

LG Energy Solution Responsible Sourcing Policy

Procurement of battery raw materials

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Introduction

LG Energy Solution is committed to responsible sourcing of raw materials for our products. As a global leader in the battery manufacturing industry, we recognize our responsibility to respect human rights and protect the environment. We strive to lead the industry in establishing a sustainable battery value chain, including through our proactive approach to human rights and environment due diligence, as well as our carbon reduction and circular economy activities.

LG Energy Solution adopted this Responsible Sourcing Policy in 2020, which we updated in 2022 to reinforce our commitment to the responsible and transparent supply chain and engagement with our suppliers. Our approach to responsible sourcing is aligned with internationally recognized standards and frameworks, including the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High-Risk Areas (hereafter the “OECD Guidance”), the OECD Due Diligence Guidance for Responsible Business Conduct, the OECD Guidelines for Multinational Enterprises, and the United Nations Guiding Principles on Business and Human Rights, ILO conventions and the Declaration of Human Rights, which we embed throughout our sourcing activities.

Compliance with Laws and Standards

We will comply with applicable laws and regulations regarding procurement of minerals related to the manufacturing of lithium-ion batteries, such as cobalt, natural graphite, lithium, nickel, manganese, and chemical compounds based on these raw materials, and which are necessary for the manufacturing of the active materials of batteries. We will furthermore comply will applicable laws and regulations regarding procurement of conflict minerals known as 3TG (Tin, Tantalum, Tungsten, and Gold). We make our utmost effort to comply with all applicable national and international laws and standards, including the International Labor Organization (ILO), the United Nations Global Compact (UNGC), the International Bill of Human Rights, and all other relevant statutory requirements, whichever requirements impose the highest standards of conduct.

Below are the fundamental principles that we are committed to uphold throughout our supply chain.

Human and Labor Rights

Uphold and respect human rights throughout the supply chain, including zero tolerance for any form of child labor; any form of modern slavery or human trafficking, including forced or involuntary labor; discrimination; sexual harassment; abuse; punishment; psychological or physical coercion; violent language; torture; war crimes or other serious violations of international humanitarian law; crimes against humanity or genocide. Respect the employee's right to form trade unions and their right to collective bargaining following local laws and regulations. Respect and protect the rights of women, indigenous peoples, minorities and other marginalized or disadvantaged communities.

Business Ethics

Comply with all relevant financial laws and conduct business in a responsible and transparent manner, avoiding any kind of bribery and fraudulent misrepresentation of the origin of minerals; money laundering; extortion; non-payment of taxes; fees and royalties.

Occupational Health and Safety

Protect health and safety of all workers, including complying with applicable national and international laws and regulations regarding occupational health and safety.

Environmental Sustainability

Conserve natural resources and avoid or minimize environmental damage caused by economic activity. If environmental damage or degradation cannot be avoided or remedied, ensure appropriate compensation. Areas of concern under environmental sustainability include but are not limited to the following issues: the prevention of air, soil and water pollution, including reduction of greenhouse gas (GHG) emissions; protection of biodiversity; reduction of harmful noise and odor emissions; the preservation of water resources; natural soil quality and forests; the promotion of renewable and clean energy sources; and the safe management of hazardous substances and hazardous waste. Conserve and respect local communities, including their land and local biodiversity.

Responsible Sourcing of Minerals from Conflict/Affected and High-Risk Areas

Ensure zero tolerance of any direct or indirect support to non-state armed groups through the extraction, transport, trade, handling, or export of minerals. Direct or indirect support to non-state armed groups through the extraction, transport, trade, handling or export of minerals includes, but is not limited to, procuring minerals from, making payments to or otherwise providing logistical assistance or equipment to, non-state armed groups or their affiliates who illegally control mine sites or otherwise control transportation routes or at points where minerals are traded and upstream actors in the supply chain; and/or illegally tax or extort money or minerals at points of access to mine sites, along transportation routes or at points where minerals are traded; and/or illegally tax or extort intermediaries, export companies or international traders.

Securing Transparent and Sustainable Supply Chain through Assessments

LG Energy Solution has established a comprehensive, risk-based Due Diligence Management System (“DDMS”) to manage risks related to the above-mentioned topics that may be present in our supply chain of battery materials. Our DDMS is aligned with the OECD Guidance 5-Step Framework for Risk-Based Due Diligence in Mineral Supply Chains:

Step 1) Establish strong company management systems

Step 2) Identify and assess risk in the supply chain

Step 3) Design and implement a strategy to respond to identified risks

Step 4) Carry out independent third-party audit of supply chain due diligence at identified points in the supply chain

Step 5) Report on supply chain due diligence

Through a regular sustainability assessment, LG Energy Solution enhances its business partners' awareness of the need for responsible supply chain management. Based on assessment results we conduct on-site audits to manage risks in terms of issues related to labor and human rights, environment, health and safety, compliance, and business ethics. We also implement third-party audits of major supply chains in accordance with the OECD Guidance to ensure transparency along the entire supply chain. Based on the results of the inspection, we concentrate on managing the supply chain through risk mitigation and improvement activities, striving for continuous improvement throughout our supply chains.

LG Energy Solution’s requirements towards our suppliers

The sustainable development of LG Energy Solution is only made possible through the continued cooperation of business partners. We are therefore committed to collaboration with our suppliers and other key stakeholders in order to identify, assess, and mitigate potential or actual risks of adverse impacts throughout our battery supply chains.

The LG Energy Solution Responsible Sourcing Policy includes mandatory requirements which our suppliers need to meet to do business with LG Energy Solution, and we expect our suppliers to ensure responsible sourcing in their own organizations in a way consistent with internationally recognized standards and frameworks for supply chain due diligence, including the OCED Guidance and its 5-Step Framework for Risk-Based Due Diligence in Mineral Supply Chains, as well as all applicable laws and regulations and the principles of our [LG Energy Solution Code of Conduct for Suppliers](#).

Upon request by LG Energy Solution, suppliers are required to disclose the origin of materials that they supply to LG Energy Solution and to conduct enhanced due diligence if LG Energy Solution considers the materials are related to potential violations of the principles outlined in this Responsible Sourcing Policy.

Grievance Mechanism

LG Energy Solution supports a culture of speaking up for honesty and integrity without fear of retaliation. In case of concerns of breaches of the principles of this Responsible Sourcing Policy or potential or actual adverse impacts in our supply chain for battery minerals, affected stakeholders are encouraged to report their concern either to grievance@lgensol.com

Complaints and concerns may be submitted anonymously and will be handled in a timely and confidential manner. LG Energy Solution does not tolerate any form of retaliation against individuals who report misconduct or participate in any follow-up investigation.