



# LG ENERGY SOLUTION, LTD. GREEN FINANCING FRAMEWORK



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This statement is valid until the Framework provided in February 2023 remains unchanged.

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### Disclaimer

Our assessment relies on the premise that the data and information provided by the client to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

### Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct<sup>1</sup> during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data included in the Framework except for this Statement. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

<sup>1</sup> DNV Code of Conduct is available from DNV website ([www.dnv.com](http://www.dnv.com))

## DNV'S INDEPENDENT ASSESSMENT

### Scope and Objectives

LG Energy Solution, Ltd. ("LGES" or the "Company") is a global battery manufacturer company headquartered in Seoul, the Republic of Korea, which engages in research, development, manufacture, and sales of a wide range of products including automotive batteries, mobility and IT batteries, and ESS batteries. In 2020, LGES spun off from LG Chem, Ltd., a chemical manufacturer company also headquartered in the Republic of Korea, and currently operates production sites mainly in the Republic of Korea, Europe, United States and China with over 30,000 employees.

Under its ESG vision of "We CHARGE toward a better future"<sup>2</sup>, LGES commits to becoming an eco-friendly company that prioritizes the environment in its business activities and fulfills its social responsibilities while creating sustainable value for the future. In this regard, the Company has developed the LGES Green Financing Framework (the "Framework"), dated February 2023, under which it intends to issue green bonds or loans (collectively "Green Financing Instruments" or "GFIs") to finance or refinance new and existing projects to develop low carbon technologies and provide circular economy solutions while supporting its ESG vision.

DNV Business Assurance Korea Ltd. ("DNV")<sup>3</sup> has been commissioned by LGES to review the Framework to provide a Second Party Opinion on the Framework's alignment with the Green Bond Principles 2021 (GBP)<sup>4</sup> published by the International Capital Market Association ("ICMA") and the Green Loan Principles 2023 (GLP)<sup>5</sup> published by the Loan Market Association ("LMA") / Asia Pacific Loan Market Association ("APLMA").

No assurance is provided regarding the financial performance of instruments issued via the Framework, the value of any investments, or the long-term environmental benefits of the transaction. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

### Responsibilities of LGES and DNV

LGES has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform LGES and other interested stakeholders in the Framework as to whether the Framework is aligned with the GBP and GLP (the "Principles"). In our work we have relied on the information and the facts presented to us by LGES. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by LGES and used as a basis for this assessment were not correct or complete.

### Basis of DNV's opinion

We have adapted our assessment methodology to create the LGES-specific Eligibility Assessment Protocol (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion.

As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the four core components:

<sup>2</sup> LGES' ESG vision and strategies prioritize actions in key 8 areas which include the environment, human rights, safety, society, climate action, closed-loop recycling, human capital, and responsible supply chain management

<sup>3</sup> <https://www.dnv.co.kr/>

<sup>4</sup> [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf)

<sup>5</sup> <https://www.lsta.org/content/green-loan-principles/>

### 1. Use of Proceeds

The Use of Proceeds criteria are guided by the requirement that an issuer of a bond/a loan must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.

### 2. Process for Project Evaluation and Selection

The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a bond/a loan should outline the process it follows when determining eligibility of an investment using green bond/loan proceeds and outline any impact objectives it will consider.

### 3. Management of Proceeds

The Management of Proceeds criteria are guided by the requirements that a bond/a loan should be tracked within the organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled.

### 4. Reporting

The Reporting criteria are guided by the recommendation that at least annual reporting should be made of the use of proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

## Work Undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by LGES in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of a Protocol, adapted to the purpose of the Framework, as described above and in Schedule 3 to this Assessment;
- Assessment of documentary evidence provided by LGES on the Framework and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Review of published materials by LGES and its website;
- Discussions with LGES and review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

## Findings and DNV's Opinion

DNV's findings are listed below:

### 1. Use of Proceeds

LGES intends to use the proceeds from the Green Financing Instruments issued under the Framework to finance or refinance eligible green assets as identified by the Principles.

The Framework defines the following Green Eligible Project Categories:

#### *Eligible Green Project Categories*

- Low Carbon Transportation
- Energy Efficiency

DNV undertook an analysis of the associated project type to determine the eligibility as "Green" and in line with the Principles. LGES has provided tables mapping its Eligible Green Categories with the United Nations Sustainable Development Goals ("UN SDGs"). The outlined types of projects within each category and associated selection

criteria are provided in the Framework in order to determine eligibility, followed by an exclusion criteria additionally included by LGES.

DNV concludes that the eligible categories outlined in the Framework are consistent with the categories outlined in the Principles.

## 2. Process for Project Evaluation and Selection

LGES' eligible projects will be evaluated and selected by its dedicated Green Financing Working Group ("Working Group") based on the established eligibility criteria. Coordinated by its Finance Department, the Working Group consists of representatives from the Business Strategy Team, Planning & Coordination Team, and Safety & Environment Team. The Working Group intends to review the allocation of the proceeds to the eligible projects on an annual basis, to ensure their continuous alignment with the eligibility criteria and determine if any changes are necessary.

DNV concludes that the project evaluation and selection process described in the Framework is appropriate and aligned with market practice.

## 3. Management of Proceeds

The net proceeds of green financing instruments issued under the Framework will be deposited in LGES' general account and earmarked for allocation to eligible green projects in accordance with the Framework. The Company's Treasury Team will track the net proceeds through a separate green financing register and the Working Group will review the register on an annual basis. The project details to be reviewed include, but are not limited to, projects descriptions, amount of allocated proceeds and anticipated project expenditures.

DNV can confirm that the proceeds arising from the future issuances will be appropriately managed.

## 4. Reporting

Within a year following the issuance of the green financing instruments, LGES will report on the allocation and impact of the net proceeds used to finance the eligible green projects and report on an annual basis thereafter until full allocation. The reports will be available on the Company's website and will include the following:

### *Allocation reporting:*

- Allocation per Eligible Project Category
- Example of projects financed by the proceeds, including their description (location, category, progress) and the corresponding allocated amount (in US\$ and/or EUR)
- Balance amount of unallocated net proceeds
- Share of financing and refinancing

### *Impact reporting:*

LGES intends to provide information on relevant impact metrics for each eligible project category.

DNV concludes that LGES' reporting is aligned with the relevant principles.

On the basis of the information provided by LGES and the work undertaken, it is DNV's opinion that the LGES' Green Financing Framework meets the criteria established in the Protocol and are aligned with the Principles. Please refer to Schedule 4. Green Financing Instruments External Review Form for detailed information.

**For DNV Business Assurance Korea Ltd.**  
Seoul, Republic of Korea, 28 April 2023



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## Schedule 1. Description of Categories to be financed or refinanced through LG Energy Solution's Green Financing Framework

### Green Categories

Eligible Green Project Categories	Eligible Criteria and Description	DNV Findings
Low Carbon Transportation	<p><b>Eligible Criteria</b></p> <ul style="list-style-type: none"> <li>Development, manufacturing, acquisition of low carbon transportation components</li> </ul> <p><b>Examples of Eligible Projects</b></p> <ul style="list-style-type: none"> <li>Capital investment for construction of manufacturing facilities and R&amp;D for batteries for pure electric vehicles, bicycles, and motorcycles</li> <li>Capital investment for R&amp;D in waste battery recycling</li> </ul>	<p>Investments in R&amp;D and manufacturing of batteries for low emission transport modes, such as electric vehicles, bicycles and motorcycles listed by LGES, contribute to the reduction of GHG emissions and are in alignment with the EU Taxonomy.</p> <ul style="list-style-type: none"> <li>According to European Environment Agency (EEA), EVs have clear environmental benefits compared to petrol and diesel cars, including lower GHG emissions and air pollutants, and the benefits are expected to increase going forward with increased use of renewable energy.<sup>6</sup></li> <li>Moreover, since batteries are key components of electric mobilities, manufacturing of batteries and R&amp;D for technological development of batteries are considered as key enablers for net zero.<sup>7</sup></li> </ul> <p>While batteries are critical in decarbonizing the transport sector, DNV also recognizes that there may be potential environmental and social risks related to manufacturing of batteries, including those concerning conflict minerals, construction of manufacturing facilities, and management of waste batteries. In this regard, DNV highlights the following.</p> <p>1) In January 2016, LG Chem faced allegations by Amnesty International concerning its violation in supply chain due diligence, which reported that cobalt was sourced from third tier suppliers, namely Congo Dongfang Mining International (CDM), that used child labor. Since then, several measures have been taken which include, but are not limited to, the following:<sup>8</sup></p> <ul style="list-style-type: none"> <li>In 2016, LGES ('LG Chem Energy Solution Business Division' from 1992 to 2020), established the "LGES Code of Conduct for Suppliers"<sup>9</sup>, based on internationally recognized standards on human rights protection and child labor prevention throughout the supply chain.<sup>10</sup></li> <li>In 2017, LGES commissioned DNV GL Business Assurance Korea Co., Ltd. to conduct an audit on Zhejiang Huayou Cobalt Company Limited, a cobalt refiner and precursor supplier in China and, in 2018, an audit on CDM, with a focus on identification and mitigation of child labor risk.</li> <li>Presently, LGES conducts third-party due diligence on the cobalt supply chain on an annual basis, and based on the results, conducts additional due diligence as necessary, and assigns and supervises measures for improvement. Meanwhile, according to LGES, the use</li> </ul>

<sup>6</sup> <https://www.eea.europa.eu/articles/electric-vehicles-a-smart>

<sup>7</sup> <https://www.iea.org/events/iea-at-cop27-e-mobility-and-the-role-of-batteries-in-delivering-carbon-neutrality-in-the-transport-sector>

<sup>8</sup> <https://www.lgensol.com/en/esg-supplychain-management>

<sup>9</sup> [https://www.lgensol.com/assets/file/LGES\\_Code\\_of\\_Conduct\\_for\\_Suppliers\\_en.pdf](https://www.lgensol.com/assets/file/LGES_Code_of_Conduct_for_Suppliers_en.pdf)

<sup>10</sup> Internationally recognized standards referenced include the Universal Declaration of Human Rights, United Nations' Guiding Principles (UNGPs) on Business and Human Rights, the Ten Principles of the United Nations Global Compact relevant conventions of the International Labor Organization (ILO), the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

Eligible Green Project Categories	Eligible Criteria and Description	DNV Findings
		<p>of conflict minerals, such as tin, tungsten, tantalum, and gold (3TG), in the Company's battery manufacturing process is close to none, based on its internal tracking system which oversees all raw materials in its manufacturing process.<sup>11</sup></p> <ul style="list-style-type: none"> <li>- In 2020, LGES adopted a blockchain technology-based supply chain management system to mitigate its compliance risks by tracking and monitoring supply chain activities.</li> <li>- In 2022, LGES updated its Responsible Sourcing Policy and Code of Conduct for Suppliers, with an aim to advance its due diligence framework and thereby ensuring alignment with the emerging global ESG regulations including the EU Battery Regulation and the EU Corporate Sustainability Due Diligence Directive.</li> <li>- LGES participates in global initiatives to mitigate risks in the supply chain, including the Responsible Mineral Initiative (RMI)<sup>12</sup> under the Responsible Business Alliance (RBA)<sup>13</sup>, Responsible Labor Initiative (RLI)<sup>14</sup>, United Nations Global Compact (UNGC),<sup>15</sup> Global Battery Alliance (GBA)<sup>16</sup> and the Fair Cobalt Alliance (FCA).<sup>17</sup></li> </ul> <p>2) LGES' business sites both at home and abroad operate under its Environment, Health and Safety (EH&amp;S) Management system, which aligns with ISO 14001 and ISO 45001, and the Company's EH&amp;S Principles. Moreover, LGES conducts third-party inspections and management reviews on an annual basis in accordance with the Company's environmental management policy and protocol.</p> <p>3) LGES intends to use part of the proceeds to invest in waste battery recycling R&amp;D, which not only supports its ESG strategy to build a circular economy for batteries but also supports the recent updates in the EU Battery Regulations<sup>18</sup> over the entire battery life cycle, which include strengthened recycling and collection targets.</p> <ul style="list-style-type: none"> <li>- By 2025, across all of its business sites worldwide, LGES aims to establish a closed-loop system to reuse and recycle raw materials from end-of-life batteries. In this regard, LGES expands and strengthens partnership with competing recycling companies around the globe.</li> <li>- Meanwhile, in December 2022, EU has agreed on new rules for design, production, and waste treatment of batteries, which include strengthened standards and measures in waste collection targets, recycling efficiency and material recovery, due diligence policy,</li> </ul>

<sup>11</sup> LGES track and manage each raw material used in the manufacturing process with a system called "CHARM 2.0", where vendors are required to register and disclose sourcing of conflict minerals if any.

<sup>12</sup> RMI, an initiative under RBA, aims to respond to human rights and environmental issues in the procurement process of minerals such as cobalt. LGES joined RMI to procure minerals in ethical and transparent manner.

<sup>13</sup> RBA is the world's largest industry coalition dedicated to corporate social responsibility in global supply chains. LGES is held accountable to an RBA Code of Conduct, in the areas of labor, health and safety, environment, and ethics.

<sup>14</sup> RLI, an initiative under RBA, aims to respond to issues regarding forced labor, child labor, and working conditions. LGES joined RMI to procure minerals in ethical and transparent manner.

<sup>15</sup> LGES pledged to adhere to the 10 principles of the UNGC in the areas of human rights, labor, environment, and anti-corruption.

<sup>16</sup> GBA is a multi-stakeholder partnership of 130+ businesses, governments, international and non-governmental organizations dedicated to ensuring a sustainable and responsible battery value chain, where LGES serves in the board of directors.

<sup>17</sup> FCA, bringing together actors from across the entire cobalt mineral supply chain, aims at eradicating forced labor and child labor in cobalt mines in the Democratic Republic of the Congo (DRC) through activities directly engaging with the government of the DRC and communities near cobalt mines.

<sup>18</sup> After formulation of secondary legislation, the new rules will be adopted from 2024 to 2028 to be fully operational.



Eligible Green Project Categories	Eligible Criteria and Description	DNV Findings
		<p>sustainability requirements on carbon footprint, and labelling requirements.<sup>19</sup></p> <p>Based on these key findings, DNV is of the opinion that the Low Carbon Transportation projects outlined in the Framework will bring positive environmental impacts, while addressing the associated environmental and social risks. Meanwhile, to ensure alignment with the new EU rules for batteries over the entire life cycle, DNV recommends LGES to follow up with the developments of the new regulations with a focus on the Carbon Footprint Declaration, recycling and collection targets, and due diligence policy.</p>
Energy Efficiency	<p><b>Eligible Criteria</b></p> <ul style="list-style-type: none"> <li>Promote energy savings and increase efficiency of energy use</li> </ul> <p><b>Examples of Eligible Projects</b></p> <ul style="list-style-type: none"> <li>Capital investment for construction of manufacturing facilities for Energy Storage System (ESS) and R&amp;D for ESS design</li> <li>Expenditures aiming to improve the energy efficiency of LGES' corporate and manufacturing facilities or internal supply chain, including but not limited to:               <ul style="list-style-type: none"> <li>Installation of ESS</li> <li>Installation of LED lighting or improvement to ventilation systems</li> </ul> </li> </ul>	<p>Projects that contribute to the construction and operation of electricity storage, such as ESS, are in alignment with the EU Taxonomy. In addition, LGES has confirmed that the purposed of the Company's ESS is to store renewable energy.</p> <ul style="list-style-type: none"> <li>Energy storage technologies enable storage of excess energy for later use, which not only addresses solar intermittency but safeguards the secure and efficient operation of the grid system by addressing the mismatch between energy supply and demand.<sup>20</sup></li> <li>Hence, ESS plays a key role in increasing renewable energy production and energy security, and ultimately, transitioning towards a carbon-neutral economy.<sup>21</sup></li> </ul> <p>Projects that involve installation, maintenance, and repair of energy efficiency equipment to improve energy efficiencies, such as LED lighting and energy recovery ventilation systems, are in alignment with the EU Taxonomy.</p> <ul style="list-style-type: none"> <li>LED lights are up to 90% more energy efficient than incandescent light bulbs and last much longer than conventional light sources, therefore, much more economically and environmentally friendly.<sup>22</sup></li> <li>Improvements in ventilation systems can minimize energy loss and thereby reduce energy consumption.<sup>23</sup></li> </ul> <p>Therefore, DNV is of the opinion that the Energy Efficiency projects outlined in the Framework will bring positive environmental impact.</p>

<sup>19</sup> <https://www.europarl.europa.eu/news/en/press-room/20221205IPR60614/batteries-deal-on-new-eu-rules-for-design-production-and-waste-treatment>

<sup>20</sup> <https://ease-storage.eu/energy-storage/why-energy-storage/>

<sup>21</sup> [https://energy.ec.europa.eu/topics/research-and-technology/energy-storage\\_en](https://energy.ec.europa.eu/topics/research-and-technology/energy-storage_en)

<sup>22</sup> [https://health.ec.europa.eu/scientific-committees/easy-read-summaries-scientific-opinions/are-led-lights-safe-human-health-0\\_en](https://health.ec.europa.eu/scientific-committees/easy-read-summaries-scientific-opinions/are-led-lights-safe-human-health-0_en)

<sup>23</sup> <https://www.energy.gov/energysaver/ventilation>

## Schedule 2. Contributions to UN SDGs

Eligible Project Categories	UN SDGs	DNV Findings
Low Carbon Transportation	<p><b>SDG 11 Sustainable Cities and Communities</b></p> <ul style="list-style-type: none"> <li>Target 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons</li> </ul>	DNV is of the opinion that eligible categories outlined in the Framework contribute to the achievement of the UN SDGs.
Energy Efficiency	<p><b>SDG 7 Affordable and Clean Energy</b></p> <ul style="list-style-type: none"> <li>Target 7.3: By 2030, double the global rate of improvement in energy efficiency</li> </ul>	

## Schedule 3. Eligibility Assessment Protocol

### 1. Use of Proceeds

Ref.	Criteria	Requirements	DNV Findings
1a	Type of bond / loan	<p>The Bond and Loan must fall in one of the following categories, as defined by the Green/Social Bond/Loan Principles:</p> <ul style="list-style-type: none"> <li>Green/Social Use of Proceeds Bond</li> <li>Green/Social Use of Proceeds Revenue Bond</li> <li>Green/Social Project Bond</li> <li>Green/Social Securitized Bond</li> <li>Loan instrument made available for Green and Social project (Green and Social use of loan proceeds)</li> </ul>	<p>LGES' Green Financing Framework clearly states that it intends to issue Green Bond/Loan. Also, the Company indicates that the Framework is established based on the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.</p> <p><b>From the Framework</b></p> <p><i>The aim of this Green Financing Framework is to facilitate transparency, disclosure, integrity and quality in LGES' Green Bond/Loan for interested investors and stakeholders. LGES intends to issue Green Bond/Loan to fulfil its environmental responsibilities, financing investments and R&amp;D activities that contribute to sustainable development by earmarking the proceeds for projects and expenditures that fall within the Eligible Project Categories.</i></p> <p><i>The Green Financing Framework ("Framework") has been developed to address the four key pillars in line with the ICMA Green Bond Principles 2021 ("GBP") and LMA's Green Loan Principles 2023 ("GLP");</i></p>

Ref.	Criteria	Requirements	DNV Findings
1b	Sustainable Project Categories	The cornerstones of Green Bond and Loan are the utilization of the proceeds of the bond and the loan which should be appropriately described in the legal documentation for the security.	<p>The Framework clearly describes the following Eligible Project Categories and the Eligible Criteria:</p> <ul style="list-style-type: none"> <li>• Low Carbon Transportation</li> <li>• Energy Efficiency</li> </ul> <p>To strengthen eligibility as green projects, LGES also specifies the exclusionary criteria:</p> <p><b>From the Framework</b></p> <ul style="list-style-type: none"> <li>- <i>Gambling</i></li> <li>- <i>Tobacco</i></li> <li>- <i>Alcohol</i></li> <li>- <i>Weapons and arms trade</i></li> <li>- <i>Adult entertainment</i></li> <li>- <i>Fossil fuel (e.g., production, distribution, remediation and associated energy efficiency technologies)</i></li> <li>- <i>Luxury sectors</i></li> <li>- <i>Child labour</i></li> <li>- <i>Forced labour</i></li> <li>- <i>Violations of international standards that LGES upholds<sup>24</sup> and any applicable national and international laws</i></li> <li>- <i>Any projects with adverse impacts on the environment (e.g., toxic emissions, biodiversity loss) and society (e.g., abuse of human rights of women, indigenous peoples, minorities and other marginalized or disadvantaged communities), and</i></li> <li>- <i>Large-scale hydro-power projects with a generating capacity of over 25 megawatts</i></li> </ul>
1c	Environmental benefits	All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the Issuer.	<p>Environmental benefits are noted to include the following.</p> <ul style="list-style-type: none"> <li>• <b>Low Carbon Transportation:</b> Increased production and R&amp;D of batteries for low-carbon transportation, and thus contribute to low carbon economy</li> <li>• <b>Energy Efficiency:</b> Decreased energy use and GHG emissions</li> </ul> <p>LGES also includes quantitative and qualitative indicators under Impact Reporting to keep track of environmental impacts on a best effort basis.</p>
1d	Refinancing Share	In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced.	<p>In the Framework, LGES indicates that the Green Bond/Loan could be used for refinancing activities with a three-year (36 months) look-back period. Also, the Company commits to reporting on the share of financing and refinancing in its annual reporting.</p> <p><b>From the Framework</b></p> <p><i>For refinancing, the Green Bond/Loan could be used for Eligible Projects completed in the [three] full years prior to the Green Bond/Loan issuance year.</i></p>

<sup>24</sup> Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, the 10 Principles of UN Global Compact, relevant conventions of the International Labour Organization, the OECD Guidelines for Multinational Enterprises, the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, the RBA Code of Conduct, and all applicable legal requirements

## 2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	DNV Findings
2a	Investment-decision process	<p>The Issuer of a Green Bond and Loan should outline the decision-making process it follows to determine the eligibility of projects using Green Bond and Loan proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> <li>• A process to determine how the projects fit within the eligible Green Projects categories identified in the Green Bond Principles and Green Loan Principles;</li> <li>• The criteria making the projects eligible for using the Green Bond and Loan proceeds;</li> <li>• The environmental objectives; and</li> <li>• Complementary information on process by which the issuer identifies and manages perceived environmental and social risks associated with the relevant project</li> </ul>	<p>The Framework states that LGES has established a dedicated Green Financing Working Group (GFWG) to evaluate and select the eligible projects based on the established eligibility criteria. Coordinated by the Finance Department, the GFWG consists of representatives from the Business Strategy Team, Planning &amp; Coordination Team, and Safety &amp; Environment Team. The GFWG intends to review the allocation of the Green Bond/Loan proceeds to the Eligible Projects to ensure continuous alignment with the Eligibility Criteria and determine if any changes are necessary.</p> <p><b>From the Framework</b></p> <p><i>A dedicated Green Financing Working Group (“GFWG”) has been created to oversee the entire issuance process and to ensure that all eligible projects and assets meet the eligibility criteria defined in Section 2.1. The GFWG is composed of [Business Strategy Team, Planning &amp; Coordination Team, Safety &amp; Environment Team, ESG Strategy Team, while being coordinated by Finance Department].</i></p> <p><i>Annually, the GFWG will review the allocation of the Green Bond/Loan proceeds to the Eligible Projects and determine if any changes are necessary. The GFWG will ensure that all projects included under the Eligible Use of Proceeds still align with the Eligibility Criteria or determine if replacement / deletion / additions are necessary.</i></p>
2b	Issuer/borrower's environmental and social and governance framework	<p>In addition to information disclosed by an issuer on its Green Bond/Loan process, criteria and assurances, Green Bond/Loan investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental and social sustainability.</p>	<p>The Framework includes an overview of LGES' ESG Strategy (“We CHARGE toward a better future”) over 8 key topics, which include the environment, human rights, safety, society, climate action, closed-loop recycling, human capital, and responsible supply chain management. Further information on these key topics can be found on LGES' website, which is available in five languages. Moreover, to share the Company's up-to-date information on its ESG performance on a frequent basis, LGES plans to update its ESG menu on its website by the end of March 2023.</p> <p>To better inform stakeholders on its ESG performances, LGES has been publishing its ESG Report since 2021, which are available on the Company's website in both Korean and English. The Reports are based on the Core Option of Global Reporting Initiative (GRI) standards and takes into consideration standards of the Value Reporting Foundation Sustainability Accounting Standards Board (VRF SASB) and recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).</p>

### 3. Management of Proceeds

Ref.	Criteria	Requirements	DNV Findings
3a	Tracking procedure	The net proceeds of Green Bond should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the Issuer in an appropriate manner and attested to by a formal internal process that will be linked to the Issuer's lending and investment operations for Green/Social Projects.	<p>The Framework states the net use of proceeds will be tracked using a separate Green Bond/Loan register which will be managed by LGES' Treasury Team.</p> <p><b>From the Framework</b></p> <p><i>An amount equal to the net proceeds of Green Bond/Loan will be earmarked for allocation within LGES' general account. LGES' [treasury team] will track the net proceeds through a separate Green Bond/Loan register that includes details on issuing terms of Green Bond/Loan and amount allocated to Eligible Projects.</i></p>
3b	Tracking procedure	So long as the Green Bond/Loan is outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period.	<p>The Framework states that the Green Bond/Loan register will be reviewed annually by the GFWF, which includes accounts for any unallocated proceeds yet to be earmarked for eligible projects and expenditure (details of Bonds/Loans that are outstanding).</p> <p><b>From the Framework</b></p> <p><i>The Green Bond/Loan register will be reviewed annually by the GFWG. The review would include details of selected projects, such as a brief description of the project, the amount of allocated proceeds, anticipated expenditures of projects, and other relevant information.</i></p> <p><i>The GFWG will also review management of unallocated portion of the net proceeds yet to be earmarked for Eligible Projects. Pending the full allocation, all or a portion of the net proceeds pending allocation will be held in accordance with LGES' general liquidity management policy and exclusionary policy set out in Section 2.1 of this Framework. The unallocated can be invested in cash, cash equivalents, investment grade securities or other marketable securities and short-term instruments or other capital management activities.</i></p>
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the Issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	<p>The Framework explains the treatment of unallocated funds.</p> <p><b>From the Framework</b></p> <p><i>Pending the full allocation of the net proceeds, all or a portion of the net investments proceeds will be held in accordance with LGES' general liquidity management policy and exclusionary policy set out in Section 2.1 of this Framework. The unallocated can be invested in cash, cash equivalents, investment grade securities or other marketable securities and short-term instruments or other capital management activities.</i></p>

#### 4. Reporting

Ref.	Criteria	Requirements	DNV Findings						
4a	Periodical reporting	<p>In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green Bond proceeds have been allocated including - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally and social sustainable impact.</p>	<p>LGES commits to report on the allocation and impact of the proceeds on the company's website no later than one year after the issuance and on an annual basis until the full allocation of the proceeds.</p> <p><b>From the Framework</b></p> <p><i>The reporting will be available to investors within approximately one year from the date of the bond issuance and yearly thereafter until the bond proceeds have been fully allocated and in the event of any material changes that would affect the portfolio of Eligible Projects.</i></p> <p><i>The reporting will include allocation reporting and impact reporting and will be publicly available on LGES' website.</i></p> <p>The Framework explains the proposed Allocation Reporting.</p> <p><b>From the Framework</b></p> <p><i>Allocation reporting</i></p> <ul style="list-style-type: none"> <li><i>Allocation per Eligible Project Categories</i></li> <li><i>Example of projects financed by the proceeds, including their description (location, category, progress) and the corresponding allocated amount (in US\$ and/or EUR)</i></li> <li><i>The balance amount of unallocated net proceeds</i></li> <li><i>Share of financing and refinancing</i></li> </ul> <p>Also, the Framework provides relevant impact metrics for each category of Eligible Projects, which will be included in the annual Impact Reporting on a best effort basis.</p> <table border="1" data-bbox="742 1265 1433 1500"> <thead> <tr> <th data-bbox="742 1265 954 1321">Eligible Project Categories</th> <th data-bbox="954 1265 1433 1321">Reporting indicators</th> </tr> </thead> <tbody> <tr> <td data-bbox="742 1321 954 1400">Low Carbon Transportation</td> <td data-bbox="954 1321 1433 1400"> <ul style="list-style-type: none"> <li>Case study of electric vehicles that use batteries supplied by LGES</li> </ul> </td> </tr> <tr> <td data-bbox="742 1400 954 1500">Energy Efficiency</td> <td data-bbox="954 1400 1433 1500"> <ul style="list-style-type: none"> <li>Amount of energy saved (kWh)</li> <li>CO2 (or other GHG) emissions avoided / reduced (tonnes of CO2e)</li> </ul> </td> </tr> </tbody> </table>	Eligible Project Categories	Reporting indicators	Low Carbon Transportation	<ul style="list-style-type: none"> <li>Case study of electric vehicles that use batteries supplied by LGES</li> </ul>	Energy Efficiency	<ul style="list-style-type: none"> <li>Amount of energy saved (kWh)</li> <li>CO2 (or other GHG) emissions avoided / reduced (tonnes of CO2e)</li> </ul>
Eligible Project Categories	Reporting indicators								
Low Carbon Transportation	<ul style="list-style-type: none"> <li>Case study of electric vehicles that use batteries supplied by LGES</li> </ul>								
Energy Efficiency	<ul style="list-style-type: none"> <li>Amount of energy saved (kWh)</li> <li>CO2 (or other GHG) emissions avoided / reduced (tonnes of CO2e)</li> </ul>								

## Schedule 4. Green Financing Framework External Review Form

### Section 1. Basic Information

**Issuer name:**

LG Energy Solution, Ltd.

**Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:**

LG Energy Solution Green Financing Framework, February 2023

**Independent External Review provider's name:**

DNV Business Assurance Korea Ltd.

**Completion date of this form:**

3 April 2023

**Publication date of review publication:**

28 April 2023

### Section 2. Review overview

**SCOPE OF REVIEW**

*The following may be used or adapted, where appropriate, to summarise the scope of the review.*

The review assessed the following elements and confirmed their alignment with the GBP and GLP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

**ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification  |
| <input type="checkbox"/> Verification                    | <input type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify):         |   |

*Note: In case of multiple reviews / different providers, please provide separate forms for each review.*

**EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)**

Based on the information provided by LGES and the work undertaken, it is DNV's opinion that the Green Financing Framework meets the criteria established in the Protocol and are aligned with the GBP 2021 and GLP 2023.

### Section 3. Detailed review

*Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.*

**1. USE OF PROCEEDS**

**Overall comment on section (if applicable):**

LGES intends to use the proceeds of Sustainable Finance Instruments issued under the Framework to finance or refinance eligible assets that fall under the Eligible Categories in the Framework. DNV concludes that the Framework is aligned with the GBP 2021 and GLP 2023.

**Use of proceeds categories as per GBP:**

- |   |   |
|---|---|
| <input type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
|---|---|



- |  |  |
|--|--|
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation   |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other <i>(please specify)</i> :   |

If applicable please specify the environmental taxonomy, if other than GBPs: EU Taxonomy and Climate Bonds Taxonomy

**Use of proceeds categories as per GLP:**

- |  |  |
|--|--|
| <input type="checkbox"/> Renewable energy  | <input checked="" type="checkbox"/> Energy efficiency  |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation   |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings   |

**2. PROCESS FOR PROJECT EVALUATION AND SELECTION**

**Overall comment on section *(if applicable)*:**  
 LGES' eligible projects will be evaluated and selected by its Working Group based on the established eligibility criteria. Also, the Working Group intends to review the allocation of the proceeds to the eligible projects on an annual basis, to ensure their continuous alignment with the eligibility criteria and determine if any changes are necessary.

**Evaluation and selection**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's green objectives                                   | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                  | <input type="checkbox"/> Other <i>(please specify)</i> :  |

**Information on Responsibilities and Accountability**

- |   |   |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other <i>(please specify)</i> :  |   |

**3. MANAGEMENT OF PROCEEDS**

**Overall comment on section *(if applicable)*:**  
 The net proceeds of green financing instruments issued under the Framework will be deposited in the Company's general account and earmarked for allocation to eligible green projects in accordance with the Framework. LGES' Treasury Team will track the net proceeds through a separate green financing register and GFWG will review the register on an annual basis.



**Tracking of proceeds:**

- Green bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other *(please specify)*:

**Additional disclosure:**

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other *(please specify)*:

**4. REPORTING**

**Overall comment on section *(if applicable)*:**  
 Within a year following the issuance of the green financing instruments, LGES will report on the allocation and impact of the net proceeds allocated to the eligible green projects and report on an annual basis thereafter until full allocation.

**Use of proceeds reporting:**

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other *(please specify)*:

**Information reported:**

- Allocated amounts
- Green bond financed share of total investment
- Other *(please specify)*:

**Frequency:**

- Annual
- Semi-annual
- Other *(please specify)*:

**Impact reporting:**

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other *(please specify)*:

**Frequency:**

- Annual
- Semi-annual
- Other *(please specify)*:

**Information reported (expected or ex-post):**

- GHG Emissions / Savings
- Energy Savings
- Decrease in water use
- Number of beneficiaries
- Target populations
- Other ESG indicators *(please specify)*:

**Means of Disclosure**

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (please specify): LGES will publish the allocation/impact reports on LGES' website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g., to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.lgensol.com/en/index>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Second Party Opinion
- Certification
- Verification
- Scoring/Rating
- Other (please specify):

**Review provider(s):**

DNV Business Assurance Korea Ltd.

**Date of publication:**

28 April 2023

## ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND GLP.

- 1. Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- 2. Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- 3. Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- 4. Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.



## About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

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