



LIFE'S GOOD

WITH

"Life's Good with LG" is the
official CSR slogan of LG Electronics
and conveys our earnest desire for
comprehensive communication
with stakeholders about our
CSR efforts in a variety of areas.

LG

2013-2014 LG Electronics Sustainability Report

2013-2014 LG Electronics Sustainability Report

REPORT OVERVIEW

LIFE'S GOOD
WITH LG



Everyone at LG Electronics strives to create the very best value for customers, ones that bring excitement and conveniences into their lives. Furthermore, LG Electronics carries out its responsibilities as a corporate citizen with great passion, such as helping those in need to protecting the environment of the earth, in an effort to bring greater happiness to its stakeholders, including customers, investors, and communities. The ultimate goal LG Electronics strives to achieve through its sustainability management efforts is to help all its stakeholders achieve sustainable happiness.

Information Sources concerning
LG Electronics' Sustainability Management Efforts

LG Electronics Website Annual Report



Overview

In preparing its 2013-2014 Sustainability Report, LG Electronics adopted the G4 guidelines of the Global Reporting Initiative (GRI). As part of the process for implementing the guidelines, we reviewed newly introduced indices against the previous year's edition to identify the aspects that are lacking in our report. In order to incorporate these aspects as much as possible, we had extensive communication with business departments.

We collected opinions from our internal and external stakeholders through a wide range of communication programs, and performed a materiality analysis to identify the information that both LG Electronics and stakeholders thought to be material. Based on the findings, we tried to introduce information concerning "Material Aspects" as defined by the G4 guidelines. Externally, we worked with a third party assurer to review the analysis results against the aspects perceived as material to industry peers to verify what is missing from each other's list (and vice versa), and internally, we reviewed the results with related business departments to select and introduce the information that is material and useful both to LG Electronics and our stakeholders. Articles on material aspects prepared by business departments were finalized after a review by management and a third party assurer.

Reporting Principles

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

Reporting Scope

This report covers all LGE business sites, both in Korea and overseas, and supplier sites, including activities and performance in economic, environmental, and social areas (for the detailed scope of reporting, please refer to notes for each table).

Reporting Boundary

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

Reporting Period

Data from the calendar year 2013, from January 1 to December 31 (for qualitative measures of performance, some data from the first half of 2014 was also included)

Assurance

Independent Assurance Statement
(Korea Productivity Center) (See pp. 90-91)

CSR Team, LG Electronics LG Twin Towers, 128 Yeoui-daero,
Yeongdeungpo-gu, Seoul, Korea
Email : sustainability@lge.com
Tel : 82-2-3777-3263

The information contained in this document is intended for international viewing and may not apply in your jurisdiction. This report also contains some "forward-looking statements"- that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business performance and intentions, and often contain words such as "expect," "anticipate," "intend," "plan," believe," "seek," "see," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. These uncertainties may cause our actual future results to be materially different from those expressed in our forward-looking statements in this report.

CONTENTS

Overview

Report Overview/Contents	2-3
CEO Message	4-5
Management Messages	6
Fair Business Practices	
Management Philosophy	7
Corporate Governance	8
Compliance Risk Management	9
Jeong-Do Management	10
Fair Trade	11
Who We Are	12-13
What We Do	14-15
Where We Operate	16-17
CSR Management	18-19

Stakeholder Communication

Stakeholder Engagement & Communication	20-23
Stakeholder Consultation on CSR	24-25
Materiality Analysis	26-27

Key Progress & Performance


Key Progress & Performance	28-29
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Appendix


Economic Data	85
Environmental Data	86-88
Social Data	89
Independent Assurance Statement	90-91
Memberships/Awards & Recognitions	92
GRI/UNGC Index	93-96
Past LGE Sustainability Report/ Contributors to Report Preparation	97

Materiality Report

With Our Customers		30-37
	Disclosure on Management Approach	30
	Customer Communications	31-32
	Improving Communication with Customer Service	33
	Developing Products Offering Greater Accessibility to the Disabled	34-35
	Securing Product Quality & Safety	36
	Protection of Personal Information	36-37

With the Environment		38-55
	Disclosure on Management Approach	38
	Products with Greener Features	39-41
	Product Stewardship	42-44
	Green Partnership	45
	Environmental Awards and	46-47
	Accolades in 2013	
	EESH Management System	48
	GHG Emissions Reduction	49-51
	Minimizing Environmental Impact	52-53
	at our Business Sites	
Improving EESH at Business Sites	53-55	

With Our Suppliers		56-65
	Disclosure on Management Approach	56
	Our Principles for Win-Win Growth	57-58
	Fostering "No. 1" Suppliers	58-59
	Supplier CSR Risk Management	60-63
	Conflict Minerals	64-65

With the Community	66-73	
	Disclosure on Management Approach	66
	Social Contribution	67
	Key Social Contribution Programs	68-73

With Our Employees		74-83
	Disclosure on Management Approach	74
	Global Workforce	75
	Talent Acquisition & Cultivation	76-77
	Corporate Culture/Work-life Balance	78-79
	Protection of Labor Rights	80-83

CEO MESSAGE



To Our Stakeholders

First and foremost, we would like to express our deepest gratitude for your ongoing support and trust in LG Electronics. With the protracting economic recession and intensifying uncertainties in the business environment, it is becoming increasingly challenging to achieve “sustainable growth.” It is, however, also true that such challenges provide us with a great opportunity to identify new growth engines and to prepare for the future.

LG Electronics will build “Sustainable Competitiveness.”

Since the day of our inception, we have always embraced challenges with high spirits. We have never compromised on our commitment towards delivering differentiated values to customers, and have never wavered from the sense of responsibility for society, while devoting our organizational resources to developing “sustainable competitiveness” that only LG Electronics can deliver.

In 2014, we intend to fully focus our efforts and resources on securing competitiveness that enable us to grow strong against fierce competition to ensure market leadership in our core businesses, while making bold and decisive movements to expand our market share and our influence quickly in new businesses.

To remain true to our fundamental promises to customers and society, we will also thoroughly comply with Jeong-Do Management and the related laws and regulations in creating customer value, both in terms of the process and the outcome.

Capitalizing on our collective capabilities, LG Electronics will contribute to the global community.

In making social contributions, we will make consistent and committed efforts across the organization to create differentiated values as we press forward to achieve our primary goal – environmentally friendly development and production processes. We will work to find specific ways to contribute to the global community with our core capabilities, such as businesses, technologies, and channels, and implement them efficiently.

In particular, we will continue the existing programs designed specifically to provide real and effective support to those who are willing to work towards self-sustainability as part of our mission to create a hopeful world for all.

Everyone at LG Electronics will come together as one to repay customers’ trust.

Guided by our management philosophies “Customer-Value Creation” and “Human-Oriented Management,” everyone at LG Electronics, from management to individual employees, will come together as one in achieving sustainable growth against tough business conditions and in making meaningful contributions to society.

We sincerely seek your continued support and guidance in our endeavors.

May 2014
Vice Chairman & CEO **Bon Joon Koo**

A handwritten signature in black ink, reading "Bon Joon Koo".

MANAGEMENT
MESSAGES



Jong Sik Kim COO (Chief Operating Officer)/
President



Skott Ahn CTO (Chief Technology Officer)/
President

Based on close collaboration with our suppliers, LG Electronics will strive to create the most optimal business operating system in the world. LG Electronics fully understands that the competitiveness of our suppliers directly translates into our own competitiveness – as our parts producers improve their competitiveness, so will our finished products become more competitive. LG Electronics will continuously work to eliminate unfair business practices and support our suppliers in their efforts toward stronger competitiveness. Everyone at LG Electronics clearly understands that striving for shared growth based on win-win partnerships is not only the right path toward fulfilling our corporate social responsibility but also an effective strategy for strengthening our competitiveness. Based on this recognition, we will strive for transparent and ethical business practices that take the welfare of the entire society into consideration as we align our actions with Jeong-Do Management.

LG Electronics strives for technology that creates harmony between people, products, and technology. LG Electronics is hard at work to develop the technologies required by mankind and provide value to customers through those technologies. In order to develop technologies that deliver differentiated value to customers, we are shifting the focus of our unique work style from optimizing each process to optimizing entire processes as a whole. This means that our approach to technology development is now more focused on consumer convenience, rather than manufacturing efficiency. Based on our existing strengths in hardware technology, we will also improve capabilities in software, including operating systems, to secure technological competitiveness across the value chain and to achieve sustainability for both our technologies and businesses.



Wayne Park GSMO (Global Sales & Marketing Officer)/
Executive Vice President

LG Electronics cares for consumer convenience and the environment, and delivers innovations to customers. Our marketing strategy consists of making products sought by consumers and becoming the first to market the products that deliver convenience to consumers and are kind to the environment. To this end, we are not only making efforts into securing manufacturing competitiveness but also working to strengthen our marketing competitiveness through marketing strategies tailored for each country and region. We will continue to strive to become a sustainable business through genuine efforts toward consumer communication and engagement, as well as through products that offer high energy efficiency and have no negative impact on the environment.



Ho Geon Hwang Chief Human Resource Officer/
Senior Vice President

LG Electronics strives to become home to a group of talented professionals who embrace changing business landscape and create new value. Business success in the year 2014 lies heavily on how fast we can respond to changes in the business environment. Although businesses, during the period of fast growth for the country, used to seek talent suited for disciplined and structured operations, corporations are now seeking talented professionals who possess so-called “nomadic” traits, such as adaptability to fast changing environments, affinity for exploring new things, and a drive for creating value. In order to attract such talented professionals, LG Electronics is hard at work to build a diverse workforce, foster local talent who are integral to our global operations, and implement HR policy that empowers all our employees to fully utilize their expertise, thereby ensuring that LG Electronics continues to create new value for years to come.



Choong Hak Lee Business Support Officer/
Senior Vice President

LG Electronics actively engages with diverse stakeholders. In an effort to deliver differentiated value to our stakeholders, LG Electronics actively seeks out opinions from experts in economic, environmental, and social issues, and incorporates their feedback into our business operations. In addition, we continuously pursue social contribution initiatives that take advantage of our products and capabilities, and actively support our employees’ voluntary social contribution activities. Based on the trust bestowed on us by our stakeholders, LG Electronics will strive to achieve sustainable growth and become a respected corporate member of the global society.

MANAGEMENT
PHILOSOPHY

As a guiding principle for all LG employees in their thoughts and actions, 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 base our business practices on the principles of “Jeong-Do Management”

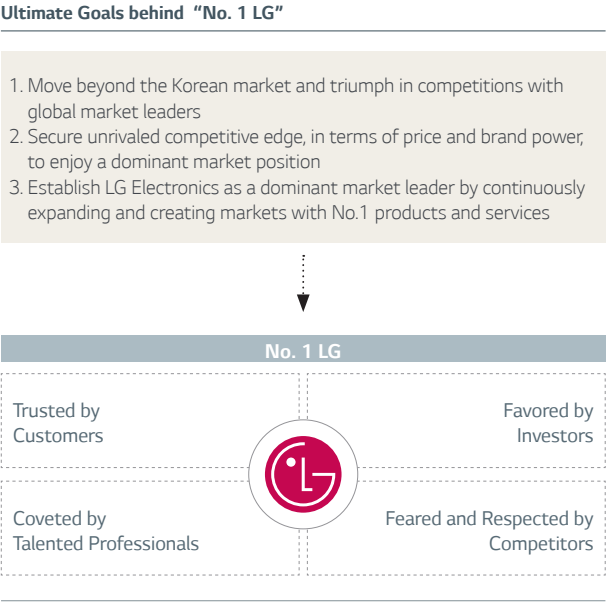
Management Principles
As a philosophical basis for our business operations, LG Electronics’ Management Principles also serve as our guiding principles for sustainable management. Everything we do at LG Electronics starts from our aspiration to put a smile on our customers’ faces and to make their lives more convenient with our products, and this commitment toward people, society, and new ideas drive our business activities. These principles will serve as an enduring inspiration for our efforts toward sustainable management for years to come.

1) Customer-Value Creation
“Customer-Value Creation” is the ultimate goal toward which our business activities strive, attained by putting customers first and delivering the best value possible.

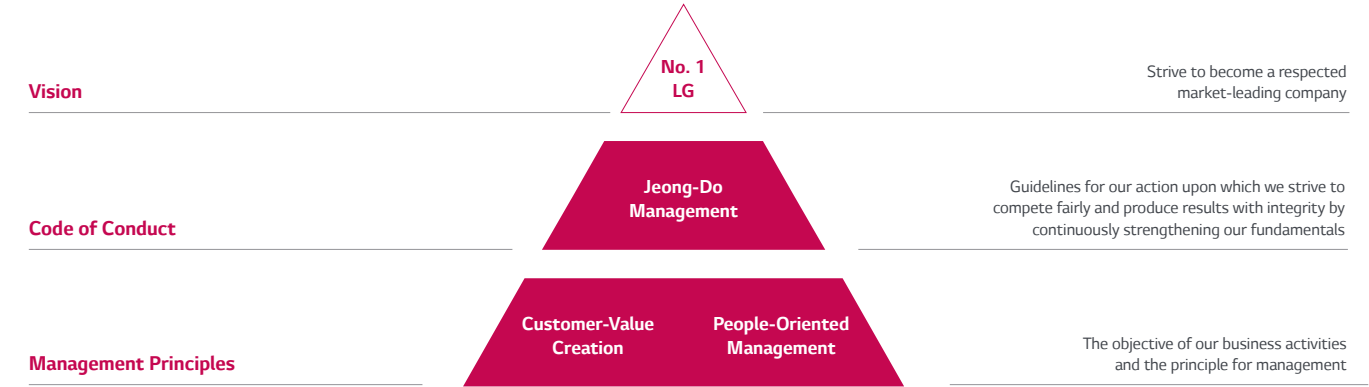
2) People-Oriented Management
“People-Oriented Management” expresses our commitment toward creating an environment where our employees can reach their full potential and utilize their abilities to the fullest, which is achieved by promoting employee creativity and autonomy, and implementing a merit-based reward system.

Jeong-Do Management
“Jeong-Do Management” is LG Electronics’ unique guidelines for business practices born out of our strong conviction that it is possible to compete fairly and produce results with integrity by continuously strengthening our fundamentals. Our management principles are put into action when our employees practice Jeong-Do Management.

No. 1 LG
The ultimate goal we strive to achieve through Jeong-Do Management, as well as the management principles behind it, is to become “No.1 LG.” This stands for our commitment to become a dominant leader in the global market by securing unrivaled competitiveness and consistently leading the market on a global level.



LG Way Vision Structure



CORPORATE
GOVERNANCE

Shareholders

As of year-end 2013, 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 30.5% of the shares. Every year, the Chairman of BOD personally updates shareholders on our performance at the Annual General Meeting (AGM) and collects feedback from shareholders on management issues that require decision-making. LG Electronics also maintains a section on its website to field investor inquiries as a channel through which we collect investor feedback on our business performance and present our responses. Shareholders’ opinions and suggestions are gathered, carefully reviewed by management and the BOD, and incorporated into corporate policies and business operations.

Strengthening Independence of Board of Directors (BOD)

The BOD consists of seven Directors, four of whom are Outside Directors. All Directors serve a three-year term and at the end of the tenure, their reinstatement is determined based on performance evaluation. Directors perform their duties independently from any influence of major shareholders and management. In addition, LG Electronics has in place a compliance system to review business transactions for potential conflict of interest and verify BOD approval status on such transactions. This system was implemented to prevent Directors from pursuing personal profits for themselves or a third-party through business opportunities obtained by using their positions as a BOD member and incurring unforeseen losses to shareholders. If a business transaction has not obtained a BOD approval, the BOD is briefed on such transactions in advance for the approval process.

Role of BOD

The BOD actively provides recommendations for important management decisions and conducts unbiased evaluation and supervision of management. In particular, Outside Directors monitor overall corporate management activities and keep management in check, while offering concrete and substantial advice to management. In 2013, the BOD was convened nine times to review a total of 42 agendas (33 for approval, 9 for reporting), including the approval

for self-dealing by directors. Of the 42 agendas, 41 were approved in its original form, and one was approved after revision. The Directors’ attendance rate for the BOD meetings was on average 97%. At the meeting held in April 2012, the BOD moved to establish “Corporate Social Responsibility” as an official issue to be reported to the BOD to strengthen the BOD’s commitment toward the issue and facilitate external responses. In line with the action, the BOD is briefed annually on CSR activities, including economic, social, and environmental issues identified through engagement with stakeholders (i.e. Stakeholder Consultation on CSR) and our Sustainability Report, to facilitate the active engagement of BOD members.

BOD Committees

The BOD is supported by three Board Committees: the Audit Committee, the Management Committee, and the Outside Director Candidate Recommendation 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 2013, the Management Committee reviewed a total of 43 agendas. The Outside Directors Candidate Recommendation Committee carefully selects qualified candidates for Outside Directors in accordance with Article 542.8 of the Commercial Law of Korea and recommends them to the AGM for appointment to ensure fairness and transparency in the nomination of candidates.

Evaluation and Compensation

Compensation for BOD 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 on whether they have set and achieved challenging goals in financial, social and environmental areas, 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.

BOD Status (As of March 31, 2014)

Category	Name	Title/Position/Profile	Date Appointed	Note
Inside Director	Bon Joon Koo	CEO, Vice Chairman	March 2014	Management Committee (Chairman)
	David Jung	Representative Director/CFO, President	March 2014	Management Committee
Non-executive Director	Yu Sig Kang	Vice Chairman, LG Management Development Institute	March 2014	Chairman of BOD
				Outside Director Candidate Recommendation Committee (Chairman) Management Committee
Outside Director	Chang Woo Lee	Professor, Business Administration, Seoul National University	March 2013	Audit Committee (Chairman)
	Kyu Min Lee	Chair Professor, Sejong University, Former Editor-in-chief, Dong-A Ilbo	March 2012	Audit Committee
				Outside Director Candidate Recommendation Committee
	Sang Hee Kim	Lawyer, Former Deputy Minister of Justice	March 2012	Audit Committee
	Chong Nam Chu	Professor, Mechanical & Aerospace Engineering, Seoul National University	March 2013	Outside Director Candidate Recommendation Committee

COMPLIANCE
RISK MANAGEMENT

Significance of Compliance

Compliance issues concerning business operations are on the continuous rise, and stronger regulations and penalties are being implemented to address the issue. Businesses now could face tens of billions of dollars in fines, as well as criminal charges against their employees, for a failure to comply with laws and regulations, and this further increases the significance of compliance risk management for corporations.

Independent Compliance Risk Management

To increase the effectiveness of our compliance programs and ensure the independence of the Chief Compliance Officer, in December 2013, LG Electronics expanded and transferred the Compliance Office to directly under the CEO, from its previous position under the Legal Department. We also changed related business processes to ensure that the Chief Compliance Officer directly reports to the Board of Directors or CEO on compliance issues in a timely manner. In addition, LG Electronics briefs the BOD on its compliance efforts (compliance and validity assessment results) on an annual basis to help the BOD carry out effective oversight of the company’s compliance management performance (annual briefing completed in February 2013).

Strengthening Compliance Awareness of Employees

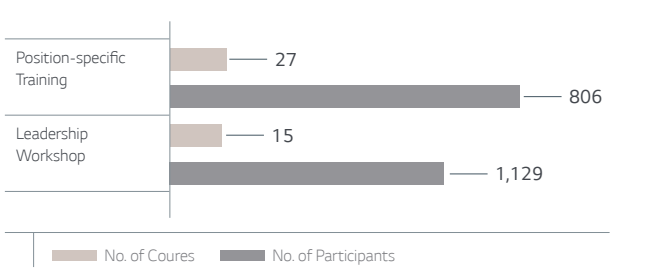
1. In-Class Training for Organization Leaders

LG Electronics believes that strong compliance awareness of our executives and middle managers is critical for creating a corporate culture that supports effective compliance management and promotes a compliance mindset among our employees. As such, LG Electronics conducts regular compliance training for newly appointed organization leaders to help them exercise strong leadership in compliance issues. The training consists of courses on the importance of compliance, non-compliance cases, and our principles for compliance issues.

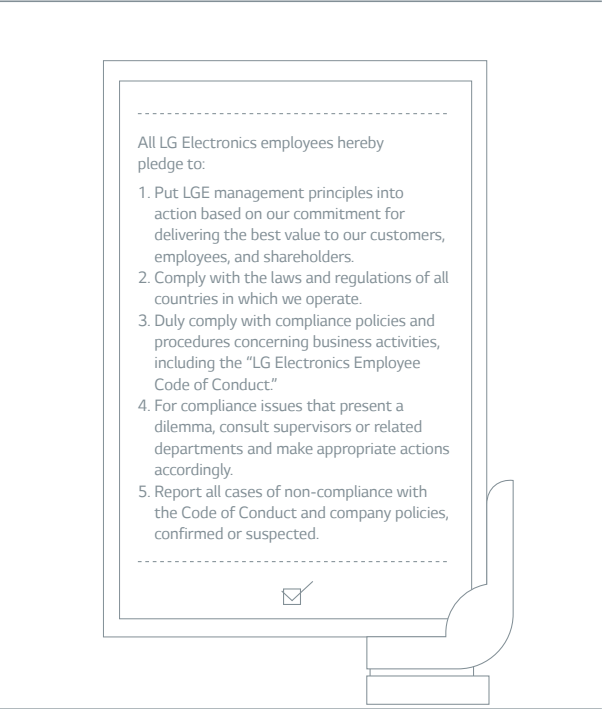
2. Online Compliance Training for Employees

In order to enhance employees’ compliance mindset by sharing information about regulation changes and company principles, LG Electronics conducts annual online compliance training for all our business employees across the world. The training introduces laws and regulations, employee roles and responsibilities concerning compliance, examples of compliance failure from other corporations, and the Employee Code of Conduct. In 2013, 97 % of our business staff (50,832 out of 52,602) completed the training, and signed a pledge for compliance with laws & regulations and the Code of Conduct to renew their commitment towards responsible conduct.

In-Class Compliance Training in 2013



2013 Online Pledge for Compliance



JEONG-DO MANAGEMENT

Strong Commitment toward Jeong-Do Management

Jeong-Do Management is LG Electronics’ unique guidelines for employee conduct, and conveys our belief that we can still come out on top and produce meaningful results by consistently strengthening fundamentals and fairly competing in the market with integrity. This belief is clearly expressed in the CEO’s statement: “Our commitment toward Jeong-Do Management and compliance not only is a promise to ourselves, but also a solemn pledge to our customers and society. Non-compliance, in any circumstance, does not work in favor of the company.” Based on this strong commitment toward Jeong-Do Management, LG Electronics requires not only our employees but also our suppliers to conduct themselves in line with Jeong-Do Management.

Amendments to Code of Ethics

First established in 1994, LG Electronics’ Code of Ethics is comprised of “Code of Ethics,” “Guidelines for Practice,” and the “Explanation Guidelines for Practice” that provides principles behind specific guidelines. The Code of Ethics has been translated into 14 different languages and distributed worldwide, and the Handbook was produced in Korean, Chinese, English, Spanish, Polish, and Arabic, and distributed to all employees to raise awareness on LG Electronics Employees’ Code of Ethics, and to encourage our employees to embrace Jeong-Do Management. In order to ensure transparency in transactions with interested parties and to promote fair business conduct of our employees, we amended the Code of Ethics in January 2014 to strengthen the provisions pertaining to receipt of cash or valuables from interested parties. Based on the amendments, all LG Electronics employees are now prohibited from accepting personal gifts from interested parties regardless of the amount, as well as from having personal dealings with interested parties.

Jeong-Do Management Pledge and Voluntary Disclosure of Violations

In 2013, LG Electronics required all its employees at Korea and overseas to sign and submit a pledge for “Jeong-Do Management” online, and 98.5% of our employees have completed the process. We also require our suppliers to do the same on a regular/irregular basis. In particular, LG Electronics requires suppliers to submit a pledge for Jeong-Do Management as part of the Master Purchase Agreement, in an effort to ensure that all companies that have business transaction with LG Electronics make the pledge. In order to highlight the importance of compliance with Jeong-Do Management and relevant laws & regulations, we encouraged our employees to voluntarily disclose any violations. Based on these efforts, LG Electronics continuously works to prevent risks that could potentially cause irreparable damages to the company.

Whistleblower System

LG Electronics has in place a whistleblower system (ethics.lg.co.kr) to receive internal and external reports concerning any actions in violation of the Employee Code of Ethics and Jeong-Do Management, such as accepting 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. We also have strong measures in place to thoroughly protect the identity of whistleblowers. In addition, we utilize the Win-Win Growth website to collect anonymous reports concerning unfair and unjust treatment suffered by our external stakeholders. Over the past three years, a total of 1,375 claims were reported and handled through the whistleblower system and the Win-Win Growth website.

Counseling Center

In order to respond to employee inquiries on Jeong-Do Management, LG Electronics established a counseling center and offers one-on-one counseling on the everyday practice of Jeong-Do Management. The center receives inquiries via intranet, phone, and email, and provides counseling on the interpretations of the Code of Ethics, congratulatory/condolence cash gifts, appropriate procedures for handling such gifts, and how to deal with business expenses. Inquirers can choose to disclose the details of their inquiries, but if they decide otherwise, we also make every effort to protect their identity and the details of their inquiries. In 2013, a total of 177 inquiries were made to the counseling center. Frequently discussed topics are also organized into FAQs and used as training materials both at Korea and overseas.

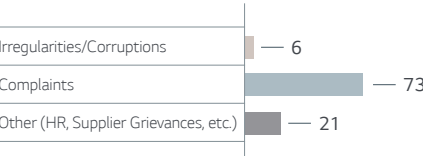
Global Training and Awareness Promotion on Jeong-Do Management

LG Electronics provides training on Jeong-Do Management to highlight our belief that “Jeong-Do Management is not an option but an implicit requirement for the very survival of the company” and help our employees embrace the common principles behind this philosophy. In 2013, we conducted in-class Jeong-Do Management training for 14,923 employees (Korea and overseas) and 435 suppliers. The training was comprised of internal and external case studies and guidelines for everyday practice to help our employees and suppliers embrace Jeong-Do Management and make choices that prevent corruption and irregularities from occurring. In 2014, we plan to strengthen “train-the-trainer” programs for Jeong-Do Management instructors based in our overseas subsidiaries, to ensure that Jeong-Do Management is established as an everyday practice at our overseas locations.

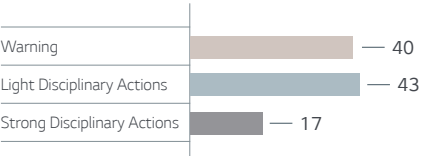
Number of Cases Reported (Past Three-Year Data)



Types of Reports in 2013 (%)



Actions Taken in 2013 (%)



FAIR TRADE

Fair Trade Compliance Activities

Our Fair Trade Compliance Program is comprised of internal control activities designed to prevent compliance risks and increase employee awareness about fair trade. To this end, we have in place a basic enforcement system that is designed to repeatedly convey our commitment toward fair trade by top executives, constantly monitor against non-compliances, and conduct improvement programs. We also brief top management on our fair trade activities on an annual basis to promote voluntary employee participation in our efforts for fair trade.

Fair Trade Activities

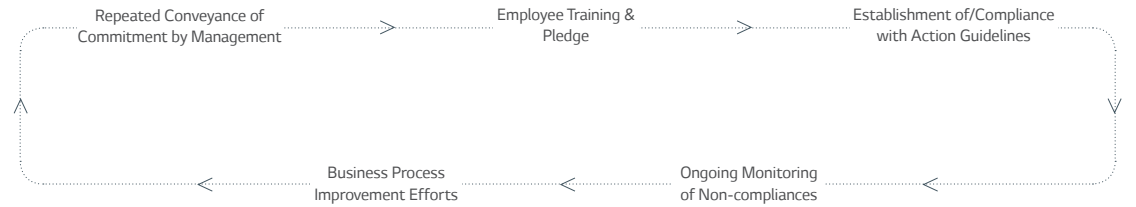
In 2013, as part of our anti-collusion efforts, we expanded targets for training, oversight, and monitoring against cartel activities from sales & marketing staff to include R&D staff as well. In 2014, we plan to strengthen our ad-hoc inspections, measure the effectiveness of training, and assess employee compliance with guidelines to reduce risks associated with non-compliances. In January 2014, LG Electronics was levied a penalty in Korea for unfair trade practices. As a response measure, we plan to further break down employee business functions and implement training programs on unfair trade practices specific to each business function to raise employee awareness against non-compliances. In January 2014, LG Electronics was fined in Korea for unfair labeling and advertisement practices. As part of our efforts to minimize such compliance risks, we produced guidelines and internal checklists for related staff members and established a system to perform a two-step compliance review based on the guidelines and checklists. Under the new internal control system, staff members in charge of the project are required to perform an initial screening against non-compliances, after which related departments conduct a follow-up review to minimize compliance risks.

In order to prevent non-compliances and unjust treatment toward suppliers in our transactions with them, we conduct training for related staff members and perform a review on a regular basis. In 2014, we plan to make particular efforts to response to the emerging issue of “Misappropriation and Disposition of Technology” and reengineer our business processes to prevent such practices. In 2013, LG Electronics was rated “Excellent” in the Fair Trade & Win-Win Growth Partnership Agreement Observance Assessment conducted by the Korea Fair Trade Commission and again, recognized for its exemplary commitment to win-win growth and excellent performance in the area.

Mid- to Long-term Direction

Based on ongoing monitoring and improvement efforts, LG Electronics will continue to strengthen its internal control efforts toward preventing compliance risks associated with fair trade practices. In particular, we will strengthen our support system to empower business companies and overseas subsidiaries to actively engage in fair trade compliance efforts.

LG Electronics Cartel Prevention System

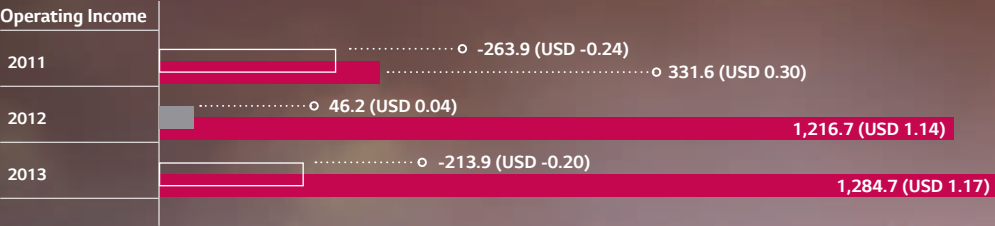


who **we** are and our created & shared **value**

Since its establishment in 1958, LG Electronics has pioneered the electronics industry in Korea and made a significant contribution to its ascent into the nation's signature industry with world-class competitiveness. Based on our sense of pride and duty as the nation's leading corporation, LG Electronics will strive to become a sustainable business that fulfills its social responsibilities by delivering differentiated value to diverse stakeholders.

Corporate Profile (As of December 31, 2013)

Organization Name	LG Electronics, Inc.	Industry	Manufacturing
Location of Headquarters	LG Twin Towers, 128 Yeouui-daero, Yeongdeungpo-gu, Seoul, Korea	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 , David Jung		
Date of Establishment	October 1, 1958		
No. of Employees	82,432 (Korea: 38,440/Overseas: 43,992)		



■ Parent

■ Consolidated

1USD = KRW 1,108 (2011)/1,063 (2012)/1,095 (2013)
Unit: KRW billion, (USD billion)
· Past data was revised to reflect changes and additions to financial accounting standards.



LG Electronics Overview
(As of December 31, 2013/Consolidated)

58.1404

Sales
(Unit: KRW trillion)

1.2847

Operating Income
(Unit: KRW trillion)

35.5281

Total Assets
(Unit: KRW trillion)

22.8387

Total Liabilities
(Unit: KRW trillion)

180,833,806

No. of Shares

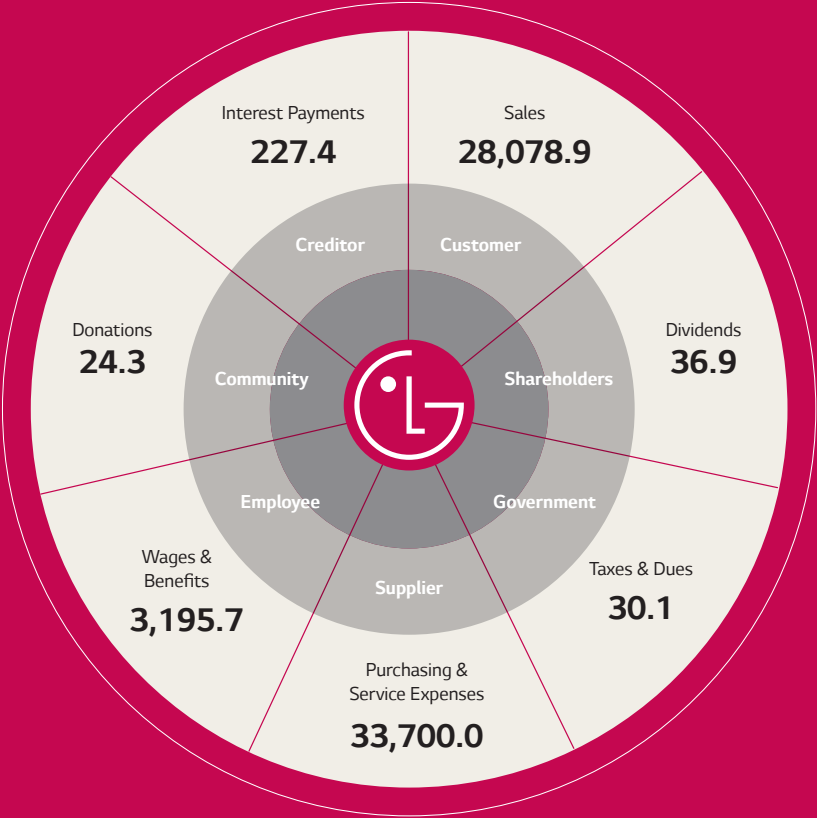
214,253

No. of Shareholders

AA (Korea)
Baa2 (Moody's)
BBB- (S&P)

Credit Rating

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



Although a slump in global demand from the widespread recession and intensifying competition created a tough business climate in the year 2013, we were able to deliver robust year-on-year growth by introducing premium products aggressively and expanding global sales. In particular, stronger fundamental competitiveness helped our core products (mobile handsets, washing machines, and air conditioners) lead the sales growth. We saw, however, a slight erosion in profitability across our business segments (LCD TVs, Home Appliances, etc.) except for air conditioners due to intensifying price competition, rising prices of some commodities, and increases in overall R&D costs.

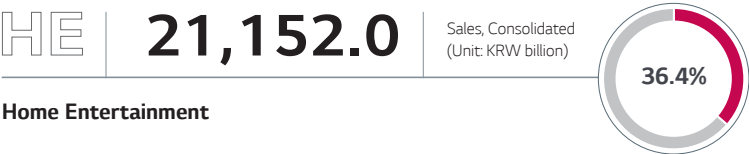
Economic Value Generated, Distributed, and Retained (Unit: KRW billion/Parent)

	2011	2012	2013
Sales	28,097.1	25,427.2	28,078.9
Non-operating Income and Financial Profits	-138.5	-285.8	-33.3
Economic Value Generated	27,958.6	25,141.4	28,045.6
Operating Expenses	28,361.0	25,381.0	28,292.8
Wages and Benefits	2,488.5	2,860.6	3,195.7
Capital Costs	252.8	267.3	264.3
Taxes & Dues	25.6	26.0	30.1
Donations	10.8	19.4	24.3
Economic Value Distributed	31,138.7	28,554.3	31,807.2
Economic Value Retained	-3,180.1	-3,412.9	-3,761.6

· Non-operating Income & Financial Profits: Figures are stated in accordance with the Korean International Financial Reporting Standards (K-IFRS).

· Operating Expenses: Sales costs and administrative expenses
· Taxes & Dues: Corporate taxes, public dues, resident tax and a special tax for rural development
· Capital Costs: Interest payments and dividends

· Past data was revised to reflect changes and additions to financial accounting standards.



Home Entertainment

We successfully maintained the second largest global market share in LCD TVs for five consecutive years since 2009 by aggressively expanding premium offerings (OLED TVs and Ultra-HD TVs) and engaging in differentiated marketing programs.

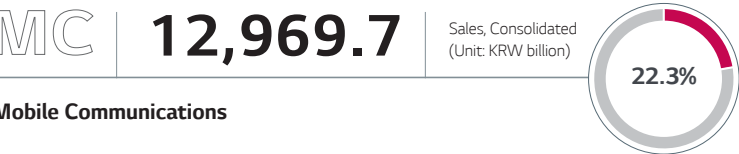
Hyun Hwoi Ha
President & CEO/
Home Entertainment
Company

We will continue to create values for customers and change their lives through market-leading products.
Based on LGE's superior technology and infrastructure, we will make every effort to create values for customers and make their lives more comfortable. Our efforts will contribute to LGE's becoming a changing force in the global market and achieving Global No. 1.

INTERVIEW

what we do

A global leader in technological innovations for consumer electronic products, mobile communication devices, and home appliances, LG Electronics is organized into five business divisions: Home Entertainment (HE), Mobile Communications (MC), Home Appliance (HA), Air Conditioning & Energy Solution (AE), and Vehicle Components (VC). LG Electronics demonstrates strong product leadership in segments such as TV, mobile handset, air conditioner, washing machine, and refrigerator (as of July 1, 2014, LG Electronics expanded its business organizations from four business companies (HE, MC, HA, and AE Company) to five, establishing the Vehicle Complements (VC) Company).



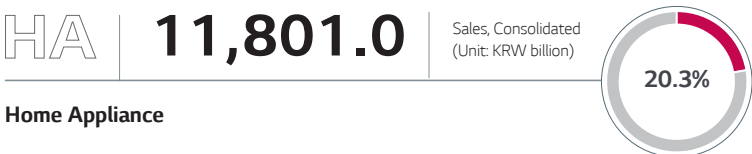
Mobile Communications

We were able to achieve sales growth thanks to the successful introduction of our new LTE product models, such as the Optimus G Pro and the Optimus G2, and strong global sales performance. We also made progress with profitability by improving our cost structure through cost management efforts.

Jong Seok Park
President & CEO/
Mobile Communications
Company

We will discover differentiated customer value in their everyday lives.
We will work hard to maintain and further build up the great momentum for the existing products to firmly establish LG Electronics as one of the top three players in the global market. We will also actively carry out our social responsibilities by introducing products that fully address the needs and pain points of global customers.

INTERVIEW



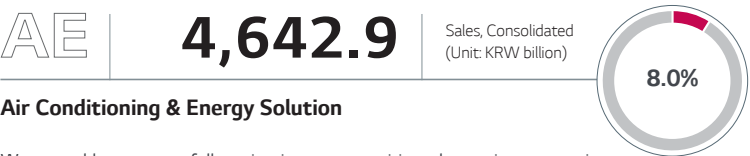
Home Appliance

Although we were able to maintain our strong competitive edge in major appliances (i.e. refrigerator, washing machine) based on greater product capacity and energy efficiency compared to our competitors, we took a slight hit in terms of profitability from intensifying price competition and the rise in prices for some commodities.

Seong Jin Jo
President & CEO/
Home Appliance
Company

LG Electronics strives to become No.1 in creating customer value and delivering customer satisfaction.
Based on superior innovations, we are leading the market with No. 1 products that continuously increase customer values. We will continue to work towards No.1 in customer satisfaction through products that create customer value and satisfy customer needs.

INTERVIEW



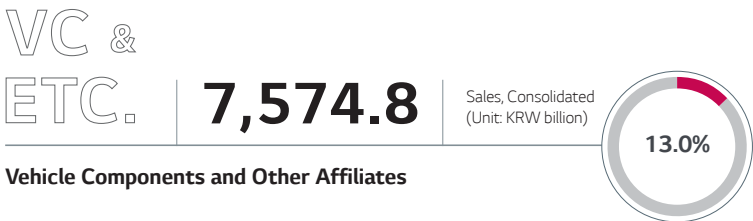
Air Conditioning & Energy Solution

We were able to successfully maintain our competitive edge against competitors by introducing products that satisfy local needs, while increasing operating profits through business structure improvement and profitability management.

Hwan Yong Nho
President & CEO/
Air Conditioning
& Energy Solution
Company

We will lead the market by continuously introducing products that offer high energy efficiency and satisfy local needs.
We will actively respond to local regulations on energy efficiency and take the initiative in proposing building-level energy saving solutions. As a responsible member of local economy, we will also contribute to promoting related industries, creating jobs, and fostering talent in communities in which we operate.

INTERVIEW



Vehicle Components and Other Affiliates

We are delivering customer value by developing and supplying in-vehicle infotainment components, and will contribute to improving safety and environmental standards for automobiles through engine components and HVAC systems developed based on our superior motor and compressor technologies.

Woo Jong Lee
President & CEO/
Vehicle Components
Company

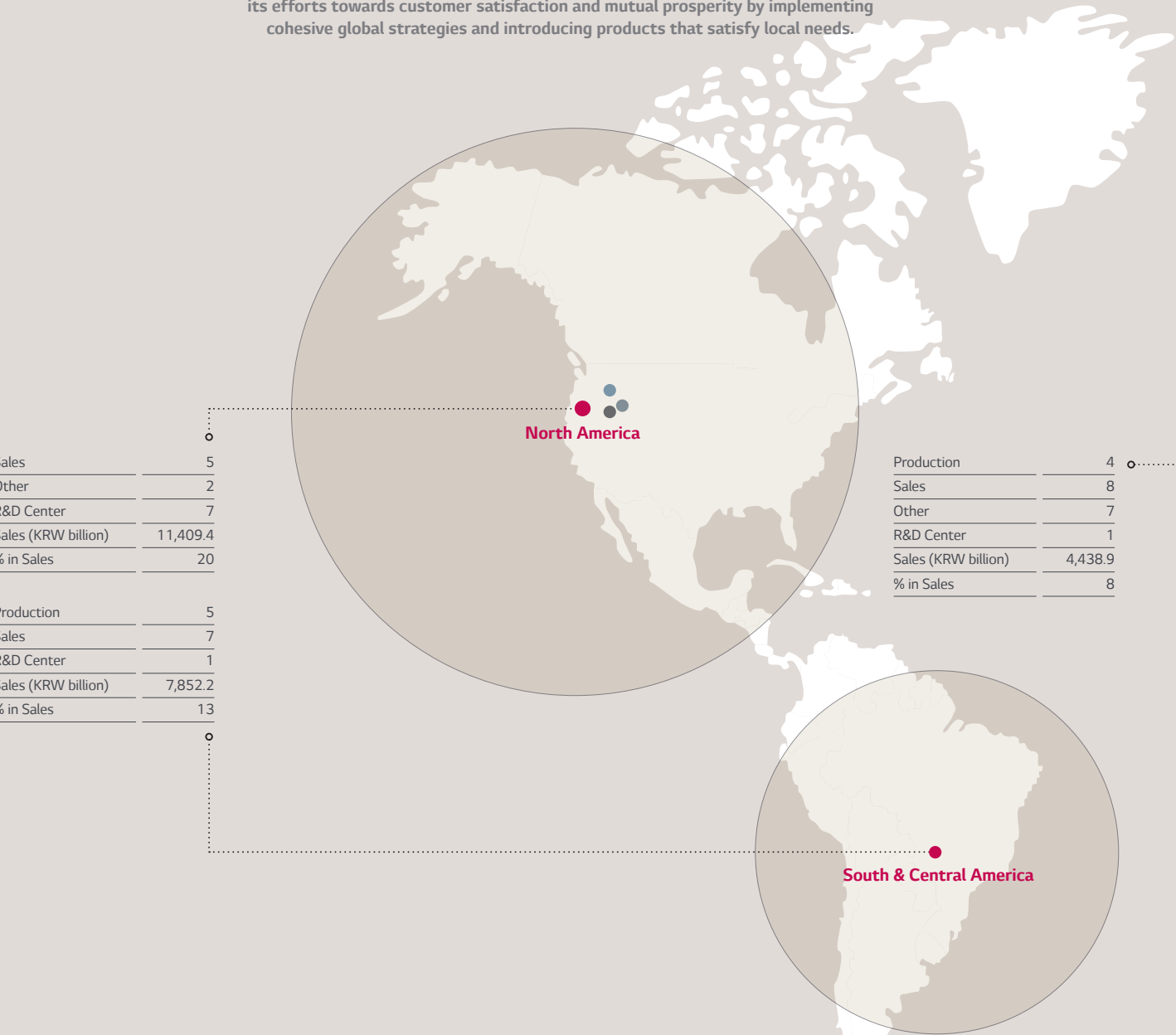
In order to lead the market in smart technologies and embedded systems for automobiles, we will continuously discover differentiated values.
We will mobilize group-wide capabilities in electronics, communications, and proprietary technologies to create products customers need. We will also strive for unparalleled product quality and safety based on a zero-defect quality system to successfully position LG Electronics as the top tier 1 business partner in the global market for shared growth.

INTERVIEW



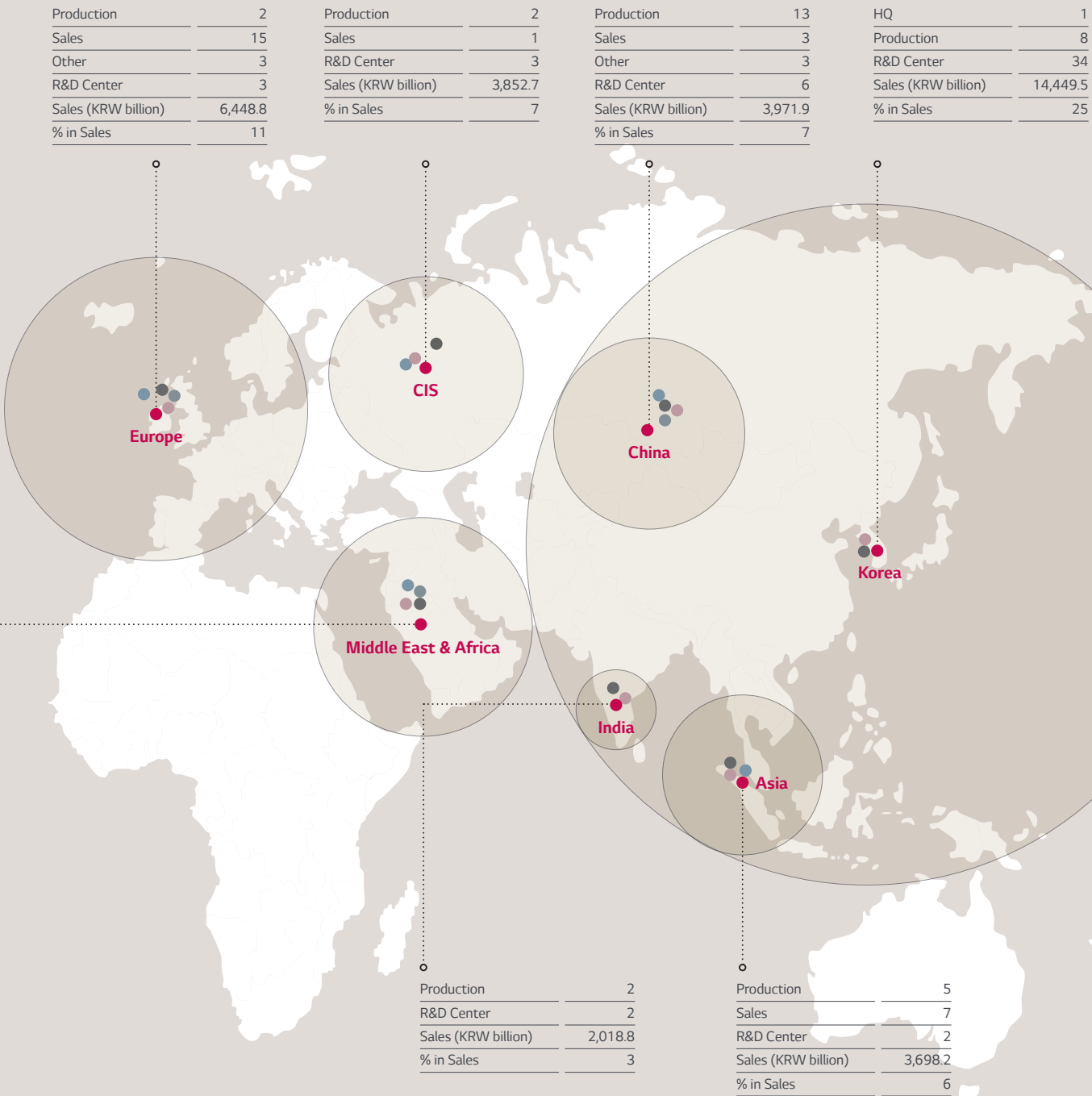
where we operate

LG Electronics is a global corporation that services customers worldwide with a vast network of production, sales, service, and R&D locations and has business operations in more than 200 countries. With a renewed sense of responsibility as a global corporation, LG Electronics will further strengthen its efforts towards customer satisfaction and mutual prosperity by implementing cohesive global strategies and introducing products that satisfy local needs.



Global Employees, Breakdown by Country (As of Year-end 2013)

Total Number of Employees 82,432									
	Korea	CIS	Europe	North America	South & Central America	Middle East & Africa	China	Asia	India
No. of Employees	38,440	2,378	5,183	1,792	9,309	2,045	11,518	7,335	4,432
% of Total Employee	47	3	6	2	11	2	14	9	6



Global Operations

41	Production Sites	46	Sales Subsidiaries	59	R&D Center	15	Other
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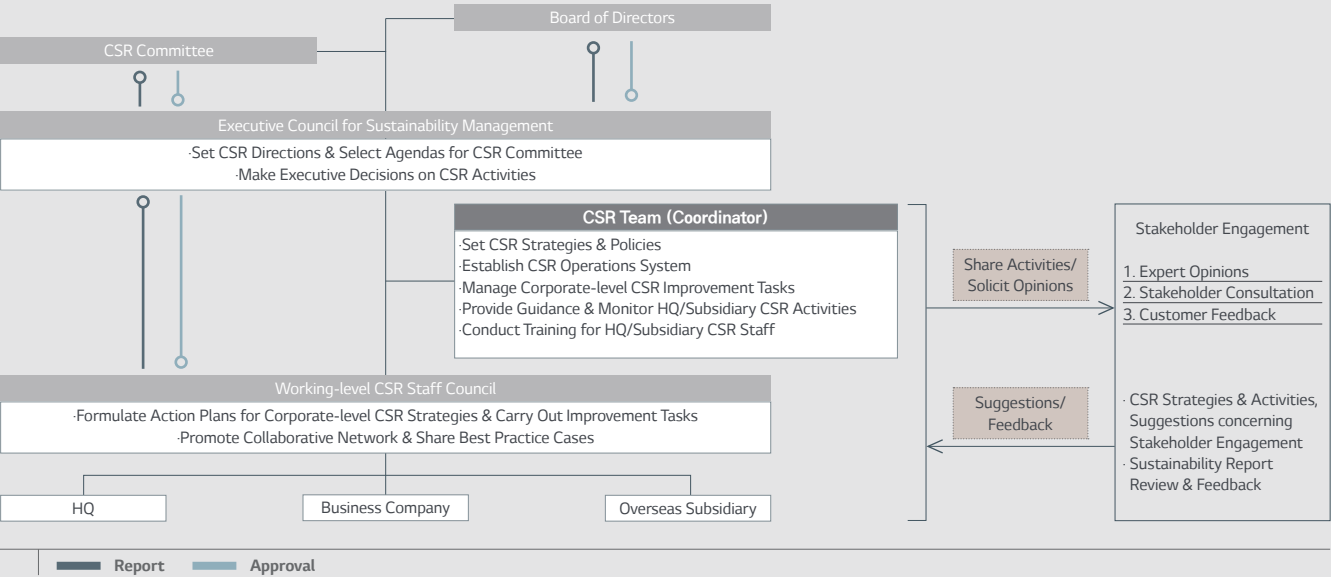
CSR Management

Principles for Sustainability & CSR Management

Based on its management principles “Customer-Value Creation” and “People-Oriented Management,” which have served as the philosophical grounds for sustained growth since its inception, LG Electronics strives for sustainability management that takes society, the environment, and economy into consideration in a holistic and balanced manner. In order to actively carry out the ethical and social responsibilities that our stakeholders expect of us, LG Electronics works to 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 strive to take care of our communities, help those in need become self-reliant, engage and communicate with a variety of stakeholders throughout this process, and form a trust-based relationship with them.



Organization of LGE Sustainability/CSR Management



Sustainability & CSR Management System

In order to facilitate sustained value creation and build strong fundamentals, LG Electronics established the CSR Committee as a subcommittee of the Executive Management Committee from 2009 (comprised of top executives, including the CEO) to brief executives on CSR issues and obtain executive decisions on the issues. In addition, we also report CSR issues (i.e. buyer requests, risk assessment results, social contribution efforts) in management meetings at each business company, in which the company president and executives participate, to raise management awareness on CSR issues and facilitate improvement efforts. Since 2011, LG Electronics has identified CSR issues that require corporate-level improvement efforts and implemented necessary measures on an annual basis. In 2013, we selected 10 corporate-level tasks—including establishing a conflict minerals response system and enhancing employee volunteer programs—and engaged in diverse initiatives throughout the year. In 2014, we will officially launch the Executive Council for Sustainability Management, comprised of HQ executives in charge of managing CSR issues (labor, human rights, ethics, environment, and supply chain), to strengthen our task execution and to promote inter-departmental collaboration. Since 2012, LG Electronics has participated in the LG CSR Committee and Management Council led by LG Corp. to establish group-level directions for social contribution and assessing performance, and to improve risk assessment criteria. Our working-level CSR Staff Council consists of CSR managers from HQ, business companies, and overseas subsidiaries, and is organized into three working-level groups that each handle stakeholder requests and external assessment, social contribution, and risk management. The council is entrusted with formulating specific action plans and improvement measures for each area and translating our CSR objectives into actual performance.

Awards & Recognitions

1

1. Included in the DJSI World 2013

2

2. Received the 2013 Most Loved Company in Korea Awards

3

3. Received the 2013 UNGC Value Awards

4

4. Named Excellent Business in Children's Rights in 2013

5

5. Selected as 2013 East Asia 30

Mid- to Long-term Directions

LG Electronics annually selects strategic CSR tasks and focuses its organizational capabilities on those tasks throughout the year in order to engage in CSR activities that satisfy the expectations of the international community and stakeholders and contribute to improving our business competitiveness. Although our efforts have been more focused on establishing a system and framework thus far, we are now planning to direct our resources and capabilities to implementing change management and increasing the connection between our CSR efforts and business activities. As for risk management, we plan to expand our improvement efforts based on the EICC standards throughout our supply chain and to make preemptive responses to emerging issues (e.g. student workers), in an effort to create a sound and healthy working environment and to facilitate responsible sourcing. In terms of social contribution, LG Electronics intends to expand cases of CSV (Creating Shared Value) through social contribution activities that take advantage of our core capabilities, while also strengthening links with our marketing activities. In addition, we will enhance the system for collecting opinions of diverse stakeholders and incorporating their feedback into our business operations. LG Electronics fully understands that training and awareness programs are integral to incorporating CSR efforts into our business practices. As such, in 2013, we launched an online training program (in Korean) and included a CSR course

in the curriculum for the Marketing College. In 2013, approximately 5,300 employees (including new hires) completed the online CSR training programs, and the English edition was launched in May 2014. We also send out a biweekly CSR newsletter to all our employees (Korea and overseas) to inform them about latest CSR trends and to raise awareness.

Awards & Recognitions

For the second straight year, LG Electronics was listed in the DJSI World Indices (Leisure Equipment & Products and Consumer Electronics Industry), announced in September 2013 as part of the 2013/2014 Dow Jones Sustainability Indices (DJSI). LG Electronics has been also included in the DJSI Asia-Pacific (four consecutive years) and the DJSI Korea (five consecutive years). In January 2014, LG Electronics made the “Global 100: Most Sustainable Corporations in the World” for the first time, being ranked 82nd in the list released annually at the World Economic Forum. In addition, LG Electronics received the Best Practice Award in MDGs (Millennium Development Goals) at the UNGC Value Awards hosted by the UNGC Korea Network. The company was also named as the Asia Future Forum’s East Asia 30, received the Minister of Industry, Trade & Energy Prize at the 2013 Most Loved Company in Korea Awards, and named one of the 2013 Excellent Businesses in Children’s Rights.

Mid- to Long-term Strategic Tasks

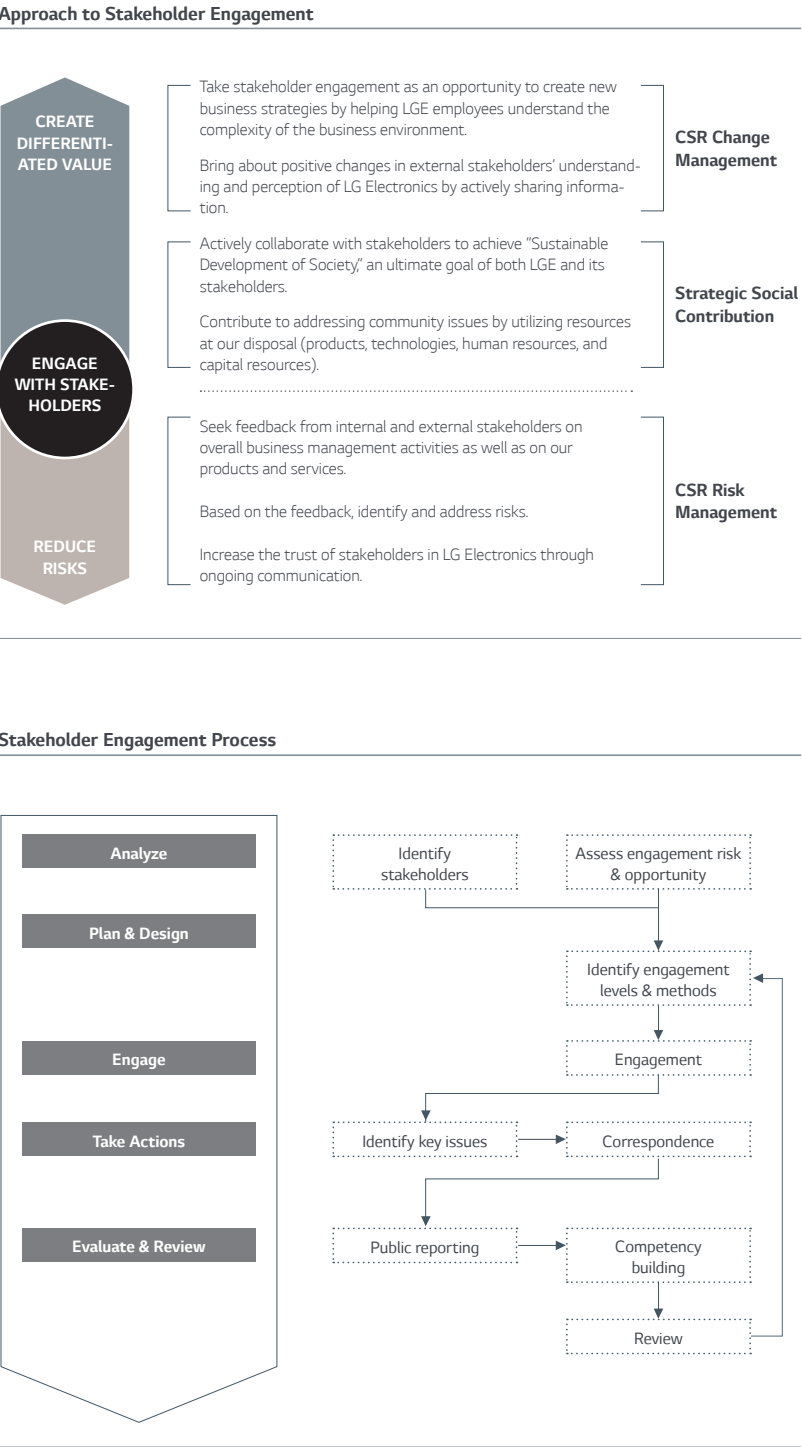
	2014	2015	2016	2017	2018
CSR Risk Management	• Include CSR issues in the criteria for regular supplier assessment○ • Develop guidelines for the grievance resolution system○ • Develop a working hour monitoring system○ • Establish & implement a corporate-level business continuity plan○				
Strategic Social Contribution	• Expand cause marketing products and CSR marketing○ • Promote employee volunteering and donations○				
Stakeholder Engagement	• Develop and implement guidelines for stakeholder engagement○ • Strengthen customer engagement from their viewpoint○ • Improve the environmental data management system and disclosure of the data○ • Conduct awareness survey on major global stakeholders and monitor their responses○				
CSR Change Management	• Operate the Executive Council for Sustainability Management○ • Develop and conduct CSR training programs for overseas employees○ • Establish CSR training as a mandatory training program for Korean employees○ • Establish the CSR Committee as a subcommittee of the Board of Directors○				

Stakeholder Engagement

Guiding Principles and Process

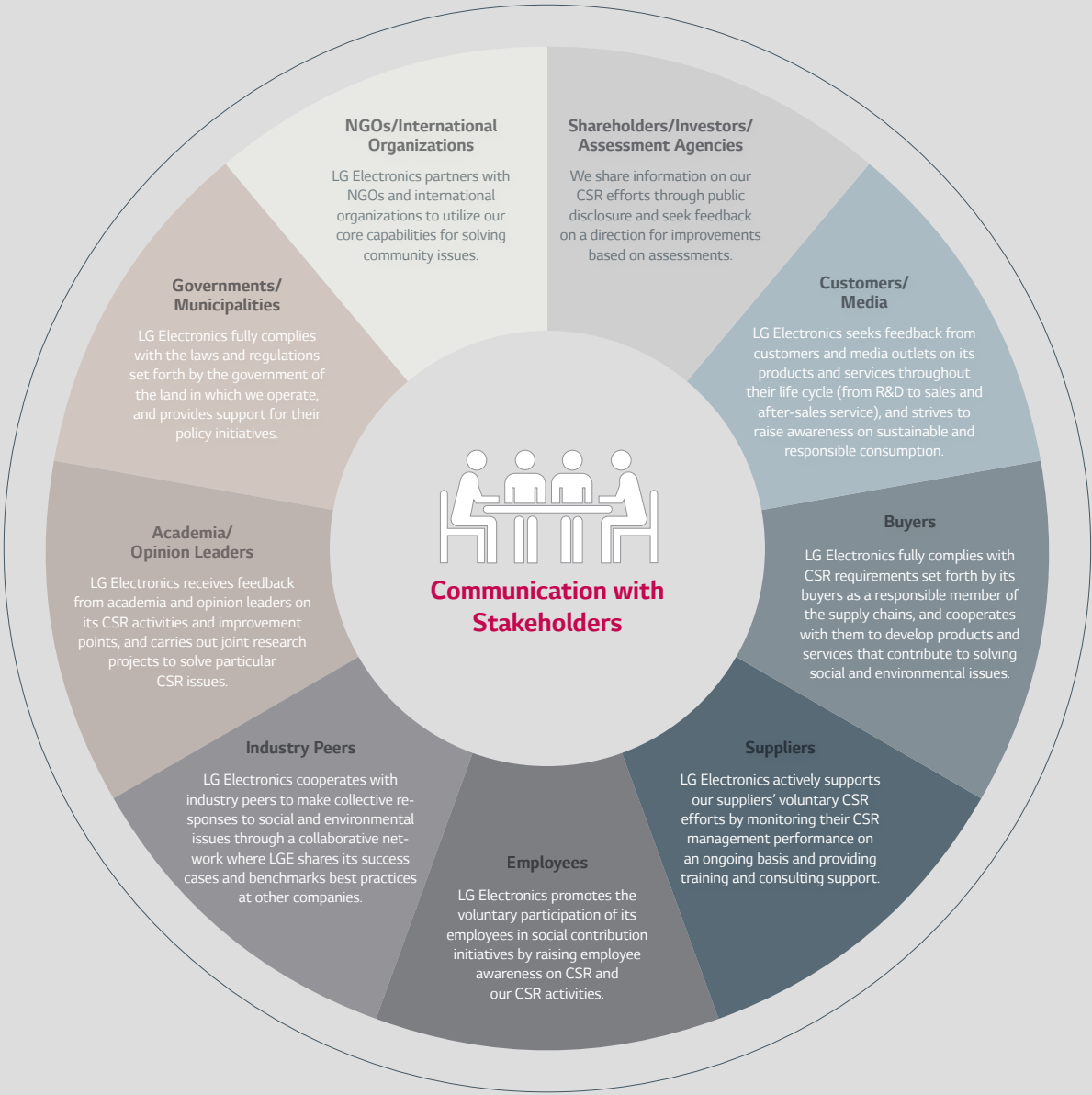
Guiding Principles for Stakeholder Engagement
LG Electronics engages with its stakeholders based on a set of guiding principles born out of its management philosophy, and aims to address the concerns and meet the expectations of its stakeholders by delivering differentiated value. Our guiding principles for stakeholder engagement are applied to all our business sites across the world, with consideration to the social, cultural, and environmental aspects of the respective communities. Nevertheless, LG Electronics regards "Respect for Stakeholders" as the most fundamental principle in its engagement with stakeholders.

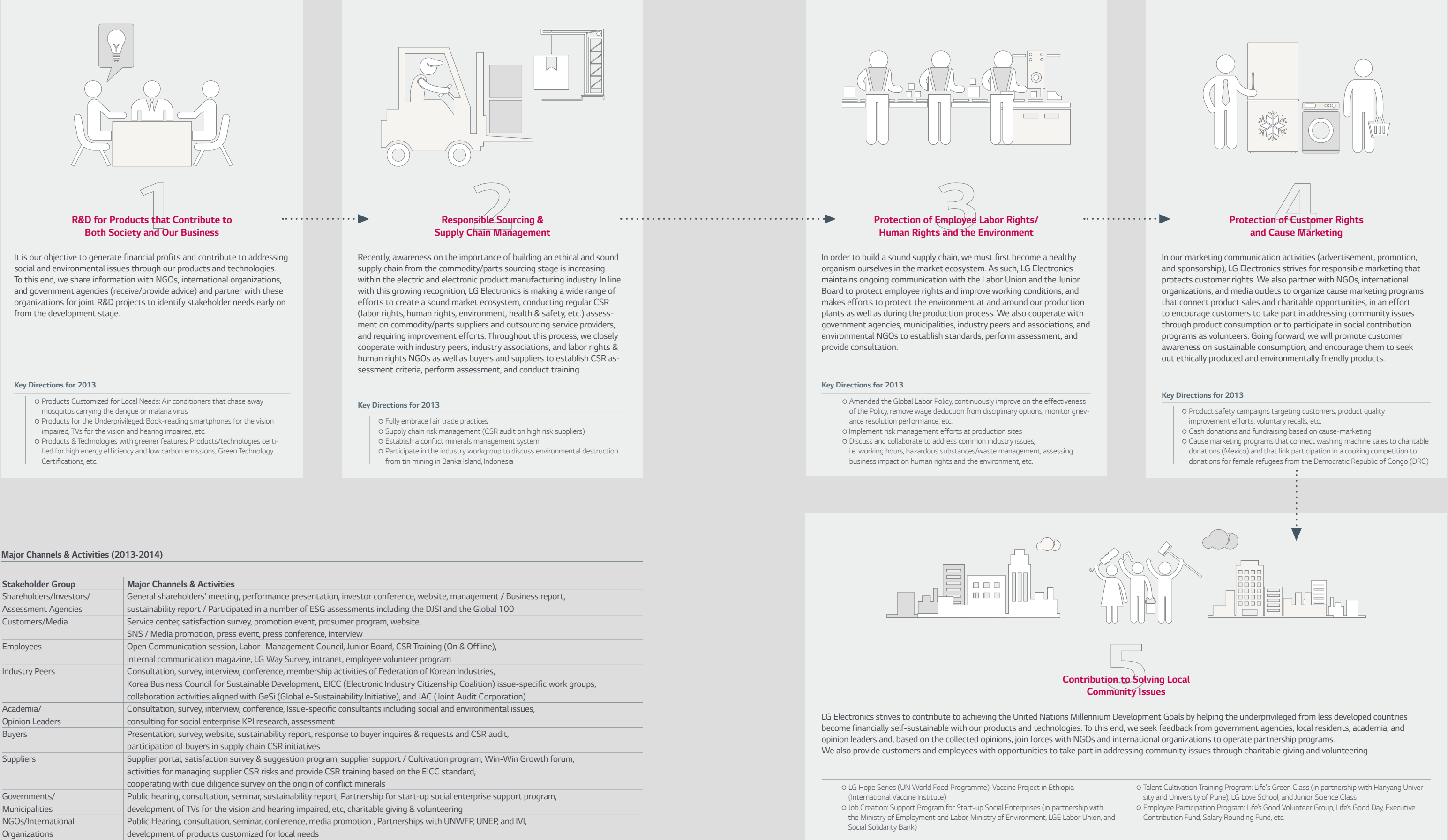
Stakeholder Engagement Process
LG Electronics formulated its guiding principles for stakeholder engagement based on the international standard "AA1000SES (Stakeholder Engagement Standard)," and engages and collaborates with stakeholders following the process prescribed by the standard.
Following the engagement process, we first prioritize stakeholder groups based on internal standards and based on our analysis of opportunities and risks, establish a communication strategy and action plan for each stakeholder group. Based on the strategy and action plan in place, we identify the needs and interests of our stakeholders by utilizing a wide range of communication channels, and finalize major issues through a materiality analysis.
If there is a major issue that requires better efforts on the part of LG Electronics, we communicate and collaborate with stakeholders to make improvements. The results are provided to stakeholders through our disclosure channels (sustainability report and corporate website) within a predetermined time frame. In order to assess the effectiveness of our efforts toward informing stakeholders, LG Electronics actively seeks feedback from major stakeholders, based on which we determine whether LG Electronics successfully identifies stakeholder needs and incorporates them into its business operations.



Communication with Stakeholders

LG Electronics genuinely seeks stakeholders' feedback on our comprehensive management efforts – whether it be developing products that strive for both economic and social values, managing the supply chain responsibly, protecting human rights and the environment at our production sites, or making contributions aimed at addressing social issues – and strives to incorporate their valuable opinions into our business operations.





Stakeholder Consultation on CSR

Background

In 2010, LG Electronics launched Stakeholder Consultation to create an opportunity to take stock on its sustainability performance across areas and build trust-based relationships with stakeholders through communication. During the four years since its introduction, our semiannual Stakeholder Consultation has been held seven times, welcomed more than 40 experts from government agencies, academia, investors, NGOs, and international organizations, and facilitated discussions on a wide range of issues, including the environment, social contribution, product safety, labor rights and human rights, and supply chain management.

Key Performance

Stakeholder Consultation created an opportunity for external stakeholders to freely offer their opinions on LG Electronics and helped us collect a broad range of feedback. Also, key suggestions from stakeholders were incorporated into our business operations. Stakeholder Consultation has not only been established as a regular channel for collecting stakeholder feedback but also met favorable reception from stakeholders as a reliable communication program, based on our efforts to follow up on progress and communicate the information through our sustainability report and corporate website.

Stakeholder



Future Direction

In order to establish Stakeholder Consultation as our signature communication program, we plan to develop its feedback collection process into more structured and formal procedures. In 2014, we also intend to expand Stakeholder Consultation from Korea to overseas locations (North America or Europe), while maintaining its original format and framework, to facilitate discussions on a wide range of CSR issues with global implications. In addition, we are having internal discussions on expanding the target of our stakeholder engagement to invite consumers to make suggestions on product development and marketing activities, and to offer their opinions on specific CSR issues through a communication program similar to a public hearing.



Consultation on CSR

Key Inputs from Stakeholder Consultation

The 6th Stakeholder Consultation on CSR (May 8, 2013)
Topic: A Review of LG Electronics' Supplier CSR Risk Management Efforts & The Role to be Assumed by Businesses
Moderator: Min Gu Jun (Director, BSI Group Korea)
Panel: Han Kyun Rho (Professor, Business Administration, Kookmin University)
Dae Jin Jeong (Director, Industrial Policy Division, Ministry of Industry, Trade & Energy),
Hyeon Sook Lee (President, Hankyoreh Economic Research Institute (HERI))
Dae Su Jang (CEO, FineAlltech – Supplier Representative)
Seong Guk Ryu (President, Institute for Supply Management – Korea)

LG Electronics sought opinions from the panel of experts after introducing its support programs designed to help suppliers effectively carry out their corporate social responsibilities and plans for the calendar year. Panel members positively responded to LG Electronics' management philosophy, which conveys the company's conviction that supplier participation is an integral part in its comprehensive efforts toward fulfilling its responsibilities as a corporate citizen, and praised its leadership. They also requested that LG Electronics continue its efforts toward promoting win-win growth by helping suppliers become self-sustainable and effectively carry out their social responsibilities with strategic support.

The 7th Stakeholder Consultation on CSR (October 8, 2013)
Topic: CSR Issues that LG Electronics Should Advocate/ Suggestions on LG Electronics' Stakeholder Engagement System
Moderator: Min Gu Jun (Director, BSI Group Korea)
Panel: Jae Seong Guak (Professor, Graduate School of Pan-Pacific International Studies, Kyung Hee University), Jong Dae Kim (Professor, Graduate School of Business Administration, Inha University), Ho Kim (CEO, The LAB h), Seon Ae Jeong (Director, Simin Foundation)
Yong Su Jeong (Senior Technology Council Member, Korea Consumer Agency)

LG Electronics sought opinions from the panel of experts regarding CSR issues that it should advocate and its stakeholder engagement system. Panel members favorably responded to LG Electronics' efforts to engage and communicate with stakeholders, and suggested that LG should develop CSR programs that are exclusive to LG Electronics and carry them out with consistency.

Stakeholder Consultation: Key Progress & Performance

	2010	2011	2012	2013	2014
.....▶					
Discussion Topic The 1st (April 2010) CSR in General	• Joined EICC (2010-Present) • Established/Announced Global Labor Policy (2010-Present) • Launched Global Volunteer Day (2010-Present) • Established CSR Risk Management System (2010-Present) • Established Tracking and Management System for Conflict Minerals (2012-2013) • Strengthened Product Stewardship (2013-Present) • Enhanced Evaluation System for Products with Greener Features (2013-Present) • Launched Workday Volunteer Program (2013-Present)				
The 2nd (December 2010) Climate Change Response	• Launched USR Promotion for Low-Carbon Culture (2010-Present) • Launched Life's Green Class in India (2010-Present) • Announced Low Carbon Procurement Plan (2010-Present) • Expanded Disclosure of Product Carbon Footprint (2010-Present) • Established/Announced Supplier Code of Conduct (2010-Present)				
The 3rd (March 2011) Social Contribution to Local Communities	• Launched Collegiate CSR Supporters Group (Love Genie) (2014-Present) • Expand Stakeholder Consultation to Overseas Locations (Planned for 2014) • Launch Consumer Consultation (Planned for 2014) • Launch Consumer Participation Campaign (Planned for 2014)				
The 4th (April 2012) Product Safety/Quality	• Launched LG Hope Family Program (2011-2013) • Launched Start-Up Social Enterprise Support Program (2011-2013) • Launched LG Smart TV Donation App (2011-2012) • Included CSR Requirements in Master Purchase Agreement (2011-Present)				
The 5th (November 2012) Labor Rights/Human Rights	• Reported CSR Issues at BOD (2012-Present) • Launched LG Hope Community Program (2012-Present) • Launched LG Hope Screen (2012-Present) • Implemented Product Safety Evaluation with New Product Shipment Approval System (2012-Present) • Enhanced Parts Safety with Key Parts Certification System (2012-Present) • Introduced Product Safety Expert Course to Quality College Curriculum (2012-Present) • Strengthened Supplier CSR Risk Management (2012-Present) • Launched Job-Specific CSR Training (2012-Present)				
The 6th (May 2013) Supplier CSR Management					
The 7th (October 2013) Stakeholder Engagement System					

Key Inputs from the 6th & 7th Stakeholder Consultation & Plans to Incorporate the Results

	Category	Key Inputs	Plans & Actions
6th	Expanding Management Scope In supply chain	• Needs to expand management targets within first tier suppliers	• Selected management targets and plans to track their progress over a three-year period
		• Needs to expand CSR risk management targets to second- and third-tier suppliers	• Requires major first-tier suppliers to manage second-tier suppliers (Management program is under review)
		- Needs to make preemptive responses to social changes	
	Refining CSR Risk Management System	• Needs to strengthen support for environmental management	• Strengthened the environmental portion of CSR audit
			• Provides suppliers with support to enhance their disaster prevention capacity, i.e. emergency evacuation drill
		• Should avoid applying identical assessment criteria uniformly to all suppliers	• Currently in the process of developing an internal checklist based on the EICC Audit Checklist
7th		• Needs to incorporate CSR performance index to purchasing KPI	• Introduced CSR items to screening criteria for new suppliers (implementation completed)/Preparing to introduce CSR items to our regular supplier assessment
	Strengthening Governance Structure for Strategic Decision Making	• Needs to modify the governance process to facilitate strategic/ executive decision making regarding CSR issues	• Report CSR issues to the BOD (2H, 2014)
		• Needs to establish a process to address internal CSR issues	• CSR issues are being presented to the management meeting at each business company
		- Needs to have in place a system in which CSR issues and the voice of stakeholders are reported to management and incorporated into business management	• CSR issues are being presented to top management (per issue)
	Factors to Consider When Engaging with Stakeholders	• Needs to establish a process to incorporate consumer feedback	• Currently conducts consumer survey at each country on an annual basis (organized by the marketing department)
		- Needs a process for conducting consumer awareness survey at each country and incorporating the results into product development	• Currently operates online channels (i.e. blog) to collect consumer opinions / Plans to host Consumer Consultation (organized by the CSR team) (2H, 2014)
		- With the importance of UX (User Experience) on the rise, needs to diversify communication channels to establish consumers as a major stakeholder group	
		• Need to make changes to the format of Stakeholder Consultation	• Currently in the process of reviewing format changes to Stakeholder Consultation
	Other	- Needs to establish and maintain an advisory board comprised of experts who have no vested interest/ Collect feedback from interested parties through a separate channel	
		• Need to focus on particular issues	• Currently carrying out R&D projects in partnership with academia to develop substitutes for hazardous materials
		- The panel suggested a joint management model based on collaboration with expert NGOs	• Currently working to enhance the EESH management system at our overseas sites
		• Percentage of non-regular workers and student workers is on the rise in the electronics manufacturing industry, which requires systematic response and management	• Established a system for human rights/labor rights management at productions sites and suppliers, and currently carrying out monitoring

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). We identify material issues through a two-step process: First, we create an issue pool by carefully reviewing latest CSR trends at Korea and overseas, after which we perform an assessment based on stakeholder interest and impact on LG Electronics. Material issues, which are finalized after a review by the management and the assurer, are fully disclosed, along with a detailed review of our performances and directions concerning these issues, in the sustainability report and the corporate website. Material issues are also presented at our Stakeholder Consultation as key agenda and utilized in establishing our environmental and social contribution programs and formulating marketing campaigns as an important reference.

Materiality Analysis Criteria

The criteria for our material analysis consist of external standards (industry standard, stakeholder interest, and social norms) and internal standards (short-term financial impact and internal policy/awareness). In order to make an objective assessment on one of the key factors, stakeholder interest, we conduct surveys on experts, the public, and employees, and perform analysis of stakeholder consultation results, external stakeholder inquiries, media coverage, and benchmarking issues of the industry.

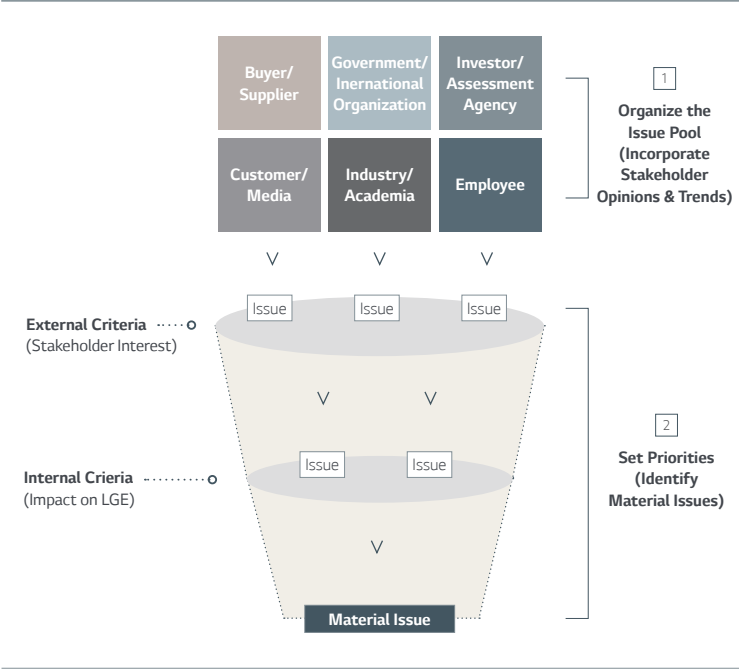
2013 Materiality Analysis Results

In the areas of the environment, customer and fair trade, our analysis showed that “Reducing GHG Emissions,” “Developing Highly Energy Efficient Products,” and “Product Stewardship (Assuming Greater Responsibility for Product Defect/Post-Accident Responses)” are still considered as highly material to our stakeholders. Based on the analysis results, we also anticipate that “Responsible Sourcing” and “Labor Rights/Human Rights” – emerging issues in the electronics industry, will continue to generate active discussions and initiate international efforts in 2014, while “Greater Efforts toward Engagement and Communication with Local Governments/NGOs/International Organizations” and “Developing Products/Services that Satisfy Local Needs” are gaining weight as important community issues. Additionally, issues such as “Developing Products/Services for the Underprivileged,” “Improving Access for the Underprivileged,” “Protecting Children/Teenagers from Harmful Information,” and “Promoting Supplier Diversity” have newly emerged.

Utilization of Materiality Analysis Results & Direction for Stakeholder Engagement

Based on the 2012-2013 materiality analysis results, LG Electronics incorporated “Guarantee of Basic Labor Rights (prohibition of child/forced labor and discrimination, and respect for diversity),” and “Promotion of Supplier CSR” into its corporate-level improvement tasks for 2013. In order to increase the effect of our Global Labor Policy, we have implemented a plan to progressively remove wage deduction from disciplinary options and conducted a due diligence survey on working hours. We also changed

LGE Materiality Analysis Process



LGE Materiality Analysis Criteria

	Five-Part Materiality Test Criteria	Factors Considered by LGE
External	A. Industry Standard (Assessment/Evaluation Index)	· EICC Code of Conduct & Self-Assessment Questionnaire · DJSI, FTSE4Good, Global 100
	B. Stakeholder Interest	· Stakeholder Inquiries (Buyers, Investors, NGOs, etc.) · Expert Survey, Stakeholder Consultation
	C. Social Norms	· ISO 26000, UNGC 10 Principles · GRI, SASB, OECD Guidelines · SA 8000, ISO 9001/14001
Internal	D. Short-term Financial Impact	· Internal Criteria for Risk Assessment
	E. Internal Policy/Awareness	· Existence of Policy, Employee Survey · Management (CEO) Awareness

- EICC: Electronic Industry Citizenship Coalition
- DJSI: Dow Jones Sustainability Indices
- FTSE4Good Index: A series of ethical investment stock market indices
- Global 100: Most Sustainable Corporations in the World
- ISO 26000: International Standard on Social Responsibility
- UNGC (UN Global Compact): The UN initiative for social responsibility
- GRI (Global Reporting Initiative): International standard for preparing corporate sustainability report
- SASB: Sustainability Accounting Standards Board
- OECD Guidelines : Guidelines for Multinational Enterprises
- SA (Social Accountability) 8000: A certification for ethical and socially responsible management system

LG Way Survey Results (% 40,353 Korean and overseas employees responded)

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



External Expert Survey (2013)

In November 2013, we conducted a survey of over 300 Korean and international experts in Corporate Social Responsibility (CSR), requesting them to rate LG Electronics' CSR management and make suggestions for its future CSR efforts. The results were incorporated into our sustainability report and materiality analysis.

Strengths of LGE's CSR Activities

LGE makes CSR efforts from a global perspective, i.e. joining forces with international organizations to resolve certain global issues
LGE produced great results in promoting employee awareness on CSR issues and establishing the CSR management system

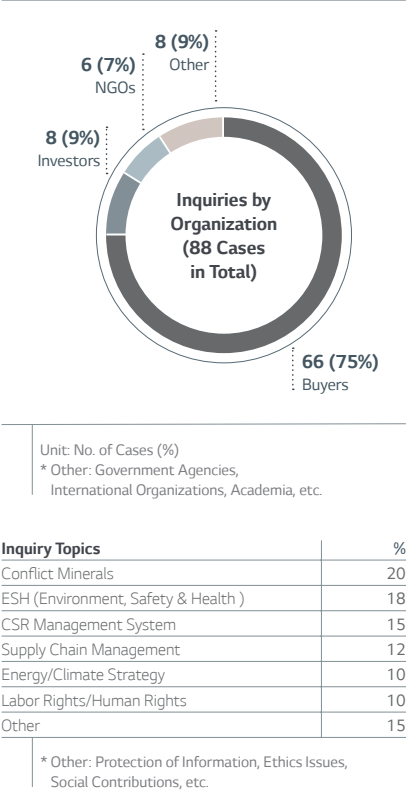
Suggestions for LGE's CSR Efforts

LG Electronics should:
Make more consistent efforts toward meeting targets for each area and disclosing related performances
Make more efforts toward developing technologies and products for BOP (Bottom of the Pyramid: Underprivileged Population from Less Developed Nations)
Manage suppliers to promote the voluntary adoption of CSR efforts throughout the supply chain
Strive for CSR efforts tailored for each local community to strengthen its community engagement

External Stakeholder Inquiry

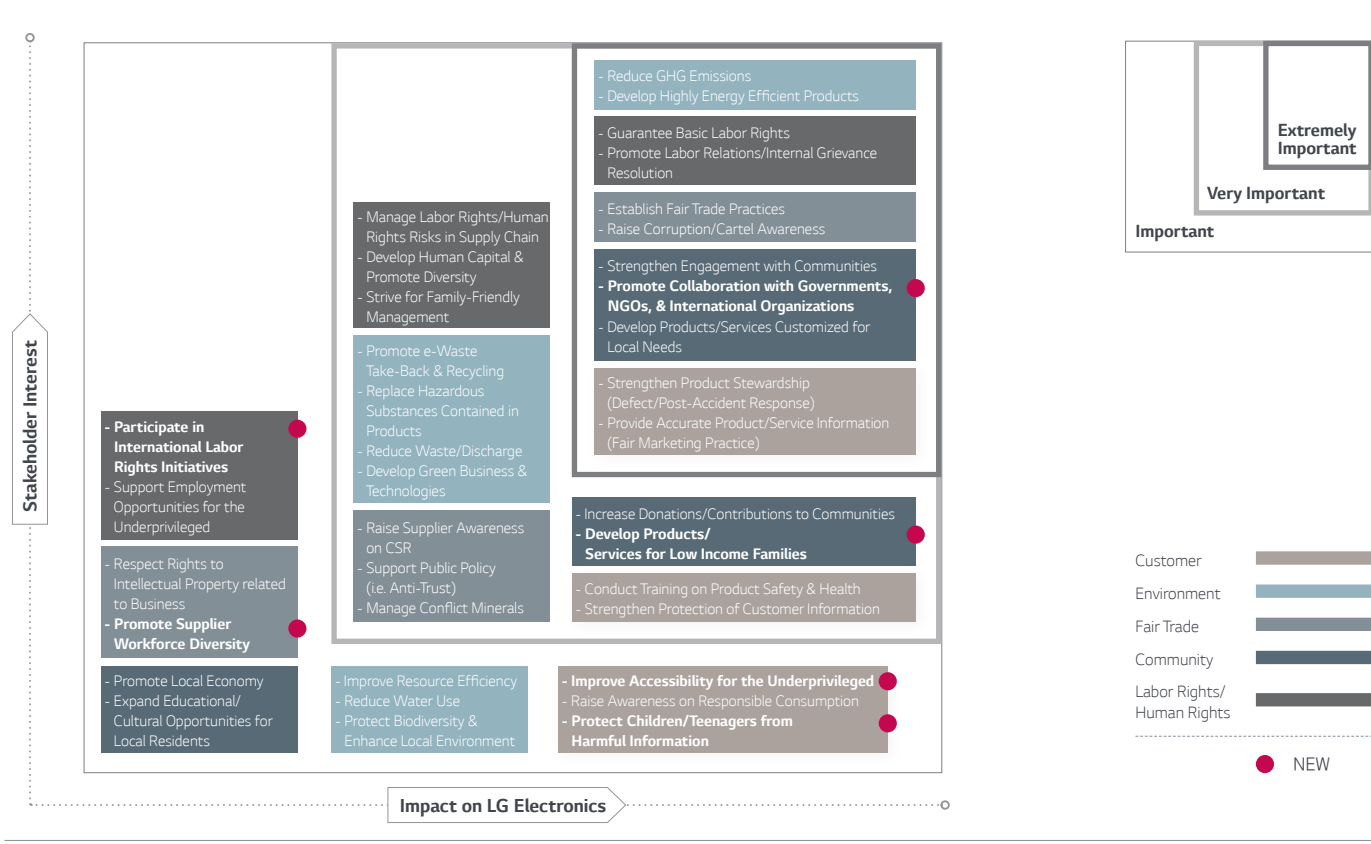
A total of 88 inquiries were made on CSR issues by external stakeholders, up by 26 cases (approximately 42%) from the previous year. Our management efforts toward conflict minerals, ESH, and suppliers were the issues of greatest interest. LG Electronics makes its best effort to provide satisfactory responses to these inquiries and to incorporate them into our business operations by reporting important issues to management.

Analysis Results of External Stakeholder Inquiries & Requests (2013)



our purchase agreement to include provisions that require suppliers to comply with our CSR requirements, established CSR self-assessment as a mandatory requirement for our first-tier suppliers, and established an origin tracking system for conflict minerals (For more details, see p.60-65)
Since September 2013, we have operated a short-term (2 months) taskforce to promote stakeholder engagement. Based on the taskforce assessment, we decided to host Stakeholder Consultation at overseas locations (North America and Europe), as well as in Korea. In the second half of 2014, we plan to produce and distribute a stakeholder engagement operational manual for working-level staff from relevant departments and conduct training. Also, we plan to launch Consumer Consultation, in which the company leadership is provided with an opportunity to directly communicate with consumers and collect their feedback, and a public announcement campaign, which invites the participation of diverse stakeholders, including consumers.
In 2014, related departments from HQ and business companies will collaborate to establish corporate-level improvement tasks based on the 2013 materiality analysis results, and our progress and performance will be shared with stakeholders through next year's edition of our sustainability report.

2013-2014 Materiality Analysis Matrix



Key Progress and Performance

Supported by its global network spread across the world, LG Electronics has strived to engage and collaborate with diverse stakeholders and to enhance the performance of its CSR initiatives.

In particular, we have been making consistent efforts to achieve mid- to long-term goals, which were set for key issues from each area, in order to maximize the efficiency of our programs. As a result, our CSR activities continue to grow in value and significance for all our stakeholders.

Category	Material CSR Issues	Background & Implications	Mid to Long Term Objectives	Major Achievements in 2013	Future Directions
Customer	Product Safety & Personal Information Protection	1) Nations across the globe are implementing increasingly tougher regulations on product safety 2) Voluntary efforts for product safety and corporate social responsibility are expanding in breadth and depth 3) CEO's strong and unwavering commitment toward quality 4) New risks emerge as the adoption of new technologies increases	1) Strive to become a brand recognized by customers for the world's best quality products 2) Achieve the world's best product quality/safety	1) Honored with the Presidential Commendation on the 2013 Product Safety Day 2) Expanded the safety certification/approval system down to key parts 3) Conducted in-class quality training (142 sessions, 5,264 employees) 4) Conducted a corporate-level annual assessment of personal information management	1) Raise employee awareness on product safety and establish accountability 2) Create a corporate culture that puts products safety as the first priority
Environment	Product with Greener Features	1) Customer interest and demand for greener products are growing sharply 2) Greener products are improving the quality of customers' lives, i.e. lower electric bills, a healthier living environment, etc. 3) Environmental regulations on products are growing in numbers and implications, i.e. RoHS, REACH, WEEE, regulations on energy efficiency, etc.	1) Enhance energy efficiency 2) Reduce 60 million tons of production-level GHG emissions by 2020 (compared to the total energy consumption in 2007) 3) Increase the use of recycled materials and enhance the e-waste management system	1) Awarded the top honor "Sustained Excellence Award" at the 2014 ENERGY STAR Partner of the Year Awards - 649 ENERGY STAR models in 2013/The number of product models qualified for ENERGY STAR Most Efficient increased by approx. 55% from the previous year 2) The number of product models with low carbon labels increased/Achieved use-level GHG emissions reduction targets ahead of schedule - Acquired 218 low-carbon labels (cumulative) at home and abroad - Contributed to reducing 38 million tons of GHG emissions associated with product use 3) Implemented the Green Packaging Design Guidelines to all products - Reduced package usage by 27.6%, saving KRW 69.9 billion 4) Collected 183,182 tons of e-waste - Korea, Japan, Europe, U.S., Australia, India, and Brazil	1) Continuously strengthen the standards for products with greener features 2) Reduce GHG emissions associated with product use by improving energy efficiency 3) Increase and improve disclosure of product carbon footprint information 4) Increase e-waste recycling/the use of recycled materials 5) Expand efforts for voluntary replacement of hazardous substances
	Low Carbon Management & EESH Management	1) Demand for and regulations on voluntary energy/ GHG reduction efforts are becoming stronger 2) Minimizing negative environmental impacts created by business activities and contributing to the development of local communities have become established as prevailing corporate value 3) Large-scale accidents/natural disasters heightened social awareness on safety and the environment	1) Reduce 150,000 tons of production-level GHG emissions by 2020 (compared to 2008) 2) Reduce water use by 20% by 2020 (compared to 2007, Intensity target per revenue in KRW) 3) Further enhance the Global EESH Management System 4) Enhance EESH management at overseas locations	1) Reduced 199K tons of GHG emissions associated with production 2) Improved 13.0% of water use compared to 2012 3) Obtained an approval on the UNFCCC CDM project (production and sale of highly efficient refrigerators in India) 4) Established a corporate-level chemical management system 5) Lowered annual potential losses associated with fire risks by 65.5% 6) Received the Grand Prize at the Korea Green Company Awards 2013 (Changwon Site)	1) Expand GHG/energy management and reduction efforts across business processes 2) Increase the effectiveness of the Global EESH System 3) Achieve zero waste 4) Strengthen fire prevention and risk management systems
Supplier	Win-Win Growth & Conflict Minerals	1) Social awareness on win-win growth has increased 2) Inadequate supply chain CSR risk management may impact a company retroactively 3) An international concern for illegal mining (i.e. conflict minerals) and child labor is growing continuously - Related laws and regulations went into effect in the United States (2012), and legislation is underway in Europe (Draft bill in 2014)	1) Implement the risk management system based on the EICC standard - Conduct regular risk assessment/ implement corrective actions - Conduct an audit on 25% of major suppliers from the high-risk group 2) Establish a system for regulatory response to the conflict minerals issue	1) Introduced CSR requirements to screening criteria for prospective suppliers - HR & labor, EESH, and site management 2) Conducted a paper audit (201 suppliers) and onsite consulting (9 suppliers) 3) Implemented the Conflict Mineral Management Systems (CMMS) 4) Identified smelters that use conflict minerals (217) and conducted training on regulatory response to conflict minerals for more than 400 suppliers	1) Strengthen the onsite CSR audit program 2) Expand the scope of supplier CSR management by enhancing the capability of departments that are responsible for supplier management 3) Support suppliers to strengthen their capability in CSR risk management 4) Make an effective use of the CMMS in our business operations 5) Track the origin of all conflict minerals used in products
Community	Social Contribution	1) Communities and diverse stakeholders are increasingly demanding greater business involvement in addressing social issues 2) Shift in perspective: View social contribution not only as an act of charitable giving but also as a chance to discover new business opportunities 3) Employee participation in social contribution initiatives lead to an increased sense of pride	1) Contribute to achieving the UN Millennium Development Goals (MDGs) 2) Contribute to addressing community issues by utilizing our products and infrastructures 3) Establish a system that promotes and supports employee participation	1) Global social contribution activities (53 sites from 35 countries) 2) Support Program for Start-up Social Enterprises in the Environment Sector (27 enterprises, 1.75 billion KRW) 3) Introduced Workday Volunteer Program (Korea, 773 employees/4,208 hours) 4) Made social contribution with our products - Book-reading mobile phone, LG Hope Screen, Mouse scanner, etc.	1) Develop "good" products and technologies that contribute to solving social issues in local communities 2) Contribute to fostering young talents from underprivileged backgrounds in emerging and developing countries 3) Promote employees' voluntary participation in charitable giving
Employee	Corporate Culture & Protection of Labor Rights	1) Work-life balance has a positive impact on employee satisfaction and productivity 2) Protecting employees' labor rights lead to enhanced productivity and quality 3) Failure to comply with laws and regulations may lead to a loss of consumer confidence as well as financial losses	1) Establish a corporate culture that promotes work-life balance 2) Bring the risk level down to "low" at all production facilities 3) Strengthen internal regulations to meet the EICC standard	1) Promoted work-life balance programs: Family Day, Employee Family Care Program, etc. 2) Expanded and promoted communication programs 3) 33 production facilities (85%) were rated to be at "low" risk 4) Conducted due diligence survey on working hours at all overseas subsidiaries and analyzed the data	1) Create a corporate culture that promotes work-life balance 2) Expand third party CSR audit to a greater number of production sites 3) Improve the system for labor rights protection - Grievance resolution system, labor rights/ human rights impact assessment, etc.

With our Customers



OUR FOCUS

According to the 2013 Materiality Analysis, our stakeholders regard

- 1) Strengthening Product Liability Functions (Defect/Post-Accident Response) and
- 2) Providing Accurate Product/Service Information as the most important issues, while benchmarking against industry peers revealed that "Protection of Customer Information" is newly emerging as a critical issue.

OUR APPROACH

Everyone at LG Electronics puts consumer safety as the first and foremost priority and makes every effort to prevent issues arising from product defects. We also have in place an integrated security monitoring system to better protect customer information.

OUR EVALUATION

LG Electronics continuously strengthens its product quality and safety management system and strives to deliver highly safe products to customers. To this end, we carefully collect and manage the voice of customers and conduct customer satisfaction surveys. Since 2009, we have operated a team dedicated to protecting our customers' personal information and implemented a wide range of initiatives that are designed to prevent breaches of personal information.

FUTURE DIRECTION

1

Ensure that all employees have heightened awareness on product safety and assume accountability

2

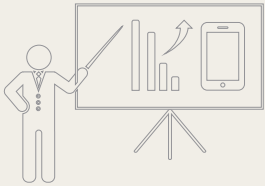
Create a corporate culture that puts product safety as the first priority

3

Support suppliers to establish an information security management system

OUR PERFORMANCE

142 sessions
5,264 individuals
In-Class Quality Training



96%

Employee Training on Personal Information Protection



Presidential Commendation "Product Safety Day"



Regular Performance Assessment on Personal Information Protection



At Marriott, we believe that with an increase in global travel we play a vital role in creating a more sustainable future. By participating in the MindClick Hospitality Sustainability Performance (HSP) Index, LG Electronics is contributing significantly to Marriott's commitment to green its supply chain and to furnish hotels in ways that are better for its guests, its communities and the environment. We believe that we have a shared responsibility to protect the environment, and our alliance with LG since 2005 has advanced our collective goals of reducing environmental impact and enhancing the quality of life for Marriott guests. That's why we honored LG with Marriott International's Supplier Sustainability Award.

Vice President, Procurement,
Marriott International, Inc.
David Lippert

CUSTOMER COMMUNICATIONS

Communicating LG Brand Identity: "It's All Possible" & "LG Red Circle"

In order to highlight the Company's dedication to delivering differentiated values that customers truly need and want, LG Electronics has introduced a new Brand Identity (BI)¹⁾ redefined from the customers' perspective. Unveiled in August 2013, the new BI introduces the new slogan "It's All Possible" to convey the values that it stands for, and the newly added "LG Red Circle" to visually support the message. The new BI system is being implemented to all LG brand and product campaigns across the globe to ensure more powerful and consistent customer communications.

Delivering Consistent Brand Image across Customer Contact Points

In conjunction with the new BI, we established a store identity for the sales floor, one of the key customer contact points, to express our strong confidence in the LG brand and to enable consumers to experience our powerful product technology at an intuitive level before making a purchase. To make it easier for customers to purchase our products, we are also increasing the number of LG brand shops in growth markets, and opening up specialty electronics stores offering LG products in major markets. In addition, we have strengthened sales staff training to increase productivity and provide excellent service on the sales floor. By pursuing these marketing activities with renewed energy and consistency, LG Electronics is striving to become more accessible to its customers and position itself as a market-leading brand.

Marketing based on Customer Insight

In order to further establish LG Electronics as a premium brand and to form stronger emotional bonds with our customers, we are sponsoring a wide range of internationally celebrated sporting events and sports teams, such as Bayer 04 Leverkusen of the Bundesliga, arguably the most exciting professional football league in the world, and the International Cricket Council, the governing body of the most popular sport in Central and South West Asia. Thanks in great part to our sports sponsorships, young people around the world are embracing LG as an exciting brand. We are also featuring LG brand and product advertisements at the home stadium of Major League baseball club, the Los Angeles Dodgers to reach out to the fans of various sports as a global brand and deliver a consistent brand message to consumers worldwide. In addition, we are raising our profile as a premium brand in the global market by sponsoring professional golfers Ja Young Kim and Bo Mee Lee.



The LG Red Circle symbolizes a "lens" as well as a "window," through which customers and LG Electronics look at each other.

1) New Brand Identity*: Redefined based on the core value "Delivering values that customers truly need and want," the new LG brand identity is built on the following concepts: "Customer Value (Inspired, Empowered, and Smiling)," verbal messages translating LG's own unique emotional values into the language spoken by customers; "Brand Promise (Innovation that makes you SMILE)," the very reason why customers choose LG; and "Brand Vision (Life's Good)," the ultimate goal and purpose of the LG brand. (*Brand Identity: Visual elements that establish and reinforce the distinctive brand image carefully fashioned and consistently maintained by businesses)

Customer Communications



1.2 Consistency in customer communications improved with the LG brand identity

3.4 Consistency at points of contact enhanced with the shop identity

5.6 Brand profile and image raised through sports sponsorships



Digital Marketing

As a response to dramatic changes in digital media trends and resulting shifts in customer needs, LG Electronics employs a wide variety of digital media techniques to customer communications. In addition to offering comprehensive brand and product information at our corporate website (Korea: www.lge.co.kr, Global: www.lg.com), we flexibly implement a wide range of techniques and media (i.e. social media, viral videos, consumer participation campaigns, loyalty programs, etc.) to best accommodate each given digital channel, thus achieving differentiated customer communications and building customer trust in the LG brand.

Hidden Worlds

This campaign was created to deliver a captivating and visually powerful representation of LG Electronics' superb Ultra HD technology. The video seamlessly incorporates our cutting edge products, such as the Curved OLED TV and the Ultra HD TV, into the story, naturally introducing LG Electronics' next-generation display products to viewers. It is also designed to help viewers indirectly experience some of the G2 smartphone's UX features, including control buttons on the back and KnockOn.

WWW.FACEBOOK.COM/THELGSTORY

Ultra Reality (HD TV)

This viral video was conceived from the elementary but pertinent question: "Will we be able to deliver an effective marketing message about superb picture quality through media that are incapable of recreating the actual experience?" Instead of explaining product features directly, we came up with the idea of featuring meteorites on the story to capture viewers' dramatic responses to our Ultra HD TVs.

WWW.LG.COM/GLOBAL/INSIDE-LG/THE-WORST-THING-TO-HAPPEN-DURING-AJOB-INTERVIEW

Are elevators really safe?

Supported by a 178° wide viewing angle, the LG IPS Monitor offers unrivaled color accuracy and maintains superb picture quality from all viewing angles. To highlight the monitor's vivid and authentic color representation, we came up with a story about people who are trapped in a free-falling elevator and scrambling their way to the safety of the four corners.

WWW.YOUTUBE.COM/WATCH?V=MZFPC3DI4RY



- 1. Social Media Campaign "Hidden Worlds"
- 2. Viral Video for the LG Ultra HD TV
- 3. "Are elevators really safe?" Promotional Video for the LG IPS Monitor

IMPROVING COMMUNICATION WITH CUSTOMER SERVICE

Increasing Customer Value with Careful "VOC" Management

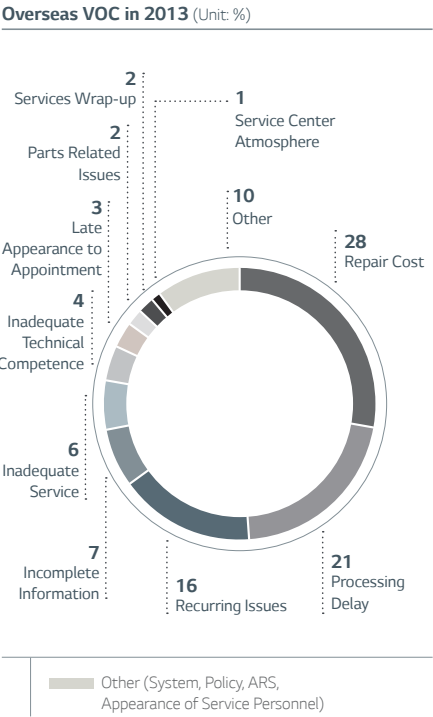
Since 2012, LG Electronics has continued to improve its survey process for the Net Promoter Score (NPS) to manage "Voice of the Customer (VOC)" more effectively. In 2013, we conducted approximately 240,000 cases of the survey on overseas customers and incorporated the findings into our activities for increasing customer satisfaction, such as strength/weakness analysis and service process improvement. In Korea, we conducted a Customer Satisfaction Index (CSI) survey on service recipients to assess the customer satisfaction level at every step of our service process.

Enhancing Global Service Quality with Direct Service

In an effort to strengthen its global service infrastructure, LG Electronics is actively expanding its own directly managed service center networks in major cities around the world. The new service locations have quickly stabilized their operations and helped us enhance our service quality in global markets. In 2013, 40% of service requests were handled by directly managed service locations, up 10% from the previous year. We were also able to reduce the time required for completing a service request to within four days. In Korea, we increased the rate of same-day service up to the 60% range through our ongoing efforts towards high quality and speedy service.

"Customized and Differentiated Service" that Respects Cultural Difference

LG Electronics is raising its brand profile with service programs carefully designed to satisfy customer needs that vary from culture to culture. In China, the "101 Kuaile (Happy)" Service was introduced to promote our brand image, as well as to provide speedy and accurate service. "101" stands for our promise to customers that we will ▲ upon



receipt of a service request, schedule a service visit in less than 1 minute; ▲ keep scheduled service appointments; and ▲ take care of the issue with a single service visit. "Kuaile (Happy)" conveys our commitment for pleasant and delightful service that exceeds satisfaction. In the Shenyang region, where 18 service vehicles from 6 service locations are in operation, minivans have been chosen to protect service engineers and products from a harsh winter climate. In Qingdao and Nanjing, 80 electric motor bikes are used to increase speed and mobility.

In Korea, to address customer needs arising from changes in lifestyle and increased use of smart devices, we offer a wide range of content and remote service features on our website (for PC and mobile app) to equip our customers with information on self-diagnosis and repair, and help them take care of simple product issues themselves. We also offer repair service on weekends and holidays for mobile handset products as part of our efforts to establish a service environment that ensures service is provided regardless of time and location.

Delivering Customer Delight: Free Repair Service

In order to further enhance the customer experience, LG Electronics offers free repair service programs both on a regular and irregular basis. In 2013, we operated the LG Service Camp in the Philippines to provide free repair service to victims from areas hit hard by typhoons and earthquakes. In June 2013, we visited Fischbeck, which suffered the most damages from the massive flooding in Germany, and handled more than 700 repair requests over two weeks. We also set up a free laundry facility at the local city hall to provide support and convenience for the flooding victims. In addition to the victims of natural disasters, LG Electronics offers free repair service to those in need, aiming to deliver service that "wins the hearts of customers." We provide free repair service through service buses that tour throughout regions with poor infrastructure, such as Africa and South America, while offering the same service to households composed only of grandparent-grandchild families or teenagers in Korea, as part of our employee talent donation programs.

Global Customer Service Activities



- 1. China: Launching Ceremony and Service Vehicles for the "101 Kuaile" Service
- 2. Korea: Free Repair Service Bus
- 3. Germany: Support for Flooding Victims

DEVELOPING PRODUCTS
OFFERING GREATER
ACCESSIBILITY TO THE
DISABLED

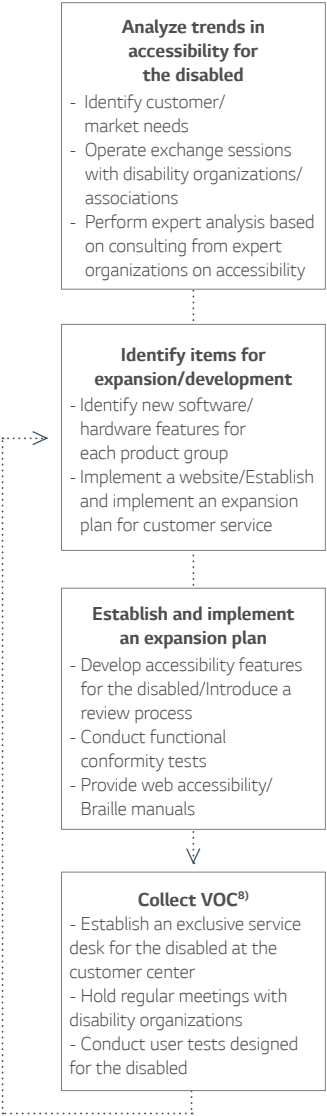
Task Force Dedicated to Improving
Access for the Disabled

Advances in awareness and technology have also brought about advances in policies and systems for the disabled and changes to the welfare environment. In line with such social advances, we are also working hard to ensure that all customer groups enjoy the full benefits and conveniences offered by our products. To this end, we have established a plan to improve accessibility¹⁾ for the disabled and are exploring measures to achieve this meaningful goal. As part of our efforts, we created a corporate-level Task Force Team (TFT) dedicated to the issue, and established a technology and product development process designed specifically to improve accessibility for the disabled. We are also proactively implementing a broad range of measures, both in product development and customer service, to increase accessibility for the disabled, including developing accessibility functions, producing Braille manuals, and operating an exclusive service window for the disabled at our customer centers. In addition, we are conducting workshops on the topic for employees from relevant departments (R&D, User Experience, Customer Center, Product Quality, etc.) to raise organizational awareness.

Collecting Feedback from Customers
with Disabilities & Strengthening
Network at Korea and Overseas

In an effort to develop products that offer clear benefits and conveniences to the disabled, LG Electronics is pursuing regular technology exchanges and consultations with external expert groups, such as research institutions, academia, and disability organizations. These exchanges and consultations enable us to pinpoint their needs and identify improvement points. In 2013, we conducted a conformity assessment and review on our products to evaluate their accessibility for the disabled, together with consulting from the Carl and Ruth Shapiro Family National Center for Accessible Media at WGBH (NCAM)²⁾, a U.S. media organization for the disabled, and Wiley & Rein³⁾, a U.S. law firm specializing in the area. We also intro-

LGE Process for Developing Technologies/Products
for Improving Accessibility for the Disabled



SECURING PRODUCT QUALITY AND SAFETY

Stronger Quality Management Accountability

With the vision of an "LG Electronics, Perceived as the World Best Quality by Customers and Consumers," we are scrupulously adhering to basics and principles throughout our processes, from product planning to customer service, and pushing forward with corporate-wide efforts to provide safer, superior quality products to customers. In 2011, LG Electronics established the Product Testing Laboratory under the Quality Center to carefully inspect its new products for safety and reliability, hazardous content, compliance with target market standards, regulatory risks, and customer perceived quality thus acquiring an effective system to detect quality and safety issues early from the development stage and address them in advance. In 2013, we expanded the safety certification/approval system down to key parts and further strengthened our quality assurance process.

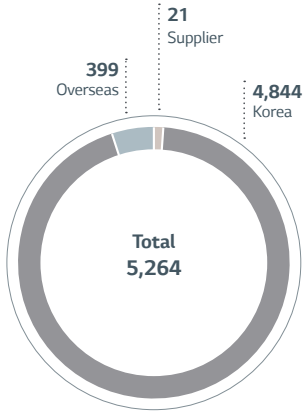
Cultivating Product Quality and Safety Experts

In 2012, LG Electronics established the Quality College to offer training on product quality to employees (Korean and overseas) and key personnel from its suppliers. In 2013, the Quality College provided 142 in-class training sessions, and a total of 5,264 individuals completed the program. With a primary focus on enhancing our employees' product quality capability, the College offers expert track courses for product liability (PL), green products, and product reliability, as well as position- and assignment-specific training courses, including the preparation courses for U.S. Certified Fire and Explosion Investigator (CFEI)¹⁾, Certified Quality Engineer (CQE)²⁾, and Certified Reliability Engineer (CRE)³⁾ certifications.

Stronger Global PL (Product Liability) Response
Voluntary Safety Recall and Notification of Electric Ranges

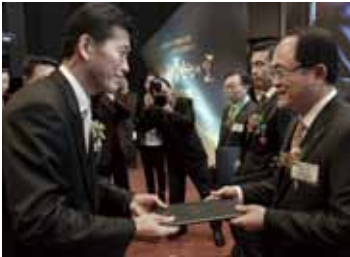
As part of its efforts to ensure consumer safety, LG Electronics conducted a voluntary recall of electric range products (225,835 units) manufactured between October 2005 and June 2009 and sold in the United States and Canada. Although no fires or injuries had been reported, we initiated this voluntary safety recall to prevent potential hazards caused by failure of the burner heat setting with the controls and failure to turn off after being switched off. In close cooperation with the U.S. Consumer Product Safety Commission (CPSC) and Canadian Electrical Safety Authority (ESA)/Health Canada, LG Electronics proactively informed consumers about the recall in progress to encourage consumers to make voluntary contact, and ensure replacement of defective parts.

Number of Employees Completing Training at the Quality College in 2013



LG ELECTRONICS HONORED WITH PRESIDENTIAL COMMENDATION ON 2013 PRODUCT SAFETY DAY

On November 13, 2013, LG Electronics received the Presidential Commendation at the "Product Safety Day" Awards. LG Electronics was recognized with the Awards' top honor for organizations by making systematic safety management efforts throughout the process from product development to product use, such as operating an organization dedicated to product safety, carefully managing the safety of product parts, and fostering product quality experts.



Launched in 2008, the "Product Safety Day" Awards is the most prestigious honor in the field of product safety, hosted by the Ministry of Industry, Trade & Energy, and managed by the Korea Product Safety Association.

PROTECTION OF PERSONAL INFORMATION

Protection of Personal Information

Recently, an increasing number of businesses, both in Korea and overseas, are failing to protect the personal information of their customers, causing emotional distress and financial loss to customers and suffering a loss in credibility and sales revenues. In the worst cases, these failures are leading to business crises threatening the very survival of the company itself. As such, national governments are establishing and strengthening related laws and regulations to better protect the personal information of their citizens, and require businesses to protect personal information with utmost care and attention by tightening actions against non-compliances. In 2009, LG Electronics set up a dedicated task force for personal information protection with support from relevant internal organizations (Legal, IT, Sales, R&D, Subsidiaries, etc.), and is implementing measures to minimize risk, including the Personal Information Review Cycle (Advance/Regular Assessment → Risk Identification → Improvement → Review → Implementation).

Assessment of Personal Information Management

Under the leadership of HQ, LG Electronics conducts a corporate-level annual assessment of its business sites and subsidiaries to evaluate their level of personal information management, and all business sites and subsidiaries are required to perform the same assessment internally on a semi-annual basis. We also added "Personal Information" to our Compliance Risk Management criteria to ensure that all our business sites and subsidiaries regularly measure their compliance risk level and address risks year round. In order to gain public confidence in our stewardship of personal information, we submit ourselves to an annual certification process performed by the Korea Internet & Security Agency (KISA), and receive a biannual assessment from LG Corp. to identify and address risks. Based on the systematic risk management, LG Electronics ensures that effective compliance efforts are made at all of its business sites, both in Korea and overseas.

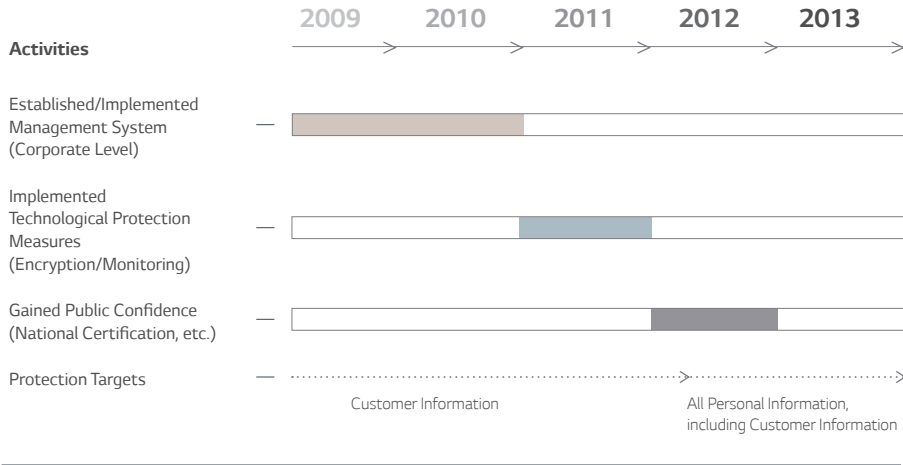
1) CFEI : Certified Fire & Explosion Investigator
2) CQE : Certified Quality Engineer
3) CRE : Certified Reliability Engineer

KEEPING CHILDREN SAFE ONLINE

Rapidly growing technology and access to the internet through electronic devices provides many new opportunities for people, yet care should be taken in ensuring that this is done safely. We have joined the CEO Coalition in 2012 not only to raise the awareness of Child Safety online, but also to show our commitment to cooperate in creating a better and safer online environment for children.

WWW.LG.COM/GLOBAL/SUSTAINABILITY/CUSTOMER/CHILD-SAFETY-ONLINE

History of LGE Initiatives for Personal Information Protection



Initiatives for Personal Information Protection

Encryption of Personal Information

Encrypted all identification information (resident registration number, credit card information, account number, etc.) stored on networks, databases, and websites

Regular Screening for Hacking Attempts

Performs a comprehensive screening to identify vulnerabilities to hacking attempts across internal and external systems on an annual basis, and addresses risks identified in the process

Control of Access to Systems

Controls access to systems containing personal information by unauthorized users (Access via proxy servers blocked and policy of one user account per person enforced)

Network Separation

Complies with the relevant laws and regulations; business networks are separated to protect the system against sophisticated illegal attacks (e.g. APT) and prevent breaches of personal information

Training Performance

In 2013, 98.7% of our Korean employees and 98.2% of overseas employees (excluding those on long-term leave) signed and submitted a pledge to protect the personal information of our customers. Additionally, 96% of our employees who regularly handle personal information and 97% of supplier staff in charge of system administration have completed the required training.

Implementation of Information Security Index

LG Electronics performs an annual assessment to evaluate corporate-level management of personal information, and utilizes the Information Security Index to manage the information security performance of individual employees. As such, all our business sites are subjected to frequent assessments on their information security level (Excellent, Adequate, Average, Inadequate, Poor), and managed accordingly.

Our Initiatives for Personal Information Protection

Based on its 2013 assessment, LG Electronics did not receive any consumer complaints concerning information breaches or faulty protection for personal information. However, in response to growing concerns about the issue, we intend to further strengthen related measures and activities to eliminate risks. As part of our utmost efforts to prevent breaches of personal information, we will minimize the number of websites and systems that are required to collect and store personal information, and continuously reduce the number of such websites and systems in operation.

With the Environment

OUR FOCUS

According to the 2013 Materiality Analysis, our stakeholders regard

- 1) Developing Highly Energy Efficient Products and
- 2) Reducing GHG Emissions as the most important issues, while benchmarking against industry peers revealed that “Developing Products with Greener Features” and “Climate Change Response” are perceived as the most critical issues.

OUR APPROACH

Based on our EESH management standards, LG Electronics is implementing an identical EESH Management System at all our business sites across the globe. We are also making aggressive responses to climate change, such as the announcement of voluntary GHG emissions reduction targets in 2009.

OUR EVALUATION

LG Electronics was awarded the top honor “Sustained Excellence Award” at the 2014 ENERGY STAR Partner of the Year Awards for its ongoing efforts toward sustainability management, such as developing highly energy efficient products, identifying best practices in energy conservation and GHG emissions reduction, and introducing these best practices to other business sites. Our Changwon Plant was also honored at the 2013 Korea Global Green Management Excellence Awards with the Presidential Prize for its consistent efforts towards green management.

FUTURE DIRECTION

- 1

Continuously strengthen the standards for products with greener features
- 2

Strengthen GHG emissions/energy management/reduction efforts across business processes
- 3

Enhance the effectiveness of the Global EESH Management System

OUR PERFORMANCE

Use Level
CO₂ Emissions

Reduced **38** million CO₂e tons

Production Level
CO₂ Emissions

Reduced **199K** ton CO₂e

GHG Emissions Reduction

KRW **69.9** billion

Cost Savings from Green Packaging

183,182 tons

e-Waste Collection



LG is making great strides in making their sustainability strategy tangible for their customers by applying it across the breadth of their product line. As part of UL Environment's certification and validation work with LG, we see increased transparency, as well as environmental achievements in products from televisions to mobile phones to washing machines. Whether it be water footprint inventories for washing machines, transparent disclosure of environmental impact in the form of EPDs¹⁾ for televisions, multi-attribute certifications for mobile phones, energy efficiency claim validation for televisions, or EPEAT²⁾ registration, LG's continuous and comprehensive engagement in product sustainability efforts will result in better, more efficient, more sustainable products for all.

1) EPD (Environmental Product Declaration)
2) EPEAT (The Electronic Product Environmental Assessment Tool)

Vice President and General Manager,
UL Environment
Lisa Meier



PRODUCTS WITH GREENER FEATURES

Strategic Directions

Growing concern for environmental issues and their negative impacts on humans and the surrounding environment is leading to stronger and more extensive environmental regulations across the world. To reduce the environmental impact of our products throughout their lifecycle, LG Electronics implements a strategic framework to develop technologies and products considering three core factors: human, energy and resources. Through this strategy, we have identified eight areas for response and 21 core tasks designed to expand products with greener features, improve green communication, and strengthen green partnerships. We have also set up key indices to measure our performance as well as established targets for individual tasks. In addition, we have created a consolidated operating unit to support our efforts toward the development of sustainable products that satisfy consumers, and we plan to continue expanding and strengthening our business model for products with greener features.

Eco Index

LG Electronics uses “Eco Index” to measure the environmental performance of all our products developed since 2011. This index promotes product sustainability innovations as a support mechanism for us to achieve our strategic objectives for products with greener features and greener product design. The Eco Index is a method to rate our core products (i.e. refrigerators, washing machines, air conditioners, TVs, monitors, mobile phones, PCs) and other products requiring power consumption management, to assess the environmental performance of all targeted production models developed in the last year based on internal standards (Green 1 Star, Green 2 Star, and Green 3 Star). For instance, “Green 1 Star” products, at minimum, satisfy environmental regulations of major markets including the EU, the United States, Korea and Japan (RoHS¹⁾, REACH²⁾, etc.), and qualify as compliant with environmental labels. We also calculate our corporate-level energy performance and disclose this data on our website. The composite data is also incorporated into the Eco Index for systematic management of our energy performance. As a result of our efforts, the percentage of “Green 3 Star” products increased to 88% (2013). In 2014, we plan to further expand the sub-criteria of the index to include “voluntary replacement of hazardous substances,” “use of recycled materials,” and “recyclability rate” to facilitate a comprehensive evaluation of the environmental performance of our products.

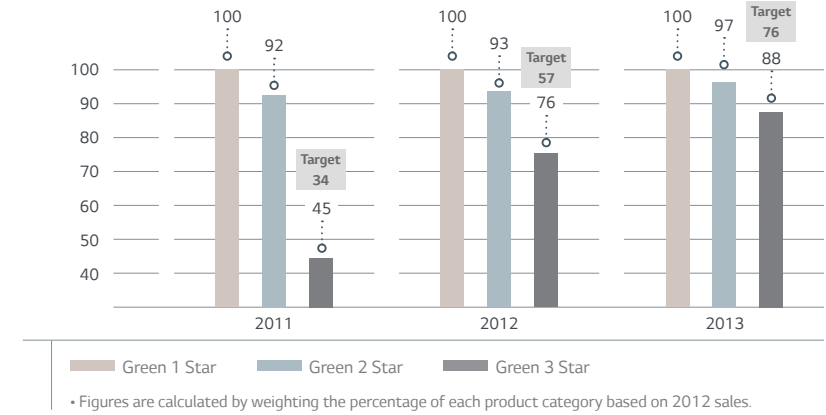
1) RoHS: Restriction of the use of Hazardous Substances in EEE
2) REACH: Registration, Evaluation, Authorization, & Restriction of Chemicals

88% Percentage of Green 3 Star Products in 2013 (Exceeded target by 12%)

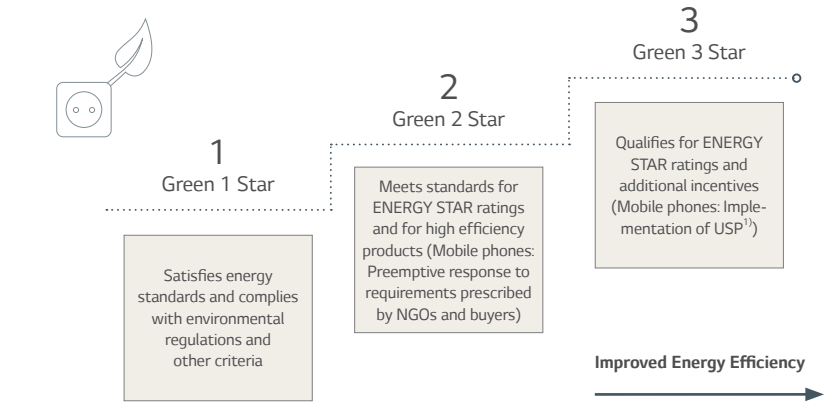
LGE Strategies for Products with Greener Features

Replace hazardous substances <ul style="list-style-type: none">- Reduce use of heavy metals- Reduce use of hazardous chemicals	Enhance energy efficiency <ul style="list-style-type: none">- Reduce power consumption- Reduce stand-by power	Reduce resource use <ul style="list-style-type: none">- Reduce product volume/weight- Use recycled materials
Human	Energy	Resource
Improve home environment <ul style="list-style-type: none">- Minimize product noise and vibration- Create cleaner living environment	Reduce CO₂ emissions <ul style="list-style-type: none">- Use renewable energy- Reduce CO₂ emissions throughout product lifecycle	Increase recyclability <ul style="list-style-type: none">- Increase use of recyclable materials- Design for easy disassembly

Percentage of Products with Greener Features in 2013 (Cumulative)



Eco Index Rating Criteria (2010-2013)



1) USP (Unique Selling Proposition)

Product Life Cycle Assessment (LCA)

Since 2002, LG Electronics has utilized Life Cycle Assessment (LCA) to accurately measure the environmental impact associated with all the stages of our products' life cycle. As part of our efforts to quantify and manage carbon emissions produced throughout our products' life cycle, we created the Life Cycle Inventory Database (LCI DB) for eight product categories (TV, monitor, washing machine, refrigerator, LED lighting, solar module, mobile phone, and commercial air conditioning system) in 2011. We also assess the carbon footprint life cycle of seven product categories (excluding solar module) on an annual basis and disclose the data on our website (from 2012).

WWW.LG.COM/GLOBAL/SUSTAINABILITY/ENVIRONMENT/GREENER-PRODUCTS/PRODUCTS-APPLICATION

Our Performance in Products with Greener Features

Replacing Hazardous Substances

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 believed to have negative impacts on the environment, such as PVC¹⁾ and BFRs²⁾. In 2013, we replaced internal PVC cables in our TV products with substitute materials, and phased out some of the PVC components and materials from refrigerators, washing machines, TVs, and monitors with PVC-free materials. In 2014, we plan to further expand the use of materials for our home appliance products (refrigerators, washing machines, air conditioners, TVs, and monitors).

Enhancing Energy Efficiency

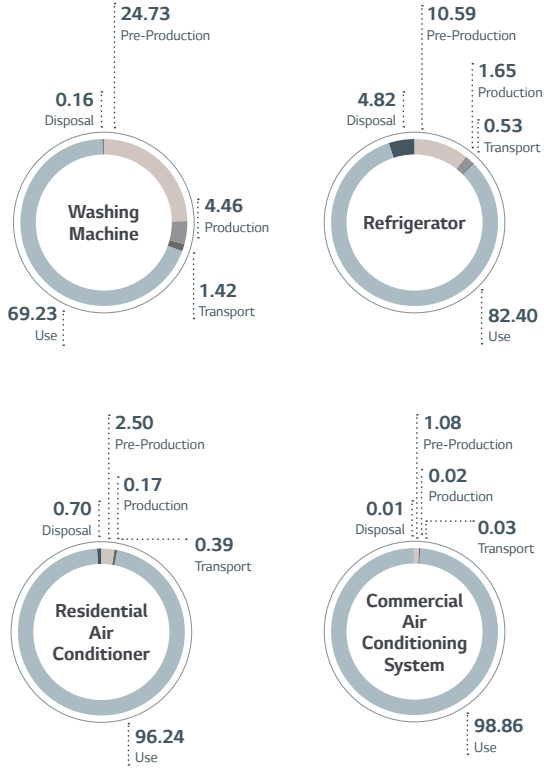
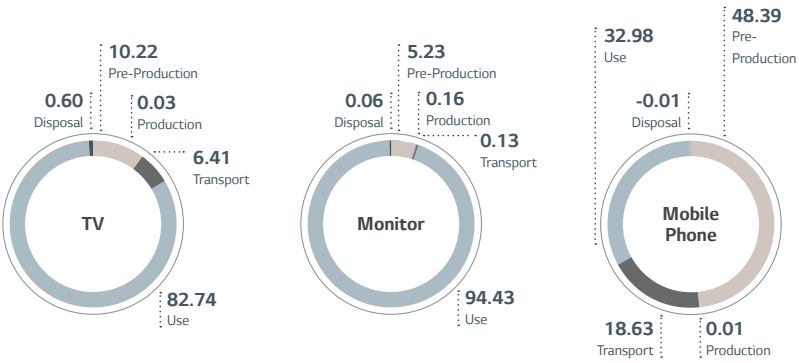
In an effort to make our products more energy efficient, LG Electronics has established the 5-Year Technology Road Map (TRM) and instituted specific targets for each product category, striving to hit every milestone. Although all LGE products fully satisfy international energy regulations such as ErP, we are not letting up on our efforts to reduce energy consumption and stand-by power consumption based on internal goals and targets.

ENERGY STAR

ENERGY STAR is a certification program established by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy to promote energy-efficient consumer products.

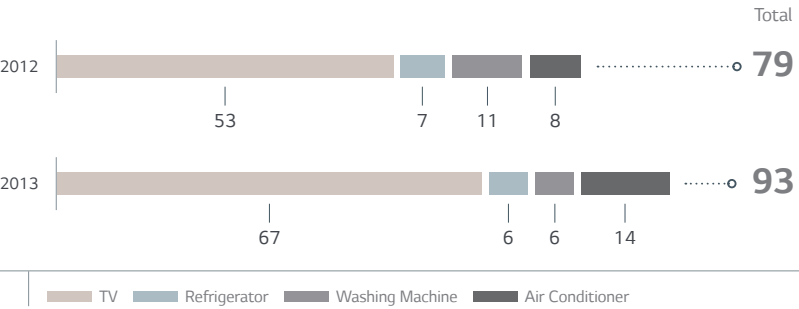
1) PVC (Polyvinyl Chloride): A kind of thermo plastic, also known as polyvinyl chloride and polyvinyl chloride resin. Believed to contain heavy metals such as phthalate (environmental hormone), lead, and cadmium.
2) BFRs (Brominated Flame Retardants): Mainly used as a chemical flame retardant for plastics and textiles, one of the most well-known persistent organic pollutants.

Product Carbon Footprint, Breakdown by Life Cycle Phase (Unit: %, As of Year-end 2013)



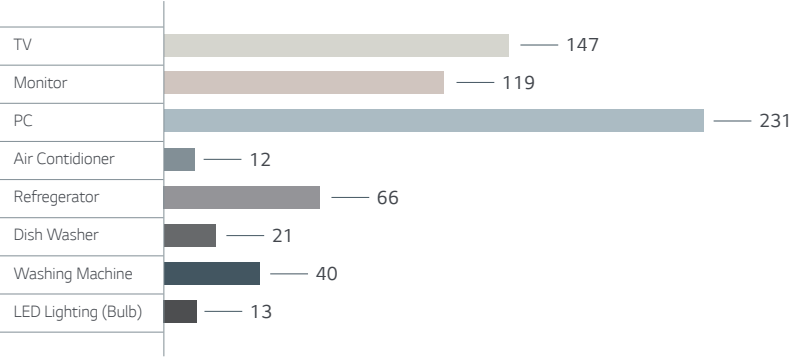
Pre-Production Production Transport Use Disposal

Most Efficient ENERGY STAR Models (Unit: No. of Models)



TV Refrigerator Washing Machine Air Conditioner

ENERGY STAR Certified Products from All LGE Products Sold in U.S. (Unit: EA)



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

Certification of Green Technology Acquired by LG Electronics (As of Year-end 2013)

Technology	Date Certified	Valid Until
High Efficiency N-type Solar Cell & its Application to High Power PV Module	2013-12-19	2015-12-18
High CRI PLS Lighting Design Technology	2013-11-21	2015-11-20
"Turbo Shot" Wash Technology that Uses Less Energy and Water	2013-11-21	2015-11-20
LED Tube Technology that Replaces Fluorescent Lamps	2013-05-16	2015-05-15
GEMS Technology for Energy Savings at Green Stores	2013-04-04	2015-04-03
Spray-free Molding Technology	2012-08-30	2014-08-29
Environmentally-friendly Compressor Technology for Water Purifiers	2012-08-30	2014-08-29
High Efficiency, High CRI LED Flat Panel Lighting Design Technology	2010-08-13	2014-08-12
130-micron, Ultra-thin, Crystalline Silicon Cell Technology	2010-08-13	2014-08-12
(Selective Emission/Compensation for Rear Defects/Reflective Layer Formation)		
High Efficiency VRF Air Conditioning System Technology	2010-06-09	2014-06-08
Ultra Energy-Saving Technology Utilizing High-efficiency Inverter Compressor for Air Conditioners and PIR Sensor	2010-06-09	2014-06-08
World's First 6-Motion Wash Technology	2010-06-09	2014-06-08
Stand-by Power Technology that Enables Consumption of Less than 0.9W for Microwave Ovens	2010-06-09	2014-06-08
Washing Machine Capacity Expansion Technology Utilizing Fixed Type Wash Tub	2010-06-09	2014-06-08
Environmentally-friendly & Low Energy Smart Plasma Display Panel Technology	2010-06-09	2014-06-08
High Efficiency Parallel Two Evaporator Cycle Refrigeration System Technology	2010-05-27	2014-05-26
High Efficiency Inverter Linear Compressor Technology for Refrigerators	2010-05-27	2014-05-26
Dual Injection, Steam Wash Technology	2010-05-27	2014-05-26

Case Study

LG Electronics Acquires the Industry's First Third-Party Water Footprint Certification for its Washing Machine

LG Electronics is the first in the home appliance industry to receive a Water Footprint verification from Norway's Det Norske Veritas (DNV) for its washing machine. We are also the first in the world to be certified for the Water Footprint Inventory by Underwriters Laboratories (UL), a clear recognition of our capability to compute and verify environmental data. A water footprint measures the total volume of fresh water used throughout a product's life cycle from production to disposal, and like a "carbon footprint", which measures carbon emissions, is gaining significance as an important environmental index. The concept of a water footprint came to international attention after the 2011 introduction of the Water Footprint Assessment Manual by UNESCO-IHE (International Institute for infrastructural Hydraulic and Environmental Engineering).

Per Capita Water Footprint (UNESCO-IHE, 2004) - Korea: 1,179m³, World Average: 1,243m³

Reducing CO2 Emissions

LG Electronics encourages and facilitates our customers' efforts to lead low carbon lifestyles by measuring the total amount of GHG emissions associated with a product's life cycle and informing consumers how much CO2 is emitted when they use a particular product. Additionally, we are making concerted efforts to reduce GHG emissions associated with our products in phases.

Greenhouse Gas Emissions Certificate & Low Carbon 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 the label. In 2013, 218 of our products (cumulative) acquired carbon emissions related certificates at Korea and overseas. (Korea: Greenhouse Gas Emissions Certificate (141 models), Low Carbon Certificate (33 models) / Overseas: CarbonFree® of U.S. (41 models), Climatop of Switzerland (2 models), LCIE¹⁾ of France (1 model))

Reducing GHG Emissions from Product Use Reduction Target

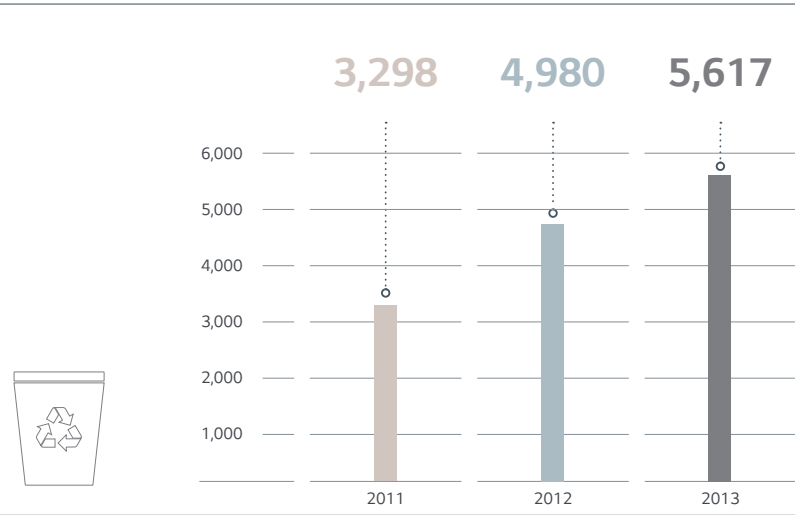
LG Electronics plans to contribute to the reduction of GHG emissions associated with product use by developing and introducing highly energy efficient products. We have established a target to reduce 60 million tons of GHG emissions from BAU²⁾ (2007) by 2020. By meeting the target, LG Electronics is estimated to contribute to a total reduction of about 400 million tons (cumulative) of GHG emissions associated with product use between 2008 and 2020.

Performance & Key Activities

In 2013, LG Electronics contributed to reducing 38 million tons of GHG emissions associated with product use (compared to the energy consumption level in 2007) by introducing a large number of highly energy efficient products. Our performance was, in large part, a result of meeting our target (annual reduction of 30 million tons by 2020) ahead of schedule. Encouraged by our performance, we announced our plan to double our annual target for GHG reduction from energy saving activities to 60 million tons. In order to provide consumers with the carbon footprint information on our products, LG Electronics discloses GHG emissions associated with our products' entire life cycle (from pre-production to disposal) and is actively acquiring carbon labels.

1) LCIE: Laboratoire Central des Industries Electriques
2) BAU (Business As Usual): Projected GHG emissions based on current level assumptions of GHG reduction technology and policy

Annual PCR Plastics Consumption (Unit: Ton)



PRODUCT STEWARDSHIP



Improving Materials

In the product development phase, LG Electronics works to enhance material quality and product structure, and strives to improve product performance while reducing size and weight based on collaboration with recyclers. Based on such efforts, we were able to achieve a weight reduction of approximately 7% (12Kg) in our 2013 refrigerator model (Model: R-F914VBSM, offers 910 liters of effective capacity) compared to the previous year's edition (R-U913LBRD).

Using Recycled Plastic

As part of our efforts to promote recycling and efficient use of resources, LG Electronics utilizes recycled plastic in part of its product components following careful stability and reliability tests. Based on such efforts, LG Electronics used a total of 5,617 tons of Post-Consumer Recycled (PCR) plastic in 2013, continually increasing use to 3,298 tons and 4,980 tons in 2011 and 2012, respectively. We also establish and manage specific targets to continuously expand our use of recycled plastic over time, and plan to build a systematic management system.

Resource Reduction Case
(Refrigerator)



Model Name	R-U913LBRD	R-F914VBSM
Produced	August 2012	June 2013
Capacity	910 L	910 L
Size (W x H x D)	913 x 1797 x 912	912 x 1785 x 920
Weight	167 kg (Approx.)	155 kg (Approx.)

Greener Packaging

In June 2012, LG Electronics introduced its Greener Packaging Design Guidelines to reduce the weight and volume and promote the reuse and recycling of packaging materials and initially implemented the guidelines for portions of TV and mobile phone products. With the new guideline, we were able to reduce the use of packaging materials for new products released in 2013 by 27.6% despite an increase in size for some products, while saving KRW 69.9 billion in costs. In 2014, LG Electronics plans to more broadly implement these guidelines to its overseas production subsidiaries.

e-Waste Management

e-Waste Management Efforts (Overseas)

LG Electronics collects e-waste in accordance with local Waste Electrical and Electronic Equipment (WEEE) regulations and requirements around the world and offers information on its e-waste take-back system and related activities on its website. In 2013, we launched an e-waste take-back service in Israel, Ecuador, Peru, and Mexico, and expanded the program to include 75 regions in 44 countries from 71 regions in 40 countries previously. We are also in the process of establishing a take-back system in countries planning to implement WEEE regulations (Turkey, Puerto Rico, Vietnam, Costa Rica, Colombia, Cameroon, Chile, Belarus) by carefully reviewing local regulations and maintaining open dialogue with governmental and industry organizations in order to respond appropriately. In the United States, LG Electronics collected and responsibly recycled nearly 50 million pounds of unused and unusable electronics during 2013, all through e-Stewards-certified third-party recyclers. In addition, to advance its voluntary e-waste take-back and recycling efforts, LG Electronics USA participates in the CEA eCycling Leadership Initiative organized by the Consumer Electronics Association (U.S.) and offers e-waste take-back service in the six states (Texas, Massachusetts, Colorado, Utah, Maryland and Ohio), and in all states that currently do not adhere to electronic waste take back regulations. This effort is part of LG's support of the CEA "Billion Pound Challenge," an industry-wide takeback and recycling effort.

Case Study

Packaging Improvement Cases


Weight Reduced

Volume Reduced

Reused

Recycled

1 Reusable Packaging Box



Re-designed package boxes for improved reusability

Reusability
Made it easier for consumers to reuse box by using no adhesives when structuring accessory partitions


Use of Recycled Materials
Increased use of recycled paper materials from the previous model (G Box) (68% -> 92%)

Improved Box Structure
Reduced volume by 21% and used less paper materials


Environmentally Friendlier Ink
Acquired FSC and UL110 certifications by printing boxes using soy ink on 100% recycled paper stock

2 Making Packages Greener by Changing Design

For all-in-one PCs, organized the pedestal stand in a separate partition to use less packaging materials and EPS protective materials, while maintaining the original look of the package.




Model Name
V220




Model Name
22V240

Reduced Volume by 50%
Reduced Weight by 47%




Model Name
55LA6900

Reduced Volume by 42.1%
Reduced Weight by 24.5%
Space Efficiency Improved by 34.8%




Model Name
55LB7200

Taking advantage of slimmer product design, developed a customized box for the set head



Model Name
47LN5400

Reduced Volume by 28.9%
Reduced Weight by 16.8%
Space Efficiency Improved by 62.1%



Model Name
47LB5500

4 Management System for Environmentally Friendlier Packaging Materials

LG Electronics utilizes packaging materials produced with FSC (Forest Stewardship Council) certified pulp and recycled pulp. In 2013, we conducted due diligence surveys on paper mills supplying packaging paper stock to LG Electronics and created a database listing FSC certified pulp content and recycled pulp content of each paper stock. Based on such efforts, we have raised the recycled pulp content to 72.2% in our packaging paper stock and endeavor to increase the rate even further.

e-Waste Management Efforts (Korea)
Take-Back System for Major Household Appliances

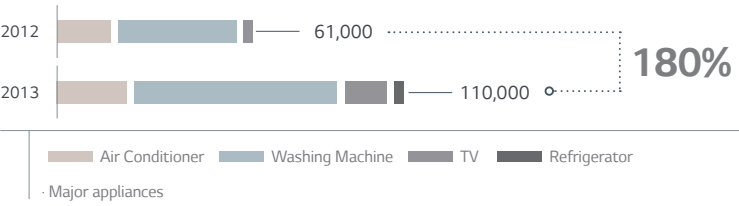
In May 2013, LG Electronics entered into a tri-party (Ministry of Environment, municipalities, and manufacturers) agreement to establish a take-back system for major household appliances. Unlike the current system, in which e-waste is collected upon delivery and installation of new appliances, the new take-back system allows consumers to specify the time and date of collection via online or telephone. These discarded appliances, collected by a dedicated collection team, are delivered to municipal collection centers and later, processed in an environmentally safe manner at regional recycling centers located nationwide. Thanks to the new take-back system, collection of major home appliances increased by 180% over the previous year. In 2014, the new take-back system will be expanded from metropolitan areas to city and county levels to bolster our collected efforts toward sustainable resource recycling.

Take-back System for Small Household Appliances

After establishing a take-back system for small household appliances by installing an e-waste collection box at our brand stores in 2012, LG Electronics expanded the program to include more than 150 service locations nationwide to facilitate environmentally safe and convenient disposal of small household appliances.

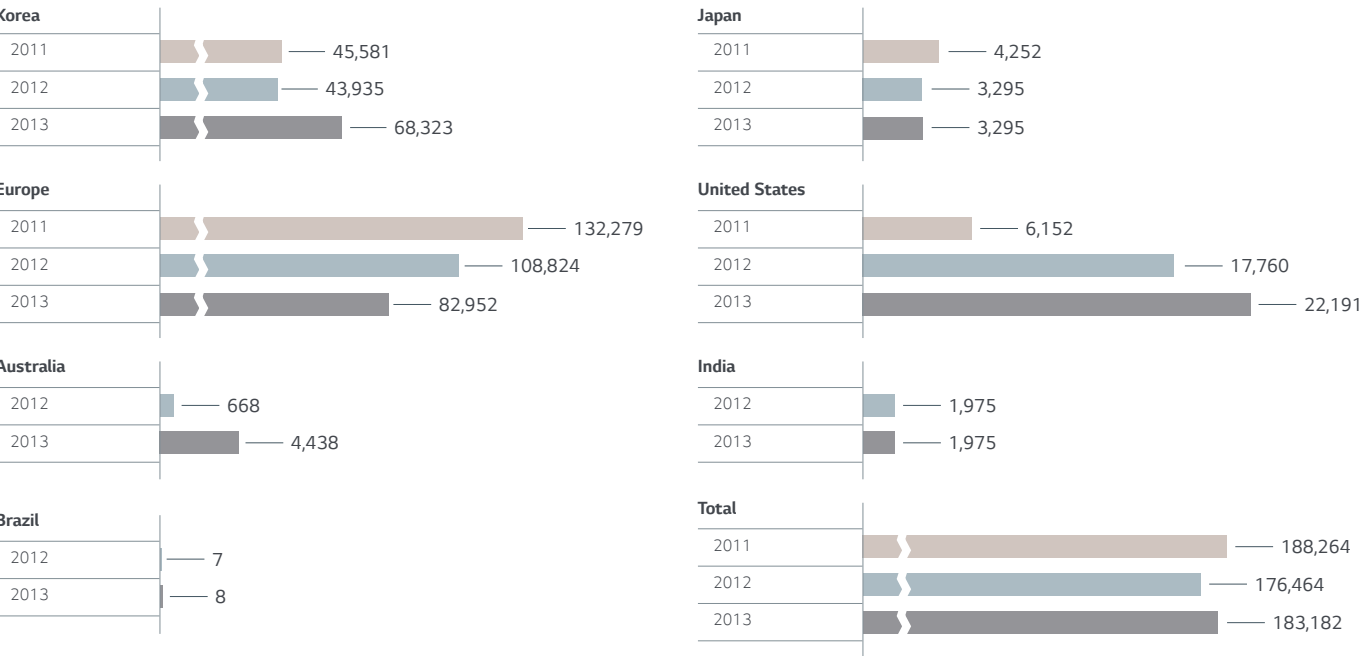


New Take-back System Performance (Unit: No. of Units, Korea)



Voluntary Agreement on Establishing a Take-back System for Major Household Appliances (May 2013)

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



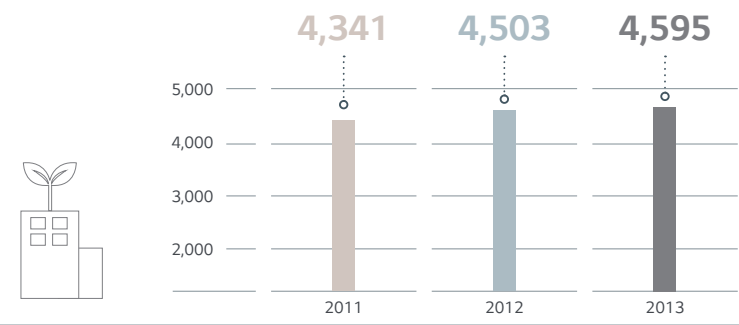
· Figures for some European countries are estimates. · e-Waste take-back service was launched in Brazil (November 2011), India (May 2012), and Australia (July 2012).

Supplier Green Management Assessment Criteria (based on 100 point scale)

Screening Criteria for Prospective Suppliers	Score	Evaluation Criteria for Existing Suppliers	Score
Environmental Management System	20	Environmental Management	25
Management of Hazardous Materials	50	System Mass Production Management	25
Management of Materials/Products	30	Supplier Management	15
		Inspection Management	35

· Different types of checklists are used for different types of business categories

Number of Certified Green Partners (Cumulative)



Green Expert and Green Auditor Training in 2013

Category	Course Title	Session	Participants	No. of Participants	Content
Supplier Staff	Green Expert Program	9th	Managers & Staff Members from Environmental Departments	239	• Introduction to Environmental Regulations • Management & Analysis Technology for Hazardous Substances • Hazardous Substance Management System (HSMS) • GHG Emissions Management
	Environmental Data Collection Expert Program (New)	9th	Environmental Inspectors	165	• LGE Standards for Managing Hazardous Substances • Measuring XRF (Theory) • Measuring XRF (Practice)
Internal Staff	Green Auditor Program	4th	Staff in Charge of Supplier Assessment & Staff members from Related Departments	106	• Introduction to Environmental Regulations • Management & Analysis Technology for Hazardous Substances • Hazardous Substance Management System (HSMS) • Life Cycle Assessment (LCA) • GHG Emissions Management

Case Study

e-Stewards Leadership Council

LG Electronics USA has been an e-Stewards enterprise member of the Basal Action Network (BAN) since 2011 and has served on the e-Stewards Leadership Council, a multi-stakeholder advisory process created to promote product stewardship and the responsible management of end-of-life electronic equipment, since April 2013. The Leadership Council meets twice a year to discuss technical, business and policy issues related to the e-Stewards program and to provide feedback to the e-Stewards program administrator. BAN is a non-profit organization that advocates the safe disposal of electronics, particularly in developing countries. As the toxic substances contained in electronic waste can cause harm to human health and the environment if mis-handled or disposed of improperly, BAN has worked to develop the e-Stewards standards and certification program to ensure that electronic equipment is handled at end-of-life in an environmentally and socially responsible way through e-recycling best practices.



Environmental Awards

USA

United States





Winners of the CES Innovation Awards

INNOVATION AWARD

1

Curved OLED TV
(Model: 55EB9600)



2

Drum Washing Machine
(Model: WM8000HVA)



3

Electric Double Oven Range
(Model: LDE3037ST)





ENERGY STAR Partner of the Year-Sustained Excellence Award & ENERGY STAR Partner of the Year-Climate Communications Award

ENERGY STAR AWARD



CES Innovation Awards: Eco Design and Sustainable Technology

October 2013

LG Electronics was honored at the world’s largest industry tradeshow, the 2014 International CES® (Consumer Electronics Show), receiving the largest number of official CES Innovation Awards in the Eco Design & Sustainable Technologies category for its Curved OLED TV (Model: 55EB9600), Drum Washing Machine (Model: WM8000HVA), and Electric-Double Oven Range (Model: LDE3037ST). The CES Innovation Awards are bestowed to honor outstanding design and engineering in products showcased at the annual tradeshow. The Curved OLED TV, which was the first OLED TV to earn ENERGY STAR certification, boasts an ultra-slim and ultra light design at just 4.3mm and 12kg, achieved through the newly introduced “Honey Comb” technology. Unlike the composite materials used in previous models, the substitute materials keep the product ultra-light while providing strength and making it easier for recycling. In addition, the TV model does not contain any PVC plasticizers, which produce the environmental hormone dioxin when burned. The Drum Washing Machine highlighting the Turbo Wash™ technology features a large 5.2-cubic-foot capacity, the effectiveness of handwash with its Six-Motion cycles, and improved functionality and efficiency with “Direct Drive” (DD) motor technology. Supported by the direct-drive motor’s precision control, this washing machine model automatically detects the volume of laundry and adjusts energy and water use accordingly to enhance economy. Featuring LG’s proprietary Easy Clean™ automatic oven cleaning technology, the Electric Double Oven Range (LD-E3037ST) allows consumers to just spray the oven interior with water to saturate built-up grease and grime making it easy to wipe out in an instant, significantly reducing the time required for cleaning. In addition, the Infrared Grill technology and heat distributing Convection Element cut cooking time.

ENERGY STAR Partner of the Year-Sustained Excellence Award

April 2014

LG Electronics earned the US Environmental Protection Agency’s (EPA) highest product manufacturer award – the 2014 ENERGY STAR Partner of the Year-Sustained Excellence Award as well as the ENERGY STAR Partner of the Year-Climate Communications Award – in recognition of the company’s role in manufacturing and marketing highly energy efficient products and its commitment to helping American consumers become increasingly more energy efficient. The Sustained Excellence Award honors businesses and organizations that have received the ENERGY STAR Partner of the Year for at least three years in a row and have delivered outstanding performance in environmental protection and energy savings. Previously, LG Electronics was recognized as ENERGY STAR Partner of the Year for two consecutive years (2012 and 2013) for its leadership in protecting the environment by manufacturing and promoting products with superior energy efficiency as well as educating consumers and employees on the important, positive effects that energy-efficient behaviors can have on the environment. This recognition reflects huge efforts from the U.S. and Korea teams to assure compliance and energy efficiency leadership.

Marriott International’s Supplier Sustainability Award

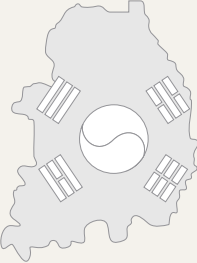
October 2013

LG Electronics was honored with Marriott International’s Supplier Sustainability Award in 2013. Through improving television product development, manufacturing and usage, LG supports Marriott’s sustainability objectives in 20 countries across a number of key areas – including energy efficiency, reducing greenhouse gas emission and waste, and using more sustainable materials to reduce impact on the environment. This annual award recognizes the Marriott suppliers from five different industry sectors that have made significant contributions in sustainability commitment, sustainable products, and sustainability leadership.

Selection Criteria for Marriott International’s Supplier Sustainability Award & LGE Contributions	
Selection Criteria	Key Activities
Sustainability Commitment	• Vision for Sustainability Management
	• GHG Emissions Reduction Targets & Reduction Efforts
Sustainable Products	• Development & Delivery of Energy-efficient Products (ENERGY STAR TV Models)
	• Development & Delivery of Highly Innovative TV Model (EcoSmart TV)
Sustainability Leadership	• The ENERGY STAR Awards in 2012 and 2013
	• Ownership of Certified Green Buildings (LEED ¹⁾)
<div>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 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)</div>	


KOREA

Korea



INDIA

India



Environmental Awards and Accolades in 2013

Energy Winner Awards: Prime Minister’s Prize and Minister of Industry, Trade & Energy Prize

October 2013

LG Electronics was recognized at the 2013 Energy Winner Awards with the top honor bestowed: the Prime Minister’s Prize for its “Smart, High-efficiency Air Conditioning System”, as well as the Minister of Industry, Trade & Energy Prize for its “GHP (Gas Heating Pump) Air Conditioning (Cooling & Heating) System”, the one and only product in such category available in the country. The Smart, High-efficiency Air Conditioning System featuring cutting-edge TMS energy solution combines the high efficiency air conditioning system Multi V Super 4 with the TMS (Total Management System) that offers integrated remote control capacity to achieve the optimal energy savings algorithm and reduces power consumption by the electric heat pumping system (takes up 48-60% of the total power used by the system) by up to 38%. The GHP (Gas Heating Pump) Air Conditioning (Cooling & Heating) System adopts a gas-heating pump to reduce power consumption during the summer and winter peak-demand seasons and offers world-class energy efficiency (Cooling: COP 1.29, Heating: COP 1.48). In addition, LG Electronics received the Energy Technology Award for its Commercial Inverter Air Conditioning System, the Green Device Award for its Motion-detecting Floor Standing Air Conditioner with a “4D” Cooling Feature, and the Green Lighting Award for its PAR LED Lamp with External Converter.

WWW.CONSUMERSKOREA.ORG/

Korea Global Green Management Excellence Awards: Presidential Commendation

July 2013

LG Electronics’ Executive Vice President Young Il Park (Refrigerator Division) was honored at the 2013 Korea Global Green Management Excellence Awards with the Presidential Commendation for delivering innovative value to customers through his green management leadership in the refrigerator segment. Mr. Park was recognized for his strong leadership and ongoing commitment toward delivering greener products and promoting greener lifestyles through differentiated greener technologies, such as high efficiency compressors and insulation technology. He also made great contributions to promoting a low carbon culture and value in our society with his leadership in the company’s energy welfare initiatives (distribution of high efficient products with greener features), carbon emission trading, and GHG emissions management system and reductions initiatives. In addition, he has championed green initiatives across areas of management, including GHG emissions reduction efforts supported by employee participation and mutual growth based on green partnerships with suppliers and the community.

Products Receiving the Energy Winners Awards

Category	Product	Model Name	Award
Energy Excellence Award	Smart, High-Efficiency Air Conditioning System Featuring Cutting-edge Energy Solution TMS	11 models, including RPUW080X9H(J)	Prime Minister’s Prize
	GHP (Gas Heating Pump) Air Conditioning (Cooling/Heating) System	Exterior Unit: 2 models, including GPUW160B9S	Minister of Industry, Trade & Energy Prize
Energy Technology	Commercial Inverter Air Conditioning System	9 models including LT-Q320SU	-
Green Device	Motion-detecting Floor Standing Air Conditioner with “4D” Cooling Feature	F-Q166PSNW, F-Q186PSNW, F-Q186PANW	-
Green Lighting	PAR LED Lamp with External Converter	R2130G24N8A	-

SEAD International Winner Awards

July 2013

At the CEM¹⁾ held in New Delhi, India, LG Electronics received the International Winner Awards in the Large Screen TV and Emerging Technology categories from SEAD (Super-Efficient Equipment and Appliance Deployment), a multinational initiative for energy efficiency. The winner of the Large Screen TV category, the LG Cinema 3D Smart TV (Model: 47LM670S), boasts the highest level of energy efficiency in North America, Australia, India, and Europe and was recognized for its “Local Dimming” technology (controls individual light emitting diodes for maximum energy efficiency) and its “Smart

Energy Saving” technology (reduces energy consumption by adjusting to ambient light). The winner of the Emerging Technology category, the 47-inch LED TV was highly praised for adopting diverse energy saving features and technologies.

1) CEM: Clean Energy Ministerial

EESH¹⁾ MANAGEMENT SYSTEM

EESH Management Policy & Process

EESH Management System

Operation of EESH Management System

LG Electronics established the EESH Management System to facilitate integrated management of energy, environment, safety, and health issues, and reviews international standards and related laws and regulations on an annual basis to incorporate new requirements into the system. In 2010, HQ took over 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 acquired the ISO 14001 certification, except for two new sites (Johannesburg in South Africa and Mexicali in Mexico) whose certification process is to be concluded in 2014 (for details on certification status, see p.88).

Enhancing EESH Management System

In December 2013, LG Electronics reorganized and expanded the EESH Department at HQ to facilitate preemptive and effective responses to EESH issues. We also improved our EESH training programs to strengthen our employees' capabilities for EESH management, and operate a corporate-wide consultative body to promote internal communication concerning EESH issues.

Corporate-wide EESH Audit

LG Electronics performs an EESH audit on global production sites and Korean R&D sites to identify EESH issues in advance and prevent those issues from developing into risks. First introduced in 2005, our annual EESH audit program adopted a new assessment system in 2012 to expand and further refine the scope of assessment and doubled the number of assessment items. We implemented the new assessment system to Korean sites in 2012 and expanded it to overseas sites in 2013. In our 2013 EEHS audit, Korean sites scored 3.5 points higher than the previous year, while overseas sites lost 5.2 points compared to the year earlier, due in large part to the change in the assessment method. Based on the audit results, each site formulated and implemented an improvement plan. In particular, LG Electronics plans to focus comprehensive efforts and support on our overseas sites to improve their EESH management performance, which still remains at an 84% level of our Korean sites.

Capacity Building

Based on our 2012 EESH audit, which revealed our need to improve the employee training system and raise employee awareness on EESH issues across the board, we conducted mandatory education for all employees in Korea in the first half of 2013, and established a training system for our global EESH staff to offer professional training on a regular basis.

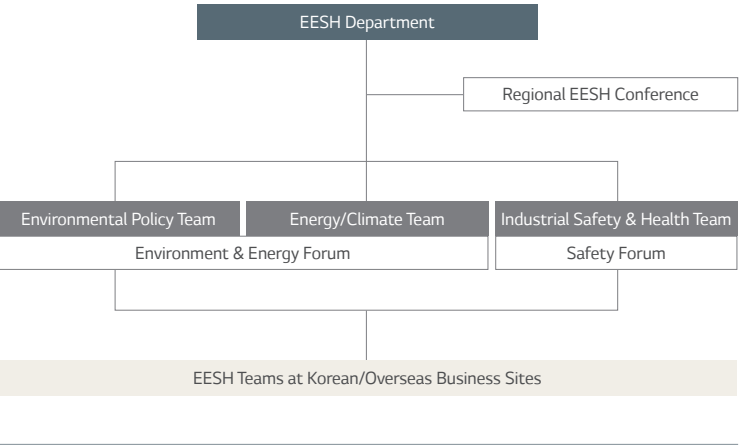
Strengthening Training for Global EESH Staff

In 2013, LG Electronics launched a biannual EESH training program for our global EESH staff. The EESH training was conducted in four different regions (China, Europe & Middle East, South & Central America, and Asia) to cover all our 33 overseas production subsidiaries, beginning with Reynosa (Mexico) in Mid-April 2013 and continuing with Cibitung (Indonesia), Mlawa (Poland), and Nanjing (China).

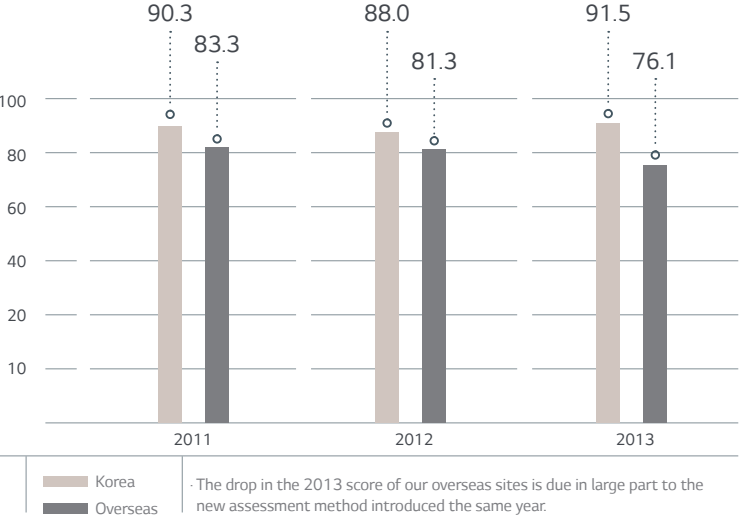
Raising Employee Awareness on Environmental Management

Between April and May 2013, LG Electronics conducted mandatory education on environmental management for all employees in Korea (88% completed) to raise awareness on the issue and promote engagement. The program introduces LG's group-level environmental initiative "Green 2020" as well as LG Electronics' own initiatives. In 2014, we plan to expand the education to all our employees at overseas subsidiaries.

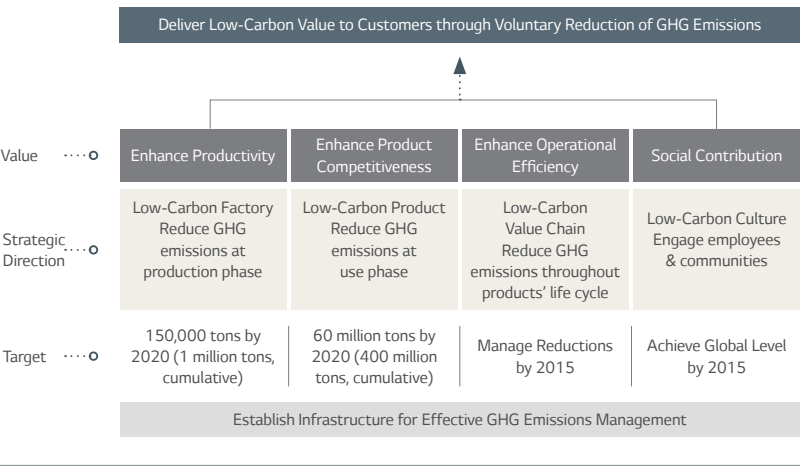
Organizational Structure for EESH Management



Internal EESH Audit Results (Based on 100 Point Scale)



LGE Strategies for Climate Change Response



Response to Risks & Opportunities for Climate Change

Category	Risks	Response
Regulatory	· GHG & Energy Target Management System · Emissions Trading Scheme · Stronger standards on product energy efficiency	· Implement IT systems for GHG management & Set site-level reduction targets · Establish corporate-level standards for regulatory response & Adopt high-efficiency equipment and facilities · Perform LCA on core products & Acquire licenses to internally measure the carbon footprint of our business sites
Physical	· Increase in natural disasters · Deterioration of employee health	· Strengthen EESH audits on business sites and key facilities · All business sites to acquire the ISO certification & Expand the acquisition of the OHSAS certification
Management	· Tougher regulations & rising costs from supplier-side sourcing challenges · Decline in purchasing power due to Climate Change · Increased scrutiny by investors and NGOs	· Commodity price analysis & Supply chain management · Expand CSR activities, including the dissemination of required technologies · Strengthen external communication

Category	Opportunities	Response
Regulatory	· Stronger standards on product energy efficiency · Rise in energy prices & Growing demand for renewable energy use · Implementation of the GHG & Energy Target Management System	· Smart grid, LED, geothermal cooling & heating system, etc. · Increase in new business opportunities, including solar cell technology development & production expansion · CDM ³⁾ business opportunities, including high efficiency refrigerators
Physical	· Rise in the average temperature · Deterioration of air and water quality	· Expansion of the air conditioner and HVAC businesses · Expansion of business opportunities in air purifier, water filtration system, water softer, and water treatment
Management	· Growing demand for low carbon products · Enhance brand and corporate image · Expand product carbon footprint disclosure	· Strengthen R&D efforts for high efficiency and low carbon product technologies · Expand external communication · Expand the acquisition of carbon footprint and low carbon labels

GHG EMISSIONS REDUCTION

Strategy for Climate Change Response

In 2009, LG Electronics established the four strategic directions for climate change response (see table on the left) and has been making a wide range of efforts to deliver results. LG Electronics has set a target to reduce 150,000 tons of production-related GHG emissions by 2020, from the base year 2008 (10% reduction), through productivity improvement efforts, and expects to reduce a total of approximately 1 million tons (cumulative) of GHG emissions between 2009 and 2020. In addition, 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 60 million tons of GHG emissions from BAU²⁾ (base year 2007) by 2020. LG Electronics estimates it will contribute to a total reduction of about 400 million tons (cumulative) of GHG emissions associated with product use from 2008 to 2020.

As part of our efforts to reduce GHG emissions across our value chain, we are continuously expanding our GHG management scope to include areas such as energy and GHG management support for suppliers, emissions associated with office buildings and logistics, emissions associated with employee business travels, and water use. In particular, we have set reduction targets for our office buildings located in the United States and Europe and logistics activities in Korea, and manage them accordingly. We also plan to continue and expand our support for GHG emissions reduction efforts by local communities and strive for leadership in global "Greenovation."

Response to Risks & Opportunities

The table presented on the left shows how LG Electronics responds to risks and opportunities that may impact our businesses and business sites.

1) EESH (Energy, Environment, Safety, Health)
2) BAU (Business As Usual): Projected GHG emissions based on current level assumptions of GHG reduction technology and policy
3) CDM (Clean Development Mechanism)

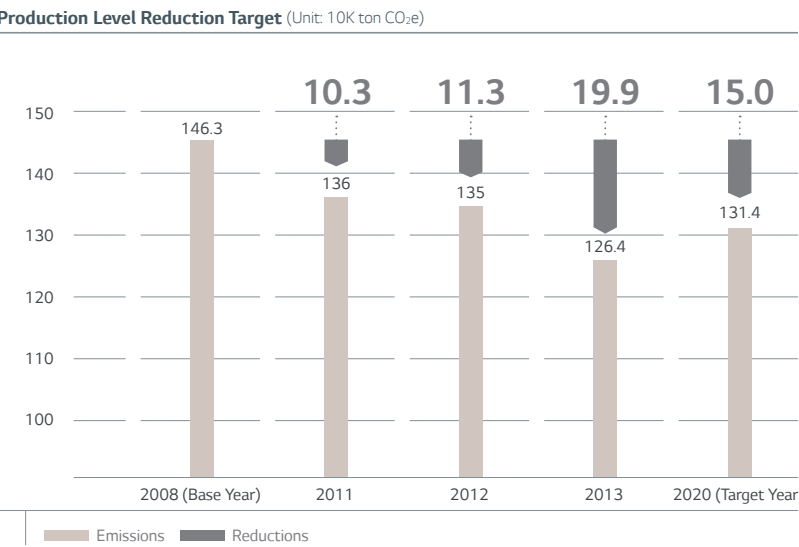


Reduction Efforts at Our Business Sites
GHG Reduction Performance

LG Electronics set a target to reduce 60,000 tons of GHG emissions in 2013 (base year 2008) across our business sites, and exceeded the target by 140,000 tons through expanding investments in high efficiency equipment and facilities, improving operational efficiency of equipment and facilities, and expanding the use of renewable energy, together with employee efforts toward energy saving. Our performance translates into a reduction of 199K tons compared to the base year 2008. In 2013, we also conducted an energy audit on our business sites in Korea and discovered opportunities to reduce additional 14,000 tons of GHG emissions, and plan to implement energy saving and GHG emissions reduction efforts accordingly. In addition, we have acquired the ISO 50001 certification for all our Korean production sites and major R&D facilities to establish a management system for our energy saving and GHG emissions reduction efforts, and plan to expand the certification requirement to our overseas business sites.

Improving Facility Operations Efficiency
As part of our ongoing efforts to reduce GHG emissions, LG Electronics continuously works to optimize and minimize our energy use by improving the efficiency of our facilities and production processes. In particular, we carry out such activities as optimizing 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, based on the results of regular energy assessments performed by internal experts.

Investing in High Efficiency Equipment & Facilities
LG Electronics establishes site-level reduction targets and operates site-level taskforces dedicated to the initiative. Opportunities identified by the taskforces undergo assessment on their reduction performance and financial feasibility before being implemented.



Increasing Use of Renewable Energy
LG Electronics continues to expand the use of energy sources that produce no GHG by adopting solar power generating systems and expanding renewable energy purchases. We have in place solar power generating systems with a combined capacity of 202 kWh at our Korean sites, and our office buildings in the United States and Europe are also expanding their purchase of renewable energy. In 2013, our US facilities purchased a total of 2,285 MWh of renewable energy. Our European office buildings also used 1,170 MWh of renewable energy in 2013.

Expanding GHG Management throughout the Value Chain
Office Building GHG Management
In order to reduce GHG emissions from major office buildings at our overseas locations, LG Electronics has set mid- to long-term reduction targets for office buildings in the United States and Europe and manages them accordingly. LG Electronics USA

has set an ambitious target to reduce its GHG emissions in its U.S. operations 50% by 2020. In support of this goal, LG joined the “Green Power Partnership,” a voluntary partnership program led by the U.S. Environmental Protection Agency (EPA) that encourages organizations to reduce their environmental impact by using renewable energy. LG is also reducing U.S. transportation-related emissions in its supply chain by using freight shippers that participate in the EPA’s SmartWay program. In addition, the U.S. subsidiary is in the process of reducing energy consumption in its offices through a series of measures, including upgrading building lighting systems to LED, encouraging employees to conserve energy at work by turning off electronic equipment and lights when not in use, and promoting low carbon initiatives through its “Live Green at LG” newsletter. Our European subsidiaries have set targets to reduce 15% of GHG emissions from office buildings by 2020 from the base year 2010, and are implementing diverse measures, such as installing solar panels and expanding the use of renewable energy.



Thank You Note

“Congratulations on the successful registration of your UNFCCC CDM project!”

Dr. Ajay Mathur
Director General,
Bureau of Energy Efficiency of India

LG Electronics’ CDM project not only improved energy efficiency of refrigerator products and reduced GHG emissions but also contributed to the welfare of local communities by directing part of profits to supporting education for females and children in poverty.

Support for Suppliers’ GHG Management
In 2010, LG Electronics established and announced a plan to expand its low-carbon procurement, making a commitment to expand our purchases from suppliers that implement sustainable GHG reduction plans up to KRW 50 trillion by 2020. To this end, we provided GHG management training and assistance for building a GHG inventory to 173 suppliers in Korea, and participated in the national initiative “Small, Medium and Large Green Partnership” led by the Ministry of Industry, Trade & Energy in 2012. For the following two years, we have helped 32 suppliers set up a GHG inventory and complete a third-party validation. We also conducted an energy audit on 22 suppliers and discovered 33 instances of energy saving opportunities for them.

Logistics & Business Travels
LG Electronics has set a target to reduce 1% of GHG emissions per unit weight, based on distance traveled, for logistics activities in Korea and is making diverse efforts to achieve the target. The total GHG emissions from logistics activities in Korea in 2013 amounted to 41,807 tons CO₂e, down

537 tons from the previous year. LG Electronics plans to reduce GHG emissions from its logistics activities through ongoing efforts toward logistics system improvement, use optimization, and IT system implementation. LG Electronics also manages GHG emissions associated with employee business travels and submits the annual data for third-party validation. In 2013, the total GHG emissions associated with employee business travels amounted to 50,000 tons, reducing 22,000 tons from the previous year by promoting video conferencing and railway travels.

Employee Participation in Energy-Saving Initiatives
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. As part of our efforts, we ran a CEO message and public announcement messages on our company broadcasting system to encourage employees to save energy during summer/winter peak seasons. In July 2013, LG Electronics and its major suppliers launched “Save Together,” a joint energy-saving campaign to include

suppliers in our energy-saving initiatives. At the campaign’s launching ceremony, energy management staff from more than 20 suppliers promised to cooperate with our energy-saving efforts. As part of the campaign, suppliers designated “Energy Observers” at each business site to identify energy saving opportunities and promote energy-saving practices. Suppliers voluntarily maintained the interior temperature at 26℃ or higher, distributed hand-held fans to employees, and encouraged employees to dress “cool.” Thanks to such efforts, we saved 14% of power during winter (January-February) and 12% of power during summer (July-August) compared to the same period from the previous year. In addition, the LGE Labor Union is engaging in an energy-saving campaign under the slogan “Turn off and Unplug (meaning, let’s turn off switches/faucets and unplug power cables)” to support corporate-wide efforts toward GHG emissions reduction and to promote everyday low-carbon practices by raising employee awareness on energy saving and promoting energy saving through everyday practices. Inspired by the campaign, local union chapters are pursuing energy-saving initiatives, such as turning off lights during lunch hour, managing radiators in restrooms, and turning half of the lights off during shift changes.

Clean Development Mechanism (CDM)
In October 2013, LG Electronics’ Clean Development Mechanism (CDM) project in India was finally approved by the UNFCCC (United Nations Framework Convention on Climate Change). Through this project, we plan to acquire carbon credits in exchange for the sales of highly efficient refrigerators (18 models including GL-19S0ME4) in India. We expect to reduce 5.8 million tons of GHG emissions annually over the next ten years, which is the largest in scale among CDM projects pursued by electronics makers. LG Electronics also plans to donate a part of the profits from the project to local communities.

GHG Emissions Reduction Initiative

1. Launching Ceremony for the “Save Together” Campaign

MINIMIZING ENVIRONMENTAL
IMPACT AT OUR BUSINESS SITES

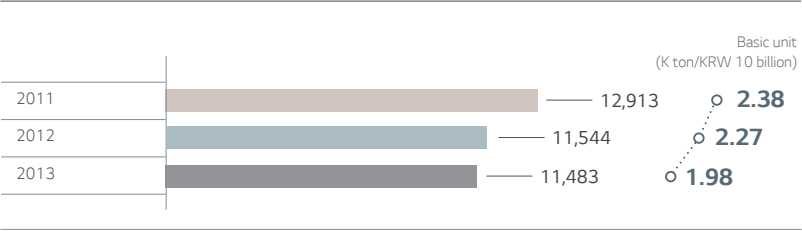
Reducing Water Use

LG Electronics manages the amount of water it uses and reuses at global production sites and major R&D facilities. In 2013, the total volume of water used at our business sites amounted to approximately 11.5 million tons, and 640,000 tons of the water was reused. We estimate that the volume of water used at our business sites will continue to increase due to production capacity expansion (including solar panels) and our growing business portfolio (new businesses, including EV components). Despite the upward projection for water use at our sites, 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 conservation efforts to manage water use and reuse. For instance, the Seocho R&D Campus in Korea collects and recycles rainwater, and the Noida Plant in India built a zero discharge system that recycles all industrial wastewater from the plant and reuses it after treatment. In 2013, we established a water inventory of our production sites in Korea and completed third-party validation of the data.

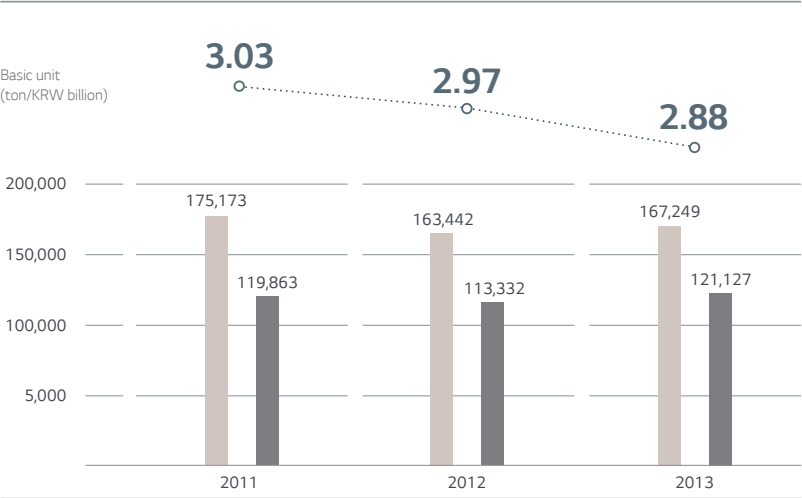
Minimizing Discharge of Waste

LG Electronics makes ongoing efforts to treat the waste we generate and discharge in a safe manner, i.e. minimizing the amount of waste to be buried or incinerated, and identifying more items to recycle. Based on such efforts, we now recycle disposed refrigerator doors that used to be incinerated, and reuse wooden pallets. We also increased the overall recycling rate to 3% by improving the efficiency of our production processes and make continuous efforts to reduce carbon intensity per KRW. In 2014, we will make continuous efforts to minimize waste generation and emission by setting internal targets for keeping the waste treated by landfill or incineration to a minimum and by improving the system to facilitate phased reduction efforts.

Water Use (Unit: K ton)



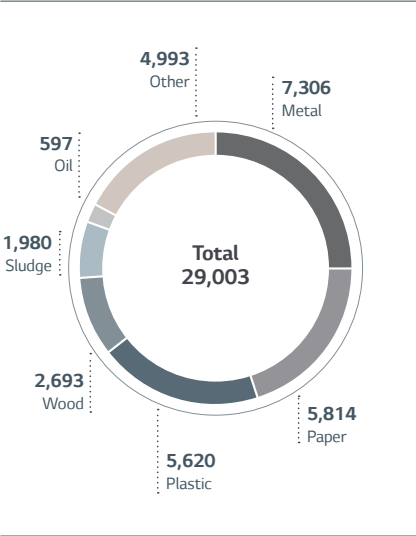
Generated & Recycled Waste (Unit: ton)



■ Total Waste Generation
■ Recycled Waste

· Basic unit was recalculated based on the global sales revised in line with the changes to financial accounting standards.
· Change in figures are due to typo corrections in the amount of "Total Waste Generated" from the previous year's report.
· Recycling does not include heat recovery through incineration.

Major Properties of Recycled Waste (Unit: ton, Korea)



· Other: PCB substrates, oil materials, etc.

IMPROVING EESH AT
BUSINESS SITES

Strengthening Chemical
Management System

At LG Electronics, a system for prevention and response against industrial chemical accidents takes up an important part of our risk management programs. In order to strengthen our chemical management system, we received consulting from an external professional agency and identified areas to improve on. Although we already had in place a site-level system for chemical management, the consulting revealed that we needed a corporate-level integrated management system. As such, we implemented a new system that facilitates integrated management of chemicals at a corporate-level. The new system offers an advance screening function to minimize compliance risks prior to the arrival of chemicals, and information on laws and regulations helps users easily and conveniently reference related legal and regulatory information during the screening process. In addition, the system enables better monitoring of the amount of chemicals used and supports setup of emergency response and chemical risk assessment processes to facilitate extensive and thorough safety management at business sites. LG Electronics plans to utilize the system to enhance the advance screening process and user safety monitoring from 2014, further strengthening our capabilities for preventing industrial chemical accidents.

Enhancing Fire Prevention Efforts

LG Electronics carries out a wide range of projects to enhance our fire prevention capabilities on an annual basis. In 2013, we cooperated with reinsurers and engaged in diverse efforts, such as "Fire Risk Index" setup, cost-benefit analysis of fire risk management, and gap analysis against advanced chemical management systems.



**GRAND PRIZE AT THE KOREA
GREEN COMPANY AWARDS**

In 2013, LG Electronics' Changwon Plant received the Grand Prize at the 3rd Korea Green Company Awards, hosted by the Ministry of Environment and organized by the Korean Environmental Industry & Technology Institute. The Changwon Plant was honored for its consistent efforts toward environmental management and green initiatives, such as the integrated EESH management system, development of products with greener features and active participation in environmental initiatives, and contribution to promoting the effective use of local resources. The Plant also carried out diverse activities to help and improve the local environment, including "Green Day," a joint campaign with municipalities to promote a greener lifestyle (using public transportation instead of driving, reducing food waste, etc.), cleaning activities at local streams and mountains, donation of proceeds from employee recycling activities, and "Green Mentor," an environmental mentorship program for local organizations. In addition, the Changwon Plant contributed to the effective use of local resources by building a steam supply system that utilizes the waste heat from the incinerator and by operating a free e-waste take-back service and recycling center.

Striving for Harmony with Global
Environment

Protecting Biodiversity

LG Electronics fully recognizes the significance of biodiversity and strongly believes it to be a value worth protecting and conserving through concerted efforts by all stakeholders. Based on this belief, we are pursuing a wide range of initiatives to move this important cause forward. In 2012, we amended our "Supplier Code of Conduct" to require suppliers not to engage in the destruction of tropical rainforests and illegal logging in the process of supplying products and services to LG Electronics. We also included the related information in the "LGE Greener Packaging Design Guidelines" and clearly specified the use of Forest Stewardship Council (FSC)-certified pulp. In addition, LG Electronics participated in the "Government (Ministry of Environment)-Industry Joint Declaration on Conservation of Biodiversity (September 2013)" as a major signatory and actively engages with related organizations to promote business involve-

ment in protecting biodiversity. Going forward, we will continuously work to establish biodiversity as an important factor in our decision making process to minimize adverse impacts to biodiversity that result from our business activities.

Global Volunteer Day

In 2010, the Labor Union of LG Electronics became the first labor union in Korea to declare Union Social Responsibility (USR) and made a pledge to protect the environment and ecosystems as part of its commitment toward social responsibility. Since the USR declaration, the LGE Labor Union has continuously pursued green initiatives based on employee participation. In celebration of World Environment Day (June 5), the LGE Labor Union organizes the annual "Global Volunteer Day" event at business sites across the world (more than 40 Korean sites and all overseas subsidiaries) and engages in diverse volunteer activities to help protect the environment and raise awareness on environmental issues.

Bio Diversity Promotion & Fire Protection Efforts



1. Signing Ceremony for the Government (Ministry of Environment)-Industry Joint Declaration on Conservation of Biodiversity
2. Gumi Fire/Disaster Prevention Drill at Solar/TV Plant

Fire Risk Index

Based on advanced standards for disaster risk management including the FM Global¹⁾ standards and the NFPA Code²⁾, LG Electronics identified 20 key fire safety factors from the viewpoint of reinsurers. We assessed all our Korean sites and overseas production subsidiaries (China, Russia, India, etc.) against the key factors and made necessary improvement efforts. Through these activities, we have developed a standard index against which we can assess the fire safety performance of all our business sites across the world. The index also enables us to make comparative analyses of business sites and to establish site-specific improvement measures.

Cost-Benefit Analysis for Fire Risk Management

This analysis was performed to quantify fire risks at our business sites through the Event Tree Analysis (ETA), calculating the amount of potential losses before/after improvement efforts by applying a set frequency to the amount of losses per key production process incurred by fire, and reduced the amount of potential losses through investments. Our analysis on the Solar Panel Plant at Gumi identified a total of 44 improvement points. We selected the top 22 items in terms of ROI and made investments accordingly to bring down annual potential losses by 65.5% (from KRW 1.23 billion to KRW 0.42 billion).

Accident & Emergency Response Activities

In order to enhance the disaster readiness of our business sites, LG Electronics conducts diverse EESH drills and exercises. In particular, we conducted a public-private joint fire drill and emergency response exercise in the Gumi area, which is exposed to considerable risks in terms of industrial safety and environmental consequences. The fire drill conducted in partnership with the Gumi Fire Station focused on enhancing our initial response to fires and explosions. We plan to conduct fire drills on an annual basis to strengthen disaster readiness. In November 2013, a helicopter owned by LG Electronics crashed into a high-rise apartment building located in Seoul, killing the two pilots onboard and damaging the exterior walls of the apartment building. LG Electronics is fully cooperating with the authorities to identify the cause of the accident and is making every possible effort into the response and recovery process. We also commissioned the Architectural Association of Korea to assess the structural safety of the damaged building, which concluded that the building was structurally sound and posed no safety concerns.

Although LG Electronics recorded 3,000 consecutive flight hours without an accident in 2011, this accident served as an important reminder about safety, and we will further strengthen our flight safety measures to ensure a safe flight for our employees.

Promoting Employee Health Promotion & Enhancing Working Conditions

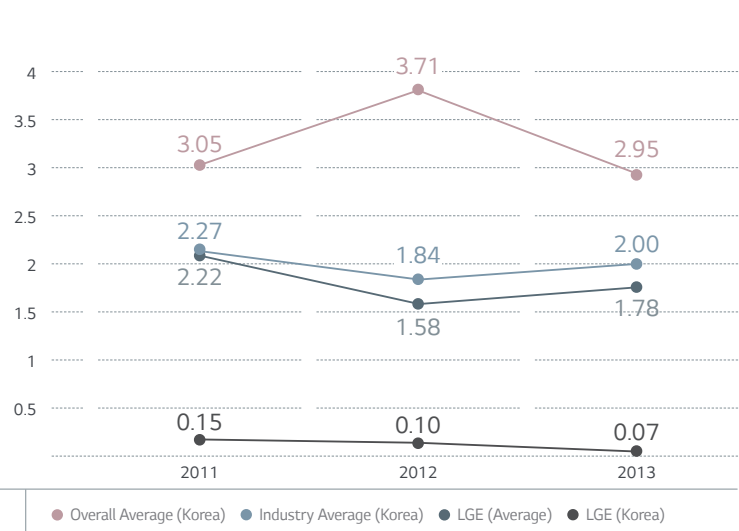
LG Electronics operates the Total Health Promotion (THP) program on an annual basis to promote and protect employee health. Based on the results of regular medical check-ups, we provide health consultations to employees with diagnosed conditions, and help our employees cope with emotional stress with counseling centers. We also maintain permanent medical staff (medical doctor or nurse) at all our Korean and overseas business sites to ensure immediate responses to medical emergencies and to facilitate on-site management of employee health.

In partnership with the Seocho Community Health Center in Korea, the Seocho R&D Campus and the Woomyeon R&D Campus operate a health program for employees with metabolic syndrome. In

2013, the program selected 119 employees as subjects for intensive management and offered disease education, nutritional consultation, physical training, and U-Health rental devices. Thanks to extensive support, program participants have made great improvement, with 88 enrollees (73.9%) lowering their exposure risk level by 1 point or more. LG Electronics also makes diverse efforts to improve working conditions for its employees. For instance, we analyzed the cause of loud noises (close to 90 dB) from a welding production line (refrigerator unit) at the Changwon Plant and, based on our analysis, replaced equipment and developed a new technology to reduce the noise level by up to 12 dB. We were also able to cut additional 11 dB by improving air guns used in the production process. LG Electronics is committed to promoting employee health and improving working conditions and intends to continue its ongoing efforts in these areas.

1) FM Global: Factory Mutual, a U.S. insurance company specializes in loss prevention services to large corporations
2) NFPA Codes: Fire response standards established by the U.S. National Fire Protection Association

Incident Rate: LTIFR

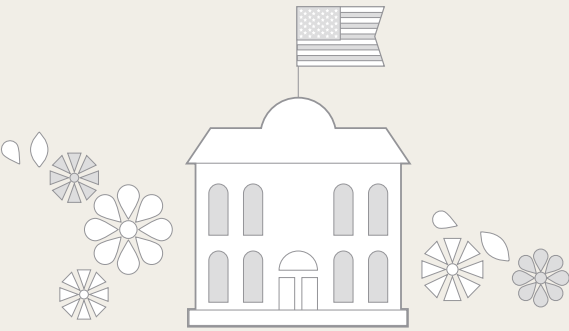


· In our previous reports, incident rate was used to present this data. After LTIFR was adopted for compliance with international standards, our 2011 and 2012 data was converted to an LTIFR.
· LTIFR: Lost-Time Injuries Frequency Rate (Number of lost-time injuries x 1,000,000) / (Total hours worked in accounting period)
· Figures for overall average (Korea) and industry average (Korea) are based on data released by the Korea Worker's Compensation & Welfare Service. Industry here refers to the electronic product manufacturing industry.

Case Study

Green Initiatives at LG Electronics USA

In 2013, LG Electronics USA made significant progress on a series of voluntary environmental stewardship programs in cooperation with the U.S. Environmental Protection Agency (EPA) to reduce the company's environmental footprint, including participating in initiatives to promote energy conservation, renewable energy use, environmental awareness, and supporting its goal to reduce its U.S. greenhouse gas emissions by 50 percent by 2020 (compared to 2008 baseline levels).



1 Energy Conservation

LG Electronics has been recognized by the U.S. EPA as ENERGY STAR Partner of the Year for the last three years for its role in manufacturing and marketing highly energy efficient products. As part of its commitment to reduce its carbon footprint, LGEUS began energy efficiency measures in its own operations, including the roll out of a lighting retrofit program to replace less efficient lighting in its U.S. facilities with LG's energy efficient LEDs. The company completed lighting retrofit projects at four major locations in 2013 and has plans to replace the lights in additional locations in 2014 and 2015.

4 Greenhouse Gas Inventory

LG Electronics USA aligned its corporate accounting and reporting practices to the GHG Protocol Corporate Standard developed by the World Resources Institute and World Business Council on Sustainable Development (WBCSD) and received third party assurance for its 2008 base year inventory. In addition, LG is implementing a data management system to centrally track and manage energy, carbon and sustainability data across its US operations.

2 Renewable Energy Use

LG Electronics USA increased the amount of renewable energy used in its U.S. operations from about 1 percent in 2011 to 10 percent in 2013, and began project activities to generate 80 MWH/year from on-site solar panels.

5 Recycling

In 2013, LG Electronics collected and responsibly recycled nearly 50 million pounds of unused and unusable electronics in the U.S., including more than 500,000 pounds collected at voluntary recycling events throughout the year. Messaging at recycling events included encouraging consumers to upgrade to ENERGY STAR qualified products after responsibly recycling their old electronics. As a charter Gold level participant in the U.S. EPA's Sustainable Materials Management Electronics Challenge, LG has voluntarily committed to sending 100 percent of used electronics collected for reuse and recycling to third-party recyclers with the e-Stewards certification, the highest level of standards for recyclers.

3 Environmental Awareness

LG Electronics USA continues to expand its efforts to educate consumers about how their individual actions to reduce energy consumption can make a difference in the fight against climate change. Highlights of 2013 initiatives include:

- 1 - Partnering with EPA's "Team ENERGY STAR" program for the third year in a row. Team ENERGY STAR is a consumer awareness campaign to teach children and families how saving energy helps save money and prevent climate change with fun educational activities and energy-savings actions.
- 2 - Launching an energy savings campaign in its U.S. offices to encourage colleagues to turn off lights and office equipment during non-working hours or when not in use to save energy.
- 3 - Participating in a number of community and local school events to raise awareness about the importance of environmental stewardship.

"Change the World, Start with ENERGY STAR" pledge



Asking consumers to do their part to save energy and help protect the climate (LGE Booth at a Fan Event for the 2013 NCAA Final Four)

LG Hope Screen



Educating Customers on Climate Change Response (LG Electronics' Digital Billboard at New York Times Square)

With our Suppliers



OUR FOCUS

According to the 2013 Materiality Analysis, our stakeholders regard

- 1) Establishing Fair Trade Practices and
- 2) Raising Corruption/Cartel Awareness as the most important issues, while benchmarking against industry peers revealed that "Raising Supplier Awareness on CSR" is considered as the most critical issue.

OUR APPROACH

LG Electronics strives for a shared growth with suppliers based on its efforts toward fair and transparent business transactions, ongoing communication, and win-win partnerships. We also make continuous efforts to help our suppliers establish a sustainability management system, including the Supplier Code of Conduct introduced in 2010.

OUR EVALUATION

LG Electronics operates the Fair Trade Compliance Program and guarantees an equal opportunity in our business transactions with suppliers. We also support our suppliers to acquire the sustainable competitiveness required to compete in the global market.

FUTURE DIRECTION

1	2	3	4
Strengthen CSR audit	Help suppliers build CSR risk management capabilities	Establish a system for tracking the origin of 3TG minerals contained in our products	Track the origin of all 3TG minerals contained in our products

OUR PERFORMANCE



Over the past 20 years, Dong Yang Industries has been able to overcome many challenges created by rapidly changing business conditions and grow together with LG Electronics thanks to our partnership, which is built on their strong respect for suppliers as growth partners. We received a wide range of technological and financial support from LG Electronics under their warmhearted policy of Win-Win Growth, which was invaluable in our overcoming of business vulnerabilities. Our Win-Win partnership has been further extended to overseas markets, and together we are striving to become "Global No. 1." Dong Yang Industries will spare no efforts in technological development and innovation to become the "Best Partner" for LG Electronics in achieving Global No. 1.

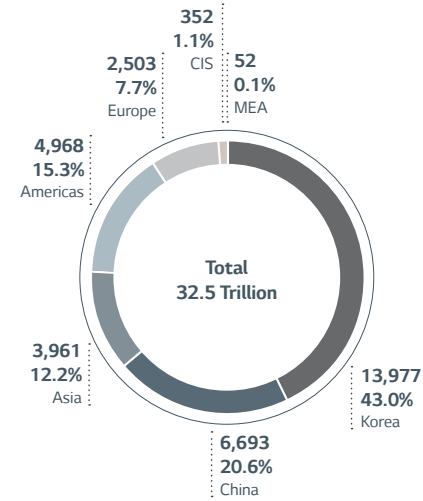
CEO,
Dong Yang Industries
Yong Hae Park

OUR PRINCIPLES FOR WIN-WIN GROWTH

Procurement Performance & Supply Chain

For the effective management of its vast network of suppliers, LG Electronics groups its business partners into "direct suppliers," who provide the raw materials and parts used for manufacturing products, and "indirect suppliers," who provide services and other products such as advertisement and IT services. The Procurement Center is in charge of managing direct suppliers, and HQ's General Procurement (GP) manages indirect suppliers. In 2013, LG Electronics spent KRW 32.5 trillion in the form of direct purchases, and 76% of this amount, KRW 25 trillion, was spent in Asia including Korea. We conducted business transactions with over 1,000 suppliers in Korea and approximately 3,000 suppliers overseas, and made transactions of KRW 100 million or higher with more than 77% of them (approximately 3,000 suppliers). LG Electronics maintains a list of over 7,000 registered suppliers (existing suppliers included) as potential business partners. In 2013, we conducted business transactions with 40 new suppliers, including 11 Chinese companies. In 2013, LG Electronics spent approximately KRW 1.2 trillion in Korea in the form of indirect purchases. We conducted business transactions with approximately 1,000 suppliers, and close to 50% of our suppliers made transactions of KRW 100 million or higher with LG Electronics. HQ's GP collaborates with individual subsidiaries on managing indirect purchases made at overseas subsidiaries, and this system is being extended to more subsidiaries and business areas.

Direct Purchases Amount by Region in 2013
(Unit: KRW billion)



Supplier Selection

In 2013, LG Electronics strengthened its potential/new supplier registration process to include an assessment of corporate social responsibility (CSR) issues, such as labor rights, human rights, and corporate ethics at the potential supplier. As for existing suppliers, we intend to include CSR aspects in our supplier assessment criteria from 2014. For further details, please refer to p. 62 "Supplier CSR Risk."

Supporting Suppliers to Achieve Global No. 1 Competitiveness

Based on our definition, "No.1" suppliers are those who possess differentiated technologies and production capabilities and are ready and willing to undertake global operations. LG Electronics established the "No. 1" Supplier Program to help its key suppliers grow into such "No.1" suppliers. In 2013, we introduced a new assessment system to identify suppliers whose capabilities are at, or close to, the global level and to provide the support they need to become "No.1" suppliers. Based on our supplier capability development strategy, we provide suppliers with professional consulting and HR support to address their weaknesses, and the process takes place in close cooperation with the program beneficiaries. In 2013, a total of 16 suppliers were selected as "No. 1 Suppliers," and we plan to at least double this number by 2015.

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

	LOCAL PURCHASE AMOUNT	LOCAL PURCHASE (%)	TOTAL PURCHASE AMOUNT		LOCAL PURCHASE AMOUNT	LOCAL PURCHASE (%)	TOTAL PURCHASE AMOUNT
LGEKR <i>Korea</i>	11,895	72	16,588	LGEYT <i>China Yantai</i>	480	68	704
LGEND <i>China Nanjing</i>	751	63	1,201	LGETH <i>Thailand Rayong</i>	462	69	666
LGEPN <i>China Nanjing</i>	766	86	892	LGEMM <i>Mexico Monterrey</i>	244	59	416
LGEQD <i>China Qingdao</i>	144	73	198	LGERS <i>Mexico Reynosa</i>	92	6	1,456
<i>Other</i>	4,126	40	10,384	Total	18,960	58	32,505

The subsidiaries represented above are the leading subsidiary in their respective product categories:
LGERS (TV), LGEYT/LGEQD (Mobile Phones), LGEMM (Refrigerator), LGEPN (Washing Machine), LGETH (Air Conditioner), LGEND (Monitor)

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 to ensure that all our employees from procurement and related departments fully understand our philosophies and principles and put them into practice. We have also made this information available on our Win-Win Growth website.

WWW.LGESUPPLIERS.COM/WINWIN

Organization for Win-Win Growth

As part of our efforts to secure core competitiveness and create differentiated values, we select prospective “No.1” suppliers from each product category and focus our support resources on helping them grow into “No.1” suppliers. We also operate the Skill Council to develop our own capabilities in facilitating effective support as well as to offer an ongoing support system for the program. In order to build partnerships based on trust and to maintain fair business relationships, we also have regular VOS (Voice of Suppliers) meetings and strive to create a respectful win-win growth culture based on two-way communication.

As part of our ongoing efforts toward win-win growth as the foundation for world-class competitiveness, in December 2013 we consolidated the previously decentralized win-win growth support organizations under the Procurement Center to generate a synergistic effect and move forward with renewed drive.

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

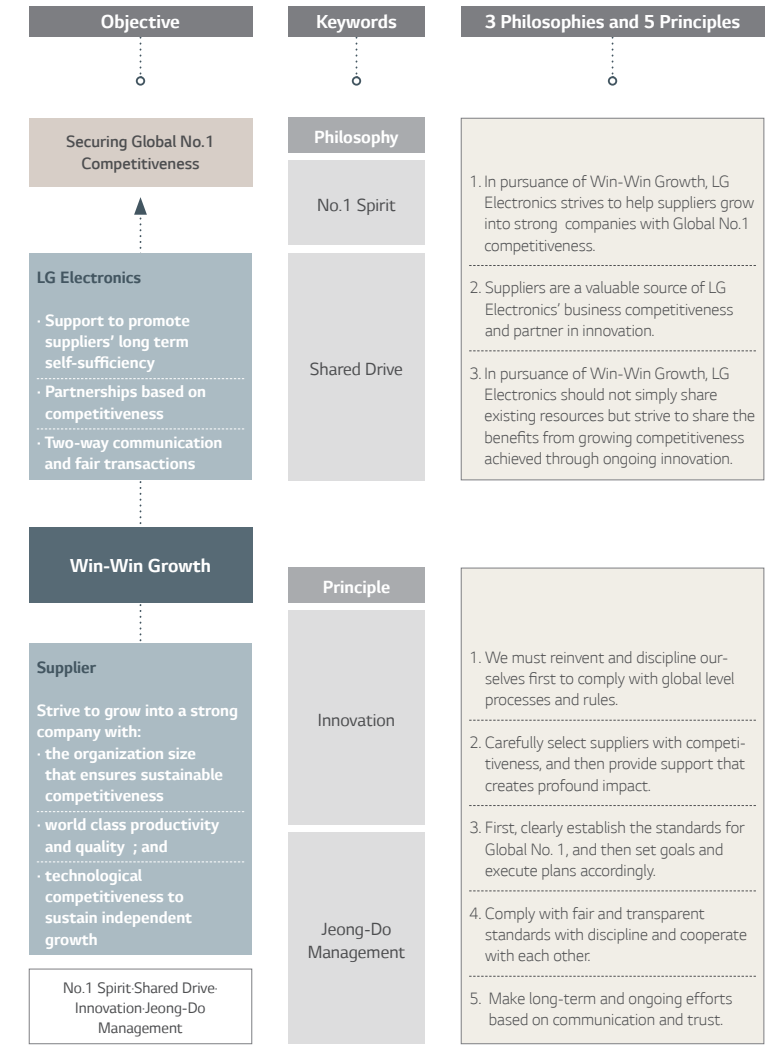
Ever since our pledge for win-win growth at the “LGE Win-Win Growth Camp” held in May 2011, we have strived to build true partnerships with suppliers based on our strong conviction that suppliers are more than just business partners we have transactions with; rather, they are the key to success in our pursuit of Global No. 1. Demonstrating our unwavering commitment to win-win growth, we established the “5 Win-Win Growth Objectives” as a foundation for relationships based on trust. 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 the capabilities of our suppliers.

FOSTERING “NO. 1” SUPPLIERS

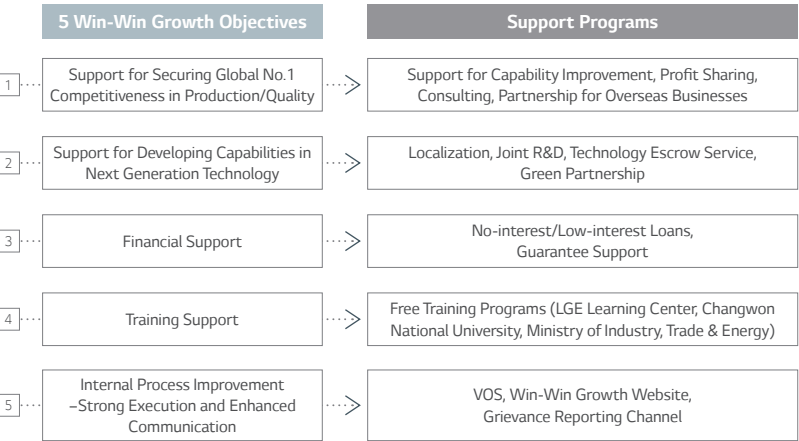
Support for Securing Global No. 1 Competitiveness in Production and Quality

LG Electronics has a differentiated suite of support programs in place to help our suppliers acquire world-class competitiveness in terms of quality, production, and technology. In order to offer more effective support to our suppliers in their efforts

3 Philosophies and 5 Principles for Win-Win Growth



5 Win-Win Growth Objectives



toward acquiring core competitiveness, we are focusing on assisting our suppliers, both domestic and overseas, to address their weaknesses, create value, and enhance capabilities.

Support for Production, Manufacturing and Management Stability

As part of our efforts to promote fair trade and establish a sound win-win growth ecosystem, LG Electronics annually renews the Fair Trade & Win-Win Growth Partnership Agreement with our 1st tier suppliers, and encourages the same agreement between our 1st and 2nd tier suppliers. Based on the initiative, we also formed a consortium with the Korean government (Ministry of Industry, Trade & Energy) and 1st/2nd/3rd tier suppliers, and provide consulting on suppliers’ business operations (production and manufacturing, and promoting innovation) and assessment of their Productivity Management System (PMS).

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

Our Green Partnership Program aims to strengthen the technological capabilities of Korea’s small- and mid-size enterprises through joint R&D projects and contract R&D projects. Between the years 2011 and 2013 we invested a total of KRW 33.6 billion on discovering and fostering suppliers with advanced technologies and R&D capabilities, and plan to expand these investments further in the future.

Support for Open Innovation

LG Electronics created a website dedicated to win-win growth to introduce our policy and programs for win-win growth, to attend to suppliers’ grievances, and to encourage supplier suggestions. In addition, we also established a new business partnership request process and opened up the site to non-LGE suppliers to help businesses with new technologies and processes benefit from our win-win partnership opportunities.

Promotion of Core Technological Capabilities & Support for Protection of Key Technologies

In line with our CEO’s strong commitment to promoting the local parts and materials industry, we are expanding support for local suppliers producing major equipment and parts. In order to acquire and better protect technological competitiveness, we utilize the Technology Escrow Service in joint R&D projects for new technologies. Under the Technology Escrow Service, government organizations take stewardship of suppliers’ technology and ensure that the technology is safely protected. LG Electronics bears the entire costs incurred from using the service.

Financial Support

LG Electronics makes continuous efforts to ensure our suppliers’ financial stability by supporting them with direct/indirect funding and improving payment schedules and periods.

Direct Funding Support

Since 2004, LG Electronics has provided no-interest, direct funding support to suppliers for their efforts to improve productivity and quality, expand capacity and facility, establish overseas operations for LGE projects, and develop advanced technologies.

Combination/Indirect Funding Support

In partnership with financial institutions, LG Electronics provides low-interest funding to suppliers to ensure the financial stability of our suppliers and to lay the foundation for sustainable win-win partnerships. LG Electronics established the Win-Win Growth Fund with the Industrial Bank of Korea (IBK) to offer low-interest loans to our suppliers, and also set up a Win-Win Growth fund dedicated to our 2nd and 3rd tier suppliers in 2013. In addition, we offer diverse support programs, such as the Network Loan (in association with financial institutions), Overseas Business Partnership Program, and Win-Win Growth Guarantee Support Program, and are continuously expanding the benefits we offer 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 cash payments within 10 days of invoice processing. We also adjust payment schedules – for instance by increasing the frequency of payment processing or shortening payment periods – to alleviate the financial constraints of our suppliers. In addition, we conclude payments to suppliers ahead of schedule prior to national holidays (New Year’s Day and Thanksgiving) to assist suppliers with their financial management and employee welfare.

Training & HR Support

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

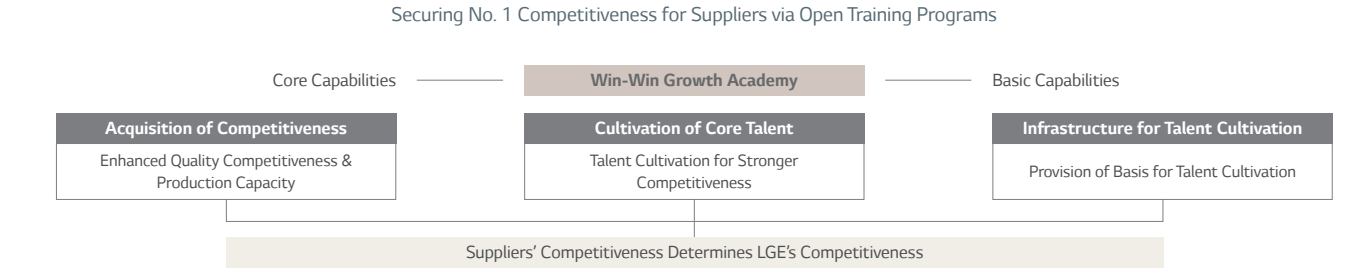
Win-Win Growth Academy and Training Programs

In an effort to provide effective support for suppliers’ talent management and capability improvement initiatives, LG Electronics established a dedicated facility for supplier training (Win-Win Growth Academy) at the LG Electronics Learning Center. We also set up a consortium with a local university (Changwon National University) and the Foundation for Cooperation between Large Companies and SMEs to offer training programs at the university that provide easy access to local suppliers and their employees. The training program offers a range of training courses on core technical processes, including courses designed to enhance the quality of metal/plastic molding products and welding. To promote learning and strengthen suppliers’ core competitiveness, we also host a “Learning Day” for the CEOs of our suppliers on a semi-annual basis.

HR Support

LG Electronics sponsors job fairs in partnership with government agencies and major media outlets to provide suppliers with opportunities to recruit quality talent and experienced professionals. We also provide consulting by internal/external experts from relevant fields to make a direct impact on our suppliers’ capability development and to help them take a strong step toward world-class competitiveness.

Win-Win Growth Academy Implementation Strategy



SUPPLIER CSR RISK MANAGEMENT

Risk Assessment and Improvement Activities

LG Electronics performs an annual CSR risk assessment of our major suppliers (top 80% of manufacturers based on transaction amount) using the EICC's SAQ (Self-Assessment Questionnaire). In our 2013 assessment of 201 major suppliers, 38 suppliers (19%) were rated high risk, and for 9 of these suppliers we performed a CSR audit and provided on-site consulting.

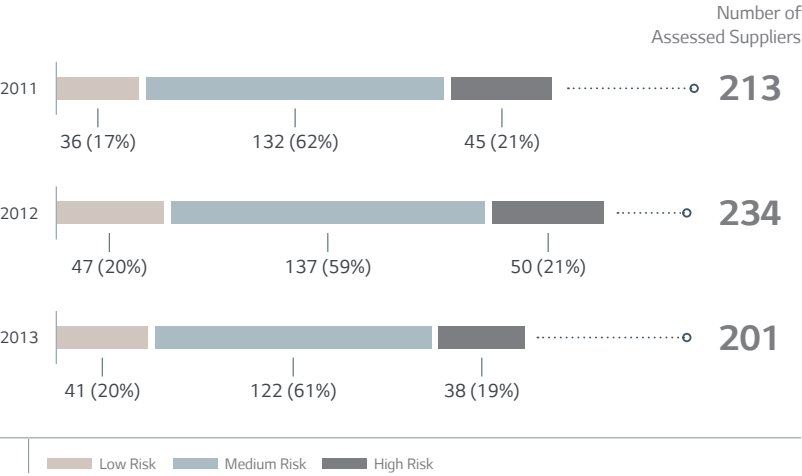
Through our CSR audit and consulting, a total of 132 non-compliances were identified, and 79% of them have been addressed (as of March 2014). Of the non-compliances identified through our audit, health & safety related issues accounted for the largest share (38%), followed by labor rights and management system issues. Emergency response emerged as the most vulnerable area in the health & safety category, at 62%, with emergency drills (e.g. fire drills) and management of fire fighting equipment being identified as the most pressing issues. Improvement tasks prescribed to all suppliers are listed in the table presented below.

Beginning in 2014, we plan to require all major suppliers to use the EICC's online assessment system (EICC-ON) to further advance our risk management programs. Adoption of this assessment tool, which is in full compliance with international standards, will also relieve our suppliers from multiple assessment requests made by different buyers and help them avoid wasting resources. In addition, we plan to shift our approach from assessing a new set of suppliers every year to assessing the same set of suppliers over a three-year period to track their progress. In particular, we intend to offer detailed feedback to all high-risk suppliers, even those who are not assigned for a CSR audit and consulting, and encourage them to make voluntary improvement efforts.

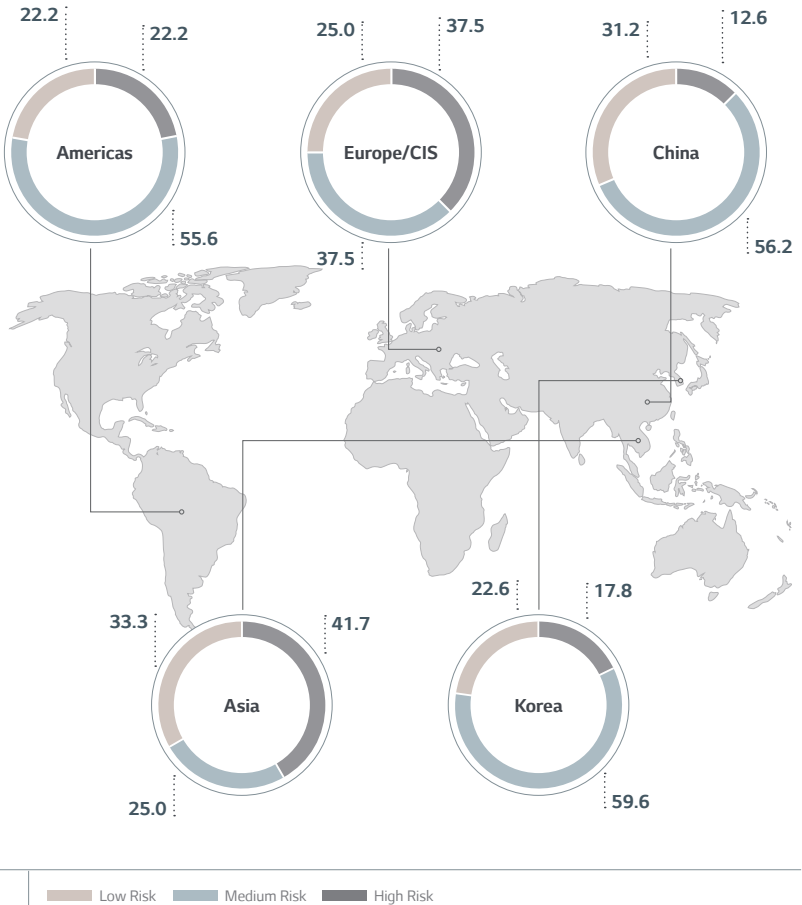
Improvement Tasks Prescribed to All Suppliers based on CSR Consulting

Improvement Task	
1	Conduct Emergency Drills for All Employees
2	Improve Access to Fire Fighting Equipment
3	Strengthen Employee Grievance Resolution Process
4	Abolish Disciplinary Wage Reduction
5	Strengthen Management of Employee Contract
6	Perform Risk Assessment
7	Strengthen Management of Potential Risks

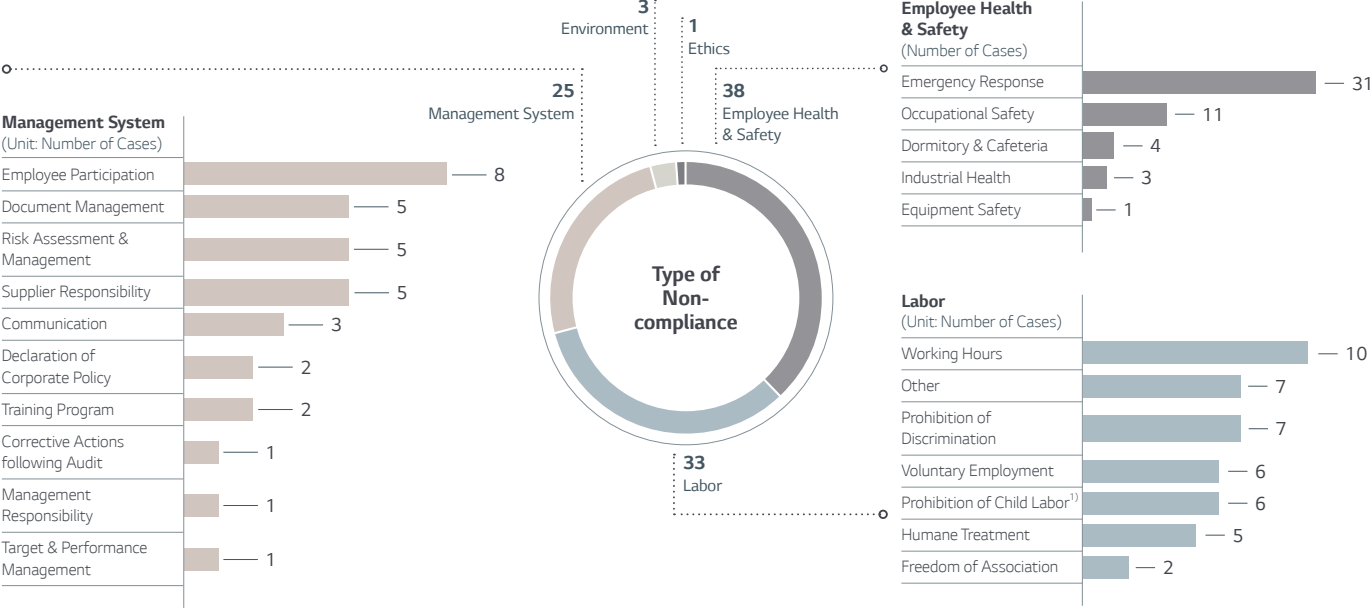
Summary of Supplier CSR Risk Assessment Results (Unit: Number of Suppliers)



Suppliers' CSR Risk Level by Region (Unit: %)



Types of Suppliers' Non-Compliances from On-Site Audit (Unit: %)



1) Although no instances of child labor have been reported, we did find some non-compliances related to the issue (e.g. No provisions in place for handling child labor once such cases are identified).

Supplier CSR Risk Management by Overseas subsidiary

In addition to our corporate-level efforts toward supplier CSR risk management, our overseas subsidiaries are strengthening CSR risk management toward their suppliers. Based on our subsidiaries' risk assessment, their suppliers are required to address risks associated with forced labor and child labor issues. We are requiring these suppliers to carry out improvement efforts at a reasonable level considering their circumstances. From our progress review conducted in September 2013, we were able to identify many improvement cases led by subsidiaries, including the case study presented on the right.

Case Study

Improvement Cases from Supplier CSR Risk Management by Overseas Subsidiaries

1



In order to manage child labor issues at suppliers, we informed them of our policy on the issue (prohibition of child labor) and introduced a termination clause into our purchase agreement, establishing the confirmation of child labor as grounds for termination.

2



One of our subsidiaries performed a site inspection on a waste treatment plant. With growing international concerns over e-waste, we made regular visits to the plant to ensure that e-waste was being processed in an environmentally safe manner, as well as in compliance with related laws and regulations, and to raise our suppliers' awareness on corporate social responsibility.

Improvement Cases from On-Site Consulting

1



Secure accessibility to fire fighting equipment

Introduction of painted lines around fire fighting equipment to prohibit storing boxes or other objects in the area.

2



Block access to dangerous equipment

Introduction of the exterior cover for high-heat equipment to prevent burn injuries from the remaining heat.

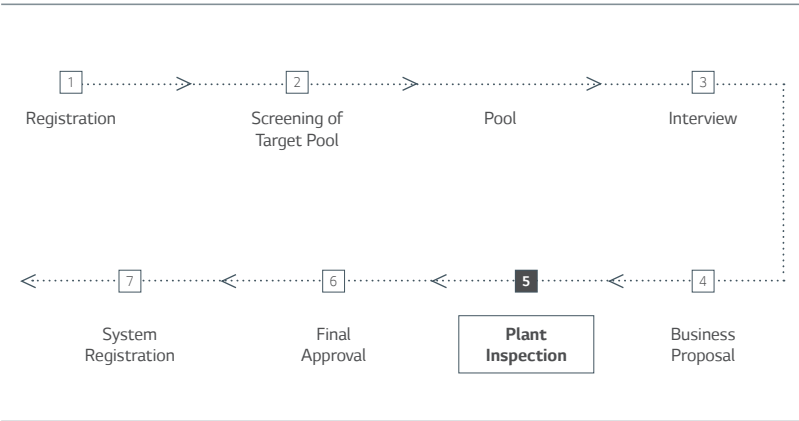
Incorporation of CSR Issues into Supplier Selection Process and Plan for Introducing CSR Issues to Regular Supplier Assessment

LG Electronics has in place a multi-dimensional process to screen suppliers who wish to conduct business with our company. In 2013, we introduced CSR aspects to our prospective supplier assessment process under the Management (M) category. The strengthened screening process is designed to verify prospective suppliers' compliance with key requirements in HR and ESH during the plant inspection, ensuring assessment of site conditions as well as required documentation. Through such measures, we require potential suppliers to comply with key CSR requirements, encourage them to establish a CSR framework, and strive to improve the working conditions of their employees. In 2014, we intend to introduce CSR performance indicators to our quarterly assessment of existing suppliers and to offer incentives to suppliers who have shown excellent performance in the CSR area.

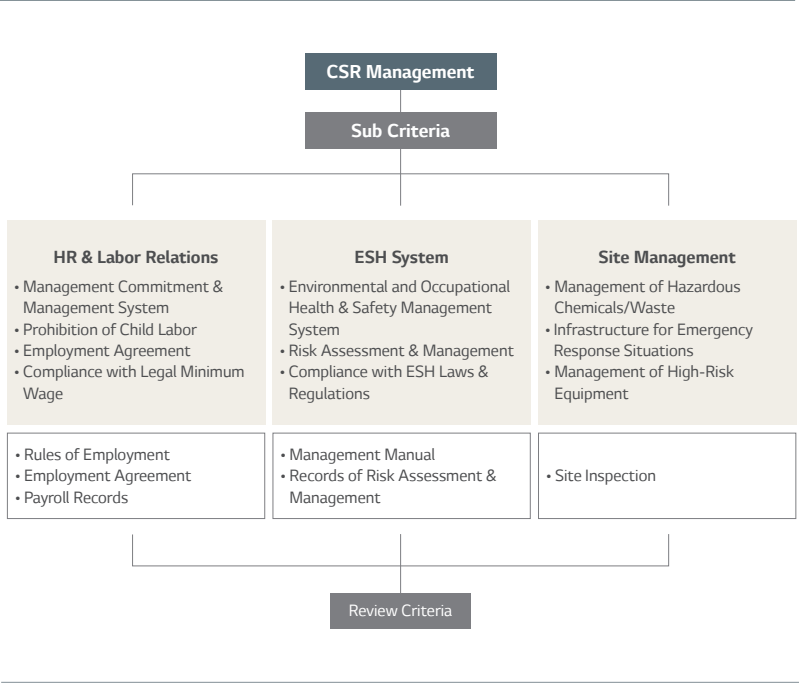
Enhancing Capabilities of Procurement Staff

In 2013, LG Electronics continued its intensive CSR training for procurement staff. Our training course on supplier management is composed of two sessions to help trainees acquire comprehensive understanding on CSR and practical skills for supplier CSR risk management, and a total of 50 employees have completed the training. The program, which is offered to employees from other LG affiliates as well as our procurement staff, utilizes actual cases involving suppliers to increase its effectiveness and has gained a great response from procurement staff members who regularly visit and manage suppliers. In 2013, we also launched a new CSR training program which requires a procurement staff member in charge of the region to participate in supplier CSR consulting to further develop his/her CSR capabilities. The program aims to groom procurement staff members into CSR management professionals, thus enabling our procurement organization to take leadership in supplier CSR risk assessment and management in the long term. Going forward, we will also offer preparation courses for professional certifications to help our procurement employees develop professional capacity in CSR management.

New Supplier Selection Process



CSR Items for Plant Inspection (for New Supplier Selection)



Case Study

CSR Policy and Activities of TAIYO YUDEN KOREA

TAIYO YUDEN KOREA is a Masan based supplier of mobile phone components, and actively pursuing CSR initiatives in line with the policy of its parent company based in Japan (Taiyo Yuden). In 2008, TAIYO YUDEN KOREA adopted a CSR Charter and put it into practice with a Code of Conduct and CSR Management Manual based on the Charter. The Code of Conduct consists of 21 articles and 5 chapters on fair trade, environmental protection, human rights protection, and contribution to the community, and designates the organization responsible for managing each area. Based on our 2013 CSR consulting for the company, TAIYO YUDEN KOREA agreed to revise its CSR Code of Conduct to incorporate the latest CSR requirements in an effort to fully comply with international standards, and plans to review its progress and make improvements under third party inspections.

(CSR) CODE OF CONDUCT

- 1. Provisions
- 2. About Business Activities
- 3. Relationship with People
- 4. Relationship with Society
- 5. Corporate Asset and Information Control

Based on its risk registration system, TAIYO YUDEN KOREA identifies and manages risks associated with business sustainability and other issues, and addresses them through response measures implemented at a corporate level. The company assigns the management of each risk to those who have appropriate authority for the risk level, maintains a risk matrix based on the frequency and level of risk factors and manages risks accordingly, making regular progress reports to top management.

TAIYO YUDEN Group's Charter on Social Responsibility

(The Japanese parent company established the charter in February 2005, and TAIYO YUDEN KOREA adopted it in 2008)

To win the trust and goodwill of society, the TAIYO YUDEN Group will respect human rights, keep abreast of and comply with laws and international rules and regulations, and take a socially conscious course of action based on high ethical standards.

BUSINESS

- The TAIYO YUDEN Group will win our clients' confidence by developing and providing high value-added products and services for which safety is thoroughly considered.
- The TAIYO YUDEN Group will pursue global environmental preservation by reducing environmental impacts caused by our business activities.
- The TAIYO YUDEN Group will engage in fair, open, and free competition while maintaining sound relationships with governmental/administrative bodies, citizens, and organizations.

PEOPLE

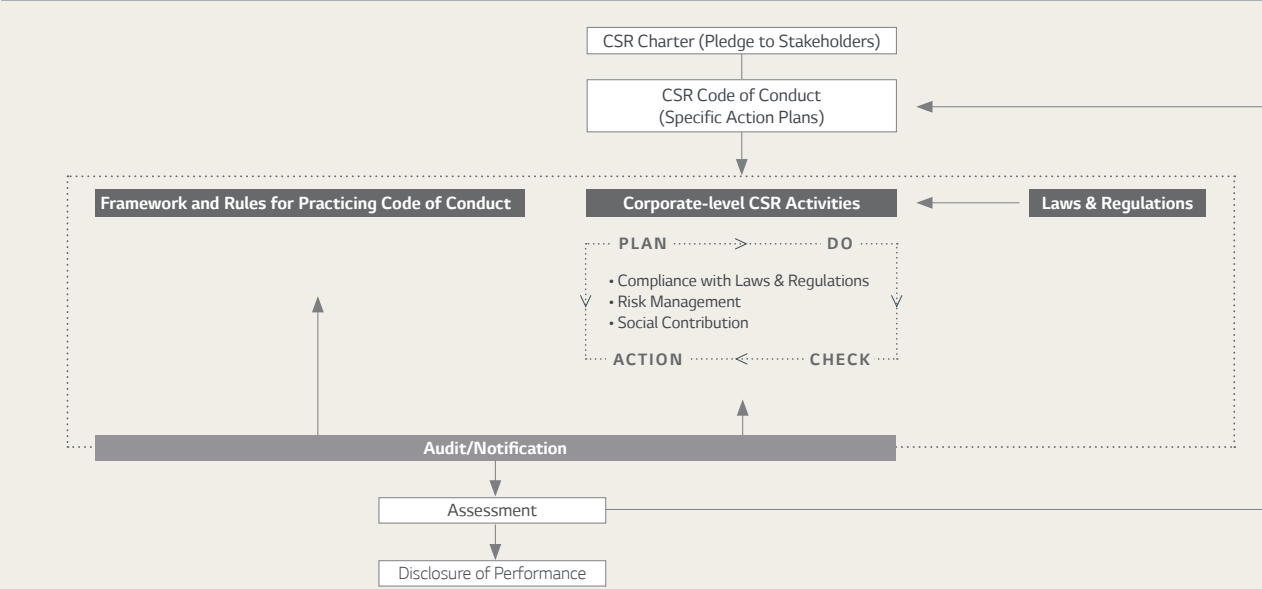
- The TAIYO YUDEN Group will respect the dignity and individuality of each person based on recognition of people's diverse backgrounds and characteristics.
- The TAIYO YUDEN Group will strive to create safe work environments that ensure our employees are able to perform their duties with a sense of reassurance.

SOCIETY

- The TAIYO YUDEN Group will actively participate in social contribution efforts while valuing co-existence with local and international communities.
- The TAIYO YUDEN Group will promote widespread communication with society and disclose corporate information on a timely basis in an appropriate manner.

WWW.YUDEN.CO.JP/UT/COMPANY/CSR/CHARTER/

CSR Management System of TAIYO YUDEN KOREA



CONFLICT MINERALS

Overview of the Conflict Minerals Issue

Since the early 1990s, the Democratic Republic of Congo (DRC), located in Central Africa, and its neighboring countries have been ravaged by fierce armed conflicts over the region’s vast reserves of natural resources, which have caused grave violation of human rights (e.g. more than 5.4 million deaths and injuries, violence against women, and child abuse) and other atrocities, such as the destruction of the environment, bribery, and illegal trade of minerals.

In response to rising international concerns on the issue, in July 2010 the U.S. enacted the Dodd-Frank Consumer Protection and Wall Street Reform Act. 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 (tantalum, tin, tungsten, gold and other minerals used to perpetuate the conflicts in the DRC and its neighboring countries) and their derivatives contained in their products upon submission of their annual reports.

LG Electronics’ Approach to Conflict Minerals

In 2012, LG Electronics released “LG Electronics’ Statement on Conflict Minerals” on our corporate website to make a full disclosure of our policy and to confirm our firm stance on this issue, as well as to update the public about our progress in this area. We have recently revised provisions on conflict minerals in the Master Purchase Agreement and the Supplier Code of Conduct, and recommend our suppliers develop policies toward preventing the use of conflict minerals sourced from mines controlled by armed group. Suppliers to LG Electronics must provide evidence that the four conflict minerals (tantalum, tin, tungsten and gold) contained

in their products to be supplied to LG Electronics did not, directly or indirectly, provide financial resources or benefits to the armed groups committing grave human rights violations in the DRC and its neighboring countries. In addition, 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. At the same time, LG Electronics encourages its suppliers to purchase minerals legally sourced and traded in conflict-affected regions to prevent negative economic impacts on the affected nations and the suffering of their people.

Management Efforts for Conflict Minerals

In order to make preemptive responses to regulations on conflict minerals, LG Electronics established a corporate-level taskforce led by the Product Testing Laboratory at the Quality Center. Throughout the year 2012, the taskforce conducted due diligence surveys on conflict minerals, and based on the collected data, implemented the Conflict Mineral Management Systems (CMMS) in September 2013, establishing a system that our suppliers can utilize to register and monitor information on the use of conflict minerals, the origin,

and smelters. According to the survey conducted at January 2014 with the new system, 28,400 components sourced from 1,142 suppliers contain conflict minerals. Our probe into the origin of these minerals identified a total of 217 smelters within our supply chain, and 19% of those smelters (41) are certified as Conflict Free Smelters. LG Electronics plans to continuously encourage non-certified smelters to acquire the CFS certification and share the up-to-date list of CFS certified smelters via diverse channels including our corporate website. In an effort to raise our suppliers’ awareness on the issue, we have developed a training program that covers an overview of regulations on conflict minerals, how to complete the EICC template, and how to track the origin of the four conflict minerals (evidence of the origin and the smelter) and offered the training since September 2013. To date, a total of 154 LGE employees from major production hubs and 511 staff members of over 400 suppliers have completed the training. In addition, we are making diverse efforts (e.g. distribution of guidelines, operation of a Q&A bulletin board, etc.) to help our overseas subsidiaries and suppliers collect and manage information on conflict minerals more efficiently.

WWW.LG.COM/GLOBAL/SUSTAINABILITY/BUSINESS-PARTNER/CONFLICT-MINERALS

Results of LGE’s Survey on Smelters Using the Four Conflict Minerals (As of February 2014)

Tantalum	Key Locations China, USA, Germany	CFS Certified 12	Non-CFS Certified 2	TOTAL	14
Tin	Key Locations Indonesia, China, Japan	CFS Certified 8	Non-CFS Certified 77	TOTAL	85
Tungsten	Key Locations China, Japan, USA	CFS Certified 7	Non-CFS Certified 19	TOTAL	26
Gold	Key Locations Japan, China, Russia	CFS Certified 14	Non-CFS Certified 78	TOTAL	92
Total		41	176		217



Helping Female Refugees from the DRC Build Self-sustainable Livelihoods

Proving Support to People from Conflict-Affected Regions in Africa and Promoting Collective Industry Action

Conflict Free Sourcing Initiative (CFSI)

Since 2010, LG Electronics has participated in the CFSI, a leading industry initiative launched by the EICC and the GeSI (the Global e-Sustainability Initiative) in response to the conflict minerals issue. With the growing role and significance of the initiative, membership has increased to over 150 companies from 7 business sectors. In order to help companies make informed choices about conflict-free sourcing, the CFSI develops and shares a wide range of tools and resources, such as the CFS program, the smelter information, report templates, and related guidelines. As an active member of the initiative, LG Electronics directs member companies’ interest to important issues and informs our Korean and overseas suppliers on key decisions made by the initiative to facilitate a responsible sourcing of minerals in full compliance with international standards.

Helping Female Refugees from the DRC Build Self-sustainable Livelihoods

In addition to making our supply chain free of conflicts and striving for responsible sourcing, LG Electronics is hard at work to support and alleviate the suffering of female refugees in conflict-affected regions. In association with the UN World Food Programme (WFP), LG Electronics hosted the LG Global Cooking Competition in October 2013 and raised approximately USD 100,000. The funds will be used to help women and children suffering from hunger at refugee camps in the North Kivu region of the DRC. Women from the refugee camps will receive food and stoves in return for eco-friendly biomass briquettes they produced, and the proceeds from briquette sales will be redirected to helping these women build self-sustainable livelihoods.

Other Activities

LG Electronics held the Presentation on Response to Regulations on Conflict Minerals for Korean SMEs in association with the Korea Electronics Association (KEA), and is participating in the Conflict Free Minerals Workgroup led by the KEA. In addition, the “Guidance on Responsible Business in Conflict-Affected and High-Risks Areas” jointly published by the UNGC and the “Principles for Responsible Investment” introduces our response to regulations on conflict minerals and implementation of the Conflict Mineral Management Systems to provide insight to other businesses in establishing a conflict minerals management system.

HTTP://UNGLOBALCOMPACT.ORG/DOCS/ISSUES_DOC/PEACE_AND_BUSINESS/B4P_RESOURCE_PACKAGE_COMPANY.PDF

Participation in Indonesian Tin Working Group (TWG)

In addition to our efforts toward addressing conflict minerals issues in Africa, LG Electronics is actively participating in discussions about tin mining at Bangka Island, Indonesia, which is causing a great level of concern among industry peers. Many NGOs including Friends of the Earth (FoE) have expressed concerns over the environmental destruction at the home of the world’s largest tin mine. Although LG Electronics does not procure tin directly, our due diligence survey revealed that some of our products contain tin produced by smelters located in the island. As such, LG Electronics joined the Indonesian Tin Working Group (TWG) launched in July 2013, together with the Dutch research organization IDH (the Sustainable Trade Initiative), FoE, the EICC, and other industry peers (Apple, BlackBerry, Phillips, Samsung Electronics, and Sony). LG Electronics attends regular Working Group meetings and contributes our opinions on the issue, and participates in site surveys to help establish a plan for the island’s sustainable development. The joint survey conducted by TWG members and local NGOs in December 2013 revealed many issues, including local laws and regulations on mining and illegal mining, and showed that the issue requires follow up surveys and the participation of diverse stakeholders.

Conflict Minerals Management Initiatives

1. Guidance on Responsible Business in Conflict-Affected and High-Risks Areas

2. 3. 4. Site Survey at Bangka Island, Indonesia

5. 6. Conflict Mineral Awareness Training for LGE Employees/Suppliers/SMEs

With the Community

OUR FOCUS

According to the 2013 Materiality Analysis, our stakeholders regard

- 1) Strengthening Engagement with Communities,
- 2) Promoting Collaboration with Stakeholders, and
- 3) Developing Products/Services Customized for Local Needs as the most important issues, while benchmarking against industry peers revealed that "Community Engagement" is considered the most critical issue.

OUR APPROACH

Based on partnerships with stakeholders, LG Electronics actively contributes to resolving social issues with a longer-term commitment. In particular, we utilize our core capabilities (products and technologies) in developing products that satisfy local needs. LG Electronics also provides active support to employee social contribution programs.

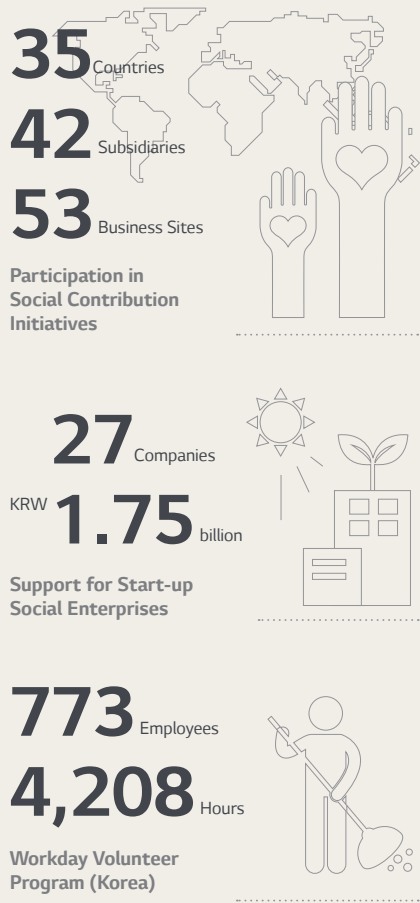
OUR EVALUATION

Taking advantage of its vast global network, LG Electronics strives to help resolve social issues with global implications. We regularly organize global social contribution programs, such as blood donation campaigns and World Environment Day events, and our subsidiaries (local and overseas) engage with diverse stakeholders from the respective communities on an ongoing basis.

FUTURE DIRECTION

1	2	3
Develop "good" technologies and products that contribute to local communities	Discover talented youths with underprivileged backgrounds from emerging markets/ less developed nations and groom them into talented professionals	Expand employee social contribution programs

OUR PERFORMANCE



Since 2010, LG Electronics has supported the IVI (International Vaccine Institute)-LG Ethiopia Project, which aims to introduce in Ethiopia a new low-cost oral cholera vaccine developed by the IVI, the first time the cholera vaccine will be introduced in Africa through the public health system. With LGE's support, the IVI and local partners completed a study that evaluated the safety and protection level of the oral cholera vaccine, and trained local health and lab workers on how to detect and report cholera cases in the community. A mass vaccination campaign will be conducted in Oromia Region in 2014, which will be integral to demonstrating to policymakers that vaccination is an effective way to prevent and control cholera in high-risk communities. The IVI-LG partnership is an important contribution to the IVI's efforts to reduce death and illness from infectious diseases through vaccines and vaccination.

M.D., Associate Research Scientist,
International Vaccine Institute
Samuel Teshome

Boundary



SOCIAL CONTRIBUTION

Our Achievements in 2013

Throughout the year 2013, LG Electronics made organization-wide efforts to give back to communities, including volunteer activities and charitable donations, with active participation from our employees at 12 business sites in Korea and 41 overseas subsidiaries across 34 countries. In 2013, LG Electronics made a total of KRW 24.3 billion in donations, and 45% of our donations were directed toward poverty eradication and environmental protection.

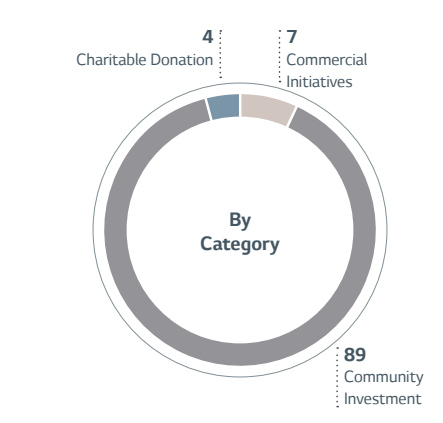
Contributions to the United Nations Millennium Development Goals (MDGs)

Under the slogan "Life's Good with LG," LG Electronics strives to contribute to meeting the United Nations Millennium Development Goals by delivering sustainable solutions to global-scale issues, such as the environment, poverty, and diseases. LG Electronics is also actively supporting the Sustainable Development Goals (SDGs) set forth in "The Future We Want," the outcome document from the UN Conference on Sustainable Development (Rio+20) held in Rio de Janeiro. To this end, LG Electronics, together with its holding company LG Corp., is pursuing longer-term initiatives that aim to improve the global environment, eradicate diseases associated with environmental factors, and fight poverty in underdeveloped countries.

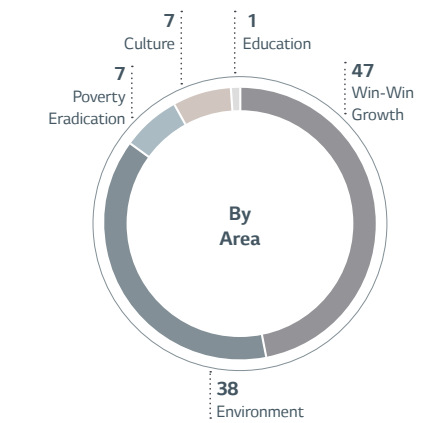
Social Contributions at LG Electronics

Based on its management philosophies of "Customer-Value Creation" and "People-Oriented Management," LG Electronics strives to contribute to the sustainable development of the humanity. LG Electronics pursues partnerships with governmental and non-governmental organizations across regions, regardless of its corporate network pres-

2013 Donations Breakdown (Parent) (Unit: %)



The expenditure type for strategic contributions to partner organizations, such as the WFP and the Social Solidarity Bank, has been adjusted from "charitable donation" to "community support."



ence. Supported by such partnerships, we fully utilize the powerful tools at our disposal – our products, technologies, and infrastructure – to deliver differentiated values that address the specific needs of individual communities and to reach out to their members. In an effort to make contributions in a more effective and systematic manner, we have established the following three principles for social contribution: 1) strengthen community engagement, 2) offer products and services using our infrastructure, and 3) expand employee participation.

Regular Assessment of Our Social Contribution Efforts

In order to align our social contribution efforts to our values, we assessed social contribution programs (in operation as of 2013) and based on the results, further improved our plan for social contribution. The assessment was performed against the following two criteria: "Do these programs utilize our core strengths effectively?" and "Are these programs effective in resolving social issues at hand?" Our assessment revealed that 11 out of the 18 programs required improvements. Based on the findings, we plan to focus on increasing cause-marketing campaigns that take advantage of our core capabilities, raising our brand profile through global partnerships, and expanding employee participation programs for our global members. Going forward, we will organize an assessment committee composed of experts in the field of social contribution and local stakeholders to perform an annual assessment of our social contribution programs to strengthen engagement with local communities.

2013 Social Contribution Performance

Inputs	Outputs	Impacts
Costs <ul style="list-style-type: none">Charitable Donation: KRW 24.3 billion (Parent)	Support for Local Communities <ul style="list-style-type: none">Supported the socially marginalized from the local communitySponsored and supported welfare facilities	Social <ul style="list-style-type: none">Supported start-up social enterprises (Korea) – 27 start-ups (KRW 1.75 billion, 15% increase in employee size, 40% increase in revenue)Established overseas presence with suppliers – 57 suppliers (7.6% sales increase from the previous year)
Region <ul style="list-style-type: none">Korea: 12 business SitesOverseas: 41 subsidiaries from 34 countries	Stakeholder Participation <ul style="list-style-type: none">Created maximum impact through partnerships with international organizations: UNEP, WHO, WFP, and IVIUtilized sports marketing: LA Dodgers, Leverkusen, and Formula 1	Business Performance <ul style="list-style-type: none">Enhanced brand profile with press releases: Issued press releases to news outlets (Network TV, daily newspaper, and online news media) on the donation of "Book-reading" mobile phones (1,500 units) and employee volunteer activitiesPromoted corporate culture through the expansion of employee participation programsPromoted brand value and sales through social contributions with our products and services
Number of Participating Employees (Multiple Participations) <ul style="list-style-type: none">Korea: 65,444Overseas: 74,380	Employee Participation <ul style="list-style-type: none">Life's Good Volunteer Group (Korea) - 1,489 employees from 114 teamsLife's Good Day Donation (Korea) - 57,212 employees in 5 events (Raised KRW 24.2 million)Global Blood Donation Campaign – 1,540 employees from 12 Korean business sites and 12 overseas subsidiariesWorkday Volunteer Program (Korea): 4,208 hours, 773 individuals	
	Cause Marketing <ul style="list-style-type: none">Issued over 40 press releases (Korea)Implemented CSR slogan – 12 Korean business sites and 18 overseas subsidiaries from 15 countries	



LG Hope Family
(Bangladesh)



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KEY SOCIAL CONTRIBUTION PROGRAMS

Strengthening Engagement with Communities and Diverse Stakeholders

LG Electronics actively pursues partnerships with government agencies and professional organizations to identify local needs, and strives to deliver differentiated long-term values that address them successfully. We also maintain ongoing communication channels with various NGOs through MOUs and share the details of our communications on our corporate website.

LG Hope Series

Since 2009, LG Electronics has operated the LG Hope Series, in association with the United Nations World Food Programme (WFP) and the International Vaccine Institute (IVI), to help those in need in developing countries cope with the impacts of climate change and establish self-sustainable livelihoods. The LG Hope Family (Bangladesh and Cambodia) and LG Hope Village (Ethiopia) are key parts of the LG Hope Series programs that provide people in developing countries with support they need to secure a financial basis for self-sufficiency. In Ethiopia, our partnership for waterborne disease eradication led to the successful development of a cholera vaccine, which has been approved by the World Health Organization (WHO). A large-scale vaccination campaign is scheduled for the second half of 2014, which will cover 20,000 local residents, including those from LG Hope Village. We will also conduct health awareness classes in different regions to educate area students (primary and secondary) and residents on disease prevention (including cholera), and health and hygiene care.

LG Hope Screen

Since 2012, LG Electronics has made our Times Square digital billboard available to international organizations, including the UNDP and UNEP, to raise public awareness of global issues such as poverty eradication and environmental protection, by featuring public announcement videos. In 2013, the LG Hope Screen program was expanded to the UK's Piccadilly Circus. In Germany, we joined forces with the Bundesliga football club Bayer 04 Leverkusen and offered uniform advertisement rights to a local children's heart foundation for three games, during which the Leverkusen squad played in official club uniforms bearing the foundation's logo. The players also auctioned off autographed large-size posters and donated all the proceeds to the foundation.

Health Promotion Campaign in Myanmar

Since 2013, LG Electronics has been operating the health awareness campaign "For Health of its People" in Myanmar in cooperation with the Seoul National University Hospital. The campaign visited medically underserved rural areas and provided free check-ups and healthcare classes. The healthcare classes, conducted with LG Electronics' 3D TVs and projectors, have generated strong interest among local residents. In an effort to promote local interest and participation for the campaign, LG Electronics also set up a space next to the free clinic to hold various events, including singing contests, instant photo sessions with Pocket Photo, and 3D movie screenings. In the year 2013 alone, 7 sessions of health promotion campaign were conducted, and a total of 3,525 individuals (approximately 500 beneficiaries per session) received a free check-up and medication, and 8,800 people (approximately 1,300 beneficiaries per session) attended the healthcare classes.

LG Electronics intends to continue the campaign in Myanmar through the year 2014 and plans to establish the campaign as one of its key social contribution programs in neighboring Asian countries.

"Life's Green" Class

In order to educate children on the importance of the environment and help them practice a green lifestyle, LG Electronics offers Life's Green Classes in association with the Teenagers into Science and Technology Center at Hanyang University and India's Pune University. The mobile science class visits elementary schools in underserved areas to offer hands-on science classes. To this date, the program has visited 1.3 million students from 541 schools and helped raise children's awareness of environmental science by presenting educational performance about environmental issues and offering lab classes with special test kits, all from a special tour vehicle fitted with cutting-edge test equipment.

Support Program for Start-up Social Enterprises in the Environment Sector

This program was conceived by LG Electronics and LG Chem with the aim of providing comprehensive support to start-up social enterprises in the environment sector through multilateral cooperation between the public sector, private sector, industry, and academia. Since 2011, the program has invested KRW 6 billion to foster start-up social enterprises that are expected to make strong growth and great contributions to their communities, and a total of 39 social enterprises in the environment sector (including start-ups and excluding repeat beneficiaries) have received support over the past three years.

vested KRW 6 billion to foster start-up social enterprises that are expected to make strong growth and great contributions to their communities, and a total of 39 social enterprises in the environment sector (including start-ups and excluding repeat beneficiaries) have received support over the past three years.

Program Details

The program provides start-up social enterprises with a wide range of support, including grants to promote their organizational capabilities, business independency, and sustainability. The program strives to build and foster a success model for social enterprises in the environment sector and pursues a strong and collaborative network with related organizations to ensure that necessary support is provided effectively and efficiently. Further details are as follows:

1. Beneficiaries of Program: Start-up social enterprises with high potential to make strong growth and great contributions to their communities
2. Program Operation Model: Effective utilization of disparate expertise of stakeholders, including businesses, government agencies, and NGOs (Multilateral Cooperation)
3. Way to support
 - Financial Support: Combination of grants and loans. Incentives provided to high performers.
 - Technological Support: Productivity improvement consulting from the Labor Union of LG Electronics
 - Training Support: Monthly seminars, workshops, and overseas training opportunities
 - Distribution Support: Joint marketing at industry forums and trade fairs
4. Other: Development and implementation of KPI for social enterprises in the environment sector

Developing KPI for Social Enterprises in the Environment Sector

In an effort to contribute to building a framework for academic studies on social enterprises, LG Electronics is cooperating with the Research Institute for Social Enterprise to develop Key Performance Index for social enterprises. This index combines the target enterprise' financial performance and social performance based on SROI¹⁾ to calculate "Blended Value," based on which the social value of the enterprise is measured. Upon completing development, the index will be provided to the Ministry of Employment and Labor and the Ministry of Environment to support the establishment of theoretic grounds for measuring performance of social enterprises.

1) SROI (Social Return On Investment)

Performance of Start-up Social Enterprises Support Program (2011-2013)

Total Support, Breakdown by Year (in KRW millions)				
Financial Support	1,732	Number of Beneficiaries	10	2011
Financial Support	1,605	Number of Beneficiaries	14	2012
Financial Support	1,750	Number of Beneficiaries	27	2013

Breakdown by Business Type				
Renewable Energy	2	Green Food and Product	14	
Recycling and Waste Handling	13	IT-based Green Business	1	
Energy Efficiency (Housing)	1	Other Green Business (Healthcare, New Materials, etc.)	8	

Number of Beneficiaries Acquiring Government Designation & Certification		Job Creation	
Certified Social Enterprise by Ministry of Employment & Labor	10	Number of Jobs Created	75
Designated Social Enterprise by Municipalities and Other Agencies	14	Total Increase in Employment Rate	15%

Sales Increase (in KRW millions)			
11,137	Gross Sales Increase	40%	Gross Sales Growth Rate

Contribution Programs for Local Communities



1. LG Hope Series in Ethiopia
2. Bayer 04 Leverkusen Players Donate Auction Proceeds (Germany)
3. Health Promotion Campaign (Myanmar)
4. Life's Green Class (India)

Interview

"The Program Provided Invaluable Help to Build the Ground for Our Business"



Jun Seo Lee, CEO of Ecojun Company (2013 Beneficiary)

"When we were struggling with a lack of funding and knowhow, the program provided invaluable support from knowhow on business success to consulting on a wide range of management issues. In particular, financial support from LG Electronics helped us greatly in building a strong foundation for the business."



Providing Products and Services for Great Causes based on Our Business Infrastructure

LG Electronics utilizes its core capabilities and products to deliver solutions to community issues. In particular, we are focusing our capabilities on poverty eradication, education, and healthcare to contribute to addressing global issues and to help the underprivileged build a basis for self-sustainable livelihoods.

“Mosquito Away” Air Conditioner

Introduced to Nigerians in 2012, the Mosquito Away Air Conditioner features a special ultra sonic wave developed by LG Electronics to chase away malaria-causing mosquitoes. The air conditioner’s effectiveness for repelling mosquitoes has been proven by respected certification agencies, such as Intertek and TUV NORD. In addition, the air conditioner works smoothly even with unstable power supplies and features a powerful compressor that ensures 24-hour operation even in a harsh exterior climate, such as sand storms and high temperatures, delivering features genuinely helpful to local residents. LG Electronics also introduced the product to Myanmar and Bangladesh and other Asian countries exposed to the danger of malaria-causing mosquitoes, to support local communities to handle the problem effectively.

Global Cooking Competition with Light-wave Oven Range (LG Home Chef Championship)

In an effort to raise funding and public awareness on social contribution with cause marketing, LG Electronics, in partnership with the WFP, hosted a global cooking contest featuring its Light-wave Oven Range. In order to raise funds to support female refugees from Congo, LG Electronics made a USD 5 donation for every contest participant. With

passionate support from 14 overseas subsidiaries, the campaign raised a total of USD 100,000 and awareness on the issue through social media coverage of the event. During the final round of the contest held in Cape Town, South Africa, LG Electronics took the finalists to visit “Infinity Culinary Training,” a local culinary school run by an NPO, to provide a cooking class using the LG Light-wave Oven Range to students, and donated our products.

“Book-reading Mobile Phone” for People with Vision Disabilities

Since 2005, LG Electronics has developed special mobile phones for the visually impaired and, between the period of 2006 and 2013, donated a total 11,500 units. In 2013, we developed an LTE smartphone optimized for people with vision disabilities based on a careful need analysis. The members of LGE employee volunteer groups delivered the smartphones to beneficiaries and provided at-home user training. The book-reading smartphone features a UI designed specifically for people with vision disabilities, including various touch/gesture commands for search convenience and improved voice guide. The new edition also has the latest version of DMB app and the LG Sangnam Library’s “LG Digital Talking Book Library” mobile app to provide an environment in which users can enjoy audio books regardless of time and location, while offering the voice search function “Q Voice” for improved access to information.

Mouse Scanner

In September and October 2013, we visited schools for children with vision disabilities in Cheongju and Daejeon, where our business sites are located, and donated mouse scanners and presented class ma-

terials utilizing the product. The LG Mouse Scanner, a hybrid device combining the functions of a mouse and a scanner, converts text scanned from books or newspapers to digital text on the computer, and then converts the text to voice using text-to-speech software, highly effective for assisting students with learning challenges, such as vision disabilities and dyslexia.

Disaster Relief Mission (Philippines)

In the South Central Philippines, LG Electronics participated in emergency relief efforts for the victims of Typhoon Haiyan, offering our products and technologies to help the recovery mission. In order to alleviate power supply issues that undermined recovery efforts, we installed the LG Solar Power Generations System and donated USD 500,000 to the relief fund.

Employee Participation Programs

Guided by the “Charter of Social Contribution” established in 2005 and the LG Social Contribution Policy introduced in 2012, LG Electronics strives to create a corporate culture that promotes employees’ voluntary participation in social contribution efforts.

Workday Volunteer Program (Korea)

As part of our efforts to promote employee volunteering, we introduced the “Workday Volunteer Program” in 2013. Under the program, employees can take up to 8 hours of paid leave to volunteer on weekdays every year by signing up on the scheduling system. In 2013, a total of 773 employees took advantage of the program and volunteered a total of 4,208 hours.



Life’s Good Volunteers (Korea)

Since 2005, LG Electronics has operated employee volunteer groups. In 2010, the employee volunteer groups expanded to talent donation programs with the launch of “Life’s Good Volunteers,” who visit places where help is needed and utilize their special talents, interests, and expertise to provide assistance. In 2013, a total of 1,489 employees from 12 business sites in Korea participated in a variety of volunteer works, including photo shoots for elderly citizens, computer classes for children under care of welfare facilities, and painting murals for community beautification.

Employee Donation Programs

LG Electronics makes diverse efforts to create a corporate culture and environment that encourages employees to make donations in their everyday lives. One of these programs is the Salary Rounding Fund, which is raised by voluntary participation of more than 96% of LGE Korea employees who donate less than KRW 1,000 from their monthly salaries. In 2013, the fund was directed to emergency disaster relief efforts for the victims of a typhoon that ravaged the Philippines. Launched in 2004, the Executive Contribution Fund is another employee donation program operated with the participation of about 80% of LGE Korea executives. In May 2013, executives representing diverse organizations established a steering committee to discuss the longer-term direction for the fund. Based on the discussion, the committee decided to support the IVI’s cholera vaccine development and the health awareness campaign in Myanmar. The committee also decided to direct part of the fund to supporting employee family members suffering from intractable diseases (Korea).

Life’s Good Day (Korea)

On the second Friday of every even month, LG Electronics operates Life’s Good Day at company cafeterias across Korean business sites. On the event day, company cafeterias offer a reduced price menu, and the employees who choose that menu pay the original price and donate the difference. The fund raised through Life’s Good Day events is directed to helping children from underprivileged backgrounds and supporting free lunch programs. Launched in 2011, the Life’s Good Day program will be expanded to new business sites (Incheon Campus and Gangnam R&D Center) in 2014.

Global Employee Participation Programs

LG Electronics operates diverse social contribution programs to provide our employees with more opportunities to participate in volunteer activities. In celebration of World Environment Day (June 5), we organize the “Global Volunteer Day” event every year at our business sites across the world as part of the LGE Labor Union’s URS (Union Social Responsibility) initiatives. In 2013, global LGE employees from all of our business sites in Korea and 40 overseas subsidiaries (including India, Vietnam, Ukraine, and Mexico) organized events in line with this year’s theme “Reducing Food Waste,” such as composting food waste, tree planting, and engaging in campaigns for reducing food waste. In addition, LG Electronics has been organizing an annual “Global Blood Donation Campaign.” In 2013, 1,540 employees from 12 business sites in Korea and 12 overseas subsidiaries participated and donated blood. In line with the global campaign, LGERA (Russia subsidiary) organized a large-scale

blood donation campaign at a blood center in Sochi, the host city of the 2014 Winter Olympics, in partnership with the Ministry of Labor & Social Affairs of Russia, the Russian Federal Medical-Biological Agency, the nation’s largest electronics retailer Eldorado, and famous Olympic athletes from Russia. LGERA organized another large-scale blood donation campaign, “LG Blood Drive Boat.” With more than 100 participants onboard, including LGE employees, staff from the federal youth organization, world famous boxers and runners, Russian sports stars, and volunteers, the boat traveled down the rivers Volga and Kama, visiting eight major Russian cities (including Perm, Kazan, Samarra, Saratov, and Volgograd) and raising awareness of the issue. The campaign stopped at each city for one day to host a blood drive and carry out activities to promote the cause. LGERA became the first corporate partner of the Russian government to champion the issue in 2009, when a sharp drop in blood donation in the country created a serious blood shortage problem, and since then, the subsidiary has organized more than 50 blood donation events.

Products & Services Contributed based on LGE Business Infrastructure



1. Mosquito Away Air Conditioner
2. Global Cooking Competition featuring LG Light-wave Oven Range
3. Book-reading Mobile Phone (Korea)
4. Emergency Relief Mission (Philippines)

Social Contribution Initiatives based on Employee Participation



1. Life's Good Volunteers
2. Workday Volunteer Program
3. Global Blood Donation Campaign (Sochi, Russia)
4. LG Blood Drive Boat

Around the World



Global Social Contribution

LG Electronics makes earnest efforts to spread hope to local communities across the world.

01 Korea_LG IT Angels

Volunteers from the MC Company visit people with severe disabilities at their homes and provide one-on-one IT training to help them lead more socially active lives.

03 South & Central America_LG Creating Smiles Campaign

The eight subsidiaries from Central & South America (Ecuador, Mexico, Guatemala, Panama, Colombia, Argentina, and Peru) joined forces with a non-profit organization TECHO Panama to run an online CSR campaign, which encouraged customers to post a picture of them smiling. LG Electronics made a donation for every picture posted on the campaign website, and the fund raised was directed toward building houses for underprivileged families.

02 Korea_“Sneakers with Dreams” Campaign

In their personal time, more than 100 designers from the Corporate Design Center visited The Salvation Army Broadview Children’s Home and presented children with sneakers after drawing a picture picked by the children on the shoes.

04 Indonesia_LG Sound of Guidance

Run as part of the “LG Loves Indonesia” campaign, “LG Sound of Guidance” encouraged customers to participate in this social media campaign to support a school for children with vision disabilities. A total of 2,223 individuals participated via mobile app, 41,523 fans through Facebook, and 4,881 followers from Twitter. The fund raised through the campaign was used to purchase class materials for the school and provide scholarships to students.

05 Levant_LGE Eid Bus

In celebration of Iftar (the first meal after the Ramadan fast), LGE Levant invited children from underprivileged backgrounds to fun time at a theme park. Children enjoyed the Iftar dinner and received a backpack filled with school supplies as gift.

07 Germany_LG Helps Flood Victims

In Germany, LG Electronics operated the “LG Helps Flood Victims” program to help victims from the South East region hit by the worst flooding in a century and provided free repair service to the flood victims. As part of the program, LG Electronics donated 1,400 units of electric products and operated a mobile laundry service.

06 Nigeria_Mosquito Away Air Conditioners

In order to support the local community’ fight against malaria, LG Electronics introduced the “Mosquito Away” Air Conditioner designed and developed specifically to meet local needs. In addition, LG Electronics donated malaria medicine and mosquito nets to provide further protection against mosquitoes.

08 Ethiopia_Pocket Photo Day

LG Electronics hosted a Pocket Photo event “My First Family Portrait” at an Ethiopian village. The event was organized to present a memorable picture moment to the villagers, a majority of whom cannot afford to buy a camera and thus have never taken pictures with their families and friends. In the event, LG Electronics took photos of the residents and presented them with prints instantly produced with Pocket Photo.

Region	
Korea	12 Business Sites
Overseas	41 Subsidiaries from 34 Countries

Number of Participating Employees (Multiple Participations)	
Korea	65,444
Overseas	74,380

With our Employees



OUR FOCUS

According to the 2013 Materiality Analysis, our stakeholders regard

- 1) Guarantee of Basic Labor Rights/ Human Rights and
- 2) Improving Labor Relations/Grievance Resolution as the most important issues, and benchmarking against industry peers also identified “Guarantee of Basic Labor Rights/Human Rights” as the most critical issue.

OUR APPROACH

LG Electronics implements an identical HR system across the globe and provides ongoing support to help its employees develop professional capabilities. LG Electronics is committed to protecting the labor rights and human rights of our employees and to building forward-looking labor-management relations based on the Labor Union's USR efforts.

OUR EVALUATION

LG Electronics actively protects employees' labor rights as the key part of its employee motivation efforts and constantly works to reduce labor rights/human rights risks across the supply chain. We also have in place an employee grievance resolution process, which utilizes diverse channels to deliver a fast resolution.

FUTURE DIRECTION

1

Create a corporate culture that promotes work-life balance

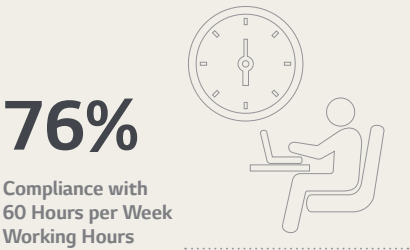
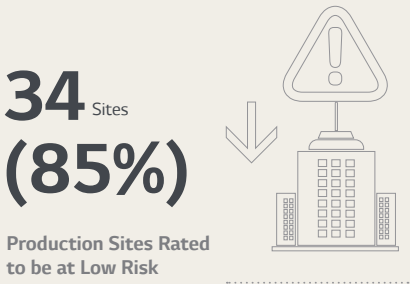
2

Expand targets for third-party CSR validation

3

Enhance systems designed to protect employee's human rights

OUR PERFORMANCE



LG Electronics' communication programs play a vital role in building strong trust and relationships among employees and in improving our business performance. Supported by these communication programs, LG Electronics has made its employees feel that the Company cares for them, values their work, has their best interest in mind, and accepts them as a part of an integral team. As such, HR and the leadership at LGEAP (Australia) see a great opportunity in these communication programs and are working to fully embrace them. In particular, the New Leader Soft-landing Program has been highly effective in establishing new leaders and received positive feedback from both the team and the leaders.

HR Manager, LGEAP (Australia)
Amanda Jackson

GLOBAL WORKFORCE

In order to support its successful global operations, LG Electronics has more than 100 subsidiaries and R&D centers in place around the world, and strives for business sustainability together with its global workforce. As of 2013, LG Electronics has employed 82,432 talented individuals across the globe, with 38,440 employees based in Korea and 43,992 employees in overseas business sites.

Global HR System

In an effort to support our global operations effectively, LG Electronics manages and fosters both Korean and overseas employees under the same HR system. To create a corporate culture that inspires strong teamwork among employees with diverse minds and personal values, LG Electronics established the Global Labor Policy, which strongly renounces and prohibits discrimination, and aims foremost to ensure that all our employees are embraced as part of a team, regardless of their nationality, gender, race, and education level, and assigned to a position that best suits their individual aptitudes and capabilities.

Diversity Management

Based on the conviction that diversity leads to greater organizational competitiveness, LG Electronics makes every effort to create a working environment where employees from diverse backgrounds, including females, foreigners and the disabled, are respected and given fair opportunities to utilize their individual capabilities to the fullest extent. At LG Electronics, no employees are subjected to discrimination or inconvenience because of their gender, race, education level, or religion. As of year-end 2013, female employees made up approximately 24% of the entire workforce at LG Electronics, and we are making ongoing efforts to recruit and foster female talent. In order to contribute to addressing the low birth rate caused by child-care issues, we encourage our female employees to take advantage of the maternity leave program and provide active support to help them achieve work-life balance. Currently, 3.3% of our team leaders in Korea are female. In addition, LG Electronics is working to reduce the percentage of non-regular workers to improve the financial stability of our employees, while encouraging hiring of people with disabilities to increase their percentage in the workforce.

Regional HR Meeting

LG Electronics holds regular HR meetings with overseas subsidiaries (Americas, Asia, Europe, CIS, MEA) to implement the standardized Global HR System across our global network. The Corporate HR makes all its resources available to HR managers from the region representative or subsidiary that requires a consultation to build close working relationships between HQ and subsidiaries for the initiative. As part of our efforts toward a full

Number/Percentage of Female Employees

	Korea	Overseas	Total Female Employees	Total Employees	Percentage
2011	5,770	19,969	25,739	91,045	28.3%
2012	5,830	15,684	21,514	86,697	24.8%
2013	5,791	13,632	19,423	82,432	23.6%

Number of Employees Using Child Birth/Maternity Leave (Korea)

	Gender	2011	2012	2013
Number of Employees Using Child Birth/Maternity Leave	Male	9	16	26
	Female	403	403	466
Percentage of Employees Returning after Leave	Male	100%	94%	92%
	Female	100%	99%	99%
Percentage of Employees Remaining at Work for 12 Months or Longer after Returning from Leave (=Retention Rate)	Male	89%	90%	82%
	Female	86%	96%	97%

and successful implementation of the Global HR System, we are working on building a global-level organization and staffing to provide both flexibility (i.e. the ability to adjust guidelines to accommodate local conditions) and consistency (i.e. the ability to press forward with issues requiring uniform implementation across the global network) to the system.

Operation of Retirement Pension Fund

In an effort to ensure stable pension payments to our employees, LG Electronics is operating the “Retirement Annuity Insurance Fund.” As of year-end 2013, our employee pension fund was managed by nine different fund management groups, and retirement pension was paid to employees in service with LG Electronics for a year or longer, in full compliance with operation guidelines set forth by the Korean government. For our overseas employees, the program was operated in accordance with guidelines prescribed by the local government. In 2013, the employee turnover rate at LG Electronics was 4.3% within Korea and 27.8% at overseas locations. Our employee turnover rate was

Percentage of Non-Regular Employees (Korea)

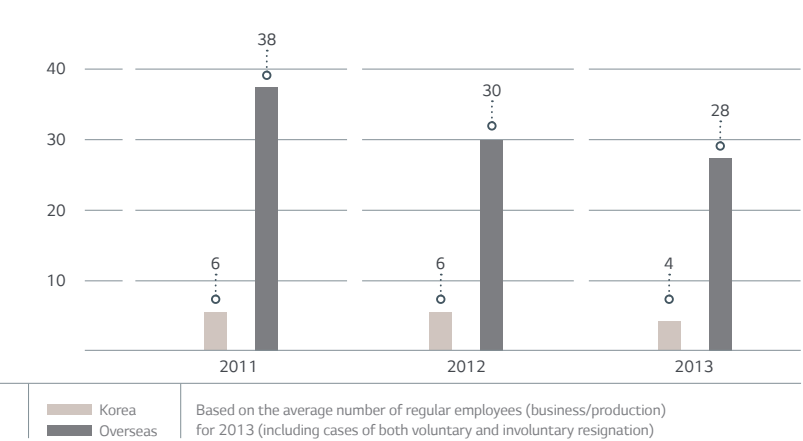
2011	1.4%
2012	2.7%
2013	1.7%

Percentage of Employees with Disabilities (Korea)

2011	1.3%
2012	1.3%
2013	1.4%

much higher overseas because a high percentage of our overseas subsidiaries are located in emerging economies that present much less stable social, economic, and cultural conditions than Korea. In order to address this issue, we are continuously strengthening our retention and management programs for high performers, such as hiring back retiring or resigning employees with excellent track records and capabilities as an adviser.

Turnover Rate (Unit: %)



TALENT ACQUISITION & CULTIVATION

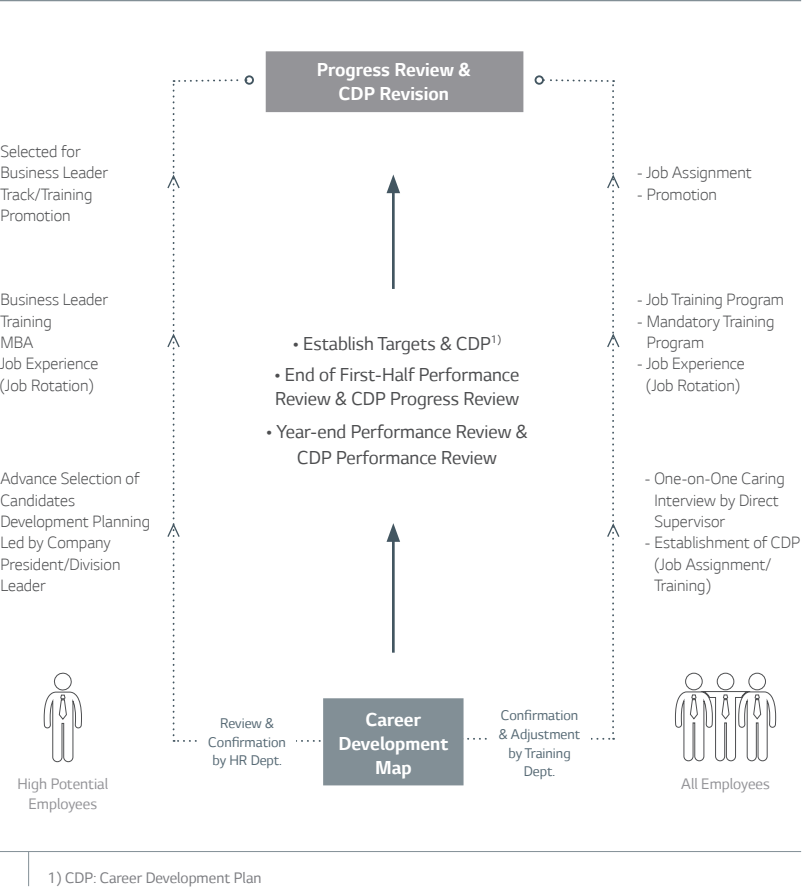
Talent Acquisition Programs

LG Electronics continuously works to find and acquire quality talent through a wide range of recruiting activities, including recruitment events at major universities and countries (US, Germany, UK, and Korea). We also participate in the group-wide recruitment event hosted by our holding company LG Corp, called the Techno Conference, which is held both in Korea and the U.S. on a semiannual basis (during the first and the second half). In addition, we have in place an ongoing recruitment program that invites talented professionals to technology seminars and interviews. As part of our efforts, we operate an industry-academia cooperation program called the “LG Track (a form of an employment contract)” to recruit bright students in advance and groom them into young professionals tailored for LG Electronics. In order to create a recruitment process that places the individual merit of candidates over their education level or academic performance, we actively recruit contest winners and top performers from math and science competitions. Our talent acquisition efforts extend to LG Electronics’ recruitment fair “Job Camp,” through which we provide job seekers with useful training and information, such as lectures on how to choose a career, how to strategize for a job interview, how to write a resume, and mock interviews. As part of our efforts to create diverse types of jobs, we operate a dedicated course called “LG Electronics Class” at vocational high schools, help retirees find consulting jobs, promote hiring of people with disabilities through our subsidiary Hanwoori, expand part-time positions at our service call center, and promote female employment by expanding child care facilities at our business sites.

HR Development Program

LG Electronics makes ongoing efforts to enhance our employee development programs. At the core of our employee development programs is “One-on-One Caring” interview, which aims to provide all our employees, both at home and overseas, with career development support tailored for their individual needs. Based on the program, LG Electronics helps our employees realize their career vision, and strives to strengthen our business capacity in the long term. In addition, we established the “In-Nation Service Employee (ISE) High Potential Individual Pool (HIPO) HQ Job Assignment/OJT Program” to foster overseas employees who possess great potential and invite them to work and train at HQ (Korea). Organized into short- and long-term tracks, the program trains approximately 30 HIPOs a year, and has trained a total of 108 high potential employees from overseas subsidiaries since its establishment in 2009.

HR Development Process



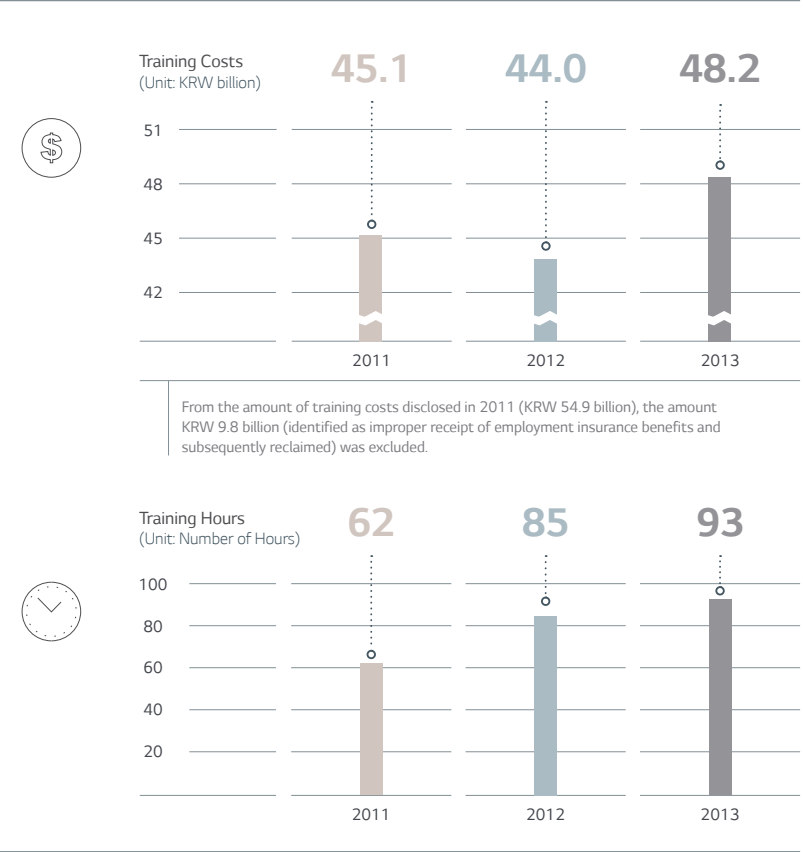
HR Development System

In an effort to foster great talent based on a longer-term strategy, LG Electronics offers three different career development tracks (Business Leader, Function Leader, and Expert) to satisfy disparate career development needs of our employees. We have in place training programs specific to employees’ career development stage, and utilize actual job assignments, as well as regular training programs, to groom high performers into future business leaders. LG Electronics also strives to create a work environment that encourages our employees create personal value for their own career by exerting themselves. In most cases, employees begin their career at LG Electronics as an assistant/associate research engineer (4 years) and advances to assistant manager/research engineer (4 years), manager/senior research engineer (5 years), and senior manager/principal research engineer (5 years). Although the position structure and the years of service required for promotion constitute the basis our HR policy, high performers are fast tracked for promotion to help them develop their potential to the fullest extent.

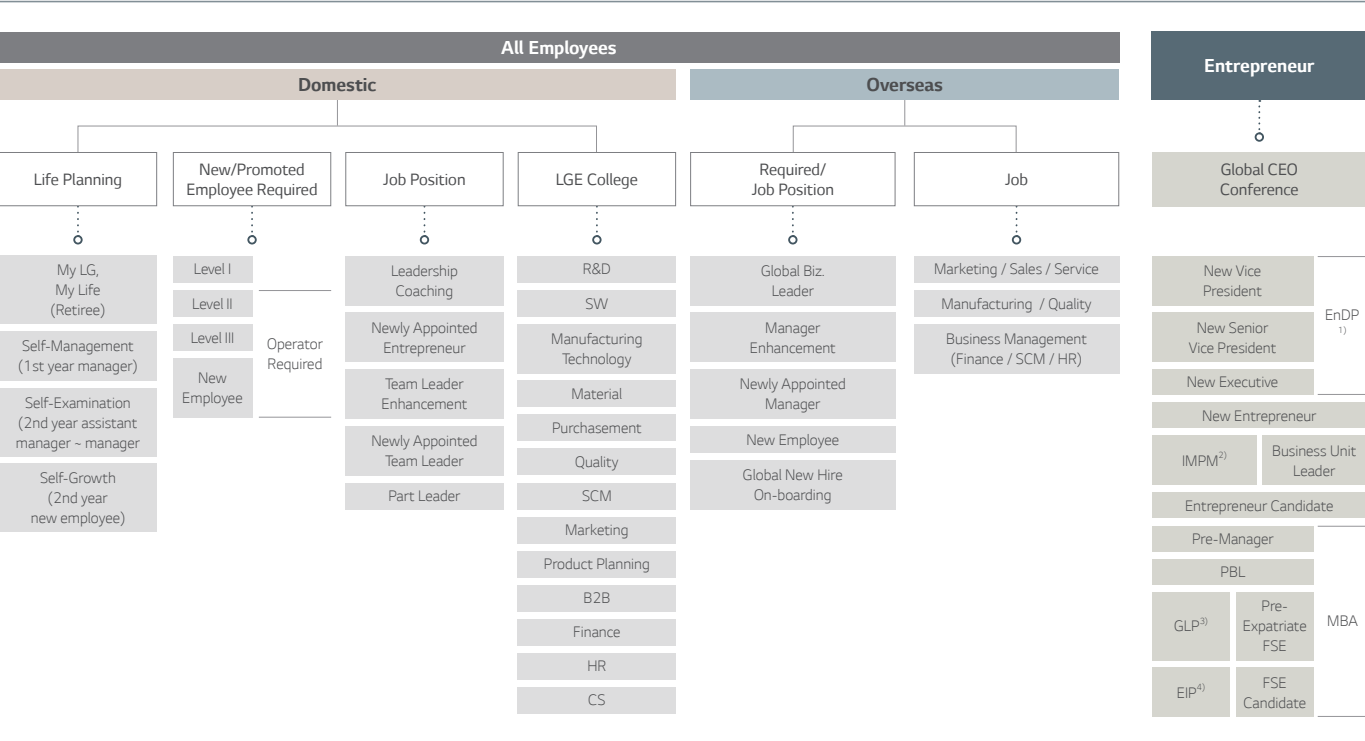
Training System for Business Function Experts

In order to foster experts in diverse business functions, LG Electronics established the Business Function College for each of its 12 business functions and offers more than 610 on- and offline courses. Internal experts in each business function serve as instructor for offline courses and provide relevant training based on actual cases to increase the effectiveness. As these training courses are operated in compliance with international standards, the number of hours per employee is increasing every year and averaged 93 hours per employee in 2013 (based on office staff). On average, assistants completed 170 hours of training, while assistant managers averaged 65 hours, managers 69 hours, senior managers 58 hours, and executives 18 hours. LG Electronics spent a total of KRW 62.4 billion on employee training, which is translated to KRW 1.62 million per employee based on the average number of employees (office staff/Korea) for the year 2013.

Employee Training Overview (Korea)



Employee Training System



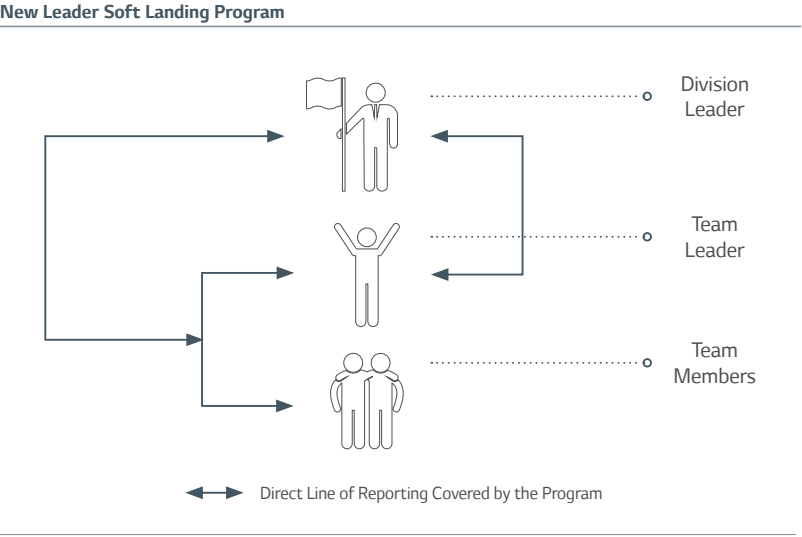
CORPORATE CULTURE/
WORK-LIFE BALANCE

A Working Style Unique to LG Electronics

In an effort to create a sound organizational culture, we have fashioned a working style unique to LG Electronics and are making ongoing improvement efforts to establish it as an integral part of our corporate culture. Based on the belief that improvement starts from putting small things into practice, our improvement efforts for the year 2013 were focused on ①striving for market-leading creativity and a corporate culture that promotes autonomy, ②making bottom-up, voluntary efforts toward change, ③establishing communication programs that promote horizontal communication, ④re-vamping unproductive meeting/reporting practices to help our employees focus their energy on work, and ⑤highlighting the importance of work-life balance. In addition, we introduced a multi-party horizontal discussion feature to the approval system in March 2013 to promote speedy communication. As a result, we were able to reduce the time required for approval by one third, and the number of delayed approvals (the total number of cases where approvals required more than 24 hours to be completed) decreased by 10%.

Market-Leading Creativity & Corporate Culture Promoting Autonomy

Since 2012, LG Electronics has placed a strong emphasis on creating a “market-leading working style unique to LG Electronics.” In line with our collective commitment toward “delivering products and services that transform the lives of customers,” our employees actively participate in ideation processes and discussions for improving our working style to create a corporate culture that promotes creativity and autonomy. Our employees also take on their own initiatives in our organization-wide efforts toward creating a sound corporate culture, such as by actively leading efforts to improve on current meeting/reporting practices (Campaign: Improving Inefficient Meeting and Reporting Practices), based on decisions reached at biannual team discussions and workshops during the first and second half of the year and participating in internal idea contests held both on a regular and irregular basis. In order to further promote employee participation, we es-



tablished the corporate-wide IDEAS bulletin board in 2005, and have collected more than 24,000 employee ideas to date. Pocket Photo is one of the great examples of creating a brand new product through employee participation. The employee who submitted the idea for Pocket Photo received an unprecedented reward for discovering a brand new business area.

24,000

Number of Product Ideas Posted on Corporate-wide IDEAS Bulletin Board (Cumulative Since 2005)

Programs for Promoting Horizontal Communication

LG Electronics has a unique set of carefully designed communication programs to promote employee engagement and communication. In particular, these programs place a great emphasis on promoting horizontal communication that encourages employees to generate and then act on their ideas.

Harmony 1+1

This communication program aims to address the silo effect and create a strong synergistic effect through collaboration by promoting active inter-team discussions. Participants at these discussions are required to arrive at a conclusion and reach an agreement on a particular issue, based on the process of 1) issue discovery, 2) task identification, and 3) execution/review.

Programs for Promoting Horizontal Communication



1,2. Harmony 1+1
3. New Leader Soft Landing Program

Cross Open Communication

This discussion session between executives and members from a different business unit aims to promote inter-organizational understanding. Although executives and all members of other business organization are encouraged to participate in the session, participation is limited to opinion leaders in some cases.

New Leader Soft Landing Program

This program provides new leaders and their team members (within the chain of reporting) with an opportunity to communicate and build teamwork early on from their tenure. Developed and refined from “Open Communication,” this program is recommended for organizations with new leaders and encouraged to be held within three months of their arrival. In January 2013, we conducted the New Leader Soft Landing Program throughout the company, targeting organizations with new executives.

Renewed Focus on Employee Work-Life Balance

Korea

At LG Electronics, we believe that the happiness of our employees, both personally and professionally, leads to strong business performance and that work-life balance is an integral part of making our employees happy. As such, LG Electronics engages in a wide range of efforts to help our employees achieve work-life balance. “Core Hours (9:00 to 11:00 am)” is a corporate-level program designed to help our employees avoid working overtime, by encouraging them to focus on work and increase productivity. Each business site has a “Family Day” to encourage its members to leave work on time and spend quality time with their families. On “Family Day,” the internal broadcasting system, ex-

ecutives, and Junior Board members make an announcement to urge employees to go home. Our Employee Family Care Program sends a message card and small gift in the name of executives to employees’ children to congratulate their entering elementary school, or to wish them good luck on their college entrance exam. In 2013, a total of 3,272 children and teenagers received this token of recognition. We also provide counseling centers and employee lounges at each business site to help our employees cope with professional and personal stress. Counseling centers offer professional diagnoses on psychological and emotional health and provide advice on how to handle emotional stress. In addition, we make company cars available to our employees (Special Car Event) and help them celebrate special occasions with their loved ones in style.

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. LGEPH (Philippines) organized a company sports day in Manila and invited more than 200 employees and their family members. While participants competed in various sports events, children enjoyed video games on LG LED TVs and other LG products. The



Cooking School Event Kazakhstan (LGEAK)

event concluded in a family-like atmosphere, with participants sitting together as a family and enjoying a recent movie. In addition, 12 healthcare staff and employees from LGEPH provided free medical checkups to 262 local residents and made our employees, as well as their family members, very proud to be part of the LG family. LGEAK, based in Almaty, Kazakhstan, hosted a cooking event for employees. In the event, participating employees had the opportunity to increase their sense of belonging and share their product ideas as they cooked and enjoyed food with their colleagues. Canada (LGECI) hosted a sports day event to build employee teamwork and promote partnerships with charitable organizations. In the event, employees teamed up and competed to win cash prizes on behalf of the charitable organization of their choice.

Work & Life Balance Activities



1. Special Car Event (Korea)
2,3,4. Events Day (Philippines)
5. Cooking School (Kazakhstan)
6,7. Sports Day (Canada)

PROTECTION OF LABOR RIGHTS

Global Labor Policy

LG Electronics complies with international standards as well as labor laws and regulations, such as the Universal Declaration of Human Rights by the United Nations, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, the OECD Guidelines for Multinational Enterprises, the United Nations Global Compact, and the EICC Code of Conduct. Established in 2010, LG Electronics’ “Global Labor Policy” recognizes the rights of all employees to pursue happiness, to work with dignity and to be respected as human beings. It has been translated into 18 different languages for distribution to all LGE business sites throughout the world and made available from our corporate website. In March 2013, we amended provisions concerning the prohibition of child labor and working hours (for greater details and clarity), and established guidelines for each provision to support efforts at all our business sites toward the protection of employees’ human rights.

Labor Relations (Korea)

Labor-Management Relations is a term adopted by LG Electronics to describe the company’s exceptional labor relations based on mutual trust and respect. In contrast to the conventional term “labor–company relations,” charged with negative connotations such as conflict and vertical relationships, the term “Labor-Management Relations” implies that labor and management fulfill their respective roles and create exceptional value together. LG Electronics and the Labor Union of LG Electronics are working in cohesion to take our labor-management relations to the next level –from value creating labor-management relations that strive to improve business competitiveness and enhance employees’ quality of lives, to socially responsible labor-management relations that strive 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 year-end 2013, membership has reached 8,172 employees (about 21 % of all 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 conditions and other labor issues. 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. During the collective bargaining held in March 2013, we agreed on the inclusion of regular bonuses in the ordinary wage and the revision of HR rules. LG Electronics is proud of its strong labor-



GLOBAL LABOR POLICY

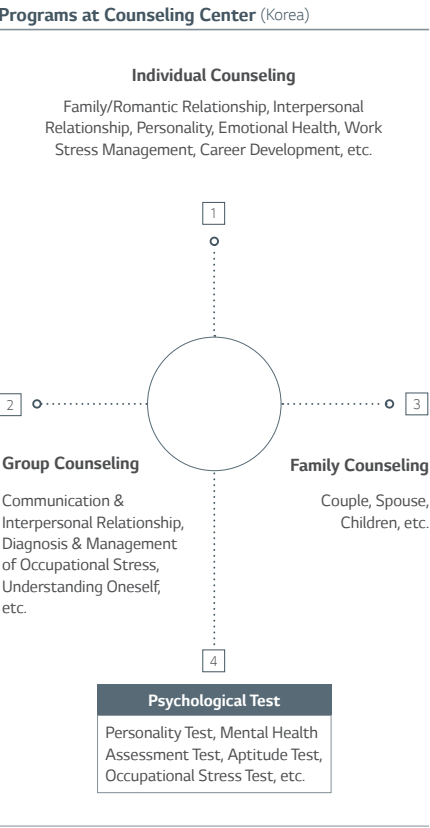
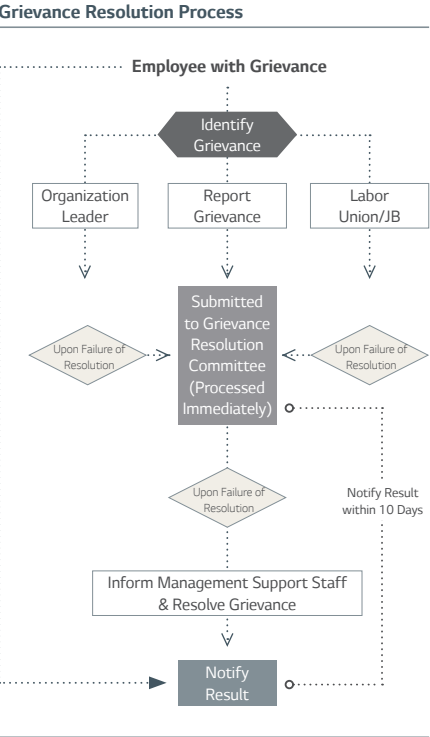
Article 1: Respect for Human Dignity,
Article 2: Avoidance of Forced Labor,
Article 3: Prohibition of Child Employment,
Article 4: Fair Treatment,
Article 5: Working Hours,
Article 6: Wages and Benefits,
Article 7: Voluntary Association, and
Article 8: Compliance of Regulations

 WWW.LG.COM/GLOBAL/SUSTAINABILITY/EMPLOYEE/LABOR-RIGHTS-PROTECTION

management relations, which have allowed us to conclude annual bargaining without dispute for the past 25 years. We also utilize diverse communication channels, such as Junior Board (Business Staff Council) and regular meetings with diverse groups (business unit, job position, etc.) to collect the opinions of non-union members.

Employee Grievance Resolution System (Korea)

In order to protect employees’ human rights, promote workplace satisfaction, and provide a healthy and sound working environment, LG Electronics makes every effort to handle employee grievances in a fair and reasonable manner. To this end, we operate a three-step employee grievance resolution process composed of submission, resolution, and feedback & awareness promotion. We also categorize employee grievances into the following six areas: career development, HR, working conditions, work environment, relationships, and personal matters, after which diverse channels are employed accordingly (e.g. semiannual meetings with the team leader, grievance resolution committee & counseling center, JB Council, Labor-Management Council) to resolve employee grievances in an expedient manner. At our business sites in Korea, we have also established counseling centers and offer counseling and therapy programs with guarantee of anonymity to actively address various grievances and emotional issues arising from our employees’ personal and professional life. Counseling centers operate a wide range of programs, including individual, group, and family therapy sessions, and employees are required to make an appointment to protect their anonymity. If needed, employees are provided with an interpretation session on the result of their psychological tests, and group sessions are also offered to facilitate the resolution of internal conflicts within a team. In 2013, a total of 4,158 employees and 470 teams participated in individual and group therapy sessions.



CSR Risk Management Program

Results of CSR Risk Self-Assessment

In accordance with the CSR Risk Management Program introduced in 2010, LG Electronics assesses its production sites for their compliance with the Global Labor Policy. In 2013, we conducted the EICC assessment (self-assessment) on our 40 production sites (7 in Korea and 33 overseas) biannually. In 2013, the number of assessment targets increased to 40 from 37 in the previous year as the assessment was expanded to include joint venture and new sites (Jeonju, Haiphong in Vietnam and Turkey). In the assessment, our production sites averaged 88.25 points, up 1.54 points from 2012 (86.71). The number of production sites rated to be at low risk also increased from 28 (2012) to 33. We plan to increase the number to 37 in 2014, and to lower the risk level of newly included production sites to “low risk” by 2015 through root-cause analyses and intensive management efforts tailored for each individual site.

Improvement Plan & Voluntary Efforts

Based on the self-assessment results obtained in the first half of 2013, our production sites established improvement plans to address the risks identified through the assessment and made voluntary improvement efforts. We also reviewed the progress of their performance through the assessment performed in the second half, and plan to share best practice cases with other production sites. Moving forward, we intend to reward best production sites and relevant staff members to provide further motivation toward improving CSR compliance. In 2014, LG Electronics plans to make more systematic CSR risk management efforts based on the revised EICC Self-Assessment Questionnaire. The revised questionnaire categorizes risk types based on their inherency, controllability, and management system to help corporations perform more accurate root-cause analysis and formulate effective responses.

LGE CSR Risk Management Process

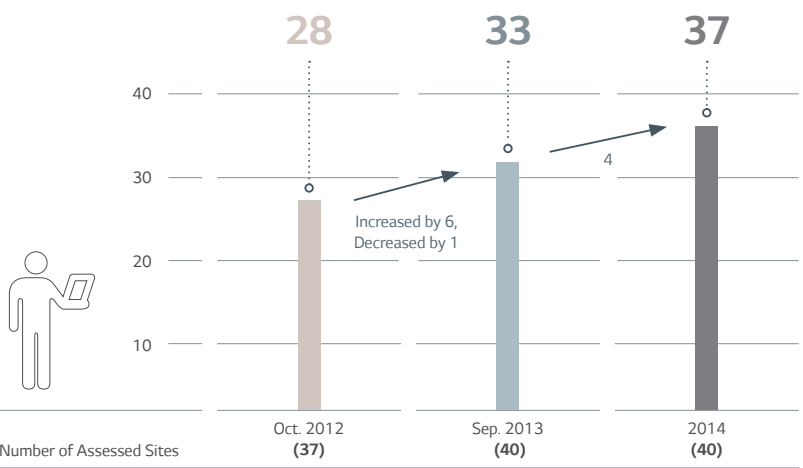


Risk Level by Country/Region (Based on Self Assessment Results of EICC)

	Total/ Average	Labor	Ethics	Environment	Health & Safety	Management System
Korea	○	○	○	●	○	○
China	○	○	○	○	○	○
Asia/CIS	○	●	○	●	●	○
Europe	○	○	○	●	○	○
America	○	○	○	●	●	○
Middle East & Africa	●	●	●	●	○	○

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

Number of Low Risk Sites in Self-Assessment (Based on Self Assessment Results of EICC)



Case Study

Risks Identified in 2013

Risks Factors Shared by Large Number of Production Sites	50% Collection of personal information that could potentially lead to discrimination	40% Inadequate assessment and management of site-level labor and ethics risks
30% Inadequate documentation of labor management system	30% Inadequate age verification process	30% Inadequate management of forced labor & child labor issues at supplier sites

Notable Improvement Cases regarding Major Risks Identified through Self-Assessment

1 Some of our production sites were collecting personal information that could potentially lead to discrimination (i.e. marital status, ethnicity, etc.) during their hiring process. Such information was removed from hiring documents, and a non-discrimination statement was added to hiring notices.

2 In accordance with the agreement made at the 2013 collective bargaining, LG Electronics removed wage reduction from our disciplinary options at all business sites in Korea, and is in the process of implementing the amendment to overseas business sites (Wage reduction is a disciplinary option that carries the risk of violating legal minimum wage, and the voice for its removal is growing internationally).

Promoting Improvement Efforts with
CRS Audit (Validation)

LG Electronics welcomes requests for CSR audits and validations by our buyers as they are an opportunity to assess and improve our CSR compliance. Based on such CSR audits and validations, we are able to identify areas we need to improve on by comparing our performance against requirements presented by buyers and making efforts to bridge the gap. In addition to actively accommodating audit and validation requests from external stakeholders, we voluntarily perform independent CSR audits on strategically important production sites for our business.

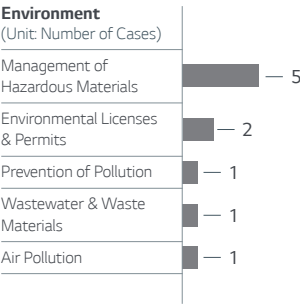
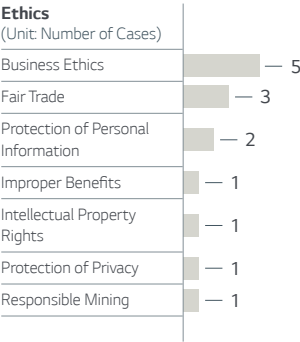
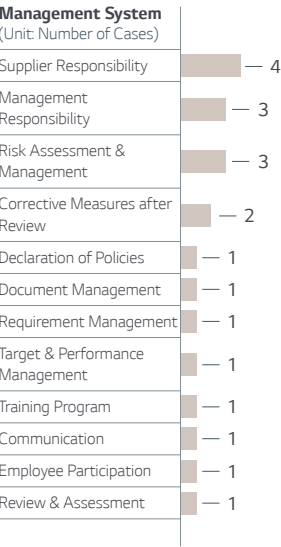
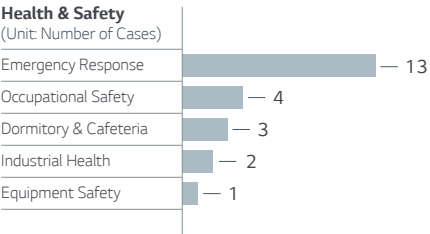
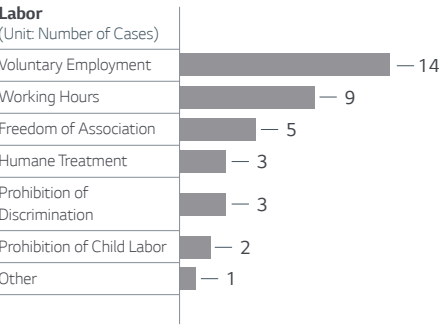
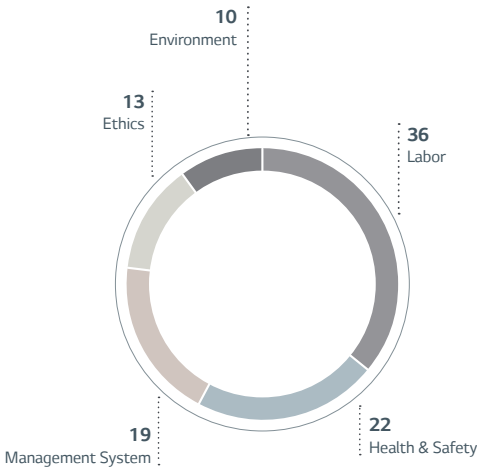
In 2013, we accommodated 5 instances of CSR audit requests from a wide range of buyers (electronics manufacturer, carmaker, mobile service carrier, and retailer), with the result of our Pyeongtaek Plant being rated “Excellent (A).” Our Yantai Plant (China) was selected as the best case for its cafeteria for pregnant employees.

In addition, we also voluntarily submitted some of our production sites for third-party validation. A total of four production sites (Gumi Korea, Nanjing China, Cibitung Indonesia, and Taubate Brazil) underwent the EICC’s CSR Audit (VA: Validated Audit) and are working to improve on non-compliances identified through the process. According to the results, the largest portion of non-compliances came from Labor (36%), followed by Health & Safety (22%). Non-compliances commonly found in all four of the production sites – working hours and working-level risk management process – will be addressed as mid- to long-term improvement targets. Going forward, LG Electronics will continue to assess the compliance level of our production sites against objective standards and make improvement efforts based on the results. We also plan to strategically select and expand assessment targets to address business risks preemptively.

Special Inspection on Working Hours

In Article 5 of the Global Labor Policy, LG Electronics clearly states that it will comply with local labor laws concerning working hours. However, working hours has been a persistent issue in the electronics industry and is seen as a multidimensional challenge that requires longer-term efforts. As part of our efforts to address working hour issues, which CSR audits have identified as being a common nonconformance at our production sites, LG Electronics conducted due diligence surveys at 33 overseas production sites. Based on the EICC Working Hour Template, we collected and analyzed data on the weekly working hours of all employees from overseas production sites for the period between May and July 2013. According to our analysis, our production sites averaged a compliance rate of 75.83%, based on the international standard of 60 hours per week.

Percentage of Non Compliances Identified by CSR Audit, Breakdown by Area (Unit: %)



In order to reduce overtime, LG Electronics monitors employee schedules at its production sites. Employee schedules are monitored monthly at the organizational level, and a warning is issued both to employees who clocked in excessive hours and to their organization leader. In addition, we analyze the root causes behind such extended schedules to help our employees maintain reasonable hours. As part of our ongoing efforts to comply with international standards on working hours, LG Electronics will continue to monitor employee work schedules and strengthen our management of weekly working hours and excessive overtime.

HR Staff Training and HR System

After a careful analysis of the United Nations Guiding Principles on Business and Human Rights (UNGPs)¹⁾, LG Electronics conducted an internal discussion on enhancing our existing CSR risk management programs. According to the EICC’s analysis, our risk management (assessment) programs well reflect the principles set forth by the United Nations. Our analysis, however, showed us that training and capacity building is becoming as important as accurate assessment. In response to such emerging needs, we carried out a suite of CSR training programs for HR staff members from diverse areas in 2013.

In January 2013, we performed a site inspection at our production sites in China and held a CSR forum at LGE China HQ in Beijing. At the forum, we carefully reviewed HR risks such as child labor, working hours, and wages & benefits, and agreed to make improvement efforts to address the issues (see p.70 from our 2012-2013 report). In February, we conducted working-level CSR training for HR staff based on business sites to educate them on the types of CSR risks associated with HR is-

ARTICLE 5 OF THE
GLOBAL LABOR POLICY

LG Electronics will comply with the local labor laws with respect to working hours, including regular and overtime hours, and holidays. If relevant laws are absent, LG Electronics will comply with the EICC standards.

THE NATIONAL HUMAN RIGHTS
COMMISSION OF KOREA'S HUMAN
RIGHTS MANAGEMENT CHECKLIST
(100 indicators under 35 items in 9 areas)

1. Establishment of Human Rights Management System
2. No Discrimination in Hiring
3. Freedom of Association and Collective Bargaining
4. Prohibition of Forced Labor
5. Prohibition of Child Labor
6. Industrial Safety
7. Supply Chain Management
8. Human Rights of Local Community Members
9. Human Rights of Consumers

sues and specific requirements prescribed by the EICC standards. In January and March 2014, CSR experts from HQ participated in the HR Managers Workshop held in Nanjing, China (for HR managers from China) and Korea (for HR managers from Asia), respectively, to share prevailing CSR issues in their respective regions and raise their awareness on CSR risk management.

It also came to our attention that the security procedures we implement to protect our business sites could potentially lead to cases of human rights infringement. In response to this concern, we conducted training for our entire security staff, covering topics such as sexual harassment, case-by-case responses to customers, and hospitality training. We believe that such efforts as these will help us better protect the human rights of visiting customers, as well as our employees. Going forward, LG Electronics will offer training programs on diverse topics and enhance our HR system to fully comply with the United Nations Guiding Principles on Business and Human Rights. As the first step forward, we plan to create a training program that covers recurring HR issues at our business sites and to refine our grievance resolution system. In 2014, we will also develop an impact/risk assessment tool for frontline staff to establish a comprehensive system that covers the entire HR cycle from recruiting/hiring to resignation and that helps us detect and address labor and human rights issues in our HR process and business sites. LG Electronics plans to develop and utilize the labor and human rights impact/risk assessment tool based on the EICC CSR Risk Assessment Tools (international standards), the National Human Rights Commission of Korea’s Human Rights Management Checklist (announced in 2013), and the United Nations Guiding Principles on Business and Human Rights.

1) UN Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework

Case Study	
Improvement Cases for Non-Compliances Identified by CSR Audit	
Common Non-Compliances Identified through Self-Assessment (based on VA Results of Four Production Sites in China)	
	Details
1	Working hours exceeded 60 hours per week
2	Lack of site-level emergency evacuation drills and inadequacy of related records
3	Violation of day-off schedule (one day-off per seven days)
4	Inadequate communication with suppliers on labor provisions of the EICC Code of Conduct
5	Inadequate management of emergency exits (number, location, access)
6	Inadequate procedures for counting, recording, managing, and controlling working hours
7	Inadequate policy and process for effective avoidance of forced labor
8	Inadequate risk management process (identification, assessment, minimization)
9	Inadequate management of hazardous materials (organizing, labeling, handling, storing)

Appendix

01 Economic Data	85
02 Environmental Data	86-88
03 Social Data	89
04 Independent Assurance Statement	90-91
05 Membership/Awards & Recognitions	92
07 GRI/UNGC Index	93-96
Past LGE Sustainability Report/ Contributors to Report Preparation	97

01 Economic Data

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

Category	2011	2012	2013
1. Net sales	57,739,899	55,122,623	58,140,376
2. Cost of sales	45,150,515	42,252,184	44,720,669
3. Gross profit	12,589,384	12,870,439	13,419,707
4. Selling and marketing expenses	12,257,765	11,653,716	12,135,038
5. Operating income	331,619	1,216,723	1,284,669
6. Financial income	603,263	464,507	426,107
7. Financial expenses	1,044,632	854,248	826,761
8. Gain (loss) from equity method	(225,737)	86,917	126,000
9. Other non-operating income (expenses)	(136,232)	(365,239)	(433,481)
10. Profit (loss) before income tax	(471,719)	548,660	576,534
11. Income tax expense	6,913	445,858	353,830
12. Profit (loss) for the year	(478,632)	102,802	222,704

• Past data was revised to reflect changes and additions to financial accounting standards.

Summary of Consolidated Statements of Financial Position (Unit: KRW million)

Category	2011	2012	2013
I. Current Assets	17,279,504	16,308,435	16,325,058
Trade receivables	7,338,759	7,332,761	7,117,402
Inventories	5,321,845	5,074,500	4,838,830
Other current assets	4,618,900	3,901,174	4,368,826
II. Non-current Assets	18,239,634	18,457,615	19,203,006
Investments in jointly controlled entities and associates	4,252,408	4,182,878	4,329,583
Tangible assets	9,593,424	9,889,204	10,341,993
Intangible assets	1,167,567	1,222,302	1,363,690
Other non-current assets	3,226,235	3,163,231	3,167,740
Total assets	35,519,138	34,766,050	35,528,064
I. Current liabilities	15,455,733	14,514,292	15,014,004
II. Non-current liabilities	6,906,993	7,546,011	7,824,691
Total liabilities	22,362,726	22,060,303	22,838,695
I. Paid-in capital	3,992,348	3,992,348	3,992,348
Capital stock	904,169	904,169	904,169
Share premium	3,088,179	3,088,179	3,088,179
II. Retained earnings	8,792,879	8,723,950	8,885,523
III. Accumulated other comprehensive loss	(327,469)	(675,098)	(907,440)
IV. Other components of equity	(242,223)	(242,111)	(231,229)
V. Non-controlling interest	940,877	906,658	950,167
Total equity	13,156,412	12,705,747	12,689,369
Total liabilities and equity	35,519,138	34,766,050	35,528,064

• Past data was revised to reflect changes and additions to financial accounting standards.

Fore more details, please refer to our Annual Report available at our corporate website.

02 Environmental Data

Input Data

Energy (Unit: TJ)

Category	2011	2012	2013
Electricity	6,056	6,093	5,658
Steam	807	770	616
LNG	997	1,202	1,090
Coal	1,223	1,160	1,067
Other	353	409	501
Total	9,436	9,634	8,932

- Applicable business sites: 16 Korean (production, office and R&D centers) and 55 overseas (production and office) 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: Third party verification completed (2008-2013), except for refrigerant emissions
- Data correction may occur after the completion of third party verification

Water (Unit: K ton)

Category	2011	2012	2013
Korea	6,373	5,498	6,921
Overseas	6,540	6,046	4,562
Total	12,913	11,544	11,483
Intensity (K ton/KRW 10 billion)	2.38	2.27	1.98

Ozone-depleting Substances (Unit: ton)

Category	2011	2012	2013
HCFC	Korea 1,070	772	514
(R22)	Overseas 2,881	2,548	3,419
Total	3,951	3,320	3,933

Output Data

GHG Emissions (Unit: K ton CO₂e)

Category	2011	2012	2013
Korea	Scope 1 145	145	145
	Scope 2 534	517	499
Overseas	Scope 1 297	264	234
	Scope 2 385	425	386
Total	1,361	1,351	1,264
Intensity (K tonCO ₂ e/KRW 100 billion)	2.51	2.65	2.17

- Applicable business sites: 16 Korean (production, office and R&D centers) and 55 overseas (production and office) sites
- Based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, the WRI's GHG Protocol, etc.
- Verification status: Third party verification completed (2008-2013), except for refrigerant emissions
- Data correction may occur after the completion of third party verification

(Unit: ton CO₂e)

Category	2011	2012	2013
Scope 3	Leased Properties 7,987	9,377	10,196
	Domestic Logistics (Transport) 95,282	42,344	41,807
	Business Trips 62,153	72,400	50,481
	Commuter Vehicles 6,314	5,075	3,679

- Verification status: Third party verification completed for leased properties, commuter vehicles (2009-2013) and for business trips (2011-2013)

Air Emissions (Unit: ton)

Category	Region	2011	2012	2013
NOx	Korea	3.3	2.2	3.2
	Overseas	79.0	74.3	75.3
	Total	82.3	76.5	78.5
SOx	Korea	0.6	0.8	0.4
	Overseas	47.6	46.7	46.4
	Total	48.2	47.5	46.8
Dust	Korea	7.5	7.3	9.9
	Overseas	58.1	66.5	39.5
	Total	65.6	73.8	49.4
VOCs	Korea(THC)	33.4 (11.1)	28.3 (9.4)	16.7
	Overseas	30.3	30.3	27.8

- Instead of VOCs, the emissions of Total Hydrocarbon(THC) is required to report for our Korean manufacturing sites according to Korean Environmental Regulation for painting facilities.
- The figures in "()" is the data disclosed in the previous year's report, which was expressed in ppm. The unit of measure for VOCs emissions has been changed to metric ton.

Waste Water Discharge (Unit: ton)

Category	2011	2012	2013
Korea	4,140,130	3,783,044	3,789,726
Overseas	1,451,776	1,252,379	1,234,801
Total	5,591,906	5,035,423	5,024,527

Waste Generation (Unit: ton)

Category	Region	2011	2012	2013
Recycle	Korea	38,739	30,332	29,003
	Overseas	81,124	83,000	92,124
	Total	119,863	113,332	121,127
Landfill	Korea	6,848	7,012	7,280
	Overseas	2,300	7,004	5,000
	Total	9,148	14,016	12,280
Incineration	Korea	5,437	5,432	5,261
	Overseas	40,726	30,662	28,581
	Total	46,163	36,094	33,842
Total	Korea (General)	48,490	39,636	39,309
	Korea (Regulated)	2,533	3,140	2,235
	Korea Total	51,023	42,776	41,544
	Overseas	124,150	120,666	125,705
	Total	175,173	163,442	167,249

- This report only presents the hazardous waste data from Korea as the definition of hazardous wastes varies from country to country.
- Heat recovery is included in incineration.

Health & Safety Data

Safety Data

Category	Region	2011	2012	2013
LTIFR ¹⁾	Korea	0.15	0.1	0.07
	Overseas	3.06	2.16	2.41
	Average	2.22	1.58	1.78
OIFR ²⁾	Korea	0	0	0
	Overseas	0	0	0
	Average	0	0	0
Fatality (No. of case)	Korea	0	0	2
	Overseas	0	0	0
	Total	0	0	2
Incident (No. of case)	Korea	8	5	3
	Overseas	406	279	302
	Total	414	284	305
Total Hours Worked	Korea	53,862,314	50,830,658	45,885,203
	Overseas	132,892,824	128,970,653	125,296,405
	Total	186,755,138	179,801,311	171,181,608

- 1) LTIFR: Lost-Time Injuries Frequency Rate (Number of lost-time injuries x 1,000,000) / (Total hours worked in accounting period)
- 2) OIFR: Occupational Injuries Frequency Rate (Number of occupational illness cases x 1,000,000) / (Total hours worked in accounting period). LG Electronics has employees who work in special conditions or who work with special materials undergo a special medical checkup on an annual basis. The results indicate that none of our employees contracted occupational diseases for the period between 2011 and 2013.

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 in the process of establishing a data validation system for each business area and improving our internal management system to manage the entire data from the system in the long term. 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.

Based on the internal materiality analysis, the data "volume released by product" and "discharge into water" is excluded from the 2013 disclosure.

EESH Certification

Global Certification Status (As of December 31, 2013)

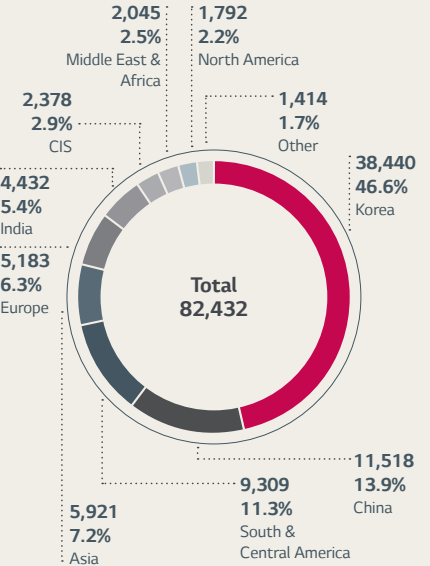
Region	Subsidiary	Country	City	Environmental Management	Health & Safety	Energy
North, Central & South America	LGEMX	Mexico	Mexicali	-	-	-
	LGERS	Mexico	Reynosa	ISO 14001	-	-
	LGEMM	Mexico	Monterey	ISO 14001	-	-
	LGEBR	Brazil	Taubate	ISO 14001	-	-
Europe		Brazil	Manaus	ISO 14001	-	-
	LGEMA	Poland	MIawa	ISO 14001	-	-
	LGEWR	Poland	Wroclaw	ISO 14001	OHSAS 18001	-
	LGEAK	Kazakhstan	Almaty	ISO 14001	OHSAS 18001	-
Middle East & Africa	LGERA	Russia	Ruja	ISO 14001	OHSAS 18001	-
	LGEEG	Egypt	Ismailia	ISO 14001	-	-
	LGEAT	Turkey	Istanbul	ISO 14001	OHSAS 18001	-
	LGESR	Saudi Arabia	Riyadh	ISO 14001	OHSAS 18001	-
Asia	LGESA	South Africa	Yohanesberg	-	-	-
	LGEIL	India	Pune	ISO 14001	OHSAS 18001	-
			Noida	ISO 14001	OHSAS 18001	ISO 50001
	LGETH	Thailand	Rayong	ISO 14001	OHSAS 18001	-
	LGEVN	Vietnam	Hung Yen	ISO 14001	-	-
	LGEVH	Vietnam	HaiPhong	ISO 14001	OHSAS 18001	-
	LGEIN	Indonesia	Cibitung	ISO 14001	OHSAS 18001	-
		Indonesia	Tanggerang	ISO 14001	OHSAS 18001	-
China	LGEND	China	Nanjing	ISO 14001	OHSAS 18001	-
	LGESY	China	Shenyang	ISO 14001	OHSAS 18001	-
	LGEHN	China	Hangzhou	ISO 14001	OHSAS 18001	-
	LGEHZ	China	Huizhou	ISO 14001	OHSAS 18001	-
	LGESH	China	Shanghai	ISO 14001	OHSAS 18001	-
	LGEKS	China	Kunshan	ISO 14001	OHSAS 18001	-
	LGEQD	China	Qingdao	ISO 14001	OHSAS 18001	GB/T23331
	LGEYT	China	Yantai	ISO 14001	OHSAS 18001	GB/T23331
	LGETR	China	Taizhou	ISO 14001	OHSAS 18001	-
	LGETA	China	Tainjin	ISO 14001	OHSAS 18001	-
	LGEQH	China	Qinhuangdao	ISO 14001	OHSAS 18001	-
	LGEQA	China	Qingdao	ISO 14001	OHSAS 18001	-
Korea	LGEPN	China	Nanjing	ISO 14001	OHSAS 18001	-
	LGEKR	Korea	LGdigital park	ISO 14001	OHSAS 18001	ISO 50001
		Korea	Gumi_TV	ISO 14001	OHSAS 18001	ISO 50001
		Korea	Gumi_Solar	ISO 14001	OHSAS 18001	ISO 50001
		Korea	Changwon1	ISO 14001	OHSAS 18001	ISO 50001
		Korea	Changwon2	ISO 14001	OHSAS 18001	ISO 50001
		Korea	Cheongju	ISO 14001	OHSAS 18001	ISO 50001
		Korea	Incheon	-	-	-
		Korea	Jeonju	ISO 14001	OHSAS 18001	-

* Based on all 41 production sites (the Incheon Site in Korea, which went into operation recently, is currently undergoing the certification process.)
※ Our 2013 report incorrectly stated that the Monterey Site acquired the ISO 18001 Certification.

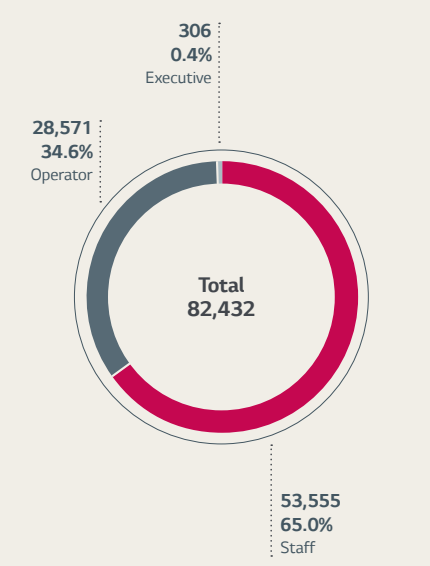
03 Social Data

Employees Data: Total 82,432 (As of December 31, 2013)

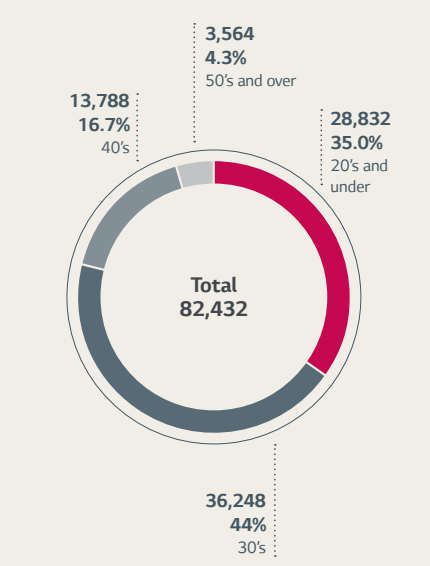
By Region (Unit: No. of employees (%))



By Position (Unit: No. of employees (%))



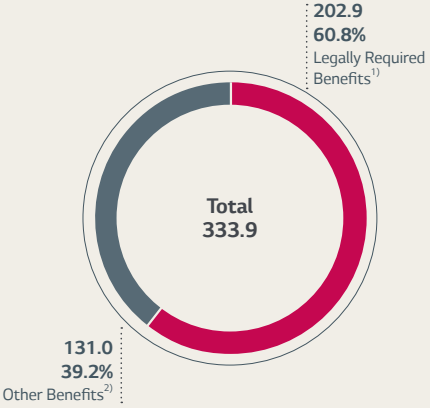
By Age (Unit: No. of employees (%))



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 billion/Korea)



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

Employee Benefits and Support Programs (Korea)

Category	Details
Leisure Activities	<ul style="list-style-type: none">• Vacation: Employees plan their yearly vacation at the beginning of the year and are encouraged to take their leaves freely• Resort Facilities: Employees have access to 10 resort facilities (i.e. condominiums and pensions) across Korea• Informal Groups: Hobby and volunteer groups
Childbirth and Maternity Leave	<ul style="list-style-type: none">• Lounge and nursing room for female employees; For female employees and pregnant/nursing employees• Childcare Facilities (Available in Seoul, Pyeongtaek and Changwon). Plans in place for expansion to all business sites• Maternity Leave: - Paid maternity leave for female employees before/after childbirth (up to 90 days)<ul style="list-style-type: none">- Time-off offered in the event of miscarriage/stillbirth (30-90 days), time-off offered for fertility issues (2 days)- Time-off offered to employees whose spouse has given birth (5 days)- Time-off offered to employees to raise infants and children under six year of age (up to 12months)- Reduced work hours offered to employees during child-rearing years (15-30 hours/week)
Housing and Stable Living	<ul style="list-style-type: none">• Housing Loans: Housing loans offered to employees who have served at least two years• Relocation Costs: Assistance offered to employees who relocated for work related reasons, such as transfer• Congratulatory/Condolence Cash Gift: Support for congratulatory events and funerals of employees and their families• Disaster Relief Support: Financial support offered to employees and their families who have suffered property damages caused by natural disasters
Medical/Health	<ul style="list-style-type: none">• Medical expenses for employees and their family members• Group insurance related to disasters: Operation of Health Care Center and Counseling Center• 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
Education	<ul style="list-style-type: none">• Scholarship for employees' children: Support for employees starting/resuming their education• Special lectures on healthcare, personal finance/investment, family life, etc.
Legally Required Benefits	<ul style="list-style-type: none">• National Pension, Health Insurance, Employment Insurance, Industrial Accident Compensation Insurance• Retirement Pension: Fixed benefits
Optional Benefits	<ul style="list-style-type: none">• KRW 1,000,000 worth of points awarded to employees annually• Points can be redeemed for personal development, leisure/health, gift & product purchasing

04 Independent Assurance Statement

To the Stakeholders of LG Electronics

The Korea Productivity Center (the "Assurer") was requested by LG Electronics, Inc. to provide independent assurance on the information presented in LG Electronics 2013-2014 Sustainability Report (the "Report") and hereby provides following assurance statements:

Responsibility and Independence

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.

Verification Standards

The independent assurance was performed in accordance with Type 1 and a moderate level of assurance engagement based on AA1000AS (2008) assurance standards. In order to check the reliability of the data collection process, such indicators including water consumption, waste and accident rate were reviewed in accordance with the Type 2 verification. For specific indicators, such as water consumption, waste and accident rates, Type 2 verification has been applied in order to check the reliability of the data collection process. The assurer checked the suitability of inclusivity, materiality, and responsiveness by following AA1000APS (2008) assurance principles. We also verified whether the information on the Report complies with the GRI G4 Guidelines.

Limitations

The Assurer conducted an assurance engagement on LG Electronics' 2013 performance by following the above assurance standards. We verified the reliability of LG Electronics' performance presented in the Report in following manners: financial data was verified based on the financial statement and disclosure documents audited by the auditing agency, and environmental and social performance data was verified by applying Type 2 and a moderate level of assurance engagement. The scope of on-site inspection was limited to the company's Seoul headquarters, and if further assurance process is performed, the result may change accordingly.

Methodology

The following method was used to provide the assurance about the Report:

- 1 Verified whether requirements from the core option on GRI G4 Guidelines were fulfilled
- 2 Verified consistency with the principles dictating the content and quality of sustainability reports based on the GRI G4 Guidelines.
- 3 Verified objectivity and appropriateness of key issues selected and content of the Report by reviewing media research and performing benchmark analysis.
- 4 Verified the suitability of the information and the accuracy of expressions through comparison analysis with other publications.
- 5 Verified the feasibility of LG Electronics' sustainability management strategies and executives' message presented in the Report through interviews with key executives.
- 6 Verified the evidence of data and information through on-site inspection of Seoul headquarters, as well as internal processes and systems.

Findings & Conclusion

The Assurer verified that the Report accurately and fairly illustrates LG Electronics' sustainability management activity and performance. Moreover, through the assurance, the Assurer verified that LG Electronics' Report fulfilled the requirements of the GRI G4 Guideline's Core Option. In case of General Standard Disclosures, the Assurer verified that the Report is prepared in compliance with the requirements of the Core Option. For Specific Standard Disclosures, the Assurer reviewed Disclosure on Management Approach (DMA) and indicators about material issues by using the reporting criteria process presented below.

1. Inclusivity: Participation of Stakeholders

The principle of inclusivity articulates that organizations should include stakeholders in the development and achievement of accountable and strategic responses to sustainability. LG Electronics identifies its key stakeholders into 9 groups, including shareholders, assessment institutes, customers, employees, and business partners. The Assurer verified that LG Electronics makes proactive communication with stakeholders by establishing dedicated com-

munication channels for each stakeholder group and defining their expectations. In particular, we highly think of LG Electronics' semiannual Stakeholder Consultation in that the conference serves as a core communication channel for the company's stakeholders. After each conference, LG Electronics implements appropriate response measures to stakeholders' feedback presented at the conference to bring about tangible improvements in its management practices.

2. Materiality: Identification and Reporting of 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. The Assurer verified that LG Electronics conducted materiality analysis on a yearly basis based on the Five-part Materiality model of AA1000SES (2008), a global standard for stakeholder engagement. In 2013, LG Electronics drew 11 material issues through the analysis. The Assurer also verified that LG Electronics fairly presents its major activities and performance related to the key issues in each section of the Report.

3. Responsiveness: 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. LG Electronics organized its responses into 5 different areas (environment, employee, shared growth, customer, and local community) for each material issue to enhance its responses to these issues based on strategies formulated for each area. In particular, we highly value that the range of LG Electronics' CSR activities have constantly extended to include its supply chain and overseas subsidiaries. In addition, we applaud the company for making a shift from simply monitoring resource efficiency to developing a model for measuring the performance of its CSR initiatives and resulting social changes, and regard such efforts as an exemplary case of strengthening the sustainability and significance of CSR initiatives.

Recommendation

The Assurer applauds 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. Building a synergistic system for sustainability management

We found that LG Electronics shows good performance in each key area such as environment, CSR, and ethics, and that the company's management system has been changing to focus on performance. We suggest LG Electronics to further advance the system to be more integrated so as to strengthen inter-connection among its activities and performances across the areas to create synergistic effect.

2. Improving accessibility in sharing information

LG Electronics shares various information on its sustainability management activities and performances through reports and website. We further suggest LG Electronics to create a comprehensive information sharing system that covers diverse communication channels to cope with possible information expansion in the future. Extending online reporting may be an advisable measure to this end since it can enhance faithfulness and timeliness in reporting information.

3. Monitoring improvements in employees' CSR activities

We found that the CSR awareness of LG Electronics' employees has been constantly improving over the years, recording 75 points in 2013. In this regard, we further suggest LG Electronics to establish a longer-term roadmap for raising employees' CSR awareness to promote changes in awareness and business approach, which will help bring about ongoing CSV activities and performances by employees, as evidenced in the case of the greener packaging initiative.

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

Sub Category	Material Issues	DMA & Indicators
Environment	• Reducing GHG Emissions • Developing Highly Energy Efficient Products	DMA-With the Environment EN3, EN4, EN5, EN6, EN7, EN15, EN16, EN17, EN18, EN19, EN27, EN28
Employees	• Guarantee of Basic Labor Rights/Human Rights • Improving Labor Relations/Grievance Resolution	DMA-With our Employees G4-10, G4-11, LA1, LA2, LA3, LA4, LA5, LA6, LA7, LA8, LA9, LA10, LA11, LA12, LA13, LA16, HR3, HR4, HR5, HR6, HR7, HR9, HR12
Suppliers	• Establishing Fair Trade Practices • Raising Corruption/Cartel Awareness	DMA-With our Suppliers G4-12, G4-13, G4-56, G4-57, G4-58 EC9, EN32, EN33, LA14, LA15, HR1, HR2, HR10, HR11, SO3, SO4, SO5, SO7, SO8, SO9, SO10,
Community	• Strengthening Engagement with Communities • Promoting Collaboration with Stakeholders • Developing Products/Services Customized for Local Needs	DMA-With the Community SO1, SO2, SO11
Customers	• Strengthening Product Stewardship (Defect/Post-Accident Response) • Providing Accurate Product/Service Information	DMA-With our Customers PR1, PR2, PR3, PR4, PR6, PR7



* AA1000AS (2008): AA1000 Assurance Standard (2008) is an international assurance standard, set by AccountAbility, that provides method of reporting sustainability management issues by evaluating the organization management on performances, compliance with principles, and reliability of performance information
* AA1000APS (2008): AA1000 AccountAbility Principles Standard (2008) is an international assurance standard set by AccountAbility that provides principles of AA1000 standards.

May 2014

Chairman, Korea Productivity Center

Hong Jin

Jin Hong

Director

Dong Soo Kim

D.S. Kim

Team Leader

Ki Hwan Lee

Team Leader

Tae Ho Park

Researcher

Sung Sang Lee

05 Memberships/Awards & Recognition

Membership			
Council of Economic Organizations	Federation of Korean Information Industries, CIO Forum	Korean Industrial Technology Association	Korea Intellectual Property Association (KINPA)
International Vaccine Institute		Korea Association of Industrial Designers (KAID)	Society of CAD/CAM Engineers
International Trademark Association (INTA)	Korea Association for ICT Promotion	Korea Listed Companies Association	Korea Home Network Industry Association
Organization of Consumer Affairs Professionals in Business	Korea Business Council for Sustainable Development (KBCSD)	(KLCA)	Korea Audit Bureau of Circulations
Industrial Health Association	Korea Employers Federation	Korea Forum for Progress	Korea Investor Relations Service
Korean Society of Mechanical Engineers (KSME)	Korea Economic Research Institute	Korean Society for Noise and Vibration Engineering (KSNVE)	Digital Europe
Korea Chamber of Commerce and Industry	Fair Competition Federation		European Committee of Domestic Equipment Manufacturers (CECED)
The Korean Institute of Electrical Engineers	Accreditation Board for Engineering	Korea Smart Grid Association	
Trade Related IPR Protection Association (TIPA)	Education of Korea	GS1 Korea	Quality Brand Protection Committee (QBPC)
Korean Academy for Trade Credit Insurance	Korea Advertiser Association	Korea Electronics Association	
Maekyung Safety and Environment	Korea Management Association	Korea Association of Electronics Environment	ZigBee Alliance
International Council Society of Industrial Design (ICSID)	Licensing Executive Society Korea (LES Korea)	Korean Information Display Society (KIDS)	Japan Article Management Promotion Consortium (JAMP)
Center for Asian Law	Korea Micro Joining Association (KMJA)	Telecommunication Technology Association (TTA)	Electronic Industry Citizenship Coalition (EICC)
The Foundation of Korean Industries	Korea International Trade Association		
Korea Electronics Association (Private Sector Council for Electronics Trade Promotion)	Korea Invention Promotion Association	Korea Products Safety Association	United Nations Global Compact (UNGC)
Korea Radio Promotion Association	Korea Association of Information & Telecommunication	Korea Intellectual Property Protection Association (KIPRA)	
Awards & Recognition			
Date	Award/Recognition	Awarded by	
February 2013	LG Drum Washing Machine ranked first in sales for the sixth consecutive year (U.S.)	Stevenson Company	
February 2013	23 product models were honored in the product category (Discipline 1.0) and three in the communication category (Discipline 3.0) at the 2013 iF Design Award	iF Design Award	
March 2013	Received ENERGY STAR Partner of the Year Award	U.S. Environmental Protection Agency	
April 2013	Received the International Winner Awards in the Large Screen TV and Emerging Technology categories	SEAD	
June 2013	Received the Intersolar Award in the Photovoltaics category at the 2013 Intersolar Exhibition	Intersolar EU	
June 2013	Received the Best Audio-Visual Brand Award at the 2013 Which? Awards	Which?	
June 2013	Four LG product models (including TV and Monitor) received the Best Product of the Year Award at the 2013 Plus X Awards	German Media Association	
July 2013	Received the Prime Minister's Prize at the 17th Energy Winner Awards (for the second consecutive year)	Consumers Korea/Ministry of Trade, Industry & Energy	
August 2013	LG 55-inch Curved OLED TV received the European Design TV 2013-2014 Award at the EISA Awards 2013-2014	European Imaging and Sound Association (EISA)	
September 2013	LG Curved OLED TV and G2 received the Innovation Award at the KES 2013	KES	
October 2013	Received the Presidential Prize at the Good Design Awards (for the third consecutive year)	Ministry of Trade, Industry & Energy/Korea Institute of Design Promotion (KIDP)	
November 2013	Received the Grand Prize at the 2013 Korea Green Company Awards	Ministry of Environment/Korea Environmental Industry & Technology Institute	
November 2013	Received the Presidential Commendation on the Product Safety Day	Ministry of Trade, Industry & Energy/Korea Products Safety Association	
November 2013	LG product models received 15 Innovations Awards at the International CES 2014, including the Best of Innovations Award for the 77-inch Ultra HD Curved OLED TV	U.S. Consumer Electronics Association (CEA)/ Industrial Designers Society of America (IDSA)	
December 2013	LG OLED TV received the Grand Prize (Minister of Environment) at the Green Packaging Awards	Ministry of Environment/ Korea Environment Packaging Promotion Institute	

06 GRI/UNGC Index

GRI Index						
	G3.1	G4.0	Indicators	Related Contents	Application Level	Page
Strategy and Analysis (2)	1.1	G4-1	Statement from the most senior decision-maker	CEO Message, Top Management Messages,	●	4-5
	1.2	G4-2	Provides a description of Key impacts, risks, and opportunities	Key Progress and Performance	●	4-6, 28-29
Organizational Profile (14)	2.1	G4-3	Report the name of the organization	Corporate Overview & Economic Performance	●	12-17
	2.2	G4-4	The primary brands, products, and services	Corporate Overview & Economic Performance	●	12-17
	2.4	G4-5	The location of the organization's headquarters	Corporate Overview & Economic Performance	●	12-17
	2.5	G4-6	The number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	Corporate Overview & Economic Performance	●	12-17
	2.6	G4-7	The nature of ownership and legal form	Corporate Governance	●	8
	2.7	G4-8	The markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Corporate Overview & Economic Performance	●	12-17
	2.8	G4-9	Scale of the organization	Corporate Overview & Economic Performance	●	12-17
	LA1	G4-10	Total workforce	Global Operation, Employees by Country	●	16-17, 75, 89
	LA4	G4-11	The percentage of total employees covered by collective bargaining agreements	Protection of Labor Rights	●	80-83
		G4-12	The organization's supply chain	Win-Win Growth	●	57
	2.9	G4-13	Any significant changes during the reporting period regarding the organization's size, sutructure, ownership, or its supply chain	Corporate Overview & Economic Performance	●	12-17
	4.11	G4-14	Whether and how the precautionary approach or principle is addressed by the organization	CSR Management System, CSR in Supply Chain	●	18-19, 60-63
	4.12	G4-15	List Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Membership/Awards & Recognition	●	92
	4.13	G4-16	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization	Membership/Awards & Recognition	●	92
Identified Material Aspects And Boundaries (7)	2.3	G4-17	A. All entities included in the organisation's consolidated financial statements or equivalent documents. B. Whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report	Corporate Overview & Economic Performance, LG Electronics Business Report 2013	●	12-17
	3.5	G4-18	A. The process for defining the report content and the aspect boundaries. B. How the organisation has implemented the reporting principles for defining report content.	Stakeholder Engagement & Communication, Materiality Analysis	●	20-23, 26-27
		G4-19	List all the material Aspects identified in the process for defining report content	Materiality Analysis	●	26-27
	3.6	G4-20	For each material Aspect, report Aspect Boundary within the organization	Disclosure on Management Approach	●	30, 38, 56, 66, 74
	3.7	G4-21	For each material Aspect, report the Aspect Boundary outside the organization	Disclosure on Management Approach	●	30, 38, 56, 66, 74
	3.10	G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	Some data from the previous report have been adjusted.	●	85, 86-88
	3.11	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Report Overview	●	2
Stakeholder Engagement (4)	4.14	G4-24	List of stakeholder groups engaged by the organization	Stakeholder Engagement & Communication	●	20-23
	4.15	G4-25	Basis for identification and selection of stakeholders with whom to engage	Stakeholder Engagement & Communication	●	20-23
	4.16	G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholder Engagement & Communication, Stakeholder Consultation on CSR, Materiality Analysis	●	20-23, 24-25, 26-27
	4.17	G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Stakeholder Engagement & Communication, Stakeholder Consultation on CSR, Materiality Analysis	●	20-23, 24-25, 26-27
Report Profile (6)	3.1	G4-28	Reporting period such as fiscal or calendar year) for information provided	Report Overview	●	2
	3.2	G4-29	Date of most recent previous report (if any)	June, 2013	●	97
	3.3	G4-30	Reporting cycle such as annual, biannual)	Report Overview	●	2
	3.4	G4-31	Provide the contact point for questions regarding the report or its contents	Report Overview	●	2
	3.12	G4-32	GRI Index ('In accordance' option, GRI Content index, and the external assurance report)	Independent Assurance Statement, GRI Index	●	90-91, 93-96
	3.13	G4-33	A. Policy and current practice with regard to seeking external assurance for the report. B. If not included in the assurance report accompanying the sustainability report, the scope and basis of any external assurance provided. C. Relationship between the organisation and the assurance providers. D. Whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report	Report overview, Independent Assurance Statement	●	2, 90-91
Governance (22)	4.1	G4-34	Report the governance structure of the organization, including committees of the highest governance body	Corporate Governance	●	8
		G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees		○	8
		G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	Corporate Governance, CSR Management System	●	8, 18-19
	4.4	G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics If consultation is delegated, describe to whom and any feedback processes to the highest governance body	Corporate Governance	●	8
	4.1	G4-38	Report the composition of the highest governance body and its committees	Corporate Governance	●	8
	4.2	G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	Corporate Governance	●	8
	4.7	G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	Corporate Governance	●	8
	4.6	G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed	Corporate Governance	●	8

	G3.1	G4.0	Indicators	Related Contents	Application Level	Page
	4.6	G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	Corporate Governance	●	8
		G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	Corporate Governance	●	8
	4.10	G4-44	A. Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. B. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organisational practice."	Corporate Governance	●	
	4.9	G4-45	A. The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. B. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities."	Corporate Governance, CSR Management System	●	8, 18-19
		G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	Corporate Governance	●	8
	4.4	G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	Corporate Governance, CSR Management System	●	8, 18-19
		G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	Corporate Governance	●	8
		G4-49	Report the process for communicating critical concerns to the highest governance body	CSR Management System	●	18-19
Ethics and Integrity (3)	4.5	G4-51	Report the remuneration policies for the highest governance body and senior executives	Corporate Governance	●	8
		G4-52	Report the process for determining remuneration Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management Report any other relationships which the remuneration consultants have with the organization		○	
	4.4	G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable		○	
		G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country		○	
		G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country		○	
		G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Jeong-Do Management	●	10
		G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines		○	
		G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	Jeong-Do Management	●	10

	G3.1	G4.0	Indicators	Related Contents	Application Level	Page
DMA		G4-DMA	Report why the Aspect is material Report how the organization manages the material Aspect or its impacts Report the evaluation of the management approach	Disclosure on Management Approach	●	30, 38, 56, 66, 74
Economic						
Economic Performance (4)	EC1	EC1	Direct economic value generated and distributed	Shared Economic Gains	●	13
	EC2	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Exploring Opportunities and Managing Risks Associated with Climate Change	●	49
	EC3	EC3	Coverage of the organization's defined benefit plan obligations	Social Data (Benefits and Support Programs)	●	89
	EC4	EC4	Financial assistance received from government	Shared Economic Gains	●	13
Market Presence (2)	EC5	EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Fair Evaluation and Rewards	●	76-77
	EC7	EC6	Proportion of senior management hired from the local community at significant locations of operation		○	
Indirect Economic Impacts (2)	EC8	EC7	Development and impact of infrastructure investments and services supported	Shared Economic Gains, Social Contribution	●	13, 66-73
	EC9	EC8	Significant indirect economic impacts, including the extent of impacts	Shared Economic Gains, Social Contribution	●	13, 67
Procurement Practices (1)	EC6	EC9	Proportion of spending on local suppliers at significant locations of operation	Win-Win Growth	●	57
Environmental						
Materials (2)	EN1	EN1	Materials used by weight or volume	Environmental Data	●	86-87
	EN2	EN2	Percentage of materials used that are recycled input materials	Life Cycle Assessment	●	42-44
Energy (5)	EN3,4	EN3	Energy consumption within the organization	Environmental Data	●	86-87
		EN4	Energy consumption outside of the organization		○	
		EN5	Energy intensity		○	
	EN5	EN6	Reduction of energy consumption	Low-carbon Management, Minimizing Environmental Impact at Our Business Sites	●	49-51, 52-53
	EN6	EN7	Reductions in energy requirements of products and services	Product with Greener Features, Low-Carbon Management	●	39-44, 49-51
Water (3)	EN8	EN8	Total water withdrawal by source	Water Use Management, Environmental Data	●	52, 86-87
	EN9	EN9	Water sources significantly affected by withdrawal of water		○	
	EN10	EN10	Percentage and total volume of water recycled and reused	Water Use Management, Environmental Data	●	52, 86-87

	G3.1	G4.0	Indicators	Related Contents	Application Level	Page
Biodiversity (4)	EN11	EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas	LGE's facilities are located in industrial complexes.	●	53
	EN12	EN12	Description of significant impacts of activities, products, and services on Biodiversity			
	EN13	EN13	Habitats protected or restored			
	EN15	EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk			
Emissions (7)	EN16	EN15	Direct greenhouse gas(GHG) emissions (scope	Environmental Data (Input Data (GHG))	●	86-87
	EN16	EN16	Energy indirect greenhouse gas(GHG) emissions (scope	Environmental Data (Input Data (GHG))	●	86-87
	EN17	EN17	Other indirect greenhouse gas(GHG) emissions (scope	Environmental Data (Input Data (GHG))	●	86-87
		EN18	Greenhouse gas (GHG) emissions intensity	Environmental Data (Input Data (GHG))	●	86-87
	EN18	EN19	Reduction of greenhouse gas(GHG) emissions	Low-carbon Management	●	49-50
	EN19	EN20	Emissions of ozone-depleting substances (ODS)	Environmental Data (Ozone Depleting Chemicals)	●	86-87
	EN20	EN21	Nox, Sox, and other significant air emissions	Environmental Data (Air Emissions)	●	86-87
Effluents and Waste (5)	EN21	EN22	Total water discharge by quality and destination	Environmental Data (Air Emissions)	●	86-87
	EN22	EN23	Total weight of waste by type and disposal method	Minimizing Discharge of Waste, Environmental Data	●	52, 86-87
	EN23	EN24	Total number and volume of significant spills	No Significant Spills Occurred in 2013	●	
	EN24	EN25	Weight of transported, imported, exported, or treated waste deemed hazardous		○	
	EN25	EN26	Identity, size, protected status, and biodiversity value of water bodies and realated habitats significantly affected by the organization's discharges of water and runoff		○	
Products and Services (2)	EN26	EN27	Extent of impact mitigation of environmental impacts of products and services	Product with Greener Features, Low-carbon Management	●	42-47, 48-55
	EN27	EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Life Cycle Assessment	●	42-44
Compliance (1)	EN28	EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	None of significant spills occurred in 2013	●	
Transport (1)	EN29	EN30	Significant environmental impacts of transporting products and other goods and materials of the organization's operations, and transporting members of the workforce	Low-carbon Management, Environmental Data	●	49-51, 86-87
Overall (1)	EN30	EN31	Total environmental protection expenditures and investments by type		○	
Supplier Environmental Assessment (2)		EN32	Percentage of new suppliers that were screened using environmental criteria	CSR in Supply Chain	●	62
		EN33	significant actual and potential negative environmental impacts in the supply chain and actions taken	CSR in Supply Chain	●	62
Environmental Grievance Mechanisms (1)		EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms		○	
Social						
Labor Practices and Decent Work						
Employment (3)	LA2	LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Global Workforce, Social Data	●	75, 89
	LA3	LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Social Data	●	89
	LA15	LA3	Return to work and retention rates after parental leave, by gender	Global Workforce	●	75
Labor/Management Relations (1)	LA5	LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Labor Relations	●	80
Occupational Health and Safety (4)	LA6	LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Labor Relations	●	80
	LA7	LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Incident Rate, Safety Data, EESH Management	●	54, 87
	LA8	LA7	Workers with high incidence or high risk of diseases related to their occupation	EESH Management	●	53-54
	LA9	LA8	Health and safety topics covered in formal agreements with trade unions	EESH Management	●	53-54
	LA10	LA9	Average hours of training per year per employee, by gender, and by employee category	Talent Management	●	77
Training and Education (3)	LA11	LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Global Workforce, Talent Management	●	75, 76-77
	LA12	LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Global Workforce, Talent Management	●	75, 76-77
	LA13	LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Global Workforce, Social Data	●	75, 89
Equal remuneration for women and men (1)	LA14	LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Fair Evaluation and Rewards	●	77
Supplier Assessment for Labor Practices (2)		LA14	Percentage of new suppliers that were screened using labor practice criteria	CSR in Supply Chain	●	61
		LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	CSR in Supply Chain	●	60-62
Labor Practices Grievance Mechanisms (1)		LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	Labor Relations	●	80
Human Rights						
Investment (2)	HR1	HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	CSR in Supply Chain	●	60-63
	HR3	HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Jeong-Do Management	●	10
Non-discrimination (1)	HR4	HR3	Total number of incidents of discrimination and corrective actions taken	Jeong-Do Management	●	10
Freedom of Association and Collective Bargaining (1)	HR5	HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	CSR in Supply Chain, Protection of Labor Rights	●	60-62, 80-83
Child Labor (1)	HR6	HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	CSR in Supply Chain, Protection of Labor Rights	●	60-62, 80-83
Forced or Compulsory Labor (1)	HR7	HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	CSR in Supply Chain, Protection of Labor Rights	●	60-62, 80-83
Security Practices (1)	HR8	HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	Protection of Labor Rights	●	83
Indigenous Rights (1)	HR9	HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	LGE's Facilities are Located in Industrial Complexes.	●	
Assessment (1)	HR10	HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	Protection of Labor Rights	●	80-83

	G3.1	G4.0	Indicators	Related Contents	Application Level	Page
Supplier Human Rights Assessment (2)	HR2	HR10	Percentage of new suppliers that were screened using human rights criteria	CSR in Supply Chain	●	61
		HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	CSR in Supply Chain	●	62
Human Rights Grievance Mechanisms (1)	HR11	HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	Jeong-Do Management, Grievance Resolution System	●	10, 80
Society						
Local Communities (2)	S01	S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Social Contribution	●	60-63
		S02	Operations with significant actual and potential negative impacts on local communities	EESH Management, Environmental Data	●	48, 86-87
Anti-corruption (3)	S02	S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Compliance, Jeong-Do Management	●	9-10
		S04	Communication and training on anti-corruption policies and procedures	Compliance, Jeong-Do Management	●	9-10
		S05	Confirmed incidents of corruption and actions taken	Jeong-Do Management	●	10
Public Policy (1)	S06	S06	Total value of political contributions by country and recipient/beneficiary	Prohibited in Korea by Law	●	
Anti-competitive Behavior (1)	S07	S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Fair Trade	●	11
Compliance (1)	S08	S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Fair Trade	●	11
		S09	Percentage of new suppliers that were screened using criteria for impacts on society	CSR in Supply Chain	●	60-62
Supplier Assessment for Impacts on Society (2)		S010	Significant actual and potential negative impacts on society in the supply chain and actions taken	CSR in Supply Chain	●	60-62
Grievance Mechanisms for Impacts on Society (1)		S011	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	Grievance Resolution System	●	80
Product Responsibility						
Customer Health and Safety (2)	PR1	PR1	Percentage of significant products and services categories for which health and safety impacts are assessed for improvement	Eco-Index	●	39
	PR2	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Responsible Communication	●	96
Product and Service Labeling (3)	PR3	PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant products and services subject to such information requirements	Product with Greener Features	●	39-47
	PR4	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Compliance, Responsible Communication	●	9, 96
	PR5	PR5	Results of surveys measuring customer satisfaction	Consumer Satisfaction Activities	●	33
Marketing Communications (2)	PR6	PR6	Sale of banned or disputes products	Jeong-Do Management	●	10
	PR7	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	Fair Trade	●	11
Customer Privacy (1)	PR8	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Personal Information Protection	●	36-37
Compliance (1)	PR9	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Compliance, Responsible Communication	●	9, 96

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

UNGC Index

Ten Principles		Our Activities	Related Content	page
Human Rights	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	18-19
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	57-59
	Principle 4: the elimination of all forms of forced and compulsory labour;		CSR in Supply Chain	60-63
	Principle 5: the effective abolition of child labour; and		Protection of Labor Rights	80-83
	Principle 6: the elimination of discrimination in respect of employment and occupation.		Protection of Labor Rights	80-83
	Principle 7: Businesses should support a precautionary approach to environmental challenges;		Win-Win Growth	57-59
Environment	Principle 8: undertake initiatives to promote greater environmental responsibility; and	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.	CSR in Supply Chain	60-63
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.		CSR Management System	18-19
			Product with Greener Features, Low-carbon Management	38-55
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.	Jeong-Do Management	10
			Protection of Labor Rights	80-83
			Win-Win Growth	57-59
			CSR in Supply Chain	60-63

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2009
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