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Management Report
Our Data
Appendix
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Corporate Governance

Since the creation of LG Group’s holding company structure, LG Electronics has operated with an advanced corporate governance structure, centered on the Board of Directors (BOD). The BOD is committed to upholding the highest standards of management transparency, and to increasing corporate and shareholder value.

SHAREHOLDERS

As of year-end 2010, LGE’s total shares issued and outstanding were 161,833,806(144,647,814 common stock, and 17,185,992 preferred stock). The number of non-voting shares amounted to 17,949,149, or 11.1% of the total outstanding. LG Corp., the Group’s holding company, owns 34.8% of the shares. At the most recent Annual General Meeting(AGM), the CEO personally updated shareholders on current management issues. Shareholders’ opinions and suggestions were gathered, carefully considered by management and the BOD, and are reflected in corporate policy.

BOARD OF DIRECTORS

The BOD consists of 7 Directors, 4 of whom are Outside Directors. The directors are elected in accordance with the Korean Commercial Code and other related regulations. The BOD operates independently of any influence from major shareholders and management. The Outside Directors are appointed by the AGM following review by the Outside Directors Candidate Recommendation Committee, to ensure fairness and transparency in the nomination of candidates.

The Outside Directors are recognized professionals who monitor overall corporate management activities and provide substantial advice to management. The BOD actively provides recommendations for important management decisions and conducts unbiased evaluation and supervision of the management.

In 2010, the BOD met 10 times to review 38 agendas(28 approved, 10 reported). The attendance rate by all BOD members was 97%(The attendance of the outside director was 100%).

COMMITTEES

The BOD is supported by three Board Committees. They are the Audit

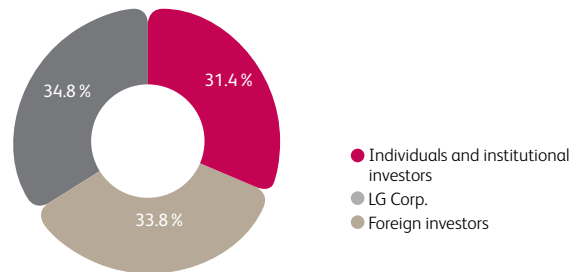
Committee, the Outside Director Candidate Recommendation Committee and the Management Committee. The Audit Committee consists of three Outside Directors, and is responsible for examining corporate financial records and accounting to ensure compliance with the accounting laws and transparency. The Management Committee reviews and determines the agendas delegated by the BOD and ordinary management activities. In 2010, the Management Committee reviewed a total of 52 agendas.

EVALUATION AND COMPENSATION

Compensation for the BOD members is made within regulations pertaining to BOD compensation that has been approved at the General Shareholder’s Meeting. The evaluation of management and executives of LGE is held annually. Top management and executives are evaluated to determine whether they have set and achieved challenging goals, whether their job objectives composed of quantitative and non-quantitative factors were achieved, as well as their capability through fair and objective process, and appropriate compensation corresponding to the outcome of the evaluation is determined.

Shareholders Status

As of December 31, 2010

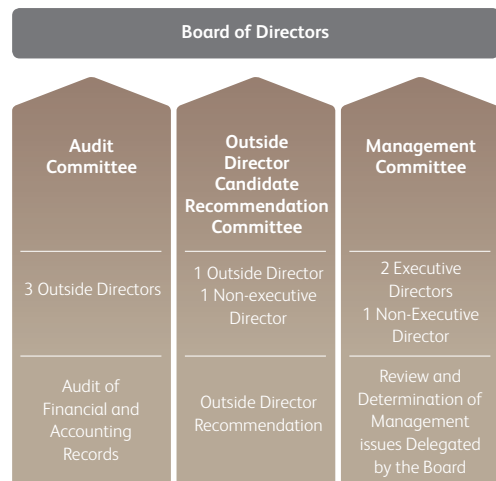


LG Electronics’ BOD Status

As of March 31, 2011

Category	Name	Career	Remarks
Executive Director	Bon Joon Koo	CEO, Vice Chairman	Management Committee (Chairman)
	Do Hyun Jung	CFO, Executive Vice President	Management Committee
Non-Executive Director	Yu Sig Kang	Vice Chairman of LG Corp.	Chairman of the Board of Directors Outside Director Candidate Recommendation Committee (Chairman) Management Committee
	In Ki Joo	Professor of Yonsei University	Audit Committee(Chairman) Outside Director Candidate Recommendation Committee
Outside Director	Kyu Min Lee	Adviser of SK Research Institute	Audit Committee
	Sang Hee Kim	Attorney (former Vice Minister of Justice)	Audit Committee
	Chong Nam Chu	Professor of Seoul National University	

Committees



Compliance Risk Management

LG Electronics regards sound and transparent management practices as essential to achieving individual success and global competitiveness. Throughout our global operations, LG Electronics pledges to comply with local laws and regulations, compete fairly, and uphold the highest standards of corporate conduct.

EFFECTIVE RISK CONTROL ACTIVITIES AT THE WORKSITE

As a part of our mission to establish “field-oriented risk management”, LGE has continued to implement various measures to promote effective internal control in all kinds of business operations, in all business sites through the development and deployment of corporate policies, training programs and self-review processes.

In 2010, these control activities were systematically monitored for the first time throughout 123 operations of LGE. These efforts have contributed to advancing the level of risk management throughout the company while solidifying Compliance Program as a whole.

SURVEY ON EMPLOYEES’ AWARENESS LEVEL OF COMPLIANCE

In an effort to better understand employees’ compliance awareness, LGE conducted its first corporate-wide compliance survey. Data was gathered from over 33,000 employees, and was analyzed into 5 elements of “Awareness”, “Tone at the Top”, “Responsibility”, “Prevalence” and “Group Pressure”. Through this survey, LGE was able to calibrate compliance culture within each operation, and build a long-term foundation for nurturing a better compliance culture at LGE.

CODE OF CONDUCT TRAINING IN 16 LANGUAGES FOR ALL NEW AND EXPERIENCED EMPLOYEES

In 2009, LGE conducted a the Code of Conduct training course for approximately 33,000 office-workers throughout the world. In 2010, the course was expanded to all new and experienced workers worldwide. The expanded course has been made available in 16 major languages used within LGE worldwide, and completion rates have improved from 77% in 2009 to 90% in 2010.

Code of Conduct in 16 Languages



French



Arabic



Chinese(Simplified)



Code of Conduct
Online Training
Program(French)

Compliance Risk Management Plan

- **Mid and long term vision and goal:** Establish effective field-oriented compliance risk management system
- **Strategic plans:** Establish a foundation for adopting and operating a corporate compliance system
- **Main achievements in 2010**
 - Improved effectiveness of risk control activities in the field
 - Enhanced employee understanding and awareness of compliance

Jeong-Do Management

LG Electronics established its Code of Ethics and supplementary guidelines to make clear to everyone in the corporate our high expectations for personal conduct and professional judgment. It applies the same standards to all suppliers and business partners who do business with LG Electronics.

CODE OF ETHICS HANDBOOK RELEASED IN 3 LANGUAGES

LGE drafted its first edition of Code of Ethics in 1994, based on the Jeong-Do Management. Since Chairman Bon Moo Koo announced LGE's management objectives as Jeong-Do Management and No.1 LG at an inauguration ceremony in 1995, the Code of Ethics has been well complied with throughout LGE. To help familiarize LGE's Code of Ethics and encourage employees to comply with Jeong-Do Management, a handbook was created in English, Korean and Chinese. This handbook not only specifies the LG Way and Jeong-Do Management pursued by LGE, but also includes the ethical guidelines such as Code of Ethics, Code of Ethics Practice Guide, and detailed action definitions, as well as a Q&A format of actions to be taken in the event of violation of Code of Ethics during the course of work.

GLOBAL TRAINING/PROMOTION ON JEONG-DO MANAGEMENT

LGE recognizes that Jeong-Do Management is not an option but an essential condition for its survival. LGE carries out Jeong-Do Management training programs and promotion activities each year to all the employees to prevent corruption and deeply root Jeong-Do Management culture. In 2010, efforts were made not only with employees in Korea but at global level to include overseas employees. As a result, a total of 18,873 employees completed the training program. In addition, Jeong-Do Management managers in overseas subsidiary

actively promoted the program in diverse ways to get the employees involved with Jeong-Do Management activities and understand its significance.

JEONG-DO MANAGEMENT TOGETHER WITH SUPPLIERS

In line with the trend of increasing importance of the Win-Win Relationship and CSR Management throughout the world, LGE has fully launched a Jeong-Do Management training program for domestic and overseas suppliers. With the start of training program for suppliers in India and Yentai, China in 2009, the program was expanded to include 141 suppliers in Tianjin, China in 2010. LGE is planning to include suppliers in Europe in 2011. LGE is continuously expanding its Jeong-Do Training Program for suppliers. Through the training programs, suppliers will have better understanding of LGE's Code of Ethics and the objectives related to Jeong-Do management and building a win-win relationship.

ESTABLISHMENT OF LGE'S COMMON CRITERIA FOR JEONG-DO MANAGEMENT

According to LGE's regulations, employees should report to the Ethics Department if they receive money or valuables from an interested party that is beyond an acceptable amount. But since the valuables were reported in KRW or USD only, it was difficult to apply this regulation in some overseas subsidiaries. Accordingly, new common criteria are set for each region, taking the region's price levels into consideration.

2011 IMPLEMENTATION PLAN

Internally, the training and promotion system will be rooted as a part of a corporate principle that will promote self-motivated participation in Jeong-Do Management by every employee. Externally, LGE will continue to make every effort to elevate the level of Jeong-Do Management in order to become an ethical enterprise that leads the electronics industry.

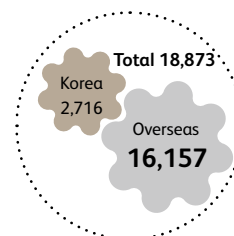


Jeong-Do Management Handbooks in Korean, English, and Chinese

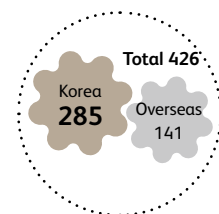


Jeong-Do Management Training Program(2010)

No. of employees(Unit: People)



No. of suppliers(Unit: Suppliers)



Fair Trade

LG Electronics implements and strengthens fair trade compliance programs to maintain awareness of fair competition rules and proper transaction standards throughout our value chain.

REINFORCING FAIR TRADE COMPLIANCE ACTIVITIES

Fair Trade Compliance managers are appointed from business divisions and supported by the Fair Trade Compliance Office at corporate headquarters. Training is conducted at each tier of the value chain, fair trade compliance, and initiate improvement activities are strengthened overall through this process. Fair Trade Compliance activities to enable all the employees to recognize that fair competition and trade mean not just complying with laws and regulations but are essential elements of corporate survival in the competitive market.

CARTEL PREVENTION ACTIVITIES

Cartels have become an issue both in Korea and throughout the world. Accordingly, LGE's CEO, CRO, and Fair Trade Compliance Officer sent e-mail notices to all employees warning them not to participate in cartels. In addition, live training for cartel prevention for employees was expanded to include members of the executive management team, employees of Korea Marketing Company, employees of various business divisions in Korea as well as overseas subsidiaries, reaching over 1,000 employees in 2010.

As part of the training program, participating employees are required to sign a Pledge of Cartel Compliance. In addition, in-depth interviews and audits are held for employees whose duties and responsibilities may expose them to cartels to prevent potential risk of cartel involvement. Furthermore, LGE continuously communicates with the relevant government agencies and law firms both in Korea and overseas to learn from cartel regulation trends and cartel-related cases. LGE integrates the knowledge to the Fair Trade Compliance activities.

WIN-WIN PARTNERSHIP AND FAIR TRADE AGREEMENT

LGE held the Win-Win Partnership and Fair Trade Agreement Signing Ceremony in September 2010. In the agreement, LGE pledged to provide financial support to 817 partners: KRW 61 billion in direct loans, indirect support of over KRW 270 billion, as well as 100% cash payments for their products and services. LGE has also promised to

support localization of parts, cooperative research and development, certification and procurement of green products, reassignment and other business related supports including training programs for long-term employees, online training, management competency enhancement, and management consulting. LGE will continue to provide the aforementioned support and will make every effort to improve the win-win relationship with its partners in 2011.

FUTURE DIRECTION

LGE is planning to increase its efforts in reorganizing the system so that each local business division at all levels of the value chain are able to perform self-supporting Fair Trade Compliance activities. Particularly, the Fair Trade Compliance Office at corporate headquarters is planning to visit over 20 overseas subsidiaries in 2011 to monitor their fair trade compliance activities and increase their awareness on this issue.



Live training for cartel prevention for employees

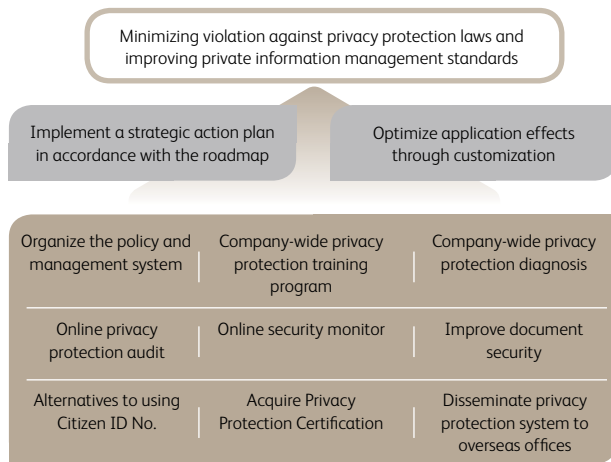
Privacy Protection

As we face the cutting-edge technology era of the 21st century, global enterprises are making every effort to protect valuable corporate information and customer information. Information security activity is recognized as an essential factor for LG Electronics' sustainable growth and LG Electronics is implementing diverse activities as a world leading enterprise.

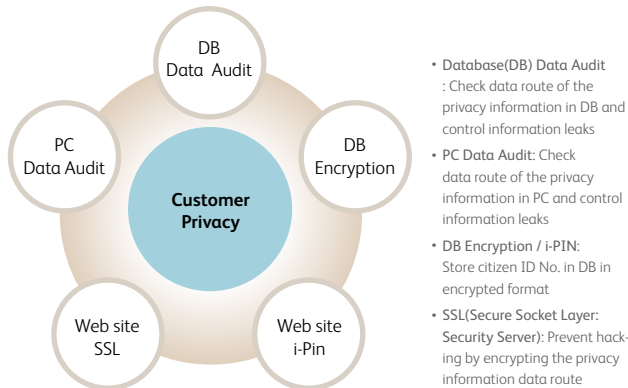
CUSTOMER PRIVACY

LGE conducts a scheduled privacy protection training program for system operators who directly manage customer information so that leakage of customer information by human error is prevented.

LG Electronics' Privacy Control Strategy



Applying Solutions to Secure Customer Privacy



CERTIFICATION OF PROTECTION FOR SECURING CUSTOMER INFORMATION

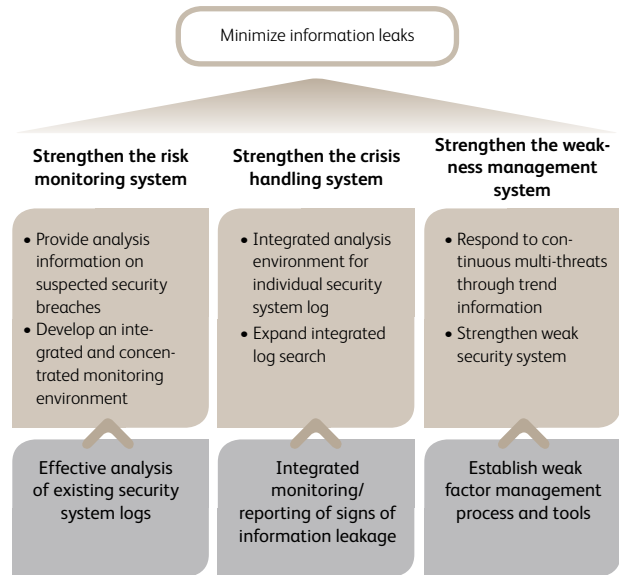


LGE and LG CYON websites protect customer information systematically and technically. LGE was certified as an outstanding privacy protection website by Korea Association for ICT Promotion(KAIT).

ESTABLISHMENT OF A GLOBAL INFORMATION SECURITY MANAGEMENT SYSTEM

LGE is currently building a monitoring system that detects any attempt to steal corporate and customer information, and is making efforts to build a system that can take measures in the event of an accident. It has minimized the risk of information leakage through integrated management of the Information Security System and by systematically analyzing whether or not the information has been leaked.

Minimizing information leakage risk by developing an integrated monitoring system



Not only at the business sites in Korea but throughout over 100 subsidiaries LGE operates a corporate-wide information security system. LGE holds "Global Security Conference" and training programs periodically to improve the capability of security managers. LGE performs periodical on-site audits for information security and customer information protection at least twice a year to identify weaknesses.

In 2006, LGE's MC R&D Center was certified by the Global Information Security Management System(ISO 27001), and LGE is operating a global information security management system at all business sites. It has established a risk analysis and management plan for its important management and technology information and has been continuously making improvements to the information security system. LGE has also established an information security system for suppliers. In this respect, LGE provides suppliers with information security training and carries out on-site audits twice a year.