business site has its own Occupational Safety and Health Committee where representatives of workers, employers and safety and health managers discuss and resolve related issues. LG Electronics has been applying the LGHI (LG Health Index) for health management throughout the company. Developed in 1998 at the Gumi plant, the program has been upgraded to its current 2.5 version and was adopted by all business sites in 2004. The company has introduced various programs to safeguard employees’ health including one for the prevention of cerebro-vascular diseases. The LGHI is constantly updated to provide a range of timely information on health issues to all employees.

Program overview

Assessment

Health survey

Physical exam

[Main activities]

Healthy corporate culture

Optimal health (5 aspects)

LGHI

Mental health

Sleeping

Eating

Body mass index

Stress

Physical strength index

Tailored lifestyle

Decide on applicable program

Evaluate organizational levels

Conduct organizational activities

Company

Create an applicable program

Evaluate organizational levels

Conduct organizational activities

Individual

Individual health levels

Suitable health program

Exercise program

Stress index

Physical strength index

Tuned lifestyle

Assessment Program

Life-style Change Program

Supportive Environment Program

Company bulletin

Education

Health evaluation

Campaign

Monthly theme activities

Quitting smoking

Stress management program

Exercise, diet management

Health education

Cerebro-vascular disease prevention/management program

Quitting smoking

Health classes, club activities

Encouraging lifestyle habit

Preventing hepatitis

Musculoskeletal disorder prevention/management program

Preventing stress

Managing musculoskeletal disorders

Managing cerebro-vascular diseases

Prescribing exercise

Quitting smoking
Sustainability Report 2005

Health Promotion Activities at Business Sites

At LG Electronics, various activities are available to promote the health of employees. Each business site is equipped with machines such as body composition analyzers in order to better manage employee health. The analyzer calculates the amounts of fat, inorganic matter and proteins inside the body to determine the possibility of various diseases. Based on the data, company health officials prescribe a dietary and exercise program. Consultation services to prevent stress are offered through the popular Sharing Minds Room program. The Sharing Minds Room provides not only personal consultations but also occupational stress consultations through psychological examinations.

Activities to Improve Working Environment

Each business site is actively carrying out measures to prevent musculoskeletal disorders and reduce noise pollution as part of efforts to improve the working environment. Through on-site analysis, each site prepares a plan for improvement, which is then shared with on-site personnel. After a testing period, the improvements are fully adopted. The following are examples of actual improvements.

Musculoskeletal disorders

<table>
<thead>
<tr>
<th>Negotiations to come up with improvement plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Problem: - Bending over at the waist while taking out parts from lower end of truck</td>
</tr>
<tr>
<td>- Expending too much energy when taking out parts due to friction</td>
</tr>
<tr>
<td>Improvement: Install lift to match level of work to waist level of worker, eliminating the need to bend over</td>
</tr>
</tbody>
</table>

Noise

Managers and on-site employees of the refrigerator business (of the DA division) engage in activities every year to improve the working environment by reducing noise. Although the legal limit for noise levels is 90dB, the company enforces a level of 85dB and if there are any sites that surpass this limit, they take measures to lower the noise level. The refrigerator business managed to achieve a reduction of 2~4dB by installing an air emission noise reduction cover.

Cardio-Pulmonary Resuscitation (CPR)

All accident prevention center and on-site employees at business sites underwent CPR training and a related contest. The training equipped on-site employees with the skills to respond to any heart-related diseases that may occur and help make a safer working environment.
Committed to creating environmentally-friendly products, LG Electronics is implementing the Green Program with business partners and communicating our environmental activities to all stakeholders.

GREEN PROGRAM

LG Electronics is well aware that joint efforts are essential to the reduction of hazardous substances. Through its Green Program, LG Electronics purchases environmentally-friendly raw materials and parts. LG Electronics and its partners vow to provide environmentally conscious products to customers and take environmental responsibility as a global company in the global market. The Green Program aims to:

- Comply with national and global hazardous substance-related regulations and provide environmentally-friendly products to customers.
- Prevent the use of hazardous substances, reduce environmental loads, and improve environmental performances from raw material and part production phases.
- Enhance environmental consciousness at LG Electronics and our suppliers.

The Green Program targets domestic and overseas firms supplying LG Electronics with products, parts, raw materials, and supplementary materials. To obtain Green Program certification, a company must score more than 80 points, including 42 points earned in compulsory categories. The Green Program consists of Environmental Management System, Environment-related Substance Management System, and Materials and Products Management System.

Target firms must submit related documents for review and certification as shown in the following figure. In addition, LG Electronics distributes related materials such as ‘Manual for Preparation for Environmental Regulations’ and ‘List of Level A-I Substances (the six hazardous substances specified in RoHS)’ to partner firms through on-line and off-line channels so that they can apply to our Green Program.

<table>
<thead>
<tr>
<th>Description</th>
<th>Environmental Management System</th>
<th>Environment-related Substance Management System</th>
<th>Materials and Products Management System</th>
<th>Follow-up control</th>
<th>Renovation examine</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>100 points</td>
<td>60 points</td>
<td>40 points</td>
<td>20 points</td>
<td>20 points</td>
</tr>
<tr>
<td>Certification criteria</td>
<td>Over 80 points (60 points compulsory items)</td>
<td>1 year</td>
<td>2 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target firms</td>
<td>All firms supplying products, parts, raw materials, and supplementary materials to LG Electronics.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
INTERNAL AND EXTERNAL COMMUNICATION

Activities for regional communities

- Campaign to collect old mobile phones: As the disposal of mobile phones at home could cause environmental problems, LG Electronics conducted an employee-wide campaign to collect old mobile phones which are no longer used so that they could be collected in a safe method and useful resources retrieved.

- Health promotion activities: The company promoted various activities to encourage healthier living among employees. In particular, employees who managed to reduce the most amount of body fat were awarded with gold prizes.

- CPR Contest: LG Electronics equips employees with the skills to respond to health emergencies such as heart attacks, breathing problems and strokes. Through the company-wide CPR contest, employees are encouraged to improve their first aid techniques to that of professional lecturers.

- Drills for toxic substance leaks: Business sites conduct various drills in readiness of any accidents. Particularly as chemicals-related accidents could result in major damages to the surroundings, safety is considered paramount and employees are kept updated on the best way to respond immediately to any accidents through the various drills and exercises.

- Environment experience classrooms: Each business site operates an experience classrooms so that regional elementary school students and consumers can better understand and see for themselves eco-friendly activities. Training and communication channels have also been set up for local officials from related local governments.

- Environment experience classroom for elementary schools (2~3 times/year)
- Environment experience classroom for housewives (1~2 times/year)
- Study tour by environment-related official trainees
- Visits by various environment-related officials organized by regional environmental offices (1 time/year)

Awards

- Transparent Management Grand Prize: In January 2005, LG Electronics won the grand prize at the first Transparent Management Awards presented by Korea’s five representative economic organizations, for its excellence in BOD-led management, independent audit committee, ethical management, value-added labor-management relations, social contribution and eco-friendly management.

- No Accident Award from Indonesian Government: Our Indonesian affiliate, LGEDI, received the ‘No Accident Award’ from the Indonesian government for three consecutive years, further enhancing the image of LG Electronics as a company committed to employees’ safety and health. The award was given to LGEDI among over six hundred companies in Indonesia for having ‘no accident’ for 40,012,888 hours.

- UNESCAP Environmental Minister Meeting, corporate forum presentation: LG Electronics gave a presentation under the theme of ‘Toward Sustainable Growth’ at a corporate forum in March 2005 sponsored by UNESCAP, ADB, Ministry of Environment and the Federation of Korean Industries. The company presented its strategic and model examples of CSM. The presentation attracted much attention from domestic and international stakeholders.

- Most Respected Company in Korea: In June 2004, BMI BC, an international business consulting organization, selected LG Electronics as the best company in the environmental management category in a survey of the ‘70 Most Respected Companies in Korea.’

- Energy Saving Prize: In November 2005, the Seoul Plant of Mobile Communications Division was awarded the ‘Presidential Prize’ for its energy saving operations at the Energy Saving Promotion Awards organized by Korea Energy Management Corporation.

Promise
All the comforts we can imagine...

We have made immense strides over nearly half a century. Each step forward has built LG Electronics into a familiar name across the globe. We continue to create value and enhance quality of life with innovative ideas. We seek more than mere profits. Our wish is to create a world of prosperity for all.
ECONOMIC PERFORMANCE

Driven by ongoing efforts to build a company capable of sustainable development even in the face of tough obstacles, LG Electronics continues to produce meaningful results.

OPERATING PERFORMANCE IN 2005

The business environment was challenging in 2005 due to appreciation of the Korean won, continuous decline of average selling prices of our major products, and raw material price hikes. We proclaimed ‘emergency management’ and exerted every effort to enhance productivity and reduce costs. So, some businesses suffered setbacks in terms of sales and profitability.

The tough business environment kept us from posting another year of sales growth in 2005. Sales for the year decreased 3.6% YoY to KRW23.77 trillion. Operating profit and net profit shrank 26.8% YoY and 54.5% YoY to KRW914.6 billion and KRW702.8 billion, respectively.

What is encouraging is that we obtained the foundation for sustainable growth. In the midst of an unfavorable business climate, we obtained several achievements as follows: First, the earnings contribution of premium products increased. Second, our brand recognition strengthened to give us a firm footing for global marketing. Third, we bolstered our R&D and technology capabilities by employing many qualified researchers and established an advanced R&D center for mobile handsets in the metropolitan area. Finally, we enhanced the overall quality of our products including PDP modules.

And finally, we improved the level of our global customer service by establishing a global service system.

TDR (Tear Down and Redesign), our innovation program, has become embedded in our corporate culture. It is a task-oriented innovation program and has a direct influence on management performance. In addition, we introduced the EPR-based system to reorganize our management and administrative process.

As mentioned above, the most meaningful achievement in 2005 was that we posted the way toward sustainable growth by overcoming crisis with confidence. This experience strengthened our resolve to become a global top 3 electronics and telecommunications firm even in the face of the toughest of obstacles.

FINANCIAL PERFORMANCE AND DISTRIBUTION

Financial performance

<table>
<thead>
<tr>
<th>Description</th>
<th>2004</th>
<th>2005</th>
<th>%YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>24,659</td>
<td>23,773</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>5,924</td>
<td>6,113</td>
<td>3.2%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1,250</td>
<td>915</td>
<td>-26.8%</td>
</tr>
<tr>
<td>Recurring profit</td>
<td>1,860</td>
<td>741</td>
<td>-60.1%</td>
</tr>
<tr>
<td>Net profit</td>
<td>1,546</td>
<td>703</td>
<td>-54.5%</td>
</tr>
</tbody>
</table>

LG Electronics suffered a 3.6% sales decrease in 2005, posting KRW23.77 trillion due to steep won appreciation and expansion of overseas production. Domestic sales for the year rose 8.3% YoY to KRW21.72 trillion led by hot weather-driven air-conditioner sales, strong demand for flat panel display products such as PDP TVs and LCD TVs as well as PC sales increase. However, export sales fell 6.7% YoY to KRW18.26 trillion due mainly to expansion of overseas production, a strong won and lower average selling prices of major products.

MC division's sales fell 0.3% YoY to KRW9.46 trillion due partly to its poor performance in the first half of the year. Price decline of major products was another culprit. However, the division showed recovery toward the end of the year on the back of success of the black label phone (also known as chocolate phone) and strong 3G exports.

DD division recorded KRW5.12 trillion in sales, up 2.8% from a year earlier. The division suffered slight erosion in profitability on account of falling price of LCD TV. But moving forward, the division is expected to maintain robust growth. Shipments of PDP TVs and LCD TVs are on the rise and demand is strong for LCD modules given the growing popularity of large-size display products.

DM division suffered a 16.4% decline in sales, posting KRW3.18 trillion in 2005, owing to an overall decrease in selling prices of IT products coupled with lethargic demand for some products. Accordingly, profitability deteriorated as well. However, we expect the division's profits will improve gradually as premium products including DMB PDA are set to show healthy growth.

ECONOMIC PERFORMANCE

Driven by ongoing efforts to build a company capable of sustainable development even in the face of tough obstacles, LG Electronics continues to produce meaningful results.

Prosperity - Economic performance
24. division’s sales decreased 5.9%YoY to KRW3.5 trillion, while operating profit rose 5.5%YoY to KRW47.6 billion. The main culprit behind the year-to-year jump in sales was weak export revenues resulting from the won’s appreciation. However, robust sales growth of our air-conditioners, which has led the global market for six consecutive years, and favorable demand for premium products including commercial air-conditioners, contributed to the earnings growth of the division.

For the company as a whole, recurring profit and net profit slid 60.1%YoY and 54.5%YoY to KRW741.4 billion and KRW702.8 billion, respectively in 2005. The reasons behind the reduction were steep rate appreciation and equity method loss by price fall of LCDs. Among them, the most critical factor was net equity method loss which increased by KRW608.7 billion.

Total assets increased by KRW802.2 billion to KRW14.0 trillion in 2005. Current assets decreased by KRW125.5 billion to KRW3.9 trillion as inventories fell. On the other hand, fixed assets grew by KRW92.8 billion to reach KRW10.1 trillion as investment assets and tangible assets increased. Investment assets were boosted by greater equity securities of affiliates, while tangible assets went up as property and equipment increased substantially.

IR activities

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 conferences, non-deal road-shows, two theme conferences, 13 conferences organized by securities firms, and about 700 one-on-one meetings.
Prosperity - Economic performance

Plans for 2006

Key tasks for 2006

Blue Ocean management

Management policy
Customer-oriented management
Strengthening business capabilities
Operational excellence

Three major tasks
Strengthening business capabilities
Enhancing brand value
Getting new businesses on track and developing future businesses

* Customer-oriented management
  - Customer-oriented management means that we will position LG as a premium brand in products such as PDP TVs, LCD TVs and mobile phones in the major markets, giving due consideration to regional characteristics. In addition, it means that we will create customer value through product quality, function, and design that stands apart. To this end, we will carry out all processes from product planning to customer service from the customers’ viewpoint.

* Strengthening business capabilities
  - In the mobile handset business, we will penetrate into the large distribution channels in Europe and other major regions with mega-hit models that appeal to end-users. In the case of smaller markets in Asia, Middle East, Africa and CIS, we will directly target our marketing toward customers using a differentiation strategy adequate to each region.

* Enhancing brand value
  - We will step up company-wide brand management and focus on global marketing issues.

* Getting new businesses on track and developing future businesses
  - We will concentrate on exploring new and promising businesses. We plan to foster next-generation displays, robot, and mobile communication as the future growth drivers.

* Strengthening technological competitiveness
  - We will concentrate our efforts on securing cutting-edge technologies. First, we will do our best to reduce the costs of core components such as DTV soc and PDP modules to create the foundation for high profitability. Second, we will enhance proprietary technologies such as time machine, 3D engine, and next-generation DTVs. Third, we will reinforce our capability in high-value-added and core R&D areas. Moreover, we will employ and foster capable R&D personnel to prepare for future businesses.

* Operational excellence
  - We will accelerate innovation activities across the company in order to create consistently stable performance without being affected by external developments such as fluctuation in raw material prices, high oil prices, and currency movements. We will promote high efficiency by shortening the lead time from production to sale, balance our global SCF for optimal inventory levels, and reduce fixed costs via a budget management system.

Three management policies

- Customer-oriented management
- Strong technological competitiveness
- Operational excellence

Three major tasks

- Strengthening business capabilities
- Enhancing brand value
- Getting new businesses on track and developing future businesses
LG Electronics is responding to uncertainties in the business climate with proactive risk management to ensure stable operations and consistent performance. We are moving beyond the emphasis on managing financial risk. From the standpoint of CSM, we are pursuing risk management in all facets of our operation and applying global standards.

We are minimizing risk through various systems and processes. Risk management is taking hold as an important element in our business activities as we aspire to create corporate value on the basis of stability and consistency.

**Financial risk management activities**

<table>
<thead>
<tr>
<th>Risk type</th>
<th>Risk factor</th>
<th>Risk management activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market risk</td>
<td>FX fluctuation (KRW/USD, JPY/USD, etc.)</td>
<td>Constant monitoring of domestic and overseas financial market trends</td>
</tr>
<tr>
<td></td>
<td>Interest rate fluctuation (CP, corporate bond, Libor, etc.)</td>
<td>Financial management committee, consulting with financial institutions, and setting up FX management rules and policy</td>
</tr>
<tr>
<td></td>
<td>Share price fluctuation (LGE and invested companies)</td>
<td>Implement ISM for financial risk management, management and disposition of marketable securities, and IR activities</td>
</tr>
<tr>
<td>Business risk</td>
<td>Early detection of business issues (sales, cost, competition, etc.)</td>
<td>Financial planning and budgeting, implementation of financial management committee, consulting with financial institutions, and setting up FX management rules and policy</td>
</tr>
<tr>
<td>Operational risk</td>
<td>Liquidity of financial data (working capital, liquidity, etc.)</td>
<td>Financial planning and budgeting, implementation of financial management committee, consulting with financial institutions, and setting up FX management rules and policy</td>
</tr>
<tr>
<td>Credit risk</td>
<td>Creditworthiness of related parties (domestic and overseas)</td>
<td>Financial planning and budgeting, implementation of financial management committee, consulting with financial institutions, and setting up FX management rules and policy</td>
</tr>
<tr>
<td>Liquidity risk</td>
<td>Default probability of late payments (domestic and overseas)</td>
<td>Financial planning and budgeting, implementation of financial management committee, consulting with financial institutions, and setting up FX management rules and policy</td>
</tr>
<tr>
<td>Legal risk</td>
<td>Probability of dispute or lawsuit (domestic and overseas)</td>
<td>Legal planning and budgeting, implementation of financial management committee, consulting with financial institutions, and setting up FX management rules and policy</td>
</tr>
<tr>
<td>Tax risk</td>
<td>Probability of tax audit (domestic and overseas)</td>
<td>Legal planning and budgeting, implementation of financial management committee, consulting with financial institutions, and setting up FX management rules and policy</td>
</tr>
</tbody>
</table>

**FINANCIAL RISK MANAGEMENT**

LG Electronics is responding to uncertainties in the business climate with proactive risk management to ensure stable operations and consistent performance. We are moving beyond the emphasis on managing financial risk. From the standpoint of CSM, we are pursuing risk management in all facets of our operation and applying global standards.

We are minimizing risk through various systems and processes. Risk management is taking hold as an important element in our business activities as we aspire to create corporate value on the basis of stability and consistency.
Prosperity - Innovation

INNOVATION

LG Electronics is improving management efficiency and paving the way for sustainable growth through innovation activities.

MANUFACTURING

The TPS (Toyota Production System) movement was started with the aim of reducing the mentality that every employee is the true owner of the company by beginning with the smallest things. It was later expanded to not only include 5S which keeps the site clean, orderly and well-maintained, but also saying “good morning” to each other to confirm the unity of colleagues. This served to reaffirm the belief that if each person can think “let’s do it! We can do it! Let’s try it!” the company will become more competitive.

Under the motto of “Do not accept, make or send out any defaults,” LG Electronics is pursuing zero-default production through its 100PPM activities which entail “3 tools” including successive/repeated checks. As a result of the movement to eliminate squandering, productivity has been elevated at the manufacturing sites. Such success in innovation continues to power our ongoing innovation drive.

1995 witnessed fiercer competition between domestic consumer electronics makers. In the midst of product price cuts, rising raw material costs and sharp foreign exchange fluctuations, on-site innovation gave us the confidence and resolve to overcome difficulties coming our way. Under slogans such as “let’s finish it in one go!” “Even if 5% is impossible, 30% is possible!” “Think the big piece” we implemented the FI-10 (Factory Innovation 10) system. FI-10 involved ten key items including TDR (Tear Down and Redesign) and ‘Basic Order T5S’ and transformed each and every member of the company, from the CEO to front line workers, to become a leader of innovation.

Our 100PPM activities, which were designed to detect defaults and problems at the production site, and six sigma management, which eliminates default factors, were introduced from 1996 to great success. We introduced our six sigma methodology to public institutions such as the Prosecutors’ Office and Ministry of Government Administration and Home Affairs as well as private companies including POSCO, Korean Air and Doosan Heavy Industries and Construction. By holding seminars, we are doing our part to ensure that six sigma management takes root in the Korean industry.
KNOWLEDGE MANAGEMENT

Pursuing knowledge management

After declaring knowledge management as a company-wide initiative in 1998, LG Electronics has been pursuing an organic relationship between its business strategy, innovation activities and knowledge management, reflecting the CEO’s management philosophy. By defining knowledge management as ‘quickly sharing and applying knowledge created through innovation activities to promote business results and achievements,’ the company is striving to speed up innovation by creating and sharing best practices, securing key capabilities by accumulating and employing intellectual property, and improving operational productivity.

The CKO (Chief Knowledge Officer) system which places a CKO at each division enables systematic knowledge management activities. Under the system, each division establishes its own KM (Knowledge Management) strategy and corresponding system to enable the operation of appropriate KM activities.

Knowledge management activities

The first is best practices, discovered through TDR and other innovation activities such as ‘1 person, 1 project.’ By recording processes that improve operations or innovative methodologies, anyone can learn by example and expect the same improvements or achievements.

The second is creating and sharing knowledge through CoP (Community of Practice) activities. CoP is a group of experts whose aim is to create, share and accumulate key knowledge and capabilities; they are people who carry out similar projects and who share similar interests. CoP activities establish the direction of activities which are in line with strategies and business results through the sharing and diffusion of knowledge, acquiring and developing knowledge capabilities, and forming links among organizations and between members.

Lastly, the company is building an in-house e-learning system so that employees can quickly learn the best practices created through knowledge management activities. By providing methodological knowledge, the company is reaping the benefits through enhanced employee abilities and faster operational speeds. The improved strength of the employees and the company has been recognized externally as well. LG Electronics won the Knowledge Management grand prize in 2002 awarded by Maeil Business Newspaper and Booz Allen Consulting Company. From 2003 to 2005, we won the 2003 Asian MAKE (Most Admired Knowledge Enterprises) awards for our knowledge management practices.

Our reputation as a leading knowledge management firm has made us a target for benchmarking of numerous firms. We are embracing this role and sharing our experiences with public institutions such as the Prosecutors’ Office as well as domestic and foreign private firms including POSCO and Rolls Royce.
To reach its goal of joining the global top-3 electronics and telecommunications companies by 2010, LG Electronics is pursuing R&D with a concentration on the following areas to develop new high-growth products and secure key parts and technological capabilities.

In the growth businesses such as digital TV, mobile phones and PDP panels, we aim to use the process of selection and concentration to develop ‘no.1 products’ and solidify our key technology capabilities. As for the core business areas in which we are leading the market including home appliances and digital AV equipment, we will secure leadership with mainly premium products. In the new growth areas, we will strengthen our R&D and leverage our technological abilities.

In new business areas such as home network, telematics and mobile AV, we will use our digital technology to develop integrated products in response to the convergence of technology and products. In addition, we will encourage development of new products through cooperation with service providers.

To achieve our goals, we will continue with efforts to staff our 30 or so R&D centers in Korea and abroad with highly qualified professionals. Moreover, we will also reinforce our R&D system centering on supporting local businesses in strategic areas such as China and India. Related to standardization and rare products, we will work to secure global R&D capabilities by pursuing strategic alliances with major firms worldwide. In particular, to create a unique LG Electronics style and identity, the company plans to focus on increasing its design R&D and secure basic and key technologies for future businesses.

<table>
<thead>
<tr>
<th>Domestic R&amp;D centers</th>
<th>Name</th>
<th>R&amp;D Fields</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>LG Electronics Institute of Technology</td>
<td>Basic Research in Advanced Areas (electronics, information technology, S/A, etc.)</td>
<td>Seoul</td>
<td></td>
</tr>
<tr>
<td>Research Institute of Production</td>
<td>Production technology</td>
<td>Pyeongtaek</td>
<td></td>
</tr>
<tr>
<td>Digital Media Research Center</td>
<td>Optical storage technology, Digital AV technology and product development</td>
<td>Seoul</td>
<td></td>
</tr>
<tr>
<td>Digital Display Research Center</td>
<td>Next generation display device and application (PDP, LCD, etc.)</td>
<td>Seoul</td>
<td></td>
</tr>
<tr>
<td>S/W &amp; Solution Center</td>
<td>S/W platform, S/W technology development</td>
<td>Seoul</td>
<td></td>
</tr>
<tr>
<td>Quality Lab</td>
<td>Quality, standards, environment-related evaluations/analyses/development support</td>
<td>Seoul</td>
<td></td>
</tr>
<tr>
<td>Display Product Lab</td>
<td>TV product development (digital TVs, flat panels, etc.)</td>
<td>Gumi</td>
<td></td>
</tr>
<tr>
<td>Digital Appliance Lab</td>
<td>Core components for home appliance and technology/product development</td>
<td>Seoul</td>
<td></td>
</tr>
<tr>
<td>Design Management Center</td>
<td>Product design R&amp;D and proposing product concepts through customer studies</td>
<td>Seoul</td>
<td></td>
</tr>
<tr>
<td>Display Product Lab</td>
<td>TV product development (digital TVs, flat panels, etc.)</td>
<td>Gumi</td>
<td></td>
</tr>
<tr>
<td>Digital Appliance Lab</td>
<td>Core components for home appliance and technology/product development</td>
<td>Changwon</td>
<td></td>
</tr>
<tr>
<td>Mobile Communication Lab</td>
<td>Mobile handset development</td>
<td>Seoul</td>
<td></td>
</tr>
<tr>
<td>Mobile Telecom New Technology Lab</td>
<td>Future mobile telecom key technology development</td>
<td>Anyang</td>
<td></td>
</tr>
<tr>
<td>Media Lab</td>
<td>Home AV, mobile device, car AV, security product development</td>
<td>Pyeongtaek</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Overseas R&amp;D centers</th>
<th>Name</th>
<th>R&amp;D Fields</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Triveni Digital</td>
<td>Digital TV-related technology development</td>
<td>New Jersey, USA</td>
<td></td>
</tr>
<tr>
<td>LGEDA</td>
<td>Design development for American regional sales models</td>
<td>New Jersey, USA</td>
<td></td>
</tr>
<tr>
<td>LGTEC</td>
<td>European technology collection/analysis</td>
<td>Aachen, Germany</td>
<td></td>
</tr>
<tr>
<td>LCEDM</td>
<td>Design development support in Europe</td>
<td>Milan, Italy</td>
<td></td>
</tr>
<tr>
<td>LGSI</td>
<td>Software development</td>
<td>Bangalore, India</td>
<td></td>
</tr>
<tr>
<td>LGEDC</td>
<td>Design development support in China</td>
<td>Beijing, China</td>
<td></td>
</tr>
<tr>
<td>LCETC</td>
<td>Analysis of Japanese electronics firm’s technology and R&amp;D</td>
<td>Tokyo, Japan</td>
<td></td>
</tr>
<tr>
<td>LGEDJ</td>
<td>Design development support in Japan</td>
<td>Tokyo, Japan</td>
<td></td>
</tr>
<tr>
<td>LGTCI</td>
<td>CIS technology collection/analysis and software development</td>
<td>Moscow, Russia</td>
<td></td>
</tr>
<tr>
<td>Yantai Lab</td>
<td>Development of mobile handset for Chinese market</td>
<td>Yantai, China</td>
<td></td>
</tr>
<tr>
<td>Tianjin Lab</td>
<td>Home appliance-related technology development</td>
<td>Tianjin, China</td>
<td></td>
</tr>
<tr>
<td>China R&amp;D Center</td>
<td>Mobile handset/digital TV original technology development and design</td>
<td>Beijing, China</td>
<td></td>
</tr>
<tr>
<td>Zenith Digital Transmission</td>
<td>Digital transmission-related technology development</td>
<td>Chicago, USA</td>
<td></td>
</tr>
</tbody>
</table>
Sustainability Report 2005

**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.

First, increasing the value of patent assets by securing patents for next-generation technologies will form the foundation for LG Electronics’ drive to join the global top 3. It will also protect LG Electronics’ unique rights from patent disputes. To this end, 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.

To keep up with rapid advances in technology, 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 which are on par with those of advanced companies.

The second strategy is to pursue 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.

The third is to improve our net royalty income. By improving our situation with patent earnings and expenditures, we are attempting to remove business risks and ensure that our business activities can proceed smoothly.
CODE OF ETHICS

We, at LG, share and believe in two key corporate philosophies - 'Creating value for customers' and 'Management based on esteem for human dignity.' Based on these philosophies and under the spirit of our Management Charter, we strive to promote autonomous management along with its accompanying responsibilities. Our interest is in upholding the principle of free market economy which embodies the spirit of free and fair competition. As we are committed to attaining our goal of becoming a world-class global player, we will continuously pursue mutual benefits with our interested parties on the basis of mutual trust and cooperation. We hereby resolve to adhere to our enacted code of ethics as a standard for our judgments and moral conduct.

Chapter 1 Responsibilities and Obligations to Customers

We highly regard the opinions of our customers in the belief that they form the very basis of our business. We seek to secure unconditional trust from our customers by continuously providing them with value.

1. Respect for Customers
   We value the opinions of our customers and validate their real needs at all times. Therefore we regard our customers as the primary standard for our decisions and conduct.

2. Creating Value
   (1) We work to create value for our customers so as to establish the foundation of our prosperity.
   (2) We continuously create practical values that fully benefit and satisfy our customers.

3. Providing Value
   (1) We are always truthful to our customers, and are bound to keep our promises.
   (2) We offer top quality products and services to our customers at reasonable prices and respond to their requests with speed and accuracy.

Chapter 2 Fair Competition

Our global business activities conform to relevant laws and regulations of the host nations. At the same time, we employ only fair and just means in securing our competitive advantage in the global market.

1. Pursuit of Free Competition
   (1) We uphold the principle of the free market economic system. Therefore we pursue free competition and earn our customers' trust through top quality products and services.
   (2) We compete fairly and capably with our competitors, but do not intrude upon their interests, or exploit their weaknesses.

2. Compliance with Laws and Regulations
   We conduct our domestic and overseas business activities in strict accordance with local laws and regulations, and with respect for local business customs.

Chapter 3 Fair Transactions

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.

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

2. Fair Transaction Procedures
   (1) All business transactions are conducted under equitable circumstances. The terms and procedures of the transaction are to be sufficiently discussed between parties involved.
   (2) The use of prominence in position to execute an unjust transaction is forbidden.
   (3) 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.

3. Support and Aid for Business Partners
   (1) 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.
   (2) We pursue cooperation with our dealers and vendors in a mutual effort to promote a healthy trading environment and maintain a fair trading system.
Chapter 4 Basic Ethics for Employees
LG employees establish correct values, based on honesty and fairness, by explicitly performing tasks as appointed by the company and through continuous self-development.

1. Basic Ethics
(1) LG employees take pride in their company and always maintain an honest and fair attitude.
(2) LG employees keep a high standard of morality and continuously strive to treat their personal dignity and the company's honor.

2. Completion of Duty
(1) LG employees faithfully accomplish their duties in compliance with the visions and policies of the company.
(2) Assigned duties are carried out in the best possible and fairest manner while observing relevant laws and regulations.
(3) LG employees protect and preserve company property and do not disclose confidential information gained during employment.
(4) LG employees exert themselves to enhancing work efficiency through open communication and cooperation with colleagues and related departments.

3. Self Development
LG employees formulate their respective ideal image of an exemplary employee and constantly strive to conform to the image through continuous self-development.

4. Fairness in Performance
(1) LG employees carry out their duties based on honesty and fairness, seeking to foster a sound business culture.
(2) While performing their duties, LG employees do not accept any form of financial benefit from interested parties that may obstruct fair judgment.
(3) LG employees do not participate in any immoral or unethical behaviors as prescribed by social norms in performing their duties to the company or in their personal lives.

5. Avoidance of Conflict with Company Interests
(1) LG employees avoid any individual behaviors or relationships that are in conflict with company interests.
(2) LG employees do not use company property to pursue their personal interests without prior permission.

Chapter 5 Corporate Responsibilities to Employees
LG endeavors to respect the human dignity of its employees and provides fair treatment based on their abilities and performances. LG also strives to foster creativity among its employees.

1. Respect for Human Dignity
(1) LG treats each employee with trust and affection and places a high value on individual human dignity.
(2) LG provides great efforts to help employees attain pride and personal fulfillment by instilling a sense of ownership in their jobs.
(3) LG establishes fair regulations and educational guidelines necessary for employees to perform their duties.

2. Fair Treatment
(1) LG offers equal opportunities to all its employees based on their abilities and talents.
(2) LG applies fair measures to evaluate abilities and performances of its employees, and rewards them accordingly.

3. Promoting Creativity
(1) LG makes the utmost efforts to promote a working environment conducive to creative thinking and autonomous behaviors.
(2) LG develops and manages human resources on a long-term basis and gives active support to cultivating employees’ abilities.
(3) LG creates a mature organizational culture that highlights mutual trust, understanding and respects for personal liberties.

Chapter 6 Responsibilities to Society and Country
LG contributes to national welfare and social development through rational business expansion, providing stable growth as a corporation and protecting stockholder’s interests.

1. Rational Business Development
(1) LG conducts its business with respect to the social values at home and abroad.
(2) LG promotes its business expansions based on stable corporate growth.

2. Protection of Stockholder Interest
LG protects its shareholders’ interests by earning healthy profits through effective management.

3. Contribution to Social Development
LG contributes to social development through job creation, tax payment, and promotion of cultural and welfare programs.

4. Environmental Conservation
LG strives to prevent environmental pollution and employs all measures necessary to conserve precious natural resources.
### ENVIRONMENTAL DATA

#### Energy
- **Total Energy Use**
  - 2003: 118,002
  - 2004: 144,002
  - 2005: 175,002
- **Total Energy Use (Basic unit)**
  - 2003: 0.11
  - 2004: 0.13
  - 2005: 0.09
- **Flare (Basic unit)**
  - 2003: 0.72
  - 2004: 0.92
  - 2005: 1.08
- **Oil (Basic unit)**
  - 2003: 0.007
  - 2004: 0.007
  - 2005: 0.00

#### Environment
- **Major Water Pollutant Emissions**
  - 2003: 159.49
  - 2004: 200.35
  - 2005: 240.61
- **Major Air Pollutant Emissions**
  - 2003: 2,674
  - 2004: 2,430
  - 2005: 3,045

#### Recycling Rate
- **Recycling Rate**
  - 2003: 16.8%
  - 2004: 25.34%
  - 2005: 25.34%

#### Other Data
- **Load of Wastewater (Basic unit)**
  - 2003: 2,674
  - 2004: 2,430
  - 2005: 3,045
- **Load of Waste (Basic unit)**
  - 2003: 3,931
  - 2004: 3,927
  - 2005: 3,155
- **Cost of Water/Air Pollutant Disposal (Basic unit)**
  - 2003: 27.07
  - 2004: 30.58
  - 2005: 37.06
- **Cost of Waste Disposal (Basic unit)**
  - 2003: 0.08
  - 2004: 0.15
  - 2005: 1.02

#### Composition of Waste
- **Composition of Waste**
  - Total: 15%
  - Plastic waste: 12.9%
  - Organic solvent waste: 3.8%
  - Acid waste: 6.0%
  - Ash: 1.3%
  - Trash: 11.1%
  - Others: 43.3%

※Recycled amount is excluded.
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FINANCIAL DATA (Non-consolidated basis)

Stability

<table>
<thead>
<tr>
<th>Category</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current ratio</td>
<td>74.1%</td>
<td>82.9%</td>
<td>76.5%</td>
</tr>
<tr>
<td>Debt-to-equity ratio</td>
<td>221.8%</td>
<td>163.8%</td>
<td>127.8%</td>
</tr>
<tr>
<td>Total borrowings to total assets</td>
<td>33.6%</td>
<td>28.2%</td>
<td>23.5%</td>
</tr>
<tr>
<td>Interest expenses to operating profit</td>
<td>5.1x</td>
<td>6.3x</td>
<td>4.6x</td>
</tr>
</tbody>
</table>

Profitability

<table>
<thead>
<tr>
<th>Category</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit margin</td>
<td>5.3%</td>
<td>5.1%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Net profit margin</td>
<td>3.3%</td>
<td>4.3%</td>
<td>5.0%</td>
</tr>
<tr>
<td>ROA</td>
<td>6.2%</td>
<td>16.6%</td>
<td>12.6%</td>
</tr>
<tr>
<td>ROE</td>
<td>28.6%</td>
<td>36.3%</td>
<td>42.4%</td>
</tr>
</tbody>
</table>

Growth and Turnover

<table>
<thead>
<tr>
<th>Category</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales growth</td>
<td>8.5%</td>
<td>22.2%</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Operating profit growth</td>
<td>3.3%</td>
<td>17.7%</td>
<td>-26.8%</td>
</tr>
<tr>
<td>Total assets growth</td>
<td>11.3%</td>
<td>17.4%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Assets turnover</td>
<td>1.9x</td>
<td>2.0x</td>
<td>1.7x</td>
</tr>
</tbody>
</table>

To compare our 2003 results appropriately with the previous year, we have used pro forma full year 2002 numbers from January 1 to December 31, 2002. It should be noted that our company underwent a demerger in April 2002, and our official financial statements are based on a nine-month period from April to December 2002. And the sales of raw materials (outsourcing related) and PC Buy & Sell in 2002 are excluded for like-for-like comparisons.
ASSURANCE REPORT

To the readers of the LG Electronics Sustainability Report 2005

INTRODUCTION

We have been engaged by LG Electronics to review specified information in the LG Electronics Sustainability Report 2005 (further referred to as The Report). The Report is the responsibility of the company’s management. Our responsibility is to issue an assurance report on specified information 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 2005 Non-Consolidated Financial Statements of LG Electronics;
- Limited assurance on whether:
  - Social Contribution (pages 40 to 47);
  - Supporting Our Business Partners (pages 50 to 53);
  - Environment-friendly Product (pages 64 to 72);
  - Eco-friendly Manufacturing Processes (pages 73 to 75).

‘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 2005.

STANDARDS AND CRITERIA

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 that 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, derived from the 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 for the year 2005 listed below, with the audited 2005 Non-Consolidated Financial Statements of LG Electronics.
  
  - Sales, operating profit, net income on page 6 and 82;
  - Total shareholders’ equity on page 6;
  - Interest expense, interest income and net interest expense on page 83.

  Based on the above, the data on financial performance, as specified above are properly derived from the 2005 Non-Consolidated Financial Statements of LG Electronics, for which the independent auditors issued an unqualified audit opinion dated January 21, 2006.

- Total energy consumption, total wastewater discharge and total waste disposal
  
  For the reliability of the data on the LG Electronics total energy consumption, total wastewater discharge and total waste disposal for the year 2005 we conducted:
  
  - visits to LG Electronics Main Office, seven domestic operations out of ten business sites of Mobile Communications(MC), Digital Appliances(DA), Digital Display(DD) and Digital Media(DM) divisions;
  - reviews of:
    - the data reported by the sites;
    - the systems used to generate, aggregate and report these data;
    - the internal controls at site level;
    - the calculations made at corporate level.

  Based on the above, the data on the LG Electronics total energy consumption, total wastewater discharge and total waste disposal for the year 2005 do not appear to be unreliable.

- Specific sections
  
  For the information in the sections of The Report, as specified in the section ‘Context and scope’ we conducted:
  
  - a review of the systems and processes used to generate this information;
  - a review of internal documentation and internet sources;
  - interviews with staff responsible for the information.

  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.


COMMENTARY

Without affecting the conclusions presented above, we would like to draw readers’ attention to the following:

A thorough attention is required for standardization of data generation, aggregation and reporting scheme due to variety of the product range from each division of LG Electronics. In this sense we recommend LG Electronics to pay more attention to manage sustainability performances at divisions systematically through creating empowered Corporate Sustainability Management (CSM) team. The main focus of the Report is the operations in Korea. As LG Electronics’ operations include consolidated activities outside Korea, we recommend LG Electronics to extend the scope of its sustainability report to consolidated activities where LG Electronics owns a majority share. We have discussed our observations regarding the reporting process outside the scope of our assignment with LG Electronics management. We found them receptive to our comments regarding the report and the reporting process.

6 September 2006
KPMG Samjong Accounting Corporation
## GRI Index Core Indicators

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**Net sales**

- Geographic breakdown of markets

**Cost of all goods, materials, and services purchased**

- Percentage of contracts paid in accordance with agreed terms

**Total paid and benefits broken down by country/region**

- Subsidies received broken down by country/region

**Consumption to companies/university/college broken down by terms of delivery**

- Direct energy use segregated by capacity source

**Subsidies received**

- Water use

**Location and size of natural assets, including intangible intangible assets**

- Description of land in terms of biodiversity by type

**Greenhouse gas emissions**

- Land use and ownership

**Total loss and gain on disposal of natural assets**

- Average hours of training per year per employee by category of employee

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**Human rights in investment and procurement decisions**

- Description of policy on other human rights and compliance mechanisms

**Description of policy on child labor and童工**

- Description of policy on forced and compulsory labor

**Description of policy on human rights in investment and procurement decisions**

- Description of policy on other human rights and compliance mechanisms
Various departments of LG Electronics contributed to preparing this report to ensure the accuracy of information provided herein. Led by the CSM Task, the management strategy, human resources, labor-management, environment and safety, quality and purchasing, communications, investor relations departments assisted with the report. Each of the divisions also gave their input.

LG Electronics will continue to provide accurate information via the Sustainability Report. We look forward to feedback and constructive criticism from all our stakeholders.

Please send all comments on this report via the contact details provided below.

CSM Task, LG Electronics
LG Twin Towers, 20 Yeoido-dong, Yeongdeungpo-gu, Seoul 150-721, Korea
Tel., +82-2-3777-5121  e-mail, sustainability@lge.com  Homepage, www.lge.com
Promise³

Feedback questionnaire

Sustainability Report 2005
Feedback questionnaire

Please take a few minutes to fill in this feedback questionnaire to tell us what you think about our first Sustainability Report. Your valued opinions will be reflected in improving future editions.

1. To which of the following groups do you belong?
   - Employee
   - Civic group
   - Shareholder and financial institution
   - Local resident
   - Customer
   - Academia
   - Partner firm
   - Other: ________________________________

2. What specific information were you looking for and for what purpose did you read this Report?

3. How credible was the Report’s information in the following areas?
   - Management system  ◀ Very poor □ □ □ □ □ □ □ □ □ Very good ▶
   - People  ◀ Very poor □ □ □ □ □ □ □ □ □ Very good ▶
   - Planet  ◀ Very poor □ □ □ □ □ □ □ □ □ Very good ▶
   - Prosperity  ◀ Very poor □ □ □ □ □ □ □ □ □ Very good ▶

4. How would you rate the Report on the following items?
   - Clarity of information  ◀ Very poor □ □ □ □ □ □ □ □ □ Very good ▶
   - Design  ◀ Very poor □ □ □ □ □ □ □ □ □ Very good ▶
   - Overall satisfaction  ◀ Very poor □ □ □ □ □ □ □ □ □ Very good ▶

5. How satisfied were you with LG Electronics’ activities in the following areas?
   - Management system  ◀ Very poor □ □ □ □ □ □ □ □ □ Very good ▶
   - People  ◀ Very poor □ □ □ □ □ □ □ □ □ Very good ▶
   - Planet  ◀ Very poor □ □ □ □ □ □ □ □ □ Very good ▶
   - Prosperity  ◀ Very poor □ □ □ □ □ □ □ □ □ Very good ▶

6. Do you have any additional opinions on LG Electronics’ activities or Sustainability Report?
   If so, please specify.

7. Please provide your address and contact details if you would like to receive future editions of our Sustainability Report.
   - Name: ____________________________
   - Telephone number: ________________
   - Address: __________________________
   - Company: __________________________
   - e-mail: ____________________________