

Responsible & Impactful Business

Responsible supply chain management is crucial to sustainable management of LG Energy Solution. The fast growth of the battery market has brought various issues related with the supply of raw materials to the forefront, and the ethical and transparent management of supply chains has now become a basic requirement of business strategy. By establishing the responsible sourcing policy, we verify the adequacy of the supply chain management system from the new supplier selection process, and preemptively analyze and manage supply chain issues through regular ESG evaluation and risk improvement inspection. LG Energy Solution will become a company that provides sustainable values to all value chains and grows together with local community by managing responsible supply chains that value human rights and the environment.

Responsible Supply Chain Management

Supply Chain Policy

Code of Conduct and Risk prevention process

Since 2016, LG Energy Solution has enacted the Code of Conduct for Suppliers. Code of Conduct for Suppliers consists of the regulations and global standards that our suppliers have to comply with in terms of human rights, labor, business ethics, health, safety, environmental sustainability, responsible sourcing of minerals and grievance handling system, aimed at operating a sustainable supply chain. Based on the Code of Conduct for Suppliers, we verify the adequacy of the supply chain management system in advance from the new supplier selection process. We've been systemically managing supply chain risks through regular sustainability management evaluation and monitoring of each supplier's follow-up measures. All suppliers in transactional relationship with LG Energy Solution are obligated to adhere to the Code of Conduct for Suppliers, and the relevant procedures and records are managed by the purchasing portal system.

In addition to operating the Code of Conduct for Suppliers, LG Energy Solution is making efforts to establish a risk prevention process to find a variety of risk factors in the supply chain in advance. In particular, in order to increase transparency of the cobalt supply chain, LG Energy Solution has incorporated a "blockchain-based platform," which makes manipulation of data or hacking almost impossible through dispersed data storage. In 2020, LG Energy Solution built a system that automatically links raw materials warehoused and data for each production/shipping process to the blockchain platform. In future, we plan to expand the target sites for blockchain platform application and raw materials supply chain in order to minimize various risks from raw materials production.

Operation of Responsible Sourcing Policy

LG Energy Solution goes beyond the Code of Conduct for Suppliers and established a policy for more responsible sourcing of raw materials. Base on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, the policy states the basic principles to the management of supply chain for LG Energy Solution and suppliers to minimize the supply chain risks, such as violation of human rights and environmental pollution. Through regular assessment of the supply chain, LG Energy Solution inspects the safety, environment, and compliance management system of suppliers. Based on the assessment result, we conduct an additional due diligence and manage progress of improvement task as needed. We require our suppliers to establish their own framework for securing supply chain transparency, identifying risks and conducting third-party supply chain due diligence so that they can avoid purchasing raw materials from conflict-affected and high-risk areas. Also, we are asking our suppliers to communicate aforementioned supply chain management activities with LG Energy Solution and external stakeholders. The results are to be communicated to LG Energy Solution and external stakeholders.

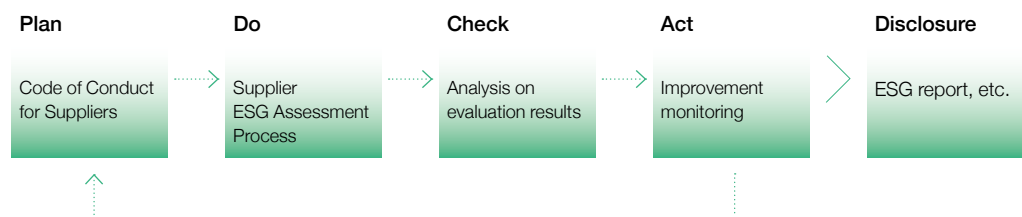
In addition to the above requirements, LG Energy Solution is running a grievance mechanism, accessible by external stakeholders at any time to ensure prompt response to issues or inquiries regarding the supply chain. Through the responsible sourcing policy, we will run a sustainable, responsible business by systematically resolving supply chain issues and proactively contributing to the fundamental reduction of supply chain risk.

Assessment of Supply Chain Risk

ESG Assessment of Supply Chain

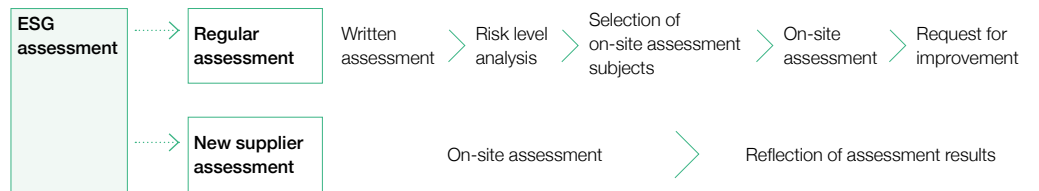
Since the child labor issue in the cobalt supply chain has been raised by the international human rights advocate Amnesty International in 2016, the voice to manage ESG in the supply chain of the battery industry has been elevated. Accordingly, we have been operating the supply chain management system by establishing the system in accordance with the standards of UN, OECD, RBA (Responsible Business Alliance), etc. We are also communicating closely with major stakeholders such as suppliers, clients, and investors.

LG Energy Solution's ESG Management Process in Supply Chain

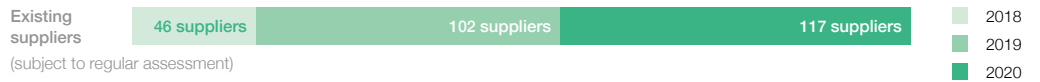


LG Energy Solution assesses suppliers every year to check whether they comply with the Code of Conduct for Suppliers. Improvement tasks and implementation results are monitored in conjunction with on-site inspections. ESG assessment for suppliers is conducted in connection with the purchase assessment (new supplier registration and regular assessment), which accounts 20% of all assessments. New supplier registration assessment consists of 10 evaluation items in the ESG fields that are reflected to the supplier assessment. Regular assessment is performed on raw material/facility suppliers at home and abroad. There are 63 assessment items including the prohibition of child labor, protection of workers, compliance with working hours, management of conflict minerals, management of safety, health, and environment approvals, and risk prevention.

Supplier ESG Assessment Process

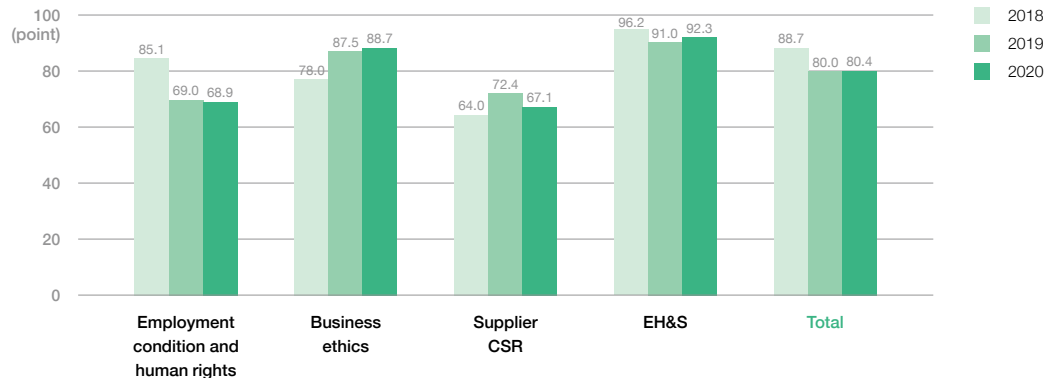


Tendency of ESG assessment subjects



In 2020, 117 global raw material suppliers have been evaluated through the ESG Self Assessment Questionnaire (SAQ). As a result of the assessment, the overall scores were temporarily decreased due to the revision of SAQ on environment working condition, human rights and EH&S in 2019. However, the overall score has been showing a similar tendencies in past three years.

It was identified that suppliers needed to improve some CSR fields including compliance with legal working hours, management of conflict minerals, and management of safety, health, and environment approvals.



We are conducting on-site inspection for suppliers in the high-risk group in order to check their major non-compliances and identify improvement tasks. The on-site inspection was carried out in 10 suppliers in 2018 and 2019, respectively. In 2020, due to the COVID-19 pandemic, the on-site inspection was replaced by an ESG operational guide, which was distributed for all suppliers.

Risk Group Status

By year	High Risk		Mid Risk		Low Risk	
	Number of suppliers	Proportion	Number of suppliers	Proportion	Number of suppliers	Proportion
2018	1	2.2%	10	21.7%	35	76.1%
2019	10	9.8%	55	53.9%	37	36.3%
2020	11	9.4%	61	52.1%	45	38.5%

- Low Risk (85 or above)
- Mid Risk (65 or above, below 85)
- High Risk (below 65)

LG Energy Solution has been strengthening the supplier's compliance obligation by including the ESG compliance when concluding the purchase contract. We encourage energy transition to renewable energy while upgrading the level of advancing on ESG assessment system and spreading ESG management within entire supply chain by expanding the assessment subjects. We are committed to strengthen ESG monitoring supports to the supply chain to secure 90% or higher ratio of low-risk group by 2030.

Inspection on Raw Material Supply Chain

Since international human rights advocate Amnesty International raised the issue of child labor in the cobalt supply chain in 2016, LG Energy Solution has been making efforts to realize a responsible supply chain in many different ways. In 2017, we have completed a third-party due diligence on Chinese refining and precursor supplier Huayou Cobalt. In 2018, we have inspected the child labor status through direct due diligence in small mines in Democratic Republic of the Congo and transparently shared the results in LG Chem website. In 2019, we registered as a member of the Responsible Minerals Initiative (RMI) under the Responsible Business Alliance (RBA) in the name of LG Chem. In addition to joining the initiative, we are providing support for international efforts to reduce risk in the supply chain.

LG Energy Solution has been collaborating with various clients to conduct a third-party due diligence on cobalt supply chain every year. In 2020, we have carried out an exhaustive assessment on major cobalt supply chains to identify areas that need to be improved for each supplier and has been following up their implementation. In order to increase sustainability in battery business, LG Energy Solution will put the highest emphasis on sourcing from responsible supply chain. We will expand the verification and improvement procedures for supply chains of major raw materials, such as lithium, nickel and natural graphite, based on our rich experience in due diligence of cobalt supply chains and management system for responsible supply chain.



Cobalt Mining Site and Refinery



Conflict Minerals Management

Supply Chain Management Related to Conflict Minerals

Conflict minerals refer to four minerals—tin, tantalum, tungsten, and gold—mined in the Democratic Republic of the Congo and neighboring nations. LG Energy Solution has established policies to prevent environmental pollution, casualties, and labor exploitation in troubled areas and have been excluding conflict minerals from raw material procurement. As part of our efforts to eliminate the use of conflict minerals, we conduct surveys on our suppliers using four minerals to identify whether they use any conflict minerals and to collect and manage information regarding relevant refineries. By using an IT system, we are monitoring suppliers as well as the components of raw materials from the procurement stage. Furthermore, we prohibit the use of conflict minerals in principle as stated under our Eco-SCM Guideline distributed to suppliers.

Community Impact

CSR Strategy and Direction

Social contribution is an important part of ESG that coexists with the community and can communicate with stakeholders regarding social and environmental issues. LG Energy Solution is focusing on “Environment” from a mid- to long-term perspective in line with the business vision toward green battery ecosystem.

Green+ing : A portmanteau of “Green,” a color symbolizing eco-friendliness, and “-ing,” a suffix that indicates that our active commitment to eco-friendly social contribution is an ongoing effort.

To You(2U) : “U” expresses the “Universe” that encompasses all the environments, society and people, and also indicates homonym “You.”

Theme Environment	We pursue green battery ecosystem, based on Corporate Social Responsibility.
Vision Together Energy, Sharing Solution	In order to resolve the social issues we face, we will gather energy and provide solutions to create a better future to open up a better future.
Brand Greening2U	We will continuously carry out eco-friendly CSR activities for the environment, society and future generation.

The CSR direction of LG Energy Solution was selected “Environment” as based theme that could be aligned with business direction. Through a survey of employees, sincere and touching socially contributed activities were selected as operation theme.

CSR Program

Hope Green Power Plant (Cheongju)

Through the Hope Green Power Plant Project, LG Energy Solution is producing renewable electricity using photovoltaic systems and donating the profits to the underprivileged and adolescents from low-income families. It was a project carried out under a partnership with a local government and NGO in December 2020 when a 410 kW solar power generation facility was installed at Cheongju Northern Transfer Center.

The estimated welfare funds to be raised over the next 20 years are around KRW 800 million, and the estimated reduction in GHG emissions is 4,900 tons (244 tons annually). Welfare projects for vulnerable people in Chungcheongbuk-do province will continue through an operating committee involving companies, public institutions, environmental groups, and residents’ autonomy committee.



CSR Performance

Ochang Plant

- “Companion Plant Movement” to help flower farms

To help local flower farms that have been hit by reduced flower consumption since the outbreak of COVID-19, Ochang Plant held the “Companion Plant Movement” to purchase potted plants with voluntary participation of employees. The plants purchased during this activity are 15 potted plants that have excellent indoor air purification capabilities. About 520 employees participated to purchase more than 1,700 plants from the region. This CSR activity was planned in the hope of achieving not only emotional stability but also relaxation of mind by looking after a companion plant at times when people’s body and mind are getting tired due to social distancing.



U.S. Corporation

- Operating girl scouts short-term vocational training course

LG Energy Solution U.S. Corporation is working with the Michigan branch of Girl Scouts in the US to promote a short-term vocational training program (1-week course). The program provides industry-wide knowledge and employment information through simulation of battery cell manufacturing, and interviews with female engineers in transportation, such as airplanes, trains and automobiles. LG Energy Solution US Corporation will work with other Girl Scouts branches to provide more opportunities for female students in the future.

Nanjing Corporation

- Youth health & education projects and environment protection activities

Established in 2003, LG Energy Solution Nanjing Corporation has been carrying out youth health and education projects. Since setting up a joint fund with Jiangsu’s Women’s Welfare Fund in 2019, the corporation supported more than 100 teenagers from low-income families over the past two years. In addition, regular visit of low-income families and child-care institutions in Nanjing is made with Nanjing-Korea Investment Business Association. Since May 2019, the corporation has been donating computers, books and stationery and conducting science classes in elementary schools in Nanjing. From 2020, it is promoting low-carbon lifestyle and purifying representative tourist attractions in Nanjing to improve community awareness of environmental protection

Poland Corporation

- Daily necessities support

One of Poland's most well-known social contribution projects, "Noble Package," is an activity based on the collaboration of volunteers and donors, where volunteers find families in need and donors prepare and deliver the necessary supplies to those families.

Employees of LG Energy Solution Poland Corporation have been providing supplies to selected families since 2019. Starting with 30 packages delivered to a family in 2019, in 2020, the corporation supported packages of 106 daily necessities and home appliances to four families. It is planning to continue this campaign in 2021 as well.

Daejeon R&D Campus

- Talent development support

Daejeon R&D Campus is working with Child Fund Korea to support dreams (talents) of children with social and economic difficulties to resolve inequality in educational opportunities and strengthen children's capabilities to grow as healthy social people. In 2020, it supported tuition fees to develop the dreams (talents) of six middle/high school students, and plans to continue this campaign in 2021.

- Do! Dream! Child Center

Daejeon R&D Campus is promoting projects to support the renovation of local children's centers and improve the environment of children's cohabitation families. In 2021, new children's centers with insufficient facilities were additionally selected to promote environmental improvement projects. We are trying to improve the environment of local children's centers this year so that child care can be carried out in a good environment and the satisfaction and happiness of children's lives are enhanced.

Shared Growth

Policies & Strategies Toward Shared Growth

LG Energy Solution adopted a policy of shared growth that creates a fair-trading culture and supports long-term, practical growth of our business partners.

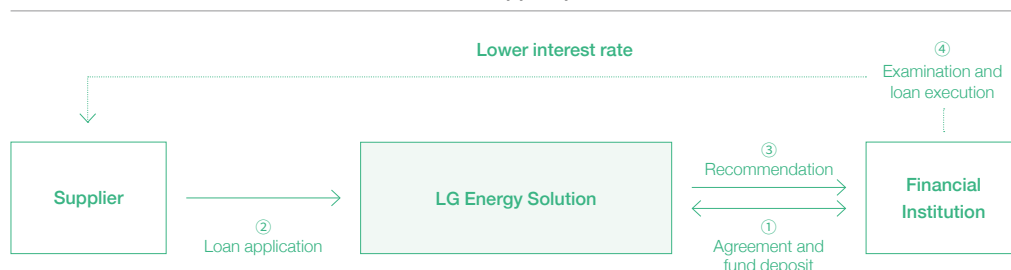
Through this policy toward shared growth, we are putting forth more effort to establish a sustainable shared growth system by strengthening business ties and increase competitiveness of business partners based on various supports.

The ESG team at the headquarters and the purchasing organization are responsible for shared growth to conduct ESG risk management and assessment of business partners, planning and operating company-wide supportive programs, providing technical supports, and holding analysis briefing sessions with business partners, centered on our R&D/production/technological department to seek accompanied growth and capability building for of business partners.

Financial Support

For efficient fund management of suppliers, LG Energy Solution operates a loan fund with preferential interest rates for suppliers based on the fund deposited in financial institutes. The “shared growth investment support fund,” which is our representative loan fund with low interest rates, focuses on supporting facility investments and funds for operational expenses that can be of great burden to the business partners. Furthermore, we are investing contributions in the fields of R&D, HR development, productivity improvement, advancement to overseas market, and energy saving for suppliers by donating win-win cooperation funds as financing for shared growth.

Financial support process



Shared Growth Program and Achievements

Supplier Competence Improvement Activity

- Educational Support for Employees of Suppliers

LG Energy Solution offers free online courses on business, IT, language/culture, liberal arts, and leadership through LG Academy, an educational institution designated by the Ministry of Employment and Labor, for the employees of suppliers. We are expanding the educational budget for the improved training program, including workplace sexual harassment prevention education which is the mandatory legal education as well as up-to-date educations, and we will carry out PR campaigns so that more employees can partake in educational courses.

- Rank-up Activity

We discover the weak points of suppliers through the inspection of development/mass production systems and processes and find detailed measures for improving their ability to solve issues. By carrying out activities to improve the weak points, we help our suppliers to increase productivity and reduce waste, thereby enabling them to meet the global requirements.

Supplier Communication Activity

LG Energy Solution regularly shares business status and issues and listens to the voices of suppliers. In February 2021, we held an online e-conference for shared growth with around 100 business partners all over the world as a channel for exchanging ideas to improve business competitiveness in terms of quality, ESG and more. This year, we had an in-depth discussion on concrete measures to improve procedural/facility technologies and shift our focus toward customer value-orientedness to raise global quality standard in an innovative way. We will continuously try to establish a healthy cooperative culture through exchange with our suppliers.