



# LIFE'S GOOD

Customer & our insight  
Environment & our effort  
Business Partner & our support  
Community & our contribution  
Employee & our care

&

## 2012-2013 LG Electronics Sustainability Report



**LG**

Life's Good



## REPORT OVERVIEW



### LIFE'S GOOD &

Founded on the commitment to providing convenience and happiness in customers' lives, LG Electronics fully understands the value of shared growth with stakeholders.

Caring for the society and those in need, LG Electronics is growing into a responsible corporate citizen that contributes to protecting the Earth for future generations.

LIFE'S GOOD & customers, business partners, employees, communities, and the environment – LG Electronics' sustainability management strives to stay faithful to these values.

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### SPECIAL FEATURES OF THIS REPORT

**Key Progress and Performance:** To clearly illustrate LG Electronics' sustainability performance to our stakeholders, we have included "Key Progress and Performance" in this report. With consideration to stakeholder interest and impact on LG Electronics, we have identified key sustainability management issues with a Materiality Analysis and illustrated opportunities and risk factors, mid to long term goals and progress, and future goals and directions related to these issues. We will also continue to utilize these issues as key indicators for our sustainability management performance.

**Special Issue:** "Product Leadership" embodies LG Electronics' pursuit of R&D capability that enables us to become the first mover in the market and to introduce market leading products with differentiated value. This section introduces our strong commitment towards delivering No. 1 products based on superior R&D capability and perfect product quality to earn the complete trust of customers.

The "USR (Union Social Responsibility)" program is a CSR initiative unique to LG Electronics and recognized by industry peers as one of the best practices in corporate social responsibility. This section introduces social contribution initiatives of the LGE Labor Union, which is creating advanced labor-management relations based on mutual trust to help stakeholders understand our USR activities and performances.

### 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. Information about key issues were organized and presented in a consistent format in 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 to 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 the departments were finalized after a review by management and a third party assurer.

### REPORTING PERIOD AND SCOPE

This report was prepared based on data from the period of January 1 to December 31, 2012. For qualitative measures of performance, some data from the first half of 2013 was also included. This report covers all LGE business sites in Korea and overseas. Standard currency for this report is the Korean won (KRW), with the average exchange rate of KRW 1,126.88 against the USD in 2012 (first quote of the day, selling rate). The exchange rate in effect on December 31, 2012 was USD 1 = KRW 1,063.00 (Selling Rate).

### ASSURANCE

To ensure credibility, this report has received third party assurance from the Korea Productivity Center, an agency that provides independent external party assurance for corporate sustainability reports. The assurance statement is on pages 87-88.

### INFORMATION SOURCES CONCERNING LG ELECTRONICS' SUSTAINABILITY MANAGEMENT EFFORTS



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



Environmental Report



Annual Report

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## CEO MESSAGE



## **LG Electronics will strive for sustainability management in order to win the hearts and minds of our customers.**

### **What is the philosophy behind LG Electronics' sustainability management?**

For a company, sustainability management starts with building competitiveness in its core businesses. To become a truly sustainable company, we need to focus all of our capabilities on understanding the needs of our customers and providing differentiated products and services based on our technology and product leadership.

Everything we do — from actively engaging in marketing initiatives that produce results to creating a nurturing environment that helps our employees apply their capabilities to the fullest — is driven by LG's unique management philosophy of "Customer Value Creation" and "People-Oriented Management." I believe that our conviction to remain true to such values is the key driving force behind the sustainable growth of LG Electronics.

### **What are the key sustainability management initiatives of LG Electronics for this year?**

Presently, growing uncertainties in the global marketplace and increasing customer expectations are creating an unfavorable business climate and much pessimism about the possibility of growth. Since its establishment, LG Electronics has never stopped striving to strengthen its fundamentals. As a result, our product leadership, which is a key prerequisite for being a market leader, continues to improve and our fundamentals are becoming stronger across the entire organization.

This year we will apply everything that we have accomplished so far to lead the market with differentiated products and services that only LG Electronics can deliver. To this end, we must secure "differentiated product leadership" by fully aligning our thoughts and actions with the market and customers, constantly generating new ideas and swiftly putting great ideas into practice with a keen focus on producing meaningful results.

Moreover, it is imperative that we transform our work and management style to be fully aligned with our customers' needs. To this end, we must constantly question ourselves as to whether we are simply going through the motions and not seeing what customers truly need and make the transformation into a "customercentric" organization.

### **Going forward, what direction is LG Electronics planning to take to achieve sustainability management?**

We will guarantee that LG Electronics never compromises its fundamentals, which have been developed over time based on our strong convictions. Not only will we remain true to the roots of our business, we will also strive to further strengthen our fundamentals by complying with the laws of the land as a responsible corporate citizen and adhering to our unique guiding principles, what we call "Jeong-Do Management."

Employees of LG Electronics should never compromise themselves under any circumstances and compete in the market fairly. I am convinced that we can ensure the sustainable growth of the company and gain more opportunities to contribute to society by continuing on this path.

May 2013

**Bon Joon Koo**, Vice Chairman & CEO



# MANAGEMENT MESSAGES

## **Jong Sik Kim, COO (Chief Operating Officer)/President**

In order to lead the global market, we have to secure product leadership that clearly sets us apart from our competitors and continuously create customer value based on strong fundamentals as a global corporation. LG Electronics is committed to building world-class business capabilities by quickly identifying customer needs and market trends, and by generating and executing ideas that help us become the first mover in the market. Furthermore, we will strive to become a truly sustainable company based on a sound corporate culture and win-win partnership with suppliers.



## **Skott Ahn, CTO (Chief Technology Officer)/President**

A key driving force behind technology innovation is the prevailing culture of the time. In today's society, businesses need to become a leading cultural force that enriches people's lives with competitive products. Such cultural leadership, supported by our products and technologies, will become the defining feature of a truly sustainable business in our times. As such, LG Electronics strives for technology innovation that embodies the cultural energy of our times and satisfies social and environmental needs. As part of our efforts to create healthier and cleaner environment, LG Electronics is committed to producing meaningful results in low-carbon management, green businesses and energy-efficient products, and continuously expanding our initiatives in such areas.

## **Sang Geon Nam, Business Support Officer/Executive Vice President**

LG Electronics strives to become an economically and socially responsible corporate citizen based on "Jeong-Do Management" as part of our efforts to earn trust and respect from diverse stakeholders, including customers. We make strategic efforts to address social issues with our products and technologies, such as developing mobile phones for the visually impaired, while actively supporting employee participation in social contribution with various initiatives, including a work day volunteer program. Going forward, we will make ongoing efforts to facilitate free and open communication with diverse stakeholders and incorporate their feedback into our business operations.



## **Ki Wan Kim, GMO (Global Marketing Officer)/Executive Vice President**

Market leadership is exemplified by a business' ability to leverage its brand power, understanding both market and consumer needs to introduce competitive products in a timely fashion. Such ability must be supported by swift and ingenious market-sensing activities. LG Electronics focuses on social contribution initiatives that create both economic and social value, providing environmental support to communities that lack infrastructure while developing products that address the hardships of those who are socially marginalized. We will remain committed to our social responsibility with sustained corporate service for the social good.



# MANAGEMENT PHILOSOPHY

## LG Way

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

## No.1 LG

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

## 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 it is possible to compete fairly and produce results with integrity by continuously strengthening our fundamentals.

## Customer-Value Creation

"Customer-Value Creation" is the very reason for our existence and 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 our customers and create new value for them.

## People-Oriented Management

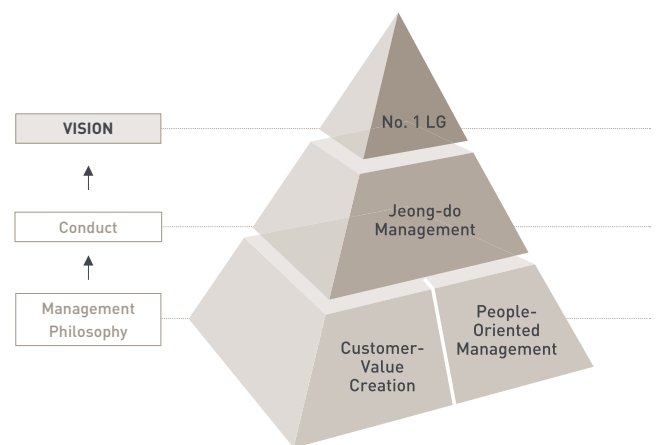
"People-Oriented Management" expresses our belief that each and every employee is an integral part of our effort to create value for customers. Based on this tenet, we are committed to creating an environment where our employees can reach their full potential and utilize their abilities to the fullest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

## Social Contribution, Tradition from LG Electronics' Inception

LG Electronics (previously, Goldstar) was founded on October 1, 1958 to "create a world where everyone enjoys convenience and lives happily." Starting with the establishment of the Yeonam Library (currently, Jinju Municipal Library) in January and the donation of radios to "Sinmangae" Nursing Home in Busan in September 1969, LG Electronics has been continuously engaging in social contribution initiatives to mitigate hardships of the socially marginalized. We are committed to protecting the environment and promoting culture and education together with local community members. To this end, we are implementing various initiatives to care for local communities, to protect the environment, to promote volunteerism, and to provide educational and cultural support. Always ready to extend a helping hand to our neighbors in need, LG Electronics will strive to become a responsible corporate citizen that is respected both at home and around the world.

The "LG Way" is a management philosophy unique to LG, which was introduced with 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.

## LG Way



## Quote

### In Hwoi Koo (1907 - 1969) LG Group Founder

While it is true that a business exists to generate profits, it cannot prosper without the society, as fish cannot survive without water. That is why we need to care about the good of our society and contribute to the long-term growth of our nation. For that, we have to find ways to benefit both our business and the society, and that is the only way a business can prosper in the long run.



### Bon Moo Koo Chairman, LG Group

We need to create a differentiated value for customers, society and the humanity. We need to help those who strive to realize their dreams.



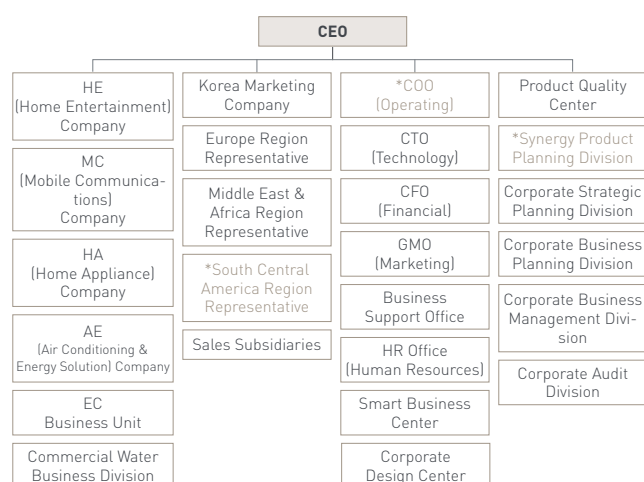
# CORPORATE OVERVIEW AND ECONOMIC PERFORMANCE

## LG Electronics Overview

LG Electronics has maintained its organizational structure, which was restructured into four business divisions (HE, MC, HA and AE Company) in December 2010. In order to focus our organizational capability on securing product leadership, we made partial changes effective as of December 1, 2012. Based on the changed system, the Chief Operating Officer will oversee production organizations in Korea as well as in other countries to improve operational efficiency and promote organizational expertise. We also created the Synergy Product Planning Division directly under the CEO to increase synergy among products from different business divisions. Additionally, we established the South Central America Region Representative to strengthen the geographic connection among six Central and South American countries including Mexico.

## Organizational Chart (As of December 31, 2012)

\*: New additions



Since its foundation as Goldstar in 1958, LG Electronics overcame numerous challenges and has continued to grow. We are pressing forward to become a global leader based on “Product Leadership” that enables us to accurately identify customer and market needs and incorporate them into our business operations. We pledge to create differentiated value for diverse stakeholders and remain a responsible corporate citizen.

## LG Electronics Overview (As of December 31, 2012)

Unit: KRW billion

Organization Name	LG Electronics, Inc.
Location of Headquarters	LG Twin Towers, 128 Yeoui-daero, Yeongdeungpo-gu, Seoul, Korea
Industry	Manufacturing
Main Product	TV, Home Theater System, BluRay Player, Mobile Handset, Laptop Computer, Refrigerator, Washing Machine, Cooking Appliance, Built-in System Kitchenware, Vacuum Cleaner, Health Care Appliance, Air Conditioner, Monitor, Security System, Commercial Display, etc.
CEO	Bon Joon Koo
Date of Establishment	October 1, 1958
No. of Employees	86,697 (Korea: 36,378/Overseas: 50,319)
Total Assets (Consolidated)	31,457.4 (-1,201.1)
Total Liabilities (Consolidated)	18,753.2 (-757)
Sales	Parent 25,427.2 (-2669.9) (Korea: 7,833.4/Overseas: 17,593.8) Consolidated 50,960 (-3296.6)
Operating	Parent 42.8 (+306.7)
Profits	Consolidated 1,136 (+757)
Credit Rating	AA (Domestic), Baa2 (Moody's), BBB- (S&P)
No. of Shareholders	213,750
No. of Shares	180,833,806

\* The calculation method for operating profits was revised in line with the changes to financial accounting standards in 2012, and past data was also revised accordingly.

\* ( ): Change in figures compared with the previous year

## Domestic Subsidiaries (As of December 31, 2012)

Unit: KRW billion

Company	Located	Main Business	Sales (2012)	Founded	Transactional Relationship
HiPlaza	Seoul	Wholesale & Retail of Electronics	1,305.3	May, 1997	Product Sales
HiLogistics	Seoul	Logistics Management & Service	370.2	December, 2003	Logistics Service
Hi-M Solutek	Seoul	Generic Machinery and Equipment Repair	70.2	January, 2006	Service
HiTeleservice	Seoul	Call Center and Telemarketing Service	53.7	December, 2009	Service
Innovation Investment	Seoul	New Technology Business Investment	0	September, 2005	Investment Cooperative
KTV Tech Investment	Seoul	New Technology Business Investment	0	September, 2007	Investment Cooperative
New Technology Business Investment	Seoul	New Technology Business Investment	0	October, 2010	Investment Cooperative
ACE R&A Co.	Gyeonggi Province	Air Conditioner Manufacturing	25.1	November, 1998	Product Manufacturing and Sales
HiEntech	Gyeonggi Province	Water Quality Engineering	37.2	November, 1999	Service
LG-Hitachi Water Solutions	Seoul	Water Treatment Facility Construction	13.0	January, 2012	Service

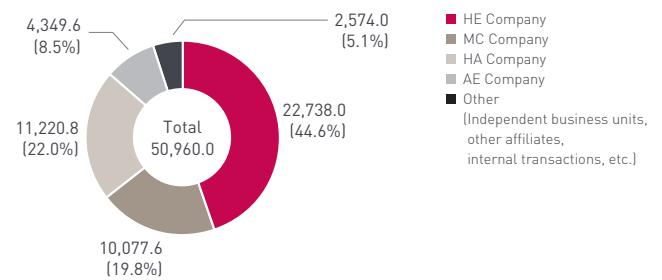


## Business Operations and Main Products

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

## Sales by Company (Consolidated, as of December 31, 2012)

Unit: KRW billion (%)



**HE Company |** Overall sales were down 14% compared to the previous year at KRW 8,974.3 billion (Parent) due to contractions in the TV market and IT demand and the continued decline of CRT TV and PDP TV segments. LGE maintained its second place market share in the global LCD TV market for two consecutive years (source: Display Search). Despite the sales contraction, profits increased thanks to successful premium product offerings such as Cinema 3D TV and Smart TV.

LCD TV, PDP TV, PDP Module, LCD Monitor  
Audio & Video, Security System



**MC Company |** With the continuous expansion of the smartphone market and the contraction of the feature phone sales volume, overall sales decreased by 13% compared to the previous year at KRW 8,161.7 billion (Parent). Profits, on the other hand, increased compared from the previous year with our efforts, including reorganizing business structure around smartphone and focusing on profitability in business operations. In particular, profitability is showing continuous improvement with the sales expansion of premium products such as the LTE handset Optimus G, and cost structure improvement from successful cost management.

Mobile Handset, Smartphone, Netbook/Tablet PC,  
Network Infotainment



**HA Company |** Due to the prolonged economic contraction in Europe and slow recovery in the U.S., there was only a slight growth in advanced markets. However, LGE continued to expand its sales in the Korean and emerging markets and recorded KRW 4,914.9 billion (Parent) in sales, up 3% from the previous year. In the refrigerator and washing machine segments, LGE showed superior competitiveness with high capacity and efficiency models, and our products were even named the best product of the year by "Consumer Reports" of the U.S.

Refrigerator, Washing Machine, Kitchen Appliance  
Vacuum Cleaner, Healthcare Appliance, Water Solutions



**AE Company |** Despite the economic contraction in Europe and abnormally cold temperatures in India and Central & South America, LGE recorded sales increase of 0.4% at KRW 2,312.2 billion (Parent) by making various efforts to maintain superior product competitiveness, including introduction of products customized to meet local needs. Profitability was also enhanced thanks to efficient cost and profitability management.

Consumer Air Conditioner, Commercial Air Conditioner  
Solar Energy Solution, LED Lighting, Network Solution

### Shared Economic Gains (Parent)

The European financial crisis, the global economic contraction and intensifying competition created a tough business climate in the year 2012. Although we saw robust year-on-year growth in some business segments such as LCD TV and washing machine, sales declined in CRT TV, PDP TV and key IT products due to contracting demand in advanced markets. The contraction of feature phone sales volume also led to a sales decrease in mobile handsets. Our sales in 2012 were down 9.5% from the previous year at KRW 25.4 trillion, but profitability improved compared to the previous year despite increases in the price of some commodities as well as R&D costs thanks to profitability improvement efforts across our business segments. LGE is committed to 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.

### Economic Value Generated, Distributed and Retained (Parent)

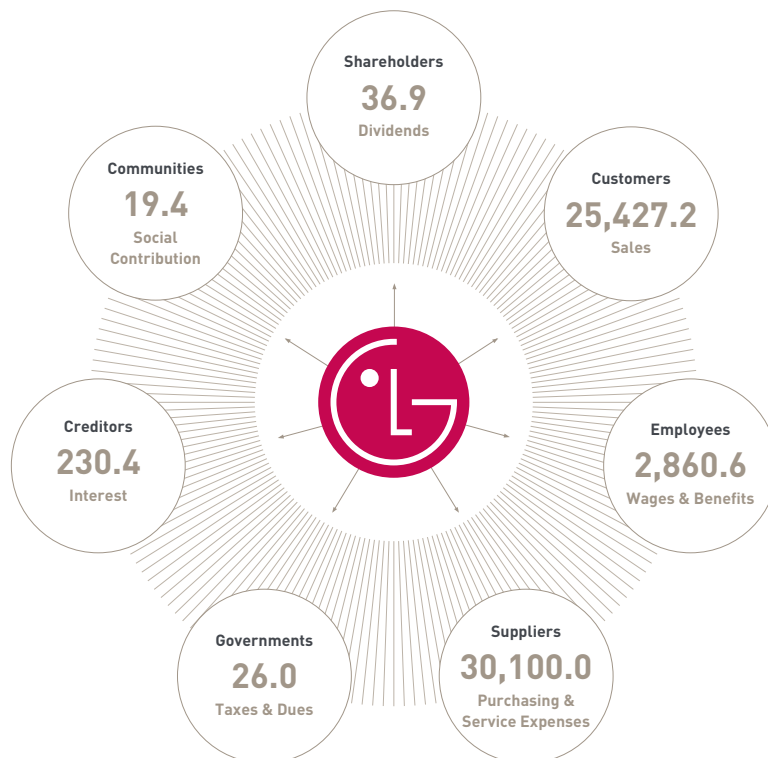
Unit: KRW billion

Category	2010	2011	2012
Sales	29,238.5	28,097.1	25,427.2
<b>Non-operating Income and Financial Profits</b>	<b>4.8</b>	<b>(138.5)</b>	<b>(285.8)</b>
Economic Value Generated	29,243.3	27,958.6	25,141.4
Operating Expenses	30,320.3	28,361.0	25,384.4
Wages and Benefits	2,173.5	2,488.5	2,860.6
Capital Costs	178.0	252.8	267.3
Taxes & Dues	51.3	25.6	26.0
Social Contribution	21.4	10.8	19.4
<b>Economic Value Distributed</b>	<b>32,744.5</b>	<b>31,138.7</b>	<b>28,557.7</b>
Economic Value Retained	(3,501.2)	(3,180.1)	(3,416.3)

- Non-operating income and financial profits: Expressed in accordance with the Korean International Financial Reporting Standards (K-IFRS)
- (Financial Profits + Non-operating Income (Expenses)) - Financial Expenses
- 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 calculation method for operating profits was revised in line with the changes to financial accounting standards in 2012, and past data was also revised accordingly.

### Flow of Economic Value (Parent)

Unit: KRW billion



## Global Network

### Employees by Country (As of December 31, 2012)

Korea	China	India	Brazil	
36,378	14,280	4,935	4,926	86,697 (100%)
(42.0%)	(16.5%)	(5.7%)	(5.7%)	
Poland	Mexico	Indonesia	Other	
4,193	3,844	3,748	14,393	
(4.8%)	(4.4%)	(4.3%)	(16.6%)	

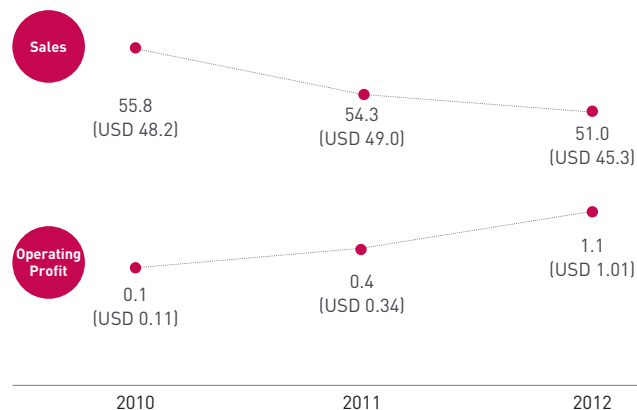
### Sales Overview (Parent)

Unit: KRW billion

Category		2010	2011	2012
Sales	Korea	6,892.0	8,174.7	7,833.4
	Overseas	22,346.5	19,922.4	17,593.8
	Total	29,238.5	28,097.1	25,427.2
Net income (loss) before taxes		(1,077.0)	(402.4)	(243.0)

### Global Sales and Operating Profit (Consolidated)

Unit: KRW trillion (USD billion)



\* The calculation method for operating profits was revised in line with the changes to financial accounting standards in 2012, and past data was also revised accordingly.

\* USD 1 = KRW 1,157 (2010)/KRW 1,108 (2011) /KRW 1,127 (2012)

### Global Operations (As of December 31, 2012)



# CSR MANAGEMENT

## CSR (Corporate Social Responsibility) Management System

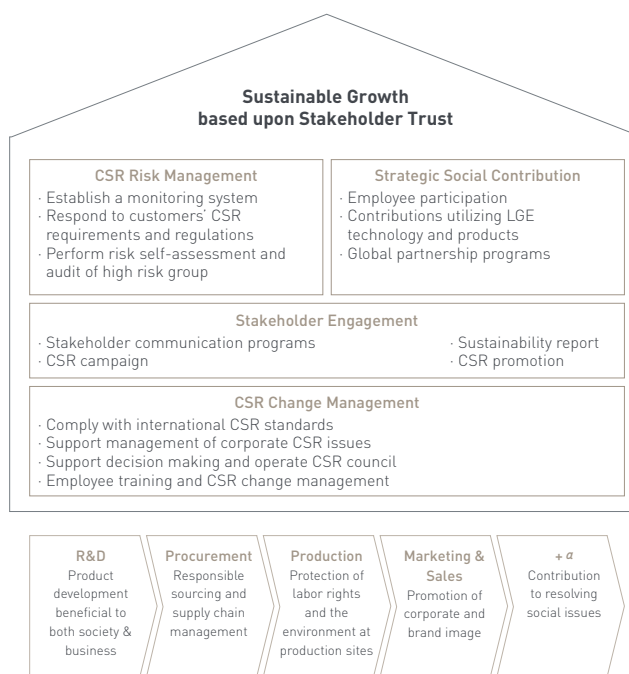
We believe that for LG Electronics to earn the trust of stakeholders as a responsible and ethical corporate citizen, we must become a healthy organism in the market ecosystem and assume a proactive role in making the system healthier with our products and services. Moreover, we need to take care of our 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 has established and implemented four strategic directions: 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 strives to improve our CSR execution while strengthening our efforts to build consensus and partnership with stakeholders. To facilitate continual value creation and to build strong fundamentals, LGE established the CSR Committee comprised of top executives, including the CEO and the Global CSR Council (a corporate-wide working level staff council). The CSR Committee makes executive decisions concerning the company's CSR directions and strategies, while the Global CSR Council formulates specific plans and action plans based on executive decisions, translating them into corporate-wide CSR activities. The CSR Council is supported by the three working-level subcommittees, each responsible for social contribution (Korea and Overseas), and risk management. Working-level committees host workshops twice a year. In April 2012, CSR activities were presented at the Board of Directors (BOD) meeting and the BOD bylaws were amended to include CSR in its official agenda.

## CSR Change Management

Since we joined the United Nations Global Compact (UNGC) and the Electronic Industry Citizenship Coalition (EICC), we have been strengthening our compliance management for all Korean and overseas production sites and suppliers, while requiring new recruits (entry-level/with experience), sojourning employees and subsidiary president candidates to undergo CSR training to raise employee awareness. From 2012, the training program was extended to specialists such as procurement managers, and in 2013, we also plan to further expand the program to marketing managers and establish online courses to provide employees easy access to CSR information.

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 goal to first earn the trust of stakeholders through such efforts, and then to achieve sustainable growth. LG Electronics will continue its efforts to improve CSR performance to become a well-respected global corporate citizen.

## LGE CSR Management System



## CSR Risk Management

To comply with the international standards and requirements prescribed by the EICC for its members (EICC Code of Conduct), LG Electronics implements a CSR risk management program at production sites (Korea and overseas) to assess our conformance in the areas of labor rights, ethics, the environment, health & safety, and management systems, and makes improvements to address the issues identified in the process. In the first half of 2012, we required 37 production sites (Korea and overseas), including new sites, to perform self-assessment (the EICC Self-Assessment Questionnaire). Based on the assessment results, we conducted onsite CSR consulting for 12 production sites and required the rest to implement self-improvement measures. In the second half of the year, we performed reassessment to monitor the progress, and identified improvement points for our 2013 plans. We have



- 1 | 2013 EICC Membership Meeting (Taiwan)
- 2 | Listed in the DJSI World Index
- 3 | LG Hope School (China)
- 4 | LG Hope Village (Ethiopia)

also asked suppliers to perform the self-assessment (the EICC Self-Assessment Questionnaire for major suppliers and simplified survey for the rest), and risk factors identified in the process will be managed systematically in association with the Win-Win Growth Team at the Procurement Center (more details on pp. 52-55, pp. 68-71).

### Stakeholder Engagement

Since April 2010, LG Electronics has held a semiannual Stakeholder Consultation to build consensus with its major stakeholders (customers, suppliers, the government, and investors, etc.) and to seek their opinions on our CSR activities. As part of our efforts to expand contact points with global stakeholders, we plan to host Stakeholder Consultation at overseas locations in 2013.

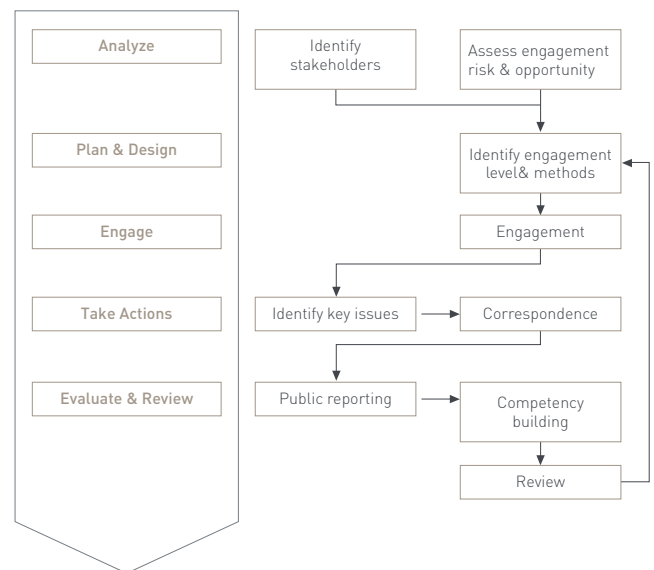
LGE also actively accommodates stakeholders (buyer, NGO, etc.) inquiries and interview requests on CSR issues (a total of 62 cases in 2012). In addition to regular engagement and cooperation with academia, industry peers, and consulting agencies, we always welcome opportunities to share our CSR efforts and experience in diverse CSR events such as conferences, seminars and forums.

In recognition of our commitment and ongoing efforts towards corporate social responsibility at home and abroad, LGE was included in the World Index of the Dow Jones Sustainability Indexes (DJSI) 2012/2013. LGE was also listed in the DJSI Asia-Pacific Index for three consecutive years and the DJSI Korea Index for four straight years. Going forward, LG Electronics will continue to pay close attention to external assessments and feedback from internal/external experts to manage risk factors and monitor our progress (more details on p. 25).

### Strategic Social Contribution

LG Electronics makes social contributions based on the LG Way, the guiding principle for thinking and action for LG employees, to contribute to the sustainable development of the humanity. The strategic focus of our social contribution efforts is to achieve the United Nations Millennium Development Goals, particularly on resolving environmental, social and economic issues with our core capabilities such as technologies, products and employee participation. LGE's efforts were fully represented in many of our cooperative initiatives: sponsorship of UNEP's (the United Nations Environment Programme) Champions of the Earth Awards, partnership with the UNWFP (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 Ethiopians. LGE also provides financial and management supports (i.e. productivity improvement consulting and management training) to social enterprise start-ups in the environmental area and contributes to creating green

### Stakeholder Engagement Process



jobs. LGE also utilizes its technology and products to resolve social issues. In 2012, we developed our 5th edition of a mobile phone that reads books and distributed them to the visually impaired free of charge. We are also actively participating in increasing global awareness of issues such as poverty and environment by utilizing our marketing infrastructure (i.e. New York Times Square digital billboard) and offering education programs such as the Mobile Science Class.

Moreover, the increasing participation of employees in LGE's social contribution efforts was evidenced by the "Life's Good" volunteers who share their knowledge and talent to realize the vision of "LG, Supporting Youthful Dreams." LGE employees also actively participate in donation initiatives such as the "Life's Good Day" event (employees opt for simpler meals and volunteers to pass on savings in the form of donations), Salary Rounding Fund and Executive Contribution Fund. From 2013, we introduced a workday volunteer program to strengthen our support to employees' social contribution efforts (more details on pp. 56-61).



# PRODUCT LEADERSHIP

In an effort to overcome slowing growth and achieve sustainable development, LG Electronics established and announced the "Five-year Business Plan" and is implementing it across our business operations. Based on the Plan, we aspire to lead the market with product competitiveness based on superior R&D capability, which will enable us to develop products that deliver differentiated value to customers as well as to diverse stakeholders.

"Product Leadership," the key pillar of the "Five-year Business Plan," expresses our strong commitment towards delivering No. 1 products and perfect product quality based on R&D capability to earn the complete trust of customers. Empowered by strong product leadership, LG Electronics strives to deliver a bright present and future around the world.





# Global Leader,



World's First

**55** inch Curved

Ergonomic Curved Screen — OLED TV 55EA9800

LGE's new OLED TV features the industry's very first curved screen ergonomic design, providing the most immersive viewing experience. With the optimum curvature, the entire screen surface is equidistant from the viewer's eyes and eliminates the problem of screen-edge visual distortion and loss of detail. The Curved OLED TV produces astoundingly vivid and realistic images thanks to our proprietary WRGB OLED technology, a unique Four-Color Pixel system that features a white sub-pixel in addition to the conventional RGB OLEDs to create the excellent color output.



#### LG WORLD RECORD Emblem

The LG WORLD RECORD emblem adopts a design reminiscent of a certification mark to emphasize LG Electronics' global top level technology and product leadership for greater impact.

#### LG WORLD RECORD Campaign: Global Marketing Initiative for Product Leadership

LG World Record is a global marketing campaign designed to feature the world's best/first products, proving the technological leadership of LG Electronics. The campaign starts early on from the beginning of the product development phase, and corporate-level efforts are made throughout the process. LG World Record products, which include "the World's Largest & Slimmest OLED TV," "the World's First 84 inch Ultra High Definition 3D TV," and "the World's Leader in LTE Device Patents," are marked with a unique emblem to help consumers easily recognize the world-class products. LG Electronics is committed to delivering No.1 products and achieving sustainable growth based on product leadership and innovation.



Full HD IPS

**5.5** inch

1.7 GHz Qualcomm Quad-Core ——— Optimus G Pro

The Optimus G Pro offers bright and sharp images with its 5.5 inch full HD IPS display and provides long hours of powerful performance with the 1.7 GHz Qualcomm Quad-Core processor and 3,140 mAh battery. The new Optimus series also offers differentiated user experience with the world's first "Dual Recording" feature that allows users to produce a single image using both the front and rear cameras together and the "VR Panorama" function for 360 degree picture taking of one's surroundings, not just a wide landscape view.

World's First Air  
Conditioner to  
Take Direct Voice  
Commands

## 4D System

Real 4D Cooling System — Whisen FNQ166DTRB

LG Electronics introduced the world's first air conditioner that takes direct voice commands. Featuring "Voice On" technology that enables users to control the machine without a remote, the new model's voice commands range anywhere from power on/off to adjusting the temperature and wind strength, and switching to air purification mode. The real 4-dimensional cooling system virtually eliminates "cooling blind spots," and offers superior performance with a "Super Cool Power" function that produces cooler air (by 4 degrees) than the existing models. Powered by the Super Inverter technology, the new model also offers the highest energy efficiency in its class (consumes less energy than products with "Grade 1 Energy Efficiency Label") recognized by the "Energy Frontier" certification.



World's Largest  
Capacity

# 5.1

Cubic Ft

Fastest Wash Cycle: — LG Front Load Washer (WM8000H\*A)  
39-minutes

Offering the world's largest residential washer capacity of 5.1 cu.ft, the LG Front Load Washer (WM8000H\*A) is leading the market with revolutionary TurboWash™ technology, which allows consumers to save 20 minutes on larger loads with outstanding cleaning performance. With the largest capacity washer available, consumers can wash a king size comforter and full set of bedding in a single load, and with TurboWash™, they can now do that large load even faster. Although powerful, the WM8000H\*A is still extremely efficient and has been awarded the ENERGY STAR Most Efficient designation for 2013 by the U.S. Environmental Protection Agency.





# First Class Products



World's Largest  
Capacity

## 910<sub>L</sub>

World's First Door-in-Door — Dios V9100 T

Although boasting the world's largest capacity, Dios V9100 uses the least amount of power (35.8 kwh/month) in its class thanks to LGE's proprietary fourth generation linear compressor. The refrigerator model features the world's first Door-in-Door™ design (fridge at the top and freezer at the bottom) and another world's first, the five-door structure, which not only provides easy access to users' favorite food and drinks but also saves energy.

FUTURE OF LG ELECTRONICS LABOR UNION

# UNION SOCIAL RESPONSIBILITY



LG전자와 함께하는 1社 1하

주관 : HE 구미 환경안전, 후원 : 노동조합 구미지부



### **“Union Social Responsibility,” A New Paradigm in Labor-Management Relations**

In order to build up on our labor-management relations that create differentiated value and present a new direction for the labor union of a global corporation, the LGE Labor Union declared Union Social Responsibility (USR) in January 2010 as a pledge for social responsibility and customer respect. Since the USR declaration, the LGE Labor Union has been continuously carrying out social contribution initiatives that demonstrate shared commitment of labor and management towards corporate social responsibility.



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#### **USR Symbol**

**Design Motif** | People, Nature, Environment, Harmony, Happiness, Smile

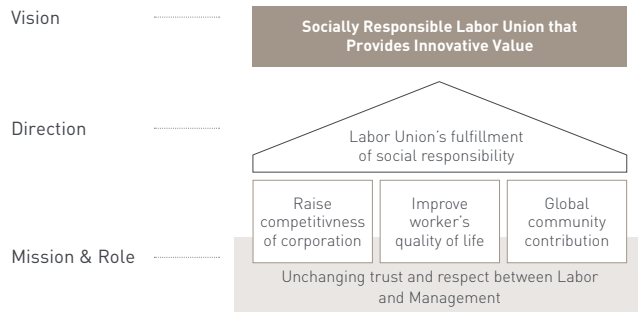
**Design Concept** | The symbol mark visually represents the images that we strive for and inspires unity in our commitment towards USR. It also represents the LGE Labor Union in internal and external communication. “Happy smile” visualizes the Union’s future, aspiring for green leadership based on a balance between nature and humanity. The color orange symbolizes humanity (Human), and green represents nature (Eco). The overall shape and smile create a connection and continuity with LG Electronics’ symbol mark, and the letter “U” represents the Labor Union. Modifications to the colors and shape of the symbol mark are prohibited.

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## USR, A New Paradigm for Labor Union

The LGE Labor Union established a vision for USR as part of its efforts toward goal-oriented and effective USR activities. In order to achieve the vision of "Socially Responsible Labor Union that Provides Innovative Value" the Labor Union focuses on fulfilling USR, improving the quality of employees' lives and making contributions to the global community as its key role and responsibility. The USR system is constructed based on "ISO 26000 - Social responsibility" (Standards established by the International Organization for Standardization to provide guidance on how businesses and organizations can operate in a socially responsible manner) and organized into the seven core subject areas of Governance, Human Rights, Labor, the Environment, Fair Operating Practices, Consumer Issues, Community Involvement & Development. The LGE Labor Union develops action plans for each core subject and carries out systematic USR activities.

### USR Vision



### USR Achievements and Key Initiatives

Area	Key Initiatives	USR Achievements in 2012
Governance	<ul style="list-style-type: none"> <li>· Serve as the management on the field</li> <li>· Achieve transparency in the Union operations</li> </ul>	<ul style="list-style-type: none"> <li>· Conducted USR awareness training for the Union leadership</li> </ul>
Human Rights	<ul style="list-style-type: none"> <li>· Improve union members' quality of lives</li> <li>· Provide support for suppliers' human rights initiatives</li> </ul>	<ul style="list-style-type: none"> <li>· Provided scholarships to USR partners (suppliers)</li> <li>· Provided support to members in need</li> <li>· Hosted discussion sessions with suppliers and non-regular workers</li> </ul>
Labor	<ul style="list-style-type: none"> <li>· Create a union that provides counseling</li> </ul>	<ul style="list-style-type: none"> <li>· Operated grievance resolution and counseling programs for union members</li> <li>· Hosted events for members performing overtime work or working under extreme weather conditions</li> <li>· Hosted events to honor and motivate members</li> </ul>
Environment	<ul style="list-style-type: none"> <li>· Establish low-carbon culture</li> <li>· Expand the "Global Volunteer Day" program</li> </ul>	<ul style="list-style-type: none"> <li>· Hosted an event promoting low-carbon culture</li> <li>· Global Volunteer Day</li> <li>· Chapter initiatives (reducing food waste, river cleaning, forest etc.)</li> </ul>
Fair Operating Practices	<ul style="list-style-type: none"> <li>· Carry out compliance and anti-corruption activities</li> </ul>	<ul style="list-style-type: none"> <li>· Engaged in activities promoting compliance with basics (5S, focus during work hours, conformance with company rules, etc.)</li> <li>· Conducted an ethical compliance campaign</li> </ul>
Consumer Issues	<ul style="list-style-type: none"> <li>· Enhance the product quality improvement initiatives</li> </ul>	<ul style="list-style-type: none"> <li>· Carried out product quality improvement activities (quality training, quality production line, visits to service locations, transfer of product quality improvement programs to overseas subsidiaries)</li> </ul>
Community Involvement & Development	<ul style="list-style-type: none"> <li>· Contribute to reducing global poverty and hunger</li> <li>· Contribute to local communities</li> </ul>	<ul style="list-style-type: none"> <li>· Performed relief activities in Cambodia (installed solar power generator, donated LEDs)</li> <li>· Provided productivity improvement consulting to a startup social enterprise (Heuksalim)</li> <li>· Chapter initiatives (soup kitchen, photo shoot for single elders, events for the Family Month)</li> </ul>
Common		<ul style="list-style-type: none"> <li>· Hosted a USR convention, internalized USR activities, engaged collaborative activities with CSR (Life's Good Day, blood drive)</li> <li>· Promoted USR to overseas subsidiaries (1 in Mexico, 1 in Indonesia, 4 in China)</li> </ul>

## Interview

**Tae Guen Lee**  
CEO, Heuksalim

When we first received the consulting offer from the LGE Labor Union, we were very skeptical about it – we didn't think that a large corporation knew anything about farming or could understand what we were trying to do. We thought consultants would come in for a couple of days and give some lectures, and that would be it. But we were pleasantly surprised. Consultants from the LGE Labor Union came in once a week for five months, putting our operations under microscope and changing everything. They first installed a conveyor belt and went on to transform the entire distribution system of Heuksalim. After five months of consulting, our annual sales went up from KRW 5 billion to 8 billion, and the number of employees also increased to 45, adding 10 more jobs. The new spots mostly went to elderly and female residents from the village. Nowadays, I am busy promoting LG Electronics to everyone who has ears. I hope more farmers can have opportunities to learn knowhow and advanced system from large corporations, as we did from LG Electronics.





## Key USR Achievements

Since the USR declaration in 2010, the LGE Labor Union has been continuously carrying out a wide range of social contribution initiatives. Ongoing USR initiatives include transparent operations of the Union, support for suppliers' human rights initiatives, counseling for union members, establishment of a low-carbon corporate culture, promotion of compliance and anti-corruption, scholarship programs for multicultural families/global poverty-hunger eradication efforts, establishment of the LGE Labor Union Code of Ethics, USR forums, USR publications, consulting for social enterprises, product quality improvement efforts, etc. In particular, the Labor Union annually organizes a volunteer event (Global Volunteer Day) in celebration of World Environment Day, in which about 20,000 LGE employees across the world participate. Starting with Eco City Seoul (e-waste recycler) in 2011, the Labor Union continued its consulting program for social enterprises in 2012, providing management consulting to "Heuksalim" for five months. As a result, the company's productivity improved by 46% (based on daily processing volume of small-size packages) and created 10 new jobs.

## Directions for 2013

The LGE Labor Union regards "Customer-Value Creation through quality competitiveness" as its top priority and carries out diverse activities, such as establishing USR product quality improvement best practices, securing product leadership and establishing stable labor-management relations overseas subsidiaries by transferring know how on maintaining constructive labor-management relations. The Labor Union has transferred its know how on maintaining constructive labor relations and expanded URS initiatives to 6 overseas subsidiaries (including Indonesia, China and Mexico) and plans to do the same for 15 overseas subsidiaries (including Brazil, Poland and Vietnam) in 2013 to stabilize productivity and improve quality competitiveness. Going forward, the Labor Union will continue to provide great value to the global community based on its expanding global network.



- 1 | Kick-off Ceremony for the USR Product Quality Line
- 2 | Joint Global Volunteer Day Event with Indonesia Subsidiary
- 3 | Medical Equipment and School Supply Donations (Cambodia)

Activity

## Interview

**Sang Ho Bae**

Chairman of the LGE Labor Union

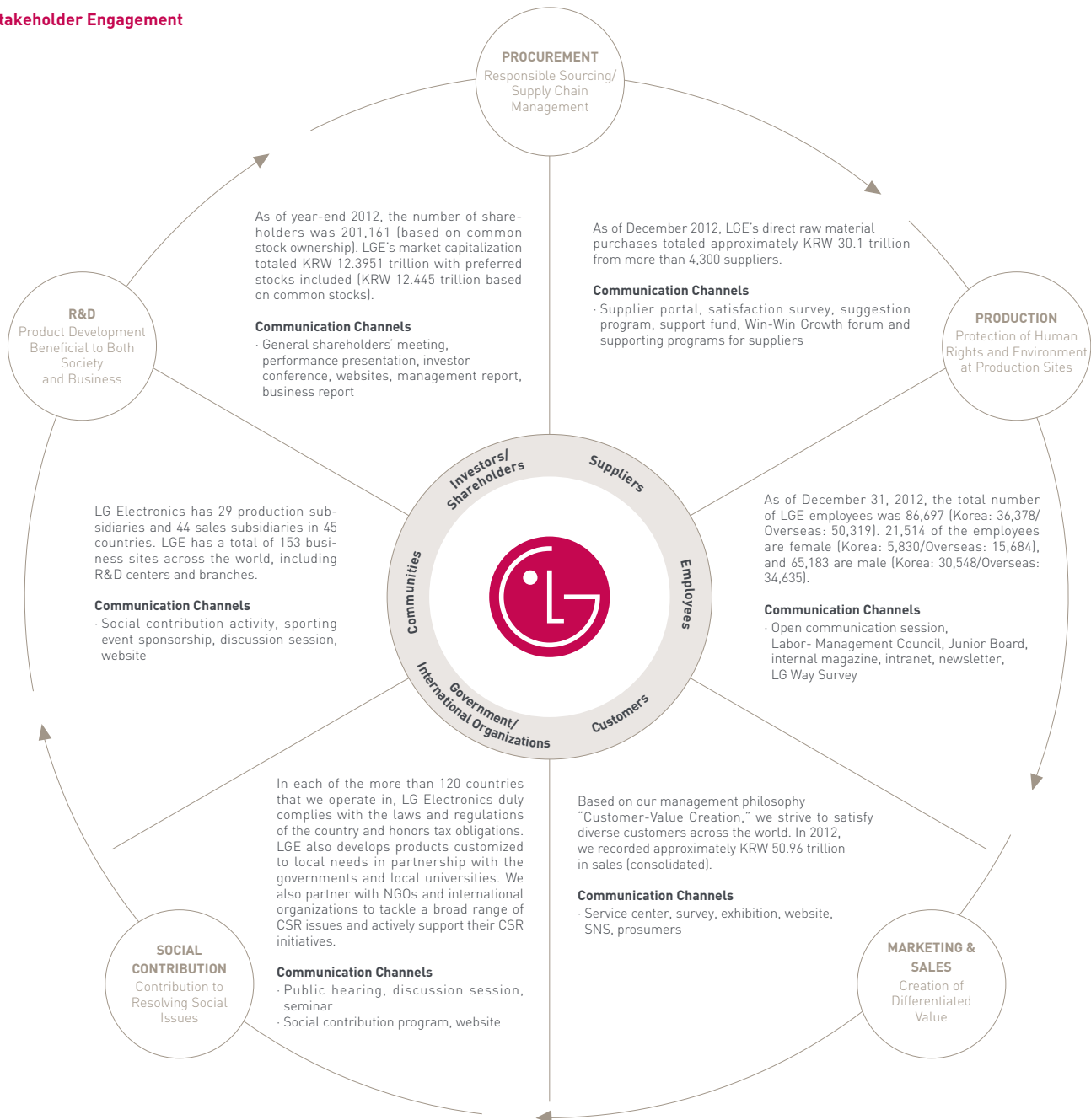
Based on our shared commitment to corporate social responsibility, the LGE Labor Union strives for Union Social Responsibility and carries out diverse activities in cooperation with management. Since 2012, we have focused on creating customer value based on stronger quality competitiveness. As a global corporation, LG Electronics has customers and employees across the world, and our efforts toward production and quality competitiveness must be implemented at overseas sites as well as our domestic sites. The LGE Labor Union is committed to disseminating LGE's advanced labor relations and USR across the global community as the foundation for production and quality competitiveness that creates customer value.



# STAKEHOLDER COMMUNICATION

LG Electronics actively engages with stakeholders through diverse communication channels and strives to achieve sustainable management based on strategy and execution that create differentiated value, while contributing to the improvement in quality of life for all humanity.

## Stakeholder Engagement





Panel of the 5th Stakeholder Consultation on CSR

- Moderator: Han Kyun Rho (Professor, Business Administration, Kookmin University)
- Min Gu Jun (Director, BSI Group Korea)
- Chul Ki Ju (Former President, Global Compact Network Korea)
- Soon Won Kwon (Professor, Business Administration, Sookmyung Women's University)
- Sung Pil Yang (Director, Employment Policy Coordination Division, Ministry of Employment and Labor)
- Seon Ae Jeong (Executive Officer, Korea Human Rights Foundation)

### Stakeholder Consultation on CSR

LG Electronics has held a semiannual Stakeholder Consultation since 2010 in order to build a consensus between LGE and stakeholders on CRS issues and to incorporate the diverse opinions of stakeholders into our sustainability management.

#### Operations of Stakeholder Consultation

Stakeholder Consultation is organized with an internal panel of LGE executives and an external panel of professionals from various fields. To secure fairness and neutrality of the proceedings, Stakeholder Consultation is moderated 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, reviewed by participants, and then made public through our sustainability report.

#### Incorporation of Consultation Results

Key suggestions from the 4th Stakeholder Consultation (Product Safety and Quality Management) held in the first half of 2012 and the 5th Stakeholder Consultation (Labor and Human Rights) held in the second half of 2012 were reflected in the materiality analysis for the 2012 Sustainability Report. Some suggestions were also incorporated into LGE management activities (mainly in CSR activities), and sincere efforts have been made to present 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.

### Key Inputs from the 5th Stakeholder Consultation on CSR (November 21, 2012)

Topic: LG Electronics' Labor and Human Rights Management:  
Exploring its Role in Promoting Labor and Human Rights

#### Stakeholder Feedback on Labor & Human Rights Issues & LGE Plans for Incorporation

1. Establish a strategic framework to respond to labor & human rights related issues (mid to long term task)
  - Enhance response framework related to business management under the leadership of HR
2. Minimize human rights violations associated with the internal security process (in progress)
  - Employee training, promotion of voluntary installation of a smart-phone security application
3. Manage suppliers' human rights issues (in progress)
  - The Procurement Team conducts regular monitoring of suppliers' human rights issues (training, promotion and change management)
4. Implement human rights impact assessment (long term review)
  - Plan to revisit the issue
5. Strengthen CSR training and management for suppliers (in progress)
  - Conduct CSR training for the Procurement Team and suppliers
  - Strengthen onsite support by the Procurement Team for high risk suppliers
6. Strengthen training and support for small-size recyclers and waste product processors (in progress; 2008 and onward)
  - Strengthen assessment/training/support by environmental safety related teams
7. Expand products developed and produced based on Creating Shared Value (under review)

### Activities and Plans to Incorporate the 4th Consultation Results (Product Safety and Quality Management)

Key Suggestions	Activities in 2012/Plans for 2013	Results
· Preemptive product recall/utilization of parts replacement records	Review/planning in progress under the leadership of the Product Quality Center	In progress: 2012 and onward
· Provide a recommended use period for products		
· Strengthen warnings against misuse of products		
· Strengthen risk assessment	Implemented the new product shipment approval system from the Product Testing Laboratory	In progress: 2012 and onward
· Enhance the safety of parts produced by suppliers	Implemented the key parts certification system (Business Division) and the mass production 4M change approval system (Product Testing Laboratory)	In progress: 2012 and onward
· Foster product safety professionals with a legal mind	Incorporated into the curriculum of the Quality College	In progress: 2012 and onward
· Improve measures to protect those who are exposed to safety risks	Strengthened collaboration between the PL/Safety Team and the CSR Team	Under review: Mid to long term task for 2013
· Enhancement of product use guide utilizing SNS	Impossible to accommodate due to security requirements for new product information	Unable to incorporate: Incorporated the results from offline surveys on the product evaluation panel

# MATERIALITY ANALYSIS

## Materiality Analysis Process

LG Electronics performs a materiality analysis to systematically manage important CSR issues based on the “Five-Part Materiality Test” of AA1000SES (Stakeholder Engagement Standard). Material issues, which are finalized after a review by the management and the assurer, are fully disclosed and reviewed in the sustainability report and Key Progress and Performance (pp. 28-29). These issues are also presented at our Stakeholder Consultation (p. 25) as key agenda. In this year’s materiality analysis, we expanded the CSR survey targets to all employees, both Korea and overseas, and referred to the data from the Sustainability Accounting Standards Board to analyze the issues from the perspective of investors. Going forward, we plan to further enhance the materiality analysis process to enable functional departments to identify relevant material issues and to achieve greater accuracy.

## External Expert Survey

In January 2013, we conducted a survey of over 200 Korean and international experts in 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.

## Employee Survey

In the CSR survey conducted in January 2013 on over 70,000 regular employees (Korea and overseas), 55.5% of the respondents answered positively to our sustainability efforts, up 1.5% from 2010. Although overall employees awareness of CSR remained at the similar level, overseas employees showed significantly lower level of awareness than Korean employees (Korea: 94%/Overseas: 63%), thus making employee awareness an area that still needs improvement. Regarding what LGE needs to do to become a respected corporation, employees responded “internalization of CSR into corporate culture,” “ongoing interest and support from top management,” and “stronger promotion and social contribution programs.” In the LG Way survey conducted on all Korean and overseas employees, 73% of those questioned responded positively to our sustainability efforts.

## Media Analysis

In order to identify issues of increasing interest amongst external stakeholders, LGE analyzed 2012 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).

LG Electronics performs a materiality analysis to identify sustainability issues that are material to our stakeholders in an effort to prepare accurate and effective sustainability reports. Issues identified in the materiality analysis process are organized by stakeholder group and by issue, and discussed in detail. This year, we conducted a stakeholder survey on all LGE employees (Korea and Overseas) and performed an analysis from the perspective of investors based on the data from the Sustainability Accounting Standards Board.

## Materiality Analysis Criteria

	Five-Part Materiality Test Criteria	Factors Considered by LGE
Internal	Short Term Financial Impact	Compliance Risk
	Internal Policy and Awareness	Existence of policy, Employee Survey
External	Industry Standard	EICC Code of Conduct: DJSI Questionnaire, SASB
	External Stakeholder Interest	Expert Survey: Stakeholder Inquiries (Buyers, Investors, NGOs, etc.)
	Social Norms	ISO 26000: GRI: United Nations Global Compact

- \* EICC: The Electronic Industry Citizenship Coalition
- \* DJSI: Dow Jones Sustainability Indexes
- \* SASB: Sustainability Accounting Standards Board
- \* ISO 26000: International Standard on Social Responsibility
- \* GRI (Global Reporting Initiative): International Standard for Preparing Corporate Sustainability Report

## Sustainability Management Level (External Expert Survey, 5 - point Scale)

2013	<div></div>	3.4
2012	<div></div>	3.5
2011	<div></div>	3.9

### Suggestions on Report

- Indicate risks/opportunities/managing team for each issue
- Clearly indicate performance in meeting targets (to identify whether LGE is making good on its commitments)
- Establish a separate Sustainability Report website
- Focus on presenting material issues
- Present controversial and material issues from 2012

## LG Way Survey Results on CSR

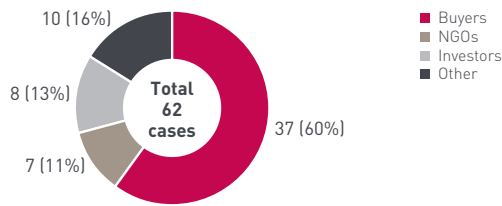
(Conducted on 39,333 Korean and overseas employees in 2012)

Unit: %

Question: LG Electronics is fully aware of the materiality of social, environmental and financial responsibilities of a business.		
2012	<div></div>	73
2011	<div></div>	72
2010	<div></div>	75

## Inquiring Organization (2012)

Unit: Case (%)



Major Inquires	page
CSR Risk Management	68-71
CSR in Supply Chain	52-54
CSR Strategy and Management System	12-13
Conflict Minerals	55
Environment and Safety Management System	80-81
Labor Rights/Non-discrimination	68-71
Social Contribution	56-61
Climate Change	41-47
Jeong-Do Management (Ethical Management/ Anti-corruption)	75

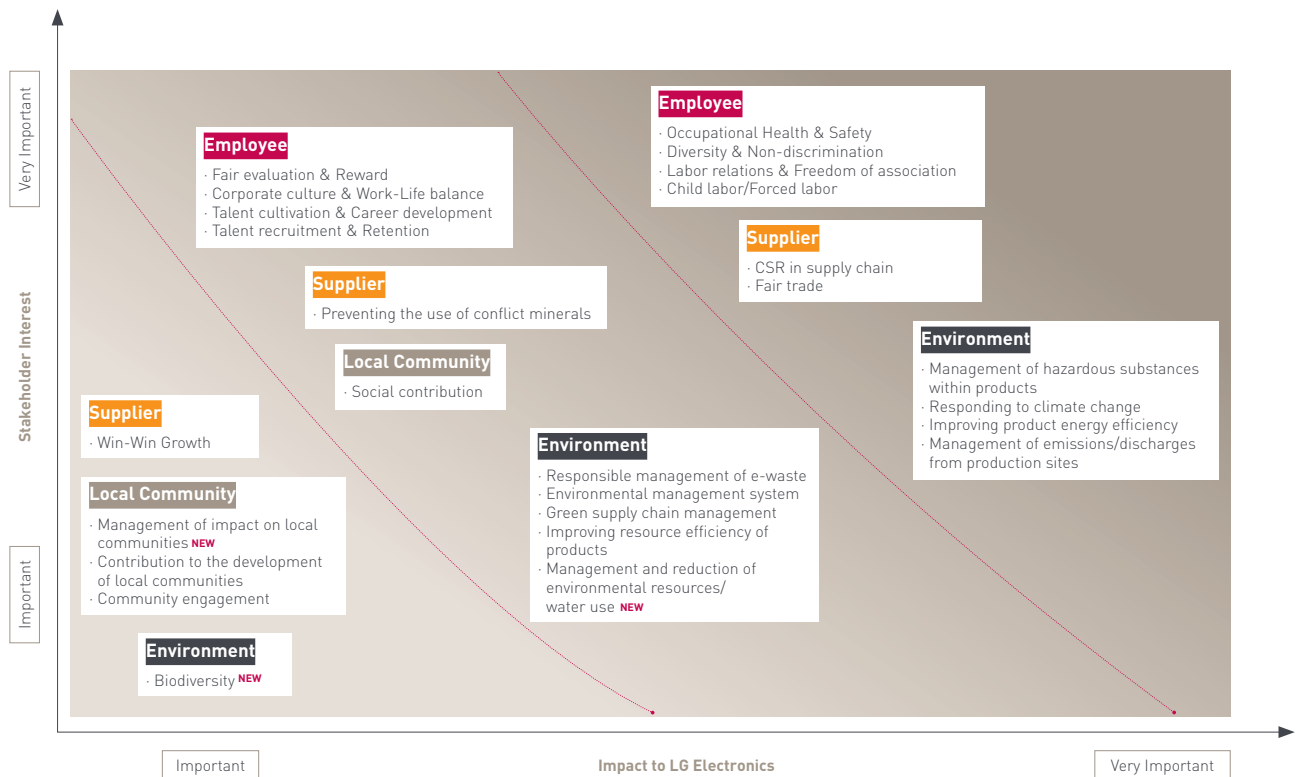
## External Stakeholder Inquiry

A total of 62 inquiries were made on CSR issues by external stakeholders, up by 13 cases from the previous year. Supply chain CSR management and conflict minerals were issues of the greatest interest. LGE is trying its best to provide satisfactory responses to such inquiries and to incorporate them into our business operations by reporting important issues to management.








## 2012 Material Analysis Results

For the past four years, LG Electronics has disclosed the results of our materiality analysis (including marketing and product quality issues) and performances, and we have tracked changes from the previous years in an effort to present a broad range of information. However, based on our analysis of stakeholder interests and sustainability reports released by industry peers, we have concluded that it is more meaningful to focus on environmental and social issues of great importance than to present a wide range of information. As such, we have moved away from analyzing trends in individual issues and instead have made efforts to present our performances in each material issue in Key Progress and Performance (pp. 28-29). The major issues identified from the 2012 material analysis are illustrated below. Compared to the previous year, issues such as "Managing Hazardous Substances Contained in Products," "Occupational Health and Safety," "CSR in Supply Chain" and "Responding to Climate Change" are gaining greater importance, while issues such as "Water Use," "Biodiversity," and "Impact on Local Communities" have newly emerged. With the implementation of the U.S. Conflict Minerals Rule, we expect discussions on "Responsible Sourcing" as well as interest in "Working Conditions across Supply Chain" and "Social and Environmental Impact to Local Communities" to increase in 2013.

## 2012-2013 Materiality Matrix



# KEY PROGRESS AND PERFORMANCE

Key CSR Issues	Mid to Long Term Objectives
 <b>Products with Greener Features</b>	<ul style="list-style-type: none"> <li>· Expand products with greener features</li> <li>· Improve product energy efficiency</li> <li>· Increase the use of recycled materials and reinforce e-waste management system</li> </ul>
 <b>Low-carbon Management</b>	<ul style="list-style-type: none"> <li>· Meet the reduction targets for GHG emissions associated with production and product use               <ul style="list-style-type: none"> <li>- Production: Reduce 150,000 tons by 2020 from the base year 2008</li> <li>- Product use: Reduce 30 million tons by 2020 compared to the total energy consumption in 2007</li> </ul> </li> <li>· Reduce water use by 20% by 2020 compared to 2007 (Intensity target per revenue in KRW)</li> <li>· Expand GHG management throughout the value chain</li> </ul>
 <b>EESH Management</b>	<ul style="list-style-type: none"> <li>· Acquire the ISO 14001 certification for all production sites by 2014</li> <li>· Engage in fire hazard reduction (quantitative) activities by developing "Fire Hazard Index"</li> <li>· Further enhance the comprehensive system for global EEHS management</li> </ul>
 <b>CSR in Supply Chain/Conflict Minerals</b>	<ul style="list-style-type: none"> <li>· Implement the risk management system on the Electronic Industry Citizenship Coalition (EICC) standards               <ul style="list-style-type: none"> <li>- Conduct regular risk assessment and make corrective actions</li> <li>- Conduct an audit on 25% of high-risk suppliers</li> </ul> </li> <li>· Establish a compliance system for the Conflict Minerals Act</li> </ul>
 <b>Social Contribution</b>	<ul style="list-style-type: none"> <li>· Contribute to achieving the UN Millennium Development Goal 1 (Eradicate extreme poverty &amp; hunger) and Goal 7 (Ensure environmental sustainability) by 2015</li> </ul>
 <b>Corporate Culture/Work-Life Balance</b>	<ul style="list-style-type: none"> <li>· Establish a creative and independent corporate culture based on the LG Way</li> <li>· Establish corporate culture that promotes work-life balance</li> </ul>
 <b>Decent Work</b>	<ul style="list-style-type: none"> <li>· Bring the risk level down to "low" at all production facilities (100%) by 2014</li> <li>· Strengthen internal regulations to meet the EICC standard</li> </ul>



## Major Achievements in 2012

- Acquired the "2012 ENERGY STAR Most Efficient" Certificate (79 models, up 600% from the previous year)
- Carbon Label: Greenhouse Gas Emissions Certificate (48 models), Low Carbon Certificate (10 models), CarbonFree® (15 models) and Climatop (2 models)
- Packaging Improvement (saved KRW 10.9 billion in TV and 3.7 billion in mobile phone)
- Collected 174,482 tons of e-waste (Korea, Japan, Europe, U.S. and Australia)
- Reduced 113,000 tons of GHG emissions associated with production compared to the 2008 baseline
- Contributed to reducing 29.65 million tons of GHG emissions associated with product use based on the total energy consumption in 2007
- Supported 10 suppliers through the "Low Carbon Green Partnership of LG Electronics' Supplier" supported by Korean Ministry of Trade, Industry and Energy
- Improved 5% of water use intensity compared to 2011
- Selected as a member of the Carbon Management Global Leaders Club (four consecutive years)
- Reduced costs associated with the industrial accident compensation insurance (6%) through diverse efforts, including the fire hazard assessment model
- Seocho R&D Campus (MC Company) named "Excellent Business Site in Workplace Health Promotion" (Ministry of Employment and Labor)
- Implemented a new EESH assessment system and fully established the integrated EESH global management system
- Created 3 local standard versions of Master Purchase Agreement to include CSR requirement in China, Mexico and Vietnam
- Established a CSR course at the Procurement College
- Conducted risk assessment for 234 suppliers (Including four outsourcing contractors)
- Performed onsite consulting for 3 suppliers
- Conducted a due diligence survey on suppliers and identified 161 smelters that use 3TG minerals (Tungsten, Tin, Tantalum and Gold)
- Contributed to reducing poverty for the socially marginalized in local communities (48 business sites)
- Made social contribution with initiatives that take advantage of our products and technologies (mobile phones for the visually impaired, LG Hope Screen, washing machine campaign, etc.)
- Established employee donation and volunteer initiatives into programs (i.e. Work Day Volunteer Program)
- Increased direct communication between management and employees (Mr. CEO Email Account, Mr. CEO Pizza, CEO Monthly Morning Meeting, etc.)
- Expanded employee participation programs (development of T.E.A.M workshop model, product idea contest, etc.)
- Performed risk assessment on all 40 production facilities (SAQ)
- Performed onsite audit & consulting on 12 production facilities including high risk sites and implemented improvement measures
- Conducted field surveys and site inspections concerning child labor in China
- Amended and distributed the Global Labor Policy
- Eliminated disciplinary wage deduction

## Future Directions

- 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
- Expand and intensify GHG emissions reduction efforts to meet the mid to long term targets
- Expand support for suppliers' GHG emissions reduction efforts
- Improve the management and operation quality of the integrated EESH system
- Provide continual support to overseas subsidiaries and suppliers in improving their EESH management capability
- Systematically manage chemical substances, i.e. establishing a corporate level chemical substance management system
- Strengthen fire prevention and risk management systems
- Strengthen the onsite CSR audit program
- Expand the scope of supplier CSR management by enhancing the capability of departments that are responsible for supplier management
- Support suppliers to strengthen their capability in CSR risk management
- Establish an origin tracking system for 3TG minerals used in products
- Contribute to fostering young talents from underprivileged backgrounds in emerging and developing countries
- Develop "good" products and technologies that contribute to resolving social issues in local communities
- Expand voluntary initiatives for sharing based on "Creativity and Autonomy"
- Create a work environment that promotes "Creativity and Autonomy"
- Create a corporate culture that promotes work-life balance
- Expand third party CSR audit to greater number of production sites
- Identify common weakness among production sites and make ongoing improvement efforts
  - Grievance resolution system
  - Working hours



# Materiality report

## 02 Low-carbon Management

Does LG Electronics fully appreciate the impacts of climate change and make GHG emission reduction efforts across its business operations?

➔ page 41

## 01 Products with Greener Features

What does LG Electronics do to develop products in an environmentally responsible manner?

➔ page 32

## 03 Win-Win Growth

Does LG Electronics provide ongoing support to suppliers based on differentiated Win-Win Growth programs to help them secure global top-level capacity?

➔ page 48

## 04 Supplier CSR Risk Management/ Conflict Minerals

What does LG Electronics do to identify and address risks of suppliers?

➔ page 52

## 08 Decent Work

What programs does LG Electronics have in place to protect labor rights/human rights and to improve working conditions?

➔ page 68

## 06 Talent Management

Does LG Electronics make various efforts to recruit talented professionals and to develop employee capability?

➔ page 62

## 07 Corporate Culture/Work-Life Balance

Does LG Electronics provide active support to help employees achieve work-life balance?

➔ page 66

## 05 Social Contribution

Does LG Electronics contribute to sustainable development of local communities as a responsible corporate citizen?

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## PRODUCTS WITH GREENER FEATURES

LG Electronics implements a variety of green management initiatives to contribute to the sustainable development of our society. Based on their "Eco Design" principles, LG Electronics strives to reduce environmental impact across its product development process, and adopts low-carbon materials and processes early on from the product design phase. In 2012, the company's product became the first TV and washing machine to acquire the Climatop Label, which showed the company's efforts for ongoing communication with consumers. I believe that such efforts by LG Electronics represent its strong commitment to corporate social responsibility as well as to environmentally responsible business practices.



**Tak Hur**/Professor, Department of Materials Chemistry & Engineering, Konkuk University

### OUR APPROACH

- Expand products with greener features
- Increase and enhance the carbon disclosure of each product category
- Strengthen green partnerships with suppliers

### OUR PERFORMANCE

**79** models | Named ENERGY STAR Most Efficient 2012  
**TV, Mobile Phone** | Environment considered packaging  
**174,482** tons | e-waste collected

### FUTURE DIRECTION

- Continually expand products with greener features
- Provide information on environmental performance of each product
- Strengthen green partnerships with suppliers

## OUR PERFORMANCE

### Developing Products with Greener Features

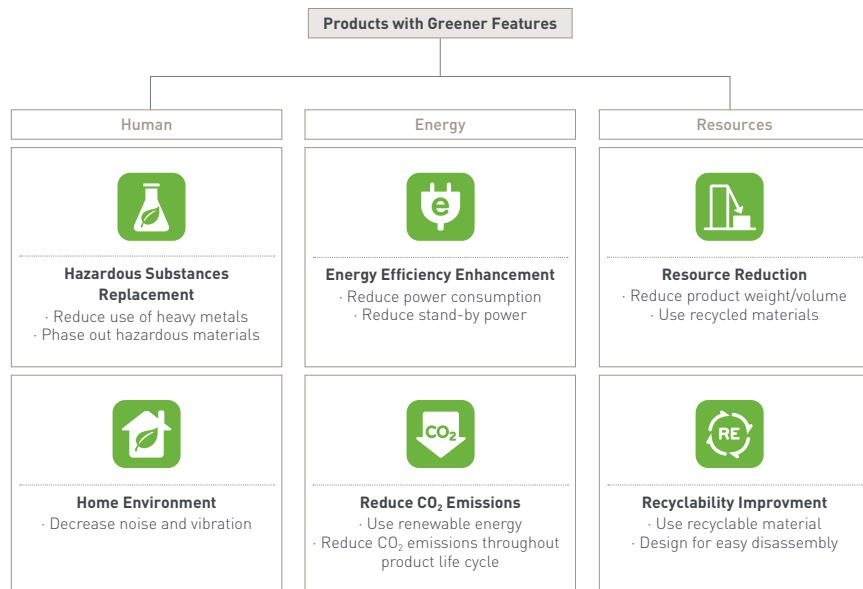
#### 1. Strategic Directions

It is LG Electronics' green product strategy to consider the environmental impacts of products throughout the value chain in their development. As such, we have categorized our product development direction into three areas – human, energy, and resources, and manage our strategies and activities accordingly.

#### 2. Eco Index

The Eco Index is LGE's unique system for measuring environmental performance of products. The index is used to manage environmental performance of products and to establish goals. We establish the rating standards based on our direction for product strategy and incorporate the standards into product development. All LGE products meet environmental regulations of the major markets including the EU, the United States, Korea and Japan (RoHS<sup>1)</sup>, REACH<sup>2)</sup>, etc.), which is translated as "Green 1 Star" of the Eco Index. Products showing greater environmental performance are rated Green 2 Star (meets LGE's internal standards equivalent to ENERGY STAR) and Green 3 Star (meets LGE's internal standards established for high energy

### Strategic Directions for Products with Greener Features



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)



efficiency strategy). Thanks to its efforts in achieving high energy efficiency, the company increased the share of products rated Green 2 Star to 93% in 2012 from 92% in 2011, and Green 3 Star to 76% in 2012 from 45% in the previous year. LGE will continue to work on increasing product offerings that attain higher Eco Index.

### 3. 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 production to distribution, use, and disposal), as well as to identify areas for improvement and to verify progress. Since 2002, LG Electronics has worked to quantify the environmental impacts of its product categories throughout their life cycles and to reduce 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). In 2012, we also assessed the carbon footprint of six product categories and disclosed the data on our website.

### 4. Products with Greener Features and Our Achievements

#### Hazardous Substances Replacement

LG Electronics complies with international regulations on hazardous substances including RoHS and REACH. Although some substances are not currently regulated, we are in the process of voluntarily replacing substances, including PVC<sup>1)</sup> and BFRs<sup>2)</sup>, after safety and reliability tests indicate that it is safe to do so. PVCs and BFRs are believed to have negative impacts on the environment.

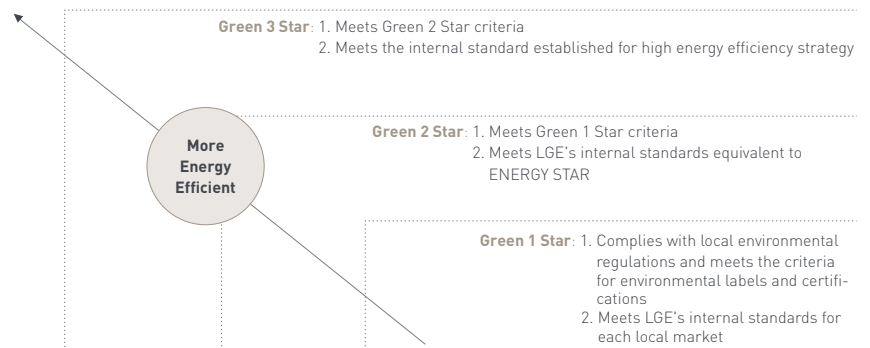
#### Enhancement of Energy Efficiency

LG Electronics established a Technology Road Map (TRM) and set goals for each of its product categories, and strives to hit every milestone. All of our products fully comply with international energy regulations, including ErP. Furthermore, LG Electronics established internal strategies and targets concerning energy issues to reduce energy consumption and standby power consumption.

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

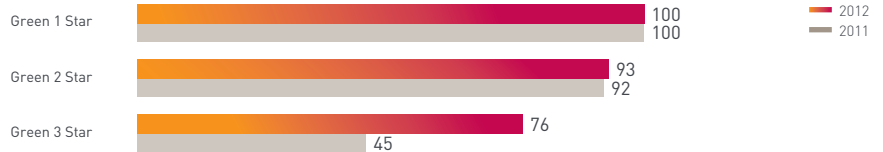
2) BFRs (Brominated Flame Retardants): Mainly used as a chemical flame retardant for plastics and textiles, it is one of the most well-known persistent organic pollutants.

### Eco Index Ratings



### Development of products with greener features based on Eco Index (Cumulative)

Unit: %

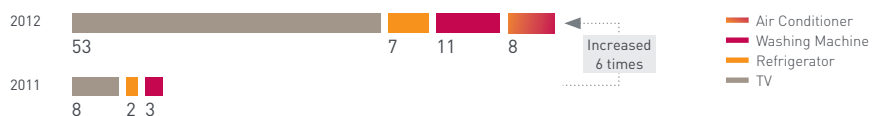


\* The figures are calculated by weighting the percentage of each product category from 2011 sales

### Hazardous Substances Replacement

Product	Substance	Performance
Mobile	PVC	Not used in any new product models from January 2010
Phone	BFRs	Not used in any new product models from January 2010
	Beryllium, Phthalate	Started using parts that do not contain beryllium and phthalate in mobile phones from 2011
TV	PVC	Currently replacing PVC from LCD panel, Replaced PVC from internal wire of 32 models (among 157), which will be released in 2013.
	BFRs	Started replacing exterior molding [products in the European market]
Monitor	PVC, BFRs	Replaced PVC and BFRs from cabinet, back cover, stand, etc.
PC	PVC, BFRs	Housing, FET, RLC, IC, CPU, main chipset, VGA chipset, LCD, Hard Disk Drive (HDD), Optical Disk Drive (ODD), Solid State Drive (SSD), memory, webcam, packing & C-kit, etc.
Laptop	PVC, BFRs	Replaced PVC and BFRs from the housing of all product models released in 2011. Replacement is in progress for each parts, 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).

### Number of Product Models Named ENERGY STAR Most Efficient 2012

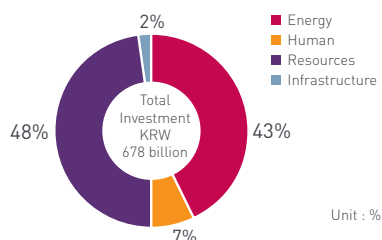


## - ENERGY STAR

ENERGY STAR is a widely recognized and trusted international standard established by the Environmental Protection Agency (EPA) of the United States and the U.S. Department of Energy to promote energy-efficient consumer products. The Energy Star Service Mark is placed on all products that meet the demanding standard. In 2012, over 1,000 LGE product models, including TVs, refrigerators, and washing machines earned the Energy Star Service Mark, a 140% increase from the previous year. Additionally, ENERGY STAR Most Efficient 2012, which is awarded to the top 5% most efficient products every year, was awarded to 79 of the qualified models, a six fold increase from 2011.

LG Electronics tracks and manages its investments towards developing products with greener features. Investment areas are divided into Human, Energy, Resources (the three strategic directions for product with greener features) and infrastructure. Since a large portion of LGE's R&D efforts takes place at R&D centers in Korea, we focus on tracking and managing the spending for the R&D centers located in Korea. In 2012, LG Electronics invested KRW 678 billion in Green R&D with research projects on reducing product energy consumption and extending product life making up the largest portion.

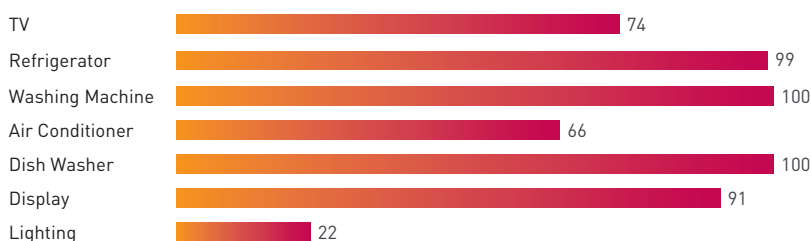
### 2012 R&D Investments in Developing Products with Greener Features (Korea)



## 5. CO<sub>2</sub> Emissions Reduction

LG Electronics encourages and facilitates our 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 (more details on reducing GHG emissions associated with the product use level: p. 42).

### Percentage of LGE Products (Available in the U.S.) with ENERGY STAR



\* All imported electronic and electrical products must undergo a registration process with the U.S. Department of Energy and the California Energy Commission to be sold in the U.S.

### Product Models that Acquired Low Carbon Product Certificate in 2012

Product	Base Model	Certified Model	Reduction Compared to the Base Model	Using Period	Reduction Rate
Water Purifier	WQD71RW1	WHD71RB3R	151kgCO <sub>2</sub> e	5 years	16.5%
		WHD71RW3R	151kgCO <sub>2</sub> e		16.5%
Dishwasher	D1220MF	D1265MF	93kgCO <sub>2</sub> e	5 years	8.4%
Light-wave Oven	MP929NPS	MA921NBS	30kgCO <sub>2</sub> e	7 years	5.3%
		MA922MBN	31kgCO <sub>2</sub> e		5.5%
		MA921NWS	30kgCO <sub>2</sub> e		5.3%
Refrigerator	R-T759MHHGP	R-T751EBHSL	217kgCO <sub>2</sub> e	7 years	12.5%
Drum Washing Machine	FR3228WA	FR4349EAZ	56kgCO <sub>2</sub> e	5 years	9.0%
Air Conditioner	FNQ182FASV	FNQ236LANW	3,769kgCO <sub>2</sub> e	7 years	46.4%
		FNQ256LANW	3,619kgCO <sub>2</sub> e		44.6%

### Low Carbon Product Certificate Acquisition Case (Air Conditioner)

Unit: kgCO<sub>2</sub>e



### - Greenhouse Gas Emissions Certificate/ Low Carbon Product Certificate

The Carbon Footprint Labeling program quantifies GHG emissions associated with all the stages of a product's life cycle (production, transport, use and disposal) and discloses the information on a label. In 2012, 48 of our products acquired the Greenhouse Gas Emissions Certificate, and 10 of our products received Low Carbon Product Certificate awarded to products that produce less GHG emissions compared to existing products and legal requirements.

(URL: [www.edp.or.kr/carbon/english](http://www.edp.or.kr/carbon/english))

### - CarbonFree®

The CarbonFree Product Certification verifies the GHG emissions associated with a product's life cycle and provides certification to products offering carbon offsetting and GHG reduction. In 2012, LG Electronics acquired the "CarbonFree" certification for 15 of its products, which raised the total number of certified product models to 32. The combined carbon reductions from the 15 newly certified LG product models are estimated to be approximately 80,000 tons<sup>1)</sup>.

(URL: [www.carbonfund.org](http://www.carbonfund.org))

1) The total amount of carbon emissions associated with the entire lifecycle of all 15 product models certified as "CarbonFree," multiplied by the estimated sales volume of those products in the U.S. for the year.  
The sales volume is estimated annually starting from the time of certification and renewed every year.

### Product Models that Acquired CarbonFree® Certifications in 2012

Product Category	Number of Products Certified in 2012	Product Model
Monitor	1	29EA93
Refrigerator	1	GR-J318LSJP
Solar Cell	5	LG260S1C, LG255S1C, LG250S1C, LG245S1C, LG265S1C
Vacuum Cleaner	1	VR6270LVM
Washing Machine	1	WM8000HVA
Mobile Phone	4	LG730, LS860, LS970, E970
TV	2	55EA8800, 55EM9700

### Product Models that Acquired Climatop Label in 2012



1 | F14A8QDS  
2 | 47LM760S-ZA

### - Climatop

The Climatop Label is awarded to products and services that have achieved a reduction of over 20% of GHG emissions compared to other products and services in the same category. In 2012, LG TV (Model: 47LM760S-ZA) and washing machine (Model: F14A8QDS) acquired the Climatop Label, the world's first in their respective categories.

(URL: [www.climatop.ch](http://www.climatop.ch))

### Green Technology

#### - Certification of Green Technology

The Certification of Green Technology was launched in 2010 by the Korean government, and is awarded to technologies that contribute to conservation of energy and resources, and reduction of GHG emissions and pollutant discharges by improving energy efficiency and utilizing clean energy sources. LG Electronics acquired the Certification of Green Technology for 11 technologies in 2010 and two in 2012.

(URL: [www.greencertif.or.kr/eng](http://www.greencertif.or.kr/eng))

#### - Certification of Green Technology Acquired in 2012

##### 1) Compressor Technology for Water Purifier (August 30, 2012)

This technology applies LGE's proprietary compressor technology developed for refrigerator products to water purifiers, achieving the country's lowest power consumption and acquiring the Grade 1 Energy Efficiency Label. Also, the technology utilizes the natural gas-based refrigerant R600a (Isobutane<sup>1)</sup>) instead of R134a.

### Certification of Green Technology



1 | Water purifier with

"Compressor Technology" (Model: WHD71RW3R)

2 | Vacuum cleaner produced with "Spray-free Molding Technology" (For Korean market, Model: VC4001LHAY)

3 | Vacuum cleaner produced with "Spray-free Molding Technology" (For U.S. market, Model: VF5112JC)

##### 2) Spray-free Molding Technology (August 30, 2012)

Plastic products undergo a spray coating process for high gloss metal finish, which produces chemical substances including VOC<sup>2)</sup> and consumes a large amount of power. To address these issues, LG Electronics developed the Spray-free Molding Technology, a process that forgoes the spray coating and acquires desired colors and gloss finish by incorporating pearl materials in the plastic molding process.

1) Isobutane: Colorless natural gas that is harmless to human body. Utilized as substitute for freon gas, which has been used as refrigerant for air conditioners and refrigerators

2) VOC (Volatile Organic Compounds): A carcinogen that causes neurological disorders when touched or inhaled. Also known as one of the substances that cause Global Warming

### Certification of Green Technology Acquired by LG Electronics

Technology	Date Certified	Valid Until
Parallel Two Evaporator Cycle Technology	May 27, 2010	May 26, 2014
Inverter Linear Compressor Technology	May 27, 2010	May 26, 2014
Dual Injection Steam Wash Technology	May 27, 2010	May 26, 2014
Ultra Energy-Saving Technology Utilizing High-efficiency Inverter Compressor for Air Conditioners and PIR Sensor	June 9, 2010	June 08, 2014
High-efficiency VRF Technology for Air Conditioning System	June 09, 2010	June 08, 2014
World's First "6 Motion" Wash Technology	June 09, 2010	June 08, 2014
Washing Machine Capacity Expansion Technology Utilizing Wash Tub	June 09, 2010	June 08, 2014
Smart Plasma Display Panel Technology	June 09, 2010	June 08, 2014
Stand-by Power Technology that Enables Consumption of Less than 0.9W for Microwave Ovens	June 09, 2010	June 08, 2014
Design Technology for LED Flat Panel Lighting of High-efficiency/ High Quality Color Rendering	August 13, 2010	August 12, 2014
Manufacturing Technology for 130 micron-level Ultra-slim, High-efficiency Crystalline Silicon Solar Cells (Selective Emission/Compensation for Rear Defects/Reflective Layer Formation)	August 13, 2010	August 12, 2014
Compressor Technology for Water Purifiers	August 30, 2012	August 29, 2014
Spray-free Molding Technology	August 30, 2012	August 29, 2014

## ENVIRONMENTAL AWARDS AND RECOGNITION IN 2012

### Korea: Prime Minister's Prize, Energy Winner Awards (June 2012)

LG Electronics' "Green Smart Energy Saving System" was awarded the Prime Minister's Prize, the top honor at the Energy Winner Awards. The "Green Energy Saving System," which was developed specifically for convenience stores (Korea) that consume a large amount of power, adopted waste heat recovery. The system's smart energy technology automatically adjusts indoor temperature and brightness to an optimal level and thus greatly improves energy efficiency. In addition, the ultra-efficient Whisen "Champion Window" featuring the Real 4-D Cooling System received the Minister of Trade, Industry and Energy's Prize (Grand Prize), LED Lamp (replaced 60W incandescent bulb with LED) won the Energy Technology Prize, and Linear Dios Refrigerator, Electric Oven, Portable LED Projector and Air Cooled Scroll Inverter Chiller (M Chiller) were honored in the Green Device Category.

### Korea: Carbon Management Global Leaders Club, CDP Korea Awards (October 2012)

Since 2008, LG Electronics has been joining the Carbon Disclosure Project (CDP) as part of its efforts to strengthen corporate sustainability and enhance socially responsible investment through low-carbon management. We were named a member of the Carbon Management Global Leaders Club in 2012 for the fourth consecutive year and recognized as one of the top Korean businesses with outstanding carbon disclosure and reduction performance. In particular, LG Electronics was the only participant to receive the full 100 points in the public disclosure section and ranked first among discretionary consumer goods manufacturers.

### U.S.: 2013 ENERGY STAR Partner of the Year Award (March 2013)

For the second consecutive year, LG Electronics received the 2013 ENERGY STAR Partner of the Year Award from the U.S. Environmental Protection Agency (EPA). This honor is awarded to ENERGY STAR partners who are committed to protecting the environment through energy-efficient innovations and produce exceptional results. More than 1,000 LGE product models, including TVs, washing machines, and refrigerators, earned the ENERGY STAR label in 2012. 79 of those models were recognized as ENERGY STAR Most Efficient (More Details on ENERGY STAR: p. 34).

### Middle East: Best Project Award, Climate Control Middle East Magazine<sup>1)</sup> (December 2012)

In December 2012, LG Electronics received the "Best Project Award" from Climate Control Middle East for LGEFG (LG Electronics Gulf FZE) headquarter building at the award ceremony held in Dubai. The four-story (ground level) building is equipped with LGE's greener technologies including Multi V III Variable Refrigerant Flow (VRF) air conditioning system, solar panels and LED lighting. The LGEFG headquarter building is also the first building in the region to acquire the LEED<sup>2)</sup> Gold Certification (2011). Climate Control Middle East presented the "Best Project" Award and honored the "Best Brands" in 15 categories at the award ceremony, and LG Electronics was the only Korean manufacturer to receive an honor that day.

### Products that Received the Energy Winner Awards

Award	Criteria/Scope	Product Model	Prize
Energy Winner (Product)	Green Smart Store Energy Saving System	VAC Outdoor Unit: LRC-N1450D, Refrigeration	Prime Minister's Prize
		Outdoor Unit: LRC-V1000D, Gateway : PEM-GSCD0	
		Manager: PEM-EGBD0, Serve: PEM-SAAA10	
	Real 4D Ultra-efficient Air Conditioner [Standing]	F-Q165PLCW	Minister of Trade, Industry and Energy's Prize
Energy Technology	Drum Washing Machine Mini [Wall Mounting]	F-Q185PZCW, F-Q185PLCW	Minster of Environment's Prize
		DWD-M301WA/M301WP/M300WA	
Green Device	LED Bulb (Replacing 60W Incandescent)	A1914FC1DG1	-
Appliance	Electric Oven	MA921SBT/SWT/SST/SVT	-
	IT	Portable LED Projector	-
	HVAC	Air-cooled Scroll Inverter Chiller	-
	[M Chiller]	ACHR0209BA1 (20RT), ACHR0409BA1 (40RT), ACHR0609BA1 (60RT)	-

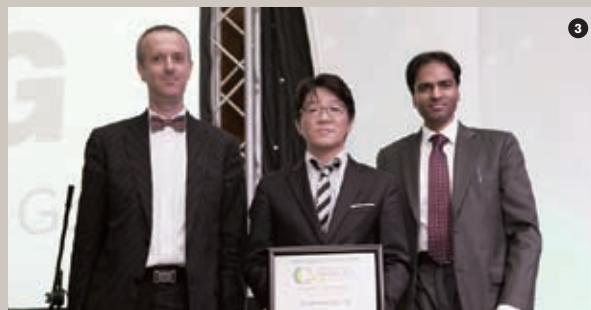


**Europe: Global Efficiency Medal, SEAD<sup>3)</sup> (October 2012)**

At the IFA 2012 (International Electronics Fair held annually in Germany) Award Ceremony, LG Electronics' Cinema 3D Smart TV (Model: 47LM670S) received the Global Efficiency Medal in the category of large screen TV (over 42 inches) and the Emerging Technology category from the SEAD (Super-Efficient Equipment and Appliance Deployment), the multinational initiative for energy efficiency. The Cinema 3D Smart TV achieved high energy efficiency with "Local Dimming Technology (controls individual LEDs for maximum energy efficiency)," "Smart Energy Saving Technology (reduces energy consumption by adjusting to the ambient light)," and the placement of backlight units (minimizes the number of backlight units by placing them at the bottom).

- 1) Climate Control Middle East Magazine: Launched in 2006 (United Arab Emirates), Climate Control Middle East is the most recognized monthly magazine in the Middle East that specializes in the heating, ventilation, air conditioning and refrigeration (HVACR) industries.
- 2) LEED (Leadership in Energy and Environmental Design): Developed by the U.S. Green Building Council (USGBC), LEED is a rating system for the design, construction and operation of high performance green buildings, homes and neighborhoods. The USGBC scores a building's design, construction, operations and maintenance solutions and awards four types of certifications based on the combined score (LEED: 40-90 points, LEED Silver: 50-59 points, LEED Gold: 60-79 points, LEED Platinum: 80 and higher)
- 3) SEAD (Super-Efficient Equipment and Appliance Deployment): A five-year international initiative under the Clean Energy Ministerial and the International Partnership for Energy Efficiency Cooperation. The SEAD Initiative assesses energy efficiency of electronic products sold in Australia, Europe, India and North America, and presents awards to products that achieved high energy efficiency. The product category under evaluation changes annually, and the category for 2012 was TV.

**AWARD CUTS**



- 1 | CDP Korea Awards Ceremony
- 2 | ENERGY STAR Partner of the Year Awards Ceremony
- 3 | Climate Control Middle East Best Project Awards Ceremony
- 4 | Product (Model: 47LM670S) that Received the Global Efficiency Model from the SEAD

## Product Stewardship

### 1. Resource Recycling

From the product development phase, LG Electronics works to enhance material quality and product structure, and strives to improve product performance while reducing the size and weight based on collaboration with recyclers. Based on such efforts, we were able to achieve a 10kg weight reduction in our 2012 washing machine model (Model: FR4960MQ1TZ) from the previous year's (FR4349BAYZ).

### 2. Use of Recycled Plastics

We are making ongoing efforts to increase the use of recycled materials to promote resource recycling. Based on such efforts, LG Electronics used a total of 4,980 tons of Post-Consumer Recycled (PCR) plastic in 2012, continually increasing the use from 2,014 tons and 3,298 tons in 2010 and 2011, respectively.

#### PCR Plastic Used in Our Products

Category	Model	% of PCR Plastic
Refrigerator	LFX31925ST	5.8
Dishwasher	LDS5540	10.7
Air Conditioner	SNC066BAW	12.3
Mobile Phone	LS696	46.3
Monitor	W1946	20.1

### 3. Environment Considered Packaging

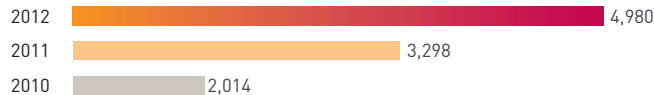
LG Electronics considers environmental factors in developing packaging materials as well as in developing our products. In June 2012, we established the guidelines for reducing the weight and volume, reuse, and recycling of packaging materials (LGE Green Packaging Design Guidelines). Based on the guidelines, we also established the green packaging development process and applied the process to TV (HE Company) and Mobile Phone (MC Company) products. For new TV products released in 2013, we were able to reduce the use of packaging materials by 4.6% despite an increase in product size, while reducing 20.1% of packaging materials for mobile phone products by reducing the size of product package for some of our products. Such efforts also resulted in cost savings of KRW 10.9 billion for TV products and KRW 3.7 billion for mobile phone products. LG Electronics plans to use those packages for more products in 2013.

#### Resource Recycling Case

Product Model	FR4349BAYZ		FR4960MQ1TZ	
Released	2011		2012	
Washer/Dryer Capacity	13 kg/8 kg		19 kg/10 kg	
Dimensions (W x H x D)	645x1,135x790 mm		700x1,360x770 mm	
Weight	Approx. 110 kg		Approx. 100 kg	

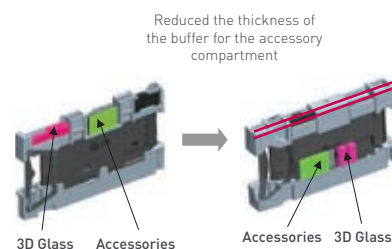
#### Annual PCR Plastics Consumption

Unit: ton



#### Package Size Improvement Cases

1) TV: All new models to be released in 2013



2) Mobile Phone: S5type (VS660) for Verizon → B8H (VS840)



#### LGE Green Packaging Design Guidelines

Developed internally by LG Electronics, the guidelines list the general definition of each product packaging design and design specifications.



#### Use of Recycled Pulp in Packaging Paper Stocks

In 2012, LG Electronics made inquiries to paper mills that supply packaging paper stocks used for our TV and mobile phone products and built a database that lists recycled pulp content of each paper stock. We were able to achieve 80.1% of recycled pulp content for TV product packaging stocks and 70.6% for mobile phone packaging stocks using the database. Based on the database, LG Electronics plans to continuously increase the recycled pulp content of the paper stocks used in our product packaging.

\* Applied to all new TV models to be released in 2013 and 10 signature mobile phone models

#### 4. 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.

(URL: [www.lg.com/global/sustainability/environment/take-back-recycling](http://www.lg.com/global/sustainability/environment/take-back-recycling))

We also perform ongoing monitoring on new regulations and make proper responses. In 2012, we implemented an e-waste take-back and recycling program in countries such as China, India and Australia. We are also establishing a take-back system in countries planning to implement the WEEE regulations in 2013 and maintain open dialogue with governmental and industry organizations to facilitate e-waste collection and recycling.

##### e-waste Management and Recycling Activities

- Korea: Establishment of Take-back System for Small Household Appliances

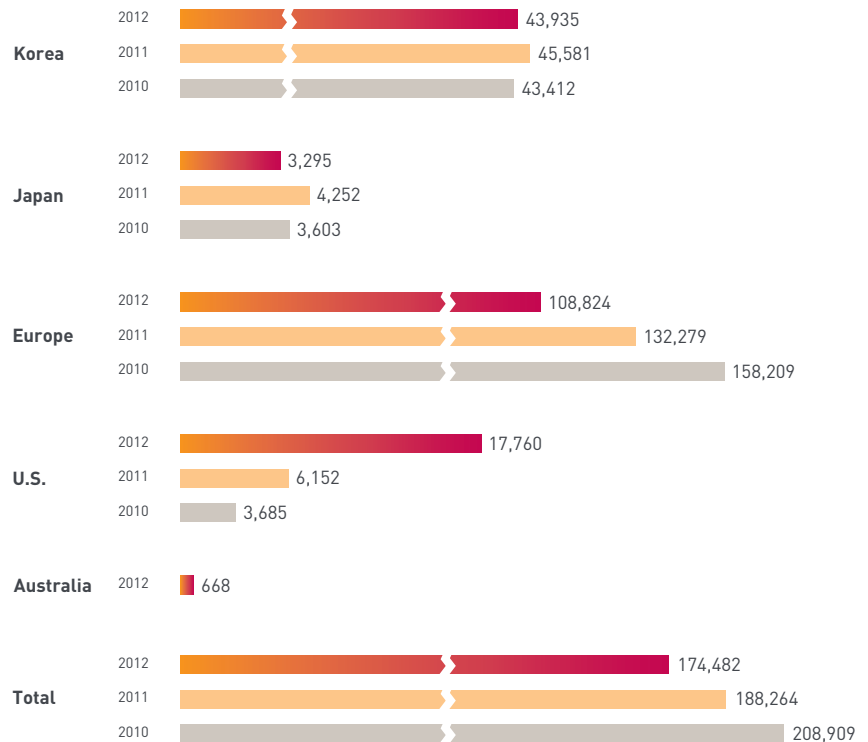
LG Electronics installed an e-waste collection box (for small household appliances) at over 650 brand stores nationwide to provide free take-back service to visiting customers. In Korea, consumers have to pay a fee when they want to dispose e-waste. With our e-waste collection boxes at neighborhood stores, however, customers can dispose e-waste conveniently for free. Through this program, LG Electronics increased customer convenience and contributed to the promotion of e-waste recycling. In 2013, we plan to further expand the program through our service center network.

- Overseas: LGEUS (U.S. Subsidiary) Recycling Program Website

In 2012, LGEUS renewed its Recycling Program website ([www.lgreyclingprogram.com](http://www.lgreyclingprogram.com)). The new website allows customers to check the location of over 200 eCycling centers nationwide and discloses information on e-wastes collected for the year, including the percentage of each product category out of the total e-waste collected. A Q&A section is also available for consumers to make inquiries related to electronic product recycling.

#### e-waste Take-back and Recycling Performance by Country

Unit: ton



\* Estimated figures are included for some of the European countries

\* Australia: The WEEE regulations went into effect in July 2012



E-waste Management & Recycling

- 1 | Installed a collection box (for small appliances) at LG brand stores
- 2 | LGEUS e-waste Take-back Program Website

#### Warranty and Parts Holding Period

LG Electronics believes that one way to practice green management is to minimize e-waste by prolonging product life. As part of this effort, we established and manage warranty and parts holding periods as specified below

Product Category	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	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.

## Green Partnership

### 1. Green Program Plus

"Green Program Plus (GP Plus)" is our proprietary supply chain management program. First implemented in 2005 to respond to regulations on managing hazardous substances, the program is now expanded to parts procurement and GHG emissions and includes second-tier and third-tier suppliers as well as primary suppliers. In accordance with internal green management standards, LG Electronics also validates and evaluates a green management system and the capacity of existing and new suppliers.

### 2. Supplier Training

LG Electronics provides annual training on green technology, compliance response and GHG emissions management to suppliers (staff members from environmental management departments) and LGE employees in charge of the partnership. In 2012, 228 supplier staff members (Green Expert Program) and 117 LGE employees (Green Auditor Program) completed the training.

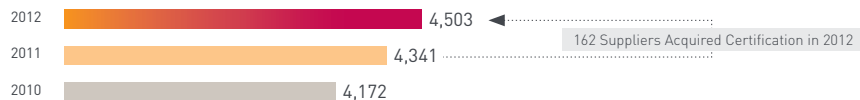
#### LG Electronics Green Partnership

Based on strong partnerships with suppliers, LG Electronics is funding mid to long term R&D projects for new businesses such as LED and photovoltaics till 2015 (KRW 8 billion). Additionally, we provide suppliers with opportunities to make business suggestions via the Open Innovation website ([www.collaborateandinnovate.com](http://www.collaborateandinnovate.com)) and provide necessary support to develop business opportunities from their technologies.

#### Green Program Plus/Assessment Criteria

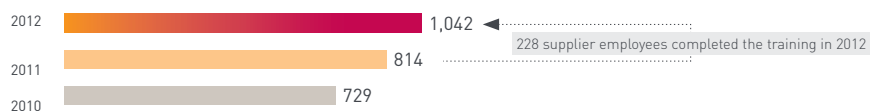
	New Suppliers		Existing Suppliers
Environmental Management System	20	Environmental/Mass Production Management	50
Management of Hazardous Substances	50	Supplier Management	15
Management of Materials/Products	30	Inspection Management	35
		Voluntary Phase-out of PVC/BFRs	5 [Extra Points]

#### Number of Green Certified Companies (Cumulative)

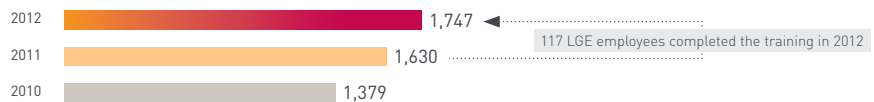


#### Number of Green Experts (Supplier) and Green Auditors (LGE) (Cumulative)

##### Green Expert (Supplier)



##### Green Auditor (LGE)



#### Green Expert/Green Auditor Training Program Overview

Course Title	Session	Duration	Audience	Content
Green Expert Training	1st: 11-13, March	3 days	Leaders and Staff	- Introduction to
	2nd: 8-10, April		Members from Suppliers'	Environmental
	3rd: 6-8, May		Environmental Management	Regulations
	4th: 17-19, June		Departments	228 - Management & Analysis
	5th: 3-5, July			Technology for Hazardous
	6th: 5-7, August			Substances
Green Auditor Training	1st: 7-9, March	3 days	LGE Staff Members	- Hazardous Substance
	2nd: 12-14, March		Responsible for:	Management System
	3rd: 18-20, April		- Parts quality control	(HSMS)
	4th: 27-29, August		- Standards	117 - GHG Emissions
	5th: 17-19, October		- Parts development - Supplier evaluation	Management



## LOW-CARBON MANAGEMENT

LG Electronics is recognized as one of the leading corporations in low-carbon management. The company manages GHG emissions and preemptively responds to risks associated with climate change based on specific targets and detailed action plans. Through such efforts towards GHG emissions reduction at its business sites, LG Electronics also contributes to reducing external environmental costs<sup>1)</sup>. An increasing number of global investors, particularly pension funds, reference the "Carbon Intensity<sup>2)</sup>" index when evaluating business performance (the index measures the combined GHG emissions from each business' sites). This shows that how a business manages GHG emissions has a direct impact on its corporate value. It is clear that LG Electronics understands the importance of low-carbon management, and I believe that the company will continue and expand efforts in this area.



Young Jae Ryu/CEO, Sustinvest

### OUR APPROACH

- Manage risks associated with climate change and explore opportunities
- Track and manage GHG emissions reduction performance
- Strengthen our efforts for four major strategies against climate change

### OUR PERFORMANCE

Reduced GHG emissions associated with production	
<b>113</b> K tons	
Contributed to reducing GHG emissions from product use	
<b>29,650</b> K tons	

### FUTURE DIRECTION

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

## OUR PERFORMANCE

### Climate Change Response

#### 1. Strategic Directions for Climate Change Response

LG Electronics established the following strategic directions for climate change response: "reduction of GHG emissions associated with production," "reduction of GHG emissions associated with product use," "reduction of GHG emissions across the value chain," and "commitment to social responsibility based on promotion of low-carbon culture," and has been making a wide range of efforts to deliver results.

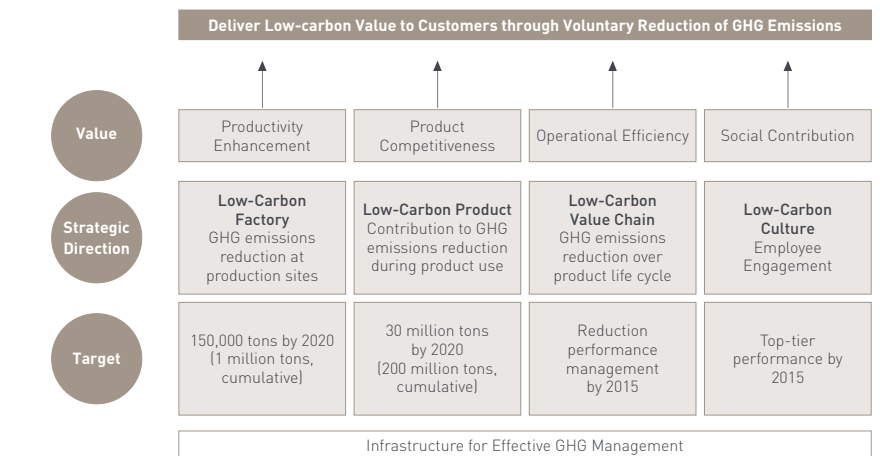
#### 2. GHG Reduction Targets and Performances

##### Reduction of GHG Emissions Associated with Production

##### - Management Standards

LG Electronics established internal standards based on international standards (i.e. ISO 14064-1, GHG Protocol (WRI and WBCSD<sup>3)</sup>), 2006 IPCC<sup>4)</sup> Guidelines) and manages GHG emissions accordingly. We also manage our GHG reduction performance with the Corporate Carbon Management System (CCMS).

### LGE Strategies for Climate Change Response



1) External Environmental Cost: Social costs incurred by environmental destruction

2) Carbon Intensity: The amount (in weight) of CO<sub>2</sub> emitted per unit of energy consumed. The higher the carbon intensity index, the greater the amount of CO<sub>2</sub> emissions.

3) World Resource Institute- World Business Council for Sustainable Development

4) Intergovernmental Panel on Climate Change (established under the United Nations)

#### - Reduction Target

LG Electronics has set a target to reduce 150,000 tons of GHG emissions associated with production by 2020 from the base year 2008 (10% reduction) through GHG reduction efforts, including production process innovation, facility/operation efficiency improvement, and renewable energy use. Based on the target, we expect to reduce a total of approximately 1 million tons (cumulative) of GHG emissions from 2009 to 2020.

#### - Key Progress and Activities

LG Electronics reduced 113,000 tons of GHG emissions associated with production through diverse reduction efforts, including production process innovation, facility/operation efficiency improvement, and renewable energy use. We also acquired the ISO 50001 (Energy Management Systems) for all our production sites and major R&D facilities in Korea to establish management systems for energy and GHG reduction in 2012.

##### ① Facility/Operation Efficiency Improvement

LG Electronics continuously works to improve the efficiency of its facilities and production processes and carries out activities such as optimizing the capacity/control (of motors, pumps and utility equipment of cooling towers), enhancing the differential pressure of air compressors, minimizing idle operations, and optimizing the washing process.

##### ② Investment in High Efficiency Equipment

LG Electronics is currently in the process of replacing the lighting systems at our production sites with LED systems (2012: invested KRW 5 billion and reduced 1,200 tons/yr of GHG emissions). We also invest in automatic control systems such as BdMS<sup>1)</sup> and BPAM<sup>2)</sup> to gain greater control during peak demand hours and to reduce GHG emissions.

##### ③ Increased Use of Renewable Energy

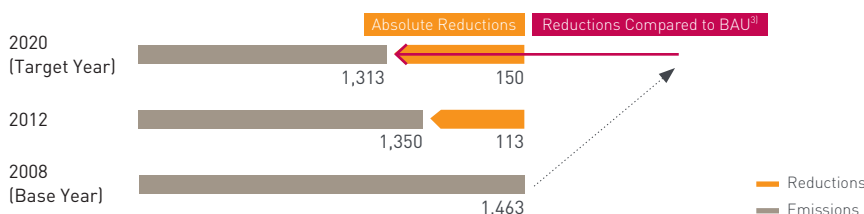
LG Electronics continues to expand renewable energy use at its business sites with solar power generating systems, small-sized wind turbines and solar panels. As of 2012, the combined capacity of solar power generating systems at our business sites reached 202 kWp.

#### Production Level GHG Management Scope

Category	Scope and Criteria	Target
Organizational Boundary	Controlled Approach	14 Korean Business Sites and 30 Overseas Production Subsidiaries
Operational Boundary	Scope 1	Stationary Combustion, Mobile Combustion, Process Emissions, Fugitive Emissions
	Scope 2	Purchased Electricity, Steam
GHG	Carbon Dioxide (CO <sub>2</sub> ), Methane (CH <sub>4</sub> ), Nitrous Oxide (N <sub>2</sub> O), Hydrofluorocarbons (HFCs), Perfluorinated Chemicals (PFCs), Sulphur Hexafluoride (SF <sub>6</sub> ), Hydrochlorofluorocarbons (HCFCs)	

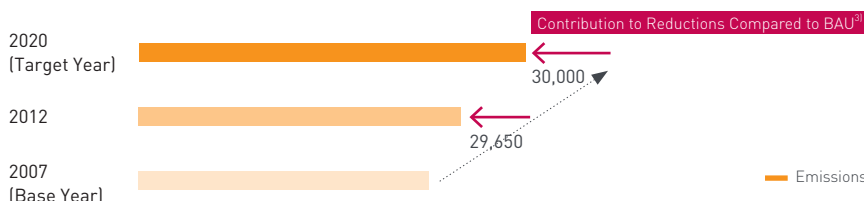
#### Production Level Reduction Target

Unit: K ton/CO<sub>2e</sub>



#### Use Level Reduction Target

Unit: K ton/CO<sub>2e</sub>



#### Contribution to Reducing GHG Emissions Associated with Product Use

##### - Reduction Target

LG Electronics plans to contribute to the reduction of GHG emissions associated with product use by developing and introducing highly energy efficient products. We have established a target to reduce 30 million tons of GHG emissions from BAU by 2020. LG Electronics is estimated to contribute to a total reduction of about 200 million tons (cumulative) of GHG emissions associated with product use from 2008 to 2020.

##### - Key Progress and Activities

In 2012, LG Electronics contributed to reducing 29.65 million tons of GHG emissions associated with product use (compared to the energy consumption level of 2007) by introducing a large number of highly energy efficient products.

##### ① Product Carbon Footprint Disclosure

To help consumers realize the amount of GHG emissions produced throughout a product's lifecycle, LG Electronics provides information of the carbon footprint of each product model and is voluntarily acquiring carbon labels. [More details on p. 34]

1) BdMS (Building Management System)

2) BPAM (Building Performance Analysis Management System): An algorithm designed specifically for energy control/monitoring/analysis

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



## Green Management Initiatives of European Subsidiaries

**LGEUK Installs Solar Panels**

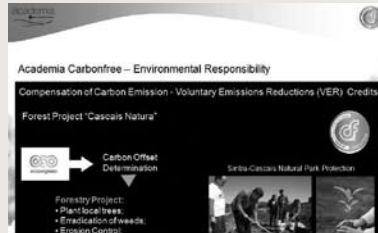
LGEUK (United Kingdom) established sustainable management as its key management goal in 2010 and has implemented diverse green initiatives, including reduction of GHG emissions. As part of its efforts, LGEUK installed 120 solar panels on the rooftop of its HQ building in 2011. The system produces 92,627 kWh of power annually, approximately 7% of total energy consumed at the facility.



Solar Panels Installed at the East Wing of LGEUK HQ

**LGEPT, Participates in Forest Project**

Since 2011, LGEPT (Portugal) has participated in a forest project called "Cascais Natura." The subsidiary planted trees at the Sintra-Cascais Natural Park (Parque Sintra-Cascais Natural) in exchange for carbon credits and offsets the carbon emissions associated with the power use at its training center.



Forest Project Website

**Verification of Employee Business Trips in 2012** (Verified by: DNV)

their office buildings by 2020 from the base year 2008. Our European subsidiaries plan to achieve the target by using electricity generated with renewable energy sources.

**- GHG Management for Logistics**

The total GHG emissions from logistics activities in Korea amounted to 42,344 tons in 2012. LG Electronics makes ongoing efforts to reduce GHG emissions from its logistics activities through energy conservation at warehouses and logistics efficiency improvement. LG Electronics will continuously make diverse efforts to establish a greener logistics system, including transport system innovation, energy use optimization and IT system implementation.

**Water Use Management**

LG Electronics set a target to reduce 20% of water use by 2020, compared to 2007 (intensity target per revenue in KRW). To this end, we are implementing a wide range of reduction efforts to manage water use and reuse, such as adjusting water pressure, preventing/fixing leakages (replacement of pump seals/packing/old parts), and water conservation campaign (encouraging employee dormitory residents to do large loads of laundry and to take shorter showers). In 2012, we established water inventory of our production sites in Korea and completed third party verification of the data. We plan to continuously expand the scope of water management. A total of 11,544,000 tons of water was used in 2012, down 10% from the previous year.

**② Clean Development Mechanism (CDM)**

LG Electronics is proceeding with the Clean Development Mechanism (CDM) project, through which we plan to acquire carbon credits in exchange for the sales of highly efficient refrigerators. LG Electronics' initiative was approved by the Indian government in April 2010 and is currently undergoing a registration process with the UNFCCC. Through this project, LG Electronics expects to secure 680,000 tons of Certified Emissions Reductions (CERs) annually over the next ten years.

**GHG Reductions across the Product Life Cycle****- Support for Suppliers' GHG Management**

In 2010, LG Electronics established and announced a plan to expand its low-carbon procurement. Based on the plan, we will expand our annual purchase from suppliers that implement sustainable GHG reduction plans up to KRW 50 trillion by 2020. To this end, we continually expand support to suppliers to strengthen their GHG management capacity (i.e. GHG management training and assistance for GHG inventory/monitoring system setup) and plan to provide GHG management tools and guidelines.

In 2011, LG Electronics signed an MOU with Industrial Bank of Korea (IBK) for "Green and Shared Growth" and helped suppliers set up a green management framework and GHG inventory (14 and 13 companies in 2011 and 2012, respectively). In 2012, we also joined the Korean government funded project "Small, Medium and Large Green Partnership" and supported 10 small and medium sized enterprises in GHG inventory setup. We plan to provide the same support to 23 companies in 2013.

**- Office Building GHG Management**

Since 2008, LG Electronics has managed GHG emissions from office buildings in Korea. In 2011, a total of 9,377 tons of GHG was emitted from LGE's office buildings, including the leased office spaces that house more than 100 fulltime employees (Twin Towers and Seoul Square in Korea). Following the announcement of our U.S. subsidiary (LGEUS) for office building GHG management in 2011, our European subsidiaries also announced a plan in 2012 to reduce 15% of GHG emissions from

**Water Use** (Global)

Unit: K ton



### 3. Promotion of Low-Carbon Culture Carbon Reduction Campaign

LG Electronics runs diverse campaigns that encourage employees to participate in its efforts to reduce GHG emissions and energy consumption in their daily activities at work. At our production locations, employees organized an energy observer group to check electricity and steam leaks, and to turn off power switches to reduce energy loss. In celebration of World Environment Day 2012, for example, our Koran employees helped replace light bulbs with LED for a rehabilitation center in Changwon and participated in a tree planting event at Mt. Jeongbyeong in Korea. Based on such efforts, LG Electronics raises awareness of climate change and encourages our employees to make changes in their everyday lives.

#### Climate Change Education

LG Electronics conducts climate change training to raise awareness of the issue among employees, to encourage changes in their behavior, and to increase employees' understanding of green initiatives in LGE. Starting with Korean employees in 2009, the online climate change training was expanded to over

20,000 office employees at overseas subsidiaries (including U.S., China, the EU regions, etc.) in the following year. In 2011, the program was further expanded to suppliers with over 500 employees from 120 suppliers. We also included climate change in the curriculum for our regular offline training provided to suppliers. In 2012, 228 supplier employees completed the program on climate change and the corporate response strategies. (More Details on p. 40 "Green Partnership")

#### Engagement with Policy Makers and Influencers

In order to contribute to efforts by global industries to address climate change issues, LG Electronics actively participates in initiatives led by international organizations, including the United Nations. Since 2010, we have worked as a steering committee member of "Caring for Climate," one of the initiatives from the United Nations Global Compact, and also as an active member of the EICC's Environmental Sustainability Work Group. In February 2012, LG Electronics joined the U.S. Environmental Protection Agency's Green Power Partnership, a voluntary program to encourage organizations to use renewable



Promoting Low-carbon Culture

Forest Cleaning and Tree Planting Event, Global Volunteer Day

energy and reduce their carbon footprint. LG Electronics also signed a memorandum of understanding with the US EPA, agreeing to collaborate with U.S. government agencies on a number of initiatives to help protect the environment.

In November 2012, LG Electronics partnered with Climate Counts, a non-profit organization that rates companies on their efforts to address solutions for global climate change.

## Focus

### Zero Energy America Project™

Since September 2012, LG Electronics has participated in a Zero Energy America Project™ with Marc Rutenberg Homes, the U.S. housing construction company. "Zero Energy House" refers to a building with zero net energy consumption and zero carbon emissions annually. Such buildings offset the energy they consume by minimizing energy consumption and generating power with renewable energy sources.

The project's first zero energy house was completed in November 2012 in Tampa Bay, Florida, which features an air conditioning system, LED TV and solar panels from LG Electronics.

(URL: <http://www.zeroenergyamerica.com>)

### Concept Design for Zero Energy America Project™



#### 4. Green Business

##### Photovoltaics Solution

In 2010, LG Electronics first established a solar module production facility of 120 MW capacity at Gumi I Plant and has produced solar cells and solar panels. As of 2012, we supplied solar panels to 32 countries across the world and sold a total of 1.6 million panels between 2010 and 2012 (cumulative).

Photovoltaic products provide 25 years warranty of generating power. In order to produce products that deliver stable performance for such an extended period of time and to facilitate continuous quality improvement, LG Electronics developed the Severe Environment Test internally and utilizes the test to thoroughly manage product quality. We currently focus our investments on developing high efficiency solar cells, and our investments are producing promising results. In 2012, we succeeded in developing Type P crystalline silicon solar cell, which achieved 20.7% of energy conversion efficiency, as well as high efficiency Type N solar cell. In 2013, we also succeeded in mass production of the MonoX NeON series with the maximum output of 300 W using the Type N solar cell technology.

##### Lighting

In line with our decision to develop LED lighting as one of our key growth engines, we consolidated all lighting businesses from affiliates under LG Electronics. LED lighting is managed as part of our building interior/exterior solutions business along with HVAC system and building management system. In October 2012, all lighting products from our plasma lighting system series acquired the NEP (New Excellent Product) Certification. Unlike existing lighting products, the Plasma Lighting System series does not contain electrodes, which enables the products to maintain a consistent level of brightness throughout their lifecycle. These products also contain no mercury.

In December 2012, LG Electronics LED Testing Lab was certified by the U.S. certification agency UL (Underwriters Laboratories) as an official testing facility for LED lighting products and converters. This allowed LG Electronics to perform safety/certification tests internally as well as to conduct CSA (Canadian Standards Association) certification tests (Canada's certification standards).

1) Membrane: A thin film-like (liquid or solid) structure that separates mixtures by filtering specific substances



Photovoltaics Solution

Solar panels installed at the Gumi III Plant

##### LED Business Related Certificates



1 | NEP Certificate  
2 | UL CTDP (Client Test Data Program) Certificate

##### Water Treatment Solution

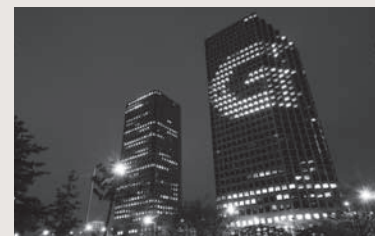
Comprised of all processes that are associated with producing clean water, the water treatment solution business is a green business that LG Electronics has designated as one of its future growth engines. Servicing the public and private sectors, our water treatment solution business provides total solutions including development and production of membranes<sup>1)</sup> (key product used in water treatment processes), water disposal and reuse, water supply for industrial processes, and design/procurement/construction/operations of water treatment plants. In July 2011, LG Electronics launched a joint venture with Hitachi Plant Technologies. And the following month, LGE acquired Daewoo Entec (renamed HiEntech) which specializes in operations and management of water treatment facilities.

In addition, we signed an MOU (Strategic Partnership for Environmental Business Projects at Home and Abroad) with Daewoo E&C to jointly pursue business projects, exchange technologies, and have been collaborating on strengthening presence in the water treatment industry worldwide. HiEntech also established a subsidiary (water treatment facility management and operations) in Tianjin, China and explores opportunities in global projects.

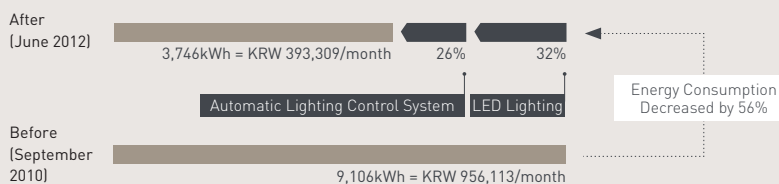
#### Focus

##### LG Electronics Replaces Twin Towers Lighting System with LEDs

LG Electronics' headquarters LG Twin Towers underwent remodeling between 2010 and late 2011. During this period, we replaced the building's entire lighting system with LEDs. We also implemented a touchscreen-type automatic lighting control system that works in conjunction with composite sensors to control the brightness based on the ambient light.



##### Comparison of Monthly Energy Consumption at Twin Towers (Before/After Remodeling)



\* Figures presented in this graph are based on data from a single floor (7<sup>th</sup>). Data was estimated by comparing energy consumption and type/number of lighting fixtures before and after the remodeling.

Smart Grid

Since 2009, LG Electronics has participated in a smart grid pilot project led by the Korean government as the prime leading company of a consortium, and is currently leading the project in Gujwa-eup, Jeju Island (440 households). LG Electronics also became the first Korean company to partake in a smart grid pilot project in Europe and is currently participating in a project in Germany. We also signed an MOU with the U.S. based Pecan Street, Inc. to cooperate in smart grid pilot projects. Based on the agreement, LG Electronics will participate in a pilot project from the latter half of 2013 and review the performance of LG smart grid products (including air conditioning system, refrigerator, washing machine, HeMS (Home energy Management System) and LED lighting) installed at the residence of project participants.

Smart Grid

A smart grid is a modernized electrical grid that uses IT technology to optimize energy efficiency. On a smart grid, appliances automatically choose off-peak hours to operate, and consumers can check their energy bills real-time via an energy management device.



Signing Ceremony of LG Electronics-Daewoo E&C MOU on Water Treatment Solution

New Environmental Technology  
Certificate for Membrane Product  
(Water Treatment Solution)

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

## GREEN INITIATIVES AT LGEUS

### INTERVIEW

**Christine Ackerson**  
Sustainability &  
CSR Manager  
LGEUS



It is a great pleasure to introduce our environmental sustainability program at LGEUS. In 2012, we carried out a wide range of projects and activities to help do our part in protecting the environment and promoting energy efficiency. A few of our key initiatives included:

#### 1. Partnering with the U.S. Environmental Protection Agency (EPA)

In 2012, LGEUS teamed up with the EPA on a series of voluntary initiatives, including programs to promote energy efficiency, reduce waste and use renewable energy. We have established a detailed action plan over the next five years to address a broad array of environmental stewardship programs that will help us to reduce our carbon footprint and protect the environment. EPA offers easy to use tools and resources in over 40 pollution prevention and energy conservation programs that LG can use to help us reach our goals.

#### 2. Teaming up with Key Non-Governmental Organizations (NGOs) to Promote Energy Efficiency

LGEUS worked with several NGO's in 2012 to identify opportunities for collaboration on policy initiatives with advocates who help shape federal policy and public dialogue around energy efficient products. For instance, LGEUS spoke at the Alliance to Save Energy's Great Energy Efficiency Day, which attracted about 400 stakeholders from business, government, academia and media.

LGEUS also hosted an energy efficiency leadership workshop in December 2012 with five key NGOs, including the American Council for an Energy Efficient Economy and the U.S. Green Building Council. Participants of the meeting had an open dialogue about a range of topics including ideas for future collaboration between LG, the U.S. government and NGOs; technical, economic, and political factors that have an impact on high efficiency products; and opportunities and barriers to developing energy efficient products.

#### 3. Continuing Strong Leadership in Recycling Efforts

LGEUS collected and responsibly recycled 17,760 tons of unused and unusable electronics in 2012, up from 6,152 tons in 2011. As an official sponsor of the U.S. based nonprofit organization Keep America Beautiful (KAB), LGEUS participates in diverse events and initiatives organized by KAB to promote electronics recycling. Building on its leadership in responsible electronics recycling, in September 2012 LG joined forces with the EPA as a charter participant in the EPA's Sustainable Materials Management Electronics Challenge.

The company has voluntarily committed to sending 100 percent of used electronics collected for reuse and recycling to third-party certified recyclers, increasing the total amount of used electronics collected for reuse and recycling, and publicly posting information and data.

#### 4. Implementing a nationwide public education and community outreach campaign about ENERGY STAR

LGEUS partnered with the EPA's ENERGY STAR program to educate consumers on energy efficiency and empower consumers to make informed choices about their electronics and appliance purchases. Through aggressive media relations, advertising, social media and high-profile consumer events, LGEUS was able to reach more than a billion consumers with ENERGY STAR messages.

### AWARD CUTS



**GREAT AMERICAN  
CLEANUP**

- 1 | LGE-EPA MOU Signing Ceremony  
2 | 2012 Launching Ceremony of Great American Clean up  
(April 2012, Time Square, New York)

### EPA Partnership Objective and Goals



1) LEED (Leadership in Energy and Environmental Design): Developed by the U.S. Green Building Council (USGBC), LEED is a rating system for the design, construction and operation of high performance green buildings, homes and neighborhoods. The USGBC assesses a building's design, construction, operations and maintenance solutions and awards four types of certifications based on the combined score (LEED: 40-90 points, LEED Silver: 50-59 points, LEED Gold: 60-79 points, LEED Platinum: 80 and higher)

2) Clean Construction USA: An EPA program designed to promote the reduction of diesel emissions from construction equipment and vehicles





## WIN-WIN GROWTH

It is LG Electronics' strong commitment to Win-Win Growth that has helped Seyong, Co. Ltd. overcome rapidly changing global market and grow into the company it is today. Based on collaborative partnerships, LG Electronics strives for Win-Win Growth that creates shared value. LG Electronics provides a broad range of support to its suppliers, offering funding support, sharing its impressive technology portfolio, and helping suppliers achieve production stability and quality improvement. LG Electronics' strong commitment to Win-Win Growth will surely help the company achieve Global No. 1, and Seyong will also spare no efforts in technological development and innovation to become a worthy business partner.



Young Sook Park/President, Seyong, Co., Ltd.

### OUR APPROACH

- Win-Win Growth, a key building block for achieving Global No. 1
  - 3 Philosophies and 5 Principles for Win-Win Growth
  - Strategic directions and action plans for Win-Win Growth

### OUR PERFORMANCE

<b>26</b> Suppliers	Participating in the "No. 1 Supplier Program"
<b>150</b> Employees	Acquired Level 5 support capability for suppliers
<b>141</b> Cases	Supplier grievances resolved through VOS management

### FUTURE DIRECTION

- Support suppliers to achieve Global No.1 competitiveness
- Implement and develop Win-Win Growth programs unique to LG Electronics

## OUR PERFORMANCE

### Global Procurement

In 2012, LG Electronics spent KRW 30.1 trillion for purchases, and 76% of the amount, KRW 22.7 trillion, was spent in Asia including Korea. We had business transactions with over 1,000 suppliers in Korea and 3,300 suppliers overseas, and made transactions of KRW 100 million or higher with approximately 3,200 suppliers (74%).

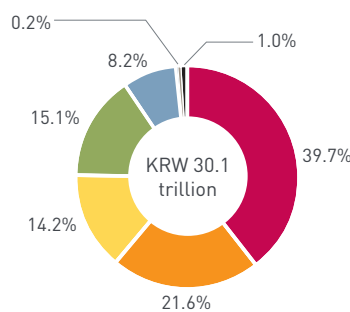
### Composition of Procurement Staff

LG Electronics has established a purchasing unit at each of our major production subsidiaries. As of January 2013, a total of 2,010 employees (Korea: 866/Overseas: 1,144) are tasked with procurement. Since we established sustainable management as our corporate direction, we have strived for Win-Win Growth with our suppliers, and established dedicated business units in 2011 to renew our commitment.

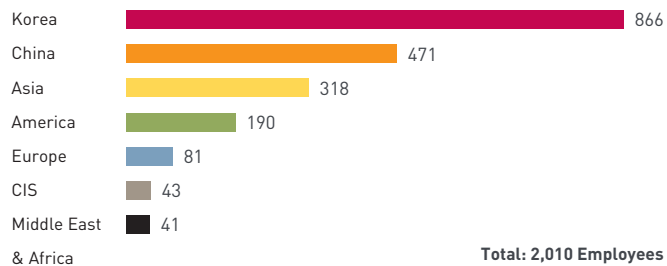
### Global Procurement Amount/Composition of Procurement Staff in 2012

Unit: %, No. of employees

Global Procurement Amount



Composition of Procurement Staff



Total: 2,010 Employees

### 3 Philosophies and 5 Principles for Win-Win Growth

LG Electronics established “3 Philosophies and 5 Principles for Win-win Growth,” and makes diverse efforts, such as making the information available via our win-win growth website, to ensure that all our employees from procurement and related departments fully understand our philosophies and principles for win-win growth and put them into practice.

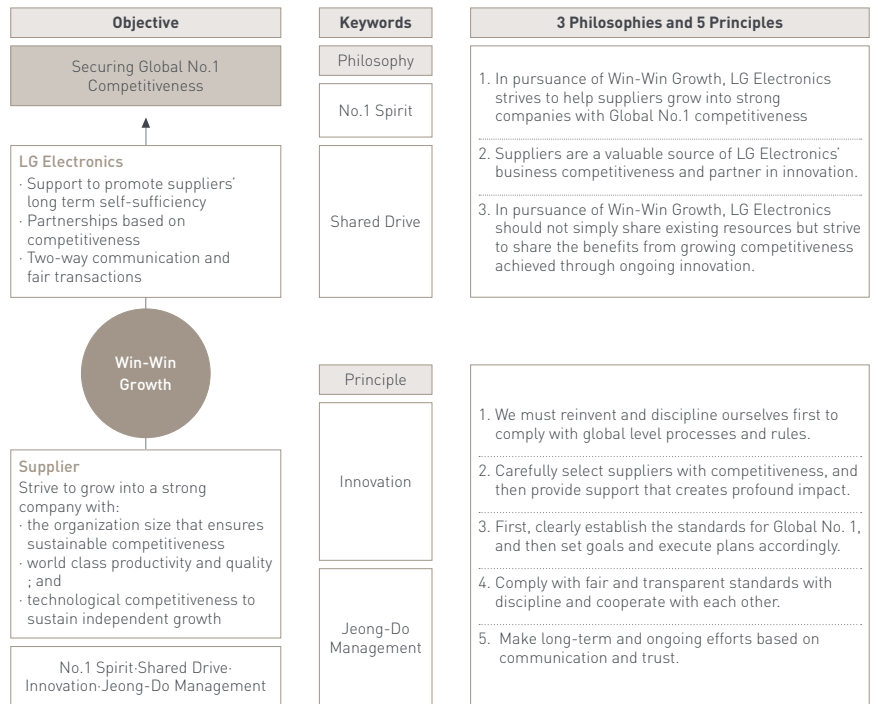
#### Organization for Win-win Growth

LG Electronics focuses our efforts on fostering suppliers with No.1 competitiveness. To this end, we select the No.1 supplier in each product item and provide onsite support to help our “No.1” suppliers strengthen core competitiveness and create value independently. We also operate the Skill Council to develop our own capabilities to provide effective support and established an ongoing support system. In order to build partnerships based on trust and to maintain fair business relationships, we also make ongoing VOS (Voice of Suppliers) management efforts and strive to facilitate two-way communication. LG Electronics also actively participates in national policy initiatives, in addition to our own Win-Win Growth initiatives aimed to achieve Global No. 1 competitiveness.

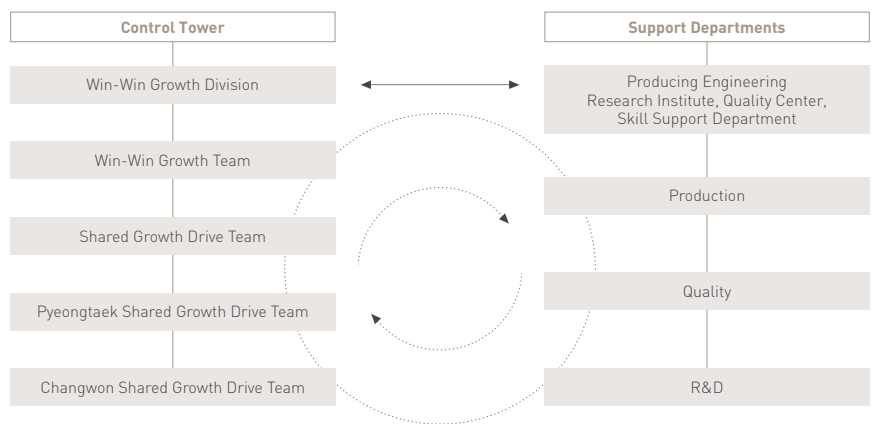
#### Securing Supplier Competitiveness with Strong Drive for 5 Win-Win Growth Objectives

Since we made a pledge for Win-Win Growth at the “LGE Win-Win Growth Camp” held in May 2011, we have strived to build true partnerships with suppliers based on our strong conviction that our suppliers are the key to success in our pursuit of Global No. 1. In order to express unwavering commitment to win-win growth, we established the “5 Win-Win Growth Objectives” and implemented our win-win growth programs accordingly. In 2013, we enhanced our action plans for the “5 Win-Win Growth Objectives” and are pressing forward to secure Global No. 1 competitiveness by promoting supplier competitiveness.

### 3 Philosophies and 5 Principles for Win-Win Growth



### Win-Win Growth Drive Organization



## 1. Support for Securing Global No. 1 Competitiveness

LG Electronics implements differentiated support programs to help our suppliers acquire world class competitiveness in quality, production, and technology.

### Supplier Support for Capability Development

– We focus on providing support to address suppliers' weaknesses and strengthen their core competitiveness, such as value creation and capability development. We also expand successful support programs to overseas suppliers to provide effective support.

### Support for Production and Management Stability

– LG Electronics supported the Fair Trade & Win-Win Growth Partnership Agreement between 1st and 2nd tier suppliers to promote fair trade and to establish a sound Win-Win Growth ecosystem. Based on the initiative, we also formed a consortium with the Korean government (Ministry of Trade, Industry and Energy) and 1st tier/2nd tier suppliers, and provide consulting on suppliers' business operations (production and manufacturing) and assessment of their Productivity Management System.

### Support for Establishing Overseas Operations

– In case suppliers need to establish overseas operations for LGE projects, we provide funding support to cover operating expenses such as initial investments (property, land, and equipment) as well as legal counseling. LG Electronics is also increasing purchases from the supplier to help stabilize business operations.

**Management Support** – In June 2012, LG Electronics established a profit sharing program and a department dedicated to this initiative to share profits generated from joint innovation efforts with suppliers. In 2012, LG Electronics performed 33 joint projects with 27 companies and established the profit sharing program as the ground for Win-Win Growth with suppliers. We also provide funding support (i.e. securing raw materials and subcontracting) to relieve participating suppliers of capital constraints.

## 2. Support for Developing Capabilities in Next Generation Technology

LG Electronics continues its efforts to strengthen suppliers' capabilities in the next generation of technologies.

**Green Partnership Program** – LG Electronics' Green Partnership Program was established to strengthen suppliers' technological capabilities through joint R&D projects and



Support for Securing Global No. 1 Competitiveness in Production and Quality

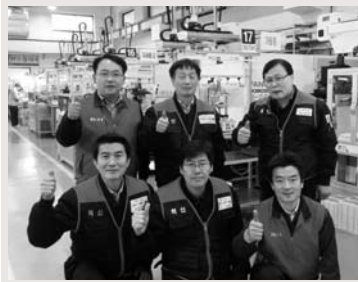
The Signing Ceremony for the "Fair Trade & Win-Win Growth Partnership Agreement" between 1st and 2nd Suppliers

### Focus

#### Success Case: Gabeul Plastics, Co., Ltd.

Our long time Win-Win Growth partner Gabeul Plastics produces mobile phone cases, and has supplied the product to LG Electronics since 1994. LG Electronics selected the company as a beneficiary of the "Capability Development Program," and provides ongoing management consulting. The program was established to help our suppliers secure business sustainability and to strengthen competitiveness of LG-supplier partnerships. Through the program, Gabeul Plastics received consulting from our "Plant Innovation Specialist" on plant innovation and was provided with ongoing support for production and logistics innovation. In 2012, we also offered funding for facility improvement and technical support for capacity expansion. With the support, Gabeul Plastics installed new plastic molding equipment and enhanced its production automation system. In particular, the company's UV robotic surface coating line, which was set up with our funding and technical support, greatly contributed to improving the coating productivity and the quality of mobile phone exterior surface.

LG Electronics also performed a three-day CSR consulting for the company's Bucheon Plant and identified 46 issues in labor rights, ethics and EHS. Based on a customized and practical improvement plan devised by LG Electronics consultants, Gabeul Plastics made voluntary improvement efforts for three months and created sound, safe & healthy-working conditions. Going forward, Gabeul Plastics plans to take advantage of the "Training Consortium for LGE's Suppliers" offered at the LG Electronics Learning Center to strengthen its business sustainability.



contract R&D projects. We invested a total of KRW 24.7 billion between 2011 and 2012 to discover and foster suppliers with advanced technologies as well as R&D capabilities, and plan to invest over KRW 20 billion for the next three years.

**Promotion of Open Innovation** – LG Electronics created a website dedicated to Win-Win Growth to introduce our policy and programs for Win-Win Growth, to collect suppliers' grievances, and to promote supplier suggestions. In addition, we also established the new business partnership request process and opened up the site to non LGE suppliers to locate companies with new technologies and processes.

### Support for and Protection of Core Technological Capabilities

– In line with our CEO's strong commitment to promoting the parts and materials industry, we are expanding support for major equipment and parts produced locally. In order to promote mutual trust, we utilize the Technology Escrow Service in joint R&D project for new technologies. Under the Technology Escrow Service, government organizations take stewardship of suppliers' technology and ensure that the technology, as well as the supplier's rights to the technology, is safely protected. LG Electronics bears the entire costs incurred from using the service.

## 3. Financial Support

LG Electronics makes continuous efforts to ensure the financial stability of our supplier's by providing direct/indirect funding support and improving payment schedule/period.

**Direct Funding Support** – LG Electronics provides direct funding support to suppliers for improving productivity and quality, expanding capacity and facility, establishing overseas operations for LGE projects, and developing advanced technologies. We provided a total of KRW 170.9 billion in direct funding between 2004 and 2012.

**Combination/Indirect Funding Support** – In partnership with financial institutions, LG Electronics provides low interest funding to suppliers to ensure financial stability of our suppliers and to lay the foundation for sustainable win-win partnerships. In 2012, LG Electronics, in association with the Industrial Bank of Korea (IBK), established the Win-win Growth Fund totaling KRW 125 billion and provided KRW 106.6 billion to our suppliers. In 2013, we plan to allocate additional KRW 32.5 billion to set up a Win-Win Growth fund dedicated to our 2nd and 3rd tier suppliers. Additionally, we allocated KRW 150 for the

Network Loan, a low interest loan (production expenses/working capital) for small and medium sized enterprises, through the IBK. In 2012, we partnered with the Korea Export and Import Bank to expand the benefits to suppliers who have established overseas operations for LGE projects.

**Improvement of Payment Conditions** – LG Electronics processes invoices from subcontractors twice a month and makes payments in cash within 10 days of invoice processing. We also adjust the payment schedule (increase the frequency of payment processing or shortens payment period) to relieve our suppliers of financial constraints. Additionally, we make payment to suppliers earlier than schedule before national holidays (New Year's Day and Thanksgiving) to improve suppliers' financial management and employee welfare.

#### 4. Training/HR Support

As part of our efforts to strengthen suppliers' core competitiveness (talent management and capability development), LG Electronics provides training and HR support to 1st tier and 2nd tier suppliers.

**Win-Win Growth Academy and Training Programs** – On March 28, 2012, LG Electronics officially launched the Win-Win Growth Academy, a training facility dedicated to supplier training at the LG Electronics Learning Center. The Academy offers training programs customized to the needs of suppliers' employees (i.e. business management, vocational/technical training, and innovation training), and contributes to developing suppliers' organizational and employee capabilities. We also set up a consortium with a local university (Changwon National University) and offer training programs from the university to provide easy access to local suppliers. Training courses offered at the university campus include technical training courses designed to enhance the quality of metal/plastic molding products and welding. In addition, we host "Learning Day" on a semiannual basis to promote learning and strengthen suppliers' core competitiveness.



Training/HR Support

- 1 | Win-Win Growth Academy
- 2 | Learning Academy for Japanese Suppliers



Process Innovation

Win-Win Growth Website

**HR Support** – LG Electronics sponsors job fairs in partnership with government agencies and media outlets to provide suppliers with opportunities to recruit quality workforce and experienced professionals. We also provide consulting by internal/external experts to make direct impact on suppliers' capability development and to create a ground for enhancing competitiveness.

#### 5. Process Innovation

LG Electronics intensified its drive for Win-Win Growth through internal process innovation and established a wide range of programs to promote communication with suppliers.

**Win-Win Growth Website** – We established a dedicated website for Win-Win Growth initiatives ([www.lgesuppliers.com](http://www.lgesuppliers.com)) to promote communication and to resolve supplier grievances. The website features information on our Win-Win Growth programs (i.e. funding support, training and supplier suggestion program) to increase the number of suppliers who benefit from our efforts. We also organized a separate section titled "e-VOS (Voice Of Supplier)" on the website to gather supplier grievances directly and resolve the issues.

**Diverse Communication Channels** – LG Electronics offers a supplier grievance reporting channel on the corporate website ([www.lge.com](http://www.lge.com)) and the Win-Win Growth website ([www.lgesuppliers.com/winwin](http://www.lgesuppliers.com/winwin)) to gather supplier complaints and grievances, and to address the issues. We commission a third party assurance agency to conduct supplier satisfaction survey on business transactions and Win-Win Growth programs to gather frank feedback, promote communication, and effectively resolve supplier grievances.

**VOS Management for Supplier Communication** – LG Electronics strengthens partnership with suppliers by promoting supplier engagement and communication with regular VOS management activities. Our procurement staff members visit suppliers regularly to maintain close communication with suppliers and make committed efforts to address their grievances.



## CSR IN SUPPLY CHAIN/ CONFLICT MINERALS

Suntel first opened its eyes to Corporate Social Responsibility thanks to LG Electronics' CSR consulting, which helped us realize the importance of CSR in global markets. We also have come to understand that CSR was actually not a new concept to us but something we had been doing all along. LG Electronics' CSR consulting was a great opportunity for us to accurately assess our CSR compliance level and address potential risks. Everyone at Suntel is now committed to CSR compliance and prepared to make ongoing efforts to strengthen CSR risk management. I thank LG Electronics for providing this valuable opportunity and promise to strive for CSR until we prove our corporate competitiveness with CSR risk management.



Joon Ki Lee/CEO, Suntel, Co. Ltd.

### OUR APPROACH

- Strengthen CSR efforts to meet international standards
- Implement the EICC Code of Conduct and risk management programs
  - Assess CSR risks of major suppliers
  - Perform CSR audit on high risk suppliers
  - Establish a response system for regulations

### OUR PERFORMANCE

<b>20%</b>	Percentage of suppliers in the low risk group
<b>48</b>	Number of suppliers capable of independent ESH management
suppliers	

### FUTURE DIRECTION

- Strengthen CSR audit
- Expand CSR management scope by developing procurement staff's CSR management capabilities
- Enhance suppliers' capacity
- Establish a system that tracks the origin of minerals contained in products

## OUR PERFORMANCE

### Establishment of CSR Risk Management System

LG Electronics takes multidimensional approaches to promoting supplier CSR management, such as incorporating legally binding CSR Clause into our "Master Purchase Agreement" and establishing the "Supplier Code of Conduct and Compliance Agreement (Declaration of the suppliers)." In 2011, we revised our Master purchase Agreement (MPA) to introduce the "Schedule C: Supplier's Responsibility" in accordance with the EICC Code of Conduct, and established CSR compliance as a prerequisite for conducting business with LG Electronics. In March 2013, we worked together with the local legal team in China to draft a Local Standard Contract (in Chinese), which we will distribute to production subsidiaries in the country. LG Electronics currently utilizes LSCs in three countries including Mexico and Vietnam, and strongly encourages other overseas subsidiaries to draft and adopt their own edition of the LSCs. In 2012, LG Electronics also updated and distributed the Supplier Code of Conduct (v1.1) to introduce provisions on responsible sourcing, including logging.

### Developing CSR Risk Management Capacity

We launched a CSR training program for our procurement staff members, who play an essential part in LG Electronics' supplier management. The new training program is offered at our Procurement College to raise awareness of the importance of supplier CSR management among our procurement workforce and offer professional knowledge on CSR. The program is titled "Understanding CSR" and includes such subjects as "Introduction to CSR and Comprehensive Overview on LG Electronics' CSR Efforts" and "Potential CSR Risks and LGE's CSR Risk Management Programs." The program aims to develop procurement staff members' CSR management capabilities and enable them to handle supplier CSR risk management in the long term. We conducted the training in the first and second half of 2012 and plan to continue the program in 2013.

### CSR Risk Management Programs

LG Electronics implements supplier risk management programs based on the joint efforts by the CSR Team and the Procurement Center. As a member of the Electronics Industry Citizenship Coalition (EICC), we also conduct annual CSR assessment on suppliers and require improvement efforts on the part of those identified as belonging to the high risk group. An assessment is performed on major suppliers (top 80% of direct suppliers by spending) with the EICC's SAQ (Self-Assessment Ques-

tionnaire). We require voluntary improvement efforts from high risk suppliers (those scored lower than 65 points on the SAQ), and also perform CSR audit and consulting for major suppliers of each business division.

### 1. CSR Risk Assessment Results

In 2012, 234 major suppliers (including four outsourcing contractors) of LG Electronics were required to perform CSR risk self-assessment with the EICC's Self-Assessment Questionnaire (SAQ). We expanded the scope of participants to include outsourcing contractors in line with our plan to continuously expand supplier CSR management targets. Based on the assessment results, LG Electronics also performed CSR audit on three production sites identified as possessing a high risk and provided consulting (LGE focused CSR risk management efforts on its production sites in 2012, which led to a decrease in supplier CSR audit).

Our suppliers averaged about 72 points on the SAQ, and 50 of the participants (21%) were identified as possessing a high risk (those scored lower than 65 points). Although the share of low risk suppliers increased compared to 2011, the percentage of high risk suppliers remained at the same level as the previous year. In order to decrease the proportion of the high risk group, we plan to strengthen management of these high risk suppliers (i.e. CSR audit) in 2013.



## 2. CSR Audit and Consulting

In 2012, LG Electronics conducted three-day CSR audits on three production sites identified as possessing high risk. On the first day, we verified risks identified in the supplier's self-assessment and identified additional risks based on international standards the next day. Based on risks, we provided consulting to devise an improvement plan tailored to suppliers' size, risk level, and needs on the final day. We also monitored the progress and provided support to ensure that suppliers address more than 80% of improvement tasks prescribed under the plan. Two months after the audit, the suppliers completed 87% of the corrective action plans, and we advised them to organize remaining risks that require ongoing attention into mid to long term tasks.

## 3. 2013 Plans for CSR Audit and Consulting

LG Electronics implements its supplier CSR risk management programs as the goal of promoting supply chain CSR. Although our CSR audit was only performed by a team of internally certified CSR auditors until 2012, we plan to certify staff members from Win-Win Growth departments at the Procurement Center and other related departments to expand the scale and scope of CSR audit and consulting from this year.

In relation to managing our supplier CSR risks, we plan to require different levels of improvement efforts based on suppliers' size and business reliance on LG Electronics. All major suppliers are required to manage its level up to low risk, whereas medium risk level is required for the rest of suppliers as minimum. When high risk suppliers fail to make meaningful progress, we will implement strong measures (i.e. reconsidering the business relationship) to prompt changes. In addition, we will prioritize our supplier CSR risk management efforts overseas by region, starting from suppliers in China and working down to those in Southeast Asia and Europe.

### Supplier CSR management by overseas subsidiary

Our production subsidiaries in Mexico published a Spanish version of the LGE Supplier Code of Conduct and distributed this to local suppliers. Based on the code, we plan to require local suppliers to comply with our CSR requirements and conduct site inspections. Our Thai subsidiary also conducted a CSR audit on six suppliers using a 12-item CSR checklist in August and November 2012. Based on non-compliances and risks identified in the audit, LG Electronics monitored the suppliers' improvement efforts. We conducted additional inspections in February 2013 and plan to continue inspection and consulting periodically.

## Supplier CSR Risk Management Program

Step 1	Step 2	Step 3	Step 4
Selection	Assessment	Verification	Improvement
<ul style="list-style-type: none"> <li>Selection of participants (Top 80% of direct suppliers by spending)</li> </ul>	<ul style="list-style-type: none"> <li>CSR risk assessment (EICC Self-Assessment Questionnaire)</li> <li>Voluntary improvement efforts</li> </ul>	<ul style="list-style-type: none"> <li>LGE CSR audit and consulting</li> <li>Third party audit by EICC (VAP, Validated Audit Process) (If needed)</li> </ul>	<ul style="list-style-type: none"> <li>Improvement efforts</li> <li>Monitoring</li> <li>Incorporation of progress into supplier selection and evaluation/Reward for excellent improvement performance (plan for 2013)</li> </ul>

## Supplier CSR Risk Assessment Results

Unit: No. of suppliers (%)

Risk Level	2011	2012
Low	36 (17%)	47 (20%)
Medium	132 (62%)	137 (59%)
High	45 (21%)	50 (21%)
Total	213 (100%)	234 (100%)

## CSR Risks Identified

Unit: Percentage of suppliers (%)

Inadequate verification of identification (employee's legal age)	13.73	Repeated industrial incidents	1.02
Disciplinary pay cut (base salary)	12.50	Delayed /back pay	0.82
Employment of apprentices*	11.48	History of non-compliances (i.e. cartel)	0.61
Over 60 hours/week of labor	6.97	History of fire hazard citations	0.61
Holding employee's identification	5.53	Wages below legal minimum	0.41
History of legal sanctions	5.12	Record of police report on sexual harassment, etc.	0.20
Under aged employees*	4.30	Denial of medical support for employees' work injuries	0.20
Continued labor of over seven days	1.43	History of chemical spills	0.20
Under aged employees on hazardous production process	1.02	Child labor	0.00

\* Albeit legal, has the potential to lead to child labor

## Onsite Consulting Success Cases

LG Electronics helped suppliers address diverse CSR risks through onsite CSR consulting. The followings are actual improvement cases.

**Case 1)** Employee exposure to chemical substances (Company A, South Chungcheong Province, Korea)

**Issue:** Employee health risk from chemicals used in the printing and washing process  
**Cause:** Lack of safety awareness on the part of employees (protection gears not used) and inadequate ventilation system  
**Improvement:** Strengthened employee safety training, replaced to more powerful motors for the ventilation system, installed additional ventilation hoods



Case 1)  
More powerful ventilation motors

**Case 2)** Inadequate employment agreement/No employment agreement in some cases (Company B, South Gyeongsang Province, Korea)

**Issue:** Inexplicit and confusing language within the employment agreement, employment agreement not signed in some cases, copy of the agreement not issued to employees  
**Cause:** Lack of awareness  
**Improvement:** Revised and enhanced the employment agreement, established the issuance of a copy as a regular practice in the hiring process

## Child Labor Risk Management

LG Electronics conducted a due diligence survey on its production sites and suppliers in response to international concerns over child labor (particularly in China), raised between September and October 2012. The survey was performed on over 1,400 suppliers sites across the world (including 881 suppliers in China) to assess key CSR issues including child labor. According to the survey result, we did not find any instances of child labor in our supply chain but we did identify other potential risks such as inadequate verification of employees' identification (legal age).

Among those surveyed, 11% retain apprentices and about 4% hire juvenile workers (between the ages of 16 and 18), both practices which increase the likelihood of child labor through forgery and theft of identifications. In order to minimize such risk, we plan to strengthen the age verification process. In 2013, we will also prioritize CSR issues and identify key management areas to provide guidelines, based on which our suppliers can make voluntary CSR risk management efforts.

### LG Electronics' Policy on Child Labor

LG Electronics clearly stated its stance against child labor and prohibits the practice in Section I Labor and Human Rights of the Supplier Code of Conduct.

#### Avoidance of child labor

Child labor shall not be used in any manufacturing processes. The term, "child" refers to a person below a certain minimum age. This minimum working age shall be determined by local laws and regulations. LG Electronics supports legitimate workplace apprenticeship programs that comply with all laws and regulations applicable to such programs.

## Support for ESH Management

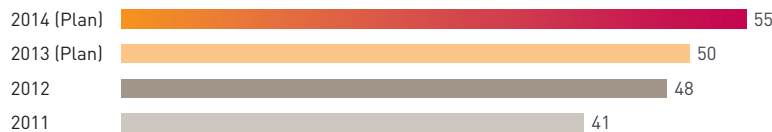
The Changwon Win-Win Growth Team conducts annual ESH risk assessment on Korea and overseas suppliers and implements audit and consulting programs based on the results. Our ESH risk management efforts minimize risks and prevent serious accidents in our supply chain. We also established customized ESH audit on high risk suppliers (i.e. high risk production process or high risk equipment) as a regular practice. In 2012, we conducted audits on 18 suppliers to identify unsafe conditions and practices and to support suppliers' improvement efforts.

We also expanded our ESH support, which was previously limited to Korean suppliers that established overseas operations for LGE projects, to local suppliers as well. In 2012, we

conducted ESH audit on 33 overseas suppliers and provided consulting on improvement efforts with support from ESH teams at local subsidiaries. We also provided quarterly training on major production processes (molding/metal plating/electric device/cutting) to strengthen suppliers' ESH management capabilities. For example, we conducted fire safety training on 15 suppliers who specialize in molding to reduce fire hazard by shar-

ing assessment results and accident cases. Based on our efforts, the number of suppliers capable of independent ESH management (ESH Level B and higher) increased from 41 in 2011 to 48 in 2012. In 2012, we expanded our support to energy management for suppliers in high energy industries and conducted separate energy management assessment for plastic molders. GHG management support was also provided to 10 suppliers. In order

### No. of Suppliers that Acquired ESH Level B and Higher



\* Level B: Suppliers capable of independent ESH management

## Focus

### Best Practice: Suntel inc.

Suntel produces and supplies touch screen panels for mobile handsets to LG Electronics. Since 2007, the company has made diverse efforts to create a great workplace under the slogan, "Great Workplace, Great Company to Take Pride in." The company established various communication channels, such as suggestion boxes and discussion sessions, to gather employee feedback and grievances. Suntel reviews the employee suggestions/grievances collected, implement improvement measures and provide feedback. The company also conducts regular employee satisfaction survey, and then translates the results into quantitative measures to manage the data systematically.

In 2012, LG Electronics conducted CSR audit and consulting for Suntel, which greatly helped the company understand CSR requirements and improve on existing employee grievance resolution programs. Based on the belief that talent management is the key to business success, Suntel is committed to creating a great working environment and conditions for its employees. As part of its efforts, the company plans to introduce a mentorship program (new recruit mentoring by department leader) and the Morale Campaign (promotion of employee morale with encouraging messages) in 2013. Additionally, support for employee clubs is under review by Suntel management to promote employee satisfaction.

### Grievance/Complaint process in Suntel

Program	Features	Frequency
Employee Suggestion	Suggestion box	Year-round
Grievance Resolution	- Immediate resolution of employee grievances and feedback	
Discussion Session	Discussion session organized by rank - Discussion session led by CEO for new recruits/ other business staff - Discussion session led by Team Leader for managers	Monthly for new recruits Quarterly for business staff Monthly for managers
Satisfaction Survey	Satisfaction survey on all business and production staff (Aimed to facilitate the transfer of technical know how possessed by skilled production staff members and ensure their continued service)	Half-yearly for business staff Quarterly for production staff
Management System for Key Initiatives	Dedicated suggestion box for key grievances and satisfaction survey on cafeteria (Management of improvement targets for top grievances (cumulative) from the previous year)	Monthly
Family Day Campaign	Campaign to encourage employees to leave work on time (17:30) every Wednesday	Weekly

to help suppliers reduce power consumption and cut energy costs, we assessed their peak demand and equipment management, and provided an improvement plan.

## Conflict Minerals

### Overview of the Conflict Minerals Issue

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 and rape in the process of taking control over the mines and forcing people, including children, to labor. Amid rising international concerns, the U.S. enacted the Dodd-Frank Consumer Protection and Wall Street Reform Act in July 2010. Under the conflict minerals reporting provisions (Section 1502) of the law, corporations listed in the U.S. stock market must disclose on the origin of conflict minerals and their derivatives in their annual reports as well as to illustrate their due diligence efforts concerning conflict minerals sourced from the DRC and neighboring countries. The provision aims to prevent violence and exploitation and to promote responsible sourcing by disclosing businesses using minerals sourced from conflict areas in the region. In August 2012, the Securities and Exchange Commission (the SEC) adopted annual disclosure requirements that implement Section 1502 of the Dodd-Frank Act to mandate corporations listed in the U.S. stock market to make disclosures relating to conflict minerals in a separate report beginning with the 2013 calendar year.

### LG Electronics' Approach to Conflict Minerals

Suppliers to LG Electronics must develop policies toward preventing the use of conflict minerals or derivative metals sourced from mines controlled by armed groups in all items to be supplied to LG Electronics. In addition, all suppliers to LG Electronics must document their efforts to determine the source of any conflict minerals or derivatives and provide LG Electronics with evidence of the origin of the metals tantalum, tin, tungsten and gold in products to be supplied to LG Electronics. Any smelters producing tantalum, tin, tungsten or gold metals subsequently used in LG Electronics' products are requested to seek and obtain certification through the EICC/GeSI Conflict Free Smelter (CFS) program. When there are an adequate number of CFS smelters/refiners available for sourcing, LG Electronics will require sourcing from CFS certified smelters.

LG Electronics encourages its suppliers to responsibly source conflict minerals and derivative metals from the Democratic Republic of Congo (DRC) and neighboring countries in order to prevent an embargo and associated worsening of economic conditions and human suffering.

### LG Electronics' Response to Conflict Minerals

In 2010, LG Electronics introduced a ban on illegally mined minerals in our global sourcing policy and the Supplier Code of Conduct. In 2013, we also revised the Master Purchase Agreement to introduce the same provision and to require supplier compliance in accordance with relevant legal provisions. In 2012, we released "LG Electronics' Statement on Conflict Minerals" on our corporate website to make a full and transparent disclosure of our policy and to confirm our firm stance on this issue, as well as to inform the public about our progress in this area. We are continuously expanding cooperation with external organizations and stakeholders including industry peers, governments and the EICC to respond effectively to this challenging issue that requires organized efforts by a coalition of diverse stakeholders.

☞ LG Electronics' Statement on Conflict Minerals  
(URL: [www.lg.com/global/sustainability/business-partner/conflict-minerals](http://www.lg.com/global/sustainability/business-partner/conflict-minerals))

### Due Diligence Survey

In 2012, LG Electronics conducted a seven month due diligence survey to verify smelters used by our suppliers (both Korea and overseas) that produce parts containing the four conflict minerals. The survey was conducted with the EICC's Conflict Minerals Reporting Template on approximately 460 suppliers identified through the internal hazardous substance management system, and about 300 smelters have been identified (based on a response rate of 60%) as a result. As of February 2013, we have reduced the number of smelters down to 161 through the validation process conducted with the EICC Extractives Work Group.

## Future Direction for Conflict Minerals

As part of its efforts to respond to the conflict minerals issue, LG Electronics established a corporate level taskforce led by the Product Testing Laboratory at the Quality Center. In collaboration with relevant departments and Korea/international experts, the taskforce works to trace the origin of the four minerals used in our products as well as to establish relevant processes and IT systems by the end of 2013. More recently, the environmental destruction and poor working conditions at the tin mines of Bangka Island, Indonesia are causing a great level of concerns within the international community. LG Electronics raised the issue to the EICC and to participate in related work groups organized to address this problem.

### Results of Due Diligence Survey on Smelters

[As of February 2013]

Category	Regional Distribution of Major Smelters	No. of Smelters
Gold	Japan, China, U.S.	77
Tantalum	Japan, China, U.S.	11
Tin	Indonesia, China, Japan	53
Tungsten	China, Japan, U.S.	20
Total		161

\* Survey Period: December 2012 to July 2013 (on 459 suppliers)  
(Response rate: 61.4%)

### Conflict Areas: Democratic Republic of Congo (DRC) and Neighboring Countries



### Conflict Free Smelter Program

The Electronic Industry Citizenship Coalition (EICC) established the Extractives Work Group to tackle the issue of conflict minerals, and LG Electronics joined the group to contribute to this worthy cause. As part of its efforts, the EICC operates the Conflict Free Smelter Program in cooperation with GeSI (Global e-Sustainability Initiative), a coalition of major Information and Communication Technology (ICT) companies. The program aims to verify smelters free of conflict minerals with professional organizations, encourage its members, including LG Electronics, to use minerals sourced by conflict-free smelters, and contribute to ending the conflicts over these minerals in the long term. As of April 2013, 18 tantalum smelters and 12 smelters have been certified free of conflicts, and the EICC and its partners work continuously to increase this figure.

☞ [www.conflictfreesmelter.org](http://www.conflictfreesmelter.org)



## SOCIAL CONTRIBUTION

In response to the call by all nations to cut poverty in half by 2015, LG Electronics partnered with the United Nations Development Programme (UNDP) to screen a promotional video for the 10th Annual Match against Poverty, organized by UNDP Goodwill Ambassadors Zinedine Zidane and Ronaldo, on its giant Times Square billboard in New York City. LG Electronics' actions directly contributed to raising awareness of the more than 1.7 billion people in 109 countries who live in extreme poverty and of the UN Millennium Development Goal's (MDG's), and it deserves credit for promoting the initiative that encourages millions across the world to take action against poverty. UNDP looks forward to working with LGE in continuing to propagate the MDG's again next year.



**Satinder Bindra**/Spokesperson and  
Director of Communications, UNDP.

### OUR APPROACH

- Contribute to achieving the UN Millennium Development Goals
- Provide development support to developing countries using our products and technologies
- Take a long term approach to collaboration with stakeholders

### OUR PERFORMANCE

<b>48</b>	Number of business sites participated in social contribution activities
<b>96%</b>	Percentage of employees participated in the Salary Rounding Fund
<b>49,954</b>	Number of employees participated in the Life's Good Day events

### FUTURE DIRECTION

- Contribute to fostering young talents in emerging and developing countries
- Develop "good" products and technologies that contribute to resolving social issues in local communities
- Expand voluntary social contribution initiatives

## OUR PERFORMANCE

### LG Electronics' Social Contribution Strategy

Based on its management philosophy of "Customer-Value Creation" and "People-Oriented Management," LG Electronics strives to deliver differentiated value for sustainable development of the humanity and makes social contributions that cater to the needs of local communities. In line with the LG Social Contribution Strategy adopted by LG Corp., LG Electronics focused our efforts on providing support to those who strive to reach their dreams in 2012. We also strive to contribute to meeting the UN Millennium Development Goals with social contribution efforts that utilize our products, technologies and core competencies.

Going forward, LG Electronics will provide active support to achieve the Sustainable Development Goals (SDGs), from "The Future we want" announced at the UN Conference on Sustainable Development (Rio+20) held in Rio de Janeiro in 2012, Brazil.

To this end, we will make the following efforts. Firstly, we will expand our corporate level social contribution program "Life's Good with LG" to all our overseas subsidiaries to contribute to every country and local com-

### LG Corp.'s Social Contribution Policy

Goals	Area
Supporting people with the will to stand up on their own feet and become independent	Youth Education
<b>Guidelines</b> (applies to all LG affiliates)	
<b>Differentiation</b> 1. Develop and execute social contribution programs that utilize LGE's unique innovation. 2. Realize substantial change for the beneficiary through continuous and consistent execution.	
<b>Participation</b> 3. Guarantee paid work hours for volunteer work to promote employees' voluntary participation in social contribution (8 hours or more per year). 4. Company is obliged to execute matching grant fund that matches to employees' donations. 5. Company will make effort to create a culture that promotes employees' voluntary participation.	

### UN Millennium Development Goals

Adopted by 192 world leaders in the year 2000 and set to be achieved by 2015, the United Nations Millennium Development Goals (MDGs) are international pledges to reduce the world population living below the poverty line by half. The eight international development goals include eradicate extreme poverty and hunger (Goal 1), combat HIV/AIDS, malaria and other diseases (Goal 6), and ensure environmental sustainability.



munity in which we operate. Secondly, we will utilize our products, technologies and core competencies to make a tangible difference in local communities. Finally, we will continue to implement systems and programs designed to raise awareness of corporate social responsibility among our employees and to engage them in volunteer works and donations based on "Creativity and Autonomy."

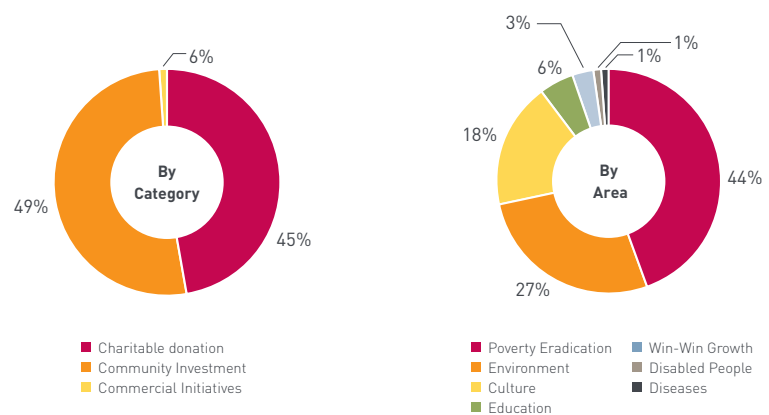
### Key Focus Areas for Social Contribution Efforts

LG Electronics' social contribution efforts are largely focused on two areas. First is the basis for self-reliance. We strive to achieve this goal through poverty eradication efforts, education support and medical support and become a company that grows together with local communities. Such efforts will help us contribute to sustainable development of the humanity and expand potential customers. Second is the environment and Safety & Health. We will develop energy efficient products and utilize our technologies, products, and marketing infrastructure to raise awareness of the environment. We believe that not only we can contribute to resolving social issues by focusing our efforts into what we do best and by utilizing our know how but also we can expand markets to emerging countries and create shared value.

### Achievements in 2012

In 2012, LG Electronics made a total of KRW 19.4 billion in donations (11 Korean business sites), and 71% of our donations were directed to poverty eradication and environmental protection. A total of 37 LGE overseas subsidiaries also participated in social contribution initiatives. We issued 27 press releases on our social contribution efforts to Korean media outlets.

### 2012 Donations Breakdown (Parent)



### 2012 Social Contribution Performance against London Benchmarking Group (LBG) Model

Inputs (Parent)	Outputs	Impacts
<b>Costs</b> KRW 19.4 billion	<b>Support for Local Communities</b> Sponsored and supported the socially marginalized and welfare facilities from local communities	<b>Social Impacts</b> <ul style="list-style-type: none"> <li>Made contribution to local community development</li> <li>Fostered young talents from underprivileged backgrounds i.e.) Helped increase a social enterprise' revenue by 20% (estimated) with productivity improvement consulting</li> </ul>
<b>Category</b> Charitable Donation 45% Community Investment 49% Commercial Initiatives 6%	<b>Stakeholder Engagement</b> Maximized impact by collaborating with local NGOs and business partners i.e.) "The Most Big Hug" campaign in partnership with a Greek detergent maker	<b>Business Impacts</b> <ul style="list-style-type: none"> <li>Promoted employee engagement through employ participation</li> <li>Sales increased from enhanced brand profile i.e.) Blood drive with a Russian retailer attracted 153 cases of media coverage and led to year-on-year sales growth of 24%</li> </ul>
<b>Region</b> 48 Business Sites in Total Korea: 41 cases from 11 sites Overseas: 211 cases from 37 sites	<b>Connection to Business</b> Distributed 27 press releases (Korea)	
<b>Area</b> Poverty Eradication 44% Environment 27% Culture 18% Education 6% Win-Win Growth 3% Disabled People 1% Diseases 1%	<b>Employee Participation</b> 87% of Initiatives in Korea 59% of Overseas Subsidiaries	

### LG Talking Book Phone

Since 2005, LG Electronics has cooperated with LG U+ and the LG Sangnam Library to develop mobile phones that read books for the visually impaired. A total of 10,000 units were donated between the period of 2005 and 2012. The fifth LG Talking Book Phone was developed and donated to social welfare facilities for the disabled in 2012. The new model features a function that allows users to access the "LG Digital Talking Book Library" of the LG Sangnam Library and download audio books.





## Key Social Contribution Activities

One of the LG Way management philosophies, "Customer-Value Creation," conveys our belief that we need to identify customer needs even before they themselves realize it. We strive to identify the needs of stakeholders, including potential customers and local community members, and to deliver differentiated value, especially by making social contribution efforts. In 2012, LG Electronics actively engaged in social contribution initiatives designed to support self-reliance of the underprivileged, foster young talents, and protect the environment.

### 1. Supporting Self-reliance of the Underprivileged

LG Electronics operates the "LG Hope Family" program to help the underprivileged in developing countries to achieve self-reliance and works to eradicate waterborne diseases to further facilitate its efforts. We also participate in emergency relief missions in regions ravaged by natural disasters and armed conflicts to create a caring world. Our efforts are not limited to financial support - we also make our professional capabilities and marketing infrastructure available to public organizations to advance great causes championed by the organizations. The "LG Hope Family" Program is a local infrastructure improvement project led by the UN World Food Programme in Bangladesh and Cambodia in partnership with the respective national governments. LG Electronics selected about 7,000 households that participated in the construction projects (i.e. roads and canal) and provided food and cash in exchange for their labor. For two years since the project was launched in 2011, a total of 20 km of roads, waterways and levees (combined) were constructed in Bangladesh under this project.

In Ethiopia, LG Electronics, in partnership with LG Corp., launched the "LG Hope Community" program aimed to promote the economic development of local communities, and cooperated with the International Vaccine Institute to develop a vaccine for waterborne diseases. We have acquired the approval on the vaccine from the World Health Organization (WHO) and plan to launch a large scale vaccination effort in 2013. In Philippines, LG Electronics raised an emergency relief fund for the 2012 flood victims and operated the LG Service Camps at major cities to provide a free product repair service and free medical check-up. We also made our Times Square digital billboard available to the UNDP and UNEP to raise public awareness of global issues such as environment and poverty under the LG Hope Screen Program.



- 1 | LG Hope Family (Bangladesh)  
2 | Emergency Relief Efforts (Philippines)  
3 | LG Hope Screen (U.S.)  
4 | Productivity Improvement Consulting for Start-up Social Enterprise (Korea)  
5 | UNEP's Champions of the Earth Awards

#### LG Hope Community in Ethiopia

In January 2013, LG Electronics established an Ethiopian subsidiary whose main task is to operate CSR projects in the country. With the subsidiary in place, LG Electronics, together with LG Corp., will work to create self-reliant farming villages through infrastructure improvement projects (i.e. solar power generation system) and productivity improvement training. We also plan to establish a vocational school to transfer our technological know how to Ethiopians and implement programs to support the descendants of Korean War veterans. We expect such efforts to contribute to fostering young talents and creating jobs in the long term.

### 2. Fostering Young Talents with Education

LG Electronics makes a wide range of efforts to contribute to fostering responsible global citizens and future leaders. Our efforts include developing products that bridge the digital divide, establishing IT training facilities and running environmental education programs. In order to foster future generations with a strong sense of responsibility towards the environment, LG Electronics introduced the Life's Green Class in 2006 in association with Hanyang University and educated more than 76,000 children as of 2012. This program was also introduced in India at 2010, and operated in conjunction with LGEIL (Indian Subsidiary) and the University of Pune. In 2012, the Life's Green Class visited a total of 64 schools and provided classes to more than 63,000 children. In Indonesia, LG Electronics operates the "LG Loves School" program to create an improved learning environment for students from schools in developing areas by replacing old computers and IT equipment and donating electronic products. Our employees also teach IT classes for students, and the program is operated in conjunction with scholarship programs and training programs for students and teachers.

### 3. Job Creation

In accordance with the agreement with the Ministry of Employment and Labor and the Ministry of Environment in Korea, LG Electronics provides support to social enterprises in the environment sector, which applies commercial strategies to maximize improvements in human and environmental well-being. To support their cause and establishment, LG Electronics provides financial support, management advice and productivity improvement know how. In 2012, an advisory board specifically organized for this purpose provided support to 14 start-up social enterprises, supporting initial investment costs and providing consulting on business strategy. As a result, the 14 enterprises recorded a 14% of sales increase on average and created 27 jobs. In 2013, we plan to expand the beneficiaries to social cooperatives in the environmental area and support a total of 20 companies. LG Electronics also operate education/training programs for underprivileged youth from countries in which we operate, including Kenya and Brazil. Through the program, we provide vocational training and internship opportunities to create jobs.

#### 4. Raising Environmental Awareness

As a responsible member of the global community, LG Electronics strives to raise awareness of environmental sustainability and promote customer participation in protecting the environment. To this end, we sponsored UNEP's Champions of the Earth Awards, one of the most prestigious environmental honors in the world. In 2012, the Awards honored numerous world-renowned environmental scientists and activists, including President Tsakhia Elbegdorj of Mongolia for making a great contribution to the prevention of desertification in the country.

#### Employee Participation Programs

In the "Charter of Social Contribution" established in 2005, LG Electronics declared, "LG Electronics operates its corporate citizenship programs by forming partnerships between labor and management, executives and employees, customers and local community citizens, and related NPO/NGOs." In order to remain true to this pledge, we make social contribution efforts such as donations and volunteer work in local communities where we conduct business, both in Korea and overseas. Based on the operation principles of the LG Social Contribution Policy introduced in 2012, LG Electronics strives to create a corporate culture that promotes employees' voluntary participation and introduced a program that offer paid leave for volunteer work in March 2013.

In celebration of World Environment Day (June 5), we organize the "Global Volunteer Day" event at our business sites across the world. In 2012, we also expanded opportunities for taking an act of sharing through employee talent donation programs and convenient cash donation programs.

#### 1. Talent Donations

Since 2005, volunteer activities by LGE Employees expanded to talent donation with the 2010 launching of the "Life's Good Volunteers." A total of 80 volunteer groups selected from 11 business sites in Korea utilize their special talents, interests, and expertise in a variety of volunteer works that bring them closer to local communities, including photo shoots for elderly citizens and mural paintings for community beautification. As of December 2012, more than 3,000 employees participated in the program.



Employee Participation Programs

- 1 | Global Volunteer Day
- 2 | Life's Good Volunteers
- 3 | Life's Good Day

#### Improving Productivity of Social Enterprise - Heuksalim

As part of its consulting program for start-up social enterprise, the LGE Labor Union provided productivity management consulting to the organic produce retailer "Heuksalim" for approximately five months. Consultants from the LGE Labor Union installed a conveyor belt and performed consulting on ways to improve Heuksalim's production environment and distribution process. As a result, the company's productivity improved by 46%\*, achieved annual cost savings of about KRW 38 million from reduced overtime and unessential manpower, and created 10 new jobs. Based on the production volume (up 20% from the previous year) from its business plan for 2013, the company is expected to save about KRW 59.7 million in costs.

\* Based on daily processing volume of small-size packages



#### 2. Donation Programs

In order to facilitate employee donations, LG Electronics runs diverse programs such as "Executive Contribution Fund" and "Salary Rounding Fund," and bi-monthly donation menu program. Launched in 2004, the Executive Contribution Fund is raised with the participation of more than 85% of LGE Korea executives who donate a set amount from their monthly salaries. LG Electronics also makes matching donations on the amount raised. In 2013, we established the Steering Committee of the Executive Contribution Fund to ensure fair and transparent operations of the fund.

The Salary Rounding Fund is raised with the voluntary participation of more than 96% of LGE Korea employees. Participating employees donate less than KRW 1,000 from their monthly salaries. The fund is directed to supporting local disaster relief efforts and employees dealing with hardships. In 2012, the fund was used to help employees facing hardships and sponsor the Korea Muscular Diseases Foundation. LG Electronics expects such donation programs to promote corporate social responsibility among our employees.

In 2012, we offered the donation menu four times (the company cafeteria offers a reduced price menu, and the employees who choose from that menu pay the original amount and donate the difference), to provide greater contribution opportunities with the participation of 49,954 employees. The entire proceedings from the program were directed to a children's foundation to be used in fostering young talents from underprivileged backgrounds.

#### Life's Good Product

Our recycling centers collect disposed electronic products through the e-waste take-back program, which was introduced to promote environmental protection through recycling. Here, we select refrigerators and washing machines in relatively good condition and donate them to those in need. In 2012, we donated a total of 80 recovered items (refrigerators, washing machines, PCs) to nonprofit organizations, including welfare facilities. We also donated PCs and monitors to Jeongnip Hoegwan, a welfare facility for the severely disabled, and supported the establishment of "LG Plaza," helping the severely disabled overcome the digital divide.

# AROUND THE WORLD



LG Electronics makes earnest efforts to spread hope to local communities across the world. In 2012, our employees from 48 business sites participated in 252 social contribution initiatives. LG Electronics will continue its efforts to earn the trust and respect of each and every community where we do business by assisting the underprivileged to become self-reliant, protecting the environment and promoting employee participation in volunteer works.



**1 Korea: LG Design Street** | Designers from the Corporate Design Center utilized their design expertise to beautify the neighboring community. Over 150 designers from the center donated their professional talent and transformed a local sports park into a unique and beautifully designed space.



**2 Korea: Beautification of Local Mineral Spring** | The HA Company and the City of Changwon came together to transform a local mineral spring into an attractive spot. The HA Company utilized the stainless steel used in water purifiers to produce over 300 sophisticated ladles and donated them to be used at the mineral spring.



**3 Mexico: Water Tank Donations to Underprivileged Neighborhoods** | In 2012, LGE's Mexican subsidiary invested a part of its profits from washing machine sales to install a total of 28 water tanks at underprivileged neighborhoods suffering from drinking water shortages, relieving over 4,000 low income residents from drinking water concerns for the next 30 years.



**4 Russia: Blood Drive** | LGE's Russian subsidiary, in partnership with the Ministry of Health & Social Development of Russia, organized a blood drive that tours eight cities on a train. The event was planned to raise awareness of the importance of blood donation. The train traveled a total of 5,000 km and attracted 1,241 blood donors.





5

**Israel: Charitable Photo Exhibition** | LG Electronics has organized the charitable photo exhibition "Art to Heart" for the past four years. The exhibition showcases interesting photos by famous photographers that feature refrigerators and renowned chefs. The proceedings from the sales (USD 50,000) were directed to supporting children with disabilities.



6

**Greece: The Most Big Hug** | LG Electronics ran a clothes donation campaign at Greece's largest shopping establishment "the Mall Athens," where we collected clothes from shoppers and washed them with LGE's largest capacity drum washing machines that were installed on the premise. 300 boxes of clothes were collected (12 kg per box) and passed on to underprivileged families.



7

**South Africa: Education Program for Underprivileged Neighborhoods** | LGE's South African subsidiary toured orphanages and grade schools in underprivileged neighborhoods and provided free electronics repair service and performed disinfections. The subsidiary also offered a free 3D movie screening and IT classes on the service bus.



8

**Indonesia: LG Nutri Fridge Campaign** | LGE's Indonesian subsidiary engaged in an SNS campaign on Facebook to address children's nutrition issues. During the campaign, over 1,000 people played a social media game about nutritionally balanced meals to raise funds, and the proceedings were used towards providing nutritious meals to children from three local orphanages for six months.



## TALENT MANAGEMENT

During my stay at HQ for the In-Nation Service Employee (ISE) High Potential Individual Pool (HIPO) HQ Job Assignment/OJT Program, I was deeply impressed by the work our colleagues from HQ HR Team had put into preparing this program. My initial concern was the possible language barrier but fortunately, I didn't have any problems thanks to the language fluency of the well-trained HQ staff and outstanding interpretations, which are great examples of LG Electronics' capacity as a global corporation. The training was a great opportunity to network with High Potentials from across the world and to have direct communication with the company's leadership. Through the program, I also realized that LG Electronics has a strong belief in the overseas employees.



Piotr Grygo/LGEWR (Wroclaw, Poland)

### OUR APPROACH

- Secure quality talent and foster them with systematic HR management
- Motivate employees with merit-based evaluation/reward
- Implement HR system tailored to global talent

### OUR PERFORMANCE

<b>1.4%</b>	Percentage of female executives (Korea)
<b>58%</b>	Percentage of overseas employees
<b>85</b>	Average training hours per employee

### FUTURE DIRECTION

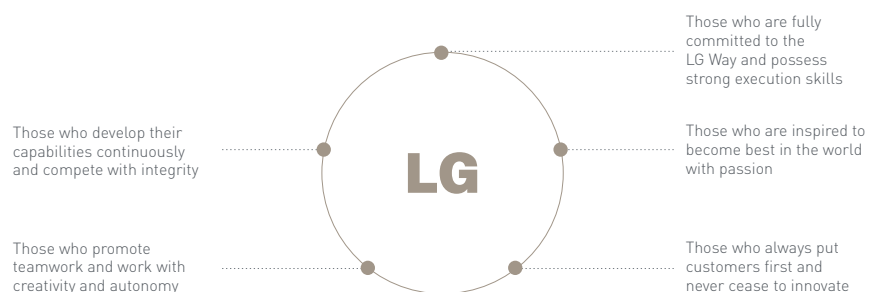
- Recruit talented employees with global competitiveness and secure business competitiveness through job rotation
- Strive for continuous HR system improvement and motivate employees with HR operations efficiency

## OUR PERFORMANCE

### LGE's Efforts to Secure Quality Talent

Based on the conviction that the driving force behind the company's growth is its people, LG Electronics continuously works to find and acquire quality talent with a wide range of recruiting activities. As part of our efforts, we tour universities to host recruitment events and provide career counseling to students, while pursuing industry-academia cooperation programs with numerous universities to create a talent recruitment process that benefits students, universities and LGE alike. We also have diverse open recruiting programs in place to discover quality talent on an ongoing basis. Our talent acquisition efforts extend to overseas as well; every spring, top executives from LG Electronics participate in the Techno Conference hosted by LG Corp. to introduce our business operations and latest technologies to potential employees and make recruitment efforts to secure quality talent based on mid to long term HR requirements. In 2013, we plan to further strengthen our talent acquisition efforts with diverse recruitment activities.

### Talent Sought by LG Electronics



## People

### Achieving a Dream with Perseverance and Passion

**Cheon Bok Park** (Assistant, Korea Marketing Company)

I had to put my education on hold to support my family through financial difficulties after my father's death. I was able to go back to school when I was 24. I put myself through college with a series of part time jobs but still managed to excel academically, taking the top spot for seven semesters and the second for one semester. When the time came to consider my career options, I decided that the Korea Marketing Company of LG Electronics was where I wanted to be. To achieve this goal, I got a part-time job at a discount store that sold LGE products and worked there for three years to teach myself marketing, customer needs, sales channels, etc. on the shop floor. My hard work and thorough preparation paid off; I was able to get an offer from the Korea Marketing Company despite the record high competition rate and was even acknowledged for my preparedness during the interview.





## Systematic HR Development based on Career Development Program and Training

### 1. Career Development Program

At LG Electronics, employees are required to establish their own Career Development Program (CDP) along with annual performance targets. Based on the CDP, employees have "One-on-One Caring" interview with their managers to receive any support they need to follow through with the plan. Under the system, employees choose their own career tracks, identify work experience and training required for the chosen track, and map out detailed action plans based on the career development roadmap standardized for each business function. 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. One-on-One Caring interview is conducted on a semiannual basis in conjunction with employee evaluation. Employees are ensured to receive training support based on the finalized CDP and provided with opportunities promised regardless of business/management issues.

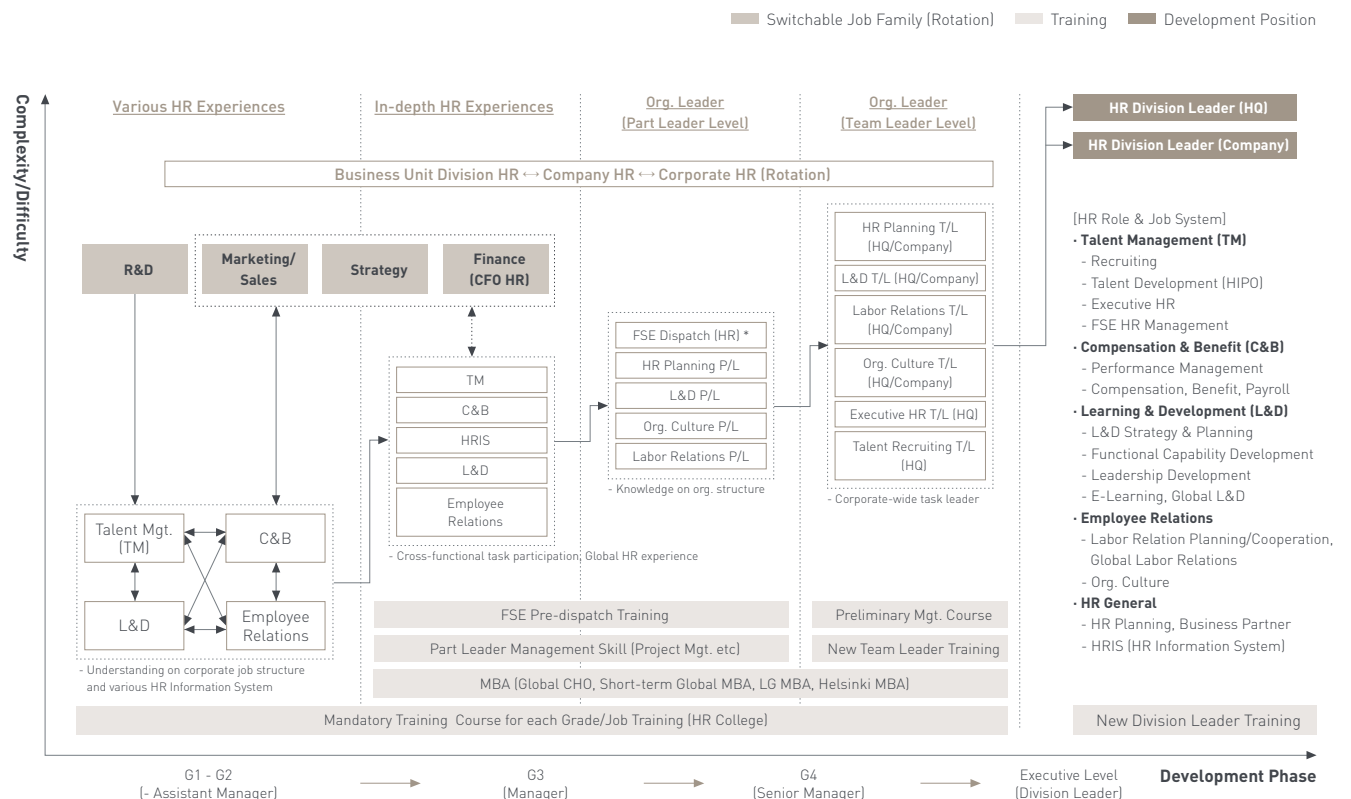
LG Electronics identifies employees who have great potential as business leaders at early stages of their careers and put them through a systematic training process to foster them into business leaders, function leaders, and experts depending on their respective development tracks. We carefully monitor the course of employees' development and encourage employees to progressively expand their capacities through job rotations, particularly to ensure that employees do not become too specialized for a specific function or business. LG Electronics 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 interviews with their managers to achieve individual development goals, including detailed training plan. 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 as well as support needed to achieve established objectives.

### 2. Functional Training System

In order to foster top class experts in diverse business functions, LG Electronics established the Business Function College for each of its 12 business functions and offers 713 training programs taught by internal experts. Employees undergo required training based on their CDP and must complete at least two credit hours per calendar year. Credits from the training are reported to the HR system and reflected upon promotion. In addition to courses offered at the Business Function College, study groups and seminars are organized to promote professional capability development in specialized business functions such as R&D. We also provide additional credits to employees who serve as instructors for internal training programs to promote participation. The training program for business leaders and Foreign Service Employee (FSE) candidates is implemented based on the Business Leader Training Roadmap to develop professional capabilities. Mandatory and elective training courses are determined based on candidates' chosen career track.

For our overseas employees, we established the In-nation Service Employee (ISE) Standard Training System and offer leadership/

Standard Career Development Roadmap (Sample: HR Staff)



functional training from the 13 regional training centers (U.S., France, China – Beijing and Nanjing, UAE, Dubai, Panama, Indonesia, India, Egypt, Brazil, Russia, Poland, and Mexico). High Potentials from overseas subsidiaries undergo training in Korea.

### Motivating Employees with Merit-based Fair Evaluation & Reward System

LG Electronics has a single standardized corporate-wide process that governs its evaluation and incentive systems for its employees. Our merit-based employee evaluation system adopts relative evaluation to facilitate accurate assessment and discriminatory reward based on merit.

We also minimize the complexity of the system (performance and capability evaluation) to make it more accessible to employees. We also ensure that clear feedback on improvement points (performance and professional capabilities) is provided to employees based on the outcome of evaluation to promote employees' longer term development and contribution to organization performance. In addition to regular evaluation, managers also undergo 360 degree multidimensional evaluation of their leadership to create a strong and sound organization.

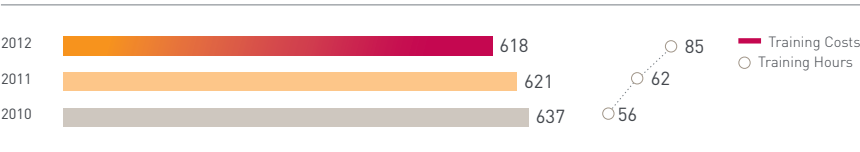
Our business staff is evaluated on individual performance, common capabilities, and leadership, while the technical staff is assessed based on professional knowledge, teamwork ability, sense of responsibility, management ability and performance. Based on the outcome of employee evaluation, LG Electronics rewards high performers with differentiated compensation in the form of raise/incentive and promotion/staffing. Excellent organizational performance is rewarded with promotion and staffing. The outcome of employee evaluation also serves as grounds for differentiated compensation such as salary raise and regular/ad-hoc incentive bonuses. There is no salary gap between male and female employees, and we reward high performers with differentiated compensation based individual performance to motivate employees' strong performance. We also provide clear feedback and coaching to inspire excellent performance across the organization.

### Global HR System & Training System for High Potential Employees from Overseas Subsidiaries

In 2012, LG Electronics' HQ and overseas subsidiaries closely collaborated to implement the global HR system based on the standardized process. HQ provided guidelines on key HR issues (i.e. leadership/performance evaluation, acquisition of key talent, employee compensation – salary, incentives and promotion) and assigned dedicated support staff at

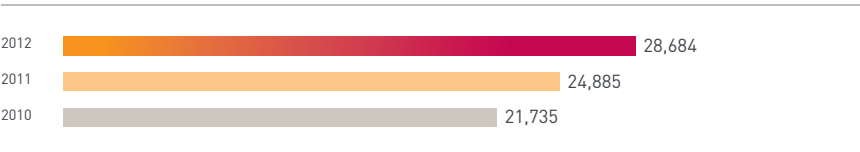
### Employee Training

Unit: KRW 100 million, hour



### Payroll Costs (Korea)

Unit: KRW 100 million



### LGE Establishes "Standard Workplace for the Disabled" as Subsidiary

On December 11, 2012, LG Electronics signed an MOU with the Korea Employment Agency for the Disabled (KEAD) to establish "Standard Workplace for the Disabled" as its subsidiary. At the ceremony held at LGE's Pyeongtaek Digital Park, Employment Promotion Director Jong Ran Cho and LGE's Pyeongtaek Business Support Office Leader Jin Gwan Park signed the MOU to finalize the agreement, which is expected create quality jobs for the disabled by developing and discovering business functions ideal for the disabled. Based on the agreement, LG Electronics established "Hanwoori" (42 disabled and 34 non-disabled employees) on March 19, 2013 in Pyeongtaek. LG Electronics also plans to expand the "Standard Workplace for the Disabled" program to all its business sites.

#### Standard Workplace for the Disabled

"Standard Workplace for the Disabled" is a program designed to promote employment of the severely disabled, who have great difficulties in finding jobs in the competition-driven labor market. The program encourages large corporations to establish a subsidiary to provide the disabled with stable employment, which is expected to help the disabled achieve self-reliance in the long term.



each region. Corporate HR and subsidiary HR cooperated to review and revise the guidelines to suit local needs. Through these efforts, our global HR process was taken to the next level. LG Electronics also made a wide range of efforts to strengthen its training programs for high potential employees from overseas subsidiaries. In addition to training opportunities through our integrated global training system, we invited 60 high potential employees to Korea on a job rotation lasting from three months to one year and provided an opportunity to train and work at related departments. We also invited 70 overseas employees to Korea and provided an opportunity to increase their pride in the company through a program comprised of training sessions designed to enhance participants' understanding of LGE and Korea, production sites and LG Shop vis-

its, and watching the performance "Nanta." Additionally, we implemented a mentoring program that partners each of the 233 high potentials from overseas subsidiaries with a Korean high potential as their mentor. The program enables overseas high potentials to receive the professional support they need and to form close relationships with their Korean counterparts.

### Facilitating Employee Diversity with Efficient HR System

Based on the belief that diversity leads to greater organizational competitiveness, LG Electronics makes every effort to create a working environment where social minorities, including females, foreigners and the disabled, are respected and subjected to no discrimination or inconvenience. As of year-

## Turnover Rate

Unit: %

	2010	2011	2012
Korea	4.9	6.0	5.5
Overseas	30.7	37.6	29.8

## Percentage of Non-regular Employees (Korea)

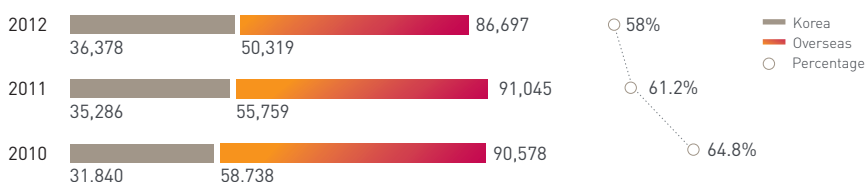
2010	1.0
2011	1.4
2012	2.7

## Percentage of Disabled Employees (Korea)

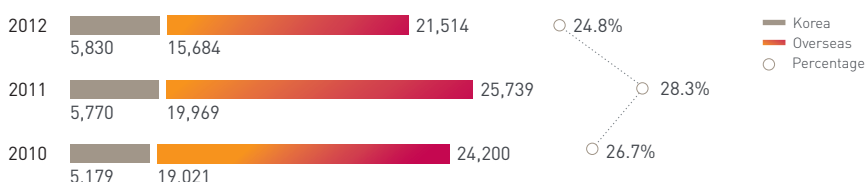
2010	2011	2012
1.3	1.3	1.3

end 2012, the total number of LGE employees was 86,697 (Korea: 36,378/Overseas: 50,319). 21,514 of the employees were female (Korea: 5,830/Overseas: 15,684), and 65,183 were male (Korea: 30,548/Overseas: 34,635). Out of 5,830 female employees from Korea, 68.8% were office staff and 31.1% worked at production sites, with 1.4% of female employees serving as team leaders. The number of years in service for Korean employees was on average 8.3 years. 988 non-regular workers made up 2.7% of the entire workforce, and 468 employees with disabilities made up 1.3% of all Korean employees.

## No. of Overseas Employees



## No. of Female Employees



## Return/Retention Rate after Childbirth/Maternity Leave, Gender Breakdown (Korea)

Category		2010	2011	2012
Childbirth/maternity leave	Male	1	9	16
	Female	313	403	403
Percentage of employees returned after leave	Male	100%	100%	94%
	Female	100%	100%	99%
Percentage of employees remained at work for 12 months or longer after returning from leave (=Retention rate)	Male	100%	89%	90%
	Female	84%	86%	96%

## Focus

### LG Electronics College

On October 9, 2012, LG Electronics launched "LG Electronics University," the first corporate university certified by the Ministry of Employment and Labor, from which it receives support. The University has three departments (Open Recruiting for expectant employees, Win-Win Partnership for employees and supplier employees) and Skill Development for LGE employees) and offers 15 courses, including Digital Appliance Service, Win-Win Growth Business Administration, Metal Molding, Quality Engineering, and Global Marketing. The University courses run up to 120 days and are expected to educate 1,600 students annually.



### LG Electronics College Curriculum

Department	Course	Target	Duration	No. of Sessions
Open Recruiting	Digital Appliance Service	Employees (expectant) from customer service suppliers	120 days	13
	Mobile Phone Service	Employees (expectant) from customer service suppliers	94 days	6
	Production Engineering	Production staff (expectant)	41 days	1
Win-win Partnership	Win-Win Growth Business Administration	High Potentials from suppliers	13 days	1
	Electronic Appliance Service Engineering	New recruits from customer service suppliers	48 days	4
	Mobile Phone Service Engineering	New recruits from customer service suppliers	27 days	3
	Service Management	High Potentials from suppliers/subsidiaries	22 days	1
	SW Development	R&D SW new recruits	40 days	17
Skill Development	Metal Molding	Metal molding expert candidates	50 days	1
	Six Sigma	New MBB candidates	12 days	3
	Quality Engineering	Quality expert candidates	11 days	3
	Product Liability	Product Liability expert candidates	11 days	2
	Global Marketing	High Potentials from marketing	20 days	1
	B2B Marketing	High Potentials from B2B marketing	13 days	2
	Management Innovation	Internal consultants	15 days	1



## CORPORATE CULTURE/ WORK-LIFE BALANCE

Family is the value that Mexicans treasure the most, and spending quality time with their family tops their priority. To honor their family-oriented lifestyle, LGERS provides a wide range of programs and events for employees and their family members, including a photo studio on the company premise that offers free family portraits. Programs and events for employees increase their work satisfaction and help them take pride in the company by promoting a sound corporate culture. Our efforts for employee work-life balance also create positive impact on employees, their family members and in the long term, local communities.



Claudine Zamora/LGERS (Reynosa, Mexico)

### OUR APPROACH

- Based upon the "LG Way", establish a corporate culture that encourages creativity and autonomy
- Create a corporate culture that promotes employees' work-life balance

### OUR PERFORMANCE

Strengthened direct communication

Promote employee engagement

### FUTURE DIRECTION

- Work environment that promotes "Creativity and Autonomy"
- Corporate culture that promotes employees' work-life balance

## OUR PERFORMANCE

### Direct Communication across the Organization

In order to establish a corporate culture that encourages creativity and autonomy based on the "LG Way," LG Electronics makes ongoing efforts to promote communication built on trust and mutual respect among its members. In line with the CEO's strong drive for promoting communication, our approach to communication has been expanded to "direct communication across the organization." As part of our efforts to deliver employee feedback directly to management, we have established a communication channel named "Mr. CEO Email Account" and received a total of 309 messages since 2011. The CEO reviews each and every one of the messages himself and organizes a monthly meeting to make direct communication with members of diverse backgrounds and positions. "Mr. CEO Pizza" was organized as a surprise event to encourage employees who exert themselves to overcome tough business conditions and to produce results, delivering pizzas as well as a pleasant surprise to 69 teams (40 Korean and 29 overseas) between 2011 and 2012. 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 promoting face-to-face, direct communication. For example, we have in place a program called "Assimilation" to facilitate trust based communication between newly appointed leaders and their members. The program organizes a Q&A session between the new organization leader and members to provide an opportunity to members to verify facts and ask questions to gain information about their new leader (the Assimilation session needs to be held within three months of a new leader's arrival). In this communication session, newly arrived organization leaders earnestly answer questions from their team members and identify the thoughts and concerns of their team members in the process.

### Promoting Employee Engagement

As part of its efforts to promote teamwork and open communication based on employee engagement, LG Electronics developed a teamwork building workshop and implements the program across the organization. The workshop helps participants identify capabilities they need to develop to work creatively and take initiatives, assess the current state of their team including the leader, devise a development plan themselves, and go through with the plan independently. We offer the

workshop on a semiannual basis and track post-workshop changes in participants. We also introduced success cases to all LGE members at the Monthly Morning Meeting started in June 2012. Encouraged by the success of our efforts to promote employee engagement, we hosted a product idea contest for all employees from LG Group companies and their family members, to which employees and their family members responded enthusiastically with over 1,700 ideas in six product groups. A total of 31 ideas were selected and awarded. Employee ideas collected through the contest were organized into a database and managed as basic reference data for future product planning and development. LG Electronics plans to hold the product idea contest on an annual basis. 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 lead various activities to bring about changes in the organization, and JB communicates employees' opinions to top management and engage in diverse activities to protect employees' rights. JB pays particular attention to Voice of Employees registered to the internal bulletin boards (JB Bulletin Board: 348 postings, Idea Suggestion Board: 1,390 postings) and works to incorporate employee feedback

and suggestions to our operations and products. For example, based on JB's suggestion, we moved the company anniversary holiday (March 27) to the second Friday of April to allow employees to take advantage of a three-day weekend. The Labor Union anniversary holiday is also decided by each production site based on a consensus of its members.

#### "Creativity and Autonomy Index" from the LG Way Index

LG Electronics regularly assesses employee's awareness of the organization's efforts towards promoting "creativity and autonomy" at workplace. Although changes in the index no longer carry much weight since it has been stabilized, we plan to continue our efforts to promote creativity and autonomy and to create a great work environment for our employees.



## Work-Life Balance

### 1. Korea

A wide range of efforts are made to help our employees achieve work-life balance and to create a happy workplace. Each business site has a "Family Day" to encourage its members to leave work on time to have quality time with their families. On "Family Day," JB members at Korea Marketing Company make an announcement on the company's internal broadcasting system to let employees know it's time to go home.

We also provide counseling centers and employee lounge at each business site to help our employees cope with professional and personal stresses. As part of our efforts to create a fun workplace, we organize diverse events (i.e. internal talent competition "Star Discovery") and promote informal groups, including the employee reenactment actors group "Broadway."



#### Work-Life Balance

- 1 | Employees at the Counseling Center (Korea Marketing Company)
- 2 | Employee Reenactment Actors' Club "Broadway" (HE Company)
- 3 | LGEIL's Employee Engagement Program Inspired by Traditional Indian Culture



#### Work Style Unique to LG Electronics

Cartoon Featured in the Campaign for Promoting "Meeting/Reporting Culture Renewal"

## 2. Overseas

Our overseas subsidiaries also offer diverse programs and events designed to promote employees' work-life balance based on their comprehensive understanding of local cultures.

LG Electronics' Southern China Office designated the region's most popular sport badminton as the official sport of the subsidiary and invites employees every Friday to enjoy playing badminton with their coworkers. The Southern China Office also hosts an annual badminton competition for its employees and local residents.

LG Electronics' Indian subsidiary (LGEIL) makes its best efforts to maintain a regional and cultural balance in its management and welfare policies and accommodate disparate employee needs arising from the country's multi-ethnic and multi-cultural background. A case in example is religious holidays; since not all religious holidays and anniversaries are designated as national holidays, the subsidiary allows employees to take leaves flexibly to celebrate their ethnic and religious traditions. During the semiannual plant maintenance period, LGEIL provides extended holidays to every employee to give them an opportunity to have a quality time with their families and loved ones. A variety of informal groups (i.e. traveling, volunteering, music) are supported by the subsidiary to promote employees' work-life balance.

## Work Style Unique to LG Electronics

In order to help our employees maintain work-life balance, we need not only to increase employee engagement but we also need to promote smart work practices and time management skills. To this end, LG Electronics engages in a campaign to enhance its meeting/reporting practices and to establish a smart work style that is unique to LG Electronics. Management is leading our campaign efforts, such as producing a video about improvement cases and screening the video at the Monthly Morning Meeting, to promote a smart work style. As part of the campaign, fun promotional cartoons were created to inspire change and raise awareness. We also established a discussion-based approval system to facilitate swift decision-making, which was received favorably by our employees.





## DECENT WORK

Based on the integrity it has built by advocating "Harmony" since its foundation, LG Electronics can create an overarching impact as an advocate of human rights as universal value. Demonstrating the observance of human rights is a complex and difficult process, which is why such an effort requires clear and strategic objectives. Although LG Electronics has a Global Labor Policy already in place and conducts systematic self-assessment on its production sites across the world, it still needs to expand such efforts throughout the value chain. I hope that LG Electronics fulfills its role as a leader in human rights management by establishing an effective structure for stakeholder engagement that lends its ears to the voices of its diverse stakeholders.



Seon Ae Jeong/Executive Officer,  
Korea Human Rights Foundation

### OUR APPROACH

- Manage risks associated with labor rights/human rights in accordance with international standards
- Enhance working conditions at our business sites across the world

### OUR PERFORMANCE

<b>86%</b>	Percentage of low risk production sites
<b>85%</b>	Completion rate for remedying non-compliances

### FUTURE DIRECTION

- Increase the number of business sites that receive the third party CSR audit
- Identify weaknesses shared by business sites and make ongoing improvement efforts
  - Employee grievance resolution system
  - Work hours

## OUR PERFORMANCE

### Global Labor Policy

LG Electronics recognizes the rights of all employees and stakeholders to pursue happiness, to work with dignity and to be respected as human beings. Accordingly, LG Electronics complies with international standards as well as labor laws and regulations, such as the Universal Declaration of Human Rights by the United Nations, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, the OECD Guidelines for Multinational Enterprises, the United Nations Global Compact, and the EICC Code of Conduct.

Established and announced in August 2010, LG Electronics' Global Labor Policy has been translated into 20 different languages and distributed to all its business sites throughout the world. In March 2013, we amended some provisions to provide greater details and clarity.

<sup>109</sup> LG Electronics Global Labor Policy  
[URL: <http://www.lg.com/global/sustainability/employee/labor-rights-protection.jsp>]

### Major Amendments to Global Labor Policy (As of March 18, 2013)

Article	Previous	Amended
Article 3. Prohibition of Child Employment	LG Electronics does not employ children or youths aged 15 or younger, and does not permit employees aged 18 or younger to perform certain tasks that expose them to significant health or safety risks.	LGE will abide by the local labor laws with respect to minimum age of employment and does not permit employees aged 18 or younger to perform tasks that jeopardize their health or safety.
Article 5. Work Hours	LG Electronics will follow local laws with respect to working hours, including regular and overtime hours.	LGE will comply with the local labor laws with respect to working hours, including regular and overtime hours, and holidays. If relevant laws are absent, LGE will comply with the EICC standards.

### Labor Relations (Korea)

Labor-Management Relations is a unique term that LG Electronics uses to describe the company's exceptional labor relations built based 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 relationships. Labor-Management Relations implies that labor and management fulfill their respective roles with utmost sincerity and create exceptional value together. Based on such strong trust, LG Electronics and the Labor Union of LG Electronics are working together to take our labor-management relations to the next level; from value creating labor-management relations that strives to

improve business competitiveness and enhance employees' quality of lives, to socially responsible labor-management relations that strives to fulfill their respective responsibilities as a global corporate citizen and to create value for customers. All employees of LG Electronics are eligible to join the Labor Union under the labor collective agreement and the union bylaws, and as of the year-end 2012, the membership reached 8,311 employees (about 23% 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, LG Electronics engages in ongoing communication with the Labor Union through diverse channels, focusing on labor issues

such as labor conditions. We have close discussions with the Union when major changes are made in our businesses, and agreements made in collective bargaining are applied to all Korean employees including non-union members.

Based on such a relationship built on trust and mutual respect, we have been able to conclude annual bargaining without dispute for the past 24 years. In order to also collect the voices of non-union members, LG Electronics utilizes diverse communication channels such as Junior Board (Administrative Staff Council) and regular meetings with diverse groups (business unit, job position, etc.).

As part of its efforts to comply with international standards concerning labor rights and human rights, LG Electronics established the Global Labor Policy. In 2012, we abolished the disciplinary wage reduction from our disciplinary system to bring our system up to international standards.

### Employee Grievance Resolution

LG Electronics categorizes and handles employee grievances in the following six areas: career development, HR, working conditions, work environment, relationships, and personal matters. For example, meeting with a team leader in charge of the unit is recommended for resolving employee grievances concerning career development, reassignment, performance evaluation, etc. In addition, we established the "Mr. CEO Email" in 2011 as a channel for reporting grievances directly to the CEO to collect the voices of employees and to address employee grievances in real time. We also established the grievance resolution committee and counseling centers in our business and production sites in Korea to actively address employee grievances and offer counseling service to the family members of our employees to help them focus at work.

### CSR Risk Management Program

In order to manage CSR risks such as protection of labor rights, LG Electronics assesses all its production sites in accordance with EICC standards and makes ongoing improvement efforts. As a full member of the EICC, LG Electronics requires its major suppliers to implement the same process and standards (more details on p. 53). In 2012, we operated our risk management program in accordance with the EICC standards and focused on fostering internal CSR risk management experts and performing site inspections to bring concrete changes to each of our production sites (3 Site visits in 2011 → 12 Site visits in 2012). LG Electronics had internal discussions on ways to improve existing programs after

a careful review of the UN Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework. Based on the analysis commissioned by the EICC, the organization's risk assessment program, which LG Electronics utilizes to assess CSR risks, faithfully reflects the principles that are laid out by the United Nations with respect to impact on human rights. However, the program still requires more aggressive activities and improvements on transparent disclosure of progress as well as on stakeholder engagement.

Motivated by this analysis, LG Electronics selected "Labor Rights/Human Rights" as the topic for its Stakeholder Consultation on CSR held in November 2012 and gathered expert opinions. We are also exploring many options to assess human rights impact on a broader scale and making particular efforts to strengthen our employee grievance resolution process, the area on which the UN Framework puts great emphasis.

**Risk Level by Country/Area** (Based on Self Assessment Results)

○ Low Risk (Higher than 85)  
● Medium Risk (65-85)  
● High Risk (Lower than 65)

Country	Total/ Average	Labor	Ethics	Environment	Health & Safety	Management System
Korea	○	○	○	○	○	○
China	○	○	○	●	○	○
Southeast Asia	○	●	○	●	○	○
Africa	●	●	○	●	○	○
Middle East	○	○	○	●	○	○
South & Central America	●	●	○	●	○	○
Eastern Europe	●	○	○	●	○	○

### The UN Framework for Business and Human Rights



1. The State Duty to Protect Human Rights
2. The Corporate Responsibility to Respect Human Rights
3. Access to Effective Remedy



Results of Assessment on All Production Sites

EICC-ON: CSR Risk System by EICC

### LGE CSR Risk Management Process



## Results of CSR Self-Assessment on Entire Production Sites

For the month of March 2012, LG Electronics conducted a CSR risk assessment on all of its 37 production sites (6 Korea, 31 overseas). In the assessment performed with the EICC risk management tool, EICC-ON, we measured the potential risk level of each site in the areas of labor, ethics, environment, Health & Safety, and management system.

The assessment results were the same as the previous year, indicating that none of our production sites are at high risk, and our production sites averaged 86.7 points, up about 5 points from 2011.

## CSR Audit and Improvement Efforts

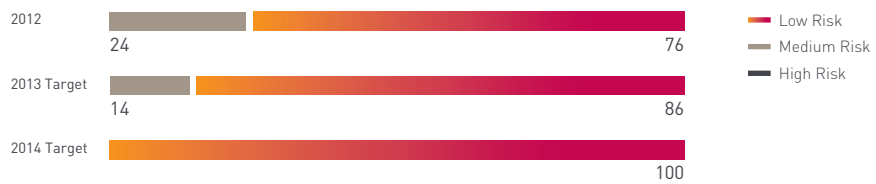
Based on the results of the self-assessment, corporate-wide improvement efforts were made at each production site. We performed a CSR audit on 12 production sites, including 9 locations identified as at medium risk, and our CSR experts came up with 180 improvement tasks. The audited sites made improvement on 85% of non-compliances cited during the CSR audit, conducted in accordance with EICC Validated Audit Process (VAP) operation manual, based on ongoing discussion and monitoring. Uncompleted improvement tasks were organized into mid to long term tasks and managed accordingly.

## Results of 2012 CSR Audit and Improvement Task Completion Rate, Regional Breakdown

Site Location	No. of Non-Compliances			Improvement Task Completion Rate (%)
	Total	Major Non-Compliance	Minor Non-Compliance	
Korea	8	2	6	100
China	27	8	19	93
Southeast Asia	48	12	36	81
Africa	41	20	21	86
South & Central America	40	5	35	84
Eastern Europe	16	6	10	85

## Improvement Targets based on Self-Assessment Results

Unit: %



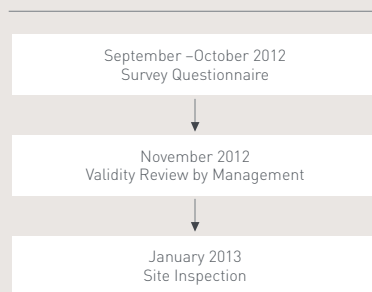
## Focus

### Special Inspection on Production Sites in China

In 2012, LG Electronics conducted a special inspection on its production sites (13) and major supplier sites (881) to prevent risks associated with child labor and exploitation. In order to discuss this overarching issue, all management personnel from our production subsidiaries in China gathered at LGE China HQ and held a forum to come up with solutions.

After the forum, management from production subsidiaries promised to take preventative measures including thorough age verification in the hiring process (deployment of ID scanner, etc.) and agreed to make mid to long term efforts to bring down extended work hours to the international standard of 60 hours a week. Chinese production subsidiary managers also agreed to revise their HR system, which was found to be collecting information that could potentially lead to discrimination. LG Electronics will utilize special inspections along with regular programs to strengthen its CSR risk management system and expand the scope of management on potential issues

#### Special Inspection Process



1 | Working Conditions at Special Inspection Site in China  
2 | LGE China HQ CSR Forum

#### Checklist for Special Inspection in China

Area	Checklist
Child Labor	Child labor (Aged under 16) Verification efforts in the hiring process Employment of juvenile workers (Ages between 16-17)
Work Hours	Juvenile workers put on late night shift/hazardous processes, Monthly overtime (-36 hours), One day off per 7 days
Wages & Treatment	Wages lower than legal minimum, Back pay/delayed pay, Work injury related medical costs borne by employees, Disciplinary wage deduction

## Improvement Cases in Korea and Overseas

### 1. Korea

In Korea, LG Electronics amended its employee disciplinary system. As part of our efforts to improve our CSR management system up to international standards, we decided to remove wage deduction from disciplinary options to prevent potential infringement of labor rights. Wage deduction (temporary reduction of base wages implemented as a result of disciplinary action) has been used as a legal disciplinary option in Korea. We had close discussions with the Labor Union on this issue and agreed to implement the amended system from 2013.

### 2. Overseas – Thailand (Production Subsidiary)

#### Passport Returned to Migrant Workers

LG Electronics' production subsidiary in Thailand removed the local practice of holding migrant workers' passports from its policy and eliminated potential risk of labor rights infringement. Migrant workers, mostly from Laos, had been asked to surrender their passports to the subsidiary upon employment. LGE Thai subsidiary returned passports to all Lao-tian workers in the second half of 2012.

#### Key Amendments to Disciplinary System [As of March 12, 2013]

Provision	Before Amendment	After Amendment
Disciplinary Actions (Listed under Terms of Employment)	Wage deduction (Less than 10% of normal wage)	Suspension (No more than 3 days)
Details	The amount of a single wage deduction shall be half the amount of the employees average daily wage, and the total amount of combined pay cuts shall not exceed 10% of the employee's total annual wages	The length of suspension shall not exceed three (3) days. Employees on suspension still retain the rights as employee but shall be removed from the workplace. Employees on suspension are considered as being absent from work and shall not be paid for the duration of suspension.



Overseas – Production Site in Thailand

Passports Returned to Laotian Migrant Workers

#### Check List for Staffing Agency Inspection

##### Checklist

- Terms and Condition of Contract
- Labor Management
- Working Hour Management
- Education and Training
- Compensation and Benefit
- Relation Management
- Discipline Management
- Termination Management
- Information Security Management
- Safety Management
- Health Check Management

#### Strengthened CSR Audit on Labor Agencies

LG Electronics strengthened CSR audit on labor agencies that provide staffing service for its production subsidiary in Thailand. The CSR audit was conducted with an emphasis on compliance with local labor laws and infringement of labor rights and human rights. CSR audit on labor agencies was adopted as a preventative measure and is planned to be implemented as a regular CSR management program.

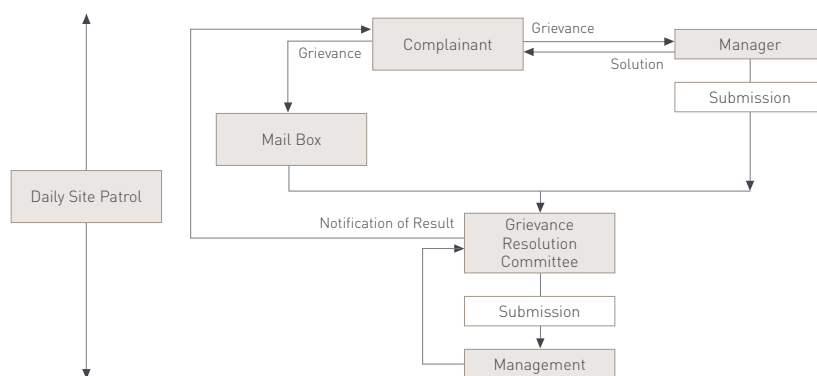
#### Amendment of Disciplinary System

LG Electronics' production subsidiary in Thailand revised their disciplinary system to address unfair disciplinary practices. Prior to the amendment, employees were fined half a day's worth of pay for coming in late by more than an hour. After the amendment, the deduction is calculated based on the amount of time lost from coming in late on an hourly rate, which made the system more reasonable.

### 3. Overseas – Mexico (Production Subsidiary) Effective Grievance Resolution System

LG Electronics' production subsidiary in Mexico enhanced its grievance resolution system in conjunction with the existing labor-management open communication sessions. Based on enhanced grievance identification collection efforts, the subsidiary works to address employee grievances in a swift and more systematic manner.

#### Grievance Resolution System a Mexican Subsidiary



As part of strengthened grievance identification and collection efforts, labor relations staff members patrol the site and try to identify potential grievances that exist at the site. The subsidiary also installed a mail box to collect employee grievances as a measure to protect the anonymity of complaints and to help employees feel more comfortable about coming forward with their grievances.

#### Requiring Major Suppliers to Make CSR Efforts and Regular CSR Audit

As part of its effort to promote supplier CSR compliance, LG Electronics' production subsidiary in Mexico is distributing a Spanish edition of Local Standard Contract (LSC), which require CSR efforts to suppliers as contractual terms, and the Supplier Code of Conduct. The subsidiary also plans to conduct regular CSR audits on its suppliers to prevent potential risks of labor rights and human rights infringement.

Additional data

# Management Report Appendix







## CORPORATE GOVERNANCE

### Shareholders

As of year-end 2012, LG Electronics' total shares issued and outstanding were 180,833,806 (common stock: 163,647,814 / preferred stock: 17,185,992). The number of non-voting shares amounted to 17,949,160 (9.9%) of the total outstanding. The largest shareholder, LG Corp. (the LG Group's holding company) owned 34% of the shares. Every year, the Chairman of BOD personally updates shareholders on current management issues at the Annual General Meeting (AGM). Shareholders' opinions and suggestions are gathered, carefully reviewed by management and the BOD, and incorporated into corporate policy.

### Board of Directors (BOD)

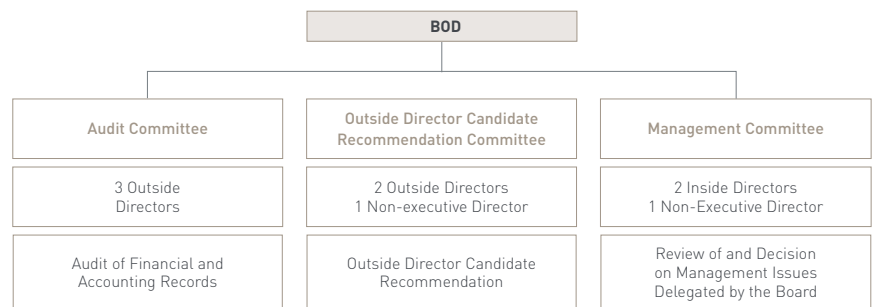
The BOD consists of seven Directors, four of whom are Outside Directors, and operates independently of any influence from major shareholders and management. The Outside Directors make up the majority, with a total of four members. They are appointed at the AGM following a careful review by the Outside 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 2012, the BOD was convened seven times to review a total of 42 agendas (34 for approval, 8 for reporting), including the approval for self-dealing by directors. The Directors' attendance rate for the BOD meetings was on average 96%. In the meeting held in April 2012, the BOD was briefed on our CSR activities and moved to include CSR as its official responsibility.

### BOD status (As of March 31, 2013)

Category	Name	Title/Position	Note
Inside Director	Bon Joon Koo	CEO, Vice Chairman	Management Committee (Chairman)
	David Jung	CFO, Executive Vice President	Management Committee
Non-executive Director	Yu Sig Kang	Vice Chairman, LG Management Development Institute	Chairman of BOD
			Outside Director Candidate
Outside Director	Chang Woo Lee	Professor, Business Administration, Seoul National University	Recommendation Committee (Chairman)
			Management Committee
	Kyu Min Lee	Advisor, SK Research Institute for SUPEX Management	Audit Committee (Chairman)
		Former Editor-in-chief, Dong-A Ilbo	Audit Committee
	Sang Hee Kim	Lawyer	Outside Director Candidate
		Former Vice Minister of Justice	Recommendation Committee
	Chong Nam Chu	Professor, Mechanical & Aerospace Engineering, Seoul National University	Audit Committee
			Outside Director Candidate

### BOD Committees



### BOD 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 oversight and monitoring to ensure fair corporate management as well as accounting transparency and conformance. The Management Committee reviews and determines the agendas delegated by the BOD and other ordinary management activities. In 2012, the Management Committee reviewed a total of 36 agendas.

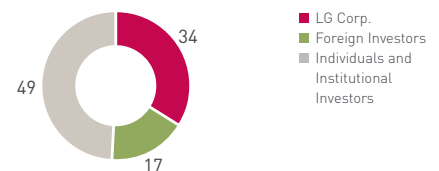
### Evaluation and Compensation

Compensation for the board members is made within the regulations pertaining to BOD compensations and as approved by the AGM. The evaluation of management and executives of LG Electronics is performed year round. Top management and executives are evaluated to

### Composition of Shareholders

(As of December 31, 2012)

Unit: %



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 professional capabilities based on a fair and objective process. Appropriate compensation is determined and made based on the outcome of the evaluation.



# COMPLIANCE RISK MANAGEMENT

## Strengthening Compliance Awareness of Employees

In order to increase employee awareness of compliance risk and to enhance compliance mindset, LG Electronics is continuously expanding compliance training programs. In 2012, we conducted a mandatory online compliance training (first conducted in 2009) in 16 different languages with 45,993 administrative staff members completing the program (90% of all training targets). In addition, we conducted a total of 23 sessions of position-specific compliance training for 1,262 business unit leaders, subsidiary presidents and FSEs (Foreign Service Employees) to build “the tone at the top and tone at the middle.” In order to respond to emerging compliance risks, we produce and distribute additional compliance training materials to be used in field training sessions.

## Introduction of “Compliance Control System”

LG Electronics established a compliance risk management program in 2008 and has continuously worked to enhance our compliance risk management. In line with the changes to the Commercial Law of Korea as effective of April 2012, we also implemented the “Compliance Control System” and completed the foundation for systematic compliance management. In accordance with the “Compliance Control Guidelines” established and distributed by the Ministry of Justice and the Korea Listed Companies Association, LG Electronics appointed a “Chief Compliance Officer” and established the “LG Electronics Compliance Policy” based on which we perform compliance risk management activities such as regular assessment of compliance risk and compliance training.

1 | 2012 Position-specific Compliance Training  
2 | 2012 Online Compliance Training



## Compliance Control System



## Focus

### LG Electronics Compliance Policy

LG Electronics established the Compliance Policy on April 27, 2012 and engages in systematic compliance risk management activities.





## JEONG-DO MANAGEMENT

### CEO's Strong Commitment toward Jeong-Do Management

Jeong-Do Management, the action guidelines for all LG Electronics employees, expresses our belief that we can still come out on top and produce meaningful results by consistently strengthening fundamentals and competing in the market with integrity. Such a belief is clearly expressed in the CEO's statement: "It takes a long time to build strong fundamentals, but even a moment of complacency can undo everything we have achieved through decades of efforts." Led by his strong leadership based on Jeong-Do Management, LG Electronics requires not only our employees but also our suppliers to conduct themselves in line with Jeong-Do Management.

### Code of Ethics

LG Electronics' Code of Ethics is comprised of "Code of Ethics," the public declaration of our ethical values, "Guidelines for Practice," which provides employees with practical guidelines for their conducts, and the "Explanation Guidelines for Practice" for detailed information about the concept and philosophy behind the action guidelines. The LGE Code of Ethics has been translated into 14 different languages and distributed worldwide, and the Handbook was produced in Korean, English, Chinese, Spanish, and Polish, and distributed to all employees to increase our employees' awareness of LG Electronics Employees' Code of Ethics and to encourage them to embrace Jeong-Do Management. In 2013, we also produced the Arabic edition of the Handbook for our employees based in the Middle East where ethics management is gaining increasing importance. The Handbook not only provides information about the LG Way, the concept and philosophy behind Jeong-Do Management and a full text of the Code but also a Q&A section to offer guidance about how to act in real life situations and handle ethical dilemmas.

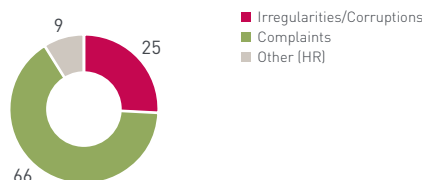
Cases Reported (Past Three Years)

Unit: No. of cases



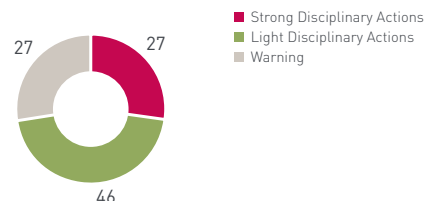
Types of Reports (Based on 2012)

Unit: %



Actions Taken (Based on 2012)

Unit: %



### Voluntary Reporting System

In accordance with our Code of Ethics, employees are not allowed to receive gifts (cash and/or valuables) that exceed a certain limit from interested parties. Employees who have received such gifts must report this fact and return the items. When it is impossible to return a gift, employees must donate it to welfare facilities and send an official letter signed by an LGE 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. In 2012 and 2013, we held an in-company auction for gifts that could not be returned, the entire proceedings from which were directed to our social contribution programs.

### Global Training on Jeong-Do Management

Between 2012 and early 2013, we conducted and completed a mandatory online Jeong-Do management training for Korean employees. In 2013, we are conducting the training overseas with the English and Chinese editions of the same training materials. In 2012, a total of 18,589 employees, and 801 suppliers as well, received offline Jeong-Do Management training. The training program is comprised of internal and external case studies and "Guidelines for practice", focusing on preventing corruptions and irregularities based on increased employee awareness. In addition, starting from the 2008 training session for Chinese suppliers, we are making ongoing efforts to promote Jeong-Do Management to overseas suppliers. LG Electronics has also conducted anti-corruption training at our business sites across the world since 2010.

### Promoting Jeong-Do Management

Errors and violations identified in the assessment process are organized into example cases, and then shared via the internal bulletin board and the Jeong-Do Management website. In addition to providing information about company rules, we present action guidelines and make efforts to prevent the recurrence of such irregularities. As part of our efforts to attract employee interest in Jeong-Do Management, we also produce newsletters and crossword puzzles, and host quiz and promotion poster competitions.

### Online Whistleblower System

Our Whistleblower system receives reports concerning any actions in violation of Employees' Code of Ethics and Jeong-Do Management, such as reception of gifts from interested parties, lack of transparency in selecting suppliers, improper acquisition of the shares of the company's business partners, illegal/improper use of company assets, manipulation of documents/figures, false reporting, etc. Over the past three years, a total of 1,348 violations were reported through the system, assisting LGE in its effort to prevent risks. Once a violation is reported, we conduct a preliminary and field investigation to thoroughly verify the facts. Based on the findings of these investigations, 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 that 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.



## FAIR TRADE

### Fair Trade Compliance Activities

Our Fair Trade Compliance Program is comprised of internal control activities designed to prevent compliance risks and to increase employee awareness about fair trade. Fair Trade Compliance Managers are responsible for planning and managing the Fair Trade Compliance programs and provide support for fair trade compliance activities that are carried out by Business Divisions and overseas subsidiaries, such as employee training and business process improvement. Our Fair Trade Compliance Program in 2012 focused on compliance risk management efforts tailored for each business function.

### Activities for Preventing Unfair Trade Practices including Cartel

LG Electronics holds a "Pledge of Antitrust-Compliance" signing ceremony with participation from the highest level, including the CEO and other top executives, sending a clear message to all employees that participation in cartel activities is a profound betrayal of our customers' trust and the company's values. In addition, we established and announced a set of Cartel Guidelines organized around the following procedures: 1) repeated conveyance of the CEO's strong commitment toward fair trade practices, 2) strengthening of action guidelines, 3) employee training and pledge, 4) ongoing monitoring, and 5) disciplinary actions against non-compliances. Additionally, we mandate a review of the Fair Trade Act to determine conformance before carrying out business activities that involve high compliance risks and require caution for consumer protection, such as those related to product mark and advertisement. In particular, LG

Electronics conducts ad-hoc inspections and audits on business departments and projects that are exposed to compliance risks, aiming to prevent risks associated with unfair trade practices such as cartel activities.

### Fair Trade & Win-Win Growth Partnership Agreement

LG Electronics conducts regular training for relevant staff members and continuously improves its business processes to prevent instances of non-compliance and disadvantage against our suppliers during business transactions. In 2013, we enhanced and reestablished our business process for requesting/

viewing suppliers' technical data in a manner that can better protect their proprietary technologies. Additionally, we fulfilled such commitments on our part as funding support, payment process improvement, technical/training/manpower support, etc., as specified in the Fair Trade & Win-Win Growth Partnership Agreement with our suppliers.

### Future Directions

In Korea, a penalty was levied against LG Electronics for unfair trade practices in March, and the company was fined in accordance with the findings of an unfair trade practice probe conducted in July 2012. In December 2012, a penalty was assessed against the company by the European Commission for cartel activities in the CRT (Cathode Ray Tube) field. We are currently in the process of handling legal proceedings for the cases. LG Electronics sincerely regrets these incidents and is making every effort to prevent similar conduct from being committed in the future due to the lack of awareness on the part of our employees or inadequate business processes. To this end, we are focusing our efforts on raising employee awareness of the issue (training completed by 97% of Korean employees and 90% of overseas employees in 2012) and enhancing relevant business processes. Additionally, we will continuously expand internal compliance/control activities and utilize ad-hoc inspections and audits to prevent non-compliances. We will also strengthen the roles and responsibilities of each Business Division and overseas subsidiary and enhance the capabilities of Fair Trade Compliance Managers to promote Fair Trade Compliance activities at each organization.

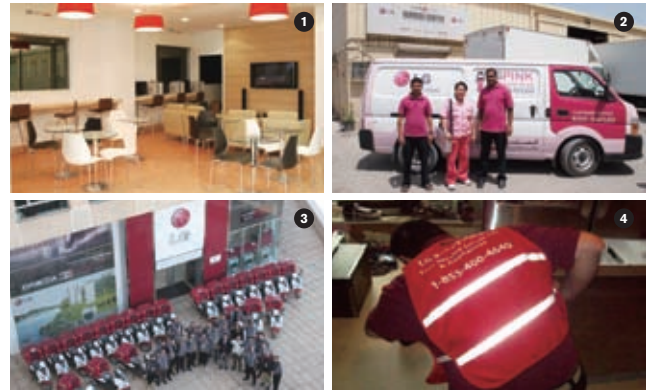
### LG Electronics Cartel Prevention System





## CUSTOMER SATISFACTION THROUGH SERVICE ACTIVITIES

- 1 | Interior of LGE Service Center (Korea)
- 2 | Pink Service (Dubai)
- 3 | Service Motorbikes (Morocco)
- 4 | Free repair service for Victims of Hurricane Sandy (U.S.)



### Proactively Expanding Service Infrastructure

LG Electronics is continuously expanding its service center network to increase customer satisfaction as well as to enhance service quality. As of 2012, we have over 1,900 service centers across the world and directly handle approximately 70% of service requests from our customers, demonstrating our service excellence based on speed and accuracy. We also established a field-oriented management system to make faster response to customer needs.

### Expanding Service Scope

#### Increasing Customer Value through

#### Expansion of Online Service

LG Electronics provides a wide range of customer-friendly content on its service website to help our customers take care of simple product issues themselves. The website's user interface is optimized to provide fast and easy access to the content users need and offer useful information for self-diagnosis and repair. Our online service helps customers save time and effort (i.e. waiting for their turn at the service center, holding for a service representative), and we are providing greater benefits and services to our customers with the cost savings.

(URL: 1. Korea - [www.lgservice.co.kr/](http://www.lgservice.co.kr/)  
2. Overseas - [www.lg.com/COUNTRY/support](http://www.lg.com/COUNTRY/support))

### Developing and Expanding Differentiated Service

LG Electronics is committed to increasing our service quality, delivering customer satisfaction and gaining customer trust in global markets with the development and expansion of differentiated service programs.

### Korea: Differentiated Service Designed to Enhance Customer Convenience

As part of our efforts to meet customer needs arising from changes in lifestyle (increasing number of singles/working couples), LG Electronics offer weekend repair service for mobile handset products. Customers can make a service reservation through LG Electronics Call Center (Korea: 1544-7777), service website ([www.lgservice.co.kr](http://www.lgservice.co.kr)) or smart app (Android phones: search "LG Electronics" on Google Play). Additionally, we designed our service centers to provide an ambiance just like a café to help customers feel comfortable and to express our commitment for service excellence. Customers just need to relax (surfing the web and watching TV) until our service engineers find them with a fully repaired product.

### Dubai: "Pink Service" for Female Customers

Female customers from countries with Islamic culture feel uncomfortable with a visit by male service engineers without the presence of their male family members. LG Electronics introduced "Pink Service," which offers service visits by female engineers, in the Middle East region to help female customers feel more comfortable with our service. We are currently running a pilot program in the United Arab Emirates and Iran starting with installation service and plan to gradually expand the service to other regions.

### Morocco: Motorbike for Service Visits

LG Electronics utilizes motorbikes as service vehicles in Middle Eastern and African countries where a majority of roads in these countries are too narrow and not accessible by service vans. Our choice of motorbikes as service vehicles greatly helps us in providing fast and efficient service to our customers, making LG Electronics synonymous with service excellence.

### U.S.: Free Repair Service for Victims of Hurricane Sandy

LG Electronics makes best efforts to help customers recover from natural disasters such as typhoons, hurricanes and earthquakes by running product repair camps and providing active support for recovery efforts. In October 2012, LG Electronics offered free repair service to customers who had suffered damages from Hurricane Sandy. Our service engineers showed strong dedication and professionalism despite challenging repair conditions (i.e. salt water damages to electronics products) and delivered customer satisfaction. Their dedicated efforts demonstrated our service excellence and enhanced LGE's brand value in the United States.

### Raising Brand Profile with Service Activities

LG Electronics is enhancing its brand profile with service programs customized to local needs. Such programs include Indonesia's "10 Cube Service" (Make a call 10 days after purchase → Inquire about product condition after 10 weeks of product purchase & provide follow-up service → Notify customers of warranty expiration (in 2 months) after 10 months of product purchase) and India's "211 Service" (Call up within 2 hours to set up appointment + Visit Service Within 1 day + Service appointment of 1 hour interval), specialized for providing speedy and accurate service. We also provide "Non Stop Service" (24 hours and holiday call center and holiday call center service) in Russia and "No Kindness, No Labor Service" (no repair charge on inadequate service) in Thailand. LG Electronics plans to expand region-specific service programs to worldwide.





## INFORMATION SECURITY/ PERSONAL INFORMATION PROTECTION

### Information Security Training

LG Electronics conducted training on information security and personal information protection for domestic and overseas employees. The training was provided in 14 different languages to increase effectiveness for overseas employees and organized into sessions on information security practices, understanding personal information protection, and management issues at each stage of personal information lifecycles. LG Electronics plans to provide the training annually to raise employee awareness of information security and personal information protection and to help employees embrace it in their everyday business practice. Employees who regularly handle personal information due to their business functions are required to undergo additional training on a semiannual basis. The training offers courses tailored to trainees' business functions (administrative staff/system administrators/subsidiary employees) to help them better protect personal information of customers.

### Industrial Security Management System Certification for Suppliers

As part of our efforts to create an information security environment that facilitates Win-Win Growth, LG Electronics conducts regular assessment and training for information security. Of our suppliers, five that produce design models and require a high level of information security completed the certification process for their industrial security management system in March 2013.

The Industrial Security Management System Certification, issued by the Korean Association for Industrial Technology Security, is awarded to businesses that hold the rights to industrial technologies and have in place preventative measures against improper information leaks and asset loss from a wide range of disasters for each of their production processes. Businesses are evaluated on over 300 items from 65 criteria in 5 areas (general management, physical infrastructure, technical infrastructure, responsiveness to security breaches, and security knowledge management) for the certification.

### Personal Information Management System (PIMS) Certification

As part of our efforts to promote systematic protection of customers' personal information, LG Electronics acquired the Personal Information Management System (PIMS) certification in December 2012. LG Electronics is the first Korean manufacturer to acquire the certification, which is issued by the Korea Communications Commission. The certification is significant in that it establishes LG Electronics' compliance with the nation's legal requirements on protection of personal information, while increasing customer trust and attesting to the company's commitment to customer privacy. Moreover, the certification serves as an official recognition by a government organization of its performance in protecting customers' personal information. Going forward, we will make ongoing efforts to retain the certification based on systematic management of information security and personal information protection.

### Focus

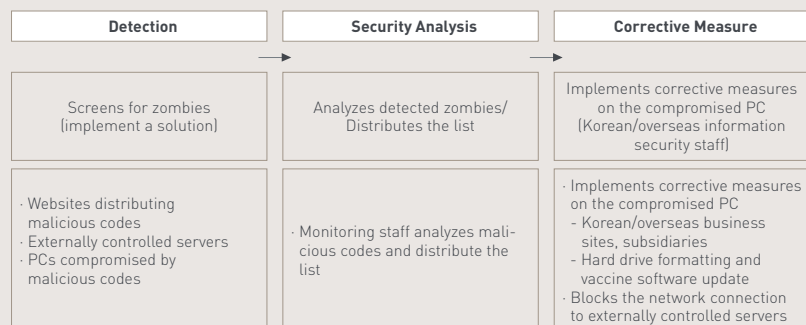
#### Content of Information Security Training

- Management Messages on Information Security
- Personal Information Protection
  1. Personal Information
  2. Personal Information Protection
  3. Lifecycle of Personal Information
  4. Employees Handling Personal Information
- Information Security
  1. Entry/Exit Security
  2. Document Security
  3. Non-disclosure Agreement
  4. Laptop/Storage Device Management
  5. IT-Communications Security

#### Response to Malicious Code (Zombie PCs)

Recent security breaches have been caused mostly by attacks that utilize personal computers compromised by a computer virus. LG Electronics has established a response system to effectively detect emerging security threats and prevent information breaches.

##### · Operation Procedures of Impact Assessment System





## Personal Information Management System (PIMS) Certification



## Global Compliance Risk Management on Personal Information Protection

Currently, the global society is faced with increasingly diverse threats against personal information security, and nations are strengthening the relevant laws and regulations to address such threats. LG Electronics is making a wide range of efforts to effectively prevent information breach and respond to compliance requirements, such as establishing control measures against information leaks and judiciously complying with the legal requirements prescribed by countries. LGE also requires all its business sites, Korean and overseas, to carry out risk management activities based on the list of requirements issued by HQ, while assessing their performance on a semiannual basis. The assessment results are reported to top management and follow-up measures are implemented. We are responding effectively to compliance risks by carefully managing risks commonly shared by our business sites in Korea and overseas.

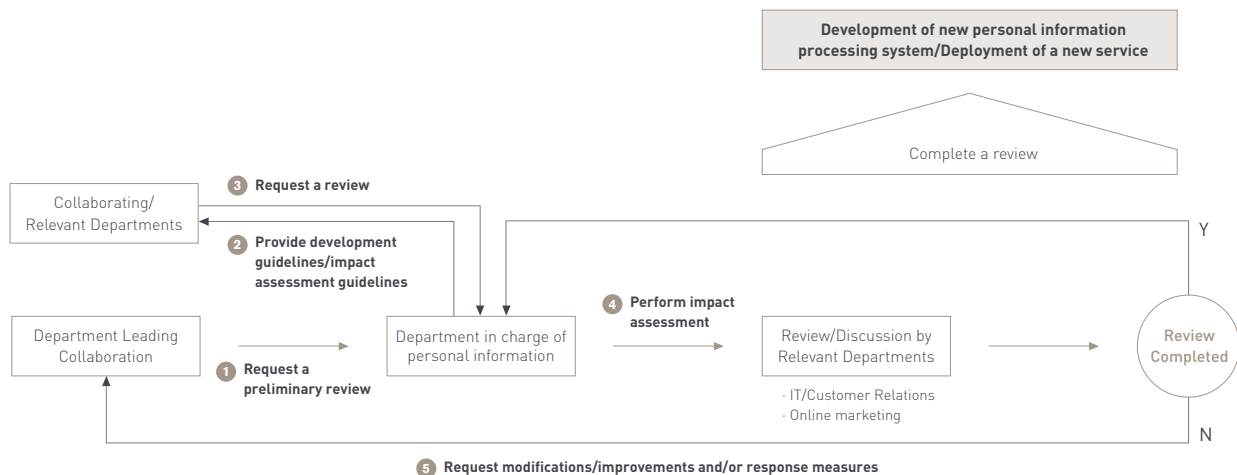
## Establishment of Personal Information Impact Assessment System

LG Electronics has established a personal information impact assessment system to prevent compliance risks associated with related laws and regulations and to systematically and automatically manage personal information data and associated risks at a corporate level. With the system in place, we have the infrastructure to prevent non-compliances and information breaches, and to manage personal information systematically at a corporate level, thereby minimizing risks as well as potential damages. Prior to deployment, all LGE systems that handle personal information undergo assessment and verification by the Information Security Department, in addition to discussions taking place among relevant departments (IT/Marketing), to further ensure the protection of personal information.

## Deleting Personal Information from Employee PCs

For better protection of customers' personal information, LG Electronics not only implements necessary technical measures to protect its systems and networks but also takes preemptive actions designed to minimize risks. As part of such efforts, we scanned employee PCs for files containing personal information (resident registration number, bank account number, credit card number, phone number, etc.) and deleted them. Employees who need such files for business purposes are required to maintain encrypted files. We also provide software solutions and guidelines to help our employees safely protect customers' personal information throughout the life-cycle from generation to deletion. In order to minimize personal information stored on employee PCs, we conduct regular training and assessment for Korean employees and plan to expand the programs to overseas employees.

## Operation Procedures of Personal Information Impact Assessment System





## EESH MANAGEMENT

### 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 domestic and overseas business sites. In 2010, HQ took over the control of 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. Also, all our overseas production sites (except for 2 new sites, South Africa and Mexicali in Mexico) acquired the ISO 14001 certification (Details on certification status of overseas production sites: p.86). We plan to complete the certification process for the new production sites by 2014. In 2012, we performed an EESH audit on all domestic sites using the new assessment system which was developed based on the ISO standard (EESH Policy: Energy-Environment-Safety-Health Policy) and corporate standards. Unlike the existing assessment system that utilizes an activity-based audit checklist, the new system focuses on compliance with EESH management requirements and the PDCA (Plan-Do-Check-Action) process defined based on the corporate standards. The audit revealed that improvements are required particularly in the planning phase. In assessing environmental impact and risk, for example, it has become clear that we need to make improvements such as participation of relevant departments, expansion of assessment scope, promotion of employee training and exercise management system, and promotion of employee awareness. We plan to make ongoing improvements to the assessment system and perform EESH audits on overseas sites with the new and improved system.

### Third Global EESH Conference with Domestic and Overseas EESH Staff

In May 2012, LG Electronics hosted an EESH conference and training for its global EESH staff. The training included lectures by external experts and EESH best practice sessions to share professional knowledge in EESH with the participants (over 120 EESH/Facility Management department leaders and staff members from 40 overseas sites). In 2013, we plan to maintain effective communication with production sites by providing the new assessment system and EESH standards, and by promoting our strategic directions for EESH management.

### Environmental Protection Activities

LG Electronics actively participates in environmental protection initiatives worldwide. The Changwon Plant carried out environmental protection activities in partnership with the Changwon Animal Protection Society as well as local corporations, and also cooperated with the Labor Union in the removal of traps and snares set by poachers in an effort to protect wildlife animals. LGE will continue to expand its environmental protection activities and promote employee participation.

EESH Audit Results in 2012 (100 Point Scale)

Unit: Point



### Integrated Global EESH Management System





### Employee Health Management

LG Electronics engages in Total Health Promotion (THP) activities to promote and protect employee health. As part of our efforts to contain rising employee health-related costs (20% annually), we offer regular medical check-ups to all domestic employees and provide health consultations to employees with diagnosed conditions to help them manage their conditions and focus on work. The Seocho R&D Campus (MC Company), in particular, was named an "Excellent Business Site in Workplace Health Promotion" by the Ministry of Employment and Labor for its inspiring employee health promotion efforts. In response to the increasing global awareness of the harmful effects of smoking (cancer, fatality, etc.) as well as anti-smoking efforts on a national level, LG Electronics launched a corporate-wide anti-smoking campaign in 2012 with programs such as "Smoking Cessation Fund," "Smoking-free Department" and "Smoking-free Day." We designate departments whose team members succeed in smoking cessation as "Smoking Free Department" and issue a certificate presented by their business unit leader. This is announced on the company's internal bulletin board as a way to honor the awardees and to encourage other employees to also quit smoking. Our anti-smoking efforts generated positive responses from employees, increasing employee awareness and reducing the rate of smokers. In 2013, we plan to expand our workplace health promotion efforts to include management of employee health, including health management consultations for employees with diagnosed conditions.

### Reduction of Industrial Accident Compensation Insurance Costs with Fire Hazard Assessment Model

In 2012, LG Electronics developed a fire hazard assessment model (quantitative) to evaluate and prioritize fire hazards and manage them visually, and applied the model to domestic

business sites and R&D centers in 2012. This year, we plan to compile an index of fire hazards, produce a manual for domestic sites, and utilize the manual in our efforts to minimize fire hazards. In 2012, we also conducted ad-hoc inspections (semiannual basis) to assess the emergency response system of our business sites, evaluating each business site's response to ad-hoc fire drills by the Emergency Operations Center, operation of the emergency contract network and effectiveness of rescue efforts. Our inspection revealed that training for first responders and rescue missions still need improvement. We conduct regular exercises for diverse emergency situations, as well as ad-hoc inspections to make improvements. Although our various efforts for emergency

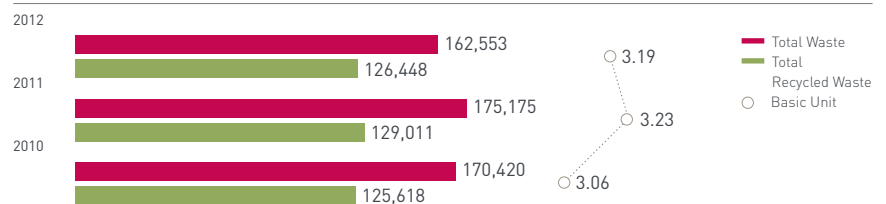
preparation led to a slight increase in the total insurance amount, the insurance premium remained the same level, resulting in overall cost savings of 6%.

#### Mid to Long Term Activities for Enhancing Integrated EESH Management System

1. Strengthen overall system management, including establishment of Chemical Management System
2. Strengthen fire prevention system and risk management system
3. Strengthen resource management system and environmental management system

#### Generated/Recycled Waste (Korea)

Unit: ton, Basic Unit: ton/KRW billion

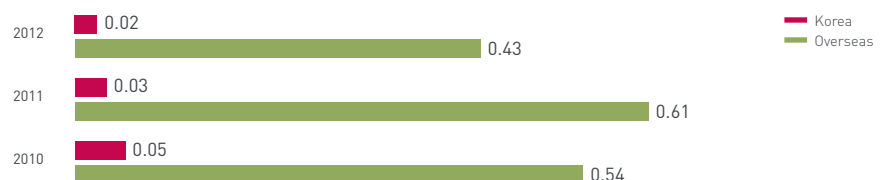


\* Data is based on international standards from the 2012 report.

\* Intensity data was revised according to the global sales (consolidated)

#### Incident Rate

Unit: %



\* IR= Number of incident cases/total work hours×200,000

# ECONOMIC DATA

## Summary of Consolidated Statements of Income

Unit: KRW million

	2010	2011	2012
1. Net sales	55,753,804	54,256,585	50,959,978
2. Cost of sales	43,453,096	42,057,595	38,652,915
3. Gross profit	12,300,708	12,198,990	12,307,063
4. Selling and marketing expenses	12,178,684	11,819,977	11,171,082
5. Operating income	122,024	379,013	1,135,981
6. Financial income	819,218	571,693	441,380
7. Financial expenses	1,007,444	909,804	735,719
8. Gain (loss) from equity method	469,509	(329,472)	46,189
9. Other non-operating income (expenses)	31,219	(110,743)	(363,764)
10. Profit (loss) before income tax	434,526	(399,313)	524,067
11. Income tax expense	141	33,492	433,246
12. Profit (loss) for the year	1,282,119	(432,805)	90,821

\* Net profit from the fiscal year 2010 includes profit from discontinued operations (KRW 847,734 million) due to changes to financial accounting standards.

\* Financial statement presented above is not expressed in accordance with Financial Accounting Standard No.1110 "Consolidated Financial Statements," which takes effect from the 2013 calendar year.

## Summary of Consolidated Statements of Financial Position

Unit: KRW million

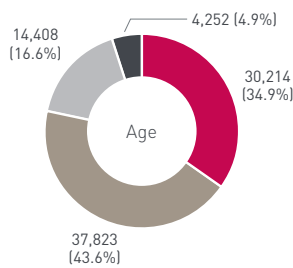
	2010	2011	2012
I. Current Assets	16,514,533	15,783,126	14,554,289
Trade receivables	7,001,962	6,752,559	6,519,157
Inventories	5,872,420	4,947,160	4,599,422
Other current assets	3,640,151	4,083,407	3,435,710
II. Non-current Assets	15,803,966	16,875,331	16,903,097
Investments in jointly controlled entities and associates	6,008,145	5,603,199	5,477,070
Tangible assets	6,500,484	7,290,413	7,517,611
Intangible assets	763,382	1,035,797	1,077,440
Other non-current assets	2,531,955	2,945,922	2,830,976
<b>Total assets</b>	<b>32,318,499</b>	<b>32,658,457</b>	<b>31,457,386</b>
I. Current liabilities	15,317,233	14,214,522	12,815,912
II. Non-current liabilities	4,141,629	5,295,687	5,937,257
<b>Total liabilities</b>	<b>19,458,862</b>	<b>19,510,209</b>	<b>18,753,169</b>
I. Paid-in capital	3,017,088	3,992,348	3,992,348
Capital stock	809,169	904,169	904,169
Share premium	2,207,919	3,088,179	3,088,179
II. Retained earnings	10,108,173	9,499,534	9,407,667
III. Accumulated other comprehensive loss	(209,844)	(326,584)	(674,221)
IV. Other components of equity	(271,277)	(271,339)	(271,382)
V. Non-controlling interest	215,497	254,289	249,805
<b>Total equity</b>	<b>12,859,637</b>	<b>13,148,248</b>	<b>12,704,217</b>
<b>Total liabilities and equity</b>	<b>32,318,499</b>	<b>32,658,457</b>	<b>31,457,386</b>



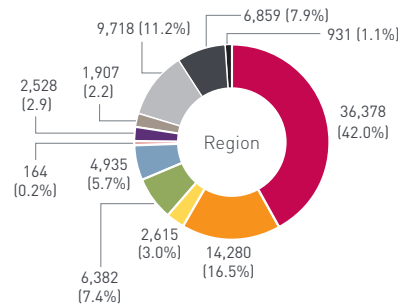
# SOCIAL DATA

Employees Data : Total 86,697 (As of December 31, 2012)

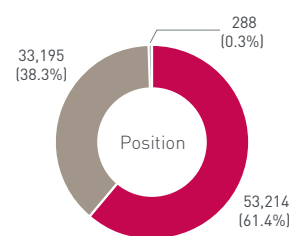
Unit: No. of employees (%)



20's and under  
30's  
40's  
50's and over



Korea  
China  
CIS  
Europe  
India  
Japan  
North America  
South & Central America  
South East Asia  
Other



Staff  
Operator  
Executive

## Employee Benefits and Support Programs (Korea)

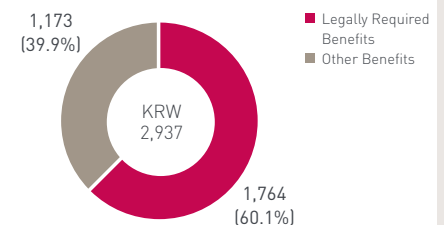
Leisure Activities	<p>Vacation: Employees plan their yearly vacation at the beginning of the year and are encouraged to take their leaves freely</p> <p>Resort Facilities: Employees have access to 10 resort facilities (i.e. condominiums and pensions) across Korea</p> <p>Informal Groups: Hobby and volunteer groups</p>
Childbirth and Maternity Leave	<p>Lounge and nursing room for female employees: For female employees and pregnant/nursing employees</p> <p>Childcare Facilities (Available in Seoul, Pyeongtaek and Changwon). Plans in place for expansion to all business sites</p> <p>Maternity Leave: Paid maternity leave for female employees before/after childbirth (up to 90 days), time-off offered in the event of miscarriage/stillbirth (30-90 days), time-off offered for fertility issues (2 days)</p> <p>Time-off offered to employees whose spouse has given birth (3 days): Time-off offered to employees to raise infants under one year of age (up to 12months): Reduced work hours offered to employees during child-rearing years (15-30 hours/week)</p>
Housing and Stable Living	<p>Housing Loans: Housing loans offered to employees who have served at least two years</p> <p>Relocation Costs: Assistance offered to employees who relocated for work related reasons, such as transfer</p> <p>Congratulatory/Condolence Cash Gift: Support for congratulatory events and funerals of employees and their families</p> <p>Disaster Relief Support: Financial support offered to employees and their families who have suffered property damages caused by natural disasters</p>
Medical/Health	<p>Medical expenses for employees and their family members</p> <p>Group insurance related to disasters: Operation of Health Care Center and Counseling Center</p> <p>Paid sick leave: 70% of average wages are offered to employees on sick leave due to occupational injuries, 30-100% of wages to employees on sick leave due to illnesses</p>
Education	<p>Scholarship for employees' children: Support for employees starting/resuming their education</p> <p>Special lectures on healthcare, personal finance/investment, family life, etc.</p>
Legally Required Benefits	<p>National Pension, Health Insurance, Employment Insurance, Industrial Accident Compensation Insurance</p> <p>Retirement Pension: Fixed benefits</p>
Optional Benefits	<p>KRW 1,000,000 worth of points awarded to employees annually</p> <p>Points can be redeemed for personal development, leisure/health, gift &amp; product purchasing</p>

## Employee Benefits and Support Programs

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

## Employee Benefits

Unit: KRW 100 million (%)



1) Legally Required Benefits: National Pension, Health Insurance, Employment Insurance, and Industrial Accident Compensation Insurance

2) Other Benefits: Support programs other than legally required benefits

# ENVIRONMENTAL DATA

## INPUT DATA

### GHG Emissions

Unit: K tonCO<sub>2</sub>e

		2010	2011	2012
Korea	Scope 1	118	145	145
	Scope 2	516	534	517
Overseas	Scope 1	303	297	264
	Scope 2	363	385	425
Total		1,300	1,361	1,351
Intensity (K tonCO <sub>2</sub> e/KRW 100 billion)		2.33	2.51	2.65

\* Applicable business sites: 14 Korean (production, office and R&D centers) and 30 overseas (production) sites

\* Based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, the WRI's GHG Protocol, etc.

\* Verification status:

Korea: Third party verification completed (2008-2012), except for refrigerant emissions

Overseas: Third party verification completed (2008-2011), except for LGEAT and Third party verification completed (2012), except for LGEWR, LGEND and LGEVN

\* Data correction may occur after the completion of third party verification

Unit: tonCO<sub>2</sub>e

	Category	2010	2011	2012
Scope 3	Leased Properties	7,673	7,987	9,377
	Domestic Logistics (Transport)	86,210	95,282	42,344
	Business Trips	84,425	62,153	72,400

\* Verification Status: Third party verification completed (2009-2012) for leased properties, and business trips

### Energy

Unit: TJ

Category	2010	2011	2012
Electricity	5,911	6,056	6,093
Steam	582	807	770
LNG	1,178	997	1,202
Coal	1,152	1,223	1,160
Other	302	353	409
Total	9,125	9,436	9,634

\* Applicable business sites: 14 Korean (production, office and R&D centers) and 30 overseas (production) sites

\* Applicable energy usage: Combustion facilities in business sites, and external electricity and heat usage (energy consumed by vehicles excluded)

\* Energy consumption is calculated based on net heating value.

\* Verification status

Korea: Third party verification completed (2008 - 2011), except for refrigerant emissions

Overseas: A third party verification completed (2008 - 2010), except for LGEAT and LGEQA

\* Data correction may occur after the completion of third party verification.

### Water

Unit: K ton

Category	2010	2011	2012
Korea	5,914	6,373	5,498
Overseas	6,214	6,540	6,046
Total	12,128	12,913	11,544
Intensity (K ton/KRW 10 billion)	2.18	2.38	2.27

### Ozone-depleting Substances

Unit: ton

Category	2010	2011	2012
HCFC Korea	1,509	1,070	772
(R22) Overseas	3,023	2,881	2,548
Total	4,532	3,951	3,320

### Volume Released by Product Group (Korea)

Unit: ton

Product Required to be Recycled	Total Volume Released
Refrigerator	88,419
Refrigerator (for Kimchi)	22,024
Washing Machine	33,252
Washing Machine (Drum)	26,794
Air Conditioner (Indoor Unit)	27,420
Air Conditioner (Outdoor Unit)	46,113
TV (LCD)	15,713
TV (PDP)	1,093
Monitor	4,902
Laptop Computer	630
Desktop Computer	2,356
Personal Computer (Keyboard)	331
Mobile Handset (Body)	565
Mobile Handset (Battery)	138
Mobile Handset (Charger)	103
Stereo (All-in-one)	63
Stereo (Body, Separate body-speaker type)	12
Stereo (Speaker)	126
Printer (Laser)	23
Printer (Non-laser)	318
Total	270,395

All LG Electronics business sites are managed according to internal environmental standards that far exceed the legal requirements (by 50%). Such disciplined management approach helps us reduce risks and contribute to protecting the environment of local communities. In order to increase the integrity of our environmental data, we are implementing overarching efforts to enhance our data management system, including training for staff members in charge of environmental management at each business site. In this process, we discovered some errors in our 2012 report and confirmed that such errors had occurred due to omission of some data and disparate data management methods at our business sites. We promise our stakeholders that we will continuously work to enhance the integrity and reliability of the data we disclose by improving the management of environmental data.

## OUTPUT DATA

### Air Emissions

Unit: ton

Category	Region	2010	2011	2012
NOx	Korea	1.8	3.3	2.2
	Overseas	114.1	79.0	74.3
	Total	115.9	82.3	76.5
SOx	Korea	0.4	0.6	0.8
	Overseas	89.1	47.6	46.7
	Total	89.5	48.2	47.5
Dust	Korea	5.0	7.5	7.3
	Overseas	80.7	58.1	66.5
	Total	85.7	65.6	73.8
VOCs	Korea (ppm)	16.4	11.1	9.4
	Overseas (ton)	21.8	30.3	30.3

\* Since there is no standard for VOC measurement in Korea, this report presents the average concentration of Total Hydrocarbon (THC) in ppm from some of our painting facilities.

### Waste Generation

Unit: ton

Category	Region	2010	2011	2012
Recycle	Korea	37,529	38,739	30,332
	Overseas	80,472	81,124	83,000
	Total	118,001	119,863	113,332
Landfill	Korea	6,452	6,848	7,012
	Overseas	1,166	2,300	7,004
	Total	7,618	9,148	14,016
Incineration	Korea	4,368	5,437	5,432
	Overseas	40,434	40,726	30,662
	Total	44,802	46,163	36,094
Total	Korea (General)	45,883	48,490	39,636
	Korea (Regulated)	2,466	2,533	3,140
	Korea Total	48,349	51,023	42,776
	Overseas Total	122,072	124,150	120,666
	Total	170,421	175,173	163,442

\* Our 2012 data includes the waste generated from R&D centers. Due to the close down of the Gumi 2 Plant, our performance in recycling declined compared to the previous year, while the amount of incineration increased.

\* The amount of incineration increased overseas due to changes in the waste management laws in Manaus, Brazil.

\* Incineration also includes heat recovery.

\* For hazardous wastes, this report only presents the data from Korea, as the definition of hazardous wastes varies by country.

### Discharge into Water

Unit: ton

Category	Region	2010	2011	2012
T-P	Korea	1.3	0.9	0.6
	Overseas	0.5	1.3	2.0
	Total	1.8	2.2	2.6
T-N	Korea	58.0	49.4 (36.6)	53.3
	Overseas	5.3	2.5	9.5
	Total	63.3	51.9	62.8
SS	Korea	38.8	14.6 (12.9)	18.0
	Overseas	30.5	49.7	43.2
	Total	69.3	64.3	61.2
COD	Korea	106.8	96.3 (77.8)	128.6
	Overseas	99.2	108.5	107.8
	Total	206.0	204.8	236.4

\* The numbers in parenthesis "[ ]" indicate an error in the disclosed data from the 2011-2012 report. The values have been adjusted to correct the errors identified in the verification process.

### Waste Water Discharge

Unit: ton

Category	2010	2011	2012
Korea	3,922,150	4,140,130	3,783,044
Overseas	1,493,185	4,140,130	1,252,379
Total	5,415,335	5,591,906	5,035,423

\* The amount of waste water discharge sharply decreased in Korea due to the close down of the Gumi 2 Plant.

### Safety Data

Category	Region	2010	2011	2012
Fatality (No. of case)	Korea	0	0	0
	Overseas	0	0	0
	Total	0	0	0
Incident (No. of case)	Korea	12	8	5
	Overseas	333	406	279
	Total	345	414	284
Total Hours Worked	Korea	47,708,018	53,862,314	50,830,658
	Overseas	122,422,941	132,892,824	128,970,653
	Total	170,130,959	186,755,138	179,801,311

# ENVIRONMENTAL DATA

## Global Production Network [As of December 31, 2012]

Region	Country	City	Subsidiary	Product	ISO Certification
North, Central & South America	Mexico	Mexicali	LGEMX	LCD TV, Monitor	-
		Reynosa	LGERS	LCD/PDP TV, CRT TV, PDP Module	ISO 14001
		Monterey	LGEMM	Refrigerator, Oven	ISO 14001, OHSAS 18001
	Brazil	Manaus	LGEBR	TV, DVD, Audio, Car Audio, Microwave Oven, Air- conditioner	ISO 14001
		Taubate		Monitor, Mobile Handset, Laptop, Washing Machine	ISO 14001
Europe	Poland	Mlawa	LGEMA	TV, Monitor	ISO 14001
		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	Riyadh	LGESR	Air Conditioner	ISO 14001, OHSAS 18001
	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 Handset	ISO 14001, OHSAS 18001
		Pune		Washing Machine, Compressor, Optical Storage, Mobile Handset	ISO 14001, OHSAS 18001
	Thailand	Rayong	LGETH	Washing Machine, Air Conditioner, Compressor	ISO 14001, OHSAS 18001
	Vietnam	Hung Yen	LGEVN	TV, Monitor, Mobile Handset, Air Conditioner, Washing Machine	ISO 14001
		Hai Phong		Refrigerator , Microwave Oven, Vacuum Cleaner	ISO 14001, OHSAS 18001
	Indonesia	Cibitung	LGEIN	LCD Monitor, LCD TV, PDP TV, CRT TV, VCR, COMBI, REC COMBI, DVD-P, DVD-R, BD-P, BD-Home Theater, DVD-Home Theater, Audio, Refrigerator	ISO 14001, OHSAS 18001
		Tangerang		DVD-R, BD-P, BD-Home Theater, DVD-Home Theater, Audio, Refrigerator	ISO 14001, OHSAS 18001
China	China	Taizhou	LGETR	Refrigerator, Compressor	ISO 14001, OHSAS 18001
		Huizhou	LGEHZ	Media, Optical Storage	ISO 14001, OHSAS 18001
		Nanjing	LGEND	Monitor, LCD TV, PDP TV	ISO 14001, OHSAS 18001
		Nanjing	LGEPN	Washing Machine, Motor	ISO 14001, OHSAS 18001
		Qinhuangdao	LGEQH	Casting	ISO 14001, OHSAS 18001
		Shanghai	LGESH	Security Camera	ISO 14001, OHSAS 18001
		Shenyang	LGESY	CRT TV	ISO 14001, OHSAS 18001
		Tianjin	LGETA	Microwave Oven, Air Conditioner, Vacuum Cleaner, Compressor, MGT	ISO 14001, OHSAS 18001
		Yantai	LGEYT	Mobile Handset	ISO 14001, OHSAS 18001
		Kunshan	LGEKS	Telematics, Audio	ISO 14001, OHSAS 18001
		Hangzhou	LGEHN	Video Cassette Tape, USB, HDD, Prism Sheet	ISO 14001, OHSAS 18001
		Qingdao	LGEQD	Mobile Handset	ISO 14001, OHSAS 18001
		Qingdao	LGEQA	Chiller	ISO 14001, OHSAS 18001
		CIS	Kazakhstan	Almaty	LGEAK
Russia	Ruja		LGERA	TV, Monitor, Refrigerator, Washing Machine	ISO 14001, OHSAS 18001

\* Number of Overseas Production Sites: 33 [Number of Production Subsidiaries: 29]

\* All our production sites in Korea acquired the ISO 14001 and OHSAS 18001 certifications.

# INDEPENDENT ASSURANCE STATEMENT

## To the Stakeholders of LG Electronics:

LG Electronics commissioned the Korea Productivity Center (the "Assurer") to provide an independent assurance of its 2012-2013 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 solely for providing a third party verification of the content in the "Report." As an independent assurance agency, the Assurer was neither involved in the process of preparing this "Report" with LG Electronics, nor in any conflicts of interest that may undermine our independence.

## Assurance Standard and Objectives

The independent verification process was planned and performed in accordance with the AA1000 Assurance Standard (2008) to provide Type 1 moderate level of assurance, while providing Type 2 assurance for select sustainability performances (i.e. water use and waste management) that require the evaluation of data reliability. This was achieved through the evaluation of the organization's adherence to the AA1000 APS (2008) of Inclusivity, Materiality and Responsiveness. Additionally, the assurance was performed to ascertain the organization's adherence to the Global Reporting Initiative (GRI) G3.1 Guidelines in preparing and presenting sustainability performance information.

## Assurance Limitations

Based on the aforementioned assurance standards, the Assurer verified the organization's sustainability performance for 2012, and partially verified the data from 2010 and 2011 as well as the plan for 2013. The scope of our procedures did not include verification of the reliability of data related to LG Electronics' financial and environmental performance (including GHG emissions) and information linked with LG Electronics' websites. Site inspection was performed, in a limited scope, on LG Electronics' Headquarters in Seoul. Therefore, the Assurer clearly states that any future verification may produce varied results.

## Assurance Methodology

The assurance was undertaken with the methodology specified below:

1. Verified if the Report satisfies requirements for GRI Application level A by reviewing the coverage rate of and presentation method for economic, environmental and social indicators specified in the GRI G3.1 Guidelines.
2. Verified consistency with the principles dictating the content and quality of sustainability reports based on the GRI G3.1 Guidelines.
3. Verified objectivity and appropriateness of key issues selected and content in the Report by reviewing media reports and performing benchmark analysis.
4. Verified errors in conformity and the information presented in the Report by comparing and analyzing the same information from different sources.
5. Verified the basis of data and information by performing site inspection at LG Electronics' Headquarters in Seoul, and verified the internal process and systems.
6. 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 presents the sustainability efforts and performance of LG Electronics in a fair and accurate way. Also, the assurance verified that the self-declared requirements claimed by LG Electronics for the GRI Application Level A have been met. 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: Stakeholder Engagement

The principle of inclusivity articulates that organizations should include stakeholders in the development and achievement of accountable and strategic responses to sustainability. LG Electronics identified six major stakeholder groups based on mutual impact and accessibility (customers, employees, suppliers, communities, governmental and international organizations, and shareholders and investors), clearly understands the expectations of and communication channels for each group, and actively accommodates their feedback based on open communication. LG Electronics is also working towards customizing communication channels for each stakeholder group through efforts such as open communication with employees, labor-management conference, multi-dimensional communication with suppliers for Win-Win Growth, and field-oriented communication and problem solving efforts for customers. In particular, the Assurer highly commends the company for having firmly established the Stakeholder Consultation on CSR (since 2010) as the most representative communication channel and for creating values based on the LG Way by actively incorporating key issues that emerged from the Consultation into its business operations, i.e. briefing top management on such issues. Going forward, the Assurer recommends that LG Electronics further expands and enhances its stakeholder communication system to actively accommodate feedback from overseas customers and business sites as part of its efforts to create a truly global stakeholder engagement system that is expected of a global corporation. In particular, the Assurer recommends that LG Electronics establishes an integrated stakeholder management system.

### 2. Principle of Materiality: Selection of and Reporting on Material Issues

The principle of materiality articulates that organizations should focus on issues relevant and material to both the organization and their major stakeholders. The Assurer found that LG Electronics successfully identified issues relevant and material to the company and its major stakeholders based on a logical materiality analysis process. LG Electronics also made a wide range of efforts to identify issues material to its sustainability management from a balanced perspective based on diverse sources such as global initiatives, social norms, stakeholder engagement, management policy, etc. Furthermore, the material issues identified in the process are discussed at the Stakeholder Consultation to seek comprehensive solutions. For the past four years, LG Electronics has closely tracked and managed material issues and made swift and appropriate responses to changes in the external climate, which clearly proves that LG Electronics has in place a systematic sustainability management process (identify material issues → implement response measures → report progress and performance). Going forward, the As-



surer recommends that LG Electronics continues to track changes to the material issues presented in “Key Progress and Performance” from this Report so that external stakeholders can better understand the connection between LG Electronics’ strategies for material issues and the progress it makes in each area.

### 3. Principle of Responsiveness: Organizational Response to Issues

The principle of responsiveness articulates that organizations should be responsive to issues that may impact the performance of their stakeholders. The Assurer found that LG Electronics successfully identified issues that may impact stakeholders’ performance, implemented measures to address them and adequately presented relevant information in the Report. The Assurer commends LG Electronics for grouping information on its sustainability management efforts into “Materiality Report” and “Management Report” to differentiate its responses to material issues and management of general sustainability issues. In particular, the company clearly presented mid to long term directions and quantitative targets associated with material issues as an expression of its commitment towards ongoing improvement efforts. The Assurer also commends LG Electronics for expanding overseas sustainable management efforts, including CSR risk management initiatives for overseas business sites and suppliers, and social contribution efforts overseas. The Assurer recommends that LG Electronics presents specific solutions for each material issue, creative response measures and value-oriented achievements resulting from such efforts. The Assurer also recommends that LG Electronics continues to expand its sustainability management efforts at overseas business sites and presents the progress in future reports for global stakeholders.

### Recommendations

The Assurer commends LG Electronics for making a variety of efforts to enhance sustainability and for the resulting performances, and presents the following recommendations for improving future sustainability reports and sustainability management.

1. The Assurer recommends that LG Electronics establishes a global sustainability management system that can support LG Electronics’ sustainability management efforts as a global corporation. This recommendation pertains to not only strengthening sustainability management efforts in Korea as well as overseas but also decision making from a global perspective and integrated global data management. The Assurer believes that LG Electronics will be able to enhance the quality of its reports as well as the substantive value of its sustainability management based on such efforts.
2. With increasing interest in the environment and diverse environmental issues associated with the overseas business sites, the Assurer recommends that LG Electronics establishes a management system for issues related to water use and biodiversity in addition to GHG emissions.
3. The Assurer recommends that LG Electronics makes a shift towards a reporting system that reviews multi-year efforts and accomplishments in sustainability management and clearly presents the connection between mid to long term objectives and financial performances.



May 2013  
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The Sustainability Management Center of the Korea Productivity Center is an assurance agency officially certified by AccountAbility (the organization that established AA1000, the international standard for stakeholder participation and verification) and is qualified to perform independent assurance engagements. Our Assurance Committee is comprised of competent experts who have in-depth experience in sustainability management consulting and assurance and have completed the relevant professional training.

# MEMBERSHIP/AWARDS & RECOGNITION

## Membership

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

## Awards & Recognition

Date	Award/Recognition	Awarded by
February 2012	LG Drum Washing Machine ranked first in sales (fifth consecutive year) and market share (fourth consecutive year)	Stevenson Company
March 2012	14 product modes (including 3-door refrigerator and dishwasher) received the Red Dot Award and honorable mentions	Red Dot Award
March 2012	Received "ENERGY STAR" Partner of the Year Award	U.S. Environmental Protection Agency
April 2012	LGEES (Spain) named one of the 50 best companies to work for in Spain	Great Place to Work Institute
April 2012	LGE Levant received the Best Interactive Award in the Electronics category	Pan Arab Web Awards
June 2012	Received the Prime Minister's Prize at the 16th Energy Winner Awards	Ministry of Trade, Industry and Energy/Consumers Korea
June 2012	LG TV acquired the Green Product Mark certification	TUV Rheinland (Germany)
June 2012	LG French-Door Refrigerator received the top rating	Consumer Reports (U.S.)
June 2012	LG TV received the Best Solution Award	IEEE Infocom 2012
August 2012	LG TV received the IDEA Awards	IDEA (International Design Excellence Awards)
August 2012	LG TV received the Global Efficiency Medal	SEAD
September 2012	LG Washing Machine acquired the Green Product Mark certification	TUV Rheinland (Germany)
September 2012	Included in the DJSI World Index	Dow Jones Index/RobecoSAM (Swiss)
October 2012	Ranked first in the Carbon Management Global Leaders Club	CDP (Carbon Disclosure Project) Korea
October 2012	Received the Presidential Prize at the Good Design Awards	Ministry of Trade, Industry and Energy/Korea Institute of Design Promotion (KIDP)
October 2012	Received the KES Innovation Award	2012 Electronics & IT Industry Fair
November 2012	Received 2 IF Product Design Awards	IF Product Design Award
November 2012	Received the Korea Advertising Award	Korea Federation of Advertising Associations
December 2012	LGEFG received the Best Project Award	Climate Control Middle East
December 2012	LG 84 inch Ultra-large Screen HD TV named "Product of the Year" at VIP-ASIA 2012	AVING

# GRI INDEX

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EN12	Description of significant impacts of activities on biodiversity	○		
EN13	Habitats protected or restored	○		
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	○		
EN15	Number of IUCN Red List species and national conservation list species	N/A	Data not available	
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HR3	Total hours of employee training on policies/procedures concerning aspects of human rights	○	Jeong-Do Management	75
HR4	Total number of incidents of discrimination and actions taken	○	CSR in Supply Chain, Decent Work	52-54, 68-71
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining	○	CSR in Supply Chain, Decent Work	52-54, 68-71
HR6	Operations identified as having risk for incidents of child labor and measures taken	○	CSR in Supply Chain, Decent Work	52-54, 68-71
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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	○	LGE's facilities are located in industrial complexes.	-
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	○	CSR Risk Management Program	69-71
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# GRI INDEX

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S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	○	Prohibited in Korea by Law	
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S08	Monetary value of significant fines for noncompliance with regulations	○	Fair Trade	76
S09	Operations with significant potential or actual negative impacts on local communities	○	EESH Management	80-81
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	○	EESH Management	80-81
<b>Product Responsibility</b>				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement	△	Product with Greener Features	32-40
PR2	Total number of non-compliance incidents with regulations concerning health and safety	△	Responsible Marketing Communication	92
PR3	Type of product and service information required by procedures	○	Product with Greener Features	32-40
PR4	Total number of non-compliance incidents with regulations concerning products and services information & Labeling	△	Compliance Risk Management, Responsible Marketing Communication	74, 92
PR5	Practices related to customer satisfaction including survey results on satisfaction	○	Consumer Satisfaction through Service Activities	79
PR6	Programs for adherence to standards and voluntary codes related to marketing communications	○	Code of Conduct	Code of Conduct 12-14
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PR9	Monetary value of significant fines for non-compliance with laws concerning the provision and use of products and services	△	Compliance Risk Management, Responsible Marketing Communication	74, 92

\* Responsible Marketing Communication: LG Electronics fully complies with all applicable laws and regulations pertaining to marketing & communication activities including advertisements, sales promotions and sponsorships in countries where we operate, and follows up on non-conformances with voluntary improvement efforts [2011-2012 Sustainability Report pp.28-29].

# UNGC INDEX

Ten Principles		Our Activities	Related Content	Page
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	Based on our management philosophy "People-Oriented Management," LGE respects and complies with the standards, laws and regulations established by international institutions and organizations such as the Universal Declaration of Human Rights by the United Nations. To ensure fundamental human rights and labor rights of employees as well as those of our suppliers.	Management Philosophy	7
	Principle 2: Make sure that they are not complicit in human rights abuses.		CSR Management System	12-13
Labour Standards	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	LGE continues its efforts to establish a corporate culture that values the diversity of our employees and promotes creativity and autonomy. Owing to its efforts, LGE is leading an exemplary labor management relationship, reaching an agreement in collective bargaining and wage negotiations without labor dispute for 24 consecutive years (as of February 2013) and declaring Union Social Responsibility (USR) charter. Additionally, LGE joined the Electronic Industry Citizenship Coalition (EICC), established an enterprise-wide policy for protecting labor rights across the supply chain and amended standard purchase agreement forms accordingly.	Win-Win Growth	48-51
	Principle 4: The elimination of all forms of forced and compulsory labour;		CSR in Supply Chain	52-54
	Principle 5: The effective abolition of child labour; and		Decent Work	68-71
	Principle 6: The elimination of discrimination in respect of employment and occupation.		Decent Work	68-71
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges;	"LGE strives to contribute to the society's sustainable growth by minimizing negative environmental impacts 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."	Win-Win Growth	48-51
	Principle 8: Undertake initiatives to promote greater environmental responsibility; and		CSR in Supply Chain	52-54
	Principle 9: Encourage the development and diffusion of environmentally friendly technologies.		CSR Management System	12-13
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	LGE's "Jeong-Do Management" is a guiding principle for all action taken by employees. To help our employees remain true to the spirit of Jeong-Do Management, LGE established Code of Ethics and Conduct Guidelines. LGE also applies the same standard to all suppliers and business partners. LGE translates and distributes code of ethics handbook and requiring employees and suppliers to sign a pledge for Jeong-Do Management. Additionally, LGE maintains the ethics category in its CSR risk management program to monitor its business sites' and suppliers' ethics management systems.	Product with Greener Features	32-40
			Low-carbon Management	41-47
			Jeong-Do Management	75
			Decent Work	68-71
			Win-Win Growth	48-51
			CSR in Supply Chain	52-54



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## LG Electronics' Sustainability Report



**2005**  
Published in October 2006



**2006/2007**  
Published in October 2008



**2008**  
Published in July 2009



**2009**  
Published in June 2010



**2010**  
Published in May 2011



**2011-2012**  
Published in May 2012



**2012-2013**  
Published in June 2013



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