



Good Governance

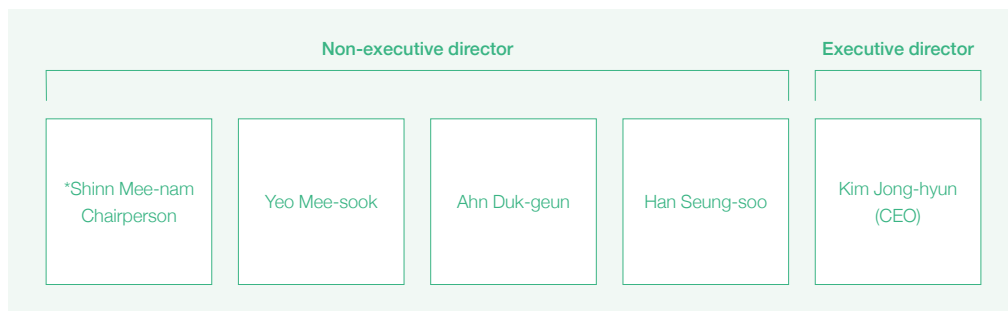
In a situation where the needs of various stakeholders surrounding the company are converging to ESG, LG Energy Solution launched the ESG Committee in the first half of 2021. In addition, in order to preemptively respond to risks from changing global battery regulations, we will constantly monitor the policy trends and strengthen cooperation with battery-related associations in each country as well as climate-related initiatives in preparation to the enactment of new policies so that LG Energy Solution's voice can be heard.

Operation of ESG Decision-Making System

ESG Committee

In order to deal with ESG issues that are gaining importance internally and externally based on climate change, human rights, supply chain management and governance, LG Energy Solution established the ESG management strategy system and formed the ESG Committee in June 2021.

The ESG Committee consists of four non-executive directors and one executive director.



The ESG Committee meeting will be held at least once a half year and will assume the roles of deliberation and resolution of basic policies, strategies and operation of ESG management.

Major Matters for Resolution at ESG Committee

- Mid- to long-term ESG strategy and roadmap
- Major goals and activities linked to mid- to long-term ESG strategy
- Matters considered as risks and management/response thereof
- ESG evaluation response and external announcement

ESG Committee supports LG Energy Solution to fulfill the responsibilities and roles to the environment and society, and establish a transparent governance to achieve sustainable growth on the long term.

The ESG team under the General Affairs of Foreign Cooperation serves as the secretariat of the ESG Committee, establishes mid- to long-term ESG objectives and management indicators, and performs practical roles, such as performance management and ESG-related external communication.

Message of Chairperson Shinn Mee-nam of ESG Committee



Global issues such as COVID-19 pandemic and climate change which are difficult to control based on predictions unlike in the past, are changing the market paradigm as a consequence.

Strengthening ESG evaluation by institutional investors, legalizing the ESG by the government, and increasing communication channels (social media) is essential for the company's sustainable growth, meaning the importance of rapid change from a shareholder priority to a stakeholder perspective.

Acting against the ESG principles, which are the demands of the times, is highly likely to bear controversy and negative public opinion. ESG is not only the "right thing" to do, but a "must-do." Therefore, we should strive to create new values by linking ESG with business.

Amid this trend, LG Energy Solution is building an optimized business model. We should take into consideration the ways to instill infinite trust in our products among clients, and reflect the ESG elements in the right place in the value chain from production to disposal.

Human rights and diversity issues, in particular, need constant interest and risk management. In terms of recycling, we need to keep our global competitiveness with unparalleled strategies.

ESG Committee will monitor whether the essential ESG tasks are implemented and are systematically managed from the viewpoint of strategy to ensure that LG Energy Solution meets the demands of the times and improves its competitiveness.

ESG committee will faithfully fulfill our roles to assist LG Energy Solution to grow into a company that meets social responsibility.

Thank you.

In order to preemptively sense the business risks from the strengthening of various battery-related regulations, LG Energy Solution constantly monitors new enactments and amendments across the globe by utilizing the global network. We are also striving to voice our opinions by cooperating with regional industrial associations and organizations and taking part from the enactment stage of each regulation.

Recently, EU made a major amendment to the Battery Directive that had been recommended to increase sustainability of the battery industry, and proposed strengthening it into a regulation, which will be applied uniformly to EU member states. Major changes are expected throughout the battery industry, including the management of carbon footprint of batteries, mandatory due diligence of supply chains, and reuse/recycling of batteries.

Accelerated by the Biden administration's strengthening of eco-friendly policies, the U.S. is coming out with various policies and laws to promote the distribution of eco-friendly vehicles for reducing GHG emissions, increase competitiveness of battery manufacturing, and resolve supply chain risks. We are taking close monitoring of the relevant situation as detailed policies are expected to be announced subsequently.

Compliance System

Compliance Management System

LG Energy Solution appointed the compliance officer from the Board of Directors at the time of the founding in December 2020 to ensure fair and transparent work and secure the company's sound development and customer trust. Since January 2021, we have established and implemented compliance management standards.

We also operate the compliance management system to identify domestic and foreign laws that must be obligated during business operations and to prevent employees from violating laws.

The compliance support and management activities of LG Energy Solution are managed by the compliance officer appointed by the Board of Directors. Evaluation on the efficiency of compliance support and management system will be conducted and reported to the Board of Directors every year. The Legal Compliance Team under the Legal Affairs Office is in operation to support the compliance officers.

Strengthening Compliance Education

LG Energy Solution develops and operates various compliance education programs for different positions and conducts annual online compliance education. We also carry out online compliance education for employees more than twice a year. In the first half of 2021, we conducted training courses on the Protection of Management Information, Fair Trade Point You Should Know, Information Security, Fair Trade, Environmental Safety and Export/Import Regulation as online programs. In the second half, we plan to conduct training courses on Company's Major Compliance Risk, Contacting Competitors and Trading Between Subsidiaries, Anti-corruption, and Personal Information Protection, as well as compliance education by rank for executive directors, team leaders and dispatched personnel, and job-specific education for high-risk departments, such as Purchasing, Sales, and R&D.

In addition, by distributing vendor trading guidelines, legal guides for overseas dispatched personnel, and various newsletters, we have enhanced the employees' sense of compliance. LG Compliance Guidelines, in particular, are produced based on LG Group's code of conduct—Jeong-Do Management—and distributed to help employees understand and respond to legal risks.

Prevention of Compliance Risks

LG Energy Solution not only complies with global standards but also manages compliance of overseas corporations in order to minimize management risks and fulfill the social responsibility. In particular, we are frequently examining and analyzing the domestic and international law enactments/amendments and regulation trends. As part of the integrated risk assessment to secure validity of the compliance management system, we are inspecting the compliance status of domestic and overseas business sites through checklists. When legal risks are identified through the compliance checks, they are shared with the relevant department managers so that proper measures such as suspension, improvement, correction, or sanction can be taken. Moreover, we have established a recurrence prevention plan to prevent the occurrence of the same or similar violations. When tasks closely related to legal risks need to be performed, they must be run by the legal department in advance, and the results must be reported to the compliance officer.

System and Education of Autonomous Compliance of Fair Trading

LG Energy Solution is operating a self-compliance program for fair trade to encourage fair trade and competition in all processes of performing tasks. LG Energy Solution aims to establish a culture of autonomous compliance with fair trade through fair trading compliance operation, including monitoring, inspection, and education under the supervision of the Fair-Trade Team under the legal office. More specifically, we regularly monitor the compliance status of related fair trade, such as collusion, subcontracting, and internal transactions, and support the responsible department's compliance with fair trade laws by regularly providing legal advice and feedback on fair trade. Furthermore, we are making efforts to prevent risks through regulations, revision of guidelines, and dissemination activities to establish a fair-trade compliance system.

To this end, we conduct fair trade trainings for all employees at least once a year, and provide the latest compliance practical training for new employees with or without career background and departments at the point of contact with suppliers. In addition, by continuously distributing and announcing handy materials, such as newsletters and guidelines related to fair trade issues, we are spreading autonomous compliance with fair trade throughout the company.