



LG Electronics
2011-2012
Sustainability Report



LG WAY
TO SUSTAINABILITY

Report Overview

This is the sixth Sustainability Report issued by LG Electronics.

It is our sincere intention to openly share our sustainability efforts and performance in 2011 with all stakeholders and initiate meaningful communication on this important issue.

Special Features of This Report

Key Progress and Performance · To clearly illustrate LG Electronics' sustainability performance to our stakeholders, we have featured "Key Progress and Performance" in this report. Based on a Materiality Analysis, we have identified key sustainability management issues and illustrated opportunities and risk factors, mid to long term goals and progress, and future goals and direction related to those issues. We will also continue to utilize those issues as the key indicators for our sustainability management performance.

Special Issue · LG Electronics, which was named as one of the World's 100 Most Innovative Companies in 2011 by a world-leading business intelligence provider Thomson and Reuters, is expanding its capabilities into water solutions and establishing it as a future growth engine, as we continue our efforts into R&D as well. "Special Issue" illustrates how LG Electronics is preparing itself for the future and striving for sustainable growth. Additionally, it highlights the progress we have made to date.

Reporting Principles

This report was prepared in accordance with the G3.1 guidelines of the Global Reporting Initiative (GRI) and the Accountability Principles Standard (AA1000APS). Based on a Materiality Analysis, priority was given to issues and information relevant to both LG Electronics and our stakeholders in preparing this report. Information about the key issues are organized and presented in a consistent format comprised of three parts – "Our Approach", "Our Performance" and "Future Direction", to provide greater clarity and structure.

Reporting Preparation and Process

In preparation of this report, we conducted a preliminary survey of internal and external stakeholders to analyze materiality and improve the report structure. The result was reported to management and briefed to the CSR Council comprised of staff members from relevant departments. Articles prepared by each department were finalized after a review by management and a third party assurer.

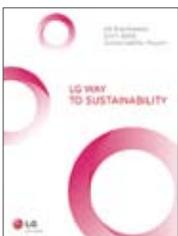
Reporting Period and Scope

This report was prepared based on data for the period from January 1 to December 31, 2011. For quantitative measures of performance, some data for the first half of 2012 was included as well. This covers all LGE business sites in Korea and overseas.

Standard currency for this report is the Korean won (KRW), with an average exchange rate of 1,108.11 KRW against the USD in 2011 (first quote of the day, selling rate). The exchange rate in effect on December 31, 2011 was USD 1 = KRW 1,159.00.

Assurance

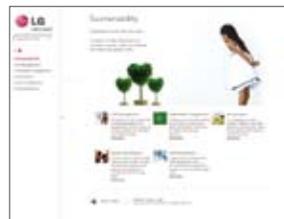
To ensure credibility, this report has received a third party assurance from the Korea Productivity Center, which provides independent external assurance for corporate sustainability reports. The assurance statement is on [pages 83-84](#).



Striving for Sustainability based on the LG Way

With the LG Way (Customer-Value Creation, People-Oriented management, Jeong-Do Management) as its guiding principle, LG Electronics is adhering to the basics of management and seeking mutually sustainable growth with stakeholders.

Information sources concerning LG Electronics' sustainability management efforts



LG Electronics Website
(<http://www.lg.com/sustainability>)



Environmental Report



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Key Progress and Performance

Key CSR Issue	Mid to Long Term Objective
 Product Quality and Safety	<ul style="list-style-type: none"> • Achieve the “World's Best Product Safety” within three years (by 2013)
 Greener Products	<ul style="list-style-type: none"> • Expand greener products • Improve product energy efficiency • Increase the use of recycled materials and reinforce E-waste management system
 Low-Carbon Green Management	<ul style="list-style-type: none"> • Meet the reduction targets for GHG emissions associated with production and product use <ul style="list-style-type: none"> - Production: Reduce 150,000 tons by 2020 from the base year 2008 - Product use: Reduce 30 million tons by 2020 compared to the total energy consumption in 2007 • Expand green businesses • Expand GHG management throughout the value chain
 EESH Management	<ul style="list-style-type: none"> • Establish a management system for suppliers’ manufacturing processes with high environmental impacts by 2013 • Improve the overseas EESH management level to over 90% level of Korea by 2013
 CSR in Supply Chain	<ul style="list-style-type: none"> • Implement the risk management system based on the Electronic Industry Citizenship Coalition (EICC) standards <ul style="list-style-type: none"> - Conduct regular risk assessment and make corrective actions - Conduct an audit on 25% of high-risk suppliers • Establish a tracking system for regulations on conflict minerals
 Social Contribution	<ul style="list-style-type: none"> • Contribute to achieve the UN Millennium Development Goal 1 (Eradicate extreme poverty & hunger) and Goal 7 (Ensure environmental sustainability) by 2015
 Corporate Culture/Work-Life Balance	<ul style="list-style-type: none"> • Improve overall employees’ awareness of the LG Way (Overseas awareness is 89% compared to Korea’s index)
 Labor Rights Protection	<ul style="list-style-type: none"> • Bring the risk level down to low at all production sites (100%) by 2014 (based on the EICC standard) • Strengthen internal regulations up to the EICC standard

Major Achievement in 2011

Future Direction

<ul style="list-style-type: none"> • Strengthened quality management <ul style="list-style-type: none"> - Implemented the "Quality Penalty" system - Conducted a corporate wide Product Liability Audit by HQ • Recognized for "Excellence in Life Safety Achievements" in 2011 • Received the Presidential Award in Standardization on World Standard Day 2011 	<ul style="list-style-type: none"> • Raise employee awareness on product safety and establish accountability • Create a corporate culture that puts product safety as the first priority • Plan to establish an internal testing center exceeding the global standards
<ul style="list-style-type: none"> • Acquired the "Energy Star Most Efficient" Certification (Eight TV, two refrigerator and three washing machine models) • Carbon Label: Korean Carbon Footprint Label, Carbon Trust, Carbon Free • Selected as "The Most Water Efficient Product" from the U.K.'s Waterwise (Drum washing machine and dishwasher) • Received the Presidential Prize at the 2011 Global Green Management Excellence Awards (TROMM Washing Machine) • Collected a total of 188,264 tons of E-waste (Korea, Japan, Europe and U.S.) 	<ul style="list-style-type: none"> • Continually strengthen the standards for greener products • Reduce GHG emissions associated with product use by improving product energy efficiency • Increase and improve disclosure of product carbon footprint information • Increase E-waste recycling
<ul style="list-style-type: none"> • Reduced 102,000 tons of GHG emissions associated with production compared to 2008 • Contributed to reduce 21 million tons of GHG emissions associated with product use based on the total energy consumption in 2007 • Developed and strengthened green businesses such as photovoltaics, LED lighting, smart grid, water solutions, etc. • Selected as the Carbon Management Global Leaders Club (Three consecutive years) 	<ul style="list-style-type: none"> • Expand and reinforce GHG reduction efforts to meet the mid to long term targets • Reinforce green businesses (photovoltaics, LED, etc.) • Expand support for suppliers' GHG reduction efforts
<ul style="list-style-type: none"> • Strengthened the support system for overseas production subsidiaries' EESH management • Established the audit system and fostered EESH auditors • Acquired Korea's first Green Management System Certification 	<ul style="list-style-type: none"> • Improve the management and operation quality of the integrated EESH system • Provide continual support to overseas subsidiaries and suppliers for improving their EESH management capability
<ul style="list-style-type: none"> • Included CSR requirements into Master Purchase Agreement • Provided CSR training for 152 suppliers • Conducted risk assessment for 213 suppliers • Performed onsite consulting for 17 suppliers • Conducted a survey on suppliers about the use of conflict minerals 	<ul style="list-style-type: none"> • Expand the number of suppliers in CSR Risk Program • Increase certified conflict-free smelters within the supply chain
<ul style="list-style-type: none"> • Expanded social contributions to underdeveloped countries (Africa and Asia) • Utilized our technology in making social contributions (LG Smart TV Charitable App, mobile phone for the visually impaired, LG Hope Screen, etc.) • Developed employee donation and volunteer programs and honored employees with an award (The LGE People Award – Volunteerism) 	<ul style="list-style-type: none"> • Make social contributions utilizing our products and technology • Increase volunteer activities for local communities at a subsidiary level • Maintain database on employee donations and volunteer work
<ul style="list-style-type: none"> • Increased direct communication between management and employees (Mr. CEO Email Account, Mr. CEO Pizza, field visits, etc.) • Diversified support programs for employees and their family members 	<ul style="list-style-type: none"> • Create a work environment promoting "Creativity and Autonomy" • Strengthen "Work-Life Balance" activities for employees
<ul style="list-style-type: none"> • Conducted training for management and related staffers • Performed risk assessment on all production sites and implemented improvement measures • Conducted a survey on forced labor • Performed consulting for 11 Chinese subsidiaries to make improvements 	<ul style="list-style-type: none"> • Raise internal awareness of the CSR management program • Upgrade the CSR risk consulting process and tools • Discover labor rights BP and share them widely • Improve the overseas grievance resolution system



CEO Message

We will achieve sustainability by focusing our collective energy and resources into strengthening fundamentals and preparing for the future.

What is the basis for LG Electronics' pursuit to achieve sustainable management?

As a leading global corporation, LG Electronics has been able to continue its growth, expanding in size and strengthening its fundamentals, with an emphasis on basics such as product quality.

For us to continue sustainable growth, "Jeong-Do Management", LG's unique guiding principle for action, is essential.

Only when we consistently strengthen fundamentals and compete in the market with integrity as we orient our business practices with "Jeong-Do Management", will LG Electronics be able to create greater value for local and international communities, as well as our customers and employees.

What are the main challenges of LG Electronics in achieving sustainable growth?

As the prolonged economic contraction in advanced nations slows global economic growth, competition is becoming increasingly fierce. However, if we thoroughly plan and prepare for the future, such challenges could become an opportunity, not only for strengthening our fundamentals but also for taking a leap forward.

To translate current challenges into opportunities and achieve sustainable management, LG Electronics is placing emphasis on four key areas.

Firstly, we must secure "product leadership". It is critical to introduce market leading products that offer differentiated value. Our ongoing effort into securing requisite R&D capability and impeccable quality is directly connected to product leadership.

Secondly, we have to strengthen our fundamentals. We can never overemphasize the importance of respecting our customers and employees. LG Electronics has earned complete trust from stakeholders with its proper mindset, action, and superior quality.

Thirdly, we need to build a solid ground for continued growth by thoroughly preparing for the future.

Lastly, we have to create a "do it right" culture that inspires employees to strive for our vision of becoming No.1 LG with passion.

Please tell us the areas where we need to place more effort into achieving sustainable management.

First and foremost, we need to become an organization that facilitates communication. To make swift and accurate decisions in the rapidly changing global business climate, two-way communication between internal and external stakeholders becomes absolutely essential. Only when we can have a lively exchange of opinions will we be able to develop great products and bring them to the market in a timely manner. To promote communication, LG Electronics is advocating "field-oriented" management, and I will also work to increase opportunities to meet employees, ensuring valuable communication with them.

Executives are going to get out there to meet diverse stakeholders, including our people, listen to what they have to say and incorporate their voices into management decisions, as part of our collective effort into achieving No.1 LG. We are strongly committed to make every effort to ensure that LG Electronics can continue its growth as a sustainable company, trusted and cherished for a long time to come.

May 2012

Bon Joon Koo, Vice Chairman & CEO



Top Management Messages



Young Ha Lee, Business Support Officer/President

LG Electronics fully understands that the key to sustainable management is to listen to our stakeholders including customers, and incorporate their opinions and suggestions into business operations. We believe that it is through first fulfilling our basic responsibility of employing people and making profits based on stakeholders' trust and "Jeong-Do" Management and making genuine efforts to resolve social and environmental issues that LG Electronics can achieve sustainability. LG Electronics will strive to act responsibly throughout its business operations, from development of products with both economic and social value through to responsible sourcing, protection of human rights, the environment, and contributions for addressing social issues.

Skott Ahn, Chief Technology Officer/President

For LG Electronics to achieve sustainability, we need to create new value for customers constantly, and technology innovation is the only thing that enables us to do this. To this end, LG Electronics is investing in new businesses such as photovoltaics and water solutions, striving for low-carbon green management and developing highly energy efficient products, as part of our effort to secure technology that reconciles economic and social value in a product or service. We will continue to innovate and develop great products and technology so that our customers can thrive in a healthy and clean environment and LG Electronics can become a global leader in social, cultural and environmental trends.



Ki Wan Kim, Global Marketing Officer/Executive Vice President

Being fully aware of the ever changing trends and customer needs and constantly engaging with customers to identify what they truly want, that is the role which marketing needs to play in the process of striving for sustainable management. LG Electronics is making every effort to accurately identify customer needs at all stages, from product development to post-production phases, including communicating product information and sales and distribution. LG Electronics will continue to provide differentiated value to our customers and increase brand trust while striving to become a responsible corporation that contributes to addressing mid to long term social challenges.



Ho Geon Hwang, Chief Human Resources Officer/Senior Vice President

All LG Electronics members have a responsibility to strive for sustainable management and fulfill their social responsibility as a member of their respective countries and communities based on our management principle, "People-Oriented Management"

LGE's HR policy also aims at developing our employees to feel proud to be a member of LGE and utilize their capabilities to the fullest extent as well as grow into a responsible member of the society. We will pay continued attention and provide various supports to each and every member of LG Electronics so that all LGE members can become a responsible global corporate citizen.

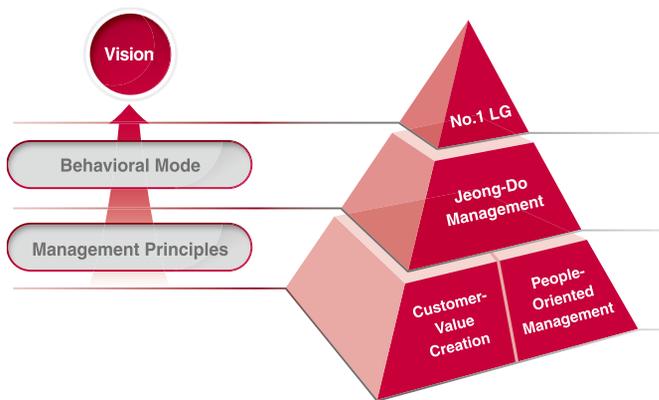


Management Philosophy

The “LG Way” is a management principles unique to LG, arising during the inception of the company and perfected through decades of experience. It is a guiding principle of every LG employee’s thinking and action, and we are confident that by remaining true to the spirit of the “LG Way”, LG Electronics will continue to grow and flourish as a company respected by all stakeholders. Following the year 2011, LG Electronics further cultivated its corporate slogan in 2012, incorporating our strong commitment towards assertive action. This year’s corporate slogan encourages employees to become first movers in the market, and to thoroughly prepare for the future and do things the right way. Our slogan provides a specific means for placing our management principles into practice, and emphasizes our willingness to act.

LG Way

Representing LG’s unique corporate culture, the LG Way articulates our belief in attaining our vision of becoming “No.1 LG” through “Customer-Value Creation” and “People-Oriented Management”, as we orient our business practices with “Jeong-Do Management”.



No.1 LG “No.1 LG” is the ultimate goal to which all LG businesses should strive. It expresses our commitment to become a dominant leader in the global market by consistently providing our customers with differentiated value in each and every market segment.

Customer-Value Creation “Customer-Value Creation” is the very reason for our existence, and is the core principle of LG Electronics. We are in business because customers buy our products and services, and it is only natural that we strive to provide greater value to and create new value for our customers.

People-Oriented Management “People-Oriented Management” expresses our belief that each and every employee is an integral part of our effort to create value for customers. Based on this tenet, we are committed to creating an environment where our employees can reach their full potential and utilize their abilities to the fullest extent, thereby fostering a spirited workforce that is prepared for challenge. This will ultimately ensure an LG that is both strong, and competitive.

Jeong-Do Management In order to gain the complete trust of our customers and achieve sustainable growth, “Customer-Value Creation” and “People-Oriented Management” must be facilitated by “Jeong-Do Management.” LG Electronics believes that we can afford to compete fairly and produce results with integrity by continuously strengthening our fundamentals.

Corporate Slogan

Our 2012 slogan expresses the commitment of all LGE members towards overcoming the current challenges we face and taking a leap forward to become No.1 LG. We firmly believe that we can achieve our vision of becoming No.1 LG by remaining true to the spirit of the “LG Way”, and entrenching our leadership in the market through customer value innovation.

Challenging Soul

LGE members audaciously take on challenges in the global market

The Earth

The global market, on which LGE stages its efforts

Smart Green

LGE’s commitment to humanity actualized by sustainable green growth

GoldStar Yellow

Commitment for strengthening fundamental competitiveness to restore LGE to its former glory



Meaning behind the Slogan

LGE’s slogan illustrates our belief that with increasing uncertainties and competition, we must become the first mover in the market, make thorough preparations for the future, and do things right if we want to create differentiated value for customers.

Be First

This phrase expresses our commitment to becoming the first mover in the market, preparing in advance and creating differentiated value for customers. LGE will strive to achieve its goals by sparing no effort to prevent risk, fearing no challenge, and actively pursuing innovation.

Do it Right

This phrase illustrates our commitment to creating differentiated value by doing things the right way and meeting our goals. LGE will achieve its goals with a collective passion for doing things right.

Work Smart

This phrase expresses our commitment to focus our efforts on creating real value for customers. LGE will base its decisions on customers’ needs and desires, and provide innovative products and services that significantly exceed your expectations.

Corporate Overview and Economic Performance

As of December 31, 2011

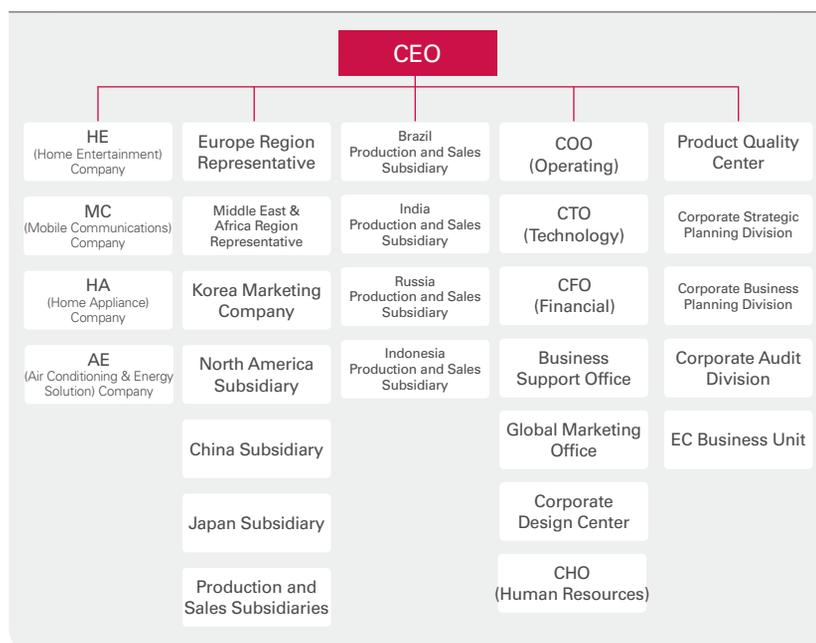
(): Change in figures compared with the previous year
Unit: KRW billion

LG Electronics Overview

Organization Name	LG Electronics, Inc.	Total Assets (Consolidated)	32,658.5 (+340)
Location of Headquarters	LG Twin Towers, 128 Yeoui-daero, Yeongdeungpo-gu, Seoul, 150-721, Korea	Total Liabilities (Consolidated)	19,510.2 (+51.3)
Industry	Manufacturing	Sales	Parent 28,097.1 (-1,141.4) (Korea 8,174.7/Overseas 19,922.4)
Main Products	TV, Home Theater System, BluRay Player, Mobile Handset, Laptop Computer, Refrigerator, Washing Machine, Cooking Appliance, Built-in System Kitchenware, Vacuum Cleaner, Health Care Appliance, Air Conditioner, Monitor, Security System, Commercial Display, etc.	Consolidated	54,256.6 (-1,497.2)
CEO	Bon Joon Koo	Operating Profits	Parent (loss) (299.2) (+805.5)
Date of Establishment	October 1, 1958	Consolidated	280.3 (+103.8)
No. of Employees	91,045 (+467) [Korea: 35,286/Overseas: 55,759]	Credit Rating	AA (Domestic), Baa2 (Moody's), BBB- (S&P)
		No. of Shareholders	199,094
		No. of Shares	180,833,806

In 2012, LG Electronics plans to maintain its existing organizational structure, which was reconfigured around four business units (HE, MC, HA and AE Company) in December 2010. We have reinforced the organization throughout our business operations from production through quality, purchasing, supply chain management and CS to secure business competitiveness based on product leadership. We also created the Chief Operating Officer position to strengthen the preparation system for future businesses and build a fast and strong organization, thereby creating a structure that well accommodates the company's effort for improving product competitiveness. Additionally, LGE removed overseas region representatives except for Europe and Middle East & Africa and consolidated organizations with similar functions to speed up the decision making process and facilitate optimal resource allocation and strong business execution. In preparation for an increasing shift towards "Smart & Convergence", we have reinforced relevant organizations at Business Units, HQ and CTO including R&D, strategic planning, and product planning.

Organizational Chart



Domestic Subsidiaries

As of December 31, 2011

Unit: KRW billion

Company	Main Business	Capital (Percentage of Ownership)	Sales	Transactional Relationship
HiPlaza	Wholesale & Retail of Electronics	3720 (100.00%)	1,398.7	Product Sales
HiLogistics	Logistics Management & Service	3.60 (100.00%)	379.7	Logistics Service
Hi-M Solutek	Generic Machinery and Equipment Repair	3.50 (100.00%)	575	Service
HiTeleservice	Call Center and Telemarketing Service	0.15 (100.00%)	45.6	Service
Innovation Investment	New Technology Business Investment	30.00 (83.33%)	1.1	Investment Cooperative
KTVTech Investment	New Technology Business Investment	5.48 (99.83%)	0	Investment Cooperative
New Venture Investment	New Technology Business Investment	10.40 (96.15%)	0.1	Investment Cooperative
ACE R&A Co.	Air Conditioner Manufacturing	1.00 (100.00%)	25.2	Product Manufacturing and Sales
HiEntech	Water Quality Engineering	2.50 (100.00%)	35.1	Service

Business Operations and Main Products

LGE is organized into four business units: Home Entertainment (HE), Mobile Communications (MC), Home Appliance (HA), and Air Conditioning & Energy Solution (AE) and leading the global market with innovative consumer electronic products, mobile communication devices and home appliance technologies.



HE Company
LCD TV, PDP TV, LCD Monitor, Audio & Video, and Security Systems

Despite the sales increase of premium products such as CINEMA 3D TV and Smart TV, overall sales (Parent) were down 4% compared to the previous year at KRW 9,226.5 billion due to contractions in the TV market and IT demand, and sales (Parent) decreases in CRT TV and PDP TV. LGE's LCD TV M/S jumped to the 2nd in the global market and profit increased despite the sales contraction thanks to successful profitability management across the business segments.



MC Company
Mobile Handset, Smartphone, Netbook, Tablet PC, and Network Infotainment

With the expansion of the smartphone market, the share of smartphone in overall sales increased about 39% (in sales amount) thanks to improved product competitiveness. However, the contraction of the feature phone market and disappointing sales performance of a few new smartphone models led to a sales (Parent) decrease of 9% compared to the previous year at KRW 9,330.3 billion. Profitability, on the other hand, is showing continuous improvement thanks to a sales increase led by LTE handsets and cost structure improvement from efficient cost management.




AE Company
Residential Air Conditioner, Commercial Air Conditioner, Solar Energy Solution, LED Lighting, and Network Solution

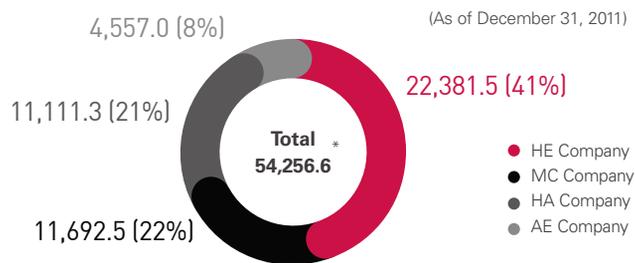
Thanks to robust sales growth in the advanced markets and sales increases in the Korean and emerging markets (including South & Central America and CIS regions) underpinned by superior product competitiveness and a heat wave, sales (Parent) went up by 17% from the previous year, recording KRW 2,302.1 billion. LGE gained market share in system air conditioners in Korea and overseas by focusing marketing efforts on strategic markets and effectively responding to stricter energy regulations.



HA Company
Refrigerator, Washing Machine, Kitchen Appliance, Vacuum Cleaner, Healthcare Appliance, and Water Solutions

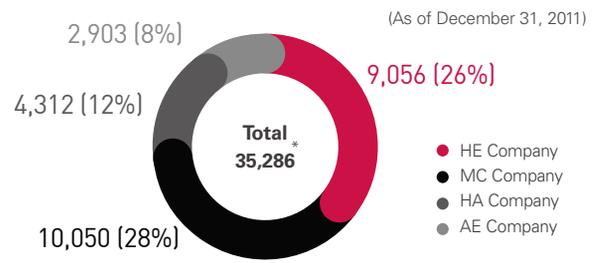
Due to the prolonged economic contraction in Europe and slow recovery in the U.S., sales growth in the advanced markets was negligible. However, LGE continued to expand its sales in the Korean and emerging markets and recorded KRW 4,793.7 billion in sales (Parent), up 4% from the previous year. In the refrigerator and washing machine segments, LGE showed superior competitiveness with high capacity and efficiency models. In the new business segment, the Company continued to expand its healthcare business including water purifier and established infrastructure for water solution business.

Sales by Company (Consolidated) Unit: KRW billion (%)



*The total sales include those generated from other businesses and the internal transactions between Companies (KRW 4,514.3 billion/8%). A percentage of sales by company was calculated based on the organizational structure implemented with the 2010 (December) reform.

No. of Employees (Korea) Unit: No. of Employees (%)



*The total number of employees includes those at HQ (8,965/26%). A percentage of Korean employees by Company was calculated based on the organizational structure implemented with the 2010 (December) reform.

Shared Economic Gains (Parent)

The European financial crisis, the global economic contraction and decreasing sales prices resulting from intensifying competition created by a tough business climate in the year 2011. Although rising commodity prices eroded profit margins on home appliances, the improved profitability in TVs, air conditioners and mobile handsets contributed to reducing operating loss, showing a gradual turnaround in overall performance. Sales were down 4% from the previous year with KRW 28.971 trillion. The weakened profitability led to a significant decrease in corporate tax and other dues. Wages and benefits for employees and dividends increased while financial contributions for its social activities decreased significantly.

LGE is fulfilling its economic responsibility by sharing the economic value created through business activities with a variety of stakeholders, such as shareholders, business partners, employees and local communities. LGE strives to improve its business profitability and secure new opportunities for growth to distribute greater value to our stakeholders.

Dividends

Category	2009	2010	2011
Net Income for the Year (KRW billion)	2,052.8	- 635.9	- 277.9
Earnings per Share (KRW)	12,740	- 3,929	- 1,543
Total Dividends Paid (KRW billion)	282.7	33.1	36.9
Dividend Payout Ratio (%)	13.77	-	-

· In 2010 LGE adopted the Korean International Financial Reporting Standards (K-IFRS) prior to its mandatory implementation and applied it to the 2010 performance. The 2009 data in this table are based on the Korean Business Accounting Standards.

Economic Value Generated, Distributed and Retained (Parent)

Unit: KRW billion

Category	2009	2010	2011
Sales	30,513.4	29,238.5	28,097.1
Non-operating Income and Financial Profits	2,115.1	2,046.9	1,469.3
Economic Value Generated	32,628.5	31,285.4	29,566.4
Operating Expenses	29,100.9	30,343.1	28,396.3
Wages and Benefits	2,079.5	2,173.5	2,488.5
Capital Costs	472.5	178.0	252.8
Taxes & Dues	230.8	23.5(51.3)	25.6
Social Contribution	15.6	21.4	10.8
Economic Value Distributed	31,899.3	32,739.5	31,174.0
Economic Value Retained	729.2	- 1,454.1	- 1,607.6

- Non-operating income and financial profits: Expressed in accordance with the Korean International Financial Reporting Standards (K-IFRS).
- Operating expenses consist of sales costs and administrative expenses.
- Capital costs consist of interest expenses and dividends.
- Taxes & dues consist of corporate taxes, public dues, resident tax and a special tax for rural development.
- The figures in parenthesis "()" indicate a mistake made on data disclosed in the 2010 report. The figures have been adjusted to fix the errors identified during the verification process.

Flow of Economic Value (Parent, 2011)

Unit: KRW billion



Global Network

Employees by Country

As of December 31, 2011

Korea	China	Brazil	India
35,286 (38.8%)	16,228 (17.8%)	6,178 (6.8%)	5,225 (5.7%)
Mexico	Poland	Indonesia	Others
4,538 (5.0%)	4,356 (4.8%)	2,733 (3.0%)	16,501 (18.1%)

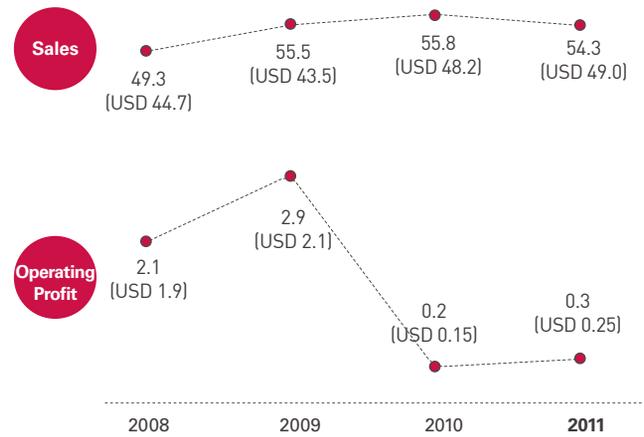
Sales Overview (Parent)

Unit: KRW billion

Category	2009	2010	2011
Sales			
Korea	6,665.0	6,892.0	8,174.7
Overseas	23,848.4	22,346.5	19,922.4
Total	30,513.4	29,238.5	28,097.1
Net Income before taxes	1,419.0	- 1,077.0	- 402.4

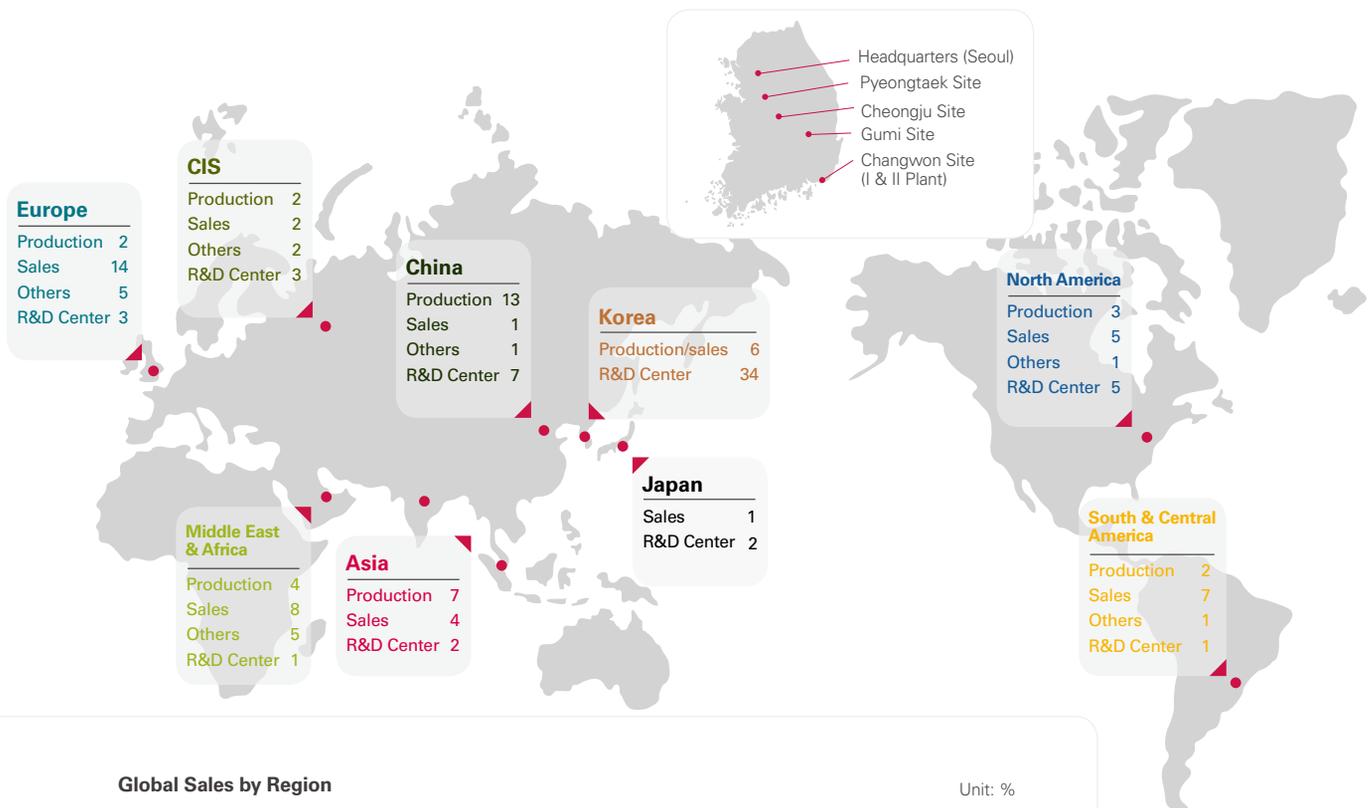
Global Sales and Operating Profit (Consolidated)

Unit: KRW trillion (USD billion)



USD 1 = KRW 1,103 (2008)/KRW 1,276 (2009)/KRW 1,157 (2010)/KRW 1,108 (2011)

Global Operations (As of December 31, 2011)



Excluded: Direct sales of Headquarters and overseas production subsidiaries were not included in the overseas sales

CSR Management

LG Electronics is not only internalizing Corporate Social Responsibility (CSR) throughout its business operations but also striving to provide differentiated value to its stakeholders with technology and product innovations. It is our plan to first earn stakeholders' trust through such efforts and achieve sustainable growth. LG Electronics will continue its efforts to improve CSR performance to become a well-respected global corporate citizen.

CSR Management

In order for LG Electronics to earn the trust of stakeholders and achieve sustainable growth, it first must become a healthy organism in the market ecosystem and assume a proactive role in making the system healthier throughout its business activities, including products and services. Additionally, we need to take care of our communities, help those in need become self-reliant, interface and communicate with a variety of stakeholders throughout this process, and form a trust-based relationship with them.

To meet this goal, LGE established and is implementing four strategic tasks: CSR Change Management, CSR Risk Management, Stakeholder Engagement and Strategic Social Contribution. From product R&D through purchasing, production, sales and after sales service, LGE is striving to improve its CSR execution while strengthening its efforts to build consensus and partnership with stakeholders.

CSR Change Management

To facilitate continual value creation and build strong fundamentals, LGE established the CSR Committee comprised of top executives including CEO and the Global CSR Council (an corporate-wide working-level staff council). The CSR Committee makes executive decisions concerning the company's CSR direction and strategies, while the Global CSR Council formulates specific plans and action plans based on executive decisions, translating them into corporate-wide CSR activities.

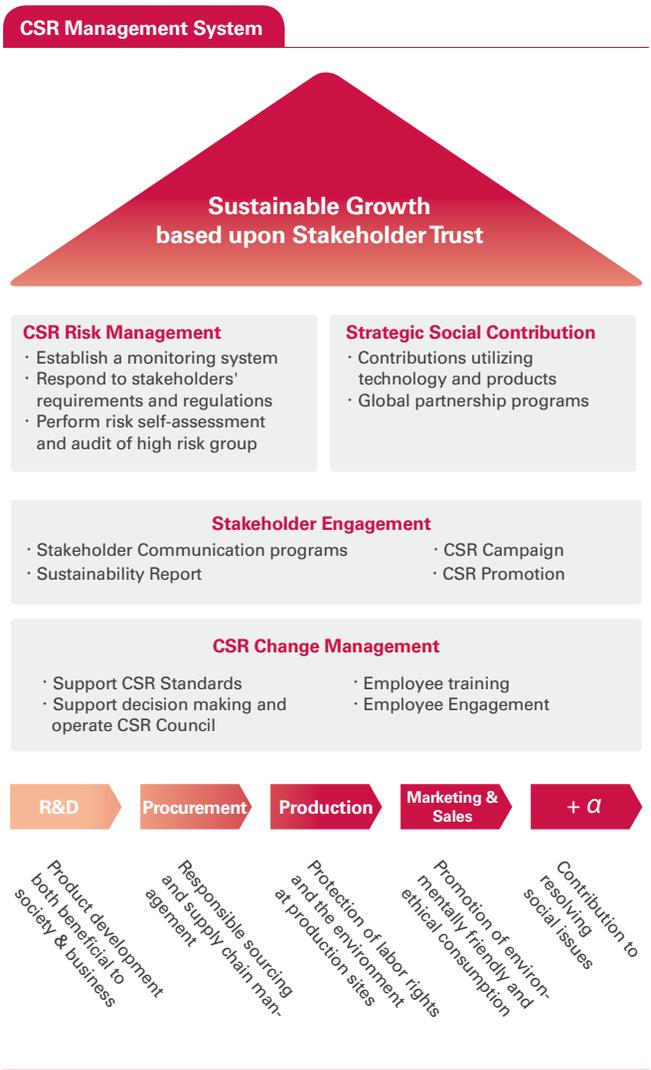
Each of LGE's four business units launched a CSR committee in 2011, responsible for reporting the Company's CSR performance and introducing CSR management BP from the subsidiaries under their purview. In April 2012, CSR activities were presented at the Board of Directors (BOD) meeting for the first time and the BOD bylaws were amended to include CSR in its official agenda.

Upon joining the United Nations Global Compact (UNGC) and the Electronics Industry Citizenship Coalition (EICC), LGE strengthened its compliance management for all Korean and overseas production sites and suppliers while requiring new hires (start-up/with experience), sojourning employees and subsidiary president candidates to undergo CSR training to raise employee awareness of the issue. We plan to expand training to specialists such as procurement managers from 2012. LGE was also included in the Dow Jones Sustainability Asia-Pacific Index for two straight years from 2010. We analyzed the assessment results and identified areas for improvement, registering improvement tasks to the respective departments and monitoring.

Stakeholder Engagement

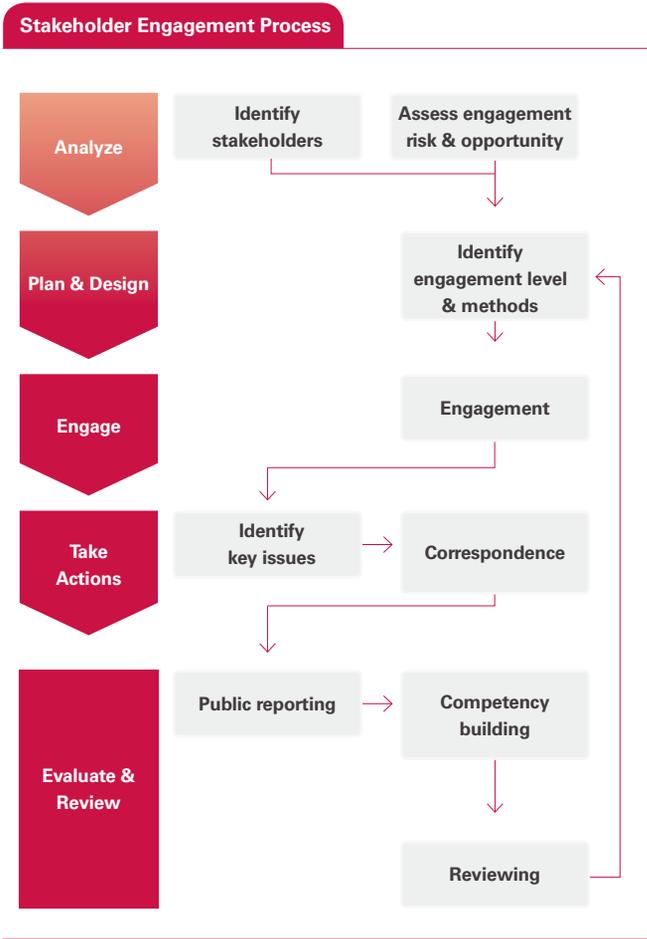
Since April 2010, LG Electronics has been holding a semiannual Stakeholder Consultation to build consensus with its major stakeholders (customers, suppliers, the government, and investors, etc.) and seek their opinions on its CSR activities. Stakeholder Consultation was held with the theme of "Social Contribution" in March 2011, and "Product Safety" in April 2012. LGE's performance in each area was reviewed, and the company's role going forward as a global corporation was explored. To expand its contact points with global stakeholders, LGE plans to hold Stakeholder Consultation at overseas locations, such as Europe and North America. Additionally, we are engaging our stakeholders through social network outlets including blog, twitter and facebook and encouraging them to participate in our volunteer work and donation campaigns. LGE is also actively accommodating stakeholder (buyer, NGO, etc.) inquiries and interview requests on CSR issues (a total of 49 instances in 2011). We are conducting regular exchanges with academia, industries and consulting agencies and share our CSR efforts and experience in diverse CSR events such as conferences, seminars and forums.

To raise the awareness of internal stakeholders (employees) on CSR issues and promote employee participation in donations and volunteer activities, we send out a periodic CSR newsletter to all team leaders both in Korea and overseas and share CSR information with employees via intranet, an internal communication magazine, signboards, on site digital media displays, etc.





1 Panel Discussion at the Global HR Forum
 2 CSR Training for Start-up Level Recruits (Volunteering at a Nursing Home)
 3 CSR Training for New Hires (Creating and Donating a Vegetable Garden)
 4 LGE Case Presentation at the High-Level Forum on Aid Effectiveness
 5/6 Global CSR Manager Training Program



systems based on the EICC Code of Conduct, and making improvements to address the issues identified through the process. In the first half of 2011, we required 34 production sites (Korea and overseas) to perform self-assessment (the EICC Self-Assessment Questionnaire). Although the assessment revealed that none of the sites were at high risk, we concluded that consulting and regular monitoring is required to lower the overall risk level at all production sites. Additionally, we asked 213 major suppliers to perform the self-assessment, which identified 45 suppliers at high risk. Based on the results, we conducted onsite consulting for 17 of the 45 sites identified as the high risk group. From 2012, LGE plans to perform regular self-assessments, site inspections, consulting and monitoring for all its production sites (Korea and overseas) as well as its first-tier suppliers (More details on pp. 52-54 and 70-71).

Strategic Social Contribution

The strategic focus of LG Electronics’ social contribution efforts is to achieve the United Nations Millennium Development Goals, particularly on resolving issues related to the environment, poverty and diseases in developing countries. Our efforts were fully represented in such cooperative initiatives as LGE’s sponsorship of UNEP’s (the United Nations Environment Programme) Champions of the Earth Awards, a partnership with the UN WFP (the UN World Food Programme) for famine relief efforts in Africa and Asia, and cooperation with the International Vaccine Institute (the IVI) in providing vaccines to Ethiopia. LGE also utilizes its technology and products to resolve social issues: a mobile phone that reads books for the visually impaired and a charitable app for LG Smart TV are a few examples of such efforts. The increasing participation of employees in LGE’s social contributions was evidenced by the “Life’s Good Volunteers” which shared its knowledge and talent and the “Life’s Good Day” event where employees chose to enjoy simpler meals and pass the savings on in the form of donations. LGE’s social contribution efforts also include the LGE Labor Union’s Union Social Responsibility (USR) activities and support to start-up social enterprises (More details on pp. 56-61).

CSR Risk Management

Since 2010, LG Electronics has been assessing CSR risk management at production sites both in Korea and overseas in the areas of labor rights, ethics, the environment, safety and health, and management

Special Issue I

Stronger R&D Capability

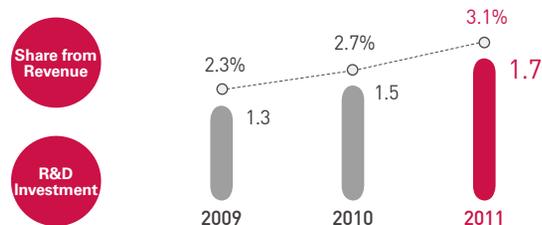
R&D Workforce and Investment

As of year-end 2011, LG Electronics invested 3.1% of its consolidated revenue for the year, or KRW 1.7 trillion, in R&D with a total R&D staff of 15,506 personnel in Korea. LGE plans to recruit more quality R&D talents to strengthen its fundamentals.

In 2012, we plan to invest a total of KRW 2.6 trillion into product leadership, production innovation and new businesses, including KRW 840 billion for stronger fundamentals and preparation for the future.

R&D Investment

Unit: KRW trillion



Preparation for Future Businesses

In order to continue the success in our core businesses for the future, LGE has designated Energy, Living & Eco, Automobile and Healthcare as the "Four New Businesses" and is making

R&D investments accordingly. In 2012, we are undertaking the following tasks with a goal to establish a solid foundation for future businesses with thorough preparation.



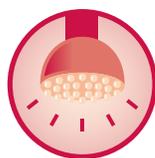
Energy

Focus investments in new and renewable energy sources, such as solar cell, fuel cell, etc., which are expected to replace fossil fuels



Automobile

Develop various smart car solutions to improve driving conditions, reduce environmental impacts, save energy, etc.



Living & Eco

- Make differentiated R&D investment into eco-friendly LED lighting
- Develop an energy management solution that facilitates efficient energy use in residential and commercial buildings
- Develop a total solution for water treatment



Healthcare

Establish a remote healthcare system in preparation for the aging society and invest in developing the next generation hospital grade medical diagnosis equipment

Patent Holdings

Possessing world-class competitiveness in telecommunications and broadcasting patents, LGE is consistently striving to maintain a balanced level of patent competitiveness across its businesses. In the area of telecommunications standards, U.S. investment bank Jefferies & Co recently announced that LGE currently holds the largest share (23%) of key global LTE patents, with over 1,400 patents valued at about USD 7.9 billion.

Additionally, LGE is strengthening patent partnerships with competitors, forging a licensing agreement with Sony to share each other's patent portfolios across their respective businesses and also with Microsoft.

The Blu-ray patent portfolio LGE jointly manages with HP, Hitachi, Philips and Sony is generating licensing fees as well (Blu-ray Disc: An optical disc storage medium driven by the optical recording format established by the Blu-ray Disc Association, which is headlined by Sony. Stores digital data for high definition (HD) video materials).

In order to maintain its competitiveness, LGE is seeking to acquire more patents, paying particular attention to elevate overseas patents to a similar level as Korea's.

LTE Patent Holdings and Estimated Value

Unit: USD million

Patent Holder	Ownership of Essential LTE Patents (%)	Estimated Value
LG Electronics	23%	7,907
Qualcomm	21%	7,329
Interdigital	9%	3,279
Motorola	9%	3,279
Nokia	9%	3,086
Samsung	9%	3,086
ZTE	6%	2,121
Nortel	4%	1,350
ETRI	2%	771
TI	2%	771
Ericsson	2%	579
NSN	2%	579
RIM	1%	386
Freescale	1%	193
Huawei	1%	193
NEC	1%	193

Source: Jefferies & Co

LG Electronics is striving to achieve sustainable growth by making an earnest effort to strengthen its R&D activities aimed at future growth. The company is engaging in strategic R&D tasks based upon the three pillars of R&D, namely Y+ 3⁺ Technology for core businesses, Innovation Technology for new and future businesses and generic technology utilized by all businesses. Additionally, we are expanding investments into establishing an R&D management system and attaining fundamental capabilities.

Open Innovation Activities



Innovative Company

In 2011, LG Electronics was named as one of the World's 100 Most Innovative Companies by the world-leading business intelligence provider Thomson and Reuters, clearly showing that guided by its management principle of "Customer-Value Creation," our company is leading the market with innovative technology and products that completely surprise customers with features that they haven't even thought they needed. Breaking away from traditional practices, LG Electronics is utilizing "Open Innovation" activities that promote R&D collaboration with overseas R&D Centers, LG affiliates and external organizations as well as interpersonal and inter-organizational cooperation within LGE.

LGE is making every effort to deliver only the pure essential technology to customers as thoroughly verified throughout each stage of product development (research, development and commercialization). Our goal is to establish an R&D system that facilitates the "Open Innovation" development approach at a technology level to secure broader application, rather than focusing on specific technology for a single product. This will allow us to utilize developed technology for diverse businesses in a timely manner.

Easy for the Eyes, FPR (Film Patterned Retarder) Technology

FPR (Film Patterned Retarder) is a 3D technology employing a precise film substrate attached to the LCD TV panel to show left and right images through different patterns in a circular polarizer. LG CINEMA 3D TV ("CINEMA 3D") using the FPR technology is a culmination of joint effort, with LG Chem's film being attached onto LG Innotek's LED device utilizing LG Display's panel application technology, and LGE's TV technology adding the final touch. CINEMA 3D, in particular, is applied with a special film instead of a glass film, drastically reducing production costs. The development of LGE's FPR technology was facilitated by full support and expeditious decision making by management, which placed customer convenience first and foremost.

CINEMA 3D fully addresses all issues associated with the Shutter Glasses (SG) 3D technology such as flickering, dizziness, dark image and uncomfortable glasses. Unlike SG 3D that blocks images and closes glass lens alternately, FPR 3D simultaneously shows both left-eye and right-eye images, as with viewing 2D images, thereby offering brighter images and wider viewing angles. It also provides greater 3D viewing experience with flicker-free images, which avoid headaches and dizziness associated with SG 3D systems. This has been officially proved by certification agencies TÜV Rheinland of Germany and Intertek of the U.S. certifying CINEMA 3D as flicker-free. Additionally, CINEMA 3D glasses don't require batteries or circuitry, generate no harmful electromagnetic waves, and are offered at affordable prices. Unlike SG 3D, FPR 3D does not require synching, enabling a large number of users to simultaneously enjoy 3D, as well as other FPR devices such as 3DTV, monitor, laptop, etc. with the same pair of glasses.



Special Issue II

Water, A New Challenge and Key for Future Growth

Water Solutions

Water Scarcity and Outlook for the Water Treatment Market

Water is an essential resource for human societies and natural ecosystems. But the combined effects of climate change, population growth and urbanization are causing rapid desertification and global water shortages. Estimates project that fresh water supplies per capita will decrease to a third of current levels in the next 25 years, and if current rates of freshwater use continue, 4 billion of the world's 7.8 billion people will not have sufficient access to clean water by the year 2025. (Source: The United Nations World Water Development Report)

Since the shortage of available water and deteriorating water quality directly impact business competitiveness and individual quality of life, countries and multi-national corporations are taking notice of the value and potential of the water market and quickly moving to develop it into a strategic industry.

According to the 2011 Global Water Intelligence Report, the size of the global water market is currently estimated at KRW 500 trillion (2012), and expected to reach KRW 595 trillion by 2016, with an annual growth rate of 4.5%.

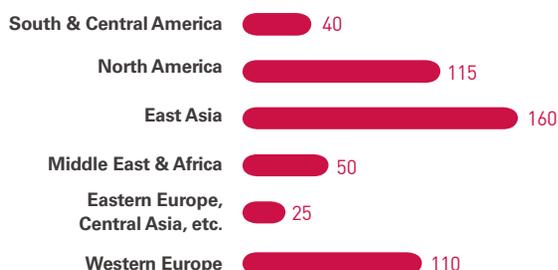
Size of the Global Water Market

Unit: KRW trillion



Size of the Regional Water Market in 2012

Unit: KRW trillion



Source: Global Water Intelligence (GWI)



Water Solutions, A New Growth Engine for LG Electronics

LG Electronics is well prepared for the water solution business. Thanks to our efforts in developing great home appliances, we have gained relevant capabilities and experience in this area. Our company has undertaken a broad number of studies on water properties to develop a perfect washing machine for European customers which is resistant to tap water containing high levels of calcium. We also acquired sophisticated water purification technology from our quest to develop a water purifier that filters all harmful substances while preserving healthy minerals. Utilizing water treatment know-how acquired from developing washing machines, refrigerators and water purifiers, LGE set out to develop its water solution business into a new growth engine, which was designated as one of the company's viable green growth businesses for the future along with electronic vehicle parts, LED and photovoltaics in the "Green 2020 Strategy" announced in 2009.

Status of LG Electronics' Water Solutions

The water solution business entails the design and construction of water treatment plants that purify water, as well as the production of equipment used in such plants. LGE was able to fast track the water solution business in 2009 because it already possessed key technology for producing membranes, a thin film-like structure used to filter water in water treatment plants (Membrane for sewage treatment: LGE RMC Business Unit; Membrane for drinking water treatment: LG Hausys, an affiliate of LGE). Not being satisfied with the current level of success, LGE is concentrating its R&D efforts into developing a differentiated water treatment system utilizing membrane technology,



successfully developing new environmental technology such as the G-MBR (Green-Membrane Bio Reactor) process, which reduces the eutrophication-causing phosphate with greater efficiency. More recently, LGE made an agreement with Hitachi Plant Technologies to cooperate in water treatment plant design and construction, and launched a joint venture LG-Hitachi Water Solutions (LHWS) in February 2012. Based on the synergy between LGE' IT R&D infrastructure and Hitachi's technological capability in water solution, the partnership is viewed as a strategic success for both companies in advancing their positions in the global water market. Going forward, LHWS will establish itself as a leader in water solutions focusing on drinking and sewage water treatment and reuse, industrial water supply, and industrial water treatment and reuse.

Scope of Water Solution Business

Equipment Manufacturing	Membrane Technology (LG Electronics/LG Hausys)	➔ LG Electronics
Design & Construction	Partnership with Hitachi Plant Technologies	➔ LG-Hitachi Water Solutions (LHWS)
Operation & Management	Acquisition of Daewoo Entech	➔ HiEntech

Based on the perspective that operation and management of a water treatment plant is just as important as designing and constructing one, LGE acquired Daewoo Entech, a leader in Korea's municipal sewage water treatment plant operation and management in August 2011. With the acquisition, LGE completed its preparation to become a comprehensive water

solution provider, securing capabilities ranging from mid to large size water treatment plant design and construction to equipment manufacturing and supply, and to plant operation and management.

Outlook for Water Solution Business

LGE has established a goal to become a global leading provider of comprehensive water solutions by 2020, with KRW 2 trillion in revenues. For the next ten years, LGE will invest more than KRW 500 billion to meet the sales target and become one of the ten largest water Solution providers.

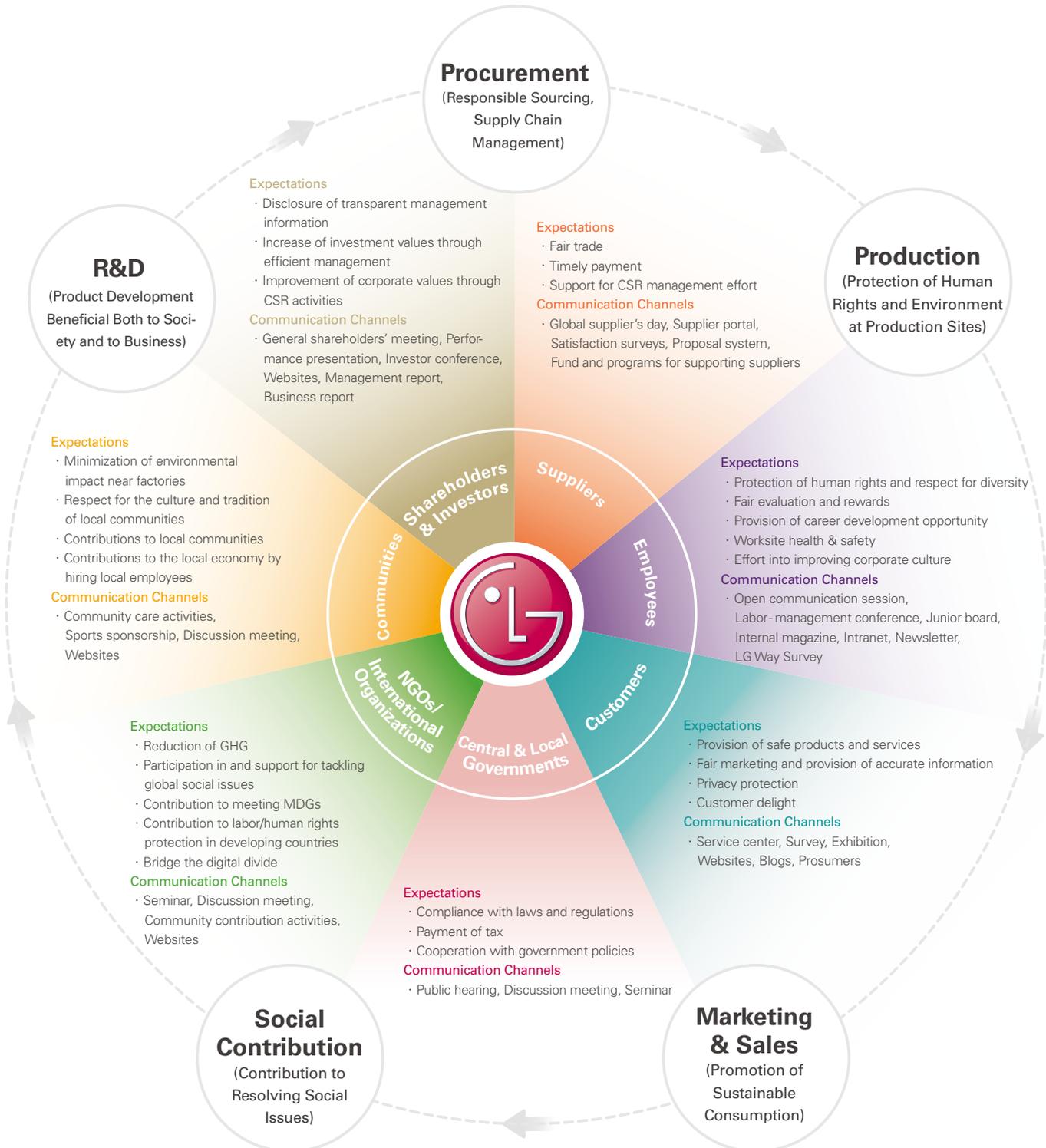


LG Group identified water solution as a new growth engine and has made consistent investments over the past two years to establish business infrastructure. Now, we are ready to make the plunge and produce some results. Based on our knowledge in cutting-edge technology such as IT and Smart Grid, LGE will create a smart water system only LG can deliver. We plan to focus our efforts more on the emerging markets than advanced countries, starting with the markets that show favorable reception to the LG brand. As a green technology for the future, water solutions hold great potential for growth; the size of the global market is currently estimated at KRW 500 trillion and expected to grow 4.5 % annually with climate change and environmental pollution sustaining the demand. LGE will spare no efforts and investments to become a leader of this promising market by 2020.

Young Ha Lee Business Support officer, LG Electronics/
President, LG-Hitachi Water Solutions

Stakeholder Engagement

Based on active communication with its stakeholders, LG Electronics strives to provide differentiated value to diverse stakeholders including customers and achieve sustainable management, while contributing to the improvement in quality of life for all humanity.



Stakeholder Consultation on CSR

In order to build consensus between LG Electronics and its stakeholders on Corporate Social Responsibility (CSR) and incorporate their diverse opinions into its sustainability management, LG Electronics started a semiannual Stakeholder Consultation from 2010. Comprised of experts in a variety of fields, Stakeholder Consultation is establishing itself as one of the most valuable communication channel for stakeholder engagement.



How to operate consultation

Stakeholder Consultation consists of an internal panel of LGE management and an external panel of professionals from various fields. To secure fairness and neutrality of the proceedings, Stakeholder Consultation is presided over by an independent expert in CSR management. Members of the external panel can freely present their opinions from a global perspective as individuals, not as representatives of their organizations. Results of the consultation are recorded and distributed in the form of minutes after review by participants, and then made public through the sustainability report.

Key Inputs from Stakeholders

4th Stakeholder Consultation (April 6th, 2012)

- Topic: LG Electronics' Product Safety and Quality Management; Exploring its Role in Promoting Safe Use of Electronics Products
- Moderator: Min Gu Jun
(Divisional Director, Two Tomorrows Asia)

Establish Global PL Response System

- Changes in business conditions such as FTA requires compliance with international standards on product safety:
Review legal precedents in the U.S. by state and European standards on product safety
- Proactive Implementation of Product Recall:
The Korean government to strengthen the collection of recall information for export items. Need to establish speedy and appropriate recall procedures

Reinforce Preventative Safety Measures

- Establish a risk assessment system:
Develop an effective assessment technique for predictable risks and perform regular assessment
- Improve the safety of components from suppliers
- Review the service center record on parts replacement:
Improve parts with a frequent replacement record in the product safety design and development phase
- Establish safety management process for durable products: Inform individual consumers and help them receive regular check-ups

Improve Product Information & Warnings for Consumers

- Strengthen display and wordings of misuse warnings: Provide sufficient information on the reasons why such misuse can pose hazard
- Display regular check-up period for durable products
- Develop a manual app providing usage directions

Miscellaneous

- Collect feedback from the general public on product manuals through SNS and incorporate their opinions before finalizing them
- Foster product safety specialists with a legal mind
- Protect user groups most vulnerable to safety incidents (children, elderly, and those with disabilities)
- Form a collaborative relationship with consumers through consumer organizations
- Create a connection between LGE's management philosophy and product safety:
Build a consensus on the importance of product safety across the board (from top executives to employees)



Participants in the 4th Stakeholder Consultation

- **Chae Heung Park**
Professor, Business Administration, Ewha Womans University
- **Nam Jeung Kim**
Director, Product Safety Policy Division,
Korean Agency for Technology & Standards,
Ministry of Knowledge Economy
- **Jong Hoon Kim**
Director, Electrical Safety Research Institute,
KESCO (Korea Electrical Safety Corporation)
- **Yong Soo Jeong**
Senior Research Fellow, Consumer Safety Center,
Korea Consumer Agency
- **In Rae Park**
President, Green Consumer Network Korea

Incorporation of Consultation Results

Key suggestions from the 3rd Stakeholder Consultation held in the first half of 2011 were reflected in the 2011 materiality analysis. Some suggestions were also incorporated into LGE management activities (mainly in CSR activities), and sincere efforts have been made to re-

port the current activities in this Sustainability Report. Items requiring further development will be shared in the next consultation meeting and sustainability report to facilitate continuous improvement.

Activities and Plan to Incorporate the 3rd Consultation Results

Key Suggestions	Activities in 2011/Plans for 2012
<p>Utilize business capabilities (Technology, marketing, network, etc.)</p>	<ul style="list-style-type: none"> - Launched a charitable app for LG Smart TV (run in conjunction with SNS donation campaigns) - Provided International Organizations and NGOs with opportunities to promote their causes (environment, poverty, diseases) using the LED billboard at the New York Times Square - Conducted management training and provided productivity consulting for social enterprises
<p>Support developing countries utilizing new businesses (solar energy, water solutions)</p>	
<p>Utilize a private-public partnership</p>	<ul style="list-style-type: none"> - Planning for further development through the Ethiopia project from 2012: "LG Hope Community"
<p>Utilize employees' professional capabilities in volunteer work</p>	
<p>Provide vocational training to foster talent customized for local needs</p>	
<p>Bridge the digital divide utilizing the ICT technology</p>	<ul style="list-style-type: none"> - Developing and distributing a mobile phone that reads books for the visually impaired (from 2006 to present) - Providing computer training for those with severe disabilities "LG IT Angels" (from 2004 to present) - Providing a science and environment class for grade school students in provincial areas "Life's Green Class" (from 2006 to present)
<p>Secure safe drinking water to eradicate diseases</p>	<ul style="list-style-type: none"> - Supporting the International Vaccine Institute for developing cholera vaccine and distributing them in developing countries (from 2008 to present)
<p>Establish regular schedule for assessing and monitoring progress of mid to long term performance</p>	<ul style="list-style-type: none"> - Being reviewed for implementation after 2013 as a mid to long term project
<p>Dispatch employee volunteer groups for mid to long term missions</p>	

Materiality Analysis

Materiality Analysis Process

LG Electronics performs a materiality analysis to systematically manage important sustainability issues that our stakeholders are commonly interested in and have significant impact on our business operations. Based on the “Five-Part Materiality Test” of the AA1000 Stakeholder Engagement Standard, we identify key issues by taking into account a variety of internal and external surveys, stakeholder questionnaires, and relevant international standards.

The key issues are selected based on their relevance to stakeholder interest and impact on LGE and finalized after a review by the management and assurer. The issues identified as material are fully disclosed and reviewed regularly in the sustainability report and Key Progress and Performance (pp. 4-5). We also gather our stakeholders’ opinions directly from our Stakeholder Consultation and incorporate them into our business operations.

Materiality Analysis Criteria

	Criteria	Considered Factors
Internal	Short Term Financial Impact	Whether the issue has been reported to Management meetings; Compliance risk; Frequency of internal media coverage
	Internal Policy and Awareness	Existence of policy; Employee survey
External	Industry Standard	EICC Code of Conduct; Tomorrow's Value Rating; DJSI Questionnaire
	External Stakeholder Interest	Expert survey; Stakeholder inquiries (Buyers, Investors, NGOs, etc.); Assurance statement
	Social Norms	ISO 26000; GRI; United Nations Global Compact

- EICC: The Electronic Industry Citizenship Coalition
- Tomorrow's Value Rating: Corporate Responsibility Rating released by Two Tomorrows, a Sustainability Management Expert
- DJSI: Dow Jones Sustainability Indexes
- ISO 26000: International Standard on Social Responsibility
- GRI (Global Reporting Initiative): International Standard for Preparing Corporate Sustainability Report

External Expert Survey

In January 2012, we conducted a survey of over 300 Korean and international experts of Corporate Social Responsibility (CSR), requesting them to rate LG Electronics’ CSR efforts, share the CSR issues they are interested in, and offer their opinions on how we can improve our sustainability report. The results were incorporated into our report and materiality analysis.

Sustainability Management Level (Out of 5 Points)



Emerging Challenges

- Energy efficiency of products
- Use of renewable energy
- Management and recycling of waste products
- Depletion of natural resources
- Development of products meeting the needs of single-person households
- Product and technology for the abject poor
- Blocking of harmful media content

Employee Survey

The survey conducted in November 2011 of 370 employees (executives, team leaders and staffers related to CSR management in Korea and overseas) indicated that the materiality of issues such as “Green Product Development,” “Corporate Culture” and “Fair Trade” was increased. LGE’ sustainability efforts were rated 3.5 on a 5 point scale. In the LG Way Survey conducted of all Korean and overseas employees, 72% of those questioned responded positively to our sustainability efforts

LG Way Survey Results

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



· Survey conducted of 38,695 Korean and overseas employees in 2011

Media Analysis

In order to identify issues of increasing interest amongst external stakeholders, LGE analyzed 2011 media coverage of the company from Korea and overseas. Negative coverage centered mostly on the company’s smartphone sales, concerns over the company’s performance, and fair trade issues (p. 76).

External Stakeholder Inquiry

Inquiries of CSR issues from external stakeholders are consistently on the rise, with a total of 49 inquiries made in 2011. Supply chain CSR management policy and corporate performance attracted the most interest. LGE is trying its best to provide satisfactory responses to such inquiries and incorporate them into our business operations by reporting important issues to management.

Inquiring Organization

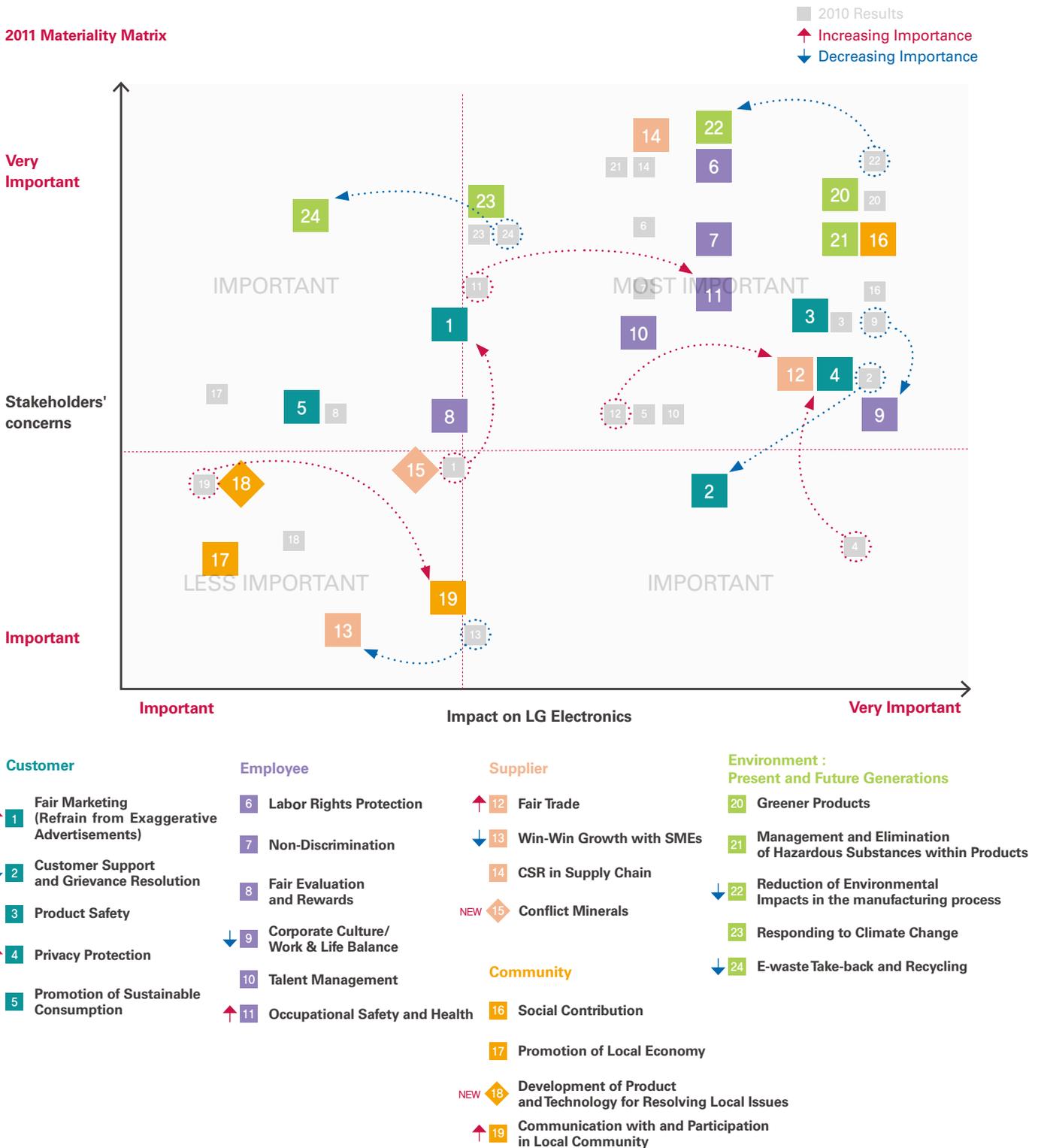


Key Issues	Page No.
CSR Risk Management	70 - 71
CSR in Supply Chain	52 - 54
CSR Strategy and Management	14 - 15
Conflict Minerals	55
Environmental Management System	47 - 49, 82
Labor Rights/Non-discrimination	69 - 71
Social Contribution	57 - 61
Climate Change	42 - 46
Ethical Management	75

2011 Materiality Analysis Results

The key issues identified through a materiality analysis are illustrated below. Compared to the previous year, such issues as “Fair Trade” and “Protection of Customer Privacy” are gaining weight and issues such as “Conflict Minerals” and “Developing Products for Resolving Community Issues” are emerging. International dialogue on responsible sourcing of minerals from conflict regions is expected to increase in 2012 and the upcoming Rio+20 Earth Summit (June 2012) will further expand discussions on diverse suitability issues.

2011 Materiality Matrix



Performance Highlights

Customer	2009	2010	2011
Consumer NPS (Net Promotion Score) in Korea (%)	66.9	63.9	56.8
<hr/>			
Environment	2009	2010	2011
Percentage of Greener Products (Green 2 Star*) (%)	-	71	92
GHG Emissions (Scope1, 2) (1,000 tons of CO2e)	1,265	1,300	1,361
Average Score of Overseas Subsidiaries from EESH Audit	83.0	81.5	83.3
Water Use (1,000 ton)	10,210	12,128	12,913
Waste Generation (ton)	130,904	170,421	169,292
Incident Rate (Korea)	0.08	0.05	0.03
<hr/>			
Business Partner	2009	2010	2011
Satisfaction Score of Suppliers	75.0	74.0	76.1
No. of Suppliers Participated in Job Training	-	353	370
No. of suppliers received CSR Audit	-	4	17
No. of suppliers performed CSR Self-assessment	-	-	213
<hr/>			
Community	2009	2010	2011
Domestic Donation (KRW billion)	15.6	21.4	10.8
No. of Employees Participated in "Global Volunteer Day"	-	17,739	15,670
No. of Teams in the "Life's Good Volunteers" program	-	31	53
<hr/>			
Employee	2009	2010	2011
Percentage of Female Employees (%)	29.2	26.7	28.3
Percentage of Overseas Employees (%)	65.2	64.8	61.2
Training Hours per Office Employee (hrs.)	50	56	62
Creativity & Autonomy Index from the LG Way Survey	67	77	75
<hr/>			
Jeong-Do Management	2009	2010	2011
No. of Employees Received Jeong-Do Management Training	14,700	18,873	18,446
No. of Reports Submitted	446	448	464

* Percentage of products with Green 2 star, which is based on the evaluation of the Eco-Index.
The Eco-Index is LGE's own environmental performance rating system. (See p. 35)

A woman in a black dress is smiling and looking at a large circular graphic overlay. The background shows a trade show booth with various displays and people. The word "Customer" is written in white text across the center of the circle.

Customer



Randy Abels
Power Blogger
(www.switchup.nl)

I believe that engaging with potential customers is the first step towards building a loyal customer base and passionate brand spokesperson. Personally, communication, or lack thereof, has a great impact on making purchasing decisions; brand marketing that provokes emotions and creates a personal connection is particularly effective. As for product quality, LG Electronics has an impeccable reputation and has gained a great level of loyalty from customers based on that. In addition to high-end product offerings, I have never had to use after sales service, which is a great testament to LGE's product quality. Still, I feel like LGE should make greater efforts to reach potential customers. A great brand like LGE has great stories to tell, not just about individual products but also the inspiration for new innovations and the passion behind them. I would love to hear what drove LGE to the brand it is today, making innovations and introducing great products one after another.

Communication with Customers

OUR APPROACH

- **Strengthen global brand identity**
 - Brand benefit: Enriching lives through technology
 - Brand foundation: Innovation
 - Brand attributes: Stylish design, Smart technology
- **Customize marketing for local markets utilizing "Life's Good"**
- **Increase brand trust through responsible marketing communication**

OUR PERFORMANCE

Strategic Brand Communication

LG Electronics' brand slogan "Life's Good" conveys a message that LGE enriches customers' lives with its products, services and technology, and creates a unique brand identity of the company. We are engaging in various marketing activities to reinforce the corporate brand identity in the global market while establishing a youthful and dynamic brand image with differentiated brand marketing activities utilizing sports, the Korean Wave, video games, etc.

Since 2009, LGE has partnered with the F1™ franchise, the world's greatest auto racing competition with some 600 million audience members from over 180 countries, and is establishing a youthful and



1 F1™ global partner (2011 Korea Grand Prix, Yeongam, South Jeolla Province)

2 Korean Wave Marketing utilizing K-POP

3 Ad for a Korean Wave concert on LGE's LED billboard at the New York Times Square

4 3D Game Zone at the CES event

exciting brand image in the global market.

With the Korean Wave and K-Pop popularity reaching every corner of the world, LGE has also been engaging in "Korean Wave" marketing, sponsoring K-Pop concert tours in overseas markets.

As part of its effort to strengthen the company's positioning in the 3D and Smart TV markets, LGE has been featuring "3D Game Zone" in various events, including the CES, and sponsored the world's largest game festival BlizzCon in 2011.

Communication for Product Development

LGE is conducting a thorough market and customer analysis to introduce products that satisfy customer needs. A close study of local customers' lifestyles and collaboration with local research organizations are also part of our effort to identify customer needs.

Air Conditioner Preventing Endemic Diseases · In 2009, LGE developed an air conditioner model that can prevent dengue fever, one of the most prevalent endemic diseases in the South East Asian region. Dengue fever is a virus-caused disease that is spread by mosquitoes with symptoms including a sudden high fever. Developed through a joint two-year effort with an Indonesian agricultural college, the air conditioner produces ultrasound, repelling mosquitoes or at least preventing them from attacking humans. In September 2009, LGE supplied the anti-dengue fever air conditioners to government agencies, schools and hospitals in Pakistan, which was enduring a dengue fever outbreak that infected over 5,000 people, and provided support for local research on the dengue virus. In 2008, the company also developed an air conditioner model that prevents Avian Influenza (AI) with a sterilization function.

Robotic Vacuum Cleaner with Home Monitoring Function · To ease the minds of working parents, LGE developed a robotic vacuum cleaner with a home monitoring function (Mom's View). This allows users to monitor their children or pets at home from work or during a business trip. Developed through an eight month joint R&D effort with LG U+,



Air Conditioner Preventing Endemic Diseases

Robotic Vacuum Cleaner with Home Monitoring Function

LG ROBO CYKING Global Video Competition

Featuring video clips created by customers in overseas advertisements and online campaigns

For the month of December in 2011, LGE held the "ROBO CYKING Global Video Competition", inviting ROBO CYKING users worldwide to create a video clip featuring the robotic vacuum cleaner. The grand prize went to a Ukrainian contestant who received 25% of online votes. The video showed a pair of eyes constantly following the mother, which later turned out to be a ROBO CYKING, not her baby. Viewers responded enthusiastically to the humorous twist and beautifully shot images. The winning work will be featured in the international edition of ROBO CYKING advertisement and online campaign. LGE plans to continue to explore diverse ways for consumers to participate in marketing promotions for home appliance products.





1 Refrigerator with locking device for Indian consumers
 2 Refrigerator with red coloring for Chinese consumers
 3 Slim refrigerator for Russian consumers

this product combines a robotic vacuum cleaner with IP cameras, a smartphone and a PC. Now, users not only can monitor what is going on at home but can also have a chat with their children.

Refrigerators Customized for Local Consumer Needs · Based on the insight that culture and lifestyle varies from country to country, LGE developed refrigerators customized to meet the needs of local consumers, and generated a great response in the process. For Indian households who often retain servants and maids, we introduced refrigerator models with a simpler design and a locking device to prevent theft. For Chinese consumers, we introduced refrigerator models with red coloring, a color highly favored by local consumers. Also in Russia, LGE introduced longer and narrower models to increase convenience for tall Russian consumers.

Prosumer Marketing that Facilitates Customer Participation · LGE invites customer participation from the product development phase and is running a prosumer marketing program for each product. In January 2011, LG Smart TV Lab, a smart TV prosumer group, was launched. Comprised of 20 IT professionals and power bloggers invited by LGE, the group is helping the company to develop a smart TV with useful features and applications, testing the product before its release. By actively incorporating LG Smart TV Lab members (endearingly referred to as “consumer engineers”), LGE plans to introduce customer-centric smart TV. The members are also promoting LG Smart TV on their blogs and the LGE website, satisfying curiosity of consumers and sharing useful information based on their first-hand experience with the product.

Also, a TROMM washing machine prosumer group TROMMIZ, was launched in 2009. Comprised of housewife bloggers, the group is participating in product planning for a wide range of home appliances including washing machines. They also make suggestions and write product reviews on various online channels, serving as a conduit for communication between consumers and LGE.

In March 2011, an open communication session between LGE communication partner “The BLOGer” and the management from MC (Mobile Communication) Company was held. The event was organized to collect frank opinions on LGE mobile phones from 19 members of the group and incorporate their suggestions into product development. Going forward, MC Company plans to organize a monthly session for direct communication with customers.



1 Smart TV Forum Participated by LG Smart TV Lab
 2/3 Open Communication between the BLOGer and the Management of MC Company

Customer Insight Marketing Communication

LGE is organizing events and engaging in campaigns with diverse themes and concepts tailored to local customers, improving LGE’s brand image in the global market and contributing to revenue growth.

Globalization of Customer Insight Marketing

Region	Activity
West Africa Subsidiary	“Dream with LG” Campaign A joint program with Lagos National University, LGE established an IT program and offers scholarship and training opportunities to excellent students.
Morocco Subsidiary	LG Cup Africa 2011 An invitational soccer competition with participants from four African nations, hosted in conjunction with marketing promotions. Friendly Soccer Match for LG Dealers A soccer match between dealers and sales people and the subsidiary members designed to build teamwork and increase loyalty.
Dubai Subsidiary	LG 3D Party A marketing promotion event during the busiest shopping season. Provides opportunity to experience latest LGE products such as CINEMA 3D and Smart TV, and also hosts a 3D game championship.

Responsible Marketing Communication

In 2009, LGE established and distributed “Code of Conduct” by which employees across the company are expected to abide to create value for stakeholders, including customers, shareholders, suppliers, communities, etc., and is conducting training on its purpose and intent. The LGE Code of Conduct stresses that employees must act with integrity and exhibit the utmost sincerity in the following four areas: responsible marketing, product safety, product standards and protection of customer privacy. In 2011, we amended our Code of Conduct to include clauses on the safety defect reporting system and precautions to take when handling refurbished products, while strengthening relevant clauses to enforce responsible communication with customers. Additionally, we are complying with the laws and regulations related to marketing communication activities such as advertisement, promotion and sponsorship, while implementing preventative measures and making voluntary improvements.



Online Communication through Social Media

In 2009, LG Electronics launched its official corporate blog, “The BLOG” as a means to communicate with customers on major issues. Additionally, it allows users to freely write posts on the site, a first for a Korean business, and facilitated two-way communication in its true meaning. LGE’s Twitter and Facebook accounts are becoming great channels to collect the real voice of our customers. We are utilizing the Twitter account not only as a channel to field customers’ inquiries in real time but also as a forum for LGE members and customers to exchange ideas and brainstorm.

From our Facebook page, we live broadcasted events such as the Consumer Electronics Show (CES) and the Mobile World Congress (MWC) to viewers all over the world. Customers responded to the live cast with real-time posts, sharing information and discussing new products.

In March 2012, LGE launched a social media portal “Social LGE (<http://social.lge.co.kr>)” that provides integrated access to all LGE’s social media outlets – Blog, Twitter and Facebook. “Social LGE” also offers access to Blogs, Twitter accounts and Facebook pages independently run by overseas subsidiaries in their respective countries, providing greater access to LGE’s social media channels. The social media portal also features expert columns by opinion leaders from such areas as IT and culture and new articles about LGE by LGE members.

Additionally, the site offers an open forum for facilitating open communication, allowing visitors to write substantially long posts, as well as quickly identify and engage in discussions (a first for corporate blogs). Based on our philosophy which strongly emphasizes customer engagement, LGE will make every effort to maintain open and genuine communication with customers utilizing social media outlets.



Social Media Portal “Social LGE”

FUTURE DIRECTION

- **Establish a consistent Brand Identity (BI) in the global market**
- **Strengthen open communication with customers**
 - Incorporate customer suggestions into product development and marketing communication efforts
 - Improve brand integrity with responsible marketing and communication, particularly in product safety
 - Engage customers in open communication utilizing social media

Communication with Customers utilizing Social Media



Customer Engagement Program Utilizing Social Media

One of the customers following LGE’s Twitter account sent soy milk, rice cakes and some fruits to an LGE bestshop manager as a token of appreciation. To repay such kind gestures of appreciation, LGE is making greater efforts to

engage customers through social media, organizing events such as “100 people relay”, “Picnic with Twitter followers”, and “Invitation to movie premieres”, etc.



Donation Campaign Linked with Social Media

For the month of December 2011, LGE ran a famine related quiz event “Hunger IQ” on its official Facebook page and overseas Facebook pages, including those in the U.S. and Russia. LGE made a one dollar donation for each

participant providing a correct answer and sent a certification of donation to their Facebook page. LGE is happy to help in spreading the spirit of sharing through such events.

Product Quality and Safety

OUR APPROACH

- **Secure product quality and safety**
 - Strengthen the product quality and safety management system
 - Foster product quality and safety experts
 - Introduce the “Quality Sheriff” and “Quality Report” programs
- **Respond to global Product Liability (PL) issues**
- **Secure leadership in technology standards to enable quality innovations**

OUR PERFORMANCE

Securing Product Quality and Safety

Our Vision for Product Quality · Reflecting the CEO’s strong commitment towards product quality, LG Electronics has reinforced organizations related to product quality and is striving to provide differentiated value and quality to customers by adhering to basics. With the vision of an “LGE recognized by customers for the world’s best product quality,” we will create a culture that does not tolerate any quality issues, no matter how insignificant, based upon the collective agreement that we strive for perfect product quality with absolutely no compromises. Also, we are pushing forward with corporate-wide efforts to improve product quality and renewing our commitment towards product safety, all in an effort to provide safer, superior quality products to customers.

Stronger Quality Management Accountability · LGE strengthened and expanded its product safety management into a three-tier system that starts from business units and moves upward to business companies and then to HQ with a strong emphasis on the accountability of business units and also introduced a safety evaluation system including regular self-assessments. In 2011, LGE established the Product Testing Laboratory under the Quality Center to test the safety of new products, detect quality issues and address them in advance. Additionally, we created a product quality and safety evaluation system that performs basic quality and safety evaluation for products at every production stage. Consisting of seven stages from product planning

and development to sales, this system only allows shipment of products that clear all seven quality gates. Under the quality gate system, all LGE products undergo a safety check at each quality gate based on a checklist, preventing shipments of products with quality or safety issues. We also facilitate a corporate-wide exchange between quality and safety experts, such as the Product Liability Technology Council.

Product Quality and Safety Experts Cultivation · In 2011, LGE conducted both online and offline training programs that emphasize the CEO’s strong commitment towards product quality and safety management, and offers training on quality management and the Product Liability Law. A total of 29,560 individuals completed this program. The HE Company operates the Global Learning Solution (GLS) program, which is designed to enable locally hired employees to develop job-specific capabilities, with program tracks available in production technology, procurement, materials and product quality. This program was established in 2006 to secure the world’s top quality production competitiveness. In 2011, a total of 59 employees received training in four tracks including production cost management and quality system evaluation.

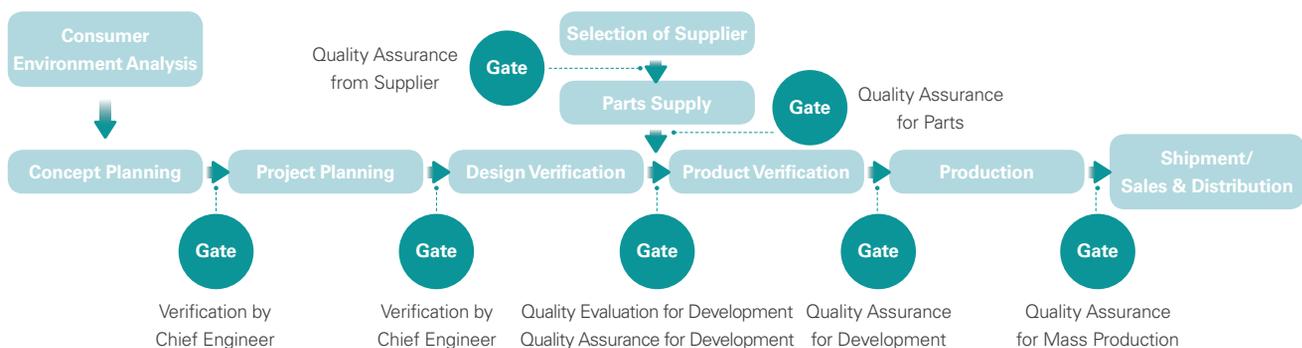
2011 Product Quality Training for Employees (Korea)

Category	Quality Training for Managers		For Non-managerial Staff
	Business Unit and Team Leaders	Production Staff	Office Staff
Method	Called to the site	Called to the site	Online
Number Completed	1,285	7,146	21,129

“Product Quality Sheriff” and “Product Quality Report” Programs

The HA Company has introduced the “Product Quality Sheriff” program at production sites in Korea and overseas to perform onsite quality management. A “Quality Sheriff” inspects the entire production process, from the beginning of production to packing, issues a warning sticker against instances causing compromised product quality or noncompliance with basic standards, and can even halt the production or product shipment. This program was first introduced on August 2011 in China (Taizhou, Nanjing, and Tianjin) and later expanded to six more countries (India, Indonesia, Thailand, Russia, Poland and Mexico).

Product Quality and Safety Assessment System



Additionally, the HA Company is operating the “Product Quality Report” program so that any employee can report quality related issues from the production, sales and marketing processes and make suggestions on improving the quality management system and processes.

Global PL (Product Liability) Response



Australia: Voluntary Recall and Notification of Refrigerator · From January 2002 to February 2006, LG Electronics Australia Sales Subsidiary (LGEAP) conducted a voluntary recall of some 39,000 side-by-side refrigerators sold in the country. Although only two out of 39,000 refrigerators recalled were found to have an issue, the recall was initiated based on a strict internal policy on product quality and LGE's strong commitment towards quality management. The issue at hand was possible corrosion of a micro switch inside the refrigerator model from the combined effect of salty moisture in the air (a large number of Australian cities are located in coastal areas) and the relatively high voltage level (240 volts) in Australia.

LGEAP took proactive actions to inform customers about the recall in progress, including an ad notifying the voluntary recall in major daily news papers throughout the country, and ensured replacement of defective parts.



Korea: Special Inspection Service for Air Conditioners · For the months of October and November 2011, LGE performed a special inspection service for 45,000 air conditioner units sold in 2011 to address the issue concerning white dust generated during operation. LGE service engineers visited customers at home, thoroughly checked the unit air purification filters, refrigerant pressure, installation, etc. and replaced heat exchanger components when necessary.

Leadership in Global Technology Standardization for Quality Innovation

Standardization facilitates productivity, along with product quality increases and greater consumer protection. In turn, the market expands, enabling new technology development and sales increases. That is why businesses in the ITC and electrical and electronics segments are making every effort to acquire international standards with their cutting edge technology to gain a competitive edge.

Based on the belief that global standard technology leads to the world's best quality, LGE has Standardization Managers at its fifty or so overseas subsidiaries to respond to international regulations and execute standardization efforts. LGE standardization managers manage and share information on international regulations and standards in real-time through an internal database and information management system, and actively participates in international efforts for establishing technology standards.

LGE is leading the international effort to establish the 4th Generation Wireless Communication (LTE, Long Term Evolution) Standards and

received the Presidential Award on World Standard Day 2011 from the Korea Agency for Technology and Standards (an affiliate of the Ministry of Knowledge Economy) for making great contributions to national competitiveness in technology.

In May 2011, delegations from the African Organization for Standardization (ARSO) and standardization agency leaders from eight African countries visited LG HQ and the MC Standardization Testing Lab located at Gasan R&D Campus, benchmarking the company's standardization work and response to regulations. LGE introduced its innovation cases for standardization process, technology and standard certification and response to regulations and agreed to cooperate on technology standardization and quality management to help promote African industries.

Excellence in Life Safety Achievements in 2011

On February 28, 2011, LGE was honored by the Korean Society for Quality Management and the Dong-A Ilbo for showing Excellence in Life Safety Achievements in 2011. The only Korean electronics manufacturer honored at the event, LGE was recognized for achieving excellence in product quality, clarity of safety instructions, responsible after sales services and reliability. The company was praised particularly for its activities to reduce customer complaints, customer-centric phrasing of safety warnings and voluntary actions to resolve customer grievances.



FUTURE DIRECTION

- Continue to foster product quality and safety experts
- Standardize LGE's global PL (Product Liability) response



- 1 “Product Quality Sheriff” Program
- 2 Received the Presidential Award on World Standard Day (Standardization)
- 3 Forum for Korea-Africa Cooperation on Standardization

Customer Satisfaction & After Sales Service

OUR APPROACH

- Improve repair service quality by expanding LGE-controlled service infrastructure
- Provide greater value to customers through “Voice of Customer (VOC) Management,” which emphasizes the value of customer comments and suggestions
- Enhance customer service and repair service capabilities
- Upgrade global service quality by developing differentiated service programs and implementing them globally

OUR PERFORMANCE

Providing Greater Value to Customers through “VOC Management”

Since February 2007, LG Electronics has been consistently striving to improve and strengthen its VOC system, and leveraging it as a useful management tool for quickly identifying customer wants and needs. Every year, LGE collects over 190,000 comments and suggestions from worldwide customers through diverse contact channels, including the corporate website and call center, and manages them to create greater value. Since October 2011, we have also been interacting with our customers through LGE’s official blog “THE BLOG” and social networking sites such as Facebook and Twitter. LGE takes its commitment to customer satisfaction a step further, placing strong emphasis on service improvement, establishing performance targets for VOC management in advance, and implementing proactive service improvement measures to meet all targets.

From April 2007, LGE’s top executives, including our CEO, are taking time to review recorded conversations between customer service representatives and callers in top management meetings, all part of our effort to improve VOC intelligence and help the company’s top executives identify customer needs and fast-track them into product planning, marketing and services.

In addition, LGE analyzes the strengths and weakness of our customer service at each customer contact point, utilizing the Net Promoter Score (NPS), which compiles a Customer Satisfaction Index (CSI) to

assess customer satisfaction at each stage of service and performs comparative analysis of customer satisfaction levels against those offered by our competitors.

Enhancing Customer Service and Repair Service Capabilities

Competency Evaluation and Service Maestro Program · LGE conducts a competency evaluation of its service and call center employees twice a year, examining their technical skills, customer engagement skills, job knowledge, etc. to provide a comprehensive assessment of their competency in performing services. Based on the results, Service Maestros are selected from employees who have been with the company for five years or longer and maintain a grade of “high” in competency evaluations for two straight years. Grand Service Maestros are also selected from Service Maestros who have received the top prizes (Minister or Gold Prize) in the annual LGE Service Skill Olympics, following a formal review process.

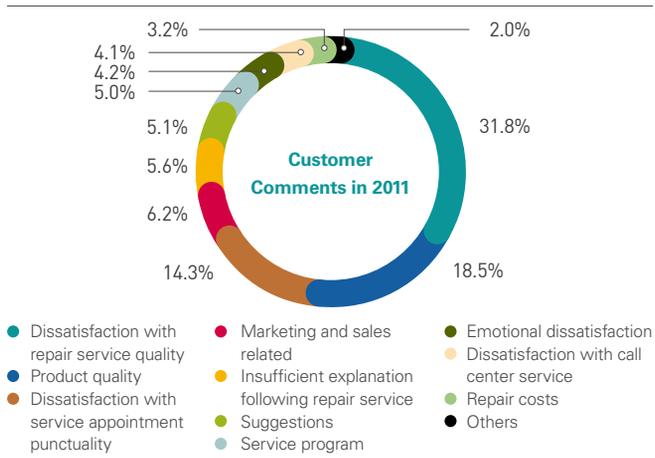


Global Service Academy in Indonesia Service Skill Olympics

Global Service Academy · LGE has established the Global Service Academy to strengthen and systematically manage its service training programs for overseas employees. Initially established in Thailand in 2011, a total of 16 Global Service Academies are currently in operation in 11 countries, including South Africa, China (Guangzhou), Russia, Jordan and Indonesia.

LG Electronics Service Skill Olympics · The 11th LGE Service Skill Olympics was held in November 2011. Established to promote the company’s widely trusted service capability and improve technical skills of service engineers, the event provides an opportunity for service

Customer Comments in 2011



Service Knowledge Transfer

In April 2011, LGE launched the “Global Service Training by Service Maestro” program to transfer LGE Korea’s outstanding service capability to overseas subsidiaries. A total of 24 service Maestros have conducted service training in 29 countries, helping to elevate the service capability of LGE global subsidiaries by sharing their practical repair know-how and customer service best practices from Korea. Service Maestros will be dispatched to 40 countries to conduct training in 2012. They will also undergo relevant training prior to assuming their important role in providing customer service training and sharing region-specific repair know-how.



“Global Service Training by Service Maestro” Program

engineers who excel in each product group to compete and showcase their skills. In this year's competition involving 39 engineers from five product groups (electronics, electrical, air conditioner, mobile phone and PC), SeungTae Kim from the West Daejeon Service Center (mobile phone group) won the top honor - the Minister of Employment and Labor Prize.

Differentiated Service Programs

In order to increase customer satisfaction and gain greater trust from customers, LG Electronics is making an ongoing effort to improve its global service quality with differentiated service programs and global implementation of these initiatives.

 **Korea: Smart Care, Smart Service** · In response to newly emerging smart environments, LGE has established an optimal smart service platform that supports diverse smart devices, including smartphones and tablet PCs. In addition to our smart service platform, we are offering self-diagnostic tools, supporting images and video clips to improve user convenience and help customers resolve repair issues. We have also introduced "Smart Care" QR code to provide greater convenience and guide our customers to optimal after-sales service options. Now customers can scan a "smart care" QR code on 274 key LGE product models with their smartphones and directly access useful information, such as user manuals, upgrade information, etc., on our mobile website. Customers can also make a request for service consultation or repair service instantly when they have an issue with a product.

In July 2007, LGE implemented speech-recognition technology to better assist customers contacting the call center. The new ARS directly connects customers with a service representative who specializes in the product at issue, drastically cutting the time and steps required to receive assistance. We have also established a remote service system for smartphones and PCs to offer greater convenience to customers with busy schedules, and a precision repair and consultation service. With this system, our service representatives can remotely access customers' mobile phones or PCs online and provide technical assistance to customers, eliminating the need for a visit to a service center. Additionally, in March 2011, LGE launched a website (www.lgservice.co.kr) that supplies expendable components, offering greater convenience and access to after-sales services. Currently the site carries

2,025 types of components, significantly improving customer satisfaction with our ongoing effort to expand product offerings and quality services, including next-day delivery and rapid response to customer inquiries.

 **China: "Feel-Safe" SMS Service** · Our "Feel-Safe" SMS service comforts female and elderly customers by sending photos and personal information regarding service engineers via SMS prior to scheduled service calls.

 **Indonesia: Customer Care Service** · LGE keeps its promises to customers at every stage of service, from booking service appointments immediately upon requisition to completing service calls within one day (24 hours) of request, and accomplishing repairs within one hour. From February 2012, we also provide "Visiting Bus Service." Customers are provided with prompt and precise service from three service engineers on each bus, and a service consultant offers detailed information on LGE products and services. Customers can enjoy products and services such as 3D TV, smartphones, Wi-Fi, etc. while waiting. LGE's carefully designed customer service programs are highly esteemed as a perfect fit for consumers from a nation with the fourth largest population in the world.

 **U.K.: Weekend Repair Service** · LGE delivers customer satisfaction with weekend repair services to provide greater convenience to customers – working couples, singles, etc., who are unable to receive services on weekdays.

FUTURE DIRECTION

- Secure competitiveness by establishing and expanding efficient service infrastructure
- Provide faster and closer service with more powerful smart service
- Establish service infrastructure in emerging markets such as Africa



Environment



Duk Seung Lee
President,
The Green Purchasing Network Korea/
Chairman,
The Standing Committee,
Green Consumer Network in Korea

The 2011 LG Electronics Sustainability Report clearly shows that the company is fully aware of the environmental challenges that businesses are facing nowadays. More importantly, LGE takes a comprehensive approach towards environmental challenges and covers a broad range of issues such as waste recycling as a preparation for resource depletion along with greenhouse gas reduction and hazardous substance management. This shows that LGE is acting responsibly and implementing comprehensive measures to address environmental issues.

Even if a business makes great strides in addressing environmental challenges, its efforts would not have much meaning unless consumers are keenly aware of such facts and the issues are a matter of great concern for them. In this regard, LGE's consistent efforts to engage customers has been exceptional, leading to the company's receipt of the Green Purchasing Network Korea's "Green Product of the Year Award" for two consecutive years in 2011. No matter how energy efficient a refrigerator might become, the total energy consumption rises commensurate with product capacity increases. This troubled us while we were evaluating many different refrigerator models. This year's winning refrigerator model from LGE (Model R-B315JB), however, delivered both satisfaction and delight to customers by improving energy efficiency of small to medium size refrigerators.

In order to overcome the worldwide environmental crisis, we all have to make changes. I hope this year's sustainability report will initiate a meaningful dialogue between LGE and its stakeholders, and ultimately make a great impact on protecting the environment and facilitating corporate sustainability.

Greener Products

OUR APPROACH

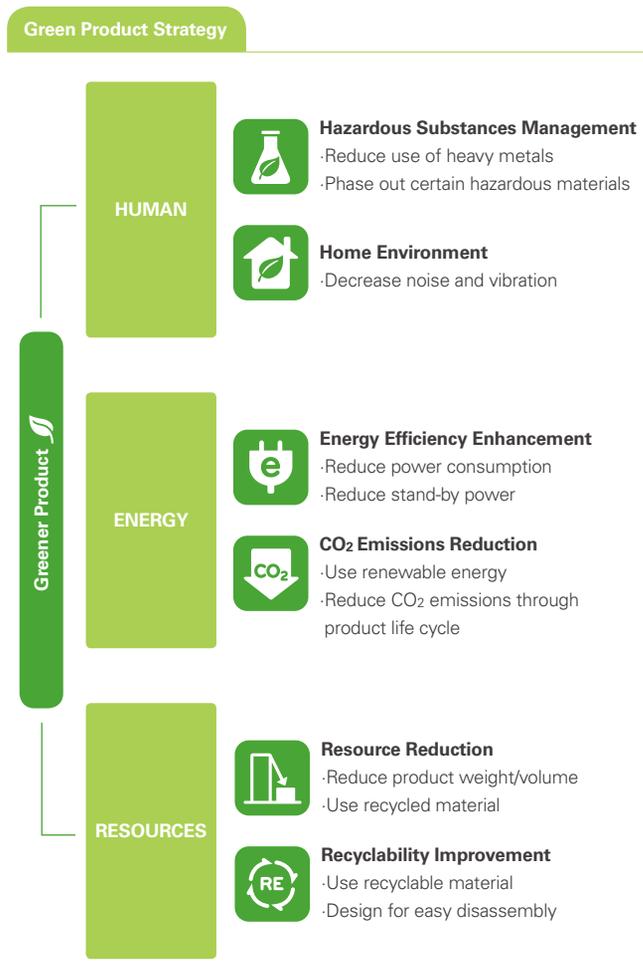
- Continue to introduce greener products
- Increase the carbon disclosure of each product category
- Research and develop an efficient take-back process by regions, in order to facilitate effective take-back of E-waste
- Strengthen green partnerships with suppliers

OUR PERFORMANCE

Green Product Strategy

LG Electronics considers reducing environmental impact on the earth and its people through eco design as a viable and effective strategy for product development. LGE aims to develop “Greener” products by considering their environmental impact throughout the product value chain. As such, we have divided our green product development direction into three areas – human, energy and resources, and established increasing energy efficiency, using less resources and replacing hazardous substances as our eco design principles.

[Green Product Strategy](#) [Click](#)



Green Product Rating System

Eco Index · The Eco Index is LGE’s unique system for rating how “green” a product is and translating its eco design performance into quantifiable measures. The index is utilized for managing environmental performance of products and establishing management goals. All LGE products meet environmental regulations of the major markets including the EU, the United States, Korea and Japan (RoHS¹, REACH², etc.), which is translated as “Green 1 Star” of the Eco Index. Products showing greater environmental performance are rated Green 2 Star and Green 3 Star and are managed accordingly.

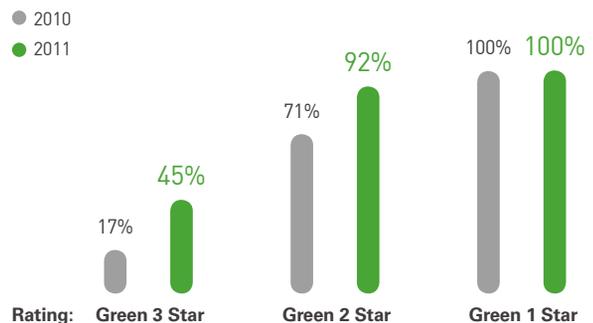
LGE has established rating criteria for the Eco Index based on the three strategic areas for green product development (Human, Energy and Resources) and incorporates those criteria into developing greener products. Thanks to its efforts in achieving high energy efficiency, the company increased the share of products rated Green 2 Star to 92% in 2011 from 71% in 2010 and Green 3 Star to 45% in 2011 from 17% in the previous year. LGE will continue to work on increasing product offerings that attain higher Eco Index.

Life Cycle Assessment (LCA) · Regulated by the ISO 14040 series standards, the LCA is a technique to assess and quantify environmental impacts associated with all the stages of a product’s life cycle (from

Eco Index Ratings



Year-on-Year Comparisons of Green Product Development (Accumulated)



1) RoHS (Restriction of the use of Hazardous Substances in EEE): Guidelines on the Use of Hazardous Substances in Electrical and Electronic Equipment
 2) REACH (Registration, Evaluation, Authorization and restriction of CHemicals)

production through distribution, use, and disposal), as well as to identify areas for improvement and verify progress.

Since 2002, LG Electronics has been striving to quantify the environmental impacts of all its product categories in all stages of their life cycles and minimize their carbon footprint. In 2011, the company built the Life Cycle Inventory Database (LCI DB) for eight product categories (TV, monitor, washing machine, refrigerator, LED, solar panel, mobile phone and commercial air conditioning system), and plans to utilize the data base in the product life cycle assessment. Based on the assessment results, we identify the weak link from a product life cycle based on quantitative data and determine measures for improvements (replacing material, increasing energy efficiency, etc.). LGE plans to perform LCA on all key products on a regular basis.

Voluntary Replacement of Hazardous Substances

LGE complies with international regulations on hazardous substances, RoHS and REACH. Although some substances are not currently regulated, we are in the process of voluntarily replacing substances such

Replacement of Hazardous Substances

Product	Performance
Mobile Phone	PVC: Not used in any new product models from January 2010 BFRs: Not used in any new product models from January 2010, except for a few models using IC transistors, etc. Beryllium and Phthalate: Started using parts that do not contain beryllium and phthalate in mobile phones in 2011
TV	PVC and BFRs: In the process of replacing PVC and BFRs used in parts, starting from cabinet through bracket, back cover, pedestal, etc.
Laptop	PVC and BFRs: Replaced PVC and BFRs from housings of all product models released in 2011. Replacement is in progress, starting from CPU through main chipset, LCD, hard disk drive (HDD), optical disk drive (ODD), memory, webcam, LAN, parts for micro circuits, etc.
Air Conditioner	PVC: Replaced PVC from drain pipes for the indoor unit of residential air conditioners developed in 2011 (Released in Korea in 2012).

1) PVC (Polyvinyl Chloride): A kind of thermo plastic, also known as polyvinyl chloride and polyvinyl chloride resin, containing heavy metals such as phthalate (an environmental hormone), lead and cadmium.

2) BFRs (Brominated Flame Retardants): Mainly used as a chemical flame retardant for plastics and textiles and one of the most well-known persistent organic pollutants.

as PVC¹⁾ and BFRs²⁾ (which are believed to have negative impacts on the environment) once safety and reliability tests have been completed.

In 2007, LGE began to gradually ban the use of halogen (Br, Cl) in mobile phone parts. Since 2010, we have been using replacement of PVC and BFRs in all newly developed mobile phones. We have also replaced PVC and BFRs from encasements, parts of circuitry components, and parts used in all laptop models released in 2011 and are in the process of replacing LCD TV parts and components containing PVC and BFRs. From 2011, PVC replacements are used for some components in residential air conditioners and we are expanding the application of replacements to other models. Please visit our website for more information on this issue.

Management of Hazardous Substances [Click](#)

Carbon Label



Carbon Footprint Label LGE encourages and facilitates its customers' efforts to lead low carbon lifestyles by measuring the carbon footprint of a product (the total amount of carbon emissions associated with the product's life cycle) and informing consumers how much GHG is emitted when they use a particular product. Additionally, we are making phased efforts to reduce GHG emissions associated with our business operations. Thanks to its voluntary disclosure of carbon footprints, LGE acquired the "Carbon Footprint Label" for 24 products and six components from the Korea Environmental Industry and Technology Institute, the industry's best performance in this area (As of February 29, 2012).

More Details on LGE's Carbon Labels [Click](#)

Low-Carbon Products Most noteworthy, LGE's side-by-side refrigerator (Model R-T751EBHSL) and washing machine (Model FR3228WA) acquired the "Low Carbon Certification," a designation given to products which achieve even greater performance in carbon emissions reduction compared to products with the "Carbon Footprint Label." Currently, LGE is establishing a system that will enable the efficient assessment and improvement in carbon footprints of all its products. To this end, we will utilize an internal IT system (CCMS)¹⁾ to regularly measure GHG emissions associated with production, logistics, use



Increasing the Reliability of Internal Energy Performance Rating

· LG Energy Assurance Program (LEAP)

In order to improve the credibility of the internal energy performance rating, LGE has established the LG Energy Assurance Program. As part of this initiative, we signed an MOU in 2010 with certification agencies UL, Intertek and CSA for tripartite certification of energy performance and have been making efforts to further improve internal testing reliability by cross-checking the internal test results with those from third-party test labs for a variety of product groups. LGE will strive to increase the accuracy and reliability of the internal energy performance rating with the LG Energy Assurance Program.

Product Energy Assurance [Click](#)

and disposal of each product model, and systematically manage the relevant database. Based on this effort, we also plan to develop low carbon products to reduce overall GHG emissions associated with our business operations.

Overseas

 **Europe: Carbon Trust** The Carbon Trust helps businesses measure carbon emissions associated with their products and also provides a label of the carbon footprint for these products. With the label, consumers can check the carbon footprint of a particular product and make purchasing decisions that facilitate carbon reduction. In June 2011, two product models of LG CINEMA 3D TV (Model 47LW5500-ZE (European), 47LW550T-ZE (British)) became the first TV products released and sold in the European market to acquire the “Carbon Reduction Label” from the U.K.’s Carbon Trust.



Water Label

 **U.K.: Waterwise** As part of its effort to reduce energy and resource consumption of products, LGE has been working to develop technology to enhance the water-use efficiency of its washing machines and dishwashers.

In recognition of such efforts, the U.K. based NGO Waterwise named LGE’s Drum washing machine (Model F1495BDS) utilizing the Dual Injection Spray technology³⁾ and the True Steam Technology⁴⁾ incorporated dishwasher (Model D1454BF) as “the Most Water Efficient Product” in November 2011.



 **U.S.: Carbon Free** The Carbon Free Product Certification verifies the GHG emissions associated with a product’s life cycle and provides certification to products offering carbon offsetting and GHG reduction (Certification Agency: Carbon Fund).

In 2011, LGE acquired the “CarbonFree” certification for ten of its product models, a first for a Korean company. Consumers who purchase products with the “CarbonFree” certification indirectly contribute to reducing GHG emissions. The combined carbon reductions from ten LG product models are estimated at around 90,000 tons annually.

Product Model	Certification Date
Drum Washing Machine TROMM (WM3875H)	July 2011
LED LCD TV (42LV5500-UA)	July 2011
LED LCD Monitor (D2770P)	July 2011
DIOS Refrigerator (GR-L318LSJP)	July 2011
Solar Panel (LG260S1C-LG255S1C-LG250S1C-LG245S1C)	July 2011
LED Lighting (LB08D827L0A.BASIS)	July 2011
Mobile Phone (LG L45C-LG-LN272)	August 2011
Multi-V System Air Conditioner (LGE ARUN072DT3)	October 2011
Vacuum Cleaner (LGE LuV350P)	October 2011
Gas Oven Range (LDG3016ST-LDG3015ST-LDG3015SB-LDG3015SW)	October 2011

1) CCMS (Corporate Carbon Management System): LGE’s IT system that manages GHG emissions and PCF (Product Carbon Footprint) of each product
 2) The carbon emissions associated with the entire lifecycle of all ten product models certified as “CarbonFree” multiplied by the estimated sales volume of those products in the North American market of the year. The sales volume is estimated annually starting from the time of certification and renewed every year.
 3) Dual-Injection Technology: A technology for performing disinfection and wrinkle removal without hot water wash by simultaneously injecting liquid detergent and hot steam
 4) TrueSteam™ Technology: A technology for reducing water use in dishwashers. It eliminates the need for pre-wash cycle by using hot steam over 95°C instead of water.



ENERGY STAR Most Efficient 2011

CINEMA 3D TV "55LW5700"

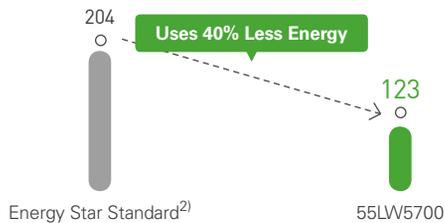


Smart Energy Saving Plus LG Electronics' Smart Energy Saving Plus technology allows users to reduce power consumption with a built-in power save option, which adjusts the brightness and contrast depending upon the lighting condition in a room. This model is the only 55 inch TV named as ENERGY STAR Most Efficient 2011.

Battery-free 3D Glasses Employing the FPR technology¹⁾, CINEMA 3D glasses offer brighter and clearer image quality compared to Shutter Glasses. As LG's CINEMA 3D glasses are free of circuitries, they generate no harmful electromagnetic waves and are easy to recycle.

Annual Energy Use of 55LW5700 (kWh)

Unit: kWh



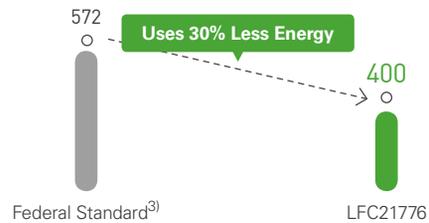
French Door Refrigerator "LFC21776"



Saving Energy Bills with Linear Compressor Technology LG's Linear Compressor Technology reduces power consumption by adjusting the compressor speed and rotation based on the volume of food and temperature inside the refrigerator.

Annual Energy Use of LFC21776 (kWh)

Unit: kWh





ENERGY STAR is an international standard established by the Environmental Protection Agency (EPA) of the United States for energy efficient consumer products. The Energy Star Service Mark is placed on products meeting the standard.

Among those that qualify for the ENERGY STAR, the top 5% most efficient products are designated as ENERGY STAR Most Efficient. In 2011, 406 LG product models, including TVs, refrigerators, washing machines, etc. earned the Energy Star Service Mark and among those that qualified, eight TV models, two refrigerator models and three washing machine models were certified as ENERGY STAR Most Efficient 2011.

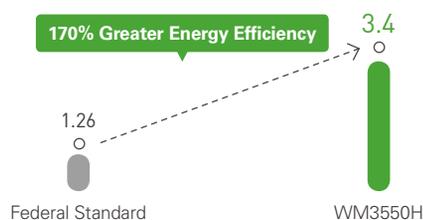
Drum Washing Machine "WM3550H"



Increasing Efficiency with a Direct Drive (DD) Motor A large capacity washing machine employing "6 Motion Technology," it increases user convenience utilizing allergy care, steam wash and 15 minute speed wash options. With the motor connected directly to the tub (DD Motor Technology), it produces less noise and consumes less power.

Modified Energy Factor (MEF) of WM3550H

Unit: MEF⁴⁾



LG Electronics Receives the 2012 ENERGY STAR Partner of the Year Award



Last year, a substantial number of LGE's products earned the "ENERGY STAR Most Efficient 2011" designation, and our company has now received further recognition for its green achievements with the 2012 ENERGY STAR Partner of the Year Award from the U.S. Environmental Protection Agency. The honor is awarded to ENERGY STAR partners who are committed to improving the environment through energy-efficient innovations and produce exceptional results. The evaluation for selecting winners was performed based on partners' activities and performance in the year 2011.

Product Models Named as Energy Star Most Efficient 2011

Washing Machine WM3550H, WM3150H, WM3360H

Refrigerator LFC21776, LFC25776

TV 42LV3700, 47LV5700, 47LW5600, 47LW6500, 47LW5500, 55LV5700, 55LW5600, 55LW6500

- 1) FPR (Film-type Patterned Retarder) Technology: A method for producing 3D effects by employing a precise film substrate attached to the LCD TV panel in combination with polarized 3D glasses.
- 2) ENERGY STAR Qualification Standard: The annual estimated energy use (kWh) based on the energy consumption scenario with the consumption level specified in ENERGY STAR 5.3 Version (TV on Mode-max=10kW, Sleep Mode-max=1kW)
- 3) Federal Standard: The minimum requirements established by the U.S. government on energy efficiency for electronics products based on the National Appliance Energy Conservation Act
- 4) MEF (Modified Energy Factor): The official energy efficiency metric used from 2004 to compare relative efficiencies of different washing machines based on the formula $MEF=C/(M+E+D)$ per wash cycle). (C: Capacity, M: Energy used to run the washing machine, E: Energy used to heat the water and D: Energy used to run the dryer). For more detailed information on key criteria of ENERGY STAR, please visit their website.

Energy Star Key Criteria of Washing Machine [Click](#)

Resource Reduction

Improving Recyclability · From the product development phase, LG Electronics considers environmental factors (including degradability and recyclability) and incorporates them into internal development procedures. Additionally, the company also utilizes assessment tools such as a recyclability check list. Thanks to such efforts as material quality improvement, we were able to achieve a 7kg weight reduction in our 2011 washing machine (Model FR4349BAYZ) model from the previous year's (Model FR4349EAZ). (Please refer to the table below.)

Resource Reduction Case



Model Name	FR4349EAZ	FR4349BAYZ
Production Year	2010	2011
Washing/Drying Capacity	13kg/8kg	13kg/8kg
Weight	About 117kg	About 110kg

Utilization of Recycled Materials · LGE is making great efforts to increase the use of recycled materials to promote resource recycling. With such efforts, LGE used a total of 3,298 tons of Post-Consumer Recycled (PCR) plastic in 2011, continually increasing the use from 989 tons and 2,014 tons in 2009 and 2010, respectively. PCR plastic is used in a variety of LGE products from refrigerators through washing machines, air conditioners, mobile handsets and monitors.

Annual PCR* Consumption

Unit: Ton



* Post-Consumer Recycled (PCR) Plastic: Plastic recycled after use and disposal by consumers

Disclosure of Warranty and Parts Holding Period · LGE believes that minimizing E-waste by prolonging product life is one way to practice green management. As part of this effort, we have established and manage warranty and parts holding periods as specified below:

Warranty and Parts Holding Period

Product	Warranty Period*	Parts Holding Period**
Mobile Phone	1-2 years	3-5 years
TV	1-3 years	7 years
Air Conditioner	1-5 years	7 years
Washing Machine, Refrigerator, etc.	1-3 years	7 years

* Warranty Period is subject to change depending on product category, market, and local regulations.

** Parts Holding Period starts from the discontinuation of a product.

The U.S. Subsidiary (LGEUS) Take-back Manager Talks About the U.S. Recycling System

Q1. Please tell us about LG's E-waste Take-back process in the U.S.

LGEUS is managing its take-back program through our recycling program website (<http://www.lgrecyclingprogram.com>). We are providing the service free of charge and in addition to LG products, we also accept Zenith and older GoldStar brand products. Customers can check out how to recycle LG products and the locations of over 200 eCycling* centers nationwide from the website.

Q2. What is LGEUS planning to do to advance the take-back program in the U.S.?

LGEUS plans to maintain close partnerships with our recycling partners including Keep America Beautiful** and will continue to raise customers' awareness of the importance of protecting the environment and recycling. We also plan to promote our eCycling centers from the recycling program website.

LeAndrea Dames
Take-back Manager, LGEUS



Volume of E-waste Collected by LGEUS Take-back Program

Unit: Ton



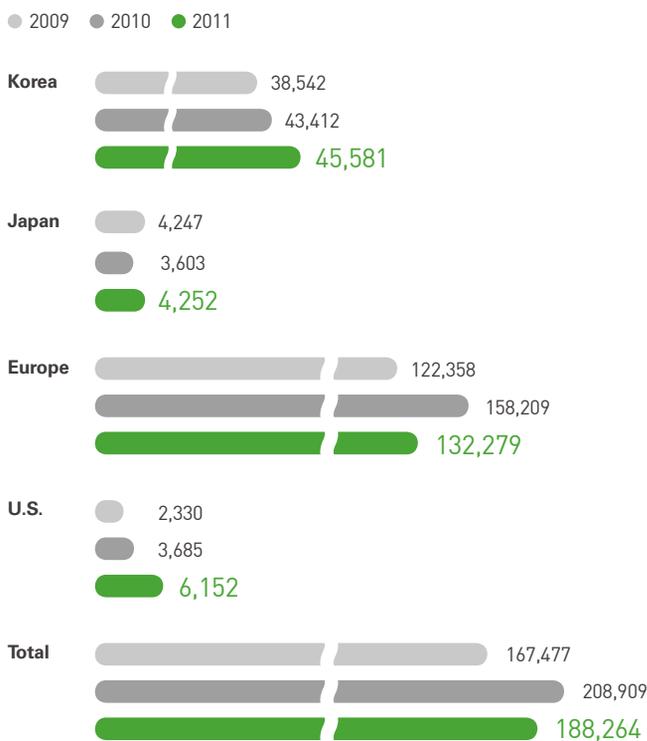
* Electronics Recycling: Refers to recycling of scrap machinery or its components and scrap metals

** A U.S. based non-profit organization established in 1953. Focuses on community improvement projects such as litter prevention, waste reduction/recycling and community greening & beautification.

E-waste Management and Recycling · LG Electronics collects E-waste in accordance with the local Electrical and Electronic Equipment (WEEE) regulations and requirements around the world. The company also maintains a website that offers information on its E-waste take-back system and related activities.

We are also establishing a take-back system in countries planning to implement the WEEE regulations starting in 2012, such as India, Australia and Argentina (Buenos Aires), and maintain open dialogue with governmental and industry organizations to facilitate E-waste collection and recycling. [E-waste Management and Recycling](#) 

Global E-waste Take-back and Recycling Performance Unit: Ton



· As the reporting period varies from country to country in Europe, we have included some figures that are estimated from those of neighboring countries, or originate from the previous year. As such, small adjustments can be anticipated in data for next year's report.

No. of Green Certified Companies (Cumulative) Unit: No. of Suppliers



· The figure includes each certification/assessment received by a single supplier for multiple production locations.

Green Partnership

Green Program Plus · In order to promote green management across the value chain, LGE is continuously expanding green partnerships with its suppliers. Utilizing the company's proprietary green supply chain management program called "Green Program Plus (GP Plus)", we start managing hazardous substances and GHG emissions from the moment components are produced by suppliers, to whom we provide related training. LGE plans to continually expand the scope of such green partnerships. [Green Supply Chain Management](#) 

Additionally, LGE validates new suppliers' green management capabilities, and existing suppliers are managed through follow-up procedures. The following describes the company's internal criteria for assessing supplier's green management:

Green Program Plus/Assessment Criteria for Suppliers

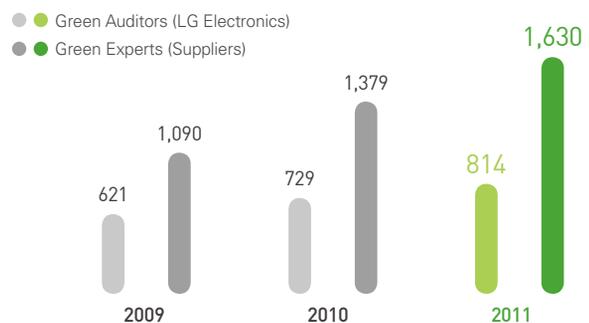
Screening of New Suppliers		Screening of Existing Suppliers	
Environmental Management System	20	Environmental/Mass Production Management	50
Management of Hazardous Substances	50	Supplier Management	15
Management of Material/Product	30	Inspection Management	35
		Voluntary Phase-out of PVC/BFRs	5 (Extra Point)

LGE has been providing suppliers with training to foster green experts and transferring the company's green technology and know-how. In 2011, we conducted eight training sessions involving participation from 224 suppliers. Moving forward, LGE will continue to pursue green partnerships with suppliers, helping them to strengthen their green competitiveness.

FUTURE DIRECTION

- Continue to introduce greener products
- Provide customers with information on our environmental performance for each product
- Establish a global take-back system
- Strengthen E-waste recycling system
- Strengthen green partnerships with suppliers

No. of Certified Auditors/Expert (Cumulative) Unit: No. of Auditors/Experts



Low-Carbon Green Management

OUR APPROACH

- Manage climate change risk and exploit opportunities
- Continuously manage our performance in GHG emissions reduction
- Reinforce four major strategies against climate change
- Expand the low-carbon supply chain management

OUR PERFORMANCE

Exploiting Opportunities and Managing Risks Related to Climate Change

Green Business · LG Electronics plans to actively explore business opportunities arising from climate change, such as changing consumer and market preference, increasing demand for low carbon products and expanding use of renewable energy, and translate those opportunities into business success. To this end, we have designated green businesses such as photovoltaics, LED lighting, total HVAC, smart grid and water solutions as our enterprise growth engines for the future and are making active investments.

Photovoltaics Solution LGE has established a solar panel production facility of 330MW capacity at its Gumi Plant in South Korea, and is supplying solar panels to the European and the U.S. markets. LGE's crystalline silicon solar panel was designated as "Green Technology of the Year" at the 2011 National Green Technology Awards hosted by the Korean government. With the technology, LGE now produces solar panels with over 19% energy conversion efficiency. Also, our solar cells comprised the first solar panel in the world to acquire the Carbon Free Certification¹⁾ in July 2011.

Free from OEM parts and materials, LGE's photovoltaics business has internal production procedures and quality control systems in place and plans to expand its production facility to 1GW capacity or higher.

Lighting LGE has been developing business in LED lighting, which yields greater energy efficiency compared to incandescent and fluorescent lighting, and has introduced residential bulbs and lamps utilizing an LED light source as a replacement for halogen. Unlike fluorescent lighting, LED lighting contains no mercury and has twenty times the lifespan of halogen, with about 50,000 hours of life. LGE also acquired official certification for photobiological safety for its LED light sources from TÜV Rheinland in 2011.

In the industrial lighting segment, LGE introduced various LED flat luminaires and exterior lighting fixtures (streetlight). Currently, the industrial lighting segment is expanding its business areas into a lighting management system, which facilitates efficient management of power consumption utilizing diverse technologies such as sensor, electronic control, etc. Also LGE's interior lighting and floodlighting acquired the PSE (Product Safety Electric Appliance and Materials) mark in Japan and a certification from the China Qualification Center (CQC).

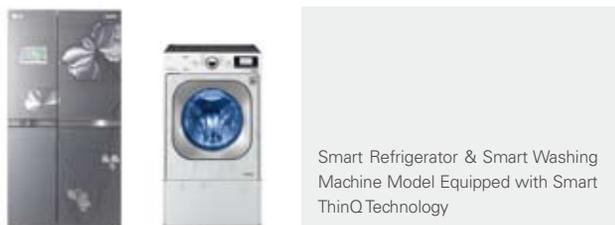
1) Carbon Free Certification: A certification process that verifies GHG emissions throughout a product's lifecycle (production, distribution, use and disposal) and engages in carbon offset activities, ultimately achieving carbon neutralization for the product. (Certification Agency: Carbon Fund).

Water Treatment In 2010, LGE developed a new water treatment process and acquired the "New Environmental Technology" certification from the Korea Environmental Industry and Technology Institute (a Ministry of Environment affiliate). With a goal to become a global leader in water solutions by 2020, LGE is also focusing on expanding the business, establishing a joint venture with Hitachi Plant Technologies and acquiring Daewoo Entec, a company specializing in operation and management of water treatment facilities. (More details on pp.18-19)

Smart Grid

LGE introduced "Smart ThinQ" products, which are smart grid ready appliances based on LGE's proprietary smart appliance technology. SmartThinQ appliances can save time and operation costs with simple and convenient energy managing technology. SmartThinQ is represented in five key features: Smart Grid, Smart Management, Smart Diagnosis, Smart Control, and Smart Upgrade.

Also, LGE has developed "Home Energy Management System (HeMS)", a system that monitors and manages home energy consumption in real-time. And LGE has been applying this system by participating in the smart grid pilot project in Jeju Island, Korea. With these smart technologies, LGE is planning to provide a comprehensive energy management solution with a future convergence with HeMS, smart appliances, renewable energy, and Residential Energy Storage System (ESS).



Smart Refrigerator & Smart Washing Machine Model Equipped with Smart ThinQ Technology

LGE is currently participating in smart grid pilot projects in Korea, Germany, and U.S. and working hard at developing smart appliances to interface with smart grid.

Climate Change Risk Management · LGE is closely monitoring and managing risks, such as rising commodity prices, natural disasters, stricter energy efficiency standards and adoption of regulations (Carbon tax and GHG emissions trading schemes, etc.) in order to counteract them in advance.

Smart Grid Pilot Project

Region	Participant	Scope
Gujwa-Eup, Jeju Island, Korea	440 households	Smart Server, Smart TV, Smart Refrigerator, Smart Washing Machine, Smart Air Conditioner, Heat Pump, Solar Panel, LED Lighting
Aachen, Germany	5 households	Smart Server, Smart Refrigerator, Smart Washing Machine
California, U.S.	20 households	Residential Energy Storage Device

Low-Carbon Green Management Strategy

Strategic Direction · LG Electronics' low-carbon green management strategy is comprised of four major themes: production level GHG reduction through productivity improvement, product usage level GHG reduction through energy efficiency enhancement, corporate-wide GHG reduction and management, and enhancing social responsibility through promotion of low-carbon culture. Detailed action plans are also established for each theme. Based on such efforts, LGE will strive to provide low-carbon value to customers.

Low-Carbon Green Management System · LGE has been managing GHG reduction at production and product usage levels, regarding it as a key business objective. LGE's low-carbon green management effort is led by the Green Strategy Department under the Chief Technology Officer, and is implemented through close collaboration between execution units from each business company and business unit.

Production Level GHG Reduction

Management Standard · Based on ISO 14064-1, the WRI-WBCSD¹⁾ GHG Protocol and the 2006 IPCC²⁾ Guidelines, LGE has established and implemented an internal management standard as specified below. Additionally, the company utilizes an IT System (Corporate Carbon Management System) to systematically manage GHG emissions and reductions.

Reduction Target · LGE has set a target to reduce 150,000 tons of GHG emissions associated with production in 2020 from the base year 2008 (10% reduction) through activities such as production process innovation, facility/operation efficiency improvement, renewable energy use,

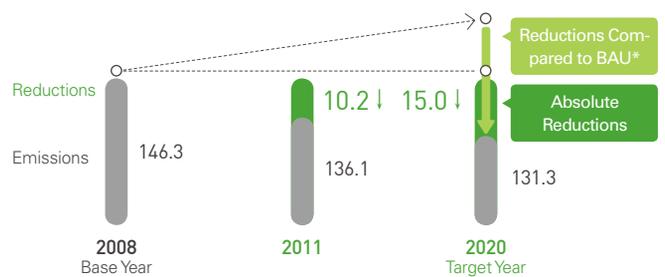
1) World Resource Institute, World Business Council for Sustainable Development
 2) The United Nations Intergovernmental Panel on Climate Change

Production Level GHG Management Scope

Category	Standard & Scope	Target
Organizational Boundary	Control Approach	14 business sites in Korea and 30 overseas production subsidiaries
Operational Boundary	Scope 1	Stationary Combustion, Mobile Combustion, Process Emission, Fugitive Emission
	Scope 2	Purchased Electricity, Steam
GHG	Carbon Dioxide (CO ₂), Methane (CH ₄), Nitrous Oxide (N ₂ O), Hydrofluorocarbons (HFCs), Perfluorinated Chemicals (PFCs), Sulphur Hexafluoride (SF ₆), Hydrochlorofluorocarbons (HCFCs)	

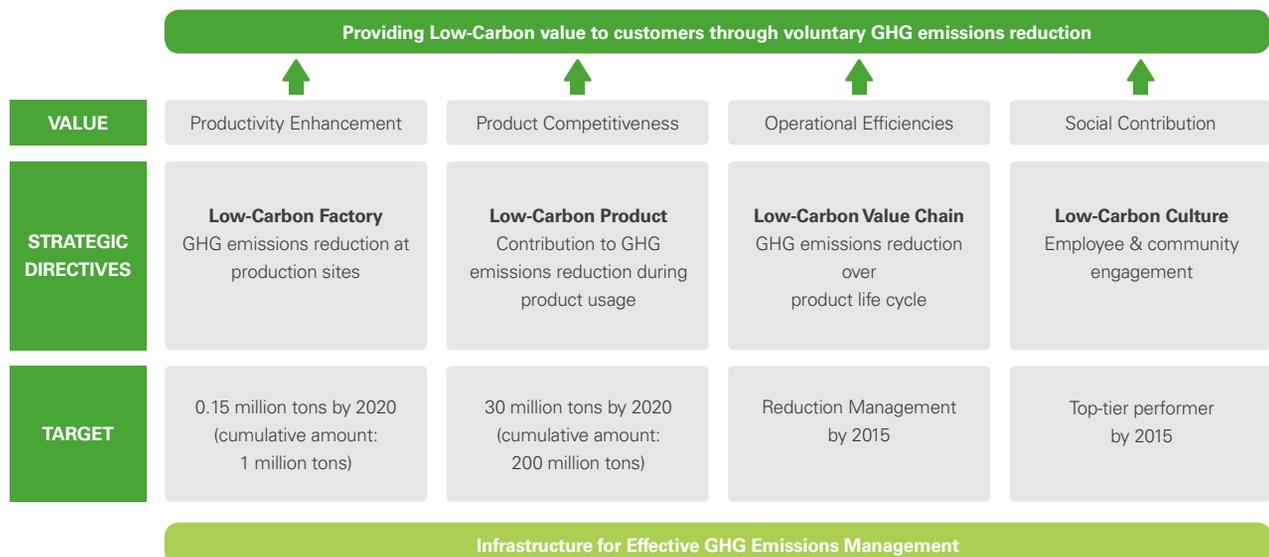
Reduction Target

Unit: 10,000 ton CO₂e



* BAU (Business As Usual): Projected GHG emissions based on the assumption that GHG reduction technology and policy remains at the current level

Low-Carbon Green Strategy



etc. Based on the target, LGE is expected to reduce a total of about 1 million tons (cumulative) of GHG emissions from 2009 to 2020.

Key Progress and Activities · LG Electronics reduced 102,000 tons of GHG emissions associated with production through such activities as production process innovation, facility/operation efficiency improvement, renewable energy use, etc. Also, LGE is currently in the process of acquiring ISO 50001 (Energy Management Systems) for all its production sites and major R&D facilities in order to increase energy and GHG reduction management efficiency.

Facility/Operation Efficiency Improvement LGE was able to reduce about 20,000 tons GHG emissions in 2011 through activities such as cooling tower efficiency improvement (Plasma Display Panel production process), molding air compressor efficiency improvement (refrigerator parts production process), and air blowing pressure optimization.

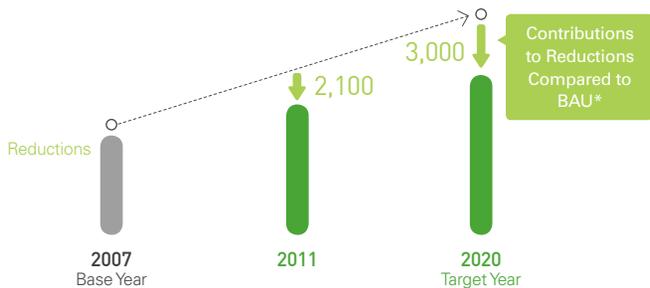
Investment in High Efficiency Equipment LGE was able to reduce about 30,000 tons of GHG emissions in 2011 by investing in high efficiency equipment such as automatic building energy control systems, small capacity boilers, high efficiency turbo air compressors, etc.

Increasing Renewable Energy Use LGE is expanding its use of renewable energy, adopting solar power generating systems, converting energy sources (purchasing steam from Changwon municipal waste-incineration facility), etc. As of 2011, solar power generating systems with a total capacity of 126KW are in operation at the production sites at Gumi and Changwon in Korea and also in Thailand. LGE plans to continuously expand its renewable energy use, including the scope of heat recovery.

Product Usage Level GHG Reduction

Reduction Target · LGE plans to contribute to the reduction of GHG emissions associated with product use by developing and introducing highly energy efficient products. The company has set a target to reduce 30 million tons of GHG emissions from the BAU in 2020. LGE expects to contribute to a total reduction of about 200 million tons (cumulative) of GHG emissions associated with product use from 2009 to 2020.

Reduction Target Unit: 10,000 ton CO₂e



* BAU (Business As Usual): Projected GHG emissions based on the assumption that GHG reduction technology and policy remains at the current level

Key Progress and Activities · In 2011, LGE contributed to reducing 21 million tons of GHG emissions associated with product use (compared to the energy consumption level of 2007) by introducing a great number of highly energy efficient products.

Carbon Footprint Disclosure To help consumers realize the amount of GHG produced during a product's lifecycle, LGE measures the GHG emissions for each product model and is voluntarily acquiring carbon labels. (More details on p.36-37 "Carbon Label" in "Greener Products")

Clean Development Mechanism (CDM) LGE is proceeding with the Clean Development Mechanism (CDM), acquiring carbon credits through sales of highly energy efficient refrigerators. The company's initiative was approved by the Indian government in April 2010 and is currently undergoing a registration process (2012). Through this project, LGE is expected to secure 400,000 tons of Certified Emissions Reductions (CERs) annually over the next ten years.

GHG Reduction for the Whole Product Life Cycle

Support for Suppliers' GHG Management · In 2010, LGE established and announced a plan to expand its low-carbon procurement. The Company plans to purchase over KRW 50 trillion of components annually by the year 2020 from the companies conducting sustainable GHG reduction plans among the 1,500 partners selected based on energy consumption and purchase amount. To this end, we will provide support to suppliers to strengthen their GHG management capabilities, including GHG management training, GHG inventory and monitoring system setup and GHG reduction consulting.

In 2011, LGE signed an MOU with Industrial Bank of Korea (IBK) to support suppliers' low-carbon green growth management. Based on the agreement, LGE is providing support for Small and Medium-sized Enterprises' green management assessment and GHG inventory setup. LGE is also participating in the national policy initiative "Voluntary Green Partnership between Large and Small companies" led by the Ministry of Knowledge Economy and expanding the number of suppliers receiving the support. Additionally, we plan to facilitate suppliers' voluntary reduction of GHG emissions by creating low carbon management guidelines specified for the electronics industry and making them available to all of our suppliers.

Office Building GHG Management · Since 2008, LGE has been managing GHG emissions from our office buildings in Korea, including the leased office spaces with more than 100 fulltime employees (Twin Towers, Seoul Square in Korea). In 2011, a total of 7,987 tons of GHG was emitted from LGE's office buildings.

Our U.S. Subsidiary (LGEUS) also announced a plan to reduce GHG emissions from its office buildings in the U.S. (including warehouses) to 50% by 2020, compared to the emissions in 2007. LGEUS plans to meet the target mostly by expanding the use of power generated by renewable energy (green electricity). LGEUS will also reduce GHG emissions by employing a building energy management system, improving lighting and HVAC efficiency and optimizing office spaces.

Greener Logistics · LGE has set a target to reduce GHG emissions from logistics activities (Korea) by 1% on an annual basis compared to the distance traveled per unit weight carried from the previous year. The total GHG emissions from logistics activities in Korea was 95,282

tons in 2011. LGE plans to create a greener logistics system with transport system innovation, energy use optimization and a green logistics IT system.

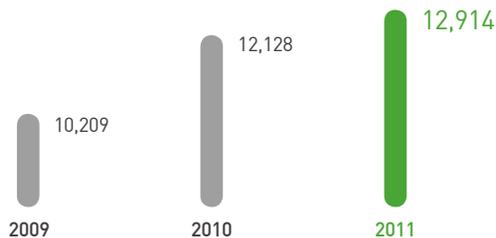
GHG Emissions from Mobility · Since 2008, LG Electronics has been managing GHG emissions from vehicles leased for employee commuting and GHG emissions associated with business travels. In 2011, 6,072 tons of GHG was emitted from vehicles leased for employee commuting and 62,000 tons of GHG was produced by employees' business travels. LGE is making ongoing efforts to reduce GHG emissions from mobility by utilizing video conferencing and encouraging employees to use greener transportation means such as railway.

Water Use and Management

Water Use · LGE is managing the volume of water used and recycled at its production sites in Korea and overseas. A total of 13 million tons of water was used and 680,000 tons of water was recycled in 2011. Water use at our productions sites is expected to increase continuously with expansion of green businesses such as solar module production. However, LGE will continue its effort to reduce water use based on internal management targets. LGE is setting a target of reducing 20% of water use by 2020, compared to 2007 (Intensity target per revenue in KRW).

Global Water Use

Unit: 1,000 tons



Low-Carbon Culture

Climate Change Education · LGE is conducting climate change training to raise awareness of the issue among employees, encourage changes in their behavior and increase overall understanding of green management.

Starting with Korean employees in 2009, online climate change training was expanded to over 20,000 office employees at overseas subsidiaries (including North America, China, the EU regions, etc.) in the following year. In 2011, the program was further expanded to suppliers with over 500 employees from 120 partner companies receiving the training, as well as to LG Group affiliates. Additionally, LGE included climate change in the curriculum for regular offline training provided to suppliers.



Climate Change Training for Suppliers

Carbon Reduction Activity

Climate Change Awareness Campaign for Employees LGE is engaging in a campaign that encourages employees to participate in the reduction of GHG emissions and energy consumption from their daily activities at work. At LGE's production locations, employees voluntarily organized an energy observer group to check electricity and steam leaks and power switches on electronics products to reduce energy loss. We are also organizing various programs and campaigns such as low-carbon meals, food waste reduction, forest cleaning, tree planting, etc. to raise awareness of climate change and encourage our employees to make changes in their everyday life. Also from 2011, we have designated every Friday as a "Day without Disposable Cups" at HQ and are encouraging employee participation. With this campaign, about 20,000 disposable cups are saved monthly, resulting in a reduction of approximately 220kg of GHG emissions (based on the Ministry of Environment estimate of 11g of CO₂ per cup).

Enhancing Cooperation with External Organizations LGE is engaging in a carbon offset campaign in cooperation with the U.S. based NGO Carbon Fund. In 2011, the entire GHG emissions from Carbon Free certified LGE products was offset by Carbon Fund's various activities, including tree planting and investments in renewable energy. Additionally, total 16 tons of GHG emissions associated with LGE's activities at the 2011 International Consumer Electronics Show (CES) was offset through Carbon Fund activities.



Campaign for Reducing Food Waste

Forest Cleaning and Tree Planting Event

Engagement with Policy Makers · As part of its commitment to contribute to efforts by global industries to address climate change issues, LGE is actively participating in initiatives led by international organizations including the United Nations. Since 2010, LGE has been a Steering Committee member of "Caring for Climate", one of the initiatives from the United Nations Global Compact, and an active member of the EICC's Environmental Sustainability Work Group.

In November 2011, LGE officially supported the 2°C Challenge Communique proposed by the Corporate Leaders Network For Climate Action and clearly expressed its strong commitment towards GHG reductions. The communique urges governments and businesses around the world to participate in the effort to stabilize global warming to under 2°C and was conveyed to international leaders at the 17th Conference of the Parties (COP 17).

Additionally, in February 2012, LGE joined Greenpower Partnership, a voluntary certification program for renewable energy use from the U.S. Environmental Protection Agency, and plans to increase the use of renewable energy in its business operations.



Carbon Neutral Certification

Selected into Carbon Management Global Leaders Club by CDP Korea

· Since 2008, LGE has been participating in the Carbon Disclosure Project (CDP) to enhance corporate sustainability and increase socially responsible investment through low carbon green management. The company has been named as a member of the Carbon Management Global Leaders Club for three consecutive years from 2009, and is recognized as one of the top Korean businesses with outstanding carbon disclosure and reduction performance.



2011 Carbon Management Global Leaders Club by CDP Korea

FUTURE DIRECTION

- Continue to discover low-carbon value for customers
- Expand and strengthen green businesses
- Respond to climate change adaptation issues

EESH Management

OUR APPROACH

- **Mid and long term strategies: Actively utilize the integrated global EESH Management System**
- **Mid and long term action plan**
 - Energy: Improve basic unit of energy, Secure reliable supply of energy utilities
 - Environment: Improve basic unit of pollutant management Reduce environmental management costs, Engage in environmental protection activities for local communities
 - Safety: Manage industrial safety prevention system and Incident Rate (IR), Prevent and mitigate fire risk
 - Health: Engage in activities promoting occupational health, Improve working environment

OUR PERFORMANCE

Integrated Global EESH Management System

LG Electronics established the EESH management system to facilitate integrated management of energy, environment, safety and health issues and is applying the system to all business sites in Korea and overseas. From 2010, HQ initiated the acquisition and management of the Environmental Management System (ISO 14001) and Occupational Health and Safety Management System (OHSAS 18001) certifications for production sites in Korea, and overseas production sites are establishing respective systems and acquiring ISO 14001 and OHSAS 18001 certificates (Details on certification status of overseas production sites: p.82).

Global EESH Management Checklist

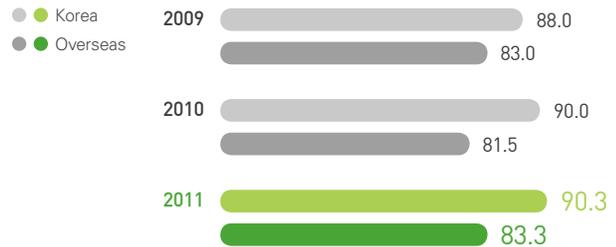


Establishment of Corporate-wide EESH Management System · To facilitate establishment of the global EESH management system at its production sites, LGE performs an annual EESH audit for each site, with biannual HQ and Company audits being conducted in alternate

2011 Audit Results for Overseas Production Sites

- Key Results from the 2011 Audit**
1. Inadequate application of the EESH management process
 2. Some subsidiaries need to improve capability of EESH management staffers
 3. The EESH management system needs to be stabilized at newly established subsidiaries

Global EESH Audit Results



order. Production sites evaluated as below average are required to undergo a vigorous improvement process.

In 2011, we amended the existing activity-based audit checklist to facilitate greater compliance with the ISO standard EESH policy and regulations. The amended checklist is first being applied to production sites in Korea in 2012 and slated for application in overseas sites in 2013. LGE also provides a training course to foster EESH auditors and drive overall EESH management quality to a higher level.

Additionally, LGE has an enterprise emergency response system in place, supporting employees in Korea and overseas to better handle emergency situations. Just minutes after the Japanese earthquake in 2011, LGE organized the enterprise emergency response situation center, collected information on damage suffered by LGE subsidiaries and partner companies located in Japan, and operated a support system. The company also collaborated with other LG affiliates including LG International Corp. and LG Chem and sped the recovery of the subsidiary and partner companies. Going forward, LGE will take one step further from the traditional emergency responses to natural disasters, accidents and infectious diseases, and establish and operate an enterprise emergency response system as a Business Continuity Plan (BCP).

Green Management System (Korea) · LGE's Pyeongtaek site (LG Digital Park) has established Green Management System¹⁾ (GMS) and in July 2011, obtained the very first GMS certification in the industry.

Powered by the Green Management System, LGE's Pyeongtaek site not only can further its integrated EESH management and response to climate change and environmental risks more systematically, but also strengthen its energy and GHG management and environmental assessment. The Green Management System will be implemented at all LGE business sites in Korea from 2012.

1) Green Management System: A management certification issued by the Korean government under the Low-Carbon, Green Growth Act. The system includes all existing international management standards such as ISO 14001 (Environmental Management Systems), ISO 14064 (Greenhouse Gas Accounting and Verification), ISO 26000 (Social Responsibility) and ISO 50001 (Energy Management Systems). A pilot project for "Establishment and Expansion of Green Management System" was initiated by the Ministry of Knowledge Economy in 2011.

Key Objectives in 2012

1. Support production sites that have not been certified to acquire ISO certifications
2. Develop training programs to improve capability of EESH management staffers
3. Improve communication with HQ
4. Strengthen the monitoring system at each subsidiary

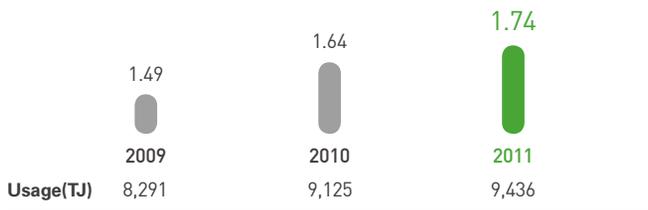
Activities at Production Sites and Subsidiaries

Energy · LG Electronics has integrated various energy consumption indicators into GHG emissions and reductions and manages them accordingly. Also it has obtained the ISO 50001 (Energy Management Systems) certification for all production sites in Korea and key R&D facilities to facilitate the enterprise-wide reduction of energy consumption. In 2011, LGE reduced 102,000 tons (7%) of GHG emissions associated with production compared to 2008 through such activities as production process innovation, facility/operation efficiency improvement, renewable energy use, etc.

Major activities for reducing energy consumption include: expansion of renewable energy facilities and investments (solar power generation systems at production sites, waste heat recovery systems); adoption of high efficiency equipment (high efficiency cooler and cooling towers for Plasma Display Panel production); implementation of the building management system (BdMS); and improvement of energy consumption and utility equipment efficiency (More details on pp. 42-43).

Basic Energy Unit

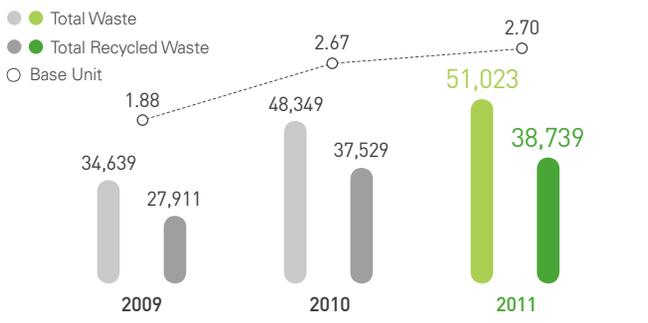
Unit: TJ/KRW 10 billion



Environment · LGE is making its best effort to minimize the environmental impacts from its production sites by continuously innovating production process and investing in environmental equipment/facilities.

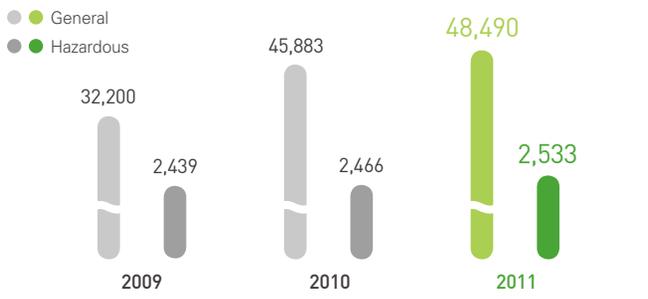
Generated and Recycled Waste (Korea)

Base Unit: ton/KRW billion, Unit: ton



General and Hazardous Waste (Korea)

Unit: ton



At Gumi III Plant, odor control facilities and aeration tank covers were installed to address odors from the waste water treatment plant and also prevent electricity leaks and corrosion of measuring instruments and building structures.

Additionally, LGE is making diverse efforts, including improvements for air pollutants and waste management process, to prevent environmental pollution.

Community Improvement · Every year, LGE organizes and pursues various initiatives to protect the environment. LGE production sites organize diverse events commemorating Arbor Day, Children's Day, World Oceans Day, World Environment Day, Good Recycle Day, etc. and provide annual support to local environmental forums, including the "Environment Forum for Children". LGE's Changwon I Plant was designated as a "Green Wheel Business Site" by the Ministry of Environment in 2011 for using bicycles for commuting and on-premise travel. This is the second time the plant was designated as a model business site following the 2009 designation, and reinforced LGE's environment-friendly image.



Green Wheel Business Site



World Environment Day

E-waste Take-Back Campaign (Korea)

In order to contribute to the creation of a society in which resources are fully valued, recycled and reused, LGE is engaging in various activities promoting E-waste take-back and recycling. In 2011, LGE, together with the Ulsan Metropolitan Government, engaged in an E-waste take-back campaign and collected waste products free of charge, collecting and recycling about nine times more E-waste than in 2010. Additionally, LGE ran a waste mobile phone recovery campaign at business sites in Korea, reducing negative environmental impacts and recycling rare metals used in the collected phones.



E-waste Take-Back Campaign

Recovered E-waste from Ulsan Metropolitan City in 2011

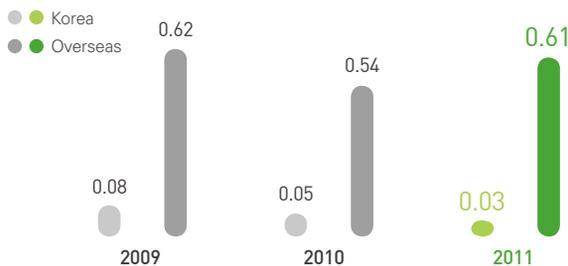
Unit: No. of collected E-waste



· Criteria: Refrigerator, Washing Machine and TV

Safety · LG Electronics takes worksite safety very seriously and pursues every possible precaution to prevent accidents from occurring at its production sites and diligently prepares to handle emergency situations. At Changwon II Plant, LGE introduced a Behavior-Based Safety (BBS) program to prevent accidents caused by human error. This safety program detects human error in advance and prevents any accidents from happening, and will be implemented at all LGE production sites in Korea.

Incident Rate (IR)



· IR = The number of incident cases/Total work hours × 200,000

BBS Component



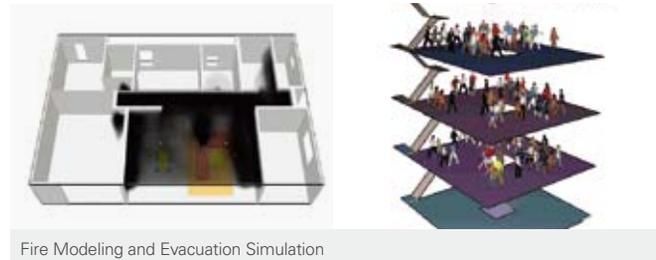
LG Digital Park also invests over KRW 1 billion in safety and damage prevention facilities every year and provides systematic training and exercises. LG Digital Park's efforts for raising awareness on safety issues, complying with regulations and promoting work safety was duly recognized and honored with the 2011 Korea Safety Award.



LGE at the Korea Safety Award

In 2011, LGE became the first electronics manufacturer to implement a fire risk assessment in Korea. Based on a quantitative analysis of fire risk in production sites, LGE redesigned the fire protection and suppression system and made structural improvements depending on the risk level. The redesign paid particular attention to securing safe evacuation routes and improving their safety, and facilitated swift

evacuation in emergency situations. Additionally, the company plans to make diverse efforts to lower fire risk, i.e. identifying measures to progressively reduce the quantitative figures expressed in the risk assessment.



Fire Modeling and Evacuation Simulation

Health · To promote and protect employee health, LGE is engaging in Total Health Promotion (THP) activities with a special focus on smoking secession and weight management. Counseling centers have also been established, assisting employees to manage their stress. At all LGE business sites, in Korea and overseas, a medical service



Changwon Plant Declared as Non-Smoking Business Site

professional (either a doctor or nurse) is always available to oversee the health of employees working at each site. Additionally, those medical professionals provide first aid and CPR training so that our employees can handle emergency situations. In Korea, LGE offers regular medical check-ups (special, general, comprehensive) to employees through a tailored medical check-up system called LGHI. Based on the results, employees receive health consultations and make lifestyle modifications to improve their health. Changwon Plant (I and II) in particular have been engaged in a non-smoking campaign for the past several years to discourage employees from continuing the deadly habit, and converted their premises into non-smoking facilities in 2011. The Plant phased out all onsite smoking areas and converted them into rest areas, and initiated a smoking secession fund. In 2012, LGE plans to engage a smoking secession campaign at all business sites in Korea.

FUTURE DIRECTION

- **The following mid to long term plans will be implemented to bolster the integrated the EESH Management System**
 - Implement the new EESH audit checklist at business sites in Korea and overseas
 - Establish LGE into a leading corporation in green management through activities for reducing negative environmental impacts and protecting the environment
 - Implement the BBS program throughout the company to prevent accidents
 - Develop fire risk indexes to facilitate fire risk mitigation efforts at a quantitative level
 - Implement an anti-smoking campaign at all LGE business sites in Korea

Business Partner



Heo Yoon
CEO,
Shinyoung Precision Co., Ltd.

It is not easy for an Small and Medium-sized Enterprise to secure global competitiveness in a fast changing global business landscape. Against this backdrop, LG Electronics' strong commitment for win-win growth carries a great significance for many. The company consistently strived to fulfill its responsibilities as a trustworthy business partner, helping partners within its supply chain to rationalize business management, increase productivity and improve product quality. To this end, LGE has enhanced communication through diverse channels and provided financial, technological and HR support, and I would like to express my deepest appreciation for its sincere efforts.

It was during the CSR Strategy presentation LGE hosted for its partners that Shinyoung Precision first became aware of trends and issues of CSR, which was fast becoming a hot issue in the global business world. Shortly afterwards, we participated in a CSR risk assessment offered by LGE to take a close look at Shinyoung Precision's CSR reality, and whether our business environment was up to the international CSR standards. From that point onward, Shinyoung Precision has established mid to longterm CSR plans and worked to increase our CSR competitiveness by addressing potential risks in such areas as labor, ethics, environment, safety and health, management systems, etc.

As a member of the "Making Partners Strong" program, Shinyoung Precision is committed to improving its fundamentals based upon LGE's "Jeong-Do Management", working towards business transparency and strengthening member capability. We will always be in step with LGE on the path towards sustainable growth as a competitive and socially responsible business partner.

Win-Win Growth

OUR APPROACH

• Secure Global No.1 competitiveness based upon win-win growth with business partners

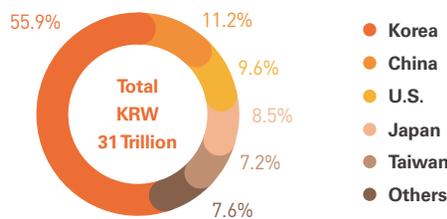
- Support for long-term self sufficiency
- Build and maintain competitive partnerships
- Engage in open communication and conduct fair trade

OUR PERFORMANCE

Our Supply Chain

In 2011, LG Electronics had transactions with more than 4,000 suppliers around the world, with the total purchasing amount reaching over KRW 31 trillion. As the company's production bases are mostly located in Asia, about 86% of procurement was made in the region.

Global Procurement Amount



Philosophy behind Win-Win Growth

The success of win-win growth should not be judged by how much profit we shared with our partners; rather it needs to be judged by how competitive our partners have become and how healthy our ecosystem has become."

- Bon Moo Koo, Chairman, LG Corp.
 < Executive seminar in October 2011 >

Strategy for Win-Win Growth

LGE is committed to achieving truly sustainable win-win growth in a practical manner and helping our partners become strong and competitive based upon the following strategy:

- Fully adhere to fair trade principles
- Provide sufficient support for partners to secure sustainable competitiveness
- Support partners to achieve quality control and production capability of global top levels
- Support partners to secure self-sufficiency through technological capability

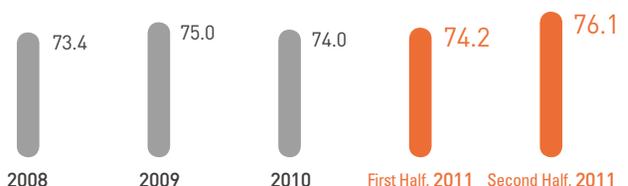
2011 Programs for Win-Win Growth and Performance

LGE's 2011 programs for promoting win-win growth with business partners were implemented with an emphasis on the four key tenets of support, cultivation, communication, and stronger CSR management capability.

Topic	Key Tasks	Activity and Performance
Support	<ul style="list-style-type: none"> Support partners to achieve quality control and production capability of global top levels Support partners to strengthen their capability in next generation technology Provide financing support Provide training and HR support 	<ul style="list-style-type: none"> Provision of business opportunity Open door policy: Simplified new supplier registration Joint R&D investment: Joint R&D projects (23 partners/KRW 9.8 billion) Financing Support Material/Parts Supply/Cost Reduction (KRW 26.4 billion) Direct financing (KRW 43.3 billion) LG Win-Win Growth Fund (KRW 125 billion) Shorter processing period for cash payment to subcontractors (15 days→10 days) Training support (3,363 employees from 508 partners)
Cultivation	<ul style="list-style-type: none"> Designate partners to receive intensive support and manage their progress Support partners to grow in size and relocate closer to LG business locations Support partners to improve product quality, productivity and R&D capability 	<ul style="list-style-type: none"> Fostered partner capability: <ul style="list-style-type: none"> Restructuring support (90 partners) Joint product consortium with the government (KRW 0.6 billion for 20 partners)
Communication	<ul style="list-style-type: none"> Implement and manage a system for addressing partner grievances Conduct a Partners' Satisfaction Survey and make improvements based on the results Host external events and engage in promotional activities 	<ul style="list-style-type: none"> Addressed partners' grievances Organized and held the Win-Win Growth Commission to address partner grievances (Monthly) Made visits to partners' business locations (80 times) Had dialogue with partners (61 sessions) Partners' Satisfaction Survey Conducted Partners' Satisfaction Survey on 200 partners in Korea: Scored 76.1 points Scored 2 points higher compared to the year before (74.2 points)
Stronger CSR Management Capability	<ul style="list-style-type: none"> CSR training Risk assessment & consulting to enhance implementation 	<ul style="list-style-type: none"> Conducted offline CSR training for 152 partners in Korea Conducted EICC self-assessments 45 out of 213 partners are classified as high risk group Provided CSR consulting to 17 partners identified as high risk group Non-compliance improvement: 88% improvement rate

Annual Partners' Satisfaction Survey Results

Unit: point



• Out of 100 points, based on the responses from the 1st tier suppliers

FUTURE DIRECTION

- Expand the "Making Partners Strong" program
- Continue mutual innovations
- Practice "Selection & Concentration" with the Win-Win Growth programs
- Innovate the Win-Win Growth process

CSR in Supply Chain

OUR APPROACH

- **Strengthen CSR compliance to meet the EICC standards**
 - Require suppliers to perform a regular CSR risks self-assessment
 - Provide intensive consulting to suppliers in high risk group
 - Make ongoing efforts to raise CSR awareness and drive meaningful changes in suppliers' CSR management system

OUR PERFORMANCE

Supplier CSR Risk Management Programs

In order to protect employees' rights and interests across our production locations and conserve the environment and resources, LG Electronics has categorized and defined potential risks inherent in production activities as CSR risks in the aspects of labor rights, human rights, environment and health and safety, and carefully manages those risks. In August 2010, the company became a member of the Electronic Industry Citizenship Coalition (EICC) as part of our commitment to bring our efforts for addressing CSR risks up to international standards. As a full member of the EICC from March 2012, LGE is not only striving to reduce CSR risks in our production locations but also cooperating with suppliers to curtail CSR risks at their production facilities, based on a strong belief that mutual growth with our suppliers is a prerequisite for business sustainability.

Supplier CSR Risk Management Programs



2011 Supplier CSR Risk Self-assessment Result



() : Score on the EICC's Self-assessment

CSR Awareness Seminar and Training

Prior to implementing a CSR risk management program for suppliers, LGE conducted training for the management of LGE and partner companies and related staffers to introduce CSR, raise awareness on the issue, and brief them on the structure of the EICC self-assessment questionnaire and how to complete one. In March 2011, we also invited all 152 major Korean suppliers to LGE locations, held a presentation on corporate social responsibility and provided in-depth training on the introduction of risk management programs in compliance with the EICC standards.



Presentation on CSR Risk Management Program for Suppliers

Introduction of Legally Binding CSR Clauses in Agreements

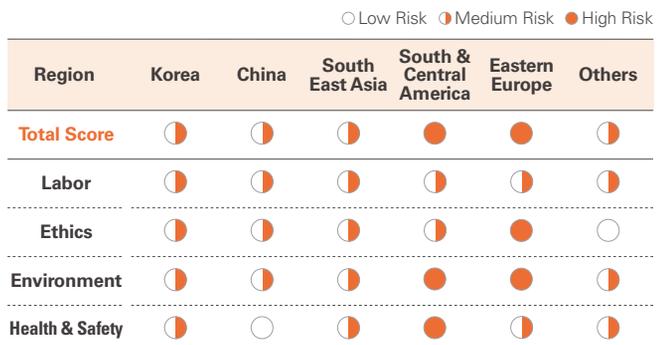
In the second half of 2011, LGE requested major suppliers to declare commitment to CSR requirements. Since then, the commitment became a formal process for suppliers. As part of our effort to institutionalize a system promoting CSR compliance, we introduced the "LGE Supplier Code of Conduct" agreement and required our suppliers to sign it in October 2011, establishing CSR compliance as a prerequisite for conducting business with LGE.

Supplier CSR Risk Assessment

In April 2011, LGE assessed CSR potential risk (in the form of self-assessment) at production facilities of its major suppliers. Major suppliers are determined based on the share of the annual total purchasing volume from LGE (80%) in their revenues and strategic importance concluded through a spend analysis. The self-assessment questionnaire is in compliance with the EICC standards and comprised of over 600 questions designed to evaluate the potential risk level of a facility in the areas of labor and human rights, ethics, environment and safety.

In this year's assessment, 45 out of 213 participants (146 domestic and 67 overseas suppliers) have been identified as the high risk group and recommended to make voluntary improvement efforts.

2011 Supplier CSR Risk Self-assessment Results: Breakdown by Region

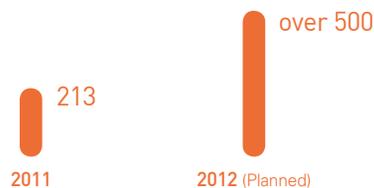


Major Risks Identified by Self-Assessment

The followings are identified as common risk factors from the supplier CSR risk self-assessment:

- Lack of ethics policy and guidelines at a corporate level
- Penalty system
- Inadequate management of work injuries and diseases
- Inadequate green programs
- Inadequate infrastructure to facilitate systematic CSR risk management

2012 Plan for Supplier CSR Risk Self-Assessment Unit: No. of suppliers



Onsite CSR Consulting

LG Electronics visited a total of 17 supplier production locations and performed onsite CSR consulting to determine optimum measures to address CSR risks. The sites were selected from those identified as the high risk group in the 2011 supplier CSR risk self-assessment. A team of certified consultants from HQ undertook the mission of determining appropriate improvement measures, with an emphasis on the following goals.

CSR Consulting Goals:

- 1) Perform a site inspection to verify the self-assessment results
- 2) Identify potential CSR risks not revealed by the self-assessment
- 3) Determine optimum site-specific measures to address CSR risks



Onsite CSR Consulting in Korea

Supplier Training and CSR Consulting in China

Major Risks Uncovered by Onsite CSR Consulting

The following are identified as common risk factors from onsite CSR consulting:

- Work hours exceeding legal limits
- Poor protection for juvenile workers
- Poor management of safety equipment
- Lack of emergency evacuation training
- Lack of policy and procedures for systematic CSR risk management

Onsite Consulting Success Cases

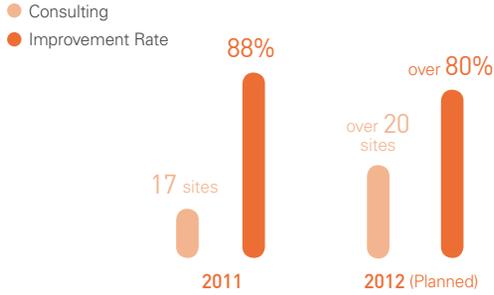
LGE's onsite consulting service helped its suppliers identify their CSR risks and drive for improvement. The followings are the actual cases where LGE's onsite consulting service made practical improvement on suppliers' CSR risks.

Case 1 Unfair Disadvantage in the Resignation Process (Company A in Huizhou, China)	
Risk	Employees who resign may not be able to get paid.
Reason	The Period for resignation notice specified in the employment contract is different from that specified in the company bylaws; an employee who failed to meet the notice period specified in the bylaws could lose the remaining wage.
Details	While resignation notice period in the employment contract is "within 3 days," the one in the company regulation is "within 15 days." And the regulation has not been properly explained to employees. Employees who didn't notice the company within 15 days, may not get their remaining wage.
Improve-ment	Correct the notice period in the employment contract to 15 days. Explain the regulation periodically to the employees. Discuss and get approval (signature) from the employees in writing.
Case 2 Illegal Penalties (Company B in Shenzhen, China)	
Risk	Employees lost half a day's pay for coming in 30 minutes late and one fifth of a day's pay for losing documents. The company was implementing a penalty system that was not stated in their bylaws, without prior agreement with employees on pay deductions. The company neither itemized penalty deductions nor specified the grounds for such deductions on pay stubs.
Reason	A penalty system which existed prior to a merger was maintained. The management was not even aware of the practice.
Improve-ment	Abolished penalties for coming in late or losing documents. Grounds for disciplinary actions were specified and agreed by the staff council after a review. All disciplinary actions and their justification were documented and circulated across the company.
Case 3 Lack of a System to Handle Employee Grievances (Company C in South Gyeongsang Province, Korea)	
Risk	Although required by law, the company did not have a system to resolve employee grievances and the Union Corporate Committee was not functioning.
Reason	The company did not feel the necessity for a system to handle employee grievances and UCC activities as it was a small company of about 40 employees.
Improve-ment	Appointed members of the Employee Grievances Committee established relevant procedures and helped the company prepare for system implementation. Relevant guidelines were posted on the premise and training was conducted.

2012 Plan for Onsite CSR Consulting

Together with its suppliers, LGE will continue efforts to reduce diverse CSR risks that need to be addressed. In 2012, we are planning not only to implement measures for reducing risks, but also to establish an effective system that provides customized assistance to our suppliers in preventing CSR risks.

Onsite Consulting for Suppliers

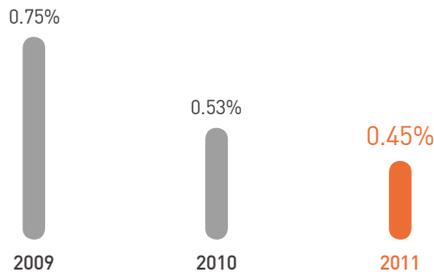


HA Company's ESH Management for Suppliers

Every year, the HA Company performs diagnosis on the ESH (Environment, Safety and Health) performance of domestic and overseas suppliers, and provides consulting to improve their performance. In 2011, the Company helped its suppliers develop capabilities to independently manage their ESH system by focusing efforts into high risk suppliers and supporting new suppliers to establish ESH programs. Although a total of 670 non-compliance cases were found (340 in safety, 109 in electricity, 195 in fire safety, 31 in environment, 31 in health) in the ESH diagnosis performed year-round on 82 suppliers, we were able to make impressive progress with a 98% non-conformance improvement rate. In addition, we encouraged and facilitated suppliers to develop an ESH capability, implement ESH measures and make voluntary improvements by offering quarterly ESH information

Average Supplier Incident Rate

Unit: %



Level B* or Higher Suppliers

Unit: No. of Suppliers (%)



* Level B: Suppliers capable of independently managing their ESH system

exchange and hosting “Supplier ESH Best Practice Competition” on November 29 to share ESH best practices.

Our efforts produced great results with the average supplier incident rate falling to 0.45% in 2011 from 0.53% in 2010 and the number of suppliers managing ESH programs independently increasing to 41 from 35.



Supplier ESH Diagnosis

ESH Training for Suppliers of Tianjin Subsidiary in China

FUTURE DIRECTION

- **Strengthen CSR compliance to meet the EICC standards**
 - Increase the number of suppliers performing ESH self-diagnosis
 - Strengthen the management of high risk suppliers
 - Help suppliers develop capabilities to independently manage their ESH system

Conflict Minerals

OUR APPROACH

- **Establish a system for effectively responding to regulations on conflict minerals**
 - Actively participate in the industry-wide responses to conflict minerals with goal of eliminating sources of funding to those who commit human rights abuses
 - Raise suppliers' awareness on the issue and facilitate their responses to mitigate the issue with contract and evaluation

OUR PERFORMANCE

Overview of Conflict Minerals

Over many years and continuing to this day, the Democratic Republic of Congo (DRC) located in Central Africa has been ravaged by fierce armed conflicts over the country's vast reserves of natural resources. Armed groups in the eastern DRC have been routinely committing heinous acts such as massacre, rape and child/forced labor, causing severe suffering and an international outrage.

Conflict minerals including tantalum, tungsten, tin and gold are utilized in diverse industries such as aerospace, home appliance, electronics, jewelry and medical. The Democratic Republic of Congo (DRC) produces 20% of the world's tantalum supply.

Under the conflict minerals reporting provisions (Article 1502) of the Dodd-Frank Consumer Protection and Wall Street Reform Act (effective as of July 2010), corporations listed and publically traded in the United States must disclose in their annual reports whether they are using conflict minerals produced in the Democratic Republic of Congo (DRC) and nine neighboring countries (conflict areas). The provision aims to prevent violence and exploitation and promote responsible sourcing by disclosing businesses using minerals produced from conflict areas in the region.

Response of the Electronics Industry

The Electronic Industry Citizenship Coalition (EICC) has established the Extractives Work Group and is making earnest efforts to resolve this issue. Together with the ICT sector coalition GeSI, the EICC currently manages the Conflict-Free Smelter Program, which certifies smelters that are compliant with the Conflict Free Smelter assessment

protocol and facilitates member companies, including LGE's, to use minerals produced from certified smelters and ultimately contribute to resolving the conflicts.

LG Electronics' Stance on Conflict Minerals

LGE requires its suppliers to establish a ban on the use of conflict minerals and disclose the origins when supplying parts that contain four conflict minerals (tantalum, tungsten, tin and gold). Additionally, we encourage smelters to seek certification by the EICC's Conflict-Free Smelter Program, while urging our suppliers to purchase minerals produced and traded legally from the conflict areas to minimize the economic impact on related countries.

LG Electronics' Response to Conflict Minerals

In January 2010, LGE introduced a ban on illegally mined minerals in its global sourcing policy. Also in March, we made a request to our key tantalum capacitor manufacturers not to use illegally mined minerals. A follow-up survey revealed that our suppliers used minerals produced in either China or Australia. Shortly after, in August, LGE joined the EICC's Extractives Work Group to participate in the industry-wide effort to resolve the issue. In September the same year, we issued the "Supplier Code of Conduct," which includes provisions on conflict minerals, and amended Master Purchase Agreement forms to reflect our position on the issue in October 2011.

We also conducted a survey to identify suppliers that produce components containing four conflict minerals (tantalum, tungsten, tin and gold) in our supply chain through the internal hazardous material management system. According to the survey, about 25,000 types of components supplied by 800 companies contain the four conflict minerals, and since January 2012 we have been conducting another round of survey on those suppliers, using the EICC designed format.

LG Electronics' Statement on Conflict Minerals [Click](#)

FUTURE DIRECTION

- **Establish a tracking system for the origins of four conflict minerals used in our products**
- **Increase the number of CFS certified smelters in our supply chain**

EICC's Response on Conflict Minerals



* The CFS (Conflict Free Smelter) Program: A certification program for conflict free smelters jointly run by the EICC and GeSI (www.conflictreesmelter.org)



Community



Achim Steiner
Executive Director,
The United Nations
Environment Programme/
Under-Secretary-General,
The United Nations

If the world is to take a path towards a low carbon, resource efficient Green Economy, we need all hands on deck—governments, cities, the general public and business. This is why the UN Environment Programme looks for corporate partners who are committed to the ideals and the actions underpinning a sustainable 21st century.

LGE's support for UNEP's Champions of the Earth awards is one, high profile way to catalyze global awareness that change is possible by focusing on the achievements of inspiring individuals ranging from a national leader such as President Calderon of Mexico to Benin's songstress and eco-activist Angeliqwe Kidjo. A giant screen in New York Time Square also brought the awards home to the thousands of local and international visitors traversing through this famous landmark.

The company's own personal commitment to educating its workforce was demonstrated through World Environment Day 2011 under the theme 'Forests: Nature at Your Service' with 15,000 LGE employees in 45 countries getting involved on 5 June.

Decoupling resource use from economic growth and generating decent employment must be the ultimate aim of a Green Economy in a world of seven billion people rising to nine billion by 2050. With committed and long term partners like LGE, we have a chance of accelerating and scaling-up such transitions towards not only the Future We Want but the future we all need.

Social Contribution

OUR APPROACH

- Work together with diverse stakeholders such as International Organizations and NGOs to resolve local community issues based on a long term perspective
- Contribute to society utilizing LGE's core capabilities
- Put "People-Oriented Management" into practice with employee donations and volunteer work

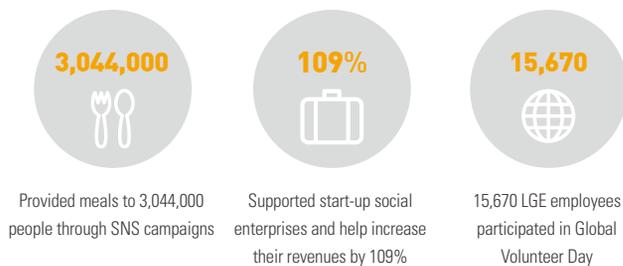
OUR PERFORMANCE

LGE's Social Contribution

LG Electronics bases its social contribution on the "LG Way". As a guiding principle for every LGE employee's thinking and action, the LG Way articulates our belief in attaining our vision of becoming "No.1 LG" through our management principles "Customer-Value Creation" and "People-Oriented Management".

Regardless of where we are in the world, LGE strives to satisfy the needs of local communities and provide differentiated value to stakeholders. The value LGE provides in this case is contribution to resolving international issues utilizing our core capabilities. Also, "People-Oriented Management" stands for all global LGE members actively participating in volunteer works and donations as responsible members of the local community and strengthening the bonds between LGE and stakeholders, including customers, local communities and residents.

2011 Social Contribution in Numbers



Social Contribution Framework

SLOGAN	Hope for Life's Good		
GOAL	Providing sustainable solutions for the global disease, environment and poverty (Contribute to achievement of the UN Millennium Development Goals)		
FOCUS AREA	Disease Prevent Environmental Diseases	Environment Promote Environmental Sustainability	Poverty Eradicate Poverty in Developing Countries
PROGRAM	Vaccination Support in Developing Countries	Partner of "Champions of the Earth" Life's Green Class	LG Hope School/LG Hope Village/LG Hope Family

In 2009, LGE established a global social contribution framework comprised of three pillars, "Disease", "Environment" and "Poverty" and is closely cooperating with expert international organizations, governments and NGOs.

Providing Differentiated Value to Local Communities

Regardless of where we are in the world, including emerging markets, LGE strives to satisfy the needs of local communities and provide differentiated value to stakeholders based on the LG Way management principles "Customer-Value Creation".

Our effort to provide differentiated value to local communities is largely comprised of two parts. First, we form a partnership with governmental agencies and expert organizations related to the issue at hand, identify the needs of stakeholders, and explore solutions. Second, we focus our efforts to make contributions utilizing our core capabilities.

Partnership with International Organizations · Since 2008, LGE has been collaborating with international organizations to achieve the UN Millennium Development Goals in the three focus areas of its social contribution effort – diseases, environment and poverty. The partnership between LGE and international organizations creates a synergistic effect in identifying the needs of stakeholders and beneficiaries in the local community, collecting information on relevant trends, and resolving issues. Including the partnership with the International Vaccine Institute started in 2008 for disease prevention, LGE is running various global partnership programs, including the partnership with the United Nations Environment Programme (UNEP) and the United Nations World Food Programme (WFP).

Disease According to the 2011 report released by the United Nations Environment Programme (UNEP) on World Water Day, each year around 2.2 million people succumbed to waterborne diseases such as diarrhea and malaria over the past five years. The report also states that waterborne diseases are to blame for 3.7% of fatalities and more than half of hospital admissions in the world.



Distribution of Oral Vaccine

Vaccination As such, LGE has been cooperating with the International Vaccine Institute and

supporting its development of vaccines for waterborne diseases to be distributed in developing countries. Vaccines developed through the partnership will be used in a large scale vaccination in Ethiopia slated for 2012.

Environment According to the 2011 Millennium Development Goals Report released by the U.N., while progress has been made in such areas as access to clean drinking water and expansion of net forest area, global GHG emissions have grown by 38% between 1990 and 2008, and are expected to increase continuously due to human lifestyles. As a responsible global citizen, LGE sponsors UNEP's Champions of the Earth Award and supports environmental education for the future generation to raise awareness of the issue.

· UNEP's Champions of the Earth Award In May 2011, LGE participated in UNEP's Champions of the Earth Awards Ceremony held in New York as an exclusive corporate partner. Including Felipe Calderon,



2011 Champions of the Earth Award Ceremony



Life's Green Class in India

the President of Mexico, environmental scientists and activists who inspired the world to participate in responding to climate change were honored with the award, considered as the world's most important and renowned environmental accolade.

· Life's Green Class To foster the future generation with a high level of environmental awareness and strong sense of responsibility towards the issue, LGE has been providing environmental science classes for children since 2006. Operated in corporation with the Teenagers into Science and Technology Center at Hanyang University, this program made around fifty visits to elementary schools and science fairs nationwide and gave presentations and classes concerning science and the environment to a total of 12,325 children. In 2010, the program was introduced in India, visiting a total of seventy schools per year and educating over 70,000 children. With the participation of 81,847 Korean children and 89,010 Indian children, the program is raising awareness of environmental issues among children.

Effort to Achieve UN MDGs

Adopted by 192 world leaders in the year 2000 and set to be achieved by 2015, the United Nations Millennium Development Goals (MDGs) are an international pledge to reduce the world population living below the poverty line by half. There are eight international development goals including the eradication of extreme poverty and hunger as well as diseases.

UN MDGs		Key LGE Activity
1	 Poverty Eradication	Trained some 25,000 residents from 15 LG Hope Villages in Ethiopia on how to reclaim farmland to help them eradicate poverty by increasing agricultural productivity
2	 Education	Provided school lunch to students at 15 LG Hope Schools in Kenya, and also supported improvements & repairs for school facilities to promote basic education for children
3	 Gender Equality	Helped women in 2,000 LG Hope Family develop their potential with "Food for Training" in Bangladesh
4	 Infant/Toddler Health	In partnership with the International Vaccine Institute, supported the development of vaccines for waterborne diseases in Ethiopia and is ready for conducting a large scale vaccination for children
5	 Maternity Health	Operated around 65 free breast cancer mobile check-up center in Kazakhstan
6	 Disease Eradication	Utilizing "LG Here 4U" visiting bus service, along with repairs provided free medical check-ups to villagers in Philippines
7	 Sustainability	Holds Global Volunteer Day in 44 countries in 2011 with employee participation to commemorate World Environment Day (June 5)
8	 Global Partnership	In partnership with the WFP, developed a charitable app for LG Smart TV that shares information on poverty issues and facilitates instant donations

Poverty Upon launching the Poverty-Environment Initiative (PEI), the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP) clearly elaborated on poverty-environment linkages. People struggling with poverty are more likely to rely heavily on environmental resources for food and fire wood, thus accelerating the destruction of the environment, which in turn exacerbates poverty. The 2011 Millennium Development Goals Report states that although the world population living below the poverty line is decreasing, they are still suffering from malnutrition and exclusion from education.

As part of its effort to address climate change issues and assist underdeveloped countries to establish a basis for self-sufficiency, LG Electronics is operating “LG Hope Series”; a program designed to help reduce poverty in the Horn of Africa and Asia. The program also provides educational support for children and teenagers to foster the future generations in the regions.

· **LG Hope Series** LG Hope Series is a poverty eradication program LGE operates in association with the WFP for developing countries in the Horn of Africa and Asia. LGE has been providing free school meals for children in Kenya (LG Hope School) and Ethiopia (LG Hope Village) since 2009 to promote children’s education and support farmland reclamations to improve each village’s farming productivity. About 40,000 people received support from LG Hope Series in the year 2011 alone. In 2011, LGE launched the LG Hope Family program in Bangladesh and Cambodia. In this program similar to Korea’s “New Community Movement”, a total of 7,000 households are receiving support to secure a basis for self-sufficiency.

· **Scholarship Quiz Competition** As part of its effort to foster future talent and promote education, LGE is sponsoring a scholarship quiz competition in Vietnam and Azerbaijan. In Vietnam, the company also identifies future talent through the competition, which LG has been sponsoring since 1999, and the winners are offered a job opportunity with LGE.

Social Contribution Utilizing Core Capabilities · At the 3rd Stakeholder Consultation held under the theme of social contribution in 2011, stakeholders suggested that LGE should explore ways to utilize its core business capabilities, such as technology, marketing and promotion, in making social contributions. Following their suggestion, LGE is actively utilizing its core capabilities to make differentiated efforts and resolve social issues as well as support partner organizations at home and abroad to improve their institutional capabilities.

Corporate Talent Donation LGE’s utilization of core capabilities goes beyond creating new value through technological support and in-

cludes employing corporate infrastructure such as large size digital billboards, SNS channels, products, etc. in promoting important social issues and raising public awareness. With its talent donation, LGE is not only providing new information and value to the public, but also helping partner organizations – International Organizations and NGOs expand communications channels.

· **LG SmartTV App “WeFeedBack”** In 2011, LGE, together with the WFP, developed a donation app “WeFeedBack” for LG Smart TV. LG Smart TV users around the world can now access information on poverty issues and make donations easily via WeFeedBack.

· **SNS Campaign** LGE, in association with the United Nations World Food Programme, ran a donation campaign for Ethiopia on its Facebook page and blog for the month of December 2011. A total of 3,936 people participated in the campaign and raised USD 341,034, which was used to provide meals to 3,044,000 Ethiopians.

In Korea, LGE organized a blood donation drive with a strong response from over 1,200 LGE employee participants. LGE also made matching donations on the number of SNS posts on the event and assisted two children suffering from intractable diseases by arranging appropriate surgeries.

· **LG Hope Screen** In 2011, LGE offered its digital billboard in New York’s Times Square to International Organizations for three months. Through the event, called “LG Hope Screen”, LGE was able to raise public awareness of the environment and poverty eradication issues and was praised for creating a brand new format for stakeholder engagement.

Management Consulting for Start-Up Social Enterprises (Korea) LGE made an agreement with the Ministry of Employment and Labor and the Ministry of Environment to provide support to social enterprises on environment, which applies commercial strategies to maximize improvements in human and environmental well-being. To support their cause and establishment, LGE financially supports start-up social enterprises and transfers its management know-how to them. Our focus in this program is on fostering start-up social enterprises with an emphasis on environmental issues to create green jobs.

In 2011, LGE selected ten start-ups and financed their initial investments, while organizing an advisory board and providing consulting on management strategy. As a result, all ten start-ups posted an average annual growth of 109% in revenues and created 19 jobs. Additionally, LGE is sharing its know-how on HR, organization, performance management through the “Management Training for Social Enterprises”.



LG Hope Family in Cambodia

LG Scholarship Quiz Competition in Vietnam



“WeFeedBack” Demonstration with Secretary General Ban Ki Moon of the United Nations

LG Hope Screen Campaign on LGE’s New York Times Square Billboard

· **Productivity Consulting** As part of its support programs for start-up social enterprises, the LGE Labor Union provided productivity improvement consulting to small E-waste recycler Eco City Seoul in 2011. Experienced technical staff from the LGE Labor Union provided the consulting with a focus on productivity improvement through the elimination of hazardous processes and improving worksite environment. As a result, Eco City Seoul's productivity improved by almost 50%, and the company secured greater competitiveness.



Management Training for Social Enterprises

Productivity Improvement Consulting

“Respecting Human Dignity” with Employees

The first clause of LG Electronics’ Charter of Social Contribution established in 2005 states that “Through the cooperation between labor and management, LGE shall not only fulfill its original purpose of engaging in business activities as a corporation, but also make overarching efforts into social contribution such as donations on generated profits and employees’ direct participation in volunteer work.”

Employee participation programs based on creativity and autonomy go beyond traditional cash donations and volunteer work and expand into knowledge and talent donations. In 2011, LGE engaged in diverse donation campaigns, including “Life’s Good Day” (employees choose to have a simpler menu from the company cafeteria and donate the difference), to provide greater contribution opportunities for its employees.

· **Salary Rounding Fund and Executive Contribution Fund** The Salary Rounding Fund is raised with the voluntary participation of more than 96% of LGE Korea employees. The fund is managed by the Labor Union led Salary Rounding Fund Committee and used to support local disaster relief and employees dealing with hardships. In 2011, the fund was used to help victims of flooding in Thailand and the earthquake in Turkey.

The Executive Contribution Fund is raised with the participation of more than 85% of the LGE Korea executives who donate a set amount from their monthly salaries. LGE also makes matching donations on the amount raised. The fund is used to support the vaccine development effort.

· **“Life’s Good Volunteers”** Started in 2005 as an “Open Call for Volunteer Work”, volunteer activities by LGE Employees expanded to talent sharing with the 2010 launching of “Life’s Good Volunteers”. Volunteers selected from each business site engage in a variety of volunteer work for isolated and marginalized members from the local communities, including photo shoots for elderly citizens, tutoring for children and teenagers, and art classes by designers, utilizing their special talents, interest and expertise.

· **Global Volunteer Day** LGE designated World Environment Day (June 5) as Global Volunteer Day in 2010 and has been participating in volunteer work all around the world. In 2011, a total of 15,670 employees from 44 countries participated in activities to protect the environment.

FUTURE DIRECTION

- Provide differentiated value utilizing LGE’s core technology (Water Solutions and Photovoltaics)
- Discover and promote social contribution BP of subsidiaries in the emerging markets
- Encourage employee participation in social contribution



- 1 Life’s Good Volunteers
- 2 Global Volunteer Day
- 3 Life’s Good Day

LGE's Social Contribution around the World

LG Electronics is making every effort to spread hope to local communities throughout the world. We are expanding contact points with customers to identify the needs of local communities, while forming partnerships with a variety of stakeholders such as International Organizations, governments and NGOs to resolve social issues.

Greece | Made by You



Received clothes donations from customers, washed them clean with LGE washing machines and passed them onto neighbors in need. For a week in May 2011, more than 97 boxes of clothes were collected and donated to those in need.

Russia | Blood Donation

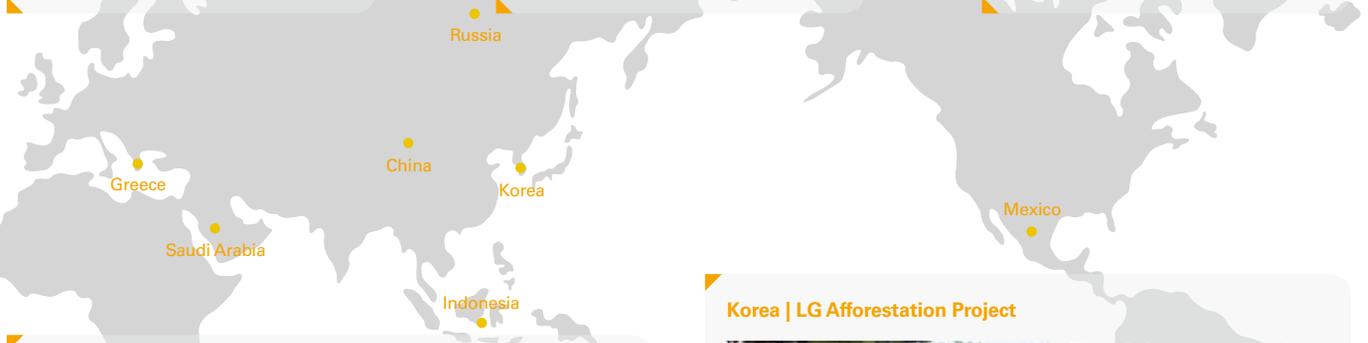


As the first corporate partner for the Russian government (since 2009), the subsidiary organized 32 blood donation drives with the participation of LGE employees and celebrities, including Olympic medalists, and saved some 9,249 lives since 2009.

Mexico | Water for U



Invested USD 30,000 from washing machine sales profits and installed a total of 28 water tanks at local villages suffering from drinking water shortages, freeing more than 4,400 villagers from worries over drinking water for the next 30 years.



Saudi Arabia | IT Academy for Women



Opened an IT academy to offer free IT training (internet and computer) to Saudi women, promoting education for women.

Korea | LG Afforestation Project



The AE Company signed an agreement with Changwon City in 2009 to establish low-carbon green forests. Based on the agreement, the company recently completed its fourth forest with the participation of 380 employees, planting 400 trees on the 2,644 square meter site. The effort was recognized in 2011 as a "Model Business in Social Contribution" by the Changwon City Government.

China | Earth Hour



Organized an event to participate in Earth Hour 2011. Lights were turned off at the production sites in Taizhou, Tianjin, Qinhuangdao and Hangzhou and Beijing LG Twin Towers, the subsidiary office and dormitories for an hour. A total of 4,779 employees participated

in the event and saved 5,260kWh of electricity.

Indonesia | LG Click and Donate



LGE Indonesia (LGEIN) held a rice donation campaign utilizing its Facebook page. The subsidiary donated 250g of rice for every click made on the campaign web page or twit made concerning the campaign. A total of seven tons of rice was donated during the campaign and passed onto 14 welfare facilities.



Employee



Angel Mukankunga Bisamaza
Washing Machine Marketing
2Team, HA Company

While studying in Korea away from my home country of Rwanda, I became greatly interested in a job opportunity with LG Electronics. Luckily, my dream for developing capabilities at LGE came true and I am very happy to have the opportunity to become acquainted with the Korean work environment and learn the communication process with peers and superiors through a variety of training programs. I have also acquired basic knowledge related to my future position as a marketer, such as product information and marketing strategies. LGE as a company provides an atmosphere that promotes creativity and innovation throughout the organization, making it truly competitive in the global marketplace.

Well aware of the challenges and opportunities of doing businesses in the emerging markets such as Africa, I look forward to the day when I can fully utilize the capabilities I have developed during the time I spent at HQ. With passion, hope and resilience, I hope to contribute to LGE's drive to become No.1 in the East African market, based on its leadership in product and service quality.

Corporate Culture/Work & Life Balance

OUR APPROACH

- Based upon the “LG Way”, establish a corporate culture that encourages creativity and autonomy
- Help LG Electronics realize its vision by putting the LG Way into practice and promoting communication based on trust and mutual respect

OUR PERFORMANCE

Direct Communication Across the Organization

In order to establish a corporate culture that encourages creativity and autonomy based on the “LG Way”, LGE is making ongoing efforts to promote communication built on trust and mutual respect among its members. In 2011, driven by the new CEO’s strong initiative, our problem solving approach for inter-organizational issues has been expanded to direct, vertical communication from direct (face-to-face), horizontal communication.

We also utilize a “Voice of the Frontline” program to collect opinions of our members, establishing a direct channel called Mr. CEO Email account and passing the collected opinions onto top management. In the past year, a total of 243 messages were sent to the account, and the CEO reviewed each and every one of them himself. He also organized a monthly meeting to make direct communication with members from diverse backgrounds and positions. “Mr. CEO Pizza” was organized as a surprise event to encourage members who exerted themselves to overcome tough business conditions and produce results, delivering pizzas as well as a pleasant surprise to 29 teams (20 Korean and 9 overseas) in 2011.

Such communication efforts have been expanded to the entire organization and are facilitating vibrant communication, helping members to overcome differences in position, age, language and culture, and encouraging participation in face-to face, direct communication. This positive change is also contributing to developing members’ sense of belonging and ownership and ultimately strengthening teamwork. For example, over 100 LGE Communicators selected as volunteers are working hard to increase members’ sense of belonging and ownership by covering interesting internal news, and acting as ombudsmen for internal magazine, Pride LG and engaging in internal and external promotions.



“Mr. CEO Pizza” in Iran

CEO Open Communication

Efforts to Improve Work Environment

With the annual “LG Way Survey”, LGE assesses its effectiveness in creating a positive work environment in which employees feel their creativity and autonomy is promoted, and then implements improvements based on the results. In the LG Way Survey, members are solicited to provide inputs describing a work environment and leader-

Creativity & Autonomy Index from the LG Way Survey



· Office staff from domestic and overseas offices

· Up until 2009, this section was divided into three sub areas of “encouraging challenge and trial”, “open communication”, and “empowerment” but consolidated into “Respect for Creativity & Autonomy” in 2010.

ship style that encourages employees to be creative, and to exercise discretion. (Example: “I am given discretion to take an initiative based on my ideas and judgment when working towards meeting the company’s goal”, “My boss allows and encourages me to make a move that no one has tried or has never been tried in the past”, etc.)

The results of the 2011 LG Way Survey showed that positive responses in the “creativity & autonomy” area have fallen two percentage points compared to the previous year, reversing the trend of continual improvement we have seen over the past few years. We believe this trend is only temporary, and is likely attributable to our having to focus the attention on the tough business climate and strengthening fundamentals in preparation for the future.

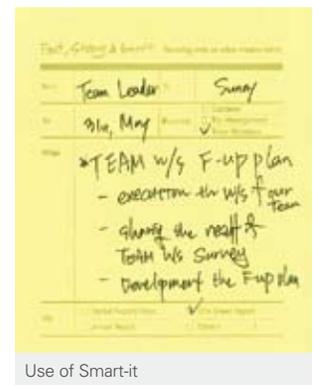
We are striving to mitigate this situation, and are creating a work environment where our members feel free to voice their creative opinions and incorporate them into businesses. As part of this initiative, we are utilizing the intranet message board as a forum for free exchange of ideas and encouraging our members to post creative ideas about how to run the organization and products (272 posts on Junior Board, 1,574 posts on Idea Board). The ideas posted on the message board are forwarded to relevant departments and reviewed for their practicality on an ongoing basis.

A Culture of Participation Driven by Voice of the Employee (VOE)

Another important pillar of LGE’s corporate culture is a culture which respects the “Voice of the Employee (VOE)”. To fully incorporate their opinions, we listen to our employees prior to and after decision making on important policies.

For example, after the 2011 corporate slogan “Fast, Strong & Smart” was announced, we conducted a “VOE” survey of members’ take on “Smart” and what they need to work smart. Based on the survey results, we have produced and distributed “Smart-it” (a post-it style memo pad designed to increase clarity and efficiency in business communication).

Change Agents (CA) and Junior Board (JB: Staff Council) are playing an important role to bolster a culture of participation among our members. As motivators and communicators, Change Agents are leading various activities to bring about changes in the organization, and JB members are communicating employees’ opinions to top management and engaging in diverse activities to protect employees’ rights.



Use of Smart-it



1 Corporate R&D (Korea), Open Lab
 2 Korea Marketing Company (Korea), Volunteer Mural Painting
 3 China Nanjing Subsidiary, Children's Day Family Event
 4 Peru Subsidiary, Fathers' Day Soccer Competition
 5 MC Company (Korea), "I am the President" Event
 6 HA Company (Korea), Talent Audition "Star Discovery HA"
 7 HE Company (Korea), 3D Game Festival
 8 Korea Marketing Company, Informal Group "X-band"

Events and Programs for Members' Family

LG Electronics offer various programs for employees' family members to strengthen their sense of belonging and ownership.

 **Korea: Open Lab · Weekend Family Farm · Volunteer Mural Painting** · Corporate R&D is running the "Open Lab" events, where the family members of researchers are offered a tour of the facility and introduced to technology and products. The Production Engineering Research Institute offers members a plot in their "Weekend Family Farm" and supports members and their family to experience the joy of farming. Members of the Korea Marketing Company and their family members participate in a voluntary activity of painting murals for welfare facilities.

 **India: Summer FUN Camp for Employees' Children** · LGE India Subsidiary organized Summer FUN Camp for employees' children enrolled in 10 schools in Delhi and Pune. During the 30 day camp, over 500 children had a great time learning how to make public speeches, how to skate, and how to play musical instruments.

 **China: Children's Day Family Event** · On Children's Day, LGE China Subsidiary (Nanjing) hosts a family event for employees and their family members and offers a great fun fair with 3D movie screenings, science class, amusement rides, etc.

 **Peru: Diverse Family Events for Employees and Their Family Members** · LGE Peru Subsidiary hosts 10 to 12 events, such as Fathers' Day Soccer Competition, LG Family Summer Program and Christmas Card Competition, for employees and their family members year round.

Making a Fun Place to Work

LGE is engaging in a corporate-wide campaign to encourage members to work efficiently and have fun at work. Originating from a suggestion from the Junior Board (Staff Council), the campaign focuses on simplifying the reporting process, making overtime more productive, getting off work on time, taking full advantage of vacation time and bolstering communication with management.

the MC Company runs a program called "I am the President," which offers the president's car to members celebrating special occasions. Meanwhile, HA Company is creating a fun workplace with a talent

audition "Star Discovery HA", offering members a chance to show off their talent and have fun with their colleagues. The HE Company organized the "CINEMA 3D Game Festival" to provide an opportunity for its members to experience our products and strengthen teamwork. In order to help designers find creative inspirations, the Corporate Design Center encourages them to have a diverse cultural experience every quarter.

LGE also provides financial support to Informal Groups - internal communities for members with shared interests and hobbies. Highly popular among members including executives, over 240 Informal Groups are active in Korea alone and overseas offices are catching up fast.

LG Electronics Spain and Peru Subsidiaries Named as "2011 Great Place to Work"

LGE Spain and Peru Subsidiaries were named as "2011 Great Place to Work Top 50" in Spain and Latin America respectively. The list is compiled by the Great Place to Work Institute, which releases an annual ranking for great companies to work for by conducting employee surveys from the offices located in 37 countries, including the U.S. and the European nations. LGE Spain Subsidiary (LGEES) was ranked 11th with high scores in such areas as work environment, communication, employees' pride for the company, equal opportunity, respect for human dignity, and teamwork. The Peru Subsidiary (LGEPR) was selected as one of the best multinationals to work for (ranked 33rd) in Latin America, based on a survey conducted amongst 2 million+ employees from 1,900 companies in 11 countries, receiving high marks particularly for extending care to member families.



FUTURE DIRECTION

- Increase efficiency and produce results based on "Be First, Do it right, Work Smart"
- Corporate Culture Facilitating "Work & Life Balance": Fun Place to Work, Happy Employees

Talent Management

OUR APPROACH

- **Secure global talent and foster them with systematic HR management**
 - Secure quality talent from Korea and overseas
 - Develop individual capabilities based on the Training Roadmap
 - Establish a global talent training program

OUR PERFORMANCE

Talent Sought by LGE



HR Recruitment Activities

LG Electronics actively pursues HR recruitment efforts with an emphasis on strengthening R&D capability to secure product competitiveness. We are attracting quality R&D talent by hosting recruitment events at universities in Korea and overseas and expanding industry-academia programs.

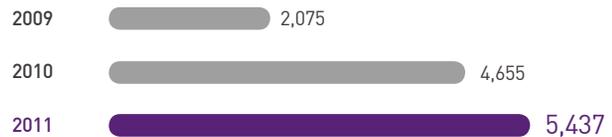
In 2012, LGE plans to hold the LG Techno Conference in partnership with other companies within LG Group to attract top global talent from a variety of fields and foster them within LGE's core talent pool. In addition to regular recruitment events, from 2012 we are planning

Major HR Recruit Program (HQ)

Program	Details	
Long-term Internship Industry-Academia Project	Recruits talented science and engineering undergraduate students semiannually and provides semester training opportunities. Job offers are extended based on individual performance during the internship period (students earn credit for the semester).	
Scholarship	Offers scholarships to outstanding researchers (Master or Ph.D candidates) who have participated in LGE's Industry-Academia projects. Individuals are hired upon completion of degree.	
Customized Talent Development	Requires Master or Ph.D candidates from universities that sign an MOU with LGE to complete specific coursework, tailoring their capabilities to company needs. Individuals are hired upon completion of degree.	
Global Talent Recruiting	North America Techno Conference	Introduces LGE's technology and research direction to local R&D professionals and recruits outstanding talent via interviews by executives.
	Rolling Recruitment	Global recruit managers in North America, Japan, etc. establish a network with local talent and recruit outstanding talent when available
	Others	The HR recruitment team from HQ conducts recruitment interviews at local universities (Europe, Japan, etc.)

Status of New Hires (Korea)

Unit: No. of New Hires



2011 Recruit Event

to explore diverse ways to locate talented and experienced professionals to develop new business and build a ground for future businesses.

Career Development Program

LGE operates a career development management program in conjunction with the performance evaluation process for all its office employees. All LGE members have regular one-on-one caring interview with their managers to establish a vision for personal development and a detailed training plan to achieve it. As an outcome of this meeting, LGE designs a career development and training plan appropriate for each member's needs and also discusses their grievances and support needed to achieve established objectives. Additionally, at the Talent Development Committee which is established at each organization, executives and organization leaders regularly monitor members' development results and provide necessary support for employee's systematic career development.

Business Leader Development Program

LG Electronics identifies employees who have great potential as business leaders at the early stages of their careers and systematically trains them. Employees selected into a business leader pool are asked to establish a career development plan suitable for their developmental track (business leader, function leader, and expert) based on the standard training roadmap. Additionally, they are required to make specific plans for developing professional capabilities and leadership skills and choose a challenging task assignment to perform.

Employees to be trained as business leaders undergo an assessment by the internal Assessment Center, which assesses their quality as potential business leaders and provides support to address training requirements. The center also monitors individual progress, performs an annual assessment and reorganizes the pool based on the results, a design to provide all employees with an opportunity to be selected into the business leader pool.

LG Functional Training System

In order to foster top class experts in diverse business functions, LGE is operating the Business Function College offering training programs in 10 different business functions. Internal experts in each field participate in developing coursework and providing lectures. The college assists all LGE employees to develop relevant capabilities and offers them an opportunity to acquire the requisite knowledge to later become experts themselves.

Currently, LGE is increasing its investment in employee training by 10% every year to provide greater opportunities to its employees.

MBA Assignment and Training Based on Career Development Plan

Every year, Leaders who are responsible for Career Development identify the qualities and aspirations of their team members and design a capability development plan for each member through one-on-one caring interview. Based on the plan, LGE employees are provided with training programs designed to develop professional capabilities, opportunities to participate in a project, overseas transfer and overseas MBA programs offered by the world's most renowned universities.

LGE is committed to providing its members every opportunity to develop their capabilities through our well designed training system, including the annual capability development plan.

Function College (Korea)

Category	No. of Course	Category	No. of Course
R&D	243	Marketing	53 (including Brand Mgmt.)
SW	53 (including SW Quality Mgmt.)	SCM	14 (including Demand Mgmt.)
Purchasing	15 (including General Purchasing)	CS	19 (including General Service)
Production Technology	26 (including Production System)	Finance	23 (including Basics of Management Planning)
Quality	14 (including Quality Mgmt.)	HR	24 (including Basics of HR)

Training Performance by Year

Category	2009	2010	2011
Training hours per employee* (Staff/hrs.)	50	56	62
Investment in Training	Total	35.6	63.7
(Unit: KRW billion)	(Korea)	(26.3)	(39.6)
			71.9
			(54.9)

* Training hours presented in last year's report only included internal offline programs. Due to a change in the preparation standards, we are presenting training hours including language courses, online training programs and external training from this year.

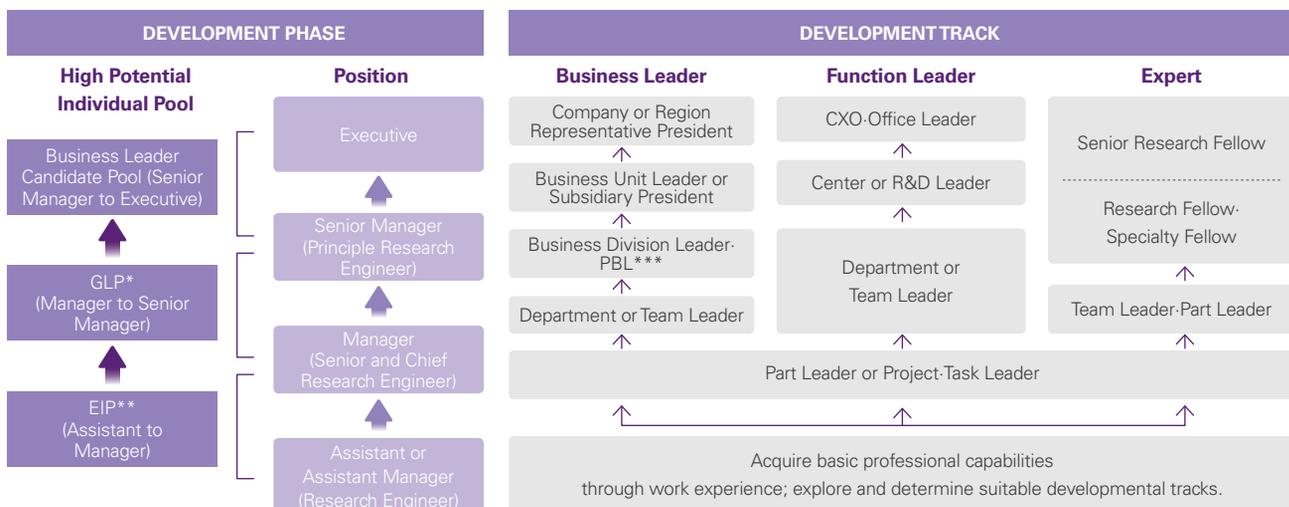
Overseas Employee Training

Locally hired employees at LGE's overseas subsidiaries and offices also go through the identical training system as their Korean colleagues. We not only invite them to receive training at HQ but also provide training courses from 14 global learning centers located in major cities (Paris, Beijing, Dubai, Sao Paulo, etc.) worldwide from 2007. At the Global Learning Center, local training specialists develop and offer training courses tailored to local training needs.

Training Results Assessment

As part of its effort to elevate the quality of training programs, LGE introduced Net Promoter Score (NPS) in 2006 to assess training results and implemented it throughout all training programs a year later. This helped us to provide superior training programs by enabling relevan-

Talent Training Roadmap



* GLP: Global Leadership Pool / ** EIP: Early Identified Pool / *** PBL: Product Business Leader

cy and congruency of programs, as well as service quality (instructor, program, etc.), and make appropriate improvements accordingly.

Diversity Management

LG Electronics is a global enterprise with 86% of its sales generated from overseas (in 2011). We strive to provide differentiated value to customers worldwide. To this end, we established and declared a labor policy against discrimination, facilitating an environment in which individuals with diverse values and beliefs can work together as a team. Additionally, LGE created a variety of communication channels and promotes a work & life balance for its employees.

LGE is making every effort to create a working environment where social minorities (to include females, foreigners and the disabled) are respected and not subjected to discrimination or any inconvenience based on our company's belief that such a working environment leads to greater competitiveness.

As of year-end 2011, among 91,045 LGE employees, 28.3% are female and 61.2% are from overseas. The average turnover rate was 25.6% (Korea: 6%, Overseas: 37.6%), showing a small increase from the previous year. Out of 5,770 female employees from Korea, 62.8% are office staff and 33.5% work at production sites, with 1.5% of female employees serving as executives. The average work experience of Korean employees is

9 years. 497 temporary workers make up 1.4% of the entire workforce and 468 employees with disabilities make up 1.3% all LGE employees.

Use of Childbirth and Maternity Leave (Korea)

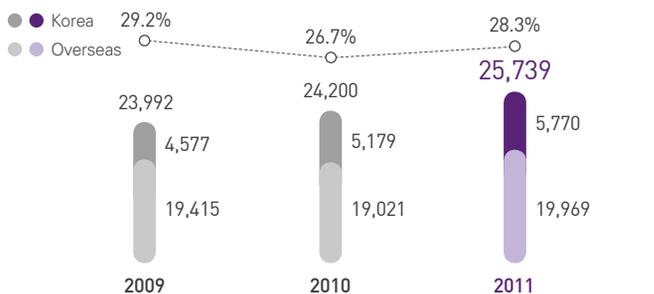
Category	2009	2010	2011	
No. of Employees Using Leave	Male	0	1	9
	Female	298	313	403
Return Rate after Leave	Male	-	100%	100%
	Female	100%	100%	100%
Percentage of Employees Remaining at work for 12 months or longer after returning from Leave (= retention rate)	Male	-	100%	89%
	Female	83%	84%	86%

FUTURE DIRECTION

- Continue to secure quality R&D professionals from Korea and overseas
- Provide systematic training for the Global Leadership Pool
- Support all LGE employees at home and abroad to meet their career development targets

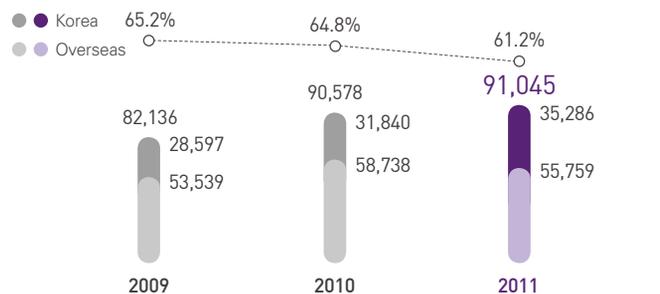
Female Employees

Unit: No. of Employees

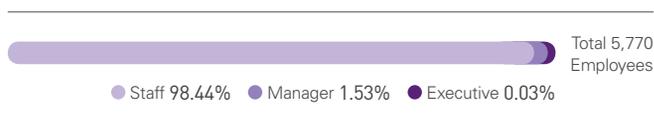


Number of Overseas Employees

Unit: No. of Employees



Female Employees by Position (Korea, 2011)

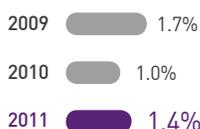


Turnover Rate

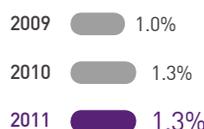
● Korea ● Overseas



Percentage of Temporary Employees (Korea)



Percentage of Disabled Employees (Korea)



Difference Valued at the Production Line for the Disabled



At LGE Changwon II Plant, we have a special production line where twelve employees with hearing impairment are always busy at work. While the usual air conditioner production lines have a 180m straight linear structure, this production line forms a 50m-radius circle, allowing the workers to face each other and communicate in sign language.

After the production line was established in 2010, there once was a concern over productivity but it turned out to be completely unnecessary; the production line showed 15% higher productivity than average. The excellent performance is attributable

to strong teamwork facilitated by frequent communication and a strong drive to perform better than other production lines as well as the line manager who took sign language courses after hours at the Korea Association of the Deaf to provide greater support to his line members.

Most of the employees with hearing impairment have been with LGE over 15 to 20 years and have strong loyalty towards the company for giving them opportunities and rewards equal to other employees as well as stable employment. LGE plans to hire greater numbers of disabled employees as well as develop training programs tailored to their needs and make necessary infrastructure improvements.

Fair Evaluation and Rewards

OUR APPROACH

- **Establish a corporate culture promoting excellent performance with fair evaluation and rewards**
 - Establish and manage a fair and objective performance evaluation system
 - Provide a competitive reward system based on fair evaluation
 - Systematically manage the global HR process

OUR PERFORMANCE

Accurate and Objective Performance Evaluation

LG Electronics has a standardized corporate-wide regulatory process which governs its evaluation and incentive systems for its employees (except for new recruits, contract employees and freelancers). We conduct performance evaluations based on employee abilities to meet goals, the difficulty of the goals, and other performance indicators, with a team performance review conducted once a year. The result of the performance evaluation is reflected in the individual's pay raise and incentive bonus, and the team performance review is reflected upon promotion.

In addition to the annual performance evaluations of employees and teams, we also conduct a performance evaluation covering the past three years, and a comprehensive evaluation that assesses the overall potential of our employees. Results are reflected on the individual's promotion and assignment. Additionally, managers undergo a 360-degree multi-faceted evaluation of their leadership once a year.

For technical staffs, we conduct a semiannual evaluation based on comprehensive criteria such as professional knowledge, teamwork ability, sense of responsibility, management ability and performance.

Evaluation Criteria for Office/Production Staff

Category	Evaluation Criteria
Office	Performance, Team Performance, Competence, Leadership, etc.
Production	Performance, Professional Knowledge, Teamwork Ability, Sense of Responsibility, Leadership, Management Capability, etc.

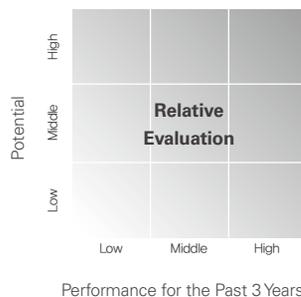
Performance Evaluation System

In-Year Performance



→ Reflected in Pay Raise and Incentive Bonus

Overall Performance



→ Promotion and Assignment

Starting in 2011, LGE now employs a performance incentive system for production staffs on a semiannual basis to strengthen their sense of responsibility towards quality.

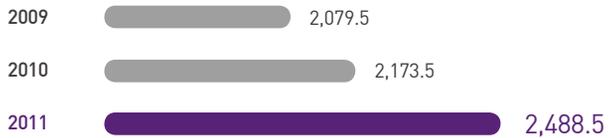
Competitive, Merit-Based Reward System

Based on an evaluation of employees' performance for 2011, LGE rewarded high performers with differentiated compensation, encouraging them to perform well continuously. For those who need improvement, the company provides clear feedback and coaching, supporting and encouraging them to enhance their future performance. Additionally, LGE is making ongoing efforts to improve its salary competitiveness to attract quality talent in Korea as well as from overseas. While maintaining the incentive system that offers bonuses to all employees based on the company's performance, we are also offering regular/on the spot incentive bonuses based on individual performance.

The minimum wage for newly hired employees is 325% higher (office staff) than the legal minimum wage, as of year-end 2011. There is no salary gap between male and female employees and all employees are compensated fairly based on individual merit.

Payroll Costs for the Past Three Years (Korea)

Unit: KRW billion



· Payroll Costs: Direct and Indirect (Allowance for Severance Pay, Benefits) Payroll Costs

Systematic Management of the Global HR Process

LGE is continuously improving the Global Evaluation System adopted in 2009 and employing a corresponding Global Total Reward (GTR) system, with which the company efficiently manages a standardized and corporate-wide HR system and process. From a long-term perspective, a policy that considers multi-cultural environments will be implemented in various ways. Additionally, LGE will make an ongoing effort to improve its HR data collection process at home and abroad.

FUTURE DIRECTION

- Systematically improve the Global HR system and process
- Establish a Global HR system and improve its management efficiency

Labor Rights Protection

OUR APPROACH

• Examine and Strengthen CSR Compliance of All Business and Production Locations

- Promote global labor policy and perform pertinent training
- Survey potential CSR risk of all production sites and make continuous improvements

OUR PERFORMANCE

Global Labor Policy

LG Electronics recognizes the right of all employees to work with dignity, to have their value as human beings respected and to pursue happiness during the process of providing their labor to the company. Based on our management principle of "People-Oriented Management", LGE is committed to protecting our employees' rights. Accordingly, LGE respects and complies with the standards, laws and regulations established by international institutions and organizations such as the Universal Declaration of Human Rights by the United Nations, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy and the OECD Guidelines for Multina-

Global Labor Policy



- Article 1** Respect for Human Dignity
- Article 2** Prohibition of Forced Labor
- Article 3** Prohibition of Child Labor
- Article 4** Prohibition of Discrimination
- Article 5** Work Hours
- Article 6** Wage and Benefits
- Article 7** Freedom of Association
- Article 8** Compliance with Laws and Regulations

tional Enterprises, and is also in compliance with the United Nations Global Compact and the EICC Code of Conduct.

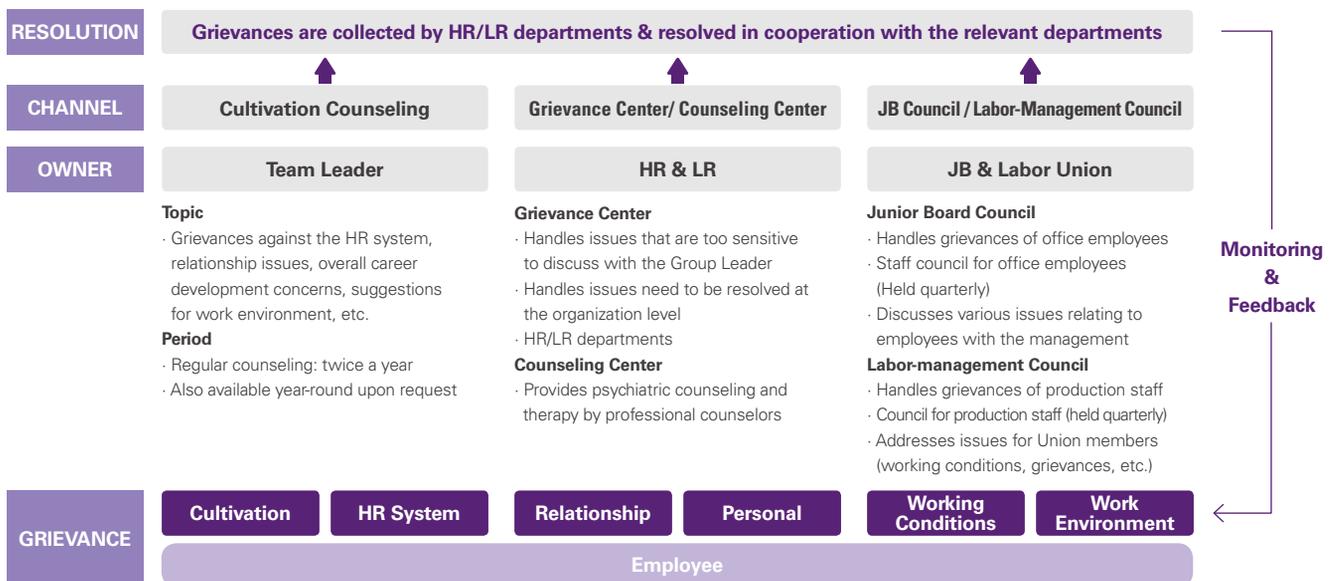
In August 2010, we published Global Labor Policy in 20 different languages and established it as the corporate-wide standard for labor rights, and followed up with training to raise awareness of this issue amongst management and relevant staffers. In particular, CSR staffers from all Companies underwent a total of six sessions of intensive training on CSR risks based on the EICC standards and management programs for such risks.

Labor Relations (Korea)

Labor-Management Relations is a unique term of LGE used to describe the company's exceptional labor relations built on trust and mutual respect. In contrast to the conventional term "labor-company relations," which is charged with negative connotations such as conflict and vertical relationship, Labor-Management Relations represents that labor and management fulfill each other's role with utmost sincerity and create exceptional value together. Currently, all employees of LGE are eligible to join the Labor Union under the labor collective agreement and the union bylaws, and as of the end of 2011 the membership reached 8,712 employees (about 24% of the total employees in Korea). In addition to official meetings such as quarterly labor-management council meetings and annual wage negotiations and collective bargaining, LGE engages in ongoing communication with the Labor Union through diverse channels, focusing on labor issues including labor conditions. Upon major changes in our businesses, we also have close discussions with the Union, and agreements made in collective bargaining are applied to all domestic employees including non-union members.

Based on such a relationship built on trust and mutual respect, we have been able to reach consensus in annual bargaining without dispute for the past 23 years. In order to collect the voice of non-union members as well, LGE utilizes diverse communication channels such as Junior Board (Administrative Staff Council) and regular meetings with diverse groups (per department, position, etc.).

Grievance Resolution Process



Employee Grievances

LG Electronics categorizes and handles employee grievances within the following six areas: cultivation, HR system, relationships, personal, working conditions, and work environment. For example, a meeting with a team leader in charge of the unit is recommended for resolving employee grievances related to career development, reassignment, performance evaluation, etc. In addition, we established “Mr. CEO Email” in 2011 as a channel for reporting grievances directly to the CEO, receiving and handling a total of 243 cases.

We have established counseling centers in our domestic business and production sites and are offering counseling service to employees, helping them to deal with various issues. This service is also extended to the family members of our employees as a support system.

CSR Risk Management Program

Since joining the EICC in 2010, LGE has been employing CSR risk management programs meeting international standards to manage potential CSR risks, including protection of labor rights. In 2011, we focused our efforts into expanding such programs, assessing the risk level of all production sites, verifying the information and making improvements. Through these efforts, LGE respects and protects the human rights of all its employees at home and abroad, and creates safe and environmentally friendly production sites. With our stakeholders such as buyers, investors, NGOs, etc. showing increasing interest in our CSR efforts, we are encouraging and supporting our suppliers to implement the same process and manage their CSR risks. (More details on pp.52-54).

Risk Management Process



Major CSR Risks

Area	CSR Risks
Labor & Human Rights	·Non-compliance with legal and international standards on labor rights ·Violation of human rights and freedom of association
Health & Safety	·Violation of health & safety laws and regulations and occupational injury and illness ·Inadequate sanitation, food and housing
Corporate Ethics	·Violation of legal requirements on fair trade ·Corruption, embezzlement, bribery and cartel
Environmental Protection	·Violation of laws regulating emission of environmentally hazardous materials, substances and pollution ·Violation of laws regulating product ingredients

Results of CSR Assessment on All Production Sites

For the month of April 2011, LGE conducted a potential CSR risk assessment on all of its 34 production sites (7 domestic, 27 overseas). In the assessment performed with the EICC self-assessment questionnaire (comprised of 600 questions), we measured the potential risk level for each site in the areas of labor rights, human rights and ethics, environment, and health & safety.

Although the assessment results indicated that none of LGE's production sites are at high risk, we are making ongoing efforts to ensure all our production sites are at low risk.

Risk Level based on CSR Self-Assessment

○ Low Risk ● Medium Risk ● High Risk

Region	Korea	China	South East Asia	South & Central America	Eastern Europe	Others
Total Score	○	●	●	●	●	●
Labor	○	○	●	●	○	●
Ethics	○	○	○	○	●	●
Environment	○	●	●	●	●	●
Health & Safety	○	●	●	●	●	●

CSR Risk Management Goals and Plans

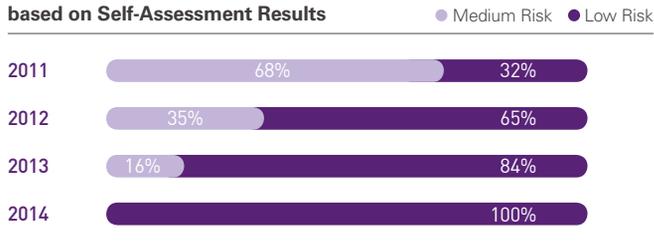
Based on the results of the EICC self-assessment, LGE has established a goal to lower the risk level of all our production sites to low by 2014. To achieve this objective, we will strengthen CSR management in overall areas, with an emphasis on raising the internal awareness of the issue, improving the consulting process, and identifying and sharing best practices.

Survey on Forced Labor (Human Trafficking and Slavery)

Our CSR risk self-assessment also covered forced labor and potential risks involved with such a heinous practice. The results showed that all production sites manufacturing LGE products are free of forced labor, and we are committed to ensuring such practices never occur at our production sites. The following questions were used for the assess risk relating to "Forced Labor":

- What percentage of your workers have a written and signed employment contract?
- Does your facility use third-party workforce recruiters?
- Who pays the workforce recruiters' fees?
- Who is responsible for safekeeping of travel documents (e.g. passport or visa) for foreign and migrant workers at your facility?
- Does your facility have a policy and procedure allowing workers to resign with no penalty after giving reasonable notice?

Improvement Goals for Production Sites based on Self-Assessment Results



Union Social Responsibility

In order to repay customers' trust and fulfill the responsibility as a corporate citizen, the Labor Union of LG Electronics declared Union Social Responsibility (USR) in January 2010 as a pledge for social responsibility. The goal of USR is to empower union members based on transparent and ethical union activities and encourage positive economic, social and environmental impacts through its forward looking activities.

In the inaugural year, USR focused on strengthening internal capability and raising awareness on the issue with activities for promoting transparent labor union operations, supporting protection of labor rights in partner companies, facilitating communication within the Union, establishing low carbon culture, facilitating compliance with laws and regulations, promoting anti-corruption, providing scholarships for children of multicultural families and supporting eradication of global poverty and hunger.

In 2011, the LGE Labor Union expanded and furthered its breath of activities in diverse areas. First of all, we chose quality improvement as the key task for the year to focus on the primary objective of an enterprise - customer-value creation through quality competitiveness. To this end, the Labor Union engaged in the "USR Quality Improvement Initiative" and contributed to the company securing product leadership. In 2012, the Union plans to expand the initiative into overseas subsidiaries.

In January 2011, the LGE Labor Union established and released "Code of Ethics," a first for corporate labor unions in Korea. All union members have signed and made a pledge to abide by the "LGE Labor Union Code of Ethics," which now serves as a guideline for members' actions in seven areas, including transparent operation of the Union, maintenance of dignity and honor and fairness in duty performance. Additionally, the Labor Union identified key tasks and is making ongoing improvement efforts in the seven key areas laid out by the ISO 26000, an international standard on Social Responsibility.

The Labor Union plans to extend the successful USR experience and initiatives such as the quality improvement initiative and relief activities to other LG group of companies and overseas colleagues in 2012. Also, it will continue its CSR activities related to the company's businesses, and build USR as an integral part of the Union's brand.



USR Case Presentation

USR Quality Improvement Activities

FUTURE DIRECTION

- Raise corporate-wide awareness of the CSR risk management program
- Upgrade CSR risk consulting process and tools
- Continue to collect Best Practices on labor rights and share them across the organization
- Improve employee grievance handling process in overseas subsidiaries

Area	Key USR Performances in 2011
Governance	· Digitized the Labor Union's accounting system
Human Rights	· Provided scholarships to suppliers (KRW 11 million) · Provided consulting to a social enterprise on improving productivity (Eco City Seoul)
Labor Practices	· Fostered 17 grievance counselors
The Environment	· Organized and hosted event for promoting low carbon culture · Global Volunteer Day (15,670 employees worldwide) · Chapter specific activities (leaving no leftovers, commuting with bicycles, collecting waste mobile phones, cleaning local streams, etc.)
Fair Operating Practice	· Established and released Code of Ethics · Engaged in a campaign advocating "Adhering to Basics"
Consumer Issues	· Quality improvement activities (quality production line, quality training, visits to service locations, etc.)
Community Involvement & Development	· Foreign Aid (For 8,942 residents of 19 villages in Chan Sor, Cambodia) · Provided airfares to multicultural families work for our suppliers for home country visits (40 families) · Organized donation drives for suppliers located in Japan (Sent 6,400 ramens and 1,000 masks using KRW 6.4 million collected from the drives) · Provided digital TV converters to communities (20 households) · Individual chapter initiatives (free meals, free photographic portraits, family month events, etc.)



Plane Ticket Presentation Ceremony for Multicultural Family

Aid to Chan Sor Area in Cambodia

- **Management Report**
- **Our Data**
- **Appendix**

Corporate Governance

Shareholders

As of year-end 2011, LG Electronics' total shares issued and outstanding were 180,833,806 (163,647,814 common stock, and 17,185,992 preferred stock). The number of non-voting shares amounted to 17,949,157 or 9.9% of the total outstanding. The largest shareholder, LG Corp. (the Group's holding company) owns 30.5% of the shares. Every year, the Chairman of the BOD personally updates shareholders on current management issues at the Annual General Meeting (AGM). Shareholders' opinions and suggestions are gathered, carefully considered by management and the BOD, and are incorporated into corporate policy.

Board of Directors (BOD)

The BOD consists of seven Directors, four of whom are Outside Directors. The directors are elected in accordance with the Korean Commercial Code and other related regulations. The BOD operates independently of any influence from major shareholders and management. The Directors' attendance rate for the BOD meetings is on average 98% (Outside Directors: 97%). The Outside Directors make up the majority, with a total of four members. They are appointed at the AGM following a review by the Outside Directors Candidate Recommendation Committee, to ensure fairness and transparency in the nomination of candidates.

The Outside Directors monitor overall corporate management activities and keep management in check, while offering concrete and substantial advice to management. The BOD actively provides recommendations for important management decisions and conducts unbiased evaluation and supervision of the management.

In 2010, the BOD was convened eight times to review a total of 32 agendas (25 for approval, 7 for reporting) including the approval for paid-in capital increase. During the meeting held in April 2012, the BOD was briefed on CSR activities and amended the BOD bylaws to include CSR as its official responsibility.

The BOD Bylaws of LG Electronics [Click](#)

Committees

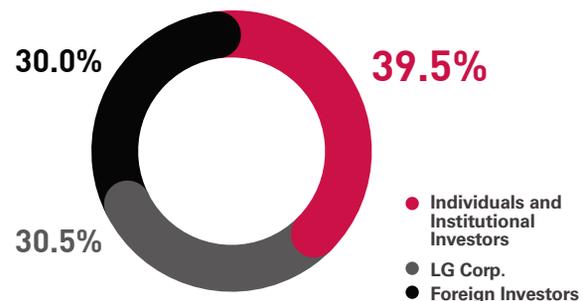
The BOD is supported by three Board Committees: the Audit Committee, the Outside Director Candidate Recommendation Committee and the Management Committee. The Audit Committee is comprised entirely of three Outside Directors and is responsible for management and corporate oversight, monitoring and scrutinizing corporate financial records and accounting to ensure transparency and compliance with the accounting laws. The Management Committee reviews and determines the agendas delegated by the BOD and other ordinary management activities. In 2011, the Management Committee reviewed a total of 44 agendas.

Evaluation And Compensation

Compensation for the BOD members is made within the regulations pertaining to BOD compensation that have been approved at the General Shareholder's Meeting. The evaluation of management and executives of LGE is performed year round. Top management and executives are evaluated to determine whether they have set and achieved challenging goals, whether their business objectives comprised of quantitative and non-quantitative factors were achieved, as well as their capability through a fair and objective process. Appropriate compensation based on the outcome of the evaluation is determined and made.

Shareholders' Status

As of December 31, 2011



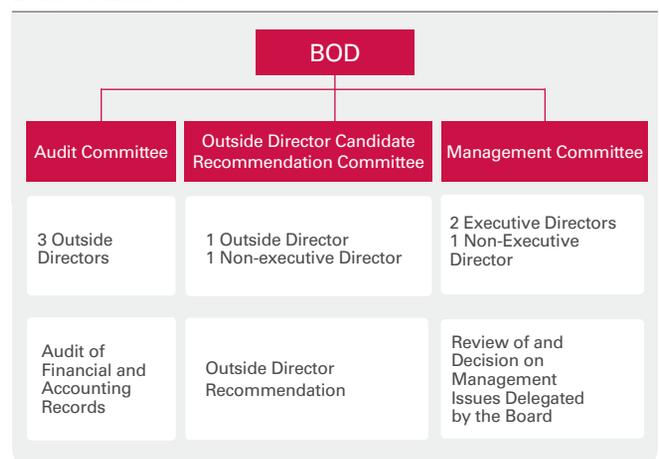
On December 29, 2011, LGE exercised a paid-in capital increase and issued 19,000,000 shares of common stock in order to secure resources to invest in growth for the future while maintaining a stable financial structure.

BOD Status

As of March 31, 2012

Category	Name	Professional Career	Notes
Inside Director	Bon Joon Koo	CEO, Vice Chairman	Management Committee (Chairman)
	Do Hyun Jung	CFO, Executive Vice President	Management Committee
Non-executive Director	Yu Sig Kang	Vice Chairman of LG Corp.	Chairman of BOD Outside Director Candidate Recommendation Committee (Chairman) Management Committee
Outside Director	In Ki Joo	Professor at the School of Business, Yonsei University	Audit Committee (Chairman) Outside Director Candidate Recommendation Committee
	Kyu Min Lee	Advisor at the SK Research Institute (Former Editor-in-Chief of The Donga Ilbo)	Audit Committee Outside Director Candidate Recommendation Committee
	Sang Hee Kim	Attorney (Former Deputy Minister of Justice)	Audit Committee
	Chong Nam Chu	Professor at the School of Mechanical and Aerospace Engineering, Seoul National University	

Board Committees

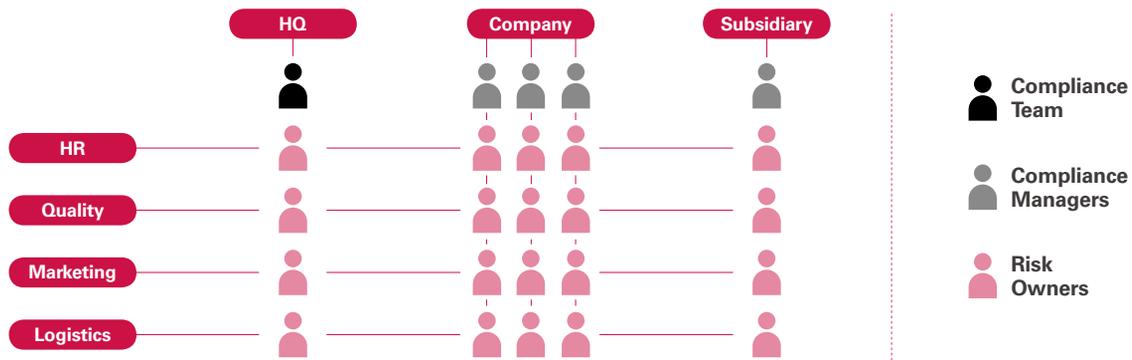


Compliance Risk Management

Compliance Risk Management System

Since establishing the Compliance Team at HQ in August 2008, LG Electronics has put an enterprise-wide compliance risk management system in place and is carefully managing the risks associated with compliance. About 100 compliance managers are assigned to all Companies, Business Units and overseas subsidiaries and manage the system, while Risk Owners at each organization are responsible for and manage compliance risks associated with the respective business functions. Based on such structure, LGE has established a “field-oriented compliance risk management system”

Compliance Management Organization



Enterprise - Online and Offline Compliance Management Program

In 2009, LGE established an corporate-wide compliance management program designed to help its employees to become aware of the importance of compliance across business procedures and voluntarily control risks associated with compliance. In 2011, the company created a compliance website that clearly organizes our compliance management program into five phases: 1) establishing internal policies; 2) employee education; 3) risk assessment; 4) risk control; and 5) reporting on status and incident, thereby simplifying the process and providing greater access.

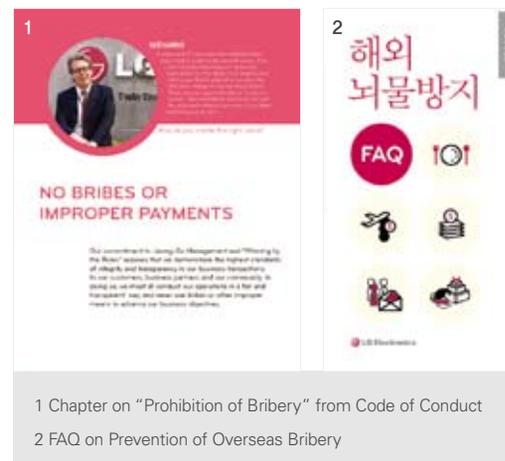


LG Electronics' Compliance Intranet Site

Inclusion of Clauses Prohibiting Overseas Bribery in Code of Conduct

In recent years, international oversight on the bribery of global corporations has been strengthened and the number of legal sanctions against bribery is sharply increasing. Risk associated with bribery is considered as one of the major risks for corporations operating in overseas markets.

Responding to such changes of international regulations and business environment, LGE amended its Code of Conduct in 2011 to include clauses articulating the risks associated with overseas bribery, listing issues require attention and providing relevant conduct guidelines, as part of its effort to discourage such practice. The amended Code of Conduct has been translated into 17 languages and distributed to our employees worldwide to raise awareness on the issue.



1 Chapter on “Prohibition of Bribery” from Code of Conduct
2 FAQ on Prevention of Overseas Bribery

Main amendment of Code of Conduct in 2011

- Add new overseas anti-bribery principles and guidelines
- Add new guidelines concerning refurbished products
- Update guidelines on product safety defect reporting
- Update guidelines prohibiting use of pressure tactics towards distributors in order to maintain resale prices
- Update guidelines concerning use of open-source code

Jeong-Do Management

CEO's Strong Commitment to Jeong-Do Management

Jeong-Do Management is LG Electronics' commitment towards stakeholders in which we pledge to conduct ourselves with fairness and integrity in dealings with our stakeholders, including customers, suppliers, competitors, shareholders and societies. Everyone at LGE shares the CEO's strong belief in Jeong-Do management, which is clearly expressed in his statement: "Only when we practice Jeong-Do management ourselves, will we be able to achieve our goal of becoming No.1 LG. To become No.1 and stay as a sustainable company, first Jeong-Do management has to firmly take its roots in our organization." Based on such shared commitment, we place Jeong-Do management as the top priority in our business practices.

Organization for Implementing Jeong-Do Management

Chaired by CEO and comprised of executive management meeting participants, the Ethics Committee functions as an executive decision making body of Jeong-Do management. Decisions made in the Ethics Committee are designed into specific policies and implemented by the Ethics Bureau, which also undertakes Jeong-Do management training and promotions.

Jeong-Do Management Voluntary Reporting System

Employees who have unwillingly acquired listed or unlisted stocks of partner companies prohibited by the Code of Ethics must volunteer the fact to the Ethics Bureau as soon as they become cognizant of it, and immediately relinquish their possession of these investments. Employees who have received cash and valuables or entertainment from parties with specific interests must report this fact to the Ethics Bureau or Jeong-Do management website and return the gifts. When it is impossible to return a gift, employees must donate it to welfare facilities and send an official letter signed by an LG executive to the party which provided the gift and their company's CEO, requesting that such gift giving not be repeated, along with documented proof of the donation. Further more, LGE has a solicitation reporting system for handling cases in which gifts are offered in exchange for recruitment or procurement.

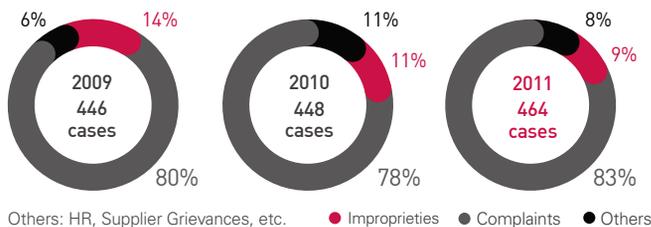
Whistleblower System

Our Whistleblower System receives reports regarding any actions in violation of Employees' Code of Ethics and Jeong-Do Management, such as unfair business dealings, exploitation of superior position and solicitation of gifts, etc. For the past three years, a total of 1,358 violations were reported to the system, assisting LGE in its effort to prevent corruption and irregularities and increase transparency across the organization.



Total No. of Reports Submitted

Unit: %



Once a violation is reported, we conduct a preliminary investigation and field investigation to thoroughly verify the facts. Based on investigation results, follow-up measures, such as disciplinary action and business process improvement, are implemented. In order to protect whistleblowers, we maintain a through protection mechanism and ensure their identities are never disclosed. If a whistleblower has clearly suffered repercussions, we guarantee restoration to their previous state, or provide compensation equal to the loss he or she has suffered.

Global Training on Jeong-Do Management

LGE provides training on Jeong-Do management not only to domestic employees, but also to overseas employees. At present, there are a total of 148 instructors for Jeong-Do Management training, 120 overseas and 28 in Korea. Together, they have conducted Jeong-Do Management training for over 18,000 employees, at home and abroad. The training is comprised of internal and external case studies and "Guidelines for practice", helping our employees prevent corruption and irregularities from occurring.

Starting from the 2008 training session for Chinese suppliers, we have also been making ongoing efforts to help our suppliers embrace Jeong-Do management, offering annual seminars, engaging in promotion campaigns and delivering the CEO's messages.

Jeong-Do Management Training Results

Employee	No. of Employees			Supplier Training	No. of Suppliers		
	Korea	Overseas	Total		Korea	Overseas	Total
2009	1,339	13,361	14,700	2009	46	350	396
2010	2,716	16,157	18,873	2010	285	141	426
2011	8,499	9,947	18,446	2011	294	288	582

Distribution of Explanation of Guidelines for Practice in Five Languages

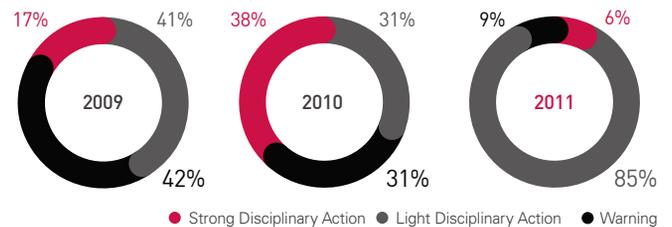
In order to increase our employees' awareness of LG Electronics Employees' Code of Ethics and encourage them to embrace Jeong-Do management, we published the Code of Ethics Handbook in English, Korean, Chinese, Spanish and Polish, and distributed to all our members. This handbook not only explains the concept and philosophy behind LG Way and Jeong-Do management, but also provides a full text of Code of Ethics, practical action guidelines, detailed information about guidelines and Q&A containing information about how to act in real life situations and handle ethical dilemmas.

Collection of Jeong-Do Management Pledge

LGE periodically requires all its employees, affiliate companies and suppliers to sign and submit a pledge for "Jeong-Do Management." New recruits are required to sign the pledge when they start working for the company, and all executives are required to sign it annually. In order to renew our commitment to Jeong-Do management, LGE urged all domestic employees to sign the pledge once again in 2011.

Disciplinary Actions

Unit: %

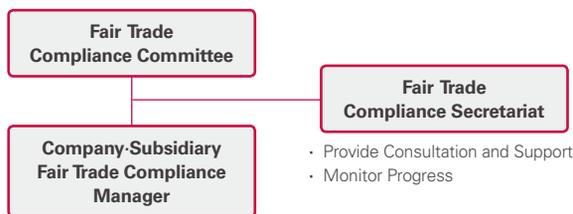


Fair Trade

Reinforcing Fair Trade Compliance Activities

In accordance with the corporate initiative for the Fair Trade Compliance Program, LG Electronics implements various activities to strengthen its fair trade compliance. The Program requires each Company and overseas subsidiary to implement HQ's Fair Trade Compliance Policy, which includes training for Fair Trade Compliance Managers, improvement measures and inspections, to facilitate fair competition and transaction in its business areas. The Program is particularly designed to raise awareness and strengthen fair trade compliance throughout our value chain.

Management System for Fair Trade Compliance



Cartel Prevention Activities

Cartel has become an issue throughout the world, and LGE taking the matter very seriously. At the center of the company's cartel prevention effort is raising awareness of the issue among its management and employees. CEO and other top executives regularly send messages to all employees urging them not to participate in cartels. LG Electronics also adopted Cartel Guidelines to provide practical guide to employees to avoid cartel conduct. In addition, the company requires all employees to undergo annual online training and sign Pledge of Antitrust Compliance. For employees in the sales and marketing positions who may be exposed to cartel risk at a greater rate, the company conducts a more intensive cartel prevention training. All such efforts are aimed at preventing risks associated with cartels arising from lack of awareness.

Cartel Prevention Activities

Awareness Enhancements	<ul style="list-style-type: none"> · Online and Offline Training · Cartel Guidelines · Executive Management Messages · Pledge of Antitrust Compliance
Compliance Activities	<ul style="list-style-type: none"> · Audit of High Risk Groups · Reporting Process for Contacts with Competitors



Win-Win Growth camp Pledge Ceremony

Anti-Cartel Pledge Signing Ceremony

Furthermore, LGE conducts in-depth interviews for employees who are exposed to cartel risks and monitors and audits its organizations to prevent the risks associated with cartels.

Fair Trade & Win-Win Growth Partnership Agreement

At the Fair Trade & Win-Win Growth Partnership Agreement Signing Ceremony held in April 2011, LGE declared its strong commitment towards win-win growth with its business partners. Based on the Agreement, LGE adopted three principles – equal opportunity, fair transaction procedures and win-win growth and is implementing relevant policies and measures accordingly. In particular, LGE holds monthly Win-Win Growth Committee Meetings (comprised of procurement executives) to review key support and management policies for suppliers, substantiating the effect of the Agreement. Following the Ceremony, LG Electronics also held a pledge ceremony for LG Electronics Win-Win Growth Camp to facilitate support agreements between the 1st and 2nd tier suppliers and contributing to the establishment of a sound ecosystem for win-win growth.

Being true to its commitment, in 2011, LG Electronics shortened payment periods for suppliers from 15 days to 10 days and provided financial support of KRW 181.2 billion through the Win-Win Growth Fund. Additionally, we support our suppliers to strengthen their technological capabilities through a joint R&D program called Green Partnership Program and provide training through the Vocational Training Consortium for LGE's Suppliers. In 2011, a total of 3,376 employees of our suppliers completed this training program. In order to manage Win-Win Growth programs more systematically, LGE expanded the department dedicated to this commitment, assigning an executive to lead the organization and our effort in this important area.

Future Direction

During an audit in 2009, LGE discovered a cartel involving some of our employees for three electronic products in the Korean market. The company immediately self-reported the incident to the Korea Fair Trade Commission and thoroughly cooperated with the investigation; the company was exempted from the resulting fine determined by the authority in December 2011. LGE sincerely regrets this incident and is making every effort to prevent similar conduct from being repeated in the future. We have reinforced our compliance programs for cartel prevention, including the establishment of a department dedicated to the task. Based on our analysis that cartel conduct arises due to the lack of awareness on the part of our employees, we are focusing our efforts into raising awareness of the issue. Reflecting the management's strong commitment towards cartel prevention, LGE implemented a policy to prevent employees from unnecessarily contacting competitors, further reinforcing our commitment towards cartel prevention and keeping our employees safe from exposure to such risk. Everyone at LGE is fully committed to creating a corporate culture that facilitates voluntary compliance with fair trade principles through expanding the role and responsibilities of the Fair Trade Compliance Managers and raising awareness of the issue across the organization. We are also strongly committed to continue and refine our efforts into win-win growth with our business partners.

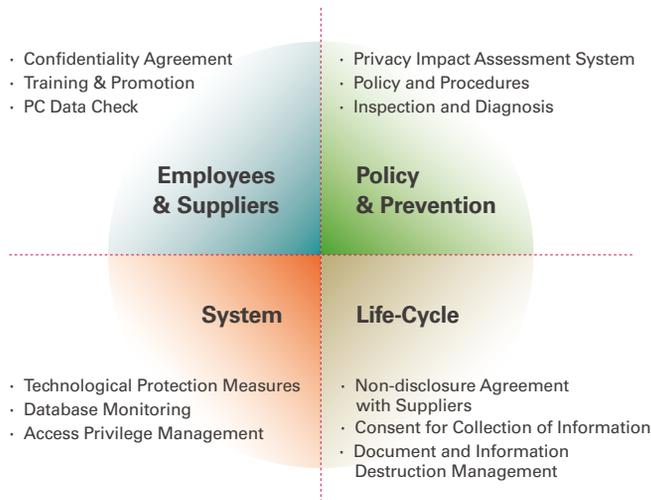
Information Security and Privacy Protection

Enterprise Privacy Protection System

In 2011, as part of its effort to minimize compliance risk, LG Electronics established the Enterprise Privacy Protection System that complies with the privacy laws and regulations of the respective countries where LGE business sites are located.

The privacy protection management system of LGE is organized into a framework comprised of four key areas and twelve management tasks. All LGE business sites participated in establishing the management system for each task. LGE also expanded the privacy management system to overseas subsidiaries, and completed the global management system.

Enterprise Privacy Protection System Framework



Information Security Training

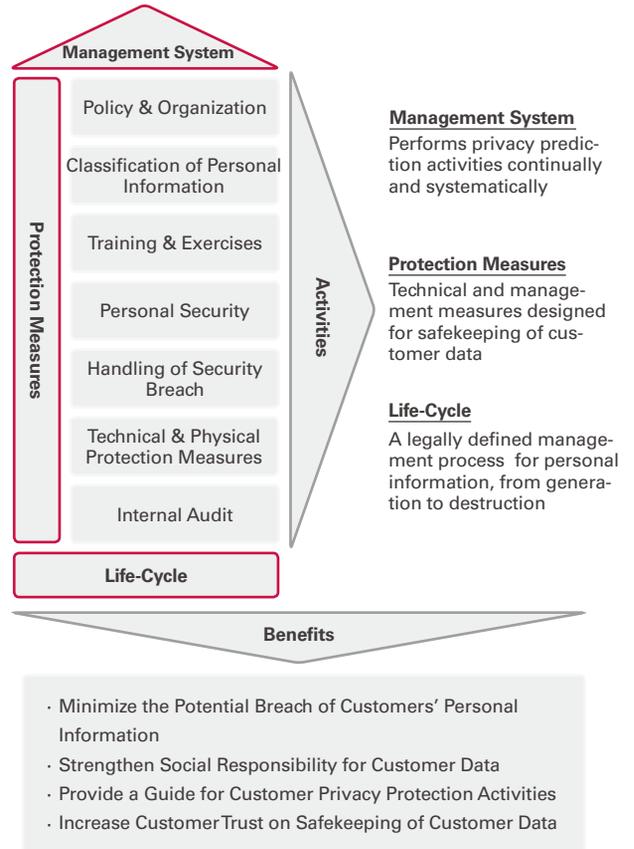
As part of its effort to improve enterprise-wide information security and privacy protection, LGE holds the annual Global Security Conference & Training for information security managers. In the 2011 event, a total of 117 managers, including 58 from overseas subsidiaries, attended the training and 149 managers from our supplier companies participated in the same training program offered to suppliers. In 2012, LGE plans to provide the e-learning program for employees in 15 languages.



Personal Information Management System (PIMS) Certification (Korea)

To more systematically protect the privacy of customers, LGE is in the process of acquiring Personal Information Management System (PIMS) certification, which is issued by the Korean government (Korea Communications Commission).

Certification System and Expected Benefits



Ensuring Customer Privacy Protection Activities with Certifications

As part of its effort to protect customer privacy, LGE implements management and technical measures on both the LGE (www.lge.co.kr) and LG Mobile (www.lgmobile.com) websites and annually renews the "e-Privacy" mark from the Korea Association for ICT Promotion to validate the security level of the sites.

Privacy Protection Agreement with the EU



Privacy Protection Agreement

The European Union prohibits transfer of any EU citizen's personal information (including LGE employees and customers) to overseas under the Privacy Law, Directive 95-46-EC). LGE concluded privacy protection agreements with the governments of EU nations where LGE maintains subsidiaries (15 countries including Austria) and currently transfers information to Korea only after the safety and security of such transfers has been validated.

Economic Data

Summary of Consolidated Income Statements

Unit: KRW million

Category	2009	2010	2011
Net Sales	55,491,157	55,753,804	54,256,585
Cost of Sales	41,340,613	43,453,096	42,057,595
Gross Profit	14,150,544	12,300,708	12,198,990
Selling and Marketing Expenses	6,740,274	7,534,431	7,201,413
Administrative Expenses	1,297,264	1,402,203	1,359,986
Research and Development Expenses	1,269,828	1,500,792	1,698,917
Service Costs	1,883,013	1,775,128	1,595,453
Other Operating Income	2,417,367	2,009,968	1,622,901
Other Operating Expenses	2,696,829	1,921,653	1,685,859
Operating Income	2,680,703	176,469	280,263
Financial Income	1,291,031	819,747	574,148
Financial Expenses	1,542,430	1,039,012	922,666
Income (loss) from Jointly Controlled Entities and Associates	435,378	477,322	(331,058)
Profit (loss) before Income Tax	2,864,682	434,526	(399,313)
Income Tax Expense	588,680	141	33,492
Profit (loss) for the Year from Continuing Operations	2,276,002	434,385	(432,805)
Discontinued Operations			
Profit from Discontinued Operations	74,126	847,734	-
Net Income (loss)	2,350,128	1,282,119	(432,805)

Summary of Consolidated Statements of Financial Position

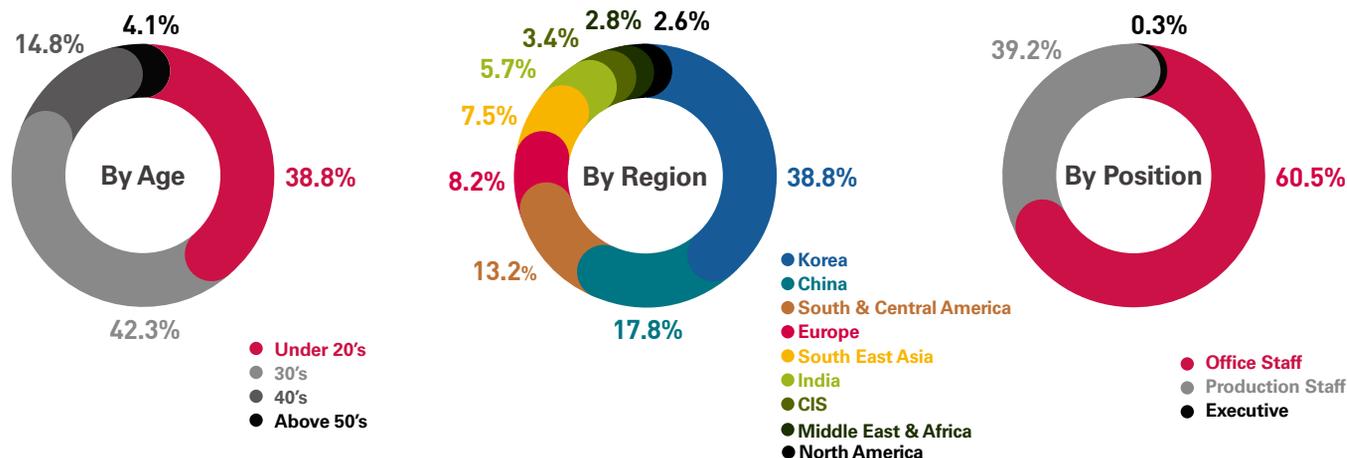
Unit: KRW million

Category	2009	2010	2011
Assets			
Current Assets	16,910,073	16,514,533	15,783,126
Cash and Cash Equivalents	2,423,787	1,944,162	2,345,465
Financial Deposits	223,000	85,000	150,000
Trade Receivables	7,637,131	7,001,962	6,752,559
Inventories	4,899,313	5,872,420	4,947,160
Other Current Assets	1,726,842	1,610,989	1,587,942
Non-current Assets	15,204,439	15,803,966	16,875,331
Property, Plant and Equipment	7,708,933	6,500,484	7,290,413
Intangible Assets	803,828	763,382	1,035,797
Investments in Jointly Controlled Entities and Associates	4,404,163	6,008,145	5,603,199
Other Non-current Assets	2,287,515	2,531,955	2,945,922
Total Assets	32,114,512	32,318,499	32,658,457
Liabilities			
Current Liabilities	16,168,667	15,317,233	14,214,522
Non-current Liabilities	3,520,599	4,141,629	5,295,687
Total Liabilities	19,689,266	19,458,862	19,510,209
Equity			
Equity Attributable to Owners of the Parent Company	11,804,178	12,644,140	12,893,959
Paid-in Capital	3,017,088	3,017,088	3,992,348
Capital Stock	809,169	809,169	904,169
Share Premium	2,207,919	2,207,919	3,088,179
Retained Earnings	9,214,309	10,108,173	9,499,534
Accumulated Other Comprehensive Loss	(156,886)	(209,844)	(326,584)
Other Components of Equity	(270,333)	(271,277)	(271,339)
Non-controlling Interest	621,068	215,497	254,289
Non-controlling Interest	621,068	215,497	254,289
Total Equity	12,425,246	12,859,637	13,148,248
Total Liabilities and Equity	32,114,512	32,318,499	32,658,457

Social Data

Status of employees (Total: 91,045)

As of December 31, 2011



Benefits and Support Programs

LG Electronics has systematic benefits and support programs in place to provide employees with personal time for refreshment, child birth and maternity leave. Our diverse benefits and support programs not only help our employees strike a balance between work and personal life, but also promote creativity at workplace.

Benefits



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

Current Status of Benefits and Support Programs (for Korean employees)

Leisure Activities

- Vacation for Refreshment: Employees plan their yearly vacation at the beginning of the year and are encouraged to freely take their leaves
- Resort Facilities: Employees have access to 10 resort facilities (including condominiums and pensions) across Korea
- Informal Groups: Hobby and volunteer groups

Childbirth and Maternity Leave

- Lounge and nursing room for female employees: For female employees / pregnant and nursing employees
- Childcare Facilities: Available in Seoul, Pyeongtaek and Changwon; plans in place for expanding to all business sites
- Maternity Leave
 - Paid maternity leave for female employees before and after a childbirth (upto 90 days)
 - Time off offered in the event of miscarriage/stillbirth (30-90 days), time off for fertility issues (2 days)
 - Time off given when a spouse gives birth (3 days)
 - Time off given to raise children under six years of age (for up to 12 months)

Housing and Stable Living

- Housing Loans: Housing loans offered to employees with at least two years of service
- Moving Costs: Assistance with moving costs when an employee is transferred

- Congratulatory/Condolence Cash Gift: Support for congratulatory events and funerals of employees and their families
- Disaster Relief Support: Financial support offered to employees and their families who have suffered property damage caused by natural disasters

Medical/Health

- Medical expenses for employees and family members
- Group insurance related to disasters: operation of Health Care Center and Counseling Center
- Paid sick leave: For sick leave due to occupational accidents, 70% of average wages for personal illness, 30-100% of ordinary wages

Education

- Scholarship for employees' children/Support for employees starting/resuming their education
- Special lectures on healthcare, personal finance and investment, and family life

Legally Required Benefits

- National Pension, Health Insurance, Employment Insurance, Industrial Accident Compensation Insurance
- Pension Scheme: Fixed amount guaranteed Optional Benefits
- KRW 1,000,000 worth of points awarded to employees annually
- Points can be redeemed for personal development, leisure/health, gift & product purchasing

Environmental Data

LG Electronics maintains environmental management standards that are 50% stricter than legally required, making contributions to reducing environmental risks and improving the local environment through strict management.

To increase the reliability of the environmental data, LGE ensures that relevant staff members from all production sites undergo necessary trainings, while continuously improving the overall data management system. Through such process, LGE identified some errors in the previous year's data due to different data management systems among our business sites. LGE will provide reliable environmental data with improved management systems.

INPUT DATA

Greenhouse Gas Emission

Unit: K Ton CO₂e

Category		2009	2010	2011
Korea	Scope 1	136	118	145
	Scope 2	444	516	534
Overseas	Scope 1	278	303	297
	Scope 2	407	363	385
Total		1,265	1,300	1,361
Base Unit (K Ton CO₂e/KRW 100 billion)		2.28	2.33	2.51

- Applicable business sites: 14 in Korea (production, office and R&D centers); 30 in overseas (production)
- Verification status - Korea: A third party verification completed (2008 - 2011), except for the 2011 refrigerant emissions
- Overseas: A third party verification completed (2008 - 2010), except for LGEAT and LGEQA
- The data correction can be made after the completion of the third party verification.

Unit: Ton CO₂e

Category		2009	2010	2011
Scope 3	Leased Property	6,816	7,673	7,987
	Commuter Vehicles	4,309	4,978	6,072
	Domestic Logistics (Transport)	66,987	86,210	95,282
	Business Travel	79,080	84,425	62,153

- Verification status: A third party verification completed (2009 - 2011) ton

Energy

Unit: TJ

Category	2009	2010	2011
Electricity	5,228	5,911	6,056
Steam	406	582	807
LNG	1,207	1,178	997
Coal	1,109	1,152	1,223
Others	341	302	353
Total	8,291	9,125	9,436

- Applicable business sites: 14 in Korea (production, office and R&D centers); 30 in overseas (production)
- Applicable energy usage: Combustion facilities in business sites and external electricity and heat usage (excluding energy consumed by vehicles)
- The energy consumption is calculated based on net heating value
- Verification status - Korea: A third party verification completed (2008 - 2011)
- Overseas: A third party verification completed (2008 - 2010), except for LGEAT and LGEQA
- The data correction can be made in after the completion of the third party verification.

Ozone Depleting Chemicals

Unit: Ton

Category		2009	2010	2011
HCFC (R22)	Korea	1,631	1,509	1,070
	Overseas	3,036	3,023	2,881
	Total	4,667	4,532	3,951

Water Use

Unit: K Ton

Category	2009	2010	2011
Korea	4,291 (4,338)	5,914 (5,670)	6,373
Overseas	5,919 (5,937)	6,214 (6,221)	6,540
Total	10,210 (10,275)	12,128 (11,891)	12,913
Base Unit (K Ton/KRW 10 billion)	1.84	2.18	2.38

- The numbers in parenthesis "()" indicate the mistaken data disclosed in the 2010 report. The values have been adjusted to fix the errors occurred during the verification process.
- The water usage has significantly increased in Korea in 2010 because of the changed manufacturing process in the Gumi PDP site and mass production of the solar cell initiated in 2010.

Material (in Korea)

Unit: Ton

Products Required for Recycling	Volume Released
Refrigerator (General)	98,426
Refrigerator (for Kimchi)	26,211
Washing Machine (Top-load)	25,202
Washing Machine (Front-load)	26,662
Air-conditioner (Indoor unit)	35,186
Air-conditioner (Outdoor unit)	56,988
Television (CRT)	17
Television (LCD, PDP)	18,030
Personal Computer (Monitor)	5,549
Personal Computer (Keyboard)	137
Personal Computer (Desktop)	2,688
Personal Computer (Lap-top)	1,087
Audio (All-in-one type)	125
Audio (Separated type body)	395
Audio (Speaker)	
Mobile handset (Body)	611
Mobile handset (Battery)	171
Mobile handset (Charger)	88
Printer (Laser)	53
Printer (Non-Laser)	333
Total	297,959

OUTPUT DATA

Air Emissions

Unit: Ton

Category	Region	2009	2010	2011
NOx	Korea	1.5	1.8	3.3
	Overseas	71.9 (92.6)	84.6 (114.1)	79.0
	Total	73.4 (94.1)	86.4 (115.9)	82.3
SOx	Korea	0.1	0.4	0.6
	Overseas	42.5 (55.6)	62.9 (89.1)	47.6
	Total	42.6 (55.7)	63.3 (89.5)	48.2
Dust	Korea	4.0	5.0	7.5
	Overseas	61.6 (66.5)	72.3 (80.7)	58.1
	Total	65.6 (70.5)	77.3 (85.7)	65.6
VOCs	Korea (ppm)	14.0	16.4	11.1
	Overseas (ton)	21.6	21.8	30.3

- In case of VOCs, there was no standard for VOC measurement in Korea so this report presents the average concentration of Total Hydrocarbon (THC) in ppm from the painting facilities.
- The numbers in parenthesis "()" indicate an error in the disclosed data from the 2010 report. The values have been adjusted to correct the errors identified during the verification process.
- Sox emissions, in particular, are greatly reduced in 2011 thanks to the newly installed anti air pollution equipment.

Waste Generation

Unit: Ton

Category	Region	2009	2010	2011	
Recycle	Korea	27,911	37,529	38,739	
	Overseas	68,601	80,472	81,124	
	Total	96,512	118,001	119,863	
Landfill	Korea	1,614	4,368	5,437	
	Overseas	26,766	40,434	40,726	
	Total	28,380	44,802	46,163	
Incineration	Korea	5,114	6,452	6,848	
	Overseas	898	1,166	2,300	
	Total	6,012	7,618	9,148	
Total	Korea	General	32,200	45,883	48,490
		Hazardous	2,439	2,466	2,533
	Total	34,639	48,349	51,023	
	Overseas	96,265	122,072	118,269	
Total	Total	130,904	170,421	169,292	

- Incineration also includes heat recovery
- For hazardous wastes, this reports only presents the data from Korea, as definition of hazardous wastes differs from countries.

Discharges into Water

Unit: Ton

Category	Region	2009	2010	2011
T-P	Korea	1.5	1.3	0.9
	Overseas	0.6	0.5	1.3
	Total	2.1	1.8	2.2
T-N	Korea	51.3	58.0	36.6
	Overseas	6.5	5.3	2.5
	Total	57.8	63.3	39.1
SS	Korea	18.3	38.8	12.9
	Overseas	32.7	30.5	49.7
	Total	51.0	69.3	62.6
COD	Korea (ppm)	54.4	106.8	77.8
	Overseas (ton)	48.0	99.2	108.5
	Total	102.4	206.0	186.3

Wastewater Discharge

Unit: Ton

Region	2009	2010	2011
Korea	3,017,428	3,922,150	4,140,130
Overseas	1,464,472	1,493,185	1,451,776
Total	4,481,900	5,415,335	5,591,906

- In 2011, wastewater discharge increased sharply in Korea due to the additional production lines at Gumi Solar Panel Plant.

Safety Data

Category	Region	2009	2010	2011
Fatality (case)	Korea	0	0	0
	Overseas	1	0	0
	Total	1	0	0
Incident (case)	Korea	14	12	8
	Overseas	316	333	406
	Total	330	345	414
Total Hours Worked (hours)	Korea	36,914,334	47,708,018	53,862,314
	Overseas	102,571,389	122,422,941	132,892,824
	Total	139,485,723	170,130,959	186,755,138

- The Safety data is only applicable to production sites.

As of December 31, 2011

Global Production Network

Region	Country	City	Subsidiary	Product	ISO Certification
North, South & Central America	Mexico	Mexicali	LGEMX	LCD TV, Monitor	-
	Mexico	Reynosa	LGERS	LCD TV, PDP TV, CRT TV, PDP Module	ISO 14001
	Brazil	Manaus	LGEAZ	TV, DVD, Audio, Car Audio, Microwave Oven, Air- Conditoner	ISO 14001
	Mexico	Monterey	LGEMM	Refrigerator, Oven	ISO 14001, OHSAS 18001
	Brazil	Taubate	LGESP	Monitor, Mobile Phone, Laptop, Washing Machine	ISO 14001
Europe	Poland	Mlawa	LGEMA	TV, Monitor	ISO 14001
	Poland	Wroclaw	LGEWR	Refrigerator, TV	ISO 14001, OHSAS 18001
Middle East & Africa	Egypt	Ismailia	LGEEG	CRT TV, FPD	ISO 14001
	Turkey	Istanbul	LGEAT	Air Conditioner	ISO 14001, OHSAS 18001
	Saudi Arabia	Riaydh	LGESR	Air Conditioner	-
	South Africa	Johannesburg	LGESA	LCD TV, PDP TV, Monitor	-
Asia	India	Noida	LGEIL	CRT TV, LCD TV, PDP TV, Monitor, Refrigerator, Air Conditioner, Washing Machine, Compressor, Optical Storage, Mobile Phone	ISO 14001, OHSAS 18001
		Pune		ISO 14001, OHSAS 18001	
	Thailand	Rayong	LGETH	Washing Machine, Air Conditioner, Compressor	ISO 14001, OHSAS 18001
	Vietnam	Hung Yen	LGEVN	TV, Monitor, Mobile Phone, Air Conditioner, Washing Machine	ISO 14001
		Hai Phong		Refrigerator , Microwave Oven, Vacuum Cleaner	ISO 14001
Indonesia	Bekasi Tangerang	LGEIN	LCD Monitor, LCD TV, PDP TV, CRT TV, VCR, DVD-P, VCR, COMBI, REC COMBI, DVD-P, DVD-R, BD-P, BD-Home Theater, DVD-Home Theater, Audio, Refrigerator	ISO 14001, OHSAS 18001 ISO 14001, OHSAS 18001	
China	China	Taizhou	LGETR	Refrigerator, Compressor	ISO 14001, OHSAS 18001
	China	Huizhou	LGEHZ	Media, Optical Storage	ISO 14001, OHSAS 18001
	China	Nanjing	LGEND	Monitor, LCD TV, PDP TV	ISO 14001, OHSAS 18001
	China	Nanjing	LGEPN	Washing Machine, Motor	ISO 14001, OHSAS 18001
	China	Qinhuangdao	LGEQH	Casting	ISO 14001, OHSAS 18001
	China	Shanghai	LGESH	Security Camera	ISO 14001, OHSAS 18001
	China	Shenyang	LGESY	CRTTV	ISO 14001, OHSAS 18001
	China	Tianjin	LGETA	Microwave Oven, Air Conditioner, Vacuum Cleaner, Compressor, MGT	ISO 14001, OHSAS 18001
	China	Yantai	LGEYT	Mobile Phone	ISO 14001, OHSAS 18001
	China	Kunshan	LGEKS	Telematics, Audio	ISO 14001, OHSAS 18001
	China	Hangzhou	LGEHN	Video Cassette Tape, USB, HDD, Prism Sheet	ISO 14001, OHSAS 18001
	China	Qingdao	LGEQD	Mobile Phone	ISO 14001, OHSAS 18001
	China	Qingdao	LGEQA	Chiller	ISO 14001
CIS	Kazakhstan	Almaty	LGEAK	TV, Washing Machine	ISO 14001, OHSAS 18001
	Russia	Ruja	LGERA	TV, Monitor, Refrigerator, Washing Machine	ISO 14001, OHSAS 18001

* No. of Overseas Production Sites: 33 (No. of Production Subsidiary: 30)

* All production sites located in Korea have ISO 14001 and OHSAS 18001 Certifications.

Independent Assurance Statement

To the Stakeholders of LG Electronics:

LG Electronics commissioned Korea Productivity Center (the “Assurer”) to provide independent assurance of its 2011-2012 Sustainability Report (the “Report”).

Responsibility and Integrity

LG Electronics is entirely responsible for the reliability and accuracy of all information and opinions presented in this “Report”. The Assurer is responsible only for the assurance statement provided in the Report. As an independent assurance agency, the Assurer was not by any means involved with preparing this “Report” and maintains no relationship with LG Electronics that can undermine its integrity.

Assurance Standard and Objectives

The assurance was undertaken in accordance with the AA1000 Assurance Standard (2008) to provide a Type 1 moderate level of assurance. This is achieved through the evaluation of the organization’s adherence to the AA1000 Accountability Principles Standard (2008) of Inclusivity, Materiality and Responsiveness. Additionally, the assurance was performed to ascertain the organization’s adherence to the GRI 3.1 Guidelines in preparing and presenting sustainability performance information.

Assurance Limitations

Based on the aforementioned assurance standards, the Assurer performed verification of the organization’s sustainability performance during the reporting period, with the following exceptions:

- The scope of work did not involve verification of data related to financial and environmental performance, including GHG performance.
- The scope of work did not involve verification of activities outside the reporting period and assurance scope as well as the official statements and website of LGE.

Additionally, as LGE production sites in Korea and overseas were not within the scope of site inspection, different results can be produced with additional verifications.

Assurance Methodology

The assurance was undertaken using the methodology specified below.

1. Verified objectivity and appropriateness of key issues selected and content presented in the Report by reviewing media reports and performing comparative analysis with sustainability reports issued by industry peers
2. Verified if the Report satisfies requirements for GRI Application level A by reviewing the coverage rate of and presentation method for each indicator specified in the GRI 3.1 Guidelines
3. Verified consistency with the principles dictating the content and quality of sustainability reports based on the GRI 3.1 Guidelines
4. Verified errors in conformity and expressions found in information presented in the Report by comparing with and analyzing the same information from different sources
5. For content and presentation of data related to the environmental issues, verified compliance with the principles and guidelines laid out by the ISO14021 Standards and the FTC Green Guides
6. Verified the basis of data and information presented as well as the internal process and systems by performing site inspections at Seoul HQ and Woomyeon R&D Campus
7. Verified the validity of LGE sustainability management strategy and management messages by interviewing 10 members of the executive management team

Findings and Conclusions

It is the Assurer’s opinion that the Report fairly and accurately presents the sustainability efforts and performance of LGE. Also, the assurance verified that this Report satisfies the requirements for the GRI Application level A as claimed by LGE. The following is the Assurer’s findings and recommendations based on the AA1000 Accountability Principles (2008) of Inclusivity, Materiality and Responsiveness.

1. Principle of Inclusivity

The principle of inclusivity articulates that organizations should include stakeholders in developing and achieving an accountable and strategic response to sustainability. Based on the findings of this assurance effort, it is evident that in 2011, LGE made a variety of efforts to adhere to the principle of inclusivity and improve its performance in this area. The company clearly understands the expectations of and communication channels for each of the seven major stakeholder groups: customers, employees, suppliers, communities, central and local governments, shareholders and investors and International Organizations and NGOs. In particular, LGE is fully aware of the importance of communication and strives for open communication with its stakeholders, which the Assurer believes will help strengthen inclusivity. However, to ensure that the company continues to improve in this area, the Assurer recommends presenting the selection process of key stakeholders, identification process of their expectations, specific activities associated with each communication channel and related performance. In particular, the Assurer recommends that LGE present the issues which emerged at the 2010 Stakeholder Consultation and the company’s response to those issues and respective performance in its sustainability report to take it as an opportunity to review and strengthen the inclusivity of the organization’s sustainability reporting. Lastly, the Assurer believes that as the company expands open communication with key stakeholders of its overseas production sites, it will become easier to fully understand and quantify the impact of LGE overseas social contributions to local communities.

2. Principle of Materiality

The principle of inclusivity articulates that organizations should focus on issues relevant and material to both the organization and its key stakeholders. The Assurer found that LGE successfully identified issues relevant and material to the company and its key stakeholders through the “Materiality Analysis”. In particular, the fact that the company collected stakeholder opinions (external experts and employee survey and external inquires) throughout the year (rather than limiting collection simply to the report preparation period) to perform Materiality Analysis proves it is making efforts to systematically manage material issues. Additionally, the company identified material issues by comprehensively managing and analyzing stakeholder opinions collected through disparate channels and included activities, performance and

future directions associated with those issues in the Report. Additionally the company presented quantitative measures of its performance on key issues, which were not included in the 2010 report, and covered the issue of conflict minerals as well as its activities and performance related to the issue. Such efforts indicate that LGE well maintains the currency of material issues and makes continual efforts for improvements. To ensure that LGE continues in this area, the assurer recommends that the company increase the linkage between materiality management and its enterprise risk management system as well as the strategy development process.

3. Principle of Responsiveness

The principle of inclusivity articulates that organizations should be responsive to issues that can have impacts on stakeholders’ performance. The Assurer found that LGE successfully identified issues that can impact stakeholders’ performance, engaged in activities to address them and adequately presented relevant information in the Report. In particular, the company improved on the Key Progress and Performance Table introduced in 2010 and clearly presented opportunities, performance, mid to long term objectives and action plans associated with key issues. Such effort will enable LGE to systematically manage and disclose importance issues with impacts on stakeholders’ performance and can be utilized to improve stakeholders’ performance. Considering the share of overseas businesses in the company’s overall performance and continually increasing exports, the assurer recommends that LGE establish a system that enables it to systematically and comprehensively identify and respond to the issues that can impact overseas stakeholders’ performance.

Recommendations

The Assurer commends LGE for making a variety of efforts to improve sustainability and producing results, and presents the following recommendations to improve on future sustainability reports and sustainability management.

1. The Assurer recommends that LGE adopt a sustainability monitoring and data management system at its overseas business sites to expand the scope of sustainability management. Through such a system, LG will be able to manage enterprise sustainability data and increase the quality of its sustainability report as well as sustainability management.
2. With increasing interest in the environment and LGE’s venture into new businesses in the sector, the Assurer recommends that LGE establish a management system for water use and biodiversity issues, in addition to GHG emissions.
3. The Assurer recommends that LGE improve the connection between mid to long term objectives and financial performance by establishing a management system that facilitates integrated management of performance data of each sustainability issue.



May 2012
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Korea Productivity Center’s Sustainability Management Center is an assurance agency officially certified by AccountAbility, which established AA1000, international standards for stakeholder participation and verification and has qualifications to perform an independent assurance engagement. Our Assurance Committee is also comprised of competent experts who have ample experience in sustainability management consulting and assurance and completed relevant professional training.

Memberships/Awards & Recognition

Memberships

· Council of Economic Organizations	· Fair Competition Federation	· Korea Association of Electronics Environment
· Organization of Consumer Affairs Professionals in Business	· The Korean Federation of Science and Technology Societies	· Korean Information Display Society (KIDS)
· Industrial Health Association	· Korea Advertiser Association	· Telecommunication Technology Association (TTA)
· Korean Society of Mechanical Engineers (KSME)	· Korea Management Association	· Korea Intellectual Property Protection Association (KIPRA)
· Korea Industrial Safety Association	· Licensing Executive Society Korea (LES Korea)	· Korea Intellectual Property Association (KINPA)
· Korea Chamber of Commerce and Industry	· Korea Micro Joining Association (KMJA)	· Society of CAD/CAM Engineers
· The Korean Institute of Electrical Engineers	· The Korea International Trade Association	· Korea Home Network Industry Association
· Maekyung Safety and Environment	· Korea Invention Promotion Association	· International Trademark Association (INTA)
· The Foundation of Korean Industries	· Korea Association of Information & Telecommunicator	· European Committee of Domestic Equipment Manufacturers (CECED)
· Trade Related IPR Protection Association (TIPA)	· Korea Industrial Technology Association	· Digital Europe
· Korea Radio Promotion Association	· Korea Association of Industrial Designers (KAID)	· International Council Society of Industrial Design (ICSID)
· Federation of Korean Information Industries	· Korea Listed Companies Association (KLCA)	· Quality Brand Protection Committee (QBPC)
· Korea Association for ICT Promotion	· Korea Forum for Progress	· ZigBee Alliance
· Korea Business Council for Sustainable Development (KBCSD)	· Korea Society for Noise and Vibration Engineering (KSNVE)	· Japan Article Management Promotion Consortium (JAMP)
· Korea Audit Bureau of Circulations	· Korea Smart Grid Association	· Electronic Industry Citizenship Coalition (EICC)
· Korea Investor Relations Service	· GS1 Korea	· United Nations Global Compact (UNGC)
· Korea Employers Federation	· Korea Production Safety Association	· United Nations Global Compact Korea Network (UNGC Korea Network)
· Korea Economic Research Institute	· Korea Electronics Association	

Awards & Recognition

Date	Award	Awarder
December 2011	Selected as the Most Water Efficient Product - Drum Washing Machine (Model Name: F1495BDS) and Dishwasher (Model Name: D1454BF)	Waterwise, U.K.
December 2011	Received Knowledge Economy Minister's Award at the 2011 Korea Technology Awards - LG CINEMA 3D TV	Korea Institute for Advancement of Technology
November 2011	Green Technology of the Year at the 3rd National Green Technology Awards (High Efficiency Crystalline Silicon Solar Cell Technology)	Ministry of Education, Science and Technology
November 2011	Received the Labor Friendly Management Prize at the UNGC Value Awards	UN Global Compact Network Korea
November 2011	LGE Peru Subsidiary Named as "50 Best Multinationals to Work for in Latin America"	Great Place to Work Institute
November 2011	Received the President's Award at the Korea Safety Award - LG Digital Park (Pyeongtaek)	National Emergency Management Agency
October 2011	Received the President's Award for Standardization on the World Standard Day	Ministry of Knowledge Economy, Korea Agency for Technology and Standards
October 2011	Named by Consumers as the Best Brand - India Subsidiary	CNBC India
October 2011	Joined in the Carbon Management Global Leaders Club for 3 Years Straight	CDP (Carbon Disclosure Project) Korea
October 2011	Named as East Asia 30 (East Asian Corporations Recognized for CSR Excellence)	The Hankyoreh
October 2011	Received the 2011 POPAI Chief Award for Merchandizing Excellence	POPAI (Point Of Purchase Advertising International)
September 2011	Included in the Dow Jones Sustainability Asia-Pacific Index	Dow Jones Indexes, SAM
September 2011	Received the Highest Score for an Electronics Company in Korean Sustainability Index (KSI)	Korea Standards Association
July 2011	13 Products Named as "ENERGY START Most Efficient 2011" in the U.S.	U.S. Environmental Protection Agency (EPA)
July 2011	Received the President's Award at the 2011 Global Green Management Excellence Awards - TROMM Washing Machine	Ministry of Knowledge Economy, Ministry of Environment
July 2011	Selected as the No.1 Pick for 3D TV by Consumer Reports, the U.S. - LG CINEMA 3D TV (Model Name: 47LW5600)	Consumer Reports, U.S.
April 2011	Spain Subsidiary Named as "2011 Great Place to Work Top 50"	Great Place to Work Institute
April 2011	Named as the Best Monitor - Flatron IPS LED LCD Monitor (Model Name: IPS236/IPS231)	Technical Image Press Association (TIPA)
January 2011	Selected as "Companies with Excellence in Life Safety Achievements in 2011"	The Korean Society for Quality Management, The Dong-A Ilbo
January 2011	12 Products Received the 2011 CES Innovations Awards	Consumer Electronics Association (CEA), Industrial Designers Society of America (IDSA)

GRI Index

GRI Index		Related Contents	Page
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1.2	Description of key impacts, risks, and opportunities	Key Progress and Performance, CEO Message, Top Management Messages, Stakeholder Engagement, Stakeholder Consultation on CSR, Compliance Risk Management	4 - 5, 6 - 7, 8, 20 - 22, 74
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2.2	Primary brands, products, and services	Corporate Overview	10 - 11
2.3	Operational structure of the organization	Corporate Overview	10 - 11
2.4	Location of organization's headquarters	Corporate Overview	10 - 11
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2.6	Nature of ownership and legal form	Corporate Governance	73
2.7	Markets served	Corporate Overview and Economic Performance	10 - 13
2.8	Scale of the reporting organization	Corporate Overview and Economic Performance	10 - 13
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2.10	Awards received in the reporting period	Memberships/Awards & Recognition	85
3.1	Reporting period for information provided	Report overview	2
3.2	Date of most recent previous report	May, 2011	89
3.3	Reporting cycle	Report overview (Annual)	2
3.4	Contact point for questions regarding the report or its contents	Report overview	2
3.5	Process for defining report content	Report Overview, Stakeholder Engagement, Stakeholder Consultation on CSR, Materiality Analysis	2, 20 - 25
3.6	Boundary of the report	Report overview	2
3.7	State any specific limitations on the scope or boundary of the report	Report overview	2
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities	Report overview, Corporate Overview	2, 10 - 11
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3.10	Explanation of any re-statements of information provided in earlier reports	Some data in the previous report have been adjusted.	80 - 82
3.11	Significant changes from previous reporting periods	No significant changes	-
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3.13	Policy and current practice with regard to seeking external assurance	Report overview, Independent Assurance Statement	2, 83 - 84
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4.2	Whether the Chair of the highest governance body is also an executive officer	Corporate Governance	73
4.3	State the number of members of the highest governance body	Corporate Governance	73
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4.5	Linkage between compensation for members of the upper management and the organization's performance	Corporate Governance	73
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4.9	Procedures of the highest governance body for overseeing the management of economic, environmental, and social performance	CSR Management, Corporate Governance	14 - 15, 73
4.10	Processes for evaluating the highest governance body's own performance	Corporate Governance	73
4.11	Explanation of whether and how precautionary approach or principle is addressed	Product Quality & Safety, Greener Products, Low-Carbon Green Management, EESH Management, CSR in Supply Chain, Compliance Risk Management	30 - 31, 35 - 41, 42 - 46, 47 - 49, 52 - 54, 74
4.12	Externally developed charters to which the organization subscribes	Memberships/Awards & Recognition	85
4.13	Memberships in associations	Memberships/Awards & Recognition	85
4.14	List of stakeholder groups engaged by the organization	Stakeholder Engagement	20
4.15	Basis for identification and selection of stakeholders with whom to engage	Stakeholder Engagement	20
4.16	Approaches to stakeholder engagement, including frequency of engagement	Stakeholder Engagement, Stakeholder Consultation on CSR, Materiality Analysis	20 - 25
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GRI Index		Application level	Related Contents	Page
Economic				
EC1	Direct economic value generated and distributed	○	Corporate Overview and Economic Performance	10 - 13
EC2	Financial implications for the organization's activities due to climate change	○	Exploring Opportunities and Managing Risks Associated with Climate Change	42 - 43
EC3	Coverage of the organization's defined benefit plan obligations	△	Benefits and Support Programs	79
EC4	Significant financial assistance received from government	○	Corporate tax expense was sharply reduced due to deterioration in profitability.	12
EC5	Range of ratios of standard entry level wage compared to local minimum wage	○	Fair Evaluation and Rewards	68
EC6	Policy, practices, and proportion of spending on locally-based suppliers	○	Win-Win Growth	51
EC7	Procedures for local hiring and proportion of local senior management	○	Talent Management, Corporate Overview and Economic Performance	65 - 67, 10 - 13
EC8	Development and impact of infrastructure investments and services provided	○	Flow of Economic Value, Community	12, 57 - 61
EC9	Understanding and describing significant indirect economic impacts	○	Flow of Economic Value	12
Environmental				
EN1	Materials used by weight or volume	△	Input Data (Material)	80
EN2	Percentage of materials used that are recycled input materials	△	Utilization of Recycled Materials	40
EN3	Direct energy consumption by primary energy source	○	Input Data (Energy)	80

GRI Index		Application level	Related Contents	Page
Environmental				
EN4	Indirect energy consumption by primary source	○	Input Data (Energy)	80
EN5	Energy saved due to conservation and efficiency improvements	△	Production Level GHG Reduction	43 - 44
EN6	Reductions in energy requirement as a result of energy efficient or renewable energy initiatives	△	Greener Products, Product Usage Level GHG Reduction	35 - 37, 44
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	△	Expanding GHG Management Across Businesses	44 - 45
EN8	Total water withdrawal by source	△	Water Use Management, Water Use	45, 80
EN9	Water sources significantly affected by withdrawal of water	×	–	–
EN10	Percentage and total volume of water recycled and reused	×	–	–
EN11	Location and size of areas of high biodiversity value			
EN12	Description of significant impacts of activities on biodiversity			
EN13	Habitats protected or restored	N/A	LGE's facilities are located in industrial complexes.	–
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity			
EN15	Number of IUCN Red List species and national conservation list species			
EN16	Total direct and indirect greenhouse gas emissions by weight	○	Input Data (GHG)	80
EN17	Other relevant indirect greenhouse gas emissions by weight	○	Input Data (GHG)	80
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	○	Low-Carbon Green Management	42 - 46
EN19	Emissions of ozone-depleting substances by weight	△	Input Data (Ozone depleting chemicals)	80
EN20	NOx, SOx, and other significant air emissions by type and weight	○	Output Data (Air Emissions)	81
EN21	Total water discharge by quality and destination	△	Output Data (Wastewater)	81
EN22	Total weight of waste by type and disposal method	○	Output Data (Waste)	48, 81
EN23	Total number and volume of significant spills	×	None of significant spills occurred in 2011.	–
EN24	Weight of exported, imported, transported, or treated hazardous waste under the terms of Basel Convention	×	–	–
EN25	Identity, size, and protected status of water bodies and related habitats	×	–	–
EN26	Initiatives to mitigate environmental impacts of products and services	○	Greener Products, Low-Carbon Green Management	35 - 46
EN27	Percentage of products sold and their packaging materials	○	Resource Reduction	40 - 41
EN28	Monetary value of significant fines for noncompliance with environmental regulations	×	No violations in 2011	–
EN29	Significant environmental impacts of transporting products and other goods	○	Expanding GHG Management Across Businesses, Output Data (GHG)	44 - 45, 80
EN30	Total environmental protection expenditures and investments	×	–	–
Labor Practices and Decent Work				
LA1	Total workforce by employment type, employment contract, and region	○	Employees by Country, Percentage of Temporary Employees, Status of LGE's employees	13, 67, 79
LA2	Total number and rate of employee turnover by age group, gender, and region	○	Turnover Rate	67
LA3	Benefits provided to full-time employees	○	Benefits and Support Programs	79
LA4	Percentage of employees covered by collective bargaining agreements	○	Labor Relations	69
LA5	Minimum notice period(s) regarding operational changes	△	Labor Relations (one month)	69
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	○	Labor Relations (Applied to all employees)	69
LA7	Rates of injury, occupational diseases, lost days, absenteeism, and fatalities	○	Incident Rate, Safety Data	49, 81
LA8	Programs to assist workforce members, their families, or community members regarding serious diseases	○	EESH Management	49
LA9	Health and safety topics covered in formal agreements with trade unions	×	–	–
LA10	Average hours of training per year per employee	○	Talent Management (62 hours)	66
LA11	Programs for skills management and lifelong learning	○	Talent Management	65 - 67
LA12	Percentage of employees receiving regular performance and career development reviews	○	Fair Evaluation and Rewards	68
LA13	Composition of governance bodies and breakdown of employees per category	○	Talent Management, Corporate Governance, Status of LGE's employees	65 - 67, 73, 79
LA14	Ratio of basic salary of men to women by employee category	△	Fair Evaluation and Rewards (No differences)	68
LA15	Return to work and retention rates after parental leave, by gender	○	Use of Childbirth and Maternity Leave (Korea)	67
Human Rights				
HR1	Percentage and total number of significant investment agreements that include human rights clauses	△	CSR in Supply Chain	52 - 54
HR2	Percentage of significant suppliers that have undergone screening on human rights and actions taken	○	CSR in Supply Chain	52 - 54
HR3	Total hours of employee training on policies/procedures concerning aspects of human rights	△	Jeong-Do Management (18,446 employees were trained.)	75
HR4	Total number of incidents of discrimination and actions taken	○	Labor Rights Protection, CSR in Supply Chain	69 - 71, 52 - 54
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining	○	Labor Rights Protection, CSR in Supply Chain	69 - 71, 52 - 54
HR6	Operations identified as having risk for incidents of child labor and measures taken	○	Labor Rights Protection, CSR in Supply Chain	69 - 71, 52 - 54
HR7	Operations identified as having risk for incidents of forced or compulsory labor and measures taken	○	Labor Rights Protection, CSR in Supply Chain	69 - 71, 52 - 54
HR8	Percentage of security personnel trained in the organization's policies or procedures	×	–	–
HR9	Percentage of security personnel trained in the organization's policies or procedures	×	–	–
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	○	CSR Risk Management Program	70
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	○	Grievance Resolution Process, Jeong-Do Management	69,75
Society				
SO1	Effectiveness of any programs/practices that assess and manage the impacts of operations	○	Social Contribution	57 - 61
SO2	Total number of business units analyzed for risks related to corruption	○	Compliance Risk Management	74
SO3	Percentage of employees trained in organization's anti-corruption policies	○	Jeong-Do Management (18,446 employees were trained.)	75
SO4	Actions taken in response to incidents of corruption	○	Jeong-Do Management	75
SO5	Public policy positions and participation in public policy development and lobbying	○	E-waste Management and Recycling, Low-Carbon Green Management, Win-Win Growth	41, 45, 51
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	N/A	Prohibited in Korea by law	–

GRI Index		Application level	Related Contents	Page
Society				
SO7	Total number of legal actions for anticompetitive behavior, antitrust, and monopoly practice and their outcomes	○	Fair Trade	76
SO8	Monetary value of significant fines for noncompliance with regulations	△	Fair Trade	76
SO9	Operations with significant potential or actual negative impacts on local communities	△	EESH Management	47 - 49
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	△	EESH Management	47 - 49
Product Responsibility				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement	○	Product Quality and Safety, Greener Products	30 - 31,35 - 41
PR2	Total number of non-compliance incidents with regulations concerning health and safety	×	-	-
PR3	Type of product and service information required by procedures	○	Greener Products	35 - 41
PR4	Total number of non-compliance incidents with regulations concerning products and services information & Labeling	△	Responsible Marketing Communication	28
PR5	Practices related to customer satisfaction including survey results on satisfaction	○	Consumer Satisfaction and After-Sales Service	32 - 33
PR6	Programs for adherence to standards and voluntary codes related to marketing communications	○	Responsible Marketing Communication	28
PR7	Total number of non-compliance incidents with regulations concerning marketing communications	×	-	-
PR8	Total number of substantiated complaints regarding customer privacy and data losses	△	Information Security and Privacy Protection	77
PR9	Monetary value of significant fines for non-compliance with laws concerning the provision and use of products and services	△	Responsible Marketing Communication	28

UNGC Index

Ten Principles		Our Activities	Related Content	Page
Human Rights	<p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p>	Based on our management philosophy of Respecting Human Dignity, LGE respects and complies with the standards, laws and regulations established by international institutions and organizations such as the Universal Declaration of Human Rights by the United Nations. To ensure fundamental human rights and labor rights of employees as well as those of our suppliers,	<p>Our Philosophy</p> <p>CSR Management</p> <p>Business Partner</p> <p>Labor Rights Protection</p>	<p>9</p> <p>14-15</p> <p>50-55</p> <p>69-71</p>
Labour Standards	<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labour;</p> <p>Principle 5: the effective abolition of child labour; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p>	LGE continues its efforts to establish a corporate culture that values the diversity of our employees and promotes creativity and autonomy. Owing to its efforts, LGE is leading an exemplary labor management relationship, reaching an agreement in collective bargaining and wage negotiations without labor dispute for 23 consecutive years (as of February 2012) and declaring Union Social Responsibility(USR) charter. Additionally, LGE joined the Electronic Industry Citizenship Coalition (EICC), established an enterprise-wide policy for protecting labor rights across the supply chain and amended standard purchase agreement forms accordingly. LGE also conducted a self-assessment in all of its 213 business sites, at home and abroad, and implemented improvement measures.	<p>Labor Rights Protection</p> <p>Business Partner</p> <p>CSR Management</p>	<p>69-71</p> <p>50-55</p> <p>14-15</p>
Environment	<p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p>	LGE strives to contribute to the society's sustainable growth by minimizing negative environmental impacts resulted from our business activities. LGE made great strides in improving energy performance and carbon disclosure in development of greener products. The company also surpassed its GHG reduction targets across products' life cycle, while being highly recognized by Carbon Disclosure Project (CDP) Korea for its efforts towards promoting low-carbon culture. LGE strengthened the integrated EESH (Energy, Environment, Safety, and Health) certification system and global EESH audit system at all production sites. LGE is currently participating as a member of the steering committee represent Korean companies at Caring for Climate.	Environment	34-49
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	LGE' "Jeong-Do Management" is a guiding principle for all action taken by employees. To help our employees remain true to the spirit of Jeong-Do Management, LGE established Code of Ethics and Conduct Guidelines. LGE also applies the same standard to all suppliers and business partners. This year, the company engaged in various activities such as distributing code of ethics handbook in 5 languages and requiring employees and suppliers to sign a pledge for Jeong-Do Management. Additionally, LGE maintains the ethics category in its CSR risk management program to monitor its business sites' and suppliers' ethics management systems.	<p>Jeong-Do Management</p> <p>Labor Rights Protection</p> <p>Business Partner</p>	<p>75</p> <p>69-71</p> <p>50-55</p>

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