

# ESG Bond Annual Report

*LG Electronics 2024 Sustainability Bond*

**BETTER**  
**LIFE**  
**FOR ALL**

**Life's  
Good.**

# I. LG Electronics Overview

## Company Overview

### Introduction to the Corporation

<b>Name</b>	LG Electronics Inc
<b>Headquarters</b>	LG Twin Towers, 128 Yeoui-daero, Yeongdeungpo-gu, Seoul, Korea
<b>Industry</b>	Manufacturing
<b>Major Products</b>	Refrigerators, Washing Machines, Air Conditioners, Vacuum Cleaners, TVs, Audio Sound Systems, Automotive Components, Monitors, PCs, Signage, etc.
<b>CEO</b>	William (Joowan) Cho
<b>Foundation</b>	October 1, 1958
<b>Credit Rating</b>	S&P: BBB (Stable) / Moody's: Baa2 (Positive)
<b>Sales</b>	USD 64.3 billion
<b>Operating Income</b>	USD 2.5 billion
<b>Total Assets</b>	USD 48.1 billion
<b>Total Liabilities</b>	USD 29.6 billion
<b>Total Equity</b>	USD 18.5 billion

\* As of 2024FY / Figures based on Consolidated Financial Statements / Exchange rate: USD 1 = KRW 1,365

LG Electronics Inc. ("LGE" or "the Company") is a USD 64.3 billion sales global manufacturing company that produces major products including household appliances, electronics, automotive components, and others. Established in 1958, LGE employs 72,813 people as of December 31, 2023. As a flagship member of the LG group, LG Corporation is LGE's largest shareholder and currently holds 34.34%. The National Pension Service holds 7.60% as of the December 31, 2024.

### Status of Shareholders Holding 5% or more

Shareholder	Number of Shares	Shareholding Ratio (%)
LG Corp	56,189,953	34.34
National Pension Service	12,433,525	7.60

Headquartered in Seoul, South Korea, the Company operates across the H&A (Home Appliance & Air Solution / Accounts for 38% of Sales), HE (Home Entertainment / Accounts for 17% of Sales), VS (Vehicle component Solutions / Accounts for 12% of Sales), and BS (Business Solutions / Accounts for 7% of Sales) divisions. and operates 145 business sites globally, with 60% of sales generated from overseas.

### Global Sales Composition

Region	Sales (KRW 100 mn)	Sales (USD bn)	Proportion (%)
Korea	356,758	26.14	40.7%
Americas	228,959	16.77	26.1%
Europe	136,229	9.98	15.5%
Asia, Africa & Others	155,336	11.38	17.7%
Total	877,282	64.3	100.0%

\* As of 2024FY / Exchange rate: USD 1 = KRW 1,365

## II. LG Electronics' Commitment to ESG

Since declaring the environmental policy in 1994, LGE has been committed to achieving sustainability. LGE has established detailed strategies to achieve an objectives set below.

### 3C Strategies for the Planet

#### 01 Carbon Neutrality

- Achieving Carbon Neutrality by 2030
- Achieving 100% renewable energy at all business sites by 2050, as an RE100 participant

#### 02 Circularity

- Having achieved a goal of 95% waste recycling rate, LGE targets to maintain 95% or higher
- LGE continues to use environmentally friendly materials for product manufacturing and packing

#### 03 Clean Technology

- LGE is reducing GHG emission intensity at the product use stage through high-efficiency energy products

### 3D Strategies for People

#### 01 Decent Workplace

- Achieving zero critical non-conformances at 100% of production sites by 2030
- Evaluate the suitability of the ESG management of suppliers and provide related training and consulting

#### 02 Diversity & Inclusion

- Target to increase 'ratio of disabled persons in employment to 3.5% in Korea and 25.5% of female employees on a global basis by 2030

#### 03 Design for All

- Improve the accessibility of product and service, including the provision of sign language counseling, braille sticker, comfort kit, etc.

### Sustainable Business

LGE has been taking steps to implement sustainability across its entire business including energy, electric vehicles, Accessibility and Environmental ecosystem.

#### Energy

##### Efficient ESS with a high level of Confidence

- LGE's ESS has improved the efficiency of PCS (Power Conversion System) and minimized electricity losses



Centralized Control Solution



Individual Control Solution

#### Vehicles

##### Space-Customized EV Charging Solutions

- LGE introduced three EV charging solutions (7kW, 100kW, 200kW) optimized for various spaces



EV Charging Solutions

#### Accessibility

##### Comfort Kit for Home Appliances

- Using an advisory group of people with different disabilities, LGE developed the comfort kit which can be attached to exiting products to boost user experience



LG Comfort Kit

#### Water, Waste and Ecosystem Restoration

##### Water-Soluble Glass

- LGE is developing a water-soluble glass which changes to a mineral ions when dissolved in water. Such can be utilized to help algae grow in the ocean, restoring marine ecosystems



Water-Soluble Glass

## II. LG Electronics' Commitment to ESG (Cont'd)

### LG Electronics Sustainable Finance Framework

#### Overview

As a leading global institution, LGE is committed to generating sustainable impact internationally. LGE's sustainability agenda enables the company to translate business activities into meaningful global contributions, which forms the foundation of The LGE Sustainable Finance Framework.












The LGE Sustainable Finance Framework ("Framework") sets out the governance and processes under which LG Electronics intends to issue Green, Social or Sustainability ("GSS") bonds, loans, and other debt-like instruments and in doing so contribute to positive environmental and social impacts. The net proceeds of any GSS finance instruments or an equivalent amount will be allocated for the financing or refinancing of eligible green and/or social projects, upon the supervision of LGE's Sustainable Finance Working Group.

The Framework aligns with International Capital Markets Association ("ICMA") Green Bond Principles (2021) and Social Bond Principles (2023), Loan Market Association ("LMA"), Asia Pacific Loan Market Association ("APLMA"), Loan Syndications and Trading Association ("LSTA"), Green Loan Principles (2021), Social Loan Principles (2023), and adopts the following key pillars:

Use of Proceeds	Process for Project Evaluation & Selection	Management of Proceeds	Reporting
<ul style="list-style-type: none"> <li>The proceeds will be used to finance or refinance LGE's green and/ or social projects</li> </ul>	<ul style="list-style-type: none"> <li>Eligible projects will be reviewed by LGE's Sustainable Finance Working Group (SFWG), which consists of Finance and ESG teams</li> </ul>	<ul style="list-style-type: none"> <li>LGE will track the allocation of proceeds to eligible projects with a separate ledger</li> <li>36-month lookback period for OPEX as per EU Green Bond Standard</li> </ul>	<ul style="list-style-type: none"> <li>LGE commits to publish a post-issuance report annually, covering allocation and impact reporting</li> </ul>
External Review			
<ul style="list-style-type: none"> <li>LGE may engage an independent third party to conduct post-issuance assurance on the allocation &amp; reporting</li> </ul>			

#### Use of Proceeds

The net proceeds raised under the Framework or an equivalent amount will be used to finance or refinance in whole in part, expenditure on projects that are consistent with the eligibility criteria. For use of proceeds, The Framework specifies the allocation of proceeds to eligible Green and Social projects in line with UN SDGs, including investment for Eco-certified Products, Green Building and providing financial support to socially vulnerable groups.

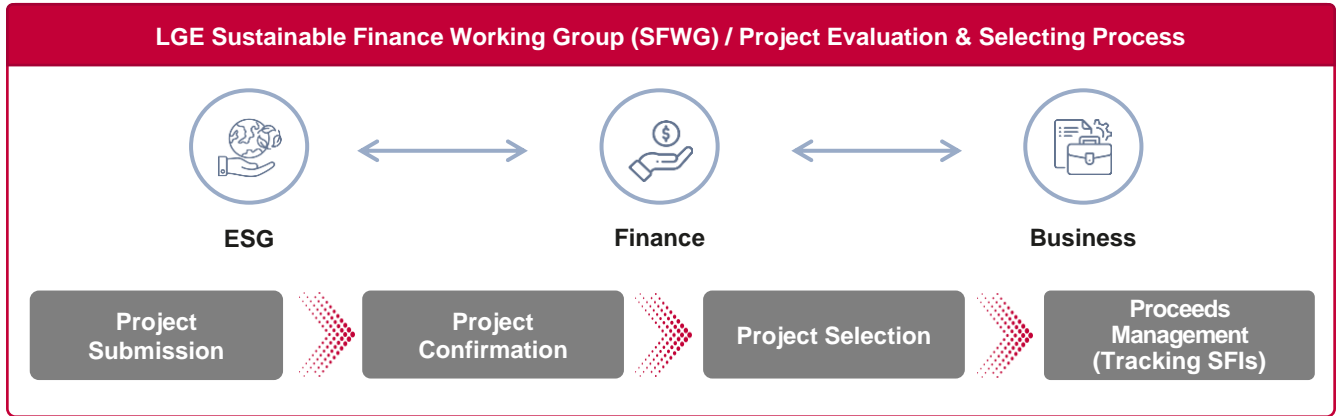
Eligible Green Projects				Eligible Social Projects	
					
Circular Economy	Eco-Certified Products	Energy Efficiency	Renewable Energy	Socioeconomic Advancement and Empowerment	Access to Essential Services - Education
					
Green Buildings	Sustainable Water and Wastewater Management	Pollution Prevention and Control	Clean Transportation	Employment Generation	

## II. LG Electronics' Commitment to ESG (Cont'd)

### LG Electronics Sustainable Finance Framework (Cont'd)

#### Sustainable Finance Working Group / Project Evaluation & Selecting Process

LGE's Sustainable Finance Working Group ("SFWG") has been established to closely review, approve, and monitor the use of proceeds upon initial project selection, which followed by post issuance report of proceeds' allocation and impact. SFWG consists of senior representatives from the Finance and ESG department.



For new issuances, Finance team will coordinate and compile the submission of identified projects for the SFWG's review. The identified projects' environmental and/or social credentials will be obtained and confirmed via liaison with relevant business partners and internal departments. The SFWG will consider potential projects, assess their eligibility, and may approve those that qualify as eligible.

#### Reporting

LGE will publish a post-issuance report annually, or more frequently in case of material developments. The reporting will provide the following information:

Reporting Standards	
<b>Allocation Reporting</b>	<b>Impact Reporting</b>
<ul style="list-style-type: none"> <li>Allocation amount by eligible category and relevant SDGs</li> <li>Allocation amount by geography</li> <li>Proportion between financing and refinancing</li> <li>Project examples, subject to confidentiality</li> </ul>	<ul style="list-style-type: none"> <li>Subject to data availability, ICMA Harmonized Framework for Impact Reporting to be referenced</li> </ul> <p><i>i.e. number of green buildings &amp; type of certifications, % in recycled materials in product</i></p>

#### External Review (DNV)

LGE has engaged DNV to provide external review to assess that the Framework is in line with relevant Principles and guidelines. DNV has assessed that the Framework meets the LGE's Criteria and Principles.

Category	DNV's Comments
Use of Proceeds	<i>Eligible categories outlined in the Framework are consistent with the categories outlined in the Principles</i>
Process for Project Evaluation and Selection	<i>Project evaluation and selection process described in the Framework is appropriate and aligned with market practice</i>
Management of Proceeds	<i>Proceeds arising from the future issuances will be appropriately managed</i>
Reporting	<i>LGE's reporting is aligned with the relevant Principles</i>
<b>Overall</b>	<b><i>LGE's Sustainable Finance Framework meets the criteria established in the Protocol and are aligned with the Principles</i></b>

# III. LG Electronics 2024 Sustainability Bond Overview

## Transaction Summary

Issuer	LG Electronics	
Issuer Ratings (M/S/F)	Baa2 (stable) / BBB (stable) / BBB (stable)	
Issue Ratings (M/S)	Baa2 / BBB	
Format, Structure	144A/Reg S, Senior Unsecured	
Tenor	3-year	<b>5-year (Sustainability)</b>
Currency, Size	USD 500 million	USD 300 million
Issue Date	24 April 2024	24 April 2024
Maturity Date	24 April 2027	24 April 2029
Coupon	5.625%	5.625%

## Key Aspects

On April 18th, 2024, LGE was able to build up solid Indication of Interests and made decision to make its return to the international capital markets in 17 years with USD 800 mn 3 and 5Y Reg S/144a deal. The deal marks LGE's first USD public issuance in 17 years since 2007, and its first public foreign currency bond issuance in 12 years, following CHF 215 mn size bond issuance in 2012.

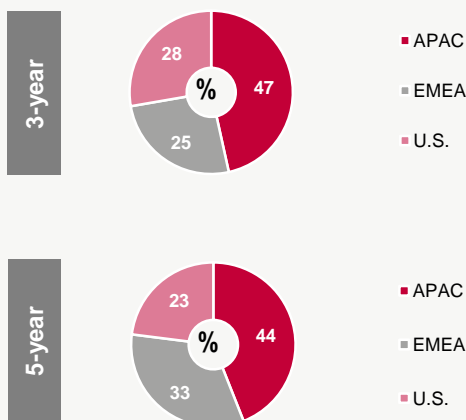
LGE was able to successfully closed the transaction, despite an unfavorable bond issuance environment at the time, marked by diminished expectations of U.S. base rate cut and escalating conflicts in the Middle East. This success was attributed to LGE's strong financial performance, its standing as the world's leading home appliance company and the company's effort to diversify business areas which were valued by investors.

The proceeds for the LGE's Sustainability bonds are intended to be used for eco-friendly investments, such as green buildings.

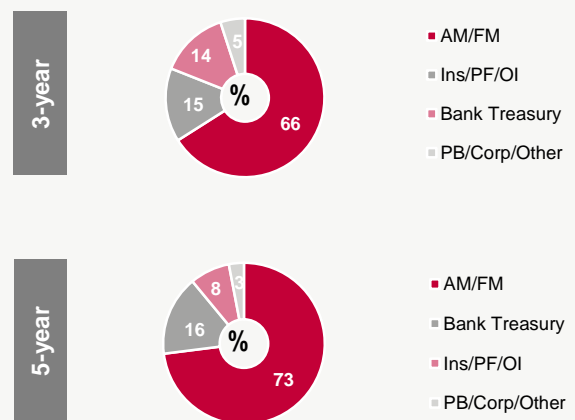
## Deal Stats

LGE released IPG at T+135 and T+150 area, representing NIC of ~35 bps to start. Within 30 mins, combined books reached over USD 2.0 bn as all the IOIs firmed up. The books continued to build strongly and reached USD 4.5 bn around noon HKT. LGE released FPG at Asia close, armed with a peak order book of approximately USD 10 bn, which allowed LGE to tighten aggressively by 40 bps.

Distribution by Region




Distribution by Investor Type

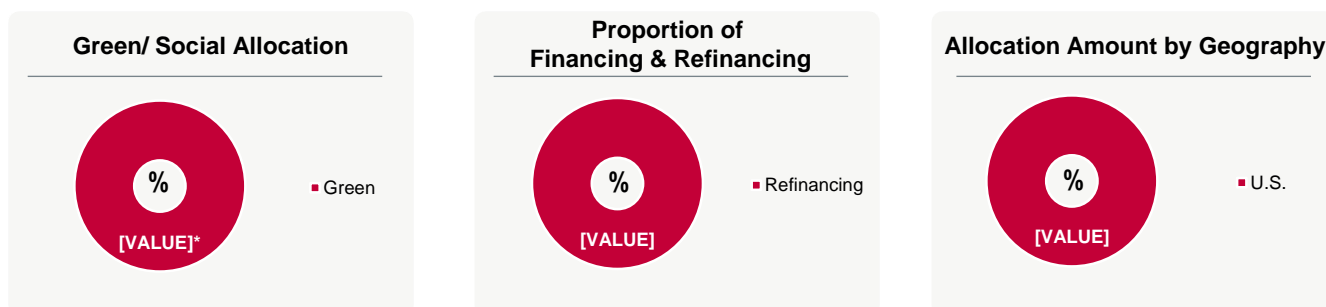


## IV. Allocation & Impact Reporting

Based on the indicators outlined in the LGE Sustainable Finance Framework, the following is the allocation and reporting for LGE 2024 Sustainability Bond, which proceeds are allocated to green building category.

### Allocation Reporting

ESG	Category	Supporting SDGs	Project	Amount of Allocated Proceeds (USD mn)	% of Total
Environmental	Green Building	 SDG 9.4  SDG 11c	North America Headquarters	300	100%
<b>Total</b>				300	100%



\* LGE has decided to allocate 100% towards green projects after internal discussion/ procedure from its sustainability bond  
LGE will provide an updated post issuance report should there be an update in project allocation in the future

Proceeds of LGE 2024 Sustainability bond were allocated to the construction of LGE's North America Headquarters, which qualifies as Eligible Green Project under LG's Sustainable Finance Framework. The Framework categorizes the project under the Green Building category, supporting SDG 9.4 and 11c. The proceeds were used to refinance the construction project in the U.S. region.

### Impact Reporting

Number of Green Buildings Constructed	Type of Green Building Certification	Area of Green Buildings Built	Annual Greenhouse Gas Emissions Avoided
1	LEED Platinum	Building: 32,575 square metres Parking Lot: 30,291 square metres	5,215,290 kgCO <sub>2</sub> e *
<b>Total</b>	<b>1</b>	<b>62,866 Square metres</b>	<b>5,215,290 kgCO<sub>2</sub>e</b>

\* The average annual GHG emissions avoided (30% less greenhouse gas emissions compared to regular buildings)

By setting the highest sustainable design & construction goals together with the Architect & Contractor, LGE was able to achieve LEED Platinum Certification on its North America Headquarters. The current operation of the green building follows all of the set required operation practices from the LEED Platinum Certification.

# Green Project Overview



## LGE North America Headquarters

Building Area	Stories	Occupancy
<b>62,866 square metres</b>	<b>5</b>	<b>1,440</b>
Occupation Permit Date		<b>March 2020</b>

Project Name	LGE North America Headquarters	
Location	111 Sylvan Ave, Englewood Cliffs, NJ 07632, United States	
Gross Floor Area	TBC	
Certification	LEED Platinum	<b>Certification Date</b> March 24 <sup>th</sup> , 2020
Net Proceeds Allocated	USD 300mn (from its 5-year Sustainability Bonds Issuance in April 2024)	
Green Impact Highlights	Number of Green Building Constructed	1
	Annual GHC Emissions Reduced or Avoided	5,215,290 kgCO <sub>2</sub> e
Sustainable Building Operation Practices	<ul style="list-style-type: none"> <li>Continued power purchase of Green-e accredited Tradable Renewable Certificates (RECs) equal to 100% of the predicted annual electrical consumption</li> <li>Continuing to provide appropriately sized dedicated areas for the collection and storage of materials for recycling</li> <li>Continuing to monitor &amp; prohibit smoking within 25 feet of entries, outdoor air intakes, and operable windows</li> <li>Continuing the Green Housekeeping program and Cleaning Policy. The policy follows the LEED-EB O+M Policy Model which includes detailed information regarding staff training, cleaning processes and chemicals</li> </ul>	
Sustainable Construction Methods	<ul style="list-style-type: none"> <li>Project has diverted 83.65% of the on-site generated construction waste from landfill</li> <li>20.01% of the total building materials, content, by value, has been manufactured using recycled materials</li> <li>21.56% of the total building material s value included materials and products that have been manufactured and extracted within 500 miles of the project site</li> <li>All adhesive and sealant products used on the inside of weatherproofing system and applied on sited comply with the VOC limits of the referenced standards</li> <li>All paint and coating products used on the inside of the weatherproofing system and applied on site comply with the VOC limits of the referenced standards</li> <li>All composite wood and agrifiber products used on the interior of the building and all laminating adhesives used to fabricate on-site and shop-applied composite wood and agrifiber assemblies contain no added urea- formaldehyde resins</li> </ul>	