

RIGHT PROMISE,



BETTER TOMORROW

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LG Innotek contributes to the welfare of humanity and industrial development with some of the most cutting-edge technologies and products. Our thoughtful and compassionate approach to society will ensure we bring about a happier, more prosperous future. LG Innotek's sustainability vision, "Right Promise, Better Tomorrow," represents our commitment to fulfill our promise and bring about a better future for everyone.

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BETTER TOMORROW

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Report Information

LG Innotek's sustainability vision, "Right Promise, Better Tomorrow," expresses its commitment to creating a better future. This is LG Innotek's second sustainability report and covers the company's sustainability management performance in 2010. It also serves as a communication channel for the company with its stakeholders. Going forward, LG Innotek will make every effort to stay in constant communication with our stakeholders and fulfill our corporate social responsibility. This will allow us to achieve continuous growth while remaining in harmony with society and the environment.

Reporting Principles & Scope

- **Reporting term:** The 2011 LG Innotek Sustainability Report is the company's second sustainability report. The first sustainability report was published in 2010.
- **Reporting principles:** This report was compiled in accordance with the GRI (Global Reporting Initiative) G3 Guidelines. The report also includes information as required by the global sustainability investment indexes, Dow Jones Sustainability Indexes (DJSI), the code of conduct according to the Electronics Industry Citizenship Coalition (EICC), the ISO 26000, and other issues and interests of most concern to our stakeholders.
- **Reporting scope:** This report covers LG Innotek's sustainability management performance at its headquarters in Seoul, its domestic work sites, and certain overseas operations whose data is readily available. Financial information provided in the report is done so on a consolidated basis.
- **Reporting period:** This report covers information and data for the calendar year 2010 (January 1 to December 31, 2010). Some quantitative data is provided for a term of three years, from 2008-2010, for the purpose of statistical comparison. (Qualitative data is based on 2010, but some data, when deemed necessary, extends to March 2011.) LG Innotek plans to publish sustainability reports every year to keep its stakeholders abreast of its sustainability plans and performance.

- **Reporting method & cycle:** In consideration of our various stakeholders who speak a number of different languages, LG Innotek publishes its sustainability reports in Korean and English. Publications are available in paper form and as a PDF file. For smartphone users, the paper version of this report also has on its cover the Quick Response (QR) code, which, when scanned, will take you to our web-based sustainability report.

Reliability

- **Reporting process:** We set up task force teams consisting of representatives from every department at LG Innotek so that they could be involved in the preparation of this report. After analyzing stakeholder opinions, we identified relevant material issues and structured the report based on these findings. For the six issues of highest concern, and those with the greatest impact on our stakeholders, we earmarked special sections to cover information in more detail.
- **Assurance:** This report was given independent assurance for the reliability of its reporting process and content by the Korea Productivity Center (KPC), an independent assurance provider that specializes in sustainability reports. The KPC assurance statement is provided on page 76.

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Department	LG Innotek PR Group

* 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, GRI Guidelines provide the basic principles and guidelines for sustainability reports. The newly revised Generation 3 (G3) version was introduced in October 2006.

CEO MESSAGE

We are building greater trust with our stakeholders through proven sustainability management practices.

Distinguished LG Innotek Stakeholders,

A sustainable business effectively internalizes and practices sustainability management principles and strategies within its corporate culture. That is also the ultimate goal of LG Innotek in its sustainability management initiatives. We aim to create new business

opportunities and growth engines, while building a trust-based relationship with stakeholders through sustainability management practices. As a result, LG Innotek has developed a sustainability management vision we call "Right Promise, Better Tomorrow." We are working tirelessly on a sustainability management infrastructure as we establish regular communication channels with our stakeholders. This report is one result of these efforts, and reflects our determination to further improve our sustainability management performance in the years to come.

LG Innotek declared 2010 as the first year we would become a true global leader. To attain this goal, we have focused on improving our business portfolio, securing core and source technologies, and reinforcing our global competencies. By entering into strategic partnerships with globally respected clients, we adopted a supply chain management (SCM) system tailored to the component manufacturing industry. Backed by these fundamental initiatives, we realized an unprecedentedly high sales figure in 2010, KRW 4,100 billion, and have laid the financial groundwork to grow as a leading global company.

Environmentally, we developed voluntary carbon management strategies in response to the government's Low-Carbon, Green Growth initiative. Furthermore, we set up a dedicated team to oversee the company-wide practice of green management. Upon completion of our greenhouse gas (GHG) inventory, we can now more effectively monitor our impact on climate change. At the same time, we provide environment-related education and information to our business partners and promote an eco-friendly supply chain. We also provide technical support to our business partners, assisting them to localize major facilities and technologies, offer specialized technique training such as the Six Sigma program and a quality management consulting service called the Business Doctor program, and support troubleshooting techniques and innovation tools that have helped our business partners' growth in terms of their technologies and management skills. In addition, we have a keen interest in multicultural families, an emerging social issue in Korea, and one we have selected as the theme for a company-wide social contribution program. This has helped these families better understand Korean culture while effectively incorporating them into Korean society. Moreover, we encourage our employees to volunteer in an effort to build solidarity with local communities and fulfill our corporate social responsibility. Also, the academic-industrial cooperation we take part in with universities in the vicinity of our business premises helps us secure talented local workers and create jobs for a number of competent people to become future leaders and realize their full potential.

In the months and years ahead, LG Innotek will continue these sustainability management activities in economic, environmental and social aspects, while serving as our customers' "First Partner" in the truest sense: as a leading global components & materials provider. To that end, we will increase communication channels with our stakeholders and reflect their opinions in our management activities. We will also remain faithful to our roles and responsibilities as a respected company. LG Innotek pledges to continue internalizing and practicing the core values of sustainability management, realizing differentiated customer value and fulfilling our corporate social responsibility as we remain committed to our principles of building a better society for all. I kindly ask for your continued support and encouragement in all these endeavors.

Thank you.

President & CEO
Hur Young Ho *Jung H Hur*



Top Management Message

We practice the principle of green management throughout the entire value chain of production.

**CTO/Executive Vice President
Lee Joo Won**

LG Innotek's green is not only based on eco-friendly materials but on internal guidelines we have developed on green management and carbon reduction. While practicing green management principles throughout the entire product life cycle, we consider the potential consequences of our choices on climate change even from the selection of materials. In order to ensure our business

partners stay in step with our green management initiatives, we share information with them and provide education on climate change, carbon reduction measures, and other environmental issues. Internally, we are developing innovative technologies to address not only environmental issues but also social issues as we enhance our global competencies. In the future, we will not relent in our efforts to increase our green activities and prevent climate change risks to achieve sustainable growth.



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We are always strengthening our core competencies and doing our utmost to protect the environment.

**Components Materials Company/
Executive Vice President
Lee Ung Beom**

As part of our sustainability management practices, LG Innotek strives to secure future growth engines in new and related businesses, while building core competencies in existing business areas. Making use of an advanced academic-industrial cooperation network and customer-driven R&D programs, we are able to provide the best products at the right

time to customers. At the same time, we are active in a wide range of environmental protection campaigns that include carbon management, green product development, and energy-saving initiatives. As a responsible corporate citizen, LG Innotek is relentless in its efforts to reinforce our global competencies, ensuring sustainable growth as we maintain the highest level of trust with our customers.



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Our LED lighting business represents the future growth engine for a company's sustainable growth.

**LED Business Division/
Executive Vice President
Ryu Patric (Si Gwan)**

The LED (Light Emitting Diode) lighting business has emerged as one of the most promising businesses at LG Innotek, and one with a far-reaching influence on related industries. Today, LG Innotek has secured the highest level of global competitiveness not only in terms of the size of our LED lighting business but also in optic and heat dispersal technologies. Based on an integrated LED lighting production system that ranges from R&D to production to marketing, LG Innotek is taking advantage of its product competitiveness to achieve sustainable growth for the company. We aim to increase our global market share of the LED lighting business to more than 10 percent by 2012, emerging as one of the world's top LED lighting makers.



The changes we are ushering in, coupled with our innovation initiatives, are helping us to enhance our competitiveness.

**Display & Network Division/
Senior Vice President
Jung Yong Sun**

LG Innotek's consistent R&D innovation efforts have strengthened the company's core technologies, allowing us to provide differentiated "First & Best" products that are highly efficient, low in cost, and low in power consumption. The Display & Network Division is utilizing its leading technologies in high-frequency wave wireless communication and power conversion to find the best communication solutions and solve energy-saving problems. Our process innovation has also sped up and streamlined the company's global supply chain network, enabling prompt customer response and efficient green management practices. In addition, we operate customized HRD programs at each of our global production bases which foster globally competent talents and create jobs in local communities.

Corporate Overview

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Founded in 1970, LG Innotek is a leading global components & materials provider that is contributing to the development of related industries and society as a whole with our high-tech products and technologies. In the LED lighting, mobile and display business areas, LG Innotek has developed globally competitive technologies.

One of the World's Top 10 Components & Materials Provider

Since its inception in 1970, LG Innotek has been at the forefront of high-tech components manufacturing. Through consistent R&D efforts and effective market exploration, LG Innotek was the first company in Korea to succeed in the commercial production of TV tuners. Later, we affirmed our technological and market competitiveness in related businesses such as digital and analog tuners, optical disk drive motors, tape substrates, and photomasks. Despite rapidly changing market conditions and cutthroat competition, LG Innotek has achieved remarkable growth in recent years, with a 13-fold growth in sales over 2001, allowing us to emerge as one of the world's top 10 companies in the industry.

A Leading Global Company

LG Innotek has eight factories in Korea on top of a global network that includes seven overseas production subsidiaries spread across Asia, the United States, and Europe, as well as nine overseas sales branches. Our advanced technology is now leading many of the changes taking place in the market. In particular, we command an advantageous market position and the highest levels of competitiveness in the fields of micro photo-etching technology, digital tuners, and small motor manufacturing. Our advanced technologies in power modules and wireless communication have also begun to play a leading role in global markets. In addition, we are increasing our efforts to secure even greater competitiveness with LED lighting and PCB products, while ensuring future growth engines in the automobile components and solar cell technology business areas.

The First Partner LG Innotek

LG Innotek provides the highest customer value and is proud to be our customers' first choice on a consistent basis. From materials to components to modules, LG Innotek is playing a leading role in the industrial development of all its business areas – LED, PCB, Mobile, Display, Network and Automotive components – while growing alongside client companies. On the basis of this leading competitiveness, we will continue to ensure the highest satisfaction and success for our customers around the world.

Corporate Profile

Establishment	August 22, 1970
CEO	Hur Young Ho
Business type	Electronic Components
Revenue	KRW 4,103.5 billion (based on the 2010 K-IFRS)
Headquarters	19-20F, Seoul Square, 416, Hangang Blvd., Jung-gu, Seoul, Korea
Employees	19,102 persons (as of the end of March 2011, including overseas operations)
Main products	LEDs, PCBs, Camera Modules, Tuners, Motors, Tape Substrates
Website	www.lginnotek.com
Telephone	+82-2-3777-1114

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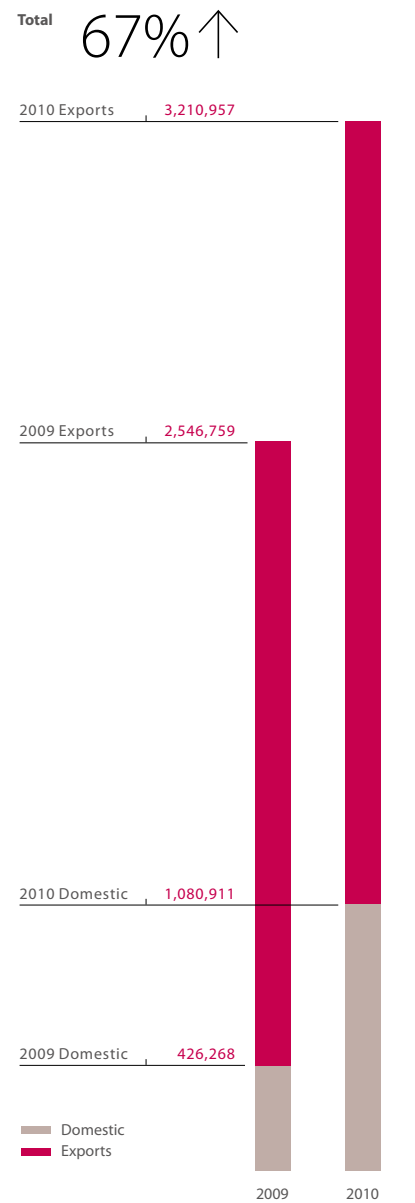
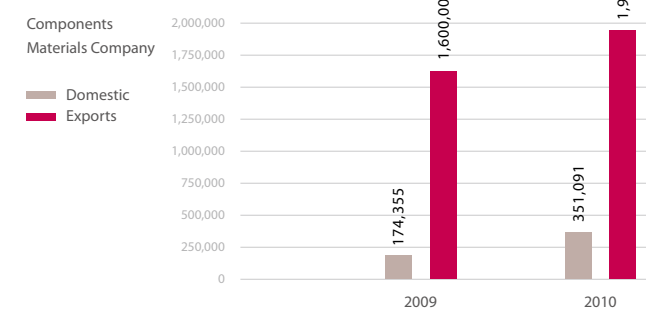
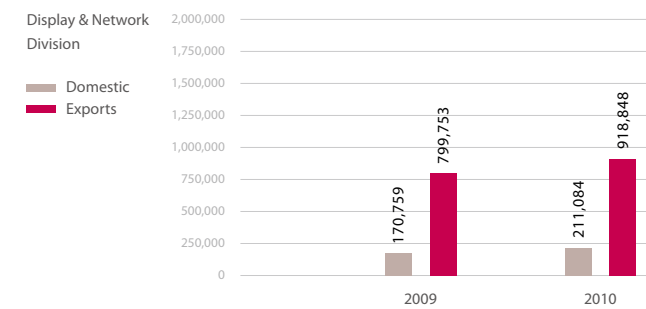
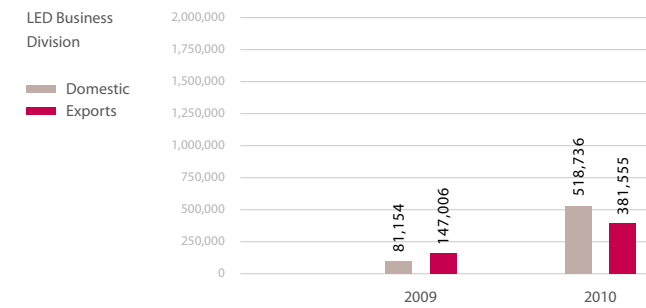
Organization Chart

As of December 31, 2010



Sales

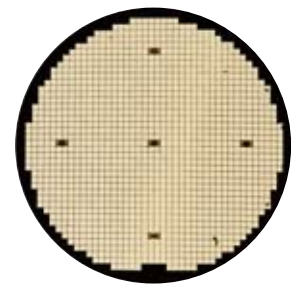
Unit: KRW million



* Sales within the Components Materials Company include KRW 188,391 million in sales of discontinued business (the small LCD module business that was sold off to LG Display).
 * The Components Materials Company includes PCB, Semiconductor & Display, Sensing & Optics, Motor and Automotive businesses under its purview.



Business Overview



LED

A light is being shed on the future

LG Innotek's LED components have diverse applications as a light source for mobile devices and display apparatuses that include smartphones, TV sets, and monitors. Widely used in LED flat panel lights, streetlights, and lamps, LG Innotek's LED technologies are brightening every corner of the world.

LED Epitaxial Wafer - Chip - Package / LED for Mobile / LED BLU(Back Light Unit) / LED Lighting Module



Display

A brighter, clearer world is standing before us

LG Innotek's displays are unfolding a digital world right before our eyes. They provide sign transferors, power modules, and photomasks, and allow for the highest functionality in LCDs, PDPs, and other information transmitting display devices. LG Innotek's technologies are helping bring innovation into view for everyone.

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

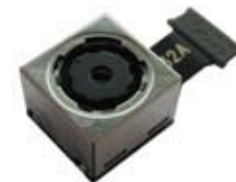
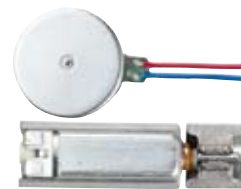


Mobile

Take the world into your hands

The digital world is at your fingertips with LG Innotek's technologies. Our ultra-slim, ultra-light, and high-definition components convert an enormously large digital world into one that is both portable and small enough to grasp. Our camera modules are installed in laptops, home appliances, medical devices, and smartphones. LG Innotek's technologies also include silent reception and multi-touch functions, which maximize the convenience and accessibility of mobile devices.

Camera Module / Camera Actuator / Vibration Motor / Touch Window

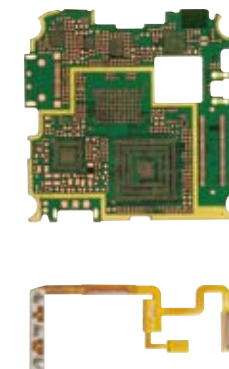


PCB

Making digital dreams come true

LG Innotek's PCBs help give life to digital infrastructure, making life more convenient and more enjoyable. They are applied to computers and semiconductors, such as the mainboards in smartphone devices, tablet PCs, e-books, laptops, and LCD/PDP TVs, as well as CPU, D-RAM and other computer and semiconductor accessories. Slim and foldable, LG Innotek's PCBs contain some of the world's leading technologies and are helping make digital dreams come true.

Build-Up PCB, Flexible PCB, Package Substrate, Lead Frame

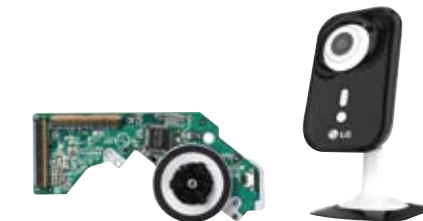


Network

Connecting minds, connecting hearts

Digital technologies connect people around the world across networks. LG Innotek's technologies provide numerous networking products that enable a wireless life with access to the Internet and remote monitoring through wireless LANs wherever a person goes. Wireless cameras help protect the elderly and infirm, provide home monitoring and parking control solutions, and offer wireless broadband.

Tuner / Wireless Modem / Network Camera / ODD Motor



Automotive

Your dream drive starts here

LG Innotek's automotive components turn driving into a safe, comfortable, and exhilarating experience. Our technologies reinforce stability in abrupt braking and facilitate electronic power steering (EPS) system performance. Furthermore, our high-tech sensors and EPS technologies ensure the highest functionality in safety systems such as steering, power windows, and adaptive 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



Vision & Management Goals

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LG Innotek's vision to be "The First Partner" carries with it our determination to challenge the world's top companies and to assist in the success of our customers as the most reliable partner. We will make every effort to ensure the highest customer satisfaction by providing quality component parts and materials.

LG Innotek's vision to be "The First Partner" also demonstrates our determination to become a leading global components & materials manufacturer that provides customers with the highest value, a company that customers choose above anyone else as we grow alongside them. In line with this, we have devised the short-term goal of achieving what we call the "Triple Ten": KRW 10 trillion in sales, 10 percent in operating margin, and 10 world No. 1 products by 2015. Based on the LG Way, the behavioral guidelines for all LG Group personnel, LG Innotek has overcome ceaseless challenges to achieve its vision through LG Innotek's unique success DNA, making it a differentiated organization by being goal-oriented and believing in passion, speed, autonomy and creativity, and also through our three No. 1 strategies: No. 1 People, No. 1 Process, and No. 1 Products.

A Leading Global Components & Materials Provider

LG Innotek aims to become a total materials & components provider, offering the very best customer value as a company that is consistently chosen by customers before any other company. Since our inception, we have grown to become one of the world's leading companies, while leading the development of the Korean components industry. Lately, LG Innotek has fostered material & device technologies to such a high level that we have enhanced the forward and backward linkages within the materials and components industries. As we move forward, we aim to playing a leading role in the future growth of materials & components.

Vision



The Three No. 1 Strategies Driving Our Vision

Our Three No. 1 Strategies will help us realize our vision of becoming "The First Partner". This starts with No. 1 People, meaning we are cultivating globally competent expertise in our employees. No. 1 Process refers to our relentless process innovation to increase the core competencies of the company itself, while the No. 1 Product strategy carries with it our commitment to provide the best possible customer value through an extensive lineup of products which all make use of our advanced core technologies.

DNA Implementation: The Energy Source behind Our Strategy Implementation

Our DNA implementation represents the potential energy innate within LG Innotek. As the fundamental element behind implementing the No. 1 Strategy, DNA implementation will also serve as the behavioral guidelines for all our employees. The most important part of our DNA implementation is a goal-oriented mindset. Placing customer value at the top of our priority list, every member of the organization will set challenging goals and work hard to attain each of them. Passion is the element of DNA implementation whereby employees carry out their jobs with a sense of ownership. Autonomy & creativity allow employees to think outside the box and learn from trial and error, giving them the chance to realize customer value far beyond their expectations. Lastly, the principle of speed allows us to respond swiftly to customer needs through real-time communication.

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2011 CEO Management Policies

- Keynotes** Value innovation to become a leading global company
- Missions**
 - Upgrading our business portfolio
 - Developing core technologies
 - Reinforcing global competencies

2011 Sales target (Unit: KRW billion)	5,300
2011 Investment plan (Unit: KRW billion)	760

Upgrading Our Business Portfolio

- **Increasing LED business competencies:** LED components are LG Innotek's flagship business and have a tremendous amount of growth potential. As a result, we plan to further reinforce our global competitiveness in this area and lay the foundation for its future growth. To that end, LG Innotek is focusing on ensuring cost competitiveness in the LED market and reinforcing our competitiveness with lighting components to ensure the profitable growth of this business.
- **Achieving profitable growth:** LG Innotek pursues profitable growth rather than quantitative growth, which is why we are focusing on enhancing efficiency in both the production process and product quality, while upgrading our product lineup to meet the most exacting market demands. At the same time, we are assisting employees as they increase their competencies and regularly monitor the achievement of plans throughout the entire business value chain.

Developing Core Technologies

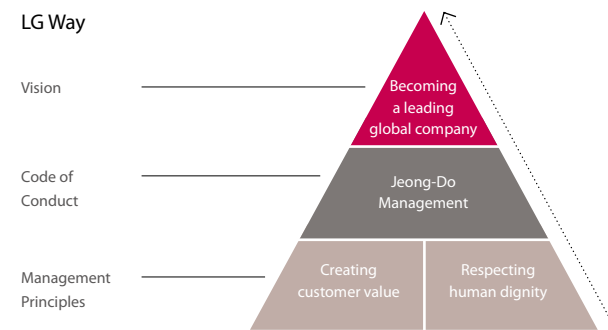
- **Developing core technology-based businesses:** A company without competitive core and base technologies cannot survive in today's global market. As such, LG Innotek is channeling its resources into R&D efforts to develop core and base technologies to ensure our technology leadership in every market we operate in as we remain undaunted by changes in market circumstances.
- **Expediting preparation plans for the future:** Technology convergence is breaking down the boundaries between industries and bringing about rapid changes in the market. With insightful anticipation of market developments, LG Innotek is poised to lead market trends and prepare for future markets in

every aspect. In particular, we plan on entering new businesses as we prepare to ultimately secure global competencies in these same business areas, playing a leading role in markets well into the future.

Reinforcing Global Competencies

- **Fostering globally competent employees:** People constitute the true competitiveness of any company. Keenly aware of this, LG Innotek cultivates global competencies in all its employees. For their own part, individual employees at LG Innotek always strive to acquire globally competent expertise in their respective areas. We will continue to assist employees in these endeavors by promoting a performance-oriented, self-development culture. In addition, we will cultivate autonomy and creativity within the corporate culture to foster innovative leaders with global competencies.
- **Implementing business process innovation:** LG Innotek carries out business process innovation to achieve globally competent productivity. While strengthening employee engagement and commitment, we will continue with our initiatives to enhance work efficiency through business process innovation. By encouraging employees to practice the company's core values and actively participate in innovation drives, we will shift our focus from a quality- or cost-driven paradigm to a customer value-oriented policy. In 2011, we will also expand the application of our global supply chain management (SCM) program company-wide, reinforcing efficiency and competitiveness in our business process.

Jeong-Do Management



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Jeong-Do Management refers to the LG code of conduct that guarantees success through the constant development of capabilities based on ethical management.

The LG Way and Jeong-Do Management

The LG Way stipulates the way in which LG employees think and act at work in order to create customer value and respect for human dignity through Jeong-Do Management principles, with the ultimate goal of becoming one of the world's top companies. Jeong-Do management is the LG code of conduct designed to allow for success in a fair and transparent manner, and is based on the highest competencies and ethical practices.

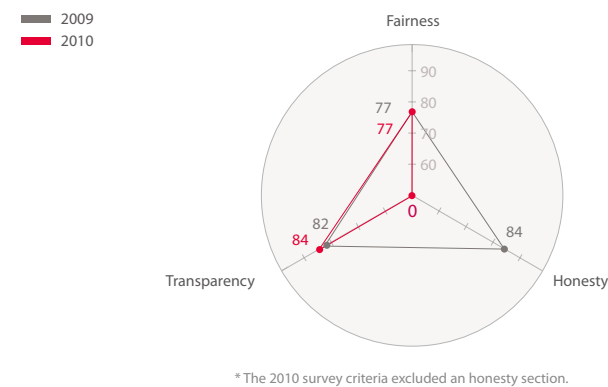
LG Code of Ethics System & Composition

The LG Code of Ethics sets the basic direction for company-wide ethical management, an integral part of which is Jeong-Do Management, in the form of a declarative code of ethics, practical guidelines, and a 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. National and Social Responsibilities.

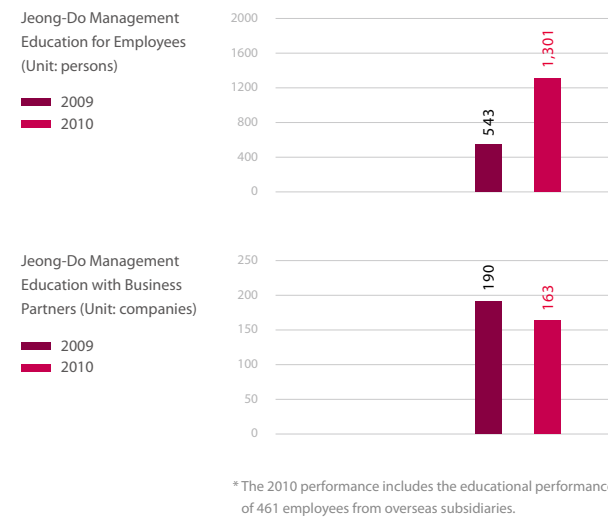
Jeong-Do Management Survey

In October and November 2010, LG Innotek ran online surveys and interviews with its business partners and its own employees who work in the Procurement Department in an effort to check on Jeong-Do management and win-win cooperation practices. The survey criteria included the overall satisfaction of business partners, suggestions for improvements in transaction practices, and bribery/excessive entertainment reporting.

Jeong-Do Management Index



Jeong-Do Management Education Performance



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Corporate Governance

Shareholder Composition & Shareholder Value

As of December 31, 2010, LG Innotek's outstanding shares numbered 20,126,976 (common stocks). The largest shareholder of the company was LG Electronics, which held 47.96 percent of all stocks. Following LG Innotek's merger with LG Micron, the number of total outstanding company shares increased from 12,020,800 at the end of 2008 to 20,126,976 as of the end of December 2010. LG Innotek's CEO reports on business results from the year on an annual basis at a general shareholders' meeting (GSM), while also bringing material management issues to a vote.

Board of Directors

LG Innotek upholds the independence of its Board of Directors (BOD), furthering transparent governance. As of December 2010, the BOD had seven members, three inside directors (including one non-standing director) and four outside directors who serve their duties independently from the largest shareholders and upper management. Any person with a relationship to the company's major shareholder(s) is disqualified from election to the position of outside director. There are also three subcommittees under the BOD: The Audit Committee, the Outside Director Candidate

Recommendation Committee, and the Management Committee. Outside directors provide professional expertise in various fields of management, and keep management in check to ensure transparent and sound management practices. In 2010, the BOD held a total of nine meetings to deliberate and approve 28 agenda items, and reported on eight issues, including the company's mid-term business plans. Average attendance of outside directors stood at 96 percent in 2010. In the first half of 2011, the BOD called five meetings.

Evaluation and Compensation to Directors and Management

LG Innotek sets and then carries out the limits on remuneration to directors based on their respective contribution to the business, with approval being granted at the GSM. The BOD deliberates and approves business plans at the beginning of each year, and subsequently receives quarterly performance reports on the company's progress. At the end of every fiscal year, the BOD sets directors' and executives' remuneration levels proportionate with their achievements. Remuneration to outside directors and standing directors is established and remains within the limits as defined by the GSM, and is in compliance with all relevant regulations. Verifying whether executives have set and attained sufficiently challenging goals, the BOD comprehensively evaluates their qualitative and quantitative achievements, as well as the competencies of all directors after which it decides on remuneration levels in a fair manner.

Independence in Selecting Directors

LG Innotek selects directors in compliance with all relevant regulations, including the Commerce Act. With four of seven members serving as outside directors, the BOD always ensures independence from the company's management in making decisions on major issues. Outside directors are selected at the GSM through careful deliberation after candidates are formally recommended by the Outside Director Recommendation Committee.

Directors & Auditors

As of the end of June 2011

Category	Name	Position	Position/Duties	Remarks
Standing	Hur Young Ho	CEO	Representative Director & President	Chairperson of Board of Directors
Standing	Park Hee Chang	Director	LG Innotek, CFO	-
Standing	Lee Sang Bong	Director	LG Electronics Executive Vice President	-
Non-standing	Ryu Tae Soo	Outside Director	Professor, HanYang ERICA University	-
Non-standing	Jang Beom Sik	Outside Director	Professor, Soongsil University	Head of the Audit Committee
Non-standing	Kim Hyung Jun	Outside Director	Professor, Seoul National University	Auditor
Non-standing	Kim Jung Il	Outside Director	Signetics, CEO	Auditor

* Changes: After standing director David Jung and outside directors Yoon Chul Soo, Kim Duk Jul and Choi Soon Don retired, Lee Sang Bong was elected as the new standing director, with Jang Beom Sik and Kim Hyung Jun being elected as outside directors in March 2011.

* The Composition of the BOD and its subcommittees is also available on our website (Investor Relations > Management Information > BOD) and in our business reports. Detailed information about the compensation of BOD members is provided in the company's business report.

Sustainability Management System

016

When LG Innotek organized its Sustainability Management Bureau, we established a company-wide system to more efficiently and strategically approach sustainability management. In 2010, it arranged a number of sustainability management activities, including working-level workshops and CSM risk monitoring.

CSM Organization As of December 31, 2010



* CSM: Corporate Sustainability Management

Sustainability Management Vision

RIGHT PROMISE, BETTER TOMORROW

Sustainability Management System

In 2010, LG Innotek declared its sustainability management vision and established the necessary infrastructure for monitoring all CSM activities. Set up at the end of 2009, the Sustainability Management Bureau (SMB) serves as the decision-making body which develops and implements CSM strategies. It holds semi-annual meetings to analyze major sustainability issues as it monitors the implementation of all CSM strategies. In July 2010, the SMB invited business partner executives to our factories to promote CSM practices with them. After the visit, the SMB shared our CSM strategies with these business partner executives and assisted them in identifying their own sustainability issues after which we brainstormed for solutions. In the future, we will continue to carry out company-wide sustainability management activities in order to internalize sustainability management practices throughout the entire workforce at LG Innotek. We will also ensure close collaboration among related departments to effectively incorporate CSM practices into the corporate culture.

Competency-Building & Workshops

LG Innotek conducted educational workshops for Sustainability Management Bureau (SMB) members, helping acquaint them with international sustainability management standards such as the ISO 26000, the Dow Jones Sustainability Indexes (DJSI), and the Electronics Industry Citizenship Coalition (EICC). The program also shared the company's sustainability management policies and performance, while teaching members how to prepare a sustainability report. This opportunity increased core competencies in developing and implementing sustainability management action plans.

017

CSM Mid-Term Roadmap

2010 Laying the foundation

Strategy-building/ Infrastructure-building
CSM strategy-building
Process development

2012 Strengthening competencies

Internalizing CSM core values
Incorporating CSM values
Inter-sector alignment

2015 Global leader

Promoting CSM overseas
Promoting CSM value
Process integration

CSM Risk Management

LG Innotek monitors management practices related to labor, business ethics, the environment, safety & health, and management systems at all its domestic work sites and all in line with the EICC's code of conduct. Although we run self-checks on these management practices using the Electronics Tool for Accountable Supply Chain (E-TASC)*, no severe risks have been detected to date. Starting in 2011, we plan to expand sustainability management to the entire supply chain through regular self-checks and monitoring at all business premises, both domestic and overseas, as well as with business partners.

* Developed by the EICC, E-TASC is an online-based self-check questionnaire program for diagnosing CSR risk management practices at companies.

Sustainability Management Communication

LG Innotek maintains various communication channels with stakeholders to timely address their concerns. Throughout 2010, we proactively responded to customer questions and suggestions about our social responsibilities. We also kept abreast of industry trends by collecting the opinions of domestic and international sustainability management evaluation agencies and NGOs through surveys and interviews.

Future Plans

LG Innotek has developed a three-step mid-term roadmap to clarify the strategic direction for our sustainability management and to establish systematic practices accordingly. In line with this, we will focus on internalizing all CSM values throughout the entire workforce by 2012. By 2015, LG Innotek plans to emerge as a globally competent sustainability management leader.

Sustainability Management Awards

In 2010, LG Innotek was officially listed on the DJSI (Dow Jones Sustainability Indexes) Korea



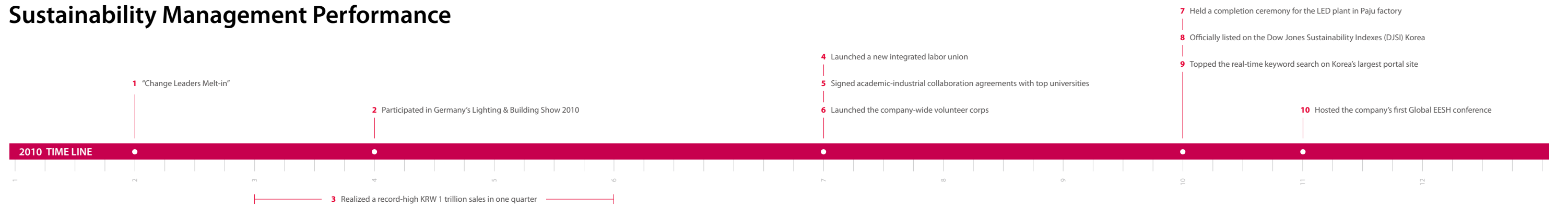
The 2010 LG Innotek Sustainability Report won the bronze prize in the Brochures: Sustainability Report category at MerComm, Inc's Astrid Awards



The 2009 LG Innotek Annual Report won the platinum prize in the Technology, Semiconductor & Equipment category as awarded by the League of American Communications Professionals (LACP)



Sustainability Management Performance



018

1 The "Change Leaders Melt-in" event held in February 2010 marked the starting point of LG Innotek's corporate culture innovation drive. The program provides a venue for executives and team managers from each business division to gather and discuss innovation issues and action plans. Based on action plans developed in the program, employees at each respective division fine-tune them to their respective conditions and needs, then develop specific missions to be accomplished in each department.

2 LG Innotek participated in the Lighting & Building Show 2010, which was held in Frankfurt, Germany in April 2010. Under the theme of the "Ultimate Solution to Lighting," the company demonstrated its full line-up of LED light modules. Based on our high level of confidence in lighting components and our globally recognized competitiveness in LED lighting components, LG Innotek received a positive response from both visitors and local businesses.

3 In the second quarter of 2010, LG Innotek realized a record-high KRW 1 trillion in sales for the quarter. According to the settlement of accounts for that quarter, and made official on July 27, 2010, the company recorded KRW 1,028.7 billion in sales and KRW 86.1 billion in operating profit based on International Financial Reporting Standards (IFRS). On the back of booming LED backlight unit (BLU) and TV power module (power supply) markets, LG Innotek's LED Business and Display & Network

divisions saw their monthly sales surpass KRW 100 billion, the highest figure for both divisions for a single quarter. A new supply contract for mobile camera modules was a contributing factor to this unprecedented achievement.

4 In the past, the company's labor union was actually made up of two parts, a Component Trade Union and an Equipment Trade Union. On July 15, 2010, LG Innotek launched a single integrated labor union under the belief that it would lead to more effective labor-management collaboration. We are confident that this collaborative relationship will contribute to increasing the company's global competencies.

5 LG Innotek has signed academic-industrial cooperation agreements with several top Korean universities providing us with an opportunity not only to sponsor basic scientific R&D activities at these schools but also to tap into a vast pool of talented graduates. Specifically, agreements were signed with the Korea Advanced Institute of Science and Technology (KAIST), Sogang University, Korea University, Youngnam University, Pohang University of Science and Technology (POSTECH), and Busan University in 2010. Through these strategic alliances, we are collaborating in a range of activities to foster globally competent people and develop more source technologies.

019

6 In July 2010, we launched a company-wide volunteer corps. In addition, we run various social contribution programs, including Mentoring for Hope, which supports multicultural families, Green Energy Camp, and the Santa Clause Project.

7 On October 24, 2010, LG Innotek completed work on its new factory in Paju, which now serves as the heart of the company's global LED business. With an investment of KRW 1 trillion, the size of the Paju factory is equal to 26 soccer stadiums. A total of 3,000 employees work at the factory and produce about 1.8 billion LED chips every month. The completion of the Paju factory marks the completion of the world's largest LED integrated production base with full LED process production capability. LG Innotek's market share in the global LED market is expected to be more than 10 percent by 2012, establishing the company as a global leader in the LED business.

8 LG Innotek established its sustainability management system in 2010. In October of the same year, we were officially listed on the DJSI Korea, which is organized by the Korea Productivity Center (KPC) and serves as outside recognition of the company's sustainability management initiatives.

9 LG Innotek's reputation has significantly improved both at home and abroad. One clear sign of this is that the company name ranked atop the real-time search keywords by Naver, Korea's largest portal site, during its employment recruitment period in October 2010. In particular, its unique approach to recruiting, called Coffee House, drew a great deal of attention from jobseekers. As a result, a growing number of people looking for employment applied to LG Innotek, as is evident by the 33:1 (33 applicants for every position) figure that was recorded during the company's recruitment efforts in the second half of 2010.

10 LG Innotek held its first Global EESH Conference for three days, from November 24-26, 2010, in a bid to share its environment & safety management vision, to reveal its best practices, and to build a working-level network with Korean and international environmental experts. People engaged in jobs related to the environment, CEO Hur Young Ho, and Daegu Regional Environmental Office Director Nam Gwang Hui all took part in the conference, whose purpose was to establish an internationally renowned environment & safety management system, while also providing a chance to address global environmental issues.



Change Leaders Melt-in



Lighting & Building Show 2010



Record-high quarterly sales of KRW 1 trillion



Launched an integrated labor union



POSTECH-LG Innotek agreement signing ceremony



Launched a company-wide volunteer corps



Completed Paju factory



Listed on the DJSI Korea



"Coffee House" job fair recruitment initiative



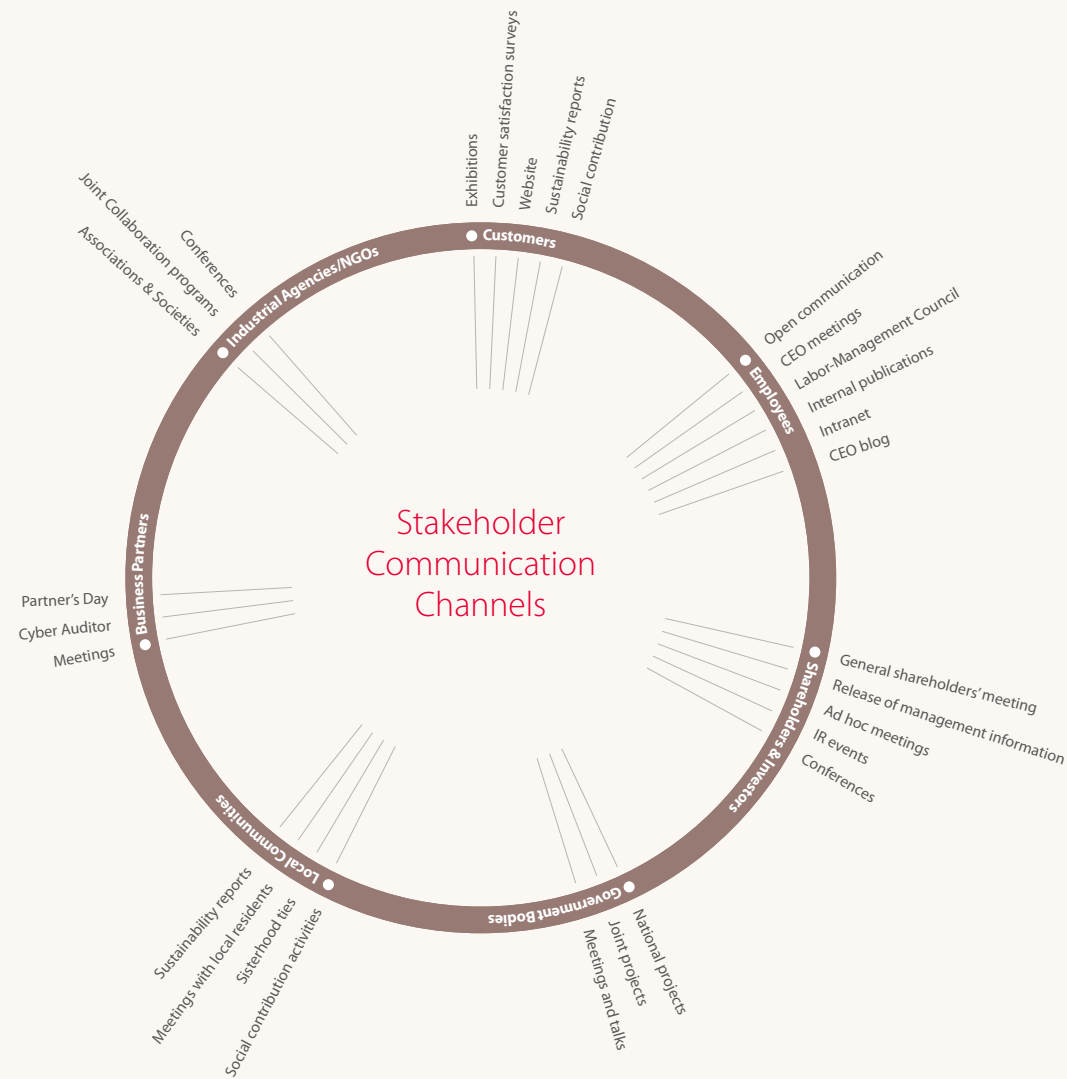
Hosted 1st Global EESH Conference

Stakeholder Communication

LG Innotek's stakeholders have a significant influence on the company economically, socially, and environmentally, while also being subject to the company's business impact. We classify our major stakeholder groups as customers, employees, shareholders & investors, business partners, government bodies, industrial agencies & NGOs, and the local communities where we operate. Each stakeholder group can access and communicate with the company through our website and various other communication channels, which are specially set up for the individual needs of each stakeholder group.

LG Innotek ran process innovation in 2010 for the systematic management and control of sustainability management issues as identified through diverse stakeholder communication channels. With every council or meeting we organize for a stakeholder group, we ensure that representatives from that particular stakeholder group are given a chance to participate.

Communication Channels



020

Stakeholder Research

According to their influence on and relation to the company, respondents are classified into one of three groups.

- Interviews
- Media
- Internal data
- Surveys

021

Primary Group	No. of research projects	Methodology
They are of great concern to the company and have a direct impact on business activities.	Executives: 9	<ul style="list-style-type: none"> Interviews Media Internal data Surveys
	Employees: 522	
	Business partners: 89	
	Domestic clients: 84, Global clients: 42	
They have a relationship with the company and influence its sustainability management practices through technical alliances or voting rights.	Schools/Research institutes: 3	<ul style="list-style-type: none"> Interviews Media Internal data Surveys
	Analyst: 2	
They don't have any direct impact on or relationship with the company but can influence the company by such means as legal action, protests, and/or product reviews.	Government agencies: 22	<ul style="list-style-type: none"> Interviews Media Internal data Surveys
	NGOs & Local communities: 22	

Communication Process

Monthly Process	01	02	03	04	05	06	07	08	09	10	11	12
Classification												
Stakeholder dialogue		Preliminary test to develop questionnaires	Feedback	Issue identification	Inclusion of relevant data in reports	Monitoring					CSM strategies applied	
CSM activities	Planning	Launch of task force teams	First round of task force education	Second round of task force education	DJSI questionnaires	Diagnosis & Improvement planning						
Report publications	Publication scheduling	Compiling performance data	Edit/Design & Verification			Publications					Review	

Materiality Analysis

LG Innotek believes that a sustainability report is the most reliable and significant channel for communicating with stakeholders and collecting their feedback. As a result, we run materiality analysis to timely identify major sustainability issues of significant influence to the company on a continual basis.

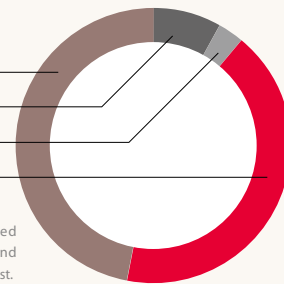
Step 1. Surveys

Our surveys have helped identify stakeholders' highest concerns with respect to the company's sustainability management. After making use of questionnaires tailored for each stakeholder group, we closely analyze the results to identify major sustainability issues.

External stakeholder group response rate

Customers	47%
Government agencies	8%
NGOs	3%
Business Partners	42%

From April 18 to May 12, 2011, we surveyed employees, business partners, customers, and NGOs through our intranet, by e-mail, and by post.



1. Selection of respondents and methodology
2. Development of questionnaires
3. Distribution & Collection of questionnaires
4. Analysis

022

Step 2. Business Impact

Category	Description
Media Analysis	After reviewing major media coverage from January 2010 to March 2011, LG Innotek collected information from the public domain related to its business activities and analyzed the results in four categories: sustainability management, economy, environment, and society.
Benchmarking	We looked over the DJSI World and DJSI Top Ten (electronic component manufacturers list) indexes and studied other Korean electronic component providers that had published a sustainability report.
Analysis of Global Standards	We analyzed the issue factors with global standards and guidelines such as the EICC, the ISO 26000, and the GRI G3.
Interviews with Executives	Through extensive interviews with a total of nine executives, we classified the results of the interviews to identify major issues in four themes - economy, environment, society, and reports - all of which are covered in this report.

Step 3. External Experts' Comment

Q In terms of economic value creation and corporate social responsibility, what do you think of LG Innotek's sustainability management performance?

Industrial, Economic and Policy Dept., Ministry of Knowledge Economy

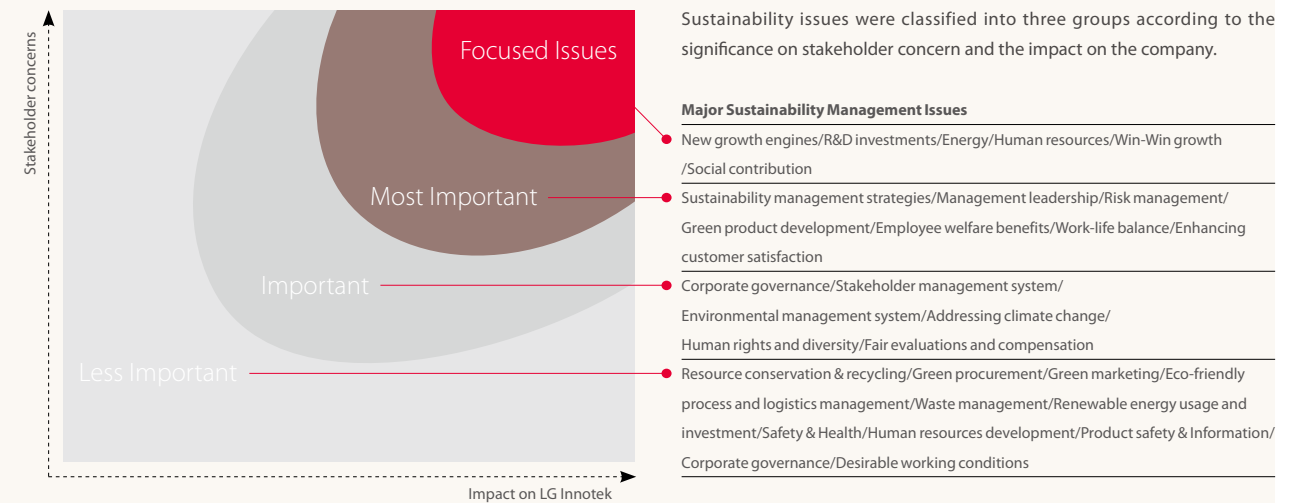
A LG Innotek's record-high business results in sales for 2010 were quite impressive, as the company surpassed the monumental figure of KRW 4 trillion. This accomplishment attests to the company's commitment to strengthening its global market share. In addition, LG Innotek has been at the forefront of the industry in addressing a number of environmental issues, as it has already established mid-term environmental management strategies, with environment, safety and energy issues forming part of its green management initiative. LG Innotek seems fully aware of its role in addressing climate change and has consequently invested in process and technology innovation to minimize its emission of greenhouse (GHG) gasses. While appearing to be relentless in its efforts to increase win-win growth with business partners, the company has also become involved in a wide range of social contribution activities, such as making donations to social causes and participating in multicultural family support programs.

Materiality Analysis Process

The sustainability management issues of greatest concern to our external and internal stakeholders are prioritized through the materiality analysis process. Based on this, we have narrowed these concerns down to six key issues that require our immediate attention. We have employed a variety of methods to identify issues to effectively clarify those needing the most improvement, while also gaining a clear understanding of the company's

sustainability management circumstances. The materiality analysis process has been able to clarify the most important issues to be covered in this report and has identified all the key sustainability issues.

Step 4. Materiality Analysis Matrix

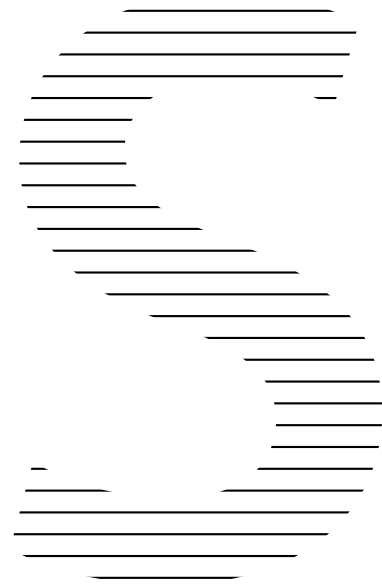


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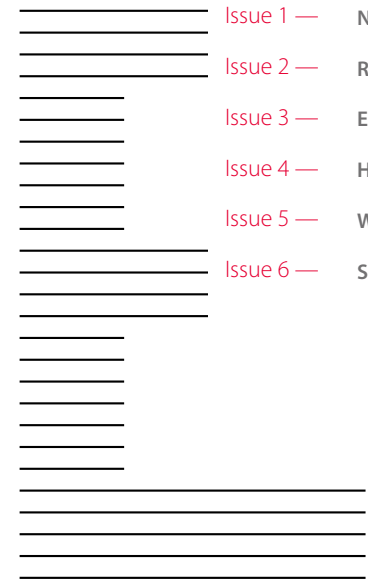
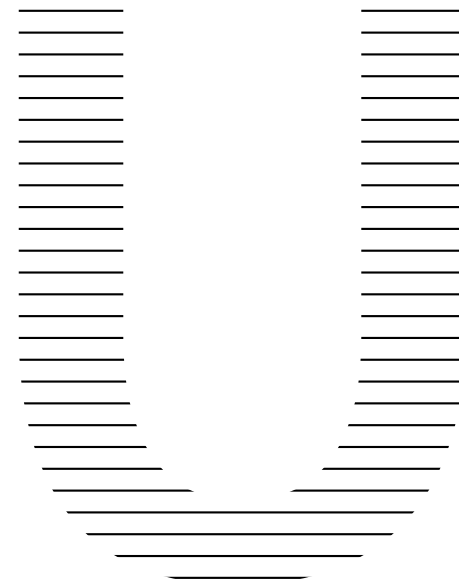
Step 5. Report Structure

Internal Stakeholder Materiality Analysis						External Stakeholder Materiality Analysis					
Rank	Key Sustainability Issues	Issue Level	Importance			Rank	Key Sustainability Issues	Issue Level	Importance		
1	Securing future growth engines in new businesses	(FI)	▲	●	●	1	Expanding R&D investments	(FI)	▲	●	●
2	Expanding R&D investments	(FI)	▲	●	●	2	Securing future growth engines in new businesses	(FI)	▲	●	●
3	Efficient use of energy	(FI)	▲	●	●	3	Efficient use of energy	(FI)	▲	●	●
4	Human resources development	(FI)	▲	●	●	4	Win-Win growth with business partners	(FI)	◎	●	●
5	Win-Win growth with business partners	(FI)	◎	●	●	5	Human resources development	(FI)	▲	●	●
6	Social contribution activities and projects	(FI)	◎	●	●	6	Social contribution activities and projects	(FI)	◎	●	●
7	Green product development	(M)	◎	●	●	7	Green product development	(M)	◎	●	●
8	Risk management	(M)	◎	●	●	8	Top management leadership	(M)	-	●	●
9	Employee welfare benefits	(M)	-	●	●	9	Risk management	(M)	◎	●	●
10	Enhancing customer satisfaction	(M)	-	●	●	10	Sustainability management strategies	(M)	-	●	●
11	Top management leadership	(M)	-	●	●	11	Business ethics (Jeong-Do management)	(M)	-	●	●
12	Work-life balance	(M)	-	●	●	12	Work-life balance	(M)	-	●	●
13	Sustainability management strategies	(M)	-	●	●	13	Employee welfare benefits	(M)	-	●	●
14	Business ethics (Jeong-Do management)	(M)	-	●	●	14	Enhancing customer satisfaction	(M)	-	●	●
15	Addressing climate change (GHG control & reduction)	(I)	▼	●	●	15	Addressing climate change (GHG control & reduction)	(I)	▼	●	●

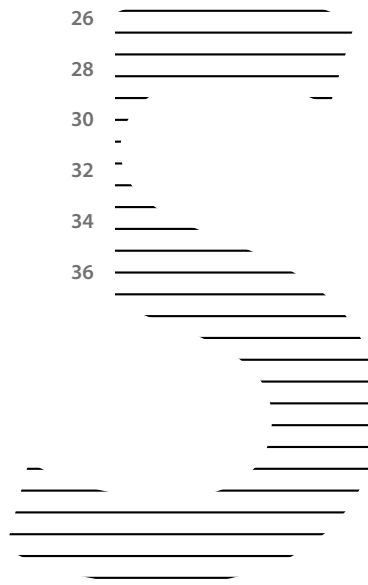
(FI) : Focused Issue
 (M) : Most Important
 (I) : Important
 ▲ : Issue level enhanced since the previous report
 ◎ : Reiterating the most important issues as quoted in the previous report
 ▼ : Issue level dropped since the previous report
 - : No change to the importance of the issue since the previous report



LG Innotek developed its sustainability management vision in 2010 as "Right Promise, Better Tomorrow." In line with this, we have devised detailed goals and plans under this theme of fulfilling our "Right Promise," and encourage this to be carried out company-wide by employees. On our way to becoming a leading global company, this "Right Promise" embodies our determination to create value for customers, as well as increased value for LG Innotek's future, society as a whole, and the environment.



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What
is **our**

right

we achieve

A Leading Global Components & Materials Provider

LG Innotek is emerging as a globally recognized components and materials provider. With sales reaching KRW 4,103.5 billion in 2010, the company ranked among the world's top 10 components suppliers in terms of total sales, with our technical advantages having secured the company 40 global strategic partners as clients. Through intensive investment in our high-tech components and materials business, a new growth engine industry, we have also earned ourselves an advantageous position in tomorrow's markets. As a result, the number of products we make which occupy the greatest market share internationally is on the rise. Through an enterprising and dynamic spirit, LG Innotek is emerging at the center of global markets and is poised to become a global leader in the components and materials industry.

Four World No.1 Products in 2010

As of 2010, LG Innotek was producing four of the world No.1 products in the industry: TV tuners, which allow television signals to be received by a computer; photomasks, an opaque plate that is used to attach micro-circuits to LCD panels; tape substrates, which connect main boards to LCD and PDP panels; and micro motors for DVD players and CD ROMs. The technologies LG Innotek employs with these products command the unrivalled top spot in the global market. In the future, we will further enhance the profitability of these products, while we also focus on creating synergies in connection to related technologies.

Issue 1 New Growth Engines

10 World No. 1 Products by 2015


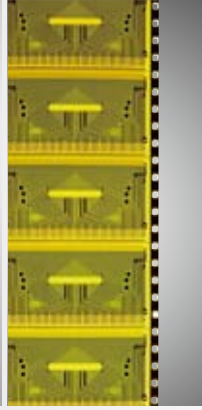


LG Innotek has made it a goal to increase the number of its world No.1 products, from the current four to 10, by 2015, and is channeling all available resources to attain this goal. To begin, we will foster LED lighting items as a future number one product. LED backlight units serve as the light source used on the panels of TV sets and laptops. We plan to achieve globally recognized technology of this product by 2012, enhancing its cost competitiveness by improving its light efficiency and employing highly efficient vertical LED chips. Other strategic products that we aim to expand our market share in, achieving the top sales spot internationally by 2015, include camera modules and vibrator motors. To that effect, we are reinforcing core and source technologies and enhancing synergies with related technologies. When we attain these goals, LG Innotek will be able to claim the top spot in the industry globally by 2015, with proposed sales and operating margin reaching KRW 10 trillion and 10 percent, respectively.

2015 Goal	
Sales (Unit: KRW 100 million)	100,000
Operating margin (Unit: %)	10
World No. 1 products (Unit: items)	10

Being the world's number one company in a particular industry translates into market dominance. LG Innotek will make aggressive investments, develop required core and source technologies, and mobilize its extensive global network through strategic marketing to foster more world number one products in international components and materials markets.

to fulfill our most important

World No. 1 products

●	TV tuners	
●	Tape substrates	
●	Micro motors	
●	Photomasks	

2010 Performance	
Sales (Unit: KRW 100 million)	41,035
Operating margin (Unit: %)	3.8
World No. 1 products (Unit: items)	4

we invest

LED: The Light of the Future

LED components convert electric energy into light energy. While incandescent lights turn only five percent of electric power into light and consume the rest as heat, LED lights turn 40 percent of electric energy into light. In theory, its conversion rate can reach up to 90 percent. Accordingly, it has become an increasingly popular light source for TV sets, monitors, and signboards. Indeed, the Korean LED market is expected to grow up to KRW 22 trillion by 2012, while the U.S. market is predicted to explode from its current U.S. \$1.4 billion in 2010 to U.S. \$5.6 billion by 2014. As a result, LG Innotek has made its LED business one of its future growth engines and is involved in aggressive investments and R&D efforts in the industry.

Completion of Paju Factory

LG Innotek invested a total of KRW 1 trillion to build its Paju factory, with the aim of assuming the lead in the promising LED market. Located on a site spanning 182,000 m², or the equivalent of 26 soccer stadiums, the Paju factory is the world's largest LED production line and is equipped with the entire production process for LED components, including the world's most first six-inch epitaxial wafers and the world's most efficient vertical chips for packages and modules. As a single LED production line, it is the world's largest in scale, with a monthly production capacity of 180 million LED chips. The Paju factory is also optimized to produce LED components for the LED backlight units used in LCD TV panels and LED components for commercial and industrial lights. The Paju factory's high-tech equipment and efficiency will ensure LG Innotek continues to grow as a leading global LED producer, with plans in place to capture over 10 percent of the industry's global market share by 2012.

Issue 2

R&D Investments

LED components are not merely light. They represent the light of hope, the light of our future, and the light of life that will protect our planet and its environment. LG Innotek completed a large-scale LED production line at Paju and enhanced its global marketing in order to assume an advantageous position in global LED markets, and will foster its LED business as another of its global number one businesses in the coming years.

to ensure a true

Internationally Recognized Technology and Design

While the company is rapidly taking up a commanding portion of the LED market with its advanced technology, one of its products, the LED downlight module called AnguLA, won top prize in the light category at the prestigious 2011 Red Dot Design Awards. Furthermore, the LFI Innovation Awards chose LG Innotek as the winner of the lighting components and hardware category, a first for an Asian company. This has only served to increase the reputation of the company's functional performance, technical innovation, and leading designs. With awards also received at other leading global events, including the 2010 Lighting Expo in Philadelphia, LG Innotek's LED business has a very bright future.

Paju Factory

Gross area (Unit: m ²)	182,000
Total investment (Unit: KRW 100 million)	10,000
World's largest monthly production of LED chips at a single factory (Unit: 100 million components)	18
2010 global market share target (Unit: %)	10
Job creation outlook (Unit: persons)	4,000
Production inducement effect (Unit: KRW 100 million)	50,000

LED Investments

Paju Factory

Completed an integrated LED production line that spans the entire process



Epi Growth



Chip



Package



Module

+

Completed an integrated production base, ranging from R&D and production to marketing

Transferred the LED R&D Center and LED light business to the new Paju factory, improving efficiency of the production process through integration



Awards



AnguLA, winner of the light category prize at the 2011 Red Dot Design Awards



ModuLA 1D, winner of the Light Components and Hardware category prize at the LFI Innovation Awards



LED high-efficiency lamp, winner of an iF Design Award

we perform

LG Innotek is well aware that protecting the environment is an integral part of its corporate social responsibility. In answer to the government's Low-Carbon, Green Growth initiative, we are engaged in various ways to save energy and reduce carbon emissions. Under the slogan of "Value Plus Carbon Minus," we have implemented company-wide carbon management practices and activities to mitigate global warming at each of our work sites.

Saving Energy with Waste Heat Recovery System

LG Innotek has developed action plans to save energy and reduce carbon emissions, while checking on its performance every month and devising improvement plans according to these results. As part of this effort, we changed our LNG-fueled water heating system so that we could recover waste heat from each production process.

Installing a heat recovery system at each production process reduced energy waste and helped increase the recycling rate, while saving energy and reducing waste. As a result, greenhouse gas (GHG) emissions were reduced and annual operating expenses were reduced by KRW 1.6 billion.

Solar Power Generation Cuts Annual CO₂ Emissions by 25 Tons

Our work site in Paju installed four solar power generators on its rooftop in 2010, one of which is a 3KW-class CIGS that LG Innotek developed, while the other three are 10KW-class units developed by LG Electronics. From January to May of 2011,

these four generators created a monthly average in solar power of 4,000 kWh, or 20,000 kWh for the five-month period. This is the equivalent of saving 25 tons of CO₂ emissions annually, or the same as planting 3,400 pine trees.

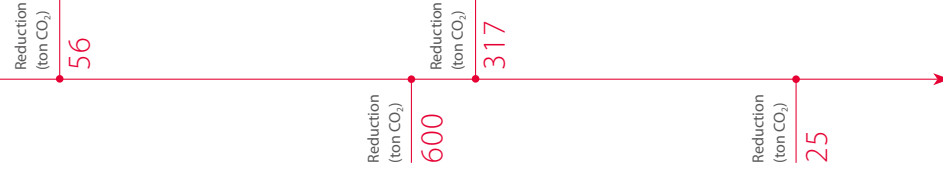
Solar-Heated Hot Water Supply System

Our Gumi factory has been using solar-heated hot water supply facilities at its employee dormitory since 2010. During the day, these facilities heat water using solar energy, storing the hot water for use at night or on days when it rains. These facilities supply 39 percent of the dormitory's hot water demand, saving KRW 17.66 million in annual fuel expenses for LG Innotek and reducing carbon emissions as well.

LED Lighting Reduces CO₂ Emissions by 317 Tons

At our Paju factory, every building and streetlamp uses LED lighting, which is more economical and eco-friendly than fluorescent lamps. In addition, LED lighting is highly energy efficient, emits less carbon, and has a longer life. By using LED lighting, the Paju factory has reduced its CO₂ emissions by 317 tons annually, with its economic effect being equally as impressive.

Reduction



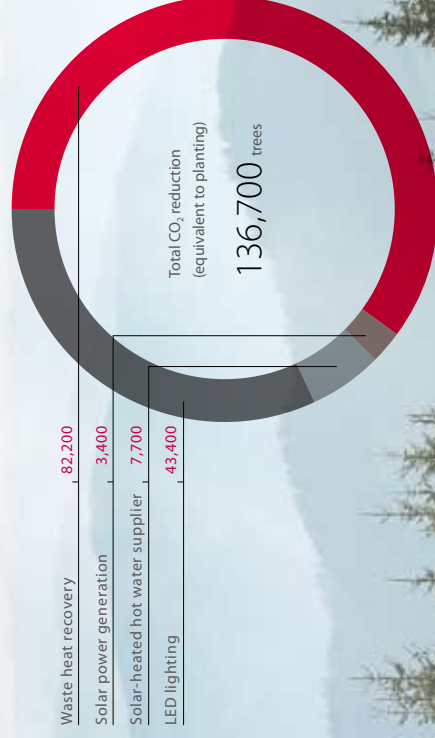
Protecting the environment is an important part of our business activities that contribute to the well-being of society. LG Innotek makes strenuous efforts to mitigate climate change and realize low-carbon green growth initiatives throughout the company. In recognition of the environment's importance, we are doing all we can to leave future generations a cleaner, greener planet.

to bring about a green

Energy Saving Effect

Category	Description	CO ₂ Reduction	Equivalent to
Waste heat recovery	Reusing process waste heat to heat water	600 tons	Planting 82,200 pine trees
Solar power generation	Solar power generators on building rooftops at Paju factory	25 tons	Planting 3,400 pine trees
Solar-heated hot water supplier	Solar-heated hot water supply system at Gumi factory's employee dormitory	56 tons	Planting 7,700 pine trees
LED lighting	LED lighting throughout Paju factory's buildings and streetlamps	317 tons	Planting 43,400 pine trees

* Based on the annual CO₂ amounts absorbed by a 30-year-old pine tree, 7.3 kg CO₂/tree (Source: Korean Forest Research Institute's Center for Forestry Research)



we develop

Recruiting and retaining talent is critical to a company's competitiveness. In Korea, many companies use academic-industrial cooperation to secure a steady pool of young talent. Since forming partnerships with KAIST and Sogang University, we have been training talented undergraduates so that they can make a seamless transition into the corporate world. Upon being hired by LG Innotek, employees are encouraged to continue honing their skills and competencies through a variety of external and in-house training programs, allowing them to grow as globally competent experts in their respective fields.

LG Innotek's Talent Management Strategies

LG Innotek firmly believes in instilling its DNA implementation into its employees. DNA implementation refers to the company's core values – being goal-oriented and having passion, autonomy & creativity, and speed – which provide employees with the proper guidelines on how to think and behave at work. LG Innotek will continue to grow as a leading global components & materials provider by retaining and fostering talent who practice these values. To that effect, we have established a systematic education system by job position. After taking into consideration individual needs and competencies, we foster leading experts in each of our business areas.

Joint Technology Development & Customized Human Resources Development

LG Innotek has entered into partnerships with KAIST and Sogang University for joint technology development and customized human resources development. In September 2010, we signed an agreement with Sogang University to form an academic-industrial Track for joint technology development and human resources development.

Under the agreement, Sogang University selects five talented undergraduate/graduate school students every year to be the recipient of an LG Innotek Scholarship, and operates a degree exclusively for LG Innotek employees. For its part, LG Innotek invests in experimental equipment, develops education programs, and subsidizes select programs for the university. In addition, we have formed another academic-industrial cooperation for our LED business. After jointly establishing the LG Innotek-KAIST LED R&D Center at KAIST's Daejeon campus, the company has been involved in joint R&D with the university through advanced LED technology, and is assisting in the fostering of talented people to familiarize them with this business. In the future, KAIST and LG Innotek researchers will continue to collaborate and develop core and source technologies.

Issue 4 Human Resources

LG Innotek believes that corporate management is a process in which talented people realize their full potential and creativity. As a result, it is important for us to identify talented people who share our management philosophy and core values and to assist them in growing as experts in their respective fields. Increasing people's skills and abilities and having them then contribute to the company is how we continue to succeed at LG Innotek.

Human resource development



LG Innotek – Sogang University Academic-Industrial Track



to make a valued

we support

Win-Win growth between large companies and small- and medium-sized enterprises (SMEs) has become the norm. In global markets, the competitiveness of SMEs contributes to the success of large corporations because they provide many necessary components and materials. Accordingly, win-win growth with competitive SMEs have become an integral part of a successful business strategy for many global companies. Well aware of this, LG Innotek strives to maintain sound partnerships and to achieve mutually beneficial growth through win-win cooperation.

Financial Aid & Win-Win Growth

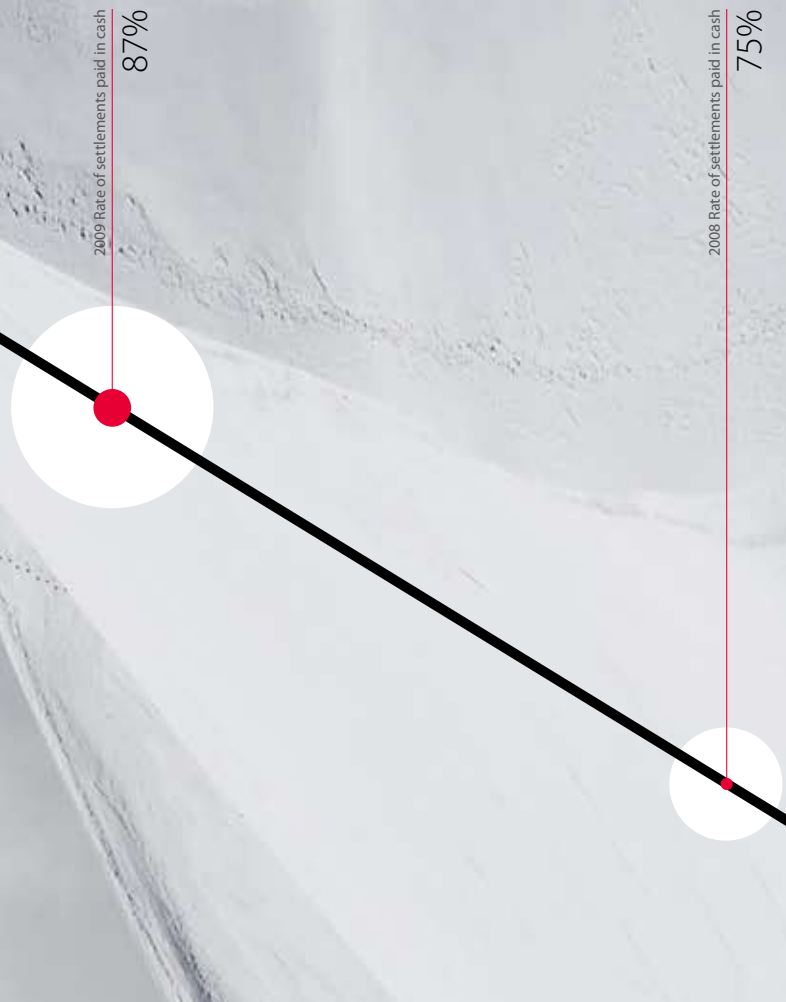
LG Innotek established its Win-Win Growth Committee to seek ways to ensure mutual prosperity with business partners. We offer aid to financially distressed business partners that have a solid track record with us. The committee chooses nine of the most prospective business partners at each of our business divisions and offers financial support under generous conditions, a two-year interest-free installment plan after a one-year grace period. In October 2010, LG Innotek CEO Hur Young Ho signed agreements with the CEOs of select business partners, pledging to offer a total of KRW 3.6 billion in financial aid. With this agreement, we have been true to our commitment in providing financial aid under the Subcontracting Fair Transaction Agreement which we signed in 2010. In fact, the company has raised a total of KRW 30 billion in financial aid for its business partners. Using this as the underlying asset, LG Innotek has spent KRW 15 billion in combined subsidies, such as 2010's Win-Win Cooperation Funds, with plans in place to spend KRW 3.6 billion in direct subsidies and KRW 10 billion as part of a network loan program in 2011.

Issue 5 Win-Win Growth

Our business partners are essential in our efforts to realize LG Innotek's vision, and constitute a critical factor in our globally recognized leading technologies. At LG Innotek, we see our business partners as our partner to success and aim to achieve mutually beneficial growth with each of them. Through joint research and development activities, we are achieving that goal together.

Technical Aid for R&D and Innovation

In addition to financial aid, LG Innotek also offers nonfinancial support to its business partners, including technology transfers and business consulting. From R&D activities such as facility investments, quality and productivity innovation as partners in our global expansion, and joint R&D of cutting-edge technologies and quality management to business consulting such as employee education, management innovation and CSR activities, we provide a vast range of extensive support to our business partners. Furthermore, LG Innotek engages in R&D, Community of Practice (CoP) business consulting and competency-building education, which ultimately contributes to sustainable win-win growth with our business partners. Through these various joint R&D projects, we strive to localize source technologies and are always open to participating in government-led projects.



to guarantee a reliable



we share

LG Innotek decided to choose multicultural families, environmental protection, and youth as the main themes behind our 2010 plan for strategic social contribution activities. Of these three areas, we are particularly focused on helping multicultural families. The growing number of international marriages in Korea and the higher levels of immigration to the country have created new challenges throughout society. Multicultural families can often be reduced to live in underprivileged circumstances, while some find it difficult to adapt to Korean culture and customs, leading to a rise in social prejudices. In addressing this issue, LG Innotek runs its Mentoring for Hope and Green Energy Camp for children of multicultural families, supporting them so they can feel a part of Korean society.

Launch of Company-Wide Volunteer Corps

LG Innotek integrated its individual volunteer service teams at each of our work sites in Gwangju, Gumi, Osan, Ansan, Cheongju, and Paju to launch a company-wide systematic organization for volunteer activities in July 2010. Present at the volunteer corps' launch ceremony were CEO Hur Young Ho and representatives from each work site's volunteer service teams. The representatives pledged to be active members of the new volunteer corps, reiterating their commitment to volunteer work. With the launch of this volunteer corps, LG Innotek reinforced the operation of a volunteer group with a more systematic and integrated approach to volunteering and one which encourages employees to volunteer. The volunteer corps carries out social contribution activities under different themes every quarter.

Mentoring for Hope for Children of Multicultural Families

The Mentoring for Hope program is one of LG Innotek's biggest CSR activities. As part of the

program, LG Innotek employees volunteer to be mentors to children from multicultural families. The program is a six-month three-step course. In the first step, the mentor and mentee build solidarity through mentoring sessions twice a month as well as monthly coaching sessions. The second step includes outdoor activities such as attending cultural events and taking trips to cultural and historical heritage sites so the child can better understand Korean culture and history. When they reach the final step, mentees are provided with a scholarship upon completion of the mentoring course. In addition, LG Innotek selects five lucky children from this program and pays for them and their parents to visit the home country of their non-Korean parent. In 2010, 20 multicultural children living in communities close to our work sites took part in the Mentoring for Hope program. Although the mentoring theme varies depending on the child's family, friends, school life, and career plans, the focus of the program is to help children from multicultural families better understand cultural diversity and grow into valuable members of Korean society. Ten of our executives have also completed the coaching expert course to support children in this program as coaches and assist them in realizing their full potential.

Green Energy Camp for Multicultural Families

LG Innotek's Green Energy Camp is another major part of the company's social contribution activities. Its purpose is to awaken the next generation to the significance of energy and forest through a number of different activities. In 2010, we hosted a total of four camps at Clean Squirrel Village in Geumsan-gun, Chungcheongnam-do, with 160 kids and parents from multicultural families participating in the camp. At Green Energy Camp, LG Innotek introduces participants to the concept of "carbon coins," which helps them understand how to reduce carbon emissions, while also helping them pick up energy conservation and environmental protection habits.

Issue 6 Social Contribution

Issues

Companies receive numerous tangible and intangible support from society, which is why they owe something back to society. As a corporate citizen, companies have certain responsibilities and obligations to society. At LG Innotek, all of our employees are dedicated to fulfilling their corporate social responsibility. Going forward, LG Innotek will continue to steadfastly carry out and fulfill its corporate social responsibility.

2010 Social Contribution Activities

From

heart

to

heart

Apr. 2010

Developed a company-wide CSR plan
Tree-planting activities

Jul. 2010

Launch of the
company-wide
volunteer corps

Aug. 2010

Launch of the
Mentoring for Hope
program

Nov. 2010

Making kimchi for
the underprivileged

May 2010

Visiting elderly
people who live
alone

Sep. 2010

Science class
for kids

Dec. 2010

Completion of
Mentoring for Hope
program

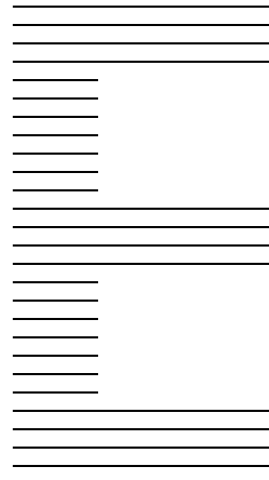
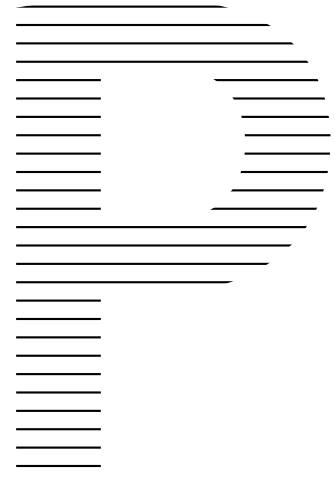
01. Mentoring for Hope
02. Science class for kids
03. Launch of the company's
volunteer corps
04. Green Energy Camp



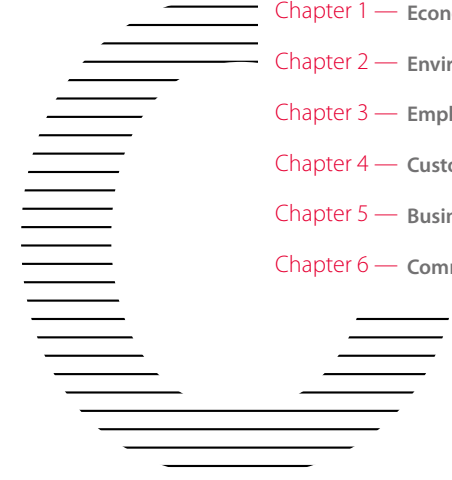
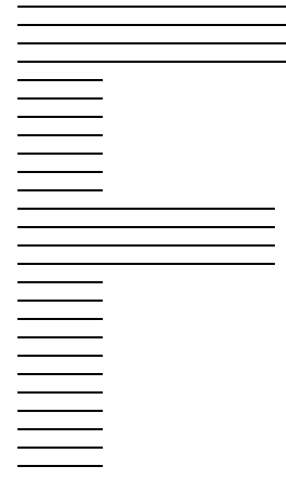
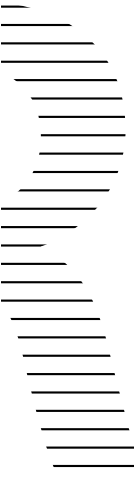
What we share to realize a hopeful promise

to realize a hopeful promise

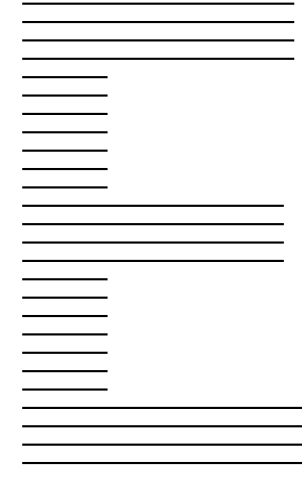
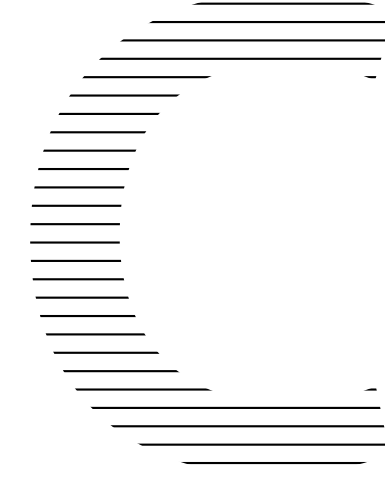
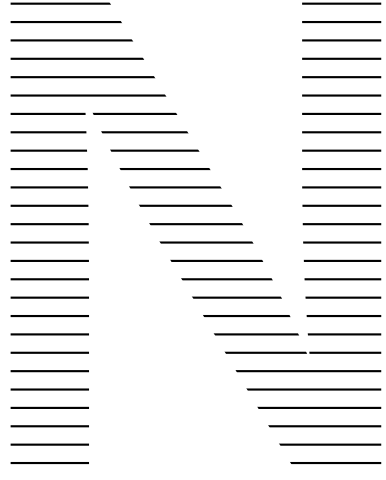
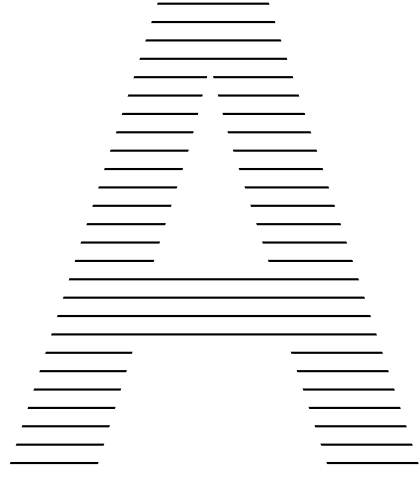
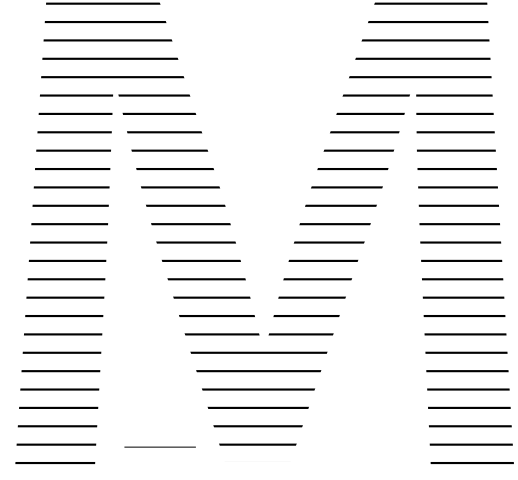
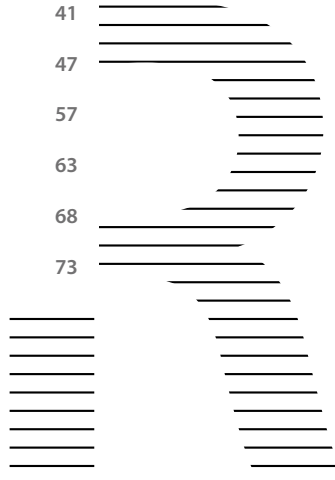
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LG Innotek has set a three-pronged approach to its sustainability management goals – economic, environmental and social – in order to attain its sustainability management vision, “Right Promise, Better Tomorrow.” As a result, we are increasing communication channels with each of our stakeholder groups, from customers and business partners to local communities and employees, then using their feedback to improve our sustainability management practices. In the future, LG Innotek will continue to enhance its sustainability management performance in every area to ensure a better tomorrow.



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How
are we
creating

a better
tomorrow

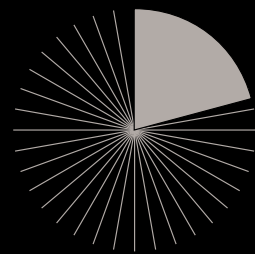
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Economy

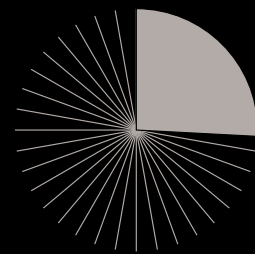
How are we creating a better tomorrow

Creating added value

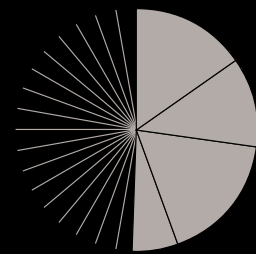
2010 Sales Breakdown



LED Business Division 22.0%



Display & Network Division 27.5%



Components Materials Company 50.5%

Sales Breakdown
 PCB - 30.3%
 Semiconductor & Display - 23.6%
 Sensing & Optics - 34.2%
 Motor & Automotive - 11.9%

By channeling our resources into all of our different business divisions, we maximize value creation.

LG Innotek set its management policy for 2010 as "Business Value Innovation to Grow as a Global Leader." In line with this, we are implementing our three missions – upgrading our business portfolio, developing core technologies and reinforcing global competencies – to achieve market-leading global competencies.

2010 Major Achievements

- Record-high business results in 2010
- ISO27001 information security certification
- Consistent R&D innovation drives

Economic Performance

Despite unfavorable market conditions, intensifying competition, and poor performance results at client companies throughout 2010, LG Innotek realized a 67 percent year-on-year growth in sales, reaching KRW 4,103.5 billion, and a KRW 105.2 billion growth in operating profit from the previous year, to KRW 156.5 billion.

LED (Light Emitting Diode) Business Division

Our LED Business Division realized a massive 295 percent year-on-year growth in sales in 2010, reaching KRW 900.3 billion, thanks to the continued growth in market demand for application chips used in TVs and laptops with LED components. While demand for LED TVs has significantly increased, market demand slowed in the latter part of the year when client companies began reducing their LED TV inventories, which led to an abrupt fall in sale prices. However, profitability at LG Innotek improved compared to the previous year thanks to increased production capacity, improved productivity, and cost-saving measures carried out upon the completion of our Paju factory.

Display & Network Division

The Display & Network Division realized 16 percent growth over the previous year, reaching KRW 1,129.9 billion in sales. This was a result of the growing demand for LCD TV flat displays, the continued expansion in market share of our world leading TV tuners, and rising sales of wireless communication devices due to growing market demand for mobile devices. At the same time, sales of high-end slim-sized products for LED TVs grew, which continued to increase market share for major client companies.

Components Materials Company

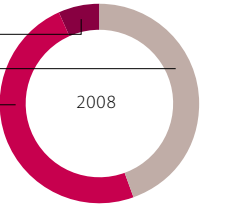
The Components Materials Company includes the PCB, Semiconductor & Display, Sensing & Optics, Motor & Automotive businesses. In 2010, sales in this company grew 65 percent, year-on-year, to KRW 2,073.3 billion, owing to a diversified customer base and growing demand for mobile device components.

- **PCB (Printed Circuit Boards):** The PCB business saw sales growth for high-end products due to the growing market demand for mobile devices. However, overall sales declined five percent from the previous year, to KRW 628.1 billion, as a result of the portfolio restructuring we carried out with PCB products for networks. The fall in sales can also be attributed to a decline in client company PCB sales volume for mobile devices and a likely drop in sales price, as well as rising expenses after the expansion of our high value-added product line-up. In the second half of the year, however, LG Innotek secured an important new international customer as we expedited the shift to a high value-added, product-oriented sales structure and increased cost competitiveness.

Sales Unit: KRW million

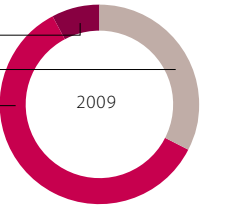
LED Business Division	171,547	6.6%
Display & Network Division	566,170	44.7%
Components Materials Company	677,927	48.7%

Total 1,415,644



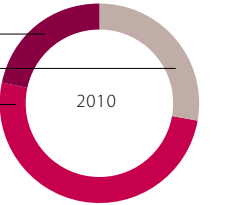
LED Business Division	228,160	7.7%
Display & Network Division	970,512	32.6%
Components Materials Company	1,774,355	59.7%

Total 2,973,027



LED Business Division	900,291	22.0%
Display & Network Division	1,129,932	27.5%
Components Materials Company	2,073,254	50.5%

Total 4,103,477



* On January 1, 2010, LG Innotek adopted Korean International Financial Reporting Standards (K-IFRS). As a result, sales for 2010 in the above table strictly follow K-IFRS guidelines. Figures from 2009 were converted according to IFRS standards as a basis for comparison, while sales figures from 2008 are based on Korean Generally Accepted Accounting Principles (K-GAAP).

* The Components Materials Company includes PCB, Semiconductor & Display, Sensing & Optics, Motor, and Automotive businesses.

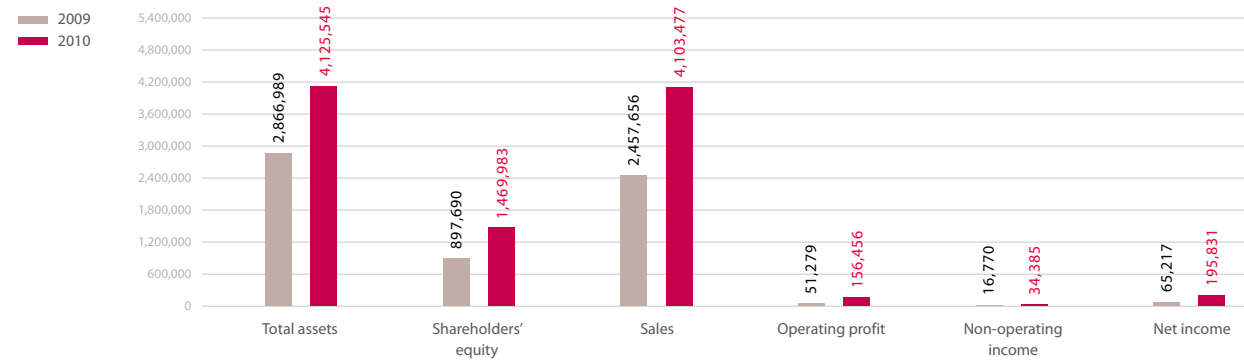
- Semiconductor & Display:** The SD Division realized sound business results, with a five percent rise in sales over the previous year, reaching KRW 488.9 billion, as market demand increased thanks to the booming display markets, as well as the increased competitiveness of high-end products and the division's expanded market share.
- Sensing & Optics:** The SO Division achieved a staggering 153 percent year-on-year growth in sales, to KRW 709.9 billion, thanks to rising demand ignited by surging smartphone markets, our successful partnerships with leading global client companies in the camera module business, and growing demand for high-end products. Launched in 2009, our touch window (an electronic visual display that can detect the presence and location of where it was touched within the display area) business is also rapidly expanding its market share with client companies.
- Motor & Automotive:** The MA Division suffered a moderate slowdown in market demand for small-scale vibrator motors due to slowing growth in the PC market. However, the growing demand for automotive components propped up sales by six percent from the previous year, to KRW 246.4 billion. Profitability also improved thanks to consistent cost reduction efforts.

LG Innotek's Participation in National Projects

Project	Ministry in Charge	Project Period	Duration
Developing economic LED BLU for eco-friendly displays	Ministry of Knowledge Economy (MOKE)	Jul. 2009-Jun. 2010	1 year
10um micro multi roll to roll continuous patterning technology	MOKE	Jun. 2008-May 2012	4 years
WPM business ultra-high purity (UHP) SiC materials	MOKE	Sep. 2010-Mar. 2019	10 Years

Economic Value Created

Unit: KRW million



Economic Value Distributed

Unit: KRW million



R&D Innovation

At LG Innotek, every step of production follows an established R&D process, from the R&D stage to the actual rollout. Specifically, we apply our "Value Plus" activities at the R&D stage, which enhances the quality of products at the production stage through process innovation, enhancing productivity at work sites and further increasing customer value.

R&D Strategies

LG Innotek creates added value through its R&D efforts. By tapping into an extensive R&D network with leading global companies and research institutes, we are able to maintain our technology leadership while developing new cutting-edge technologies.

Securing leading technologies to continue value creation:

LG Innotek has selected six core technology platforms – energy conversion, wireless communication, optics, thin films/films, patterning and nano technology – to strengthen our long-term global competitiveness in the components & materials business. Applied to the development of LED components, PCBs, camera modules, and touch windows, these technologies make up the core technologies for the micro, high-functional, and high-tech products required in mobile devices, displays, networks, and automotive components. LG Innotek will continue to make use of these technologies in the coming years to further enhance its global market stature.

Joint R&D for future technologies: Under its "Open Innovation" initiative, LG Innotek has constructed a global R&D network with leading global companies and prominent research institutes. This global R&D network is instrumental in allowing us to maintain technology leadership, while developing advanced future technologies. We also participate in various national projects through joint R&D efforts with the Korea Advanced Institute of Science & Technology (KAIST), the Korea Institute of Energy Research (KIER), the Korea Electrotechnology Research Institute (KERI), and various other state-funded research institutes. These projects provide us with the opportunity to innovate technologies. At the same time, we collaborate with several prestigious Korean universities where our employees can earn a customized master's degree and work in conjunction with numerous academic-industrial joint R&D projects, all of which contributes to the development of national and regional technologies.

Value Plus

The "Value Plus" program is an R&D innovation, entailing the elimination of non-value added work, which helps enhance efficiency in the R&D process. This ultimately maximizes individual and organizational competencies by experimenting with new R&D methods. This program has its origins in our 2007 "Cutting

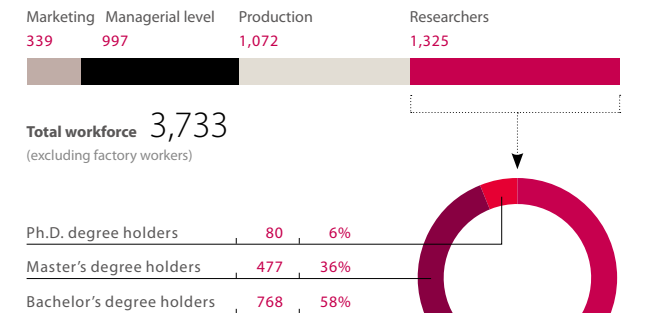
Losses" initiative, which was aimed at eliminating or improving inefficiencies from the work process. Today, it has evolved into process innovation and customer value creation activities as well.

R&D Process

LG Innotek has adopted a new R&D process system called project management system (PMS), whose purpose is to control the R&D and production processes of new products. Created in 2007, the PMS system has now become an integral part of the production process. In fact, all new products under development have to pass the PMS system before moving into the production process. In the future, application of PMS will be expanded to R&D innovation and R&D strategy-building processes. At the moment, the new production introduction (NPI) group is in charge of controlling PMS.

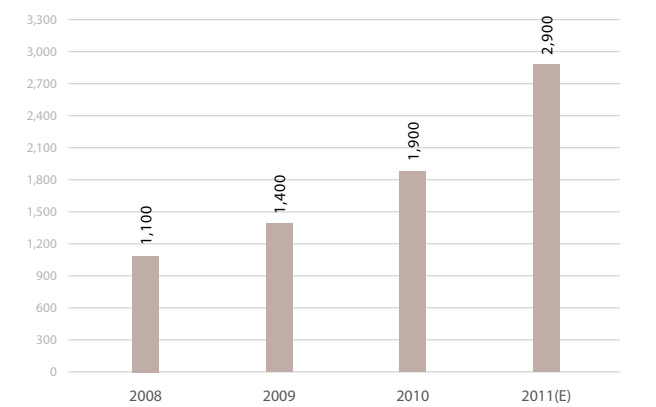
R&D Workforce

As of December 31, 2010 / Unit: persons



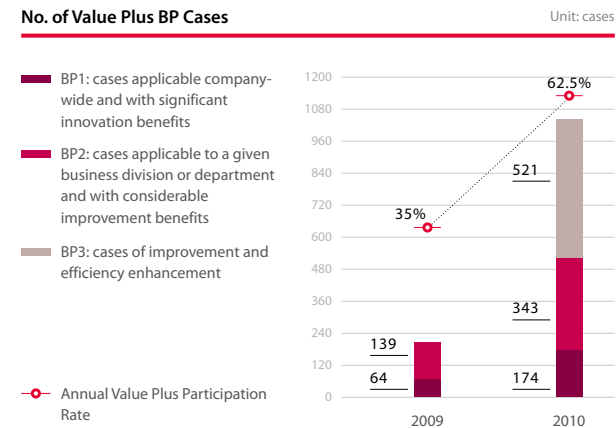
R&D Investments

As of December 31, 2010 / Unit: KRW 100 million

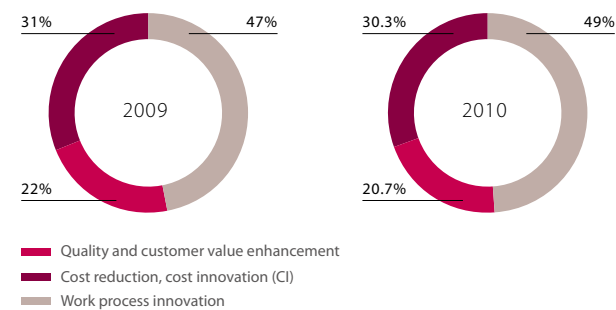


Value Plus Best Practices

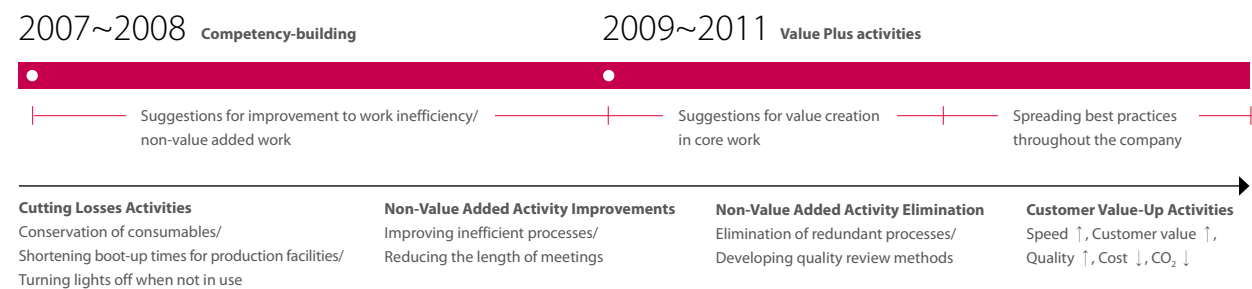
The Value Plus program started with the Cutting Losses initiative in 2007 and was upgraded in 2009 as an R&D innovation program. Value Plus aims to increase R&D competencies such as customer value and quality, reduce costs, and increase production speed, all while reducing CO₂ emissions. In the CTO section, we identified 1,038 cases of best practices (BP) in 2010, exceeding our original goal by 121.9 percent. Careful analysis of these BPs showed that they have increased in the areas of customer value creation, cost reduction, and production speed. In the future, LG Innotek will promote performance-oriented Value Plus activities and inter-departmental collaboration to enhance the efficiency and synergies of our R&D.



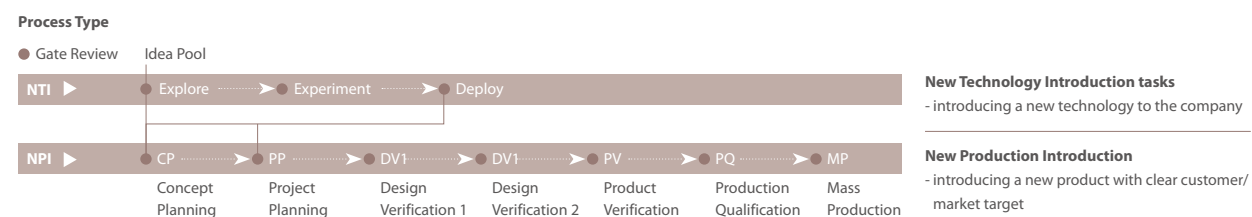
BP Type Analysis by Sub-CTO Sector



R&D Innovation Roadmap



R&D Process Flowchart



Risk Management

Business activities are inevitably tied to various forms of internal and external risk factors. LG Innotek continually monitors risk factors associated with its normal business activities to prevent and minimize uncertainties in our management activities. The company's internal control system also supports the heightening of risk responsiveness throughout the company, as well as transparent and rational decision-making by top management.

Internal Control System

LG Innotek has upgraded the conventional means of analyzing its financial accounting system to a new system facilitates system innovation and management system that preemptively prevents risks and contributes to increased productivity. This change in the process has considerably enhanced management efficiency, enabling evaluations by organization, sector and period in detecting shortcomings in the internal control system and then in making improvements. It also contributes to risk prevention and organizational value creation.

Global Integrated Financial Information System (GIFIS)

LG Innotek's GIFIS integrates and provides a wide range of financial information, including manufacturing costs, accounting and capital, into a single system. The system can then offer forecast data in preparing for future risks, allowing the company to make any necessary decisions based on this integrated database.

Foreign exchange risk: LG Innotek's foreign exchange risk control goal is to ensure financial stability and sustainability. In order to reduce the risk associated with foreign exchange exposure with the gap between foreign currency assets and foreign currency liabilities, our foreign exchange risk control focuses on balancing foreign currency assets and liabilities, while also maintaining a balance between sales and purchase in foreign currencies. Under our Foreign Exchange Management

Guidelines bylaw, we appoint certain employees to be in charge of FX and FX-related transactions, our foreign capital balance and FX position, FX gain/loss management, FX rates, and FX market trend analysis and outlook.

- **Credit risk:** LG Innotek controls company-wide credit risks in line with its risk management policies. The real-time monitoring detects and prevents credit risks and minimizes losses through bonds, while improving the recovery ratio.
- **Liquidity risk:** LG Innotek plans capital flows every third month to anticipate capital flows in its business, its investments, and its financial activities. As a result, the company is able to control its liquidity in advance, preemptively managing any potential liquidity risks.
- **Information security:** LG Innotek strives to enhance its information security competencies and external reliability to match those of the world's top companies. After earning ISO 27001 certification in 2010 for our LED Business Division information security practices, we set the goal of obtaining the same certification for every work site by 2011. This will be instrumental in attaining our vision of becoming the leading global core components partner of choice to our client companies.



Interview

We will continue to...

In 2011, LG Innotek will reinforce its LED business competitiveness to further upgrade our business portfolio. By strengthening our components & materials business and expanding our global strategic customer base, we will further enhance our responsiveness to changes in market circumstances. Through preemptive forecasts and control of risks in foreign exchanges, oil prices, interest rates, and commodity prices, we will enhance stability and profitability of our sales revenue. At the same time, we will strengthen our core platform technologies to secure core and source technologies as we increase our efforts to generate synergies among core technologies and develop future growth engines.

CFO/Vice President_Park Hee Chang

2

Environment

How are we creating a better tomorrow

Ensuring a healthy future

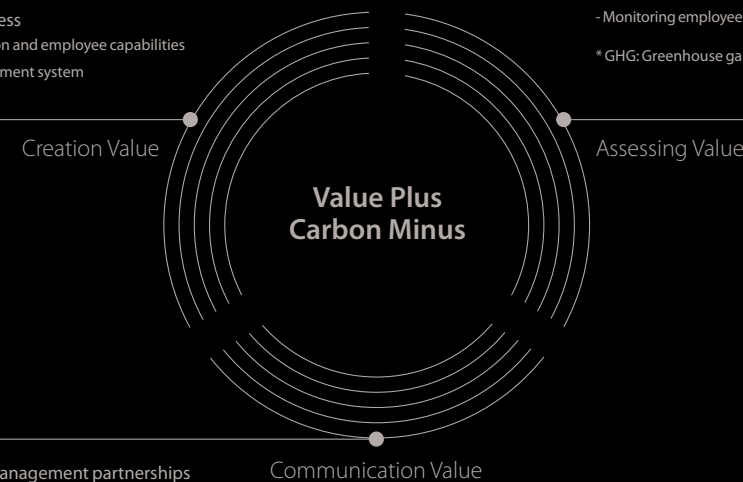
Formation of carbon management system
 - Developing technologies to reduce GHG emissions from products and at work sites
 - Discovering green businesses

Reinforcement of our low-carbon product line-up and business
 - Strengthening the organization and employee capabilities
 - Establishing a carbon management system

Establishment of carbon emissions control system
 - Energy and GHG* control at work sites
 - Energy and GHG control at the product level

Establishment of carbon management monitoring system
 - Managing company-wide GHG reduction goals
 - Monitoring employees' carbon performance

* GHG: Greenhouse gas



Establishment of carbon management partnerships
 - Promoting low-carbon win-win cooperation with suppliers
 - Encouraging supplier participation in carbon initiatives

Strengthened carbon-related communication
 - Responding to external inquiries about our carbon-related information
 - Implementing low-carbon marketing campaigns

At LG Innotek, we care about the future of the Earth.

Today, protecting the environment has become an integral part of corporate social responsibility. As a company that is dedicated to a cleaner environment and greener planet, LG Innotek has integrated strategies and environmental management systems at all our work sites. From energy conservation campaigns to GHG emissions reduction initiatives, LG Innotek is active in its role to protect the environment.

2010 Major Achievements

- Developed carbon management strategies
- Secured green product leadership
- Reinforcing the sustainable environmental management system

Carbon Management

In order to fulfill our responsibility to the environment, we came up with a slogan which embodies our goal to mitigate climate change, "Value Plus Carbon Minus." In line with this, we have also devised and implemented three strategic goals and six strategic directions to realize green growth. In every sector, we have developed and implemented detailed action plans as part of our green management practices.

Vision & Strategy

In 2010, LG Innotek developed carbon management strategies to voluntarily implement the government's Low Carbon, Green Growth initiative. Under the slogan of Value Plus Carbon Minus, we set the goal of reducing our carbon emissions by 40 percent and energy use by 30 percent, while increasing our product purchase of low-carbon green products to 70 percent compared to Business-as-Usual (BAU) levels as of 2020. To that effect, we are implementing the following missions.

- ⁰¹ By leveraging our core technologies of ultra-slim, highly efficient, and long-lasting products, we are taking into account potential carbon emissions from the entire life cycle of our products, right from the R&D stage, as we strive to reduce carbon emissions and enhance the value generated from our products.
- ⁰² To save energy and ensure greater efficiency at the production stage, we conduct energy task activities and carry out energy consulting at each of our work sites to discover which items need to be improved upon to maximize energy efficiency in the production processes.
- ⁰³ In a bid to increase employee understanding and awareness about addressing climate change, we have been publishing a bi-weekly in-house newsletter called Greenotek since 2009 about technologies that also includes information on mitigating climate change. In 2010, we not only published a total of 24 issues of the newsletter but we also provided various on/offline education, which included courses through our R&D Academy and working-level education on the company's GHG inventory, encouraging employees to enhance their task performance capabilities and suggest creative ideas at every step of the way. We also offer separate education programs for executives of our business partners twice a year.

Risks and Opportunities

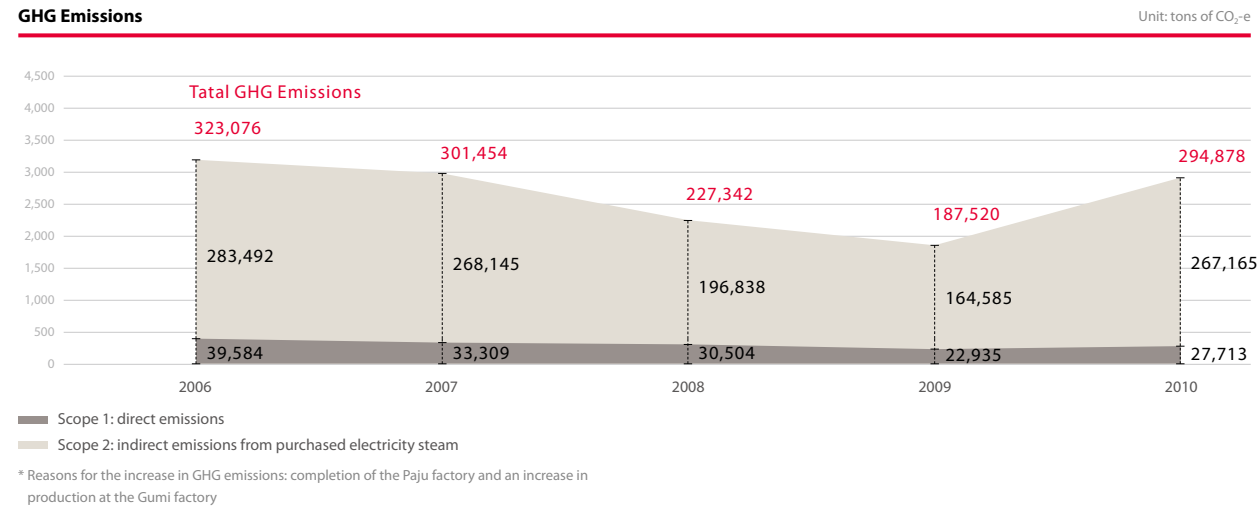
Rising global concerns over climate change have increased market demand for highly efficient, low-power products. Many governments are also invoking various regulations and guidelines on a wide range of products. As a result, climate change has become a significant risk factor to business activities. The Korean government is also determined to reduce GHG emissions nationwide. In fact, in 2010 it required companies with more

than 125,000 tons of annual GHG emissions to establish GHG and energy target management systems so they could gain a firm grasp of their GHG emissions. LG Innotek was one of those companies singled out by the Korean government in September 2010, and we have been making every effort to reduce our GHG emissions since then. In effective response to this risk factor, we aim to create opportunities out of this risk and implement the following tasks.

- **Establishment & Operation of Climate Change Task Force:** To effectively respond to climate change issues, LG Innotek set up a Climate Change Task Force in 2009 that is comprised of climate change experts. Serving as the company's central command in addressing all of LG Innotek's climate change response activities, it regularly monitors domestic and international regulations that could have a direct impact on our business environment and financial structure, while also analyzing the impact of these external factors on the company's carbon management practices (risks and opportunities). The Climate Change Task Force periodically reports its results to top management, which then works on ways to create new opportunities out of such risks.

Risks, Opportunities & Action Plans

Category	Regulatory
Risk and	• Stricter legal requirements for energy efficiencies
Opportunities	• GHG & energy target management system • GHG Emissions Trading Scheme (ETS) • Disclosure on information related to carbon emissions of products • Economic sanctions, including carbon taxes and border taxes
Action Plans	• Increasing the number of high-efficiency products, such as LED lighting components, and high-efficiency power units • Developing solar cells • Evaluating carbon emissions from the product life cycle • Reviewing participation in the CDM (Clean Development Mechanism) project • Increasing the number of opportunities to get involved in new businesses under the Green Growth initiative
	Physical
Risk and	• Shortage of energy supply due to growing number of natural disasters
Opportunities	• Extreme weather arising from climate change • Water shortage / • Employee health issues
Action Plans	• Adopting emergency power generators and solar power generators • Taking part in energy conservation TDR (Tear Down & Redesign) activities • Increasing wastewater and waste heat recycling facilities investment • Investing in employee health management programs
	Others
Risk and	• Rising costs stemming from stricter regulations and a shortage in the supply of raw materials and energy sources
Opportunities	• Purchasing power compromised by damages from climate change • Stricter criteria of business performance evaluation by investors and NGOs
Action Plans	• Improving energy efficiency through process innovation • Reinforcing suppliers' low-carbon management competencies • Strengthening external communication • Increasing and augmenting education for employees on climate change



Establishment of GHG Inventory & Energy Task Activities at Work Sites

In response to the government's target management program, LG Innotek completed a GHG inventory in 2010, which has enhanced energy efficiency at each work site, and has become involved in several other GHG reduction activities. In addition to being involved in a number of energy conservation campaigns, we have also adopted the advanced technologies needed to reduce energy use. Most recently, we received energy consulting to enhance energy management efficiency throughout the entire production process.

Green Products

As a growing number of consumers opt for products that are energy efficient and other green products, LG Innotek is strategically channeling our resources into green products such as LED components and high-efficiency power units. As the core components of the backlight unit (BLU) that is applied to TV sets and laptops, these products help the finished products reduce energy consumption. In addition, they have earned the company an excellent reputation with customers for their leading performance in terms of cost/benefit ratio.

Enhancing Corporate Value

In line with the rising concern over climate change, a growing number of stakeholders require companies to disclose their carbon management practices through diverse channels such as the CDP (Carbon Disclosure Project), DJSI (Dow Jones Sustainability Indexes), and CSM (Corporate Sustainability Management). Stakeholders can then make more prudent investment decisions based on a company's performance. As a result, LG Innotek is proactively responding to inquiries about carbon management information through the CDP and DJSI and publicizing its carbon management performance in a bid to make use of this opportunity to enhance our corporate

image and maintain the highest levels of trust that investors have in the company.

Supporting Suppliers & Environmental Protection for Local Communities

As part of our green management practices, LG Innotek has been instructing executives and working-level employees at our business partners on how to deal with climate change since 2010. The program includes the Six Sigma business management strategy and eco-friendly working-level education for systematic product quality control. At the same time, LG Innotek provides multi-layered support to suppliers to help them establish their own responsible energy use habits while also devising energy conservation plans. In order to provide useful ideas on how to save energy, we are planning to offer technical and financial support, which helps suppliers create their own low-carbon work sites. Furthermore, LG Innotek is actively involved in environmental clean-ups and water quality improvement activities at mountains and streams near our work sites. Under the current program, we are committed to protecting and managing Mt. Eodeung in Gwangju, Mt. Taejo in Gumi, as well as Gumi's Han stream and Ansan's Tando port.

Energy Conservation Activities

While governments and companies around the world work to reduce their GHG emissions, LG Innotek is doing its part to reduce GHG emissions at all of our work sites through various energy conservation activities. In particular, we have established a company-wide video conference system and reduced employees' use of transportation. This has not only lowered GHG emissions but is also saves the company money. In 2009 and 2010, LG Innotek reduced GHG emissions by 1,475 tons in total, saving KRW 760 million in transportation expenses. This is equivalent to planting 200,000 pine trees.

Environmental Protection

Many governments around the world are proactively embracing measures to reduce greenhouse gas emissions to deal with global warming. External risks such as carbon taxes and the Emissions Trading System (ETS) have brought about a paradigm change in the business environment, making carbon management the norm with companies today.

Environmental Regulations

LG Innotek legally processes all pollutants generated across its entire manufacturing and production systems, and applies stricter internal standards to itself than legal regulations require. The company also endeavors to improve pollution prevention facilities, innovate its production process, and improve its recycling rate. In the future, LG Innotek will continue its efficient oversight of its environmental management data and improvement activities. Through preemptive detection of our environmental impact, we will strictly comply with all legal regulations and make efficient use of limited resources as we continue to contribute 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 all its factories and neighboring national parks. Employees also volunteer to take part in environmental protection campaigns and collect waste cell phones for recycling.

Environmental Expenses Unit: KRW million

Category	2009	2010
Air quality	765.4	965.2
Water quality	5,145.2	7,076.7
Waste, miscellaneous	608.7	1,095.3
Total	6,519.3	9,137.2

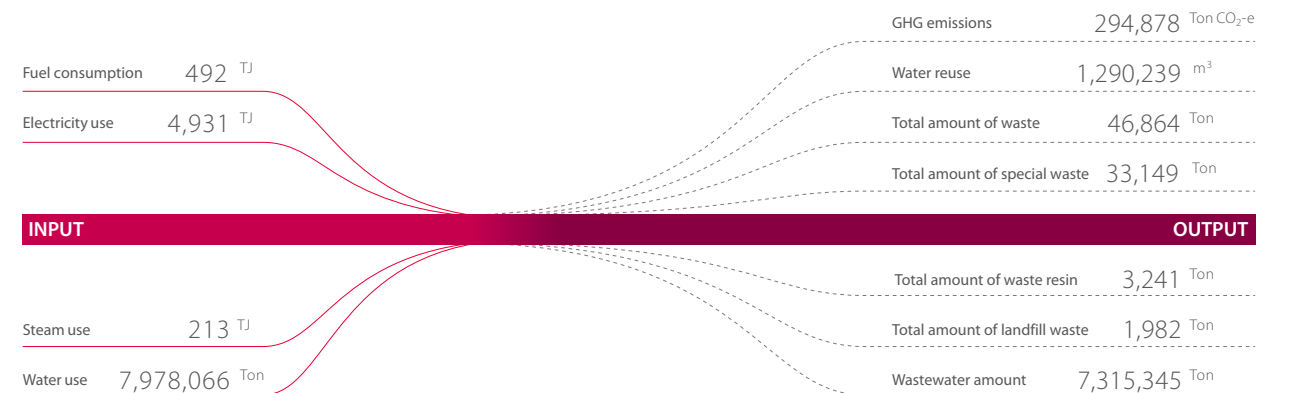
* Environmental expenses include outsourcing expenses and waste treatment expenses.
 * Environmental expenses increased due to the commencement of operations at the Paju factory in July 2010.

Environmental Investments Unit: KRW million

Category	2009	2010
Air quality	2,425.7	9,404.9
Water quality	2,147.6	8,700.5
Waste, miscellaneous	2,666.5	175.0
Total	7,239.7	18,280.4

* Environmental investments include facility investments and greenfield projects.
 * Environmental investments increased due to the commencement of operations at the Paju factory in July 2010.

Resource Input and Output Flowchart



Green Products

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In response to the government-backed Low-Carbon, Green Growth program and other international initiatives to protect the environment, LG Innotek is consistently investing in developing green products. As a result, we have added LED components, solar modules, two-wheel vehicle motors, and touch windows to our green product line-up.

Green Product Development Strategy

In proactive response to the government's Green Growth initiative, LG Innotek is developing green products and establishing green work sites. Our green product R&D initiative focuses on reducing carbon emissions by reducing or replacing fossil fuels with alternative energy sources. With the goal of playing a leading role in the future green product market, we are providing customized products that meet the highest customer demands. By selecting green products as a future growth engine, LG Innotek's long-term R&D investments are part of the company's business strategy. At the same time, we expect this green management strategy to enhance our corporate value, while we relentlessly push forward in contributing to the country's overall economic competitiveness.

LED: An Innovation in Light

LG Innotek's LED components are an eco-friendly light source that does not contain any hazardous substances. They also consume a low amount of power, emit less carbon than traditional lighting products, and have a much longer life. With the aim of making up more than 10 percent of LED market share by 2012, we completed work in 2010 on our Paju factory, a complete production line that can mass produce LED components, the world's future light source, unlike anywhere else.

Solar Cell Modules: A Readily Available Power Source

Solar cells modules can be classified into one of two types, crystalline silicon solar cells and thin-film solar cells. Due to their competitive manufacturing cost, thin-film solar cells are expected to dominate the future solar cell market. Moreover, CIGS (copper, indium, gallium, selenide) thin-film solar cell modules not only boast the highest annual power generation but their performance is never compromised, even in bad weather. Having anticipated the eco-friendly, economical strengths of CIGS modules, LG Innotek has already spent a tremendous amount of time and energy on its R&D efforts with this technology. As a result, we have secured the mass production capacity for high-efficiency, large-sized solar cell modules.

Battery Management Systems: A Continuously Transforming Power Module

The success of future electric vehicles lies in battery management systems and battery cells, and LG Innotek has developed a successful battery management system for electric vehicles. This power module monitors and manages the battery's status, maximizing the efficiency and safety of high-performance, large-sized batteries. The various applications of this power module range from hybrid cars and electric vehicles to renewable energy, energy storage systems (ESS) for smart grids, and mobile communication transmitters. As a lead-free green product, LG Innotek's battery management systems are already being used in a number of Korean and foreign electric vehicles, and have earned a positive reputation with customers.

Two-Wheel Electric Vehicle Motors: Better, Faster, Stronger

LG Innotek also manufactures eco-friendly motors for two-wheel electric vehicles such as electric motor scooters and electric bicycles, both of which are becoming more popular because of their reduced greenhouse gas (GHG) emissions. LG Innotek was the world's first company to integrate a dual clutch transmission to motors, allowing for gear changes to be made on hills and depending on road conditions. Furthermore, this technology brought about an innovative design that has realized chainless electric bicycles. In the future, we will continue to expand our customer base, both at home and overseas, for our two-wheel electric vehicle motors.

Roll Printing: An Innovative Touch Window Process

LG Innotek successfully developed a new roll printing technology for printed electronics. This led to a revolutionary change in the production process of touch windows for smartphones, smartbooks, and e-books. By reducing the conventional nine-step procedure by one step, this process has significantly improved productivity and reduced GHG emissions and wastewater. With a constantly growing tablet PC market, LG Innotek expects substantial growth in market demand for its roll printing manufactured touch windows.

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Energy-saving buildings



LED lighting

Electric cars



Electric bicycles



Green Products

Project	Features
LED	World's first six-inch wafers
Solar cell modules	World's highest annual power generation volume
Battery management system	Applied to foreign electric cars
Two-wheel electric vehicle motors	World's first dual clutch transmission for bicycles
Roll printing	Shortening the touch window manufacturing process by one step

Green Procurement

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LG Innotek is striving to remove environmentally hazardous substances in all its products, whether developed or manufactured, while abiding by international environmental restriction regulations as it continues to also analyze the environmental policies of client companies. 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 our entire workforce strives for green management, collaborating with business partners will further enhance the effectiveness of this goal.

Sustainable Environmental Management

A growing number of countries, including the EU, the U.S., Japan and China, are applying stricter environmental regulations not only on imported goods, but also on those produced within their borders to protect the environment, with a breach of these regulations possibly resulting in an expulsion from that market. At LG Innotek, we're making opportunities out of these risks in the market environment. By aggressively adopting sustainable environmental management, we are poised to take a bold step forward beyond current environmental regulations.

Green Procurement Programs

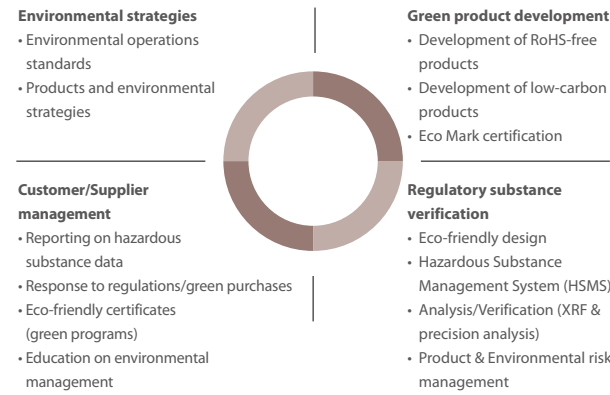
- Restricted substances:** In addition to substances prohibited for use by law – six substances regulated by RoHS, two halogen-free substances, and 46 substances prohibited by REACH SVHC – some are required to be monitored or reduced upon the request of customer companies, including polychlorinated biphenyls

(PCBs) and 20 other substances that client companies do not want included in final products.

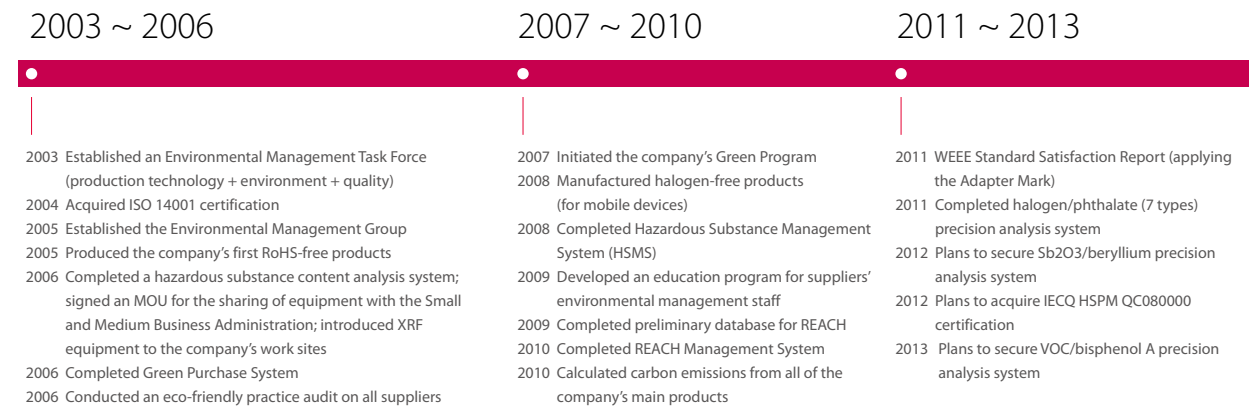
* REACH: Registration, Evaluation, Authorization & Restriction of Chemicals
* SVHC: Substances of Very High Concern

- MOU Conclusion on Hazardous Substance Analysis and Support to Business Partners:** LG Innotek signed an agreement with the Gwangju and Jeonnam branches of the SMBA to provide support to our SME partners with our analysis and verification capabilities.
- Hazardous Substance Management System (HSMS):** LG Innotek verifies all hazardous substance data through its IT system and, while also being linked to our internal management system, executes an analysis of hazardous substance information on all of the company's products.

Sustainable environmental management

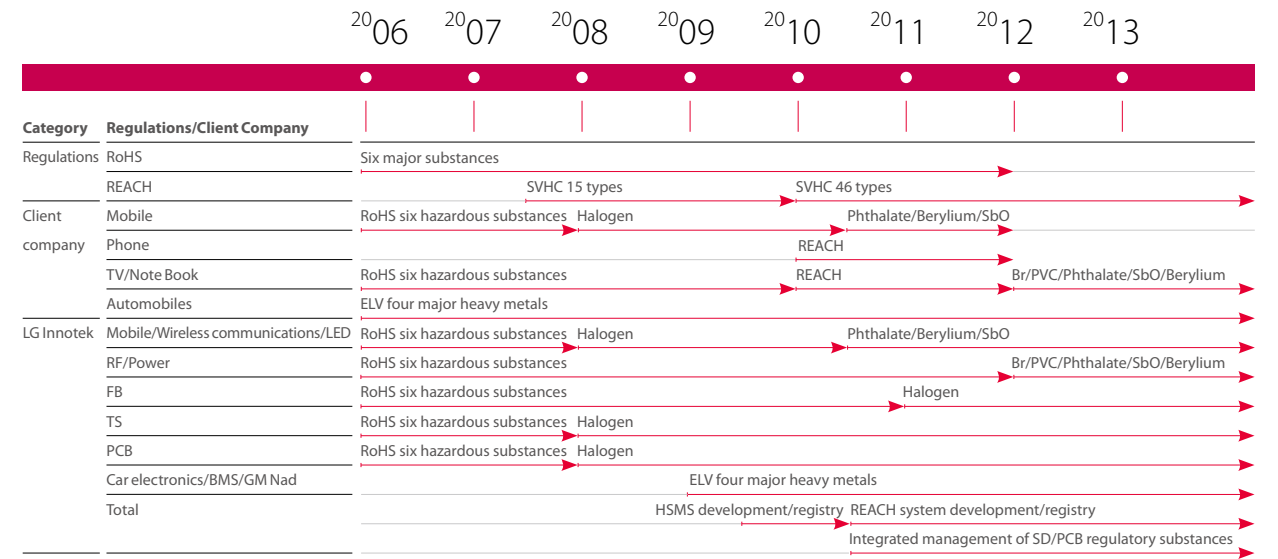


Environmental Strategies



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Regulatory Substance Management



* REACH substances: SVHC: 46 types Permitted: 6 types Restricted: 59 types
* TCP (TS): halogen-free by 2012 (TS)

- Hazardous Substance Testing System:** LG Innotek only supplies environmentally friendly products to its customers after evaluating and reducing hazardous substances from all of its products, beginning at the component procurement stage.

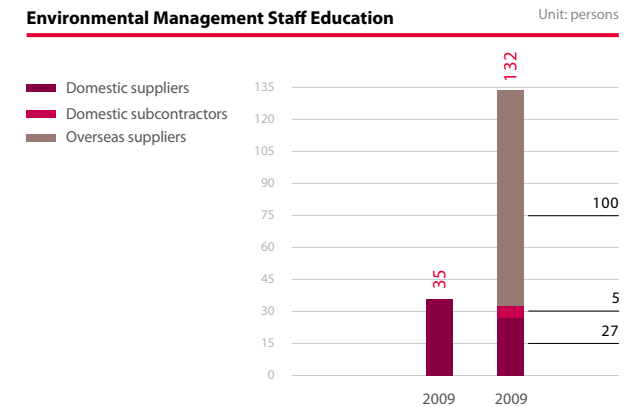
- Green Program:** LG Innotek's Green Program evaluates whether environmentally friendly management systems with suppliers satisfy all environmental restriction laws as well as LG Innotek's requirements when granting certification to qualified partners. This reinforces the eco-friendly competitiveness of supply products by ensuring all cooperative business partners are green vendors.

- Education for suppliers' environmental management employees:** Since 2009, LG Innotek has provided education to working-level suppliers' employees involved in environmental management. From 2010, we expanded the scope of trainees to supplier subcontractors and completed a comprehensive green supply chain.

Green Program

Category	2007	2008	2009	2010	Total
Domestic	72	29	10	62	173
Overseas					
Yantai	38	19	2	5	64
Huizhou	20	12	-	3	35
Indonesia	12	2	2	1	17
Subtotal	70	33	4	9	116
Total	142	62	14	71	289

Environmental Management Staff Education



EESH Management

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LG Innotek has completed a company-wide environment safety and health (ESH) management system at all of its domestic work sites that adheres to all relevant international standards and major certifications, such as the ISO 14001 and OHSAS 18001. Under an environment & safety vision of completing an energy, environment, safety and health (EESH) management system that meets the highest international standards in the electronic components industry, we have engaged in a wide range of innovation activities at all our work sites. Today, we continue our work in building an optimal system for the sharing of information and a support network among work sites, as we are well aware that EESH management constitutes an integral part of sustainability management.

2010 EESH Key Strategies

In line with the LG Group's LG Green 2020 strategy, LG Innotek instituted EESH Management Guidelines to facilitate EESH activities at all our work sites in 2010. This has integrated what used to be different EESH standards at our work sites into one cohesive and shared set of standards for the entire company. We have also integrated our environment, safety and health verification system, further enhancing work efficiency and synergy effects.

Global EESH Conference

From November 24-26, 2010, LG Innotek hosted its first Global EESH Conference for 60 of our environment & safety officers at both domestic and overseas operations. At the conference, participants shared best practices dealing with environmental protection, energy conservation, and safety & health activities. By providing a venue for our environment & safety officers to gather and discuss relevant issues, the event marked a watershed in LG Innotek's efforts to realize a globally recognized environment & safety management system, while also staying true to the company's environment & safety vision.

Global EESH Verification System

In 2010, we ran an internal diagnosis of company-wide EESH practices and learned that we required a verification checklist that better reflected the highest international standards. Accordingly, we plan to develop a new verification checklist by 2012, defining the criteria for EESH assessment, securing a pool of environmental and safety experts, and fostering multi-talented people in the environment and safety fields.

ISO 14001 · OHSAS18001 Certificates

LG Innotek is now working on acquiring environmental management system (ISO 14001) and health and safety

management (OHSAS 18001) certificates at domestic and overseas operations to more effectively implement EESH strategies company-wide. In proactive response to stricter global environmental regulations, we are continuously striving to establish a leading sustainability management system.

Work Site Certifications

Region	No. of Work Sites	No. of ISO 14001 Certified Work Sites	No. of OHSAS 18001 Certified Work Sites
Domestic	6	4	4
Overseas	5	5	4
Total	11	9	8

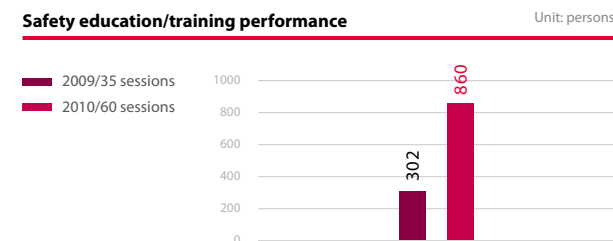
* The figures above do not include the company's headquarters and R&D Center.
* Detailed information on these certifications is available on page 82 of this report.

Work Site Activities

Energy: LG Innotek continually engages in various voluntary energy conservation and waste recycling activities along with other activities meant to cut losses at each work site. These efforts have seen a number of tangible results, as we were able to reduce energy use by KRW 8.9 billion and carbon emissions by 61,903 tons in 2010. LG Innotek's Gumi and Cheongju factories received Green Company certification from the Ministry of Environment, while our Gwangju factory is presently at work on receiving the same certification.

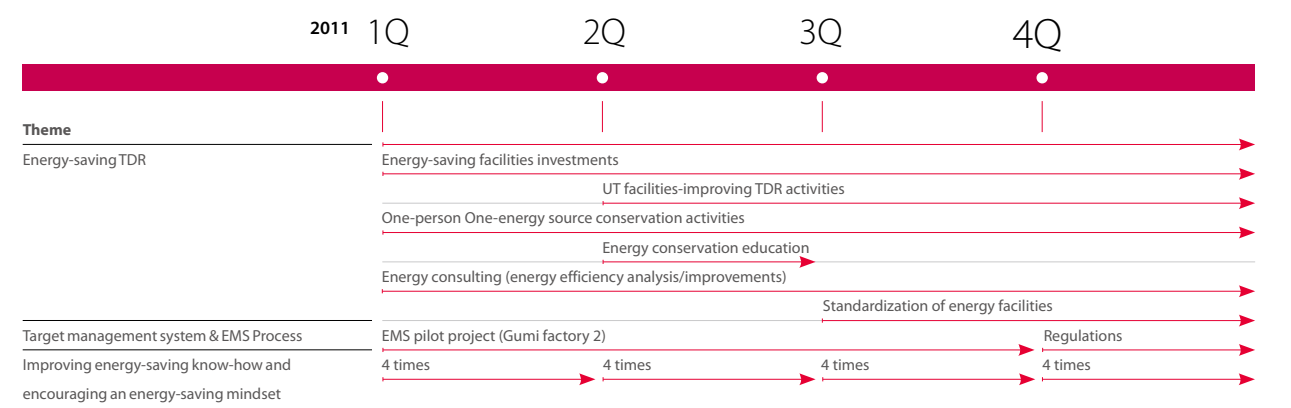
Environment: LG Innotek is working to minimize the pollutants discharged from its factories through process innovation while also making use of waste treatment factories and recycling facilities. Applying the highest standards to every major environmental issue, we strive to reduce waste at each of our work sites as we continue to encourage resource recycling. We even pay regular visits to our waste treatment outsourcers to ensure they are maintaining top environmental management practices. At the same time, we have established "waste usefully" practices throughout our work sites, which is part of the reason we had no environmental regulation violations or hazardous substance leakages in 2010.

Safety education/training performance



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Energy Conservation Roadmap



* EMS: Energy Management System

Safety: At each of its factories, LG Innotek maintains Environment & Safety Planning groups which oversee safety, health, and environmental issues, including the prevention of unexpected industrial accidents. They also promote working conditions that meet the highest standards as well as top safety and health conditions. On August 27, 2005 our Gumi factory received certification from the Korea Occupational Safety & Health Agency (KOSHA) for recording 10 times the number of accident-free base hours, and achieved 15 times the number of accident-free base hours in 2010.

Health: LG Innotek is committed to protecting the health of its employees. As such, we provide regular health check-ups, health management programs, and teach first-aid procedures to employees. At our factories, we run a musculoskeletal disease prevention program to protect employees from related diseases and stress from excessive work. By investing just a single hour to receive a physical, employees can receive information on their overall health condition. Furthermore, the Maum Nuri Psychological Consulting Center is part of the Employee Assistance Program (EAP), helping employees with stress management and ultimately improving their productivity.

* EAP: Through consulting, counseling, coaching, and other psychological support, the Employee Assistance Program assists employees in overcoming personal issues at work, such as job satisfaction and other issues that can have an adverse impact on productivity.

Fire Prevention: We run regular fire drills at all our work sites in collaboration with local fire stations to maintain heightened employee responsiveness to a possible fire. The simulation program facilitates quick and effective detection of fire risks at our work sites and ensures carefully planned preventive measures. We also conduct regular evacuation drills at our R&D Center, which has the potential to be vulnerable to fire, in an effort to increase our responsiveness to emergencies.



Safety education (CPR)



Regular company-wide environmental & safety check-ups



Fire drills

3

Employees

How are we creating a better tomorrow

Developing core abilities

聽情問* Communication

"Now is the time to move from a tellers' point of view to a listeners' point of view. We need to start thinking of what to say to help listeners"

From an address by LG Innotek's CEO, Hur Young Ho, at the 2010 Winners Day ceremony

* 聽(Listening), 情(Acknowledging), 問(Questioning)



Open communication and an interactive corporate culture help employees upgrade their competencies.

LG Innotek runs effective human resource management and development programs to help its employees become better leaders. By creating a leading workplace that promotes autonomy and creativity through trust-based labor-management cooperation, LG Innotek employees have become the company's most valuable asset.

2010 Major Achievements

- Sharing management information through open communication
- Human resources management system that ensures equal opportunity
- Launch of an integrated labor union

Communicating with Employees

At LG Innotek, open-minded employees communicate with each other under the shared vision of becoming "The First Partner." The company has developed a communication initiative whereby we listen, acknowledge, and question as an underlying principle to our 聽情問 communication goal, one in which we work tirelessly to make a part of our corporate culture. At various meetings where we pursue this goal for 聽情問 communication, employees are encouraged not only to ask questions but to put themselves in the shoes of the decision makers, providing solutions to given issues. We believe this mechanism helps instill a sense of ownership in employees.

聽情問 Communication

LG Innotek's unique communication policy encourages employees to be open and honest all the time. The company also runs a number of different programs that encourages leaders to set an example for employees under them.

- **Improvement:** Our 聽情問 Communication policy was further improved in 2010 when we focused on promoting true communication among employees. Although the campaign, which emphasizes a listeners' point of view, has only been in place for one year, it has firmly established itself within the organization, as organizational communication has already significantly improved. Consequently, free speech is encouraged throughout the company and questions are not only encouraged but respected. This has enhanced productivity and reinforced the company's global competencies.

Open Communication

LG Innotek promotes full-fledged communication based on its 聽情問 Communication protocol, which provides employees with opportunities for self-reflection and reminds them of the necessity for innovation. We operate a wide range of programs to help leaders improve communication skills, while diagnosing and providing feedback on individual Open and Honest Communication practices.

Coaching Leadership

LG Innotek's Coaching Leadership program is a continuous partnership that supports individuals in realizing their full potential and furthering the development of the company. It is also a supportive program to self-mentor. The program is efficiently operated in connection with the 聽情問 Communication program. Based on the notion that everyone has infinite potential, the 聽情問 Communication program aims to maximize individual creativity

and autonomy and to help individuals find solutions by themselves through interactive communication – by listening, acknowledging and questioning – and mutual trust. Unlike teaching leadership, which creates uniformity of thought and behavior, coaching leadership is about interacting and encouraging creative thinking in the search for solutions. In short, Coaching Leadership is LG Innotek's unique communication medium, motivating 聽情問 communication, building focus and trust among employees, and encouraging the self-development of individuals.

Self-Mentoring

Self-mentoring refers to the self-management of one's own life and work, helping employees motivate themselves through relentless commitment, self-encouragement, and praise. Initiated in 2008, the program encourages employees to set the highest goals possible and to then devote themselves to attaining those goals.



Special lecture: Let's Smile (Open Communication)

Human Resources Development

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LG Innotek supports its employees as they build global competencies with systematic human resources development programs. Consisting of position-based courses, job-based (compulsory/option) courses, and self-development courses, the training system offers different courses depending on each employee's job and responsibilities.

Courses Suited to Specific Positions

Upon joining the company, new employees receive training that includes general background knowledge of management and special management issues. These courses are classified into compulsory, core personnel, management philosophy, and mandatory (sexual harassment prevention). The position-compulsory courses are suited to each specific person's job, helping employees learn the required competencies for their specific tasks and responsibilities. Core personnel (future leaders and high performers) are required to take more customized programs, including an MBA, English classes (two to three months of off-the-job courses and academic-industrial alliance courses), and leadership programs in an effort to cultivate their competencies as future leaders. Mandatory courses include basic courses, such as sexual harassment prevention, with core management issues having been added in 2003 to promote the company's corporate vision and values.

Job-Based (Compulsory/Optional) Courses

These courses are broken down into two categories: compulsory and optional. Compulsory courses provide training on the basic knowledge required to fulfill a given job, while optional courses are for skilled employees who want to enhance their competencies. LG Innotek mandates all its employees to complete at least one course

per year according to their individual or organizational needs. In addition, the company's Care Coaching Interview is a mechanism in which executives support and advise team leaders to develop and implement job training plans.

Self-Development Courses

We provide in-house language courses (English, Chinese, Japanese) as well as a number of Internet-based courses and school-based ones to assist employees in acquiring improved capabilities, languages, and IT skills. For those set to retire and executives on the brink of retiring, we provide personal "change management" programs to assist them in their transition to retirement through our Executive Outplacement program. The program provides seminars, consultation, and a great deal of information relevant to retirement, such as starting a business and finding employment elsewhere. Based on a clear understanding of the individual needs of retired executives, customized consulting is provided, with support given in career planning and developing action plans.

Performance-Oriented CoP Program

While upgrading our existing Community of Practice (CoP) programs, we also separately run strategic CoPs that focus on solutions to issues related to work strategies of the company, divisions or teams, reinforcing individual and organizational core competencies and generating synergies among teams.

Cyber Consulting Programs

We provide an online Q&A board through our intranet that is categorized by job position. This is a forum for employees to ask questions and seek professional advice regarding their job performance, provide feedback, and consult with experts, and has helped improve the quality of consulting services we offer as well as work efficiency.

Talent Management Strategy



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KMS (Knowledge Management System)

⁰¹ **K-map:** LG Innotek's K-map offers management information, organizational change management data, a business trip report database, and VOD streaming services. The VOD streaming services are stored in a separate server to prevent traffic issues arising from large file sizes.

⁰² **CoP:** While promoting existing CoP activities, the company offers online space dedicated to promoting further CoP activities. Leaders of each CoP can design and construct their own pages and manage their membership holders.

⁰³ **Standards:** Classified into the job-standard and work-standard programs, this allows employees to revise and control standard guidelines to their jobs.

⁰⁴ **Open Innovation:** This website is for exchanging opinions among the LG Group's R&D institutes. Participants can discuss and advise each other on ideas and technological issues, strengthening cooperation among the Group's R&D institutes and enhancing the Group's R&D performance. A separate Q&A board is also provided for seeking solutions to technical issues arising in the course of R&D activities, suggestions related to new R&D projects, and joint R&D projects among affiliates.

In-House Coaching Program

As part of the performance/goal-oriented human resources management plan, we operate an in-house coaching program, where in-house coaches and employees can interact with one another to enhance organizational performance and individual competencies. Selected from a pool of coaches, including the CEO, executives and team leaders, these in-house coaches provide one-on-one or group coaching to mentees, who are core personnel, newly appointed team leaders, and new employees. Internal coaches receive separate training and other coaching certificates to acquire the basic skills as coaches.

IE Expert Training

We give semiannual industrial engineering (IE) training courses to processing, producing, and manufacturing engineers at our Paju, Osan, Gwangju, and Gumi factories. The three-tier courses consist of lectures, projects, and evaluations/certification. Under the program, each engineer needs to perform a theme-based project that is applicable to their actual job. The five-day lectures are given by IE lecturers who specialize in production technology. Within three months of the lectures, each trainee is required to select a theme for their project and apply what they have learned to their job. Afterwards, participants receive an evaluation on their performance and get an IE specialist certificate. The program's top performers are invited back as lecturers the following year.

Employee Training

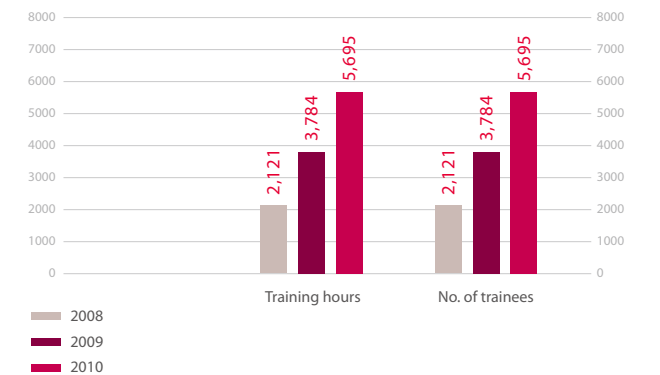
Unit: hours

Category	Post	2008	2009	2010
Per capita training hours by post	Executives	35	17	45
	Managers	105	24	85
	Employees	131	96	116
	Factory workers	7	7	56
Total training hours*	Total training hours	258,474	194,709	327,251
	Annual average training hours	65	34	53
Internal courses	No. of courses	209	144	274

* Figures calculated based on the total workforce.

Human Rights Training (sexual harassment prevention)

Unit: hours/person



Fair Compensation & Labor-Management Communication

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LG Innotek is committed to the improvement of working conditions so that employees can concentrate on realizing the corporate vision of being “The First Partner.” In addition to ensuring fair evaluation and compensation, we strive to achieve a sound corporate culture that does not discriminate and one which offers leading welfare benefits.

Fair Evaluation and Compensation

Fair compensation based on one’s performance is a prerequisite to the sustainable growth of an organization. Under a principle that honors the fair evaluation of employee work performance, with compensation given in proportion to one’s personal and team contribution, LG Innotek fairly evaluates and offers appropriate compensation following a three-tier process which includes setting targets, checking & coaching, and a performance review.

* As of 2010, starting pay for new workers at LG Innotek was 178 percent higher than the legal minimum wage, ensuring merit-based fair compensation that does not discriminate based on one’s gender.

* All regular evaluations follow a fair evaluation process, with promotions and compensation being made in a fair and appropriate manner.

Corporate Pension Program

To ensure the stable operation of corporate pension funds, LG Innotek has commissioned the operation of its corporate pension funds to four leading financial institutions. In 2010, we adopted a corporate pension program to guarantee retirees have a sound retirement. Retirees can choose to receive a lump-sum payment at retirement or a monthly stipend. Before the program was introduced, the company offered information sessions that provided more details to employees so that they could fully understand the program before it took effect in 2011.

Prohibition of Discrimination

Under a management philosophy that stresses respect for human dignity and abides by ILO Convention No. 111 (Discrimination in Employment and Occupation), LG Innotek respects each and every individual employee and does not tolerate any form of discrimination. Every employee is protected against discrimination based on one’s gender, religious beliefs, race or age, with full respect being shown in one’s employment, promotion, compensation, training, and retirement. As a result, LG Innotek employees are provided with fair opportunities at every step of their professional advancement.

Prohibition of Underage Labor & Forced Labor

At every LG Innotek work site, we prohibit the employment of anyone under 15 years of age, while minors under 18 years of age are only hired in certain limited cases. In addition, all employees are protected from forced labor or performing any action against their will.

Welfare Benefits

LG Innotek offers a wide range of welfare benefits to its employees. In the future, we will continue to listen to and respect employee opinions to further improve welfare benefits and enhance employee satisfaction.

Compensation Scheme

Classification	Description
Fixed	Basic salary: annual pay (12 monthly payments + 8 incentive payments = 20 payments per year)
Variable	Profit sharing: paid in accordance with business results Incentives: compensation made on a project basis for individual performances Merit-based: paid according to individual contribution to the company’s performance

Welfare Benefits

Classification	Description
Work-Life balance	• Five-day work week • “Refresh” vacation • Condominium sharing • Long-term service rewards • Flexible working hours
A healthy, happy life	• Cafeteria • Medical subsidies • Club activity subsidies • Health check-up subsidies • Casual dress code
Financial management	• Housing loan support • Education subsidies • Personal subsidies

Labor-Management Communication

LG Innotek runs various communication channels to hear what its employees and labor union are saying as they negotiate to reach collective agreements. Meetings between and among employees of different posts allow interactive communication between employees throughout the organization on changes to management. In fact, our CEO has taken the lead in these quarterly meetings to listen to the opinions of employees on management issues. In addition, the company operates a Digital Board to represent officer workers and various other channels between top management and lower-level employees at each factory to facilitate bottom-up communication.

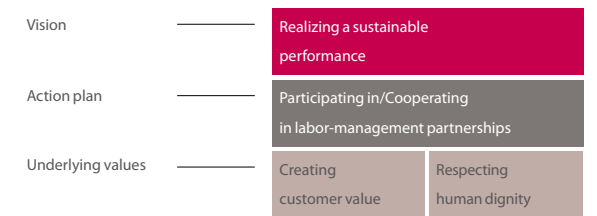
Union Membership

Unit: persons

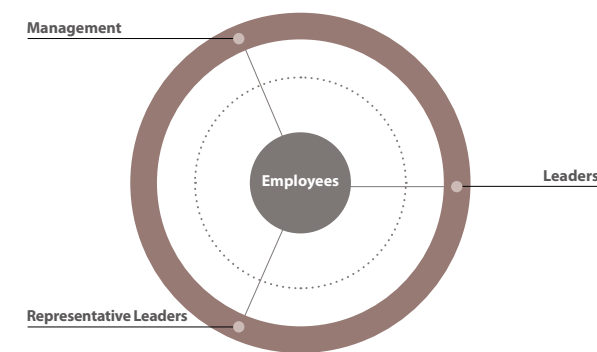
	2008	2009	2010
No. of employees eligible for membership	2,000	6,500	8,000
No. of employees holding membership	1,000	3,300	4,100
Membership ratio	50%	52%	52%

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LG Cooperative Industrial Relationship Model



LG Labor-Management Relations Mechanism




Vision	Productive industrial relations (realizing shared virtues)
Organization	• Trust-based relationship with representative bodies of employees • Instituting systems based on agreements with representative bodies of employees • Labor union, DB (Office Workers' Council)
People	• Industrial relations management focusing on one-on-one trust-based relationships with individual employees • Standard programs in place within the company • Open communication, leadership, self-mentoring, 聽情問 Communication

Productive Industrial Relations

LG Innotek pursues productive industrial relations based on mutual trust and respect, promoting mutually beneficial growth for both labor and management. The company upholds employees’ right to freedom of association and guarantees the organization of a labor union and representative employee bodies, as we uphold every employee’s right to join our labor union of their own free will. Collective agreements and wage negotiations take place on an annual basis. Still, LG Innotek’s cooperative labor-management relationship has enabled the company to be free of any labor dispute for two decades, since 1991. The Labor Management Council serves as an effective channel for productive communication between labor and management to enhance corporate competitiveness and to improve the quality of life for employees. The council convenes meetings on a quarterly basis to discuss major management issues, while labor and management cooperate in numerous other social contribution programs.

Interview

We will continue to...



At LG Innotek, we place the highest value on our employees. This belief is the motivation to self-realization and value creation, resulting in greater performance throughout the company. The CoP program creates a sense of community among employees who share the same interests and motivations, which ultimately encourages their self-development. Committed to a healthy work-life balance for employees, we offer flexible working hours and a casual dress code along with leisure expense subsidies.

Human Resources Team/Vice President_ Yeo Sang Sam

4

Customers

How are we creating a better tomorrow

Delivering the very best

CVC (Customer Value Creation):

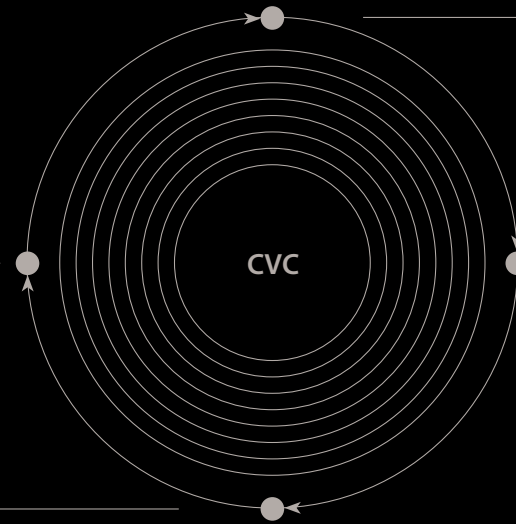
LG Innotek's unique customer value creation policy that is based on a custom-built marketing & customer-proposed R&D system.

Delivering Value to Customers

Improving the effect of value delivery through customized promotions

Customer Value Expansion

Sharing success stories through regular monitoring of delivered customer value



Defining Customers

Strategically targeting the world's leading clients based on a scientific analysis of customers and market trends

Customer Value Identification/Creation

Developing value (products and services) that caters to the needs of customers

Providing the Highest Value through Differentiated and Consistent CVC Activities.

Customers are the ultimate goal – as well as the starting point – of our business management. LG Innotek ensures all its management systems cater to the highest customer value creation. Customer-oriented product R&D and quality innovation help improve the quality of life for our customers and reflect customer opinions in management through interactive communication. In short, the best service that we can offer to our customers is one which gives them exactly what they want.

2010 Major Achievements

- Customer satisfaction survey
- Custom-built marketing
- Customer quality management system

Customer Value Creation

Companies create differentiated value for customers. At LG Innotek, we place customer value creation at the top of our priority list with all our management activities, engaging in CVC activities to consistently provide products and services that create customer value. In 2010, we provided training programs to marketers at customer contact points to help them enhance customer communication competencies and ran customer-proposed R&D meetings to realize greater customer value.

CVC (Customer Value Creation) Team

LG Innotek has been engaged in a Customer Value Creation (CVC) campaign since 2007 to establish successful customer-oriented management practices. The CVC campaign is LG Innotek's unique customer value creation policy based on custom-built marketing & customer-proposed R&D. Comprised of workers in the departments of sales/marketing, R&D, and quality control, the CVC Team implements R&D activities and quality and supply chain management to provide strategic clients with customized products and services beyond their needs in two ways: with customized marketing drives that cater to the needs of individual customers and R&D activities which offer new, cutting-edge technologies and products. These activities have allowed LG Innotek to form partnerships with a broader range of world-class customers.

CVC Day

LG Innotek created a CVC Day to promote its M-Logic-based CVC best practices. M-Logic refers to the marketing methodology that has been customized to the special needs of LG Innotek's businesses. Up until 2009, CVC Day was a company-wide council that reinforced top management's commitment to CVC activities. In 2010, however, the program became a venue for CVC team members to discuss and share best practices. Beginning in 2011, we started promoting the CVC Day program within every team at the company and at every office. At present, the program is focused on transferring CVC know-how from upper-level employees to lower-level ones at the Components Global Marketing teams and Materials Global Marketing teams, as well as training employees on how to use CVC tools.

Marketing Core Course: Marketing Competency-Building Program

The Marketing Core course encompasses everything from marketing strategy-building to risk management. The purpose of the course is to increase the basic requirements for marketers at customer contact points, including strategic thinking, insight, and marketing know-how, all in an effort to provide the background knowledge necessary for effective CVC marketers. With the aim

of developing five core competencies within leading global marketers, as defined by marketing team leaders, the course is a three-day program with a marketing strategy in mind that includes M-Logic Plus and S-Logic. This course serves to help marketers acquire the basic knowledge and risk management capabilities required for their marketing activities, enabling them to engage in effective CVC activities in accordance with various business and customer needs.



Marketing competency-building course



R&D proposal meeting

Customized Proposal R&D Council

The Customized Proposal R&D Council is LG Innotek’s unique attempt to mobilize our technology-based carrier development in core technologies and to ensure the highest technology. LG Innotek’s Chief Technology Officer (CTO) was flanked by the Director of Marketing and the Director of the Components & Materials R&D Center as he sought opinions and suggestions from researchers and experts to develop the world’s first and best (F&B) products that will provide differentiated customer value. Participants deliberated and evaluated the proposed products in terms of technological feasibility and customer value and provided feedback for their successful commercialization. With the attendance of the CTO and Overseas Marketing Director at the meeting, the council can review the feasibility of these new ideas in terms of marketing and technology, which are then carried out in connection with other CVC activities. For effective operation of the council, the New Product Planning Group, which serves under the R&D Planning Team, develops new F&B products every year for successful commercialization. Newly developed F&B products are presented at major promotions, exhibitions, and road shows to customers, offering them differentiated customer value.

Customer Satisfaction Survey

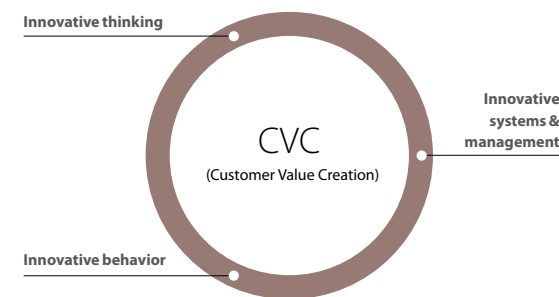
LG Innotek makes every effort to more effectively and systematically implement CVC activities. Since 2007, we have conducted annual customer satisfaction surveys, both at home and overseas, in order to monitor and improve our CVC activities. The survey is carried out with customers around the world to better understand their specific needs, with the results from the survey being shared with LG Innotek’s CEO and top management. The results are also disclosed to employees working in R&D, quality management, and sales at workshops to improve shortcomings through interdepartmental collaboration. In acknowledgment of the importance of customer trust to the sustainable growth of the company, we will continue to solidify our customer-oriented management practices.

Custom-Built Marketing

In order to grow out of our past LG subsidiary-based client base and expand our client base on our way to becoming a leading international company that is dedicated to sustainable growth as a global electronic components provider, we are engaged in a company-wide campaign to change the mindset of employees, increase customer value creation activities, and diversify our customer base.

- ⁰¹ Innovative Thinking: LG Innotek has segmented its client groups and carefully analyzed each one in order to identify their specific needs and requirements. Departing from conventional practices in the components industry – where price, quality, and deadlines are the norm – we have created the LG Innotek Customer Value Creation (CVC) Structure to comprehensively tailor our products to the individual needs of each customer group.
- ⁰² Innovative Behavior: Based on the success of this CVC Structure, LG Innotek has established its own Value Creation Pattern, applying a new B2B marketing strategy and CVC initiatives across the board along the way. Teaming up with groups that have direct customer contact and back-office support, we have diversified customer communication channels and initiated custom-built marketing and customer-proposed R&D, building strong partnerships with the world’s leading companies.
- ⁰³ Innovative Systems & Management: LG Innotek operates its CVC Academy to foster CVC facilitators and train them to develop and implement new plans that can increase customer value.

CVC Innovation Strategies



Quality Management

It takes the best technology to achieve the highest quality products and services, and is also the key factor to our optimal level of customer value creation. Everyone at LG Innotek makes every effort to ensure the highest quality products and services under the shared value that “Quality is essential to a successful business.”

Quality Management System

LG Innotek has obtained the international quality management system certifications ISO 9000 and ISO/TS 16949 for our customer-oriented quality management system at each of our work sites. Furthermore, we apply strict internal quality standards to our work processes and systems, ensuring employees company-wide work hard for quality improvement. Also, auditors at each of our work sites, both at home and abroad, conduct independent internal audits to detect and correct nonconformities in our quality control systems. At LG Innotek’s headquarters, we apply a global quality audit (GQA) program for inspections on each quality control process and system for all of our products, which induces a spirit of fair competition among departments and work sites and ultimately enhances our quality control capability for mutual benchmarking. This also helps improve company-wide quality management practices as a whole. In addition, we run customer focus meetings (CFM) for each specific product on a weekly basis to monitor and instantly address customer complaints that follow an established process.

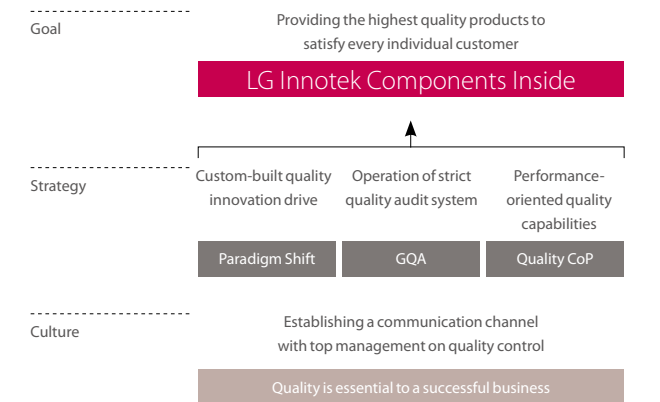
Supporting Business Partners’ Quality Management

For the quality assurance of a product, LG Innotek has heightened its evaluation of the quality of components supplied by its business partners. At the same time we offer our business partners support in their own component product quality control efforts. LG Innotek’s IQA Team regularly conducts quality audits on component suppliers, with results being published in JQE (Joint Quality Engineer) reports. Each component supplier is given a grade based on monthly assessment results of the process quality, shipping quality, 4M, and component reliability of each part they supply to us. The IQA Team has set its key performance indicator at securing top suppliers and strives to constantly find new suppliers that exhibit excellent quality control capacities, after which it develops sustainable relationships with them. Moreover, ISO 9000 and ISO/TS 16949 certification holders are subject to annual post-audits and renewal audits every third year, and are encouraged to maintain and improve their quality management systems to meet the given criteria.

Quality Management System Reorganization

In 2010, the Quality Management Department came under the direct control of the CEO, further proof of our ceaseless dedication to quality management. In 2011, the company announced that “quality management is more than a cost-saving initiative; it is a prerequisite for differentiated customer value,” reiterating our determination to raise employee awareness concerning quality management.

Quality Management Vision and Strategy

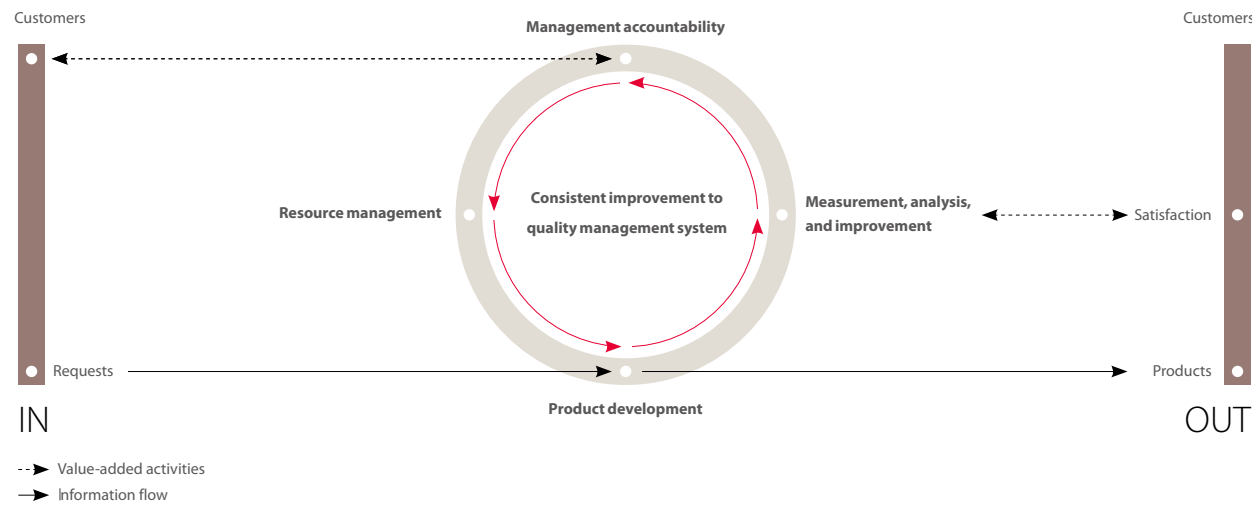


Company-wide global quality leader melt-in



CEO’s engagement in quality management practices

Process-Based Quality Management System Model



Expediting Quality Management Activities

LG Innotek has established a No.1 Quality Day and offers rewards to motivate quality management practices throughout our supply chain network. We also host well-established quality exchange programs with suppliers and client companies. An auditor pool was launched in 2009 to foster in-house experts who can control and supervise quality management. When we engage in a new business, we conduct weekly DR/FMEA (design review/failure mode and effects analysis) Days to ensure the best possible quality from the outset. Since 2011, we have worked hard to internalize quality management practices as part of our corporate culture

under the slogan that "Quality is essential to a successful business." As we help our 360 quality auditors develop greater competencies, we also team up with veterans of MBB-CQE-CRE-MBA (Master Black Auditor) in pursuit of qualitative growth in terms of our quality management practices. Under a shared notion that competent work sites contribute to high quality, we promote Six Sigma as a quality innovation tool for our factory foremen and leaders. These activities will further enhance quality management practices across the company, allowing us to realize our vision of providing the highest quality products to satisfy every individual customer.

We will continue to...



Sustainability management practices are a prerequisite to becoming a leading global company. Under our mission of creating value for customers, LG Innotek strives to provide the best possible customer value at all of its customer contact points and to become the leading global electronic components provider of choice to its customers. To that end, we engage in CVC activities and customer-proposed R&D in an effort to lead client companies with our advanced core technologies. In the future, LG Innotek will further enhance the quality of life for our customers through customer-oriented product development and quality innovation, while actively reflecting customer opinions in our management activities through interactive communication with them.

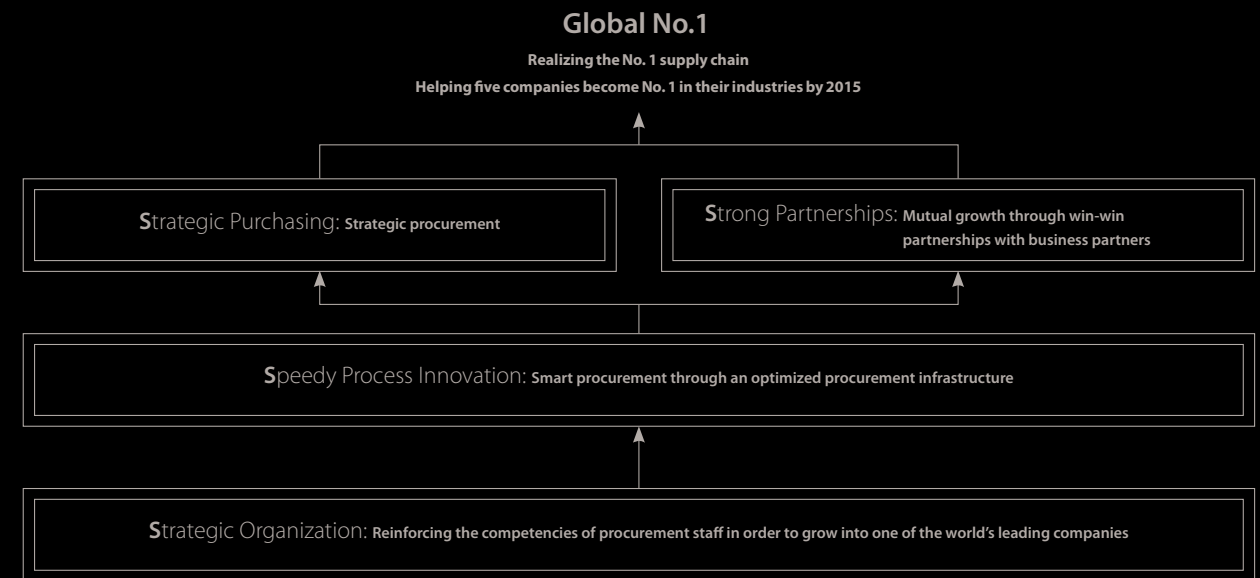
Overseas Marketing/Senior Vice President_Lee Chan Bok

5

Business partners

How are we creating a better tomorrow

Building eternal partnerships



Commitment and a Strategic Approach Build Long-Term Win-Win Partnerships with Business Partners.

Business partners are our closest partner for sustainable growth. LG Innotek collaborates with its business partners to ensure mutually beneficial win-win partnerships as we help secure a brighter future for everyone. To that effect, we are increasing our sustainable management efforts through fair and transparent transactions.

2010 Major Achievements

- Mutual growth as success partners
- Interactive communication with business partners
- Supply chain customized to components & materials business

Win-Win Partnerships

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LG Innotek has operated a productivity management system certification program since 2006 for mutual growth with its business partners, supporting them with technology training that includes Six Sigma, business consulting for quality innovation, troubleshooting, and innovation tools. In addition, we assist business partners with eco-friendly management practices. The underlying principle of this mutual growth initiative is Jeong-Do management, which also contributes to creating synergies among business sectors and to co-prosperity with business partners.

Global Procurement Organization & Procurement Totals

LG Innotek has developed global procurement strategies and policies to ensure we have access to buying the highest quality components, which guarantees we can continue to make high-quality components at more competitive prices. For the effective implementation of these policies, we have recently reorganized the company's purchase teams. At the moment, a total of 241 procurement staff work at major procurement sites in Korea, China, Poland, and Indonesia.

Global Procurement Staff and Procurement Totals

Region	No. of procurement staff (persons)	Total amount of procurements (KRW million)
Korea	205	2,110,984
Yantai, China	11	131,574
Huizhou, China	4	118,185
Indonesia	18	80,352
Poland	3	113

Partnerships with Business Partners

LG Innotek selects new business partners following fair and transparent procedures, with selected partners required to implement five goals: technological innovation, core competency-building, management innovation, quality innovation, and

productivity innovation. At the same time, LG Innotek provides R&D support, financial aid, business consulting, educational support, and open communication. We even run a separate grievance handling program for business partners. By conducting periodic surveys on our win-win collaboration practices and suppliers' level of satisfaction, we can better understand their needs and concerns, and fairly address each issue. To guarantee timely and accurate communication with business partners, LG Innotek established a dedicated group under the Procuring Team whose express purpose is to ensure mutual growth and to operate the company's e-procurement website.

LG Innotek Code of Conduct for Procurement Staff

As a member of LG Innotek, which strives to become a leading global components & materials provider, we duly abide by all laws and act in a morally upright manner, while fulfilling our corporate social responsibility as follows:

- We take pride as LG employees and are committed to maintaining the highest ethical mindset as we work towards increasing our competencies and self-development.
- We offer equal opportunities to all qualified companies seeking to become one of our business partners, with all transactions being made based on mutual agreement following rational, objective procedures and terms.
- Business partners are our partners to success. Consequently, we share any information related to transactions in a timely manner as we ensure mutually equitable and fair transactions.
- We communicate with business partners in an open-minded way to maintain sustainable long-term partnerships with them. We are committed to providing support in their innovation drives with technical assistance and business consulting, and proudly share the results of their accomplishments with other partners.
- We follow the behavioral guidelines as set forth in the LG Code of Ethics and do not consciously break any laws or socially accepted norms.

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Mutual Growth Policy



Core Competencies	Reinforcing Partnerships	Tangible Results
Strategic efficiency-enhancement/differentiation	Extending partnerships to subcontractors	CoP 3030
Reinforcing supplier-oriented activities	Technological protection & patent support	Business Doctor program
Strengthening educational support	First year of low-carbon purchase practices	Purchase guaranteed projects

R&D Support

Along with suppliers, LG Innotek is an active participant in the government-led Technology R&D Projects with Purchase guaranteed program. This government initiative has large corporations join state-funded R&D projects with the guaranteed to purchase products developed by SMEs. Many Korean SMEs find this project beneficial because they are guaranteed a supply line when a new technology is developed. Dedicated to the localization of core equipment and facilities for the components and materials business, LG Innotek works alongside suppliers for technology exchanges and joint R&D. We also share our R&D equipment and production facilities with suppliers.

R&D Support

Type	Achievements
R&D support	<ul style="list-style-type: none"> • Supported three companies through localization and R&D projects with an option to purchase • Supported three companies through R&D exchanges for localization/dualization • Supported 12 companies in technical coaching on processes and quality control • Supported two companies by sharing R&D equipment and production facilities
Patent protection	<ul style="list-style-type: none"> • Supported two companies in two (joint) patent application cases

Financial Aid

LG Innotek has contributed to the financial soundness of its suppliers through direct financial aid and by improving payment conditions. To date, we have funded and subsidized a total of KRW 30 billion: KRW 3.6 billion in direct financial aid and KRW 15 billion in funds, including our Mutual Growth Fund, as well as KRW 10 billion in indirect support through our Network Loan program. These subsidies contribute to improving the quality and productivity of suppliers, the localization of core components and materials technologies, and to facility investment and technology development. In addition, we improved our payment conditions by paying all of our bills in cash within 14 days of the payment due date.

Financial Aid

Type	Achievements
Direct (localization, facility investments)	KRW 3.6 billion
Funds (LG Mutual Growth Fund)	KRW 15 billion
Alliance Fund	KRW 7.5 billion
Indirect support (Network Loan program)	More than KRW 10 billion

Business Consulting

LG Innotek offers comprehensive support to the business management of our suppliers so that they can advance their HRM, industrial relations, and sales & marketing competencies to a globally competitive level. We also allow them to tap into our accumulated technology and marketing know-how so they can become component suppliers to other leading global companies. In addition, the Business Doctor program is a business consulting service that LG Innotek provides to suppliers on productivity, HRM systems, and mid- & long-term business strategy-building over a six-month period. These efforts are all part of our Mutual Growth program that helps suppliers enhance their competitiveness as LG Innotek ensures it maintains a stable supply of quality components.

Mutual Growth Roadmap



Educational Support

LG Innotek provides education and training to employees from business partners on environmental management, climate change, and free trade agreements, as well as innovation drives such as Six Sigma and FMEA. With customized curriculums, we are able to address the different needs of suppliers by region and business area.

Educational Support

Program	2010 Achievements
Environmental management, climate change, FTAs	35 employees from 32 suppliers
Innovation drives (Six Sigma, FMEA)	44 employees from 21 suppliers
Increasing competencies of supplier employees	133 employees from 7 suppliers
Benchmarking	5 employees from 3 suppliers
Total	217 employees from 63 suppliers

Open Communication with Business Partners

Open communication is integral to the mutual growth of both LG Innotek and its business partners, as it further enhances their competitiveness. As a result, LG Innotek operates various on/off-line communication channels with business partners, building mutual trust and establishing transparent transaction practices.

Open Communication with Business Partners

Program	Frequency
e-procurement website	Daily
Suppliers' ombudsman	Daily
Jeong-Do Management survey with suppliers	Annually
Regular evaluation of suppliers	Biannually
CEO meetings	Twice a year
Partners' Day	Twice a year

* Violation of the Subcontractor Act: LG Innotek had no cases of corrections or sanctions arising from any violations of the Korean Fair Trade Commission's Subcontractor Act during the reporting period.

Expanding Sustainability Management to Business Partners

LG Innotek proactively supports its business partners in their building of sustainability management systems for mutual and sustainable growth. We consider the corporate social responsibility practices of our business partners in the evaluation of their overall performance and in the selection of new suppliers. We also encourage our partners to comply with international CSR standards, the SA 8000, and related regulations on respecting human rights and labor practices by collecting pledges, providing education, and monitoring their practices. In the future, we aim to establish sustainability management practices across our entire supply chain. While sharing sustainability management best practices with

our suppliers, we manage and control any risks that arise in the sustainability management of our suppliers under Sustainability Management Guidelines as suggested by the Electronics Industry Citizenship Coalition (EICC). In the future, LG Innotek will continue expanding sustainability management throughout the entire supply chain and fulfill its CSR along with its business partners.

Establishing a Customized Supply Chain for the Components & Materials Business

In 2010, LG Innotek designed a new supply chain that was more appropriate to the needs of the components and materials business. At the same time we constructed an integrated portal site which allows for interactive communication concerning information on the production process. This differentiated supply chain management system will further enhance the accuracy of market demand forecasts and increase our competencies when addressing customer needs, as it was developed in consideration of our company's business-specific needs. The components and materials industry carries out transactions with a number of raw material suppliers and client companies, so an accurate forecast of market demand is necessary to timely and adequately maintain a steady supply of raw materials. At LG Innotek, supply of raw materials makes up 85 percent of the timeline, from the moment we place an order to the delivery of a final product to a client company. It is therefore imperative to secure an adequate supply of core raw materials through accurate supply and demand forecasts. We are confident that our new portal site for an integrated supply chain will contribute to accurate purchase and delivery control.

Innovating the Supply Chain Infrastructure

In addition to our e-procurement portal site, LG Innotek has adopted a simulation program with enhanced precision to improve the accuracy of its demand forecasts. We expanded the database by diversifying our channels to secure client information, while improving the quality of the information we receive by analyzing databases from R&D, marketing, procurement, and production, taking external factors into consideration as well. Furthermore, we have organized a council involving all of our production lines, both at home and overseas, and related departments. This has allowed us to successfully establish a supply chain management system that is monitored on a weekly basis, and which boasts of improved customer response capabilities. This system has also enabled a company-wide resource planning initiative called Global Single Plan, in which all our production lines can share information dealing with sales, supply plans, and resource management plans. We will further reinforce our cooperation with business partners to ensure the fast, stable supply of raw materials by differentiating the basic requirements for each raw material according to its priority level. Finally, we have strengthened our delivery system by expanding the application of our Vendor Management Inventory to include logistics and suppliers.

Integrated Supply Chain Management

LG Innotek continuously implements its Change Management program to enhance the accuracy of market demand forecasts and customer response capabilities. At the same time we have established a dependable supply chain management infrastructure that makes use of our e-procurement portal site and includes a council for supply chain management infrastructure. This new supply chain management system has enhanced transparency in the flow of information, from R&D and procurement to production and marketing, promoting heightened delivery performance between sales and supply, which in turn has improved mutual trust and maximized synergies among each business division. In 2011, LG Innotek will not cease stabilizing its supply chain management system as it continues with its Change Management program for supply chain management under our Global Single Plan. In the coming months and years, we have set the goal of reducing the average delivery duration to 80 percent of 2010 performance levels and at improving our operational efficiency to the highest global standards.



Supplier CoP workshop



Signing ceremony for our Win-Win Cooperation and Fair Transaction Agreement



Launch of the 1st Business Doctor Program



Partners' Day

Interview

We will continue to...



I believe that transparency, efficiency, and effectiveness are integral for a successful partnership with business partners. LG Innotek not only collects opinions on technology, innovation, and finance but we offer financial support, bill payments in cash, facility & technology investment funds, patents, and technology innovation through interactive communication with our business partners. Also, our educational support helps our business partners to develop a global mindset as part of our commitment to mutual growth. In the future, LG Innotek plans to establish a sustainable sourcing mechanism throughout the entire supply chain.

Procuring Team/Vice President_Kim Sung Bum

6

Communities

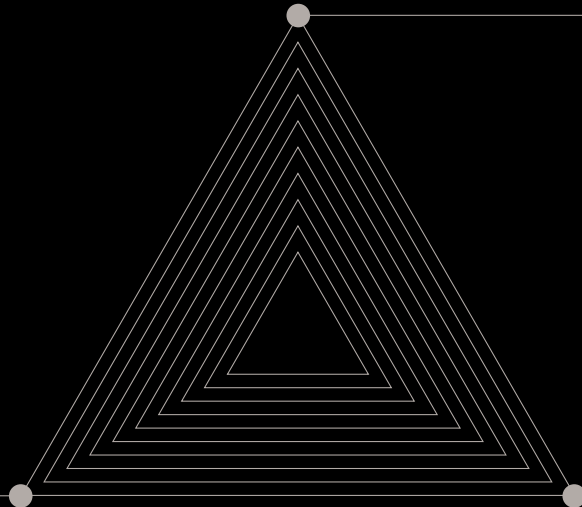
How are we creating a better tomorrow

Caring for neighbors

Social Contribution

Environmental Protection Activities

LG Innotek is involved in a number of different activities to reduce energy consumption and protect the environment



Supporting Multicultural Families

In order that they can fully incorporate themselves into Korean society, LG Innotek supports children from multicultural families

Supporting our Future Leaders

LG Innotek is committed to ensuring equal opportunities for young people, our future leaders, in education and social welfare programs

Company-Wide Commitment to Helping the Underprivileged.

Fully aware of its corporate social responsibility, LG Innotek is involved in various community engagement programs. We commit resources to patronizing educational, cultural, and sports initiatives throughout society. In our fulfillment of our CSR, we actively interact with local communities through open communication.

2010 Major Achievements

- Enlisted on the DJSI (Dow Jones Sustainability Indexes) Korea
- Launched the company-wide volunteer corps
- Reinforced communication channels with local communities

Social Contribution

In 2010, LG Innotek established a company-wide social contribution system with a focus on three main themes: multicultural families, environmental protection, and youth. Our employees volunteer to help the underprivileged in local communities, with employees at our overseas subsidiaries also supporting local students and residents in need. In the future, LG Innotek plans to further expand the scope of its social contribution activities.



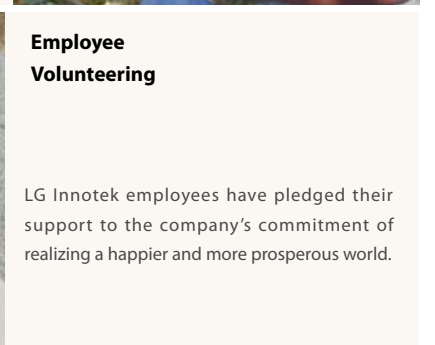
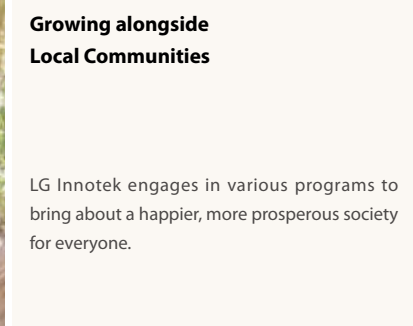
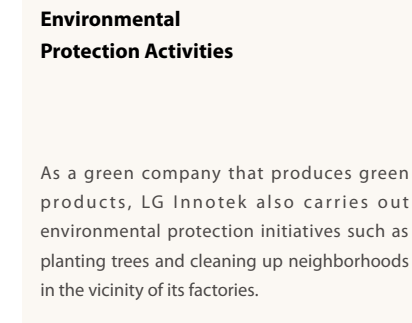
Supporting Multicultural Families

LG Innotek runs several sponsorship programs to help children from multicultural families so that they can fully incorporate themselves into Korean society.



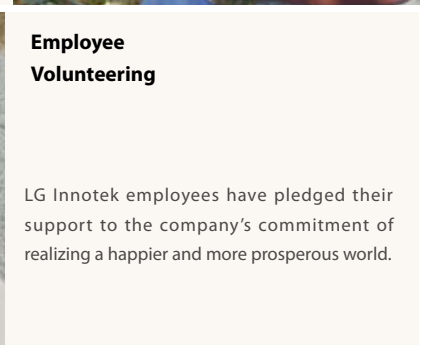
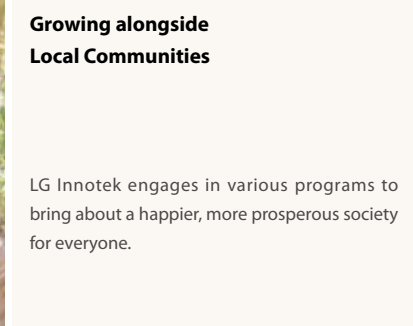
Supporting our Future Leaders

LG Innotek offers a wide range of educational and medical support to children and youth in need so that they can realize their full potential.



Environmental Protection Activities

As a green company that produces green products, LG Innotek also carries out environmental protection initiatives such as planting trees and cleaning up neighborhoods in the vicinity of its factories.



Practicing Global Social Contribution Activities

By embracing cultural diversity to better understand cultural differences within local communities at our overseas operations, LG Innotek has expanded the scope of its social contribution programs to the global community.

Employee Volunteering

LG Innotek employees have pledged their support to the company's commitment of realizing a happier and more prosperous world.

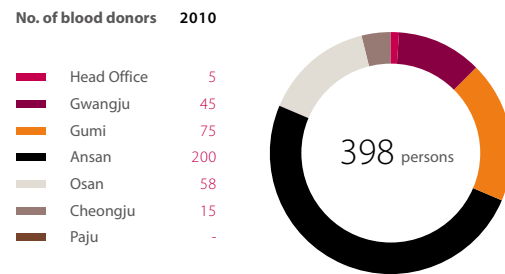
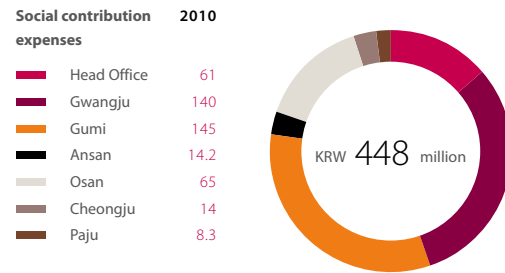
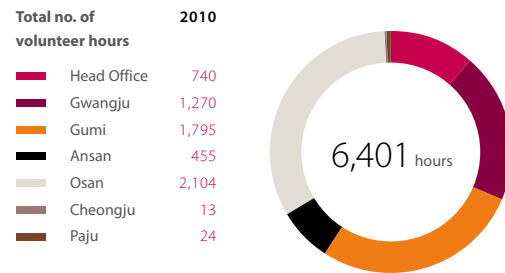
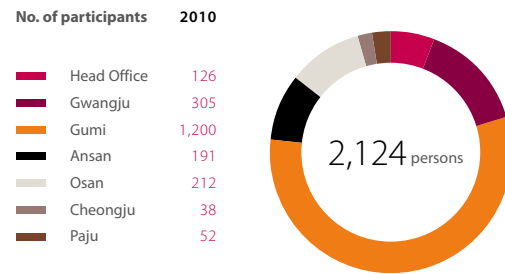
Supporting Multicultural Families

- **Santa Clause project:** LG Innotek runs various sponsorship programs with multicultural families, including Mentoring for Hope and Green Energy Camp. At the end of 2010, the company's volunteer corps dressed up as a group of Santa Clauses and visited multicultural families in the local communities of seven LG Innotek sites: in head office, Gwangju, Gumi, Ansan, Osan, Cheongju, and Paju. The Santas gave out gifts and Christmas cards to children and spent time playing with them. In the future, the company plans to establish this Santa Clause project as an annual year-end social contribution program.
- **Scholarships to students of multicultural families:** LG Innotek offers scholarships to the children of multicultural families in communities surrounding its factories. The company's Gwangju factory gave out scholarships to 50 students from multicultural families in its sister village of Goseo-myeon in 2010 alone. That same year, employees at the Gumi factory also donated small amounts of change from their monthly paychecks to fund scholarships to 40 students from multicultural families in Gimcheon.

Environmental Protection Activities

- **Green Forest project:** LG Innotek began its Green Forest project to protect the environment and reduce CO₂ emissions. In April 2010, 100 employees and their families planted 700 trees on Gwangju's Mt. Eodeung. Other factories from the company also planted trees in their respective local communities. LG Innotek will continue to encourage its employees to plant trees every April, while keeping up with GHG reduction campaigns.
- **Tando Port clean-up:** LG Innotek regularly cleans seaside areas to protect the ocean and beaches under sisterhood ties it has forged with local fishing villages. In 2010, 30 researchers from our R&D Center visited Ansan's Tando Port to engage in clean-up efforts in the vicinity of the port every month.

Social Contribution Performance in Korea



* Paju was excluded from this year's blood donor drive after the city was designated a malaria-endemic zone.

Supporting our Future Leaders

- **Science Class for Kids:** LG Innotek runs its Science Class for Kids program for elementary school students of multicultural families. Children get to learn about how science plays a role in our everyday lives through 14 sessions over the year. LG Innotek researchers who are master's and Ph.D. degree holders volunteer for this program as lecturers. The program provides our future generation with opportunities to become acquainted with science in real and practical ways.
- **Sharing Love with ChildFund Korea:** Since 2007, LG Innotek has operated a series of programs for children in collaboration with ChildFund Korea. We subsidize living expenses and medical expenses to single-parent families and sponsor local community events for children at the end of every year in an effort to instill hope in our future generation.

Community Engagement Programs

- **Extending a helping hand to farmers:** LG Innotek is committed to helping farmers from villages that have forged sisterhood ties with the company. After forming sisterhood ties with Goseo-myeon in 2007, 100 members of our volunteer corps took the time to help out farmers from the village.
- **Sharing kimchi:** Since 2009, LG Innotek employees have been making kimchi for the underprivileged alongside the Osan Community Welfare Center. Every year, our goal is to make 2,000 heads of kimchi to deliver to elderly citizens who live alone, families with a disability, young household heads, and other low-income families.

Global Social Contribution Activities

- **Cambodia:** LG Innotek is engaged in medical and educational support programs in Oddar Meanchey, a province in the north of Cambodia, in collaboration with the non-profit organization Dreams Come True for You. The group of volunteers stayed near an elementary school and provided free medical checks and treatment services to 3,000 local residents, while also repairing wells, toilets, and walls. LG Innotek is dedicated to expanding its global social contribution activities in the future.

Employee Volunteer Activities

- **Sharing Hope Fund:** In 2010, LG Innotek created its Sharing Hope Fund. Named from a contest held among our employees, this matching fund stipulates that the company will contribute the same amount as that raised by employee donations. Each account can be filled up to KRW 1,000, with employees designating themselves how many accounts they would like to set up. Deductions are made from monthly paychecks, and to date about half of all employees have signed up for the program. Funds are raised and then managed at each respective work site.
- **New employees' volunteer work:** New employees at LG Innotek visit nursing homes for the elderly and disabled to provide whatever help they can as part of their orientation training. Tasks include cleaning, doing laundry, and carrying out repairs at these charity organizations.

Interview

We will continue to...

LG Innotek engages in various social contribution and communication activities. In particular, we have paid a great deal of attention to a newly emerging social issue by embracing the cultural diversity that has arisen from a growing number of international marriages, helping children from these multicultural families more easily adapt to Korean society. We have also implemented a number of programs under the theme of environmental protection and youth. In the future, LG Innotek will continue to focus on developing sustainable and practical ways to keep up with social contribution activities and employee volunteering.

Public Affairs & Relations Team/Vice President_Hwang Jeong Seop

Independent Assurance Statement

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To LG Innotek’s Stakeholders:

The Korea Productivity Center (KPC, hereinafter referred to as “the Auditor”) submits its independent assurance statement (hereinafter referred to as “the Statement”) upon request by LG Innotek for third party assurance of the information specified in its 2011 LG Innotek Sustainability Report (hereinafter referred to as “the Report”).

Responsibility & Independence

LG Innotek takes sole responsibility for all the information it has provided and claims contained in the Report. In performing this assurance work, our responsibility was 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 any part of the Report.

Assurance Guidelines

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

Scope of Assurance

The scope of assurance, in accordance with the aforementioned principles, does not include reliability of data or the Report’s content. Due diligence covers only the headquarters of the company in Seoul and its Ansan R&D Center. However, we did verify the data and content of the Report as it related to the company’s Gumi Factory 2 via video conference. Therefore, additional assurance may result in an alteration of the Statement.

Assurance Procedures

The assurance work was conducted as follows:

- ⁰¹ The Auditor has analyzed all media research; approved benchmarks to conclude the major issues contained in the Report; and reviewed the accuracy of the content.
- ⁰² The Auditor has reviewed the information and claims of the Report against GRI G3 Guideline indicators and determined that the Report’s content satisfies the requirements of Application Level B+, as stipulated in the GRI G3 Guidelines.
- ⁰³ Based on GRI G3 Guidelines, the Auditor has verified that the content of the Report follows the necessary principles of reporting.
- ⁰⁴ The Auditor has reviewed the accuracy of the content of the Report and crosschecked it against other sources for any errors in data presentation.
- ⁰⁵ The Auditor has given due diligence to LG Innotek’s Seoul headquarters, its Ansan R&D Center, and its Gumi Factory 2 to verify the authenticity of the data and information provided in the Report, while also checking the internal processes and systems 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 Self-Declared Application Level B+ requirements, as stipulated by the GRI G3 Guidelines.

⁰¹ **Inclusivity: Stakeholder Inclusiveness**

The Auditor has judged that the company classifies its stakeholder groups into customers, employees, shareholders & investors, governments, and business partners, and that it maintains various communication channels with each of these groups to understand their concerns and interests. The Open and Honest Communication program and regular meetings with employees holding different job functions and positions are the most common communication channels with the company’s employees. The company was also very communicative on best practices regarding innovation, energy-saving measures, and health & safety practices through Value Plus initiatives and its Global EESH Conference. In particular, the Auditor was pleased that the company has reinforced communication with business partners through such activities as customer-proposed R&D, custom-built marketing, and other CVC activities, as well as the launch of a win-win partnership team and its e-procurement portal site. The Auditor suggests that management of these channels be maintained for constant monitoring and reporting of stakeholder engagement performance.

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⁰² **Materiality: Identification and Reporting of Material Issues**

The Auditor has found that the company identified sustainability issues of highest concern to stakeholders and their impact on its sustainability through surveys, media analysis, benchmarking, and reviews of global sustainability management standards. It interviewed various experts to identify major issues concerning sustainability management, human rights, and business partners. Most notably, interviews with executives in charge of each business division turned out to be very instrumental in identifying the most important sustainability issues of concern to top management. The Auditor was particularly impressed with the Report for providing a comparison of recurring issues from the previous report in a comparable manner. The Auditor has suggested a more systematic management of the company’s stakeholder relationships and continual management of major sustainability issues and performance results to better reflect the information on these issues and to report on them in future reports.

⁰³ **Responsiveness: Organizational Responsiveness to Issues**

The Auditor has found that the company is well aware of its major stakeholder groups and maintains diverse channels to collect stakeholder opinions and to identify material sustainability issues. Classifying the issues into three categories by priority, the Report extensively covers the issues, which it has dubbed “Focused Issues,” namely, new growth engines, R&D investments, energy, human resources, Win-Win growth, and social contribution. The Auditor also highly values the Report for effectively integrating major issues into the company’s major performance results and future plans. For instance, the Report covers the company’s world-leading products as future growth engines; investment in LED components as an R&D investment; waste heat reuse, solar power generation, and LED lights as energy issues (addressing climate change). The Auditor has suggested the Report disclose not only the performance results regarding major issues, but also mid-term strategies and future plans regarding these issues.

Recommendations

The Auditor appreciates LG Innotek’s efforts and achievements to improve its sustainability. The following recommendations are made for the improvement of future reports:

- ⁰¹ The company is encouraged to develop more systematic communication channels with stakeholders and report on its sustainability management performance in line with the material issues identified from these communication channels.
- ⁰² The company is encouraged to develop and report on mid-term plans and goals regarding sustainability management in economic, environmental, and social aspects in future reports.
- ⁰³ The company may be able to enhance its sustainability management practices by establishing an integrated management system for the company-wide management of sustainability indicators, and by linking its sustainability management performance with its financial performance.
- ⁰⁴ The company is encouraged to develop a company-wide system for integrated management of sustainability performance indicators and to utilize the indicators in its future reports.



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.

July, 2011

KOREA PRODUCTIVITY CENTER
Chairman & CEO
Dong-kyu, Choi

Dong-kyu Choi

Director of Sustainability
Management Center
Dong-soo, Kim

D.S. Kim

Researcher
Ju-mi, Park

Ju-mi Park

Senior Consultant
Tae-ho, Park

Tae-ho Park

Researcher
A-ram, Hong

A-ram Hong

Greenhouse Gas Emission Verification Report



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Independent Verification Statement on GHG Emissions and Energy Consumption by LG Innotek To: The CEO of LG Innotek Co., Ltd.

Samil PwC Advisory (hereinafter referred to as “the Auditor”) was commissioned by LG Innotek Co., Ltd. (hereinafter referred to as “the Company”) to verify its GHG inventory and energy use (hereinafter referred to as “the Report Subject”) as provided in the LG Innotek GHG Inventory and Energy Use Report (hereinafter referred to as “the Report”). Under GHG and Energy Target Management Guidelines No. 2011-29, as established by the Ministry of Environment (hereinafter referred to as “the Guidelines”), the Company’s management is responsible for preparing the Report Subject. The Auditor’s responsibility is confined to performing verification following the procedures as stipulated by the Guidelines and to making independent verification statements based on these findings.

This report was prepared to verify and report on the appropriateness of the Report Subject as provided by the Company to the Ministry of Environment and related authorities under the Guidelines. The Auditor’s verification results and the Statement cannot be circulated or quoted for any other purposes. The Auditor is not subject to being held accountable or responsible in cases of abuse carried out by a third party without the Auditor’s prior consent.

The Auditor reviewed if the descriptions of the Report Subject as provided in the Report are consistent with the information provided by the Company. Any errors or discrepancies in data presentation were checked in consideration of its impact on the GHG independent verification statement. The Auditor’s responsibility is only confined to the Report Subject.

The Auditor followed the proper verification procedures under the Guidelines to acquire a reasonable level of confirmation. The procedure includes crosschecking data and information related to the Report Subject against related evidence. The verification also includes the assessment of any and all significant assumptions and judgments by management. The Auditor planned and performed the verification to obtain all the information and data required to support its verification statement. Verification was planned and performed to obtain a reasonable level of confidence that the Report Subject does not contain any material irregularities.

Non-financial performance information has an inherent limit as to how much of the information and data can be verified. Due to the absence of any established standards to quote from, it is possible to choose other applicable means of measurement. As a result, there can be a significant difference in measurement results, which in turn can also affect the comparability of the findings. The accuracy of the measurements can vary with the means of measurement. Furthermore, measurements within the Report Subject can vary depending on when the measurements were made. Therefore, the Report Subject should be viewed in line with the Guidelines.

Calculations of the GHG inventory, emission factors, net calorific value, and oxidation factors were based on information as provided in the Guidelines.

Based on the Auditor’s verification findings, the Auditor finds that the Company’s GHG inventory and energy use report provided material information and data in an adequate manner as stipulated by the Guidelines.

This statement is valid as of June 22, 2011. The statement is subject to change to reflect any incidents or developments that could have resulted in a significant impact on this statement since the aforementioned date.

June 22, 2011

An Kyung-Tae
CEO, Samil PwC Advisory

www.samil.com P.O. Box No. 266 Seoul Yongsan Post Office (140-600) LS Yongsan Tower (140-702)
191, Hangangno-2ga, Yongsan-gu Seoul, Korea

Samil PwC Advisory is a Korean member firm of PricewaterhouseCoopers (PwCIL). The member companies of PwCIL are all independent legal entities.



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Memberships · Certificates & Awards

Memberships

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

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 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

- Paju factory acquired ISO 27001 (international information security management system certification)
- Officially listed on the DJSI (Dow Jones Sustainability Index) Korea
- Received the Prime Minister’s Prize at the 2010 KES
- LED packaging received the top prize at the 1st Display Day ceremony
- Ansan R&D Center acquired the ISO 9001 (quality management of business) in 2008
- Roll printing technology received a Businessest Technology Prize
- Ansan R&D Center received a distinguished service medal for occupational health promotion
- Multi-tone masks for TFT LCDs received an IR52 Jangyoungsil Award
- Awarded the Prime Minister’s Prize at the KPCA Show
- Received an award at the iF Design Awards for the company’s photo etching technology
- Dual-core technology received an award at the LG Skills Olympics
- LED high-efficiency lamp received an iF Design Award.
- Mobile WiMax module received an Innovation Prize at the 2010 CES.
- The LG Innotek 2010 Sustainability Report received the Bronze Prize in the Brochure: Sustainability Report category at MerComm’s Astrid Awards.
- The LG Innotek 2009 Annual Report received the Platinum Prize in the Brochure: Technology, Semiconductor & Equipment category at the LACP Vision Awards.

Environmental Data

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Input

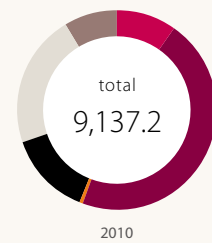
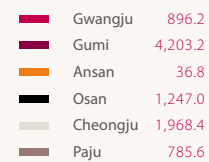
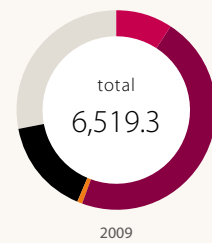
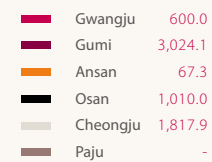
Category	Fuel consumption (TJ)	Electricity use (TJ)	Steam use (TJ)	Water use (Ton)
Headquarters	0.000	4.501	0.000	
Gwangju	86.653	896.986	0.000	728,368
Gumi1	0.275	303.423	53.462	300,411
Gumi2	137.901	656.946	0.000	1,847,126
Gumi3	66.629	523.987	0.000	1,048,323
Ansan	21.307	60.711	0.000	36,736
Anyang	7.931	44.282	0.000	
Osan	1.226	888.527	159.794	1,832,104
Cheongju	46.874	612.304	0.000	1,362,454
Paju	123.079	939.024	0.000	822,544
pyeongtaek	0.000	0.015	0.000	
Total	491.875	4,930.706	213.256	7,978,066

Output

Category	GHG emissions (Ton CO ₂ -e)	Total amount of waste discharge (Ton)	Total amount of specified wastes discharged (Ton)	Total amount of waste resin discharged (Ton)	Total amount of landfill waste (Ton)	Wastewater (Ton)	Waterreuse (m ³)
Headquarters	233						
Gwangju	51,350	1,531	544	329	446	143,694	250,000
Gumi1	19,512	169	18	30	17	314,566	0
Gumi2	41,795	26,275	21,576	584	1,227	2,113,070	619,208
Gumi3	30,887					1,012,743	
Ansan	4,358	230	174	-	-	0	0
Anyang	2,739						
Osan	54,092	9,040	6,854	1,644	189	1,708,866	293,281
Cheongju	34,353	8,669	3,831	640	103	1,448,423	127,750
Paju	55,558	950	153	14	0	573,983	0
pyeongtaek	1						
Total	294,878	46,864	33,149	3,241	1,982	7,315,345	1,290,239

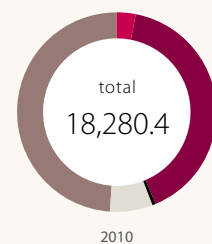
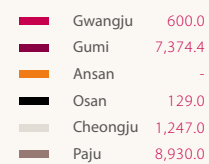
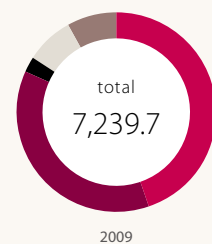
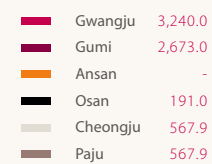
Environmental Expenses

Unit: KRW million



Environmental Investments

Unit: KRW million



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Certification by Worksite

Global Certification

Category		Quality Management System	Environment Management System	OHSAS	Social Accountability	Sustainability Management	
LED Business Division	Gwangju	TS	ISO14K	OHSAS18K	SA8000		
	Paju	TS (2011)	-	-	-		
Display & Network	RF / Power	Gwangju	TS	ISO14K	OHSAS18K	SA8000	
Division	WM	pyeongtaek	TS	-	-	SA8000	
	BMS	pyeongtaek	TS (2011)	-	-	SA8000	
Components	PS	TS	Gumi	TS	ISO14K	OHSAS18K	-
Materials	LF	Gumi	TS	ISO14K	OHSAS18K	-	
	PKG	Gumi	TS (2011)	ISO14K	OHSAS18K	-	
Company	PKG	Osan	TS	ISO14K	OHSAS18K	-	
	Materials	PM	Gumi	9K	ISO14K	OHSAS18K	-
	TW	Gumi	9K (2011 TS)	ISO14K	OHSAS18K	-	
	CM	CM	Gwangju	9K	ISO14K	OHSAS18K	SA8000
		Gumi	9K (2011)	ISO14K	OHSAS18K	SA8000	
	PCB	PCB	Osan	TS	ISO14K	OHSAS18K	-
	PCB	Cheongju	TS	ISO14K	OHSAS18K	-	
	Automotive Components	Gumi	TS	ISO14K	OHSAS18K	-	
Overseas	LGITYT	Fuzhou, China	9K	ISO14K	OHSAS18K	-	
Subsidiaries	LGITHZ	Yantai, China	9K	ISO14K	OHSAS18K	SA8000	
	LGITFZ	Huizhou, China	9K	ISO14K	OHSAS18K	SA8000	
	LGITPO	Poland	9K	ISO14K	-	-	
	LGITIN	Indonesia	9K	ISO14K	OHSAS18K	-	
etc.	LG Materials & Components R&D Center	Ansan	9K	-	-	-	

Publication of company-wide integrated report

ISO 27001 Certification

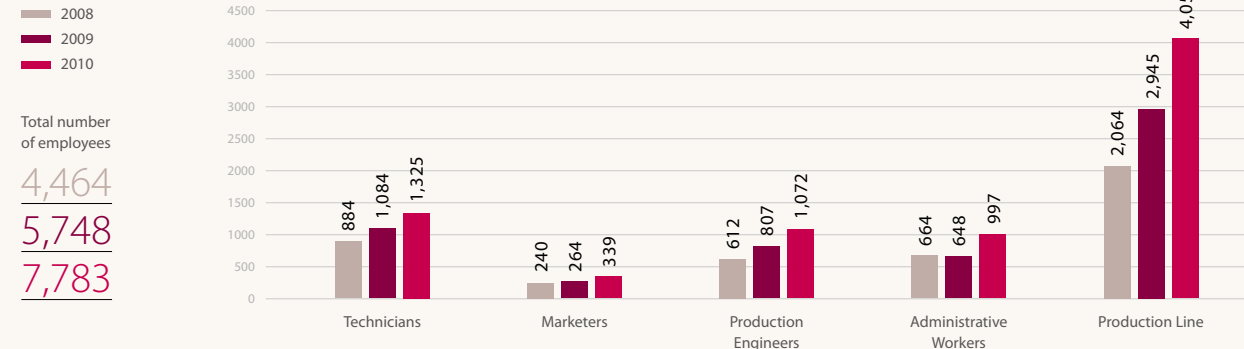
Category	2010 4Q	2011 1Q	2Q	3Q	4Q
Headquarters				August	
Gwangju/pyeongtaek					November
Gumi					October
Ansan				September	
Osan/Cheongju		March			Post-audit
Paju	November		Post-audit		

Employment

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Domestic Employment

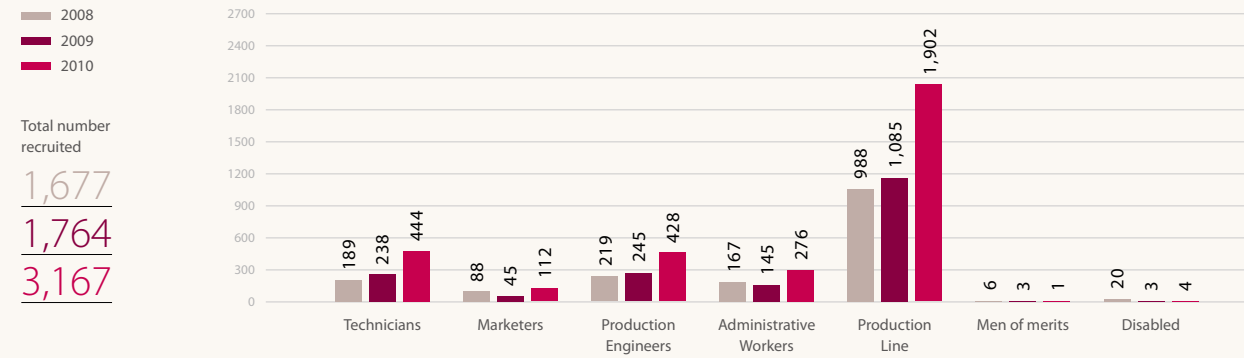
Unit: persons



Total number of employees
 4,464
 5,748
 7,783

Domestic Recruitment

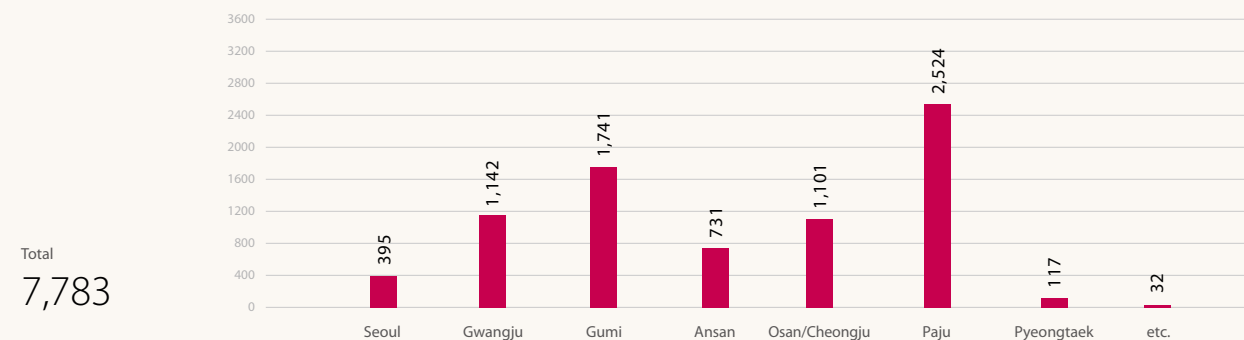
Unit: persons



Total number recruited
 1,677
 1,764
 3,167

Workforce by Region

As of December 31, 2010 / Unit: persons



Total
 7,783

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Human Resources Development Principles & System

Human Resources Development Principles

Category	Description
HRD Principles	<ul style="list-style-type: none"> Job assignment-oriented training - supplemented with OJT, education/training and self-development Increasing resource assignment to fostering core personnel Focusing on job performance and enhancing individual job competencies
HRD Systems	<ul style="list-style-type: none"> Succession plan Supporting job training for enhancement of job competencies Career development planning customized to individual needs Mentoring & Caring, job rotation
HRD Strategies	<ul style="list-style-type: none"> Mid-/long-term strategic human resources development Step-by-step training to enhance core competencies required for each job position/job function Shared systematic education throughout the LG Group Integrated with human resources management (making use of knowledge gained from individual academic pursuits)
Education/	<ul style="list-style-type: none"> Classified into four categories, courses are operated by trainee job function and job position.
Training Systems	<ul style="list-style-type: none"> Position-based: education on general background knowledge concerning management and special management issues for each job position. <ul style="list-style-type: none"> This course is classified into position-compulsory, core personnel, and management philosophy/principles Job-compulsory: training on the basic knowledge, know-how, and attitude required to fulfill a given job Job-optional: training for skilled employees who choose to optionally enhance their job competencies Self-development: regardless of job function or position, the basic competencies needed to enhance the level of one's language and IT skills

Human Resources Development System (Position-basic)

Category	Position-compulsory	Core personnel	Management philosophy/Principles	Legal courses
Executives	EnDP New executives			
Deputy/General managers	Future leaders Newly promoted general managers	MBA course BU leaders Leadership courses Intensive language courses	SixSigma Organizational development supported by the entire workforce LGWay/Jeong-Do Management	Sexual harassment prevention
Managers				
Assistant managers	Newly promoted managers			
Staff	Newly promoted assistant managers New employees			

* EnDP: Entrepreneur Development Program

Global Network

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Domestic & Overseas Worksites



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Indicators	Code	GRI G3.0	ISO26000	EICC	Page	Appli- cation Level	Related Contents
Strategy and Analysis	1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy	6.2	D-1 Company Commitment D-2 Management Accountability and Responsibility	4		CEO Message
	1.2	Description of key impacts, risks, and opportunities	6.2		47		Opportunities and risks for climate change
Organizational Profile	2.1	Name of the organization			8		Corporate Overview
	2.2	Primary brands, products, and/or services			10, 11		Business Overview
	2.3	Operational structure of the organization	6.2		9		Organization Chart
	2.4	Location of organization's headquarters			8		Corporate Overview
	2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report			84		Global Network
	2.6	Nature of ownership and legal form			17		Corporate Governance
	2.7	Markets served			84		Global Network
	2.8	Scale of the reporting organization			9		Sales Record (by business division, export/domestic)
	2.9	Significant changes during the reporting period regarding size, structure, or ownership			19		Sustainability Performance
	2.10	Awards received in the reporting period			79		Memberships/Certificates & Awards
Report Parameters	3.1	Reporting period			3		Report Information
	3.2	Date of most recent previous report			3		Report Information
	3.3	Reporting cycle			3		Report Information
	3.4	Contact point for questions regarding the report or its contents			2		Report Information
	3.5	Process for defining report content			22, 23		Materiality Analysis (material sustainability issues)
	3.6	Boundary of the report			3		Report Information (domestic work sites and some overseas operations)
	3.7	State any specific limitations on the scope or boundary of the report			3		Report Information
	3.8	Basis for reporting that can significantly affect comparability from period to period and/or between organizations			3		Report Information
	3.9	Data measurement techniques and the bases of calculations					See each respective reference for the company's economic, environmental, and social performance
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement					See each respective reference for the company's economic, environmental, and social performance
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods			19		Including the Paju factory
	3.12	Table identifying the location of the Standard Disclosures in the report			86		
	3.13	Policy and current practice with regard to seeking external assurance for the report	7.5.3 Verification		76		Independent Assurance Statement
Governance, Commitments, and Engagement	4.1	Governance structure of the organization	6.2		17		Corporate Governance
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer			17		Directors & Auditors
	4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members			17		Corporate Governance (Directors & Auditors)
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body			17		D-7 Communication D-8 Worker Feedback and Participation
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives			17		Corporate Governance
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided			17		Corporate Governance

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Indicators	Code	GRI G3.0	ISO26000	EICC	Page	Appli- cation Level	Related Contents	
Governance, Commitments, and Engagement	4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	6.2		17		Corporate Governance	
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation		D-1 Company Commitment D-2 Management Accountability and Responsibility	14		Jeong-Do Management	
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance			17		Evaluation and Compensation to Directors and Management	
	4.10	Processes for evaluating the highest governance body's own performance		D-9 Audits and Assessments D-10 Corrective Action Process	17		Evaluation and Compensation to Directors and Management	
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization		D-4 Risk Assessment and Risk Management	45		Risk Management	
	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses		D-1 Company Commitment C-1 Environmental Permits and Reporting	60, 79		Compliance with international standards and conventions including ILO/Memberships	
	4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organization			79		Memberships	
	4.14	List of stakeholder groups engaged by the organization			20		Communication Channels	
	4.15	Basis for identification and selection of stakeholders with whom to engage			21		Stakeholder Research	
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		D-7 Communication D-8 Worker Feedback and Participation	20		Communication Channels	
	4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns			22, 23		Materiality Analysis	
	Economic: Disclosure on Management Approach			6.2, 6.8	D-5 Improvement Objectives	40		
	Economic Performance	EC1	Direct economic value generated and distributed	6.8, 6.8.3, 6.8.7, 6.8.9	E-3 Disclosure of Information	42	●	Economic Value Created
		EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	6.5.5		47	●	Carbon Management
		EC3	Coverage of the organization's defined benefit plan obligations			60	◐	Introduction of the corporate pension program
	Market Presence	EC4	Significant financial assistance received from government			42	●	Participation in National Projects
		EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	6.4.4, 6.8		60	●	Initial wages reach 178% of legal minimum wage
Market Presence	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	6.6.6, 6.8, 6.8.5, 6.8.7		68	◐	Global Procurement Strategy	
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	6.8, 6.8.5, 6.8.7			○		
	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	6.3.9, 6.6.6, 6.6.7, 6.8.4, 6.8.5, 6.8.6, 6.8.7, 6.8.9		42	◐	Economic Value Distributed	
	EC9	Understanding and describing significant indirect economic impacts	6.3.9, 6.6.6, 6.6.7, 6.7.8, 6.8, 6.8.5, 6.8.6, 6.8.7, 6.8.9			◐	Contributing to national and regional development through technology development	
Environment: Disclosure on Management Approach			6.2, 6.5	D-5 Improvement Objectives	46			
Materials	EN1	Materials used by weight or volume	6.5, 6.5.4			N/A	Data on raw materials information not available due to the nature of the components and materials industry	
	EN2	Percentage of materials used that are recycled input materials				○		
Energy	EN3	Direct energy consumption by primary energy source			49	◐	Resource Input (fuel consumption)	
	EN4	Indirect energy consumption by primary source			49	●	Resource Input (electricity use)	

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Indicators	Code	GRI G3.0	ISO26000	EICC	Page	Appli- cation Level	Related Contents
Energy	EN5	Energy saved due to conservation and efficiency improvements	6.5, 6.5.4		48, 50	●	Energy-saving activities, green products (LED products)
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives			50	●	Green Products
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved		C-2 Pollution Prevention and Resource Reduction	48, 55	●	Energy-saving TDR activities at work sites, energy conservation activities
Water	EN8	Total water withdrawal by source			49	○	Resource input/output (water use)
	EN9	Water sources significantly affected by withdrawal of water				○	
	EN10	Percentage and total volume of water recycled and reused		C-2 Pollution Prevention and Resource Reduction C-4 Wastewater and Solid Waste C-6 Product Content Restrictions	49	●	Water Reuse
Bio Diversity	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	6.5, 6.5.6			N/A	Not Applicable
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas				N/A	Not Applicable
	EN13	Habitats protected or restored				N/A	Not Applicable
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity				N/A	Not Applicable
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk					N/A
Emissions, Effluents, and Waste	EN16	Total direct and indirect greenhouse gas emissions by weight	6.5, 6.5.5		48	●	GHG Emissions
	EN17	Other relevant indirect greenhouse gas emissions by weight			30	●	GHG reduction by using waste heat, solar heat, and LED lights
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved			30	●	Energy-saving measures (waste heat recovery, solar power generation, solar-heated hot water supply, LED lights)
Products and Services	EN19	Emissions of ozone-depleting substances by weight	6.5, 6.5.3	C-5 Air Emissions		N/A	Not Applicable
	EN20	NOx, SOx, and other significant air emissions by type and weight		C-5 Air Emissions		●	
	EN21	Total water discharge by quality and destination		C-4 Wastewater and Solid Waste		●	Environmental Data
	EN22	Total weight of waste by type and disposal method		C-2 Pollution Prevention and Resource Reduction C-4 Wastewater and Solid Waste C-6 Product Content Restrictions	49, A	●	Total amount of waste (specified, waste resin, landfills)
	EN23	Total number and volume of significant spills		C-3 Hazardous Substances		○	-
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally				N/A	Not Applicable
	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	6.5, 6.5.4, 6.5.6	C-4 Wastewater and Solid Waste		N/A	Not Applicable
Compliance	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	6.5, 6.5.4, 6.6.6, 6.7.5	C-6 Product Content Restrictions	50	●	Green Product Performance
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category	6.5, 6.5.4, 6.7.5	C-2 Pollution Prevention and Resource Reduction		○	-
Transport	EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	6.5	D-3 Legal and Customer Requirements		N/A	Not Applicable (no case of legal sanctions)
	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	6.5, 6.5.4, 6.6.6			○	-
Overall	EN30	Total environmental protection expenditures and investments by type	6.5		49	●	Environmental Expenses/ Investments

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Indicators	Code	GRI G3.0	ISO26000	EICC	Page	Appli- cation Level	Related Contents	
		Labor Practices and Decent Work: Disclosure on Management Approach		6.2, 6.4, 6.3.10	D-5 Improvement Objectives	56		
Employment	LA1	Total workforce by employment type, employment contract, and region	6.4, 6.4.3	A-3 Working Hours	A	●		
	LA2	Total number and rate of employee turnover by age group, gender, and region				○	-	
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	6.4, 6.4.3, 6.4.4	A-4 Wages and Benefits	60	●	Welfare Benefits	
Labor/ Management	LA4	Percentage of employees covered by collective bargaining agreements	6.4, 6.4.3, 6.4.4, 6.4.5, 6.3.10		61	●	Labor union membership	
Relations	LA5	Minimum notice period(s) regarding operational changes	6.4, 6.4.3, 6.4.4, 6.4.5		-	○		
Occupational Health and Safety	LA6	Percentage of total workforce represented in formal joint management worker-health and safety committees	6.4, 6.4.6		-	●	Environment and Safety Planning Group	
Safety	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region		B-3 Occupational Injury and Illness	55	●	Achieved 15 times the number of accident-free base hours in 2010	
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	6.4, 6.4.6, 6.8, 6.8.3, 6.8.4, 6.8.8	B-2 Emergency Preparedness B-4 Industrial Hygiene B-5 Physically Demanding Work B-6 Machine Safeguarding B-7 Sanitation, Food, and Housing	55	●	Employee health promotion and medical subsidies	
Training and Education	LA9	Health and safety topics covered in formal agreements with trade unions	6.4, 6.4.6	B-1 Occupational Safety B-2 Emergency Preparedness B-4 Industrial Hygiene B-5 Physically Demanding Work B-6 Machine Safeguarding B-7 Sanitation, Food, and Housing	-	○		
	LA10	Average hours of training per year per employee by employee category	6.4, 6.4.7	D-5 Improvement Objectives	59	●	Employee training hours	
	LA11	Programs for skills management and lifelong learning and assist them in managing career endings	6.4, 6.4.7, 6.8.5		58	●	Education for executives set to retire soon	
	LA12	Percentage of employees receiving regular performance and career development reviews	6.4, 6.4.7					
	Diversity and Equal Opportunity	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	6.3.7, 6.3.10, 6.4, 6.4.3		17	●	Directors & Auditors
	LA14	Ratio of basic salary of men to women by employee category	6.3.7, 6.3.10, 6.4, 6.4.3, 6.4.4		60	●	Gender equality in initial wages	
			Human Rights: Disclosure on Management Approach		6.2, 6.3			
Investment and Procurement Practices	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	6.3, 6.3.3, 6.3.5, 6.6.6	A-1 Freely Chosen Employment A-3 Working Hours A-5 Humane Treatment A-6 Non-Discrimination	70	●	Collecting pledges from suppliers to respect human rights via the SA8000 form	
Non-Discrimination	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	6.3, 6.3.3, 6.3.5, 6.4.3, 6.6.6		70	●	Collecting pledges from suppliers to respect human rights via the SA8000 form	
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights	6.3, 6.3.5		14	●	Jeong-Do Management Education Performance	
	HR4	Total number of incidents of discrimination and actions taken	6.3, 6.3.6, 6.3.7, 6.3.10, 6.4.3	A-5 Humane Treatment A-6 Non-Discrimination	60	●	Prohibition of discrimination (no cases of discrimination)	
Freedom of Association and Collective Bargaining	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.8, 6.3.10, 6.4.3, 6.4.5	A-7 Freedom of Association	61	●	Advocacy of people's right to association, to organize labor unions, and to become a member of a labor union of their free will	
Child Labor	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10	A-2 Child Labor Avoidance	60	●	Prohibition of child labor, youth labor, and forced labor	
Forced and Compulsory Labor	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor		A-1 Freely Chosen Employment A-3 Working Hours B-5 Physically Demanding Work	60	●	Prohibition of child labor, youth labor, and forced labor	

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Security Practices	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights	6.3, 6.3.5, 6.4.3, 6.6.6		-	○	-
Indigenous Rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	6.3, 6.3.6, 6.3.7, 6.3.8, 6.6.7	A-5 Humane Treatment A-6 Non-Discrimination	-	○	-
Society: Disclosure on Management Approach			6.2, 6.6, 6.8		72		
Community	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities	6.3.9, 6.8, 6.8.5, 6.8.7, 6.6.7		-	○	-
Corruption	SO2	Percentage and total number of business units analyzed for risks related to corruption	6.6, 6.6.3		-	○	-
	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures		E-1 Business Integrity	14	●	Jeong-Do Management Education Performance
	SO4	Actions taken in response to incidents of corruption		E-1 Business Integrity		N/A	Not Applicable
PublicPolicy	SO5	Public policy positions and participation in public policy development and lobbying	6.6, 6.6.4, 6.8.3			○	-
	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country				○	-
Anti-Competitive Behavior	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	6.6, 6.6.5, 6.6.7	E-2 No Improper Advantage E-5 Fair Business, Advertising and Competition	-	N/A	Not Applicable (no case of legal sanctions)
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	6.6, 6.6.7, 6.8.7	D-3 Legal and Customer Requirements	-	N/A	Not Applicable (no case of legal sanctions)
Product Responsibility: Disclosure on Management Approach			6.2, 6.6, 6.7		62		
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	6.3.9, 6.6.6, 6.7, 6.7.4, 6.7.5		50, 52	●	Hazardous Substance Management System (HSMS, eco-friendly design)
	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	6.7, 6.7.3, 6.7.4, 6.7.5, 6.7.6, 6.7.9	E-3 Disclosure of Information E-4 Intellectual Property	-	○	-
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling			-	N/A	Not Applicable (no cases of violating any labeling regulations)
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	6.7, 6.7.4, 6.7.5, 6.7.6, 6.7.8, 6.7.9	D-3 Legal and Customer Requirements	64	●	Customer satisfaction survey
Marketing Communication	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications	6.7, 6.7.3, 6.7.6, 6.7.9	E-5 Fair Business, Advertising and Competition	-	○	-
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship		E-5 Fair Business, Advertising and Competition	-	○	-
Customer Privacy	PR8	Total number of substantiated complaints regarding breaches of easures customer privacy and losses of customer data	6.7, 6.7.7	D-3 Legal and Customer Requirements D-11 Documentation and Records E-6 Protection of Identity	45	●	Information Security
Compliance	PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	6.7, 6.7.6	D-3 Legal and Customer Requirements	-	●	No case of legal sanctions



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