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LG Electronics Canada

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# 2023 Report on Fighting Forced Labour in Canadian Supply Chains

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2023

**Life's Good.**

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# 02 Introduction

This is the first report by LG Electronics Canada, Inc. (LGECI) on the steps we take to reduce the risk of forced or child labour in our supply chain, which reflects our commitment to being purpose led and creating a 'Better Life for All'. As a customer centric business, upholding respect for human rights is critical across our operations and supply chain as we continue to be guided by our [Jeong-Do Management](#) philosophy which is based on people-oriented management and customer-value creation.

LGECI recognizes the ever-present risk of human rights violations with suppliers and others in our supply chain and acknowledge our responsibility to address the risk. Since 2006, our parent LG Electronics Inc. (LG), has published a [sustainability report](#) which outlines the company's environmental, social and governance (ESG) goals, activities and performance. In August 2023, LG declared its [Better Life Plan 2030](#) which focuses on the implementation of environmental and social ESG Strategic Initiatives including strengthening supply chain ESG risk management. Key action items include:

- System certification for production sites;
- Increasing the number of on-site audits at production sites (at least once every 3 years) and fostering experts at each site;
- Expanding self-assessment of secondary suppliers and consulting for suppliers;
- Reinforcing an evaluation system with ESG factors when registering a new supplier; and
- Keeping the proportion of high risk at 0.5% or lower for a supplier's self assessment factors.

Moving forward, LG remains focused on achieving these strategic initiatives. This Report explains our progress on meeting the requirements of the [Fighting Against Forced Labour and Child Labour in Supply Chains Act](#) by reporting:

We continue to work towards strengthening our ESG compliance by enhancing our child and forced labour risk management practices in our supply chain, and are committed to continuously improving our business practices to create a 'Better Life for All', inclusive of our customers, employees, suppliers, investors, business partners, local communities, and the environment.

References in this Report to "LG" or "LG Electronics", refer to LGECI's parent company LG Electronics Inc. References to LGECI refer to LG Electronics Canada, Inc. References to "our", "us", and "we" refers to LG Electronics Canada, Inc. and/or its parent company LG Electronics Inc. as indicated by the context.

1. Steps taken during LGECI's previous financial year to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by LGECI or of goods imported into Canada by LGECI;
2. LGECI's structure, activities, and supply chains;
3. LGECI's policies and due diligence processes in relation to forced labour and child labour;
4. The parts of LGECI's business and supply chains that carry a risk of forced labour or child labour being used and the steps we have taken to assess and manage that risk;
5. LGECI's measures to remediate any forced labour or child labour;
6. LGECI's measures to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in our activities and supply chains;
7. The training provided to employees on forced labour and child labour;
8. How LGECI assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains.

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# 03 Structure, Activities and Supply Chain

## Structure & Activities

LG Electronics Canada, Inc. (LGECE) is a Canadian company established in October 1986. LGECE is the Canadian subsidiary of LG Electronics Inc. (LG), which is headquartered in Seoul, South Korea and a global innovator in technology and consumer electronics. LGECE employs approximately 300 people in Canada, and globally, LG employs over 75,000.

LGECE, maintains its corporate headquarters in Toronto, Ontario, and primary warehouse locations in Toronto and Vancouver. The Canadian subsidiary is comprised of four sales divisions - Home Appliance, Home Entertainment, Business Solutions and Air Solutions. LGECE is focused on delivering award-winning products known for blending style and technology. These innovative products include TVs, audio solutions and portable devices, home appliances, residential and commercial air solutions, computer monitors and laptops, and industry-leading OLED and LED digital display solutions. As a subsidiary of the LG corporate group, LGECE is subject to LG's global policies.

LGECE itself does not manufacture any products and relies on other entities (including members of the LG corporate group) to supply LG products to LGECE. LGECE is responsible for marketing, promoting, selling, and distributing LG products and services in Canada.

## Supply Chain

LG's global supply chain is highly complex, comprised of thousands of suppliers worldwide. Our supply chain includes the sourcing of raw materials, the design, engineering, and manufacturing of our products.

LG's upstream supply chain includes the extraction of minerals to the assembling and manufacturing of its products and parts, to the transportation of those items to Canada. LG is reliant on a network of first-tier suppliers for the sourcing of materials and components and collaborates with its suppliers across the globe, to manage ESG risk associated with human rights violations, labour issues, exclusion of underprivileged people, unfair and unethical activities in its global supply chain.



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# 04 Policies and Due Diligence Processes

LGECI recognizes that policy frameworks and contractual documents are integral to mitigating modern slavery risks in our operations. LGECI's internal policies articulate the human rights expectations we have of our team members and provides them with knowledge around the grievance management processes. All policies are available on the LGECI intranet or accessible on our [global website](#).

## Applicable Policies

- **Code of Ethics.** Sets out how we expect our team members to behave towards each other, customers, competition and the broader community.
- **Whistleblower Policy.** Promotes our compliance with whistleblower regulations which includes an anonymous reporting channel for team members (including contractors), their family and associates to raise serious matters they don't feel comfortable raising through other channels, including breaches of the law.
- **Workplace Health and Safety Policy (Internal LGECI Policy).** Outlines our commitment to the physical and psychological safety and health of our customers, team members and business partners.
- **Safety & Health Policy and Environmental Policy (SHEE).** Both global policies encourage internal and external stakeholders to do their utmost to preserve the environment, pursue sustainable social development by minimizing resource consumption, developing eco-friendly production processes & products and optimizing energy efficiency.
- **Global Labour Policy.** Articulates our commitment to respect the standards established by the UN, ILO, OECD and other international labour organizations.
- **Diversity and Inclusion Policy.** Highlights LG's commitment to value and respect the unique contributions of people with diverse backgrounds.
- **Code of Conduct.** Promotes fairness and transparency in LG's daily business, to ensure the healthy development of the company and to earn the trust of customers by complying with applicable laws and regulations.

- **LGE Supplier Code of Conduct.** Stipulates what LG requires from its suppliers so that they will implement a safe working environment, respect the human rights of their employees, fulfill their responsibilities to protect the environment, and operate their business ethically.

## Due Diligence

LGECI recognizes the essential need for a robust risk management framework that can identify risk factors in advance and guide our internal and external stakeholders in achieving ethical business practices.

## Responsible Business Alliance (RBA) Codes

In addition to compliance with legislation, LG Electronics is a member of the Responsible Business Alliance (RBA), a nonprofit organization consisting of companies that make concerted efforts to create sustainable value for labour, environment and business.

## Supplier Code of Conduct

Based on the RBA Code of Conduct and other international norms, LG has created a Supplier Code of Conduct, which requires compliance from all of its suppliers. In order to encourage the voluntary compliance of our suppliers with our Code of Conduct, we ensure it is communicated in our purchase agreements and suppliers are also provided with a guide. Among several other directives, the Supplier Code of Conduct requires from a Supplier, a commitment that it will:

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# 04 Policies and Due Diligence Processes

1. Respect human rights of workers;
2. Ensure a safe working environment;
3. Provide an environment-friendly workplace; and
4. Not procure materials through illegal and/or unethical means.

As part of actions taken to assess and address forced and child labour risks, LG operates a pre-verification process upon the registration of new suppliers to ensure their commitment to our Supplier Code of Conduct is plausible and can be upheld.

### Assessing Forced and Child Labour Risks

In assessing forced and child labour risks and practices, LG uses several benchmarks for standards. In accordance with the UN Guiding Principles on Business and Human Rights, LG conducts due diligence in its supply chain as described in this Report.

To support the systematic management of ESG risk, LG has established an ESG inspection process for upstream suppliers, which consists of supplier self-assessment, on-site inspection, and third-party ESG management conformity certification. LG strengthened its supplier-led risk management capabilities by addressing supplier non-conformities and providing ESG management training to high-risk suppliers and major suppliers through on-site inspections. LG has also set the goal to check the risks of its first-tier suppliers while reducing the ratio of suppliers with a high level of risk.

To enhance the sustainability of the entire supply chain, LG Electronics identifies risk factors in advance and continuously strives to manage these factors and mitigate risk.

With the goal of assessing ESG risks of all first-tier suppliers and reducing the proportion of high-risk suppliers, LG established a supplier ESG assessment process and continuously operate this for systematic ESG risk management.

In addition, self-assessments are carried out by our major suppliers with an assessment sheet covering labour, human rights, safety, health, environment, and ethics. For our high-risk suppliers, we offer improvement measures through on-site assessments and consultations. Furthermore, ESG management training is provided for suppliers and overseas subsidiaries in order to strengthen their operational risk management capabilities so that suppliers can diagnose and manage ESG risk autonomously.

### Supplier Self-Assessment

LG Electronics conducts supplier self-assessments once a year. An in-depth evaluation sheet that we developed by applying the RBA guide is used during these assessments. We conduct assessments based on the ESG self-assessment system to enhance the fidelity of improvement activities aimed at addressing non-conformities. Improvement tasks that are derived for non-conformities are registered in the ESG management system. Potential issues with suppliers such as those related to labour, human rights, safety, health, environment, and ethics were identified accordingly and classified into the categories of low, moderate and high-risk. In 2023, self-assessments were conducted by 1,266 suppliers globally and LG pursued on-site assessments for 12 high-risk suppliers and provided consultation on improvement tasks for those suppliers to further understand the risks and take preventative actions.

Supplier CSR SAQ Results			
	2021	2022	2023
No. of Suppliers	1,289	1,231	1,266
High Risk	13	8	12
Ratio of High Risk	1.0%	0.7%	0.9%

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# 04 Policies and Due Diligence Processes

In 2023 LG continued to provide training for our supplier workforce in partnership with an RBA-certified institution to enhance the objectivity of the assessments. We continued to reduce the proportion of high-risk suppliers by improving and applying the risk-assessment process for our suppliers. For the 2023 Reporting Period, the number of suppliers increased as did the ratio of high-risk suppliers, from 0.7% to 0.9%. LG remains committed to reaching 0.5% by 2030. In the future, we have plans to support suppliers so that they can autonomously carry out assessments.

Supplier ESG Self-Assessment Details (by region)				
Region	High Risk	Medium Risk	Low Risk	Total
Korea	3	99	227	329
China	0	50	354	404
Asia	6	83	258	347
Americas	3	22	72	97
Europe/CIS	0	21	48	69
Middle East & Africa	0	9	11	20
<b>Total</b>	<b>12</b>	<b>284</b>	<b>970</b>	<b>1266</b>

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# 04 Policies and Due Diligence Processes

## Risk Management at Production Sites

During 2023, LG Electronics conducted self-assessments of all 30 production sites. LG Electronics adopted a risk assessment tool developed by the RBA, called the Self-Assessment Questionnaire (SAQ). This online tool enables LG to share results with multiple customers and supports multiple languages. The SAQ consists of approximately 350 questions and provides an overview of risk levels in labour, Health & Safety, Environment, and Ethics. By implementing the RBA SAQ directly, LG can conduct self-assessments more efficiently and transparently, and direct resources to on-site audits.

Risk Self-Assessment Questionnaire (SAQ) for LG Facilities			
	Low	Moderate	High
Labour	23	7	0
Health & Safety	24	6	0
Environment	20	10	0
Ethics	21	6	3
<b>Total</b>	<b>24</b>	<b>6</b>	<b>0</b>

LG's 2023 Self-Assessment Results showed improvement compared to 2022 results, from 17 low-risk and 13 moderate-risk to 24 low-risk and 6 moderate-risk facilities. Although there were methodology changes in the self-assessment, we can see the positive trend of the risk management level at each production site. Based on a thorough review of each facility's result, we found no serious issues relating to labour and human rights, including slavery and human trafficking.

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# 05 Managing the Risks of Forced or Child Labour in our Business and Supply Chain



## Third-party Audits of Business Sites

To support the extensive assessment of its supply chain operations, LG Electronics selects fifty companies to provide consulting services to ensure that our ESG practices are inspected by a reliable certification company to strengthen our competitiveness and foster sustainable co-prosperity of both LG Electronics and its suppliers.

In 2023, LG instigated 45 on-site audits including 10 Validated Assessment Program (VAP) audits for its own manufacturing sites, conducted by third party auditors to ensure the objectivity of the assessment and improve the risk management capabilities of each business site. Among 45 audits, 35 audits were initiated by customer and 10 audits were initiated by LG. Most non-conformity issues that were highlighted by the audits included 'Working hours', and 'Emergency preparedness'. In terms of labour issues, the majority were due to issues with exceeding the number of dispatched workers in China. Although there were no serious findings such as trafficking or slave labour, LG conducted a thorough investigation for all subsidiaries in China. After the on-site audits, the facilities were required to develop and implement improvement plans for corrective and/or preventative action.

Furthermore, LG launched a taskforce to improve processes and reporting in 2024.

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# 05 Managing the Risks of Forced or Child Labour in our Business and Supply Chain

Area	Category	No. of findings	
		All audits (45)	Customer audits (33)
Labour	Working Hours	115	90
	Wage and Benefits	29	21
	Forced Labour	26	12
	Non-discrimination	12	6
	Other	13	8
Health & Safety	Emergency Preparedness	104	77
	Occupational Safety	45	27
	Food, Sanitation and Housing	14	7
	Machine Safeguarding	11	8
	Occupational Injury and Illness	10	7
	H&S Communication	10	6
	Other	12	5
Env.	Water Management	8	4
	Other	12	1
Ethics	No Improper Advantage	4	0
	Other	1	0
Mgmt. System	Supplier Responsibility	10	2
	Training	8	1
	Legal and Customer Requirement	5	2
	Other	24	5
<b>Total</b>		<b>473</b>	<b>289</b>

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The results of the ESG risk self-assessments and on-site due diligence is reflected in LG's purchasing contract evaluation process which in turn promotes ESG compliance.

# 06 Remediation Measures



## Commitment to reduce high-risk suppliers from 1.5% to 0.5% by 2030

To enhance the sustainability of the entire supply chain, LG Electronics identifies risk factors in advance and continuously strives to manage these factors and mitigate further risk.

With the goal of assessing ESG risks of all first-tier supplies and reducing the proportion of high-risk suppliers, LG established a supplier ESG process and continuously operate this for systematic ESG risk management.

In addition, self-assessments are carried out by LG's major suppliers with an assessment sheet covering labour, human rights, safety, health, environment, and ethics. For high-risk suppliers, LG offers improvement measures through on-site assessments and consultations.

In addition, ESG management training is provided for suppliers and overseas subsidiaries in order to strengthen their operational risk management capabilities so that suppliers can diagnose and manage ESG risk autonomously.

In 2023, LG's Supplier Grievance Hotline continued to operate in order to address the grievances of suppliers, including the reporting of unethical conduct and other ethical or human rights violations, promoting transparency and accountability.

### Provision of Support for High-Risk Suppliers

#### ESG Management Conformity Certificates

To ensure the suitability of ESG management practices, LG collaborated with globally recognized certification companies such as SGS. These companies conducted on-site visits in 2023 to assess high risk supplier ESG categories including labour, safety and health, the environment, and corporate ethics, based on the RBA Code of Conduct.

Through this collaborative effort, LG provided support to suppliers, enabling them to enhance their capabilities. Subsequently, conformity certificates were issued to suppliers who completed the ESG inspection and demonstrated improvements.

#### Support for enhancing ESG Management Capabilities of Global Staff and Suppliers:

In 2023, LG continued its efforts to foster a strong ESG culture through the following programs:

Online training focusing on workers' human rights and safety and health management in the supply chain for purchasing managers; and

Key executive training for supplier companies with specialised training institutions in line with tightening safety health laws and regulations.

These initiatives reflect LG Electronics' commitment to advancing the capabilities of its suppliers and promoting responsible and ethical business practices across the supply chain.

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# 07 Addressing Lost Income to the Most Vulnerable

No measures were necessary as no such cases were found in the supply chain.



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## 08 Our Training to Employees on Forced and Child Labour

In 2024, LGECI continued its efforts to foster a strong ESG culture through the provision of online training provided by the RBA on preventing forced labour. This training is provided to our executive team including Human Resources leadership and our purchasing and supply chain management departments.



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# 09 Measuring the Effectiveness of Our Programs



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LG Electronics prioritizes ESG to deliver value to stakeholders and customers. Our purchasing function plays a crucial role in creating value by identifying and nurturing competitive suppliers.

In 2023, we conducted comprehensive assessments and implemented measures to address labour rights, safety and health, environmental impact, and corporate ethics throughout our supply chain. These efforts align with the RBA Standards and our Code of Ethics.

The increased participation in self-assessments, both globally and locally, indicates that more suppliers are proactively improving working conditions, leading to a more sustainable supply chain.


To ensure effective management, we have established a supplier-focused process that includes self-inspections, on-site inspections, and third-party ESG management conformity certification. This process is seamlessly integrated into our supplier ESG management system.

We are actively enhancing the risk management capabilities of our suppliers through targeted actions to address non-conformities and by providing ESG management training during on-site inspections, especially for high-risk and major suppliers.

Looking ahead, we remain committed to reducing the proportion of high-risk suppliers; continuously assessing modern slavery risks, and strengthening supply chain ESG risk management, both internally and externally, to mitigate risks. These efforts will be integrated into our existing and future management systems.

# 10 Signed Attestation

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for LG Electronics Canada, Inc. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Full name	Changbong Son
Title	CFO
Date	05/30/2024
Signature	 <a href="#">Changbong Son (May 30, 2024 15:41 EDT)</a>

I have the authority to bind LG Electronics Canada, Inc.

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