

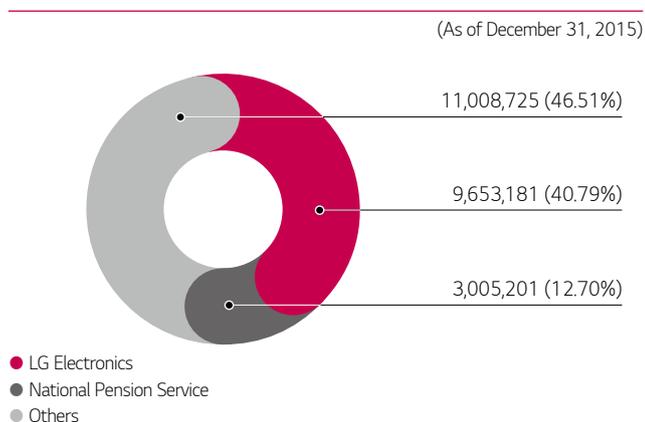
Corporate Governance

LG Innotek operates the Board of Directors with independence and professionalism to pursue rational and transparent management, which ensures the maximization of management efficiency and improvement of shareholder value.

Shareholder Structure and Value

As of December 31, 2015, the number of LG Innotek's outstanding shares stood at 23,667,107 (all common shares). The largest shareholder is LG Electronics, which holds 9,653,181 shares, or 40.79 percent. LG Innotek's CEO reports annual business results to shareholders at the general shareholders' meeting every year, while also bringing material management issues to a vote.

Shareholder Structure



Board of Directors

The Board of Directors (BOD) resolves major agendas for corporate management principles and business activities in accordance with laws and the articles of association. It also supervises performances of each director's duties. As of April 2016, the BOD is comprised of two inside and four outside directors and one non-standing director. Every director serves their duties independently from the largest shareholder and the management. There are three subcommittees under the BOD: Audit Committee, Outside Director Candidate Recommendation Committee, and Management Committee. They audit accounting activities, recommend outside director candidates to the general shareholders' meeting, and deliberate major management issues, respectively. Except in the case specified by laws, the BOD is assembled when a majority of directors are present and the resolution also requires a majority of voters. Proxy vote is not allowed and directors who have a stake in special issues cannot exercise their vote. In 2015, the BOD held seven meetings to deliberate 30 agendas (24 resolutions and 6 reports) and the attendance rate of outside directors was 92.9 percent. The participation and votes of outside directors are disclosed on the DART (Data Analysis, Retrieval and Transfer) system of FSS (Financial Supervisory Service) every year.

Assessment and Compensation System

The limit of directors' remuneration is decided at the shareholders' meeting in line with their contributions to business results. The BOD deliberates and approves business plans submitted at the end of previous year, and receives quarterly reports on business results. It also determines compensations of directors by assessing their performances against targets at the end of year. LG Innotek compensates outside and standing directors in compliance with internal regulations within limits decided at the shareholders' meeting. The management and executives are evaluated on a year-round basis. Evaluation and compensation are decided on the basis of the level of achievements against targets, quantitative and qualitative accomplishments, and their job competency in a fair manner.

Independence in Appointing Directors

LG Innotek appoints directors in compliance with all relevant laws, including the Commercial Act, and ensures the independence of the BOD by securing four outside directors out of seven members. Outside directors are appointed among candidates recommended by the Outside Director Candidate Recommendation Committee at the shareholders' meeting after strict screening. In compliance with the Article 542-8 of the Commercial Act and fifth clause of Article 34 of the Act on Implementation of Commercial Act which stipulate disqualifications of outside directors, we set a limit on appointing outside directors. Currently, four outside directors are financial experts, business specialists, and professors. They make decisions on major management issues, monitor executions, and provide advices to the management and the BOD.

BOD Members

(As of the end of April 2016)

Classification	Name	Position/Duty	Remarks
Inside Director	Jong-Seok Park	CEO, LG Innotek	BOD Chairman
	Jeong-Dae Kim	CFO, LG Innotek	-
Non-standing Director	Sang-Yeop Baek	CEO, LG Corporation	-
Outside Director	Jae-Jeong Kim	Professor, Seoul National University	Audit Committee member
	Tae-Yeon Seong	Professor, Korea University	Audit Committee member
	Hyun-Han Shin	Professor, Yonsei University	Chairman of the Audit Committee
	Young-Soo Yoo	CEO, Hankook P.W.	-

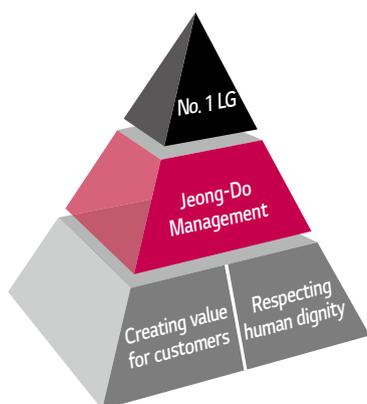
Jeong-Do Management

Jeong-Do Management represents LG's unique code of conduct. The Company's goal is to pursue long-term excellence on the basis of ethics management and fair competition.

The LG Way and Jeong-Do Management

LG Innotek carries out Jeong-Do Management through self-checks on ethics and legal compliance, integrated self-diagnosis on internal controls and operating risks, and surveys on ethical management based on the LG Way. The LG Way, as the guiding principle for all LG employees in their thoughts and actions, represents our commitment to realizing the vision "No. 1 LG" by fulfilling our corporate philosophy "Customer Value Creation" and "People-Oriented Management" on the principle of "Jeong-Do Management." LG Innotek prevents any risk of corruption by implementing self-checks every year at 10 domestic and 15 overseas worksites. In particular, regular onsite inspection and monitoring of misconduct are implemented in accordance with pre-set schemes to prevent any corruption risk. We also preemptively control risks through online reporting system and reward program for reporting irregularities.

LG Way



Vision

Become a market leader by gaining high recognition in the market

Code of Conduct

LG's unique code of conduct to fairly compete by constantly developing capabilities based on ethical management

Management Philosophy

The purpose of business activities and management principles

System and Composition of the LG Code of Ethics

The LG's ethical management has been systemized with a declaratory Code of Ethics, guidelines for practices, and manuals containing detailed practice principles. In particular, the Code of Ethics is comprised of six parts: Responsibilities and Duties to Customers; Fair Competition; Fair Transactions; Basic Ethics of Employees; Corporate Responsibilities for Employees; and Responsibilities to the Nation and Society. It serves as a guideline for LG employees' behaviors.

Survey on Jeong-Do Management Practices

In August 2015, we conducted a survey on Jeong-Do Management practices through online channels and interviews targeting employees of suppliers and LG Innotek's procurement department, through which we figured out the levels of Jeong-Do Management, win-win cooperation practices, and their satisfaction on transactions, and identified improvement tasks.

Jeong-Do Management Index in 2015

Fairness and Transparency in Transactions **81** points

Education on and Promotion of Jeong-Do Management

LG Innotek educates all employees on Jeong-Do Management including anticorruption policies, systems and processes through online and offline channels every year. Ethical management has been reinforced by intensive and tailored education programs for each position and sector, which contributes to reducing misconduct risks. We also raise the awareness of business ethics through regularly publishing newsletter and holding promotion events for our employees and suppliers.

Performances in Education on Jeong-Do Management

Classification	Unit	2013	2014	2015
Education for employees	Persons	5,672	8,918	8,497
Education for suppliers	Suppliers	1,087	1,033	1,226

Compliance Program

Management's Commitment to Voluntary Compliance

LG Innotek recognizes that voluntary compliance with fair trade laws and regulations is vital to business management and is required of every employee. We post this message on the corporate website, making our commitment clear not only to employees but also to external stakeholders.

Appointment of the Compliance Officer

LG Innotek's Board of Directors appointed an executive in charge of fair trade as the Compliance Officer, and disclosed the appointment. The Compliance Officer has independent authority over and takes responsibility for designing and operating the compliance program.

Practical Guidelines at Work

We produced and distributed the compliance guidelines which lucidly explain the laws and regulations related to fair trade in the perspective of our businesses. The guidelines classify different types of violations of the laws and regulations in order to help employees understand the compliance. The guidelines were published in a printed material and e-book for usability.

Systematic Training for Employees

Educations are continuously provided to employees to raise their awareness of voluntary compliance with fair trade. Training programs consist of subcontracts, illegal cartel, illegal support, etc. and the courses are customized according to their duties. Additionally, basic fair trade courses are included in the training programs for employees in overseas subsidiaries and for entry-level and senior-level employees.

Monitoring and Disciplinary System

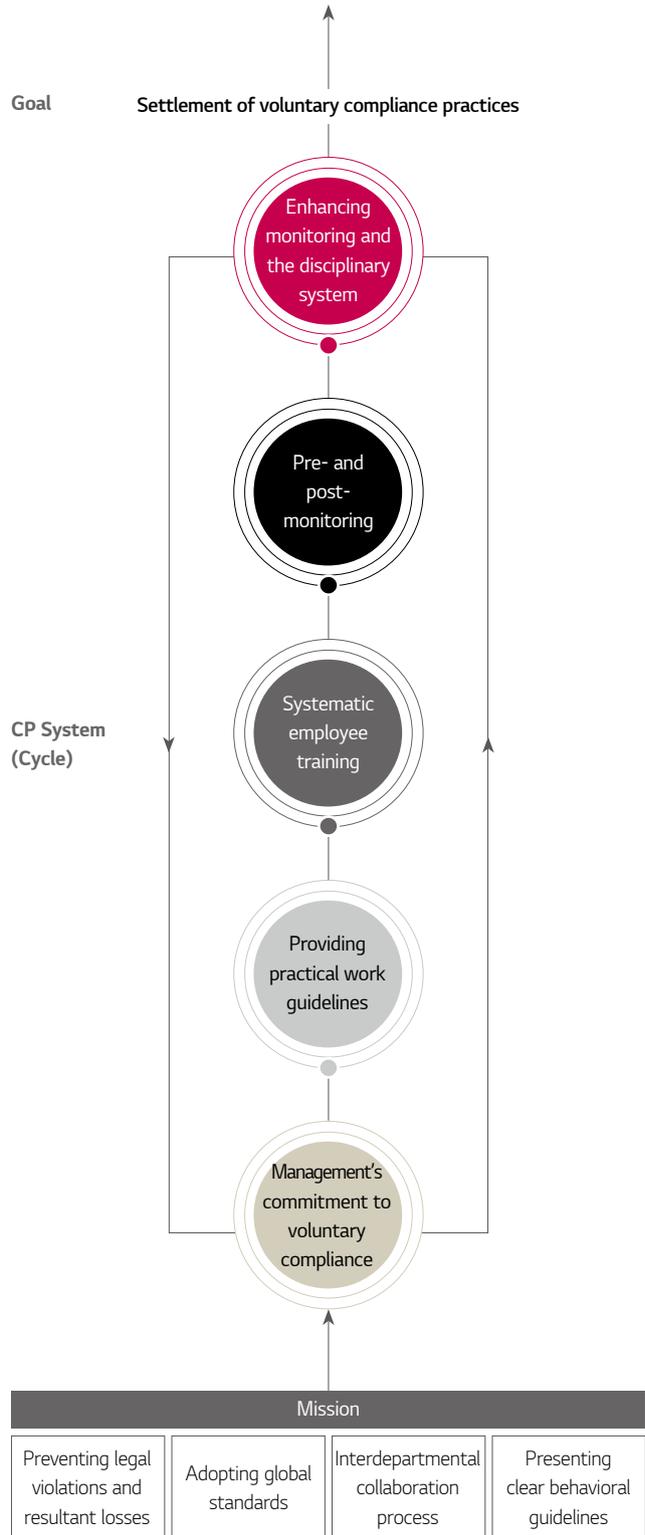
LG Innotek prevents legal violations by providing around-the-clock professional consulting services on fair trade duties and monitoring legal violations on a regular basis. We also put in place regulations to discipline violators of fair trade.

Disciplinary Actions against Violations of Fair Trade Rules

At LG Innotek, the top management expressed their commitment to voluntary compliance with fair trade laws and regulations, and the Company is conducting systematic training for employees and monitoring legal violations on a regular basis. As a result of these efforts, LG Innotek has never been subject to fines or any other type of disciplinary actions for violations of fair trade rules on illegal competition or monopoly.

Education on fair transaction

Creating a culture of compliance that meets the highest global standards by consistently and systematically operating the CP



Risk Management

Reflecting Risk Management in Business Strategies

LG Innotek prevents risks in advance by sharing the current status of each business unit and discussing ways for improvement through monthly business operation meeting. In the field of R&D, technology and product development are conducted based on expected future trends and customer requirements. We are expanding the scope of our business into value-added materials and, in particular, fostering the rapidly-growing automotive components business as a future growth engine.

GIFIS and ICM

The GIFIS (Global Integrated Financial Information System) allows us to integrate financial information, including costs, accounting and capital, and to then create data to forecast future trends. The data is provided to the management for decision-making on responses to risk factors. The ICM (Internal Control Management) helps to prevent and deal with risk factors in advance through a regular shelf-check and verification on key work processes of the Company.

Financial Risk Management

Foreign Exchange (FX) Risk: To ensure the soundness of our financial structure, we established Foreign Exchange Management Guidelines and appointed dedicated employees to spearhead FX and FX-related transactions, foreign capital balance and FX position, FX gain/loss management, FX rates, and FX market trend analysis and outlook.

Credit Risk: Real-time monitoring is conducted to manage any credit risk at the corporate level, through which we detect and prevent credit risks in advance and minimize losses arising from bonds, while improving the recovery ratio at the same time.

Liquidity Risk: Every month, we establish a capital flow plan for the next three months as part of our liquidity risk management system to anticipate capital flows in operations, investments and financial activities. As a result, we are able to control liquidity in advance, preemptively managing any potential liquidity risk.

Response to Environment and Safety Risks

LG Innotek responds to domestic and overseas environmental regulations by building on its company-wide environment and safety control system. In particular, we always monitor intensified regulations in terms of environmentally hazardous materials. Since 2011, we have published the CDP Report every year in strategic response to regulations on carbon emissions. Furthermore, we produced a company-wide manual on how to respond in the event of fire at each worksite so that our employees can safely evacuate.

Information Security Certification and Compliance with the Personal Information Protection Act

Every worksite at LG Innotek obtained the ISO 27001 certification in 2011 to secure capability and confidence on information security commensurate with the position as a global player. The certification has been maintained through consistent security enhancement activities. At LG Innotek, information leakage is strictly protected through educations for all employees to raise awareness of security and security system operation. Other activities to comply with the Personal Information Protection Act include training for personal information handlers, inspections on security system, and encryption of personal data.