

Right Promise, Better Tomorrow

2010 LG Innotek Sustainability Report



RIGHT PROMISE, BETTER TOMORROW

“RIGHT PROMISE, BETTER TOMORROW” is LG Innotek’s vision of sustainability to promote a world where prosperity and health abound; where everyone leads a happy and well-off life. As a responsible corporate citizen, LG Innotek makes the right promises and abides by those promises. To build a better tomorrow for humanity, the right way is where we go.



Cover Story
 LG Innotek is a leading global electronic components provider. Its broad product line-up ranges from core components of LEDs, Mobile Devices and Displays to high-functional and high value-added technologies and products; each contributing to further industrial development and the betterment of humanity. In pursuit of a more prosperous and healthy world, LG Innotek practices sustainability management while continuously striving to develop advanced technologies for the benefit of humanity. Its vision is to realize a happier world for everyone through its advanced technologies.

Report Information

Purpose of This Report This is the first sustainability report for LG Innotek, a leading global electronic components provider based in Korea. This report provides transparent stakeholder information on the company’s performances in economic, environmental, and social aspects. In keeping with global sustainability management initiatives, this report also presents plans to respond and prepare for future initiatives. In fulfilling our social responsibilities and communicating with our stakeholders through future reports, LG Innotek will keep stakeholders abreast of its sustainability plans and performance aimed towards creating a prosperous society and a healthy environment.

Reporting Principles This report has been compiled in accordance with the G3 Guidelines set forth by the Global Reporting Initiative (GRI). The index of indicators and guidelines are attached in the Appendix at the end of this report.

Assurance This report was assured for the reliability of its contents based on the three principles provided in the Accountability Principles Standard (AA1000AS; 2008) and obtained assurance by Korea Productivity Center (KPC), an independent assurance provider specialized on sustainability reports. The assurance statement of KPC is provided on pages 60 and 61.

Reporting Scope & Period This report covers the economic, environmental and social performance of the company achieved at its headquarters and domestic premises for the calendar years 2008 through to June 2010, (i.e. January 1, 2008 to June 30, 2010) and contains data collected from LG Innotek’s overseas worksites. Some data from years prior to 2008 are also included, when significant to this report. Quantitative data are provided for at least two years for trending comparison, the scope to be extended to include overseas operations of the company in future reports.

More Information For additional information or inquiries, please contact us at:

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*** Global Reporting Initiative (GRI) G3 Guidelines:**
 Jointly developed by the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Programme (UNEP) in 1997, provides the basic principles and guidelines for sustainability reports. The newly revised Generation 3 (G3) version was launched in October 2006.

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CEO Message

LG Innotek honors the trust-based relationship with its shareholders through the creation of customer value and the fulfillment of its corporate social responsibility.

My valued employees, customers, investors and all other LG Innotek stakeholders,

LG Innotek publishes its first sustainability report to address all the expectations and demands of our various stakeholder groups regarding the company's sustainability management plans and performances. This report also cements our pledge to building trust with our stakeholders and creating customer values while fulfilling corporate social responsibilities. The year 2010 marks an important one for LG Innotek as it is about to take a great leap towards becoming a leading global provider of high-tech components and materials. To attain that goal, everyone at LG Innotek is making strenuous efforts to create differentiated customer values by upgrading business portfolios, ensuring core technologies and reinforcing global competences.

Increasingly, sustainability management practices have become the prerequisite to a sustainable growth and economic success of a company. Keenly aware of this, we have prepared our own sustainability management system, in consideration of international standards. We have fortified our business portfolios and business fundamentals centered on business areas with high growth potential. In pursuit of eco-friendly value, we strive to minimize the environmental impact of all business activities, while faithfully fulfilling our corporate social responsibilities and laying a sustainable foundation for growth.

As a result, LG Innotek is realizing remarkable growth in terms of sales and profits for several years. In addition, we are upgrading our business portfolios and rectifying profit structure by securing core technologies before the competi-

tion. Pertaining to environmental concerns, we have earned the ISO14001 and OHSAS18001 certificates for our continuous commitment to green projects and CO₂ reduction initiatives, repositioning ourselves as a green company. For our communities, our employees practiced the spirit of sharing and caring in support of the next generation to dream of a better world, while volunteering to activities creating a happier society for our neighbors. In particular, our employees began mentoring children from multi-cultural families, inspiring them with pride and dreams for a better future.

LG Innotek will continue its endeavors towards sustainability management, so as to create the best possible customer value and become the core components provider of choice. To that end, this report will keep us on track in our pursuit of sustainability management and demonstrate the resultant differentiated and sustainable growth of the company. LG Innotek will fulfill its economic, environmental and social responsibilities in order to become a respected and admired corporate citizen, while contributing to the sustainable development of society. Throughout that journey, I humbly ask your continued support and encouragement.

Thank you.

Hur Young Ho
President & CEO




Corporate Overview

Global Components Company

Since its inception in 1970, LG Innotek has been at the forefront of high-tech components manufacturing. As a leading, global total electronic components provider, it has commanded global recognition through its technologies in all business areas, from LEDs to Mobile Devices and Displays, providing competitive customer value.



The First Partner LG Innotek LG Innotek is an electronic components specialist, manufacturing core LED, Mobile Device and Display Components. Established in 1970, LG Innotek manufactured the first TV Tuner in Korea and continuously expanded its product portfolio, becoming the leader in various businesses, such as Digital & Analog Tuners, Motors for Optical Disk Drivers and Modulator businesses. Developing advanced technologies and pioneering new markets, LG Innotek operates in six

main business areas: LED, Display & Network, Sensing & Optics, PCB, Semiconductor & Display, and Motor & Automotive while reinforcing Competitiveness in every aspect of its business, from Device & Material to Component & Module businesses. As a result, LG Innotek achieved a phenomenal growth in terms of sales revenue, growing from KRW 300 billion in 2001 to KRW 1,993.8 billion for the first half of 2010.

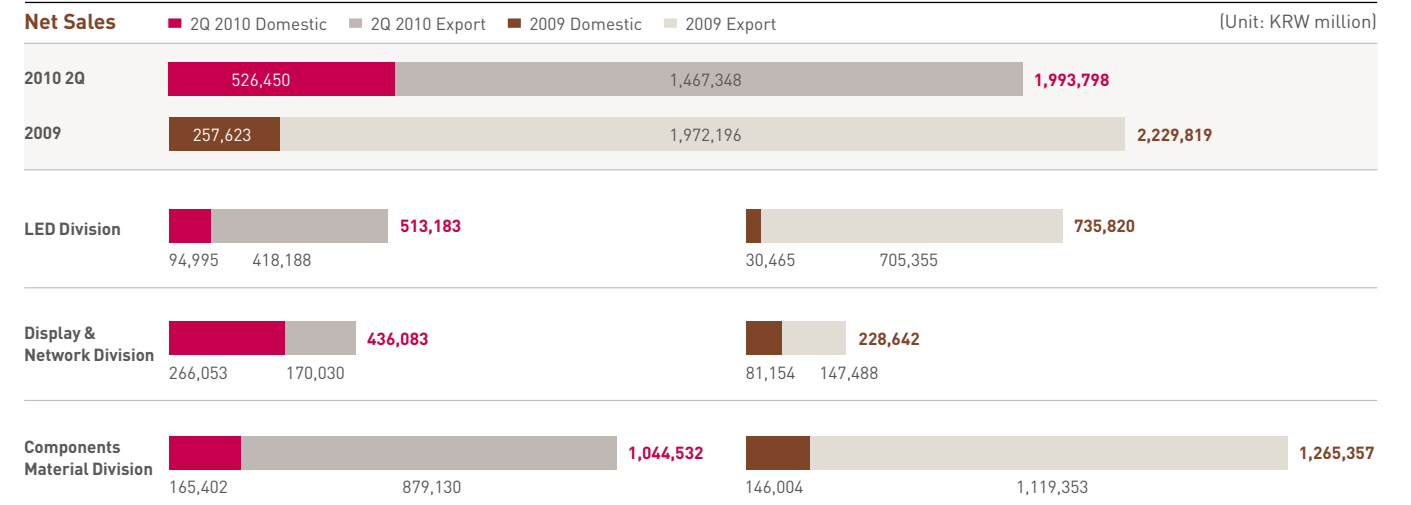
Global Leading Company LG Innotek LG Innotek's business arena goes beyond domestic markets. Based on the eight strategic points in Korea, the company operates a closely cooperative network of R&D, production and sales through its 16 global strategic points in the USA, Europe, and Asia.

Corporate Profile

Established	August 22, 1970
CEO	Hur Young Ho
Business Type	Electronic components
Revenue	KRW 2,229.8 bil. (based on the consolidated statement for 2009)
Headquarters	Seoul Square, Namdaemunno 5-ga, Jung-gu, Seoul, Korea
Employment	Approximately 19,102 persons (as of the end of June 2010, including overseas operations)
Business Area	LED, PCB, Tuner, Power Module, Motor, Camera Module, Tape Substrate, etc.
URL	www.lginnotek.com
Tel.	+82.2.3777.0083

Financial Status

	(Unit: KRW million)		
	2008	2009	2010 2Q
Total Assets	811,565	2,429,380	4,084,700
Total Liabilities	319,825	1,520,643	2,658,514
Total Shareholders' Equity	491,740	908,737	1,426,186
Sales	1,415,644	2,229,819	1,993,798
Operating Profit	50,969	45,631	129,308
Net Income	56,411	78,232	148,844



* The sales of Components Material Division include the KRW 190,219 million sales of discontinued businesses.
* The Components Material Division has the PCB, Sensing & Optics, Semiconductor & Display, Motor, and Automotive Teams under its purview.



Business Overview

LED (Light Emitting Diode) Light is shed on the future

LG Innotek's LED has diverse applications as a light source for Mobile Devices and Display Apparatuses, such as Smart Phones, TV Sets, and Monitors. Used in LED Flat Panel Lights, Streetlamps and Lamps, LG Innotek's LED technology brightens up every corner of the world.

LED Chip / LED Package / LED for Mobile / LED BLU (Back Light Unit) / LED Lighting / LED Display Solution

Display & Network A brighter and clearer world is opened up

Digital technologies connect hearts to hearts across networks. LG Innotek's technologies provide various networking products that enable a wireless, ubiquitous life with free access to the Internet and remote monitoring through wireless LANs. The Wireless Cameras help protect the old and weak, provide home monitoring and parking control solutions, as well as wireless broadband.

Wireless Modem / Network Camera / ODD Motor

Sensing & Optics Get the world in your hands

LG Innotek brings the digital world into the palm of your hand. Its ultra-slim, ultra-light and high definition components enable a vast, digital world to be portable. Its Camera Module is utilized in Notebooks, Home Appliances and Medical Devices, as well as Smart Phones. It also provides silent reception and multi-touch functionality, enabling convenience and ease for a mobile life.

Camera Module / Camera Actuator / Vibration Motor / Touch Window



LG Innotek has a comprehensive product line-up of technologies in LED, Display & Network, Sensing & Optics, PCB, Semiconductor & Display, and Motor & Automotive businesses. Its advanced technologies contribute to a better lifestyle for its customers.

PCB (Printed Circuit Board) Digital dreams are coming true

LG Innotek's PCB gives breath to digital infrastructure, making life more convenient and productive. Applied to computers and semiconductors, such as the Main Boards in Smart Phone Devices, PDAs, Notebooks and LCD/PDP TV sets, CPUs and D-RAM, it realizes the digital dream. Slim and flexible, LG Innotek's PCB is one of the world's leading technologies.

Build-up PCB / RigidFlexible PCB / MLB (Multi Layer Board) / Package Substrate (Lead Frame)

Semiconductor & Display A heart-to-heart connection is created

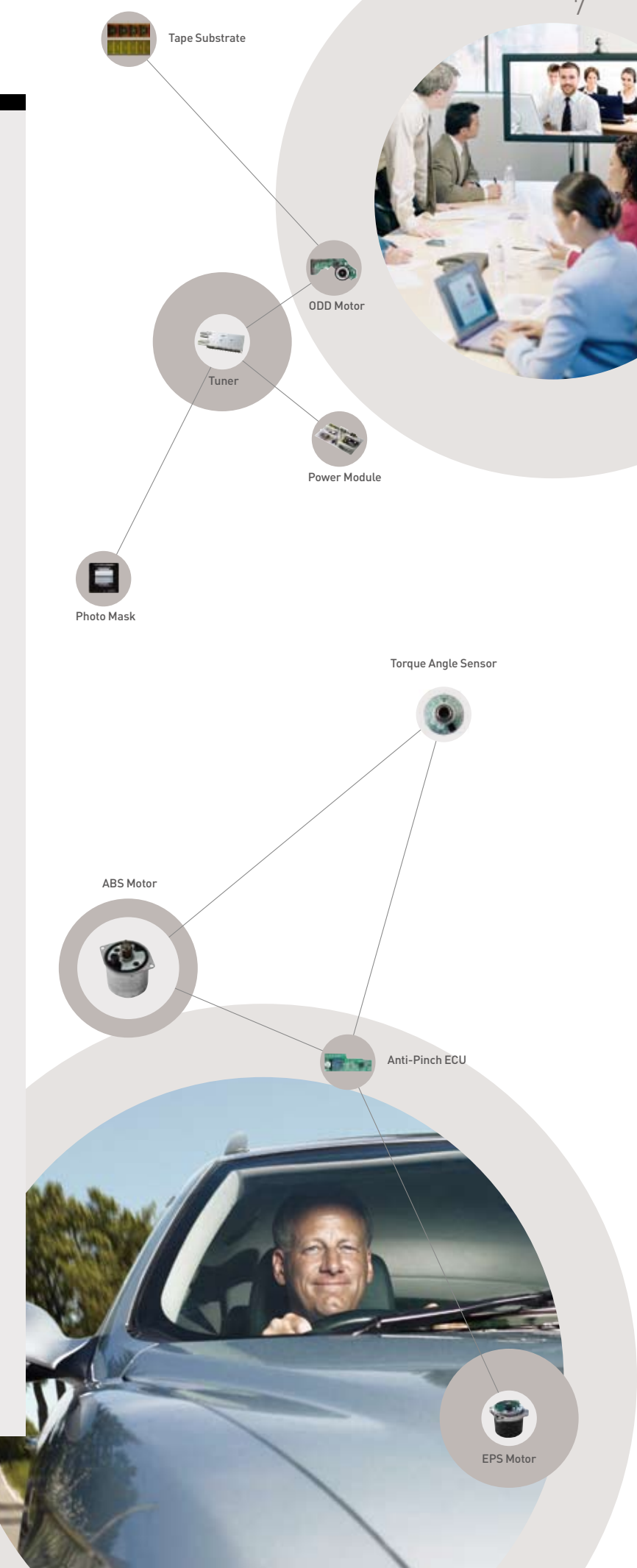
LG Innotek's displays present the digital world. They provide Sign transferors, Power Modules and Photo Masks, realizing the best functionality of LCDs and PDPs, and other information transmitting displays. LG Innotek's technologies bring innovation into view.

Tuner / Modulator / Power Module / Photo Mask / Tape Substrate / Electronic Material / Surface Material

Motor & Automotive Start your dream drive now

LG Innotek's automotive components turn driving into a safe, comfortable and joyful experience, all at the same time. Its technologies reinforce stability in abrupt braking and allow Electronic Power Steering (EPS) system to function. Its high tech sensors and EPS technologies ensure high functionality of safety systems, such as Steering, Power Windows and Headlights.

ABS (Anti-Lock Braking System) Motor / EPS (Electronic Power Steering) Motor / Torque Angle Sensor / Anti-Pinch ECU (Electronic Control Unit) / AFS (Adaptive Front Lighting System) Actuator



Economic Performance

LG Innotek achieved a balanced growth on all its business fronts, recording a historic performance of KRW 2,229.8 billion in sales for 2009 and KRW 1,993.8 billion in sales for the first half of 2010. In 2010, the company strengthened its business portfolios, especially the material and component businesses, realizing differentiated customer values.

LED (Light Emitting Diode) The LED Division saw a tremendous growth in market size due to a higher LED BLU demand, and an increase in the sales of LED TV sets. 2009 sales grew 146% on a year-on-year basis, reaching KRW 228.6 billion. The Division's margin also improved from 2008, owing much to the growth of sales related to Notebooks and TV BLUs, as well as better margins from Mobile LEDs. As of the first half 2010, business continues to be strong.

Display & Network The Display & Network Division realized a record high sales growth, buoyed by the booming flat panel TV market. The enhanced product competitiveness in high-end products contributed to the 16% year-on-year growth in sales for 2009, which reached KRW 735.8 billion. The company further reinforced its competitiveness in the Tuner business, in which it already has global, top-tier competence. As for the Power business, LG Innotek is expanding sales of premium products, while securing new customers around the world. As a result, it sustains its stellar performance from 2009 through the first half of 2010.

Sensing & Optics The Sensing & Optics Division recorded sales of KRW 645.7 billion in 2009, a 5% growth on 2008, thanks to the increased portion of high-end products market, the result of rising sales to global manufacturers, enhanced product competitiveness, and improved core competences. In 2010, the booming market for Camera Modules and Touch Displays contributed to further business expansion, while stable supply chains and exploding Smart Phone Device markets are expected to see future growth.

PCB (Printed Circuit Board) The PCB Division performed well in the first half of 2009 thanks to the growth of Mobile Phone Device market and higher shipments of high-end products. However, overall earnings declined in the second half, as demand for its main products dropped, along with high pricing pressure from its main customers. Annually, however, sales improved by 11% in 2009 to reach KRW 677.5 billion. In 2010, the sales rapidly picked up thanks to rising customer demand, recording KRW 169.0 billion for the first quarter and KRW 183.5 billion for the second.

Semiconductor & Display The Semiconductor & Display Division realized sales of KRW 433.9 billion, a 17% growth on 2008. This can be attributed to the expansion of the Display market, reinforced product competitiveness, and the resultant market share expansion. As of the first half of 2010, its main product lines such as Tape Substrate (TS), Power Module (PM) and Lead Frame (LF) demonstrate continued sales growth. The Division aims to expand its premium product lines, furthering this growth.

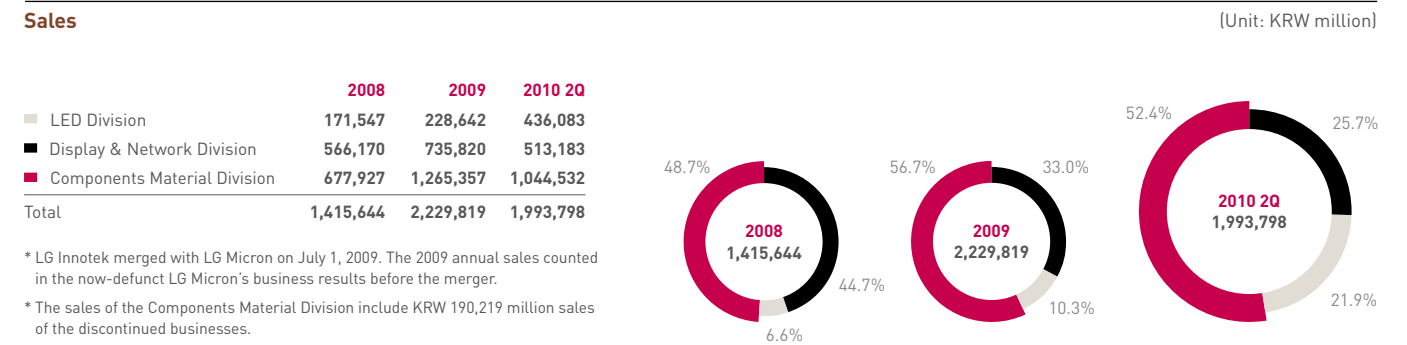
Motor & Automotive The Motor Division recorded a 37% drop from 2008 to KRW 24.5 billion due to the slowing demands for Vibrating Motors in Mobile Devices. Still, the Division saw a 175% year-on-year growth in its sales on the back of growing demand, better yields and a higher market share. The margin also greatly improved through continuous cost innovation activities. The Division has continued to gain market share by launching new products such as Electronic Power Steering (EPS) motors and torque angle sensors. As of the first half of 2010, it sustains that growth on the strength of growing demand for Voice Coil Motors (VCM), ODD motors, and automotive EPS motors.



Chief Financial Officer: Vice President, Park Hee Chang

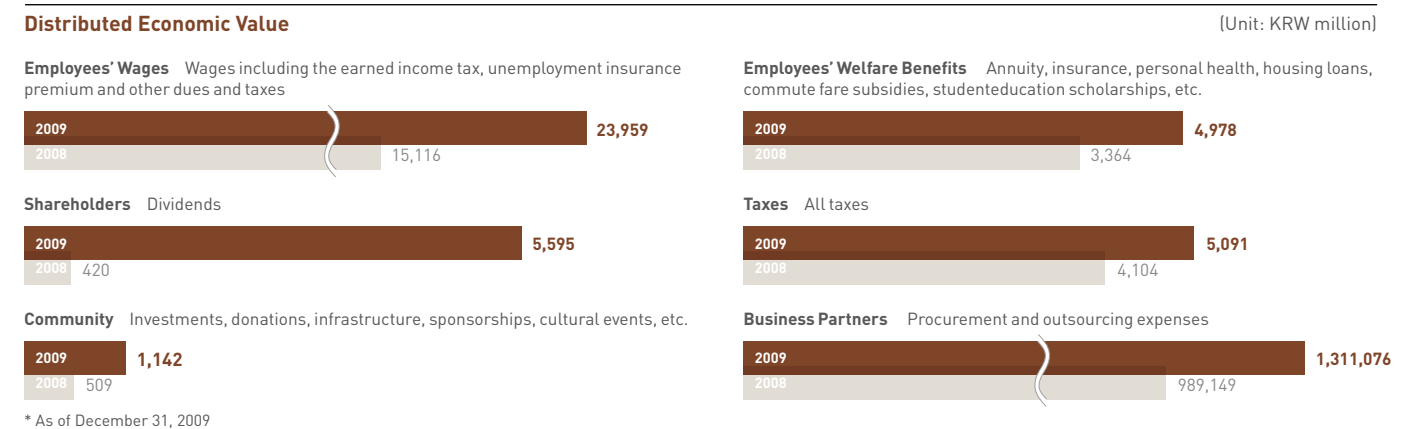
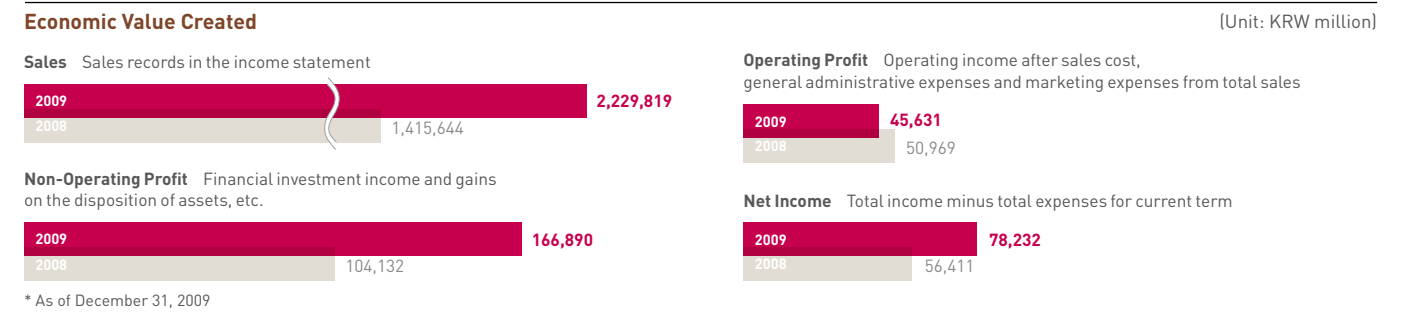
INTERVIEW

LG Innotek sought to make the year 2010 the beginning of a leap into being a leading global company, and has devised plans to upgrade its business portfolio, develop core technologies and reinforce global competences, all with an aim for a sustainable, competitive edge. To that end, we will comprehensively innovate the operations within R&D, marketing, our business processes and organization while consistently investing in prospective industries such as the LED light business.



LG Innotek's Participation in National Projects (Unit: KRW 100 million)

Project Name	Manager	Project Period	Project Span	Government Contribution		
				2007	2008	2009
Active pedestrian protection system development	Ministry of Knowledge Economy	November 2006 ~ November 2008	2 years	3.5	-	-
P-type transparent electric conduction material and application device development	Ministry of Knowledge Economy	September 2007 ~ June 2010	3 years	-	-	5.8
Development of economic LED BLU for eco-friendly display application	Ministry of Knowledge Economy	July 2009 ~ June 2010	1 years	-	-	35.0



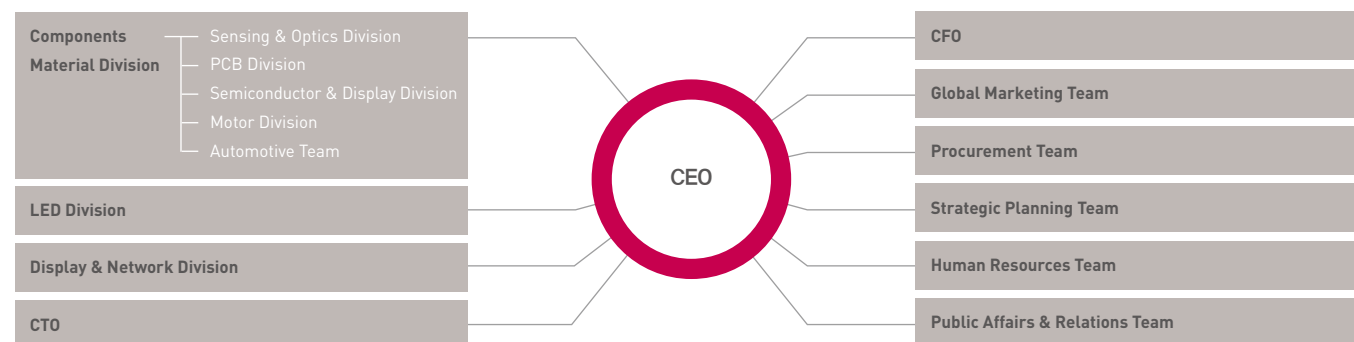
Vision & Strategy

LG Innotek aims to become The First Partner that provides the best possible customer value and component parts of the No.1 quality.

Vision & Strategy LG Innotek marked the year 2010 as the beginning of a leap into being a leading global company and worked out on strategic details and short-term goals to realize its vision. In short, we aim to realize sales of KRW 10 trillion by 2015, with more than ten of the world's best products, through substantial growth, based on our core technologies. Based on the LG Way, the principles and guidelines of thinking, and activities for all LG Group personnel, LG Innotek has overcome ceaseless challenges to achieve its vision, through the success of its differentiated organization and three No.1 strategies.



Organization Chart



* as of the end of June 2010

2010 Management Goal

LG Innotek set the year 2010 to be “the beginning of a leap into being a leading global company,” and, aligned its resources with that goal to realize global competence in all its business areas. To that end, it developed three key missions to achieve in the near future: upgrading business portfolios, developing core technologies and reinforcing global competences.

2010 Management Goal LG Innotek has selected the following three missions, and is channeling its resources into achieving them, in all its business areas.

- Upgrading Business Portfolios** As part of our business portfolio upgrades, LG Innotek plans to foster the LED business towards becoming a global top player. With the Paju production line going into operation, the LED package lines will also be expanded, further enhancing cost competitiveness in the TV BLU business by improving light efficiency and increasing the use of high-efficiency vertical LED chips. In a bid to increase flexibility in the organization in response to the changing business conditions, LG Innotek will further its profitability in the top value-added materials & devices businesses, such as LEDs and PCBs, while reinforcing its global competence in the component module business.
- Developing Core Technologies** In order to develop core technologies in materials and devices, LG Innotek strives to localize core materials and devices technologies, creating synergies with its original technologies to expand their technological scope. Core radiant heat, optical materials and sensors technologies strengthen the technological advantages in patterning, thin film and RF circuit design technologies. Based on core technologies in the tape substrate and PCBs, LG Innotek continues to develop new businesses, such as semiconductor substrates, automotive components, and solar cells, securing these future growth engines.
- Reinforcing Global Competences** In terms of organizational operations, LG Innotek is building a performance-oriented corporate culture, establishing self-learning systems while improving leadership coaching programs, ensuring global-top competences. At the same time, LG Innotek works to further strengthen its global competences through business process innovation, to realize lasting and sustainable management practices.

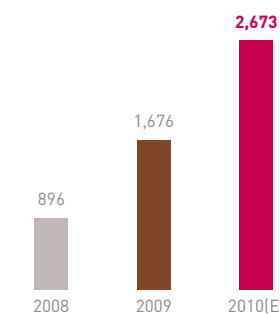
R&D Strategies

LG Innotek creates sustainable value through continued R&D activities. By establishing an R&D network with prominent global companies and R&D centers, it strengthens its technological leadership to develop advanced technologies.

- Ensuring High Technologies for Sustainable Value** LG Innotek selected five core technologies in its materials Sector and seven core technologies in its components Sector to further strengthen its global competence in the component material businesses over the long term. The selected technologies include Photolithography, Etching, Thin Film Deposition, Plating, and Simulation in the materials sector and RF Circuit Design, Precision Drive Mechanisms, Precision Mounting/PKGs, Optical Design, Optical Elements, Power Circuit Design, and Software technologies in the components sector. Applied to LEDs, PCBs, Mobile Devices, Displays, Network and Automotive parts for enhancing the functionality of these devices in smaller sizes, these technologies raise the technological leadership of LG Innotek in each market.
- Developing Future Technologies through Joint R&D Activities** LG Innotek has established strategic partnerships and a global R&D network with prominent companies and R&D centers in the U.S., Europe and Japan, which further strengthen its technological leadership and aid the development of future technologies. The company also collaborates with national R&D Centers such as Korea Photonics Technology Institute and Korea Institute of Energy Research, for national projects, to ensure innovative technological solutions. At the same time, it also operates industrial-academic cooperation programs with Korean universities, such as customized master degree programs and various industrial-academic joint research projects, contributing to the development of community and nation through continued technology development.

R&D Investment Trend

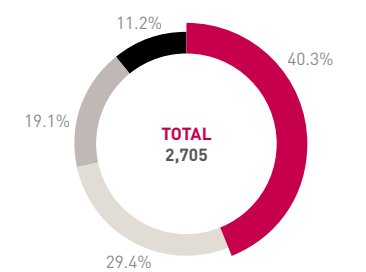
(Unit: KRW 100 million)



Researchers

(Unit: persons)

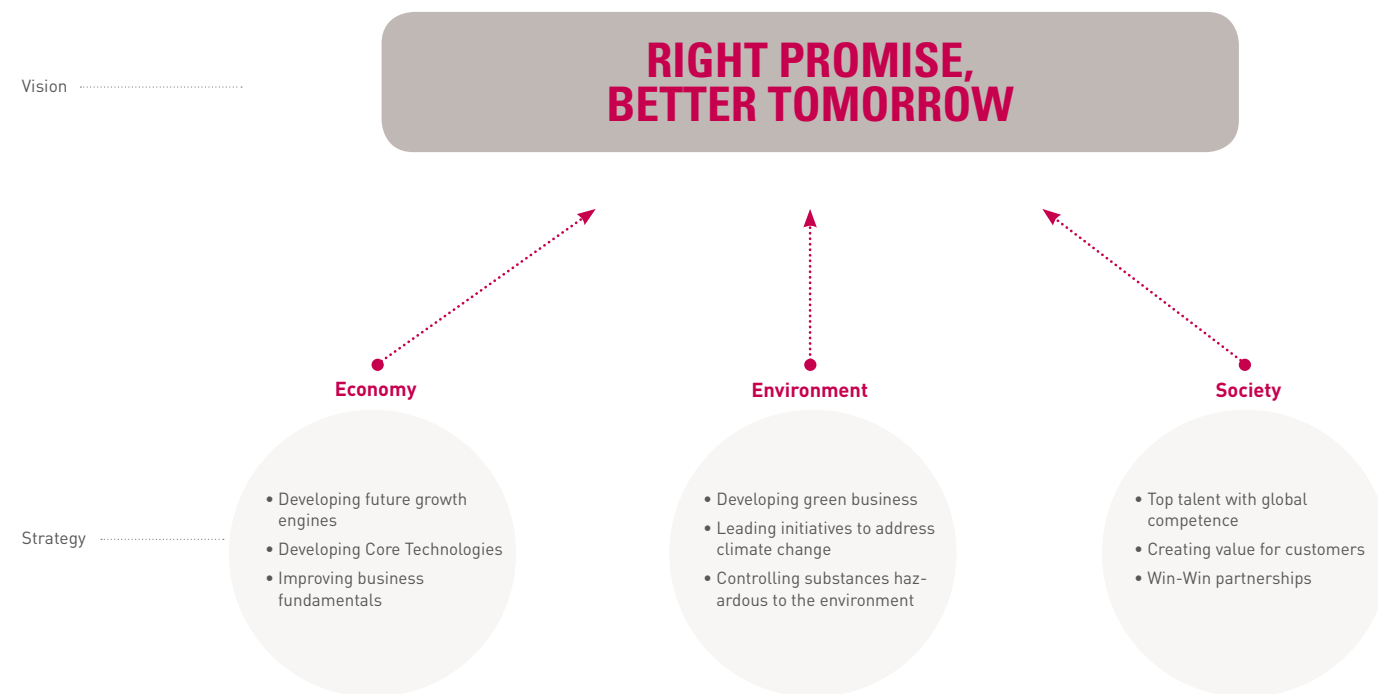
	2009	2010 2Q
R&D	1,023	1,090
Production	650	796
Administration	404	515
Marketing	250	304
Total	2,327	2,705



Sustainability Management System

In line with the sustainable management vision, “RIGHT PROMISE, BETTER TOMORROW,” LG Innotek sets short-term economic, environmental and social goals. Through regular communication channels with its stakeholders, such as customers, business partners, communities, and employees, the company consistently checks and reflects on their feedback when planning future strategies.

Corporate Sustainability Management (CSM) Vision & Strategy



Sustainability Management Organization LG Innotek organized the Sustainability Management Bureau in 2009, centralizing the sustainability management activities at each division level. This has not only enhanced the efficiency of company-wide sustainability management practices, but also ensured management consistency in all sustainability management activities. The company also encourages and assists its employees to implement sustainability in their day-to-day fulfillment of duties.

Sustainability Management Bureau (SMB) LG Innotek centralized and organized company-wide sustainability management activities into the Sustainability Management Bureau, launched at the end of 2009. In addition to the publication of this report, the company continues to improve its sustainability management practices through issue analysis and monitoring. LG Innotek will promote company-wide sustainability management practices, encouraging its employees to incorporate those principles into their daily lives. It will also establish business processes for inter-departmental cooperation in sustainability management activities.

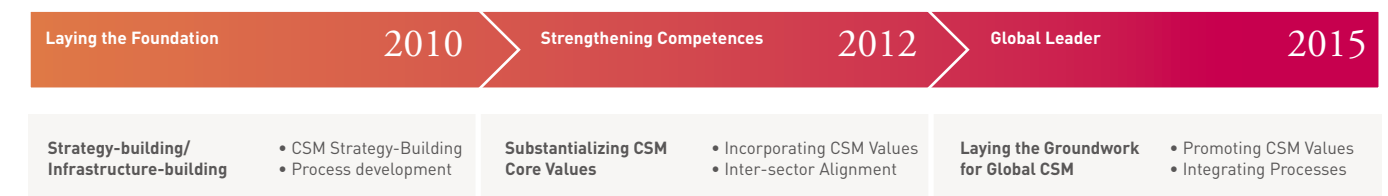


Sustainability Management Bureau Workshop

CSM Organization



CSM Mid-term Roadmap



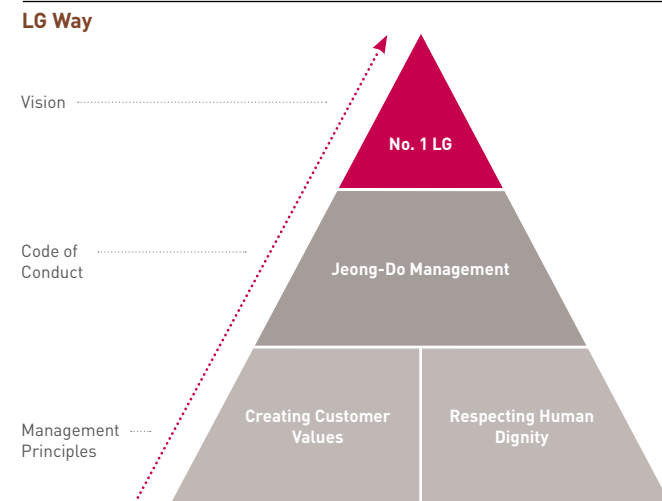
Competence-building & SMB Workshop LG Innotek conducted educational workshops about the Sustainability Management Bureau (SMB) members, in preparation to meet the sustainability global standards, such as ISO26000, Electronics Industry Citizenship Coalition (EICC) and Dow Jones Sustainability Indexes (DJSI). The workshop was oriented towards helping participants better understand the concept of sustainability management, the company’s policies and performance, as well as the compilation of a sustainability report. This served the company to build core competences in developing, and putting into motion, detailed action plans for sustainability management. Awakening the staff to the significance and effects of material issues to the company’s sustainability management, the workshop program helped cement the sustainability management culture of LG Innotek.

Sustainability Management Mid-term Roadmap LG Innotek formulated a three-step roadmap to clarify the strategic direction for its sustainability management and to set about systematic practices accordingly. First, it will establish the infrastructure for sustainability management by 2010, devise CSM strategies, as well as realign the organization. From 2011 to 2012, it will incorporate CSM Values into the sustainability management mindset of its workforce. Ultimately, it aims to emerge as a globally competent, sustainability management leader by 2015.

Jeong-Do Management

Jeong-do Management refers to the LG code of conduct that guarantees success through constant development of capability based in ethical management.

The LG Way and Jeong-Do Management The LG Way proclaims the principles for LG employees' thoughts and actions to create customer value and respect for human dignity through the Jeong-Do Management principles, to achieve the ultimate goal of becoming 'No. 1 LG'. Jeong-Do management is the LG code of conduct designed to allow for success in a fair and transparent manner, based on high competences and ethical practices.



The LG Code of Ethics System & Composition The LG Code of Ethics sets the ground rules for company-wide ethical management, an integral part of its Jeong-Do Management, in the form of a declarative code of ethics, practical guidelines, and manual. This Code of Ethics is comprised of six chapters: 1. Responsibilities and Obligations to Customers; 2. Fair Competition; 3. Fair Transactions; 4. Basic Ethics for Employees; 5. Corporate Responsibilities to Employees and; 6. Responsibilities to Society and Nation.

LG Code of Ethics System

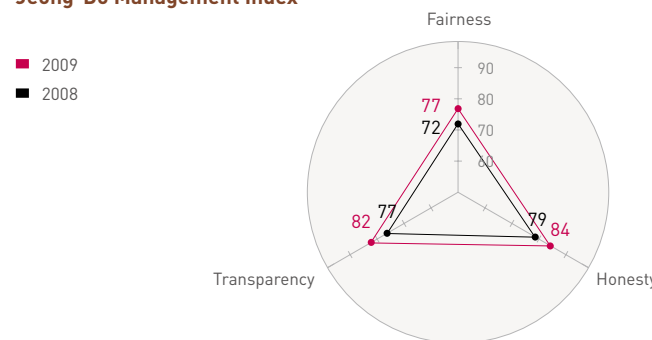
Code of Ethics	
Declarative Code of Ethics	The right way of valuing action and good judgment, by which all stakeholders and employees of LG Innotek should abide
Behavioral Guidelines	
Practical Guidelines	Guidelines for good judgment and behavior can be found in their respective chapters in the code of ethics
Code of Ethics Manual	
Behavioral Guidelines	Manual on basic principles, guidelines for good judgment and behavior with detailed commentary

Jeong-Do Management Survey

Media	Online survey/ Interviews
Period	October ~ November 2009
Recipients	Major business partners

1. Jeong-Do Management Practice Survey	3. Picking out shortcomings in transaction practices
2. Bribery/ Entertainment	4. Overall satisfaction with transaction practices

Jeong-Do Management Index



Jeong-Do Management Education Performances



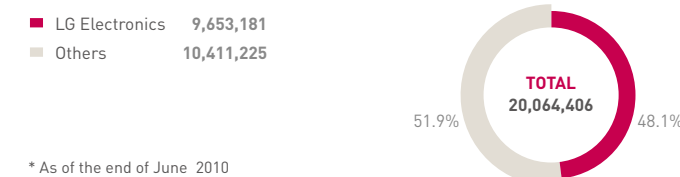
* The 2009 performance includes the educational performances on 21 overseas resident employees.

Corporate Governance

LG Innotek has strengthened its CEO-centered liability management practices with the recent launch of the LG holding company. At the same time, the independent and professional operations of the board of directors ensures transparent and specialized management practices, maximizing management efficiency and shareholder values.

Shareholder Composition & Shareholder Value As of the end of June 2010, LG Innotek's outstanding shares numbered 20,064,406 (common stocks). As of the end of June 2010, the largest shareholder of the company is LG Electronics, which holds 48.1% of the stocks. The merger of LG Micron increased the number of total, outstanding shares in the company from the 12,020,800 shares at the end of 2008 to 17,131,823 shares by the end of 2009 and to 20,064,406 shares as at the end of June 2010. Every year, the CEO reports the business results of the year to a general shareholders' meeting and brings material management issues to a vote. Opinions and suggestions made during the shareholders' meeting on management issues are deliberated by the board of directors and reflected in policy-development and management practices.

Shareholder Composition



* As of the end of June 2010

Board of Directors LG Innotek upholds the independence of the board of directors furthering transparent governance. As of June 2010, the board has seven members—two inside directors, four outside directors and one non-standing director, who serve their duties independently, from the largest shareholders and the executive management. Any person with a special relation to the major shareholders of the company disqualifies from election to the position of outside director. Under the board are three subcommittees: The Audit Committee, the Outside Director Candidate Recommendation Committee, and the Management Committee. Candidates for outside directors are recommended by the Outside Director Candidate Recommendation Committee, under related regulations the enforcement decree, and are designated by the general shareholders' meeting. Outside directors provide their professional ex-

perience in various fields of management, in line with basic principles, and keep the management in check; to ensure transparent and sound management practices, and to protect shareholder values and stakeholder rights. In 2009, the board held a total of eight meetings to deliberate and approve 28 agenda items, including the mid-term business plans. Average attendance of outside directors stood at 96%. In the first half of 2010, the board called 4 meetings.

Evaluation and Compensation to Directors and Management

LG Innotek sets and executes the limits on the remuneration to directors based on their respective contribution to the business, with the approval of the general shareholders' meeting. The board of directors deliberates and approves the business plans that the management submits at the beginning of every year, and gets quarterly performance reports. At the end of the fiscal year, the board evaluates the achievements and sets the directorial remuneration levels for the year. The remunerations to outside directors and standing directors are set and paid within the limits defined by the general shareholders' meeting, in compliance with relevant regulations. Management performance and executives are evaluated on a year-round basis. Checking if they have set and attained challenging goals, the board comprehensively evaluates their qualitative and quantitative achievements, as well as competences of the directors and decides on the remuneration levels in a fair manner. In the future, LG Innotek plans a separate subcommittee under the board, called the Remuneration Committee, to ensure a fair and transparent evaluation and compensation of performances.

Independency in Selecting Directors

LG Innotek fully abides by the procedures as provided in relevant regulations, including the Commerce Act, in selecting its directors. Consisting of four out of a total seven members as outside directors, the board of director has ensured independence from the management in making decisions on major issues. Outside directors are selected by the general shareholders' meeting through careful deliberation on the candidates recommended by the Outside Director Recommendation Committee.

Directors and Auditors

[As of the end of June 2010]

Category	Name	Position	Position / Duties	Remarks
Standing	Hur Young Ho	Director	President & CEO	-
Standing	Park Hee Chang	Director	CFO	-
Non-standing	David Jung	Director	LG Electronics CFO	-
Non-standing	Ryu Tae Soo	Outside Director	Professor, Hanyang ERICA University	-
Non-standing	Yoon Chul Soo	Outside Director	U&ME System, CEO	Head of the Audit Committee
Non-standing	Kim Duk Jul	Outside Director	Professor, Pusan National University	Auditor
Non-standing	Choi Soon Don	Outside Director	Professor, Yeongnam University	Auditor

Sustainability Management Performance 2008-2009

LG Innotek continued its sustainability management activities through 2008 and 2009. In particular, the company successfully integrated the newly merged LG Micron and constructed the LG Paju High Tech Material Plant, thereby enhancing its global competences.

IPO & Launch of Integrated LG Innotek LG Innotek listed securities in July 2008 and finalized the merger of LG Micron in July 2009, repositioning itself as a comprehensive electronic components provider with annual sales of KRW 3 trillion. As a result, the company realized an economy of scale and rectified its business portfolio, creating synergies in between its technology development and its overseas market expansion.

Sales of KRW 2,229.8 billion for 2009 In 2009, LG Innotek realized a 57.5% year-on-year growth in sales from KRW 2,229.8 billion in 2009 to KRW 1,993.8 billion for the first half of 2010. This sound performance can be attributed to the booming sales of its forward industries and customers, as well as the resultant sales growth following the merger of LG Micron. As its business competences are strengthening in major business sectors, further growth is forecast in the future. Operating profits for 2009 suffered a year-on-year decrease to KRW 45.6 billion, due to falling sales prices and fluctuating foreign exchange rates.

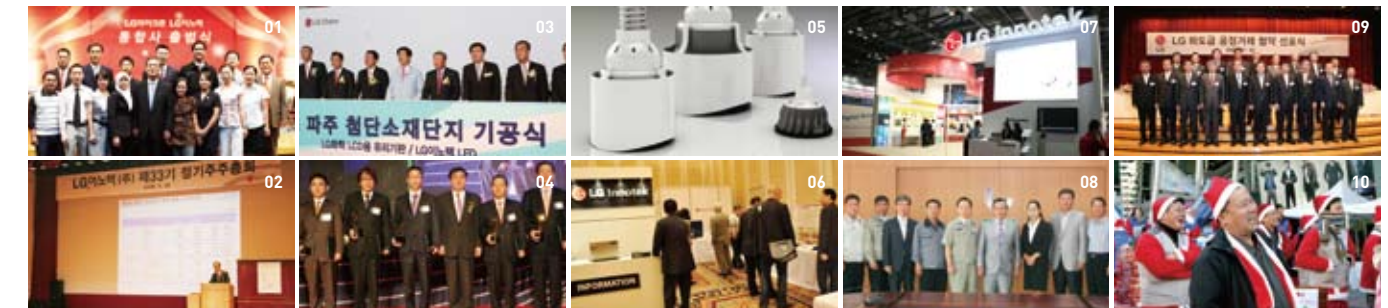
“The First Partner”



High Efficiency LED Lamp Awarded the “iF Design Awards” LG Innotek’s high-efficient LED Lamp was awarded a German “iF Design Award,” one of the world’s three most renowned design awards. The awards comprehensively evaluate the design quality, innovation, utility and convenience of a variety of products, to select the winners. Developed under the theme of “Beauty meets the Beast,” the LED Lamp boasts high efficiency, while retaining quality, safety, and beauty.

Mobile WiMAX Module Awards Innovation Prize of the CES LG Innotek’s WiMAX Module was awarded the innovation prize at the “CES 2010” held in the U.S. Smaller than a KRW100 coin, the product won the prize as the world’s smallest, with outstanding performance. This award was a global recognition of LG Innotek’s advanced technologies.

Introduces High Tech Materials at KES 2009 At the KES 2009, held in KINTEX in Goyang city, LG Innotek exhibited diverse, futuristic high technologies. Its Optics Division, demonstrated a variety of products, from a 3D Camera Module to green technologies, such as LEDs and Solar Cells, as well as convergent technologies, like the intelligent, emotional ZibBee. Notably, the company proudly introduced its advanced technologies from the component and materials sectors such as the Backlight Unit (BLU) that applies Quantum Dots, a Nano Material, and Special Coating Glasses that employ nano-coating technology.

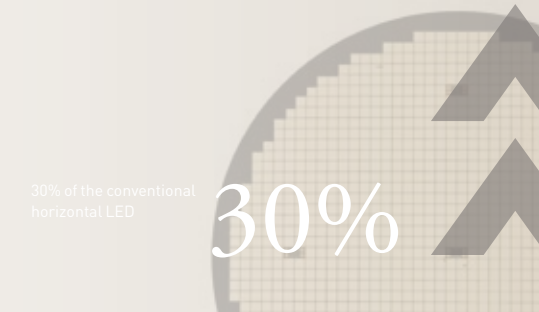


01 Launching Ceremony of Integrated LG Innotek
 02 Record-high Sales in 2009
 03 Ground-breaking Ceremony for LG Paju High Tech Material Plant
 04 2009 Korea Technology Awards, Vertical-type LED Chip
 05 High Efficiency LED Lamp Awarded the “iF Design Awards”
 06 Mobile WiMAX Module Awards Innovation Prize of the CES
 07 Participation in the KES 2009
 08 Concession Bargaining Practice Certification
 09 Declaration of Fair Transaction Agreement
 10 Social Contributions Activities

Construction of LG Paju High Tech Material Plant LG Innotek held a ground-breaking ceremony for the LG Paju Plant in Wollong Industrial Complex, Gyeonggi-do, in September 2009. Situated on an 850,000m² site, the new plant was constructed with an investment of KRW 1 trillion by 2012. The new plant will increase LG Innotek’s sales of LEDs up to KRW 1.5 trillion by 2012. That will put the company in a position to be a market leader in the LED business, with a global market share of 10% in terms of LEDs.



Ministerial Prize of the Korea Technology Awards LG Innotek successfully developed a vertical LED chip technology, the first in Korea, and won the ministerial prize at the 2009 Korea Technology Awards. Awarded to companies that developed new technologies and products of significant economic benefit, the prize recognized the value of LG Innotek’s vertical LED Chip that has a 30% brighter light than that of a conventional chip, while emitting radiant heat.



Concession Bargaining Practice Certification LG Innotek and the LG Innotek Components Industry Labor Union received the certification of “Concession Bargaining Practice” from the Ministry of Labor on August 13th, 2009. The certification receivers are exempted from labor practices investigation and an SME including an extension of time for tax investigation. As a result, for the next two years, LG Innotek has been exempted from labor practices investigations.

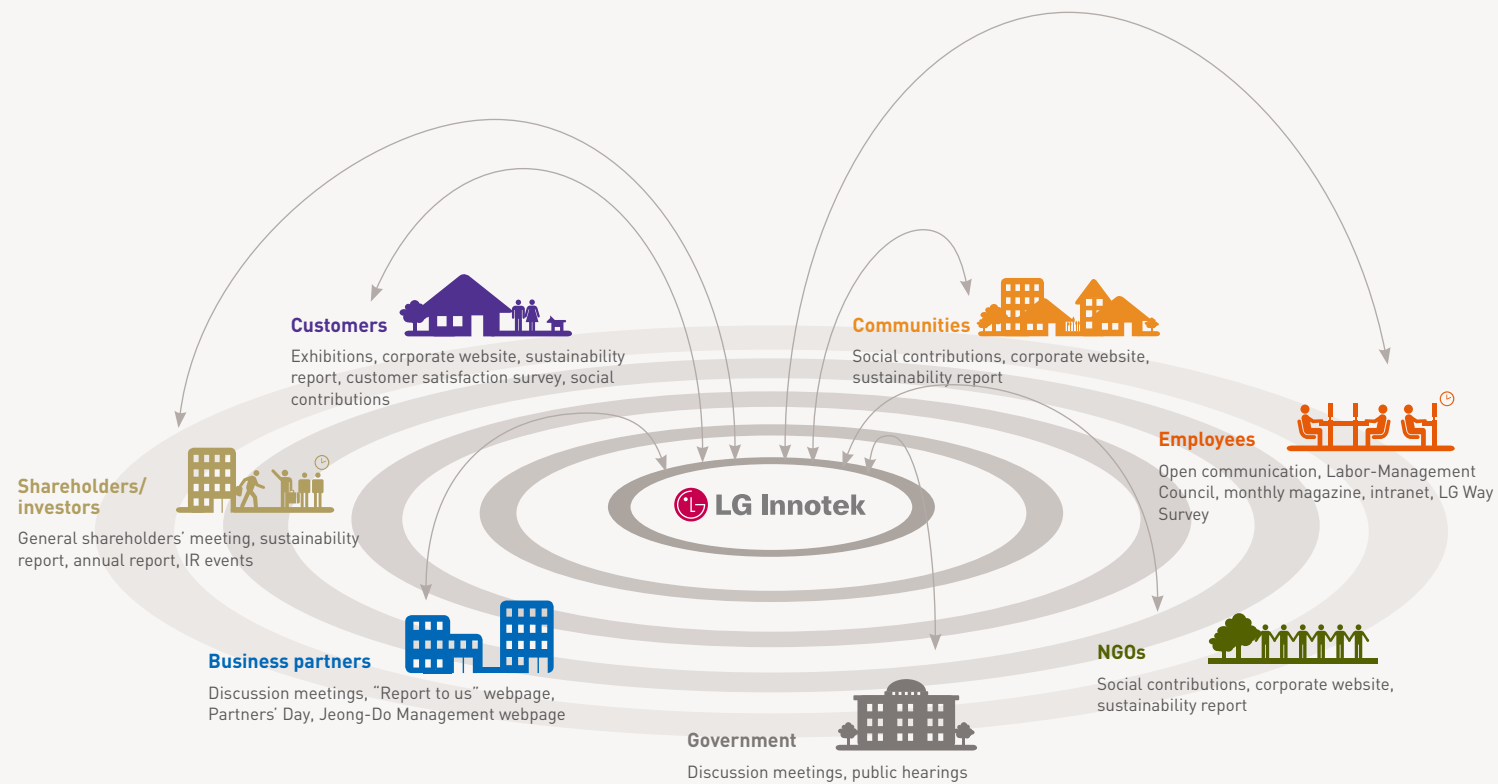
Declaration of Fair Transaction Agreement LG Innotek and the six other LG Group companies held a ceremony declaring their commitment to win-win partnerships and fair transaction accords with their business partners at LG Twin Tower, in Seoul on November 24th, 2008. This declaration was intended to help business suppliers who were suffering from unstable business conditions, in the face of the global economic recession, and to build a sound, sustainable model for win-win partnership with their business partners.

Continued Social Contributions LG Innotek fulfilled its social responsibilities in 2009 through various programs. In collaboration with the Korea Child Fund, with which the company has had a sisterhood relationship since 2003, the company sponsored teenage heads of households. It also lent its support to farming hands in its sister village Goseo-myeon, in Damyang-gun. Further, it subsidized scholarships to needy teenagers in the region as part of its “Farm Loving & Happy Sharing” program.

Stakeholder Communication

Stakeholder Communication Channel

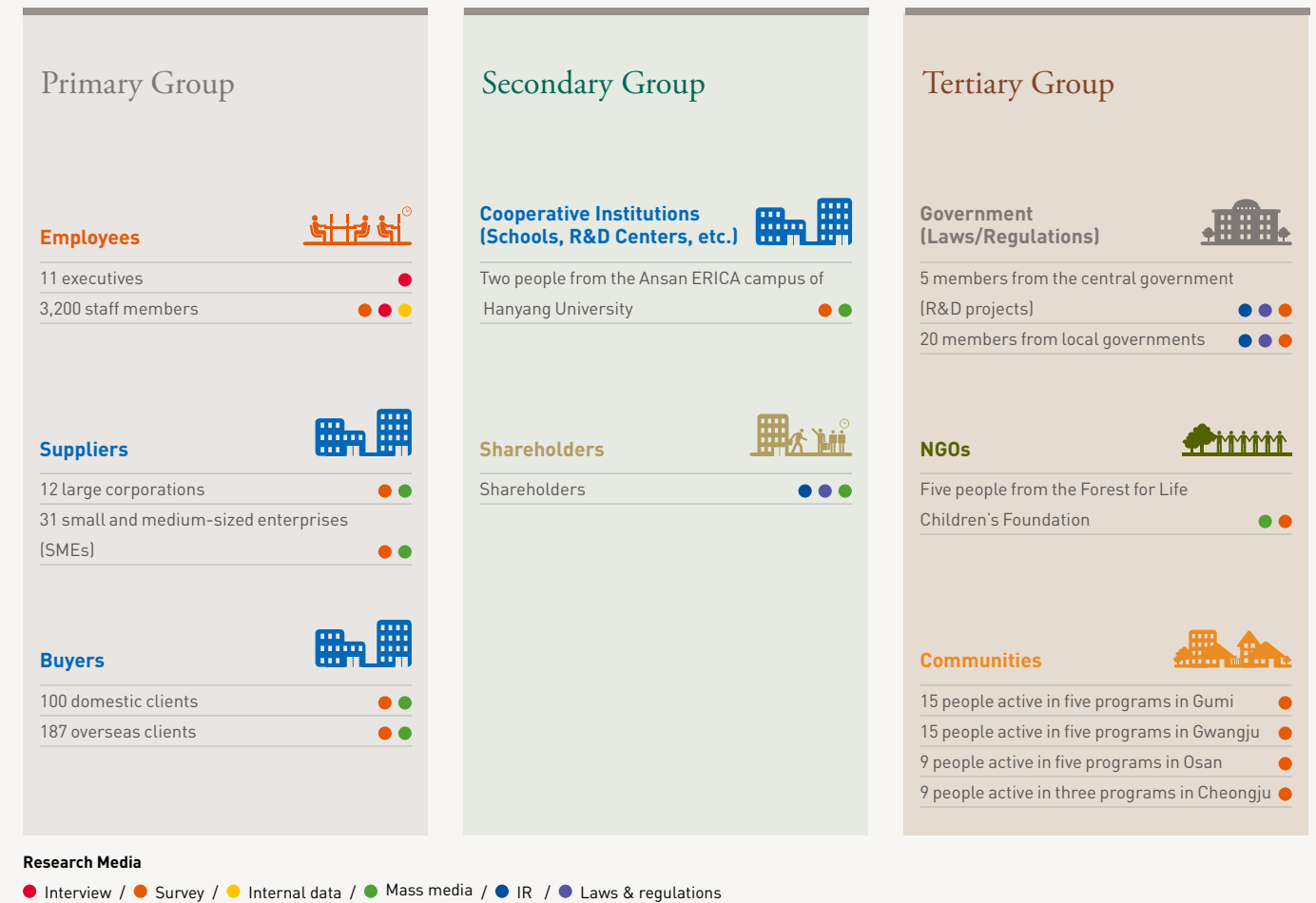
LG Innotek greatly appreciates its stakeholders as partners for sustainable company development. Therefore, it operates various channels through which it maintains open and candid communication with its stakeholders.



LG Innotek Stakeholder Group

Customers	LG Innotek classifies its customer groups as domestic and overseas customers. As of the end of 2009, our client companies number 300.
Shareholders / Investors	At LG Innotek, the shareholder group refers to the members of the general shareholders' meeting. The investors group consists of individual and institutional investors.
Employees	The employees of LG Innotek are the company's internal stakeholders. Consisting of researchers, marketers, production staff, administrative staff and worksite employees, the entire workforce in Korea 6,497 people, as of the end of June 2010.
Business Partners	LG Innotek maintains transactions with 752 business partners.
Government	LG Innotek operates a global network consisting of 16 strategic points in Asia, America and Europe, and faithfully abides by the local laws and regulations, and always fulfills its tax obligations.
Communities	The community includes local residents, universities, local governments and agencies as well as civic groups in the vicinity of its domestic and overseas operations. In addition to the green management activities, LG Innotek obtained the ISO14001 and OHSAS18001 certifications for its environmental and safety innovation initiatives.

Stakeholder Group Participants of Interviews & Survey



Stakeholder Communication Overview

LG Innotek reflects stakeholders' opinions in its sustainability management policies and strategies. For efficient communication with respective stakeholder groups, the company classifies its stakeholders into seven groups—shareholders, customers, community, employees, business partners, NGOs, and governments—and has established different communication channels for each group. Departments are assigned to related stakeholder groups for regular communication and reflect their opinions in management activities, in order to build mutual trust. The management directives identified by their feedback will be disclosed in this report, every

year. The company also keeps its eyes on both domestic and global regulatory trends and policies that might have influence on its management activities, and conducts regular surveys with its stakeholders, which are presented in this report. Based on consistent communication with stakeholders, LG Innotek will expand stakeholder engagement and build solidarity with them, in order to be a leading, global electronic components provider.

Materiality Analysis

LG Innotek reflects the opinions of its stakeholders in the design process of materiality analysis, thereby improving the content of this report. Furthermore, this process will serve to make systematic the CSR activities of the company.

Materiality Analysis Process

Experts Survey In August of 2010, LG Innotek surveyed external stakeholders, asking them to rate the company's sustainability management performance, their satisfaction with it, as well as suggestions for improvements. The feedback generated was used to guide the Materiality Analysis and create the framework of this report.

	Economy	Environment	Society
Satisfaction	Initiatives for expanding sustainable management efficiency and improving productivity	Establishing a company-wide environmental management system and strengthening compliance with environmental safety regulations	Clear understanding of and response to customer demands
Improvements	Development of high technologies and new growth engines for the future	Constant R&D on future green technologies	Support of SME business partners for their sustainable growth

Employee Survey LG Innotek surveyed employees through its Intranet in August of 2010. The survey found the company needs to create interactive programs and training materials to raise employees' understanding of sustainability management. This finding is based on the analysis of 700 respondents, out of the total 3,000 surveys domestically-distributed to worksites employees.

Employee Survey Analysis

CSR Mindset	73%
General Manager and Higher	87.3%
General Manager	72.3%
Manager	75.3%
Assistant Manager	72.2%
Staff	68.9%

	Top Priority	Second Priority	Third Priority
Satisfaction	Clear understanding of corporate vision and management's leadership	Customized welfare programs and various other benefits	Cooperative labor-management relations
Improvements	Staff self-development support	Fair evaluation and performance compensation	Defining the human resources development system

Media Analysis LG Innotek analyzed 3,122 articles by domestic newspapers, economic dailies and Internet news media released for two and a half years, from 2008 to June 2010, to check for major concerns to its external stakeholders. This procedure put the company's various management activities into the perspective of external stakeholders.

The analysis found that the company's economic issues took the lion's share of news coverage, accounting for 63% of the total articles, with environmental issues accounting for 10%, social issues 13%, and employee-related issues 14%. In the future, the scope will be expanded to include global media coverage of the company to and analyze negative issues there, too.

By type

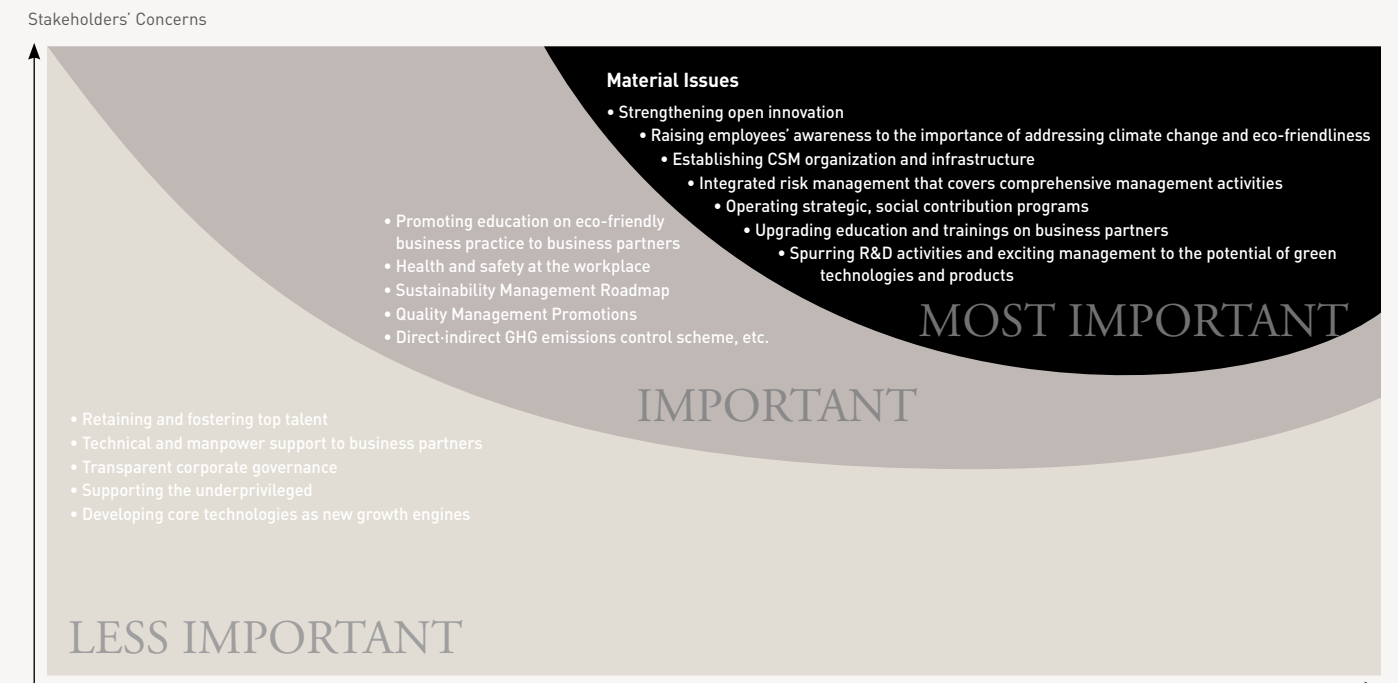
- Economy
- Environment
- Society
- Employees

Media Analysis (by Type)	63%	10%	13%	14%
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Materiality Analysis LG Innotek adopted the materiality analysis to analyze and prioritize major sustainability issues. Employing the international standard, the Five-part Materiality Test by AA1000, LG Innotek identified issues of high priority to its stakeholders, and those of high potential influence on our management activities, both of which are dealt with in this report. In response to global standards, such as ISO26000, DJSI and GRI, general sustainability issues were pooled. Issues of concern to stakeholders were identified from media analysis and surveys, sustainability management strategy and innovation initiatives. From the pool of 174 issues, seven major issues were selected and specified action plans. The issues were reflected in the sustainability management strategies and report process.

Materiality Test LG Innotek ran the materiality test to evaluate the pertinence, maturity and fairness of issues. As a result, the issues were classified into three categories, in accordance with their significance. Sustainability management issues were developed from the surveys and interviews with employees, benchmarks of the reports published in the industry, and analysis of news coverage on LG Innotek for the past two and a half years. As the issues highlighted by the materiality test presents our missions for future planning, requiring consistent management, LG Innotek will keep track of the performances at every stage of development in future annual reports.

Materiality Test Matrix



Sustainability Performance Indicators

LG Innotek identified and reflected major issues in this report through various channels of communication with its stakeholders. Then, the related organizations were put in charge of accomplishing the respective goals for each issue. Based on this process, LG Innotek will continue to monitor and improve its performance.

CSM Areas		Focus areas	Department in charge	Main duties	Pages	2009 Major Achievements	2010 DIRECTION
LG Innotek	Sustainability Management	• Building the sustainability management infrastructure	Sustainability Management Bureau / PR Group	• Sustainability Management Issue Management • Response to external reputation on sustainability management • Promoting communication with stakeholders	18-21	• Organized the Sustainability Management Board • Instilling sustainability management mindset among employees	• Publishing sustainability report • Identifying key issues and improving monitoring • Responding to external certificates of sustainability management
	Economy	• Risk management • Financial flexibility	Financial IR Group/ Treasury Group/ Business Administration Group/ Accounting Group	• Transparent corporate governance & decision-making process • Risk management • Sustainable growth & financial soundness	8-9 15 24	• Reinforcing business competences • Initial public offering & launch of integrated LG Innotek	• Reinforcing responsiveness to financial and non-financial risk management • Establishing a global-wide cost management database • Upgrading business portfolios, ensuring core technologies
	Ethical Management	• Establishing Jeong-Do Management practices	Business Diagnosis Group	• Jeong-Do Management education & PR on employees of global operations and of business partners • Business diagnosis (enhancing process and business competences)	14	• Expanding Jeong-do Management education • Survey on the Jeong-do Management practices	• Promoting internal and external Jeong-do Management activities
Environment	• Minimizing environmental impact • Emissions control • Reduction goal management • Climate change mitigation communication • Regulations on halogen-use by client on mobile devices • Self-regulated eco-friendly management by business partners • Hazardous substance information control	Green Product & Technology Group/ Climate Change Task / Environment, Safety Planning Task	• GHG emissions control at workplaces and by products • Addressing climate change • Enhancing preparedness to Carbon Disclosure Project • Education of employees on how to mitigate climate change • Controlling the use of restricted substances in products • Promoting green vendors among business partners • Developing eco-friendly products	25-34	• Establishing the Hazardous Substance Management System (HSMS*) • Building the GHG inventory • Reducing GHG emissions through energy reduction TDR** • Controlling the use of restricted substances in products • Promoting eco-friendly management to business partners • Integrated control of hazardous substance information * HSMS: Hazardous Substance Management System ** TDR: Tear Down Redesign	• Establishing a company-wide organization and infrastructure for addressing climate change • Setting company-wide strategy and goal for addressing climate change • Establishing the EESH system • Constructing the education system for addressing climate change • Ensuring the precision analysis system of Halogen (Br, Cl) • Working-level training of business partners on eco-friendly management • Establishing an integrated system for Hazardous Substance Management System (HSMS)	
Employees	• Work Smart • Reinforcing global competences • Labor-management partnership	HR Planning Group/ HRD Group/ Labor-Management Strategy Group	• Promoting communication with employees • Customized self-development program • Building win-win partnerships in labor-management relations	35-46	• Promoting open communication • Adopting the in-house executive coaching program • Continued creation of jobs • Trying diverse recruitment processes • Establishing an open labor-management culture	• Establishing and promoting the infrastructure for CoP • Realizing "Work Smart" through casual dress code and flexible time work • Launching the One Union	
Customers	• Custom-built marketing • Customer-proposed R&D • Custom-built quality innovation	Marketing Planning Group/ Quality Management Office	• Customer Communication • Solidifying the foundation for sustainable quality • Incorporating quality management systems	47-51	• Customer satisfaction survey • Customer-tailored marketing • Developing customer-tailored quality control system	• Expanding the marketer competence-building program • Expanding customer communication and reinforcing information disclosure procedures • Responding to the change in the international standards of quality management	
Business Partners	• Win-win partnerships with business partners • Promoting communication with business partners • Spreading sustainability management to business partners	Procurement Group	• Improving the system for selecting and evaluating business partners • Operating win-win partnership programs • Establishing an open and green procurement system	52-55	• Financial Support & payment conditions improvement - Network Loans - Expanding cash payments to contractors • Human resources and educational support - Six Sigma, education on eco-friendly management practices • Technology Development and quality support - Support of quality improvement activities • Constructing an integrated procurement system	• Improving financial support and payment conditions - Creating LG win-win partnership fund - 100% cash payment to contractors within two weeks of billing • Operating the HRD Center for business partners • Supporting technology development and quality control - Participating in purchase-guaranteed projects - Operating CoPs • Business support - Business Doctor program • Opening procurement portal	
Communities	• Developing a company-wide social contribution program • Promoting communication with local communities	PR Group/ Plant Support & General Administration Group	• Integrating company-wide social contribution activities • Operating company-wide volunteer corps	56-59	• Community engagement programs • Improving educational conditions • Funding the "Happy Together" fund	• Launching of a company-wide volunteer corps • Spreading a company-wide social contribution programs and promoting employees' participation - Developing and implementing diverse programs of supporting multi-cultured families and green energy camp, etc. • Building a long-term roadmap for social contribution activities	

Risk Management

With the evolving business environments, there are a myriad of external and internal risk factors. LG Innotek continually monitors its management risks to minimize uncertainties in its management activities. The internal control system also supports heightening risk responsiveness, and transparent and rational decision-making by the management team.

Global Integrated Financial Information System (GIFIS)

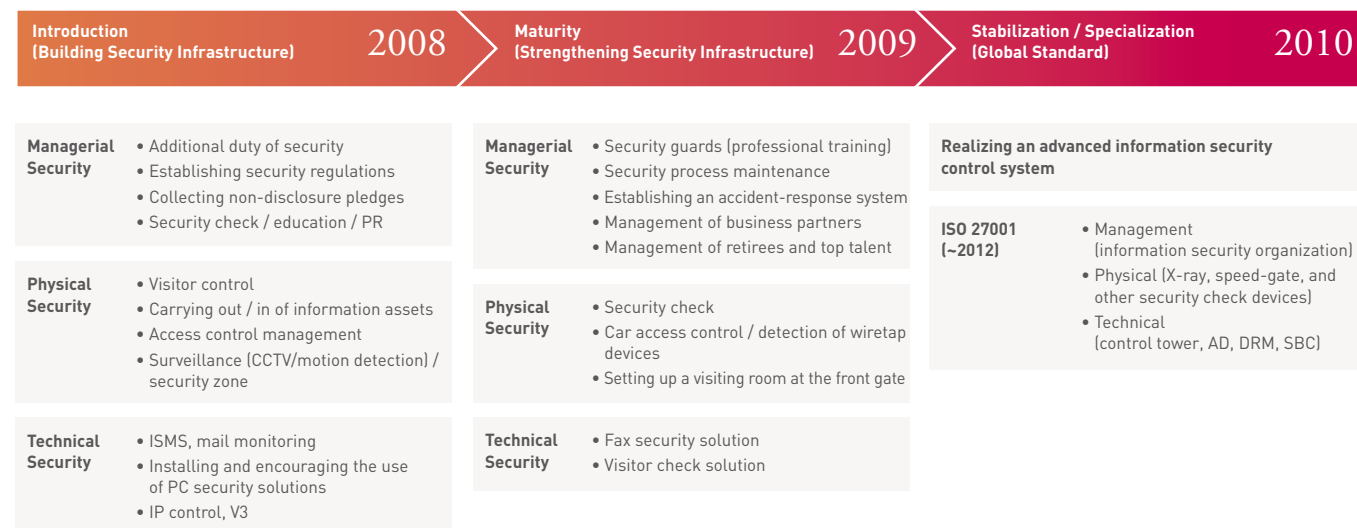
The GIFIS integrates and provide all kinds of financial information such as cost, accounting and finance into a single system, which provides forecast data for preparing for future risks and making required decisions. For the systematic and consistent management of foreign exchange risks, the company also instituted foreign exchange management regulations and designated the staff in charge.

- Foreign Exchange Risk** LG Innotek has put in place regulations for the management of Foreign Exchange (FX) risks. For a systematic and consistent management of FX risks, the company set up a risk management organization, which oversees FX and related transactions, foreign capital balance and position, FX gain/loss management, FX rate and FX market trend analysis.
- Credit Risk** LG Innotek controls company-wide credit risks, in line with its risk management policies. The real-time based monitoring detects and prevents credit risks, minimizing losses through bonds, while improving its recovery ratio.
- Liquidity Risk** LG Innotek plans capital flows every third month to anticipate capital flows in its business, investment and financial activities. That way, the company is able to control its liquidity beforehand, preemptively managing potential liquidity risks.

Internal Control System LG Innotek operates an advanced internal control system with higher binding power. Departing from the conventional way of analyzing its financial accounting system, the new system facilitates system innovation and management, preemptively preventing risks and contributing to increased productivity. The change in the process of internal control also enhanced management efficiency, enabling comparison between scores by organization, sector and period, to detect shortcomings in the internal control system and make improvements.

Information Security Risk Management LG Innotek's LED Division earned the ISO27001 certification in 2010 and the company is also working to acquire the same certification for its entire worksite by 2012, enhancing its information security capacity and reliability, a first in the global component material industry. In addition to the strengthening of information security, the global players' trust in its information security will further reinforce its business competitiveness as the leading core components partner of choice.

Information Security Risk Management Plan



Global Security No.1

GREEN

is what we do best

(Environmental Management Vision & Strategy)

Conservation of the planet and the environment is the overarching responsibility of corporate citizens. Committed to a clean and sustainable environment, and to protect the bounty of nature, LG Innotek practices eco-friendly management at all its premises, both domestic and overseas. From the energy resource conservation to greenhouse gas emissions reduction initiatives, LG Innotek faithfully implements its mission to preserve the environment.

(2009 Major Achievements)

- Hazardous Substances Management System (HSMS)
- Greenhouse Gas Inventory
- Greenhouse Gas Emissions Reduction through the Energy Reduction TDR Initiative



**Chief Technology Officer:
Executive Vice President, Lee Joo Won**

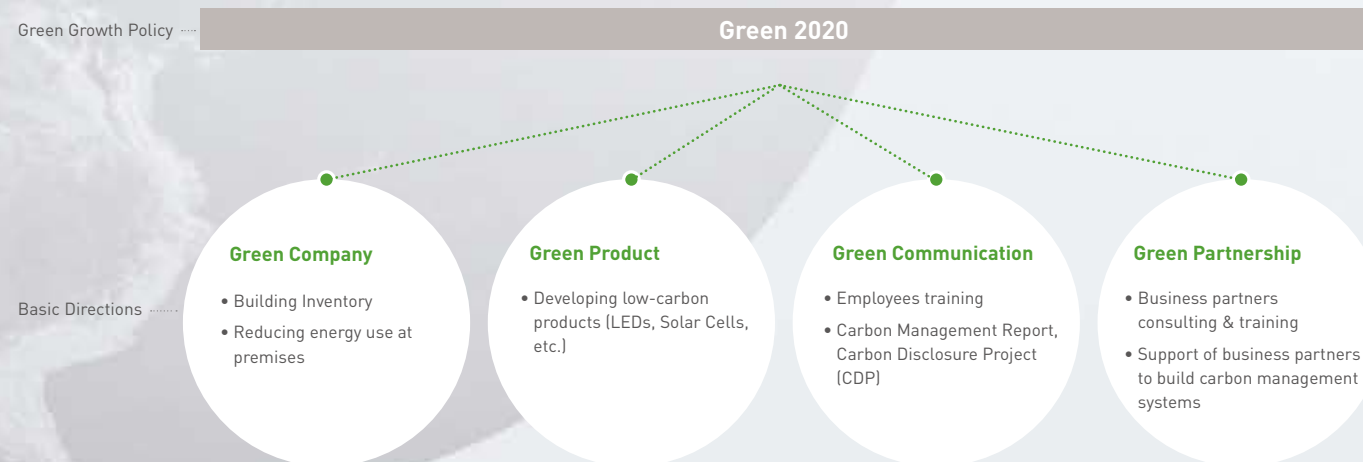
INTERVIEW

In participation with the global initiatives to address climate change, LG Innotek restricts the use of hazardous chemical substances to reduce greenhouse gas emissions. Controlling the use of hazardous chemical substances from the product design to the manufacturing stages, the company sharpens its global competitiveness through its "Addressing Climate Change & Low-Carbon Strategy Project." Internally, the company strives to establish eco-friendly management practices, encouraging its employees' active participation.



Addressing Climate Change 1.1

Recently, global initiatives to reduce the emissions of greenhouse gasses began to deal with global warming. In participation with these global initiatives, the Korean government introduced regulations for business activities and specific products to reduce the emissions of greenhouse gas, such as the Carbon Tax and the Emission Trading Scheme. Consequently, the business paradigm is rapidly shifting to focus on “Carbon-Management.”



Vision & Strategy In line with the “Green 2020” policy of the LG Group, LG Innotek is developing a long-term carbon management strategy to be met by 2020. Based on the four-pronged strategies: Green Company, Green Product, Green Communication, and Green Partnership, the company strives to become a global green partner. In order to become a Green Company, it has built a greenhouse gas inventory and set long-term greenhouse gas reduction goals. At all its worksites, the greenhouse gas emissions reduction initiatives are in practice through energy-use reduction Tear-Down Redesign (TDR) activities. In terms of green products, the company plans to establish a development system for low-carbon products with higher efficiency and better performance. For green communication, it will set up training systems to develop employee competences in addressing climate change, while proactively responding to the regulations demanding corporate carbon disclosure. At the same time LG Innotek green partnership supports its business partners building an inventory and carbon management framework.

Risk & Opportunity LG Innotek set up a task force team comprised of external experts for the efficient addressing of climate change. It also developing its carbon management system by analyzing the risks and opportunities that climate change poses. For some time, the company has been anticipating a growing market demand for green products and green management solutions, and has been consistently preparing for eco-friendly management practices. As a result, it was awarded the green business certification. In 2006, the company commenced building and verifying its greenhouse gas inventory and obtained verification on its inventory from the period beginning in 2005 through 2009. Based on its core technologies, it has successfully developed a low-carbon, high efficiency LED, which has gone into mass production. Currently under development is a thin-film solar cell that taps into clean, solar energy. The company is also increasing low-carbon production lines to realize a complete line of low-carbon products.



Employee Education [Climate Change Newsletter – Greenotek]
Greenotek is the composite of “Green” and “Innotek,” an internal, bimonthly newsletter covering climate change issues. It informs employees about trends in addressing climate change and provides related information, ultimately to heighten the company-wide responsiveness to climate change. In addition, the company has put in place an educational system on climate change, in order to incorporate carbon management practices into its corporate culture.

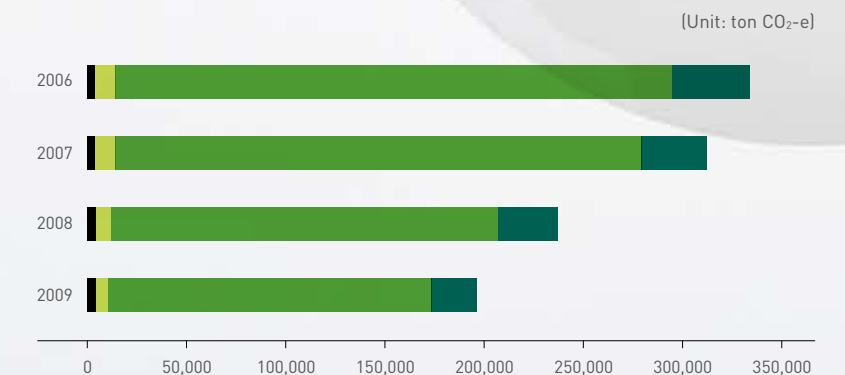
Greenhouse Gas Emissions & Reduction Goal In pursuit of productivity improvements with better energy efficiency and processes applying innovative technologies, LG Innotek plans a 40% reduction in the emission of greenhouse gasses by 2020, compared to the BAU* emission. To that end, it plans to develop low-carbon products, responding to the GHG energy goal management, and strategic carbon-reduction activities.

*BAU (Business as Usual): greenhouse gas emission estimates in the event of business as usual

Greenhouse Gas Emissions

Scope 1: Direct emission
Scope 2: Indirect emission due to purchased electricity steam
Scope 3: Other indirect emission

	2006	2007	2008	2009
Scope 1	39,584	33,309	30,504	22,935
Scope 2	283,492	268,145	196,838	164,585
Scope 3	10,743	10,243	8,123	6,354
Optional Info.	3,654	3,995	4,126	4,256
Total	337,473	315,692	239,591	198,130



* Scope 3: emissions by processing of raw materials, use of finished products and employees' transport/ emissions from electricity and steam that the company purchased and resold
* Greenhouse gas emissions declined thanks to energy conservation campaigns and for business operational reasons such as the shutdown of Gumi Factory 1 and the discontinuation of the PRP business.

Reducing GHG Emissions through Video Conferences

EXAMPLE

In response to the global initiatives to mitigate climate change, the Korean government and companies engaged in diverse efforts to reduce Greenhouse Gasses (GHG). LG Innotek has been involved in energy conservation activities at all its premises, to reduce the use of energy that contributes to GHG emissions. Video conferencing is one of the most notable examples. Business trips are one of the main culprits of compromising work efficiency, for the waste of travel time and expenses incurred. To address this issue, LG Innotek adopted a video conferencing system early on. Not to mention the cost efficiency, the system contributes to reducing GHG emissions and thereby protecting the planet.

Video Conference's Effect on Reducing GHG

Period: January 1, 2009 ~ December 31, 2009 / **Minimum No. of travelers:** 12,170 persons
No. of Domestic Video Conferences: 780 times / **No. of Cross-border Video Conferences:** 168 times

* Overland trip is based on a compact car carrying five persons per unit – CO₂ emissions by a compact car: 7kg CO₂/km
* Overseas trip counts only the carbon emissions from the trip from Incheon International Airport to the destination airports. Carbon emissions from the Overland trip to and from the airport is excluded – CO₂ emissions by airplane: 12kg CO₂/km
* Pine tree absorb 7.3kg CO₂ annually.





Green Procurement 1.2

LG Innotek is pursuing the removal of environmentally hazardous substances in all products developed or manufactured through international environment restriction regulations and an analysis of client companies' environmental policies. To manage this process more efficiently, LG Innotek has constructed a hazardous substance IT system to manage the restriction of materials and check the chemical composition of its components and products. While its entire workforce strives for green management, its collaboration with its business partners further enhances the effectiveness of this goal.

Sustainable Environmental Management A growing number of countries, including the E.U., the U.S., Japan and China are applying strict environmental regulations on not only import goods, but also those produced within their territories, to protect their own environments. A breach of these regulations results in expulsion from the markets, leading to business failure. LG Innotek, however, is ready to make an opportunity out of this crisis in the market environment. Aggressively adopting sustainable environmental management, it will take another leap beyond the current environmental regulations.

Green Procurement Policies

- Environment Regulation Pre-response**
 - "Zero" progress until a year before international environmental regulations and client requirements come into effect
- Intensifying Regulated Materials Verification**
 - Efficient management through HSMS IT system
 - XRF/Precision analysis test system
- Reinforcing Cooperation with Business Partners**
 - Operation of Green Program (GP) certification system
 - Closing MOU with SMB for cooperation with business partners

Mid- to Long-term Strategic Directions

<p>Design for Environment (DfE) 01</p> <p>LG Innotek will phase in the DfE on all its products and establish an eco-friendly management system, ensuring a sustainability management infrastructure.</p>	<p>Hazardous Substance Testing System 02</p> <p>LG Innotek is supplying only environmentally friendly products to its customers by evaluating and reducing Hazardous Substances from all products beginning at the warehousing stage.</p>
<p>Green Partnership 03</p> <p>LG Innotek adopted the Green Program (GP) as a plan to encourage its business partners to establish eco-friendly management systems from raw materials to finished product. It also gives a quarterly educational program to enhance the eco-friendly mindset of its business partners, and to share information with them.</p>	<p>CSM Activities 04</p> <p>LG Innotek will develop its own sustainability management indexes, while continuing to communicate with its diverse stakeholders. At the same time, it will continue its social responsibility activities, especially those related to environmental protection.</p>

Working-level education on eco-friendly management at business partners in 2009 (persons)

37

2008-2009 Business Partners Restricted Substance Control Seminars (2 in Korea, 7 in overseas)(persons)

468



Working-level Education on Eco-friendly Management

Green Procurement Programs

01 Restricted Substances In addition to the substances prohibited for use by law—6 substances regulated by RoHS, two halogen-free substances and 46 types prohibited by REACH SVHC— substances prohibited for use and those required to be monitored or reduced, which are separately restricted by customer companies—including the Polychlorinated Biphenyls (PCBs) and 20 more substances—are under separate control by the company.

02 HSMS, Hazardous Substance Management System

LG Innotek verifies Hazardous Substances data through its IT system and, with links to the internal management system, executes an analysis of hazardous substance information on its products.

03 Hazardous Substance Testing System

LG Innotek supplies only environment-friendly products to its customers by evaluating and reducing Hazardous Substances from all products, beginning at the warehouse stage.

04 MOU Conclusion for Hazardous Substance Analysis and Support to Partner Companies

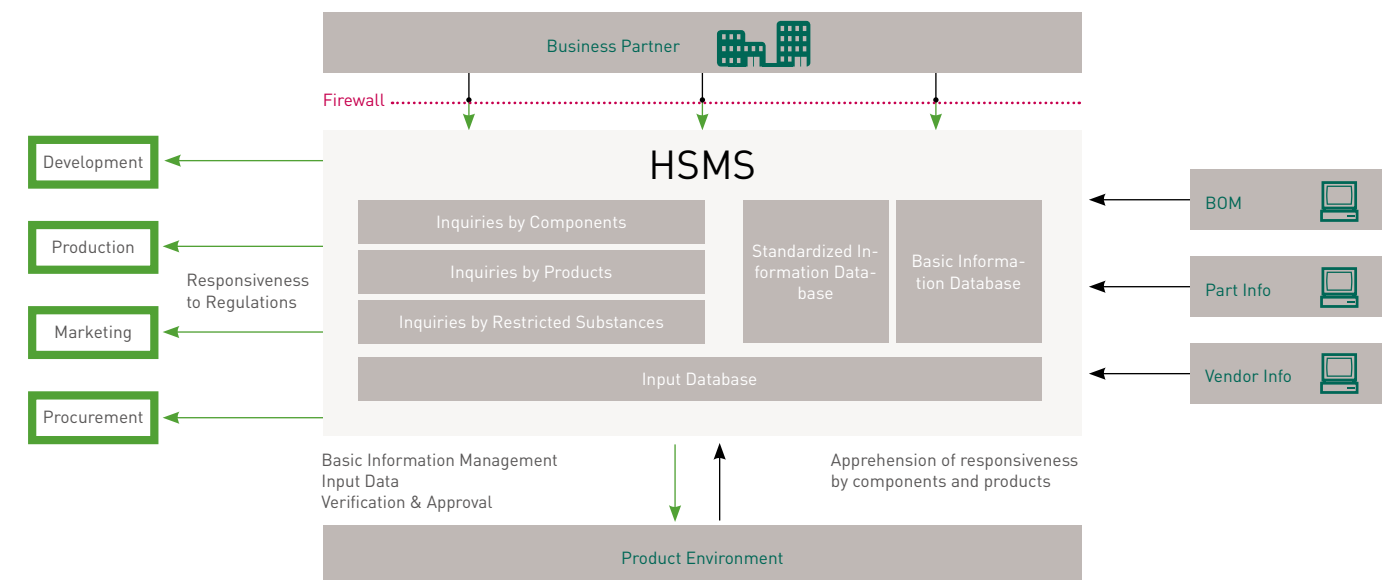
LG Innotek has reinforced its partner companies' analysis support ability and internal verification capability by making an "Agreement for Large and Small-Medium Companies Cooperation" for use in analysis facilities and with partner support analysis equipment with SMEs, in Gwangju and Jeonnam.

05 Green Program

The Green Program evaluates whether environmentally friendly agreement systems with partner companies satisfy the environmental restriction laws and LG Innotek's requirements to grant certification to qualified partners, reinforcing the environmentally friendly competitiveness of supply products, by making all cooperative business partners Green Vendors.

Green Program		(Unit: no. of unit)		
Region	2007	2008	2009	Total
Domestic	72	29	10	111
Overseas	70	33	4	107
Total	142	62	14	218

Hazardous Substance Management System (HSMS)





EESH Management 1.3

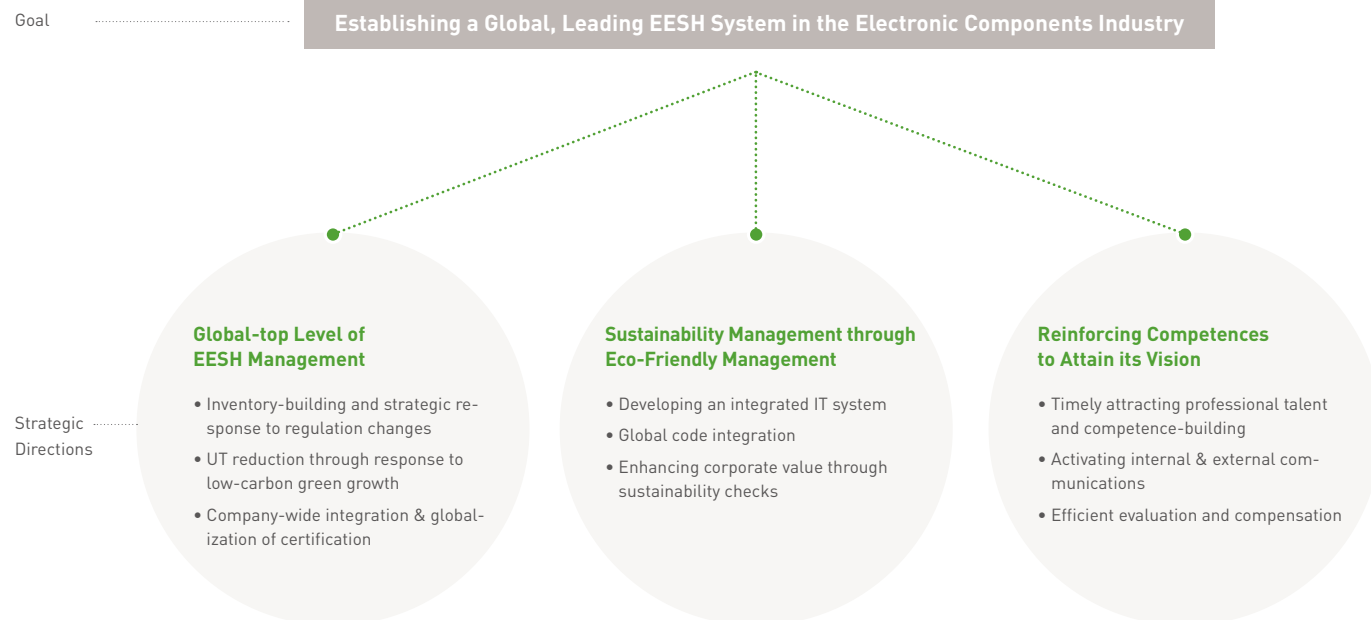
Under the goal of “establishing a global top Energy, Environment, Safety and Health (EESH) Framework,” LG Innotek ambitiously engages in innovation drives in the areas of Energy, Environment, Safety and Health (EESH). As it is closely related, not only to legal regulations, but also working conditions, the company is working on a system to share and allow for communication among its worksites.

EESH System LG Innotek is building a company-wide integrated EESH system with the Environment & Safety Planning Task Forces at each plant. This system will serve to share information among the plants, to preemptively respond to regulations, as well as to the low-carbon green growth drive. In the second half of 2010, the company plans to create a global EESH system that encompasses its entire network.

Energy LG Innotek has consistently been involved in energy reduction initiatives, at every stage of its manufacturing process. As a result, its Gumi Factory was designated as an environmentally-friendly factory by the Ministry of Environment. Each LG Innotek plant also continues its energy-saving activities, in line with waste elimination initiatives and recycling rate improvements.

Environment LG Innotek is working to minimize pollutants discharged from its plants through process innovation and using waste treatment plants and recycling facilities. As a result, the company has seen no environmental regulation violations or leakage of hazardous substances during the period from 2008 to 2009.

EESH Mission



Maum Nuri Psychology Counseling Center

Energy Consulting

Safety & Health LG Innotek maintains Environment & Safety Planning Groups at each of its plants. The Groups oversee safety, health, environmental issues, including the prevention of industrial accidents, and promote the best working conditions with the best safety and health conditions. Regular health check-ups for its employees, and periodic surveys, help the company improve its working conditions. Above all, the company fully abides by the ILO conventions in all its business activities.

Child Care Support Program LG Innotek has nursery rooms at its premise for working women. For the convenience of its pregnant employees, who need regular check-ups while working, the company enters into partnerships with obstetrics and gynecology clinics in the vicinity of each plant under a program called the “Maternity Protection Program.” In addition, the company gives regular lectures and training sessions on prenatal care and delivery. These programs are in place at all its premises, not only at home but also abroad. The workplace day care center also helps its female workers to concentrate on their work without worry.

Stress Management Program LG Innotek operates a consulting program for employees’ workplace health and well-being. The Maum Nuri Psychological Counseling center runs a variety of psychological tests to help employees overcome issues that can have bad influence on productivity and duty fulfillment. By assisting employees with counseling and emotional management techniques, the program contributes to enhancing employee engagement and quality of life, as well as productivity for the company. Psychological experts and researchers provide counseling, psychological tests, and communication improvement programs at the center, improving work efficiency and the workplace environment.

EESH Certificate at Worksites (Unit: no. of certificates)

Region	No. of Worksites	ISO 14001 Holders	OHSAS 18001 Holders
Domestic	8	4	4
Overseas	5	5	5
Total	13	9	9

* The figures do not include the headquarters and R&D Center.

EESH Mid- to Long-term Strategy



Major Performances by Sector

Energy	<ul style="list-style-type: none"> Energy cost-saving KRW 8.9 billion Realizing KRW 5.3 billion in sales through recycling wastes and valuable metals Company-wide energy consulting
Environment	<ul style="list-style-type: none"> Investment in the wastewater recycling system Environmental accidents drill and regular check-ups Bimonthly environmental protection activities at mountains and streams around the plants. Green Program performance check (Gumi, Cheongju Factories) Preemptive environmental inspection
Climate Change	<ul style="list-style-type: none"> Greenhouse Gas Inventory / A Third Party Assurance (2005-2009) GHG Inventory IT System * Adding modules to the environmental safety IT system, ECOS



Energy Resource Conservation 1.4

Many governments around the world are proactively embracing measures to reduce greenhouse gas emissions, to deal with global warming. In particular, external risks, such as the carbon tax and Emission Trading Scheme (ETS) brought about a paradigm change in the business environment, and carbon management has become the norm.

Environmental Regulations LG Innotek legally processes all pollutants generated across its entire manufacturing and production systems and applies stricter internal standards than legal regulations require. The company also endeavors to improve pollution prevention facilities, innovate its process, and improve its recycling ratio. In the future, LG Innotek will continue efficient oversight of its environmental management data, and supportive activities that improve such activities. Through preemptive detection of its environmental impact, it will strictly comply with the legal standards and efficiently use limited resources, thereby contributing to the sustainable development of the planet.

Environmental Protection Activities LG Innotek conducts regular environmental protection activities at the Nature Sanctuary in the vicinity of its plants and neighboring National Parks. Employees also volunteer for environmental protection campaigns, and collect waste cell phones for recycling.



* See page 66 and the Environmental Performance Data for more details.



Product Warranty for Non-inclusion of Hazardous Substances



Collection of Waste Mobile Phone Devices



Environmental Protection Activities

Environmental Expenses (Unit: KRW million)

Category	2008	2009
Air Quality	969	765
Water Quality	6,334	5,145
Wastes, etc.	2,648	609
Total	9,951	6,519

* The environmental expenses include outsourcing expenses and waste treatment expenses, etc.

Environmental Investments (Unit: KRW million)

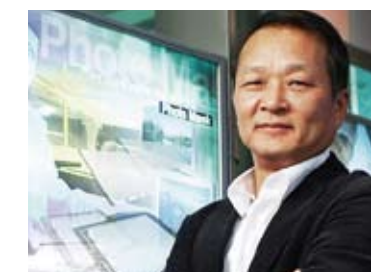
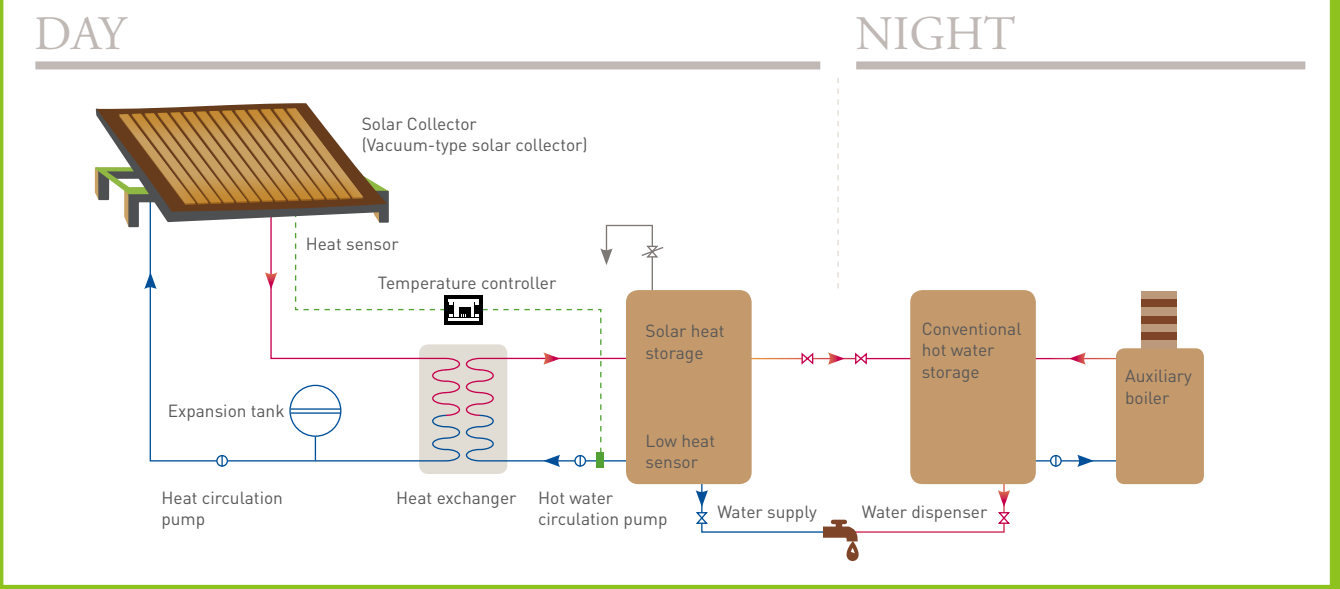
Category	2008	2009
Air Quality	2,025	1,332
Water Quality	968	2,148
Wastes, etc.	1,538	2,666
Total	4,531	6,146

* Environmental investments include facility investments and green field projects

Solar Heat-based Energy Conservation Case Study

EXAMPLE

In response to the low-carbon green growth initiatives and global initiatives to mitigate global warming, LG Innotek's Gumi Factory installed solar water heater facilities, which supply hot water, to the dormitory building. The system produces and stores hot water heated by solar energy and uses a conventional system to supply hot water at night or on cloudy days. This system enabled the Plant to supply 39% of its required hot water through solar energy, saving KRW 17.66 million in annual fuel costs and reducing carbon emissions.



Component & Material Support Team:
Vice President, Yeo Sang Sam

INTERVIEW

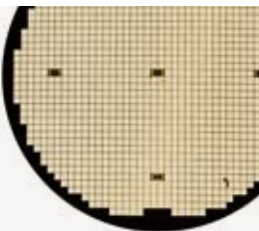
LG Innotek works towards the rational management of environmental data at its domestic and overseas plants, in order to adopt eco-friendly practices from the initial stages of R&D and design and planning. We aim to promote preemptive environmental protection campaigns. We will also provide departments with opportunities to share and benchmark success stories of their own environmental improvement activities.



Green Product Development 1.5

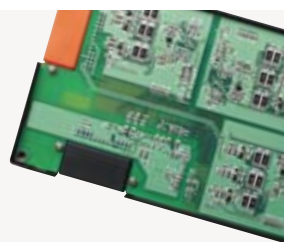
LG Innotek has been consistently developing a variety of green products that reduce or replace the consumption of fossil fuel energy, thereby considerably reducing greenhouse gas emissions. Our ultimate goal is to achieve product leadership in future, green business competition, while contributing to the preservation of the environment.

LED




LED LED has come under the limelight as the next-generation "technology of light," for its higher resolution, electricity consumption of only 80% that of incandescent lamps and 30% of fluorescence lamps. Coupled with the rapid development of LED Backlight Unit (BLU) technologies, the LED market is exploding as most public facilities are replacing their lights with LEDs. LG Innotek offers a variety of products, from the LED fluorescent materials to chips, packages, and light modules that can be applied to the backlight units of Smart Phones, Notebooks, and TV sets. In particular, light modules replacing conventional lights, such as the fluorescent lamp, create a new, eco-friendly lighting.

POWER MODULE



High-efficiency, Eco-friendly Power Module LG Innotek's power modules are designed to realize high efficiency with little electric energy. Most conspicuously, the Battery Management System (BMS) is a power module that replaces the batteries for electric cars. LG Innotek also collaborates with LG Chemical to provide this system to GM Motors' electric car, and will further expand its supply chain. Furthermore, close-range transports such as golf carts can also replace their fossil fuels with this system. This power module also powers the telecommunication transmitters, replacing the leads. Recently, it has been applied to various goods, including the power-saving function on TVs set to standby mode, contributing to a green environment.

SOLAR CELL MODULE



Solar Cell Module LG Innotek also takes the lead in the solar cell markets. Although the solar cells account for 10% of the global electricity supply, it is growing at a rate of more than 30% annually as an eco-friendly alternative energy source. LG Innotek's solar cell module is a thin film-type CIGS (Copper-Indium-Gallium-Selenium) module. The manufacturing cost is only 60%~70% of the crystal solar cell, with high energy efficiency. The company also developed metal paste, the electron that transmits electricity between the cells of the solar cell, thereby improving the efficiency and use of solar cells in daily life.

PEOPLE

are at the heart of everything we do

(Vision & Strategy)

LG Innotek recruits and retains top talent through fair and transparent HRM and HRD programs, supporting its employees to reach their full potential. It strives to build a great workplace, full of creativity and autonomy. It creates an environment where labor and management respect each other, cooperating in harmony. That is how LG Innotek earned the trust and respect of its employees.

(2009 Major Achievements)

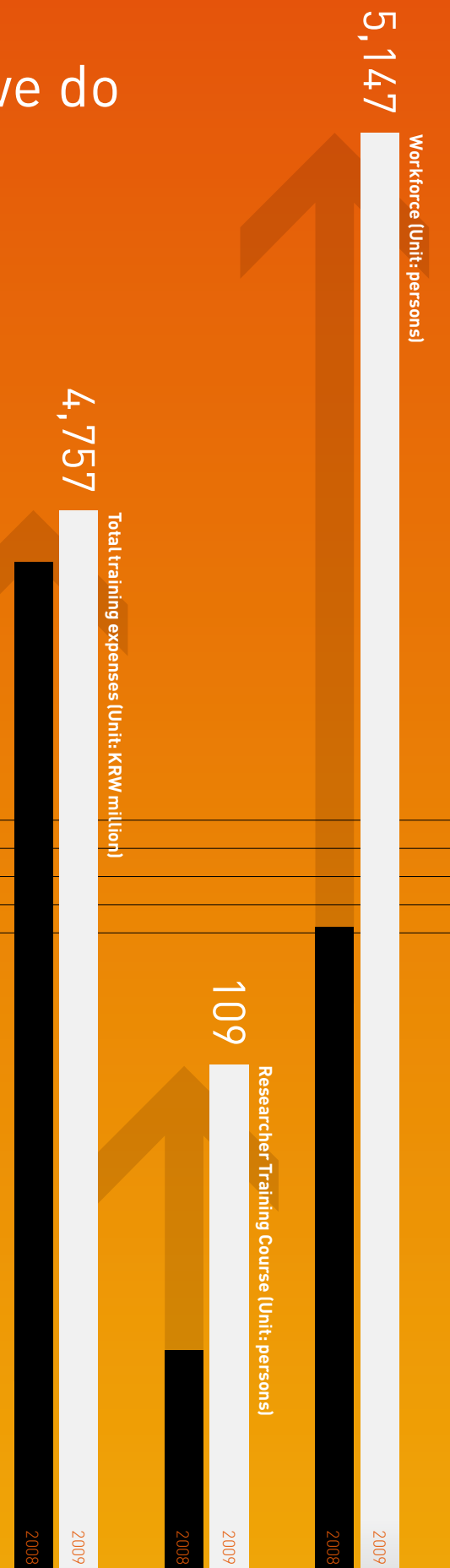
- Activated open communication channels
- Adopted in-house executive coaching program
- Continued job creation
- Adopted new recruitment schemes
- Forged an open labor-management relationship



Human Resources Team:
Vice President, Kim Young Wook

INTERVIEW

LG Innotek's HR system supports its employees to achieve their full potential, leading to the further growth of the company. Notably, its self-mentoring program provides customized support for individual development and the 聽(Listening), 情(Acknowledging), 問(Questioning) program encourages supervisors to listen to their staff in order to motivate them to become engrossed in their jobs.





Employees Communication 2.1

LG Innotek advocates open communication channels, in sharing its vision of becoming “The First Partner” to its customers. Communication is the main prerequisite to collaboration and focus towards attaining this shared goal. The key elements of open communication constitute the company’s unique policy called the “聽(Listening), 情(Acknowledging), 問(questioning)” program— listening, acknowledging and questioning—providing opportunities for honest communication among employees.

聽情問* Communication 聽情問 is LG Innotek’s unique communication policy, to which all its employees are required to follow. Moreover, the company encourages its leaders to set an example for their staff through various related programs.



聽情問 Poster

Open Communication LG Innotek promotes open communication based on the 聽情問 protocol, providing its employees with opportunities for self-reflection and reminding them of the necessity for innovation. The company operates various programs to help its leaders improve communication skills, diagnose and give feedback on individual 聽情問 levels.



Building Trust through Communication

CEO MESSAGE

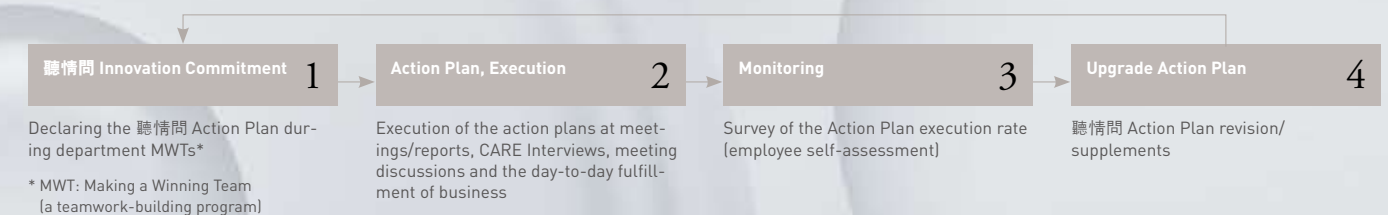
Business is all about cooperation and communication. Companies develop and achieve their vision only when grounded by the participation and focus of their constituent parts. Communication helps those parts share in the vision, propelling them forward toward the goal. Creativity and autonomy bloom on the free exchange of diverse opinions and ideas. Gaps are closed and common goals are more easily shared when each part communicates with the others, based on strong leadership.



Coaching Leadership LG Innotek’s Coaching Leadership program is a continuous partnership that supports individuals to realize their full potential and further the development of the company. Through self-mentoring, the program supports employee development. The program is efficiently operated in liaison with the 聽情問 program. The 聽情問 program is essentially based on the notion that all people have “infinite potential.” It aims to maximize individual creativity and autonomy through interactive communication— listening, acknowledging and questioning,

based on mutual trust in search of solutions. This type of communication relies on coaching leadership, as opposed to teaching leadership, that creates uniformity of thought and behavior. Coaching leadership is about interacting and encouraging variety in the search for solutions. Coaching Leadership is LG Innotek’s unique communication style, optimized to motivate 聽情問 communication, building focus and trust among employees and encouraging the self-development of individuals.

Leader 聽情問 Action Plans





Corporate Culture 2.2

LG Innotek's corporate culture is goal-oriented, focused on creating customer value through employee autonomy and creative problem solving. This goal-oriented culture is based on the 'No.1 LG' strategy. The self-mentoring and coaching leadership are innovations in place to improve the strategy's practical power.

Self Mentoring At LG Innotek, "Self-Mentoring" refers to the journey of questioning, consideration and finding the answers as the owner of one's life and work.

Concept:

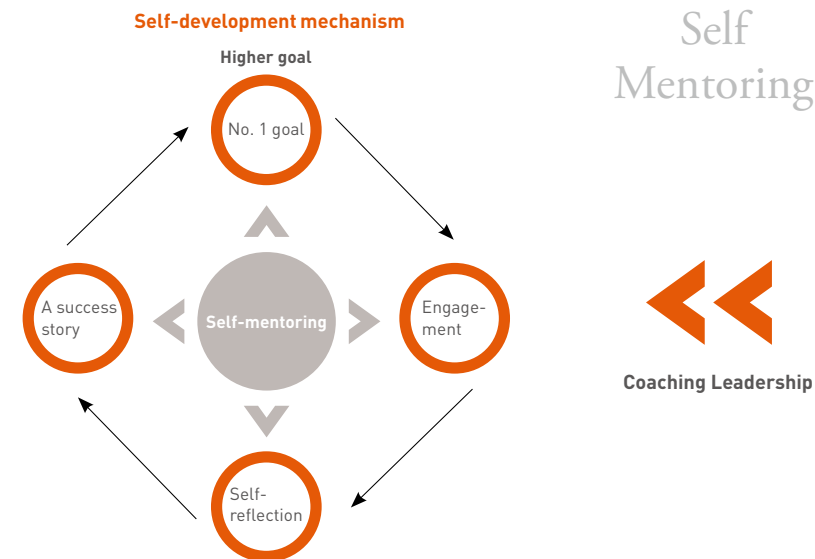
People are more engaged when their achievements reflect their choices and feel a higher level of responsibility and satisfaction. The best teacher is oneself. Therefore, self motivation can be more powerful than praise from others. That is what the self-mentoring program is based on. Breaking down the phrase, the word "self" indicates volition in their own lives and the word "mentoring" refers to the journey of self-questioning, thinking and the pursuit of solutions.

In-house Executive Coaching Leadership Program LG Innotek supports its executive management in reinforcing coaching skills, and encourages them to acquire the Associate Certified Coach (ACC) by the International Coach Federation in the promotion of autonomous and creative corporate culture.

2009 In-house Executive Coach Certificate-holders (persons)

14

Self-mentoring



Promotion Tools & Programs

Making a "Wants Sheet"	1
Care Interview	2
Pushing Forward with Tasks/Projects	3
Competence-building Education	4
Mentor 1 Minute Principle	5
MBWA (Management by Wandering Around)	6
Review of Daily Work	7
Best Practices Presentation	8



In-house Executive Coaching Training Program



Change Leaders Melt-in



Informal Group

Open Communication LG Innotek's Open Communication system aims to promote 聽(Listening), 情(Acknowledging), 問(questioning) communication among team members, offices, groups and sections within each department. It supports open communication, OS Meeting, CA Talk, and Cross Meeting.

Change Leaders Melt-in LG Innotek holds an annual "Melt-in," where management gathers to brainstorm innovative ideas to optimize the thinking and behavior of their employees. Executives from all divisions and teams gather to develop customized tasks promoting innovation and action plans. This session plays an integral part in the company's principle of "management that respects humanity based on their autonomy and creativity."

Change Agent Program LG Innotek designates one Change Agent (CA) assigned to each group, every year. The CAs facilitate greater employee engagement through such programs as the semi-annual "Making a Winning Team" events, and many other activities, building a great workplace within the company.

Building a Great Workplace Dedicated to making it the best workplace to be in, LG Innotek strives to ensure a corporate culture where free and candid communication flourishes, instilling a caring mindset in its employees. The Informal Group is LG Innotek's unique framework of community that constitutes a differentiated corporate culture based on teamwork and active communication.

Autonomy & Creativity

CEO MESSAGE

"A good leader sets an example for their followers, but a great leader inspires them."

"Leaders entrust their followers with duties and the followers build trust with their leaders. That is what respect is all about."

Open Communication Program

Open Communication

Open Communication provides opportunities to acknowledge and understand the differences in the roles of managers, team leaders and those under them; Leaders answer the questions of most interest to followers, asked in entrance surveys, in order to address mutual goals and foster a team spirit. Luncheon also plays an important part in the program, as employees can get closer and talk over their meals.

OS Meeting (Originality & Self-Control)

The team leaders meet employees from different CA classes, the Digital Board (DB), female talent, and new employees to overseas assignments, to listen to their opinions and provide what they need.

CA Talk (Change Agent)

Comparing how staff members view their bosses versus their bosses' notions of leadership, the participants can get closer and better understand each other.

Cross Meeting

Cross Meeting is a program that maximizes active communication and creates synergies within the company. Executives, team leaders and staff from different departments, or teams meet, to better understand each other and discuss their work responsibilities.



Employment & Compensation System 2.3

LG Innotek values its talented workforce and operates a system to nurture LG Innotek's foundational competencies in them. In particular, the company has a separate program for fostering female workers, the Female Internship Program, used actively to attract global talent.

Who We Envision LG Innotek defines the following as its foundational competencies: to be goal-oriented, passionate, quick, autonomous, and creative. LG Innotek endeavors to attract and retain global talent with these strengths.

Advanced Recruitment System LG Innotek expanded the application of the Techno Conference to its domestic recruitment procedures in 2008, which before had only been applied during overseas recruitment. At the conference, participants give presentations based on one-paged proposals, sporting their professional skills and knowledge. This also provides the company with opportunities to keep abreast of emerging market trends and professional skills while individuals can show off their creativity and planning skills.



Female Privilege Internship Program

Techno Conference

Female Internship Program LG Innotek acknowledges the advantages women bring in the era of digital convergence and supports them with a competence-building program, to harness their potential in reinforcing its own human resources competitiveness. Since 2008, we have hired twenty female interns each year. In the future, we will further raise the percentage of female workers employed.

Welfare Program LG Innotek operates various welfare programs to improve working conditions and assist employees to realize work-life balance and to promote their creativity and competences. In the future, the company will maintain regular communication with employees to further improve its welfare program, enhancing employee satisfaction.

Compensation System LG Innotek offers a comprehensive compensation system to motivate its workforce to engage their work. For the sustained growth of the company, fair performance compensation is a prerequisite. LG Innotek adopted a three-step process to assess employees' annual performance: goal-setting, self-check & coaching, and an achievement review. The company makes a fair compensation based on the results.

* As of June 2010, initial payment of LG Innotek was 296% of the legal minimum wage, ensuring merit-based, fair compensation, without sexual discrimination.

Foundational Competencies

<p>01</p> <p>Goal-Oriented</p> <p>Set high goals for creation of customer value</p>	<p>02</p> <p>Passion</p> <p>Take challenges with enthusiasm</p>	<p>03</p> <p>Speed</p> <p>Prepare for change and act in a timely manner</p>	<p>04</p> <p>Autonomy and creativity</p> <p>Try out new ideas on one's own and attempt to produce good results.</p>
Mode of Behavior			
<p>Customer-oriented - Make judgments and exhibit behavior from the viewpoint of customers, all the time</p> <p>Clear Goals - Clarify the meaning and purpose of work and share it with others</p> <p>Lofty Goals - Not afraid of failure or to set challenging goals</p>	<p>Strong Desire to Win - Show invincible tenacity, enthusiasm to become the best</p> <p>Challenge - Accept the challenge to achieve lofty goals with the attitude "Nothing is impossible"</p> <p>Tenacity - Proceed ahead with one's work with focus and confidence</p>	<p>Responsiveness to Change - Quick response to changing environments, seizing at opportunities before others</p> <p>Swift decision-making - Make decisions and select alternative options quickly, without hesitation</p> <p>Action-oriented skills - Take responsibility for assigned work and show it through actions</p>	<p>Respect - Respect the personality and diversity of individuals</p> <p>Initiative - Search and performs work spontaneously, before being asked</p> <p>Creativity - Present unique alternatives and solutions, based on creative ideas and experiences</p>

Female Internship Program

Orientation	<p>Internship Job Fair - Introduction to the company and internship program/ departmental assignment</p> <p>Mentoring Workshop - Mentor-mentee relationship/ discussion on development program</p>
1-Step internship	<p>Orientation - Understanding LG Innotek</p> <p>Field training - OJT-personal projects</p> <p>Outdoor Program - Building solidarity within LG Innotek</p>
2-Step internship	<p>Orientation - Aligning individual vision with LG Innotek's corporate vision</p> <p>Field training - Field training OJT-personal project</p> <p>Outdoor Program - Exchanging impressions of internship and of the company</p>
Entering the company	

Compensation Scheme

<p>Fixed Pay</p> <p>Basic pay </p> <p>Annual pay (total 20 pay periods, including 8 bonuses)</p>	<p>Variable Pay</p> <p>Performance-based pay </p> <p>Profit-sharing</p>	<p>Incentive </p> <p>Performance-based incentives by group, project and team</p>	<p>Performance-weighted pay </p> <p>Payment based on personal achievements, in line with corporate performance</p>
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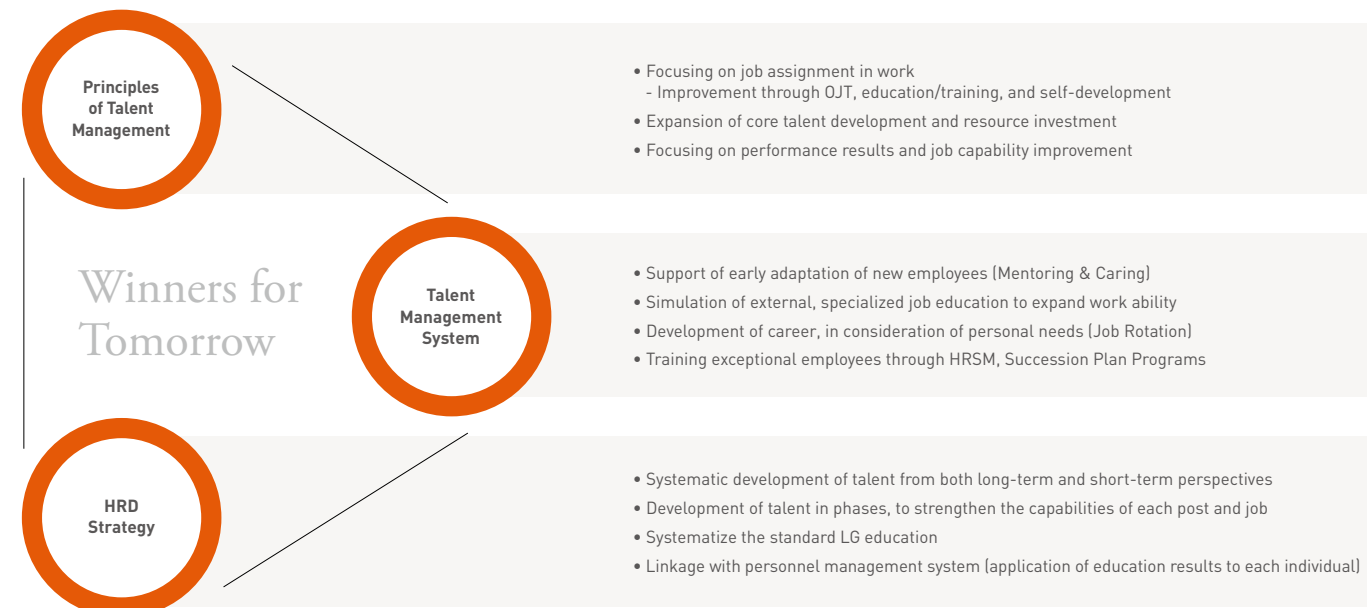
Talent Management 2.4

LG Innotek supports its employees from all classes including new employees and its leaders, to build professional competences through systematic human resources development programs, with an aim to build a globally competent leadership.

Talent Management LG Innotek articulates its principles of Human Resources Development (HRD) and applies the "selection & focus" strategy in operating the HRD system by classifying employees as experts and leaders in their respective fields. The three principles of job assignment, resource investment in building core competences, and reinforcing job competences constitute the foundational elements of the company's HRD policy. The HRD strategies and system are operated under these principles. LG Innotek will further strive to foster talented employees to help them realize their full potential, thereby enhancing business results.

Education & Training Program LG Innotek operates Community of Practice (CoP) to foster global leaders under the long-term HRD roadmap. A variety of training programs are in place to cultivate and grow employees' competences and to adapt to changing business environments. The self-directed CoP programs enhance job competences required to achieve the corporate vision as well as the growth of individual employees.

Talent Management Strategy



R&D Training Center



In-house Competence-building Programs

R&D Training Center The R&D Training Center program helps researchers adapt to the R&D Center process and infrastructure. LG Innotek has developed and put the program into operation in collaboration with Hanyang University.

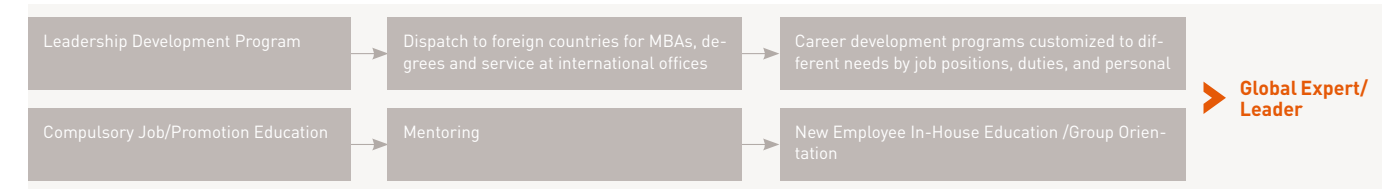
Project Leader (PL) MBA The PL MBA Course supports employees' understanding of the HRM and corporate organization, which are rooted in the company's "Growth DNA," and to wield their creative and autonomous leadership. Trainees track industrial trends and indicators from the company's point of view, then develop R&D strategies based on the results.

Six Sigma LG Innotek operates the Six Sigma Belt program to assist the reinforcement of competences. Furthermore, the company introduced the program to its business partners to apply training courses customized to the business areas of each company, such as cost management and inspector certification, solidifying the win-win partnership it has with its business partners. In 2010, the company plans on training 150 of its business partners' employees.

Category	2008			2009		
	GB	BB	MBB	GB	BB	MBB
Number of Belt Holders	167	76	19	202	78	15

[Unit: persons]

Human Resources Development System



2008 → 2009 R&D Training Center Programs (persons) **50** / **109** 2008 → 2009 PL MBA Course (persons) **27** / **31**

Education System

Class education	Education is classified into different courses, such as knowledge related to business administration, applicable depending on the post after employment, essential education about issues, courses pertaining to essential talent, and business philosophy/ideology dissemination courses.
Compulsory education related to job	Compulsory course on basic knowledge and skills, as well as attitude required to fulfill given job duties
Duty selections	Education that is provided optionally, and is differentiated for qualified employees with several-years of work experience, to acquire the knowledge and skills to improve performance quality
Self-development	Self-development aims to facilitate the acquisition of basic skills and improve the capabilities necessary for better performance in the organization, regardless of job position (Foreign Language, IT, Cultural Subjects)

Employee Training

Training Hours		(Unit: hours)	Training Expenses		(Unit: KRW million)
Per Capita Training Hours	2009	78	Total Training Expenses	2009	4,757
	2008	120		2008	4,638
Compulsory Course	2009	96%	Per Capita Training Expenses	2009	1.9
				2008	2.1



Respect for Human Rights & Elimination of Discrimination 2.5

LG Innotek's entire workforce working in Korea stood at 6,497 people, as of June 2010. By job position, 3,082 are administrative workers and 3,415 production workers. By gender, male workers account for 77%, or 5,001 people, with female workers 23%, or 1,496 people. As the company plans further expansion in its R&D investments in order to upgrade its business portfolio, and to ensure core technologies, its workforce is expected to continue to grow.

Human Rights & Prohibition of Discrimination With the vision of becoming a "global leading core components provider that returns the best customer value and is the first choice among consumers," LG Innotek bases all management activities on their "respect for human dignity." To that end, the behavioral guidelines of the Code of Ethics stipulate that "the company eliminate discrimination based on gender, academic background, age, religion or regional background, providing fair opportunities and evaluation of performance in consideration of individual potential and merit for education and promotion." The company also fully abides by the ILO Convention No. 111 (Discrimination in Employment and Occupation).

Sustainable Job Creation LG Innotek adopted an open recruitment system. By prohibiting discrimination based on gender, age, religion, academic, and regional background in recruitment, the company ensures the same job opportunities to all qualified individuals. As of 2009, it recruited 1,422 new employees, a 10% year-on-year increase, which contributed to the lowering of youth unemployment and to the development of the national economy. About 46.2% of the entire workforce is commuting to and from suburban Seoul, contributing to balanced regional growth.

Recruiting Local Top Talent LG Innotek also contributes to creating jobs in the regions where it operates. In order to recruit and retain the top talent, both domestic and abroad, the company holds regular IR sessions and recruitment meetings. For overseas operations in the US, Japan, and elsewhere, the company prefers to hire locally, to tap into the pool of local talent. LG Innotek has instituted global HRM criteria at its overseas subsidiaries and branches. The company will spur efforts to ensure global top talent recruitment continues.

Respect for Human Dignity

"Leaders should share a bond of trust, and treat others with autonomy and respect. This is how we sharpen our top talents' competitiveness."
 "Respecting human dignity is worthwhile, rewarding employees with a sense of pride."
 "The management educates and guides its staff to develop their own goals to further their job satisfaction."

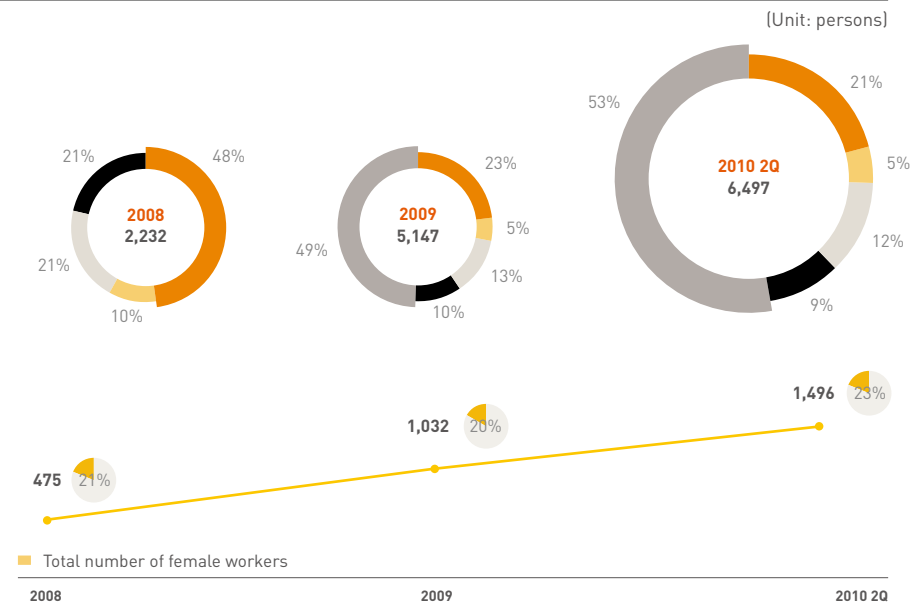
CEO MESSAGE



Flexible Employment Policy

Employees in Korea

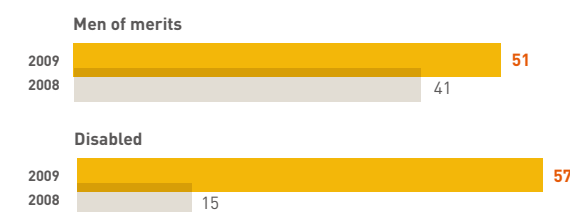
	2008	2009	2010 2Q
Technicians	1,068	1,198	1,365
Marketers	233	250	304
Production Engineers	457	650	796
Administrative Workers	474	510	617
Production Line	-	2,539	3,415
Number of Employees	2,232	5,147	6,497



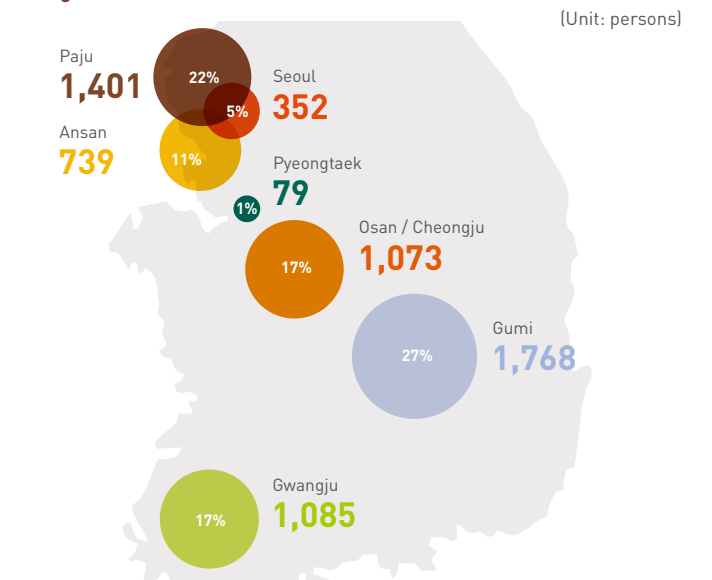
Recruitment in Korea



Employment of the Persons of National Merits and the Disabled



Regional Workforce Breakdown





Labor-Management Communication 2.6

Harmonious and cooperative relationship between labor and the management constitutes corporate competitiveness. Aware of that, LG Innotek dedicates effort to solidifying a creative and co-prosperous labor-management relationship. Based on mutual respect and trust, the company's labor-management cooperation practices have allowed the company to be free of labor disputes since 1991.



Labor-Management Joint Declaration

Labor Union LG Innotek pursues a productive labor-management relationship, based on mutual trust and respect for a shared goal of mutual development. In that context, the company respects the freedom of association and the human rights of its employees, advocates the organization of a labor union and a representative body of employees, and upholds the union shop policy. LG Innotek has been free of labor disputes from 1991 to 2009, through active communication and cooperation during annual collective wage bargaining. The Labor-Management Council holds quarterly meetings, acting as the communication conduit between labor and management, for bilateral collaboration in the enhancement of corporate competitiveness and the quality of life of all employees.

Major Agreements

Category	Agenda
2008	Collective wage bargaining Improvements to working conditions (expanding the coverage of group insurance)
2009	Wage and collective bargaining The Labor-Management Joint Declaration

Ultimate Goal of LG Innotek's Labor-Management Relationship



Open Labor-Management Relationship Dedicated to a win-win partnership, the labor and management closely communicate, and candidly exchange opinions, to reach the best resolution during collective bargaining. The discussion meetings among employees from each level accurately reflect employees' opinions of management activities, while providing them material information. In addition, the CEO holds quarterly meetings with representatives from each level to exchange opinions on management activities and significant changes to the company.

Events for Harmonious Relationship LG Innotek acknowledges the importance of labor unions as a partner for the sustainable growth of the company, and strives to build a cooperative relationship. To this end, the company has developed various programs and hosts annual events to cultivate a harmonious, labor-management relationship. In addition to the diverse programs customized to the individual conditions and needs of each plant, the company maintains equanimity between labor and management, fostering a dispute-free labor-management culture.

CUSTOMERS

are continually driving us

[Vision & Strategy]

Creating customer value is both the ultimate goal and the starting point of business management. LG Innotek's management systems are aligned to best serve that mission. The company constantly develops new technologies and products, striving to enhance the quality of life through quality innovation. LG Innotek maintains interactive communication with customers, to reflect their opinions in our management. Meeting customer needs is the best value that LG Innotek can provide.

[2009 Major Achievements]

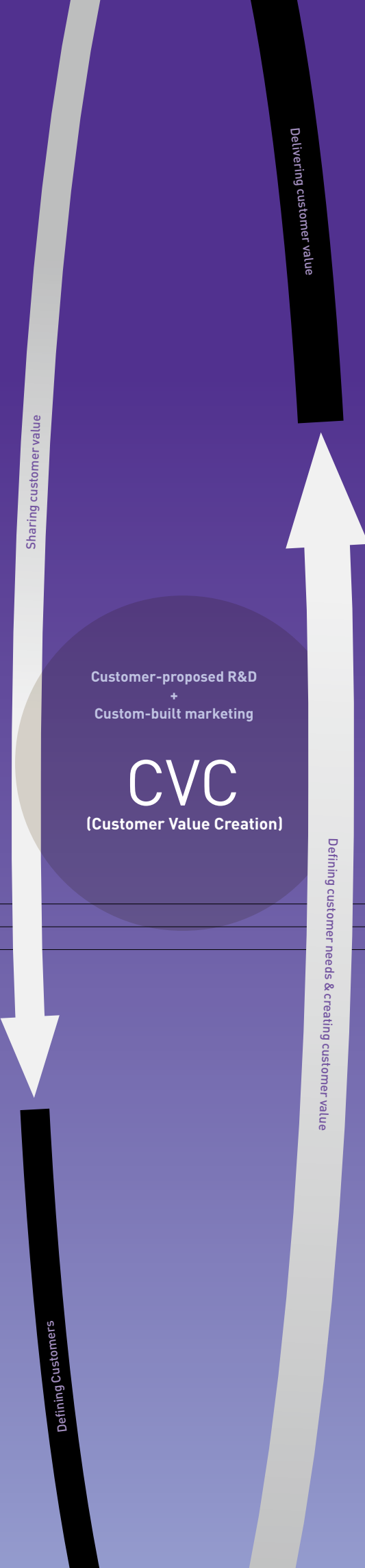
- Customer Satisfaction Survey
- Custom-Built Marketing
- Custom-Built Quality System



Overseas Marketing Team: Vice President, Lee Chan Bok

INTERVIEW

Disclosing sustainability management information has grown to be as important as providing differentiated products and services to customers. LG Innotek collects a wide range of customer input, reflected while continually improving its business processes. In the future, everyone at LG Innotek will strive to make the company a leader in sustainability management by realizing customer values.





Customer Value Creation 3.1

LG Innotek maintains a strong partnership with global top-tier customers through customer value innovation, based on the initiative “Custom-Built Marketing, Customer-Proposed R&D.” In a bid to consistently provide customer-oriented products and services, the company operates CVC teams that oversee company-wide customer value creation activities and strives to enhance customer satisfaction.

Customer Value Creation (CVC) Team LG Innotek has been engaged in a Customer Value Creation (CVC) campaign since 2007 to establish customer-oriented management practices. Organized by a team of workers in the sales/marketing, R&D and quality control departments, CVC activities involve two ways to provide products and services beyond customer needs: customized marketing drives that cater to the needs and sensibilities of individual customers and R&D activities that prepare new technologies and products at the cutting edge of the industry. These activities have allowed LG Innotek out of LG subsidiary-centered partnerships and into a broader, top-tier customer base.

Customer Satisfaction Survey Since 2007, LG Innotek conducts annual customer satisfaction surveys with its customers, domestic and overseas, in order to monitor and improve its customer value creation activities. The survey results are shared with the CEO and top management and disclosed to employees working in R&D, quality management and sales at the workshops to improve shortcomings through interdepartmental collaboration. In acknowledgement of the importance of customer trust to the sustainable growth of the company, it will further solidify its customer-oriented management practices.

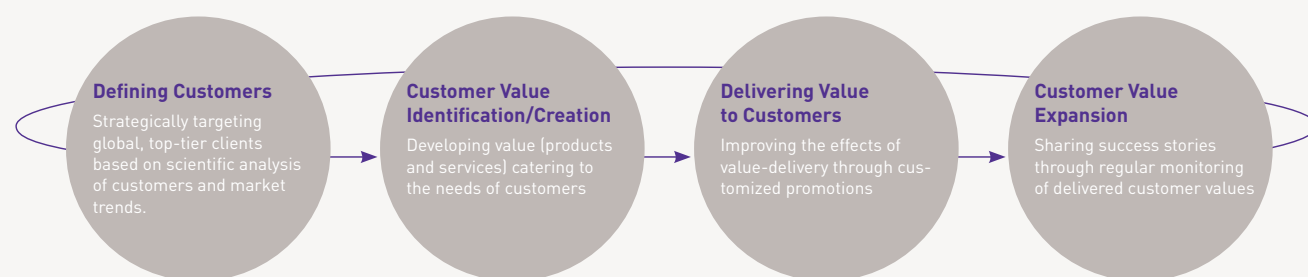
LG Innotek's Activities to Create Customer Values

Creating Value for Customers

LG Innotek segments its customer values in order to cater to individual customer needs, providing future value to prospective customers, competitive value to current customers and ultimately building a long-ranged partnership. The company realizes future value through its “Customer-proposed R&D” programs—upon which it builds trust with its new clients. It offers competitive value to its current customers in terms of technology, quality, cost and delivery. Ultimately, it shares in-depth communication with customers on what they need and offers customized solutions, building a long-term partnership. LG Innotek always works to provide customer value beyond their expectations.

CVC (Customer Value Creation)

LG Innotek's proprietary activities and the logic behind creating “Customer Value” based on “Custom-Built Marketing & Customer-Proposed R&D”



Case Study of Customer Value Creation: Custom-Built Marketing

EXAMPLE

Beginning in 2001, LG Innotek adopted a party-based sales base structure as part of its survival and growth strategy. However, it was required to grow out of the LG subsidiary-based client base and expand its client base to global top-tier companies for sustainable growth and move into becoming a leading global electronic components provider. It has engaged in a company-wide campaign to change employee mindset and increase customer value creation activities, subsequently diversifying its customer base.

In 2006, LG Innotek's sales to LG subsidiaries accounted for 75% of its total sales. It was required to diversify its customer base in preparation for market risks and to secure global top-tier customers for significant sales growth. To that end, the company engaged in an aggressive drive in three ways: innovation of thinking; innovation of behavior; and innovation of systems and management.



CVC Launch

CVC Day

Innovation of Thinking

LG Innotek segmented its client groups and carefully analyzed each in order to identify their specific needs and requirements. Departing from the conventional priorities of the component industry— price, quality and deadlines, the company created the LG Innotek Customer Value Creation (CVC) Structure which is comprehensively tailored to the individual needs of each customer group.

01

Innovation of Behavior

Based on the success of the CVC Structure, LG Innotek established its own Value Creation Pattern. It applied a new B2B marketing strategy and CVC initiatives across the board. Teaming up groups that had direct customer contact and back-office support, the company diversified customer communication channels and initiated custom-built marketing and customer-proposed R&D, building strong partnerships with global top-tier customers. LG Innotek's Value Creation Pattern is as follows:

02

Innovation of System & Management

Since 2007, LG Innotek has operated the CVC Academy to foster CVC facilitators and train them to develop and implement new plans for increasing customer value. In order to incorporate the CVC Day program into corporate culture, CEO-chaired meetings are held to share CVC activities and troubleshoot issues concerning our key customers.

03



Quality Management 3.2

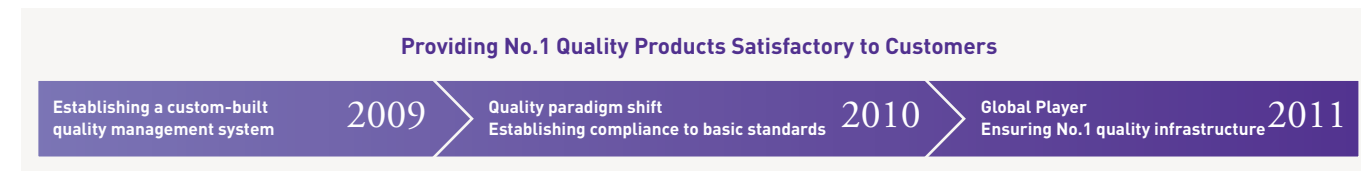
LG Innotek is dedicated to quality management and aims to “provide No.1 quality products to the satisfaction of its customers.” The quality of components determines the quality of the finished product. Therefore, our quality management works to ensure the co-prosperity of the company and its clients and to increase customer value. LG Innotek makes every effort to guarantee No.1 quality management. LG Innotek strives for sustainable growth through quality management.

Quality Management System Since 1994 LG Innotek has held the ISO 9001 certificate (international quality management system certification) at all its worksites, domestic and overseas to ensure the best quality level. Since 2005, it has worked for a sustainable quality management system that satisfies rapidly-changing customer and social needs. Based on the ISO 9001 system, LG Innotek has adopted an upgraded quality management system, ISO/TS 16949 (certification specified for automobile manufacturing and component industries) at most of its worksites including its Gwangju Factory. The company will keep updated to the changing international standards of quality management systems and provide quality beyond customer expectations.

Category	Certification
LED Division	ISO/TS 16949
Display & Network Division	ISO/TS 16949
Components	ISO/TS 16949*
Material Division	Semiconductor & Display
	PCB
	Sensing & Optics
	Motor
Automotive Parts	ISO/TS 16949
	ISO/TS 16949
Overseas Subsidiaries	ISO 9001
	TS 16949**

* Some areas ISO 9001(PM) ** LG Innotek Fuzhou Co., Ltd.

Quality Management Strategy



Providing No.1 Quality Products Satisfactory to Customers

Challenging Goals, Firm Execution, Exceptional Quality

Quality Paradigm Shift/ Back to Basics (compliance with rules and process)	
Change of front from cost-based to competition/differentiation-based, self-regulated/custom-built quality innovation drives	<ul style="list-style-type: none"> Quality self-penalty system Discovering best practices of the competition/differentiation value creation activities Motivating quality management through quality escalation process meetings
Maximizing customer satisfaction through early stabilization of new technology/process	<ul style="list-style-type: none"> Analysis of Business Opportunities: early elimination and preemptive control of quality risks Intensive care of the New Product Innovation (NPI) Reinforcing reliability verification competence, sharing the analysis results of failures
Ensuring a sustainable quality base through reinforcement of individual competences	<ul style="list-style-type: none"> Formulating and tapping into the Auditor Pool Improving quality mindset: operating the quality innovation academy
Establishing a self-regulated quality management system	<ul style="list-style-type: none"> Establishing a customer-oriented tailored-quality system Comprehensive quality evaluation: simultaneous evaluation of the achievement and process of quality

Quality Management Case Study

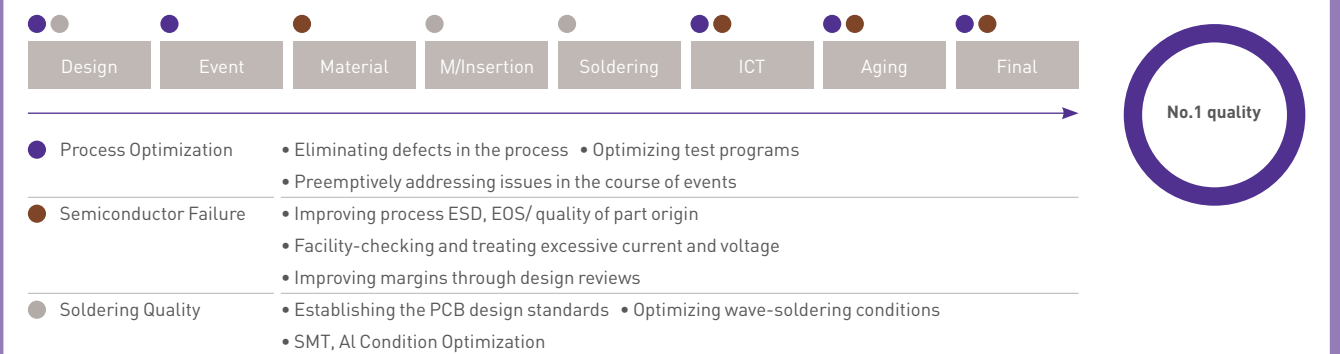
EXAMPLE

Dedicated to higher quality management, LG Innotek declared a “War Against Defects” as an initiative separate from quality management and, since April 2009, has implemented a one-and-a-half year project devoted to special quality management. As a result, the company has been able to further enhance the product development quality through process innovation and “back-to-the-basics” principles, realizing a sustainable defect-prevention process.

War Against Defect



Process-based Quality Management



NPI(New Product Introduction) Process



* Q.C.D: Quality / Cost / Delivery

BUSINESS PARTNERS

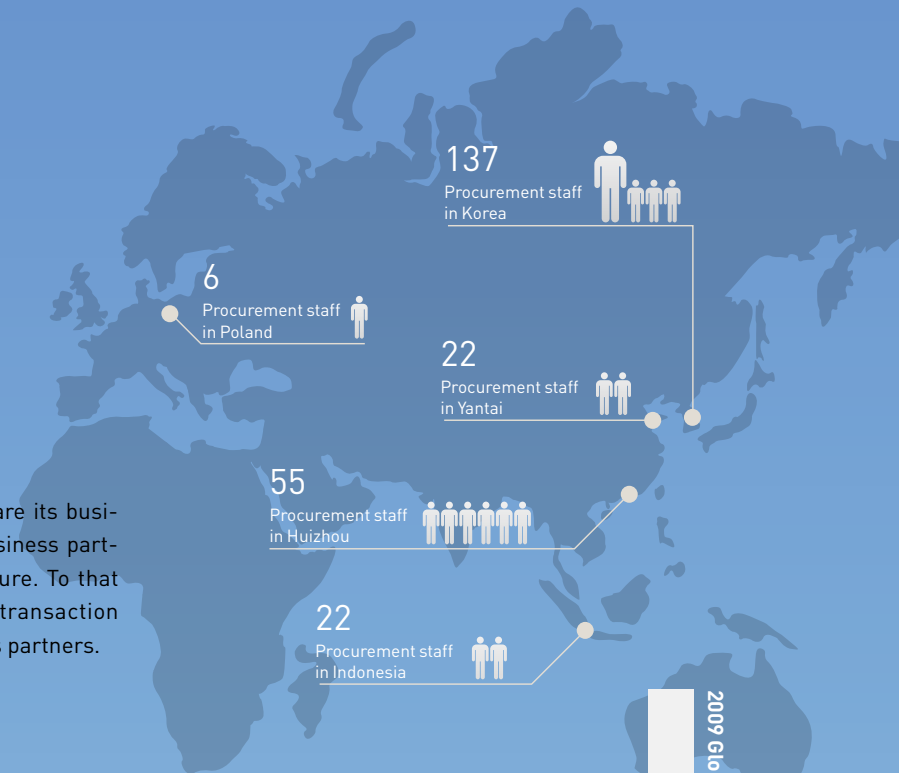
are the key to success

[Vision & Strategy]

The closest partners for sustainable growth of LG Innotek are its business partners. LG Innotek collaborates and supports its business partners, working together towards a mutually sustainable future. To that end, LG Innotek strives to establish fair and transparent transaction practices realizing sustainability for both the company and its partners.

[2009 Major Achievements]

- Improved Financial Support and Payment Conditions
- Provided Technical and Educational Support
- Supported Technology Development & Quality Management
- Established an Integrated Procurement System



2009 Global Procurements (Unit: KRW million)

1,311,076



Procurement Team:
Vice President, Kim Sung Bum

INTERVIEW

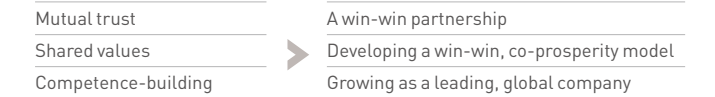
The ultimate goal of LG Innotek's win-win partnership is to ensure that our business partners actually experience the benefits of a win-win partnership. To that end, the company has established interactive communication protocols where partners can make suggestions through various channels. In the future, the scope of LG Innotek's win-win partnerships will expand to include its overseas partners.



Win-Win Partnership 4.1

Rooted in "Jeong-Do Management," LG Innotek's win-win partnership generates synergies in diverse areas, creating a foundation for co-prosperity with its business partners. In 2006, LG Innotek adopted a productivity management system and provides various support programs, such as the Six Sigma program, business consulting on quality innovation, trouble-shooting and innovation tools, as well as eco-friendly competences, including hazardous substance analysis.

Win-Win Partnership LG Innotek declared the "Subcontracting Fair Transaction Agreement", articulating its commitment towards a win-win partnership with its business partners. Dedicated to mutual growth, LG Innotek builds trust and works together with its business partners based on equal opportunities and fair and transparent transactions. Its support of its business partners is made in the form of financial support, improved payment conditions, technical and educational support, and business consulting. Recently, it has also provided its business partners help to build eco-friendly business competences.



Fair and Transparent Process in Selection of Partners LG Innotek reiterates and practices "fairness" and "transparency" in all transactions with its business partners. It ensures equal opportunities for all qualified companies for selection of its regular suppliers. The company has established a company-wide integrated process of transaction registration.

Business Partners Code of Ethics

Equal Opportunity	(1) LG Innotek ensures equal opportunities to all qualified companies in the selection of regular suppliers.
	(2) The process of selection for regular suppliers is implemented according to objective and fair criteria.
Fair Transaction	(1) All transactions are made after extensive discussion on transaction conditions and procedures.
	(2) Any irregularities are eliminated, taking advantage of the lucrative position.
	(3) All information related to transactions shall be fully disclosed in a timely and appropriate manner. Transactions are evaluated on a regular basis for future improvement.
Co-Prosperity	(1) LG Innotek shall actively provide technical support and business consulting to suppliers in their competence-building and, in the longer term, share the returns generated by innovation.
	(2) LG Innotek cooperates with its suppliers to establish transparent transactions and fair trade practices.

Procedures for Selecting New Suppliers





Open Communication with Business Partners & Supporting Programs 4.2

Committed to mutual growth with its business partners, LG Innotek provides financial, educational, technical aids, and business consulting to support competence-building. This win-win partnership is part of its strategy to realize the vision of becoming a global leading company.

Open Communication with Business Partners Open communication is integral to the co-prosperity of LG Innotek and its business partners, and further enhances their competitiveness. Therefore, LG Innotek operates various on- and off-line communication channels with its business partners, building mutual trust and establishing transparent transaction practices.

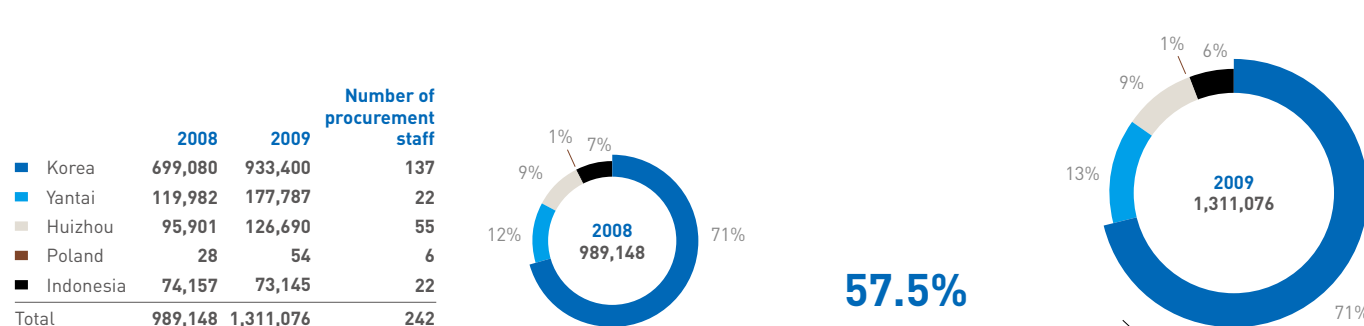
Spreading Sustainability Management to Business Partners Judging that sustainability management practices by business partners are as much integral to a sustainable supply chain as its own corporate social responsibilities, LG Innotek encourages its business partners to practice sustainability management.

Business Partners Sustainability Management Evaluation LG Innotek considers the corporate social responsibility of its business partners in the evaluation of their performances and in the selection of new suppliers. It encourages its partners to comply with the SA8000 and related regulations on respecting human rights and labor practices by collecting pledges and providing education, as well as through monitoring.

Business Partner Communication Programs

	2008	2009
Discussion meetings	four times	nine times
New supplier registration system	year-round	year-round
Supplier's performance evaluation	quarterly	quarterly
"Report to us" website	year-round	year-round

Global Procurement



Fair Trade Agreement

Business Doctor Program

Partner's Day

Business Doctor Program As part of its commitment to win-win partnership, LG Innotek practices the "Business Doctor" program in support of the management activities of its business partners. Under the Business Doctor program, the company provides consulting services and support to its business partners to improve productivity, HRM systems, and to develop long-term business strategies, over a period of six months. This program remains popular with LG Innotek's business partners as it helps them enhance competitiveness and provide quality components.

Community of Practice (CoP) LG Innotek organized the Community of Practice as a communication and collaboration channel with business partners on mutual benchmarking, technical, and quality innovation. The CoP serves the win-win partnership between LG Innotek and its business partners.

* **Violation of Fair Subcontract Transactions Act:** LG Innotek has neither any cases of violation of the said Act, nor any resultant orders of correction by the Fair Trade Commission.

Business Partner Support Programs (2009)

Financial Aid

- Expanded the scope of loans to business partners, in collaboration with financial institutions, including the KRW 300 million network loan fund

Improved Payment Conditions

- Payment in acceptance of the debt within fifteen days from issuing the bills
- Expanded the payment in cash [84% in 2008 to 93% in 2009]
- * 100% payment in cash in 2010

Technology Development & Quality Support

- Supporting two suppliers in participation of the purchase-guaranteed projects
- Five groups of CoP (as of June 2010)

Technical and Educational Support

- Supporting the competence-building of business partner's employees through Six Sigma and job competence training courses
- Eco-friendly mindset training programs: 34 sessions
- 17 cases of quality innovation

Business Consulting

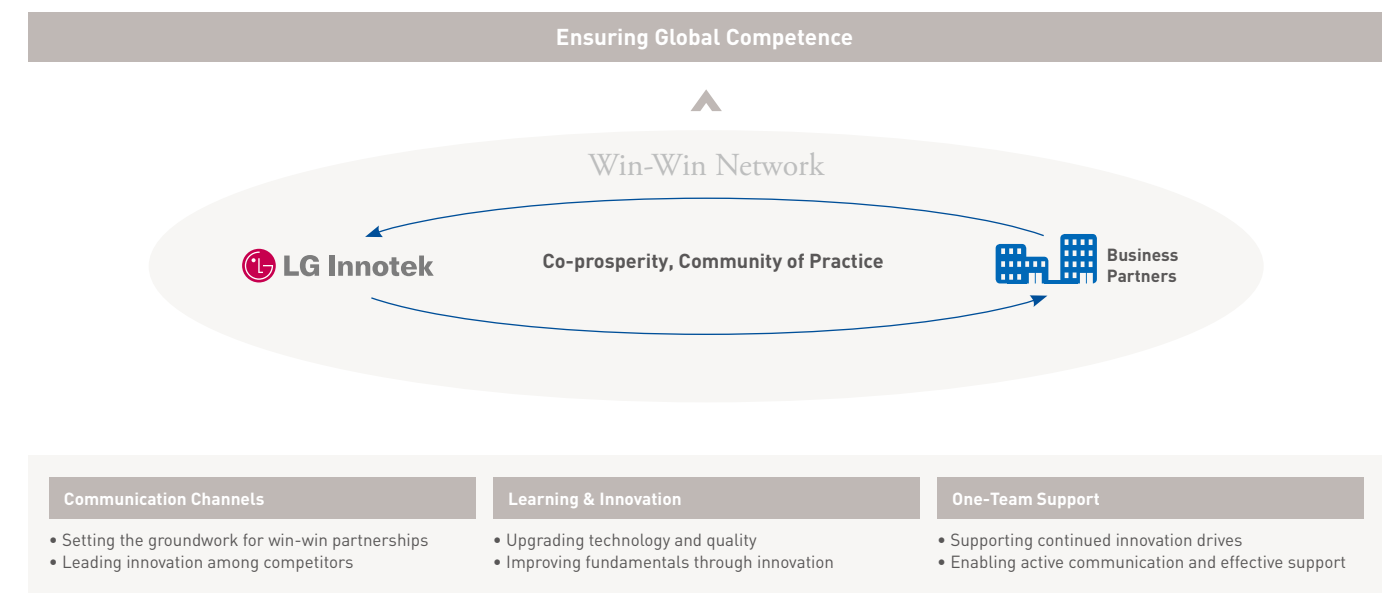
- Reinforced business partner's PR support
 - supporting business partner's technology PR
- Encouraging business partners to make suggestions
 - enabling candidates to suggest transaction openings through LG Innotek's customer suggestion menu on its website
 - Assigning staff to review and give feedback on suggestions within two weeks
- Two suppliers participated in the Business Doctor program (as of June 2010)

Others

- Supporting the adoption of goal-oriented management system
 - Supporting QCD innovation through goal-oriented management and M/S-DMAIC*

* DMAIC: Define, Measurement, Analysis, Improvement, Control

Community of Practice



COMMUNITIES

are valued everywhere we operate

(Vision & Strategy)

As a responsible corporate citizen, LG Innotek sponsors community engagement programs in the vicinity of its workplaces, especially in such areas as education, culture and sports. Voluntarily serving the local community with sincerity, LG Innotek grows along with the local community.

(2009 Major Achievements)

Community Engagement Programs

Improving Educational Conditions

Providing the "Happy Together" Fund



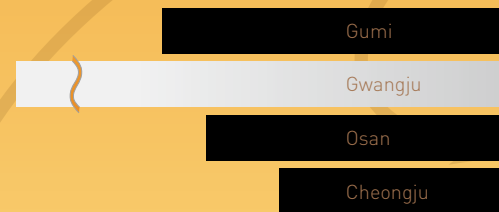
Public Affairs & Relations Team:
Vice President, Hwang Jeong Seop

INTERVIEW

In response to the rising social demand for corporate social responsibility, LG Innotek acknowledges that community engagement is integral to the organic growth of a company. In the future, we plan proactive support of multi-cultural families, a pending issue for Korean society. We will further expand our corporate social responsibilities programs.

Social Contribution Spending
(Unit: KRW 100 million)

3.68



Total Volunteer Hours
(Unit: hours)

750



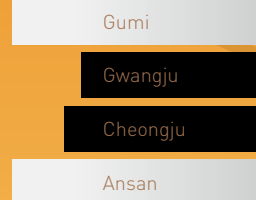
Volunteer Activity Participation
(Unit: persons)

1,239



Number of Blood Donors
(Unit: persons)

152



Social Contributions 5.1

LG Innotek is involved in a variety of social contribution programs for the development and welfare of local community. In particular, it works to improve the educational conditions and welfare of our next generation and sends volunteers to do help its neighbors, building a "harmonious community." We will further expand our social contribution programs to help youth and local communities.

Together with Multi-Cultural Families

In addressing the social issue surrounding the growing number of multi-cultural families in Korea, LG Innotek initiated a number of programs to instill them with pride as decent citizens of Korea and support them to grow as our future leaders.

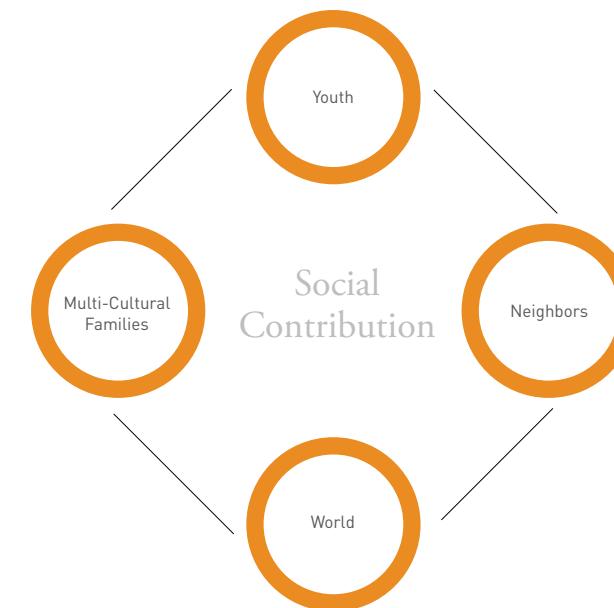
Supporting Children from Multi-Cultural Families Departing from one-time event or donation, LG Innotek's program focuses on cultivating creativity in the children of multi-cultural families and helping them to realize their full potential. Employees of LG Innotek mentor teenagers selected from the neighborhoods of the seven plants of the company in Seoul, Gwangju, Gumi, Ansan, Osan, Cheongju, and Paju. Through the "Mentoring for Hope" program, employees of LG Innotek provide mentoring and counseling to teenagers on their concerns in relationships with family, friends, as well as school life and future careers. After completing professional coaching courses, the executives of the company also assists our future generations to realize their full potential.

Together with Youth

LG Innotek plays various roles contributing to the fields of education, medicine, and sports, for equal opportunity to education that helps future generations to achieve their dreams

School Upgrade Dedicated to better educational conditions and educational equality for children, regardless of their family conditions, LG Innotek initiated the "School Upgrade" program. Through the program, the company supplies educational equipment to elementary, middle and high schools in Goseo-myeon, Damyang-gun and subsidizes meal costs for children from low-income families, encouraging them to cherish and strive to achieve their dreams.

Supporting Undernourished Children Since 2006, LG Innotek has been leading the campaign to help malnourished children grow up healthy and cheerful. This campaign subsidizes meal expenses every month for elementary school students from less-affluent families, who don't qualify for government subsidies, in Gumi. The subsidies are funded from the "Salary Rounding Fund," where LG Innotek employees donate under KRW10,000 from their pay checks.



The Sharing Love Campaign with the Children's Foundation

LG Innotek has been carrying out the Love Sharing Campaign with the Children's Foundation to children who will one day be leaders. The campaign supports living expenses for single parent families, the medical expenses for children and a Christmas event for the children to create a brighter future for the next generation.

Sponsoring the Nambu University Handball Team

LG Innotek sponsors the Nambu University handball team. Although handball game is not nationally well-known, the team has achieved remarkably good results internationally. This sponsorship plays an important role in improving their welfare and athletic performance.

Together with Neighbors

LG Innotek fosters caring in its local communities and with its neighbors through sponsorships with several welfare foundations.

Farm Loving & Happy Sharing

In 2007, LG Innotek's "Farm Loving & Happy Sharing" campaign gave a helping hand to needy farmers through sisterhood ties with Goseo-myeon, Damyang-gun. The volunteer corps of about 100 members is currently active in various campaign programs.

Sponsoring Teenaged Heads of Households

LG Innotek has been leading the Love Sharing Campaign since 2003, having created a relationship with the Gwangju Office of Social Welfare Foundation to help teenaged heads of households. LG Innotek employees from each of its departments visit 30 child breadwinners more than once every month delivering contributions and eating out together, easing their worries and concerns.

Warm-Hearted Meal Service

LG Innotek has supported the "Warm-hearted Meal Service" campaign for poor and orphaned national-meritorious families since 2006. In addition to monthly subsidies, our employees pay quarterly visits to the beneficiaries and spend time with them, weatherizing and repairing their houses.

Together with the World

LG Innotek also practices social outreach campaigns overseas for the mutual, greater understanding of the different cultures where it operates.

China Yantai Subsidiary Together with the Local Community

LG Innotek's Yantai subsidiary sponsors a scholarship and educational facilities for an advanced vocational institute in the Development Zone, and supports the employment of people from rural areas, where they find it difficult to get a job through sisterhood ties. In recognition of this sponsorship, the company was awarded for being the "2008 Excellent Company Employing the People in the Development Zone of Yantai City." LG Innotek is also building its reputation as a "Great Company Together with the Local Community" for its contributions, such as the donation to Sichuan Province for its recovery from the aftermath of the notorious 2008 earthquake.

Indonesian Subsidiary Understanding and Sharing in Local Culture

The Indonesian subsidiary of LG Innotek donated goats to needy local communities during the "Idul Adha," one of Islamic religious festivals. LG Innotek was the first Korean company to make a donation to the UIN University, a prominent Indonesian university, contributing to the development of local communities.

Together with Employees

LG Innotek endeavors for a harmonious and happier society for its employees.

Social Contribution Fund

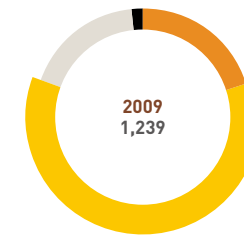
LG Innotek raises social contribution funds together with its employees, who sponsor half the fund from their contribution while the remaining half is provided for by the company. Executives contribute 0.5% of their paychecks, while employees can choose the number of accounts to be donated. Deducted from their paychecks, each account is worth KRW 1,000.

Domestic Social Contribution Performances

Volunteer Activities

(Unit: persons)

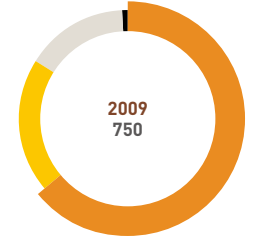
	2009	Participation rate
Gumi	249	23.6%
Gwangju	750	38%
Osan	220	25%
Cheongju	20	100%
Ansan	-	-
Total	1,239	37.32%



Total Volunteer Hours

(Unit: hours)

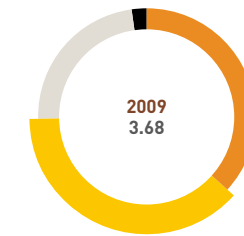
	2009	Person-hours
Gumi	480	0.46
Gwangju	150	0.07
Osan	114	1.3
Cheongju	6	6
Ansan	-	-
Total	750	7.83



Social Contributions Spending

(Unit: KRW 100 million)

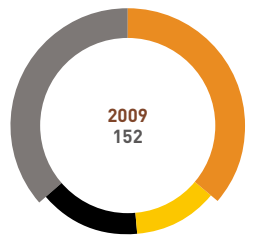
	2009
Gumi	1.35
Gwangju	1.4
Osan	0.85
Cheongju	0.08
Ansan	-
Total	3.68



Number of Blood Donators

(Unit: persons)

	2009
Gumi	55
Gwangju	19
Osan	-
Cheongju	23
Ansan	55
Total	152



Independent Assurance Statement

To The Stakeholders of LG Innotek

The Korea Productivity Service (KPS, hereinafter referred to as "the Auditor") submits its third party assessment statement (hereinafter referred to as "the Statement") upon request by LG Innotek for a third party assurance of the information specified in its "2010 LG Innotek Sustainability Report" (hereinafter referred to as "The Report").

Responsibility & Independence

LG Innotek takes sole responsibility for all information and claims contained in this report. In performing this assurance work, our responsibility is confined to the assurance statement on the report itself. The auditor has no relationship that might compromise the independence of its assurance work, nor was involved in the process of compiling the Report. The auditor also provides details of its assurance report and suggestions for improvement of the Report in a separate management report.

Assurance Guidelines

We reviewed the Report against the Type 1 and Moderate level, as provided for in the AA1000AS (2008), and verified if the Report was prepared in accordance with the principles of inclusivity, materiality and responsiveness, as provided for in the AA1000APS (2008). We also checked if the Report follows GRI G3 Guidelines.

Scope of Assurance

The scope of assurance, in accordance with the aforementioned principles, does not include the reliability of the data or content of the Report. Due diligence covers only the headquarters of the Company in Seoul and two premises— Gumi Factory 2 and Ansan R&D Center— and does not include any overseas operations. Therefore, additional assurance work may result in an alteration of the Statement.

Assurance Procedures

The assurance work was conducted as follows:

1. The auditor has analyzed all media research; approved the benchmark to conclude the major issues contained in the Report; reviewed the accuracy of the content.
2. The auditor has reviewed the information and claims of the Report against the GRI G3 Guideline indicators and determined that the Report contents satisfy the requirements of the Application Level B+, as provided for by the GRI G3 Guidelines.
3. Based on the GRI G3 Guidelines, the auditor has checked that the contents of the Report follow the principles of reporting.
4. The auditor has reviewed the accuracy of the content of the Report and crosschecked it against other sources for any errors in data presentation.
5. The auditor has given due diligence on LG Innotek's Seoul headquarters, Gumi Factory 2, and the Ansan R&D Center to verify the authenticity of the data and information provided in the Report and checked the internal process and system of the company.

Conclusion

The auditor has judged that the Report presents the sustainability activities and achievements of LG Innotek in a fair and conscientious manner. We also verify that the Report content meets the Self-Declared Application Level B+ requirements, as provided by the GRI Guidelines.

1. **Inclusivity (Stakeholder Inclusiveness):** The auditor has judged that the company articulates its stakeholder groups and that it maintains active communication channels with different stakeholder groups. For instance, the company runs the CVC Team for its custom-built marketing drives and has established its unique program for active communication with employees, the "聽(Listening), 情(Acknowledging), 問(questioning)." "Partner's Day" is the active channel for open communication with its business partners. The auditor appreciates that the Report provides key information on material issues, as identified through extensive research and surveys, on stakeholders and materiality tests. The auditor has suggested a standard process for the integrated management of different communication channels with diverse stakeholder groups and for a more systematic response to their opinions.

2. **Materiality (identification of material issues):** The auditor has found that the company identified sustainability issues through communication with its stakeholders and from media analysis. It developed the criteria for determining the materiality of issues, and how to deal with them. The auditor notes that the company developed its general sustainability issues in accordance with diverse global standards. It created an issue pool through media analysis and surveys, classifying stakeholder issues as well as internal strategies and tasks based on materiality tests. The auditor finds that the Report provides the information regarding the material issues, as identified in the benchmark of sustainability reports of competitors, media research and employee interviews. The auditor has suggested a consistent and comprehensive application of the materiality test principles, not only to domestic but also overseas operations.

3. **Responsiveness (the responsiveness to issues):** The auditor has found that the company responds quickly, in a wide range of activities, to major sustainability issues. For instance, the company has set up the Sustainability Management Board for the integrated promotion and systematic management of sustainability activities on a company-wide level. The company also developed the mid-term CSM roadmap, articulating strategic directions and the major tasks ahead. The auditor has judged that the Report needs more in-depth information regarding the material issues, as concluded from the materiality tests. The auditor has suggested the Report disclose more specific information regarding stakeholders' major concerns, such as addressing climate change and eco-friendly products.

Recommendations

The auditor appreciates LG Innotek's endeavors and achievements to improve its sustainability. The following recommendations are made for the improvement of future Reports;

1. The company is encouraged to develop a company-wide sustainability management system that includes its overseas operations, and to disclose the activities and achievements of those operations in future reports.
2. The company is encouraged to establish and operate more comprehensive and systematic channels for stakeholder engagement, in line with its sustainability management system.
3. The company may be able to enhance its sustainability management practices by linking its sustainability management performance with its financial performance.
4. The company is encouraged to set up an integrated indicator management system for a company-wide management of sustainability indicators, and to reflect in its future reports.



December, 2010
KOREA PRODUCTIVITY CENTER
Chairman & CEO
Dong-kyu, Choi

Dong-kyu Choi

Director of Sustainability
Management Center
Dong-soo, Kim

김동수

Senior Consultant
Jae-won, Park

박재원

Researcher
Ju-mi, Park

박주미

Researcher
Yong-hwan, Kim

김영환

The Korea Productivity Center (KPC) is a specialized consulting agency that has been the pioneer of training the pillars of industry with its accumulated experience and expertise, since its foundation in 1957. Recently, it established the Sustainability Management Center under its umbrella for the more systematic support of corporate sustainability, and in promotion of the sustainability of national industries. In 2009, it began publishing the Dow Jones Sustainability Index Korea (DJSI Korea), in collaboration with the Dow Jones Indexes and SAM of Switzerland. The DJSI Korea benchmarks Korean corporate sustainability performance in comparison with global practices. The Assurance Board of the Sustainability Management Center of the KPC provides expert assurance and consulting services regarding sustainability management and reporting.

Greenhouse Gas Emission Verification Report



**GHG Inventory Report, dated October 2010,
for the calendar years from 2005 to 2009
To: LG Innotek Co., Ltd.**



1. Scope

Lloyd's Register Quality Assurance Ltd (LRQA) was commissioned by LG Innotek Co., Ltd. to verify the LG Innotek GHG Inventory Report, dated September 2010 (hereafter referred to as the "GHG Report") covering GHG emissions data for the calendar year from 2005 to 2009 summarised in Table 1 below. The data relates to direct GHG emissions, energy indirect GHG emissions and other indirect GHG emissions. In 2009, LG Innotek comprised the Gumi Factory 1, Gumi Factory 2, Gumi Factory 3, Gumi Factory 4, Gwangju Factory, Osan Factory, Cheongju Factory, Paju Factory, Anyang Factory, Pyeongtaek Factory, Ansan R&D Centre and Seoul Head Office.

2. Management Responsibility

The management of LG Innotek is responsible for preparing the GHG data and for maintaining effective internal controls, including assuring the inputs into the GHG data in the GHG Report. LRQA's verification only extended to the internal controls associated with LG Innotek GHG report.

3. LRQA's Approach

LRQA's verification has been conducted in accordance with ISO14064- 3: Specification with guidance for validation and verification of greenhouse gas assertions to provide limited assurance that the LG Innotek GHG emissions data as presented in the GHG Report has been prepared in accordance with ISO14064-1: Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals.

In order to form our conclusions we have:

- Conducted site tours of the facilities and reviewed processes related to the management of GHG emission data and records.
- Interviewed relevant staff of the organization responsible for managing and maintaining GHG emissions data, and
- Verified the historical data and information at an aggregated level for the calendar year from 2005 to 2009.

4. LRQA's Opinion

Based on LRQA's approach, nothing has come to our attention that would lead us to believe that the GHG Report is not materially correct.

LRQA Reference: SEO6010553

On behalf of Lloyd's Register Quality Assurance Ltd.

Sang-Keun YOO

Hiramford, Middlemarch Office Village,
Siskin Drive Coventry, CV3 4FJ, United Kingdom



Table 1.

GHG emissions reported in the LG Innotek GHG Inventory Report for the calendar years 2005 to 2009

Scope(as defined within ISO 14064:1)	Year				
	2005	2006	2007	2008	2009
Direct GHG Emissions	37,620	39,584	33,309	30,504	22,935
Energy Indirect GHG Emissions	144,662	283,492	268,145	196,838	164,585
Other Indirect GHG Emissions	5,331	10,743	10,243	8,123	6,354
Total GHG Emissions	187,613	333,819	311,697	235,465	193,874

* Data is presented in tonnes of CO₂ equivalent

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Because of the inherent limitations in any internal control it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the verification was not designed to detect all weakness or errors in internal controls so far they relate to the requirements set out above as the verification has not been performed continuously throughout the period and the verification carried out on the relevant internal controls were on a test basis. Any projection of the evaluation of control to future periods is subject to the risk that the processes may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The English version of this statement is the only valid version. The Lloyd's Register Group assumes no responsibility for versions translated into other languages.

Economic Performance Data

Business Results

(Unit: KRW million)

Statements of Income

Item	2008	2009	2010 2Q
1. Sales	1,415,644	2,229,819	1,993,798
2. Cost of sales	1,244,932	1,963,006	1,516,765
3. Gross profit	170,712	266,813	286,814
4. Selling and administrative expenses	119,743	221,182	165,407
5. Operating income	50,969	45,631	129,308
6. Non-operating income	104,132	166,890	81,496
7. Non-operating expenses	102,794	129,197	98,974
8. Income before income tax	52,307	83,323	103,929
9. Income tax expenses, etc.	₩4,104	5,091	24,817
10. Net income	56,411	78,232	148,844

Financial Conditions

(Unit: KRW million)

Statements of Financial Position

Item	2008	2009	2010 2Q
I. Current assets	453,719	953,391	2,011,725
Quick assets	381,518	783,703	1,639,378
Inventories, net	72,201	169,688	372,347
II. Non-current assets	357,847	1,475,989	2,072,975
Investment assets	158,463	240,854	24,063
Tangible assets	144,286	1,144,924	1,850,349
Intangible assets	21,886	44,327	97,411
Other non-current assets	33,212	45,885	101,152
Total assets	811,565	2,429,380	4,084,700
I. Current liabilities	257,380	983,251	1,782,137
II. Non-current liabilities	62,444	537,392	876,377
Total liabilities	319,825	1,520,643	2,658,514
I. Capital stock	60,104	85,659	100,322
II. Capital surplus	175,170	506,040	840,669
III. Retained earnings	211,727	285,350	496,667
IV. Accumulated other comprehensive income	44,739	31,688	[3,854]
Total shareholders' equity	491,740	908,737	1,426,186
Total liabilities and shareholders' equity	811,565	2,429,380	4,084,700

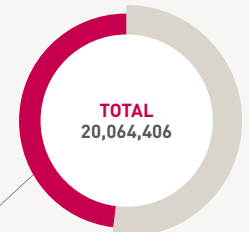
ECONOMIC PERFORMANCE DATA

Parent Company, Subsidiary & Mergers, etc. (2009)

01_Parent Company

Parent Company	LG Electronics Inc.
Address	20 Yeouido-dong, Yeongdeungpo-gu, Seoul, Korea
Capital Stock	KRW 809.2 billion
No. of Shares in LG Innotek Held by LG Electronics	9,653,181 shares (48.1% ownership) [as of the end of June 2010]
Major Transactions with LG Innotek	Sales: KRW 925,571 million, Purchase: KRW 25,962 million Receivable: KRW 157,758 million, Payable: KRW 9,375 million

No. of Shares in LG Innotek Held by LG Electronics
9,653,181 shares (48.1% ownership)

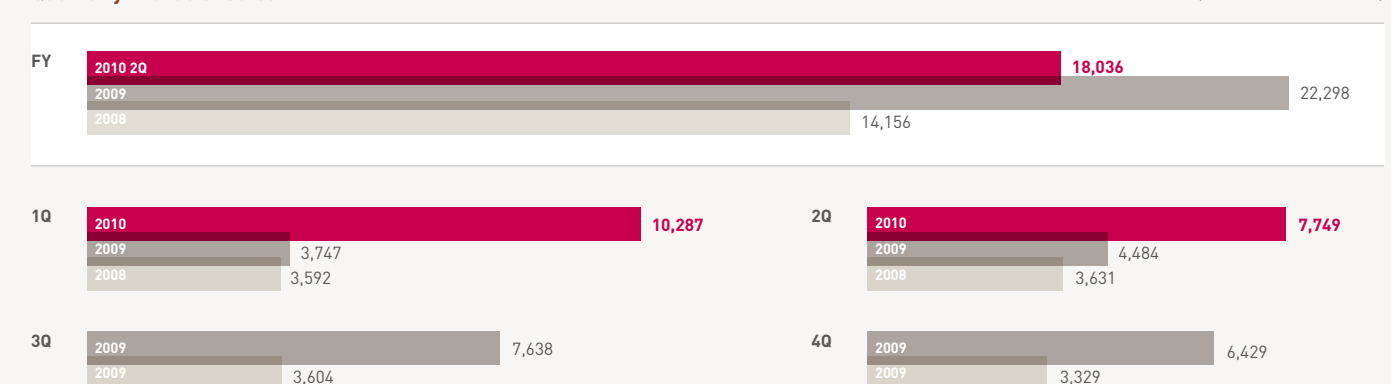


02_Subsidiaries

Status	Company	Contribution	Ownership	Relationship	Remarks
Unlisted	LGITHZ	USD 14,700,000	100.0 %	Production plant	-
Unlisted	LGITYT	USD 28,500,000	100.0 %	Production plant	-
Unlisted	LGITIN	USD 5,000,000	100.0 %	Production plant	-
Unlisted	LGITUS	USD 2,000,000	100.0 %	Production plant	-
Unlisted	LGITPO	USD 5,800,000	100.0 %	Production plant	-
Unlisted	LGITFZ	USD 25,000,000	80.0 %	Production plant	-
Unlisted	LGITTW	NTD 5,020,000	100.0 %	Production plant	-

Quarterly Trends of Sales

(Unit: KRW 100million)



Yearly Trends of Income/Loss

(Unit: KRW 100million)

Category	2008	2009
Operating Profit (%)	510(3.6%)	456(2.0%)
Income before income tax (%)	523(3.7%)	833(3.7%)
Net Income (%)	564(4.0%)	782(3.5%)
EBITDA (%)	944(6.7%)	1,408(6.3%)

Investment, Cash Flow, Financial Structure

(Unit: KRW 100million)

Category	2008	2009
Operating Cash Flow	901	185
NET CAPEX	620	2,760
Debt-to-Equity Ratio	65.0%	167.3%
Net Debt-to-Equity Ratio	-16.9%	54.6%

* NET CAPEX = investment in fixed assets - sales of fixed assets

* Debt to Equity = Total Liabilities / Total Shareholders' Equity

* Net Gearing = [Debt - Liquid Assets] / Total Shareholders' Equity

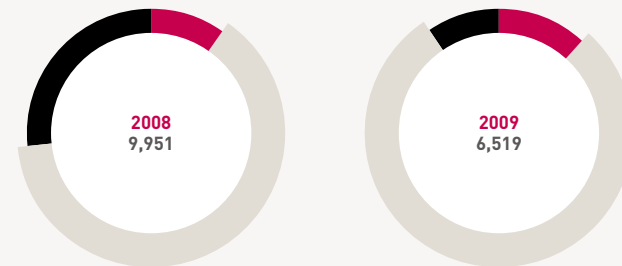
Environmental Performance Data

Environmental Expenses and Investments

Environmental Expenses (Unit: KRW million)

	2008	2009
Air Quality	969	765
Water Quality	6,334	5,145
Wastes, etc.	2,648	609
Total	9,951	6,519

* The environmental expenses include outsourcing expenses, waste treatment expenses, etc.



Environmental Investments (Unit: KRW million)

	2008	2009
Air Quality	2,025	1,332
Water Quality	968	2,148
Wastes, etc.	1,538	2,666
Total	4,531	6,146

* Environmental investments include facility investments and green field projects.



Input

Water usage (Unit: ton)			Electricity usage (Unit: MJ)			Steam usage (Unit: MJ)			Raw materials usage (Unit: ton)		
Worksites	2008	2009	Worksites	2008	2009	Worksites	2008	2009	Worksites	2008	2009
Gwangju	188,223	209,763	Gwangju	414,695,808	471,772,341	Gwangju	-	-	Gwangju	969,332	1,226,068
Gumi	4,026,921	2,303,230	Gumi	1,249,481,007	1,054,053,927	Gumi	54,263,987	-	Gumi	5,950,764	4,701,115
Osan	1,773,641	1,854,438	Osan	868,364,280	852,163,200	Osan	139,714,276	115,507,829	Osan	-	-
Cheongju	1,160,406	1,089,445	Cheongju	66,915,089	66,088,146	Cheongju	-	-	Cheongju	2,215,951	1,731,132
Paju	-	-	Paju	-	-	Paju	-	-	Paju	-	-
Ansan	38,900	38,879	Ansan	48,827,772	52,866,468	Ansan	-	-	Ansan	487,047	381,674
Total	7,188,091	5,495,755	Total	2,648,283,956	2,496,944,082	Total	193,978,263	115,507,829	Total	9,623,094	8,039,989

Output

Air pollutants emissions (Unit: kg)			Water pollutants emissions (Unit: kg)			Wastes emissions (Unit: ton)			GHG emissions (Unit: ton CO ₂ -e)		
Category	2008	2009	Category	2008	2009	Category	2008	2009	Category	2008	2009
NOx	37,498	36,389	COD	214,280	176,516	Recycle	10,051.7	8,541.5	Scope 1	30,504	22,935
SOx	27,114	20,238	BOD	81,409	83,159	Incineration	1,423.6	1,221.4	Scope 2	196,838	164,585
Dust	31,466	31,945	SS	50,319	43,444	Landfill	1,180.2	1,078.2	Scope 3	8,123	6,354
Total	96,078	88,572	Total	346,008	303,119	etc.	15	8.2	Optional info.	4,126	4,256
						Total	12,670.5	10,849.3	Total	239,591	198,130

* Scope: (6 Korean worksites, to be extended to include overseas worksites) * Vehicle's combustion within worksites is not included due to energy use in worksites.
* The data correction can be made in the process of the third party assurance in 2010.

Social Performance Data

Welfare

Life-work Balance

- Five-work day system
- Refresh leave
- Time-share condominium
- Long-service rewards
- Flexible Time system

Healthy and Pleasant Life

- Cafeteria
- Medical subsidies
- Club activities subsidies
- Total health check-up service
- Casual dress code

Financial Support

- Housing loans
- Scholarships for child education
- Condolences and congratulations expenses

2009 Activities by Plant



Gwangju 1	<ul style="list-style-type: none"> • Supporting teenaged-household heads • School Upgrade • Sponsoring the handball team of Nambu University • Giving helping hands to sisterhood villages • Female Badminton Tournament 	Yantai, China 5	<ul style="list-style-type: none"> • Supporting the basic infrastructure in the Development Zone of new farming villages • Supporting experimental facilities at the advanced vocational schools • Supporting experimental facilities at the Yantai Business School • Sponsoring five students each from Jilin University and Dalian University of Technology • Supporting children of unemployed farmers living in the Development Zone
Gumi 2	<ul style="list-style-type: none"> • Sisterhood ties with single-parented families • Community events • Supporting local silver citizens living solitude • Other volunteer activities 	Huizhou, China 6	<ul style="list-style-type: none"> • Support for the disabled • Scholarship for middle schools • Sponsoring the business expenses of the Korean Chamber of Commerce & Industry
Osan 3	<ul style="list-style-type: none"> • Love-sharing programs (including medical service and scholarships) in partnership with the Child Fund • Violin class that helps you play your dreams • Scholarship to underprivileged children from low-income families • Helping the underprivileged at the end of the year 	Indonesia 7	<ul style="list-style-type: none"> • Scholarship for industry high schools • Scholarship for universities • Donation to the recovery fund to help employees damaged by the earthquake • Delivering relief commodities to employees damaged by earthquake
Cheongju 4	<ul style="list-style-type: none"> • Supporting scholarships to youth 	Poland 8	<ul style="list-style-type: none"> • Delivering Christmas presents to disabled children • Sponsoring educational devices to Korean Schools • Sponsoring the sporting events of the Police Agency

Memberships / Certificates & Awards

Memberships

Korea International Trade Association	Korea Industrial Technology Association	Gumi National Industrial Complexes Integrated Defense Council
Korea Electronics Association	Korea Display Industry Association (former Display Research Association)	North Gyeongbuk branch of Korea Industrial Safety Association
Korea Management Association	Korea Invention Promotion Association	Corporate Occupational Health Managers Council
Korea Fair Competition Federation	Korea Semiconductors Lighting Society	Korea Fire Safety Association
Korea Productivity Center	The Korean Physical Society	Information Exchange for Reducing the Chemical Substances Emissions
Korea Chamber of Commerce & Industry	The Microelectronics and Packaging Society	Association of Environmental Safety Officers
Association of Foreign Trading Agents of Korea	Korean Association for Particle and Aerosol Research	The Green Company Council
The Federation of Korean Industries	The Materials Research Society of Korea	Fire Safety Council for Gumi Industrial Complex
Korea Listed Companies Association	Lighting Society	Fire Safety Council
Korea IR Service	Gwangju Jeonnam Federation of Industries	National Federation of Corporations
Korean Society for Electronic Package	Gwangju Chamber of Commerce and Industries	Corporate Industrial Association
Korea Printed Electronics Center	Korea Association for Photonics Industry Development	LGS Electric Technicians Association
Roll-to-Roll Multiple Printing Process Component Technology Test & Assessment Center	Korea Photonics Technology Institute	Korea Semiconductors Industry Association
Korea Printed Electronics Association	Korea Photonics Research Association	Eco-friendly Business Council
The Korean Vacuum Society	Gwangju CEO Association	Chungbuk branch of Korea Industrial Safety Association
The Korean Institute of Electrical and Electronic Material Engineers	Gwangju Municipal Association of Sports	Korea Fire Safety Council
Chemical Materials Information Bank	Gwangju Regional Innovation Agency	Osan Municipal Sports & Daily Sports
Korea Nano Technology Research Society	Hanam Industrial Complex	Osan Chamber of Commerce and Industries
Korea Biochip Society	Korea Electric Engineers Association	Osan Council for Business
RFID USN Korea	Korea Industrial Safety Association	Breakfast meeting for Osan companies
Korea UWB Forum	Korean Association of Occupational Health Nurse	Administrative Development Committee under the Hwasung Dongbu police station
ICT Forum	Large Corporation Safety Health Council	Gyeonggi Branch of Korea Environmental Preservation Association
UWB-application wireless device technological standards research team	Korea Association of Gas Safety Corporation	Gyeonggi Conference of Environmental Engineers
Committee for Response to the RFID International Standards	Korea Association of Standards & Testing Organizations	Osan Council for Environmental Preservation
IEC TC49 Expert Committee in Korea	General Affairs Manager Council	Korea Printed Circuit Association
Korea Industrial Standards Commission under the Korean Agency for Technology and Standards	Gyeongbuk Council of Business	
Korea Smart Grid Association	Korean Association of Electronic Industries	
	Korea Electronic Association	
	Korea International Trade Association	
	Korea Society of Waste Management	

Certificates & Awards

2008

- Acquired level 3 certificates on the Capability Maturity Model Integration (CMMI), a first among Korean electronic component manufacturers
- Awarded the prize of Knowledge Economy Ministry at the Lighting Fair 2008
- Awarded the prize of Knowledge Economy Ministry at the KES 2008
- Acquired the ISO/TS16949 certificate on the Automotive Parts Business
- Yantai subsidiary was awarded the gold prize of the Moranwha Awards

2009

- Acquired certificate for high-efficiency devices for the LED lamp
- Acquired the GDP mark for LED streetlamp at the International Public Design Award 2009
- Awarded the Ministerial Prize for the vertical-type LED at the 2009 Korea Technology Awards
- Gumi Factory received the Prize by Knowledge Economy Ministry for achievements in energy conservation
- Gumi Factory and Ansan R&D Center received the prize by the Ministry of Public Administration and Security on the 119 Fire Road Day
- Awarded the Industrial Service Medal and Gyeonggi Governor's Commendation at the KES2009
- Indonesian subsidiary received the No. 1 LG Prize at the LG Skill Olympics
- Yantai subsidiary was selected as the best company in employing farmers
- SMD coin-shaped vibration motor received a prize of the LG R&D Award

2010

- High Efficiency LED Lamp Awarded the "iF Design Awards"
- Mobile WiMAX Module Awards Innovation Prize of the CES 2010

GRI Index

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●: Fully Reported ●: Partially Reported ○: Not Reported N/A: Not Applicable ■: Focus Index

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●: Fully Reported ●: Partially Reported ○: Not Reported N/A: Not Applicable ■: Focus Index

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●: Fully Reported ●: Partially Reported ○: Not Reported N/A: Not Applicable ■: Focus Index

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Customer Health and Safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	●	Hazardous Substance Testing System, Design for Environment	28-29
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle	○		-
Product and Service Labeling	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	●	Memberships & Recognitions	68
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling	○		-
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	●	Customer satisfaction survey	48
Marketing Communication	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications	○		-
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	○		-
Customer Privacy	PR8	Total number of substantiated complaints regarding breaches of Measures customer privacy and losses of customer data	●	Information Security Risk Management	24
Compliance	PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	N/A	Not applicable	-

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Website
<http://www.lginnotek.com/>





Brochure
<http://www.lginnotek.com/community/brochures.jsp>





PR Movie
http://www.lginnotek.com/community/pr_movies.jsp





GRI G3 Guidelines Application Level

We declare and have obtained an independent assurance statement by a third party against the B+ Application Level for the Global Reporting Initiative (GRI) G3 Guidelines.



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