

# Questions Concerning LGE's Pursuit of Sustainability

## cor Por atE sustainabiLity ManaGEMEnt systEM

### cor Por atE GoVEr nance PAGE 22

LG Electronics was the first Korean corporation to establish a holding company system. Since then it has been strengthening its business competitiveness and corporate value by ensuring fair and transparent management that is centered around its Board of Directors.

### sustainabiLity ManaGEMEnt PAGE 24

After drawing up its own CSM principles, LG Electronics created an array of related organizations to make sure it could pursue sustainability, such as CSM Committee, CSM Council, and CSM Office. LG Electronics strives to be a top global company that is both sustainable and respected.

# 1.

Do the CSM activities that LG Electronics carries out contribute to its economic performances in a practical way?

# 2.

Does LG Electronics' top management consider sustainability as an important factor when making decisions?

# 3.

Who exactly are considered as important stakeholders and how does LG Electronics communicate with them?

## [stakeholder Engagement](#) PAGE 26

LG Electronics has established a variety of channels to communicate and cooperate with various stakeholders—from shareholders and consumers to suppliers, communities, and employees—while also doing its utmost to increase mutual trust between and among every group.

## [Materiality analysis](#) PAGE 28

To attain better results from its CSM activities as well as a fair evaluation concerning the results, LG Electronics carried out a materiality analysis in three steps. Through the materiality test, the interests of every stakeholder were faithfully reflected in this report.



[tOP ManaGEMEnt]

as of the end of July 2009



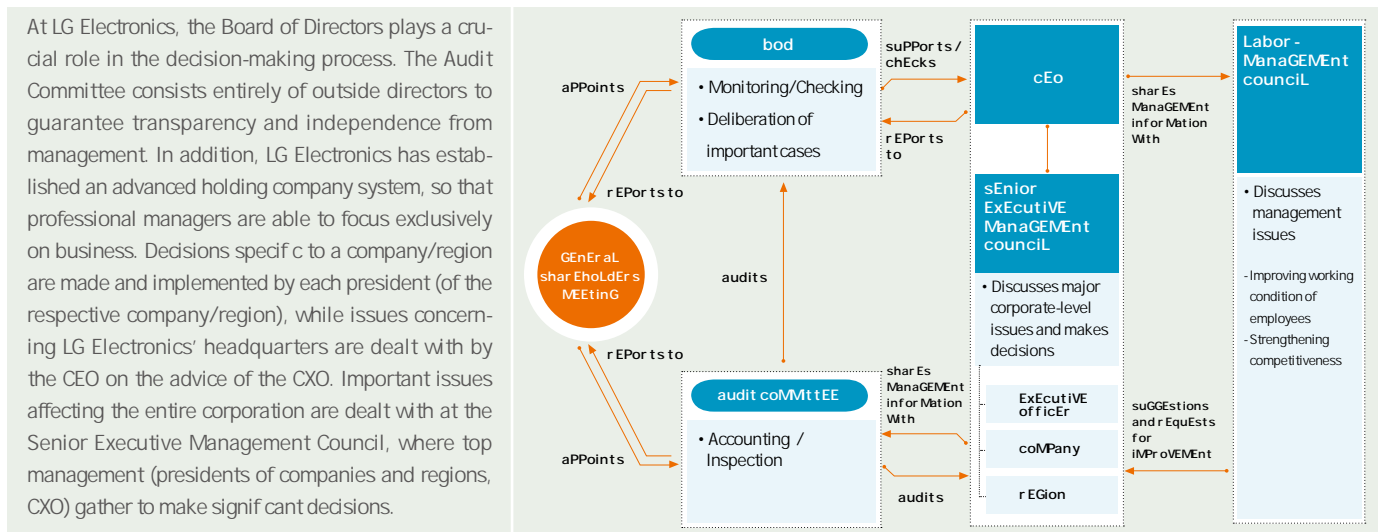
Top Management

The top management at LG Electronics consists of Vice Chairman and CEO Yong Nam, five presidents in charge of LGE's five companies, one head for each of the nine business functions, and eight presidents responsible for the eight respective regions. Some of our top management was recruited from global corporations with excellent performance records and as part of a team they all have now committed themselves to increasing

LG Electronics' global competitiveness while also helping to establish a working process that meets the global standards.

Executives are evaluated in an impartial manner through an annual assessment whereby they are asked about the challenges they have overcome and the goals they have set and achieved throughout the year. The way in which they are rewarded or not depends entirely on whether they have met their targets, both quantifiable and non-quantifiable, which is based on an integrated evaluation of individual capabilities.

[LGElectronics' dEcision-MaKInGPr ocEss]



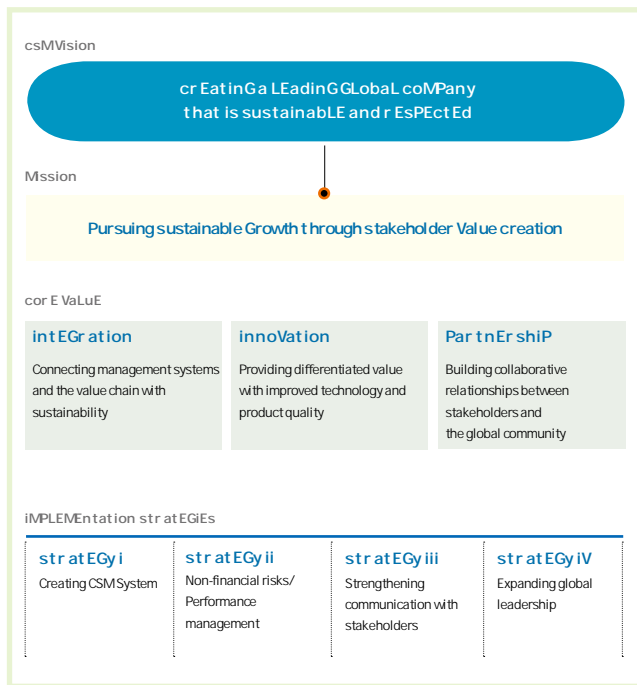


# Sustainability Management

Ever since its establishment, LG Electronics has continued to strive for corporate sustainability management (CSM) based on respect-based management and customer value creation. Through balanced consideration of social, environmental and economic aspects, which form the pillars of sustainable development, LG Electronics is doing its part to bring about a cleaner environment and a more conscientious society.

## Corporate Sustainability Management System

LG Electronics will focus its management efforts on stakeholder value creation by connecting the essence of corporate management with the principles, strategies, and tools of CSM.



## Establishment of CSM Principles

LG Electronics established its CSM principles in order to fulfill its social responsibility in a systematic way. A global leader in the electronics industry, priority is always placed on stakeholders and on innovation, thereby providing the highest value to the company's stakeholders.

### csMPr inciPLES

1. LG Electronics' (LGE) sustainability management principles have become the standard against which company-wide management values are judged.
2. LGE enhances our customers' quality of life by offering innovation products.
3. LGE continues to create revenue for stakeholders and investors by means of technological developments and innovative management.
4. LGE encourages self-realization and offer rewards to acknowledge the creativity and individuality of our employees.
5. LGE is constantly evolving, together with our suppliers, through fair trade and collaborative relationships.
6. Based on our broad perspective that takes every process into consideration, LGE contributes to the creation of a pleasant environment by minimizing the environmental impact created during production.
7. In our role as a corporate citizen, LGE performs social contribution activities to fulfill our social responsibilities.
8. LGE takes both the opinions of our stakeholders and social impact into consideration when establishing strategies and launching new enterprises.
9. LGE evaluates the success of our corporate sustainability management principles and provide regular updates, both inland and overseas.

## PREPARING TO JOIN THE UN GLOBAL COMPACT

The UN Global Compact is a set of principles designed to have organization fulfill their social responsibilities and improve corporate practices through voluntary participation with the goal of realizing a sustainable global economy and solving issues related to globalization. With the goal of joining the UN Global Compact in 2009, LG Electronics is in the midst of carrying out an assessment throughout the corporate on human rights, labor issues, environment, and anti-corruption, as it plans to use this as a chance to raise awareness among employees and as a starting point to establish an improvement plan in all of these areas.

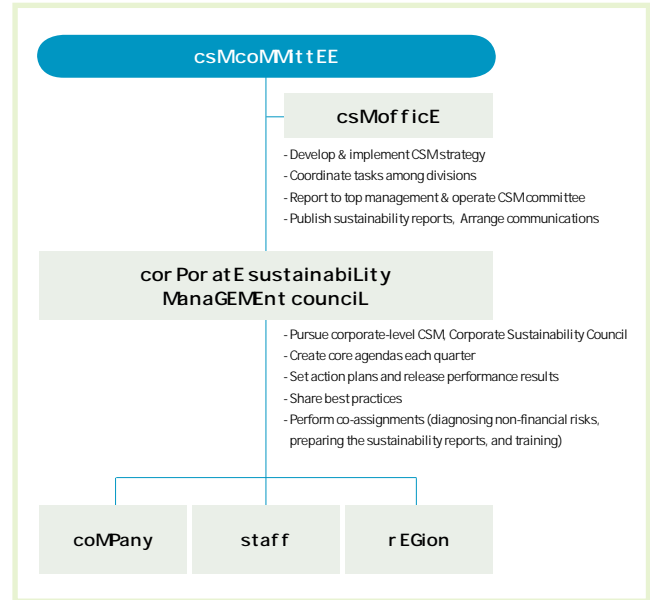
## CSM Governance

For a more systematic approach to CSM, which is fast taking root as a global standard in business, LG Electronics has established Corporate Sustainability Management Committee (CSM Committee) as top decision-making body. The quarterly CSM Committee consists of CEO as a chairman, each president of company/region, and C-Level executives. The CSM Committee is responsible for approving corporate CSM strategy and policy such as joining the UN Global Compact and operates sub committees including Jeong-do management and supply chain sustainability.

The CSM Council and CSM Office are implementation body to carry out strategic tasks, which are decided by CSM Committee. The CSM Council consists of managers in headquarters and each company/region to discuss and perform corporate-wide tasks including corporate strategy, human resources, labor-management, environment & safety, social contribution, ethics, fair trade, corporate communication, and IR. The CSM Office is responsible for promoting in-house understanding of the importance of CSM activities, coordinating and supporting of tasks, building up networking ties, and publishing sustainability report, among its responsibilities.

Based on these CSM governance, LG Electronics has been focusing on formulating CSM strategies and the implementation of roadmaps, strengthening stakeholder communication, integrating the management of non-financial risks and performance evaluation, building up

internal competencies, and linking CSM activities with brand management and marketing. LG Electronics will make every effort to carry out corporate-wide CSM activities as well as reflect multiple stakeholders' opinion into business.



### [csMrisks and Pr oJEct s by sEctor ]

functional issuEs	PotEntial r isks	sEctor Pr oJEct s
huMan riGhts/Labor Pr acticEs	<ul style="list-style-type: none"> <li>Non-financial risks related to overseas sites and supply chains require better management</li> </ul>	<ul style="list-style-type: none"> <li>Reinforce corporate policy on human rights/labor practices</li> <li>Manage corporate sustainability/non-financial risks</li> </ul>
Procur EMEnt/Ethics	<ul style="list-style-type: none"> <li>Non-financial factors (concerning transactions with suppliers, diagnosis and support of suppliers) need to be incorporated</li> </ul>	<ul style="list-style-type: none"> <li>Establish contractual requirement on suppliers to be in compliance with ethics</li> <li>Supply chain sustainability/non-financial risk management</li> </ul>
cLiMatE change	<ul style="list-style-type: none"> <li>Carbon risks related to process/products</li> <li>Focused on compliance with regulations</li> </ul>	<ul style="list-style-type: none"> <li>Establish a global response system to UNFCCC</li> <li>Participate in Carbon Disclosure Project (CDP)</li> <li>Secure carbon emission credit (mid-, long-term goal)</li> </ul>
EstabLishMEnt of GlobaL coLLectioN/di sPosaL systEMof E-WastE	<ul style="list-style-type: none"> <li>Collect/dispose of E-waste focused on Korea</li> <li>Respond to Waste Electrical and Electronic Equipment (WEEE) Directive</li> <li>Globally integrated environmental management system is required</li> </ul>	<ul style="list-style-type: none"> <li>Establish a global system of collecting and disposing of E-waste (in cooperation with federal/local governments, and telecommunications carriers)</li> <li>Promote campaigns to collect E-waste</li> </ul>
diffErEntiatE Gr EE n/sociaL br and s	<ul style="list-style-type: none"> <li>Lack of consistency in promotion</li> <li>Need to integrate green/social aspects into brands</li> </ul>	<ul style="list-style-type: none"> <li>Build sustainable/eco-friendly brands (global communication)</li> <li>Link CSM to marketing</li> </ul>
non-financ iaL r isks MaNaGEMEnt	<ul style="list-style-type: none"> <li>Insufficient non-financial strategies/goals in social and environmental sectors</li> <li>Systematic approach to non-financial performance (data) management needed</li> </ul>	<ul style="list-style-type: none"> <li>Expand corporate non-financial risk evaluation/diagnosis</li> <li>Monitor risks/performances by division</li> </ul>
PubLication of sustainabiLiTy r EPor t s	<ul style="list-style-type: none"> <li>Limited to domestic business sites and headquarters</li> <li>Insufficiently reflects the needs of stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Publish reports based on the Global Reporting Initiative's (GRI) sustainability reporting guidelines criteria and which are authorized by a third party</li> <li>Have CSM Council play a greater role</li> </ul>
coMMunication With stakEhoLdEr s	<ul style="list-style-type: none"> <li>Improve management performances in non-financial (social and environmental) sectors</li> <li>Insufficient disclosure of CSM performances</li> </ul>	<ul style="list-style-type: none"> <li>Communicate more CSM information and performances to external stakeholders</li> <li>Selected as a leading CSM corporation</li> </ul>



# Stakeholder Engagement

We engage stakeholders around the world in all aspects of our business activities. Well aware that building mutual trust with stakeholders is the most important factor to guaranteeing the long-term sustainable growth of a corporation, LG Electronics is opening a wide range of communication channels to respect and respond to the concerns of stakeholders.

Main stakeHolders	stakeHoler characteristics	Pr iM a r y r EsPonsibiLi t i Es
custoMers	In line with its vision of creating greater value for our customers, LG Electronics aims to satisfy a variety of customers around the world. LG Electronics had total sales of KRW 49 trillion globally, with 30% in North America, 18% in Europe, and 13% in Korea in 2008.	<ul style="list-style-type: none"> <li>• Increase customer satisfaction</li> <li>• Supply safe products and services</li> <li>• Fair marketing, provide accurate information</li> <li>• Protect customer privacy</li> </ul>
shar EhoLdEr s/ inVEstors	As of 2008 year-end, the total number of LG Electronics shareholders was 143,713, with the aggregate value of the listed common stock standing at KRW 10,819.7 billion. Shareholders consisted of the holding company, LG Corporation (31.1%), individuals (42.1%), and foreign investors (26.8%).	<ul style="list-style-type: none"> <li>• Publish transparent management information</li> <li>• Enhance investment value through increased efficiency of management</li> <li>• Improve corporate value through CSR activities</li> </ul>
suPPLiEr s	LG Electronics currently has roughly 5,500 suppliers (those with global direct materials costs), with purchasing accounting for about 80% of total sales.	<ul style="list-style-type: none"> <li>• Fair trade</li> <li>• Prompt payments</li> <li>• Support suppliers' activities related to CSR</li> </ul>
coMMunitiEs	LG Electronics has 82 overseas subsidiaries in more than 120 countries. With 30 production subsidiaries and 41 sales subsidiaries, the number of local employees working for LG Electronics has reached 57,003 (inclusive of Korean employees stationed in foreign countries), while the amount of local purchases makes up roughly half of total purchases (based on global purchasing results).	<ul style="list-style-type: none"> <li>• Minimize adverse impact on the immediate environment and its vicinity</li> <li>• Respect local cultures and customs</li> <li>• Promote social contribution programs</li> <li>• Hire local residents and contribute to local economies</li> </ul>
EMPLoyEEs	As of the end of 2008, the total number of employees at LG Electronics was 84,090, of whom 27,087, or 32.2%, were domestic employees, with 57,003, or 67.8%, working overseas, marking a 2,000-employee increase over the previous year.	<ul style="list-style-type: none"> <li>• Protect human rights and respect diversity</li> <li>• Fair evaluation and rewards</li> <li>• Continuous career development opportunities</li> <li>• Ensure safe and healthy work environments</li> </ul>
fEdEr aL/LoCaL GoVEr nMEnts	In the more than 120 countries where it is doing business, LG Electronics is complying with all local and federal laws and regulations and adhering to federal tax laws. It is also participating in many joint R&D projects with local governments.	<ul style="list-style-type: none"> <li>• Comply with all regulations</li> <li>• Pay taxes</li> </ul>
nGos/ intEr national or Ganizations	When it comes to CSR activities, LG Electronics supports and cooperates with NGOs and international bodies.	<ul style="list-style-type: none"> <li>• Reduce greenhouse gas emissions</li> <li>• Participate in and support efforts to address global social issues</li> </ul>



**coMmunication channELs**

**dEtails**

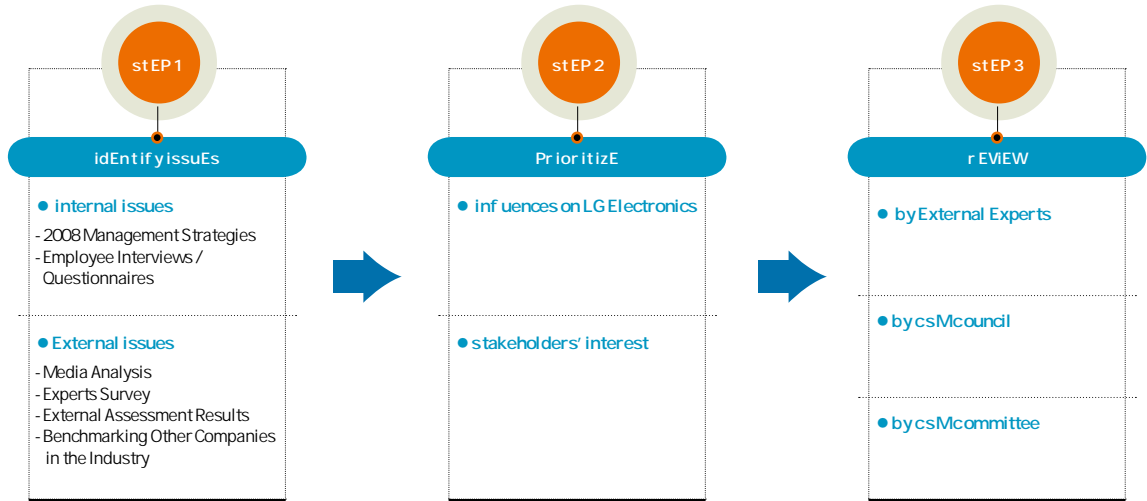
VOC (Voice of Customer)	Receive customer opinions, transfer information to related departments, and offer feedback
Customer Satisfaction Survey	Annual commissioned survey (Korea); bi-annual in-house survey (overseas)
Corporate Client Questionnaire	Inquiry about current CSR status (environment, labor, human rights) at LGE
Standby Power 1W Program	Cooperation with Consumers Korea for "Standby 2010" campaign
General Meeting of Shareholders	Approve business performances and nominate directors on an annual basis
Earnings Release Presentations	Quarterly earnings release presentations and briefings on major issues
Investor Conferences in Korea and Overseas	Participate in conferences organized by securities firms; one-on-one meetings explaining business performances and other major issues / One-on-one/Group meetings with visiting institutional investors
One-on-One and Group Meetings	Visits and one-on-one meetings with investors
Announcement of Non-deal Roadshows	Publish important management information including legal obligations
IR Website	Release of IR-related information on website
Global Supplier's Day	LGE's top 300 suppliers, LGE executives, and Purchasing Manager get together to share ideas on corporate vision and exchange results with each other
Supplier Suggestion System	Reflect the ideas of suppliers to improve R&D and the management process while also promoting mutual development
Supplier Satisfaction Survey	Supplier survey on overall competency of LG Electronics includes ways to improve purchasing, product and service quality, R&D
Evaluation & Awards for Suppliers	Incentives or penalties based on regular evaluation of supplier performance and transactions
Support and Nurture Suppliers	Raise competitiveness through the active support of personnel, training, and consulting
Environmental Awards Conference	Raise public awareness on climate change and the environment
'Life's Green' Class (formerly Mobile Electronic Classroom)	Tour hands-on science classes at Korean elementary and middle schools
IVI SLP Love Green (Science Leadership Program)	Nurture talented youth around the world through environmental education and volunteering
LG Labor-Management Volunteer Corps	Volunteer Corps for relief efforts in disaster-stricken areas
Employee Volunteer Contest	Support employees who do volunteer work
LG IT Angels (IT Volunteer Corps)	One-on-one visits and training for the underprivileged to help bridge the digital divide
Digital Board	Representative body for general and administrative workers, delivering member opinions to management through the Digital Board Council
Open Communication	Communication efforts in a variety of forms such as special lectures, conferences, and field visits between management/leaders and general employees
LG Way Survey	Survey to gauge employee satisfaction and needs
VOE (Voice of Employees)	Survey to understand improvement tasks and provide input to management
Specialized Committee to Respond to Environmental Regulations on Products	Provide advice to comply with environmental regulations handed down from the Korean Agency for Technology and Standards
Consumer Policy Committee	Deliberate and settle consumer policies at Fair Trade Commission
PL Committee	Discuss Korea Electronics Association's (KEA) PL policies and related issues
Business Conferences	Discuss and cooperate on consumer issues and policies
Korean Committee for Carbon Disclosure Project (CDP)	Release facts on carbon emissions and discuss how to address climate changes
United Nations Environment Programme (UNEP)	Support 'Champions of the Earth' Award (2010-2012) and host international conferences
World Food Programme (WFP)	Work together on eradicating starvation in African countries such as Kenya and Ethiopia
International Vaccine Institute (IVI)	Assist a Science Leadership Program (SLP) which supplies vaccines to underdeveloped countries



# Materiality Analysis






Before releasing its third sustainability report, LG Electronics carried out an in-depth materiality analysis. The report was published to effectively deal with a variety of issues as well as the changing concerns and influence of stakeholders, as diverse groups of stakeholders had emerged and the business environment had changed. This year's report is designed to better address the interests of outside stakeholders based on the results of the materiality analysis. The analysis was carried out in three steps, and while taking into account the AA1000AS (a standard for sustainability report assurance) and GRI G3 guidelines, LG Electronics was able to identify issues that have a significant influence on its management and that stakeholders would be greatly interested in. In the future, LG Electronics will go one step further to strengthen the link between sustainability and its management strategies.

[Materiality analysis Process]



[Materiality Matrix]

stakeholders' interest	Very important	<b>customers</b> - Protect customer privacy  <b>Employees</b> - Communication between labor and management - Protect human rights and prevent discrimination  <b>suppliers</b> - Fair trade - Promote supplier's CSR	<b>shareholders/investors</b> - Strengthen CSM management leadership - Communication with stakeholders - Strengthen sustainability management system  <b>community</b> - Increase social contribution  <b>Environment</b> - Manage waste electrical and electronic products	<b>customers</b> - Responsibility for products and services - Guarantee product safety  <b>Employees</b> - Vitalize organizational communication/work-life balance - Fair evaluation and rewards  <b>suppliers</b> - Win-win partnership with SMEs (small-/medium-sized companies)	<b>Environment</b> - Reduction of greenhouse gas emissions and disclosure of related information - Development of greener products
		Important	<b>customers</b> - Provide ample information on products and services  <b>shareholders/investors</b> - Transparency of corporate governance  <b>Employees &amp; Environment</b> - Manage healthy and safe workplace and energy-saving activities	<b>customers</b> - Customer satisfaction and services - Strengthen communication with customers  <b>Employees</b> - Career development and lifelong education  <b>shareholders/investors</b> - Improve non-financial risk management	<b>community</b> - Community activities  <b>Environment</b> - Develop renewable energy
		Important	Very important	Influences on LG Electronics	

catEGor y	issuEs	PaGE nuMbEr s
 <b>r aisinGcustoMEr VaLuE</b>	<ul style="list-style-type: none"> <li>- Consumer Insight Management</li> <li>- Product Safety</li> <li>- Customer Satisfaction</li> <li>- Communication with Customers</li> <li>- Privacy Protection</li> </ul>	34-41
 <b>EnVir onMEntaL LEadEr shIP</b>	<ul style="list-style-type: none"> <li>- Greenhouse Gas Emissions Reduction</li> <li>- Development of Renewable Energy Technology *</li> <li>- Development of Greener-Products</li> <li>- Management of Waste Electrical and Electronic Products</li> <li>- EESH Management</li> </ul>	42-53
 <b>r EsPonsibLE businEss Par tnEr</b>	<ul style="list-style-type: none"> <li>- Win-Win Partnership</li> <li>- Fair Trade</li> <li>- Suppliers' CSR *</li> </ul>	54-59
 <b>coMMunity EnGaGEMEnt</b>	<ul style="list-style-type: none"> <li>- Social Contribution</li> <li>- Community Activities *</li> </ul>	60-65
 <b>IMPr oVinG EMPLOYEE VaLuE</b>	<ul style="list-style-type: none"> <li>- Fair Evaluation and Rewards</li> <li>- Career Development and Lifelong Education</li> <li>- Vitalizing Organizational Communication/Work-Life Balance *</li> <li>- Protection of Human Rights and Prohibition of Discrimination/</li> <li>- Improvement of Work Environment</li> <li>- Labor-Management Communication</li> </ul>	66-73

\* Newly reported issues in 2008

## Media Analysis

As part of its materiality analysis, LG Electronics looked over 24,542 news articles from the domestic media in 2008, identifying the types and relative importance of sustainability management issues raised by outside stakeholders as well as the influence of such issues on the corporation. All of the major sustainability management issues are listed in the following table by stakeholder.

[MaJor csMissuEs idEntifiEd thr ouGh doMEstic Media analysis]

stakeHoLdEr s	MaJor issuEs
Shareholders/ Investors	Management by Principle (Jeong-do Management), sustainability governance
Customers	Responsibility for products and services, product safety
Suppliers	Fair trade, win-win partnership with suppliers
Community	Social contribution, communication with local residents
Employees	Vitalize organizational communication, career development, communication
Environment	Develop greener products, reduce greenhouse gas emissions, increase energy efficiency of products, develop renewable energy technology

## Experts Survey

In February 2009, 70 outside CSM experts were asked to comment on LG Electronics' sustainability management report and its CSM activities. This provided a good opportunity to reflect on previous efforts through expert views on future improvement plans as well as positive assessment on current CSM activities. LG Electronics plans on expanding the scope of this survey to include more respondents, including experts from overseas.

[r EsuLts of sur VEY on LG ELEctronics' csMactiVitiEs]

